Belarus Economy Monitor: trends, attitudes, and expectations

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Express Analysis

Economic Activity and Inflation

January 2026

Belarus's economy grew by 1.3% in 2025, while the scale of its overheating declined significantly

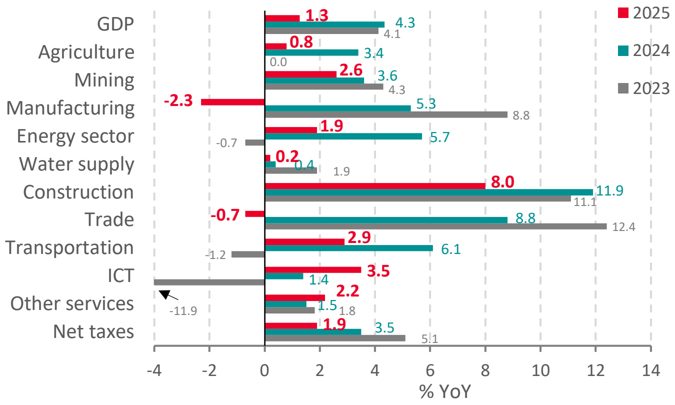
In Q4-2025, GDP increased by ≈0.4% compared with Q4-2024, following the growth of 0.8% YoY in the previous quarter. This corresponds to the seasonally adjusted GDP volume remaining close to that of the previous period (Fig. 1.b). Output in Q4-2025 was constrained by a decline in industrial production amid slowing demand in Russia and domestic resource constraints (Fig. 2.b). The volume of construction work also decreased in Q4-2025 amid a slight slowdown in investment demand. (Fig. 2.a). Growth in agriculture and high consumer activity prevented a contraction of GDP at the end of last year. The increase in consumer demand was reflected in a positive contribution of the services sector to GDP growth in Q4-2025 (Fig. 2.b).

Economic overheating declined in the second half of last year and is preliminarily estimated at around 1–1.5% in Q4-2025. Inflationary pressure eased under these conditions, and consumer price growth slowed to 6.8% YoY in December 2025. At the same time, the impact of increased labor costs remained inflationary, which was reflected in persistently high price growth for unregulated services.

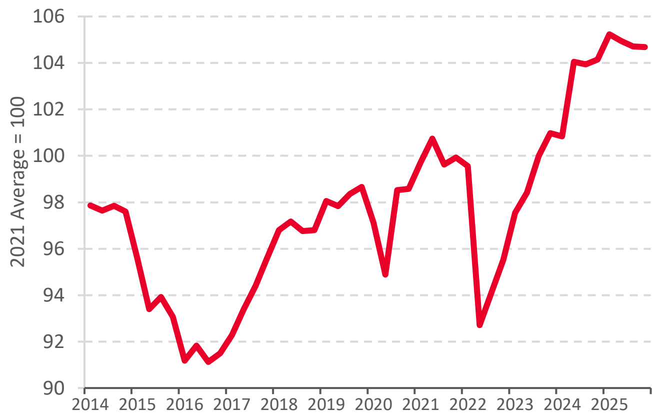
In Q1-2026, GDP will be close to the level of a year earlier due to subdued demand in the Russian market. Inflation is expected to be around 6.5–7% YoY in January – March. As the National Bank is focused on stimulating economic activity rather than restraining inflation, there is a high probability of a slight easing of monetary conditions during Q1-2026.

Figure 1. Dynamics of GDP in Belarus

a) annual GDP growth (%, YoY)



b) GDP volume at constant prices (seasonally adjusted)

