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Macroeconomic Trends, 2025-Q4

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2025-Q4: Facts, Trends, Diagnostics

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Key Facts and Trends, Q4 2025

- Output growth remains very weak
  - Domestic demand continues to expand, though its growth pace keep on slowing
  - Net exports improved somewhat, due to a partial recovery of exports
- Domestic demand remains the main driver of growth, but its momentum is weakening
  - Investment demand: significant growth slowdown, signs of stabilization
  - Household demand: growth inertia remains, but tend to fade away gradually
- External trade: the widening of the trade deficit has slowed, supported by some recovery of merchandize exports and growth in service exports
  - Physical volume of exports: sensible recovery in 2025-Q4
  - Physical volume of imports: exports-led recovery
  - Terms of trade and price competitiveness: some deterioration observed

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Economic Activity: Headwinds Begin to Outweigh Tailwinds

Tailwinds	Headwinds
Partial recovery of foreign demand	Generally weakened external demand
Inertia of consumer demand growth on the back of labor shortage	Accumulated and expanding macroeconomic distortions
Some fiscal and monetary stimuli	Deteriorating external price competitiveness conditions
	Weakening incentives for capital investments
	Sectoral (supply-side) weaknesses

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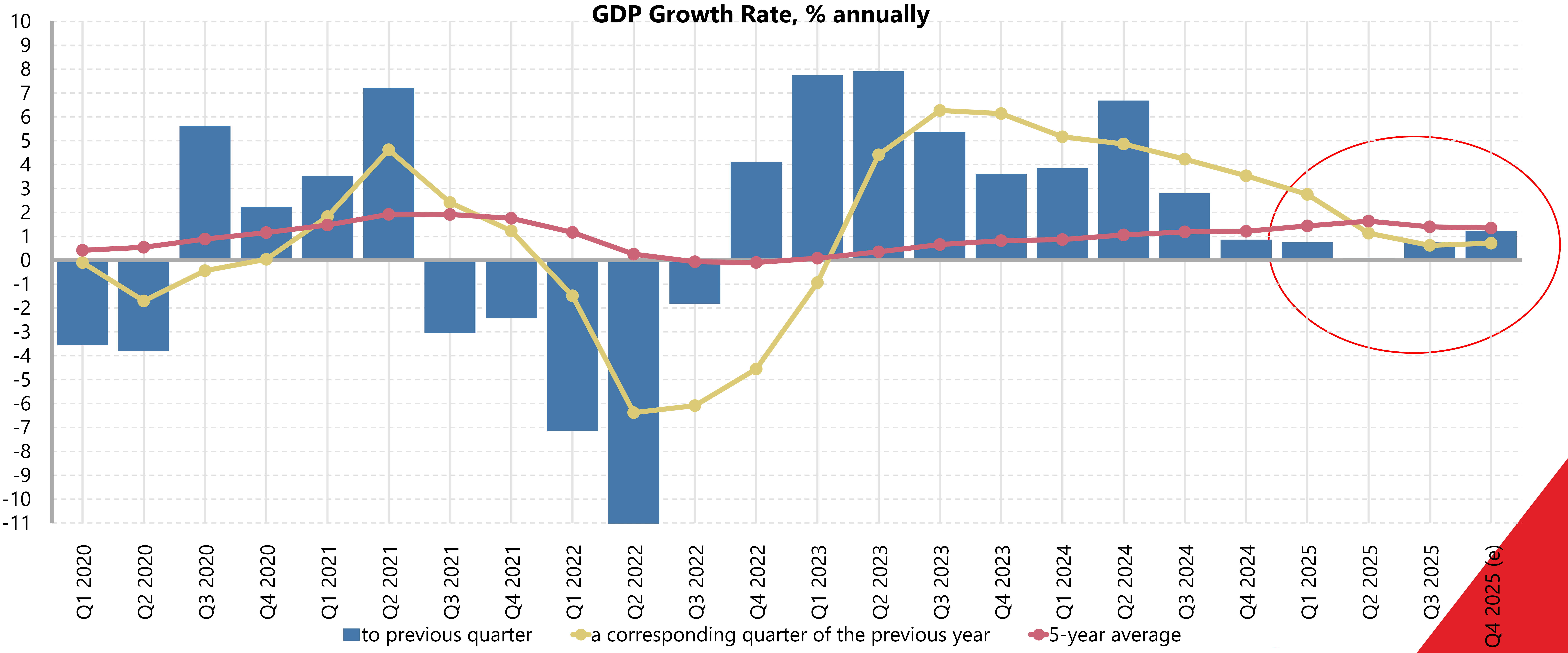
2025: Meagre output growth



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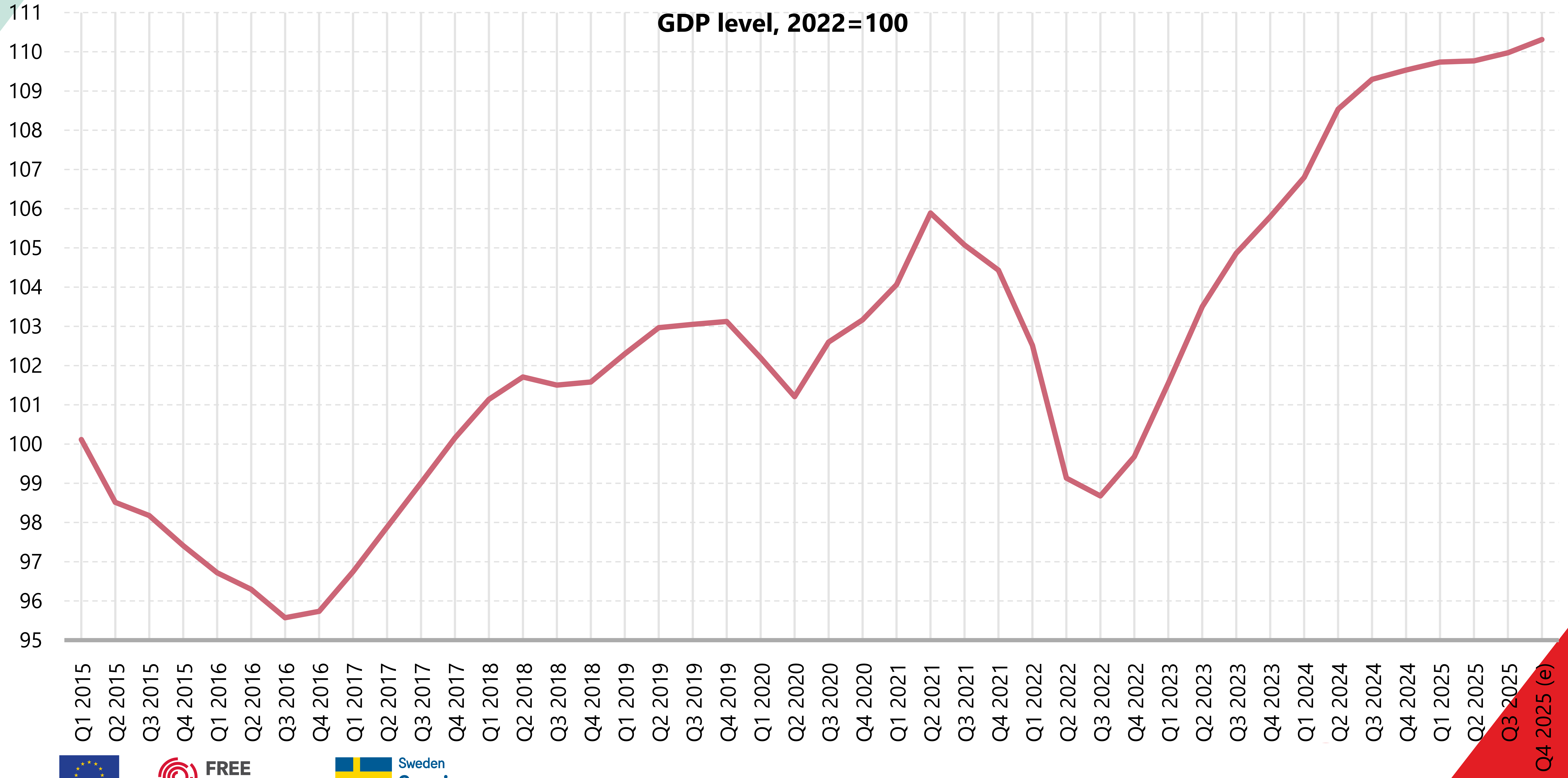
Poor Growth (Stagnation) Environment Tends to Prevail



