

Inflation Review

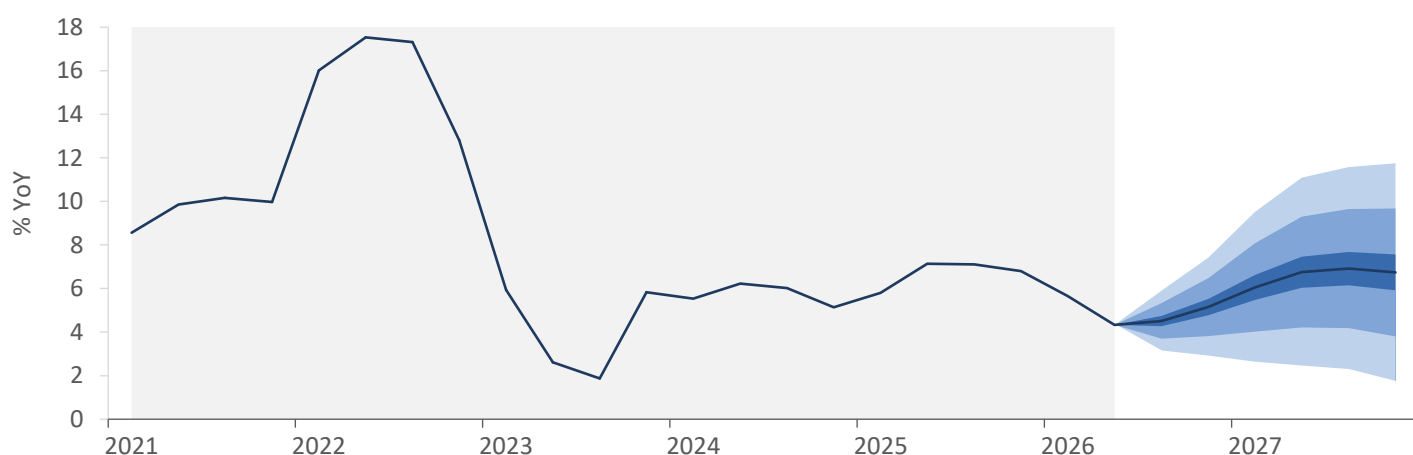
Q2 2026

Inflation in Belarus remained low in Q2-2026, but the easing of price controls from July will lead to its moderate increase by year-end

Annual inflation slowed from 5.4% YoY in March to 4.3% YoY in June 2026 (Fig. 1), while the annualized quarterly price growth came in at 4.3% QoQ in Q2-2026 (seasonally adjusted). A strong ruble and strict government regulation constrained consumer goods price growth. At the same time, non-regulated services continued to rise in price at a high pace due to the persisting pro-inflationary stance of domestic demand and the labor market.

In July, the government substantially eased price regulation, removing virtually all non-food goods from the scope of Resolution No. 713. As a result, the share of items regulated under Resolution No. 713 in the consumer basket decreased from around 45% to approximately 28%. The easing of price controls amid high consumer demand and significantly increased labor costs will be accompanied by a release of the inflationary overhang. At the same time, the baseline scenario forecasts that the acceleration of inflation will be moderate – to 5–6% YoY by the end of the current year (Fig. 1). A divergence in goods and services prices in Russia in 2023–2026 similar to that observed in Belarus gives grounds to suggest that the extremely low non-food goods price growth rates in recent years were driven not only by state regulation, but were also a regional phenomenon observed against the backdrop of the rapid development of online trade and the expansion of Russian marketplaces in the Belarusian market. Nevertheless, uncertainty surrounding the estimate of the inflationary overhang and the evolution of the situation in Russia's fuel market generates significant risks 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.

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Dynamics of inflationary processes

Inflation remained low in Q2-2026

In Q2-2026, consumer prices increased by 4.3% in annualized terms, seasonally adjusted (hereinafter – % QoQ; Fig. 2.a).ⁱ Annual inflation (based on the consumer price index; CPI) declined from 5.4% in March to 4.3% in June 2026 (hereinafter – % YoY; Fig. 2.a). Inflation dynamics in the first half of the current year came in below not only the trajectory of 6% annual price growth, but even 5% (Fig. 2.a).

Annual inflation in June deviated 1 p.p. downward from the April 2026 forecast

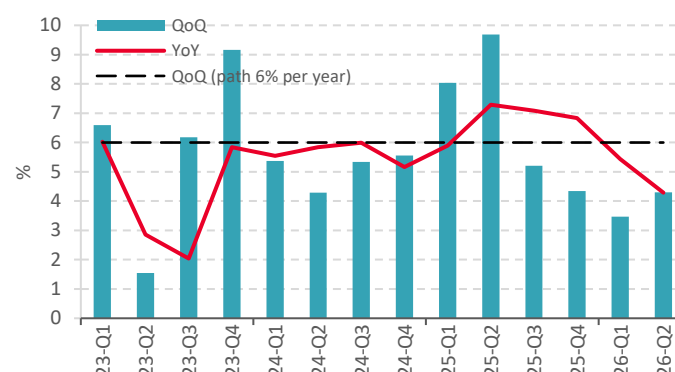
Around 0.3 p.p. of the deviation is explained by a decline in the highly volatile cost of fruit and vegetables (reflected in the negative contribution of other shocks in Fig. 2.d), which had not been anticipated previously. A further approximately 0.6 p.p. is attributable to a negative core inflation shock (Fig. 2.d). This may be associated both with an underestimation of the degree of price control stringency in Q2-2026 and with a more disinflationary contribution from the exchange rate that is not fully captured in the exchange rate shock itself (Fig. 2.d). It cannot be ruled out that the significance of the Belarusian ruble-to-dollar rate for consumer imports remains much higher than its weight in the currency basket, which may be reflected in a large negative contribution of the core inflation shock. Domestic demand- and wage-driven price pressure came in somewhat higher than forecast in April (Fig. 2.d), primarily due to stronger consumer demand.

