

Express Analysis

Economic Activity and Inflation

February 2026

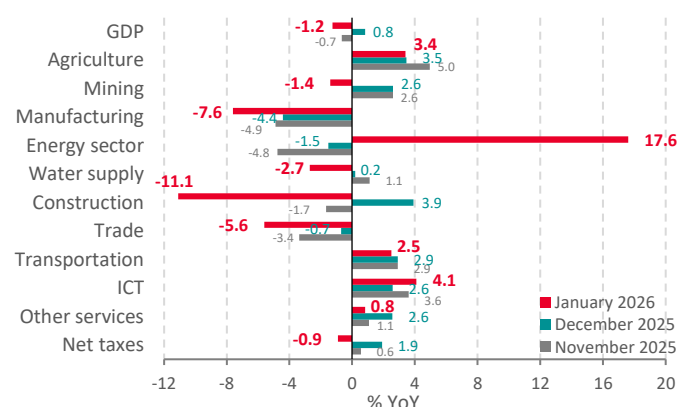
Temporary factors led to a decline in Belarus' GDP at the beginning of 2026, but even excluding them economic activity dynamics were subdued and growth potential remained low

In January 2026, GDP declined by 1.25% compared with January 2025 (Fig. 1.a) and decreased by $\approx 1.4\%$ relative to December 2025 (Fig. 1.b). The reduction in output at the beginning of the year was partly correctional following the sharp growth at the end of 2025, driven by the expected entry into force of a number of regulatory changes in Russia and longer New Year holidays in the neighboring country. The climate factor also had a significant impact on GDP dynamics: the coldest January since 2010 led to an increase in power generation, but at the same time negatively affected investment activity (especially construction), mining industry, output in a number of manufacturing sectors, catering, and likely some service sectors (Fig. 1.a).

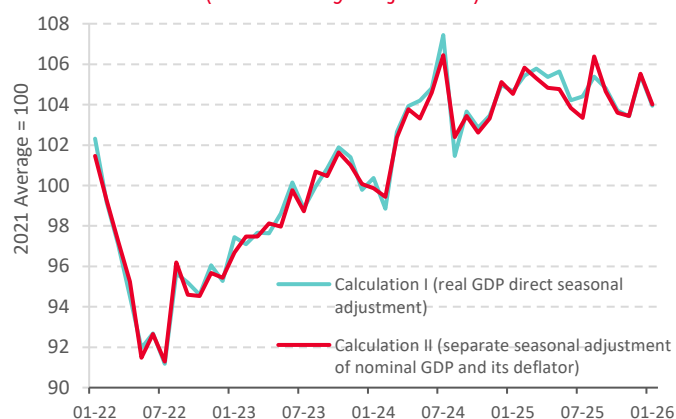
Despite monthly output volatility and the influence of temporary factors, the Belarusian economy remains on a "sideways" trajectory (Fig. 1.b). Domestic demand is slowing after overheating in 2023 – the first half of 2025, while the external impulse from the Russian market has been exhausted amid declining investment activity in Russia. As a result, GDP will be close to the level of the previous year or slightly below it in Q1-2026 and will show modest growth of 0.5–1.5% for 2026 as a whole, provided that non-restrictive monetary and fiscal policies are maintained and there is no downturn in Russia. Under these conditions, inflation is expected to be slightly below 6% YoY in the first half of the year and around 6–7% YoY by year-end.

Figure 1. Dynamics of GDP and value added in Belarusian sectors

a) GDP growth, month versus the corresponding month of the previous year (% YoY)



b) GDP volume at constant prices (seasonally adjusted)



Note: The estimates update once the data are verified. Monthly GDP data are estimates.

This Express Analysis is an operational analysis of the status of the key macroeconomic indicators of Belarus.

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Figure 2. Structure of YoY GDP growth in Belarus



Note: The estimates update once the data are verified. The energy sector includes the water supply subsector.

