Belarus Economy Monitor:
trends, attitudes, and expectations

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Express Analysis

Economic Activity and Inflation

March 2026

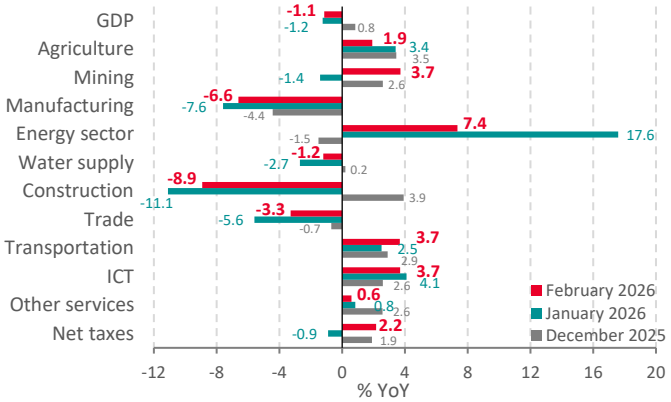
Economic activity in Belarus remained subdued in February 2026

GDP increased by ≈0.4% in February compared to January 2026 (seasonally adjusted; Fig. 1.b). Growth was supported by an increase in investment, which was of a corrective nature after weak results in Q4-2025 – the volume of investment fell short of last year's levels. As a result, the February increase in output did not offset the decline of the previous month: GDP in February was ≈1.15% below the level of February 2025 and approximately corresponded to the level of mid-2024 (Fig. 1). The decline in manufacturing output amid weakening demand in Russia and exhausted reserves of unused labor resources remained the main "drag" on economic growth (Fig. 2.a). A moderate recovery in the ICT sector and still high, albeit slowing, consumer activity supported GDP.

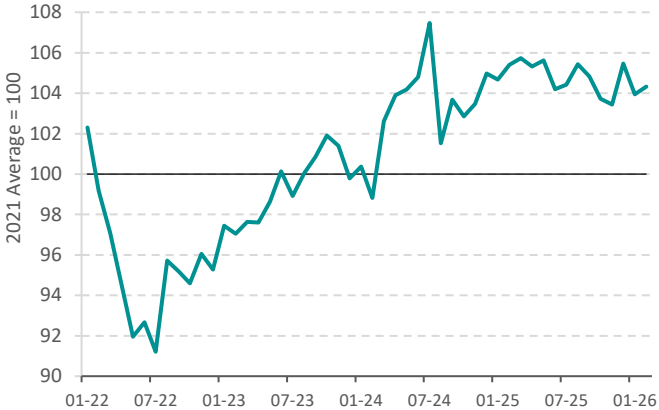
At the end of Q1-2026, GDP volume will remain below last year's level by ≈0.7–1.5%. The wide range is due to the high uncertainty regarding the impact of disruptions to shipping in the Strait of Hormuz on major industrial sectors and the scale of the negative impact of weather conditions on construction, the hotel and restaurant business in January-February. Overall, economic activity in Q1-2026 is tracking along the lower bound of the February forecast, which increases the likelihood of low growth in the range of 0–1% YoY by the end of the year if "sluggish" business activity in Russia persists. Under the current conditions, the chances of monetary easing and the use of government deposits in the banking system to stimulate domestic demand are high.

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

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



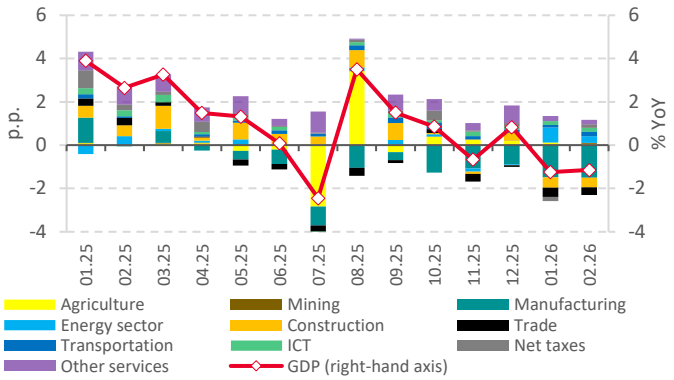
b) GDP volume at constant prices (seasonally adjusted)



