

Inflation Review
Q3-2025

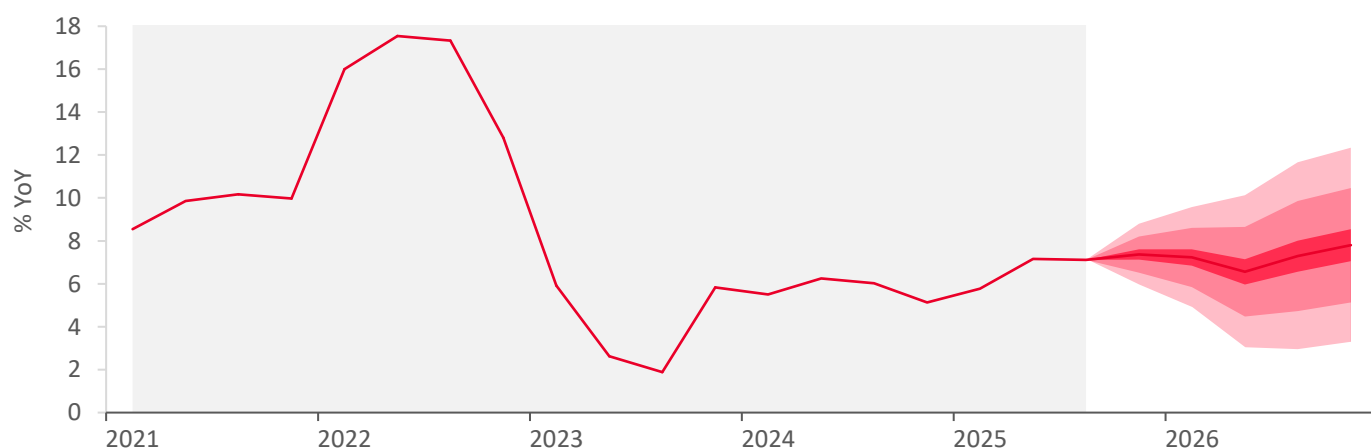
October 2025

Inflation in Belarus declined significantly in Q3-2025 and is expected to settle near 7.5% YoY by the end of 2025

Annual inflation stood at 7.1% YoY in September 2025 (Fig. 1). The annualized quarterly price growth slowed more than twofold – to 5.1% QoQ in Q3-2025 (seasonally adjusted). The decline in inflation was driven by a corrective drop in fruit and vegetable prices, weaker price pressure from the Russian market, the overvaluation of the Belarusian ruble, and tighter price controls on selected items in the consumer basket. At the same time, the acceleration in price growth for non-regulated services – remaining above 10% QoQ – indicates the persistence of inflationary pressure from overheated domestic demand and the labor market.

The baseline inflation forecast for the end of 2025 has been lowered to 7–8% YoY. The risks of a poor harvest did not materialize, and economic activity in Belarus is developing closer to the lower bound of expectations. Nevertheless, the level of domestic demand remains elevated relative to output potential, and the inflationary overhang is still significant. Consequently, inflation in 2026 is projected to remain above the National Bank's medium-term 5% target – in the range of 7–8% YoY (Fig. 1).

Figure 1. Dynamics and forecast of consumer inflation in Belarus, % YoY



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

Note: the figure shows a seasonally adjusted indicator. The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. As new data are published, the indicator dynamics can be updated. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

The Inflation Review Bulletin is an expert analysis of inflationary processes in the consumer market. The bulletin depicts the dynamics of price indices, analyzes the drivers of inflationary processes, assesses the nature of monetary conditions, and provides a short-term inflation forecast. The methodological basis for the analysis is the Quarterly Projection Model (QPM) for Belarus.

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1 Dynamics of inflationary processes

