

Monetary Environment Review Q3-2025

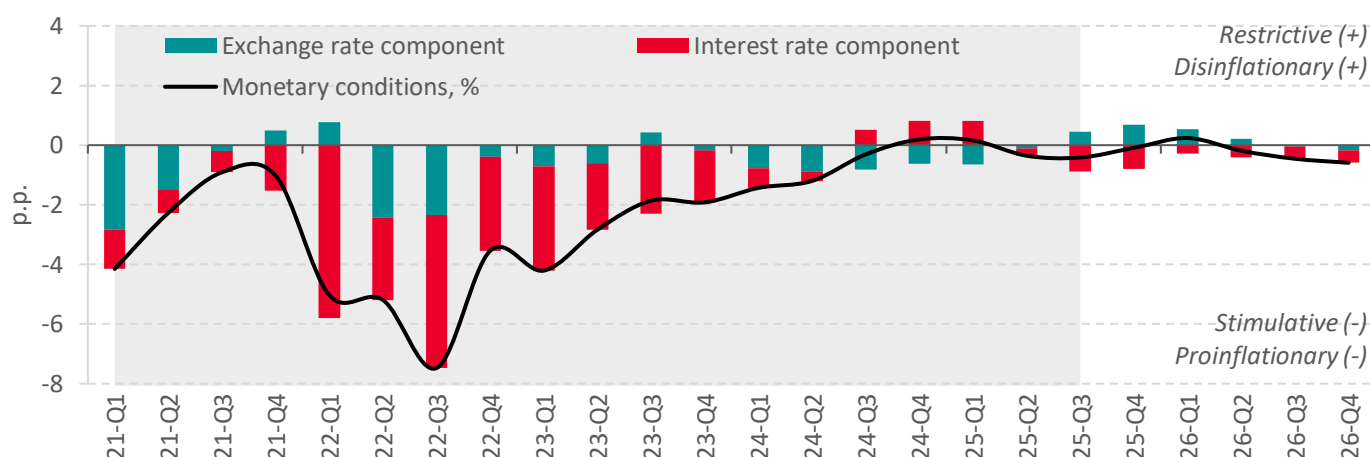
November 2025

Monetary policy in Belarus remained subordinated to the goal of stimulating investment activity rather than ensuring price stability

In Q3-2025, the National Bank actively issued rubles through the purchase of government bonds and foreign currency and did not withdraw excess liquidity at auctions. The interbank market rate remained extremely low, and the average deposit yield declined significantly. The average rate on market loans remained close to equilibrium in an environment of elevated risks of corporate lending. Overall, interest rate conditions are assessed as weakly stimulating demand in the economy in Q3-2025 (Fig. 1). The Belarusian ruble was overvalued by $\approx 1\%$ in Q3-2025 (Fig. 1).

Monetary conditions will remain non-restrictive for economic activity in 2026, primarily due to interest rates (Fig. 1). Monetary policy will not become tight, as inflation remaining near 7% YoY is acceptable to the authorities, while the government's GDP growth target of 2.8% in 2026 significantly exceeds its balanced pace of around 1.5–2%. The absence of clear rules in conducting monetary policy reduces its predictability, which is a significant source of uncertainty for the macroeconomic forecast for the coming year.

Figure 1. The nature of monetary conditions in the Belarusian economy



Source: calculations are based on the Quarterly Projection Model (QPM) for Belarus.

Note: monetary conditions are estimated as a combination of deviations of real interest rates on the Belarusian ruble assets and of the real effective Belarusian ruble exchange rate from their equilibrium levels. Positive monetary condition values indicate their restraining-economic-activity and disinflationary nature, and negative monetary condition values indicate their stimulating and pro-inflationary nature. We use one of the ways to assess monetary conditions, the results of which depend on the chosen type of the macroeconomic model (QPM) and its specification. We are aware of the limitations of the approach applied.

The Monetary Environment Review Bulletin presents an expert analysis of the monetary and foreign exchange rate policies and the resulting monetary conditions in the Belarusian economy. The bulletin reviews the actions under the monetary and exchange rate policies, their impact on the economy, the nature of monetary conditions, and provides their short-term forecast. The methodological basis for the analysis is the Quarterly Projection Model (QPM) for the Belarusian economy.

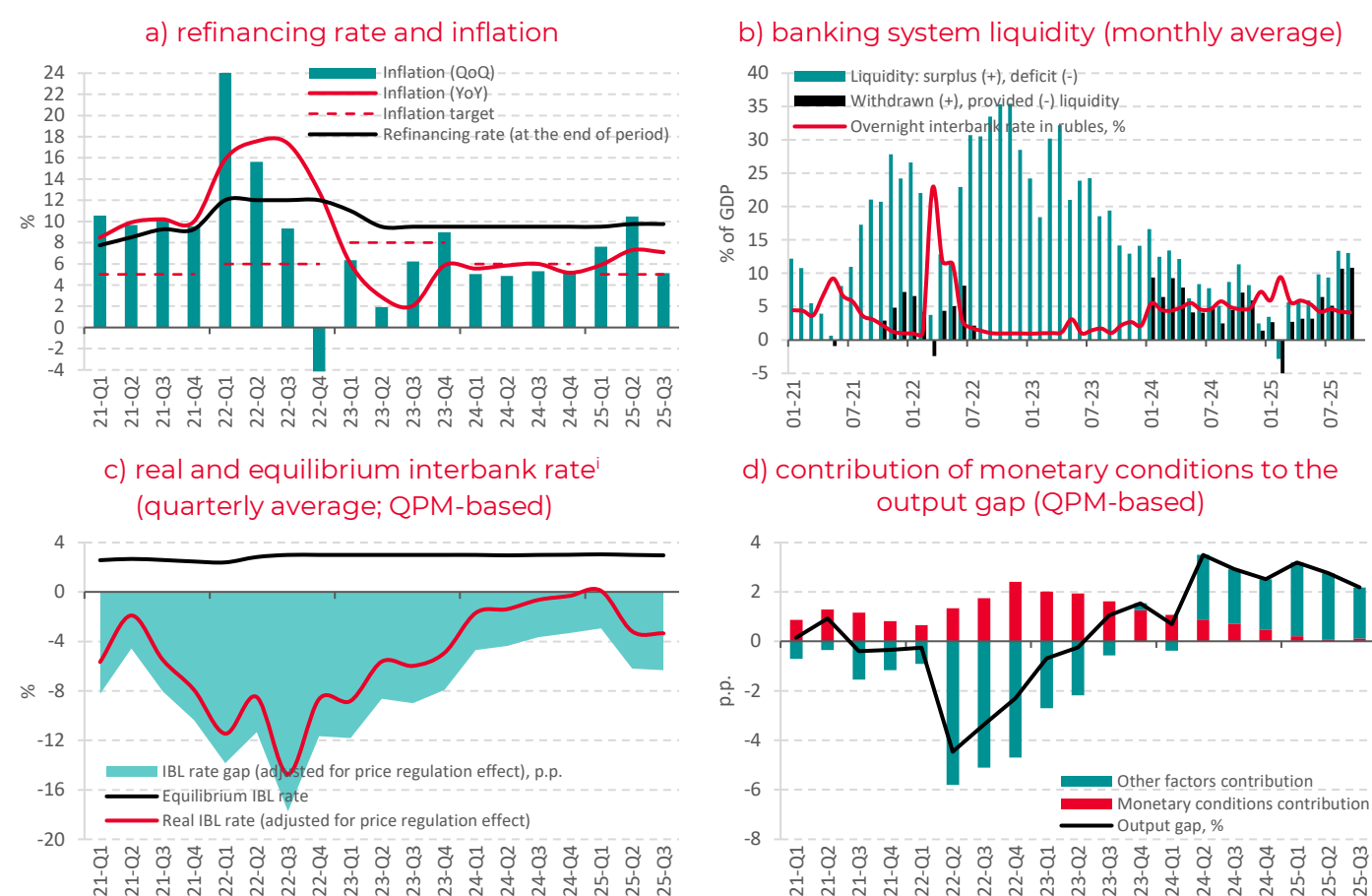
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1 Monetary policy: measures, direction, nature

