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Express Analysis

July 2026

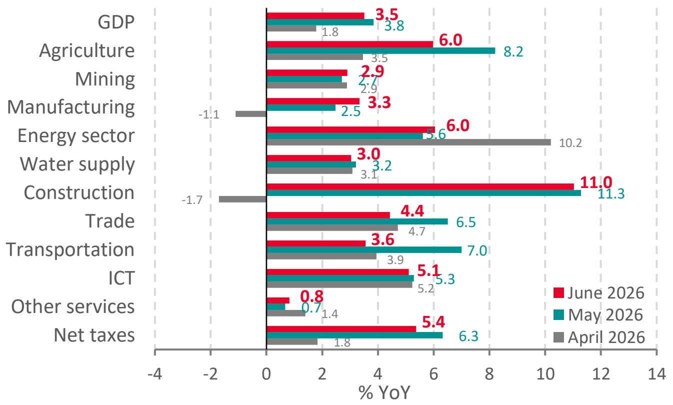
Belarus's GDP grew by 3% YoY in Q2-2026

Over the half-year, GDP increased by 1.5% YoY, and in June alone by ≈3.5% YoY **(Fig. 1.a)**. Compared to May 2026, output edged slightly downward (seasonally adjusted; **Fig. 1.b**). However, thanks to strong dynamics in the spring months, Q2-2026 GDP growth as a whole became the highest in more than a year – at around 3% YoY. The acceleration in output growth was supported by strengthening domestic consumer and investment demand in an environment of stimulative economic policy, as well as the action of idiosyncratic factors (rising prices and demand for Belarusian fertilizers in external markets due to the Hormuz crisis, expanded tolling oil processing, and the influence of weather conditions and calendar effects). As a result, GDP in Q2-2026 exceeded the average 2021 level by ≈7.3% **(Fig. 2.c)**.

In July–August, output dynamics will be volatile due to the influence of the harvest campaign. Nevertheless, accumulated GDP growth has a high probability of reaching 2% YoY in Q3-2026, and coming in at 1.5–2.5% YoY for the year as a whole. The wide range is driven by high uncertainty in external conditions. The influence of destructive non-economic factors on the state of the Russian economy is becoming an increasingly significant risk for the Belarusian economy. If the state of the fuel market in Russia does not deteriorate further, the balance of supply and demand in it recovers, and no other infrastructure complications arise, then Belarus's GDP growth will come in closer to the upper bound of the forecast range. The same uncertainty factors apply to the inflation outlook as well. In the baseline scenario, an increase from 4.3% YoY in June to 5–6% YoY by year-end is expected. An easing of price controls in July could spur growth in non-food goods prices. However, there is a high probability that this growth will be moderate, and that the low goods price growth rates observed in 2023–2026 relative to services were to a significant degree a regional phenomenon associated with the transformation of competition mechanisms against the backdrop of the development of online trade.

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)

Source: calculations based on the data from Belstat.
Note: the estimates are updated once the data are verified. Monthly GDP data are estimates.

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Value added in agriculture increased by ≈6% YoY in June (Fig. 1.a), contributing ≈0.2 p.p. to annual GDP growth (Fig. 2.a)

Positive output dynamics were maintained in both crop and livestock farming (**Fig. 3.c**). Over Q2, agricultural value added gained ≈1.3% relative to the previous period (**Fig. 2.c**), adding ≈0.1 p.p. to quarterly GDP growth (**Fig. 2.d**). In July–August, agriculture will introduce volatility into GDP dynamics, but for the year as a whole will maintain comparatively high growth rates, barring any weather cataclysms.

Industrial value added gained ≈3.6% YoY in June, and for Q2-2026 as a whole contributed more than 1 p.p. to quarterly GDP growth (Fig. 2.d)

In June alone, seasonally adjusted industrial output edged slightly downward after growth in April–May (**Fig. 3.a**). Regional statistics signal subdued production dynamics in civilian machinery sectors (excluding passenger cars) and metallurgy, which continued to be affected by the declined investment demand in Russia. Persistently weak results were observed in light industry (minus 8.6% YoY for the half-year), likely due to intensified competition in domestic and external markets. Positive dynamics were maintained in the food industry (+3.9% YoY for the half-year), pharmaceuticals (+6.5% YoY), potash fertilizer production, and passenger car manufacturing. The volume of oil refining, judging by foreign trade data, also significantly exceeded last year's level thanks to expanded output from tolling feedstock.

