



**ASSESSMENT OF THE IMPACT
OF THE COCA-COLA SYSTEM
ON THE ECONOMY OF THE
REPUBLIC OF BELARUS IN 2018**

Belarus

Coca-Cola[®]

Coca-Cola system in the Republic of Belarus

is represented by the Coca-Cola Beverages Belarus Production Unitary Enterprise, which produces soft drinks and drinking water, as well as by the Coca-Cola – Ukraine Limited Representative Office, which examines commodity markets and investment opportunities. An important component of the Coca-Cola System is The Coca-Cola Foundation, whose grants are used to support various social projects in the Republic of Belarus.

The image shows the iconic Coca-Cola logo in its signature red script font. The letters are thick and fluid, with a classic cursive style. A registered trademark symbol (®) is located at the bottom right of the word "Cola".

Coca-Cola®

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Food industry is one of the key ones for the Belarusian economy

22,8%

In 2018, the contribution of the food industry to industrial production amounted to 22,8 %. It reached its peak (about 25 %) in 2016–2017 due to the lower sensitivity of the food industry to recession as compared to other industries.



According to data for 2017, the food industry was in the top 3 types of economic activity at the created added value (data from input-output tables).

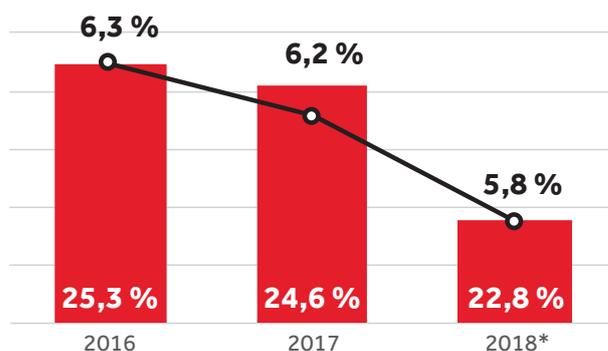
In 2017, the contribution of the food industry to GDP amounted to

6,2%

According to the estimates of the IPM Research Center, in 2018, it decreased to

5,8%

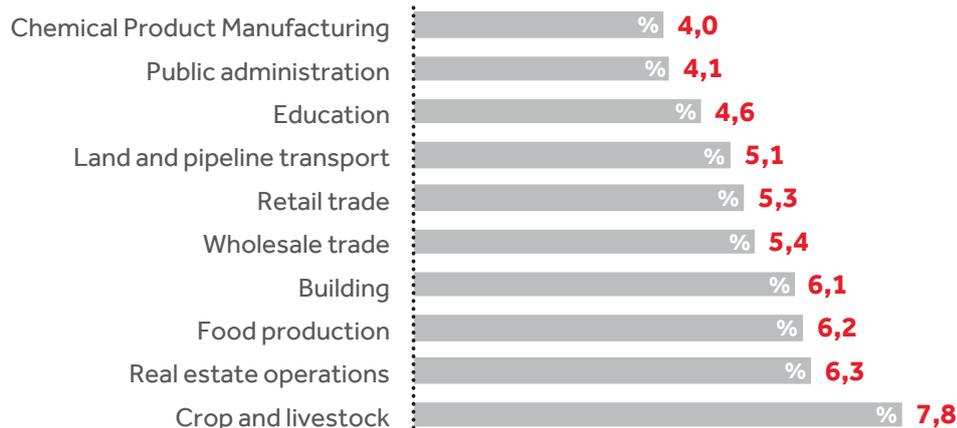
THE CONTRIBUTION OF FOOD INDUSTRY TO GDP AND INDUSTRIAL PRODUCTION



■ food industry contribution
○ food industry contribution to the gross value added

* Contribution to GDP for 2018 — assessment by the IPM Research Center.

THE CONTRIBUTION OF ACTIVITIES TO GDP, TOP-10 ACCORDING TO DATA FOR 2017, %





General outlook of Coca-Cola's System contribution to the food industry

The Company ensures:



1,1%

of food, beverage and tobacco manufacturing in Belarus



0,5%

of workplaces in the food industry of Belarus

6,0%

in Minsk region

2,4%

in Minsk region



16%

of foreign direct investment accumulated by the food industry of Belarus

41,5%

in Minsk region

Output of food products |



20,4%

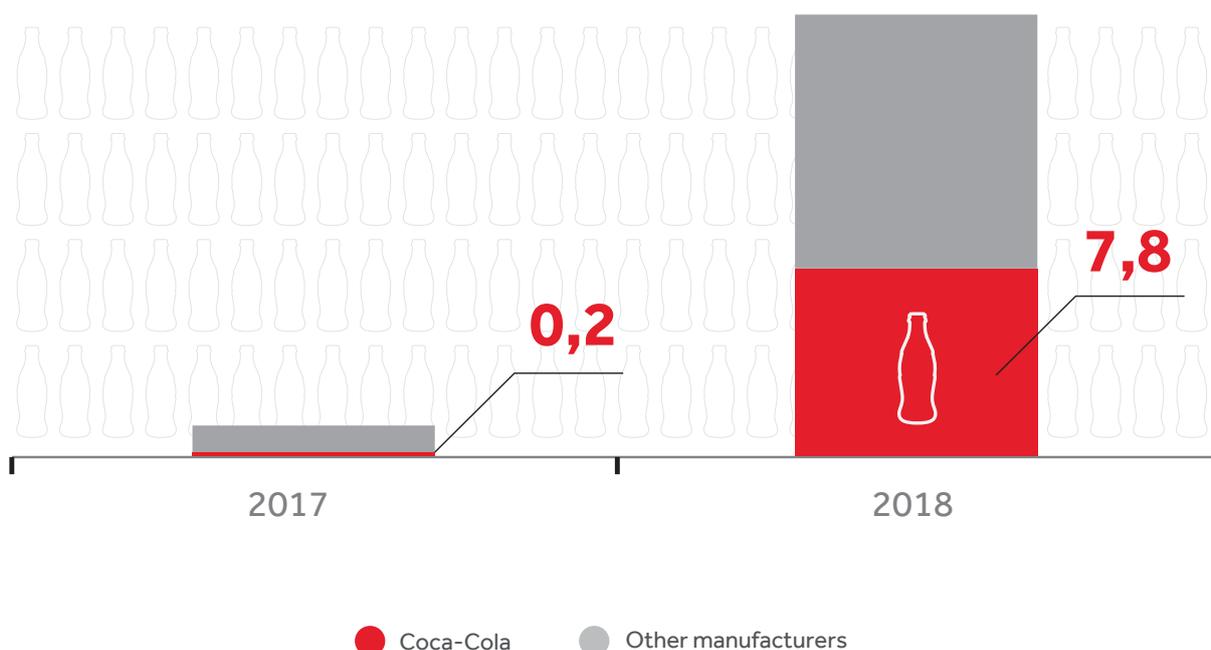
The growth rate of production in the Coca-Cola System

