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Inflation Review

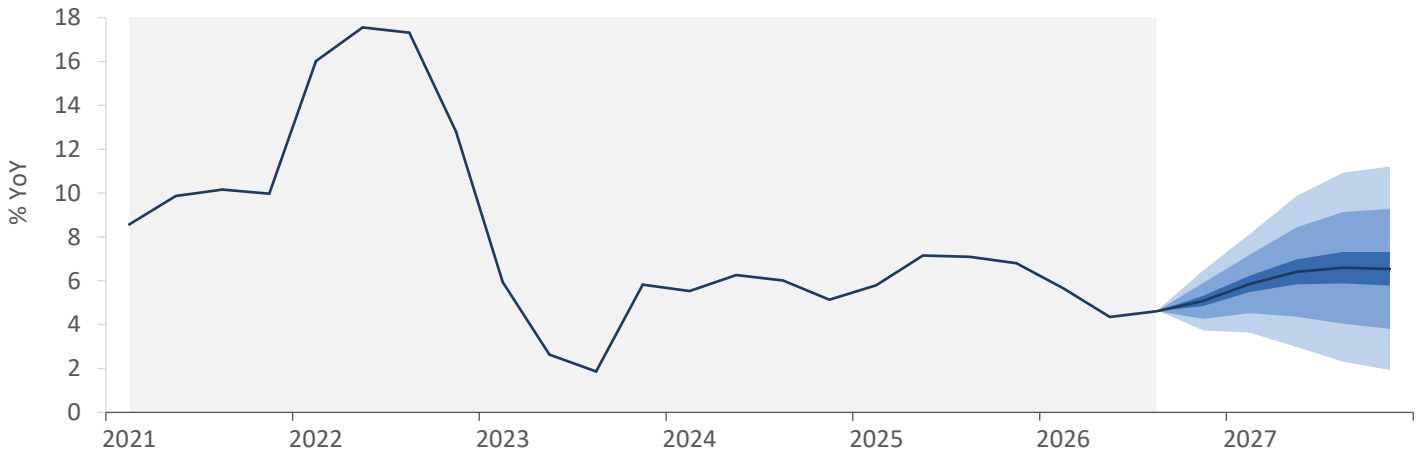
Q3 2026

Inflation in Belarus accelerated moderately following the easing of price controls and is forecast at close to 5% YoY for 2026

Annual inflation rose from 4.3% YoY in June to 4.6% YoY in September 2026 (Fig. 1), while the annualized quarterly price growth increased by 1 p.p. – to 5.7% QoQ in Q3-2026 (seasonally adjusted). Inflation rose as a result of the adjustment of non-food goods prices to macroeconomic conditions following their removal from state regulation in July 2026. Pro-inflationary pressure from domestic demand and the labor market persisted, while the comparatively high harvest of agricultural crops, the appreciation of the Belarusian ruble against the Russian ruble, and the maintenance of strict price controls in the food segment constrained inflation in Q3-2026.

The "normalization" of non-food goods price growth rates will lead to a gradual recovery of inflation to the 4.8–5.3% YoY range in December 2026 (Fig. 1). The response of prices to the easing of state regulation turned out to be moderate. This gives grounds to suggest that the divergence in price growth for non-regulated services and non-food goods accumulated since 2023 was to a significant degree structural in nature, likely associated with intensified competition in goods markets due to the expansion of Russian marketplaces. The baseline scenario assumes that, in the absence of significant external shocks, inflation in Belarus will come in within the range of 6–7% YoY in 2027. Stimulative domestic economic policy, the money overhang formed as a result of its prolonged application, and the expected high wage growth will exert moderate pro-inflationary pressure. The maintenance of price controls in the food segment will continue to constrain price growth.

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 increased in Q3-2026

In Q3-2026, consumer prices grew by 5.7% in annualized terms, seasonally adjusted (hereinafter – % QoQ; Fig. 2.a).[i] Annual inflation (based on the consumer price index; CPI) increased from 4.3% in June to 4.6% in September 2026 (hereinafter – % YoY; Fig. 2.a). The acceleration of inflation was a consequence of the easing of price regulation in July 2026. At the same time, the response of prices to the weakening of state control was moderate – their current growth rate remained somewhat below the trajectory of 6% per year (Fig. 2.a).

Annual inflation in September deviated 0.1 p.p. upward from the July 2026 forecast

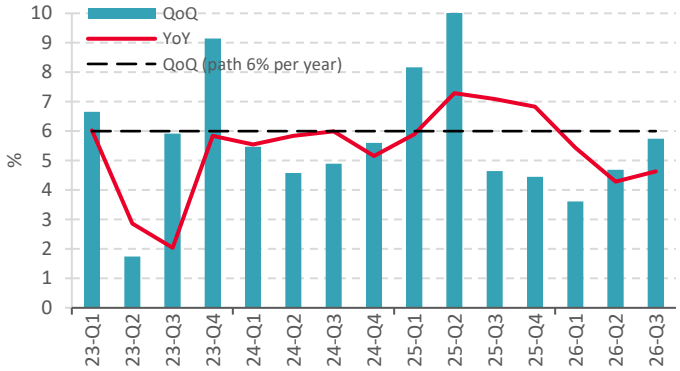
This was influenced by a stronger acceleration of inflation in Russia than forecast in July and a somewhat larger-than-forecast response of prices to the easing of state regulation (reflected in the positive contribution of the core inflation shock in Fig. 2.d). A noticeable decline in fruit and vegetable prices as a result of the favorable outcomes of their harvest campaign (reflected in the negative contribution of other shocks in Fig. 2.d), as well as a significant appreciation of the Belarusian ruble against the Russian ruble, on the contrary, had larger disinflationary effects in Q3 than previously expected (Fig. 2.d). The influence of aggregate demand and wages on inflation in Q3-2026 turned out to be close to the July forecast (Fig. 2.d).

