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BELGIAN DEBT AGENCY
National Bank OF BELGIUM
Eurosystem

Participating Primary Dealers:

Bank of America, Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Crédit Agricole CIB, Deutsche Bank, HSBC, J.P. Morgan, KBC Bank, Morgan Stanley, Natixis, NatWest (RBS), Nomura, Société Générale Corporate & Investment Banking

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- SPECIAL TOPIC: The Belgian economy since 2019: A comparison with its neighbouring countries and the euro area
- TREASURY HIGHLIGHTS: Nearly 40 % of the 2024 funding plan has been raised

CONSENSUS **Average of participants' forecasts**

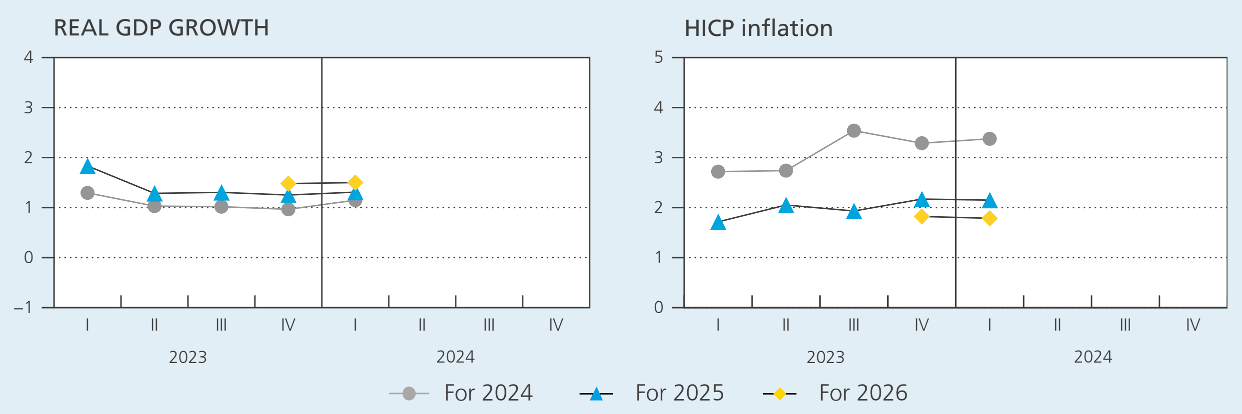
A spreadsheet available on the NBB's website provides more information on the individual forecasts.

	Belgium				Euro area			
	2023	2024e	2025e	2026e	2023	2024e	2025e	2026e
Real GDP[(1)]	1.5	1.2	1.3	1.5	0.4	0.5	1.3	1.4
Inflation (HICP)[(1)]	2.3	3.5	2.2	1.8	5.4	2.4	2.0	1.9
Government budget balance[(2)]	−4.2	−4.6	−4.7	−4.5	−3.2	−2.9	−2.7	−2.5
Public debt[(2)]	105.2	105.5	106.7	108.3	88.3	89.6	89.5	89.5

1 Percentage changes.
2 EDP definition; percentages of GDP.

FORECASTS FOR BELGIUM

(the lines show the evolution since the start of 2023 of the growth and inflation forecasts for the calendar years 2024, 2025 and 2026)



Source: Belgian Prime News.

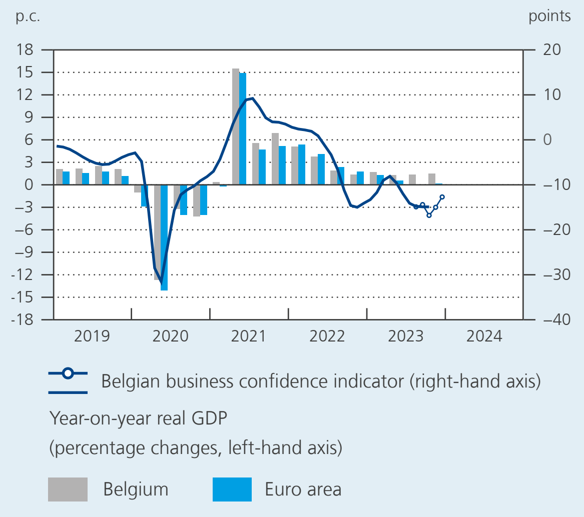
MACROECONOMIC DEVELOPMENTS

The global economy sets course for a soft landing

Global growth proved surprisingly resilient in 2023, while headline inflation slowed considerably in all major advanced economies. Overall, the global economy grew by just over 3 %, exceeding the forecasts made at the start of the year. High-frequency activity indicators point towards growth continuing at its recent moderate pace. Global trade was lacklustre in 2023, but the global PMI on export orders in the manufacturing industry showed some improvement lately. Attacks on merchant vessels in the Red Sea have so far not significantly disrupted global supply chains, at least according to PMI readings for delivery times and input prices.

