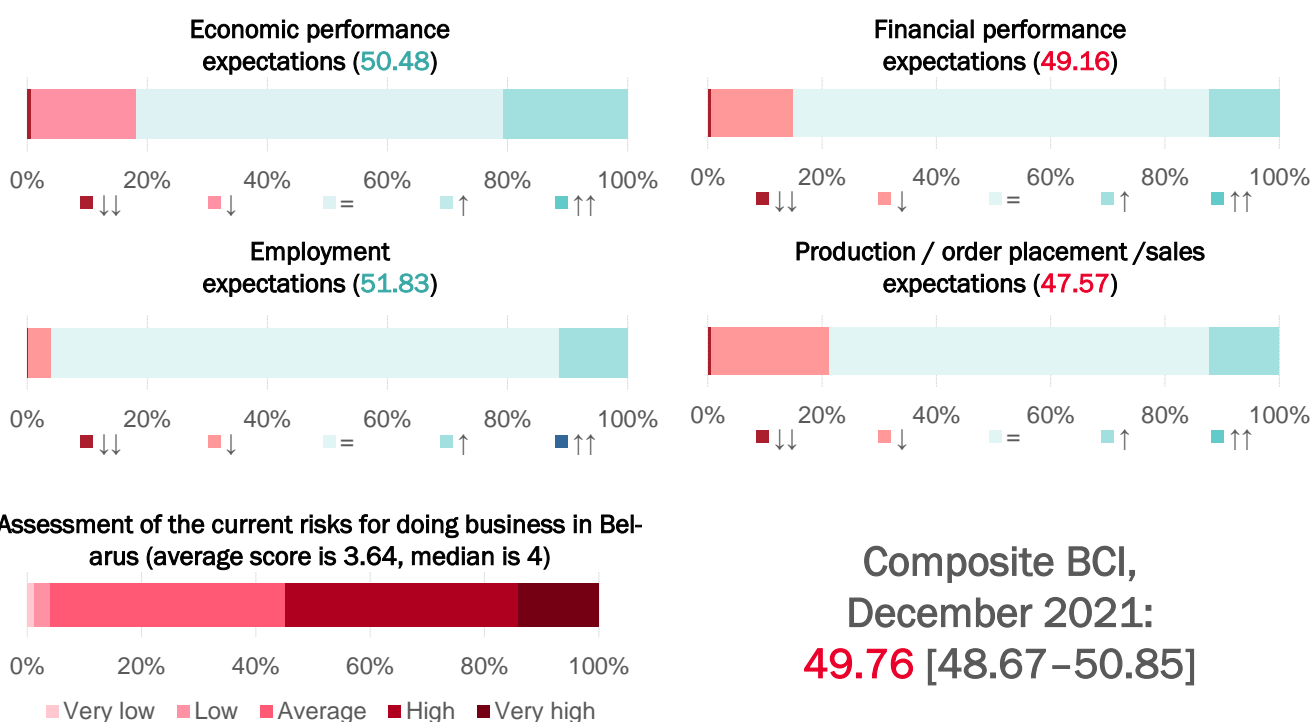


### Abstract

- The composite BCI value remained neutral, and it was 49.76 in December.
- The components of the composite BCI had multidirectional dynamics: the index of expected economic performance changes and the index of employment changes indicated growth; the index of production/orders/sales indicated decline; the index of expected financial standing changes indicated no changes.
- The average score of the current risks of doing business in Belarus amounted to 3.64 in December, and it did not change significantly compared to June.
- The Access to Finance index was 50.92 (neutral). Only 19.9% of respondents applied for a loan over the past three months.
- The main impediments to expanding business activities are high uncertainty of economic environment, macroeconomic instability, low demand, and a lack of qualified personnel/management. The top five also included the “other” option, which was dominated by the pandemic consequences (closure of state borders, disruption of supply chains, etc.), rising prices for commodities / raw materials, sanctions, and personnel drain.



