

Belarus Economy Monitor: trends, attitudes and expectations

Macroeconomic forecast for Belarus 2025–2026

December 2024

Economic activity in Belarus will remain high in 2025 amid accommodative economic policies, but GDP growth will slow significantly due to resource constraints

Belarus's GDP is projected to grow by 1.7% in 2025, following a 3.9% increase in 2024. GDP growth will be constrained by a slowdown in the Russian economy, labor and capacity shortages, logistical challenges, and uncertainty surrounding sanctions. In turn, stimulative fiscal policy, non-restrictive monetary conditions, and government efforts to boost public investment will sustain high domestic demand. As a result, the economy will continue to operate under conditions of excess demand, sustaining significant inflationary pressures. If price controls are relaxed, inflation is expected to rise from 5.4% in 2024 to 7.6% in 2025. The Belarusian ruble is forecast to depreciate by 4–6% against a currency basket in 2025, while interest rates on loans and deposits in rubles are likely to remain near neutral levels.

This forecast is still highly uncertain. The range of probable deviations of the dynamics of macro indicators from the forecast trajectory of the baseline scenario is wide, and the risks shift towards worsening estimates.

Table. Macroeconomic forecast for Belarus for 2024–2026 under the QPM baseline scenario

Indicator	2023	2024	2025	2026
GDP (% YoY, in real terms)	3.9	3.9	1.7	0.7
Inflation (% , December vs December of the previous year)	5.8	5.4	7.6	8.0
Interest rate on new market loans in BYN (% , annual average)	8.9	10.6	11.9	12.4
USD/BYN exchange rate (#Belarusian rubles per US dollar, annual average)	3.00	3.25	3.55	3.82
100*RUB/BYN exchange rate (#Belarusian rubles per 100 Russian rubles, annual average)	3.55	3.51	3.44	3.59
Nominal wage (Belarusian rubles, annual average)	1 916	2 270	2 537	2 777

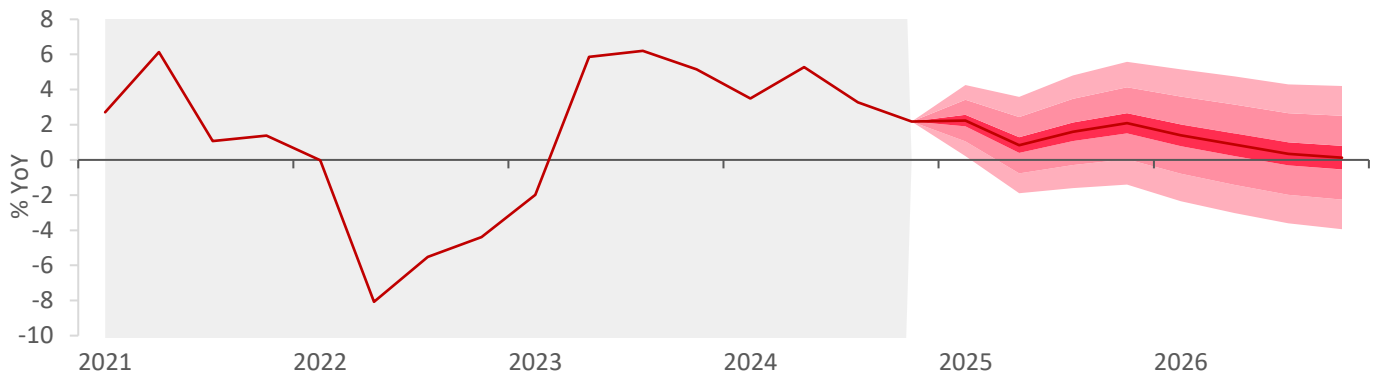
Source: The calculations are based on the Quarterly Projection Model (QPM) for Belarus.

