Co-funded by the European Union
FREE NETWORK
Sweden Sverige

Express Analysis

September 2026

Belarus's economy slowed in August 2026

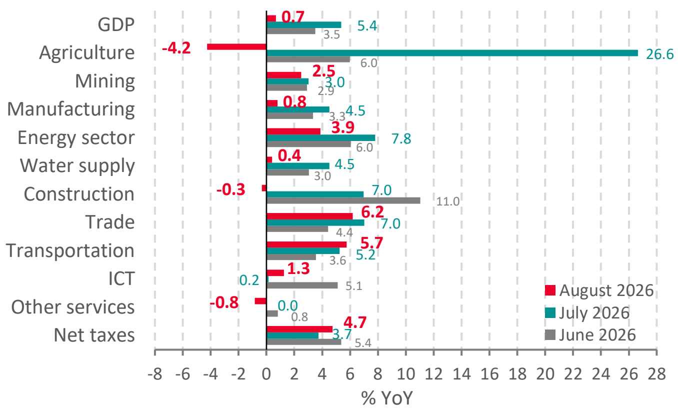
Over eight months, GDP increased by 1.9% YoY. Annual economic growth in August alone is estimated at around 0.7% YoY after approximately 5.4% YoY the month before **(Fig. 1.a)**. Compared to the July 2026 level, the GDP volume declined by ≈1.4% (seasonally adjusted; **Fig. 1.b**). The weakening of output dynamics was to a significant degree the result of agricultural output volatility due to the uneven pace of the harvest campaign: the sector's contribution to annual GDP growth was +2.3 p.p. in July and -0.6 p.p. in August **(Fig. 2.a)**.

Output dynamics slowed even excluding the direct contribution of agriculture: annual growth of non-agricultural GDP declined from ≈3.1% YoY in July to ≈1.3% YoY in August **(Fig. 2.c)**. The slowdown in growth was predominantly a consequence of a deceleration in manufacturing and construction **(Fig. 1.a)**. While volatility in construction activity is typical for Belarus, the slowdown in industry signals the limiting influence of investment demand in Russia and domestic resource constraints. Domestic demand, meanwhile, remained high, spurred by significant budget and quasi-budget injections and declining interest rates.

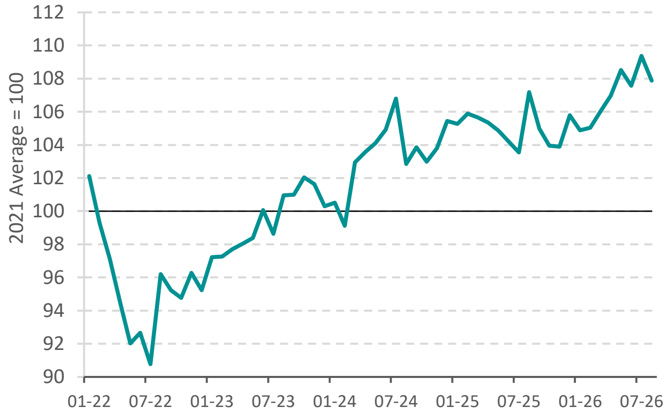
In the remaining part of the year, significant stimuli for domestic demand from economic policy can be expected to persist. The forgiveness of approximately $1.86 bn of public debt in Q2-2026 will allow the authorities to more actively channel budget resources into the economy, while the decline in interest rates on loans and deposits will support consumer activity. The stimulation of domestic demand in the absence of strong external shocks will allow Belarus's GDP to grow by 2–2.5% in 2026, but will be accompanied by an increase in the money overhang – broad money supply has a high probability of gaining more than 20% for the year as a whole. This will impede a sustained slowdown in inflation, which is expected in the range of 5–6% YoY in 2026 and 6–7% YoY in 2027.

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.

