

Summary

- The Consumer Confidence Index (CCI) is low, but the war and new sanctions have not affected it on a large scale.
- The value of the Consumer Confidence Index, which includes 5 components (by the Rosstat methodology) was -28% in April 2022: it decreased by 3 percentage points compared to December 2021.
- The value of the Consumer Confidence Index, excluding the component of the current state of the economy (by the Eurostat methodology) lowered from -23% in December 2021 to -23% in April 2022, which is still below most European countries despite a more significant CCI decrease in them.
- The largest negative contribution to the Index is the current assessment of the country's status, which is -47%.
- The component of the country's future is higher than the index value for most groups of respondents, i.e. people expect relative improvement in the country.
- The share of people who reported their income decrease over the past month in April 2022 increased markedly from 40% to 52%.
- The share of those who have lost their jobs recently is relatively small (4.2%), but the share of their jobless friends and acquaintances (21.6%) is one of the highest in the last two years, except the share during the period when the COVID-19 pandemic started.

Methodology

The bulletin is based on the data of two online surveys of urban residents aged 18-64; the surveys took place on: a) December 2—8, 2022, and b) April 19—25, 2022. The sample corresponds to the structure of the urban population in Belarus, and it has been 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 assessments 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 through applying the methods used by Rosstat and Eurostat.

Interpretation of the CCI outcomes

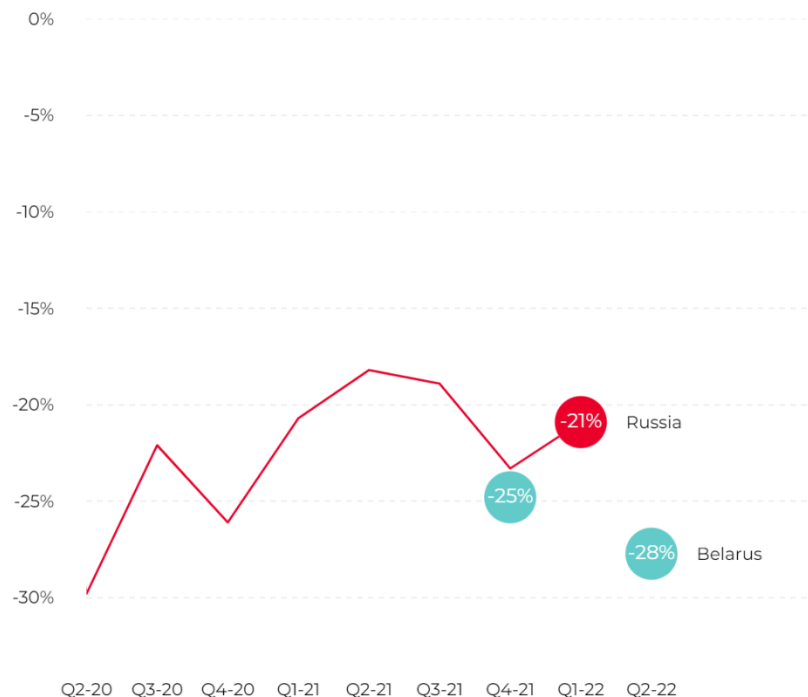
The **Consumer Confidence Index (CCI)** is an indicator made up of several questions from the household survey. It is designed to measure consumer confidence, which is defined as the degree of optimism on the state of the economy that consumers express through their saving and spending patterns. The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

Belarus and Russia

The value of the Consumer Confidence Index, including all 5 components (by the Rosstat methodology) was -28% in April 2022 in Belarus (a decrease of only 3 percentage points compared to December 2021), while the index value in Russia was -21% in February 2022 (it grew by 2.4 percentage points). The index values in December 2021 and April 2022 in Belarus were similar to the index values in Russia during the introduction of the COVID-19-related restrictions in the 2nd and 4th quarters of 2020. It is worth noting that the respondent survey was conducted in Russia on February 1–10, 2022, before the Russian invasion of Ukraine started, which could have explained the lack of deterioration in consumer expectations; however, the available survey data from other organizations after February 24 show that the expectations of Russian residents do not worsen, and they even improved in March 2022.¹ This is a paradox, but that is a fact. (Fig. 1)

Fig. 1. The Consumer Confidence Index in Belarus and Russia in 2019-2022

(the index for Belarus is dated Quarter 4, 2021 and onwards; the index for Russia is dated the period before the war started)



¹ [Russia Thomson Reuters IPSOS Primary Consumer Sentiment Index \(PCSI\), investing.com website](https://www.investing.com/news/economy/russia-thomson-reuters-ipsos-primary-consumer-sentiment-index-pcsi)

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) Both countries have been affected by economic sanctions.

