

BELGIUM

Economic Snapshot

Fourth Quarter | 2015



Overview

The Belgian economy lost some momentum in the second half of 2015, mainly due to weaker growth in household consumption, with the government's imposition of a whole-economy wage freeze until 2017 and rising inflation clearly weighing on sentiment. GDP growth was 0.2% in Q3 - down from 0.5% in Q2 – and a similar performance is expected in Q4, which would take 2015 GDP growth to 1.4%. This would be close to Belgium's potential growth rate but below the eurozone average of 1.5%.

Economic indicators more positive for 2016

High frequency economic indicators are pointing to a gradual improvement in consumer spending and investment in H1 2016. Consumer confidence has risen in recent months, amid greater positivity around employment prospects and the outlook for the economy. Prospects for business investment have also become more positive, underpinned by improving profitability, rising capacity utilisation and increasingly favourable credit conditions, following the decision by the European Central Bank (ECB) to loosen monetary policy further in December. Investment growth forecasts have been revised up to 1.6% for 2016, albeit this is still less than the estimated 2.1% growth in 2015.

Net trade to be less of a drag on growth

Exports rose steadily throughout 2015, helped by the weak euro and better demand from key eurozone trading partners. Exporters have also benefitted from increased competitiveness, due to slower growth in unit labour costs. Nevertheless, imports have remained ahead of exports and this led to a negative contribution to GDP from net foreign trade in 2015. This situation is expected to reverse in 2016 as export growth outpaces import growth for the first time since 2012.

Outlook

GDP growth is expected to reach 1.4% in 2016 and average 1.6% over the medium term, with all sectors of the economy, except public spending, making positive contributions to growth. Domestically, growth will be constrained by high public debt and ongoing structural issues in the labour market, while exporters are also vulnerable to any potential slowdown in eurozone markets.

MARKET INDICATORS

Market Outlook

GDP:	Current rate of growth expected to be maintained in 2016, albeit still lagging the eurozone average.	▼
Inflation:	Rising to 1.3% in 2016, with further increases to 1.6% expected in 2017.	▼
Interest rate:	On hold, with no changes expected in 2016.	▶
Employment:	Gradually improving in 2016 as firms' renew expansion plans.	▼

Economic Summary

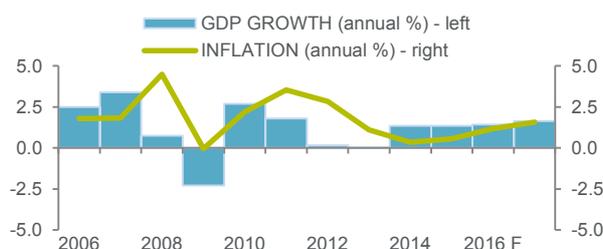
ECONOMIC INDICATORS	2012	2013	2014	2015 ^E	2016 ^F
GDP Growth	0.2	0.0	1.3	1.4	1.4
Consumer Spending	0.6	0.9	0.4	1.4	1.3
Industrial Production	-2.1	0.9	0.9	-0.3	2.1
Investment	0.2	-1.7	7.0	2.1	1.6
Unemployment rate (ILO%)	7.6	8.4	8.5	8.7	8.4
Inflation	2.8	1.1	0.3	0.6	1.2
USD/EUR (average)	1.28	1.33	1.33	1.11	1.07
USD/EUR (end-period)	1.32	1.38	1.21	1.09	1.05
Interest Rates: 3-month (%)	0.2	0.3	0.1	-0.1	-0.2
Interest Rates: 10-year (%)	2.1	2.6	0.8	1.0	1.7

NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast
Source: Oxford Economics Ltd. and Consensus Economics Inc

Economic & Political Breakdown

Population	11.3 million (2015f)
GDP	US\$ 454.7 billion (2015)
Public Sector Balance	-2.9% of GDP (2015)
Public Sector Debt	129.5% of GDP (2015)
Current Account Balance	0.1% of GDP (2015)
Parliament	Four-party coalition government of MR, CD&V, N-VA and Open VLD.
Head of State	King Philippe I
Prime Minister	Charles Michel
Election Dates	May 2019 (federal and regional)

Economic Activity



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