The National Bank maintained unconventional approaches to monetary policy implementation in Q3-2025, preserving its stimulative nature

The refinancing rate remained at 9.75% in Q3-2025 (Fig. 2.a). The estimated values of standard risk (EVSR), which are de facto used by the National Bank to regulate interest rates on loans and deposits, also did not change from July to September. The regulator continued to actively issue Belarusian rubles through the purchase of foreign currency and government bonds – approximately Br2 billion and nearly Br1.2 billion, respectively. Issuance operations served as a factor supporting the softness of monetary conditions, which was reflected in the expansion of the banking system's liquidity surplus (Fig. 2.b). Liquidity withdrawal auction operations were still not conducted. At the same time, the National Bank unsuccessfully held several credit auctions, apparently attempting in this unconventional way to stimulate banks to expand lending for investment projects.

Figure 2. Dynamics of monetary policy indicators



Source: calculations based on the data by Belstat, National Bank of Belarus, QPM.

Note: hereinafter, YoY is the growth rate in the last month of the quarter versus the last month of the corresponding quarter of the previous year; QoQ is the annualized growth rate in the last month of the quarter versus the last month of the previous quarter, seasonally adjusted.ⁱⁱ

The interbank market loans rate (IBL) remained low amid a structural liquidity surplus that the National Bank did not withdraw through auctions

The nominal IBL averaged 4.3% in Q3-2025, dropping to its lowest levels since late 2023 (Fig. 4.a). With inflation above 7% YoY, the real IBL remained negative – below the neutral level (Fig. 2.c).

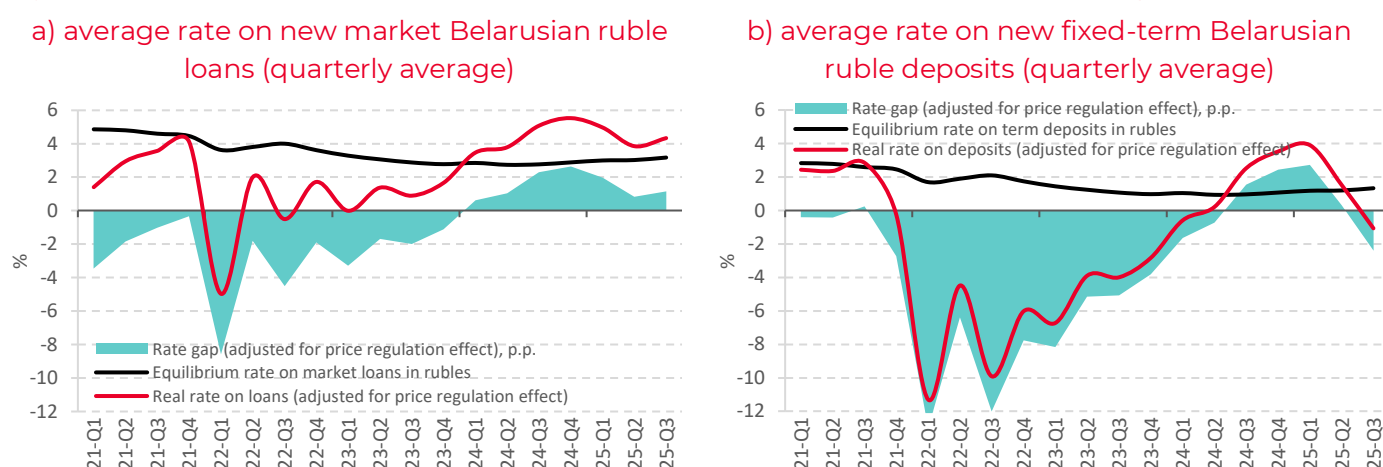
The fact that the National Bank allows the IBL to “stick” to the lower boundary of its interest rate corridor (4–11.25%) and keeps the corridor both wide and unusually asymmetric relative to the refinancing rate indicates the continued subordination of the National Bank to the executive branch and the use of the overnight deposit rate (4%) for the purposes of directive lending. The low IBL ensures loose monetary conditions, while the National Bank’s purchase of government bonds constitutes a de facto issuance operation aimed at supporting government spending. In an environment of continued economic overheating (Fig. 2.d) and inflation exceeding the 5% target (Fig. 2.a), this approach by the National Bank to monetary policy highlights fiscal dominance in Belarus and is accompanied by an “erosion” of stabilization economic institutions.

