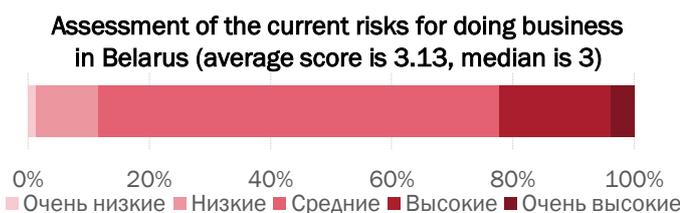
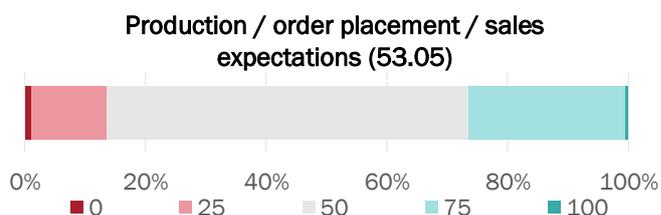
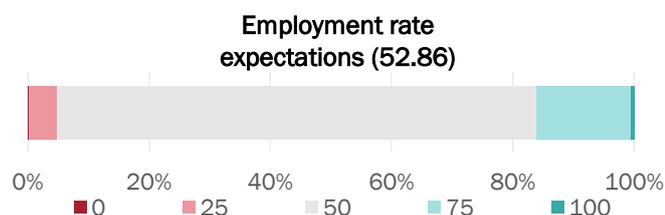
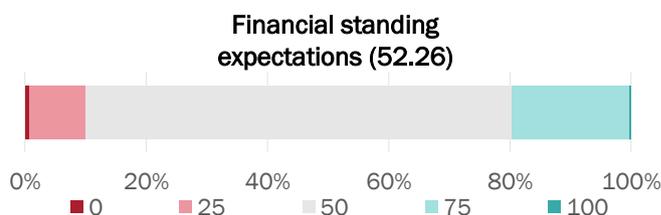
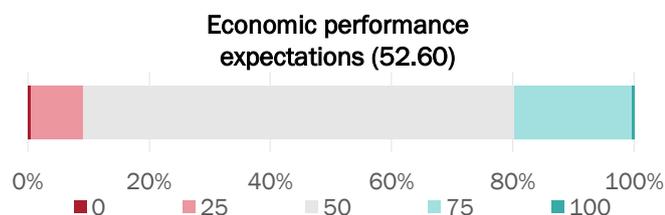


Summary

- The composite BCI index (SMEs' expectations regarding future changes in business activity) turned out to be lower than the “past” composite BCI index for the first time in the observation period: businesses believe that “it will not be so good anymore.”
- SMEs are positive about their present economic performance and financial standing, but their expectations regarding further change in these factors have somewhat worsened compared to their peak levels in March 2023.
- Businesses expect an increase in employment: the “future” BCI employment index has returned to the growth zone. The likely reason is a lack of personnel.
- The “future” BCI price index is still in the growth zone: almost a quarter of SMEs expect their selling prices to increase in the 3 coming months.
- The average score for assessing the current risks of doing business in Belarus has dropped to a new low.
- Lack of personnel turned out to be the most significant barrier to business development in all sectors, while administrative regulation of prices was included in the list of the most significant barriers in the industrial, construction, and trade sectors, and in the entire sample.
- The risks of deteriorating financial standing are growing. The nature of the barriers to the development of SMEs (lack of resources and challenged supplies) does not allow for reducing costs, and macroeconomic conditions contribute to their growth. At the same time, administrative regulation does not allow selling prices to increase to the extent that would fully compensate for the higher costs.



**Composite BCI.
October 2023:
52.69 [51.52–53.87]**

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 was “very low”, and 5 was “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 was (75 companies from each of the enlarged types of business activities were surveyed). Business owners and top managers were 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 standing change, expected employment change, and expected production/orders/sales change. The IPM Research Center has applied the same approach when calculating the [IPM index](#).

