

Macroeconomic forecast for Belarus 2025–2026

May 2025

Monetary policy loosening will support increased GDP growth in Belarus in 2025, but at the cost of heightened inflationary pressure and a greater risk of economic volatility if external conditions deteriorate

The GDP growth forecast for Belarus in 2025 has been raised from 1.7% to 2.5% due to the expected more accommodative monetary policy under the new leadership of the National Bank. Excessive domestic demand amid the projected weakening of exports and limited production capacity will result in a greater degree of economic overheating than expected in December 2024. As a result, inflation is projected to accelerate to 7–9% by the end of 2025, against the government's target of no more than 5%, while the trade deficit in goods and services is forecasted to be around 2% of GDP for the year.

The degree of forecast uncertainty has increased due to rising volatility in global markets and the National Bank's shift towards a procyclical monetary policy. The likelihood of an economic downturn, accompanied by elevated inflation and a depreciation of the national currency in the event of a sharp deterioration in the external environment, has risen significantly due to the weakening of economic stabilization institutions.

Table. Macroeconomic forecast for Belarus for 2025–2026 under the baseline scenario

Indicator	2023	2024	2025	2026
GDP (% YoY, in real terms)	4.1	4.0	2.5	1.0
Inflation (% , December vs December of the previous year)	5.8	5.2	8.3	9.8
Interest rate on new market loans in BYN (% , annual average)	8.9	10.6	12.0	12.4
USD/BYN exchange rate (#Belarusian rubles per US dollar, annual average)	3.00	3.25	3.27	3.61
100*RUB/BYN exchange rate (#Belarusian rubles per 100 Russian rubles, annual average)	3.55	3.51	3.62	3.82
Nominal wage (Belarusian rubles, annual average)	1 916	2 272	2 673	2 950

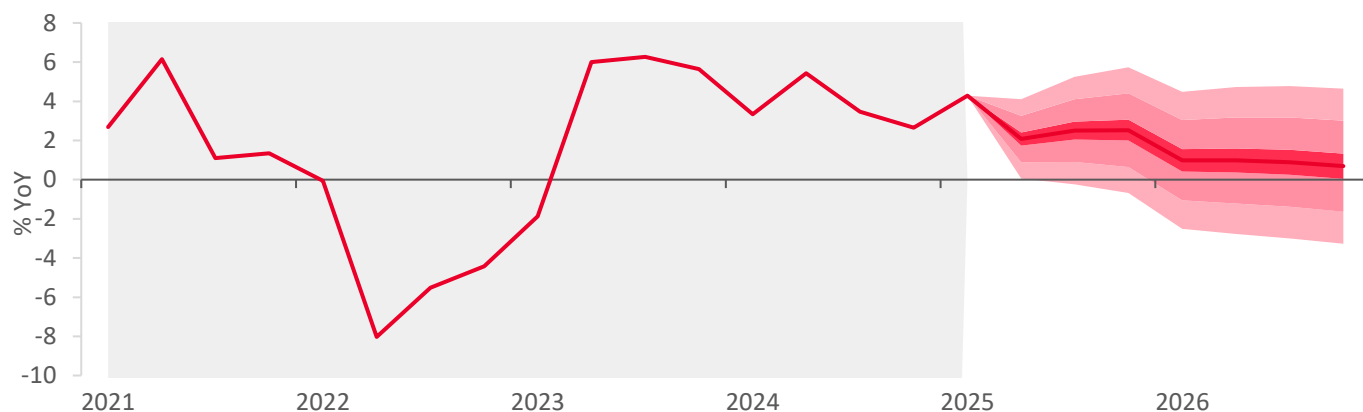
Source: calculations are based on the Quarterly Projection Model (QPM) for Belarus.

The bulletin — “Macroeconomic Forecast for Belarus” — presents a forecast of the key macroeconomic indicators of the Belarusian economy for up to two years; it is based on a quarterly projection model (QPM) designed for the Belarusian economy. The bulletin provides only the baseline scenario forecast, i.e. the scenario whose prerequisites are subjectively assessed as the most realistic in the current context. A description of the relevant forecast assumptions is in Section 6.