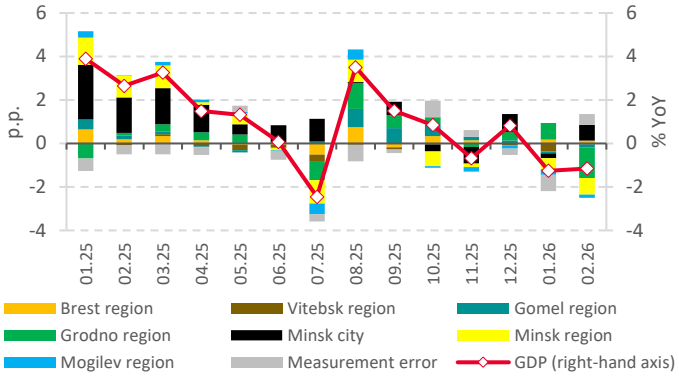
Note: The estimates update once the data are verified. Monthly GDP data are estimates.

Figure 2. Structure of YoY GDP growth in Belarus

a) sectoral



b) regional



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

Value added in manufacturing decreased by ≈6.6% YoY in February (Fig. 1.a)**, subtracting ≈1.5 p.p. from annual GDP growth** (Fig. 2.a)

Manufacturing output slightly declined relative to January 2026 (seasonally adjusted), and compared to February 2025 it was lower in all regions and Minsk. This indicates a weak start to the year in almost all manufacturing industries. Based on regional dynamics, the most significant decline in output was observed in metallurgy, the machinery complex, construction materials production, and likely in oil refining. In the first three sectors, the downturn is driven by reduced external demand, and in the case of construction materials, also to the influence of weather conditions. The contraction in oil refining is likely related to the specifics of statistical accounting for processing of Russian tolling crude. Thus, the increase in exports to Russia at the end of last year and National Bank data on strong growth in imports of goods for processing and their subsequent export signal a significant increase in refinery output. However, the decline in manufacturing production in the Vitebsk and Gomel regions by 6.3% and 9.6% YoY, respectively, in January – February 2026 (after declines of 6.1% and 3.1% in January – February 2025) indicates that industrial statistics account not for the volume of processed tolling oil, but for the value of processing services. Consequently, excluding these volumes, petroleum product output remained low, and the break-even operation of refineries largely depends on the continuation of such schemes.

Value added in the energy sector increased by ≈7.4% YoY in February (Fig. 1.a)**, providing ≈0.3 p.p. of annual GDP growth** (Fig. 2.a)

The average temperature in February 2026 was 3.9°C below the climate norm and significantly lower than the temperature in February 2025. As a result, the energy sector maintained slight MoM output growth after excluding seasonal and calendar effects. Production in extractive industries also increased following a decline in January. Overall, this allowed total industrial output in February to remain close to the January volume, which roughly corresponds to the level of early 2024 (Fig. 3.b). Inventories of finished goods decreased in value terms but continued to rise slightly relative to the average monthly output (Fig. 3.b). Amid record-high inventories and subdued demand in the Russian market, industrial production will remain significantly below last year's level in the coming months. The industry has a high probability of remaining near zero growth by year-end unless there is a noticeable recovery in business activity in Russia.