The 7.6% YoY decline in manufacturing (Fig. 1.a) was the main reason for the drop in GDP in January 2026, subtracting almost 1.5 p.p. from its annual growth (Fig. 2.a)

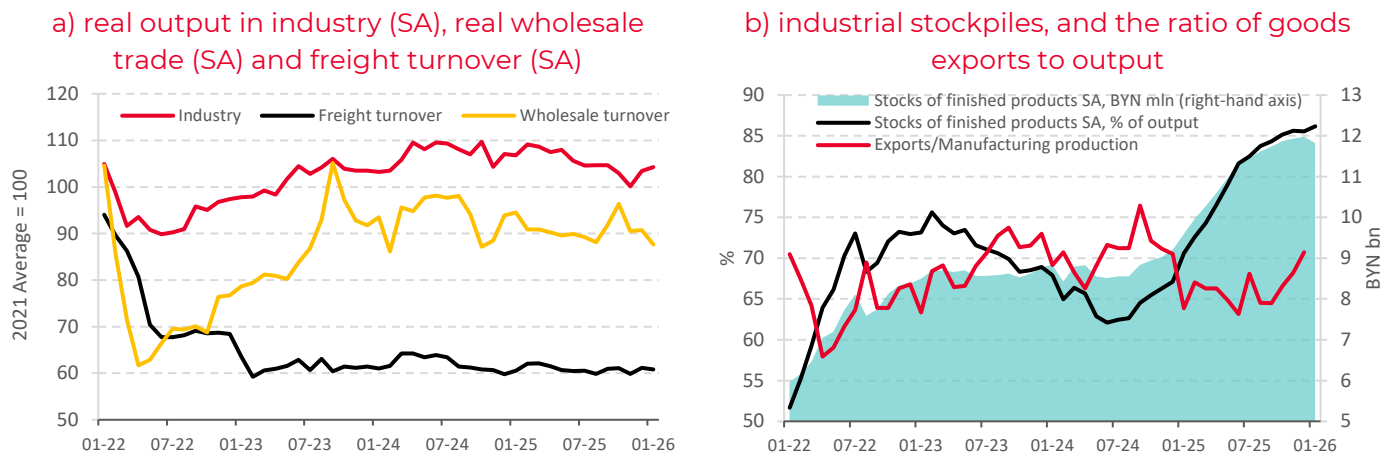
Manufacturing output in January 2026 also decreased relative to December 2025 (seasonally adjusted). Regional dynamics and weakness in the construction sector point to a downturn in most industries, particularly in metallurgy and chemical production (with the exception of potash fertilizers), as well as in construction materials production. Output in mechanical engineering and, likely, in woodworking and light industry was also below last year's level. Weaker investment demand in both the Russian and Belarusian markets negatively affected manufacturing industries. It can also be assumed that the decline in production in January 2026 was partly correctional, following increased sales on the Russian market in December 2025 ahead of longer New Year holidays in Russia and the entry into force of several regulatory changes in the neighboring country (primarily the VAT increase). Production growth in January 2026 persisted in the food industry amid still-strong consumer demand in Russia and Belarus. Potash fertilizer output remained close to peak volumes, while petroleum products output was likely somewhat below the levels recorded at the beginning of 2025.

Energy sector value added increased by 17.6% YoY in January amid the coldest January since 2010, contributing 0.7 p.p. to annual GDP growth (Fig. 2.a)

The rise in power generation largely offset the decline in manufacturing: total industrial value added fell by 3.2% in January 2026 compared with January 2025, while relative to December 2025 overall output even increased slightly (Fig. 2.a). At the same time, inventories of finished goods decreased in value terms at the beginning of the year but rose slightly relative to the average monthly output (Fig. 3.b). Overall, inventory levels remained the highest in the 21st century, signaling subdued demand for Belarusian goods.

In Q1-2026, industrial production will remain 3–5% below the level of the previous year. Given record-high inventories and resource constraints, maintaining production at the 2025 level would already be a positive outcome for the sector this year. Minimal output growth (including in manufacturing) can be expected only in the event of a noticeable strengthening of demand in the Russian market. At present, a significant acceleration of economic activity in Russia is not embedded in the baseline scenario; however, the probability of such a positive risk materializing remains tangible.

