

Quarterly Newsletter of the Federal Planning Bureau

Short Term Update (STU) is the quarterly newsletter of the Belgian Federal Planning Bureau. It contains the main conclusions from the publications of the FPB, as well as information on new publications, together with an analysis of the most recent economic indicators.

HEADLINES BELGIAN ECONOMY

The new economic outlook for Belgium for the period 2012-2017 is based on a context of budget consolidation and weak economic growth for Europe. After a year 2012 marked by a mild recession, the euro area should gradually recover the path of growth. However, this growth would be modest and mixed according to country. The main risk factor for these growth forecasts lies in the sovereign debt crisis and the evolution of the financial sector in the euro area.

Despite this unfavourable context, the Belgium economy should avoid a recession in 2012 and register GDP growth equal to 1.4% in 2013. From 2014 onwards, Belgian economic growth should become more dynamic, without exceeding 2%. Export growth should amount to 3.7% on average on an annual basis over the period 2014-2017, which means that the loss of market share should persist (1.3 percentage points per year). Over the same period, domestic demand should have an annual growth rate of 1.6%, causing GDP to increase by 1.9% on average per year.

Belgian inflation should exceed largely 2% in 2012, owing to a new rise in energy prices, the depreciation of the euro against the dollar, and increases in indirect taxes, but should fall below 2% in 2013, notably thanks to lower oil prices. In the context of a moderate rise in international energy prices, Belgian inflation should stabilize at 1.8% on average during the period 2014-2017.

Total domestic employment should increase by 8 000 units this year and by 14 000 units next year. From 2014 onwards, total employment is expected to increase by 188 000 jobs over the period 2014-2017. The number of unemployed persons (broad administrative concept) should rise between 2012 and 2014 (+ 64 000 units). Over the following years, employment should grow more strongly, while the labour force continues to expand, partially due to the pension reform. As a result, the decrease in unemployment should remain limited to 33 000 units during the period 2015-2017. Finally, as measured by the Eurostat definition, which allows for international comparisons, the unemployment rate should amount to 7.3% in 2013, compared to 7.2% in 2011.

Driven by the federal government's consolidation measures and the federate bodies' ongoing budgetary consolidation, the general government's deficit should shrink to 2.6% of GDP this year (compared to 3.7% in 2011) and thus meet the objective of the Stability Programme. Without additional measures, the general government's deficit should again increase to 2.8% of GDP in 2013. In the medium term, the deficit should shrink slightly to attain 2.5% of GDP in 2017. To reach a balanced budget in 2015 (as planned by the Stability Programme), additional measures amounting to EUR 11 billion are thus necessary.

STU 2-12 was finalised on 1 June 2012.

The Federal Planning Bureau (FPB) is a public agency under the authority of the Prime Minister and the Minister of Economy. The FPB has a legal status that gives it an autonomy and intellectual independence within the Belgian Federal public sector.

FPB activities are primarily focused on macroeconomic forecasting, analysing and assessing policies in the economic, social and environmental fields.

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Dealing with uncertainty in macroeconomic forecasting

The Federal Planning Bureau is responsible, within the National Accounts Institute, for producing the macroeconomic forecasts that are used to establish the federal government budget. Several hundred variables are reported in this so-called “economic budget” under the form of a single value per variable (“point estimate”), which may be considered as the best guess at the moment the forecast is elaborated. However these estimates are in fact surrounded by a sizeable degree of uncertainty. Different approaches can be applied to quantify the risks around the most likely forecast. Two of these methods are illustrated in this article using the economic budget of February 2012 as the central scenario.

Different methods proposed in the literature

Presenting forecasts under the form of point estimates offers the advantage of their being easy to understand by the public and is also required by policy makers. This is especially true when macroeconomic forecasts are established for the elaboration of the government budget, as is the case with the economic budget. Nonetheless, point estimates may give a misleading impression of precision since macroeconomic forecasts are actually surrounded by considerable uncertainty. This issue of uncertainty in forecasting can be addressed quantitatively in several ways.

A first approach consists of performing a scenario analysis to illustrate the effects of potential risks related to the baseline. Such a scenario singles out the impact of a particular shock that is considered to represent a major risk associated with the central scenario. This approach requires the use of a model, and simulation results are typically expressed as deviations from the baseline.

A second method entails the construction of confidence intervals for the forecasted variables. These confidence bands may be symmetric as is, for instance, the case with the ECB/Eurosystem staff projections, where the size of the “projection range” is set to be equal to twice the historical outlier-corrected mean absolute projection error. The range tends to widen over the projection horizon - reflecting the increased uncertainty surrounding projections when moving further into the future - and is generally larger for variables with higher intrinsic volatility. The confidence interval can also be asymmetric to reveal unbalanced risks, as is done by the Bank of England for its inflation forecasts or by the IMF for its world GDP growth prospects. Past forecast performance as well as judgment or information embedded in market indica-

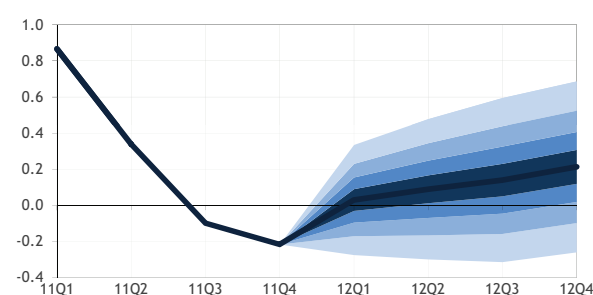
tors is used to quantify the balance of risks associated with the central scenario.

When projections are model-based, confidence intervals can also be constructed through stochastic simulations of the model, exploiting the probability distribution of the coefficients and the residuals of the econometric equations. Uncertainty associated with the assumptions of the exogenous data series can be added to the stochastic simulation process but uncertainty related to other external information, based for instance on expert opinion and introduced into the model by add-factors, is not included. For that reason, standard errors provided by stochastic simulations do not suffice for a forecast interval interpretation. Consequently, only the first two approaches will be illustrated hereafter, using the observations and forecasts in the economic budget of February 2012 as the central scenario.

Confidence bands around the central scenario

Past forecast errors for quarterly GDP growth were corrected for statistical outliers, and statistical tests confirmed that these errors are normally distributed and unbiased. Therefore, symmetric probability intervals around the central forecast can be constructed. This information can be summarised in a fan chart. The GDP growth forecast as published in the February release of the economic budget is depicted as a line in Graph 1. It implies a gradual improvement, albeit modest, in quarterly growth rates during the course of 2012. This central forecast is surrounded by a “fan” representing the probability distribution of the forecasts. The further the area around the central forecasts is extended, the higher the probability of the confidence interval and the lighter the colour in the fan: the darkest area around the central forecast represents the 20% confidence band, followed by the 40% confidence band in a somewhat lighter colour, up to the 80% confidence band in the lightest colour.

Graph 1 - Fan chart for GDP growth
q-o-q growth rate in %



According to this representation, the probability that Belgian quarterly GDP growth will remain in negative territory is around 45% in 2012Q1 and somewhat less than 30% by the end of the year.

However, such an approach rests on two important assumptions. Firstly, it assumes that past errors provide a good measure of future uncertainty. Secondly, deviations produced by a severe shock would often bring the result outside the 80% range, the latter representing the likely outcome under normal circumstances. This leads us to a complementary way of illustrating the risks, namely through the use of scenario analysis.

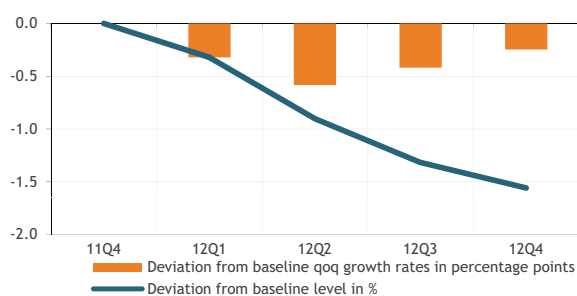
Scenario analysis based on exogenous shocks

Macroeconomic forecasts such as those published in the economic budget are said to be conditional as they rely on a set of assumptions regarding fiscal, social and monetary policy as well as on the evolution of international trade and prices. To quantify the sensitivity of the central scenario to these hypotheses, it is common to impose a change (“a shock”) on a limited number of these exogenous variables and to express the simulation results relative to the baseline.

It is assumed in the central scenario of the February economic budget that the sovereign debt crisis will not intensify and that economic activity will gradually pick up. Up to now this scenario has been confirmed, although downside risks have not receded. On the contrary, financial markets’ distrust of fiscal sustainability and bank asset quality increased recently, resulting in decreasing bank asset prices and increasing sovereign spreads. If this situation persists, banks could be forced to tighten lending standards and constrain credit growth to rebuild capital buffers. The resulting weakening in economic activity could lead to a further increase in sovereign spreads and a new deterioration in bank asset quality. The IMF presented the simulation results of this downside scenario in its April 2012 *World Economic Outlook*. The geographical distribution (six regions) of the IMF simulation results for GDP and inflation was used to calculate the impact of the downside scenario on the exogenous variables of MODTRIM, the quarterly model for the Belgian economy that serves as a central tool for producing the economic budget. It should be noted that the goal of this simulation is to provide an example of the spillovers of an international shock on the Belgian economy, not to deliver a detailed description of a Belgian banking crisis.

As the sovereign debt crisis is mainly a euro area phenomenon, it should not come as a surprise that European countries are affected most by an aggravation of the crisis. In the downward scenario, Belgian relevant export markets would be 7% below their baseline level after four quarters, while international prices would lose 1.3% as compared to the central scenario for this time span. Graph 2 presents the impact of this shock on Belgian GDP. To ensure comparability with the fan chart (Graph 1), it was assumed that the downside scenario started to affect the world economy in 2012Q1.

Graph 2 - Downside scenario for GDP growth



The impact of this shock on the Belgian economy can be considered in several ways. The first one, which is traditionally used to report the simulation results of a shock, reports the deviation from the baseline level in percent (line in Graph 2) and indicates that Belgian GDP would be almost 1.6% lower than in the central scenario four quarters after the onset of the shock. An alternative that is added here (bars in Graph 2) to allow a comparison with the fan chart consists of providing the qoq growth rate differential between the downside and the central scenario in percentage points. That representation reveals that this shock would initially have a larger impact on the Belgian economy than is suggested by the lower bound of the 80% confidence band in Graph 1 but that the qoq growth rates of the downside scenario would move back within this confidence interval after three quarters. Note that growth rate differentials remain negative after four quarters, implying that, in the short run, there would be no partial recovery from the initial loss in economic activity.

These examples illustrate that a fan chart can be a good indicator of the probability distribution surrounding a forecast in ‘normal’ times. However, the deviation caused by a severe shock will often fall outside the range covered by the 80% confidence interval.

Economic forecasts 2012-2017

A scenario of moderate recovery for Belgium against the background of the European crisis

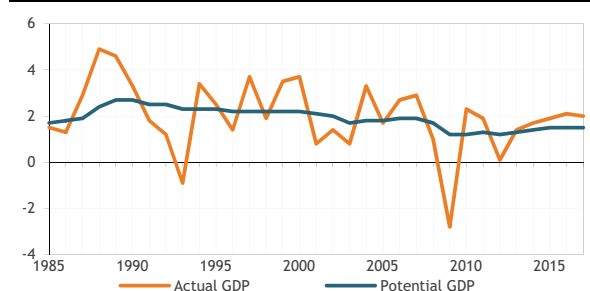
The new Economic Outlook for Belgium for the period 2012-2017 for Belgium is set against a background of budgetary consolidation and weak economic growth in Europe.

World GDP should increase by merely 3.3% in 2012, compared to 3.8% in 2011 and 5.0% in 2010. The euro area, in particular, should display weak growth performance due to the sovereign debt crisis and the impact of budgetary consolidation measures, as a result of which a (slight) recession around -0.3% should be inevitable. There are, however, major differences in the performances of the individual Member States: while Germany and France should still record slightly positive growth, the countries most affected by the debt crisis should face a deep recession. The euro area should gradually come out of recession and, insofar as the European authorities manage to curb the crisis and restore confidence durably, growth in the euro area and the EU should be approximately 1% in 2013.