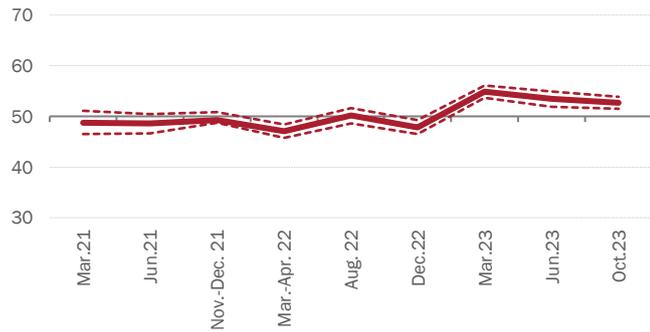
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Composite Index dynamics

- Composite BCI, “past”: 54.00 (growth)
- Composite BCI, “present”: 54.85 (growth)
- Composite BCI: 52.69 (growth)

The composite BCI index remained in the growth zone in October (52.69), continuing its decline from the peak value reached in March 2023. The sentiment of SMEs regarding the level of business activity in the three coming months remains positive, which is due to continued recovery growth against the backdrop of a growing Russian market, accessible credit resources, and rising consumer spending. At that, administrative price regulation seems to become a limiting factor for businesses on their pathway to further development.

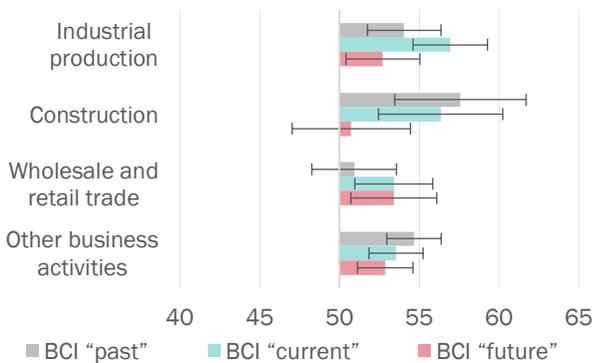
Figure 1. Composite BCI



Note. The scale is from 0 to 100, where less than 50 is “decline”, and more than 50 is “growth”. Hereinafter, dotted lines denote 95% confidence intervals.

For the first time during the observation period, the value of the composite BCI index turned out to be lower than the value of the “past” composite BCI index. In previous survey waves, expectations of businesses regarding future changes in business activity were more positive than the estimates of changes in the past. In other words, representatives of the business community believe that “it won’t be this good anymore.”

Figure 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”.

Nevertheless, the “present” composite BCI indices are in the positive zone for all areas of activity, and the “future” BCI indices are in the positive zone for all areas of activity but for the construction sector; however, taking confidence intervals into account, the values of

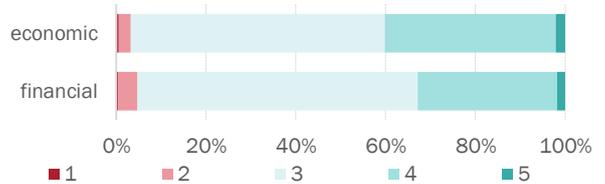
the indices do not exceed the values of the “past” BCI indices.

Economic performance and financial standing

- BCI, economic performance index, “present”: 59.65 (growth)
- BCI, financial standing index, “present”: 57.39 (growth)

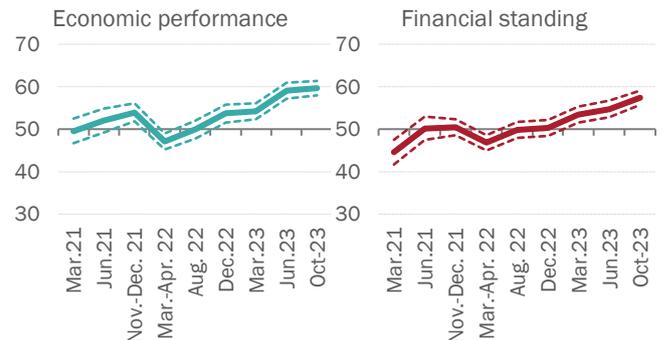
The indices of the present economic performance and the present financial standing continue demonstrating positive dynamics being in the growth zone and reaching new highs. Most business entities traditionally assess their economic performance and financial standing as neutral.