Belarus and EU

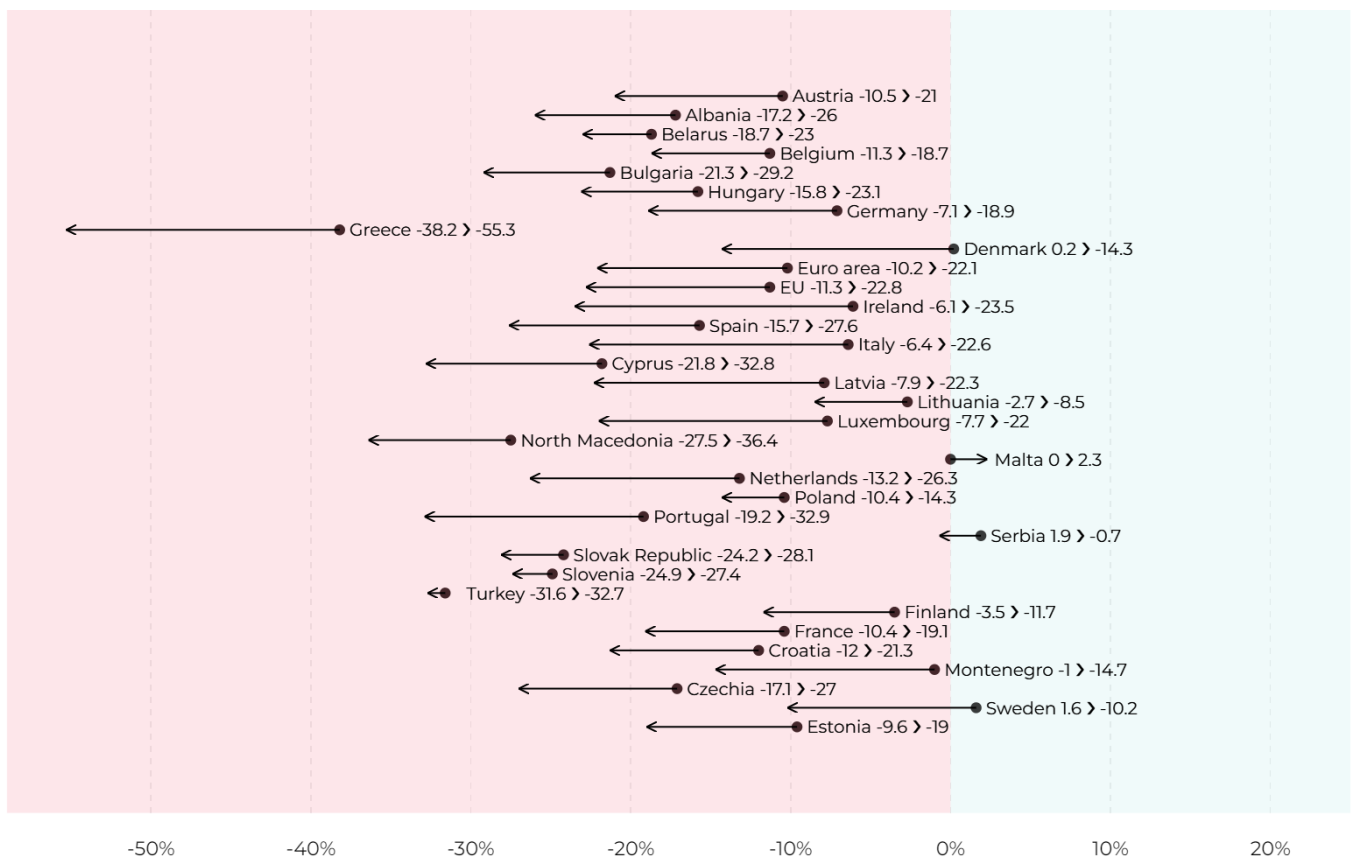
The Consumer Confidence Index, excluding the component of the current state of the economy (by the Eurostat methodology) was -23% in April (it decreased by 4.3 percentage points), which is still below most European countries, despite much larger declines of the index in many of these countries. After Russia invaded Ukraine, the indices of all countries, except Turkey, have dropped significantly (see the directions and length of the arrows on the chart), while the Belarusian index has deteriorated only by 4.3 p.p., which has allowed Belarus to be among top 8 countries with the smallest index decline. The index values in the EU and in the Eurozone are -22.8% and -22.1% respectively, which indicates comparable figures on average in the EU and Belarus in April 2022. (Fig. 2)

