



## PRESS RELEASE

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### National accounts 2020

In 2020, households and companies stayed afloat thanks to public sector support

The year 2020 was hit hard by the effects of the pandemic:

- **Economic activity recorded an unprecedented decline, with GDP in volume terms contracting by 5.7%**
- **Employment held up well, stabilizing at the previous year's level, thanks to the exceptional government support measures**
- **Companies, and households even more so, generate a massive surplus as they were constrained in their ability to consume and invest**
- **Public finances deteriorated sharply, with the budget deficit shooting up to 9.1 % of GDP and the debt ratio to 112.8 %**
- **Belgium posted a slight surplus vis-à-vis the rest of the world, to the tune of 0.8 % of GDP**

The National Accounts Institute (NAI) is today, 18 October 2021, releasing new detailed annual national accounts data, including general government accounts, for the year 2020 as well as an update of the statistics for the years 2017 to 2019. The full results, and an overview of the methodological adaptations implemented to approach the COVID-19 reality, can be found on the National Bank of Belgium's website in the publication on the [national accounts](#) and the [general government accounts](#), as well as in the NBB.Stat statistical database.

#### Down by 5.7 %, GDP posts worst performance since the Second World War

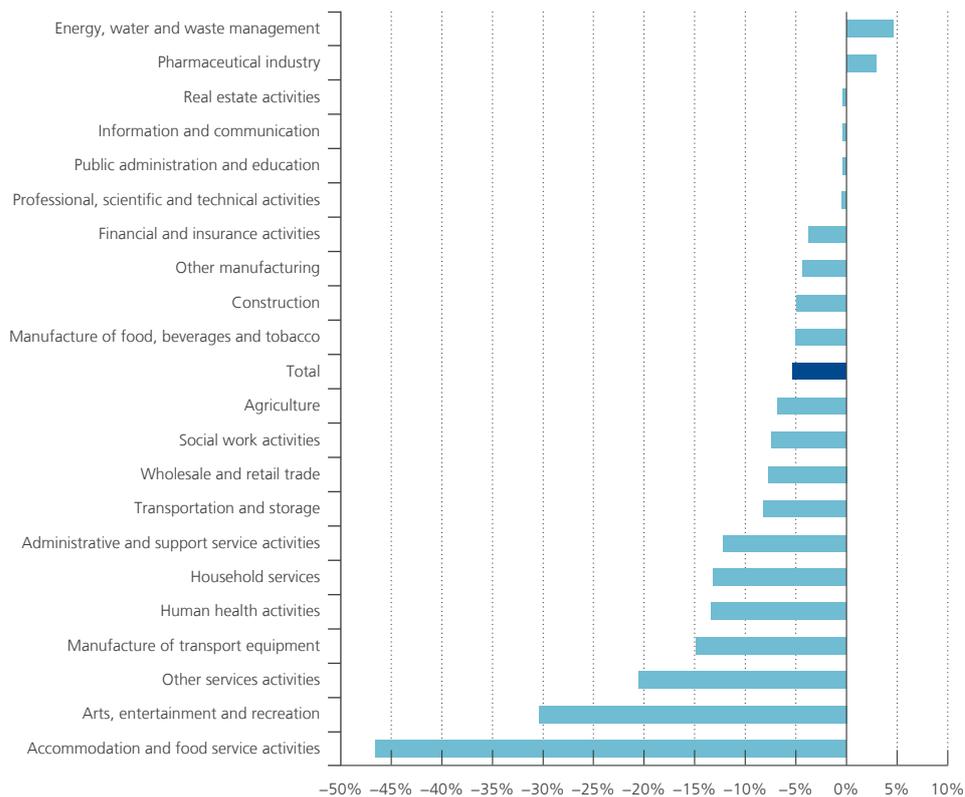
The COVID-19 pandemic brought the rising growth observed over the 2017-2019 period to an abrupt halt. Real GDP fell by 5.7 %, its worst performance since the Second World War. The various supply and demand constraints generated by the health crisis brought down value added sharply in almost all branches of activity, albeit to varying degrees.