Figure 3. Assessment of the current economic performance and financial standing of businesses in October 2023



Note. The scale is from 1 to 5, where 1 is “very bad” and 5 is “very good”.

Figure 4. Indices of economic performance and financial standing, “present”

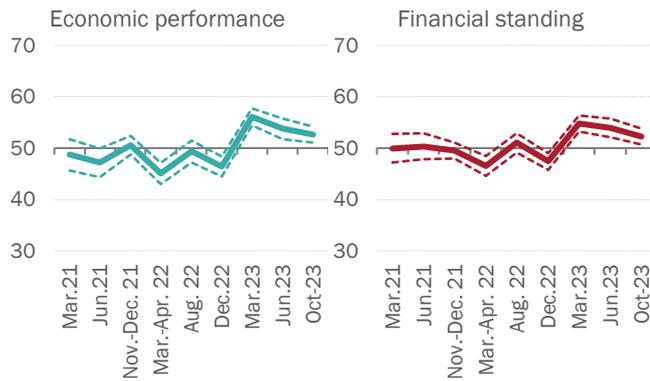


Note. The scale is from 0 to 100, where less than 50 is “decline”, and more than 50 is “growth”.

- BCI, economic performance index, “future”: 52.60 (growth)
- BCI, financial standing index, “future”: 52.26 (growth)

Similar to the BCI composite indices, the “present” indices of economic performance and financial situation appeared higher than the corresponding “future” indices. The “ceiling” of expectations for improvement in the state of Belarusian businesses was seemingly reached in March 2023.

Figure 5. Indices of economic performance and financial standing, "future"



Note. The scale is from 0 to 100, where 0 is "will significantly deteriorate" and 100 is "will significantly improve".

Production and sales

- BCI, production/sales index, "past": 56.84 (growth)
- BCI, production/sales index, "present": 49.50 (neutral)
- BCI, production/sales index, "future": 53.05 (growth)

Figure 6. Production/sales indices



Note. The scale is 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.

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



Note. The scale is from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

The values of the production/sales indices indicated that, although in general, businesses reported an increase in production/sales over the past three months (56.84), at the time of the survey, the "present"

production/sales index was in the neutral zone (49.50). Expectations regarding the dynamics remained positive: the BCI "future" production/sales index was 53.05. Among all sectors, only the construction businesses do not expect production/sales to increase in the 3 coming months (50.0), while the "past" BCI production/sales index turns out to be the highest (62.31) in this sector: "there is no room to grow." The trade sector was the most optimistic about sales volumes in the 3 coming months: the "future" BCI production/sales index was 56.82.

Employment

- BCI, employment index, "past": 50.43 (neutral)
- BCI, employment index, "future": 52.86 (growth)

The "past" BCI employment index has not changed significantly throughout 2023, and it stays in the neutral zone (50.43), which indicates that the number of SME employees is unchanged in general and regardless of the sector.

Figure 8. Assessment of changes in employment over the past 3 months and in the coming 3 months

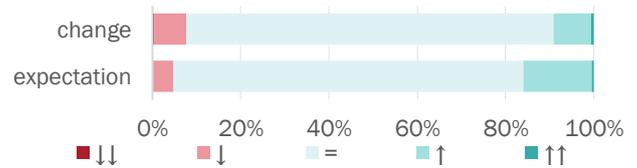
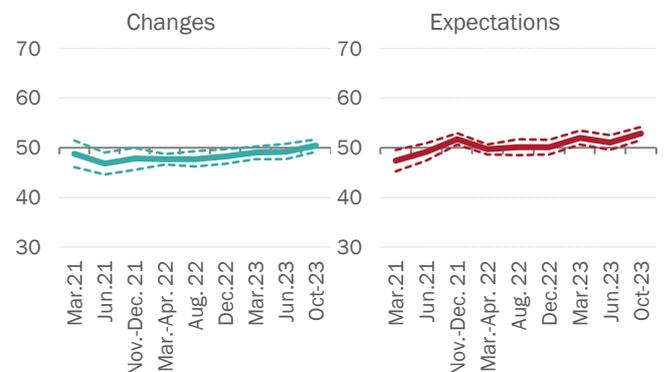


Figure 9. The index of employment changes over the past 3 months and expectations for the coming 3 months



Note. The scale is from 0 to 100, where 0 is "a significant decrease" and 100 is "a significant increase".

