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Macroeconomic Trends, 2025 Q2-Q3

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2025-Q3: Facts, Trends, Diagnostics

Key Facts and Trends, Q3 2025

- Output growth remains very weak
  - Domestic demand continues to expand, though its growth pace is gradually slowing
  - Net exports fluctuate near local lows
- Domestic demand remains the main driver of growth, but its momentum is weakening
  - Investment demand: growth persists, supported by administrative measures
  - Household demand: growth inertia remains strong
- External trade: the widening of the trade deficit has slowed, supported by favorable price conditions and service exports
  - Physical volume of exports: near two-year lows and continuing to decline
  - Physical volume of imports : have started to decrease, but at a slower pace than exports
  - Terms of trade and price competitiveness: significant improvement observed

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A roughly balanced mix of expansionary and restrictive factors influencing economic activity

Expansionary	Restrictive
Improvement of the external price competitiveness	Weakened external demand
Administrative support for investment demand	Accumulated and expanding macroeconomic distortions
Inertia of consumer demand growth on the back of labor shortage	Adverse external shocks
Some fiscal and monetary stimuli	

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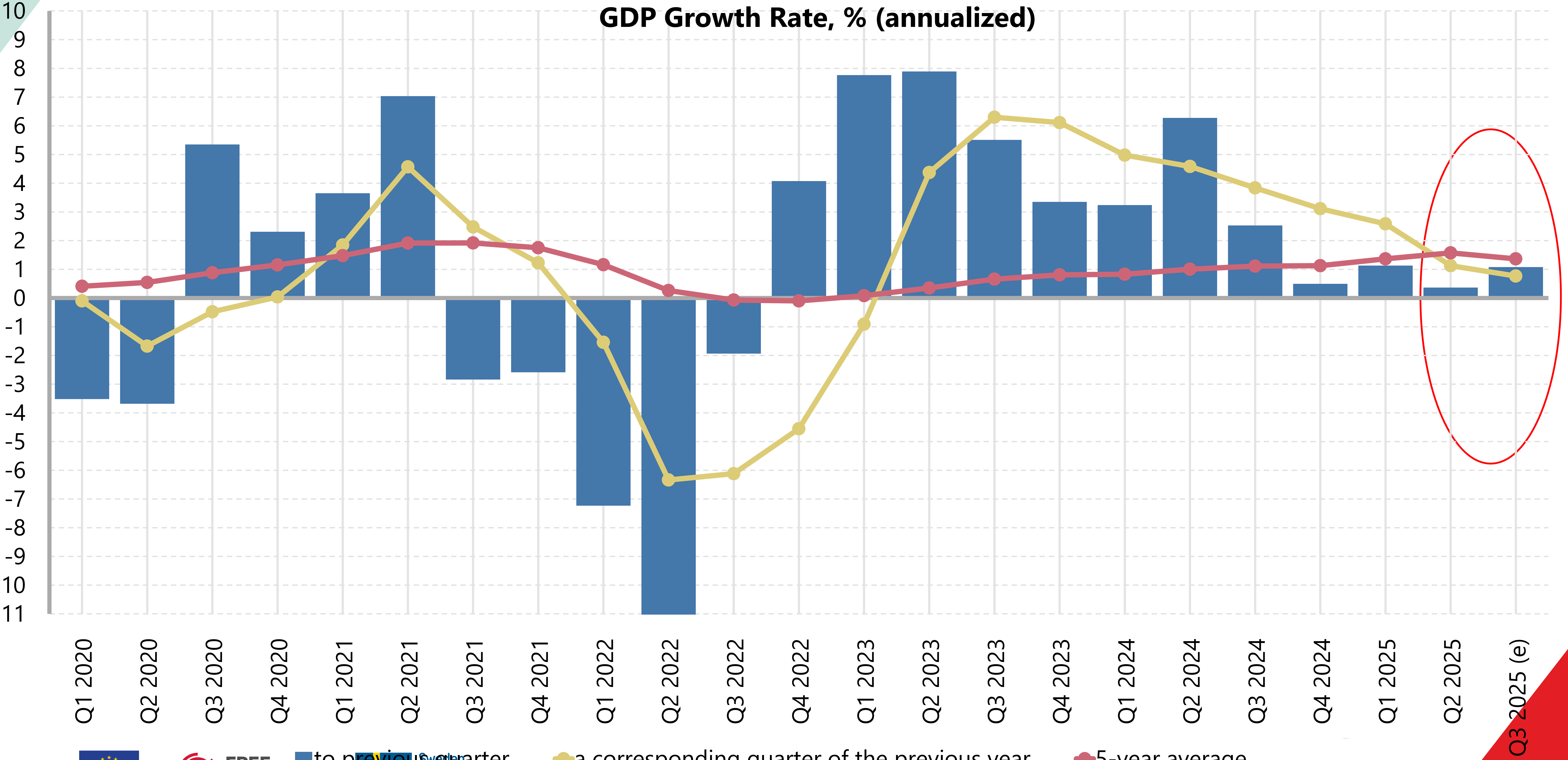
GDP growth weakened in Q2–Q3 2025