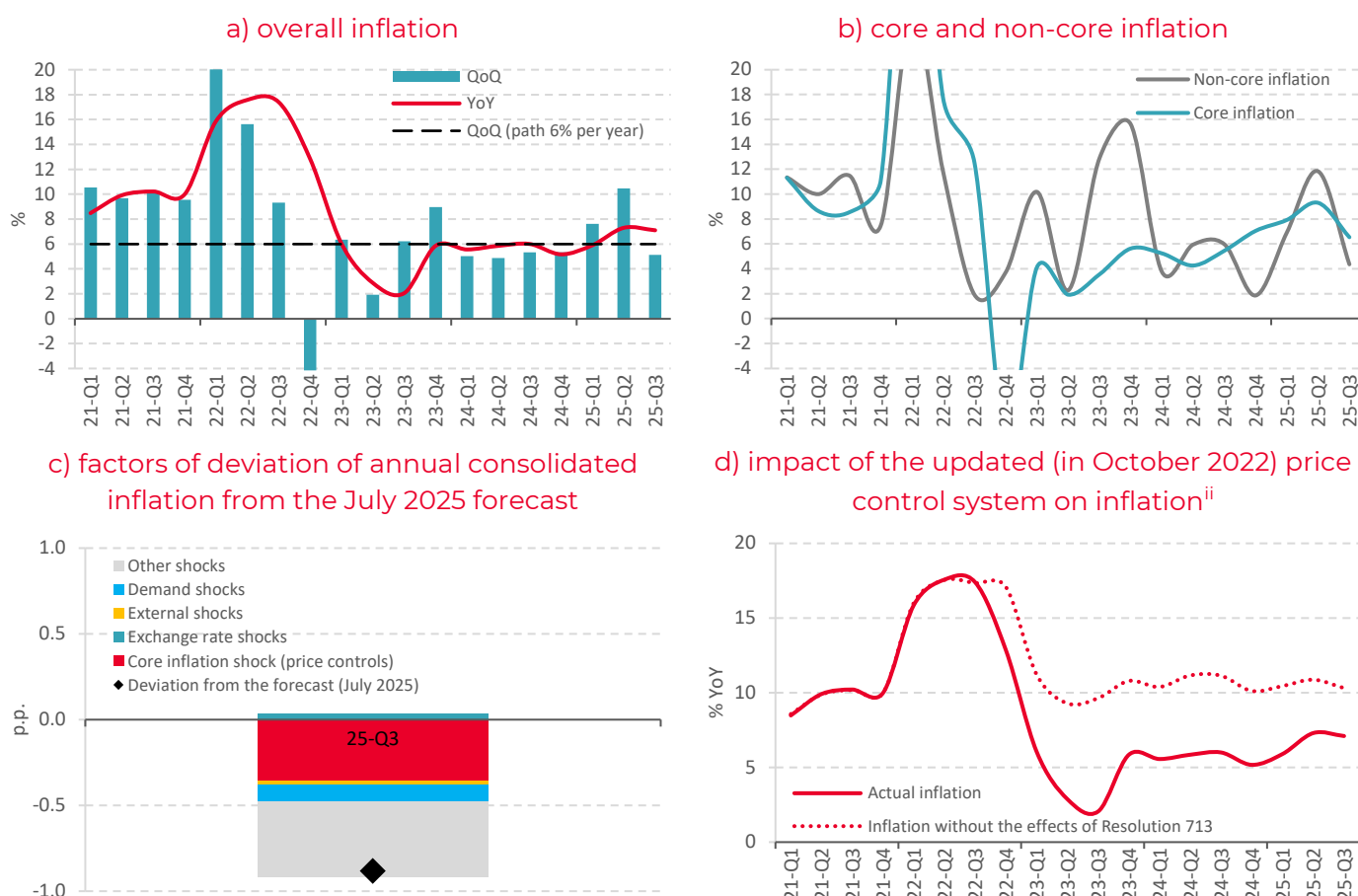
Inflation in Belarus slowed in Q3-2025

In Q3-2025, consumer prices rose by 5.1% in annualized terms (seasonally adjusted) after an increase of 10.5% in Q2-2025 (hereinafter – % QoQ; Fig. 2.a).ⁱ Annual inflation (based on the Consumer Price Index; CPI) decreased from 7.3% in June 2025 to 7.1% in September 2025 (hereinafter – % YoY; Fig. 2.a). The slowdown in price growth was driven by declines in both core and non-core inflation (Fig. 2.b).

The actual annual inflation rate in September 2025 was 0.9 p.p. below the July 2025 forecast and stood near the lower bound of its confidence interval

Lower-than-expected price growth was largely due to weaker dynamics in non-core inflation (negative contribution of other shocks in Fig. 2.c). Some tightening of price controls since late June 2025 had a stronger disinflationary effect than anticipated (negative contribution of the core inflation shock in Fig. 2.c). Moderated growth rates of domestic demand and prices in Russia relative to the July forecast also contributed to the deviation of actual inflation downward from the projected path (negative contribution of external and demand shocks in Fig. 2.c).

Figure 2. Dynamics of consumer inflation



Source: calculations based on the data from Belstat, the National Bank of Belarus, QPM.

Note: hereinafter, YoY is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted.

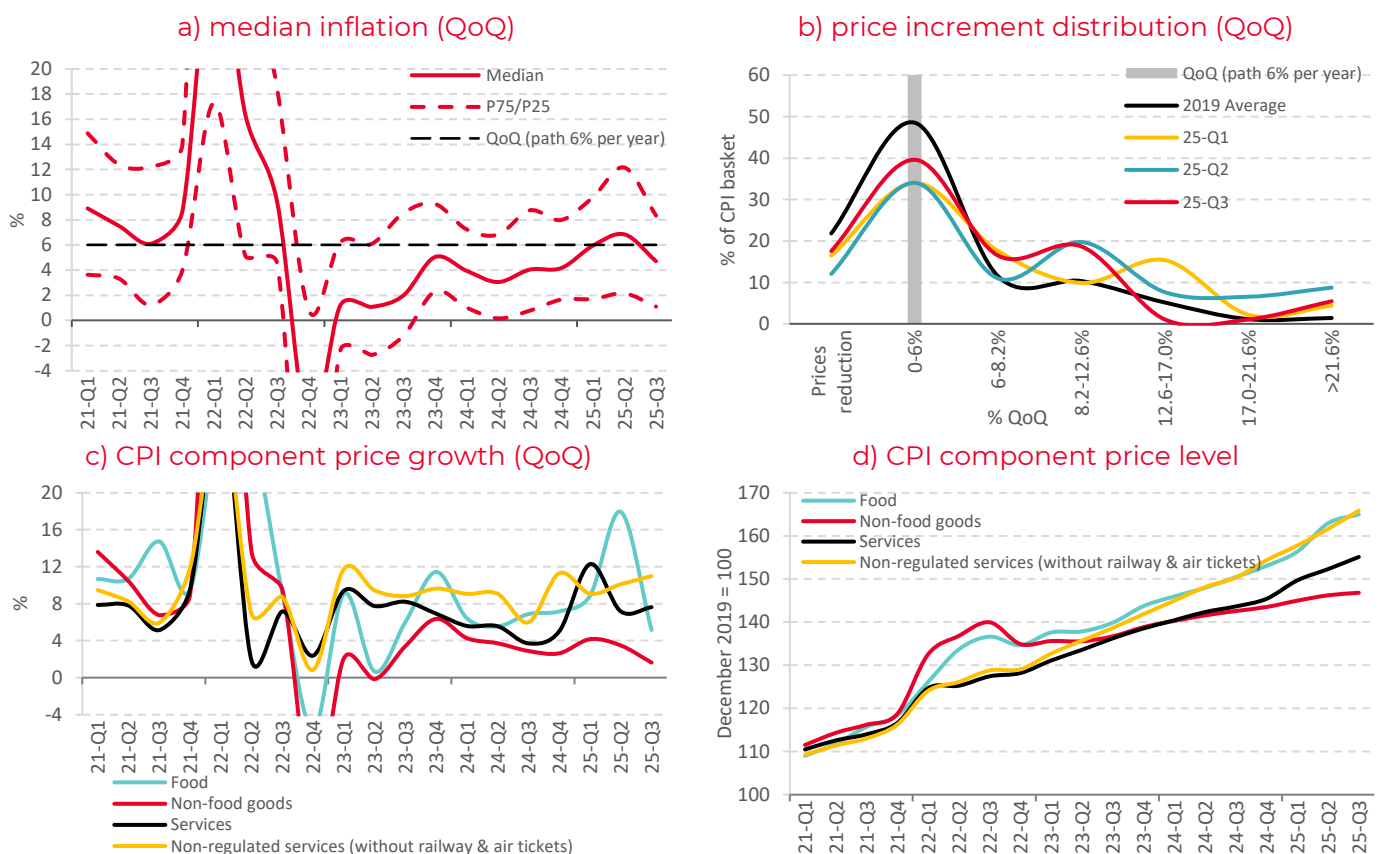
Non-core inflation declined to 4.4% QoQ in Q3-2025 (Fig. 2.b)