The euro area economy continues to perform poorly, having now seen barely any growth over the past five quarters, since the end of 2022. The composite PMI indicator for the euro area is now improving but is still in contractionary territory, while the services sub-index has already returned to expansionary territory. In terms of the annual outlook, Belgian Prime News (BPN) participants **expect the euro area economy to grow by a mere 0.5 % in 2024,** following the rise of 0.4 % in 2023. **Annual growth is only expected to return to cruising speed in 2025 and 2026, reaching around 1.3 %.** The March consensus forecasts is quite in line with that of December. As revealed by the detailed data published in annex to this issue of BPN, participants continue to express a significant degree of uncertainty concerning 2024, as reflected in a relatively wide range of individual forecasts (even for the very near term, i.e. 2024Q1). **Participants currently expect euro area inflation to come in at 2.4 % in 2024,** down from the average rate of 5.4 % recorded in 2023, and to reach 1.9 % in 2026.

GDP GROWTH AND BUSINESS CONFIDENCE



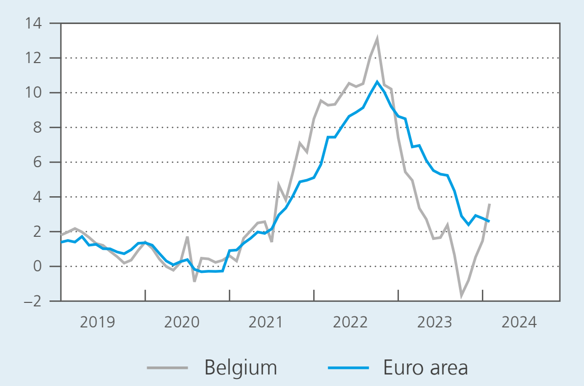
Sources: EC, NAI, NBB.

Belgian economic growth largely outpaced that of the euro area throughout 2023. According to the March NBB Business Cycle Monitor, robust growth (0.4 %) could reasonably be expected for the first quarter of this year. **BPN participants expect real GDP growth in Belgium to reach 1.2 % in 2024,** compared with the 1.5 % recorded in 2023. **As for the years ahead, BPN participants expect real GDP growth to amount to 1.3 % in 2025 and 1.5 % in 2026.**

The Belgian labour market continued to expand in the final quarter of the year, but job creation was clearly more moderate over the course of 2023 than it had been in the two previous years, and a larger share than usual stemmed from the public or non-market sectors. The harmonised unemployment rate remains very low and is expected to stay below 6 % in the coming years, with the labour market remaining quite tight.

INFLATION (HICP)

(annual percentage changes)



Source: EC.

As anticipated, Belgian headline inflation increased again in recent months, reaching 3.6 % in February. This was due to energy inflation turning less negative (just −0.2 % compared to −42 % in October). Downward base effects related to the fall in energy prices as of autumn 2022 have now worn off, while the disappearance of certain government measures to curb rises in household energy bills from the index is also pushing up energy inflation. **According to the latest BPN consensus forecast, the headline inflation rate in Belgium is expected to average around 3.5 % in 2024, before dropping to 2.2 % in 2025 and to 1.8 % in 2026.**

Turning to public finances, BPN participants expect the budget balance to remain high after 2023, at at least 4.5 % of GDP. They estimate that Belgian public debt will edge upwards in the coming years, rising from around 105 % of GDP in 2023 to 108.3 % of GDP by 2026.

FINANCIAL MARKETS AND INTEREST RATES

Ten-year sovereign bond yields rise, with markets expecting fewer policy rate cuts this year