Interest rates on Belarusian ruble deposits fell significantly in Q3-2025, while the cost of borrowing decreased only slightly

The average nominal rate on new fixed-term ruble deposits in Q3-2025 stood at 6.6%, which is 3.3 p.p. lower compared to the previous quarter (Fig. 4.a).ⁱⁱⁱ Deposit rates for corporations fell to 6%, while household deposit rates changed only slightly. The significant surplus of liquidity in the banking system that the National Bank did not withdraw at auctions continued to exert downward pressure on deposit yields. The considerable divergence between deposit rates for legal entities and individuals may indicate the influence of the National Bank’s directive guidance on banks.

The average nominal rate on new market ruble loans decreased by 0.2 p.p. in Q3-2025 – to 12.0% (Fig. 4.a).^{iv} The decline in lending rates was much less pronounced than the drop in deposit yields. This may be related to the dominant position of banks in the financial sector, the lack of alternative savings instruments to deposits, and the heightened risks of lending to the real sector amid the slowdown in the Russian and Belarusian economies. The unpredictability of the National Bank’s policy and the new regulator leadership’s emphasis on using directive monetary policy tools may also have acted as a source of risk for banks.

Figure 3. The nature of real interest rates on Belarusian ruble loans and fixed-term deposits of banks



Source: calculations are based on QPM.

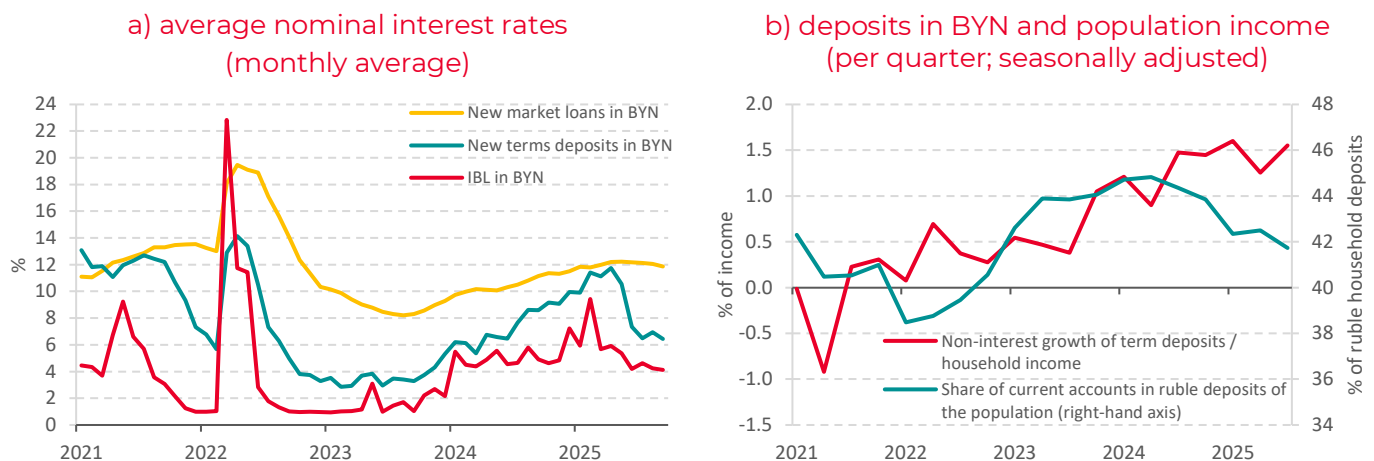
Note: real interest rates have been calculated based on average nominal interest rates for businesses and households (according to the National Bank data) and the expected annual inflation in the next quarter (QPM-based).

In real terms, the lending rate was close to the neutral level in Q3-2025 (Fig. 3.a), while the deposit rate fell below its equilibrium value (Fig. 3.b)

Taking into account the lowered interbank market rate, the overall stance of the interest rate policy of the National Bank and commercial banks was accommodative in Q3-2025 (Fig. 1).

However, the magnitude of the stimulus was small and overall did not generate a significantly expansionary or restrictive effect on economic activity and inflation (Fig. 2.d). In an environment of persistent economic overheating and inflation remaining above the medium-term target of 5%, the prevailing non-restrictive nature of interest rates was insufficient to contain macroeconomic stability risks.

Figure 4. Dynamics of nominal interest rates, household deposits



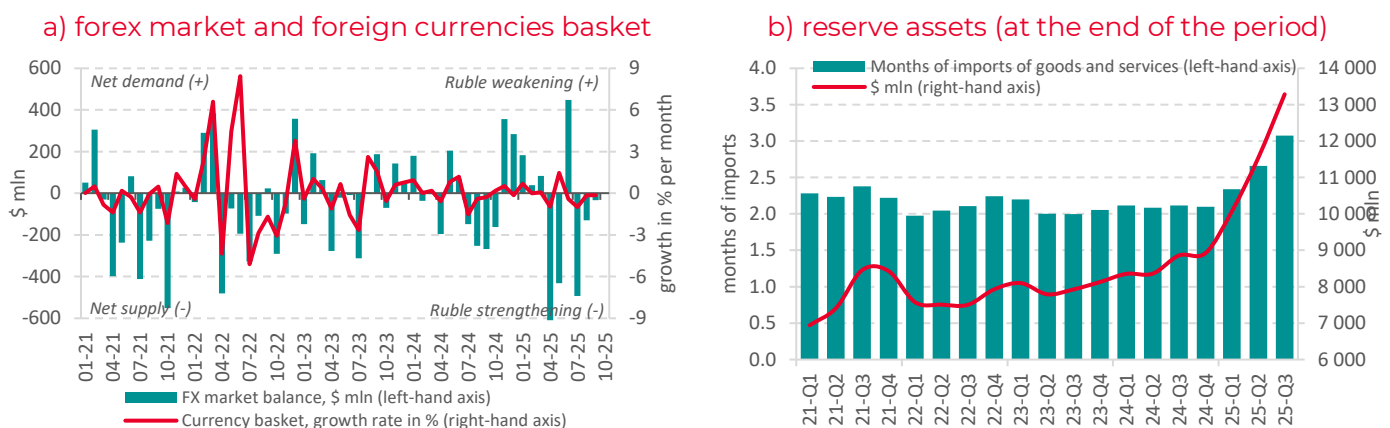
Source: calculations based on the data by Belstat, National Bank of Belarus.