18,0%

The growth rate of production in general by activity

The Coca-Cola System actually accounted for 7,8 percentage points of the 18 % growth in soft drink production in 2018.

THE GROWTH OF PRODUCTION OF NON-ALCOHOLIC BEVERAGES IN BELARUS AT THE ACCOUNT OF THE COCA-COLA SYSTEM AND OTHER MANUFACTURERS, P.P.

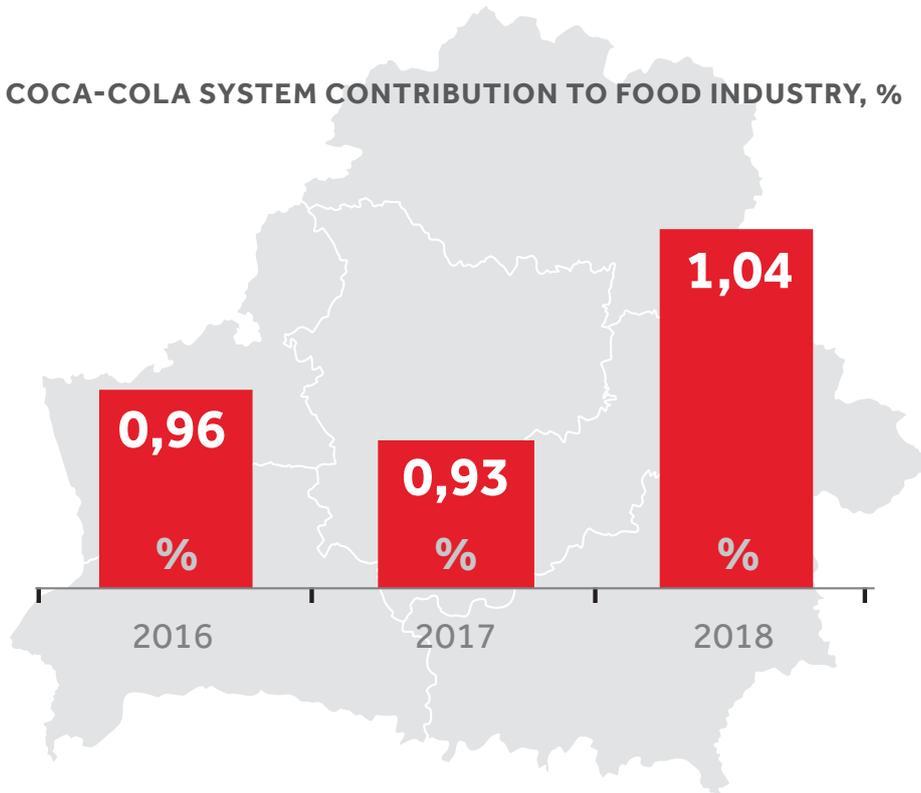


Output of food products **||**

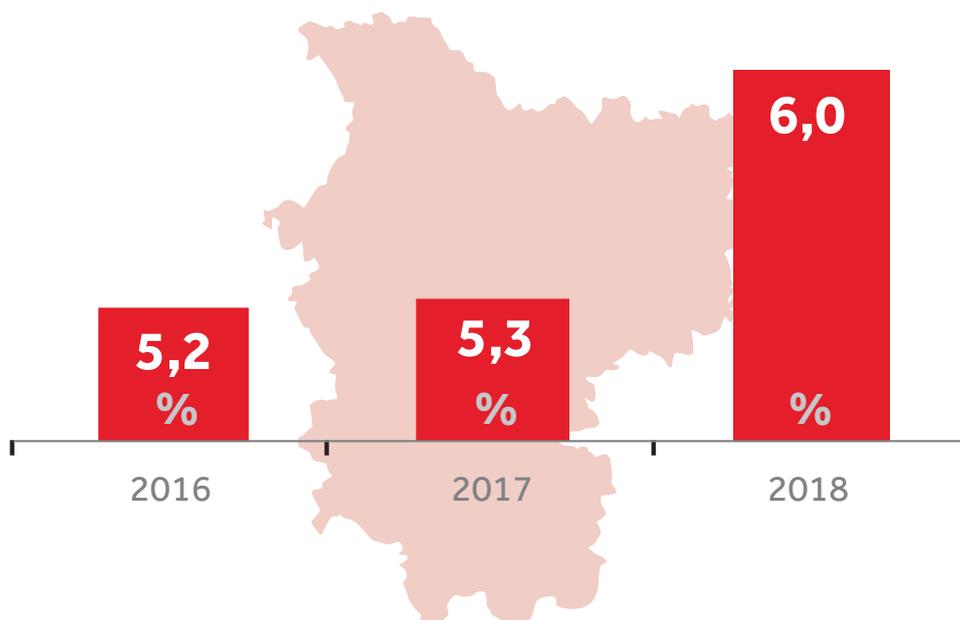


Coca-Cola's contribution to food production in general, including beverages and tobacco, has also grown. Especially, you can see the significant growth in Minsk region.