The macroeconomic scenario for the period 2014-2017 presumes annual GDP growth of 1.6% in the euro area. Growth should, however, be less strong than before the crisis erupted, due to simultaneous deleveraging in both the financial sector and the Member States' governments, as well as to less favourable demographic evolutions. American growth should be affected less by those factors and should exceed 3% on average.

The main risk factor for these growth forecasts lies in the sovereign debt crisis and the evolution of the financial sector in the euro area. A worsening debt crisis could lead to strict credit rationing, followed by a new and severe recession able to affect even the strongest euro countries. Another important risk pertains to the escalation of geopolitical tensions in the Middle East, which may send oil prices soaring to unequalled levels and threaten global economic recovery.

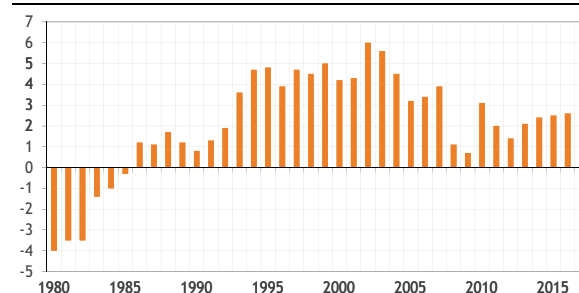
Graph 1 - Actual and potential GDP growth
annual percentage changes



Considering the gradual pickup of the European business cycle and the federal government's consolidation measures, the Belgian economy should grow by approximately 0.1% in 2012. Nearly all components should be affected and show growth around 0%. In the wake of the European economic upturn, Belgian GDP should grow again in 2013 (1.4%), driven by exports and, to a lesser extent, by domestic demand (1.0%).

In a more favourable international context after 2013, export growth should amount to 3.7% on average on an annual basis over the period 2014-2017, which means that the loss of market share should persist (1.3 percentage points per year). The structural loss of export market share should originate from the emergence of new emerging export countries and a product mix that is disadvantageous as the Belgian economy is particularly specialized in weak growth products. Over the same period, domestic demand should have an annual growth rate of 1.6%, causing GDP to increase by 1.9% on average per year. Under these circumstances and assuming controlled growth of import prices, the current account surplus should expand from 1.4% of GDP in 2012 to 2.4% of GDP by 2017.

Graph 2 - Current external balance
as a percentage of GDP



Belgian inflation, as measured by the national CPI, should reach 2.9% in 2012 owing to a new rise in energy prices, the depreciation of the euro against the dollar, and increases in indirect taxes. The health index increase should remain limited to 2.7%. Driven by lower oil prices, inflation should be markedly lower next year and reach 1.9% in 2013¹. In the context of a moderate rise in international energy prices, Belgian inflation should stabilize at 1.8% on average during the period 2014-2017.

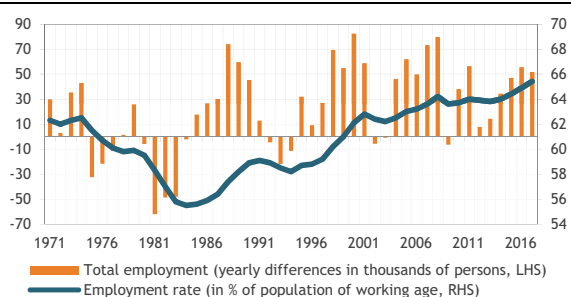
Total domestic employment should increase by 8 000 units this year and by 14 000 units next year. That weak employment growth is first and foremost the result of the unfavourable economic situation but is also the result of the decline in public employment during that period (-1 500 persons). Since value added should grow

1. Inflation forecasts were recently revised downwards. See page 15 for further information.

more strongly from 2014 onwards, total employment is expected to increase by 188 000 jobs over the period 2014-2017. The employment rate, as defined in the framework of the EU 2020 Strategy, should rise from 67.3% in 2011 to 68.5% in 2017, i.e. a difference of 315 000 persons compared to the target of 73.2% set for 2020.

The number of unemployed persons (broad administrative concept) should rise considerably between 2012 and 2014 (+ 64 000 units). Over the following years, employment should grow more strongly. Meanwhile the labour force will continue to expand, partially due to the pension reform. As a result, the decrease in unemployment should remain limited to 33 000 units during the period 2015-2017. Finally, as measured by the Eurostat definition which allows international comparisons, the unemployment rate should amount to 7.3% in 2013, compared to 7.2% in 2011.

Graph 3 - Employment and the rate of employment



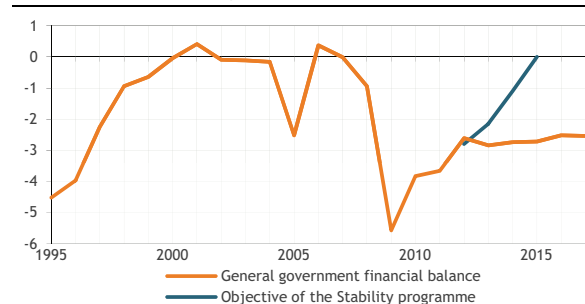
Driven by the federal government's consolidation measures and the federate bodies' ongoing budgetary consolidation, the general government's deficit should shrink to 2.6% of GDP this year (compared to 3.7% in 2011) and thus meet the objective of the Stability Programme. Without additional measures, the general government's deficit should again increase to 2.8% of GDP in 2013. In the medium term, the deficit should shrink slightly to attain 2.5% of GDP in 2017. To reach a balanced budget in 2015 (as planned by the Stability Programme), additional measures amounting to EUR 11 billion are thus necessary. For 2013, the consolidation effort to attain the Stability Programme's target (a 2.15% deficit) should add up to nearly EUR 3 billion.

The deficit of Entity I (federal government and social security) should stabilize around 2.7% between 2013 and 2017. Social security expenditure is projected to increase more rapidly than GDP, in particular for pension and health care expenses, in spite of a decrease in unemployment and early retirement expenses resulting from the reforms in that area. If the federal government were not to prolong the social security balancing grant, social security would again show a deficit of approximately 1.5% of GDP from 2015 onwards. Consequently, the federal government's deficit should decrease from 2.7% of GDP in 2014 to 1.3% in 2015 and continue to shrink very slowly afterwards.

The communities and regions are assumed to continue to pursue the restrictive budgetary policy implemented since the crisis and the current financing mechanisms are expected to be maintained as the modalities of the sixth state reform have not yet been finalized. The communities and regions, still slightly in deficit in 2012-2014, should gradually reach a balanced budget and even record a surplus of approximately 0.2% at the end of the projection period. The local authorities' account should be in balance as from 2013. In the build-up to the 2018 municipal elections, however, it is expected to again be in deficit.

Despite the deficit reduction, public debt should increase from 97.9% of GDP in 2011 to 98.8% this year in view of the Belgian participation in the European crisis management mechanisms for public debt in the euro area. In spite of a persisting public deficit, the debt ratio should slowly decrease from 2013 onwards, provided that interest rates do not increase excessively. In 2017, consolidated gross debt should amount to 94.2% of GDP.

Graph 4 - General government financial balance as a percentage of GDP



Key figures for the medium-term economic outlook

Period averages, changes in volume unless otherwise stated

	2000-2005	2006-2011	2012-2017
Potential export market	6.1	3.9	4.2
Private consumption	1.3	1.6	1.0
Public consumption	2.0	1.1	1.6
Gross fixed capital formation	2.7	1.2	1.7
Stock building (contribution to GDP growth)	0.1	0.1	0.0
Final domestic demand	1.7	1.3	1.3
Exports	4.3	2.7	2.9
Imports	4.1	2.8	2.7
Net exports (contribution to GDP growth)	0.3	0.0	0.3
GDP	1.9	1.3	1.5
Real national gross income	1.4	1.1	1.3
Private consumption prices	2.2	2.2	2.0
Real disposable income - households	0.9	1.8	1.1
Domestic employment (annual changes in thousands)	38.5	47.2	35.0
Unemployment, FPB definition ^a			
- thousands	710.1	627.7	658.9
- % of labour force	14.1	11.9	12.0
Current account balance (% of GDP) ^a	3.2	2.0	2.4
General government financing capacity, EDP def. (% of GDP) ^a	-2.5	-3.7	-2.5
Public indebtedness (% of GDP) ^a	92.0	97.9	94.2

a. End of period

Summary of Economic Forecasts

Economic forecasts for Belgium by the Federal Planning Bureau

Changes in volume (unless otherwise specified) (cut-off date of forecasts: 23 April 2012)

	2010	2011	2012	2013
Private consumption	2.5	0.9	-0.1	0.3
Public consumption	0.1	0.5	0.5	2.2
Gross fixed capital formation	-0.7	5.2	0.4	1.3
Final national demand	1.1	1.7	0.2	1.0
Exports of goods and services	9.9	5.0	0.5	2.4
Imports of goods and services	8.7	5.2	0.5	2.0
Net-exports (contribution to growth)	1.2	0.0	0.0	0.4
Gross domestic product	2.3	1.9	0.1	1.4
p.m. Gross domestic product - in current prices (bn euro)	354.38	369.41	377.91	391.25
National consumer price index [1]	2.2	3.5	2.9	1.9
Consumer prices: health index	1.7	3.1	2.7	2.0
Real disposable income households	-0.5	1.2	-1.0	1.2
Household savings ratio (as % of disposable income)	16.2	16.4	15.6	16.3
Domestic employment (change in '000, yearly average)	37.0	56.1	7.8	14.3
Unemployment (Eurostat standardised rate, yearly average) [2]	8.3	7.2	7.5	7.8
Current account balance (BoP definition, as % of GDP)	1.4	-0.8	-1.4	-0.7
Short term interbank interest rate (3 m.)	0.8	1.4	0.8	0.8
Long term interest rate (10 y.)	3.4	4.2	3.5	3.4

[1] Inflation forecasts were recently revised downwards. See page 15 for further information.

[2] Other unemployment definitions can be found on page 14.

Economic forecasts for Belgium by different institutions

	GDP-growth		Inflation		Government balance		Date of update
	2012	2013	2012	2013	2012	2013	
Federal Planning Bureau	0.1	1.4	2.9 ^[1]	1.9 ^[1]	-2.6	-2.8	05/12
INR/ICN	0.1	.	2.7	.	.	.	02/12
National Bank of Belgium	-0.1	.	2.7	.	-3.4	.	02/12
European Commission	0.0	1.2	2.9	1.8	-3.0	-3.3	05/12
OECD	0.4	1.3	2.9	1.9	-2.8	-2.2	05/12
IMF	0.0	0.8	2.4	1.9	-2.9	-2.2	04/12
ING	0.4	1.5	2.8	2.1	-2.8	-2.2	06/12
BNP Paribas Fortis	0.5	1.4	2.7	1.9	-2.8	-1.8	05/12
Belfius	0.1	1.2	2.6	2.0	.	.	05/12
KBC	0.3	1.4	2.9	1.8	-2.7	-2.8	05/12
Deutsche Bank	-0.2	0.8	3.1	1.8	-3.6	-3.2	05/12
IRES	-0.2	.	2.9	.	-2.8	.	04/12
Belgian Prime News	0.0	1.2	2.7	2.1	-3.3	-2.6	03/12
Consensus Economics	0.1	1.0	2.8	2.1	.	.	05/12
Consensus The Economist	-0.1	1.1	2.6	2.0	.	.	05/12
Consensus Wirtschaftsinstitute	-0.1	1.2	2.4	1.8	-3.2	-2.0	04/12
Averages							
All institutions	0.1	1.2	3.4	1.9	-3.0	-2.5	
International public institutions	0.1	1.1	3.4	1.9	-2.9	-2.6	
Credit institutions	0.1	1.2	3.3	2.0	-3.0	-2.5	

[1] Inflation forecasts were recently revised downwards. See page 15 for further information.

