Belarus Economy Monitor:
trends, attitudes, and expectations

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Express Analysis

Economic Activity and Inflation

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The Belarusian economy continued to grow due to domestic demand in April 2025

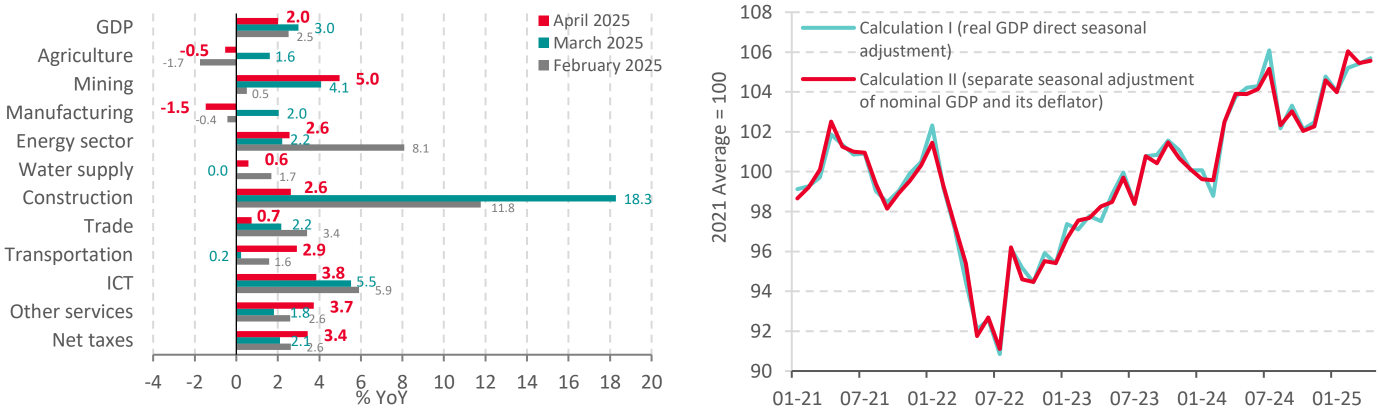
Over the four months of 2025, GDP grew by 2.8% YoY, and in April separaterly – by ≈2% YoY (Fig. 1.a). GDP volume (seasonally adjusted) increased by 0.1–0.3% compared to March 2025 and remained near peak levels (Fig. 1.b). Output growth was supported by construction amid high lending activity by firms, as well as by consumption of services. Household expenditures, amid continued strong income growth, may shift further toward services in an environment of weakening consumer lending. Industrial output declined in April, constrained by production limitations and weakening demand in the Russian market. Meanwhile, inventories of finished goods continued to rise, surpassing the peaks of 2022–2023 (Fig. 3.b).

Strong domestic demand intensified price pressures. Inflation rose to 6.5% YoY in April 2025, while the annualized monthly price growth exceeded 10% MoM (seasonally adjusted). The stimulation of domestic demand through expanded investment lending will support the year-to-date GDP increase of around 2.5% YoY in the coming months. Inflation is expected to move toward 7% YoY and is projected in the range of 7–9% YoY by the end of the current year.

Figure 1. Dynamics of GDP and value added in Belarusian sectors

a) GDP growth, month versus the corresponding month of the previous year (%, YoY)

b) GDP volume at constant prices (seasonally adjusted)



Note: The estimates update once the data are verified. Monthly GDP data are estimates.

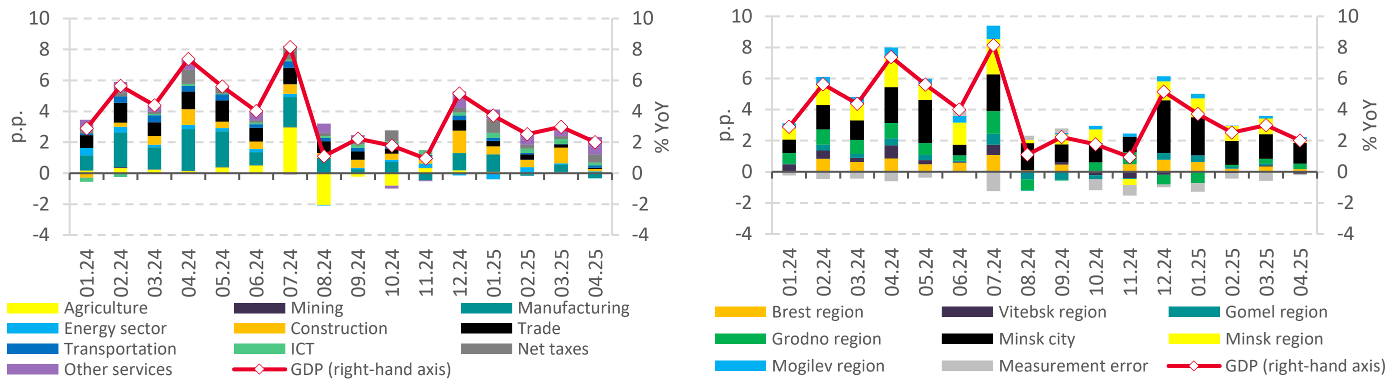
This Express Analysis is an operational analysis of the status of the key macroeconomic indicators of Belarus.