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1 Baseline scenario forecast: Economic activity

Figure 1. Forecast of real GDP dynamics in Belarus



Source: calculations are based on QPM and the Belstat data.

Note: YoY (year-on-year) is a growth rate in the period versus the corresponding period of the previous year. All indicators are seasonally adjusted. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

The Belarusian economy will slow its growth from 4% in 2024 to 2–3% in 2025 (Fig. 1)

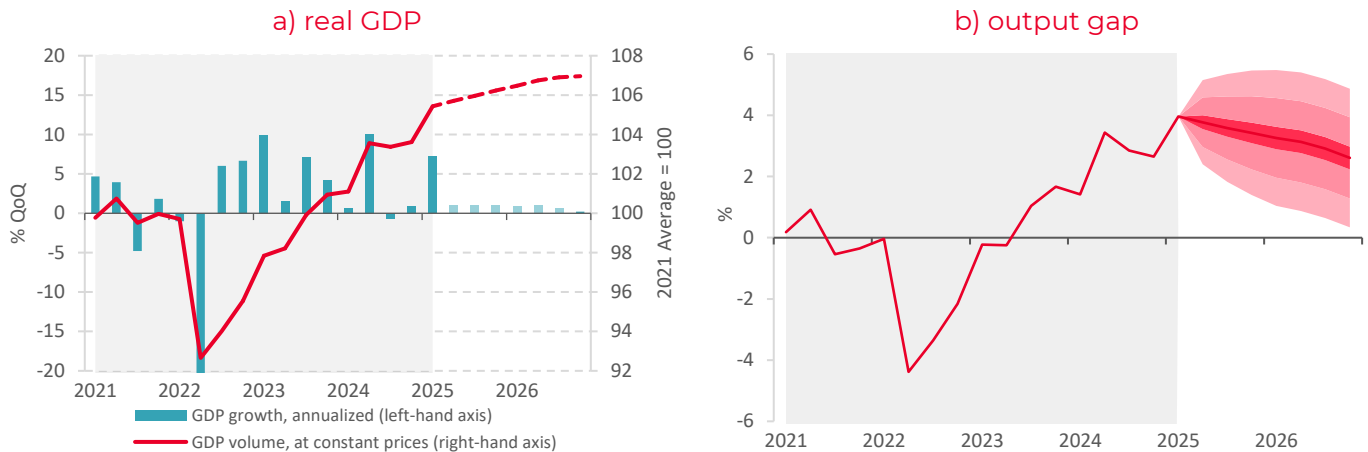
GDP growth will continue to be supported by accommodative domestic economic policy and rising household incomes amid a significant labor shortage. This will manifest in increased domestic demand in both consumer and investment segments. Export dynamics will slow this year due to heightened competition and weakening demand in the Russian market, as well as limited production capacities of Belarusian industry under conditions of full capacity utilization. Stimulating domestic demand amid constrained output potential will result in sustained overheating of the economy – the positive output gap is estimated at 3–4% on average in 2025 (Fig. 2.b). Due to the weakening of export dynamics, the volume of excess demand will decrease slowly, including through inter-industry effects generated by export-oriented industry. As a result, GDP growth will slow during the current year (Fig. 2.a).

Compared to the December 2024 forecast, the GDP growth estimate for 2025 has been increased by 0.8 p.p. This is due to the effects of a more accommodative monetary policy than previously expected and higher GDP growth in Q1-2025, including significant accumulation of inventory stocks. The cost of the expansionary economic policy will be the maintenance of greater excess demand compared to the previous forecast.

In 2026, GDP growth will decline to 0.5–1.5%

The specific growth mechanisms that contributed to high rates in 2023–2024 will be exhausted in 2025. These include the fading of demand in Russia and the closure of niches in the Russian market that opened in 2022, coupled with increased competition. Due to the restrained growth of potential GDP (within 2% per year), the weakening of external momentum will lead to a significant economic slowdown in Belarus. At the same time, the adjustment of economic activity to a balanced state is expected to be prolonged (in the absence of strong external shocks) due to the likely maintenance of expansionary economic policies and consumption inertia.

