Belarus Economy Monitor: trends, attitudes, and expectations

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Express Analysis

Economic Activity and Inflation

December 2025

Belarus's GDP continued to decline in November 2025, and the extent of economic overheating narrowed sharply

For the eleven months of 2025, GDP grew by 1.3% YoY, and in November alone it declined by ≈0.6% YoY (Fig. 1.a). The volume of GDP (seasonally adjusted) in November decreased by ≈0.1–0.2% to the October level and corresponded to the levels of late Q1-2024 (Fig. 1.b). Industrial output fell to the average monthly level of the prewar year 2021 amid weakened demand in Russia and the exhaustion of labor resources not engaged in production. Resource constraints also restrained construction activity and are likely to limit the effectiveness of the National Bank's efforts to stimulate investment in the future. Support to GDP in November came from a small increase in the ICT sector and a restrained rise in household consumer spending.

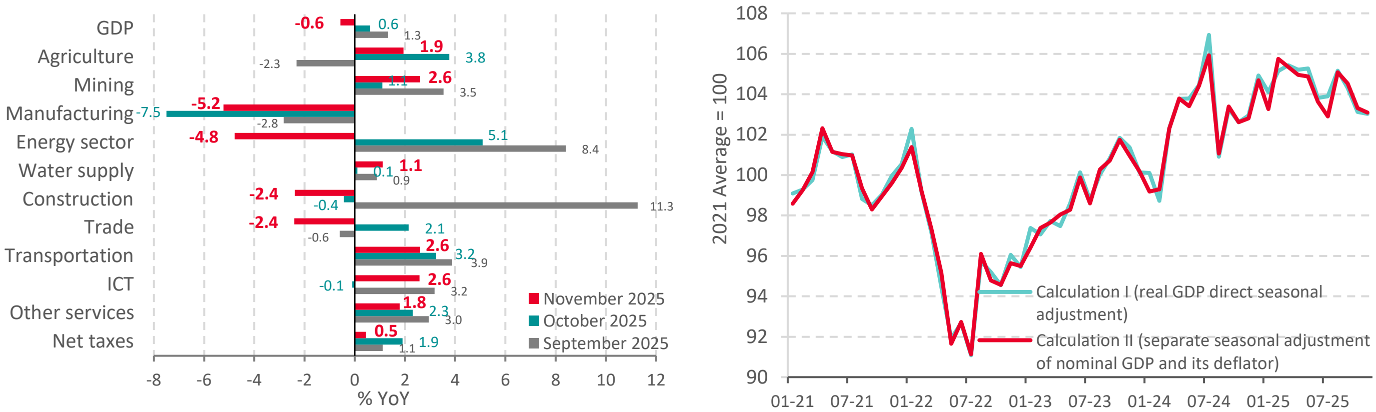
If no unexpected strong positive shocks occur in December or Belstat does not significantly revise upward its GDP growth estimates for Q3-2025 at the end of the year, Belarus's economy will grow by 1.1% in 2025 overall. This would correspond to a decline in GDP in Q4-2025 and a reduction of the positive output gap to slightly below 1%. Economic overheating has declined substantially, mainly due to weaker external demand, which translated into lower pro-inflationary pressure. Inflation in December of this year is expected to be close to 7% YoY.

Against the backdrop of slowing economic activity and inflation, maintaining a soft economic policy in 2026 appears the most likely outcome. However, the scope for a significant increase in stimulus is limited by weak potential for budget revenue growth and the risk of an acceleration in price growth due to the accumulated inflationary overhang.

