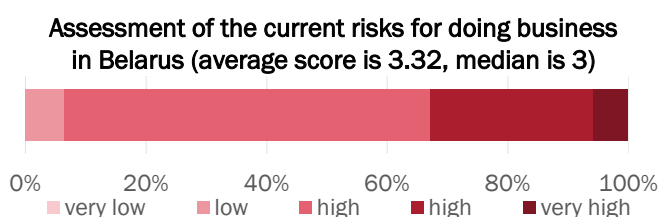
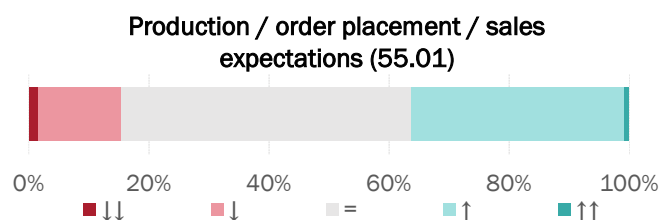
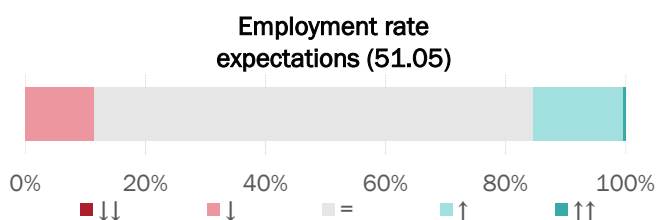
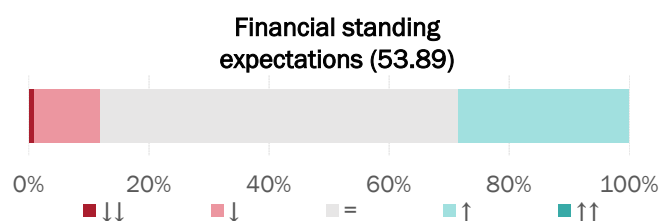
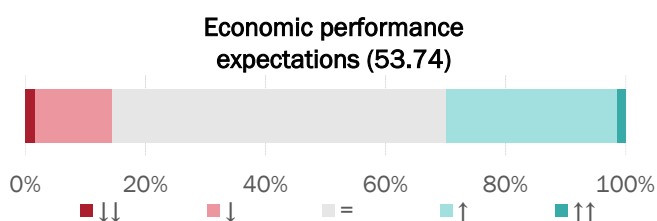


### Summary

- The dynamics of the BCI Composite Index indicate that the business community is still optimistic about business activity. Businesses expect an increase in production and sales in anticipation of growing demand.
- SMEs are quite optimistic about their economic situation and financial standing and generally expect this to continue improving.
- Employment indices are the most stable: both indicators are in the neutral zone for the second survey wave in a row despite the positive dynamics of the economic/financial situation and production/sales indices.
- Against the backdrop of the depreciating Belarusian ruble against world currencies and some easing of price regulation,

BCI Price Indices are in the growth zone. Price regulation has had and continues to have the greatest impact on the wholesale and retail trade.

- According to businesses, no new risk factors for business activity appeared during the quarter: the average score of the current risks of doing business in Belarus is close to the minimum value for the entire observation period.
- Among the barriers, “Lack of Staff” (lack of qualified personnel and ordinary staff) came first, the second was “Supply Difficulties” (due to the disruption of logistics and production chains), and the third was “Financial Problems”. The top barriers also included “Strong Competitors”, “Low Domestic Demand” and “Payment Problems”; “Macroeconomic Instability” and “Lack of Capacity” (production capacity, etc.) approached the top of the list of barriers.



**Composite BCI,  
June 2023:  
53.42 [51.93–54.91]**

**Legend keys:** ↓↓ – will significantly worsen/decrease; ↓ – will worsen/decrease; = – will not change practically; ↑ – will improve/increase; ↑↑ – will improve/increase significantly.