COCA-COLA SYSTEM CONTRIBUTION TO FOOD INDUSTRY, %



COCA-COLA SYSTEM CONTRIBUTION TO FOOD INDUSTRY IN MINSK REGION, %



Note. The output of production is estimated through revenue from sales of products.

Direct foreign investments



The Coca-Cola system ensured the attraction of a significant amount of foreign direct investment (FDI) to Belarus. Their accumulated volume at the end of 2018 is

\$97,2 mln

>15 %

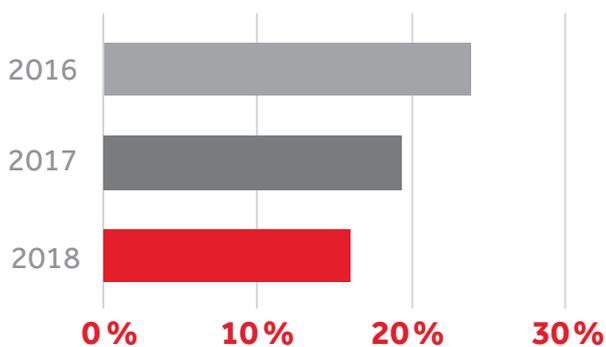
The Coca-Cola's contribution to FDI in food, beverage and tobacco products exceeds 15 %, despite increased foreign investment in the food industry.

At the country level as a whole, Coca-Cola has provided

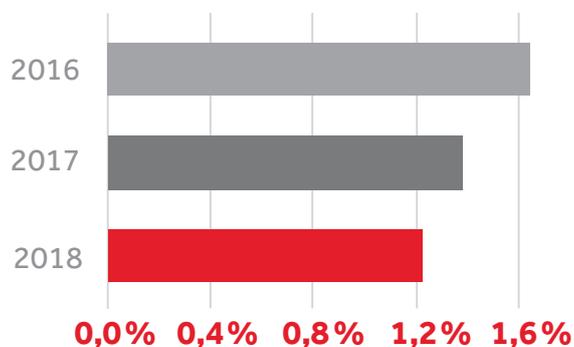
1,2 %

of all FDI stock in Belarus

THE COCA-COLA SYSTEM CONTRIBUTION TO THE ACCUMULATED FDI IN THE PRODUCTION OF FOOD, BEVERAGES, TOBACCO PRODUCTS



THE COCA-COLA SYSTEM CONTRIBUTION TO COUNTRY'S ACCUMULATED FDI



3

Investments



The financial stability of the Coca-Cola System is associated with large-scale investments in the expansion and modernization of production in 2014–2015

\$19,9 mln
for 2 years

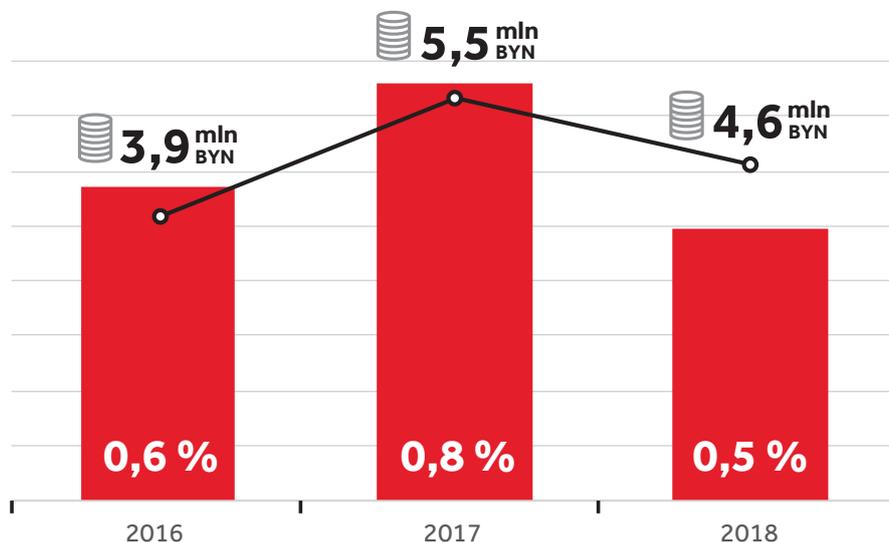
In subsequent years, the level of investment in fixed assets of Coca-Cola Systems remained consistently high.

The volume of investments in 2018 amounted to

4,6 mln BYN = \$2,2 mln



INVESTMENTS VOLUME IN THE FIXED ASSETS OF THE COCA-COLA SYSTEM AND THEIR CONTRIBUTION TO INVESTMENT IN THE FOOD AND BEVERAGE PRODUCTION INDUSTRY



4

Bona fide taxpayer

The Coca-Cola System volume of tax payments to the consolidated budget has grown significantly over the past year and amounted to

41,7 mln BYN

The amount of social insurance contributions amounted to

5,4 mln BYN

The Coca-Cola System Tax Contribution to consolidated budget revenues amounts to

0,13%

The Coca-Cola contributions to social insurance in the income of the Social Security Fund is

