

Abstract

- The value of the Consumer Confidence Index (CCI), which includes 5 components (by the Rosstat methodology) was -25% in December.
- The value of the Consumer Confidence Index, excluding the component on the current state of the economy (by the Eurostat methodology) was -19% in December, which was lower than in the most EU countries, despite many of them re-introduced lockdowns.
- The largest negative contribution to the Index is the current assessment of the country's status, which is 50%.
- The share of people who reported their decreased income over the past month in early December 2021 was 40%.
- The share of those who lost their jobs recently was as low as 3.3%, but the rate of their jobless friends and acquaintances was 20.4%, i.e. one of the highest rates in the last two years.

Methodology

The bulletin is based on the data of an online survey of urban residents aged 18-64; the survey took place on December 2—8, 2021. The sample corresponds to the structure of the urban population in Belarus, and it has been adjusted by the country's region, 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** 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.,

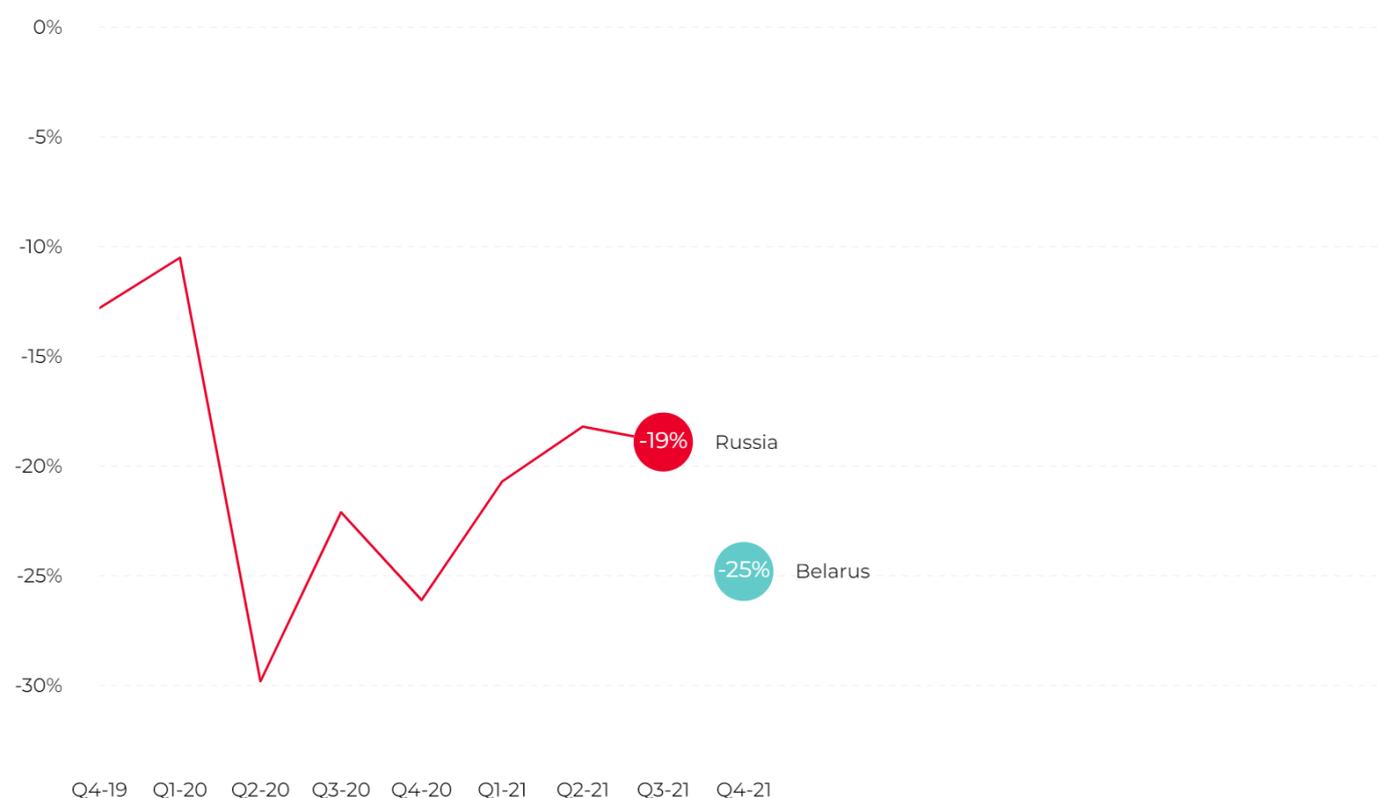
financial standing in the family, etc.) and macro-questions (e.g. economic situation today and for the coming 12 months).