**Note.** Index values less than 50 mean “deterioration/decrease”, 50 means “no changes”, and above 50 means “improvement/growth”. Risks were scored on a five-point scale, where 1 was “very low”, and 5 was “very high”. The confidence interval of the composite BCI index (95%) is square-bracketed.

**Source:** BEROC.

The bulletin is based on the online survey of 300 SMEs (staffed with 16–250 people when surveyed) in four aggregated business activities: industrial production (Sections B, C, D, E of CCEA), construction (Section F of CCEA), wholesale and retail trade (Section G of CCEA), and services (other business activities except Section A of CCEA). The sample was stratified (75 companies from each of the enlarged types of business activities were surveyed). Business owners and top managers were interviewed. The questionnaire is based on the [OECD methodology](#).

BCI is calculated similarly to PMI, but BCI has a five-point scale. Extremely negative responses have a weight of 0; negative responses have a weight of 0.25; neutral responses have a weight of 0.5; positive responses have a weight of 0.75; extremely positive responses have a weight of 1. The composite index is calculated as the arithmetic mean of the following indices: expected economic performance change, expected financial standing change, expected employment change, and expected production/orders/sales change. The IPM Research Center has applied the same approach when calculating the [IPM index](#).

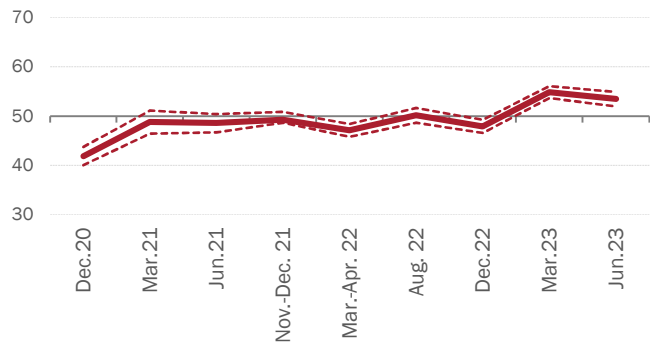
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**Composite index dynamics**

- Composite BCI index, “past”: 51.47 (growth)
- Composite BCI index, “present”: 53.34 (growth)
- Composite BCI: 53.42 (growth)

The BCI Composite Index remained in the growth zone in June (53.42), lowering slightly versus March (54.87), which indicated optimistic business expectations regarding the level of business activity in the next three months. Since the beginning of the year, activity has been increasing due to growing demand (both consumer and investment demand), including under the influence of stimulus measures. Against the backdrop of continued economic recovery, administrative price regulation has not become an insurmountable barrier for businesses.

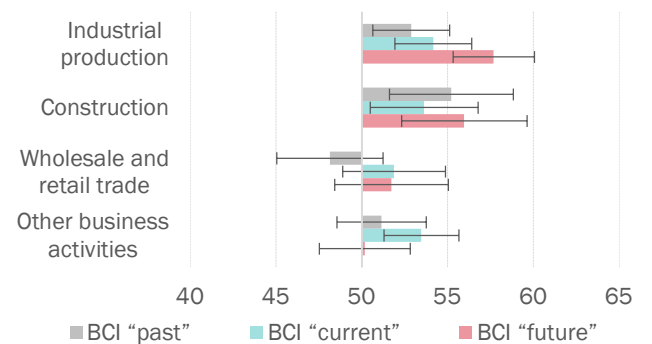
**Fig. 1. Composite BCI**



**Note.** The scale is from 0 to 100, where less than 50 is “decline”, and more than 50 is “growth”. Dotted lines denote 95% confidence intervals here and below.

Strong external demand and increasing investment observed in Q2-2023 had a positive impact on the industrial and construction sectors. For them, all BCI composite indices are in the growth zone. In the trade sector, the values of these indices were in the neutral zone due to multidirectional factors: the growth of consumer demand amid the availability of loans and increased household incomes on the one hand, and continued price regulation (albeit its softer modality) on the other hand. In contrast to previous survey waves, none of the sectors had the value of the BCI “Past” Index in the negative zone.

