

Summary

- The Consumer Confidence Index (CCI) has increased despite the ongoing war and sweeping sanctions imposed on Belarus and its largest trading partner Russia.
- The value of the Consumer Confidence Index, which includes 5 components (by the Rosstat methodology) was -23% in August 2022: it increased by 5 percentage points compared to April 2022.
- The value of the Consumer Confidence Index, excluding the component of the current state of the economy (by the Eurostat methodology) increased from -23% in April 2022 to -18% in August 2022, which was higher than in the majority of the European countries.
- The largest negative contribution to the Index was made by the current state of the country component, which was -41% (a 6 p.p. growth).
- The share of people who reported their income decreased over the past month in August 2022 lowered significantly: from 52% to 43%.
- The share of those who lost their jobs in the last two weeks was relatively low (3.4%), but the job loss rate among their friends and acquaintances (18.0%) was higher than the average value, while the share of those who lost their jobs was similar to previous periods.
- Respondents who watch TV (TV-viewers) and especially those who are the audience of the state-owned mass media outlets tend to be more optimistic in their assessments of the current and future state of both the economy as a whole and the well-being of their families.

Methodology

The bulletin is based on the data of three online surveys of urban residents aged 18-64; the surveys took place on: a) December 2—8, 2022; b) April 19—25, 2022; c) August 26—31, 2022. The sample corresponded to the urban population structure in Belarus, and it was adjusted by the country's regions, respondents' sex and age.

The **Consumer Confidence Index** provides insights into the future development of household consumption and savings, and it is based on their current evaluations and forecasts of both their financial standing and the country's economy, as well as the propensity to buy durable goods. The index is calculated in our studies through applying the methods used by Rosstat and Eurostat.

Interpretation of the CCI outcomes

The **Consumer Confidence Index** is an indicator made up of several questions from the household survey. It is designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers express through their saving and spending patterns. The index consists of micro-questions (e.g., financial standing in the family, etc.) and macro-questions (e.g. economic situation today and during the coming 12 months).

Belarus and Russia

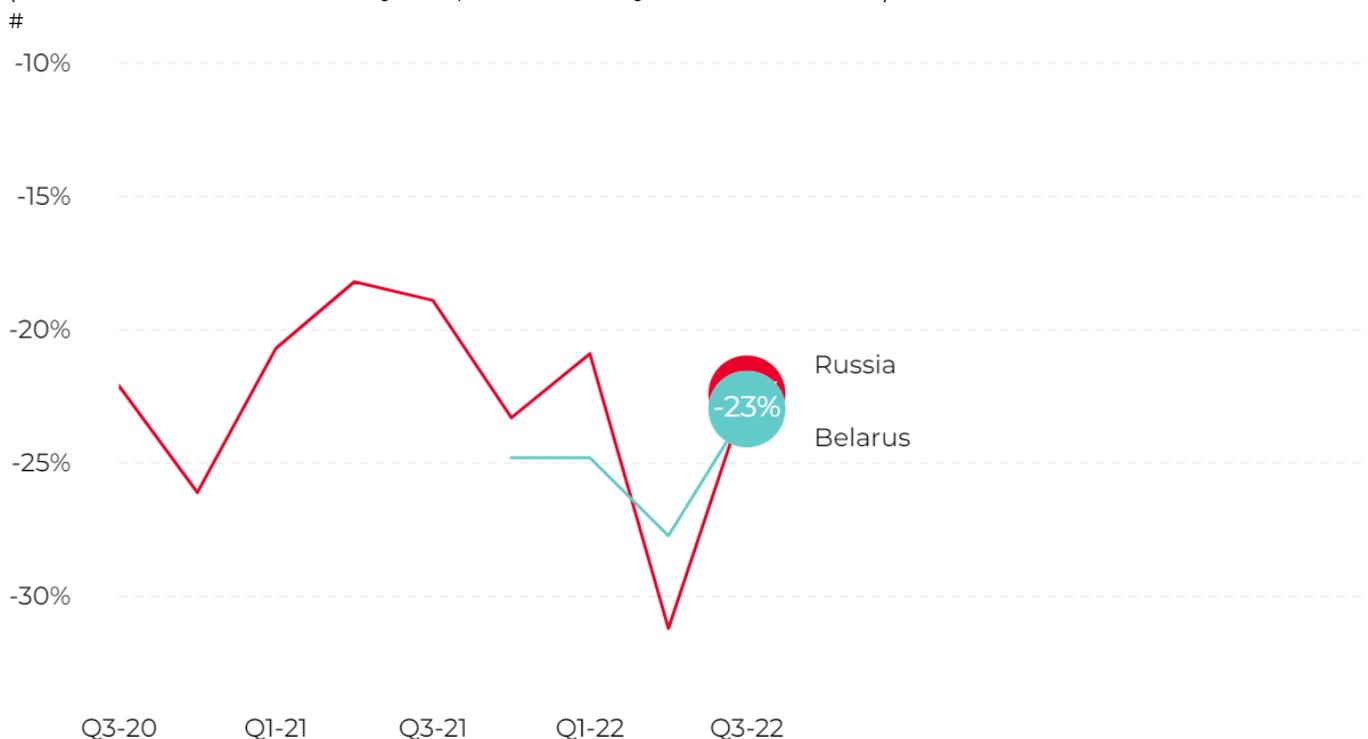
The value of the Consumer Confidence Index including all 5 components (by the Rosstat methodology) was -23% in Belarus in August 2022 (a 5 p.p. growth if compared to April 2022), while the index value in Russia was -22% (a 9 p.p. growth).

The August index values in Belarus and Russia were similar to the index values in Russia during the introduction of the COVID-19-related restrictions in 2020.

It is worth noting that there was a sharp drop in Q2-2022 in Belarus and Russia; however, the index values got back to the Q4-2021 values already in Q3-2022, i.e. to the index values prior to the introduction of large-scale economic sanctions and prior to the war of Russia against Ukraine.

Figure 1. The Consumer Confidence Index in Belarus and Russia in 2020-2022

(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?

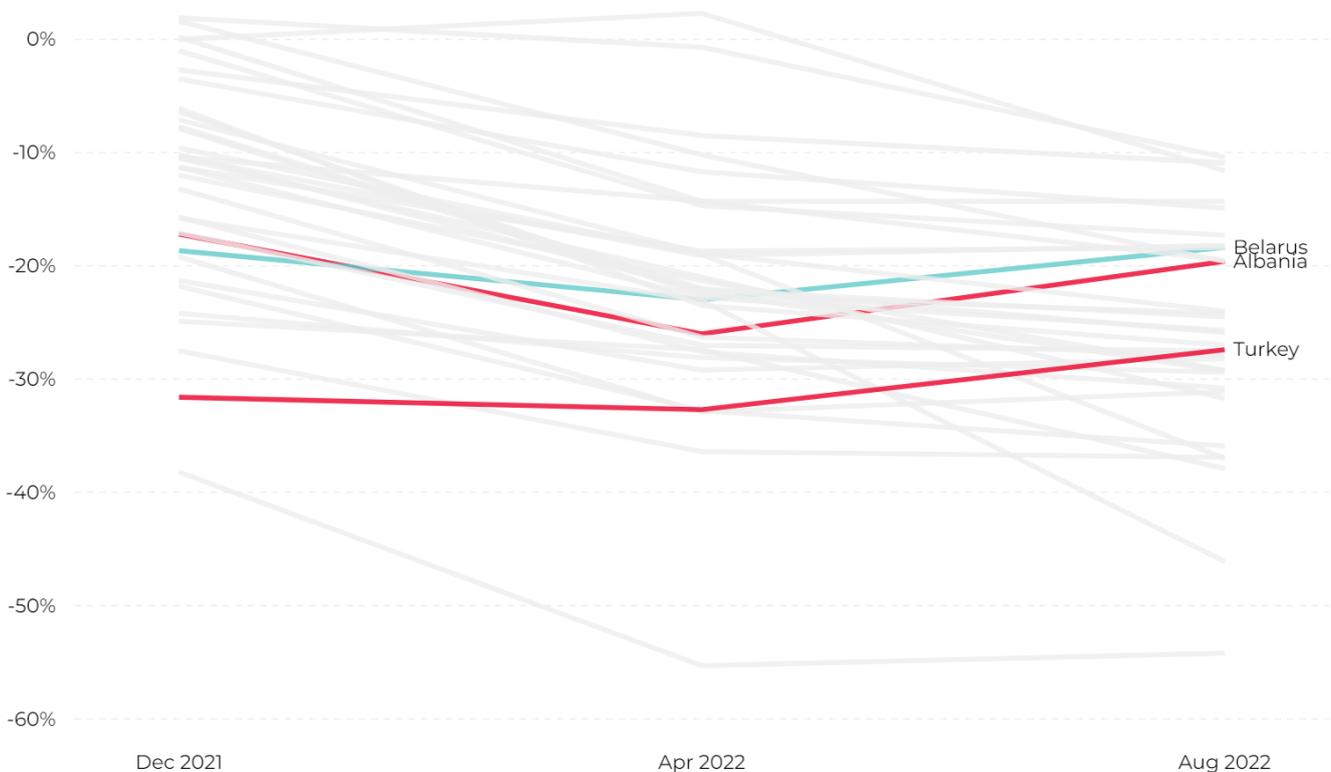
- a) Russian economy — just like Belarusian economy — has been experiencing challenges with the long-term economic growth potential.
- b) Income of the population has been hardly growing in Russia, just like in Belarus.
- c) Economic sanctions have affected both countries.
- d) Russia is the key trading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

