

Fiscal Environment Review  
2025

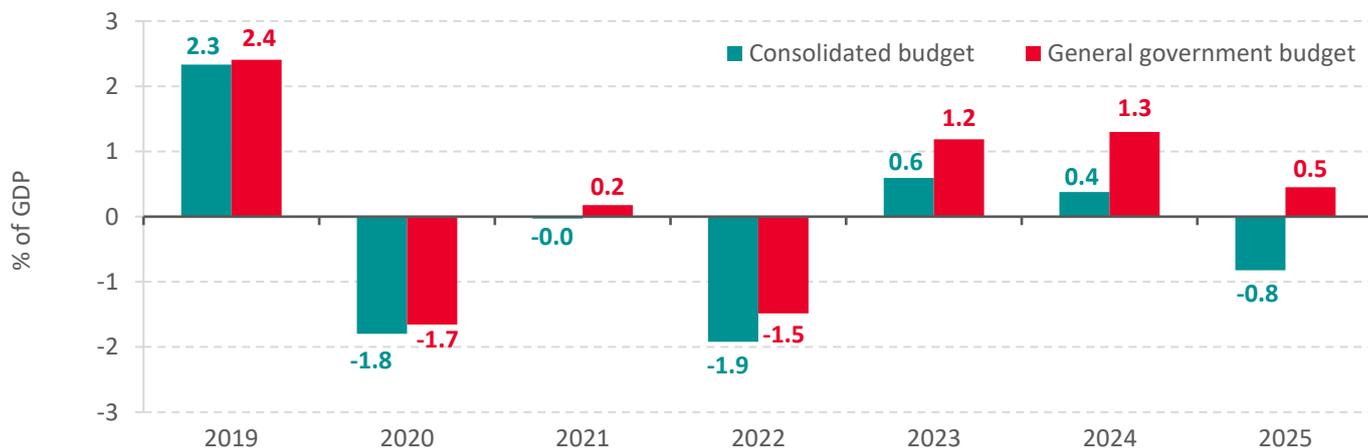
March 2026

## Fiscal policy remained stimulative in 2025, but the room for further stimulus has narrowed

The consolidated budget in 2025 was executed with a deficit of 0.8% of GDP (Figure 1). Fiscal stimulation of domestic demand resulted in expenditure growth outpacing revenues. Consolidated budget expenditures exceeded 30% of GDP for the first time since 2010. Accumulated fiscal reserves will allow maintaining the current high level of government spending in the coming years, provided there are no major shocks. Prospects for increasing budget revenues are assessed as subdued amid the reached limits of extensive output growth and the expected slowdown of GDP growth to 0.5–1.5% per year in 2026–2027. As a result, the consolidated budget is projected to remain in deficit at 1–1.5% of GDP in 2026–2027.

Public debt decreased by approximately 3.7 p.p. in 2025 – to about 26.4% of GDP at the beginning of 2026. The size of public debt and the scale of debt servicing payments (around 5% of GDP in 2025) are not large; however, even this volume of payments requires refinancing a significant portion of them to avoid significant fiscal adjustments. With continued financial support from Russia, debt sustainability will be maintained in the medium term even under a risk scenario. However, the room for fiscal maneuver remains limited.

Figure 1. State of the government budget of the Republic of Belarus



**Source:** The calculations based on data from the Ministry of Finance and the National Bank of Belarus, Belstat, EFSD, IMF, information in the media.

**Note:** The Consolidated Budget of the Republic of Belarus includes both central and local government budgets. The budget of the general government additionally takes into account the execution of the budget of the Social Protection Fund (SPF). The budget balance is the difference between budget revenues and expenditure.

The Fiscal Environment Review bulletin provides expert analysis of fiscal policy and debt sustainability of the Republic of Belarus. The bulletin assesses the state of fiscal policy, its impact on economic activity in Belarus, the state of public debt and its sustainability. Due to the lack of current official statistics on the state budget and public debt, the analysis in this bulletin is primarily based on available public information and data from the National Bank and the Ministry of Finance of Belarus, the IMF, and the EFSD.