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



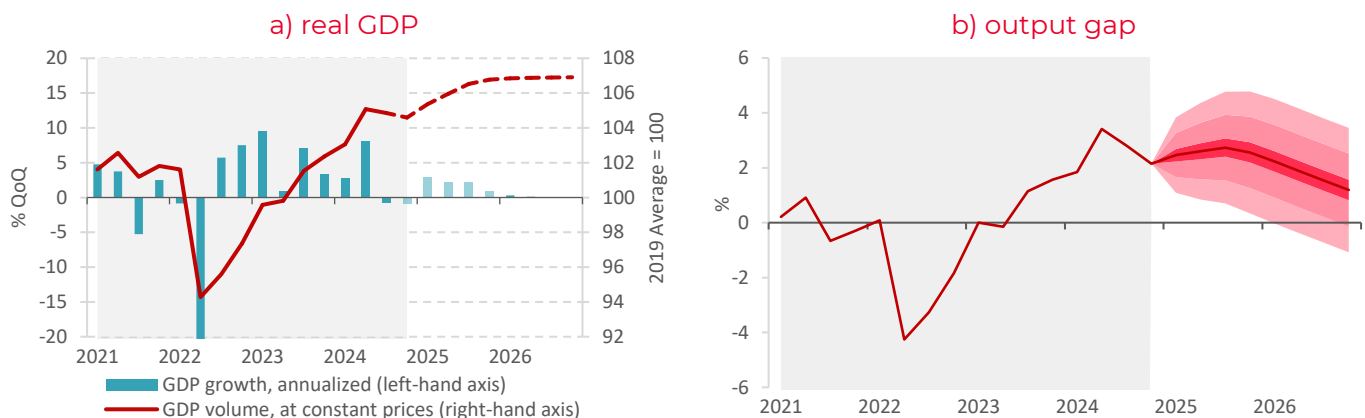
Source: The calculations are based on QPM and the Belstat data.

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 economy will grow by 3.9% in 2024, but growth momentum weakened in the second half of the year

Belarus's GDP growth slowed significantly in Q3-Q4-2024 after exceptionally high rates in the first half of the year (Figure 2.a). The record-high utilization of industrial capacity, labor shortages, and increased competition in the Russian market constrained output dynamics in the second half of the year. Nevertheless, GDP volume remained high, exceeding the balanced level by $\approx 2.2\%$ in Q4-2024 (Figure 2.b). This was supported by sustained strong demand from Russia, as well as expanding domestic consumer activity driven by significant wage increases, higher government spending, accessible credit, and household optimism.

Figure 2. Real GDP of Belarus and output gap



Source: The 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.

Belarus's GDP growth will slow to 1.7% in 2025 (Figure 1)

Expansionary fiscal policy and non-restrictive monetary conditions will continue to support domestic demand, particularly household consumption. The government's intention to significantly increase investments, including through the continued use of directed lending, will slow the pace of the economy's return to a balanced state and maintain excess demand.

However, GDP growth is expected to weaken by the end of 2025 (Figure 2.a). This moderation will be driven by several constraints on maintaining high output growth: a projected slowdown in demand from Russia, the restraining effects of resource limitations (labor shortages, lack of production capacity, logistical challenges), and heightened uncertainty due to the sanctions environment.

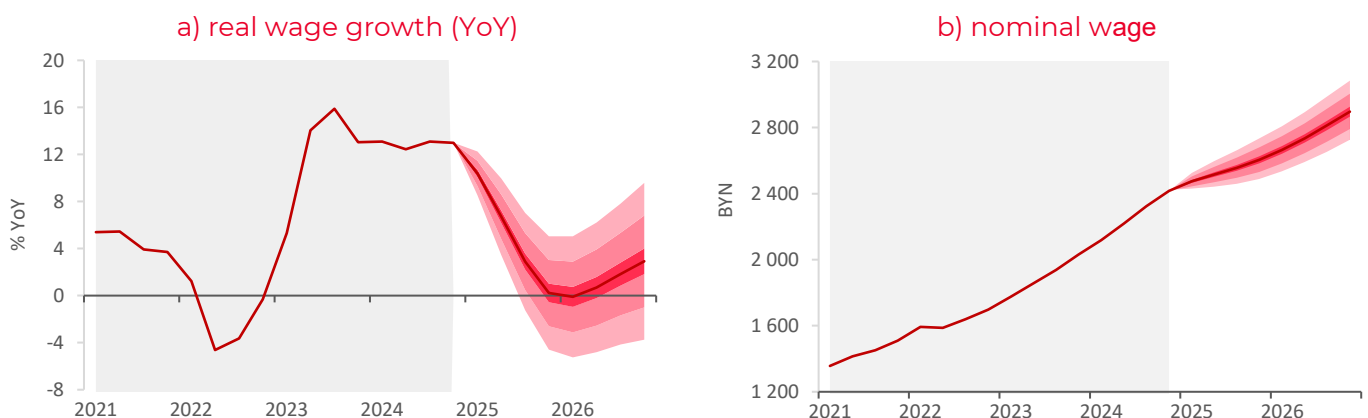
In 2026, the Belarusian economy may reach growth of around 0–1%