Service activities, and in particular hotels, restaurants and cafés, cultural services, and other personal services are the ones that have taken the biggest toll, with declines in value added ranging between 20 and 47 %. In these branches, the production shutdown imposed by the health and safety restrictions could hardly be offset by the development of remote business activities. Industry was not spared either, especially because the shortage of certain components in some industrial activities has continued to greatly constrain production even after factories had reopened. Transport and trade activities recorded declines of between 6 and 8 %, directly impacted by the closure of non-essential shops, the travel restrictions and extensive use of teleworking. Activity also shrank, although to a lesser extent, in construction and financial and insurance activities, respectively by 5 and 4 %.

Largely spared from pandemic effects, the real estate, telecommunications, public administration and education, and professional, scientific and technical activities registered virtually no change in value added, either because their business activities can by nature be conducted remotely, or via the rise of (new) online business activities making up for the decline in traditional segments.

#### VALUE ADDED BY ACTIVITY IN VOLUME, 2020

(percentage changes compared to the previous year)



Source: NAI

Lastly, at the other end of the distribution spectrum, the pharmaceuticals sector, on the one hand, and the energy industry on the other, grew by respectively 3 and 5%. As well as being heavily involved in production or development of means of fighting the pandemic, the former enjoyed higher demand for some of its key products. In the case of the energy industry, operating costs fell more than production, leading to a positive trend in value added.

#### Households put consumption on hold and companies stopped investing

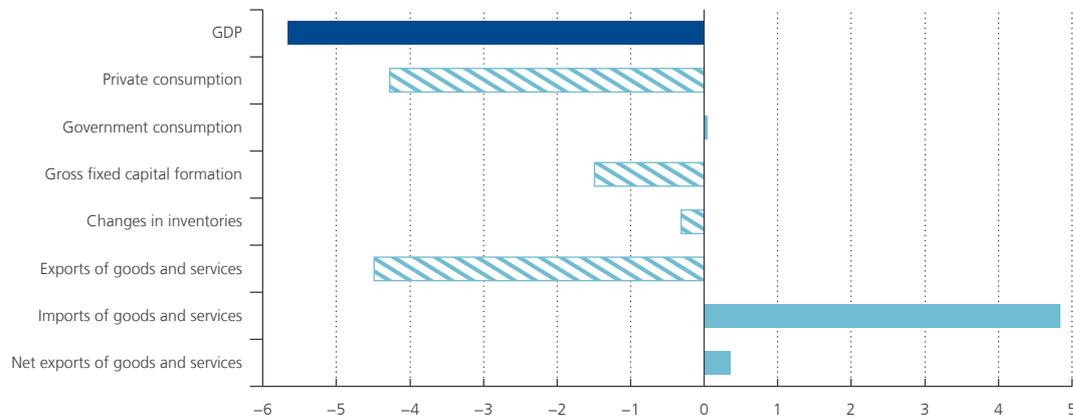
In 2020, it was mainly the free fall in **private consumption** – by 8.2% – that weighed heavily on growth, explaining three-quarters of the decline in GDP. On top of the “physical” obstacles to consumption owing to the public health measures, households’ uncertainty about their future financial capacity compounded the situation. All consumption categories were affected, apart from communication services, food and home products.

**Public consumption**, on the other hand, remained virtually stable, on account of the public support measures taken in response to the pandemic, as well as the sluggishness of certain types of expenditure such as civil servants' pay or health care.

