

## Express Analysis

### Economic Activity and Inflation

July 2025

## The Belarusian economy slowed in Q2-2025

In the first half of 2025, GDP grew by 2.1% YoY, and in June separately – by  $\approx 0.3\%$  YoY (Fig. 1.a). The volume of GDP (seasonally adjusted) declined by  $\approx 1\%$  compared to May 2025 (Fig. 1.b). Weak output dynamics were observed across all major sectors of the economy in June.

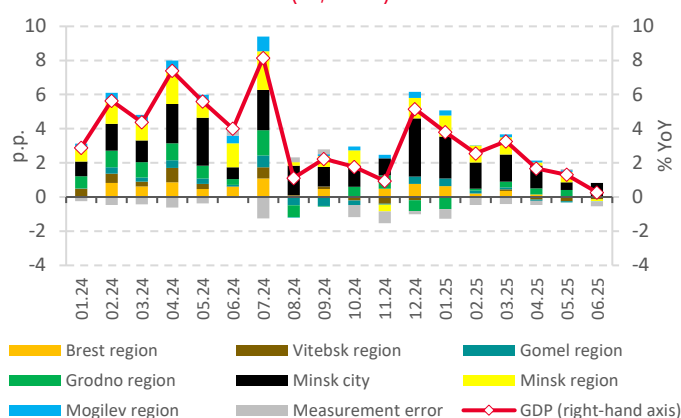
In Q2-2025 specifically, GDP grew by 1.1% YoY, following an increase of 3.2% YoY in January – March 2025. Adjusted for seasonal effects, quarterly GDP growth is estimated to be near zero (Fig. 2.b). Agriculture, industry, and trade all contributed comparably negative impacts to output growth (Fig. 2.b). Agricultural output was negatively affected by climatic conditions. The decline in industrial production and wholesale turnover is linked to weakening demand in the Russian market and low export volumes of petroleum products.

Domestic demand in Q2-2025 also did not show significant growth compared to the previous period. Nevertheless, the level of consumer activity remained elevated relative to the economy's production capacity. As a result, the scale of economic overheating remained substantial and is preliminarily estimated at around 3.4% of potential GDP in Q2-2025. In such conditions, inflationary pressure continued to intensify.

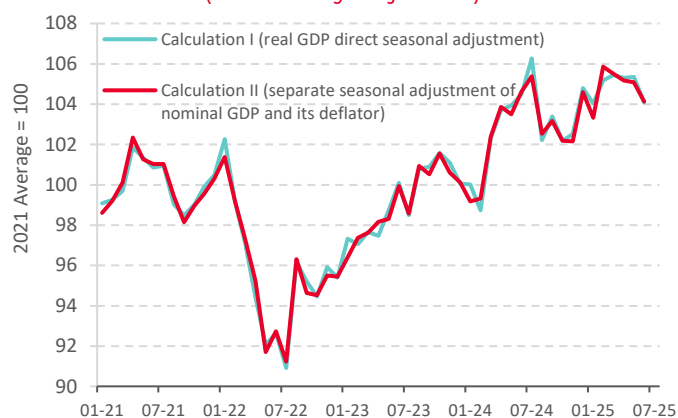
In July-August, GDP dynamics will be volatile due to shifts in agricultural activity. The accumulated GDP growth will decline to 1.5% YoY or slightly lower in July but is expected to recover later, ending the year around 2% YoY.

Figure 1. Dynamics of GDP based on monthly data

a) regional structure of GDP growth  
(%, 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.