Fruit and vegetable prices fell by 3.9% QoQ in Q3-2025. This dynamic was corrective after a strong 53% QoQ surge in Q2-2025. As expected, the pro-inflationary effect of the price disparity for fruits and vegetables between the Russian and Belarusian markets was exhausted by the end of Q2-2025 (Fig. 4.d). Overall, a sufficient harvest of fruits and vegetables reduces the risk of a significant acceleration of inflation in this segment. However, the continued restraining influence of price regulation on fruit and vegetable price growth in the consumer market creates risks of accumulating inflationary pressure and narrowing supply if prices for these goods rise sharply in Russia. Administratively regulated prices and tariffs increased by 5.6% QoQ in Q3-2025 after a 7% QoQ rise in the previous period. The government likely took a conservative approach to raising regulated prices to prevent a significant deviation of overall annual inflation from 7% YoY, which, judging by officials' statements, appears to be considered acceptable by the authorities.

Core inflation slowed from 9.3% QoQ in Q2-2025 to 6.5% QoQ in Q3-2025 (Fig. 2.b), while median inflation fell from 6.8% to 4.7% QoQ over the same period (Fig. 3.a)

The dynamics of these indicators point to a decline in inflationary pressure in the economy. However, these values remained about 2 p.p. higher than during the price-stable period of 2018–2019, when core inflation averaged 4.2% QoQ and median inflation 3.8% QoQ. This indicates that, despite the easing of price pressure in Q3-2025, it remained elevated. This was also reflected in the continued skew of the distribution of price increases within the consumer basket toward higher growth rates (Fig. 3.b).

Figure 3. Dynamics of median inflation and prices of aggregated CPI components (seasonally adjusted)



Source: calculations based on the Belstat data.

Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted. Median inflation and price increment distribution are calculated using data from aggregated commodities in the CPI basket. P75 and P25 are the 75th and 25th percentiles, respectively.

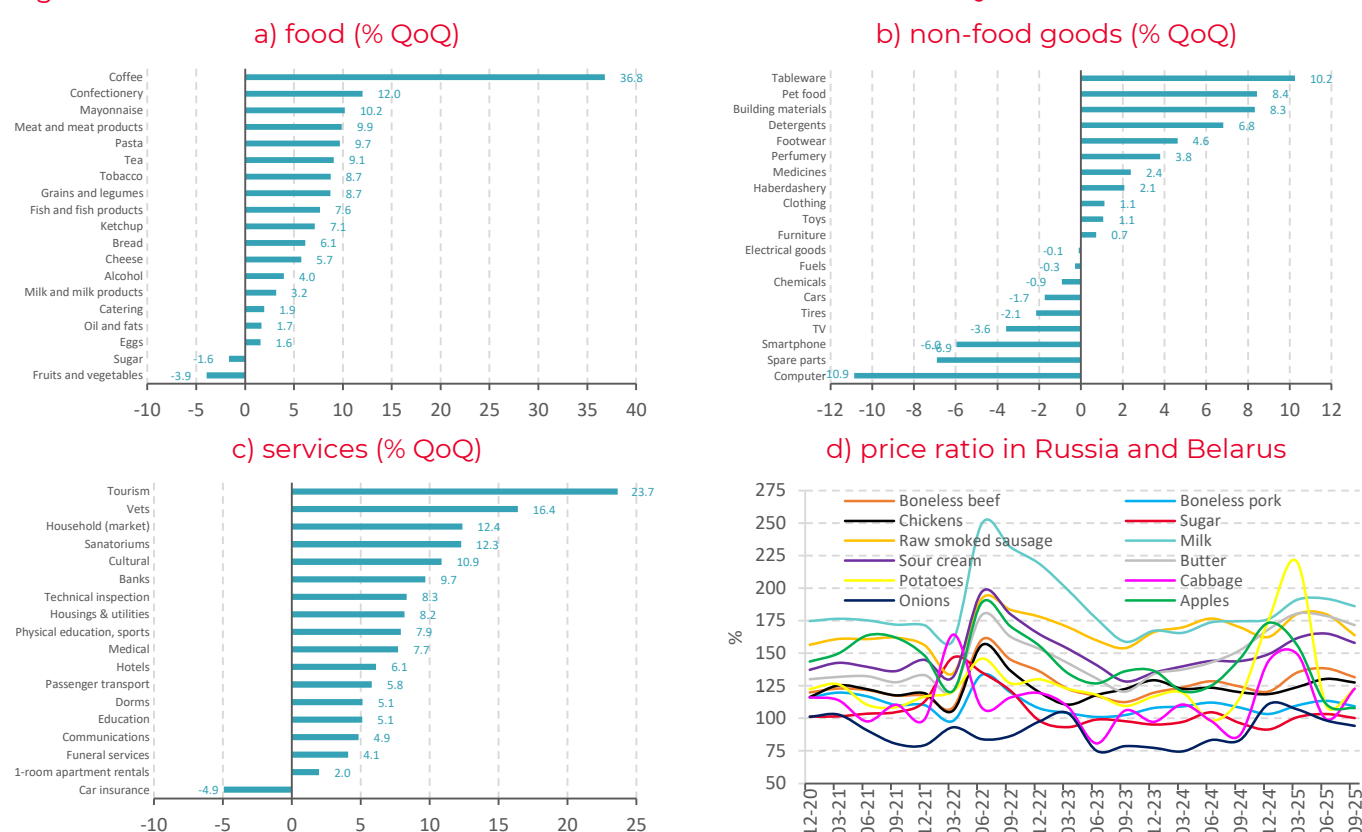
Food prices growth slowed significantly in Q3-2025

Food prices rose by 5.2% QoQ in Q3-2025 – three and a half times slower than in the previous quarter (Fig. 3.c). Food items excluding fruits and vegetables, alcohol, and tobacco products (which are excluded from the core CPI) increased by about 5.1% QoQ in Q3-2025. The significant slowdown in food inflation resulted from a marked weakening of price growth for milk and dairy products (Fig. 4.a). This trend was likely driven primarily by tighter price regulation for these items introduced in late June 2025. Additionally, a slowdown in producer price growth for livestock products to 2% QoQ signals reduced cost-push pressure. At the same time, the price gap for dairy products between Russia and Belarus remained elevated relative to the averages of previous years, indicating persistent pro-inflationary risks (Fig. 4.a). Most other food products – including meat, fish, sweets, coffee and tea, cereals, and pasta – continued to show elevated price growth. Median food inflation is estimated at around 7% QoQ in Q3-2025 (Fig. 4.a).