Figure 2. Real GDP of Belarus and output gap



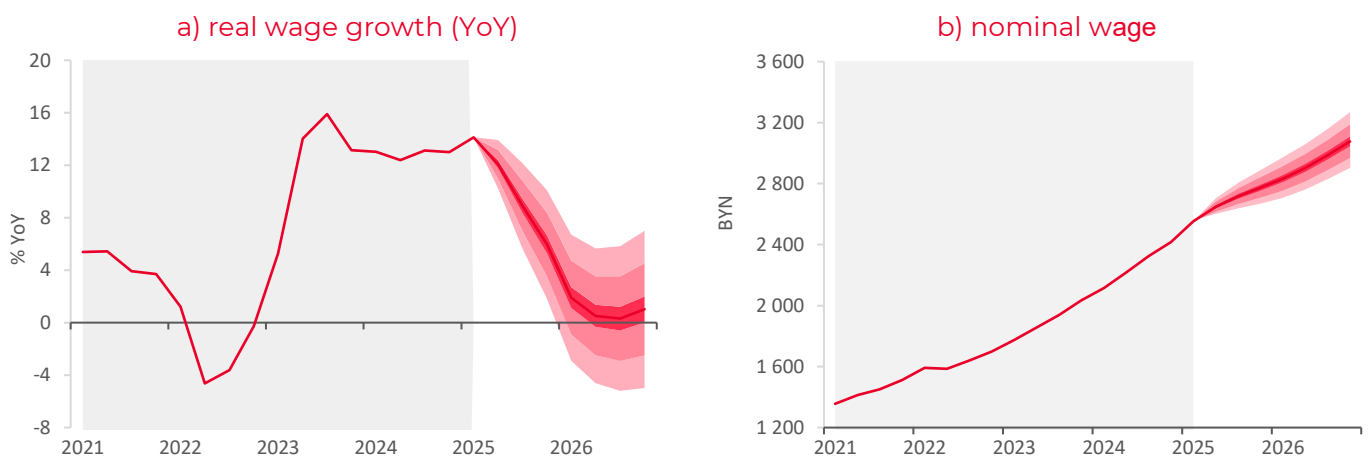
Source: calculations are based on QPM and the Belstat data.

Note: QoQ (quarter-on-quarter) is the annualized growth rate of the quarter versus the previous quarter (seasonally adjusted). All indicators are seasonally adjusted. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

The wage growth forecast for 2025 has been significantly raised due to its accelerated increase at the beginning of the year and a higher-than-previously-estimated excess demand in the economy

Real wages rose by $\approx 16\%$ in Q1-2025 compared to Q4-2024 (annualized, seasonally adjusted), exceeding the 2021 average by $\approx 35\%$ and significantly surpassing the balanced level. Wage growth outpaced earlier estimates due to a deepening labor shortage. Amid excess demand, the shortage of personnel will continue to push firms to raise wages throughout the current year. However, as the pace of economic activity slows, the demand for labor and thus wage growth will decelerate. As a result, following a 13% YoY increase in 2024, real wages are projected to grow by 8–10% YoY in 2025 and by 0–2% in 2026 (Fig. 3.a). The real wage level over the forecast horizon will remain significantly above its balanced trajectory, though the degree of deviation will gradually diminish. With the projected average annual inflation, the average nominal wage is expected to reach approximately Br2673 in 2025 and Br2950 in 2026 (Fig. 3.b).