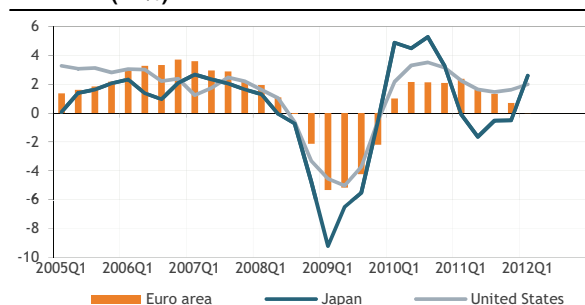
General economic activity

Table 1 - GDP growth rates, in % [1]

	2010		2011		YoY growth rates, in %					QoQ growth rates, in %				
	2010	2011	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1	2011Q1	2011Q2	2011Q3	2011Q4	2012Q1		
Germany	3.6	3.1	4.6	2.9	2.7	2.0	1.2	1.3	0.3	0.6	-0.2	0.5		
France	1.6	1.7	2.4	1.7	1.5	1.2	0.3	0.9	0.0	0.3	0.1	0.0		
Netherlands	1.6	1.3	2.2	1.8	1.2	-0.2	-1.1	0.7	0.1	-0.4	-0.7	-0.2		
Belgium	2.2	2.0	3.0	2.2	1.8	1.2	0.5	1.0	0.3	0.0	-0.1	0.3		
Euro area	1.8	1.5	2.4	1.6	1.3	0.7	0.0	0.7	0.1	0.1	-0.3	0.0		
United States	3.0	1.7	2.2	1.6	1.5	1.6	2.0	0.1	0.3	0.5	0.7	0.5		
Japan	4.5	-0.7	-0.1	-1.7	-0.5	-0.5	2.6	-2.0	-0.3	1.9	0.0	1.0		

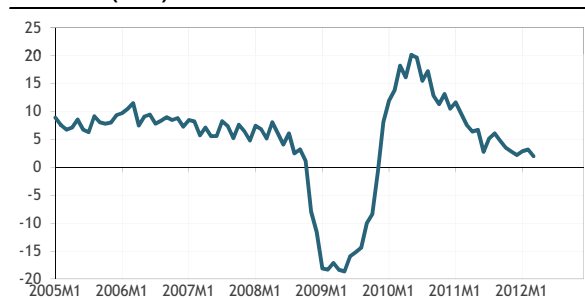
[1] Adjusted for seasonal and calendar effects
Source: INR/ICN, National sources, Eurostat

Graph 1 - GDP-growth (t/t-4) (in %)



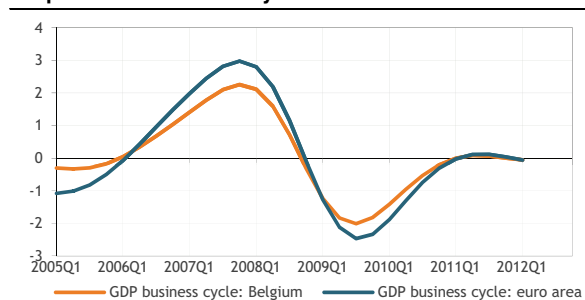
Source: Eurostat, National sources

Graph 2 - World trade growth (t/t-12) (in %)



Source: CPB Netherlands Bureau for Economic Policy Analysis

Graph 3 - GDP business cycle



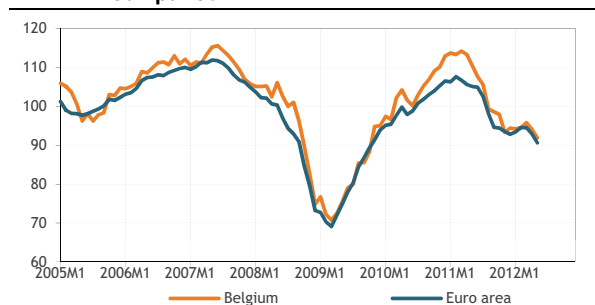
Source: INR/ICN, Eurostat, FPB

US GDP growth proved to be very weak in the first half of 2011 (0.2% on average), but accelerated substantially in the following three quarters (0.6% on average). The main driver of this acceleration, private consumption, picked up as inflation receded and as the situation on the labour market improved. However, this came at the detriment of the saving rate, which declined substantially, as income growth has remained very subdued. Such a pace of consumption is hence not likely to continue. Housing investment no longer contributed negatively to GDP growth and housing prices now seem close to bottoming out. Government consumption constituted a drag on growth as local governments, especially, are cutting employment, reducing outlays and investment. The US economy is expected to continue its recovery, which should, however, be less powerful than past recoveries as deleveraging continues to weigh down the economy. Moreover, the sizeable contribution of inventories to growth over the past two quarters could curb growth ahead. Following a yearly growth rate of 1.7% in 2011, US GDP growth ought to accelerate to some 2.2% this year.

Japanese economic activity rebounded in 2011Q3, following a dramatic fall in the first half of last year when the earthquake, tsunami, and nuclear disaster struck production capacity and spending. After a near stagnation in 2011Q4, qoq GDP growth jumped up in 2012Q1 to 1%. This pace of expansion is expected to ease soon as the temporary boost to consumption and investment from factors such as government incentives to buy fuel-efficient cars and to frontload reconstruction expenditures will fade.

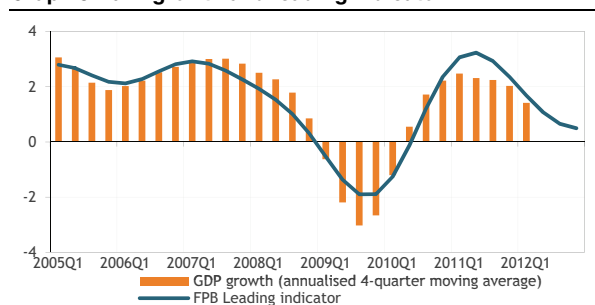
While euro area GDP growth was still very strong in 2011Q1 (0.8%), it slowed down dramatically in the following two quarters (0.1%) and even turned negative in 2011Q4 (-0.3%) under the influence of the escalating sovereign debt crisis, restrictive budgetary policies, and rising oil prices.

Graph 4 - Economic sentiment indicator: international comparison



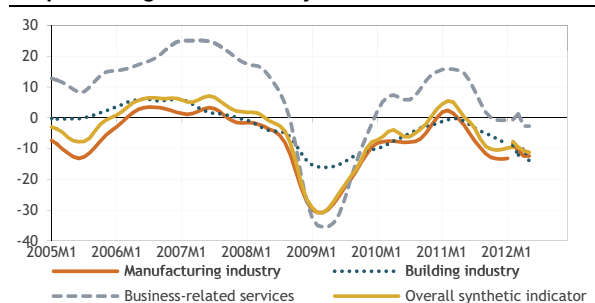
Source: European Commission

Graph 5 - GDP growth and leading indicator



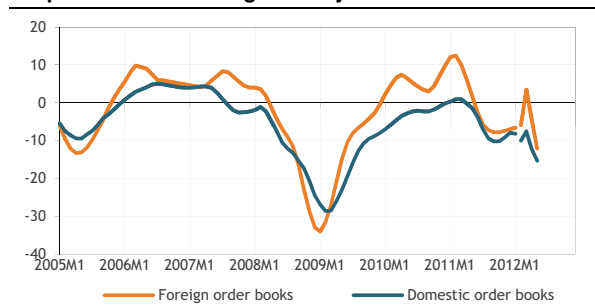
Source: INR/ICN, FPB

Graph 6 - Belgian business cycle indicator



Source: NBB

Graph 7 - Manufacturing industry: order books



Source: NBB

As GDP stagnated in 2012Q1, a recession, generally defined as two subsequent quarters of negative economic growth, was narrowly avoided owing to stronger than expected economic growth in Germany (0.5%), which is benefiting from buoyant domestic demand. This is explained by the limited need to deleverage, the vibrancy of the property market (after a decade-long stagnation), the lowest unemployment rate since reunification, and accelerating wage growth. This is in sharp contrast with the peripheral countries of Spain (-0.3%), Italy (-0.8%), and Greece and Ireland (figures not released yet), which face a serious recession as their economies are weighed down by hefty austerity measures, a lack of credit, and a sapping of confidence. The euro area recovery is expected to remain tepid, especially as financial market tensions are rising again with the increasing likelihood of a Greek exit from the euro area.

Belgian GDP growth amounted to 0.3% in 2012Q1 (flash estimate) following a small decline in 2011Q4 (-0.1%) and a stagnation in 2011Q3. While not rosy, this easily beats the overall performance of the euro area and this situation is likely to continue over the coming quarters. For the whole year, we forecast slightly positive growth.

Although the Economic Sentiment Indicator (ESI, Graph 4) was significantly higher in Belgium than in the euro area in 2011Q1, both indicators are currently around the same level. The less pronounced decrease in the euro area is primarily due to the more limited decline or the quasi-stabilisation (at a low level) of the indicator in the countries that are suffering most from the sovereign debt crisis, but also to the continuing optimism in Germany, which is the only euro area country in which the ESI is still above its long-term average of 100. The euro area ESI has bottomed out since 2011Q4 and has not yet shown any clear signs of a recovery. This situation implies that economic growth will be low during the first half of this year in the euro area as a whole.

The overall business cycle indicator for Belgium (Graph 6) declined during 2011Q2 and Q3, but seems to have bottomed out since 2011Q4. A parallel evolution was observed in all industries monitored in the survey, although the building sector was less subject to the overall business cycle due to the temporary reduction in VAT rates on the construction of new buildings and on renovation projects in 2009 and a part of 2010. This measure limited the amplitude not only of the slowdown in the building industry in 2009 but also of the consecutive upturn. The smoothed foreign order books indicator (Graph 7) has improved somewhat recently, although it is still at a rather low level. Nonetheless this could be the first indication that the gradual export-led recovery in Belgium, which is the central scenario in our latest forecast, is underway.

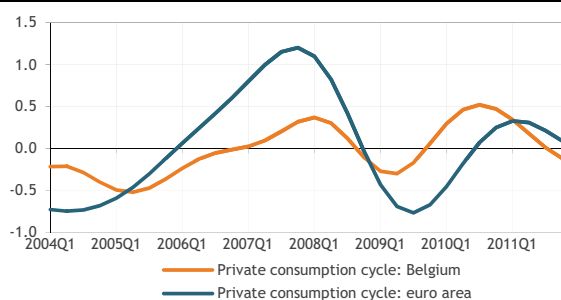
Private consumption

Table 2 - Private consumption indicators

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M12	2012M1	2012M2	2012M3	2012M4	2012M5
New car registrations [1]	14.9	4.5	-1.5	0.3	16.2	-12.7	66.8	-16.0	-17.7	-5.7	-9.3	.
Consumer confidence indicator [2]	-7.7	-5.2	-1.0	-7.3	-11.0	-16.0	-12.0	-16.0	-20.0	-12.0	-12.0	-10.0

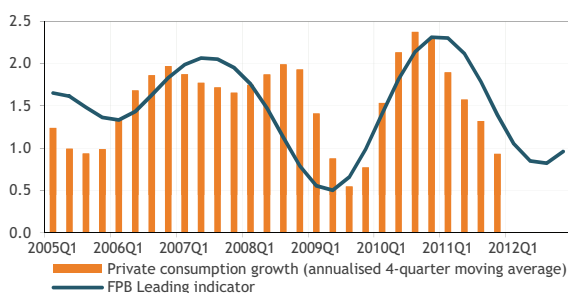
[1] Change (%) compared to same period previous year; [2] Qualitative data
Source: NBB, Febiac

Graph 8 - Private consumption cycle



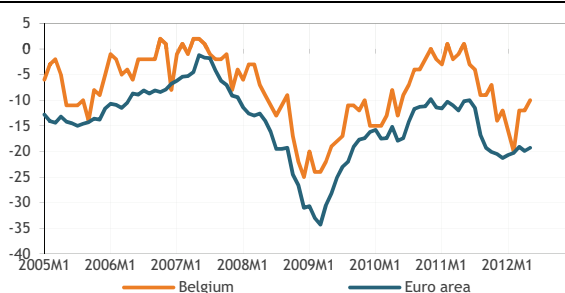
Source: INR/ICN, Eurostat, FPB

Graph 9 - Private consumption growth and leading indicator



Source: INR/ICN, FPB

Graph 10 - Consumer confidence: international comparison



Source: NBB, European Commission

Since the start of the financial crisis by the end of 2007, private consumption growth has been systematically higher in Belgium than in the euro area. While average annual private consumption growth amounted to 1.5% in Belgium between 2008 and 2011, it barely increased in the euro area (0.1% per year on average). These different performances seem mainly attributable to households' real disposable income growth as the Belgian and the euro area savings rate registered very similar developments during the period considered. Higher economic growth and better labour market performances in Belgium than in the euro area as a whole, and the automatic indexation of wages and social benefits in Belgium, undeniably played a role in explaining disposable income growth differentials. The private consumption cycle declined more in Belgium than in the euro area in the course of 2011, though this is merely the consequence of lower trend growth in the euro area.