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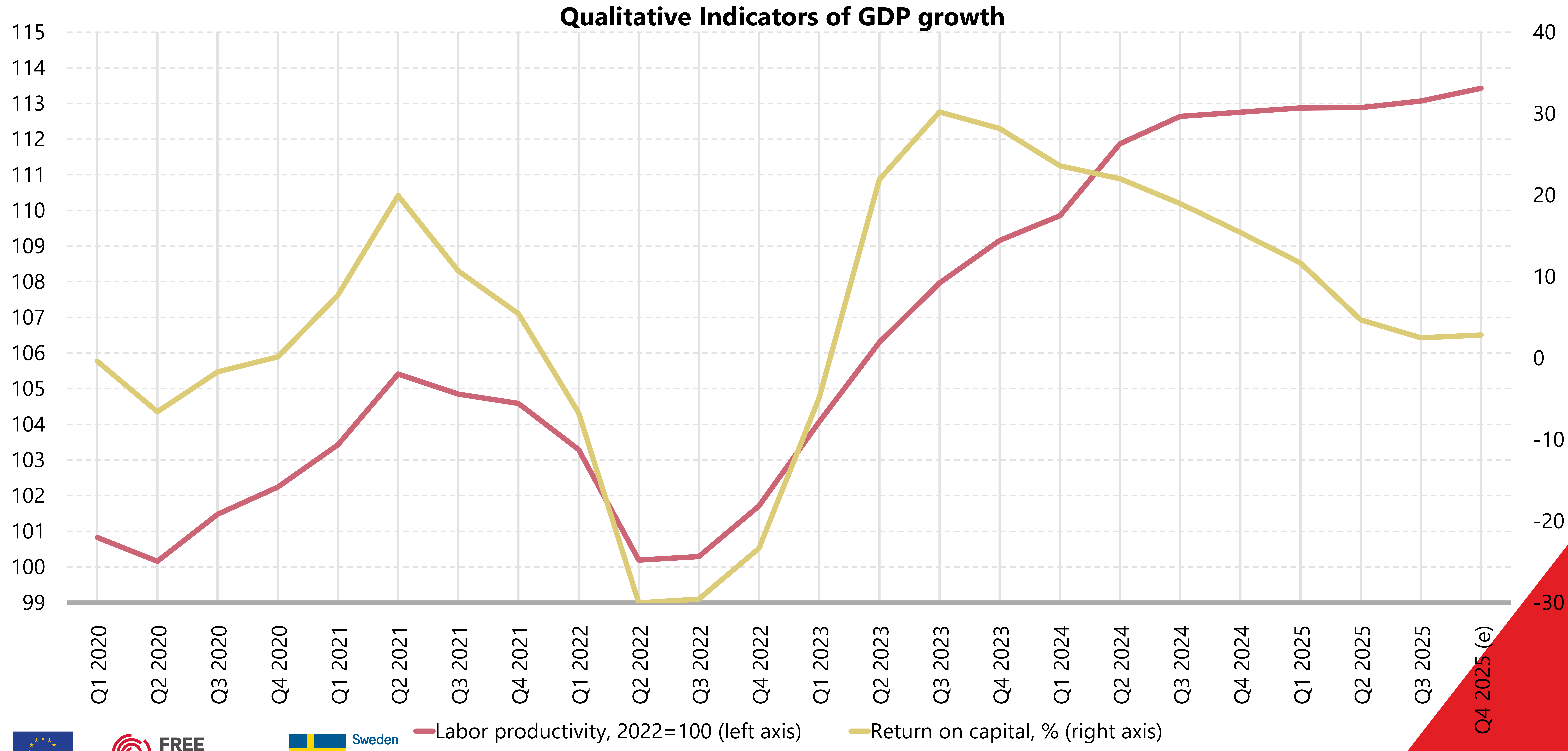
Qualitative Indicators Signal Growth Has Lost Momentum



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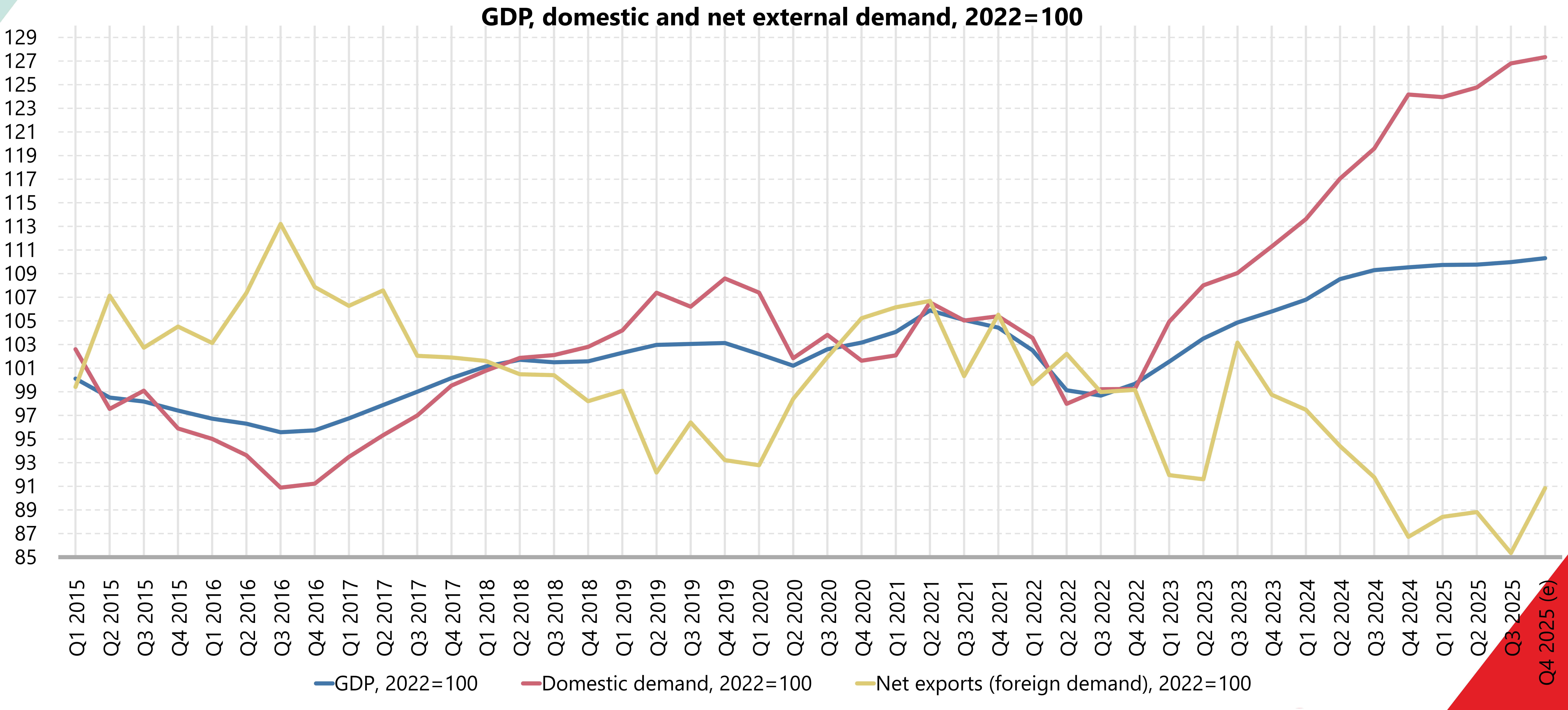
Slower Domestic Demand Growth, Some Improvement in Net Exports