The pace of potential GDP growth remains, and will likely continue to be, low: during 2012–2021, potential GDP grew at an average annual rate of about 1%, while growth in 2023–2026 is estimated at 1–2%. This slow potential growth is constrained by political and economic institutions that fail to incentivize accelerated investment and innovation, unfavorable demographic trends, and the long-term negative effects of sanctions that limit access to advanced technologies. By 2026, the additional external impulses for Belarusian producers, stemming from the opportunities created on the Russian market in 2022, will be largely exhausted. Fiscal and monetary stimuli will be reduced, as their effectiveness in such conditions will be low, and their continuation would pose significant risks to macroeconomic stability.

Real wage growth will slow from 13% in 2024 to 5% in 2025

The labor market will continue to experience worker shortages in 2025, which will push wages upward. Increased government spending will also support household incomes. However, firms' ability to raise wages will be limited. Factors such as the expected slowdown in demand from Russia (reduced growth in export revenue), the effects of price controls, and higher borrowing costs will all exert downward pressure. As a result, real wage growth will decelerate from $\approx 13\%$ in 2024 to $\approx 5\%$ in 2025 and ≈ 1.3 in 2026 (Figure 3.a). This will correspond to a gradual reduction in the extent to which real wages exceed their balanced level. Under the projected average annual inflation, the average nominal wage is expected to be approximately Br2,270 in 2024, Br2,537 in 2025, and Br2,777 in 2026 (Figure 3.b).

Figure 3. Wage forecast for Belarus

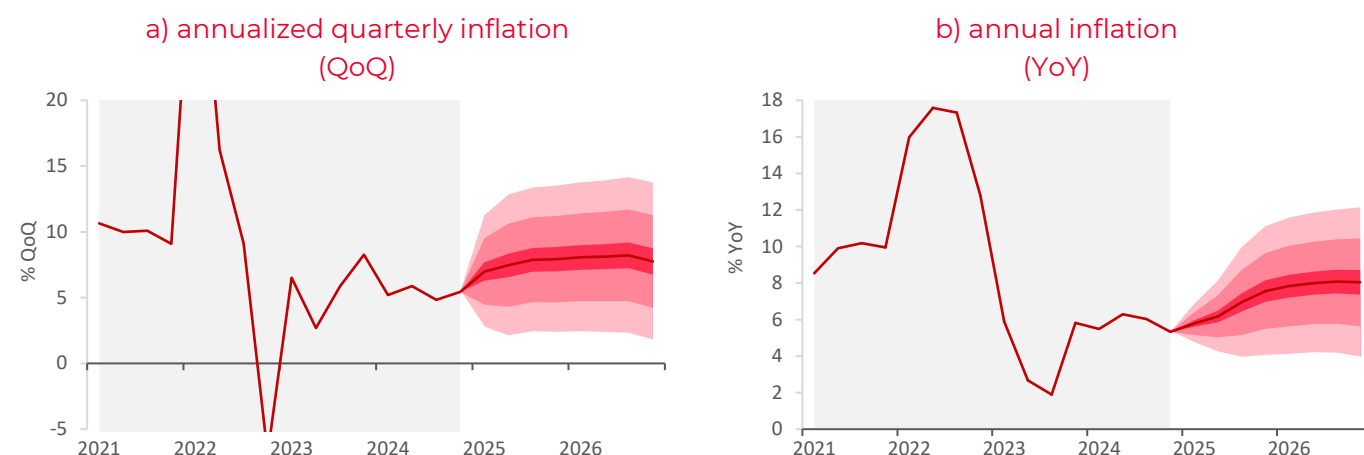


Source: The calculations are based on QPM and the Belstat data.

