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Express Analysis

Economic Activity and Inflation

October 2025

Belarus' GDP showed near-zero growth in Q3-2025 due to a decline in export-oriented industrial output

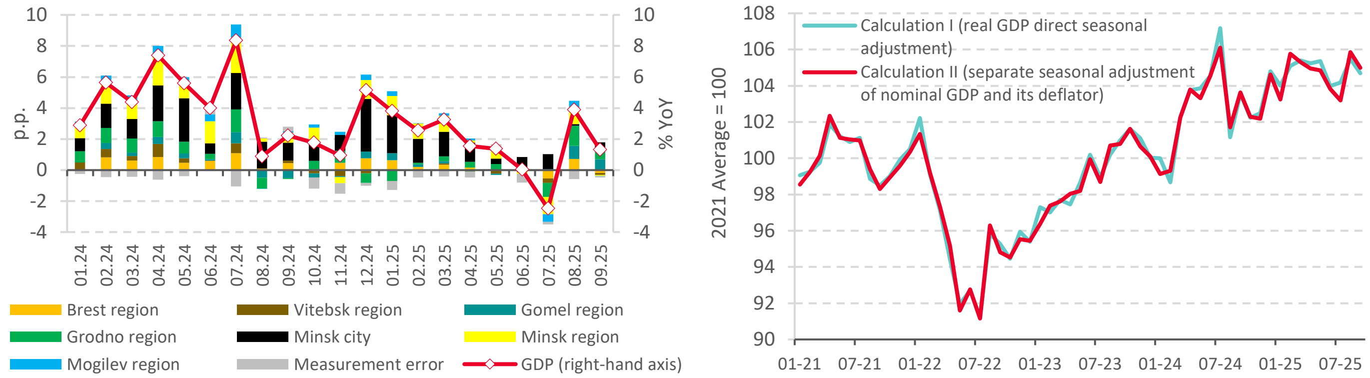
Over the first nine months of 2025, GDP grew by 1.6% YoY, and separately in September – by ≈1.3% YoY (Fig. 1.a). The GDP volume (seasonally adjusted) in September decreased by 0.7–0.8% compared to August (Fig. 1.b). The volatility of agricultural and construction activity had a restraining effect on output dynamics in early autumn, while manufacturing activity showed a slight corrective increase.

Overall, in Q3-2025, Belarus' GDP remained close to the level of the previous period (Fig. 2.a), corresponding to an annual growth rate of 0.8%. The contraction of industrial output and wholesale trade turnover amid weakening external demand restrained GDP growth. Domestic demand continued to expand in both consumer and investment segments under a non-restrictive economic policy. At the same time, consumer activity growth is becoming more moderate due to the National Bank's restrictions on expanding banks' retail loan portfolios. If this trend persists and demand in Russia remains subdued, Belarus' GDP will increase by 1.5–1.8% for the full year 2025.

Due to the "cooling" of external demand, economic overheating decreased to ≈2.2% of potential GDP in Q3-2025 (preliminary estimate). Aggregate demand remains in excess of production capacity, which will maintain price pressure. Taking into account some tightening of price control measures and more restrained GDP dynamics, annual inflation is forecast to be at the lower end of the 7–9% YoY range by the end of 2025.

Figure 1. Dynamics of GDP based on monthly data

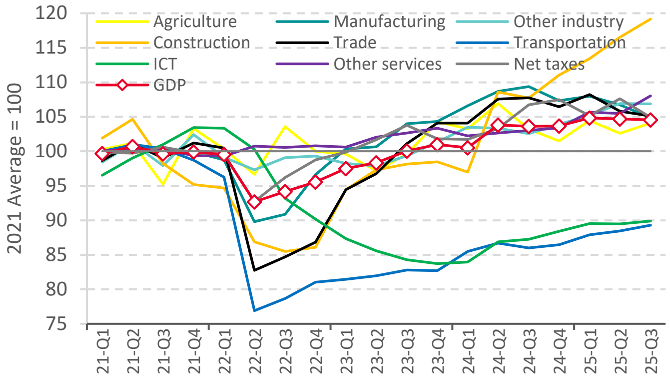
a) regional structure of GDP growth (%, YoY) | b) GDP volume at constant prices (seasonally adjusted)