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# 1 State Budget

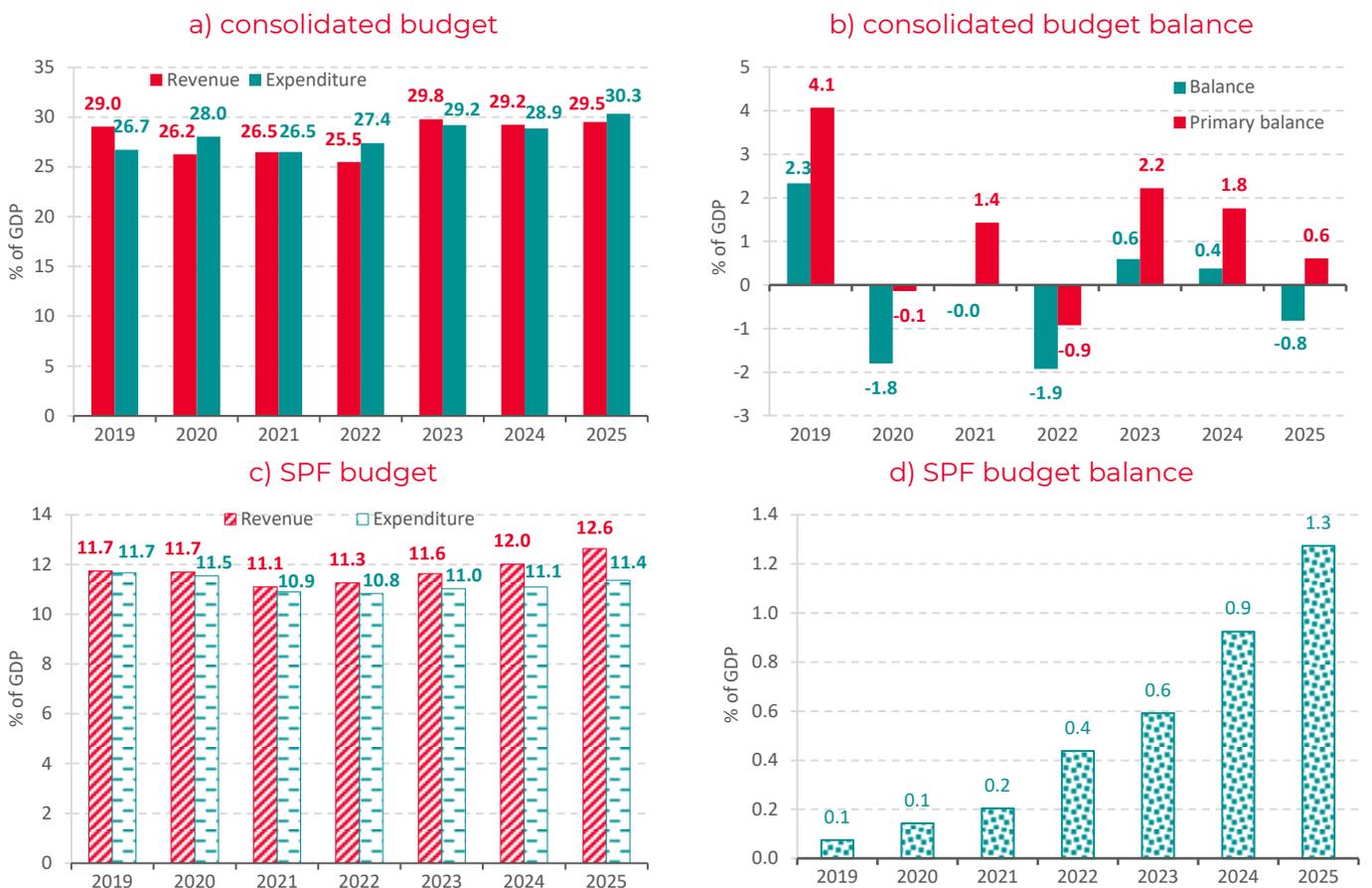
## The consolidated budget was executed with a deficit of 0.8% of GDP in 2025