Due to a significant weakening in qoq growth rates from 2011Q1 onwards, Belgian private consumption growth slowed down from 2.5% in 2010 to just below 1% in 2011. As consumption developed in line with disposable income in 2011, the savings rate almost stabilised (at 16.5%). However, these annual figures mask a specific quarterly profile: consumers spent a bigger part of their income during the first half of 2011, while they increased savings during the second half of the year due to a worsening of economic prospects that led to a decline in consumer confidence.

Available indicators for private consumption during the first months of this year point to low private consumption growth. Consumer confidence has recovered somewhat since the dip in February, which was related to the announcement of a large number of layoffs in one company, and is now close to its average level of 2011Q4. Car sales are currently significantly below their level of the first months of 2011. This is related to the announced abolition of the price reduction for cars with low carbon dioxide emissions from 2012 onwards that led to an exceptionally high number of car registrations in December 2011, followed by a low figure in January 2012. More recently, car sales are again moving towards a more 'normal' level.

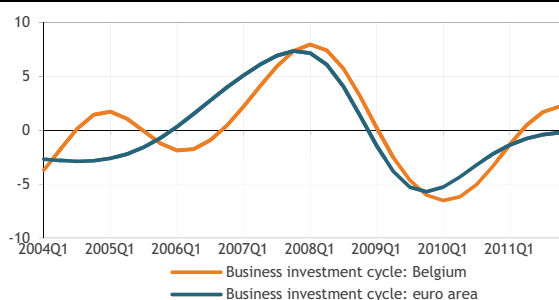
Business investment

Table 3 - Business investment indicators

	2010	2011	2012	2011Q2	2011Q3	2011Q4	2012Q1	2012M1	2012M2	2012M3	2012M4	2012M5
Business survey, capital goods [2]												
Synthetic indicator	-5.6	-2.5	.	3.3	-8.1	-10.8	-5.6	-8.1	-4.2	-4.4	-4.7	-1.1
Order book appraisal	-34.6	-13.2	.	-0.3	-16.3	-25.7	-20.3	-18.0	-20.0	-23.0	-26.0	-25.0
Demand forecasts	2.7	-1.8	.	0.7	-12.7	-10.7	-10.3	-17.0	-8.0	-6.0	-2.0	-6.0
Investment survey [1]	0.8	7.5	24.6									
Capacity utilisation rate (s.a.) (%)	79.0	79.3	.	79.8	78.4	78.4	78.1					

[1] Change (%) compared to same period previous year; [2] Qualitative data
Source: NBB

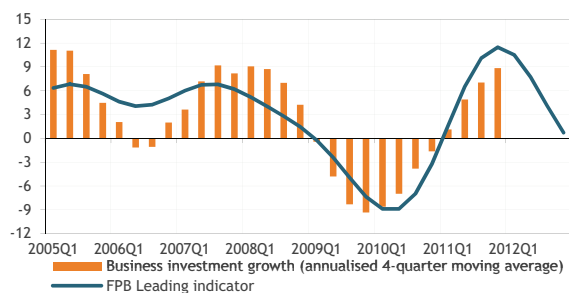
Graph 11 - Business investment cycle



Source: INR/ICN, Eurostat, FPB

After a pronounced downturn during 2008 and 2009, the Belgian and the euro area investment cycles have recovered from 2010 onwards (Graph 11). In the course of 2011, investment developed in line with the business cycle and registered an increase during the first half of the year and a limited decline during the second half. For 2011 as a whole, investment growth was significantly stronger in Belgium than in the euro area due to a remarkably vigorous increase in 2011Q2. This also explains why the investment cycle performed better in Belgium than in the euro area during the latest quarters.

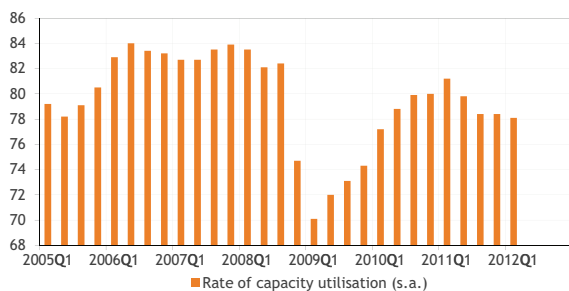
Graph 12 - Business investment growth and leading indicator



Source: INR/ICN, FPB

Belgian business investment increased by 8.8% in 2011, but it does not seem very likely that this performance will be repeated in 2012, as is suggested by the FPB leading indicator that points to a quasi-stabilisation of investment in 2012. Firstly, due to the intensification of the sovereign debt crisis in the euro area, most confidence indicators declined during the second half of last year. Since the beginning of this year, they seem to have bottomed out, although quite some volatility is expected during the coming months as clear-cut signs of a recovery have remained absent. Secondly, the capacity utilisation rate in the manufacturing industry has been below its historical average over the last quarters, indicating that few companies will need to expand their capital stock in 2012. Thirdly, as most banks are recapitalising, it seems likely that it will not become easier for companies to obtain loans. Moreover, the decline in business profitability also limits the possibilities to finance investment projects with their own means.

Graph 13 - Capacity utilisation in manufacturing industry

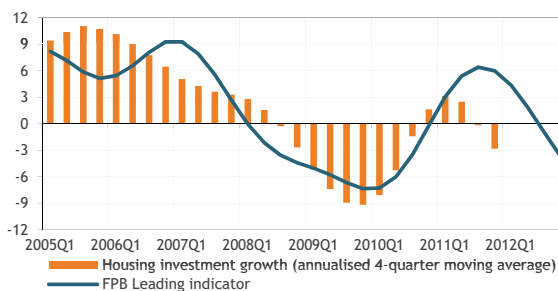


Source: NBB

These observations seem at odds with the results of the investment survey in the manufacturing industry held at the end of 2011, pointing to investment growth of almost 25% (at current prices) in 2012. However, past survey results have shown that company directors generally overestimate their future investment expenditures.

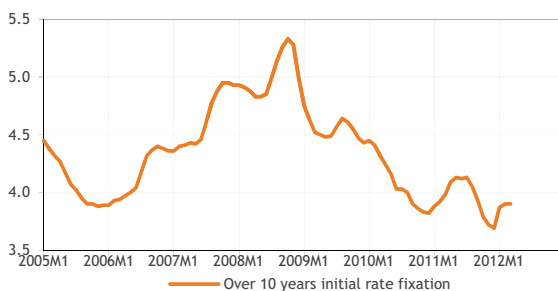
Housing investment

Graph 14 - Housing investment growth and leading indicator



Source: INR/ICN, FPB

Graph 15 - Mortgage rate (in %)



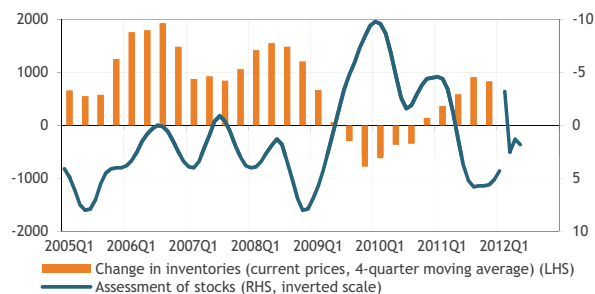
Source: NBB

Belgian residential investment started to contract in the course of 2008. This decline intensified throughout the first half of 2009. The recovery started in 2009Q4, supported by a declining mortgage rate and by the temporary VAT reduction for new buildings and renovation projects for which the building application was filed before April 2010. Residential investment growth turned negative again from 2011 as the positive effects of the VAT reduction dissipated and consumer confidence weakened. As a result, housing investment shrank by 2.8% in 2011, acting as a drag on economic growth.

This decline pushed down the (nominal) residential investment-to-GDP ratio from 5.9% in 2009 and 2010 to 5.6% in 2011, which is close to its average of the preceding 20 years (5.5%). Nevertheless, the FPB leading indicator points to a further decline in housing investment in the near future. The indicator began to level off by mid-2011. Its components (information from the architects' survey and the total amount of mortgage applications) lead the development of housing investment by about four quarters.

Stock building

Graph 16 - Stock building indicators



Source: INR/ICN, NBB

As changes in inventories can take on positive as well as negative values, the series that can be calculated using chain-linked volume indices does not provide any useful information and is no longer published in the quarterly national accounts. Therefore, the change in inventories is only shown at current prices (Graph 16). However, its contribution to real GDP growth can be derived as a residual, taking the contribution of the other demand components into account.

Inventories at current prices increased in the course of 2011, which could have been due to weaker than expected demand. The number of entrepreneurs considering their stock levels as excessive increased swiftly until August. Most of them did not change their opinion during the rest of the year, but their number has decreased in recent months. This indicates that inventories at current prices probably decreased in 2012Q1, due to stronger than expected demand growth.

Foreign trade

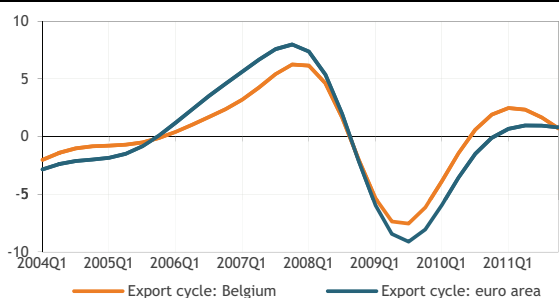
Table 4 - Belgium - Trade statistics (goods, intra/extrastat, national concept)

	2010	2011	2011Q1	2011Q2	2011Q3	2011Q4	2011M9	2011M10	2011M11	2011M12	2012M1	2012M2
Exports - value [1]	17.9	13.0	24.0	15.6	8.5	5.1	3.6	4.0	7.4	3.6	1.2	3.6
Imports - value [1]	16.6	14.6	24.0	17.4	15.0	3.4	11.6	1.4	5.0	3.9	1.6	4.4
Exports - volume [1]	9.3	2.8	10.8	4.9	-1.2	-3.1	-5.1	-5.4	-2.0	-1.6	-3.9	-2.5
Imports - volume [1]	5.7	2.6	8.9	4.9	2.8	-5.7	0.1	-8.9	-5.2	-2.7	-4.7	-4.5
Exports - price [1]	7.9	10.0	11.7	10.2	9.9	8.3	9.2	9.9	9.6	5.4	5.3	6.3
Imports - price [1]	10.3	11.8	13.8	12.0	11.8	9.6	11.6	11.3	10.8	6.8	6.7	9.4

[1] Change (%) compared to same period previous year

Source: INR/ICN

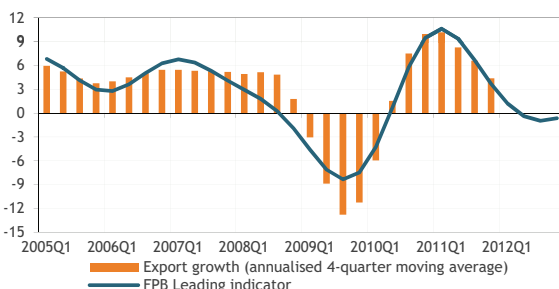
Graph 17 - Export cycle



Source: INR/ICN, Eurostat, FPB

The rebound in the Belgian and European export cycles, which started in 2009Q4, came to a halt in 2011Q2 (Graph 17). In line with tumbling world trade growth, the Belgian export cycle declined further in the second half of last year, while the European export cycle levelled off. While virtually all euro area countries suffered from negative export growth in 2011Q4, huge differences among countries were noticeable throughout last year. Germany and Spain posted the strongest export performances, while the Netherlands and, especially, Finland fared badly.