Industrial value added declined by ≈0.7% YoY in April 2025, including a ≈1.5% YoY decrease in manufacturing sectors (Fig. 1.a)

Output volume (seasonally adjusted) decreased by more than 1% in April compared to March 2025 (Fig. 3.a). Production declined across manufacturing industries in all regions and in the city of Minsk. Output dynamics have been volatile since mid-last year but overall remained on a "sideways" trajectory (Fig. 3.a). Production constraints, including labor shortages and full capacity utilization, are limiting the potential for output expansion, while weakening demand in Russia is narrowing the market for sales. Under these conditions, maintaining the already high production volumes has been accompanied by inventory accumulation, which continued to rise in April and exceeded the peaks of 2022–2023 (Fig. 3.b). Government stimulation of domestic investment demand will support industrial production, but due to resource constraints, its growth will be decelerating. Moreover, the high levels of finished goods inventories may necessitate adjustments in production plans should the Russian economy continue to slow down, in order to avoid significant deterioration in the financial condition of enterprises.

Figure 2. Structure of YoY GDP growth in Belarus

a) sectoral b) regional



Note: The estimates update once the data are verified. The energy sector includes the water supply subsector.

Agricultural value added declined by ≈0.5% YoY in April 2025 (Fig. 1.a)

The decline in agricultural production was due to weak dynamics in livestock and poultry farming. Weather conditions in May of the current year increase uncertainty regarding the crop production outlook, which could significantly affect the annual GDP growth rate as early as June.

Wholesale trade and freight transportation stagnated in April 2025

Wholesale turnover remained almost unchanged compared to March 2025 (seasonally adjusted), and decreased by 4.3% YoY compared to April 2024 (Fig. 3.a). The weakness in wholesale trade results from a decline in the physical volume of goods exports. Freight turnover in April dropped by ≈1% compared to March 2025 and remained near multi-year lows due to reduced transit volumes (Fig. 3.a).

Value added in the information and communications sector grew by ≈3.8% YoY in April 2025 after a ≈5.5% YoY increase in March 2025 (Fig. 1.a)

The sector's contribution to annual GDP growth decreased to ≈0.2 p.p. in April 2025. When adjusting for seasonal factors, the ICT sector showed near-zero value added dynamics at the beginning of Q2-2025. The pace of recovery in the sector remained subdued.

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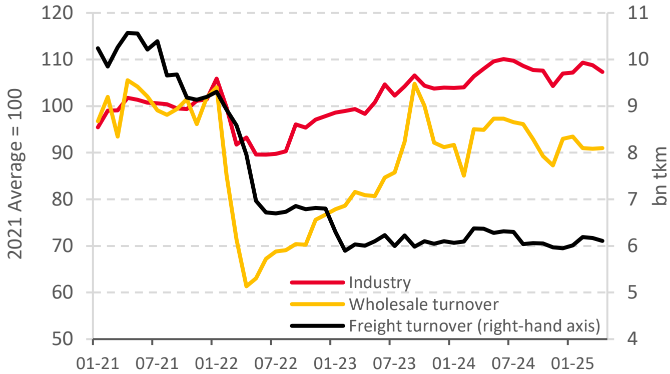
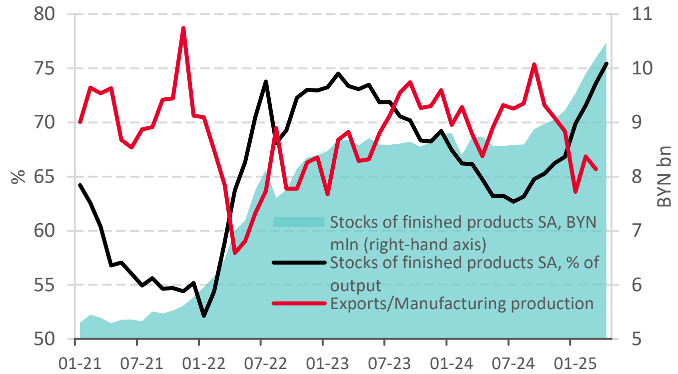
Figure 3. Dynamics of industrial output, wholesale trade and transport freight turnover