At the same time, the "future" BCI employment index returned to the growth zone, despite the fact that almost 80% of respondents did not expect the number of employees to change. Among all sectors, this index was in the neutral zone only in the construction sector.

Prices

- BCI, price index, "past": 53.64 (growth)
- BCI, price index, "future": 55.21 (growth)

Depreciation of the Belarusian ruble against world currencies, rising consumer spending, and some easing of price regulations have led to the acceleration of inflation: the "past" BCI price index (53.64) has

remained in the growth zone. However, compared to the previous survey wave, the proportion of businesses reporting that prices had not changed over the past three months has increased significantly: 77.4% versus 63.0% in June. In the entire sample, 18.7% of respondent companies increased their selling prices, and the same was done by 27.2% of respondent companies operating in the trade sector (the largest share among the 4 sectors). It is noteworthy that 43% of SMEs reported an increase in purchase prices over the past three months. At the same time, an increase in purchase prices was reported by 52.6% of respondents in the industrial sector (the largest share among the 4 sectors): amid this, preservation of selling prices and concurrent improvement of financial standing look like an anomaly.

The “future” BCI price index (55.21) did not change significantly versus the previous survey wave, and it remained in the growth zone. Almost a quarter of respondents expect their selling prices to increase in the 3 coming months. The largest share of businesses expecting an increase in selling prices is in the trade sector: 27.2%.

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

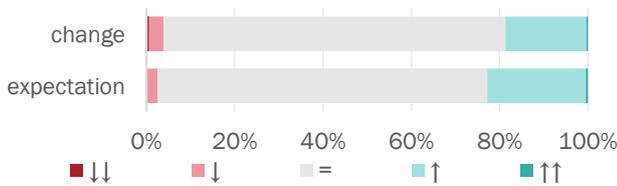
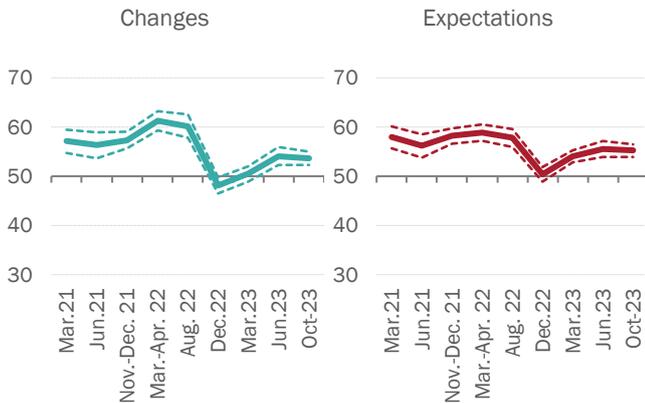


Figure 11. Index of changes in selling prices over the past 3 months and in the coming 3 months



Note. The scale is from 0 to 100, where 0 is “significantly decreased/will decrease”, and 100 is “significantly increased/will increase”.

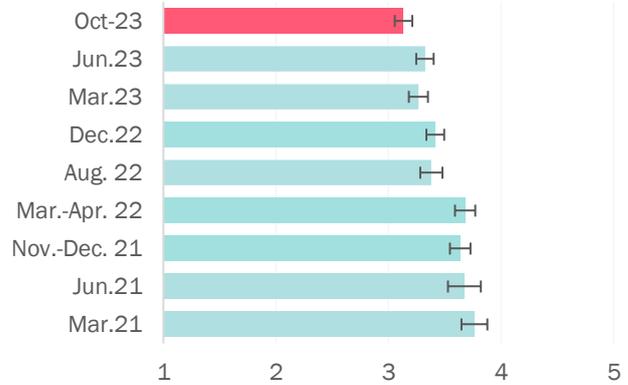
Impediments to business expansion

- Average assessment of the current risks for doing business in Belarus: 3.13

The average score for assessing the current risks of doing business in Belarus decreased compared to the June survey, and it reached another minimum value of 3.13. These dynamics were probably influenced by the absence of new restrictive measures against Belarus and Russia as the main economic partner of Belarus,

