Belarus Economy Monitor: trends, attitudes and expectations

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Inflation Review
Q4-2025

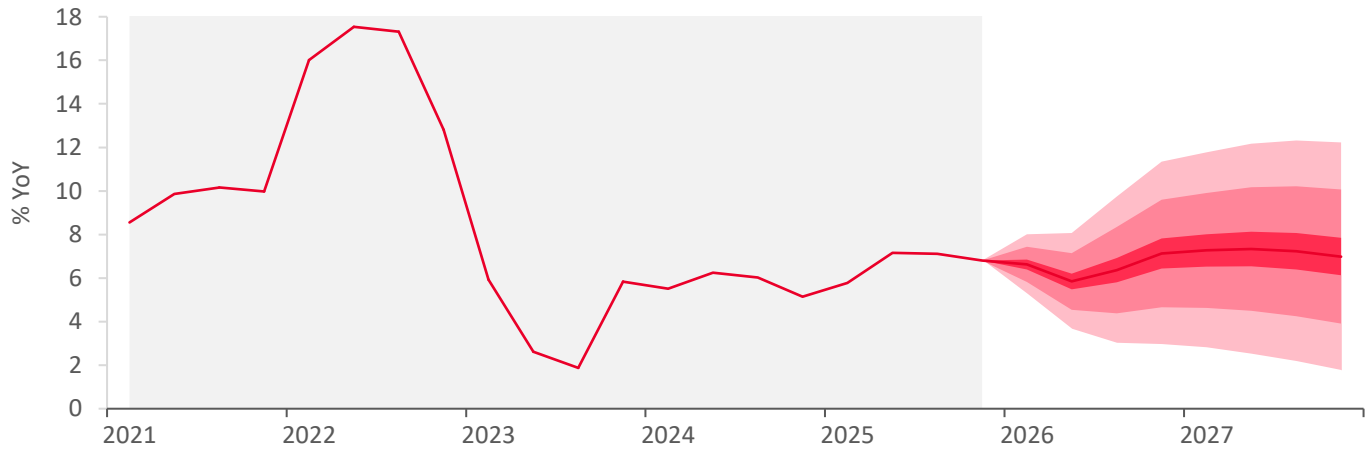
January 2026

Inflation in Belarus amounted to 6.8% in 2025 and is projected to be close to 7% by the end of 2026

Annual inflation declined from 7.1% YoY in September to 6.8% YoY in December 2025 (Fig. 1). The annualized quarterly price growth slowed to 4.4% QoQ in Q4-2025 (seasonally adjusted). A reduction in the degree of economic overheating and slower price growth in Russia contributed to weaker inflationary pressure. Tightening price regulation for a number of vegetables became an additional significant factor in lowering inflation at the end of last year.

In the absence of strong external shocks, inflation will temporarily slow to 6–6.5% YoY in the first half of the year but will return closer to 7% YoY by the end of 2026 (Fig. 1). The accumulated inflationary overhang will hinder its sustained decline even amid the expected reduction in the contribution of aggregate demand and the labor market. Uncertainty surrounding estimates of the inflationary overhang and firms' ability to pass it through to prices in the context of slowing domestic demand creates risks of lower inflation this year. By contrast, the likelihood of significant monetary policy easing amid weaker GDP growth in Belarus represents a pro-inflationary risk to the forecast.

Figure 1. Dynamics and forecast of consumer inflation in Belarus, % YoY



Source: calculations are based on the Quarterly Projection Model (QPM) for Belarus.
Note: the figure shows a seasonally adjusted indicator. The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. As new data are published, the indicator dynamics can be updated. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

The Inflation Review Bulletin is an expert analysis of inflationary processes in the consumer market. The bulletin depicts the dynamics of price indices, analyzes the drivers of inflationary processes, assesses the nature of monetary conditions, and provides a short-term inflation forecast. The methodological basis for the analysis is the Quarterly Projection Model (QPM) for Belarus.

1 Dynamics of inflationary processes

Inflation in Belarus declined in Q4-2025, and its current pace fell below the 5% annual path

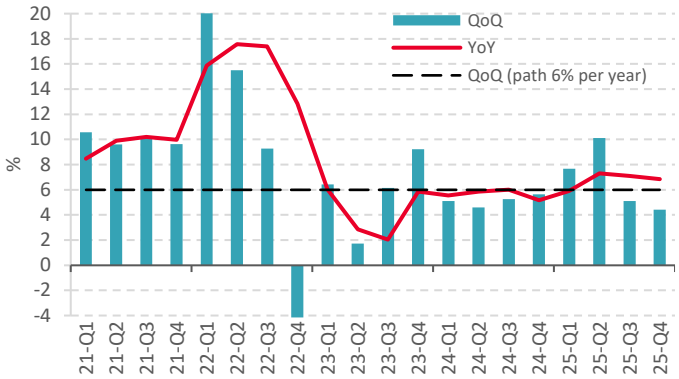
In Q4-2025, consumer prices increased by 4.4% on an annualized, seasonally adjusted basis after rising by 5.1% in Q3-2025 (hereinafter – % QoQ; Fig. 2.a).[i] Annual inflation (based on the Consumer Price Index; CPI) declined from 7.1% in September 2025 to 6.8% in December 2025 (hereinafter – % YoY; Fig. 2.a). The slowdown in price growth was driven by a decline in both core and non-core inflation (Fig. 2.b).

