Belarus Economy Monitor:
trends, attitudes and expectations

Inflation Review
Q2-2024

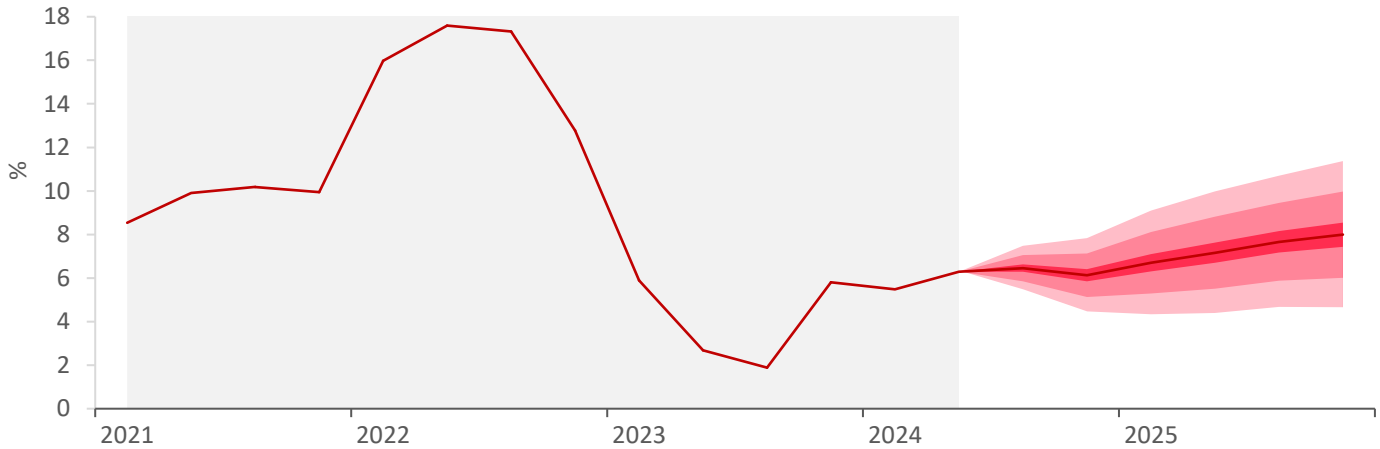
August 2024

Inflation in Belarus remained subdued in Q2-2024, and it will be 5–7% at the end of 2024

Annual inflation increased from 5.55% YoY in March 2024 to 5.84% YoY in June 2024, and annualized quarterly price growth (seasonally adjusted) grew from 5.1% QoQ in Q1-2024 to 6.1% QoQ in Q2-2024. Inflation acceleration is associated with the dynamics of its non-core component, primarily prices for fruits and vegetables, and fuel. Core inflation is estimated below 5% QoQ in Q2-2024 despite increasing cost-price pressures in an environment of expanding excess demand, an overheated labor market, and accelerating price growth in Russia. Blanket price controls suppressed the transfer of pro-inflationary factors into actual price increases, which maintained a significant inflation overhang (Figure 2.d).

Inflation is projected to be around 5–7% YoY by the end of 2024 if prices remain inflexible to changing market conditions (Figure 1). The balance of risks has shifted towards pro-inflationary ones, the key among which are the slowdown in adjusting supply to increased demand, delays in normalizing economic policy, an acute shortage of personnel, and the persistence of elevated inflation in Russia.

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



Source: The calculations are based on the Quarterly Prediction 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

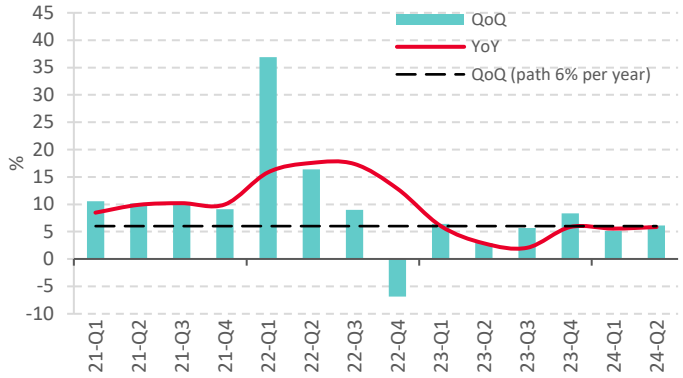
Inflation in Belarus remained subdued in Q2-2024

In Q2-2024, consumer prices grew by 6.1% in annualized terms (seasonally adjusted) following a 5.1% growth in Q1-2024 (hereinafter, "% QoQ").[i] The acceleration was associated with an increase in non-core inflation from 3.8% QoQ in Q1-2024 to 7.4% QoQ in Q2-2024, while the dynamics of the core inflation component weakened slightly (Figure 2.b). Non-core inflation increased because of higher prices for fruits and vegetables (seasonally adjusted) and a moderate acceleration in the growth of regulated prices (from 5.3% to 6.4% QoQ) due to increased fuel prices.

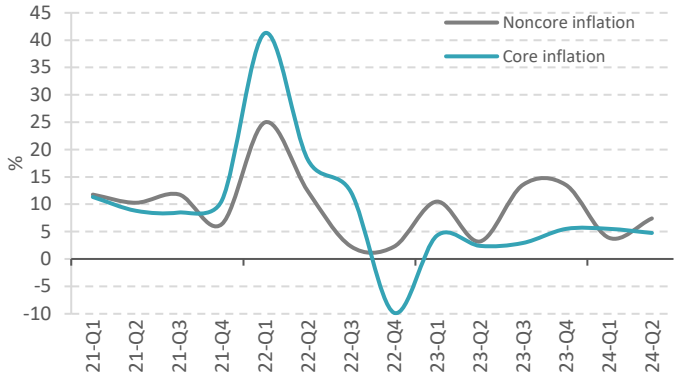
Since quarterly inflation was higher in Q2-2024 versus Q2-2023 (2.9% QoQ), annual inflation (according to the Consumer Price Index; CPI) rose from 5.55% in March 2024 to 5.84% in June 2024 (hereinafter, "% YoY"; Figure 2.a). At the same time, an estimated annual inflation based on the Consumer Price Indices published by Belstat (the latter are used in the QPM forecasting) amounted to 6.27% YoY and greatly deviated from the official estimate of Belstat, which should not happen methodologically.[ii] As a result, the calculated value of annual inflation has grown by ≈0.1 p.p. versus the April 2024 forecast, which is explained by stronger growth in domestic demand than expected in the spring of this year (Figure 2.c).