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



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.

Trade value added declined by 5.6% YoY in January 2026 due to a 9.2% YoY drop in wholesale turnover (Fig. 1.a)

The trade sector subtracted just over 0.4 p.p. from annual GDP growth (Fig. 2.a). In addition to the impact of weaker demand in Russia, the decline in wholesale turnover (Fig. 3.a) may have been correctional following a noticeable increase in deliveries to the Russian market at the end of last year (Fig. 5.a). It is likely that ahead of longer New Year holidays in Russia (compared with 2024–2025), the increase in the base VAT rate from the beginning of 2026, and the indexation of the vehicle recycling fee, sales volumes of Belarusian (and re-exported) goods temporarily rose in November – December 2025.

Growth in passenger turnover and ICT output supported Belarus' GDP at the beginning of the year (Fig. 2.a)

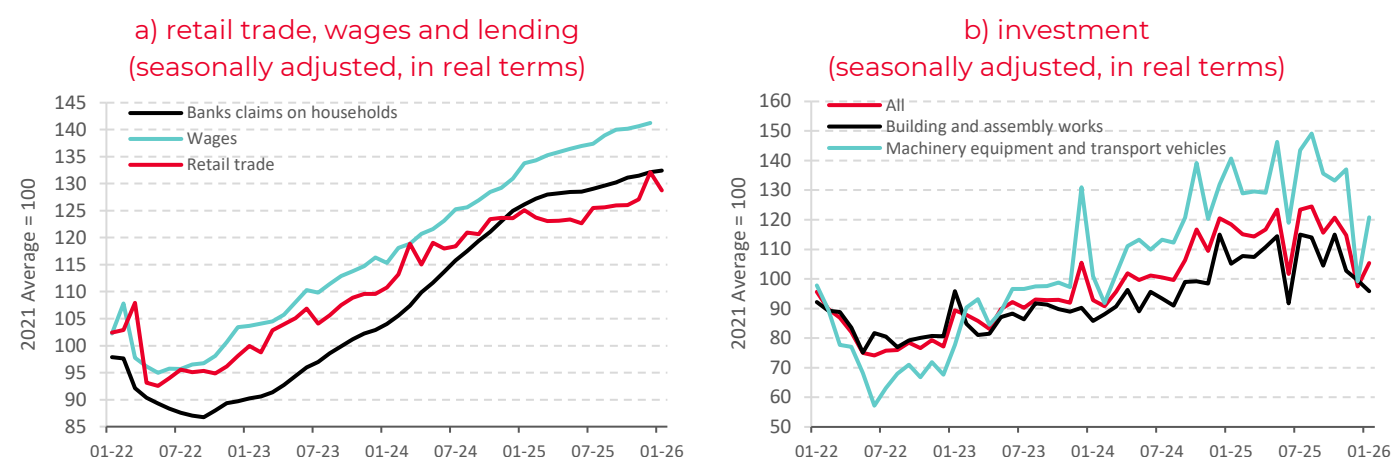
Transport sector value added increased by 2.5% YoY in January (Fig. 1.a), contributing just over 0.1 p.p. to annual GDP growth. Growth in transport continued to be driven by higher passenger turnover due to longer trips, while the number of passengers transported stagnated. Freight turnover showed no signs of recovery in January and remained at a low level – around 60% of its 2021 level (Fig. 3.a).

The information and communication sector expanded by 4.1% YoY in January 2026 (Fig. 1.a), providing nearly 0.2 p.p. of annual GDP growth. The ICT sector continued its gradual recovery but still remained well below the peak levels of late 2021 – early 2022.