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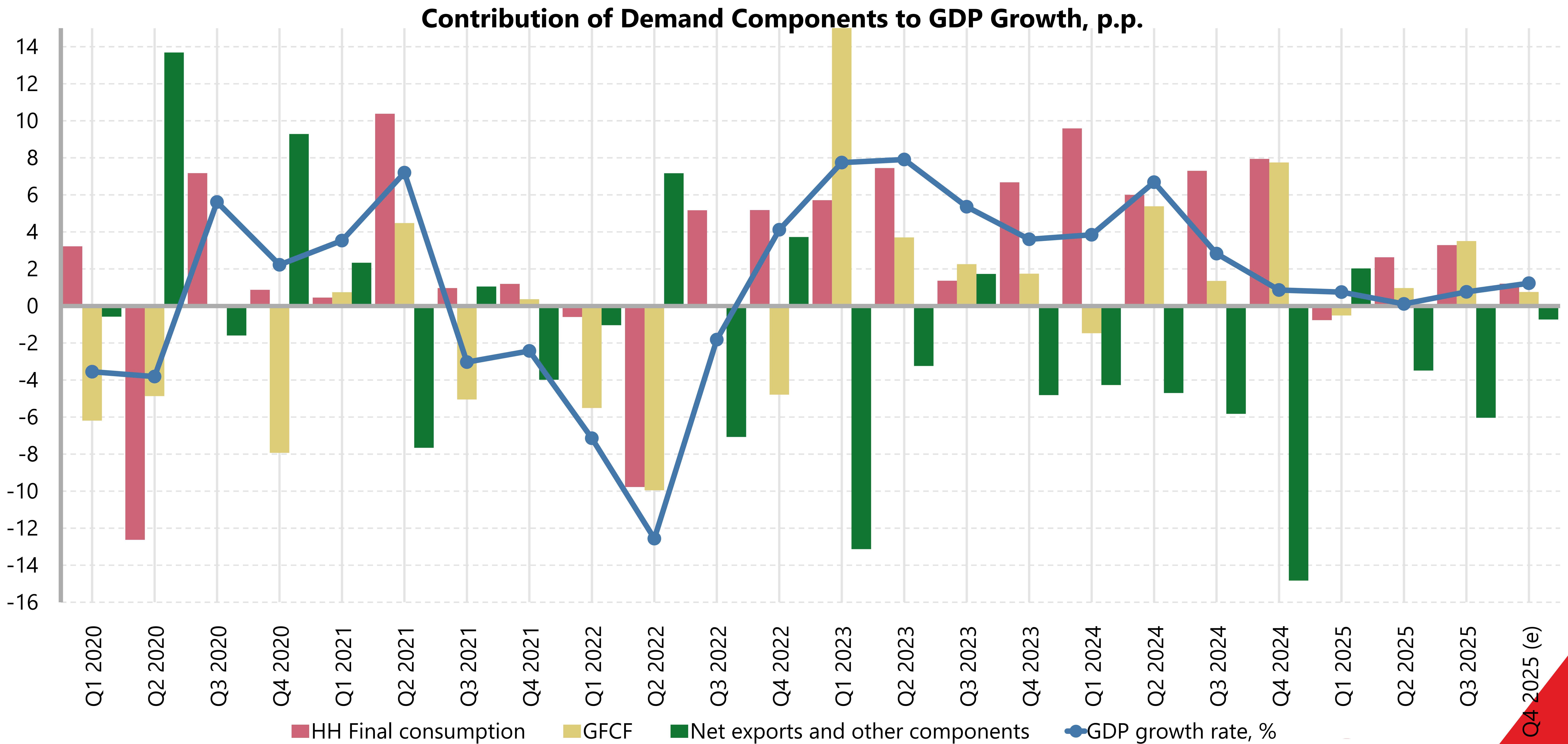
Both Household Consumption and Capital Investment are Losing Growth Momentum