Figure 3. Wage forecast for Belarus

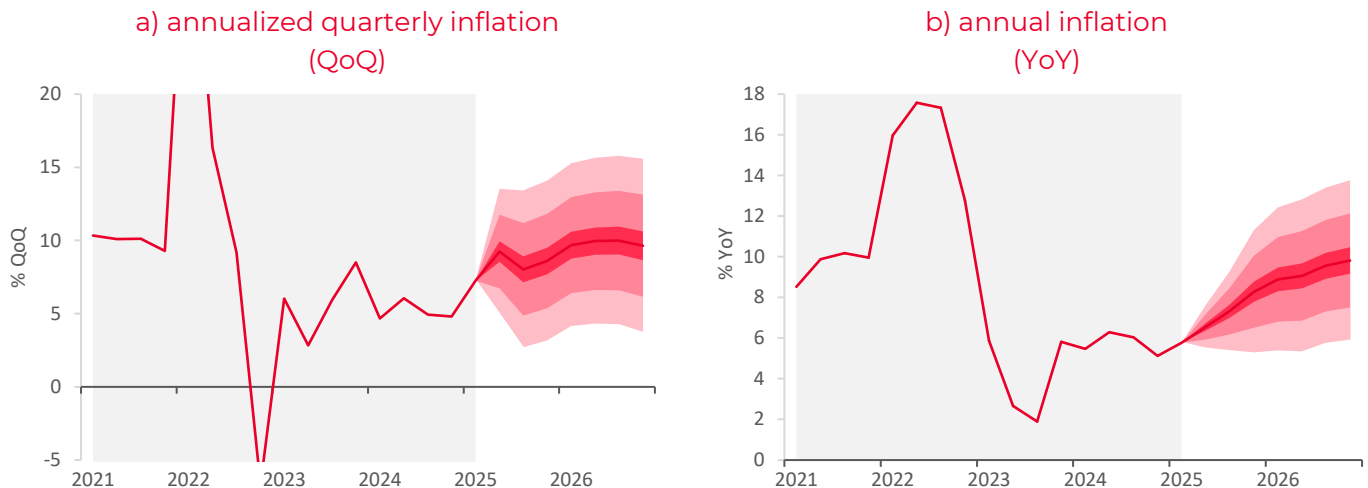


Source: calculations are based on QPM and the Belstat data.

Note: YoY (year-on-year) is a growth rate in the period versus the corresponding period of the previous year. All indicators are seasonally adjusted. The ranges in the figures correspond to the 15%, 50% and 75% confidence intervals.

2 Baseline scenario forecast: Inflation

Figure 4. Inflation forecast for Belarus



Source: calculations are based on QPM.

Note: QoQ (quarter-on-quarter) is a seasonally adjusted annualized growth rate in the period versus the previous period; YoY (year-on-year) is a growth rate in the period versus the corresponding period of the previous year. All indicators are seasonally adjusted. The ranges in the figures correspond to the 15%, 50% and 75% confidence intervals.

Inflation is projected in the range of 7–9% YoY by the end of 2025 (Fig. 4.b)

A significant level of excess demand and sharply increased labor costs will sustain pro-inflationary pressure. The translation of this pressure into consumer price growth will be delayed over time due to administrative price regulation in Belarus. Price controls will be gradually relaxed to provide greater pricing flexibility, prevent assortment reduction, and avoid significant deterioration in the financial condition of enterprises. Elevated inflation in Russia, combined with the depreciation of the Belarusian ruble against the Russian ruble, will directly drive up import prices. An indirect effect will come from upward pressure on prices of tradable goods in the Belarusian market to reduce the gap with Russian prices. A greater increase in regulated prices and tariffs this year compared to last, due to accumulated cost pressure, will also contribute to rising inflation in the country.