Consumer demand corrected downward at the beginning of the year following a temporary acceleration in December 2025

As expected, the year-end surge in non-food consumption proved short-lived. In January 2026, sales of non-food goods declined, leading to a ≈2.5% decrease in retail turnover compared with December 2025 (in real terms, seasonally adjusted; Fig. 4.a). Thus, the December consumption spike smoothed out: household spending remained on a “cooling” growth trajectory amid weaker household lending and slower wage dynamics (Fig. 4.a). At the same time, the overall level of consumer demand remained high (around +30% compared with 2021) and, in the absence of strong shocks, is expected to continue growing at a moderate pace this year.

Figure 4. Retail trade and investment dynamics



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 activity at the beginning of the year was weak, partly due to unfavorable weather conditions

In January 2026, investment significantly lagged behind the levels of the previous year, both in machinery and equipment spending and in construction works (Fig. 4.b). Lower temperatures likely had a negative impact on investment demand. Construction value added declined by 11.1% YoY in January 2026 (Fig. 1.a), subtracting 0.5 p.p. from annual GDP growth (Fig. 2.a). Nevertheless, even if weather conditions had a substantial negative effect on investment activity at the beginning of the year, its overall level remained low – below the average level of 2019. Accommodative monetary conditions will support investment dynamics during the year. However, amid weaker demand prospects in both the Russian and Belarusian markets, investment growth will slow significantly compared with last year.

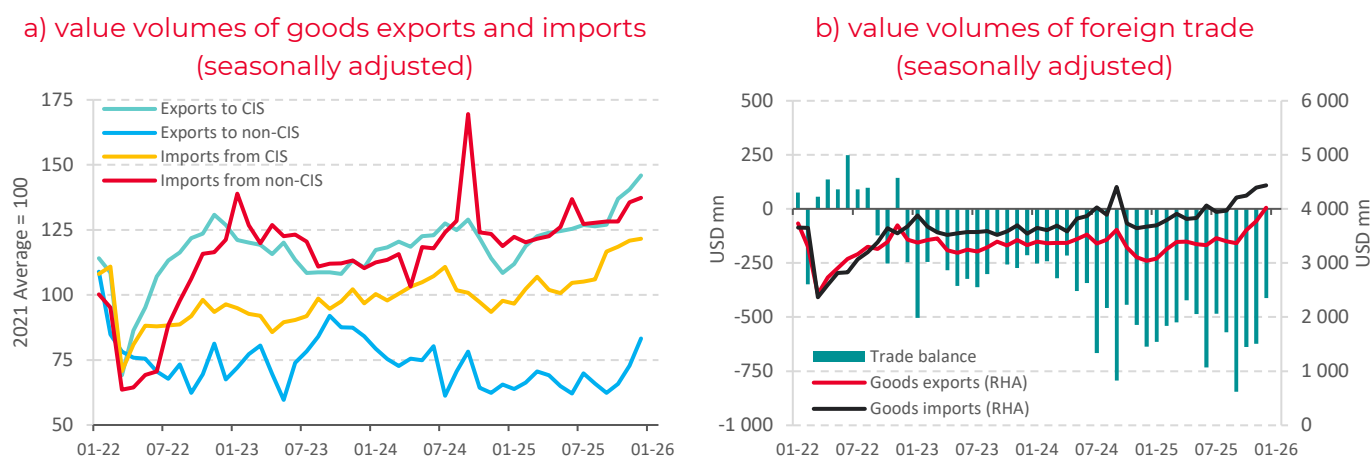
The foreign trade deficit in goods and services amounted to 1.9% of GDP in 2025

The deficit slightly widened relative to 2024. At the same time, toward the end of last year the negative balance narrowed due to a recovery in oil refining, improved hydrocarbon terms of trade, and a temporary increase in non-commodity sales to Russia. In December 2025, the seasonally adjusted goods trade deficit (based on Belstat data) decreased by approximately \$200 million (or 2.7 p.p. of GDP) compared with November (Fig. 5.b). Overall, in Q4-2025 the deficit in goods and services is estimated at around 1.2% of GDP, down from 1.9% of GDP in the previous quarter.

