

Express Analysis

Economic Activity and Inflation

August 2025

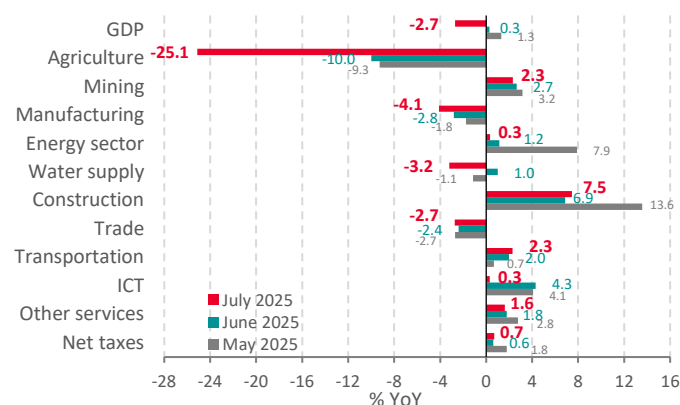
GDP of Belarus temporarily contracted in July 2025 due to a shift in grain harvesting

In the first seven months of 2025, GDP grew by 1.3% YoY, while in July separately it declined by $\approx 2.7\%$ YoY (Fig. 1.a). The drop in output is mainly explained by a significant lag in grain harvesting in 2025 compared to 2024. Excluding the contribution of agriculture, GDP growth in July 2025 is estimated at about 0.1% YoY. GDP volume (seasonally adjusted) declined noticeably in July compared to June 2025 (Fig. 1.b). Agriculture also contributed to the output decline, though to a much lesser extent compared to the annual growth rate. There was no growth in key export-oriented sectors of the economy – industry, wholesale trade, freight transportation, ICT – indicating restrained external demand and limited production capacity amid their excessive utilization. Under such conditions, the increase in domestic demand was likely satisfied largely through imports. In August, GDP growth will accelerate sharply as the harvesting campaign catches up and may reach around 5% YoY. The cumulative GDP growth for the first eight months will rise to 1.5–1.8% YoY.

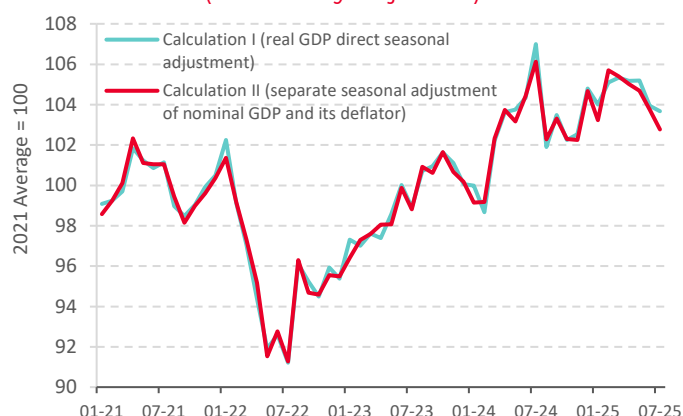
Annual inflation stood at 7.4% YoY in July, while the annualized monthly price growth slowed to 6.5–7% MoM (seasonally adjusted). The slowdown in inflation was influenced by weaker growth in food prices, while non-regulated services became more expensive at an accelerated pace amid excessive demand and rising labor costs. In August, annual inflation is expected to be near 7.5% 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.