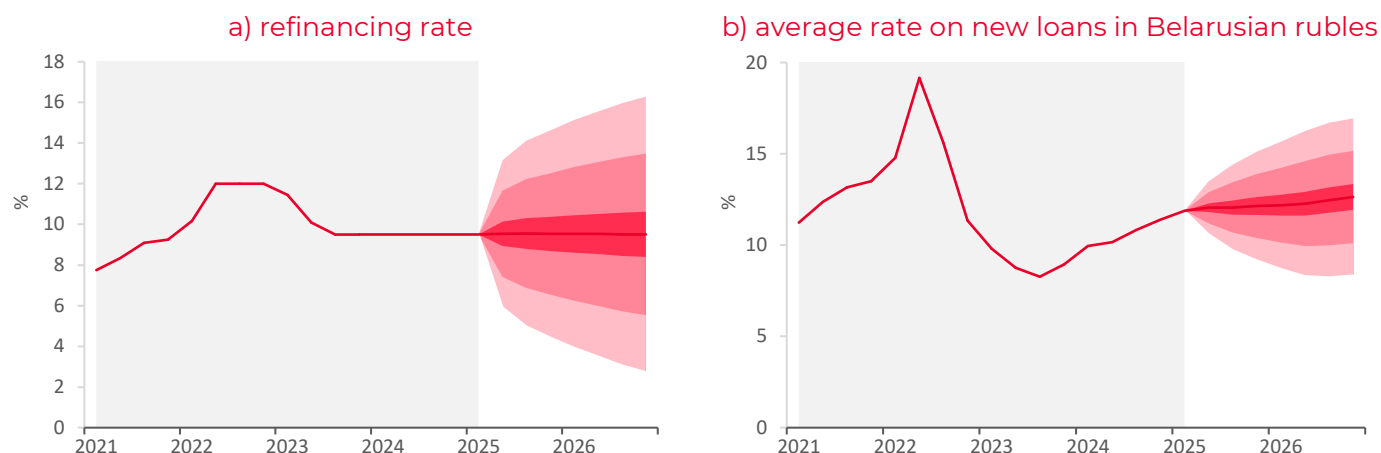
Compared to the December 2024 forecast, the inflation range for the current year has been raised by 1 p.p. This revision is linked to a greater-than-expected overheating of the economy. A more pronounced impact on price growth in Belarus is also expected from global inflation due to an upward revision of its forecast following intensified tariff tensions.

In 2026, inflation may approach 9–11% if price controls are weakened

Despite a reduction in excess demand and a slowdown in wage growth, accumulated inflationary overhang will continue to be reflected in prices. However, the uncertainty of the inflation trajectory in the medium term has increased significantly due to major volatility in global markets, reduced predictability of policies in the largest economies, and changes in the monetary policy of the National Bank of Belarus along with its growing dependence on the executive branch.

3 Baseline scenario forecast: Interest rates

Figure 5. Forecast of nominal interest rates in Belarus



Source: calculations are based on QPM.

Note: the ranges in the figures correspond to the 15%, 50% and 75% confidence intervals.

Monetary conditions will take on a moderately accommodative character in the second half of 2025 due to a shift in the National Bank's approach to conducting monetary policy

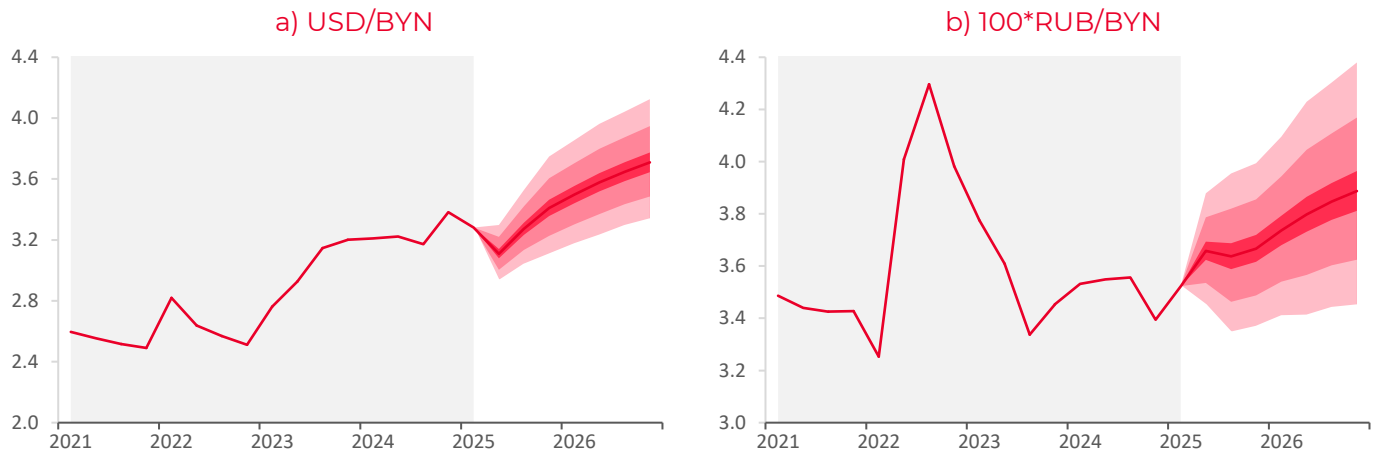
The National Bank has shifted the focus of monetary policy toward credit support of the economy, primarily by stimulating long-term investment lending. The National Bank's resistance to tightening monetary conditions has increased, and its response to rising inflationary pressure is becoming even more delayed. Accordingly, the baseline scenario assumes that the refinancing rate will remain unchanged at 9.5% in 2025–2026 (Fig. 5.a), and average interest rates on loans and deposits will stop rising significantly. To achieve this, the National Bank will apply estimated values of standard risk. As a result, the nominal interest rate on new market ruble loans is expected to remain around 11.5–12% for the remainder of 2025 and into 2026 (Fig. 5.b), while new fixed-term ruble deposits will carry rates of about 10.5–11%.