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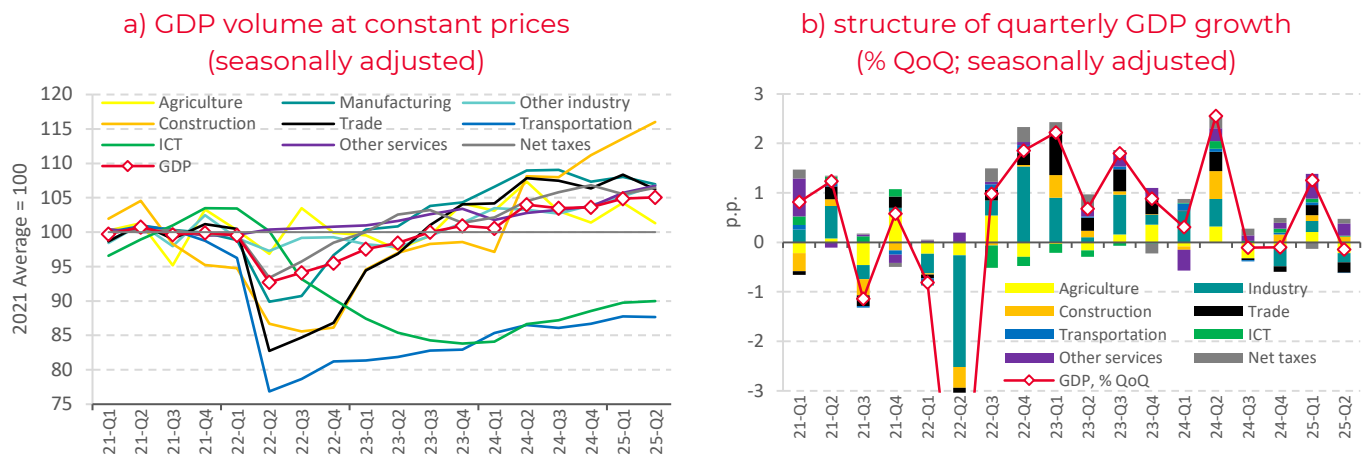
## Industrial output declined significantly in June compared to May when adjusted for seasonal effects (Fig. 3.a)

Regional dynamics suggest a likely decrease in the production of potash fertilizers and machinery in June. In the case of potash, intra-annual volatility may be a contributing factor, while the machinery sector is likely facing sales challenges in the Russian market due to weakening demand. Oil refining most likely showed a rebound in June, although it remained below last year's levels. The food sector appears to have plateaued at a high level of production. The weakening of the Belarusian ruble against the Russian ruble and strong domestic consumer demand supported food production. **Inventories continued to grow in June despite already reaching peak levels (Fig. 3.b).** Inventory growth was recorded across all regions and in Minsk, indicating increasing sales difficulties in key industrial sectors.

## Overall, in Q2-2025, the value added in industry declined by $\approx 0.6\%$ compared to Q1-2025 (seasonally adjusted)

In the manufacturing sector, seasonally adjusted value added decreased by  $\approx 1\%$  in Q2 versus Q1-2025 (Fig. 2.a), subtracting about 0.25 p.p. from quarterly GDP growth (Fig. 2.b). Manufacturing peaked in mid-2024, and since then output has slightly declined (Fig. 2.b). Resource constraints, particularly in labor, coupled with the end of the active growth phase in the Russian economy, have limited production dynamics. These factors are expected to persist throughout the remainder of the year, resulting in near-zero growth in manufacturing value added for 2025 overall. Additionally, the record-high inventory levels – the highest in more than a decade – pose a risk of production cuts in the event of further weakening in external demand.

Figure 2. Dynamics of GDP and value added in Belarusian sectors based on quarterly data