Figure 2. Dynamics of consumer inflation

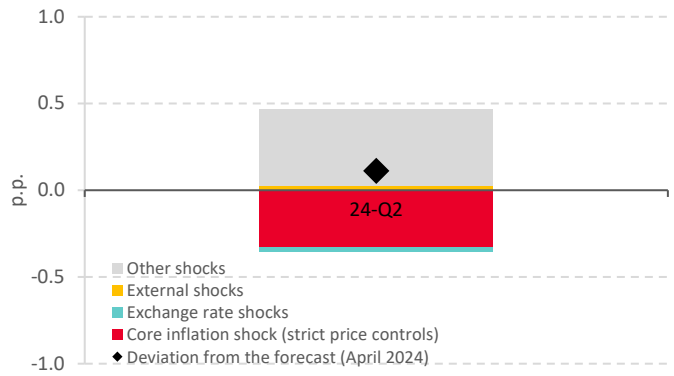
a) overall inflation



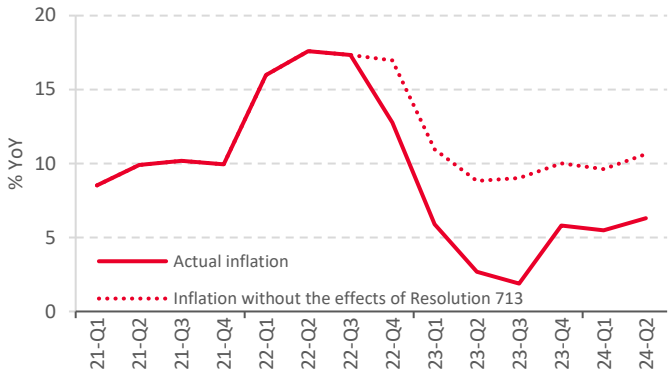
b) core and non-core inflation



c) factors of deviation of annual consolidated inflation from the April 2024 forecast



d) impact of the updated (in October 2022) price control system on inflation[iii]



Source: The calculations based on the data from Belstat, QPM.

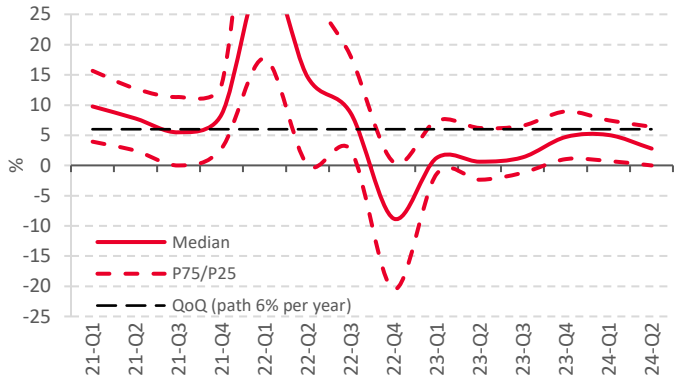
Note: Hereinafter, YoY is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted.

Core inflation decreased from 5.5% QoQ in Q1-2024 to 4.8% QoQ in Q2-2024, and median inflation decreased from 5.0% QoQ in Q1-2024 to 2.8% QoQ in Q2-2024 (Figure 2.b; Figure 3.a)

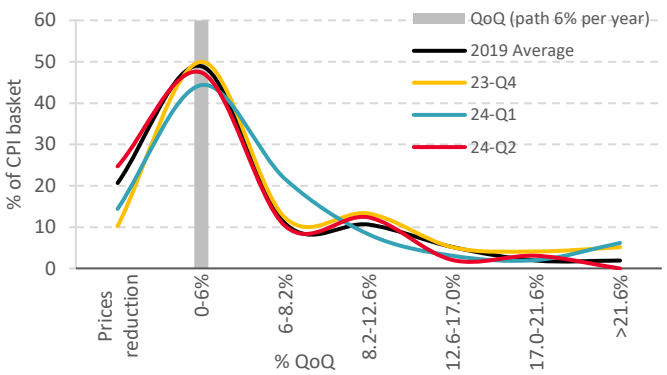
The distribution of price changes in the consumer basket remained close to the pattern of 2019 (Figure 3.b), when inflation was stable and around 5% YoY. However, the macroeconomic situation deviated even more from the 2019 situation towards the dominance of pro-inflationary factors in Q2-2024. Blanket price controls ensure the restrained dynamics of core and median inflation in this environment.

Figure 3. Dynamics of median inflation and distribution of relative price growth

a) median inflation (QoQ)



b) price increment distribution (QoQ)



Source: The calculations based on the Belstat data.

Note: 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 (prices for 25% of goods rise faster than the inflation of the 75th percentile, and prices for another 25% of goods rise slower than the inflation of the 25th percentile).