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: The 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 will accelerate from 5.4% YoY in 2024 to 7.6% YoY in 2025 (Figure 4.b)

Accumulated inflationary overhang due to price controls, high consumer demand, and significantly increased labor costs will sustain substantial inflationary pressure in 2025. Additional upward price pressures will come from inflation in Russia, which is projected to exceed the Bank of Russia's 4% target in 2025–2026. Weak harvests of potatoes, grain, and vegetables will add to the cost of food products, while the sanctions environment, complicating supply chain logistics, will result in higher costs.

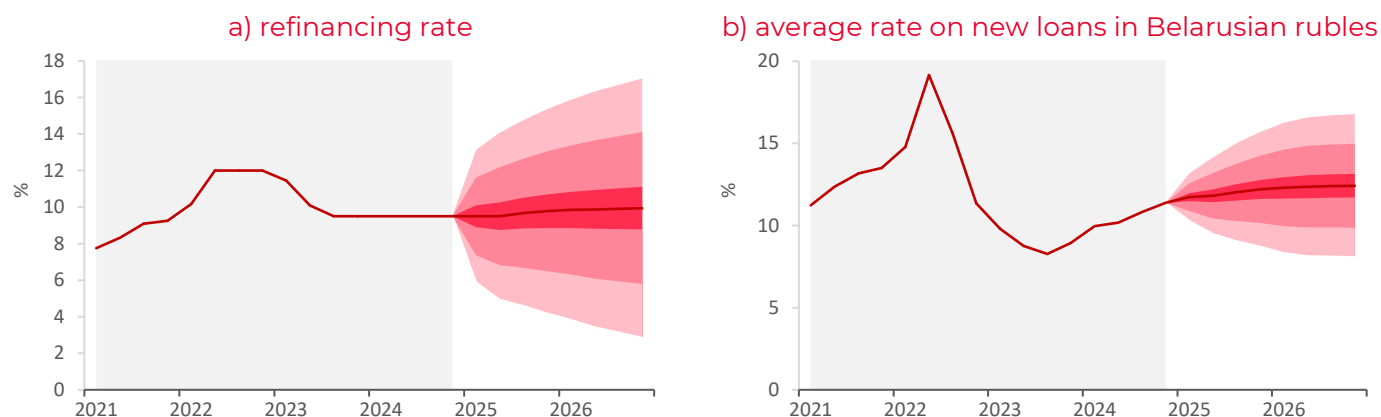
Government price controls will limit and delay the pass-through of inflationary pressures to consumer prices. A relaxation of price controls is expected after the completion of the electoral campaign to counteract declining output and significant financial strain on businesses, but a complete removal of controls is unlikely. Abruptly lifting price restrictions would entail high social costs, which the authorities may seek to avoid. The Belarusian ruble will remain slightly undervalued in 2025 (close to the equilibrium level in terms of the real effective exchange rate), exerting neither significant additional inflationary nor disinflationary pressure.

Inflation will remain elevated in 2026 – close to 8% YoY

Despite the gradual reduction in excess demand and slowing wage growth, the accumulated inflationary overhang will continue to materialize in prices. As a result, consumer price growth will remain above the target level of 5%. However, quarterly inflation may begin to weaken toward the end of the forecast horizon (Figure 4.a).

3 Baseline scenario forecast: Interest rates

Figure 5. Forecast of nominal interest rates in Belarus



Source: The calculations are based on QPM.

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

Interest rates on loans and deposits to remain near neutral levels in the medium term

The accumulated inflationary overhang and the extent of economic overheating suggest that moderate monetary tightening would be an optimal strategy. However, the National Bank of Belarus lacks operational and institutional independence, which significantly limits its flexibility and its ability to set quantitative monetary policy targets independently.

The National Bank is expected to rely on supplementary tools (e.g., estimated values of standard risk, reserve requirements, and prudential lending restrictions) to maintain interest rates on loans and deposits near their neutral levels. Given the projected inflation dynamics, this approach implies an increase in the average market interest rate on ruble loans from $\approx 10.6\%$ in 2024 to $\approx 11.9\%$ in 2025 and $\approx 12.4\%$ in 2026 (Figure 5.b). Similarly, the average interest rate on new term ruble deposits is forecast to rise from $\approx 7.5\%$ in 2024 to $\approx 10.1\%$ in 2025 and $\approx 10.6\%$ in 2026.