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

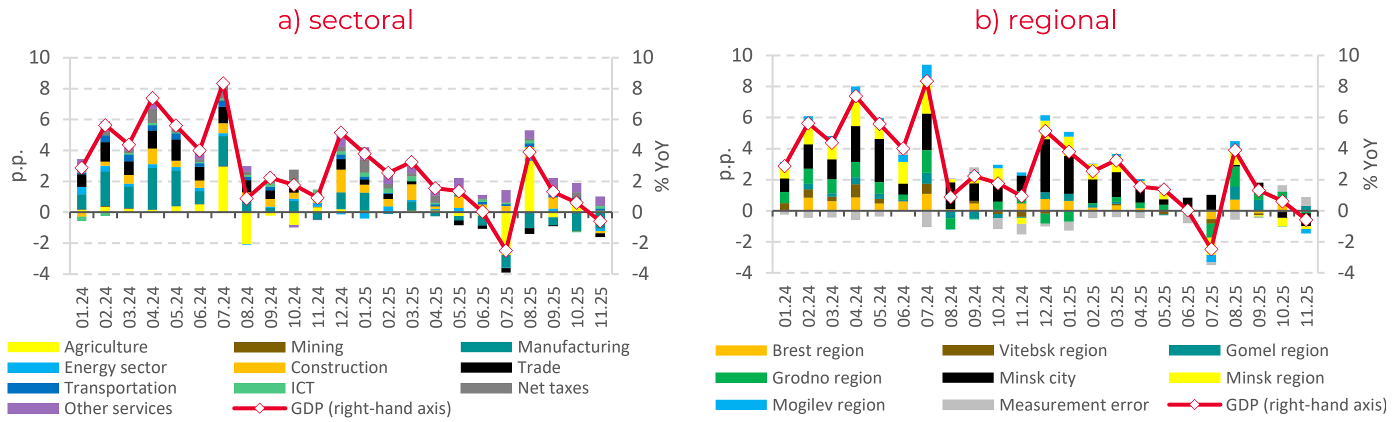
a) GDP growth, month versus the corresponding month of the previous year (%, YoY)

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



Note: The estimates update once the data are verified. The energy sector includes the water supply subsector.

Agriculture value added increased by ≈1.9% YoY in November 2025 (Fig. 1.a)**, contributing ≈0.1 p.p. to annual GDP growth** (Fig. 2.a)

Continued growth in the livestock segment supported agricultural output dynamics. Milk production showed steady growth, indirectly indicating the persistence of high output in the food complex. Production of livestock and poultry also increased in recent months, while egg production declined after a surge at the beginning of the year.

The value added of industry decreased by ≈4.7% YoY in November 2025 (Fig. 1.a)**, which subtracted ≈1.2 p. p. from the annual GDP growth** (Fig. 2.a)

Industrial output (seasonally adjusted) declined by ≈2% in November for the second consecutive month (Fig. 3.a). Similarly, wholesale trade volume adjusted downward in November after a temporary surge in October (Fig. 3.a), which may have been associated with higher imports. The decline in industrial output was observed across all major sectors, most notably in energy and manufacturing. Energy generation was affected by a climatic factor: the average temperature in November significantly exceeded the seasonal norm and was the highest for this month since 2020. The sharpest contraction in manufacturing was recorded in Minsk and the Mogilev region, signaling a weakening of the machinery sector amid reduced investment demand in Russia. Regional dynamics indicate an increase in petroleum product output amid higher gasoline supplies to Russia, as well as the preservation of high food production volumes.

Overall, industrial output in constant prices fell to the average monthly level of 2021 (equivalent to the level of early Q2-2023) due to weaker external demand and the exhaustion of scope for bringing additional labor resources into production (Fig. 3.a). For the year as a whole, industrial production is expected to decline by around 2% YoY. At the same time, inventories of finished goods did not decrease in recent months and remained at their highest levels in the 21st century (Fig. 3.b). A significant volume of inventories, if restrained demand in Russia persists next year, will limit the potential for a recovery in industrial output.

The easing of U.S. sanctions on Belarus's potash industry in December 2025 is likely to lead to an increase in foreign currency revenues from fertilizer sales, but will not have a significant impact on physical shipment volumes

Potash fertilizer output this year recovered to the record levels of 2020–2021, and exports are expected to be close to 12 mn t by the end of 2025. The easing of U.S. sanctions will contribute to an increase in foreign currency revenues by \$300–500 mn per year due to lower transaction costs and a reduced discount on Belarusian fertilizers.