Core and median price growth accelerated approximately twofold – to 6.4% and 6.3% QoQ respectively in Q3-2026

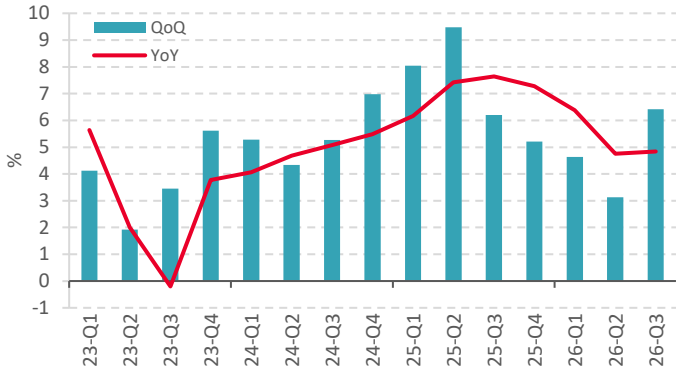
Indicators of persistent price pressure rose from multi-year lows (Fig. 2.b; Fig. 3.a), responding to the substantial reduction in the list of consumer basket items regulated under Resolution No. 713. The rates of core and median inflation in Q3-2026 exceeded the levels of 2018–2019 (on average around 4% QoQ), when Belarus's economy was close to an equilibrium state. This points to the presence of moderate pro-inflationary pressure in Q3-2026. The price growth distribution shifted to the right in Q3-2026 – the share of goods and services that rose in price by 6–12.6% QoQ increased (Fig. 3.b).

Figure 2. Dynamics of consumer inflation

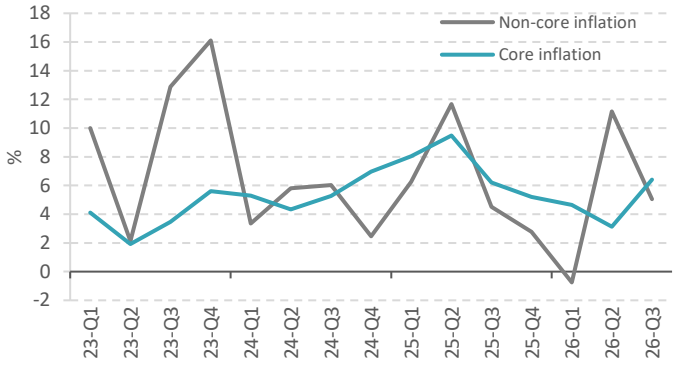
a) overall inflation



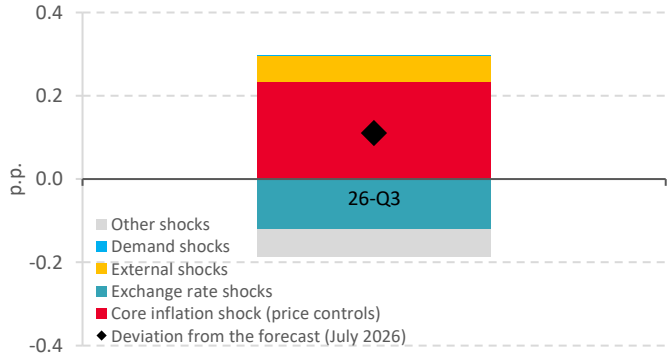
b) core inflation



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



d) factors of deviation of annual overall inflation from the July 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.

At the same time, the weight of items whose prices grew at more substantial rates remained virtually unchanged compared to the previous period (Fig. 3.b). This underscores the subdued response of prices to the easing of price controls.

Non-core inflation declined from 11.2% QoQ in Q2 to 5% in Q3-2026 (Fig. 2.c)

The slowdown in non-core inflation is due to a decrease in the growth of administratively regulated prices and tariffs from 16.3% QoQ in Q2 to 7.3% QoQ in Q3-2026. Their dynamics "normalized" after the utility tariff increase that had been shifted to Q2.

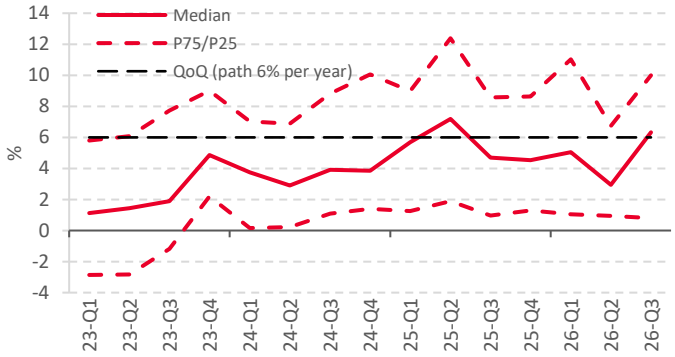
The second component of non-core CPI – fruit and vegetables – continued to fall in price in Q3, but at a more subdued pace compared to the previous period. Fruit and vegetable prices declined by 10% QoQ in Q3 after a decline of 20.1% QoQ in Q2-2026 (Fig. 4.a). A sharp decline in the seasonally adjusted cost of fruit and vegetables was recorded in September, which is associated with the comparatively high harvest of vegetables and apples. This led to a widening of the price disparity for them between the Belarusian and Russian markets at the end of Q3-2026 to levels exceeding historically natural ones (Fig. 4.d). This increases the probability of an upward correction in fruit and vegetable prices in Q4-2026. Nevertheless, they will remain below 2025 levels, as the increase in the disparity in Q3 was driven by the high harvest of vegetables and fruit in Belarus, and not by administrative restraint of their price growth.