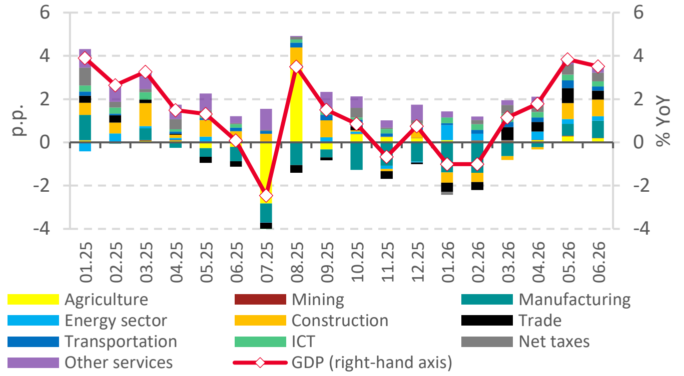
Overall in Q2, industrial value added grew by ≈3.8% relative to Q1-2026, including by ≈4.3% in manufacturing sectors (**Fig. 2.c**). As a result, the gap between industrial output and the mid-2024 peaks narrowed noticeably, and accumulated output for the half-year approached the volume of H1-2025 (**Fig. 3.a**).

The industrial growth outlook for H2-2026 has become more uncertain due to complications in Russia's fuel market

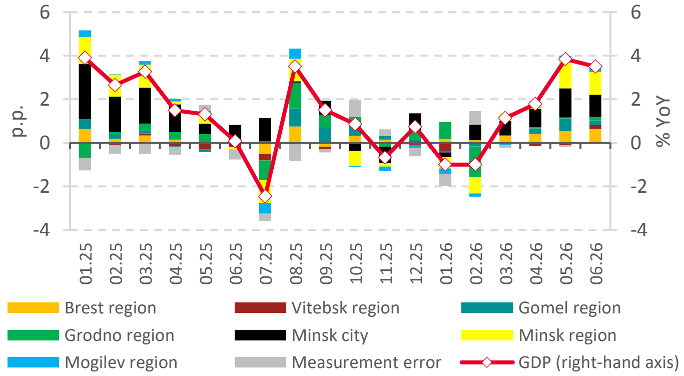
If the balance of supply and demand for fuel in Russia recovers, cumulative output growth will turn positive in Q3 and will show moderate growth in 2026. A prolonged and substantial fuel deficit in Russia, however, could become a tangible shock for Belarusian industry, associated both with disruptions to export and import logistics chains and with weakening demand from Russian consumers.