Belarus and Russia

In December 2021, the value of the Consumer Confidence Index, which includes all 5 components (by the Rosstat methodology), was -25% in Belarus, while in November 2021, the Index value was -19% in Russia. In December, the Belarusian scores of the Index were comparable to the Russian scores during the introduction of restrictions due to the COVID-19 pandemic in Quarter 2 and Quarter 4 in 2020, despite the fact that Belarus was actively recovering and living through the “foreign trade miracle” period in 2021. Fig. 1.

Fig. 1. The Consumer Confidence Index in Belarus and Russia in 2019-2021

(the index for Belarus is dated Quarter 4, 2021 and onwards)



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.

Belarus and EU

The value of the Consumer Confidence Index, excluding the component on the current state of the economy (by the Eurostat methodology) was -19% in December, which was lower than in the most EU countries, despite many of them re-introduced lockdowns.

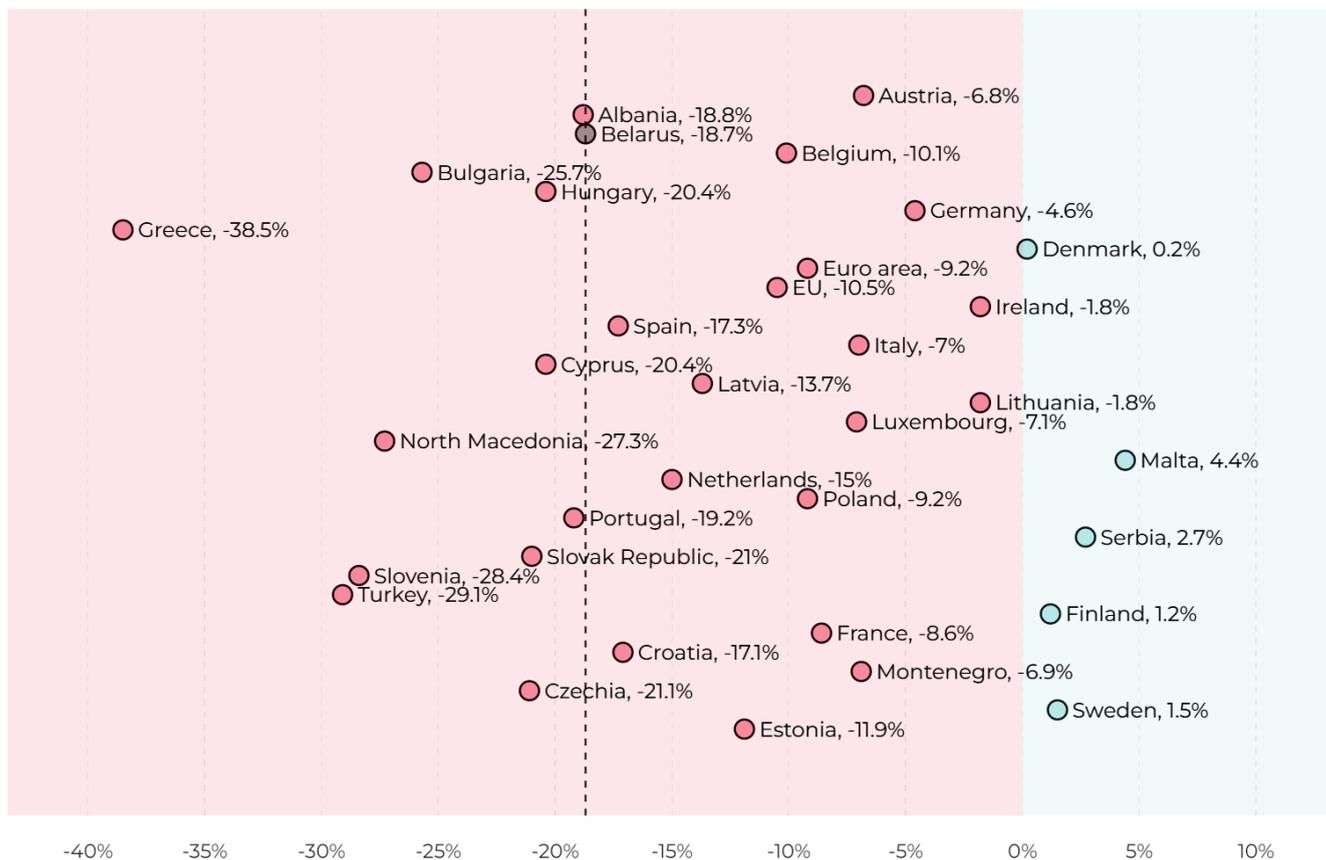
The index values in the EU and in the Eurozone are -11% and -9%, which indicates a significant difference between the index values in Belarus, the EU and the Eurozone, averaging 8 and 10 percentage points respectively (6 percentage points compared to Russia).

