

# NATIONAL BANK OF BELGIUM



## REPORT

1973



# NATIONAL BANK OF BELGIUM

LIMITED COMPANY

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# REPORT

*on the activities of the year 1973 presented to the General Meeting*

*on 25th February, 1974*

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# REPORT

PRESENTED BY THE GOVERNOR

IN THE NAME OF THE

Council of Regency

A Glossary of Names as used

in this and previous Reports of the National Bank

is printed at the end of the text.

*The expansion of foreign demand, the intense house-building activity and the recovery of industrial capital expenditure were the main factors behind the upsurge which continued in 1973. But production of some goods or services was not able to develop fast enough to cope with the pressure of domestic or foreign demand, either because operating equipment was fully utilised or because it had become hard to recruit skilled labour or because, even before the oil crisis, difficulties had arisen in the supply of various products. This relative shortage of supply in certain sectors, which was moreover aggravated by its international character, helped to sustain the upward movement of prices.*

*For industrial products as a whole, the rise in wholesale prices was 12.8 p.c. from November 1972 to November 1973, against 6.1 p.c. the previous year. Its origin lay mainly in the increasingly heavy costs. The prices of raw materials rose considerably : the calculations of the Hamburgisches Welt-Wirtschafts-Archiv indicate an average rise of 76 p.c. from December 1972 to December 1973 in their dollar prices, corresponding to an increase of about 60 p.c. in terms of the other major currencies. In Belgium the rise in wage costs per unit of output was greater than in 1972 : in industry, average gross earnings per hour worked went up by 15.1 p.c. from September 1972 to September 1973, i.e. at a rate similar to that for the previous year, but the improvement in productivity was smaller. It is true, on the other hand, that for wage and salary earners real available income increased less than in the previous year owing to the faster rise in the cost of living.*

*Two factors could have been interpreted as reflecting inadequacy of domestic demand if they had not occurred in a boom situation characterised by inflationary tensions.*

*The first is the continued, though less rapid, rise in unemployment, despite the need for skilled labour. This contradiction is explained by*

*the in some respects structural nature of the unsolved problems of employment : they arise primarily for female labour, which suffers particularly from inadequate adaptation of vocational training, they appear more acutely in services than in industry and they are relatively more serious in the Walloon districts than in Flanders.*

*The second is the persistence of a large current balance-of-payments surplus : for the first eleven months the surplus was Fr. 45.4 billion, against Fr. 49.6 billion in 1972. As in the preceding years, this surplus is mainly explained by the characteristic features of the heavy capital investment of industry during the past decade : technologically advanced production units, using relatively little labour and oriented by their size towards exports; foreign markets did in fact continue to expand. The maintenance of the surplus in 1973 is also due to the fact that the overall terms of trade of the Belgian-Luxembourg Economic Union only deteriorated slightly. In fact, thanks to the world trend of prices for products representing a substantial proportion of the Economic Union's foreign sales, the latter's average export prices rose; this movement largely offset the considerable increase, which had already taken place in 1972 or occurred in 1973, in the prices of raw materials and imported foodstuffs and the upward movement of the prices, expressed in Belgian francs, of products supplied by countries whose currencies were revalued either de jure or de facto. An attempt to eliminate the current payments surplus, large in relation to the national income, by measures designed to stimulate domestic demand would have had the effect of giving a further powerful impetus to the inflationary pressure already produced by the bottlenecks. The aim was therefore rather to curb the propagation in the economy of the effects derived from this external surplus, which was an active source of imported tensions.*

*The recent energy crisis, in addition to its other and more disquieting possible effects on the Belgian economy, will substantially change the conditioning factors of foreign trade. Whether the supply of oil proves sufficient to meet the requirements or whether it is found necessary to resort to other sources which have become competitive again, the value of*

*imports will in any case be burdened by substantial additional outlays due to the rise in the prices of energy products. But the sudden raising of a dominant price such as that of energy must inevitably have repercussions on all prices. Differing according to the energy content of the multiplicity of goods and services, these rises will cause shifts in demand the direction and extent of which cannot be foreseen. Similar changes will take place in countries other than Belgium. In any case, Belgian exports will be affected in volume and in price; in quantity they will probably benefit by the expansion in the income of certain countries which supply energy products; with regard to their average value, this might increase with the rise, which would probably be world-wide, in prices of finished industrial products. The ultimate effect of all these changes on the current balance of payments will doubtless be to reduce the surplus, but the extent of the deterioration cannot yet be estimated. The situation would become disquieting if other industrialised countries were to embark on the course of import restrictions in order to restore the balance of their foreign accounts, upset by the expansion in the value of their oil purchases.*

*Energy, having become much dearer in relation to other goods, must no longer be wasted. The essential thing remains, in any case, that the quantities available shall be sufficient to prevent a slowing-down of production in Europe. Fortunately there has been a lessening of the danger that Europe, as the victim of a kind of blockade, will experience a period of siege economy, in which activity would be reduced by the shortages and which would at the same time be caught up in an unrestrained price inflation. But we cannot yet rule out the possibility that the growth of certain activities will be impeded by the shortage of energy and derived products, while others will suffer from the decline in certain types of expenditure, such as purchases of motor vehicles. In the short term, to sustain demand in order to revive the former activities would be useless and for the latter it would be difficult.*

*The economic policy of safeguarding the level of employment which has become necessary owing to the growing dangers will have to operate in a situation which will be made complex by contradictory elements. For*

*up to the present the expansion in demand has been general : it has affected all major categories of expenditure. In future the pressure of demand might be less coherent : it might weaken in some sectors, while on the other hand the upward-tending factors — including the domestic and foreign cost-increasing factors — would certainly continue to exert a general pressure. This will make the authorities' choices and decisions more difficult. Thus it would not be possible to remedy the deflationary effects of the decline in certain activities by diffuse stimulating measures of a general nature; such steps would only aggravate the state of inflation sustained by the rising cost of energy, by the shortages, by the boom psychosis and by certain shifts in demand towards overstrained markets. The effect of all these upward-pushing factors would, it is true, be largely counteracted if the use of a larger proportion of incomes for the purchase of imported mineral oils, which have become more expensive, were to lessen the excess demand for certain domestically produced goods and services. The same would apply if the anxieties due to the oil crisis were to bring about a reduction in the propensity towards consumption and capital investment. For the moment there is still no indication of any change in the behaviour of households; on the contrary, fear of scarcity has accelerated some purchases. As for enterprises in general, they have seemed mainly concerned with building up the stocks required for their operation; their capital investment programmes will have to be adjusted in many cases, but there is nevertheless nothing yet to warrant the conclusion that, once the period of hesitation has passed, the reorientations decided upon will result on balance in any significant contraction of the overall volume of equipment outlays.*

*In any case, recent developments do not warrant any precipitate relaxation of the courses of action adopted in order to curb price inflation. This has been stressed by the authorities of the European Economic Community. In various countries the governments have expressed their intention of endeavouring to stem the upward movement.*

*In Belgium too, this is one of the primary aims for the next few months, although it is important to watch closely the trend of the other conditioning*

factors of counter-cyclical policy so as to intervene promptly if these take an unfavourable turn.

While monetary policy must still play an important part in the anti-inflationary programme, we must clearly recognise the conditions for the effectiveness of this policy and also its limitations. From this point of view the developments observed in 1973 are very instructive.

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During the year under review, the main aim of monetary policy as far as domestic equilibrium is concerned was to prevent an excessive expansion of demand which would have helped to propagate and accelerate the upward price movement brought about by other factors. Monetary policy.

This aim was incorporated in the government plan which was adopted in February after consultation in the National Committee for Economic Expansion and reinforced in July.

In order to reduce the danger of an excessive expansion of credit, the Bank endeavoured to keep the lending power of the financial intermediaries within appropriate limits.

For this purpose the monetary reserve system established by the agreement of 24th November 1972 between the Bank, on the one hand, and the banks, private savings banks and main public credit institutions, on the other hand, was extended; it was reinforced in February and September. The life assurance companies, from July, and the employers' liability insurance companies, from December, in turn undertook to participate in forming the monetary reserve.

For each category of financial intermediaries, the increase in the amounts sterilised under these agreements remained, however, too slight in relation to the large volume of funds collected for the reserve instrument to exert more than a marginal restrictive effect on credits and the resultant expenditures. The data recording the expansion of credits to enterprises

*and individuals during the year are significant from this point of view. However, the growth in these credits was also slowed down by the operation of a provision of the agreements whereby the financial intermediaries were obliged not only not to reduce their holdings of public short-term and long-term securities but actually to increase them by an agreed, customary proportion of their new resources. Had there not been this requirement, the flow of funds placed at the disposal of would-be borrowers would have been greater; the banks would not have been forced to mobilise the same amount of rediscountable bills and would consequently have enjoyed greater liquidity.*

*The tightening effect exerted on the liquidity of the banking system by the machinery just described was further reinforced by successive lowerings of the rediscount and visa ceilings.*

*Furthermore, from March onwards, the Bank called upon the banks to keep within a limit of about 14 p.c. the overall expansion for 1973 of the outstanding utilised amount of their credits to enterprises and individuals. This procedure, consisting as it does of setting a general target rather than addressing to each body a formal recommendation expressed in precise figures, did not prove sufficiently effective.*

*This is one of the reasons why the system of the formation of a monetary reserve was extended to credits when the agreements were renewed on 1st October. The Bank expected this arrangement to have a restraining effect on the supply of credit, as the banks and other financial intermediaries would have to be more cautious, and at the same time to deter would-be borrowers who would be obliged, explicitly or implicitly, to bear the interest charge on the new reserve.*

*Other measures applying to categories of credits more specifically financing certain expenditures were adopted by direct regulations or via the operations of specialised financial intermediaries. In February and August, acting on a proposal from the Bank, the Government tightened the conditions for obtaining instalment credit. In June, the Central Office for Small Savings obtained from the private savings banks an*

*undertaking to observe agreed limits in the granting of mortgage loans during the last seven months of the year. At the Government's request the Bank in August called upon the main public institutions concerned and the private savings banks to reduce by 15 p.c. the proportions normally observed between mortgage loans granted and the market value of the building to be purchased or built; the Minister for Economic Affairs later made the same request to the life assurance companies. This measure did not apply to social dwellings; but in the middle of the year the Government lowered by 25 p.c. the commitment ceilings fixed for the public social housing sector. All these decisions were adopted owing to the acute tensions which developed in the house-building sector. The force of the reviving measures decided upon in 1972 contributed to this imbalance; applied too late, in view of the long time-lags before it takes effect, this stimulation proved pro-cyclical, as it had already been previously in similar periods, just like the braking periods with which it alternates. Giving rise to disturbances which are propagated through the economy, these jerky stop-go interventions continue in this sector in the absence of a structural stabilisation policy which spreads out the satisfaction of needs allowing for the rigidities of supply, the dangers of an excessive rise in costs and the limitations imposed by the overall trend of the capital markets.*

*The measures which have just been recalled, by affecting the amount of funds available, obviously influenced interest rates. These were also changed by specific decisions. The internationalisation of money and capital markets forces the Belgian authorities, when applying an interest rate policy for purposes of domestic equilibrium, to make allowance for limiting factors from abroad. These admittedly diminished in 1973. Firstly because the synchronisation of the economic cycle in the main industrial countries caused their interest rate policies to tend in the same direction. Secondly because the floating in relation to the Belgian franc of various currencies, and especially, from March onwards, of the dollar, reduced the influence of international interest rate disparities on movements of funds. Lastly because measures designed to shelter the official foreign exchange reserves against inflows of speculative capital had the concomitant effect of providing better protection for the domestic money*

market; the Belgian-Luxembourg Foreign Exchange Institute twice, in September and November, lowered the regulation limit imposed on the net spot liabilities contracted by banks in foreign currencies of the regulated market and in convertible Belgian and Luxembourg francs; furthermore, at the Government's request, the Bank induced the banks to apply a special commission of 0.25 p.c. per week on increases in balances held by non-residents in convertible Belgian franc accounts; this measure, introduced in March and suspended in August, was put into effect again in September after the revaluation of the guilder, which appeared likely to give rise to speculation on the Belgian franc, until the end of the year.

By whatever new protection these developments and measures may have surrounded the domestic money and capital markets, these were not thereby made impervious to the external influences emanating from the Euro-dollar market or from the neighbouring countries with which Belgium continued to apply a system of fixed exchange rates. This fact was obvious for short-term markets.

The rises taking place on these markets abroad both sustained the spontaneous upward movement of short-term rates in Belgium and enabled the Bank to confirm this movement by changes in its own rate scales. These were raised five times; the discount rate went up from 5 p.c. at the beginning of the year to 7.75 p.c. at the end of November and the rate for advances rose from 6 to 8.50 p.c.

These increases brought about a rise in the cost of bank credit; moreover these, and also other financial intermediaries, decided temporarily to charge their borrowers a so-called « monetary reserve » commission.

Despite these increases, the rates for bank credit fixed by reference to the Bank's scales of rates went up less than those for interbank loans and those on large deposits, the remuneration of which cannot be separated from the rates offered by foreign centres and which are obtained under very competitive conditions. Consequently distortions appeared in the operation of the market during the last months of the year. Some banks

were able to resort to rediscounting, on too advantageous terms, in order to grant loans to other banks. It also became profitable for some bank customers to borrow from one bank in order to constitute large deposits at another, making a profit on the interest differential.

Observing the growth of these last-mentioned operations, the banks decided at the end of the year to stop taking the Bank's rates as the sole point of reference for fixing the rates for their overdrafts and instead to let themselves be guided more by the state of the market in order to fix a minimum rate by mutual agreement. Having been notified of this project, the Bank made no objection to it. The Bank itself had in fact, as early as the end of 1972, taken the initiative of recommending this change : it regarded it as a precondition of the greater flexibility which it wishes to confer on the fixing of its own rates.

This last-mentioned aim of the Bank is also served by the effective introduction at the end of the year of a new rate; this applies to the refinancing of bills not counted against the rediscount ceilings which is done by the Rediscount and Guarantee Institute within fixed limits. In the first instance, by making these facilities available to the Institute, the Bank in fact authorised an overstepping of the maximum imposed by the overall amount of the ceilings on recourse to the lender of the last resort. Until further notice this overstepping will take place at a penalty rate, as the special rate is higher than that for advances.

