Belarus Economy Monitor:
trends, attitudes, and expectations

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Express Analysis

Economic Activity and Inflation

April 2026

The Belarusian economy expanded noticeably in March 2026, but overall showed subdued output dynamics in Q1-2026

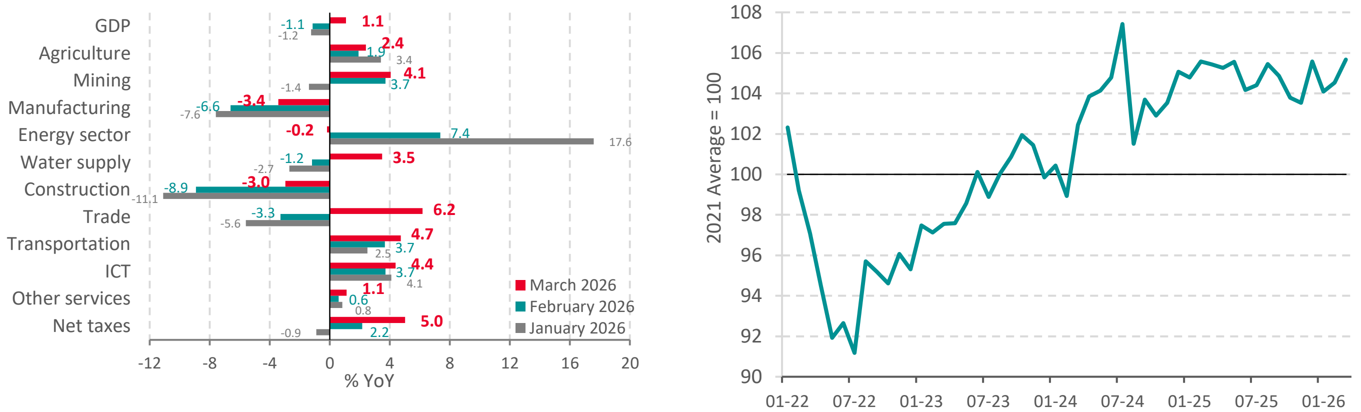
In March 2026, Belarus's GDP increased by more than 1% compared to February (Fig. 1.b). As a result, GDP exceeded the level of March 2025 by ≈1.1% (Fig. 1.a). The main driver of the acceleration in output was a surge in consumer demand, partly associated with the realization of pent-up demand due to the weather conditions of January–February. A record warm March following the cold winter months contributed to a recovery in construction and investment overall. A pickup was also observed in manufacturing at the beginning of spring: fertilizer and petrochemical producers benefited from increased demand for their products due to disruptions to shipping in the Strait of Hormuz.

Overall, in Q1-2026 GDP increased by ≈0.2% compared to Q4-2025 (Fig. 4.b). This growth can be interpreted as a stabilization of output after three quarters of slight decline. As a result, GDP was 0.4% lower than in Q1-2025. Temporary strengthening of consumption supported GDP. Negative pressure on output came from a decline in investment demand in Russia and its weakening in Belarus overall during the quarter. As a result, the deviation of GDP from its sustainable level narrowed to ≈1% in Q1-2026 (preliminary estimate). In the absence of major shocks, with a gradual recovery of growth in Russia and a correction of domestic consumer activity after the "abnormal" surge in March, cumulative GDP growth in Belarus will approach zero in the coming months and move toward +1% YoY thereafter. The "cooling" of the economy, along with easing labor shortage, creates conditions for inflation to remain close to 6% YoY.

