National Accounts Institute

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PRESS RELEASE

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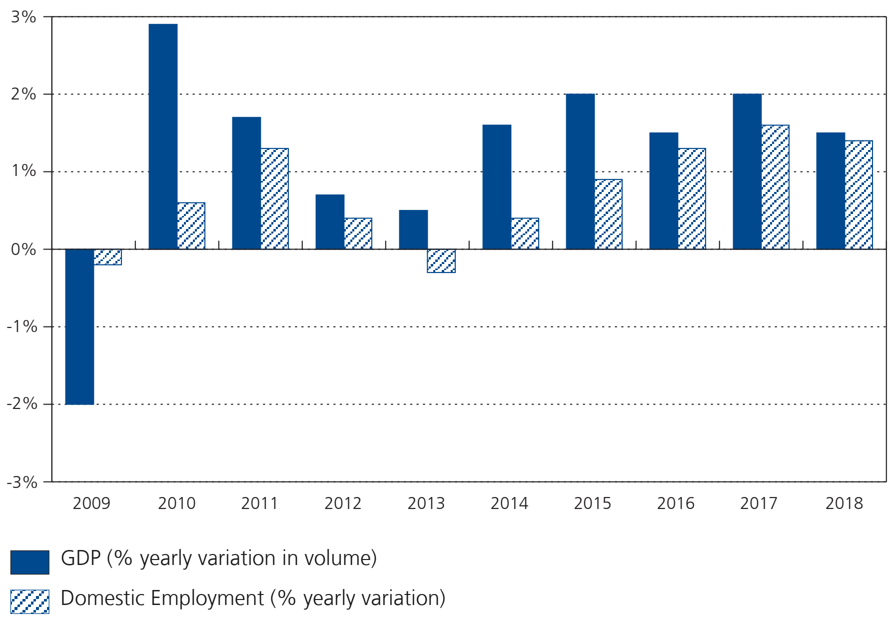
National accounts 1995-2018

- **Economic growth rate of 1.5 % in 2018**
- **66 000 new jobs created**
- **Government deficit holds steady at 0.7 % of GDP while debt ratio comes down to 100 % of GDP**

This Friday 18 October 2019, the National Accounts Institute (NAI) is publishing the detailed annual national accounts and the general government accounts for the period running from 1995 to 2018. The full results can be found on the Bank's website by consulting the National Accounts publication and that covering general government accounts, as well as the statistical database NBB.Stat.

In line with the recommendations issued by Eurostat, Belgium, like most other EU countries, has carried out a benchmark revision of its national accounts in 2019, covering statistical series dating back to 1995. In principle, this kind of revision takes place every five years and falls under normal procedures for improving the statistics. A brochure explaining the nature and the impact of the main changes is available on the National Bank of Belgium's website.

Activity and employment



Source: NAI.

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Economic growth of 1.5 % in 2018, driven by domestic demand

The Belgian economy's gross domestic product expanded by 1.5 % in volume terms in 2018, after having risen by 2.0 % in 2017.

The slowdown observed in 2018 stems from a contraction in industrial activity (-1.7 %), principally in the energy and chemicals branches; the net downturn in agricultural activity (-24,5 %), badly hit by drought, also contributed to weighing down GDP despite its small share. Value added in the services sector, on the other hand, rose a little bit more rapidly than in 2017 (+2.2 %, compared with +2 % one year earlier), albeit concealing contrasting trends across the branches of activity. For example, while economic activity picked up in trade and financial services, it nevertheless slowed down sharply in health and social work services. Lastly, the growth of value added in the construction industry gained momentum, to reach 3.7 %.

Economic growth in 2018 was driven by domestic demand, and especially by the rise in investment (+4.0 %). Government investment rose by as much as 10.6 %, buoyed up by local authority spending in a municipal election year. Still underpinned by very favourable financing conditions and their own sound financial health, with their profit margins at the very high level of 42.7 %, corporations rose their investment by 3,9 %. Household investment in housing expanded more modestly, by just 1 %. The increase in private consumption expenditure slowed down a bit in 2018, but at 1.5 %, is still an important factor in driving growth, fuelled by a steady rise in disposable income. Public consumption expenditure, for its part, was up by 0.9 %. Finally, reflecting the slowdown in global trade, growth of exports of goods and services contracted sharply, dropping from 5,3 % in 2017 to 1.2 % in 2018, which also led to a slower pace of imports, albeit to a lesser extent (+2.1 %), owing, among other factors, to stepped-up imports of pharmaceutical products for stock-building. Consequently, the contribution from net exports to growth was negative (-0.7 %), and that from changes in inventories was positive (+0.3 %).

With 66 000 new jobs created in 2018, labour market dynamics remain strong

Domestic employment expanded further by 66 000 units in 2018 (+ 1.4 %); these new job creations come on top of the 40 000, 58 000 and 76 000 extra units recorded in 2015, 2016 and 2017.

The slight dip between 2017 and 2018 stems exclusively from payroll employment, even though it still expanded by as many as 52 900 persons (+1.3 %). Job creations were the most vivid in administrative and support services (+12 000 persons), social work (+6 800 persons), legal, accounting and management services (+6 600 persons) and industry (+6 000 persons), while employment continues to shrink in financial services (-2 900 persons).

