

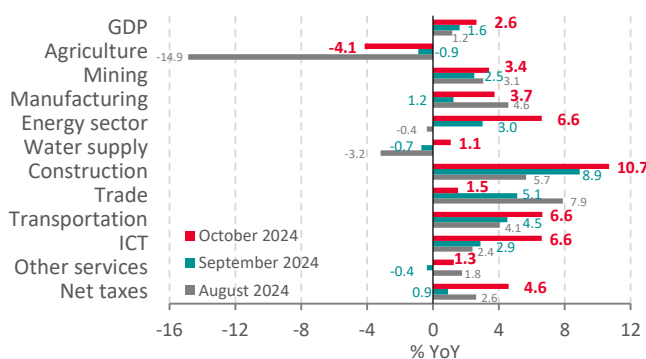
## Economic Activity in Belarus Remained High in Early Q4-2024, but Did Not Show Growth

For the first ten months of 2024, GDP grew by 4.2% YoY, and in October, it increased by ≈2.6% YoY (Fig. 1.a). GDP volume (seasonally adjusted) in October decreased by ≈0.5% compared to September (Fig. 1.b). Weak performance in agriculture and a decline in wholesale trade (likely reflecting restrained export dynamics) led to a reduction in output. Meanwhile, increased consumer demand driven by rising wages and household lending, as well as recovery processes in the ICT sector, supported economic activity. By the end of the year, the cumulative GDP growth is expected to remain close to its current level, with real GDP volume in Q4-2024 projected to be about 3% above its balanced level.

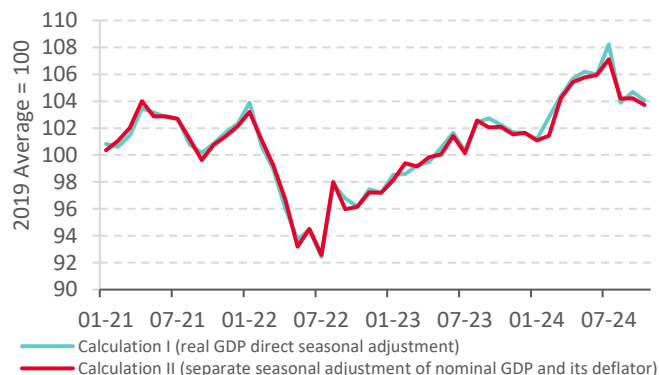
Amid excess demand, inflationary pressure remained high, particularly evident in significant price increases for non-regulated services. Price controls suppressed inflationary impulses in the goods sector, while the government was reluctant to raise regulated prices. By year-end, inflation is forecasted to range between 5.5% and 6% YoY. The decision made in November by the Ministry of Antimonopoly Regulation and Trade to limit price growth in November-December carries the risk of lower inflation by the end of the year if this decision is implemented in practice.

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, and they should be treated with caution.

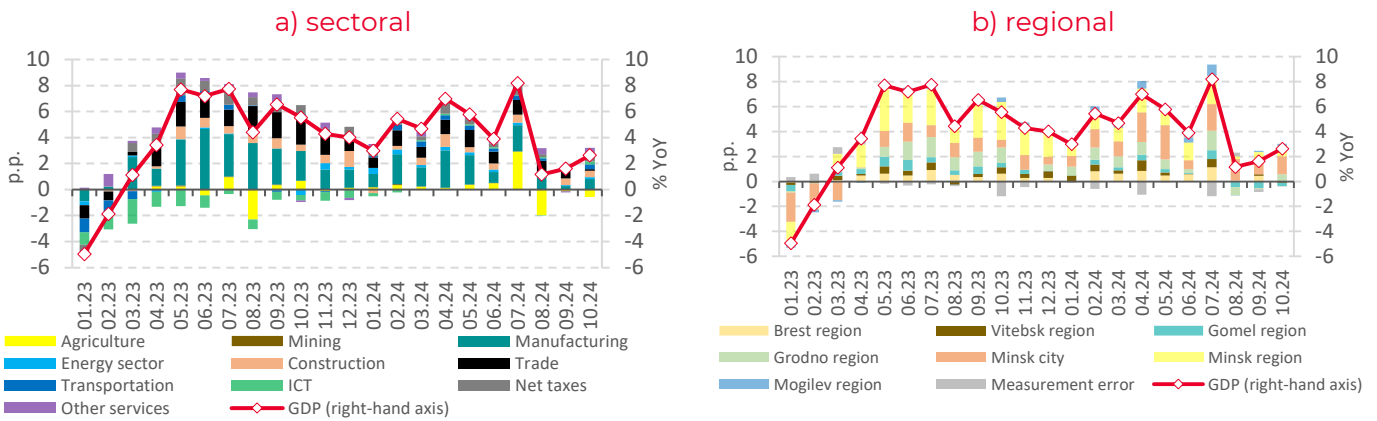
This Express Analysis is an operational analysis of the status of the most important macroeconomic indicators of Belarus.