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

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

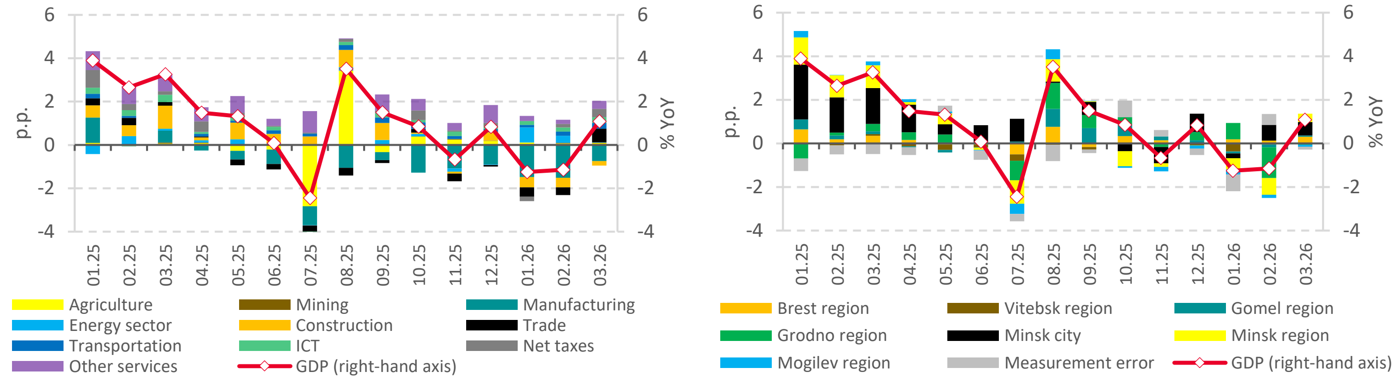
b) GDP volume at constant prices (seasonally adjusted)



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.

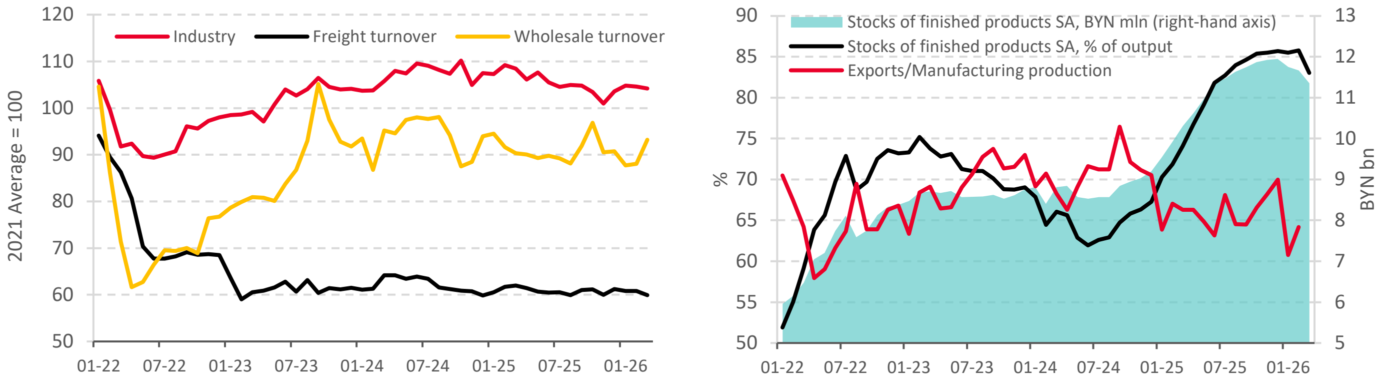
The scale of the decline in manufacturing narrowed in March: value added decreased by ≈3.4% YoY after falling by ≈6.6% YoY in February (Fig. 1.a)

