

## Belarus' economy remained overheated in Q3-2024, but expansion peak may have been passed

### Current situation

**Belarus' GDP grew by  $\approx 3.6\%$  in Q3-2024 compared to Q3-2023, following a 5.5% YoY increase in the previous quarter.** Although growth dynamics slowed, economic activity level remained exceptionally high, with GDP volume exceeding the [balanced level](#) by about 3.2%.

**High consumer demand continued to be the main factor supporting GDP.** Household consumption in Q3-2024 was nearly 19% above the average pre-war level of 2021. Consumption was still stimulated by rapid wage growth and consumer lending, significant budgetary spending, and household optimism. The [consumer confidence index](#) (according to Eurostat methodology) reached 0.4% in November 2024 (up from 0% in July 2024), marking a new high since December 2021.

**External demand, especially from Russia, began to show signs of weakening in Q3-2024, although its volume remained high.** The balance of trade in goods and services is currently showing a deficit of about 1% of GDP for the year. High import volumes increase the risk of a widening deficit. Strong exports driven by robust demand from Russia largely offset this risk to date, but export growth momentum weakened in Q3-2024.

**Producers continued to adjust to high demand through moderate increases in investments.** Investments grew in Q3-2024 but at a much slower rate compared to the previous quarter, and their volume relative to GDP has not yet returned to pre-war levels. Constraints on quickly expanding production potential were significant, including labor and capacity shortages, complex logistics, and financing mechanisms.

**Economic conditions created an environment for rising costs and increased inflationary pressure.** Nonetheless, inflation slowed from 6% QoQ in Q2-2024 to 4.9% QoQ in Q3-2024 (*annualized growth rate to the previous quarter with seasonal adjustment*). Price controls and the government's conservative approach to raising regulated prices helped curb inflation. However, inflationary overhang is building.

**The authorities' policies assumed no significant imbalances in the economy.** Fiscal policy remained stimulative in Q3-2024, with real government spending (based on available public data) more than 15% above the average 2021 level. Fiscal policy and high wage growth were the primary factors maintaining excess demand.

**The effectiveness of monetary policy was limited by the lack of independence of the National Bank.** Interest rates on loans and deposits reached neutral levels but were not restrictive. The National Bank's increase in reserve requirements for banks proved ineffective, as the impact of this measure on liquidity was more than offset by ruble issuance through the National Bank's purchase of foreign currency and government bonds. As a result, lending conditions remained favorable for firms and the public to meet high credit demand.

## **Belarus' economic growth to slow from around 4.3% in 2024 to 1.5–2.5% in 2025, with inflationary pressures remaining elevated**

### **Forecast**

**Economic policy is expected to remain moderately accommodative in 2025.** According to government plans, fiscal support for economic activity will continue in 2025, although at a smaller scale than in 2023–2024. Given the institutional weaknesses of the National Bank, it is unlikely that monetary policy will be tightened significantly. Accordingly, interest rates on the credit-deposit market will remain near neutral levels, supported by supplementary tools from the National Bank. Domestic economic policy will slow the return of the economy to a balanced state in 2025: excess demand will persist but at a reduced scale.

**The Belarusian economy is expected to “cool down” gradually over the medium term, barring major shocks in the Russian or global economy.** Due to inertia, the cumulative GDP growth for 2024 is projected to remain high at around 4.3%. In 2025, economic activity is expected to stay elevated under moderately soft economic policies and government plans to significantly increase investments. However, growth momentum will weaken due to several constraints: an anticipated decline in demand growth in Russia, labor shortages, and the already high utilization of production capacity. Consequently, GDP growth is expected to slow to 1.5–2.5% in 2025.

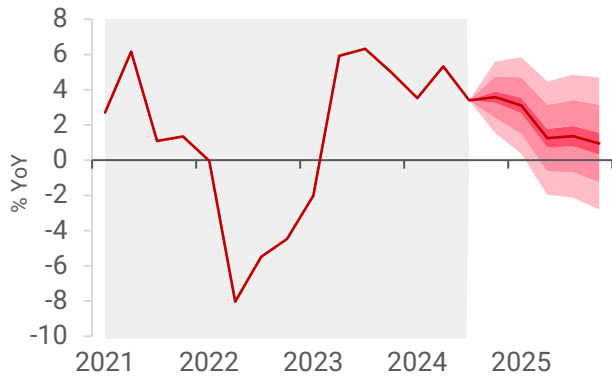
**Excess demand in the economy, expected labor shortages, high price growth in Russia, and the effects of sanctions will continue to drive inflationary pressure.** The transmission of inflationary factors into actual prices will remain limited by price controls. In the baseline scenario, a relaxation of these controls is anticipated in 2025 to prevent significant financial strain on firms and a downturn in output. Inflation is forecasted to accelerate from 5.5–6.0% YoY in 2024 to 6–8% YoY in 2025.

**The combination of economic overheating, price controls, and the National Bank’s subordinated position to the government makes the economy more vulnerable to major shocks.** If economic policy remains overly accommodative for an extended period and/or demand in Russia drops sharply, there is an increased likelihood of a “hard landing” in the medium term—a sharp decline in output coupled with a loss of citizens' welfare. The public and businesses should be aware of the “fragility” of the successes achieved in Belarus’s economy and consider response scenarios in case of an adverse outcome.