Co-funded by the European Union
FREE NETWORK
Sweden Sverige

Value added in agriculture declined by ≈4.2% YoY in August after increasing by ≈26.6% YoY in July 2026 (Fig. 1.a)

The volatility of agricultural output is associated with the uneven pace of the harvest campaign in 2025 and 2026. In the current year, a significantly larger share of the grain harvest fell in July. As a result, in August 2026 alone, grain harvesting (including rapeseed) in agricultural organizations was 23.7% below the August 2025 level. Overall in the current year, the grain harvest is coming in close to last year's thanks to a larger rapeseed harvest and an increase in sown areas (Fig. 3.d).

The growth rate of industrial value added slowed from ≈4.9% YoY in July to ≈1.1% YoY in August

Seasonally adjusted industrial output in August declined substantially relative to the July volume and returned to the average Q1-2026 level (Fig. 3.a). Subdued investment demand in Russia and increasingly complicated logistics in the Russian market were exerting a negative impact on manufacturing output in Belarus. The growth rate of manufacturing value added slowed from ≈4.5% YoY in July to ≈0.8% YoY in August (Fig. 1.a). Its contribution to annual GDP growth decreased from more than 0.8 p.p. in July to less than 0.2 p.p. in August (Fig. 2.a).

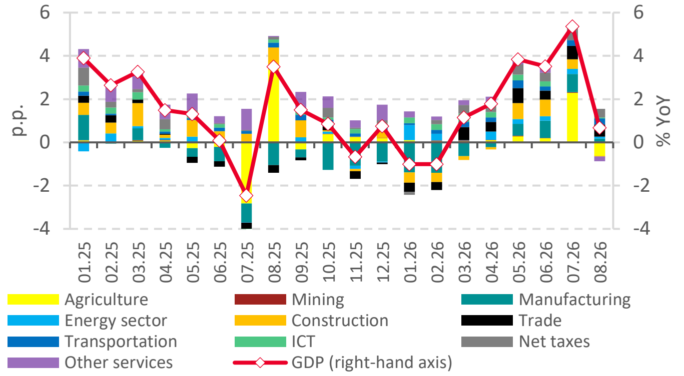
Manufacturing output declined relative to the previous month in the city of Minsk and in the Minsk, Brest, Mogilev, and Vitebsk regions (Fig. 3.c). It can be assumed that the machinery sector (excluding passenger car production) continued to experience sales difficulties. Light industry reduced output by 7.9% YoY in January – August 2026. Total petroleum product output (including output from tolling feedstock) remained high by recent-year standards. Sectors oriented toward domestic demand and import substitution demonstrated sustained growth – the food processing industry maintained an output growth rate of 4.3% YoY in January – August, while pharmaceuticals accelerated to 8.5% YoY. It should be noted that inventories in August declined but remained at historically high levels (Fig. 3.b).

In the remaining part of the year, significant domestic stimuli for output can be expected, while external demand will remain subdued

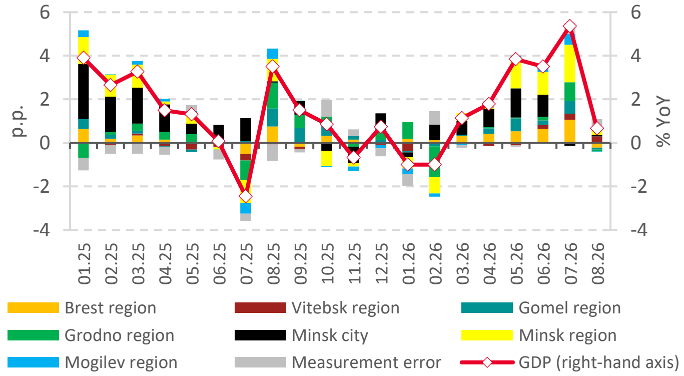
Budget financing of investment will in all likelihood remain intensive, while declining interest rates on loans and deposits will spur consumer demand. Under conditions of resource constraints (primarily a labor shortage), demand growth will be accompanied by high imports, but the stimulus for domestic producers will also manifest. A restraining influence will persist from weakened investment activity in Russia. For the year as a whole, moderate industrial output growth within 2% can be expected. At the same time, output volatility is forecast to be strong (including due to uneven petroleum product output), and forecast uncertainty remains high due to the weak predictability of non-economic factors.