Monetary policy is forecasted to be pro-cyclical rather than stabilizing in the medium term, which increases the likelihood of significant macroeconomic volatility in the event of a sharp deterioration in the global or Russian economy

Nominal interest rates remained close to the December 2024 forecast. However, due to the upward revision of inflation estimates, the rates have become lower in real terms. While the previous forecast assumed the maintenance of real interest rates in the credit-deposit market near their neutral levels, the current baseline scenario projects that from the second half of 2025, interest rates will fall below neutral values. This means that monetary conditions will become moderately accommodative in 2025–2026, rather than close to neutral as previously anticipated. Lending growth targets set by the National Bank for commercial banks will be an additional factor weakening monetary conditions. The National Bank's requirement for credit growth of 11–14% in 2025, including 16% for investment loans, appears significantly overstated relative to the required credit portfolio dynamics in an overheated economy, the estimated balanced growth of 1.5–2% per year, and the inflation target of no more than 5%.

4 Baseline scenario forecast: the Belarusian ruble exchange rate

Figure 6. Forecast of nominal exchange rates of the Belarusian ruble



Source: calculations are based on QPM.

Note: the ranges in the figures correspond to the 15%, 50% and 75% confidence intervals.

The trade deficit in goods and services is projected to be around 2% of GDP or slightly higher this year, which will continue to exert pressure on the foreign exchange market

This is above the previous forecast. The revision is linked to the expected more accommodative monetary policy and a greater scale of excess demand in the economy. This will support elevated import volumes of goods. Export dynamics will weaken due to the economic slowdown in Russia and high competition in the Russian market. The recovery of the ICT sector will contribute to increased exports of services, partially offsetting the deterioration in the external trade position in terms of goods.

The Belarusian ruble, in terms of the basket of foreign currencies, is expected to depreciate by $\approx 4\text{--}6\%$ in Q4-2025 compared to Q4-2024 and by $\approx 6\text{--}8\%$ in 2026 under the baseline scenario for trade dynamics and interest rates in domestic and external markets

The forecast for 2025 remains unchanged based on the assumption that, due to the National Bank's increased preference for "manual" adjustments in monetary policy, the regulator will increase foreign exchange interventions to support the national currency in case of intensified pressure. The continued undervaluation of the ruble and increased reserves enhance the attractiveness of this tactic for the National Bank. A negative consequence will be the reduced role of the exchange rate as an automatic stabilizer, which will slow the recovery of the external trade position. The forecast for 2026 has been raised from 4–5% due to higher expected inflation and more accommodative monetary policy in Belarus. It should be noted that there remains a possibility of greater than expected foreign currency sales by the population in 2025–2026. This factor could lead to a stronger ruble compared to the baseline forecast.