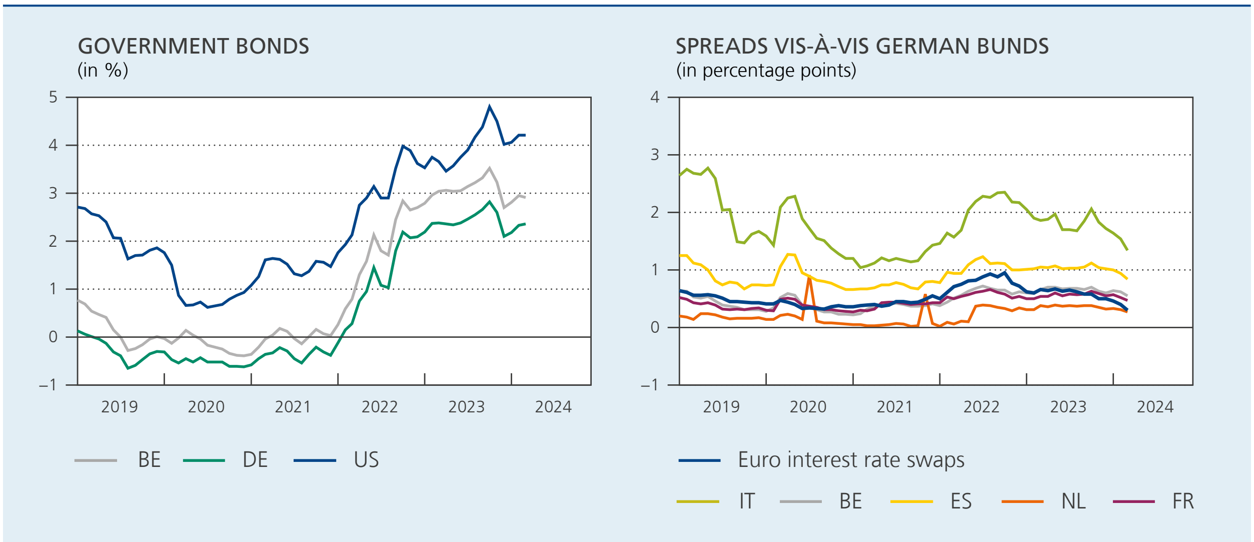
In the first quarter of 2024, the US and euro area central banks kept their policy rates in restrictive territory as inflation remained stubbornly above their targets. The ECB held its deposit facility rate at 4 % and the Federal Reserve decided to maintain the target range for the federal funds rate at 5.25 % - 5.50 %. As market participants continued to believe that policy rates had peaked, they revised their rate expectations in anticipation of later and fewer rate cuts this year. In this context, Belgian and German 10-year government bond yields increased by 21 and 26 basis points, respectively, from 2.70 % and 2.10 % in December 2023 to 2.91 % and 2.36 % in March 2024. Over the same period, the US 10-year sovereign bond yield rose by 19 basis points, settling at 4.21 %.

The increase in long-term sovereign yields was accompanied by a high degree of volatility on the bond markets. The MOVE index, which tracks US Treasury yield volatility, remained elevated as markets adjusted their short-term rate expectations based on new economic and financial data. In contrast, indices of stock market volatility in the US and the euro area – measured by the VIX and VSTOXX - lingered well below their historical averages.

Growing optimism about the world economy and expectations that major central banks will start cutting their rates later this year favourably influenced financial markets. The Stoxx 600 Europe and S&P 500 gained 6 % and 10 %, respectively, in the first quarter of 2024. Amidst an AI boom, gains were particularly strong in the tech sector. Corporate spreads also tightened in the US and the euro area, as corporate earnings rose while recession risks lessened. European economies were able to avoid a new winter energy crisis: the price of natural gas fell back to its pre-crisis level, while oil prices remained broadly stable despite geopolitical tensions and limited oil supply from the OPEC group of countries and Russia.

Sovereign spreads vis-à-vis German Bunds also eased in the first quarter of 2024 in the euro area, mirroring the overall improvement in market sentiment. In Italy and Spain, where growth recently outpaced that of the German economy, sovereign spreads declined by 38 and 18 basis points, falling to 1.34 % and 0.84 %, respectively. The Belgian, Dutch, and French spreads also narrowed marginally.

10-YEAR INTEREST RATES
(monthly averages)



Sources : BIS, Thomson Reuters. Average over the first 22 days for March 2024.

SPECIAL TOPIC

The Belgian economy since 2019: A comparison with its neighbouring countries and the euro area

It has been four years since the Covid-19 pandemic wreaked havoc on the European economy. This special topic looks at the development of GDP and its components since then across the euro area, in Belgium and in its neighbouring countries. The deep recession triggered by the pandemic proved shorter than initially feared, with the euro area already returning to its pre-crisis output level (as measured by the average level of GDP recorded in 2019) by mid-2021. However, the prices of energy and other inputs started to rise significantly from mid-2021, as the buoyant post-pandemic recovery came up against global supply constraints. Price pressures were further exacerbated by Russia's invasion of Ukraine in early 2022. In order to bring inflation back to target, the ECB raised its policy rates multiple times between mid-2022 and October 2023.

By the end of 2023, the euro area economy had grown by around 3 % compared with its 2019 output level. Among the subset of countries considered in this analysis, cumulative GDP growth since 2019 was strongest in the Netherlands and Belgium (6 %), whereas the German economy barely expanded compared to 2019.

All five economies selected (including that of the euro area) saw buoyant growth in public consumption, which significantly outpaced GDP growth over the same period. This can partly be traced back to increased healthcare spending.