Core inflation slowed to 2.9% QoQ in Q2-2026, and median inflation to 3% QoQ (Fig. 3.a)

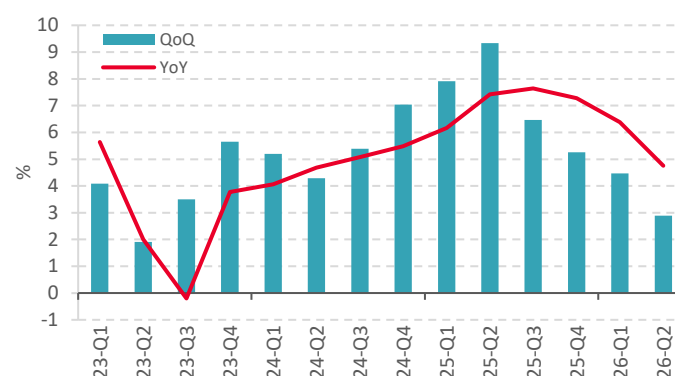
The quarterly increase in core CPI was the lowest since Q2-2023 (Fig. 2.b), and in median CPI – since Q3-2023 (Fig. 3.a). The distribution of price growth across consumer basket items was close to the 2019 pattern, when core inflation stood at 3.5% YoY (Fig. 3.b). The dynamics of these indicators may point to a weakening of inflationary pressure in the economy. However, strict price regulation may have to some degree suppressed the influence of market factors, which complicates the diagnosis.

Figure 2. Dynamics of consumer inflation

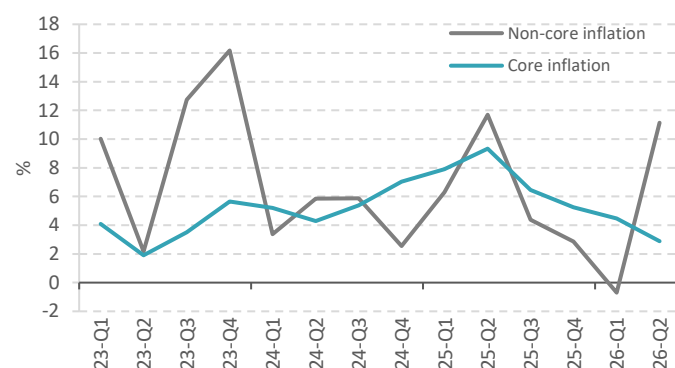
a) overall inflation



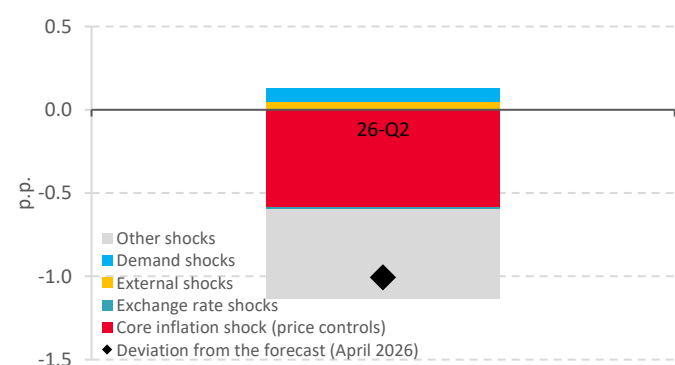
b) core inflation



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



d) factors of deviation of annual overall inflation from the April 2026 forecast



Source: calculations based on the data from Belstat, the National Bank, 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 accelerated to 11% QoQ in Q2 (Fig. 2.c) due to the reflection in prices of the utility tariffs increase that had been shifted to March

As a result of this shift, regulated prices rose by 16% QoQ in Q2 after near-zero growth the quarter before. The second component of non-core CPI – fruit and vegetables – fell in price by nearly 19% QoQ (Fig. 4.a). Administrative restrictions constrained fruit and vegetable price dynamics, while the appreciation of the Belarusian ruble against the dollar and euro had disinflationary effects on the import side. The influence of a decline in fruit and vegetable prices in Russia also cannot be ruled out. The ratio of fruit and vegetable prices in the Russian and Belarusian markets remained elevated relative to the historical average, but the magnitude of the excess remained moderate (Fig. 4.d).

Food inflation came in near zero in Q2-2026

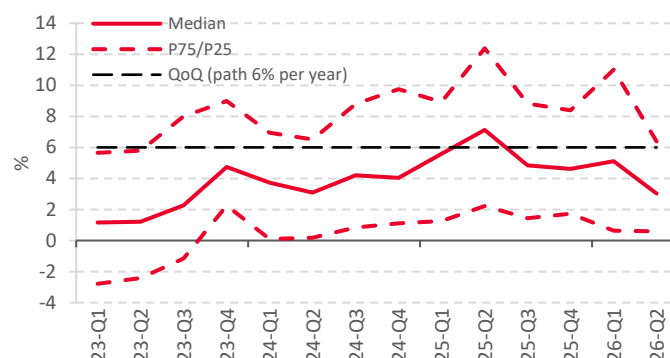
The decline in fruit and vegetable prices was one of the reasons for the slowdown in food inflation (Fig. 3.c). However, even excluding fruit and vegetables, alcoholic beverages, and tobacco products (which are not part of core CPI), food price growth slowed from $\approx 5.4\%$ QoQ in Q1 to $\approx 2.5\%$ QoQ in Q2-2026. Subdued price growth rates were recorded across most food products (Fig. 4.a). At the same time, the price disparity for dairy and meat products between Russia and Belarus widened somewhat in Q2-2026 and remained elevated relative to the "normal" level.