For the future the Bank sees this special rate, which can vary from day to day depending on the state of the market, as the start of a more general system which would enable it permanently to keep the price of its interventions on the money market more in line with the conditions prevailing there. This flexibility is necessary for the day-to-day influence which the central bank exerts according to its general policy as agreed with the political authorities. For the factors on which this action is based change more quickly than they used to do. Other countries have already made allowance for this fact and have adjusted the mechanisms accordingly. In Belgium, on the other hand, changes in the central bank's rates are still regarded as major events of profound significance; this

*« sacredness » has an undesirable interfering effect on the process of decision-making.*

*However, the handling of the official rates is not the only instrument by which a central bank can influence the trend of rates. These do not react only to the underlying movements of the supply of and demand for funds, to the interactions with foreign markets and to the Bank's policy; they are also subject to the influence of other decisions, from many quarters, made by the public authorities and the financial intermediaries. In 1973 disparities developed between short-term rates « administered » in this way and « free » rates; the former did not follow the upward movement closely enough and, in the sections of the market where they were applied, the supply of funds dwindled; this was the case in the second half of the year with subscriptions to the certificates issued by the Securities Stabilisation Fund.*

*In the Bank's opinion, most short-term rates and even the long-term rates have not been increased to the extent called for by a resolutely anti-inflationary policy. In real terms, that is, less the rise in the price of goods and services — whether this be measured with reference, as the case may be, to wholesale prices, retail prices, prices for basic products or building prices — debtor interest rates have been negative or too low; spending decisions and demand for credit have been stimulated thereby rather than curbed.*

*A set of factors contributed to slow down the upward movement of rates.*

*First of all, the money and capital markets were substantially fed by new monetary and quasi-monetary liquidities; the total of these, as an average for the first ten months, which had gone up by approximately 15 p.c. between 1971 and 1972, rose from 1972 to 1973 by 17.5 p.c. As in most of the other member countries of the European Economic Community, this rate of increase thus considerably exceeded the target set by the resolution of the Council of Ministers of 31st October, 1972. This creation of liquid resources was obviously fed by the Bank; in the first months of the year the expansion in the latter's foreign exchange*

*reserves supplied the money market with additional funds; subsequently these were obtained by intensive use of the rediscount facilities.*

*Similarly, during the year, the uncertainty regarding exchange rates and the restrictive measures adopted by certain countries caused individuals to reduce their portfolio investments abroad; larger amounts of funds were consequently channelled to the domestic money and capital markets.*

*Furthermore, these were drawn upon less strongly than in the previous year by Government bond issues; in fact, the central Government's net financial requirements — that is, less debt redemptions — did not reach the same figure as in 1972. During certain periods the Treasury was even able to hold credit balances with the Bank or invest in short-term paper; the temporary sterilisation of funds in the former case sustained the upward movement of rates on the money market. Meeting of the deficit was furthermore facilitated by the undertaking assumed by the financial intermediaries which had signed the conventions concerning the monetary reserve to reinvest in Government securities a certain agreed proportion of their new resources. This provision, which was inserted in the conventions for the monetary reasons commented upon above, had the effect of making the success of public authority loan issues less dependent than in the past on the interest rate advantages offered to the general public.*

*Lastly, even when inflation is denounced by the citizen as well as by business heads and the public authorities, the policy of raising interest rates encounters strong resistance. It is true that for about ten years, in the industrialised countries grappling with growing inflation, the basic trend has been towards a raising of rates; but the movement is slow, because people's minds have difficulty in becoming accustomed to regarding as reasonable a level of rates which would previously have shocked them. Against this rise in the cost of credit it has also been argued that the increase in financial charges adds to costs and itself becomes a price-raising factor. But this argument is not convincing; it does not hold good for the financing by credit of households' consumer*

*and investment expenditure; it is only a pretext in those cases where it is used to justify increases, decided upon in any case, in « administered » prices; it denies in advance that a sufficiently restrictive interest rate policy can weaken the pressures of excessive demand enough to make it less easy to pass on increases in financing costs to selling prices, whereas the ease with which this passing-on can be done facilitates excessive incurring of debt.*

*Actually increases in interest rates, a dam slowly built up against a powerful current, are seen as a menacing obstacle as soon as they become effective. They hamper would-be borrowers, and there are many of these, during a period when both individuals and firms are gambling on gains in real capital and the erosion of their indebtedness, when enterprises and even households rush to cover themselves by purchases in advance of expected price rises and obtain borrowing facilities for this purpose; they impede the sectors whose activity and profits are expanding on buoyant markets; they are a drag on those with smaller resources who have to borrow so as to do what others can finance with their greater resources; they even hamper the public authorities, whose enormous financial burdens are made heavier by the cost of their new issues. In short, while serving the community as a whole in the abstract, this action is detrimental to the interests of too many of its members who express themselves in concrete terms. Thus in 1973, as previously in other circumstances, it was difficult to increase rates soon enough, quickly enough and substantially enough for them to be capable of exerting in time a restrictive effect representing more than a gentle and partial curb on inflation. Especially as, wishing to maintain relatively low level of rates in Belgium in view of other aims of economic and financial policy, the Government, regularly informed of the Bank's plans to raise its own rates, requested it on several occasions to reduce or spread out the proposed increases.*

*True, the interest rate policy was backed up by the employment of quantitative instruments. These measures have already been described and their effects, as subsequently assessed, confirm that they remained moderate. Only in the very last months did the tightening begin to make*

*itself felt. In other neighbouring countries these restrictions were much more severe. Unlike those other central banks which legally possessed decision-making powers, the Bank could only take as the legal foundation of its measures already antiquated texts whose scope, in any case limited, was based on the power of regulation held by the Banking Commission over banks alone. These bases were ill-suited to sustain a more general policy. Consequently the whole of the system relating to the monetary reserve had to be constructed, after lengthy discussions, renewed several times, with the representatives of the bodies concerned, on agreements finally concluded with each of the banks, private savings banks and main public credit institutions. Admittedly this consultation procedure enabled the Bank to appreciate the far-reaching cooperation of those with which it negotiated directly, the spirit in which the financial intermediaries gave it their support and the discipline displayed by most of them subsequently. Nevertheless, in order to reach a successful conclusion, certain concessions had to be made and certain inconsistencies, albeit minor, remained, precisely owing to the procedure which had to be adopted. For an authority which, in the general interest, must act quickly, it is safer to have the ultimate support of a legal provision which organises the power — even if this is exercised after all necessary consultations have taken place — and precisely determines its scope. In the last days of the year the legislature created this legal provision : the law on the budget proposals for 1973-1974 empowered the Bank to make, with the Government's consent, recommendations to the different categories of financial intermediaries and to demand, if necessary, that these recommendations be confirmed by regulations adopted by the controlling or supervisory authorities.*

*These new provisions, which will provide a buttress for the conduct of a policy aimed at curbing credit expansion, do not however extend the boundaries of such a policy.*

*Because this quantitative policy has its limits. To try to impose excessively rigorous requirements has the effect of encouraging the organisation of new financing circuits operating outside the recognised financial intermediaries, perhaps with their cooperation. There is also*

*the danger of increasing the volume of capital movements from abroad, unless one cuts oneself off behind an arsenal of regulations, more and more difficult to direct and liable to paralyse normal activities. It also means excessively aggravating the implicit and unforeseeable discriminatory effects which the overall rationing programme can produce on the financing opportunities of the different sectors and enterprises; now to mitigate this defect by resorting to formally differentiated restrictions only makes sense technically if the object is to affect financing operations connected solely with clearly determined outlays, but precise official criteria are more often than not lacking; furthermore, in many cases, as far as businesses are concerned, the « selectivity » of the credits is lost in the unity of the cash holdings of the users of the funds; these demand such selectivity mainly to obtain exemptions so as to be able to let off the brakes.*

*These technical limitations on the quantitative line of policy are not the only ones. This also encounters, from the credit users, the same resistance as the policy of action by means of interest rates; in addition it hampers the financial intermediaries whose growth is fed by the accumulation of claims and of corresponding indebtedness. Lastly, the fact that in the first months of 1973 the scope of the sterilisation policy was not as wide as the Bank had envisaged is due to intervention by the Government authorities to extend the time-table laid down for the formation of the reserve.*

*Taking all things together, monetary policy as a whole has only a narrow margin for manoeuvre.*

*When the working of the institutions creates difficulty in making the necessary choices as to which of the many demands of the community as a whole should be satisfied, Government expenditure tends to grow very much faster than the rate of increase in the real national product; this was the case in Belgium during the past few years, especially if we include the debudgetised amounts. Even if the size of the central Government's cash deficit does not create any serious financing problems and even if the financing is done by correct methods, the fact still remains that the execution of these heavy budgets during a boom period has inflationary*

repercussions. For the high level of expenditure accentuates the excesses of demand; although tax revenues cover expenditure fairly amply, their growth is partly due to the purely nominal rise in incomes; as for the progressivity of the tax, which more than proportionally reduces available personal income after tax, this becomes one of the factors inducing recipients of incomes to endeavour to enlarge them, whether this adjustment be obtained by wage demands or, for other socio-professional categories, by increases in the prices of their services or products.

Whatever they are, the central Government's budgets are imposed on the central bank as an established fact : they will be implemented and their deficit financed whatever happens. A number of developments induced by trends abroad, whether these be changes in income or in prices, are also basic factors of monetary policy, especially in a small country. Similarly, the most active factors underlying rises in incomes and domestic costs are in fact entirely outside the field of action of the central bank.

All the Bank can do in a period of inflation with regard to the domestic components of the economy is to endeavour to ensure that the operation of the money and capital markets shall not worsen the disequilibria emanating from elsewhere by facilitating, through excessively generous financing, the incurring of over-large financial deficits by economic sectors other than the public authorities; it can try to go further in its restrictive action and, as far as possible, to organise financial behaviour so as to mitigate to some extent existing imbalances.

Again these aims, limited though they are, will not be achieved if the Bank is unable to act sufficiently early and vigorously and if its measures are hamstrung, under various pretexts, as soon as they begin to take effect. The difficulties which its day-to-day action encounters cannot be surmounted unless the Bank is backed by a sufficient consensus on the part of the Government, the organised groups, the financial intermediaries and the public.

From among the arsenal of economic policy, recourse was mainly had in 1973, when anti-inflationary action was decided upon, to monetary instruments. This might also be so at the beginning of 1974, when the

only fact that can be foreseen with sufficient certainty for the coming months is the persistence and, probably, acceleration of the price rise. The accident of the oil crisis has added a new element to the set of structural factors which underlie inflation and are deeply rooted in the working of our post-industrial societies. When the great majority of the working population, enterprises, all the organised groups in the various socio-professional categories, charitable bodies, the public institutions and the State which is the expression of the community each find, or think that they find, various material advantages, which they appreciate, in economic processes the overall combination of which inevitably gives rise to monetary erosion, this cannot fail to occur. Economists' explanations have fairly clearly traced the logical causal links. Thus informed, most of our contemporaries who are worried about inflation pursue the vain hope of a dichotomic solution which boils down to suppressing the overall effect and prolonging the individual causes.

The collective product of individual actions and illusions, monetary erosion is bound to persist with these, continuing to redistribute property, since it particularly affects those who build up their savings in investments in the form of claims. This result of inflation, progressively aggravated as the phenomenon gains in strength, is increasingly clearly perceived; it arouses, for the moment, anxieties about social justice; it also generates the fear of the economic consequences which would be produced, in a future whose nearness is uncertain, by the disappearance of confidence in the value of the currency. For, in this event, the growing refusal to form financial savings would reduce the supply of funds; growth in general and, in any case, the financing of the public sector would be jeopardised.

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*Inflation and  
saving.*

*Pronounced inflation impairs the distribution of total savings between real investments, especially in buildings, and investments in financial assets; the former are privileged and the latter fall somewhat out of favour; in the formation of these financial assets, inflation leads to a preference for the short term.*

*Shifts of this kind took place in 1973. They remained small in extent. Although the proportion of individuals' savings used for the purchase or construction of buildings expanded, this is due as much to the policy of restimulating activity pursued by the Government in 1972 as to the prospect of price rises. As for financial savings, the absolute volume of which increased further, these were nevertheless formed at a slower pace than in 1972. Altogether, although many « real » interest rates became negative or very low, the behaviour of savers underwent no substantial change.*

*There are various reasons for this. Small current savings derived from modest incomes cannot immediately take refuge in real values owing to the very fact of their slight individual amount. A substantial volume of relatively liquid financial assets is constituted continuously with a view to the purchase, planned but future, of durable consumer goods or residential buildings, or as a precaution — a reason which should not be overlooked, and which is incidentally more operative during troubled periods. Lastly, and especially in 1973, the contribution of financial savings was encouraged by the inflationary increase in the incomes of individuals and enterprises and by the attraction exerted by the higher rates on all those savers who had retained the illusion of a certain stability in the value of the currency.*

*Although the events of 1973 do not for the moment give rise to any concern other than the desire, social in nature, to protect the weakest savers against the effects of inflation, they nevertheless reveal, in the lines of behaviour followed, trends which might only be incipient. If these changes were to be accentuated with the rise in prices and if the formation of a sufficient volume of financial savings were to be threatened, it would be essential that the authorities, unless they were able to halt the inflation, should take steps to protect these savings against the depreciation in purchasing power suffered by both their principal and their income.*

*Reference is sometimes made to the index-linking of savings. If the benefit of this arrangement were confined to certain forms of investment, the bodies which collect these funds would be privileged at the expense of the community, which would be more heavily taxed. The structure of*

*financial savings would also be substantially changed; if the privileged assets were deposits on ordinary savings books, the most liquid savings, the immediate substitutes for money, would be favoured. It would be possible to envisage extending the measure to all fixed-income financial assets, at least, those at medium and long term, in addition to deposits in savings books; this would amount to forcing not only the financial intermediaries but also the Government and private enterprises to index-link their debts for the benefit of creditors who might be non-residents. To make the community bear the weight of the subsidies necessary for adjusting all these outstanding claims would constitute much too heavy a burden owing to its tax effects; all the more so as experience has shown the impossibility, in the absence of means of control, of reducing this burden by imposing ceilings on the individual amounts of the index-linked balances. Consequently, the borrowers themselves would inevitably have to bear the burden of the index-linking of their debts; this process, in order not to create serious distortions, would have to extend to all forms of credits; thus all the counterpart assets would eventually benefit by the arrangement. The very generalisation of the system would make it a harmful instrument which would ultimately either paralyse all economic expansion or, conversely, lead to galloping inflation.*

*Several European countries have adopted some very limited system of premiums on savings, more with the object of encouraging certain categories of savers than with that of offsetting the effects of monetary erosion. Here again, if these premium systems were made general, the community would be shackled with an excessive burden; on the other hand, to make them benefit only certain forms of investment would bring about a distortion of financial circuits and create a differential system between intermediaries.*

*The granting of tax exemptions on the incomes from financial savings calls for objections of the same kind. Furthermore, it would not be possible to create thereby an adequate safeguard for the purchasing power of saved capital in all cases where the incomes, even if completely exempted, gave a rate of return on the capital that fell short of the rate of the rise in prices.*

*For the time being the payment of sufficiently high interest rates can contribute, without disrupting the existing mechanisms, to bringing about the formation of the necessary volume of financial savings. In the case of investments for sufficiently long terms for which the saver has renounced the liquidity of his assets, this rate should be higher than the current price rise. This solution cannot be envisaged, of course, without regard to the trends on foreign capital markets. Furthermore, it does not shelter saved capital and the income thereon from the effects of further accentuation of the price rises; nor does it protect liquid assets. But if the fixing and managing of rates were to provide savers with complete protection against these risks, this would amount to introducing, by another method, the practice of index-linking. As a compromise solution, the raising of long-term rates would moreover have an anti-inflationary effect by stimulating the propensity to save, by reducing the attractiveness of real investments and by making the incurring of indebtedness subject to the burden of rates more in accordance with the real cost of resources.*