Weak price dynamics continued in the segment of non-food products: a 4.3% QoQ increase in Q2-2024 following a 4.9% QoQ increase in Q1-2024 (Figure 4.a)

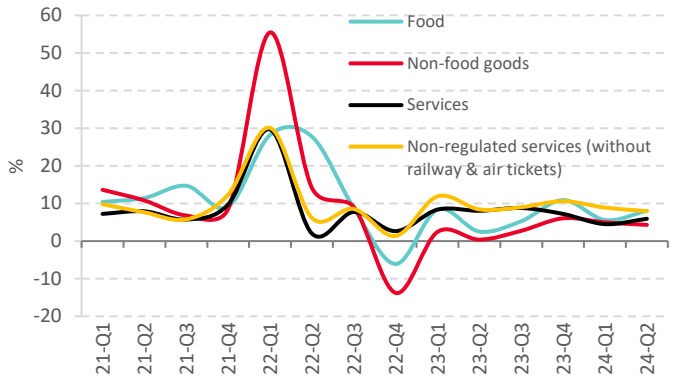
Increased fuel prices contributed ≈1.1 p.p. to the 4.3% QoQ increase (Figure 5.b). Medicines, which rose in price by more than 7% QoQ, contributed another ≈1.1 p.p. to non-food product inflation (Figure 5.b). Price rise for medicines has been elevated for more than a year. This indicates the impact of increased costs amid increasingly challenged supply chains and the need for import substitution, as well as increased wage growth rates in the context of labor shortages. Most other non-food items grew in price at a restrained pace due to strict price regulations: the median increase in prices for non-food products decreased from 3.4% QoQ in Q1-2024 to 1.6% QoQ in Q2-2024 (Figure 5.b).

The growth in prices of food products accelerated from 5.6% QoQ in Q1-2024 to 8.1% QoQ in Q2-2024 due to the rise in prices of certain food products (Figure 4.a)

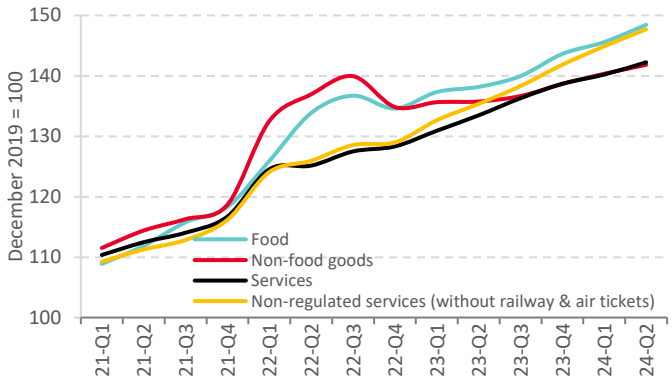
This is indicated by the slowdown in median inflation in the food segment from 5.1% QoQ in Q1-2024 to 4.3% QoQ in Q2-2024. Prices for vegetables and fruits increased sharply in June 2024: ≈40–50% MoM, annualized (Figure 5.a). The rate of increase in potato prices in June turned out to be tens of percent higher than the seasonal rate; this is explained by challenged supplies of the imported root vegetable. High rates of price growth continued for coffee and tea (≈16% and 7% QoQ, respectively) in Q2-2024 due to their rise in price on the world market (Figure 5.a). Pro-inflationary pressure also came from the Russian market due to the newly widened price disparity in Russia and Belarus (Figure 5.d). Along with the influence of last year's low grain harvest, this factor supported relatively high rates of growth in prices for eggs, meat and meat products.

Figure 4. Dynamics of inflation and prices of aggregated CPI components (seasonally adjusted)

a) QoQ



b) December 2019 = 100



Source: The calculations based on the Belstat data.

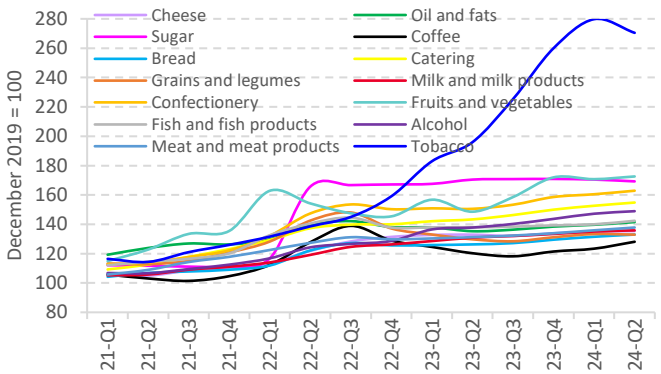
Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted.

Inflation in the services segment was 5.9% QoQ in Q2-2024 following 4.5% QoQ in Q1-2024 (Figure 4.a)

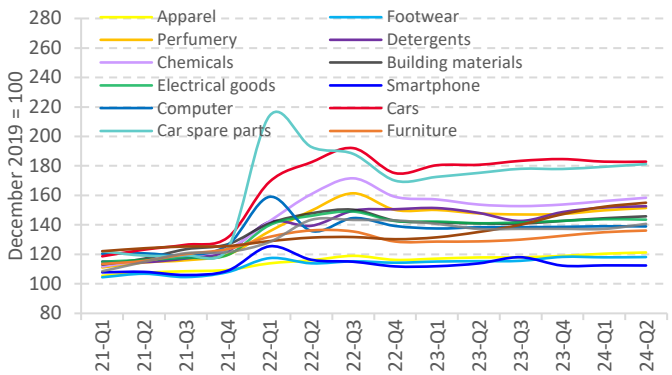
The growth rate of regulated prices and tariffs remained restrained amid the authorities' intention to limit inflation to 6% this year. However, in the segment of unregulated services, price growth remained elevated: without taking into account the extremely volatile international rail and air transportations (which fell in price by ≈16% and 9.5% QoQ in Q2-2024 respectively), it is estimated at ≈8.0% QoQ in Q2-2024. At the same time, a large number of unregulated items continued to rise in price at about double-digit rates: market household services, health resort services, veterinary services, training courses, hospitality services, physical culture and sports, unregulated utilities (Figure 5.c). Increased price growth rates of the above items indicate a pro-inflationary pressure from increased costs in an environment of overheated consumer demand and strong wage growth. As a result, the price level for unregulated services deviated even more upward from the price level for non-food products (Figure 4.b), which indicates the expansion of the inflation overhang.