Figure 2. Dynamics of GDP in Belarus

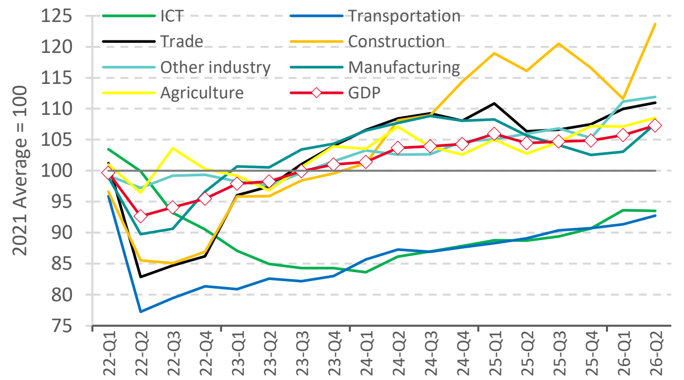
a) sectoral structure of YoY GDP growth



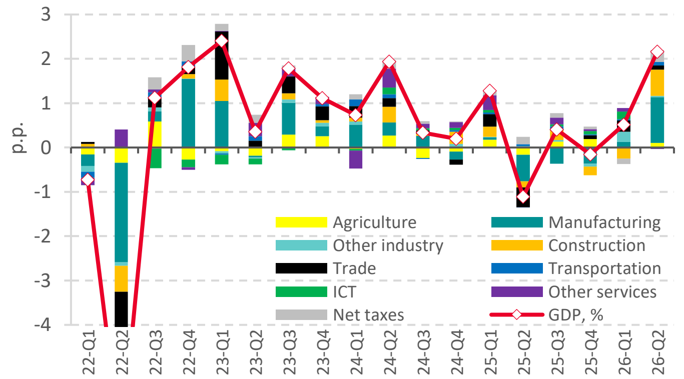
b) regional structure of YoY GDP growth



c) GDP and value added by sector (seasonally adjusted; at constant prices)



d) sectoral structure of quarterly GDP growth (quarter to the previous quarter; seasonally adjusted)



Source: calculations based on the data from Belstat.
Note: the dynamics are updated once new data are published.

Inventory dynamics may serve as an indirect indicator of how the situation develops. In May–June, their decline relative to output came to a halt **(Fig. 3.b)**.

It is important to note that the current complications in Russia's fuel market do not pose a threat to the stability of the Belarusian market. Belarus's refineries remain below full capacity and are able to meet domestic demand for fuel with ample reserve.

Value added in the transport sector slowed its growth to ≈3.6% YoY in June (Fig. 1.a)

Freight turnover remained within a sideways trend **(Fig. 3.a)**, while passenger turnover growth slowed. Overall in Q2-2026, the transport sector demonstrated moderate value added growth driven by the passenger segment **(Fig. 2.c)**. However, its volume still fell short of the average 2021 level by around 7% due to the loss of nearly 40% of freight turnover since that period **(Fig. 3.a)**.

The ICT sector increased value added by ≈5.1% YoY in June (Fig. 1.a), but quarterly dynamics in Q2-2026 were subdued

The comparatively high annual growth rates are the result of ICT sector output expansion in Q4-2025 – Q1-2026. In Q2 it remained close to the previous period's level **(Fig. 2.c)**. Overall, the information and communications sector remains on a trajectory of moderate recovery, supported by employment growth and the development of the EAEU market. The room for growth remains significant: the sector's value added in Q2-2026 still lagged the late-2021 – early-2022 peak by nearly 10% **(Fig. 2.c)**.

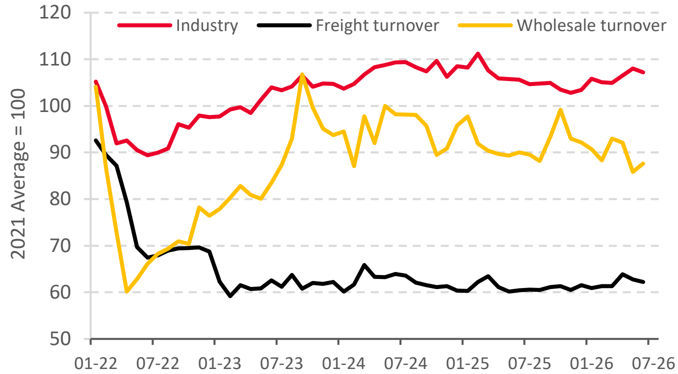
It should be noted that following Belstat's revision of value added estimates for January–May 2026, the April spike in ICT that had been identified in the first GDP estimate data smoothed out **(Fig. 1.a)**. A material revision of Q2-2026 results in late September of the current year cannot be ruled out either.