**Legend keys:** ↓↓ is “will significantly worsen/decrease”; ↓ is “will worsen/decrease”; = is “will not change practically”; ↑ is “will improve/increase”; ↑↑ is “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 is “very low”, 5 is “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 has been stratified (75 companies from each of the enlarged types of business activities have been surveyed). Business owners and top managers have been 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 performance change, expected employment change, and expected production/orders/sales change. The IPM Research Center has applied the same approach when calculating the [IPM index](#).

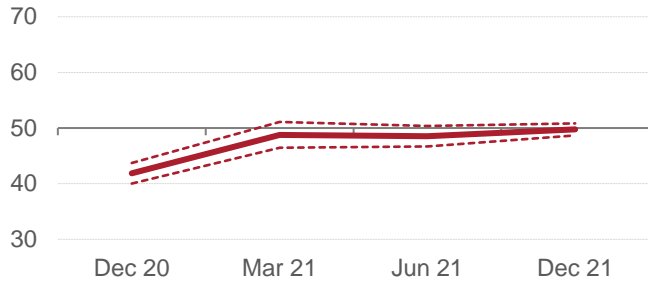
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**Composite index dynamics**

- Composite BCI, “past”: 48.97 (neutral)
- Composite BCI, “present”: 50.04 (neutral)
- Composite BCI: 49.76 (neutral)

The composite BCI was neutral in December. Its was 49.76, i.e., on average, business community expected business activities neither to decline nor to grow. The value of the composite BCI index has been neutral since March 2021.<sup>1</sup>

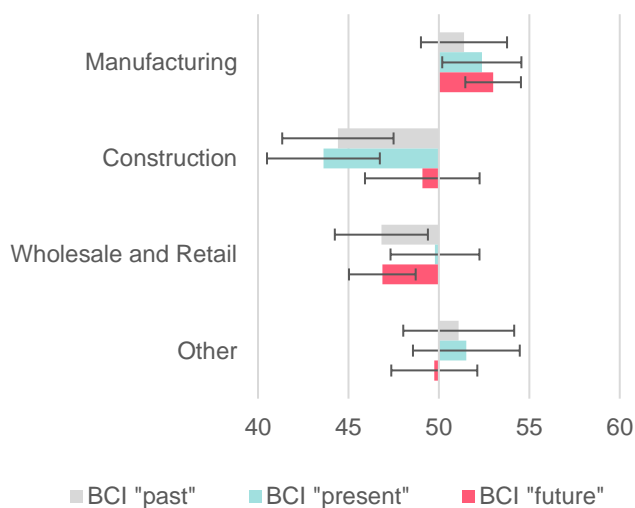
**Fig. 1. Composite BCI**



**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.

The value of the “past” composite BCI index, which reflects changes in the economic performance and financial standing of the company, its employment and production (sales) for the three months preceding the survey, is also positioned in the “neutral” zone (48.97). The companies also assessed their current business activity as neutral: the value of the “present” composite BCI index was 50.04.

**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”.

At the same time, there are significant differences in the values of the composite BCI indices depending on the business activity type. In particular, in the industrial production sector, companies expect an increase in

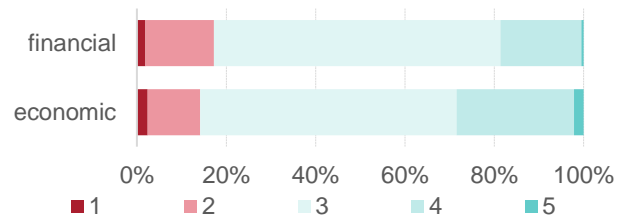
economic activity (the composite BCI index is significantly higher than 50), while in the wholesale and retail trade sector, on the contrary, a decrease is expected (a similar index is significantly lower than 50). In the construction sector, economic activity continues declining, which, according to the expectations of companies, can stop in the coming three months.