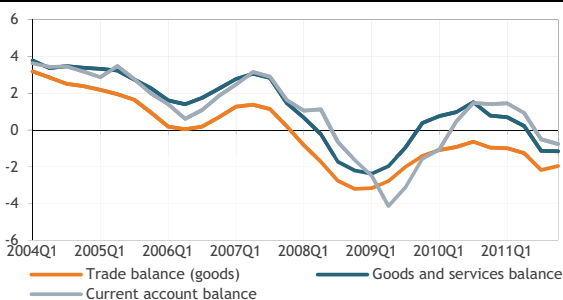
Graph 18 - Export growth and leading indicator



Source: INR/ICN, FPB

Up to 2011Q1, Belgian export growth proved to be vigorous owing to strong economic growth in its main trading partners. In the rest of the year, export growth turned negative. This year, the reacceleration of world trade growth and the depreciation of the euro should allow for positive quarterly export growth. The recovery is expected to be very moderate, however, in line with the tepid pick-up in economic activity in the euro area. Due to the negative carry-over from 2011, annual export growth ought to remain close to 0%. This scenario is confirmed by our leading indicator (Graph 18).

Graph 19 - Belgian foreign balances (4 quarters cumul, % of GDP)



Source: INR/ICN, NBB, FPB

In terms of geographical orientation, Belgium's main export destinations are the EU-27 (75%), the rest of Europe (2%), Asia (7%), the Middle East & North Africa (4.5%), and North America (5%). The rise in importance of emerging markets (EM) in world trade is also visible in Belgian trade as their share in Belgian exports increased from 11% in 2000 to 17% in 2011, although it remains significantly below the EU-15 average (24%). While the export product mix and competitiveness might also play a role, the main reason for this divergence is to be found in the geographical proximity to EM, as is illustrated by the fact that the highest export shares for EM are found in Greece (40%), Finland (34%), and Italy (30%): all countries at the periphery of the EU-15.

Higher oil prices and less dynamic exports pushed the current account into negative territory again in the course of last year. An improvement is not expected this year.

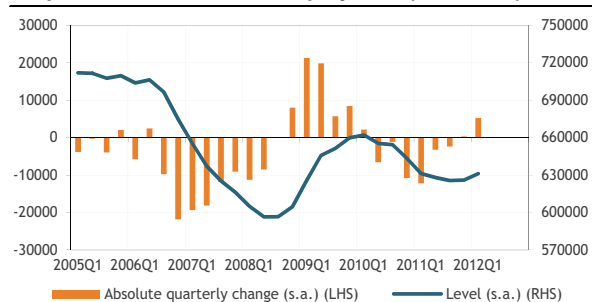
Labour market

Table 5 - Labour market indicators

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M1	2011M2	2012M1	2012M2	2012M3	2012M4
Unemployment [1][2]	653.8	627.7	628.0	625.7	626.0	631.2	627.2	624.5	631.5	632.3	629.6	628.9
Unemployment rate [2][3]	12.5	11.9	11.9	11.9	11.9	12.0	11.9	11.8	12.0	12.0	11.9	11.9
Unemployment rate-Eurostat [3][4]	8.3	7.2	7.1	7.3	7.2	7.3	7.2	7.2	7.3	7.3	7.3	7.4

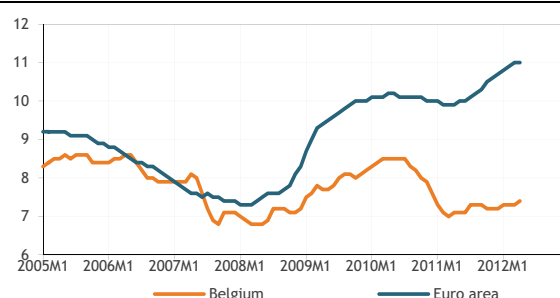
[1] Level in thousands, s.a.; [2] Broad administrative definition; [3] In % of labour force, s.a.; [4] Recent figures are based on administrative data and may be subject to revision
Source: RVA/ONEM, FPS Employment, Eurostat, FPB

Graph 20 - Evolution of unemployment (incl. older)



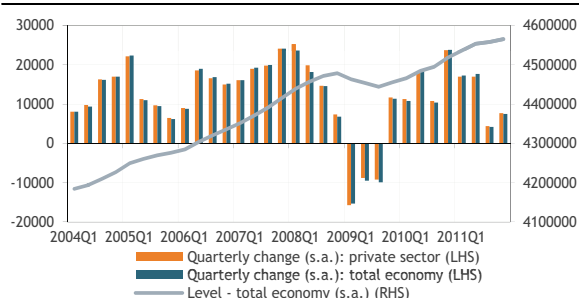
Source: RVA/ONEM

Graph 21 - Harmonised unemployment rates (% of labour force)



Source: Eurostat

Graph 22 - Evolution of domestic employment



Source: INR/ICN

Private sector employment growth was extremely vigorous in the first half of last year (0.4% per quarter), but fell to merely 0.1% per quarter in the second half. It clearly suffered from the slowdown in private sector activity growth, the latter dropping from 0.8% per quarter during the first half of 2011 to -0.1% in 2011Q3 and -0.3% in 2011Q4. As a consequence, the broad administrative unemployment rate fell from 12.3% to 11.9% during the first half of last year, but remained at that level during the second half. It even increased slightly - to 12% - in 2012Q1.

However, the interpretation of the most recent unemployment statistics is somewhat hampered by measurement issues. As from January, the administrative figures have been subject to an upward shock due to the fact that people that take up interim work are radiated less rapidly from administrative unemployment figures than used to be the case. The effect on measured administrative unemployment may be estimated to amount to roughly 6 000 persons, which represents a boost of 0.1 percentage points to the administrative unemployment rate. Without this shock, it is fair to say that the rate would rather have remained stable during the first quarter. This suggests that - contrary to previous expectations - employment growth has remained slightly positive, a finding which is in line with the higher than expected GDP figure for 2012Q1.

Since 2008, Belgium has fared considerably better than the euro area on average as far as the evolution of the harmonized unemployment rate is concerned. This indicator rose less in Belgium than in the euro area in the aftermath of the financial crisis, dropped considerably more during the subsequent recovery, and seems to be resisting better the recent slowdown in activity growth. As a consequence, the gap between the euro area rate and the Belgian rate has widened to over 3 percentage points. Once again, however, a measurement issue muddles the picture. The level of the Belgian harmonized rate has been negatively affected by the changes that have been introduced in the 2011 LFS-questionnaire, accounting at least partly for the sharp drop in the Belgian rate in 2011Q1.

Prices

Table 6 - Inflation rates: change compared to the same period in the previous year, in %

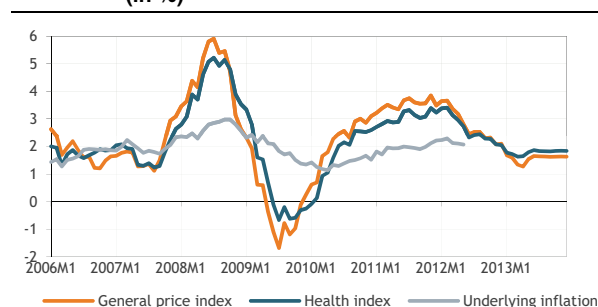
	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M12	2012M1	2012M2	2012M3	2012M4	2012M5
Consumer prices: all items	2.19	3.53	3.48	3.63	3.63	3.56	3.49	3.65	3.66	3.37	3.18	2.81
Food prices	1.54	2.43	2.28	2.56	2.95	3.09	3.09	2.72	3.16	3.40	2.79	2.76
Non food prices	3.17	5.26	5.16	5.62	5.28	4.48	4.70	4.86	4.58	3.99	3.79	2.66
Services	1.43	2.23	2.29	1.95	2.16	2.93	2.41	2.93	3.05	2.82	2.89	3.31
Rent	1.11	1.08	1.11	1.07	1.15	1.42	1.09	1.30	1.54	1.41	1.46	1.55
Health index	1.67	3.06	3.01	3.17	3.24	3.31	3.23	3.38	3.41	3.14	2.96	2.73
Brent oil price in USD (level)	79.5	111.3	117.6	113.5	109.3	118.4	107.9	110.5	119.5	125.3	119.9	110.3

Source: FPS Economy, Datastream

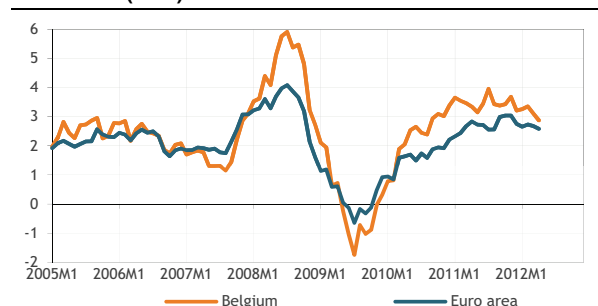
Table 7 - Monthly inflation forecasts

	2012M1	2012M2	2012M3	2012M4	2012M5	2012M6	2012M7	2012M8	2012M9	2012M10	2012M11	2012M12
Consumer prices: all items	119.88	120.59	120.85	120.93	120.89	120.83	121.07	120.98	121.04	121.24	121.43	121.51
Consumer prices: health index	118.25	118.97	119.01	118.99	119.15	119.14	119.43	119.34	119.40	119.62	119.84	119.93
Moving average health index	117.53	118.04	118.44	118.81	119.03	119.07	119.18	119.27	119.33	119.45	119.55	119.70
	2013M1	2013M2	2013M3	2013M4	2013M5	2013M6	2013M7	2013M8	2013M9	2013M10	2013M11	2013M12
Consumer prices: all items	121.89	122.51	122.47	122.47	122.76	122.83	123.06	122.96	123.01	123.22	123.42	123.49
Consumer prices: health index	120.35	121.02	120.95	120.95	121.29	121.37	121.62	121.52	121.58	121.82	122.05	122.14
Moving average health index	119.94	120.29	120.56	120.82	121.05	121.14	121.31	121.45	121.52	121.64	121.74	121.90

Source: Observations (up to 12M5): FPS Economy; forecasts: FPB

Graph 23 - Monthly inflation evolution (t/t-12) (in %)

Source: FPS Economy, from 12M6 on: forecasts FPB

Graph 24 - Harmonised inflation rates (t/t-12) (in %)

Source: Eurostat

Headline inflation, as measured by the yoy growth rate of the national consumer price index, was fairly stable in the course of 2011, hovering between 3.2% and 3.9%. Annual average inflation amounted to 3.5% in 2011, which constitutes a pronounced acceleration as compared to 2010 that mainly reflects the increase in oil prices. In fact, the Brent oil price expressed in USD rose by 40% in 2011, while the increase in EUR was somewhat less marked (33%) due to the appreciation of the EUR against the USD. Since December 2011, inflation has eased due to the decline in yoy growth rates of oil prices and this trend is expected to continue during the coming months. On the basis of recent future market quotations, oil prices expressed in EUR are expected to register an average increase of around 8% in 2012 and a (limited) decline in 2013. Moreover, the Belgian government decided to prohibit gas and electricity suppliers from raising their prices above the level of March 2012 until the end of this year, which further reduces the impact of energy commodities on Belgian inflation. On the other hand, some VAT-related budgetary measures will have an upward impact on inflation in 2012 of around 0.15 percentage points.