The actual annual inflation rate in December 2025 deviated downward by 0.6 p.p. from the October 2025 forecast

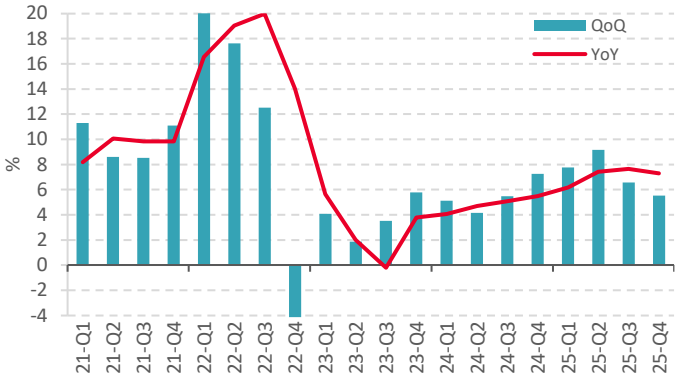
Lower-than-expected price growth was largely due to weaker dynamics in non-core inflation (negative contribution of other shocks in Fig. 2.c). This was largely driven by an atypical decline in fruit and vegetable prices in December amid tighter price regulation for cucumbers and tomatoes. Weaker-than-expected price growth in Russia compared with the October 2025 forecast also contributed to the downward deviation of actual inflation from the forecast path (negative contribution of external shocks in Fig. 2.c).

Figure 2. Dynamics of consumer inflation

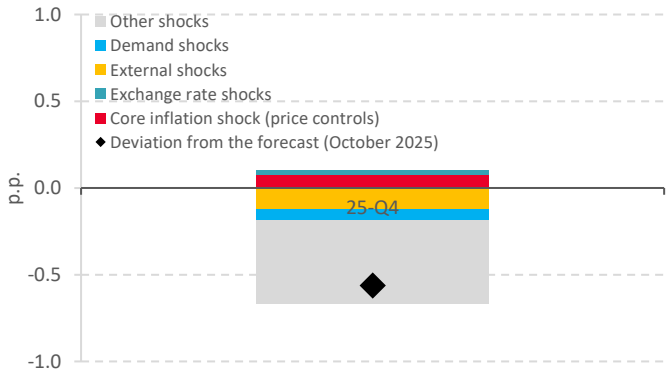
a) overall inflation



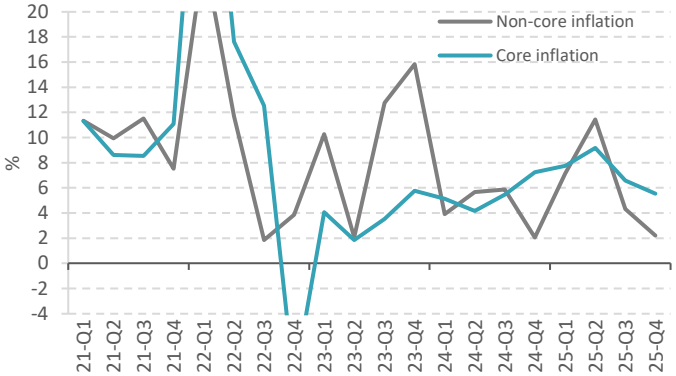
b) core inflation



c) factors of deviation of annual consolidated inflation from the October 2025 forecast



d) core and non-core inflation (% QoQ)



Source: calculations based on the data from Belstat, the National Bank of Belarus, QPM.
Note: hereinafter, YoY is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted.

Non-core inflation declined to 2.2% QoQ in Q4-2025 (Fig. 2.b)

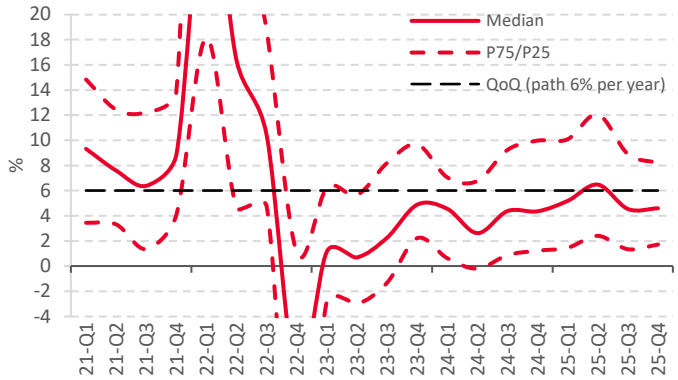
The slowdown in non-core inflation was driven by a decline in fruit and vegetable prices of more than 16% QoQ (Fig. 4.d). In December, fruit and vegetable prices fell by more than 50% MoM (annualized, seasonally adjusted). This dynamic was largely the result of an atypical year-end drop in cucumber and tomato prices. It followed amendments introduced by the government to the price regulation framework in early December, which capped the maximum price increases for cucumbers and tomatoes that producers may implement without approval from the authorities. The second component of non-core inflation – administratively regulated prices and tariffs – increased by 5.2% QoQ, broadly in line with the previous period. The government continued to pursue a conservative approach to raising regulated prices in order to prevent headline inflation from exceeding 7% YoY.

Core inflation slowed from 6.6% QoQ in Q3-2025 to 5.5% QoQ in Q4-2025 (Fig. 2.b)**, while median inflation remained close to 4.5% QoQ** (Fig. 3.a)

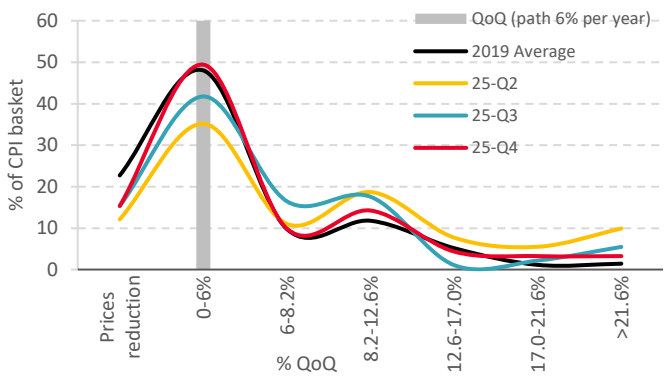
The dynamics of these indicators point to a decline in inflationary pressure in the economy compared with the first half of last year. The distribution of price increases across items in the consumer basket remained close to the 2019 pattern, albeit somewhat shifted toward higher growth rates (Fig. 3.b).