2 Exchange rate policy: measures, direction, nature

The Belarusian ruble appreciated against the currency basket in Q3-2025 amid substantial net foreign currency supply in the domestic market

On average, the value of the three-currency basket (Russian ruble, US dollar, and Chinese yuan) decreased by 0.8% in Q3-2025 compared to Q2-2025 (Fig. 6.b). Fluctuations in exchange rates against individual foreign currencies were mainly determined by cross-currency dynamics in global markets: on average in Q3-2025, the Belarusian ruble appreciated by 0.5% against the Russian ruble, by 1.4% against the U.S. dollar, and by 0.3% against the Chinese yuan. The strengthening of the Belarusian ruble resulted from net foreign currency supply in the domestic market amounting to ≈\$0.65 billion in Q3-2025 (Fig. 5.a). The National Bank purchased this volume of foreign currency, issuing nearly Br2 billion.

Figure 5. Dynamics of the foreign currencies basket and of gold and foreign exchange reserves



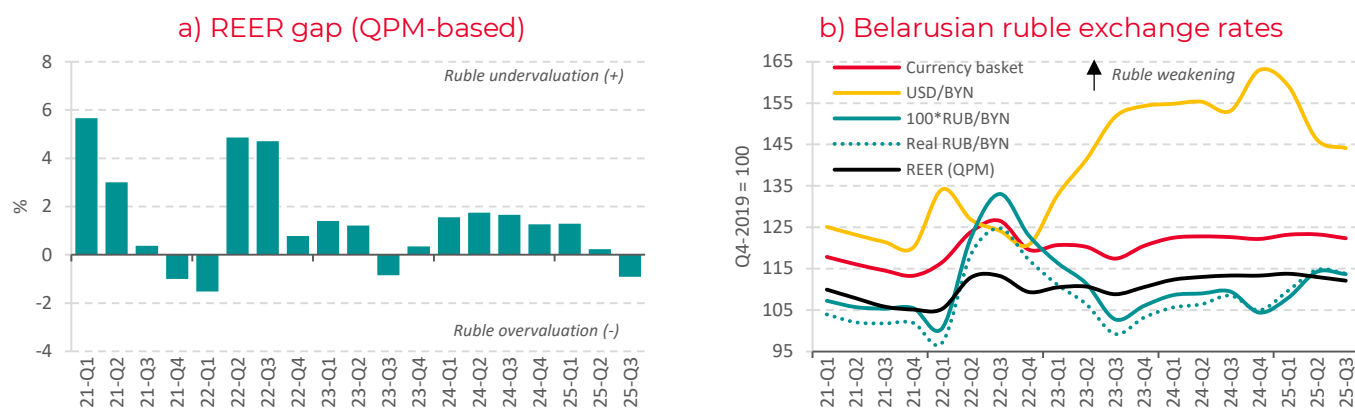
Source: calculations are based on the data by the National Bank of Belarus.

Note: figure 5.a illustrates the basket of 3 currencies (US dollar, euro and Russian ruble) from January 2019 to June 2022, and the basket of 4 currencies (US dollar, euro, Russian ruble, and Chinese yuan) from July 2022 to December 2022, and the basket of 3 currencies (US dollar, Russian ruble, and Chinese yuan) from January 2023 onwards.

The nominal ruble appreciation, combined with higher inflation in Belarus compared to its trading partners, led the real effective exchange rate to move into an overvalued zone

The degree of overvaluation of the Belarusian ruble is estimated at around 1% relative to the equilibrium level of the real effective exchange rate (Fig. 6.a). This deviation from equilibrium is small and does not, by itself, pose devaluation risks. However, the slight overvaluation of the national currency implies a lack of exchange-rate support for the price competitiveness of Belarusian producers in both domestic and external markets.

Figure 6. Effective Belarusian ruble exchange rates and deviations of REER from the equilibrium level



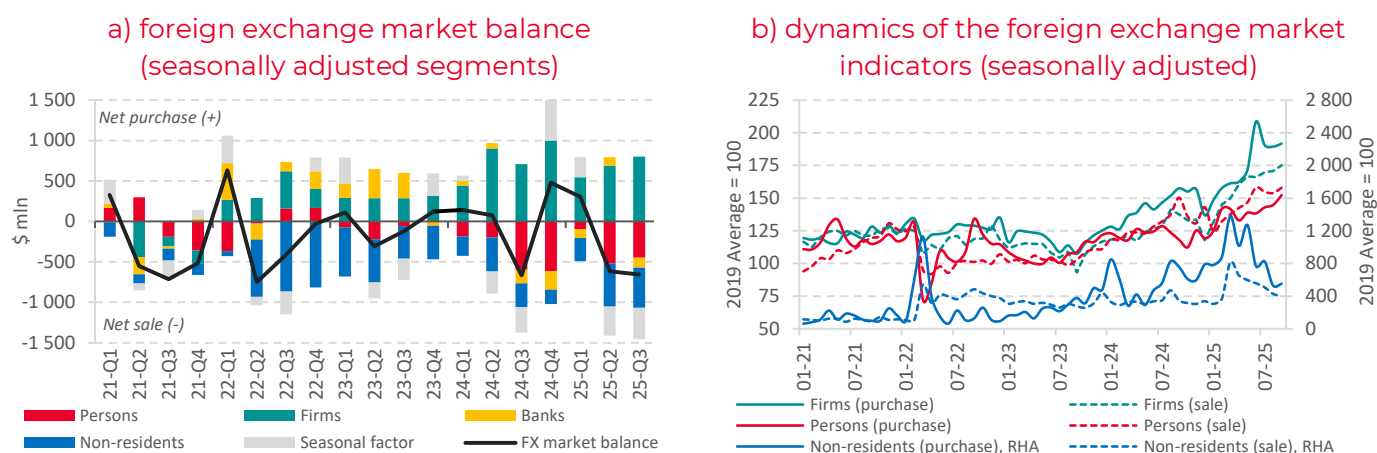
Source: calculations are based on the data of the National Bank of Belarus and QPM.