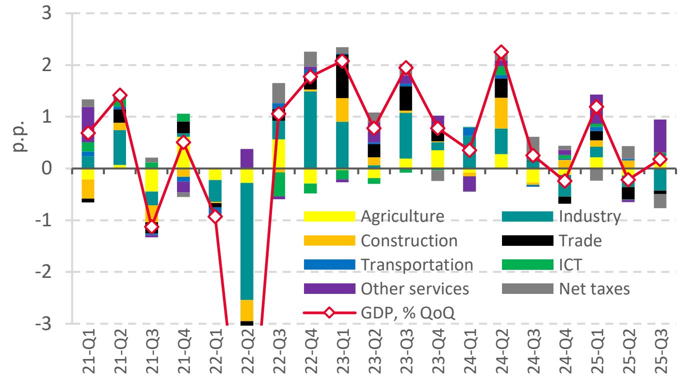
Note: The estimates update once the data are verified. Monthly GDP data are estimates.

Figure 2. 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 (% QoQ; seasonally adjusted)



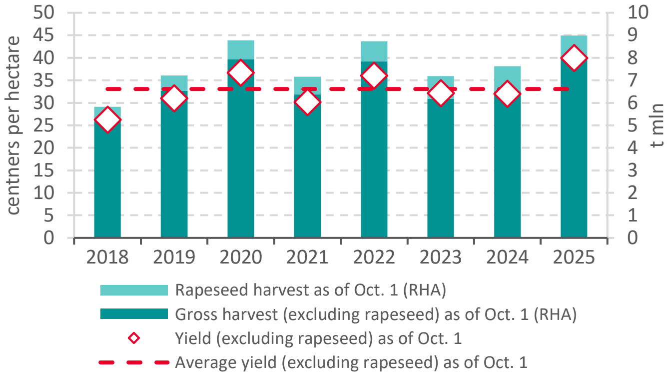
Note: The estimates update once the data are verified.

Shifts in the harvest campaign under the influence of weather conditions became the main cause of GDP volatility in August–September 2025

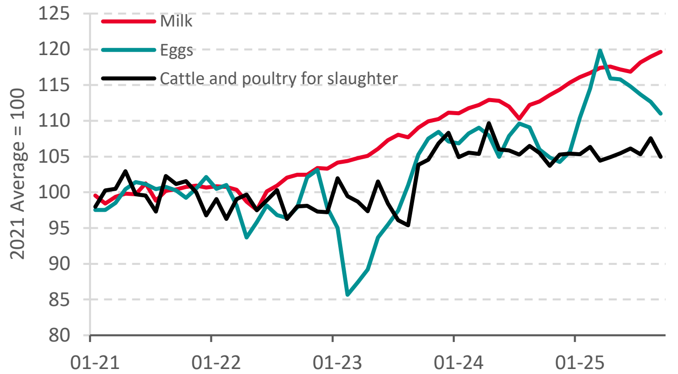
The shift in grain harvesting led to an atypically large yield in August. In September, the harvesting process normalized, resulting in a more significant decline in agricultural production than seasonality would suggest. Overall, in Q3-2025, seasonally adjusted agricultural value added increased by ≈1.4% compared to the previous period (Fig. 2.a). Thanks to a high grain yield this year (Fig. 3.a), the agricultural sector has a strong chance of showing a slight increase in value added of ≈1% YoY for the full year 2025. A restraining factor for output in the sector was the decline in livestock production, while milk output remained on an upward trend (Fig. 3.b).

Figure 3. Agricultural indicators (in agricultural organizations)

a) gross harvest and yield of grain (as of October 1)



b) livestock indicators (seasonally adjusted)



Industrial output showed a slight corrective increase of around 0.5% in September compared to August; however, production volumes remained below the levels of the previous quarter and last year (Fig. 4.a)

Regional statistics indicate some growth in the output of the food sector, potash fertilizers, and metal products. Demand dynamics in Russia had an uneven impact on the branches of Belarusian industry. Export-oriented food production continued to expand at a moderate pace, against the backdrop of still-high, though somewhat weakened, consumer activity in Russia. Meanwhile, the machinery sector reduced output amid a decline in the production of investment and intermediate goods in Russia, as well as in Russia’s extractive industries. Potash fertilizer production was likely near its peak levels, and its exports may exceed 10 million tons by year-end.

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Output of petroleum products remained below the volumes of previous years. In the coming months, some increase in oil refining may be expected due to higher gasoline shipments to Russia; however, the room for such an expansion is limited. With peak gasoline production around 350–400 thousand tons per month, domestic consumption near 100 thousand tons per month, and long-term export contracts in place, the potential for supplies to Russia is likely limited to 100–150 thousand tons per month.

