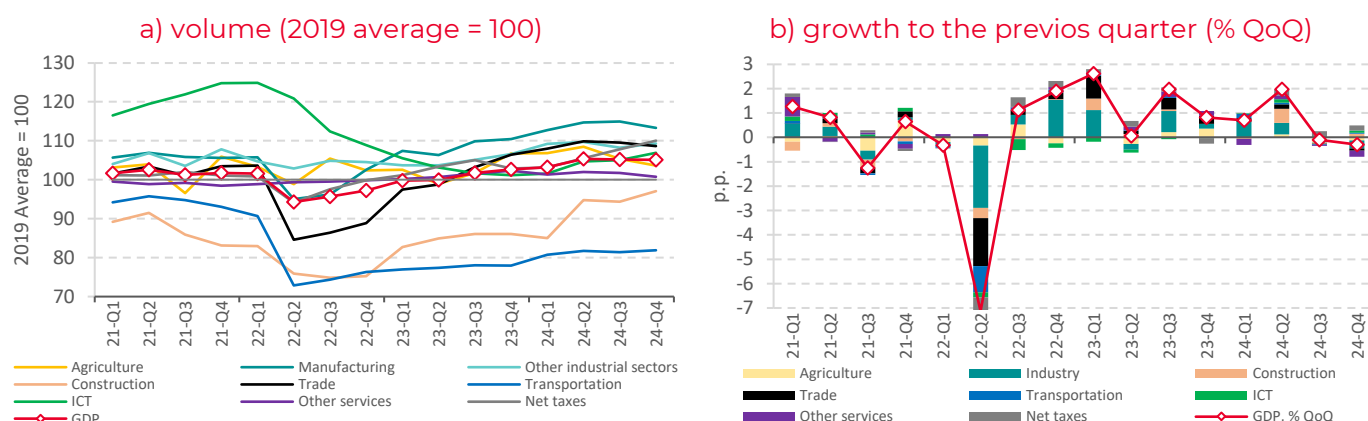


The Belarusian economy ended 2024 with significant but unsustainable growth in output

Belarus's GDP grew by almost 4% in 2024, and in December it increased by $\approx 4.7\%$ YoY (Fig. 2.a). Seasonally adjusted GDP volume in December added $\approx 2\%$ compared to November (Fig. 1.b), driven by industrial production growth and strengthened consumer demand. Despite the recovery in output at the end of the year, its momentum weakened in the second half of 2024. Annual GDP growth slowed from 3.8% YoY in Q3 to 2.4% YoY in Q4-2024, while quarterly dynamics showed no growth in the second half of the year (Fig. 1.b). This was caused by export stagnation amid increased competition in Russia, full utilization of industrial capacities, and the impact of several shocks. At the same time, domestic demand continued to expand (particularly in the consumer segment) in an environment of increased budget spending and credit activity.

The economy enters 2025 in an overheated state, with GDP volume preliminarily estimated to be $\approx 2.4\%$ above the sustainable level in Q4-2024. Excessive stimulation of consumer demand yielded low returns in terms of output growth, contributed to a widening foreign trade deficit, drove a rapid rise in the cost of unregulated services, and posed risks of increasing macroeconomic imbalances. In the baseline scenario, GDP growth is expected to slow to 1.5–2% in 2025.

Figure 1. Quarterly dynamics of Belarus' GDP (at constant prices; seasonally adjusted)



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

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

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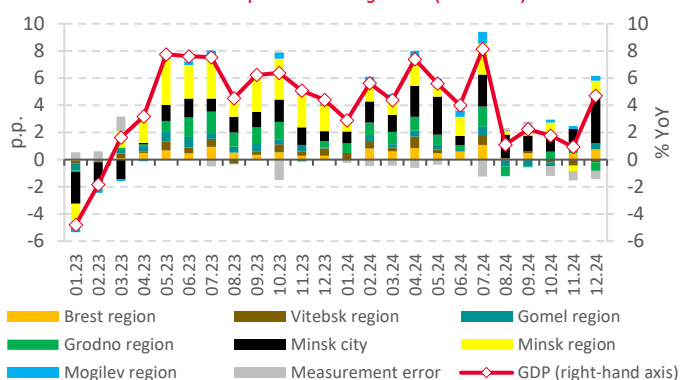
Industrial output (seasonally adjusted) grew nearly 5% MoM in December, recovering to levels seen in August 2024 (Fig. 3.a)