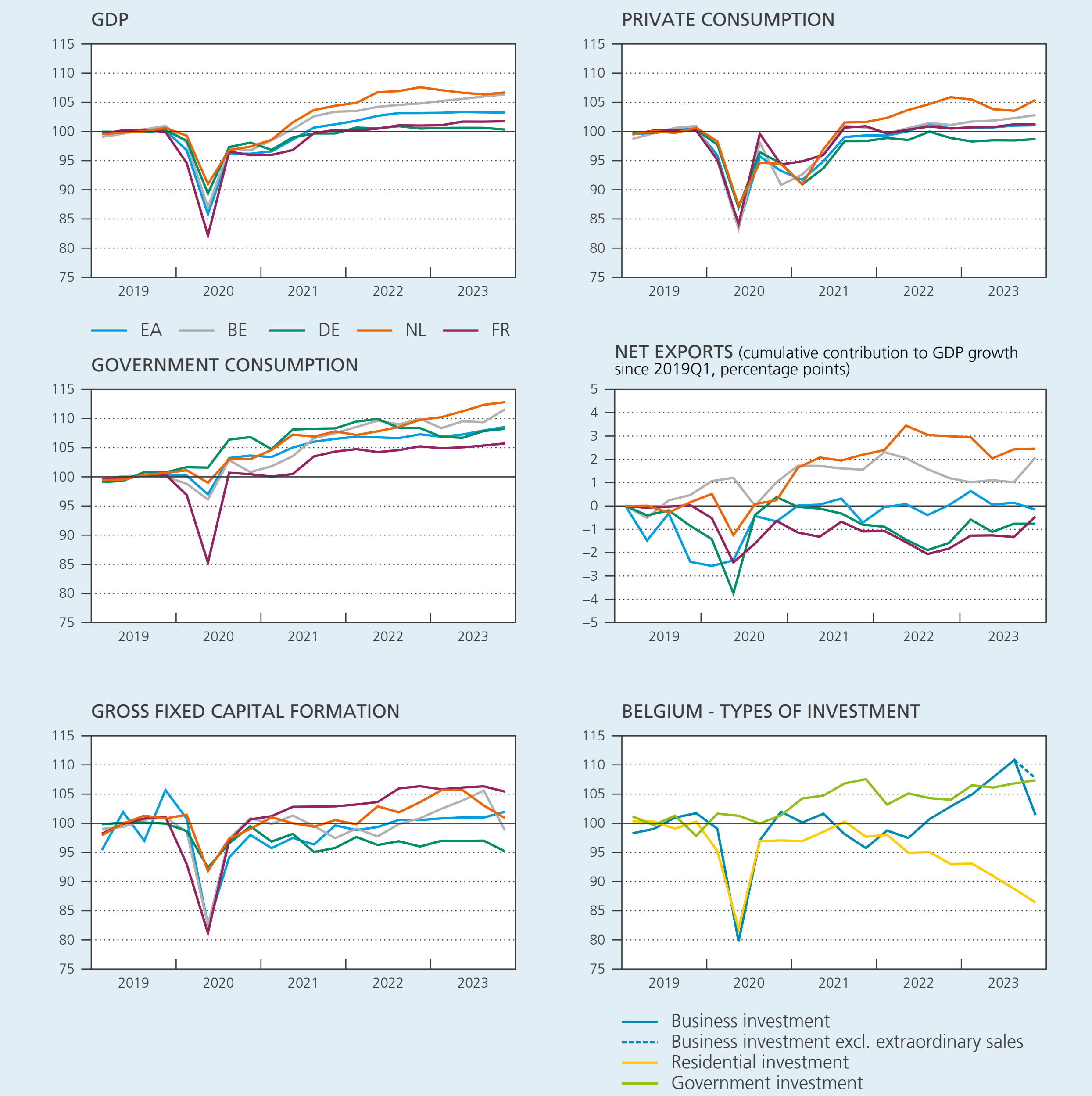
Cumulative growth in private consumption was clearly weaker than in public consumption. In Belgium, private consumption increased by approximately 3 % between 2019 and 2023 (compared with total growth of 6 % in GDP and 11 % in public consumption). Automatic wage indexation in Belgium certainly helped shore up real household disposable income in 2023 after the decline in 2022. However, intertemporal consumption smoothing, high uncertainty and rising interest rates may also have encouraged households to save more. In the euro area, private consumption has expanded by a mere 1 % since 2019 and is currently at a lower level than its peak in 2022Q3. At the height of the cost-of-living crisis, most governments also adopted measures to protect household purchasing power and support private consumption, but these have mostly been withdrawn by now.