as well as by the relative stabilization of the military-political situation in the region. The uncertainty of the external environment has become a “background” factor for the operations of Belarusian businesses, which, although it requires constant attention and additional costs, has not turned out to be an insurmountable obstacle against the backdrop of the turmoil of recent years.

Figure 12. Average business risk assessment score

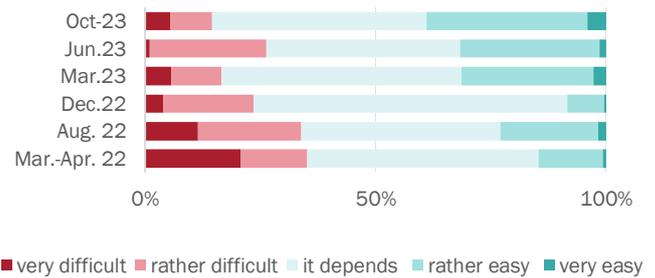


Note. The scale is from 1 to 5, where 1 is “very low” and 5 is “very high”.

- BCI, “access to finance”: 55.69 (growth)

Loose monetary policy manifested – among other things – in the interest rates below their neutral levels in the credit and deposit market contributed to further improvement of access to finance on the terms and conditions acceptable to businesses. The BCI “access to finance” index returned to the growth zone (55.69) and reached its maximum value for the entire observation period. Compared to June 2023, the share of companies reporting that it is very easy and rather easy to get financing has increased by more than 7.15 p.p. to 38.85%. For all sectors, this index is in the growth zone.

Figure 13. Access to Finance assessment, %



Top 5 impediments to business expansion:

- Lack of staff / skilled personnel / management.
- Challenged supplies (supply chain disruptions / challenged logistics).
- Lack of production capacity (equipment, raw materials / components, floor space, infrastructure).
- Macroeconomic instability (foreign exchange rate fluctuations, inflation).
- Administrative regulation of prices.

