

Abstract

- Recovery of the Consumer Confidence Index has stalled.
- The value of the Consumer Confidence Index (according to the Rosstat methodology) was -9.95% in October 2023: it increased by 0.2 percentage points (p.p.) versus June 2023 and by 6.7 p.p. versus March 2023.
- The value of the Consumer Confidence Index, excluding the component of the current state of the economy (the Eurostat methodology) was -8.5% (a 0.3 p.p. increase), while the average value among the EU countries was significantly lower for the past quarter: -19.8%.
- Respondents assess the current state of the country's economy the worst: 39% believe that the economic situation has worsened.
- The share of respondents who reported an income decrease over the last month in October 2023 reached another low and amounted to 30.7%.
- The share of those who lost their jobs in the last two weeks lowered to 2.1%.
- The share of respondents reporting a job lost by someone they knew turned out to be the smallest among all survey waves: 11.4%.

Methodology

The bulletin is based on the data from 7 online surveys of urban residents aged 18-64; the sample corresponds to the urban population structure in Belarus, and it is adjusted by the country's regions, respondents' sex and age:

- 1) from December 2 to December 8, 2021;
- 2) from April 19 to April 25, 2022;
- 3) from August 26 to August 31, 2022;
- 4) from November 21 to November 25, 2022;
- 5) from March 2 to March 4, 2023;
- 6) from June 28 to June 30, 2023;
- 7) from October 9 to October 11, 2023.

The Consumer Confidence Index reflects the general perception and expectations of the population regarding the country's economy and the family financial situation. The index is calculated in our studies through applying the methodologies used by Rosstat and Eurostat. The Eurostat index includes questions about the current and projected financial standing of the family, the willingness to make large purchases, as well as the questions about the economic development of the country over the coming year. The Rosstat methodology includes the above questions + an assessment of the economic situation in the country compared to the economic situation a year ago.

Interpretation of the CCI outcomes

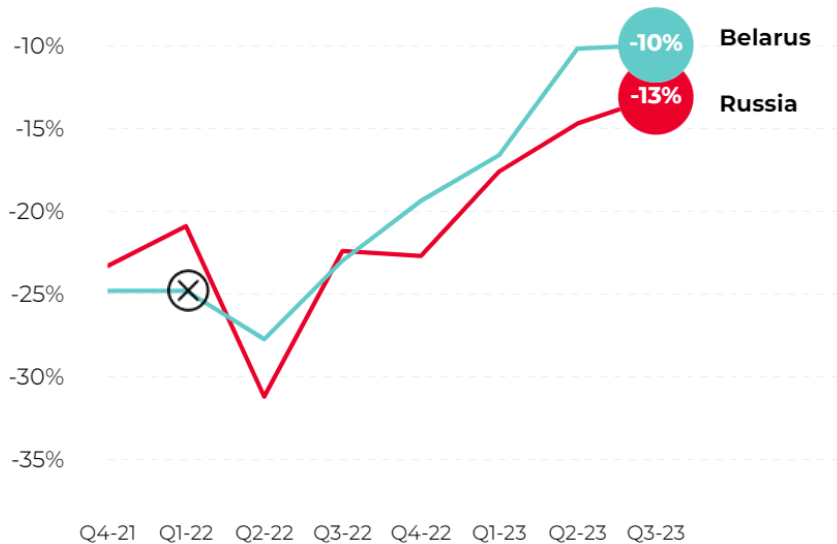
The **Consumer Confidence Index** is a composite indicator reflecting the population's assessment of the economic situation in the country in general and the financial standing of households in particular. In addition to the actual assessment, the index also includes questions related to the perception of the future: how the economic situation and the financial standing of the family will change over the next year. As a result, the index illustrates the **attitudes and expectations** of households and explains the strategy of their consumer behavior.

Belarus and Russia

In October 2023, the Consumer Confidence Index, including 5 components (by the Rosstat methodology), was -9.95% in Belarus and -13.1% in Russia (the Rosstat data for August 2023). After a significant drop in Q2-2022, consumer attitudes and expectations continued recovering in Russia (a 1.6 p.p. growth versus the previous quarter). In Belarus, the recovery of the index has paused: its growth is 0.2 p.p. versus the previous quarter.

Figure 1. The Consumer Confidence Index in Belarus and Russia in 2021-2023.

(The index for Belarus starts from Q4-2021; there were no Q1-2022 data on Belarus)



Background info. Why is it relevant to compare Belarus with Russia?

- Russian economy — just like Belarusian economy — has been experiencing challenges with the long-term economic growth potential.
- Income of the population has been hardly growing in Russia, just like in Belarus.
- Economic sanctions have affected both countries.
- Russia is the key trading partner for Belarus.

Belarus and EU

The value of the Consumer Confidence Index in Belarus (by the Eurostat methodology) was -8.5% in October 2023 (a 0.3 p.p. growth). The indices of the majority of the monitored European countries dropped in Q3-2023: the index decreased by 4.4 p.p. on average in the Euro zone. The most significant drop of the index value is traditionally