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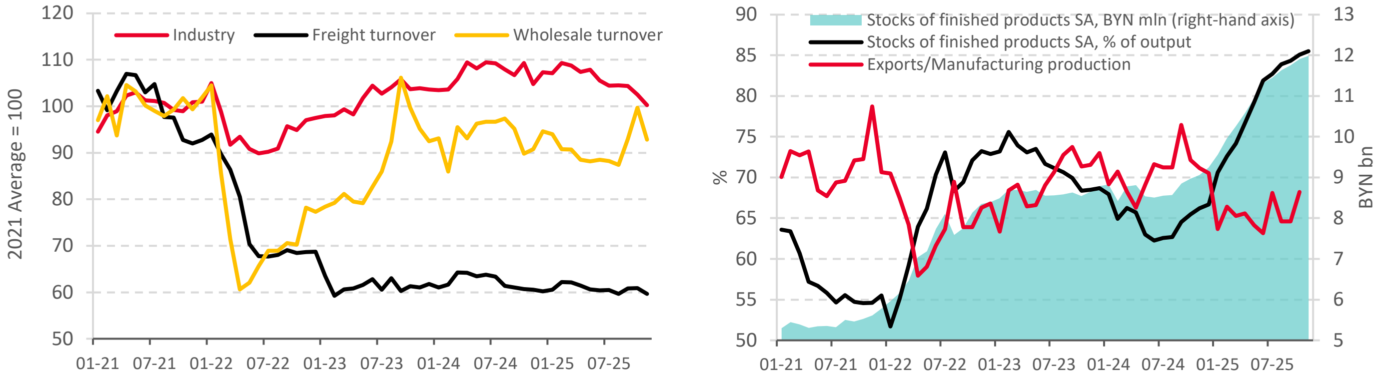
The effects on physical shipment volumes will be minimal, as logistical constraints (limited capacity and throughput of Russian ports and railways) will not be eliminated as long as EU sanctions remain in place, while potash output in Belarus has already returned to maximum levels. Owing to the development of the Nezhinsky GOK, potash fertilizer production potential will increase; however, its realization will depend on changes in the EU sanctions regime.

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.

The value added of the transport sector increased by ≈2.6% in November 2025, contributing ≈0.1 p. p. to the annual GDP growth (Fig. 2.a)

Growth in the transport sector continued to be driven by its passenger segment, where turnover in November exceeded the average level of 2021 by more than 39%. This also indicates the persistence of strong demand for tourism services amid higher incomes of Belarusian households and activity by Russian citizens. Freight transportation continued to stagnate near minimum levels in November: turnover fell short of the average level of 2021 by ≈40% (Fig. 3.a).

Value added in information and communications increased by ≈2.6% YoY in November 2025 (Fig. 1.a), adding ≈0.15 p.p. to annual GDP growth (Fig. 2.a)

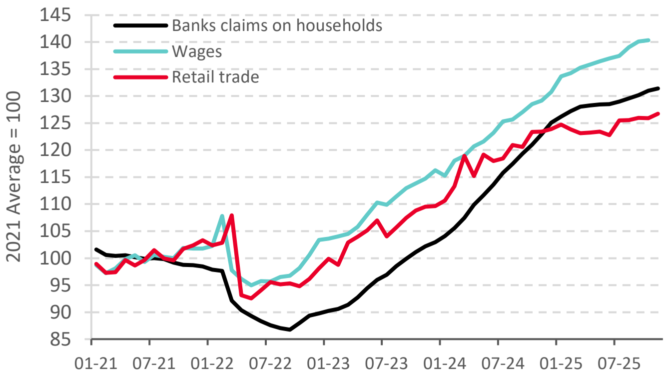
The ICT sector showed modest growth in value added after a slight decline in the previous month. Nevertheless, the gap relative to the peak levels of late 2021 – early 2022 remained enormous (over 10%), and if current growth rates in the ICT persist, its full recovery will take years.