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

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.²

Fig. 2. Consumer confidence index in Europe in December 2021 and in April 2022

(sorting of the Y-axis alphabetically, by the length and direction of the arrow shows the change compared to December 2021)



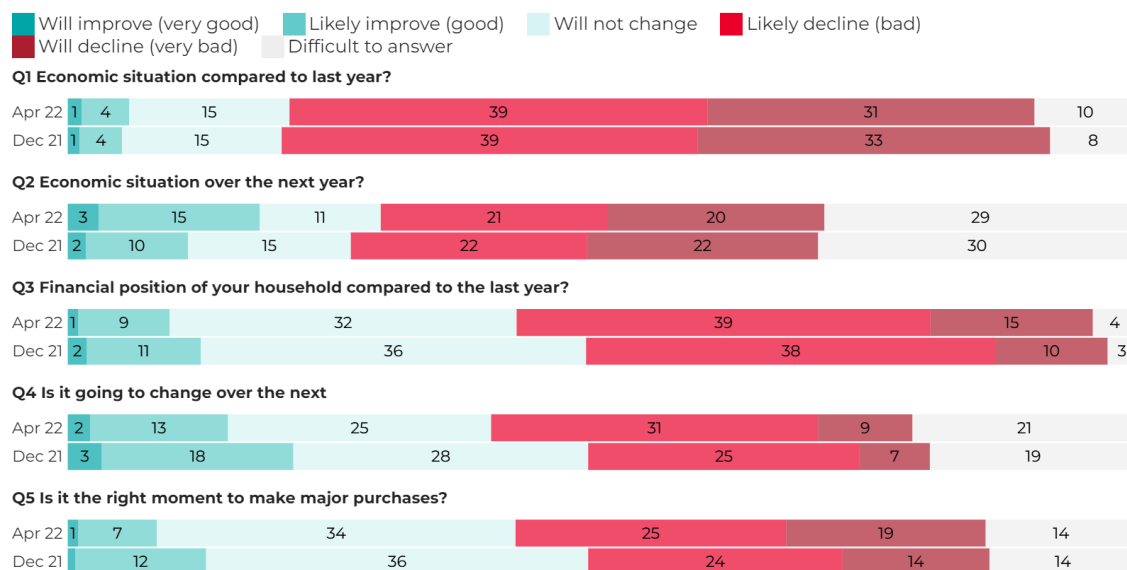
² [A Revised Consumer Confidence Indicator. European Commission, official website, 2018.](#)

Components of the Consumer Confidence Index

As before, evaluations of the current status of the country and of the personal well-being contrast with the projections of the future, in which there is only a slight increase in the share of optimistic answers and a significant increase in the share of those who find it difficult to answer the question, due to a decrease in the share of pessimistic answers (Fig. 3). 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. In April 2022, the value of this component did not change significantly, despite the war outbreak and the new sanctions imposed on Belarus and Russia. The assessments of the future development of the economy (Q2) are less negative and, compared to December 2021, there is some improvement: the share of positive answers has increased by 6 percentage points, although about a third of respondents have no clear vision still of what is going to come. The improvement may be caused by several factors: a) stabilization of the situation on the foreign exchange market; b) expectations of the military operations to end soon and life to get back to the previous "normal"; c) influence of the Belarusian and Russian government media with the narrative that sanctions will make the countries "stronger"; d) other reasons. More research is needed to assess the impact of each of the factors.

Assessments of personal well-being, both present and future, are much better than the assessments of the status of the country's economy, although they have significantly decreased compared to December 2021. Only 8% (a 5 percentage points decrease compared to December 2021) of households believe now is a good time for large purchases, which indicates a certain level of consumer depression.

Fig. 3. Components of the Consumer Confidence Index (in %)



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 future expectations about the country is in the negative range in all groups and in all periods (Fig. 4). While among the age groups in December 2021 the least pessimists regarding the future and present were young people aged 18-24 years (similar to many countries), this age group, being the most optimistic, also is the group with the largest drop in the index in general and the only age group in which the component of the country's future has decreased. People who are 45+ y.o. have the lowest index, which is not a unique characteristic of Belarusians either; however, this group became the least pessimistic about the future of Belarus in April 2022. While in December 2021, there was no significant difference between the index values in general and in the component of the country's future, the difference between the indicators was already 10 percentage points in April 2022, i.e. expectations of the country's future are higher than the index value.