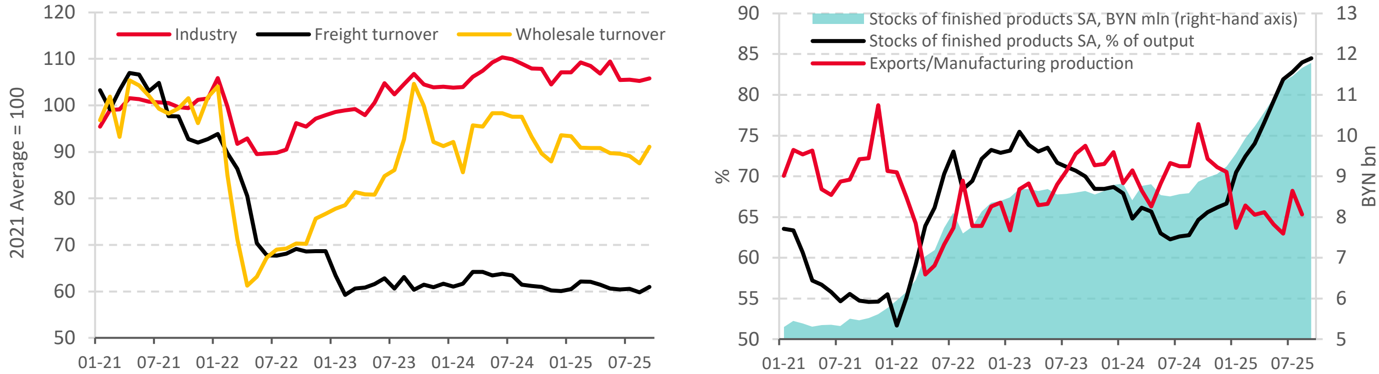
Overall, in Q3-2025, industrial value added declined by ≈1.5% compared to Q2-2025 (seasonally adjusted)**, including ≈1.7% in manufacturing industries** (Fig. 2.a)

Weaker external demand, increased competition in the Russian market, and resource constraints led to a decline in output. As a result, the industrial sector subtracted roughly 0.4 p.p. from quarterly GDP growth (Fig. 2.b), while production and value added in manufacturing fell back to the levels of late 2023–early 2024 (Fig. 2.a). Inventory levels continued to rise in Q3 despite lower output: in September, they reached a record high for more than a decade – about 85% of the average monthly production volume (seasonally adjusted; Fig. 4.b). Under current conditions of subdued external demand and high inventories, industrial production may decrease by 0–1% for the full year, including approximately 1–1.5% in manufacturing industries.

Figure 4. 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.

Wholesale trade turnover increased in September but overall in Q3-2025 declined by almost 1% compared to the previous period (seasonally adjusted)

The dynamics of wholesale trade largely reflect the trajectory of goods exports, which declined in Q3-2025 in physical terms. Weakness in the wholesale segment – with turnover rolling back to levels seen two years ago (Fig. 4.a) – led to a ≈0.6% decrease in the value added of the trade sector in Q3 relative to Q2-2025 (Fig. 2.a). In Q4-2025, some growth in wholesale trade may be expected amid the gradual recovery of petroleum product output.

The value added of the transport sector increased by ≈0.9% in Q3 compared to Q2-2025 due to the growth of passenger transportation (seasonally adjusted)

Passenger turnover continued its upward trajectory in Q3-2025, and in September exceeded the average 2021 level by ≈35%. This indicates sustained high demand for tourism services. Freight transportation, in turn, continued to stagnate in Q3-2025 at around 60% of the 2021 average (Fig. 4.a). As a result, the total value added of the transport sector, despite the growth in Q3-2025, remained nearly 11% below the pre-war 2021 level (Fig. 2.a).

The information and communications sector recovered slowly in Q3-2025: seasonally adjusted value added grew by ≈0.5% compared to Q2-2025

External constraints, the small capacity of the domestic market, and high competition in the EAEU market from Russian firms are restraining ICT sector dynamics. At the same time, the space for recovery in the sector remains significant: in Q3-2025, value added was about 10% below the 2021 level and over 13% below the peak values of late 2021–early 2022 (Fig. 2.a).