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.¹

Pic 2. Consumer Confidence Index in Europe in November 2021

(alphabetical sorting of axis-Y, Belarusian CCI in December 2021)



Components of the Consumer Confidence Index

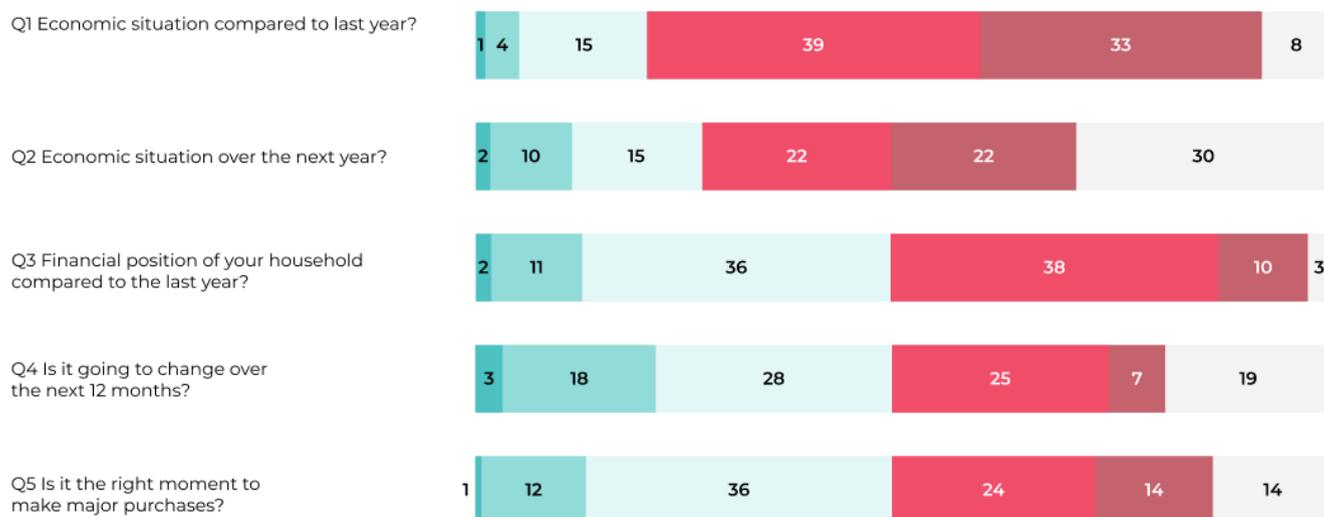
Evaluations of the current status of the country and of the personal well-being contrast with the projections of the future, in which there is only a slight increase in the share of optimistic answers and a significant increase in the share of those who find it difficult to answer the question, due to a decrease in the share of pessimistic answers (Fig. 3). The largest negative contribution to the index is the current assessment of the country's status (Q1) despite a relatively high economic growth. Assessments of the future developments of the economy (Q2) are less negative; however, 30% of respondents were uncertain about their forecast. Assessments of personal well-being, both present and future, were much better than the assessments of the status of the