Non-food goods prices grew by 2% QoQ in Q2-2026 (Fig. 3.c)

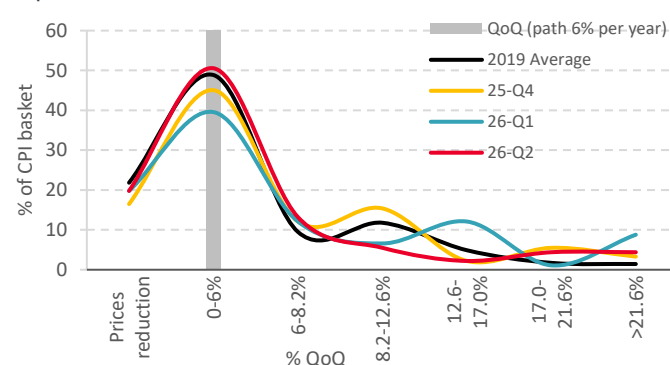
Weak dynamics persisted across most items – the median price growth in this segment fell to $\approx 2.3\%$ QoQ (Fig. 4.b). Price controls and a strong ruble maintained disinflationary effects. It can also be suggested that retail trade growth in March–June 2026 was not accompanied by a material strengthening of price pressure, as it was to a significant degree concentrated in the automobile segment.

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

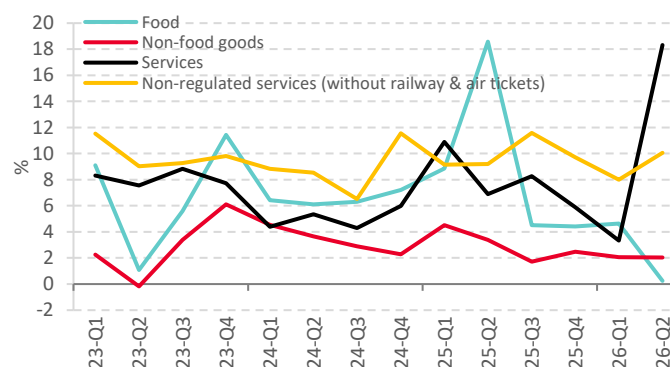
a) median inflation (QoQ)



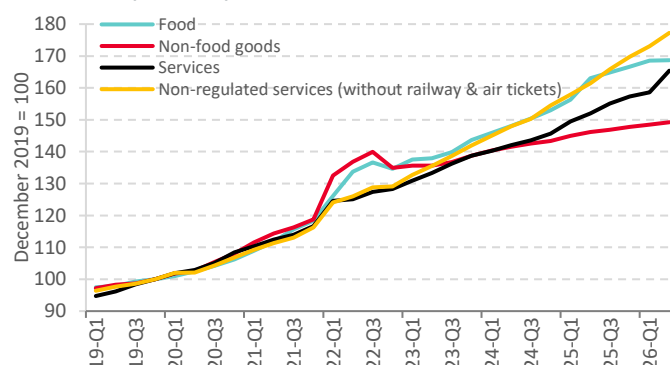
b) price increment distribution (QoQ)



c) CPI component price growth (QoQ)



d) CPI component price level



Source: calculations based on the Belstat data.

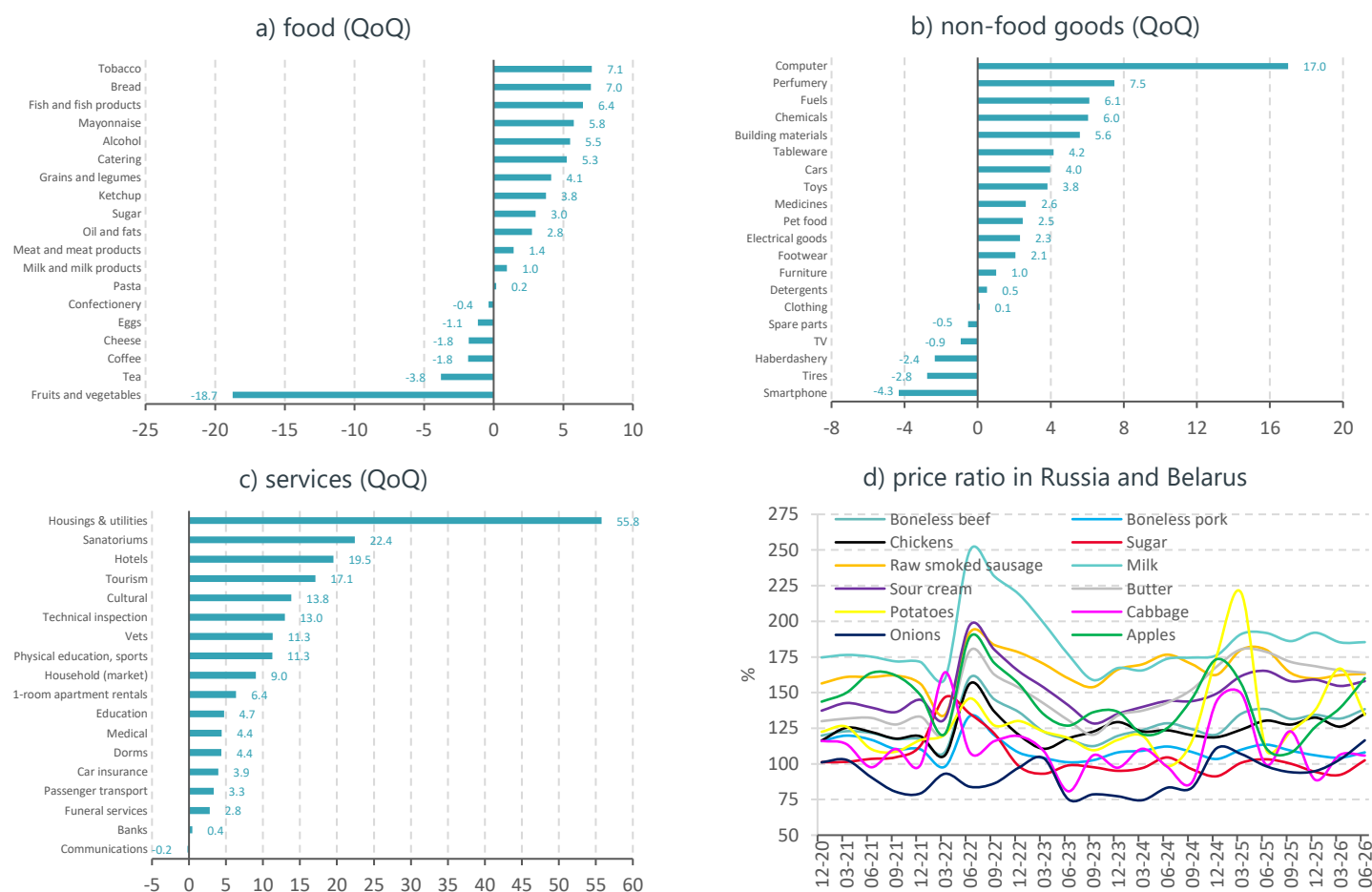
Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted. Median inflation and price increment distribution are calculated using data from aggregated commodities in the CPI basket. P75 and P25 are the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