Excluding the crisis periods of 2020 and 2022, a significant deficit of the consolidated budget was recorded for the first time since 2010. This was the result of expenditure growth outpacing revenues (Figure 2.a). Revenues of the consolidated budget increased by ≈0.3 p.p. in 2025 – to 29.5% of GDP. Expenditures rose by ≈1.5 p.p. and reached 30.3% of GDP – the highest level since 2010. Excluding interest payments on public debt, the primary balance of the consolidated budget remained positive at 0.6% of GDP in 2025 (Figure 2.b). However, the size of the primary surplus decreased by 1.2 p.p. of GDP compared to 2024 and reached its lowest level since 2010 (excluding 2020 and 2022).

## The increase in the surplus of the Social Protection Fund (SPF) offset the deficit of the consolidated budget in 2025

The surplus of the SPF budget increased from 0.9% of GDP in 2024 to ≈1.3% of GDP in 2025 (Figure 2.d). This was supported by higher revenues of the Fund amid strong wage growth in the economy (Figure 2.c). Thus, the government budget of Belarus in an extended definition (including the SPF) remained in surplus at around 0.5% of GDP in 2025. A smaller balance over the past ten years was observed only during 2020–2022 (Figure 1). Therefore, the execution of the state budget in 2025 can be considered strained relative to the “norm” for Belarus.

Figure 2. Indicators of the consolidated budget of the Republic of Belarus and the budget of SPF



**Source:** The calculations based on data from the National Bank and the Ministry of Finance of Belarus, Belstat, EFSD, IMF, information in the media.

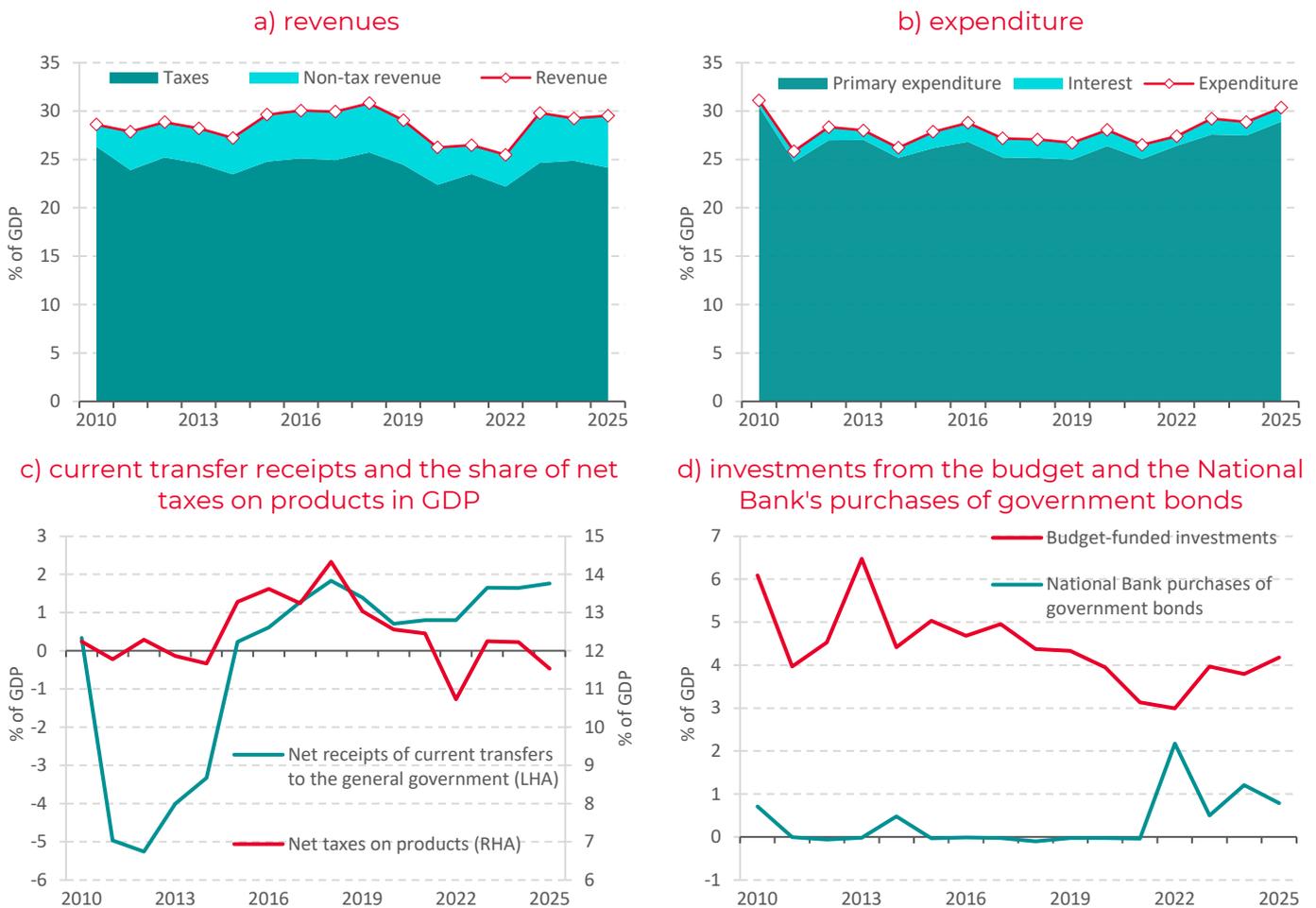
**Note:** The budget balance is the difference between budget revenues and expenditure. The primary balance is the budget balance excluding expenses for public debt servicing.