**Economic performance and financial performance**

- BCI, economic performance index, “present”: 53.84 (growth)
- BCI, financial performance index, “present”: 49.99 (neutral)

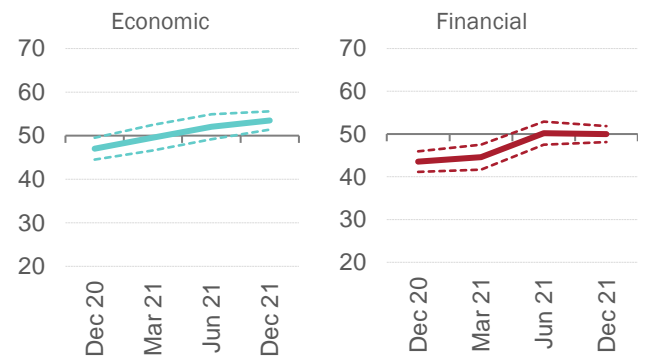
In general, Belarusian SMEs assess their economic performance positively: 28.4% as “good” or “very good”, and 57.4% as “satisfactory”. In general, financial performance is assessed as neutral: 64.1% of companies consider it satisfactory.

**Fig. 3. Assessment of the current economic performance and financial performance of businesses in December 2021**



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

**Fig. 4. Indices of economic performance and financial performance, “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”: 50.48 (neutral)
- BCI, financial performance index, “future”: 49.16 (neutral)

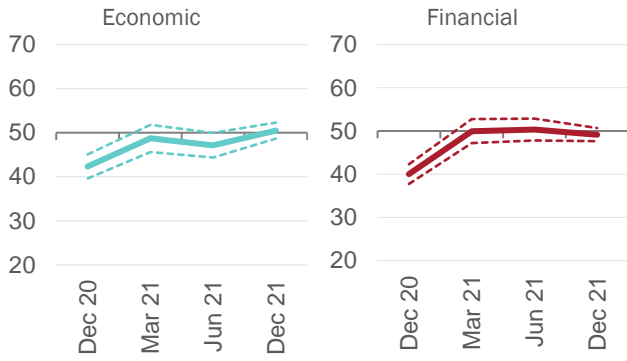
Expectations of the business community regarding further changes in their economic performance significantly improved compared to June and ended up in the neutral zone. 20.7% of companies expected their economic performance to improve in the near future, and

“neutral” zone means that the index value is not statistically different from 50.

<sup>1</sup> Calculations of the BCI indices for December 2020, March 2021 and June 2021 were based on the data by the IPM Research Center (150 SMEs surveyed under a stratified sample). A

18.2% of companies expected it to deteriorate. Companies' expectations regarding changes in financial performance in the coming three months remained stable and were in the neutral zone. Only 12.3% of companies expected their financial performance to improve, while 15% expected "deterioration" or "significant deterioration".

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



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

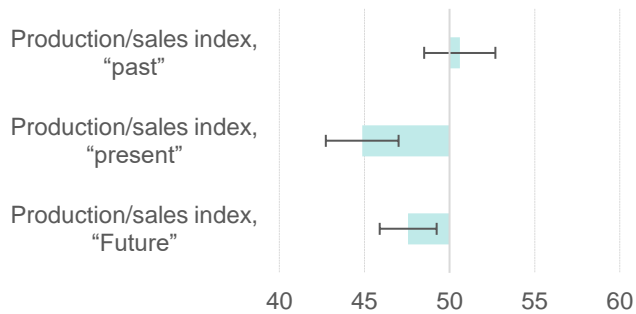
By type of activity, the BCI index of the "future" economic performance is significantly higher than 50 in the industrial production sector, and it is significantly lower than 50 in the trade sector. The BCI index of the "future" financial performance is not statistically different from 50 in any of the sectors.

**Production and sales**

- BCI, production/sales index, "past": 50.60 (neutral)
- BCI, production/sales index, "present": 44.86 (decline)
- BCI, production/sales index, "future": 47.57 (decline)

The index of production (industrial production and construction) / sales (trade and services) has been in the neutral zone over the past three months. At the time of the survey, the current volume of demand/orders was in the downtrend zone in all business activities, and the average "present" production/sales index was 44.86.