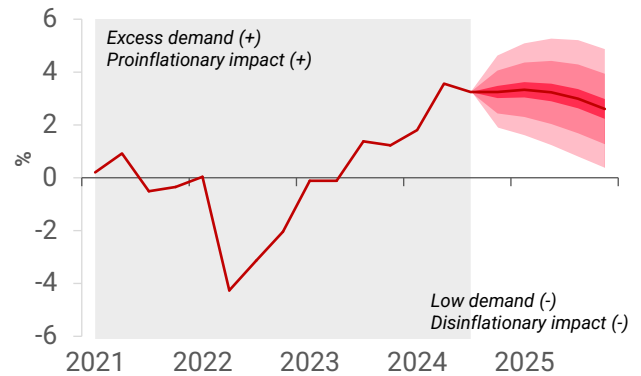
**Estimates of potential GDP growth rate for Belarus remain highly uncertain.** It is possible that they may temporarily exceed 2% per year given the structural transformation of the Russian and Belarusian economies. This would imply greater growth potential in 2025 compared to the baseline forecast, with less inflationary pressure and a reduced need for strict monetary policy. Nevertheless, even if such a positive scenario materializes, it is unlikely to be sustainable. Low investment activity, coupled with a reduction in employment in the economy and a deterioration in the quality of institutions, does not allow us to count on higher growth rates of potential GDP of Belarus in the long term compared to the last decade (about 1% per year).

# Dynamics and Forecast of Economic Indicators of Belarus

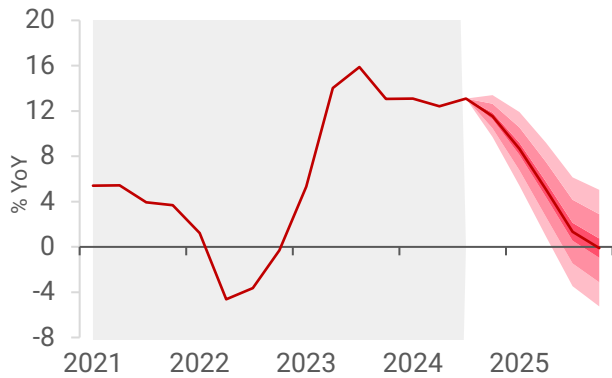
**Real GDP**  
(growth, quarter to the correspond. quarter of the prev. year)



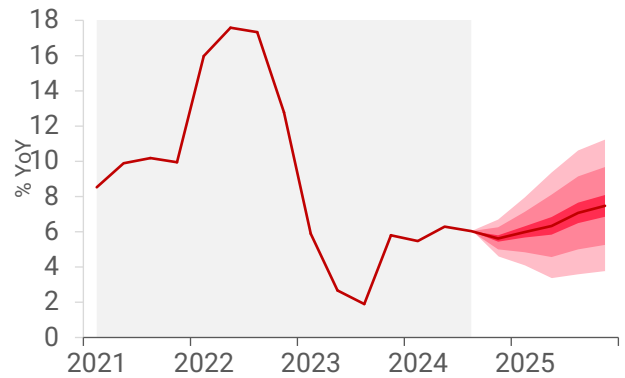
**Output gap**  
(GDP deviation from the potential level)



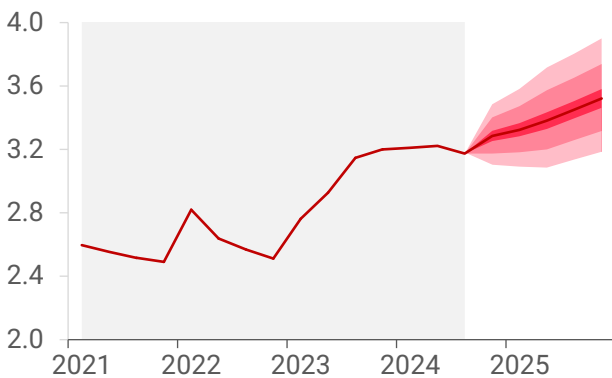
**Real wage**  
(growth, quarter to the correspond. quarter of the prev. year)



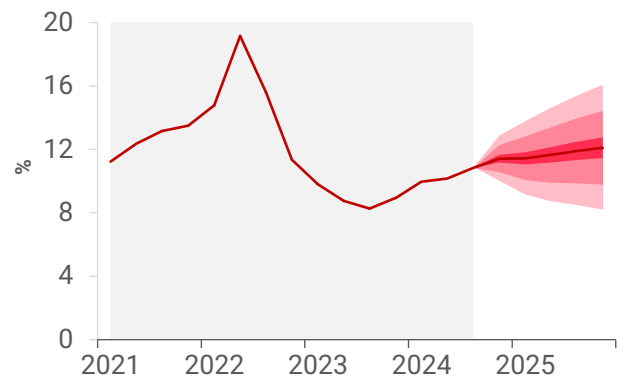
**Inflation**  
(quarter to the correspond. quarter of the prev. year)



**Belarusian ruble to US dollar exchange rate**  
(average for the quarter)



**Interest rate on market loans**  
(average for the quarter)



**Source:** The BEROC's calculations are based on the Quarterly Projection Model for Belarus ([QPM BEROC](#)).

**Note:** The figure shows a seasonally adjusted indicator. 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.