Disruptions to shipping in the Strait of Hormuz create high uncertainty for industrial output dynamics in the coming months

Temporary difficulties with the supply of petroleum products to external markets are possible, including those transported via the UAE. At the same time, the narrowing of the discount of Russian Urals crude to North Sea Brent will lead to a reduction in the "rent" of Belarusian refineries and may negatively affect their financial performance if the military conflict in the Middle East is prolonged. Some, albeit much smaller-scale, logistical issues for exports of potash fertilizers cannot be ruled out either, as their output remained high at the beginning of the current year. At the same time, demand for Belarusian fertilizers (especially nitrogen fertilizers) may increase due to disruptions in their supply from Gulf countries and rising natural gas prices on the global market. Energy-intensive sectors of Belarusian industry may also gain competitive advantages due to access to relatively cheap energy resources; however, their transformation into increased sales and revenue will be constrained by sanctions.

Value added in trade decreased by ≈3.3% YoY in February 2026 (Fig. 1.a), subtracting nearly 0.4 p.p. from annual GDP growth (Fig. 2.a)

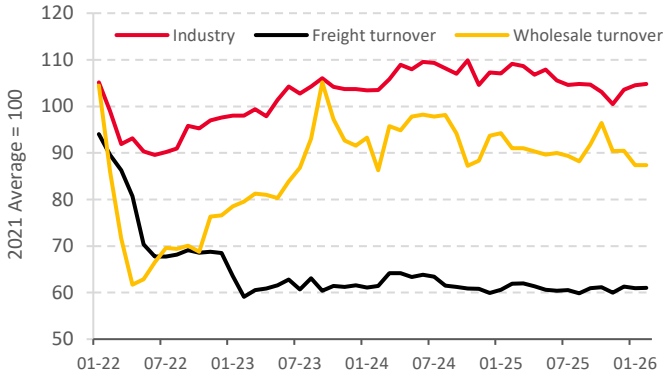
The decline in output in the sector is due to the continued weak dynamics of wholesale trade turnover, which showed near-zero MoM growth in February (seasonally adjusted) and was 4.9% below the level of February last year. The stagnation trajectory of wholesale trade corresponds to a "sideways" trend in industry (Fig. 3.a). This may serve as further evidence that, excluding supplies of petroleum products from tolling raw materials, export volumes remained subdued.

Value added in the transport sector increased by ≈3.7% YoY in February (Fig. 1.a), adding 0.2 p.p. to annual GDP growth (Fig. 2.a)

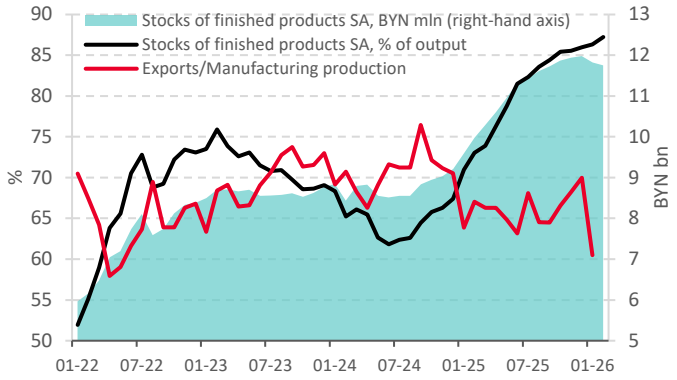
Transport services continued to grow solely due to passenger transportation and primarily as a result of longer trips: passenger turnover increased by 9.9% YoY in February 2026, while the number of passengers carried rose by only 0.9% YoY. There were no signs of recovery in freight turnover in February: it remained at a minimum near 60% of the 2021 level (Fig. 3.a).

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.

A moderate recovery in the ICT sector supported GDP in February

Value added in the ICT sector increased by ≈3.7% YoY in February 2026 (Fig. 1.a), adding about 0.2 p.p. to annual GDP growth (Fig. 2.a). The sector maintained restrained recovery rates amid the "narrowness" of the domestic market and high competition in the EAEU market: value added remained ≈11% below the level of February 2022.