The exchange rate dynamics of the ruble against individual currencies will depend on cross-rate dynamics in external markets. If the USD/RUB moves to 90–95 Russian rubles per US dollar, the USD/BYN will be 3.3–3.5 Belarusian rubles per dollar by the end of 2025 (Fig. 6.a). In this case, the RUB/BYN is projected to be around 3.6–3.7 Belarusian rubles per 100 Russian rubles in Q4-2025 (Fig. 6.b).

5 Baseline scenario forecast risks

The risk of a sharp downturn amid a drastic deterioration in external conditions has significantly increased due to the weakening of economic stabilization institutions

The Belarusian authorities have sufficient reserves to mask the accumulated economic imbalances for a prolonged period. However, this is only possible if the relatively favorable conditions in the global and Russian economies persist. At the same time, the National Bank is de facto ceasing to adhere to stabilization-oriented monetary policy. This significantly heightens the threat of major macroeconomic volatility in the event of a sharp and severe deterioration in the external environment. The likelihood of such a development is currently assessed as high, close to that of the baseline scenario. Should this scenario materialize, GDP growth in 2025 will be minimal, and in 2026, economic activity and household incomes will decline. Inflation could exceed 10% YoY in 2025–2026 due to the accumulated inflationary overhang, and the pace of Belarusian ruble depreciation would accordingly increase. At the same time, there remains a possibility that, in the event of a significant deterioration in external conditions, the National Bank may again change course and tighten monetary policy.

Prolonged escalation of the global tariff confrontation will intensify inflationary pressure

The realization of an adverse scenario would mean heightened inflationary pressure in Belarus due to increased costs of consumer and investment imports, as well as a likely weakening of exports amid rising competition and reduced demand in the Russian market. Under significant external shocks, the authorities will likely ease price controls to help businesses adapt to changing conditions and minimize output declines. Inflation could temporarily accelerate above 10% YoY, with a corresponding rise in the pace of national currency depreciation. The medium-term consequences will depend on the development of global political and economic conditions, as well as the responses of Belarus's monetary and fiscal policies.

Sanctions regime changes remain a source of forecast uncertainty

On one hand, increased effectiveness or the threat of secondary sanctions by Western countries against intermediary states in Belarusian and Russian trade operations will create settlement and payment issues. This will complicate trade flows and could lead to logistical disruptions.

On the other hand, easing measures cannot be ruled out, particularly from the U.S., regarding financial transaction controls and the supply of potash fertilizers. Loosening sanctions on banks would reduce transaction costs and ease cross-border payments. This could enhance the competitiveness of imports and result in some substitution of domestic production. In terms of exports, foreign currency earnings may increase due to lower transaction costs. However, the impact on physical export volumes will be limited, as logistics challenges will persist if EU sanctions remain, and competition in the Russian market intensifies. In such a setting, any disinflationary effect from faster supply-side adjustment to demand may be offset by increased pressure on the Belarusian ruble exchange rate.

Total dependence on Russia is a powerful uncertainty factor in the forecast

The competitiveness of Belarusian producers currently critically depends on Russian support in the form of cheap energy resources, access to transport and logistics infrastructure, and indirectly, financial support via intergovernmental mechanisms.

This total dependence reduces Belarus's resilience to strong shocks and increases the risk of unexpected disruptions. There is no certainty regarding the sustainability of Russian GDP growth or the corresponding demand for Belarusian goods, nor the preservation of macroeconomic and financial stability in the medium term.

Greater-than-expected Russian GDP growth is a major upside risk for Belarus's economy

It is possible that the mobilization of financial and labor resources will allow Russia to maintain extensive GDP growth around 2.5–3% in 2025–2026 even under tight monetary policy. If such a scenario materializes, demand for Belarusian goods will remain elevated, sustaining excess production capacity utilization and temporarily enabling above-equilibrium GDP growth in Belarus of 3% or more annually. The downside of this scenario would be growing macroeconomic imbalances and an almost inevitable large-scale decline in economic activity once the specific growth drivers are exhausted.