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

country's economy. However, only 13% of the population believe that now is a good time for large purchases, which indicates a certain level of consumer depression.

Pic 3. Consumer Confidence Index Components

Will improve | Likely improve | Will not change | Likely decline | Will decline | Difficult to answer



Note. Picture key

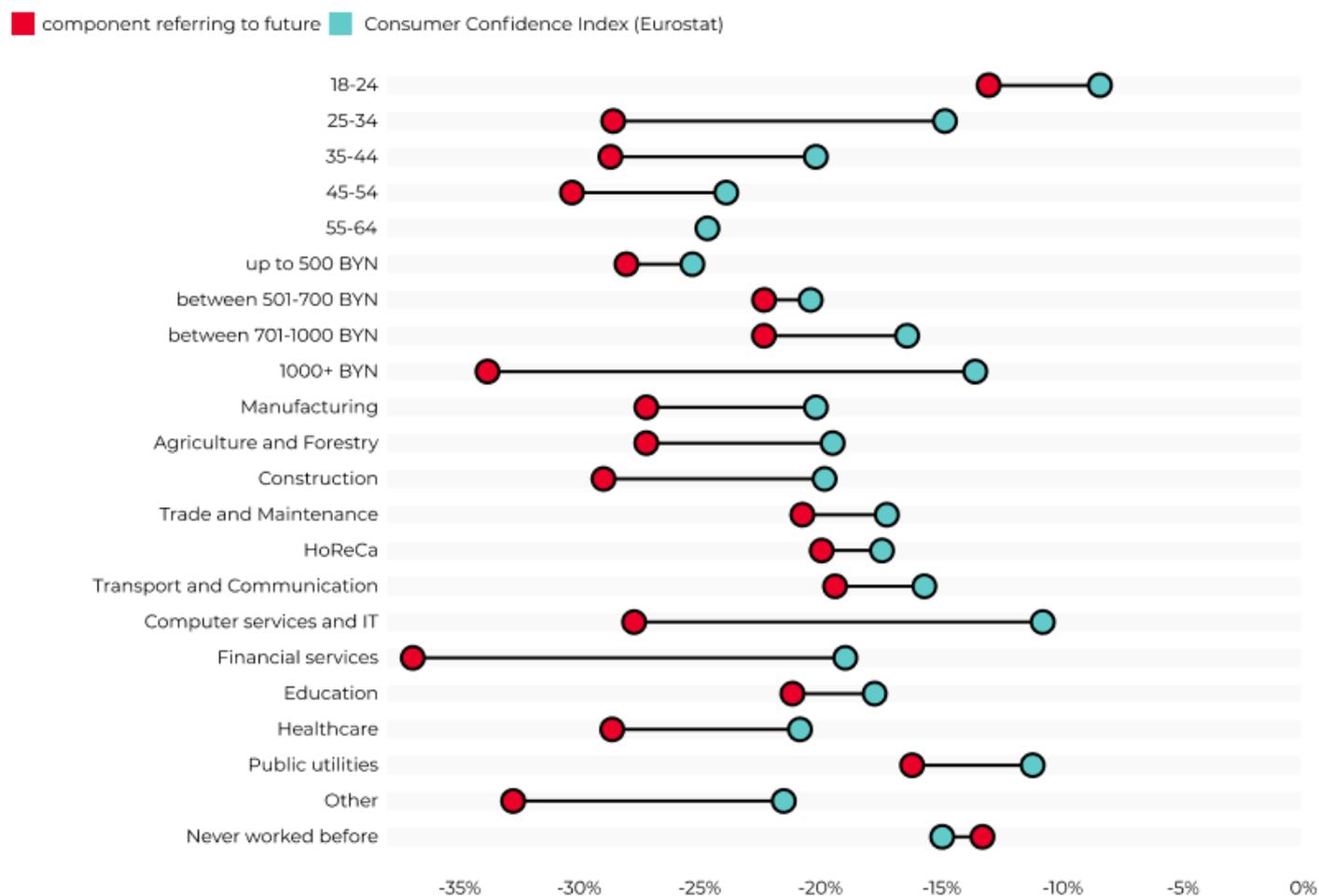
All answers to the questions are distributed along a Likert scale from “will improve (has improved)” or “very good” to “will decline (has declined)” or “very bad”. In Q1 and Q2, the answer options change to “has improved” and “has declined”; and in Q5, the answer options change to “very good” and “very 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 (Fig. 4). In age groups, the least pessimistic — both regarding present and future — are youth aged 18-24 years, which is similar to many countries. The most pessimistic are people aged 45+ years, which is not a unique characteristic of Belarusians either. 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 (1000+ BYN per month) are the most pessimistic among all age, income and occupation groups. Depending on the sector of occupation, expectations of the future are more pessimistic than the assessment of the current situation, with the exception of those who have never had a paid work. In addition, there are groups with a significant difference between the index in general and the expectations component (average difference is 8 percentage points); e.g., a) people aged 25-34 years (14 percentage points); b) people earning 1000+ BYN (20 percentage points); c) people in computer services and the IT sector (17 percentage points); d) people in the financial sector (18 percentage points). In general, they share a common relatively optimistic