Belarus and EU

The Consumer Confidence Index, excluding the component of the current state of the economy (by the Eurostat methodology) was -18.4% in April (it increased by 4.6 percentage points), which was higher than in the majority of the European countries.

In Q3, the indices of all countries except Belarus, Turkey and Albania (Figure 2) continued declining, although at a lower pace than in April (see the directions and lengths of the arrows in Figure 3). Belarus has become Top 7 in this global index. The index value was -25.7% in the EU and -24.5% in the Eurozone, which indicated a more confident standing of consumers in Belarus than in the EU: “It will get worse, of course, but not that much and abruptly.” (Figure 3)

Figure 2. The Consumer Confidence Index change in Europe from December 2021 to August 2022

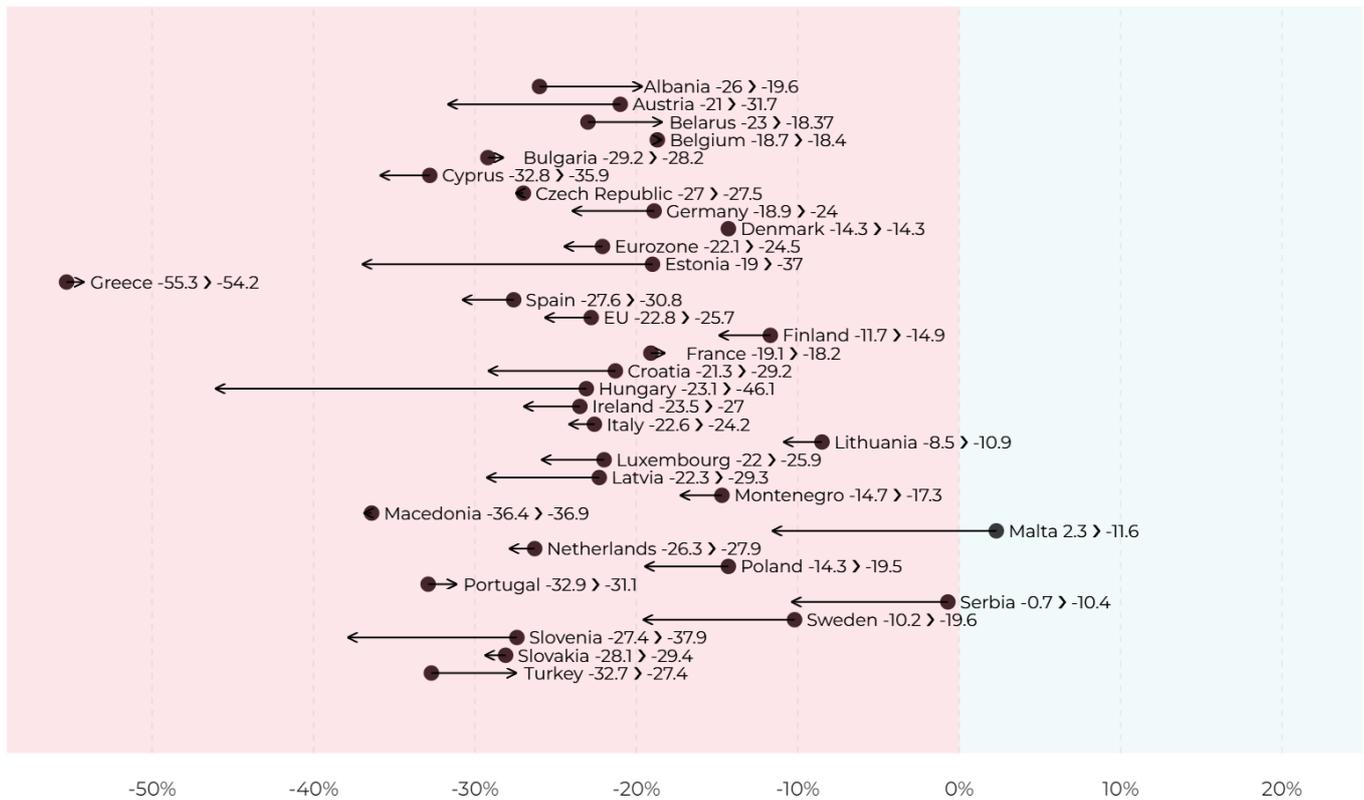


Background info. Why is it relevant to compare Belarus with the EU countries?

- a) The predictive power of the index for the EU countries, based on the Eurostat’s methodology, excluding the component on the current state of the economy, is higher than the index that includes all 5 components.¹
- b) The European Union is the second largest trading partner for Belarus.

¹ [A Revised Consumer Confidence Indicator. European Commission, official website, 2018.](#)

Figure 3. The Consumer Confidence Index in Europe in April 2022 and in August 2022
 (The Y-axis is A-Z sorted, the lengths and directions of the arrows show the change compared to April 2022)



Components of the Consumer Confidence Index

As before, evaluations of the current status of the country and of the personal well-being contrasted with the projections of the future, in which there was only a slight increase in the share of optimistic answers and a significant increase in the share of those who found it difficult to answer the question due to a decreased share of pessimistic answers (Figure 4). In December 2021, the largest negative contribution to the index was the current assessment of the country's status (Q1) despite a relatively high economic growth that had been prior to December 2021. The value of this component did not change significantly in April 2022 despite the war outbreak and the new economic sanctions imposed on Belarus and Russia. There was a slightly increased share of positive answers and a decreased share of negative answers in August 2022, which was reflected by the overall increase of this component from -47% to -41% despite the worsening situation in the economy and the GDP decline by 4.9%² in January-August 2022 compared with a 2.1% decrease³ in January-April 2022.

Assessments of the future development of the country's economy (Q2) became less negative, and the following changes occurred compared to April: a) the share of neutral answers increased from 11% to 18%; b) the share of negative answers slightly decreased from 41% to 39%.