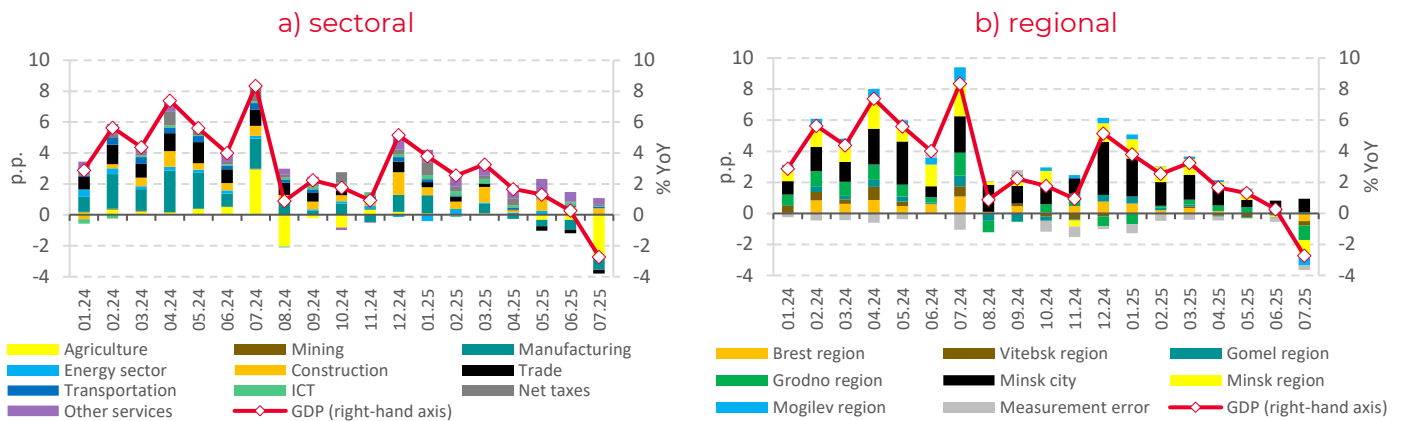
This Express Analysis is an operational analysis of the status of the key macroeconomic indicators of Belarus.

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Agricultural value added declined by $\approx 25\%$ YoY in July 2025 due to the late harvesting campaign (Fig. 1.a), which subtracted ≈ 2.8 p.p. from annual GDP growth (Fig. 2.a)

As of August 1, 2025, agricultural enterprises harvested grain from 22.3% of areas, while a year earlier – from 59.3% of areas. As a result, grain collection (including rapeseed) as of August 1, 2025, was almost twice as low as the previous year's level. At the same time, grain yields this year are noticeably higher than last year's, which allows expectations for a fairly high final harvest, comparable to the levels of 2020 and 2022. Consequently, agriculture will show a significant increase in value added in August and make a substantial contribution to GDP growth.

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.

Industrial value added contracted by $\approx 3.4\%$ YoY in July 2025, which subtracted ≈ 0.7 p.p. from annual GDP growth (Fig. 2.a)

Industrial output (seasonally adjusted) showed near-zero dynamics in July compared to the previous month (Fig. 3.a). Only in Gomel region was an increase in manufacturing output recorded in July relative to June, which may reflect some recovery in oil refining. In other regions, production dynamics were weak in July, while in Minsk region a noticeable decline in output was observed. This may be linked to a temporary reduction in potash fertilizer production. Inventories continued to rise in July, but at a slower pace after reaching record levels over more than two decades (Fig. 3.b). At the same time, in recent months the ratio of goods exports to industrial output has also declined significantly (Fig. 3.b), confirming difficulties with sales in the Russian market amid weakening economic activity in Russia. Accumulated industrial output growth since the beginning of the year will remain negative in the coming months.