a) real output in industry (SA), real wholesale trade (SA) and freight turnover (SA)



b) industrial stockpiles, and the ratio of goods exports to output



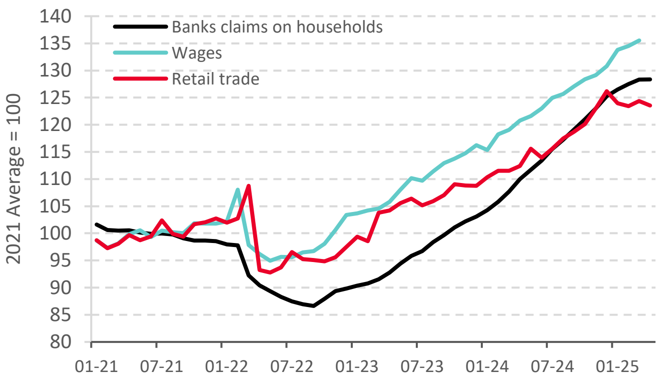
Note: SA is a seasonally adjusted indicator. The real volume of wholesale trade has been calculated by deflating the nominal volume by the wholesale trade price index. The real industrial output volume has been calculated based on the Belstat's Industrial Output Index in 2015 prices. The dynamics updates once new data are published.

Consumer demand remained high in April, but showed no growth in the goods segment (seasonally adjusted)

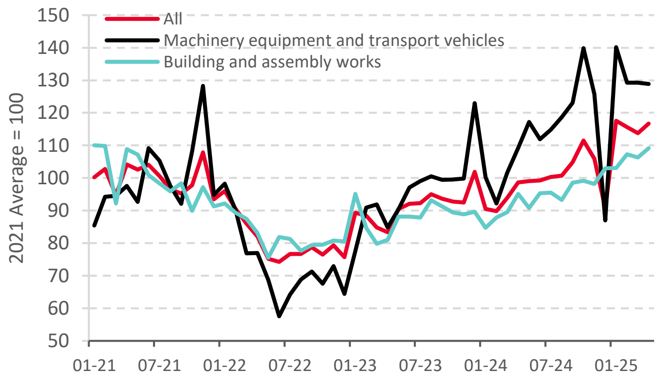
Retail turnover declined by ≈0.6% in April compared to March 2025 (seasonally adjusted). Following strong growth at the end of last year, household consumption of goods has fluctuated around a high level – ≈24% above the pre-war 2021 average in real terms (Fig. 4.a). This trend is linked to a slowdown in household lending due to directive recommendations from the National Bank to commercial banks (Fig. 4.a). Demand for goods may also be reaching saturation after a period of significant overheating. At the same time, growth in the value added of other services within GDP (services excluding trade, transport, information and communications), alongside continued rapid wage growth, may indicate an increasing shift in household spending toward services (Fig. 1.a). As a result, overall consumer demand for goods and services remained elevated in April, exerting pro-inflationary pressure. The expected rise in wages amid a labor shortage will continue to support high household spending levels throughout the current year.

Figure 4. Retail trade and investment dynamics

a) retail trade, wages and lending (seasonally adjusted, in real terms)



b) investment (seasonally adjusted, in real terms)



Note: Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction price indices. The indicator dynamics updates once new data are published.

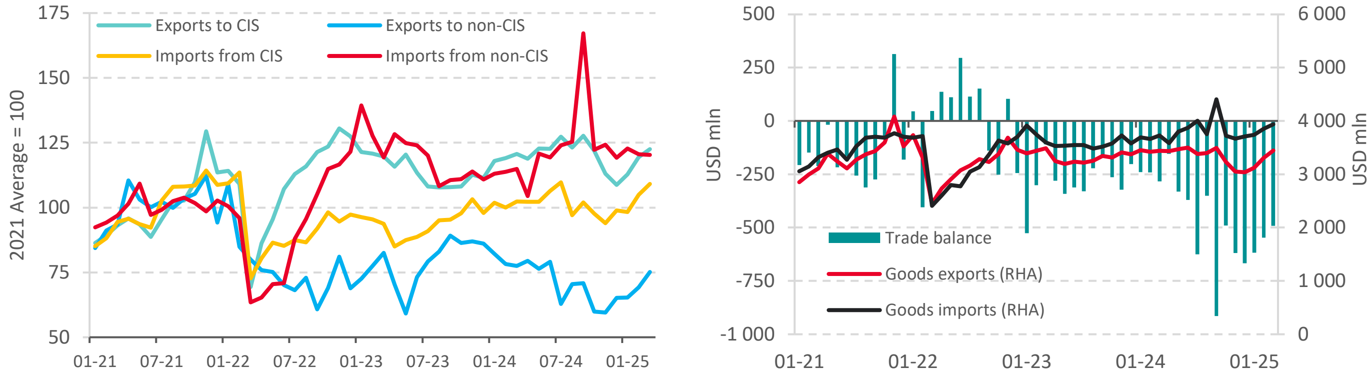
Investments in April increased by ≈2.6% compared to March 2025 (seasonally adjusted) due to growth in construction work