Manufacturing in the Vitebsk and Gomel regions partially recovered, potentially indicating improvements in oil refining. However, the primary driver of industrial growth in December was the substantial increase in output in the Brest region. This may be linked to higher-than-usual seasonal production of consumer goods for export to Russia ahead of extended holidays. Strong domestic consumer demand also stimulated production. Notably, industrial growth in December was accompanied by an increase in inventory levels (Fig. 3.b).

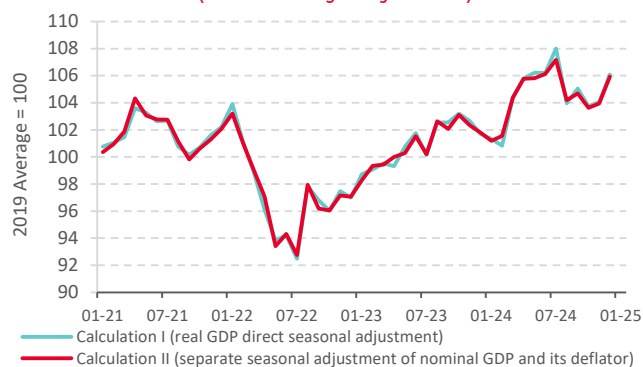
Despite the recovery in December, **overall industrial output declined in Q4-2024**: value-added dropped by $\approx 1.1\%$ compared to Q3-2024 (seasonally adjusted), with a $\approx 1.4\%$ decline in manufacturing sector (Fig. 1.a). Compared to the average pre-crisis level of 2021, industrial output in Q4-2024 grew by $\approx 6.4\%$, and by $\approx 6.9\%$ in manufacturing (Fig. 1.a). However, labor shortages and fully utilized production capacities constrain the ability to quickly expand output. If competition in the Russian market remains high this year and demand weakens under tight monetary conditions, Belarusian manufacturers may struggle to sustain the growth rates achieved by the end of 2024, leading to a slowdown. Nevertheless, industrial production will be supported by strong domestic demand, which is likely to persist in a context of non-restrictive economic policies.

Figure 2. Monthly GDP dynamics

a) month compared to the corresponding month of the previous year (% YoY)



b) GDP volume at constant prices (seasonally adjusted)



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

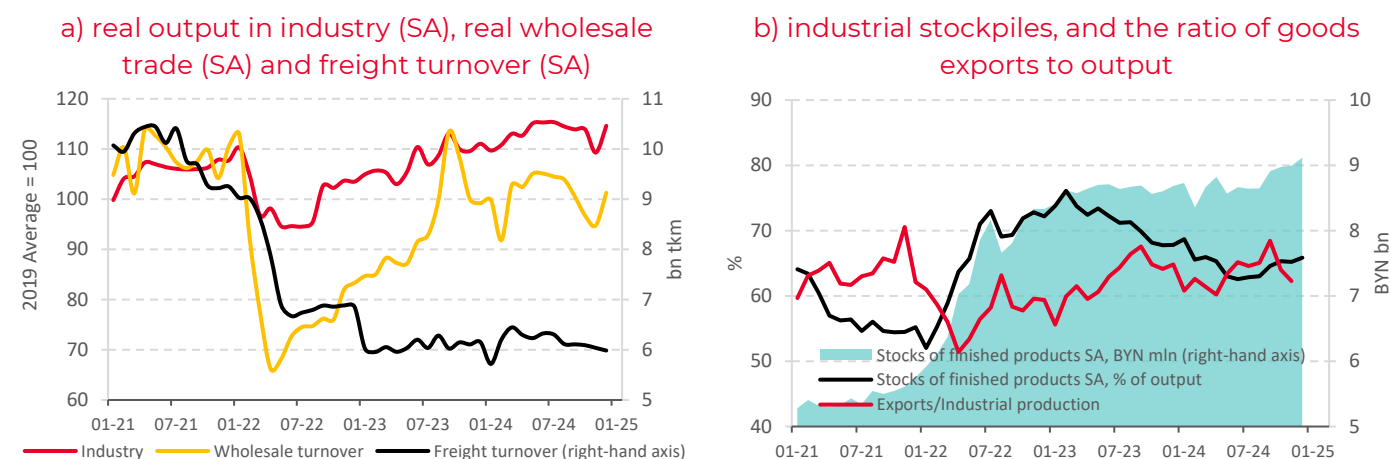
Wholesale trade surged in December amid industrial growth, but overall declined in Q4-2024 due to weakening exports

