

NATIONAL  
BANK  
OF  
BELGIUM

REPORT 1985



# NATIONAL BANK OF BELGIUM

LIMITED COMPANY  
BRUSSELS TRADE REGISTER No. 22,300

HEAD OFFICE :  
BOULEVARD DE BERLAIMONT 5  
1000 BRUSSELS

## REPORT

*on the activities of the year 1985  
presented to the General Meeting  
on 24th February 1986*





# **REPORT**

*presented by the Governor in the name of the*

**COUNCIL OF REGENCY**

A list of Names as used  
in this and previous Reports of the National Bank  
is printed at the end of the text.

## **International environment**

*The data which summarise, year by year, the development of activity in the member countries of the Organisation for Economic Co-operation and Development clearly show that the rate of growth slowed down in 1985. But such a brief judgment would fail to reveal the change which took place during the year; for in fact, in nearly all the major countries, economic activity weakened most in the first part of the year and growth generally became more vigorous after that.*

*The recovery was not as strong in the United States, and, for the year as a whole, the growth rate of that country was lower than that of Japan and no longer exceeded that of the European Economic Community. As in the previous year, it was domestic expenditure that drove the American economy, but the impetus was much less powerful than in 1984. In volume, fixed investment by enterprises increased less and house-building expenditure levelled out : account being taken of the movement of stocks, gross capital formation by companies and households made no further progress. On the contrary, the worsening of business conditions did not prevent households from further expanding the volume of their consumption, thus reducing their propensity to save. The firmness of demand from households was the main support of employment, especially in services. The unemployment rate, which had declined sharply the previous year, did not rise again. The slowing-down of the expansion was accompanied by a further reduction of the rise in the general level of domestic prices; more specifically, inflation slackened because hourly wages increased still less than in 1984, because the dollar prices of imported raw materials fell and because, for various services, competition between producers, made keener by the relaxation of certain regulations, helped to ease the pressure on prices; furthermore, for many products, domestic demand continued to encounter competition from foreign suppliers. On the domestic market, as in their exports, too, American producers appear to have suffered further losses of market shares.*

United States

*In 1984 the disparity in growth rates and the rise of the exchange rate for the dollar combined, had led to a deterioration of the current account of the United States' balance of payments. This deficit widened further in 1985, representing 3.3 p.c. of the national product. The expansion of certain categories of domestic expenditure, although slower, doubtless sustained the flows of imports; but in 1985 it was above all the level reached by the dollar exchange rate that facilitated sales by foreign competitors.*

*The weighted average rate of the dollar for the year 1985 exceeded that in 1984. However, this comparison of annual averages conceals the bell-shaped course taken by that rate during the last two years. At the beginning of 1985 the rise continued and a peak was reached towards the end of February. However, by financing the substantial deficit in respect of its external transactions in goods and services, the American economy placed at the disposal of the rest of the world an impressive volume of dollars; this net supply, despite its scale of about half a billion dollars per day did not meet the potential demand for dollars from foreigners for the purpose of carrying out financial transactions. Under a system of free floating, this relative inadequacy was bound to lead to a rise in the rate which, day by day, would keep effective demand in equilibrium with the supply. Admittedly, a price effect would inevitably induce a further expansion of the supply flows by a step-by-step process of adaptation : for a dearer dollar was disadvantageous to American producers, the conditions for the negotiation of orders immediately changed to their disadvantage, and, later, when these were carried out and paid for, the United States would have to meet a larger deficit. Thus the supply of dollars would in fact respond to the incentive of the rise in the dollar rate : it would increase, but this adaptation would take place with a time-lag and, consequently, it could also occur at a time when demand from foreign investors had slackened. As financial transactions adapt quickly to changes in the specific factors which prompt them, they were liable to cause variations in exchange rates more quickly than the induced compensatory changes in trade flows could take place. This time-lag, by maintaining, in the short run, the maladjustments between the supply of and foreign demand for dollars, or by reversing their sign, could become a factor contributing to the instability of exchange rates.*

*The supply of a currency on the foreign exchange market can, it is true, be much more rapidly expanded if the central banks remedy the*

shortage by adding their own contributions; the central bank of the country which issues that currency merely has to purchase foreign currencies; the other banks have to sell the currency which is in demand by drawing on the balances which they have previously built up. During the first months of the year, non-American central banks did indeed endeavour to curb the rise of the dollar; the interventions by the American monetary authorities remained very modest. This action by the central banks, together with more spontaneous factors, doubtless played a part in bringing about the reversal of the market trend. The rate for the dollar began to decline.

The movement was expected, indeed hoped for, because the last rise had in fact caused concern; for some countries which were large importers of raw materials quoted in dollars, it was considered to be an element of imported cost inflation; the countries which had incurred dollar debts were afraid of a worsening of their deficits; lastly, there was growing general anxiety at the thought that American producers in the sectors exposed to foreign competition might succeed in inducing the political authorities to impose severe restrictions on imports.

The American monetary authorities contributed to the easing of the foreign exchange market, not so much by interventions from the angle of the supply of dollars but, less directly, by their interest rate policy, since this made it possible to change one of the factors underlying foreign demand for dollars for financial transactions. The turnaround of the foreign exchange market coincided with a change in the orientation of the action taken by the American monetary authorities: they did not prevent, or actually facilitated, a reversal of the trend, which had momentarily turned upwards again, of short-term interest rates. During the subsequent months, although the various aggregates monitored by the American monetary authorities had clearly risen beyond the limits set, these authorities refrained from reacting by measures which would have had the effect of bringing about a rise in short-term interest rates; these rose only briefly, and to a limited extent, in the third quarter; by the end of the year they had fallen by about 1 p.c. since December 1984; this movement brought them closer to the rates offered for short-term investments in the main strong currencies. Long-term American rates also declined.

Thus the endeavour to reduce the handicap which the dear dollar had imposed on American producers on the commercial markets, com-



*bined with the desire to avoid impeding the recovery of domestic demand, induced the American monetary authorities to shift the emphasis in their policy considerations. Without therefore ceasing to watch the movements of the monetary aggregates, which they had previously made an intermediate objective in support of a policy designed to halt inflation, the leaders of the Federal Reserve System again attached greater importance to the « level of activity » and « exchange rate » objectives, which were in this case, most fortunately, compatible.*

*The exchange rate, previously left to be determined by market forces, was brought under control again, indirectly at first, and then more directly. Observers and foreign exchange market operators feared that the rigidity of the supply of dollars, encountering the greater volatility of demand, might bring the rate down too fast. Their anxiety was not unjustified, because the events of the last months of 1985 did in fact show that foreign trade — especially that of an extremely large, not very open economy — only reacts with rather long time-lags to variations in foreign exchange rates. And yet the decline was orderly; the dollar, as had been desired, « made a soft landing »; investment demand for that currency therefore remained firm enough regularly to absorb, at each level reached by the exchange rate in its downward movement, an ample proportion of the supply resulting from the continuing current account deficit. During the very last months of the year, after the consultation between the Big Five in September, the decline was even restarted by official interventions : the Federal Reserve Bank of New York and major foreign central banks took joint action to curb any rebound of the exchange rate whenever its further slide triggered too rapid a revival of the demand for dollars.*

#### *Japan*

*Although Japan's economic growth was again the highest among the major industrialised countries, it nevertheless slackened, in symbiosis with the worldwide trend, and more especially with domestic demand in the United States. Nevertheless, Japan's current account surplus increased further, reaching \$ 48 billion, or 3.7 p.c. of the national product; although it was smaller than in 1984, the growth in exports still continued; the terms of trade improved; the fruits of the direct investments and substantial portfolio investments made abroad in recent years were reaped in capital incomes; furthermore, there was hardly any increase in the volume of imports, even though domestic expenditure went on expanding at the same rate as in the previous year. Within this*

*expenditure, private demand rose more than that from the public authorities, which further reduced their financial deficit to 1.7 p.c. of the national product.*

*Until the summer months, the weighted average exchange rate for the yen fluctuated around an average which had remained unchanged since the beginning of 1984. During October and November this rate, pushed up by a rapid, pronounced rise in domestic short-term interest rates, rose by about 12 p.c. The movement was large enough to arouse fears of a loss of competitiveness by exporters, and in the last weeks of 1985 the Japanese authorities somewhat relaxed their pressure on interest rates.*

*The developing countries could not escape the consequences of the downturn in economic activity in the industrialised countries. It had two adverse repercussions for them. Firstly, it affected the prices of raw materials more than those of manufactured products, thus causing a worsening of the terms of trade for the members of the Organisation of Petroleum Exporting Countries as well as for the developing countries other than the « newly industrialised countries ». Secondly, it affected the volume of the exports of these two groups of countries; these declined and, as their imports decreased only slightly compared with 1984, their overall balance of trade deteriorated. The current account of their balance of payments worsened more still; for the interest burden of the debtor countries became heavier as their liabilities increased, despite the decline in interest rates, while the incomes of the oil-exporting countries were reduced.*

*Developing countries*

*A slackening of the expansion in the industrialised countries was thus sufficient to reveal the acuteness of the crisis of the debtor countries. The relapse in 1985 might have lent support to the argument that these countries cannot overcome their fundamental difficulties by imposing upon themselves a therapy which was more designed to remedy maladjustments in countries possessing great human and material potentialities. Without foreign co-operation the developing countries would doubtless be forced, by a dramatic dilemma, either drastically to lower an already excessively poor standard of living or to allow their external position to become even more run down by incurring new debts, assuming that they could find lenders. The anxieties created by this situation induced the American Secretary of the Treasury to formulate proposals referred to as the « Baker Plan », the purpose of which*

*is both to encourage the adoption of domestic reforms more conducive to the growth of these countries and to facilitate the meeting of the needs of those which undertake such reforms. These proposals recommend, among other things, a stepping-up of lending by the World Bank and other multilateral development banks, together with the granting of new credits by the commercial banks. An improvement of the developing countries' financing conditions is no doubt essential as an interim protective measure. But the respite which this would give does not relieve the main figures in the world economy of the duty to make an effort to find more lasting solutions; these no doubt entail, for the time being, a lowering of interest rates and, more fundamentally, the maintenance of a steady rate of growth in the industrialised countries, the opening-up of their markets to exports from the new producers and, consequently, a speeding-up of the changes in the structure of activity in the old countries. These more definitive solutions might also require the leaders of the poor countries to give thought to the reorganisation of their own social and economic structures.*

European Economic  
Community

*In the countries of the European Community, the growth in 1984 was much smaller than in the United States and Japan; but, while the expansions in these countries slowed down in 1985, that was not the case in the Community. The vigorous revival after the low level of the first months pushed up the average growth rate for 1985. At about 2.5 p.c., however, this growth was not strong enough to bring down unemployment below the 1984 level, namely 10.5 p.c. of the working population.*

*The disparities in price movements were further reduced, the rise having slowed down markedly in most of the countries where it had been most rapid.*

*As in 1984, there was only a moderate increase in domestic demand, owing to policies which were too uniformly inspired by the painful memories of past inflationary troubles or the repercussions of the oil crisis. If the Community had been able to act as an integrated economic area it would certainly have been able to expand its domestic demand more and hence take over as the driving force behind world expansion. It would have been able to make up some of the excessive leeway which has developed between its growth (7.1 p.c. over the last six years as a whole) and that of the United States (12.9 p.c. during the same period), since the potentialities of the two economies are*



*comparable. It is unfortunately easier to present the economies of the Community as a homogeneous entity in tables recording macro-economic data than to achieve homogeneity in the real data which determine national policies.*

*Similar in their aims, budget policies were not designed with a view to expansion, even where there might have been room for this. Furthermore, neither the investment decisions of enterprises nor the behaviour of households did much to raise the level of employment or give a strong fillip to activity; in manufacturing industry, enterprises generally carried out rationalisation programmes rather than investing in expansion; unlike American consumers, European households maintained a fairly high rate of saving, only allowing their spending to increase in proportion to the rise in their disposable income.*

*As imports increased less than in 1984 and the terms of trade did not deteriorate further, the Community's external trade balance showed a larger surplus than in 1984, despite a slowing-down of the rise in exports; the current account of the balance of payments benefited, moreover, by a further reduction in net expenditure abroad on services. This improvement in the Community's external account was observable in that of most of the member countries; a notable exception is Italy, the worsening of whose deficit was sufficiently serious to induce that country to negotiate, in July, a revision of the central rate for the lira; this was lowered by 7.8 p.c. in relation to the other currencies of the European Monetary System.*

*The monetary authorities of the various countries could not, in their interest rate policies, disregard the indications given by the foreign exchange market and particularly the movement of the dollar rate. In the period when that was rising, most European interest rates followed the recovery of American money market rates. The subsequent decline of the latter brought down European rates, too. During the last months of the year, when the fall of the dollar had begun to create certain strains among the currencies of the European System, the movement of each country's short-term interest rates was influenced by the state of its own foreign exchange market.*

*The handicaps under which the Europe of the Community labours in comparison with other large countries and which prevent it from playing the role in the world economy which its potential scale warrants*

*European Monetary  
System and private  
Ecu*

have been clearly revealed. The action of the governments in initiating the procedure for the revision of the Community Treaties is therefore a timely step. It is the first time since the entry into force of the Rome Treaties that such a large-scale revision has been contemplated. The text adopted aims at giving the Community institutions greater scope for action, promoting the full implementation of the internal market and extending the field of application of common policies. The determination is thus expressed to create, by 1992, a large market without internal frontiers within which there will be free movement of goods, persons, services and capital.

With regard to monetary co-operation among Member States, the original Treaty reflected the hesitations of an era. The changes agreed upon include a reference to the objective of an economic and monetary union, the European Monetary System and the Ecu. The new text does not in itself oblige the Member States to move towards monetary integration; the implementation of this aim would have been less vague if the Community had been authorised to establish a common monetary authority subject to appropriate institutional conditions. Although the amendments made have little binding force, they do at least have the merit of solemnly asserting in a Treaty that what has been accomplished is intended to endure and to be carried further. But the fact remains that, during the coming years, further progress towards monetary integration will depend on the economic climate and, even more, on political will.

The fruits of 1985 remained rather meagre. The decisions adopted concern the foreign exchange system, the operation of which may benefit by certain technical measures which somewhat facilitate the use and holding of the official Ecu. But these provisions are not likely to significantly widen the limits assigned to this Ecu.

The use of the Ecu unit of account in private financial transactions has expanded much more rapidly. This innovation has not, of course, made the same progress everywhere, because it has to contend with constraints and modes of behaviour which differ from country to country. In some places the restrictive interpretation of a national monetary law prevents financial institutions from attracting funds in Ecus, whereas they can do so in other currencies. Elsewhere, regulations require or encourage residents to borrow in currencies other than the national currency, and possibly in Ecus, while prohibiting or discouraging the formation of financial assets in foreign currencies.

*These different provisions and also the spontaneous reactions of investors and borrowers have created an imbalance between the volume of bank lending and of deposits in Ecus; the available overall data for a number of countries indicate that bank lending to final borrowers had reached an amount of about 14 billion Ecus by the end of September 1985, whereas on the same date deposits hardly exceeded 7 billion Ecus. This imbalance had financial consequences for the Belgian-Luxembourg Economic Union. This is because economic agents within the Union, not being subject to foreign exchange restrictions, behaved in a way which created an opposite disequilibrium; the assets in Ecus built up by residents at banks within the Economic Union or abroad exceed their indebtedness to these banks; that surplus was only partly offset by capital inflows resulting from other transactions in Ecus, since little in the form of Ecu deposits, and hence few Belgian and Luxembourg francs contained therein, were acquired by non-residents. By their purchases of long-term securities, Belgian and Luxembourg investors also greatly contributed to the growth in Euro-bond issues denominated in Ecus. The formation of these financial assets of all maturities by residents, when it took place at the expense of assets in Belgian francs, led to outflows of funds from the Belgian-Luxembourg Economic Union.*

### **Economic and financial developments in Belgium**

*The categories of expenditure on which the growth of the Belgian economy had been intended to be based in 1985 did not provide the hoped-for impetus. As in 1984, net exports of goods and services do not appear to have played any significant stimulating role, and the nation's gross capital formation, which had contributed to growth the previous year, does not appear to have increased further. The contribution made by private and public consumption remained slight. The increase in the Belgian economy's gross domestic product was practically the same as in 1984. At around 1 p.c. it would appear, as in the preceding years, to have remained below the — albeit relatively mediocre — growth of the countries of the European Economic Community as a whole. Over the six-year period which began in 1979 — a year during which economic conditions were fairly comparable to those in 1985 — the real growth of the Belgian economy would appear to have been only about 5.5 p.c.; at the end of that period, domestic*

*Expenditure and  
national product*



*expenditure appears to have contracted by 2 p.c. compared with its initial level; until 1983 the expansion was sustained by the recovery in the current account of the balance of payments.*

*Consumption by individuals, the main component of domestic demand, appears to have increased to a modest extent : by 0.9 p.c. at constant prices, just as in 1984. Expenditure on house-building, which had declined since 1979, appears to have risen by 2 p.c.; the national and regional measures for assisting residential building merely mitigated the effects of the depressive factors : the stagnation of population growth, buildings costs, the legislation concerning rents, the actual or expected development of incomes, institutional difficulties, the high net yields of competing investments, and financing costs. Investment by one-man businesses appears to have kept up, despite its decline in agriculture.*

*At constant prices, expenditure by the public authorities appears to have levelled out : the increase of 1.5 p.c. in consumption — the cost of the public services — appears to have been counterbalanced by a further decline in investment, which apparently amounted to only two-thirds of the 1980 figure.*

*Investment in fixed capital by companies appears to have increased in volume by 2.3 p.c.; this percentage is lower than that for 1984 both in manufacturing industry and in the services sectors. Stocks appear to have been further reduced.*

Production  
Employment

*The movement of industrial production reflected the sluggishness of demand. On foreign markets, the metal-working and chemical industries benefited by the recovery of investment or of private consumption in the countries of the Community. Activity grew most in the metal-working industries and the chemical and food industries. Electricity production rose again substantially and the power stations once more became net exporters of electric power. Altogether, the value added of industries other than building appears to have increased by only a little over 1 p.c. in 1985; in the building sector it appears to have failed to rise owing to the reduction in road-building and civil engineering work.*

*The performance of the non-industrial sectors was no better. At constant prices the value added by agriculture appears to have remained at the high level reached in 1984. It appears to have risen by about*

1 p.c. in the case of market services, which also suffered from the effects of the slackening of growth since the end of the previous decade.

These service-rendering enterprises and the public authorities nevertheless created enough new jobs in 1985 to more than compensate for the further reduction in the supply of employment from building and industry. The number of jobs lost in the last-mentioned sector — 13,000 from June 1984 to June 1985 — was smaller than during previous periods with comparable increases in activity. The improvement in productivity in industry did in fact slow down further in 1985; this slackening is more pronounced than in the case of the main foreign competitors as a whole, as had already been the case during the two preceding years; the slowing-down does not seem to have been due to a decrease in the number of hours worked per employee; it may have been partly due to the measures imposed on enterprises, or the incentives provided for them, by the Government with regard to employment.

The unemployment rate was furthermore influenced by the decrease in the working population; this is not a real decrease, however, but is due to the legal provisions which allow certain older unemployed persons no longer to be regarded as job-seekers. In any case, the working population appears to have increased less than the supply of jobs. Consequently, even if the change in the regulations is disregarded, the unemployment rate appears to have fallen by 0.3 p.c. between December 1984 and December 1985.

Although it was still rather modest, this improvement in employment appears to have had the effect of causing the growth in total gross compensation — 0.9 p.c. at constant prices — to be greater in 1985 than that in compensation per person employed and to slightly exceed the previous year's increase.

Incomes of  
individuals and  
companies

On the other hand, the income of self-employed persons would appear to have declined again in volume despite the increase in their number.

The growth in income from property would again appear to have been considerable — 7.7 p.c. at constant prices — but nevertheless smaller than that in the previous year, owing to differences in the average term of the financial assets acquired in 1984 and 1985. These incomes from property at present constitute about 20 p.c. of the pri-

*mary incomes of individuals, against 14 p.c. in the 1970s; for, since then, households, whose propensity to save has remained very high, have regularly added to their assets, and particularly their holdings of financial assets; furthermore, average yields have gradually risen.*

*The total of individuals' primary incomes of all kinds appears to have increased by 1.8 p.c. at constant prices, which is about the same percentage as in 1984. For lack of information it is not possible to give a breakdown, among the various categories of primary incomes, either of the fiscal and parafiscal levies to which they are subject or of the transfers from the public authorities by which they are supplemented. The income disposable for consumption and saving can therefore only be estimated for households as a whole: it appears to have risen by 0.9 p.c., whereas it had been reduced by 0.4 p.c. the previous year. Net levies — consisting of fiscal and parafiscal charges, less transfers allocated — made by the public authorities from household incomes thus appear to have been heavier in 1985, albeit to a smaller extent than in the previous year.*

*The disposable incomes of companies — of necessity valued at current prices — appear to have undergone a much greater increase than those of individuals and also to have gone up appreciably more than they did in 1984. Average profit margins appear to have widened somewhat thanks to the improvement in the terms of trade; but the growth in the volume of sales seems to have slowed down, so that the increase — of about 14 p.c. — in the gross operating surplus seems to have been no greater than that in 1984. The total of the dividends and interest paid to the other sectors by companies also appears to have increased less. The growth in the net levies made from them by the public authorities appears to have been much smaller than in the previous year, and not to have been proportional to the improvement in the operating surplus. Consequently profits placed to reserve, that is, the disposable income of companies, appears to have risen by 17 p.c., or more than twice as much as in 1984.*

Prices

*The change in the terms of trade which has just been mentioned coincided with a very pronounced slackening of the rise in the prices of imports and exports. The average unit value of imported goods and services rose a little less than that of exports. The weakness of raw material prices, the downturn of inflation in the industrialised countries and the recovery of the weighted average exchange rate for the franc*



— the first since 1979 — reduced the cost of imported goods and services. Whereas the rise in domestic costs continued at the same rate as in 1984, namely about 5.5 p.c., the slower rise in the prices of imports caused a slackening of the movement of domestic prices. The average level of consumer prices in 1984 had shown a rise of 6.3 p.c.; it was only 4.9 p.c. in 1985, and was hence only 1 p.c. above the corresponding figure calculated for Belgium's main commercial partners as a whole.

In the other countries of the European Economic Community as a whole, expenditure by the public authorities as a ratio of the gross national product declined from 49.2 p.c. in 1984 to 48.6 p.c. in 1985. In Belgium the percentage remained higher, very close to 60 p.c. Fiscal and parafiscal pressure decreased from 42.3 to 41.9 p.c. of the national product in the other countries; it increased from 47.2 to 47.6 p.c. in Belgium. Measured by European standards, the public authorities' deficit decreased, from 1984 to 1985, from 4.9 p.c. to 4.6 p.c. of the national product in the other countries and remained stable at 10.3 p.c. in Belgium.

The further growth in fiscal and parafiscal revenue was due to the execution of the multi-year improvement plan introduced by the Government in March 1984 and especially to the levying, for three years, for the benefit of the social security system, of the proceeds of the first index-linking tranche of wages and salaries which are not payable by the Treasury and of the proceeds of a similar moderation imposed on the incomes of self-employed persons.

On the expenditure side, in the national accounts, public consumption — services made available to individuals and enterprises — would still appear to have represented about 18 p.c. of the national product, or 1.5 p.c. less than the peak reached in 1981. Gross capital formation seems to have represented only 2.7 p.c. of that product, or 1.4 p.c. less than the peak reached in 1980 and 1981. The greater part of the public authorities' outpayments — equivalent to about 40 p.c. of the national product — thus appears to have consisted of current transfers — allowances of various kinds and interest on the public debt — giving rise to shifts in incomes, and of capital transfers, including subsidies.

Total current expenditure appears to have reached 55.8 p.c. of the national product, or a proportion close to that in 1984. Despite the

*measures taken to postpone interest maturities to the next year, the burden of the debt service appears to have risen from 10.1 to 11 p.c. of the national product, the percentage growth of the debt and the level of interest rates having both exceeded the rate of expansion of the national product at current prices. The increase in the interest burden was almost entirely offset by reductions made in current transfers other than those connected with unemployment and job-creation. The public authorities' capital expenditure was increased to 6.5 p.c. of the national product; the very slight rise in this percentage compared with 1984 was due not to gross capital formation but to net lending and equity investment, not recorded in the Community's harmonised statistics, which have been mentioned earlier.*

*Account being taken of the last-mentioned category of expenditure, the public authorities' deficit appears to have reached 13 p.c. of the national product, a slightly higher level than in 1984. The comparison with the average of the deficits recorded in the years 1981-1983 — 15.4 p.c. of the national product — reveals an appreciable improvement, even if allowance is made for the difference in the economic climate between that period and 1985. During the years 1977-1979, which preceded the second oil crisis, the deficit averaged 8 p.c. of the national product; since then, the burdens borne by the public authorities owing to their indebtedness have increased by 6.5 p.c. of the national product. Thus, the tolerated repetition of deficits has added one further element to all those factors of the budget structure which are liable to be difficult to reverse.*

*Surplus of  
individuals and  
companies*

*Since 1981, a year of extreme disequilibrium, the public authorities have had less and less difficulty in obtaining the financial resources necessary for meeting their deficit. That is because the financial surpluses of the two other domestic sectors have expanded. True, individuals reduced their propensity to save between 1981 and 1985, since they cut down their consumption by only 0.6 p.c. of the national product whereas their disposable incomes decreased by 1.7 point of that product. Their total savings therefore contracted from 15 to 13.9 p.c. of the national product. But they changed the use to which they put their savings : investment in house-building declined in favour of portfolio investment. Overall, the new financial assets acquired by households far outweighed their new debts; on balance, in 1985, this accumulation of net assets appears to have represented 9.5 p.c. of the national product.*



*This percentage is strikingly higher than in the other countries of the European Economic Community, except Italy; it is possible that the discrepancy is slightly exaggerated by imperfections peculiar to the Belgian data, in that these may be more distorted than others by omissions for tax reasons which would have the effect of reducing, by the same amount, the disposable income of households, their consumption and the national product; nevertheless, the difference is basically due to the fact that, owing to the high level of its expenditure, the Belgian Government is obliged to a greater extent than others to borrow from households the funds which it could not take from them by taxation without aggravating the present maladjustments in the actual distribution of the tax burden.*

*The financial surplus of companies has been above 2 p.c. of the national product since 1982; it appears to have grown from 1984 to 1985, reaching 3.9 p.c. It has already been mentioned that the gross savings of companies increased substantially; in addition, the public authorities made a larger contribution to the financing of the national sectors. As investment rose less than in 1984 in the sector as a whole, as has been seen, the increase in the resources of companies was therefore reflected in a larger financial surplus. In the main countries of the Community, too, companies have, in recent years, had a financial surplus, sometimes larger than in Belgium; only in France does that sector have a financial deficit.*

*Altogether, the net financing capacity of individuals and companies combined appears to have reached 13.4 p.c. of the national product in 1985. For the first time since 1974 it exceeded the public authorities' net financing requirement; the surplus, of 0.4 p.c. of the national product, represents the Belgian economy's net lending to the rest of the world — that is, roughly, the surplus in Belgium's balance of current transactions with foreign countries.*

*Enlarged by the surplus of the Luxembourg economy, the positive balance of the Belgian-Luxembourg Economic Union's current transactions with foreign countries was probably around Fr. 35 billion in 1985, calculated on a transactions basis. This balance, the recovery of which had started in 1982, had reached equilibrium in 1984.*

*Balance of  
payments of the  
B.L.E.U.*

*The progress achieved in 1985 was primarily due to transactions in goods. Mention has already been made of the probable improvement*

*in the terms of trade. At the same time the coverage ratio of imports by exports in terms of volume appears to have risen, not thanks to any sharp expansion in sales but rather owing to the slow growth of the purchases abroad of an economy the domestic expenditure of which has been increasing less than that of other countries for several years.*

*The effects of this slower growth on the volume of foreign trade counterbalanced those of the losses of market shares suffered by Belgian producers of manufactured products on foreign markets. In so far as it depends on factors other than prices, the competitiveness of these exporting industries does not seem to have improved much, on the whole, in recent years : studies on this subject have generally reached the conclusion that too many aspects connected with the nature and quality of the products offered, with commercial drive or with the geographical distribution of the flows still need to be improved or changed. Until such time as these fundamental changes have been brought about, the movement of relative prices and costs will continue to be of major importance, especially in those cases where Belgian supply is marginal or relates to standard products. Now the recent movement of selling prices and cost prices has been less favourable to domestic products. To judge by unit export values, Belgian selling prices have risen a little more than those of our competitors ; this change appears to have halted an improvement which had begun in 1981. Even though rationalisation and the introduction of new technology in most Belgian manufacturing industries in recent years have reduced the labour content of cost prices, labour costs are still one of the important factors of price competition, especially as these costs have become lighter in all the industrialised countries. Now since 1984, according to the Bank's estimates, the labour costs per unit of output borne by Belgian manufacturing industry appear to have increased more than in the case of the main foreign producers ; firstly, despite the moderation measures imposed in Belgium, it does seem that from 1984 onwards labour costs per person employed in manufacturing industry have risen faster in Belgium than abroad ; secondly, statistical estimates of productivity per person employed in the various countries indicate that Belgian industries have no longer, since 1983, had the advantage of a faster rise in this productivity than has taken place elsewhere.*

*Receipts and expenditure in respect of the rendering of services, the second category of transactions appearing in the current account of the*

*balance of payments, resulted in a smaller surplus than in 1984. Owing to the substantial borrowing by the Belgian public authorities in 1984, the total amount of interest paid by them to foreign countries increased. This rise was not offset by the expansion, considerable though it was, in the incomes received by non-bank residents from their assets in foreign currencies; during the last ten years, recorded purchases had pushed up portfolios of foreign securities by the equivalent of Fr. 500 billion; these portfolios must also have increased as a result of capitalisation of interest. This is only the rise in long-term assets; on top of this there is the total amount of foreign currency deposits held by non-bank residents. The incomes from financial assets formed abroad which are repatriated by the beneficiaries constitute an inflow which has now become substantial; this flow brings funds onto the free foreign exchange market, relieving the pressure exerted on exchange rates by capital outflows; at the same time the Government and enterprises resort to the regulated foreign exchange market in order to obtain the foreign currencies which they need in order to pay the interest on their foreign debts or the dividends and profits which they have to transfer.*

*The third category of transactions composing the current account of the balance of payments consists of private and public transfers; they result in a structural deficit, which declined in 1985 owing to substantial payments made by the European Agricultural Guidance and Guarantee Fund, which led to an increase in transfers received.*

*Net outflows of private funds, a heterogeneous balance of a number of flows instigated by both non-residents and residents for the purpose of transactions of widely differing natures, declined further. The deficit in respect of these movements had decreased gradually from Fr. 201 billion in 1981 to Fr. 94 billion in 1984; there was a further improvement in 1985, net outflows having been in the region of Fr. 75 billion. But this improvement compared to 1984 conceals the reversal which took place during the year; the turnaround occurred at the end of the first half; during that period, net inflows of private capital totalling about Fr. 20 billion had been recorded; there were therefore substantial outflows of funds during the second half of the year.*

*Purchases by residents other than banks of securities issued by non-residents were spread fairly evenly over the year: altogether they amounted to about Fr. 110 billion, against Fr. 113 billion in 1984; the*



*share of bonds in Belgian francs in these purchases was rather larger than in 1985. Other transactions which may be regarded as representing long-term direct or portfolio investments gave rise to net inflows of around Fr. 60 billion : in the first half of the year, substantial direct investments were made by foreign enterprises, and demand from non-residents for Belgian and Luxembourg securities increased.*

*It was the movement of short-term funds that reversed during the year. The first months had been a calm period for the foreign exchange markets within the European Monetary System ; this being so, differences in short-term interest rates had been able to influence the direction of flows of funds, particularly after the profit opportunities offered by dollar investments had become more doubtful. During this period the interest rate differentials for short-term portfolio investments had remained in favour of the Belgian franc in comparison with the dollar, the German mark and the guilder, even though they had become smaller ; Belgian and Luxembourg residents had reduced their net assets in foreign currencies and non-residents had increased their net assets in francs with Belgian and Luxembourg banks. As a result of the revision of the central rate for the lira, the foreign exchange markets of the European Monetary System became rather more agitated again ; the expectations of changes in exchange rates appear not to have favoured investments in Belgian francs, and net outflows of short-term funds took place during the third quarter as a whole. During the last weeks of the year, rumours and predictions about a new realignment of the central rates in the European Monetary System even gave rise, abroad, to a certain lack of confidence in the Belgian franc : non-residents withdrew deposits from banks and made forward sales of francs.*

*The net spot and forward assets in foreign currencies held by Belgian and Luxembourg banks had increased by Fr. 65 billion in 1984. These investments represent provisions against the risk of default by foreign debtors and the re-employment of endowment funds received from parent companies ; in 1985 they rose by about Fr. 45 billion.*

*During the year under review as a whole, movements of short-term funds resulted in a net outflow of about Fr. 25 billion.*

*Overall, current transactions and private sector capital transactions in 1985 left a deficit of around Fr. 40 billion, or about half the 1984 figure. The public sector kept its net borrowing abroad down to*

Fr. 31 billion; it had totalled Fr. 160 billion in 1984. The Bank's foreign exchange reserves therefore declined by Fr. 8.4 billion; in 1984 they had increased by Fr. 67 billion.

The premium which the exchange rates for currencies dealt in on the free market display in relation to those on the regulated market remained small throughout almost the entire year; it was hardly increased at all by the outflows of funds during the last weeks; on average for the year, the difference between the two rates was 0.5 p.c. The supply of funds on the free market was so amply maintained by the aforementioned repatriation of income from financial assets and by the net receipts of the diamond industry that the Bank was able to undertake very substantial purchases on the free market.

The divergence indicator for the Belgian franc within the European Monetary System already deteriorated steadily during the first half of the year, under the influence of the rise in the sterling rate. It hardly reacted at all to the realignment of the central rates in July, and remained at approximately the level reached in June until the end of November. Subsequently it rose, but, thanks to the inflow into the foreign exchange market of the proceeds of further foreign exchange borrowings by the Treasury — a net amount of about Fr. 20 billion — the indicator remained at an average level of 62 in December.

The movements of the weighted average exchange rate for the franc, as of that for most European currencies, were the reverse of those of the dollar rate. The franc was less affected by the fluctuations of the pound. The rise in the rate between December 1984 and December 1985 corresponds to an average appreciation of the Belgian franc of about 4.5 p.c.

On the domestic money and capital markets, the supply of funds increased sufficiently to accentuate the general easing; interest rates turned downward; the market reached a balanced state without the interplay of supply and demand making it necessary for the Bank to intervene, except temporarily, by creating new funds; furthermore, the Bank's transactions with foreign countries led only exceptionally to a tightening of the money market, where supply also benefited by a slight reduction in the note circulation.

Financial assets and liabilities

However, the public authorities had to raise more financial resources, while at the same time there was an increase in demand from

*those enterprises whose internal savings were not sufficient to meet their requirements.*

*The financial deficit of the public authorities, which had fallen from Fr. 622 billion in 1983 to Fr. 523 billion in 1984, rose again to Fr. 607 billion in 1985. About Fr. 30 billion of the reduction in 1984 was due to the changes made during that year in the timing of the payments of civil service salaries. These changes particularly affected the position of the Treasury : its deficit, which declined from Fr. 525 to 504 billion from 1983 to 1984, increased sharply in 1985 to Fr. 571 billion; the latter figure includes Fr. 17.7 billion of redemption payments on loans issued by public housing companies, against Fr. 4.1 billion the previous year. The deficit of the public authorities other than the Treasury also increased by about Fr. 17 billion — partly because the National Company for the Restructuring of the National Sectors granted substantial credits for reconversion projects.*

*Enterprises and companies, for their part, sought more funds from the markets than in 1984. For the first ten months — which is all that the available information so far covers — their gross liabilities increased by Fr. 137 billion in 1985, against Fr. 33 billion during the same months of 1984. Individuals scarcely increased their borrowing, except in the form of consumer credit. Enterprises, which had expanded their gross liabilities by Fr. 9 billion during the first ten months of 1984, appear to have borrowed Fr. 97 billion of new funds during the corresponding period of 1985; nearly 40 p.c. of these was contributed by foreign enterprises making direct investments.*

*On the domestic money and capital markets the financing requirements were easily met. Not only did individuals and companies form a larger amount of financial assets than in 1984, but in the use to which they put these financial savings they opted to a greater extent for assets in Belgian francs. During the first ten months of the year a far greater proportion of these investments in francs than in 1984 consisted of assets at over one year. Only one category of short-term investments increased much more in 1985 than in 1984 : deposits on ordinary deposit or savings books, the yields on which remained unchanged while those on other assets were reduced. Purchases of bonds and notes by individuals and companies amounted to Fr. 244 billion, against Fr. 180 billion during the first ten months of 1984. This increased preference for medium- and long-term investments is attribut-*



able to the continued downward trend of interest rates. The development of interest rate differentials, the uncertainties concerning the dollar exchange rate and the confidence in the Belgian franc made foreign currency bonds less attractive to investors : the share of these bonds in total investments in bonds at over one year fell from 33 p.c. in 1984 to 21 p.c. in 1985.

The public's preference for long-term investments facilitated the issues of bonds by the public authorities. These also benefited by strong demand from the financial intermediaries, since these also expected the decline in interest rates to continue and furthermore had relatively little demand to meet from other borrowers. These institutions devoted a larger portion of their new funds to subscribing for the issue of public paper, and furthermore agreed to convert Treasury certificates held by them into long-term public paper accessible to all investors.

This made it possible for the Treasury to finance three-quarters of its budget deficit for the year with consolidated debt ; the remainder was met mainly by means of Treasury certificates placed with financial intermediaries other than the Securities Regulation Fund — in this case, Belgian and Luxembourg banks. The new resources which the Treasury raised by obtaining advances from the Bank via the Securities Regulation Fund or by selling the proceeds of foreign currency loans against Belgian francs remained very limited in 1985, having only amounted to Fr. 16 billion, against Fr. 168 billion in 1984.

Unlike the Treasury, enterprises resorted primarily to short-term credit. The prospect of a fall in interest rates doubtless caused them to wait before seeking investment credits : the outstanding amount of these increased by only Fr. 16 billion during the first ten months of 1985, against Fr. 38 billion during the corresponding period of 1984 ; conversely, credits in the form of discounts, advances and acceptances, which had fallen by Fr. 34 billion during the first ten months of 1984, increased by Fr. 31 billion during the same months of 1985.

The extent of the financial intermediaries' recourse to the Bank for the purpose of financing these credits was only small, since the overall surplus left by their other transactions enabled them generally to be suppliers of funds on the money market ; they only had to obtain liquidity for a few short periods. Even so, rediscounting of commercial bills was on a very small scale, the cost of such rediscounting having

remained, except during a very short period, higher than the yield on Treasury certificates; this differential changes the nature of financing at the Bank, as will be explained later. Over the year as a whole, the outstanding amount of the Bank's portfolio of commercial bills and advances increased by only Fr. 12.7 billion.

### **Monetary policy**

*The Bank's  
influence on  
short-term interest  
rates*

*When the facts of the situation are so complex that the order of policy priorities becomes uncertain, the choices which the authorities have to make between many urgent requirements take the form of compromises. In working out the strategy to be adopted with regard to interest rates in the present-day Belgian economy, the following factors have to be weighed up: on the one hand, domestic growth is weak, on the other hand, external equilibrium is still fragile; on the one hand, the burden on debtors, including the Gouvernement, must be lightened and, on the other hand, any changes in the financial data which are liable to weaken the position of the franc must be avoided.*

*In this compromise, the Bank was able to put the aim of lowering interest rates first throughout a large proportion of the year. But it acted with a degree of caution which may have caused concern to some in this country who were mainly anxious about the financial burdens of borrowers; at the same time others, abroad, watching the position of the franc within the European foreign exchange system, were surprised at the Bank's boldness.*

*As during the preceding years it was via the yield on very-short-term Treasury certificates that the Bank influenced the movement of the other rates applied on the money market and, thereby, the entire range of short-term rates.*

*During the first quarter it did not endeavour to bring down rates. At that time current foreign payments, on a payments basis, were hardly in equilibrium, private capital movements were not producing any net inflow and the slight growth in the Bank's foreign exchange reserves was due only to further borrowings in foreign currencies by the public sector. Furthermore, interest rates on the main Euro-currency markets were moving upwards again. The Bank did not induce a parallel reaction of money market rates. On the contrary, from the end of March onwards, it brought about a decline in these rates. During the*



second quarter of the year, net capital inflows more than counterbalanced the effects, on the foreign exchange markets and the money markets, of the slight current account deficit and of a few redemption payments which the Treasury, well supplied with funds in Belgian francs, was able to make on its foreign debts. The rate for three-month Treasury certificates, which was 10.70 p.c. in mid-March, fell to 8.90 p.c. by mid-June and remained stable at this level until the end of July. From that month onwards the current account of the balance of payments became positive again.

However, when the operation of realignment of the central rates in the European Monetary System was followed by strains on the Belgian foreign exchange market, the rate was raised to 9.50 p.c. in order to reduce the disturbing effects. The subsequent calmer state of affairs allowed the rise to be gradually reversed in September and October, after which the downward movement of the rate for those certificates was resumed. By mid-November the rate was down to 8.60 p.c., the lowest level for six years. During the very last weeks of 1985 the strains reappeared, as has been mentioned, and the interest rate policy had to be adjusted once more : the rate on certificates was raised to 9.75 p.c.

Since modern central banks have endeavoured to use interest rates as an instrument for influencing either the flow of domestic expenditure or the flows of funds from or to foreign countries, they have also tried to find means of acting upon these rates efficiently and accurately. For this purpose they have gradually built up a whole range of operating techniques; the traditional mechanism of rediscounting, effective in relieving strains but less suitable for mopping up surplus funds when the money market is operating « outside the Bank », has been supplemented, or gradually replaced, by open-market interventions, whereby long-term rates can also be influenced, by the manipulation of compulsory reserve coefficients, by swap operations against currencies carried out with money market institutions and, sometimes, by measures more in the nature of regulations.

Discount rate.  
Role and new  
method of fixing

In Belgium the central bank has for a long time been authorised directly to determine the issue rates on some categories, which have gradually been extended, of paper placed on the money market. Since the reform of the money market in 1957, the issuing on tap of very-short-term Treasury certificates — one-, two- and three-month

*certificates — has taken place via the Bank, which fixes the rates on these. Legally, the Bank itself subscribes for the certificates and sells them, at the rate which it determines, to the institutions operating on the money market, for which these types of paper are in practice reserved. Actually, the Bank comes to an agreement with the Treasury on the changes to be made to these rates. Furthermore, the two institutions jointly determine the rates on the certificates which are subject to the tender system : four-month bills of the Securities Regulation Fund and Treasury certificates with terms of six, nine and twelve months. Lastly, the interest rates on the special Treasury certificates, the issue conditions for which are arranged bilaterally between the issuer and the subscribing institutions, outside the Bank, closely follow the above-mentioned rates.*

*Since these prerogatives were conferred on the Bank by the decisions of 1957, the operation of the market for short-term funds has fundamentally changed. The effect of the development has been to reduce the importance of commercial paper, the rediscounting of which had been the main instrument of the Bank's interest rate policy; but at the same time this development has increased the importance, on the money market, of the categories of paper the rates for which are also fixed by the Bank, thus enabling it to retain a regulating power which was in danger of being eroded by other changes.*

*The last quarter century has in fact witnessed radical transformations in commercial practices, the management of enterprises' cash holdings and banking practices; the share of discount and acceptance credits in the total amount of credits granted by banks to resident and foreign enterprises and individuals has steadily dwindled : during the last twenty years this relative share has declined from about 60 p.c. to less than 20 p.c. Having become increasingly scarce, commercial bills or acceptances in Belgian francs, on Belgium or foreign countries, have ceased to be, after actual cash holdings, the major instrument of bank liquidity.*

*At the same time the banks' permanent functional dependence on the Bank had been gradually decreasing, as payment habits changed and cash payments gave way to bank transfers, thus encouraging the holding of balances on accounts at the expense of bank notes. The creation of money had already for a long time been taking place via the commercial banks, the deposits formed being subsequently partly converted into*

bank notes. But, so long as a substantial proportion of the new cash holdings was held in the form of notes, the banks were obliged to obtain the notes requested from the central bank and hence to sell to the latter such assets as it deemed fit. Gradually, the weakening of the marginal propensity to hold notes reduced the relative importance of the central bank's resources and restricted its activity as a financial intermediary; conversely, the banks' possibilities of creating money have considerably expanded. The banks' greater role in the management of monetary liabilities and the corresponding assets has made them, as a whole, less dependent on the central bank; at the same time, this shift has facilitated the development of the interbank market: this has enabled an individual bank to meet a liquidity shortage in a much more flexible manner, by borrowing from other banks instead of resorting to the central bank.

The expression « lender of last resort » which it has become customary to use in defining one of the central bank's functions has acquired a precise meaning: this function is performed chiefly when the money market institutions have to meet an overall liquidity shortage. In recent years this need has occurred particularly during periods when an overall balance of payments deficit has forced the Bank to sell foreign currencies on the foreign exchange market; the payment for the foreign currencies purchased by the banks on behalf of their clients destroyed money market resources; this market then turned to the lender of last resort to recreate the destroyed funds. Formerly this recourse would have taken place via the rediscounting of commercial paper. For about the last ten years this has no longer been the case.

For nowadays, in the banks' portfolios, short-term assets contain much more Treasury certificates at up to one year than commercial bills rediscountable at the Bank; for instance, at the end of November 1985 the outstanding amount of the latter was only Fr. 66 billion, whereas on the same date the outstanding amount of the former was Fr. 517 billion for the Belgian and Luxembourg banks. For the last few years the banks' recourse to the Bank has primarily taken the form of variations in the portfolio of these Treasury certificates. This recourse takes place indirectly: when the banks wish to obtain additional cash resources, they cash matured certificates, thus obliging the Treasury to resort to the Bank in order to obtain the funds necessary for these redemptions.

All these developments had three consequences. Firstly, the banks were perhaps relieved of the need to make an otherwise necessary effort



to discourage their customers' tendency to avoid borrowing by means of discounting. Secondly, the Bank has been prevented from leaving the money market unsupplied by limiting the creation of funds in order to restrict the volume of liquidity. Formerly the Bank merely had to tighten the conditions of eligibility of commercial bills for rediscounting, or lower the ceilings, in order thus to reduce, at its own discretion, the total amount of the banks' holdings of bills which could actually be sold to it; nowadays, as the money market's demand for liquidity expresses itself via the Treasury, on which the tightening has been concentrated, it is the Government that has recourse to the Bank, which then has only two possibilities : it can either grant the Government advances in francs via the Securities Regulation Fund, or advise it instead to contract new foreign loans, the foreign currency proceeds of which it will buy against francs. Thirdly, the Bank still has equally strong powers enabling it to determine the movement of all money market interest rates; formerly it was able to influence these rates because the substantial leakage of notes put the market « into the Bank »; now that this leakage has been very greatly reduced, the Bank can still exert an influence on rates either to push them or to oppose a spontaneous movement — in both cases, either upwards or downwards.

It has been recalled how the Bank intervenes actively in fixing the interest rate on public short-term paper. Now the rate — unique for each maturity — for this well-standardised paper, the stock of which is continuously replenished and usually expanded, determines or strongly influences the main rates on the short-term market. This is because the money market institutions have the alternative either of resorting to interbank loans or of cashing Treasury certificates when they need funds, and the reverse alternative either of granting interbank loans or of subscribing for Treasury certificates when they are offering funds; both these courses have the effect of linking the interest rates on interbank transactions to the rates for certificates. Via similar mechanisms the rates on certificates determine those offered as remuneration on large deposits; they also exert an influence, albeit less directly, on the basic rates charged for discounting commercial bills and for other credits.

Furthermore, developments in the last decade have changed the role of the Bank's discount rate. This is no longer the only guiding rate; this role is now played more by very-short-term Treasury certificates.

*This was demonstrated by the events of 1984 and the early months of 1985; the absence of any change in the discount rate, which remained the same throughout this period, did not prevent a decline in money market rates; these were pulled down by the rate for Treasury certificates; the movement spread throughout the range of short-term debtor and creditor rates and even to some long-term rates.*

*Admittedly, the discount rate still represents the cost of mobilisation of commercial bills and bank acceptances at the Bank and, as such, continues to serve as the indicator which the Rediscount and Guarantee Institute uses as the basis for fixing its own purchase rates. But the role actually played by rediscounting nowadays depends on the differential between the Bank's interest rate and that on very-short-term Treasury certificates. When the discount rate is higher, the money market's recourse to the Bank takes place by the indirect process which has been described : Treasury certificates are cashed, because the penal discount rate discourages the banks from mobilising commercial bills. When the differential is in the opposite direction, the money market, if it has to replenish its inadequate resources, finds it in its interest to mobilise commercial bills rather than cashing Treasury certificates. But, furthermore, this same differential may induce the financial intermediaries which hold portfolios of rediscountable bills to make substantial use of their rediscount ceilings, irrespective of any cash requirement, in order to obtain from the Bank funds which they will use to subscribe for Treasury certificates; they thus engage in a profitable interest rate arbitrage. Large-scale transactions of this type were carried out during the first half of 1984. Subscriptions for certificates financed with the proceeds of these rediscounting operations enable the Treasury temporarily to reduce the outstanding amount of the advances which it receives from the Bank, via the Securities Regulation Fund, and thus to build up a margin, available for new drawings, within the agreed ceiling for these advances.*

*The Treasury's recourse to the Bank via these rediscount transactions does, it is true, entail for the Government an additional interest burden equal to the profit of the rediscounting institutions. But these transactions, if systematically supported by the holding of the discount rate at a sufficiently low level, would enable the Treasury to benefit by an additional margin for advances from the Bank. The permanent opening of this « third window » might be regarded as being contrary*

*to the spirit, if not even to the letter, of the statutory provisions whereby the Bank is required publicly to reach agreement with the Government on the limits to the facilities which it grants to the Treasury.*

*If the latter were to make use of this « third window » facility, the resultant increase in the Bank's claims would automatically lead, owing to the absence of any change in the amount of the note circulation, to a decrease in another asset. If the advances granted to the Government, directly or via the Securities Regulation Fund, could not be reduced to the same extent, the asset which would inevitably be reduced could not be other than the foreign exchange reserves. From the accounting point of view this is a truism : in dynamic reality this substitution could take place by various chain reactions ; for this greater financing scope would enable the Government either further to increase its budget deficit, which would lead to a worsening of the current account of the balance of payments, or to lower the interest rate on its long-term domestic loans, thus making investments abroad more attractive, or to refrain from renewing some of its foreign currency loans when they fall due.*

*It is not possible, however, to rule out a priori the possibility that it may be found desirable in the future to fix the relationship between the discount rate and the interest rate on Treasury certificates in such a way that this method of financing the Treasury — which is apparently based on the money market but actually on the Bank — is activated completely openly.*

*In any case, the Bank's action on the money market can only become more effective if the two rates are managed consistently and flexibly. But things were taking a different turn. The fluctuations in the rate for certificates, which is fixed day by day, were responding rapidly to changes in the data and reflecting the reactions of monetary policy. The discount rate, on the other hand, because a long tradition had conferred such solemn significance on its changes, often tended to remain at the same level for too long.*

*The decision of the Bank's Council of Regency of 8th May 1985 brought the methods into line with present conditions. Henceforth the differential between the two rates will be deliberately regulated. The discount rate can from now on be changed much more flexibly and, during periods when there are sudden strains, it can even be adjusted*



*without delay. The discount rate, which will ultimately lose its sacred nature owing to the frequency with which it is changed, is reacquiring its true function as a technical instrument. In the words of the Bank's communiqué, « this rate will be fixed every Wednesday by the Council of Regency on the basis of the rate for three-month Treasury certificates in force the previous day. The Council will at the same time fix, on the same basis, the lower and upper limits between which the Managing Board can change the discount rate if the development of the markets calls for an adjustment of that rate before the Council's next meeting ».*

*The Council of Regency immediately made use of the new mechanism; with effect from 9th May the discount rate, which had remained unchanged since 16th February 1984, was lowered from 11 to 9.75 p.c. During the subsequent months the Bank did in fact vary its rate parallel with that for three-month Treasury certificates; after having been reduced to 9.25 p.c. with effect from 3rd June, the discount rate was raised again in August, when strains had developed, in two stages up to 10 p.c.; by 14th November the rate was down again to 8.75 p.c., the lowest level since June 1979; the raising of the rates on certificates, at the time when the foreign exchange market worsened at the end of the year, also caused the discount rate to be put up to 9.75 p.c. on 23rd December.*

*The reform did not affect the system of ceilings which determine the maximum amount of each financial intermediary's recourse to re-discounting at the Bank and which are calculated and periodically revised on the basis of specific general criteria. Since, overall, the degree of utilisation of these facilities had fallen to a very low level at the time of the reform in May, the Bank could have confirmed this state of affairs by lowering all the ceilings by means of an adjustment of the various coefficients which are used for calculating them. This revision would have been warranted by macro-economic considerations. Because, without imposing any restriction in the immediate future on the financial intermediaries as a whole, this contraction would have reduced the danger that, one day, an opening of the « third window » might lead to an excessively liberal flow of funds. But, by linearly reducing one of the means on which each financial intermediary, in running its own business, relies for its liquidity, this overall lowering of ceilings might later, in circumstances which cannot be foreseen, prove to be an excessively severe constraint for those financial institutions*

*which are faced with specific requirements. Taking the view that the macro-economic aims could be achieved by regulating the differential between the two rates, the Bank did not initially make any change either to the amount of the ceilings or to the mechanism by which they are periodically adjusted. It took into account the requirements of good business management : a financial intermediary which, for whatever reason, found itself unable to obtain the necessary cash resources through other channels, must continue to have the possibility of resorting to the Bank, by the customary techniques, within the limits fixed by the Bank in accordance with the principles introduced in 1969, but at a rate which may be slightly penal.*

*By introducing the new method of fixing the discount rate, the Bank showed its concern to adapt its own tactics to the changing circumstances. It will keep a careful watch to prevent the development of any new rigidities which might create new gulfs between its methods and reality. The instruments of monetary policy are susceptible of improvement; at this time when policy factors change more rapidly than in the past, the use of none of them must be allowed to become a static routine. Because of its traditions the Bank is in duty bound to keep a constant critical watch on the effectiveness of its means of action and to welcome, in an open spirit of co-operation, any remarks and suggestions made by the other participants in the dynamic monetary process.*

#### *Other interest rates*

*The creditor rates of the financial intermediaries which are most closely bound to money market rates, namely those on large and medium-sized deposits, followed the downward movement of the rates for Treasury certificates; they, too, staged a temporary recovery during the year and rose at the year end. The standard rates applied to deposits of less than Fr. 1 million also declined.*

*The basic rate on deposits on savings books and the fidelity bonus, which is added to the former in remuneration of balances held for one year, did not change. The former, which has been regulated since the end of 1983, remained at 5.25 p.c., the level at which it had remained unchanged since the beginning of 1980. Just as it had been unaffected by the upward movements during the first part of the period, it likewise resisted the downward movement; by the end of 1985 its stability had created an anomaly in the scale of yields allocated to the various categories of deposits; the lowering of this rate by 0.25 p.c. at the*



*beginning of 1986 made the interest rate hierarchy more logical. The fidelity bonus was not limited by any regulations and continued to be an instrument of competition : in the large institutions it had been fixed at 0.75 p.c. since September 1983; smaller bodies, the range of whose customer services is not as varied as that of the former, feel that they have to compensate for this disadvantage by paying a larger fidelity bonus; this competition has prevented the larger institutions from reducing the interest rate on savings kept for one year as they would have liked to do. At the end of the year, however, agreement was reached on the principle of limitation of the fidelity bonus.*

*In practice always exempted from the 25 p.c. withholding tax on income from financial assets, the interest rate allowed on balances on savings books, with the fidelity bonus added to it, was equivalent, in the large institutions, to a gross rate of 8 p.c. before withholding tax; it was higher still in the small institutions. The holding of this rate, which influences that for the one-year notes issued by the public credit institutions, prevented any decline in the latter, which remained at 9 p.c. throughout the year. They were, however, lowered by 0.25 p.c. at the beginning of 1986.*

*This rigidity did not prevent a lowering of the rates on notes at 5 years and over. For the paper issued by the public credit institutions the reduction was only 1.25 p.c. for the whole year; it was continued by a decline of 0.25 p.c. at the beginning of 1986. The banks, whose notes represent a relatively smaller proportion of the funds which they raise in francs, reduced their rates by 1.75 p.c. on the 5-year notes and by 0.50 p.c. on the 1-year notes. The decline in the yields offered on issue by government loans, which was extremely slow in the early months of 1985, speeded up from June onwards; the total reduction was around 2 p.c.*

*Money market rates pulled down those for the banks' short-term lending; the basic rates for discounts and advances were reduced by 2 and 2.5 points respectively; some banks put them up again by 0.5 p.c. and 0.75 p.c. at the beginning of 1986, after the recovery of the rates on Treasury certificates. All the financial intermediaries reduced the cost of investment credits by 2 p.c.; the rate for mortgage loans was also lowered, but to an extent which varied fairly considerably from institution to institution.*

*The differences of opinion about the handling of the interest rate scales for savers are nothing new. Some cling to their advocacy of harmonised decisions which would establish the hierarchy of the various creditor rates and allow only few exceptions. Others, generally financial intermediaries with a more local field of activity, call on the other hand for more flexibility in the fixing of interest rates and argue in favour of independent decisions. These differences of opinion led, during the year under review, to a certain heightening of interest rate competition ; this may perhaps have marginally changed the distribution of funds, but it was not the epicentre of any major shock having the effect of shaking the structure of the financial intermediaries as a whole or disturbing the distribution of flows of activity among them. Moreover, the authorities, keeping a close watch on the developments which are continually taking place, as they should, in a dynamic sector operating in a market system, have an adequate arsenal for intervening in the event of any excesses. The Banking Commission is authorised, by express legal rules, to prevent any private-sector financial intermediary from jeopardising its equilibrium by allowing excessively high creditor rates. All public credit institutions are subject to supervision by government commissioners. The Bank is empowered to take action against any practices which are liable to create monetary disorder on the domestic money and capital markets : the Law of 28th December 1973 confers upon it the right to fix, in this event, maximum interest rates applicable to the various categories of liabilities.*

*Those rigidities which temporarily led to one anomaly or another in the scale of interest rates were generally mainly due to the lack of uniformity of a fiscal system which favours a certain category of financial assets. The raising of the withholding tax on financial assets to 25 p.c. accentuated the effects of the exemption of deposits on savings books ; this exemption — limited by law but in fact generally applied — benefits the financial intermediaries which raise a substantial proportion of their resources through these deposits, since the average cost of their funds is thus reduced ; it gives them the advantage of a wider operating margin. Competition via creditor interest rates is brought about when some intermediaries pass on all or part of the benefit of this extra margin to depositors : the competition takes place via debtor rates when other institutions transfer this benefit to their borrowers. This peculiar aspect of the Belgian fiscal system doubtless played a part in slowing down the decline in long-term interest rates in 1985.*

*This curbing of the decline was neither desired nor brought about by the Bank, but it was no obstacle to its policy, which was not designed to speed up the fall in long-term rates. Mention has been made of the preference displayed for long-term investments in the formation of assets in Belgian francs; induced by the prospects of lower interest rates, the abundant supply assisted the decline; domestic requirements were met without difficulty, even though, in absolute value if not in relative terms, the expatriation of these funds was on nearly as large a scale as in the previous year. On the free foreign exchange market the demand for foreign currencies due to purchases of securities was met by the supply from the repatriation of income; at the same time, the larger flow, in the opposite direction, of payments of capital incomes to foreign countries — of about Fr. 160 billion — was taking place via the regulated market. Although the Bank partly remedied this imbalance by buying foreign currencies on the free market, it was unable to prevent the positive balances in respect of various categories of payments from being used to finance purchases of foreign securities instead of supplementing its reserves.*

*These investments are, of course, made for a variety of reasons : tax considerations, diversification of asset holdings, fear of measures affecting the contractual status of claims on Belgian debtors, speculation on the appreciation of certain currencies, as well as the pressure of a constantly growing demand; far from counteracting the effect of these incentives, the disparities in long-term rates added to them. The interest on most Euro-bonds escapes any deduction of tax at source : the bonds issued on the Belgian market are subject to the withholding tax on income from financial assets; although it became smaller in 1985, the difference in net yield between the two categories — and particularly that between Belgian bonds and those denominated in Ecus — remained to the advantage of securities denominated in certain foreign currencies.*

*The Bank abstains from interfering in any way in fiscal matters; it must, however, emphasise that the contradiction — referred to at the beginning of this chapter — with which it is faced in the establishment of its policy aims is aggravated by the present system of the withholding tax on income from financial assets. Its experience of the operation of the domestic money and capital markets and of the behaviour of savers and all the financial intermediaries has convinced it that the great majority of providers of funds, better informed than in the past, pay*



*attention to the net, and even real, yields on their investments. Consequently the cost of the withholding tax is borne only by the borrower. This is true of the Government, obliged to raise the interest rate on its loans if it wishes to make these attractive to resident individuals, which records this increase as a burden on the public debt, whereas it immediately recovers, as tax revenue, the part paid by these holders in the form of the withholding tax. It is true of the financial intermediaries, which are forced to incorporate the tax deducted at source in the creditor interest which they pay and which pass on this additional cost in the interest rates charged on their credits to households, enterprises and, of course, the Government. This system has admittedly become incorporated in the structure of interest rates and has become a factor in the operating accounts of those financial intermediaries which benefit by it. It is therefore true that its abolition would be a difficult matter and that, even if it could be envisaged, it could not immediately bring down all interest rates to three-quarters of their present level.*

*While it is agreed that this factor tending to push up domestic interest rates would be difficult to abolish, at the same time the Bank cannot be expected to accelerate the decline in the general level of these long-term rates, because the Bank is faced with a persistent outflow of long-term capital. During part of the year it was able to mitigate the effects of this on its reserves by maintaining a sufficient disparity, in favour of Belgian short-term rates, between these and the rates offered abroad. The capital account of the balance of payments nevertheless remained fragile, as is evidenced by the events of the second part of the year.*

*To attempt to restrict capital exports by the reintroduction of compulsory measures would create many other problems. Such a step back, formally contrary to international undertakings entered into, especially within the Belgian-Luxembourg Economic Union, and harmful to European integration, would hardly contribute to the attainment of the aim in view : for the effectiveness of such measures would be undermined by the many loopholes which could not be plugged without serious damage to the country's economic activity.*

*As regulation might be harmful and as it would be senseless, in a situation of stagnant economic activity, to pursue a restrictive credit policy designed as a means of curbing demand inflation, the Bank can only rely on the weapon of interest rates in order to ward off distur-*



*bances in the foreign exchange markets. It could not be reproached for showing excessive caution. More than other participants in economic life, the Bank must keep a close watch on the national economy's external financial data, being, as it is, in duty bound to protect the economy, in both the long and the short term, against monetary disorder.*

*The national economy as a whole only borrows from foreign countries if the current account of the balance of payments shows a deficit. There was no net foreign borrowing in 1985; on the contrary, even if the contribution of Luxembourg is disregarded, the Belgian economy was a net lender to the rest of the world, albeit to a modest extent. But net private capital outflows were greater than this surplus. Consequently, a change took place in the country's external balance: the share of net foreign assets in private holdings increased, while the Bank's foreign exchange reserves declined and the public authorities contracted new foreign liabilities. This divergence has consequences which cannot be overlooked.*

*This is because, generally speaking, a reduction in a central bank's reserves or recourse by the public authorities to borrowing abroad is interpreted by foreign exchange dealers, financiers and public opinion as an indication of weakness of the currency of the country in question, while the simultaneous formation of private foreign assets is not viewed as a compensating factor. This attitude is not unjustified, because private assets, which are managed completely independently, are not held for the purpose of subsequently meeting a possible deficit of the national economy in relation to foreign countries. In a system of fixed foreign exchange rates, responsibility for the economy's external liquidity lies with the central bank. It is, of course, possible to resort, instead of using the Bank's reserves for this purpose, to the public authorities' possibilities of borrowing on the private markets or under official agreements which, at various levels, govern international monetary co-operation. However, the problems created by the inadequacy of external liquidity are only postponed and aggravated by recourse to borrowing; there are thresholds above which private lenders refuse to give credit, and international aid is conditional on the pursuit of stringent recovery programmes. The sad experience of countries with extremely heavy debts has recently shown how difficult it is to rectify a situation which has been undermined by the depletion of reserves and*

*the accumulation of debts, sometimes contracted as the counterpart to the formation of substantial private assets.*

*The inflow of floating foreign funds, attracted by an appropriate policy with regard to short-term interest rates, is another, less spectacular way of re-establishing balance on the foreign exchange market in cases where net outflows of private long-term capital exceed the current account surplus. This type of inflow is a discreet form of recourse to foreign markets; in so far as these funds, via the money market, ultimately benefit the Treasury, the latter, in fact if not in law, incurs a foreign debt in the national currency. These funds remain liquid and this government financing is still precarious. If, for whatever reason, the volatile funds are re-exported, the outflows of long-term funds produce their full effects. As recalled earlier, such a reversal of short-term flows took place in Belgium in the second half of 1985.*

*A positive balance in the current account of the balance of payments corresponds to a surplus of the financial savings formed by domestic economic agents during the period from the deficits which have had to be financed by others. So long as, for the Belgian-Luxembourg Economic Union, this surplus does not adequately cover the balance of private long-term capital outflows, the Bank will have to keep a watch on the differentials between the yields, net of the deduction at source, offered on the domestic financial market and the interest rates on competing investments on the Euro-bond markets.*

*Admittedly, a high level of domestic interest rates adds to the burden of the public debt. The Bank is obviously aware of this. But, on the other hand, a stable rate for the Belgian franc prevents the Government's financial burdens from being made heavier by a depreciation of the franc in relation to the currencies in which the present liabilities were contracted. Furthermore, if the maintenance of the stability of the franc at present necessitates a certain restraint in the lowering of interest rates, it also protects these rates against the lasting upward movements, difficult to control, which would take place after a downward drift of the exchange rate. For, as has been confirmed by experience, a depreciation would push up the cost in Belgian francs of the imported goods and services which strongly influence domestic prices; the stability of the franc therefore reduces the danger that inflation, revived once more, would become an integral part of nominal interest rates. Moreover, the floating of the major currencies and frequency of*

*realignments within the European Monetary System have made the foreign exchange markets more nervous than they were before 1971; there are more opportunities of making capital gains by speculating on the possible depreciation of the currencies which have the reputation of being weak or on the more probable appreciation of the currencies which have proved to be strong in the past; in the end, the short-term interest rates on investments in the former are always increased by a sort of risk premium.*

*A lowering of domestic interest rates in Belgium might restimulate certain kinds of spending. However, the cost of capital is not the decisive factor among the complex set of elements which govern investment decisions. It was not the level of interest rates that caused the volume of domestic demand in the Belgian economy to contract by 2 p.c. between 1979 and 1985, whereas it expanded by 4.5 p.c. in the European Economic Community and by 12.5 p.c. in the countries of the Organisation for Economic Co-operation and Development as a whole.*

*Despite the considerable increase in the public authorities' deficit during this six-year period, the actual expenditure of these authorities — consumption and investment — does not seem to have been a restimulating factor; during this period it declined slightly in relation to the national product, of which it represented only about 21 p.c. in 1985. Nor did the persistence of this deficit prevent the improvement in the current account of the balance of payments, the deficit of which represented 3 p.c. of the national product in 1979. The repercussions on economic growth of the shifting of an enormous mass of incomes — about one-third of the national product in 1985 — which the public authorities redistribute in the form of various allowances to households, subsidies to enterprises and payments of interest on the public debt, after having levied the funds by fiscal and parafiscal means, are concealed by the lack of transparency of the flows whereby this shift takes place. Only very few of the latter's effects are clearly apparent. One of these has been repeatedly stressed : the tax pressure adds to the national economy's overhead expenses. Only about half of the final deficit in the accounts of the public authorities as a whole — which, as has been seen, represented 13 p.c. of the national product in 1985 — was used to finance investment and capital transfers; the other half of these liabilities was contracted in order to pay the part of the various*



*allowances or interest charges, just referred to, that was not previously raised by taxation. The fact that the national accounts subsequently have to place on record this use of savings for income payments will be regarded by some as the regrettable result of tax evasion or, by others, as the inevitable effect of an excessive redistribution by the public authorities. In any case, it will perhaps be agreed that this tax evasion or over-liberality has helped to sustain the growth in private consumption.*

*Because, whatever has been said about it, consumption has been given priority in the allocation of the national product. The macro-economic accounts — which admittedly have the effect of excessively evening out individual situations — show that households consumed around 65.5 p.c. of the national product in 1985, against 63 p.c. in 1979 and an average of about 60 p.c. in the years 1970-1973. It should be borne in mind that these same households are the main beneficiaries of public consumption, which absorbed only 14 p.c. of the national product at the beginning of the 1970s but was around 18 p.c. in 1985, as also in 1979.*

*Attention should likewise be drawn to the mediocre performance of fixed capital formation. Whereas during the years 1970-1973 the proportion of the national product devoted to this was 21.5 p.c., it is now 15.5 p.c.; among other factors, investment by companies fell from 11 p.c. to 8.5 p.c. in 1979 and 1985; furthermore, it is in manufacturing industry much more than in medical care, transport, trade and financial services that the greatest decline has taken place in gross capital formation since the beginning of the 1970s.*

*There are undoubtedly some weak areas in the Belgian economy. They are revealed by various disequilibria. If these are to be remedied, attention ought perhaps to be paid more to the radical changes which have taken place in the underlying structures and in modes of behaviour in this country during the last fifteen years or so; it would also be necessary to determine more precisely the extent of these changes compared with those which have taken place at the same time in other countries. Studies have been devoted to this subject. They are perhaps not sufficiently far-reaching or well known; in any case, they appear to indicate that these changes which have transformed the Belgian economy are the underlying cause of its lack of vitality, the slowness of its growth, the weakening of its competitiveness, the inadequate*



*creation of new jobs, the difficulty of managing the public finances and the loss of strength of its currency. Any efforts aimed at correcting symptomatic aspects without tackling the deeper causes would be in vain.*

*In some fields recovery has not yet taken place; in other cases, which have been described earlier on, it is under way but will only be truly achieved when it has stood the test of a worsening of world economic conditions and been consolidated. This consolidation will require further patience in some quarters and a greater creative effort in others.*

*There is no magic recipe of monetary policy which relieves us of this need for moderation and this duty to show enterprise. If we do not give way to laxity but are determined to take a strict line, the currency will be sound and its management easy, because then monetary orthodoxy is spontaneous, since it is an integral part of the serious thinking from which the necessary compromises spring.*

*29th January 1986.*



*Economic  
and financial developments*





# INTRODUCTION

## 1. General presentation

In order to make it easier to read, the detailed description of economic and financial developments is presented, in this Report, according to a system which differs in some respects from that adopted in previous years.