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*The work of the ad hoc Committee called the Group of Twenty which in September 1972 was entrusted by the Board of Governors of the International Monetary Fund with the task of working out proposals for the reform of the international monetary system continued throughout the year.*

*International  
monetary system.*

*In Nairobi, in September, the annual meeting of the Fund's Board of Governors set up groups charged with the task of studying the major working hypotheses which had been accepted; the main subjects of these are known. It was the desire of the meeting that the study of these reforms should be completed before 31st July, 1974. At the meeting of the Group of Twenty held in Rome in January 1974 this time-table was in fact abandoned.*

*After the dollar crisis which followed the second devaluation of that currency in February 1973 and swept away the precarious results of the*

*Washington Monetary Conference of December 1971, the international payment mechanisms became organised, under the pressure of events, on the basis of a pronounced pragmatism. There is no longer any system in the sense of a set of rules recognised throughout the world; only vestiges of this remain. There is no longer any fixed point, any permanent measure of value; the official price of gold no longer bears any relation to its commercial quotations and the value of the other primary components of reserves can vary depending on the countries with which these components are used for official settlements.*

*Leaving aside the Comecon organisation, two areas have been created; one empirically by the decision adopted by a number of countries to link the official rate for their monetary unit to the dollar; the other by a decision of the six countries of the European Economic Community, which continued, after March, to apply the agreement of April 1972 regarding the narrowing to 2.25 p.c. of the margins of fluctuation of their monetary units. Other countries, such as Japan, the United Kingdom, Italy and Switzerland in particular, have opted for a system of exchange rates left to float but controlled by interventions at the discretion of the authorities. On 19th January, 1974 France temporarily ceased to belong to the second area; the French franc, in turn, became a floating currency.*

*Thanks to the basic growth of the world economy, the expansion of trade does not appear to have been impeded, contrary to earlier fears, by the dislocation of the international payment mechanisms and by the disruptions caused on the exchange markets by the flows of hot money to and fro. At the level of enterprises and deposit banks, payments have taken place smoothly. It is the central banks which have been confronted, owing to the crumbling of the system, with problems of reserve management and settlement of payments imbalances.*

*Thus, the international value of the special drawing rights and of the net position in the International Monetary Fund as instruments for official settlements was determined, under the Fund rules, in relation to the rate for the dollar on the market of the creditor country. These provisions were logical and even necessary in order to ensure, in accordance with*

*the Fund's Articles of Agreement, equality between the values given and received in transactions in special drawing rights, whatever the currencies used. They completely lost their meaning for settlements between countries in relation to whose monetary unit the dollar had become floating. A decision of the Board of Executive Directors of the International Monetary Fund suspended the application of these provisions for settlements, by means of special drawing rights, of debts expressed in the currency of the debtor country; this suspension was decided upon for a period of up to one year from 6th November; it enables debts between member countries of the European Monetary Cooperation Fund to be paid at the parity of one special drawing right for one European monetary unit of account. As for the net positions in the International Monetary Fund, these continue to be adjusted by the Fund according to the former procedures.*

*The gold reserves held by central banks are in practice frozen, since none of these banks is prepared to sell gold at the official price; the amount of the reserves available in the world for financing balance-of-payments deficits has decreased accordingly. Towards the middle of November the central banks of the United States and of six European countries, including Belgium, decided to terminate the Washington agreement of 1968 by which they had undertaken to refrain from buying or selling gold on the free market. Up to the present it does not appear that any central bank has taken advantage of its regained liberty in order to dispose of part of its reserves on the commercial market in exchange for assets in foreign currencies.*

*The events of the past few years have already gone a long way in the process of demonetisation of gold. As a reserve instrument it has in fact been supplanted by other instruments. It is no longer the « numéraire », that is, the value in relation to which the others are defined. The reintroduction of gold in this role side by side with other units of account in a reconstructed international system would involve an enormous danger of instability, since several numéraires might, as has been realised, fluctuate in relation to each other. Nor is it realistic to wish to restore to gold*

*alone the functions of basic numéraire and primary reserve instrument, even if it were possible for this purpose to arrive at an international agreement to fix a new official gold price. This price would inevitably have to be higher than that on the free market. Now the experience of the last decades has taught us that gold prices rise in the long run owing to the structural trend of industrial consumption and hoarding, on the one hand, and that of gold production, on the other. The frequent increases in the official gold price which would become necessary in order to prevent the blocking of monetary reserves would introduce a powerful factor of instability into the new system. Furthermore, gold prices have undergone wide fluctuations within a short period; in a system based on gold these would be eliminated by the interventions of the central banks; but then the basic reserves of the system would again be subject to erratic impulses. While total official holdings of international liquidity must increase in a regular manner so as to keep in line with the growth in trade and the larger volume of international capital movements, it is not reasonable that this increase should depend on such unreliable factors as the technical conditions of gold production, the policy of the producing countries and the behaviour of hoarders and speculators.*

*While the prospect of a reduction of the official monetary role of gold is favoured by a very wide consensus of opinion in the plans for the reorganisation of the international system, no formula has yet been envisaged for regulating, in an agreed manner, the use which the central banks would be able to make of their existing gold reserves in settlements between them.*

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*European  
monetary  
integration.*

*The disorganisation of the international payments system could have helped to knit closer bonds between the members of the enlarged European Economic Community. But this did not happen. In the disorder and its problems, in the uncertainty and its anxieties, the idea of the building of Europe did not impose itself as a driving force. The personality of Europe did not assert itself. Public opinion turned away*

*from it and the governments reacted to events mainly on the basis of national considerations.*

*The aim of monetary integration was not abandoned but, despite the many meetings of the Councils of Ministers and specialised committees and the experts' unceasing efforts, scarcely any progress was made towards its attainment, nor did there appear any determination to achieve more concrete coordination of economic and monetary policies.*

*The British and Irish pounds remained floating currencies. The Italian lira, which had received substantial support from the central banks of the partner countries at the beginning of the year, abandoned the system of fixed exchange rates at the time of the second devaluation of the dollar. The other six members continued to apply, in 1973, the agreement of April 1972 on the narrowing of the margins of fluctuation between their currencies which established the mechanism of the « snake » between their rates. This moved in a « tunnel » whose limits were formed by the margins of fluctuation of the dollar; this tunnel ceased to exist on 19th March when the defence of these margins was discontinued.*

*These six countries had thus formed a monetary area « sui generis » without a dominating currency, multipolar in nature and with each of its members retaining a very large measure of freedom of action.*

*It was by decisions adopted without any general consultation that the German mark was revalued by 3 p.c. in March and 5.5 p.c. in June; similarly, the revaluation of the guilder by 5 p.c. in September was preceded by consultations only between the Benelux Governments. These adjustments did not necessarily reveal any fundamental imbalances in the respective trends in the member countries of the « snake »; they were also due to the non-attainment of sufficient uniformity in the foreign exchange systems of these countries, some of which were more exposed than others to speculative capital movements. Moreover, in the case of the guilder, the change in the pivot rate was presented as a step prompted by concern for domestic equilibrium and forming part of the Government's anti-inflationary measures.*

*On 19th January, 1974, European monetary cohesion was once more shaken by the French decision to discontinue for six months the application of the agreement of April 1972.*

*The member countries of the Community whose currencies remain in the « snake » are now only five in number. These have decided to strengthen the coordination of their foreign exchange policies, especially as regards interventions on the foreign exchange markets, and also of their monetary policies. By their willingness to make the efforts necessary for the success of the undertaking, these countries are endeavouring to safeguard a factor which is essentially favourable to the growth of their trade and which will subsequently facilitate the progress of the monetary integration of the Community.*

*A contribution to this progress can also be made, despite all the limitations by which it was initially surrounded, by the European Monetary Cooperation Fund, which started its activities in June. Its present functions are confined to organising the « multilateralisation » of the reciprocal claims and liabilities of the central banks of the European Economic Community and running the system of short-term monetary support.*

*The claims and liabilities which are acquired or contracted by the central banks through intervention in support of other currencies of the « snake » countries are henceforth on or to the Fund and are expressed in European monetary units of account. Thus « multilaterilised », these claims and liabilities will be offset provided that they came into being during the same month. At the end of the following month their balance is settled in accordance with the provisions of the agreement of April 1972, that is, taking into account the composition of the debtor country's reserves. These operating conditions of the Fund are still very restrictive : some bilateral settlements remain possible and the periods of the credits between central banks are short; furthermore, a third currency is used to a large extent in interventions and repayments. But, provided that the will to continue with the consolidation of the Community is reborn, the Fund's range of action will have to be widened.*

*For, until such time as the European economic region has been made more homogeneous by active coordination of the factors underlying the development of the structures and of economic activity in the various member countries, the balances of payments of these can still reflect divergences. Insofar as these disequilibria could no longer be corrected by changes in exchange rates and parities, the member countries would have to finance each other's surpluses and deficits for sufficiently long periods and would have to provide themselves for this purpose with a more powerful credit mechanism. Recent decisions have been adopted to this end. At the meeting held in Brussels on 17th December, the Council of Ministers called upon the European Monetary Cooperation Fund to increase, without changing its rules, the volume of the short-term monetary support which the central banks of the European Economic Community can grant to each other. For Belgium the creditor quota will be up to 400 million units of account and the debtor quota 200 million units of account; the amount of the credits which the European Fund could place at Belgium's disposal would exceed the last-mentioned amount if the Fund authorities decided to use for this purpose the extension (« rallonge ») which is provided for.*

*This increase in the potential credits included in the resources of the European Monetary Cooperation Fund fell short of the proposals made by the Commission; the amounts at present available would not make it possible to cope with large disequilibria. Various member countries considered that more extensive credits might give rise to excessive creation of international liquidity in the Community. It is a fact that by borrowing from their partners the deficit countries, with their gross reserves still at their disposal, would be able to manage longer without making an effort towards recovery. It is equally obvious that other countries have been and still can be creditors because they more easily tolerate capital inflows from all sources.*

*The fear felt by each member country that it may have to bear the consequences of exaggerated deficits of its partners or, conversely, suffer the effects of their over-large surpluses, can be dispelled by resorting to*

*means of a more genuinely Community nature than rationing of mutual aid. The organisation of a system of intra-European credits, substantial but subject to conditions, would contribute in two ways to the progress of integration : it would be an affirmation of solidarity between the members of the Community; it would necessitate consultation between the countries seeking credit and those asked for it, thus forcing both to face their problems otherwise than within narrow circles of experts and to coordinate their economic policies otherwise than by declarations of intent.*

*This cooperation is far from having been achieved. The pooling of reserves which, at first symbolically, was to have supported the building of a wide monetary area has been postponed for further study. The advance to the second stage of European monetary union appears to be endangered.*

*The European spirit is lacking in the countries of the Community.*

*Too many of their leaders, proud of their sovereignty, jealous of their autonomy, concerned with their local problems, do not appear to have an accurate conception of the prestige and authority which their own country, isolated, has in the world; they are not far-sighted enough to realise the prestige and authority which, united, these nations would possess — nations whose destinies are inseparable from the fate of a Europe which today is made dependent by its divisions and is crippled by its weakness.*

*23rd January, 1974.*

Economic and financial trend  
in 1973

**Reference periods :**

Unless otherwise indicated, the comparisons made in this Report between 1973 and 1972 must be understood as comparing facts observed at identical dates or for identical periods.

**Conventional signs :**

—	The datum does not exist
...	zero or negligible quantity
n.a.	not available
<i>p.</i>	provisional
<i>e.</i>	estimate
p.c.	per cent

## INTERNATIONAL ECONOMIC AND FINANCIAL TREND.

The economic situation developed in a very synchronised manner in the **industrialised countries** in 1973, both in terms of growth and in terms of price. The economic expansion was general and probably the greatest for about twenty years. The volume of the gross national product of all

Table 1.

### GROSS NATIONAL PRODUCT AND EXTERNAL TRADE OF THE MAIN INDUSTRIAL AREAS

	Volume of gross national product (Annual percentage increase)					Balance of trade (Billions of units of account) (1) (*)				
	E.E.C.			United States	Japan	E.E.C. (2)			United States (3) (4)	Japan (3)
	Original members	New members	Total			Original members	New members	Total		
1968 .....	+ 6.1	+ 3.4	+ 5.4	+ 4.7	+14.4	+ 2.3	- 4.7	- 2.4	+ 0.8	+ 2.5
1969 .....	+ 7.4	+ 2.9	+ 6.3	+ 2.7	+12.1	+ 0.1	- 3.8	- 3.7	+ 1.3	+ 3.7
1970 .....	+ 5.8	+ 2.5	+ 4.9	- 0.4	+10.3	+ 0.1	- 4.0	- 3.9	+ 2.7	+ 3.9
1971 .....	+ 3.5	+ 1.9	+ 3.2	+ 3.2	+ 6.2	+ 1.5	- 3.0	- 1.5	- 2.0	+ 7.6
1972 .....	+ 4.0	+ 2.6	+ 3.7	+ 6.1	+ 9.6	+ 4.2	- 4.3	- 0.1	- 5.8	+ 8.2
1973 ... e	+ 6.0	+ 6.0	+ 6.0	+ 5.9	+11.0	+ 4.4	- 6.8	- 2.4	+ 0.5	+ 3.2

(1) The unit of account is equal to 1 United States dollar in 1968, 1969 and 1970, 1.03 dollar in 1971, 1.09 dollar in 1972 and 1.18 dollar in 1973. The value of the unit of account in terms of the dollar during the years 1969-1973 has been fixed in such a way that its weighted average in terms of all the currencies of the countries in question is) for each year, the same as in 1968.

(2) Exports f.o.b. less imports c.i.f.

(3) Exports f.o.b. less imports f.o.b.

(4) Excluding exports by way of military aid.

(\*) 1 billion = 1,000,000,000.

the countries of the Organisation for Economic Cooperation and Development would appear to have grown by 6.5 p.c.; the rise in industrial production seems to have been still greater, despite the slackening of the rate of activity in certain industries at the end of the year.

Chart 1.

TREND OF DOMESTIC PRICES

(Percentage changes from the previous year or the corresponding month of that year)



(1) Sources : Members of the European Economic Community : Statistical Office of the European Communities. United States : Economic Indicators, Council of Economic Advisers. Japan : The Bank of Japan, Statistics Department. 1973 : estimates.

(2) Sources : Belgium : Ministry for Economic Affairs. Federal Republic of Germany : Federal Statistical Office. France : National Institute for Statistics and Economic Research. Netherlands : Central Bureau of Statistics. Italy : Central Statistical Institute. United Kingdom : Ministry of Labour. United States : U.S. Department of Labor. Japan : Prime Minister's Office. Indices not adjusted for changes in exchange rates.