Note: REER is the Real Effective Exchange Rate. Within the QPM, the weights of individual currencies in the REER are: Russian ruble – 0.60; US dollar – 0.20; euro – 0.10; Chinese yuan – 0.10.

Households continued to act as the main “donor” of foreign currency

Individuals sold (net of purchases) about \$0.45 billion in July–September 2025 (seasonally adjusted). Net foreign currency sales by the population remained significant (Fig. 7.a), driven in part by the continued high savings rate (Fig. 4.b). The latter suggests that the easing of monetary conditions in Q3-2025 was primarily due to low interest rates on corporate deposits, while for households, they were close to neutral. Significant net currency sales by individuals can also be explained by the fact that, amid slower lending, households likely continued to finance a larger share of major purchases with using unorganized foreign currency savings. However, since July 2025, net sales have gradually declined amid weakening consumer demand and significantly higher wage increases compared to retail turnover growth (Fig. 7.b).

Figure 7. State of the domestic foreign exchange market



Source: calculations are based on the data by the National Bank of Belarus.

Note: the X13 procedure in the JDemetra+ app has been applied to make a seasonal adjustment. As new data are published, the dynamics of the indicators for the previous periods is updated.

Nonresidents sold a significant amount of foreign currency on a net basis for the second consecutive quarter

It can be assumed that the high net foreign currency sales by nonresidents (~\$0.5 billion) were at least partially due to an increase in the surplus of foreign trade in services, including through the growth of construction service exports. The volatile dynamics of gross foreign currency purchases and sales by nonresidents – alternating periods of spikes and declines – may indicate the speculative nature of part of these currency transactions. Belarusian banks were also net sellers of foreign currency in Q3-2025 (seasonally adjusted), although the net supply volume was small (Fig. 7.a).

Firms have consistently bought significantly more foreign currency than they sold

Organizations bought \$0.8 billion more currency than they sold (seasonally adjusted) in Q3-2025 (Fig. 7.a). In less than 4% of periods since 2012 the net foreign currency demand from firms has been higher than in Q3-2025. The significant deficit in foreign trade in goods remained the key factor behind the large imbalance in foreign currency operations by organizations.

International reserve assets (IRA) increased by \$1.75 billion in Q3-2025, reaching a new historical high of \$13.3 billion as of October 1, 2025

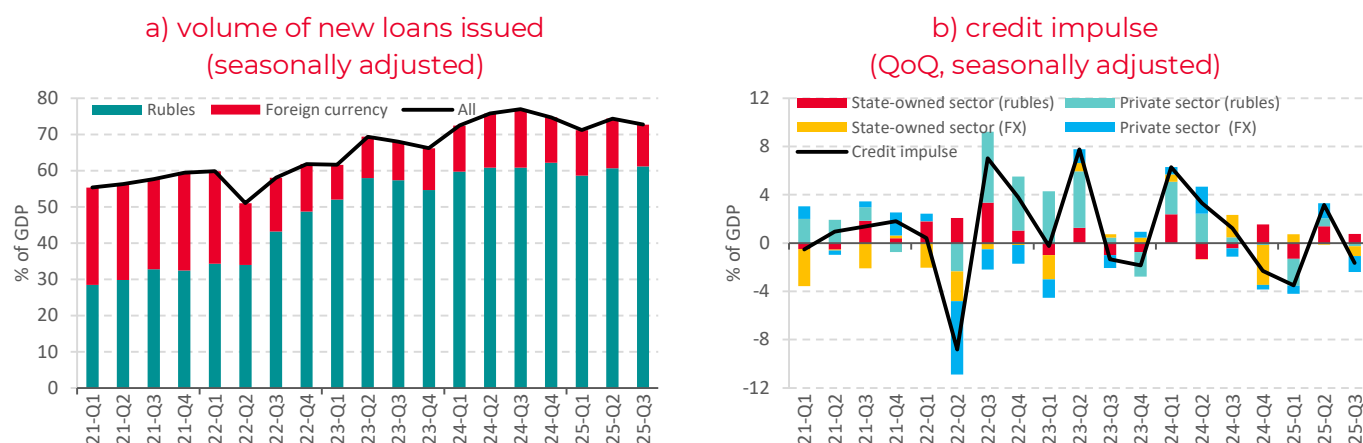
The growth of reserves in July–September 2025 was mainly driven by a \$0.94 billion increase in the value of monetary gold resulting from higher global precious metal prices. Foreign currency assets rose by \$0.8 billion in Q3-2025, supported by the National Bank's foreign currency purchases and by an increase in banks and government deposits in the National Bank. As of October 1, 2025, the reserves covered approximately 3.1 months of imports of goods and services – reserves surpassed the three-month import threshold for the first time in many years (Fig. 5.b). The adequacy of the reserves relative to the composite foreign currency outflow risk indicator (ARA metric adjusted for capital flow restrictions) is estimated to be well above 100%. This indicates that the National Bank has sufficient reserves to cushion the effects of severe negative shocks should they occur.

3 Impact of monetary conditions on the credit and deposit market

The volume of new lending remained substantial in Q3-2025 but did not increase relative to GDP

The volume of issued loans relative to GDP stayed close to the levels of previous quarters – around 73% – which is significantly higher than pre-war values, averaging about 61% of GDP in 2017–2021 (Fig. 8.a). The credit impulse is assessed as negative in Q3-2025 due to a reduction in foreign currency lending (Fig. 8.b). In the ruble segment, the impulse remained slightly positive thanks to the growth of lending to the public sector, which may reflect the effects of quasi-fiscal support: the government contributes government bonds to the capital of state-owned banks, followed by their purchase by the National Bank and the subsequent allocation of resources for lending to state enterprises. The ruble credit impulse in the household and private business segments is estimated to have been close to zero in Q3-2025 (Fig. 8.b).

