



PRESS RELEASE

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GDP contracts by 3.6 % in the first quarter of 2020

Economic growth

In the first quarter of 2020, seasonally and calendar adjusted gross domestic product (GDP) in volume terms fell back by 3.6 % compared with the previous quarter. In comparison to the same period of last year, GDP was down by 2.5 %.

Compared to the previous quarter, value added fell in industry by 2.7 %, in construction by 5.1 % and in services by 3.2 %. The branch of activity within the services sector that contributed the most to the decline in economic activity is “wholesale and retail trade; repair of motor vehicles and motorcycles; transport and storage; hotels and catering”. On a quarterly basis, this branch of activity plummeted 7.2 %, inducing a negative contribution to economic growth of 1.2 percentage point.

The impact of the COVID-19 crisis has been clearly visible on domestic demand, which dipped significantly. Households cut back their consumption expenditure by 6.5 %. Spending on tourism was reined in sharply, as was expenditure on consumer durables, where purchases of cars recorded a major slowdown. Households’ investment in residential buildings also slumped (-5.4 %) owing to the impact of COVID-19 and the related measures on economic activity in the construction sector.

The general government sector curbed its consumption expenditure by 3.1 % and also limited investment (-0.7 %).

Companies’ gross fixed capital formation fell back by 3.6 %. Conversely, the contribution from their changes in inventories came to +0.6 of a percentage point.

Foreign demand contracted sharply, too. The fall in exports reached 3.8 %, while imports saw an even more pronounced decline (-4.7 %), so that net exports of goods and services made a positive contribution (+0.8 of a percentage point) to the change in GDP.

Employment

In the first quarter of 2020, domestic employment declined by 0.2 % on a quarterly basis, a reduction of 7 700 persons. In comparison with the same period of 2019, the number of people employed rose by 1.1 % (an increase of 52 300 persons).

As domestic employment measures the number of people that have worked for at least one hour during the reference period (International Labour Office definition) as well as those who have not worked for a series of specific reasons (paid holiday leave, sick leave, temporary lay-offs, etc.), the current health crisis is only causing a slight drop in this figure. Effectively, over the last two weeks of March, a lot of people were laid off temporarily, but were still recorded in the domestic employment statistics. The fall in domestic employment in the first quarter is therefore mainly attributable to job losses related to the non-renewal of temporary employment contracts

such as those for temp agency workers, occasional workers, the flexi-workers and job students. So, the branches of activity where this type of contract is found the most frequently are affected the most, namely accommodation and food service activities, business services (which include temp agencies), as well as other service activities.

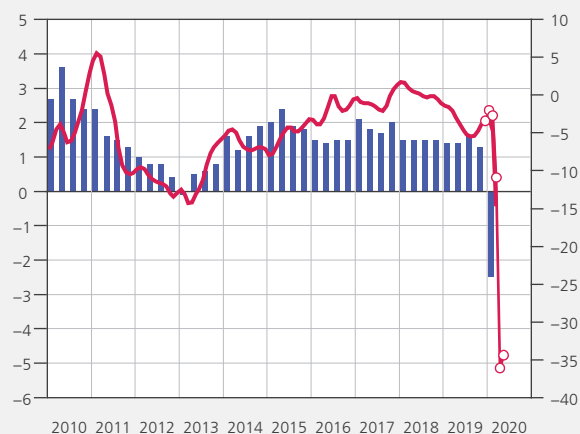
Compared with the flash estimate of 29 April 2020, the newly published growth figures are a lot more accurate. The main administrative data (namely, VAT data, industrial production statistics, etc.) were equally available, as is customary with the 60-day estimate of GDP for a given quarter. The main uncertainties stemming from the pandemic in this estimate are currently in the area of non-market production and the components of the expenditure approach, for which the available information was still fairly limited and for which traditional estimation methods were not always applicable. It is here that wider revisions are possible in the future and, therefore, also at the overall GDP level.

As far as seasonal adjustment of the data series is concerned, the recent [Eurostat guidance](#) on the subject has been closely followed in order to estimate the impact of COVID-19 as accurately as possible.

GDP, QUARTERLY GROWTH IN VOLUME
(data adjusted for seasonal and calendar effects)

	Percentage change compared to	
	corresponding quarter of the previous year	previous quarter
2018 I	1.5	0.2
II	1.5	0.3
III	1.5	0.2
IV	1.5	0.8
2019 I	1.4	0.1
II	1.4	0.3
III	1.6	0.4
IV	1.3	0.5
2020 I	-2.5	-3.6

GDP AND THE ECONOMIC CYCLE



■ GDP growth in volume (percentage change compared to the corresponding quarter of the previous year)
 — Business survey (smoothed data, right-hand scale)
 ○ Business survey (gross data, right-hand scale)

MAIN COMPONENTS

(percentage change in volume compared to the preceding period, data adjusted for seasonal and calendar effects)

	2018			2019				2020
	II	III	IV	I	II	III	IV	I
1. Value added								
Industry	-1.1	-0.2	0.7	0.4	-0.4	0.6	0.7	-2.7
Construction	0.7	1.2	1.6	0.8	0.1	0.9	1.6	-5.1
Services	0.6	0.3	0.9	0,1	0,5	0,3	0,3	-3,2
p.m. GDP	0.3	0.2	0.8	0.1	0.3	0.4	0.5	-3.6
2. Expenditure								
Private consumption expenditure (1)	0.4	0.0	0.2	0.0	0.5	0.8	0.5	-6.5
Final consumption expenditure of general government	0.9	-0.3	0.5	0.3	1.0	0.4	0.5	-3.1
Total gross fixed capital formation	0.8	0.1	3.5	-0.2	0.3	0.3	0.5	-3.7
Business	0.8	0.2	3.8	-0.9	0.5	0.7	1.1	-3.6
Housing	0.3	0.3	2.8	2.1	1.4	-2.0	1.5	-5.4
Public administration	1.9	-0.3	2.7	-0.3	-2.9	1.9	-4.9	-0.7
Domestic demand (excluding inventories)	0.6	-0.1	1.0	0.0	0.5	0.6	0.5	-5.0
Change in inventories (2)	0.3	0.4	-0.3	-0.2	0.0	-0.5	0.1	0.6
Exports of goods and services	-1.3	0.8	1.6	-0.4	0.2	-0.2	0.9	-3.8
Imports of goods and services	-0.6	1.0	1.6	-0.8	0.5	-0.6	1.1	-4.7
Net exports of goods and services (2)	-0.6	-0.2	0.0	0.3	-0.2	0.3	-0.1	0.8
3. Labour market								
Total number of workers	0.4	0.4	0.4	0.4	0.3	0.5	0.4	-0.2

(1) Including non-profit institutions serving households.

(2) Contribution to the change in GDP.