Among the main components of demand, the greatest increase was generally registered by enterprises' expenditure on fixed capital assets, both in Europe and in Japan; in the latter country, however, the authorities imposed in December a contraction of some of these outlays in order to slow down the expansion of overall demand during a period of difficulty in obtaining supplies of mineral oils. In the United States the largest increase was in net exports of goods and services.

The economic expansion was accompanied by a very sharp rise in prices, both in the countries where the factors of production were fully utilised and in those where certain resources remained available.

The rise in the index of prices of the gross national product, which had slowed down from 1971 to 1972 in the European Economic Community and the United States, quickened from 1972 to 1973 in the industrialised countries as a whole. In relation to the end of the previous year, the upward movement of consumer prices was faster in 1973 than in 1972 and has generally intensified in recent months.

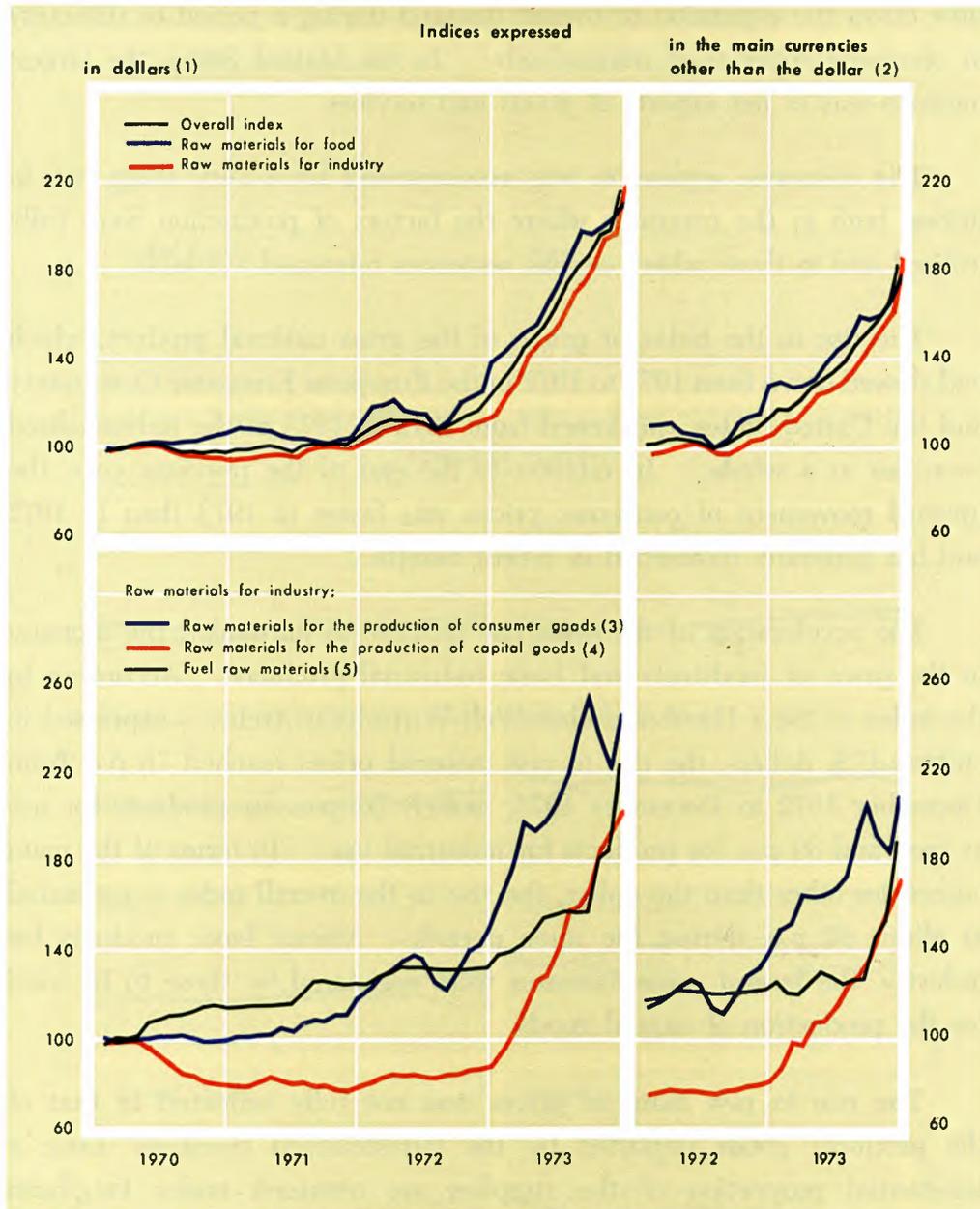
The acceleration of the price rise reflects, in particular, the increase in the price of foodstuffs and basic industrial products. According to the index of the « Hamburgisches Welt-Wirtschafts-Archiv » expressed in current U.S. dollars, the rise in raw material prices reached 76 p.c. from December 1972 to December 1973, namely 52 p.c. for products for use as food and 89 p.c. for products for industrial use. In terms of the main currencies other than the dollar, the rise in the overall index is estimated at about 60 p.c. during the same period. Among basic products for industry, the largest price increases were registered by those to be used for the production of capital goods.

The rise in raw material prices was not fully reflected in that of the producer goods imported by the industrialised countries, since a substantial proportion of the supplies are obtained under long-term contracts between producers and users and consequently at prices which fluctuate less than those of the quantities dealt in on the world markets. Average unit import values rose primarily in the countries whose currencies

Chart 2.

TREND OF WORLD PRICES

(Indices first quarter 1970 = 100)

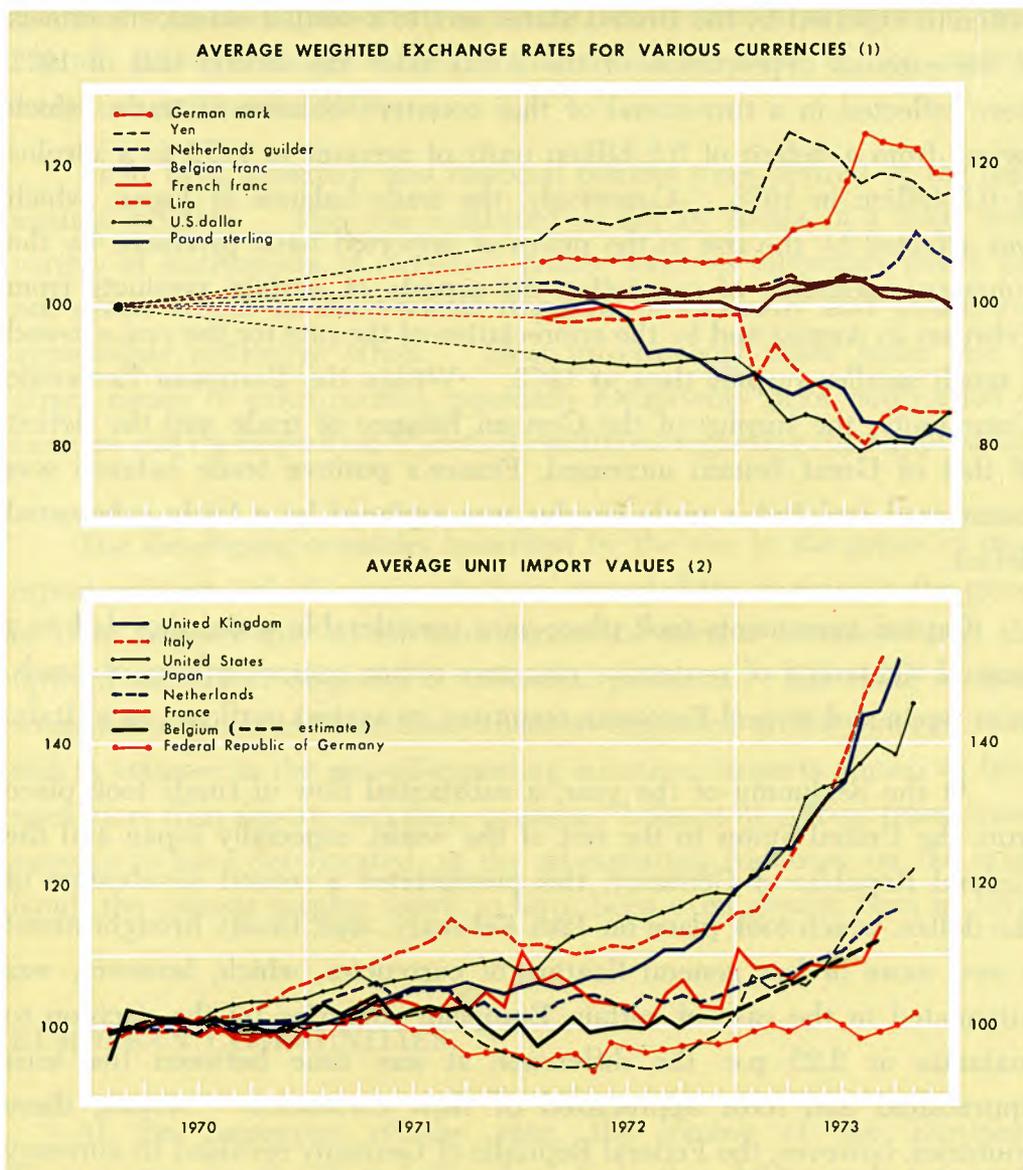


(1) Source : Index der Weltmarktpreise des Hamburgischen Welt-Wirtschafts-Archivs.  
 (2) Indices expressed in dollars  $\times$  index of the average weighted rate for the dollar as shown in Chart 3.  
 (3) Textiles, hides and skins, cellulose.  
 (4) Wood, rubber, iron and steel, non-ferrous metals.  
 (5) Coal and its derivatives, petroleum and its derivatives.

Chart 3.

### EXCHANGE RATES AND UNIT IMPORT VALUES

(Indices first quarter 1970 = 100)



(1) Source : Organisation for Economic Cooperation and Development.

(2) Source : International Monetary Fund.

depreciated in relation to all the other currencies; they went up by 25 p.c. in the United Kingdom, for the first nine months of 1973, whereas they underwent little change in the Federal Republic of Germany.

The fluctuations in the prices of basic products and the trend of exchange rates had repercussions in different directions on the balances of trade. The increase in volume and unit price of the agricultural raw materials exported by the United States and, to a smaller extent, the effects of the external depreciation of the dollar since the second half of 1971 were reflected in a turn-round of that country's balance of trade, which swung from a deficit of 5.8 billion units of account in 1972 to a surplus of 0.5 billion in 1973. Conversely, the trade balance of Japan, which was affected by the rise in the prices of imported basic products, by the voluntary measures of restriction on exports of certain products from February to August and by the appreciation of the rate for the yen, showed a much smaller surplus than in 1972. Within the European Economic Community, the surplus of the German balance of trade and the deficit of that of Great Britain increased, France's positive trade balance was maintained and Italy's trade surplus was replaced by a fairly substantial deficit.

Capital movements took place on a considerable scale; they led to a general tightening of protective measures either against inflows of funds, as in Japan and several European countries, or against outflows, as in Italy.

At the beginning of the year, a substantial flow of funds took place from the United States to the rest of the world, especially Japan and the Federal Republic of Germany; this precipitated a second devaluation of the dollar, which took place on 12th February, and, finally brought about a new more or less general floating of currencies, which, however, was attenuated in the case of certain European countries by the decision to maintain at 2.25 p.c. the difference at any time between the least appreciated and most appreciated of their currencies. Among these countries, however, the Federal Republic of Germany revalued its currency by 3 p.c. on 19th March and by 5.5 p.c. on 29th June, while the Netherlands guilder was revalued by 5 p.c. on 17th September.

From August onwards capital flowed back, apart from a short interruption in September, to the United States in response to the improvement in the U.S. balance of trade, a more convergent trend of

interest rates in the Federal Republic of Germany and the United States and the fact that the oil crisis imposed greater uncertainties on the economies of Europe and Japan than on that of the United States. Coupled with the improvement in the balance of current transactions, these capital inflows brought about a substantial recovery of the average weighted rate for the dollar.

As in 1972, economic and financial policies were centred on the fight against inflation. This was combated mainly by means of a fairly wide variety of instruments of monetary policy, whereas budgetary policy did not exert, except in the Federal Republic of Germany and Japan, any appreciable restrictive effect. Most governments made wider use of direct means of price control, especially compulsory prior notification of increase and the imposition of certain conditions regarding their application.

The **developing countries** benefited by the rise in the prices of their export products, which appears to have exceeded the increase in the prices of their imports due to the revaluations of certain currencies and the upward movement of prices of industrial products. The trade of these countries with the industrialised countries expanded greatly both in value and in volume; in the non-oil-exporting countries, imports appear to have risen more than exports and these countries' balance of current transactions appears to have deteriorated; in the oil-exporting countries, on the other hand, the current surplus seems to have been even greater than in 1972.

## **EUROPEAN COMMUNITIES.**

At the beginning of the year, the joining of the European Communities by the United Kingdom, Ireland and Denmark came into effect. It was given concrete form, in particular, by the application on 1st February of the common regulations on agriculture, subject to certain transitional arrangements, and by a first reciprocal reduction, on 1st April, of 20 p.c. in Customs duties on industrial products. Free trade agreements were subsequently concluded with Norway.

The Council of Ministers adopted various decisions to promote freedom of movement of persons and freedom of establishment for the purpose of carrying on economic activity. A first general directive, of 21st May, had as its purpose the abolition of restriction on movement and residence within the Community of nationals of member countries with regard to establishment and the provision of services. Another directive, dated 28th June, required the member countries to abolish, within eighteen months, discriminatory obstacles to establishment and to the provision of a certain number of services on their territory by financial establishments of the other member countries. The removal of restrictions on the freedom of establishment in the field of direct insurance other than life assurance and the coordination of the national provisions regarding access to and exercise of the profession in this sector were the subject of two directives dated 24th July.

In the monetary field, the Council took cognisance on 12th March of the Governments' decision, on the one hand, to maintain at 2.25 p.c. the maximum spot difference at any time between the currencies of the Community, with the temporary exception of the pound sterling, the Irish pound and the Italian lira, and, on the other hand, to free the central banks from the obligation to intervene at the margins of fluctuation of the U.S. dollar.

The European Monetary Cooperation Fund was set up on 3rd April. It is to endeavour to promote the proper functioning of the progressive narrowing of the margins of fluctuation of the Community currencies against each other, interventions in Community currencies on the exchange markets and settlements between central banks leading to a concerted policy on reserves.

Upon its entry into operation on 1st June, and with the exception of the three above-mentioned currencies, the Fund multilateralised the settlement of the claims and liabilities of central banks resulting from their interventions on exchange markets in order to keep the rates for the Community currencies within the margin of 2.25 p.c. : henceforth these claims are constituted and these liabilities contracted with the Fund and

they are expressed in a « European monetary unit of account » whose value — which can be changed according to pre-established rules — is 0.88867088 gramme of fine gold, that is, the gold parity of the U.S. dollar prior to the two recent devaluations.