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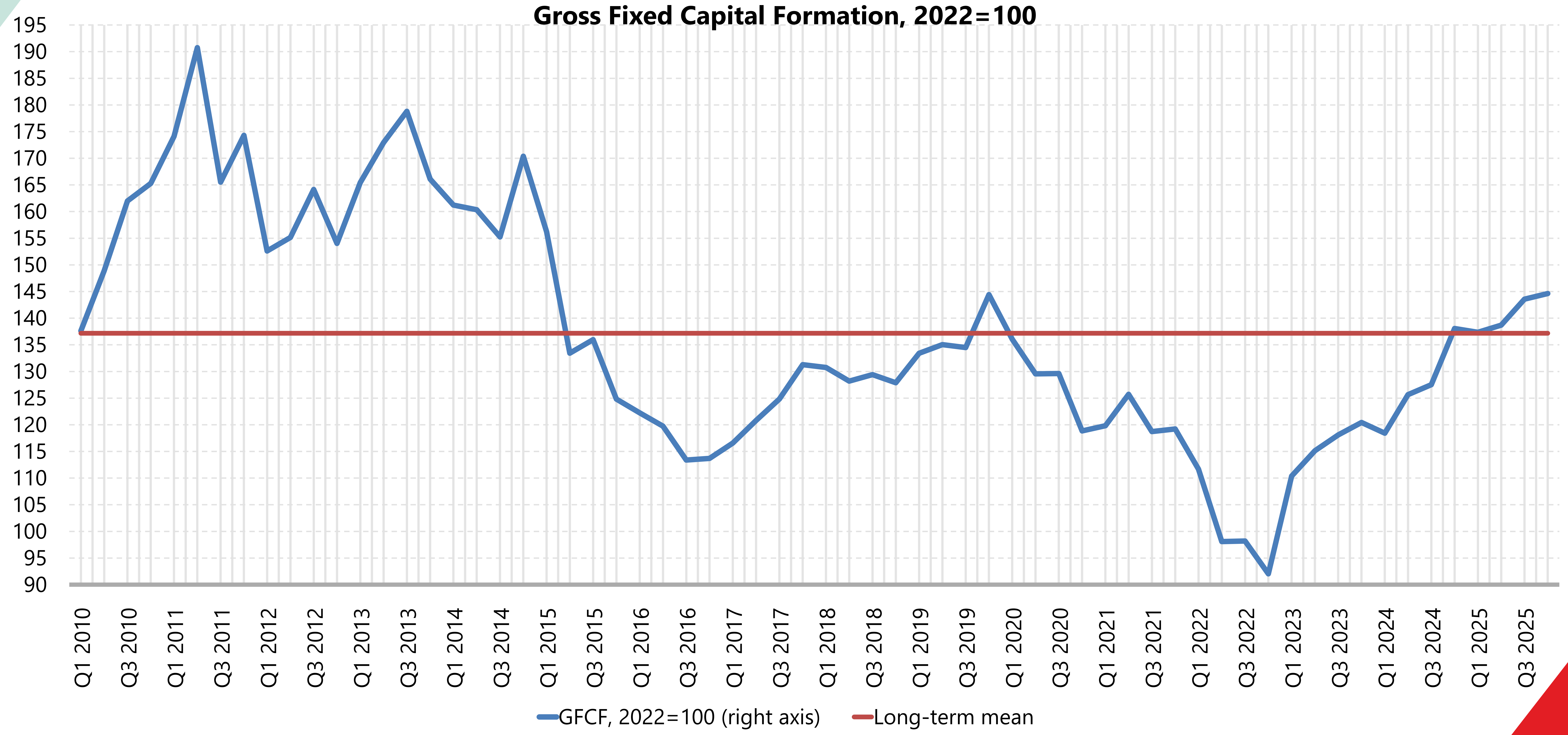
Investment Activity Tends to Cool After Reaching a 10-Year Peak



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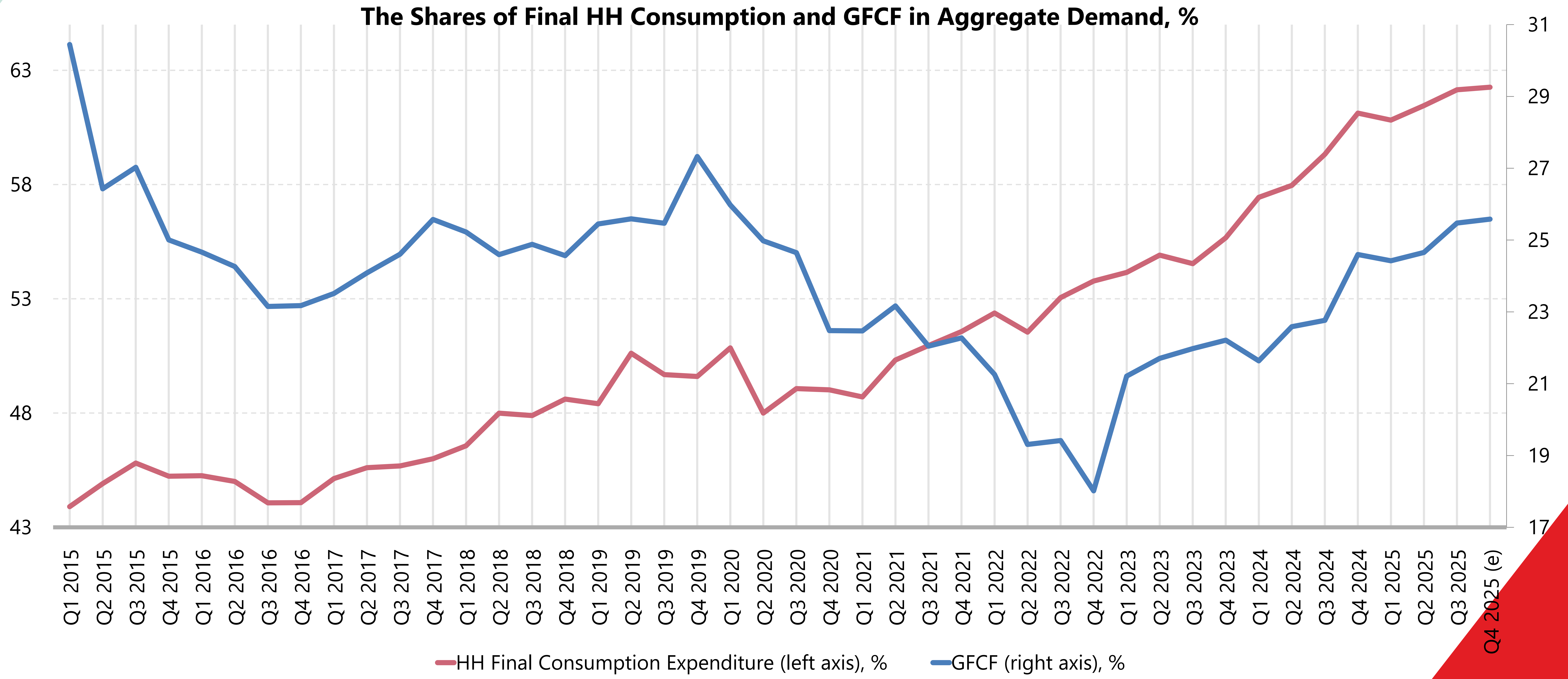
Shares of Demand Components Are Stabilizing