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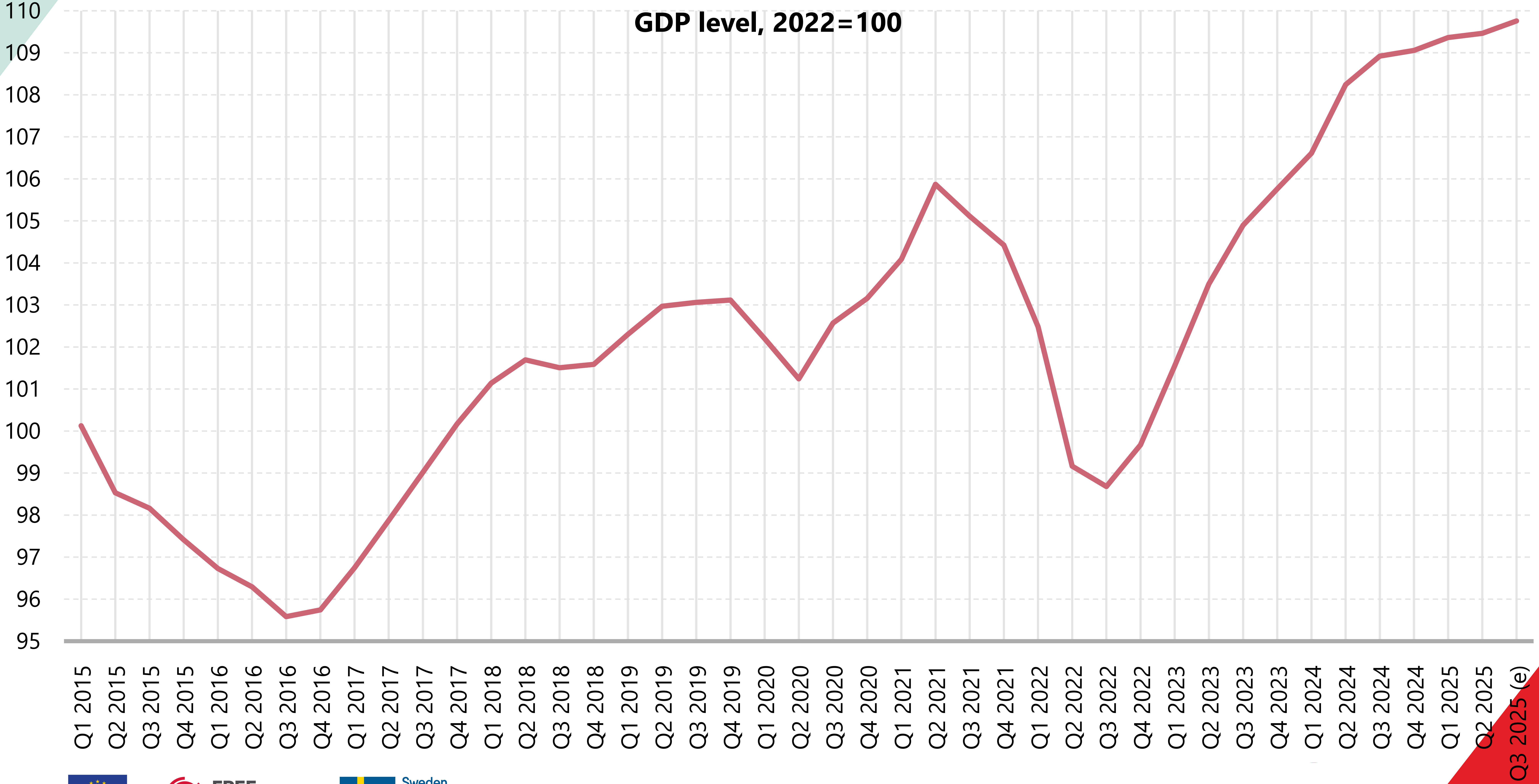
Anemic growth at around the current peak



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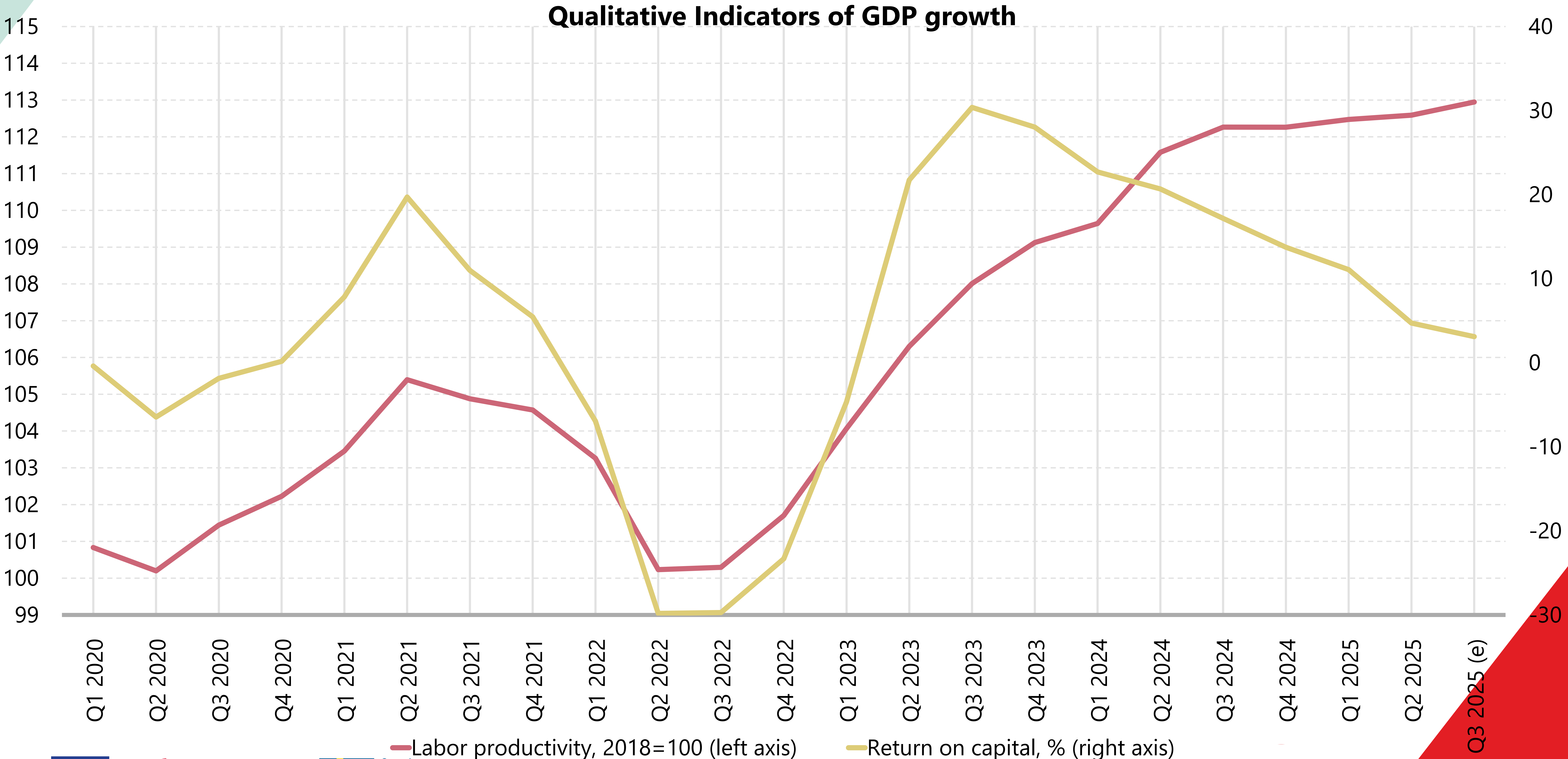
Qualitative indicators of growth are sending negative signals