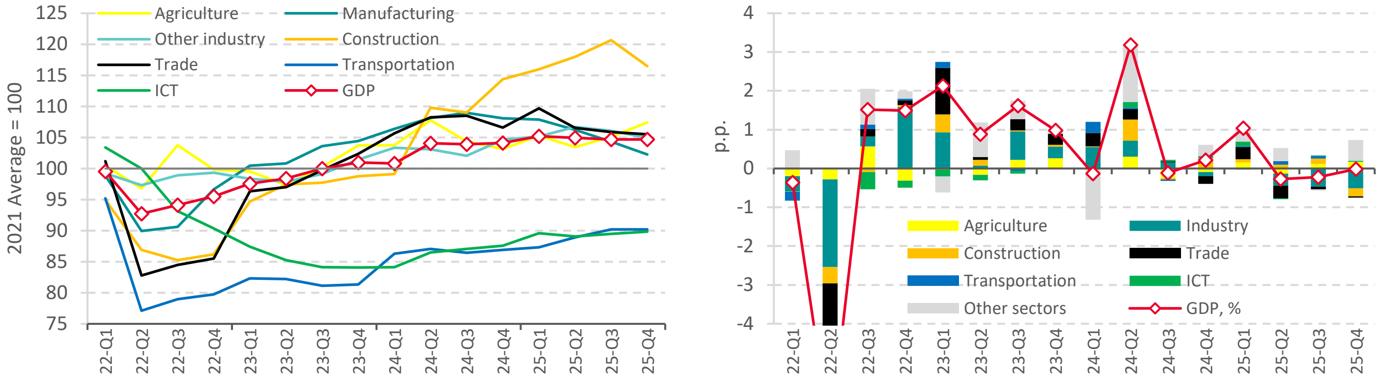


Note: The estimates update once the data are verified.

Figure 2. Dynamics of GDP and value added in Belarusian sectors based on quarterly data

a) GDP volume at constant prices (seasonally adjusted)

b) structure of quarterly GDP growth (quarter vs. previos quarter; seasonally adjusted)



Note: The estimates update once the data are verified.

Industry contracted by 1.8% YoY in 2025 and ended the year with output at the level of mid-2023

Industrial output (seasonally adjusted) showed a corrective increase in December compared with the previous period after a sharp two-month decline (Fig. 3.a). This correction did not fully offset the losses – production remained almost 6% below the peak levels of 2024. It should be noted that inventory accumulation stopped growing relative to output in December (Fig. 3.b). It cannot be ruled out that the limit to inventory buildup has been reached, but this conclusion requires confirmation in the coming months.

Overall, in Q4-2025 the value added of industry declined by ≈1.8% relative to the previous quarter (seasonally adjusted)**, including a decrease of ≈1.9% in manufacturing** (Fig. 2.a)

The decline in output in Q4 and in 2025 as a whole was observed in the machinery and, likely, metallurgical complexes amid resource constraints and weakened investment demand in Russia. The food sector remained on a growth trajectory amid rising consumer spending in Belarus and Russia, but at a slower pace compared with previous years. Potash fertilizer production in Q4 remained close to record levels, and their exports may have amounted to about 11.5–12 mln tons by the end of 2025. Petroleum product output declined in 2025, but in Q4-2025 there was an active recovery in production volumes due to a significant expansion of tolling crude oil processing schemes. Overall, weak industrial dynamics in the second half of 2025 point to a substantial reduction in industrial overheating (primarily in the machinery sector), and likely even its exhaustion.

Weakened investment demand in Russia, exhaustion of the potential to involve free labor and capital in production, as well as a record level of inventories will restrain the dynamics of Belarusian industry in the current year.

In Q1-2026, industrial output will decline by 3–5% YoY. Production may begin to recover closer to mid-year, provided that economic activity in Russia gradually increases. The accumulated growth of domestic investment in recent years should contribute to an expansion of production potential, but at a moderate rate of about 1–2% per year due to the declining efficiency of capital investments.. Some support for industrial output will be provided by monetary policy through maintaining low rates on investment loans.

