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PRESS RELEASE

Foreign financial transactions of Belgian non-financial sectors

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The open character of the Belgian economy is also reflected in its financial relations with other countries. At the end of 2007, Belgium's net foreign assets totalled around 44.4 p.c. of GDP.

In the past decade, Belgium's net financial assets have shown a marked increase, against the backdrop of the introduction of the common currency and the progressive financial integration and globalisation. The degree to which the various non-financial sectors have responded to these developments varies greatly between sectors.

The public sector is the one which has done most to adjust its financing and has seen the biggest rise in the share of the rest of the world in its total debt, namely from 20 p.c. at the end of 1997 to around 46 p.c. at the end of 2007. When the euro was introduced on the financial markets, it was imperative for the Treasury to widen its investment base: appropriate diversification of the corps of Primary Dealers and Recognised Dealers was one of the ways in which it achieved that.

Non-financial corporations, which traditionally maintain very close international financial contacts, still saw a steady increase in the share of the rest of the world in their financial transactions between 1997 and 2007: during that period, in the case of financial liabilities, the figure was up from 24 p.c. to over 37 p.c.; for financial assets, the share was up from 28 p.c. to 39 p.c. However, these orders of magnitude are subject to a strong upward influence exerted by the coordination centres based in Belgium, which perform the function of a financial intermediary for the multinational group to which they are attached. In the past decade, there have been frequent exchanges of shareholdings between Belgian and foreign companies, reflecting the process of mergers and acquisitions, and these have also contributed to the growth of direct investment between Belgium and the rest of the world. Another point worth mentioning is that the past decade has brought a strong rise in loans granted by foreign financial institutions as a percentage of total bank lending to Belgian firms: that figure increased from 12 p.c. at the end of 1997 to 35 p.c. at the end of 2007.

The share of foreign assets in the household portfolio dropped from 30 p.c. at the end of 1997 to 17 p.c. at the end of 2007. Naturally, that is due partly to the introduction on 1 July 2005 of the European directive on the taxation of savings; it has now ceased to be possible for individuals to avoid the tax on income from interest-bearing assets held in other countries, and that has ultimately led to the repatriation of those assets. In contrast, in the case of non interest-bearing assets, foreign investment flows increased between 1997 and 2007. Finally, it should be pointed out that the share of the rest of the world in the liabilities of households is still negligible.