In view of the general persistence of inflation, the Council adopted, on 14th September and 17th December, resolutions concerning the anti-inflationary measures to be adopted by the member countries. The second of these programmes includes more explicitly than before direct action on prices among the means to which the countries can resort.

At their meeting on 14th and 15th December, the Heads of State or Government of the European Economic Community discussed the implementation of the economic and monetary union and the putting into effect of a programme of social action and a programme concerning the energy crisis.

On 17th December the Council called upon the countries to provide themselves, within a period of one or two years, with a set of instruments of economic, budgetary and monetary policy, so as to guarantee the implementation of Community guide-lines. It decided to set up within the Co-ordination Group a system of permanent consultation on the general measures of economic policy envisaged by member countries and to combine in an Economic Policy Committee the Short-term Economic Policy, Budgetary Policy and Medium-term Economic Policy Committees. It called upon the Monetary Committee, the Committee of Governors of the Central Banks and the Board of the European Monetary Cooperation Fund to report to it on the Commission's proposal regarding the basic principles and rules of operation of the Fund, especially in order to bring out the possible technical solutions for the pooling of reserves. Lastly, it called upon the Fund to increase the volume of short-term monetary support between the central banks by doubling the amount of the support available for each central bank and quadrupling that of the financing obligations, a conditional extension (« rallonge ») of 1,500 million units of account being added to these two categories of amounts. Consequently

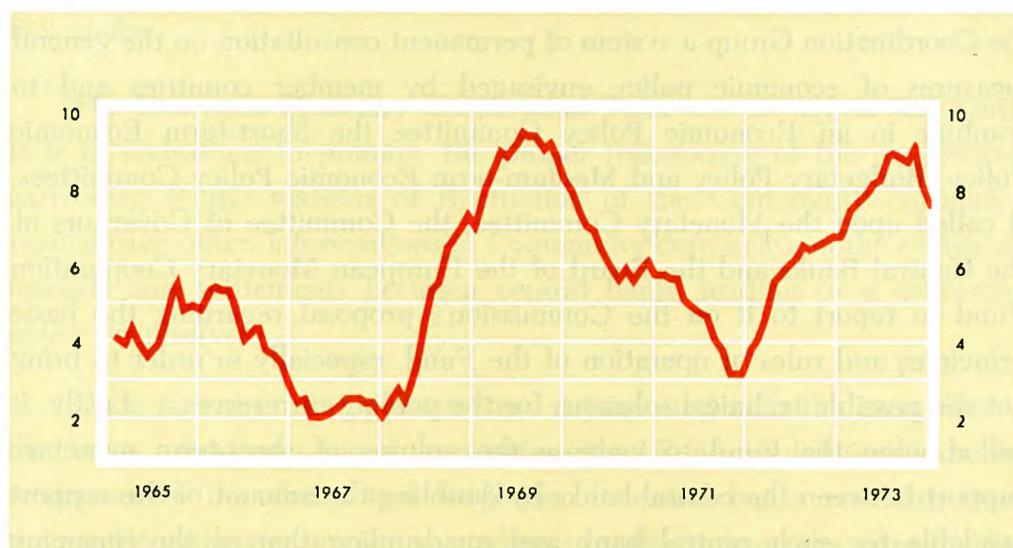
the Bank will have at its disposal a credit line of 200 million units of account and its potential contribution will reach twice this sum, without prejudice to any « rallonges » which may be agreed upon. However, the final adoption of the provisions of 17th December depends on other agreements to be reached by the Council, especially on regional policy.

#### OVERALL DATA CONCERNING THE BELGIAN ECONOMY.

The growth of the gross national product at constant prices quickened : according to the latest official estimates, its annual rate rose from 5.4 p.c. in 1972 to about 6 p.c. The state of economic activity further improved in the first half of the year and subsequently remained at a high level, though becoming more hesitant towards the end of the year, as is shown by the course of the synthetic curve of the main results of the National Bank's monthly inquiries.

Chart 4.

SYNTHETIC CURVE OF THE MAIN RESULTS OF THE  
NATIONAL BANK OF BELGIUM'S MONTHLY INQUIRIES (1)



(1) The curve is the synthesis of eleven series of replies to the inquiries into the trend of activity made by the National Bank. The replies of the various series were converted to a common base by being allotted a mark ranging from 10 to 1 depending on whether they were more or less favourable during a given month. The synthetic curve represents the simple arithmetic mean of the marks thus obtained.

Private consumption grew at a rate comparable to that in the preceding year. However, its increase was less homogeneous; it was gradually affected by the tightening, in February and August, of the conditions imposed on instalment credit. In the last two months of the year, demand for motor vehicles fell off sharply, while there was an abrupt increase in the other consumer expenditure.

Public consumption, which expanded substantially the previous year owing to the implementation of a social programme agreement, increased more slowly.

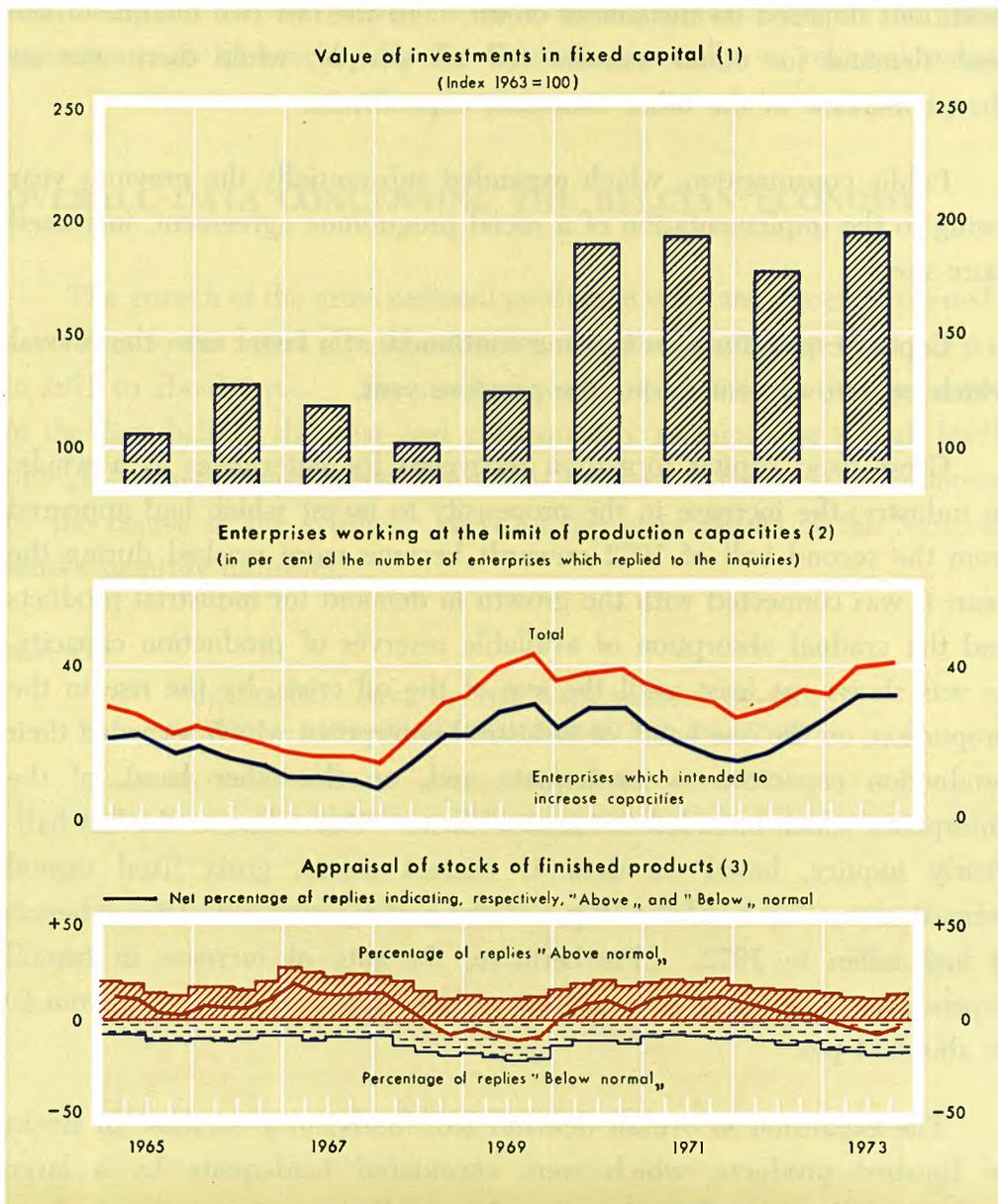
Capital expenditure on housing continued, at a faster rate, the revival which became evident during the previous year.

Gross fixed capital formation recovered for enterprises as a whole. In industry, the increase in the propensity to invest which had appeared from the second half of 1972 onwards became more marked during the year; it was connected with the growth in demand for industrial products and the gradual absorption of available reserves of production capacity, as was shown, at least until the eve of the oil crisis, by the rise in the proportion, on the one hand, of industrial enterprises which regarded their production capacities as inadequate and, on the other hand, of the enterprises which intended to increase them. According to the last half-yearly inquiry, based on data at current prices, gross fixed capital formation went up by about 10 p.c. in the participating industries, whereas it had fallen in 1972. Furthermore, the rate of increase in capital expenditure of financial intermediaries would appear to have risen from 10 to about 14 p.c.

The expansion in overall demand led, firstly, to a decrease in stocks of finished products, which were considered inadequate by a large proportion of industrial enterprises and, secondly, to an increase in products in course of manufacture and a swelling of stocks of raw materials and basic products, the formation of which was stimulated by the rise in prices. Altogether it would appear that stockbuilding was higher than in the previous year.

Chart 5.

INDICATIONS GIVEN BY THE NATIONAL BANK OF BELGIUM'S  
INQUIRIES INTO FIXED CAPITAL FORMATION AND  
STOCKBUILDING IN INDUSTRY



(1) This chart covers, for the latest period, the following industries : oil refineries, electricity, steel, non-ferrous metals, metal manufactures, textiles, paper, leather, wood processing, building materials, building, foodstuffs and chemicals. The data on the last-mentioned sector are from an inquiry carried out by the Federation of Chemical Industries.

1965 to 1972 : expenditure effected. 1973 : expenditure effected for the first half-year and forecasts for the second half-year.

(2) This graph covers, for the latest period, the following industries : steel, non-ferrous metals, metal manufactures, textiles, paper, leather, wood processing, building materials, foodstuffs and chemicals.

The data relate to the months of January, May and October in each of the years.

(3) This graph covers, for the latest period, the industries listed in footnote (2) above, except for the foodstuffs industry and plus oil refining.

Monthly averages per quarter.

Capital expenditure by the public authorities, which had risen very fast in 1972, increased no further, owing to the implementation of the anti-inflationary policy.

Belgium's trade in goods and services with the rest of the world again expanded greatly; the surplus of exports over imports, while remaining very large, appears to have decreased slightly.

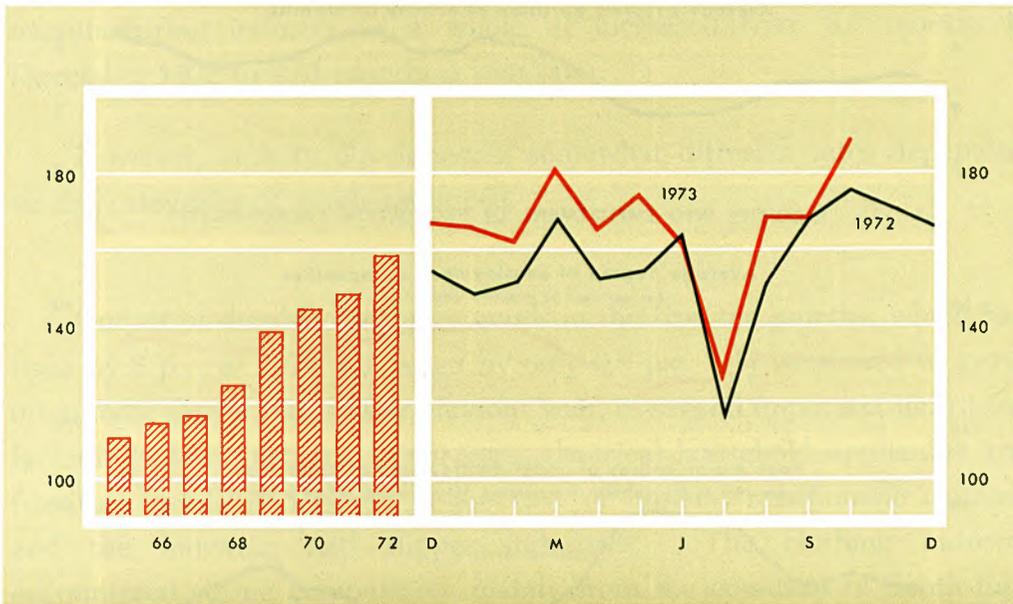
### MANUFACTURING INDUSTRIES.

For manufacturing industries as a whole, production in the first ten months rose by 7 p.c., against 6.4 p.c. in 1972 <sup>(1)</sup>. After having quickened

Chart 6.