Depending on the income, respondents in low-income groups are more pessimistic about present time, and respondents in high-income groups are more optimistic; however, as far as the expectations component is concerned, high-income people (BYN 1000+ per month net, which is about USD 400+) are the most pessimistic among all age groups. The index value worsened in all income groups and the country's expectations component improved from December 2021 to April 2022. Until now, people with high incomes have expectations of the country that do not exceed the index value as a whole, although the distance between the indicators has shortened.

Depending on the field of activity, the index has decreased in all domain groups with the exception of the construction, HoReCa and healthcare sectors. At the same time, country expectations have improved in the majority of the groups, except for the sectors of education, utilities, and previously unemployed respondents.

In addition, there are groups with a significant difference between the index in general and the future expectations component; e.g., a) people aged 55-64 years (16 percentage points); b) people earning BYN 1000+ (10 percentage points); c) people employed in finance sector (10 percentage points); d) people employed in the IT sector (10 percentage points).

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 April 2022 compared to December 2021. 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, b) country pessimists.

Expectations of the country's future among **privileged realists** have deteriorated, and the situation as a whole has improved, but such groups are not seen among the

respondents. **Realists** have felt a general deterioration and, moreover, compared to December 2021, they consider the future of the country to be even less rosy. **Desperate optimists** have sensed a general deterioration, but they believe that the future of the country 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. (Fig 4.E)

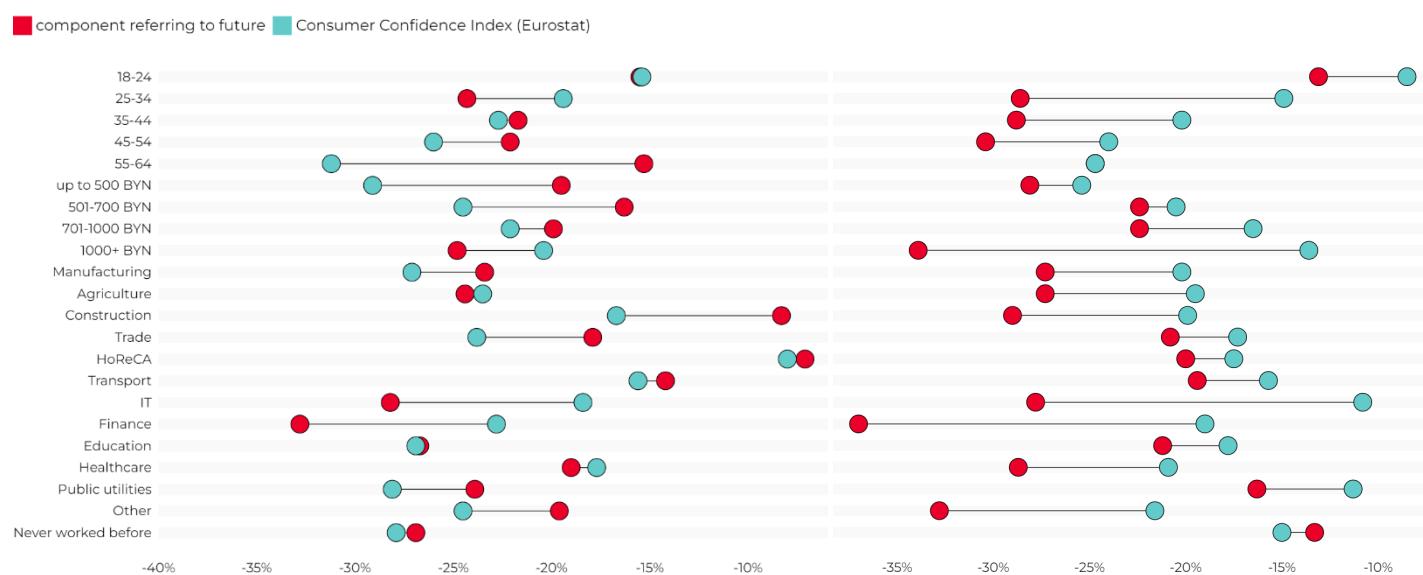
Country optimists have projected the future of the country to be above the current index as a whole, and **country pessimists** have projected the opposite. In December 2021, there was not a single group of optimists except Belarusians who had been not been previously employed; however, in April 2022, most groups were already optimists, with the exception of the 18-24 and 25-34 age groups (i.e. young people), Belarusians earning over BYN 1000 (about USD 400), people employed in agriculture, finance, IT and healthcare sectors. (Fig. 4.E)