All in all, annual average inflation should fall from 2.7% in 2012 to 1.6% in 2013, while the increase in the health index should amount to 2.6% and 1.8%, respectively. The current pivotal index (119.62) should be crossed in December 2012. The next pivotal threshold should not be reached in the course of 2013.

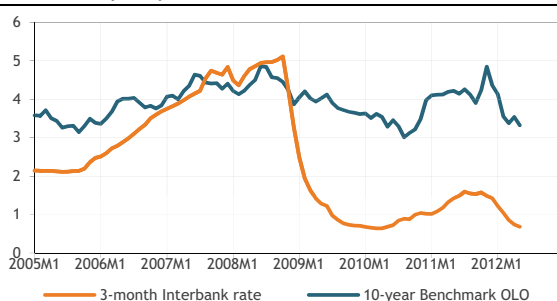
Interest rates

Table 8 - Interest rates

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M12	2012M1	2012M2	2012M3	2012M4	2012M5
Short-term money market rates (3 months)												
Euro area (Euribor)	0.81	1.39	1.41	1.56	1.50	1.04	1.43	1.22	1.05	0.86	0.75	0.69
United States	0.31	0.30	0.22	0.29	0.42	0.33	0.49	0.40	0.30	0.29	0.29	0.29
Japan	0.29	0.34	0.26	0.45	0.34	0.20	0.34	0.20	0.21	0.20	0.19	0.18
Long-term government bond rates (10 years)												
Belgium	3.43	4.22	4.18	4.09	4.48	3.69	4.36	4.13	3.56	3.38	3.54	3.32
Germany	2.77	2.65	3.13	2.30	1.98	1.88	1.98	1.86	1.90	1.88	1.67	1.39
Euro area	3.34	3.86	3.98	3.69	3.84	3.54	3.86	3.80	3.48	3.33	3.46	3.33
United States	3.20	2.77	3.19	2.41	2.03	2.02	1.97	1.94	1.95	2.16	2.03	1.78
Japan	1.17	1.11	1.17	1.04	1.00	0.98	1.00	0.97	0.97	0.99	0.95	0.86

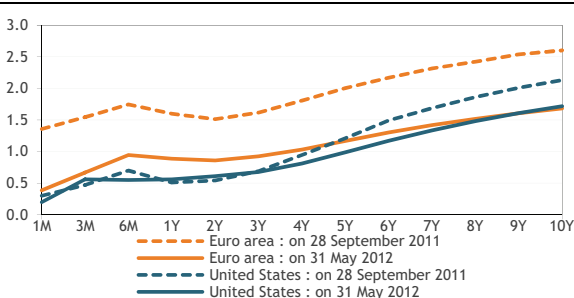
Source: Datastream

Graph 25 - Interest rate levels in Belgium (in %)



Source: NBB

Graph 26 - Yield curves for the euro area and the us



Source: Datastream, data based on interest rate swaps

Having raised its policy rate twice last year, in April and July, the ECB felt obliged to reverse these rate hikes by the end of the year as the sovereign debt crisis was spiralling out of control again and as economic growth in the euro area weakened severely. Moreover, the ECB provided European banks with an unprecedented amount of loans (EUR 1 000bn) against a wide range of collateral for three years. This huge liquidity injection allowed banks to continue providing credit to consumers and firms to meet their own financing needs, and enabled them to buy euro area government debt. The ECB has, hence, prevented a new banking crisis (for now) and alleviated financial market tensions.

The US Federal Reserve has kept its policy rate at rock bottom for 3.5 years now and is still a long way off a possible tightening of monetary policy. Its latest unconventional policy measure (Operation Twist) dates back from late last year whereby shorter-dated bonds were exchanged for longer-dated alternatives in order to keep long-term rates as low as possible. Speculation is still rife about a new quantitative easing programme (QE3).

The worsening of the European sovereign debt crisis and the Fed's Operation Twist led to a substantial decline in US long-term rates in the second half of last year. Since then, long rates have kept close to 2%. European long-term rates have remained in a band of 3.5-4% over the past year, but this average masks huge differences among countries. Government bond spreads against German Bunds soared in 2011Q4, but then declined substantially as the ECB's intervention soothed investors' fears over a collapse of the euro. In 2012Q2 those fears came back to the fore, under the influence of an increasing revolt of European electorates against budgetary austerity and the increasing possibility of a Greek exit from the euro area, resulting in a renewed widening of government bond spreads against German Bunds.

Exchange rates

Table 9 - Bilateral exchange rates

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M12	2012M1	2012M2	2012M3	2012M4	2012M5
USD per EUR	1.326	1.392	1.440	1.412	1.348	1.311	1.315	1.289	1.323	1.321	1.316	1.280
UKP per EUR	0.858	0.868	0.883	0.877	0.857	0.834	0.843	0.831	0.838	0.835	0.823	0.804
JPY per EUR	116.4	111.0	117.4	109.7	104.2	104.0	102.3	99.2	103.9	108.9	107.0	102.0

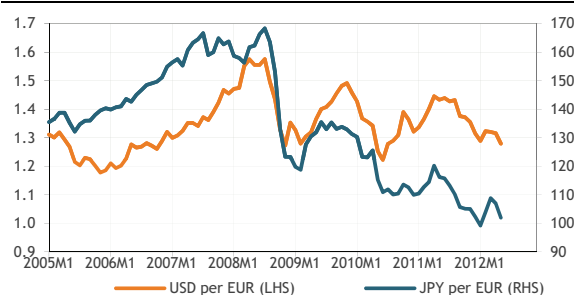
Table 10 - Nominal effective exchange rates (2005=100)

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M11	2011M12	2012M1	2012M2	2012M3	2012M4
Euro	100.0	99.2	101.7	99.3	97.3	94.9	97.7	95.8	93.8	95.1	95.6	95.0
Growth rate [1]	-7.2	-0.8	2.9	-2.4	-1.9	-2.5	-0.8	-1.9	-2.0	1.4	0.5	-0.6
US dollar	100.0	94.2	92.5	92.7	96.2	96.7	96.0	97.1	97.3	96.0	96.8	96.6
Growth rate [1]	-3.3	-5.8	-3.1	0.2	3.8	0.6	0.6	1.2	0.2	-1.4	0.9	-0.2
Japanese yen	100.0	105.7	101.4	107.1	111.0	108.6	110.5	111.3	112.8	109.1	104.0	105.6
Growth rate [1]	5.2	5.7	-1.8	5.7	3.7	-2.2	-0.8	0.7	1.4	-3.3	-4.7	1.6

[1] Change (%) compared to previous period

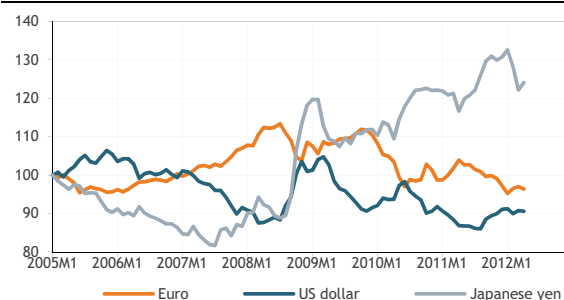
Source: BIS, NBB

Graph 27 - Euro-dollar and euro-yen bilateral exchange rates



Source: NBB

Graph 28 - Nominal effective exchange rates (2005M1=100)



Source: NBB, BIS

Since the middle of last year, the euro has lost considerable terrain against the dollar because of the worsening of the sovereign debt crisis as it started to affect the bigger economies, Spain and Italy. It is puzzling, however, that the euro has not dropped even further as the euro area is faced with an existential crisis that European policy makers seem unable to tackle in earnest. Moreover, the huge liquidity injection by the ECB, the sagging of economic activity, and the accompanying expectation that monetary tightening is a long way off, should have weighed substantially on the euro. But then again, the outlook for the US is not too rosy either. Near-term growth projections are favourable compared to the euro area, but the lack of a plan to tackle the towering budget deficit and the extreme polarisation between the political parties is deeply worrying, too. Recently, the increasing likelihood of Greece leaving the euro area pushed the EUR/USD below 1.30 for the first time in almost two years.

Ever since the European sovereign debt crisis started in 2010, the British pound has been rising against the euro. Recently, it touched its highest level vis-à-vis the euro in more than 3 years despite the fact that the pound is an unlikely safe haven since the UK economy is back in recession with a much higher budget deficit than the euro area. This year, the pound's appreciation also seems to have been helped by a wave of foreign investment into the UK.

Over the past year, the euro has also depreciated against most other currencies, with the noticeable exceptions of the Turkish Lira (overheating fears, huge current account deficit), Eastern European currencies, and the Brazilian Real (deliberate aim to depreciate their currency). This broad depreciation of the euro pushed the nominal effective euro to its lowest level in six years.

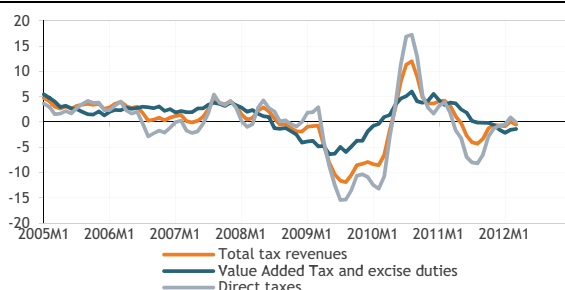
Tax indicators

Table 11 - Tax revenues [1]

	2010	2011	2011Q2	2011Q3	2011Q4	2012Q1	2011M10	2011M11	2011M12	2012M1	2012M2	2012M3
Total [2], of which:	5.9	2.8	3.5	1.9	1.2	6.1	2.1	-1.8	2.1	2.7	13.3	4.5
Direct taxes, of which:	3.9	2.8	3.3	6.4	-3.0	8.7	-2.3	-2.4	-3.9	8.7	22.2	-4.0
Withholding earned income tax (PAYE)	0.8	5.0	3.9	5.4	6.9	3.0	11.0	-1.5	9.2	5.4	0.9	1.6
Prepayments	11.0	0.7	0.0	-3.3	6.3	.	3.5	.	8.9	.	.	.
Value Added Tax and excise duties	7.9	1.9	3.1	-4.4	6.0	3.8	8.3	-2.6	9.0	-8.5	2.3	17.7

[1] Change (%) compared to same period previous year; [2] Total received by federal government, excl. of death-duties
Source: FPS Finance

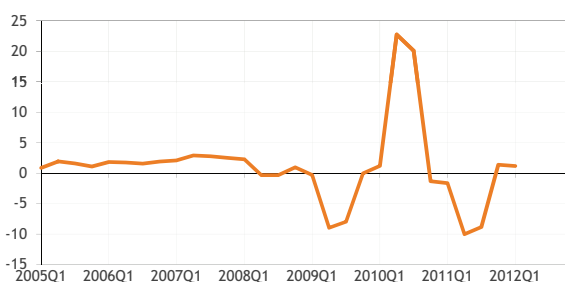
Graph 29 - Real tax revenues [3]



The export-led recovery that took place from the second part of 2009 came to a halt in the second half of 2011. As a result, tax revenue growth weakened in 2011Q3 and 2011Q4. Finally, in annual figures, the nominal growth rate of total tax revenue declined in 2011 as compared to 2010.

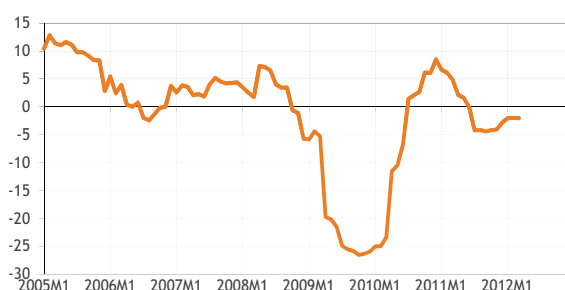
VAT revenues were particularly affected by the economic downturn: while the progression in gross perceptions slowed down significantly, refunds continued to grow at a rapid pace in the second semester of 2011 because they react with a time-lag to the export cycle (due to administrative delay).