An increase in toll processing of crude oil contributed to higher export values at the end of last year, according to Belstat data (Fig. 5.a). Under the balance of payments methodology, this was reflected in higher exports of services (processing of raw materials). The widening discount of Russian Urals crude relative to Brent also had a positive effect on the energy trade balance by lowering the price of oil imports. It should be noted that despite the recovery in petroleum product exports at the end of last year, their annual volume remained significantly below the levels of 2023–2024. This is evidenced by the relatively low value of goods exports to non-CIS countries (Fig. 5.a). A positive contribution to the trade balance in 2025 came from higher potash fertilizer exports, with physical volumes estimated at around 11.5 million tons in 2025 (after about 10 million tons in 2024) and export revenues at ≈\$2.7 billion (around \$2 billion in 2024).

The external trade position will remain in deficit at around 1–2% of GDP in 2026. Such a level of imbalance can be financed without significant pressure on the Belarusian ruble, provided that households continue to sell foreign currency

Figure 5. Dynamics of foreign trade indicators



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

Inflation remained contained in January 2026: annual price growth slowed to 6.4% (from 6.8% YoY in December 2025), while the annualized monthly increase amounted to $\approx 3.5\%$ MoM (seasonally adjusted; hereinafter – MoM; Fig. 6.a)

Core inflation declined to 4% MoM at the beginning of the year (Fig. 6.b). Price growth for non-food goods remained weak at $\approx 1.9\%$ MoM in January 2026 (Fig. 6.c). Price controls and the strong Belarusian ruble continued to restrain inflation dynamics in this segment. Food prices also increased at a moderate pace – $\approx 2.4\%$ MoM in January (Fig. 6.c). A significant impact on food price dynamics came from a decline in fruit and vegetable prices (around 25–30% MoM in January 2026, seasonally adjusted), which are excluded from the core index. However, even excluding fruit and vegetables, alcohol, and tobacco products, the median increase in food prices remained relatively low – around 5% MoM in January 2026.

Price growth for non-regulated services slowed somewhat at the beginning of the year: $\approx 7.7\%$ MoM in January 2026 compared with $\approx 10.3\%$ MoM in December 2025, including $\approx 9.9\%$ MoM after $\approx 10.2\%$ MoM when excluding highly volatile international air and rail transport prices (Fig. 6.c). Overall, core inflation dynamics point to easing inflationary pressures in the economy amid slowing activity. At the same time, monthly price movements remain volatile, and price growth for market services continued to be elevated.