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**Agricultural value added decreased by  $\approx 4.1\%$  YoY in October 2024, reducing annual GDP growth by  $\approx 0.6$  p.p. (Fig. 2.a)**

The production dynamics in livestock farming weakened, primarily due to declines in egg and meat production (Fig. 3.b). In the case of meat, this may be influenced by the epizootic situation, as indicated by a reduction in the pig population by  $\approx 9\%$  over the past three months, including a 3.2% decrease in October alone. In crop production, concerns arise from a poor potato harvest, which as of November 1 was 35% lower than last year (Fig. 3.a). This, combined with lower vegetable yields (down 9.5%) and grain output (Fig. 3.a), as well as the impact of price controls (which reduce incentives for production and sales in the domestic market), creates risks for the balance between supply and demand for certain agricultural products in 2025.

Figure 2. Structure of YoY GDP growth in Belarus

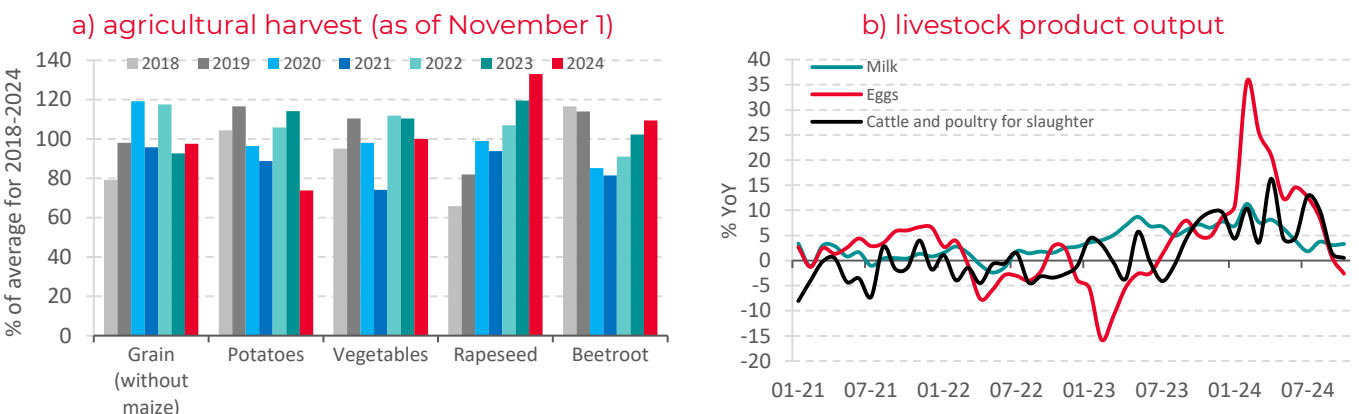


**Note:** The estimates update once the data are verified. The energy sector includes the water supply subsector.

**Industrial value added increased by  $\approx 4\%$  YoY in October 2024, contributing  $\approx 1$  p.p. to annual GDP growth (Fig. 2.a)**

Industrial output (seasonally adjusted) remained near September level, following a sideways trajectory (Fig. 4.a). Regional dynamics point to challenges in oil refining and a likely decrease in output of petroleum products (Fig. 2.b). Across other manufacturing industries, there was possibly a slight increase in output in October, within the bounds of typical monthly volatility. Overall, the industrial sector remained – and will continue to remain – affected by resource constraints, such as labor shortages, logistical challenges, and limited access to advanced technologies. These factors hinder the potential for rapid growth even in the face of strong demand.