Figure 5. Price dynamics for individual consumer basket items (seasonally adjusted)

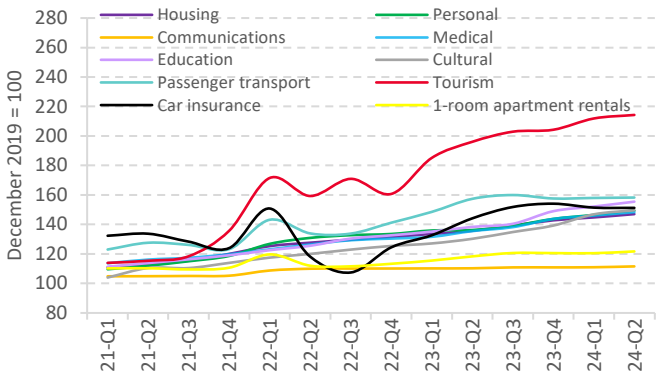
a) food prices



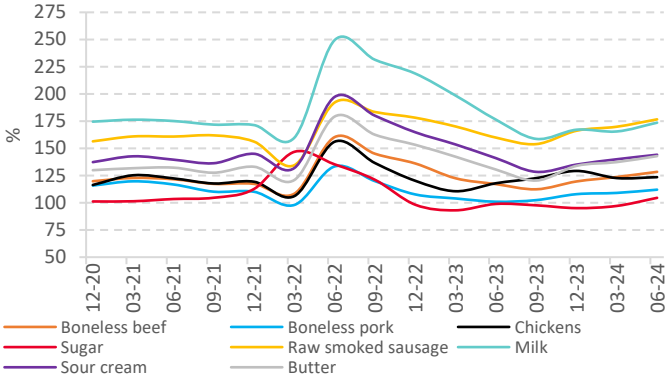
b) non-food prices



c) service prices



d) price ratio in Russia and Belarus



Source: The calculations are based on the data by Belstat, the National Bank of Belarus, and Rosstat.
Note: 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.

2 Inflation drivers

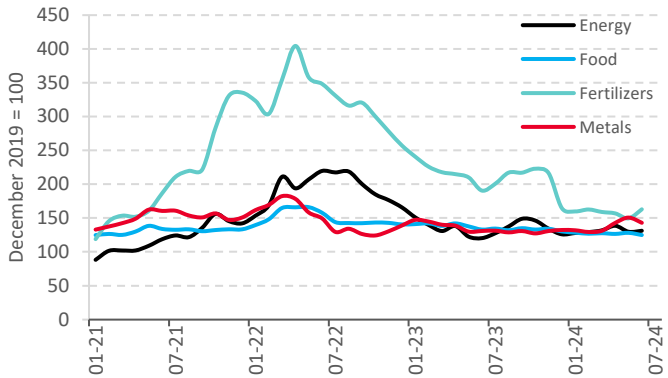
Raw material prices exerted moderate inflationary pressure on the Belarusian market

The World Bank Commodity Price Index (in USD) grew by 3.9% in Q2-2024 versus Q1-2024. The price of energy commodities increased by 2.7% in Q2-2024 (Figure 6.a). The Brent oil rose in price by more than 8% versus Q2-2023, and the Urals oil from Russia rose in price by more than 26% during this period. As a result, the Urals oil discount versus the Brent oil narrowed from about $22/bbl in Q2-2023 to approximately $14/bbl in Q2-2024. This led to a reduction in oil rent for Belarusian refineries. **Diminishing benefits resulting from the Urals oil discount versus the Brent oil, as well as the rise in the price of the Urals oil itself forced the Belarusian authorities to increase regulated fuel prices on the domestic market in May-July 2024.**

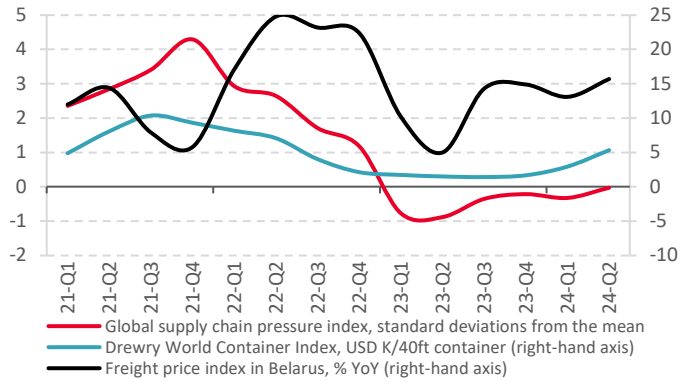
The situation in global supply chains remained stable in Q2-2024. Despite the increased cost of shipping from China, delivery times and the overall pressure index in global supply chains remained in the neutral zone (Figure 6.b). **More expensive freight costs of transporting from China may have a moderate pro-inflationary impact in Belarus, which is exacerbated by increased tensions on the border with the EU countries.** As a result, the freight price index in Belarus increased from 13.1% YoY in March 2024 to 15.7% YoY in June 2024 (Figure 6.b).