The investment series in the graph below incorporates business investment, residential investment, and public investment. Due to the specific developments across investment categories, an additional graph was included for Belgian investment. The Belgian economy's solid growth performance was largely due to the very dynamic growth in business investment observed since the second half of 2022. This is particularly remarkable in the context of rising interest rates. Historically high profit margins and sound liquidity positions established prior to 2022 made it easier for the average company to finance its investment projects internally rather than through bank loans. Belgian (business) investment appeared to fall back dramatically in the last quarter of 2023, but this was largely due to the one-off sale of large investment goods (including ships) to foreign buyers. The dotted line on the graph shows the underlying development of the Belgian business investment series. It should be noted that, for the same reason, net exports also artificially shot up in 2023Q4.

Belgian residential investment rapidly recovered from the dip triggered by the Covid-19 pandemic. However, starting in 2022, it was impacted by supply chain disruptions and a concomitant rise in the cost of building materials as well as an increase in the cost of borrowing. All in all, by the end of 2023, this component of GDP had fallen by more than 10 % from its 2019 level.

Belgium's net exports benefited considerably from a "Covid vaccine" effect in 2021, thanks to domestic production by a multinational pharmaceutical company. In 2022, the exceptional contribution of this component to growth began to fade away. Global trade was lacklustre in 2023, and hence demand for Belgian exports was weak. Still, growth in exports was clearly more negative than in the relevant Belgian export markets, resulting in a significant loss of market share.

GDP and its components in Belgium, its neighbouring countries, and the euro area
(volumes, index 2019 = 100, unless otherwise stated)



Sources : Eurostat, NAI, NBB.
This graph is based on the national accounts released at the end of February 2024. It thus differs slightly from that featured in the box in chapter 4 of the Annual Report 2023.

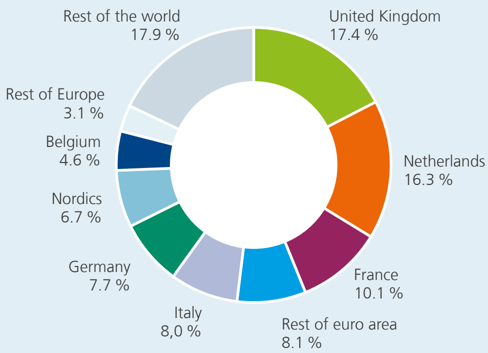
TREASURY HIGHLIGHTS **Nearly 40 % of the 2024 funding plan has been raised**

The Belgian Debt Agency plans to issue €45 billion worth of medium and long-term instruments in 2024, including €41 billion in OLOs. The remaining funding will be raised through EMTN, Schuldscheine and State notes (€4.00 billion).

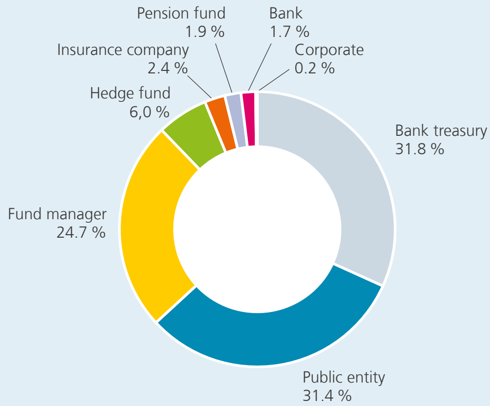
OLO syndication (€7 billion 10-year benchmark)

On 9 January 2024, Belgium issued its first new OLO benchmark of the year, opting for a 10-year maturity, in line with tradition. The new €7 billion 2.85 % OLO 100 22/06/2034 was priced at a spread of +24 bps, implying a reoffer yield of 2.874 %. Joint lead managers were Barclays, BNP Paribas Fortis, Crédit Agricole CIB, J.P. Morgan and Natixis.

OLO100 - GEOGRAPHICAL DISTRIBUTION



OLO100 - DISTRIBUTION BY TYPE

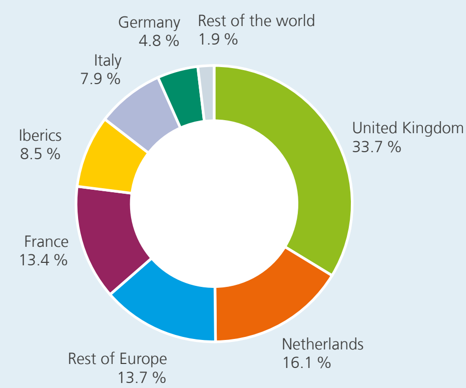


OLO syndication (€5 billion 30-year benchmark)