Figure 3. Dynamics of median inflation and prices of aggregated CPI components (seasonally adjusted)

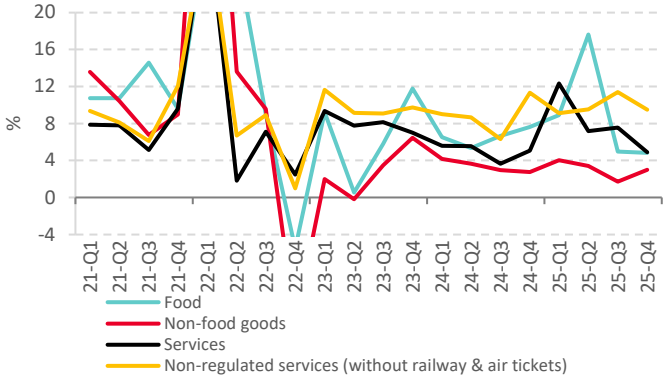
a) median inflation (QoQ)



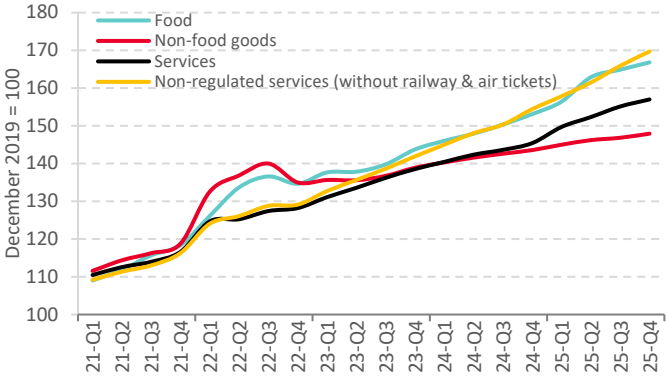
b) price increment distribution (QoQ)



c) CPI component price growth (QoQ)



d) CPI component price level



Source: calculations based on the Belstat data.

Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted. Median inflation and price increment distribution are calculated using data from aggregated commodities in the CPI basket. P75 and P25 are the 75th and 25th percentiles, respectively.

Food prices increased at moderate rates in Q4-2025

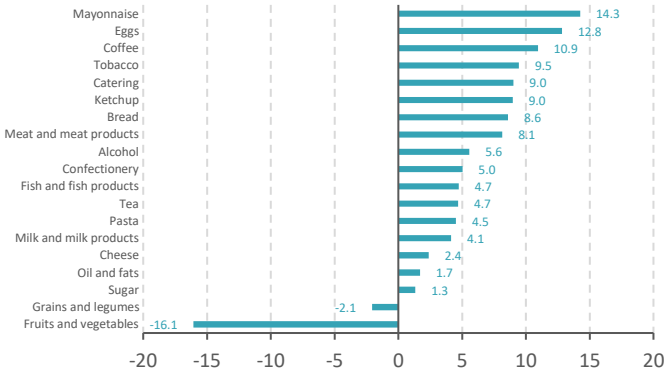
Food prices rose by 4.8% QoQ in Q4-2025 (Fig. 3.c). Food items excluding fruits and vegetables, alcohol, and tobacco products (which are excluded from the core CPI) increased by about 6.3% QoQ in Q4-2025. Dairy products made a significant contribution to keeping food inflation low (Fig. 4.a). Price growth for dairy products slowed sharply in the summer of 2025 following tighter government regulation and remained subdued thereafter. At the same time, the ratio of dairy prices in Russia to those on the domestic market remained elevated relative to the "normal" level (Fig. 4.d). This indicates risks of an acceleration in dairy price growth in Belarus. Similar risks are also characteristic of meat products (Fig. 4.d), prices for which continued to grow at relatively high rates in Q4-2025 (Fig. 4.a).

Price growth for non-food goods remained low in Q4-2025

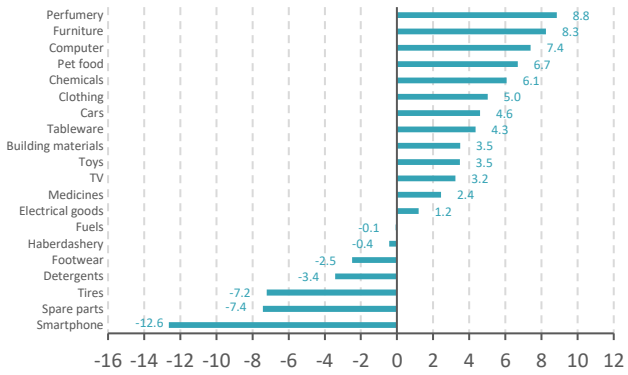
Non-food goods prices increased by 3% QoQ in Q4-2025 (Fig. 3.c). Strict price controls constrained price growth. The strengthening of the Belarusian ruble and the weakening of aggregate demand had disinflationary effects in the second half of 2025. The rather substantial increase in furniture prices under such economic conditions stands out (Fig. 4.b). It can be assumed that the active promotion of preferential lending for Belarusian products – around 50% of which is accounted for by furniture – may have contributed to price growth. The dynamics of furniture prices in 2026 should be monitored to test this hypothesis, while the authorities would be well advised to assess the impact of rising prices on the affordability of these products.

