Executive Directors agreed with the thrust of the staff appraisal. They commended the authorities for their reform efforts in recent years, which have contributed to sustained growth, strong employment growth, and a notable reduction of the fiscal deficit. They encouraged the authorities to take advantage of the current favorable economic conditions to press ahead with further reforms to enhance the economy’s resilience and boost its growth potential.

Directors agreed that rebuilding fiscal buffers remains a priority given the high level of public debt and pressures from population aging. They encouraged the authorities to pursue further fiscal consolidation to achieve their medium-term objective of a structurally balanced budget and put debt on a firmly downward path, with some Directors noting a need to strike a balance between consolidation and growth. Directors emphasized that spending reforms, notably increasing the efficiency of spending and better targeting social benefits, will contribute to a more sustainable fiscal position. They also recommended further reform of the pension system to curb the long-term costs of aging. Directors highlighted that spending reforms should be complemented by measures to safeguard revenues, including further reducing deductions and exemptions.

Directors emphasized that reforms to enhance labor force participation and reduce the fragmentation of the labor market are critical for achieving higher, more inclusive growth, and encouraged the authorities to implement the planned “jobs deal” reform. To better integrate vulnerable groups, Directors also recommended pursuing further efforts to address educational gaps, improve the quality of training and lifelong learning, and reduce barriers to geographical mobility. They noted that better linking wages to productivity could help to improve the allocation of resources and support overall competitiveness.

Directors encouraged continued implementation of reforms of product and service markets and the business environment to support productivity and growth. They welcomed recent initiatives to promote financing, through the new “Growth Fund”, and develop an ecosystem for young, innovative firms with growth potential. Directors saw scope to further streamline and harmonize regulations, increase investment in infrastructure, improve the efficiency of R&D spending, and strengthen competition in services and regulated professions.
Directors recognized the improved resilience of the financial sector but noted that recent strong credit growth has contributed to rising corporate and household debt and housing prices. They welcomed the central bank’s new macroprudential measures aimed at the housing market and encouraged the authorities to stand ready to activate the countercyclical buffer to build up further resilience, should cyclical risks intensify. Directors also encouraged the authorities to continue to enhance risk monitoring and ensure the feasibility and effectiveness of bank resolution strategies. Continuing the implementation of the remaining FSAP recommendations will be helpful in this regard.

It is expected that the next Article IV consultation with Belgium will take place on the standard 12-month cycle.