Figure 2. Dynamics of GDP in Belarus

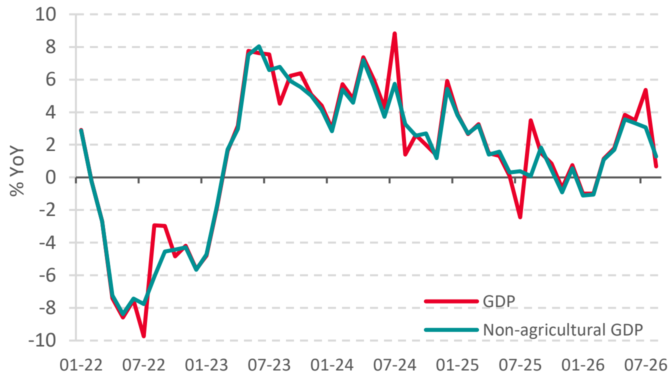
a) sectoral structure of YoY GDP growth



b) regional structure of YoY GDP growth



c) YoY GDP growth



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

Value added in the transport sector grew by ≈5.7% YoY in August (Fig. 1.a), adding around 0.3 p.p. to annual GDP growth (Fig. 2.a)

The increase in the average distance of passenger transportation supported transport sector growth – passenger turnover rose by 9.3% YoY in August with the number of passengers carried declining by 1.3% YoY. August also saw an increase in freight turnover, both relative to the previous month (seasonally adjusted; **Fig. 3.a**) and by 8.3% relative to the August 2025 level. In combination with the growth in wholesale trade volumes at the end of summer **(Fig. 3.a)**, this may point to high volumes of tolling oil processing and some increase in potash exports. An increase in the utilization of Belarus's warehousing infrastructure against the backdrop of logistical complications in Russia also cannot be ruled out, which may have positively affected transport sector and wholesale trade turnover indicators.

ICT sector growth remained modest in August

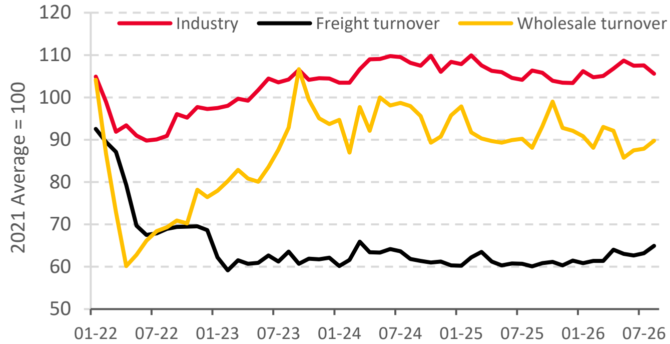
The value added of the information and communications sector increased by ≈1.3% YoY in August after growth of ≈0.2% YoY in July **(Fig. 1.a)**. The dynamics of recent months indicate that the trend of ICT sector recovery following the prolonged downturn in 2022–2023 has stalled. However, given Belstat's practice of regular and often significant revisions to information and communications sector value added data, this conclusion requires confirmation following the revision of its first estimate.

