Participating Primary and Recognised Dealers:
Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Commerzbank, ING, KBC Bank, Morgan Stanley, Nomura Internationa Plc., Royal Bank of Scotland, Société Générale Corporate & Investment Banking

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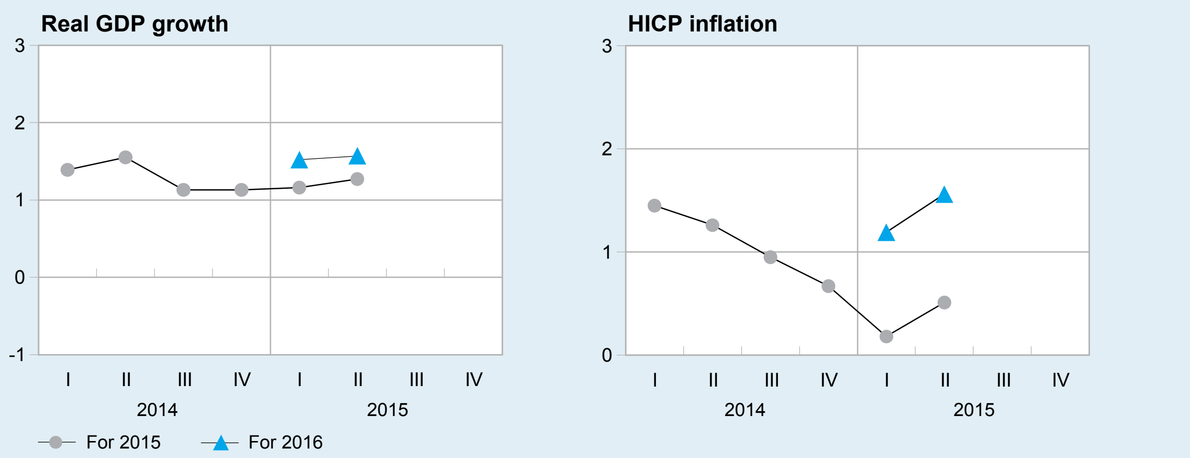
- In a context of strengthening in the euro area, the BPN participating institutions expect GDP growth in Belgium to gradually gain traction, reaching on average 1.3 % in 2015 and 1.6 % in 2016. HICP annual inflation should remain low on average this year, at 0.5 %, before rebounding to 1.6 % in 2016.
- The expanded asset purchase programme set up by the Eurosystem is producing its effects in the euro area. The NBB purchases of public sector debt instruments went smoothly since they started in March 2015 (see Special Topic).
- By June, the Belgian Debt Agency had already completed 66 % of its long-term funding programme for 2015. The funding plan was slightly revised in June, in view of a strong demand for EMTN issuances (see Treasury Highlights).

Consensus: Average of participants' forecasts

	2014		2015 p				2016 p			
	Belgium	Euro area	Belgium		Euro area		Belgium		Euro area	
Real GDP(1)	1.1	0.8	1.3	(1.2)	1.4	(1.3)	1.6	(1.5)	1.7	(1.6)
Inflation (HICP)(1)	0.5	0.4	0.5	(0.2)	0.3	(0.1)	1.6	(1.2)	1.4	(1.3)
General government balance(2)	-3.2	-2.4	-2.7	(-2.6)	-2.0	(-2.3)	-2.3	(-2.2)	-1.7	(-2.0)
Public debt(2)	106.6	94.2	106.9	(107.2)	94.1	(94.9)	105.9	(105.9)	93.1	(94.2)

Numbers in parentheses refer to the previous consensus forecast of March 2015.
(1) Percentage changes.
(2) EDP definition; percentages of GDP.

SUCCESSIVE FORECASTS FOR BELGIUM



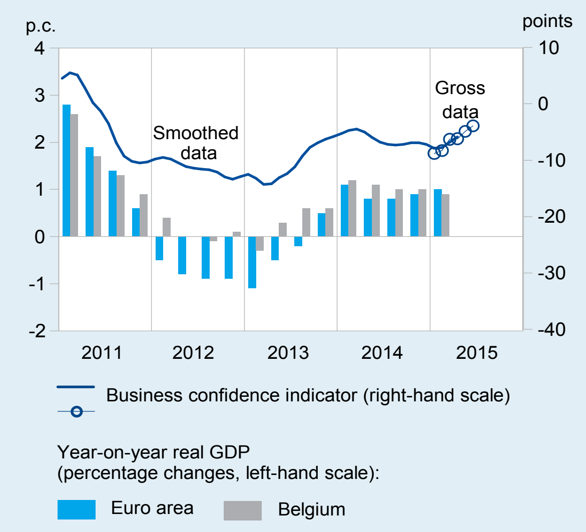
Source: Belgian Prime News.