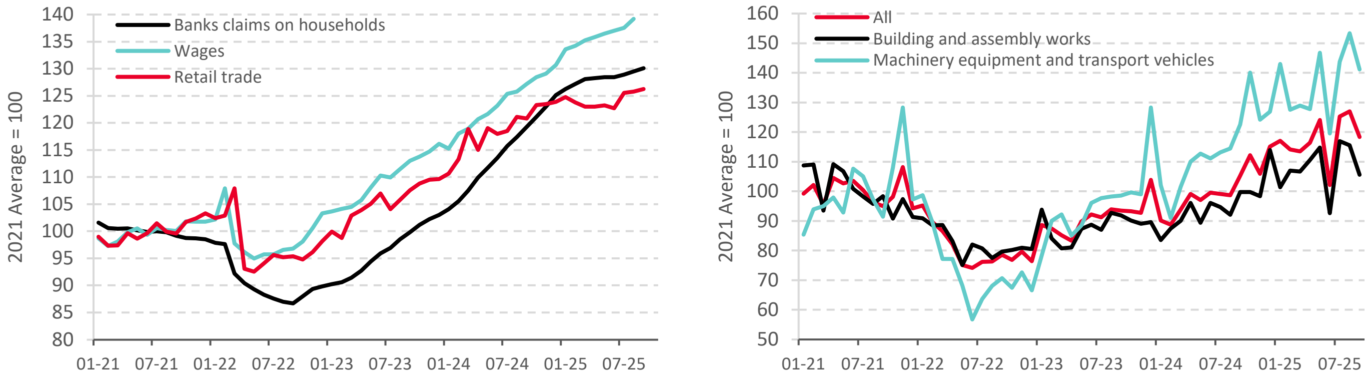
Consumer demand maintained a moderate growth pace in August–September 2025

Retail turnover grew by about 0.3% on average per month in August–September (in real terms). Owing to the "anomalous" surge in July for this year, overall consumer demand for goods and services increased by an estimated 1.5–2% in Q3-2025 compared to the previous period (seasonally adjusted). Excluding the July surge, average monthly retail trade growth is estimated to be around 0% this year (about 0.2% including July), while its slight rise in August–September was linked to slower inflation. By comparison, in 2023 and 2024, average monthly retail turnover growth was around 1% (Fig. 5.a). Thus, this year shows a significant weakening in household consumption dynamics. This slowdown resulted from decelerating retail lending due to the National Bank's administrative restrictions on banks (Fig. 5.a), as well as a decline in household consumer confidence.

Despite the weakening in consumer demand for goods and services, its level remains historically high – about 30% above the 2021 average. Wage growth continued to support consumer activity (Fig. 5.a). With GDP up by 4.5–5% since 2021, the 30% rise in household spending over this period highlights the considerable overheating of consumer demand. If the current "cooling" trajectory continues, a gradual reduction in the degree of overheating can be expected in Q4-2025 – 2026.

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 declined in September after significant growth in July–August (Fig. 5.b)

Overall, in Q3-2025, gross fixed capital formation grew by ≈2.8% compared to the previous quarter. Construction value added increased by ≈2.3% (Fig. 2.a), contributing about 0.1% to quarterly GDP growth (Fig. 2.b). Investment activity was supported by both economic policy measures and the need to boost labor productivity amid labor shortages, helping to sustain the high level of output. In addition, growth in the construction sector may be partially related to increased exports of construction services.

Quasi-budgetary investment stimulus intensified in recent months

This was reflected in the National Bank's purchase of government bonds worth almost Br 1.2 billion in Q3-2025. The bonds are likely being contributed to the charter capital of state-owned banks, followed by their repurchase by the National Bank. The financial resources are directed by state banks toward lending to the public sector: with the total claims of banks on the economy up by 2.1% in Q3-2025 (seasonally adjusted), claims on the public sector grew by 3.3%, while those on private businesses fell by 0.3%. The National Bank's purchase of government bonds is a monetary emission operation and a factor of monetary conditions easing.