Non-regulated services prices continued to grow at elevated rates in Q2-2026

Non-regulated services rose in price by $\approx 8.5\%$ QoQ in Q2-2026, and excluding volatile international rail and air transportation – by $\approx 10.1\%$ QoQ (Fig. 3.c). High price growth rates were recorded across most service items – the median quarterly growth is estimated at around 10.3% QoQ in Q2-2026 (Fig. 4.c). Persistently high inflation in non-regulated services signals the continuation of pro-inflationary macroeconomic conditions, primarily labor market tightness and high consumer demand for services. As a result, the price disparity between services and goods continued to widen in Q2-2026 (Fig. 3.d).

The large divergence in relative prices following the introduction of price controls in October 2022 points to the accumulation of an inflationary overhang. However, this conclusion is not unconditional, as a similar divergence in prices in 2023–2026 was observed in Russia. It cannot be ruled out that what we are observing is a regional phenomenon associated with subdued cost pass-through into goods prices relative to services. Identifying the causes of this process is a subject for separate research. However, it was occurring against the backdrop of the rapid development of marketplaces, which may have been accompanied by transformation of competition mechanisms in goods markets.

Figure 4. Price increase for individual items of the consumer basket for Q2-2026



Source: compiled on the basis of data by Belstat, the National, and Rosstat.

Note: QoQ 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 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.

Inflation drivers

The commodity market shock in Q2-2026 had no pronounced effects on inflation in Belarus

The World Bank dollar commodity price index increased by 16.9% in Q2-2026 compared to Q1-2026. The Hormuz Strait crisis led to a jump in energy prices of 23.6% over the quarter, while non-energy commodities rose in price by 5.1% (Fig. 5.a). The rise in commodity prices in H1-2026 had no visible impact on inflation in Belarus, as it was smoothed by Belarus's orientation toward Russia and China, which proved less exposed to the energy shock compared to the US and EU (Fig. 5.c). Preferential access to Russian energy resources and the country's status as a net exporter of fertilizers and food also served as a protective mechanism for the Belarusian market.

The influence of shipping disruptions and rising freight (Fig. 5.b) costs due to the Middle East conflict on inflationary processes in Belarus also remained close to neutral in Q2-2026. Computers rose sharply in price, however smartphones and televisions fell in price simultaneously, while price growth on other electronics remained subdued (Fig. 4.b).

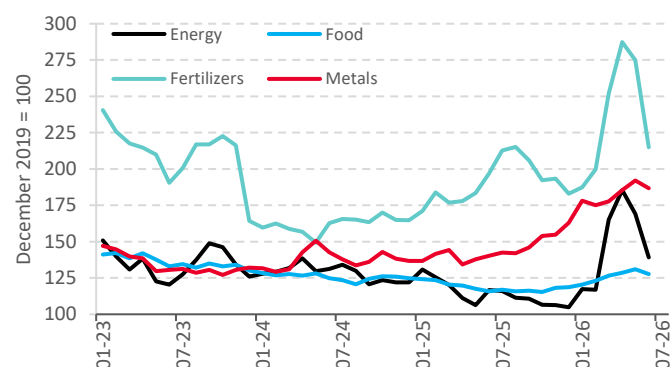
Inflationary pressure from the Russian market declined in Q2-2026

Inflation in Russia in Q2-2026 is estimated at around 5% QoQ (Fig. 5.d). This is above the Bank of Russia's target of 4%, but the overshoot is associated with high non-traded services price growth rates due to rising labor costs, as well as with higher fuel prices due to the impact of destructive non-economic factors. Traded goods in Russia rose in price at a moderate pace and did not provoke an acceleration of inflation in Belarus. Thus, food products (excluding fruit and vegetables) rose in price by 2.8% QoQ in Q2-2026, while non-food goods (excluding petroleum products) rose by 2.1% QoQ.

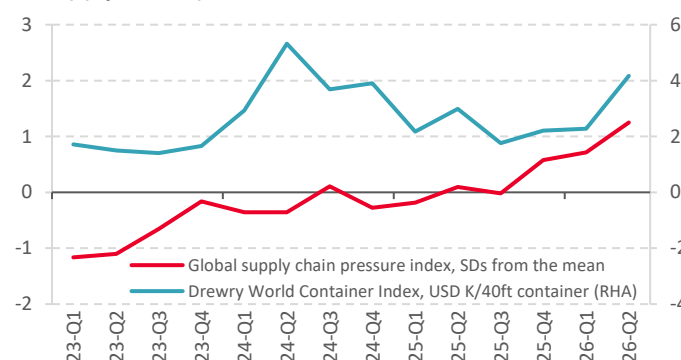
It should be noted that the rise in fuel prices in Russia and the expansion by Belarusian refineries of petroleum product deliveries to Russia from tolling feedstock poses no threat to the Belarusian market. Belarusian refineries are able to cover domestic fuel market needs with ample reserve, while revenues from tolling feedstock processing allow for high sales profitability.

