

BELGIUM

# Economic Snapshot

First Quarter | 2016



## Overview

The Belgian economy grew by 1.4% in 2015, a solid performance and close to the economy's potential growth rate. Private consumption and investment has gradually improved in recent months, but the export sector has slowed, with weaker demand from global markets. The contribution from government spending also remains subdued. The recent terror attacks in Brussels may impact on private consumption and certain sectors of the economy in the short term but are not expected to have any major longer term economic consequences.

## Modest improvement in domestic demand

The financial market turbulence in early 2016 has weighed on consumer and business sentiment, but economic fundamentals are steadily improving. The recent reform efforts to reduce unit labour costs, low oil prices and very accommodative monetary policy by the ECB will help boost business profit margins and investment. Public spending and investment is expected to remain weak however, with the government continuing to look at options to trim the budget deficit. Fixed investment growth was 2.2% in 2015 and is expected to weaken to 1.4% in 2016 before averaging a healthy 2.8% over the medium term.

## Solid contribution from exports

Exports increased by a respectable 3.5% in 2015, helped by the weak euro and good demand from eurozone countries, which account for around 70% of all Belgian exports. The sector has lost some momentum in Q1, however, mainly due to weaker demand from non-eurozone markets, but this is being partially offset by the continued weakness in the euro and improved competitiveness from the recent labour market reforms. Exports are forecast to increase by 3.5% in 2016, the same pace as in 2015

## Outlook

The outlook for the economy is stable, with growth forecast to average 1.6% a year in 2016-19, compared with a pre-crisis average of 2.3%. Despite the government making some progress on reforms, domestic growth will remain constrained by high public debt and structural issues in the labour market. The export sector is heavily focused on markets with slower growth potential, especially in the eurozone, and this remains a key downside risk.

## MARKET INDICATORS

### Market Outlook

GDP:	Current rate of growth expected to be maintained over the medium term.	▶
Inflation:	Gradually increasing in 2016, but inflationary pressures are expected to remain relatively modest.	◀
Interest rate:	The ECB continues to pursue ultra-loose monetary policy and may cut interest rates further.	▲
Employment:	Marginal improvements in 2016, but strengthening in 2017 as firms' reconsider expansion plans.	▼

### Economic Summary

ECONOMIC INDICATORS	2013	2014	2015 <sup>E</sup>	2016 <sup>F</sup>	2017 <sup>F</sup>
GDP Growth	0.0	1.3	1.4	1.4	1.7
Consumer Spending	0.9	0.4	1.3	1.1	1.8
Industrial Production	0.9	0.9	-0.1	1.9	2.2
Investment	-1.7	7.0	2.0	1.2	3.1
Unemployment rate (ILO%)	8.5	8.5	8.5	8.3	8.0
Inflation	1.1	0.3	0.6	1.5	1.5
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 (%)	0.3	0.1	-0.1	-0.3	-0.2
Interest Rates: 10-year (%)	2.6	0.8	1.0	0.9	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\$ 454.6 billion (2015)
Public Sector Balance	-2.6% of GDP (2015)
Public Sector Debt	106.0% of GDP (2015)
Current Account Balance	0.0% 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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