**Fig. 2. Composite BCI indices by type of activity**



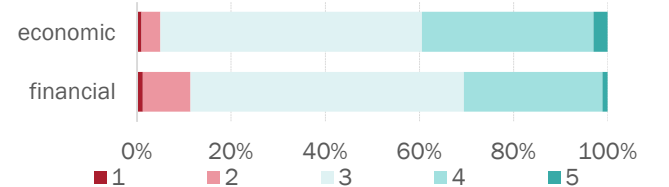
**Note.** The scale is from 0 to 100, where less than 50 is “decline”, and more than 50 is “growth”.

**Economic performance and financial standing**

- BCI, economic performance index, “present”: 59.09 (growth)
- BCI, financial standing index, “present”: 54.72 (growth)

The indices of the current economic situation (59.09) and the current financial standing (54.72) increased versus March 2023, reaching their highest values since March 2021. Nevertheless, most business entities still assessed their economic and financial standing as neutral.

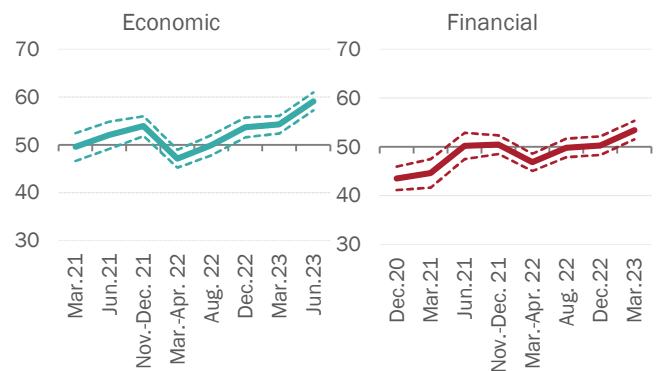
**Fig. 3. Assessment of the current economic performance and financial standing of businesses in June 2023**



**Note.** The scale is from 1 to 5, where 1 is “very bad” and 5 is “very good”.

Among the identified 4 areas of business activity, the largest share of companies (48.6%) that defined their current economic situation as “good” or “very good” was in the service sector (“other business activities”). The current financial standing got the highest scores in the trade sector: 36.1% viewed it as “rather good” or “very good”.

**Fig. 4. Indices of economic performance and financial standing, “present”**



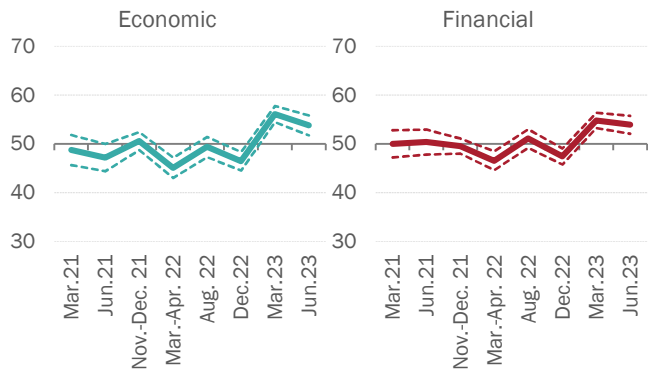
**Note.** The scale is from 0 to 100, where less than 50 is “decline”, and more than 50 is “growth”.

- BCI, economic performance index, “future”: 53.74 (growth)
- BCI, financial standing index, “future”: 53.89 (growth)

Expectations of businesses regarding further changes in their economic situation and financial standing slightly deteriorated versus March, but they were still in the growth zone.

The most optimistic assessments of changes in the economic situation and financial standing in the future turned out to be in the industrial production sector: 38.5% expected both indicators to improve.