Macroeconomic developments

In the euro area, the recovery underway is currently enjoying significant tailwinds. Low oil prices, a weaker euro and the low level of interest rates – the latter two factors being largely attributable to ECB's monetary policy – are supporting demand, in a context of less restrictive fiscal policies in most countries. Nevertheless, the international context is not immune to uncertainties, namely those related to the Greek situation or to the recent dip in growth outside the euro area. Also, the cyclical upturn needs to be consolidated by a stronger growth potential. Inflation remains currently at low level, under the impact of the fall in energy prices, but deflationary pressures seem to have subsided, as witnessed by the recent swing in headline inflation and some improvement in inflation expectations.

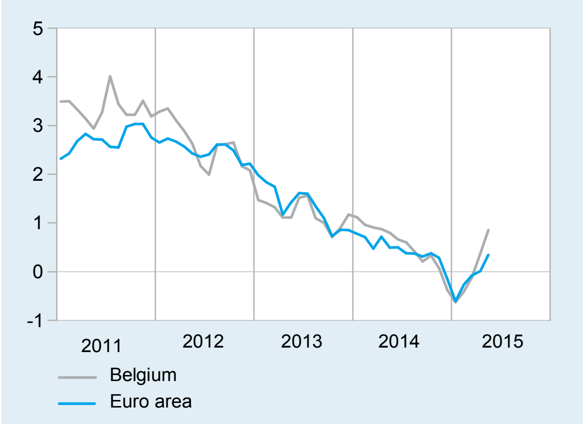
The recovery of the Belgian economy is gradually gaining traction too, in a context of improvement in confidence, from the business side as from the consumer side. In the first quarter of 2015, Belgian GDP grew by 0.3% quarter-on-quarter, albeit lagging somewhat behind the pace in the euro area. **According to the participating institutions, real GDP should grow by 1.3% in Belgium in 2015 and by 1.6% in 2016,** slightly below the expected growth in the euro area. The contribution export to growth should consolidate in the coming years, on the back of strengthening foreign demand and improved cost competitiveness for Belgian firms. The latter stems from the combined result of the recent euro depreciation and muted wage developments in Belgium. Besides for the impact of specific but temporary boosting factors in 2014, business investment should continue to gradually regain strength as the recovery takes on a more sustainable character and profitability improves further. While the positive impact that lower energy bills have had on household purchasing power will gradually unwind, private consumption growth is expected to moderate and remain below GDP growth, as wage moderation will dampen household disposable income increase in the short-run.

GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)



Source: EC.

The economic upturn and the moderate rise in wage costs – a result of government's decision to temporary suspend the automatic wage indexation, but also of cuts in employers' contributions and limited agreed wage increases - will help support net job creation. Employment in branches "sensitive to the business cycle" (market services, to a great extent, and industry, to a lesser extent) should find its way back to growth, starting off modestly but gaining momentum into 2016 and effectively becoming the key factor underpinning job creation. Taking account of some rise in the labour market participation rate, reflecting government measures aiming at getting older workers back to work, the decline in the unemployment should remain relatively limited in 2015 and become more pronounced in 2016.

In Belgium, HICP inflation has become positive again since April 2015, after four months in a row in negative territory, essentially due to the sharp drop in energy prices. As energy and food prices are rising again, the strong negative base effect is expected to unwind in the course of 2015, thus exerting a positive influence on inflation. However, core inflation, measured as HICP excluding energy and food, will probably be affected in the opposite way by the subdued developments in labour costs. **On average, the primary dealers expect Belgian HICP annual inflation to amount to 0.5 % in 2015 and to reach 1.6 % in 2016,** slightly above the euro area average.