The eight chapters, covering the main variables which are considered, are grouped in four parts, dealing respectively with international developments, economic developments in Belgium, the transactions of the Belgian-Luxembourg Economic Union with foreign countries and financial developments in Belgium.

Each part, which comprises one or more chapters, is introduced by basic information describing, in broad outline, the subjects dealt with in that part, the reasons why some data were chosen and, in a certain number of cases, how they should be interpreted and any reservations which apply to them. It is therefore essential to read this information in order properly to understand the comments in the various chapters and the way in which the various tables and charts link up with each other.

As in previous years, the commentary on each of the chapters is subdivided into sections (numbered by a roman numeral referring to the number of the chapter followed by an arabic numeral showing the order of the section in that chapter), the analysis contained in which starts out from a basic table or chart which presents the principal phenomena relating to the subject of the section and bears the same number as the section. Each section contains, in succession, a commentary on the main developments observed, the basic table or chart and, lastly, a set of the

various more detailed tables or charts which are necessary for the purpose of illustrating or supporting one or other of the specific aspects appearing in the commentary or the basic table or chart.

The description of economic and financial developments is immediately followed, in this Report, by two annexes; these contain information most of which was previously an integral part of that description itself, but should now be more easily usable as required.

The first annex consists of a « Glossary of the main terms used », which gives a definition of the main economic concepts or entities (classified in alphabetical order) appearing in the eight preceding chapters. Printing of a word (or group of words) in italics in these chapters or in the annexes indicates that this term is defined in the glossary.

Interested readers will find in the second annex, « Method of establishment of the data appearing in the tables and charts », all the sources and methods of calculation and, where appropriate, the estimating methods used by the Bank for compiling the various tables or charts.

Three general remarks are called for with regard to a number of tables or charts : the gross data from various sources outside or within the Bank have been processed by the Bank for the purpose of presentation; in various tables the totals shown may differ from the sum of the items owing to rounding; lastly, whenever a datum is accompanied by the sign *e*, it is an estimate made by the Bank.

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SECOND ANNEX :    Method of establishment of the data appearing in the tables and charts (page 211)



### 3. Periods

Unless otherwise indicated, when data for different years are compared in the economic and financial developments, they all relate to the same period of each of the years in question.

### 4. Conventional signs

— the datum does not exist or is meaningless

... zero or negligible quantity

n. not available

p.c. per cent

*p.m.* pro memoria

*p* provisional

*e* estimate by the Bank : in order to make it possible to describe the development of various important economic data relating to Belgium in the year 1985 as a whole, it was necessary to make many estimates, as the statistical material for that year is inevitably still very fragmentary. Nevertheless, so as to bring out more clearly the interconnections between these various data for 1985 themselves and those with the figures for earlier years, the figures for 1985 have been shown in the tables and quoted in the text to the nearest decimal point (percentages) or the nearest billion francs. This should not cause it to be overlooked that they represent mere orders of magnitude solely intended to demonstrate more clearly the major trends which already seem to be emerging.

Bank the National Bank of Belgium is called the Bank in the text of the commentaries and annexes and the National Bank of Belgium in the legends of the tables and charts.

1 billion = 1,000,000,000



## FIRST PART

### INTERNATIONAL DEVELOPMENTS





## Basic information

- a) The changes in the *gross domestic product* at constant prices shown in Table I. 1 reflect the development of the volume of economic activity and also that of the various allocations of that product, namely the different categories of domestic expenditure and net exports (exports less imports) of goods and services. The *contributions* of each of these categories of expenditure to the changes in the gross domestic product in 1984 and 1985 in the seven main industrialised countries of the Organisation for Economic Co-operation and Development are shown in Table I. 1.1.
- b) The development of economic activity in each of the countries belonging to the Organisation for Economic Co-operation and Development obviously exerted an influence on the exports of the other member countries and of the countries outside the area, but it was at the same time affected by the changes in the activity of these countries, especially via their imports. Table I. 1.2 shows the development of merchandise imports at constant prices.
- c) The development of economic activity influenced that of unemployment. But an important role was also played by other factors, such as the continuance of the increase in the *working population*, the movements of the apparent *productivity* of labour and the measures decided upon in some countries to alleviate the social and budgetary consequences of unemployment. The statistical data on unemployment presented in Chart I. 1.3 are from the Organisation for Economic Co-operation and Development; this institution adapted them to the extent required in order to make them correspond to the international definition given by the International Labour Office and to ensure their chronological continuity. This does not, however, mean that the data concerning unemployment in the various countries and geographical areas are fully comparable with each other, especially as developments in each of the countries considered separately may be affected not only by the aforementioned economic factors but also by various administrative provisions.
- d) The business cycle, in conjunction with the various supply factors, also had an effect on raw material prices, which to a great extent determine the import prices of the industrialised countries. As the raw material prices presented in Chart I. 1.4 are expressed in U.S. dollars,

their movement may be influenced by that of the exchange rate for that currency; the *weighted average rate* for the dollar is therefore shown in Chart I. 1.4.

e) The movement of prices in the world markets together with a number of other — particularly domestic — factors determined the movement of consumer prices shown in Chart I. 1.5 for the industrialised countries. It will be noted, however, that Charts I. 1.4 and I. 1.5 are not constructed in the same way. The former gives indices and enables the movement of raw material prices to be followed from quarter to quarter. The latter gives percentage changes compared with the levels reached by the indices a year earlier; this presentation has the advantage of eliminating erratic variations; it means that the data are influenced by the movements not during the last quarter but during the last four quarters; thus, for instance, it is not to be expected that the changes in consumer prices shown in Chart I. 1.5 will be influenced by the most recent fluctuations in the dollar exchange rate.

f) The above-mentioned developments are partly the cause and partly the effect of the development of the public authorities' revenue and expenditure. In this connection, Table I. 1.6 presents a picture of the movement of the public authorities' *net financing requirements* as percentages of the *gross domestic product* in the seven main industrialised countries of the Organisation for Economic Co-operation and Development and also in the Netherlands and Belgium.

g) Reciprocal influences also operate between the developments already described and each country's current transactions with the rest of the world. The balances of these transactions, mentioned in Table I. 2, are all expressed in a common currency, namely the U.S. dollar. This enables the balances for each country or group of countries to be compared and added together. As the current account surplus of a country is inevitably accompanied by an equivalent current account deficit of other countries, the total of the net current account positions at world level should in theory be zero. It is found, however, that the balance of current transactions at world level, as recorded by statistical surveys, regularly shows a deficit and that this statistical error has become substantial since 1980; in particular, the recorded balance of transactions in services has greatly increased.

h) The developing countries, except for those belonging to the Organisation of Petroleum Exporting Countries, showed structural defi-

cits in the current account of their balance of payments throughout the period covered by Table I. 2. These deficits are bringing about a continuous increase in their indebtedness to foreign countries and hence in the accompanying financial burden, that is, redemption and interest payments. Table I. 2.1 presents, in relation to the value of these countries' exports of goods and services, the outstanding amount of their gross foreign debt (item 1), that is, without deduction of their foreign assets and particularly their official reserves, and the resultant financial charges, showing, in the latter case, the proportion of annual export earnings which has to be allocated for the service of the foreign debt (item 2). A large proportion of the debt of the developing countries was contracted with banks in the industrialised countries; these banks' claims on these countries have been included, *pro memoria*, in item 1, where they are expressed as percentages of the banks' total foreign assets, giving an indication of the concentration of bank risks on this specific category of debtors.

i) A surplus or deficit in respect of current transactions with foreign countries inevitably has as its counterpart a net outflow or inflow of capital, including the changes in the official foreign exchange reserves. When, at given « *ex ante* » prices, equilibrium between these capital movements and the balance of current transactions is not achieved, exchange rate changes will ultimately have to bring it about. Chart I. 2.2 shows the movement of the *weighted average exchange rates* for some major currencies.

j) It is difficult to examine the foregoing developments without taking into account the monetary policies pursued in recent years and the movement of interest rates. Chart I. 2.3 presents a summary of the interest rates on deposits in the main Euro-currencies.

k) In order to gain an idea of the real rate of return which a given nominal interest rate in a country represents for the domestic investor, one should be able to correct this rate according to the inflation anticipated by the investor during the period of his investment. It would also be necessary to take into account the tax levied on the investor's income. It is not, however, possible to make calculations of this type accurately on the basis of the available data. An approximate idea of the real yield before tax can nevertheless be obtained by comparing the interest rate with the inflation rate recorded at the same time, on the assumption that the latter gives an indication of expected future infla-



tion. But this assumption does not invariably prove to be justified : after exchange rate adjustments or during periods of price control, the expected inflation often differs from the inflation previously recorded. For this reason, too, it appears appropriate in any case to examine the movement of interest rates and inflation over a long period. Chart I. 2.4 presents a comparison, for a number of industrialised countries, of the movements since 1961 in long-term before-tax yield rates and inflation rates, the latter being measured by the rise, recorded on an annual basis, in consumer prices. It should be realised that the absolute « real » rates shown in Chart I. 2.4 have hardly any meaning, partly because they disregard the taxation resulting, for instance, from the deductions at source made in some countries ; the only thing that counts is their chronological development within each country, provided that there is no significant change in the actual level of taxation.

1) Most of the tables and charts used in the first part include, for the sake of comparison, the data for Belgium. These data are not as a rule, however, the subject of any specific comment, because they are fully discussed in the next three parts.

## CHAPTER I

# INTERNATIONAL DEVELOPMENTS





## I. 1 Gross domestic product at constant prices

a) The pronounced growth in economic activity which had taken place in the industrialised world in 1984 did not continue in 1985 : in the member countries of the Organisation for Economic Co-operation and Development as a whole the rate of growth in the *gross domestic product* would appear to have declined from 4.9 to 2.8 p.c. (Table I. 1).

This slackening, which had already started in the second half of 1984, was due to the weakening of the expansion in the United States and, to a limited extent, in Japan and Canada. In the European Economic Community, on the other hand, economic growth stabilised. This stability does, however, conceal divergent movements : in some countries there was a speeding-up, although partly accidental, as in the United Kingdom, where it was mainly due to the end of the miners' strike which had begun in March 1984 and lasted a whole year, whereas in most of the other member countries there was a slight slowing-down.

In the course of 1985 there was, however, a distinct quickening in the rate of growth in the European Economic Community as a whole, although this was at least partly due to making up for the adverse effects on economic activity of the bad weather at the beginning of the year.

b) In the United States the slackening of the expansion is primarily attributable to the reduction in the *contribution of gross capital formation* by individuals and companies, which had been the chief driving force behind economic growth in 1984 (Table I. 1.1). Overall, gross capital formation would even appear to have declined in 1985, mainly because the extent of stockbuilding was much smaller than in the previous year. Investment in fixed assets, for its part, would appear to have risen further by about 6 p.c. at constant prices, although this rate was appreciably lower than the — exceptionally high and probably unmaintainable — rate recorded the previous year. The movement of exports of goods and services also contributed to the deceleration of economic growth. Whereas exports had increased markedly in 1984, they in fact appear to have declined in 1985 : those of agricultural products were adversely affected by the abundance of supply at world level and the high dollar exchange rate, while those of other products

were discouraged by a smaller expansion in their markets and a loss of market shares due to a further deterioration in competitiveness. These movements and their incidence on the formation of household incomes slowed down the increase in private expenditure on consumption, which was smaller than the previous year despite an appreciable reduction in the rate of saving.

As a result of the movements thus described of the main categories of *final expenditure*, imports rose much less strongly than in 1984 (7 p.c. as against 27 p.c.), so that their negative contribution to growth decreased considerably compared with the previous year.

This phenomenon was also reflected in a reduction in the rate of expansion of the exports of the other major industrialised economies. It was the foreign trade of Canada and Japan, the two countries which had benefited most the previous year by the speeding-up of American growth, that was most strongly affected in this way; this led, despite a distinctly smaller increase in their imports than in 1984, to a fall in the contribution of their net exports to economic growth. This fall was particularly marked in the case of Canada, where the speeding-up of domestic expenditure, mainly gross fixed capital formation, nevertheless fairly largely took the place of net exports. In Japan, on the other hand, the decline in question was small, but it would appear that the rise in domestic expenditure also slowed down a little. The exports of the four main member countries of the European Economic Community — the competitiveness of which appears to have improved — were affected only to a limited extent by the adverse repercussions of the slackening of the growth in imports in the United States; consequently, and account being taken of a slowing-down of the rate of expansion of their imports, the contribution of their net exports to economic growth would not appear to have deteriorated; but there would not appear, either, to have been any improvement in the contribution of domestic expenditure.

c) The rate of expansion of world trade slowed down considerably in 1985, amounting to only half the rate recorded the previous year (Table I. 1.2). As a result of the weakening of growth which took place there, the increase in imports became smaller in the member countries of the Organisation for Economic Co-operation and Development as a whole, and this had an adverse effect on the exports of the other areas of the world and indirectly on their demand for imports. The members

of the Organisation of Petroleum Exporting Countries, faced with a steady decline in their revenues from exports of crude oil, therefore cut down their imports even more sharply than during the two preceding years. Furthermore the expansion in the imports of the other developing countries would seem to have declined. On the other hand, the increase in the imports of « Other countries » does not appear to have been any smaller than in 1984 over the year as a whole, despite a slight slackening during the second half of 1985.

d) The distinct slowing-down of growth in the United States prevented any further decline in unemployment (Chart I. 1.3). Employment actually decreased in manufacturing industry, but this movement was counterbalanced by an increase in services, which are sheltered from foreign competition and benefited by the continuance of the expansion in private consumption. In Japan, where steady growth continued, the unemployment rate remained at a relatively low level. In the European Economic Community, on the other hand, the unemployment rate remained high : the weakness of growth during the period 1980-1983 had been coupled with a pronounced, continuous increase in unemployment, and the recovery recorded since 1984 proved scarcely sufficient to stabilise it. Altogether, the unemployment rate has undergone hardly any change since the end of 1983 for the member countries of the Organisation for Economic Co-operation and Development as a whole.

e) The continuous decline in the dollar quotations for non-energy industrial raw materials which had taken place in the second half of the previous year persisted during the early months of 1985 (Chart I. 1.4). It was mainly due to the slackening of growth in the United States and perhaps to a further rise in the *weighted average exchange rate* for the dollar. From the second quarter of 1985 onwards the fall in these raw material prices ceased, after the decline of the dollar had started. The falling-off in the prices of food raw materials was still very appreciable throughout the greater part of 1985, partly owing to the surplus supply of agricultural products on the world markets, due to the improvement in harvests, and to the small increase in demand for this category of commodities; at the end of the year, on the other hand, their prices rose again somewhat, chiefly because of a pronounced rise in quotations for coffee. The prices of energy raw materials fell slightly further, mainly owing to the persistent weakness of world demand for oil. Altogether, as during the three preceding years, the prices for raw materials as a whole declined.



f) The rate of inflation slackened slightly in the member countries of the Organisation for Economic Co-operation and Development as a whole (Chart I. 1.5). In the United States, during the first three quarters of 1985, the further slowing-down of the rate of rise in consumer prices continued the movement which started in the second quarter of 1984. The high level of the *weighted average exchange rate* for the dollar and the weaker price quotations for raw materials on the world markets would appear to have depressed import prices. In the absence of strains on the employment market, there would appear to have been only a limited increase in *labour costs*. Lastly, the ever-keener foreign competition would appear to have brought about a reduction in profit margins in manufacturing industry. At the end of the year, however, the inflation rate quickened appreciably in the United States, mainly because of the rise in certain food prices. In Japan inflation fluctuated around 2 p.c. as during the two preceding years.

The very limited decline in inflation in the European Economic Community conceals differing movements from country to country. Inflation continued to fluctuate at a relatively low level in the Federal Republic of Germany and the Netherlands and — except in the United Kingdom, where it peaked towards the middle of the year — it slowed down in most of the other member countries where the inflation rates were still high.

g) The public authorities' *net financing requirements* expressed as a percentage of the *gross domestic product* would not appear to have undergone any change in the seven main industrialised countries as a whole (Table I. 1.6). They appear to have risen further, however, in some countries : in France, owing to a slackening of the growth in public revenue due to a policy centred on moderating wages, but also in the United States, where the rise in the public authorities' expenditure quickened, particularly because of the supporting of agricultural prices and defence expenditure. On the other hand, these requirements appear to have decreased appreciably in Japan and the Federal Republic of Germany. These countries thus adhered to the policy which they have been pursuing for several years in order to put the public finances back on a sound footing.



Table I. 1

## GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

*(Percentage changes compared with the previous year or half-year)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1984		1985	
										1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half	2 <sup>nd</sup> half
Member countries of the Organisation for Economic Co-operation and Development	+ 3.9	+ 4.0	+ 3.2	+ 1.0	+ 2.2	- 0.7	+ 2.3	+ 4.9	+ 2.8	+ 5.5	+ 3.6	+ 2.2	+ 3.3
United States .....	+ 5.5	+ 4.7	+ 2.6	- 0.4	+ 3.4	- 3.0	+ 2.9	+ 6.8	+ 2.5	+ 8.3	+ 3.6	+ 1.7	+ 2.8
Canada .....	+ 2.2	+ 3.9	+ 3.4	+ 1.0	+ 4.0	- 4.3	+ 2.8	+ 5.0	+ 4.0	+ 4.1	+ 4.9	+ 4.0	+ 2.8
Japan .....	+ 5.3	+ 5.0	+ 5.1	+ 4.9	+ 4.2	+ 3.1	+ 3.3	+ 5.8	+ 5.0	+ 6.0	+ 5.6	+ 4.7	+ 5.0
European Economic Community	+ 2.3	+ 3.2	+ 3.4	+ 0.9	- 0.2	+ 0.5	+ 1.2	+ 2.3	+ 2.3	+ 2.2	+ 2.7	+ 1.2	+ 3.5
of which :													
Federal Republic of Germany	+ 3.0	+ 2.9	+ 4.2	+ 1.4	+ 0.2	- 0.6	+ 1.2	+ 2.7	+ 2.3	+ 2.4	+ 3.5	- 0.2	+ 5.8
France .....	+ 3.1	+ 3.8	+ 3.3	+ 1.1	+ 0.5	+ 1.8	+ 0.7	+ 1.6	+ 1.0	+ 2.1	+ 1.5	...	+ 2.8
United Kingdom .....	+ 1.0	+ 3.6	+ 2.2	- 2.3	- 1.4	+ 1.5	+ 3.4	+ 2.6	+ 3.3	+ 2.0	+ 2.9	+ 4.0	+ 2.5
Italy .....	+ 1.9	+ 2.7	+ 4.9	+ 3.9	+ 0.2	- 0.5	- 0.4	+ 2.6	+ 2.3	+ 2.8	+ 2.2	+ 1.8	+ 3.5
Netherlands .....	+ 2.3	+ 2.5	+ 2.4	+ 0.9	- 0.7	- 1.4	+ 0.9	+ 1.7	+ 2.0	n.	n.	n.	n.
Belgium .....	+ 0.5	+ 3.1	+ 2.1	+ 3.8	- 1.4	+ 1.5	- 0.1	+ 1.3	+ 1.0 <i>e</i>	n.	n.	n.	n.

Table I. 1.1

CONTRIBUTION OF THE VARIOUS EXPENDITURE CATEGORIES<sup>1</sup>  
TO THE PERCENTAGE CHANGES IN THE GROSS DOMESTIC PRODUCT AT CONSTANT PRICES IN 1984 AND 1985

	United States		Canada		Japan		Four main countries of the European Economic Community as a whole <sup>2</sup>	
	1984	1985	1984	1985	1984	1985	1984	1985
1. <i>Domestic expenditure :</i>								
1.1 Private consumption .....	+ 3.5	+ 2.8	+ 2.3	+ 2.5	+ 1.5	+ 1.5	+ 0.7	+ 1.1
1.2 Public expenditure .....	+ 0.7	+ 1.0	+ 0.7	+ 0.5	+ 0.1	- 0.3	+ 0.3	- 0.1
1.3 Gross capital formation of individuals and companies .....	+ 4.5	- 0.2	+ 0.5	+ 1.6	+ 2.2	+ 2.4	+ 0.8	+ 0.7
1.31 House-building .....	(+ 0.4)	( ... )	(- 0.2)	(+ 0.5)	( ... )	(+ 0.2)	( ... )	(- 0.3)
1.32 Other fixed capital formation .....	(+ 2.2)	(+ 0.8)	(+ 0.1)	(+ 0.8)	(+ 1.9)	(+ 2.0)	(+ 0.4)	(+ 0.8)
1.33 Changes in stocks .....	(+ 1.9)	(- 1.0)	(+ 0.6)	(+ 0.3)	(+ 0.3)	(+ 0.2)	(+ 0.4)	(+ 0.2)
1.4 Total domestic expenditure (1.1 to 1.3) .....	+ 8.7	+ 3.6	+ 3.5	+ 4.6	+ 3.8	+ 3.6	+ 1.8	+ 1.7
2. <i>Net exports of goods and services :</i>								
2.1 Exports .....	+ 0.4	- 0.5	+ 5.1	+ 1.2	+ 3.6	+ 1.7	+ 2.0	+ 1.7
2.2 Imports <sup>3</sup> .....	- 2.2	- 0.7	- 3.8	- 1.5	- 1.6	- 0.2	- 1.6	- 1.3
2.3 Net exports (2.1 + 2.2) .....	- 1.8	- 1.2	+ 1.3	- 0.3	+ 2.0	+ 1.5	+ 0.4	+ 0.4
3. <i>Gross domestic product (1.4 + 2.3) .....</i>	+ 6.8	+ 2.5	+ 5.0	+ 4.0	+ 5.8	+ 5.0	+ 2.4	+ 2.2

<sup>1</sup> Percentage change in a category of expenditure during a period multiplied by the share of that category in the previous year's gross domestic product.

<sup>2</sup> Federal Republic of Germany, France, United Kingdom, Italy.

<sup>3</sup> - = increase in imports, i.e. negative contribution to the change in the gross domestic product.

Table I. 1.2

## MERCHANDISE IMPORTS AT CONSTANT PRICES

*(Percentage changes compared with the previous year or half-year)*

	1983	1984	1985	1984		1985	
				1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half	2 <sup>nd</sup> half
Member countries of the Organisation for Economic Co-operation and Development .....	+ 4.8	+11.5	+ 5.5	+13.3	+ 7.0	+ 6.3	+ 2.8
Organisation of Petroleum Exporting Countries .....	- 7.5	- 5.8	-10.0	- 6.0	-11.8	- 8.5	-13.8
Other developing countries .....	- 0.3	+ 5.8	+ 4.3	+ 5.3	+ 5.5	+ 4.3	+ 2.5
Other countries .....	+ 5.3	+ 7.5	+ 8.0	+ 6.3	+14.5	+11.0	+ 3.0
Total .....	+ 2.7	+ 8.9	+ 4.3	+10.6	+ 5.6	+ 5.1	+ 1.8

Chart I. 1.3

## UNEMPLOYMENT RATE

(Percentage of working population)

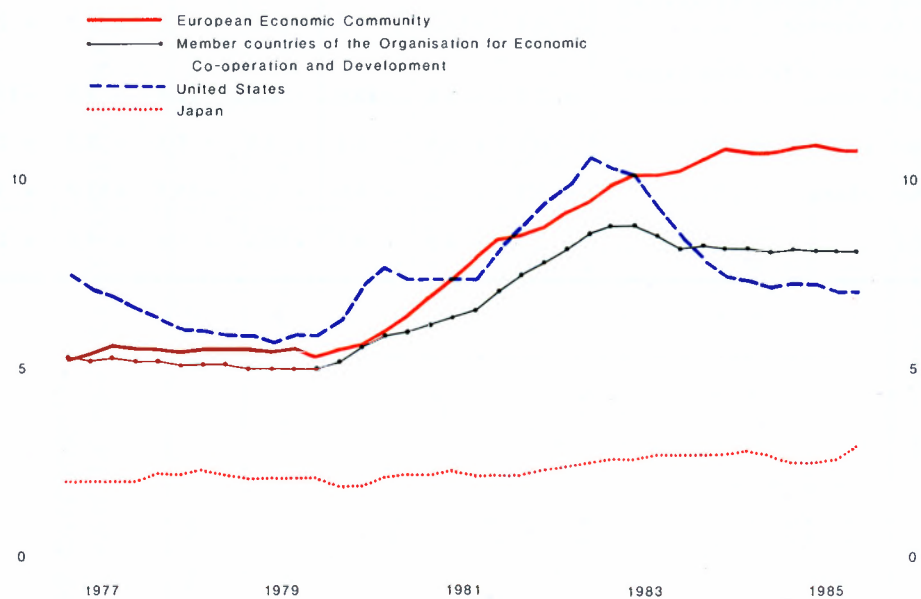




Chart I. 1.4

RAW MATERIAL PRICES AND WEIGHTED AVERAGE EXCHANGE RATE  
FOR THE U.S. DOLLAR

(Indices 1975 = 100)

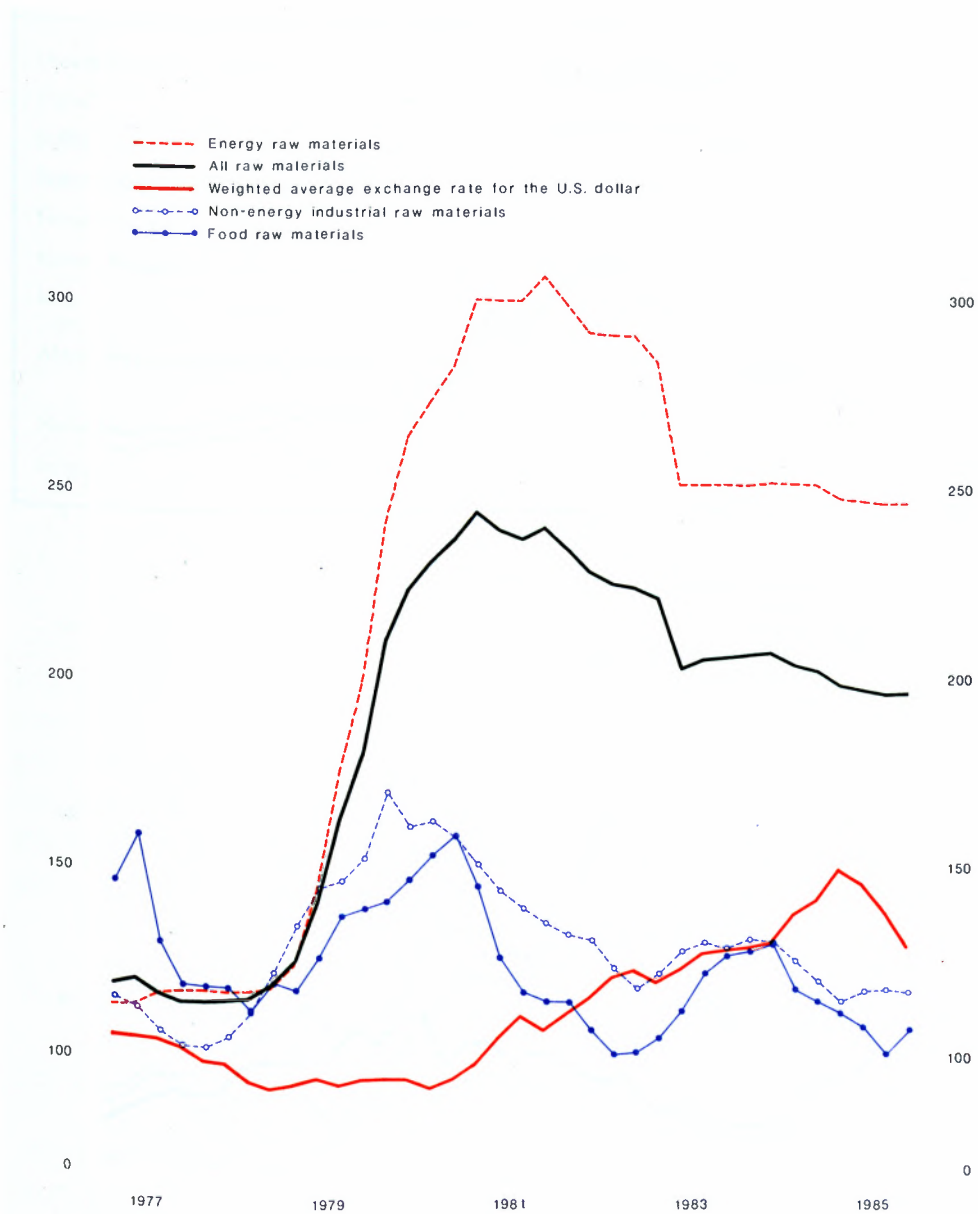


Chart I. 1.5

# CONSUMER PRICES

(Percentage changes with respect to the previous year)

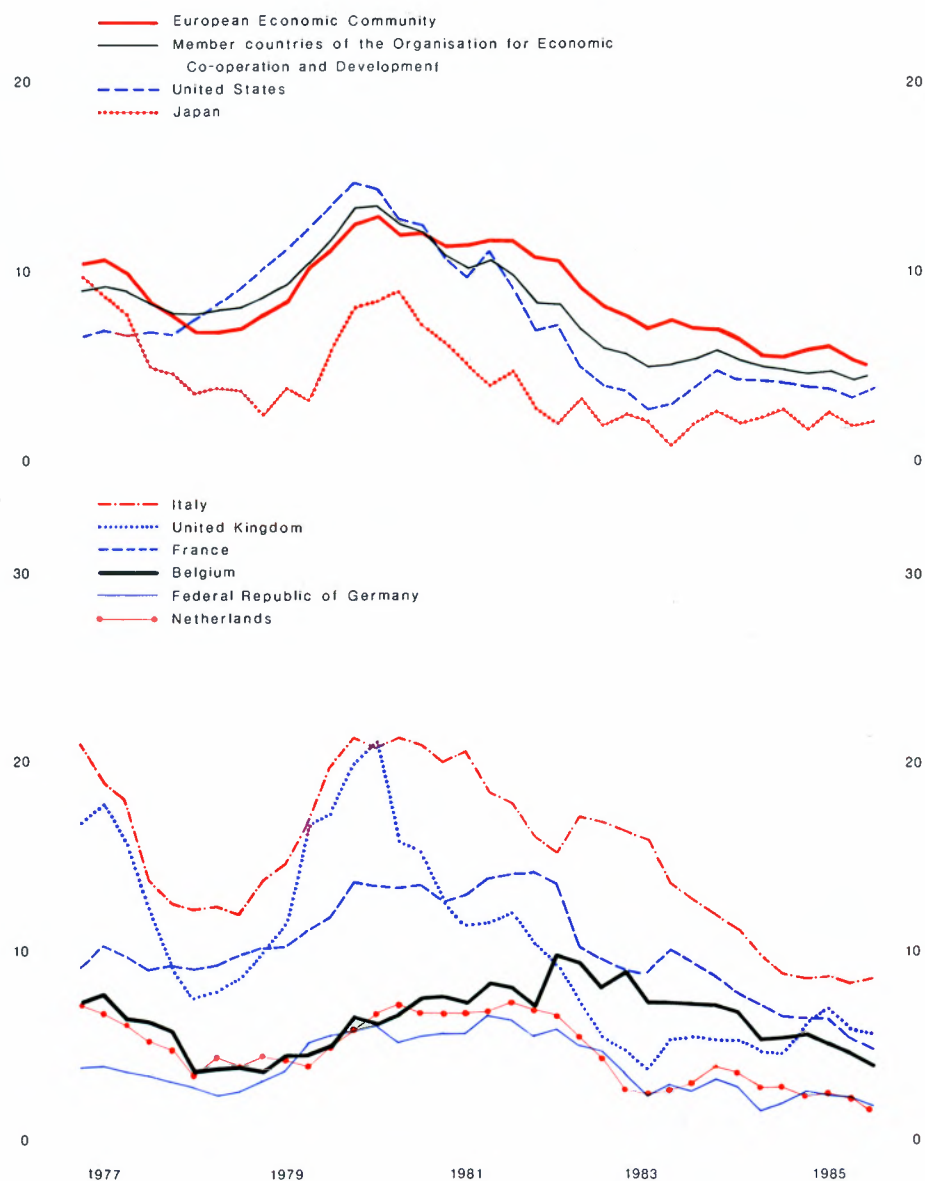


Table I. 1.6

## PUBLIC AUTHORITIES' NET FINANCING REQUIREMENT

*(Percentages of gross domestic product)*

	1981	1982	1983	1984	1985
United States .....	- 0.9	- 3.8	- 4.1	- 3.4	- 3.9
Canada .....	- 1.6	- 5.0	- 6.2	- 6.3	- 6.5
Japan .....	- 4.0	- 3.6	- 3.5	- 2.7	- 1.7
Federal Republic of Germany .....	- 3.7	- 3.3	- 2.5	- 1.9	- 1.2
France .....	- 1.8	- 2.7	- 3.1	- 2.8	- 3.3
United Kingdom .....	- 2.8	- 2.3	- 3.7	- 3.8	- 3.4
Italy .....	- 11.9	- 12.6	- 12.4	- 13.5	- 13.4
Above seven countries as a whole .....	- 2.5	- 4.0	- 4.2	- 3.8	- 3.8
Netherlands .....	- 5.6	- 7.2	- 6.6	- 6.4	- 5.3
Belgium .....	- 13.6	- 11.8	- 12.3	- 10.4	- 10.3 <i>e</i>

## I. 2 Balance of current transactions with foreign countries

a) The deficit on current transactions of the member countries of the Organisation for Economic Co-operation and Development as a whole, which had already become substantial in 1984, appears to have increased further in 1985, to \$ 72 billion, against \$ 63.8 billion the previous year (Table I. 2).

This expansion in the deficit is due to a deterioration in merchandise transactions attributable solely to the movements in volume : expressed at constant prices, merchandise exports appear to have increased less than imports. The *terms of trade*, on the other hand, appear to have improved : expressed in dollars, import prices fell owing to the weakness of raw material prices, and export prices only declined to a smaller extent.

The current account deficit of the United States worsened further : this deterioration appears to have amounted to nearly \$ 27 billion, against about \$ 61 billion in 1984, during which year the gap between economic growth in the United States and that in the rest of the world had been considerable. The worsening of the deficit in 1985 was mainly due to the movement of merchandise transactions at constant prices. The terms of trade appear to have improved appreciably thanks to the decline in the prices of imported raw materials.

In Italy the further deterioration of the current account of the balance of payments would appear to have been due to the weakness of the country's competitive position, which the authorities endeavoured to correct by a realignment of the central rate for the lira within the European Monetary System on 21st July 1985. Canada and Denmark — two countries with a large growth in domestic expenditure — and Switzerland likewise experienced an adverse change in their balance of current transactions, but in all three cases the extent of the change was much smaller.

On the other hand, in all the other member countries of the Organisation for Economic Co-operation and Development included in Table I. 1.2, the balances of current transactions developed favourably, partly owing to an improvement in the terms of trade. The expansion in the current surplus was again substantial chiefly in the case of Japan, where it rose to \$ 47.5 billion, or 3.7 p.c. of the *gross domestic*



*product*. That country's imports of petroleum products appear to have declined appreciably owing to the artificially high level which had been reached by stocks at the end of 1984. The balance of current transactions was likewise favourably influenced by the continued improvement in net incomes from direct and portfolio investments, which in turn was due to the continuing surplus on other current transactions and the resultant steady growth in net claims on foreign countries. The surplus of the Federal Republic of Germany was also large, partly owing to substantial gains in market shares.

b) Despite the efforts made by the members of the Organisation of Petroleum Exporting Countries to cut down their merchandise imports and reduce the traditional deficit resulting from their recourse to foreign labour and from *private transfers*, their current account deficit appears to have increased owing to the decline in world demand for oil and the fall in the prices of petroleum products.

After having decreased for three years in succession, the current account deficit of the other developing countries appears to have risen again in 1985. This adverse movement appears to have been mainly attributable to a net slackening of the growth in merchandise exports at constant prices due to weaker demand for raw materials and the manufactured materials which they produce, a deterioration in the *terms of trade* and the further growth in the interest burden on their foreign debt. The increase in the current account deficit appears to have taken place mainly in the oil-producing developing countries which are not members of the Organisation of Petroleum Exporting Countries and in the countries with very low incomes, especially those of Sub-Saharan Africa. In the new industrial countries where the terms of trade appear to have stabilised the surplus on merchandise transactions appears to have increased further.

c) As in the preceding years, the current account deficit of the developing countries and the private capital exports of residents of those countries had to be mainly financed by an increase in their foreign indebtedness. The ratio between the outstanding amount of that debt and exports of goods and services would, however, appear to have declined slightly further in 1985, to 149 p.c. against a peak of 158.2 p.c. in 1983 (item 1.3 of Table I. 2.1). Similarly, thanks partly to a fall in interest rates, interest payments would appear to have represented only 12.7 p.c. of exports of goods and services compared

with a peak of 14.3 p.c. in 1982 (item 2.1). Nevertheless, these payments are still very substantial and complicate, for many of these countries, the task of bringing their current account deficit down to a level compatible with their possibilities of borrowing abroad. The banks in the industrialised countries are in fact showing greater restraint in granting them further credits. Thus in the first half of 1985 these banks would appear to have reduced the share of their lending to developing countries in the total of their claims on foreign countries (second « pro memoria » line of item 1.3). The difficulties resulting from these debt problems both for the developing countries and for the industrialised countries have induced the authorities of the countries in question to seek solutions in order to facilitate the essential financing. In this connection mention should be made of the proposal recently put forward by the American Secretary of the Treasury and named, after him, the « Baker Plan ». This plan was generally well received in financial circles in the industrialised countries.

d) The rise in the *weighted average exchange rate* for the dollar, which had started in 1980, continued until March 1985, then being followed by a decline (Chart I. 2.2). In daily rates this turn-round had already taken place during the last days of February. Not until September, however, did the monthly average of the rates for this currency fall below its 1984 level, so that, on average for the year, the weighted average rate for the dollar again rose slightly in 1985. The reversal of the movement of the dollar rate at the beginning of the year was contributed to by many factors. Between mid-1984 and mid-1985 the interest rate differentials in favour of short-term investments in dollars compared with investments in other major Euro-currencies decreased steadily and substantially, despite a brief upsurge of dollar interest rates during the first months of 1985; the rate for the Euro-pound sterling — which had increased sharply — even exceeded that for the Euro-dollar from the end of 1984 onwards. Furthermore, the prospect of a marked slowing-down of growth probably finally convinced market operators that the authorities would not contemplate a new tightening-up of monetary policy. Moreover, the further substantial worsening of the United States' deficit in respect of current transactions with foreign countries probably also played a part in changing expectations about the dollar rate, as did also the U.S. authorities' participation in concerted interventions aimed at curbing the rise in that rate. These interventions and their co-ordination were among the subjects dealt with

during the discussions which took place between the Ministers of Finance and central bank governors of the five main industrialised countries on 22nd September 1985. The announcement of their intention to co-operate in order to bring about a correction of the rates for the other currencies vis-à-vis the dollar gave an additional impetus to the decline of the dollar during the last months of the year under review.

The development of the weighted average rates for the other major currencies was largely the reverse of that for the dollar rate : continuance of the crumbling during the first quarter, followed by appreciation. It was the pound sterling and the Swiss franc, the two currencies for which the interest-rate differential in relation to the dollar had moved most favourably, that showed — at least initially — the largest rise. The marked appreciation of the yen from October onwards was brought about by, among other things, a sharp raising of Japanese interest rates. Only the Italian lira failed to appreciate in 1985, mainly because, unlike that of the other countries, Italy's deficit in respect of current transactions with other countries again worsened considerably. The different movement of that country's current account furthermore led, in July, to an adjustment of the central rate for the lira, taking the form of a devaluation of that currency by 6 p.c. and a 2 p.c. revaluation of the currencies of the other countries participating in the exchange rate mechanism of the European Monetary System.

e) The decline in the interest rate for the Euro-dollar which had occurred between August 1984 and January 1985 was replaced, in February and March, by a slight rise (Chart I. 2.3). Subsequently the decline — though less marked and less steady — was resumed. It was perhaps curbed by the monetary authorities' desire to prevent an excessive swelling of the money supply and to allow the decline in the dollar rate which had started in the meantime to continue steadily. During the early months of 1985, short-term interest rates in most of the other industrialised countries followed the movement of the Euro-dollar; the rise was particularly pronounced for the Euro-pound sterling, probably reflecting the British authorities' endeavour to prevent the decline in the exchange rate from jeopardising the objectives of the fight against inflation. Subsequently, when the interest rate for the dollar began to fall, most of the other rates, under the influence of a prudent monetary policy, first resumed their steady downward movement and then stabi-

lised towards the end of the year. In Japan interest rates were raised in the last quarter, partly in order to allow the yen to appreciate. The rise in the Euro-French franc rate in December was perhaps connected with the strains which developed towards the end of the year in the European Monetary System.

f) In the United States and in most of the member countries of the European Economic Community the movement of long-term rates followed the same line as that of short-term rates : an upward trend or stabilisation during the first quarter followed by a decline (Chart I. 2.4).

A comparison of long-term interest rates and the inflation rate in the United States shows that the differential which has existed between them since the beginning of the 1980s hardly changed between 1984 and 1985. In the member countries of the European Economic Community this differential likewise did not narrow appreciably, except temporarily in the United Kingdom, where the inflation rate rose until near the middle of the year and subsequently slackened.



Table I. 2

## BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

*(Billions of U.S. dollars)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Member countries of the Organisation for Economic Co-operation and Development .....	- 21.5	+ 12.2	- 28.5	- 67.6	- 25.3	- 27.5	- 22.8	- 63.8	- 72.0
United States .....	- 14.5	- 15.4	- 1.0	+ 1.9	+ 6.3	- 8.0	- 40.8	-101.5	-128.3
Italy .....	+ 2.5	+ 6.2	+ 5.5	- 9.7	- 8.1	- 5.5	+ 0.8	- 3.0	- 7.3
Canada .....	- 4.1	- 4.3	- 4.1	- 1.0	- 5.1	+ 2.2	+ 1.4	+ 2.0	...
Denmark .....	- 1.8	- 1.5	- 2.9	- 2.5	- 1.8	- 2.2	- 1.2	- 1.6	- 2.0
Switzerland .....	+ 3.4	+ 4.4	+ 2.4	- 0.5	+ 2.8	+ 3.9	+ 3.8	+ 3.8	+ 3.5
Japan .....	+ 10.9	+ 16.5	- 8.8	- 10.7	+ 4.8	+ 6.9	+ 20.8	+ 35.0	+ 47.5
Federal Republic of Germany .....	+ 4.1	+ 9.0	- 6.1	- 15.7	- 5.5	+ 3.4	+ 4.1	+ 6.3	+ 12.8
United Kingdom .....	- 0.2	+ 1.9	- 1.6	+ 7.2	+ 13.1	+ 8.1	+ 4.8	+ 1.2	+ 4.3
France .....	- 0.4	+ 7.0	+ 5.2	- 4.2	- 4.7	- 12.1	- 4.4	- 0.8	+ 0.8
Netherlands .....	+ 0.6	- 1.5	- 2.1	- 2.9	+ 4.0	+ 3.6	+ 3.7	+ 4.9	+ 6.3
Australia .....	- 3.1	- 4.5	- 2.8	- 4.0	- 8.5	- 8.5	- 5.9	- 8.3	- 7.5
Austria .....	- 2.1	- 0.6	- 1.1	- 1.7	- 1.3	+ 0.7	+ 0.3	- 0.8	...
Belgian-Luxembourg Economic Union .....	- 0.6	- 0.8	- 3.0	- 4.9	- 4.2	- 2.4	- 0.4	...	+ 0.6 <sup>e</sup>
Spain .....	- 1.9	+ 1.6	+ 1.1	- 5.1	- 4.8	- 4.1	- 2.5	+ 2.3	+ 2.5
Organisation of Petroleum Exporting Countries .....	+ 28.0	- 3.0	+ 56.0	+103.0	+ 48.0	- 18.0	- 20.0	- 18.0	- 26.0
Other developing countries .....	- 13.0	- 27.0	- 44.0	- 65.0	- 85.0	- 67.0	- 37.0	- 20.0	- 26.0
Other countries .....	- 8.0	- 4.0	...	- 2.0	...	+ 8.0	+ 11.0	+ 11.0	+ 3.0
Total .....	- 14.5	- 21.8	- 16.5	- 31.6	- 62.3	-104.5	- 68.8	- 90.8	-121.0

Table I. 2.1

FOREIGN DEBT OF THE DEVELOPING COUNTRIES<sup>1</sup>*(Percentages of exports of goods and services)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985
1. <i>Outstanding debt :</i>									
1.1 Short-term debt .....	24.1	22.9	19.8	21.9	25.3	30.4	25.8	21.7	17.8
1.2 Long-term debt									
1.21 to official organisations .....	45.1	45.6	40.7	37.1	39.1	45.6	50.4	50.3	52.0
1.22 to private creditors .....	62.4	63.1	60.9	56.1	63.6	74.8	82.0	80.3	79.2
1.23 total .....	107.5	108.7	101.6	93.2	102.7	120.4	132.4	130.6	131.2
1.3 Total debt (1.1 + 1.23) .....	131.6	131.6	121.4	115.1	128.0	150.8	158.2	152.3	149.0
(p.m. In billions of U.S. dollars) .....	(291.3)	(342.6)	(406.3)	(489.5)	(578.3)	(655.2)	(693.5)	(730.5)	(767.5)
(of which to foreign banks as percentage of those banks' net foreign assets) .....	(14.1)	(13.4)	(14.0)	(14.6)	(14.8)	(14.6)	(15.5)	(15.3)	(14.9) <sup>2</sup>
2. <i>Debt charges :</i>									
2.1 Interest payments .....	5.8	7.2	8.1	8.9	11.9	14.3	13.5	13.0	12.7
2.2 Redemption payments .....	9.2	11.6	10.8	8.4	9.0	10.2	8.7	9.5	10.4
2.3 Total charges (2.1 + 2.2) .....	15.0	18.8	18.9	17.3	20.9	24.5	22.2	22.5	23.1

<sup>1</sup> Excluding most of the members of the Organisation of Petroleum Exporting Countries.<sup>2</sup> June 1985.

Chart I. 2.2

# WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES

(Indices 1975 = 100)

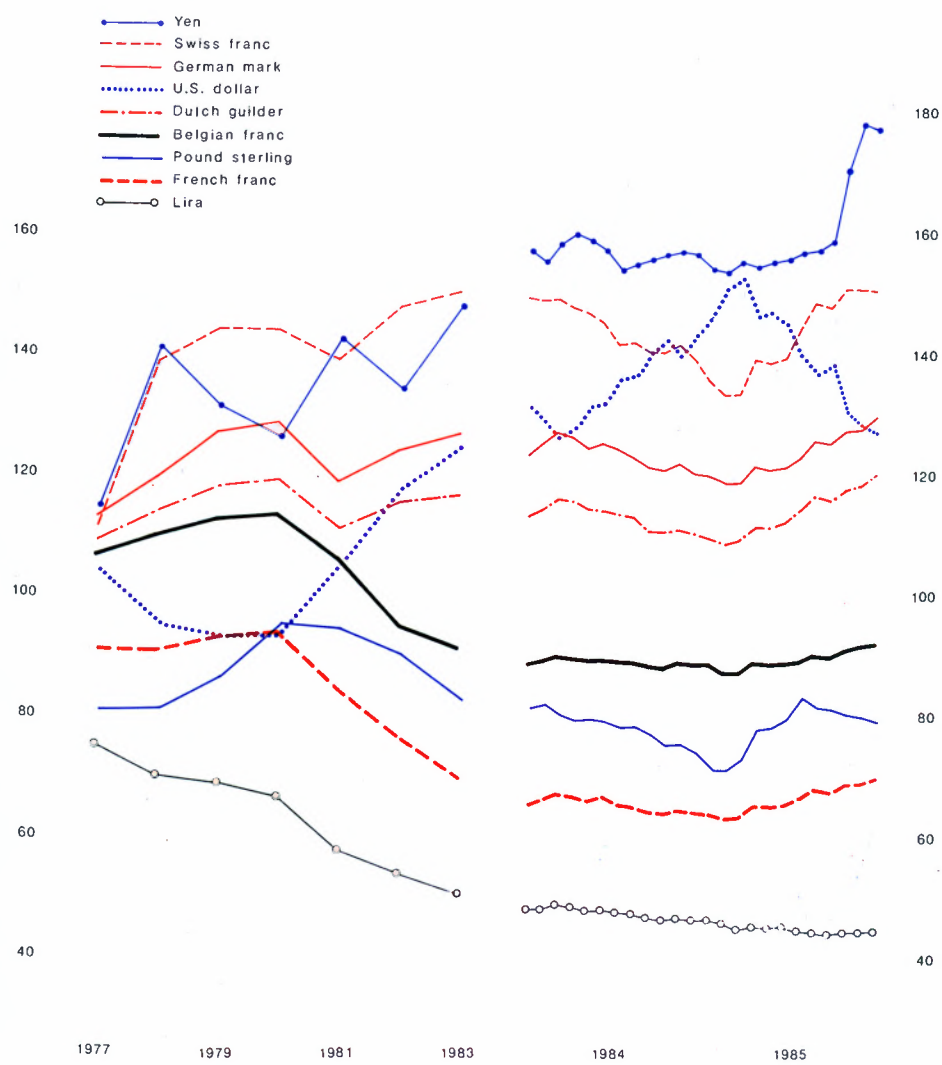


Chart I. 2.3

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES  
(Percentages)

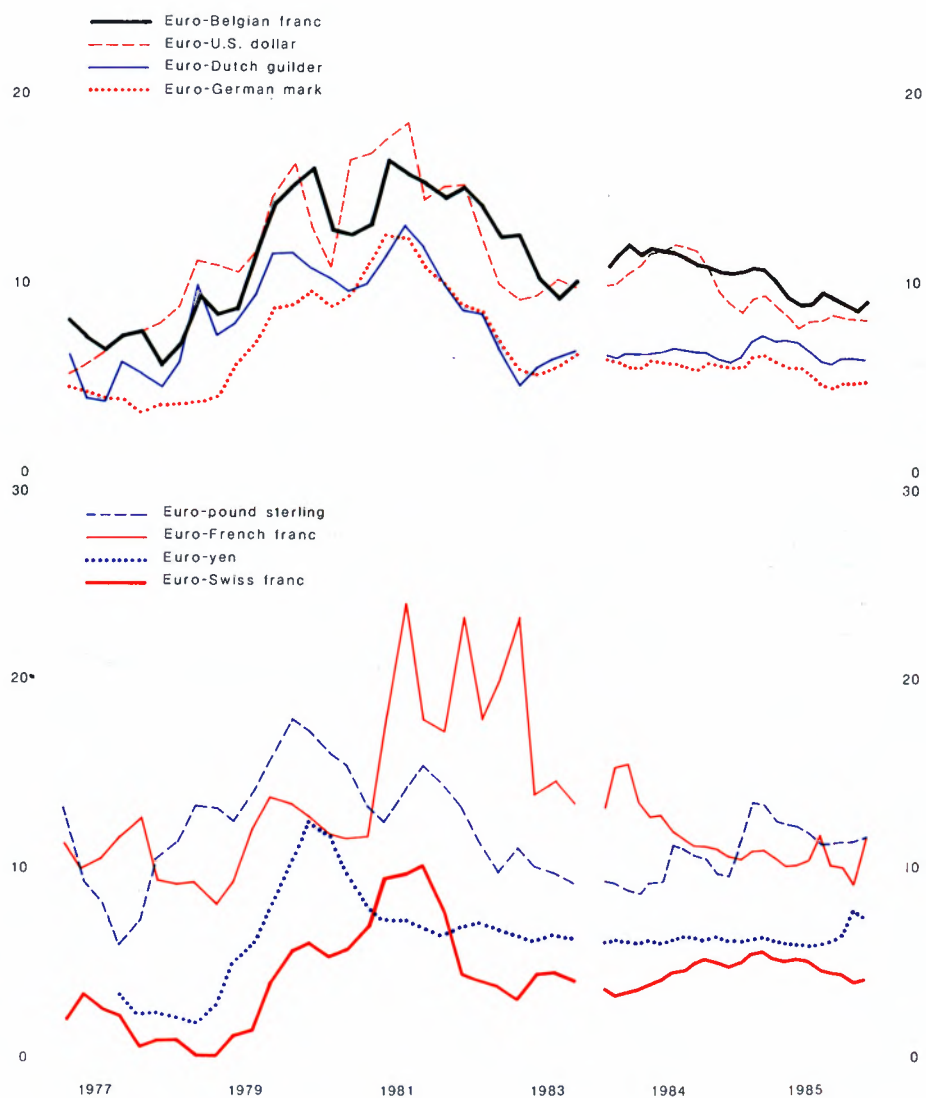
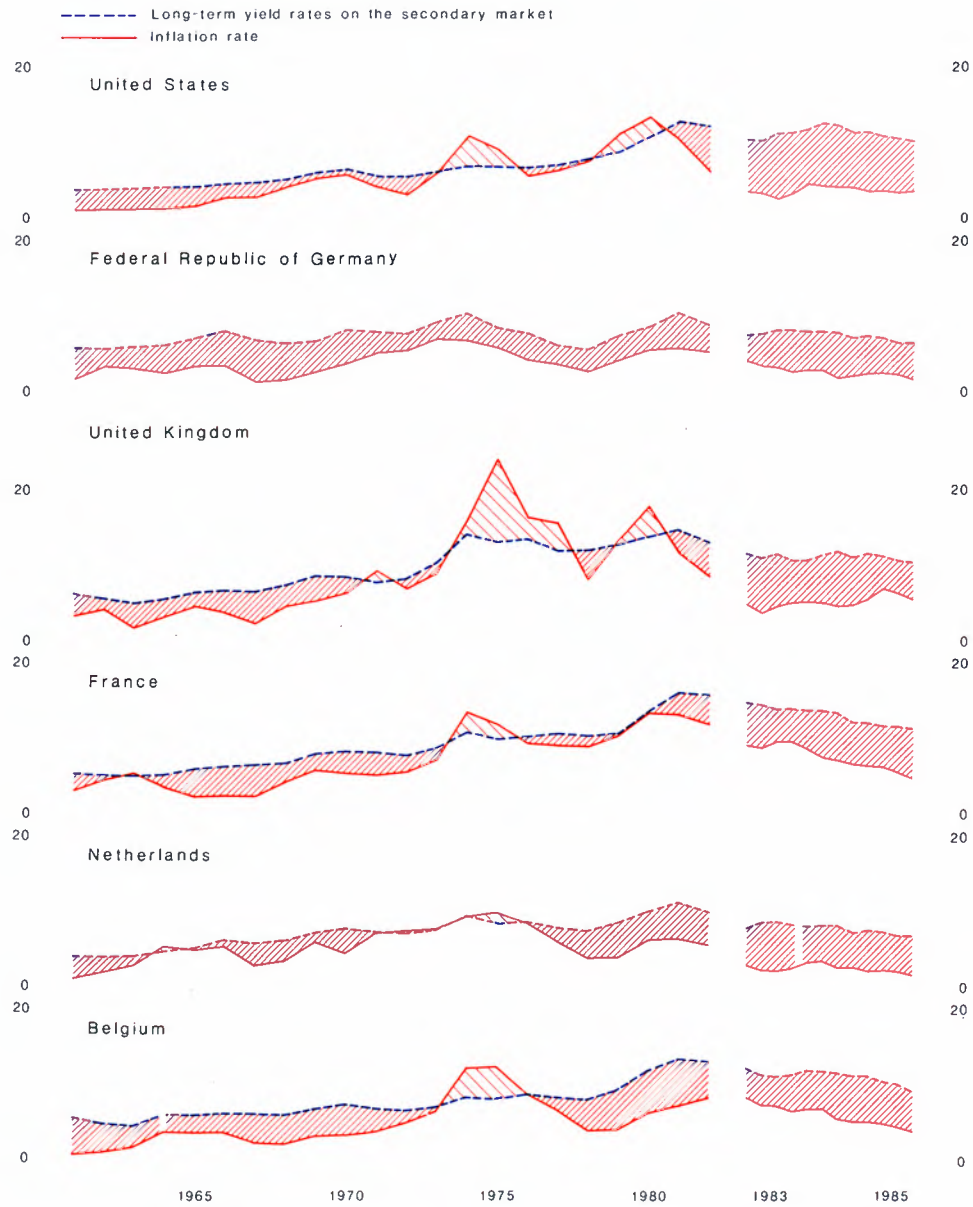




Chart I. 2.4

LONG-TERM YIELD RATES AND INFLATION RATE





## SECOND PART

# ECONOMIC DEVELOPMENTS IN BELGIUM





## Basic information

a) The second part, the purpose of which is to describe the course of economic activity and prices in Belgium, is mainly based on the national accounts, it being understood that for 1985 these were estimated by the Bank. The movement of the *gross national product* is then examined from the three traditional points of view (expenditure, production and incomes).

It should be recalled that, in order to reconcile the data for the gross national product arrived at from the different points of view, the practice in the national accounts consist of applying statistical adjustments to certain aggregates, such as, for instance, private consumption, compensation of employees, etc. Owing to the extent of the adjustments, this method had the disadvantage in some years of appreciably affecting the movement of these aggregates; that is why, particularly in the 1984 Report, it was thought useful, in order to facilitate comparisons from year to year, to distinguish between the movements before and after these adjustments. The accounts published in 1985 by the National Statistical Institute for 1984 and the preceding years made this distinction less important, and it was therefore abandoned.

b) Chapter II, which is mainly devoted to movements at constant prices, first of all describes the way in which the various categories of expenditure developed and contributed to the change in the *gross national product*. Next, on the basis of the movement of the *value added* in the various branches, it also examines how the development of activity and that of other factors, especially demand for employment, influenced unemployment.

The chronological consistency of the movements of demand for employment and unemployment (items 1 and 3 of Table II. 3 respectively) was disturbed in 1985 by the influence of the Royal Decree of 29th December 1984. This decree allows unemployed persons over 55 years of age, and also unemployed persons aged over 50 with reduced ability to work, to choose, subject to clearly defined conditions, no longer to be regarded as job-seekers. These persons continue to be entitled to unemployment benefits but are exempted from the daily check. As unemployed persons who opt for this status are no longer job-seekers, they are no longer included, either, for 1985, in the data. In order to provide a measure of the effect of the aforementioned decree

on these data, the number of « persons taking early retirement and unemployed non-job-seeking persons receiving unemployment benefits » has been included, *pro memoria* (*p.m.*), in item 1. Older unemployed persons who have chosen the status of non-job-seekers are added to those taking early retirement, because the various early retirement schemes likewise remove persons from the *working population*, although these still form part of the population of working age (men aged 15 to 64 and women aged 15 to 59).

Chart II. 3.3 shows by dotted lines what would have been the unemployment rate in the absence of the above-mentioned decree, in order to enable the development during 1985 to be commented upon on the basis of properly comparable data.

c) The main purpose of Chapter III is to describe and explain the movement of prices in Belgium, including by comparing it, where appropriate, with the movement which took place in the main foreign countries; no attempt is made, on the other hand, to give an account of the development of the Belgian economy's position as regards its competitiveness in terms of prices, as this aspect is dealt with in the third part, which is devoted to the transactions of the Belgian-Luxembourg Economic Union with foreign countries.

With regard to the *deflators*, the changes in which are shown in Table III. 1, it should be noted that those relating to *final expenditure* and its components (items 1 to 6) reflect in varying degrees both the movement of Belgian costs and that of foreign costs expressed in francs. On the other hand, the deflator of imports (item 7) has no direct influence on that of the *gross domestic product* (item 8), since the latter reflects the price movements of the *value added* of the Belgian economy and thus, in theory, the average movement of domestic costs, even though these may have been indirectly influenced by foreign prices.

The purpose of Table III. 2, which presents the *gross national product* from the point of view of expenditure at current prices, is to make the link — by means of the deflators shown in Table III. 1 — between the movements at constant prices commented upon in Chapter II and those in Table V. 1 concerning the transactions of the various sectors, which are at current prices because the incomes of some sectors can only be expressed in this way. Taken separately and as they stand, the data in Table III. 2 are, on the other hand, of little interest, and will therefore not be separately commented upon.

d) Chapter IV describes how incomes were distributed among the various sectors.

A fairly thorough analysis, the results of which are presented in Table IV. 1.3, was made of the factors which determined the development of the *gross operating surplus of companies*, i.e. that of their final sales at constant prices and that of their unit profit margin, the latter being determined in turn by the movement of the various components of selling prices, on the one hand, and cost prices, on the other.

The *gross primary income* and the *disposable income* of the *public authorities* are mentioned in Table IV. 1 with the income of the other sectors in order to record all the incomes which contribute to the formation of the *gross national product*; but as they are of little economic significance in themselves, their movement will not be commented upon.

e) Chapter V, lastly, summarises the expenditure of the various domestic sectors — consumption and *gross capital formation*, which are to be found in Table III. 2 — and their *disposable incomes* — which are shown in Table IV. 1 — thus making it possible, after incorporation of net capital *transfers*, to determine their *net financing capacities and requirements*. The development of the *public authorities'* main transactions is in fact described on the basis of Table V. 2, in which revenue and expenditure are broken down according to categories which permit a more detailed analysis.

These transactions are furthermore compared, by means of the data in Table V. 2.2, with those for the other countries of the European Economic Community; a somewhat narrower concept of the net financing requirement has to be used for this purpose; in order to bring out the differences in the movement, two periods were taken as reference points: the period 1981-1983, during which the public authorities' net financing requirement reached a record level in Belgium, and the period 1977-1979, which immediately preceded the particularly marked deterioration of the state of the public finances in this country.

By adding together the net financing capacities and requirements of the domestic sectors one obtains an overall total which, theoretically, corresponds in principle to the net lending to or borrowing from the rest of the world recorded in the national accounts, or to the net amount of current transactions in the balance of payments.

The current balance of payments of the Belgian-Luxembourg Economic Union, which is analysed in the third part, differs, however, from the overall net total for the domestic sectors for two main reasons : on the one hand, it disregards Belgium's transactions with Luxembourg, but takes into account Luxembourg's transactions with third countries ; on the other hand, it does not record among current transactions certain transactions which are included in the real accounts commented upon in the second part, while, conversely, it does record as services certain other transactions which are not included in these real accounts.



CHAPTER II

**EXPENDITURE,  
PRODUCTION AND EMPLOYMENT**



## II. 1 Gross national product and main categories of expenditure at constant prices

a) Thanks to a favourable destination pattern, the Belgian economy's exports would appear to have partly escaped the pronounced slackening — already emphasised in the first part — of the expansion in international trade : the rate of growth of exports of goods and services would appear to have still reached 3.2 p.c., against 4.5 p.c. in 1984 (item 5 of Table II. 1). The resultant slowing-down of the growth would appear to have been accentuated by a slight reduction of the rise — from 1.3 to 0.9 p.c. — in domestic expenditure (item 4) mainly owing to the disappearance of the particularly favourable influence exerted by the change in stocks in 1984. These movements would appear to have been partly offset by a slowing-down of the growth in imports of goods and services (item 7) connected with the aforementioned weakening of *final expenditure* (item 6) and more specifically of some expenditure elements with a high import content — exports, stocks, etc. — but also to a particularly marked slackening of the increase in imports of services. Altogether the growth in the *gross domestic product* would appear to have remained moderate, namely 1 p.c., which is a slightly lower rate than that recorded in 1984 (item 8).

This movement is in line with the poor growth rates recorded during the last five years, which never exceeded 1.5 p.c. and were sometimes even negative (Table II. 1.1). This period was not, however, homogeneous : during the first three years net exports of goods and services were practically the only factor which made a positive contribution to growth, whereas during the last two years growth was chiefly supported by domestic expenditure.

b) *Individuals* would appear to have increased their consumption by 0.9 p.c., a rate comparable to that in 1984 (item 1 of Table II. 1). This rise would appear to have been due to a parallel rise in purchases of goods (Chart II. 1.2) — stimulated in 1985 by substantial purchases of energy products because of the severe winter weather at the beginning of the year — and in expenditure on services.

c) *Public consumption* (item 2 of Table II. 1) would appear to have increased by 1.5 p.c. in 1985, whereas it had declined by 0.2 p.c. in 1984. This reversal is attributable both to consumption of the *value*

added produced by the *public authorities (non-market services)* and to current purchases of goods and services from other sectors. The former component, which consists essentially of remuneration payable by the public authorities and pensions for which the Treasury and the local authorities are directly responsible, would appear to have risen somewhat faster than in 1984, mainly owing to a larger increase in employment provided by the public authorities. The second component, which had decreased the previous year, would appear to have recovered owing to purchases of military equipment.

d) *Gross capital formation by individuals* (item 3.1 of Table II. 1), which had shown a slight positive growth in 1984 for the first time in five years, would appear to have risen a little further in 1985.

This increase of 0.4 p.c. would appear to have been due to a rise — the first since 1978 — in expenditure on housing, and more especially in private expenditure on new dwellings, partly counterbalanced by the adverse movement of gross capital formation by one-man businesses.

Private expenditure on new dwellings would appear to have increased by about 2.5 p.c. in 1985. While it was probably stimulated by the measures introduced on the initiative of both the national government and the regional authorities, it was on the other hand depressed by the residual effect of the collapse in the number of housing starts recorded during the last quarter of 1984, as well as during the first two months of 1985 owing to the exceptionally severe winter : the net improvement subsequently recorded seems to have been able to do little more than make up for this bad start. More fundamentally, the decline in this growth probably reflects the influence of other factors, such as the sluggish and hesitant movement of individuals' *disposable income* at constant prices, competition from the secondary market, the relatively high cost of new building and of its financing and certain demographic factors (stagnation in the number of young households). Expenditure on social housing appears to have fallen again in 1985. This decline appears to be mainly due to the limitations on contract awards imposed on the National Housing Company by the regional supervisory authorities. Lastly, conversion work, the relative importance of which is comparable to that of social housing, would also appear to have fallen off, while registration fees and charges on deeds at constant prices appear to have levelled out ; this state of affairs reflects



the petering out of the recovery recorded on the secondary housing market in 1983 and 1984.