**Fig. 5. Indices of economic performance and financial standing, "future"**

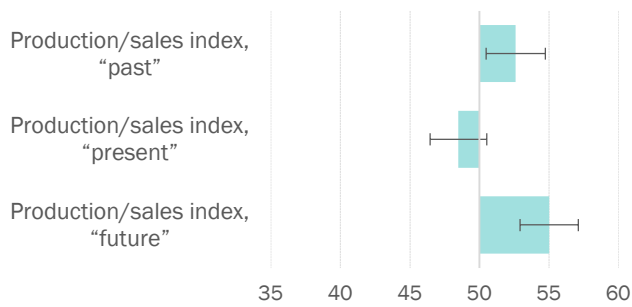


**Note.** The scale is from 0 to 100, where 0 is "will significantly deteriorate" and 100 is "will significantly improve".

**Production and sales**

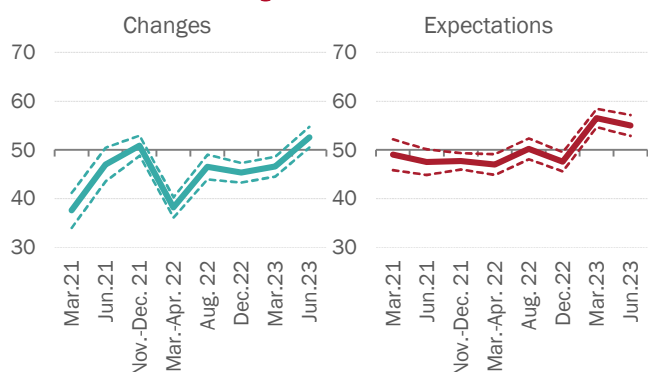
- BCI, production/sales index, "past": 52.60 (growth)
- BCI, production/sales index, "present": 48.49 (neutral)
- BCI, production/sales index, "future": 55.01 (growth)

**Fig. 6. Production/sales indices**



**Note.** The scale is from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase". "Past" is the change in production/sales over the past 3 months; "present" is the current scope of demand compared to "normal" demand; "future" is the change in production/sales in the coming 3 months.

**Fig. 7. Indices of changes in production/sales for the last 3 months and in the coming 3 months**



**Note.** The scale is from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

Among the BCI Production/Sales Indices, the index characterizing future changes in the volume of production or sales had the highest score (55.01): businesses expected a further increase in demand for goods and services. The worst situation with the volume of production/sales in Q2-2023 was in the trade sector: 37.3%

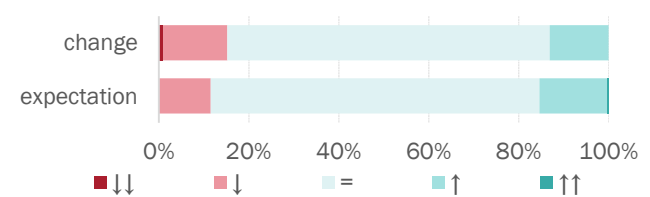
reported a decrease in sales. By contrast, in the industrial production and construction sectors, companies with a decrease in sales accounted for 11.5% and 10.4%, respectively, with almost half of the companies in these sectors expecting an increase in the volume of production/orders.

**Employment**

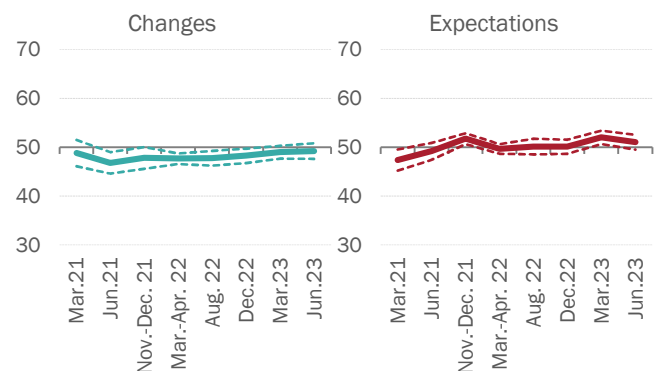
- BCI, employment index, "past": 49.23 (neutral)
- BCI, employment index, "future": 51.05 (neutral)

The BCI Employment Indices are the most stable: both indicators have been neutral for the second survey wave in a row despite the positive dynamics of the indices of economic situation / financial standing, and production/sales. As before, more than 70% of small and medium-sized enterprises did not report any changes in the number of employees in the past, and about the same number of respondents did not expect this to change in the near future. The share of companies with job cuts exceeded the share of hiring companies in the industrial production and service sectors. In terms of the expected change in employment, the trade sector was the only sector where more companies expected decreasing employment, not increasing.