Figure 4. Price increase for individual items of the consumer basket for Q4-2025

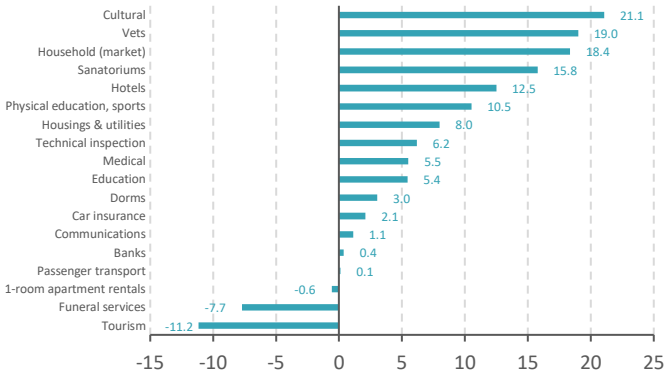
a) food (% QoQ)



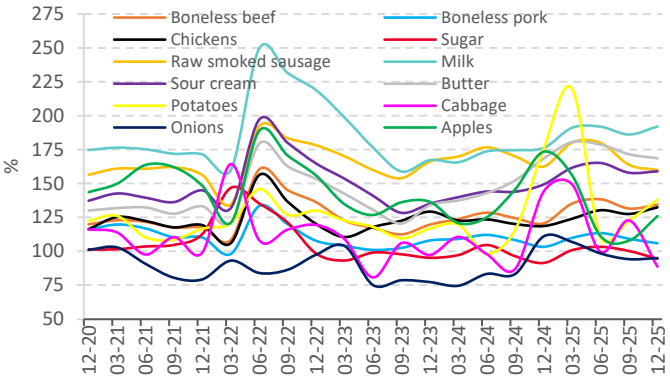
b) non-food goods (% QoQ)



c) services (% QoQ)



d) price ratio in Russia and Belarus



Source: calculations are based on the data by Belstat, the National Bank of Belarus, and Rosstat.
Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted. The ratio of prices in Russia and Belarus has been calculated as the ratio of the average price in Russia – recalculated at the average official foreign exchange rate of the Belarusian ruble to the Russian ruble – to the average price of goods in Belarus, multiplied by 100.

Price growth for non-regulated services remained high in Q4-2025

Non-regulated services rose in price by about 8.6% QoQ in Q4-2025 after around 10.8% QoQ in the previous period, while excluding volatile international rail and air transport they increased by 9.5% after 11.4% QoQ, respectively (Fig. 3.c). Some deceleration of inflation in this segment of the consumer basket was associated with lower prices for tourism services amid a strong Belarusian ruble (Fig. 4.c). The exchange rate factor also restrained growth in apartment rental costs (Fig. 4.c). However, for most unregulated services price growth remained high – the median inflation rate is estimated at slightly above 9% QoQ in Q4-2025. The most pronounced increase was recorded in market household services, which rose in price by more than 18% QoQ in Q4-2025 (Fig. 4.c). Elevated inflation in the market services segment continued to signal a persistently pro-inflationary labor market environment, primarily due to sharply increased wage costs in recent years.

The inflationary overhang remained significant in Q4-2025

The price level of non-regulated services exceeded the price level of non-food goods by almost 15% in December 2025 (Fig. 3.d). The substantial divergence in relative prices, which is uncharacteristic over long-term horizons, points to the potential for faster growth in non-food goods prices if price controls are lifted or eased.

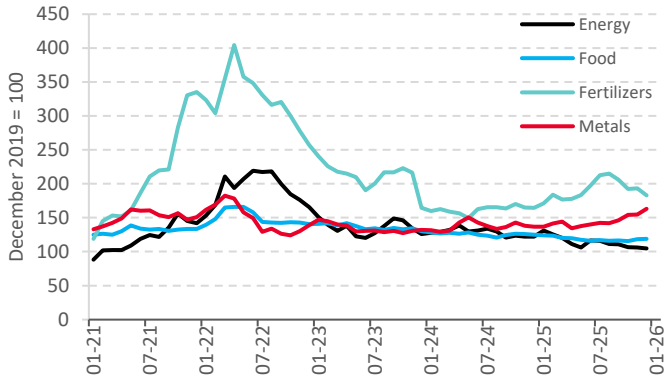
2 Inflation drivers

Global commodity prices did not have a significant impact on inflation in the Belarusian market in Q4-2025

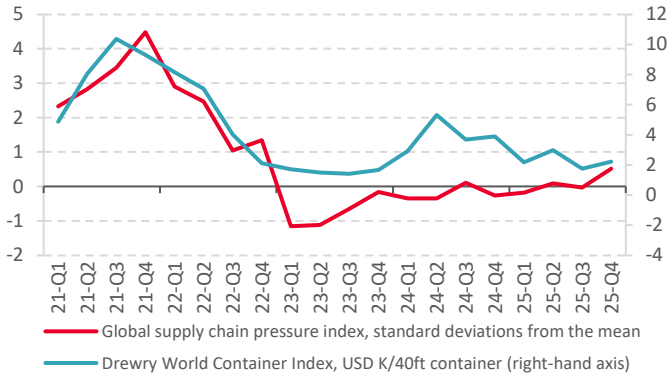
The World Bank Commodity Price Index (in USD) declined by 3% in Q4-2025 compared with Q3-2025, driven by a 6.1% drop in energy prices (Fig. 5.a). Prices of non-energy commodities increased by 1.8% over the quarter, largely due to higher metal prices (Fig. 5.a). Food prices changed only marginally in Q4-2025. Taking into account the appreciation of the Belarusian ruble against the US dollar, global commodity price dynamics did not generate either significant inflationary or disinflationary pressure on the Belarusian market in Q4-2025. Global supply chains also exerted a near-neutral impact on inflation (Fig. 5.b).