**Revenues of the consolidated budget increased by  $\approx 0.3$  p.p. to 29.5% of GDP in 2025**

More than 80% of revenues are generated by taxes (Figure 3.a). In 2025, tax revenues declined relative to GDP to about 24% (almost 25% of GDP in 2023–2024). This dynamic is explained by a reduction in revenues from foreign economic activity. Thus, the share of net taxes on products (which include indirect taxes and import duties) in GDP decreased by 0.7 p.p. in 2025 (Figure 3.c). Indirect taxes likely did not decline relative to GDP, as consumer spending grew at a faster pace than GDP. At the same time, the share of imports of goods and services in GDP decreased in 2025. Overall, the tax burden on the economy remained moderate: its average level over the past ten years is estimated at about 24.2% of GDP, and excluding the crisis years 2020 and 2022 – 24.7% of GDP (Figure 3.a).

Budget revenues in 2025 were supported by an increase in non-tax revenues by 1 p.p. – to about 5.4% of GDP (Figure 3.a). This growth is partly due to increased inflows from the Russian budget (including, likely, compensation under the reverse excise scheme for Belarusian refineries). Thus, the net inflow of current transfers to the general government reached 1.8% of GDP in 2025 – a comparable level over the past ten years was observed only in 2018, when the scheme of “re-customs clearance” of 6 million tons of Russian oil was in operation (Figure 3.c). As a result, the share of gratuitous receipts in consolidated budget revenues is estimated at 6.1% in 2025, and including SPF revenues – at 4.3% (higher over the past 15 years only in 2023 – 6.9% and 5.1%). Thus, the dependence of the Belarusian budget on Russian transfers increased in 2025.

Figure 3. Revenues and expenditures of the consolidated budget of the Republic of Belarus