Gross fixed capital formation by one-man businesses would appear to have remained at its 1984 level. This weakness is due to the decline in capital investment in the sector consisting of agriculture, forestry and fishing, which accounts for nearly 30 p.c. of the total; the reduction would appear to be accounted for by several factors : the slowness of the increase in agricultural incomes in 1984 and 1985, the tightening-up of the measures for limiting production within the framework of the agricultural policy pursued by the European Economic Community, and the non-renewal in 1985 of a temporary measure increasing the interest subsidies granted, via the Agricultural Investment Fund, in respect of most capital investment loans to agriculture. Stocks, the changes in which reflect those in livestock, would appear to have decreased owing to the massive slaughterings entailed by the fight against African swine fever.

e) *Gross capital formation by companies* (item 3.2) would appear to have increased by 2.3 p.c. against 14.1 p.c. the previous year. This marked slackening is mainly due to the effect of changes in stocks; the process of running down stocks, which was on a particularly large scale in 1983, had slowed down very appreciably in 1984, thus contributing greatly to the growth in gross capital formation during that year; in 1985 the change in stocks appears to have been similar to that in the previous year and would therefore appear to have no longer influenced that growth. The increase in investment in fixed assets by companies would appear to have fallen by half, from 5.5 to 2.3 p.c. in 1985.

In manufacturing industry in particular, the increase appears to have been only 4 p.c., against 7.8 p.c. in 1984. This slackening was fairly general, except in the steel industry and, above all, the chemical industry. The dynamic growth in investment in the last-mentioned, very export-oriented industry would appear to reflect the more favourable business conditions which it has enjoyed in recent years.

The rise in investment by service companies would likewise appear to have slowed down in 1985, having amounted to about 2 p.c. against 5.3 p.c. in 1984; propensity to invest appears to have remained high in trade and banking, but this dynamism seems to have been counterbalanced by the slight decline in investment by public transport and

communications companies and a more marked falling-off in that by companies engaging in leasing of movable property, which would thus appear to have been affected by the repercussions of the very substantial investments made in air transport in 1984.

f) The fall in *gross capital formation* by the *public authorities* (item 3.3 of Table II. 1), which had been particularly large in 1984 (over 10 p.c.), would appear to have continued in 1985, when it appears to have amounted to about 7.1 p.c. The further decline recorded in 1985 seems to be primarily attributable, as in the preceding years, to the continuance of the reorganisation efforts being made more especially at local authority level. It would also seem to be partly due to the exceptionally bad weather conditions at the beginning of the year, which delayed the carrying out of certain public investment programmes.

The fact remains that after this fifth consecutive year of decline, gross capital formation by the public authorities appears to have been down to only two-thirds of its 1980 volume.

g) Whereas in 1984 the reduction of the deficit left by payments and receipts of factor incomes abroad (item 9) had made a positive contribution to the growth in the *gross national product*, the worsening of this deficit in 1985 appears to have adversely affected it (item 10). This growth would therefore appear to have been slowed down more than that in the *gross domestic product*, having declined from 1.5 to 0.9 p.c. The worsening of the balance of factor incomes is due both to an increase in the interest paid by the *public authorities* on their foreign currency debt and to a decrease in the income of banks from their activity on the Euro-currency market.

h) In 1985 the rise in Belgium's *gross domestic product* would appear to have been, as in the two preceding years, smaller than that of the countries of the European Economic Community as a whole; the growth rate in the Community has remained, during the last three years, considerably below that recorded in Japan, but in 1985 it practically caught up with the — greatly slowed down — growth in the economy of the United States (Table II. 1.3). The relative weakness of the Belgian economy's growth is mainly due to the movement of domestic expenditure, especially on consumption, which did not rise during the last three years, whereas it has been by far the main growth factor in

the other countries or groups of countries. The *contribution* of net exports of goods and services to the increase in the gross domestic product was much greater in Belgium than in the European Economic Community as a whole in 1983, but has been smaller since then; in the United States it has been negative during the last three years; in Japan, on the other hand, the positive contribution of the foreign balance was very substantial.

Table II. 1

## GROSS NATIONAL PRODUCT AND MAIN EXPENDITURE CATEGORIES AT CONSTANT PRICES

*(Percentage changes compared with previous year)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
1. Private consumption .....	+ 2.4	+ 2.8	+ 4.4	+ 1.6	- 0.2	+ 1.0	- 1.5	+ 0.8	+ 0.9
2. Public consumption .....	+ 2.7	+ 5.9	+ 2.7	+ 1.6	+ 1.2	- 1.4	+ 0.5	- 0.2	+ 1.5
3. Gross capital formation .....	+ 0.7	+ 2.5	- 0.1	+ 4.5	-20.2	- 1.7	- 7.3	+ 4.9	...
3.1 Individuals .....	+ 2.2	+ 6.5	-11.1	- 2.4	-35.4	- 5.5	- 1.4	+ 0.7	+ 0.4
(of which : housing) .....	(+ 1.8)	(+ 6.1)	(-13.1)	(- 1.2)	(-40.9)	(- 6.5)	(- 2.8)	(- 0.7)	(+ 2.0)
3.2 Companies .....	- 0.9	+ 0.5	+10.2	+ 8.9	-13.8	+ 4.0	-11.0	+14.1	+ 2.3
(of which : fixed assets) .....	(- 2.8)	(+ 1.1)	(+ 3.5)	(+ 9.5)	(- 4.0)	(+ 4.0)	(- 4.3)	(+ 5.5)	(+ 2.3)
3.3 Public authorities .....	+ 0.9	- 2.4	+ 5.3	+ 8.7	- 5.6	- 8.8	- 6.2	-10.4	- 7.1
4. Total domestic expenditure .....	+ 2.1	+ 3.3	+ 3.2	+ 2.2	- 4.1	+ 0.1	- 2.1	+ 1.3	+ 0.9
5. Exports of goods and services .....	+12.3 <sup>1</sup>	+ 3.7	+ 8.0	+ 4.5	+ 3.3	+ 2.0	+ 3.1	+ 4.5	+ 3.2
6. Total final expenditure .....	+ 5.4	+ 3.4	+ 4.8	+ 3.0	- 1.4	+ 0.8	- 0.1	+ 2.6	+ 1.8
7. Imports of goods and services .....	+14.9 <sup>1</sup>	+ 3.9	+ 9.5	+ 1.9	- 1.5	- 0.2	- 0.1	+ 4.6	+ 3.1
<i>p.m.</i> Net exports of goods and services <sup>2</sup> .....	- 1.6	- 0.3	- 1.2	+ 1.5	+ 2.9	+ 1.4	+ 2.0	+ 0.1	+ 0.2
8. Gross domestic product .....	+ 0.5	+ 3.1	+ 2.1	+ 3.8	- 1.4	+ 1.5	- 0.1	+ 1.3	+ 1.0
9. Net factor incomes <sup>2</sup> .....	- 0.2	- 0.1	- 0.4	- 0.4	- 0.1	- 0.4	+ 0.1	+ 0.2	- 0.1
10. Gross national product .....	+ 0.3	+ 3.0	+ 1.6	+ 3.4	- 1.5	+ 1.1	...	+ 1.5	+ 0.9

<sup>1</sup> In 1977 there is a break in the series because, from that year onwards, the data concerning exports and imports of goods and services include transactions settled by offsetting, which has the effect of expanding the percentage changes. After correction these work out at 1.6 and 4.4 p.c. respectively.

<sup>2</sup> Contribution to the growth in the gross national product.



Table II. 1.1

CONTRIBUTION OF THE VARIOUS CATEGORIES OF EXPENDITURE  
TO THE PERCENTAGE CHANGES IN THE GROSS DOMESTIC  
PRODUCT AT CONSTANT PRICES

	1981	1982	1983	1984	1985 <i>e</i>
1. Private consumption .....	- 0.1	+ 0.7	- 1.0	+ 0.5	+ 0.6
2. Public consumption .....	+ 0.2	- 0.3	+ 0.1	- 0.1	+ 0.2
3. Gross capital formation .....	- 4.4	- 0.3	- 1.2	+ 0.8	...
4. Total domestic expenditure (1 to 3) .	- 4.3	+ 0.1	- 2.1	+ 1.2	+ 0.8
5. Net exports of goods and services ...	+ 2.9	+ 1.4	+ 2.0	+ 0.1	+ 0.2
6. Gross domestic product (4 + 5) .....	- 1.4	+ 1.5	- 0.1	+ 1.3	+ 1.0

Chart II. 1.2

PRIVATE CONSUMPTION AT CONSTANT PRICES OF GOODS SOLD  
BY RETAILERS

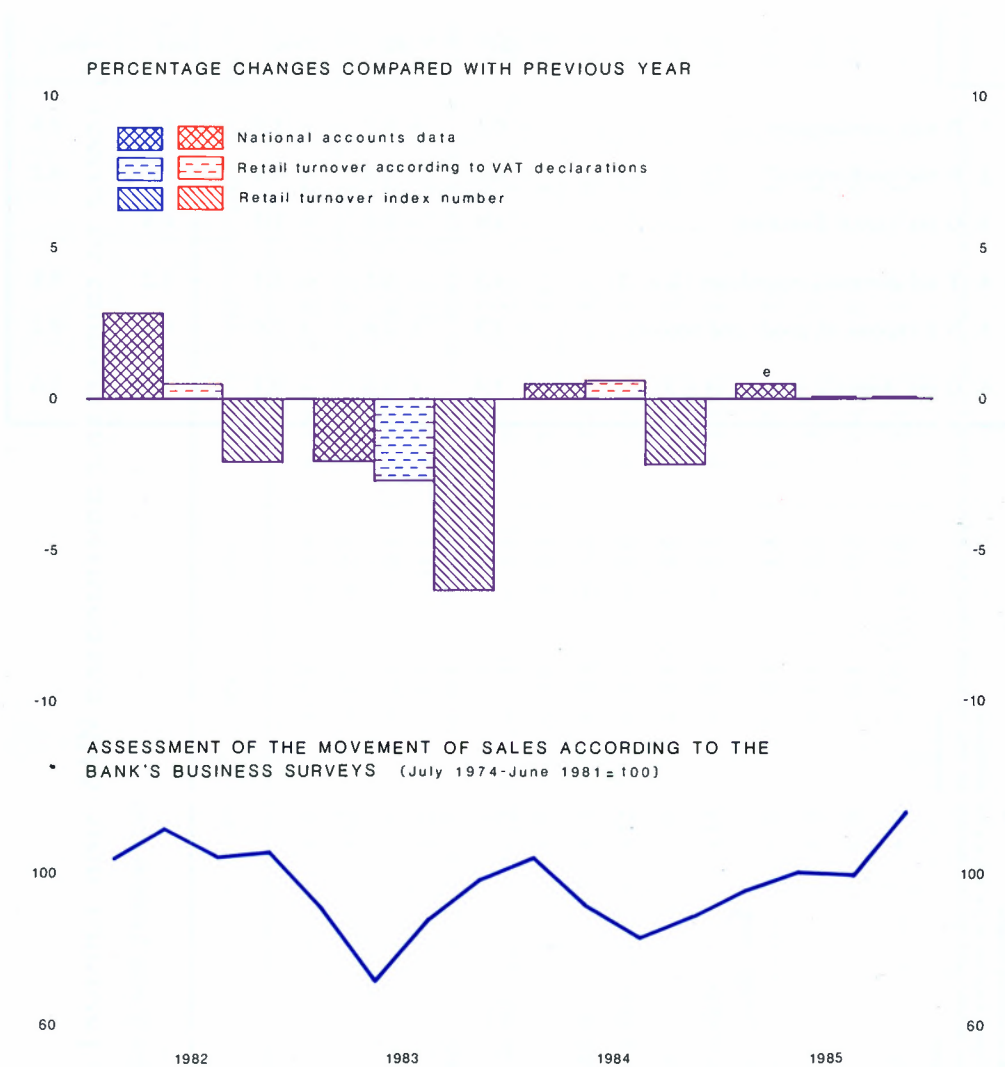


Table II. 1.3

GROSS DOMESTIC PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES :  
INTERNATIONAL COMPARISON

(Percentage changes compared with previous year)

	Belgium			European Economic Community			United States			Japan		
	1983	1984	1985 e	1983	1984	1985	1983	1984	1985	1983	1984	1985
1. Private consumption .....	- 1.5	+ 0.8	+ 0.9	+ 1.2	+ 1.0	+ 1.8	+ 4.8	+ 5.3	+ 4.0	+ 3.4	+ 2.8	+ 2.8
2. Public consumption .....	+ 0.5	- 0.2	+ 1.5	+ 1.3	+ 1.3	+ 1.0	- 0.3	+ 3.5	+ 5.3	+ 2.9	+ 2.3	+ 2.8
3. Gross capital formation .....	- 7.3	+ 4.9	...	- 0.1	+ 4.8	+ 2.5	+13.3	+31.8	- 1.9	- 0.9	+ 6.7	+ 5.6
3.1 Housing .....	- 2.8	- 0.7	+ 2.0	+ 1.5	+ 0.2	- 6.7	+41.7	+12.2	+ 2.5	- 5.9	- 0.8	+ 4.0
3.2 Enterprises .....	- 9.3	+12.7	+ 1.5	- 1.0	+ 8.2	+ 8.0	+ 6.9	+36.6	- 2.7	+ 0.1	+13.0	+11.4
(of which : fixed assets) .....	(- 3.8)	(+ 5.6)	(+ 2.0)	(- 0.1)	(+ 3.7)	(+ 6.2)	(+ 2.5)	(+19.8)	(+ 6.2)	(+ 3.4)	(+11.0)	(+10.8)
3.3 Public authorities .....	- 6.2	-10.4	- 7.1	+ 0.3	- 1.0	- 5.3	n.	n.	n.	- 0.6	- 1.5	- 6.3
4. Total domestic expenditure .....	- 2.1	+ 1.3	+ 0.9	+ 1.0	+ 1.8	+ 1.8	+ 5.0	+ 8.7	+ 3.5	+ 1.9	+ 4.0	+ 3.8
5. Exports of goods and services .....	+ 3.1	+ 4.5	+ 3.2	+ 2.5	+ 7.0	+ 5.7	- 5.2	+ 4.7	- 4.3	+ 4.7	+18.1	+ 7.8
6. Imports of goods and services .....	- 0.1	+ 4.6	+ 3.1	+ 1.5	+ 6.2	+ 4.8	+11.2	+27.0	+ 7.0	- 4.5	+12.5	+ 1.8
p.m. Net exports of goods and services <sup>1</sup>	+ 2.0	+ 0.1	+ 0.2	+ 0.2	+ 0.5	+ 0.5	- 2.0	- 1.8	- 1.2	+ 1.5	+ 2.0	+ 1.5
7. Gross domestic product .....	- 0.1	+ 1.3	+ 1.0	+ 1.2	+ 2.3	+ 2.3	+ 2.9	+ 6.8	+ 2.5	+ 3.3	+ 5.8	+ 5.0

<sup>1</sup> Contribution to the growth in the gross domestic product.

## II. 2 Value added at constant prices of the various branches of activity

a) Most branches of activity would appear to have grown at a rate fairly similar to that of the *gross national product*, which, as had been seen, appears to have increased by 1 p.c. (Table II. 2); building and agriculture, forestry and fishing appear, by their stability, to have presented a different profile.

b) After the appreciable rise recorded in 1984, the *value added* in the branch consisting of agriculture, forestry and fishing (item 1) appears to have remained at the previous year's level, an increase in animal production having been counterbalanced by the decline in vegetable production, especially of cereals.

c) The increase in the value added in industry appears to have slowed down during the year under review (item 2), the value added in manufacturing industry having in fact grown more slowly. That in the electricity and water industries appears, on the other hand, to have risen more than in the preceding year; the increase in domestic consumption of electricity — although adversely affected by the slackening of industrial demand — does in fact appear to have become larger and, furthermore, the bringing into service of two new nuclear power stations during the year under review appears to have permitted the gradual emergence of a net export of electricity, whereas in 1984 the balance of foreign trade in electricity had still shown a deficit. There was a decline in the mineral-extracting industries, whereas they had grown in 1984.

— The increase in production in manufacturing industry observed in 1984 continued in 1985, but, as previously mentioned, at a slower rate. After an appreciable decline in the first quarter of the year under review compared with the last quarter of 1984, due to adverse weather conditions, production recovered in the second quarter and remained practically steady throughout the summer months. For the first ten months of the year as a whole it increased by about 2 p.c. against 2.7 p.c. in 1984 (Chart II. 2.1 and Table II. 2.2). The available indicators show that, in the course of the year and especially in the second half, both domestic and foreign orders appear to have fallen off somewhat.

— A more detailed examination of the movement of production in manufacturing industry during the first ten months of 1985

(Table II. 2.2) shows that it was in the metal-working industry that the growth was greatest; the speeding-up of production in this industry in 1985 was partly due to the slackening which had been recorded in the second and third quarters of the previous year owing to the strikes in the metallurgical industry in the Federal Republic of Germany; it is also connected with a growth in demand for capital goods, especially from abroad.

Production declined in three industries. That of basic metallurgy fell off mainly because of the cessation of the process of replenishment of stocks of rolled products by certain steel users which took place the previous year. The fall in production of non-metallic mineral products is chiefly attributable to the difficult situation as regards hollow glass, while the sharp contraction in the output of the oil refineries, which had been characterised for several years by excess capacities, is due to maintenance work in certain production units during the first half of the year under review.

d) The value added in the building industry appears to have remained stable in 1985 (Table II. 2, item 3), after the uninterrupted decline recorded since 1981. There appears to have been a certain recovery in residential building [cf. paragraph d) of section II. 1]. Investment by *companies* in non-residential buildings also appears to have increased slightly. On the other hand, in road and civil engineering work the downward trend in volume appears to have continued during the year under review.

e) The value added of *market services* appears to have increased again in 1985 (item 4), but at a slower rate than in the preceding year. The growth appears to have been mainly determined by that in the value added of transport and communications, medical services and rents. The value added of trade appears to have risen only slightly, while there seems to have been a slight decline in hotel, catering and leisure services.

f) The value added of *non-market services* appears to have grown by about 1.3 p.c. during the year under review, that is, faster than in the preceding year (item 5), mainly owing to a more pronounced rise in employment in that branch of activity.



Table II. 2.2

## INDUSTRIAL PRODUCTION

*(Percentage changes compared with previous year)*

	1982	1983	1984	First ten months	
				1984	1985
Industry as a whole .....	+ 0.1	+ 1.8	+2.6	+ 2.7	+ 2.0
Mineral-extracting industries .....	+ 1.0	- 5.9	+1.2	+ 2.7	- 4.8
Electricity and water industries .....	+ 0.1	+ 3.3	+3.3	+ 2.8	+ 4.2
Manufacturing industry .....	+ 0.1	+ 1.9	+2.6	+ 2.7	+ 2.0
of which :					
Metal-working industry .....	+ 2.1	+ 2.6	...	- 0.5	+ 5.3
Basic metallurgy .....	-10.4	+ 2.2	+8.4	+ 9.4	- 1.9
Chemical industry and rubber industry	+ 2.2	+ 3.9	+5.7	+ 6.7	+ 3.2
Food and beverage industries .....	+ 5.2	+ 1.0	+3.0	+ 1.7	+ 2.7
Textile industry .....	- 1.0	+ 7.6	+0.8	+ 1.5	+ 1.2
Non-metallic mineral product industry	- 6.5	- 5.1	+4.6	+ 5.5	- 8.1
Wood industry .....	+ 1.3	- 2.7	-1.6	- 0.7	+ 1.2
Manufacturing of clothing and footwear	+ 2.5	- 0.8	-4.6	- 4.7	+ 0.8
Paper and board industry .....	+ 0.8	+ 3.0	+6.0	+ 6.5	+ 0.4
Oil refining .....	-15.1	-16.0	-5.6	- 5.3	-14.1

## II. 3 Supply of and demand for employment

a) The Belgian *working population* (item 1 of Table II. 3) showed a marked fall in 1985. This development is, however, due to the break in the statistical definition of this item brought about by the Royal Decree of 29th December 1984, in the manner explained in point b) of the basic information. Together with the increase in the number of persons taking early retirement, this measure thus led to the withdrawal of 45,000 persons from the working population.

Had it not been for these measures the working population would have risen somewhat more than in 1984, without thereby reaching the growth levels recorded in the years prior to 1984.

b) The rate of job losses had already declined uninterruptedly during the three preceding years. In 1985 there would even appear to have been a positive movement for the first time since 1979 (an increase of 11,000 units; item 2); the supply of jobs by enterprises no longer decreased, while in *non-market services* it appears to have risen by about 11,000.

— The growth in the *value added* was too small in industry to prevent further job losses (Table II. 3.1), although, just as in 1984 and, to a smaller extent, in 1983, industrial *productivity* again rose only slightly. Since, however, the data concerning productivity appearing in Table II. 3.1 are arrived at on the basis of the value added per person employed, they may be distorted by the changes in the number of hours actually worked per person employed.

The data included in Table II. 3.2, which relate to manufacturing industry alone, likewise show, however, a distinct slackening of the rise in productivity during the last two or three years, even when productivity is measured by the movement of the value added per hour worked. It is furthermore found that in 1985 the number of hours actually worked per person employed would appear — for the first time since 1979 — to have increased appreciably, and this seems to be confirmed by the pronounced reduction, during the first nine months of 1985, in partial unemployment « for economic reasons », that is, the unemployment which mainly affects manufacturing industry. The smallness of the rise in the value added per hour worked in manufacturing industry (+ 1.4 p.c.) confirms — indeed adds to — the picture of slackening

productivity presented by Table II. 3.1 for industry as a whole (+ 2.7 p.c.). One of the possible explanations of this slowing-down probably lies in the obligations — which will be discussed further on — imposed on enterprises with regard to employment.

Employment in the building industry appears to have decreased again, but much more slowly than in the previous years (Table II. 3). Although the number of building enterprises appears to have risen, just as in 1984, it did not prove possible to maintain the number of employed wage-earners.

Employment appears to have increased, on the other hand, in *market services*, despite redundancies in a number of public enterprises (transport and communications). As in the past, the percentage change in productivity appears to have been considerably smaller in market services than in enterprises as a whole (Table II. 3.1).

— A number of elements perhaps contributed to the virtual stabilisation of employment in enterprises as a whole in 1985.

Among other things, part-time working appears to have continued to gain ground in 1985. An indication of this is provided by the movement of the number of wholly unemployed persons who accepted a part-time job in order to escape unemployment : the number of these rose by 31,750 between June 1984 and June 1985. Compared with June 1982 the number actually appears to have gone up by 75,000.

Within the framework of the job-creation measures, financial incentives are granted to heads of enterprises who set on a workman for the first time, or to unemployed persons who wish to establish an enterprise. 6,000 jobs appear to have been created in this way in 1985 and 17,000 since these two measures came into force.

Lastly, it should be mentioned that for the period 1983-1984 various collective labour agreements were concluded, resulting in partial implementation of Royal Decrees Nos 180, 181 and 185 of 30th December 1982, whereby the gain resulting from the moderation of wages was to be used for a reduction of working hours and for compensatory recruiting. The workforce reached under these agreements at the end of 1984 must be maintained during the period 1985-1986 under the Recovery Law of 22nd January 1985, which furthermore stipulated that

under the new collective labour agreements concluded in 1985 for the period 1985-1986 up to twice 1.5 p.c. of total gross compensation could be used for measures benefiting employment. It is not yet possible, however, to assess the real effect of these measures.

— The supply of employment in non-market services would appear to have increased a little faster than in 1984 (by 11,000 against 8,000 ; item 2.2 of Table II. 3). This rise was again almost entirely due to the extension of the « special employment programmes » (special temporary employment scheme, third labour circuit and jobless employed by the public authorities). Part-time working was also encouraged under these programmes.

c) Coupled with the rise in employment, the exceptional drop in the *working population* led to an appreciable reduction of unemployment (item 3 of Table II. 3). Even without the above-mentioned change in the rules concerning older unemployed persons, the number of unemployed would still have fallen by 1,500 in June 1985 compared with June 1984.

The improvement in the climate of the labour market, the first signs of which had appeared in 1984, is also evident from the trend of the monthly unemployment figures (Chart II. 3.3). As a percentage of the working population and on the basis of unchanged regulations on this subject, unemployment amounted to 13.9 p.c. in December 1985, against 14.2 p.c. in December 1984. The male unemployment rate was 10.2 p.c. against 10.6 p.c. and the female unemployment rate 19.6 p.c. against 19.9 p.c. The indications given by these movements with regard to developments on the labour market are no doubt marred by inaccuracy. They are in fact too pessimistic because they disregard partial unemployment « for economic reason », which contracted in 1985. On the other hand they are too optimistic in that they regard both a part-time worker and a full-time worker as an employment unit, whereas it is difficult to determine to what extent this part-time working, which appears to have increased further, was freely chosen by the person concerned or is, on the contrary, a form of « concealed unemployment ».

Table II. 3

## DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Changes, in thousands)

	1977	1978	1979	1980	1981	1982	1983	1984	1985
1. Demand for employment (working population) :									
Total .....	+ 26	+ 25	+ 59	+ 16	+ 17	+ 25	+ 16	+ 1	- 29 <i>e</i>
Men .....	(- 10)	(- 7)	(+ 15)	(- 11)	(- 11)	(- 6)	(- 9)	(- 18)	(- 38) <i>e</i>
Women .....	(+ 36)	(+ 33)	(+ 44)	(+ 27)	(+ 28)	(+ 30)	(+ 25)	(+ 19)	(+ 9) <i>e</i>
<i>p.m.</i> Persons taking early retirement and non-job-seeking unemployed persons receiving unemployment benefits .....	+ 19	+ 18	+ 20	+ 12	+ 15	+ 18	+ 18	+ 10 <i>e</i>	+ 45 <i>e</i>
- Persons taking early retirement .....	(+ 19)	(+ 18)	(+ 20)	(+ 12)	(+ 15)	(+ 18)	(+ 18)	(+ 10) <i>e</i>	(+ 6) <i>e</i>
- Non-job-seeking unemployed persons receiving unemployment benefits .....	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(—)	(+ 38)
2. Supply of employment (employment) .....	- 8	+ 1	+ 45	- 2	- 76	- 50	- 39	...	+ 11 <i>e</i>
by :									
2.1 enterprises .....	- 20	- 28	+ 12	- 11	- 78	- 55	- 33	- 6	+ 1 <i>e</i>
- agriculture, forestry and fishing .....	- 5	- 4	...	- 6	- 3	- 3	- 1	...	... <i>e</i>
- industry .....	- 41	- 42	- 27	- 20	- 48	- 32	- 20	- 9	- 13 <i>e</i>
- building .....	+ 2	- 4	+ 2	- 9	- 30	- 23	- 19	- 14	- 4 <i>e</i>
- market services .....	+ 25	+ 22	+ 36	+ 24	+ 2	+ 2	+ 6	+ 16	+ 18 <i>e</i>
2.2 non-market services .....	+ 14	+ 30	+ 33	+ 10	+ 3	+ 6	- 6	+ 8	+ 11 <i>e</i>
2.3 foreign countries .....	- 1	- 1	- 1	- 1	- 1	- 1	...	- 1	- 1 <i>e</i>
3. Unemployment (1 - 2) :									
Total .....	+ 34	+ 24	+ 14	+ 18	+ 93	+ 74	+ 55	+ 1	- 40
Men .....	(+ 6)	(+ 8)	(- 1)	(+ 5)	(+ 60)	(+ 44)	(+ 31)	(- 3)	(- 31)
Women .....	(+ 27)	(+ 16)	(+ 15)	(+ 13)	(+ 33)	(+ 31)	(+ 24)	(+ 4)	(- 8)



Table II. 3.1

## EMPLOYMENT, VALUE ADDED AND PRODUCTIVITY IN ENTERPRISES

(Percentage changes compared with previous year)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
<i>Agriculture, forestry and fishing :</i>									
Employment .....	- 4.1	- 3.3	+ 0.1	- 5.4	- 2.4	- 2.3	- 0.7	...	- 0.4
Value added .....	+ 4.0	+11.4	+ 0.4	+ 4.1	+ 4.7	+ 5.0	- 0.6	+10.3	...
Value added per person employed .....	+ 8.4	+15.2	+ 0.3	+10.0	+ 7.3	+ 7.5	+ 0.1	+10.3	+ 0.4
<i>Industry :</i>									
Employment .....	- 3.7	- 3.9	- 2.6	- 2.0	- 4.8	- 3.4	- 2.2	- 1.1	- 1.5
Value added .....	+ 1.3	+ 2.2	+ 3.3	+ 2.6	- 1.0	+ 1.9	+ 1.7	+ 2.0	+ 1.2
Value added per person employed .....	+ 5.2	+ 6.3	+ 6.1	+ 4.7	+ 4.0	+ 5.5	+ 4.0	+ 3.1	+ 2.7
<i>Building :</i>									
Employment .....	+ 0.6	- 1.3	+ 0.8	- 3.0	-10.3	- 8.8	- 8.0	- 6.3	- 2.1
Value added .....	+ 2.5	+ 0.9	- 3.4	+ 4.7	-18.9	- 3.7	- 1.9	- 3.0	...
Value added per person employed .....	+ 1.9	+ 2.2	- 4.2	+ 7.9	- 9.6	+ 5.6	+ 6.6	+ 3.5	+ 2.1
<i>Market services :</i>									
Employment .....	+ 1.5	+ 1.3	+ 2.1	+ 1.4	+ 0.1	+ 0.1	+ 0.4	+ 0.9	+ 1.0
Value added .....	+ 0.9	+ 3.0	+ 3.6	+ 2.4	- 0.5	+ 2.0	- 1.2	+ 1.5	+ 1.0
Value added per person employed .....	- 0.6	+ 1.7	+ 1.5	+ 1.0	- 0.6	+ 1.9	- 1.6	+ 0.6	...
<i>Total enterprises :</i>									
Employment .....	- 0.6	- 0.9	+ 0.4	- 0.4	- 2.5	- 1.8	- 1.1	- 0.2	...
Value added .....	+ 1.3	+ 2.8	+ 2.7	+ 2.7	- 2.2	+ 1.6	- 0.3	+ 1.6	+ 1.0
Value added per person employed .....	+ 1.9	+ 3.7	+ 2.3	+ 3.1	+ 0.3	+ 3.5	+ 0.8	+ 1.8	+ 1.0

Table II. 3.2

## EMPLOYMENT AND PRODUCTIVITY IN MANUFACTURING INDUSTRY

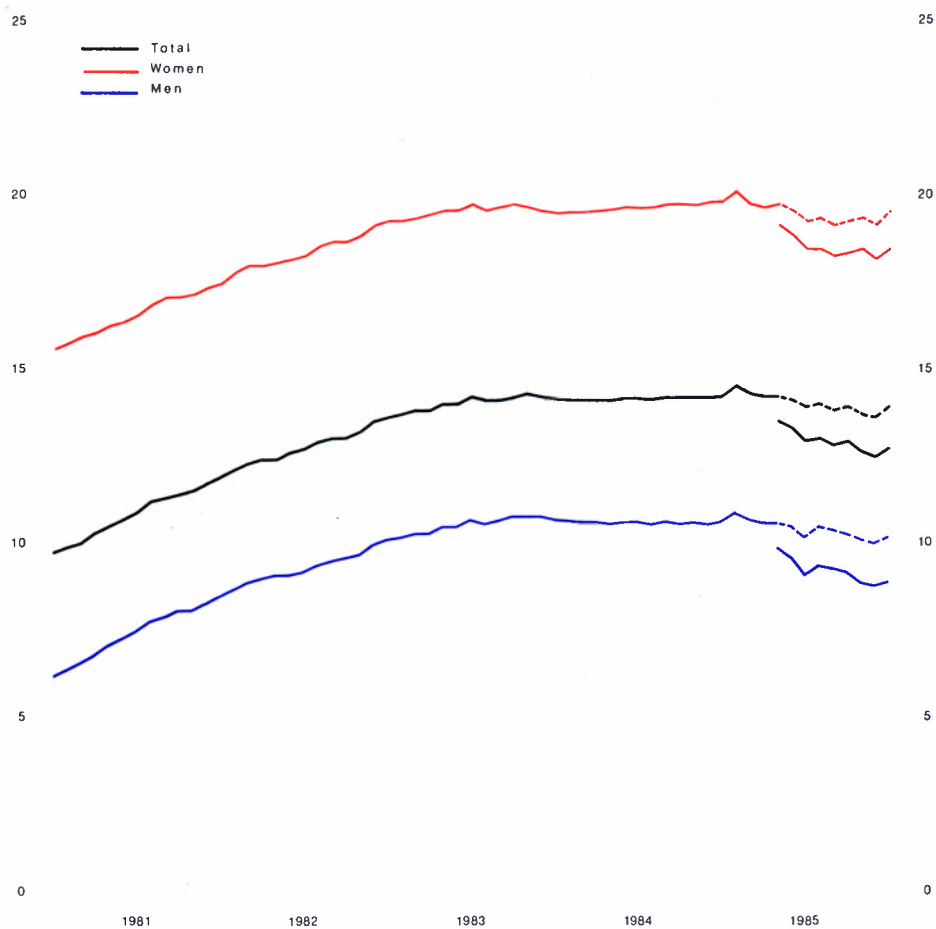
*(Percentage changes compared with previous year)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985
Employment ..... e	- 3.8	- 4.1	- 2.5	- 2.2	- 4.8	- 3.8	- 2.4	- 0.9	- 1.3
Number of hours worked per person employed . e	- 0.9	- 0.2	+ 0.9	- 2.0	- 1.5	- 0.5	- 0.1	- 0.2	+ 1.1
Total number of hours worked ..... e	- 4.7	- 4.3	- 1.6	- 4.2	- 6.2	- 4.3	- 2.5	- 1.1	- 0.2
Value added per hour worked ..... e	+ 5.5	+ 6.2	+ 4.2	+ 7.4	+ 5.3	+ 7.7	+ 4.1	+ 3.0	+ 1.4 e

Chart II. 3.3

# UNEMPLOYMENT RATE <sup>1</sup>

(Percentages of working population)



<sup>1</sup> From April 1985 : disregarding unemployed persons opting for the status defined by the Royal Decree of 29th December 1984.  
Dotted lines : including these unemployed persons.



## CHAPTER III

### PRICES





### III. 1 Deflators of the gross national product and the main categories of expenditure

a) The rise in the *deflator* of private consumption appears to have slackened from 6.1 p.c. in 1984 to 4.9 p.c. in 1985 (item 1 of Table III. 1), representing, in points, a slowing-down identical to that observed in 1984. The increase in the average, per annum, of the monthly indices of consumer prices (Table III. 1.1) showed a similar movement, declining, on the year, from 6.3 to 4.9 p.c.

This further slackening of the rise in the overall index of consumer prices is, as in the previous year, fairly general : the comparison of the *contributions* of the main categories of products to this rise (lower part of Table III. 1.1) shows that, for the second year running, all categories of products and services, except energy products, participated in the slowing-down.

For the year under review it should be noted that food products were mainly responsible for this movement, their contribution to the rise in the overall index having fallen to 0.8 p.c. against 1.8 p.c. the previous year. The marked slackening of the rise in prices recorded for this category of goods (upper part of Table III. 1.1) is attributable both to the smaller rise in import prices and to the fall in the prices of locally produced goods, particularly within the framework of the prices guaranteed by the Common Agricultural Market.

As in 1984, the acceleration recorded during the year under review (5.4 p.c. against 4.3 p.c. in 1984) for energy products slightly reduced the further slowing-down of the overall index. This acceleration, solely due to petroleum products and coal, is the resultant of opposite movements of the two components which, according to the rules in force, determine the consumer prices of the former : on the one hand, the international quotations in dollars for refined petroleum products recovered, on average over the year, after their fall in 1984, while on the other hand the rise in the dollar exchange rate in Belgian francs was appreciably smaller than in 1984.

Although the contribution of the « other products » category to the rise in the overall index was smaller, the rise of 5.9 p.c. in the prices of these products remained greater than that in the overall index, as has been the case since 1983. Previously these prices regularly rose less fast than the overall index and even than those of the « services » category.

Since 1982 the rise in consumer prices has been faster in Belgium than the average for eight other industrialised countries (Chart III. 1.2, upper part). The difference narrowed, however, during the last two years, from about 3.3 points in 1983, and 1.9 point in 1984, to about 1.1 point during the year under review.

b) The rise in the deflator of *gross capital formation* would appear to have been somewhat faster during the year under review, having gone up from 3.7 p.c. in 1984 to 4.1 p.c. (item 3 of Table III. 1). This slight speeding-up is to be found solely in gross capital formation by *companies*, whereas the price of dwellings appears to have no longer risen at the high rate which it reached in 1984.

c) In 1985 the slowing-down of the rise was most pronounced for the deflators of foreign trade. The upward movement of the deflator of exports of goods and services appears to have decreased from 7.5 p.c. in 1984 to 3.5 p.c. (item 5); the prices of imports of goods and services appear to have slowed down even more markedly, their rise having decreased from 7.4 to 2.6 p.c. (item 7), leading to an appreciable recovery of the *terms of trade*. Not since 1978 have the price rises in foreign trade been lower than those during the year under review. The appreciation of the *weighted average exchange rate* for the Belgian franc and the slowing-down of international inflation (see first part) are chiefly responsible for this development.

d) The increase in the deflator of *final expenditure*, which reflects the movement of all the domestic and foreign costs incorporated in this expenditure, also appears to have slowed down appreciably, to 4.2 p.c. in 1985 against 6.4 p.c. (item 6).

This fall of 2.2 points is mainly due to foreign costs : the *contribution* of the rise in import prices would thus appear to have fallen from 3.1 p.c. in 1984 to 1.1 p.c. in 1985 (Table III. 1.3, lower part). A little over half of this reduction of 2 points would appear to be attributable — for the first time since 1979 — to the decline in the *weighted average exchange rate* for foreign currencies expressed in Belgian francs.

e) The fact that the slackening of inflation in 1985 thus seems to be almost solely attributable to a smaller increase in Belgian franc import prices also emerges from the movement of the deflator of the

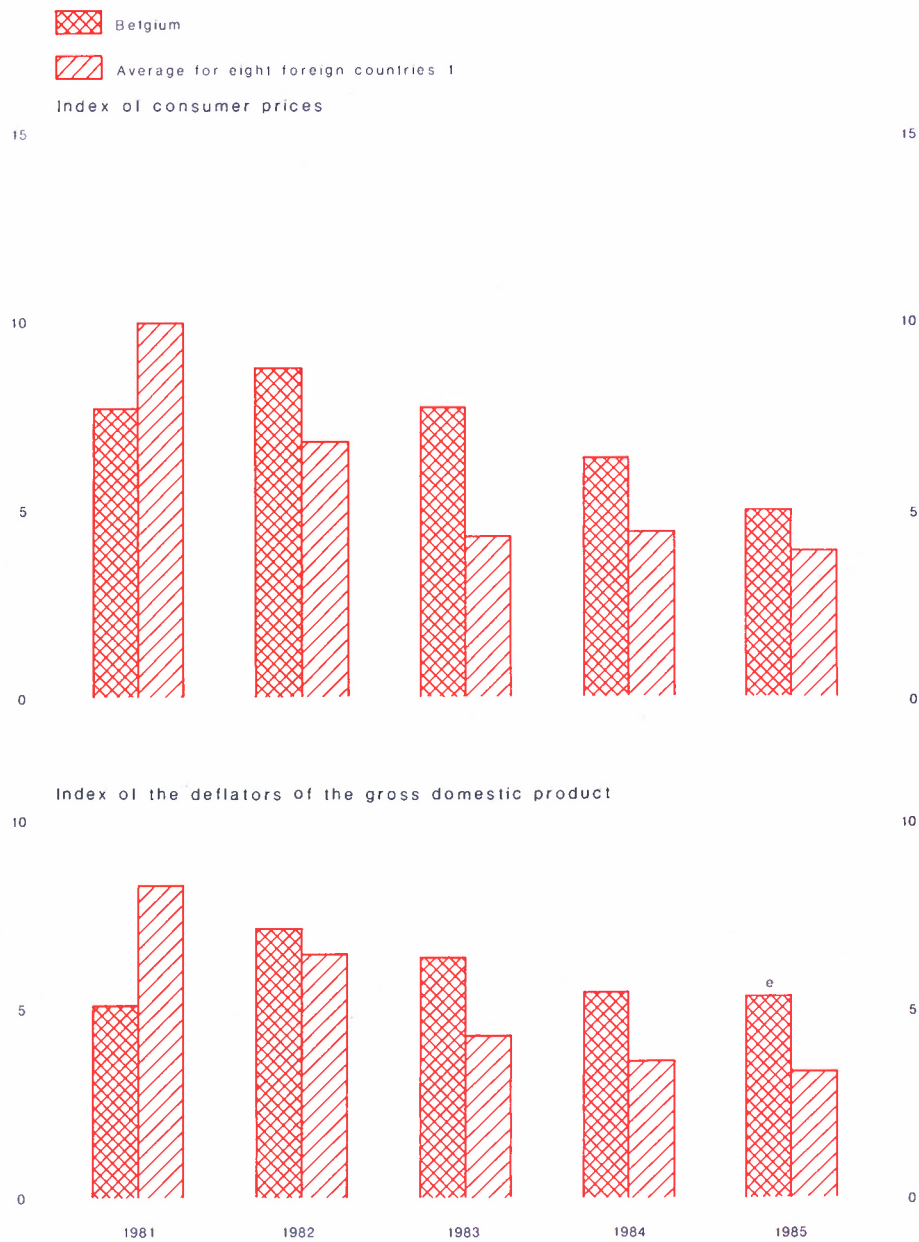
gross domestic product, which, as was explained in point c) of the basic information, theoretically reflects the movement of domestic costs : the rise in this deflator — 5.3 p.c. compared with 5.5 p.c. in 1984 — hardly appears to have slowed down at all.

A comparison of the rise in the above-mentioned deflator in Belgium and in eight foreign countries (Chart III. 1.2, lower part) shows that the differential to the disadvantage of Belgium, which had widened to about 2 points in 1983, has since remained unchanged. We do not find here, therefore, the narrowing observed in point a) above in the case of consumer prices, which might suggest that this narrowing was due to external rather than internal factors.

Chart III. 1.2

PRICES IN NATIONAL CURRENCY IN BELGIUM AND ABROAD

(Percentage changes compared with previous year)



<sup>1</sup> United States, Canada, Japan, Federal Republic of Germany, France, United Kingdom, Italy, Netherlands.



Table III. 1.3

## DEFLATOR OF FINAL EXPENDITURE

Year	Deflator of final expenditure	Breakdown by category of costs					
		Foreign costs		Domestic costs			
		Import prices	(p.m. : Weighted average exchange rate for foreign currencies)	Total domestic costs	Labour cost per unit of output	Indirect taxes net of subsidies per unit of output	Gross operating surplus per unit of output before subsidies
	(a)	(b)		(c)	(d)	(e)	(f)
Percentage changes compared with previous year							
1977 .....	+ 5.8	+ 3.1	(- 5.7)	+ 7.5	+ 8.0	+ 7.9	+ 6.4
1978 .....	+ 3.1	+ 1.0	(- 4.0)	+ 4.3	+ 4.3	+ 4.6	+ 4.3
1979 .....	+ 5.9	+ 8.9	(- 2.6)	+ 4.6	+ 4.7	+ 2.5	+ 5.0
1980 .....	+ 7.4	+13.6	(+ 0.3)	+ 3.7	+ 5.1	+ 5.0	+ 0.8
1981 .....	+ 8.4	+13.7	(+ 7.6)	+ 5.1	+ 5.4	+ 6.7	+ 3.9
1982 .....	+ 9.4	+12.9	(+11.4)	+ 7.1	+ 4.9	+ 9.4	+10.7
1983 .....	+ 6.6	+ 7.1	(+ 3.4)	+ 6.3	+ 5.1	+ 5.7	+ 8.9
1984 .....	+ 6.4	+ 7.4	(+ 0.3)	+ 5.5	+ 5.2	+ 0.7	+ 7.5
1985 ..... e	+ 4.2	+ 2.6	(- 2.3)	+ 5.3	+ 4.8	+ 3.2	+ 7.0
Percentage contribution of each of the categories to the change in the deflator of final expenditure							
	= (b) + (c)			= (d) to (f)			
1977 .....	+ 5.8	1.0	(- 1.9)	4.8	3.0	0.5	1.3
1978 .....	+ 3.1	0.4	(- 1.5)	2.7	1.6	0.3	0.8
1979 .....	+ 5.9	3.0	(- 0.9)	2.9	1.8	0.1	1.0
1980 .....	+ 7.4	5.0	(+ 0.1)	2.4	1.9	0.3	0.2
1981 .....	+ 8.4	5.3	(+ 2.9)	3.1	2.0	0.4	0.7
1982 .....	+ 9.4	5.2	(+ 4.6)	4.2	1.7	0.6	1.9
1983 .....	+ 6.6	2.9	(+ 1.4)	3.7	1.7	0.4	1.6
1984 .....	+ 6.4	3.1	(+ 0.1)	3.3	1.8	0.1	1.4
1985 ..... e	+ 4.2	1.1	(- 1.0)	3.1	1.6	0.2	1.3

\*\*



Table III. 2

## MAIN CATEGORIES OF EXPENDITURE AT CURRENT PRICES

*(Billions of francs)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
1. Private consumption .....	1,764	1,887	2,048	2,212	2,389	2,592	2,739	2,930	3,102
2. Public consumption .....	489	544	588	644	703	742	768	802	851
3. Gross capital formation .....	614	655	686	757	642	667	641	697	725
3.1 Individuals .....	251	282	265	277	187	182	187	197	206
(of which : dwellings) .....	(203)	(228)	(210)	(225)	(139)	(131)	(133)	(139)	(147)
3.2 Companies .....	254	261	297	336	307	337	311	366	389
(of which : fixed assets) .....	(243)	(253)	(272)	(307)	(307)	(342)	(343)	(376)	(400)
3.3 Public authorities .....	109	112	124	144	148	148	143	134	130
4. Total domestic expenditure (1 to 3) .....	2,867	3,086	3,322	3,613	3,734	4,001	4,148	4,429	4,678
5. Exports of goods and services .....	1,480	1,551	1,826	2,082	2,352	2,714	3,004	3,374	3,602
6. Imports of goods and services .....	1,509	1,585	1,889	2,186	2,449	2,762	2,952	3,317	3,508
7. Net exports of goods and services (5 - 6) .....	- 29	- 34	- 63	- 104	- 97	- 48	52	57	94
8. Gross domestic product (4 + 7) .....	2,838	3,052	3,259	3,509	3,637	3,953	4,200	4,486	4,772
9. Net factor income .....	12	10	- 4	- 18	- 23	- 38	- 37	- 28	- 34
10. Gross national product (8 + 9) .....	2,850	3,062	3,255	3,491	3,614	3,915	4,163	4,458	4,738



## CHAPTER IV

## INCOMES





#### IV. 1 Income account of the various sectors

a) In terms of current prices, the *gross primary income* of *individuals* would appear to have increased by 6.8 p.c., against 8 p.c. in 1984 (item 1.1 of Table IV. 1); this slowing-down merely reflects the slackening of the rate of inflation (measured by the movement of consumer prices), the increase of 1.8 p.c. in income at constant prices having been of the same order of magnitude as in 1984 (item 1.5 of Table IV. 1.1). This increase at constant prices is due, as in the previous year, to a substantial rise in *income from property* (item 1.3) and a slight increase in the *compensation of employees* (item 1.1). The income of self-employed persons, on the other hand, would appear to have fallen further at constant prices (item 1.2). As a result of these divergent movements, the share of income from property in the total gross primary income of individuals increased further : whereas it was between 12 and 14 p.c. during the 1970s, it appears to have risen to 19.2 p.c. in 1984 and to 20.2 p.c. during the year under review.

b) The *compensation of employees* at constant prices appears to have grown by 0.9 p.c. after having increased only marginally in 1984 (item 1.1 of Table IV. 1.1). As compensation per employee rose to practically the same extent as in the previous year, or by about 6 p.c., this more positive movement is solely attributable to that in the number of employees : after having gone down by 0.3 p.c. in 1984, this number appears to have risen by 0.3 p.c. during the year under review (Chart IV. 1.2).

c) According to the still very incomplete data available, the income at constant prices of self-employed persons appears to have declined further (item 1.2 of Table IV. 1.1), which may be largely attributable to the weakness of private consumption. The income of farmers and horticulturalists appears to have changed very little at constant prices : their selling prices, the cost of their means of production and the total volume of their production [see point b) of section II.2] appear to have undergone little or no change ; at constant prices — that is, deflated by means of the index of consumer prices — their income appears to have fallen.

d) *Income from property* accruing to *individuals* appears to have increased again markedly at current prices, but less (+ 13 p.c.) than in 1984 (+ 16.6 p.c.) (item 1.3 of Table IV. 1.1); owing to the re-

duction in inflation, the slackening was less pronounced at constant prices. The smaller expansion at current prices may be attributable to various factors. In 1984, long-term financial assets in Belgian francs and their average yield had both increased less than in 1983, so that the incomes received from these assets during the year under review grew less than in the previous year. Furthermore, owing to the greater preference in 1985 for long-term investments, short-term financial assets in Belgian francs bearing interest during the same year increased slightly less than in 1984, while short-term interest rates declined after having risen slightly in 1984. Dividends also appear to have gone up less. On the other hand, repatriated incomes from investments abroad appear to have risen more.

e) While *gross primary income* at constant prices appears to have increased — more or less as in 1984 — by 1.8 p.c. during the year under review, the rise in the *disposable income* of *individuals* appears to have amounted to only 0.9 p.c. It had, however, declined slightly during the three previous years (item 3 of Table IV. 1.1). The difference between the movements of primary income and disposable income in 1985 is attributable to the expansion of the negative balance of current *transfers* at constant prices (11 p.c.), which was, however, smaller than the exceptional increase recorded in 1984 (25.6 p.c.) (item 2.3). Transfers paid by individuals showed a pronounced increase, mainly owing to a further raising of the social security contributions largely attributable to the compulsory payment by the employees of enterprises to the *public authorities* of the proceeds of a 2 p.c. index-linking of total wages and salaries and to a similar transfer by self-employed persons. Furthermore, transfers received by individuals would appear to have declined somewhat at constant prices, mainly owing to the slight decrease in the number of persons receiving unemployment benefits and to the non-index-linking, to the extent of 2 p.c., of most allowances with the exception of the various minimum amounts.

f) During the year under review the selling prices and cost prices of *companies* appear to have increased appreciably less than in the preceding years; however, selling prices net of tax (item A.1.3 of Table IV. 1.3) appear to have risen again (+ 4.1 p.c.) more than cost prices per unit of output (+ 3.5 p.c., item A.2.5), so that the unit profit margin expressed in francs (item A.3) appears to have continued to increase. This rise is mainly attributable to the fairly substantial

improvement in the *terms of trade* during the year under review. If account is also taken of an increase of about 2 p.c. in sales at constant prices (item B), the *gross operating surplus* of companies before subsidies appears to have grown by 13.9 p.c., or about the same percentage as in 1984 (item C).

Despite the similar movement of the gross operating surplus during the past two years, the disposable income of companies appears to have increased faster in 1985 than in 1984 owing to a smaller rise in net payments of incomes from property to other sectors — mainly due to a reduction in those of the Bank to the Treasury — and in current *transfers* (chiefly direct taxes) to the *public authorities* (Table IV. 1.4).

Chart IV. 1.2

PRIMARY INCOME : COMPENSATION OF EMPLOYEES

(Percentage changes compared with previous year, at constant prices)

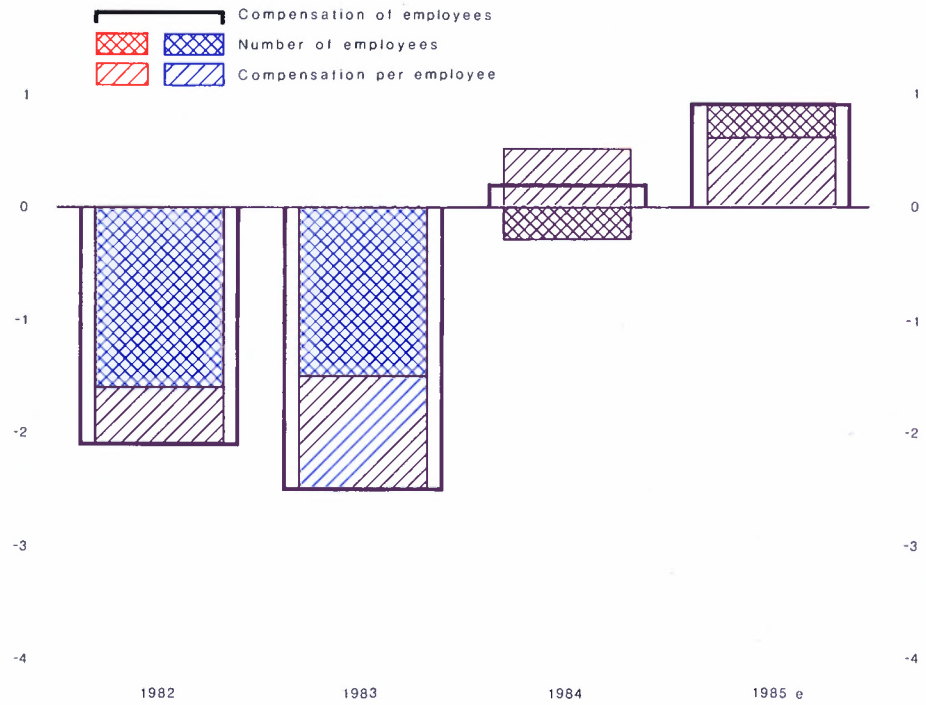




Table IV. 1.3

FACTORS CONTRIBUTING TO THE MOVEMENT OF THE GROSS  
OPERATING SURPLUS OF COMPANIES BEFORE SUBSIDIES*(Percentage changes compared with previous year)*

	1983	1984	1985 <i>e</i>
<i>A. Unit profit margin expressed in francs :</i>			
1. Selling prices excluding taxes :			
1.1 Exports of goods and services .....	+ 7.4	+ 7.5	+ 3.5
1.2 Domestic sales .....	+ 6.1	+ 5.9	+ 4.7
1.3 Total .....	+ 6.9	+ 6.8	+ 4.1
2. Cost prices :			
2.1 Labour costs per employee .....	+ 7.3	+ 7.8	+ 5.9
2.2 Imports of goods and services .....	+ 7.1	+ 7.4	+ 2.6
2.3 Other costs .....	+ 7.7	+ 3.9	+ 2.8
2.4 Average cost price with unchanged productivity .....	+ 7.2	+ 7.2	+ 3.7
2.5 Average cost price per unit of output .....	+ 6.6	+ 6.5	+ 3.5
3. Unit profit margin expressed in francs .....	+ 11.0	+ 10.4	+ 11.7
<i>p.m. Unit profit margin as a percentage of the selling price during the year in question .....</i>	<i>( 7.9)</i>	<i>( 8.2)</i>	<i>( 8.8)</i>
<i>B. Final sales at constant prices .....</i>	<i>...</i>	<i>+ 3.0</i>	<i>+ 2.0</i>
<i>C. Gross operating surplus before subsidies .....</i>	<i>+ 11.0</i>	<i>+ 13.7</i>	<i>+ 13.9</i>

Table IV. 1.4

## INCOME ACCOUNT OF COMPANIES

	1982	1983		1984		1985 <i>e</i>	
	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs
1. Gross operating surplus before subsidies .....	407	+ 11.0	451	+ 13.7	513	+ 13.9	585
2. Subsidies received .....	53	+ 10.6	59	+ 13.3	67	+ 10.4	74
3. Gross operating surplus (1 + 2)	460	+ 10.9	510	+ 13.7	580	+ 13.6	659
4. Net incomes from property paid to other sectors (–) .....	– 57	+ 5.3	– 60	+ 43.3	– 86	+ 8.1	– 93
5. Gross primary income (3 + 4)	403	+ 11.6	450	+ 9.9	494	+ 14.6	566
6. Current transfers to the public authorities (–) .....	– 113	+ 1.1	– 114	+ 18.4	– 135	+ 8.1	– 146
7. Disposable income (5 + 6) ...	290	+ 15.7	336	+ 7.0	359	+ 17.0	420

## CHAPTER V

# MAJOR SECTORS OF THE ECONOMY



## V. 1 Summary of the transactions of the major sectors of the economy

a) It appears that, for the first time in many years, the domestic sectors as a whole had a *net financing capacity*. Expressed as a percentage of the *gross national product*, this appears to have amounted to about 0.4 p.c., whereas in 1984 there was still a *net financing requirement* of 0.5 p.c. (item 4.1 of Table V. 1.1). This turnaround is solely attributable to the increase in the net financing capacity of *companies*.

b) The government measures for putting the public finances on a sound footing continued to exert a downward pressure on the *disposable income* of *individuals*, which, expressed as a percentage of the *gross national product*, appears to have declined further, and hence indirectly on their consumption, the fall in which seems to have been hardly less marked : this led to a virtual stabilisation of their *gross saving*. As their *gross capital formation* also remained stable, their net financing capacity (item 1.6) appears to have undergone hardly any change, having amounted to 9.5 p.c. against 9.6 p.c. in 1984. That capacity was thus maintained in 1985 at the level at which it has stood for practically five years, which is appreciably higher than the pre-1981 levels. This difference is due to a change not in the extent of gross savings but in the use to which they were put, the proportion devoted to gross capital formation, and more particularly to housing, having decreased to the benefit of the formation of financial assets.

c) The share of the *disposable income* of *companies* in the *gross national product* (item 2.1) appears to have increased again, from 8.1 p.c. in 1984 to 8.9 p.c. ; furthermore, they appear to have benefited, unlike in the preceding year, by an increase in capital *transfers* from the *public authorities*, connected with the policy of intervention in favour of the *national sectors*. These consist particularly of transfers to mixed investment companies, referred to as « Invest Companies », which have not yet spent the whole of the funds received on investments. As — partly for this reason — *gross capital formation* by companies did not increase, despite the rise in the above-mentioned resources, their net financing capacity (item 2.4) appears to have risen considerably, from 2.5 p.c. in 1984 to 3.9 p.c.

d) The net financing requirement of the *public authorities* (item 3.6) — the movement of which will be commented upon in detail later, in Section V. 2 — appears to have expanded somewhat.



e) The comparison of the balances of the domestic sectors in Belgium and abroad during the last five years (Table V. 1.2) reveals certain characteristics of the Belgian data. It is thus seen that the net financing capacity of Belgian *individuals* appears to be one of the highest, together with those of Italian and Japanese individuals. This high level of individuals' financing capacity has as its counterpart, in Belgium and Italy, the extent of the net financing requirement of the *public authorities*, whereas in Japan it is primarily the net financing requirement of *companies* that appears to be relatively important.

Table V. 1

## SUMMARY OF THE TRANSACTIONS OF THE MAJOR SECTORS OF THE ECONOMY

(Billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
<b>1. Individuals :</b>									
1.1 Disposable income .....	2,181	2,334	2,490	2,723	2,930	3,118	3,353	3,553	3,762
1.2 Consumption .....	1,764	1,887	2,048	2,212	2,389	2,592	2,739	2,930	3,102
1.3 Gross savings (1.1 - 1.2) .....	417	447	442	511	541	526	614	623	660
(Percentages of disposable income)	(19.1)	(19.2)	(17.8)	(18.8)	(18.5)	(16.9)	(18.3)	(17.5)	(17.5)
1.4 Capital transfers <sup>1</sup> .....	9	5	6	5	4	1	...	- 1	- 2
1.5 Gross capital formation .....	251	282	265	277	187	182	187	197	206
1.6 Net financing capacity (1.3 + 1.4 - 1.5) .....	175	170	183	239	358	345	427	425	452
(Percentages of disposable income)	(8.0)	(7.3)	(7.3)	(8.8)	(12.2)	(11.1)	(12.7)	(12.0)	(12.0)
<b>2. Companies :</b>									
2.1 Disposable income = gross savings	200	226	242	241	240	290	336	359	420
2.2 Capital transfers <sup>1</sup> .....	43	56	61	98	129	131	138	118	153
2.3 Gross capital formation .....	254	261	297	336	307	337	311	366	389
2.4 Net financing requirement (-) or capacity (2.1 + 2.2 - 2.3) ....	- 11	21	6	3	62	84	163	111	184
<b>3. Public authorities :</b>									
3.1 Disposable income .....	449	482	501	494	400	462	430	506	529
3.2 Consumption .....	489	544	588	644	703	742	768	802	851
3.3 Gross savings (3.1 - 3.2) .....	- 40	- 62	- 87	-150	-303	-280	-338	-296	-322
3.4 Capital transfers <sup>1</sup> .....	- 57	- 68	- 76	-110	-141	-143	-152	-130	-165
3.5 Gross capital formation .....	109	112	124	144	148	148	143	134	130
3.6 Net financing requirement (-) (3.3 + 3.4 - 3.5) .....	-206	-242	-287	-404	-592	-571	-633	-560	-617
<b>4. Total of domestic sectors :</b>									
4.1 Net financing requirement (-) or capacity (1.6 + 2.4 + 3.6) ....	- 42	- 51	- 98	-162	-172	-142	- 43	- 24	19

<sup>1</sup> These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

Table V. 1.1

## SUMMARY OF THE TRANSACTIONS OF THE MAJOR SECTORS OF THE ECONOMY

*(Percentages of gross national product)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
<b>1. Individuals :</b>									
1.1 Disposable income .....	76.5	76.2	76.5	78.0	81.1	79.6	80.5	79.7	79.4
1.2 Consumption .....	61.9	61.6	62.9	63.4	66.1	66.2	65.8	65.7	65.5
1.3 Gross savings (1.1 - 1.2) .....	14.6	14.6	13.6	14.6	15.0	13.4	14.7	14.0	13.9
1.4 Capital transfers <sup>1</sup> .....	0.3	0.2	0.2	0.2	0.1	0.1	...	...	...
1.5 Gross capital formation .....	8.8	9.2	8.2	7.9	5.2	4.6	4.5	4.4	4.4
1.6 Financing capacity (1.3 + 1.4 - 1.5) .....	6.1	5.6	5.6	6.9	9.9	8.9	10.2	9.6	9.5
<b>2. Companies :</b>									
2.1 Disposable income = gross savings	7.0	7.4	7.4	6.9	6.6	7.4	8.1	8.1	8.9
2.2 Capital transfers <sup>1</sup> .....	1.5	1.8	1.9	2.8	3.6	3.3	3.3	2.6	3.2
2.3 Gross capital formation .....	8.9	8.5	9.1	9.6	8.5	8.6	7.5	8.2	8.2
2.4 Net financing requirement (-) or capacity (2.1 + 2.2 - 2.3) ....	- 0.4	0.7	0.2	0.1	1.7	2.1	3.9	2.5	3.9
<b>3. Public authorities :</b>									
3.1 Disposable income .....	15.8	15.7	15.4	14.1	11.1	11.8	10.3	11.3	11.1
3.2 Consumption .....	17.2	17.7	18.1	18.4	19.5	19.0	18.4	18.0	17.9
3.3 Gross savings (3.1 - 3.2) .....	- 1.4	- 2.0	- 2.7	- 4.3	- 8.4	- 7.2	- 8.1	- 6.7	- 6.8
3.4 Capital transfers <sup>1</sup> .....	- 2.0	- 2.2	- 2.3	- 3.2	- 3.9	- 3.6	- 3.7	- 2.9	- 3.5
3.5 Gross capital formation .....	3.8	3.7	3.8	4.1	4.1	3.8	3.4	3.0	2.7
3.6 Net financing requirement (-) (3.3 + 3.4 - 3.5) .....	- 7.2	- 7.9	- 8.8	- 11.6	- 16.4	- 14.6	- 15.2	- 12.6	- 13.0
<b>4. Total of domestic sectors :</b>									
4.1 Net financing requirement (-) or capacity (1.6 + 2.4 + 3.6) ....	- 1.5	- 1.6	- 3.0	- 4.6	- 4.8	- 3.6	- 1.1	- 0.5	0.4

<sup>1</sup> These are net data, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

Table V. 1.2

NET FINANCING REQUIREMENT (–) OR CAPACITY (+) BY SECTOR :  
INTERNATIONAL COMPARISON

*(Percentages of gross national product, averages 1981-1985)*

	Individuals	Companies	Public authorities	Domestic sectors as a whole
1. Belgium .....	+ 9.6	+ 0.3	– 11.7	– 1.8
2. Netherlands .....	+ 4.3	+ 5.4	– 6.2	+ 3.5
3. Federal Republic of Germany .....	+ 3.2		– 2.5	+ 0.7
4. France .....	+ 4.1	– 2.2	– 2.7	– 0.8
5. Italy .....	+ 10.3	+ 1.2	– 12.8	– 1.3
6. United Kingdom .....	+ 2.7	+ 1.8	– 3.2	+ 1.3
7. United States .....	+ 2.8	– 1.1	– 3.2	– 1.5
8. Japan .....	+ 10.1	– 5.1	– 3.1	+ 1.9

## V. 2 Revenue, expenditure and net financing requirement ( - ) of the public authorities

a) The total revenue of the *public authorities* appears to have hardly increased during the year under review, rising from 49.2 p.c. to 49.3 p.c. of the *gross national product* (item 1.7 of Table V. 2.1).

The development of fiscal and parafiscal revenue was influenced by the application of the second part of the multi-annual plan for the improvement of the public finances introduced by the Government in March 1984. It will be recalled that the main measure under this plan consisted of the non-payment to employees of the proceeds of the first 2 p.c. index-linking which should normally take place during each of the years 1984, 1985 and 1986. This measure of moderation of incomes had as its corollary a shortfall in respect of direct taxes, which represent the main component of revenue; the payment to the social security system of the proceeds of the moderation imposed on employees whose remuneration is not directly paid by the Treasury entailed, during the same year, a substantial increase in social security contributions.

With unchanged legislation the yield of direct taxes expressed as a percentage of the gross national product should normally increase through the combined effect of the growth in taxable income per taxpayer and the progressivity of the tax scales. This effect was, however, weakened by the negative effect produced on this taxable income by the moderation measure described above. Since, furthermore, the rise in taxes paid by *companies*, which had been very large in 1984, seems to have slowed down appreciably in 1985, the total of direct taxes appears to have undergone hardly any change during the year under review, having represented 19.4 p.c. of the national product (item 1.1).

Social security contributions, on the other hand, appear to have risen from 15 to 15.6 p.c. as a result of the above-mentioned payment of the proceeds of the moderation of income (item 1.3). Although large, this increase was smaller than that in 1984. The reason for this is that the development of parafiscal revenue in 1985 was no longer favourably influenced, as it had been in 1984, by the various increases in contributions which came into force at the end of 1983 or the beginning of 1984.



The other categories of fiscal and parafiscal revenue appear to have more or less stabilised as a percentage of the national product. That appears to have been the case, in particular, with indirect taxes. As there was no significant change either in the rates of taxation or the general structure of expenditure, the yield of this tax category would appear to have remained virtually unchanged, representing 12.3 p.c. in 1985 (item 1.2).

Altogether, fiscal and parafiscal revenue appears to have risen from 47.2 to 47.6 p.c. of the national product (item 1.5), but this increase seems to have been almost entirely counterbalanced by a decline in other revenue (item 1.6), which appears to have fallen from 2 to 1.7 p.c. owing to a reduction in the Treasury's revenue in respect of its share in the proceeds of the Bank's operations.

b) As in the two preceding years, the public authorities' current expenditure appears to have remained relatively stable in 1985 : it appears to have amounted to 55.8 p.c. of the *gross national product*, or 0.2 point more than in 1984 (item 2.7). The adverse influence which appears to have been exerted on this movement by the increase in interest charges seems to have been almost entirely offset by the reduction in most other categories of current expenditure.