Graph 30 - Real withholding earned income tax (PAYE) [4]



Job creation, still strong in 2011, supported growth in payroll tax receipts (the largest part of PAYE). PAYE income also benefited from surging inflation in 2011 because the brackets of the progressive scale are indexed on the basis of the previous year's inflation, which was lower. However, PIT refunds were very high in 2011 because of the acceleration in the administrative process of assessment by the end of the year (thanks to the success of online tax filling).

Graph 31 - Real prepayments [3]



CIT collected through assessment was also very high in 2011, not due to administrative factors as for PIT but as a counterpart of relatively low prepayments since 2009: indeed, in recent years, companies have seemed less inclined to pay taxes through advance payments. Figures for prepayments by companies in April 2012 (April being the first due date) point to a yoy stagnation.

The recent measures on CIT (3% cap on the notional interest used for the risk capital deduction, removal of the possibility to carry forward that deduction, taxation of capital gains on assets held for less than a year) are not expected to have a very large impact on CIT growth in the short run. However, the package of tax measures included in the 2012 budget and complemented by additional measures in March (including an increase in the tax rates on dividends and interest, selective increases in indirect taxes, etc.) is likely to boost tax revenue as compared to what it would have been without measures in the context of the gloomy economic activity growth expected for 2012.

[3] Change (%) over past 12 months, compared to previous 12 month period, deflated by consumer price index

[4] Change (%) over past 4 quarters, compared to previous 4 quarter period, deflated by consumer price index

Supply and Use Tables and Input-Output Tables 1995-2007 for Belgium

Users of Supply and Use Tables (SUT) and Input-Output Tables (IOT) compiled in different national accounts (NA) vintages face a problem of consistency of their data due to revisions in the NA. This Working Paper describes the methodology that has been followed to compile a consistent time series of Belgian SUT and IOT for the period 1995-2007, in line with the NA published in November 2010.

As part of the system of national accounts, SUT and IOT provide detailed information about economic flows: they describe production processes, the supply and use of goods and services, and income generated through production. SUT relate products and industries, and therefore constitute the central integration framework for balancing the NA. Symmetric IOT are analytical tables that are derived from SUT; they constitute a useful tool for analysing inter-industry or interdependent product relations.

The Belgian SUT and IOT are currently being compiled based on the methodology of the 1995 European System of Accounts (ESA95). According to the ESA95 transmission programme, current price SUT have to be compiled and delivered to Eurostat annually and IOT every five years (for the benchmark years ending in 0 and 5). As compiling SUT and IOT is a very demanding task and as NA should be sufficiently stable for the reference year, Eurostat allows a maximum transmission period of 36 months and does not ask for revisions of SUT and IOT. In practice, however, NA can still be subject to major methodological revisions, even after 36 months, giving rise to a problem of consistency when using time series of SUT and IOT.

The updating exercise presented here brings Belgian SUT and IOT in line with the NA published in November 2010, which is the last full version of the NA in NACE Rev.1.1. In particular, the updated tables take into account the major revision of the GDP expenditure approach introduced in the Belgian NA in 2009. The exercise was implemented at the working format disaggregation level of the NA, i.e. with a breakdown into about 130 industries (NACE Rev.1.1) and some 320 products (CPA 2002).

The updated database provides a consistent time series of SUT for Belgium for the years 1995 to 2007, as well as IOT for the benchmark years 1995, 2000, and 2005. More specifically, the following tables have been calculated: SUT at purchasers' and basic prices for the years 1995 to 2007, use tables at basic prices for domestic production and for imports for the years 1995 to 2007, and IOT for 1995, 2000, and 2005. All tables have been compiled at current prices and at constant prices (with base year 2005). Within this list of tables, constant price IOT are a novelty for Belgium. Currently, the updated SUT-IOT database is being used at the FPB for applications in the fields of globalisation, the environment, and multiplier and linkages analyses.

*“Supply and Use Tables and Input-Output Tables 1995-2007 for Belgium - Methodology of Compilation”,
L. Avonds, G. Bryon, C. Hambije, B. Hertveldt, B. Michel,
B. Van den Cruyce,
Working Paper 6-12, May 2012*

The impact of subsidies and fiscal incentives for research and development in Belgium (2001-2009)

This Working Paper presents the results of an initial evaluation of the fiscal measures in support of Research and Development (R&D) by companies in Belgium. Following a discussion of the arguments for government support of R&D, the different methods that can be used to assess the impact of subsidies or fiscal incentives are reviewed. The effects of regional subsidies and the partial exemption from the payment of wage withholding tax on the remuneration of R&D personnel are estimated for the period 2001-2009.

Research and Development (R&D) is generally considered a main determinant of innovation and technologi-

cal progress. At the 2002 Barcelona Summit, EU Member States agreed to raise R&D expenditure to 3% of GDP by 2010. The target was not achieved but it has recently been reassumed for 2020 as part of the Europe 2020 Strategy. In Belgium, competencies in science and innovation are largely transferred to the regions, which provide substantial direct support for R&D and innovation. In view of the 3% target, the federal government has introduced a number of fiscal incentives to support corporate R&D activities, some of which are widely used by companies. In 2009, 633 companies received partial exemption from the payment of wage withholding tax on the remuneration of R&D personnel with a doctorate

(PhD) in (applied) science or in (veterinary) medicine or with a civil engineering degree, and 576 companies received partial exemption for R&D personnel with a master's degree. The two other measures of partial exemption, i.e. for R&D personnel of companies that collaborate in research with a university, higher education institution or scientific institution and for young innovative companies, are also increasingly popular but target a smaller group of companies.

For the assessment of the recent fiscal incentives and the more established regional direct support, a firm-level database was developed at the request of the Policy Mix R&D working group (Central Economic Council - CRB/CCE). The Federal Public Service Finance matched data on regional subsidies and federal fiscal support with data on R&D from the biannual R&D survey by the Belgian Science Policy Office. The data covers the period 2001-2009.

The number of companies receiving a partial exemption from the payment of wage withholding tax on the remuneration of R&D personnel has gradually increased, probably explained by the fact that the rate of exemption has been raised twice (since January 2009 it has been fixed at 75%) and by the fairly simple application procedure. Despite its rising popularity, a rather large number of R&D-active companies have not applied for any fiscal incentive as yet, which could indicate that the measures are still not widely known.

The impact of fiscal incentives and regional subsidies was estimated using a two-step Heckman procedure. The first step assesses whether the probability that a given company receives a subsidy or fiscal support depends on a number of firm-specific characteristics (e.g. industry classification or firm size). This first step is necessary to avoid the possible bias in estimations due to self-selection by companies. Accounting for this possible selection bias, the second step estimates the addi-

tionality of the fiscal incentives and regional subsidies. Additionality is the extent to which public support results in additional R&D activities by companies, i.e. whether 1 euro of public support results in more than 1 euro of new R&D activities.

The highest additionality of government support for R&D is found for the partial exemption from the payment of wage withholding tax on the remuneration of R&D personnel with a doctorate in (applied) science or (veterinary) medicine or with a civil engineering degree and for companies that collaborate with a university, college or scientific institution. The additionality is somewhat lower for the partial exemption from the payment of wage withholding tax for young innovative companies or for the remuneration of R&D personnel with a master's degree and for regional subsidies. Additionality appears to decrease as companies combine different measures of government support (e.g. subsidies and the partial exemption from wage withholding tax).

Although there are a number of limitations to this study, the recent fiscal incentives introduced by the federal government appear to have improved the investment climate for R&D activities in Belgium. Relabeling of activities as R&D may result in the overestimation of the impact of the fiscal incentives. On the other hand, the fact that companies may have continued R&D activities they would not have carried out in the absence of fiscal incentives could not be taken into account in the estimations. The latter effect of government support may have been substantial at the end of the period considered (e.g. 2008 and 2009).

“De impact van subsidies en fiscale voordelen voor onderzoek en ontwikkeling in België (2001-2009) - Impact des subventions et des incitations fiscales à la recherche et au développement en Belgique (2001-2009)”, M. Dumont, Working Paper 8-12, Juni 2012

Other Recent Publications

Working Paper 7-12, May 2012

“Offshoring and the Skill Structure of Labour Demand in Belgium”, B. Hertveldt, B. Michel

Working Paper 5-12, February 2012

“The methodology developed by the Federal Planning Bureau to produce long-term scenarios”, N. Fasquelle, K. Hendrickx, Ch. Joyeux, I. Lebrun

Planning Paper 110, February 2012

“De administratieve lasten in België voor het jaar 2010 - Les charges administratives en Belgique pour l'année 2010”, Ch. Kegels, A. Van den Abeele

Working Paper 4-12, February 2012

“Le système d'innovation en Wallonie”, B. Biatour, C. Daubresse, Ch. Kegels

Working Paper 3-12, February 2012

“Track record of the FPB's short-term forecasts - An update”, L. Dobbelaere, I. Lebrun

Working Paper 2-12, January 2012

“La loi du 26 juillet 1996 relative à la promotion de l'emploi et à la sauvegarde préventive de la compétitivité - Quelques éléments de réflexion sur la 'norme salariale'”, L. Masure

Working Paper 1-12, January 2012

“L'élasticité de l'impôt des personnes physiques - Approche macroéconomique prospective de l'élasticité nationale et de l'élasticité de l'impôt régionalisé

De elasticiteit van de personenbelasting - Prospective macro-economische benadering van de nationale elasticiteit en van de elasticiteit van een geregionaliseerde personenbelasting”,

V. Frogneux, M. Saintrain

Forecasts, December 2011

“Perspectives de population 2010-2060 / Bevolkingsvooruitzichten 2010-2060”,
Federal Planning Bureau, Directorate-general Statistics and Economic information

Sustainable development report, December 2011

“Twintig jaar engagement voor duurzame ontwikkeling? / Développement durable: 20 ans d'engagement politique?”,

Task Force Sustainable Development

Working Paper 13-11, December 2011

“Concurrentie in België: Intensiteit en evolutie tegen een Europese achtergrond”,

J. van der Linden

Forecasts, November 2011

“Energievooruitzichten voor België tegen 2030 / Perspectives énergétiques pour la Belgique à l'horizon 2030”,

D. Devogelaer and D. Gusbin

Research in progress

The long-term budgetary and social challenges of ageing

Different aspects of the long-term dynamics of acute health care, long-term care and pension expenditure are being scrutinized. A long-term model is being used to project the budgetary consequences of ageing, notably taking the new pension reform into account; the social dimension of pension benefits is being investigated using a microsimulation model.

contact: maltese@plan.be

Employment in the civil service

The question of whether the level and the structure of employment in government bodies in Belgium is appropriate has been raised frequently. A research project at FPB addresses this question, including the implications of public employment dynamics on public pensions.

contact: pubfin@plan.be

Macroeconomic, budgetary and GHG emissions prospects

Using a consistent modelling approach, medium-term macroeconomic and budgetary prospects as well as the evolution of greenhouse gas (GHG) emissions are investigated. A consistent regional-national version of the model developed in collaboration with experts from the regional governments of Brussels, Flanders and Wallonia generates regional results.

contact: hermes@plan.be

Environmental accounts

Publication of an update of the environmental accounts data for Belgium is planned for the first half of 2012. Data on energy accounts, air emissions, environmental protection and environmental taxes

will be included. Analyses of the data is also underway.

contact: gv@plan.be

Offshoring

The FPB is continuing to work on offshoring. The project describes the level and evolution over time of offshoring of activities carried out in Belgium, as well as the impact on employment and productivity. The analysis is made on an industry-level, as well as for data for individual companies.

contact: bm@plan.be

Long-term transport outlook

Publication of a transport outlook for Belgium up to 2030, including a reference scenario with also attention for the impact of transport on pollution is planned for September 2012.

contact: vm@plan.be

Determinants of R&D

Based on data for individual companies, the impact is estimated of fiscal incentives and subsidies to encourage R&D expenditure.

contact: dm@plan.be

Sustainable development

Based on scientific inputs and on a backcasting method, the Task Force on Sustainable Development is preparing a contribution to the strategic long term vision which will be adopted by the Federal Government in 2012, according to the Law on the Coordination of the Federal Policy on Sustainable Development.