² Source: Belstat

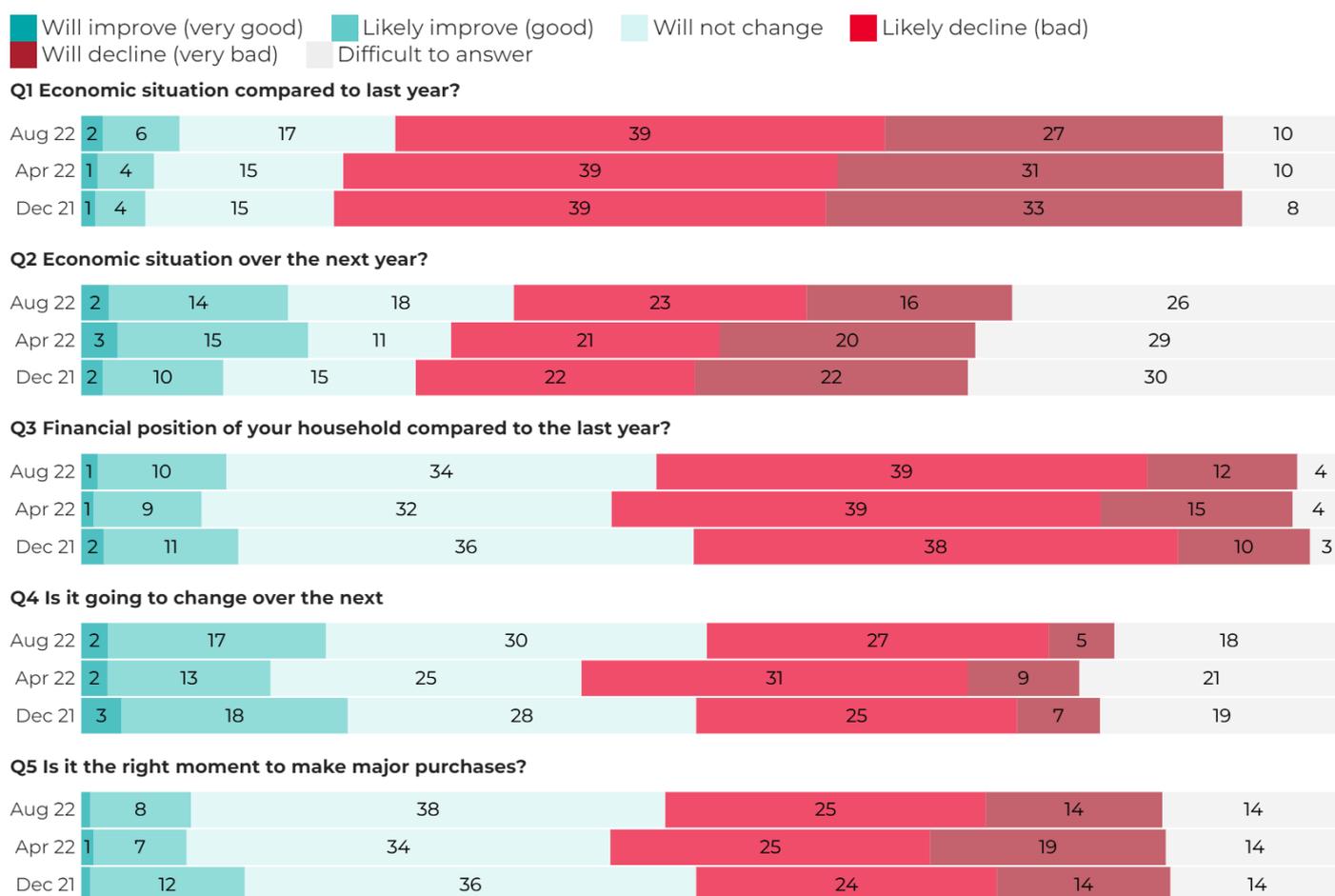
³ Source: Belstat

This improvement can be caused by several factors: a) stabilization of the situation in the foreign exchange market (Figure 5C); b) slowing GDP decline and reaching a “local minimum” decline; c) influence of the Belarusian and Russian state-owned mass media outlets (Figure 9), d) strong negative expectations in previous periods (Figure 1 and Figure 3).

Assessments of personal well-being, both present and future, were much higher than the assessments of the status of the country's economy, just like in previous surveys. In general, the values in August 2022 were comparable to those in December 2021.

Only 9% (an insignificant 1 p.p. growth) of households believed now was a good time for large purchases, which indicated a certain level of consumer depression.

Figure 4. Components of the Consumer Confidence Index (%)



Note. Picture key

All answers to the questions are distributed along a Likert scale from “will improve (has improved)” or “very good” to “will decline (has declined)” or “very bad”. In Q1 and Q2, the answer options change to “has improved” and “has declined”; and in Q5, the answer options change to “very good” and “very bad”.

Optimists and pessimists

The value domain of the Consumer Confidence Index and the expectations component referring to the future expectations about the country was in a negative

range in all groups except for those who had not worked previously (few respondents) and workers in the agriculture and forestry sectors. (Figure 5a).

In age groups, the least pessimistic — regarding both present and future — were young people 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 the people aged 55+: -26%.

In all age groups, there was an improvement in the index value compared to April 2022 and multidirectional changes in the component of the future: a decrease in the 55-64 age group and a slight increase in other age groups.

As far as the regional dimension is concerned, it is worth noting a relatively optimistic sentiment in the residents of the Mogilev region and a pessimistic sentiment in the residents of Minsk and the Grodno region. In all regions, there was also an improvement in the index compared to April 2022 and a multidirectional change in the expectations of the country's future. The Mogilev region was outstanding again because of the stunning increase in both indicators.

Depending on the income, respondents in low-income groups were more pessimistic about the present period, and respondents in high-income groups were more optimistic; however, as far as the future expectations component was concerned, high-income people (BYN 1,000+ per month net, which was about USD 400+) were the most pessimistic among all age groups: their value was -24%.

Belarusians having higher education were more optimistic than Belarusians having secondary, secondary special and vocational education.

Depending on the field of activity, the workers in the agriculture and forestry sectors were outstanding (they were one of the most optimistic groups for all monitoring periods), as well as the employees in the transport, telecommunications, IT, and finance sectors, who were main pessimists.

The employees of private enterprises were more pessimistic than the employees of state-owned enterprises.

Given the above, these groups can be divided into 4 clusters (*privileged realists, realists, desperate optimists, optimists*) depending on the change in the values of the index and the country's future component in August 2022 compared to April 2022. Moreover, the groups can also be divided into 2 categories depending on the difference between the index value and the country's future component: a) country optimists, whose future component values are higher than the index; b) country pessimists, whose index values are higher than the country's future component.

Expectations of the country's future among **privileged realists** have deteriorated, and the situation as a whole has improved, but there have been no such groups among the respondents. **Realists** have felt a general deterioration and, moreover, compared to April 2022, they consider the future of the country to be even less rosy. **Desperate optimists** have felt a general deterioration, but they believe that the country's future in the next 12 months will be better than when they answered the same question in April 2022. **Privileged optimists** have increased the index values, and they have also improved their expectations about the future of Belarus. (Figure 5D)

Country optimists have projected the future of the country to be above the current index as a whole, and **country pessimists** have projected the opposite. In December 2021, there was not a single group of optimists except Belarusians who had not been employed previously; however, as soon as in April 2022, most groups were optimists with the exception of the 18-24 and 25-34 age groups (i.e. young people), Belarusians earning over BYN 1,000 (c.a. USD 400), people employed in agriculture, finance, IT, and healthcare sectors. The share of country optimists slightly increased in August 2022; however, the categories are concentrated: the groups of optimists are next to optimists, and the groups of pessimists are next to pessimists. (Figure 5D)

Incomes of the population

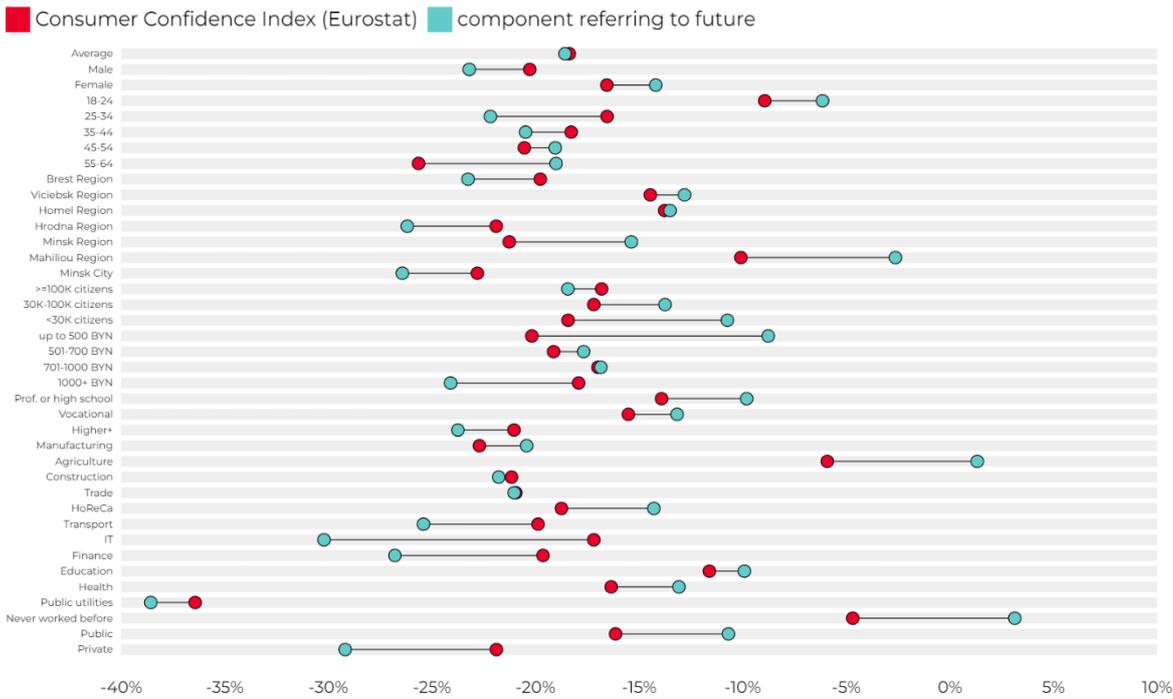
In August 2022, the share of people who reported their decreased income over the past month decreased significantly and amounted to 43% (a 9 p.p. decrease). If those, who only refer to the foreign exchange rate changes as the reason for their income decline, are excluded, then the share drops to 41%; 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 30% (Figure 5). The highest shares reporting an income decline — without referring to the forex rate changes and price increases — were in the following groups:

- those earning up to BYN 500;
- residents of cities (30k to 100k inhabitants);
- those with vocational or secondary education;
- those employed in the construction, agriculture, and forestry sectors, despite the growth of the index and the growth of the component of the future.