Food inflation remained low – 2.5% QoQ in Q3-2026 (Fig. 3.c)

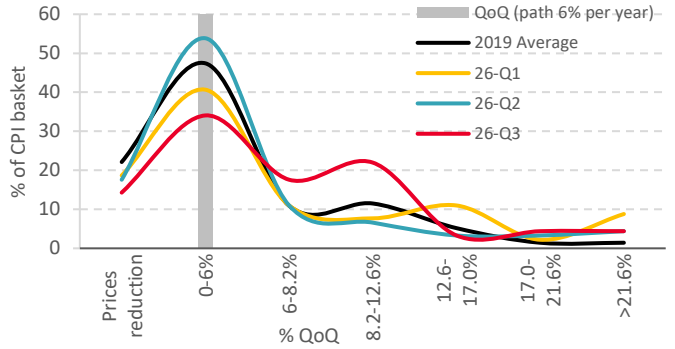
The decline in fruit and vegetable prices remained one of the reasons for sustaining low food inflation. Excluding fruit and vegetables, alcoholic beverages, and tobacco products (which are not part of core CPI), food price growth rose from ≈2.4% QoQ in Q2 to ≈3.8% QoQ in Q3-2026. The strengthening of the Belarusian ruble against the Russian ruble constrained price growth for traded meat and dairy products (Fig. 4.a), which was accompanied by a reduction in the price disparity for these goods between the markets of the two countries (Fig. 4.d). Disinflationary effects persisted from the markedly lower prices of coffee and cocoa compared to last year (Fig. 4.a).

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

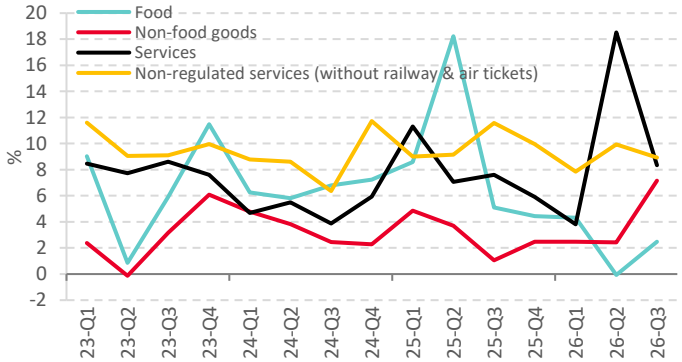
a) median inflation (QoQ)



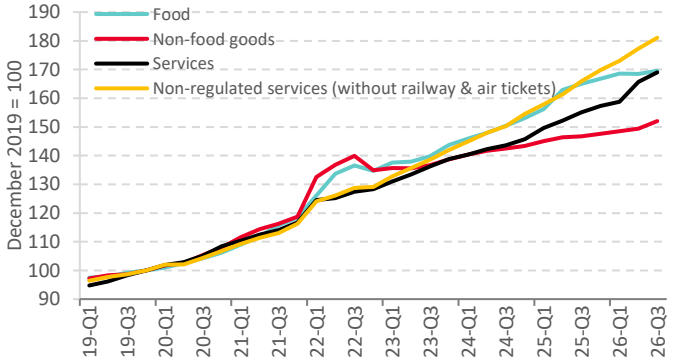
b) price growth distribution (QoQ)



c) CPI component price growth (QoQ)



d) CPI component price index



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 growth distribution are calculated using data from aggregated commodities in the CPI basket. P75 and P25 are the 75th and 25th percentiles, respectively.

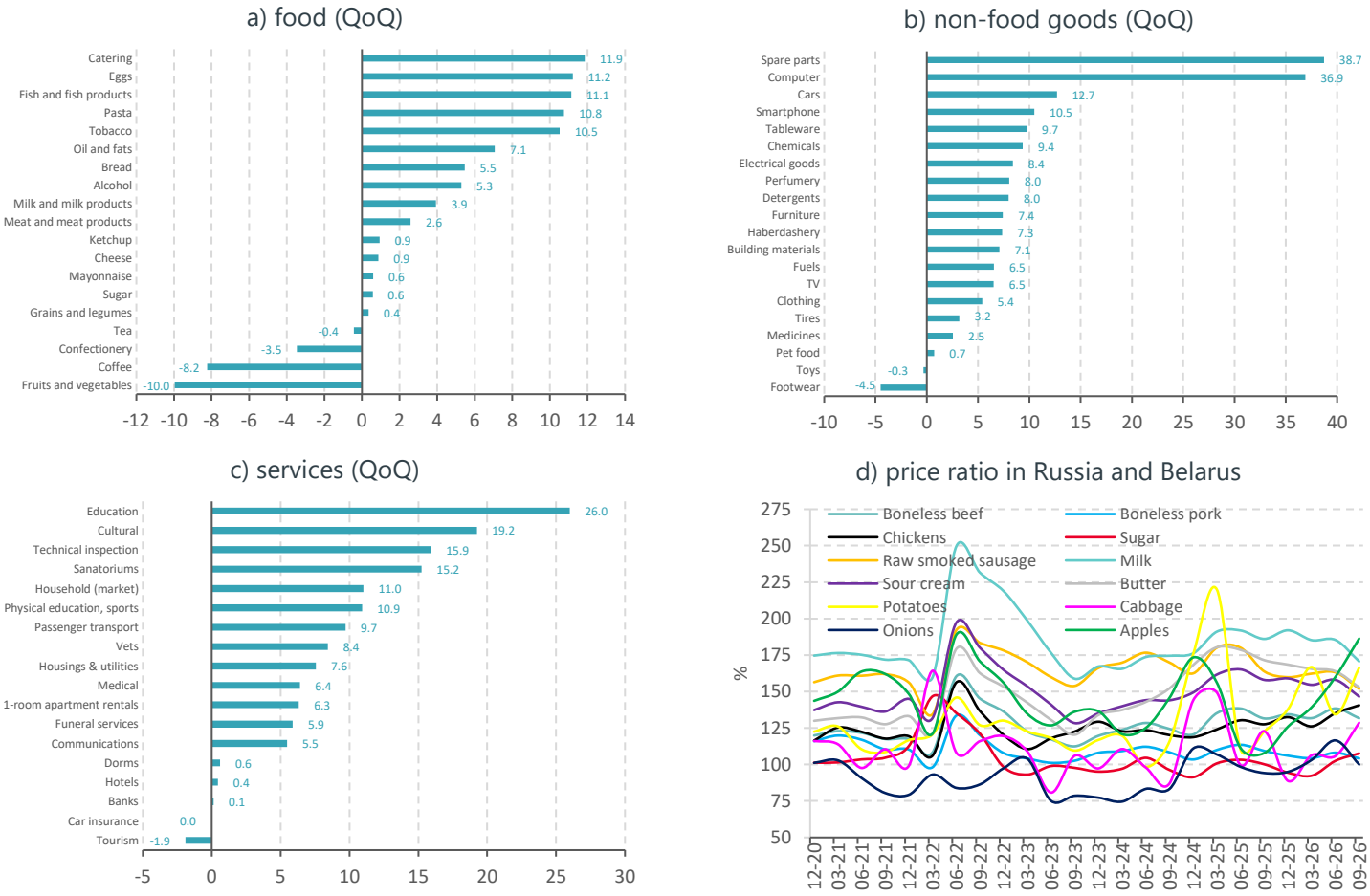
Non-food goods price growth tripled – to 7.2% QoQ in Q3-2026 (Fig. 3.c)