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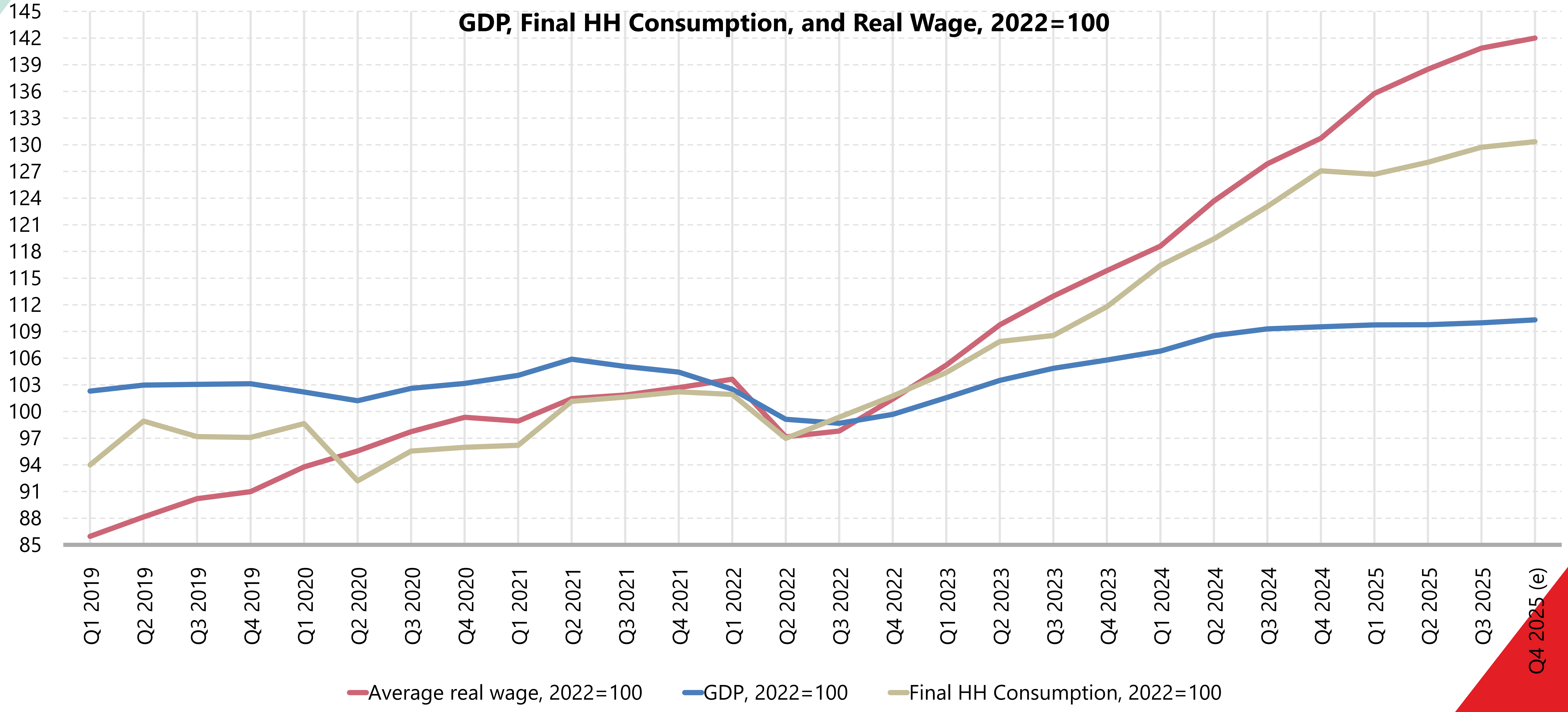
Real Wage Growth Moderates Despite Labor Supply Constraints Persist



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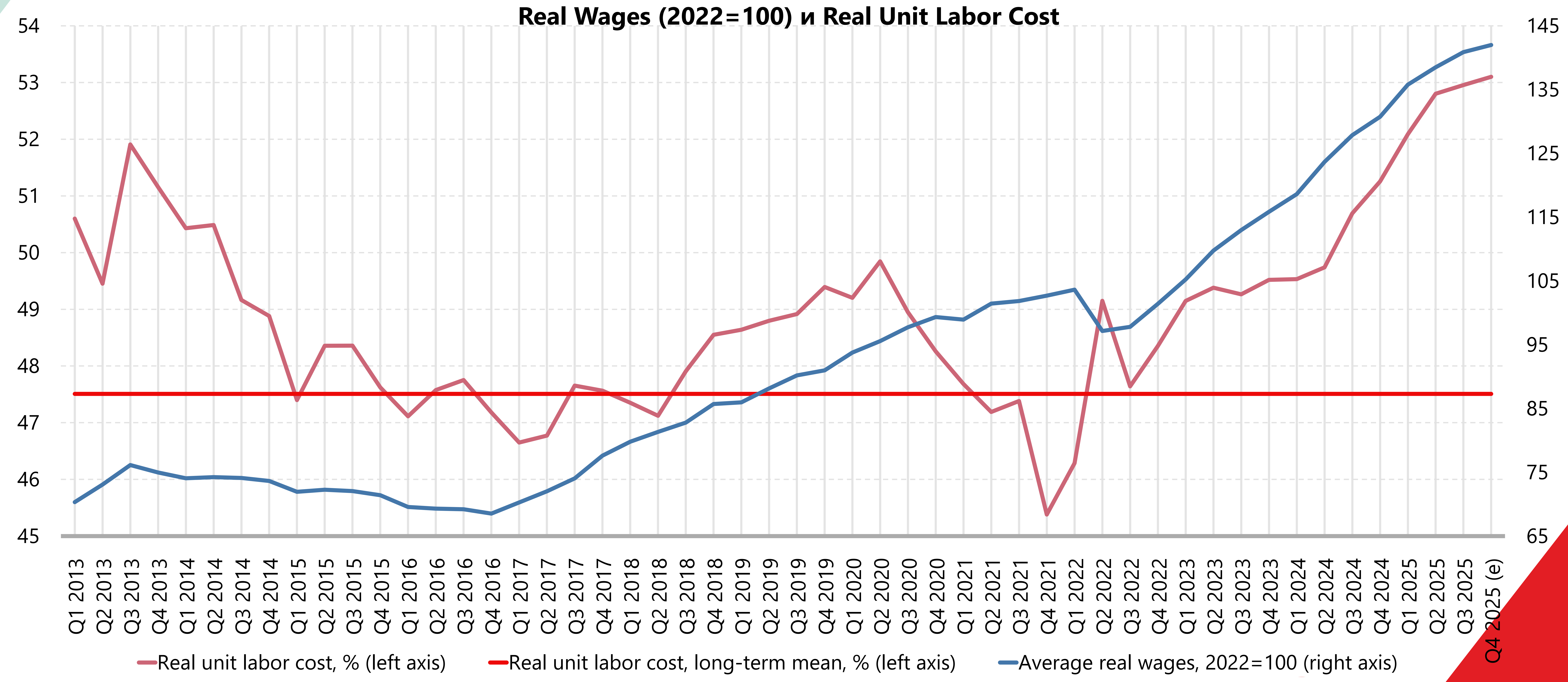
The Gap Between Real Wages and Productivity Continues to Widen