Figure 5. Indicators of external price pressure

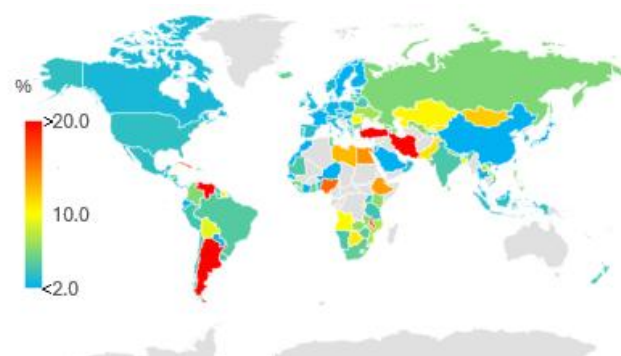
a) world commodity prices



b) supply chain pressure indices



c) global inflation (YoY; June 2026)



d) inflation in Belarus and Russia (QoQ)



Source: compiled on the basis of data by World Bank, FRBNY, Drewry World Container Index and Supply Chain Advisors, Trading Economics, national statistical agencies, Belstat, Rosstat, Bank of Russia.

Note: World Container Index is for the last week of the month; 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 vs the last month of the previous quarter, seasonally adjusted.

The exchange rate maintained its disinflationary contribution in Q2-2026 due to the ruble's accumulated appreciation over the year.

The Belarusian ruble remained stable in nominal terms (measured through the currency basket) in Q2-2026 (Fig. 6.b). Taking into account the lags in the exchange rate pass-through on prices, the aggregate contribution of the exchange rate to core inflation also remained negative in Q2-2026 (Fig. 6.a). At the same time, it cannot be ruled out that the substantial appreciation of the ruble against the dollar accumulated over the past year had larger disinflationary effects on imported goods than would be implied by the significance of the dollar rate in the currency basket (Fig. 6.b). This may be a consequence of the restructuring of goods supply chains and settlement mechanisms following the introduction of sanctions.

Inflation expectations did not provoke an acceleration of price growth in Q2-2026

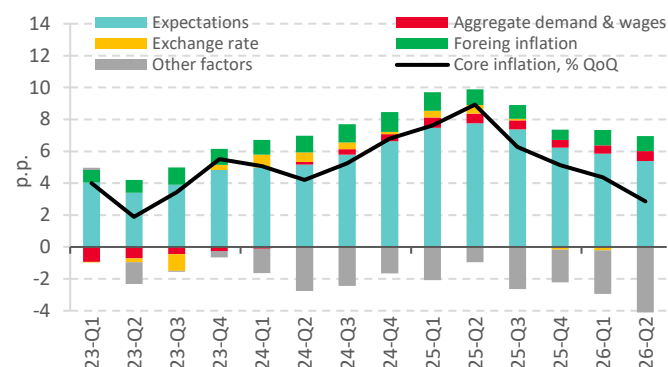
The average monthly non-interest growth of household term deposits slowed from around 2.1% in Q1-2026 to approximately 1.4% in Q2. Net foreign currency sales by individuals also declined – by nearly \$50 mln to \$0.59 bn for Q2-2026 (seasonally adjusted). Despite the decrease in deposit inflows and net foreign currency supply, their volumes remained high. For example, in 2023–2025 the average monthly deposit growth was around 1.5%, and quarterly net foreign currency sales were approximately \$0.3 bn. The state of the deposit and foreign exchange markets allows the conclusion that household inflation expectations remained moderate in Q2-2026. Nevertheless, the slowdown in the ruble deposit growth rate signals limited room for reducing interest rates on them.

Labor market conditions remained pro-inflationary in Q2-2026

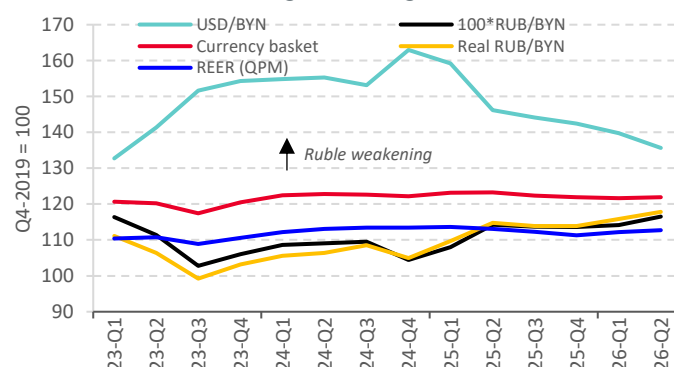
The unemployment rate in Q2 declined by 0.15 p.p. to a new historical low of 2.1% of the labor force (seasonally adjusted). Extremely low unemployment points to the persistence of a labor resource shortage. At the same time, the number of vacancies fell by 18% over Q2-2026 (seasonally adjusted) and dropped to mid-2023 levels. This may signal a weakening of demand for workers.

Figure 6. Factors of core inflation in Belarus

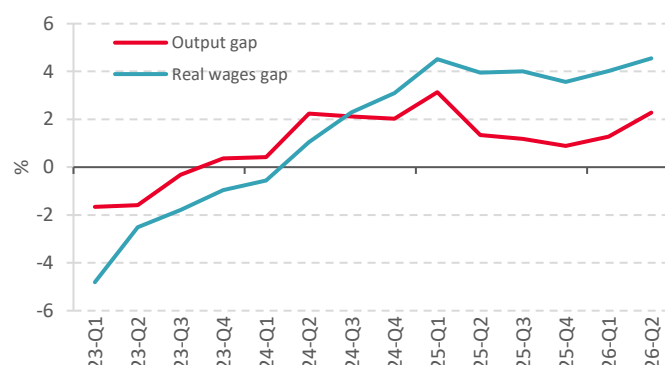
a) core inflation decomposition (QoQ, logarithmic data)