The median price growth in this segment rose from 2% QoQ in Q2 to 7.1% QoQ in Q3 (Fig. 4.b). Producers and retailers adjusted to market conditions after virtually all non-food goods were removed from strict state regulation in July 2026. Overall, the subdued response of prices to the regulatory changes supports the hypothesis of intensified competition in goods markets against the backdrop of the expansion of Russian marketplaces. If this hypothesis is correct, the divergence in relative price dynamics for non-food goods and non-regulated services in recent years was to a significant degree durable in nature and may persist over an extended period in the absence of strong shocks (Fig. 3.d).

Prices for non-regulated services continued to grow at high rates in Q3-2026

Non-regulated services rose in price by ≈10.2% QoQ in Q3-2026, and excluding volatile international rail and air transportation – by ≈8.9% QoQ (Fig. 3.c). High price growth rates persisted across most service items, including in the "weighty" category of market household services – 11% QoQ (Fig. 4.c). The dynamics of non-regulated services inflation continued to signal the presence of moderate pro-inflationary pressure in the Belarusian economy.

Figure 4. Price increase for individual items of the consumer basket for Q3-2026



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 external price backdrop remained pro-inflationary in Q3, mainly due to high energy prices

The World Bank dollar commodity price index declined by 2.1% in Q3 relative to Q2-2026, but remained almost 30% above last year's level, including almost 41% in the energy segment **(Fig. 5.a)**. Pressure in global supply chains built up in Q3-2026 and reached its highest value since Q4-2022 **(Fig. 5.b)**. Shipping disruptions in the Strait of Hormuz and the escalation of the military-political situation in the Middle East became the main pro-inflationary factors. Due to higher fuel prices, inflation in the eurozone accelerated to a three-year high of 3.8% YoY in September, while in the US it remained well above the Fed's target and stood at 3.7% YoY in September 2026 **(Fig. 5.c)**.

The impact of elevated price pressure in global supply chains and on the global fuel market on inflation in Belarus remained subdued in Q3-2026

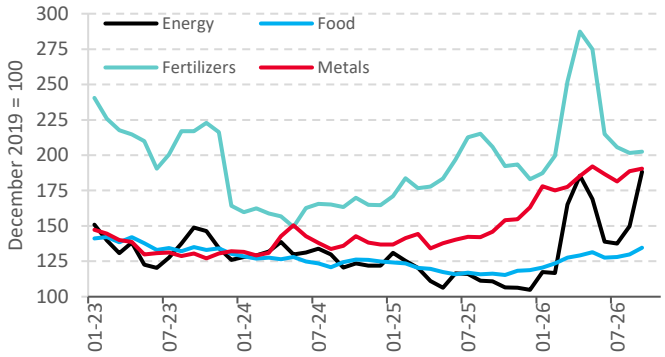
Pro-inflationary effects were noticeable in the computer equipment segment, which rose in price at high rates over several quarters **(Fig. 4.b)**. At the same time, refinery revenues from processing significant volumes of tolling Russian oil made it possible to offset the revenue shortfall from fuel sales at low regulated prices in the domestic Belarusian market. Belarus's purchases of Russian gas at the contractual low price also served as a buffer against pro-inflationary shocks in the global energy market.

The increase in inflationary pressure from the Russian market in Q3 was offset by the strengthening of the Belarusian ruble against the Russian ruble

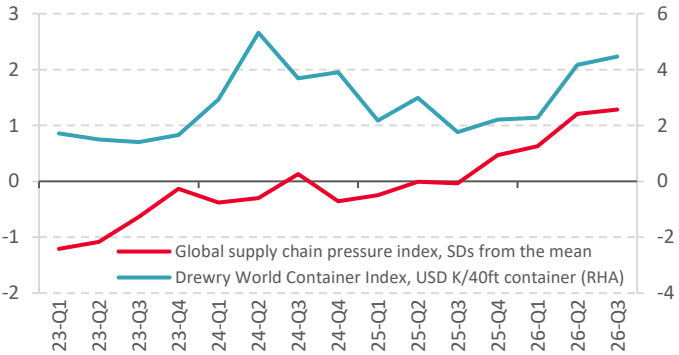
Inflation in Russia in Q3-2026 is estimated at around 8% QoQ **(Fig. 5.d)**. This is noticeably higher than the pace of the previous quarter (4.8% QoQ) and the Bank of Russia's target of 4%. A significant contribution to price growth in the Russian market came from higher fuel prices due to the temporary outage of part of production capacity. Nevertheless, persistent price pressure in Russia also intensified, including due to secondary effects of rising energy costs: food (excluding fruit and vegetables) rose in price by 7.7% QoQ in Q3 (2.8% QoQ in Q2), and non-food goods (excluding petroleum products) – by 4.5% QoQ (2.1% QoQ in Q2).