Inflation in the non-food segment remained extremely low

Non-food goods prices increased by 1.6% QoQ in Q3-2025, down from 3.5% QoQ in the previous quarter (Fig. 3.c). Median inflation in this segment is estimated at around 2.4% QoQ in Q3-2025. The fastest price growth was observed for goods where price controls were relaxed earlier in the year (Fig. 4.b). At the same time, for most categories, price growth remained very weak due to strict price regulations. An additional disinflationary factor for non-food goods was the overvaluation of the Belarusian ruble against the US dollar, euro, and yuan, which was particularly reflected in lower prices for electronic devices (Fig. 4.b).

Figure 4. Price increase for individual items of the consumer basket for Q3-2025



Source: calculations are based on the data by Belstat, the National Bank of Belarus, and Rosstat.

Note: QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted. The ratio of prices in Russia and Belarus has been calculated as the ratio of the average price in Russia – recalculated at the average official foreign exchange rate of the Belarusian ruble to the Russian ruble – to the average price of goods in Belarus, multiplied by 100.

Inflation in unregulated services rose to 10.5% QoQ in Q3-2025

Unregulated services, excluding volatile international rail and air transport, increased by roughly 11% QoQ in Q3-2025 after about 10.1% QoQ in the previous quarter (Fig. 3.c). The largest category – market household services – rose in price by more than 12% QoQ, while median inflation for unregulated services is estimated at around 8% QoQ (Fig. 4.c). Persistently high price growth in the market services segment indicates that inflationary pressure remains elevated in the Belarusian economy, driven by overheated domestic demand and tight labor market conditions.

The inflationary overhang remained significant in Q3-2025

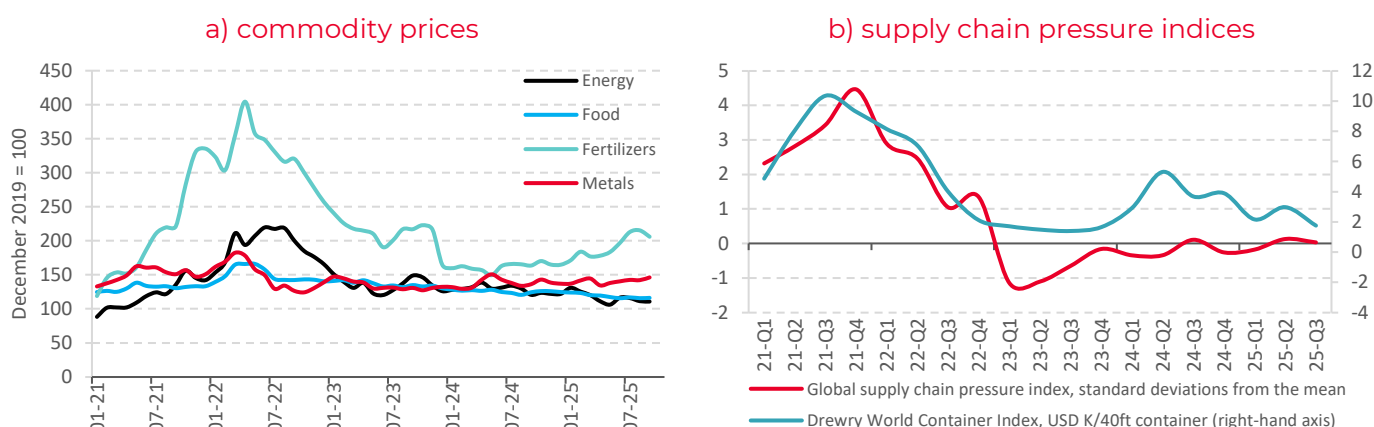
The price level for unregulated services exceeded that of non-food goods by 13% in September 2025 (Fig. 3.d). The large gap in relative prices, which is atypical over long-term horizons, indicates a substantial potential for accelerated price growth of non-food goods in the event of removal or easing of price controls.

2 Inflation drivers

The dynamics of commodities prices in the global market did not have a significant impact on inflation in the Belarusian market in Q3-2025

The World Bank Commodity Price Index (in USD) increased by 0.6% in Q3-2025 compared to Q2-2025. Energy prices rose by 1.2% over the quarter, while non-energy commodities fell by 0.5% (Fig. 5.a). Food prices decreased by 1.1% over the quarter, including average declines of 10% for coffee and 14% for cocoa, while for palm oil – increase by 7%. Taking into account the appreciation of the Belarusian ruble against the US dollar, global commodity prices dynamics did not create either significant inflationary or disinflationary pressure on the Belarusian market in Q3-2025. The cost of sea freight decreased significantly in Q3-2025, while the global supply chain pressure index remained in the neutral zone (Fig. 5.b).

Figure 5. Global commodity prices and price pressures in supply chains



Source: World Bank, FRBNY, Drewry World Container Index and Supply Chain Advisors.

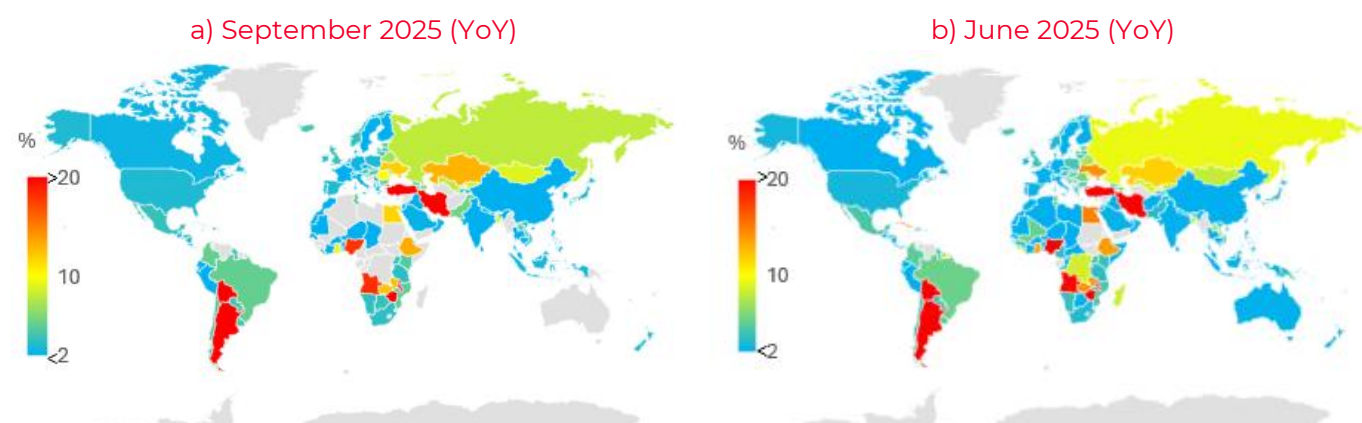
Note: World Container Index is for the last week of the month.