The growth rate of trade value added slowed to ≈6.2% YoY in August due to a correction in retail trade turnover (Fig. 1.a)

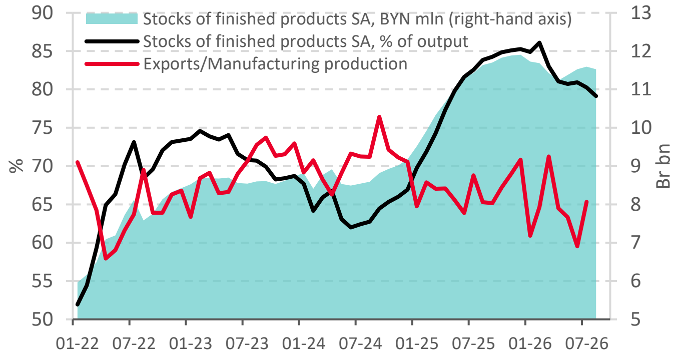
Retail sales corrected in August following strong growth earlier (in real terms, seasonally adjusted; **Fig. 4.a**). Overall, consumer activity remained high – retail turnover exceeded the average 2021 level by ≈38%, including in the non-food segment by more than 65%. Strong demand was supported by real wages that had grown continuously for 30 months (from February 2024 to July 2026), as well as household lending that had begun to pick up pace again in the current year **(Fig. 4.a)**. Against the backdrop of declining interest rates, the persistence of a labor shortage, and the stimulation of wage growth in the budget sector, an increase in consumer demand can be expected in the remaining part of the year.

Figure 3. Producer activity in Belarus

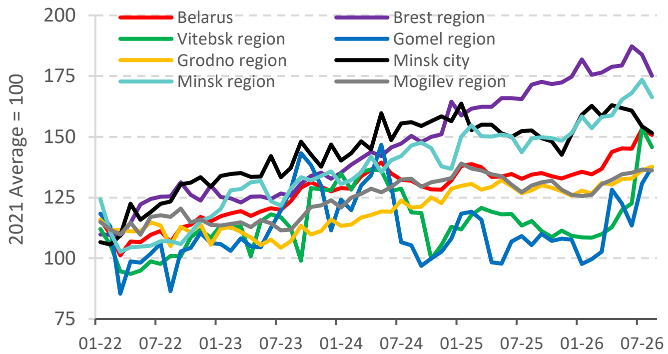
a) real output in industry, real wholesale trade, freight turnover (seasonally adjusted)



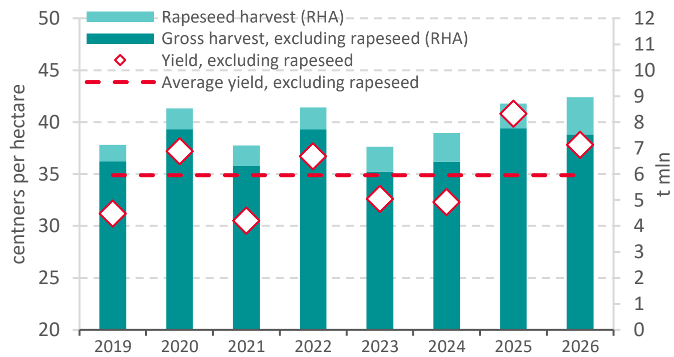
b) industrial stocks, the ratio of goods exports to output



c) nominal output of the manufacturing industry (seasonally adjusted)



d) grain harvest, Sept. 1 (in agricultural organizations)



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.

Investment declined in August due to volatility in construction activity

Construction value added declined by ≈0.3% YoY in August after growth of ≈7% YoY in July **(Fig. 1.a)**. The volume of construction work also declined relative to the previous month after seasonal adjustment **(Fig. 4.b)**. Such monthly fluctuations are typical for construction and reflect the process of putting facilities into operation. Investment in machinery, equipment, and vehicles in August remained close to the July level, while overall since the start of 2025 its volume has been fluctuating around the average Q1-2025 value **(Fig. 4.b)**.

The active decline in lending rates (which fell below 10% in August) and the likely strengthening of the fiscal impulse will continue to support investment in the remaining part of the year. Thus, the forgiveness (likely by Russia) of Belarus's public debt of approximately $1.86 bn in Q2-2026 will allow the government to more actively use budget resources for public investment toward approaching the planned annual GDP growth rate. Growth in private business activity, in turn, is expected to remain subdued amid high uncertainty and institutional constraints.