Net expenditure on goods and services appears to have been reduced from 16.3 to 16.1 p.c. (item 2.1). The omission of an index-linking in January 1985, in implementation of the multi-annual plan of March 1984 for the improvement of the public finances, enabled the Treasury once more considerably to restrict the increase in the remunerations and pensions for which it is responsible. Other more specific measures, too, adopted within the framework of the above-mentioned plan and of the recovery policy imposed on the local authorities since 1982 also appear to have helped to curb the rise in the public authorities' expenditure on personnel and administration. Despite the economies thus made, the reduction in net expenditure on goods and services as a percentage of the national product appears to have been appreciably smaller than in the two preceding years. This expenditure was in fact pushed up by larger purchases of durable goods for defence and, above all, by the resumption of a normal pattern of payment of salaries to civil servants. Whereas in 1983 the payment of the end-of-year bonus had been postponed until the following year and in 1984, owing to the methods adopted for the introduction of the system of payment of civil

service salaries in arrears, the personnel expenditure for which the Treasury is responsible had altogether represented only the equivalent of twelve monthly payments, in 1985 this expenditure included, in addition to the twelve monthly salaries, an end-of-year bonus.

Interest charges, which had amounted to 10.1 p.c. of the gross national product in 1984, appear to have reached 11 p.c. (item 2.2). It should be noted that both these percentages would have been higher if, both for 1984 and for 1985, the public authorities had not adopted measures for the purpose of postponing certain interest payments by one year. The increase which appears to have taken place in 1985 is attributable to the extent of the public authorities' *net financing requirement* and to the level of interest rates, both of which remained relatively high compared with the rate of nominal growth of the gross national product.

Unemployment and job-creation expenditure appears to have remained at the same level as in 1984 (item 2.3). The curbing effect which appears to have been exerted by, on the one hand, the omission of an index-linking for unemployment benefits and, on the other hand, the decrease in the number of persons to whom these are paid would appear to have been neutralised by the increase in the number of persons benefiting by the programmes for direct re-employment of unemployed persons.

In accordance with the provisions of the improvement plan presented in 1984, a moderation of 2 p.c. was imposed for the second year in succession not only in respect of the unemployment benefits which have just been mentioned but also in respect of most other social benefits. This appears to have led to a further reduction in the current *transfers to individuals* recorded in item 2.4, which apparently declined from 19.8 to 19.5 p.c.

For the first time in several years, capital expenditure appears to have increased, having amounted to 6.5 p.c. against 6.2 p.c. the previous year (item 2.10). While, as each year since the beginning of this decade, the public authorities appear to have reduced their *gross fixed capital formation*, they seem on the other hand to have granted larger capital transfers.

In particular, the increase in their net lending and equity investment appears to have been rather large, namely from 2.2 to 2.7 p.c. of the

gross national product (item 2.91). This movement appears to reflect the substantial growth in the public authorities' contribution to the financial service of the loans issued by public housing companies, some of which matured in 1985, as well as their aid to the mixed investment companies, referred to as « Invest Companies », one of the purposes of which is the development of activities for industrial replacement or reconversion.

c) Altogether the public authorities' *net financing requirement* appears to have increased in 1985 by 0.4 point, or to about the same extent as total expenditure. It thus appears to have amounted to 13 p.c. of the *gross national product* (item 3).

d) Provided that attention is paid only to the major trends, which only become apparent over a sufficiently long period, an international comparison such as that presented in Table V. 2.2 usefully complements the foregoing description of developments in Belgium. In this country the *net financing requirement* (excluding net lending and equity investment) rose from 6.8 p.c. of the *gross national product* in 1977-1979 to 12.6 p.c. in 1981-1983, subsequently being reduced to 10.3 p.c. in 1985 (item 3). In the other countries of the European Economic Community the overall trend of the net financing requirement is fairly comparable, but the worsening was appreciably less pronounced : this requirement amounted in 1981-1983 to 4.9 p.c. against 3.3 p.c. in 1977-1979, being reduced thereafter to 4.6 p.c. in 1985.

From 1977-1979 to 1985, fiscal and parafiscal pressure appears to have increased in Belgium from 43.9 to 47.6 p.c. of the national product and in the other countries of the European Economic Community from 38.7 to 41.9 p.c. — a similar development (item 1.4). The rise in social security contributions, which appears to have amounted to 2.6 points in Belgium, was much larger than in the rest of the Community, where this revenue furthermore appears to have stabilised since 1981-1983. Similarly, revenue from direct taxes appears to have increased more in Belgium than in our partner countries. On the other hand, indirect fiscal pressure appears to have declined by about half a point in Belgium, whereas this revenue seems to have increased by one point in the other countries of the Community.

In Belgium, expenditure rose from 52 p.c. of the gross national product in 1977-1979 to the peak of 60.4 p.c. in 1981-1983 ; thereafter

it appears to have declined slightly, to 59.6 p.c. in 1985 (item 2.8). In the other countries of the Community expenditure also increased, but less than in Belgium. In these countries the expansion only appears to have come to an end in the year under review, that is, later than in Belgium; during the period as a whole it appears to have amounted to only 5.2 points against 7.6 points in our country. In Belgium the appreciably faster increase in interest charges due to the still much larger net financing requirement has in fact been only partly offset by a slower growth in *public consumption* and a more marked reduction in *gross fixed capital formation* than in the other countries.

The level reached in 1985 by both the revenue and expenditure and the net financing requirement of the Belgian public authorities appears, in any case, to have remained much higher than in the rest of the Community. Despite an appreciable reduction of the net financing requirement since 1981-1983, its share still appears to have been over twice as large as in our partner countries, while fiscal and parafiscal pressure and expenditure appear to have represented 5.7 and 11 points more, respectively, of the national product than in the other countries. In this connection attention should be drawn, on the revenue side, to the greater burden of direct taxes in Belgium and, on the expenditure side, to the heavier interest charges.



Table V. 2

## REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT ( - ) OF THE PUBLIC AUTHORITIES

(Billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
<b>1. Revenue :</b>									
1.1 Direct taxes .....	483	553	608	631	655	768	783	867	917
1.2 Indirect taxes .....	355	385	412	437	458	504	535	555	584
1.3 Social security contributions .....	377	395	425	459	489	532	586	668	740
1.4 Capital taxes .....	10	11	13	13	13	12	13	13	13
1.5 Total fiscal and parafiscal revenue (1.1 to 1.4) .....	1,225	1,344	1,458	1,540	1,615	1,816	1,917	2,103	2,254
1.6 Non-fiscal and non-parafiscal revenue .....	39	37	45	61	76	96	87	90	83
1.7 Grand total (1.5 + 1.6) .....	1,264	1,381	1,503	1,601	1,691	1,912	2,004	2,193	2,337
<b>2. Expenditure :</b>									
2.1 Net expenditure on goods and services .....	456	502	535	582	639	681	703	727	766
2.2 Interest charges .....	116	137	165	211	289	367	396	452	522
2.3 Unemployment and job-creation expenditure .....	68	84	103	121	152	164	188	203	217
2.4 Current transfers to individuals .....	524	569	619	662	725	777	833	880	924
2.5 Subsidies to enterprises .....	95	102	111	115	125	129	144	151	156
2.6 Current transfers to the rest of the world <sup>1</sup> .....	35	38	44	47	51	62	65	63	61
2.7 Total current expenditure (2.1 to 2.6) .....	1,294	1,432	1,577	1,738	1,981	2,180	2,329	2,476	2,646
2.8 Gross fixed capital formation .....	109	112	124	144	148	148	143	134	130
2.9 Capital transfers <sup>1</sup> .....	67	79	89	123	154	155	165	143	178
2.91 Net lending and equity investment .....	(28)	(39)	(45)	(80)	(100)	(112)	(121)	(99)	(129)
2.92 Other capital transfers .....	(39)	(40)	(44)	(43)	( 54)	( 43)	( 44)	(44)	( 49)
2.10 Total capital expenditure (2.8 + 2.9) .....	176	191	213	267	302	303	308	277	308
2.11 Grand total (2.7 + 2.10) .....	1,470	1,623	1,790	2,005	2,283	2,483	2,637	2,753	2,954
<b>3. Net financing requirement (1.7 - 2.11) .....</b>	<b>- 206</b>	<b>- 242</b>	<b>- 287</b>	<b>- 404</b>	<b>- 592</b>	<b>- 571</b>	<b>- 633</b>	<b>- 560</b>	<b>- 617</b>

<sup>1</sup> These are net amounts, i.e. the difference between transfers paid by the public authorities to other sectors and transfers received from other sectors.



Table V. 2.1

## REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT (-) OF THE PUBLIC AUTHORITIES

(As percentages of gross national product)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>
1. <i>Revenue</i> :									
1.1 Direct taxes .....	16.9	18.0	18.7	18.1	18.1	19.6	18.8	19.5	19.4
1.2 Indirect taxes .....	12.5	12.6	12.7	12.5	12.7	12.9	12.8	12.4	12.3
1.3 Social security contributions .....	13.2	12.9	13.0	13.1	13.5	13.6	14.1	15.0	15.6
1.4 Capital taxes .....	0.4	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.3
1.5 Total fiscal and parafiscal revenue (1.1 to 1.4) .....	43.0	43.9	44.8	44.0	44.7	46.4	46.0	47.2	47.6
1.6 Non-fiscal and non-parafiscal revenue .....	1.3	1.2	1.4	1.8	2.1	2.4	2.1	2.0	1.7
1.7 Grand total (1.5 + 1.6) .....	44.3	45.1	46.2	45.8	46.8	48.8	48.1	49.2	49.3
2. <i>Expenditure</i> :									
2.1 Net expenditure on goods and services .....	16.0	16.4	16.4	16.7	17.7	17.4	16.9	16.3	16.1
2.2 Interest charges .....	4.0	4.5	5.1	6.1	8.0	9.4	9.5	10.1	11.0
2.3 Unemployment and job-creation expenditure .....	2.4	2.7	3.2	3.5	4.2	4.2	4.5	4.6	4.6
2.4 Current transfers to individuals .....	18.4	18.6	19.0	18.9	20.1	19.8	20.0	19.8	19.5
2.5 Subsidies to enterprises .....	3.3	3.3	3.4	3.3	3.4	3.3	3.4	3.4	3.3
2.6 Current transfers to the rest of the world <sup>1</sup> .....	1.2	1.2	1.4	1.3	1.4	1.6	1.6	1.4	1.3
2.7 Total current expenditure (2.1 to 2.6) .....	45.3	46.7	48.5	49.8	54.8	55.7	55.9	55.6	55.8
2.8 Gross fixed capital formation .....	3.8	3.7	3.8	4.1	4.1	3.8	3.4	3.0	2.7
2.9 Capital transfers <sup>1</sup> .....	2.4	2.6	2.7	3.5	4.3	3.9	4.0	3.2	3.8
2.91 Net lending and equity investment .....	(1.0)	(1.3)	(1.4)	(2.3)	(2.8)	(2.8)	(2.9)	(2.2)	(2.7)
2.92 Other capital transfers .....	(1.4)	(1.3)	(1.3)	(1.2)	(1.5)	(1.1)	(1.1)	(1.0)	(1.1)
2.10 Total capital expenditure (2.8 + 2.9) .....	6.2	6.3	6.5	7.6	8.4	7.7	7.4	6.2	6.5
2.11 Grand total (2.7 + 2.10) .....	51.5	53.0	55.0	57.4	63.2	63.4	63.3	61.8	62.3
3. <i>Net financing requirement</i> (1.7 - 2.11) .....	- 7.2	- 7.9	- 8.8	- 11.6	- 16.4	- 14.6	- 15.2	- 12.6	- 13.0

<sup>1</sup> These are net data, i.e. the difference between transfers paid by the public authorities to other sectors and transfers received from other sectors.

Table V. 2.2

REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT (–) OF THE PUBLIC AUTHORITIES :  
INTERNATIONAL COMPARISON

(As percentages of gross national product)

	Belgium				Other countries of the European Economic Community as a whole			
	Average 1977-1979	Average 1981-1983	1984	1985 <i>e</i>	Average 1977-1979	Average 1981-1983	1984	1985
1. <i>Revenue</i> :								
1.1 Direct taxes and capital taxes .....	18.5	19.4	20.1	20.0	12.1	13.0	13.3	13.3
1.2 Indirect taxes .....	12.4	12.5	12.1	12.0	13.4	14.2	14.5	14.4
1.3 Social security contributions .....	13.0	13.7	15.0	15.6	13.2	14.1	14.5	14.2
1.4 Total fiscal and parafiscal revenue (1.1 to 1.3) .....	43.9	45.6	47.2	47.6	38.7	41.3	42.3	41.9
1.5 Non-fiscal and non-parafiscal revenue .....	1.3	2.2	2.0	1.7	1.4	2.0	2.0	2.1
1.6 Grand total (1.4 + 1.5) .....	45.2	47.8	49.2	49.3	40.1	43.3	44.3	44.0
2. <i>Expenditure</i> :								
2.1 Public consumption .....	16.4	17.6	16.7	16.7	15.1	16.6	16.6	16.4
2.2 Interest charges .....	4.5	9.0	10.1	11.0	2.7	4.2	4.9	5.0
2.3 Current transfers .....	26.0	28.9	28.8	28.1	21.2	23.0	23.4	23.1
2.4 Total current expenditure (2.1 to 2.3) .....	46.9	55.5	55.6	55.8	39.0	43.8	44.9	44.5
2.5 Gross fixed capital formation .....	3.5	3.2	2.6	2.3	3.1	2.9	2.8	2.7
2.6 Capital transfers excluding net lending and equity investment <sup>1</sup> ...	1.6	1.7	1.4	1.5	1.3	1.5	1.5	1.4
2.7 Total capital expenditure, excluding net lending and equity investment (2.5 + 2.6) .....	5.1	4.9	4.0	3.8	4.4	4.4	4.3	4.1
2.8 Grand total (2.4 + 2.7) .....	52.0	60.4	59.6	59.6	43.4	48.2	49.2	48.6
3. <i>Net financing requirement, excluding net lending and equity investment</i> (1.6 – 2.8) .....	– 6.8	– 12.6	– 10.4	– 10.3	– 3.3	– 4.9	– 4.9	– 4.6
4. <i>Net lending and equity investment</i> <sup>1</sup> .....	1.2	2.8	2.2	2.7	n.	n.	n.	n.
5. <i>Net financing requirement, including net lending and equity investment</i> (3 – 4) .....	– 8.0	– 15.4	– 12.6	– 13.0	n.	n.	n.	n.

<sup>1</sup> These are net data, i.e. the difference between transfers paid by the public authorities to other sectors and transfers received from other sectors.



**THIRD PART**

**TRANSACTIONS  
OF THE BELGIAN-LUXEMBOURG  
ECONOMIC UNION WITH FOREIGN COUNTRIES**





## Basic information

a) In accordance with the methodological recommendations of the International Monetary Fund, current transactions in the *balance of payments* of the Belgian-Luxembourg Economic Union are, in principle, estimated on a *transactions basis*. For the period subsequent to the first quarter of the year under review, however, these data are not available and only those for current transactions on a *payments basis* are known. But in order to make the last-mentioned data, as presented in Tables VI. 1 and VI. 2, as complete as possible, those of the transactions recorded in the balance of payments on a transactions basis that are most quickly reported have been included in these tables; these are : exports which have given rise to commercial claims mobilised at banks, and an estimate of commission processing and third-country trade transactions for which payment has not yet been made. For the sake of continuity of the statistical series, the said tables show the balance of current transactions on a payments basis, as thus defined, for the whole of the period covered.

b) With regard to transactions in goods, it is necessary, in order to determine to what extent their movement is due to that in volume or to that in prices, to resort to the foreign trade statistics compiled by the National Statistical Institute on the basis of customs documents; these data are shown in Table VI. 2.1.

The development of volumes is influenced by, among other factors, the competitiveness of resident enterprises. This competitiveness depends in turn on the disparities in prices and costs and on many other factors; whatever the extent of the latter, they cannot be covered by an overall statistical record; it is therefore necessary to confine oneself to considering only the price and cost elements for which various indicators are shown in Chart VI. 2.2. These are disparity indices between Belgium (or the Belgian-Luxembourg Economic Union) and its main competitors, which have been compiled in a common currency, that is, taking into account any possible effects of variations in exchange rates. When, for a given year, these indices are below (above) the zero line, they warrant the assumption that Belgium's position has improved (deteriorated) during that year.

One of the disparity indices is that of the export prices of manufactured products. As the changes in this index may be influenced by the

different composition of the export baskets, competitiveness in prices can be more accurately measured by calculating the disparity index which would be arrived at if the structure of the exports of the Belgian-Luxembourg Economic Union had been the same as that of the weighted average of its competitors. Chart VI. 2.2 also shows the result of these calculations, except for 1985, for which the available data were still inadequate.

This disparity of export prices may not, however, give a good indication of the competitive position in so far as exporters in the Belgian-Luxembourg Economic Union are obliged to align their prices with those of their competitors. For this reason Chart VI. 2.2 contains two other indications : the movement of the disparity in total costs and that of the disparity in *labour costs per unit of output*. The latter disparity has been subdivided into two components : the disparity in the apparent *productivity* of labour per person employed and that in the *labour cost* per person employed, in view of the impossibility, because they are not available, of giving these same data per hour worked, which are in theory more accurate, partly because they take into account the development of working hours.

In interpreting these indicators it should, however, be borne in mind that there is no rigid or immediate link between the development of competitiveness in terms of prices and in terms of cost and that of the market shares won or lost by the country's producers. This is because, as has been emphasised, prices are only one of the criteria — albeit an important one — involved in the choice of a supplier, together with, among other factors, the efficiency of the after-sales services, the quality and range of products, the delivery terms and the payment conditions. Practical experience has also shown that there is a time-lag between the occurrence of fluctuations in relative prices or costs and their repercussions on foreign trade.

c) Still according to the methodological recommendations of the International Monetary Fund, balance of payments statistics should only record, as capital transactions, the spot transactions, both in francs and in foreign currencies, between residents of the Belgian-Luxembourg Economic Union and the rest of the world. However, some of these transactions — especially those of resident banks with the rest of the world — are carried out as the counterpart to transactions between residents or forward transactions in foreign currencies. For this reason,

in this part, the presentation of the balance of payments of the Belgian-Luxembourg Economic Union deviates from the methods of recording advocated by the Fund and shows, in addition to the above-mentioned spot transactions with the rest of the world, the transactions of resident banks in foreign currencies with the main resident non-monetary sectors and their forward transactions in foreign currencies.

The purpose of this presentation is to assign, in the tables which record capital transactions (Tables VI. 3 and VI. 4), these transactions to the sector which took the initiative for them or benefited by them. Thus, for instance, when the Treasury places foreign currency certificates with a Belgian bank and the latter finances itself by borrowing from a foreign correspondent, this is recorded, in the presentation of the balance of payments in accordance with the recommendations of the International Monetary Fund, as a capital inflow in the banks' transactions, whereas, in the presentation adopted in this Report, the capital inflow is recorded among the transactions of the *public sector*. This latter method reflects the economic reality more accurately than the former, because it is the public sector which, via a resident bank, has borrowed from the rest of the world. However, while the presentation adopted in this Report differs, for the reason stated above, from that in accordance with the recommendations of the International Monetary Fund, it does not thereby change the total of capital transactions, which is identical in both presentations; only the breakdown of the transactions by items is different.

d) Apart from errors and omissions, a current deficit has as its counterpart a net capital inflow, that is, a reduction in the economy's net external financial assets or an increase in its net external liabilities, and vice versa for a current surplus. The various movements of the financial assets and liabilities in relation to foreign countries which result in such a change in net assets can be regrouped, for purposes of presentation and analysis, in many ways. For the purposes of the Report these numerous capital transactions have been classified according to three major categories of residents : the private sector (Table VI. 3), the *public sector* (Table VI. 4), and the Bank (Table VI. 5).

e) In the capital transactions of the private sector it is useful for the purpose of the commentary to make a distinction between short-term and long-term transactions, even if only because these transactions are sensitive to interest rates or interest rate differentials the development



of which may differ greatly. This distinction is not, however, made as such in Table VI. 3, because it is very difficult to arrive at accurately. In the commentary it has been assumed that the transactions shown against items 1, 2 and 3 were short-term transactions and hence sensitive to the movement of short-term interest rates, despite the fact that item 1 also includes commercial claims created in connection with sales of capital goods for which payment has to be made at medium and long term and that item 2 contains the long-term liabilities in Belgian francs of non-residents vis-à-vis Belgian and Luxembourg banks in the form of bonds. The transactions recorded in item 4 also consist mainly of short-term transactions; the balance of these transactions, however, is determined by factors other than the differences between short-term interest rates. In principle this balance ought to be zero, because Belgian and Luxembourg banks have made it a rule not to assume any foreign exchange position. This item may nevertheless record transactions which are not influenced by interest rate disparities, namely, on the one hand, net capital outflows which are the counterpart to capital endowments received by the subsidiaries of foreign banks (recorded as capital inflows in item 6.1) and to the establishment of provisions for claims which may prove to be unrecoverable and, on the other hand, movements resulting from the development of the Belgian and Luxembourg banks' net holdings of Ecus. This is because, when these net holdings, which are entirely recorded in the accounts as holdings of foreign currencies, increase, the banks only cover them, in practice, by liabilities in foreign currencies to the extent of the share of these currencies in the Ecu; item 4 then shows, all other things remaining equal, a negative balance owing to the share of the Belgian franc in the Ecu. The transactions appearing in item 5, for their part, are indisputably long-term transactions; in so far as they concern securities denominated in foreign currencies, they can be influenced by the differentials between long-term interest rates in Belgian francs and in other currencies. Then again, item 6 includes, apart from substantial long-term transactions, a portion of short-term transactions the extent of which is difficult to assess; this is because, in addition to transactions in Belgian and Luxembourg securities undertaken by the private sector and generally long-term loans granted by non-resident financial institutions, item 6.1 chiefly comprises direct investments in the Belgian-Luxembourg Economic Union, and item 6.2 consists mainly of residents' direct investments abroad; now these direct investments are, in accordance with the recommendations of the International Monetary Fund, interpreted very

broadly, being regarded as including, in addition to the formation, acquisition and extension of companies, loans between parent companies and subsidiaries which may give rise to substantial capital inflows and outflows and may be at short term.

f) The capital transactions of the *public sector* are traditionally entered « above the line » in the balance of payments, that is, among the transactions whose balance has to be financed in order to enable equilibrium to be maintained in the foreign exchange market under a system of fixed exchange rates; however, together with the movement of the Bank's foreign exchange reserves, these public sector borrowings have also largely served, since 1979, to finance the deficits in respect of all the relatively « autonomous » transactions : the current transactions and capital transactions of the private sector.

g) There is a reciprocal influence between balance of payments transactions and foreign exchange rates. With regard to these rates, two items of information have been given. The first, appearing in the upper part of Chart VI. 6, is the index of the *weighted average exchange rate* for the Belgian franc, which gives the latter's position in relation to all the other currencies and rises when this position improves; the second, appearing in Chart VI. 6.1, is the *divergence indicator*, which gives the position of the franc in relation to the other currencies of the European Monetary System and rises when this position deteriorates. In addition, the lower part of Chart VI. 6 shows the movement of the premium on the foreign currencies on the free foreign exchange market.





CHAPTER VI

**TRANSACTIONS  
OF THE BELGIAN-LUXEMBOURG  
ECONOMIC UNION WITH FOREIGN COUNTRIES**



## VI. 1 Summary of the transactions of the Belgian-Luxembourg Economic Union with foreign countries

a) The improvement in the balance of current transactions, which had started in 1982, continued during the year under review. During the first ten months, current transactions on a payments basis showed a surplus of Fr. 5 billion, against a deficit of Fr. 6 billion the previous year (item 1.1 of Table VI. 1). In view of this improvement and the provisional and very fragmentary indications available regarding the movement during the last months of the year under review and regarding the development of commercial claims on foreign countries not mobilised at banks (which, particularly, appear to have increased by about Fr. 11 billion during the first quarter), it can be estimated that current transactions on a *transactions basis*, which had been in equilibrium the previous year, produced a surplus of around Fr. 35 billion for 1985 as a whole.

b) During the first half of the year under review, marked by a calm situation on the foreign exchange markets, not inconsiderable inflows of private capital took place, but the strains which subsequently appeared when the central rates within the European Monetary System were readjusted on 21st July, and then the domestic political situation, led to a revival of the net capital outflows, so that for the first ten months as a whole the private sector's capital transactions — disregarding commercial claims arising from exports and imports and not mobilised at Belgian or Luxembourg banks — resulted in a net deficit of Fr. 34 billion, which was, however, lower than the 1984 deficit by more than a half.

c) Altogether, the transactions described above — current transactions and private sector capital transactions — left a considerably smaller deficit than for the first ten months of 1984 : Fr. 29 billion against Fr. 92 billion.

In November and December the balance of the above-mentioned transactions, including errors and omissions, would appear to have shown a deficit of Fr. 10 billion against a surplus of Fr. 6 billion in 1984.

For the year as a whole these movements result in a marked reduction in the deficit in respect of current transactions and private

sector capital transactions as a whole, including errors and omissions, which amounted to only Fr. 39 billion, against Fr. 93 billion in 1984.

c) As the recourse of the *public sector* to borrowing abroad increased by only Fr. 31 billion during the year under review (item 2.3), the foreign exchange reserves decreased by Fr. 8 billion (item 4); in 1984, on the other hand, they had increased by Fr. 67 billion owing to the substantial growth in such borrowing.



Table VI. 1

## SUMMARY OF THE TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION WITH FOREIGN COUNTRIES

(Balances in billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 p	1984			1985 p			First ten months	
										1st half-year	July-Oct.	Nov.-Dec.	1st half-year	July-Oct.	Nov.-Dec.	1984	1985 p
1. Current transactions on transactions basis <sup>1</sup> .....	- 20	- 26	- 89	- 145	- 156	- 110	- 19	...	- 39 <sup>5</sup>	- 3	+ 6	- 3	n.	n.	- 10 <sup>5</sup>	+ 3	n.
1.1 Current transactions on payments basis .....	(- 2)	(- 46)	(- 91)	(- 165)	(- 200)	(- 113)	(- 39)	(- 2)		(- 31)	(+ 25)	(+ 4)	(- 19)	(+ 24)		(- 6)	(+ 5)
2. Capital transactions <sup>2</sup> :																	
2.1 Commercial claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks ..	+ 18	- 20	- 2	- 20	- 44	- 3	- 20	- 2		- 28	+ 19	+ 7	n.	n.		- 9	n.
2.2 Other spot and forward transactions of the private sector ..	- 19	+ 18	- 8	+ 21	- 157	- 162	- 93	- 92		- 82	- 4	- 6	+ 22	- 56		- 86	- 34
2.3 Spot transactions of the public sector .....	...	+ 8	+ 72	+ 154	+ 258	+ 255	+ 114	+ 160	+ 31	+ 130	+ 43	- 13	+ 10	+ 2	+ 19	+ 173	+ 12
Total 2...	- 1	+ 6	+ 62	+ 155	+ 57	+ 90	+ 1	+ 66	n.	+ 20	+ 58	- 12	n.	n.	n.	+ 78	n.
3. Errors and omissions .....	+ 12	+ 4	- 4	+ 17	+ 3	- 18	- 4	+ 1	n.	- 4	- 3	+ 8	+ 5	- 5	n.	- 7	...
4. Total corresponding to the movement in the National Bank of Belgium's net foreign exchange reserves (1 + 2 + 3 = 1.1 + 2.2 + 2.3 + 3) <sup>3</sup> .	- 9	- 16	- 31	+ 27	- 96	- 38	- 22	+ 67	- 8	+ 13	+ 61	- 7	+ 18	- 35	+ 9	+ 74	- 17
p.m. Foreign currencies to be delivered at forward dates by the National Bank of Belgium to the public sector <sup>4</sup> .	(...)	(- 12)	(- 8)	(+ 17)	(+ 2)	(...)	(...)	(...)	(...)	(...)	(- 13)	(+ 13)	(...)	(- 10)	(+ 10)	(- 13)	(- 10)

<sup>1</sup> Plus sign : surplus; minus sign : deficit.<sup>2</sup> Plus sign : capital inflows; minus sign : capital outflows.<sup>3</sup> Plus sign : increase in reserves; minus sign : decrease in reserves.<sup>4</sup> Plus sign : decrease; minus sign : increase.<sup>5</sup> Including errors and omissions.

## VI. 2 Current transactions

a) The improvement in the balance of current transactions on a payments basis during the first ten months (+ Fr. 5 billion, against — Fr. 6 billion) (item 4bis of Table VI. 2) is the resultant of a more favourable balance of transactions in goods (item 1bis) and *transfers* (item 3) and a deterioration in transactions in services (item 2). These developments are fully in line with those observed in 1984.

b) The balance of transactions in goods improved despite a decline in the surplus in respect of *commission processing* (item 1.2). This was because *third-country trade* (item 1.3) resulted in a larger net surplus, while the deficit in respect of imports and exports in the strict sense (item 1.12) was smaller than in 1984: Fr. 44 billion against Fr. 53 billion.

c) The favourable development of transactions in goods is confirmed by the data for the foreign trade of the Belgian-Luxembourg Economic Union compiled on the basis of customs figures: for the first eleven months the index of the coverage ratio, in value, of imports by exports (item 1.3 of Table VI. 2.1) improved by 2.4 p.c. This improvement is attributable both to the movement of the *terms of trade* (item 2.3) and to that in volume (item 3.3).

d) The improvement in the *terms of trade* is due to the divergent movement of international prices of raw materials and those of manufactured products: the latter having risen, in francs, more than the former and their share in the exports of the Belgian-Luxembourg Economic Union being much larger than their share in its imports, it was normal that the terms of trade should improve, as they did in most of the industrialised countries (see first part).

e) The reduction in the net volumes imported seems to be attributable to the relative movement of demand in the Belgian-Luxembourg Economic Union and abroad: during the year under review the growth in Belgian domestic expenditure appears to have amounted to 0.9 p.c. at constant prices, which should have been lower than the average for our trading partners (+ 3 p.c. according to the forecasts of the Organisation for Economic Co-operation and Development). This slower growth in domestic expenditure in Belgium has already been in progress for some years.

According to various international institutions, the Belgian-Luxembourg Economic Union suffered a loss of export market shares in terms of volume during the year under review, as it had in fact done the previous year. This is said to have partly cancelled out the favourable effects which the relatively slower growth in domestic expenditure in the Belgian-Luxembourg Economic Union had on imports and thus on the balance of transactions in goods. During the years before 1984, on the other hand, the development of these market shares had, according to the same sources, still been favourable, thus contributing to the substantial reduction in the deficit.

For a small, very open economy whose export basket contains a high proportion of standard manufactured products, price and cost advantages are an important factor in its competitive position. It should be noted in this connection that in manufacturing industry :

— the disparity index of unit export values (right-hand bar in the top part of Chart VI. 2.2) shows that domestic prices increased less fast from 1980 to 1984 inclusive than those of the thirteen main competitors; the reverse appears to have been the case in 1985, at least on the basis of the gross figures not corrected for the different composition of the export baskets;

— the disparity in cost prices (second part) appears to have changed for the second year in succession to the detriment of domestic products, partly owing to the adverse movement of the disparity of *labour costs per unit of output* (last part); in 1985, *labour costs per person employed*, in particular, appear to have risen faster than abroad, but the disparity in productivity also appears to have worsened again somewhat.

f) Between the first ten months of 1984 and the corresponding period of 1985 the surplus in respect of transactions in services appears to have fallen from Fr. 28 billion to Fr. 17 billion (item 2 of Table VI. 2). This deterioration is attributable to a widening of the deficit in respect of item 2.1 « Travel abroad » and item 2.2 « Portfolio and investment income ». The latter benefited, however, by the sharp rise in this type of income received by individuals, doubtless connected with the substantial increase in their portfolio investments abroad during the preceding years, the relatively high level of the average interest rates paid on these investments and, perhaps, the repatriation of a larger

proportion of these incomes during the year under review. The resultant improvement would appear, however, to have been more than counter-balanced by the growth in interest payments by the *public authorities* resulting from the very large increase in the foreign currency debt in 1984 and by the reduction in the incomes received by banks for their transactions on the Euro-currency market, which might be due to a narrowing of their operating margin in this market.

g) The large decrease during the first ten months in the traditional deficit in respect of *transfers* (item 3 of Table VI. 2) is attributable both to transfers by individuals (item 3.1) and to those by the public authorities (item 3.2). The improvement in the former is largely due to the reduction in the surplus of funds transferred to their country of origin by foreigners resident in the Belgian-Luxembourg Economic Union over those from Belgians living abroad. The improvement in the transfers of the *public authorities* was almost solely due to that in payments between the Belgian-Luxembourg Economic Union and the European Economic Community. The Belgian and Luxembourg contributions to the European institutions appear to have increased only slowly, mainly because of a decrease in the agricultural levies collected, especially in connection with grain imports. Furthermore, the payments made by the European Agricultural Guidance and Guarantee Fund to residents increased greatly, particularly in the form of refunds for exports of butter and interventions relating to, among other things, the aid granted to Belgium in connection with the African swine fever.

Table VI. 2

## CURRENT TRANSACTIONS

(Balances in billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	First ten months	
									1984	1985 <i>p</i>
1. Transactions in goods :										
1.1 Exports and imports :										
1.11 Transactions which gave rise to commercial claims which were not mobilised at Belgian and Luxembourg banks .....	- 18	+ 20	+ 2	+ 20	+ 44	+ 3	+ 20	+ 2	+ 9	n.
1.12 Other transactions .....	- 92	-107	-142	-175	-220	-159	-115	- 74	- 53	- 44
1.13 Total .....	-110	- 87	-140	-155	-176	-156	- 95	- 72	- 44	n.
1.2 Commission processing .....	+ 41	+ 45	+ 48	+ 38	+ 41	+ 54	+ 59	+ 59	+ 48	+ 43
1.3 Third-country trade .....	+ 26	+ 9	+ 18	+ 8	+ 25	+ 24	+ 32	+ 26	+ 17	+ 21
Total 1 (1.13 + 1.2 + 1.3) .....	- 43	- 33	- 74	-109	-110	- 78	- 4	+ 13	+ 21	n.
Total 1 bis (1.12 + 1.2 + 1.3) .....	- 25	- 53	- 76	-129	-154	- 81	- 24	+ 11	+ 12	+ 20
2. Transactions in services :										
2.1 Travel abroad .....	- 26	- 34	- 39	- 43	- 47	- 28	- 19	- 17	- 18	- 24
2.2 Portfolio and investment income .....	+ 19	+ 20	+ 10	- 2	- 3	- 10	- 8	- 4	- 6	- 12
2.3 Other .....	+ 55	+ 46	+ 42	+ 47	+ 52	+ 62	+ 68	+ 59	+ 52	+ 53
Total 2 (2.1 to 2.3) .....	+ 48	+ 32	+ 13	+ 2	+ 2	+ 24	+ 41	+ 38	+ 28	+ 17
3. Transfers :										
3.1 Private transfers .....	- 6	- 9	- 10	- 11	- 15	- 11	- 9	- 10	- 10	- 6
3.2 Public transfers .....	- 19	- 16	- 18	- 27	- 33	- 45	- 47	- 41	- 36	- 26
Total 3 (3.1 + 3.2) .....	- 25	- 25	- 28	- 38	- 48	- 56	- 56	- 51	- 46	- 32
4. Total of current transactions on transactions basis (1 to 3) .....	- 20	- 26	- 89	-145	-156	-110	- 19	...	+ 3	n.
4 bis. Total of current transactions on payments basis (1 bis + 2 + 3) .....	- 2	- 46	- 91	-165	-200	-113	- 39	- 2	- 6	+ 5



Table VI. 2.1

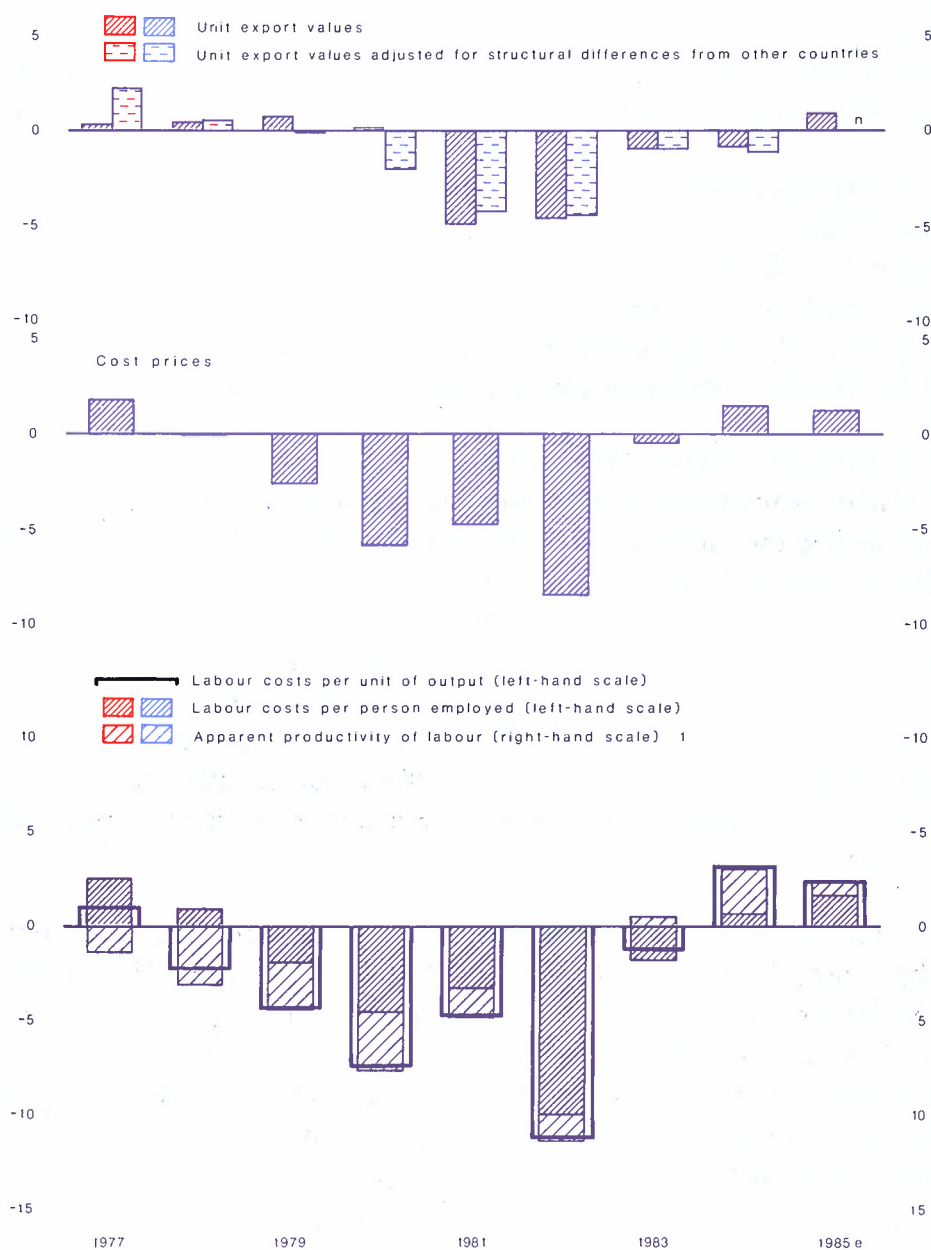
## FOREIGN TRADE

	Indices 1975 = 100						Percentage changes compared with previous year	
	1982	1983	1984	First eleven months			First eleven months	
				1983	1984	1985 p	1984	1985 p
1. Values :								
1.1 Exports .....	226.4	250.9	283.1	248.7	282.4	298.7	+ 13.6	+ 5.8
1.2 Imports .....	234.6	249.4	282.6	247.7	283.6	293.1	+ 14.5	+ 3.3
1.3 Coverage ratio .....	96.5	100.6	100.2	100.4	99.6	101.9	- 0.8	+ 2.4
2. Average unit values :								
2.1 Exports .....	166.5	177.1	190.5	176.5	190.1	194.6	+ 7.7	+ 2.4
2.2 Imports .....	184.3	198.4	214.3	197.5	214.0	215.8	+ 8.4	+ 0.8
2.3 Terms of trade .....	90.3	89.3	88.9	89.4	88.8	90.2	- 0.7	+ 1.6
3. Volumes :								
3.1 Exports .....	136.0	141.6	148.6	141.0	148.6	153.5	+ 5.4	+ 3.3
3.2 Imports .....	127.3	125.6	131.9	125.5	132.6	135.7	+ 5.7	+ 2.3
3.3 Coverage ratio .....	106.8	112.7	112.7	112.4	112.1	113.1	- 0.3	+ 1.0

Chart VI. 2.2

# DISPARITY INDICES OF THE PRICES AND COSTS OF MANUFACTURING INDUSTRY COMPARED WITH FOREIGN COUNTRIES

(Percentage changes compared with previous year)



<sup>1</sup> The percentage changes are measured, for this productivity, on a reversed scale, so as to show the direction in which they have influenced the development of labour costs per unit of output.

### VI. 3 Spot and forward capital transactions of the private sector

a) For the first ten months of 1985 as a whole, the private sector's capital transactions resulted in a smaller deficit than in 1984 : Fr. 34 billion against Fr. 86 billion (item 7bis of Table VI. 3, which does not include the claims recorded in item 1.1). This improvement is due to the movement of the net assets in foreign currencies of Belgian and Luxembourg banks (item 4) and, more still, to the transactions recorded in item 6 « Other transactions » ; the reduction in purchases of foreign securities by enterprises and individuals (item 5) also contributed to it, but a deterioration was recorded for the capital transactions of non-bank economic agents as a whole, which can be regarded as being short-term transactions.

b) The last-mentioned transactions actually produced a smaller surplus in 1985 — Fr. 48 billion — than in 1984 — Fr. 66 billion (total of items 1.2, 2 and 3). On the one hand, the net assets in francs held by non-residents with Belgian and Luxembourg banks increased less in 1985 (item 2); on the other hand, the net assets in foreign currencies held by residents declined further, but less than in 1984 (item 3).

These movements were perhaps partly due to expectations concerning a new realignment within the European Monetary System which arose during the summer after the devaluation of the lira. They were probably also influenced by the reduction in interest rate differentials in favour of the franc compared with several foreign currencies (Table VI. 3.1). It will thus be seen that the movement of residents' net assets in foreign currencies which has been described was due to the increased formation of net assets in Ecus, the interest rate on assets in Belgian francs having gone down in 1985 to practically the same level as that for the corresponding assets in Ecus, whereas it was appreciably above that rate in 1984.

c) The net assets in foreign currencies of Belgian and Luxembourg banks rose less in 1985 — Fr. 37 billion — than in 1984 — Fr. 59 billion (item 4 of Table VI. 3). Despite the fact that these data have to be interpreted with caution, partly owing to the time-lags which may occur in the dates of the accounting entries for the banks' foreign exchange transactions, it would seem that this development can be partly explained by the fact that the capital endowments received from their parent companies by subsidiaries of foreign banks appear to have

been smaller than in 1984. Furthermore, the banks, which since 1981 had appreciably increased their formation of foreign currency assets as a provision for bad debts, appear to have reduced this formation in 1985. Furthermore, the rise in the banks' foreign currency assets recorded in 1984 had, for the reasons stated in point e) of the basic information, been swollen owing to the fact that their net holdings of Ecus had increased appreciably, which they no longer did in 1985.

d) Net purchases of foreign securities by resident enterprises and individuals decreased in 1985, having amounted to Fr. 91 billion against Fr. 97 billion in 1984 (item 5). Since, furthermore, a larger proportion of these purchases consisted in 1985 of bonds in francs issued by foreign countries — Fr. 23 billion against Fr. 12 billion — it is clear that there was a decline in the interest shown by resident savers in long-term investments in foreign currencies. The reasons for this development are explained in section VII. 2 « Formation of financial assets by individuals and companies ».

e) Other capital transactions, not including those of the public sector, produced a much larger surplus : Fr. 46 billion in 1985 against Fr. 4 billion (item 6). This is mainly due to transactions by non-residents (item 6.1), since these, in 1985, considerably increased their purchases of securities issued by the resident private sector as well as their direct investment both in the form of loans and in that of the formation and expansion of companies.

Table VI. 3

## SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1980	1981	1982	1983	1984	First ten months	
						1984	1985 <sup>p</sup>
1. Net commercial claims on the rest of the world <sup>1</sup> :							
1.1 Claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks .....	- 20	- 44	- 3	- 20	- 2	- 9	n.
1.2 Other claims .....	...	- 17	- 1	- 9	- 3	+ 2	+ 14
1.3 Total .....	- 20	- 61	- 4	- 29	- 5	- 7	n.
2. Net spot and forward assets in Belgian and Luxembourg francs held by non-residents with Belgian and Luxembourg banks <sup>2</sup> .....	+ 13	- 76	- 33	- 22	+ 35	+ 27	+ 16
3. Net spot and forward assets in foreign currencies held by resident enterprises and individuals <sup>3</sup> .....	- 1	- 71	- 66	+ 39	+ 47	+ 37	+ 18
4. Net spot and forward assets in foreign currencies held by Belgian and Luxembourg banks <sup>4</sup> .....	- 20	- 26	- 92	- 62	- 65	- 59	- 37
5. Resident enterprises' and individuals' holdings of foreign securities <sup>5</sup> .....	- 23	- 41	- 58	- 96	- 113	- 97	- 91
6. Other transactions .....	+ 52	+ 74	+ 88	+ 57	+ 7	+ 4	+ 46
6.1 Transactions of non-residents .....	(+ 59)	(+ 80)	(+ 86)	(+ 77)	(+ 24)	(+ 16)	(+ 53)
6.2 Transactions of residents .....	(- 7)	(- 6)	(+ 2)	(- 20)	(- 17)	(- 12)	(- 7)
7. Grand total (1 to 6) .....	+ 1	- 201	- 165	- 113	- 94	- 95	n.
7bis. Grand total excluding commercial claims on the rest of the world arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks (1.2 to 6) .....	+ 21	- 157	- 162	- 93	- 92	- 86	- 34

<sup>1</sup> Plus sign : decrease in claims; minus sign : increase.<sup>2</sup> Plus sign : increase in net assets of non-residents; minus sign : decrease.<sup>3</sup> Plus sign : decrease in net assets of resident enterprises and individuals; minus sign : increase.<sup>4</sup> Plus sign : decrease in net assets of banks; minus sign : increase.<sup>5</sup> Plus sign : decrease in assets; minus sign : increase.

N.B. The plus signs indicate capital inflows; the minus signs, outflows.



Table VI. 3.1

## INTEREST RATES ON THREE-MONTHS DEPOSITS IN EURO-CURRENCIES

(Per cent)

	Euro-dollar	Euro-German mark	Euro-Dutch guilder	Ecu	Euro-Belgian franc	Difference to the advantage (+) or disadvantage (-) of the Euro-Belgian franc in relation to the :			
						Euro-dollar	Euro-German mark	Euro-Dutch guilder	Ecu
1980 .....	14.11	9.09	10.61	n.	14.23	+ 0.12	+ 5.14	+ 3.62	n.
1981 .....	16.85	11.73	11.60	n.	15.23	- 1.62	+ 3.50	+ 3.63	n.
1982 .....	13.16	8.55	8.38	n.	14.06	+ 0.90	+ 5.51	+ 5.68	n.
1983 .....	9.64	5.52	5.65	n.	10.55	+ 0.91	+ 5.03	+ 4.90	n.
1984 .....	10.82	5.78	6.16	9.56	11.35	+ 0.53	+ 5.57	+ 5.19	+ 1.79
1985 .....	8.34	5.31	6.37	9.27	9.57	+ 1.23	+ 4.26	+ 3.20	+ 0.30
1984 First 10 months .....	11.10	5.79	6.20	9.56	11.46	+ 0.36	+ 5.67	+ 5.26	+ 1.90
1985 First 10 months .....	8.39	5.41	6.46	9.37	9.71	+ 1.32	+ 4.30	+ 3.25	+ 0.34

#### VI. 4 Spot capital transactions of the public sector

a) During the first ten months of the year under review, simultaneously with the reduction in the deficit in respect of other transactions, the *public sector* was able to keep down to Fr. 12 billion, against Fr. 173 billion in 1984, the increase in its net liabilities of the various types shown in Table VI. 4.

b) In November and December, however, the public sector appears to have increased these liabilities by Fr. 19 billion, owing to a resurgence of outflows of private capital prompted by the reappearance of strains within the European Monetary System during the last weeks of the year.

Altogether, in the year under review as a whole, net public sector capital inflows appear to have amounted to Fr. 31 billion, against Fr. 160 billion in 1984.

Table VI. 4

## SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 p	First ten months	
										1984	1985 p
1. Transactions of public authorities :									n.		
1.1 with the rest of the world .....	...	+12	+ 4	+ 26	+107	+129	+ 29	+ 83		+124	- 3
1.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	- 2	...	+36	+ 65	+100	+104	+ 92	+ 68		+ 44	+ 21
Total 1 ..	- 2	+12	+40	+ 91	+207	+233	+121	+151		+168	+ 18
2. Transactions of public enterprises :											
2.1 with the rest of the world .....	+ 3	- 4	+32	+ 63	+ 31	+ 15	- 7	+ 9		+ 5	- 7
2.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	- 1	...	...	...	+ 20	+ 7	...	...		...	+ 1
Total 2 ..	+ 2	- 4	+32	+ 63	+ 51	+ 22	- 7	+ 9		+ 5	- 6
3. Grand total .....	...	+ 8	+72	+154	+258	+255	+114	+160	+ 31	+173	+ 12

<sup>1</sup> Plus sign : increase in indebtedness in foreign currencies to banks ; minus sign : decrease.

## VI. 5 The National Bank of Belgium's net foreign exchange reserves

a) During the first ten months of 1985 the foreign exchange reserves decreased by Fr. 17 billion, whereas they had increased by Fr. 74 billion in 1984. As stated above, this apparently unfavourable development was due not to the movement of the balance of current transactions and the private sector's capital transactions — which improved appreciably — but to the sharp reduction in *public sector* capital inflows, which had still been substantial in 1984.

b) For the year under review as a whole, the foreign exchange reserves declined by Fr. 8 billion. With regard to their composition, mention should be made of the following movements : thanks to repurchases against foreign currencies, the Bank fully replenished its holdings of Ecus (item 3.1); on the other hand, assets held at the International Monetary Fund decreased by Fr. 8 billion (item 2), mainly owing to transfers of Special Drawing Rights to other member countries against dollars; partly as a result of the aforementioned transactions, the Bank's holdings of foreign currencies fell by Fr. 33 billion (item 4).

Table VI. 5

## THE NATIONAL BANK OF BELGIUM'S NET FOREIGN EXCHANGE RESERVES

*(Changes in billions of francs)*

	1977	1978	1979	1980	1981	1982	1983	1984	1985	First ten months	
										1984	1985
1. Gold holding .....	...	...	...	...	...	...	...	...	...	...	...
2. Assets held at the International Monetary Fund	- 1	- 7	- 4	- 4	- 2	- 1	- 4	+ 3	- 8	...	- 8
3. Net claims on or liabilities to the European Monetary Co-operation Fund <sup>1</sup> :											
3.1 Ecus .....	—	—	-25	-27	-79	+48	+34	+26	+34	+ 5	+32
3.2 Other .....	-24	- 5	- 1	+28	- 3	-14	-33	+49	...	+49	...
4. Foreign currencies .....	+16	- 2	- 1	+30	-10	-74	-19	-11	-33	+19	-41
5. Belgian francs .....	...	- 2	...	...	- 2	+ 3	...	...	- 1	+ 1	...
Total ...	- 9	-16	-31	+27	-96	-38	-22	+67	- 8	+74	-17

<sup>1</sup> The plus sign indicates an increase in net claims or a decrease in net liabilities; the minus sign indicates a decrease in net claims or an increase in net liabilities.



## VI. 6 Exchange rates

a) The movement of the *weighted average exchange rate* for the Belgian franc on the regulated foreign exchange market during the year under review was decisively influenced by the development of the exchange rate for the dollar. During the first quarter the rise in the dollar rate led to a depreciation of the weighted average rate for the franc; subsequently the latter rose almost uninterruptedly owing to the complete reversal of the trend of the dollar rate. The pound sterling, by appreciating steadily from March to July, somewhat mitigated the effect of the fall of the dollar and, subsequently, by depreciating, contributed to the strengthening of the weighted average exchange rate for the franc.

In December the index weighted by imports thus stood at 97 (base 1975 = 100) against 92.6 a year earlier, which represented an appreciation of 4.8 p.c. (upper part of Chart VI. 6). On average for the year the movement of the weighted average exchange rate for the Belgian franc was characterised by an appreciation of 2.3 p.c., in contrast to the sometimes substantial depreciations recorded during each of the five preceding years.

b) During the year under review, the monthly average of the premium on currencies on the free market remained around 0.5 p.c., except in July and August, when speculative outflows of private capital, the reasons for which have already been stated, pushed it up temporarily; however, it scarcely exceeded 1 p.c. (lower part of Chart VI. 6).

c) The *divergence indicator* rose practically without interruption during the first half of the year, this having been largely due to the strengthening of the rate for the pound sterling in relation to the other currencies of the European Monetary System (Chart VI. 6.1). The realignment of the central rates in that System in July did not have any appreciable effect on that indicator, which subsequently remained in the region of 40 for several months. In December, however, it rose again, reaching 62.

Chart VI. 6

## EXCHANGE RATES

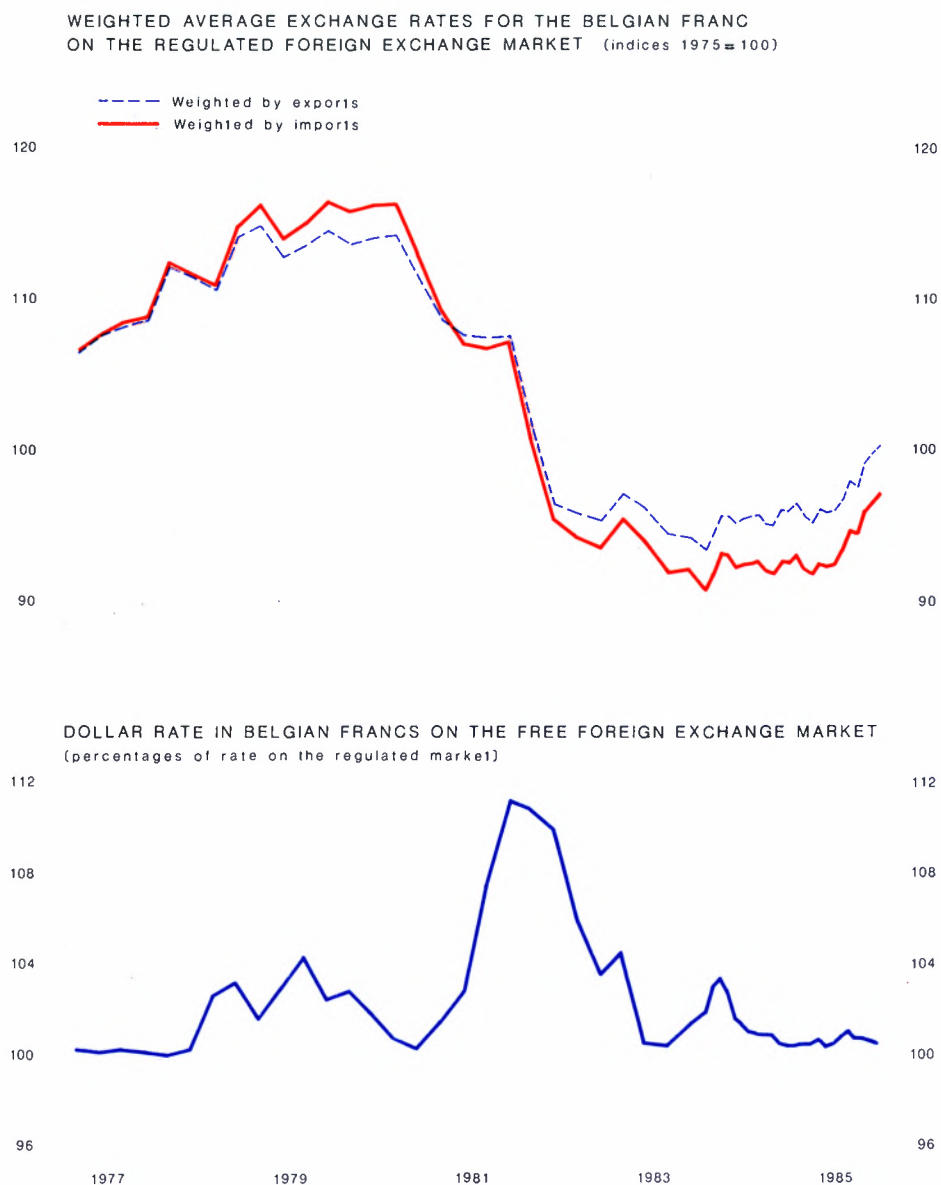
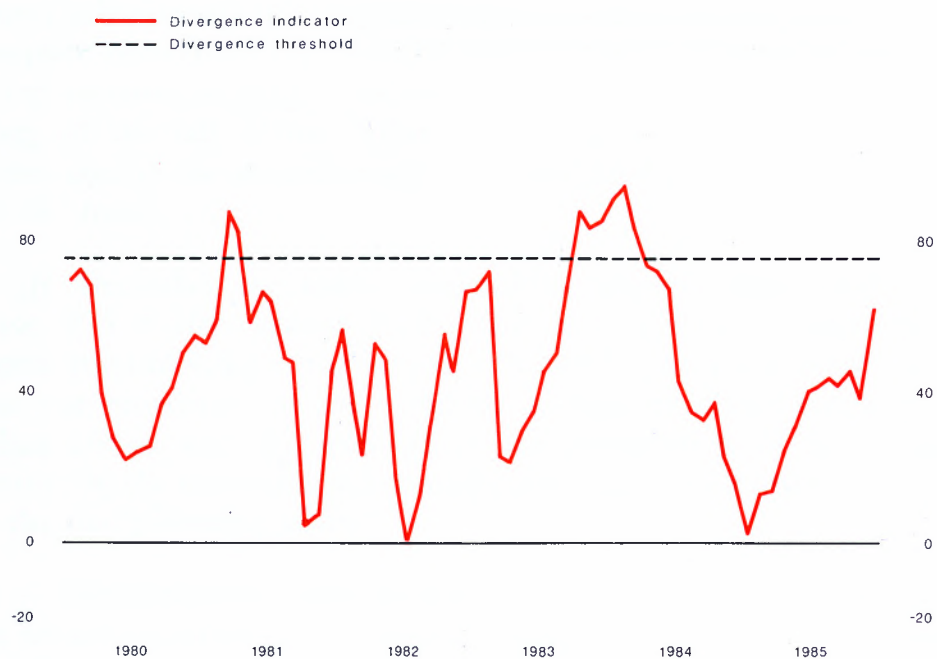


Chart VI. 6.1

DIVERGENCE INDICATOR FOR THE BELGIAN FRANC IN THE EUROPEAN  
MONETARY SYSTEM



## FOURTH PART

### FINANCIAL DEVELOPMENTS IN BELGIUM





## Basic information

a) This part describes the main financial developments which took place in the Belgian economy. It contains an analysis of the financial accounts of the various domestic sectors, especially their formation of financial assets and their new liabilities (Chapter VII), as well as of the channels through which economic agents which had a *financial deficit* obtained the funds which they required from the economic agents which had a *financial surplus*, possibly via financial intermediaries, and of the interest rates which applied to these various borrowings and investments (Chapter VIII).

b) Table V. 1 recorded, for each sector, the *net financing capacity* or *net financing requirement*. Table VII. 1 compares these financing capacities or requirements with the *financial surpluses* or *deficits*.

It will be noted that :

— the net financing capacity of *individuals* and that of *companies* are added together in order to enable them to be compared with the net financial surplus of these sectors, since, for lack of adequate information, it is not possible to give a breakdown of the surplus between these sectors ;

— the changes in financial assets and liabilities in foreign currencies (Tables VII. 1, VII. 2, VII. 3, VII. 3.1, VII. 4, VII. 4.1 and VII. 4.2) have been adjusted in order to eliminate the purely accounting effects of variations in exchange rates ;

— each sector's net financing capacity or requirement must in principle have an exact counterpart in its financial surplus or deficit. In practice, there is, for each sector, a statistical deviation. This is attributable to, among other things, the fact that the date of recording of the transactions may differ between the two angles of approach ; for instance, for the calculation of the *public authorities'* financing requirement the expenditure items are in a number of cases entered in the books at a date different from that of their payment, for example at the time when payment becomes due, whereas it is the actual payments that induce the public authorities to contract new liabilities. The statistical deviations are furthermore due, and to an even greater extent, to errors and omissions in the recording of the data. That is the case with,

among other things, the deviations due to errors and omissions in the balance of payments of Belgium alone, which are chiefly attributable to the difficulty of properly correcting the available data for the Belgian-Luxembourg Economic Union by fully and completely recording both the real and the financial transactions of Belgium with the Grand Duchy of Luxembourg and those of the latter with third countries ;

— as the « Rest of the world » is included among the sectors, the balance of the sectoral financial surpluses and deficits ought to be zero, as each new liability has as its counterpart the formation of a financial asset, it being possible, of course, for the debtors and creditors to be non-residents. The fact that it is not so is again due to errors and omissions in the recording of the data.

c) The *net financial surplus of individuals and companies* represents the difference between, on the one hand, their formation of financial assets and, on the other, their new liabilities. The volume of both these gross financial flows is large, and they have therefore been made the subject of a separate commentary.

The comments on Table VII. 2 analyse the extent and composition of the formation of financial assets and also the factors by which they were influenced. The information given in this table and in Table VII. 2.1 makes it possible, among other things, to distinguish between assets in Belgian francs and those in foreign currencies and, within each of these categories, between assets at over one year and assets at up to one year ; it should be noted, however, that for the latter the classification according to currency may be only « apparent », in so far as the movement of the recorded assets in Belgian francs or in foreign currencies may be counterbalanced by forward foreign exchange transactions in the opposite direction.

The formation of financial assets in Belgian francs in the form of bonds or notes is placed, with the aid of Tables VII. 2.2 and VII. 2.3, in the context of issues of securities of this type as a whole. The volume of these issues and purchases of bonds and notes at over one year has since 1983 been swollen by conversion operations negotiated between the Government and the financial intermediaries whereby Treasury certificates at up to one year held by the latter have been converted into longer-term public paper which is included in the figures in the above-mentioned tables. For 1983 and 1984 the resultant increase is undoubt-

edly artificial, since the transactions in question gave rise to the creation of non-negotiable securities ; in 1985, however, additional operations of the same kind were carried out, but on different terms ; very-short-term Treasury certificates, and also special one- and two-year certificates which the financial intermediaries were holding as a result of previous conversion operations and which were maturing in the course of the year, were converted, to the extent of Fr. 97 billion, into bonds issued by the Government which were or have become accessible to any investor. It is consequently difficult to distinguish, in net purchases of bonds and notes by the financial intermediaries, between those which took place spontaneously and those which were the effect of a deliberate conversion at the request of the authorities ; for that reason it was not thought possible to correct the gross figures in such a way as to show in Tables VII. 2.2 and VII. 2.3 only those transactions which would have taken place if the conversions negotiated by the Government had not occurred.

Lastly, Chart VII. 2.4 shows both the share of net purchases of foreign currency bonds by individuals and companies in the total of those in foreign currencies and Belgian francs and one of the factors which explain this share, namely the long-term yield differentials between investments in Belgian francs and those in foreign currencies. For the former the withholding tax on income from financial assets is deducted from the gross yield, whereas no tax at source is levied on the incomes from the other bonds included in that chart ; this chart therefore applies to the Belgian investor who, when comparing long-term yield rates, only takes into account the possible deduction at source. The yield is admittedly only one of the elements which influence investments in foreign currency bonds. Other factors which also play a part and in fact explain a structural trend towards the purchase of foreign currency securities include the abundant supply of securities denominated in foreign currencies and the desire of investors to diversify their financial saving.

The new liabilities of individuals and companies are, for their part, examined in the comments on Table VII. 3. This gives a breakdown which, although still with a certain margin of inaccuracy, makes it possible to distinguish between the new assets of individuals and those of companies : it seems almost certain that the greater part of personal loans and hire-purchase credits, as well as mortgage loans for housing,



are contracted by individuals, while the other liabilities probably consist mainly of those of companies and one-man businesses. It should be recalled, however, that in the breakdowns given in the second part, the latter have regularly been regarded as individuals and that there are thus certain overlappings in the classifications. The new liabilities of companies and one-man businesses are also broken down according to their form in Table VII. 3.1.

d) The *net financial deficit* of the *public authorities* is analysed in the comments on Table VII. 4.

The claims of a sub-sector of the public authorities which constitute a liability of another sub-sector are only included in this table when they are portfolio investments. Thus, the Treasury bonds and certificates purchased by certain other public authorities, for instance social security institutions, are included both in the new liabilities contracted and in the financial assets formed by the public authorities. On the other hand, as the advances which the Treasury grants to *communities and regions* are not portfolio investments, they are not included either in the liabilities or in the financial assets. As the communities and regions have hitherto mainly financed themselves by means of these advances and have made hardly any use of the possibility of resorting to borrowing which was granted to them under the Law of 9th August 1980 on institutional reforms, the greater part of their financial deficit is included in that of the Treasury; the small deficit explicitly assigned to them in Table VII. 4 is therefore virtually insignificant.

On the other hand, the breakdown of the financial deficit between the other sub-sectors of the public authorities shown in Table VII. 4 is definitely of interest : it is between the Treasury, the local authorities, the social security system and the « other public authorities ». The financial deficit which is recorded under the last-mentioned heading measures the amount of the financial resources which either the Treasury or the communities and regions have obtained in order to meet their deficit without these liabilities being recorded in the official public debt or in that of the communities and regions; this mainly represents recourse to debudgetisation or prefinancing practices.

Tables VII. 4.1 and VII. 4.2 give a breakdown between new financial liabilities and, where appropriate, new financial assets, respectively, for the main sub-sector of the public authorities, the Treasury, and for

all the other sub-sectors of the public authorities combined. For the Treasury a distinction is made between those changes in debts which led to a creation of liquidity by the Bank and the others; the former include not only the change in the Treasury's direct or indirect recourse in Belgian francs to the Bank but also that in the debt in foreign currencies, since the proceeds of these foreign currency loans are sold by the Treasury against Belgian francs.

e) Ex post, the total of the domestic sectors' new liabilities or gross requirements of funds, plus any *net financial deficit* of the rest of the world, has, by definition, as its exact counterpart the formation of financial assets by the domestic sectors, plus any *net financial surplus* of the rest of the world. It is interesting, however, to know through what channels the gross requirements of funds were met, and particularly whether the funds « autonomously » or « spontaneously » available on the domestic markets were sufficient to finance them.

As is apparent from Table VIII. 1, these funds available on the domestic markets were defined, with the inevitable degree of arbitrariness which such a definition entails, as comprising :

— total formation of financial assets, from which, however, assets which are not denominated in Belgian francs have to be deducted. The assets formed at the Bank — either directly — those in the form of bank notes — or indirectly — those which the financial intermediaries used to build up claims on the Bank — were also deducted, since the financial intermediaries other than the Bank cannot use these last two types of assets as resources for financing their lending except by reborrowing them from the Bank, a course which is regarded here as a sign of a *shortage of funds*;

— « spontaneous » capital inflows. These undoubtedly include the funds received in respect of certain types of transactions — for instance, the formation or extension of head offices of foreign *companies* in Belgium and equity investment in existing Belgian companies — the carrying out of which can be reasonably assumed not to be dependent on the greater or lesser degree of abundance of funds on the domestic markets. One cannot be so certain about the spontaneous nature of the other flows of private capital, since these, even if they seem to take place autonomously, may in fact be induced by rises in interest rates due to an *ex ante* shortage of funds. Consequently, the distinction



between « spontaneous » and « induced » capital inflows is always somewhat arbitrary. In Table VIII. 1 the distinction has been made pragmatically by adopting a restrictive definition of « induced » inflows, according to which only the *public sector's* new liabilities in foreign currencies are regarded as such, all other capital inflows being treated as spontaneous.