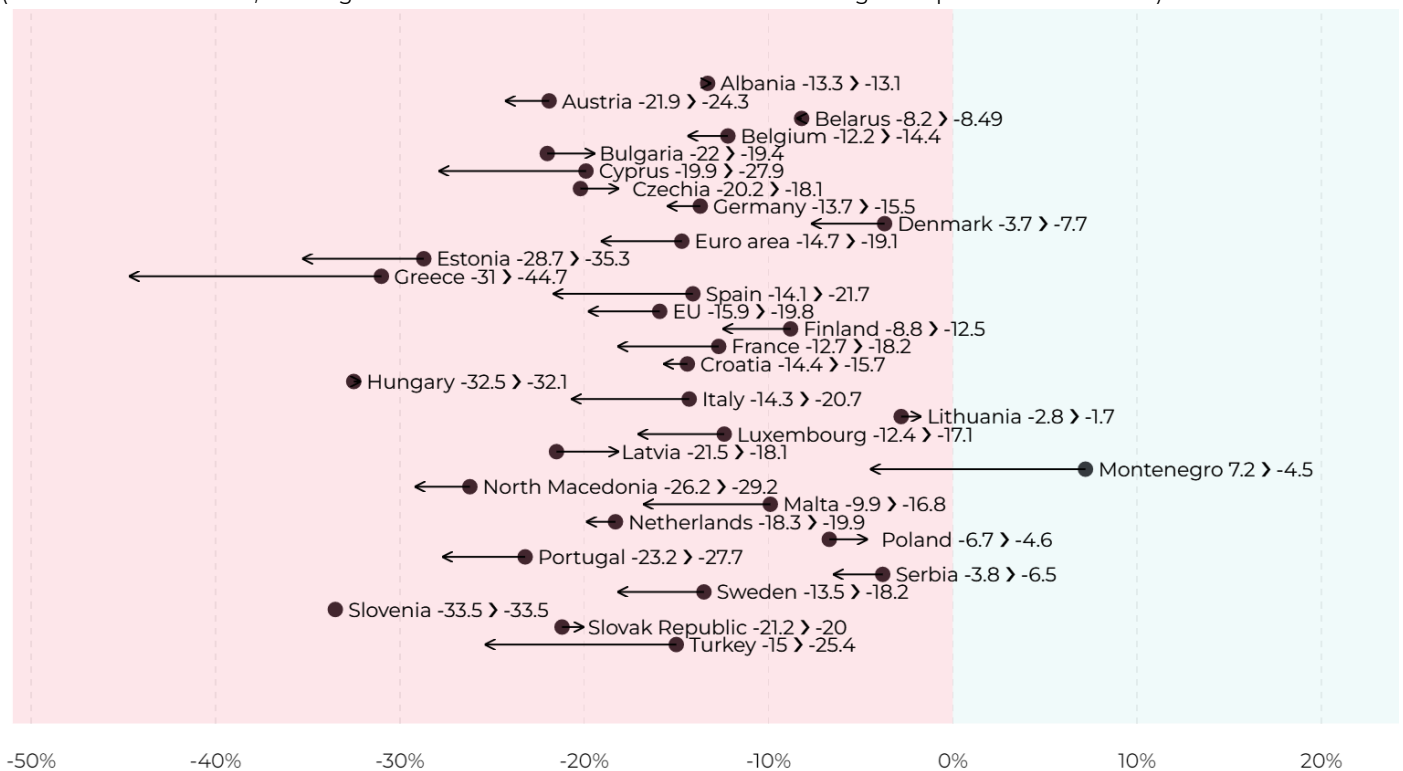
observed in Greece (-13.7 p.p.); after a rapid transition to the positive zone, the index in Montenegro was negative again: -11.7 p.p.¹

The Consumer Confidence Index increased in a few countries: the index increased by 2.6 p.p. in Bulgaria and by 2.1 p.p. in Poland, amounting to -4.6%. Despite a slight improvement, Poland is among the top three countries with the best index value, together with Montenegro (-4.5%) and Lithuania (-1.7%).

In November 2022, Belarus ranked 3rd in terms of the consumer confidence index among European countries; Belarus has ranked Top 6-7 in the last three survey waves.

Figure 2. The Consumer Confidence Index in Europe in October and June 2023

(The Y-axis is A-Z sorted, the lengths and directions of the arrows show the change compared to March 2023)



Background info. Why is it relevant to compare Belarus with the EU countries?

- a) The predictive power of the index for the EU countries based on the Eurostat methodology (excluding the component on the current state of the economy) is higher than the index that includes all 5 components.²
- b) The European Union is the second most important trade partner of Belarus.

¹ The index values are not seasonally adjusted; source: Eurostat.

² [A Revised Consumer Confidence Indicator. European Commission, official website, 2018.](#)

Components of the Consumer Confidence Index

Note. Component calculation formula

$$\text{Component} = (PR + P \div 2) - (MN + N \div 2)$$

where PR are the most positive responses;
P are positive responses;
MN are the most negative responses;
N are negative responses.

In the previous survey waves, Belarusian households traditionally assessed the economic situation in the country more negatively than the financial standing of their families (Figure 3: Q1 and Q3). The gap has been narrowing over the last two survey waves: in October, 39% and 35% of respondents, respectively, reported that the economic situation in the country and the financial standing of their families had worsened over the past year. In general, there is a positive trend in assessing the current economic situation in the country: compared to a year ago, 17% believe that the situation has improved (+5 p.p.); 30% believe that the situation has not changed (+13 p.p.); and 39% believe that the situation has worsened (-24 p.p.). Comparing with the actual estimates, Belarus' GDP grew by 3.8% (YoY) in the first 10 months of 2023.³

Assessments of the family's financial standing have slightly improved mainly due to neutral responses (Q3): 45% of respondents reported no changes in their financial standing (+9 p.p., YoY), 18% of respondents reported that their financial standing improved over the past year (+4 p.p.), 35% of respondents reported that their financial standing worsened (-12 p.p.). The reasons for the improvement could also be seen in official statistics: the real disposable money income of the population increased by 5.8% in January-September 2023 compared to the same period of the previous year, and real wages increased by 10.7% in January-October 2023 (YoY).⁴

Speaking about assessments of the future, there is still a high level of uncertainty and impossibility of forecasting among the population (Q2 and Q4): 28% of respondents find it difficult to assess the economic situation in the country, and 17% of respondents do not know what will happen to their financial standing. The outlook for the economy typically rates worse: 28% expect the economic situation to worsen, and 20% expect the economic situation to improve. However, the prospects become more optimistic for households: 25% of respondents expect their financial standing to improve (+4 p.p. versus November 2022), 22% expect their financial standing to worsen (-8 p.p.), and 36% of respondents do not expect any changes in their financial standing.

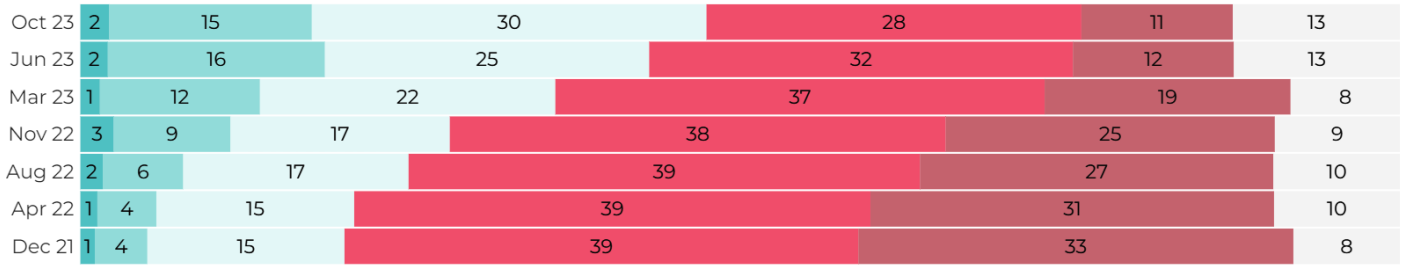
A curious situation was about large purchases: only 12% of respondents said that the time was good to buy large; 33% of respondents believed that the time was rather bad for that; and 42% of respondents reported that the pros and cons were the same. Despite this, consumer lending has been growing.