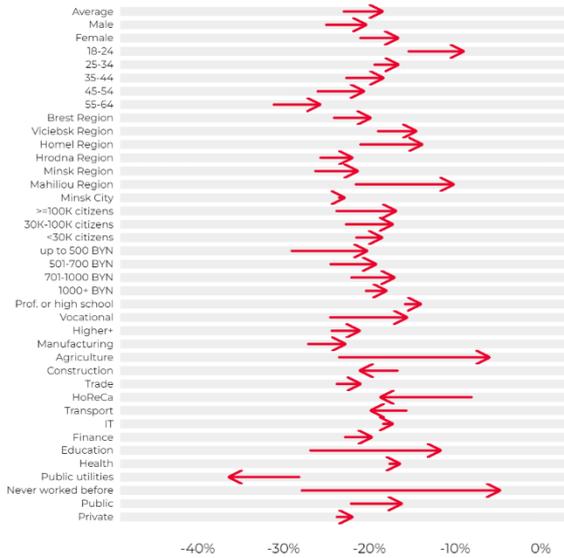
The key reasons for falling revenues in August 2022 were *prices, changes in the foreign exchange rate, shrinkage in bonuses, abolition of salary increases, decreased salaries, and a decreasing number of orders*. It is worth paying attention to a declining value of the *change in the BYN exchange rate* factor by more than 20 percentage points compared to April 2022.

Figure 5. The CCI and the country's future component in April 2022 and in August 2022 (Groups are broken down by gender, age, region, income, education, field of activity, ownership type)

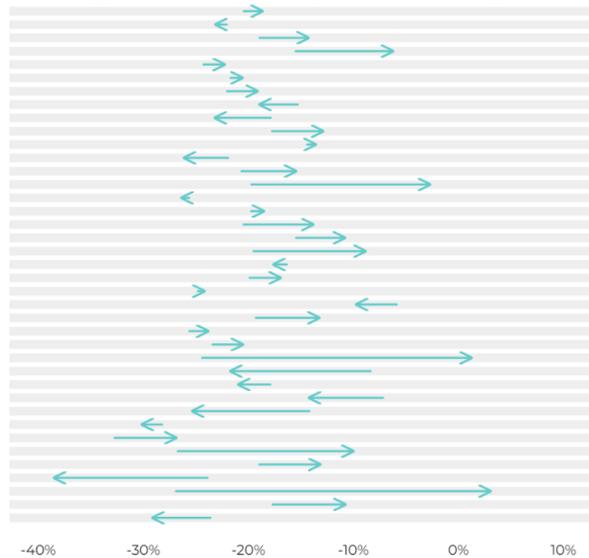
A. August 2022



C. Change in the index over the period



D. Change in the future component over the period



E. Clusters

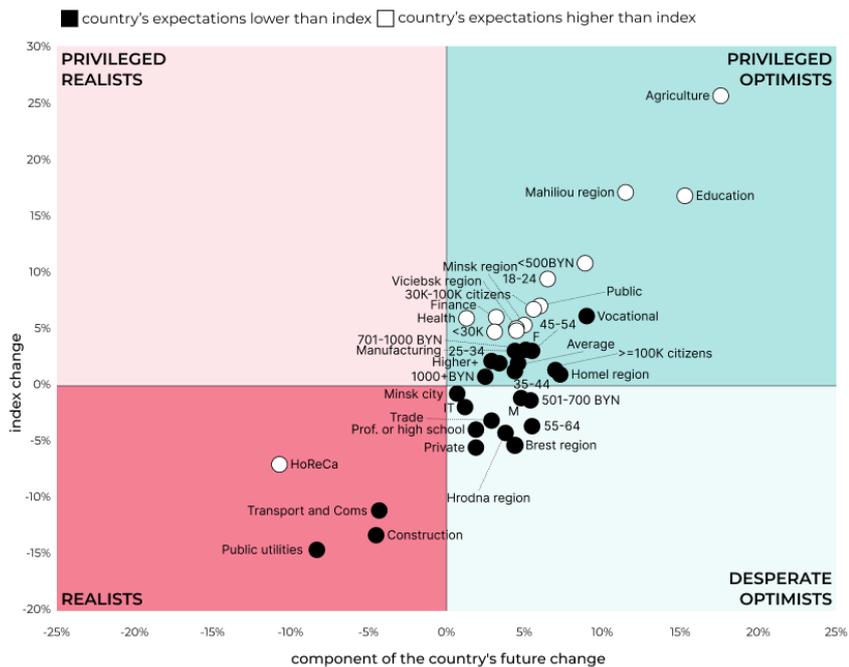
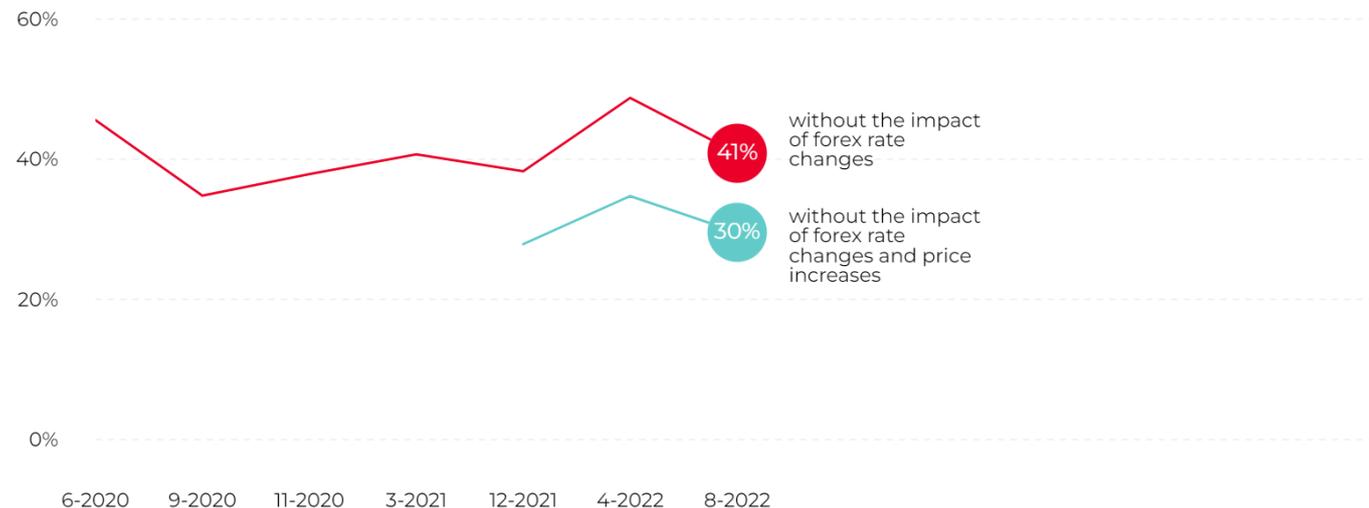


Figure 5. Share of population reporting an income decline (%)