The way in which the funds available on the domestic markets are thus defined has two consequences, namely that :

- the shortage of funds takes, by definition, the form of new liabilities of the public sector in foreign currencies or increased recourse by the domestic sectors to rediscounting at or advances from the Bank in its capacity as « lender of last resort » ;
- the only sectors which can have a shortage or surplus of funds are, by definition, the public sector and the private financial intermediaries, because these are practically the only sectors which can carry out the transactions referred to in the preceding sub-paragraph.

In order to determine the shortage or surplus of funds of a sub-sector of the *public authorities* or of a category of financial intermediaries, account was taken not only of the above-mentioned transactions, which measure the overall shortage on the domestic markets, but also of the other transactions which this sub-sector or category has carried out on the money market. Table VIII. 1.1 gives, on this basis, a breakdown of the overall shortage between the « Treasury », the « Public sector not included elsewhere » and the financial intermediaries ; it also shows, for the first two sectors, the transactions outside the money markets which led to a shortage or surplus of funds, as does Table VIII. 1.2, in greater detail, for the financial intermediaries, among which a distinction is in fact made between three main categories : Belgian and Luxembourg banks, the public-sector financial intermediaries and the private savings banks. The Luxembourg banks have been grouped with the Belgian banks because, when the former have a surplus of funds in Belgian francs, they can make, on the Belgian money market, investments of the same kind as the Belgian banks themselves. This surplus of the Luxembourg banks has as its main origins, on the one hand, the repurchase by the Bank of foreign currencies resulting from the surplus of the country (the Grand Duchy) with foreign countries and, on the other hand, the formation of deposits in Belgian francs ; these are factors which can also lead to a surplus of funds of the Belgian banks.

In the definitions which have been adopted here, a sector which has a shortage of funds has to meet it by increasing its recourse or reducing its contributions to the money market, while a sector with a surplus does the opposite. Table VIII. 1.3 presents an overall picture of these money market transactions. It shows how the sectors which had a shortage met it either by having recourse to other sectors — for instance, in the case of the Treasury, by placing Treasury certificates with financial intermediaries or, in the case of some of the latter, by borrowing on the call-money market or on the interbank market (item 2.1), or by resorting to the Bank (item 2.2). The other transactions of the latter (item 3), which consist mainly of interventions on the foreign exchange market and variations in bank notes, may be regarded as resulting from more or less autonomous behaviour on the part of the other sectors (non-financial private companies, *individuals*, foreign countries, and changes in the foreign currency position of the financial intermediaries), possibly influenced by the Bank's policy measures, and as thus being responsible for the above-mentioned requests for facilities by the domestic sectors. Hence, increased recourse to the Bank may be the result of a tightening of the money market due to net sales of foreign currencies on the foreign exchange market, of an increase in the note circulation or of a negative balance of the Bank's other transactions (mainly connected with the formation and appropriation of the latter's profit), while reduced recourse may be due to the opposite causes. Chart VIII. 1.6 provides the same information for a longer period and in a condensed form.

A surplus of funds of the financial intermediaries leads to an increase in their liquidity, and vice versa. The main elements of this liquidity are given in Table VIII. 1.5 : they are their portfolio of Treasury and Securities Regulation Funds certificates in Belgian francs at up to one year and the available margins under their rediscount ceilings at the Bank. The choices made by the financial intermediaries between these two liquidity elements, and particularly the extent to which use is made of the *rediscount ceilings*, are influenced by the difference between the yield on certificates, on the one hand, and the cost of rediscounting, on the other : this is illustrated by Chart VIII. 1.4.

f) Lastly, the comments on Chart VIII. 2 describe the movement of the interest rates which were formed in the various sections of the money and capital markets through which funds pass or are lent and borrowed by the various sectors.

This commentary first of all analyses the changes which the Bank made to the interest rates on very-short-term Treasury certificates. These rates at present enable monetary policy to control conditions on the money market very effectively, because they almost entirely determine those on the interbank market, the movement of which is practically parallel, as is illustrated by Table VIII. 2.1. This is because lenders on the interbank market always have the possibility of investing their surplus funds in certificates, while the cashing of certificates, which is always possible owing to the extent of the financial intermediaries' portfolios, can take the place of borrowings on that market.

The movement of creditor and debtor interest rates is then analysed, for both short-term and long-term investments and credits, with the aid of Charts VIII. 2.4 and VIII. 2.5.

Finally, the repercussions of the movements thus described on the term structure of the creditor interest rates which can be obtained on small investments is examined on the basis of Chart VIII. 2.6. In this chart the rates (both the basic rate and that including the fidelity bonus) on deposits on ordinary savings books are shown outside the yield curve which connects the rates corresponding to the different maturities, since these deposits on savings books do not have a precise and uniform maturity. Their basic rate is credited only by periods of fifteen days, which furthermore have to be calendar fortnights, unlike what is the case for deposits with a term of fifteen days; consequently the savings books should normally provide a slightly higher yield than the latter and for this reason its basic rate has therefore been plotted against the period of one month. The rate for deposits on savings books including the fidelity bonus has been plotted for the period of one year, since this premium is granted only on balances which have been kept for a full year.

## CHAPTER VII

# FINANCIAL ASSETS AND LIABILITIES





## VII. 1 Financial accounts by sector

The provisional data concerning financial transactions during the first ten months of the year show an increase in the *net financial deficit* of the *public authorities* (item 2.23) which presages the estimated increase for the year as a whole; this rise (Fr. 84 billion) would appear to have been greater than the increase (Fr. 57 billion) in the public authorities' *net financing requirement* (item 2.1) owing to the fact that the changes made in 1984 in the methods of payment of civil service salaries had had the effect of reducing the sums paid out for these (on which the financial deficit depends, thus having been decreased in 1984) but not the expenditure shown in the accounts (on which the financing requirement depends). The new liabilities of *individuals* and *companies* (item 1.22), which had been small during the first ten months of 1984, increased sharply, but their formation of financial assets (item 1.21) grew even more. However, the increase in their net financial surplus which appears to have resulted from this — as it can be measured at present (item 1.23) — appears to have been smaller than that in the public authorities' net financial deficit, and this appears to have been reflected in greater recourse by these sectors as a whole to external financing (item 3.2), whereas the real accounts estimated for the year as a whole show an opposite development (item 3.1). These divergences are perhaps mainly attributable to errors and omissions in the recording of the financial transactions of the sectors concerned and to the fact that the — still very provisional — financial data cover only ten months whereas the estimates of the real data are for the year as a whole.

Table VII. 1

## FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	1985 <i>e</i>	First ten months	
										1984	1985 <i>p</i>
1. <i>Individuals and companies :</i>											
1.1 Net financing capacity (+) or requirement (-) :											
1.11 Individuals .....	+ 175	+ 170	+ 183	+ 239	+ 358	+ 345	+ 427	+ 425	+ 452	n.	n.
1.12 Companies .....	- 11	+ 21	+ 6	+ 3	+ 62	+ 84	+ 163	+ 111	+ 184	n.	n.
1.13 Total (1.11 + 1.12) .....	+ 164	+ 191	+ 189	+ 242	+ 420	+ 429	+ 590	+ 536	+ 636	n.	n.
1.2 Net financial surplus :											
1.21 Formation of financial assets (+) ....	+ 481	+ 473	+ 488	+ 491	+ 587	+ 573	+ 689	+ 561	n.	+ 477	+ 613
1.22 New liabilities (-) .....	- 282	- 278	- 310	- 248	- 216	- 152	- 200	- 98	n.	- 33	- 137
1.23 Total (1.21 + 1.22) .....	+ 199	+ 195	+ 178	+ 243	+ 371	+ 421	+ 489	+ 463	n.	+ 444	+ 476
1.3 Statistical deviation (1.13 - 1.23) .....	- 35	- 4	+ 11	- 1	+ 49	+ 8	+ 101	+ 73	n.	n.	n.
2. <i>Public authorities :</i>											
2.1 Net financing requirement (-) .....	- 206	- 242	- 287	- 404	- 592	- 571	- 633	- 560	- 617	n.	n.
2.2 Net financial deficit :											
2.21 Formation of financial assets (+) ....	+ 17	+ 20	+ 22	...	+ 3	+ 6	+ 6	+ 48	n.	+ 27	+ 12
2.22 New liabilities (-) .....	- 223	- 251	- 297	- 401	- 568	- 612	- 628	- 571	n.	- 549	- 602
2.23 Total (2.21 + 2.22) .....	- 206	- 231	- 275	- 401	- 565	- 606	- 622	- 523	- 607	- 522	- 590
2.3 Statistical deviation (2.1 - 2.23) .....	...	- 11	- 12	- 3	- 27	+ 35	- 11	- 37	- 10	n.	n.
3. <i>Rest of the world :</i>											
3.1 Net financing capacity (+) or requirement (-) .....	+ 42	+ 51	+ 98	+ 162	+ 172	+ 142	+ 43	+ 24	- 19	n.	n.
3.2 Net financial surplus (+) .....	+ 9	+ 34	+ 114	+ 157	+ 192	+ 211	+ 140	+ 84	n.	+ 85	+ 100
3.3 Statistical deviation (3.1 - 3.2) .....	+ 33	+ 17	- 16	+ 5	- 20	- 69	- 97	- 60	n.	n.	n.
4. <i>Balance of financial surpluses and deficits</i> (1.23 + 2.23 + 3.2) .....	+ 2	- 2	+ 17	- 1	- 2	+ 26	+ 7	+ 24	n.	+ 7	- 14

## VII. 2 Formation of financial assets by individuals and companies

a) If net commercial claims on foreign countries are disregarded, the formation of financial assets by *individuals* and *companies* amounted to Fr. 613 billion during the first ten months of 1985, or Fr. 136 billion more than in 1984 [column (k) of Table VII. 2]. This increase was due not to the formation of financial assets in foreign currencies, which decreased [column (g)], but to that in the other categories of assets, and especially that in assets in Belgian francs [column (c)].

b) The increase in the formation of financial assets in Belgian francs is to a very great extent attributable to that in assets at over one year [column (a) of Table VII. 2] and, more particularly, to the rise in net purchases of bonds and notes, which reached Fr. 244 billion during the first ten months of 1985 against 180 billion in 1984 [column (a) of Table VII. 2.1]. The rise in net purchases of these securities by individuals and companies is probably due to the expectations of a fall in interest rates on long-term investments which prevailed throughout the greater part of the period under review; it was also brought about, for the reasons which will be explained further on [see f) below], by the decrease in the preference displayed by individuals and companies in 1984 for long-term investments in foreign currencies at the expense of those in Belgian francs.

c) The rise in total issues of bonds and notes at over one year in Belgian francs was again considerably greater than that in net purchases by individuals and companies alone, these issues having in fact reached Fr. 642 billion during the first ten months of 1985, against Fr. 414 billion in 1984 [column (f) of Table VII. 2.2]. This is due to the marked increase — for the reasons which will be explained in section VIII. 1 — in net purchases by the financial intermediaries [columns (a) and (b)] and, subsidiarily, to the increase in net purchases from foreign countries [column (d)]; the latter movement shows the attractiveness of the relative level of the rate of yield on Belgian franc bonds for investors whose incomes are not differently taxed when they come from such bonds rather than from assets in other currencies.

The growth in total issues of bonds and notes very largely benefited the *public authorities* [column (a) of Table VII. 2.3]; it was partly due, however, to the fact that the public financial intermediaries interrupted their investments in such securities with the other financial interme-

diaries and with institutional investors several times in 1985 in order to avoid borrowing too much at the interest rates then ruling at a time when a fall in rates was to be expected.

d) During the first ten months of 1985, net purchases of shares were of practically the same order of magnitude as in 1984 [column (b) of Table VII. 2.1].

e) Individuals and companies also stepped up, during the first ten months of 1985, their formation of financial assets in Belgian francs at up to one year, but to an appreciably smaller extent — from Fr. 153 billion in 1984 to Fr. 173 billion [column (b) of Table VII. 2] — than that of assets at over one year.

This rise was largely the result of the movement of cash holdings, and more specifically that of deposits, which went up by Fr. 21 billion during the first ten months of 1985 against a fall of Fr. 11 billion in 1984 [column (f) of Table VII. 2.1]. There are two possible explanations of this : the decrease during the first ten months of 1984 followed the particularly sharp rise at the end of 1983, whereas the increase in 1985 took place in relation to deposit balances which were particularly low at the end of December 1984 owing to the postponement to the beginning of January 1985 of the payment of civil service salaries for the month of December 1984. On the other hand, the holding of bank notes and coins decreased, as it had in 1984 [column (e)], having been reduced in 1985 by, among other things, the increase in the issuing of bank notes by the Grand Duchy of Luxembourg consequent upon the raising of the ceiling for such issuing which took place following the entry into force on 1st July 1984 of the new protocols between Belgium and Luxembourg concerning the monetary association.

The remainder of the increased formation of financial assets in Belgian francs at up to one year was mainly attributable to that in deposits on ordinary savings books [column (g)]. This is probably due to the fact that the yield on these assets remained unchanged, whereas the interest rates on other assets at up to one year declined ; furthermore, the formation of deposits on ordinary savings books took place more in 1985 than in 1984 with those of the financial intermediaries which continued, in a context of a general lowering of rates, to add, to the basic rate on these assets, premiums larger than those applied by the other institutions.



On the other hand, the formation of time deposits decreased appreciably, particularly in the case of those formed in Belgium. The movement of the latter [column (h)] is attributable both to large deposits and to other time deposits. The formation of time deposits abroad, on the other hand, declined less [column (i)], owing to tax considerations which continued to encourage it.

f) The formation of financial assets in foreign currencies decreased during the first ten months of 1985 from Fr. 91 billion in 1984 to Fr. 53 billion [column (g) of Table VII. 2]. On the one hand, financial assets in foreign currencies at up to one year declined, whereas they had increased in 1984. On the other hand, net purchases of bonds, which account for the greater part of the investments at over one year in foreign currencies of individuals and companies, fell from Fr. 87 billion in 1984 to Fr. 66 billion [column (e)]. The fall in these purchases is even more marked when they are expressed as percentages of total net purchases of bonds by individuals and companies (upper part of Chart VII. 2.4).

The preference thus displayed by Belgian investors for Belgian franc bonds at the expense of those in foreign currencies is attributable to the narrowing — particularly pronounced at the end of 1984 and the beginning of 1985 — of the differential between the rate of yield on bonds denominated in Ecus and that on Belgian franc bonds (lower part of Chart VII. 2.4), which resulted in a decrease in the volume of purchases of bonds in Ecus, and also to the virtual disappearance of investments in dollars, which were perhaps discouraged by the fears regarding the movement of the exchange rate for that currency. Moreover, expressed as percentages of total net purchases of bonds in Belgian francs and foreign currencies, these declines were only partly counter-balanced by the increase in purchases of foreign currency bonds, the rates of yield on which remained high in 1985, that on bonds denominated in Danish crowns, for instance, having regularly exceeded 12 p.c. and those in Australian and New Zealand dollars having reached — sometimes considerably — higher levels.

Furthermore, this preference for the franc was perhaps also contributed to by the hope of capital gains connected with expectations of lower interest rates on long-term investments in Belgian francs [see b) above].



Compared, however, with the total of net purchases of bonds by individuals and companies, net purchases of foreign currency bonds remained in 1985 (ten months) at the high level which they had reached from 1981 to 1983 (upper part of Chart VII. 2.4), partly because of the persistence of the structural factors described in point c) of the basic information.

Table VII. 2

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS  
AND COMPANIES*(Billions of francs)*

	In Belgian francs			In foreign currencies				Other		Grand total	Grand total exclud- ing com- mercial claims
	At over one year	At up to one year	Total <sup>1</sup>	At over one year		At up to one year	Total	Com- mercial claims	Miscel- laneous		
	(a)	(b)	(c)	Total	of which : bonds	(f)	(g)	(h)	(i)	(j)	(k)
1977 .....	+ 224	+ 188	+ 412	+ 17	(+ 18)	+ 18	+ 35	- 17	+ 51	+ 481	+ 498
1978 .....	+ 176	+ 225	+ 401	+ 15	(+ 14)	...	+ 15	+ 19	+ 38	+ 473	+ 454
1979 .....	+ 208	+ 178	+ 386	+ 11	(+ 15)	+ 17	+ 28	+ 3	+ 71	+ 488	+ 485
1980 .....	+ 260	+ 116	+ 376	+ 22	(+ 29)	+ 46	+ 68	+ 22	+ 25	+ 491	+ 469
1981 .....	+ 214	+ 141	+ 355	+ 37	(+ 41)	+ 115	+ 152	+ 44	+ 36	+ 587	+ 543
1982 .....	+ 301	+ 173	+ 474	+ 48	(+ 57)	+ 31	+ 79	+ 3	+ 17	+ 573	+ 570
1983 .....	+ 356	+ 222	+ 578	+ 83	(+ 83)	- 14	+ 69	+ 21	+ 21	+ 689	+ 668
1984 .....	+ 225	+ 227	+ 452	+ 103	(+ 107)	- 9	+ 94	+ 1	+ 14	+ 561	+ 560
1984 First 10 months ...	+ 187	+ 153	+ 340	+ 85	(+ 87)	+ 6	+ 91	+ 9	+ 46	+ 486	+ 477
1985 First 10 months . p	+ 245	+ 173	+ 418	+ 68	(+ 66)	- 15	+ 53	n.	+ 142	n.	+ 613

<sup>1</sup> For details, see Table VII. 2.1.

Table VII. 2.1

## FORMATION OF FINANCIAL ASSETS IN BELGIAN FRANCS BY INDIVIDUALS AND COMPANIES

*(Billions of francs)*

	At over one year				At up to one year								Grand total
	Bonds and notes	Shares	Miscel- laneous	Total	Cash holdings		Deposits on ordinary deposit or savings books	Time deposits		Notes	Miscel- laneous	Total	
					Notes and coins	Deposits		In Belgium	Abroad				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
1977 .....	+207	+ 10	+ 7	+224	+ 28	+ 45	+103	- 1	+ 6	+ 5	+ 2	+188	+412
1978 .....	+165	+ 10	+ 1	+176	+ 21	+ 27	+106	+ 35	+ 16	+ 15	+ 5	+225	+401
1979 .....	+203	+ 4	+ 1	+208	+ 10	+ 16	+ 73	+ 38	+ 47	- 4	- 2	+178	+386
1980 .....	+257	+ 2	+ 1	+260	+ 6	- 2	+ 2	+ 51	+ 72	- 11	- 2	+116	+376
1981 .....	+210	+ 1	+ 3	+214	+ 4	+ 29	+ 46	+ 12	+ 45	- 5	+ 10	+141	+355
1982 .....	+282	+ 20	- 1	+301	- 1	+ 36	+ 21	+ 72	+ 52	- 4	- 3	+173	+474
1983 .....	+292	+ 51	+ 13	+356	+ 16	+ 60	+112	+ 35	- 16	+ 11	+ 4	+222	+578
1984 .....	+207	+ 19	- 1	+225	- 5	- 4	+115	+ 61	+ 54	+ 6	...	+227	+452
1984 First 10 months .....	+180	+ 7	...	+187	- 5	- 11	+ 43	+ 78	+ 44	+ 5	- 1	+153	+340
1985 First 10 months ..... p	+244	+ 5	- 4	+245	- 7	+ 21	+ 71	+ 37	+ 34	+ 11	+ 6	+173	+418

Table VII. 2.2

## NET ISSUES OF BONDS AND NOTES AT OVER ONE YEAR IN BELGIAN FRANCS

Classified according to purchasers

*(Billions of francs)*

	Mainly monetary institutions (a)	Other financial interme- diaries (b)	Public authorities (c)	Rest of the world <i>e</i> (d)	Others (e)	Total (f)
1977 .....	+ 92	+ 80	...	+ 5	+207	+384
1978 .....	+ 56	+ 67	...	+ 3	+165	+291
1979 .....	+ 47	+ 35	+ 3	- 1	+203	+287
1980 .....	+ 3	+ 16	+ 1	+ 1	+257	+278
1981 .....	- 2	+ 1	+ 1	- 2	+210	+208
1982 .....	+ 33	+ 75	+ 5	- 14	+282	+381
1983 .....	+136	+183	- 1	+ 3	+292	+613
1984 .....	+ 50	+192	+ 3	+ 8	+207	+460
1984 First 10 months .....	+ 52	+170	+ 4	+ 8	+180	+414
1985 First 10 months ..... <i>p</i>	+127	+248	+ 2	+ 21	+244	+642
<i>p.m. Outstanding amount at 31st October 1985 ..... p</i>	(1,018)	(1,288)	(38)	(50)	(3,189)	(5,583)

Table VII. 2.3

## NET ISSUES OF BONDS AND NOTES AT OVER ONE YEAR IN BELGIAN FRANCS

Classified according to issuers

*(Billions of francs)*

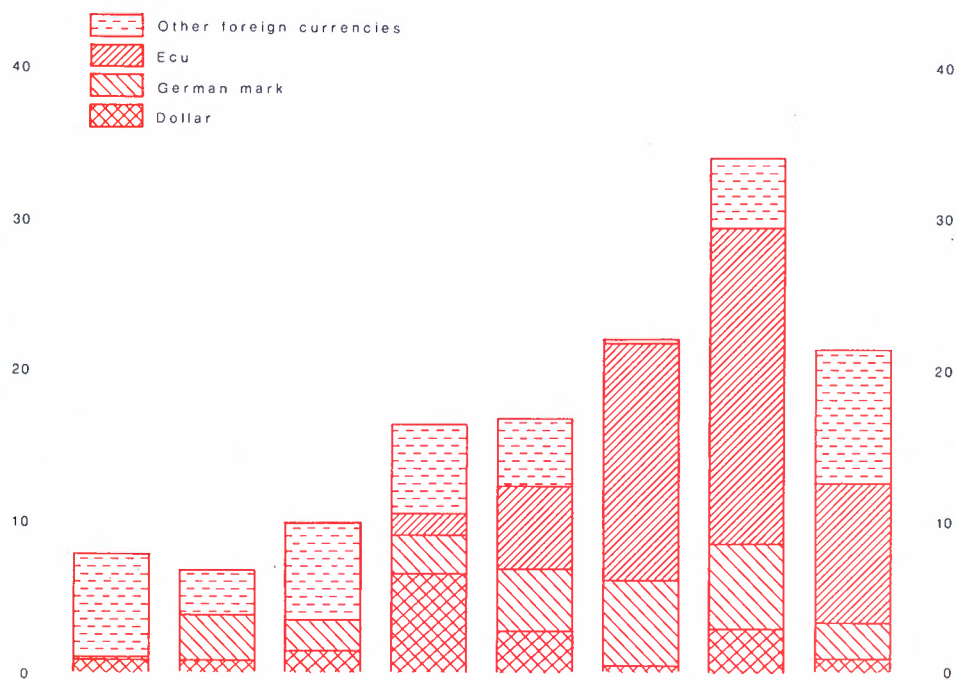
	Public authorities	Public financial inter- mediaries	Public enterprises	Banks	Private savings banks, mortgage and capital accumu- lation companies	Others	Total
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1977 .....	+ 168	+ 146	+ 14	+ 30	+ 15	+ 11	+ 384
1978 .....	+ 165	+ 50	+ 24	+ 21	+ 13	+ 18	+ 291
1979 .....	+ 150	+ 75	- 1	+ 27	+ 25	+ 11	+ 287
1980 .....	+ 78	+ 102	- 6	+ 48	+ 44	+ 12	+ 278
1981 .....	+ 16	+ 94	+ 4	+ 44	+ 34	+ 16	+ 208
1982 .....	+ 79	+ 179	+ 11	+ 55	+ 46	+ 11	+ 381
1983 .....	+ 337	+ 113	+ 18	+ 57	+ 40	+ 48	+ 613
1984 .....	+ 303	+ 78	- 1	+ 37	+ 27	+ 16	+ 460
1984 First 10 months .....	+ 310	+ 52	- 15	+ 26	+ 21	+ 20	+ 414
1985 First 10 months .... p	+ 473	+ 64	- 4	+ 43	+ 29	+ 37	+ 642
p.m. Outstanding amount at 31st October 1985 . p	(2,812)	(1,438)	(184)	(437)	(362)	(350)	(5,583)



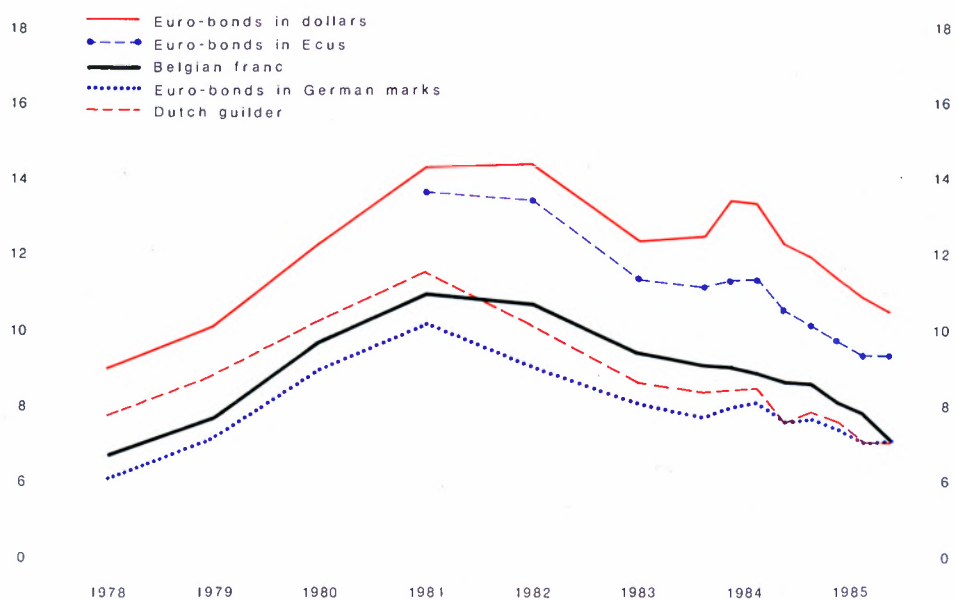
Chart VII. 2.4

# NET PURCHASES OF BONDS IN FOREIGN CURRENCIES AND LONG-TERM YIELD RATES IN BELGIAN FRANCS AND IN OTHER CURRENCIES

PERCENTAGE SHARE OF NET PURCHASES OF BONDS IN FOREIGN CURRENCIES IN THE TOTAL OF THOSE IN FOREIGN CURRENCIES AND IN BELGIAN FRANCS



LONG-TERM YIELD RATES IN BELGIAN FRANCS AND IN OTHER CURRENCIES (PERCENTAGES)



### VII. 3 New liabilities of individuals and companies

a) Since 1980, except in 1983, the new liabilities of *individuals* and *companies* had declined year by year until, in 1984, they amounted to only Fr. 98 billion, or barely one-third of the annual average for the period 1977-1979.

A distinct reversal took place in 1985 : during the first ten months new liabilities reached Fr. 137 billion, against only Fr. 33 billion in 1984 [column (h) of Table VII. 3].

b) This substantial increase was mainly due to the sharp expansion in the liabilities of companies and one-man businesses [column (g)]; but the new liabilities mainly contracted by individuals were likewise higher than those in the previous year [column (d)].

c) The last-mentioned phenomenon is chiefly attributable to the movement of personal loans and hire-purchase credits. During the first ten months these increased by Fr. 23 billion, against Fr. 11 billion the previous year [column (a)]. This speeding-up was connected with, among other reasons, the growth in recourse to hire-purchase credit for the purchase of new cars, but it is probably also due to a recovery in purchases of certain other durable consumer goods by individuals.

For the first ten months of 1985, new liabilities in the form of mortgage loans for housing amounted to Fr. 17 billion, representing an increase of Fr. 4 billion over the previous year [column (b)]. For the reasons stated in point d) of section II. 1, the granting of credit for social housing [column (c)] remained at a low level. For its part, private demand for housing credit, which increased [column (b) less column (c)], did not develop homogeneously over the period : after a particularly weak first quarter — during which repayments exceeded new utilisations of credit, perhaps depressed by the severe winter weather — this demand strengthened as time went on.

d) The new liabilities of companies and one-man businesses, which had increased by only Fr. 9 billion during the first ten months of 1984, grew by Fr. 97 billion during the year under review [column (g)], which may appear paradoxical in view of the rise in the *net financing capacity* of companies. In this connection it should be borne in mind, however, among other things, that the Telegraphs and Telephones Board had

redeemed bonds totalling about Fr. 10 billion during the first ten months of 1984 — largely using for this purpose short-term assets which it had formed with the proceeds of an issue made in October 1983 — whereas during the year under review it did not undertake any redemption worthy of note. Furthermore, the increase in the new liabilities of companies may well have been accompanied by a greater formation of financial assets, partly unrecorded in Table VII. 2, especially in the form of commercial claims on other sectors (for instance the rest of the world) or cash holdings.

The growth compared with the previous year in new liabilities contracted to foreign countries [column (f)] is connected, as already pointed out in point e) of section VI. 3, with the fact that non-residents substantially increased their direct investment in the form of the formation of companies and loans to affiliated enterprises.

A more detailed analysis of the liabilities of companies and one-man businesses to Belgium — which went up by Fr. 36 billion during the first ten months of 1985 whereas they had declined by Fr. 6 billion in 1984 [Table VII. 3.1, column (g)] — shows that this reversal is almost entirely attributable to the movement of short-term credits : discount credits, advances and acceptances other than investment credits grew by Fr. 31 billion whereas they had decreased by Fr. 34 billion in 1984 [column (e)]. Expectations of a fall in interest rates appear to have induced enterprises to resort temporarily to short-term credits rather than investment credits in order to meet their financing requirements; consequently, new liabilities in the latter form decreased appreciably [column (d)].

The volume of recourse to the equity market was comparable to that in the previous year [column (a)], while the financing of private companies by the issuing of bonds increased only slightly [column (b)]. Public enterprises [column (c)], for their part, did not resort to the last-mentioned method of financing during the year under review, whereas in 1984 these enterprises — and primarily, as already mentioned, the Telegraphs and Telephones Board — had made net redemptions amounting to Fr. 17 billion.

Table VII. 3

## NEW LIABILITIES OF INDIVIDUALS AND COMPANIES

*(Billions of francs)*

	Liabilities contracted mainly by individuals				Liabilities of companies and one-man businesses			Grand total
	Personal loans and hire-purchase credits	Mortgage loans for housing		Total	To Belgium	To foreign countries	Total	
		Total	of which : credits for social housing					
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1977 .....	+ 23	+ 80	( + 27)	+ 103	+ 133	+ 46	+ 179	+ 282
1978 .....	+ 16	+ 98	( + 33)	+ 114	+ 121	+ 43	+ 164	+ 278
1979 .....	+ 21	+ 111	( + 29)	+ 132	+ 142	+ 36	+ 178	+ 310
1980 .....	+ 6	+ 82	( + 38)	+ 88	+ 96	+ 64	+ 160	+ 248
1981 .....	- 10	+ 42	( + 26)	+ 32	+ 87	+ 97	+ 184	+ 216
1982 .....	+ 3	+ 26	( + 27)	+ 29	+ 40	+ 83	+ 123	+ 152
1983 .....	+ 7	+ 33	( + 23)	+ 40	+ 109	+ 51	+ 160	+ 200
1984 .....	+ 14	+ 21	( + 13)	+ 35	+ 37	+ 26	+ 63	+ 98
1984 First 10 months ....	+ 11	+ 13	( + 7)	+ 24	- 6	+ 15	+ 9	+ 33
1985 First 10 months .. p	+ 23	+ 17	( + 7)	+ 40	+ 61	+ 36	+ 97	+ 137

Table VII. 3.1

## NEW LIABILITIES OF COMPANIES AND ONE-MAN BUSINESSES TO BELGIUM

*(Billions of francs)*

	Shares	Bonds issued by		Investment credits	Other discount credits, advances and acceptances	Miscellaneous	Total
		private companies	public enterprises				
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1977 .....	+ 9	+ 7	+ 14	+ 32	+ 67	+ 4	+ 133
1978 .....	+ 10	+ 6	+ 23	+ 43	+ 38	+ 1	+ 121
1979 .....	+ 5	+ 6	- 2	+ 48	+ 83	+ 2	+ 142
1980 .....	+ 1	+ 11	- 5	+ 36	+ 46	+ 7	+ 96
1981 .....	...	+ 11	+ 5	+ 5	+ 57	+ 9	+ 87
1982 .....	+ 17	+ 5	+ 12	+ 12	- 13	+ 6	+ 40
1983 .....	+ 45	+ 24	+ 19	+ 11	+ 7	+ 3	+ 109
1984 .....	+ 16	- 4	...	+ 39	- 17	+ 3	+ 37
1984 First 10 months .....	+ 4	+ 2	- 17	+ 38	- 34	+ 1	- 6
1985 First 10 months ..... p	+ 5	+ 5	- 2	+ 16	+ 31	+ 6	+ 61



#### VII. 4 The public authorities' net financing requirement and the financial deficit (–) or surplus (+) of their various sub-sectors

a) In 1985 the *net financial deficit* of the *public authorities* appears to have amounted to Fr. 607 billion, thus having risen by Fr. 84 billion compared with 1984 [column (h) of Table VII. 4]. This increase — larger than that in the *net financing requirement* — is partly due to the way in which the system of payment of civil service salaries in arrears was introduced in 1984 to replace the former system of payment in advance. While the new system had hardly any influence on the development of the net financing requirement, it did on the other hand have a considerable effect on the movement, between 1983 and 1985, of the net financial deficit, because, as a result of the introduction of payment in arrears, only the equivalent of 11 monthly salaries was — exceptionally — paid in 1984.

b) The new system more particularly influenced the Treasury's net financial deficit. After having declined in 1984 this deficit increased again, reaching Fr. 571 billion against Fr. 504 billion the previous year [column (b)]; these figures include Fr. 18 and 4 billion respectively in respect of redemption of loans issued by public housing companies. The Treasury was able to finance practically the whole of its deficit by its new liabilities in Belgian francs — other than direct or indirect recourse to the Bank — which rose from Fr. 336 billion to Fr. 555 billion in 1985 [column (h) of Table VII. 4.1]. This overall increase is the resultant of a relative stabilisation of the change in the short-term debt, a smaller growth in the medium-term debt and a much faster rise than the previous year in the consolidated debt. This threefold movement is primarily due to two factors. On the one hand, in a context of a general decline in interest rates, *individuals* and the financial intermediaries, anticipating a continuance of this decline, displayed greater interest in long-term financial assets generally and in the bonds issued by the Treasury in particular. On the other hand, while the financial intermediaries again agreed, at the Government's request, to convert Treasury certificates at up to one year into longer-term public paper in order to keep down the expenditure resulting from interest charges in 1985, the terms on which these operations were carried out were different. Whereas the main effect of the 1984 conversions had been to increase the medium-term debt, this was not the case in 1985 because a large proportion of the public paper affected by the new conversion or the extension of previous conversions took the form of consolidated loans.

While, overall, the Treasury contracted, in 1985, only a small amount of new liabilities entailing creation of liquidity by the Bank, it still further increased its foreign currency debt by Fr. 35 billion [column (c)], but this expansion was partly counterbalanced by a decrease of Fr. 19 billion in the portfolio of Treasury certificates held by the Securities Equalisation Fund and financed by the Bank [column (b)].

c) The net financial deficit of the local authorities, which had fallen markedly in 1984, appears to have declined slightly further in 1985 to only Fr. 6 billion [column (d) of Table VII. 4]. Except in the case of a few large towns, it would appear that equilibrium was virtually achieved in the local authorities' finances.

d) The net financial surplus of the sub-sector « Social security » [column (e)] appears to have remained about the same as in 1984. Within the framework of the multi-annual plan for the improvement of the public finances, an index-linking of 2 p.c. in respect of most benefits was omitted and contributions were favourably influenced by the allocation to the social security system of the proceeds of the first 2 p.c. index-linking of the year, whereas these should normally have benefited workers who are not directly paid by the Treasury, but these two effects were counterbalanced by a decrease in the Treasury's *transfers* to the social security system.

e) The sub-sector « Other public authorities » appears to have shown a deficit of Fr. 50 billion against Fr. 30 billion in 1984 [column (f)]. This large increase reflects the substantial credits granted by the National Company for the Restructuring of the National Sectors to certain specialised subsidiaries of the National Investment Company (the « Invest Companies ») in order to enable financial advantages equivalent to those previously given to Cockerill-Sambre to be granted to various steel enterprises. These credits are for the purpose of financing reconversion projects carried out within the framework of the sectoral restructuring plans.

f) Regarded as a whole, the net financial deficit of the public authorities other than the Treasury, which had decreased substantially the previous year, would appear to have increased again, from Fr. 19 billion in 1984 to Fr. 36 billion [column (g)]. During the first ten months of 1985, the last period for which data on the financing structure of the public authorities other than the Treasury are available,

these authorities showed a deficit of Fr. 35 billion, whereas they had achieved a surplus of Fr. 3 billion in 1984. This worsening is observable both as regards new liabilities, which amounted to Fr. 47 billion against Fr. 24 billion in 1984 [column (e) of Table VII. 4.2], and as regards the formation of financial assets, which appears to have declined, totalling only Fr. 12 billion against Fr. 27 billion the previous year [column (h)]. At the same time, as had already been the case in 1984, the substantial growth in liabilities in Belgian francs at over one year, namely Fr. 82 billion [column (b)], enabled the debt at up to one year to be reduced.

Table VII. 4

THE PUBLIC AUTHORITIES' NET FINANCING REQUIREMENT  
AND THE FINANCIAL DEFICIT (–) OR SURPLUS (+)  
OF THEIR VARIOUS SUB-SECTORS

(Billions of francs)

	Public author- ities' net financing require- ment	Financial deficit or surplus of the sub-sectors						Statistical deviation	
		Treasury	Public authorities other than the Treasury						Grand total
			Commu- nities and regions	Local authorities	Social security	Other public authorities	Total		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b) + (g)	(i) = (a) - (h)
1977 .....	- 206	- 168	—	- 17	+ 3	- 24	- 38	- 206	...
1978 .....	- 242	- 183	—	- 25	- 2	- 21	- 48	- 231	- 11
1979 .....	- 287	- 212	—	- 26	- 6	- 31	- 63	- 275	- 12
1980 .....	- 404	- 297	—	- 59	- 5	- 40	- 104	- 401	- 3
1981 .....	- 592	- 455	—	- 63	+ 13	- 60	- 110	- 565	- 27
1982 .....	- 571	- 509	- 2	- 28	- 3	- 64	- 97	- 606	+ 35
1983 .....	- 633	- 525	+ 1	- 35	- 3	- 60	- 97	- 622	- 11
1984 .....	- 560	- 504	+ 1	- 7	+ 17	- 30	- 19	- 523	- 37
1985 .....	- 617 <sup>e</sup>	- 571	... <sup>e</sup>	- 6 <sup>e</sup>	+ 20 <sup>e</sup>	- 50 <sup>e</sup>	- 36 <sup>e</sup>	- 607 <sup>e</sup>	- 10 <sup>e</sup>
1984 First 10 months .....	n.	- 525	+ 1	+ 11	+ 27	- 36	+ 3	- 522	n.
1985 First 10 months .....	n.	- 555	...	...	+ 16 <sup>p</sup>	- 51 <sup>p</sup>	- 35 <sup>p</sup>	- 590 <sup>p</sup>	n.

Table VII. 4.1

## NEW TREASURY LIABILITIES

*(Billions of francs)*

	Changes in debts entailing creation of liquidity by the National Bank of Belgium				Changes in other debts in Belgian francs				Grand total
	Treasury certificates held by the Bank (margin)	Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank	Debt in foreign currencies	Total	Short-term debt	Medium-term debt	Consolidated debt	Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1977 .....	+ 16	- 1	...	+ 15	+ 25	- 7	+135	+153	+168
1978 .....	...	+ 13	+ 12	+ 25	+ 15	- 1	+144	+158	+183
1979 .....	...	+ 37	+ 42	+ 79	+ 7	...	+126	+133	+212
1980 .....	...	+ 25	+ 92	+117	+110	...	+ 70	+180	+297
1981 .....	...	+ 73	+214	+287	+141	...	+ 27	+168	+455
1982 .....	...	+ 32	+220	+252	+194	- 2	+ 65	+257	+509
1983 .....	...	+ 7	+134	+141	+ 77	+ 32	+275	+384	+525
1984 .....	...	+ 12	+156	+168	+ 99	+ 76	+161	+336	+504
1985 .....	...	- 19	+ 35	+ 16	+ 81	+ 44	+430	+555	+571
1984 First 10 months ...	...	- 16	+170	+154	+121	+ 78	+172	+371	+525
1985 First 10 months ...	...	- 14	+ 14	...	+139	+ 44	+372	+555	+555



Table VII. 4.2

NEW LIABILITIES OF AND FORMATION OF FINANCIAL ASSETS  
BY THE PUBLIC AUTHORITIES OTHER THAN THE TREASURY

(Billions of francs)

	New liabilities					Formation of financial assets in Belgian francs			Balance  (i) = (e) - (h)
	in Belgian francs			in foreign currencies	Grand total	at up to one year	at over one year	Total	
	at up to one year	at over one year	Total						
1977 .....	- 22	+ 77	+ 55	...	+ 55	+ 16	+ 1	+ 17	+ 38
1978 .....	+ 8	+ 60	+ 68	...	+ 68	+ 19	+ 1	+ 20	+ 48
1979 .....	+ 14	+ 71	+ 85	...	+ 85	+ 17	+ 5	+ 22	+ 63
1980 .....	+ 39	+ 63	+102	+ 2	+104	- 6	+ 6	...	+104
1981 .....	+ 25	+ 79	+104	+ 9	+113	+ 1	+ 2	+ 3	+110
1982 .....	- 7	+ 87	+ 80	+ 23	+103	+ 3	+ 3	+ 6	+ 97
1983 .....	+ 20	+ 83	+103	...	+103	+ 4	+ 2	+ 6	+ 97
1984 .....	- 33	+101	+ 68	- 1	+ 67	+ 43	+ 5	+ 48	+ 19
1984 First 10 months ...	- 64	+ 89	+ 25	- 1	+ 24	+ 23	+ 4	+ 27	- 3
1985 First 10 months . p	- 34	+ 82	+ 48	- 1	+ 47	+ 11	+ 1	+ 12	+ 35



CHAPTER VIII

**FINANCIAL MARKETS AND INTEREST RATES**



## VIII. 1 Gross requirements of funds of individuals, companies and public authorities and cover items

a) The *shortage of funds on the domestic market* (item 3 of Table VIII. 1), which had reached a peak of Fr. 394 billion in 1981, continued to decrease. Whereas it had already been down to Fr. 88 billion during the first ten months of 1984, it fell to Fr. 7 billion in 1985.

Rising, from the one period to the other, from Fr. 504 to 625 billion, the formation of financial assets by the domestic sectors (item 2.11) went up by Fr. 121 billion, which was a smaller increase than that in their gross requirements of funds (item 1), but more of it consisted of assets in Belgian francs, so that the funds which these sectors made available to the domestic markets (item 2.1) increased by Fr. 174 billion, i.e. more than the gross requirements of funds. Furthermore, « spontaneous » capital inflows (item 2.2) likewise increased. Altogether, the above-mentioned contraction in the shortage of funds amounted to Fr. 81 billion.

b) These easier conditions on the domestic money and capital markets enabled the *public sector* appreciably to reduce its new liabilities in foreign currencies (item 2.53); on the other hand, domestic recourse to the Bank (item 2.6), which had decreased substantially in 1984, underwent only a moderate further reduction.

c) The Treasury was almost the sole beneficiary of the expansion of the domestic money and capital markets: its shortage of funds decreased from Fr. 269 billion in 1984 to Fr. 117 billion (item 1.3 of Table VIII. 1.1). This substantial reduction is attributable not to the movement of the *net financial deficit* (practically the whole of item 1.2), which was larger, but to the extent of net bond issues, stimulated by the favourable climate of the capital market (item 1.1).

d) On the other hand, the financial intermediaries' surplus of funds was smaller than in 1984, having declined from Fr. 194 to 113 billion (item 3.1). While the total amount of funds collected by these intermediaries outside the money market did in fact increase considerably, from Fr. 443 to 583 billion (item 1.4 of Table VIII. 1.2), on the other hand their investments outside that market grew to a considerably greater extent, from Fr. 249 to 470 billion (item 2.3).



Both the movement of credits (items 2.12 and 2.13) and that of net claims in foreign currencies (item 2.2) contributed to this pronounced speeding-up of portfolio investment, but the main explanation lies in the considerable increase in net purchases of bonds and notes at over one year (item 2.11). This increase is partly due to conversions, at the request of the *public authorities*, of Treasury certificates at up to one year including one-year certificates resulting from previous conversions, into certificates and bonds at over one year — operations the amount of which was larger in 1985 (Fr. 143 billion) than in 1984 (Fr. 78 billion). It is, however, also attributable to a very great extent to a « spontaneous » preference for investments at over one year on the part of the financial intermediaries, which were probably expecting a decline in long-term interest rates.

e) Separate examination of the situation of each of the three main categories of financial intermediaries — the *public sector* intermediaries, Belgian and Luxembourg banks and the private savings banks — reveals that in all cases the 1984 surplus was reduced or was replaced by a shortage of funds (item 3): this was because the above-mentioned increase in purchases of bonds and notes spread to all categories of institutions (item 2.11). If this general phenomenon is disregarded, however, certain divergences between these various categories are observable in the movement of their other investments outside the money market and in that of their resources.

The public sector financial intermediaries collected less funds than in 1984, partly owing to reduced formation of deposits by *individuals* and *companies* [column (b), item 1.24] and, above all, by the *public authorities* [column (b), item 1.13]. They furthermore slowed down their issues of notes [column (b), item 1.11] by interrupting their investments with the other financial intermediaries on several occasions (see section VII. 2). Thus, account being taken of their much larger purchases of bonds and notes at over one year, they had a shortage of funds of Fr. 30 billion to meet by recourse to the money market, whereas in 1984 they had invested a surplus of Fr. 28 billion on this market [column (b), item 3].

The banks, unlike the above-mentioned financial intermediaries, collected more funds from individuals and companies: the pronounced slackening in the growth of time deposits was more than counterbalanced by greater formation of sight deposits and deposits on deposit books

[column (c), item 1.124]. Their resources in francs from foreign countries also rose more than in 1984 [column (c), item 1.2]. The expansion in their investments outside the money market nevertheless exceeded that in their resources : not only did their purchases of bonds and notes grow markedly, but the outstanding amount of their other credits [column (c), items 2.12 and 2.13] and that of their net claims in foreign currencies [column (c), item 2.2] increased more than in 1984. Consequently their surplus of funds was a little smaller than in 1984 : Fr. 141 billion against Fr. 146 billion [column (c), item 3].

The private savings banks showed a shortage of funds of Fr. 7 billion, against a surplus of Fr. 13 billion in 1984 [column (d), item 3]. Their new liabilities to Belgium in Belgian francs did not differ greatly between the two years [column (d), item 1.14], whereas their purchases of bonds and notes and their additional credits to individuals and companies [column (d), item 2.12] increased fairly considerably.

f) Over the year as a whole there was a *shortage of funds* of Fr. 30 billion on the domestic markets (item 1 of Table VIII. 1.3) : over against a scarcity of Fr. 81 billion of the Treasury and of Fr. 14 billion of the *public sector* not included elsewhere there was a surplus of the financial intermediaries of only Fr. 65 billion; the banks' surplus reached Fr. 92 billion, whereas the public sector financial intermediaries and the private savings banks recorded shortages of Fr. 11 billion and Fr. 17 billion respectively.

g) The two last-mentioned categories met their shortage of funds by cashing part of their portfolio of certificates at up to one year (item 2.11), by borrowing from Belgian and Luxembourg banks (item 2.13) and, supplementarily, by rediscounting (item 2.221). The banks, for their part, bought Fr. 91 billion's worth of such certificates (item 2.11); apart from their lendings on the interbank market, they could hardly use their surplus otherwise, since their repayable liabilities to the Bank had virtually disappeared after the substantial reduction in the outstanding amount of rediscounted bills recorded in 1984. During the year under review it was, on the other hand, hardly ever of advantage to them to make use once more of the available margins under their *rediscount ceilings* for the purpose of subscribing for certificates with the funds thus obtained : the differential between the yield on these certificates and the cost of rediscounting was in fact substantially negative for practically the whole of the period in question, the

new method of fixing the rediscount rate, commented upon in the first pages of the Report, having indeed made it easier for the Bank to ensure that this is the case (Chart VIII. 1.4). For a few days in December, however, a positive differential appeared, this having been the main reason why the outstanding amount of bills rediscounted by the banks increased by Fr. 12 billion from year-end to year-end (item 2.221 of Table VIII. 1.3). Altogether, the components of the liquidity of the Belgian and Luxembourg banks recorded in Table VIII. 1.5 increased further by Fr. 82 billion in 1985, despite the substantial conversions of certificates into paper at over one year, despite the attraction, connected with the trend of interest rates, exerted by bonds and notes and despite the strains on the foreign exchange market towards the end of the year.

h) The Treasury placed certificates totalling Fr. 65 billion (item 2.11 of Table VIII. 1.3) and borrowed foreign currencies amounting to Fr. 35 billion (total of items 2.14 and 2.213) — altogether a greater sum than its shortage of funds. Consequently the outstanding amount of certificates held by the Securities Regulation Fund and financed by means of the Bank's special assistance contracted by Fr. 19 billion (item 2.212).

i) A comparison of the transactions in 1985 described above with those in previous years (Chart VIII. 1.6) shows that they were in line with the trend which became apparent as early as 1982, namely the steadily declining growth in the total recourse of the domestic sectors to the Bank (section 1). The cause of this development is the gradual reduction, since 1982, in selling interventions on the foreign exchange market (section 2.1), which reflects the fundamental improvement in the balance of payments, whereas the Bank's other transactions, particularly the change in the note circulation, did not have any tightening effect — on the contrary, indeed — on the money market (section 2.2).

Table VIII. 1

GROSS REQUIREMENTS OF FUNDS OF INDIVIDUALS, COMPANIES AND PUBLIC AUTHORITIES  
AND COVER ITEMS

(Billions of francs)

	1977	1978	1979	1980	1981	1982	1983	1984	First ten months	
									1984	1985 p
1. Gross requirements of funds .....	505	529	607	649	784	764	828	669	582	739
2. Cover items :										
Funds available on the domestic markets (outside the National Bank of Belgium) :										
2.11 Formation of financial assets by individuals, companies and public authorities ..	515	474	507	469	546	576	674	608	504	625
less :										
2.12 Formation of financial assets other than in Belgian francs .....	-(62)	-(31)	-(75)	-(70)	-(159)	-( 79)	-(81)	-(112)	-(102)	-( 56)
2.13 Increase in bank notes held by individuals and companies .....	-(28)	-(21)	-( 9)	-( 5)	-( 3)	-( -1)	-(16)	-( -5)	-( -5)	-( -5)
2.14 Increase in balances of financial intermediaries with the National Bank of Belgium	-(...)	-( 4)	-( 3)	-(...)	-( 3)	-( 1)	-( -2)	-( 8)	-( ...)	-( -7)
2.1 Available balance (2.11 to 2.14) .....	425	418	420	394	381	497	579	493	407	581
2.2 Capital inflows other than those mentioned under 2.5 .....	46	66	85	128	14	- 25	81	85	79	136
2.3 Statistical deviation .....	- 7	- 9	- 15	5	- 5	- 10	11	- 6	8	15
2.4 Total (2.1 to 2.3) .....	464	475	490	527	390	462	671	572	494	732
Other :										
2.5 Increase in foreign-currency liabilities of the public sector :										
2.51 Treasury .....	- 1	12	42	92	214	220	134	156	170	14
2.52 Rest of the public sector .....	4	...	30	52	79	52	4	13	8	4
2.53 Total (2.51 + 2.52) .....	3	12	72	144	293	272	138	169	178	18
2.6 Increase in domestic recourse to the National Bank of Belgium .....	38	42	45	- 22	101	30	19	- 72	- 90	- 11
3. Shortage of funds on the domestic markets (1 - 2.4 = 2.53 + 2.6) .....	41	54	117	122	394	302	157	97	88	7



Table VIII. 1.1

## SHORTAGE OR SURPLUS OF FUNDS OF THE VARIOUS SECTORS

(Billions of francs)

	1982	1983	1984	First ten months	
				1984	1985 p
1. <i>Treasury :</i>					
1.1 Net issues (+) of bonds in Belgian francs ...	+ 63	+ 306	+ 237	+ 250	+ 417
1.2 Other transactions outside the money market <sup>1</sup>	- 512	- 527	- 517	- 519	- 534
1.3 Shortage (-) of funds (1.1 + 1.2) .....	- 449	- 221	- 280	- 269	- 117
2. <i>Public sector not included elsewhere :</i>					
2.1 Net issues (+) of bonds in Belgian francs ...	+ 27	+ 49	+ 65	+ 45	+ 52
2.2 Net purchases (-) of bonds and notes in Belgian francs .....	- 5	+ 1	- 3	- 4	- 2
2.3 Other transactions outside the money market <sup>1</sup>	- 73	- 49	- 71	- 54	- 53
2.4 Shortage (-) or surplus (+) of funds (2.1 to 2.3) .....	- 51	+ 1	- 9	- 13	- 3
3. <i>Financial intermediaries :</i>					
3.1 Surplus (+) of funds .....	+ 198	+ 63	+ 192	+ 194 <sup>2</sup>	+ 113 <sup>2</sup>
4. <i>Shortage (-) of funds on the domestic markets (1.3 + 2.4 + 3.1) .....</i>	- 302	- 157	- 97	- 88	- 7

<sup>1</sup> The plus sign indicates that these transactions were a source of surplus of funds; the minus sign indicates that they were a source of shortage.<sup>2</sup> For details, see Table VIII. 1.2.



Table VIII. 1.2

## TRANSACTIONS OF THE FINANCIAL INTERMEDIARIES OUTSIDE THE MONEY MARKET

(First ten months in billions of francs)

	Total		of which :					
			Public-sector financial intermediaries		Belgian and Luxembourg banks <sup>1</sup>		Private savings banks	
	(a)		(b)		(c)		(d)	
	1984	1985	1984	1985	1984	1985	1984	1985
1. <i>Funds collected outside the money market</i> <sup>2</sup> :								
1.1 Liabilities in Belgian francs to Belgium :								
1.11 Bonds and notes at over one year .....	+ 97	+136	+ 52	+ 64	+ 26	+ 43	+ 19	+ 29
1.12 Deposits of individuals and companies :								
1.121 sight .....	(- 11)	(+ 21)	(+ 10)	(- 5)	(- 23)	(+ 7)	(+ 2)	(+ 2)
1.122 on deposit books .....	(+ 43)	(+ 71)	(+ 17)	(+ 17)	(+ 16)	(+ 39)	(+ 10)	(+ 15)
1.123 time .....	(+ 84)	(+ 55)	(+ 25)	(+ 24)	(+ 48)	(+ 26)	(+ 11)	(+ 5)
1.124 total (1.121 to 1.123) .....	+116	+147	+ 52	+ 36	+ 41	+ 72	+ 23	+ 22
1.13 Deposits of public authorities .....	+ 24	+ 2	+ 18	- 3	...	...	...	...
1.14 Total (1.11 + 1.124 + 1.13) .....	+237	+285	+122	+ 97	+ 67	+115	+ 42	+ 51
1.2 Net liabilities in francs to foreign countries .....	+ 38	+ 50	+ 1	+ 1	+ 37	+ 52	...	- 3
1.3 Balance of liabilities and claims not included elsewhere .....	+168	+248	+ 30	+ 47	+117	+164	+ 13	+ 32
1.4 Total (1.14 to 1.3) .....	+443	+583	+153	+145	+221	+331	+ 55	+ 80
2. <i>Investments outside the money market</i> <sup>3</sup> :								
2.1 Claims in Belgian francs on Belgium :								
2.11 Bonds and notes at over one year .....	+219	+373	+110	+180	+ 67	+128	+ 41	+ 69
2.12 Other credits to individuals and companies .....	+ 27	+ 61	+ 21	+ 20	+ 6	+ 27	...	+ 14
2.13 Other credits to public authorities .....	- 9	+ 7	- 7	- 24	- 7	+ 7	- 1	+ 2
2.14 Total (2.11 to 2.13) .....	+237	+441	+124	+176	+ 66	+162	+ 40	+ 85
2.2 Net claims in foreign currencies .....	+ 12	+ 29	+ 1	- 1	+ 9	+ 28	+ 2	+ 2
2.3 Total (2.14 + 2.2) .....	+249	+470	+125	+175	+ 75	+190	+ 42	+ 87
3. <i>Shortage (-) or surplus (+) of funds (1.4 - 2.3) .....</i>	+194	+113	+ 28	- 30	+146	+141	+ 13	- 7

<sup>1</sup> For the Luxembourg banks, the only transactions which it was possible to record were those constituting items 1.2 and 2.2; the balance of all their other transactions outside the money market is included in item 1.3.<sup>2</sup> Plus sign : increase in liabilities; minus sign : decrease.<sup>3</sup> Plus sign : increase in claims; minus sign : decrease.

Table VIII. 1.3

## SHORTAGE OR SURPLUS OF FUNDS OF THE VARIOUS SECTORS AND THEIR COUNTERPARTS

(Year 1985 in billions of francs)

	Treasury	Public sector not included elsewhere	Financial intermediaries				Other sectors and indeterminate sectors	Total corre- sponding to change in the items of the National Bank of Belgium's statement of account
			Total	of which :				
				Public-sector financial intermediaries	Belgian and Luxembourg banks	Private savings banks		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1. <i>Shortage (-) or surplus (+) of funds</i> <i>(= transactions outside the money market)</i> .....	- 81	- 14	+ 65	(- 11) <i>p</i>	(+ 92) <i>p</i>	(- 17) <i>p</i>	+ 30	—
2. <i>Counterparts (= transactions on the money market)<sup>1</sup> :</i>								
2.1 <i>Transactions with parties other than the lender of last resort :</i>								
2.11 <i>Certificates in Belgian francs at up to one year</i> .....	+ 65	+ 11	- 76	(+ 8)	(- 91)	(+ 8)	—	—
2.12 <i>Call money</i> .....	—	...	...	( ... )	(+ 3)	( ... )	—	—
2.13 <i>Interbank market</i> .....	—	—	—	(+ 4) <i>p</i>	(- 15) <i>p</i>	(+ 8) <i>p</i>	—	—
2.14 <i>Foreign currencies borrowed by the public sector and           sold by it on the foreign exchange market</i> .....	+ 19	+ 3	- 2	(- 2)	( — )	( — )	- 20	—
2.15 <i>Total (2.11 to 2.14)</i> .....	+ 84	+ 14	- 78	(+ 10) <i>p</i>	(- 103) <i>p</i>	(+ 16) <i>p</i>	- 20	—
2.2 <i>Transactions with the lender of last resort :</i>								
2.21 <i>Transactions of the public sector with the National Bank           of Belgium :</i>								
2.211 <i>Treasury certificates sold to the Bank</i> .....	...	—	—	( — )	( — )	( — )	—	...
2.212 <i>Treasury certificates sold to the Securities Regu-           lation Fund and financed by it with the special           assistance of the Bank</i> .....	- 19	—	—	( — )	( — )	( — )	—	- 19
2.213 <i>Foreign currencies borrowed by the public sector           and sold by it to the Bank</i> .....	+ 16	...	...	( ... )	( — )	( — )	—	+ 16
2.214 <i>Total (2.211 to 2.213)</i> .....	- 3	...	...	( ... )	( — )	( — )	—	- 3
2.22 <i>Recourse by the financial intermediaries to the National           Bank of Belgium :</i>								
2.221 <i>Bills rediscounted</i> .....	—	—	+ 14	(+ 1)	(+ 12)	(+ 1)	—	+ 14
2.222 <i>Advances obtained</i> .....	—	—	- 1	( ... )	(- 1)	( ... )	—	- 1
2.223 <i>Total (2.221 + 2.222)</i> .....	—	—	+ 13	(+ 1)	(+ 11)	(+ 1)	—	+ 13
3. <i>Other transactions of the National Bank of Belgium :</i>								
3.1 <i>Interventions on the foreign exchange market<sup>2</sup></i> .....	n.	n.	n.	( n. )	( n. )	( n. )	- 32	- 32
3.2 <i>Notes<sup>3</sup></i> .....	n.	n.	n.	( n. )	( n. )	( n. )	+ 4	+ 4
3.3 <i>Other</i> .....	n.	n.	n.	( n. )	( n. )	( n. )	+ 18	+ 18
3.4 <i>Total (3.1 to 3.3)</i> .....	n.	n.	n.	( n. )	( n. )	( n. )	- 10	- 10

<sup>1</sup> Plus sign in columns (a) to (f) : increase in recourse or decrease in contribution to the money market; minus sign : decrease in recourse or increase in contribution to the market.<sup>2</sup> Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.<sup>3</sup> Plus sign : decrease in the note circulation; minus sign : increase.

Chart VIII. 1.4

DEGREE OF UTILISATION OF THE BANKS' REDISCOUNT CEILINGS  
AND DIFFERENCE BETWEEN THE YIELD ON TREASURY CERTIFICATES  
AND THE COST OF REDISCOUNTING

(Per cent)

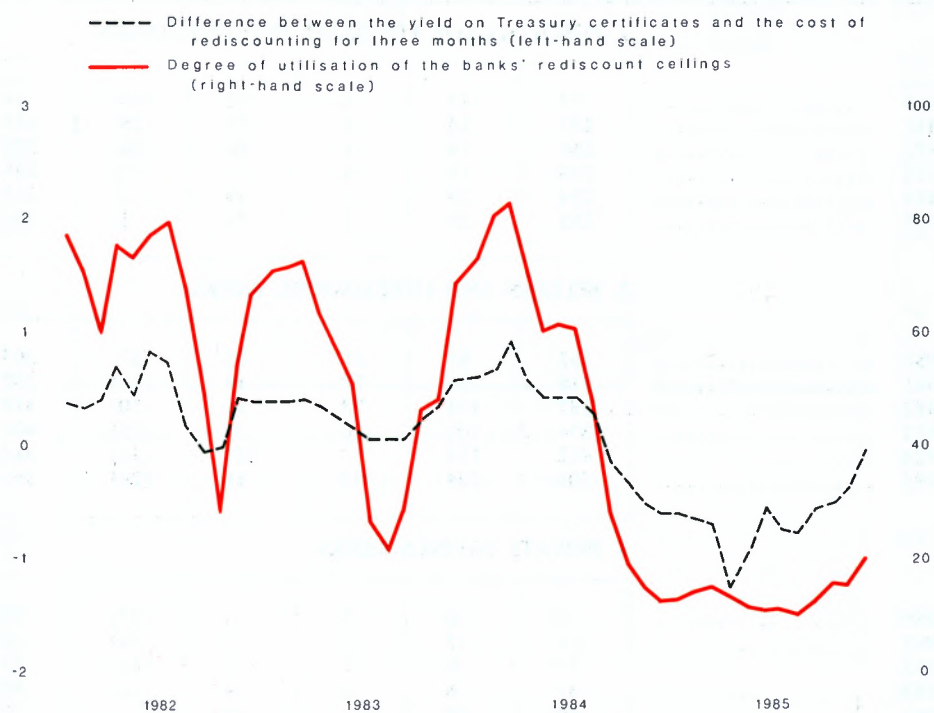


Table VIII. 1.5

## MAIN COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES

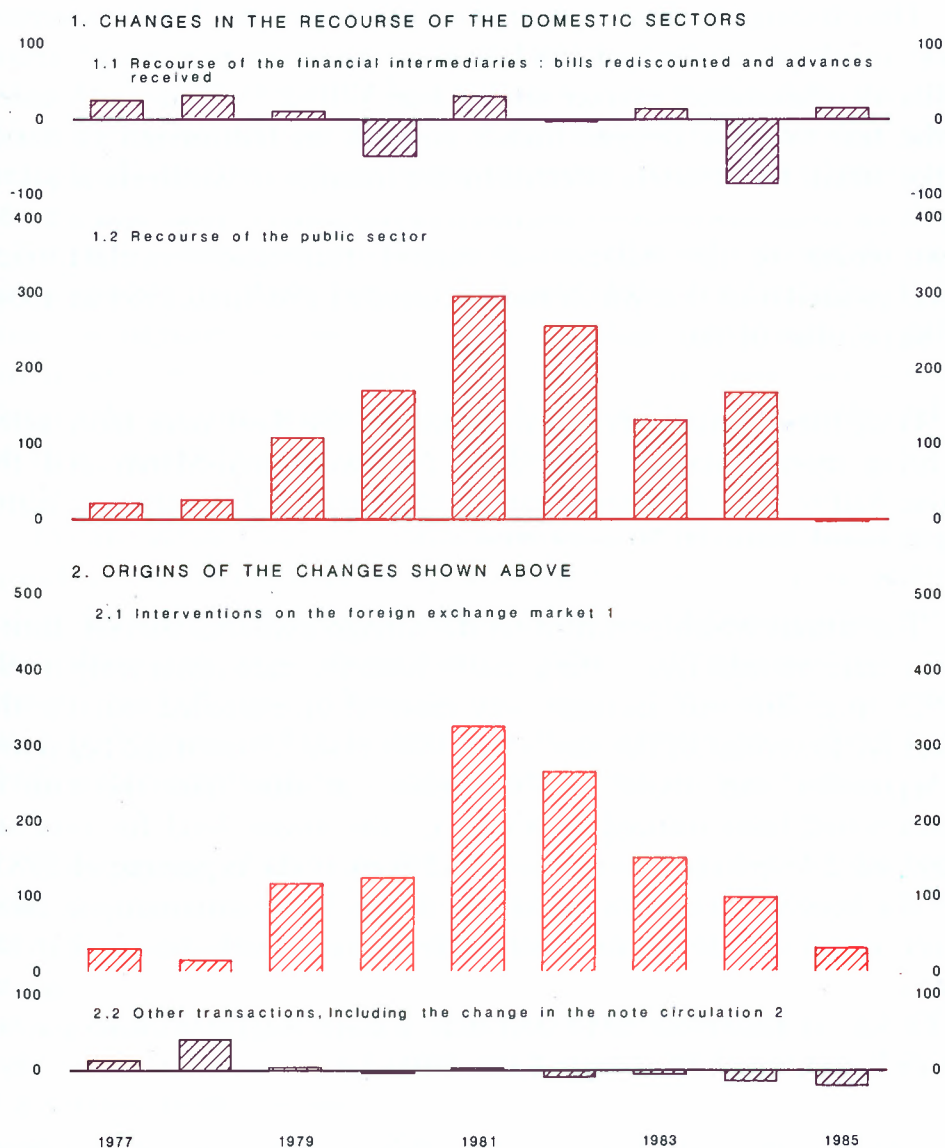
(Billions of francs)

At end of	Treasury and Securities Regulation Fund certificates in Belgian francs at up to one year  (a)	Rediscount ceilings at the National Bank of Belgium				Total of recorded liquidity components  (f) = (a) + (d)
		Total  (b)	Bills rediscounted  (c)	Available margins  (d) = (b) - (c)	p.m. Degree of utilisation  (e) = $\frac{(c)}{(b)}$ (percentages)	
1. PUBLIC-SECTOR FINANCIAL INTERMEDIARIES						
1980 .....	73	13	2	11	(15)	84
1981 .....	135	14	4	10	(29)	145
1982 .....	260	14	4	10	(29)	270
1983 .....	238	15	4	11	(27)	249
1984 .....	294	19	...	19	(...)	313
1985 .....	285	20	1	19	( 5)	304
2. BELGIAN AND LUXEMBOURG BANKS						
1980 .....	165	89	51	38	(57)	203
1981 .....	218	96	77	19	(80)	237
1982 .....	287	104	73	31	(70)	318
1983 .....	374	107	80	27	(75)	401
1984 .....	412	114	13	101	(12)	513
1985 .....	504	124	33	91	(26)	595
3. PRIVATE SAVINGS BANKS						
1980 .....	6	6	2	4	(33)	10
1981 .....	28	7	5	2	(71)	30
1982 .....	29	8	5	3	(63)	32
1983 .....	37	8	4	4	(50)	41
1984 .....	60	10	...	10	(...)	70
1985 .....	53	11	1	10	( 6)	63
4. TOTAL						
1980 .....	244	108	55	53	(51)	297
1981 .....	381	117	86	31	(74)	412
1982 .....	576	126	82	44	(65)	620
1983 .....	649	130	88	42	(68)	691
1984 .....	766	143	13	130	( 9)	896
1985 .....	842	155	35	120	(22)	962

Chart VIII. 1.6

# CHANGES IN THE RECOURSE OF THE DOMESTIC SECTORS TO THE NATIONAL BANK OF BELGIUM AND THEIR ORIGINS

(Billions of francs)



<sup>1</sup> Plus sign : net sales of foreign currencies.

