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A Highly Likely Turning Point for Belarus: Can Early Action Shape the Outcome?

This policy brief analyzes Belarus's likely return to economic stagnation as the post-2022 growth rebound fades, and assesses the political-economy implications of this trajectory. Recent growth, primarily driven by cyclical export dynamics and favorable shocks from Russia, is shown to be unsustainable and consistent with a low equilibrium growth path constrained by weak productivity and the prevailing institutional regime. As growth slows and income dynamics deteriorate, stagnation is expected to reshape social preferences and intensify pressures on the existing political-economic status quo. The brief argues that this environment makes a future turning point increasingly likely, while path dependence strongly biases outcomes toward deeper dependence on Russia. Against this backdrop, it discusses whether early, preventive external actions focused on reshaping incentives and expanding the set of perceived strategic options can influence Belarus's post-turning-point trajectory.

Belarus' Economic Path: A Likely Return to Stagnation

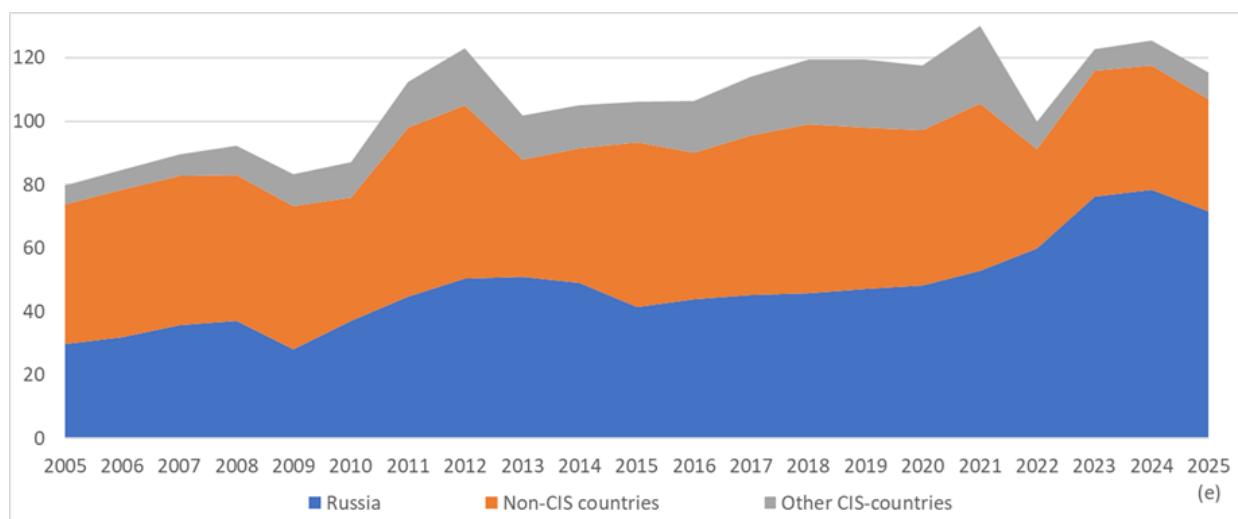
The years 2021–2025 were dramatic, leading to significant structural changes in the Belarusian economy. However, there are increasing indications that the positive dynamics observed during this period may be reaching their limits, with 2025 potentially marking a dividing line between the short- and long-term effects of Belarus's economic adjustment to the new environment.

After two and a half years of accelerated growth (around 4%), economic growth began to slow markedly in 2025 and is expected to end the year at 1.3–1.5%. The key reason for this sharp deceleration was the weakening of external demand. Its contraction implies that the physical volume of exports in 2025 is roughly 10% lower than in 2024: approximately two-thirds due to a decline in exports to Russia and one-third due to reduced exports to other countries (see Figure 1).

The growth in the physical volume of exports was precisely the foundation of the recovery and accelerated growth observed in 2023–2024. First, it constituted a positive demand shock that directly stimulated output growth. Second, it created a buffer for the external position (the current account balance), mitigating one of Belarus' chronic growth constraints. This consideration has become particularly relevant in recent years, as access to external financing has been severely limited due to the war, sanctions, and the country's status as a default borrower. Third, in 2023–2024, the accumulated buffer in the external position enabled export growth, creating additional space to stimulate domestic demand.

Export dynamics by destination indirectly indicate that the export surge in 2023–2024 was cyclical rather than a reflection of productivity improvements. Significant export growth occurred only to Russia, reflecting major disruptions to the operating environments of both the Belarusian and Russian economies amid sanctions. The gradual decline in export volumes

Figure 1. The Dynamics of Physical Volume of Belarusian Exports by Geographical Destinations, total exports 2022=100



Source: Own calculations based on Belstat data.

to Russia since the second half of 2024 signals that even after these disruptions, the existing productivity base does not allow Belarusian exporters to sustain output near previously reached peaks. Exports to other countries have been excessively volatile. It again points to insufficient productivity as their underlying constraint, especially in a new environment.