Consumer demand remained high in February, but its growth weakened noticeably

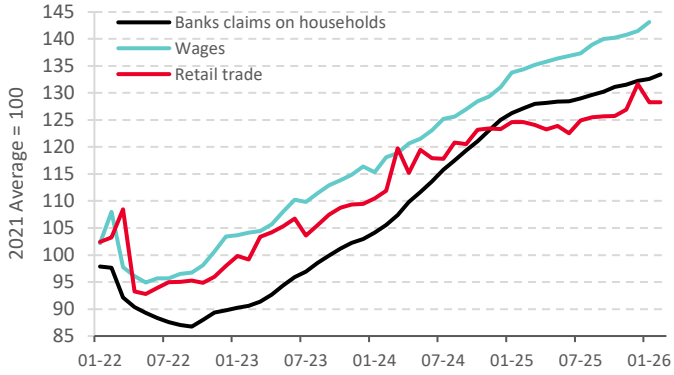
Retail turnover remained close to the level of January 2026 (in real terms, seasonally adjusted). Household demand for goods remained high and exceeded the average level of 2021 by more than 28%, but its growth slowed (Fig. 4.a). This is largely due to the weakening dynamics of household lending as a result of administrative measures by the National Bank affecting banks. At the same time, the average wage continued to grow, supporting consumer demand at a high level (Fig. 4.a). In February, a decline in public catering turnover was recorded for the second consecutive month, which may in part be explained by weather conditions. Consumer demand will continue to grow this year, but at a slower pace compared to 2024–2025 amid the expected slowdown in household income dynamics. Its pro-inflationary impact will weaken.

Investment increased in February, but its volume remained below last year's levels

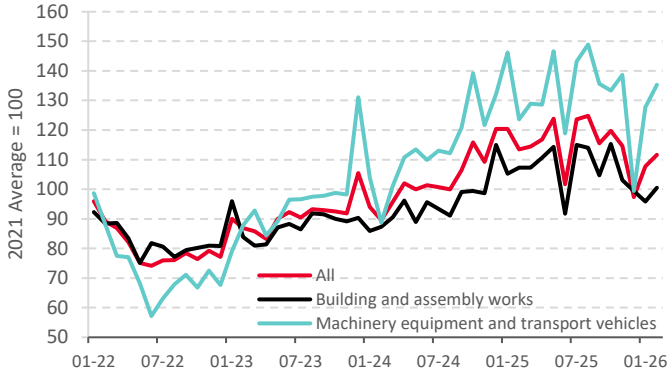
Investment at the beginning of the current year was recovering after weak results in Q4-2025 (Fig. 4.b). At the same time, the level of investment activity remained low – below the levels of January – February 2025, and relative to GDP – below the average level of 2019. Cold and snowy weather conditions in January-February had a restraining effect on investment demand, especially in construction works. It is difficult to quantitatively assess the impact of the climate factor, which creates high uncertainty regarding the dynamics of construction activity in the coming months. It can be assumed that the lag of construction in value added relative to last year's levels will narrow from minus 8.9% in February 2026 (Fig. 1.a). Overall, the prospects for increased investment remain subdued amid slowing economic growth in Belarus and Russia.

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.

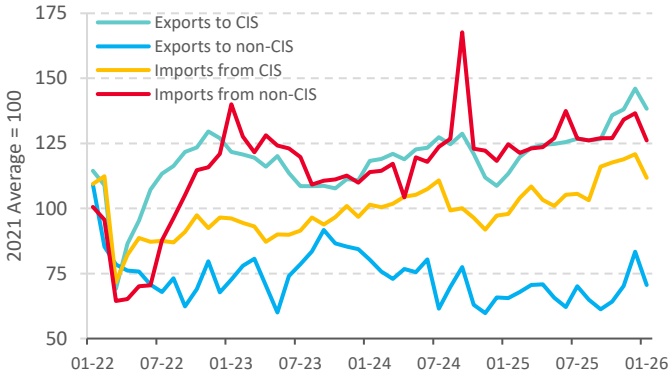
Foreign trade in goods and services recorded a surplus near 1% of GDP in January 2026 (seasonally adjusted)

The surplus was driven by an increase in the positive balance of trade in services to about 5.3% of GDP in January (seasonally adjusted). This was supported by the processing of Russian tolling crude, increased exports of transport and construction services, as well as a moderate recovery in the ICT sector.