The recovery in wholesale trade during December did not offset the declines seen in previous months (Fig. 3.a). As a result, despite the significant expansion in retail turnover, seasonally adjusted value-added in trade fell by $\approx 0.9\%$ in Q4 compared to Q3-2024 (Fig. 1.a). This dynamics aligns with the weakening of exports in the second half of the year, both to Russia and to non-CIS countries (Fig. 5.a).

The transportation sector remained on a stagnation trajectory at the end of 2024

Freight turnover in December 2024 declined by $\approx 0.9\%$ compared to November 2024 (seasonally adjusted) and lagged nearly 40% behind the average level of 2021 (Fig. 3.a). Despite an increase in passenger transportation, the overall transport sector demonstrated weak growth in Q4 compared to Q3-2024. However, its value-added remained more than 13% below the average level of 2021 (Fig. 1.a).

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.

The ICT sector continued its modest recovery in Q4-2024

Value-added in the information and communication sector increased by $\approx 1.8\%$ in Q4-2024 compared to the previous quarter (seasonally adjusted), contributing ≈ 0.1 p.p. to quarterly GDP growth (Fig. 1.b). Although the sector showed slow recovery, the volume of services it provided remained more than 11% below the average level of 2021 (Fig. 1.a).

Consumer demand expanded at an accelerated pace at the end of last year

Retail trade turnover (seasonally adjusted) increased by $\approx 2.1\%$ in December compared to November in real terms (Fig. 4.a). The dynamics of goods consumption strengthened in November-December amid heightened volatility in Belarusian ruble exchange rates. Simultaneously, a significant decline in household foreign currency purchases (seasonally adjusted) was observed in Q4-2024. It is likely that households, responding to the ruble's depreciation against the dollar, spent more of their own and borrowed resources on goods purchases: real wages and household credit volumes maintained high growth rates (Fig. 4.a). **Overall, household consumer spending on goods and services in Q4-2024 may have exceeded the 2021 average level in real terms by more than 23%.** Consumer demand at the end of last year was overheated and is expected to remain excessive in the near term. Its growth may slow during the year due to increasing interest rates and the anticipated deceleration of real wage growth from $\approx 13\%$ in 2024 to $\approx 5\%$ in 2025.

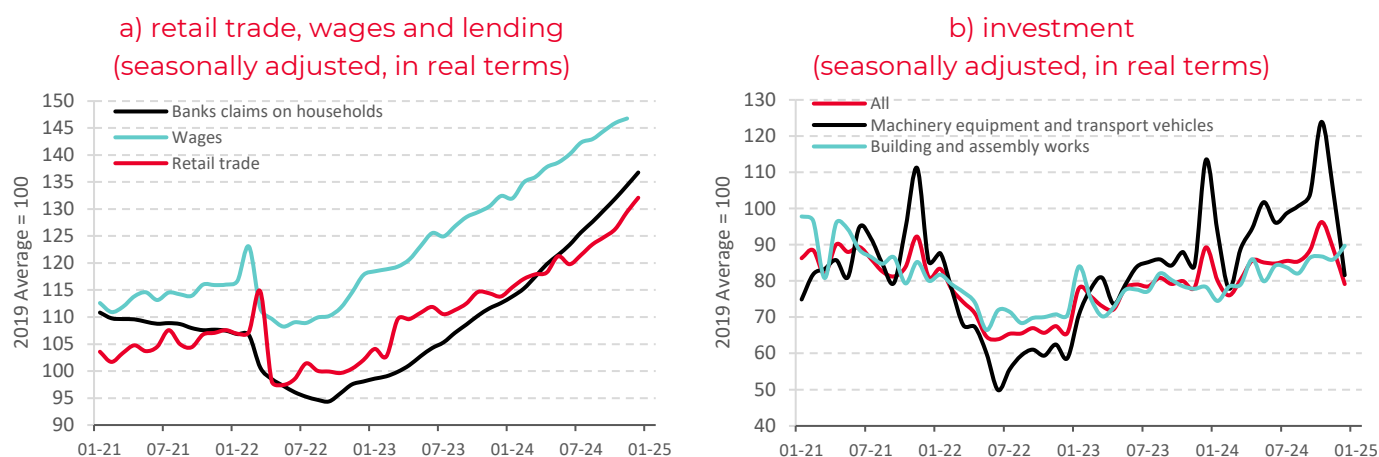
Belstat data indicates a sharp decline in investments in December compared to November (seasonally adjusted), but significant upward revisions are likely