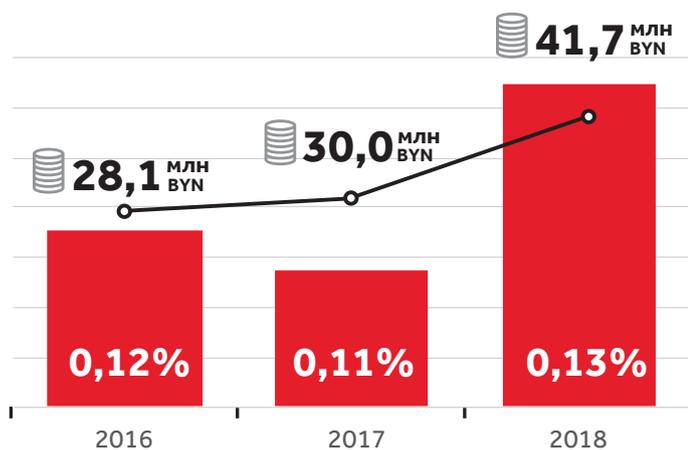
0,04%

0,02%

The share of Coca-Cola System in employment in the Belarusian economy

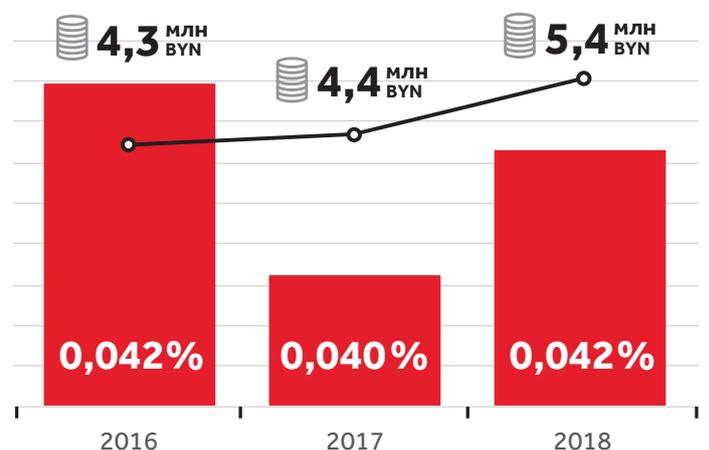
This indicates a greater tax burden on the enterprise than the average for the economy.

THE AMOUNT OF COCA-COLA SYSTEM PAYMENTS TO CONSOLIDATED BUDGET



■ contribution to consolidated budget revenues
● volume of tax payments, BYN mln

VOLUME OF COCA-COLA SYSTEM PAYMENTS IN SOCIAL SECURITY FUND



■ contribution to income of Social Security Fund
● volume of deductions to the Social Security Fund, BYN mln

Structure of tax payments

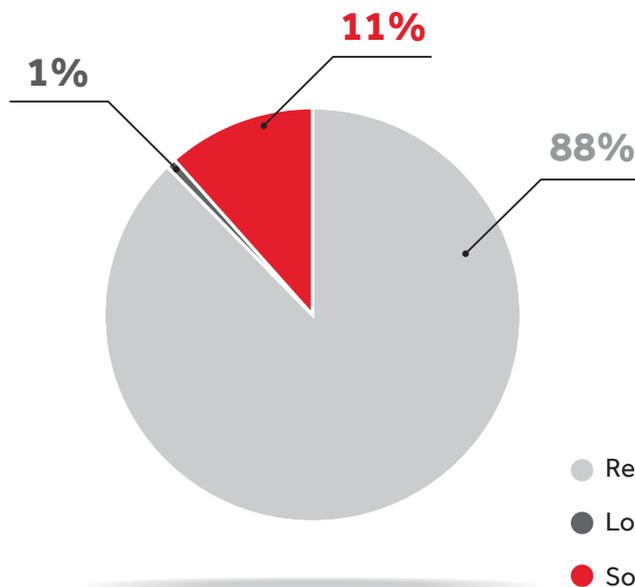
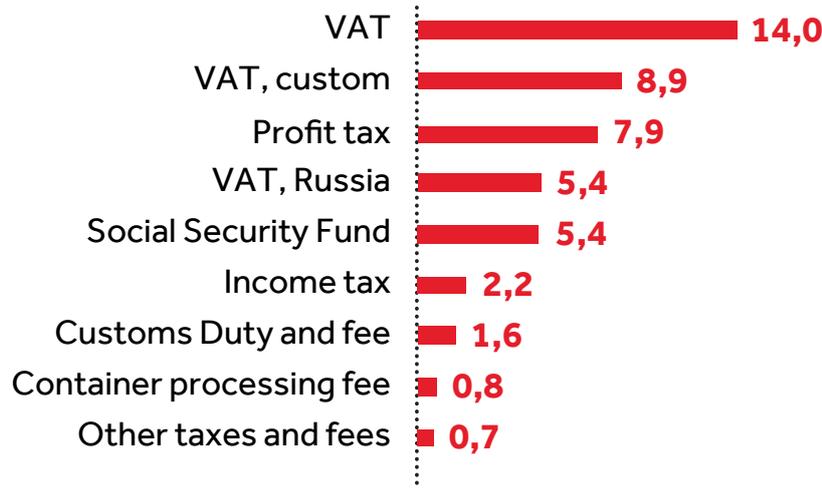
The main volume of tax payments counts for VAT and income tax.

The share of Coca-Cola System in budget revenues from VAT and income tax is 0,27 % and 0,24 %, respectively.

In addition to direct taxes and deductions, the Coca-Cola System also purchases control marks in the amount of 7,8 million BYN, which is comparable to the amount of income tax.