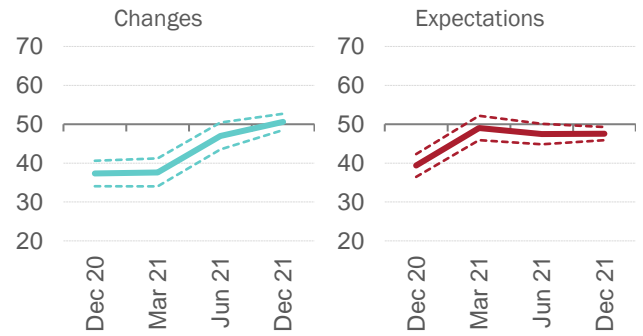
**Fig. 6. Production/sales indices**



**Note.** Scale 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.

The surveyed companies, on average, expected production volumes (executed orders or services provided) or sales to decrease in the coming three months. In particular, 31.6% of trading companies and 36% of construction companies expected a decline in production/sales, while growth was expected by 6.6% of trading companies and by 18.7% of construction companies, respectively. In industrial production, only 2.7% of businesses expected a decline, and 8% expected growth.

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



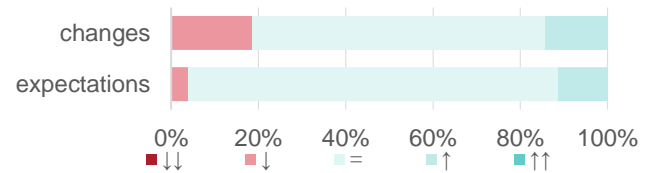
**Note.** Scale from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

**Employment**

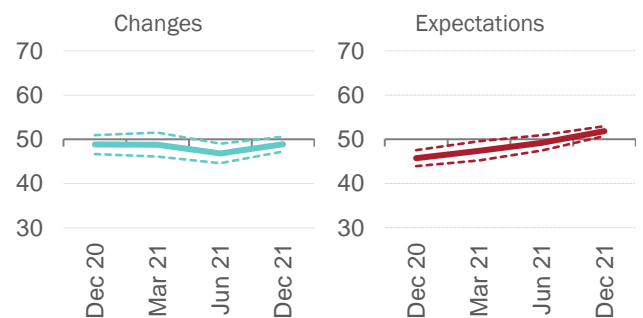
- BCI, employment index, "past": 48.90 (neutral)
- BCI, employment index, "future": 51.83 (growth)

The employment change index has returned to neutral over the past 3 months. At that, a significant drop in employment was in the trade and construction sectors: 28.2% of construction companies and 19.4% of trading companies reported job losses, and only 10.3% of construction companies and 6.9% of trading companies reported new jobs.

**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.** Scale from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

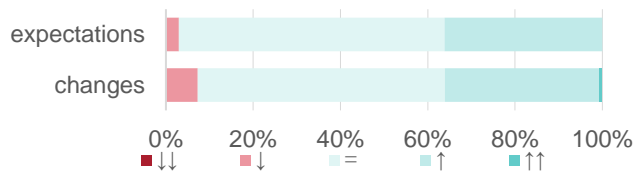
Despite the fact that companies expect production and sales volumes to drop, the index of employment changes expected in the coming 3 months is in the growth zone. 11.4% of businesses expect their staff to grow, and 3.7% of businesses expect their staff to shrink. Employment is expected to grow mainly in the industrial production sector (the sector shows the corresponding index significantly exceeds 50). Other activities are neutral.