vision in the index and a more pessimistic outlook for the future compared to other groups.

Pic 4. The Comparison of CCI and the component referring to the future

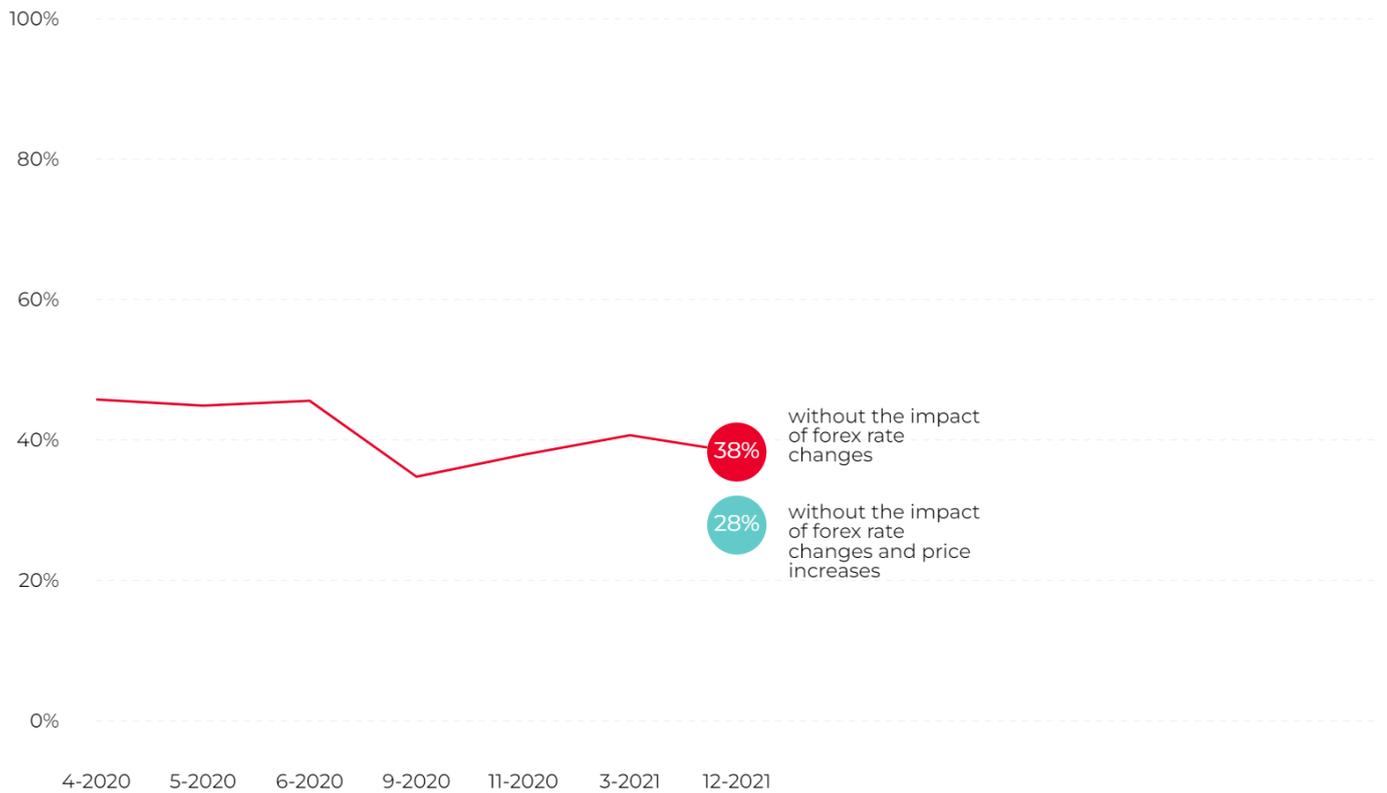


Population income

The share of people who referred to a decrease in their income over the past month in early December 2021 was 40%. If those, who only refer to the forex rate changes as the reason for their income decline, are excluded, then the share drops to 38% (one of the lowest values in the last two years); and if those, who refer to price increases as the reason for their income decline, are excluded, then the share drops to 28%. The highest shares reporting income decline — without referring to the forex rate changes and price increases — are among low-income people (up to 500 BYN), entrepreneurs, and people 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” and “reduced number of orders placed” (referred to in December 2021).

Pic 5. The Share of People Referred to a Decrease in Their Income (%)

(inclusion of the price increase impact starts from December 2021)



Background info. Why your income decreased?

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

Out of 40% of the respondents who reported an income decline, 39% switched to buying cheaper clothes and to buying clothes less often, 39% started cutting their recreation and entertainment expenditures, 36% started cutting their food expenditures, 36% postponed large purchases, 17% continued spending as before and started saving less or spending their savings, and 12% were forced to overdue regular payments, such as utility bills or loan repayments. 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 (36%) start cutting their food expenditures, which is particularly alarming. The share of those cutting their food expenditures is the highest among pensioners, residents of towns, and low-income people (income of up to 500 BYN per month).

Labor market

There is a paradox in the labor market. On the one hand, the share of those who lost their jobs recently was as low as 3.3%. At that, the rate of their jobless friends and acquaintances was 20.4%, i.e. one of the highest rates in the last two years. The

construction sector (8.6%) and the IT sector (8.9%) have the highest share of those reporting job losses.

Pic 6. How do households cope with an income decline?