TAX PAYMENTS, DEPOSITS TO THE SOCIAL SECURITY FUND AND PURCHASE OF CONTROL SIGNS OF THE COCA-COLA SYSTEM, MLN BYN



CONTROL SIGNS, MLN BYN



- Republican taxes and fees
- Local taxes and fees
- Social Security Fund

5

Value added

The value added of the Coca-Cola System, estimated through the sum of the company's profit, salary paid, social security deductions, depreciation and indirect taxes (VAT) paid, amounted to in nominal terms in 2018

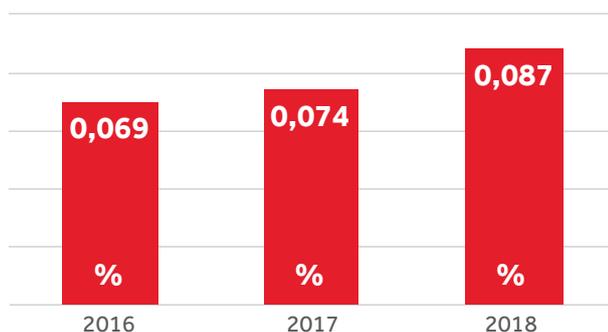
106,5 mln
BYN

Compared to 2017, the growth in value added in real terms (estimated using the adjustment for the GDP deflator) amounted to

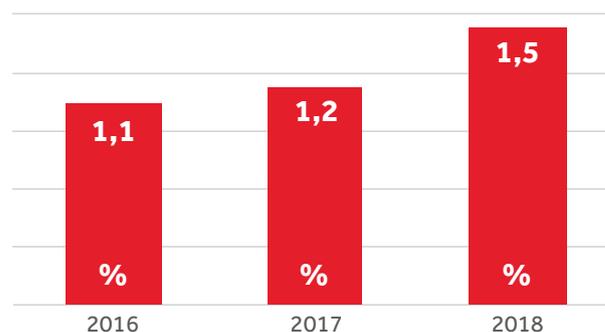
21,8%

As a result, the contribution of Coca-Cola System has grown both in the gross value added of the industry and in the country's GDP in general.

CONTRIBUTION TO GDP



CONTRIBUTION TO GVA OF THE INDUSTRY



The indirect contribution of the Coca-Cola System to the GDP of Belarus due to the activities of its suppliers and distributors, as well as the additional demand from the population provided by the concomitant increase in its income amounts to

192 mln
BYN

0,5 mln
BYN generates charitable activities
of the Coca-Cola System.

As a result, the operation of the Coca-Cola System through a direct and indirect effect provides

0,25% from Belarus GDP
for 2018

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Indirect effect

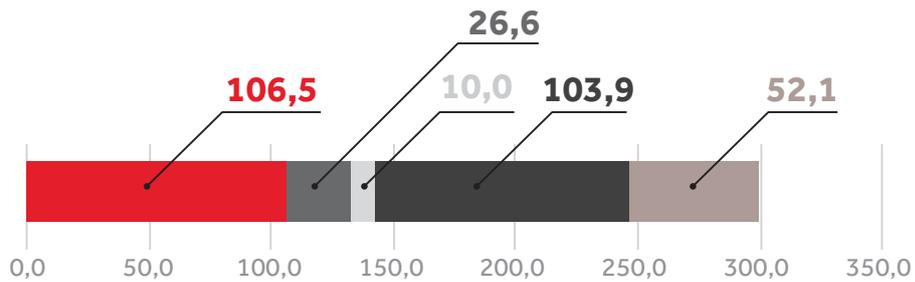


1 ⇒ 1,81

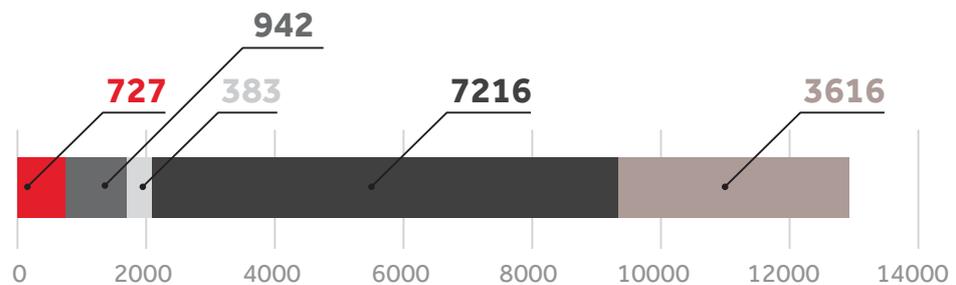
1 ruble of added value in the Coca-Cola System creates another 1,81 ruble in the economy.



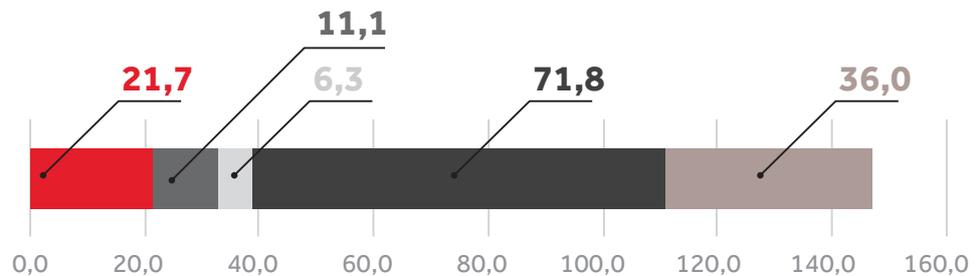
GDP
mln BYN



EMPLOYMENT
of persons



SALARY
mln BYN



- Direct effect
- Indirect effect of distributors activity
- Indirect effect of suppliers activity
- Effect of population income growth due to distributors activities
- Effect of income growth due to suppliers activities

Purchases in the domestic market

The most significant impact of the Coca-Cola System is on food manufacturers.

They account for

80 %

of the total indirect effect of the Coca-Cola System on the economy at the expense of its suppliers.