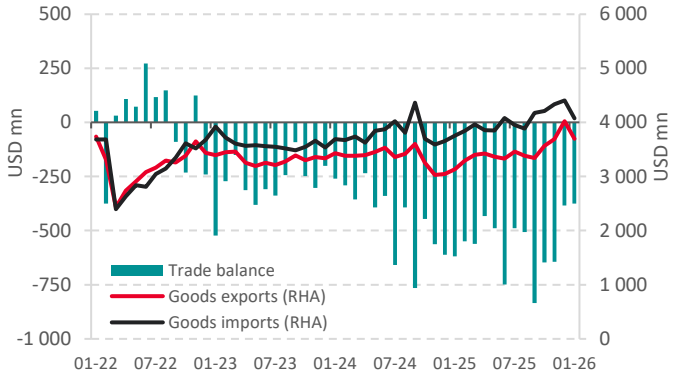
Foreign trade in goods remained in deficit in January 2026. The negative balance is estimated at around $380 million or 4.4% of GDP (based on Belstat data after seasonal adjustment). The size of the deficit remained almost unchanged compared to December 2025: exports and imports of goods declined by comparable amounts (Fig. 5.b). Strong domestic demand supported imports of goods, while export growth at the end of last year (based on Belstat data) was largely explained by the return of goods previously sent for processing (tolling crude). Amid weakening domestic consumer and investment activity, risks to exchange rate dynamics from foreign trade operations are assessed as low.

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 decreased in February 2026: the annual price increase slowed to 5.6% YoY (from 6.4% YoY in January 2026)**, while the annualized monthly increase amounted to ≈1% MoM** (seasonally adjusted; hereinafter – MoM; Fig. 6.a)

The postponement of the increase in utility tariffs became the main reason for the slowdown in inflation. Administratively regulated prices and tariffs fell by ≈16.6% MoM in February, which led to a decline in the non-core consumer price index by ≈11.8% MoM (Fig. 6.b). An increase in fruit and vegetable prices by more than 20% MoM in February, following two months of sharp declines, partially offset the contribution of regulated prices to the decrease in non-core inflation.

Core inflation remained low – around 5.4% MoM in February 2026 (Fig. 6.b)

A slight overvaluation of the Belarusian ruble and strict price regulation constrained the increase in prices of non-food goods, which amounted to ≈1.3% MoM in February (Fig. 6.c). The gradual "cooling" of domestic demand dynamics also did not provoke accelerated price growth in this segment of the consumer basket. Food products (excluding fruit and vegetables, alcohol, and tobacco products) rose in price by 6.5–7% MoM in February. Non-regulated services continued to rise at a faster pace compared to other components of core inflation – around 8–9% MoM in February 2026 (Fig. 6.c). Pressure from increased labor costs on prices of market services persisted, but the lack of acceleration in price growth in this segment in recent months suggests that it, at a minimum, has not intensified.

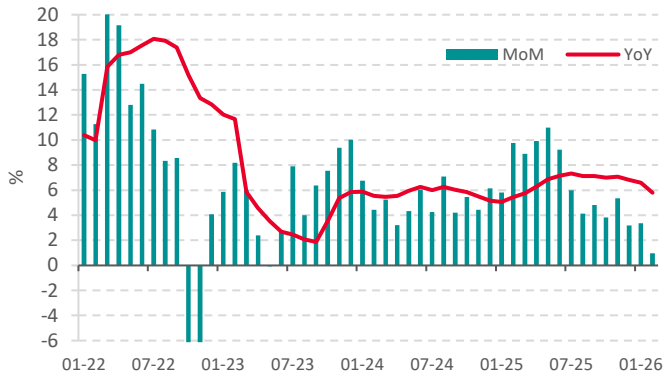
In March 2026, annual inflation is projected to be near 5.5% YoY