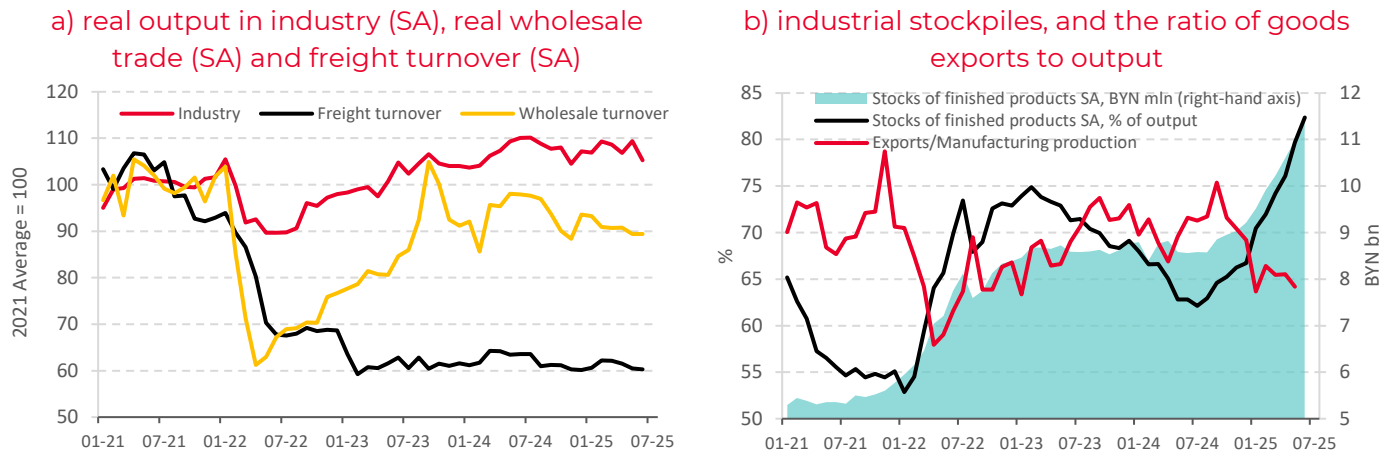


**Note:** The estimates update once the data are verified.

## Agricultural production declined by $\approx 8.1\%$ YoY in June 2025 due to harvest delays caused by weather conditions

Overall, in Q2-2025, the value added in the sector decreased by  $\approx 2.9\%$  compared to the previous quarter (seasonally adjusted). This subtracted about 0.2 p.p. from quarterly GDP growth (Fig. 2.b). In July, the output of agricultural products is likely to remain below last year's level, after which the gap may begin to narrow. However, the outlook for the total harvest of grains, vegetables, and fruits this season remains uncertain. There is a significant risk of a low gross yield, which could have pro-inflationary effects. If inflationary pressure from the agricultural sector materializes, responding with monetary policy measures may prove counterproductive. A more appropriate response would be to ease imports and temporarily limit exports, combined with subsidies for producers and support for the vulnerable population groups.

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



**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.

### Wholesale turnover showed near-zero dynamics in June (seasonally adjusted; Fig. 3.a)

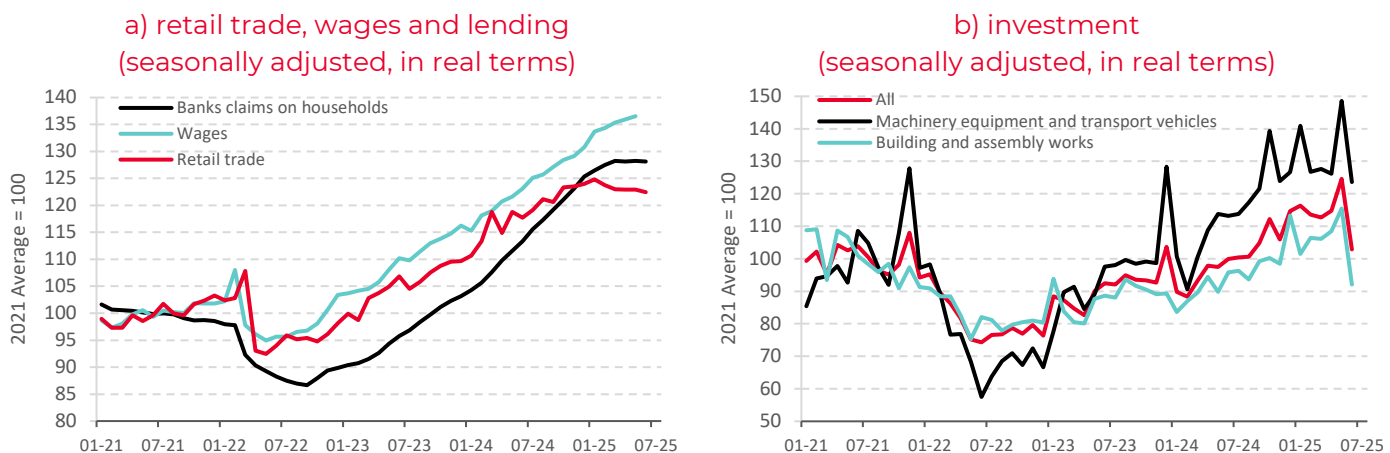
Overall, in Q2-2025, wholesale trade turnover declined significantly, contributing to a decrease of  $\approx 1.9\%$  in seasonally adjusted value added in the trade sector compared to January – March 2025 (Fig. 2.a). This dynamics reflects a reduction in the physical volume of Belarusian goods exports, including petroleum products. While a partial recovery in oil refining in the second half of the year cannot be ruled out, there are currently no clear prerequisites for a noticeable increase in trade turnover.