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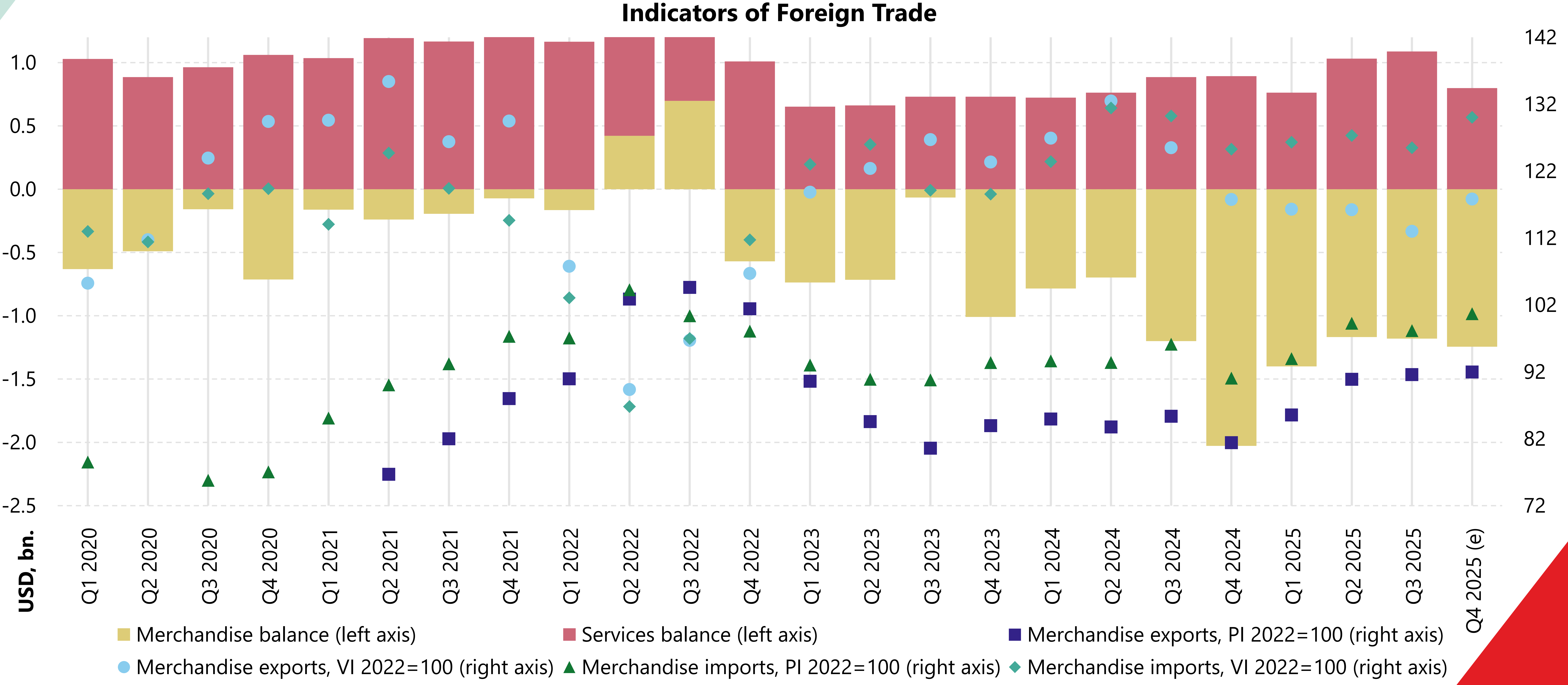
Positive Impulses in Merchandise and Service Exports, the Widening Trade Deficit Has Slowed



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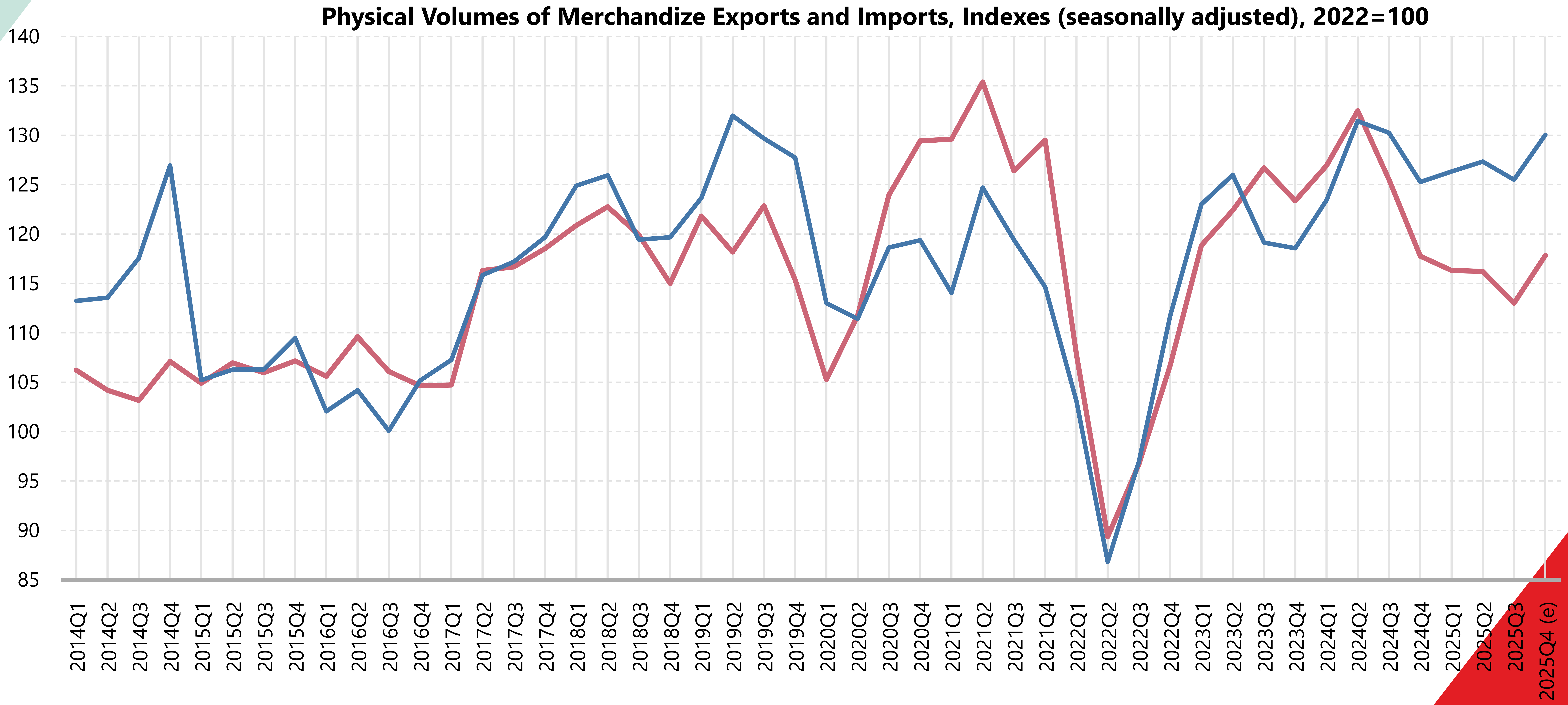
Exports and Imports Recovered Somewhat in Q4 2025