Figure 6. Global commodity prices and price pressures in supply chains

a) commodity prices



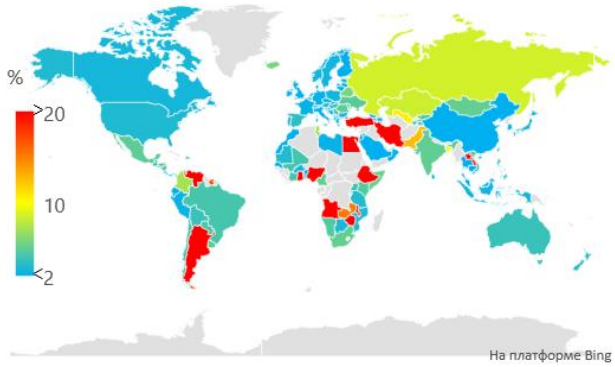
b) supply chain pressure indices



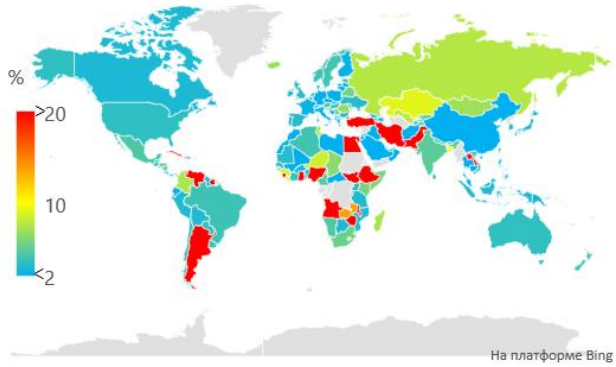
Source: Belstat, World Bank, Federal Reserve Bank of New York, Drewry World Container Index, and Supply Chain Advisors.
Note: The World Container Index is for the last week of the month.

Figure 7. Global inflation

a) June 2024 (YoY)



b) March 2024 (YoY)



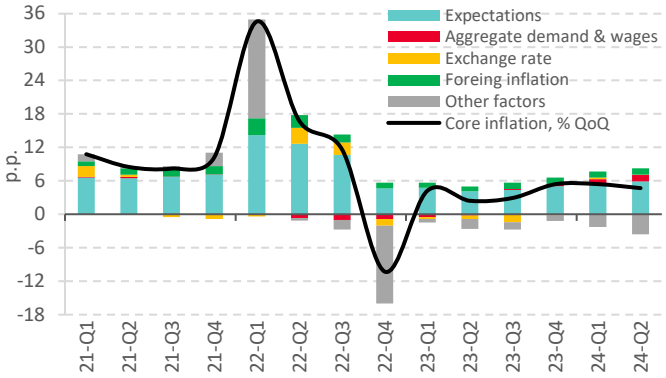
Source: Trading Economics, national statistical agencies.
Note: YoY (year-on-year) is the growth rate in the last month of the quarter vs the last month of the corresponding quarter of the previous year.

Inflationary pressure from the Russian market increased in Q2-2024

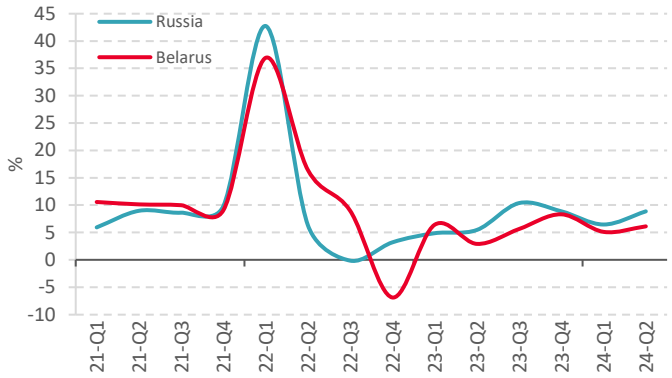
Inflation in Russia is estimated at ≈8.9% QoQ in Q2-2024, which is more than twice as high as the Bank of Russia's target of 4% (Figure 8.b). A strong inflationary impulse is associated with cost pressures in an environment of excess domestic demand, low and record-breaking unemployment, and challenged imports. Price pressures in the Russian market do not completely transfer to the Belarusian market, and this transfer delays significantly due to the practice of state regulation of prices in Belarus. As a result, a price gap for the goods traded in Russia and Belarus has been widening again (Figure 5.d). This means upward inflation risks in the Belarusian market.

Figure 8. Decomposition of core inflation in Belarus and inflation in Russia

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



b) inflation (QoQ) in Belarus and Russia



Source: The 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.

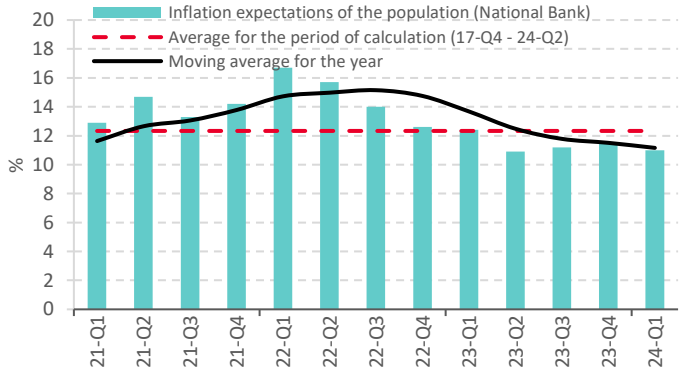
The foreign exchange rate remained moderately pro-inflationary in Q2-2024

The Belarusian ruble in nominal terms (measured both through the nominal effective exchange rate and through a basket of currencies) weakened by 0.3% on average in Q2-2024 versus Q1-2024 (Figure 9.b). Considering the Belarusian ruble's depreciation in Q1-2024, the accumulated direct effect of the foreign exchange rate pass-through to inflation remained positive in Q2-2024 (Figure 8.a).