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

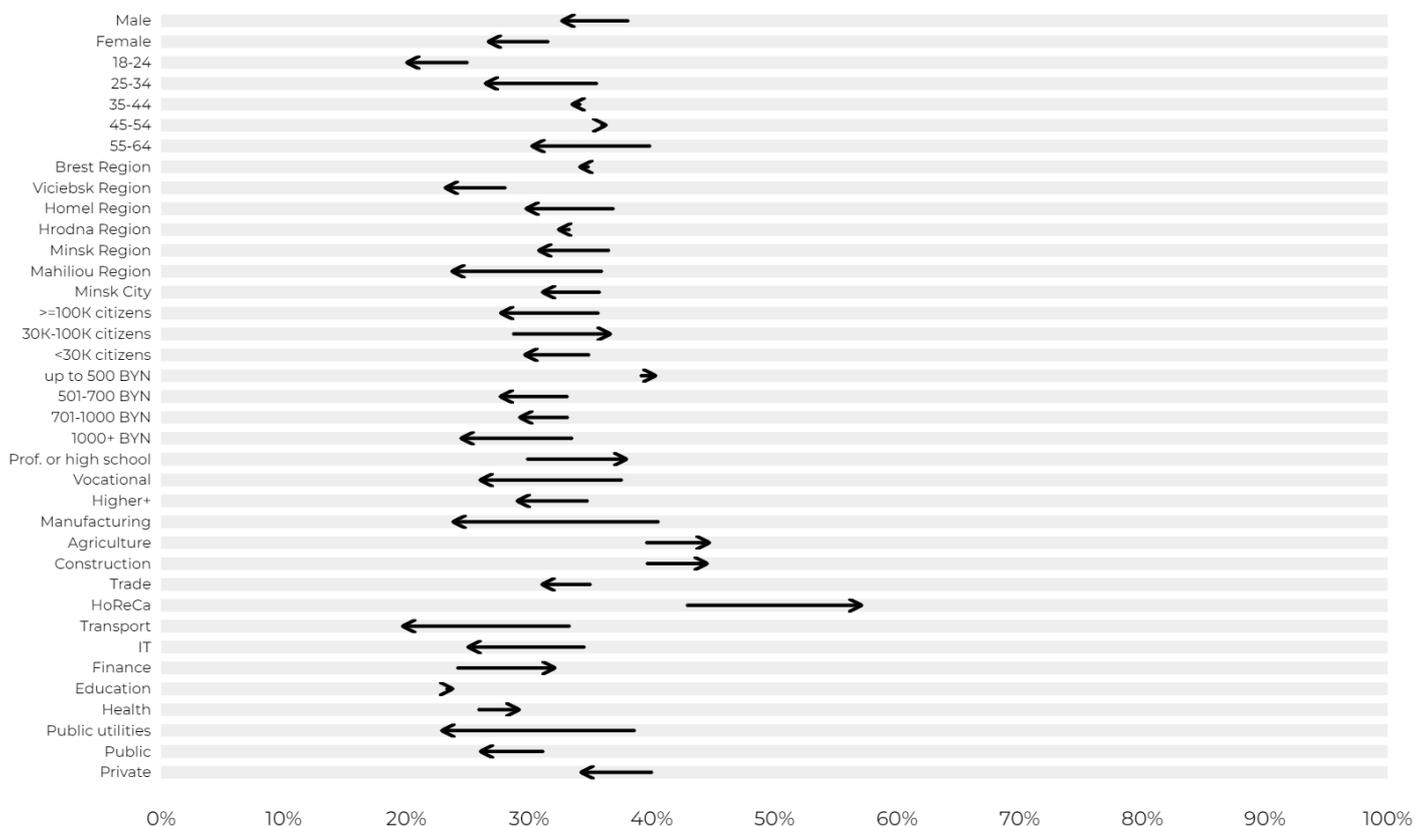
A. Change in share, since 2020



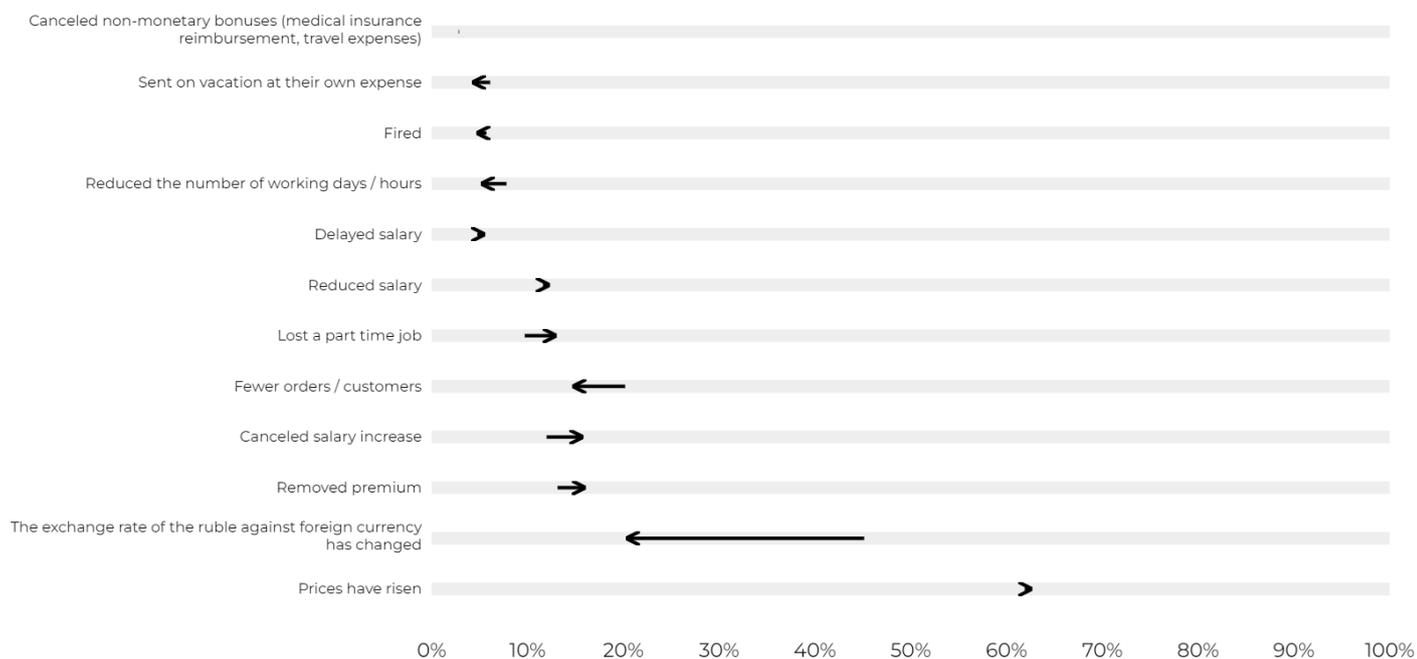
Background info. Why your income decreased?

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

B. Change in shares, by groups, August compared to April



C. Change in the reasons for an income decline



Out of 43% of the respondents who reported an income decline, 44% (a 2 p.p. increase) switched to buying cheaper clothes and to buying clothes less often, 45% (a 2 p.p. increase) started cutting their recreation and entertainment expenditures, 35% (a 6 p.p. decrease) cut their food expenditures, 34% (a 0 p.p. difference) postponed large purchases, 13% (a 3 p.p. decrease) continued spending as before, saved less or spent their savings, and 10% (no value change) had to overdue regular payments, e.g. utility bills or loan repayments (Figure 6). A typical response to an income decline is not to change the consumption pattern, which corresponds to the option “we spend as before, but we don’t save or we spend our savings”; however, a rather significant share of people (35%) cut their food expenditures, which was particularly alarming despite some decrease compared to the previous period. The share of those cutting their food expenditures was the highest among the 18-24 age group, among people living in the Vitebsk region, among low income people (income of up to BYN 500 per month net, i.e. c.a. USD 200), and among those working in the agriculture and healthcare sectors.