Statistical data suggest a substantial drop in investments in machinery, equipment, and vehicles (Fig. 4.b). However, it is highly probable that these figures will be substantially revised upward, as the reported estimates contrast with industrial and GDP dynamics. Construction activity (seasonally adjusted) increased in December (Fig. 4.b).

Despite contradictory investment dynamics at the end of last year, **overall seasonally adjusted investment volumes in Q4-2024 increased compared to Q3-2024.** This includes a $\approx 2.9\%$ rise in construction value-added (Fig. 1.a), contributing ≈ 0.2 p.p. to quarterly GDP growth. Relative to GDP, capital investments recovered to levels seen in the first half of 2021 but remained significantly below 2019 levels.

Investment activity last year contributed to the adjustment of production capacity to the significantly increased aggregate demand. However, its scale appears insufficient to quickly bring the economy out of overheating and to ensure sustainable growth in GDP potential.

Figure 4. Retail trade and investment dynamics

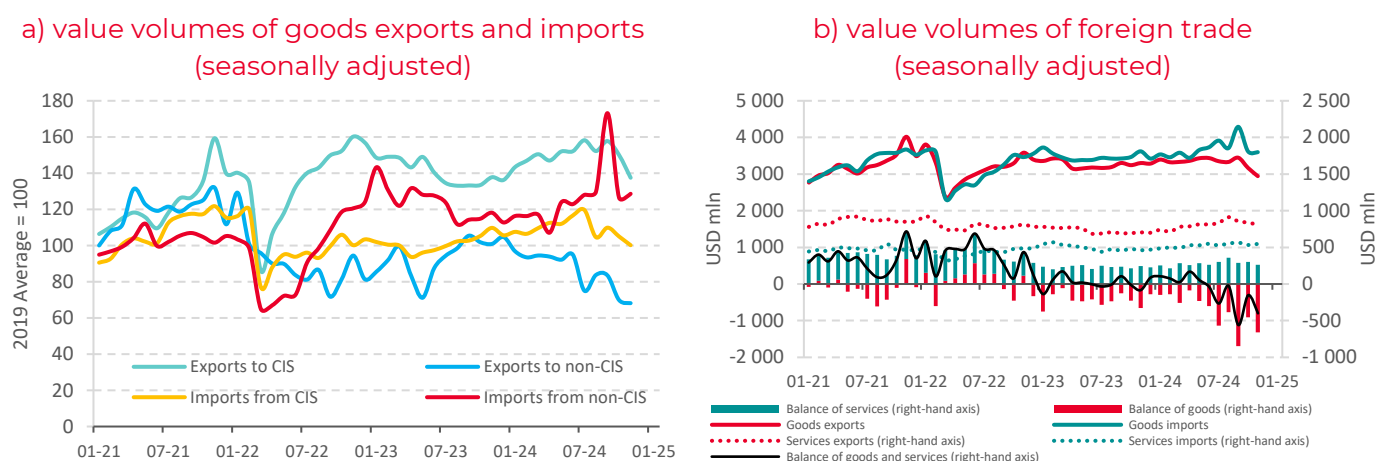


Note: Real retail trade volume is calculated by deflating nominal volume by the Consumer Price Index for goods. Real wage has been calculated by deflating the nominal wage by the Composite Consumer Price Index. Real investment indicators have been calculated by deflating nominal investment by construction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