Construction and installation work within investments grew by ≈2.7% in April relative to March 2025 (seasonally adjusted), while expenditures on machinery, equipment, and vehicles remained virtually unchanged (Fig. 4.b). Construction was supported by high growth rates of corporate lending under the National Bank's stimulus measures in this area. The investment growth may help maintain output levels near the current high, aligning with a 2–3% GDP increase by the end of 2025. However, the high import intensity of investments, coupled with weakening external demand for Belarusian products, poses risks of a widening foreign trade deficit and a significant economic "cooldown" in 2026.

Figure 5. Dynamics of foreign trade indicators

a) value volumes of goods exports and imports (seasonally adjusted)

b) value volumes of foreign trade (seasonally adjusted)



Note: The indicator dynamics updates once new data are published.

Foreign trade deficit in goods narrowed in March 2025 due to price factors

The goods trade deficit (seasonally adjusted; based on Belstat data) decreased by ≈$55 million to ≈$490 million (≈7.1% of GDP) in March 2025 (Fig. 5.b). This was due to export growth (an increase of ≈$140 million) outpacing import growth (an increase of ≈$85 million). Goods deliveries to CIS countries (dominated by Russia) rose by ≈$60 million (Fig. 5.a), driven by the revaluation of export volumes in USD terms due to the strengthening of the Russian ruble against the dollar. Physical export volumes to Russia decreased in Q1-2025 (likely mostly in investment-related exports) under the influence of high competition and weakening demand dynamics in the Russian market. Exports to non-CIS countries rose by ≈$80 million in March, possibly reflecting a gradual recovery in oil refining. Goods imports remained high in March and Q1-2025 amid a significant scale of excess domestic demand.

Overall, in Q1-2025, the foreign trade deficit in goods and services (based on Belstat data) **is estimated at ≈2.7% of GDP** (seasonally adjusted). This is significantly above the near-zero norm for Belarus, posing risks to foreign exchange market stability and the Belarusian ruble exchange rate if expansionary domestic economic policy continues.

Inflation increased in April: the annual rate rose from 5.9% YoY in March to 6.5% YoY in April, while the annualized monthly price growth reached ≈10.5% MoM – the first double-digit figure since July 2022 (seasonally adjusted; hereafter – MoM; Fig. 6.a)

Core inflation remained at ≈9% MoM in April 2025 (Fig. 6.b). Strong price increases for food and unregulated services continued to drive core inflation. Food prices rose by slightly more than 14% MoM in April 2025 (Fig. 6.c). The main contributors to the elevated food price growth remained dairy products, coffee and tea, fish and seafood, confectionery, and catering.