³ Source: BEROC, Express Analysis. November 2023 (<https://beroc.org/publications/view/ekspress-analiz-noyabr-2023/>)

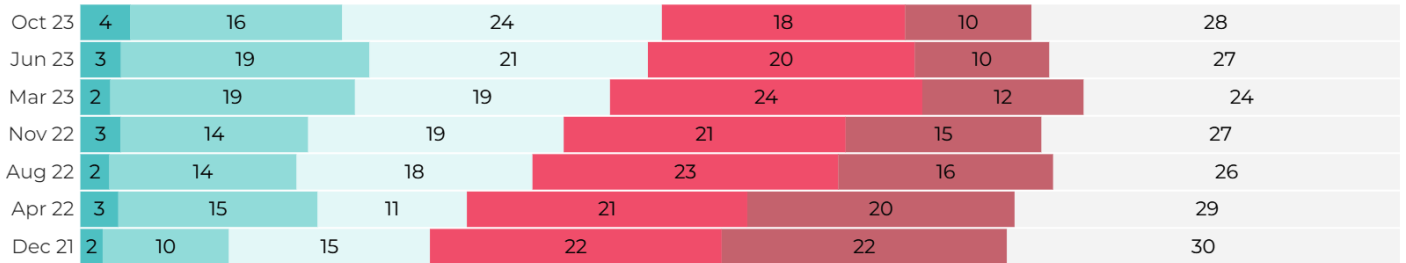
⁴ Source: Belstat

Figure 3. Components of the Consumer Confidence Index (%)

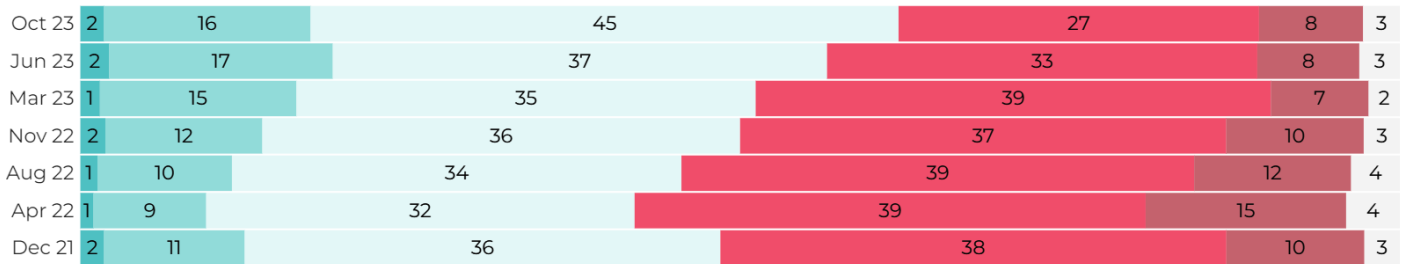
Q1 Economic situation compared to last year?



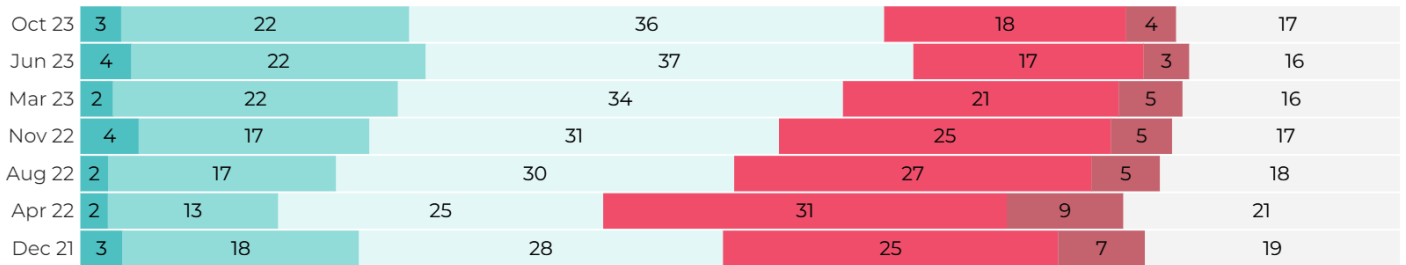
Q2 Economic situation over the next year?



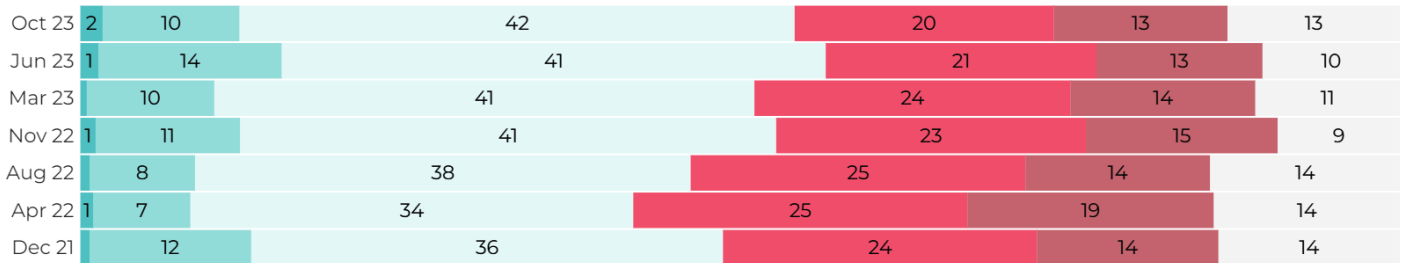
Q3 Financial position of your household compared to the last year?



Q4 Is it going to change over the next year?



Q5 Is it the right moment to make major purchases?



Note. Picture key

Responses to questions are distributed along the Likert scale, from “will improve (improved)” to “will decline (declined)”. In Q5, the response options change to “very good” and “very bad.” Gray color indicates the “difficult to respond” option.

Optimists and pessimists

The range of the Consumer Confidence Index values was in the negative zone in all respondent groups. The Country's Future component was also negative in all groups, with the exception of residents of small towns (up to 30 thousand people), the Gomel region, as well as people with secondary, vocational or specialized secondary education (Figure 4A).

In age groups, the least pessimistic — regarding both present and future — are respondents aged 18-24 (a similar situation is observed in many countries, as young people enter the labor market and expect their income to grow). The lowest index value — both in terms of age and among other groups — is in people aged 55+: -20.9%.

In the regional context, the most pessimistic respondents lived in Minsk: their Consumer Confidence Index was -13.6% in October 2023, and their index component of the country's future was -16.4%. The index changed most dramatically among residents of Mogilev: from 2.7% in June to -7.6% in October 2023 (Figures 4B and 4C).

Depending on income, people with low incomes (up to 500 BYN net per month) expectedly feel the worst. Traditionally, the main pessimists about the future were high-income people (they estimated the country's future component at -9.5%), but in this survey wave, they were joined by people earning 700-1,000 BYN net per month (they estimated the future component at -10.7%).