Inflationary pressure from the Russian market continued to weaken

Inflation in Russia in Q3-2025 is estimated at around 4.5% QoQ (Fig. 7.b). The strong Russian ruble and the weakening dynamics of domestic demand in Russia continued to contribute to the slowdown in inflation. As a result, some disinflationary influence from the Russian market was exerted on price growth in Belarus in Q3-2025.

Nevertheless, the risks of rising dairy product prices in Belarus remain due to the significant price disparity between the markets of the two countries (Fig. 4.d). In other countries that are major trading partners of Belarus, inflation remained subdued in Q3-2025 (Fig. 6).

Figure 6. Global inflation



Source: Trading Economics, national statistical agencies.

Note: YoY is the growth rate in the last month of the quarter vs the last month of the same quarter of the prev. year.

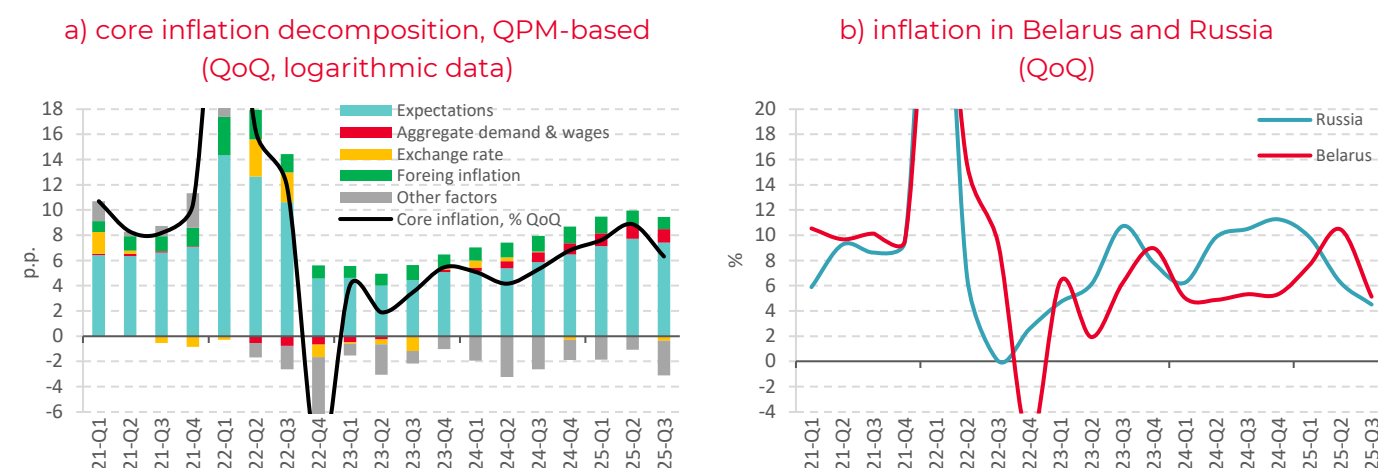
The exchange rate exerted a moderate disinflationary effect in Q3-2025

In Q3-2025, the Belarusian ruble appreciated by 0.8% in nominal terms (measured against the currency basket) compared to the average value in Q2-2025 (Fig. 8.b). Given that inflation in Belarus remained higher than in Russia (Fig. 7.b), the national currency also strengthened in real terms (Fig. 8.b). As a result, the Belarusian ruble, in terms of the real effective exchange rate (REER), was overvalued by about 1% in Q3-2025 (Fig. 8.a). Consequently, the overall impact of the exchange rate on consumer inflation in Q3-2025 is assessed as restraining (Fig. 7.a).

Inflation expectations of the population slightly decreased in Q3-2025

This is indicated by a reduction in the contribution of rational expectations to core inflation, as estimated within the QPM (Fig. 7.a). Based on the historical relationship, the value of model-based expectations corresponds to the population's expected price growth for the next 12 months (calculated by the National Bank) of about 10.4–11.1% in Q3-2025. This is lower than 11.3% in Q2-2025 and below the historical average of 12.1%. The decrease in expected inflation may have been influenced by slower food price growth and the appreciation of the ruble against the dollar.

Figure 7. Decomposition of core inflation in Belarus and inflation in Russia



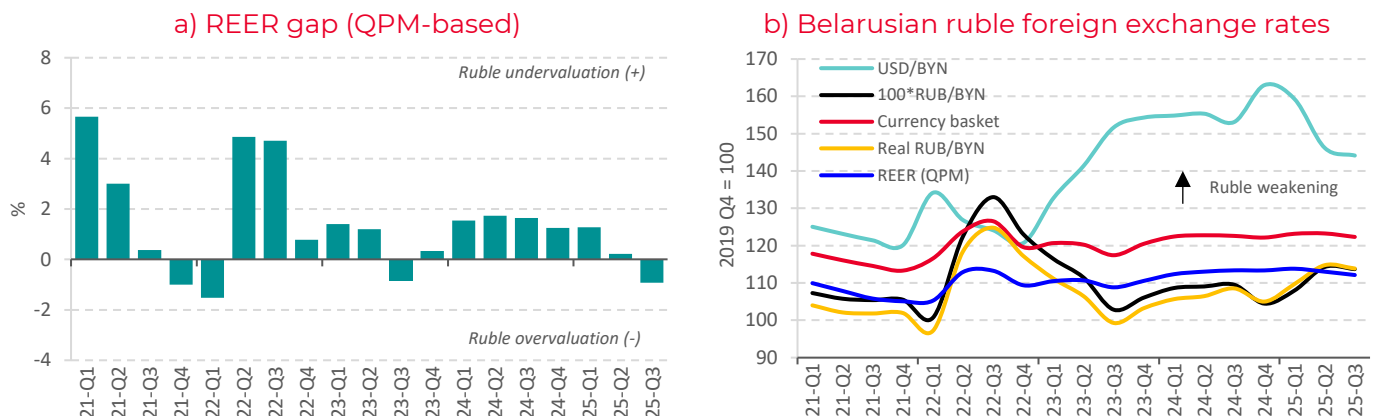
Source: calculations based on QPM, the data from Belstat and Rosstat.

