Belarus's economy continued to grow in Q3-2026

Current situation

Belarus's GDP in Q3-2026 increased by 0.3% relative to the previous quarter *(seasonally adjusted)* **and by 2.9% relative to the Q3-2025 level.** Over nine months as a whole, the economy expanded by 2% YoY. Consumer demand acted as the growth driver under stimulative domestic economic policy and the secondary effects of temporary positive export impulses in late 2025 – H1-2026. The decline in investment activity and subdued demand in the Russian market constrained GDP dynamics.

Consumer demand gained around 2% in Q3-2026 *(relative to the previous period, seasonally adjusted)*. The credit impulse and high wage growth spurred consumer activity. The volume of loans extended to households in Q3 increased by 15% relative to Q2-2026 (seasonally adjusted) and by more than 47% relative to Q3-2025. The growth in lending and retail sales is mainly associated with increased passenger car purchases (+126% YoY in Q3). Overheated consumer demand kept GDP approximately 2.2% above its sustainable level in Q3-2026.

Investment declined by almost 4% in Q3-2026 *(relative to the previous period, seasonally adjusted)*. Capital investment also contracted relative to last year's level – by 1.6% in Q3. The decline may have been corrective in nature following strong growth the quarter before. Investment continued to be supported by budget injections and preferential loans, which together added around 2 p.p. to its annual growth in Q3. Market loans, in turn, made a negative contribution of around 1.7 p.p. This indicates that, despite the National Bank's efforts to front-load the reduction of rates on long-term market loans, business investment activity remained subdued amid uncertain demand prospects in domestic and external markets.

The deficit in foreign trade in goods and services is preliminarily estimated at around 2% of GDP in Q3-2026 *(seasonally adjusted)*. Imports increased amid elevated consumer demand, while export dynamics are estimated as near zero: investment demand in Russia remained weakened, support for exports from the exchange rate factor diminished, and the peak positive effect from tolling oil processing was likely passed in mid-year. The scale of the trade imbalance increased, but did not pose significant threats to the foreign exchange market – net foreign currency sales by households and non-residents offset net demand for it from firms.

The labor market continued to function in a state of labor shortage. The unemployment rate declined by 0.1 p.p. – to 2.0% of the labor force *(seasonally adjusted)*. The ratio of the number of unemployed to the number of vacancies declined in Q3 and was more than three times lower compared to the 2018–2019 average. The real wage continued to grow at a high pace (more than 2% per quarter), and its level exceeded the inflationary-neutral level.

Inflation accelerated moderately – from 4.3% YoY in June to 4.7% YoY in October. The acceleration is associated with the adjustment of non-food goods prices to macroeconomic conditions following their removal from state regulation in July. The comparatively high harvest of agricultural crops, the appreciation of the Belarusian ruble against the Russian ruble, and the maintenance of strict price controls in the food segment constrained inflation in Q3 – early Q4-2026.

Fiscal policy and monetary conditions are assessed as stimulative in Q3-2026. The forgiveness of part of the public debt, judging by indirect data, ensured the execution of the consolidated budget with a moderate surplus for nine months and allowed the authorities to maintain a high volume of government expenditures. Interest rates on loans and deposits declined by approximately 1 p.p. in Q3-2026 amid a significant banking system liquidity surplus not withdrawn by the National Bank at auctions. Under these conditions, money supply growth accelerated to 20.5% YoY on average in Q3-2026. Its gap relative to real GDP growth and, consequently, the money overhang continued to widen.

The authors of this material cannot be held responsible for the use of the information contained in this release. While every care has been taken in preparing this material, the authors make no guarantees and assume no liability or responsibility regarding the accuracy, completeness or credibility of the information contained herein. The authors of this material will not be liable for any losses and/or damages of any kind arising from using the information provided.