The influence of Coca-Cola System on suppliers is determined by the volume of purchases in the domestic market. In 2018, their share in the total procurement of the company amounted to

65,4 %

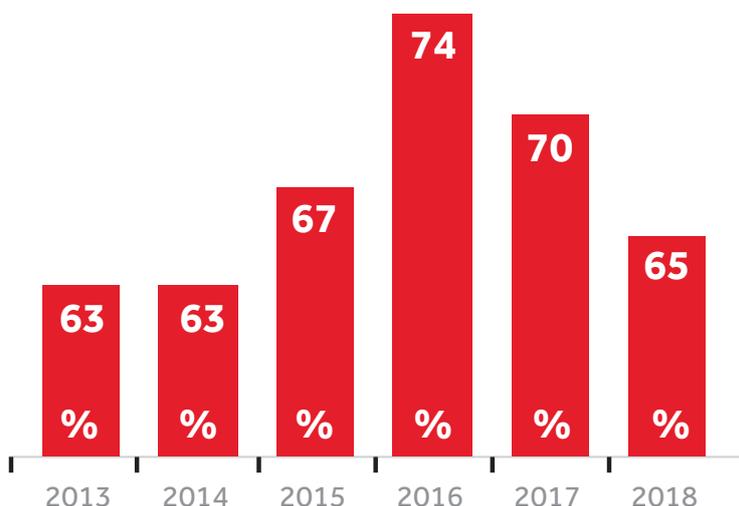
The main procurement item among food products is sugar.

According to data for 2017, Coca-Cola System accounted for



of all sugar produced in Belarus.

SHARE OF LOCAL SUPPLIERS IN THE GENERAL COCA-COLA SYSTEM



7

Employment

The Coca-Cola's contribution to food sector employment is stable.

In 2018, it amounted to the industry in general

in the beverage industry in particular

In the Minsk region, the contribution of Coca-Cola System to employment in the food industry sector was

0,5%

4,6%

2,4%

At the same time, the age structure of employees in the Coca-Cola System is significantly different from the industry average. The Coca-Cola system is twice as active as the sector as a whole is employing young people.

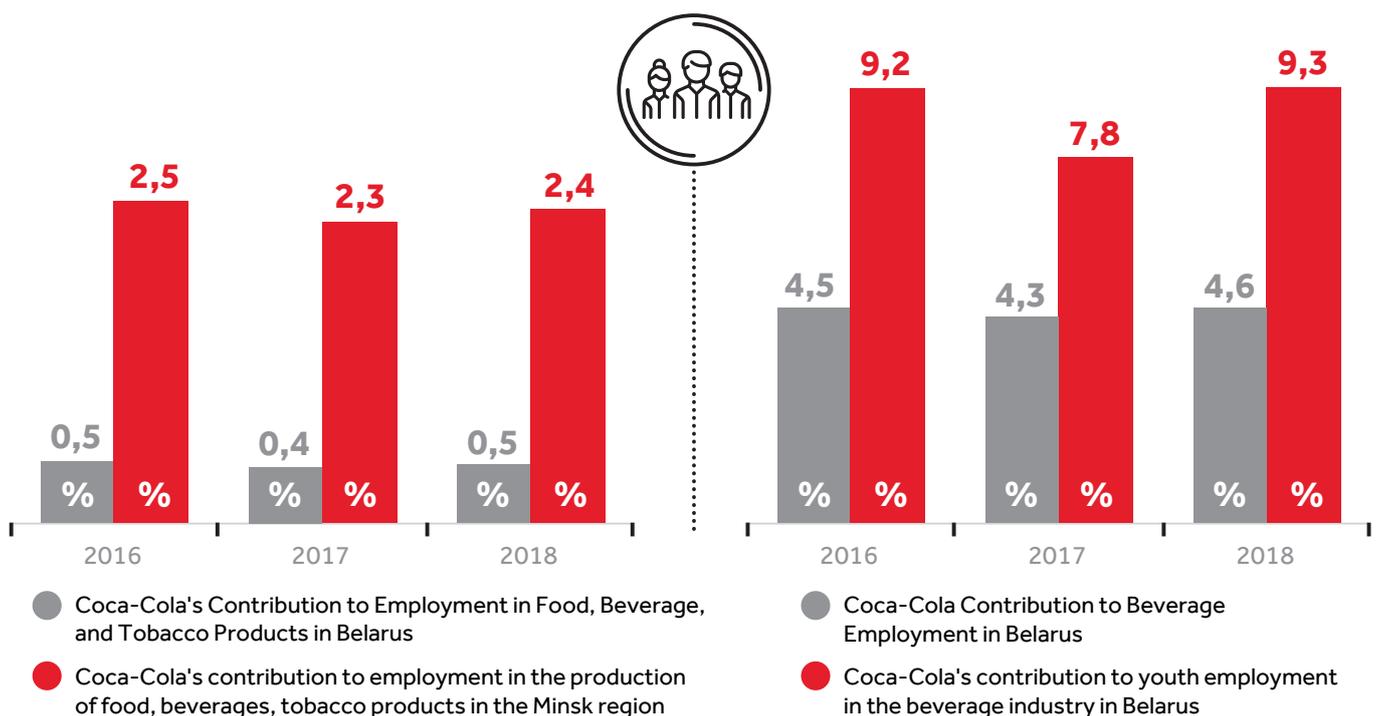
In 2018,

9,3%

from all youth involved in the beverage industry was employed in Coca-Cola System

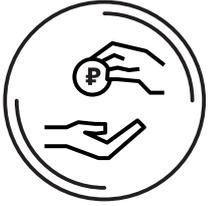
In general, in the food industry, the share of Coca-Cola Systems in youth employment is

4,6%



Note. An estimate of the payroll number of employees by type of activity at the end of the period.