Figure 5. Global commodity prices and price pressures in supply chains

a) commodity prices



b) supply chain pressure indices



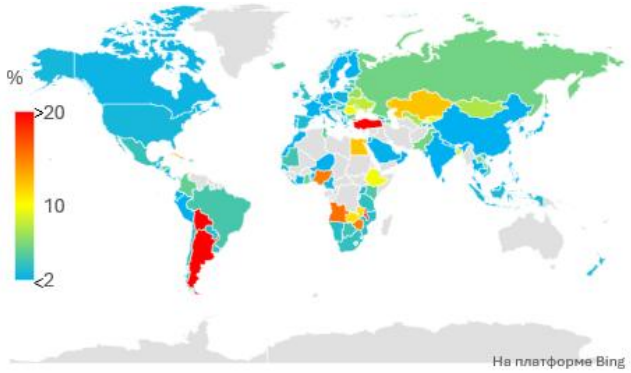
Source: World Bank, FRBNY, Drewry World Container Index and Supply Chain Advisors.
Note: World Container Index is for the last week of the month.

Inflationary pressure from the Russian market eased in Q4-2025

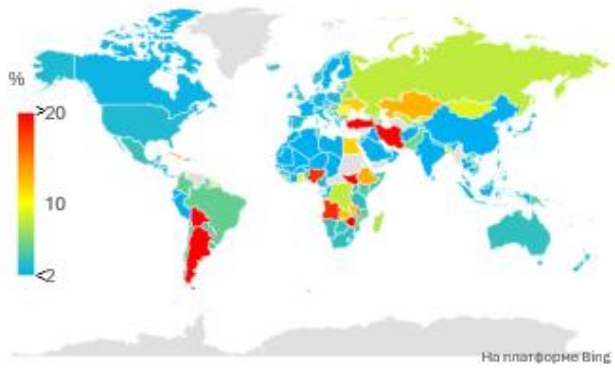
Inflation in Russia in Q4-2025 is estimated at around 2.8% QoQ (Fig. 7.b). As in the previous period, price growth was constrained by a strong Russian ruble and a reduced degree of overheating in the Russian economy. As a result, direct effects from the Russian market on inflation in Belarus are assessed as restraining in Q4-2025. At the same time, prices for meat and dairy products in the Russian market remained elevated relative to prices in the Belarusian market (Fig. 4.d), and therefore risks to food inflation in Belarus persisted. In other countries that are significant trading partners of Belarus, inflation remained subdued in Q4-2025 (Fig. 6).

Figure 6. Global inflation

a) December 2025 (YoY)



b) September 2025 (YoY)



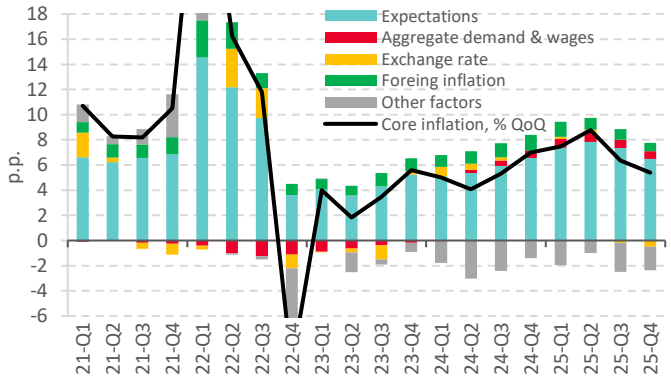
Source: Trading Economics, national statistical agencies.
Note: YoY is the growth rate in the last month of the quarter vs the last month of the same quarter of the prev. year.

The exchange rate continued to exert disinflationary effects in Q4-2025

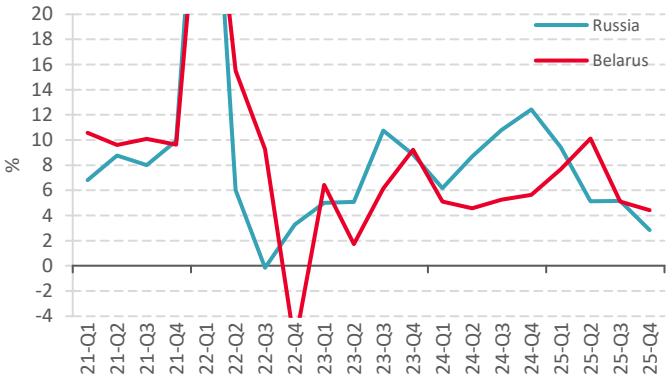
In Q4-2025, the Belarusian ruble appreciated by 0.4% in nominal terms (measured against the currency basket) compared to the average value in Q3-2025 (Fig. 8.b). Given that inflation in Belarus remained higher than in Russia (Fig. 7.b), the national currency also strengthened in real terms (Fig. 8.b). The Belarusian ruble was overvalued within 1% in terms of the real effective exchange rate (REER) in Q4-2025 (Fig. 8.a). As a result, the impact of the exchange rate on consumer inflation in Q3 and Q4-2025 is assessed as restraining (Fig. 7.a).

Figure 7. Decomposition of core inflation in Belarus and inflation in Russia

a) core inflation decomposition, QPM-based (QoQ, logarithmic data)



b) inflation in Belarus and Russia (QoQ)



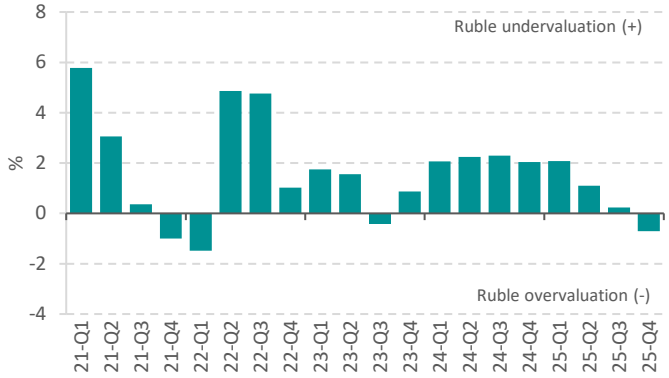
Source: calculations based on QPM, the data from Belstat and Rosstat.
Note: the contributions of the factors are calculated considering momentum; QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted.