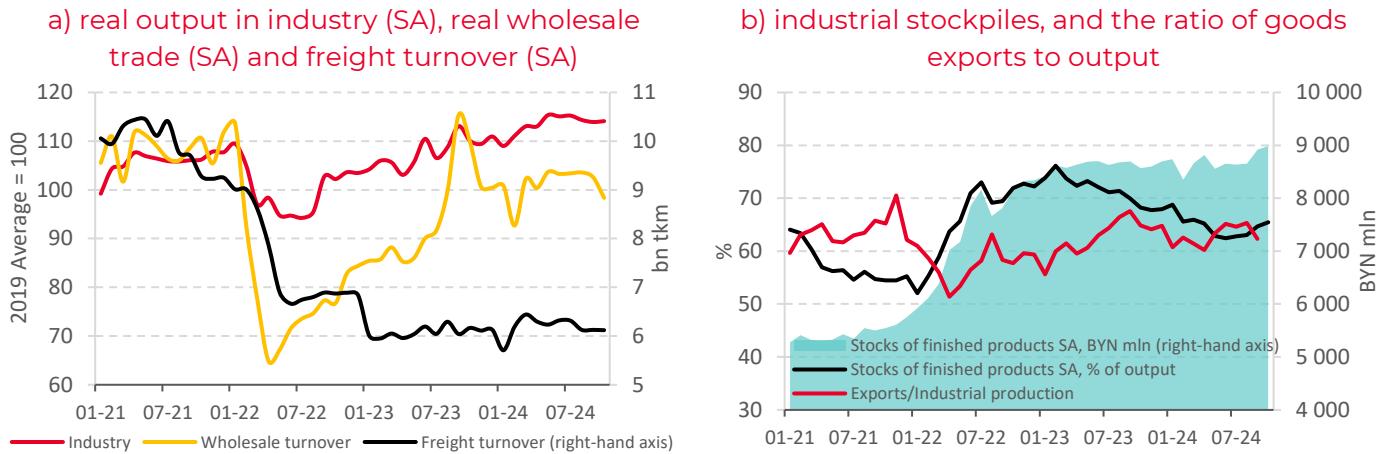
Figure 3. Agricultural indicators (in agricultural organizations)



**Weakness in oil refining likely caused a sharp decline in wholesale trade turnover in October (Fig. 4.a)**

The decline in wholesale trade led to a slowdown in the growth of trade value added, from  $\approx 5.1\%$  YoY in September to  $\approx 1.5\%$  in October (Fig. 1.a). As a result, the sector’s contribution to annual GDP growth decreased to 0.1 p.p. (Fig. 2.a). The performance of wholesale trade, combined with rising industrial inventory levels (Fig. 4.b), indicates restrained export dynamics for Belarusian goods in October. Nevertheless, the physical volume of exports remained high, supported by the expansion of shipments to Russia from 2022 through the first half of 2024.

Figure 4. Dynamics of industrial output, wholesale trade and transport freight turnover