Fig. 4. The Consumer Confidence Index and the country's future component in December 2021 and April 2022

(groups are presented by age, income, and activity domain)

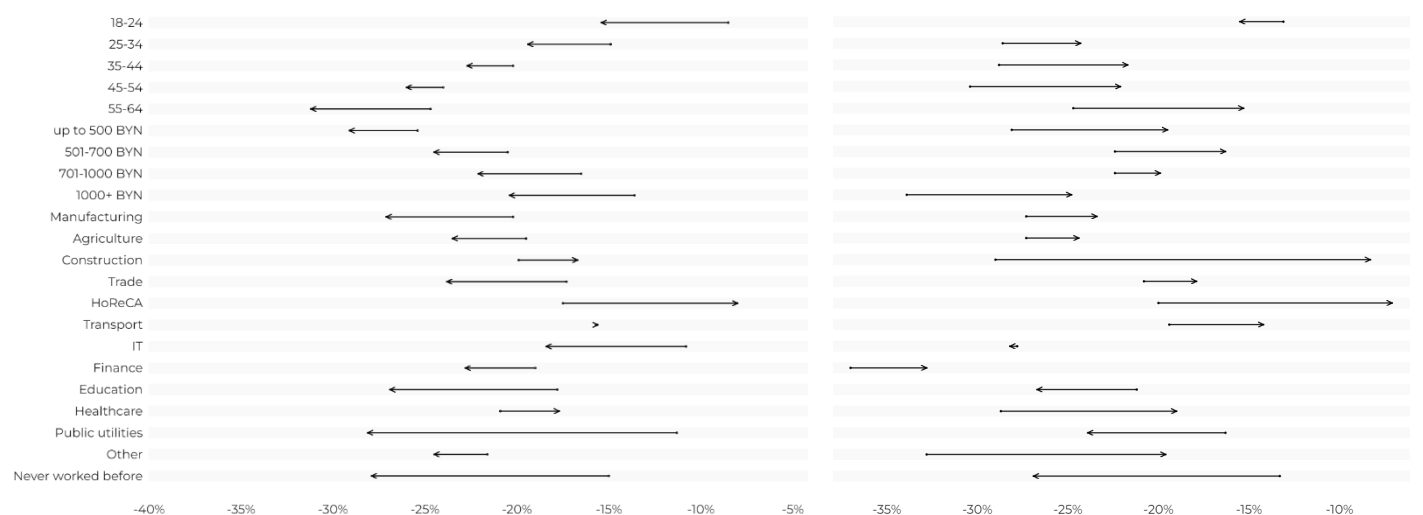
A. April 2022

B. December 2021

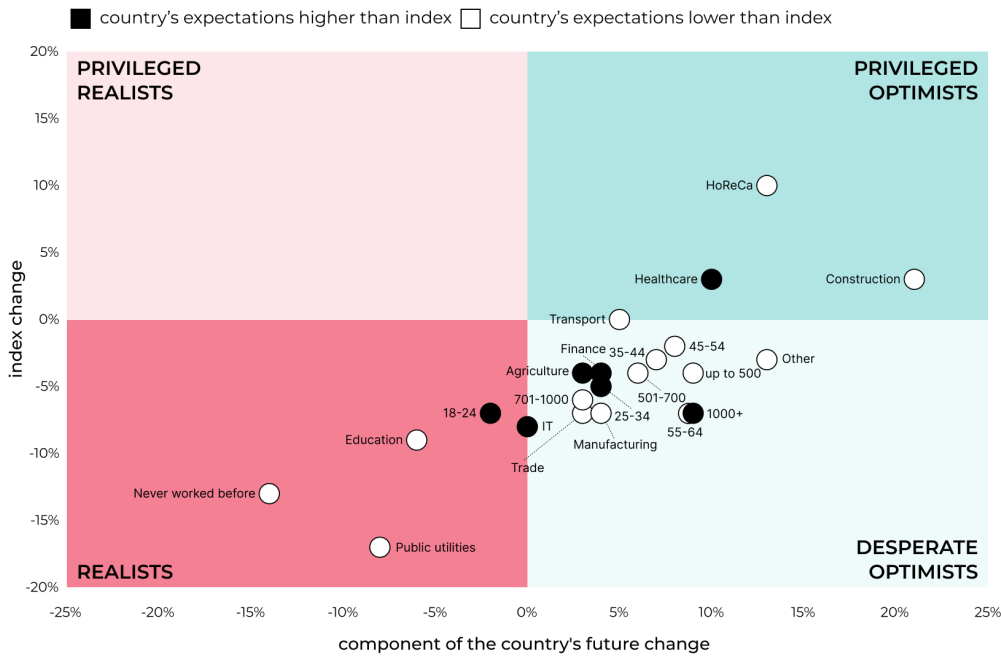


C. Change in the index over the period

D. Change in the future component over the period



E. Clusters



Incomes of the population

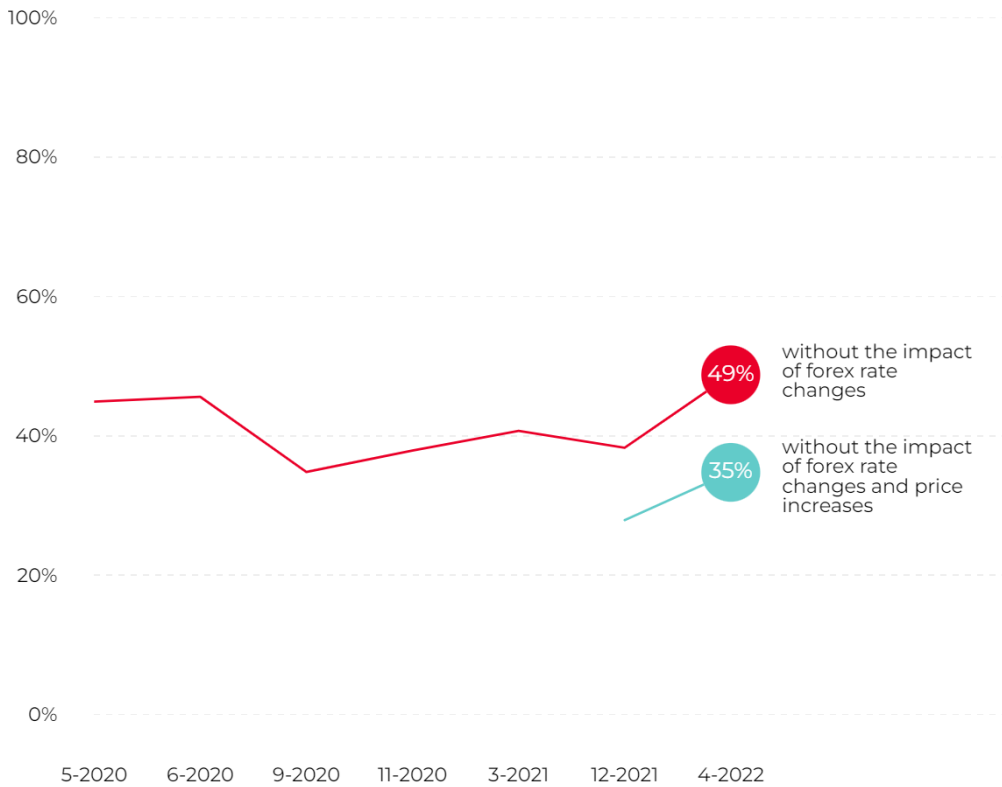
In April 2022, the share of people who reported their decreased income over the past month increased significantly and amounted to 52%. If those, who only refer to the forex rate changes as the reason for their income decline, are excluded, then the share drops to 49% (which is the highest value in the last two years); and if those, who refer to price increases and forex rate changes as the reason for their income decline, are excluded, then the share drops to 35% (Fig. 5). The highest shares reporting an income decline — without referring to the forex rate changes and price increases — are in the following groups:

- having secondary special education (vocational)
- unemployed
- entrepreneurs and self-employed
- employed in the private sector
- employed in the sectors of industrial production, construction and agriculture

In December 2021, the most vulnerable groups were low-income entrepreneurs and those employed in the construction sector.

Moreover, the main income drop reasons have changed from the “non-standard” options — “unpaid leaves” and “reduced number of working days” (referred to in 2020) — to “smaller bonuses paid”, “wage reductions or no wage rises” and “reduced number of orders placed” (referred to in December 2021 and in April 2022).