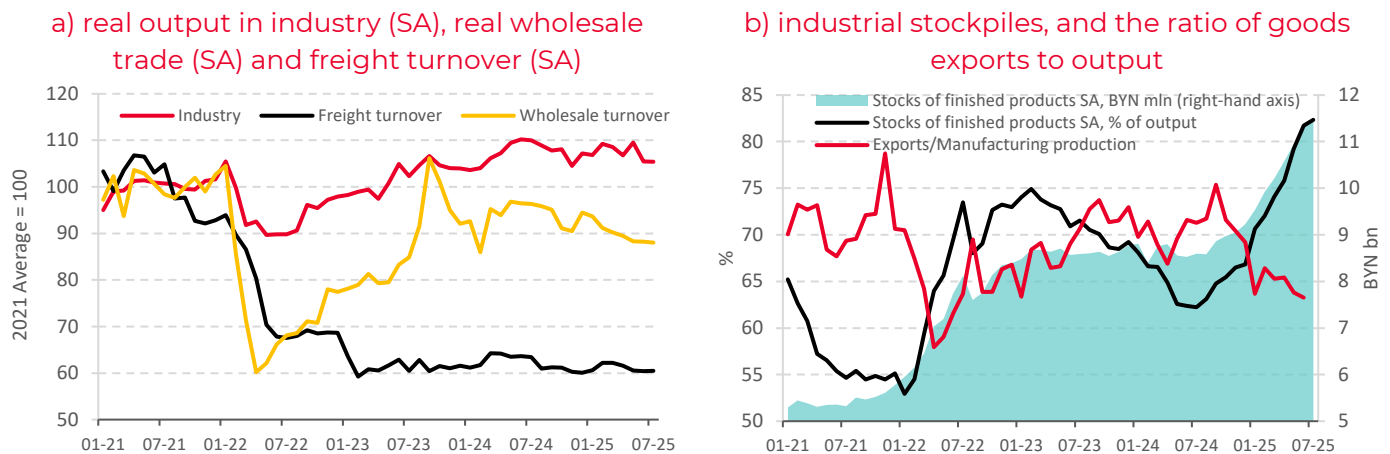
Wholesale turnover stagnated in July (seasonally adjusted; Fig. 3.a)

The restrained dynamics of manufacturing output and wholesale trade signal weakness in goods exports (in physical terms). The active reduction of the key rate by the Bank of Russia to 14% or lower by the end of 2025 may stimulate demand recovery in the Russian market, but due to the transmission lag of monetary impulses, the main effects will materialize in 2026.

Freight transportation continued to stagnate in July 2025 – freight turnover remained at around 60% of the 2021 average (Fig. 3.a)

Passenger turnover in July increased slightly compared to the previous month and exceeded the 2021 average by more than 30% (seasonally adjusted). This indicates persistently high consumer activity, including demand for tourism services. As a result, the total value added of the transport sector increased by $\approx 2.3\%$ YoY in July (Fig. 1.a), contributing ≈ 0.1 p.p. to GDP growth.

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.

Value added in the information and communication sector grew by $\approx 0.3\%$ YoY in July 2025 (Fig. 2.a), which corresponds to a near-zero contribution to annual GDP growth

Growth of value added in July relative to June is also estimated close to zero (seasonally adjusted). It cannot be ruled out that the recovery process in the ICT sphere is beginning to slow due to the limited capacity of the domestic market, strong competition from Russian companies in the EAEU market, and probable difficulties in operating in Western markets under sanctions.

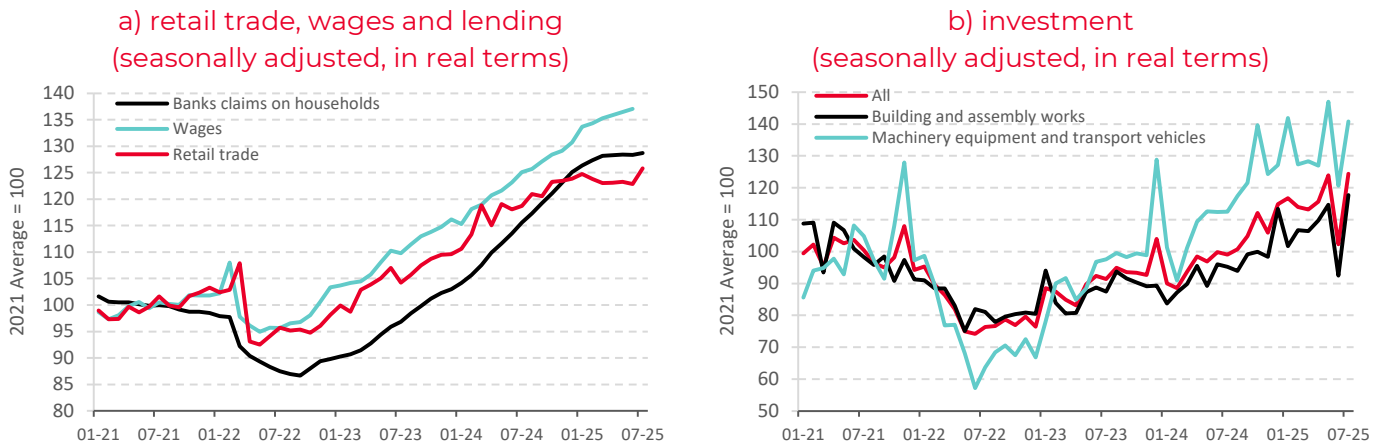
Consumer demand for goods unexpectedly rose sharply in July 2025