6 Prerequisites and assumptions of the baseline scenario forecast

The sanctions regime against Belarus will persist

No new sanctions significantly impacting Belarus's economy are expected to be introduced, or their effectiveness will remain limited.

Import and export logistics chains will remain intact

In 2025–2026, no logistical disruptions are anticipated. Key Belarusian export goods will continue to reach global markets, primarily utilizing Russia's transport and logistics infrastructure. Potash fertilizer exports are projected to stay near 2023–2024 levels (nearly 9–10 million tons annually in 2025–2026), constrained by the limited capacity of Russian ports and railways. Imports of essential goods, including investment items, will remain accessible to Belarus, though delivery costs will stay elevated, and lead times will be longer.

Russia will continue to provide energy and financial support to Belarus

Belarus will keep receiving gas and oil from Russia at prices below global market rates and will export about 8 million tons of petroleum products annually, mainly through Russian ports. Due to the narrowing discount between Russian Urals oil and Brent oil, the benefit from importing cheaper Russian oil decreased by approximately \$1 billion (halved) in 2024 and is expected to decline further. Financial support from Russia will persist, including budgetary transfers (e.g., reverse excise tax revenues on oil products) and refinancing of public debt.

Price regulation will continue in 2025–2026 but will become less stringent

Authorities will gradually ease price controls throughout 2025–2026 to prevent product shortages, significant deterioration in firms' financial health, and production declines. A complete abolition of price controls is not anticipated within the forecast horizon. Consequently, the accumulated inflationary pressure will be transferred to consumer prices gradually over time.

Fiscal stimulus will persist in 2025 but will gradually decrease

The baseline scenario assumes an increase in consolidated budget expenditures by ≈ 4 –4.5% in real terms in 2025, with a slowdown in dynamics in 2026. Fiscal policy will continue to stimulate economic activity, but the fiscal impulse will weaken due to limited revenue growth potential.

Authorities will continue to employ quasi-fiscal instruments (recapitalization, refinancing of state bank and/or enterprise debts, etc.) and directive financing to mask structural issues in the economic model and counteract production declines.

Monetary policy will become more resistant to tightening

Following a leadership change, the National Bank has focused on credit support for the economy, emphasizing long-term loans to organizations. Ensuring price and macroeconomic stability has become a secondary objective for the regulator. The National Bank aims to enhance banks' credit support for the economy by influencing interest rates and issuing directive targets for loan volumes and directions. Administrative influence is beginning to outweigh market mechanisms. Monetary policy is expected to be pro-cyclical and highly tolerant of inflationary risks over the forecast horizon.

Global economic growth will slow in 2025–2026

The baseline scenario anticipates that tariff confrontations will weaken the global economy. Given increased uncertainty and volatility, it will face output losses and rising inflation. The weighted average GDP growth (relevant for Belarus) for Russia, China, the EU, and the USA is projected at 1.7% in 2025 and 1.5% in 2026, down from 3.8% in 2024. The 2025 estimate has been lowered by 0.4 p.p. compared to the December 2024 forecast, and the 2026 estimate – by 0.1 p.p. Weighted average inflation in Russia, China, the EU, and the USA is expected to be 5.6% in 2025 and 3.9% in 2026, after 6.5% in 2024. The 2025 estimate has been raised by 0.6 p.p. compared to the December 2024 forecast, and the 2026 estimate by 0.1 p.p.

Russia's economy is projected to slow from 4.3% growth in 2024 to 1.5% in 2025 and 1% in 2026 due to the effects of tight monetary conditions, planned fiscal stimulus reductions, and full capacity utilization. Inflation in Russia is forecasted at 7.5% in 2025 and 5% in 2026, down from 9.5% in 2024. The slowdown in price growth in the Russian market will be prolonged due to accumulated pressures from increased labor costs and excess demand. As a result, **the external sector is expected to exert a restraining effect on output growth in Belarus and moderate inflationary effects.**