<sup>2</sup> Increases in the Bank's liabilities, including that in the note circulation, and decreases in assets are recorded with a plus sign and the opposite changes with a minus sign.



## VIII. 2 Interest rates

a) During the greater part of the year under review the Bank's action was aimed at bringing about a downward movement of interest rates on the domestic money market. On several occasions, however, exceptional circumstances induced it to deviate temporarily from this policy.

Thus during the first quarter the interest rate on Treasury certificates was kept at the end-1984 level in order to prevent a further decline in other money market rates (Chart VIII. 2.2). This was because of the fear that the Belgian franc's position on the foreign exchange market might be adversely affected by the upsurge — which subsequently proved to be transient — of international interest rates and also by a worsening of the balance of current transactions with foreign countries similar to that which had occurred in 1983 and 1984 at about the same time of the year.

Once these constraints had disappeared, the Bank once more acted to bring money market rates down: between mid-March and the second half of June the interest rate on three-month Treasury certificates was lowered from 10.70 to 8.90 p.c.

The strains which prevailed on the foreign exchange market during the summer months forced the Bank to raise this rate again temporarily to 9.50 p.c. But this increase was more than cancelled out by the successive lowerings of the rate which took place between the beginning of September and about mid-November; at that time the rate in question had been reduced to 8.60 p.c., the lowest level for over six years and 2.15 points lower than it had been at the beginning of 1985. For the reasons stated in point f) of the basic information, these reductions pulled down all money market rates with them: that for three-month interbank deposits, for instance, fell from an average of 10.73 p.c. in December 1984 and 9.57 p.c. in August to 8.66 p.c. in November (Chart VIII. 2 and Table VIII. 2.1).

Towards the end of the year the Belgian franc was again subject to pressures within the European Monetary System, and the movement of interest rates had to be adjusted once more; the rate for three-month Treasury certificates was therefore raised to 9.75 p.c.



b) The Bank's decision to adapt the method employed for fixing its official rates with effect from 8th May 1985 has been commented upon in detail on the first pages of the Report. As soon as this reform had been implemented, the discount rate — which had remained unchanged since February 1984 — was lowered from 11 to 9.75 p.c. During the remainder of the year its movement was largely centred on that of the rate for three-month Treasury certificates, in accordance with the rules of the new system (Chart VIII. 2.2 and Table VIII. 2.3).

c) Money market rates in turn influenced most short-term creditor and debtor interest rates (Chart VIII. 2.4) and particularly the rates which the banks offer for deposits of one million francs or over, which generally closely follow those on the interbank market : the three-month rates on deposits of from Fr. 5 to 20 million and on those of from Fr. 1 to 3 million, as the net result of their ups and downs during the year, fell by about 1.65 points between December 1984 and December 1985 ; those on deposits of from Fr. 3 to 5 million underwent a similar movement. The rate for three-month ordinary deposits was likewise adjusted downwards several times : it amounted to 6 p.c. at the end of the year, against 7.5 p.c. at the beginning.

On the other hand, as in the previous year, the rate for deposits on ordinary savings books at the General Savings and Pensions Fund and at the other major financial intermediaries remained unchanged at 6 p.c. (basic rate plus fidelity bonus), which corresponds to a *gross fictitious rate* of 8 p.c. These intermediaries were reluctant to reduce this rate because of the competition from certain other institutions which were continuing to offer a much higher interest rate.

This rigidity of the rate for deposits on savings books, combined with the pronounced fall in the remuneration of time deposits, inevitably created some anomalies in the interest rate structure. Hence at the end of the year the yield on an ordinary three-month deposit was lower than the basic rate (expressed in terms of the gross fictitious rate) which could be obtained on an investment for a much shorter term in the form of a savings book deposit.

The debtor interest rates which the banks applied to short-term credits followed the same general movement as money market rates : between the end of 1984 and the end of 1985 the basic rates for

discounts and current account advances were reduced by 2 and 2.5 points respectively.

d) The yields on public bonds, which had declined very gradually in 1984, moved hesitantly during the first months of the year under review : thus the yield on issue of the first three Government or Road Fund loans was around 11.50 p.c. against 11.76 p.c. for the last loan in 1984 (Chart VIII. 2). Subsequently the downward movement of long-term rates speeded up markedly : the yield on issue of the September Government loan was only 10.77 p.c. and that of the last big loan of the year, issued in November by the Road Fund, was only 9.87 p.c., or nearly 2 points below that for the last 1984 loan and also at the same time the lowest rate since 1979.

e) The reductions which the public credit institutions applied during the year to the rates for the notes and bonds which they issue on tap were smaller than the above-mentioned decline in the yield on the loans which the Government and the Road Fund issue in large tranches : for notes with a term of five years they amounted altogether to 1.25 point. It should be pointed out, however, that the banks, for their part, reduced this rate further, namely by altogether 1.75 point. This difference between the two categories of financial intermediaries seems to be due to the fact that the former held back in the expectation that a solution would be found to the problem of deposits on savings books. The interest rates which the public credit institutions charge on long-term credits, namely investment credits and mortgage loans, were lowered by 2 points and 1 point respectively (Chart VIII. 2.5).

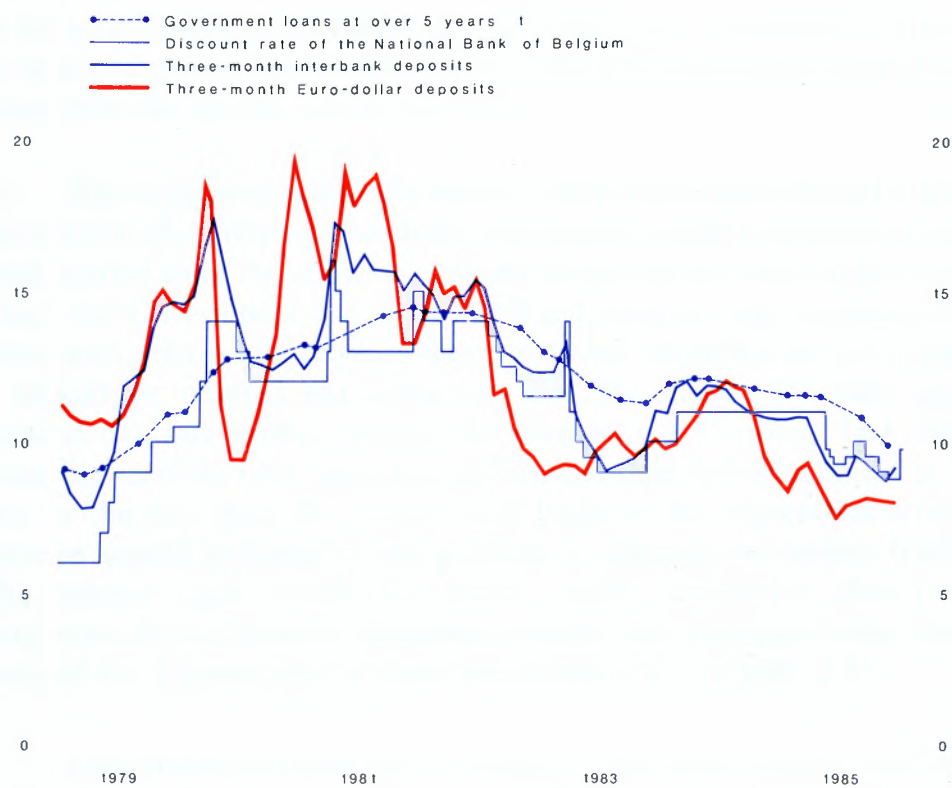
f) The process of reduction of creditor rates which has been broadly outlined above was more or less parallel for time deposits at up to six months and for assets with a term of three years and above, although for both time deposits and notes the public credit institutions went less far than the banks. Up to the end of the year, however, this process had no great effect on assets — either deposits or notes — at one and two years. The rigidity of the last-mentioned rates — for assets the outstanding amount of which is admittedly small — is primarily attributable to the absence of any adjustment of the interest rate — both the basic rate and the fidelity bonus — on deposits on savings books, owing, as mentioned above, to the competition between financial intermediaries. Consequently, at the end of the year under review, the curve

connecting the creditor rates which can be obtained by an individual investing small amounts displays in the middle — for terms of between six months and three years — a sharp kink, which did not exist, or was only slight, a year earlier or at the end of 1981, when most interest rates had reached an absolute peak (Chart VIII. 2.6).

Chart VIII. 2

## INTEREST RATES

(Per cent)



<sup>1</sup> Before deduction of tax at source.

Table VIII. 2.1

INTEREST RATES ON THREE-MONTH INTERBANK DEPOSITS  
AND TREASURY CERTIFICATES*(Per cent)*

Daily averages	Interbank deposits	Treasury certificates
1979 .....	10.91	10.91
1980 .....	14.23	14.28
1981 .....	15.29	15.46
1982 .....	14.07	14.29
1983 .....	10.54	10.69
1984 .....	11.38	11.58
1985 .....	9.58	9.71
1984 December .....	10.73	10.90
1985 January .....	10.75	10.90
February .....	10.86	10.85
March .....	10.80	10.80
April .....	9.98	10.24
May .....	9.28	9.48
June .....	8.88	9.08
July .....	8.89	9.04
August .....	9.57	9.63
September .....	9.28	9.46
October .....	8.97	9.10
November .....	8.66	8.79
December .....	9.10	9.32

Chart VIII. 2.2

INTEREST RATES ON TREASURY CERTIFICATES AND DISCOUNT RATE  
OF THE NATIONAL BANK OF BELGIUM IN 1985

(Per cent)

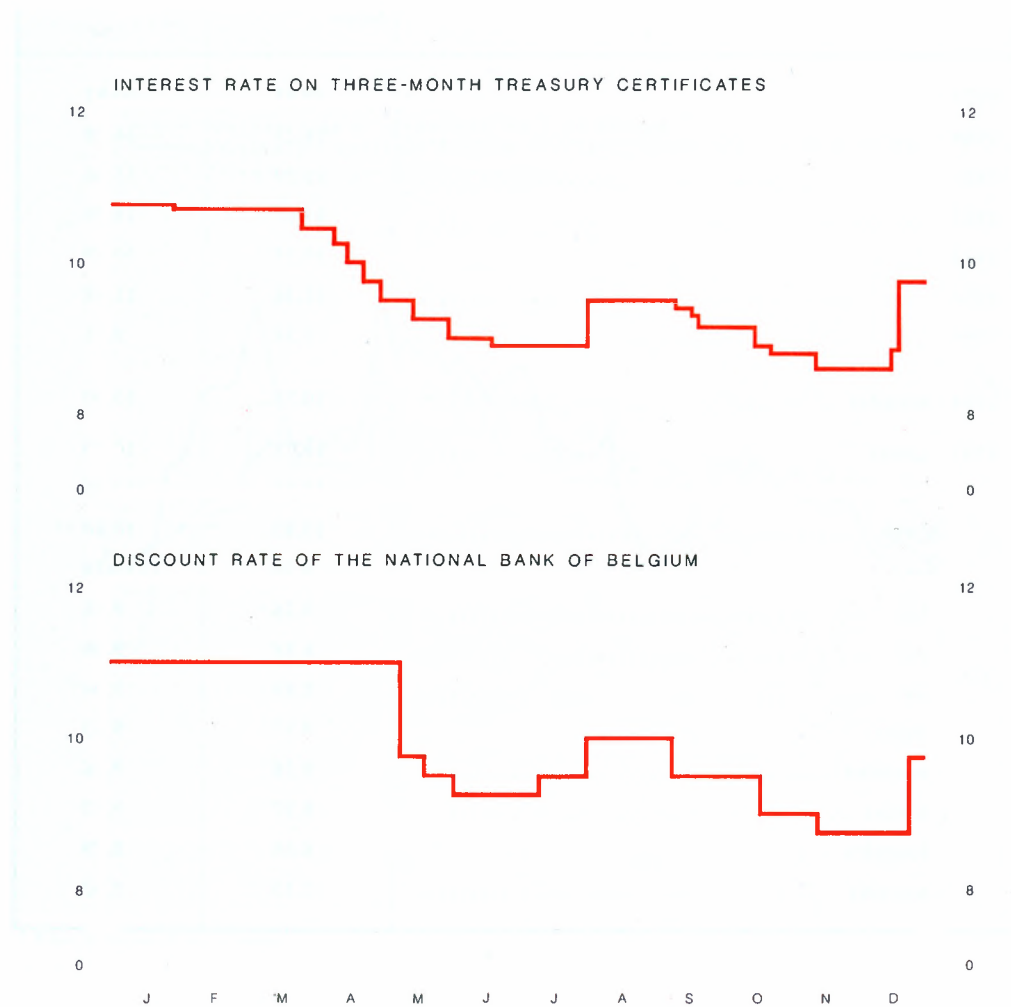




Table VIII. 2.3

## NATIONAL BANK OF BELGIUM'S RATES

(Per cent)

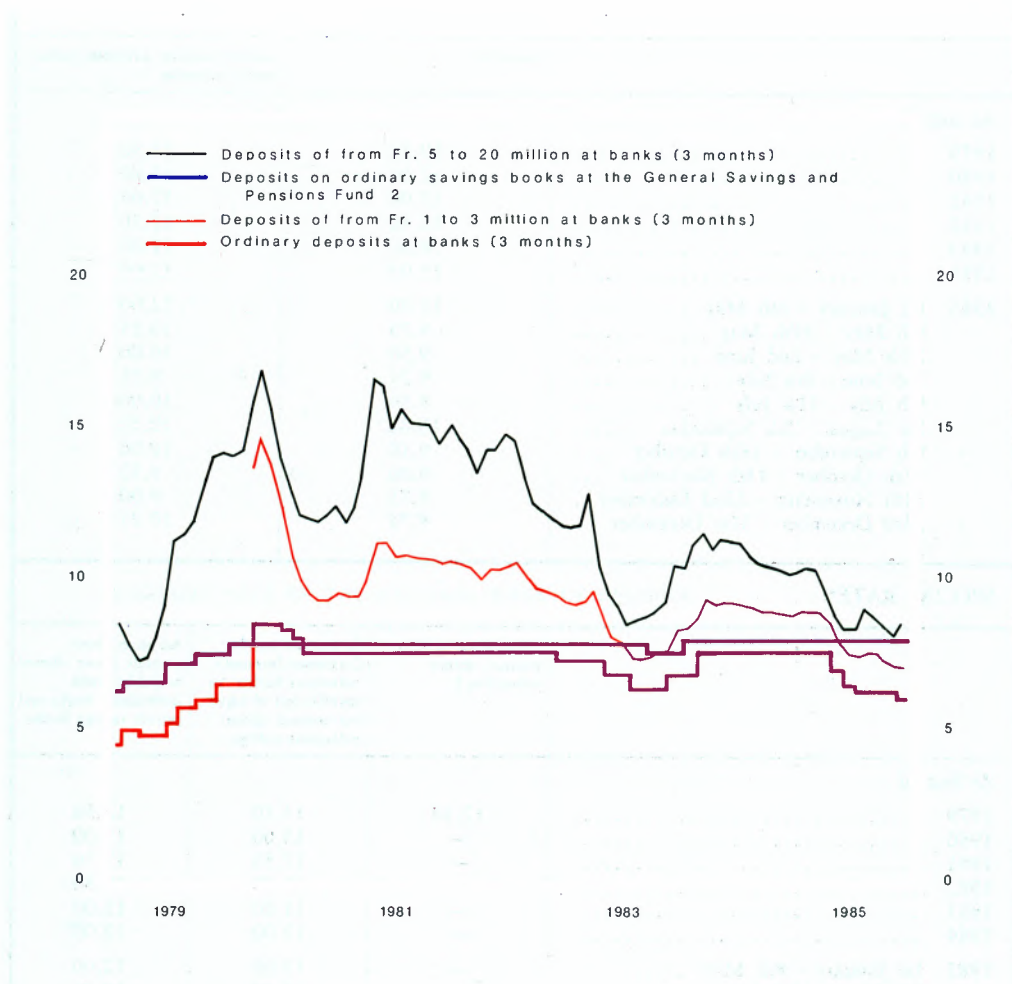
OFFICIAL SCALE OF DISCOUNT AND ADVANCE RATES			
	Discount <sup>1</sup>	Current account advances against public securities	
At end of :			
1979 .....	10.50	12.50	
1980 .....	12.00	12.00	
1981 .....	15.00	17.00	
1982 .....	11.50	12.50	
1983 .....	10.00	11.00	
1984 .....	11.00	12.00	
1985 1st January - 8th May .....	11.00	12.00	
9th May - 19th May .....	9.75	10.25	
20th May - 2nd June .....	9.50	10.00	
3rd June - 8th July .....	9.25	9.75	
9th July - 31st July .....	9.50	10.00	
1st August - 8th September .....	10.00	10.50	
9th September - 16th October ....	9.50	10.00	
17th October - 13th November ...	9.00	9.50	
14th November - 22nd December .	8.75	9.00	
23rd December - 31st December ..	9.75	10.25	
SPECIAL RATES			
	Discounting of bills counted against sub-ceiling B	Rediscount and Guarantee Institute's rediscount facility for mobilisation of paper not counted against rediscount ceilings	Advances above monthly quota allotted to public credit institutions, banks and private savings banks
At end of :			
1979 .....	12.50	13.50	13.50
1980 .....	—	13.00	13.00
1981 .....	—	17.50	17.50
1982 .....	—	12.50	12.50
1983 .....	—	11.00	11.00
1984 .....	—	12.00	12.00
1985 1st January - 8th May .....	—	12.00	12.00
9th May - 19th May .....	—	10.25	10.25
20th May - 2nd June .....	—	10.00	10.00
3rd June - 8th July .....	—	9.75	9.75
9th July - 31st July .....	—	10.00	10.00
1st August - 8th September .....	—	10.50	10.50
9th September - 16th October ....	—	10.00	10.00
17th October - 13th November ...	—	9.50	9.50
14th November - 22nd December .	—	9.00	9.00
23rd December - 31st December ..	—	10.25	10.25

<sup>1</sup> Rate for bills counted against the overall discount ceiling or, where appropriate, discount sub-ceiling A. Since 12th August 1985 the Bank has been applying a preferential discount rate, one point below the official rate, for the mobilisation — via the Rediscount and Guarantee Institute — of commercial bills certified by the Bank and representing exports to countries outside the European Economic Community. This measure replaces a similar system which the Rediscount and Guarantee Institute was previously able to apply without any intervention by the Bank.

Chart VIII. 2.4

# SHORT-TERM CREDITOR INTEREST RATES <sup>1</sup>

(Per cent)



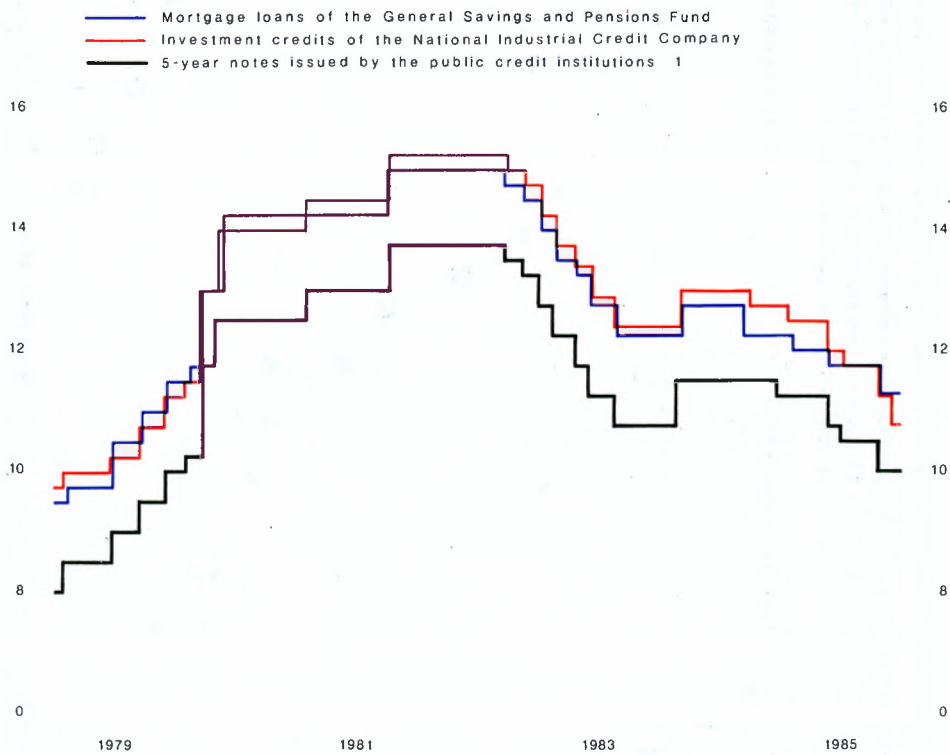
<sup>1</sup> Before deduction of tax at source.

<sup>2</sup> Gross fictitious rate, including the fidelity bonus.

Chart VIII. 2.5

THE PUBLIC CREDIT INSTITUTIONS' LONG-TERM RATES

(Per cent)



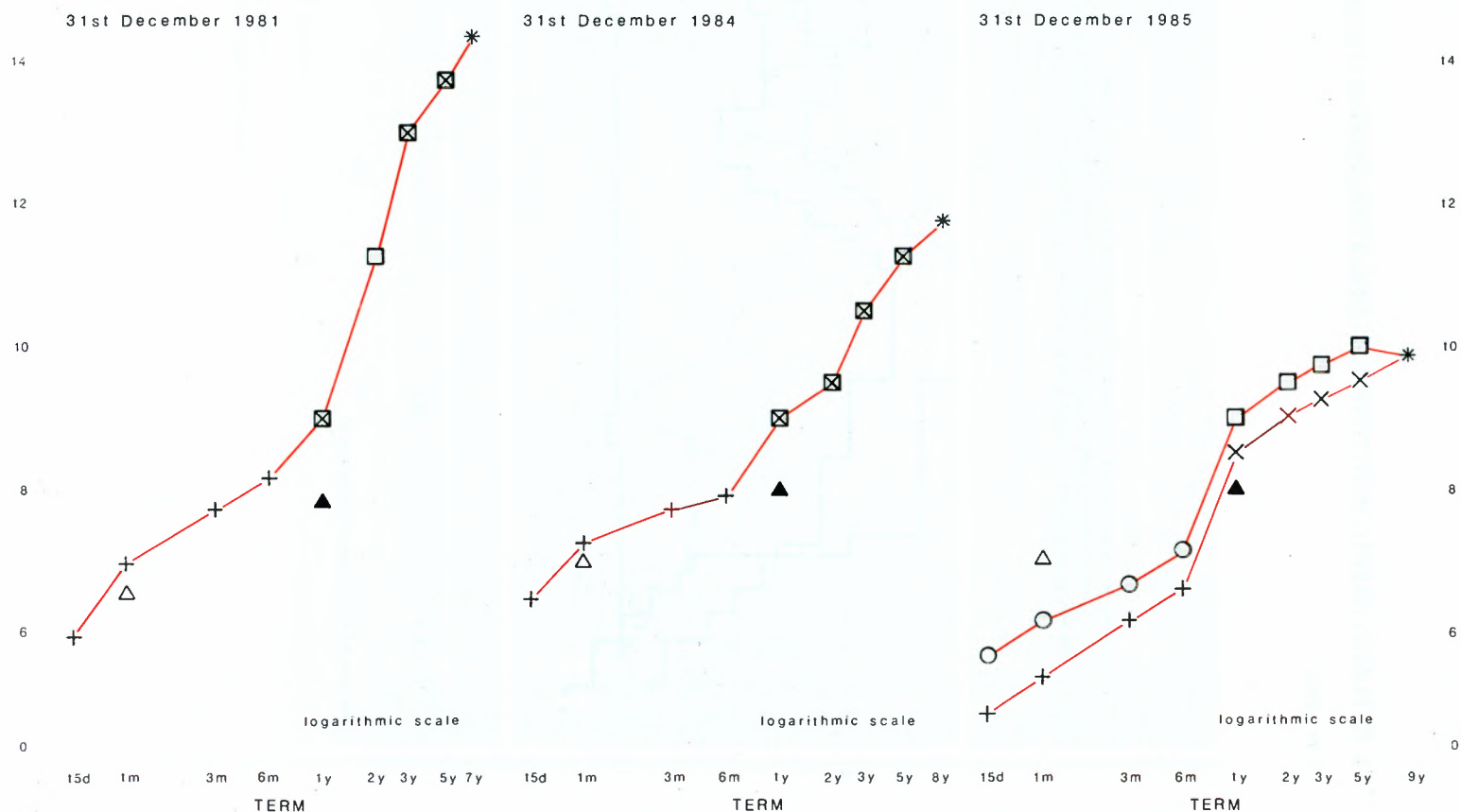
<sup>1</sup> Yield on issue before deduction of tax at source.

Chart VIII. 2.6

# STRUCTURE OF CREDITOR INTEREST RATES APPLICABLE TO SMALL INVESTMENTS <sup>1</sup>

(Per cent)

- \* Government or Road Fund loans
- Notes issued by public credit institutions
- × Notes issued by banks
- ▲ Deposits on ordinary savings books with the GSPF (base rate + fidelity bonus) <sup>2</sup>
- △ Deposits on ordinary savings books with the GSPF (base rate) <sup>2</sup>
- Ordinary time deposits at public credit institutions <sup>3</sup>
- + Ordinary time deposits at banks <sup>3</sup>



<sup>1</sup> Before deduction of tax at source.

<sup>2</sup> Gross fictitious rate.

<sup>3</sup> Annual actuarial rate.

## FIRST ANNEX

### GLOSSARY OF THE MAIN TERMS USED





### *Commission processing*

Transactions connected with the processing — in the Belgian-Luxembourg Economic Union for account of non-residents and abroad for account of residents — of goods which have not been the subject of a transfer of ownership between residents and non-residents.

### *Communities and regions*

This sub-sector of the *public authorities* was created under the Law of 8th August 1980 for Institutional Reforms of the State, which conferred on the Walloon, Flemish and Brussels regions and on the French-speaking, Dutch-speaking and German-speaking communities certain powers which were previously possessed by the national government.

### *Companies*

This sector comprises all enterprises which are in the legal form of joint-stock companies or private partnerships, and also public enterprises.

### *Compensation of employees*

The compensation of employees comprises gross wages and salaries, including employers' social security contributions and, in 1984 and 1985, the 2 p.c. index tranche paid by the employees of enterprises to the *public authorities*. For persons remunerated by the Treasury, the local authorities and certain public enterprises, this compensation also includes the pensions and other payments which are made directly by these employers.

### *Contributions to the change in an economic magnitude*

The contributions to the change in an economic magnitude are calculated in order to determine what proportion of that change is attributable to each of the components of that magnitude. The sum of the contributions is thus equal to the change in the magnitude.

These contributions are generally calculated for percentage changes, particularly the percentage changes in the *gross national product* or in cost and price indices.

### *Deflator*

An index which enables the value of an economic magnitude at current prices to be converted into a datum expressed at the prices of a base year. There are deflators for the *gross national product* or the *gross domestic product*, for the various categories of expenditure and for the *value added* of the various branches of the economy; they are comparable to price indices.

### *Depreciation*

The depreciation figures appearing in the national accounts represent the countervalue of the depreciation suffered during the period in question by the stock of fixed capital which has accumulated over the years thanks to the *gross fixed capital formation* which has taken place each year. In the case of *individuals*, for instance, the depreciation allowances comprise those applied to the dwellings which they own and to the fixed capital stock of one-man businesses. On the other hand, no depreciation is applied in the national accounts to the greater part of the fixed assets of the *public authorities*.

### *Disposable income*

The disposable income is obtained by adding to (or deducting from) the *gross primary income* the net current *transfers* received from (or paid to) other sectors. This disposable income — which, like primary income, is a gross income, that is, including *depreciation* — can be devoted either to expenditure on consumption or to formation of *gross savings*.

### *Divergence indicator*

This indicator provides a measure of the difference between the exchange rates actually applied on the foreign exchange market and the central rates established within the framework of the European Mone-

tary System. In the case of the Belgian franc the exchange rates used are those of the regulated market. The values which the indicator can assume are between  $-100$  and  $+100$ ; if the indicator is negative (positive), this means that the monetary unit in question is strong (weak) compared with the average for the other currencies in the System.

For further details see the article entitled « Le Système Monétaire Européen », Bulletin of the National Bank of Belgium, LIVth year, Volume II, Nos 1-2, July-August 1979.

### *Divergence threshold*

The divergence threshold of a monetary unit participating in the exchange mechanism of the European Monetary System is equal to 75 p.c. of the maximum divergence of that unit, that is, to the value  $-75$  of the *divergence indicator* for a strong currency and the value  $+75$  for a weak currency. A country whose monetary unit goes beyond one of these thresholds is required to take steps to eliminate the strains which have thus become apparent.

### *Final expenditure*

This item of the national accounts records the flow of goods and services which are available to satisfy the demand of the final national users (which means that it excludes goods and services used within the framework of the production process) or for delivery to foreign countries. In other words, it is equal to the sum of domestic expenditure (private consumption, *public consumption* and *gross capital formation*) and exports of goods and services, or to the sum of the *gross domestic product* and imports.

### *Gross capital formation*

Gross capital formation comprises gross fixed capital formation and changes in stocks. Gross fixed capital formation (also called investment) records the flow of the durable goods acquired by the domestic sectors for a period exceeding one year for the purpose of generating a subsequent income, but excluding purchases of existing fixed assets, including

land. With regard to households, in particular, it should be noted that their gross capital formation consists only of dwellings.

### *Gross domestic product*

The gross domestic product (GDP) is the product of the activity carried out within the frontiers of the national economy, irrespective of the nationality of the factors of production — labour and capital — which are used. By adding the incomes obtained abroad by the national factors of production to the gross domestic product and by deducting from it the incomes paid to the foreign factors of production which are used within the national frontiers, the gross national product is obtained.

Thus, for 1984, the data (in billions of francs) given below, which are taken from the national accounts of the National Statistical Institute, enable the transition to be made from Belgium's gross domestic product to its gross national product :

Gross domestic product .....	4,486
— add the proceeds of Belgian direct investments abroad (interest received on deposits, bonds or loans, investment income, etc.) .....	+ 340
— deduct the proceeds of foreign direct investments in Bel- gium (interest paid on deposits, bonds or loans, and especially interest on the public debt placed abroad, in- vestment income, etc.) .....	- 395
— add the incomes of Belgian « frontier workers » abroad (remuneration received by workers resident in Belgium but working abroad) .....	+ 46
— deduct the incomes of foreign « frontier workers » in Belgium (remuneration paid to workers resident abroad but working in Belgium) .....	- 19
Total = gross national product .....	4,458

The gross national product (GNP) is thus the result of the economic activity of all the national factors of production, wherever this activity takes place.



It can be calculated from three angles :

- either by recording the flow of goods produced and services rendered in the economy, excluding, to avoid duplication, goods and services used in the production process (called intermediate consumption) or, in other words, by adding together the *value added* of the various branches and net factor incomes (origin of the gross national product or « production » angle);
- or by recording the various domestic sectors' expenditure on final consumption of goods and services (hence excluding intermediate consumption) and on *gross capital formation*, and adding to this the net exports of goods, services and factor incomes (allocation of the gross national product or « expenditure » angle);
- or by making an inventory of the *gross primary incomes* which the various domestic sectors have obtained by participating in domestic production of goods and services or have acquired abroad (distribution of the gross national product or « income » angle).

#### *Gross fictitious rate*

Fictitious interest rate calculated for financial assets — and more specifically for deposits on ordinary savings books — the interest on which is exempt from the withholding tax on income from financial assets up to a certain amount, so as to obtain, for these assets, a rate which is comparable to the gross yield of assets which are fully subject to this withholding tax.

#### *Gross national product*

See *gross domestic product*.

#### *Gross operating surplus (before subsidies)*

The gross operating surplus of *companies* is equal to the difference between the total value of their sales, excluding taxes, to the other sectors and the sum of their production costs other than financial

charges (*compensation of employees* and purchases from other sectors). It includes the profit before tax, depreciation allowances and financial charges.

#### *Gross primary income*

The gross primary income of a sector (*individuals, companies, public authorities*) is the income which that sector's factors of production have generated within the framework of the production process. It therefore generally comprises the *compensation of employees*, the income of one-man businesses, the *gross operating surplus* of companies, *income from property* and *depreciation*. These various incomes are considered before any fiscal or parafiscal levy. The interest on the public debt, which is not taken into account in calculating the public authorities' income from property, is deducted from their gross primary income. Lastly it should be pointed out that, by a convention which is accepted for the national accounts, subsidies are included in the gross primary income of the sector which receives them and are therefore deducted from the gross primary income of the public authorities, and that the latter income does include, on the other hand, indirect taxes. The sum of the gross primary incomes of the domestic sectors defined in this way constitutes the *gross national product*.

#### *Gross savings*

Gross savings are the difference, measured ex post on the basis of the national accounts, between a sector's *disposable income* and its consumption; the term « gross » means that *depreciation* has not been deducted. As *companies* have no consumption, their gross savings are equal to their disposable income.

#### *Income from property*

A sector's income from property comprises the incomes — received or allocated — in the form of rents, interest, dividends, directors' fees, etc., after deduction of the incomes of the same kind paid. With regard, more particularly, to the *public authorities*, income from property mainly comprises the incomes which they receive, including their income from their share in the profits of the public sector financial interme-



diaries, including the Bank, or in those of non-financial public enterprises, but after deduction of these public enterprises' losses which they have met. Interest on the public debt is mentioned separately in the national accounts and the tables in this Report.

### *Individuals*

This sector comprises not only households but also enterprises which are not included in the *companies* sector, that is, mainly one-man businesses.

### *Labour costs*

These are expressed in the form of an index number which is equal to the ratio between gross compensation (including employers' social charges) and either the employment index (labour costs per person employed) or the index of the number of hours worked (labour costs per hour worked).

### *Labour costs per unit of output*

These are expressed in the form of an index number which provides a measure of the movement of the total cost of the paid labour incorporated, on average, in a unit of output. It is therefore the ratio between the index of *labour costs* and the index of the apparent *productivity* of employees. Concretely, this result is obtained directly by working out the ratio between the index of gross compensation (including employers' social charges) and the index of the corresponding production (or *value added*) expressed at constant prices.

### *Market services*

Services which are sold and bought on the market : real services (for instance commercial services, transport, telecommunications, hotel and catering services, etc.) or fictitious services (allocated rents).

### *National sectors*

The national sectors are the five industrial branches of activity for which, under the Law of 8th August 1980 on the Institutional Reforms of the State, the powers with regard to economic policy were not assigned to the *regions* but continued to be possessed exclusively by the national government. These five branches are the iron and steel industry, including transportation of ores and coke, the coal mines, the textile industry, shipbuilding and repair and the hollow-glass industry.

### *Net financial deficit*

The net financial surplus or deficit of a sector is the positive or negative difference between the formation of financial assets by that sector and the new liabilities which it has contracted during the period. When either of these flows is measured on the basis of the change in the outstanding amounts between the beginning and the end of the period, this change is adjusted to eliminate the effect of purely accounting operations not entailing movements of funds, such as changes in valuation due, for instance, to variations in exchange rates. Subject to a statistical deviation, a sector's net financial surplus or deficit must correspond to that sector's *net financing capacity* or *net financing requirement*.

### *Net financial surplus*

See *net financial deficit*.

### *Net financing capacity*

A sector has a net financing capacity when its *gross savings* (plus the *capital transfers* received) are greater than its *gross capital formation*. A sector whose transactions result in a net financing capacity will be a net supplier of funds to the money and capital markets.

### *Net financing requirement*

A sector has a net financing requirement when its *gross savings* (plus the *capital transfers* received) are insufficient to finance its *gross*

*capital formation.* A sector whose transactions result in a net financing requirement will be a net taker of funds from the money and capital markets.

### *Non-market services*

Services rendered free or almost free of charge to the community or to individual groups of households by the *public authorities*.

The *value added* of non-market services consists mainly of the compensation of employees who are employed directly by the public authorities. From the expenditure angle it is added to the public authorities' intermediate consumption of goods and services for the purpose of obtaining the amount of *public consumption*, which therefore, in the absence of establishment of its value by the market, is determined on the basis of costs.

### *Payments basis or transactions basis (balance of payments or current transactions on a)*

A balance of payments on a payments basis in principle records current transactions at the time when they are the subject of a payment. A balance of payments on a transactions basis in principle records these transactions at the time when they are made, for instance at the time when an imported goods item is cleared through customs. This means that a balance of payments on a transactions basis includes, among capital transactions, inflows or outflows in respect of the commercial claims which arise whenever a current transaction is not paid for at the time when it is carried out; that is not the case in a balance on a payments basis.

### *Productivity*

The relationship between the *value added* at constant prices and all the factors of production employed. Only the apparent productivity of labour, however, defined as either the ratio between the value added and employment or the ratio between the value added and the number of hours worked, can be easily measured.

In this statistical concept, (labour) productivity is determined only *ex post* on the basis of the other two magnitudes. This relationship is not established, however, until any interactions there may be have taken place : the development of the value added and that of (labour) productivity may influence each other. This is the case, for instance, when an economic recovery gives rise — as is generally the case — to an increase in the value added without any parallel rise in employment — because the workforce of the enterprises was underemployed during the recession — and hence to a cyclical rise in productivity. The chain reaction may also be in the opposite direction, when the introduction of new production techniques increases productivity and this increase improves competitiveness in terms of costs and enables sales and hence the value added to be expanded. These reciprocal influences must be borne in mind if the development of productivity or its influence on employment are to be correctly interpreted.

#### *Public authorities*

The public authorities comprise the national government, the *regions*, the *communities*, the local authorities and the social security system; they do not, therefore, include public enterprises. They correspond to the concept « State » in the Belgian national accounts.

#### *Public consumption*

See *non-market services*.

#### *Public sector*

The public sector is defined as the aggregate composed of the *public authorities* and the public enterprises (that is, the financial and non-financial public enterprises).

#### *Rediscount ceilings*

The rediscount ceilings determine the maximum amount up to which each financial intermediary can rediscount commercial bills at the Bank and the Rediscount and Guarantee Institute.

For further details see the article entitled « Réforme du système des plafonds de réescompte », Bulletin of the National Bank of Belgium, LIInd year, Volume II, No. 3, September 1977.

### *Regions*

See *communities and regions*.

### *Shortage of funds on the domestic markets*

The difference between the gross requirements of funds (new liabilities) of the non-financial domestic sectors (*individuals*, non-financial *companies* and *public authorities*) and the funds made available « spontaneously » or « autonomously » to the domestic markets by these same sectors and foreign countries ; this shortage of funds has as its counterpart an « induced » increase in recourse by the domestic sectors to foreign markets and the central bank.

### *Terms of trade*

Index expressing the movement of the price of a unit sold or exported in relation to that of the price of a unit bought or imported. This index is generally calculated for the whole of a given economy by the ratio between the index of average unit values (or of the *deflator*) for exports and the index of the average unit values (or of the *deflator*) for imports.

### *Third-country trade*

A balance of payments item in which are recorded goods purchased and resold abroad by residents, irrespective of whether or not the goods pass via the territory of the Belgian-Luxembourg Economic Union.

### *Transfers*

Transfers are transactions without counterpart between sectors which may either be the result of intervention by the *public authorities* by virtue of laws or regulations or may take place on a contractual or voluntary basis. In the national accounts a distinction is made between



capital transactions, which are in principle intended for the financing of direct or portfolio investments (such as, for instance, the building subsidies granted by the public authorities to *individuals* and, by analogy, purchases and sales of plots of land between domestic sectors or, again, death duties and taxes on gifts), and current transfers, that is, other transfers, including particularly, in one direction, direct taxes and social security contributions and, in the other direction, social security benefits. In the balance of payments, transfers are broken down between public transfers, i.e. those for which at least one of the parties involved, whether a resident or a non-resident, is a public authority or an international organisation (including, for instance, the payments made in favour of residents by the European Agricultural Guidance and Guarantee Fund), and private transfers, i.e. other transfers, which include in particular remittances of funds by foreign workers to their countries of origin.

#### *Value added*

The value added of a branch of activity, i.e. its share in the *gross domestic product*, represents the value which is added to the amount of the materials and services used thanks to the employment of the factors of production (labour, capital, entrepreneur's contribution). The value added can therefore be obtained, in principle, by finding the difference between the value of production and the value of intermediate consumption (values of the goods and services used other than those provided by the enterprises' own factors of production).

#### *Weighted average exchange rate*

This is an index number the change in which reflects, in principle, the fluctuations in the exchange rate for a currency in relation to all the other currencies. It is a — generally geometric — weighted average of the bilateral index numbers for the currency of one country in relation to the currencies of its main trading partners.

There are two kinds of indices of the weighted average exchange rate which differ according to the weighting coefficients used :

- in index numbers of the first type — to which those calculated by the Bank belong — the weightings are based on the structure



of the bilateral trade between a country and its partners; such index numbers indicate what, in a system of fixed exchange rates, would have been the change in parity which would have had, on the cost for the foreign or resident purchaser, effects equivalent to those of the variations in exchange rates which actually occurred;

- in indices of the second type — such as those calculated by the International Monetary Fund — the weightings are based on a multilateral exchange rate model which takes into account the competition between a country and each of its partners not only in their bilateral relations but also on third markets; indices of this type indicate what, in a system of fixed exchange rates, would have been the change in parity which would have had, on the balance of trade of the country in question, the same overall effects as the variations in exchange rates which actually occurred.

For further details, see the article entitled « Les indices du cours moyen pondéré ou cours de change effectif du franc belge », Bulletin of the National Bank of Belgium, LIInd year, Volume I, No. 5, May 1977.

### *Working population*

The working population, which represents the demand for jobs, is obtained by adding together the number of employed persons (employees, self-employed persons and assistants), which represents the supply of jobs, and the number of job-seekers without work, that is, of unemployed persons. The civilian working population does not include regular members of the armed forces or persons doing military service.



## SECOND ANNEX

### **METHOD OF ESTABLISHMENT OF THE DATA APPEARING IN THE TABLES AND CHARTS**



TABLE I. 1

Up to 1984 the data are from the Organisation for Economic Co-operation and Development, except those for Belgium, which are supplied by the National Statistical Institute. The data for 1985 are estimates made by the Organisation for Economic Co-operation and Development dating from December 1985.

For the half-yearly data the percentage changes are calculated on the basis of seasonally adjusted figures and are expressed as annual rates; thus the percentages for one half-year reflect the changes compared with the immediately preceding half-year.

The figures for 1984 and 1985 mentioned for the United States, Canada, Japan and the Federal Republic of Germany relate to the *gross national product*.

Table I. 1.1

a) The *contributions* of the categories of expenditure to the changes in the *gross domestic product*, calculated or estimated by the Organisation for Economic Co-operation and Development, are obtained for the years 1984 and 1985 by multiplying the percentage growth rate of the category in question by its share in the previous year's gross domestic product. The figures for the United States, Canada, Japan and the Federal Republic of Germany relate to the contributions to the *gross national product*.

b) The various items call for the following remarks :

### 1.2 Expenditure of the public authorities

Not including expenditure on residential building in France, which is contained in item 1.31, and *gross fixed capital formation* by the Italian public authorities, which is contained in item 1.32.

### 2. Net exports of goods and services

Not including factor income for France, the United Kingdom and Italy, but including this income for the other countries.

### 3. Gross domestic product

The data include, for some countries, statistical adjustments which are not included in items 1.4 and 2.3.

#### Table I. 1.2

The data, including the estimates for 1985, are from the Organisation for Economic Co-operation and Development.

For the half-yearly data the percentage changes are calculated on the basis of seasonally adjusted figures and are expressed as annual rates; hence, the percentages for one half-year reflect the changes compared with the immediately preceding half-year.

The « Other countries » are mainly centrally-planned economies.

#### Chart I. 1.3

This shows averages, per quarter, of the seasonally adjusted monthly figures calculated by the Organisation for Economic Co-operation and Development. Last period : average of October-November.

#### Chart I. 4

The price indices for raw materials, taken from the Institut für Wirtschaftsforschung, Hamburg, are calculated on the basis of the U.S. dollar prices. They are averages, per quarter, of monthly data.

The monthly index of the *weighted average exchange rate* for the dollar is calculated by the International Monetary Fund, which uses for this purpose the average, per month, of the daily rates. The index shown in the chart is the average, per quarter, of these monthly indices.



## Chart I. 1.5

The sources used are : for the European Economic Community and the member countries of the Organisation for Economic Co-operation and Development : Organisation for Economic Co-operation and Development ; for the United States : U.S. Bureau of Labor ; for Japan : Prime Minister's Office ; for Italy : Istituto Centrale di Statistica ; for the United Kingdom : Ministry of Labour ; for France : Institut National de la Statistique et des Etudes Economiques ; for Belgium : Ministère des Affaires Economiques ; for the Federal Republic of Germany : Statistisches Bundesamt ; for the Netherlands : Centraal Bureau voor de Statistiek.

The percentage changes are those in the data for the last month of each quarter in relation to the level reached a year earlier. Last period : November for the European Economic Community and the member countries of the Organisation for Economic Co-operation and Development as a whole.

## Table I. 1.6

All the data, including the estimates for 1985, except those for Belgium, are from the Organisation for Economic Co-operation and Development. For Belgium the definition of the data is the same as that of those of item 3 of Table V. 2.2.

For the United States, Canada, Japan, the Federal Republic of Germany and Belgium the *net financing requirement* is expressed as a percentage of the *gross national product*.

## TABLE I. 2

All the data, including the estimates for 1985, are from the Organisation for Economic Co-operation and Development, except those for the Belgian-Luxembourg Economic Union, which were calculated by the Bank.

The « Other countries » are mainly centrally-planned economies.

The balance appearing in the item « Total », which corresponds to the world current account balance, should in principle be zero [see point g) of the

basic information]. For an explanation of the reasons for the extent of the negative balance, readers are referred to E. Veil, « The World Current Account Discrepancy », Organisation for Economic Co-operation and Development, Occasional Studies, June 1982, pp. 46 to 62.

#### Table I. 2.1

a) The data, including the estimates for 1985, are from the International Monetary Fund, except those for item 1.3 *p.m.* « of which to foreign banks as a percentage of their external assets », which are from the Bank for International Settlements.

b) The various items call for the following remarks :

##### 1. Outstanding debt

The figures are for the debt at the end of each year, expressed as a percentage of the year's exports.

##### 1.21 To official organisations

The data relate to indebtedness to public authorities and the international official institutions.

##### 1.3 *p.m.* of which to foreign banks as a percentage of their external assets

For the periods after 1982 the data are not fully comparable to those for the preceding periods, as, since 1983, the number of countries whose banks report the outstanding amount of their external assets to the Bank for International Settlements has considerably increased.

#### Chart I. 2.2

The *weighted average exchange rates* are calculated by the International Monetary Fund.

From 1977 to 1983 the figures are averages, per year, of daily rates. For 1984 and 1985 they are averages, per month, of daily rates.

### Chart I. 2.3

The data are from the Bank for International Settlements, except for those for the Euro-Belgian franc, which are from the Bank.

For the years 1977 to 1983 the figures are averages, per quarter, of daily interest rates. For 1984 and 1985 they are averages, per month, of daily interest rates.

### Chart I. 2.4

The long-term yield rates are those for loans of the public or semi-public sector on the secondary market. They are taken, for the United States, from the Federal Reserve Bulletin; for the Federal Republic of Germany, the United Kingdom and France, from the Financial Statistics of the Organisation for Economic Co-operation and Development; for the Netherlands from the Kwartaalbericht van De Nederlandsche Bank. The inflation rates were established on the basis of the same sources as were used for Chart I. 1.5.

From 1961 to 1982 the figures are averages, per year, of monthly figures. From 1983 to 1985 they are averages, per quarter, of monthly figures. The percentage changes in consumer prices are calculated in relation to the previous year or to the corresponding quarter of the previous year.

The yield rates in the Netherlands relate, before 1984, to the yield on the last three long-term government loans and, from 1984 onwards, to the yield on the last five government loans with the longest remaining terms.

The yield rates in Belgium relate, for the years 1961 to 1963, to the yield on the loans issued before 1st December 1962 and, from 1964 onwards, to the yield on loans issued after 1st December 1962. As the yields on these two categories of loans are subject to a different tax system, they are not strictly comparable with each other.

### TABLE II. 1

a) For the years 1977 to 1984 the percentage changes in expenditure at constant prices were calculated on the basis of the national accounts drawn

up by the National Statistical Institute, and more specifically the table which in those accounts bears the number III. 4 and is entitled « Allocation of the national product. Estimates at 1980 prices ». In order to distinguish between the *individuals*, *companies* and *public authorities* sectors, the table was also based on the national accounts compiled by the Statistical Office of the European Communities, in accordance with the European System of Integrated Economic Accounts.

b) The data for 1985 were estimated as follows :

### 1. Private consumption

The estimate is based on various indicators concerning, respectively, consumption of goods and consumption of services.

Consumption of goods, which accounts for about 60 p.c. of private consumption, mainly covers retail sales. The estimates of the movements of these were based on four indicators.

Among these, two indicators reflect a less favourable movement of sales than in 1984. These are, firstly, retail sales according to the declarations for value added tax, shown in Chart II. 1.2, which shows a stabilisation at constant prices over the first nine months of the year, against a rise of 0.6 p.c. during the twelve months of 1984. The second consists of domestic deliveries of consumer goods as recordable on the basis of the data for the production of consumer goods adjusted to take into account the development of imports and exports : this second indicator shows a decline of about 1.5 p.c. over the first ten months of 1985, whereas it had hardly gone down at all over the whole of the previous year.

The other two indicators, also included in Chart II. 1.2, show, on the other hand, a relative improvement in trade. Despite the pessimistic bias which it has shown in recent years, the index of retail sales compiled on the basis of a survey carried out by the National Statistical Institute, remained unchanged during the first nine months of 1985 ; for the whole of 1984 it had declined by 2.2 p.c. Furthermore, according to the assessment of the development of commercial sales as reflected by the results of the Bank's business survey, the gradual improvement which was observable throughout 1985 appears to have continued and even become more marked during the last months of the year, warranting the expectation, for the year as a whole, of a recovery in the movements recorded by the other indicators during the first nine or ten months.



Altogether, therefore, for consumption of goods sold in retail trade, an estimate was adopted which is half-way between the relative movements described above, namely a rise of 0.5 p.c., identical to that recorded in 1984.

In order to arrive at private consumption of goods it is necessary to add consumption of electricity and gas to the above-mentioned estimate; according to certain partial items of information — including consumption of low-voltage electricity — that consumption would appear to have increased by about 5 p.c. in 1985, so that total private consumption of goods appears to have risen by 0.8 p.c. in 1985.

The estimate of the movement of expenditure on services is the result of the estimates of the course of each of the major items of the national accounts which cover this expenditure, especially :

- the item « rents, taxes, water », which represents nearly 30 p.c. of private consumption of services; this item is undergoing structural growth owing to the upward trend of the total number of households and the steady improvement in the amenities of dwellings; a growth of 2 p.c., in line with the increases recorded in the previous years, was therefore assumed;
- the item « medical and allied care », which represents 25 p.c. of private consumption of services; the estimate for this item is based on the forecasts of the benefits financed by the National Sickness and Disablement Insurance Institute, which predict a rise of 1.5 p.c. against a decline of 1 p.c. in 1984. This turnaround would appear to be mainly due to consumption of pharmaceutical products, which appears to have increased in 1985 whereas it decreased in 1984. Consumption of medical and paramedical assistance, for its part, appears to have continued to rise.

According to the fragmentary information available (particularly turnover on the basis of declarations for value added tax), the other items as a whole appear to have stabilised, so that private consumption of services appears to have increased by 0.9 p.c.

Account being taken of all the above-mentioned movements, private consumption within the national territory appears to have risen by 0.8 p.c. in 1985.

In order to calculate the private consumption of Belgian households, purchases of goods and services as recorded within the national territory have to be adapted, according to the methodology adopted in the national accounts, by adding to them the expenditure of Belgian tourists abroad and deducting

from them the expenditure of non-resident individuals in Belgium. These data are obtained from the balance of payments statistics : in 1985, purchases made in Belgium by non-residents, including those made from retailers by individuals from neighbouring countries, appear to have decreased at constant prices, while the expenditure of Belgians abroad appears to have undergone hardly any change ; on balance, therefore, these transactions appear to have exerted a slight upward influence on the movement of private consumption, causing the above estimate to be raised from 0.8 to 0.9 p.c.

## 2. Public consumption

This item is based on the estimates made in order to arrive at the figures appearing in Table V. 2 for 1985.

### 3.1 Gross capital formation by individuals

This item comprises the change in livestock, investment in fixed assets by one-man businesses and total investment in housing.

The estimate of the movement of investment in fixed assets by one-man businesses is based on the annual percentage changes in the gross fixed capital formation of each branch of activity, these percentages being estimated jointly for *companies* and one-man businesses (see item 3.2 below). These percentages are then weighted by the weight of each branch in investment in fixed assets by one-man businesses ; on the basis of this method, this investment appears to have remained stable in 1985.

Investment in housing mainly comprises three major items : expenditure on new dwellings, expenditure on the conversion of dwellings and registration fees and charges on deeds, which, although relating to the secondary market, are regarded, for the compiling of the national accounts, as representing expenditure on housing.

- The estimate of expenditure on new dwellings was primarily made — by analogy with the methods used in national accounting — on the basis of the National Statistical Institute's statistics on the number of housing starts and making allowance for gradual completion during the subsequent nine months. The available data, which cover dwellings started during the period April 1984-July 1985, point to a slight increase in the number of dwellings built in 1985. However, this increase conceals a further reduction in social dwellings (that is, dwellings built by the public housing companies, the Housing Funds of the Large Families League and their approved companies, or financed through them, together with the social dwellings financed by the General Savings and Pension Funds



within the framework of its advances to approved loan companies) and an increase in the number of other dwellings : if one turns from the numbers to the values at constant prices, the increase in other dwellings, the average prices of which are higher than those of social dwellings, is expanded, so that, at constant prices, expenditure on new dwellings appears to have risen more than the number of dwellings built.

- The estimate of the course of conversion work is based, in accordance with the practices of national accounting, on the National Statistical Institute's statistics on the number of starts of conversions of residential buildings; the available data, which cover conversions started during the first seven months of 1985, indicate a decline of 1.2 p.c., which was extrapolated for the year as a whole.
- Registration fees appear to have remained unchanged at constant prices, according to the data compiled by the Ministry of Finance; the same also applies, therefore, to charges on deeds, since their overall amount is estimated as a certain percentage of registration fees.

Account being taken of all the movements described above, expenditure on housing appears to have increased by 2 p.c. in 1985.

### 3.2 Gross capital formation by companies

This item comprises changes in stocks (other than livestock) and investment in fixed assets.

The movement of the latter is, as has already been mentioned in connection with item 3.1, estimated together with that of investment by one-man businesses, on the basis of the estimate of investment by enterprises, for which two main sources of information are available for the year under review : the Bank's investment surveys and the statistics from declarations for value added tax.

The overall estimate for 1985 was made on the basis of a number of partial estimates concerning the development of investment in the main branches which the National Statistical Institute usually distinguishes.

With regard to manufacturing industry, the estimate is mainly based on the results of the survey made by the Bank in November, which pointed to a rise in investment in fixed assets of the order of 4 p.c. for 1985 as a whole; this percentage was adopted because it is confirmed by the movement which emerged from the declarations for value added tax (+ 5 p.c. for the first nine months of 1985).

The rise in the investment of the industrial branches as a whole — that is, including the mineral-extracting industry, building, electricity, water and gas — would appear to have been slightly smaller, having amounted to about 3.8 p.c., mainly owing to the stagnation of investment by the electricity companies which is apparent from the estimates made by the Belgian Trade Federation of Producers and Distributors of Electricity.

For service activities, the calculations are largely based, as is done by the National Statistical Institute, on the statistics derived from the declarations for value added tax. In addition, account was taken of the results of the survey carried out by the Bank in November among the financial intermediaries, and also of certain items of unofficial information provided by the main public transport and communications companies. For service activities as a whole, the increase in *gross fixed capital formation* at constant prices would appear to have amounted to about 2 p.c.

With regard to the branch of agriculture, forestry and fishing, for which the above-mentioned indicators are not available, the calculations were mainly based on the movement of the credits for which recourse was had to assistance from the Agricultural Investment Fund. In 1985 the number of these credits fell by about 21 p.c., which, in view of the relative importance of the investment benefiting by the above-mentioned assistance, points to a decrease of the same order of magnitude in the total investment of the branch (which is largely composed of one-man businesses).

All in all, gross fixed capital formation by enterprises (*companies* and one-man businesses) appears to have risen by 2 p.c. in 1985. If investment in fixed assets by one-man businesses, which appears to have remained unchanged (see item 3.1 above) is excluded, the increase in gross fixed capital formation by companies alone would appear to have amounted to 2.3 p.c.

### 3.3 Gross capital formation by the public authorities

This item is based on the estimates which were made in order to arrive at the figures shown in Table V. 2 for 1985.

## 5. Exports of goods and services and 7. Imports of goods and services

These items were calculated on the basis of the still fragmentary indications provided by the balance of payments of the Belgian-Luxembourg Economic Union (see third part) adjusted to take into account the estimates adopted for the Grand Duchy of Luxembourg and of the movement of the *deflators* of foreign trade (items 5 and 7 of Table III. 1). These data relate

both to goods, for which recourse was also had to the National Statistical Institute's indices of the volume of foreign trade (see Table VI. 2.1), and to services, the growth in which, especially imports, would appear to have slowed down more markedly than that of goods. Altogether, the increase in exports of goods and services was estimated at 3.2 p.c. and that of imports of goods and services at 3.1 p.c.

#### Table II. 1.1

The *contributions* of the various categories of expenditure to the percentage changes in the *gross domestic product* at constant prices were calculated on the basis of the sources and methods already used for compiling Table II. 1.

#### Chart II. 1.2

— Private consumption of goods according to the national accounting data (upper part of chart)

This was calculated for the years 1982 to 1984 on the basis of the national accounts compiled by the National Statistical Institute; for 1985 the percentage change was estimated in the manner described in connection with Table II. 1.

— Retail sales according to the declarations for value added tax (upper part)

This indicator is compiled by the National Statistical Institute, which publishes these data only at current prices; the figures contained in the chart were therefore obtained by deflating the data at current prices by means of an index corresponding to a weighted average of the consumer price indices for food products, on the one hand, and non-food products, on the other. For 1985 the percentage change shown in the chart was calculated on the basis of the data for the first nine months of the year.

— Index of retail turnover (upper part)

This index is also compiled by the National Statistical Institute, but on the basis of a sample survey; it relates to the volume data as published by the Institute itself. These data are still provisional for the years included in the chart; for 1985 the index covers the first nine months of the year.

— Assessment of the movement of sales according to the Bank's business surveys (lower part)

This index is compiled on the basis of the results of the Bank's business survey; the figures included in the chart are averages, per quarter, of the monthly data, which are themselves three-month weighted moving averages.

Table II. 1.3

The percentage changes in the *gross domestic product* and the main categories of expenditure at constant prices for Belgium are, for 1983 and 1984, those resulting from the national accounts compiled by the National Statistical Institute and, for 1985, those estimated by the Bank as shown in Table II. 1; for the other countries the data are from the Organisation for Economic Co-operation and Development.

These data are not always fully comparable :

— For the United States, Japan and certain countries of the European Economic Community the figures for 1984 and 1985 relate to the *gross national product* and not the *gross domestic product*.

— In the United States the distinction between *public consumption* and public investment does not exist. The latter is therefore included in item 2 « Public consumption ».

Furthermore it was not possible, for foreign countries, to break down *gross capital formation* by enterprises between *companies* and one-man businesses, as was done for Belgium in Table II. 1; gross capital formation by enterprises was therefore adopted.

**Table II. 2**

a) With regard to the composition of the various branches, the following points should be noted :

## **2. Industry**

This comprises the mineral-extracting industry, electricity, gas and water and manufacturing industry.

## **3. Building**

The *value added* in building relates to all building work, irrespective of the branch of activity to which the enterprise doing the work belongs; it is therefore greater than that of building enterprises in the strict sense alone.

## **4. Market services**

This also includes garages.

b) For the years 1977 to 1984 the percentage changes were calculated directly on the basis of the national accounts compiled by the National Statistical Institute, and more specifically the series « Gross value added at market prices by branch of activity, at 1980 prices ».

c) The main figures for 1985 were estimated by the method described below.

## **2. Industry**

The estimates are mainly based on the available data on industrial production (not including building) for the first ten months, adjusted for the unequal length of the months (Table II. 2.2). For the months of the year under review which were not yet covered by these data, it was assumed, in accordance with the indications provided by the Bank's business surveys, that there was a slowing-down of growth during the last two months of the year.

An additional downward adjustment was made in order to allow for the effect on the actual growth rate of the fact that one day less was worked in 1985 than in 1984. Account was also taken of the fact that deliveries of gas,



which are not included in industrial production, do in fact affect the *value added* in industry.

### 3. Building

The value added is mainly estimated on the basis of *gross fixed capital formation* in the form of housing, on the one hand, and of that in the form of non-residential buildings and civil engineering work, on the other.

The former is the subject of a specific estimate in its capacity as the main component of gross capital formation by individuals (see Table II. 1).

Gross capital formation in the form of non-residential buildings and civil engineering work is first of all estimated by branch of activity : the calculation starts from the annual percentage changes in the total fixed capital formation of each branch, which are estimated in order to obtain the domestic product from the angle of expenditure, and the percentages are adjusted in so far as statistical indicators by branch are available, in order to allow for the fact that expenditure on construction work may not have developed in exactly the same way as total fixed capital formation. The weighted average of the percentage changes for each branch which have been thus obtained is then calculated ; the respective weights — which were provided for 1984 by the National Statistical Institute — are those of the various branches in gross capital formation in non-residential buildings and civil engineering work.

### 4. Market services

The estimate is partly based on that of expenditure on private consumption (see Table II. 1) and especially that on foodstuffs, beverages, clothing, household articles, petroleum products, personal care, leisure and hotel and catering services, the remainder being derived from the available indicators for the other types of services, particularly transport and communications.

### 5. Non-market services

In the absence, in recent years, of any raising of scales granted within the framework of social programming, the rise of 1.3 p.c. in the value added of this branch was estimated on the basis of the increase in the number of persons actually employed by (or on retirement pensions from) the *public authorities*.



## Chart II. 2.1

Manufacturing industry comprises the following industries : metal manufactures, chemicals and rubber, basic metallurgy, non-metallic mineral products, textiles, clothing, footwear and leather, wood, paper and board, oil refining and also food and beverages, tobacco and coking plants. The three last-mentioned branches are not, however, included either in the synthetic curve or in the two categories of orders.

The production data are those published by the National Statistical Institute.

The synthetic curve is arrived at according to the principles and methods described in the article « Rajeunissement de la courbe synthétique des principaux résultats de l'enquête mensuelle de la Banque Nationale », Bulletin of the National Bank of Belgium, LVIIIth year, Volume II, No. 3, September 1983.

Export orders and domestic market orders are based on the Bank's monthly survey of business activity.

All the data in the chart are averages, per quarter, of monthly data. In order to enable the major trends to be more clearly seen, the monthly production data were first of all seasonally adjusted and smoothed.

## Table II. 2.2

The data are from the National Statistical Institute. The percentage changes are arrived at on the basis of the gross indices for the full years, but the percentages for the first ten months of the year are calculated on the basis of indices adjusted for the unequal length of the months.

## TABLE II. 3

a) The data are changes as at 30th June of the year in question compared with the same date in the previous year. For 1977 to 1984 the data on the *working population* and on employment are from the Ministry of Employment and Labour, except for those in respect of early retirement, which were

provided, for the years 1977 to 1985, by the National Employment Office. For 1984 and 1985 the Bank supplemented the last-mentioned data by estimating the number of persons still benefiting by the special early retirement scheme for older unemployed persons. The National Employment Office also provided the data on unemployment. The employment estimates for 1985 were made by the Bank, chiefly on the basis of information from the National Social Security Office. The composition of the various branches of activity covered by items 2.1 and 2.2 is the same as in Table II. 2.

b) The various items call for the following remarks :

## 2.2 Non-market services

Employment in the services provided by the *public authorities* : administration, education, defence (persons doing military service and regular members of the armed forces) and special employment programmes (special temporary employment scheme, third labour circuit and jobless employed by the public authorities).

## 2.3 Foreign countries

Difference between the number of jobs offered abroad to persons resident in Belgium and the number of jobs offered in Belgium to persons resident abroad.

## 3. Unemployment

The data include, apart from wholly unemployed persons receiving unemployment pay, other categories of unemployed, namely « Voluntarily registered job-seekers without employment » and « Other compulsorily registered unemployed persons ». The various categories of unemployed persons whom the National Employment Office groups under the heading « Other compulsorily registered unemployed persons » are not, however, all included in the item. In order to avoid duplication, the categories of unemployed persons who are, in principle, included in the employment figures (item 2), namely unemployed persons given work in a sheltered workshop, unemployed persons who have accepted a part-time job in order to escape unemployment and, in 1985, young persons who have worked part-time during their waiting period have not been included. For lack of statistical material it is impossible to eliminate, for the years prior to 1985, this last-mentioned category — small though it is — from « Other compulsorily registered unemployed persons ». Older unemployed persons who are no longer regarded as job-seekers in

accordance with the Royal Decree of 29th December 1984 are no longer recorded in the unemployment figures for 1985.

The data concerning unemployment also do not include partially unemployed persons. Although the work of these persons has been temporarily suspended or at least reduced, they remain bound by a contract of employment and are therefore included in the employment data (item 2).

Table II. 3.1

a) The composition of the branches of activity is the same as in Table II. 2. The *value added* has therefore been taken from this table, except that *market services* here disregard the item « Rent » because employment under this head is nil. The sources of the data on employment are the same as for Table II. 3.

b) The data on employment are changes as at 30th June of the year in question compared with the same date of the previous year. The data on the *value added* (at constant prices) are changes over the whole of the year in question compared with the previous year. The calculations of the value added per person employed may therefore give a somewhat distorted picture, as the value added and employment do not relate to identical periods.

The change in the value added (at constant prices) per person employed is calculated as follows :

$$\left( \frac{\text{Index of value added, previous year} = 100}{\text{Index of employment, previous year} = 100} - 1 \right) \times 100$$

Table II. 3.2

a) The data — including those on employment and unlike those in Tables II. 3 and II. 3.1 — are changes in the average for the year in question compared with that for the previous year. The data on employment and the number of hours worked were estimated on the basis of information from the National Social Security Office (employment) and the Economic Research Institute of the Catholic University of Louvain (number of hours worked). The data on the *value added* are from the same sources as those in Table II. 2.

b) The change in the number of hours worked per person employed is calculated as follows :

$$\left( \frac{\text{Index of total number of hours worked, previous year} = 100}{\text{Index of employment, previous year} = 100} - 1 \right) \times 100$$

The change in the *value added* (at constant prices) per hour worked is calculated as follows :

$$\left( \frac{\text{Index of value added, previous year} = 100}{\text{Index of total number of hours worked, previous year} = 100} - 1 \right) \times 100$$

### Chart II. 3.3

The data on unemployment at the month-ends and on the *working population* are compiled by the National Employment Office and the Ministry of Employment and Labour respectively. The unemployment rate is adjusted for seasonal variations by the Bank. The unemployment for which the rate is represented by a continuous line has the same composition as that shown in item 3 of Table II. 3.

### TABLE III. 1

a) The percentage changes for the years 1977 to 1984 were calculated directly on the basis of the national accounts compiled by the National Statistical Institute, and more specifically of the series entitled « Allocation of the national product at current prices and at 1980 prices ».

b) The Bank's estimates of the *deflators* for 1985 were generally made on the basis of the price indicators used by the National Statistical Institute or, in the absence of these, on the basis of the available indicators which approach them most closely, as described below.