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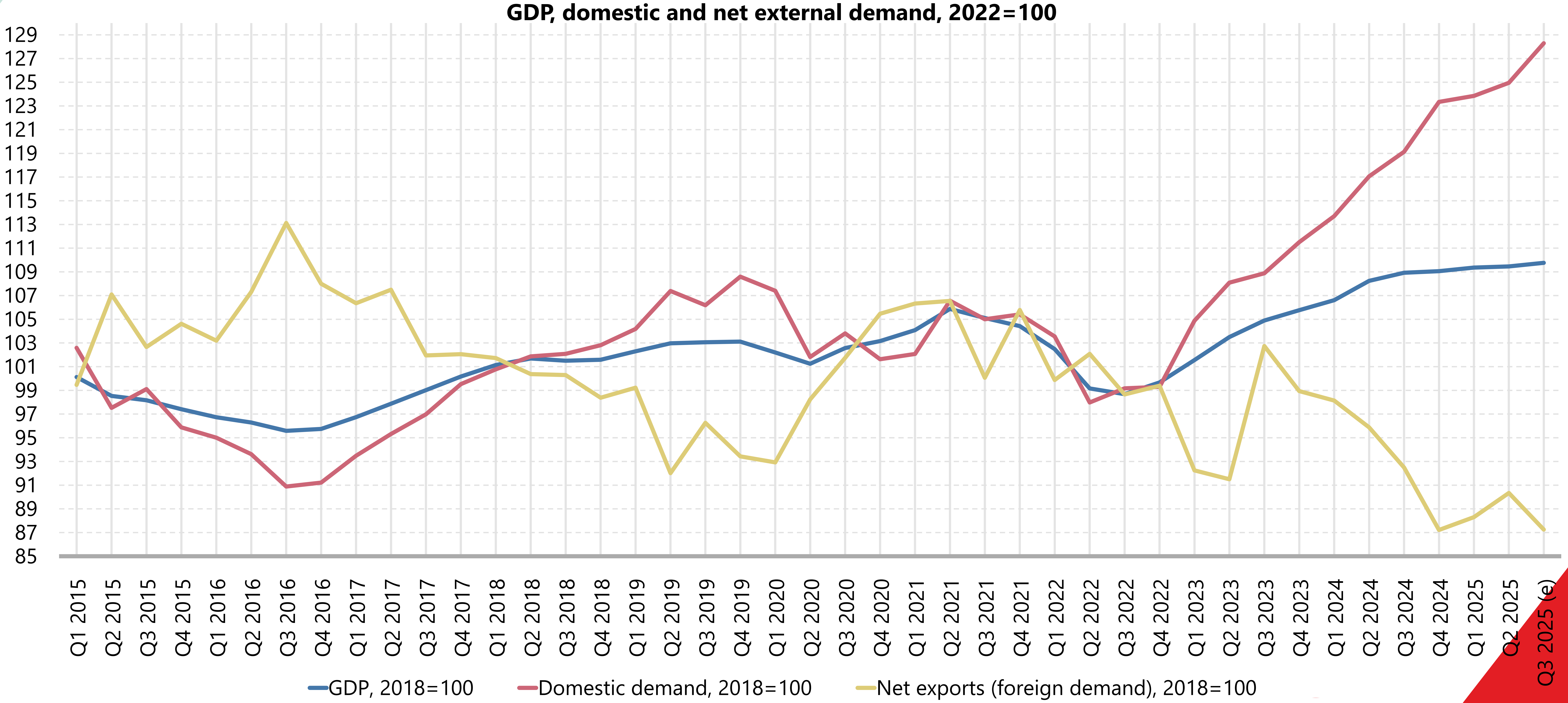
The contrast between domestic and external demand trends has become striking