Assessing likely developments in 2026–2027, the prevailing status quo implies that a slowdown in growth to 1.0–2.0% per year is the most likely scenario. This range corresponds to the growth forecasts produced by major professional forecasters for Belarus (BEROC, IMF, World Bank, WIIW, EDB). Qualitatively, nearly all forecasters converge on the same baseline scenario: the Belarusian economy remains overheated and exposed to inflationary pressures and accumulated macroeconomic imbalances (a weakening external position and a fragile financial position of firms); favorable external demand shocks from Russia have largely been exhausted (with Russia's growth expected at 1.0–1.5%); and economic authorities will be forced to reduce domestic demand stimulus, leading growth to slow and converge toward its equilibrium level.

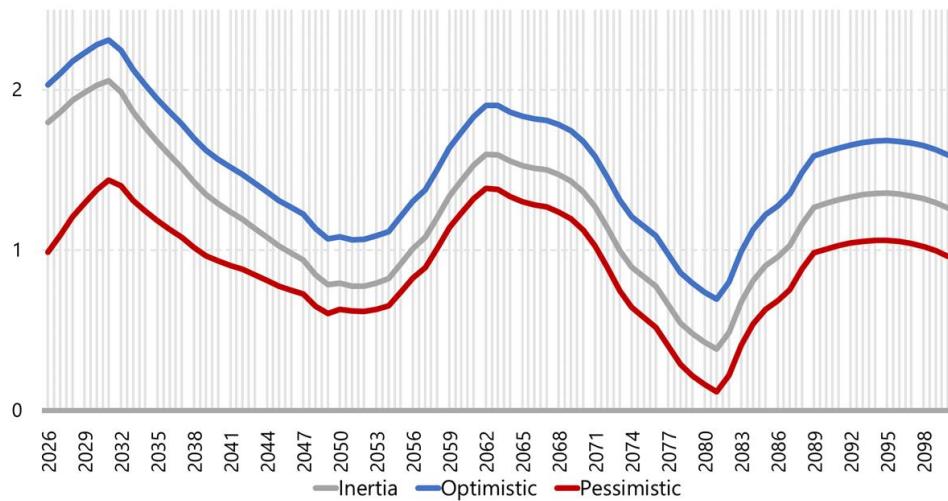
This leads to an important conclusion for the medium-term outlook: the elevated growth observed in 2023–2024 was the result of cyclical factors, while Belarus's long-term equilibrium growth rate remains weak, likely in the range of 1.0–2.0% (which aligns with the estimates based on statistical filtering methods). Estimates of equilibrium growth were in the same range in 2020, prior to the economy entering a period of large-scale shocks (Kruk, 2020). From a long-run growth perspective, the period of 2023–2024

should therefore be interpreted either as a one-off positive level shift in equilibrium output or purely as a cyclical shock. Accordingly, all key considerations regarding Belarus' weak long-term growth environment (Kruk, 2020) and the lack of productivity growth drivers remain fully relevant today.

It is therefore not surprising that long-term growth models produce a similar picture: growth in the range of 1.0–2.0% per year, under two basic assumptions: (i) productivity growth remains weak and does not exceed its average over the previous 20 years; and (ii) demographic dynamics follow long-term UN projections. Figure 2 presents simulations based on the World Bank's Long-Term Growth Model (Loayza & Pennings, 2022) under three scenarios: (1) an inertial scenario, in which key exogenous variables (except demography) are extrapolated from historical data; (2) an optimistic scenario, assuming somewhat stronger productivity and human capital growth till 2050; and (3) a pessimistic scenario, assuming slower productivity and human capital growth till 2050 combined with a higher current account deficit.

Average growth over 2026–2100 ranges from 0.9 to 1.5% per year across these scenarios. The core constraint on long-term growth remains insufficient productivity growth (Kruk & Bornukova, 2013), largely driven by the current political regime's unwillingness and inability to remove existing barriers to productivity growth (Kruk, 2018; Kruk, 2020). In other words, this is not a technologically predetermined growth ceiling, but a political economy equilibrium shaped by the prevailing system of institutions, incentives, and constraints, compounded by demographic trends.