**Fig. 8. Assessment of changes in employment over the past 3 months and in the coming 3 months**



**Fig. 9. The index of employment changes over the past 3 months and expectations for the coming 3 months**



**Note.** The scale is from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

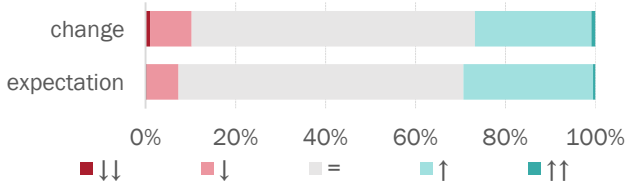
**Prices**

- BCI, price index, "past": 54.10 (growth)
- BCI, price index, "future": 55.54 (growth)

Amid new emerging inflationary factors (such as the depreciation of the Belarusian ruble against world currencies) and strong consumer activity, the BCI "Past" Price Index (54.10) returned to the growth zone: more than a quarter of respondents reported an increase in their selling prices, and a decrease was reported by less

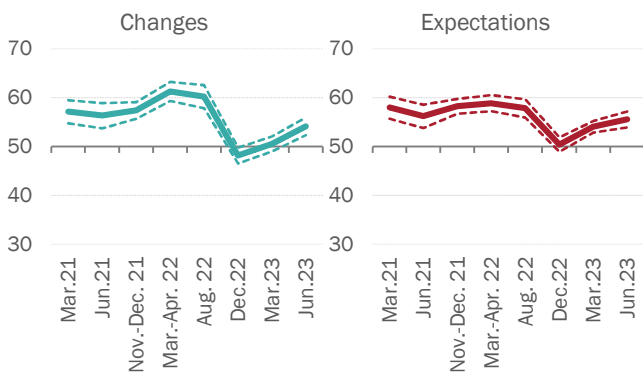
than 10% of respondents. Selling prices for the 3 months preceding the survey increased on average in all sectors except the trade sector. Meanwhile, a large share of enterprises (47.3%) reported an increase in purchase prices.

**Fig. 10. Assessment of changes in selling prices over the past 3 months and in the coming 3 months**



Inflation expectations of SMEs for the next 3 months remained in the growth zone and turned out to be close to the level of 2021 both in the sample as a whole and in all sectors except the trade sector (neutral). The largest share of businesses that expected prices to rise in June 2023 was in the service sector (38.9%), and the smallest share was in the trade sector (21.7%). Based on these data, it can be concluded that price regulation has had and continues to have the greatest impact on the wholesale and retail trade.

**Fig. 11. Index of changes in selling prices over the past 3 months and in the coming 3 months**



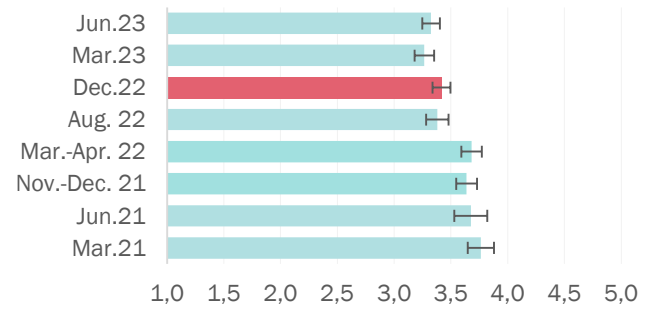
Note. The scale is from 0 to 100, where 0 is “significantly decreased/will decrease”, and 100 is “significantly increased/will increase”.