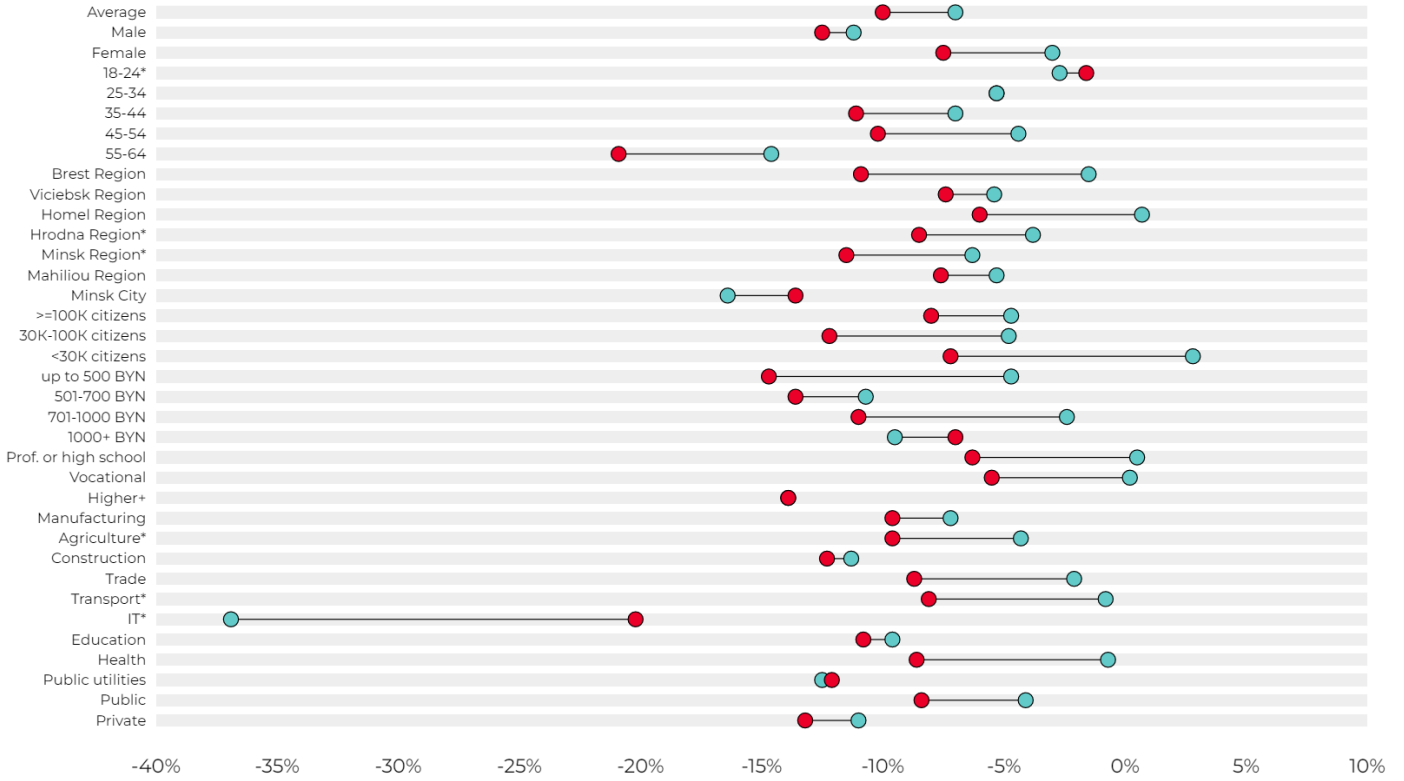
Belarusians with higher education scored much worse on both the future component and the current Consumer Confidence Index, compared to Belarusians with secondary, secondary specialized and vocational education.

By employment sectors, IT workers, as before, were the top pessimists: they assessed the component of the country's future at -37% (11 p.p. less than in the previous quarter). The employees of private enterprises were still more pessimistic than the employees of state-owned enterprises.

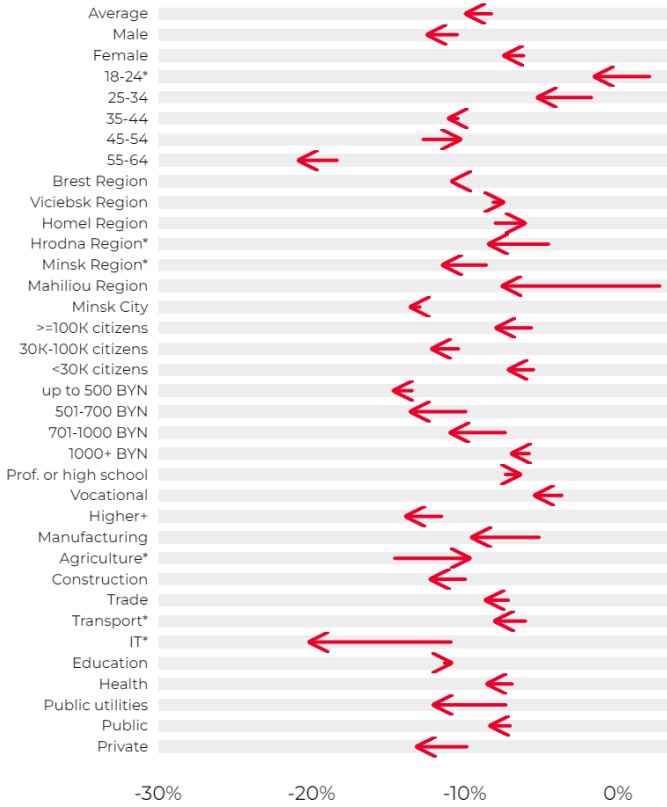
Figure 4. The Consumer Confidence Index and the Country's Future Component

(groups by gender, age, region, income, education, sector, ownership type)