Compared to February 2026, output in manufacturing industries increased by up to 1% (seasonally adjusted). A noticeable monthly rise in production was observed in the Grodno, Minsk, and Mogilev regions. Inventories of finished goods in these regions declined sharply in March, which translated into the first significant destocking at the national industrial level since June 2024 (Fig. 3.b). Fertilizer and petrochemical producers likely benefited from increased external demand for their products due to complications in shipping through the Strait of Hormuz. Passenger car production also increased amid stronger sales in the Belarusian and Russian markets in March. In other segments of the machinery complex, production dynamics likely remained weak. This is indicated by a 12.4% YoY decline in manufacturing in Minsk in Q1-2026 (around 16–17% YoY in March). Output in metallurgy and petroleum products (excluding tolling feedstock) also remained subdued, as evidenced by declines in manufacturing in the Gomel and Vitebsk regions by 7.7% and 5.1% YoY over the quarter, respectively (around 4% and 3% YoY in March alone). The downturn in light industry by 9.5% YoY weighed on the country's production performance in Q1-2026, while growth in food products and pharmaceuticals output by 3.4% and 4.3% YoY, respectively, provided support.

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.

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Overall, in Q1-2026 industrial production remained on a stagnation path (Fig. 3.a)

Due to increased energy generation during the winter months, industrial output posted slight quarterly growth, but this effect faded in March (Fig. 1.a). Seasonally adjusted value added in manufacturing declined for the sixth consecutive quarter and lost ≈6.5% compared to its peak in Q3-2024 (Fig. 4.a). Inventory levels, despite their decline in March, remained near record highs for the 21st century (Fig. 3.b). A reversal of the negative trend in manufacturing amid intensifying competition and the lack of spare labor resources is possible with a recovery in demand in Russia and/or an increase in labor productivity through intensified investment. The baseline scenario assumes that the Russian economy will return to modest growth in Q2-2026. This will have a positive impact on manufacturing output. However, without a significant increase in labor productivity, industrial output in the current year will, at best, remain close to last year's level.

Wholesale trade grew strongly in March, while its turnover declined overall in Q1-2026

The March increase may have been driven by higher output of fertilizers and petrochemicals, as well as by rising imports and exports of cars. Overall, wholesale trade continued to follow a "sideways" and slightly downward trend: its turnover decreased by 3.8% YoY in Q1-2026 after a decline of 3.1% YoY in Q1-2025 (Fig. 3.a). This indicates subdued dynamics of physical export volumes of goods (excluding petroleum products from tolling feedstock) at the beginning of the year amid weakened investment demand in Russia. Over the course of the year, wholesale trade turnover may recover to the 2025 level, provided that business activity in Russia improves.

Value added in the transport sector increased by ≈4.7% YoY in March 2026 (Fig. 1.a), driven by growth in passenger transportation

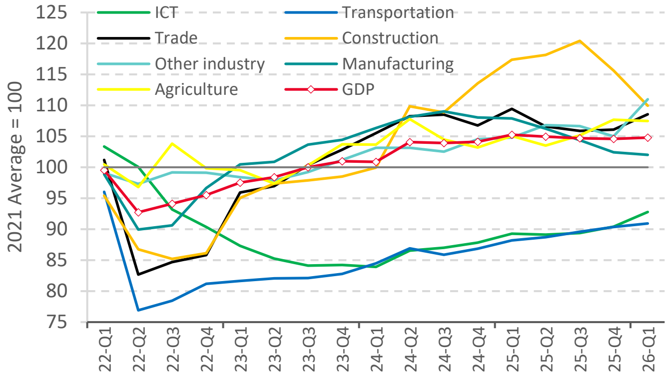
Significantly improved weather conditions in March may have contributed to increased travel activity. Due to higher passenger turnover, the transport sector increased its value added by ≈0.7% in Q1-2026 compared to the previous period (Fig. 4.a). However, due to persistently weak freight turnover – which declined slightly in March and over Q1 as a whole (Fig. 3.a) – transport sector value added remained about 9% below the average level of 2021 (Fig. 4.a).

