



Belgian economic growth should amount to 1.2% in 2015 and to 1.3% in 2016

In accordance with the Law of 21 December 1994, the National Accounts Institute has transmitted the figures of the economic budget to the Minister for Economy. These macroeconomic forecasts are produced within the framework of the preparation of the federal budget for 2016.

These forecasts do not take into account the government measures announced in July in the context of the preparation of the federal budget and the tax shift. This also holds for the VAT rate hike on electricity for domestic use from September onwards as this measure is part of a global agreement, the modalities of which were not available in time for integration into these forecasts.

Eurozone economy recovers gradually

World economic growth in 2015 and 2016 should be supported by a sustained recovery in the advanced economies (above all in the US), but is nevertheless expected to weaken this year as the slowdown of the Chinese economy weighs on exports and economic growth of emerging countries. GDP growth in the euro area should speed up from 0.9% in 2014 to 1.4% in 2015 and to 1.7% in 2016 thanks to low oil prices, the depreciation of the euro and a fiscal policy that no longer weighs on economic activity. Compared to our June forecast, economic growth in the euro area and in other advanced economies has been revised slightly downwards. This is a result of the above-mentioned slowdown in emerging economies, which has turned out to be more pronounced than expected.

The uncertainties surrounding this international scenario have to do with the Chinese economy (risk of a hard landing) and the impact of the first interest rate hike of the US central bank (possibly still this year).

Private consumption contributes significantly to Belgian GDP growth in 2015. Economic growth for 2016 revised downward.

After a downturn at the turn of the year, exports should benefit from the gradual acceleration in global economic activity and the depreciation of the euro, and still post a growth rate of 3.4% this year. Backed by an acceleration in growth of foreign export markets and the beneficial development in domestic costs (a direct consequence of measures aimed at limiting labour costs that were taken before July 2015), export growth

should accelerate to 4.2% in 2016. The surplus on the current account of the balance of payments mounts considerably in 2015 due to an improvement in the terms of trade (because of lower oil prices) and a strong increase in net exports (in volume terms) in 2016.

Quarterly Belgian real GDP growth
Corrected for seasonal and calendar effects



In 2015 and 2016, real disposable income growth should be backed by the increase in employment but at the same time be limited by the policy of wage moderation. Beneficial price effects (mainly due to lower energy prices) should still result in an increase in real disposable income of 1.1% in 2015. In 2016, however, the increase in purchasing power should remain limited to 0.5%. Private consumption growth should outpace the increase in disposable income in both years, among other reasons because of the improved situation in the labour market. With an increase of 1.9%, private

consumption contributes strongly to economic growth in 2015. The increase should be less pronounced in 2016 (0.6%). Because of a disappointing first quarter, households' residential investment should show only marginal growth in 2015 (0.2%), but gain momentum in 2016 (1.1%).

Business investment, which proved markedly strong last year (6.8%), should increase by 2.8% in 2015 and decrease by 0.8% in 2016. However, these figures are heavily influenced by exceptional purchases of investment goods and patents that have no effect on GDP as they were imported. Excluding these transactions, business investment proves to be an important driver of economic growth in the years 2014-2016, growing by 2.6%, 2.8% and 2.9% respectively.

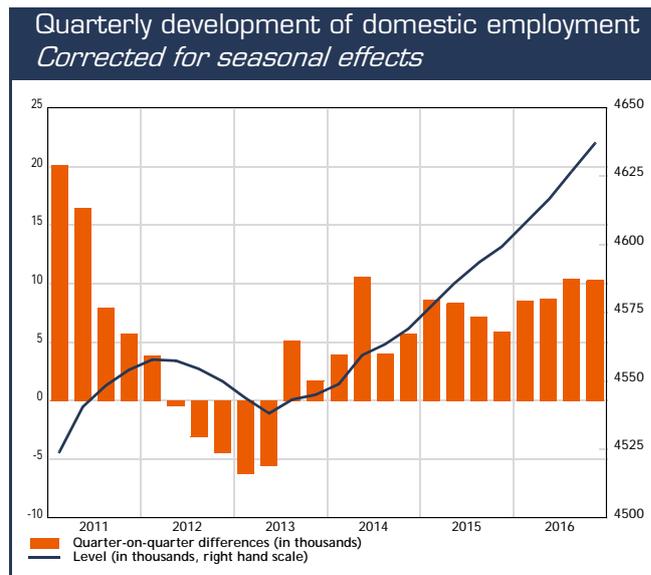
Government consumption growth (in volume) should amount to 0.3% this year and 0.7% next year. Government investment growth will, as was the case last year, rise strongly in 2015 (7.2%) mainly due to school building. In 2016 overall government investments should stabilise at this year's level.

Job creation supported by the limited rise in hourly wage costs

While last year's employment growth amounted to some 0.4% (a net increase of 17 700 jobs), increases of respectively 0.6% and 0.7% are expected in 2015 and 2016 (a total of 62 000 additional jobs). Since 2014, job creation has been supported less by employment in the publicly subsidized voucher system for household-type services than was the case in previous years. Moreover, government employment is set to diminish. However, job creation in the market sector is positively influenced by the limited rise in hourly wage costs. Productivity growth in this sector hence remains tepid.

Against the background of a further increase in the labour force, the number of unemployed persons (broad administrative definition) should decrease by a total of 38 000 persons in the course of this and next year. The

harmonised Eurostat unemployment rate should fall back from 8.5% in 2014 to 8.3% 2016.



Inflation picks up in 2016

Unlike the inflation forecasts that were published on the Federal Planning Bureau's website on 1 September 2015, the present forecasts do not take the VAT rate increase on electricity for domestic use into account (see introduction). Belgian inflation, as measured by the national index of consumer prices, should amount to 0.4% in 2015 and to 1.2% in 2016 (against 0.5% and 1.5% if the VAT rate hike on electricity is taken into account). The health index, which is not affected by the evolution of petrol and diesel prices, should rise by 0.9% and 1.2% (against 1% and 1.5%). The next crossing of the pivotal index (101.02) by the smoothed health index should hence not occur before 2017. The smoothed health index is defined in accordance with the law of 23 April 2015 that introduces the so-called 'index jump'.

For more information:

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Main figures for the Belgian economy
Changes in volume - unless otherwise specified

	2013	2014	2015	2016
Private consumption	0.3	0.9	1.9	0.6
Public consumption	1.1	1.0	0.3	0.7
Gross fixed capital formation	-2.2	5.4	2.7	-0.3
Final national demand	-0.6	0.9	1.9	0.5
Exports of goods and services	2.9	3.7	3.4	4.2
Imports of goods and services	1.8	3.6	4.2	3.3
Net-exports (contribution to growth)	0.8	0.2	-0.6	0.9
Gross domestic product	0.3	1.1	1.2	1.3
National consumer price index	1.1	0.3	0.4	1.2
Consumer prices: health index	1.2	0.4	0.9	1.2
Real disposable income households	-0.2	2.2	1.1	0.5
Household savings ratio (as % of disposable income)	13.5	14.5	13.9	13.8
Domestic employment (change in '000, yearly average)	-12.4	17.7	28.8	32.9
Unemployment (Eurostat standardised rate, yearly average) [1]	8.4	8.5	8.5	8.3
Current account balance (BoP definition, as % of GDP)	-0.2	1.6	3.7	4.4
Euro exchange rate (USD per 100 EUR)	132.8	132.9	112.6	114.9
Short term interest rate (Euribor, 3 m.)	0.2	0.2	0.0	0.0
Long term interest rate (10 y.)	2.4	1.7	0.9	1.3