The deficit in foreign trade of goods and services expanded to approximately \$0.4 billion in November 2024 (seasonally adjusted; Fig. 5.b)

The trade in goods recorded a deficit of ≈\$0.66 billion in November (seasonally adjusted). Goods exports declined significantly by more than \$0.2 billion compared to October (seasonally adjusted), with nearly 90% of this reduction attributable to a decrease in export volumes to CIS countries (Fig. 5.a). This can be partly explained by the revaluation of dollar equivalent of exports to Russia following the depreciation of the Russian ruble against the dollar. However, in the second half of the year, exports to CIS countries (predominantly Russia) stagnated or even decreased amid increased competition in the Russian market and full capacity utilization in Belarusian industry. Goods imports in November remained elevated, with imports from CIS countries showing a much smaller reduction in dollar terms compared to the decline in exports to CIS countries (Fig. 5.a). Overheated consumer demand is the main factor supporting high levels of imports.

Figure 5. Dynamics of foreign trade indicators



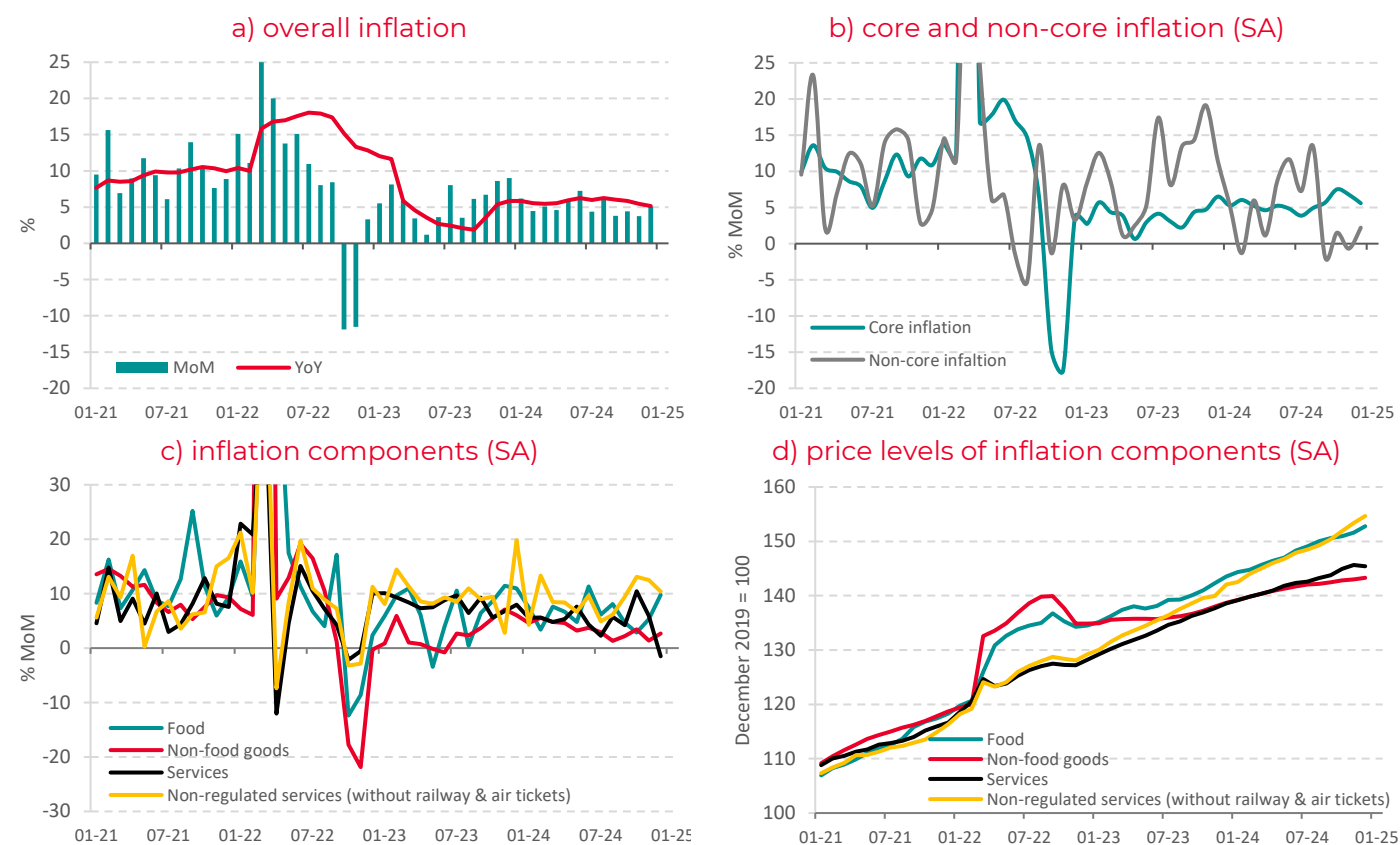
Note: The indicator dynamics updates once new data are published.