#### OUTPUT OF MANUFACTURING INDUSTRIES

(Indices 1963 = 100)

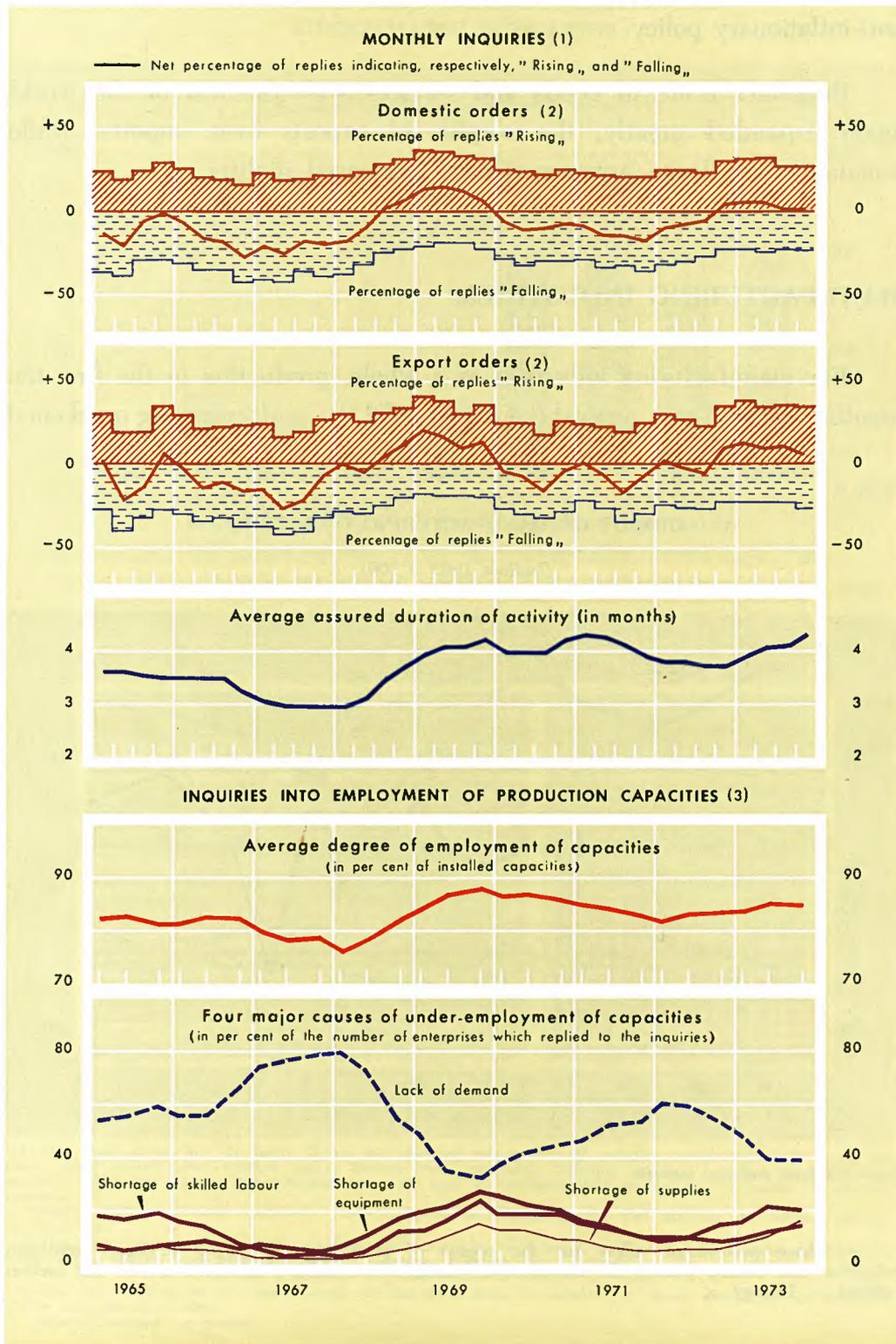


Source : National Statistical Institute.

(1) These percentages allow for the course of production at power stations, petroleum refineries and coking plants, the situation in which is the subject of comment in the section entitled « Energy ».

Chart 7.

DATA FOUND BY THE NATIONAL BANK OF BELGIUM'S INQUIRIES INTO THE TREND OF ACTIVITY IN MANUFACTURING INDUSTRIES



(1) This graph covers, for the latest period, the following industries : steel, non-ferrous metals, metal manufactures, textiles, paper, leather, wood processing, building materials, chemicals and oil refining.  
Monthly averages per quarter.

(2) Seasonally adjusted.

(3) This graph covers, for the latest period, the industries listed in footnote (1) above, except for oil refining, and the foodstuffs industry.

The data relate to the months of January, May and October in each of the years.

in the first half of the year, the growth slowed down somewhat : apart from the increasing shortages of means of production, strikes in certain key industries had a braking effect.

The average degree of utilisation of production capacities rose from 83.4 p.c. in October 1972 to 85.3 p.c. in May, and it still remained nearly at this level in October. The proportion of enterprises which attributed the under-employment of their production capacities to bottlenecks, which was small in October 1972, grew markedly during the next twelve months, having risen from 8 to 14 p.c. for shortage of skilled labour, from 5 to 16 p.c. for supply shortages and from 15 to 20 p.c. for shortage of equipment. On the other hand, lack of demand was less often mentioned as a factor restricting the employment of production capacities; the proportion of enterprises mentioning it fell from 53 p.c. in October 1972 to 39 p.c. in May and October of last year.

As the expansion in the flow of orders was greater than that in output, the average period of activity ensured by the order book lengthened : for manufacturing industry as a whole, it increased from 3.7 months in December 1972 to 4.31 months a year later.

However, activity developed at somewhat different rates depending on the categories of goods produced.

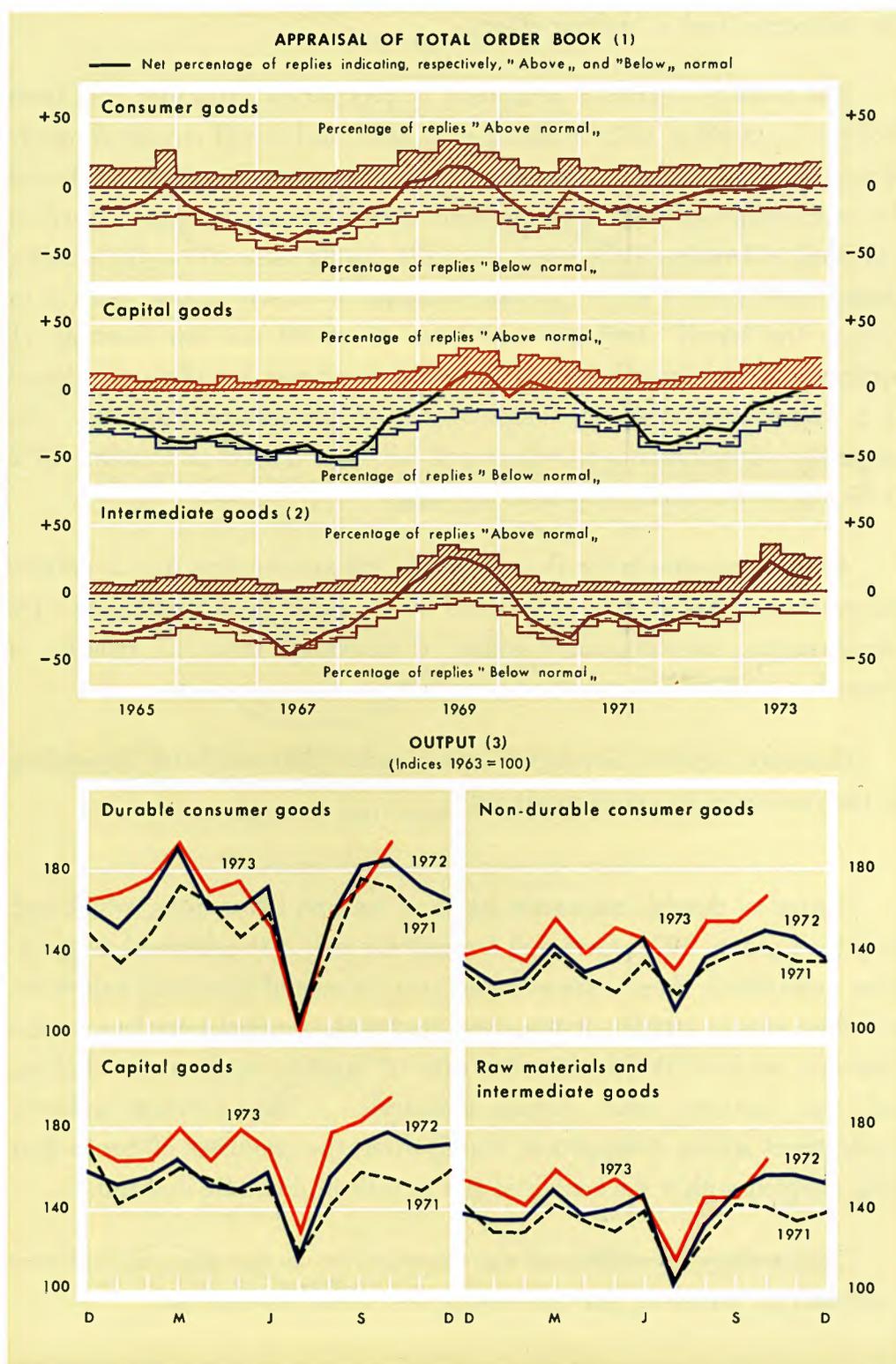
Output of **durable consumer goods** in the first ten months, which had risen by 8 p.c. in 1972, increased by only 0.9 p.c. It continued to grow, often more slowly than in the previous year, in several important industries, including plastic articles, motor cars, electrical household appliances and furniture, while it declined in the case of hosiery, ready-made clothing and the footwear and slipper industries. The clothing industry encountered strong competition, mainly from the countries of South-East Asia, coupled with a slackening of the growth in domestic demand.

During the early months of the year, activity in the diamond industry continued to increase, but afterwards the trend levelled off.

Chart 8.

MANUFACTURING INDUSTRIES

Classified by categories of goods



(1) Monthly averages per quarter. Latest period : average for October-November 1973. Sources : National Bank of Belgium's inquiries. Calculations of the Directorate-General for Economic and Financial Affairs of the Commission of the European Communities.

(2) Including petroleum, one of the products dealt with in the section entitled « Energy ».

(3) The index of non-durable consumer goods and that of raw materials and intermediate products cover the products of various industries (coal, petroleum and derivatives of coal, electricity) the situation in which is commented on in the section entitled « Energy ». Source : National Statistical Institute.

On the other hand, the rate of increase of output of **non-durable consumer goods** rose from 4.6 to 9 p.c. Production in the foodstuffs industries accelerated, notably in the sectors of beverages, biscuits and tinned vegetables and fruit, and more so in the industries making photographic products and chemical products such as paints and varnishes, colouring agents and certain plastic materials.

The rate of increase of output of **capital goods** rose from 5.6 to 9.1 p.c. in response to the growth in the propensity to invest both in Belgium and abroad. It went up in nearly all sectors and more markedly in those of metal structures and capital goods for building, while the railway construction sector and above all the shipbuilding sector received large orders. For the capital goods industries as a whole, the appraisal given by the enterprises participating in the National Bank's inquiries regarding the level of order books improved throughout the year.

Influenced by the trend of activity in the groups of industries discussed above and by the continuance of the expansion, which began in the last months of 1972, of foreign demand for basic products, output of **raw materials** and **intermediate products** went up by 5.8 p.c., against 5.6 p.c. the previous year.

In the basic metallurgy sector, the increase reached 8 p.c. despite the effect of the strikes on activity in the steel industry at the end of the period. There was a particularly marked acceleration of output of basic chemical products, which went up by 21.4 p.c., against 12.4 p.c., mainly owing to the sharp increase in foreign demand. Moreover, the high level of activity in the building industry stimulated that in the non-metallic mineral products industries, the overall output of which rose by 5.7 p.c. against 1.2 p.c.; the increase was still more marked in the brick-works and the ceramics and flat-glass industries.

For its part, the falling-off in activity in the clothing and footwear industries affected spinning mills and the output of light leathers. On

the other hand, tanneries were able to increase their output of heavy leathers.

For the industries making intermediate products as a whole, the appraisal given by the enterprises participating in the National Bank's inquiries on the level of order books generally improved until the second quarter; subsequently its trend was less favourable in the sectors dependent on the consumer goods industries and, from November, in the mineral oil and chemical sectors.

## **ENERGY.**

The production of the energy sector as a whole, after elimination of duplicated data, increased by around 6 p.c. for the first half-year, against 10 p.c. in 1972.

Coal output fell by 15.8 p.c., against 4.2 p.c. the previous year. Net imports rose in volume by 16.3 p.c., against 17.3 p.c. The use of coal, not including recorded stock movements, which had increased slightly in 1972, declined somewhat.

Coke output, which had gone up by 3.5 p.c. the previous year, rose by 8.2 p.c. for the first eleven months. The volume of net imports, which was practically unchanged in 1972, increased by 21.9 p.c. for the first ten months. Use of coke, not including recorded movements of stocks, increased by 8.9 p.c., against 1.4 p.c. the previous year.

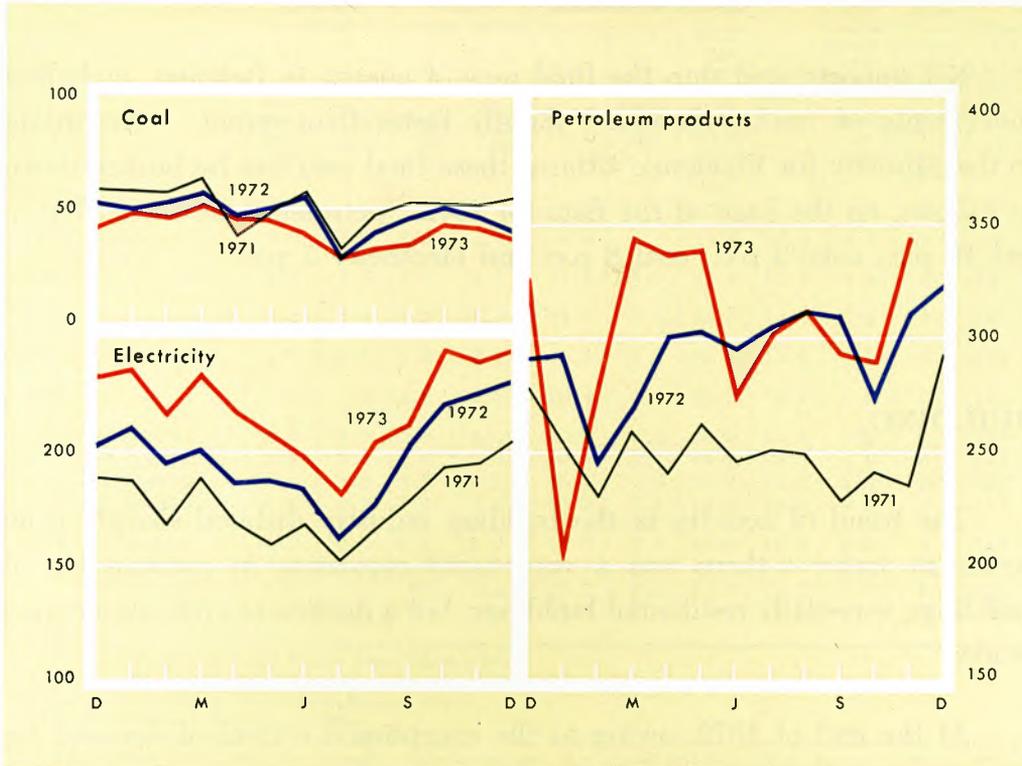
Production in the **electricity** sector went up by 9.9 p.c., against 12.9 p.c. the previous year. After reaching 11.5 p.c. in the first half of the year, the rate of increase fell back to 8.3 p.c. in the second half. Of the power stations' supplies, about half consists of petroleum products, one-third of gas and the remainder of coal. A partial change-over from the first of these energy sources to the other two is in progress. High-voltage uses,

which account for 78 p.c. of total electricity consumption, increased by 8.9 p.c., against 11.2 p.c. the previous year. Low-voltage uses, consisting of residential use and supplies to small trades and artisans together with public lighting, went up by 11 p.c., against 11.9 p.c.

Chart 9.

ENERGY OUTPUT

(Indices 1963 = 100)



Source : National Statistical Institute.