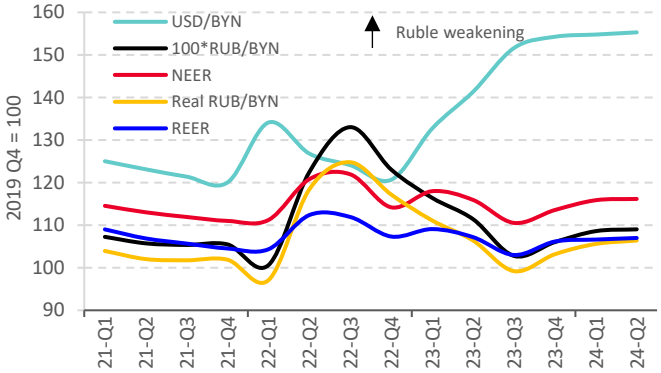
The indirect pass-through effect associated with the equalization of prices for traded goods in Belarus and the trading partner countries was lightly pro-inflationary in April–June 2024 (Figure 10.b). This was largely the result of a decline in the real value of the Belarusian ruble versus the Russian ruble, both as a result of the nominal weakening of the Belarusian ruble and due to higher inflation in Russia, where there are no blanket price controls (Figure 9.b).

Figure 9. Household inflation expectations and dynamics of the Belarusian ruble exchange rates

a) annual inflation expected by households



b) Belarusian ruble foreign exchange rates



Source: The calculations are based on the data by the National Bank of Belarus.
Note: These are the Nominal Effective Exchange Rate (NEER) and the Real Effective Exchange Rate (REER) of the Belarusian ruble.

The pro-inflationary effect of excess demand intensified in Q2-2024

A positive output gap has widened noticeably, and it is estimated (through QPM) to be ≈3.7% in Q2-2024 (Figure 10.a). Excess demand in the economy is mainly associated with high consumer activity against the backdrop of maintaining stimulating domestic economic policy and rapid wage growth: the real volume of consumption of goods and services by households in Q2-2024 could exceed the average level of 2021 by more than 18%. Increased demand in Russia, including demand in sub-sectors of the military-industrial complex, also remained an important factor overheating the Belarusian economy in Q2-2024.

The economy is experiencing a severe degree of overheating, albeit not yet at a crisis point. For example, the Belarusian economy continuously operated in an overheating state in 2011–2014; this overheating did not fall below 2.8% of potential GDP and on average exceeded 5%. However, in the context of labor shortages and record-breaking capacity utilization, excess demand is increasingly pro-inflationary (Figure 10.b).[iv] This reflected in rising costs, where the cost of goods sold increased by 17.9% YoY in January–May 2024. The transfer of increased costs into selling prices is restrained by price controls, but this affects profitability of firms and accumulates inflationary overhang.

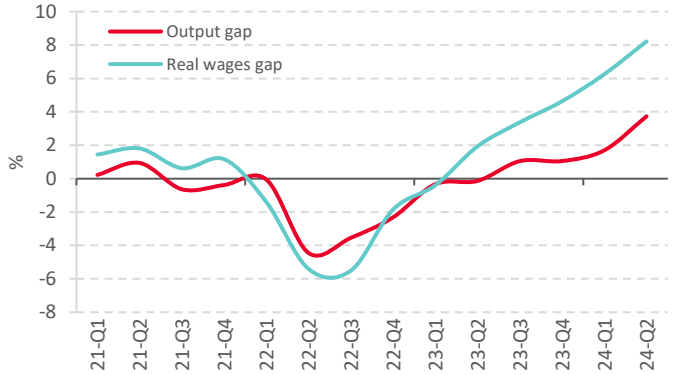
Tensions accelerated in the labor market in Q2-2024: a pro-inflationary pressure on its part increased

The unemployment rate reached a new multi-year low and dropped to 3.0% of the labor force in Q2-2024. The ratio of the number of unemployed to the number of vacancies decreased to less than 1.0 unemployed per vacancy (seasonally adjusted): this is the lowest value over the entire calculation period. The problem of labor shortage remained acute, which forced employers to sacrifice part of their profits in favor of workers.

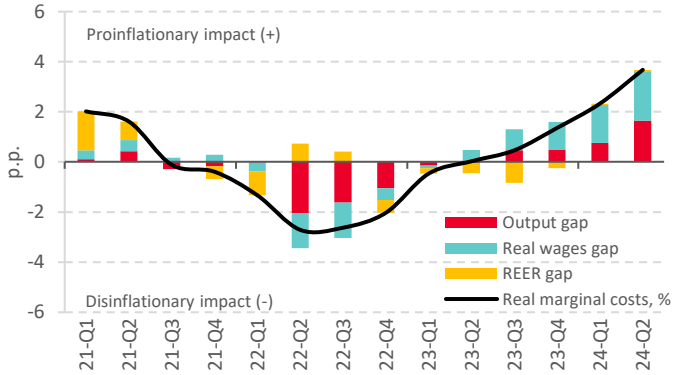
Real wages continued to grow at a high rate in Q2-2024, and their deviation from the equilibrium (or inflation-neutral) level increased (Figure 10.a). As a result, the labor market situation continued being highly pro-inflationary in Q2-2024 (Figure 10.b), and this limited space for expanding output.

Figure 10. Dynamics of indicators of internal inflationary pressure

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



b) real marginal cost proxy (QPM-based)



Source: The calculations are based on the Quarterly Projection Model (QPM) for Belarus.
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.

Price controls continued to serve as the main disinflationary factor in Q2-2024

State price regulation in the consumer market remained blanket and strict in Q2-2024. Under the QPM, this continued to be expressed in the persistence of a significant negative contribution of factors not explained by the model (which took the impact of state price regulation into account) in the quarterly dynamics of core inflation (Figure 8.a). Leaving out the impact of strict price controls, annual inflation could have been 10-11% YoY in June 2024, rather than close to 6% YoY de facto (Figure 2.d). The inflationary overhang (this is the potential for accelerated price increase in the future) remained significant in Q2-2024.

