BELGIUM

Economic Snapshot

Second Quarter | 2016

Subdued start to 2016 for the economy

As widely expected, the terrorist events earlier in the year have hit confidence and economic activity, with GDP growth just 0.2% quarter-on-quarter in Q1, compared with 0.5% growth in Q4 2015. This slowdown appears to have been short lived, however, with business and consumer confidence bouncing back in Q2. The UK's vote to leave the EU has cast a shadow on Belgium's outlook, given that the UK is one of Belgium's most important trade partners and the countries share important financial ties.

Domestic demand expected to strengthen

Consumer spending was hit hard by the terror attacks, expanding by a weak 0.1% in Q1. Consumption has also been undermined by weak job growth and the government's recent efforts to reform the labour market, which triggered strikes across the country. Consumers appear to be shaking off these constraints, however, with monthly retail sales rising 1.0% in April and 0.9% in May, while confidence indicators are once again rising. Business confidence in June was at its highest level since April 2011, which is helping boost profit margins, capacity utilisation and investment. Fixed investment growth is forecast to strengthen to 2.5% in 2016, from 2.3% in 2015, with this rate of growth being maintained over the medium term.

Net trade supportive of growth

Exports are forecast to increase by a robust 4.4% in 2016, while imports are forecast to slow to 3.8%. The export sector continues to benefit from good demand from the eurozone, while the weak euro is boosting demand from non-eurozone markets.

Structural problems to limit growth prospects

While the outlook for the economy is stable, more reforms are needed to spur faster growth. The government has made some progress on reducing the high public debt burden, but it still has some way to go before it balances the budget deficit. The ongoing labour reforms should help increase firms' flexibility and competitiveness going forward, but the export sector is still heavily focused on markets with slower growth potential, especially in the eurozone, which needs to be addressed.

MARKET INDICATORS

Market Outlook

GDP:	Steady growth of 1.3% in 2016, before slowly rising to an average of 1.5% a year in 2017-2019.
Inflation:	Steadily increasing to 2.0% in 2016, and is expected to remain close to these levels in the medium term.
Interest rate:	The ECB is expected to continue with its ultra-loose monetary policy and may cut interest rates further.
Employment:	Strengthening job growth, with business confidence rising and firms looking at expansion opportunities.

Economic Summary

ECONOMIC INDICATORS	2013	2014	2015E	2016F	2017F
GDP Growth	0.0	1.3	1.4	1.3	1.5
Consumer Spending	0.9	0.4	1.3	0.9	1.6
Industrial Production	1.0	0.9	0.0	3.6	0.8
Investment	-1.7	7.0	2.3	2.5	2.8
Unemployment rate (ILO%)	8.5	8.6	8.5	8.5	8.1
Inflation	1.1	0.3	0.6	2.0	1.8
USD/EUR (average)	1.33	1.33	1.11	1.10	1.06
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	1.0	1.8

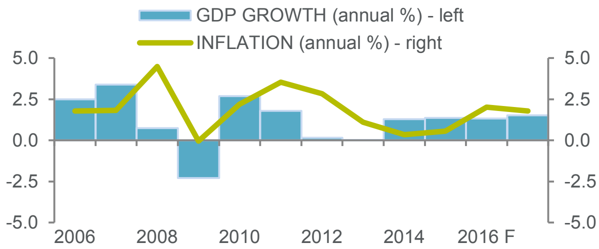
NOTE: *annual % growth rate unless otherwise indicated. E estimate F forecast

Source: Oxford Economics Ltd. and Consensus Economics Inc

Economic & Political Breakdown

Population	11.3 million (2015)
GDP	US$ 454.2 billion (2015)
Public Sector Balance	-2.7% of GDP (2015)
Public Sector Debt	126.7% of GDP (2015)
Current Account Balance	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



Cédric Van Meerbeeck
Head of Research Belgium & Luxembourg
Avenue des Arts 56, 1000 Brussels
Tel: +32 2 629 02 86
cedric.vanmeerbeeck@cushwake.com
cushmanwakefield.com