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#### CONTRIBUTIONS TO VOLUME GROWTH OF GDP IN 2020

(percentage points)



Source: NAI

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**Investment** also made a significant contribution to the fall in GDP, with the climate of uncertainty and plummeting turnover having a negative impact on decisions to invest. Within companies, investment was down by 7 % on average. Closely correlated with the decline in economic activity, the fall was particularly sharp in the accommodation and food services, the cultural services, and the manufacture of transport equipment. The pharmaceutical industry was the only one to have stepped up its investment in 2020, notably in research and development. The restrictions on construction and renovation activity combined with the shortage of some materials also led to a 6.8% drop in investment in housing, despite the still extremely favourable borrowing conditions.

The pandemic also triggered a dramatic slowdown in global trade. In Belgium, as imports fell more (- 5.9 %) than exports (-5.5 %), **net exports of goods and services** made a small positive contribution of 0.4 of a percentage point to growth in volume terms. Travel expenses are behind this: they declined more for residents (imports) than for non-residents (exports) and with a greater weight, as expenditure by Belgians abroad is effectively twice as high as spending by foreigners in Belgium.

#### Employment holds up well, thanks to massive government support

While economic activity and demand collapsed, employment measured as the number of people at work remained stable in 2020: the number of salaried workers may have declined by 0.4 % (or - 15 200 persons), but these losses were offset by net job creations among the self-employed, which were similar to figures from the last few years (+ 1.7 % or + 14.300 persons), not least thanks to the bridging rights system and the temporary freeze on bankruptcies.

However, the volume of labour dropped sharply in 2020 (-8.5%), mirroring the decline in activity. The divergence in movement between these two measures – employment in persons and volume of labour – is mainly because people on temporary lay-off are still considered as being employed, even if they put in no working hours.

## Public finances deteriorates sharply

The budget deficit widened last year, to reach 9.1 % of GDP, the highest level since the mid-80s.

The deterioration of the financing balance is due both to the fiscal measures put in place by the public authorities to tackle the COVID-19 crisis and to the contraction of economic activity. Revenue fell back by almost €10 billion, while expenditure rose considerably, by more than €22 billion. Public expenditure related directly to the discretionary measures taken to fight the pandemic are estimated at no less than €16 billion in 2020, or 3.5 % of GDP.

Expressed as a percentage of GDP, the primary expenditure ratio rose dramatically, to reach 57.2 % of GDP, while interest charges hardly fell at all, coming in at 1.9 % of GDP. As the fall in revenue was a lot less than the drop in GDP, the ratio of revenue as a percentage of GDP rose, admittedly only marginally, to settle at 50.1 % of GDP.

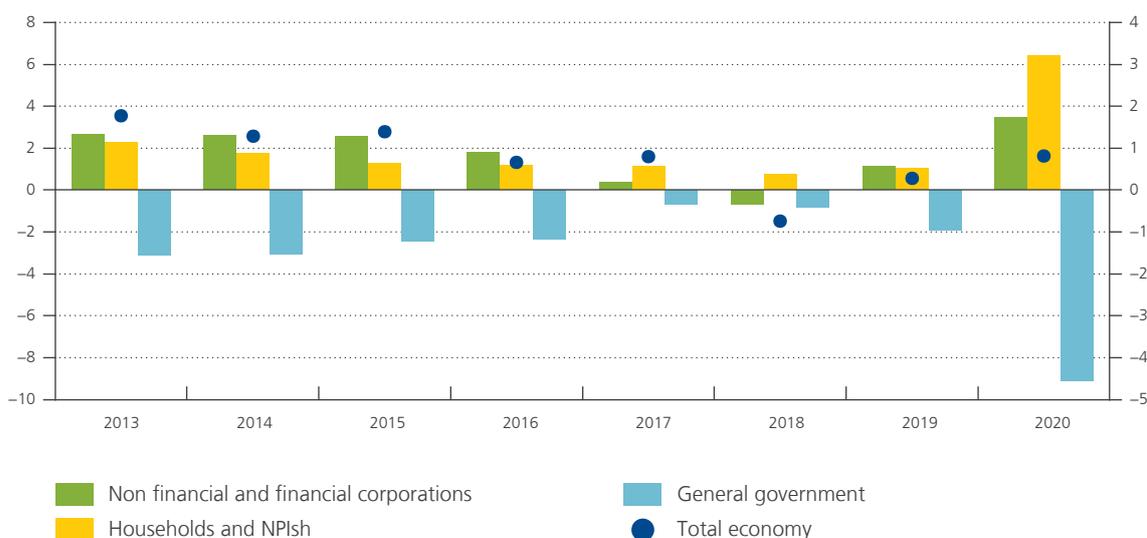
The debt ratio increased drastically, to reach as much as 112.8 % of GDP.