The quantities of crude **petroleum** used, of which rather more than 70 p.c. is generally imported from the Arab countries, increased by 2.6 p.c. for the first eleven months, against 20.3 p.c. in 1972, the first full year of activity of the Feluy refinery. The quantities of refined products imported rose by 4.6 p.c., against 8.6 p.c. for the first eight months of 1972. Exports increased less than in the previous year. The same is true of total domestic uses, including stock movements, of petroleum products.

Of these, approximately 19 p.c. go to the power stations and gas works, 30 p.c. to industry, 16 p.c. to transport and the greater part of the remaining 35 p.c. to household heating and the services sector.

**Output of gas**, already low, fell further by nearly half for the first seven months. Imports of natural gas rose by 27 p.c. for the first eight months, against 32.5 p.c. in 1972. It can be deduced from this that the use of gas continued to increase markedly.

Net imports, and thus the final uses of energy in Belgium, including movements of stocks, increased slightly faster than output. According to the Ministry for Economic Affairs, these final uses can be broken down as follows, on the basis of the data for 1972 : petroleum products 57 p.c., gas 19 p.c., coke 9 p.c., coal 8 p.c. and electricity 7 p.c.

## **BUILDING.**

The trend of activity in the building industry differed sharply from sector to sector : there was a very rapid expansion in construction of buildings, especially residential buildings, but a decline in civil engineering works.

At the end of 1972, owing to the exceptional revival of demand for housing, stimulated in particular by the temporary increase in the so-called « De Taeye » premium, a particularly large volume of building projects had accumulated, as is shown by, among other things, the number of premiums applied for — in December 1972 alone nearly 21,000 applications, or more than a normal annual quota, were submitted — and by the trend of mortgage loans granted, which were much higher, both in number and in amount, than in the previous years.

The implementation of these projects led in 1973 to a large increase in buildings permits, premiums granted, drawings on credits and orders

for work, bringing about a pronounced lengthening of the ensured periods of activity despite a marked quickening in activity itself.

Table 2.

BUILDING INDUSTRY

(Monthly averages)

	Building permits (1) (thousands of approvals)		Buildings started (2) (millions of cubic metres)		Average assured duration of activity (3) (in months)				Public authorities' capital expenditure commitments (billions of francs)	Normally capable persons fully unemployed and receiving unemployment pay (4) (thousands)	Output (5) (Index: 1968 = 100)
					Bare shells of buildings			Civil engineering			
	Residential buildings	Other buildings	Dwellings	Other buildings	Total	Residential buildings	Buildings for industrial, commercial or administrative use				
1968 .....	2.7	1.4	2.0	1.4	9.0	6.1	17.8	15.9	4.4	11.7	118
1969 .....	3.3	1.6	2.4	1.7	11.3	7.9	21.3	15.1	4.9	5.1	123
1970 .....	2.5	1.3	1.9	1.9	11.7	7.9	23.1	14.9	5.4	2.2	141
1971 .....	2.0	0.9	1.8	2.2	11.3	7.1	23.5	13.9	6.1	3.6	140
1972 .....	3.5	1.0	2.3	2.3	10.4	7.0	20.2	13.1	7.8	6.1	139
1972 1st quarter .	2.8	1.0	2.0	2.3	10.0	6.6	20.0	13.6	8.6	8.6	140
2nd quarter .	3.6	1.3	2.6	2.2	10.1	6.7	20.1	12.8	6.8	6.1	142
3rd quarter .	3.4	1.2	2.2	2.1	10.8	7.3	20.9	12.7	6.6	4.2	140
4th quarter .	4.1	0.7	2.4	2.4	10.5	7.4	19.6	13.3	9.3	5.5	139
1973 1st quarter .	4.2	0.9	2.4	1.9	10.3	7.5	18.6	14.0	6.9	5.6	140
2nd quarter .	4.1	1.3	3.7 <sup>(6)</sup>	4.0 <sup>(6)</sup>	10.4	7.7	18.1	14.6	5.7	3.1	137
3rd quarter .	3.5	1.1	n.a.	n.a.	10.8	8.3	18.3	15.2	6.8	2.3	136
4th quarter .	3.4	1.2	n.a.	n.a.	11.0	8.4	18.7	14.4	n.a.	2.9	135 <sup>(7)</sup>

(1) Source : Ministry of Public Works, Town Planning Board.

(2) Source : National Statistical Institute.

(3) Source : Inquiries by the National Bank of Belgium.

(4) Source : National Employment Office.

(5) Source : National Statistical Institute. The index relates to work on public and private account. The indices for the years are trend-cyclical data; the quarterly indices are averages of uncentred monthly moving averages for twelve months.

(6) April.

(7) October.

Despite the lengthening, decided upon in February, of the periods allowed for the starting of work and the completion of the bare shells of residential buildings for which the increased « De Taeye » premium was allotted, production and financing capacities were subject to excessive pressures. These no doubt resulted in an absorption of unemployment, but measures to curb mortgage lending by the financial intermediaries had to be adopted in order to bring private housing demand down to the level

of the possibilities, in 1973, of the supply both of housing credit and of building and materials.

Access to credit was in fact gradually made more difficult by successive raisings of the rates for loans, by the imposition followed by the tightening of conditions for prior saving, by selectivity based on the use to be made of the buildings financed and, lastly, by a lowering of the maximum loan proportion in relation to the market value of the dwellings financed. For its part, the Government had to decide, towards the middle of the year, on the extension to the public social housing sector of the 25 p.c. lowering of the commitment ceilings which was already applicable for the majority of other public capital expenditure commitments.

During the second half of the year this set of measures brought about a slackening of demand for housing; this was reflected in a levelling-out of the trend of ensured periods of activity and by a slowing-down of the rate of submission of applications for building permits and mortgage loans. In view of the substantial volume of building already in progress or on order, this slackening of demand does not yet appear to have had any repercussions on the rate of activity during the last months of the year. It did, however, make it possible partly to lift the restrictions imposed on the public sector of social housing.

In the sector of non-residential buildings, some of which are very large, demand is subject to relatively wide variations within a very short period. The trend of the capital expenditure plans of enterprises and the number of building permit applications approved by the Town Planning Board indicate that decisions to build represent a volume of work similar to that in the previous year, ensuring a sustained level of activity.

On the other hand, the trend was less satisfactory as regards civil engineering works. So as to produce a counterinflationary effect the Government decided to reduce by 25 p.c. the commitment ceilings for extraordinary, so-called capital-investment, expenditure, both budgetary and debudgetised, in relation to the programmes originally approved for 1973. This reduction did not, however, apply to the designated priority

sectors nor to the programmes brought forward from the previous year nor to the additional programmes decided upon under the government agreement; lastly, the capital expenditure commitment ceilings were about 7 p.c. lower, at current prices, than those for 1972, which was, admittedly, a year of economic revival.

The contraction of orders was, however, accentuated by the fact that the rate of commitments actually counted against the ceilings thus reduced was slower than in 1972.

The falling-off in civil engineering activity more particularly affected the road works sector, in which the ensured period of activity shortened appreciably, whereas it lengthened for other types of works.

#### **AGRICULTURE AND FISHING.**

According to the agricultural census of 15th May, the shrinkage in the utilised agricultural area was approximately the same as in the previous year, namely about 9,000 hectares; this is a structural trend.

The areas of meadows and pastures decreased, as did also the amounts of land sown with wheat, oats and winter rye. On the other hand, the areas devoted to green fodder, especially maize for ensilage in the milky state, sugar beet and potatoes were extended. The increased preference for the last-mentioned crop, which is in sharp contrast to the decline which took place during the two previous years, was obviously attributable to the extremely fast rise in the price of potatoes in 1972 and the first months of 1973.

According to the provisional data, yields per hectare generally exceeded the previous year's results, mainly for cereals. The quality would also appear to have improved in most cases.

There was a pronounced increase in livestock. Owing to the good prospects as regards price and export outlets, the number of pigs, which

had already doubled during the previous six years, rose further. The number of horned cattle, especially calves and milking cows, also went up greatly.

Table 3.

AGRICULTURE

	1968	1969	1970	1971	1972	1973
Agricultural area used <sup>(1)</sup> .....	1,564	1,553	1,542	1,529	1,521	1,512
<i>(Thousands of hectares)</i>						
of which : Bread grains .....	232	224	207	225	234	218
Coarse grains .....	249	249	255	229	228	230
Sugar beet .....	90	90	90	93	101	104
Other industrial plants .....	17	19	11	16	11	11
Potatoes .....	47	43	46	42	37	43
Meadows and pastures .....	791	788	795	782	768	762
Market gardening .....	20	23	25	25	24	27
Fruit growing .....	27	26	20	19	18	17
Livestock <sup>(1)</sup> :						
<i>(Thousand head)</i>						
Horned cattle .....	2,799	2,839	2,887	2,840	2,825	2,962
of which : Milking cows .....	n.a.	n.a.	997	967	964	994
Pigs .....	2,479	2,780	3,722	3,912	4,283	4,630
Milk delivered to dairies :						
<i>(Millions of litres)</i>						
Year .....	2,585	2,475	2,355	2,339	2,510	n.a.
First 10 months .....	2,294	2,185	2,076	2,048	2,207	2,186

Source : National Statistical Institute.  
 (1) Census on 15th May in each year.

Despite the increase in the number of milking cows, primarily due to the rise in the price of milk since the beginning of 1972, the quantity of milk delivered to dairies during the first ten months fell off slightly owing to the drought and to reduced use of certain foodstuffs the cost of which has risen substantially. For the year as a whole the decline in deliveries of milk and cream would appear to have amounted to 1.5 to 2 p.c.

The intensification of international sea fishing during the past few years has reduced the stock of fish and thus also caused an appreciable decline in the quantity of fish landed by the fishing fleet in Belgium. The decline in supply led to a price increase of over 30 p.c. Consequently the value of fish landed was up by 16 p.c. for the first ten months.

## SERVICES.

The relative importance of the services, or tertiary sector is continually increasing; it employs 2 million people or more than half the working population, against 45 p.c. ten years ago. Measured at current prices, the contribution of this sector to the formation of the national product reached 56 p.c., or 3 p.c. more than ten years ago; at constant prices, however, the increase has been much smaller.

Last year, the trend of services connected with industrial and agricultural activities and with the marketing of their products was not uniform.

Transport activities for outside customers, taken as a whole, continued at a high rate. The tonnage of ships' cargoes loaded in Belgian ports increased, for the first eight months, by 11.9 p.c. against 14 p.c. Apart from discharged cargoes of crude petroleum — excluded from the comparison in order to eliminate the effect of their gradual decline due to the bringing into service of the Rotterdam-Antwerp oil pipeline in May 1971 — the tonnage discharged from ships in Belgian ports increased by 19.3 p.c., whereas it had remained unchanged the previous year. On the other hand, the number of ton-kilometres of goods transported by river declined by 6.4 p.c. for the first five months, whereas it had increased by 1.6 p.c. a year earlier. As for goods carried by rail, the figures for the first ten months indicate a rise of 12.4 p.c. in place of a decline of 0.6 p.c. in 1972. Assessed on the basis of the results of the National Bank's monthly inquiries, the activity of road carriers, who account for approximately one-third of goods transported by road, showed a favourable trend; the rate of employment of transport capacity expressed by the tonnage of the vehicle stock averaged nearly 82 p.c. for the whole of the March-December period covered by the inquiries. Lastly, the amount of goods carried by Sabena in terms of ton-kilometres increased, for the first ten months, slightly more slowly than in the previous year.

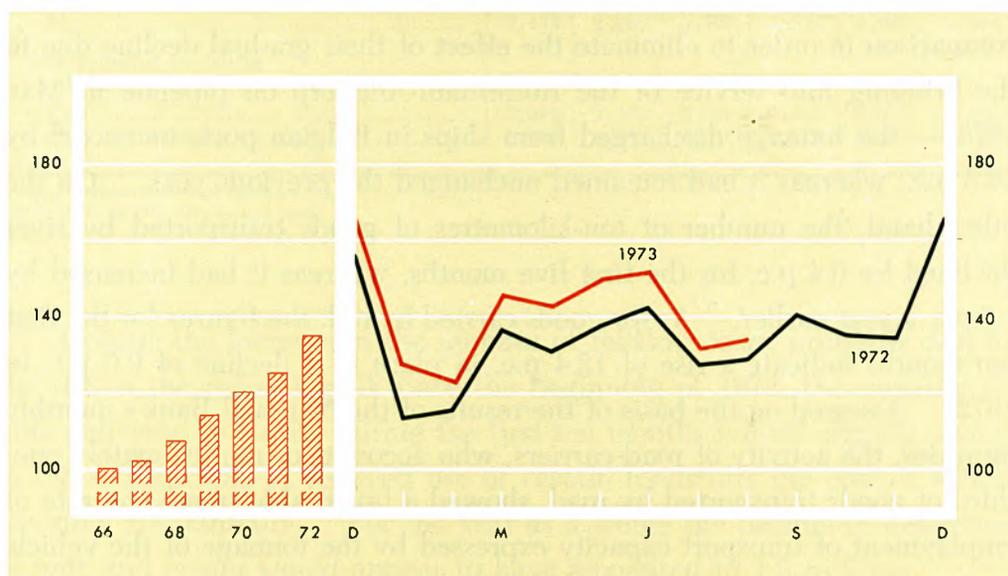
In retail trade total sales, measured by the indices of the National Statistical Institute, expanded for the first eight months by 6.9 p.c. in

volume, against 8.5 p.c. a year earlier; in value this total increased by 13.5 p.c., against 12.4 p.c. Expressed in the same way, sales by small retailers rose by 12.8 p.c., against 10.5 p.c. Those by cooperatives, which had gone up by 2.3 p.c. in 1972, fell by 3.2 p.c.; those of department stores rose by only 11.2 p.c., against 14 p.c. On the other hand, the rate of increase of sales by chain stores and by small and medium-sized supermarkets went up respectively, between 1972 and 1973, from 15.4 to 16 p.c. and from 7.1 to 17.7 p.c. for the eight months in question. For their part, considered separately, the sales of supermarkets belonging to department stores, chain stores and cooperatives, went up by 24.2 p.c. against 23.7 p.c.

Chart 10.

VOLUME OF RETAIL SALES

(Indices 1966 = 100)



Source : National Statistical Institute.

For the first eleven months, activity at petrol filling stations increased less rapidly than in the previous year; consumption of petrol for motor vehicles rose by only 4 p.c., compared with 9 p.c.

With regard to publicity, expenditure on advertisements in the press, the main publicity medium, declined by 2.4 p.c. for the first eleven months, whereas it had risen by 11.8 p.c. in 1972.

**Services rendered both to enterprises and to individuals** concerning the trend of which figures are available continued to expand.

During the first ten months, the amount of Belgian franc funds of non-bank customers dealt with by the financial intermediaries increased by about 10 p.c., or at a rate comparable with that reached in 1972. The number of debit entries to accounts held with financial institutions effected via the clearing houses increased by 29.4 p.c., against 34 p.c.