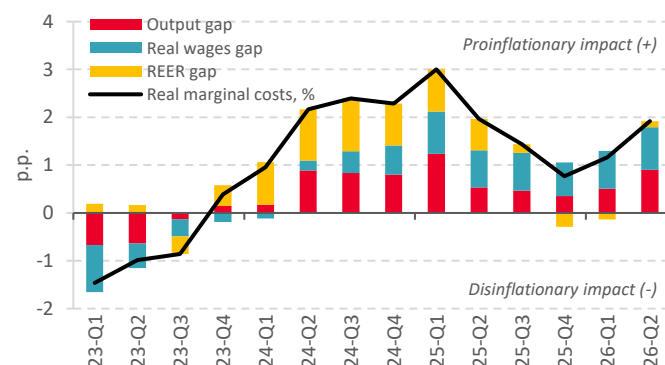
b) Belarusian ruble foreign exchange rates



c) output gap and real wages gap



d) real marginal cost proxy



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

Note: QoQ is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted; REER is the real effective exchange rate; 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; the REER gap is adjusted for the deviation of relative prices (the ratio of the core CPI to the composite CPI) from the trend.

As a result, the supply-demand imbalance in the labor market at minimum did not progress in the first half of the year. Under such conditions, the average real wage continued to grow, and its level continued to exceed the inflationary-neutral level (Fig. 6.c). However, the magnitude of this excess did not increase materially in Q2-2026, and it corresponded to moderate pro-inflationary effects (Fig. 6.d).

Domestic demand strengthened in Q2-2026 and exerted upward pressure on prices

Belarus's GDP in Q2-2026 gained around 1.5–2% relative to the previous period (seasonally adjusted) thanks to growth in consumer and investment demand. As a result, the positive output gap – the excess of actual GDP over its sustainable level – widened again (Fig. 6.c). Domestic demand maintained a pro-inflationary stance in Q2-2026 (Fig. 6.d). Alongside the tight labor market, this supported high price growth rates for market services (Fig. 3.c). At the same time, the hypothesis of a smaller inflationary demand-side influence than estimated within the gap model framework cannot be fully rejected, given the substantial effect of rising automobile sales on the retail trade turnover increase in the first half of the current year.

Monetary conditions

Monetary policy remained stimulative in Q2-2026

The National Bank cut the refinancing rate by 0.5 p.p. in June, and no auctions to withdraw excess bank liquidity were conducted. The liquidity surplus reached Br4.4 bn in Q2-2026 – a three-year high. Under these conditions, the interbank market loan rate (IBL) continued to fluctuate around the lower bound of the National Bank's interest rate corridor – close to 4%. In real terms, the IBL rate remained negative (Fig. 7.d) – below the neutral level.

The significant liquidity surplus and low IBL rate were pushing banks toward reducing interest rates on loans and deposits

The average rate on new term deposits fell by 0.6 p.p. – to 6.1% on average for Q2-2026. In real terms, it remained somewhat below the equilibrium value.

Price controls constrained inflation

The negative contribution of factors unexplained within the QPM framework to core inflation (which captures the influence of state price regulation) remained significant in Q2-2026 (Fig. 6.a). On one hand, this points to price controls suppressing the pass-through of pro-inflationary factors into actual prices. On the other hand, the influence of a transformation in competition conditions in goods markets due to the rapid development of online trade, including through Russian marketplaces, cannot be ruled out. This factor may have led to a structural – and not solely price-control-related – decline in retailer margins, and may have substantially driven the divergence in goods and services price dynamics in 2023–2026 (Fig. 3.d). In this connection, it can be suggested that the size of the inflationary overhang is in reality smaller than previous estimates. Nevertheless, these estimates are subject to high uncertainty, and the risks of deferred price growth remain significant.

The deposit yield for firms remained extremely low (falling to 5.2% in June), while the average rate on household deposits (10.8% in June) is assessed as close to equilibrium.

The average rate on new market loans fell by 0.5 p.p. – to 10.9% on average for Q2-2026. In real terms, it was close to equilibrium. As a result, the aggregate influence of credit and deposit market rates on inflation was neither disinflationary nor pro-inflationary in Q2-2026 – it corresponded to inflation close to 6% in the medium term (Fig. 7.a).

The money supply continued to grow rapidly in an environment of elevated budget expenditures and non-restrictive monetary conditions