Belarus's GDP will grow by 2–2.3% in 2026 and by 1.5% in 2027

Forecast

Fiscal and monetary policy will maintain a stimulative stance in Q4-2026 – 2027. The low growth potential of the Belarusian economy and the forecast subdued growth of Russia's economy make the achievement of the authorities' targets for GDP and investment growth of 1.9% and 3.1%, respectively, in 2027 challenging. In the absence of positive changes in the external environment, approaching the planned values will require maintaining stimulus for domestic demand. Monetary policy will remain accommodative, and interest rates on loans and deposits will on average be below their neutral levels. Budget expenditures will remain high. The average refinancing rate is forecast at around 8.5–9% in 2027, the consolidated budget deficit will not exceed 1% of GDP in 2027, and public debt is expected close to 20% of GDP.

GDP growth will amount to 2–2.3% for 2026 (more likely close to the upper bound) **and is forecast close to 1.5% in 2027.** Domestic demand will remain the driver of output expansion thanks to the continuation of monetary and fiscal stimulus. High real wage growth of close to 7–8% for 2026 and 4–6% in 2027 amid a shrinking labor supply will, on the one hand, continue to support consumer activity at a level elevated relative to the balanced one, but, on the other hand, will constrain the room for expanding investment due to the increasing redistribution of income in favor of workers. The expected subdued growth of Russia's economy of 1–1.5% in 2027, sanctions restrictions, and the absence of spare labor resources will limit the growth of the Belarusian economy in 2027 even amid accommodative economic policy.

The Belarusian ruble will weaken by 2–4% over 2027 in basket-of-currencies terms. The external trade position will remain in a moderate deficit of around 1–1.5% of GDP in 2026–2027 amid overheated domestic consumer demand and subdued demand in the Russian market. The forecast trade deficit will exert depreciation pressure on the ruble, but, all else equal, does not carry risks of a devaluation of the national currency. The expected continuation of net foreign currency sales by households will to a large extent offset purchases by firms. And the sufficient level of foreign exchange reserves will allow the National Bank to smooth the impact of strong shocks should they arise. The average annual exchange rate of the ruble against the dollar is forecast at around 3.13 in 2027, and against the Russian ruble – around 3.62 Belarusian rubles per 100 Russian rubles.

Inflation is expected at around 4.8–5.3% YoY in December 2026 and 6–7% YoY in 2027. The "normalization" of non-food goods price growth rates will lead to a gradual recovery of inflation to around 5% YoY in Q4-2026. In 2027, inflation will rise toward 6–7%. Stimulative economic policy, the money overhang formed as a result of its prolonged application, and high wage growth will maintain moderate pro-inflationary pressure. Price controls in the food segment and high competition in goods markets will continue to constrain price growth.

Risks of deviations from the baseline forecast remain high and two-sided. Changes in the military-political situation in the region are the key factor of uncertainty. A prolonged escalation of hostilities has a high chance of leading to lower GDP growth and higher inflation in Belarus due to the weakening prospects of the Russian economy. Positive changes are also possible, including an easing of sanctions, which would contribute to a reduction in transaction costs and become a positive supply shock for Belarus. Domestic risks are associated with the accumulated money overhang: the easing of price controls and the decline in household deposit rates have weakened the mechanisms that "tied up" the money overhang in 2025–2026.

Dynamics and forecast of economic indicators of Belarus

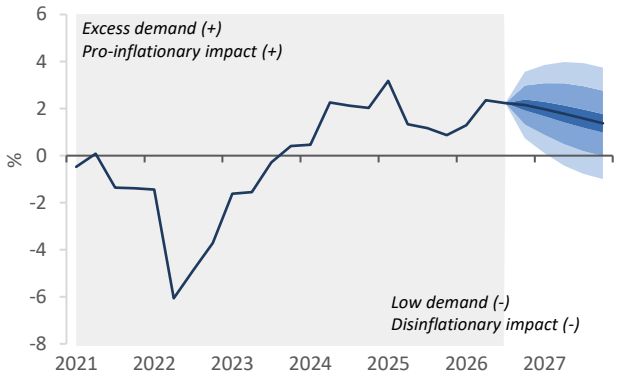
Real GDP growth

(quarter versus the corresponding quarter of the previous year)