Figure 8. Dynamics of new loans issued and credit impulse



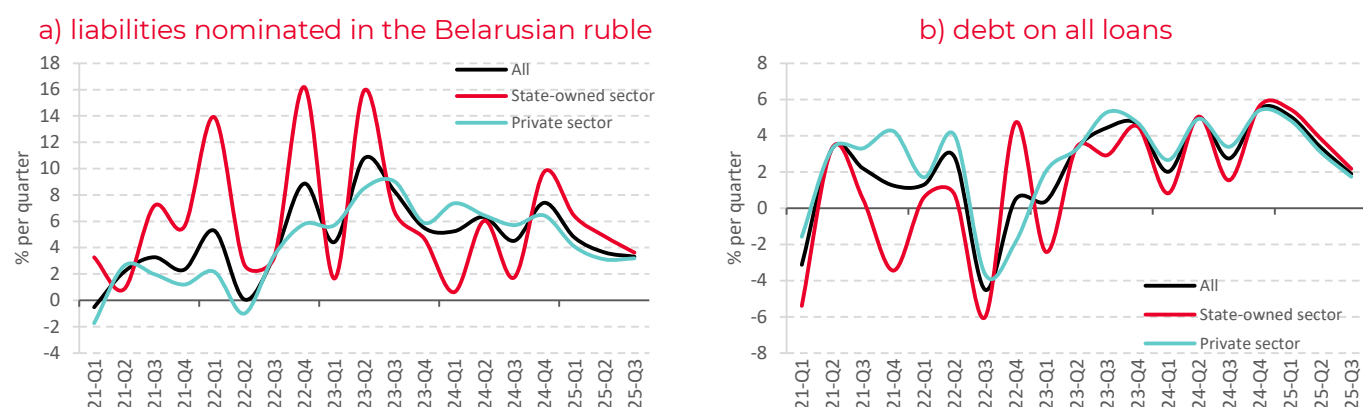
Source: calculations are based on the data by the National Bank of Belarus, Belstat.

Note: the credit impulse has been calculated as follows: $ci_t = 100 * (\frac{cr_t}{ngdp_t} - \frac{cr_{t-1}}{ngdp_{t-1}})$, where ci_t is the credit impulse during period t ; cr_t is the seasonally adjusted scope of newly issued loans during period t ; $ngdp_t$ is the seasonally adjusted volume of the nominal GDP during period t . The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. The indicator dynamics updates once new data are published.

The growth of credit debt continued to slow in Q3-2025 (Fig. 9)

The weakening of credit activity reflects the process of GDP growth deceleration, as well as restrained demand prospects in the Russian and Belarusian markets. The National Bank's efforts to stimulate investment lending through administrative pressure on banks and manipulation of the EVSR had limited effects on credit dynamics due to the small volume of such loans and uncertainty in the business environment. Meanwhile, the National Bank's limits on retail lending growth proved effective: household lending expanded at a slow pace in Q2–Q3-2025.

Figure 9. Dynamics of bank loans (quarterly growth, seasonality adjusted)



Source: calculations are based on the data by the National Bank of Belarus.

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

The money supply grew at a high rate in Q3-2025

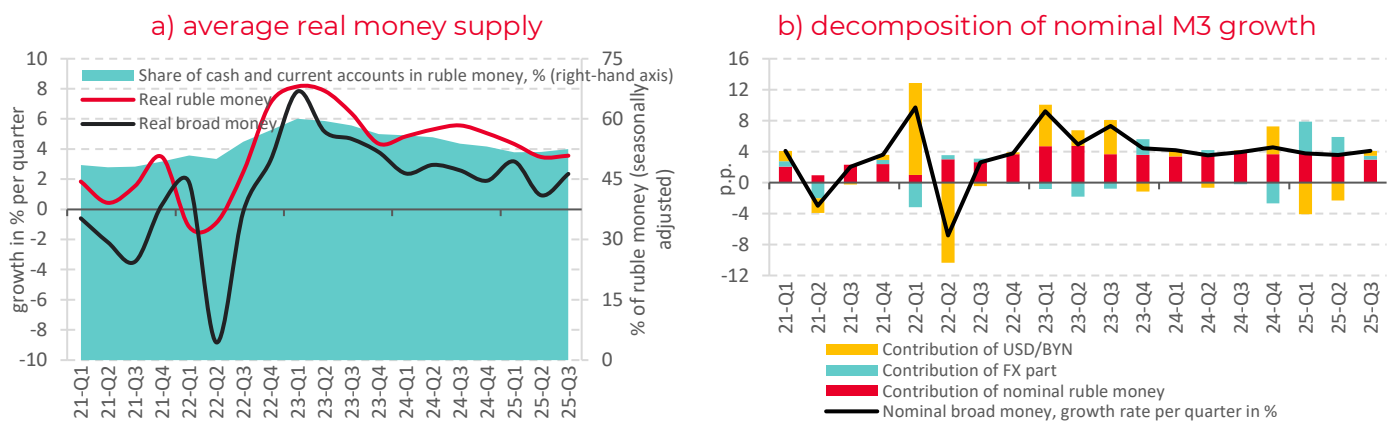
Broad money supply (hereinafter – M3) increased by $\approx 4.1\%$ on average in Q3-2025 compared to Q2-2025 in nominal terms, or by $\approx 2.3\%$ in real terms (seasonally adjusted; Fig. 10.a). The exchange rate factor, which caused a slowdown in M3 growth in Q2-2025, became neutral in Q3-2025, leading to an acceleration of money supply dynamics (Fig. 10.b). Excluding the effect of exchange rate revaluation of the foreign currency component, the nominal M3 growth is estimated at about 4.6% in Q3-2025 compared to Q2-2025, following a 6.8% increase in the previous period. The rate of monetary expansion (excluding revaluation) in Q3-2025 is equivalent to an annualized 19.6%, which is extremely high given the 0.8% YoY growth in real GDP.

The increase in M3 was driven by the ruble component (Fig. 10.b). Ruble money supply (M2*) rose by $\approx 5.3\%$ on average in Q3-2025 compared to Q2-2025 in nominal terms, or by $\approx 3.6\%$ in real terms (seasonally adjusted; Fig. 10.a). The nominal growth rate of ruble money supply slightly slowed compared to the previous quarter due to weaker credit activity (Fig. 10.b). At the same time, its real increase changed little amid declining inflation (Fig. 10.a).