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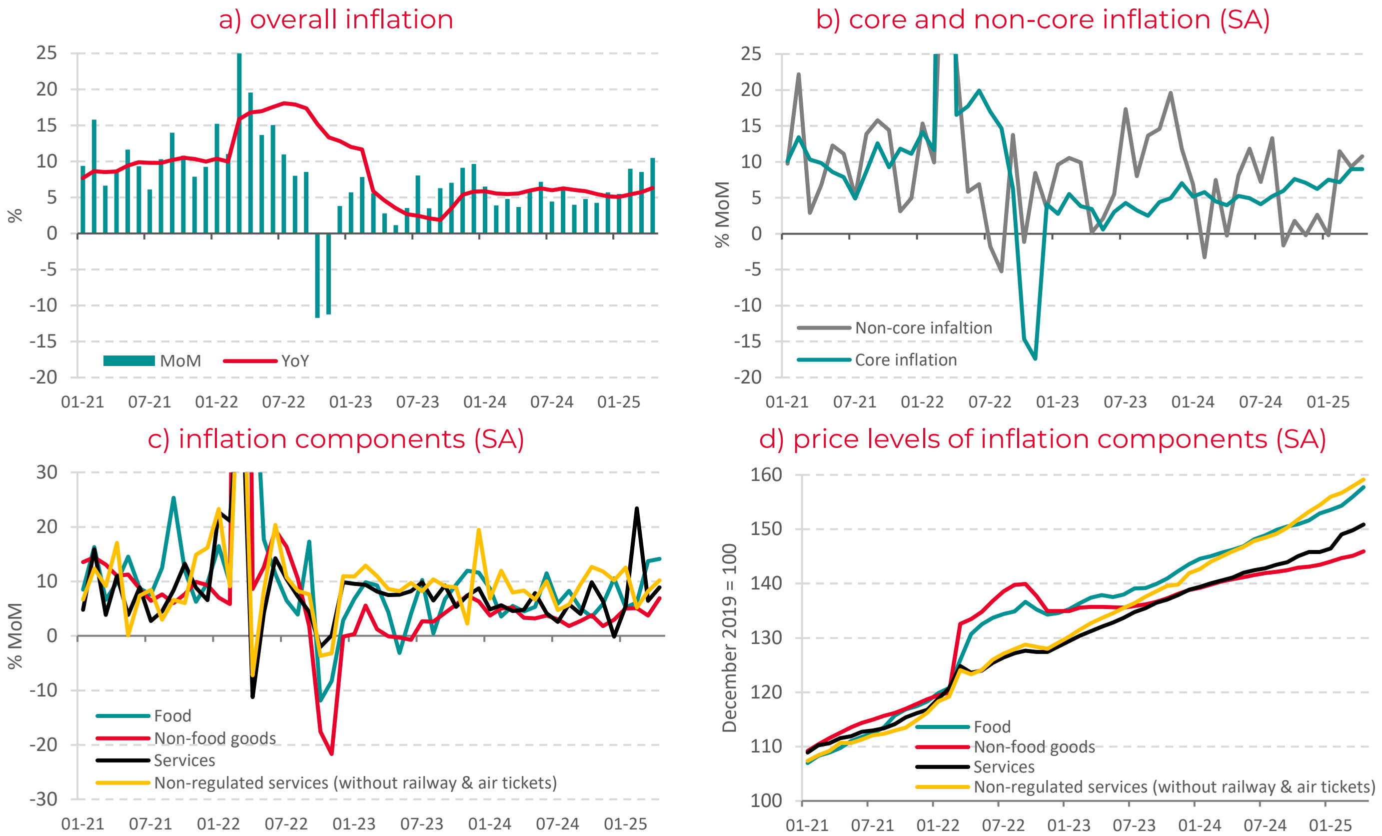
The high pace of food price increases is linked to cost pressures accumulated under price controls, as well as to the widening price gap between Belarus and Russia due to elevated inflation in Russia and the weakening of the Belarusian ruble against the Russian ruble.

Inflation in unregulated services is estimated to be slightly above 10% MoM in April 2025 (excluding highly volatile international rail and air transportation; Fig. 6.c). The persistently high price growth in this segment results from excess demand in the Belarusian economy and significantly increased labor costs. Non-food goods rose in price by nearly 7% MoM in April 2025; however, inflation acceleration in this segment is attributed to regulated fuel price hikes (Fig. 6.c). The accumulated price gap between unregulated services and non-food goods reached 9% in April 2025, indicating a substantial inflationary overhang in Belarus (Fig. 6.d).

Figure 6. Inflation dynamics in Belarus



Note: YoY (year-on-year) is a monthly growth rate versus the corresponding month of the previous year; MoM (month-on-month) is an annualized monthly growth rate (seasonally adjusted) versus the previous month. SA is a seasonally adjusted indicator. The dynamics updates once new data are published.

Non-core inflation rose to nearly 11% MoM in April 2025 (Fig. 6.b)

The increase in non-core inflation was largely driven by fuel price hikes, which led to regulated prices and tariffs rising to ≈10% MoM in April 2025. High inflation rates also persisted in the fruit and vegetable segment, mainly due to significant price increases for potatoes, cabbage, and cucumbers. Over the past few quarters, prices for potatoes and other vegetables in the Belarusian market have been significantly lower than in Russia due to administrative restraints on price growth in Belarus. This strong price disparity is a powerful pro-inflationary factor.

In the coming months, annual inflation is highly likely to move toward 7% YoY, and by the end of the current year it is expected to reach 7–9% YoY as a result of cost pressures in an overheated economy

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