Figure 2. Belarus: Long-term Per Capita GDP Growth Projections, % per annum

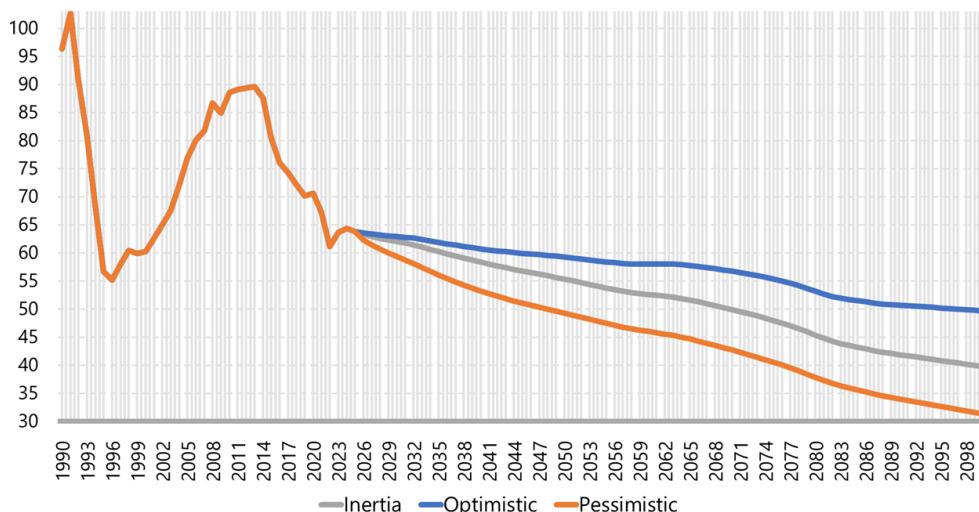


Source: Own calculations based on WB LTGM Model (Loayza & Pennings, 2022).

Any of these scenarios implies a highly disappointing future for Belarus. By domestic standards, such sluggish growth effectively amounts to stagnation for a middle-income country. In the worst-case scenario, incomes double over the next 75 years compared to 2025. Essentially, with such a growth path, it will take Belarus 75 years to reach income levels already attained by the world's richest countries today.

However, given that other countries will also continue to grow, this trajectory implies that Belarus will keep falling behind in relative terms. For instance, compared with Poland (the baseline LTGM simulations), Belarus will become increasingly poorer (see Figure 3). The only question is how fast and by how much.

Figure 3. GDP per capita (PPP, int\$, 2024): Belarus as % of Poland, % per annum, projections



Source: Own calculations based on WB LTGM Model (Loayza & Pennings, 2022) and World Development Indicators Database.

The Political Economy of Stagnation and a Likely Turning Point

A return to stagnation will inevitably generate new social effects. The political economy literature documents a wide range of consequences associated with prolonged stagnation in income and economic performance. For example, persistent negative economic patterns are often associated with political anomalies such as polarization and households' increased openness to political experimentation - such as voting for non-traditional/extremist parties as well as other forms of political backlash (Funke et al., 2016; Rodrik, 2018). These effects are largely driven by shifts in the political preferences of the middle class, which are more sensitive to relative decline and loss of social status than to absolute income levels (Gidron & Hall, 2017). Stagnation can also reduce the likelihood of gradual institutional reform while increasing the risk of abrupt political shifts (Acemoglu & Robinson, 2006; Guriev & Treisman, 2022). Which combination of these effects ultimately materializes, and in what sequence, is highly context-dependent.

As early as 2026, Belarusian households are likely to begin feeling the constraints to economic growth in their incomes. During 2022–2025, real wages and incomes grew much faster than the economy as a whole: by 2025, GDP was roughly 5% higher than in the pre-war, pre-sanctions year of 2021, while average real wages rose by approximately 37%. This huge gap was driven by labor supply shortages amplified by adverse demographic trends and mass emigration. Much

of the adjustment burden was absorbed by a deterioration in corporate sector financial health. By 2026, the corporate sector will have limited capacity to continue sustaining such a divergence between economic growth and labor costs, while overall growth will slow. Consequently, already in 2026, income growth and consumer optimism are likely to weaken. As the economy settles into stagnation, this pattern is expected to intensify.

Exhausted income growth and declining consumer optimism, coupled with an increasingly tangible sense of relative impoverishment compared to Western neighbors, will almost certainly alter the social climate and household preferences in Belarus. But in what direction? And which political anomalies are most likely under Belarusian conditions?