Note: the contributions of the factors are calculated considering momentum; QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter vs the last month of the previous quarter, seasonally adjusted.

The restraining impact of price controls on inflation increased again

The reinstatement of strict price regulation on dairy, meat, and confectionery products translated into a larger negative contribution of factors unexplained within the QPM framework to core inflation (which accounts for the influence of government price regulation) in Q3-2025 (Fig. 7.a). Price control by the authorities “distorts” inflation data and complicates the assessment of the scale of inflationary pressure and the inflation overhang in the economy. Calculations based on the QPM show that, given the state of aggregate demand, the labor market, the exchange rate, and foreign inflation, the annual inflation rate should have been around 10% YoY in Q3-2025, rather than the actual 7.1% YoY (Fig. 2.d). The inflationary overhang – the potential for accelerated price growth – remained significant in Q3-2025.

Figure 8. Belarusian ruble exchange rates and deviation of REER from the equilibrium level



Source: calculations are based on the data by the National Bank of Belarus.

Note: REER is the Real Effective Exchange Rate of the Belarusian ruble. Within the QPM, the weights of individual currencies in the REER are: Russian ruble – 0.60; US dollar – 0.20; euro – 0.10; Chinese yuan – 0.10.

Inflationary pressure from the labor market remained significant in Q3-2025

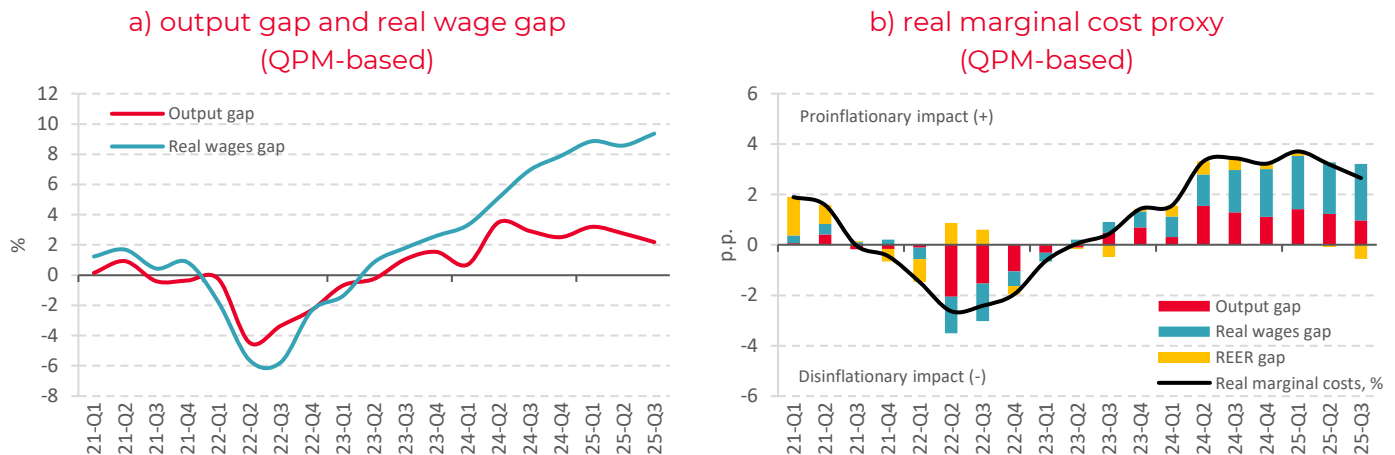
The unemployment rate in Q3-2025 decreased by 0.1 p.p. compared to the previous period, reaching a new historical low of 2.5% of the labor force (seasonally adjusted). Under persistent labor shortages, the average wage continued to rise: in real terms, it exceeded the 2021 average by almost 40% in Q3-2025. The real wage was significantly above its balanced level (Fig. 9.a), meaning that inflationary pressure from the labor market remained strong (Fig. 9.b). At the same time, signs of a possible easing of the labor shortage problem were observed in Q3-2025 – primarily a decline in the number of vacancies and a slight increase in their ratio of the number unemployed to the number of vacancies. If this trend continues through the remainder of the year, wage growth and the inflationary pressure it generates will begin to decrease.

Aggregate demand maintained inflationary influence in Q3-2025, but the degree of economic overheating declined

Belarus's GDP showed near-zero dynamics in Q3-2025 compared to Q2-2025 (seasonally adjusted). The economy did not grow for two consecutive quarters. The loss of growth momentum was linked to declining exports and internal resource constraints that limit the potential for production expansion. As a result of weakening external demand, the output gap narrowed to $\approx 2.2\%$ in Q3-2025 (Fig. 9.a). Such economic overheating corresponds to moderate inflationary pressure, the scale of which slightly decreased in Q3-2025 (Fig. 9.b).

Nevertheless, GDP still exceeded its balanced level amid strong domestic demand. The degree of domestic demand overheating remained significant under an accommodative economic policy environment. Its influence remained inflationary, though somewhat less intense compared to the second half of 2024 and early 2025.

Figure 9. Dynamics of indicators of internal inflationary pressure



Source: calculations are based on QPM.