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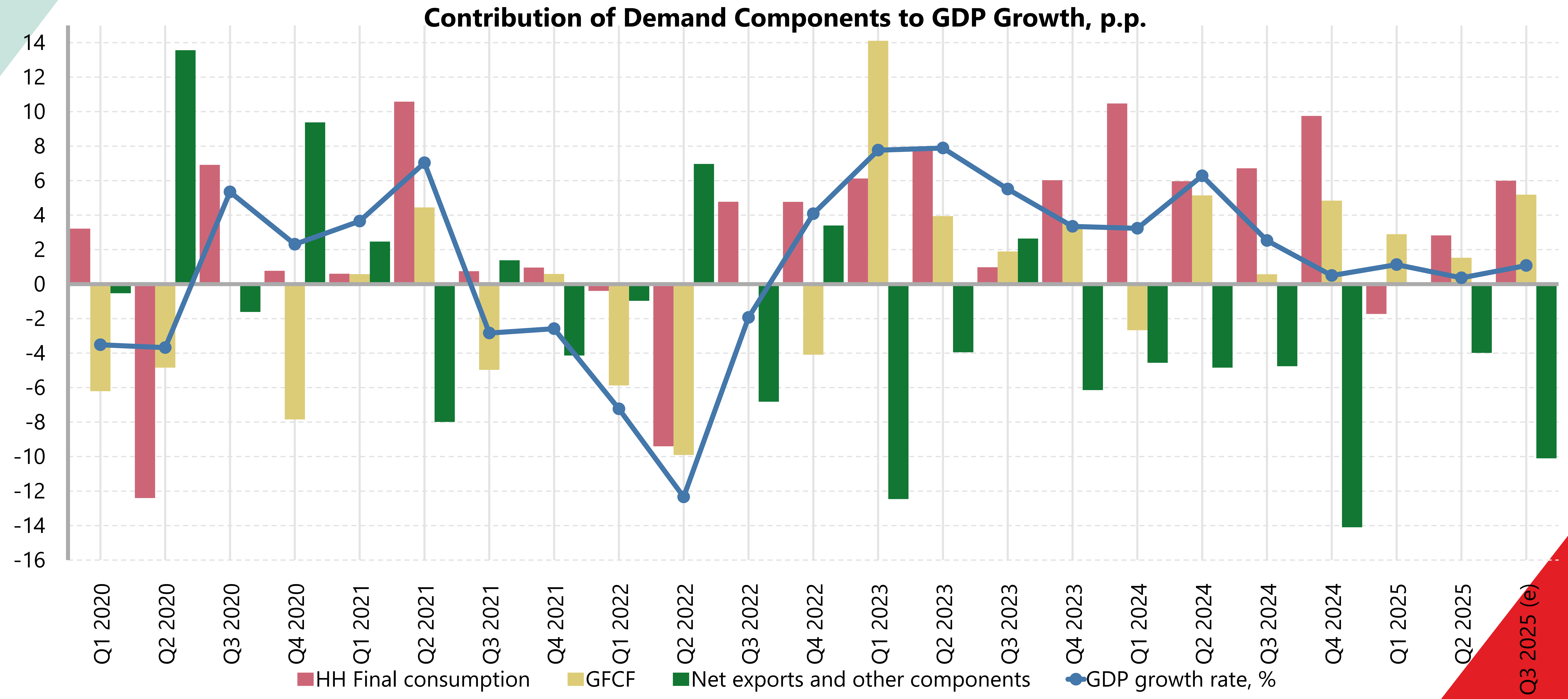
Capital investment is an important growth driver in 2025



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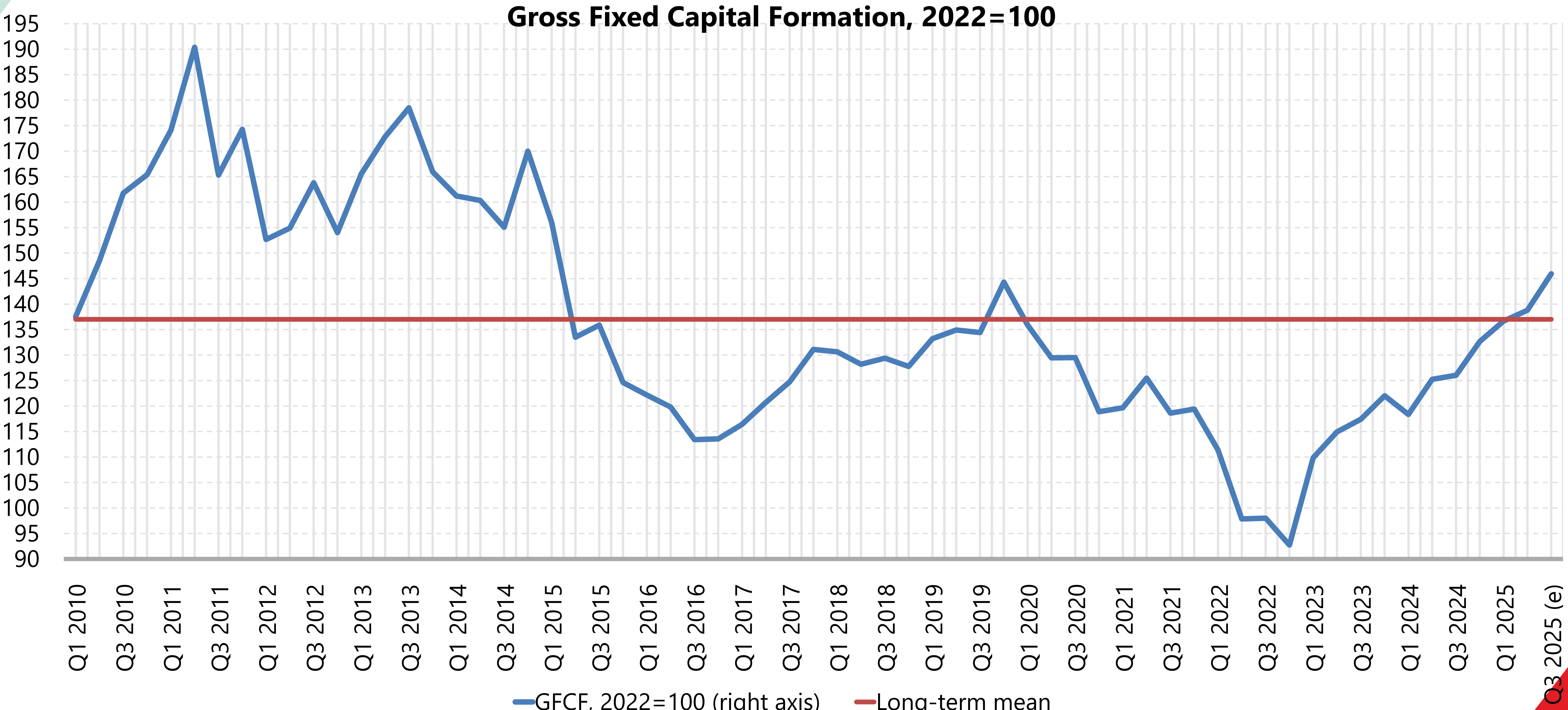
Investment activity remains on an upward trend, despite having already reached a ten-year high