Labor market

As in December 2021 and April 2022, a paradoxical situation persisted in the labor market. On the one hand, the share of those who had lost their jobs recently was as low as 3.4%. At that, the rate of their jobless friends and acquaintances was 18.0% (a 3.6 p.p. decline): this was one of the highest rates in the last two years still, with the exception of the period when the COVID-19 pandemic outbreaked. (Figure 7)

Figure 6. How households cope with falling incomes?
 (Out of those 43% who have experienced an income decline)

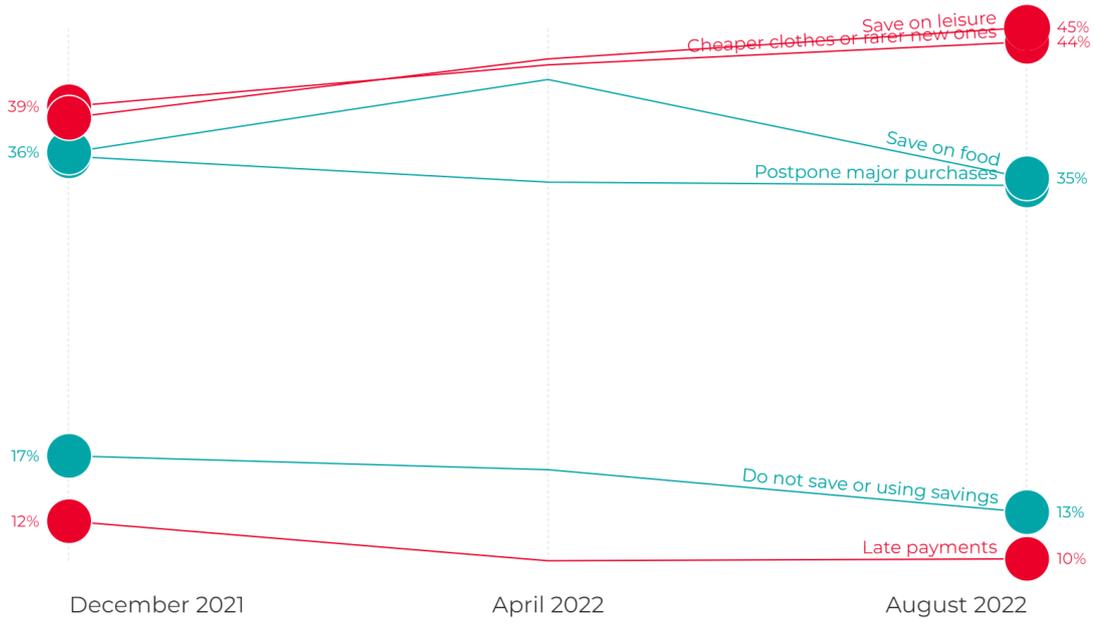
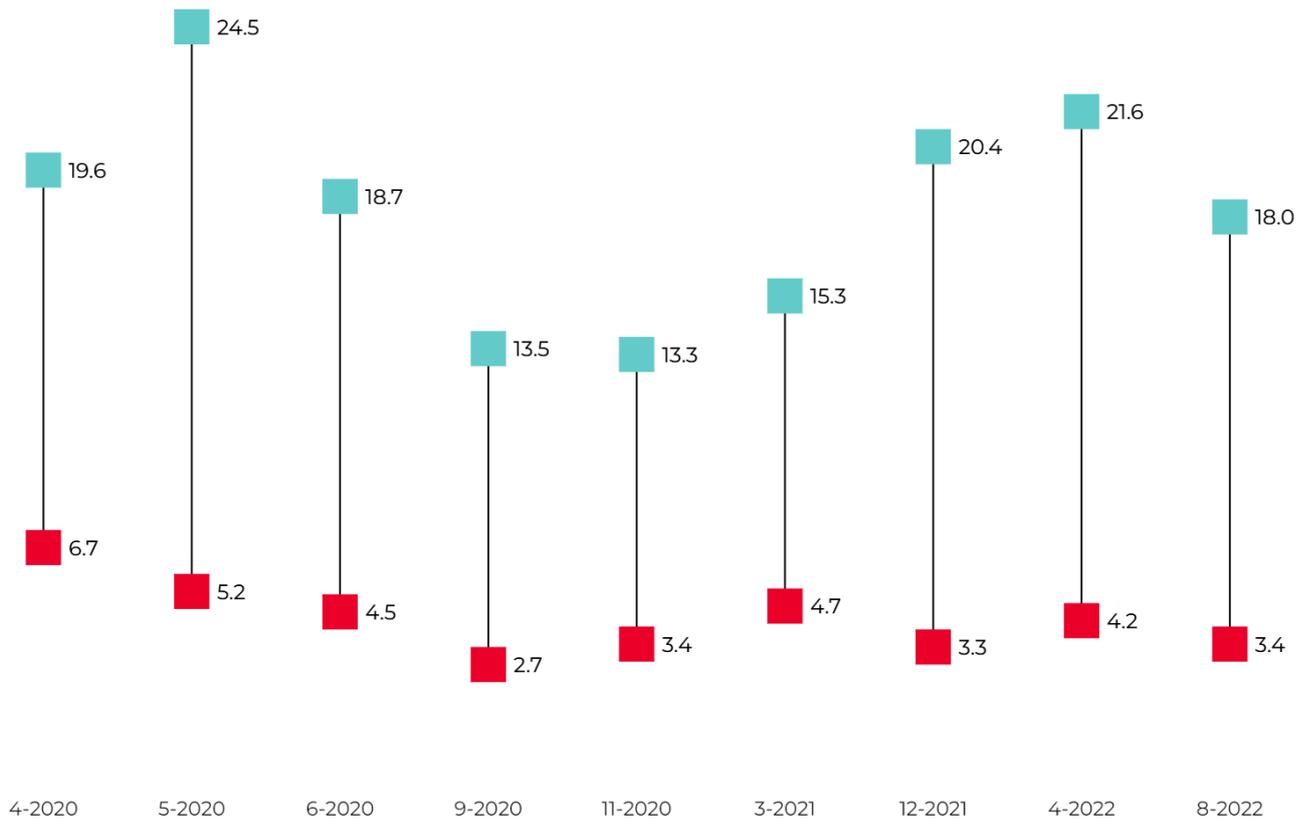


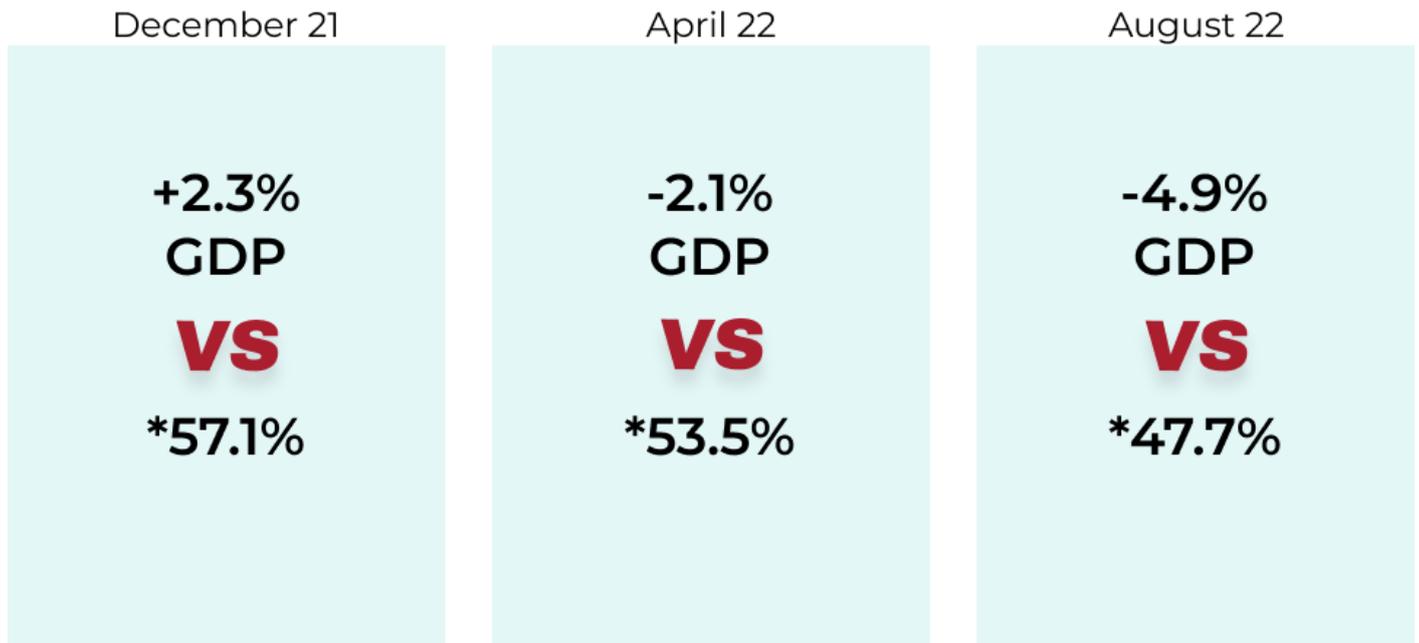
Figure 7. What is the share of the unemployed?
 (Percentage of those reporting a job loss)

■ I lost my job ■ Someone I know lost the job



Overall assessment

Figure 8. GDP changes and the share of Belarusians assessing the state of the economy as “bad”



* The share of Belarusians assessing the state of the economy as “bad” or “very bad”.