The significant outpacing of money supply growth relative to GDP growth indicates the monetary nature of inflationary processes in the Belarusian economy

The average broad money supply in Q3-2025 exceeded its level of a year earlier by 16.5% YoY, while real GDP grew by only 0.8% YoY over the same period. The difference in growth rates largely represents the inflationary component. Thus, the GDP deflator – a broader indicator of inflationary processes than the consumer price index – is estimated at around 13% YoY in Q3-2025. Supply shocks, which are often referred to as non-monetary inflation factors, do not lead to an increase in the general price level over a prolonged horizon unless the monetary authorities respond to these shocks by expanding the money supply. However, if the money supply grows faster than the economy's production potential and generates additional demand, the general price level will rise. The high rate of monetary expansion in Belarus underscores the non-restrictive nature of monetary conditions and the pro-inflationary character of quasi-fiscal operations (the National Bank's purchases of government bonds).

Figure 10. Average money supply dynamics (seasonally adjusted)



Source: calculations are based on the data by the National Bank of Belarus, Belstat.

Note: M3 is a broad money supply. The indicator dynamics updates once new data are published. Real money supply growth is estimated by deflating nominal growth (quarterly average versus previous quarterly average) by the change in the average quarterly consumer price index (seasonality adjusted).

4 Monetary conditions short-term forecast

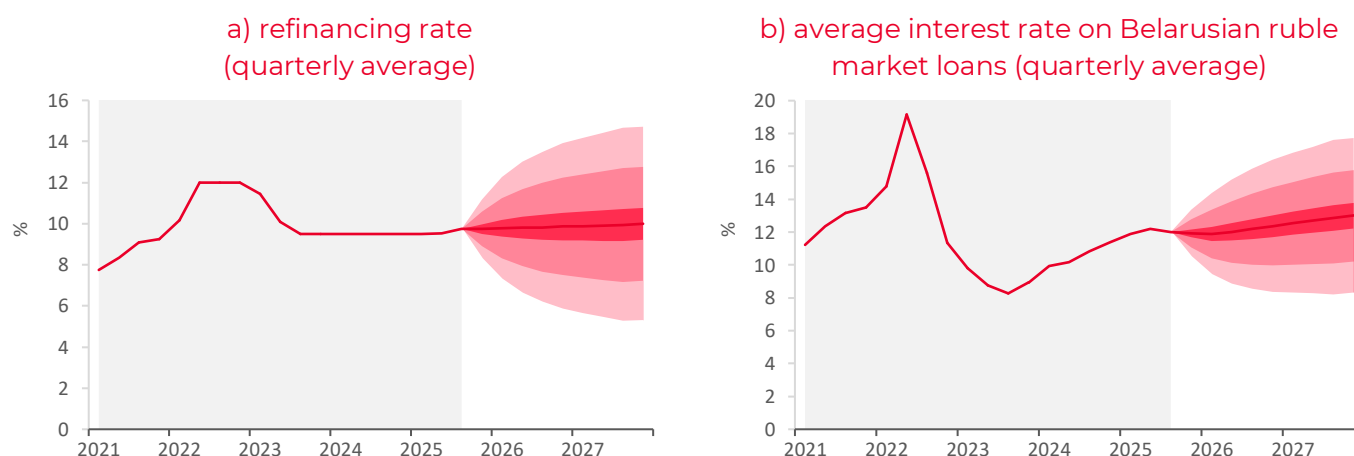
Monetary conditions will not be restrictive for economic activity and inflation in 2026, primarily due to interest rates (Fig. 1)

The refinancing rate is projected to remain near its current level of 9.75% in Q4-2025 through 2026 (Fig. 11.a). The budget deficit planned by the authorities and the likely continuation of quasi-fiscal operations will sustain excess liquidity in the banking system. The subordinated position of the National Bank vis-à-vis the executive branch will prevent a significant increase in the overnight deposit rate, which is used within non-market lending mechanisms. Under such conditions, the interbank market rate will remain below the refinancing rate and is expected to average around 5–7% in 2026. With projected inflation of 7–8% YoY in 2026, the interbank market rate will remain negative in real terms – well below its neutral level.

The average lending rate will remain near 12% in 2026 (Fig. 11.b), while new fixed-term deposit rates will hover around 8%

In real terms, the lending rate is expected to be close to its neutral level, while the deposit rate will remain below its equilibrium trajectory. As a result, the overall impact of interest rates on economic activity is expected to be mildly stimulative in 2026 (Fig. 1). However, the influence of interest rates on market lending dynamics is projected to be limited. Credit activity will be constrained by the National Bank's directive restrictions on the growth of commercial banks' retail credit portfolios, as well as by weakened prospects and heightened uncertainty regarding demand dynamics in Russia and Belarus. Consequently, domestic demand growth will slow next year. The economy will gradually return to a balanced state after overheating, with GDP growth projected in the range of 0.5–1.5% in 2026.

Figure 11. Interest rate forecast (QPM-based)



Source: calculations are based on QPM.

Note: the ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

Unpredictable monetary policy remains a significant source of uncertainty for next year's macroeconomic outlook

The voluntarist nature of the National Bank's monetary policy creates risks of substantial and unexpected shifts in its course. It cannot be ruled out that, against the backdrop of slowing inflation, the National Bank may once again intensify monetary stimuli to support GDP growth in 2026. In such a scenario, inflationary pressures would rise, increasing the likelihood that price growth rates would exceed the baseline forecast of 7–8% YoY. At the same time, if inflation persistently deviates upward from 7% YoY, price controls could be tightened once again.

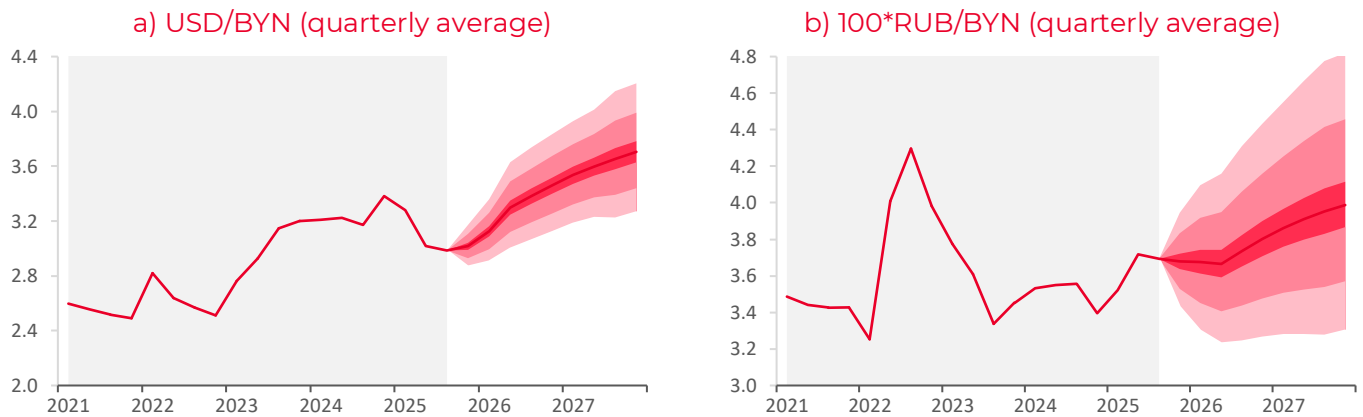
The trade deficit in goods and services is projected at around 2% of GDP in 2026