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The share of GFCF returned to the long-term range

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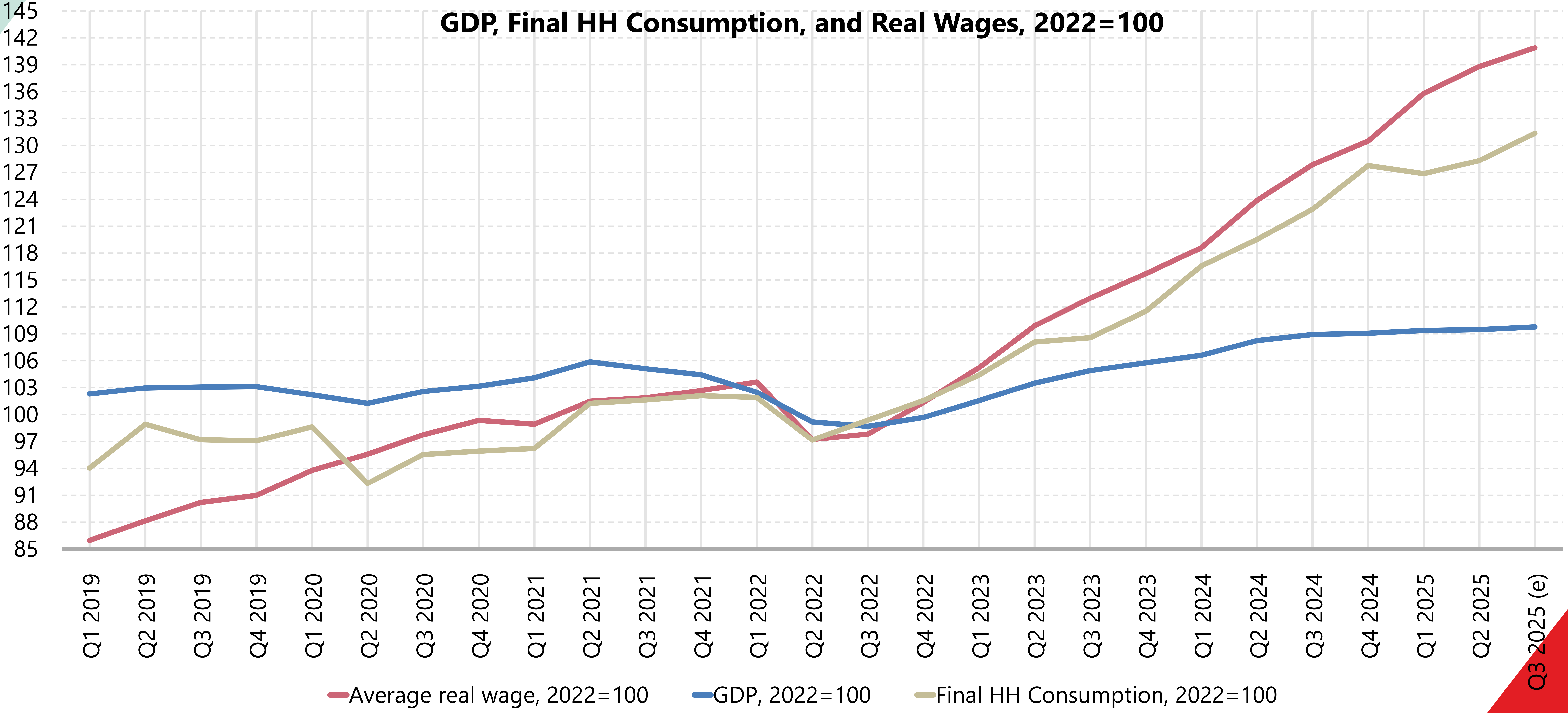
Amid persistent labor shortages, real wage growth continues to sustain final consumption, although its pace has begun to slow