High consumer demand supported the trade sector, whose value added grew by 4.4% YoY in June

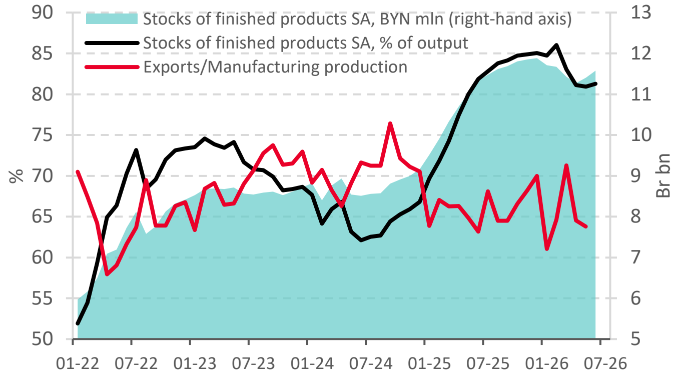
Growth in trade slowed somewhat in June due to a correction in retail trade turnover following a notable increase in March–May 2026 **(Fig. 4.a)**. Wholesale trade turnover dynamics remained subdued in Q2-2026 **(Fig. 3.a)**, which among other things points to modest exports of petroleum products not derived from tolling feedstock.

Figure 3. Producer activity in Belarus

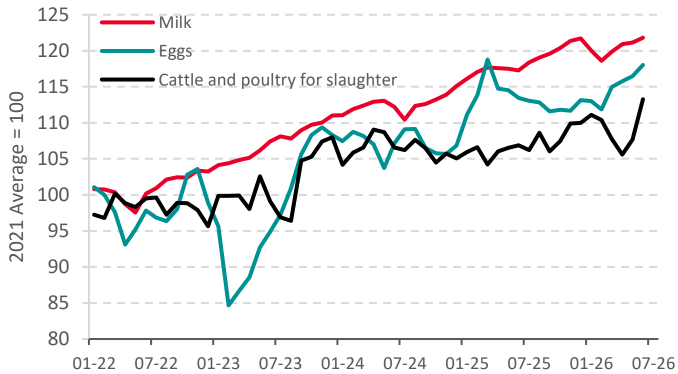
a) real output in industry, real wholesale trade, freight turnover (seasonally adjusted)



b) industrial stocks, the ratio of goods exports to output



c) output of livestock production in Belarus (in agricultural organizations; seasonally adjusted)



Source: calculations based on the data from Belstat, the National Bank.
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 Belstat's Industrial Output Index in 2015 prices. The dynamics are updated once new data are published.

Overall in H1-2026, retail trade picked up noticeably **(Fig. 4.a)**. As a result, the value added of the entire trade sector grew by 0.9% in Q2 relative to Q1-2026 **(Fig. 2.c)**. The strengthening of consumer demand (by 2–2.5% in Q2 relative to Q1-2026 according to the preliminary estimate) stimulated growth in non-food goods sales, primarily passenger cars.

This was supported by accommodative lending conditions for domestically produced goods, which translated into an acceleration of total household credit in H1-2026 **(Fig. 4.a)**. Persistently high real wage growth in a tight labor market also supported consumer activity **(Fig. 4.a)**. As a result, the pace of consumer demand expansion continued to outpace the capacity for output growth, stimulating imports.

Investment in June corrected downward following a spike in May related to the uneven pace of construction work (Fig. 4.b)

The annual growth rate of construction value added nonetheless remained high – 11% YoY in June **(Fig. 1.a)** – as June 2025 also saw a substantial decline in construction activity **(Fig. 4.b)**. Investment in machinery, equipment, and vehicles in June 2026 held at the previous month's level, close to recent-year peaks **(Fig. 4.b)**.

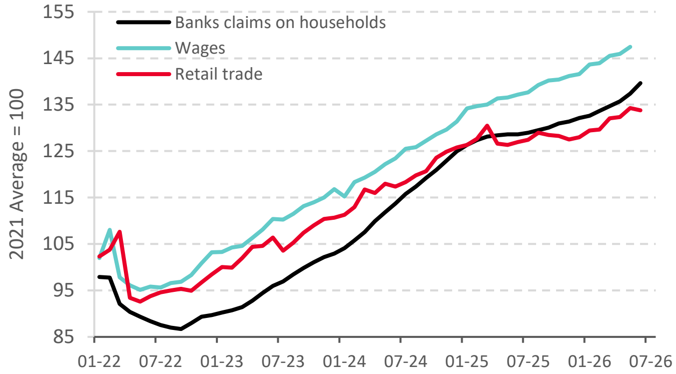
Overall in Q2-2026, investment grew by ≈9% relative to Q1-2026 (preliminary estimate). Construction value added gained nearly 11% over this period, contributing 0.6 p.p. to quarterly GDP growth **(Fig. 2.d)**. In part, this growth was compensatory following weak results at the start of 2026 **(Fig. 4.b)**, including those related to weather conditions. However, the influence of accommodative investment lending conditions and high budget expenditures was also present in an environment of administrative stimulation of capital investment. In the absence of strong shocks, support for investment from domestic economic policy will be maintained, and the need to raise labor productivity will stimulate the investment process. A restraining influence will persist from high business environment uncertainty.