**Prices**

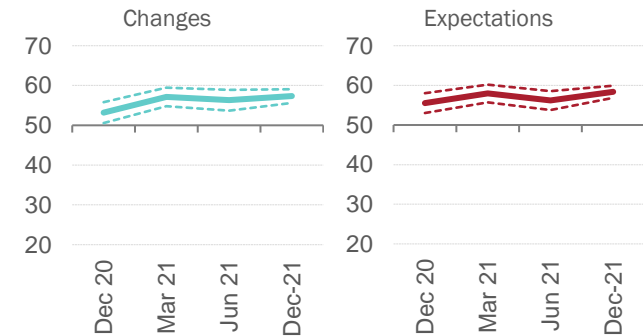
- BCI, price index, “past”: 57.36 (growth)
- BCI, price index, “future”: 58.37 (growth)

Assessments of the dynamics of selling prices are traditionally in the growth zone: 36.1% of respondents reported an increase in prices for their goods and services over the past 3 months, while 56.6% of companies reported their prices in the BYN equivalent remained unchanged. Prices grew the most in the industrial production sector (the “past” price index amounted to 62.00), and the least price growth was in the construction sector (50.67).

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



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



**Note.** Scale from 0 to 1, where 0 means is “significantly decreased / will decrease”, 1 means “significantly increased / will increase”.

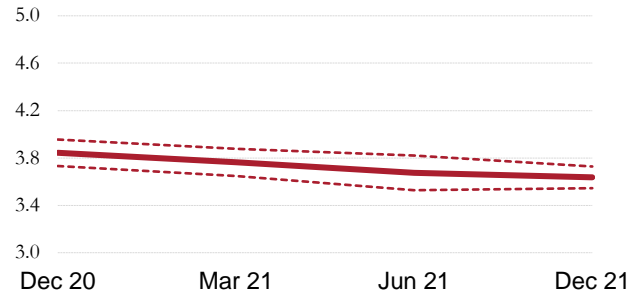
The share of companies expecting selling prices to increase in the coming three months (36.3%) was almost equal to the share of companies reporting a price increase over the past 3 months. In general, the indices of selling price changes over the past three months and in the coming three months are strongly correlated, and they are in the growth zone as far as all types of business activities are concerned.

**Impediments to business expansion**

- Average assessment of the current risks of doing business in Belarus: 3.64

The average score of the current risks of doing business in Belarus amounted to 3.64 in December, and it did not change significantly compared to June. 40.9% of SMEs considered “high risks” of doing business in Belarus, while 14% of SMEs considered the risks to be “very high”. Respondents from the construction sector can see the highest risks (average assessment is 3.80), and respondents from the industrial production sector can see the lowest risks (average assessment is 3.41).

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

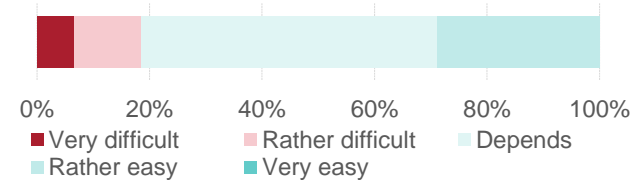


**Note.** Scale from 1 to 5, where 1 is “very low” and 5 is “very high”. Median = 4

- BCI, “access to finance”: 50.92 (neutral)

The share of companies reporting it was “very difficult” or “rather difficult” for them to get a loan or other third-party financing amounted to 18.6%. Only 28.8% of respondents said it was “rather easy” to get a loan. At that, only 19.9% of respondents applied for a loan over the past three months.

**Fig. 13. Access to finance, %**



Among the main impediments faced by the companies applying for a bank loan were: higher interest rates on new loans (28.8%); shortened maximum loan maturities for new loans (18.5%); loan application refusals (12.9%); and extended loan application processing periods (12.9%). 45.5% of the surveyed companies that applied for a loan over the past 3 months did not experience any challenges about getting a loan.

The main reasons why companies have not applied for loans over the past three months include: “no loan needed” (74.2%) and “high interest rates for the loans in the national currency” (10.1%).

**Top 5 impediments to business expansion:**

- high uncertainty of economic environment;
- macroeconomic instability;
- low demand;
- lack of qualified personnel/management;
- impediments not specified in the list (the “other” option).