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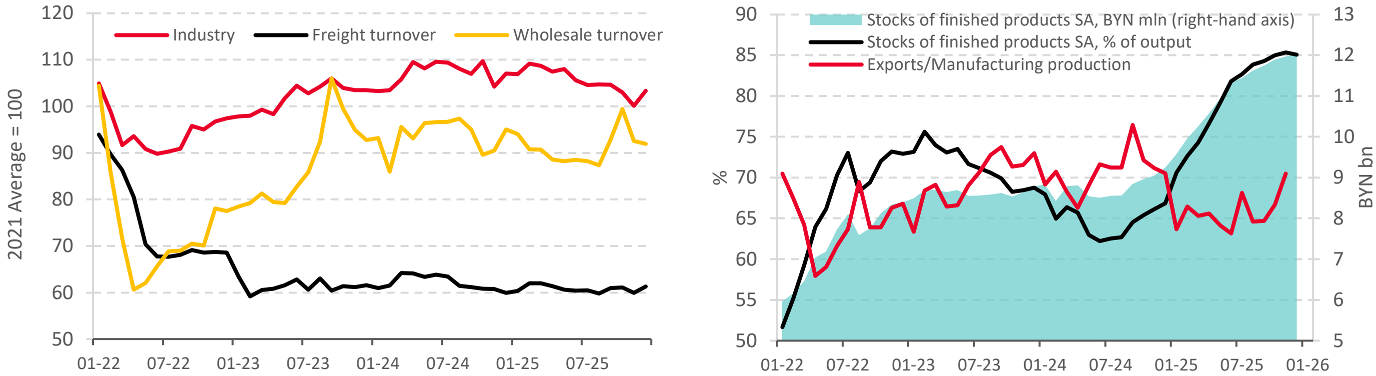
Figure 3. Dynamics of industrial output, wholesale trade and transport freight turnover

a) real output in industry (SA), real wholesale trade (SA) and freight turnover (SA)

b) industrial stockpiles, and the ratio of goods exports to output



Note: SA is a seasonally adjusted indicator. The real volume of wholesale trade has been calculated by deflating the nominal volume by the wholesale trade price index. The real industrial output volume has been calculated based on the Belstat's Industrial Output Index in 2015 prices. The dynamics updates once new data are published.

The value added of the transport sector increased by 2.9% YoY in 2025 (Fig. 1.a)**, and in Q4-2025 remained at the level of the previous period**

The transport sector remained one of the sectoral laggards – its value added was almost 10% below the average level of 2021 (Fig. 2.a). Weak freight turnover dynamics after the loss of a significant share of transit continued to constrain sectoral growth (Fig. 3.a). A compensating effect came from the expansion of passenger turnover, mainly due to an increase in trip distances. This may in part be related to route reconfiguration and reorientation from the EU toward Asian countries.

The value added of information and communications increased by 3.5% YoY in 2025 (Fig. 1.a)**, contributing about 0.2 p.p. to annual GDP growth**

In Q4-2025, the ICT sector grew by ≈0.5% compared to Q3-2025 (seasonally adjusted). At the end of last year, value added in the sector was ≈10% below the average level of 2021 (Fig. 2.a), and the gap relative to the peak of Q4-2021 is estimated at ≈13%. The restrained pace of recovery in the ICT sector is explained by the "narrowness" of the domestic market and intense competition in the EAEU market.

Consumer demand surged sharply in December, likely due to temporary factors

Retail trade turnover increased by more than 3% in December compared with November (in real terms, seasonally adjusted; Fig. 4.a). As a result, consumer demand in Q4-2025 remained elevated relative to its balanced level and exceeded the 2021 average by about 30% (in real terms). High consumer activity supported the services sector, whose positive contribution to GDP growth helped avoid a contraction in Q4-2025 (Fig. 2.b).

The December "spike" was driven by a sharp increase in consumption of non-food goods. No comparable acceleration in household lending was observed in December – its dynamics remained restrained (Fig. 4.a). The year-end consumption surge may have been largely associated with a temporary increase in demand for cars ahead of higher tax and customs duties on hybrids starting in 2026. Increased activity by Russian citizens amid a prolonged period of non-working days in Russia at the end of 2025 – early 2026 also cannot be ruled out. If these hypotheses are correct, a "slowdown" in retail trade should be expected in early 2026.

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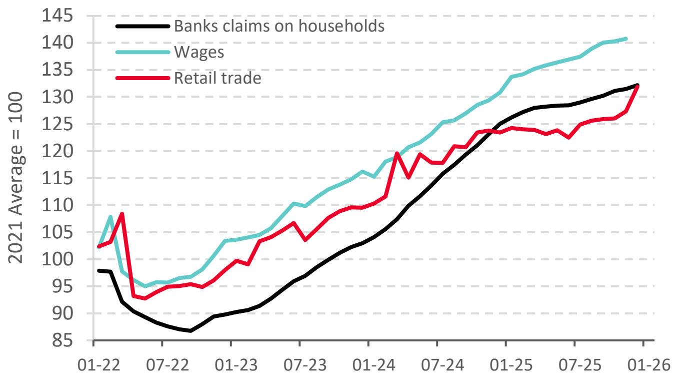
Overall, last year consumer demand growth slowed to about 6% YoY from 12.4% YoY in 2024