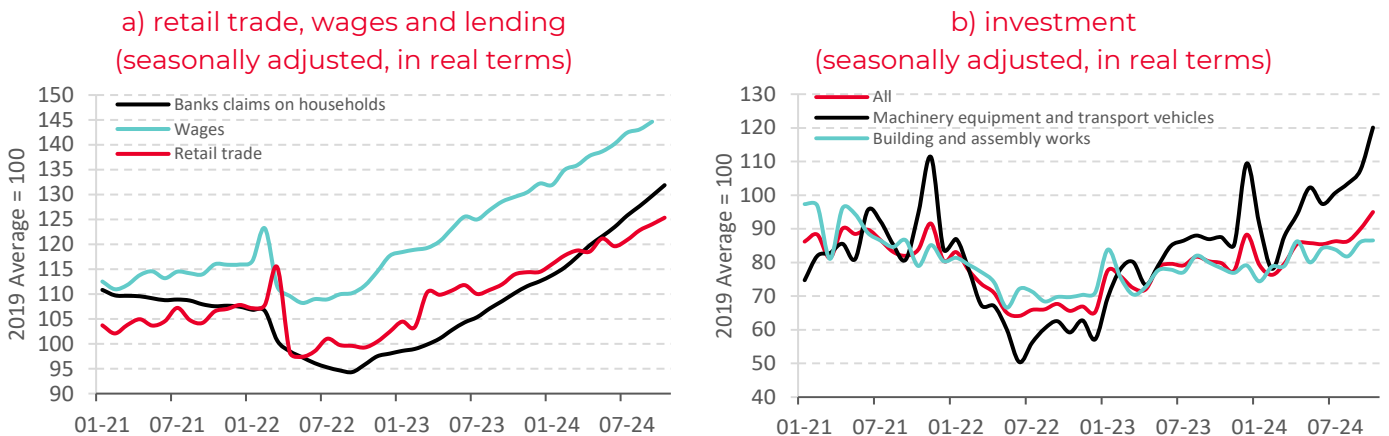
**Note:** SA is a seasonally adjusted indicator. The real volume of wholesale trade has been calculated by deflating the nominal volume by the wholesale trade price index. The real industrial output volume has been calculated based on the Belstat’s Industrial Output Index in 2015 prices. The dynamics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

**Transportation value added increased by  $\approx 6.6\%$  YoY in October 2024, contributing  $\approx 0.4$  p.p. to annual GDP growth (Fig. 2.a)**

The growth in the transport sector was entirely driven by an increase in passenger transportation, supported by heightened consumer activity and domestic tourism. Freight turnover, however, remained stagnant near multi-year lows (Fig. 4.a).

**Value added growth in the ICT sector accelerated from  $\approx 2.9\%$  YoY in September to  $\approx 6.6\%$  YoY in October 2024 (Fig. 1.a), contributing  $\approx 0.2$  p.p. to annual GDP growth (Fig. 2.a)**

Figure 5. 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.

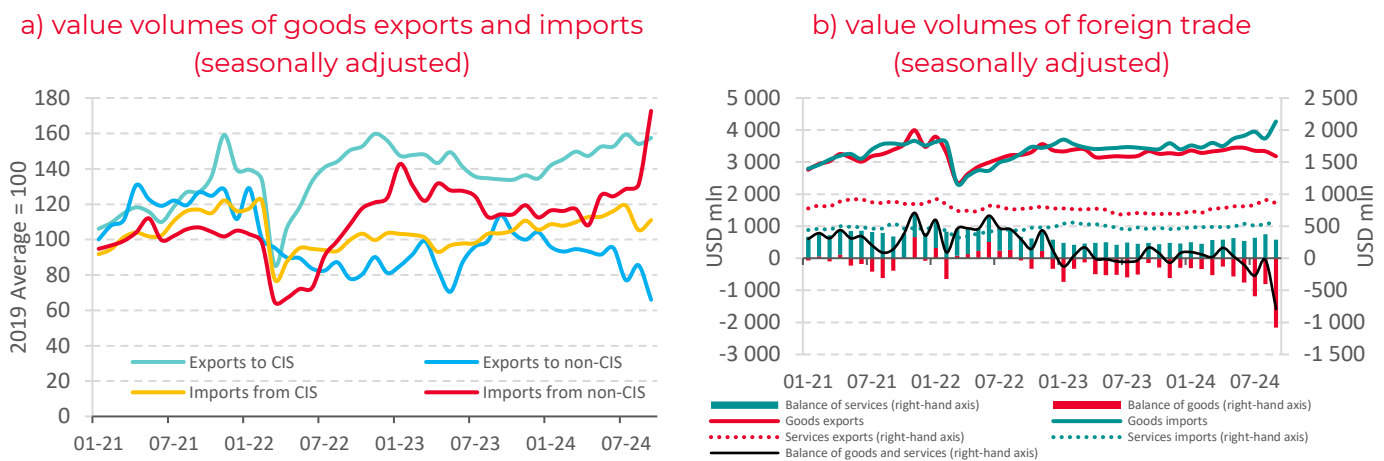
**Consumer demand continued to grow at a high rate in October**

Retail trade turnover (seasonally adjusted) increased by ≈1% in real terms compared to September (Fig. 5.a). This represents an over 19% increase above the average level of 2021. Consumers boosted their spending amid rapid wage growth (Fig. 5.a), robust lending activity, and record-high consumer confidence levels. Consumer activity is expected to remain elevated in the near term. This outlook is supported by ongoing labor shortages, the lack of significant increases in average loan interest rates (reflecting the high availability of installment plans), the National Bank's reluctance to implement tighter monetary policy, and its increasing purchases of government bonds (+Br443 million in October). The latter indicates the authorities' intention to maintain substantial budget expenditures in the near future, which will continue to fuel overheating in domestic demand.