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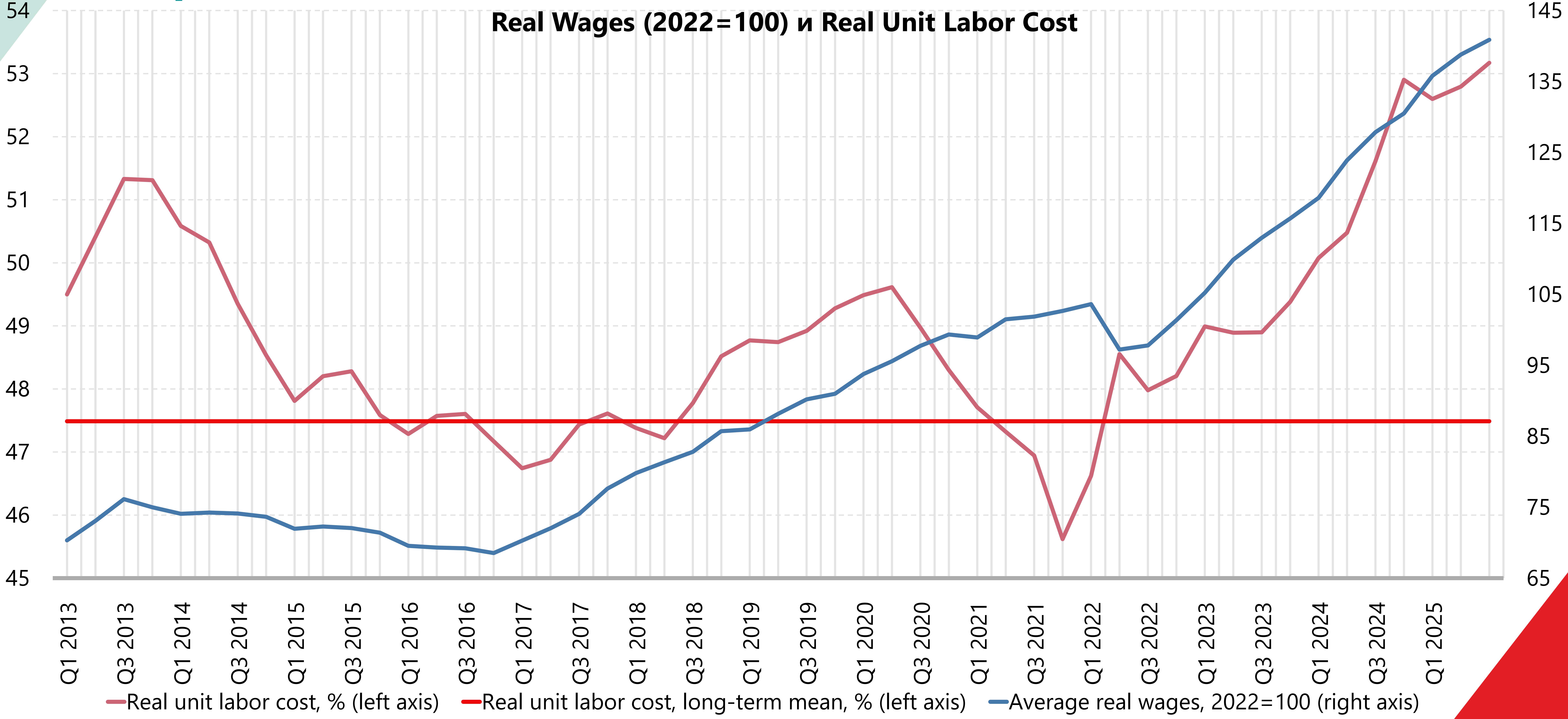
The divergence between real wages and productivity has reached a historic peak



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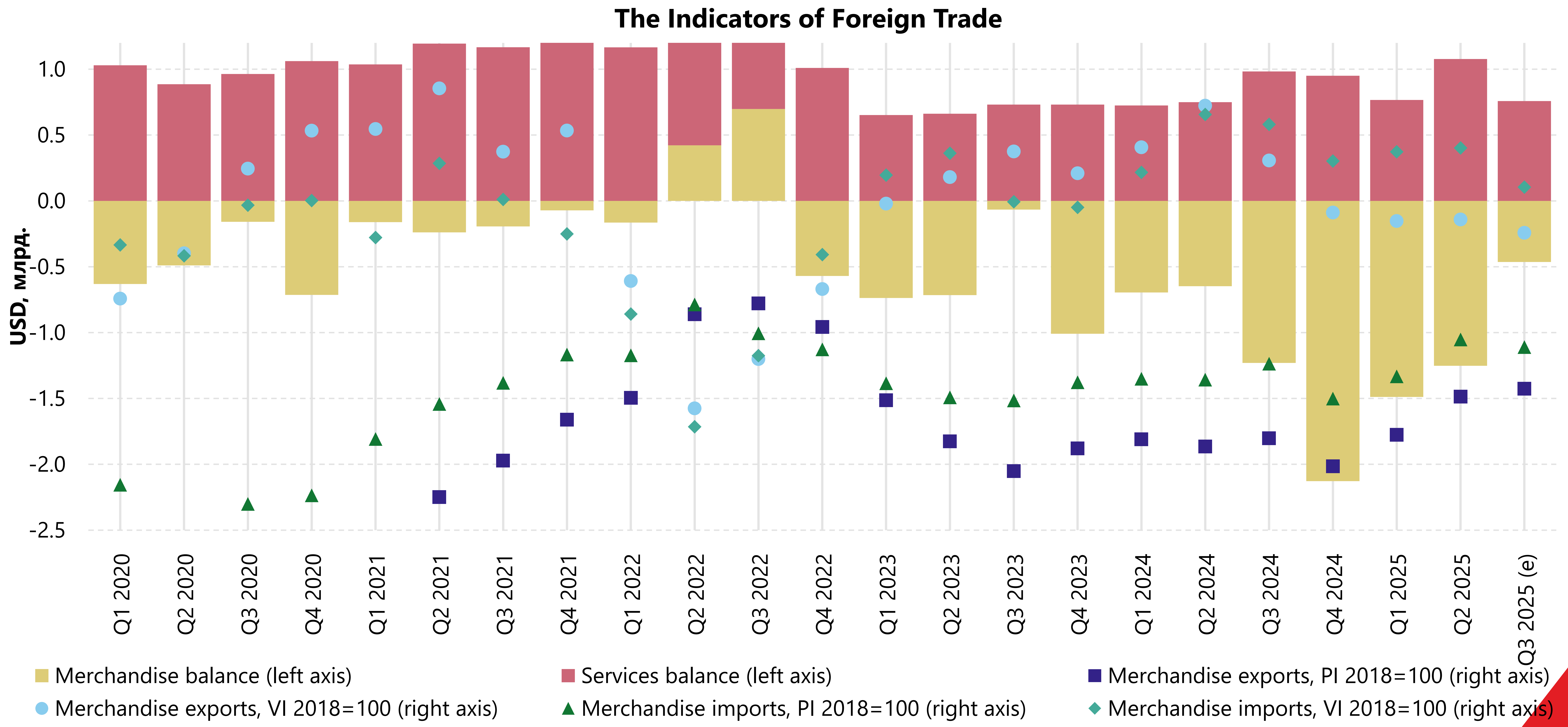
Owing to price dynamics in merchandise trade and service exports, the trade deficit is not widening rapidly