According to the average of the participating institutions, the budget deficit should come down from 3.2 % of GDP in 2014 to 2.7 % in 2015 and to 2.3 % in 2016. Additional measures will therefore be necessary to meet the targets set out in Belgium's stability programme, particularly when the budgets for 2016 and 2017 are being drawn up. In a context of moderate nominal growth, **the public debt is expected to increase slightly from 106.6 % of GDP in 2014 to 106.9 % in 2015, before declining to 105.9 % in 2016.**

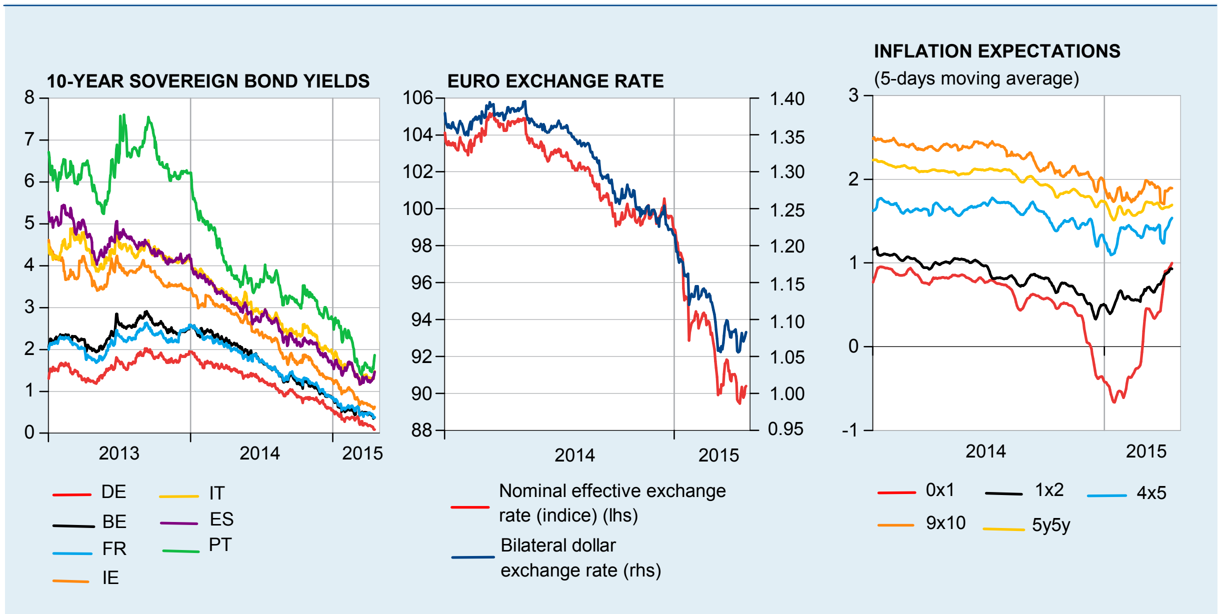
Special Topic: Three months on, a look at the implementation of the Eurosystem's public sector purchase programme (PSPP) by the NBB

In a situation where most indicators of actual and expected inflation were drifting towards historical lows in the euro area, the ECB Governing Council announced on 22 January 2015 an expanded asset purchase programme. It aims at addressing the risks of too prolonged period of low inflation, in a context where key ECB interest rates were, and still are, at their lower bound.

The programme added the purchases of sovereign bonds – the so-called PSPP (public sector purchase programme) - to the programmes for asset-backed securities and covered bond purchases, which were launched in the autumn of 2014. Combined monthly purchases were set at € 60 billion. They are intended to be carried out until at least September 2016 and in any case until the Governing Council sees a sustained adjustment in the path of inflation that is consistent with its aim of achieving inflation rates below, but close to, 2 % over the medium term.

Even before its actual implementation, which started on 9 March 2015, the announcement of the expanded asset purchase programme triggered significant impacts. Monetary and financial conditions were further eased, as illustrated by the continued decline in sovereign bond yields and, also, in bank rates for non-financial corporation credit. The euro depreciated by some 18 % vis-à-vis the US dollar compared to its May 2014 level. This more supportive environment for exports, investment and consumption in turn helped stop the downward drift in inflation expectations.

RECENT DEVELOPMENT OF FINANCIAL VARIABLES AND INFLATION EXPECTATIONS FOR THE EURO AREA



Sources: Bloomberg, BNP Paribas, Thomson Reuters Datastream.