Price controls continued to constrain inflation in Q4-2025

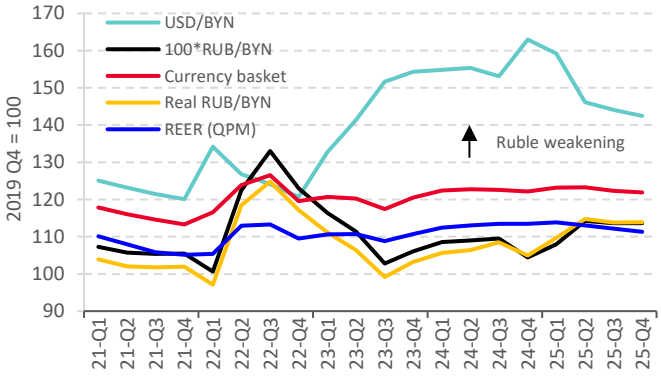
The negative contribution of unexplained factors within the QPM framework – which accounts for the impact of government price regulation – remained significant in Q4-2025 (Fig. 7.a). QPM calculations indicate that, based on the state of aggregate demand, the labor market, the exchange rate, and foreign inflation, annual inflation would have been around 9–9.5% YoY in Q4-2025, rather than the actual 6.8% YoY. The inflationary overhang – the potential for faster price growth – remained substantial in Q4-2025.

Figure 8. Belarusian ruble exchange rates and deviation of REER from the equilibrium level

a) REER gap (QPM-based)



b) Belarusian ruble foreign exchange rates



Source: calculations are based on the data by the National Bank of Belarus, QPM.

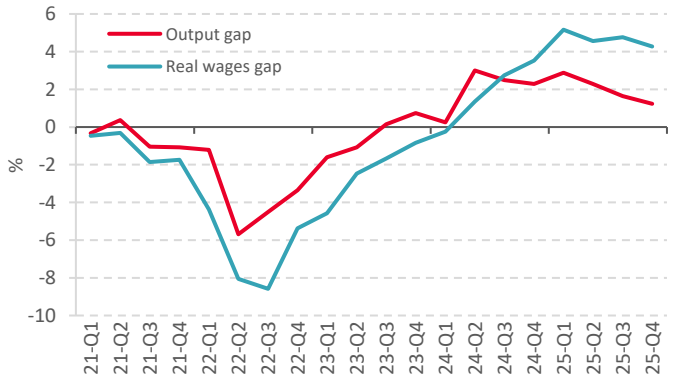
Note: REER is the Real Effective Exchange Rate of the Belarusian ruble. Within the QPM, the weights of individual currencies in the REER are: Russian ruble – 0.60; US dollar – 0.20; euro – 0.10; Chinese yuan – 0.10.

Inflationary effects from the labor market remained strong in Q4-2025 but did not increase

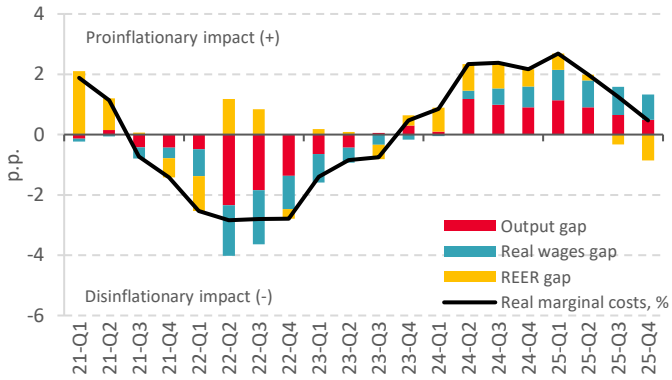
The unemployment rate in Q4-2025 decreased by 0.1 p.p. from the level of the previous period and was estimated to be 2.4% of the labor force (seasonally adjusted). This extremely low level – the minimum for Belarus – signals a persistent labor shortage in the country. However, the extent of the shortage did not worsen in the second half of the year, as indicated by a reduction in the number of job vacancies relative to the number of unemployed. Real wages continued to grow in Q4-2025, but at a noticeably slower pace than in 2023–2024. As a result, the extent to which the average wage exceeded its balanced level remained significant but did not increase in the second half of the year (Fig. 9.a). Inflationary pressure from labor costs ceased to intensify (Fig. 9.b).

Figure 9. Dynamics of indicators of internal inflationary pressure

a) output gap and real wage gap (QPM-based)



b) real marginal cost proxy (QPM-based)



Source: calculations are based on QPM.

Note: the gaps are re-evaluated once data are available. The real effective exchange rate gap (REER gap) is adjusted for the deviation of relative prices (the ratio of the core CPI to the composite CPI) from the trend.

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The overheating of the Belarusian economy and the associated inflationary pressure declined significantly in Q4-2025

GDP remained near the previous quarter's level (seasonally adjusted), corresponding to a growth of ≈0.4% compared to Q4-2024. Slower domestic demand and weakened economic activity in Russia constrained Belarus's GDP growth. Consequently, the output gap – the excess of actual GDP over its potential (or inflation-neutral) level – narrowed in the second half of 2025 and is estimated at around 1.2% in Q4-2025 (Fig. 9.a). As a result, inflationary pressure from aggregate demand decreased (Fig. 9.b).