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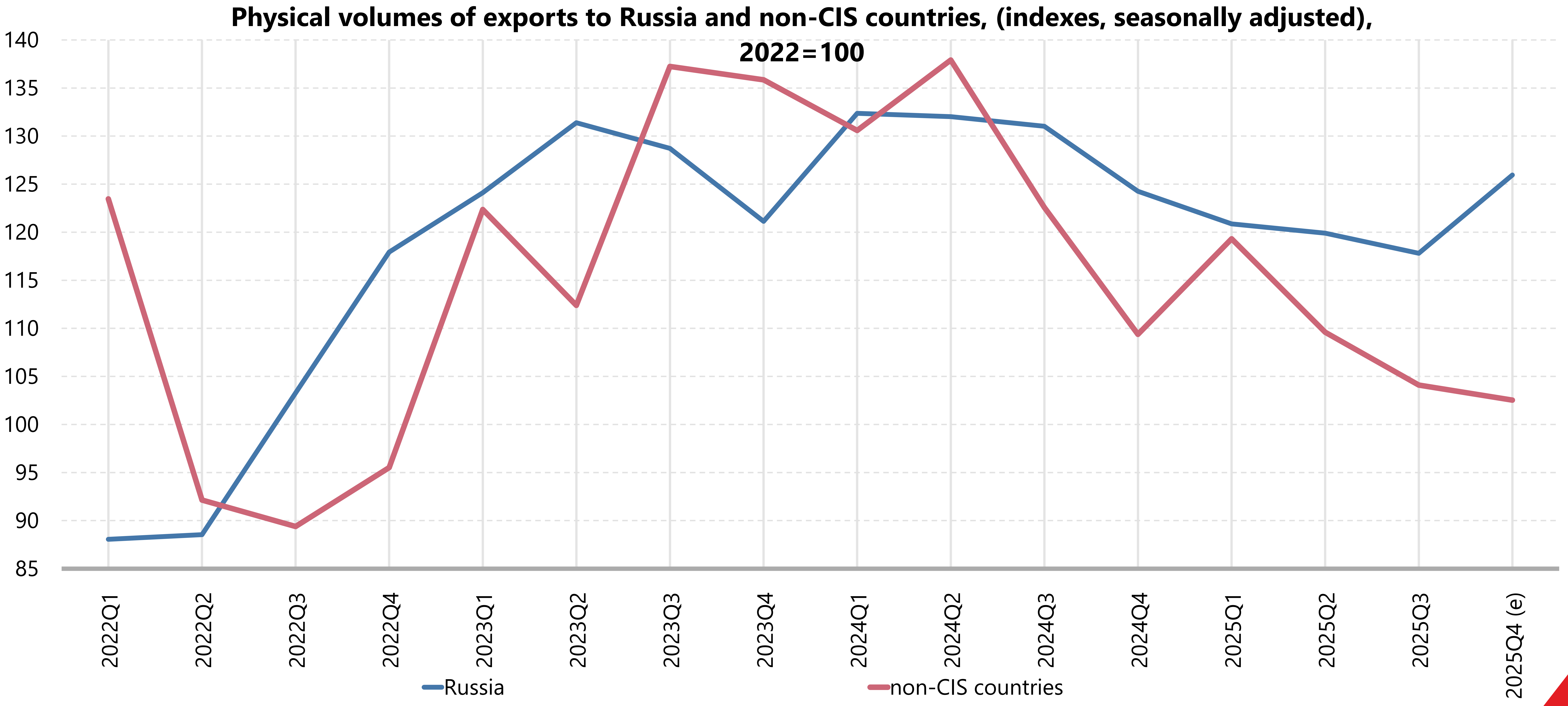
In 2025, Export Volumes Contracted by Roughly 7%, Driven by Declines Both to Russia and Non-CIS Countries



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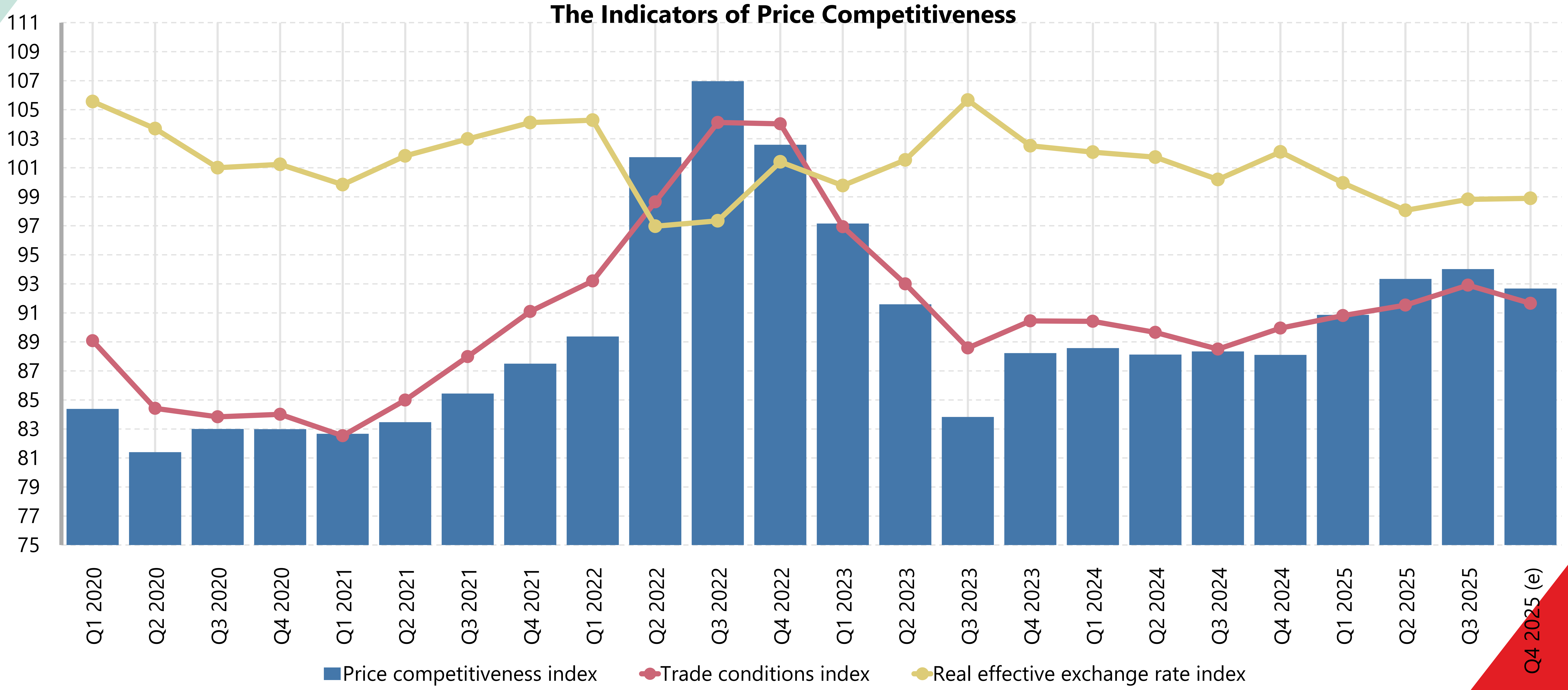
Price Competitiveness Has Begun to Deteriorate