A strong ruble and reduced overheating of domestic demand do not create conditions for a noticeable acceleration of core inflation. Price pressure from the labor market will persist, but its magnitude will gradually decline. The inflationary overhang accumulated due to a prolonged period of strict price controls remains a threat to price stability (Fig. 6.d), but its materialization is not expected in the coming months. There are risks of price increases for certain goods due to rising logistics costs amid tensions in the Strait of Hormuz; however, they are likely to materialize only in the case of prolonged military actions. A significant increase in the price of Russian Urals crude, the narrowing of its discount to Brent crude, and low volumes of exports of petroleum products not derived from tolling raw materials (which compensate for lost refinery revenues from domestic market supplies) create risks of fuel price increases in Belarus.

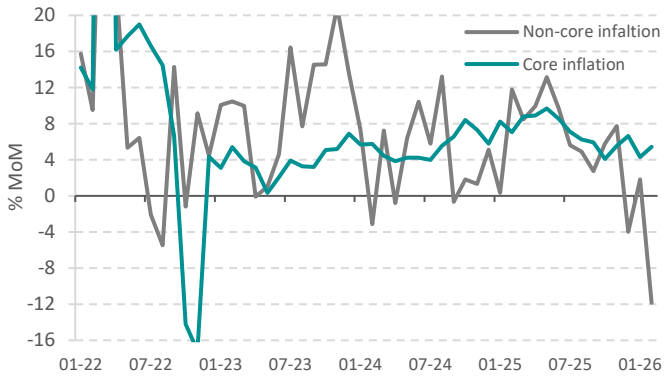
In April, annual inflation will rise closer to 6% YoY due to the inclusion of the increase in utility tariffs from March 2026, and by the end of the half-year it is highly likely to remain within 6% YoY. The probability of further monetary easing outweighs the probability of maintaining monetary conditions unchanged.

Figure 6. Inflation dynamics in Belarus

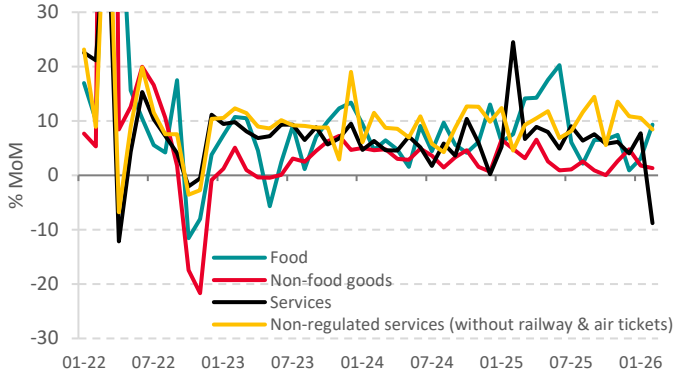
a) overall inflation



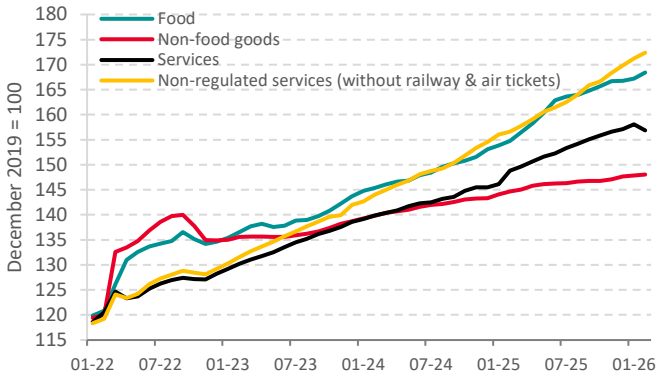
b) core and non-core inflation (SA)



c) inflation components (SA)



d) price levels of inflation components (SA)



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.