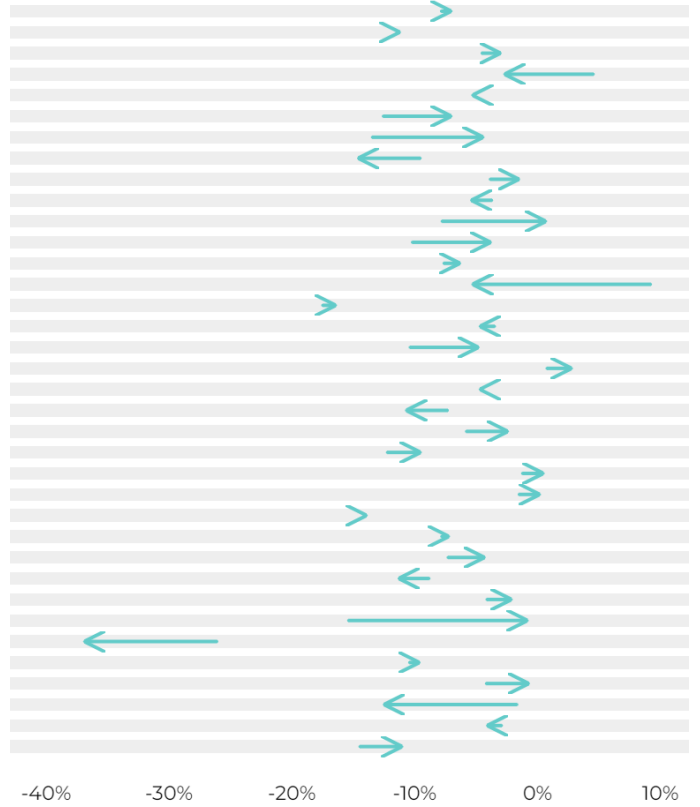
4A. October 2023



4B. Change in the index over the period



4C. Change in the future component over the period



Incomes of the population

The share of respondents who reported an income decrease over the past month was 30.7% in October 2023.

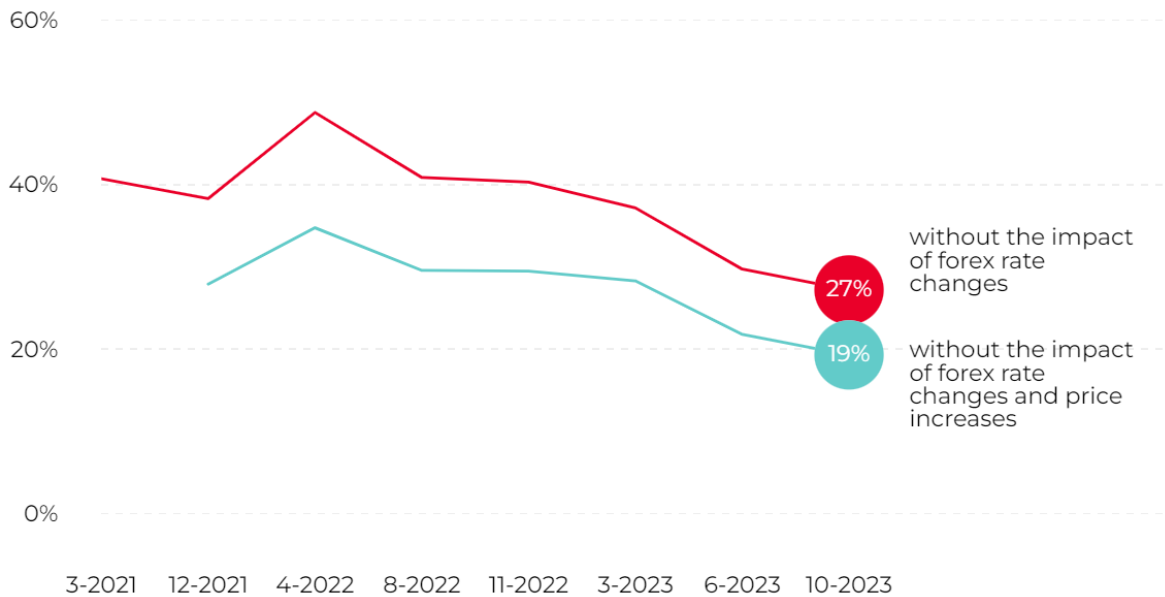
If those, who only refer to the foreign exchange rate changes as the reason for their income decline, are excluded, then the share drops to 27%; and if those, who refer to price increases and foreign exchange rate changes as the reasons for their income decline, are excluded, then the share drops to 19% (Figure 5A). The highest income drop rates — without referring to the foreign exchange rate changes and price increases — were in the following populations:

- those with initially low income;
- working in private companies,
- employed in agriculture (explainable by the seasonality factor).

Figure 5. Share of population reporting an income decline (%).

(impact of the price increase is taken into account starting December 2021.)

5A. Change in share, since late 2021

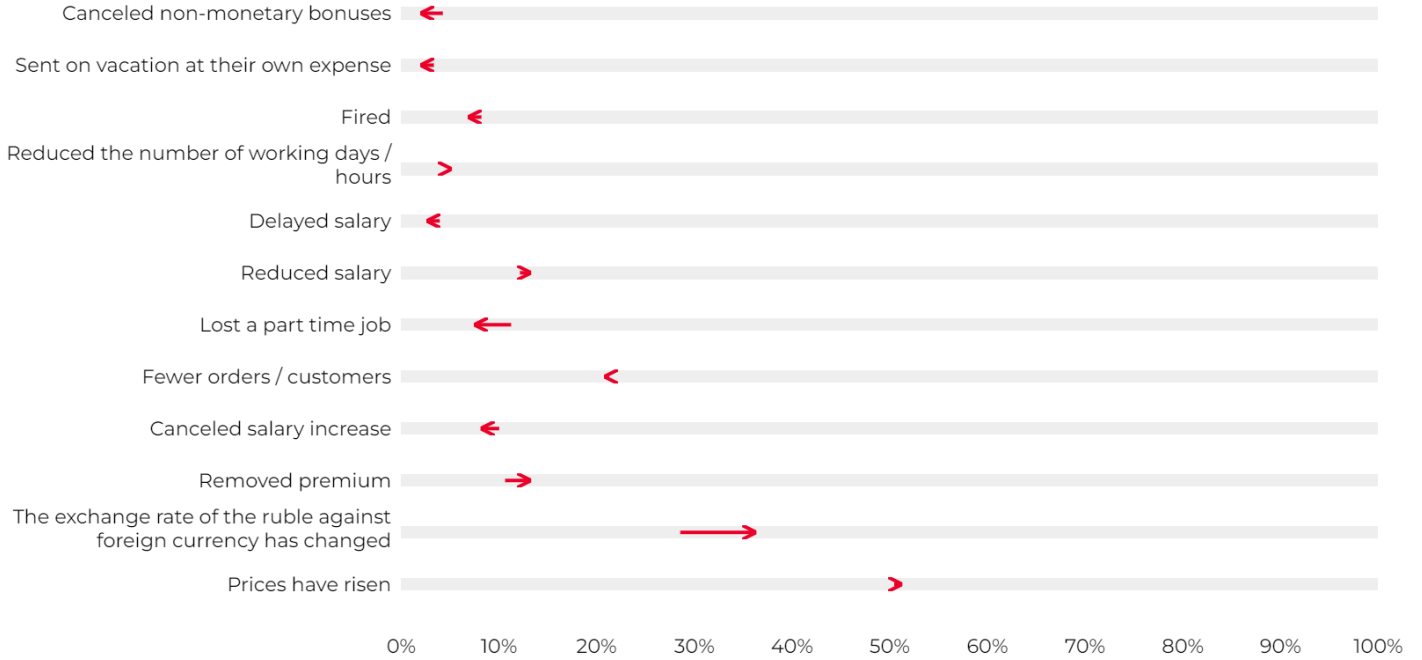


Background info. Why your income decreased?