## Belgium posts a slight surplus with the rest of the world

While the pandemic dealt a heavy blow to production activity and spending of economic agents, it also brought about a big change in their savings behaviour and in the financing balance of the various domestic sectors.

### FINANCING BALANCES

(in % of GDP)



Source: NAI

Households' financing capacity increased more than fivefold in 2020, to reach €28.7 billion, or 6.3 % of GDP. They effectively slashed their consumption expenditure and capital investment, at the same time as their disposable income disposable, supported by government transfers, actually rose slightly.

A similar movement, albeit on a lower scale, was in the corporate sector, whose financing balance more than tripled in 2020, to reach €15.9 billion, or 3.5 % of GDP.

Overall, the improvement in the financing balance of households and companies more than offset the deterioration in that of the general government, so that, taking all sectors together, Belgium showed a financing capacity of 0.8 % of GDP vis-à-vis the rest of the world.

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**Main results**


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	2017	2018	2019	2020
<b>Activity and demand</b>				
(percentage change in volume)				
<b>GDP</b>	<b>1,6</b>	<b>1,8</b>	<b>2,1</b>	<b>-5,7</b>
<b>Value added</b>				
Agriculture	4,3	-9,8	0,9	-6,8
Industry and energy	1,0	-1,4	4,1	-2,5
Construction	1,5	5,5	1,0	-4,9
Services	1,7	2,4	2,0	-5,9
<b>Expenditure</b>				
Private consumption expenditure	1,9	1,9	1,8	-8,2
<i>Final consumption of households (domestic concept)</i>	2,0	1,7	1,4	-7,6
<i>Travel expenditure <sup>(1)</sup></i>	-0,8	11,4	14,8	-32,4
<i>Final consumption of non-profit institutions serving households</i>	-0,1	2,2	2,2	-1,3
Final consumption expenditure of general government	0,2	1,3	1,7	0,2
Total gross fixed capital formation	1,4	3,0	4,5	-6,2
<i>Enterprises</i>	1,6	2,4	4,8	-7,0
<i>Dwellings</i>	1,0	1,5	5,1	-6,8
<i>General government</i>	1,1	1,0	1,7	0,6
Change in inventories <sup>(2)</sup>	0,0	0,4	-0,5	-0,4
Exports of goods and services	5,5	0,6	2,0	-5,5
Imports of goods and services	5,2	1,4	1,6	-5,9
<i>p.m. Net exports of goods and services <sup>(2)</sup></i>	0,3	-0,6	0,3	0,4
<b>Employment</b>				
(evolution in thousands of persons)				
Employees	60,5	56,4	62,9	-15,2
Self-employed	12,8	13,2	14,2	14,3
Total	73,2	69,7	77,1	-0,9
<b>Public finances</b>				
(in % of GDP)				
Revenue	51,3	51,4	49,9	50,1
Primary expenditure	49,7	50,1	49,9	57,2
Interest charge	2,4	2,1	2,0	1,9
Deficit (-)	-0,7	-0,8	-1,9	-9,1
General government debt (Maastricht-definition)	102,0	99,9	97,7	112,8

Source: NAI

<sup>(1)</sup> Expenditure of residents abroad minus expenditure of non-residents in Belgium<sup>(2)</sup> Contribution to the change in GDP