### Freight transportation continued to stagnate in June 2025 – freight turnover remained at around 60% of the 2021 average (Fig. 3.a)

Overall, in Q2-2025, the value added in the transport sector slightly declined compared to the previous quarter (seasonally adjusted; Fig. 2.a). The weakening in freight transport was offset by growth in passenger transportation amid sustained high consumer demand.

### The recovery pace in the information and communication sector slowed: the quarterly increase in seasonally adjusted value added amounted to $\approx 0.3\%$ in Q2-2025, down from $\approx 1.4\%$ in Q1-2025 (Fig. 2.a)

Figure 4. Retail trade and investment dynamics



**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.

## Consumer demand stagnated in Q2-2025, remaining elevated

Retail turnover in June and Q2-2025 overall declined by up to 1% compared to the respective previous periods (seasonally adjusted). The weakening of household credit dynamics was the main factor behind the decline in goods demand (Fig. 4.a). Amid falling real interest rates on household loans, the zero growth in the credit portfolio indicates the impact of National Bank directives on banks' lending supply.

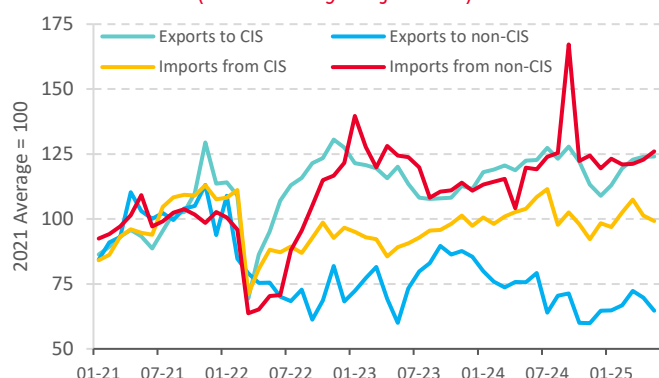
**Wages continued to grow in Q2-2025, but at a slower pace in real terms due to accelerating inflation** (Fig. 4.a). Against the backdrop of rising incomes and slowing lending, consumer demand likely partially shifted from goods to services. This is also indicated by the notable quarterly increase in catering turnover in Q2-2025, as well as growth in other services (excluding trade, transport, and information and communication) within GDP (Fig. 2.a). As a result, overall household consumer spending on goods and services in Q2-2025 remained elevated relative to production potential and exceeded the 2021 average by approximately 28% in real terms.

## Investments dropped sharply in June after a surge in May (Fig. 4.b)

Monthly investment estimates are highly volatile and noisy. Preliminary assessments of quarterly dynamics indicate weakening growth, likely hovering near zero compared to Q1-2025 (seasonally adjusted). At the same time, value added in construction increased by  $\approx 2.1\%$  in Q2-2025 compared to Q1-2025 (seasonally adjusted; Fig. 2.a), which may be related to an increase in the export of construction services. The level of investment relative to GDP in Q2-2025 remained close to that of 2019, which -other things being equal - is insufficient to ensure sustained economic growth above 2% annually over the long term.