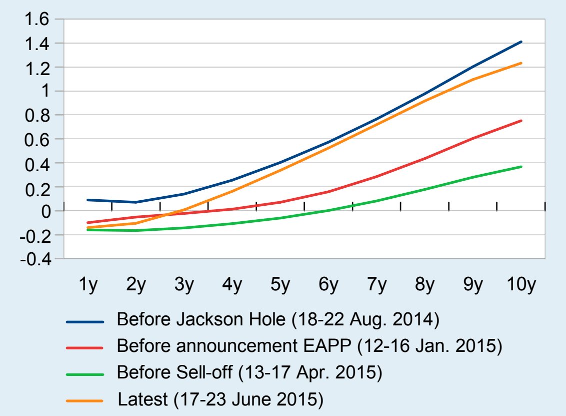
The PSPP is implemented in a decentralised way by the NCBs, in proportions reflecting their shares in the ECB capital key, and with a domestic focus. However, the Governing Council retains control over all the design features of the programme, and the ECB also coordinates the purchases, thus safeguarding the singleness of the Eurosystem's monetary policy. Bonds issued by euro area central governments, certain agencies and European institutions are bought in the secondary markets - under equal (pari passu) treatment - from counterparties for the Eurosystem's monetary policy operations, together with any other counterparties used by the Eurosystem for its euro-denominated portfolio investment.

Thus, from 9 March 2015, the National Bank of Belgium started buying up OLOs from its regular counterparties. As defined in the Eurosystem's operational modalities, it may buy bonds with a 2- to 30-year remaining maturity at the time of purchase. Purchases at a negative yield to maturity are possible, as long as the yield is above the deposit facility rate, i.e. -0.2 % since 10 September 2014.

Since it started, three and a half months ago, the execution of the programme has gone smoothly in Belgium, as is also the case in other jurisdictions. True, some increased volatility has been observed in the financial markets since April. A movement to sell off sovereign bonds developed during that period, following a surprisingly strong rise in bond prices when the PSPP started. As a result, the yield curve for Belgian bonds was pushed upwards, to a level significantly higher than the deposit facility rate threshold, including for the 2-year maturities, effectively allowing the NBB to tap into the full range of maturities.

Special topic: Three months on, a look at the implementation of the Eurosystem's public sector purchase programme (PSPP) by the NBB (continued)

BELGIAN SOVEREIGN BONDS YIELD CURVE



Source: Thomson Reuters Datastream.

In general, the risk of scarcity appears well contained. In that respect, it should be noted that, at around 5 %, Belgium's share in the secondary markets for euro area sovereign bonds is well above the NBB capital key (3.52 %) used as reference for its participation in the PSPP. Also, with its funding strategy, the Federal Debt Agency is committed for years to generating ample liquidity for the various OLO lines.

In implementing the PSPP, the NBB has been able to rely on a broad list of counterparties with whom it has regular relationships for monetary policy or for investment operations. The bulk of the NBB transactions in this programme have been executed with the 20 largest counterparties.

In addition, along the lines of the Governing Council announcement on 5 March 2015, the holdings purchased under the PSPP are made available for securities lending in order to support bond and repo market liquidity. The National Bank of Belgium will lend the securities purchased under PSPP via bilateral repos combined with bilateral reverse repos with counterparties that have a contract with NBB for euro-denominated repos. The list of ISINs available is published on the NBB website (https://www.nbb.be/doc/ts/eurosystem/lending-holdings-pspp-nbb-framework.pdf)

Alongside the NBB's bilateral lending channel, the Belgian Debt Agency also continues to provide a repo facility for its primary and recognised dealers. Further information on this repo facility can be found on http://www.debtagency.be/en_products_repo.htm.

All in all, the ECB's expanded asset purchase programme has made a significant contribution to improving economic conditions in the euro area. It has helped to contain the looming risks of a too low inflation for too long a period which were visible at the turn of the year, with possible self-sustaining negative repercussions on demand and activity.

So far, its implementation by the NBB and by the other NCBs has gone smoothly. As it proceeds over the coming months, it will be closely monitored so as to assess whether the functioning of financial markets is not being distorted, especially as regards repo market liquidity.