Figure 5. Indicators of external price pressure

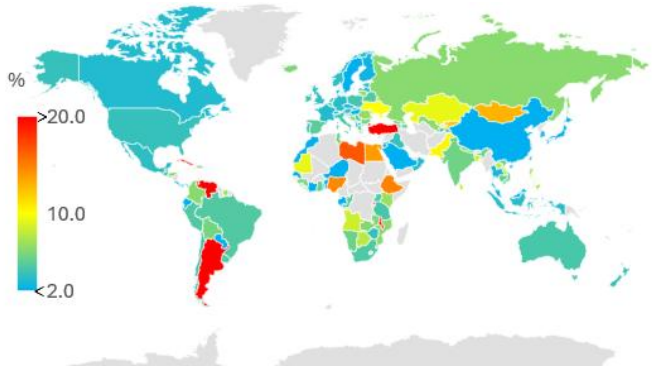
a) world commodity prices



b) supply chain pressure indices



c) global inflation (YoY; September 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.

Pro-inflationary effects from the Russian market for Belarus remained subdued in Q3-2026 largely thanks to the strengthening of the Belarusian ruble against the Russian ruble.

The ruble exchange rate had a slight disinflationary effect in Q3-2026

On average for Q3-2026, the Belarusian ruble exchange rate declined by 0.3% relative to the previous period in nominal terms (measured through the currency basket) **(Fig. 6.b)**. The national currency appreciated by 4.2% against the Russian ruble, which offset the effects of accelerating price growth in Russia and led to a narrowing of the relative price gap for meat and dairy products between the markets of the two countries **(Fig. 4.d)**. At the same time, the Belarusian ruble weakened by 5.5% and 6.6% against the dollar and the yuan, respectively, over Q3-2026, which, amid the easing of price controls, had small pro-inflationary effects on non-food goods. Overall, for the core CPI as a whole, the contribution of the ruble exchange rate to its quarterly growth was slightly negative in Q3-2026 **(Fig. 6.a)**.

Inflation expectations remained moderate in Q3-2026

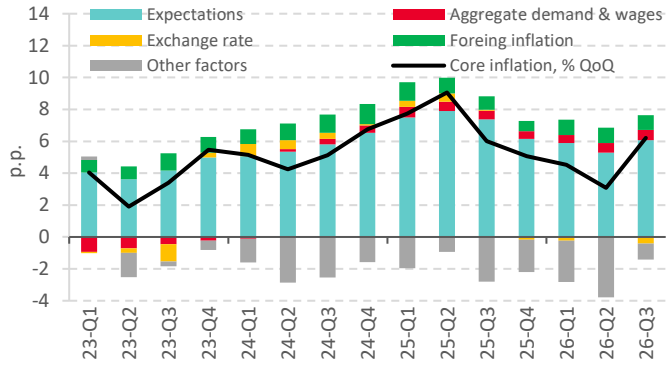
The average monthly non-interest growth of household term deposits was 2% in July–September 2026, which roughly corresponds to the average level of recent years. Net foreign currency sales by individuals amounted to around $0.5 bn for Q3-2026 (seasonally adjusted), which is also close to the average level of 2024–2026. The dynamics of these indicators, against the backdrop of a 0.5 p.p. decline in the interest rate on new term household deposits (to 10.6% on average in Q3), point to the persistence of moderate household inflation expectations, which provoked neither a significant acceleration nor a slowdown in consumer price growth.

The state of the labor market remained pro-inflationary in Q3-2026 (Fig. 6.d)

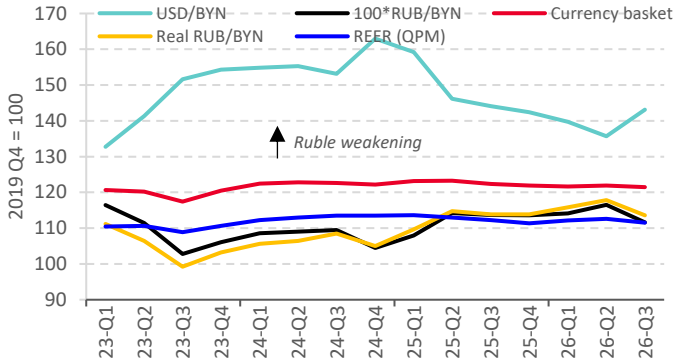
The unemployment rate in Q3 declined by 0.1 p.p. to a new historical low of 2.0% of the labor force (seasonally adjusted). The number of unemployed also continued to decrease, while the number of vacancies rose for the first time since Q2-2025 – by approximately 0.6% relative to the Q2-2026 level (seasonally adjusted).

Figure 6. Factors of core inflation in Belarus

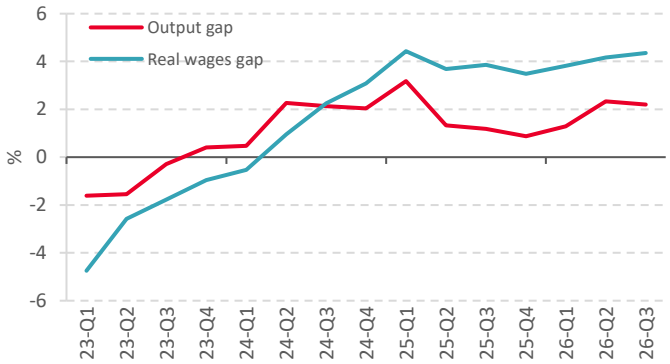
a) core inflation decomposition (QoQ, logarithmic data)



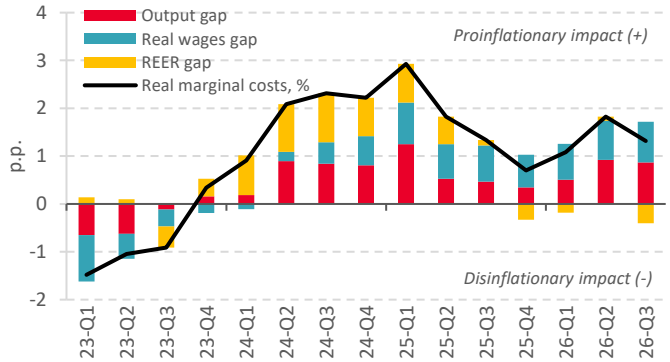
b) Belarusian ruble foreign exchange rates



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 ratio of unemployed to vacancies declined in Q3 and was more than three times lower compared to the 2018–2019 average. Thus, the labor market continued to function in a state of supply-demand imbalance – workers remained in short supply. As a result, the average real wage continued to grow (+9.4% QoQ in Q3-2026, seasonally adjusted), and its level exceeded the inflation-neutral level **(Fig. 6.c)**. The pro-inflationary stance of the labor market supported high rates of services price growth **(Fig. 3.c)**.