**Investments increased by over 5% in October compared to September (seasonally adjusted), likely driven by temporary factors**

The significant growth in investments was primarily due to a surge in spending on machinery, equipment, and vehicles, which increased by almost 12% in October compared to September (seasonally adjusted, Fig. 5.b). This spike may reflect the statistical impact of a September surge in goods imports (Fig. 6.a), which occurred just before the EU sanctions adopted in June became fully effective. Consequently, a potential correction in investments in productive fixed assets cannot be ruled out in the coming months. Meanwhile, construction activity (seasonally adjusted) in October remained close to the previous month's level (Fig. 5.b).

Figure 6. Dynamics of foreign trade indicators



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

**Foreign trade deficit in goods and services (seasonally adjusted) temporarily widened to ≈\$0.8 billion in September, but a notable improvement is expected in the coming months**

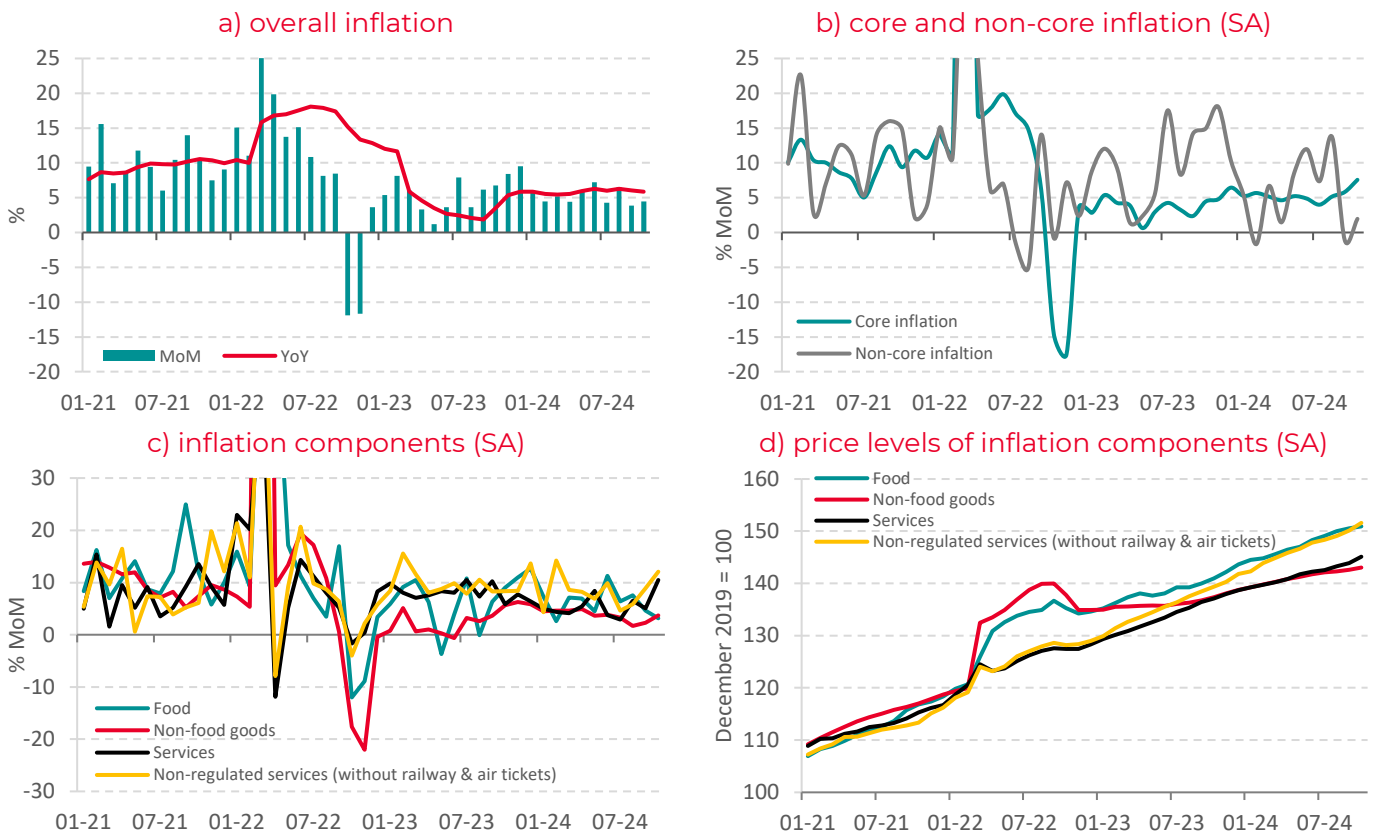
In September, imports of goods from non-CIS countries surged by over \$0.5 billion compared to August 2024 (seasonally adjusted, Fig. 6.a). This was likely driven by increased deliveries of automobiles ahead of Russia's hike in recycling fees on October 1, as well as imports of certain industrial goods in anticipation of the EU's sanctions on Belarus, which took effect in October. Amid the spike in goods imports, service imports also rose in September (Fig. 6.b). These import-driving factors are temporary, suggesting a decline in imports in the coming months. After the adjustment, the volume of imports will align with macroeconomic conditions characterized by excess domestic demand, implying significant (though not extraordinarily high, as in September) goods deliveries to Belarus.