Consumer demand remains persistently high amid wage growth

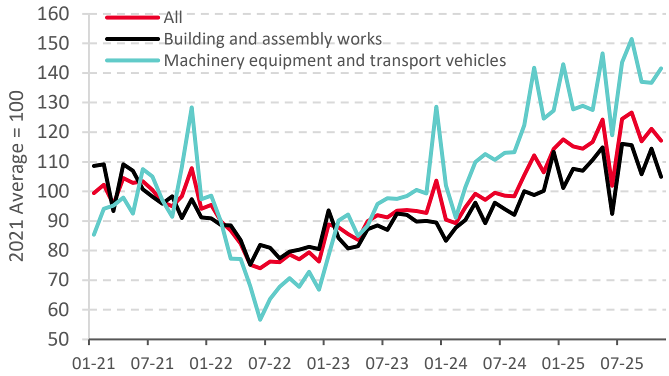
Retail trade turnover increased slightly in November relative to October (in real terms, seasonally adjusted). Significantly higher household incomes in the context of a tight labor market supported consumer demand, which in the goods segment exceeded the average level of 2021 by more than 26% (Fig. 4.a). At the same time, its monthly growth this year slowed by 4.5–5 times compared with the average monthly rates of 2023–2024 due to weaker growth in household lending under the influence of administrative measures by the National Bank and a decline in household consumer confidence (Fig. 4.a). If the signs of easing labor market tightness observed in recent months continue to develop, growth in consumer demand will slow next year and its overheating will diminish.

Figure 4. Retail trade and investment dynamics

a) retail trade, wages and lending (seasonally adjusted, in real terms)



b) investment (seasonally adjusted, in real terms)



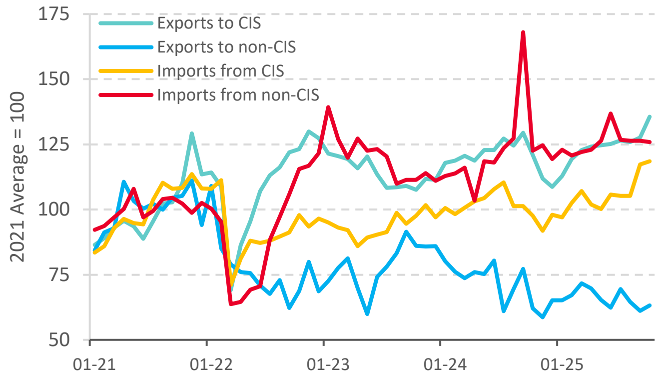
Note: Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction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

Investment declined in November amid volatility in construction

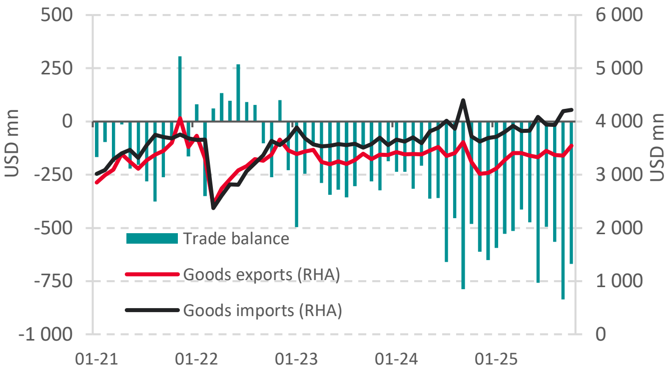
Construction activity has shown volatile dynamics in recent months. At the same time, the upward trend observed until mid-2025 has likely come to an end, with the sector now moving along a sideways trajectory (Fig. 4.b). Value added in the construction sector in October and November 2025 was below the levels of October and November 2024 by approximately 0.4% and 2.4%, respectively (Fig. 1.a). The exhaustion of the potential to bring additional idle labor into production limits the effectiveness of the National Bank’s measures to stimulate investment activity and will restrain construction and investment dynamics next year even if soft conditions for investment lending are maintained.