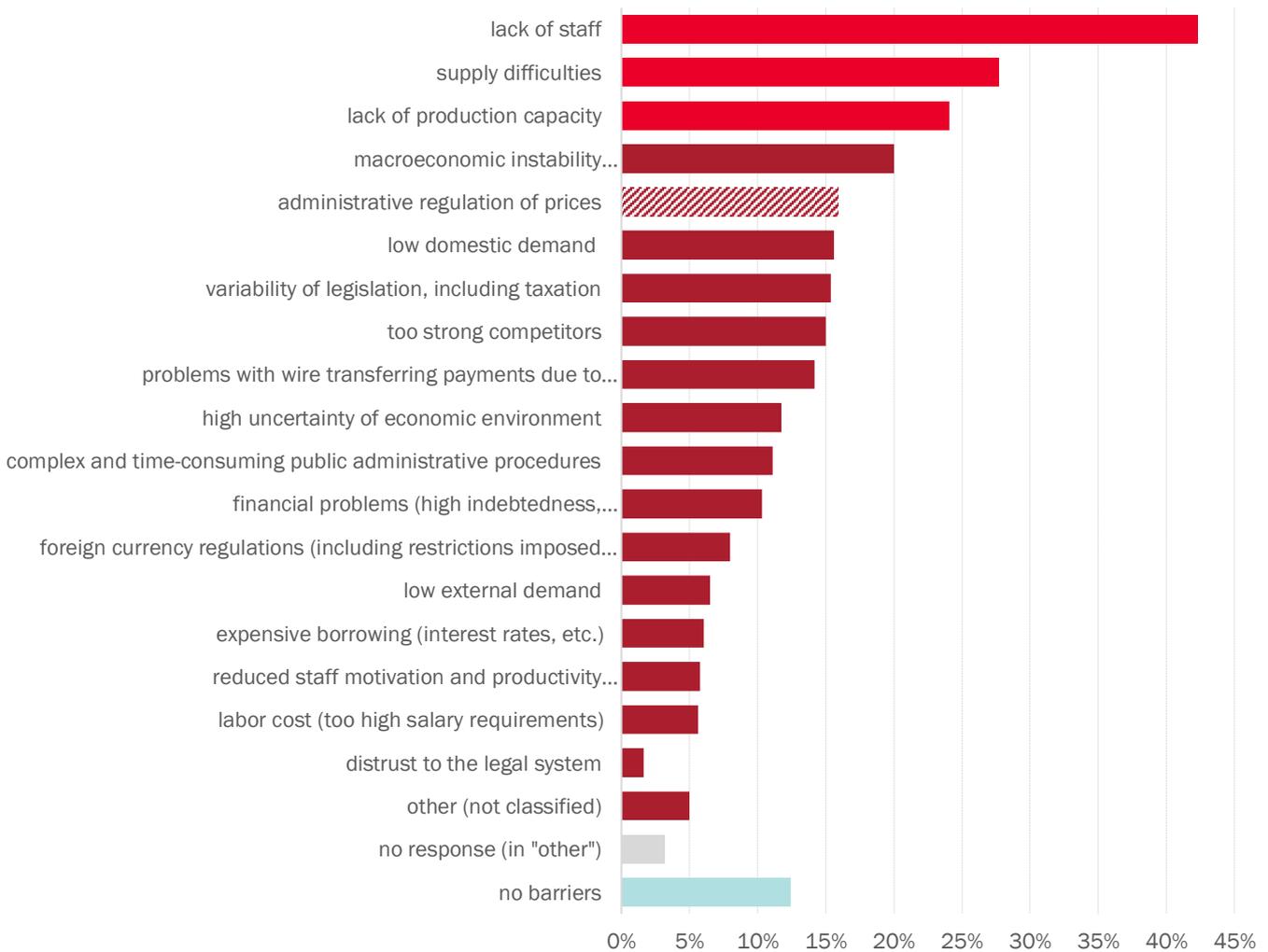
To classify barriers, some categories have been combined. In particular, the “Lack of staff” category included two options (“Lack of qualified personnel/management” and “Lack of staff”); the “Supply difficulties” category included both causes of these difficulties; and the “Lack of production capacity” category included three answer options covering barriers related to the difficulty of scaling up business/sales. As a result, as it was in June 2023, the top 1 barrier was the lack of personnel, and the share of companies that reported at least one of the two options combined in this group increased from 19.2% to 42.3% compared to the previous survey wave.

This is followed – with a considerable gap – by such barriers as supply difficulties (27.7%), lack of production capacity (24.1%), and macroeconomic instability (20.0%). Notably, the share of companies

that reported these barriers increased by 7–10 p.p. versus the previous survey wave. However, the most remarkable event was the emergence of administrative regulation among the top 5 barriers, which previously had a significant impact mainly on the wholesale and retail trade sector. The lack of personnel turned out to be the most significant barrier for all areas of activity, and administrative regulation of prices was included in the list of the most significant barriers in the industrial, construction, and trade sectors.