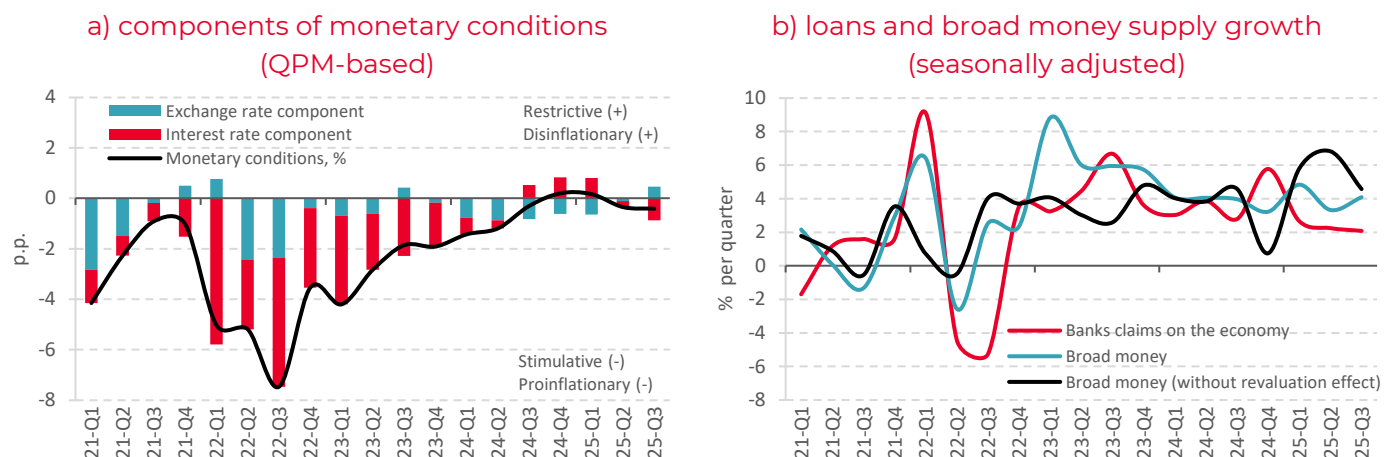
Note: the gaps are re-evaluated once data are available. The real effective exchange rate gap (REER gap) is adjusted for the deviation of relative prices (the ratio of the core CPI to the composite CPI) from the trend.

3 Monetary conditions

The National Bank maintained unconventional approaches to monetary policy implementation, preserving its stimulative character

Active unsterilized emission through the National Bank's purchases of foreign currency and government bonds led to an increase in the liquidity surplus of the banking system, keeping the interbank market rate at an extremely low level of 4.3% on average in Q3-2025, and lowering the term deposit rate by 3.3 p.p. to 6.6% in Q3-2025. Loan rates decreased by only 0.2 p.p. to 12%, amid elevated credit risks in the real sector due to the slowdown of the Russian and Belarusian economies. As a result, interest rates on average are estimated to have remained below neutral levels in Q3-2025 (Fig. 10.a).

Figure 10. Monetary conditions



Source: calculations based on QPM, data from the National Bank of Belarus.

Note: the dynamics of monetary conditions may change once new data are available.

A significant outpacing of money supply growth relative to GDP growth signals the monetary nature of inflationary processes in the Belarusian economy

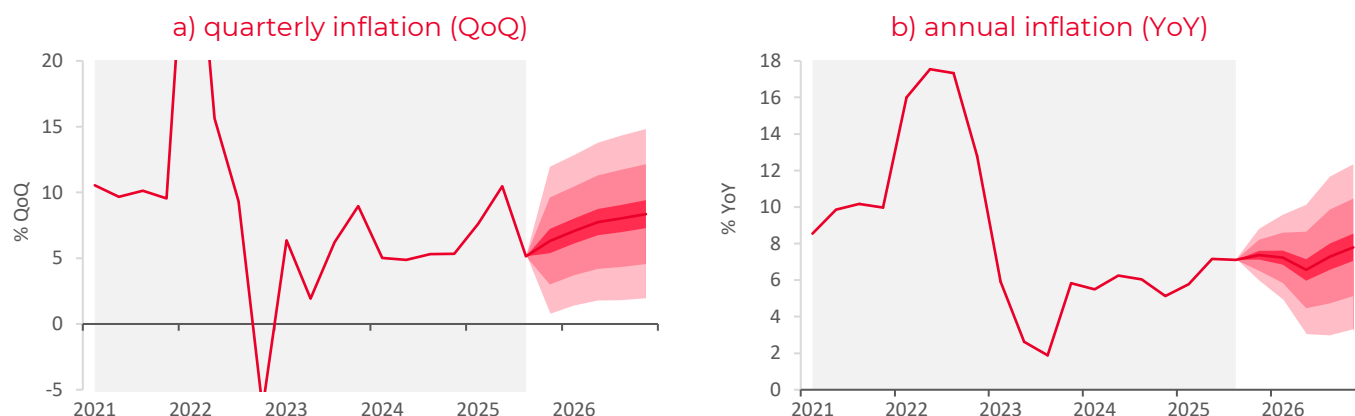
The average broad money supply in Q3-2025 exceeded the level of a year earlier by 16.5% YoY, while real GDP increased by 0.8% YoY over the same period. The difference in growth rates represents, for the most part, the inflationary component. Thus, the GDP deflator – a broader indicator of inflationary processes than the CPI – is estimated at around 13% YoY in Q3-2025. The high pace of money supply expansion in Belarus (Fig. 10.b) underscores the accommodative nature of monetary conditions and the inflationary character of quasi-fiscal operations (the National Bank's purchase of government bonds totaling nearly Br 1.2 billion in Q3-2025).

The Belarusian ruble was overvalued by about 1% relative to the equilibrium level of the real effective exchange rate in Q3-2025 (Fig. 8.a)

The exchange rate factor had a restraining impact on inflation and economic activity in Q3-2025 (Fig. 9.b). The appreciation of the Belarusian ruble in Q3-2025 resulted from a net foreign currency supply of ≈\$0.65 billion in the domestic market. The National Bank purchased this amount of foreign currency, issuing nearly Br 2 billion.

4 Short-term forecast

Figure 11. Inflation forecast for Belarus



Source: calculations are based on QPM.

Note: YoY (year-on-year) is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ (quarter-on-quarter) is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted. The Figure shows seasonally adjusted indicators. The ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

Inflation will remain in the range of 7–8% YoY in Q4-2025 (Fig. 11)

Due to the inertia of inflationary processes, both a significant acceleration and a notable slowdown in price growth in the short term are possible only with a substantial change in internal or external conditions, which the baseline scenario does not assume for Q4-2025. The Belarusian ruble will remain somewhat overvalued – the exchange rate factor will not generate inflationary pressure. Domestic demand and the labor market have prerequisites for gradual “cooling” following the weakening of external demand, which will lead to a slight reduction in their inflationary pressure. Quarterly price growth in Russia will increase in Q4-2025 due to the effects of the VAT hike starting in 2026. As a result, the contribution of imported inflation to quarterly price growth in Belarus will slightly increase in Q4-2025. No significant changes in the price regulation system are expected by the end of the year.