Inflation expectations of Belarusian households reached the minimum level in Q2-2024, which was the lowest in the observation period surveyed by the National Bank since 2017

Annual price increase expected by households was 10.2% in June 2024, thus lowering from 11.0% in March 2024 (Figure 9.a). Strict price controls and communications from Belarusian officials about continuing the price controls have been the key factors restraining inflation expectations. Core inflation decomposition in the QPM shows that the contribution of rational inflation expectations to the dynamics of core inflation in Q2-2024 remained lower than in 2021–2022 (Figure 8.a).

3 Monetary conditions

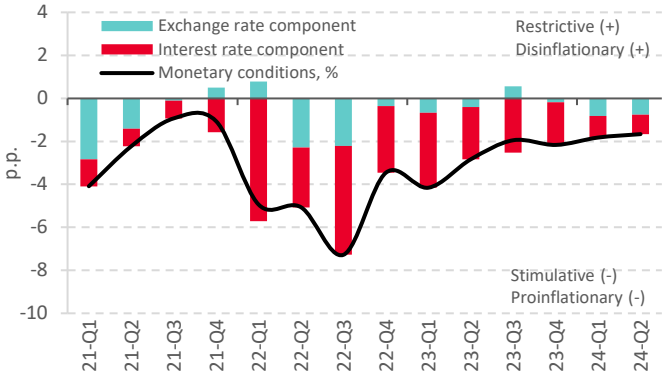
Monetary conditions remained virtually unchanged in Q2-2024: they continued stimulating economic activity moderately, and they were pro-inflationary

The National Bank was not pro-active in monetary policy in Q2-2024. The banking system operated in a state of liquidity surplus. Real interest rates in the credit and deposit market on average remained close to the values of Q1-2024: slightly below their neutral levels (Figure 11.a).

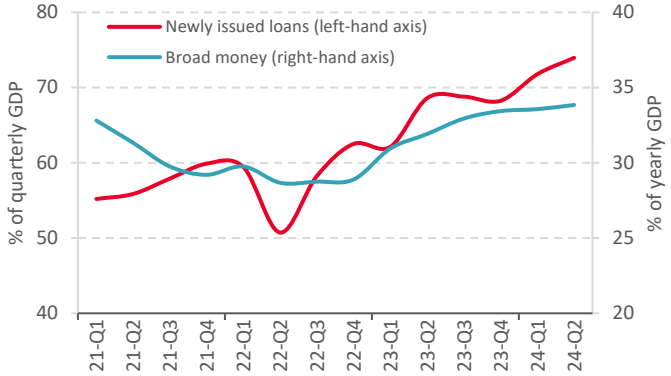
Available lending conditions contributed to satisfying the economy's increased demand for credit in an environment of elevated economic activity. As a result, the volume of new loans relative to GDP in Q2-2024 on average rose to a new multi-year high of about 74%, and the money supply continued to grow at a high rate (Figure 11.b). The expansion of preferential lending programs for the population and the preservation of directed lending for enterprises (the National Bank acquired Br0.6 billion of government bonds by issuing Belarusian rubles for these purposes in Q2-2024) also maintained a high volume of borrowings. At the same time, a reduction in inventories in relation to output, as well as a decrease in the importance of budget resources and preferential loans in financing investments in the first half of 2024 versus 2023 give reason to believe that the growth in lending this year is mainly associated with the impact of the current economic conditions, and not with the accelerated financing through issuing money.

Figure 11. Monetary conditions

a) components of monetary conditions (QPM-based)



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



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

The foreign exchange rate supported the softness of monetary conditions in Q2-2024

The weakening of the Belarusian ruble in the first half of 2024 led to its expanding undervaluation in terms of the real effective exchange rate (Figure 11.a). As a result, the foreign exchange rate factor supported the price competitiveness of Belarusian producers. At the same time, the slight pro-inflationary impact of the foreign exchange rate continued (Figure 10.b). In general, the undervaluation of the national currency is close to 1.5%, and this can be classified as moderate undervaluation.

4 Short-term forecast

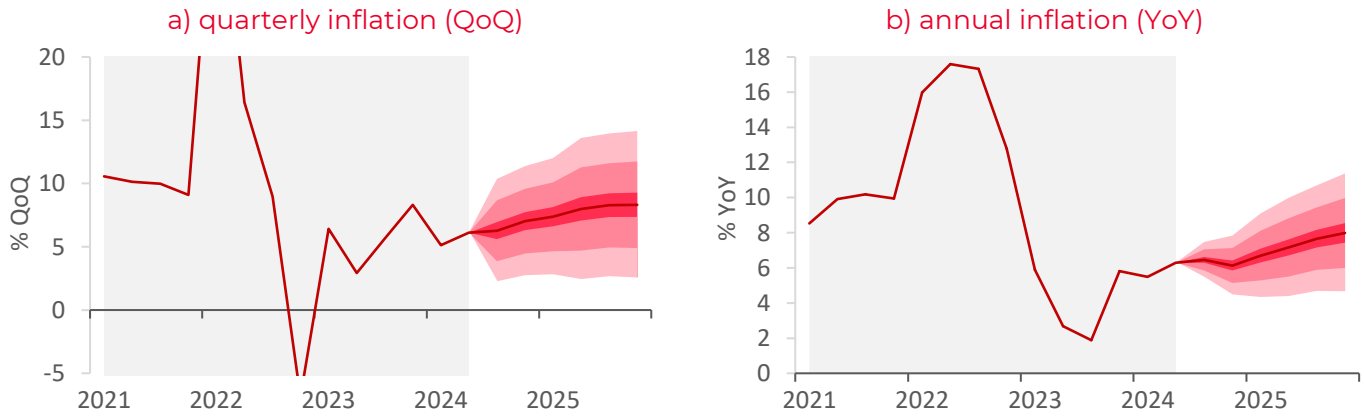
Pro-inflationary factors will prevail in the second half of 2024