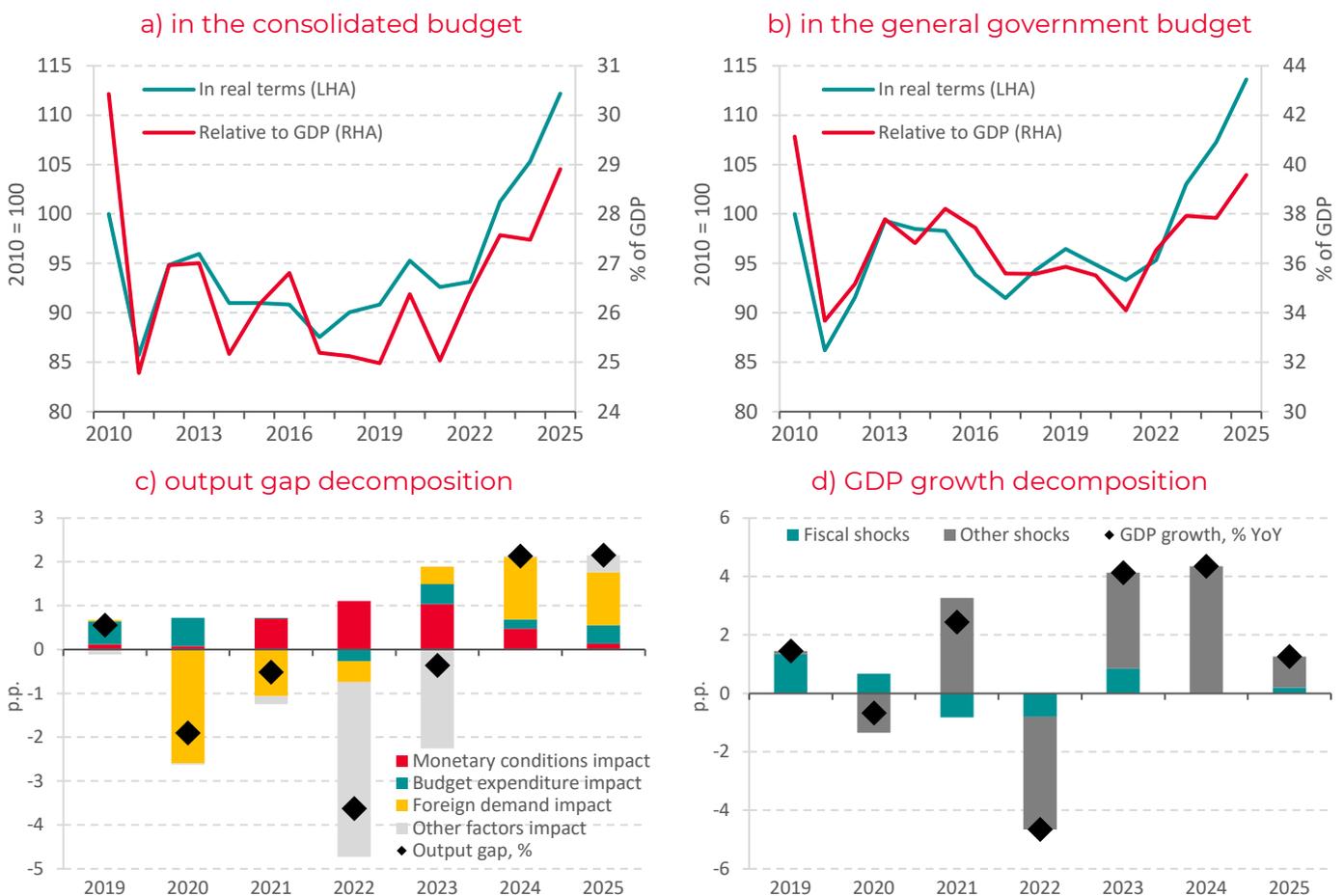
**Source:** The calculations based on data from the National Bank and the Ministry of Finance of Belarus, Belstat, EFSD, IMF, information in the media.

**Expenditures of the consolidated budget increased by  $\approx 1.5$  p.p. of GDP in 2025 – to a record level since 2010 of 30.3% of GDP**

Indirect indicators point to an increase in both current and capital budget expenditures in 2025. The rise in current spending is highly likely linked to higher allocations for wages, which may have reached 10% of GDP in 2025 and accounted for one-third of all consolidated budget expenditures. The significant increase in labor costs is indicated by the nearly 18% YoY growth in the average nominal wage of employees in budgetary organizations in 2025. Expenditures on public debt servicing also rose somewhat in nominal terms but remained close to 1.4% of GDP in 2025 (Figure 3.d). Such a level of interest payments is not high for Belarus (the average over the past ten years was 1.6% of GDP), and they accounted for less than 5% of total consolidated budget expenditures (around 5.8% on average over the past ten years; Figure 6.b).