Despite the deepening year-on-year decline in GDP from +2.3% in 2021 to -4.9% in January-August 2022 versus January-August 2021, the sentiments of Belarusians have become less pessimistic: the share of Belarusians evaluating the state of the economy as “bad” or “very bad” has declined, and the Consumer Confidence Index has improved.

Mass media consumption

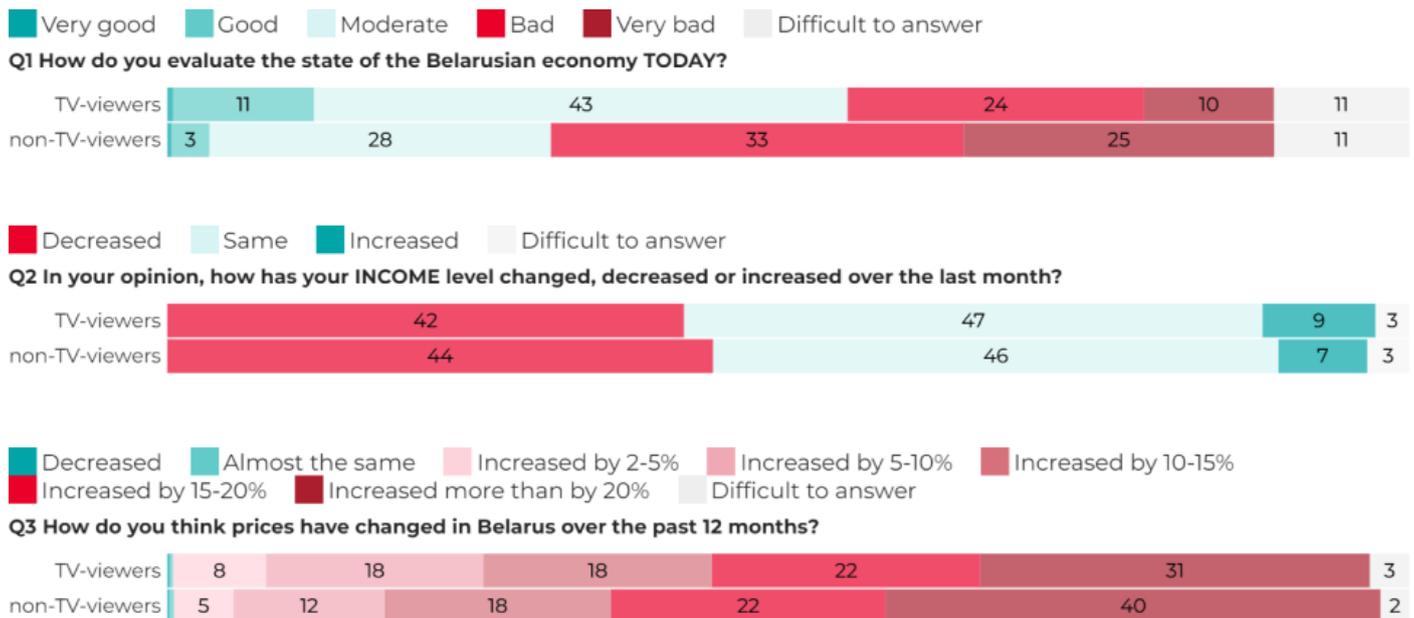
44% of respondents answered that they used TV as a mass media source. Despite the fact that incomes decreased in 42% of TV-viewers and in 44% of non-TV-viewers, these groups evaluated the situation in the economy differently: TV-viewers tended to evaluate the situation in the economy as “moderate”, while non-TV-viewers tended to evaluate the situation in the economy as “bad” or “very bad”. Groups evaluated price changes similarly, except for some overestimation of price changes in non-TV-viewers in the “Prices have grown by over 20%” category and except for some underestimation of price changes in TV-viewers in the “Prices have grown by 5-10%” category.

Reality: the Consumer Price Index was 117.9%, August 2022 vs August 2021 (a 17.9% increase), including food products (118.9%), non-food products (120.9%), and services (112.2%).

However, is there any association with the frequency of TV viewing? It is rather so (Figure 10). 58% of those who did not watch TV at all rated the state of the economy as “bad” or “very bad”, and only 25% of those who watched TV daily shared the same opinion. 37% of the respondents who watched TV 2-3 days per week rated the state of

the economy as “bad” or “very bad”: there was a 12 p.p. gap with those watching TV daily.

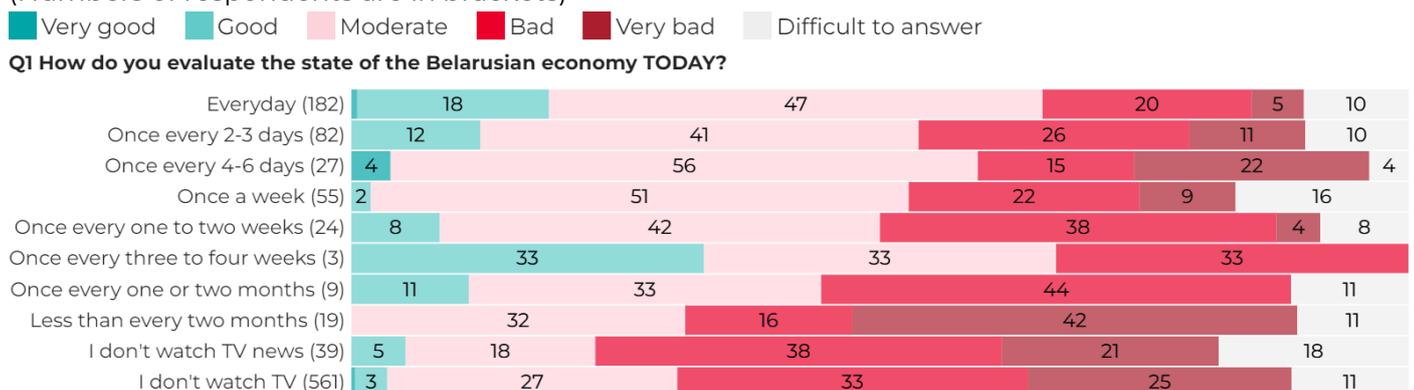
Figure 9. Perception of the economic situation depending on TV viewing.



The value of the Consumer Confidence Index in non-TV-viewers was -28.4%, and it was -16.1% in TV-viewers (a 12.3 p.p. gap). The component of the current state of the country was assessed by TV-viewers at -49.4%, and non-TV-viewers assessed it at -31.4% (a 18 p.p. gap). The country's future component had even more pronounced differences: -29.1% in non-TV-viewers, and -5.2% in TV-viewers (a 23.9 p.p. gap). The family well-being component showed less contrasting differences: e.g., the last-year evaluation in non-TV-viewers was -28.0%, and the last-year evaluation in TV-viewers was -20.9 (a 7.1 p.p. gap). The value of the future component was assessed by TV-viewers at -10.5, and non-TV-viewers assessed it at -0.5 (a 10 p.p. gap). Particularly noticeable was the difference in assessing both the current and the future state of the country. The difference was less noticeable in the evaluation of the financial standing of families.

Figure 10. Perception of the economic situation depending on the frequency of news viewing

(Numbers of respondents are in brackets)



The answers to the question “Which of these characteristics match or do not match the mass media sources of socio-political information that you trust?” allowed