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Recent history of major economic policy measures

- April 2012**
- In a 2012-2015 update of the Stability Programme, the Belgian authorities committed to balancing the general government budget by 2015 (as well as the budget of each sub-sector). In the macroeconomic hypothesis of this update, this translates into a surplus of 0.5% of GDP in structural terms, corresponding to the MTO for Belgium. As an interim target, the 2013 deficit should be limited to 2.15% of GDP.
- March 2012**
- Energy prices were frozen for the remainder of the year, and a number of structural measures to control these prices have been worked out. These should reduce electricity prices by almost 3% and gas prices by almost 6%, together about EUR 117 per year for the average consumer. The six measures are: to freeze network fees until the power to determine these fees has been transferred to the regions; to abolish the fees for changing supplier; to freeze and/or abolish a number of federal levies; to develop new formulas for price indexation; to abolish the compensation for social tariffs; and to limit wind turbine subsidies to unprofitable projects. The only price increases allowed are those induced by exceptional shocks on the world market.
- The federal government approved certain bills that support international aviation agreements: the multilateral agreement for establishing the Single European Sky (SES); the treaty establishing Functional Airspace Block Europe Central (FABEC); the agreement on air transport between the European Union and the United States; and the protocol that amends the EU-US air transport agreement.
- January 2012**
- The low-wage ceiling, defining the maximum gross wage employees can earn in order to qualify for additional employers' SSC cuts, has been lowered from EUR 6 030 gross per quarter to its pre 2010-2011 level (EUR 5 870) for the for profit sector.
- The SSC rates to the Firm Closure Funds have been lowered by 4 base points.
- December 2011**
- The ECB lowered its main refinancing rate by a quarter of a point to 1.0%.
- The political parties negotiating to form a new government have agreed on labour market and pension system structural reforms. Together with the reform of the State agreed in October and the budget for 2012 (and the orientations for 2013-2014) agreed in November, these structural reforms make up the socio-economic core of the new coalition agreement.
- In the unemployment insurance scheme, numerous measures will affect young people finishing their studies and entering the labour market: on the one hand, the duration of the professional integration period (former waiting period) will be prolonged as a whole (and also in the case of negative evaluations); on the other hand, integration allowances (former waiting allowances) will be suspended for 6 months in the case of a negative evaluation and limited to three years for heads of households, single people and privileged cohabitants aged 33 and over, as well as for all other cohabitants. The reform also introduces an accelerated degression of work-based unemployment benefits through a higher calculation rate for the first three months of unemployment, a shorter second period and the introduction of a third period for heads of households and single people younger than 55, who will then receive the minimum allowance. Finally, the seniority supplement will only be allowed from the age of 55 instead of 50.
- For pre-pensions, the minimum career length requirement will be gradually increased to 40 years. The minimum age will remain 60 years in general and be increased to 60 years for specific cases that currently have a lower minimum age (with the exception of companies in troubles or undergoing restructuring, in which the age of entry will be gradually raised to 55 years, and the "Interprofessional Agreement" schemes). Part-time pre-pensions will be abolished.
- The maximum duration of a career interruption for workers younger than 50 in the public sector will be reduced by one year. On the other hand, stricter conditions will apply to time credit allowances (private sector): a reduction of the maximum duration and a strengthening of the career requirements for a time credit, with or without motive; and an increase in the age of entry for an end-of-career time credit, accompanied by a strengthening of the career conditions.
- A parametric pension reform aimed at delaying early retirement and restricting access to it was voted by Parliament at the end of December 2011. In the three main old-age pension schemes (private wage-earners, self-employed, civil servants), the minimum early retirement age and the minimum number of career years required for eligibility will gradually be increased, from 60 to 62 years and from 35 to 40 years, respectively (in fact, before the reform, the 35-year threshold did not apply to the civil servant scheme). People with a 42-year career will still be eligible for early retirement at 60 (and at 61 with a 41-year career). The transition starts from 2013 and the reform will be completed in 2016 (a few years later for specific schemes with higher accrual rates). The impact of the reform on workers presently aged 57 and over who have worked at least 31 years will be capped at 2 additional working years. In the civil servant scheme, the pension amount will take into account earnings over the last 10 years instead of the last 5 years. This reform will not apply to civil servants who reached the age of 50 on 1 January 2012.
- Other parts of the reform include measures on an easier combination of work and pension after 65 years, a limitation of the survivor's pension and the reduction in pension entitlements for certain periods of unemployment and certain career interruptions.
- The Parliament approved the transposition of the Third Energy Package into Belgian law. This will make the federal market regulator (CREG) more independent, extend the prospective studies, and make CREG better guarantee consumer rights. In the area of electronic communications, the Council of Ministers approved the transposition of Directives 2009/136 and /140. These concern: the switching of operator; consumer protection and rights on the internet; the independence of the regulator; and the modernisation of the universal service.

Recent history of major economic policy measures

November 2011

The ECB lowered its main refinancing rate by a quarter of a point to 1.25%.

The federal budget conclave established a budget for 2012 and a tentative budget for 2013-2014 (with a view to restoring the general government structural balance by 2015). The 2012 budget, which is clearly restrictive in contrast with the fiscal stance in place since the early 2000s, is based on assumptions of GDP and inflation growth rates of, respectively, 0.8% and 2.0%. The Government is setting a deficit target for 2012 of 2.4% of GDP for Entity I (the federal authority and social security, and in fact for the federal authority only since special federal transfers will insure that the social security ESA account is balanced over the entire 2012-2014 period). This represents, according to government figures, an improvement of 0.8% of GDP as compared to the 2011 deficit (3.2% of GDP) and a 2.6% of GDP adjustment as compared to the expected 2012 deficit with unchanged policy (5.0% of GDP). Assuming that Entity II (the regions, communities and local authorities) meets its objectives in the April 2011 Stability program (0.4% of GDP deficit), the general government deficit for 2012 should be reduced to 2.8% of GDP (from 3.6% of GDP in 2011), allowing Belgium to leave the Excessive Deficit Procedure.

The 2012 federal budget relies on structural new tax and non-tax receipts, among which are: increased withholding tax on dividends and interest (the 15% tax rate being raised to 21% or 25%); adjustments to the corporate tax system (a 3% cap on the notional interest used for the risk capital deduction and removal of the possibility to carry forward that deduction, taxation of capital gains on assets held for less than a year); increased taxation of company cars; selective increases in VAT rates (on notarial acts), excise duties (on tobacco) and other indirect taxes (on insurance premiums, on stock exchange); an increased contribution from the nuclear sector; new fees from the financial sector for the state guarantee on deposits; and the fight against tax fraud.

Savings on the expenditure side will come mainly from the strict control of operating costs and public employment developments, lower subsidies to public enterprises, lower expenditures for development cooperation, and the removal of the subsidies for the purchase of green cars. Savings are also expected in health care expenditure (via reductions in operating costs, in the price of medicines, and in fees for medical services or acts) and in unemployment and early retirement allowances (through structural reforms in this area).

Additional saving measures are planned for the 2013-2014 period. The (federal) tax incentives for energy saving investments will be removed. The consumer contribution in the service-voucher system will be increased. The budget available for real increases in social benefits will be limited to 60% of the amounts granted under the 2005 Generation Pact in 2013-2014. The real growth rate norm for the financing of the health care budget will be limited to 2% in 2013 and to 3% as from 2014 (instead of 4.5%). Savings are also expected in pension expenditure (through structural reforms in this area).

Four 4G mobile licences were auctioned. They were bought by the three incumbent mobile providers (Proximus, Mobistar and Base) and the Asian group BUCD. The auction brought in EUR 78 million, slightly less than expected. The licences will run from July 2012 until June 2027.

October 2011

The political parties negotiating to form a new government agreed on a sixth reform of the State, including the devolution of new competences to the communities and regions and the revision of the current financing act. This reform contains four main points. First, competences worth 4.4% of GDP (equivalent to EUR 17 billion or 14.5% of primary expenditures of Entity I) will be transferred to the regions (tax relief, part of the labour policy) and the communities (child benefit, part of the health care policy). These new competences will be mainly financed through grants paid by Entity I. Second, the main part of the existing grants to the regions (for an amount of about EUR 10 billion) will be replaced by a regional personal income tax and the current solidarity mechanism will be revised. Third, Brussels will get new grants of about EUR 460 million. Finally, regions and communities will have to contribute to the financing of the pensions of their own civil servants.

Postal incumbent Bpost acquired Hong Kong-based Citipost. Although it concerns just a small company, the acquisition is of strategic importance for the delivery of Bpost's consignments in South-East Asia.

September 2011

The European authorities adopted a new set of rules (the so-called "Six-Pack") reinforcing the Stability and Growth Pact (SGP) to better ensure fiscal discipline and foster economic governance in the EU. The new rules increase the operationality of the debt criterion of the Treaty: a Member State that does not respect the 60% reference for the debt-to-GDP ratio will be put into the excessive deficit procedure (even if its deficit is below 3%) if the gap between its debt level and the 60% reference is not reduced by 1/20th annually (as a three-year average). A new expenditure benchmark was introduced under the preventive arm of the Pact: Member States that have not yet reached their country specific medium-term objective are required not only to improve their structural balance by 0.5% of GDP a year, but also to cap the growth rate of their public expenditure according to a medium-term rate of growth. In order to identify and correct macro-economic imbalances, a new surveillance and enforcement mechanism was set up: the Excessive Imbalances Procedure (EIP). Under the EIP, a preventive recommendation can be addressed to Member States based on a scoreboard consisting of a set of economic indicators. In more serious cases, an excessive macro-economic imbalance procedure can be opened, requiring the Member State concerned to submit a corrective action plan. In all areas (fiscal, macro-economic, preventive or corrective), financial sanctions will apply to a euro area Member State that does not respect its obligations, under a so-called "reverse qualified majority" voting procedure (i.e. unless a qualified majority of Member States vote against the sanction).

A more complete overview of "Recent history of major economic policy measures" is available on the FPB web site (<http://www.plan.be>)

Abbreviations for names of institutions used in this publication

BIS	Bank for International Settlements
CPB	Netherlands Bureau for Economic Policy Analysis
CRB/CCE	Centrale Raad voor het Bedrijfsleven / Conseil Central de l'Economie
DGSB	FPS Economy - Directorate-General Statistics Belgium
EC	European Commission
ECB	European Central Bank
EU	European Union
FEBIAC	Fédération Belge des Industries de l'Automobile et du Cycle "réunies"
FPB	Federal Planning Bureau
FPS Economy	Federal Public Service Economy, S.M.E.s, Self-employed and Energy
FPS Employment	Federal Public Service Employment, Labour and Social Dialogue
FPS Finance	Federal Public Service Finance
IMF	International Monetary Fund
INR/ICN	Instituut voor de Nationale Rekeningen / Institut des Comptes Nationaux
IRES	Université Catholique de Louvain - Institut de Recherches Economiques et Sociales
NBB	National Bank of Belgium
OECD	Organisation for Economic Cooperation and Development
RSZ/ONSS	Rijksdienst voor Sociale Zekerheid / Office national de la Sécurité Sociale
RVA/ONEM	Rijksdienst voor Arbeidsvoorziening / Office national de l'Emploi

Other Abbreviations

BoP	Balance of Payments
CPI	Consumer Price Index
EUR	Euro
GDP	Gross Domestic Product
JPY	Japanese yen
LHS	Left-hand scale
OLO	Linear obligations
qoq	Quarter-on-quarter, present quarter compared to previous quarter of s.a. series
RHS	Right-hand scale
s.a.	Seasonally adjusted
t/t-4	Present quarter compared to the corresponding quarter of the previous year
t/t-12	Present month compared to the corresponding month of the previous year
UKP	United Kingdom pound
USD	United States dollar
VAT	Value Added Tax
yoy	Year-on-year, i.e. t/t-4 (for quarters) or t/t-12 (for months)