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.

## The foreign trade deficit in goods is estimated at around \$470 million in June 2025 (seasonally adjusted; based on Belstat data)

The negative balance widened by  $\approx \$65$  million compared to April 2025 (Fig. 5.b). The value of goods imports remained nearly unchanged amid elevated domestic demand, while exports declined slightly. Deliveries of Belarusian goods to non-CIS countries decreased, likely reflecting lower production and sales volumes of petroleum products (Fig. 5.a). The value of exports to CIS countries in May remained at the April level after four consecutive months of growth. This likely signals that the effect of exchange rate revaluation – driven by the strengthening of the Russian ruble against the dollar – has begun to fade, while physical export volumes to the Russian market declined year-over-year due to weakening demand and intensified competition.

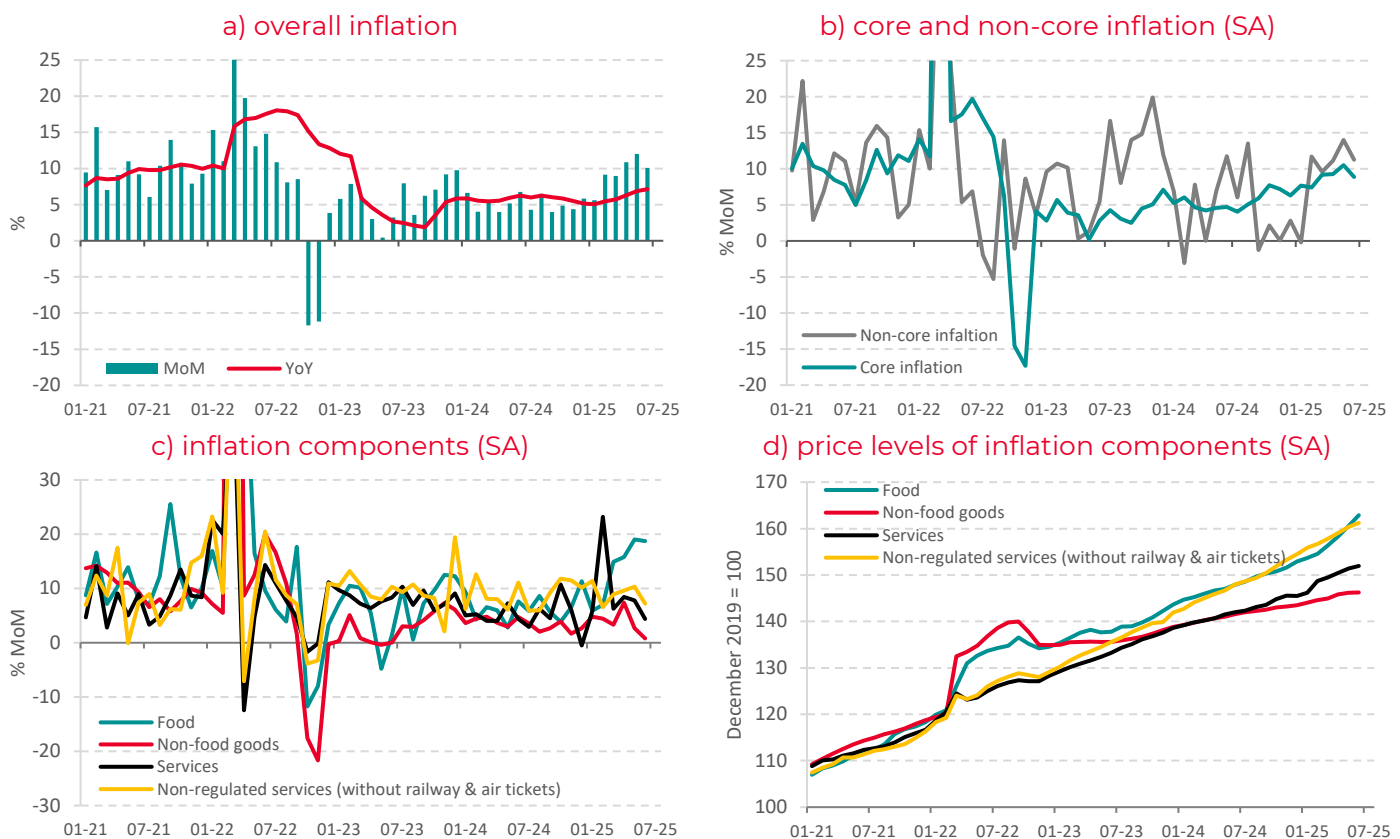
With continued accommodative domestic economic policy in Belarus and subdued business activity in Russia, merchandise trade is expected to remain moderately in deficit in 2025.