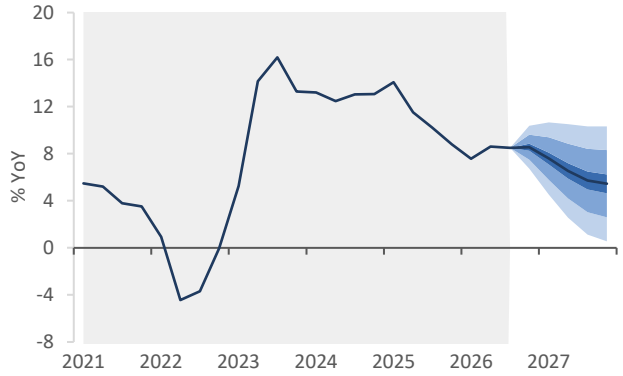
Output gap

(GDP deviation from the potential level)



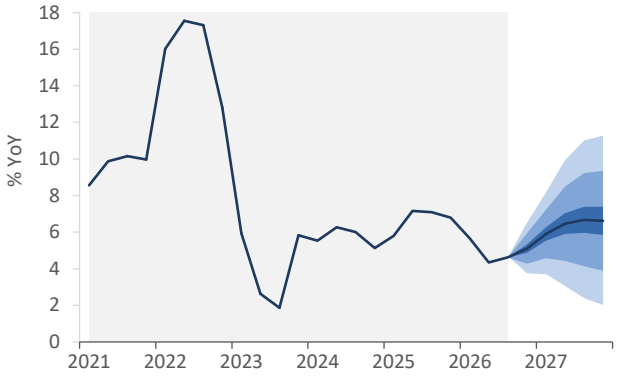
Real wage growth

(quarter versus the corresponding quarter of the previous year)



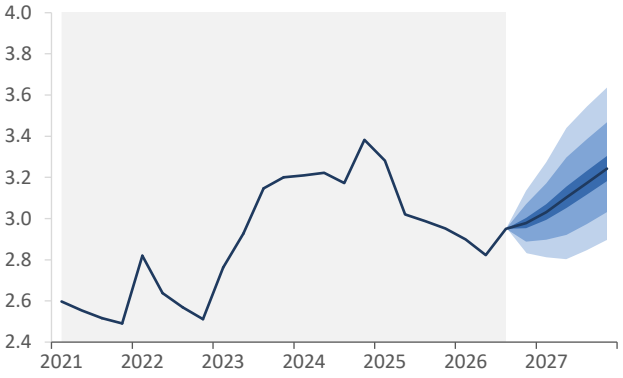
Inflation

(quarter versus the corresponding quarter of the previous year)



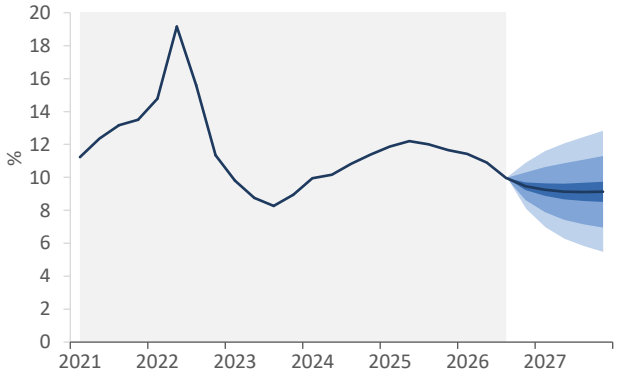
Belarusian ruble to US dollar exchange rate

(average for the quarter)



Interest rate on market loans

(average for the quarter)



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

Note: figures show seasonally adjusted indicators. As new data are published, the indicator dynamics can be updated. The ranges in the figures correspond to the 15%, 50% and 75% confidence intervals.

Co-funded by the European Union
FREE NETWORK
Sweden Sverige