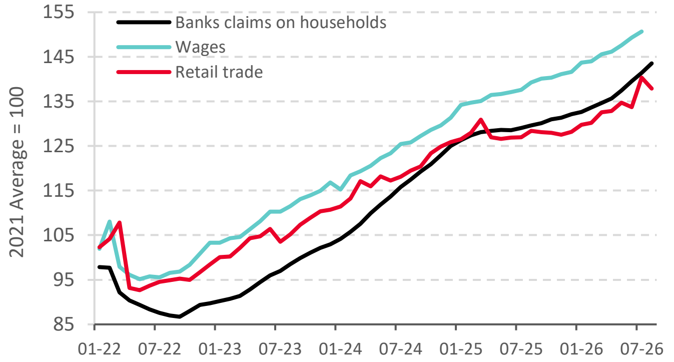
Foreign trade was close to balance in July 2026
(seasonally adjusted)

The goods trade deficit of around 4.3% of GDP in July was offset by a corresponding services trade surplus **(Fig. 4.d)**. High tolling oil processing volumes supported the significant positive services balance. At the same time, in recent months the size of the services trade surplus has declined somewhat.

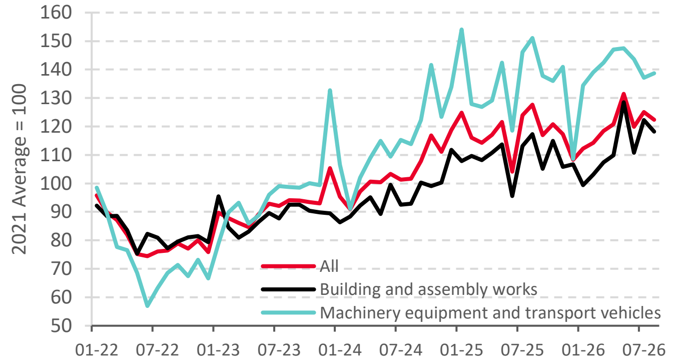
The goods trade deficit was volatile in June–July due to variability in exports **(Fig. 4.c)**. Export volatility is likely associated with the impact of the terms of trade (including fluctuations in commodity prices). Overall, the value of goods deliveries to external markets fluctuated around the level reached in March 2026 **(Fig. 4.d)**. It was supported by potash fertilizer export volumes close to record levels (≈12 mln t annualized) and higher prices for them, as well as the persistence of strong consumer demand in Russia, which translated into growth in food and passenger car output. A restraining influence persisted from weakened external demand for Belarusian investment goods. Goods imports remained elevated amid overheated domestic demand **(Fig. 4.d)**.

Figure 4. Domestic demand and foreign trade
(all indicators are seasonally adjusted)

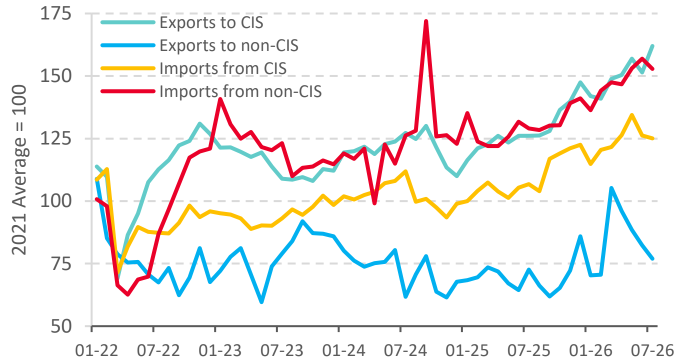
a) consumer demand (in real terms)