(Out of 40% of the respondents who reported an income decline)

Switched to buying cheaper clothes and to buying clothes less often

39%

Cut recreation and entertainment expenditure

39%

Cut food expenditure

36%

Postponed large purchases

36%

Continued spending as before and started saving less or spending their savings

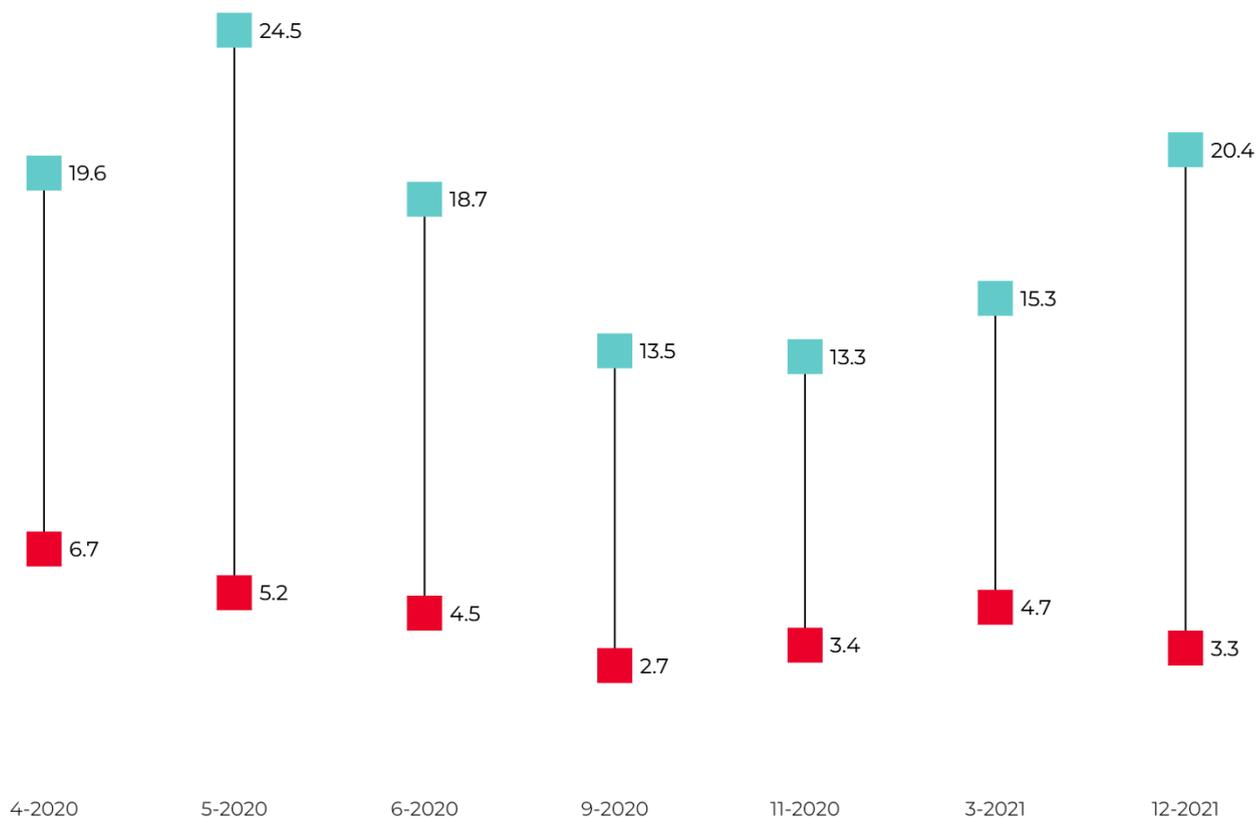
17%

Forced to overdue regular payments, such as utility bills or loan repayments

12%

Pic 7. The Share of the People Who Lost Their Jobs

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



Conclusion

Data from the online household survey show that economic growth in 2021 impacted them positively: only 28% of respondents reported an income decrease (excluding the impact of inflation and the forex rate), and 3.3% of respondents lost their jobs in the last two weeks. At the same time, 36% of those reporting income shrinkage reduce their food expenditures. Moreover, despite economic growth, expectations and sentiments of Belarusians remain low: the value of the Consumer Confidence Index, which includes 5 components (by the Rosstat methodology), was -25% in December, and the value of the Consumer Confidence Index disregarding the component on the current state of the economy (by the Eurostat methodology) was -19%.