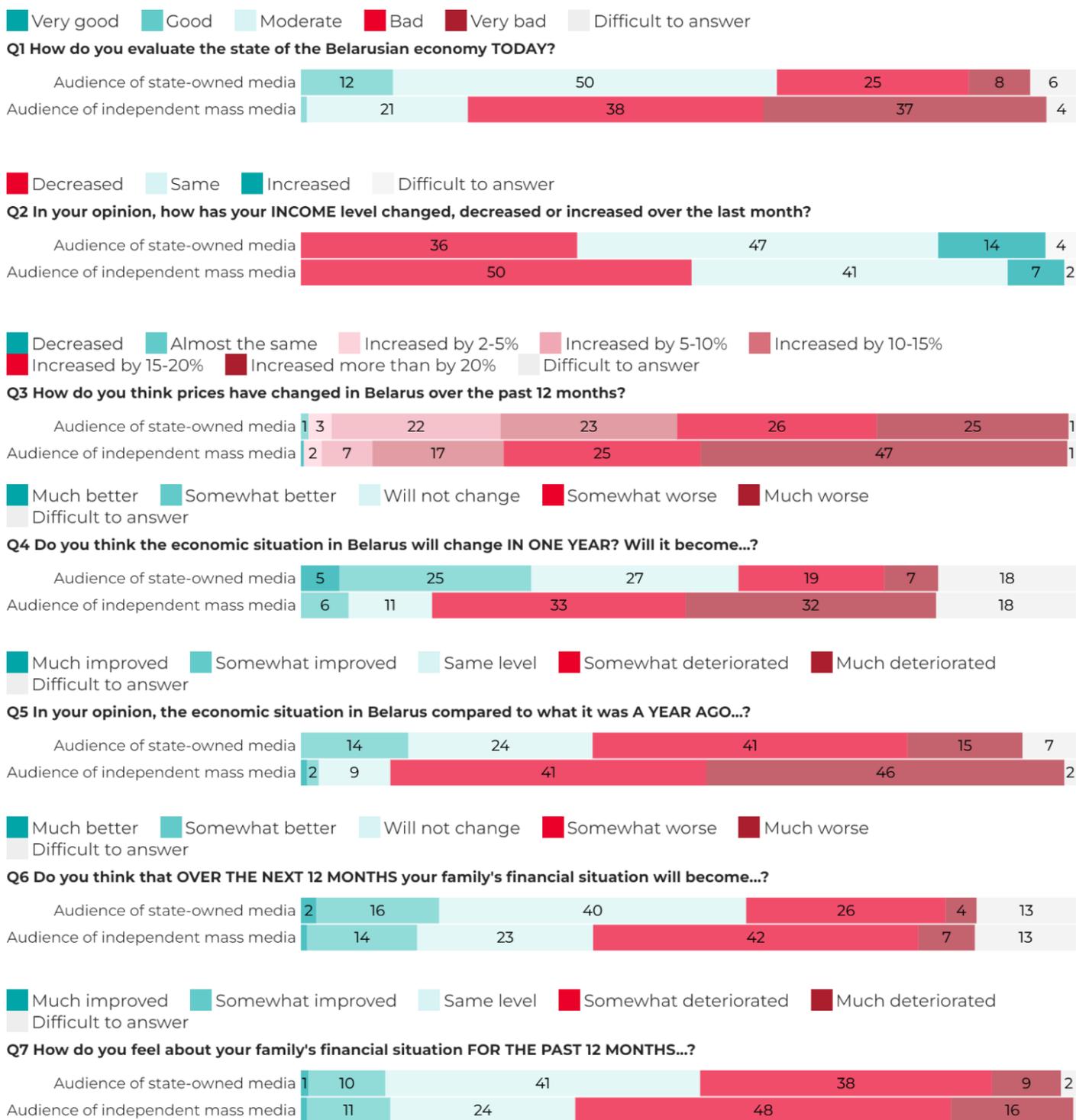
identifying 2 segments of the respondents depending on their mass media source consumption preferences. According to the answers provided through our online panel, 10% were the audience of the state-owned mass media outlets, and 26% were the audience of independent mass media outlets. Figure 11 shows segment responses to 7 key socio-economic questions.

- 75% of the audience of independent mass media outlets rated the situation in the economy as “bad”, and the same opinion was shared by 33% of the audience of the state-owned mass media outlets.
- 50% of the audience of independent mass media outlets noted a decreased income, and the same opinion was shared by 36% of the audience of the state-owned mass media outlets.
- The audience of independent mass media outlets tended to overestimate price changes in Belarus: e.g., 47% of this audience believed that prices increased by over 20%. The audience of the state-owned media outlets underestimated the rise in prices: a significant share of them (22%) believed that prices increased by 2-5% only.
- 65% of the audience of independent mass media outlets believed that the economic situation would become somewhat or much worse in a year, and the same opinion was shared only by 26% of the audience of the state-owned mass media outlets.
- 87% of the audience of independent mass media outlets believed that the economic situation had worsened over the past year, and the same opinion was shared only by 56% of the audience of the state-owned mass media outlets.
- 49% of the audience of the state-owned mass media outlets and 30% of the audience of independent mass media outlets reported that the financial situation of their families would improve.
- 64% of the audience of independent mass media outlets reported that the financial situation of their families had worsened over the past 12 months, and the same opinion was shared by 47% of the audience of the state-owned mass media outlets.

An additional segmentation of respondents was compiled based on the answers to 3 questions about interest in socio-political news and mass media sources, including the following groups: a) those indifferent to the situation; b) those avoiding the news / tired of the news; c) those actively consuming independent mass media products; d) those actively consuming the products of state-owned mass media outlets.

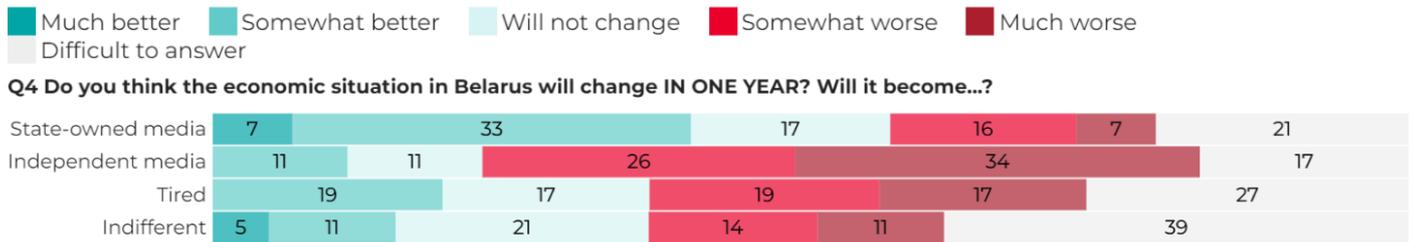
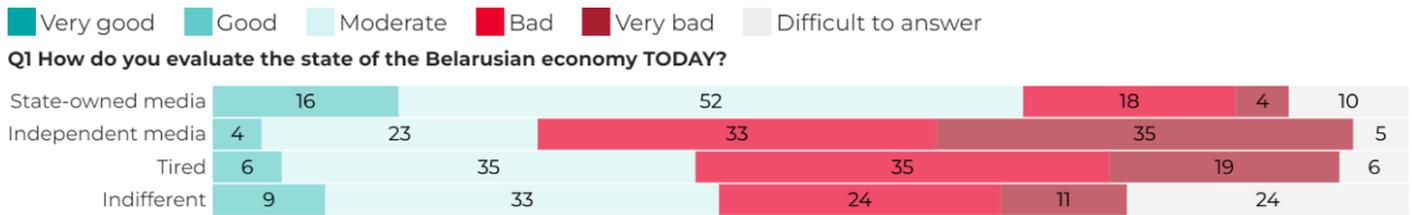
35% of indifferent respondents evaluated the situation in the economy as bad. Among them, there was also a high share (24%) of those who found it difficult to answer the question. The tired agreed to answer the question about the economy, and 54% of them evaluated the situation as “bad”. The audiences of both state-owned and independent mass media outlets showed the same patterns as in the first segmentation. 52% of the active audience of the state-owned mass media outlets evaluated the state of the economy as “moderate”, and 22% evaluated it as “bad”. 68% of the active audience of independent mass media outlets evaluated the state of the economy as “bad”. (Figure 12)

Figure 11. Perception of the economic situation depending on the segment



The segments assessed the country's future differently: 23% of the active public media audience thought it would get worse in a year. The same opinion was shared by: 60% of the audience of independent media; 54% of the tired; 35% of the indifferent.

Figure 12. Perception of the economic situation depending on the segment



Conclusions

Data from the online household survey show that the imposed sanctions, the war of Russia against Ukraine, and a declining economic growth in 2022 have not significantly affected the sentiments of Belarusians on a large scale yet: 30% (a 5 p.p. decrease) of respondents have reported an income drop, excluding the impacts of inflation and of the foreign exchange rate, and 3.4% (a 0.8 p.p. decrease) of respondents have reported a job loss in the last two weeks. At the same time, 35% (a 6 p.p. decrease) of those who have reported an income decline have been cutting their food expenditures. The expectations of Belarusians have improved despite serious current and future challenges for the Belarusian economy.

The improvement can be due to several factors:

- stabilization of the situation in the foreign exchange market (Figure 5C);
- slowing GDP decline and reaching a “local minimum” decline;
- influence of the Belarusian and Russian state-owned mass media outlets (Figure 9);
- failed negative expectations in previous periods (Figure 4).