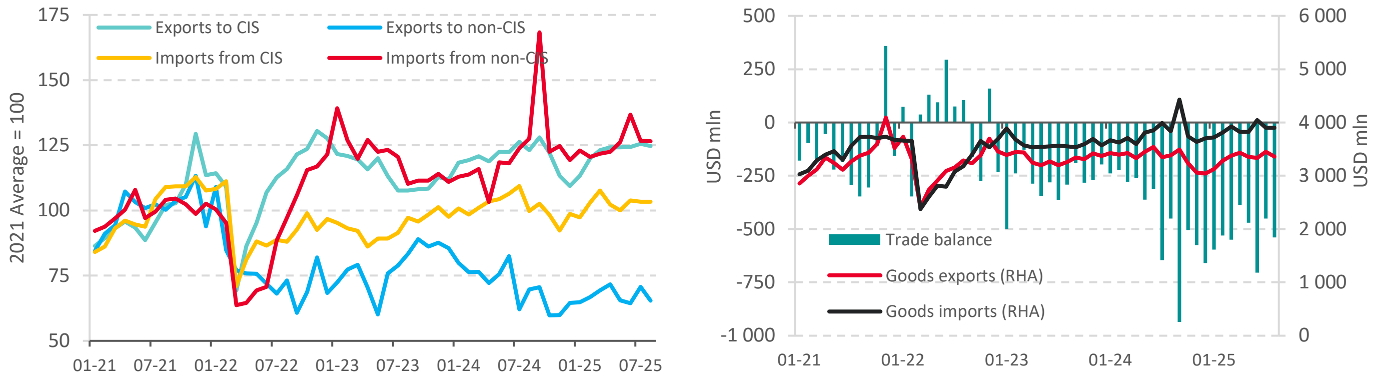
The substantial excess of money supply growth over real GDP growth (16.5% YoY vs. 0.8% YoY in Q3-2025) signals the clearly monetary nature of inflation. The difference between the growth rates is mostly the inflationary component: the GDP deflator – a broader indicator of inflationary processes than the CPI – is estimated at around 13% YoY in Q3-2025. Meanwhile, weak lending dynamics to the private sector, which accounts for about 50% of Belarus' GDP, indicate the low effectiveness of the National Bank's measures to stimulate investment lending amid weakening external and domestic demand prospects and heightened business uncertainty.

The trade deficit in goods amounted to around $540 million (6.7% of GDP) in August 2025 (seasonally adjusted; based on Belstat data)

The negative balance widened by ≈$90 million (1 p.p. of GDP) compared to July 2025 due to a decline in goods exports (Fig. 6.b). Exports to non-CIS countries fell sharply, while sales to CIS markets remained on a "sideways" trajectory (Fig. 6.a). The dynamics of goods exports correlated with the trend in export-oriented industries, which also showed no growth during the summer months. Weaker demand in Russia and increased competition in the Russian market, along with supply-side constraints (full capacity utilization in industry and labor shortages), continued to limit Belarus's export performance. Imports of goods in August remained at the previous month's level, which was elevated amid persistently strong domestic demand (Fig. 6.b).

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.

The overall seasonally adjusted balance of trade in goods and services is preliminarily estimated at a deficit of about 1% of GDP in August 2025 and is expected to remain around 1–2% of GDP by year-end

The surplus in services trade continued to largely offset the goods deficit. The scale of the total foreing trade deficit – around 1–2% – is not huge for Belarus and can be financed without major pressure on the national currency or foreign exchange reserves.