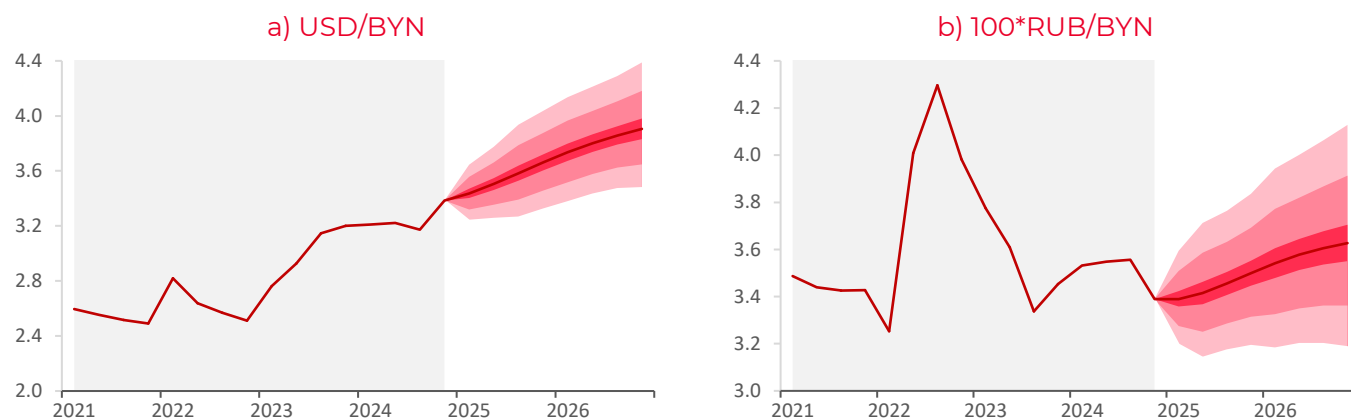
The refinancing rate (in the absence of strong shocks) is expected to remain around 9.5% in 2025 (Figure 5.a). However, an increase after the electoral campaign cannot be ruled out to prevent monetary easing as inflation rises. A shift toward a moderately restrictive monetary policy is unlikely due to the institutional weaknesses of the National Bank.

The absence of rules for the implementation of monetary policy reduces its predictability, especially in the context of discretionary budget policy and the lack of independence of the National Bank.

The anticipated divergence between monetary policy in Belarus and Russia – marked by significantly higher interest rates in Russia – **poses risks to Belarus's currency market** both in terms of maintaining increased domestic demand and imports on the Belarusian market, and in terms of increasing the attractiveness of investments in assets denominated in Russian rubles.

4 Baseline scenario forecast: the Belarusian ruble exchange rate

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



Source: The calculations are based on QPM.

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

Transition of foreign trade in goods and services to a deficit exerts moderate pressure on the Belarusian ruble

The dynamics of Belarusian exports are expected to weaken in 2025–2026 due to both demand- and supply-side factors. From a demand perspective, a restraining effect on exports is expected from the Russian market. Economic growth in Russia is forecast to slow amid record tight monetary conditions, the Russian authorities' planned easing of fiscal stimulus, and resource constraints. From the supply side, the export prospects will be constrained by the reached capacity utilization limit in the Belarusian industry, the insufficiently high volume of investments for rapid capacity expansion, as well as infrastructure barriers to increasing the supply of commodities. Support for exports in terms of services will be provided by the continued recovery in the ICT sector.

Imports will remain elevated over 2025–2026, supported by expansionary fiscal policies and non-restrictive monetary conditions. Consequently, barring significant shocks, the combination of slow cooling of overheated domestic demand and weakening export dynamics is projected to result in a deficit in trade in goods and services of 0–1% of GDP in the medium term.

In terms of the foreign currency basket, the Belarusian ruble will weaken by 4–6% in Q4-2025 versus Q4-2024, and by \approx 4–5% in 2026, if the dynamics of foreign trade and interest rates on domestic and foreign markets materialize as forecasted in the baseline scenario

The dynamics of the Belarusian ruble exchange rates against individual foreign currencies will depend on the trajectory of cross exchange rates in foreign markets. If the USD/RUB rate is close to 103 Russian rubles per US dollar, the USD/BYN exchange rate will be 3.55 Belarusian rubles per US dollar on average in 2025 (Figure 6.a). In this case, the exchange rate of 100*RUB/BYN is projected at 3.44 Belarusian rubles per 100 Russian rubles on average in 2025 (Figure 6.b).