In 2026, inflation is projected in the range of 7–8% YoY (Fig. 11)

With the Bank of Russia maintaining a conservative monetary policy and the Russian government planning a negative fiscal impulse, inflation in Russia will decelerate and is expected to be around 5% YoY by the end of 2026. If tariff tensions worldwide do not escalate significantly and global supply chains continue to function without major disruptions, the external sector will generate a slight disinflationary effect on the Belarusian market.

Pro-inflationary influence from domestic demand and the labor market will persist next year, though on a smaller scale compared with 2025. The authorities' economic policy will not become restrictive, as the GDP growth target for 2026 – 2.8% – exceeds the economy's potential and it will likely remain tolerant of elevated inflation around 7–8%. Nevertheless, the growth of domestic demand and wages will slow under the influence of weaker prospects for the Russian economy, which will reduce their inflationary effects.

If price controls are eased and regulated prices rise faster to support the financial position of enterprises, the decrease in the contribution of domestic demand, the labor market, and external inflation to consumer price growth will be offset by the realization of the inflationary overhang accumulated in previous periods. The exchange rate's impact on inflation is also expected to be upward due to the projected moderate weakening of the Belarusian ruble amid a foreign trade deficit.

5 Forecasting risks

Domestic demand has a chance to weaken more than expected in the baseline scenario, creating disinflationary pressure

The exhaustion of fiscal space for large-scale budgetary stimulus in Belarus and the likelihood of declining demand in Russia pose a risk of a significant weakening of domestic economic activity in Belarus. If the National Bank continues to adhere to its practice of imposing directive limits on banks' retail lending growth, domestic demand in the Belarusian economy may turn out weaker than projected in the baseline forecast. This would create conditions for reduced price pressure, with inflation trending toward the 5–6% YoY range in 2026. At the same time, there is a high probability that if price pressure weakens, the authorities will not ease price controls but instead will more actively increase administratively regulated prices and tariffs. Since inflation around 7% YoY is acceptable for the authorities, significant adjustments to macroeconomic policy are not expected as long as inflation remains near that level.

Unpredictable monetary policy remains a major source of uncertainty for the macroeconomic outlook for next year

The discretionary nature of the National Bank's monetary policy creates risks of significant and unexpected policy shifts. It cannot be ruled out that amid the current slowdown in inflation, the National Bank might again strengthen monetary stimulus to support GDP growth in 2026. In that case, inflationary pressure would rise, increasing the likelihood of faster price growth. At the same time, there is a strong possibility that if inflation sustainably diverges upward from the 7% YoY level, price controls could again be tightened.

Pro-inflationary risks from possible escalation of global tariff tensions remain

If the adverse scenario materializes, Belarus will face greater inflationary pressure due to higher prices for consumer and investment imports. The medium-term consequences will depend on developments in global politics and the economy, as well as on the response of monetary and fiscal policies in Belarus.

Inflation in Russia may return to the 4% YoY target in 2026, which would reduce price pressure on the Belarusian market

This scenario is likely if Russia's GDP follows a near-zero growth path in 2025–2026 and a small surplus in the domestic oil products market gradually returns. The main pro-inflationary risk from the Russian market stems from the continuing possibility that Russia's fiscal stimulus in 2026 could be larger than currently planned by its authorities.

Explainers

Quarterly Projection Model (QPM)

This is a semi-structural macroeconomic model based on the principles of new Keynesianism; it belongs to the class of dynamic stochastic general equilibrium models. The QPM has been widely used for macroeconomic analysis, forecasting and monetary policy designs in central banks, including [the National Bank of the Republic of Belarus](#).

QPM indicators

Monetary conditions

This is an indicator of the state of monetary conditions. It is a combination of gaps between the real effective exchange rate (with the opposite sign) and real interest rates. Positive values of monetary conditions indicate their constraining nature for economic activity, and their negative values indicate their stimulating nature for economic activity.

Output gap

This is a deviation of a real GDP from its potential value. A potential GDP is such a GDP value that leads neither to additional inflationary nor disinflationary pressures. A positive output gap indicates excess demand in the economy, and it is an indicator of inflationary pressure. The opposite is true for a negative output gap.

Wage gap

This is deviation of real wages from their equilibrium level. A positive gap indicates that wages are above the level corresponding to the potential GDP, and it is an indicator of inflationary pressure. The opposite is true for a negative gap.

Interest rate gap

This is a deviation of the real interest rate from its neutral level. A positive gap in the interest rate indicates that the nature of the interest rate policy is restraining to economic activity, while a negative gap in the interest rate indicates that the nature of the interest rate policy is stimulating to economic activity.

Real effective exchange rate gap (REER gap)

This is a deviation of the real effective exchange rate of the Belarusian ruble from its equilibrium level. A positive real effective exchange rate gap indicates an undervaluation of the Belarusian ruble, while a negative real effective exchange rate gap indicates an overvaluation of the Belarusian ruble.

Real marginal costs

This is approximation of the incremental costs of producing an additional unit of output. Real marginal costs are a combination of output, wages, and real effective exchange rate gaps. Output and wage gaps approximate the costs of domestic producers, while the real effective exchange rate gap approximates the costs of importers. Positive values indicate a pro-inflationary pressure, and negative values indicate a disinflationary pressure.

Notes

ⁱ The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. As new data are published, the indicator dynamics in previous periods can be updated. The annualized price increase is calculated as a seasonally adjusted price increase per quarter raised to the fourth power (an annual inflation equivalent). All quarterly inflation values in the Bulletin (unless indicated otherwise) are presented as annualized (annual equivalent).

ⁱⁱ The Quarterly Projection Model (QPM) was used to estimate (updated in October 2022) the impact of the price regulation system on inflation. A historical decomposition of inflation was based on the model: the dynamics of the indicator were decomposed into the contributions of shocks. The values of actual and synthetic annual inflation were compared. In the latter case, the indicator was calculated by subtracting – starting from Q4-2022 – the contribution of the core inflation shock (which approximated the impact of tightening price regulation) from the actual inflation value. It is noteworthy that the core inflation shock includes not only the impact of price controls, but also other factors not considered in the model directly. However, the magnitude of the core inflation shock is usually small (except the periods of strong shocks), while a large negative shock was identified in Q4-2022, which continued throughout 2023–2025.