Domestic demand exceeded the inflation-neutral level in Q3-2026

Belarus's GDP in Q3-2026 increased by approximately 0.3% relative to the previous period (seasonally adjusted) and by 2.9% relative to the Q3-2025 level. The driver of growth under stimulative domestic economic policy remained domestic demand, primarily in the consumer segment. As a result, the positive output gap – the excess of actual GDP over its sustainable (inflation-neutral) level – remained close to the previous period's value in Q3 – around 2.2% of potential GDP **(Fig. 6.c)**.

The widening of the imbalance between demand for goods and services and their supply was limited by the saturation of the latter with imports. As a result, the state of domestic demand corresponded to moderate pro-inflationary effects in Q3-2026 **(Fig. 6.d)**.

The restraining influence of price controls weakened for non-food inflation, but remained substantial in the food segment

The negative contribution of factors unexplained within the QPM framework to core inflation (which captures the influence of state price regulation) declined substantially in Q3-2026 **(Fig. 6.a)**. Since macroeconomic conditions did not undergo significant changes in Q3, the increase in the non-food goods price growth rate from 2.4% QoQ in Q2 to 7.2% QoQ in Q3-2026 is predominantly attributable to their removal from price regulation. In the food segment, state regulation remained total and constrained price growth.

Monetary conditions

The National Bank pursued an unorthodox stimulative monetary policy

Auctions to withdraw excess bank liquidity were not conducted, and macroprudential policy tools were used to influence interest rates on loans and deposits (estimated values of standard risk were reduced by 0.3–1 p.p. over Q3). Directive lending targets for banks were maintained. The banking system's liquidity surplus reached a new multi-year high of Br5.1 bn in Q3-2026. Under these conditions, the interbank market loans 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.

Interest rates on loans and deposits declined in Q3-2026

A persistent excess of liquidity not withdrawn at auctions put downward pressure on financial market rates. The average rates on new term deposits and on new market loans declined by approximately 1 p.p. – to 5.0% and 10.0% respectively on average for Q3-2026. In real terms, the deposit rate remained below its neutral level, while the lending rate remained close to the equilibrium value. As a result, the state of market interest rates on bank loans and deposits taken together became stimulative for domestic demand and pro-inflationary **(Fig. 7.a)**. Taking into account the easing of non-price lending conditions and the increase in the volume of non-market loans extended in 2026, monetary conditions in the current year supported excess demand in the economy, primarily in the consumer segment.

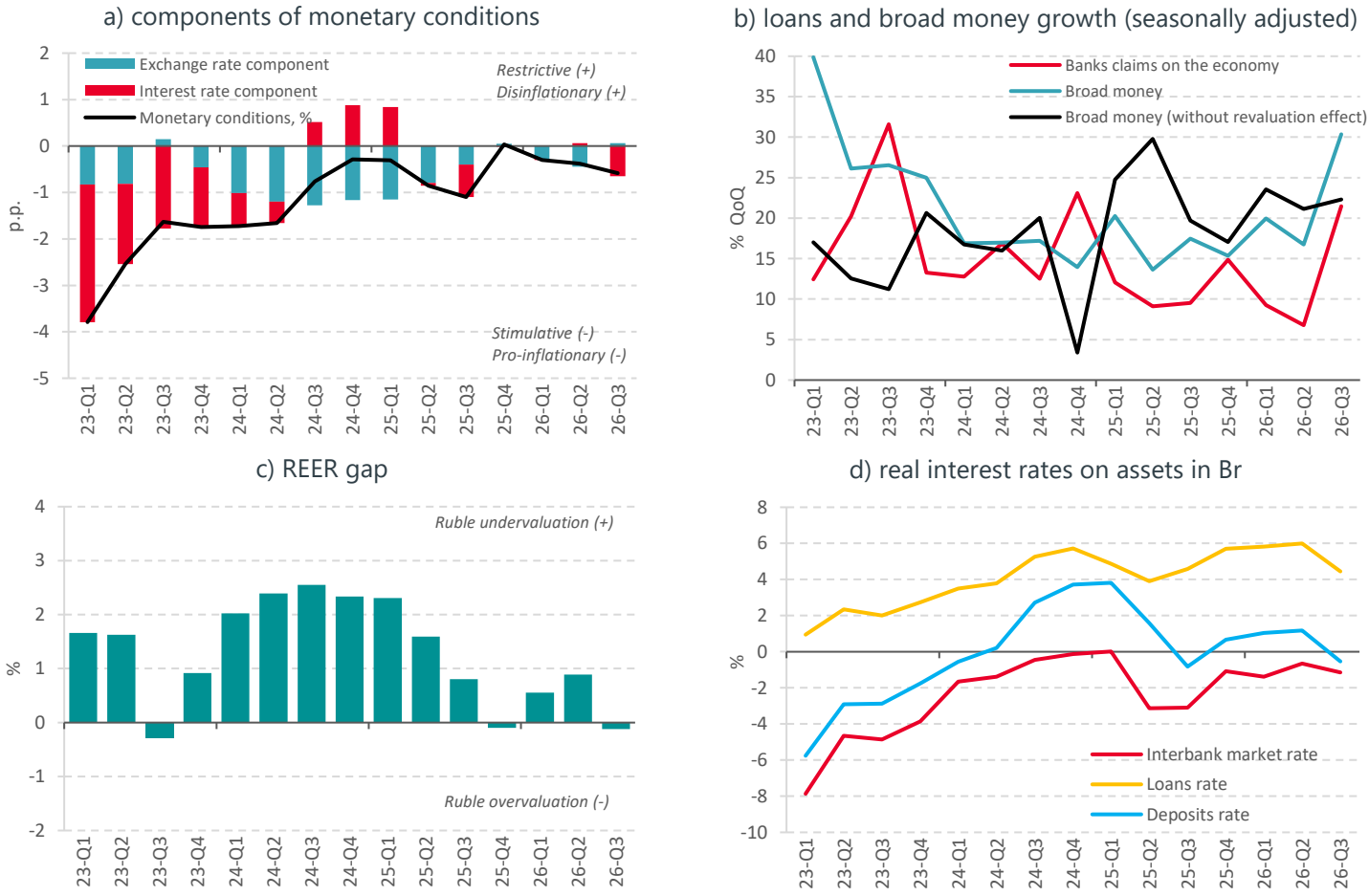
Money supply growth accelerated in Q3-2026 under the influence of easing monetary conditions and high budget expenditures