#### 1. Private consumption

The estimated change in the deflator corresponds to that recorded by the overall index of consumer prices, namely + 4.9 p.c.



## 2. Public consumption

The deflator for this category of expenditure largely depends on that adopted for the remuneration payable by the *public authorities* and the pensions for which the Treasury and the public authorities are directly responsible. The movement of this deflator was estimated on the basis of the index of the salaries paid to civil servants. Furthermore, account was taken, for the remuneration, of the fact that twelve monthly salaries plus an end-of-year bonus were paid in 1985, whereas in 1984 only the equivalent of twelve months' salary was paid. The resultant increase in total gross compensation at current prices was attributed to price changes and incorporated in the increase in the deflator in question, which would thus appear to have been 4.6 p.c. Account being taken of the fact that the rise in the prices of the actual or attributed purchases of goods and services by the public authorities appears to have been slightly smaller, the deflator of *public consumption* as a whole appears to have gone up by 4.5 p.c.

### 3.1 Gross capital formation by individuals (housing)

The rise in the deflator was estimated separately for social housing and private housing. For social housing the estimate was made on the basis of the contracts awarded during the year under review. For private housing it was derived, on the one hand, from the increase in the cost of the materials used in building work (estimated at 4.6 p.c. on the basis of index I of the cost of building materials calculated by the Ministry of Economic Affairs) and, on the other hand, from that in *labour costs* in the building sector (estimated at 5.1 p.c. on the basis of index S compiled by the Ministry of Public Works), giving a total of 4.9 p.c. This resulted, for this item as a whole, in an estimated rise of 4.5 p.c.

### 3.2 Gross capital formation by companies (fixed assets)

The estimate was made on the basis of the movement of two categories of costs :

- the cost of construction of non-residential buildings, the rise in which was estimated at 4.9 p.c. on the basis of the indices used for assessing the movement of the building cost of private dwellings ;
- the cost of equipment, the rise in which was estimated at 3.3 p.c., account being taken of the upward movement of the index of wholesale prices of domestic and imported metal manufactures, compiled by the

Ministry of Economic Affairs, and of certain factors which this index does not appear to cover.

A weighted rise of 4 p.c. was thus obtained.

#### **5. Exports of goods and services and 7. Imports of goods and services**

These deflators were mainly estimated on the basis of the indices of the average unit values of exports and imports of goods compiled by the National Statistical Institute (see Table VI. 2.1). The estimated rates of change over the year as a whole for goods are + 3 and + 2 p.c. respectively. Account being taken of services, the change in the deflator of exports was estimated at + 3.5 p.c. and that in the deflator of imports at + 2.6 p.c.

#### **8. Gross domestic product = gross national product**

In the absence of a specific deflator for factor incomes, it is customary to apply the same deflator to both magnitudes.

### **Table III. 1.1**

— **Percentage changes compared with the previous year (upper part)**

The source is the Ministry of Economic Affairs.

— **Percentage contribution of each of the categories to the change in the overall index (lower part)**

This contribution is obtained by calculating the annual change, in points, of the index of this category, multiplying this change by the weight of the category in the overall index and dividing the result by the previous year's overall index.

### **Chart III. 1.2**

— **Index of consumer prices (upper part)**

The sources used are, for Belgium, the Ministry of Economic Affairs; for the United States, U.S. Bureau of Labor; for Canada, International Mone-



tary Fund; for Japan, Prime Minister's Office; for the Federal Republic of Germany, Statistisches Bundesamt; for France, Institut National de la Statistique et des Etudes Economiques; for the United Kingdom, Ministry of Labour; for Italy, Istituto Centrale di Statistica; for the Netherlands, Centraal Bureau voor de Statistiek.

For foreign countries, a geometrical average of the price indices in the national currencies was calculated. This average is weighted: the weighting applied to the consumer price index of each country represents the share of that country's *private consumption* in the total expenditure on private consumption of the eight countries considered during the period 1981-1985 as a whole, both magnitudes being expressed in a common currency. The rate of the rise in prices is then calculated from this average index.

— Index of the deflators of the gross domestic product (lower part)

The sources used are, for Belgium, the National Statistical Institute and, for foreign countries, the Organisation for Economic Co-operation and Development.

For foreign countries the weightings applied to the deflators of the *gross domestic products* represent the shares of these products calculated in a similar manner to those in the upper part.

Table III. 1.3

— Percentage changes compared with previous year (upper part)

Columns (a), (b) and (c) are taken from Table III. 1 (items 6, 7 and 8). The data in the pro memoria column: « *Weighted average exchange rate of the foreign currencies* » are those which were used to compile Chart VI. 6.

The changes shown in columns (d), (e) and (f) are those in the quotients obtained by dividing the following, respectively, by item 8 of Table III. 1 (*gross domestic product* at constant prices, but expressed in billions of francs): item 1.1 of Table IV. 1.1 (compensation of employees), item 3.11 of Table IV. 1 (indirect taxes less subsidies to enterprises) and the gross operating surplus, i.e. the difference between the gross domestic product at current prices (item 8 of Table III. 2) and the sum of the compensation of employees and indirect taxes net of subsidies (see above).

— Percentage contribution of each of the categories to the change in the deflator of final expenditure (lower part)

These *contributions* were calculated by applying to the data in the upper level of the table a method devised by the departments of the Commission of the European Communities. In national accounting, the total of the *final expenditure* of a given economy is equal to the sum of domestic expenditure and exports of goods and services or, alternatively, to the sum of the gross domestic product at market prices and imports of goods and services. The gross domestic product at market prices can also be arrived at from *primary incomes*. The method employed by the departments of the Commission distinguishes, among the components of primary incomes, between wages, indirect taxes net of subsidies and all the other components of primary incomes combined. In this approach, final expenditure at current prices is analysed as being the sum of imports of goods and services, total gross compensation, indirect taxes net of subsidies, and other types of primary income as a whole.

It is therefore possible, subject to linear approximations, to express the change in the deflator of final expenditure as the weighted sum of the changes in the various cost categories considered, i.e. as the sum of their respective contributions. The weighting used for each year is the share of each of the cost categories in the previous year's final expenditure.

TABLE III. 2

a) For the years 1977-1984 the data are taken from the national accounts compiled by the National Statistical Institute and, more specifically, from the table in these accounts which bears the number III. 1 and is entitled « Allocation of the National Product. Estimates at current prices ». In addition, in order to distinguish between *individuals*, *companies* and *public authorities*, use was made of the national accounts compiled by the Statistical Office of the European Communities in accordance with the European System of Integrated Economic Accounts.

b) The data for 1985 were calculated on the basis of the data for 1984 by applying to them the percentage changes in expenditure at constant prices shown in Table II. 1 and the percentage changes in the *deflators* shown in Table III. 1.

TABLE IV. 1

a) The data were calculated for the years 1977 to 1984 on the basis of the national accounts compiled by the National Statistical Institute, and in particular of the following tables : Table II. 1 « Distribution of the national product among the factors of production. Estimates at current prices », « Account 2. Current Transactions of the Government » and « Account 3. Current transactions of individuals ». For the purpose of distribution between *individuals* and *companies*, recourse was also had to the national accounts according to the European System of Integrated Economic Accounts compiled by the Statistical Office of the European Communities.

b) Movements in 1985 were estimated as follows :

### 1. Individuals

See Table IV. 1.1.

#### 2.1 Gross primary income of companies

This item was estimated as a balance, since the sum of the *gross primary incomes* of the different sectors must in principle correspond to the *gross national product* at current prices, which is obtained by adding together the various categories of expenditure (see Table III. 2).

#### 2.2 Current transfers to (–) the public authorities

This item is based on the estimates made in order to obtain the data shown in Table V. 2 for 1985. It covers the direct taxes payable by companies.

### 3. Public authorities

The items relating to *primary incomes* and *disposable incomes* are based on the estimates made in order to obtain the data shown in Table V. 2 for 1985.

#### 4.1 Disposable income of the rest of the world

This figure is based on balance of payments data (see third part).

c) The percentage changes at constant prices in the disposable income of individuals were calculated on the basis of the data at current prices, deflated by means of the index of consumer prices.

#### Table IV. 1.1

a) The data for the years 1982 to 1984 are from the same statistical sources as those in Table IV. 1. In item 1.2 « Income of self-employed persons » the Bank included, among other amounts, 40 p.c. of the income of partnerships, this percentage being regarded as the part of these companies' profits which is taken by *individuals*.

b) The movements in 1985 were estimated as follows :

#### 1.1 Remuneration of employees

The movement of this item was estimated separately for enterprises and the *public authorities*.

For enterprises the estimate was mainly based on the following elements :

— The number of employees would appear to have decreased by about 0.2 p.c. This movement differs slightly from the stabilisation of total employment in enterprises as shown in Table II. 3. This difference is due to the fact that the data in this table cover not only employees but also self-employed persons and their assistants, and that the number of the latter appears to have risen somewhat, as in 1984, unlike that of employees.

— Remuneration per employee appears to have risen by about 5.9 p.c. This movement is mainly due to the index-linking of wages and salaries according to the movement of consumer prices and to the legal prohibition against the granting of wage increases in excess of the permitted index-linking ; furthermore, it was assumed that the effect of wage drift would have been largely counterbalanced by the reduction in average remuneration per employee resulting from the growth in part-time working. The government measure requiring employers, as in 1984, to pay the proceeds of a 2 p.c. index-linking to the social security system instead of to the workers does not affect the primary income (which corresponds, for enterprises, to the *labour cost*). The loss of disposable income which this measure entailed for workers was counted in item 2.13 as an increase in the social security contributions paid by individuals to the *public authorities*.



Gross compensation paid by the public authorities, for its part, appears to have increased by about 6 p.c. This rate is largely based on the estimates made in order to obtain the data shown in Table V. 2 for 1985. As in 1984, the movement of this gross compensation — unlike that of enterprises — was influenced downwards by the government decision not to apply a 2 p.c. index-linking, since this measure represents a saving in terms of public expenditure and the resultant loss of disposable income for civil servants was therefore directly recorded as a loss of primary income.

The increase in the compensation of employees for the economy as a whole — enterprises and public authorities — was thus estimated at about 5.8 p.c.

### 1.2 Income of self-employed persons

The available information about the development of this item is still very scanty and fragmentary.

The figures for the incomes of farmers are based on the levelling-out of production (see Table II. 2), as well as on the overall index of prices received by farmers and horticulturalists and on the index of the purchase prices of inputs in agriculture and horticulture, both of which appear to have undergone little or no change.

## 2. Current transfers

This item is based on the estimates made in order to obtain the main data shown in Table V. 2 for 1985 and on the balance of payments data (see third part).

c) The percentage changes at constant prices were calculated on the basis of the data at current prices, deflated by the index of consumer prices.

### Chart IV. 1.2

a) For the years 1980-1984 the figures for the *compensation of employees* were taken from the National Statistical Institute, as for Table IV. 1.1. The data for the number of employees are from the Ministry of Employment and Labour.

b) The estimates for 1985 were arrived at as follows. The movement of the compensation of employees at constant prices is that shown in Table IV. 1.1. The movement of the number of employees was calculated from the estimate for enterprises mentioned above in the explanatory note to item 1.1 of Table IV. 1.1 and from that for *non-market services* shown in Table II. 3.

#### Table IV. 1.3

a) This table was compiled by the Bank on the basis of data from the other tables in the second part and from the national accounts according to the European System of Integrated Economic Accounts compiled by the Statistical Office of the European Communities.

b) The figures for the various items were arrived at as follows :

##### 1.1 Exports of goods and services

These figures are taken from item 5 of Table III. 1.

##### 1.2 Domestic sales

These data are based on the movement of the *deflator* of domestic expenditure (item 4 of Table III. 1), adjusted in order to eliminate the effect of certain services, especially *non-market services*, and that of indirect taxes.

##### 1.3 Total

Weighted averages of the prices of exports of goods and services (item 1.1) and of those of domestic sales (item 1.2).

##### 2.1 Labour costs per employee

These data correspond to those shown in Chart IV. 1.2, but are expressed at current prices and exclude non-market services.

##### 2.2 Imports of goods and services

These data are taken from item 7 of Table III. 1.



### 2.3 Other

These data correspond to the movement of the *gross primary income* of self-employed persons (item 1.2 of Table IV. 1.1) at current prices, which is regarded as representative of that of purchases from that sector.

### 2.4 Average cost price with unchanged productivity

Weighted average of the various components of the cost price (items 2.1, 2.2 and 2.3).

### 2.5 Average cost price per unit of output

These data were obtained by adjusting the movement of the average cost price with unchanged productivity (item 2.4) in order to allow for the change in the quantities of inputs used per unit of output.

### 3. Unit profit margins, expressed in francs

These data were obtained by combining the fluctuations in the selling price excluding taxes (item 1.3) and those in the average cost price per unit of output (item 2.5), the appropriate weighting being assigned to each of these.

### B. Final sales at constant prices

The movement of these coincides with that of final *expenditure* at constant prices (item 6 of Table II. 1), after elimination of some services from the latter.

### C. Gross operating surplus before subsidies

This item is determined by the fluctuations in the unit profit margin (item A.3) and those in final sales at constant prices (item B).

## Table IV. 1.4

### 1. Gross operating surplus before subsidies

This is calculated on the basis of the data for 1982 of the national accounts according to the European System of Integrated Economic Accounts

compiled by the Statistical Office of the European Communities and of the percentage changes estimated in item C of Table IV. 1.3.

**2. Subsidies received and 6. Current transfers to the public authorities (–)**

The data are based on the estimates used in order to arrive at the figures shown in Table V. 2.

**4. Net incomes from property paid to other sectors (–)**

Difference between item 5 and item 3.

**5. Gross primary income**

The data are from item 2.1 of Table IV. 1.

**TABLE V. 1**

a) These data were mainly taken from the preceding tables. They are from Table III. 2, which shows the expenditure on private consumption (item 1), *public consumption* (item 2) and *gross capital formation* of the various domestic sectors (items 3.1, 3.2 and 3.3) and Table IV. 1, which gives their *disposable income* (items 1.3, 2.3 and 3.3).

**b) 1.4, 2.2 and 3.4 Capital transfers**

These items are based on the data which were used to compile Table V. 2 and on those of the balance of payments (see third part). They comprise, in addition to capital *transfers* in the strict sense, net lending and equity investment by the *public authorities*, in which assistance to the *national sector* has been included.

**Table V. 1.1**

The data are those of Table V. 1, expressed as percentages of the *gross national product*.

Table V. 1.2

This table was compiled on the basis, for European countries other than Belgium, of the national accounts compiled by the Statistical Office of the European Communities (or estimated by the departments of the Commission of the European Communities), and for the United States and Japan of the national accounts compiled or estimated by the Organisation for Economic Co-operation and Development. For Belgium the data are those of Table V. 1, except that, for the purpose of the international comparison, net lending and equity investment by the *public authorities* have been excluded from these data, the main counterpart of this having been a reduction of about 2.5 p.c. in the net financing capacity of *companies*.

A comparison of this kind calls for certain reservations. Despite the harmonisation of statistics carried out by the international organisations, there are still considerable differences due to, among other things, the fact that not all the countries employ the same methodology (which explains why, in particular, the distinction between *individuals* and companies is not made for the Federal Republic of Germany) and the existence of institutional differences between countries.

#### Tables V. 2 and V. 2.1

a) The data in these tables for the years 1977 to 1984 were arrived at as follows :

##### 1.1 Direct taxes

This item corresponds to the sum of the items « Direct taxes on individuals » and « Direct taxes on companies in all legal forms » of the table « Current transactions of the Government » in the national accounts of the National Statistical Institute.

##### 1.2 Indirect taxes

This item is based on the item « Indirect taxes » appearing in the national accounts table already mentioned in connection with item 1.1. However, revenues transferred to the European Economic Community are shown in their entirety without being reduced, as in the accounts of the National Statistical Institute, by deduction of Community expenditure in the form of

interventions (enabling the producer to obtain, in certain cases, a price higher than the world market price), reimbursements (corresponding to the difference between the price on the world market and the market price in the Community) and compensatory monetary amounts (introduced in order to prevent the sudden changes in the income of farmers and in consumer prices which would be brought about by an alteration of the central rates for the Ecu). Accordingly, these transferred revenues are also shown in full in item 2.6 « Current transfers to the rest of the world ».

### 1.3 Social security contributions

This corresponds to the item « Social security contributions of wage- and salary-earners and self-employed persons » appearing in the national accounts table already mentioned in connection with items 1.1 and 1.2, plus the contributions of civil servants for surviving dependants (widows and orphans).

### 1.4 Capital

This corresponds to the item « Capital taxes » in the accounts of the European System of Integrated Economic Accounts.

### 1.6 Non-fiscal and non-parafiscal revenue

This item was calculated from the item « Income from property and from entrepreneurial activity accruing to the Government » included in the national accounts. However, in the national accounts, contributions towards meeting the interest charges and operating losses of public enterprises are deducted from income from property, whereas they are included here in item 2.5. Furthermore, unlike the national accounts data, this item excludes imputed rents but, on the other hand, includes current transfers from the National Lottery. Non-fiscal and non-parafiscal revenues are chiefly financial incomes derived, on the one hand, from the *public authorities'* share in the profits of the public sector financial intermediaries (including the Bank) and, on the other hand, from the proceeds of portfolio investments of certain local authorities or social security institutions. This item does not include any depreciation allowance.

### 2.1 Net expenditure on goods and services

This corresponds to the item « *Public consumption* » of Table III. 1 « Allocation of the national product » of the national accounts of the National Statistical Institute, less imputed rents and depreciation allowances (which are

not recorded as receipts); expenditure on the job-creation programme — that is, the wages of jobless employed by the public authorities and those of the special temporary employment scheme and the third labour circuit — has been isolated in item 2.3 although in national accounting it forms part of public consumption.

## **2.2 Interest charges**

This corresponds to the item « Interest on the public debt » of the national accounts.

## **2.3 Unemployment and job-creation expenditure**

This item embraces unemployment benefits, expenditure on the various early retirement schemes, the vocational training and readaptation allowances, the allocations of the Building Industry Subsistence Fund (which, in the national accounts, are all included in social security transfers to wage- and salary-earners and self-employed persons) and also the wages of jobless employed by the public authorities and expenditure on the special temporary employment scheme and the third labour circuit (which, in the national accounts, form part of public consumption).

## **2.4 Current transfers to individuals**

This corresponds to the item « Social security transfers to wage- and salary-earners and self-employed persons » of the national accounts, less the part consisting of unemployment and job-creation expenditure — which is contained in item 2.3 here — and plus the pensions to surviving dependants (widows and orphans) of civil servants.

## **2.5 Subsidies to enterprises**

This corresponds to the item « Operating subsidies » of the accounts of the European System of Integrated National Accounts; its contents therefore differ from the data of the National Statistical Institute's national accounts, partly because they include contributions towards meeting the interest charges and operating losses of public enterprises.

## **2.6 Current transfers to the rest of the world**

This is the balance of the national accounts items « Current transfers to the rest of the world » and « Current transfers from the rest of the world »,



except that transfers of indirect taxes to the European Economic Community are included in it in their entirety (see 1.2 above).

## 2.8 Gross fixed capital formation

This corresponds to the item « Gross fixed capital formation of the public administration » of the accounts of the European System of Integrated and Economic Accounts, plus the capital expenditure on harbours by the public authorities included in the same accounts.

## 2.9 Capital transfers

These are net items, because repayments of credits and realisations of interests were deducted in item 2.91 and sales of land and buildings and capital transfers received, other than capital taxes, were deducted in item 2.92.

### 2.91 Net lending and equity investment

This item embraces, for domestic economic agents, the item « Net lending to and equity investment in enterprises » and « Net lending to households » of the Economic Regrouping of the Central Government's Transactions. The following have been added to this : assistance to the *national sectors*, some of the public authorities' operations for financing the housing companies in accordance with the principle whereby the public authorities assist in the financial service of the loans issued by the said companies, and also net lending and equity investment by the *communities and regions*, which were estimated on the basis of the available budgetary data. For lack of adequate information concerning net lending and equity investment by the local authorities during the recent period, this expenditure, the amount of which in fact appears to have been negligible in recent years, was disregarded. For the rest of the world the source of the data is the balance of payments of the Belgian-Luxembourg Economic Union.

### 2.92 Other capital transfers

This includes the items « Net acquisitions of land and intangible assets », « Investment aid » (less investment in harbours, which is included here in item 2.8) and « Other capital transfers (net) » of the accounts of the European System of Integrated Economic Accounts.

b) The figures for 1985 were estimated on the basis of fragmentary sources and documents. These are, specifically, for tax revenue : the Monthly Commu-

nique of the Minister of Finance; for non-fiscal and non-parafiscal revenue : the data concerning the public authorities' share in the profit of the Bank; for parafiscal revenue and also for current *transfers* to *individuals* and for unemployment and job-creation expenditure : the budget estimates of the main social security institutions, published in, among other documents, the General Report on Social Security compiled by the Ministry of Social Security; for current transfers to the rest of the world : the balance of payments of the Belgian-Luxembourg Economic Union. Other current expenditure (net expenditure on goods and services, interest charges, subsidies to enterprises) and capital expenditure were estimated chiefly on the basis of the Economic Regrouping of the Government's Transactions published as an annex to the General Budget Statement for 1985; this source was supplemented, where appropriate, by various other items of information concerning, among other things, the development of employment and of the index of payment of civil service salaries, the structure and cost of the financing of the public authorities' debt or *gross fixed capital formation* by the public authorities, as recorded by the survey organised by the Belgian Municipal Credit Institution, the results of which are published in that organisation's Annual Report.

Table V. 2.2

Both for Belgium and for the other countries of the European Economic Community (which do not include Greece), the data are those published by the European Economic Community. Revenue and expenditure are therefore broken down on the basis of the European System of Integrated Economic Accounts (accounts and statistics of the general government); for Belgium, this breakdown does not entirely correspond to that in Tables V. 2 and V. 2.1, which were partly compiled on the basis of the National Statistical Institute's national accounts; thus, the business tax paid by *individuals* is included here in direct taxes, and not in indirect taxes, while job-creation expenditure is included in *public consumption* and expenditure on the financing of harbour works is included in capital *transfers*.

The statistics of the European Economic Community do not include the *public authorities'* expenditure in the form of net lending and equity investment. Two figures are therefore given for the *net financing requirement* of the public authorities in Belgium : one including and one excluding this expenditure. Only the latter figure is in principle comparable with that of the other countries of the European Economic Community.

There are certain structural differences between the Community countries which, without affecting the balances, may impair the comparison

of the various categories of revenue and expenditure, mainly with regard to social security contributions and benefits. Hence, the United Kingdom, Denmark and Ireland have fiscalised the greater part of social security contributions, which is consequently included in direct taxes; at the level of social security benefits, expenditure on health care (doctors' fees and purchases of medicaments) is included in public consumption in the United Kingdom, Italy, Denmark and Ireland and in current transfers in the other countries, including Belgium.

#### **TABLE VI. 1**

a) All the balance of payments data are from the Bank; they relate both to transactions via the regulated foreign exchange market and to those via the free market.

b) The various items call for the following remarks :

##### **1. Current transactions on a transactions basis**

The way in which this item is compiled is described in connection with Table VI. 2.

##### **1.1 Current transactions on a payments basis**

These do not include the net movement of commercial claims arising in connection with exports and imports which have not been mobilised at Belgian and Luxembourg banks; if this stock of claims has increased, item 2.1 shows a capital outflow (minus sign), which means that exports, for instance, have not been paid for; the figures in item 1.1 are thus obtained by deducting from the balance of current transactions carried out (item 1) the (negative) amount of transactions not paid for, in other words, by adding together items 1 and 2.1.

The explanations concerning items 2.2, 2.3 and 4 are given in connection with Tables VI. 3, VI. 4 and VI. 5 respectively.

## TABLE VI. 2

### 1.11 Transactions giving rise to commercial claims not mobilised at Belgian and Luxembourg banks

Item calculated as the difference between item 1.13 and item 1.12.

### 1.12 Other transactions

The figures are obtained by adding to the payments made via Belgian and Luxembourg banks in a period the change during that period in the net commercial claims arising in connection with exports of goods and not mobilised at those banks; when it is these data that, for exports and imports, are included in current transactions, the latter are referred to, in the Bank's statistics, as being on a *payments basis*.

### 1.13 Total

In order to obtain these figures, the payments made via the banks are reclassified according to the month of the corresponding transactions on the basis of the data of customs clearance. Fuller details are given in the article entitled « La balance des paiements de l'Union Economique Belgo-Luxembourgeoise en 1983 sur la base des transactions », Bulletin of the National Bank of Belgium, LXth year, Volume II, No. 3, September 1985 (especially pp. 15, 16 and 17). When it is the figures of this item that are incorporated in current transactions, these are referred to, in the Bank's statistics, as being on a *transactions basis*.

## 1.2 Commission processing and 1.3 Third-country trade

These items record, in principle, the transactions (and not the payments) which took place during the period in question.

### 2.3 Other (services)

This item, concerning which Tables IX. 1 to IX. 4 of the « Statistics » part of the Bulletin of the National Bank of Belgium provide more detailed data, comprises :

- the freight and insurance costs paid for the transport of goods (for the part which it has been possible to dissociate from the exports and imports to which it relates; the remainder is included in item 1);



- other transportation costs (the cost of transport of persons, carriage and customs expenses, cost of leasing, maintenance and repair of ships and aircraft, purchases and sales of on-board provisions);
- the transactions of the public authorities not included elsewhere (on the income side they comprise particularly the current operating expenses of the international institutions situated in the Belgian-Luxembourg Economic Union — consisting primarily of earned incomes — and, on the expenditure side, of military expenditure other than on equipment);
- the incomes of cross-frontier workers;
- other services : contracting, technical and management assistance, patents, fees for cinema films, copyright fees, subscriptions and contributions, insurance premiums and compensation payments (excluding life insurance, credit insurance and capitalisation insurance, which are included among capital transactions), brokerage, commission and miscellaneous commercial expenses.

### 3.1 Private transfers

This item mainly consists, on the expenditure side, of funds transferred to their countries of origin by foreign workers living in the Belgian-Luxembourg Economic Union and, on the receipts side, of remuneration available in Belgium to Belgians working abroad for the purpose of technical assistance.

### 3.2 Public transfers

This item mainly consists, on the expenditure side, of technical assistance and of the contributions of the Belgian and Luxembourg Governments to European institutions and, on the receipts side, of the payments made by the European Agricultural Guidance and Guarantee Fund to residents.

## Table VI. 2.1

- a) The data in the table are from the National Statistical Institute.

It should be pointed out that the data concerning imports are not fully comparable from the point of view of time. This is because, since January 1985, the National Statistical Institute has been allocating certain data from the Netherlands, which have been reported with a time-lag, to the months to which they actually relate. Consequently the data for the last



months of 1984, and therefore also for the year 1984 as a whole, are overestimated, since, while the data transmitted late at the beginning of 1985 were reassigned to the months in 1984 to which they related, the same correction was not made, for lack of adequate information, for the data received in 1984. Furthermore, in the statistics concerning the most recent period, the National Statistical Institute does not yet possess the data in question for the last month considered, in this case the month of November. It is known, however, that the amount involved is around Fr. 10 billion, and that means that the percentage changes between the first eleven months of 1984 and those of 1985 are underestimated for this reason by about 0.3 p.c., as regards the value of imports (item 1.2) and probably also their volume (item 3.2).

b) The way in which the following items were calculated is shown below :

### 1.3 Coverage ratio, value

$$\frac{\text{Index of value of exports}}{\text{Index of value of imports}} \times 100$$

### 2.3 Terms of trade

$$\frac{\text{Index of average unit export values}}{\text{Index of average unit import values}} \times 100$$

### 3.3 Coverage ratio, volume

$$\frac{\text{Index of volume of exports}}{\text{Index of volume of imports}} \times 100$$

## Chart VI. 2.2

### — Unit export values (upper part)

The indices whose movements are represented by the left-hand bar are calculated by the International Monetary Fund and obtained by dividing the index number for the Belgian-Luxembourg Economic Union by that for a weighted average of thirteen of its main competitors (Netherlands, Federal Republic of Germany, France, United Kingdom, Italy, United States, Japan, Canada, Austria, Denmark, Norway, Sweden and Switzerland), all the national indices having been converted in advance into a common currency. For 1985 the unit export values of various competitors of the Belgian-Luxembourg Economic Union were not yet available for a sufficiently long period and the

Bank was obliged to make its own estimate. It was possible to calculate the data for the Belgian-Luxembourg Economic Union on the basis of the National Statistical Institute's foreign trade data for the first eleven months. For the purpose of estimating the data for the Union's competitors it was possible to take as a guide forecasts — some of which were as yet unpublished — made by the Organisation for Economic Co-operation and Development. This means that the disparity index for 1985 is not fully comparable with those calculated for the preceding years and that its movement must be interpreted with caution.

— **Cost price (middle part)**

The index number for Belgium, which forms the numerator of the disparity index (which is compiled excluding financial charges) is an average, weighted by coefficients taken from input-output tables, of three indices : that of imported inputs, that of purchases from the other branches of the domestic economy estimated at factor cost and that of *labour cost per unit of output* in manufacturing industry. The index which constitutes the denominator is a weighted average of similar indices calculated for Belgium's seven main competitors (Netherlands, Federal Republic of Germany, France, United Kingdom, Italy, United States and Japan). All these indices, which, duly expressed in a common currency, made it possible to obtain the disparity index the changes in which are shown in the chart, were calculated by the Bank. For the countries of the European Economic Community the basic data used for these calculations are from the Statistical Office of the European Communities. For the United States and Japan recourse was had to various national sources and to some data from the Organisation for Economic Co-operation and Development. The results for the year under review are based, for Belgium, on the Bank's own estimates and, for the other countries, on forecasts by various international institutions and national sources. For further details on the methodology and the statistical sources employed, readers are referred to the article entitled « L'essoufflement de l'économie belge dans la décennie passée », Bulletin of the National Bank of Belgium, LVIIth year, Volumes I, Nos 5-6 and II, No. 1, May-June-July 1981, pp. 3-84, and, in particular, Table LVIII, column (a).

— **Labour costs per unit of output (lower part)**

The disparity indices of the labour costs per unit of output, and of their two components, were arrived at by calculating the numerator and denominator in the same way as for the total cost price in the middle part.

For further details about the methodology and the statistical sources used, see column (c) of Table LX and column (c) of Table LXIII of the article mentioned above in connection with the middle part.

#### TABLE VI. 3

##### **1.1 Claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks**

This item is calculated as a difference between item 1.3 and item 1.2.

##### **1.2 Other claims**

These are claims arising in connection with exports and mobilised at Belgian and Luxembourg banks and claims arising in connection with *commission processing* and *third-country trade*.

##### **1.3 Total**

Difference between the payments made for transactions in goods via Belgian and Luxembourg banks and these same transactions on a transactions basis.

##### **2. Net spot and forward assets in Belgian and Luxembourg francs held by non-residents with Belgian and Luxembourg banks**

The data do not include the liabilities resulting from the mobilisation at these banks, by resident exporters, of commercial claims in francs on the rest of the world, which are included in item 1.2. These figures also do not include the assets which banks in the rest of the world have built up at resident banks as the counterpart to the deposits in francs which resident enterprises and individuals hold with the said banks abroad : these are, in a way, spurious capital outflows associated with spurious capital inflows, because the banks abroad have scarcely any other way of re-employing these resources which they have obtained in francs with residents than to use them, in turn, to form deposits in francs with resident banks. As the « spurious » inflows are not included in this item, the « spurious » outflows are not included, either, in item 6.2.

### **3. Net spot and forward assets in foreign currencies held by resident enterprises and individuals**

These assets comprise those held with resident banks and those in the form of deposits abroad; they exclude, however, the net assets held with resident banks by certain resident institutions through which funds from or to foreign countries merely pass in transit; these funds are not included in item 6 either.

### **4. Net spot and forward assets in foreign currencies held by Belgian and Luxembourg banks**

This does not include the assets — fixed assets, interest held — and the liabilities — capital — which the banks have in their capacity as enterprises rather than as financial intermediaries; these assets and liabilities are recorded with other direct investments in item 6. Item 4 also does not include commercial claims in foreign currencies, which are recorded in item 1.2.

In view of the extent of the banks' outstanding assets and liabilities in foreign currencies and the extent of the transactions which affect these outstanding amounts, slight discrepancies in the exchange rates used in order to convert the foreign currencies into francs or minor time-lags in the dates of recording of these transactions are liable to lead to sometimes substantial errors in the calculation of the movements; these must therefore be viewed with caution.

### **6.1 Transactions of non-residents**

These chiefly comprise direct investments of non-residents in the Belgian-Luxembourg Economic Union (including the endowment funds transferred by foreign banks to their branches and subsidiaries in Belgium and Luxembourg), loans contracted from foreign lenders by resident enterprises and purchases by non-residents of securities issued by the resident private sector.

### **6.2 Transactions of residents**

This mainly comprises direct investments by residents abroad.

### **Table VI. 3.1**

The figures are averages, per period, of daily rates.



TABLE VI. 5

a) The changes in the Bank's net foreign exchange reserves are estimated, like other balance of payments transactions, at the rates of exchange of the transactions. They do not take account of the allocation of special drawing rights to Belgium in 1979, 1980 and 1981 or of the transactions resulting from the entry into force, on 13th March 1979, of the European Monetary System and, subsequently, from some of its implementing measures.

b) The various items call for the following remarks :

## **2. Assets held at the International Monetary Fund**

These comprise the rights which are held by the Belgian Government as a member of the Fund and which the Bank has been authorised, first by the law of 19th June 1959 and then by that of 9th June 1969, to show in its accounts as its own assets in consideration of its assuming liability for the obligations incumbent on the Belgian Government in that connection, and the advances granted by the Bank for its own account to the Fund, under the « oil facility », the « supplementary credit facility » and the « extended access policy », by virtue of agreements concluded with the Fund and approved by the Government.

## **5. Belgian francs**

This represents the difference between claims on foreign countries (other than commercial claims) and liabilities to foreign countries, particularly to the central banks and the European institutions.

CHART VI. 6

For the years 1977 to 1983, averages, per quarter, of daily rates. For 1984 and 1985, averages, per month, of daily rates.

— **Weighted average rates for the Belgian franc on the regulated foreign exchange market (upper part)**

The indices are calculated by the Bank by applying to the indices of the bilateral rates for the franc in relation to the currencies of the main trading partners a weighting which is representative of the share of the latter in the



exports and imports, respectively, of the Belgian-Luxembourg Economic Union. For further details, readers are referred to Annexes XIV and XV to the article « Les indices du cours moyen pondéré ou cours de change effectif du franc belge », Bulletin of the National Bank of Belgium, LIInd year, Volume I, No. 5, May 1977, pp. 45-49.

— Dollar exchange rate in Belgian francs on the free foreign exchange market (lower part)

The percentage is arrived at by applying the following formula :

$$\frac{\text{Rate on the free market for transfers}}{\text{Rate on the regulated market}} \times 100$$

#### Chart VI. 6.1

Averages per month, of daily data.

For the method of calculation of the divergence indicator, readers are referred to the article entitled « Le Système Monétaire Européen », Bulletin of the National Bank of Belgium, LIVth year, Volume II, Nos 1-2, July-August 1979, pp. 37-39.

#### TABLE VII. 1

##### 1.1, 2.1 and 3.1 Net financing capacity or requirement

The figures are taken from Table V. 1, it being understood that the *net financing capacity* or *net financing requirement* of the rest of the world is equal to the net financing requirement or capacity of the domestic sectors as a whole.

##### 1.2 Net financial surplus of individuals and companies

The *companies* in question here are those which are not financial intermediaries; however, for lack of statistical information, it was not possible to eliminate the movements of the assets and liabilities of some of these

intermediaries — namely, life insurance and employers' liability organisations and pension funds — and these are therefore included in the data in items 1.21 and 1.22. The first of these items records the balance left by transactions relating to the claims and debts of the other financial intermediaries, including in respect of their profits, since this balance is attributable to their activity as enterprises rather than as intermediaries and is therefore equivalent to a formation of financial assets by non-financial companies. A number of intra-sectoral financial transactions — for instance, the formation of commercial claims of companies on other companies — could not be recorded. The data in item 1.21 for the first ten months of 1985 do not take into account net commercial claims on foreign countries arising in connection with Belgium's exports and imports and not mobilised at banks, the amount of which is not yet known; those for the corresponding period of 1984 were compiled on a comparable basis. Fuller explanations concerning items 1.21 and 1.22 are given in connection with Tables VII. 2 and VII. 3.

## **2.2 Net financial deficit of the public authorities**

The data are taken from Table VII. 4.

## **3.2 Net financial surplus of the rest of the world**

This item is estimated on the basis of the capital transactions of the balance of payments of the Belgian-Luxembourg Economic Union, adjusted to arrive at those of Belgium alone with all foreign countries. Like those of item 1.21, the data for the first ten months of 1984 and 1985 do not take into account Belgium's net commercial claims on foreign countries arising in connection with exports and imports and not mobilised at Belgian banks.

## **1.3, 2.3 and 3.3 Statistical deviation**

See, in this connection, point b) of the basic information of the fourth part.

## **4. Balance of financial surpluses and deficits**

See, in this connection, point b) of the basic information of the fourth part.

## TABLE VII. 2

As already mentioned in connection with Table VII. 1, the formation of financial assets by *companies* does not, in principle, include that by the financial intermediaries; it was not possible, however, to exclude from the data the assets formed by some of these, namely, life insurance and employers' liability organisations and pension funds.

### Columns (h) and (i) Other

These are assets whose breakdown between Belgian francs and foreign currencies is not known or is meaningless : this applies, for instance, to net commercial claims on foreign countries arising in connection with Belgium's imports and exports and not mobilised at banks [column (h)], and to certain claims on the financial intermediaries, which were calculated as a balance, and on foreign countries [column (i)].

### Table VII. 2.1

#### Column (b) Shares

This item includes only public issues of shares.

#### Column (c) Miscellaneous

This consists mainly of deposits at over one year formed with resident financial intermediaries.

#### Column (k) Miscellaneous

This column comprises assets, not recorded in columns (e) to (j), which are formed with resident financial intermediaries or resident non-financial sectors.

### Table VII. 2.2

In addition to bonds and notes, the data include Treasury certificates at over one year and savings bonds or certificates.

### Column (b) Other financial intermediaries

The data do not include bonds and notes acquired by certain financial intermediaries — namely life and employers' liability insurance companies and pension funds — the amount of which is not known for 1985 and which are therefore recorded in column (e).

### Column (e) Other

The figures in this column have been calculated as a difference and mainly represent the net acquisitions of *individuals* and *companies*. It is the figures thus arrived at which are shown in column (a) of Table VII. 2.1).

### Table VII. 2.3

In addition to bonds and notes in the strict sense, the figures include, in column (a), Treasury certificates at over one year and, in columns (b) and (e), savings bonds or certificates.

### Column (g) Total

This column is identical to column (f) of Table VII. 2.2.

### Chart VII. 2.4

— Percentage share of net purchases of bonds in foreign currencies in the total of those in foreign currencies and in Belgian francs (upper part)

The data used are from column (e) of Table VII. 2, for the total of bonds in foreign currencies, and from column (a) of Table VII. 2.1 for bonds in Belgian francs. « Other foreign currencies » comprises purchases which it was not possible to break down by currencies. For 1985 the figures are for the first ten months.

— Long-term yield rates in Belgian francs and in other currencies (lower part)

Euro-bonds in dollars and in German marks : rates on the secondary market for bonds with a term of 7 to 15 years issued by the foreign public

sector (Source : Financial Statistics of the Organisation for Economic Co-operation and Development); Euro-bonds in Ecus : until 1983, rate on issue (Source : Bank) and, from 1984 onwards, rate on the secondary market (Source : Cote officielle de la Bourse de Luxembourg) for bonds with a minimum term of 8 years issued by first-rate borrowers; bonds in Belgian francs : rate on the secondary market for government bonds at over 5 years; bonds in Dutch guilders : until 1983, rates on the secondary market for the three most recent long-term government loans and, from 1984 onwards, for the five issues with the most distant term (Source : De Nederlandsche Bank).

b) Averages per year until 1983 and per quarter in 1984 and 1985, of monthly data, except in the case of Euro-bonds in Ecus, for which, for the years prior to 1984, the figures are averages of the rates on issue.

c) The rate for bonds in Belgian francs is that after deduction of the withholding tax on income from financial assets of 20 p.c. until the end of 1983 and 25 p.c. from the beginning of 1984 onwards; no tax at source has been deducted, on the other hand, from the rates of yield on the other bonds.

### TABLE VII. 3

#### **Column (a) Personal loans and hire-purchase credits and Column (b) Mortgage loans for housing**

These two columns record only the amounts of credits of this kind granted by the banks, private savings banks and public sector financial intermediaries and also, for mortgage loans for housing, by the social security institutions.

#### **Column (c) Social housing credits**

These are credits granted by the public housing companies, the Large Families Housing Funds and their approved companies, together with the social housing credits financed by the General Savings and Pension Fund within the framework of its advances to the approved credit companies.

#### **Columns (e) to (g) Liabilities of companies and one-man businesses**

As already mentioned in connection with Table VII. 1, liabilities contracted by the financial intermediaries are, in principle, excluded.



#### **Column (e) Liabilities of companies and one-man businesses to Belgium**

The method of calculation of this column is described in connection with Table VII. 3.1.

#### **Column (f) Liabilities of companies and one-man businesses to foreign countries**

These comprise the formation of *companies* in Belgium, equity investment in Belgian companies, loans received from affiliated enterprises and other loans contracted by Belgian enterprises.

### **Table VII. 3.1**

#### **Column (a) Shares**

These are only public share issues.

#### **Column (b) and (c) Bonds**

The amounts relate to all bonds issued by private *companies* and public enterprises respectively, irrespective of the identity of the subscribers.

#### **Column (d) Investment credits**

The figures do not take into account the reductions which took place when credits in respect of which the *national sectors* were the debtors were taken over, relieving the latter of liability, by the *public authorities*; in order to obtain a series which would be as homogeneous and consistent in time as possible, the increases which had resulted during the preceding years from the granting of these credits were also eliminated.

#### **Column (f) Miscellaneous**

This column comprises the short-term paper issued by non-financial public enterprises and purchased by certain public-sector financial intermediaries, together with the liabilities resulting from delays in the payment to the Treasury or the National Social Security Office, by certain private or public enterprises, of sums owed by them in respect, respectively, of the pay-as-you-earn income tax on their employees' wages and salaries and the social security contributions payable by employers or employees.

TABLE VII. 4

**Column (b) Treasury**

See Table VII. 4.1.

**Column (c) Communities and regions**

This column records only a few loans contracted directly by the *communities and regions* from financial intermediaries and does not include the use of their credit lines with the Treasury, for the reasons stated in point (d) of the basic information of the fourth part.

**Column (d) Local authorities**

This column corresponds to the change in the liabilities of the local authorities (including the Assistance Fund for the Financial Recovery of Municipalities) to the financial intermediaries, especially the Belgian Municipal Credit Institution, plus their net issues of loans in Belgian francs and in foreign currencies and less their deposits built up with the Belgian Municipal Credit Institution.

**Column (e) Social security**

This column corresponds to the difference between the formation of financial assets by the main social security institutions, namely :

- their investments in the form of Treasury certificates, bonds (including those issued by other sub-sectors of the *public authorities*), notes and deposits ;
- their mortgage loans to *individuals* ;
- the claims of the National Social Security Office resulting from the delays in payment by the private or public enterprises of sums owed by them in respect of the social security contributions payable by employers or employees ;

and the debts contracted by the National Sickness and Disablement Insurance Institute, the National Social Security Institute for the Self-employed and the Occupational Diseases Fund.

#### Column (f) Other public authorities

This column records :

- the changes in the liabilities of the autonomous funds and organisations which incur certain items of expenditure on behalf of the national, community or regional authorities ;
- the changes in the prefinancing operations carried out by the financial intermediaries on behalf of certain public authorities. These prefinancings were mainly granted within the framework of the « government portion » loans to the local authorities, the granting of building premiums, the contribution of the Treasury or of the regions to the financial service of the loans issued by the National Housing Company and the National Land Company and within the framework of assistance to the *national sectors*. With regard to the latter, the new liabilities resulting from the taking-over by the public authorities of debts of the national sectors were not recorded in the years during which the public authorities formally took them over but were attributed to the years in which they were originally contracted by the enterprises in question ;
- the changes in the financial assets held as temporary investments by certain autonomous organisations and funds of the national, community or regional authorities (including the assets, such as Treasury certificates, which represent claims on other sub-sectors of the public authorities), as well as the changes in the Treasury's claims corresponding to the delays in the payment of the pay-as-you-earn tax deducted from the wages and salaries of the employees of public or private enterprises. This component is deducted from the two preceding ones in order to calculate the *net financial deficit* of the sub-sector « Other public authorities ».

Table VII. 4.1

This table was compiled on the basis of the official public debt statement, from which the transactions which did not give rise to movements of funds were eliminated. These transactions consist of :

- the changes in the portfolio of Treasury certificates held by the International Monetary Fund. The giving of Treasury certificates to the Fund in part payment for the increase in Belgium's quota does not, by its very nature, lead to any receipt of funds by the Treasury ; as for the other changes in the Fund's portfolio, connected with its transactions in Belgian francs, these are reflected, in accordance with the provisions of the existing laws and agreements, in receipts or payments for the Bank and not for the Treasury ;

- the taking-over, in 1982 and 1983, by the Road Fund of the debt of the Associations of Local Authorities for Motorways (Law of 2nd July 1981 and Royal Decrees of 10th December 1981 and 7th March 1983) and the taking-over, in 1985, by the Treasury of certain debts of the *national sectors* (Law of 5th March 1984);
- the foreign exchange differences corresponding to the change in the discrepancy between, on the one hand, the countervalue in Belgian francs of the foreign currency loans included in the official national debt statement, where it is calculated on the basis of the central rates or exchange rates on the date of statement and, on the other hand, the amount of Belgian francs which the Treasury actually received as a result of these consolidated foreign currency loans.

#### Table VII. 4.2

The new liabilities and the formation of financial assets shown in this table are those which, broken down by sub-sectors, were used in order to calculate the figures in columns (c) and (f) of Table VII. 4. Their main components were described in connection with these columns.

#### Column (b) New liabilities in Belgian francs at over one year

- The figures were adjusted in order to eliminate the reductions in liabilities which took place when the debt of the Associations of Local Authorities for Motorways and certain debts of the *national sectors* were incorporated in the official public debt.

#### TABLE VIII. 1

##### 1. Gross requirements of funds

Total of items 1.22 (new liabilities of *individuals* and *companies*) and 2.22 (new liabilities of the *public authorities*) of Table VII. 1, without the minus signs against these liabilities.

## 2.11 Formation of financial assets by individuals, companies and public authorities

Total of item 2.21 of Table VII. 1 (formation of financial assets by the public authorities) and column (k) of Table VII. 2 (formation of financial assets by individuals and companies, excluding commercial claims). Net commercial claims on the rest of the world arising in connection with Belgium's exports and imports and not mobilised at banks [column (h) of Table VII. 2] were disregarded for purely pragmatic reasons, as their amount was not yet known for the first ten months of 1985. In any case this amount, whether included or not, has no influence on the net amount of funds available in the domestic markets, because, if it is included, it must also be added in item 2.12, which is subtracted from item 2.11.

## 2.12 Formation of financial assets other than in Belgian francs

Column (g) of Table VII. 2 (formation of financial assets in foreign currencies by individuals and companies), plus the part of column (i) of the same table consisting of formation of claims on the rest of the world in the form of direct investments and purchases of buildings.

## 2.2 Capital inflows other than those mentioned under 2.5

This is the total of the changes in the gross liabilities of private enterprises to the rest of the world and in foreign currencies to the Belgian financial intermediaries (as these can serve as a channel for flows of funds from abroad), the changes in the net liabilities in foreign currencies to Belgium and to the rest of the world of the private financial intermediaries and of the public financial intermediaries within the framework of their banking activities, and the changes in the financial intermediaries', public enterprises' and public authorities' net liabilities in Belgian francs to the rest of the world, except for the liabilities which are regarded as representing the counterpart to the formation of financial assets in francs abroad (this formation being already recorded in item 2.1).

## 2.52 Increase in foreign currency liabilities of the rest of the public sector

New foreign currency liabilities of the *public sector* other than the Treasury, except for those contracted by financial intermediaries within the framework of their banking activity (which are recorded in item 2.2).



## TABLE VIII. 1.1

### 1.1 Net issues of bonds in Belgian francs by the Treasury

This item includes issues of Treasury certificates at over one year resulting from the conversions of Treasury certificates at up to one year carried out since 1983 at the request of the public authorities.

### 1.2 Other transactions of the Treasury outside the money market

This consists almost exclusively of its net financial deficit [see column b) of Table VII. 4].

### 2. Public sector not included elsewhere

This includes the public authorities other than the Treasury, and also the public enterprises.

### 2.3 Other transactions outside the money market of the public sector not included elsewhere

Part of the net financial deficit (–) or surplus (+) of the public authorities other than the Treasury [see column (g) of Table VII. 4] and part of the *net financing requirement* (–) or *capacity* (+) of the public enterprises which did not have as their counterpart issues or purchases of bonds and notes or transactions on the money market.

## Table VIII. 1.2

a) The various columns call for the following remarks :

### Column (a) Total

In addition to the transactions of the three categories of financial intermediaries considered individually in columns (b) to (d), this column includes those of the Securities Regulation Fund, the Rediscount and Guarantee Institute, the Belgian Monetary Fund and the Postal Cheque Office.

### **Column (b) The public-sector financial intermediaries**

These are the Belgian Municipal Credit Institution, the General Savings and Pensions Fund, the National Industrial Credit Company, the Central Office for Mortgage Credit, the National Fund for Credit to Trade and Industry, the National Institute for Agricultural Credit, the loan associations and deposit and loan funds approved by the two last-mentioned institutions, the public housing companies and the Housing Fund for Large Families.

### **Column (c) Belgian and Luxembourg banks**

This column includes, for the Luxembourg banks, only the transactions for which the data are available, namely those which are recorded in the balance of payments of the Belgian-Luxembourg Economic Union; these are in fact their net liabilities in Belgian and Luxembourg francs to non-residents of the Union included in item 1.2 and their net claims in foreign currencies on the Union and on other countries included in item 2.2. Consequently, the balance of their other transactions outside the money market is shown in item 1.3 « Balance of liabilities and claims not included elsewhere ».

b) The various items of column (a) call for the following remarks :

#### **1.11 Bonds and notes at over one year**

This item corresponds to the sum of columns (b), (d) and (e) of Table VII. 2.3, except that it does not include the issues of mortgage and capitalisation companies.

#### **1.12 Deposits of individuals and companies**

The data of items 1.121 and 1.122 are identical to, respectively, those of columns (f) and (g) of Table VII. 2.1. Item 1.123 consists of time deposits at up to one year and at over one year and one-year notes; it is thus equal to the sum of columns (c) partim, (h) and (j) of the same table.

#### **1.13 Deposits of the public authorities**

These are chiefly deposits of the local authorities with the Belgian Municipal Credit Institution.

## **1.2 Net liabilities in francs to foreign countries**

This is the total of the spot liabilities in Belgian and Luxembourg francs of the financial intermediaries, including Luxembourg banks, to non-residents of the Belgian-Luxembourg Economic Union, less the corresponding claims, including commercial claims in francs on foreign countries mobilised at banks. Assets resulting from purchases of Belgian franc bonds issued by foreign countries have not, however, been deducted. The data are from the balance of payments of the Belgian-Luxembourg Economic Union (see third part).

## **1.3 Balance of liabilities and claims not included elsewhere**

Calculated as a difference.

## **2.11 Bonds and notes at over one year**

This item corresponds to the sum of columns (a) and (b) of Table VII. 2.2, except that it does not include purchases by mortgage and capitalisation companies, which are not recorded here, or by the Bank. Despite the heading of item 2.1, item 2.11 does not exclude the (small) purchases of Belgian franc bonds issued by foreign countries.

## **2.12 Other credits to individuals and companies**

This item corresponds to the sum of the part denominated in Belgian francs of the liabilities recorded in column (d) of Table VII. 3 (excluding, however, the housing credits granted by the social security institutions which are not financial intermediaries) and to columns (d) and (e) of Table VII. 3.1.

## **2.13 Other credits to the public authorities**

This item chiefly comprises the credits granted to the local authorities by the Belgian Municipal Credit Institution and the credits granted to the *national sectors*.

## **2.2 Net claims in foreign currencies**

This item comprises commercial claims in foreign currencies on foreign countries mobilised at banks, and also other net spot claims in foreign currencies on the Belgian-Luxembourg Economic Union and on foreign countries, excluding the claims and liabilities which the banks have in their capacity as enterprises rather than as financial intermediaries. The data are

from the balance of payments of the Belgian-Luxembourg Economic Union (see third part).

### **Table VIII. 1.3**

#### **Column (g) Other sectors and indeterminate sectors**

This column is equal to the difference between column (h) and the sum of the columns (a), (b) and (c) and its only purpose is to make the figures in the table balance. The data in the column are of little significance in themselves, as they consist of transactions of individuals, companies (other than those forming the subject of the preceding columns) and foreign countries, which are heterogeneous sectors, as well as of transactions which were carried out by the sectors included in the preceding columns but could not be broken down between these sectors.

#### **1. Shortage or surplus of funds**

The data of columns (a) to (f) were obtained by adding together items 2 and 3, with reversed signs.

#### **2.1 Transactions other than with the lender of last resort**

Each transaction was recorded twice : first with the minus sign, with reference to the lender, and then with the plus sign, with reference to the borrower. The sum of the amounts recorded for the various sectors in each of these sub-items therefore has to be zero.

#### **2.11 Certificates in Belgian francs at up to one year**

Treasury certificates and certificates of the Securities Regulation Fund.

#### **2.12 Call money**

The data relate both to the market against security and to the market outside the protocol.

#### **2.2 Transactions with the lender of last resort**

These items were recorded in the column of the sector which carried them out : a plus sign indicates that it increased its recourse to the Bank,

bringing about a rise in the latter's assets, and a minus sign indicates that it reduced its recourse to the Bank, bringing about a reduction in the latter's assets. That is why column (h) shows the change in the items in question in the Bank's balance sheet, when columns (a) to (c) are added together.

### **3. Other transactions of the National Bank of Belgium**

This item records transactions which, in the Bank's statement of account, together form the counterpart to those of its transactions which are recorded here in item 2.2. A plus sign corresponds to an increase in an item of the assets or a decrease in an item of the liabilities and a minus sign corresponds to changes in the opposite direction.

The sum of items 2.213 and 3.1 is not equal to the change in the Bank's foreign exchange reserves as shown in Table VI. 5, mainly because the transactions indicated by the titles of these items do not include the movement of item 5 « Belgian francs » of the table in question and the receipt of the interest produced by the reserves. These other transactions are included in item 3.3.

### **Chart VIII. 1.4**

The figures are averages, per month, of daily data.

### **Difference between the yield of Treasury certificates and the cost of rediscounting for 3 months**

The cost of rediscounting is the rate applied by the Rediscount and Guarantee Institute to bills with three months still to run. As these two interest rates are not strictly comparable with each other — that on the certificates being payable in arrears and the latter being payable in advance — the Rediscount and Guarantee Institute's rate was converted into a rate applicable in arrears for the purpose of calculating this difference.

### **Degree of utilisation of the banks' rediscount ceilings**

This is the percentage ratio between the amounts counted against their *rediscount ceilings* and the amount of these ceilings.



## Table VIII. 1.5

**Column (a) Treasury and Securities Regulation Fund certificates in Belgian francs at up to one year**

Subject to rounding, the change in this column between the end of 1984 and the end of 1985 corresponds, for each category of intermediaries, to item 2.11 of Table VIII. 1.3.

## **Column (c) Rediscounted bills**

The change in this column between the end of 1984 and the end of 1985 corresponds to item 2.221 of Table VIII. 1.3, except for the banks; for, whereas item 2.221 takes into account all the bills rediscounted by the banks at the Rediscount and Guarantee Institute and the Bank, this column does not include, among other things, the portion of the rediscounted « Creditexport » bills which was counted against the ceiling specially granted for this purpose to the Rediscount and Guarantee Institute and which therefore did not affect the available margins under the banks' ceilings. The system under which this special ceiling was granted came into force on 1st December 1981 and was extended on 1st December 1985 for a further period of one year.

## Chart VIII. 1.6

The chart presents, for a series of years and in a more condensed form, the data which are shown for 1985 in column (h) of Table VIII. 1.3.

The correspondence of the items is as follows :

- the recourse of the financial intermediaries to the Bank (part 1.1) corresponds to item 2.223 ;
- the recourse of the public sector in forms other than those included in part 1.1 (part 1.2) corresponds to item 2.214 ;
- part 2.1 corresponds to item 3.1 with reversed sign ;
- other transactions, which appear in part 2.2, correspond to the sum of item 3.2 and 3.3 with reversed sign.

## CHART VIII. 2

### Government loans at over 5 years

Yield on issue to final maturity of government loans and Road Fund loans. Owing to the small number of loans issued by the Government or the Road Fund in 1981 and to the fact that the rate of yield on the special government loan of June 1981 is not comparable with those on the other issues, the rate of yield of the Belgian Municipal Credit Institution Loan 1981-85-89 and the Telegraphs and Telephones Board Loan 1981-88 were also included for that year.

### Discount rates of the National Bank of Belgium

Rates applicable to bills counted against the overall *rediscount ceiling* or, where appropriate, against sub-ceiling A.

### 3-month interbank deposits and 3-month Euro-dollar deposits

Averages, per month, of daily data.

## Table VIII. 2.1

### Treasury certificates

Adjusted rates : the standard rate, calculated on the basis of 360 days, was adjusted to make it comparable with the rate on interbank deposits, which is based on 365 days.

## Chart VIII. 2.4

### Deposits of from Fr. 5 to 20 million at banks and deposits of from Fr. 1 to 3 million at banks

Averages, per month, of daily rates. Indicative rates for deposits of from Fr. 5 to 20 million.

## Deposits on ordinary savings books at the General Savings and Pensions Fund

The *gross fictitious rate* shown in the chart is the rate which, after deduction of the withholding tax on income from financial assets (20 p.c. until 1983 and 25 p.c. from 1984 onwards), would bring in a net rate equivalent to the actual interest rate (basic rate plus fidelity bonus). As income from these savings deposits is exempt from tax up to a certain annual amount, which has been Fr. 50,000 since 1984, their actual interest rate is not in fact comparable with the other rates.

Account was not taken of the bonuses on increases in deposits granted from 1st April 1980 to 31st December 1981.

### Chart VIII. 2.6

## Loans of the Government or the Road Fund

Rates of yield on issue to final maturity of the Government Loan 1982-89 of January 1982 (left-hand part), the Government Loan 1984-93 of October 1984 (middle part) and the Road Fund Loan 1985-95 of November 1985 (right-hand part).

## Deposits on ordinary savings books at the General Savings and Pensions Fund

The reason why a *gross fictitious rate* is shown in the chart is explained in connection with Chart VIII. 2.4.

### Ordinary time deposits at 15 days and at 1, 3 and 6 months

In order to make the yield on these deposits comparable with that on government loans and on notes, the interest on which is payable annually, their standard rate was converted into an actuarial annual rate, that is, the compound interest rate which would be obtained in the event of periodical capitalisation for one year at a constant nominal rate (that of the deposit concerned on the date in question).



## *Annual Accounts*



# BALANCE SHEET AS AT 31st DECEMBER 1985

## ASSETS

(in thousands of francs)

Gold Holding . . . . .		58,213,919
International Monetary Fund :		
Quota . . . . .		22,798,942
Loans . . . . .		—
Special Drawing Rights . . . . .		15,978,466
Ecus . . . . .		157,917,940
Foreign Currencies . . . . .		29,409,779
Foreign Currencies, Ecus and Gold Receivable :		
European Monetary Co-operation Fund . . . . .		18,087,570
Other . . . . .		2,430,134
International Agreements . . . . .		1,362,404
Advances to the I.M.F. . . . .		2,470,765
European Monetary Co-operation Fund . . . . .		—
E.E.C. : Medium-term Financial Assistance . . . . .		—
Debtors in respect of Foreign Exchange and Gold at Forward Dates . . . . .		—
Commercial Bills . . . . .		24,970,828
Advances against Pledged Security :		
Private-sector Financial Intermediaries . . . . .	699,783	
Public-sector Financial Intermediaries . . . . .	12	
Other Public-sector Institutions . . . . .	—	
Public and Private Enterprises, and Individuals . . . . .	14,774	714,569
Public Securities :		
Belgian Public Securities . . . . .		37,000,000
Luxembourg Public Securities . . . . .		—
Special Assistance to the Securities Regulation Fund . . . . .		182,178,000
Treasury Notes and Coins . . . . .		980,568
Balances at the Postal Cheque Office :		
A Account . . . . .		1,472
B Account . . . . .		4,454,007
Consolidated Claim on the Government . . . . .		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972 . . . . .		3,450,350
Items Receivable . . . . .		2,904,421
Public Long-term Securities . . . . .		14,275,483
Premises, Furniture and Equipment . . . . .		4,426,827
Securities of the Staff Pensions Fund . . . . .		19,741,668
Transitory Assets . . . . .		16,156,834
Total Assets . . . . .		653,924,946

# LIABILITIES

(in thousands of francs)

Bank Notes in Circulation . . . . .		394,746,897
Current and Sundry Accounts :		
Public Treasury, Ordinary Account . . .	17,926	
Private-sector Financial Intermediaries . . .	209,333	
Public-sector Financial Intermediaries . . .	31,895	
Other Public-sector Institutions . . . . .	803,372	
Public and Private Enterprises, and Individuals . . . . .	166,067	
Banks in Foreign Countries and International Institutions, Ordinary Accounts . . .	2,451,996	
Items Payable . . . . .	<u>21,109,196</u>	24,789,785
International Agreements :		
Financial Assistance Agreements . . . . .		4,454,007
Other Agreements . . . . .		50,082
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation . . .		23,610,731
European Monetary Co-operation Fund . . . . .		—
Ecus to be delivered to the European Monetary Co-operation Fund . . . . .		156,543,162
Monetary Reserve :		
Belgium . . . . .		—
Grand Duchy of Luxembourg . . . . .		—
Foreign Currencies, Ecus and Gold to be delivered . . . . .		2,490,965
Staff Pensions Fund . . . . .		19,741,668
Transitory Liabilities . . . . .		10,407,271
Capital . . . . .		400,000
Reserve Fund :		
Statutory Reserve . . . . .		1,869,170
Extraordinary Reserve . . . . .		9,907,631
Account for Depreciation of Premises, Furniture and Equipment . . . . .		3,888,460
Net Profit for Distribution . . . . .		<u>1,025,117</u>
Total Liabilities . . . . .		653,924,946

# PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1985

(in thousands of francs)

DEBIT		
Government's Share :		
Discounts and Advances . . . . .	17,316,037	
Transactions with Foreign Countries . . .	<u>3,097,103</u>	20,413,140
General Expenses :		
Remunerations and Social Charges . . .	5,954,849	
Other Expenses . . . . .	<u>777,102</u>	
	6,731,951	
less :		
Expenses to be borne by Others . . . .	<u>1,562,376</u>	5,169,575
Taxes and Dues . . . . .		2,614,323
Other Payments to the Public Treasury imposed by Law . .		79,336
Depreciation of Premises, Furniture and Equipment . . . .		980,647
Transfers to Reserves and Provisions as :		
Extraordinary Reserve . . . . .	881,000	
Provision for Premises, Furniture and Equipment . . . . .	<u>1,000,000</u>	1,881,000
Net Profit for Distribution . . . . .		<u>1,025,117</u>
		32,163,138
CREDIT		
Proceeds of Discount and Advance Operations . . . . .		23,740,777
Proceeds of Transactions with Foreign Countries . . . . .		6,212,070
Proceeds of Public Long-term Securities . . . . .		1,676,885
Fees for Safe Custody, Commissions and Allowances . . . .		218,211
Sundry Receipts . . . . .		29,195
Drawings on Transitory Liabilities Items . . . . .		<u>286,000</u>
		32,163,138

# MEMORANDUM ACCOUNTS AS AT 31st DECEMBER 1985

(in thousands of francs)

Ministers of National Education :		
Balance for their account at the Postal Cheque Office (Education legisla- tion) . . . . .		23,450,448
Documentary Credits Opened . . . . .		14,693
« Visa » of Acceptances relating to Exports and Imports . . . . .		20,846
Debtors in respect of commercial bills not denominated in FB, discounted in the form of a purchase/sale transaction at an agreed exchange rate		30,931
Guarantees given by the Bank . . . . .		981,295
Securities received by way of Guarantee :		
Cover for advance limits against pledged security	66,872,028	
Securities provided by borrowers of call money .	19,896,898	
Sundry security commitments . . . . .	54,871	
Other guarantees . . . . .	<u>1,400,321</u>	88,224,118
Guarantee Certificates received from the Public Treasury . . . . .		1,850,000
Items for Collection . . . . .		292,982
Assets administered for account of the European Monetary Co-operation Fund . . . . .		18,087,570
Deposits of Securities and Sundry Items :		
International Monetary Fund . . . . .	99,124,000	
International Development Association . . . . .	6,877,170	
Asian Development Bank . . . . .	1,329,315	
Inter American Development Bank . . . . .	455,565	
African Development Fund . . . . .	1,331,249	
International Fund for Agricultural Development .	215,000	
Other Deposits . . . . .	<u>1,302,360,343</u>	1,411,692,642
Public Treasury :		
Sundry Securities owned by the Government . . .	12,931,322	
Preference Shares of the Belgian National Rail- ways Co. . . . .	5,000,000	
Ordinary Shares of the Belgian National Rail- ways Co. . . . .	1,000,000	
4.50 p.c. Certificates of the National Housing Co.	3,339,947	
Sundry Items : earmarked for the Monetary Fund	539,140	
Others . . . . .	3,052,235	
Sundry Items for which the Government is the Depositary . . . . .	1,517,841,608	
Items lodged by outside parties . . . . .	110,771,616	
Service of the Registered Debt . . . . .	1,381,768,425	
Deposit and Consignment Office . . . . .	12,289,275	
Items lodged by way of guarantee . . . . .	13,012,292	
Items to be Delivered . . . . .	<u>937,752,379</u>	2,468,525,309
Securities Regulation Fund . . . . .		225,253,324

## DIVIDEND DECLARED FOR THE YEAR 1985

First Dividend, Total . . . . .	24,000
Second Dividend, Total . . . . .	<u>656,000</u>
Total . .	680,000

on 400,000 shares, that is per share a dividend of Fr. 1,700

Coupon No. 184 will be payable with effect from 1st March 1986, at the rate of Fr. 1,275 free of withholding tax on income from financial assets<sup>1</sup>.

*The Council of Regency :*

Roland BEAUVOIS, *Director*,  
 Georges JANSON, *Director*,  
 William FRAEYS, *Director*,  
 Frans JUNIUS, *Director*,  
 Jean-Pierre PAUWELS, *Director*,  
 Roger RAMAEKERS, *Regent*,  
 Raymond PULINCKX, *Regent*,  
 Jozef HOUTHUYS, *Regent*,  
 Jan HINNEKENS, *Regent*,  
 Luc AERTS, *Regent*,  
 Albert FRERE, *Regent*,  
 André DEVOGEL, *Regent*,  
 Alfred RAMPEN, *Regent*,  
 Rik VAN AERSCHOT, *Regent*,  
 André VANDEN BROUCKE, *Regent*.

*The Governor,*  
 Jean GODEAUX.

<sup>1</sup> Withholding tax on income from financial assets :

$$\frac{1,275 \times 1}{3} \dots \dots \text{Fr. 425.}$$

The tax relief which can be included in the base for income tax amounts to :

$$\frac{1,275 \times 54.5}{100} \dots \dots \text{Fr. 694.88.}$$



*Administration and supervision*

*Departments and services*

*Branches and agencies*



## ADMINISTRATION AND SUPERVISION

<i>Governor</i>	Mr Jean GODEAUX.
<i>Directors</i>	Messrs Roland BEAUVOIS, Georges JANSON, William FRAEYS, Frans JUNIUS, Jean-Pierre PAUWELS.
<i>Regents</i>	Messrs Roger RAMAEKERS, Raymond PULINCKX, Jozef HOUTHUYS, Jan HINNEKENS, Luc AERTS, Albert FRERE, André DEVOGEL, Alfred RAMPEN, Rik VAN AERSCHOT, André VANDEN BROUCKE.
<i>Censors</i>	Messrs Gaston VANDEWALLE, <i>Chairman</i> , Jacques DELRUELLE, <i>Secretary</i> , Hubert DETREMMERIE, Lucien ROEGIERs, Théo VANDERVORST, Joseph VAN LANDSCHOOT, Roger MENE, Willy DANCKAERT, Christian D'HOOGH, Carlo VAN GESTEL.
<i>Secretary</i>	Mr Jean POULLET.
<i>Treasurer</i>	Mr Georges LAKIERE.