Self-employed job creation also picked up somewhat from 2017 levels, with another 12 700 persons, and was most marked in legal, accounting and management services (+5 600 persons) as well as in the construction and health care branches (+1 500 persons in each of them).

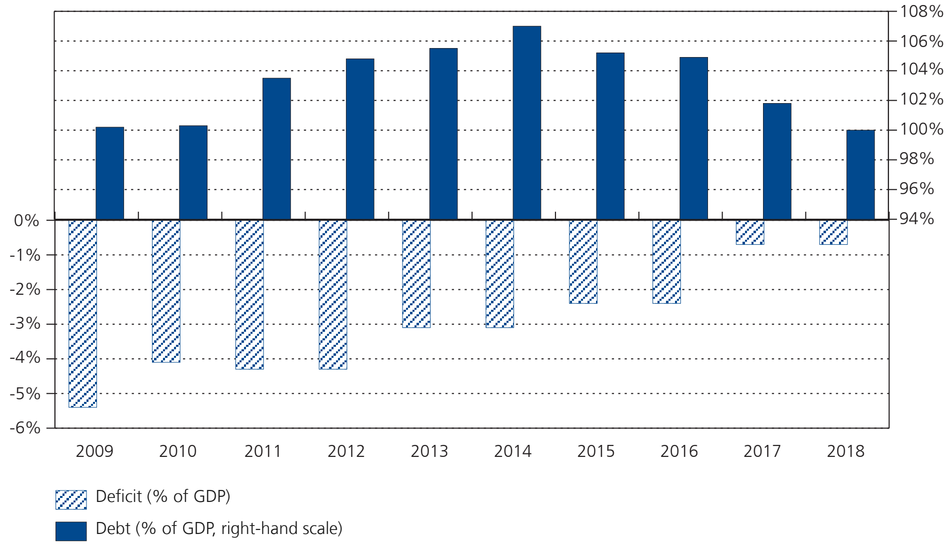
Budget deficit of 0.7 % in 2018 and a public debt of 100% of GDP

The general government financing balance worked out at -0.7 % of GDP in 2018, the same figure as in 2017. This is largely attributable to the federal government and the Communities and Regions although also to local government, to a lesser extent. Social security produced a result close to balance.

After declining for five consecutive years, the primary expenditure ratio was up by 0.4 % of GDP on 2017, to reach 50.0 % of GDP. This trend is essentially due to the growth in social security benefits, the increase in transfers to the rest of the world – the year 2017 had been marked by a temporary cut in Belgium's contribution to the European Union budget – and to gross fixed capital formation with a sharp rise in investment by local authorities during the election year.

Revenue was up by 0.2 % of GDP, to reach 51.4 % of GDP. This increase can be explained by the growth not only of fiscal and parafiscal revenue, but also of other revenues (+0.1 % of GDP each). The increase was particularly strong in the area of corporation tax, where the further tax surcharge for insufficient tax advance payments helped to inflate advance tax payments by companies, just as it had done in 2017.

Public finances



Source: NAI.

Interest charges were down by 0.2 % of GDP in 2018, to account for 2.1 % of GDP. Their reduction is mainly the result of the new contraction of the implicit rate since the (very low) interest rates on new issues have remained below rates on debt securities and bonds reaching maturity.

The government debt (Maastricht definition) reached 100.0 % of GDP at the end of 2018, a contraction of almost 2 percentage points of GDP on 2017, confirming the public debt-reduction path embarked on in 2015. The decline observed in 2018 stems from so-called endogenous factors, the main one being the primary surplus.

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Main results

	2015	2016	2017	2018
Activity and demand (percentage change in volume)				
GDP	2.0	1.5	2.0	1.5
Value added				
Agriculture	18.8	-6.2	0.1	-24.5
Industry and energy	2.5	-1.2	1.8	-1.7
Construction	3.8	1.4	1.3	3.7
Services	1.9	1.7	2.0	2.2
Expenditure				
Private consumption expenditure	1.6	1.9	1.8	1.5
Final consumption expenditure of general government	0.3	0.4	0.3	0.9
Total gross fixed capital formation	3.7	3.8	1.3	4.0
Business	*5.5*	*5.0*	*1.6*	*3.9*
Housing	*-0.1*	*2.4*	*0.1*	*1.0*
General government	*1.0*	*-0.7*	*1.1*	*10.6*
Change in inventories (1)	0.4	0.2	-0.1	0.3
Exports of goods and services	3.7	6.5	5.3	1.2
Imports of goods and services	3.9	7.5	4.4	2.1
p.m. Net exports of goods and services (1)	-0.1	-0.7	0.7	-0.7
Employment (evolution in thousands of persons)				
Employees	30.1	45.9	64.3	52.9
Self-employed	10.1	12.2	11.7	12.7
Total	40.2	58.1	76.0	65.6
Public finances (in % of GDP)				
Revenue	51.3	50.7	51.2	51.4
Primary expenditure	50.8	50.4	49.6	50.0
Interest charge	2.9	2.7	2.3	2.1
Deficit (-)	-2.4	-2.4	-0.7	-0.7
General government debt (Maastricht-definition)	105.2	104.9	101.8	100.0

Source: NAI
(1) Contribution to the change in GDP