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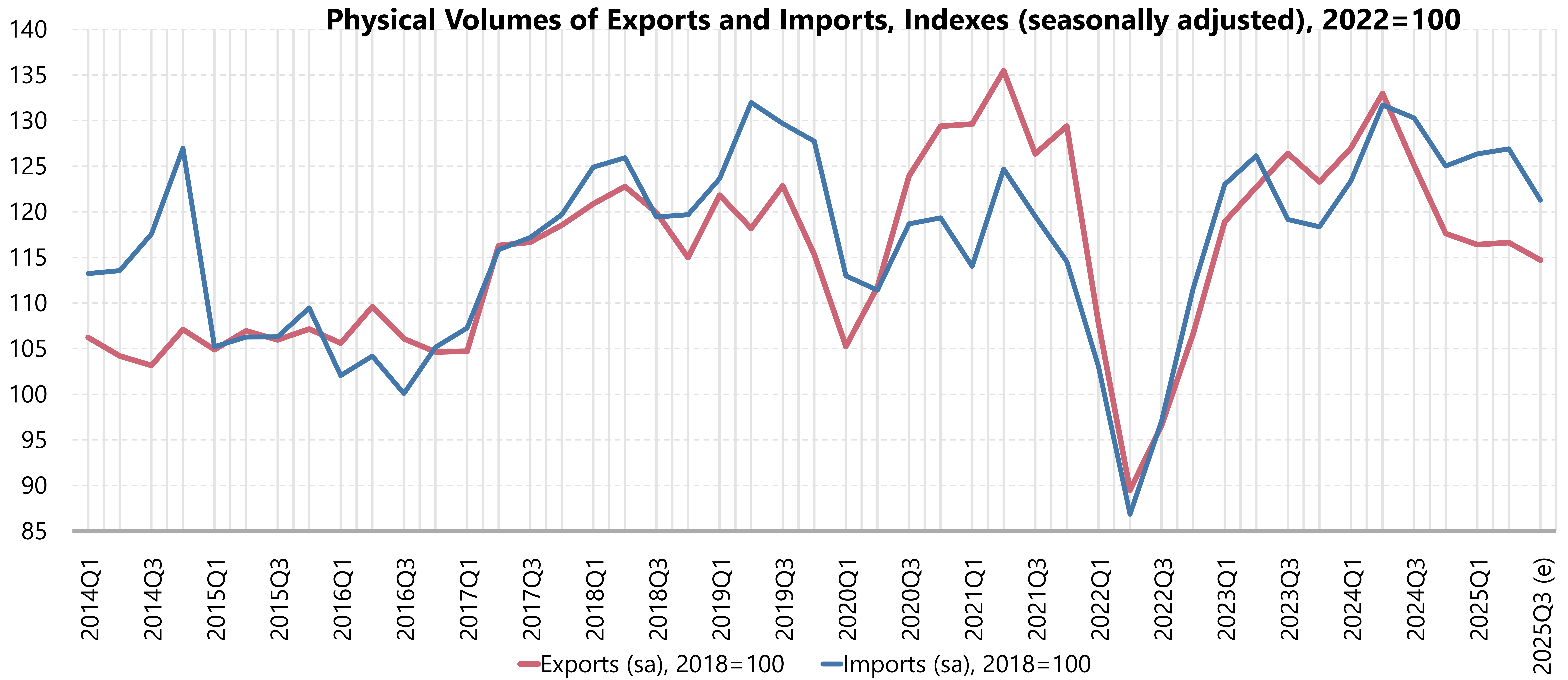
The physical volumes of exports and imports continue to decline, with exports contracting faster



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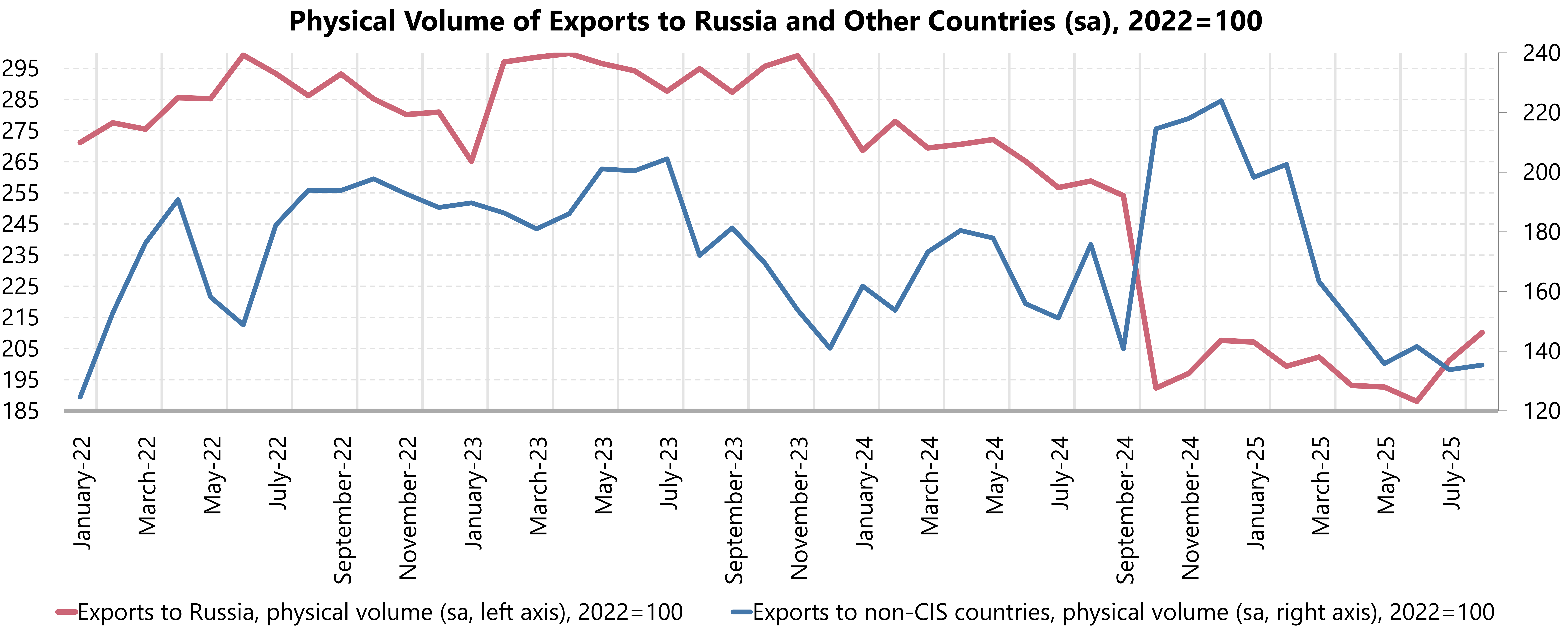
In 2025, the weakness in external demand is primarily a story of non-CIS countries