3 Monetary conditions

In Q4-2025, monetary policy remained focused on stimulating investment demand rather than curbing inflation

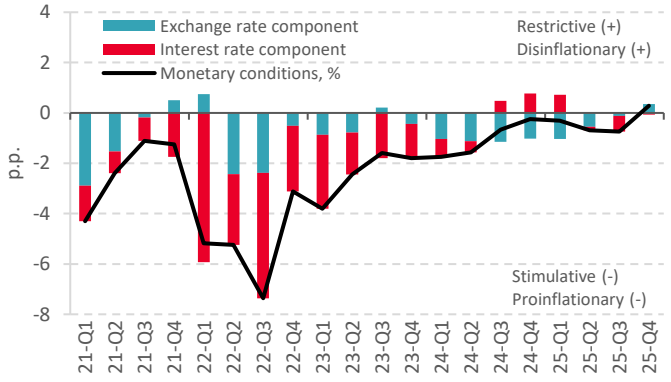
The refinancing rate stayed at 9.75%, while the ruble interbank loans rate (IBL) fluctuated around 4–5% amid a significant liquidity surplus in the banking system. The National Bank did not absorb excess liquidity through auction operations; instead, it supported further liquidity growth by issuing Belarusian rubles via purchases of foreign currency and government bonds on the secondary market. The regulator continued to maintain lower estimated values of standard risk (EVSR) for investment loans compared to other market loans, while keeping higher EVSR for long-term household deposits. As a result, real interest rates in the credit-deposit market averaged near neutral levels in Q4-2025 (Fig. 10.a), though borrowing and saving conditions remained substantially different for firms versus households. Overall, monetary conditions were not restrictive for economic activity, and the money supply (after eliminating the effect of currency revaluation) grew faster in 2025 than in 2024 (Fig. 10.b).

The Belarusian ruble is estimated to be overvalued within 1% relative to the equilibrium real effective exchange rate in Q4-2025 (Fig. 8.a)

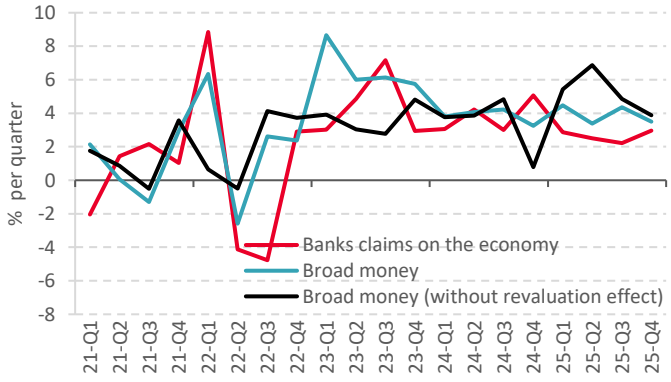
The exchange rate factor continued to have a restraining effect on inflation and economic activity in Q4-2025 (Fig. 9.b). Net supply of foreign currency on the domestic market of about $0.55 billion in October – December 2025 supported the Belarusian ruble.

Figure 10. Monetary conditions

a) components of monetary conditions (QPM-based)



b) loans and broad money supply growth (seasonally adjusted)

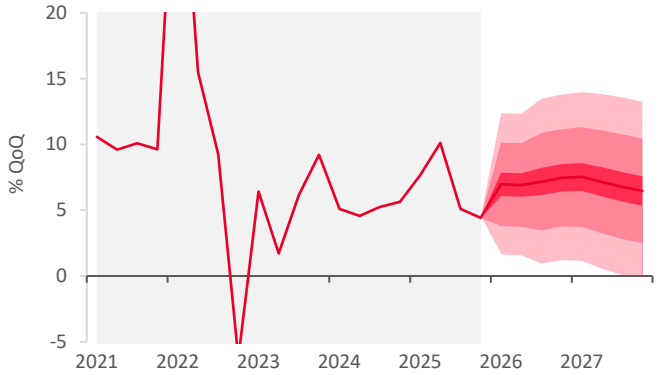


Source: calculations based on QPM, data from the National Bank of Belarus.
Note: the dynamics of monetary conditions may change once new data are available.

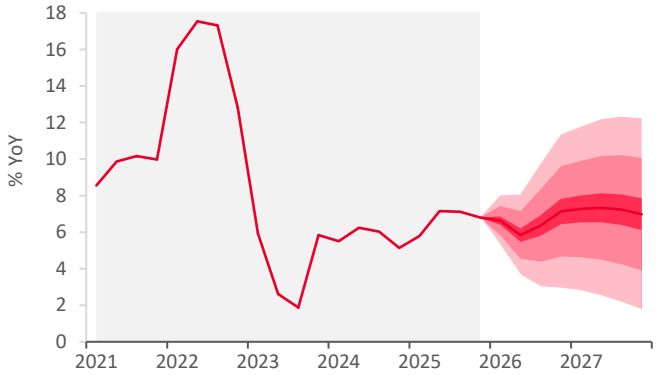
4 Short-term forecast

Figure 11. Inflation forecast for Belarus

a) quarterly inflation (QoQ)



b) annual inflation (YoY)



Source: calculations are based on QPM.
Note: YoY (year-on-year) is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted. The Figure shows seasonally adjusted indicators. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

The external sector will have a near-neutral effect on inflation in Belarus in 2026

At the beginning of 2026, pro-inflationary effects can be expected from the increase in taxes and customs duties on hybrid vehicles, as well as a temporary acceleration of inflation in Russia due to the rise in the VAT rate. During the year, price growth in Russia will slow amid expected subdued domestic demand due to the negative budget impulse planned by Russian authorities and the maintenance of tight monetary policy. In the baseline scenario, inflation in Russia is forecast at 5–5.5% by the end of 2026, after 5.6% in 2025. As a result, the Russian market will have a near-neutral effect on price growth in Belarus overall in 2026.

