2013-12-06

PRESS RELEASE

Economic projections for Belgium – Autumn 2013

(Article for the December 2013 Economic Review)

The current international economic situation is marked by a deceleration of growth in the emerging economies and a hesitant revival of activity in the advanced countries. In the euro area, in particular, the protracted recession ended in the spring, and even though the situation remains fragile, with variations between Member States, activity should continue to strengthen next year. According to the Eurosystem's projections, real GDP should be down by 0.4 % in the euro area at the end of 2013, and growth is predicted at 1.1 % in 2014. Inflation in the euro area is set to remain weak, against a backdrop of import price moderation, particularly in the case of petroleum products, and control over domestic costs, especially labour costs. Inflation is thus predicted to fall a little further from 1.4 % to 1.1 % next year, while underlying inflation would also remain very low.

In Belgium, following a lengthy period of stagnating activity, the recovery emerged in the second quarter of 2013 and should continue, in line with the expectations for the euro area. Real GDP is forecast to grow by 0.2 % this year and 1.1 % in 2014. The average rate of activity growth will therefore remain below the level prevailing before the great recession. The current projections are very close to those published in June 2013.

Given the weakness of foreign markets, Belgium's exports will have posted hardly any growth in 2013, while imports are actually estimated to have fallen slightly, so that foreign demand will make a positive contribution to growth. Belgian exports would regain some momentum in 2014, on the back of world trade. Following an unusually long period of declining consumption dating back to early 2011, households began increasing their spending on consumption again at the beginning of this year. The improvement in confidence and the rise in their purchasing power promoted by the fall in inflation are the reasons for the increase in household consumption expenditure in 2013. Private consumption is expected to progress at the same rate as household disposable income next year, implying a more or less stable savings ratio. Business investment also began a hesitant recovery in the spring of this year. However, it would still be down again year-on-year in 2013 before a clearer revival in 2014, supported by the improvement in the outlook for sales and the steady rise in capacity utilisation rates. Finally, public spending is set to continue making a positive contribution to GDP growth in 2013 and 2014, though it will be moderate.

Despite the fragile signs of recovery in the Belgian economy, the labour market situation is unlikely to improve significantly in the immediate future. The revival will first be conveyed by firms stepping up their working hours and restoring their level of productivity before taking on new recruits. Public employment is also expected to be down this year and next, owing to the fiscal consolidation measures at various levels of power. In all, following a decline of around 17 000 units in 2013, domestic employment will record only a very small rise in 2014, of barely 2 500 units. Taking account of the expected growth of the labour force, the unemployment rate will continue to rise, reaching 9.1 % of the labour force in 2014.

Inflation, which is down sharply in Belgium, too, is put at 1.2 % in 2013 and is only forecast to edge up to 1.3% in 2014. That is due partly to the downward trend in energy prices – owing to the expected fall in the oil price and changes taking place, on the gas and electricity markets – and partly to the low level of underlying inflation. Labour costs moderation is one factor behind the subdued inflationary pressure. In the projections, no account could be taken of the additional measures to boost competitiveness that were announced on 29 November 2013.

Given the assumptions relating to fiscal measures, in accordance with the rules applicable to the Eurosystem's projection exercises which stipulate that no account be taken of the impact of measures not sufficiently specified, public finances are expected to end the year 2013 with a deficit of 2.8 % of GDP and remain at that level in 2014.

Communication
National Bank of Belgium Ltd.
boulevard de Berlaimont 14
1000 Brussels
phone + 32 2 221 46 28
www.nbb.be
Company's number:
0203.201.340 – RLP Brussels

Projections for the Belgian economy: summary of the main results
(% change compared to the previous year, unless otherwise stated)

	2010	2011	2012	2013 e	2014 e
GROWTH (calendar adjusted data)					
Real GDP	2.3	1.8	-0.1	0.2	1.1
Contributions to growth:					
Domestic expenditure, excluding change in inventories	1.4	1.1	-0.2	0.0	1.1
Net exports of goods and services	0.6	-0.3	0.5	0.5	0.0
Change in inventories	0.3	0.9	-0.4	-0.3	0.0
PRICES AND COSTS					
Harmonised index of consumer prices	2.3	3.4	2.6	1.2	1.3
Health index	1.7	3.1	2.7	1.3	1.4
GDP deflator	2.1	2.0	1.9	1.6	1.5
Terms of trade	-1.6	-1.3	-0.2	-0.4	0.6
Unit labour costs in the private sector	-0.4	2.6	4.4	1.7	0.6
Hourly labour costs in the private sector	0.9	2.4	3.7	2.1	1.1
Hourly productivity in the private sector	1.3	-0.2	-0.7	0.4	0.6
LABOUR MARKET					
Domestic employment (annual average change in thousands of persons)	30.2	63.4	9.4	-17.4	2.5
Total volume of labour[1]	1.0	2.1	0.2	-0.4	0.5
Harmonised unemployment rate[2] (in % of the labour force)	8.4	7.2	7.6	8.7	9.1
INCOMES					
Real disposable income of individuals	-1.2	-0.9	1.2	0.9	1.1
Savings ratio of individuals (in % of disposable income)	15.2	14.1	15.2	15.5	15.6
PUBLIC FINANCES[43]					
Primary balance (in % of GDP)	-0.4	-0.4	-0.6	0.4	0.3
Overall balance (in % of GDP)	-3.7	-3.7	-4.0	-2.8	-2.8
Public debt (in % of GDP)	95.7	98.0	99.8	100.1	100.8
CURRENT ACCOUNT (in % of GDP according to the balance of payments)	1.9	-1.1	-2.0	-1.7	-1.1

Sources: EC, DGSEI, NAI, NBB.
[1] Total number of hours worked in the economy.
[2] Percentages of the labour force (15-64 years), non calendar adjusted data.
[3] According to the methodology used in the excessive deficit procedure (EDP).