**Impediments to business expansion**

- Average assessment of the current risks for doing business in Belarus: 3.32

The average score for assessing the current risks of doing business in Belarus was 3.32 in June, which did not indicate any statistically significant changes versus March 2023 when the minimum value for the entire observation period was reached. According to businesses, no new risk factors for business activity appeared during the 2<sup>nd</sup> quarter, and the situation began to be perceived as the “new normal”.

**Fig. 12. Average business risk assessment score**

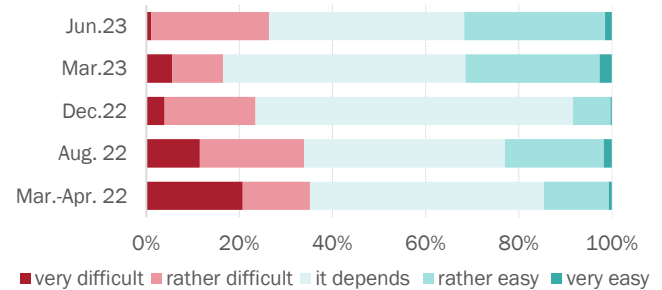


Note. The scale is from 1 to 5, where 1 is “very low” and 5 is “very high”.

- BCI, “access to finance”: 51.44 (neutral)

Despite gradually declining interest rates, the BCI Access-to-Finance Index moved from the growth zone to the neutral zone (51.44). Compared to December 2022, the share of companies that reported that it was “very easy” and “rather easy” to get access to finance did not increase significantly. At the same time, more than a quarter of respondents reported challenged access to finance. The greatest difficulties with access to finance were noted in the construction sector, where 37.3% of SMEs reported that it was very difficult/rather difficult for them to get access to finance. SMEs operating in the service sector enjoyed the easiest way to get loans: 34.7% of respondents answered that it was “very easy” / “rather easy” to get access to finance.