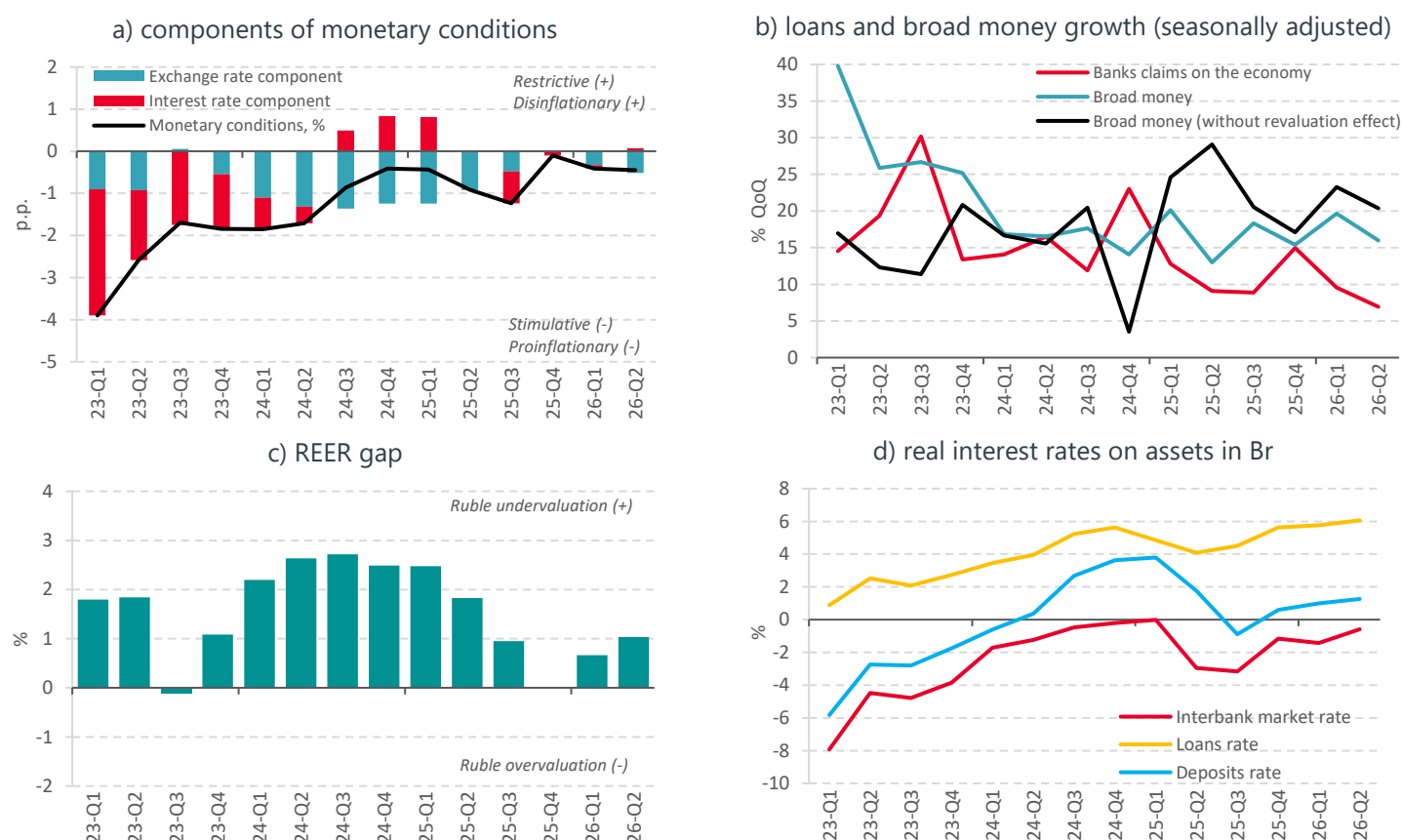
Broad money (seasonally adjusted) grew by $\approx 16\%$ in Q2 relative to Q1-2026 in annualized terms, and excluding the revaluation effect – by $\approx 20\%$ (Fig. 7.b).

The volume of money in the economy was expanding faster than the output of goods and services. The excess money supply growth relative to productive potential manifested in a high GDP deflator – around 13.6% YoY in Q2-2026. The nearly threefold excess of the GDP deflator over CPI growth indicates that across the economy as a whole, prices were growing faster than in the consumer market, including due to the impact of price controls on the latter.

The Belarusian ruble exchange rate (in RER terms) remained close to equilibrium in Q2-2026

Net currency supply (excluding Ministry of Finance operations) of \$0.69 bn in Q2-2026 is almost entirely explained by the impact of the seasonal factor. The National Bank purchased the excess foreign currency from the market, issuing approximately Br1.9 bn. As a result, the value of the currency basket changed insignificantly in Q2-2026 (Fig. 6.b), while the effective exchange rate remained around its equilibrium level (Fig. 7.c). At the same time, against the dollar, euro, and yuan the national currency appreciated in Q2-2026 and remained overvalued, while against the Russian ruble it remained slightly undervalued.

Figure 7. Monetary conditions



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

Note: REER is the real effective exchange rate of the Belarusian ruble; real rates are calculated based on average nominal rates between organizations and households (according to the National Bank) and expected YoY inflation in the next quarter.

Short-term forecast

External conditions are shaping up to be moderately pro-inflationary for 2026–2027

The baseline scenario assumes that global commodity prices will remain higher in 2026–2027 compared to their levels at the start of the current year due to the "fragility" of any agreements relating to the Middle East conflict. This will have indirect pro-inflationary consequences for Belarus through its impact on producer and consumer price growth globally. The magnitude of the impact on the Belarusian market will remain subdued due to the dominance of Russia and China in the country's trade flows.

Inflation in Russia is expected to be higher than previous forecasts due to stronger fuel price appreciation. Secondary effects will cause an acceleration of price growth in Russia to 6.5–7.5% YoY by the end of the current year. This will have a moderate pro-inflationary impact on the Belarusian market. In 2027, a slowdown in price growth in Russia to 4.5–5.5% YoY is expected, conditional on the restoration of supply-demand balance in the fuel market and an easing of labor market conditions.

The contribution of the exchange rate to inflation is expected to be consistent with its rate of around 5–6% YoY in the medium term

The effective Belarusian ruble exchange rate will move along a trajectory close to equilibrium under conditions of the forecast small foreign trade deficit of around 1% of GDP and continued net foreign currency sales by households. The state of the exchange rate will lead to neither a material slowdown nor an acceleration of inflation relative to its assumed target rate of 5–6% YoY in the medium term.

High consumer demand and a tight labor market will maintain a pro-inflationary influence in the medium term

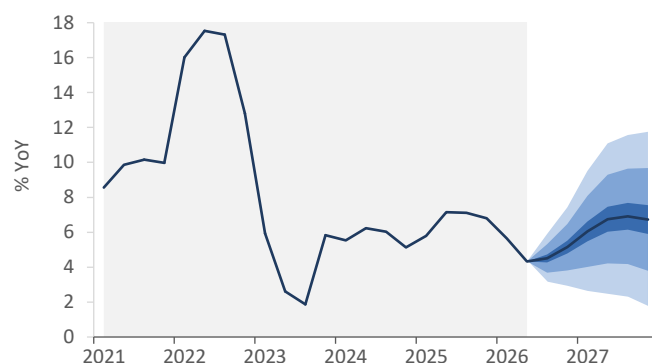
The baseline scenario expects that domestic economic policy in 2026–2027 will remain stimulative of domestic demand in an environment of high GDP and investment growth targets. This will support a positive output gap (Fig. 8.c). An easing of labor market conditions is expected to be gradual against the backdrop of current demographic trends.