**Growth in service exports offset the goods trade deficit in Q2-2025, allowing the overall balance of trade in goods and services to return to near-zero levels relative to GDP** (preliminary estimates). However, the sustainability of this compensatory mechanism raises concerns amid uncertain external conditions and a loose domestic economic stance.

**Annual inflation rose to 7.3% YoY in June, while the annualized monthly price growth reached  $\approx 10\%$  MoM** (seasonally adjusted; hereafter – MoM; Fig. 6.a)

**Core inflation is estimated at around  $\approx 9\%$  MoM in June 2025** (Fig. 6.b). The main driver of price growth remained food, which increased by nearly  $\approx 19\%$  MoM in June (Fig. 6.c). Vegetables and fruits, which are excluded from the core consumer price index, once again made a significant contribution to food inflation. However, high growth rates were also recorded across most other categories – the median food inflation rate is estimated at  $\approx 9.5\%$  MoM in June. Prices for meat, fish and related products, milk and dairy products, coffee, sweets, and food services rose by more than 10% MoM. The tightening of price controls on meat, dairy, and confectionery products at the end of June may slow price growth in these categories. Nonetheless, increased costs amid strong domestic demand and the widening price disparity for these products between the Russian and Belarusian markets will continue to act as pro-inflationary factors.

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.

**Inflation in unregulated services is estimated slightly above 7% MoM in June 2025** (excluding highly volatile international rail and air transportation; Fig. 6.c). The slowdown compared to May was due to a decline in tourism prices. Tourism costs are volatile, and their decrease in June may have been influenced by the appreciation of the Belarusian ruble against the US dollar. At the same time, price growth for market-based household services – the most inflation-sensitive segment of unregulated services – remained high, at around 10% MoM. This indicates continued inflationary pressure from elevated consumer demand and rising labor costs. Inflation in non-food goods remained subdued – just under 1% MoM in June – under tight price controls on this category and the appreciation of the Belarusian ruble against the dollar and the yuan. The accumulated price gap between unregulated services and non-food goods exceeded 10% in June 2025 (Fig. 6.d).

**Non-core inflation is estimated at ≈11.3% MoM in June 2025** (Fig. 6.b)

The growth of regulated prices slowed to ≈3.5% MoM in June. Prices for fruits and vegetables rose by ≈85% MoM, driven by significant increases in the prices of cucumbers, apples, and pears (seasonally adjusted). In the case of cucumbers, weather conditions likely caused a delay in the arrival of the new harvest. Therefore, a sharper-than-seasonal price decline for cucumbers in July cannot be ruled out. For apples and pears, the substantial price increase in June may also have been affected by climatic factors, but a poor harvest this year cannot be ruled out, which could result in sustained high prices over an extended period.

**In July–August, annual inflation is expected to remain around 7.5–8% YoY, and in the autumn it may enter the 8–9% YoY range unless price controls are significantly tightened**