An obvious analogy is the period of 2012–2020. Economic stagnation during that time generated public demand for expanded economic and political freedoms, culminating in the attempted democratic revolution of 2020. The internal state of Belarusian society and its prevailing attitudes (Chatham House, 2024) support such an analogy for future perspective. However, that period was characterized by fundamentally different domestic and external conditions. Domestically, policy was framed around gradual quasi-liberalization across social spheres. In foreign policy, authorities pursued a 'multi-vector' strategy, seeking to balance relations with several external partners. Economically, the state refrained from encroaching on the private sector's autonomy and occasionally even created incentives for its development, alongside strengthening macroeconomic policy frameworks. Today, the situation across all these dimensions is

almost the exact opposite. The Belarusian authorities have eliminated virtually all space for civic activity (Center for New Ideas, 2025), isolated the country from the developed world, and chosen total dependence on Russia (Kruk, 2024) as the lesser evil. While the private sector remains significant in scale (BEROC, 2025), its dependence on and subordination to political authorities has increased substantially.

The Belarusian case is too complex and context-specific to confidently identify a single dominant scenario. What can be stated with high probability is that the current political-economic status quo predetermines the search for a new steady state. Economic stagnation will make the environment more malleable and prone to change. Moreover, aware of this, key actors are likely to increasingly attempt to shape developments preemptively in order to strengthen their positions. From this perspective, there is a high likelihood that Belarus will pass through a new turning point in the foreseeable future. The key strategic question is which development trajectory will prevail afterward.

Policy Implications for the Future

In the tradition of modern political economy, a development trajectory depends on the balance of interests among key actors and the behavioral patterns they generate. From this view, following a new turning point, the most realistic scenarios for Belarus involve a continued drift toward deeper dependence on Russia. The already intensified de facto dependence on Russia (Kruk, 2024) strengthens actors whose interests align with

such a trajectory. The interests of the Belarusian and Russian political regimes, as well as those of a broad range of Belarusian businesses, are largely tied to Russia. Society, whose dissatisfaction is likely to grow amid stagnation, has a limited set of instruments to influence outcomes. Those segments of society that oppose this drift may simply be ignored. Moreover, in the current environment—marked by modern authoritarian tools such as propaganda and manipulation (Guriev & Treisman, 2022) and reinforced by large-scale repression (Center for New Ideas, 2025)—there are signs that the range of publicly expressed demands in Belarusian society is narrowing (Chatham House, 2025). Taken together, this suggests a strong path-dependence dynamic in which stagnation is likely to deepen Belarus's entrenchment within Russia's orbit of influence. Within this paradigm, the only way to influence Belarus's future development trajectory today is to preemptively shift the spectrum of interests. The desired strategic direction would be to constrain Russia's capacity to provide patronage to Belarusian interest groups, while simultaneously strengthening Belarus's institutional capacity as a country, rather than as the property of the current political regime.

Rodrik (2014) highlights a key shortcoming of contemporary political economy models: insufficient attention to ideas. In that context, ideas refer to actors' perceptions of (i) their optimization specifications, (ii) how the external environment functions, and (iii) which instruments are at their disposal. Standard political economy approaches tend to assign actors a fixed, predefined set of such perceptions. In



reality, however, this set is contextual, shaped by numerous factors, and subject to change.

This insight complements the desired strategic shift outlined above. Escaping the emerging political path will require new ideas - a new mental map through which actors can reinterpret their interests. At present, this ideation space, at least for actors within Belarus, is almost entirely monopolized by the concept of development within Russia's orbit.

Efforts to distance Belarus from Russia (at least to some extent) and, more importantly, to construct a new mental map can already be undertaken today. Their primary temporal reference point, however, is the future turning point. The work by Bushilo et al. (2025) can be viewed as an example of translating these principles into practical policy terms today.

It argues for a calibrated adjustment of the international community's approach toward Belarus within clearly defined limits, while fully acknowledging the Lukashenka regime's complicity in Russia's aggression against Ukraine. Central to this approach is a distinction between the regime and the country of Belarus itself—a distinction that remains analytically and strategically relevant.

This perspective has at times been mischaracterized as an effort to normalize relations with the Belarusian regime. However, the approach does not question the security rationale of sanctions or the responsibility of the regime; rather, it situates them within a broader strategic framework that seeks to avoid conflating pressure on the regime with the long-term prospects of Belarusian statehood.

Above all, it is about shaping a new strategic position, developing new ideas, and redefining the mental map regarding Belarus. Beyond the regime, it is important to recognize something more fundamental: the country of Belarus itself. A country whose future is not predetermined, and which retains the potential to alter its development trajectory beyond the lifespan of the current political regime. This is not about an immediate shift in actors' preferences, but about reducing the rigidity of the dominant path dependence by expanding the set of strategies perceived as feasible, above all in the long-term perspective following a turning point. For international actors who recognize this potential and are interested in its realization, preventive action is already warranted today.

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