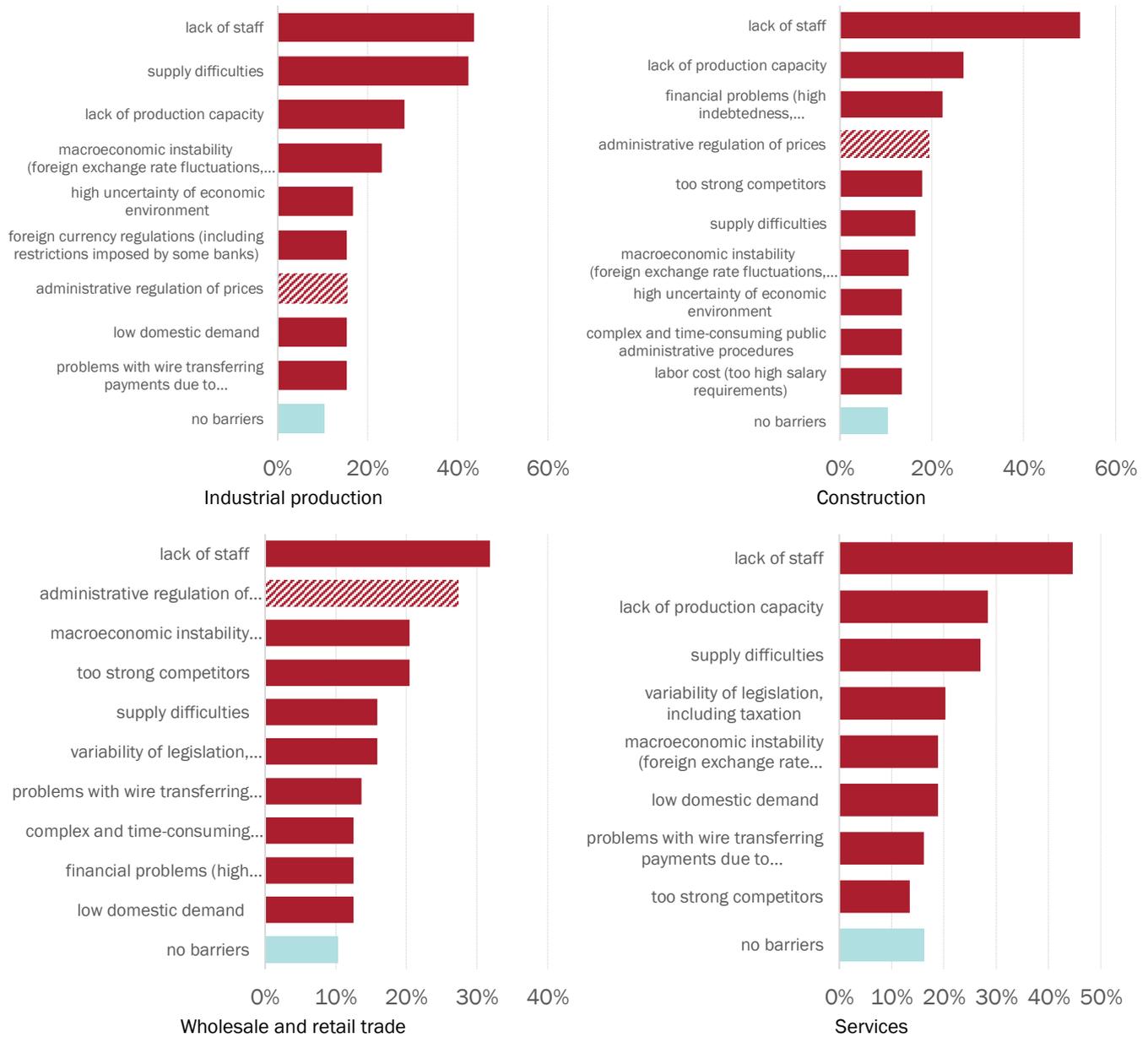
Thus, there is a situation in the SME segment where costs rise (including purchase prices and labor costs), and administrative regulation does not allow compensation for this by increasing selling prices, while the lack of personnel, challenged supplies and lack of production capacity hold back further development of companies.

Figure 14. Distribution of answers to the question “What factors impede the growth of your company's business activity”, % of respondents who had the opportunity to select the appropriate option



Note. Respondents were to select up to 5 answer options. “Lack of staff” combines “Lack of staff” and “Lack of qualified personnel/management” (91 respondents chose one of the two answers, 39 chose both answers); the “Supply difficulties” answer option combined “Logistic chain disruption difficulties” and “Production chain disruption difficulties” (63 respondents chose one of the two answers, 15 chose both answers); the “Lack of production capacity” answer option combined “Lack of raw materials/materials/components”, “Lack of needed equipment” and “Lack of trade/warehouse/production space, infrastructure” (58 respondents chose one of the three answers, and 12 respondents chose two or more answers).