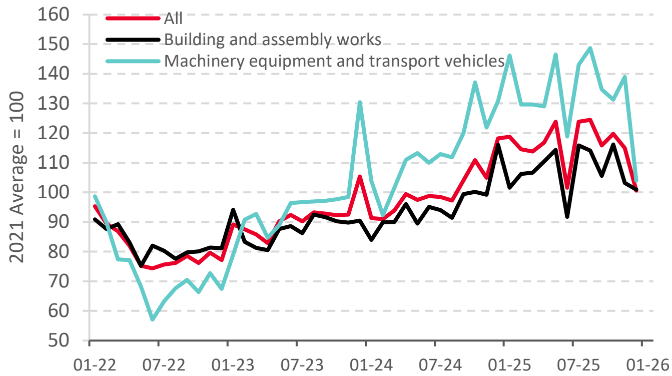
The slowdown occurred amid weakening dynamics of lending and wages. In the current year, further deceleration of consumer activity is projected due to slower economic growth and household income dynamics. The National Bank's efforts to restrain consumer lending and support a high household propensity to save may also contribute to the "fading" of consumption growth.

Figure 4. Retail trade and investment dynamics

a) retail trade, wages and lending (seasonally adjusted, in real terms)



b) investment (seasonally adjusted, in real terms)



Note: Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction price indices. The indicator dynamics updates once new data are published.

Investment did not grow in Q4-2025 and, relative to GDP, stood slightly below the average level of 2019

Monthly investment estimates for December are not representative and, in line with established practice, will be substantially revised upward by Belstat, primarily with respect to investment in machinery, equipment, and transport vehicles (Fig. 4.b). The annual estimate of investment growth of 11.3% YoY in 2025 corresponds to the seasonally adjusted volume of gross fixed capital formation in Q4-2025 remaining close to the level of the previous period (about 25.6% of GDP). At the same time, value added in construction declined by ≈3.4% in Q4 relative to Q3-2025 after seasonal adjustment (Fig. 2.a). Amid restrained growth prospects for the Belarusian and Russian economies, as well as the expected slowdown in the growth of budget expenditures, capital investment dynamics will weaken in 2026.

The foreign trade deficit in goods amounted to ≈$670 mln in November 2025 (seasonally adjusted; based on Belstat data)

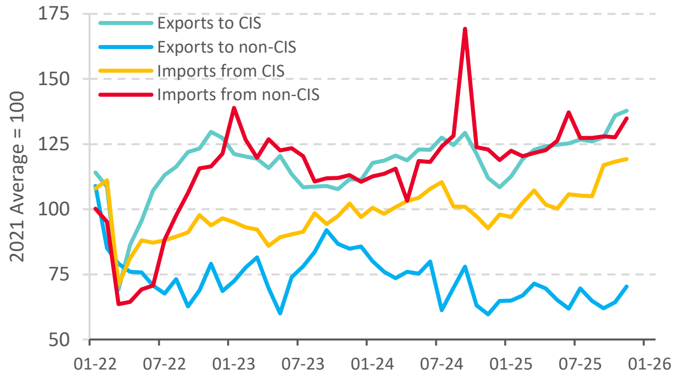
The size of the deficit remained virtually unchanged compared with October 2025 (Fig. 5.b). In November, seasonally adjusted volumes of goods imports and exports increased proportionally (Fig. 5.a). Domestic demand (having lost momentum but remaining high) supported a significant level of imports. The increase in the value of exports in October-November 2025 against the backdrop of weak industrial production points a likely recovery in petroleum product shipments alongside weakness in the machinery complex due to reduced demand in Russia. National Bank data on foreign trade adjustments point to rising petroleum product shipments. In October, imports of goods for processing increased by $114 mln compared with the January – September 2025 average (which are excluded from imports under the balance of payments methodology). Exports of goods returned after processing increased less significantly – by $82 mln. This indicates the likely operation of tolling schemes involving Russian crude oil.