Foreign trade in goods and services posted a deficit of close to 0.5% of GDP in May 2026 (seasonally adjusted)

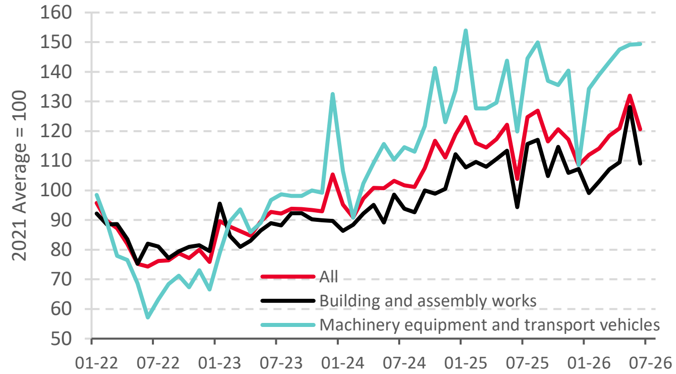
The negative goods trade balance remained around 5% of GDP in May **(Fig. 5.b)**. Imports remained elevated and continued to be stimulated by the expansion of domestic demand. At the same time, the increase in goods imports according to Belstat data was, by estimate, to a significant degree driven by higher volumes of tolling oil brought in from Russia for processing **(Fig. 5.a)**. The potential for export expansion was likely constrained both by domestic resource limitations associated with high capacity

Figure 4. Domestic demand in Belarus
(all indicators are seasonally adjusted)

a) consumer demand (in real terms)



b) investments (in real terms)



Source: calculations based on the data from Belstat, the National Bank.
Note: real retail trade volume is calculated by deflating nominal volume by the CPI for goods. Real wage has been calculated by deflating the nominal wage by the overall CPI. Real investment indicators have been calculated by deflating nominal investment by construction price indices. The indicator dynamics are updated once new data are published.

utilization in industry and a labor shortage, and by weakened investment demand in the Russian market **(Fig. 5.a)**. Goods exports were supported by favorable price terms of trade, high demand for Belarusian fertilizers, and growth in retail trade in Russia.

The services trade surplus of around 4.5% of GDP continued to substantially offset the goods deficit

A significant contribution to maintaining the substantial positive services balance was made by the recovery in ICT sector output and expanded tolling oil processing **(Fig. 5.b)**. These factors will in all likelihood continue to exert influence in the coming months. As a result, the overall foreign trade balance in goods and services will remain close to balance or a moderate deficit within 1% of GDP for 2026 as a whole. The state of the external trade position does not create preconditions for a material change in the Belarusian ruble exchange rate in basket of currencies terms in the current year.

Inflation remained low in June 2026

Annual consumer price growth slowed from 4.8% YoY in May to 4.3% YoY in June, while annualized monthly inflation remained around 3% MoM (seasonally adjusted; **Fig. 6.a**).

Non-core inflation in June remained close to the May level – around 4% MoM (Fig. 6.b)

Administratively regulated prices grew at a subdued pace of around 5% MoM, while fruit and vegetable prices showed near-zero monthly dynamics. Overall in Q2, fruit and vegetable prices fell by ≈19% QoQ, supported in part by the ruble's appreciation against the dollar and subdued conditions in external markets. As a result of the fourth consecutive quarter of fruit and vegetable price declines, their cost fell by more than 10% over the year. In the absence of prolonged weather anomalies, fruit and vegetable prices this year will remain below 2025 levels.

