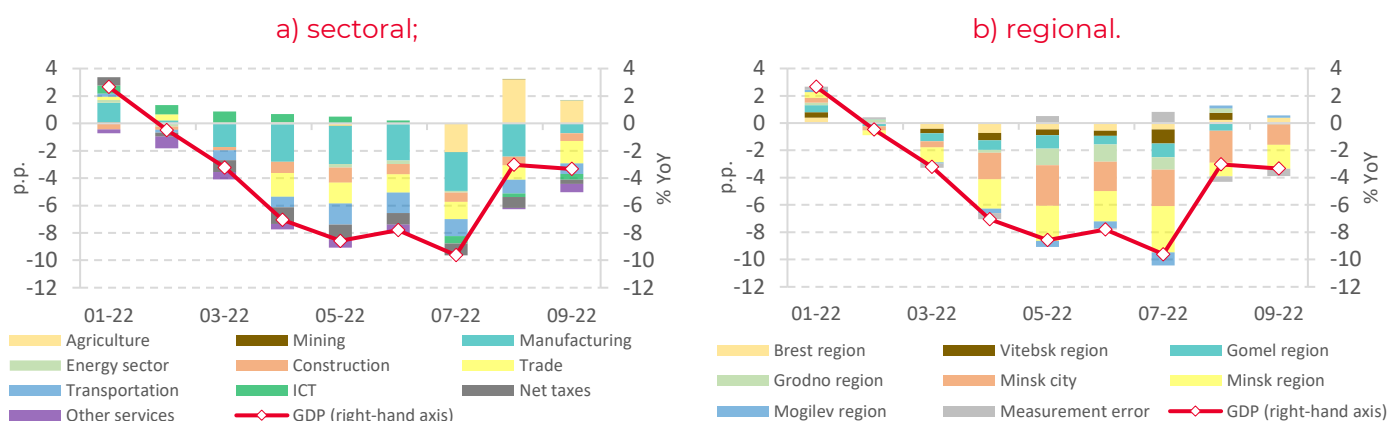


Economic activity remained low in September

Belarus' GDP has fallen by 4.7% (y/y) over nine months. In particular, economic activity decreased by 3.3% (y/y) in September after a 3.0% decrease (y/y) in August (Figure 1.a). The dynamics of the seasonally adjusted GDP in the first month of autumn is close to zero, which keeps the output volume approximately at the levels of the second half of 2017. A GDP decline by 4.5–5% seems realistic at the year-end considering the ongoing output dynamics.

Figure 1. The GDP growth structure in Belarus



Note: The estimates will get updated once the data is clarified. The energy sector includes water supply. A sectoral GDP breakdown will be revised once Belstat refines the data.

Agriculture continued positive contribution to the GDP change in September

The agricultural sector's value added increased by about 12% (y/y) in September thanks to higher yields in major crops. At the same time, the agricultural sector growth slowed down by more than two times compared to August against the backdrop of an ending harvesting campaign, and most likely, it will continue weakening.

Excluding the contribution of the agricultural sector, the GDP decline was about 5% (y/y) in September after a decline of little more than 6% (y/y) in August

The processing industry dynamics was the key contributor to the non-agricultural GDP change in September. Its negative contribution to the GDP change decreased from ≈ 2.4 p.p. in August to ≈ 0.7 p.p. in September (Figure 1.a).

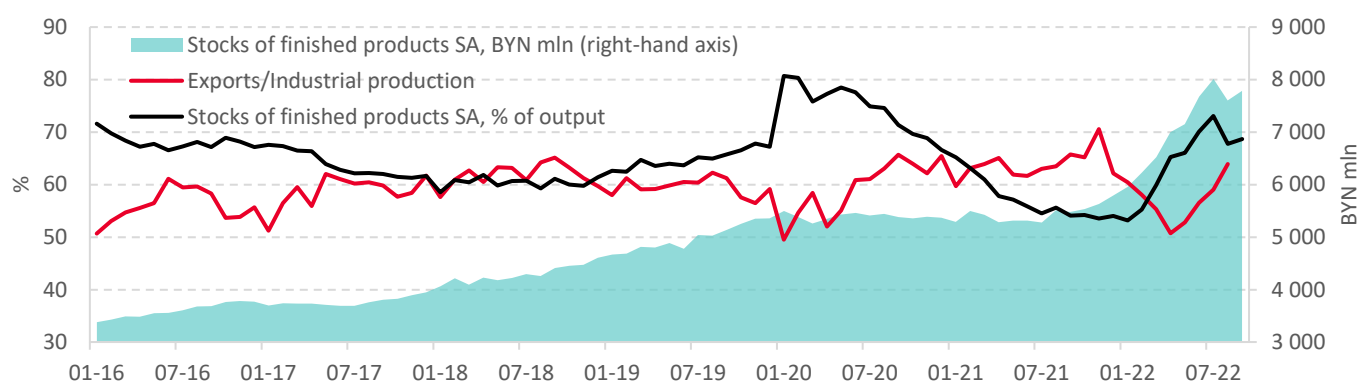
This Express Analysis is an operational analysis of the status of the key segments of the Belarusian financial market and the most important macroeconomic indicators of Belarus.

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Matching sectoral and regional dimensions of the GDP suggests that decreasing GDP decline could be associated with machine-building, food processing, metallurgical, and oil refining subsectors

Negative contribution to the GDP change from Minsk and Gomel region decreased in September, while the Brest region expanded its positive contribution (Figure 1.b). Such dynamics can be due to the increasing supplies of food, engineering and metallurgy products to the Russian market, and due to the growing petroleum products output. Nonetheless, since the output continues declining, the Russian market can only partially compensate for the loss of the markets in Ukraine, the EU and other countries. In addition, inventories in the industrial sector grew slightly in September again: perhaps, part of the improvement in the production dynamics can be explained by making to stock (Figure 2).

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. As new data are published, the dynamics of the indicator in previous periods may update.

Activity in other key sectors remained weak in September

Value added in the ICT sector decreased in September versus September last year, thus reducing GDP by 0.4–0.5 percentage points. If the emerging trend continues, the annual growth of the ICT sector by the year-end in general will get close to 1%, while its average annual growth rate was over 9% in 2016–2021. The sectors of construction, trade, transportation and other services made a significant negative contribution to the GDP change in September (Figure 1.a).

Weak domestic demand limits activity in the construction and services sectors

Investments have been showing some seasonally adjusted recovery growth in recent months. Probably, this is due to gradual recovery from the February-May shock. Nonetheless, the scale of investment recovery is not yet commensurate with the drop scale in the first half-year: a seasonally adjusted scope of investments in September was over 17% lower than in January and much less than in previous years. It should also be noted that it was the investment imports that shrank the most — by 25.9% in value terms, and quite possibly even more in physical terms — according to the results of the first eight months of 2022.

Retail turnover has also been somewhat recovering in recent months perhaps due to higher demand from non-residents. However, this recovery is very limited in the context of declining incomes and sluggish lending. It cannot be ruled out that the secondary negative effects of the sanctions shock will trigger another wave of demand reduction in the future.