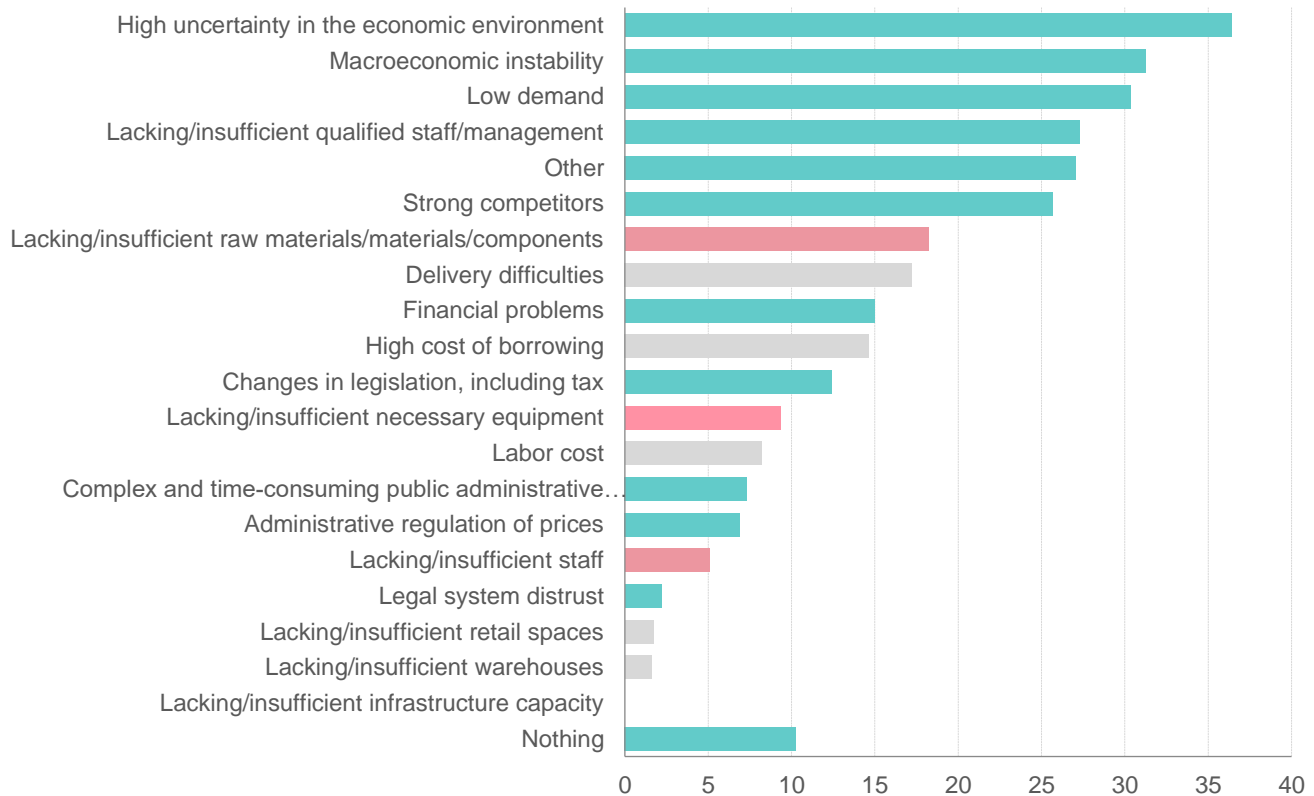
The Top 5 impediments to increasing business activity turned out to be quite traditional. The most urgent challenge was “high uncertainty of economic environment”: 36.4% of respondents (including 84.2% of construction companies) reported this factor among their Top 5 impediments. “Macroeconomic volatility” was reported as a key impediment by wholesalers and retailers; “low demand” scored over 30% in all sectors except industrial production; and the “lack of qualified staff/management” scored higher in the services sector than in all others.