The surplus in foreign trade in services amounted to ≈\$0.26 billion in November (seasonally adjusted), **partially offsetting the deficit in the goods trade segment.** The positive balance of trade in services narrowed compared to July – October due to a decline in exports and persistently high import volumes (Fig. 5.b). This aligns with the restrained pace of recovery in the ICT sector and significant logistical costs in a sanctions-constrained environment. The state of foreign trade in goods and services lays the groundwork for moderate depreciation of the Belarusian ruble against the basket of currencies in 2025.

Inflation remained restrained in December 2024: the YoY rate decreased from 5.5% YoY in November to 5.2% YoY in December, while the annualized monthly price growth was estimated at around 4.5–5% MoM (seasonally adjusted; hereafter MoM; Fig. 6.a)

The weak dynamics of administratively regulated prices and tariffs – less than 1.5% MoM in December – continued to suppress inflation. Over the course of the past year, regulated prices rose by 4.4% YoY, marking the lowest annual growth rate in the 21st century. This conservative approach by authorities to raising regulated prices amid high cost increases in the economy (particularly in labor costs) suggests a potential "artificial" constraint to achieve the inflation target. The cost of fruit and vegetable products increased by nearly 8% MoM in December following three months of decline caused by stricter price controls on certain fruits and vegetables. As a result, non-core inflation increased overall in December, though its pace remained exceptionally low at slightly above 2% MoM (Fig. 6.b).

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.

Core inflation was estimated at approximately 5.6% MoM in December 2024 (Fig. 6.b)

This is a relatively low level given the prevailing economic conditions, characterized by overheated consumer demand and significant labor cost increases. Non-food goods continued to show modest price increases due to strict price controls (Fig. 6.c). Additionally, the strengthening of the Belarusian ruble against the Russian ruble in the second half of the year may have contributed to the reduced costs of footwear, detergents, and household chemicals in November-December. Price dynamics for food products (excluding regulated items and fruits and vegetables) also remained subdued at the end of the year. Exceptions with higher price growth in November-December included fish and seafood (possibly due to the weakening of the ruble against the dollar and euro), oils and fats, coffee, and confectionery products, driven by strong price increases on global markets (for confectionery, cocoa prices were a key factor), as well as catering in an environment of high consumer demand.

Inflation in non-regulated services remained exceptionally high – around 10% MoM in December – amid heightened consumer demand and above-equilibrium wage growth (Fig. 6.c). The median price increase in this group of services is estimated at $\approx 10.7\%$ MoM in December, with the "heaviest" category of market household services rising by more than 17% MoM. The price level for non-regulated services exceeded the price level for non-food goods by almost 8%, highlighting the significant inflationary overhang in the economy (Fig. 6.d).

Inflation is expected to remain within 5.5% YoY at the start of 2025, but it could accelerate to 6–8% YoY during the year if the authorities gradually relax price controls