5 Baseline scenario forecast risks

The combination of economic overheating, price controls, and the subordination of the National Bank to the government increases vulnerability to severe shocks

If domestic economic policies remain excessively accommodative for an extended period, and demand in Russia weakens sharply, the likelihood of a “hard landing” – a steep economic downturn accompanied by significant welfare losses – will rise. For example, between 2012 and 2014, the Belarusian economy consistently operated in an overheated state, with the output gap never falling below 2.8% and averaging over 5%. In this context, the deterioration of the Russian economy in 2014 (combined with the flawed policy of pegging the Belarusian ruble to the US dollar) triggered a deep recession in Belarus. This downturn, which extended through 2015–2016, resulted in a 7.1% decline in real wages and a 5.5% drop in real consumption over two years, along with a 27.8% fall in investments – losses that had not been fully recovered even by 2024. A key risk in such a scenario is whether firms and banks could withstand a sudden cooling of demand without falling into a crisis of non-payments, a wave of bankruptcies, and a financial crisis.

Severe deterioration in financial conditions for organizations remains a significant threat to macroeconomic and financial stability

Profitability indicators for businesses, particularly in the trade sector, worsened in 2023–2024. This was largely due to the stringent system of price controls on the domestic market and deteriorating external trade conditions. Significant external and/or domestic inflationary shocks could severely limit the Belarusian authorities’ ability to control price growth through administrative measures. This could necessitate easing price controls due to the accumulated inflationary overhang and the risk of financial destabilization.

Increased sanctions pressure remains a risk factor

A major risk stems from the heightened effectiveness of, or threats to impose, secondary sanctions by Western countries on intermediary states involved in trade operations with Belarus and Russia. This could primarily disrupt payment systems and transactions, complicating export-import logistics and potentially causing supply chain breakdowns. If this risk materializes, it would lead to reduced output and increased inflationary pressure.

Total dependence on Russia adds significant uncertainty to the forecast

The competitiveness of Belarusian producers is critically dependent on Russian support in the form of cheap energy resources, access to transport and logistics infrastructure, and, indirectly, financial aid between the two governments. This dependency undermines the resilience of Belarus’s economy to major shocks and raises the risk of sudden disruptions. Moreover, there is no guarantee of sustained GDP growth in Russia or stable demand for Belarusian goods. Similarly, macroeconomic and financial stability in Belarus over the medium term remains uncertain, given its heavy reliance on Russia.

Intensified investments in expanding production capacity and improving labor productivity could accelerate supply-side adjustment to high demand

This would help alleviate price pressures, leading to lower inflation and higher GDP growth in 2025–2026 compared to the baseline scenario. However, the likelihood of such a scenario is considered low due to significant uncertainty, sanctions, price controls, and, more importantly, political and economic institutions that fail to create incentives for active investment.

Higher-than-expected GDP growth in Russia presents a major positive risk for Belarus's economy

It is possible that the mobilization of financial and labor resources in Russia could sustain GDP growth above 2% in 2025–2026, even under tight monetary policy. If this scenario materializes, demand for Belarusian goods – especially machinery and engineering products – would remain strong, supporting the overutilization of capacity and output growth above equilibrium levels in Belarus. However, this would come at the cost of increased inflationary pressure.

Estimates of balanced growth rates for Belarus's economy remain highly uncertain, and potential GDP growth could temporarily exceed historical rates

Under structural transformations in the Russian and Belarusian economies, Belarus's potential GDP growth could exceed 2% annually. This would allow for higher growth in 2025 compared to the baseline forecast, with less inflationary pressure and a reduced need for tight monetary policy. However, even if such a positive scenario unfolds, its long-term sustainability is highly doubtful. Not high investment activity, a shrinking workforce, and deteriorating institutional quality suggest that potential GDP growth in Belarus will remain at or below the average of previous decade (approximately 1% annually) over the long term.