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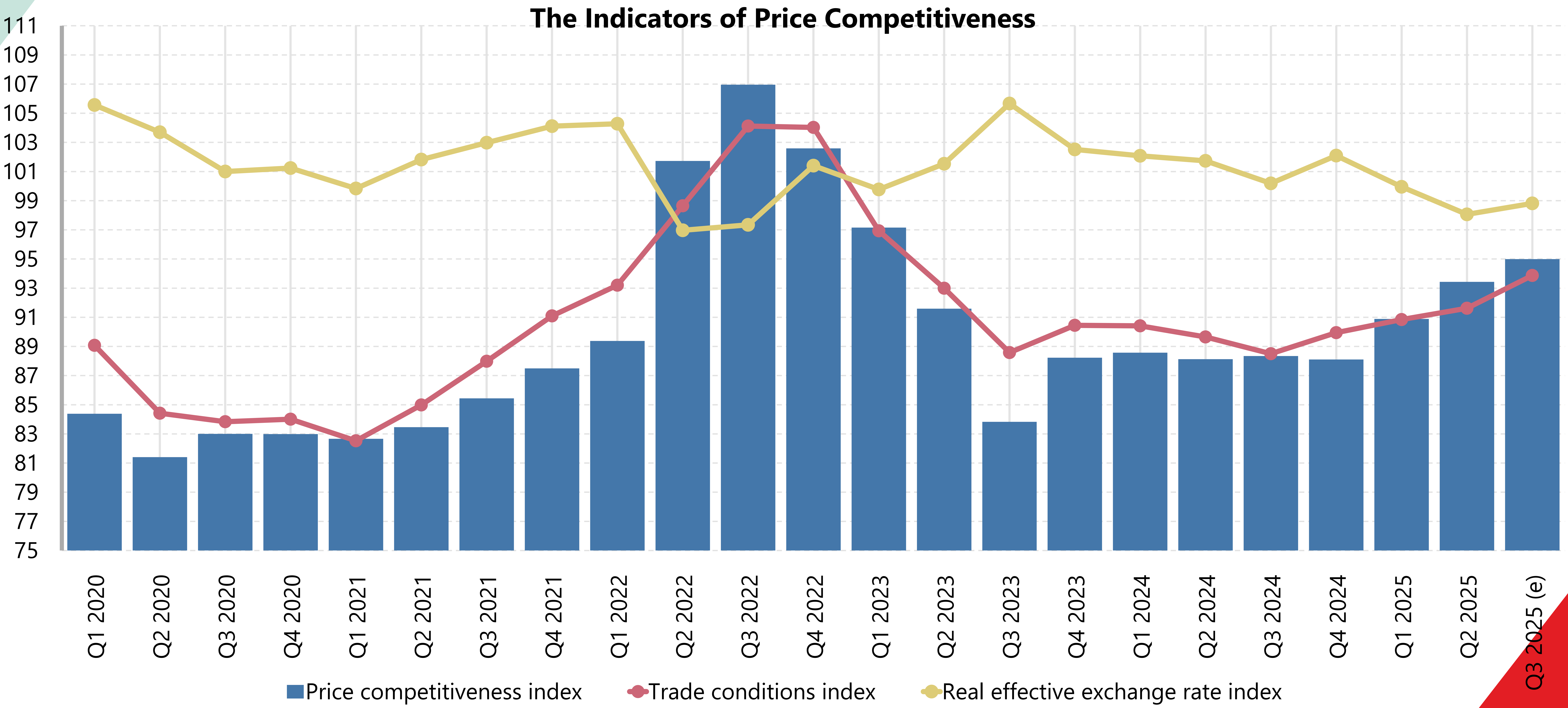
Price competitiveness continues to improve gradually



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The range of problems and challenges remains largely unchanged

- Fundamental Challenges
  - Labor shortages
  - Limited production capacities
- External Challenges
  - Stagnating 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
  - Weak and unstable external position, coupled with insufficient financing sources to cover the corresponding deficit
  - Overheating of domestic demand, suppressed inflation, and risks of an inflationary spike
  - Weakened financial position of firms and risks of financial turbulence

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Key Challenges and Policy Questions for 2026

- 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?
- How firm is the government's commitment to expansionary policies, and how capable is it of continuing their implementation?
  - Do the new forecast indicators signal a readiness 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?
- 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?

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