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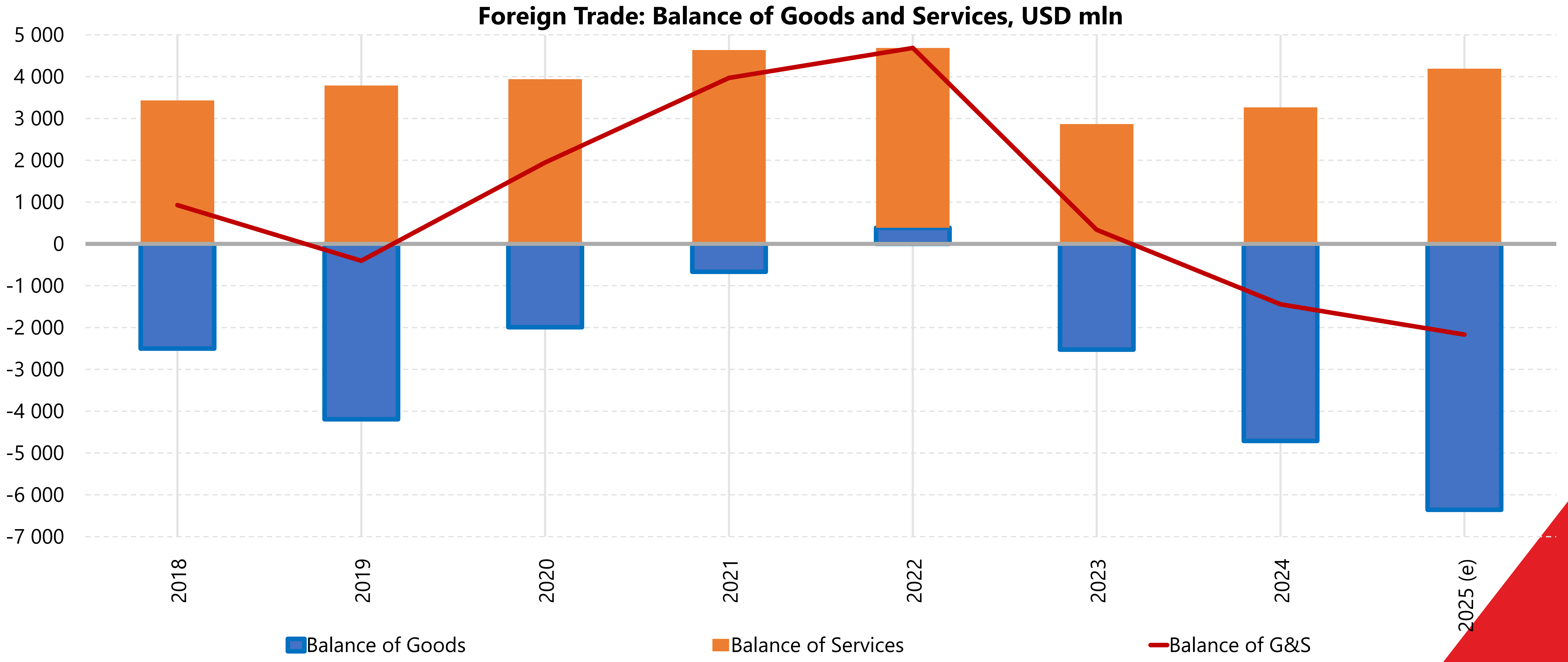
External Position in 2025: Worse in Dollar Terms, Better Relative to GDP



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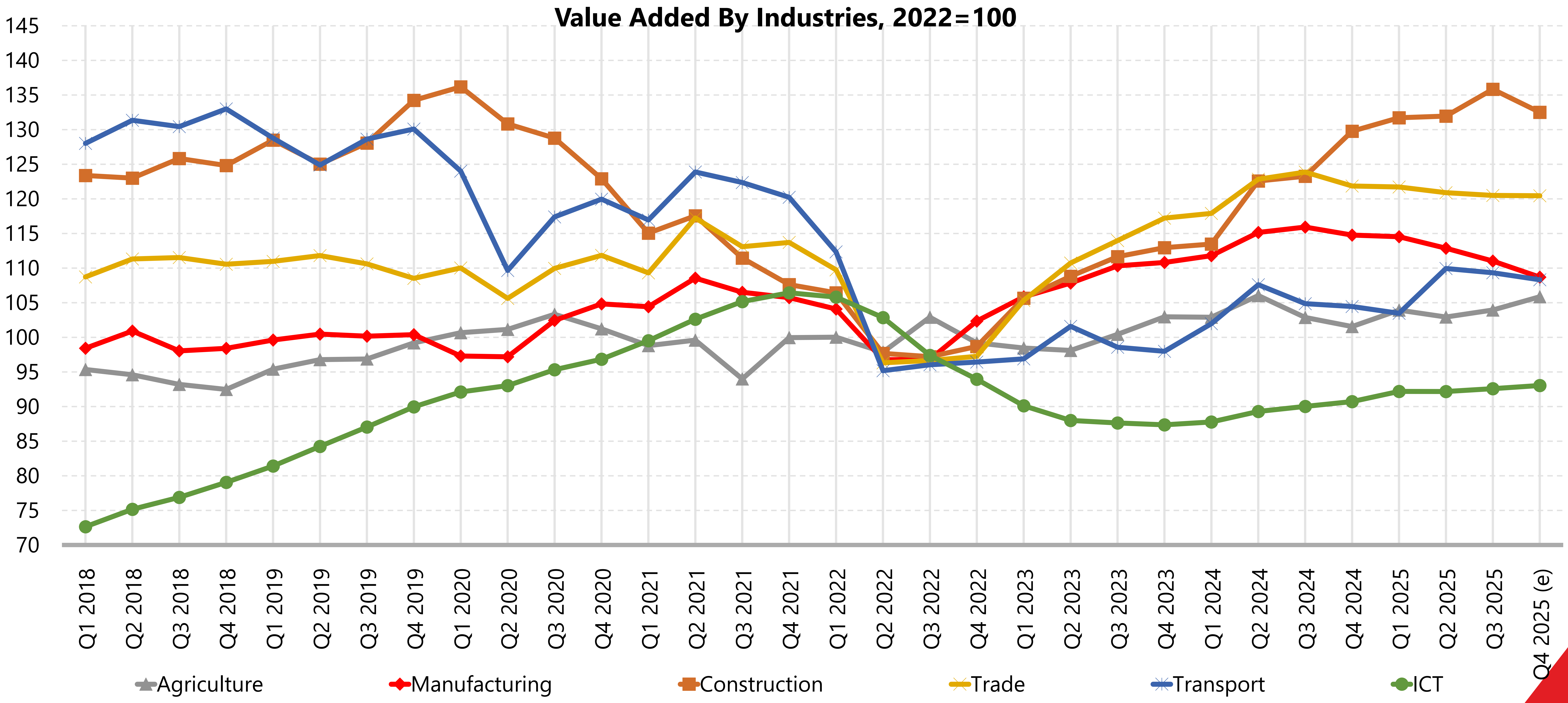
Supply-side: Growth Due to Construction, ICT and Agriculture



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The range of problems and challenges remains largely unchanged

- Fundamental Challenges
  - Labor shortages
  - Limited production capacities
- External Challenges
  - Stagnating and unstable demand in Russia
  - Adverse shocks to exports of oil products and potash fertilizers (the lack of stability)
  - Negative external shocks — both pro-inflationary and output-suppressing
- Accumulated Macroeconomic Imbalances
  - Weakened financial position of firms and risks of financial turbulence
  - Weak and unstable external position, coupled with insufficient financing sources to cover the corresponding deficit
  - Overheated domestic demand, suppressed inflation, and risks of an inflationary spike

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Key Challenges and Policy Questions for 2026

- How large and persistent are the external shocks?
  - Growth cooldown in Russia: how long and what will come next?
  - Will the disinflationary impulses in Russia evolve into a lasting trend?
  - Other external shocks — what are their probability, scale, and duration?
- How firm is the government's commitment to expansionary policies, and how capable is it of continuing their implementation?
  - Are the authorities ready to accept an environment of weaker growth?
  - To what extent are the authorities willing to tolerate inflation and maintain accommodative monetary policy?
  - What is the fiscal revenue buffer, and how will the authorities respond once revenue growth cools or is exhausted?
  - How determined are the authorities to continue administratively supporting investment growth?
- What are the limits of macroeconomic resilience?
  - What size of external trade deficit can Belarus afford under current conditions?
  - How strong is the buffer in maintaining the inflation overhang and the weakened financial position of firms?

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Short-list of Policy Questions for 2026

- External Demand
  - Cooldown in external demand from Russia: will it persist and (if yes) for how long?
  - Poor demand from Non-CIS countries: will it persist and (if yes) for how long?
- Domestic Demand
  - Do authorities intend to keep on/increase fiscal stimuli?
  - How determined are the authorities to continue supporting investment growth administratively?

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