The increase in capital expenditure in 2025 is indicated by a 15% YoY real growth in investments financed from budgetary resources. At the same time, amid limited room for increasing budget revenues, the authorities resorted to quasi-emission financing schemes for capital investments. Thus, purchases of government bonds by the National Bank in the secondary market amounted to Br2.3 billion, or 0.8% of GDP (Figure 3.d).

Figure 4. Primary budget expenditures and their impact on economic activity



**Source:** The calculations based on data from the National Bank and the Ministry of Finance of Belarus, Belstat, EFSD, IMF, information in the media, as well as based on the use of a quarterly projection model for Belarus (QPM).

**Note:** primary expenditures are expenditures minus the costs of public debt servicing. Real primary expenditures are calculated by adjusting nominal expenditures by the GDP deflator. The output gap is the deviation of real GDP from its potential (equilibrium) level.

## **Primary budget expenditures grew at a high pace in 2025 – fiscal policy remained stimulative for economic activity**

Primary (non-interest) expenditures of the consolidated budget increased in 2025 by 1.4 p.p. to 28.9% of GDP (Figure 4.a), and in the extended definition (including the SPF) – by 1.7 p.p. to 39.6% of GDP (Figure 4.b). In both cases, this is the highest level since 2010. Primary expenditures in real terms (adjusted by the GDP deflator) grew by 6.5% in 2025 within the consolidated budget and by 5.9% including the SPF. Thus, the growth of primary expenditures significantly exceeded the 1.3% increase in real GDP in 2025. As a result, fiscal policy remained stimulative for economic activity and supported excess demand in the economy for most of 2025 (Figure 4.c). However, the contribution of fiscal policy to Belarus's GDP growth last year was small amid slowing external demand dynamics and reached resource constraints in an environment of labor shortages and full capacity utilization (Figure 4.d).

## **The consolidated budget is projected to run a deficit of about 1–1.5% of GDP in 2026**

Prospects for increasing budget revenues are assessed as subdued due to the “cooling” of the Belarusian economy and the projected low GDP growth of around 0.5–1.5% YoY in 2026. Consolidated budget revenues relative to GDP are projected at slightly above 29%, assuming an increase in transfers from the Russian budget to 2.1% of GDP. Budget expenditure this year is highly likely to remain close to the achieved record level. Weakening demand in the Russian market requires the authorities to maintain a soft economic policy to preserve at least positive economic growth rates. Accumulated fiscal reserves create favorable conditions for this – ruble deposits of government bodies in the banking system amounted to 7.7% of GDP at the beginning of 2026. As a result, fiscal policy will remain accommodative this year, but the scale of budgetary support to domestic demand will decrease, as the scope for significant increases in spending is limited.

## **2 Public debt and fiscal sustainability**

### **Public debt decreased by approximately 3.7 p.p. in 2025 – to about 26.4% of GDP at the beginning of 2026. Including guarantees of the general government sector, the debt level most likely slightly exceeded 30% of GDP at the beginning of 2026**