Retail turnover in July added more than 2% relative to June 2025 in real terms, seasonally adjusted (Fig. 4.a). Sales of non-food products grew by more than 4% in a month. Likely, against the backdrop of deteriorating household economic sentiment reported in surveys and rising inflation expectations, the population temporarily increased purchases of durable goods (including automobiles). At the same time, since household lending practically did not grow in real terms (Fig. 4.a), the increase in consumer spending in June was likely financed from own resources. This correlates with the persistently high volume of net foreign currency sales by the population in recent months. Amid National Bank measures to "cool down" consumer demand (primarily through directive restrictions on the growth of banks' retail loan portfolios), retail trade is likely to weaken in the coming months. At the same time, given rising inflation expectations, the current average interest rate on household loans (14.4% in July without installment conditions for the entire period of use) is not a significant constraint on demand for borrowing.

Investments in July rose sharply again after a comparable decline in June (Fig. 4.b)

Investment volatility remained high, complicating the analysis of their dynamics. No acceleration of corporate lending was observed in recent months. A significant increase in budget expenditures (in real terms) in Q2-2025 was also not recorded. In this regard, it can be assumed that investment volatility is related to specifics of their statistical accounting. Overall, capital investments demonstrate moderate growth, which may persist through the remainder of the year. Thus, value added in construction increased by $\approx 7.5\%$ YoY in July, contributing 0.4 p.p. to annual GDP growth.

Figure 4. Retail trade and investment dynamics



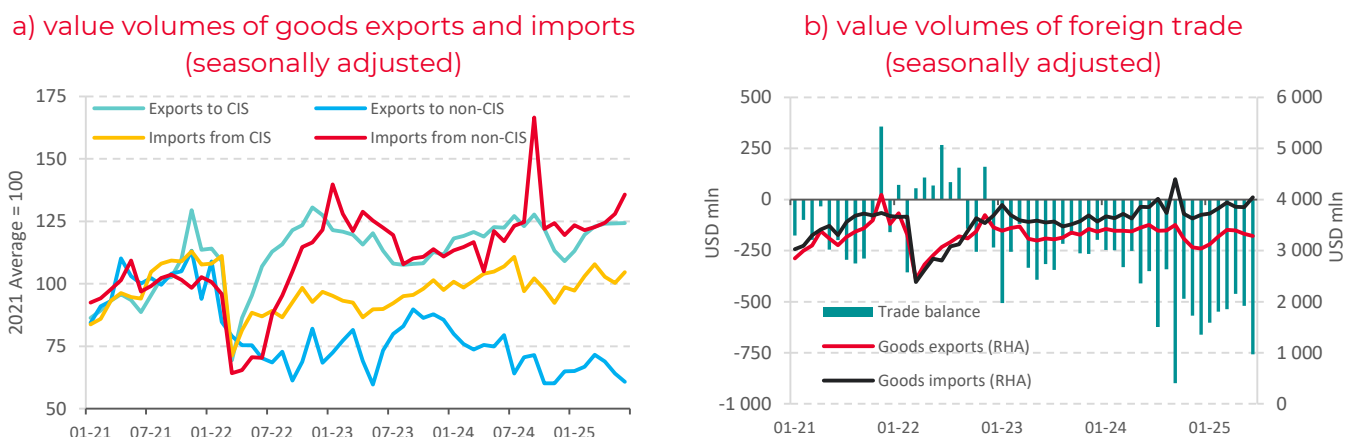
Note: Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction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