Figure 5. 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 foreign trade deficit in goods amounted to ≈$670 million (≈8.2% of GDP) in October 2025 (seasonally adjusted; based on Belstat data)

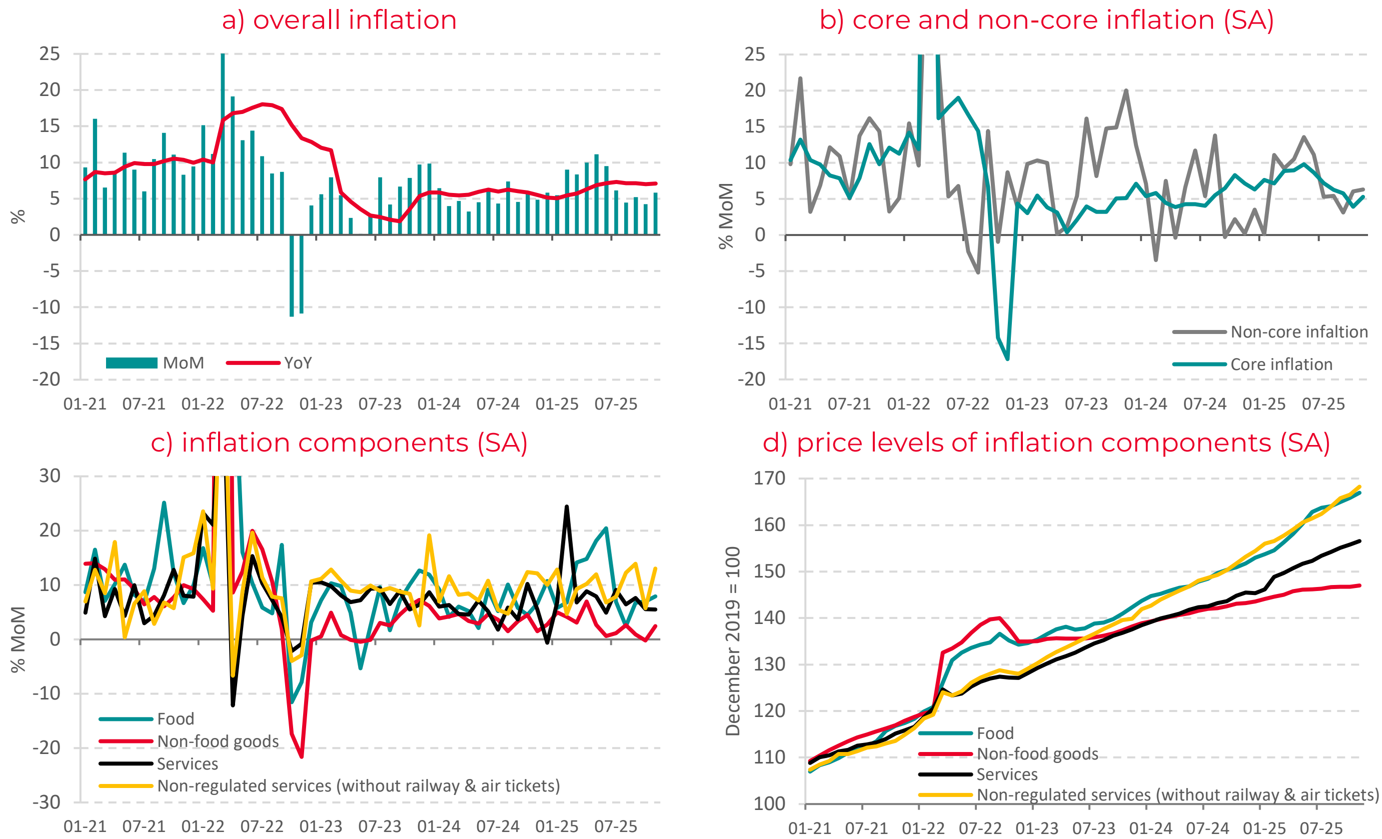
The negative balance narrowed by ≈$170 million (around 2.5 p. p. of GDP) compared with September 2025 (Fig. 5.b). The contraction of the deficit resulted from an increase in the value of goods exports by ≈$190 million, driven by higher shipments to CIS countries (Fig. 5.a). The expansion of exports to CIS countries – where Russia dominates the structure – does not correlate with the marked decline in industrial production in Q3 and October 2025 (Fig. 3.a).