Any possible implications for financial stability will also be closely looked at. If necessary, macroprudential tools should be mobilised, at national and/or euro area levels, to mitigate any risk of asset price misalignments building up in the future. The Financial Stability Report published on 25 June 2015 by the NBB shows no strong evidence of any such developments in Belgium so far. It identifies the need for the financial sector to ensure sustainable profitability in the current rather challenging context of low interest yields and still muted nominal growth as the main current challenge.

Besides the actions of monetary authorities, governments also have a crucial role to play in consolidating the current recovery and maintaining a sustained path for long-term growth. This requires establishing an environment conducive to profitable investment, based upon sound macroeconomic policies, sustainable fiscal prospects and an efficient and flexible economy.

Treasury highlights

On 10 June 2015, the Treasury published an update to its funding programme, resulting in a **€ 2.0 billion increase** in its long-term funding to be realised through EMTN and Schuldscheine issues. As such, the Treasury is responding to the continuing strong demand for EMTN issuance. Its short-term debt would consequently increase by € 1.0 billion instead of €2.52 billion over the year 2015.

As of June 23, the Treasury has issued **€ 24.77 billion** of long-term funding corresponding to 65.6% of the revised annual target of € 37.75 billion.

The results of the two OLO syndications earlier this year were published in the March issue. In addition to the launch of these new OLO lines, four OLO auctions were held in March, April, May and June, resulting in a total of € 12.52 billion of funding:

Date	OLO		Issued (€ billion)	Yield	Bid to cover
March 23	OLO 0.80% 22/06/2025	OLO 74	1.750	0.419%	1.47
	OLO 4.25% 28/03/2041	OLO 60	0.425	0.946%	1.79
	OLO 3.75% 22/06/2045	OLO 71	0.882	1.048%	2.12
Non-competitive tour			*0.445*		
Total March			**3.502**		
April 20	OLO 3.75% 28/09/2020	OLO 58	1.043	-0.056%	1.68
	OLO 0.80% 22/06/2025	OLO 74	1.760	0.343%	1.28
Non-competitive tour			*0.024*		
Total April			**2.827**		
May 18	OLO 4.25% 28/09/2021	OLO 61	0.955	0.364%	1.65
	OLO 0.80% 22/06/2025	OLO 74	1.105	0.939%	1.29
	OLO 5.50% 28/03/2028	OLO 31	0.740	1.148%	1.60
Non-competitive tour			*0.725*		
Total May			**3.525**		
June 22	OLO 3.75% 28/09/2020	OLO 58	0.725	0.358%	1.36
	OLO 0.80% 22/06/2025	OLO 74	1.235	1.259%	1.40
	OLO 3.75% 22/06/2045	OLO 71	0.710	2.101%	1.69
Total June			**2.670**		

Yields reached historic lows for each of the maturities issued, with the first ever negative yield for an OLO issue (OLO 58, April 2020).

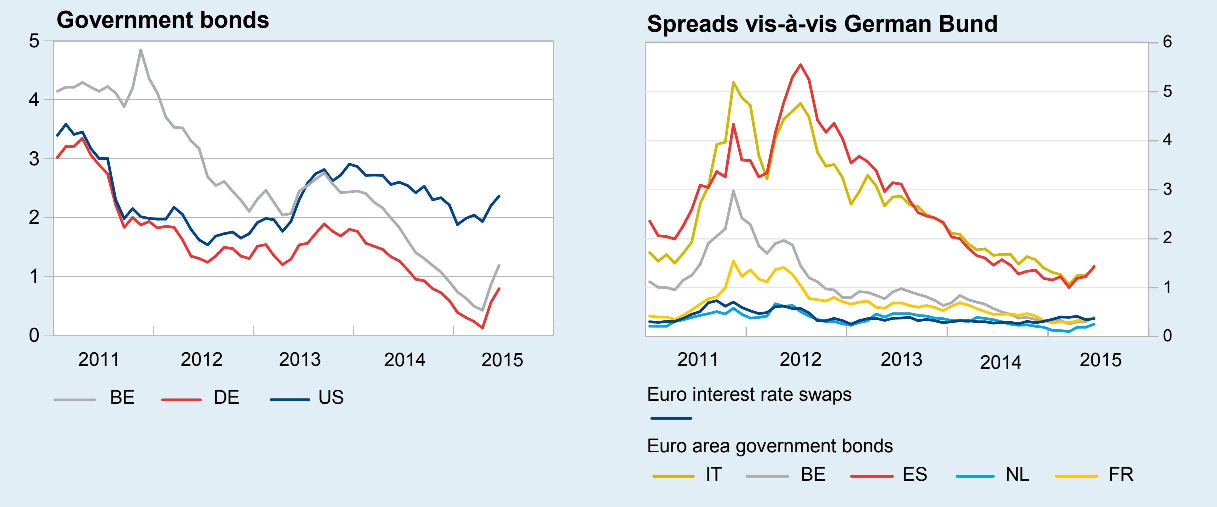
The Treasury also advanced with its EMTN programme and issued for the first time in GBP on 12 March 2015. The 3-year GBP 500 million Note was raised by a further GBP 100 million in June.