The foreign trade deficit in goods is estimated at about \$760 mln (9.7% of GDP) in June 2025 (seasonally adjusted; based on Belstat data)

The negative balance increased by almost \$240 mln (by 2.9 p.p. of GDP) compared to May 2025 (Fig. 5.b). This was mainly driven by an almost \$200 mln rise in imports. Deliveries from CIS countries and non-CIS countries increased by comparable amounts (Fig. 5.a). The surge in imports in June is difficult to explain, as no significant change in economic conditions in Belarus was recorded. It cannot be ruled out that there was a statistical upward adjustment of imports that had actually taken place in previous periods. Exports of goods in June decreased by ≈\$40 mln (seasonally adjusted). Shipments to non-CIS markets declined, while sales to CIS countries have changed little in value terms in recent months (Fig. 5.a). This dynamic points to a likely stagnation of physical export volumes to Russia after their decline in Q4-2024 – Q1-2025, as well as a possible temporary reduction in potash deliveries.

The overall trade deficit in goods and services decreased in Q2-2025 and is preliminarily estimated at less than 2% of GDP. The negative balance narrowed due to positive exchange rate effects and increased exports of services. Nevertheless, the deficit still exceeded the near-zero norm for Belarus in an environment of elevated domestic demand as well as weakened demand in the Russian market. Under the current conditions, the negative trade balance is expected to remain close to 2% of GDP by the end of this year.