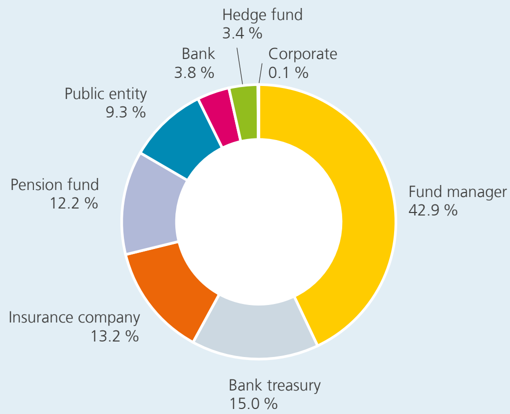
On 7 February 2024, the Kingdom of Belgium issued its second OLO benchmark of the year, the new €5 billion 3.50 % OLO 101 22/06/2055. The issuance was priced at 4 bps over the OLO 98 maturing on 22 June 2054, giving a re-offer yield of 3.504 %. Joint lead managers were Barclays, BNP Paribas Fortis, Deutsche Bank, HSBC and Morgan Stanley.

On 18 March, the Belgian Debt Agency issued €4.776 billion through its first annual auction, tapping the OLO 100 (2034), OLO 96 (2039) and OLO 101 (2055).

OLO101 - GEOGRAPHICAL DISTRIBUTION



OLO101 - DISTRIBUTION BY TYPE



OLO auctions (€4.776 billion)

Date	OLO		Issued (€ billion)	Yield	Bid-to-cover
18 March	OLO 2.85 % 22/10/2034 OLO 2.75 % 22/04/2039 OLO 3.50 % 22/06/2055	OLO100 OLO96 OLO101	1.775 1.087 1.038	2.946 % 3.151 % 3.422 %	1.67 1.73 1.68
Non-competitive subscriptions			*0.876*		
March total			**4.776**		

In addition, the Belgian Debt Agency issued a further €1.009 billion through its ORI facilities program, on 2 February and 1 March.

ORI (€ 1.009 billion)

Date	OLO		Issued (€ billion)	Yield
2 February	OLO 1.25 % 22/04/2033 OLO 3.45 % 22/06/2043	OLO86 OLO99	**0.218** **0.290**	2.620 % 3.172 %
February total			**0.508**	
1 March	OLO 1.00 % 22/06/2031 OLO 1.45 % 22/06/2037	OLO75 OLO84	**0.325** **0.176**	2.804 % 3.140 %
March total			**0.501**	

To date, there have been no EMTN or Schuldscheine issues this year.

After a historic first issuance last September, the Agency put forward another one-year State Note, together with a three-year State Note, during its March campaign. The campaign raised €433.0 million: €413.3 million from the one-year note and €19.7 million from the three-year note.

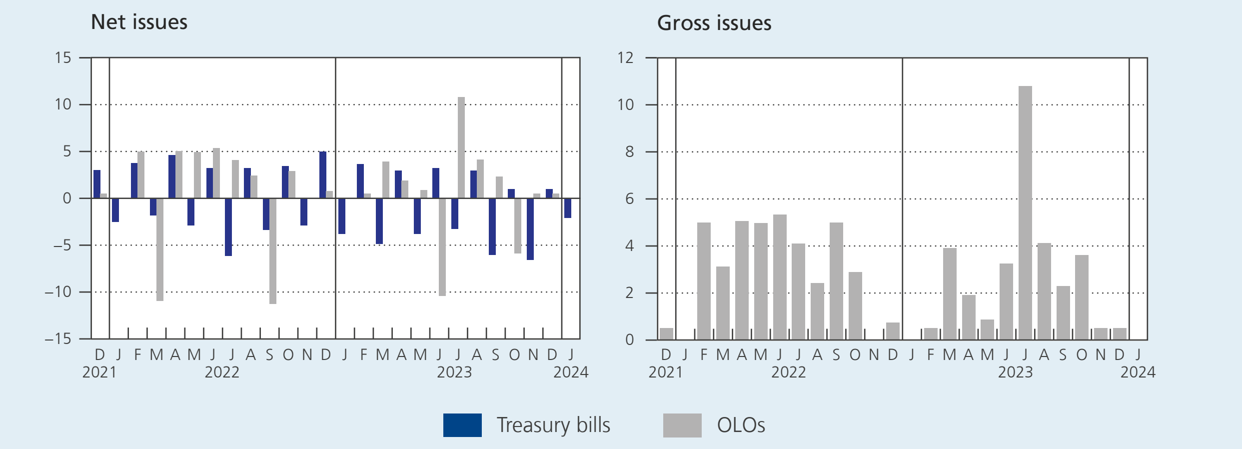
Belgium has therefore already issued €17.80 billion, corresponding to 39.6 % of its long-term funding target.