Fig. 5. Share of population reporting income decline (%)
 (impact of the price increase is taken into account starting December 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.

Out of 52% of the respondents who reported an income decline, 42% (an increase by 3 percentage points) switched to buying cheaper clothes and to buying clothes less often, 42% (an increase by 3 percentage points) started cutting their recreation and entertainment expenditures, 41% (an increase by 5 percentage points) started cutting their food expenditures, 34% (a decrease by 2 percentage points) postponed large purchases, 16% (a decrease by 1 percentage point) continued spending as before and started saving less or spending their savings, and 10% (a decrease by 3 percentage points) were forced to overdue regular payments, such as utility bills or loan repayments (Fig. 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 spend our savings”; however, a significant share of people (41%) start cutting their food expenditures, which is particularly alarming. The share of those cutting their food expenditures is the highest in the 18-24 age group, in residents of cities with a size of 30-100 thousand people, as well as among low-income people (up to BYN 500 monthly net, which is about USD 200) and even those employed in the IT sector.

Labor market

As in December 2021, a paradoxical situation persists in the labor market. On the one hand, the share of those who have lost their jobs recently is as low as 4.2%. At that, the rate of their jobless friends and acquaintances was 21.6%, i.e. one of the highest rates in the last two years, with the exception of the period when the COVID-19 pandemic started. (Fig. 7)

Fig. 6. How households cope with falling incomes?
(out of those 52% who have experienced an income decline)

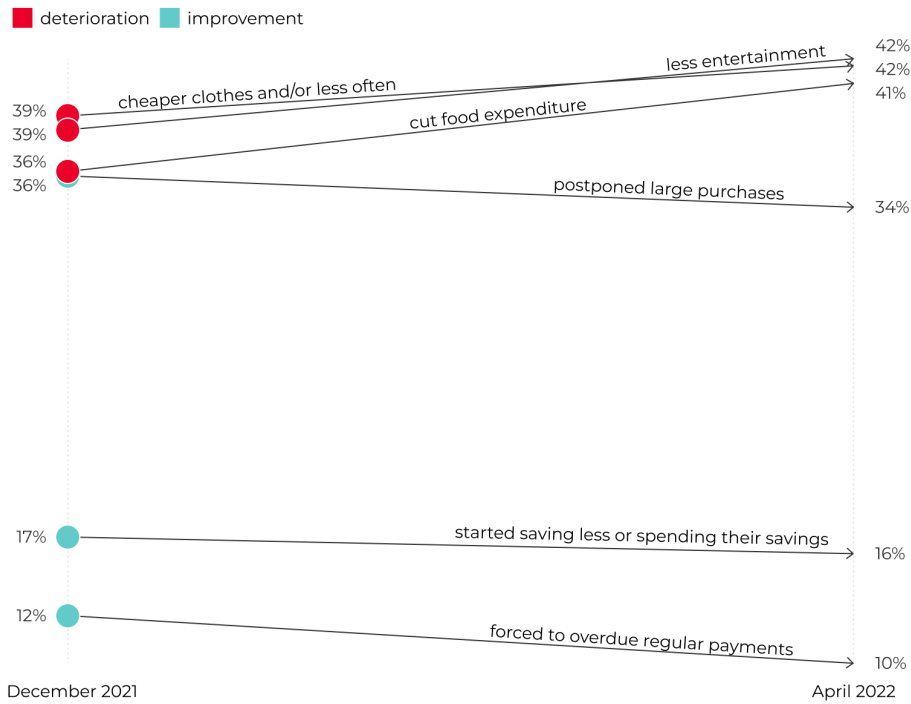
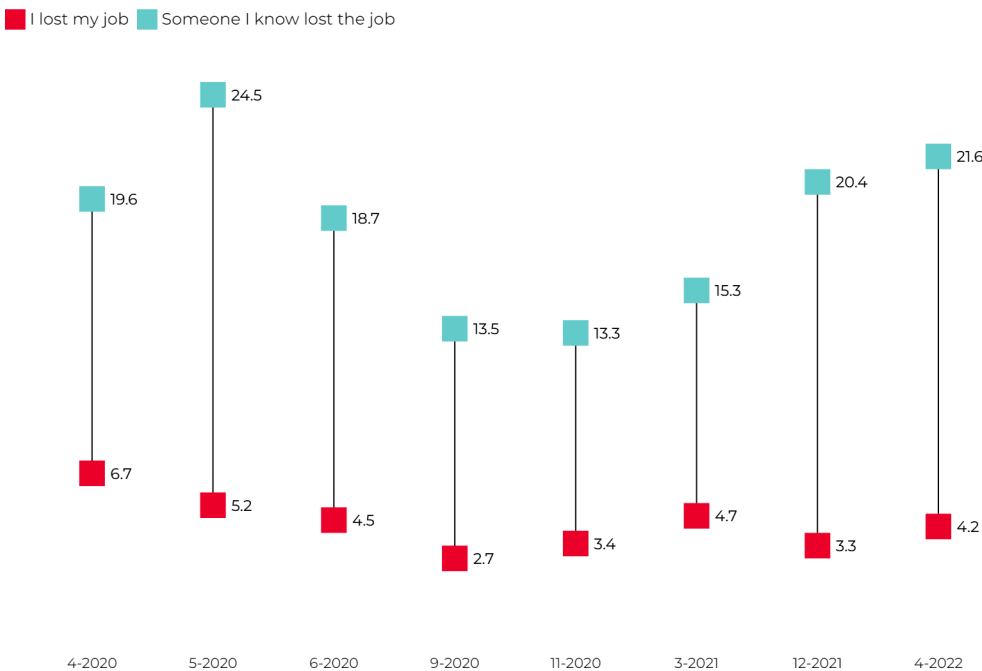