Figure 5. Dynamics of foreign trade indicators

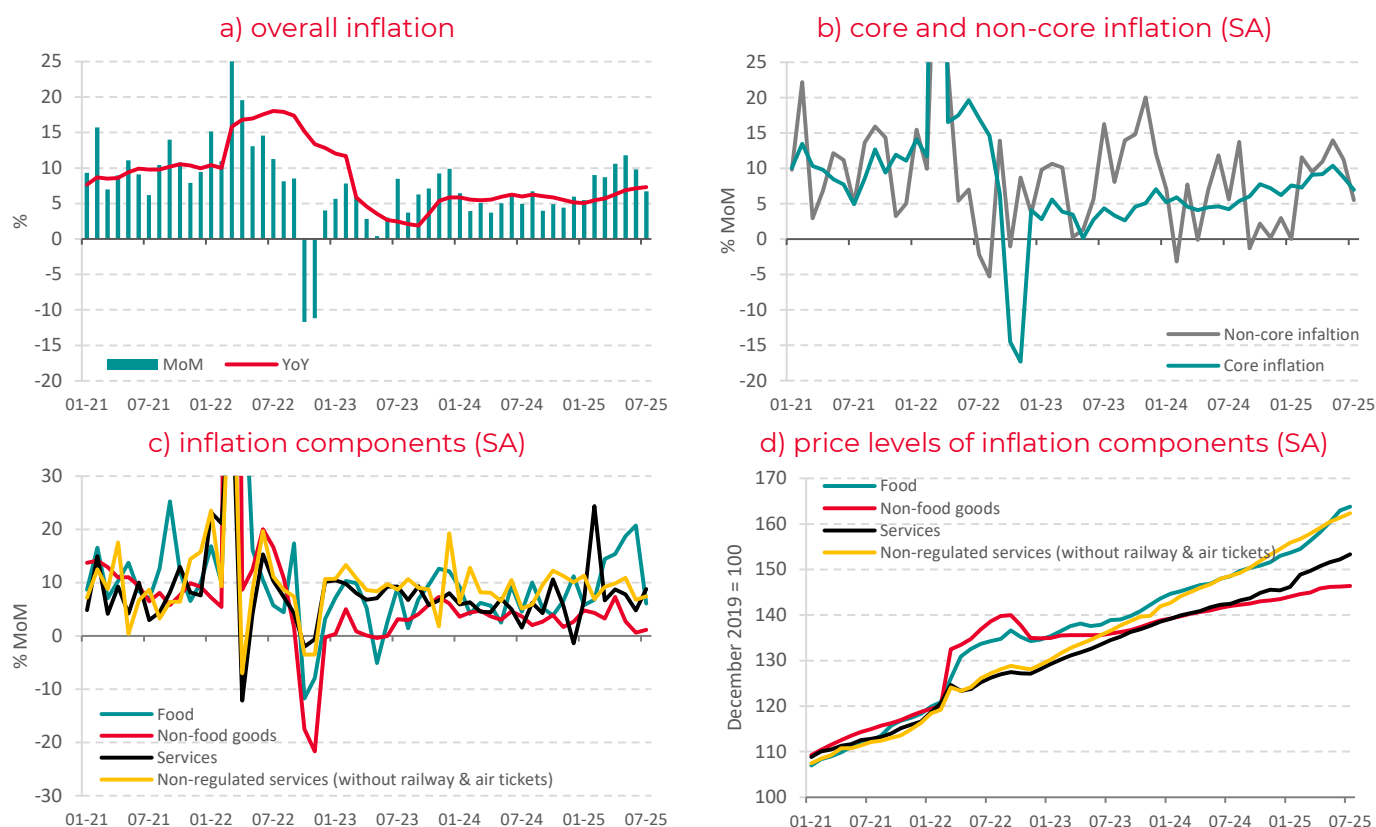


Note: The indicator dynamics updates once new data are published.

Annual inflation stood at 7.4% YoY in July, while the annualized monthly price growth slowed to $\approx 6.5\text{--}7\%$ MoM (seasonally adjusted; hereafter – MoM; Fig. 6.a)

The slowdown of monthly inflation was driven by a weakening of food price growth (Fig. 6.c). Inflation in the fruit and vegetable segment was close to zero after an increase of $\approx 70\text{--}75\%$ MoM on average in May–June. This dynamic is related to the later arrival of the new vegetable harvest due to the climatic features of the current year. As a result, non-core inflation decelerated from $\approx 11.3\%$ MoM in June to $\approx 5.5\%$ MoM in July (Fig. 6.b). In addition to vegetables, the slowdown in the prices of meat, milk, and related products had a significant impact on food price dynamics. Price controls on these goods were tightened again at the end of June 2025.

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.

Core inflation slowed from $\approx 9\%$ MoM in June to $\approx 7\%$ MoM in July 2025 (Fig. 6.b)

The tightening of price regulation on meat, milk, and related products restrained core inflation. In addition, the price growth of non-food goods remained close to 1% MoM (Fig. 6.c). It was limited by the strengthening of the Belarusian ruble against the dollar and the yuan since the beginning of the year, as well as the still strict state regulation in this segment. Price growth for non-regulated services rose to $\approx 10\%$ MoM in July, and excluding volatile international rail and air transportation is estimated at $\approx 7.5\%$ MoM (Fig. 6.c). The pace of price increases for market household services (the most burdensome item among non-regulated services) remained high at over 10% MoM. Persistently high inflation in market services is associated with price pressures from overheated domestic demand and the labor market. The accumulated gap in price levels between non-regulated services and non-food goods almost reached 11% in July 2025 (Fig. 6.d).

In August, annual inflation is expected to be close to 7.5% YoY, and in autumn it may enter the range of 8–9% YoY if price controls are not significantly tightened