Core inflation remained slightly below 3% MoM in June 2026 (Fig. 6.b)

Goods prices continued to show extremely subdued dynamics amid a strong ruble, strict price controls, and restrained inflation dynamics for traded items in Russia. Thus, non-food goods rose in price by ≈1.8% MoM in June **(Fig. 6.c)**, while food products (excluding fruit and vegetables, alcoholic beverages, and tobacco products) rose by ≈1.6% MoM.

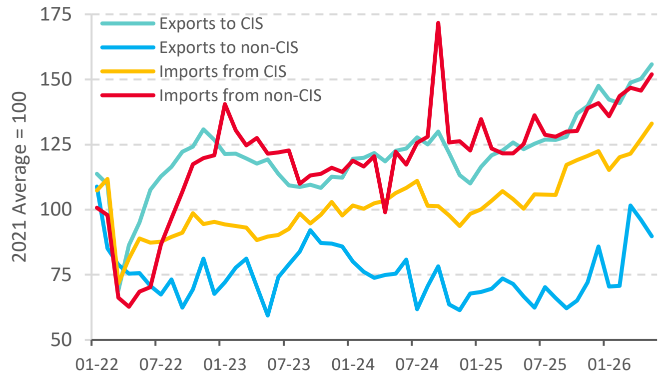
The pace of non-regulated services price increases remained high – ≈11.4% MoM in June, or ≈13.2% MoM excluding highly volatile international rail and air tickets **(Fig. 6.c)**. Pressure from rising labor costs and strong consumer demand is driving persistently high inflation in non-regulated services.

In July, the government substantially reduced the list of goods prices regulated under Resolution No. 713, which may have moderate inflationary consequences

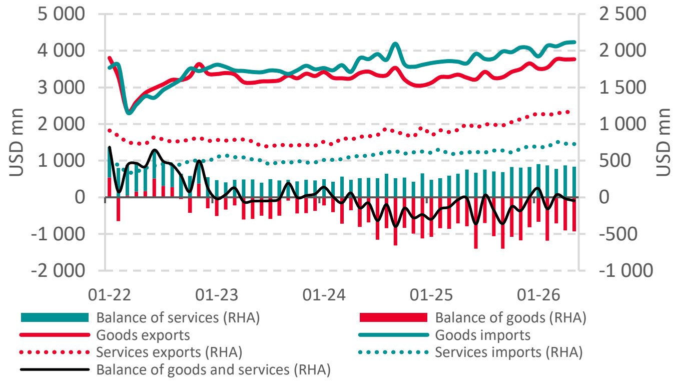
Virtually all non-food goods have been removed from price controls, while the list of regulated food products changed insignificantly. As a result, the share of items regulated under Resolution No. 713 in the consumer basket decreased from around 45% to about 28% (including administratively regulated prices and tariffs – from around 70% to 53%).

Figure 5. Foreign trade in Belarus
(all indicators are seasonally adjusted)

a) goods exports and imports (value volumes)



b) foreign trade in goods and services



Source: calculations based on the data from Belstat, the National Bank.
Note: the indicator dynamics are updated once new data are published.

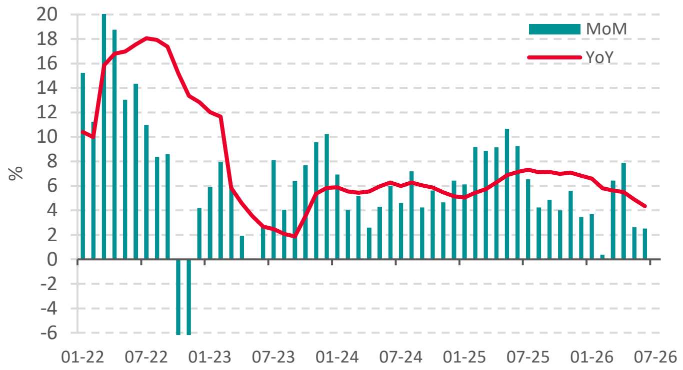
This is a significant easing of price controls, which may have pro-inflationary consequences in terms of accelerating non-food goods price growth. The substantial accumulated divergence in relative prices of non-food goods and non-regulated services points to the presence of an inflationary overhang **(Fig. 6.d)**. However, the size of the overhang may turn out to be smaller than previous estimates. This is because the divergence in goods and services price dynamics may have been less a reflection of price controls in Belarus and more a regional phenomenon, including one associated with the transformation of competition conditions against the backdrop of the rapid development of marketplaces. In support of this hypothesis is a similar divergence in non-food goods and services prices in Russia in 2023–2026. As a result, the easing of price regulation will most likely lead to an increase in the pace of non-food goods price appreciation in the coming months, though the magnitude of the increase is expected to be moderate.