Finally, the EMTN programme saw the inaugural inflation-linked issues on 4 June 2015. The 20- and 25-year Notes are linked to the euro area HCPI ex-tobacco and were both issued for an amount of € 150 million.

Total issuance for the EMTN and Schuldscheine programmes now amounts to € 3.050 billion.

Government securities market

10-YEAR INTEREST RATES
(percentage points, monthly averages[1])



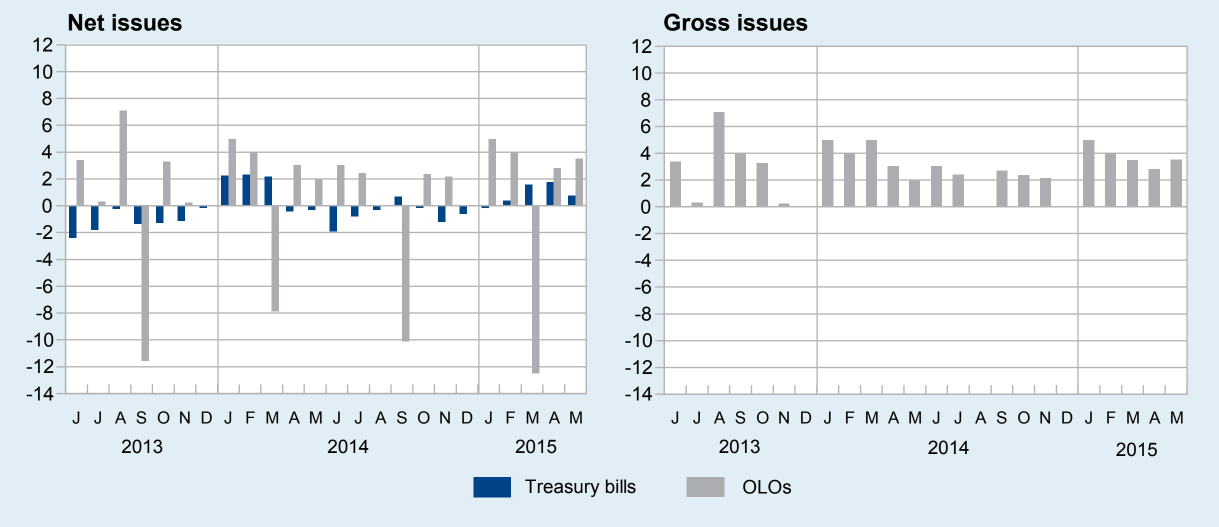
Sources: BIS, Datastream.

[1] Average over the first 23 days for June 2015.

Long-term sovereign bond yields in the euro area continued to fall between mid-March and mid-April 2015 before displaying significant volatility. The volatility partly reflects positive surprises regarding the euro area economy, technical market factors (such as supply pressures and low market liquidity), a learning process with the market adapting to the Eurosystem's large scale purchases of public sector bonds, and potentially some role played by the negotiations with Greece on debt repayments. As a result, between April and June 2015, 10 year sovereign yields in Germany and Belgium rose by respectively 67 and 77 bp to reach 0.79 % and 1.19 % (monthly averages). Although these levels are above the all-time lows reached in March (close to 0 % on 10-year German Bunds), they remain relatively low from a historical perspective and still reflect the ECB's accommodative monetary policy. In the US, 10-year sovereign yields were up by 43 bp between April and June 2015 to 2.36 %. They rose slightly in the immediate aftermath of the FOMC meeting on June 17, possibly indicating a small revision of expectations by financial markets regarding the timing of a rate hike in the US.