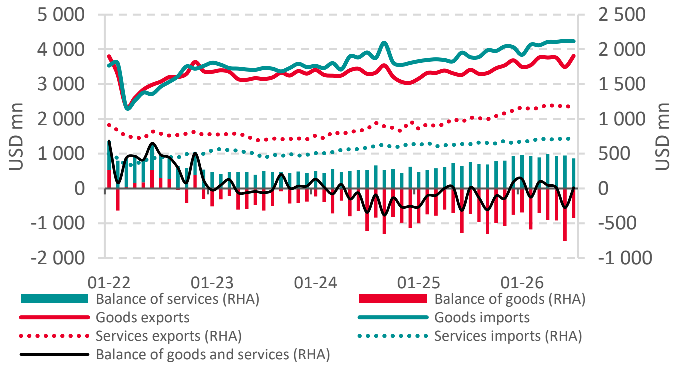
b) investments (in real terms)



c) goods exports and imports (value volumes)



d) foreign trade in goods and services



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.

Co-funded by the European Union
FREE NETWORK
Sweden Sverige

For the year as a whole, foreign trade in goods and services is expected in a small deficit of close to 1% of GDP, however the near-balanced state of the external trade position is not sustainable

The external position in the current year was supported by positive factors that are temporary rather than sustainable in nature – the fuel market imbalance in Russia, higher global commodity prices due to the Hormuz Strait crisis, a widening of the spread between petroleum product and oil prices, as well as the undervaluation of the Belarusian ruble against the Russian ruble and the significant overvaluation of the Russian ruble against the dollar. The fading of the influence of these factors while stimulative domestic economic policy is maintained will in all likelihood lead to a widening of the trade deficit. The potential scale of the imbalance does not appear threatening for the foreign exchange market and the Belarusian ruble exchange rate, but risks are assessed as high due to the unpredictability of the duration and magnitude of the noted positive factors.

Inflationary pressure remained moderate in August 2026

The annual consumer price growth rate rose from 4.4% YoY in July to 4.5% YoY in August, while the annualized monthly price growth remained close to 6% MoM (seasonally adjusted; **Fig. 5.a**).

Non-core inflation is estimated at around 6.4% MoM in August 2026 (Fig. 5.b)

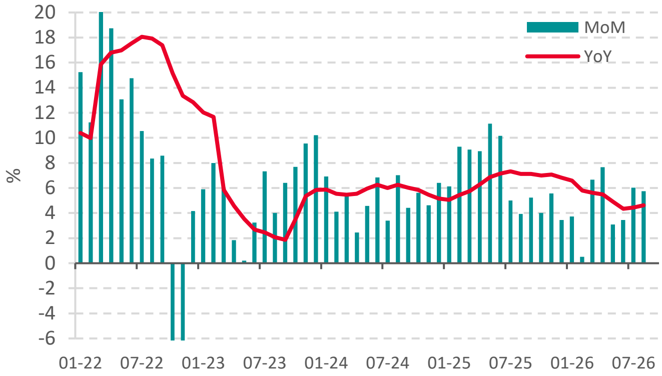
Administratively regulated prices maintained a subdued growth pace of around 5.7% MoM. Fruit and vegetable prices rose noticeably – by ≈11.4% MoM in August. This acceleration was likely corrective in nature following an extended period of fruit and vegetable price declines (four consecutive quarters). The pro-inflationary influence of the Belarusian ruble's weakening against the dollar on imported products also cannot be ruled out. The baseline forecast for end-2026 – fruit and vegetable prices remaining below 2025 levels – remains valid.