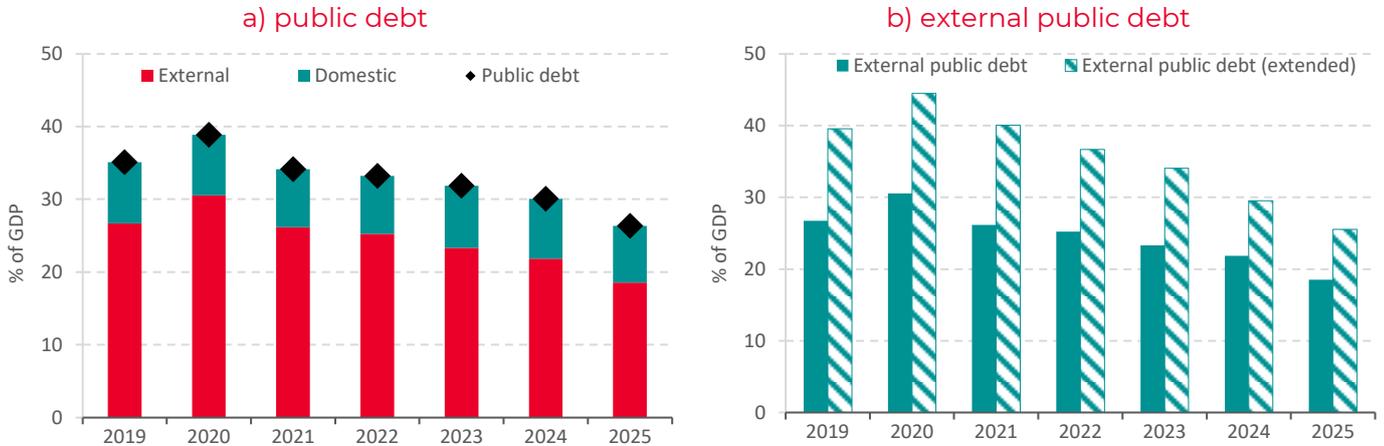
The structure of public debt was traditionally dominated by external liabilities, which are estimated at 18.5% of GDP at the beginning of 2026 (Figure 5.a). External public debt decreased by 3.3 p.p. relative to GDP in 2025, but at the same time increased in dollar terms by \$0.35 billion – to \$17.5 billion at the beginning of 2026. The increase in the dollar value of public debt is mainly due to the strengthening of the Russian ruble against the US dollar. Due to revaluation effects, external debt obligations of the general government sector increased by \$1.25 billion in 2025, while due to actual transactions they decreased by \$0.9 billion (repayment of loans from non-residents and debt securities). External public debt in the extended definition also declined in 2025 – by 4 p.p. to 25.5% of GDP (Figure 5.b).

### **Debt sustainability is de facto ensured, but the mechanism for maintaining it largely relies on access to refinancing of debt obligations**

Neither the size of public debt (less than 40% of GDP even in the extended definition with guarantees) nor the total annual volume of payments for its repayment and servicing (around 5% of GDP in 2025) appear threatening by conventional standards.

However, in the context of the Belarusian economy, even this level of debt servicing requires refinancing of a significant share to ensure fiscal sustainability. Since the consolidated budget is generally executed with a small primary surplus (Figure 2.b), and the need for domestic sources of investment financing has increased significantly after the tightening of sanctions pressure, government debt repayment without refinancing would imply substantial fiscal adjustments toward tightening.

Figure 5. Public debt of the Republic of Belarus



**Source:** The calculations based on data from the National Bank and the Ministry of Finance of Belarus, Belstat, EFSD, IMF.

**Note:** Public debt includes the central and local government debt. External debt (under extended definition) includes external debt liabilities of government bodies, the central bank, as well as of the sector of depository organizations and of other sectors, where the share of state ownership in the authorized funds is 50+%.

**The inertial trajectory of public debt assumes a further decline in its level relative to GDP in 2026–2030 under the baseline scenario (Figure 6.a)**

A reduction in public debt is possible under a relatively favorable scenario for the Belarusian economy, in which a decline in output and an inflationary surge due to the accumulated price overhang can be avoided, and fiscal policy gradually becomes neutral. At the same time, the inertial debt dynamics assume that the previously observed pattern of its repayment and servicing will persist, i.e., a significant share of debt will continue to be refinanced by Russia.