Exports of goods decreased by approximately \$0.15 billion in September compared to August 2024 (seasonally adjusted, Fig. 6.b). Shipments to non-CIS countries declined (Fig. 6.a), likely due to ongoing challenges in oil refining during early autumn. Exports to CIS countries, primarily Russia, remained high (Fig. 6.a), though they followed a sideways trajectory due to production constraints in Belarusian industry. Record capacity utilization and the anticipated slowdown in demand growth in Russia will limit prospects for export expansion. The baseline scenario projects a trade deficit in goods and services within 1% of GDP for 2024 and 0–2% of GDP for 2025.

**Inflation increased in October due to rising prices for non-regulated services**

Annual inflation remained close to the previous month's level at 5.9% YoY. However, the annualized monthly growth in prices (seasonally adjusted) is estimated at ≈4.5–5.1% in October (month-over-month, MoM), compared to ≈4% MoM in September (Fig. 7.a).

Figure 7. 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.

**The rise in monthly price growth is attributed to an increase in core inflation from ≈5.8% MoM in September to ≈7.6% MoM in October – the highest level since the introduction of the new price regulation system in October 2022 (Fig. 7.b).** This was primarily due to a sharp acceleration in prices for non-regulated services, which rose by ≈14% MoM in October, or ≈12% MoM when excluding the volatile categories of international rail and air transportation (Fig. 7.c). The cost of market-based household services, a significant component of non-regulated services, grew by more than 20% MoM in October, driving their average monthly price increase above 11% MoM for 2024. This substantial rise in non-regulated service prices reflects significant increases in labor costs and overheated consumer demand. Meanwhile, inflation in the goods segment remained contained due to the effects of price controls (Fig. 7.c).

Non-core Inflation remained low in October, limiting the rise in the overall consumer price index. Prices for fruits and vegetables showed near-zero dynamics (with seasonality adjusted) after a strong rise in prices in the summer months. And authorities were highly reluctant to raise regulated prices, aiming to keep inflation within the 6% target for the year.

**For the remainder of 2024, annual inflation is expected to remain within the 5.5–6% YoY range**

The decision made in November by the Ministry of Antimonopoly Regulation and Trade to limit price growth in November-December carries the risk of lower inflation by the end of the year if this decision is implemented in practice. In 2025, inflation is projected to rise to 6–8% YoY as accumulated cost pressures begin to filter into prices. Risks to inflation in 2025 include the poor potato harvest and not high grain (excluding corn) and vegetable yields, which could accelerate price growth for vegetables and other food products, causing high price volatility throughout the year.