The economy will operate in an overheating state. The nature of interest rates on loans and deposits in the second half of the year will get close to neutral thanks to the July measures taken by the National Bank: excess liquidity of the banking system will decrease due to an increase in the reserve ratio, which will push interest rates higher. However, monetary conditions will not become tight, which — combined with rising budget spending and the persistence of non-market lending — will continue supporting excess demand. Its size will decrease slightly as monetary stimulus narrows, wage growth slows down, demand dynamics weaken in Russia, sanctions pressure remains, and the supply side adjusts to the situation. As a result, the output gap is projected to be around 3–3.5% in the second half of 2024. This will mean continued pro-inflationary pressure on aggregate demand. In such conditions, the Belarusian ruble will retain its potential for moderate weakening. The Belarusian ruble will remain undervalued if there are no heavy shocks. As a result, the foreign exchange rate's contribution to inflation will remain positive and will be strengthened by the increased pressure from the Russian market.

Real wage growth will slow in the second half of the year. The potential of rapid wage growth has been narrowing in the context of blanket price controls and strong increases in labor costs in 2023 and in the first half of 2024. Nevertheless, real wages will remain noticeably higher than their equilibrium level in an environment of labor shortages, which will have a pro-inflationary effect. Labor shortages will limit the ability of producers to adjust to excess demand. Adaptation to new sanctions challenging supply chains and financial transaction will continue causing additional cost pressures.

Blanket price controls will continue to restrain inflation (Figure 12.a). In the baseline scenario, it is expected to continue this year and at least until the end of the 2025 election campaign. **Price regulations will limit the transfer of pro-inflationary factors into price increases, as a result of which inflation is projected at 5–7% YoY by the end of 2024** (Figure 12.b).

Figure 12. Inflation forecast for Belarus



Source: The calculations are based on the Quarterly Projection Model (QPM) for Belarus.
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.

5 Forecasting risks

The balance of price growth risks in the second half of 2024 has shifted towards pro-inflationary ones

The size of excess demand could exceed baseline scenario estimates if domestic economic policy does not tighten. The labor shortage problem in the context of higher demand will remain extremely acute, which will force businesses to raise wages. As a result, cost pressures will be higher than in the baseline forecast. The foreign exchange rate factor will have an additional pro-inflationary impact, since the demand for imports will increase under such development.

Slowing down the adjustment of the supply side to increased demand is also an important pro-inflationary threat. This process is likely to stall if the supply challenges associated with imported goods and components intensify, and if external economic conditions and the sentiment of businesses significantly deteriorate. Pressure on prices will increase significantly if demand remains high without a corresponding expansion of production capacity.

Pro-inflationary risks from the external sector are associated with the likelihood of prolonged high inflation in Russia and disruptions in global supply chains. Heavy external and/or internal inflation shocks will significantly limit the ability of the Belarusian authorities to curb price growth by administrative levers and will require softer price controls due to the accumulated inflationary overhang and the threat of financial destabilization.

Disinflationary risks are mainly associated with the likelihood of a sharp cooling of domestic demand in Belarus and Russia

With such developments, the positive output gap will decrease faster and on a larger scale in comparison with the baseline forecast. This will be accompanied by reduced pressure on producer costs and consumer prices.

We cannot exclude the intensification of investments in expanding production capacity and in increasing labor productivity. This will facilitate faster adjustment of supply to high demand. Materialization of this scenario will be more likely if the government pressure on businesses is weakened and price controls are relaxed.

The impact of this year's climate on the total crop yield looks uncertain, and therefore its resulting impact on inflation can be either pro-inflationary or disinflationary.

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).

[ii] There have been large discrepancies in annual inflation rates reported and estimated since early 2023 between the official values reported by Belstat and the calculated values based on the Consumer Price Index published by Belstat (December 1990 = 100) (or monthly inflation rates with two decimal places). In 2023, an officially reported monthly inflation rate was higher than the calculated value by an average of 0.127 percentage points; in January through to June 2024, an officially reported monthly inflation rate was lower than the calculated value by an average of 0.152 percentage points (and by 0.426 percentage points in June 2024 only). In 2020–2022, this discrepancy did not exceed 0.03 percentage points (absolute value). Perhaps, Belstat has begun to somehow adjust the weights of the consumer basket items when calculating annual inflation, but this statistical authority has provided no explanation.

[iii] The Quarterly Projection Model (QPM) was used to estimate (updated in October 2022) the impact of the price regulation system on inflation. A historical decomposition of inflation was based on the model: the dynamics of the indicator were decomposed into the contributions of shocks. The values of actual and synthetic annual inflation were compared. In the latter case, the indicator was calculated by subtracting — starting from Q4-2022 — the contribution of the core inflation shock (which approximated the impact of tightening price regulation) from the actual inflation value. It is noteworthy that the core inflation shock includes not only the impact of price controls, but also other factors not considered in the model directly. However, the magnitude of the core inflation shock is usually small (except the periods of strong shocks), while a large negative shock was identified in Q4-2022, which continued throughout 2023 and Q2-2024.

[iv] According to the Ministry of Economy of Belarus, production capacity utilization in the industrial production sector in September 2023 reached its highest level since 2013 — 70% — and remained close to this level (68–69% in February-March 2024 and near this level in Q2-2024). The ratio of the number of unemployed (according to Belstat) to the number of vacancies (according to the Ministry of Labor and Social Protection) was slightly less than 1.0 unemployed per vacancy (seasonality adjusted) in Q2-2024. Until 2022, the indicator sustainably exceeded 2.0 unemployed persons per vacancy.