The overall deficit in trade in goods and services is estimated at around 2% of GDP for 2025 as a whole

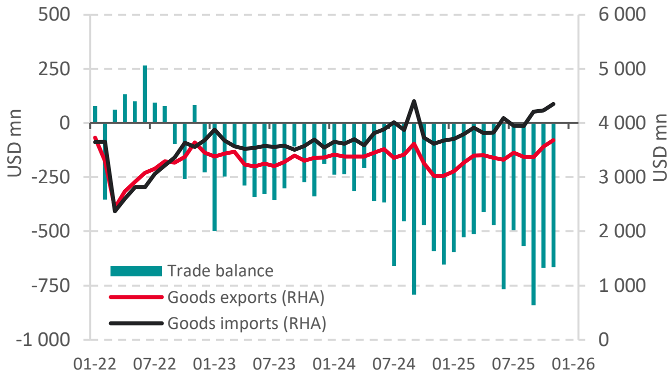
The negative goods balance was largely offset by a growing surplus in trade in services. The size of the external trade deficit exceeded the "normal" near-zero level for Belarus. Given the expected restrained dynamics of demand in the Russian market and the persistence of a non-restrictive domestic economic policy, external trade will remain in deficit in the current year – around 2% of GDP. Nevertheless, provided that households maintain a high savings rate, the scale of the imbalance does not pose a significant threat to the foreign exchange market.

Figure 5. Dynamics of foreign trade indicators

a) value volumes of goods exports and imports (seasonally adjusted)



b) value volumes of foreign trade (seasonally adjusted)



Note: The indicator dynamics updates once new data are published.

Inflation declined in December 2025: over the year prices increased by 6.83% (6.97% YoY in November), while the annualized monthly increase amounted to ≈3.6% MoM (seasonally adjusted; hereinafter – MoM; Fig. 6.a)

The slowdown in inflation at the end of last year was driven by a decline in its non-core component – from ≈6% MoM in November to ≈−4.7% MoM in December (Fig. 6.b). This was due to a drop in fruit and vegetable prices by ≈55% MoM in December 2025 and some deceleration in the growth of regulated prices – from ≈6.5% MoM in November to ≈5.3% MoM in December. The atypical December decline in fruit and vegetable prices was largely the result of lower prices for cucumbers and tomatoes. It should be noted that in early December 2025 the government introduced adjustments to the price regulation system, limiting – without approval from the authorities – the allowable price increases by producers for these vegetables.

Core inflation amounted to ≈7.1% MoM in December after ≈5.5% MoM in November (Fig. 6.b)

Core inflation slowed significantly in the autumn months as the overheating of the Belarusian economy decreased (Fig. 6.b). However, in December, core inflation increased, driven by an acceleration in non-food price growth to ≈6.7% MoM (Fig. 6.c). It is possible that this price dynamics in the non-food segment is related to the specifics of state regulation, namely the postponed increase in their prices after low growth rates in May – November (less than 2% MoM on average). Inflation in unregulated services remained high – ≈10.5% MoM in December, including ≈10% MoM excluding highly volatile prices for international air and rail transportation (Fig. 6.c). This continues to point to the pro-inflationary nature of increased labor cost pressures. Price growth for food products (excluding vegetables and fruit, alcohol, and tobacco products, which are included in the non-core index) is estimated at ≈8.6% MoM in December.