Figure 15. Distribution of answers to the question “What factors impede the growth of your company's business activity” by sector, % of respondents who had the opportunity to select the appropriate option.



Note. Respondents were to select up to 5 answer options. Also see note on Figure 14.

Final sample structure (unweighted)

Table 1. Distribution by year of company's establishment, % of respondents

	March-April 2022	August 2022	December 2022	March 2023	June 2023	October 2023
until 1995	20.7	8.7	27.4	30.4	44.7	30.6
1996-2000	10.3	10.7	10.1	10.9	10.3	12.7
2001-2005	14.7	15.0	12.5	14.2	9.3	14.7
2006-2010	24.0	22.3	20.7	18.5	11.3	16.9
2011-2015	20.0	23.0	18.3	15.8	10.0	13.4
2016+	10.3	20.3	11.0	10.2	14.3	11.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BEROC.

Table 2. Distribution by staff size

	March-April 2022	August 2022	December 2022	March 2023	June 2023	October 2023
16-50	76.7	86.0	54.9	68.3	59.0	58.0
51-100	17.0	8.7	22.9	19.8	15.7	26.4
101-250	6.3	5.3	22.3	11.9	25.3	15.6
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BEROC.

Table 3. Distribution by locality (rural/urban)

	March-April 2022	August 2022	December 2022	March 2023	June 2023	October 2023
Minsk city	47.3	47.7	28.7	48.8	49.7	48.5
Country's regional center or other large city	39.0	31.0	50.3	27.1	30.0	30.0
District center	7.3	12.7	15.9	16.2	17.0	14.0
Other towns, urban-type settlements	2.3	6.0	3.7	5.6	1.0	4.6
Rural areas	4.0	2.7	1.5	2.3	2.3	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BEROC.

Table 4. Distribution by place of business registration

	March-April 2022	August 2022	December 2022	March 2023	June 2023	October 2023
Brest region	10.0	10.0	16.8	9.6	9.7	9.4
Vitebsk region	11.0	11.7	13.1	11.9	11.7	11.4
Gomel region	7.0	6.7	10.4	6.6	7.0	6.5
Grodno region	9.0	8.3	13.7	8.9	9.0	8.8
Minsk region	9.0	9.3	10.1	8.6	8.7	9.4
Mogilev region	6.3	6.3	10.1	5.9	6.0	5.9
Minsk city	47.7	47.7	25.9	48.5	48.0	48.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BEROC.

Table 5. Distribution by business activity

	March-April 2022	August 2022	December 2022	March 2023	June 2023	October 2023
Industrial production	25.0	25.0	28.7	25.4	26.0	25.4
Construction	25.0	25.0	23.8	22.1	22.3	21.8
Wholesale and retail trade	25.3	25.3	25.6	27.7	27.7	28.7
Other business activities	24.7	24.7	22.0	24.8	24.0	24.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: BEROC.

Methodological note

Four out of five indicators characterizing the expectations of companies have been selected to calculate the composite BCI. In the surveys, expectations about the selling price dynamics do not match other expectations. Four remaining indicators (expectations about economic performance, the number of employees, financial standing, and the scope of production/work/sales) match one another; therefore, merging them into a composite index is justified.

The data have been weighted to calculate average indicators in the sample. A weighting criterion was the number of SMEs by the type of business activity as of January 1, 2022 (according to the Belstat data, see Table 6). The resulting weights are in Table 6 (there has been no difference between the survey waves, since the sample quotas for business activities have not changed).

Table 6. Initial data for calculating weights; weights for weighting the survey data

	Number of SMEs as of January 1, 2021	Weights, December 2022	Weights, March 2023	Weights, June 2023	Weights, October 2023
Industrial production	3 707	0.9944	1.1214	1.1275	1.1539
Construction	1 616	0.5224	0.5618	0.5368	0.5493
Wholesale and retail trade; repair of motor vehicles and motorcycles	3 080	0.9246	0.8541	0.8148	0.7864
Other business activities (except Section A of CCEA)	4 605	1.6127	1.4302	1.5064	1.4999
Total	13 008	–	–	–	–

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