In terms of portfolio structure, the average life of the portfolio is now 10.68 years (as of the end of February) and the implicit yield is 1.92 %.

GOVERNMENT SECURITIES STATISTICS

PRIMARY MARKET

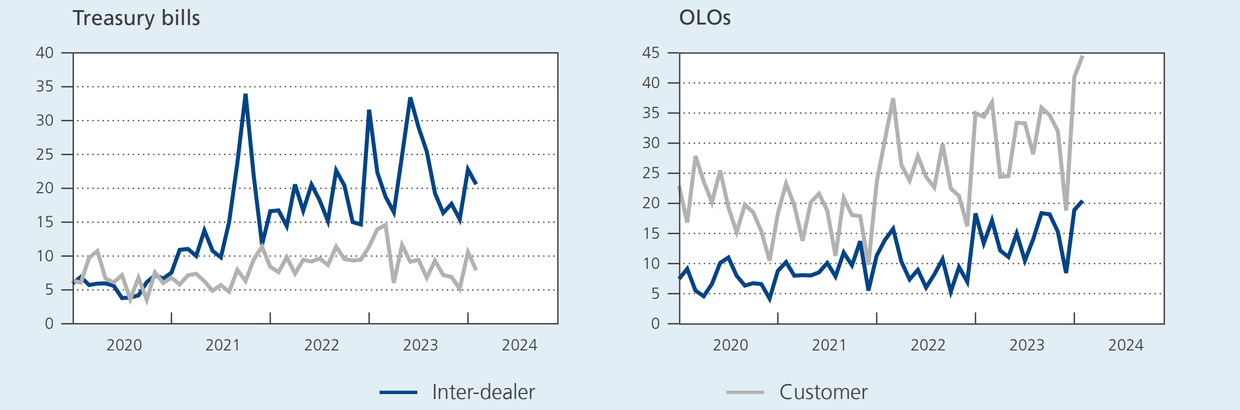
(€ billion)



Source: Belgian Debt Agency.

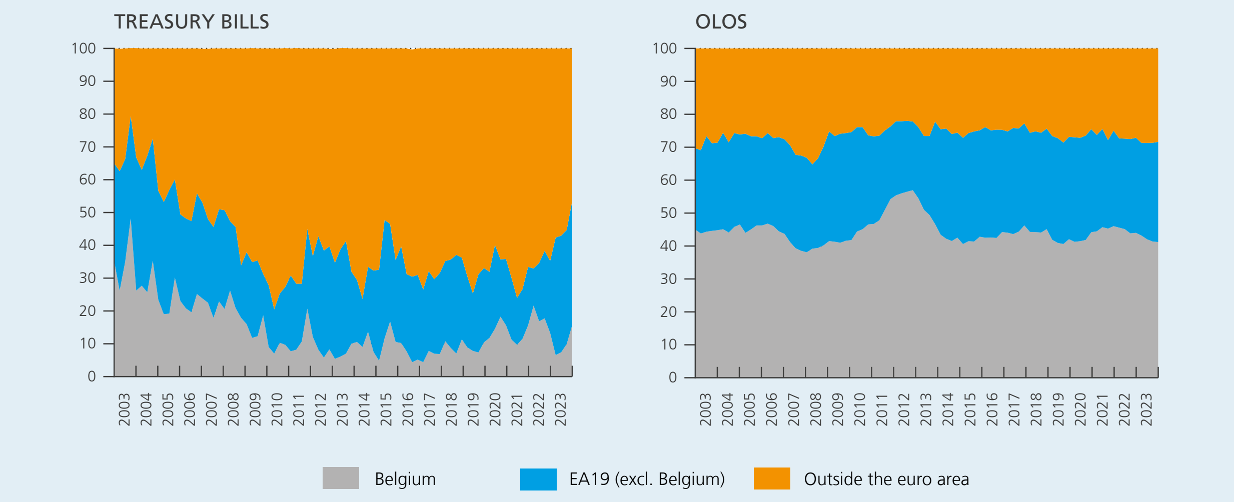
SECONDARY MARKET TURNOVER

(as reported by primary and recognised dealers to the Debt Agency, € billion)