Labor remuneration



The average salary in the Coca-Cola System in 2018 was

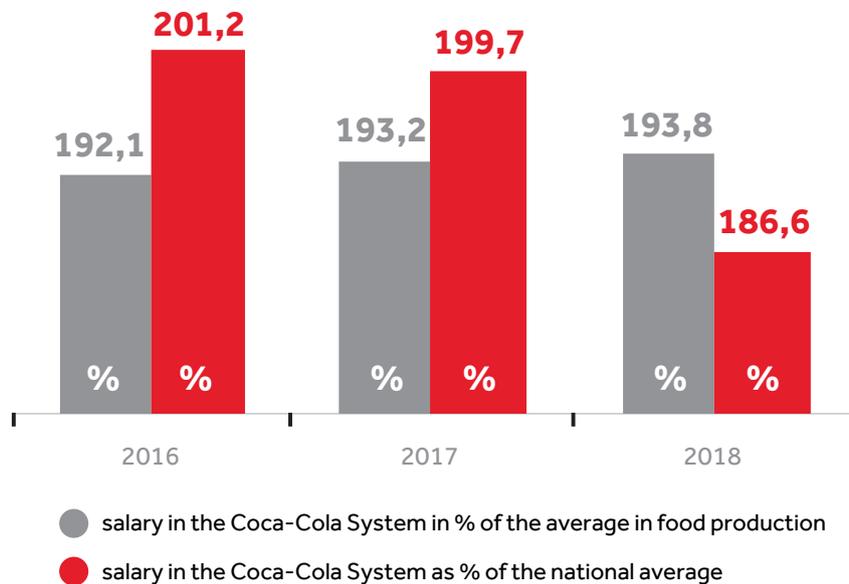
1812,78 BYN per month

This level of remuneration is much higher than the average for the country and industry. In 2018, the salary level in the Coca-Cola System was more than 86 % higher than the national total and 93% in the food industry.

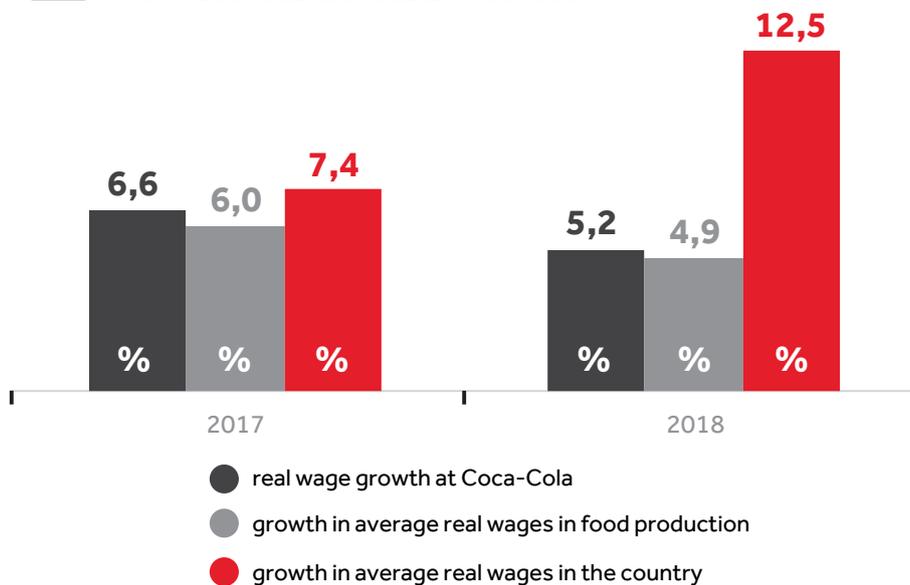
The size of the remuneration gap in the Coca-Cola System and the national average for the last year has significantly decreased due to high wage growth rates in other sectors of the economy.



RELATIONSHIP BETWEEN THE COCA-COLA SYSTEM AND THE ECONOMY



GROWTH RATES OF REAL WAGES IN THE COCA-COLA SYSTEM AND IN THE ECONOMY



Labor productivity

High wages are predetermined by high labor productivity in Coca-Cola System

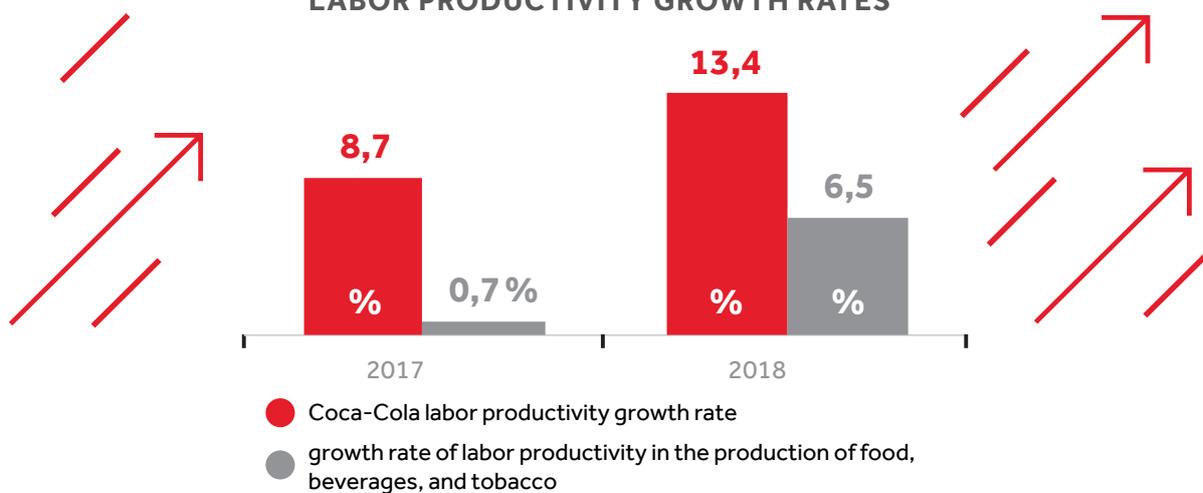
It is above industry average in

2,4 

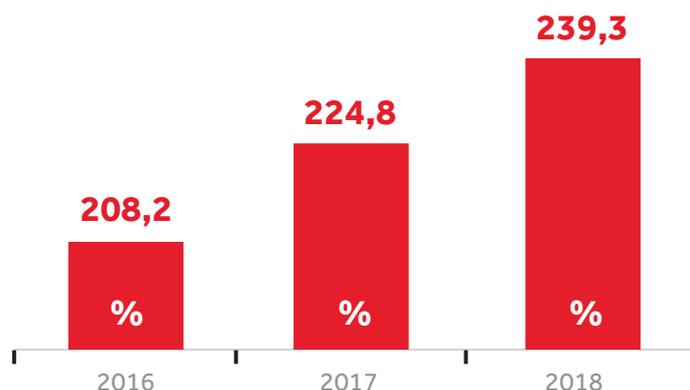
At the same time, it continues to grow at a faster pace than the industry average.