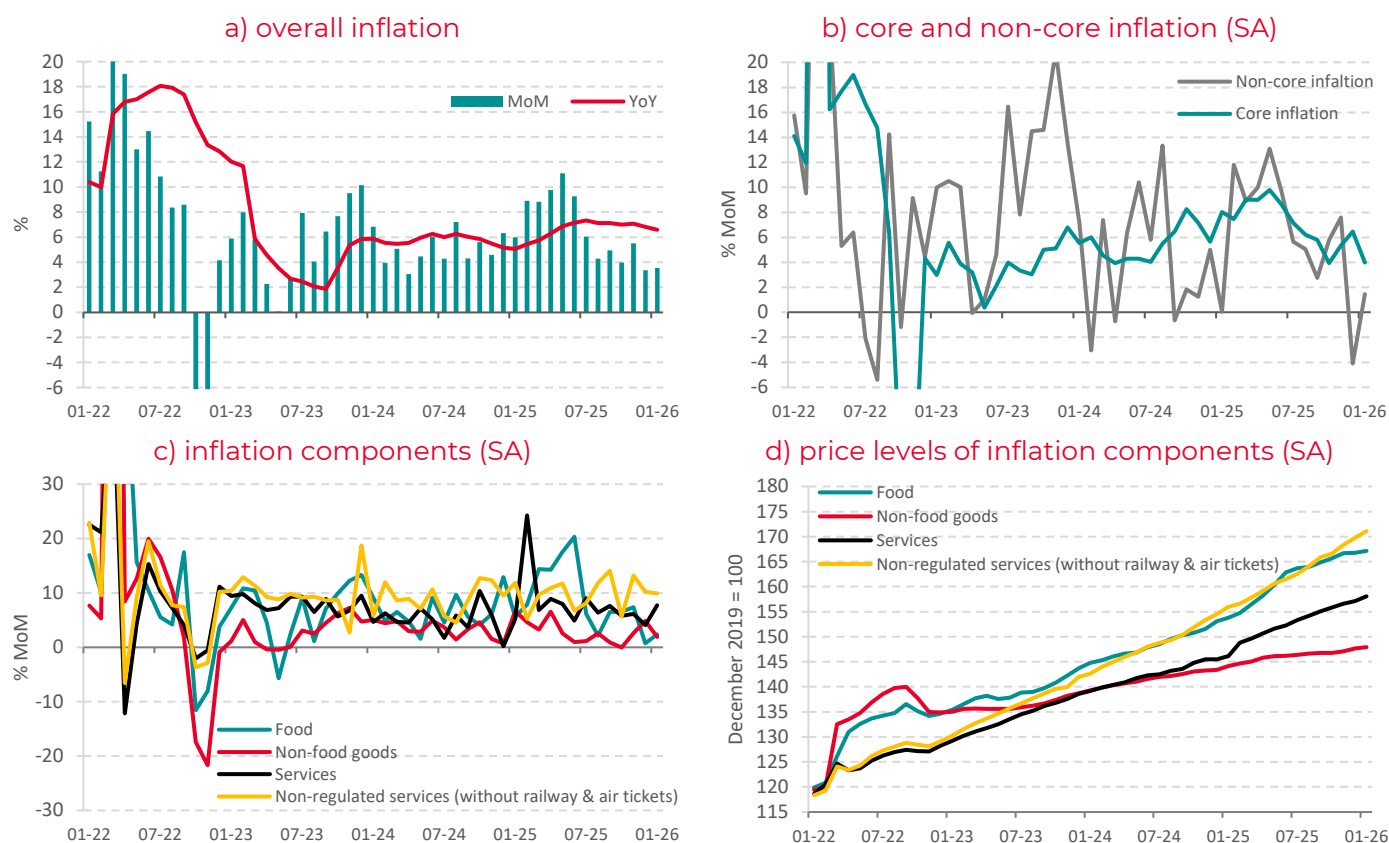
Non-core inflation is estimated at around 1.4% MoM in January 2026 (Fig. 6.b)

The decline in fruit and vegetable prices (largely due to strict price controls) limited non-core inflation. Due to regulatory restrictions on price increases for fruits and vegetables in Belarus and their accelerated price increases in Russia, the price disparity between the two countries' markets has once again begun to widen. With the total vegetable harvest (across all farm categories) in Belarus expected to be at its lowest in 2025 since 2018, the lowest fruit and berry harvest since 2011, and the lowest potato harvest in the country's history, there is a risk of accelerated price increases for fruit and vegetable products this year.

During Q1-2026, annual inflation is expected to temporarily fall below 6% YoY

The postponement of the increase in utility tariffs from January to March is the main reason for the anticipated sharp decline in inflation in February-March. In April, this factor will, conversely, lead to an acceleration in price growth. However, by the end of the first half of the year inflation is highly likely to remain below or close to 6% YoY. This outlook reflects both the continued strict price controls and easing price pressures from demand and the labor market. By the end of the year, inflation is projected to return to 6–7%, provided that part of the accumulated inflationary overhang materializes (Fig. 6.g). At the same time, it cannot be ruled out that, if domestic demand remains subdued, firms will face constraints in raising prices and may choose to sacrifice profitability. In this case, the process of realigning relative prices for non-food goods and market services would be prolonged, and inflation would remain below the 7% target this year. In any case, in the absence of strong external shocks, there is a high probability of monetary policy easing in the first half of 2026, as the National Bank is focused on supporting economic activity and relies more on actual rather than expected economic conditions when making decisions.

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.