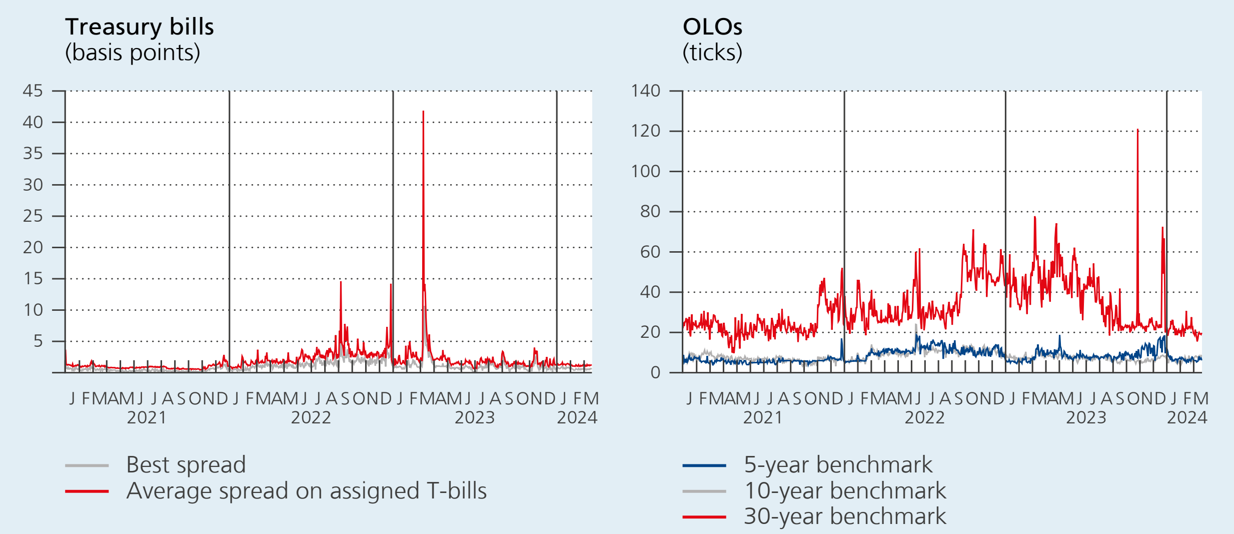
Source: Belgian Debt Agency.

HOLDERSHIP OF BELGIAN SECURITIES
(in %)



Source: NBB.

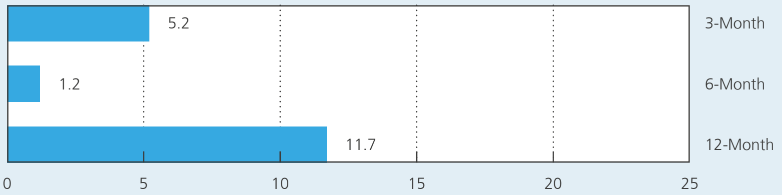
BEST BID/OFFER SPREADS [1]



Source: Belgian Debt Agency.
(1) As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

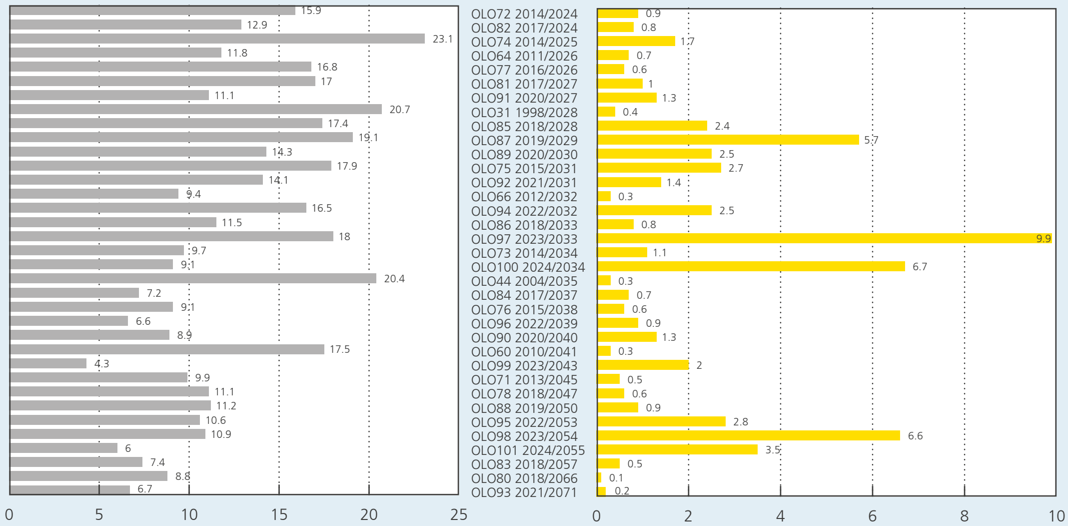
OUTSTANDING AMOUNTS AND TURNOVER
(€ billion)

Treasury bills
Nominal amounts outstanding at the end of January 2024



OLOs
Amounts outstanding on 22 March 2024

Outright turnover in February 2024



Source: Belgian Debt Agency.

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Sources: NBB, unless stated otherwise.
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General information on the Belgian government can be found at www.belgium.be.