Challenges not indicated in the list (the “other” option) were reported by 27.1% of the total number of respondents, including respondents from the services sector (43.4%). Such a large share of the “open” answer to

the question is atypical, and this indicates that the reported challenges are significant. Among “other,” the most frequently reported challenges were: pandemic-related problems (supply chain disruptions, state border closures, lockdowns, etc.), consequences of the global inflation acceleration (rising prices for raw materials and commodities), and the domestic political crisis (personnel drain, sanctions, etc.).

Slightly more than 10% of respondents answered that nothing prevented their companies from expanding their business activities. The largest share of such companies was in industrial production: 19.3%. In general, industrial production companies indicated the lowest impediments (2.3 out of 5), and construction companies indicated the highest impediments (3.4 out of 5).

**Fig. 14. Distribution of answers to the question “What factors impede the growth of your company's business activity”, %**



**Note.** Respondents were to select up to 5 options. Some answer options varied depending on the type of business activity (general answer options for companies in the industrial production and construction sectors (specific answer options for these sectors are pink-colored) and for companies in the trade sector and other sectors (yellow-colored)). The remaining options (colored blue) were the same for all sectors.

**Final sample design (unweighted), December 2021****Table 1. Distribution by when established**

	Number	%
to 1995	58	19.3
1996-2000	50	16.7
2001-2005	42	14.0
2006-2010	71	23.7
2011-2015	57	19.0
2016+	22	7.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Source: BEROC.

**Table 2. Distribution by staff size**

	Number	%
16-50	206	68.7
51-100	52	17.3
101-250	42	14.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

Source: BEROC.

**Table 3. Distribution by location**

	Number	%
Minsk	143	47.7
Country's regional center or other large city	123	41.0
District center	16	5.3
Other towns, urban-type settlements	8	2.7
Rural areas	10	3.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Source: BEROC.

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

	Number	%
Brest Oblast	30	10.0
Vitebsk Oblast	33	11.0
Gomel Oblast	21	7.0
Grodno Oblast	27	9.0
Minsk Oblast	27	9.0
Mogilev Oblast	19	6.3
Minsk City	143	47.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Source: BEROC.

**Table 5. Distribution by business activity**

	Number	%
Industrial production	75	25.0
Building and construction	75	25.0
Wholesale and retail trade	76	25.3
Other business activities	74	24.7
<b>Total</b>	<b>300</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. The remaining four indicators (expectations about the economic situation, the number of employees, the financial performance, and the scope of production/work/sales) match one another (Table 4), so merging them into a composite index is justified.

The data have been weighted to ensure data comparability by months. A weighting criterion was the number of SMEs by type of business activity at the end of 2020 (according to the Belstat data, see Table 5). The resulting weights are in Table 6.

**Table 4. Correlation coefficients between performance expectations, December 2021 (total number of respondents: 300)**

	Company's selling prices	Company's economic performance	Number of employees in the company	Company's financial performance
Company's economic performance	-0.029			
Number of employees in the company	0.071	0.282**		
Company's financial performance	-0.055	0.393**	0.276**	
Volume of production/works/sales	-0.076	0.435**	0.241**	0.504**

\*\* – correlation is meaningful at 1%.

**Table 5. Input data for calculating weights for weighting survey data (number of SMEs as of the end of 2020)**

	Medium Enterprises (ME)	Small enterprises (SE)
Industrial production	537	3293
Building and construction	233	1525
Wholesale and retail trade; vehicle and motorcycle repair	263	3064
Other business activities (except for Section A of CCEA)	517	4339
<b>Total</b>	<b>1550</b>	<b>12221</b>

Source: BelStat.

**Table 6. Weights for survey data weighting**

	December 2020		March 2021		June 2021		December 2021	
	SE	ME	SE	ME	SE	ME	SE	ME
Industrial production	0.81	1.05	0.85	1.17	1.46	1.05	0.58	1.30
Building and construction	1.23	0.52	0.86	0.50	0.51	0.54	0.85	0.48
Wholesale and retail trade	0.69	1.08	1.45	0.94	2.86	0.90	0.95	0.95
Other business activities	5.44	1.23	0.82	1.50	1.13	1.43	1.13	1.48

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