Options: reduced bonuses / salaries, fewer orders placed, unpaid leaves, part-time jobs lost, got fired, salary delays, price increases, changed forex rates

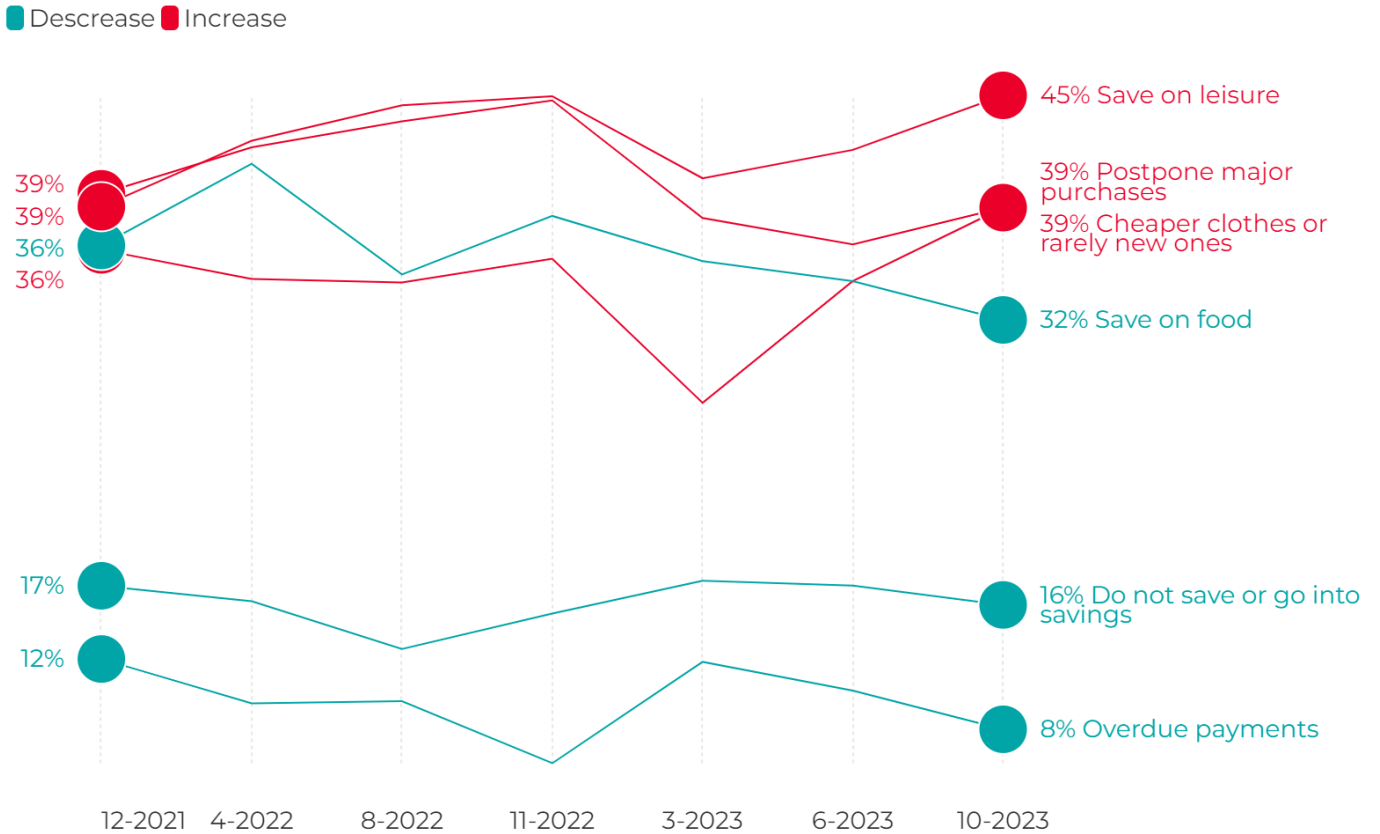
In October, the key reasons for the income fall (5B) were *prices, foreign exchange rate fluctuations, a decrease in the number of orders as well as lost bonuses and salary cuts.*

5B. Change in the reasons for an income decline



Looking at ways to respond to lowering incomes (5D), respondents saved less on food and clothing, and the share of respondents delaying obligatory payments and spending their savings also slightly decreased over this survey wave. At the same time, households with declining incomes have become more likely to postpone large purchases and purchases of clothing and to save on their leisure activities.

5C. How households cope with falling incomes?
(out of those 31% who have experienced an income decline)