The information and communication sector continued to recover in Q1-2026

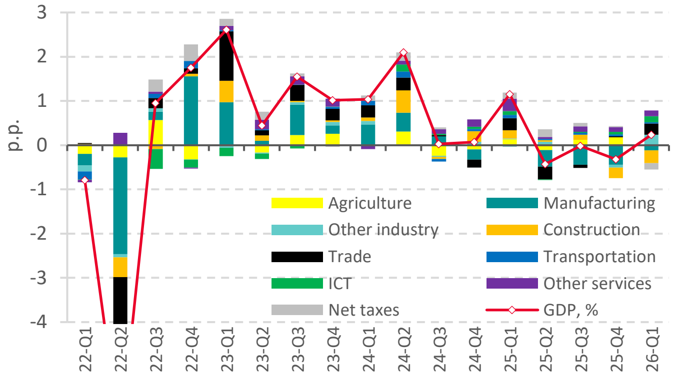
Value added in the ICT sector increased by ≈4.4% YoY in March 2026 (Fig. 1.a). Overall, in Q1-2026 the sector expanded by 2.6%, and the gap from the peaks of early 2022 narrowed to nearly 10% (Fig. 4.a). The ICT sector will continue to recover at a moderate pace and may grow by more than 5% YoY by the end of 2026.

Figure 4. 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.

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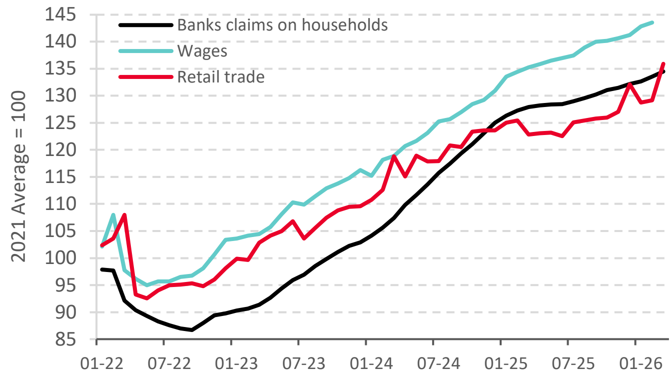
Consumer demand surged sharply in March 2026

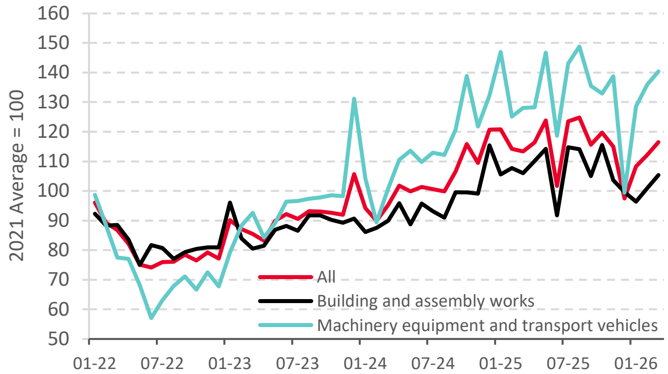
Retail turnover increased by 5% in March compared to February (in real terms; seasonally adjusted), including more than 13% growth in the non-food segment – the highest monthly increase in 10 years. Weather conditions – cold January–February and a record warm March - significantly affected consumer activity: purchases postponed during the winter were realized at the beginning of spring. Against this backdrop, car sales rose sharply in March. This may also be linked to the expected (from April 1, but postponed) adjustment to the mechanism for calculating the recycling fee on cars in Russia imported from EAEU countries. The likely concentration of the spike in consumer demand in the automotive segment, the impact of weather conditions, as well as the continued moderate pace of household lending (around 0.6% per month on average in January–March in real terms; Fig. 5.a) and a high savings rate, suggest that the sharp increase in consumption in March was temporary. However, even if this hypothesis is correct, household spending in Q1-2026 still remained high relative to potential output: consumption exceeded the average 2021 level by more than 30%, while GDP exceeded it by ≈4.8% and industry by ≈3.3%. Loose monetary policy and wage growth close to 5% YoY will support consumer demand at a high level in 2026. However, its growth will slow as the labor market cools (the number of vacancies declined noticeably in January–March).