Complete recovery of supplies of Belarusian fertilizers, petroleum products and wood products to the global market is a positive risk for the economy

If infrastructure constraints are eliminated quickly, the recovery in commodity production could become more robust in Belarus. This scenario will be positive for the state budget, and it will be associated with positive inter-sectoral effects. As a result, GDP growth will be above the baseline forecast in 2025–2026, but the positive effects of a full export recovery will fade over time.

6 Prerequisites and assumptions of the baseline scenario forecast

The sanctions regime against Belarus will continue

New sanctions restrictions that could significantly affect the economy of Belarus will not be introduced or their effectiveness will be weak.

Import and export logistics chains will not be disrupted

There will be no logistical failures in 2025–2026. Key Belarusian export products will continue to be supplied to the global market by using the transport and logistics infrastructure of Russia mainly. Exports of potash fertilizers will remain close to the 2023–2024 levels (about 9–10 million tons annually in 2025–2026) due to limited capacity and throughput of Russian seaports and railways. Imports of key goods, including investment goods, will remain available to Belarus (largely thanks to workaround schemes), but the cost of supplies will remain elevated and their lead times will remain longer.

Russia will continue to provide energy commodities and financial support to Belarus

Belarus will continue getting gas and oil from Russia at prices below world prices and exporting petroleum products (≈8–9 million tons per year) mainly through Russian seaports. However, as the discount of Russia's Urals crude oil compared to Brent oil narrows (a trend observed in 2024), the benefit from cheap Russian oil imports will diminish further. Financial support from Russia will continue, including through budget transfers (e.g., reverse excise tax revenues on oil products) and refinancing of government debt.

Price controls will remain but be gradually eased in 2025–2026

To prevent the narrowing of product availability, severe financial distress for firms, and reduced output, price controls are expected to be relaxed gradually in 2025. However, a complete abolition of price controls is unlikely in 2025. As a result, the accumulated inflationary overhang will translate into consumer prices over time rather than immediately.

Fiscal stimulus will continue in 2025 but gradually decline

Authorities' plans, along with the increased volume of government bond purchases by the National Bank (Br2.8 billion from January to November 2024, compared to Br1.1 billion for all of 2023), indicate an intent to expand budgetary spending in 2025. Under the baseline scenario, real budget expenditures are expected to grow by 3–4% in 2025, with a slowdown in 2026. Fiscal policy will remain stimulative for economic activity, though the fiscal impulse will weaken as the potential for revenue growth remains limited in an environment of low economic growth potential. Authorities are likely to continue using quasi-fiscal tools (e.g., recapitalization, refinancing of debts for state-owned banks and enterprises) and directed lending to mask structural problems in the economic model and mitigate output declines.

The National Bank's freedom of action will remain severely constrained due to its compromised operational and institutional independence

The National Bank will remain under pressure from the executive branch, leaving monetary policy discretionary and misaligned with either inflation targeting or monetary targeting principles. Any steps by the National Bank to reduce monetary stimulus are likely to be cautious, delayed, and insufficient to cool overheated demand by the end of 2025, all else being equal.

Economic activity in Russia will slow in 2025–2026

The record-tight monetary conditions and the scaling back of fiscal stimulus will suppress demand growth. Additionally, labor shortages, limited production capacity, and the effects of sanctions will constrain the supply of goods and services. As a result, Russia's GDP growth is expected to slow from 3.9% in 2024 to 1.5% in 2025 and 1.0% in 2026 under the baseline scenario. Effective external demand for Belarus (calculated as the weighted average GDP growth of Russia, China, the EU, and the US) is projected to grow by 1.9% in 2025 and 1.6% in 2026, following an increase of 3.4% in 2024.

External inflationary pressures will remain elevated in 2025–2026

Labor shortages, increased military expenditures, and overutilization of production capacities in Russia will sustain high inflationary pressures. Consequently, inflation in Russia is expected to remain significantly above the Central Bank of Russia's 4% target, reaching 9.7% in 2024, 7.0% in 2025 and 5.0% in 2026. In the US and the Eurozone, consumer price growth is forecast at 2.1% in 2025, and at 2.0% in 2026 under the baseline scenario. Subdued global demand will limit opportunities for raw material price increases, even amid geopolitical tensions in various regions. Prices for potash fertilizers are expected to be lower in 2025–2026 compared to 2023 levels.