Growth in consumer lending

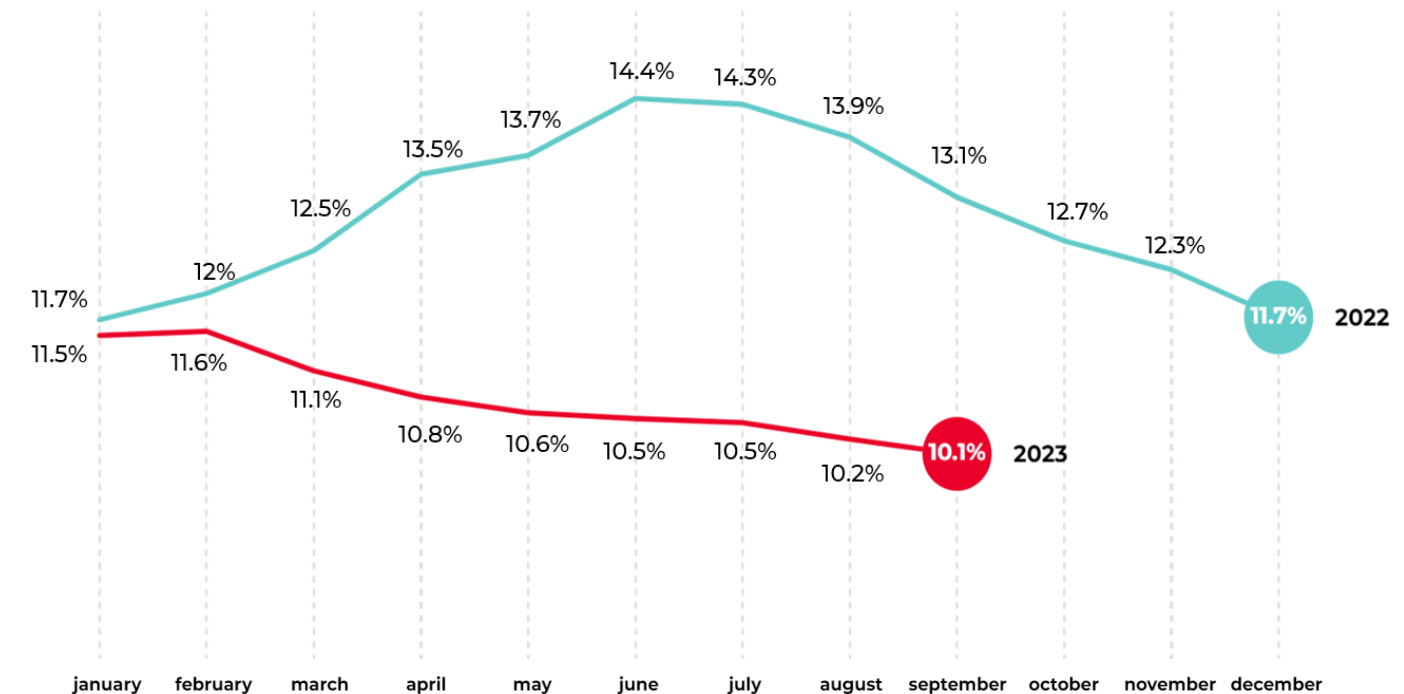
The dynamics of overdue consumer loans increased by 33%; and over the same period in 2022, overdue consumer loans decreased by 8%. In total, new loans were issued for 8.6 billion Belarusian rubles. The reasons for growing consumer lending were both lower interest rates (Figure 9) and easing lending conditions.

In general, only 15% of households believe that now is a good time to take out a loan (12% of households believe that now is a good time for large purchases: this share is similar). Among respondents who took out a loan over the past six months:

- 37% believe that getting a loan has become easier over the past year (42% believe that nothing has changed);
- 31% believe that loan interest rates are rather low in Belarus.

The growth in consumer lending is noticeable not only based on official statistics, but also in survey data: in June 2023, 14.4% of respondents reported obtaining a loan, and 22.4% reported the same in October 2023.