The inflation forecast in the range of 5–6% YoY for the current year as a whole remains valid

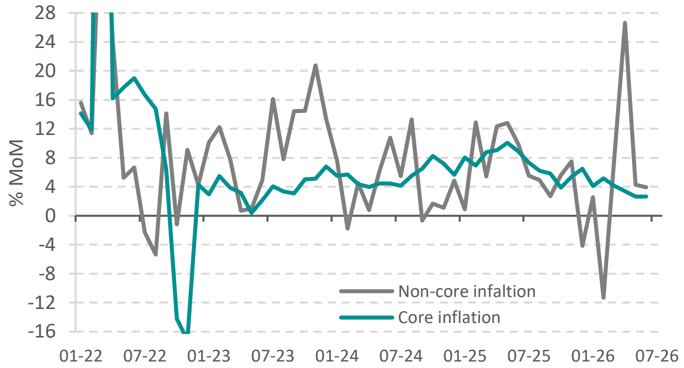
At the same time, forecast uncertainty has increased. due to the difficulty of estimating the magnitude of the accumulated inflationary overhang, as well as in connection with heightened risks of an acceleration in transportation price growth in Russia.

Figure 6. Inflation dynamics in Belarus

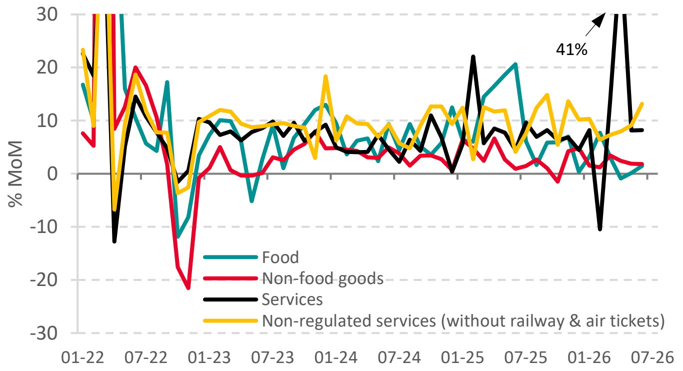
a) overall inflation (SA)



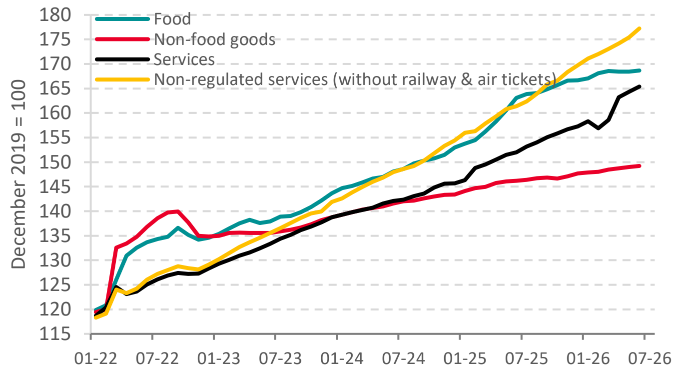
b) core and non-core inflation (SA)



c) inflation components (SA)



d) price levels of inflation components (SA)



Source: calculations based on the data from Belstat, the National Bank.
Note: YoY is a monthly growth rate versus the corresponding month of the previous year; MoM is an annualized monthly growth rate (seasonally adjusted) versus the previous month. SA is a seasonally adjusted indicator. The dynamics are updated once new data are published.