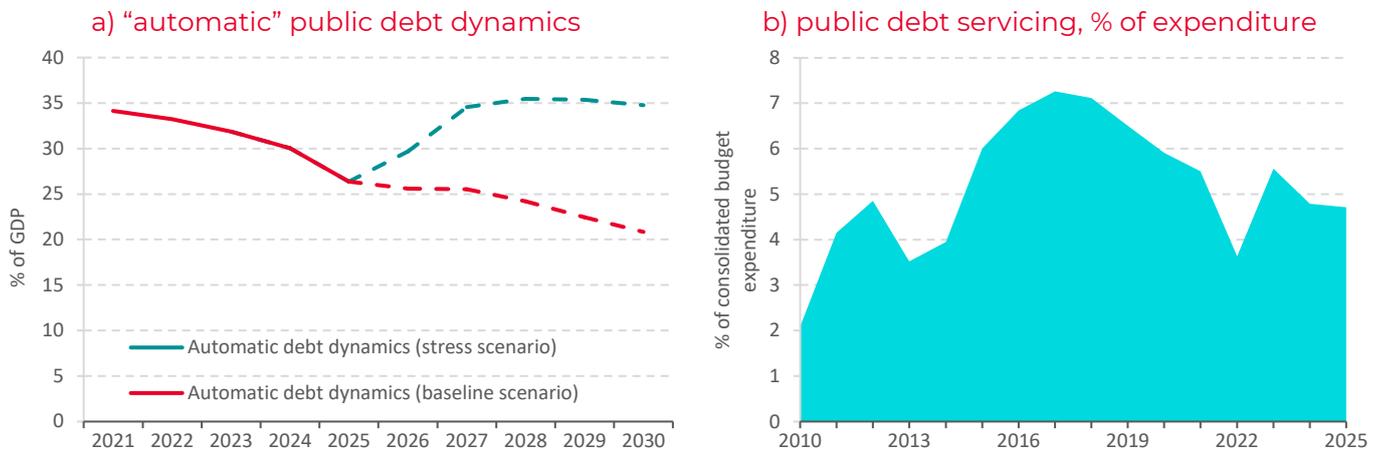
**Ensuring fiscal sustainability in the medium term is highly dependent on Russian support**

Within the parameters of the baseline scenario, the primary balance of the consolidated budget that would allow maintaining the public debt-to-GDP ratio at the 2025 level in 2026–2030 is estimated at around -0.2% of GDP on average per year. This means that the Belarusian authorities retain some room for fiscal maneuvering, and in the event of crisis developments, the budget deficit could increase by 1–2 p.p. of GDP without a significant deterioration in the debt position. However, this conclusion holds only if transfers from the Russian budget remain at around 2% of GDP and the significant share of debt obligations to Russia continues to be refinanced. The risks of losing financial support from Russia are more political than economic in nature and are assessed as low in the medium term.

If Russian support declines – both in the form of direct transfers and refinancing of public debt payments, as well as indirectly through reduced energy subsidies and limited access to the Russian market and infrastructure – the likelihood of fiscal consolidation in Belarus will increase significantly. Even a moderate deterioration in economic conditions under a risk scenario may lead to the need to increase public debt to finance government expenditures (Figure 6.a).

An alternative to debt accumulation could be fiscal consolidation; however, it would negatively affect economic growth and citizens' welfare. In a risk scenario, to prevent an increase in public debt, the primary balance of the consolidated budget must be in surplus at around 1% of GDP on average per year in 2026–2030. Such a surplus level can generally be considered realistic, but it reduces the room for fiscal maneuver.

Figure 6. Belarusian public debt sustainability



**Source:** The calculations based on data from the National Bank and the Ministry of Finance of Belarus, Belstat, EFSD, IMF.

**Note:** "Automatic" debt dynamics indicates the inertial dynamics of public debt under the given values of real GDP growth, the real effective interest rate on public debt, and the primary balance of the consolidated budget. Baseline scenario prerequisites: 1) GDP growth: 1% in 2026 and 1.4% per year on average in 2027–2030; 2) GDP deflator: 9.5% in 2026 and 8.6% per year on average in 2027–2030; 3) the nominal effective rate on public debt: 7.2% in 2026 and 5.1% per year on average in 2027–2030; 4) weakening of the Belarusian ruble (in terms of a basket of foreign currencies): 1.1% in 2026 and 4.2% per year on average in 2027–2030; 5) consolidated budget primary balance (surplus): 0.2% of GDP in 2026 and 1.1% of GDP annually in 2027–2030. Prerequisites for the stress scenario: 1) GDP growth: minus 1% in 2026, minus 2% in 2027 and +1% per year on average in 2028–2030; 2) GDP deflator: 9.3% in 2026 and 8.5% per year on average in 2027–2030; 3) the nominal effective rate on public debt is 2 p.p. higher than the baseline scenario values; 4) weakening of the Belarusian ruble: 5% annually; 5) primary budget balance: minus 1.8% of GDP in 2026, minus 3.1% of GDP in 2027 and +0.8% of GDP per year on average in 2028–2030.