**Fig. 13. Access to Finance assessment, %**



**Top 5 impediments to business expansion:**

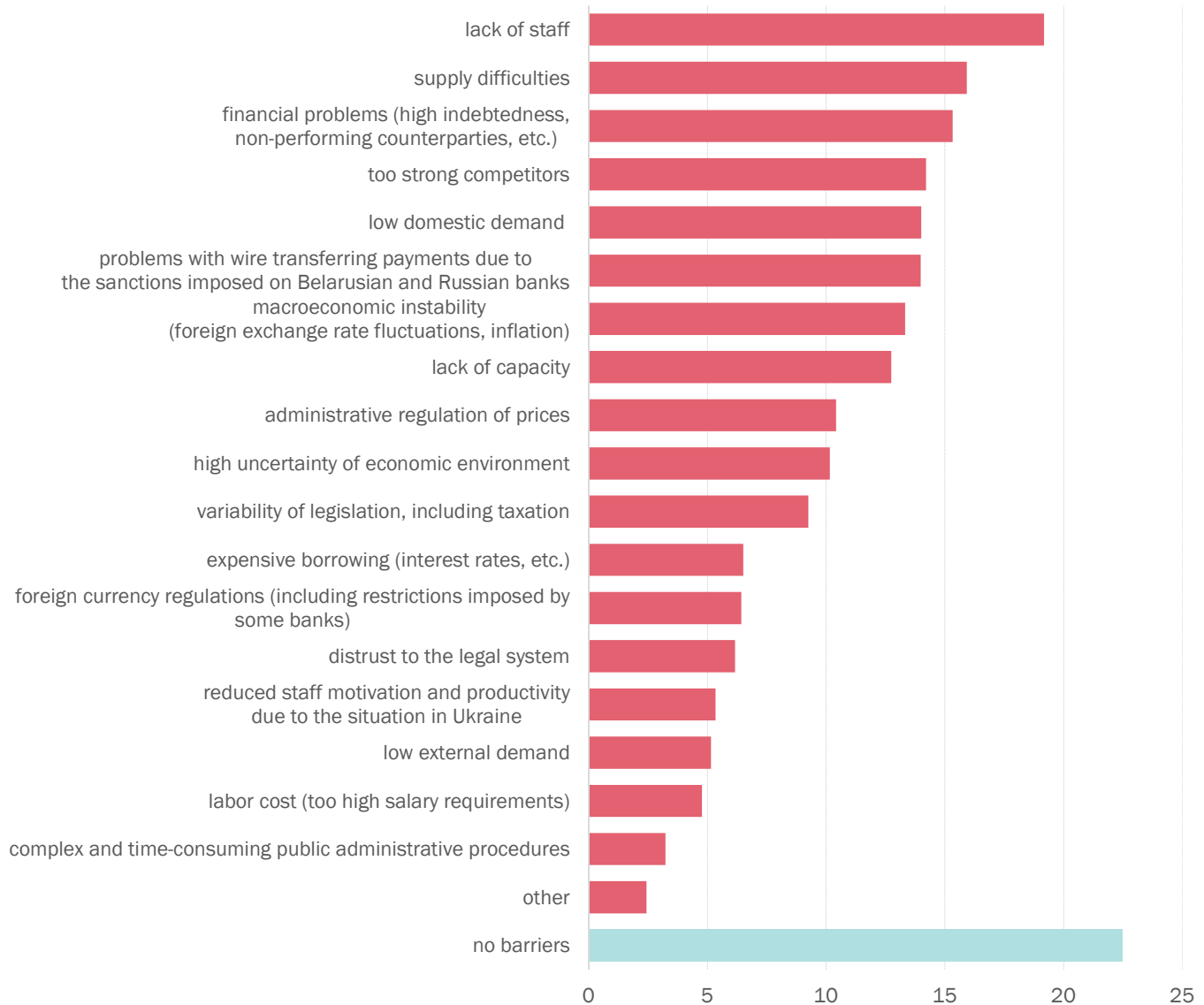
- Lack of staff (unqualified + qualified/management)
- Supply chain disruptions (disruption of supply and production chains)
- Financial problems (high indebtedness + non-performing counterparties, etc.)
- Overly strong competitors
- Low domestic demand

When classifying barriers, we combined some categories. In particular, the “Lack of Staff” category included two options (“Lack of qualified personnel/management” and “Lack of Staff”); the “Supply Difficulties” category included both causes of these difficulties; and the “Lack of Capacity” category included three answer options covering barriers related to the difficulty of scaling up business/sales. This approach brought the “Lack of Staff” to the top of the list of barriers (19.2% of companies marked at least one of the two answer

options combined in this group). “Supply Difficulties” and “Financial Problems” (non-payments, credit debt) were chosen as obstacles to business expansion by 15.9% and 15.3% of companies, respectively. The next three options had almost the same number of answers: strong competitors (14.2%), low domestic demand (14%), and challenged payments due to sanctions (14%). Against the backdrop of the depreciation of the Belarusian ruble, macroeconomic instability returned

to the list of current obstacles (13.3%). Finally, a favorable situation was manifested in a fairly high (12.8%) share of companies that chose one or another answer option for “Lack of Capacity” (lacking capacity, from production to infrastructure). However, the most significant result was the historical maximum number of companies (22.5% of respondents), who reported that at that moment they did not see any obstacles to expanding their economic activity, which proves the hypothesis of the “new normal”.

**Fig. 14. Distribution of answers to the question “What factors impede the growth of your company's business activity”, % of respondents who had the opportunity to select the appropriate option**



**Note.** Respondents were asked to choose up to 5 answer options: “Lack of staff” combines “Lack of staff” and “Lack of qualified personnel/management” (48 respondents chose one of the two answers, 10 chose both answers); the “Supply Difficulties” answer option combined “Logistic Chain Disruption Difficulties” and “Production Chain Disruption Difficulties” (38 respondents chose one of the two answers, 10 chose both answers); the “Lack of capacity” answer option combined “Lack of raw materials/materials/components”, “Lack of needed equipment” and “Lack of trade/warehouse/production space, infrastructure” (35 respondents chose one of the three answers, and 3 respondents chose two or more answers).