Broad money (seasonally adjusted) grew by ≈30% in Q3 relative to Q2-2026 in annualized terms, and excluding the revaluation effect – by ≈22% **(Fig. 7.b)**. Growth in bank claims on the economy also accelerated substantially, becoming one of the main factors behind the increase in the money supply **(Fig. 7.b)**. As a result, the volume of money in the economy on average in Q3-2026 was 20.5% higher than in Q3-2025, which, with real GDP growth of 2.9% over this period, points to excessive and unbalanced rates of money supply expansion **(Fig. 7.b)**. The money overhang creates a significant risk of inflation acceleration in the medium term. To date, its pro-inflationary consequences for the consumer market have been limited by the high household savings rate, price controls, and increased competition in goods markets.

The Belarusian ruble exchange rate (in REER terms) was close to the equilibrium level in Q3-2026

Net foreign currency supply (excluding Ministry of Finance operations) of $0.67 bn in Q3-2026 was seasonal in nature and was purchased by the National Bank, which is equivalent to an issuance of around Br1.9 bn. As a result, the value of the currency basket changed insignificantly in Q3-2026 **(Fig. 6.b)**, and the effective exchange rate came in close to its equilibrium level **(Fig. 7.c)**. At the same time, changes occurred in the structure of the basket: the undervaluation of the Belarusian ruble against the Russian ruble declined substantially, as did the degree of its overvaluation against the dollar and the yuan.

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

Inflation will come in close to 5% YoY in 2026

Owing to the high persistence of inflation processes, both a significant acceleration and a substantial slowdown of inflation in Q4-2026 are unlikely in the absence of strong shocks (Fig. 8.a). Inflation will gradually move toward 5% YoY and is expected in the range of 4.8–5.3% YoY in December 2026 (Fig. 8.b). High consumer demand and wage pressure will maintain a pro-inflationary influence, mainly in the services segment. Non-food goods prices will continue to adjust to market conditions, implying dynamics of around 5–7% QoQ after about 2.5% QoQ in the first half of the current year. Food price growth will continue to be constrained by strict price controls.

External conditions in 2027 are expected to be modestly pro-inflationary for Belarus

The baseline scenario assumes that higher global commodity prices will persist in 2027 compared to their levels at the start of 2026. The need to replenish energy raw material stocks will prevent a rapid decline in oil prices even if shipping problems in the Middle East region are resolved. This will have indirect pro-inflationary consequences for Belarus due to the persistence of elevated producer and consumer inflation in the EU and the US. However, owing to weakened trade and economic ties with Western countries, the scale of these consequences is assessed as weak.

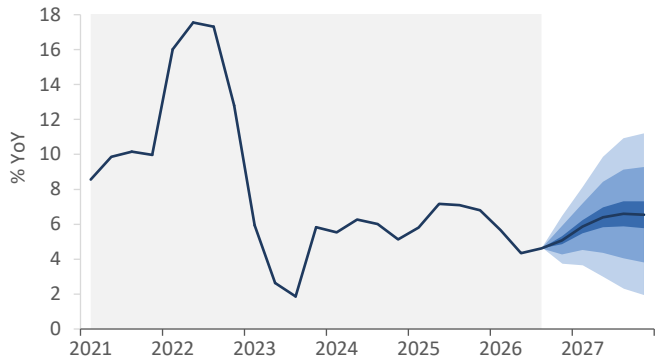
Inflation in Russia is forecast in the range of 5–6% YoY in 2027 after 7–8% YoY in 2026

A slowdown in price growth will become possible with the restoration of balance in the fuel market, a reduction in fiscal stimulus, and a slowdown in the utility tariff increases in accordance with the planning documents of the Russian authorities. At the same time, persistent price pressure will remain elevated relative to the Bank of Russia's 4% target due to secondary pro-inflationary effects of the fuel price growth realized this year, the expected execution of the budget with a structural deficit (albeit smaller compared to 2026), and probable costs of maintaining transport, logistics, and other infrastructure. As a result, a small pro-inflationary impact on the Belarusian market is forecast from Russia.