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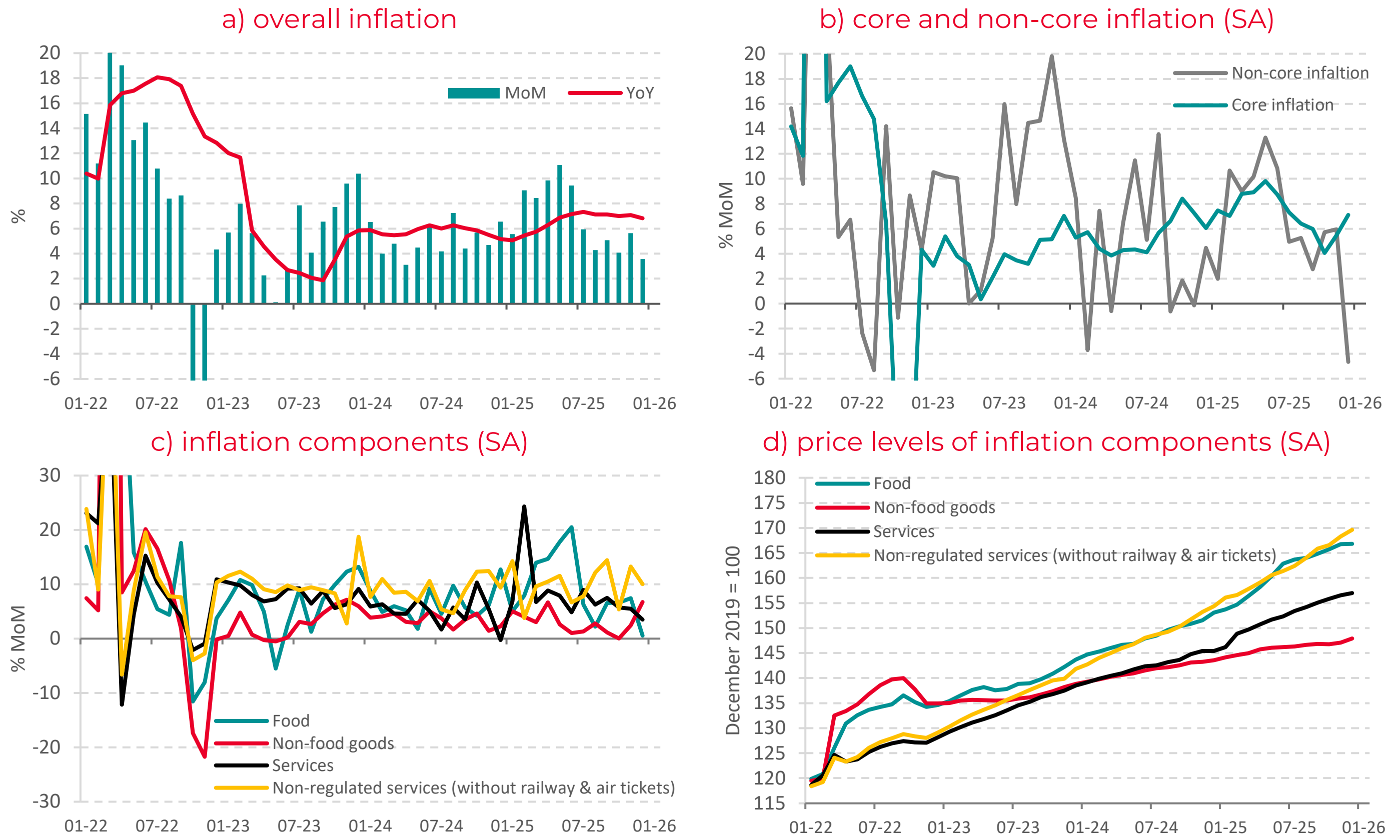
In January – March 2026, inflation is expected to remain close to 6.5–7% YoY

At the beginning of the current year, small pro-inflationary effects can be expected from higher tax and customs duties on hybrid vehicles, as well as a temporary acceleration of inflation in Russia due to the increase in the VAT rate. However, in the future, a reduction in excess demand in the Belarusian economy and a slowdown in wage growth and inflation in Russia will limit the rate of price growth. Even taking into account the accumulated price overhang, the probability of inflation rising significantly above 7% YoY under these conditions is assessed as low. At the same time, by the end of the first half of the year, the annual increase in prices has a high chance of temporarily declining toward 6% YoY, as the high price growth figures of the first half of 2025 drop out of the annual index calculation. Given that the inflation target for 2026 is set at 7%, and in the absence of strong external shocks, the National Bank may move toward monetary policy easing already in the first half of 2026.

Figure 6. Inflation dynamics in Belarus



Note: YoY (year-on-year) is a monthly growth rate versus the corresponding month of the previous year; MoM (month-on-month) is an annualized monthly growth rate (seasonally adjusted) versus the previous month. SA is a seasonally adjusted indicator. The dynamics updates once new data are published.

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