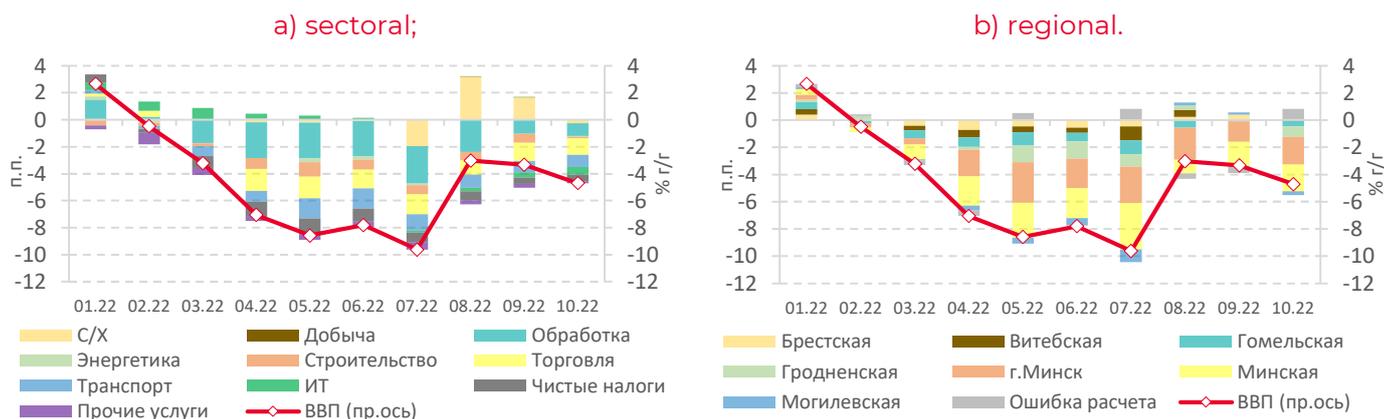


November 2022

In October, Belarus's GDP remained on a 4.5–5% contraction track by the year-end of 2022

Belarus's GDP has decreased by 4.7% (YoY) in ten months. Separately, the indicator fell by $\approx 4.7\%$ (YoY) in October following the falling by $\approx 3.3\%$ (YoY) in September (Figure 1.a). The volume of the seasonally adjusted GDP decreased by more than 1% in October versus September. Exports partially recovered; however, in physical volume terms, exports are still significantly smaller than before the sanctions were imposed. The effects of sanctions and heightened uncertainty are pressuring domestic demand, and the authorities are trying to prevent a domestic demand drop by exercising a loose monetary policy and by intensifying issuing operations. Considering the output dynamics, expectations of the GDP decline by 4.5-5% at the year-end remain relevant.

Figure 1. The GDP growth structure in Belarus



Note: The estimates update once the data are verified. The energy sector includes water supply.

End of harvesting lowered agricultural output

Value added in the sector fell by $\approx 2\%$ (YoY) in October, thus lowering the GDP growth by c.a. 0.3 p.p. (Figure 1.a). Despite increased grain yields, the situation in the agricultural sector is likely to remain challenging: livestock output has been declining, and prices in this sector have risen by almost 25% since the beginning of the year. It is likely that livestock production is affected by the last year's low harvest yields, challenged imports, and accumulated structural problems.

IT sector dynamics significantly weakened in October

This Express Analysis is an operational analysis of the status of the key segments of the Belarusian financial market and the most important macroeconomic indicators of Belarus.

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The value added of the ICT sector fell $\approx 8\%$ (YoY) following a $\approx 5.5\%$ (YoY) decline in September. The fall in October turned out to be the fourth in a row and the most significant this year, making a negative contribution of ≈ 0.6 p.p. to the GDP change (Figure 1.a). Apparently, the negative toxicity effects of cooperating with Belarusian counterparties and the migration of businesses and the population from Belarus are aggravating.

The decline in the processing industry in October remained at the level of September

Value added in the sector decreased by $\approx 4.5\%$ (YoY) in October, just like in September. Dynamics of processing is heterogeneous across industries. Weak performance of the Minsk region may indicate a pause in the potash fertilizer output recovery. In turn, the production dynamics in Minsk, Gomel and Vitebsk regions gives reason to assume a possible output recovery in machine building, metallurgy and oil refining. A weak positive GRP growth continued in the Brest region in October (Figure 1.b) probably due to the performance of the food industry there. At the same time, it is too early to state a sustainable recovery in the processing industry: inventories have been accumulating for two consecutive months, and the ratio of exports of goods to production fell again in September (Figure 2). This indicates the continuing difficulties with product exports: the Russian market cannot offset the lost markets of Ukraine, the EU and other countries.

Figure 2. Dynamics of inventories and exports of goods in the industry in 2016–2022



Note: SA is a seasonally adjusted indicator. The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. The indicator dynamics updates once new data is published.

Activity in other key sectors remained weak in October

The trade and transportation sectors have significantly and negatively contributed to the GDP change (Figure 1.a) in the context of weak domestic demand and disrupted value chains. Value added in the energy sector decreased by more than $\approx 2\%$ (YoY) due to the idling Belarusian NPP. A sharp slowdown in the annual decline rate in the construction sector is largely due to the low base in October 2021 when value added in the sector fell by $\approx 21\%$ (YoY).

Investment and consumer activity continued being low in October

Both fixed capital investment and retail trade turnover declined in October to the seasonally adjusted values of September. Thus, despite a weak recovery in September, domestic demand remained low under due to sanctions: household incomes continued to decline; tensions and uncertainties remain elevated; and the situation with investment import supplies is still challenging. Thus, according to the results of the first nine months of the year, the supply of investment goods to Belarus fell by almost 29% (YoY) in value terms and by c.a. 40% or more (YoY) in physical terms.