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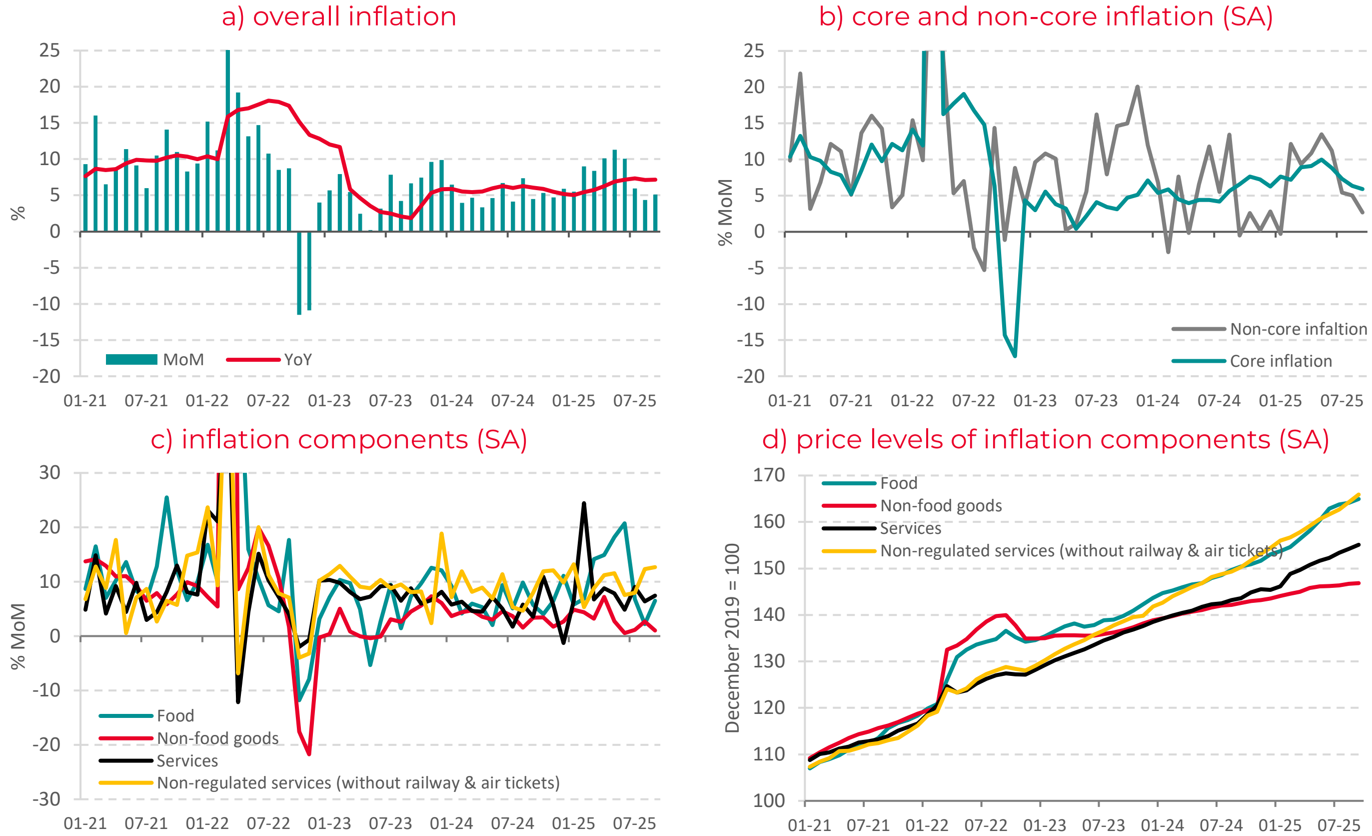
The latter reached a new historical high at the beginning of October, exceeding $13 billion. In recent months, reserve growth was mainly driven by higher gold prices and an increase in government and banks foreign currency deposits with the National Bank. The size of reserves relative to currency outflow risk factors exceeded 100%, meaning the National Bank maintained a sufficient safety margin in the event of shocks in the foreign exchange market.

Inflation declined in September: the annual rate fell to 7.1% YoY, while the annualized monthly price growth amounted to ≈5% MoM (seasonally adjusted; hereinafter – MoM; Fig. 7.a)

The slowdown in monthly consumer price growth was mainly driven by a decrease in non-core inflation from ≈5% MoM in August to ≈2.7% MoM in September (Fig. 7.b). Price dynamics weakened in both components of non-core inflation. Fruit and vegetable prices dropped by nearly ≈9% MoM in September and by almost 4% QoQ in Q3-2025 (seasonally adjusted). The decline in fruit and vegetable prices after their sharp increase in Q2-2025 was a corrective movement associated with the later arrival of produce on the market due to weather-related factors. Administratively regulated prices and tariffs increased by ≈4.4% MoM in September and by ≈5.6% MoM in Q3-2025 (seasonally adjusted). The government significantly slowed the pace of price increases for regulated goods and services, likely reflecting its intention to keep overall inflation close to 7% YoY in the current year.

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 ≈6.4% MoM in August to ≈6% MoM in September (Fig. 7.b)

A slight slowdown in core inflation was due to the decrease in non-food goods price growth to ≈1% MoM. Inflation dynamics in this segment of the consumer basket remained highly subdued in recent months, reflecting strict price controls and a strong ruble (Fig. 7.c). Food price growth accelerated from ≈2.2% MoM in August to ≈6.5% MoM in September (Fig. 7.c), and excluding vegetables and fruits, alcohol, and tobacco products (which are part of the non-core index), from ≈1.9% to ≈6.8% MoM, respectively. Inflation in non-regulated services rose from ≈9% MoM in August to ≈12% MoM in September, and excluding highly volatile prices for international air and rail transport – from 12.3% to 12.7% MoM (Fig. 7.c). Persistently high growth rates of market services and elevated food prices do not yet indicate a significant easing of price pressures in the economy (Fig. 7.d). The narrowing of the positive output gap in the third quarter of Q3-2025 is primarily due to weakening external demand. Meanwhile, the extent of overheating in domestic demand and the labor market remained virtually unchanged and maintained its inflationary impact. As domestic economic activity cools, its contribution to inflation will gradually decrease.

In October, annual inflation is expected to remain near 7–7.3% YoY. The forecast range of 7–9% YoY for the full year remains relevant, though current inflation dynamics suggest a higher probability of movement toward the lower bound

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