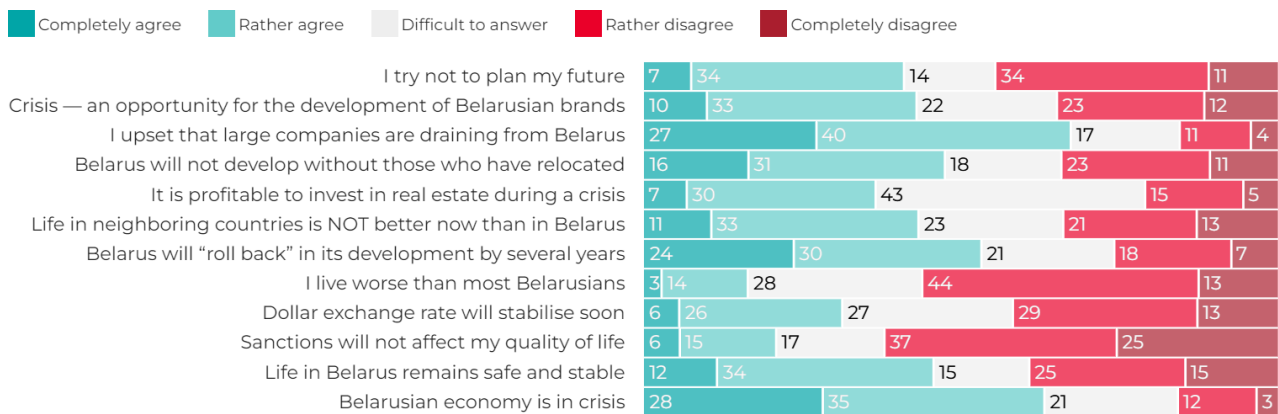
Fig. 7. What is the share of the unemployed?
(percentage of those reporting a job loss)



Overall assessment

- 67% are upset that large companies are draining from Belarus
- 63% believe that the Belarusian economy is in crisis
- 62% think sanctions will affect quality of life
- 54% say that Belarus will “roll back” in its development by several years
- 47% believe that Belarus will not be able to develop normally without those who have relocated
- 46% agree that life in Belarus remains safe and stable
- 41% do not plan their future

Fig. 8. How respondents assess the state of the economy? Answers to questions in %



Conclusion

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 affected Belarusians on a large scale yet: 35% (an increase by 7 percentage points) of respondents report a income drop, excluding the impacts of inflation and of the foreign exchange rate, and 4.2% (an increase by 0.9 percentage points) of respondents report a job loss in the last two weeks. At the same time, 41% (an increase by 5 percentage points) of those who report an income decline save on food. Despite future challenges faced by the Belarusian economy, Belarusians’ expectations at the macro level have improved: the share of positive answers to the question about the future of the country has increased by 6 percentage points; and Belarusians’ expectations of the future at the micro level have lowered: the share of positive answers to the question about the future financial situation of their families has decreased by 6 percentage points. In general, households start experiencing a significant deterioration compared to December 2021; however, the scale of this deterioration remains quite low so far.