In the euro area, long-term sovereign spreads vis-à-vis the German Bund started to rise over the period under review, especially in peripheral Member States. The Italian and Spanish spreads widened by respectively 34 and 43 bp to reach 140 and 143 bp. Spreads in Belgium and France rose by 14 bp and 11 bp, respectively, to 40 and 39 bp. These developments occurred against a background of uncertainty surrounding Greece's access to finance as well as higher issuance of government bonds with longer maturity in some countries. However, sovereign spreads appear to be increasing only mildly from a historical point of view, i.e. with respect to the general fall and convergence in spreads observed since 2012.

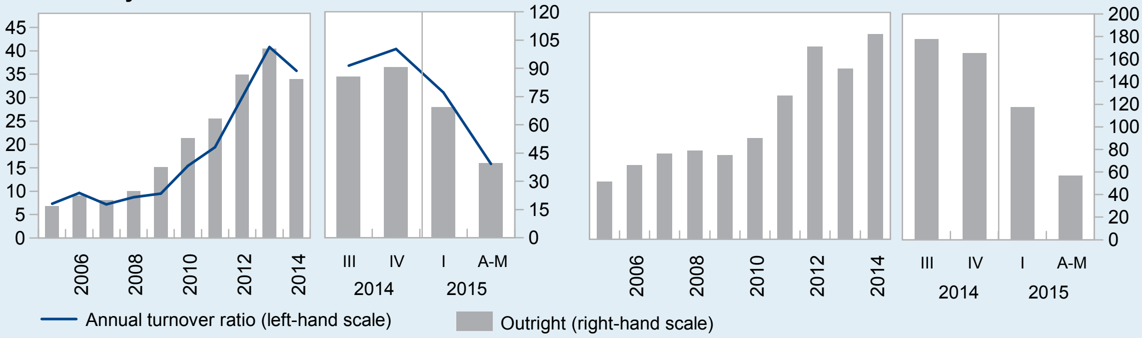
PRIMARY MARKET
(billions of euros)



SECONDARY MARKET TURNOVER*

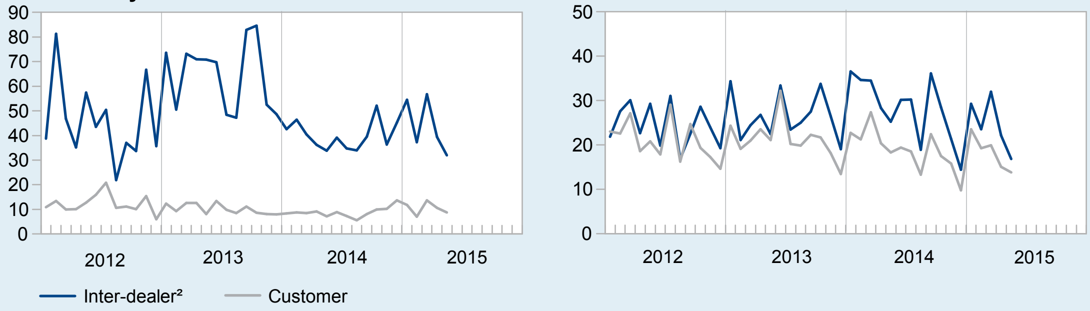
As compiled by the Securities Regulation Fund[1]
(billions of euros unless otherwise stated, monthly averages)

Treasury bills **OLOs**



As reported by primary and recognised dealers to the Treasury
(billions of euros)