Core inflation slowed from ≈7.5% in July to ≈5.8% MoM in August 2026 (Fig. 5.b)

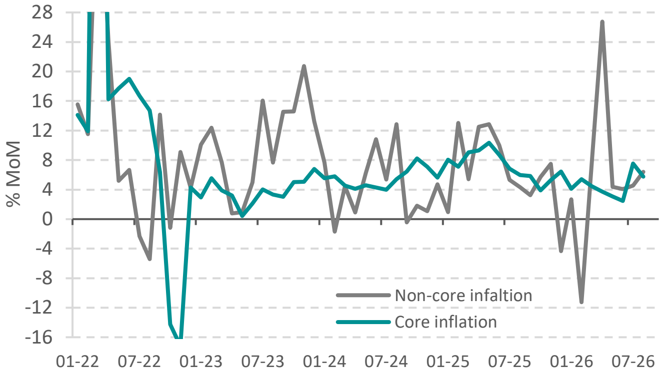
The decline in core inflation is explained by a slowdown in non-food goods price growth from ≈9.4% MoM in July to ≈6.3% MoM in August (**Fig. 5.c**).

Figure 5. Inflation dynamics in Belarus

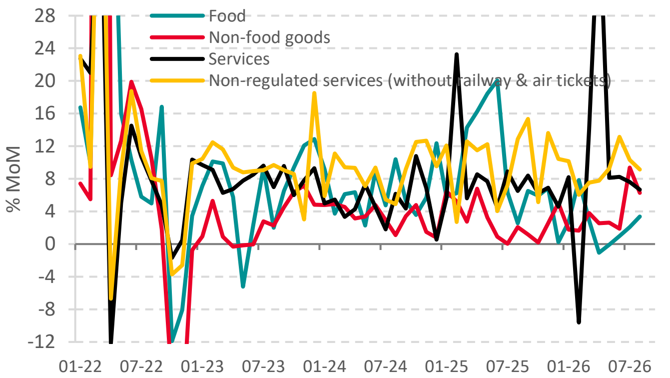
a) overall inflation (SA)



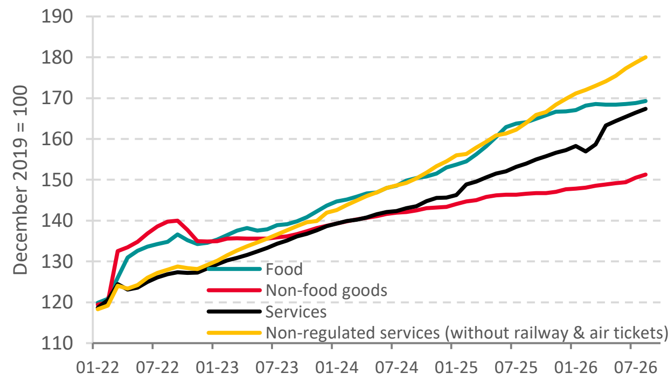
b) core and non-core inflation (SA)



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.

Prices continued to adjust to market conditions following the substantial easing of price regulation in mid-July. The moderate pace of non-food goods inflation over the two months following their removal from controls supports the hypothesis that the divergence in relative goods and services prices is structural in nature in an environment of increased marketplace activity **(Fig. 5.d)**. If non-food goods price growth remains close to the August pace in the coming months, this hypothesis will receive considerably more evidence in its favor.

Food prices (excluding fruit and vegetables, alcoholic beverages, and tobacco products) maintained a low growth pace – ≈2.1% MoM in August. In this consumer basket segment, price control remained almost all-encompassing.

Non-regulated services price growth rates remained high – ≈11.4% MoM in August, or ≈9.2% MoM excluding highly volatile international rail and air tickets **(Fig. 5.c)**. Strong consumer demand and the high pace of real wage growth remained pro-inflationary factors.

Annual inflation is expected at 4.5–4.8% YoY in September, and the baseline forecast range for the current year as a whole remains at 5–6% YoY

On the medium-term horizon, unbalanced money supply growth in an environment of stimulative domestic economic policy carries pro-inflationary risks. In August, broad money supply increased by 20.6% YoY against real GDP growth of 0.7% YoY. The money overhang expanded in recent months, but its transformation into greater domestic demand growth was constrained by high household savings activity. However, these restraining effects may weaken in the event of further National Bank interest rate reductions in the economy.