Figure 8. Inflation forecast for Belarus

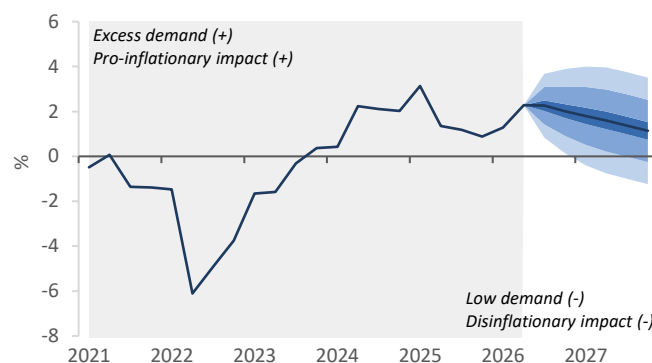
a) quarterly inflation (QoQ)



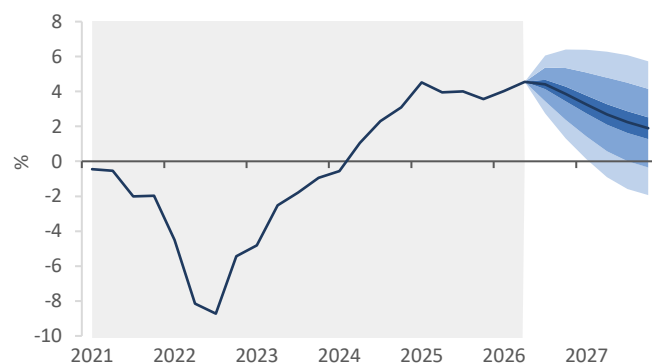
b) yearly inflation (YoY)



c) output gap (% of potential GDP)



d) real wage gap (% of equilibrium real wage)



Source: calculations based on QPM.

Note: 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; the Figure shows seasonally adjusted indicators; the ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

As a result, the average real wage will continue to grow and remain above its equilibrium level in the medium term (Fig. 8.d).

The forecast magnitude of positive output and wage gaps corresponds to moderate price pressure in 2026. Under a non-restrictive economic policy stance, the pro-inflationary influence of demand and wages will persist in 2027 and will ease at a restrained pace.

Price controls will continue to constrain inflation, but their restraining effect will weaken noticeably

In July 2026, the government adjusted the price regulation system, reducing the list of goods items regulated under Resolution No. 713 from 199 to 76. Virtually all non-food goods have been removed from price controls, while the list of regulated food products changed insignificantly. As a result, the share of items regulated under Resolution No. 713 in the consumer basket decreased from around 45% to approximately 28% (including administratively regulated prices and tariffs – from around 70% to 53%). This is a significant easing of price controls.

The assessment of the pro-inflationary consequences of the easing of price regulation is subject to substantial uncertainty. The baseline scenario expects that the acceleration of non-food goods price growth will be moderate (Fig. 8.a), as the competitive conditions that have changed in connection with the development of online trade and the expansion of Russian marketplaces will constrain the increase in retailer margins.

As a result, inflation for 2026 as a whole will come in at around 5–6% YoY (Fig. 8.b)

Inflation moving along the lower bound of the forecast corridor is possible with a moderate response of non-food goods prices to the easing of price controls and with fruit and vegetable prices remaining lower this year compared to last year's levels. The latter will to a significant degree depend on weather conditions, but as of end-July the prospects for the gross harvest are assessed as favorable.

In 2027, inflation is expected to be around 6–7% YoY. Some easing of market price pressure will be offset by its somewhat greater pass-through into goods prices in connection with the easing of state regulation.

Forecasting risks

The evolution of the military-political situation in the Middle East and the trajectory of global commodity prices are weakly predictable

Risks exist of both a comparatively rapid normalization of navigation in the Strait of Hormuz and an intensification of logistical problems and a fresh round of commodity price growth. In the first case, moderate disinflationary effects for Belarus are likely, alongside a simultaneous constraint on foreign currency revenue growth from fertilizer sales. A sharp rise in commodity prices would have the opposite, but also limited in magnitude, effects.

Inflation dynamics in Russia are becoming less predictable due to the impact of non-economic factors

The difficulty of forecasting the external geopolitical environment generates risks of weaker business activity dynamics in Russia, accompanied by stronger price pressure. The materialization of the negative scenario may have pro-inflationary consequences for Belarus both through higher imported inflation and rising inflation expectations, and due to possible logistical complications in the transportation of goods through Russian territory.

Uncertainty surrounding the estimate of the inflationary overhang and the magnitude of the acceleration in non-food goods price growth following the easing of price control is high

The easing of price regulation from July 2026 will in any case lead to a partial release of the inflationary overhang. However, its size may turn out to be both higher and lower than the estimates embedded in the baseline forecast scenario. If the divergence in non-food goods and non-regulated services price dynamics in 2023–2026 was indeed driven predominantly by the influence of price controls, then inflation may accelerate to 6–7% YoY in 2026 and move into the range of 7–10% YoY in 2027. This will restrain growth in real household incomes and limit the room for expanding domestic demand in the short term.

At the same time, the probability of a weaker response of goods prices to the easing of their regulation than assumed in the baseline scenario cannot be rejected either. In that case, inflation will not exceed 5% YoY in 2026 and will remain close to 5–6% YoY in the medium term. In any case, the easing of price controls will contribute to the realignment of relative prices and, all else equal, creates conditions for balanced economic growth in the medium term.

A more accommodative domestic economic policy will intensify inflationary pressure

High GDP growth targets against a backdrop of subdued potential may prompt the authorities to increase domestic demand stimulation. If monetary conditions are eased aggressively and budget expenditures continue to grow at high rates, the overheating of domestic demand will intensify, increasing pro-inflationary pressure.

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. All quarterly inflation values in the Bulletin (unless indicated otherwise) are presented as annualized (annual equivalent).