Figure 5. 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 continued to recover in March, while remaining low relative to GDP

A warm March contributed to the recovery of construction activity after weak results at the beginning of the year, and investment in machinery and equipment approached the levels of Q3-2025 following a decline at the end of last year (Fig. 5.b). At the same time, overall in Q1-2026 value added in construction decreased by almost 5% compared to Q4-2025 (Fig. 4.a), while gross fixed capital formation declined by about 1.5% over the same period (preliminary estimate). Capital investment fell for two consecutive quarters even amid accommodative conditions for investment lending, and its share relative to GDP is estimated at slightly above 24% (below the average level of 2018–2019). Financial conditions were not a constraint on investment, which was held back by heightened uncertainty in the business environment and economic outlook, strict price controls, and labor shortages. The latter was reflected in an increasing share of national income accruing to labor and a declining share forming profits, from which more than 40% of investment is financed.

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Thus, the share of labor compensation in GDP reached a historical high of 52.3% in 2025, while the share of gross profits and mixed income fell to its lowest level since 2006 – 35.7%. The need to increase labor productivity will push businesses toward higher investment, but amid slowing demand in Russia and Belarus and the persistence of sanctions, the pace of this growth is expected to remain moderate.

Foreign trade in goods and services recorded a deficit of around 1.5% of GDP in February 2026 (seasonally adjusted)

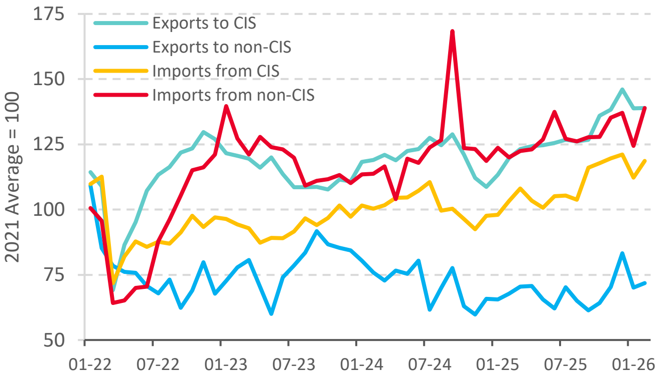
The deficit resulted from a significant widening of the negative balance in goods trade. The trade deficit (based on Belstat data; seasonally adjusted) increased from ≈$360 million (4.2% of GDP) in January to ≈$660 million (7.6% of GDP) in February 2026 (Fig. 6.b). The widening deficit was driven by higher nominal imports of goods (Fig. 6.a). Increased imports from non-CIS countries may be explained by higher car imports following price increases after higher taxes and customs duties on hybrids introduced at the start of the year. It is also plausible that physical import volumes rose amid a marked increase in car sales in Belarus and Russia in March. The rise in the dollar value of imports from CIS countries may have been driven by price effects due to the appreciation of the Russian ruble against the US dollar in February 2026. The absence of comparable growth in exports correlates with weak manufacturing performance in February and declining investment demand in the Russian market. The surplus in services trade remained close to 5.2% of GDP in February 2026.

For Q1-2026 as a whole, the external trade deficit is expected to be within 1% of GDP