Economic policy will not become restrictive, as the government's GDP growth target of 2.8% for 2026 exceeds the economy's potential, and it will likely remain tolerant of elevated inflation around 7–8%. This will sustain domestic demand above the economy's productive capacity, maintaining high import levels. Nevertheless, the extent of excess demand will narrow amid limited fiscal and monetary space for additional stimulus and under the influence of weakening prospects for the Russian economy, which will constrain Belarusian export dynamics. As a result, the trade balance in goods and services will remain moderately negative, within 2% of GDP in 2026.

The projected scale of the external imbalance in 2026 is not critical and can be financed without significant pressure on the Belarusian ruble exchange rate

Given the expected higher inflation in Belarus compared to Russia, the Belarusian ruble is forecast to depreciate by 4–8% in 2026 in terms of the foreign currency basket. With the USD/RUB exchange rate moving to 85–90 Russian rubles per U.S. dollar, the USD/BYN rate is expected to reach 2.95–3.15 Belarusian rubles per dollar by the end of 2025 and 3.3–3.5 by the end of 2026 (Fig. 12.a). The RUB/BYN rate, in this case, is projected at around 3.55–3.70 Belarusian rubles per 100 Russian rubles by the end of 2025 and 3.6–3.9 by the end of 2026 (Fig. 12.b).

Figure 12. Belarusian ruble exchange rate forecast (QPM-based)



Source: calculations are based on QPM.

Note: the ranges in the figure correspond to the 15%, 50% and 75% confidence intervals.

Explainers

Quarterly Projection Model (QPM)

This is a semi-structural macroeconomic model based on the principles of new Keynesianism; it belongs to the class of dynamic stochastic general equilibrium models. Variables unobserved in the QPM (e.g., equilibrium (trendy) components of economic indicators) are estimated through the multivariate Kalman Filter. The QPM has been widely used for macroeconomic analysis, forecasting and monetary policy designs in central banks, including [the National Bank of the Republic of Belarus](#).

QPM indicators

Monetary conditions

This is an indicator of the state of monetary conditions. It is a combination of gaps between the real effective exchange rate (with the opposite sign) and real interest rates. Positive values of monetary conditions indicate their constraining nature for economic activity, and their negative values indicate their stimulating nature for economic activity.

Output gap

This is a deviation of a real GDP from its potential value. A potential GDP is such a GDP value that leads neither to additional inflationary nor disinflationary pressures. A positive output gap indicates excess demand in the economy, and it is an indicator of inflationary pressure. The opposite is true for a negative output gap.

Interest rate gap

This is a deviation of the real interest rate from its neutral level. A positive gap in the interest rate indicates that the nature of the interest rate policy is restraining to economic activity, while a negative gap in the interest rate indicates that the nature of the interest rate policy is stimulating to economic activity.

Equilibrium (neutral) interest rate

This is the level of the real interest rate corresponding to the growth rate of the potential GDP and the equilibrium real effective exchange rate.

Real Effective Exchange Rate gap (REER gap)

This is a deviation of the real effective exchange rate of the Belarusian ruble from its equilibrium level. A positive real effective exchange rate gap indicates an undervaluation of the Belarusian ruble, while a negative real effective exchange rate gap indicates an overvaluation of the Belarusian ruble.

Equilibrium Real Effective Exchange Rate

This is the level of the Real Effective Exchange Rate (REER) that makes neither an additional pro-inflationary impact nor a disinflationary impact.

Notes

ⁱ Real interest rates are calculated by adjusting nominal rates for the projected annual inflation in the coming quarter estimated through the Quarterly Projection Model (QPM). Expert opinions were introduced into QPM in Q4-2022 and in Q1-Q4-2023 to correctly assess the deviation of real interest rates from their equilibrium (neutral) levels. This is because the introduction of a new price control system led to ad-hoc price reductions in Q4-2022, which significantly reduced rational inflation expectations estimated in QPM directly. Since rational expectations are used in the model to calculate real interest rates, their sharp decline has sharply increased the real interest rate estimates. Nonetheless, nominal interest rates on Belarusian ruble loans and deposits in the period under review rewrote their historical lows several times: lending was growing rapidly, and the share of “fast” money in the money supply structure reached its maximum for the first time in more than twenty years. To eliminate the ad-hoc impact of price declines on the estimates of the monetary conditions, the impact of the core inflation shock on the change in rational inflationary expectations in the period under review was evaluated and the estimates of the deviation of real interest rates from their equilibrium (neutral) levels were adjusted for the scale of this impact.

ⁱⁱ The X13 procedure in the JDemetra+ app was applied to make a seasonal adjustment. As new data are published, the indicator dynamics in previous periods can be updated. The annualized price increase is calculated as a seasonally adjusted price increase per quarter raised to the fourth power (an annual inflation equivalent).

ⁱⁱⁱ The nominal average rate on new term Belarusian ruble deposits decreased from 9.9% on average in Q2-2025 to 6.6% in Q3-2025, including interest rates on corporate deposits, which decreased from 9.6% to 6.0%, and interest rates on retail deposits, which decreased from 12.6% to 12.4%.

^{iv} The nominal average interest rate on new market bank loans in Belarusian rubles decreased from 12.2% on average in Q2-2025 to 12.0% in Q3-2025; in particular, interest rates on business loans decreased from 12.3% to 12.1%, and interest rates on retail loans – increased from 11.1% to 11.2%.