## GOVERNMENT COMMISSIONER

Mr René LAUWERIJNS.

## ADVISERS

*Economic Adviser to the Bank* — Mr J. BAUDEWYNS.

*Advisers to the Board of Directors* — Mr R. VAN STEENKISTE, Head of Personnel,  
Miss M.- H. LAMBERT.

## DEPARTMENTS AND SERVICES

*Social Affairs Department* — Mr R. VAN STEENKISTE,  
Adviser to the Board of Directors, Head of Personnel,

### Training

Head Mr L. VAN DER VEKEN, Inspector-General.

### Medico-social Affairs

Head Doctor Mr J. BARY,  
Doctor Mr A. DE LANDTSHEER.

### Personnel

Head Mr L. HANCISSE, Inspector-General,  
Heads of Division Messrs R. VAN SIMAEYS, J. LEEMANS,  
R. VAN KEYMEULEN.

*Accounting and Budgetary Control Department* — Mr L. BOES, Inspector-General,

### Accounting

Head Mr H. DE SAEDELEER, Inspector-General,  
Heads of Division Messrs C. DEKEYSER, A. MICHEL.

### Budgetary Control

Head Mr J. VAN ROY, Inspector-General,  
Head of Division Mr F. HEYMANS.

*General Control Department* — Mr P. COENRAETS, Inspector-General,

### External Control

Head Mr H. KUSSE, Inspector-General,  
Inspector-General Mr E. VAN DER JEUGHT,  
Controller Mr D. VERMEIREN.

Inspection

Head	Mr D. MUS, Inspector-General,
Inspectors	Messrs L. LEEMAN, J. HELFGOTT, J. PAPLEUX, P. BOBYR.

*Credit Department* — Mr L. PLUM, Assistant Director,

Advances and Portfolio

Head	Mr P. BOON, Inspector-General,
Head of Division	Mr J.M. WULLUS.

Central Risks Office

Head	Mr F. TOURNEUR, Inspector-General,
Adviser	Mr M. ASSEAU.

Discounting

Head	Mr C. DE NYS, Inspector-General,
Head of Division	Mr J. VAN ROMPAY.

*Foreign Department* — Mr J.J. REY, Assistant Director,

International Agreements

Head	Mr J. ROELANDTS, Inspector-General,
Advisers	Messrs M. DEMARET, P. LEROY, J. MICHIELSEN, M. JAMAR, G. NOPPEN, Mrs F. LEPOIVRE-MASAI,
Head of Division	Mr M. EECKHOUT.

Foreign Exchange

Head	Mr P. ADRIAENS, Inspector-General,
Head of Division	Mr H. BUSSERS.

Goods Transactions Control

Head	Mr W. STOOP, Inspector-General,
Heads of Division	Messrs F. ROBBERECHT, L. DUSSAIWOIR.

Foreign Payments Statistics

Head	Mr J. HEYVAERT, Inspector-General,
Head of Division	Mr G. MELIS.



*Research Department* — Mr J. BAUDEWYNS, Economic Adviser to the Bank,  
Miss M.-H. LAMBERT, Adviser to the Board of Directors,

Deputy Head of Department	Mr W. PLUYM, Inspector-General,
Advisers	Messrs J. DESPIEGELAERE, S. BERTHOLOME, J. SMETS.
Senior Economist	Mr R. REYNDERS,
Economists	Messrs G. PARLONGUE, B. MEGANCK, Mrs A.M. JOURDE-PEETERS, Messrs J.-J. VANHAELEN, E. JACOBS, J. CLAEYS, Mrs F. JACOBS-DONKERS, Mr V. PERILLEUX.

*Documentation*

Head	Mr M. JACOBS, Inspector-General,
Heads of Division	Messrs G. BURGGRAEVE, X. DUQUENNE.

*Statistics*

Head	Mr W. BRUMAGNE, Inspector-General,
Head of Division	Mr R. BEUTELS,
Adviser	Mr A. WOUTERS.

*Public Securities Department* — Mr P. GENIE, Assistant Director,

*Government Cashier's Department*

Head	Mr C. VAN POPPEL, Inspector-General,
Head of Division	Mr C. LOTS.

*Securities Regulation*

Head	Mr J. CARLIER, Inspector-General,
Head of Division	Mr J. MAKART.

*Securities*

Head	Mr L. NICOLAY, Inspector-General,
Head of Division	Mr W. STEPPE.

*Buildings Department* — Mr G. VAN DEN STEEN, Assistant Director,

*Buildings*

Head	Mr F. DEMEULENAERE, Inspector-General,
Advisers	Messrs J. VICTOIR, K. VANDENEDEE.

*Stores and Security*

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Heads of Division	Messrs S. VAN RILLAER, G. SCHAMPAERT, J. VANDEUREN, R. LOISEAU, A. KOZIJNS.

*Printing Department* — Mr J. VAN DROOGENBROECK, Assistant Director,

Administrative Services

Head Mr M. VAN GEYTE, Head of Division,

Technical Services

Head Mr W. VAN NIEUWENHUYSE, Inspector-General,

Head of Division Mr L. DUFRESNE.

*Organisation and Data Processing Department* — Mr J. NAGANT, Assistant Director,

Electronics Centre

Head Mr J. MOERMAN, Inspector-General,

Head of Division Mr J. RENDERS.

Organisation

Head Mr H. BARBE, Inspector-General,

Consultant Analysts Messrs R. MAUHIN, R. VAN HEMELRIJCK,  
A. HUET, P. LAUWERS, J.P. HOYOS.

Planning and Information Systems

Temporarily managed by Mr J. NAGANT, Head of Department,

Head of Division Mr Y. LEBLANC,

Consultant Analysts Messrs R. THIRION, B. GROETEMBRIL.

*General Secretariat Department* — Mr A. VLASSELAER, Assistant Director,

Secretariat

Head Mr M. SCHOLLAERT, Inspector-General,

Heads of Division Messrs M. VERHAEGEN, R. COCHEZ.

Secretariat of the Board of Directors

Head Mr J. DOLO, Inspector-General,

Heads of Division Mr H. DOMS, Miss J. RONDEUX.

*General Treasury Department* — Mr G. LAKIERE, Treasurer,

Central Cash Office

Chief Cashier Mr J. DE MAESSCHALCK, Inspector-General,

Heads of Division Messrs R. SCHEYS, Y. BALSEAU, R. VERHEYDEN,  
J.-F. KERVYN de MARCKE ten DRIESSCHE.

Current Accounts

Head	Mr T. FELIX, Inspector-General,
Adviser	Mr G. BOEYKENS,
Head of Division	Mr V. DECONINCK.

*Branches and Agencies Department* — Mr W. VAN DER PERRE, Assistant Director,

Head of Division	Mr P. TELLIER.
------------------	----------------

Antwerp

Branch Manager	Mr H. ALLAER,
Heads of Division	Messrs P. VERPOEST, J. BRIL, F. SERCKX, L. JACOBS.

Liège

Branch Manager	Mr P. NYS,
Heads of Division	Messrs H. PAQUES, L. VANTOURS.

Luxembourg

Branch Manager	Mr M. HENNEQUIN.
----------------	------------------

Aalst

Agency Manager	Mr L. GHYSELS.
----------------	----------------

Arlon

Agency Manager	Mr R. TOBIE.
----------------	--------------

Brugge

Agency Manager	Mr L. VAN DEN WIJNGAERT.
----------------	--------------------------

Charleroi

Agency Manager	Mr J. TASSIER.
----------------	----------------

Courtrai

Agency Manager	Mr J. BOUDOU.
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Ghent

Agency Manager	Mr K. MORTIER,
Head of Division	Mr A. MAENHAUT.

Hasselt	
Agency Manager	Mr M. THIJS,
Head of Division	Mr L. MESOTTEN.
La Louvière	
Agency Manager	Mr P. VAN NIEUWENHUYSE.
Leuven	
Agency Manager	Mr P. PEETROONS,
Head of Division	Mr W. SMOUT.
Malmédy	
Agency Manager	Mr A. MOXHET.
Marche-en-Famenne	
Agency Manager	Mr P. DETRY.
Mechelen	
Agency Manager	Mr P.L. KERREMANS.
Mons	
Agency Manager	Mr F. RYCKAERT,
Head of Division	Mr R. DENDAL.
Namur	
Agency Manager	Mr J. DELPEREE.
Ostend	
Agency Manager	Mr G. ONGENA.
Roeselaere	
Agency Manager a.i.	Mr J. VICTOR.
Sint-Niklaas	
Agency Manager	Mr L. GHEKIERE.
Tournai	
Agency Manager	Mr M. SIMAL.
Turnhout	
Agency Manager	Mr T. DE ROOVER.
Verviers	
Agency Manager	Mr J. BOFFING.

## OTHER SERVICES

Collections and Staff Library,

Head Miss C. LOGIE, Head of Division.

Legal Department,

Head Mr J.-V. LOUIS, Assistant Director,

Advisers Messrs P. LOHEST, J.-P. BRISE,  
E. de LHONEUX.

Safety, Hygiene and Embellishment of Working Environment,

Head Mr J. VAN PETEGHEM, Assistant Adviser.

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\*\*

*Officials on mission at the International Monetary Fund in Washington,*

Mr J.C. PAUWELS, Head of Division,  
Mr M. DESSART, Adviser.

*Officials on mission on behalf of the International Monetary Fund,*

Bank of Morocco	Mr F. DEPUYDT, Head of Division,
Ministry of Finance	
of the Republic of Niger	Mr J. TAVERNIER, Adviser,
Bank of Rwanda	Mr G. MARLET, Adviser.

*Officials on Mission at the Bank of Zaire,*

Messrs J. DUREUIL, Adviser,  
R. VANHULST, Head of Division,  
R. BEERENS, Head of Division.

*Official on Mission at the Bank of Rwanda,*

Mr J. WIELEMANS, Analyst-Consultant.

*Official temporarily attached to the Belgian Permanent Representation with the European Communities,*

Mr Ph. VIGNERON, Adviser.

*Officials temporarily attached to the O.E.C.D. in Paris,*

Messrs W. VERTONGEN, Economist,  
P. VAN DER HAEGEN, Adviser.

*Official temporarily attached to the Office of Mr Gol, Deputy Prime Minister,*

Mr A. NYSENS, Economist.

*Official temporarily attached to the Office of Mr Verhofstadt, Deputy Prime Minister,*

Mr L. COENE, Adviser.







## *Annexes*

# BALANCE SHEETS COMPARED

ASSETS	1981	1982	1983	1984	1985
Gold Holding . . . . .	58,214.0	58,214.0	58,214.0	58,213.9	58,213.9
International Monetary Fund :					
Quota . . . . .	15,342.7	14,601.3	23,671.0	25,025.6	22,798.9
Loans . . . . .	—	—	—	—	—
Special Drawing Rights . . . . .	30,553.4	32,695.6	19,413.9	22,102.0	15,978.5
Ecus . . . . .	33,640.4	72,953.3	139,230.9	165,398.9	157,917.9
Foreign Currencies . . . . .	112,004.9	49,416.0	47,536.6	40,026.8	29,409.8
Foreign Currencies, Ecus and Gold Receivable :					
European Monetary Co-operation Fund . .	39,609.9	35,657.2	26,694.9	30,228.2	18,087.6
Other . . . . .	—	—	—	—	2,430.1
International Agreements . . . . .	968.0	1,086.8	1,316.5	1,570.7	1,362.4
Advances to the I.M.F. . . . .	4,475.8	2,282.1	2,402.2	772.9	2,470.8
European Monetary Co-operation Fund . . .	—	—	—	—	—
E.E.C. : Medium-term Financial Assistance . .	—	—	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates . . . . .	—	—	—	—	—
Commercial Bills . . . . .	85,559.4	84,422.7	83,181.3	10,675.6	24,970.8
Advances against Pledged Security :					
Private-sector Financial Intermediaries . . .	479.3	155.2	0.7	2,175.3	699.8
Public-sector Financial Intermediaries . . .	0.7	0.1	13,671.1	0.6	—
Other Public-sector Institutions . . . . .	—	—	—	—	—
Public and Private Enterprises, and Individuals	94.4	460.2	370.8	114.6	14.8
	574.4	615.5	14,042.6	2,290.5	714.6
Public Securities :					
Belgian Public Securities . . . . .	37,000.0	37,000.0	37,000.0	37,000.0	37,000.0
Luxembourg Public Securities . . . . .	—	—	—	—	—
Special Assistance to the Securities Regulation Fund	149,540.0	181,059.0	188,400.0	200,610.0	182,178.0
Treasury Notes and Coins . . . . .	673.5	859.4	907.9	709.3	980.5
Balances at the Postal Cheque Office :					
A Account . . . . .	2.0	1.5	1.8	1.7	1.5
B Account . . . . .	4,469.0	4,410.4	4,583.8	4,340.7	4,454.0
Consolidated Claim on the Government . . .	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Provisional Adjustment resulting from the Law of 3rd July 1972 . . . . .	3,450.4	3,450.4	3,450.4	3,450.4	3,450.4
Items Receivable . . . . .	3,401.7	8,978.0	1,625.4	8,573.9	2,904.4
Public Long-term Securities . . . . .	8,861.4	10,128.1	11,598.5	12,823.3	14,275.5
Premises, Furniture and Equipment . . . . .	2,253.5	2,384.5	2,853.3	3,420.6	4,426.8
Securities of the Staff Pensions Fund . . . .	14,254.0	15,334.4	16,675.5	18,035.5	19,741.7
Transitory Assets . . . . .	2,899.2	13,422.7	14,292.9	19,101.7	16,156.8
	641,747.6	662,972.9	731,093.4	698,372.2	653,924.9

LIABILITIES	1981	1982	1983	1984	1985
Bank Notes in Circulation . . . . .	382,224.6	382,193.3	395,916.1	398,183.2	394,746.9
Current and Sundry Accounts :					
Public Treasury, Ordinary Account . . .	23.4	16.3	9.6	12.6	17.9
Private-sector Financial Intermediaries . . .	358.7	380.6	269.6	372.9	209.3
Public-sector Financial Intermediaries . . .	24.2	20.1	33.5	31.5	31.9
Other Public-sector Institutions . . . . .	612.1	867.8	815.9	786.0	803.4
Public and Private Enterprises, and Individuals	770.0	149.8	153.0	254.4	166.1
Banks in Foreign Countries and International					
Institutions, Ordinary Accounts . . . . .	4,987.5	2,249.2	2,275.9	2,075.0	2,452.0
Items Payable . . . . .	4,133.8	27,983.2	16,391.1	26,890.2	21,109.2
	10,909.7	31,667.0	19,948.6	30,422.6	24,789.8
International Agreements :					
Financial Assistance Agreements . . . . .	4,469.0	4,410.4	4,583.8	4,340.7	4,454.0
Other Agreements . . . . .	34.0	28.1	31.0	36.8	50.1
International Monetary Fund :					
Special Drawing Rights, Net Cumulative					
Allocation . . . . .	23,610.7	23,610.7	23,610.7	23,610.7	23,610.7
European Monetary Co-operation Fund . . .	2,752.5	18,078.1	48,237.3	—	—
Ecus to be delivered to the European Monetary					
Co-operation Fund . . . . .	163,460.5	166,552.3	198,574.2	197,861.8	156,543.1
Monetary Reserve :					
Belgium . . . . .	—	—	—	—	—
Grand Duchy of Luxembourg . . . . .	—	—	—	—	—
Foreign Currencies, Ecus and Gold to be delivered	18.2	14.7	35.5	19.2	2,491.0
Staff Pensions Fund . . . . .	14,254.0	15,334.4	16,675.5	18,035.5	19,741.7
Transitory Liabilities . . . . .	29,139.8	8,694.4	9,813.0	10,702.4	10,407.3
Capital . . . . .	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve . . . . .	1,516.5	1,596.8	1,682.2	1,773.4	1,869.2
Extraordinary Reserve . . . . .	6,073.7	7,357.6	8,089.6	9,026.6	9,907.6
Account for Depreciation of Premises, Furni-					
ture and Equipment . . . . .	2,058.5	2,159.3	2,561.1	2,979.7	3,888.4
Net Profit for Distribution . . . . .	825.9	875.8	934.8	979.6	1,025.1
	641,747.6	662,972.9	731,093.4	698,372.2	653,924.9

## PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT	1981	1982	1983	1984	1985
<b>Government's Share :</b>					
Discounts and Advances . . . . .	24,271.2	29,586.4	21,809.6	25,445.0	17,316.0
Transactions with Foreign Countries . . . . .	8,482.6	3,513.6	1,666.1	3,602.0	3,097.1
	32,753.8	33,100.0	23,475.7	29,047.0	20,413.1
<b>General Expenses :</b>					
Remunerations and Social Charges . . . . .	4,405.7	4,941.9	5,322.6	5,764.1	5,954.9
Other Expenses . . . . .	440.2	510.4	602.4	702.9	777.1
	4,845.9	5,452.3	5,925.0	6,467.0	6,732.0
<i>less :</i>					
Expenses to be borne by Others . . . . .	- 717.0	- 853.7	- 973.2	- 1,207.6	- 1,562.4
	4,128.9	4,598.6	4,951.8	5,259.4	5,169.6
<b>Taxes and Dues . . . . .</b>	2,830.8	2,864.0	2,789.4	2,452.8	2,614.3
<b>Other Payments to the Public Treasury imposed by Law . . . . .</b>	456.6	36.6	36.6	125.3	79.3
<b>Depreciation of Premises, Furniture and Equipment</b>	335.3	563.5	929.4	914.6	980.7
<b>Additional Grant to the Staff Pensions Fund . .</b>	500.0				
<b>Transfers to Reserves and Provisions :</b>					
— Extraordinary Reserve . . . . .	1,177.0	1,284.0	732.0	768.0	881.0
— Provision for Premises, Furniture and Equipment . . . . .	260.0	234.0	500.0	500.0	1,000.0
— Provision against Sundry Contingencies . . . . .	500.0	700.0	600.0	500.0	
— Provision for Tax. . . . .	300.0				
— Tax Saving effected by virtue of R.D. No. 16 of 9th March 1982 . . . . .		173.0			
— Centenary Fund . . . . .			25.0		
<b>Net Profit for Distribution . . . . .</b>	825.9	875.8	934.8	979.6	1,025.1
	44,068.3	44,429.5	34,974.7	40,546.7	32,163.1



CREDIT	1981	1982	1983	1984	1985
Proceeds of Discount and Advance Operations .	30,929.8	37,981.4	30,337.5	33,912.8	23,740.8
Proceeds of Transactions with Foreign Countries	11,353.0	4,846.8	2,984.1	4,589.0	6,212.0
Proceeds of Public Long-term Securities . . .	867.6	1,056.1	1,289.4	1,459.4	1,676.9
Fees for Safe Custody, Commissions and Allowances . . . . .	226.8	221.4	221.0	228.0	218.2
Sundry Receipts . . . . .	0.5	23.8	13.7	15.5	29.2
Transfer of Reserves from the Staff Pensions Fund (Art. 240 of the Law of 8th August 1980 concerning the 1979-1980 Budget Proposals) .	429.2				
Drawings on Transitory Liabilities Items . . .	261.4	300.0	129.0	342.0	286.0
	44,068.3	44,429.5	34,974.7	40,546.7	32,163.1



## MISCELLANEOUS INFORMATION

	1981	1982	1983	1984	1985
Net dividend declared per share . . . . .	1,100.00	1,165.00	1,165.00	1,220.00	1,275.00
Withholding tax on income from financial assets per share . . . . .	275.00	291.25	388.33	406.67	425.00
Gross dividend declared per share . . . . .	1,375.00	1,456.25	1,553.33	1,626.67	1,700.00
Tax credit . . . . .	632.50	594.15	634.93	664.90	694.88



**WEEKLY RETURNS PUBLISHED IN  
THE « BELGISCH STAATSBLAD - MONITEUR BELGE »  
DURING 1985**



## WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLED - MONITEUR BELGE » DURING 1985

(millions of francs)

## ASSETS

DATE	Gold holding	International Monetary Fund :			Ecus	Foreign currencies	Foreign currencies, Ecus and gold receivable :		Inter-national agreements	Advances to the I.M.F.	European Monetary Co-operation Fund	E.E.C. : Medium-term financial assistance	Debtors in respect of foreign exchange and gold at forward dates	Commercial bills	Advances against pledged security	Public securities :		Special assistance to the Securities Regulation Fund	Treasury notes and coins	Balances at the Postal Cheque Office :		Consoli-dated claim on the Government	Provisional adjustment resulting from the Law of 3rd July 1972	Public long-term securities	Premises, furniture and equipment	Securities of the Staff Pensions Fund	Sundries	TOTAL ASSETS	M. P. O. B. as N. (1) E
		Quota	Loans	Special Drawing Rights			European Monetary Co-operation Fund	Other								Belgian public securities	Luxembourg public securities			A Account	B Account								
7 January 1985	58,214	25,026	...	22,102	152,871	44,970	25,590	...	1,568	773	...	...	...	11,371	11	37,000	...	186,287	693	1	4,286	34,000	3,450	12,823	2,853	18,648	31,536	674,073	
14 »	58,214	25,026	...	22,102	161,474	39,846	25,590	...	1,571	773	...	...	...	13,432	22	37,000	...	175,707	726	2	4,255	34,000	3,450	12,823	2,853	18,596	26,614	664,076	
21 »	58,214	25,026	...	22,126	172,582	35,594	25,590	...	1,404	773	...	...	...	11,027	46	37,000	...	171,549	734	1	4,248	34,000	3,450	12,823	2,853	18,596	27,752	665,388	
28 »	58,214	25,026	...	22,126	184,125	29,418	25,590	...	1,290	773	...	...	...	14,738	26	37,000	...	159,701	777	1	4,086	34,000	3,450	12,823	2,853	18,662	23,550	658,229	
4 February	58,214	25,026	...	22,126	184,125	30,976	25,590	...	1,321	773	...	...	...	10,902	22	37,000	...	165,273	807	1	4,084	34,000	3,450	14,224	3,421	18,770	17,515	657,620	
11 »	58,214	24,183	...	22,126	184,125	36,150	25,590	...	1,513	773	...	...	...	11,104	6	37,000	...	156,481	840	2	4,075	34,000	3,450	14,224	3,421	19,248	18,606	655,131	
18 »	58,214	24,183	...	22,126	184,125	34,838	25,590	...	1,480	773	...	...	...	19,995	4,091	37,000	...	145,986	857	2	3,902	34,000	3,450	14,273	3,421	19,822	26,385	664,513	
25 »	58,214	24,183	...	22,124	184,125	30,868	25,590	...	1,576	773	...	...	...	11,122	4	37,000	...	162,702	847	1	3,884	34,000	3,450	14,273	3,421	19,822	18,255	656,234	
4 March	58,214	24,184	...	22,372	184,125	40,116	25,590	...	1,578	773	...	...	20,716	12,982	29	37,000	...	150,842	849	1	3,521	34,000	3,450	14,273	3,421	19,827	20,084	677,947	
11 »	58,214	24,184	...	22,372	184,125	32,638	25,590	...	1,519	773	...	...	6,726	11,747	13	37,000	...	163,728	837	1	3,503	34,000	3,450	14,273	3,421	19,788	18,210	666,112	
18 »	58,214	24,184	...	22,372	184,125	34,739	25,590	...	1,538	1,505	...	...	8,146	13,717	15	37,000	...	161,509	819	2	3,446	34,000	3,450	14,273	3,421	19,934	18,088	670,087	
25 »	58,214	23,865	...	22,372	184,125	30,605	25,590	...	1,682	1,505	...	...	...	19,269	52	37,000	...	161,491	809	1	3,435	34,000	3,450	14,275	3,421	20,157	20,190	665,508	
1 April	58,214	23,865	...	22,308	184,125	30,561	25,590	...	1,670	1,762	...	...	201	11,475	58	37,000	...	165,696	806	1	3,431	34,000	3,450	14,275	3,421	20,186	19,686	661,781	
5 »	58,214	23,865	...	22,308	184,125	30,402	25,590	...	1,668	1,762	...	...	...	20,442	11,461	37,000	...	149,575	793	2	3,431	34,000	3,450	14,143	3,421	20,114	19,462	665,228	
15 »	58,214	23,865	...	22,308	182,394	35,051	20,976	...	1,672	1,762	...	...	...	10,916	6,584	37,000	...	161,475	768	2	3,563	34,000	3,450	14,143	3,421	20,080	21,531	663,175	
22 »	58,214	23,865	...	21,963	182,394	35,523	20,976	...	1,643	1,762	...	...	...	11,018	39	37,000	...	166,958	790	1	3,558	34,000	3,450	14,143	3,421	20,101	19,839	660,658	
29 »	58,214	24,011	...	21,841	182,394	35,664	20,976	...	1,583	1,762	...	...	...	10,919	26	37,000	...	166,159	793	2	3,529	34,000	3,450	14,143	3,421	20,124	18,447	658,458	
6 May	58,214	24,011	...	19,798	182,394	38,531	20,976	...	1,611	1,762	...	...	1,196	11,651	6	37,000	...	174,377	791	1	3,527	34,000	3,450	14,143	3,421	20,085	18,853	669,798	
13 »	58,214	23,901	...	19,798	182,394	38,323	20,976	...	1,584	1,762	...	...	120	10,963	65	37,000	...	173,916	792	1	3,365	34,000	3,450	14,143	3,421	20,034	22,532	670,754	
20 »	58,214	23,819	...	19,570	182,394	39,657	20,976	...	1,520	1,762	...	...	...	15,550	442	37,000	...	181,797	764	2	3,323	34,000	3,450	14,271	3,421	20,133	24,258	686,323	
24 »	58,214	23,819	...	19,570	182,394	44,994	20,976	...	1,517	1,762	...	...	6,064	16,674	12,996	37,000	...	152,677	745	1	3,308	34,000	3,450	14,271	3,421	20,133	21,983	679,969	
3 June	58,214	23,819	...	18,596	182,394	49,690	20,976	...	1,471	1,762	...	...	8,480	15,939	241	37,000	...	161,921	706	2	3,862	34,000	3,450	14,271	3,421	20,132	24,473	684,820	
10 »	58,214	23,819	...	18,864	182,394	48,434	20,976	...	1,354	1,722	...	...	6,064	10,382	22	37,000	...	169,003	745	2	3,847	34,000	3,450	14,268	3,421	20,067	24,171	682,219	
17 »	58,214	23,936	...	18,961	182,394	48,499	20,976	...	1,179	1,722	...	...	6,064	10,114	39	37,000	...	169,845	803	2	3,814	34,000	3,450	14,268	3,421	20,125	23,833	682,659	
24 »	58,214	23,936	...	18,813	182,394	44,700	20,976	...	1,177	1,722	...	...	...	9,933	39	37,000	...	179,592	820	2	3,809	34,000	3,450	14,268	3,421	20,154	22,845	681,265	
1 July	58,214	23,341	...	18,691	182,																								



## WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE » DURING 1985

(millions of francs)

## LIABILITIES

Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of National Education (Law of 11.7.1973 - Education legislation)	Bank notes in circulation	Current accounts :			International agreements :		International Monetary Fund : Special Drawing Rights, net cumulative allocation	European Monetary Co- operation Fund	Ecus to be delivered to the E.M.C.F.	Monetary reserve :		Foreign currencies, Ecus and gold to be delivered	Staff Pensions Fund	Sundries	Capital, reserves and depreciation accounts <sup>1</sup>	TOTAL LIABILITIES	DATE
		Public Treasury : Ordinary account	Banks in foreign countries and international institutions, ordinary accounts	Sundry current accounts and items payable	Financial assistance agreements	Other agreements				Belgium	Grand Duchy of Luxembourg						
12,136	389,552	5	1,557	17,292	4,286	26	23,611	...	184,125	...	...	53	18,648	22,094	12,824	674,073	7 January 1985
11,926	385,299	21	1,760	9,534	4,255	34	23,611	...	184,125	...	...	31	18,596	23,986	12,824	664,076	14 »
23,348	383,717	10	1,735	10,987	4,248	46	23,611	...	184,125	...	...	28	18,596	25,461	12,824	665,388	21 »
23,187	375,491	18	2,160	8,294	4,086	40	23,611	...	184,125	...	...	863	18,662	28,055	12,824	658,229	28 »
22,678	380,090	24	2,283	14,798	4,084	27	23,611	...	184,125	...	...	1,072	18,770	14,461	14,275	657,620	4 February
22,226	377,434	9	2,365	14,736	4,075	65	23,611	...	184,125	...	...	19	19,248	15,169	14,275	655,131	11 »
21,757	380,012	9	1,898	18,589	3,902	35	23,611	...	184,125	...	...	2,348	19,822	15,887	14,275	664,513	18 »
21,633	378,461	11	1,777	13,408	3,884	44	23,611	...	184,125	...	...	160	19,822	16,656	14,275	656,234	25 »
21,153	386,081	1	1,840	13,488	3,521	53	23,611	...	184,125	...	...	11,960	19,827	19,165	14,275	677,947	4 March
20,690	382,591	23	2,002	13,055	3,503	88	23,611	...	184,125	...	...	3,916	19,788	19,135	14,275	666,112	11 »
20,514	384,626	3	2,003	13,630	3,446	48	23,611	...	184,125	...	...	4,598	19,934	19,788	14,275	670,087	18 »
20,312	382,635	8	2,011	15,180	3,435	70	23,611	...	184,125	...	...	14	20,157	19,987	14,275	665,508	25 »
19,952	386,423	23	2,095	13,392	3,431	39	23,611	...	184,125	...	...	224	20,186	13,957	14,275	661,781	1 April
19,612	389,508	18	1,993	13,717	3,431	33	23,611	...	184,125	...	...	16	20,114	14,387	14,275	665,228	5 »
19,325	386,418	14	2,827	15,420	3,563	37	23,611	...	182,394	...	...	16	20,080	14,520	14,275	663,175	15 »
19,338	386,667	16	2,183	12,914	3,558	52	23,611	...	182,394	...	...	29	20,101	14,858	14,275	660,658	22 »
19,195	386,037	16	2,175	11,175	3,529	55	23,611	...	182,394	...	...	18	20,124	15,049	14,275	658,458	29 »
18,801	394,104	14	2,100	12,851	3,527	47	23,611	...	182,394	...	...	811	20,085	15,979	14,275	669,798	6 May
19,213	396,279	2	2,639	11,675	3,365	33	23,611	...	182,394	...	...	158	20,034	16,289	14,275	670,754	13 »
19,007	408,921	8	2,797	14,293	3,323	24	23,611	...	182,394	...	...	37	20,133	16,507	14,275	686,323	20 »
18,819	400,648	15	1,866	12,738	3,308	207	23,611	...	182,394	...	...	4,001	20,133	16,773	14,275	679,969	24 »
18,525	401,090	18	1,912	13,646	3,862	47	23,611	...	182,394	...	...	6,417	20,132	17,416	14,275	684,820	3 June
18,107	400,359	15	1,640	14,275	3,847	23	23,611	...	182,394	...	...	4,016	20,067	17,697	14,275	682,219	10 »
17,608	401,382	10	1,863	12,859	3,814	33	23,611	...	182,394	...	...	3,993	20,125	18,300	14,275	682,659	17 »
17,383	405,319	16	1,686	11,743	3,809	39	23,611	...	182,394	...	...	16	20,154	18,203	14,275	681,265	24 »
17,079	410,384	8	1,707	12,144	3,807	41	23,611	...	182,394	...	...	22	20,212	22,394	14,275	690,999	1 July
16,863	408,133	16	1,633	14,346	3,713	26	23,611	...	175,999	...	...	15	20,207	23,055	14,275	685,029	8 »
16,625	405,325	9	1,797	28,223	3,686	34	23,611	...	175,999	...	...	12,066	20,161	23,508	14,275	708,694	15 »
16,221	403,018	2	1,456	14,167	3,685	35	23,611	...	175,999	...	...	12,055	20,161	23,972	14,275	692,436	19 »
15,959	391,003	3	1,557	11,695	3,676	35	23,611	...	175,730	...	...	26	20,161	24,861	14,275	666,633	29 »
15,527	396,915	5	1,759	10,643	3,653	37	23,611	...	175,730	...	...	30	20,136	25,607	14,275	672,401	5 August
15,249	391,953	8	2,265	11,908	3,632	50	23,611	...	175,730	...	...	39	20,085	25,496	14,275	669,052	12 »
15,245	396,169	21	2,302	14,095	3,619	42	23,611	...	175,730	...	...	40	20,085	25,623	14,275	675,612	19 »
15,023	389,026	8	2,198	24,239	3,678	50	23,611	...	175,730	...	...	406	20,085	25,784	14,275	679,090	26 »
14,764	392,000	1	2,205	15,499	3,667	41	23,611	...	175,730	...	...	21	20,085	26,576	14,275	673,711	2 September
14,591	390,861	4	1,969	17,154	3,951	59	23,611	...	175,730	...	...	26	20,012	26,742	14,275	674,394	9 »
14,497	390,756	6	2,138	10,858	3,997	48	23,611	...	175,730	...	...	1,192	20,012	26,672	14,275	669,295	16 »
14,668	389,346	10	2,141	10,573	3,985	55	23,611	...	175,730	...	...	4,579	20,020	27,501	14,275	671,826	23 »
14,958	389,747	21	2,014	11,595	4,090	53	23,611	...	175,730	...	...	8,784	20,036	22,156	14,275	672,112	30 »
14,695	392,454	5	2,215	12,767	4,104	46	23,611	...	156,543	...	...	12,293	19,997	22,074	14,275	660,384	7 October
14,194	390,604	22	1,854	14,686	4,021	42	23,611	...	156,543	...	...	14,096	19,945	21,509	14,275	661,208	14 »
14,081	390,060	13	1,645	14,618	3,942	75	23,611	...	156,543	...	...	14,704	19,945	21,703	14,275	661,134	21 »
13,676	382,322	5	1,825	10,714	3,867	43	23,611	...	156,543	...	...	14,628	19,944	21,599	14,275	649,376	28 »
13,341	387,485	10	1,982	14,209	4,130	82	23,611	...	156,543	...	...	14,623	19,944	22,068	14,275	658,962	4 November
13,291	385,505	17	2,603	10,783	4,051	90	23,611	...	156,543	...	...	14,626	19,842	22,198	14,275	654,144	8 »
13,032	385,705	16	2,351	10,963	4,041	49	23,611	...	156,543	...	...	8,790	19,842	22,412	14,275	648,598	18 »
12,84	381,792	2	2,168	13,960	4,471	51	23,611	...	156,543	...	...	28	19,842	21,979	14,275	638,722	25 »
12,515	385,282	19	3,236	12,012	4,478	44	23,611	...	156,543	...	...	35	19,848	22,649	14,275	642,032	2 December
12,149	385,753	20	2,990	14,834	4,402	42	23,611	...	156,543	...	...	46	19,745	22,935	14,275	645,196	9 »
11,533	387,933	14	2,784	13,770	4,581	43	23,611	...	156,543	...	...	52	19,745	22,933	14,275	646,284	16 »
10,863	396,640	4	3,438	20,458	4,522	41	23,611	...	156,543	...	...	2,048	19,745	22,621	14,275	663,946	23 »
23,449	396,136	17	2,543	19,178	4,493	40	23,611	...	156,543	...	...	30	19,760	22,518	14,275	659,144	30 »



**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES  
CONSTITUTING, ON 31st DECEMBER 1985,  
THE BANK'S HOLDINGS**

**Public long-term and other securities acquired  
in pursuance of the Statutes**

9.50 p.c.	Belgian Loan 1978/86.
8.75 p.c.	Belgian Loan 1978/86.
9 p.c.	Belgian Loan 1979/87 I.
10 p.c.	Belgian Loan 1979/88.
11 p.c.	Belgian Loan 1980/89.
12.50 - 13 p.c.	Belgian Loan 1980/84/89.
13 - 13.25 p.c.	Belgian Loan 1981/85/89.
14.25 p.c.	Belgian Loan 1982/89.
14 p.c.	Belgian Loan 1982/90.
13.75 - 14 p.c.	Belgian Loan 1982/86/90.
13.50 - 13.75 p.c.	Belgian Loan 1982/87/91.
13.75 p.c.	Belgian Loan 1982/91.
12.75 p.c.	Belgian Loan 1983/91.
12 - 11.50 p.c.	Belgian Loan 1983/90/94.
11.25 p.c.	Belgian Loan 1983/92.
11.75 p.c.	Belgian Loan 1984/92.
12 p.c.	Belgian Loan 1984/92.
11.75 p.c.	Belgian Loan 1984/93.
11.50 p.c.	Belgian Loan 1985/93.
11.50 p.c.	Belgian Loan 1985/93 II.
10.75 p.c.	Belgian Loan 1985/94.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
10.50 p.c.	Road Fund Loan 1979/88.
13 p.c.	Road Fund Loan 1981/85/89.
14.25 p.c.	Road Fund Loan 1982/89.
13 p.c.	Road Fund Loan 1983/91.
11.50 p.c.	Road Fund Loan 1983/91.
11.50 p.c.	Road Fund Loan 1985/93.
6.75 p.c.	National Fund for Credit to Trade and Industry 1968/88.



2 p.c. National Foundation for Financing Scientific Research 1960/90 - 1st tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1961/91 - 2nd tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1962/92 - 3rd tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1963/93 - 4th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1964/94 - 5th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1965/95 - 6th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1966/96 - 7th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1967/97 - 8th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1968/98 - 9th tranche.  
 2 p.c. National Foundation for Financing Scientific Research 1969/99 - 10th tranche.  
 12.75 p.c. National Housing Company 1980/87.  
 14.25 p.c. Telegraphs and Telephones Board 1981/88.  
 6.75 p.c. National Industrial Credit Company 1968/88.  
 8.25 p.c. National Industrial Credit Company 1970/90.  
 8 p.c. National Industrial Credit Company 1971/91.  
 9 p.c. National Industrial Credit Company 1979/87.  
 13.50 p.c. Belgian Municipal Credit Institution 1981/85/89.  
 13.75 - 14 p.c. Belgian Municipal Credit Institution 1982/86/90.  
 12 p.c. Assistance Fund for Financial Recovery of Municipalities 1984/91.  
 11 p.c. Assistance Fund for Financial Recovery of Municipalities 1985/93.  
 8.75 p.c. Brussels Canal and Maritime Installation Company Limited 1970/86.  
 Belgian International Investment Company shares.  
 National Industrial Credit Company shares.  
 National Investment Company shares.  
 Bank for International Settlements shares.  
 Belgian National Railways Company Dividend Right Certificates.



# Official rates of exchange fixed by the bankers meeting at the Brussels Clearing House

(Daily quotations in Belgian francs)

1985	1 U.S. Dollar	1 German mark	100 yens	1 French franc	1 pound sterling	1 Irish pound	100 Italian lire	1 Canadian Dollar	1 Netherlands guilder
<b>January</b>									
Highest .....	63.88	20.04	25.26	6.55	72.96	62.58	3.26	48.22	17.76
Lowest .....	62.95	20.00	24.83	6.53	70.57	62.13	3.24	47.70	17.69
Mean .....	63.41	20.02	24.98	6.54	71.58	62.36	3.26	47.92	17.72
<b>February</b>									
Highest .....	69.95	20.15	26.75	6.59	73.76	62.75	3.26	49.78	17.78
Lowest .....	63.58	20.01	24.70	6.55	71.52	62.22	3.22	47.88	17.68
Mean .....	66.16	20.08	25.41	6.57	72.46	62.48	3.25	48.92	17.73
<b>March</b>									
Highest .....	69.02	20.13	26.38	6.60	76.97	62.82	3.24	49.25	17.84
Lowest .....	62.07	20.10	24.64	6.57	72.48	62.50	3.14	45.10	17.76
Mean .....	66.53	20.11	25.75	6.58	74.41	62.63	3.19	47.99	17.79
<b>April</b>									
Highest .....	63.53	20.17	25.08	6.61	78.16	63.15	3.17	46.35	17.85
Lowest .....	60.05	20.12	24.26	6.58	76.17	62.84	3.15	44.44	17.80
Mean .....	62.11	20.14	24.72	6.60	77.12	63.03	3.15	45.49	17.82
<b>May</b>									
Highest .....	65.30	20.14	25.59	6.61	79.15	63.17	3.17	47.00	17.86
Lowest .....	61.05	20.07	24.47	6.59	77.20	62.80	3.15	44.63	17.77
Mean .....	62.67	20.12	24.91	6.60	78.07	62.98	3.16	45.53	17.82
<b>June</b>									
Highest .....	62.51	20.17	25.01	6.62	79.84	63.18	3.17	45.60	17.90
Lowest .....	60.58	20.13	24.53	6.60	78.15	63.07	3.15	44.48	17.86
Mean .....	61.72	20.15	24.81	6.61	79.02	63.12	3.16	45.13	17.88
<b>July</b>									
Highest .....	61.52	20.20	24.73	6.64	82.17	63.20	3.16	45.28	17.99
Lowest .....	56.32	20.10	23.85	6.61	79.92	63.06	3.01	41.68	17.86
Mean .....	58.77	20.14	24.33	6.62	80.87	63.15	3.09	43.46	17.89
<b>July</b> (1st to 19th)									
Highest .....	61.52	20.16	24.73	6.63	82.17	63.20	3.16	45.28	17.89
Lowest .....	57.14	20.10	24.15	6.61	79.92	63.06	3.09	42.39	17.86
Mean .....	59.43	20.13	24.45	6.62	80.72	63.14	3.13	43.92	17.88
<b>July</b> (22nd to 31st)									
Highest .....	58.00	20.20	24.27	6.64	81.46	63.20	3.02	42.93	17.99
Lowest .....	56.32	20.12	23.85	6.62	80.42	63.10	3.01	41.68	17.89
Mean .....	57.35	20.16	24.10	6.62	81.17	63.15	3.01	42.48	17.93
<b>August</b>									
Highest .....	57.54	20.28	24.08	6.63	78.95	63.15	3.03	42.35	18.03
Lowest .....	55.77	20.15	23.61	6.61	77.45	62.85	3.01	41.15	17.91
Mean .....	56.48	20.23	23.81	6.62	78.25	63.00	3.02	41.61	17.99
<b>September</b>									
Highest .....	59.89	20.36	25.09	6.65	79.30	63.08	3.04	43.54	18.09
Lowest .....	53.88	20.18	23.92	6.62	76.23	62.70	3.00	39.63	17.97
Mean .....	57.43	20.23	24.29	6.63	78.26	62.86	3.02	41.88	17.99
<b>October</b>									
Highest .....	54.33	20.31	25.11	6.66	76.68	62.82	3.02	39.59	18.04
Lowest .....	53.01	20.23	24.76	6.63	75.69	62.62	3.00	38.80	17.94
Mean .....	53.60	20.27	24.96	6.65	76.23	62.72	3.00	39.21	17.98
<b>November</b>									
Highest .....	53.07	20.30	25.99	6.65	76.02	62.64	3.00	38.48	18.05
Lowest .....	50.98	20.19	25.22	6.63	74.88	62.45	2.99	36.97	17.92
Mean .....	52.39	20.23	25.75	6.64	75.49	62.54	2.99	38.05	17.96
<b>December</b>									
Highest .....	51.90	20.46	25.53	6.68	76.19	63.00	3.00	37.18	18.16
Lowest .....	50.32	20.31	25.05	6.66	72.39	62.51	2.98	35.98	18.05
Mean .....	51.26	20.39	25.30	6.67	74.13	62.78	2.99	36.76	18.11
<b>Year</b>									
Highest .....	69.95	20.46	26.75	6.68	82.17	63.20	3.26	49.78	18.16
Lowest .....	50.32	20.00	23.61	6.53	70.57	62.13	2.98	35.98	17.68
Mean .....	59.36	20.18	24.91	6.61	76.33	62.80	3.11	43.50	17.89
<b>Year</b> (1st January to 19th July)									
Highest .....	69.95	20.17	26.75	6.63	82.17	63.20	3.26	49.78	17.90
Lowest .....	57.14	20.00	24.15	6.53	70.57	62.13	3.09	42.39	17.68
Mean .....	63.32	20.10	25.03	6.59	75.94	62.80	3.19	46.54	17.80
<b>Year</b> (22nd July to 31st December)									
Highest .....	59.89	20.46	25.99	6.68	81.46	63.20	3.04	43.54	18.16
Lowest .....	50.32	20.12	23.61	6.61	72.39	62.45	2.98	35.98	17.89
Mean .....	54.48	20.26	24.76	6.64	76.80	62.81	3.01	39.74	18.00



## ANNEX 6

1 Swedish crown	1 Swiss franc	100 pesetas	1 Danish crown	100 Austrian schillings	1 Norwegian crown	1 Finnish mark	100 escudos	1 zaire	1 Ecu	1985
7.03	24.28	36.37	5.61	285.50	6.94	9.61	37.25	1.56	44.65	<b>January</b>
6.97	23.68	36.11	5.59	284.50	6.90	9.52	36.55	1.46	44.40	Highest
6.99	23.88	36.22	5.60	285.06	6.91	9.56	36.82	1.52	44.51	Lowest
										Mean
										<b>February</b>
7.18	23.92	36.64	5.62	287.60	7.08	9.79	37.50	1.52	44.85	Highest
7.02	23.44	36.22	5.58	284.85	6.92	9.56	35.25	1.47	44.52	Lowest
7.09	23.65	36.39	5.61	285.99	6.99	9.65	36.32	1.48	44.67	Mean
										<b>March</b>
7.11	23.82	36.57	5.63	286.75	7.05	9.73	37.50	1.51	45.05	Highest
6.88	23.46	36.07	5.61	285.50	6.90	9.54	35.00	1.35	44.66	Lowest
7.05	23.66	36.32	5.62	286.12	7.01	9.69	36.34	1.43	44.80	Mean
										<b>April</b>
6.97	24.36	36.22	5.64	287.35	7.00	9.66	36.35	1.34	45.15	Highest
6.85	23.71	35.97	5.58	286.20	6.90	9.59	34.75	1.27	44.91	Lowest
6.92	24.03	36.08	5.61	286.79	6.97	9.63	35.86	1.30	45.03	Mean
										<b>May</b>
7.02	24.01	36.20	5.61	286.70	7.04	9.73	37.00	1.33	45.21	Highest
6.93	23.86	35.53	5.58	285.35	6.96	9.63	34.00	1.25	44.94	Lowest
6.96	23.92	35.77	5.60	286.24	6.99	9.67	35.41	1.29	45.10	Mean
										<b>June</b>
7.00	24.13	35.53	5.62	287.00	7.02	9.72	35.90	1.27	45.30	Highest
6.94	23.91	35.22	5.61	286.35	6.98	9.67	34.50	1.21	45.15	Lowest
6.97	24.01	35.36	5.61	286.74	7.00	9.69	35.27	1.24	45.24	Mean
										<b>July</b>
7.00	24.80	35.29	5.62	287.50	7.01	9.72	35.60	1.22	45.50	Highest
6.82	24.02	34.50	5.58	286.05	6.88	9.58	34.00	1.13	45.18	Lowest
6.92	24.31	34.96	5.61	286.70	6.95	9.64	34.73	1.17	45.30	Mean
										<b>July</b> (1st to 19th)
7.00	24.40	35.29	5.62	287.50	7.01	9.72	35.60	1.22	45.50	Highest
6.87	24.02	34.85	5.58	286.05	6.88	9.59	34.00	1.14	45.26	Lowest
6.94	24.15	35.11	5.60	286.62	6.96	9.66	34.93	1.18	45.34	Mean
										<b>July</b> (22nd to 31st)
6.91	24.80	34.71	5.62	287.50	6.94	9.63	34.75	1.15	45.29	Highest
6.82	24.48	34.50	5.60	286.30	6.90	9.58	34.05	1.13	45.18	Lowest
6.87	24.66	34.65	5.61	286.86	6.92	9.61	34.32	1.14	45.22	Mean
										<b>August</b>
6.83	24.78	34.53	5.61	288.80	6.87	9.54	34.25	1.12	45.17	Highest
6.78	24.38	34.35	5.56	286.75	6.83	9.49	33.50	1.07	44.80	Lowest
6.80	24.64	34.43	5.59	287.96	6.85	9.51	34.00	1.10	45.04	Mean
										<b>September</b>
6.91	24.88	34.55	5.60	289.90	6.95	9.59	34.20	1.11	45.18	Highest
6.74	24.45	33.21	5.57	287.40	6.80	9.45	32.20	1.00	44.87	Lowest
6.84	24.60	34.07	5.58	288.06	6.89	9.55	33.41	1.07	45.03	Mean
										<b>October</b>
6.76	24.86	33.29	5.63	288.85	6.81	9.46	33.00	1.02	44.91	Highest
6.70	24.60	33.03	5.57	287.85	6.75	9.39	31.90	0.99	44.72	Lowest
6.74	24.72	33.17	5.59	288.50	6.78	9.43	32.56	1.00	44.82	Mean
										<b>November</b>
6.73	24.69	33.00	5.60	289.00	6.75	9.43	33.40	1.00	44.75	Highest
6.68	24.51	32.79	5.58	287.20	6.70	9.38	31.50	0.98	44.56	Lowest
6.72	24.63	32.87	5.59	287.78	6.72	9.41	32.26	0.99	44.66	Mean
										<b>December</b>
6.72	24.51	33.03	5.63	291.15	6.75	9.42	32.80	0.97	44.84	Highest
6.63	24.24	32.65	5.61	289.15	6.63	9.27	31.00	0.91	44.59	Lowest
6.68	24.37	32.88	5.62	290.27	6.70	9.35	31.97	0.94	44.74	Mean
										<b>Year</b>
7.18	24.88	36.64	5.64	291.15	7.08	9.79	37.50	1.56	45.50	Highest
6.63	23.44	32.65	5.56	284.50	6.63	9.27	31.00	0.91	44.40	Lowest
6.89	24.21	34.87	5.60	287.18	6.90	9.56	34.58	1.21	44.91	Mean
										<b>Year</b> (1st January to 19th July)
7.18	24.40	36.64	5.64	287.60	7.08	9.79	37.50	1.56	45.50	Highest
6.85	23.44	34.85	5.58	284.50	6.88	9.52	34.00	1.14	44.40	Lowest
6.99	23.89	35.93	5.61	286.19	6.98	9.65	35.90	1.36	44.93	Mean
										<b>Year</b> (22nd July to 31st December)
6.91	24.88	34.71	5.63	291.15	6.95	9.63	34.75	1.15	45.29	Highest
6.63	24.24	32.65	5.56	286.30	6.63	9.27	31.00	0.91	44.56	Lowest
6.76	24.60	33.57	5.59	288.41	6.80	9.46	32.95	1.03	44.89	Mean







## LIST OF NAMES AS USED IN THIS AND PREVIOUS REPORTS OF THE NATIONAL BANK

Agricultural Fund	Fonds Agricole
Agricultural Investment Fund	Fonds d'investissement agricole
Antwerp Port Administration	Administration du Port d'Anvers
Asian Development Bank	Banque Asiatique de Développement
Assistance Fund for the Financial Recovery of Municipalities	Fonds d'aide au redressement financier des communes
Association of Local Authorities for the Building of Motorways	Association Intercommunale pour la Construction d'Autoroutes
Autonomous Funds	Fonds autonomes
Autonomous War Damage Fund	Caisse Autonome des Dommages de Guerre
Bank Control Commissioner (Luxembourg)	Commissaire au contrôle des banques (Luxembourg)
Bank for International Settlements	Banque des Règlements Internationaux
Bank of Issue	Banque d'Emission
Banking Commission	Commission Bancaire
Belgian Air Navigation Company (Sabena)	Société Anonyme Belge d'Exploitation de la Navigation Aérienne (Sabena)
Belgian Aluminium Syndicate	Syndicat Belge de l'Aluminium
Belgian Bankers' Association	Association Belge des Banques
Belgian Coal Mines Re-equipment Fund	Fonds de Rééquipement des Charbonnages Belges
Belgian-Congolese Amortisation and Management Fund	Fonds Belgo-Congolais d'Amortissement et de Gestion
Belgian-Luxembourg Economic Union (B.L.E.U.)	Union Economique Belgo-Luxembourgeoise (U.E.B.L.)
Belgian-Luxembourg Foreign Exchange Institute	Institut Belgo-Luxembourgeois du Change
Belgian Municipal Credit Institution	Crédit Communal de Belgique
Belgian National Railways Company (B.N.R.C.)	Société Nationale des Chemins de fer belges (S.N.C.F.B. ou S.N.C.B.)



Belgian Office for Increasing Productivity	Office Belge pour l'Accroissement de la Productivité
Belgian Petroleum Federation	Fédération pétrolière belge
Belgian Surveyors' Association	Association Belge des Experts
Belgian Trade Federation of Producers and Distributors of Electricity	Fédération Professionnelle des Producteurs et Distributeurs d'Electricité de Belgique
Benelux Economic Union	Union Economique Benelux
Benelux Intergovernmental Conference	Conférence intergouvernementale du Benelux
Board of Executive Directors (of I.M.F.)	Conseil d'Administration (du F.M.I.)
Board of Governors (of I.M.F.)	Conseil des Gouverneurs (du F.M.I.)
Board of Management (of E.M.A.)	Comité directeur (de l'A.M.E.)
Brussels Canal and Maritime Installation Company Limited	S.A. du Canal et des Installations Maritimes de Bruxelles
Brussels Entente	Entente de Bruxelles
Brussels Land Surveyors' Union	Union des Géomètres Experts de Bruxelles
Brussels Municipal Water Company	Compagnie Intercommunale Bruxelloise des Eaux
Brussels Universal and International Exhibition	Exposition Universelle et Internationale de Bruxelles
Budgetary Policy Committee (of the European Communities)	Comité de politique budgétaire (des Communautés Européennes)
Building Industry Subsistence Fund	Fonds de sécurité d'existence de la construction
Bulletin of the National Bank of Belgium (formerly Information Bulletin of the National Bank of Belgium)	Bulletin de la Banque Nationale de Belgique (précédemment Bulletin d'Information et de Documentation de la Banque Nationale de Belgique)
Centenary Fund	Fonds du Centenaire
Central Council of Economy	Conseil Central de l'Economie
Central Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Risks Office	Centrale des Risques
Chamber of Publicity Consultants' Bureaux	Chambre des Agences-Conseils en Publicité
Chamber of Representatives	Chambre des Représentants
Clearing House (at Brussels)	Chambre de Compensation (à Bruxelles)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (O.C.R.A.)
Commission of the European Communities	Commission des Communautés Européennes
Committee for the Study and Promotion of Exports of Small and Medium-sized Enterprises	Commission d'études pour la promotion des exportations de petites et moyennes entreprises
Committee of Control for Electricity	Comité de Contrôle de l'Electricité
Committee of Governors of the Central Banks	Comité des Gouverneurs des banques centrales
Committee of Management for Electricity	Comité de Gestion de l'Electricité
Committee of the Brussels Stock Exchange	Commission de la Bourse de Bruxelles



Consultation Committee for Creditor Interest Rates	Comité de concertation des taux d'intérêt créditeurs
Consultative Committee for Coordinating Medium-Term Export Financing, known as « Cofinex »	Comité Consultatif de Coordination du Financement à Moyen Terme des Exportations (Cofinex)
Consultative Council for External Trade	Conseil Consultatif pour le Commerce Extérieur
Council of Heads of Government	Conseil des Chefs de Gouvernement
Council of Public Credit Institutions	Conseil des Institutions Publiques de Crédit
Council of Regency	Conseil de Régence
Council of State	Conseil d'Etat
Council of the European Communities	Conseil des Communautés Européennes
Court of Justice	Cour de Justice
Creditexport Association	Association Creditexport
Currency Reform Loan	Emprunt de l'Assainissement monétaire
Department of Applied Economics at the Free University of Brussels	Département d'Economie appliquée de l'Université Libre de Bruxelles (D.U.L.B.E.A.)
Department of National Education	Département de l'Education Nationale
Deposit and Consignment Office	Caisse des Dépôts et Consignations
Direct Taxes Department	Administration des Contributions directes
Directing Committee (of N.B.B.)	Comité de Direction (de la B.N.B.)
General Division for Economics and Financial Affairs of the Commission of the European Communities	Direction générale des Affaires économiques et financières de la Commission des Communautés Européennes
Directorate General of Mines	Direction Générale des Mines
Directorate of the Coal Industry	Directoire de l'Industrie charbonnière
Discount Agency	Comptoir d'Escompte
Discount Committee	Comité d'Escompte
Economic and Social Committee	Comité Economique et Social
Commission (of the European Communities)	Commission (des Communautés Européennes)
Economic Expansion and Regional Reconversion Fund	Fonds d'Expansion Economique et de Reconversion Régionale
Economic Policy Committee (of the European Communities)	Comité de politique économique (des Communautés Européennes)
Economic Programming Office	Bureau de Programmation Economique
Economic Research Centre (of Louvain)	Centre de Recherches Economiques (de Louvain)
Economic Research Institute [formerly Economic, Social and Political Research Institute (of Louvain University)]	Institut de Recherches Economiques [précédemment Institut de Recherches Economiques, Sociales et Politiques (de l'Université de Louvain)]
Energy Board	Administration de l'Energie
European Agricultural Guidance and Guarantee Fund (of the European Communities)	Fonds Européen d'Orientation et de Garantie Agricole (des Communautés Européennes)
European Agricultural Markets Organisation	Organisation Européenne des Marchés Agricoles
European Assembly	Assemblée européenne
European Atomic Energy Community (Euratom)	Communauté Européenne de l'Energie Atomique (Euratom)

European Coal and Steel Community (E.C.S.C.)	Communauté Européenne du Charbon et de l'Acier (C.E.C.A.)
European Communities	Communautés Européennes
European Development Fund (of the European Communities) (formerly Fund for the Development of Overseas Countries and Territories)	Fonds Européen de Développement (des Communautés Européennes) (précédemment Fonds de Développement pour les Pays et Territoires d'Outre-mer)
European Economic Community (E.E.C.)	Communauté Economique Européenne (C.E.E.)
European Free Trade Association	Association Européenne de Libre Echange
European Fund	Fonds Européen = Fonds de l'A.M.E.
European Investment Bank	Banque Européenne d'Investissement
European Monetary Agreement (E.M.A.)	Accord Monétaire Européen (A.M.E.)
European Monetary Cooperation Fund (E.M.C.F.)	Fonds européen de coopération monétaire (FECOM)
European Nuclear Energy Agency	Agence Européenne pour l'Energie Nucléaire
European Parliamentary Assembly	Assemblée Parlementaire Européenne
European Payments Union (E.P.U.)	Union Européenne de Paiement (U.E.P.)
European Regional Development Fund	Fonds européen de développement régional
European Social Fund (of the European Communities)	Fonds social européen (des Communautés Européennes)
Excise Department (Ministry of Finance)	Service des Accises (Ministère des Finances)
Export Credit	Creditexport
External Trade Fund	Fonds du Commerce Extérieur
Federation of Belgian Enterprises (formerly Federation of Belgian Industries)	Fédération des Entreprises de Belgique (précédemment Fédération des Industries Belges)
Federation of Chemical Industries	Fédération des Industries chimiques
Federation of Enterprises in the Metal Manufacturing Industries	Fédération des entreprises de l'industrie des fabrications métalliques
Franco-Belgian Nuclear Energy Company of the Ardennes	Société Franco-Belge d'Energie Nucléaire des Ardennes
Fund for the Financial Balancing of the Social Security System	Fonds pour l'équilibre financier de la Sécurité Sociale
General Agreement on Tariffs and Trade (G.A.T.T.)	Accord Général sur les Tarifs douaniers et le Commerce (G.A.T.T.)
General Arrangements to Borrow (I.M.F.)	Accords Généraux d'Emprunt (F.M.I.)
General Budget Statement	Exposé Général du Budget
General Savings and Pensions Fund (G.S.P.F.)	Caisse Générale d'Epargne et de Retraite (C.G.E.R.)
General Statistical Bulletin of the Statistical Office of the European Communities	Bulletin général de Statistiques de l'Office statistique des Communautés Européennes
Group of Twenty	Groupe des Vingt
High Authority (of E.C.S.C.)	Haute Autorité (de la C.E.C.A.)

Housing Fund of the Large Families League	Fonds du Logement de la Ligue des Familles Nombreuses
Housing Institute	Institut du Logement
Industrial Promotion Office	Office de Promotion Industrielle
Information Bulletin of the Ministry of Finance	Bulletin de Documentation du Ministère des Finances
Inland Water Transport Regulating Office	Office Régulateur de la Navigation Intérieure
Interim Committee (of I.M.F.)	Comité intérimaire (du F.M.I.)
International Bank for Reconstruction and Development (I.B.R.D.)	Banque Internationale pour la Reconstruction et le Développement (B.I.R.D.)
International Energy Agency	Agence internationale de l'énergie
International Development Association	Association Internationale de Développement
International Finance Corporation	Société Financière Internationale
International Fund for Agricultural Development	Fonds International de Développement agricole
International Lead and Zinc Study Group	Groupe d'Etudes International du Plomb et du Zinc
International Materials Conference	Conférence Internationale des Matières Premières
International Monetary Fund (I.M.F.)	Fonds Monétaire International (F.M.I.)
International Sugar Agreement	Accord International du Sucre
International Sugar Conference	Conférence Internationale des Sucres
International Tin Council	Conseil International de l'Etain
International Wheat Agreement	Accord International du Blé
Joint Committee of Banks and Bank Employees	Commission paritaire des banques
London Metal Exchange	Bourses des Métaux de Londres
Medium-term Economic Policy Committee (of the European Communities)	Comité de politique économique à moyen terme (des Communautés Européennes)
Minister of National Education	Ministre de l'Education Nationale
Ministry of Economic Affairs	Ministère des Affaires Economiques
Ministry of Agriculture	Ministère de l'Agriculture
Ministry of Employment and Labour	Ministère de l'Emploi et du Travail
Ministry of Finance	Ministère des Finances
Ministry of National Defence	Ministère de la Défense Nationale
Ministry of the Civil Service	Ministère de la Fonction Publique
Ministry of Public Works, Town Planning Board	Ministère des Travaux Publics, Administration de l'Urbanisme
Ministry of Social Security	Ministère de la Prévoyance Sociale
Monetary Committee (of the European Communities)	Comité Monétaire (des Communautés Européennes)
Monetary Fund	Fonds Monétaire
National Coal Mines Council	Conseil National des Charbonnages
National Committee for Economic Expansion	Comité National d'Expansion Economique
National Del Credere Office	Office National du Ducroire



National Employment Office  
 (formerly National Employment  
 and Unemployment Office)  
 National Foundation for Financing  
 Scientific Research  
 National Fund for Credit to Trade  
 and Industry  
 National Fund for the Rehabilitation  
 of Handicapped Persons  
 National Housing Company  
 (formerly National Cheap Dwellings  
 Company)  
 National Housing Fund  
 National Industrial Credit Company  
 (N.I.C.C.)  
 National Institute for Agricultural  
 Credit  
 National Investment Company  
 National Labour Council  
 National Land Company  
 (formerly National Smallholders'  
 Company)  
 National Local Railways Company  
 National Mixed Mines Commission  
 National Sickness and Disablement  
 Insurance Institute  
 National Social Insurance Office  
 National Statistical Institute (N.S.I.)  
 National Water Distribution Company  
 North Atlantic Treaty Organisation  
 (N.A.T.O.)  
 Nuclear Energy Research Centre  
 Oil facility (of I.M.F.)  
 Organisation for Economic Cooperation  
 and Development (O.E.C.D.)  
 [formerly Organisation for European  
 Economic Cooperation (O.E.E.C.)]  
 Organisation of Petroleum Exporting  
 Countries  
 Overseas Social Security Office  
 Permanent Budget Equalisation Fund  
 Planning Bureau  
 Post Administration  
 Post Board  
 Postal Cheque Account (P.C.A.)  
 Postal Cheque Office (P.C.O.)  
 Public Debt Sinking Fund  
 Public Social Assistance Centres

Office National de l'Emploi (précédemment Office  
 National du Placement et du Chômage)  
 Fondation Nationale pour le Financement de la  
 Recherche Scientifique  
 Caisse Nationale de Crédit Professionnel  
 Fonds National pour le Reclassement des  
 Handicapés  
 Société Nationale du Logement (précédemment  
 Société Nationale des Habitations et Logements  
 à Bon Marché)  
 Fonds National du Logement  
 Société Nationale de Crédit à l'Industrie  
 (S.N.C.I.)  
 Institut National de Crédit Agricole  
 Société Nationale d'Investissement  
 Conseil National du Travail  
 Société Nationale Terrienne (précédemment  
 Société Nationale de la Petite Propriété  
 Terrienne)  
 Société Nationale des Chemins de fer Vicinaux  
 Commission Nationale Mixte des Mines  
 Institut National d'Assurance Maladie-Invalidité  
 Office National de Sécurité Sociale  
 Institut National de Statistique (I.N.S.)  
 Société Nationale des Distributions d'Eau  
 Organisation du Traité de l'Atlantique-Nord  
 (O.T.A.N.)  
 Centre d'Etudes de l'Energie Nucléaire  
 Mécanisme pétrolier (du F.M.I.)  
 Organisation de Coopération et de Développement  
 Economiques (O.C.D.E.) [précédemment  
 Organisation Européenne de Coopération  
 Economique (O.E.C.E.)]  
 Organisation des pays exportateurs de pétrole  
 Office de Sécurité Sociale d'Outre-Mer  
 Fonds Permanent d'Egalisation des Budgets  
 Bureau du Plan  
 Administration des Postes  
 Régie des Postes  
 Compte de Chèques Postaux (C.C.P.)  
 Office des Chèques Postaux (O.C.P.)  
 Fonds d'Amortissement de la Dette Publique  
 Centres publics d'aide sociale

Rediscount and Guarantee Institute (R.G.I.)	Institut de Réescompte et de Garantie (I.R.G.)
Regional Policy Committee	Comité de politique régionale
Research Department (of the National Bank of Belgium)	Département des Etudes (de la Banque Nationale de Belgique)
Road Fund	Fonds des Routes
Royal Society for Political Economy	Société Royale d'Economie Politique
Sabena (see Belgian Air Navigation Company)	Sabena (cf. Société Anonyme Belge d'Exploitation de la Navigation Aérienne)
Savings Bank of the Grand Duchy of Luxembourg	Caisse d'Epargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Epargne de la Caisse Générale d'Epargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Regulation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Social Programming Agreement	Accord de programmation sociale
Solidarity Fund for Financing Early-Retirement Pensions	Fonds de solidarité de financement de la prépension
Special Agricultural Committee (of the European Communities)	Comité Spécial Agricole (des Communautés Européennes)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Special Municipalities Fund	Fonds spécial des communes
Staff Pensions Fund	Caisse de Pensions du Personnel
Statistical Office of the European Communities	Office statistique des Communautés européennes
Subsistence Funds	Fonds de sécurité d'existence
Superior Finance Council	Conseil Supérieur des Finances
Telegraphs and Telephones Board	Régie des Télégraphes et des Téléphones
Textile Industry Federation	Fédération de l'Industrie Textile
Town Planning Board	Administration de l'Urbanisme
Treasury and Public Debt Administration	Administration de la Trésorerie et de la Dette Publique
Trust Fund (of I.M.F.)	Fonds fiduciaire (du F.M.I.)
Union of Non-Ferrous Metal Industries	Union des Industries des Métaux Non Ferreux
United Nations (Organisation of the)	Organisation des Nations Unies
Veterans' Endowment	Dotation des Combattants
Washington Monetary Conference	Conférence monétaire de Washington





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*Translated from the French by*

D.F. Long & Co. (Translations) Ltd. London SE8 4AE



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Printing Works  
of the National Bank of Belgium  
Boulevard de Berlaimont 5  
1000 Brussels

Head of the Printing Department  
J. Van Droogenbroeck

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