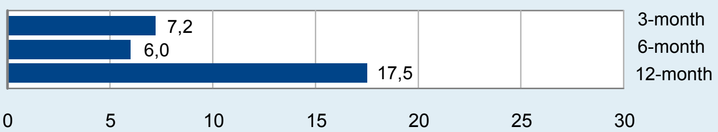
Treasury bills **OLOs**



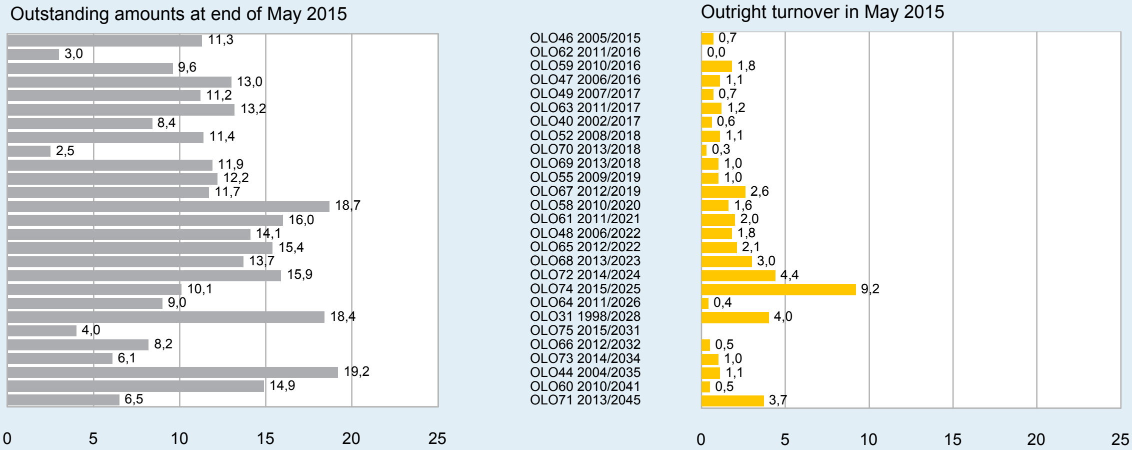
[1] As of January 2009, reporting information obtained via TREM is also included. The Securities Regulation Fund's turnover figures include some sell/buy-back transactions which are in fact repurchase agreements.
[2] Please note that inter-dealer turnover is double-counted in these figures.
* Due to changes in the data collection at the beginning of 2015, turnover data for the current year should be considered with great caution.

OUTSTANDING AMOUNTS AND TURNOVER*
(billions of euros)

TREASURY BILLS
Nominal outstanding amounts at end of May 2015

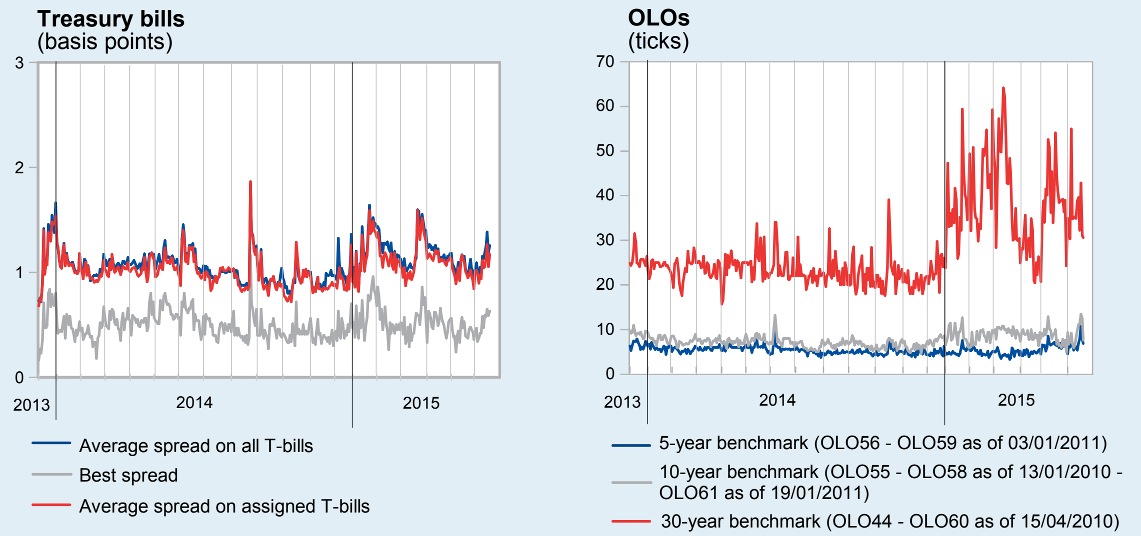


OLOs
Outstanding amounts at end of May 2015 Outright turnover in May 2015



Source: Securities Regulation Fund.
[1] The turnover figures include sell/buy-back transactions which are in fact repurchase agreements.
* Due to changes in the data collection at the beginning of 2015, turnover data for the current year should be considered with great caution.

BEST BID/OFFER SPREADS[1]



Source: Treasury.
[1] As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

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Sources: NBB, unless otherwise stated.

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General information on the Belgian government's action can be found on the website www.belgium.be.