In this regard, the increase in exports in October is likely to be partly explained by sales of vehicles from inventories amid a temporary surge in demand in Russia ahead of changes to the recycling fee, and partly by price effects. Exports of goods to non-CIS countries remained low in October 2025. Against the backdrop of near-record shipments of potash fertilizers, this points to an unfinished recovery in petroleum product output, although the pace of recovery accelerated toward the end of the year (Fig. 5.a). Goods imports into Belarus remained elevated amid slowing but still strong domestic demand (Fig. 5.b).

The overall trade deficit in goods and services is expected to be close to 2% of GDP for 2025

The size of the external trade deficit continues to exceed Belarus's "normal" near-zero level amid still strong domestic demand and weakened demand in the Russian market. The scale of the imbalance is not critical for serious macroeconomic destabilization but, all else equal, creates preconditions for a moderate depreciation of the Belarusian ruble in 2026. If, as assumed in the baseline scenario, fiscal stimulus is not intensified and monetary conditions do not become significantly looser, the external trade deficit is expected to remain close to 2% of GDP in 2026.

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.

Inflation remained contained: the annual rate stood at 7% YoY in November, while the annualized monthly price growth rose from ≈4.2% MoM in October to ≈5.8% MoM in November (seasonally adjusted; hereinafter – MoM; Fig. 6.a)

The increase in monthly consumer price growth was associated with an acceleration of core inflation from ≈3.9% MoM in October to ≈5.3% MoM in November (Fig. 6.b). The rise in core inflation was driven by faster growth in food prices and prices of unregulated services. Food prices (excluding vegetables and fruit, alcohol, and tobacco products, which are included in the non-core index) increased by ≈7.3% MoM in November after ≈5.7% MoM in October.

Inflation in unregulated services rose from ≈5.5% MoM in October to ≈9.8% MoM in November, and excluding highly volatile prices for international air and rail transport – from ≈5.7 to ≈13% MoM, respectively (Fig. 6.c). Market household services rose by more than 20% MoM in November, while on average since the beginning of the year their prices have increased by more than 13% MoM per month. High inflation in unregulated services continue to signal persistent price pressure from labor costs. Price growth for non-food goods remained low in November amid a strong and somewhat overvalued ruble and strict price controls on goods (Fig. 6.c).

Non-core inflation amounted to 6.3% MoM in November after ≈6.1% MoM in October (Fig. 6.b)

The acceleration of regulated price growth from ≈3.8% MoM in October to ≈6.5% MoM in November was almost fully offset by a slowdown in price growth for fruit and vegetable products from ≈24 to 5.4% MoM, respectively.

In December, annual inflation will remain close to 7% YoY

The slowdown in domestic demand growth, the reduction in economic overheating, and lower price growth in Russia create conditions for containing inflation in Belarus. Nevertheless, consumer spending remains elevated relative to the production potential of goods and services, and the average real wage exceeds the inflation-neutral level. As a result, annual inflation will remain close to 7% YoY in December, but may temporarily decline closer to 6–6.5% in the first half of 2026, as the high price growth rates of the first half of 2025 drop out of the YoY calculation. Since the National Bank has raised the inflation target for next year to 7% YoY, under developments in line with the baseline scenario the most likely outcome is the maintenance of a soft monetary policy stance.

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