## Final sample structure (unweighted)

**Table 1. Distribution by year of company's establishment, % of respondents**

	Mar-Apr 2022	August 2022	December 2022	March 2023	June 2023
until 1995	20.7	8.7	27.4	30.4	44.7
1996-2000	10.3	10.7	10.1	10.9	10.3
2001-2005	14.7	15.0	12.5	14.2	9.3
2006-2010	24.0	22.3	20.7	18.5	11.3
2011-2015	20.0	23.0	18.3	15.8	10.0
2016+	10.3	20.3	11.0	10.2	14.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BEROC.

**Table 2. Distribution by staff size**

	Mar-Apr 2022	August 2022	December 2022	March 2023	June 2023
16-50	76.7	86.0	54.9	68.3	59.0
51-100	17.0	8.7	22.9	19.8	15.7
101-250	6.3	5.3	22.3	11.9	25.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BEROC.

**Table 3. Distribution by locality (rural/urban)**

	Mar-Apr 2022	August 2022	December 2022	March 2023	June 2023
Minsk city	47.3	47.7	28.7	48.8	49.7
Country's regional center or other large city	39.0	31.0	50.3	27.1	30.0
District center	7.3	12.7	15.9	16.2	17.0
Other towns, urban-type settlements	2.3	6.0	3.7	5.6	1.0
Rural areas	4.0	2.7	1.5	2.3	2.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BEROC.

**Table 4. Distribution by place of business registration**

	Mar-Apr 2022	August 2022	December 2022	March 2023	June 2023
Brest region	10.0	10.0	16.8	9.6	9.3
Vitebsk region	11.0	11.7	13.1	11.9	11.7
Gomel region	7.0	6.7	10.4	6.6	7.0
Grodno region	9.0	8.3	13.7	8.9	9.0
Minsk region	9.0	9.3	10.1	8.6	7.3
Mogilev region	6.3	6.3	10.1	5.9	6.0
Minsk city	47.7	47.7	25.9	48.5	49.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BEROC.

**Table 5. Distribution by business activity**

	Mar-Apr 2022	August 2022	December 2022	March 2023	June 2023
Industrial production	25.0	25.0	28.7	25.4	26.0
Construction	25.0	25.0	23.8	22.1	22.3
Wholesale and retail trade	25.3	25.3	25.6	27.7	27.7
Other business activities	24.7	24.7	22.0	24.8	24.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: BEROC.

### Methodological remarks

Four out of five indicators characterizing the expectations of companies were selected to calculate the composite BCI. In the surveys, expectations about the selling price dynamics do not match other expectations. Four remaining indicators (expectations about economic performance, the number of employees, financial standing, and the scope of production/work/sales) match one another; therefore, merging them into a composite index is justified.

The data were weighted to calculate average indicators in the sample. A weighting criterion was the number of SMEs by the type of business activity as of January 1, 2022 (according to the Belstat data, see Table 6). The resulting weights are in Table 6 (there has been no difference between the survey waves, since the sample quotas for business activities have not changed).

**Table 6. Initial data for calculating weights; weights for weighting the survey data**

	Number of SMEs as of January 1, 2021	Weights. December 2022	Weights. March 2023	Weights. June 2023
Industrial production	3,707	0.9944	1.1214	
Construction	1,616	0.5224	0.5618	
Wholesale and retail trade; vehicle and motorcycle repair	3,080	0.9246	0.8541	
Other business activities (except Section A of CCEA)	4,605	1.6127	1.4302	
<b>Total</b>	<b>13,008</b>	-	-	-

**Source:** Belstat; the calculations are based on the Belstat and BEROC data.