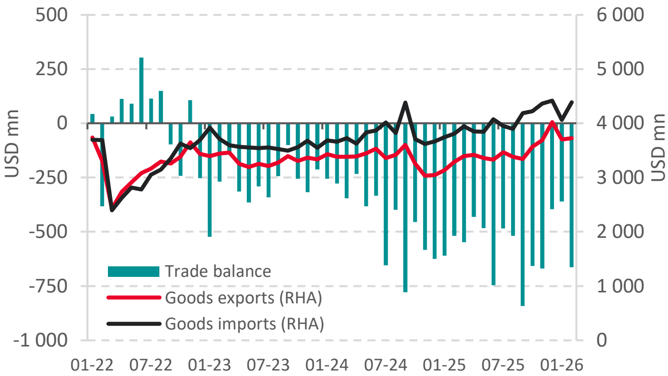
Net demand for foreign currency from firms amounting to about $280 million in March (seasonally adjusted) indicates a trade deficit at the beginning of spring. A temporarily high volume of car imports may persist, along with a deterioration in the balance of trade in energy goods. The latter is associated with a likely increase in costs for Belarusian refineries due to rising prices of Russian oil and higher logistics costs. In addition, refinery profitability may be affected in the coming months by a narrowing discount of Russian Urals crude to North Sea Brent. The scale of the trade imbalance remains non-critical and does not pose a significant threat to the exchange rate. If the authorities do not substantially increase stimulus to domestic demand, foreign currency supply from households will continue to largely offset firms' demand.

Figure 6. Dynamics of foreign trade indicators

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



b) value volumes of foreign trade (seasonally adjusted)