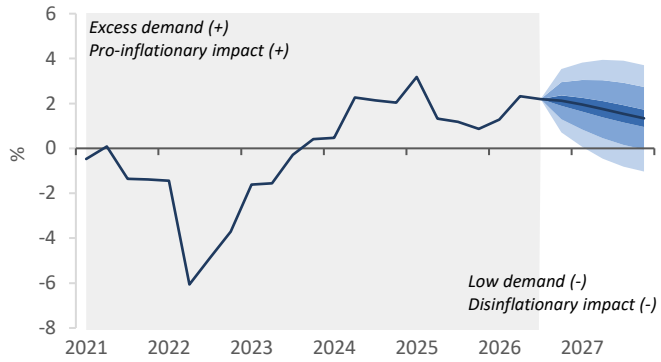
Figure 8. Inflation forecast for Belarus

a) quarterly inflation (QoQ)

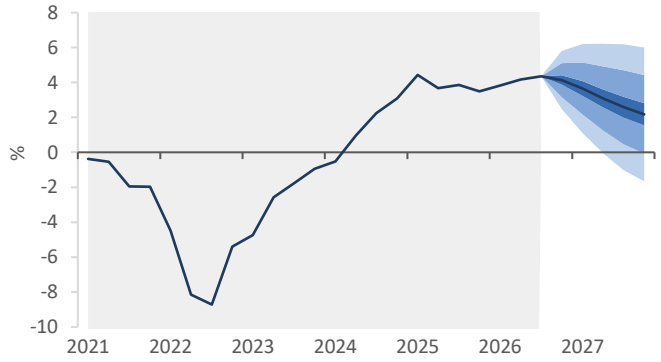
b) yearly inflation (YoY)



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.

The contribution of the exchange rate to inflation is expected to be consistent with a 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 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 target rate of 6% YoY in 2027.

The pro-inflationary influence of domestic demand will persist in 2027, but on a smaller scale

Achieving the GDP growth target of 1.9% in 2027, with expected growth of the Russian economy close to 1–1.5%, will require the authorities to maintain stimulus for domestic demand. Monetary policy will remain accommodative, and interest rates on loans and deposits will on average be below their neutral levels. Budget expenditures will remain high, but the impulse will weaken against the backdrop of the authorities' planned reduction in republican budget revenues from more than 17.5% of GDP in 2024–2026 to less than 16.5% of GDP in 2027. As a result, domestic demand will continue to receive support, but its growth will slow in 2027, and the scale of overheating – the positive output gap – will decline from around 2% in Q4-2026 toward 1% by the end of 2027 (Fig. 8.c). This will be accompanied by moderate pro-inflationary effects that will gradually weaken.

The labor market will remain pro-inflationary in the medium term amid a shrinking supply of labor resources

Unfavorable demographic trends will be accompanied by a prolonged period of labor shortage. This will support elevated real wage growth relative to labor productivity growth. As a result, labor costs will continue to generate moderate pro-inflationary pressure (Fig. 8.d).

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

The baseline scenario does not assume a significant change in the price regulation system in Q4-2026 – 2027. Prices for around 28% of the consumer basket (almost entirely food products) will continue to be strictly controlled under Resolution No. 713. This will constrain inflationary processes, primarily in the food segment. However, owing to the reduction in regulated items from around 45% of the basket since mid-July 2026, the restraining effect of price controls will be weaker compared to 2023–2026.

As a result, inflation in 2027 is forecast in the range of 6–7% YoY (Fig. 8.b)

The scale of aggregate pro-inflationary pressure from market factors is assessed as moderate, which, combined with the maintenance of state regulation of food prices, will limit the acceleration of inflation. Given the comparatively high harvest of major agricultural crops in the current year (and assuming no further major shocks occur), it is more likely that inflation will trend toward the lower half of the forecast range rather than the upper half.

Forecasting risks

The evolution of the military-political situation in the Middle East and the trajectory of global commodity prices continue to be subject to a high degree of uncertainty

The chances of another round of escalation of conflicts in the Middle East remain fairly significant in the coming months. If they materialize, global energy prices will rise, which will have moderate pro-inflationary consequences for Belarus through higher imported inflation.

In the event of de-escalation, moderate disinflationary effects are likely, alongside a simultaneous constraint on foreign currency revenue growth from fertilizer sales.

Pro-inflationary risks from the Russian economy retain a high probability of materializing

This year, Belarus received significant benefits in the form of a substantial increase in revenue from tolling oil processing amid problems in Russia's fuel market.

The peak positive effects for the Belarusian economy were reached in mid-summer. If the difficult gasoline situation in the Russian market persists, its influence on output and inflation in Belarus will change direction due to the secondary negative impact of fuel supply disruptions on economic activity and inflation in Russia. Disruptions in the functioning of Russia's transport infrastructure may also have pro-inflationary consequences for Belarus due to higher logistics costs of exporting and importing goods.

The materialization of the noted pro-inflationary risks depends on non-economic factors, which are difficult to predict. Under inertial development of the military-political situation in the region, the probability of these threats materializing appears comparatively high. It should be noted that the impact of the identified risk factors, should they materialize, on inflation in Belarus will manifest in 2027. At the same time, positive external shocks (for example, an easing of sanctions restrictions on Belarus and Russia) also cannot be ruled out, which would help reduce transaction costs and may have disinflationary effects for the Belarusian market.

Changes in the price control system are possible at the end of this year or next year, but their direction is uncertain

The moderate response of non-food goods prices to their removal from regulation gives grounds to suggest that the scale of the inflationary overhang was lower than initial estimates and that the accumulated divergence in relative prices of goods and services since 2023 was structural in nature.

However, the possibility of an intensification of inflation in the non-food segment in the coming months cannot be fully ruled out. This may entail reactionary policy measures and the restoration of stricter price controls. On the other hand, further active easing of state regulation can be assumed in order to support economic activity amid Belarus's low growth potential and the risks of weakening demand in Russia. In that case, inflation may exceed the upper bound of the forecast range of 6–7% in 2027, but in the absence of powerful pro-inflationary shocks this excess will be small.

The accumulated money overhang and the rapid decline in interest rates on loans and deposits pose threats to price stability in the medium term

Stimulative fiscal and monetary policies have resulted in extremely high money supply growth, markedly outpacing the capacity to expand the production of goods and services. The pro-inflationary consequences of the money overhang have so far been contained by strict price controls, the maintenance of a high ruble savings rate among households, and the availability of imports. After the easing of price regulation, these restraining effects have already weakened somewhat, and in the event of a further active reduction of credit and deposit market interest rates by the National Bank, the chances of the money overhang being transformed into price growth in 2027 will become high. This does not mean that an inflationary "explosion" will occur in the economy, but an acceleration of inflation to the 7–10% range will become possible.

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).