Figure 6. Dynamics of the average interest rate on new loans

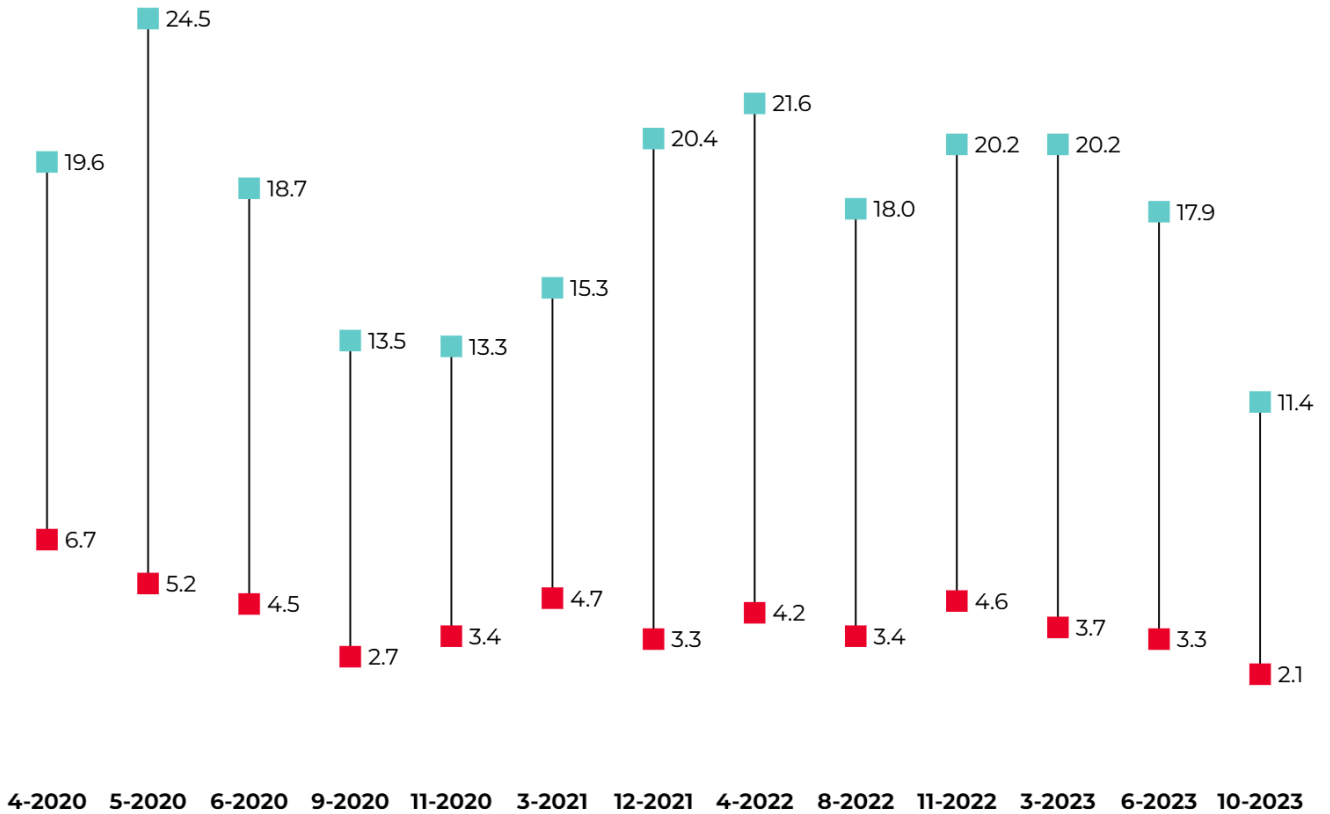


Source: The National Bank

Labor market

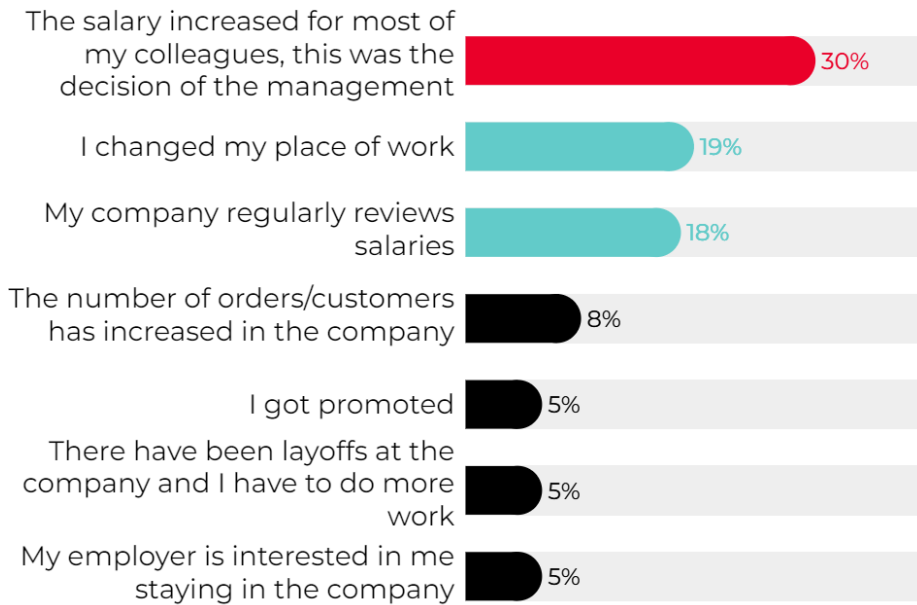
A paradoxical situation remained in the labor market over the last 6 survey waves: on the one hand, the share of those who lost their jobs was 3.8% on average, while the share of those reporting a job loss among their friends and acquaintances was quite high: 19.7% (Figure 6). In October 2023, both indicators reached their lows: the share of those who lost their jobs was 2%, and the share of those whose acquaintances lost their jobs dropped to 11%.

Figure 7. What is the share of the unemployed? I lost my job as well as one of my acquaintances (percentage of those reporting a job loss)



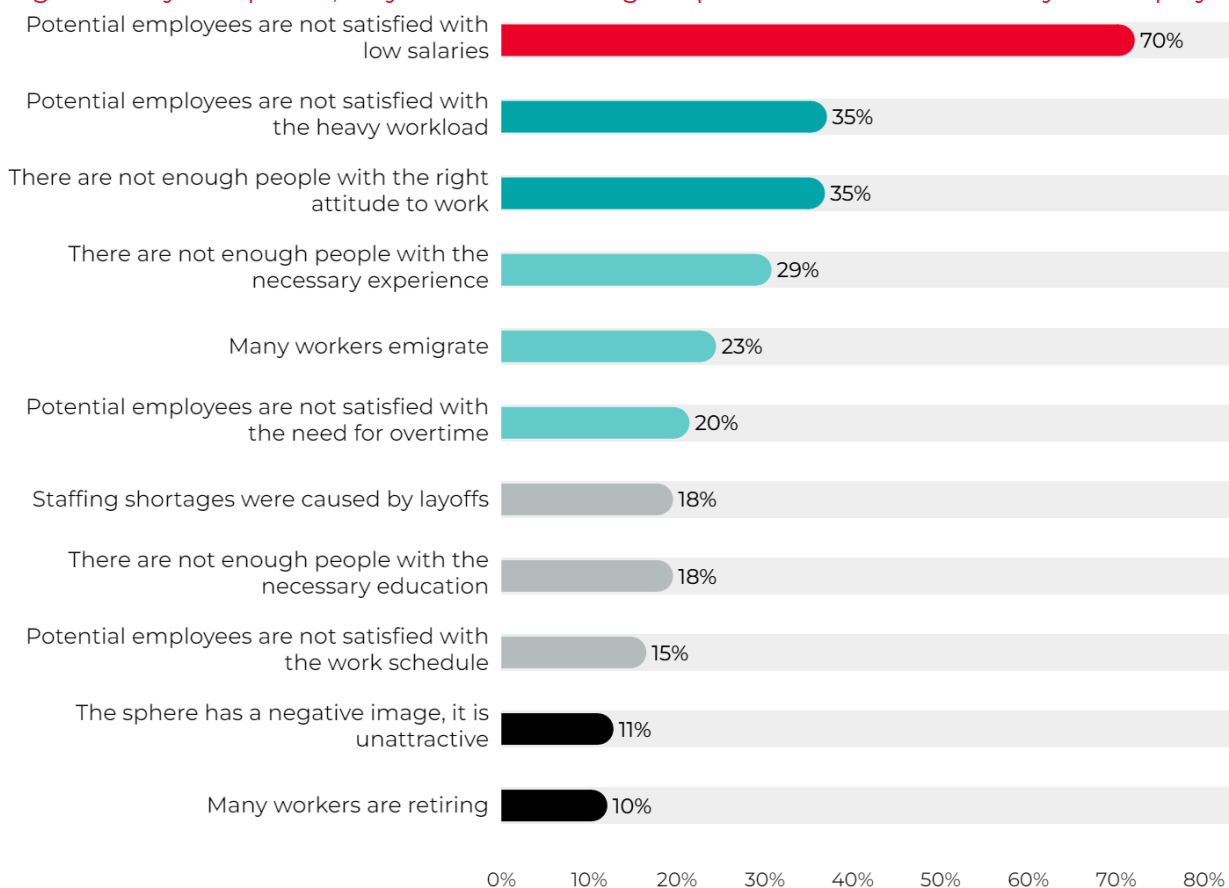
Despite the growth of both nominal and real wages recorded in statistics, only 34% of respondents reported an increase in their wages over the past six months. When learning about the reason for the increase in salaries, about a third of respondents who reported their salary increased also reported that the salaries of the majority of their colleagues increased, and this was decided by their superiors (Figure 8). Another 19% of respondents changed jobs; 18% of respondents enjoy salary updates on a regular basis.

Figure 8. Why do you think your salary has increased?



While only a third of surveyed households reported a salary increase, 43% of respondents reported that there was a shortage of personnel in the sector of their employment. Of these, 70% believed that the shortage of personnel was due to low salaries, and 35% believed that it was due to a heavy workload (Figure 9). Only 23% of respondents referred to emigration of personnel, and 18% of respondents referred to layoffs of employees.

Figure 9. In your opinion, why is there a shortage of personnel in the sector of your employment?



Conclusion

According to household monitoring data, the Consumer Confidence Index and its components have stalled their recovery growth after a significant decline at the beginning of the war. Incomes of households also stopped falling: 19% of respondents reported an income decrease (without referring to the impact of the foreign exchange rate and rising prices) — they saved less on food, but postponed large purchases more often and cut their leisure spending.

Consumer lending continues to grow, while savings remain as low as before. 31% of respondents who took out a loan believe that their loan interest rates (over the last six months when they borrowed) have been rather low.

The labor market has undergone significant changes in recent quarters: instead of the fear of losing a job, the challenge of personnel shortage has become relevant. 43% of respondents report lack of staff in their sector of employment. Respondents see low wages as the main reason for this shortage, rather than emigration, layoffs or demographic reasons.