The growth of labor productivity in the Coca-Cola System is strictly ahead of the growth in wages, in contrast to the industry as a whole, which maintains its competitiveness.

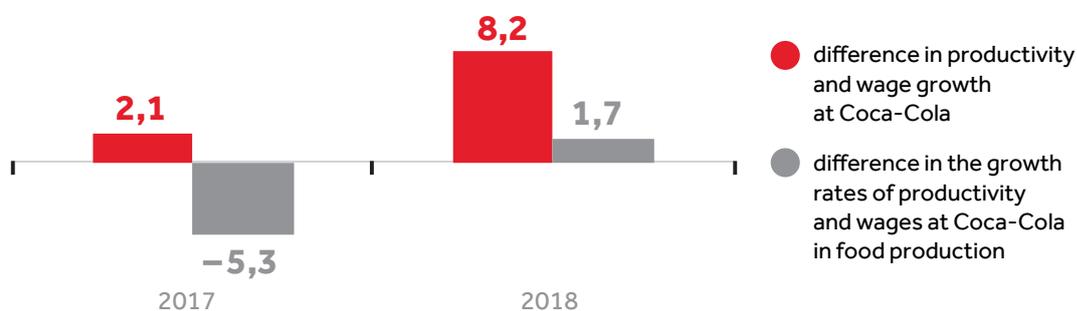
LABOR PRODUCTIVITY GROWTH RATES



LABOR PRODUCTIVITY IN COCA-COLA SYSTEM % OF AVERAGE IN FOOD PRODUCTION



DIFFERENCE IN RATES OF PRODUCTIVITY AND WAGES IN PRODUCTION OF FOOD PRODUCTS



8

The Coca-Cola System activity also creates a large indirect effect on the labor market. This is due to the higher complexity of the activities of its suppliers and distributors than the company itself. As a result, for 2018:



1 = 16,7

1 person employed at the enterprise gives 16,7 jobs in the economy



1 = 5,8

1 ruble of wages paid at the enterprise gives 5,8 rubles of wages in the economy.

The Coca-Cola supports

12 157 workplaces in the economy



out of 12 157

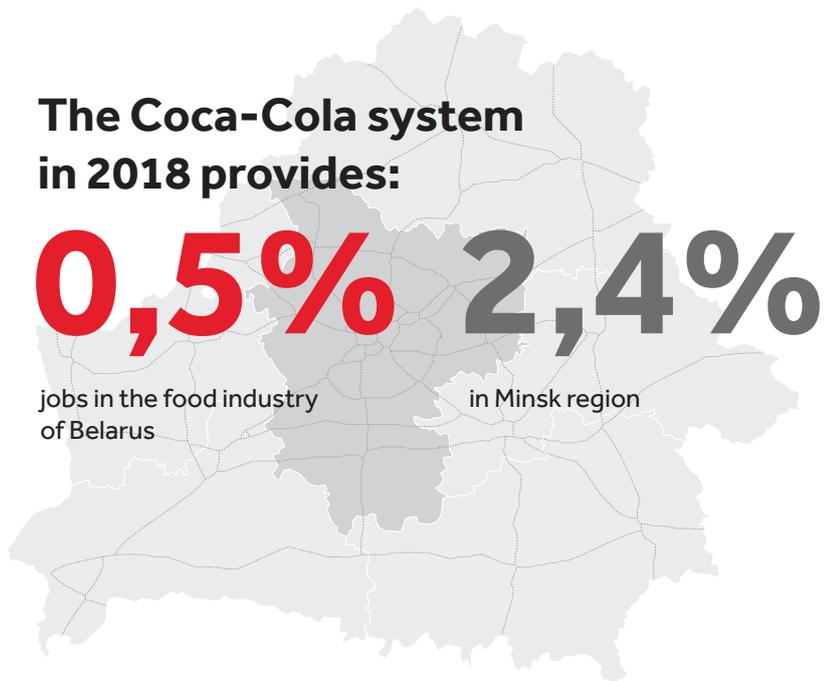
8 158 workplaces at direct suppliers and distributors

The Coca-Cola system in 2018 provides:

0,5% **2,4%**

jobs in the food industry of Belarus

in Minsk region



METHODOLOGY

The initial micro data for assessing the indirect effect was statistics on the company's costs by the main type of economic activity, distributed by goods and services (form 4-a costs, section IV). The data were adjusted for the total cost of the company and the share of imported products in costs.

The analysis is based on an assessment of output multipliers for activities whose products Coca-Cola uses in its production. Multipliers were estimated based on data from input-output tables for 2017.

The following multipliers were used in the analysis: the value added multiplier and the employment multiplier of the first type and the income (wage) multiplier of the second type. Multipliers of the first type show how an additional dollar of added value (a dollar of wages or an additional job) in the industry provokes an increase in added value (wages, employment) down the chain of its creation (due to the activities of suppliers, suppliers for suppliers, etc.). This effect is called indirect one. The second type of multiplier for incomes, in addition to this effect, estimates the still induced effect associated with an increase in household demand, secured by the growth of their income in the form of wages in the industries of suppliers.

See, for example, Miller R., Blair P. (2009). *Input — Output Analysis. Foundations and Extensions*, Cambridge University Press, New York.

An assessment of the indirect effect on distributors is based on retail margin data on Coca-Cola products.

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