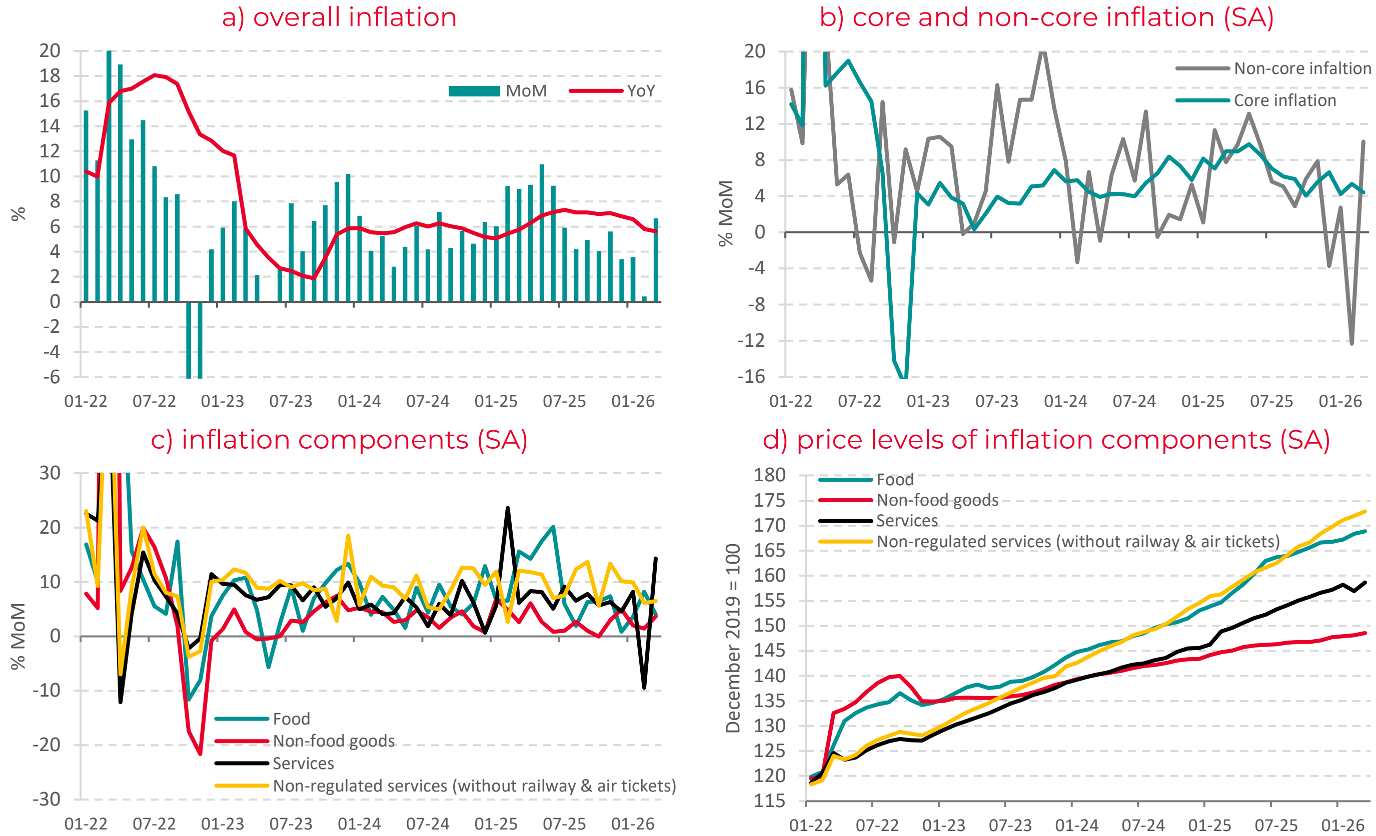


Note: The indicator dynamics updates once new data are published.

Inflation remained subdued in March: annual price growth was 5.4% YoY, the annualized monthly increase was ≈6.0–6.7% MoM (seasonally adjusted; hereinafter – MoM; Fig. 7.a)

Monthly inflation increased from near-zero levels in February, when CPI growth temporarily declined due to the postponement of tariff increases for utilities. Thus, non-core inflation (including utility tariffs) rose to ≈10% MoM in March 2026 (Fig. 7.b). A significant impact on the non-core index came from higher regulated prices for passenger transport and fuel. Near-zero price dynamics for fruit and vegetables restrained non-core inflation growth in March (seasonally adjusted). A sharp acceleration in non-core inflation is expected in April due to the inclusion of the March increase in utility tariffs (their monthly growth remained near zero in March). As a result, the annualized monthly increase in non-core CPI in April may exceed 35% MoM, while annual growth may rise from ≈4.5% YoY in March to ≈6.5% YoY in April 2026.

Figure 7. 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.

Core inflation declined from 5.4% MoM in February to ≈4.4% MoM in March 2026 (Fig. 6.b)

Price dynamics remained subdued in both food and non-food segments (Fig. 7.c). Food prices (excluding fruit and vegetables, alcohol, and tobacco) increased by ≈4.2% MoM in March, while non-food goods (excluding fuel) rose by ≈2% MoM. A strong Belarusian ruble, slowing domestic demand, and continued strict price controls remained factors restraining inflation. Non-regulated services continued to rise at a fast pace – ≈10% MoM in March. A significant contribution came from higher prices for international rail and air tickets, which are highly volatile. Excluding them, prices for market services increased by ≈6.5% MoM in March after ≈6% MoM in February (Fig. 7.c). Price growth in the services segment remained elevated relative to goods due to ongoing pressure from higher labor costs. This led to a widening disparity in relative prices (Fig. 7.d), indicating a significant inflationary overhang in the economy.

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At the same time, price growth for non-regulated services stopped accelerating this year and, excluding rail and air tickets, even slightly declined amid slowing domestic demand (Fig. 7.c). If authorities do not significantly increase stimulus to domestic demand, the realization of the inflationary overhang will remain contained even with some easing of price controls.

In April 2026, annual inflation will move closer to 6% YoY due to the effects of tariff increases for housing and utilities shifted from January to March

Core inflation will remain subdued: monthly growth is expected at around 4.5–6% MoM in April 2026 and about 6% YoY annually. Risks of higher prices for certain goods due to rising logistics costs amid tensions in the Strait of Hormuz persist. Inflation in the EU may also increase due to higher energy prices, fertilizers, and, with some lag, food products. However, the impact on the Belarusian market will be limited, as Belarus purchases gas at preferential prices, is a supplier of fertilizers to the global market, and is a net exporter of food. Additional increases in domestic fuel prices cannot be ruled out amid rising Russian oil prices and a narrowing discount to Brent. Overall, moderate inflation dynamics below the 7% YoY target create conditions for a slight easing of monetary policy.

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