The pro-inflationary effects of demand and the labor market will continue to weaken in 2026

Authorities will maintain a soft economic policy to support GDP growth, which slowed significantly in the second half of 2025. However, in an environment of limited potential for increasing budget revenues and persistent inflationary risks, domestic stimulus will, at a minimum, not be substantially strengthened. Combined with modest Russian economic growth of around 1–1.5% in 2026, this will lead to a slowdown in domestic demand in Belarus and a reduction in the severity of the labor shortage. Thus, output and real wages will continue to slightly exceed their balanced levels, but the extent of the excess is likely to decrease. If price controls are weakened and regulated prices rise faster to support the financial position of organizations, the reduction in the contribution of domestic demand and the labor market to consumer price growth will be offset by the realization of the inflationary overhang. The impact of the exchange rate on inflation is expected to be slightly upward due to the projected moderate weakening of the Belarusian ruble amid a foreign trade deficit.

As a result, inflation will temporarily fall to 6–6.5% YoY in the first half of 2026 (as the high rates of the first half of 2025 drop out of the calculation)**, but will recover to 7% YoY by the end of 2026** (Fig. 11)

5 Forecasting risks

Uncertainty in estimates of the inflationary overhang and the direction of adjustments to the price regulation system represent significant risks to the forecast

Prolonged application of strict price regulation makes it difficult to assess the economy relative to equilibrium. It cannot be ruled out that the inflationary overhang is smaller than currently estimated, giving price growth a higher chance of slowing in 2026. Moreover, even if the overhang is substantial, its translation into prices may be weak amid slowing output and domestic demand. It is plausible that with weaker domestic demand, firms will largely offset potential increases in selling prices through profit margins. Therefore, even if price controls are lifted, inflation is highly unlikely to exceed 10% YoY. In the absence of external shocks driving a strong rise in inflation, significant strengthening of domestic economic incentives would be required to temporarily boost domestic demand, allowing producers to more actively pass costs into prices.

Monetary conditions could become looser than expected under the baseline scenario

Belarusian GDP in the first half of the year is highly likely to show near-zero annual growth, while inflation will remain close to the 7% YoY target. Since the National Bank has recently relied on actual (rather than expected) economic data with a focus on business activity when conducting monetary policy, a fairly active easing of monetary conditions in the first half of the year is plausible. If interest rates in the economy fall much faster than inflation and inflation expectations, domestic demand could temporarily exceed its balanced level significantly. This would create risks of inflation accelerating above 7% YoY by the end of 2026, especially if household savings propensity declines. There is a high likelihood that if inflation moves away from 7% YoY, price controls will be tightened.

Domestic demand could weaken more than expected under the baseline scenario, generating disinflationary effects

If Russian economic growth is absent, the probability of Belarusian GDP declining in 2026 increases, which would be accompanied by weaker domestic demand than expected under the baseline scenario. This would reduce price pressure, and inflation could move toward the 5–6% YoY range by the end of 2026. At the same time, there is a high likelihood that in response to weaker price pressure, authorities would more actively raise administratively regulated prices and tariffs

The trajectory of price growth in Russia is uncertain

If Russian GDP follows a zero-growth path in 2026, inflation could decline more sharply than forecasted, producing disinflationary effects for Belarus. Conversely, the pro-inflationary risk from the Russian market comes from the possibility of a larger-than-planned budget deficit in 2026 and the need to resort to monetary financing schemes.

Explainers

Quarterly Projection Model (QPM)

This is a semi-structural macroeconomic model based on the principles of new Keynesianism; it belongs to the class of dynamic stochastic general equilibrium models. The QPM has been widely used for macroeconomic analysis, forecasting and monetary policy designs in central banks, including the National Bank of the Republic of Belarus.

QPM indicators

Monetary conditions

This is an indicator of the state of monetary conditions. It is a combination of gaps between the real effective exchange rate (with the opposite sign) and real interest rates. Positive values of monetary conditions indicate their constraining nature for economic activity, and their negative values indicate their stimulating nature for economic activity.

Output gap

This is a deviation of a real GDP from its potential value. A potential GDP is such a GDP value that leads neither to additional inflationary nor disinflationary pressures. A positive output gap indicates excess demand in the economy, and it is an indicator of inflationary pressure. The opposite is true for a negative output gap.

Wage gap

This is deviation of real wages from their equilibrium level. A positive gap indicates that wages are above the level corresponding to the potential GDP, and it is an indicator of inflationary pressure. The opposite is true for a negative gap.

Interest rate gap

This is a deviation of the real interest rate from its neutral level. A positive gap in the interest rate indicates that the nature of the interest rate policy is restraining to economic activity, while a negative gap in the interest rate indicates that the nature of the interest rate policy is stimulating to economic activity.

Real effective exchange rate gap (REER gap)

This is a deviation of the real effective exchange rate of the Belarusian ruble from its equilibrium level. A positive real effective exchange rate gap indicates an undervaluation of the Belarusian ruble, while a negative real effective exchange rate gap indicates an overvaluation of the Belarusian ruble.

Real marginal costs

This is approximation of the incremental costs of producing an additional unit of output. Real marginal costs are a combination of output, wages, and real effective exchange rate gaps. Output and wage gaps approximate the costs of domestic producers, while the real effective exchange rate gap approximates the costs of importers. Positive values indicate a pro-inflationary pressure, and negative values indicate a disinflationary pressure.

Notes

[i] The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. As new data are published, the indicator dynamics in previous periods can be updated. The annualized price increase is calculated as a seasonally adjusted price increase per quarter raised to the fourth power (an annual inflation equivalent). All quarterly inflation values in the Bulletin (unless indicated otherwise) are presented as annualized (annual equivalent).