In the field of telecommunications, the trends were on the whole a continuation of those observed in 1972. The number of internal telephone calls and the length of international telephone calls increased faster, while the number of telegrams sent fell to a smaller extent; the use of telex, expressed in minutes, increased at a rate comparable to that of the previous year.

The number of computers in service in Belgium and the Grand Duchy of Luxembourg rose by about 26.2 p.c. during the twelve months ended 1st July, 1973, compared with approximately 25 p.c. during the previous period. It was particularly small computers, which represent around 75 p.c. of the total, which increased greatly in number.

Services **only affecting individuals** showed divergent trends.

The number of teaching staff and scientific and administrative personnel of State educational establishments rose by 7.6 p.c., against 8.8 p.c. in 1972.

Medical services continued to increase rapidly, on the basis of the refunds scheduled for 1973 in the relevant branches of the social security sector.

Favoured by the fine summer weather, tourist traffic and hotel business revived; the number of reported overnight stays by Belgians and foreigners went up by 4.5 p.c. for the first eight months, whereas in 1972 it had fallen by 4.5 p.c. The number of overnight stays rose on the coast and in the art cities but fell in Campine, the Ardennes and the valley of the Meuse.

Assessed by the number of kilometres travelled, passenger travel by rail decreased by 1.6 p.c. for the first ten months, against 2.3 p.c. in 1972. On the other hand, the number of passengers carried by Sabena was up by 17.9 p.c., against 13.8 p.c.

The sums collected as royalties, mainly for theatrical performances, radio and television programmes, performances of music, literary works and the plastic arts rose by 24 p.c. for the first nine months, against about 12 p.c. in 1972.

Owing to the fall in the number of cinema-goers, the gross receipts of operators of motion picture theatres fell by 4.6 p.c. for the first quarter, whereas they had risen by 11.5 p.c. the previous year.

The leisure sector connected with sporting activities showed an irregular trend. Thus, during the 1972-1973 season, there was a decline of 4.7 p.c. in the number of spectators at football matches, compared with an increase of 9 p.c. the previous season; the rise in the gross receipts of Belgian clubs fell to 4 p.c., compared with 20 p.c.; on the other hand, from July to the end of September these receipts were up by 31 p.c. on 1972.

## EMPLOYMENT.

As in 1972, there were divergent trends in the labour market.

On the one hand, the indicators relating to vacancies showed a favourable trend, at least until October. Thus, the Bank's inquiries among manufacturing industries regarding the state of activity showed,

Chart 11.

EMPLOYMENT AND UNEMPLOYMENT



(1) Source : National Employment Office. For the annual data : average of the data at ends of months. For the monthly data : ends of months. For unfilled vacancies : 1965 to 1969 : comparable data not available.  
 (2) Source : Inquiries by the National Bank of Belgium. This graph covers, for the latest period, the following industries : steel, non-ferrous metals, metal manufactures, textiles, paper, leather, wood processing, building materials and chemicals.

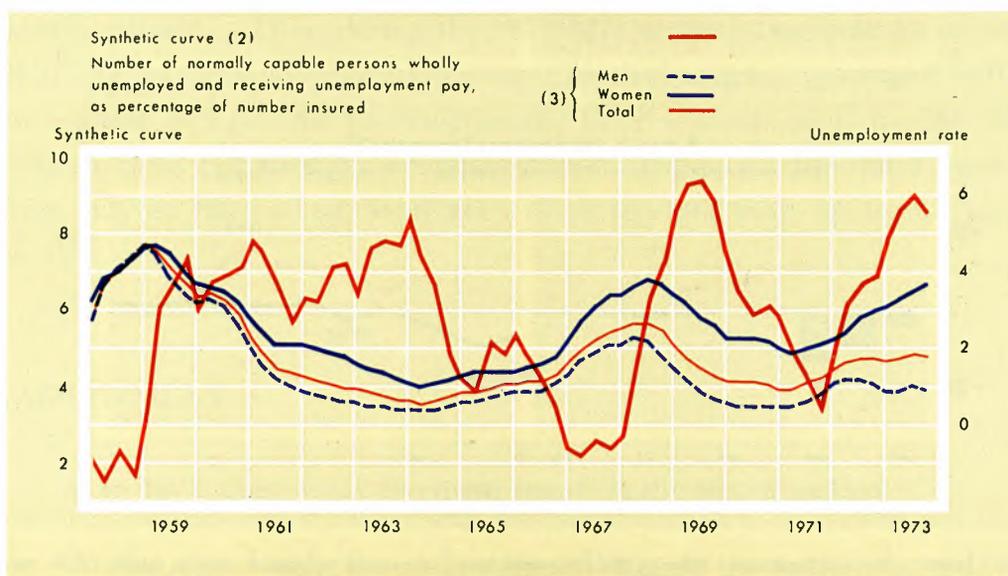
until that month, a marked strengthening of the tendency of enterprises towards net appointments. At the same time a growing number of participants mentioned shortage of skilled labour as the reason for the under-employment of their production capacities. Furthermore, the number of unfilled vacancies rose from 9,500 in January to 17,400 in October, then declining again to 13,200 in December.

On the other hand, despite the boom, unemployment increased further : the total number of wholly unemployed persons was on average 4,900 higher than in 1972. Nearly one-third of this increase, however, is accounted for unemployed persons of partial or very low capability who constitute a fairly stable body displaying very little elasticity to changes in economic activity.

With regard to the number of normally capable unemployed persons, the increase over the same months of 1972, which amounted to 7,300 at the end of January, admittedly declined during the year, but at the end of

Chart 12.

SYNTHETIC CURVE OF THE MAIN RESULTS OF THE NATIONAL BANK OF BELGIUM'S MONTHLY INQUIRIES AND UNEMPLOYMENT RATE (1)



(1) Monthly averages per quarter.

(2) See Chart 4.

(3) Seasonally adjusted.

December there were still 52,200 normally capable unemployed persons, a figure which, seasonally adjusted, corresponds to 1.8 p.c. of the total number of persons with unemployment insurance and is still 900 above the 1972 figure.

Even if allowance is made for the time — generally from three to nine months — which employment usually takes to react to swings in the economic situation, the worsening of unemployment observed is not in accordance with the trend which might have been expected in view of the developments in activity. The previous slowing-down of economic expansion had admittedly been not very pronounced and relatively short in duration, so that enterprises had been able at first to cope with the revival by using appreciable internal reserves of labour, but this fact cannot explain the increase in unemployment compared with 1972.

Another divergence relates to the trend according to the sex of the unemployed persons : in comparison with the same months of the previous year, the number of unemployed was constantly lower for men and higher for women.

A comparison with the number of unfilled vacancies shows that, overall, there was no longer any net reserve of male labour from June to November, the number of these vacancies having been, during this period, approximately equal to that of normally capable persons wholly unemployed. For women, on the other hand, there was scarcely any increase in unfilled vacancies, so that the net labour reserve increased substantially. This divergence is an explanatory factor in that it confirms that female unemployment is more structural than cyclical in nature. It is bound up, among other things, with the increasing participation of women in the recorded economic activities, which comes on top of the chronic weakness of demand for female labour, with often insufficient skill and with a certain lack of adaptation of education — even at university level — to the trend of the types of jobs offered. The gradual levelling of wages for male and female labour doubtless entails, for women's work, a relatively greater increase in wage costs per unit of output, which is liable to cause employers to make more intensive use of the labour force at their disposal

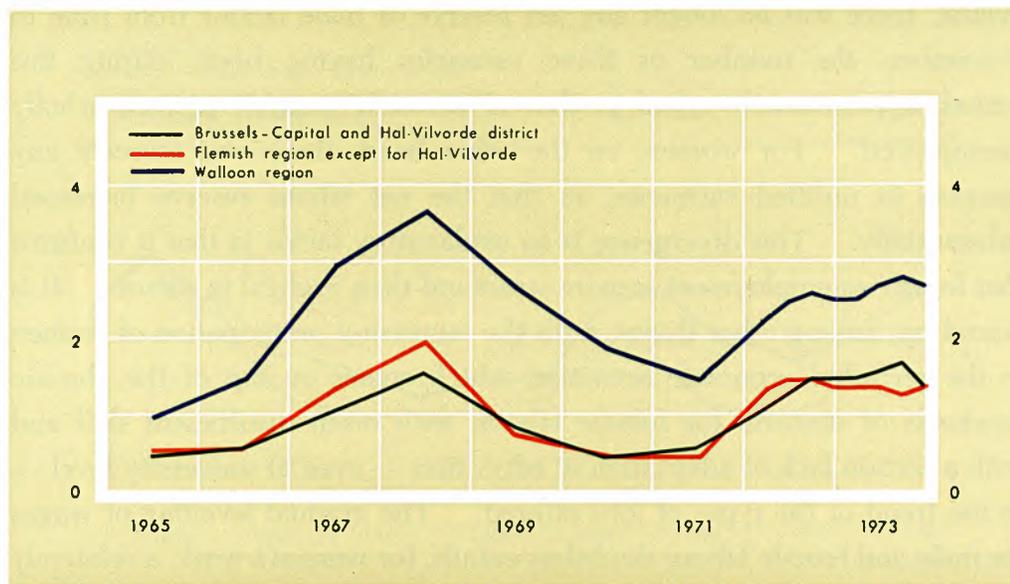
and to step up capital expenditure for rationalisation. Furthermore, the raising of the bases for calculation of unemployment benefits, justified though it is from the social point of view, has probably in some cases had a negative effect on eagerness to find a new job quickly. Lastly, a large proportion of female labour is employed in sectors where the structural trend of employment is unsatisfactory.

Disregarding the location where workers actually do their jobs, a regional analysis of unemployment reveals, from year end to year end, apart from the general nature of the decline in male unemployment and the increase in female unemployment, a rise in the rate of unemployment for the Walloon regional offices and a practically unchanged situation for the Flemish regional offices and for the Brussels regional office of the National Employment Office, namely the administrative districts of Brussels-Capital and Hal-Vilvorde. The unemployment rate remained highest in the Walloon part of the country. A more detailed breakdown

Chart 13.

UNEMPLOYMENT RATE BY REGIONS <sup>(1)</sup>

(Percentages)



(1) Number of normally capable persons wholly unemployed and receiving unemployment pay, as a percentage of the number insured. 1965 to 1971, rate on 30th June. 1972 and 1973, seasonally adjusted end-of-quarter rates. Sources : National Employment Office. Calculations of the National Bank of Belgium.

shows that inequalities also persisted within the regions : thus the unemployment rate for the Mons and Liège-Huy areas substantially exceeded the average for all the Walloon offices, and the same is true, in relation to the Flemish offices as a whole, for the Ostend and Hasselt-Tongres areas.

With regard to the sectoral distribution of unemployment, only the services sector shows a general rise for both men and women, although distinctly more marked for the latter. For the remainder, the decline in male unemployment took place mainly in the metal-manufacturing and building industries, and also in some sectors employing less personnel, such as the diamond and wood industries, while the rest of the increase in female unemployment is mainly shared between electrical equipment and the clothing industry.

The daily average of the number of partially unemployed amounted to 34,600, against 36,500 in 1972. Owing to the trend of economic activity and to the favourable weather conditions which prevailed during the early months of the year, the average was until November distinctly lower than in 1972. A sharp jump took place in December, owing to the effects of the bad weather and of the energy supply difficulties.

## **WAGES AND OTHER INCOMES.**

The rise in gross wages and salaries remained at least as marked as in the previous year.

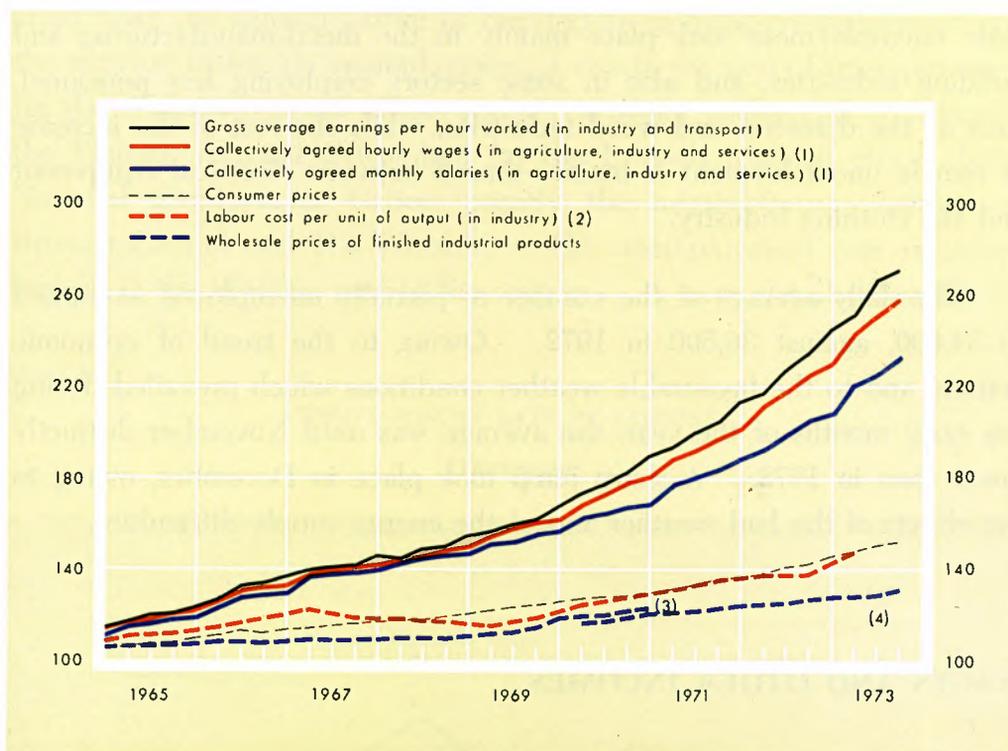
The index of collectively agreed wages rose by 15 p.c. and that of collectively agreed salaries by 13 p.c. from September 1972 to September 1973, against 14.5 and 12.5 p.c. respectively for the previous period. The index of gross average earnings per hour worked, calculated by the Bank, for wage-earners in the industrial and transport enterprises questioned, went up by 15.1 p.c., or about the same rate as in the previous twelve months.

The trend of net wages was not affected, unlike that of salaries, by changes in the rate of contributions paid to the social security or in the ceilings which serve as a reference for calculating these contributions; on the other hand, the proportion taken by taxes was increased by the normal operation of progressivity, although mitigated by tax alleviations for the

Chart 14.

WAGES AND PRICES

(Indices 1963 = 100)



Sources : Collectively agreed wages and salaries : Ministry of Employment and Labour.  
 Consumer prices and wholesale prices of finished industrial products : Ministry for Economic Affairs.  
 Labour cost per unit of output : Economic Research Institute at Louvain.

(1) As collectively agreed wages are hourly and collectively agreed salaries monthly, a collectively agreed reduction in working hours leads to a rise in the former but not in the latter. Allowance should be made for this difference in any comparison of the respective trends of these two indices.

(2) Wages and salaries; period covered : March to May and September to November in each year.

(3) Indices calculated on the basis of prices including sales taxes.

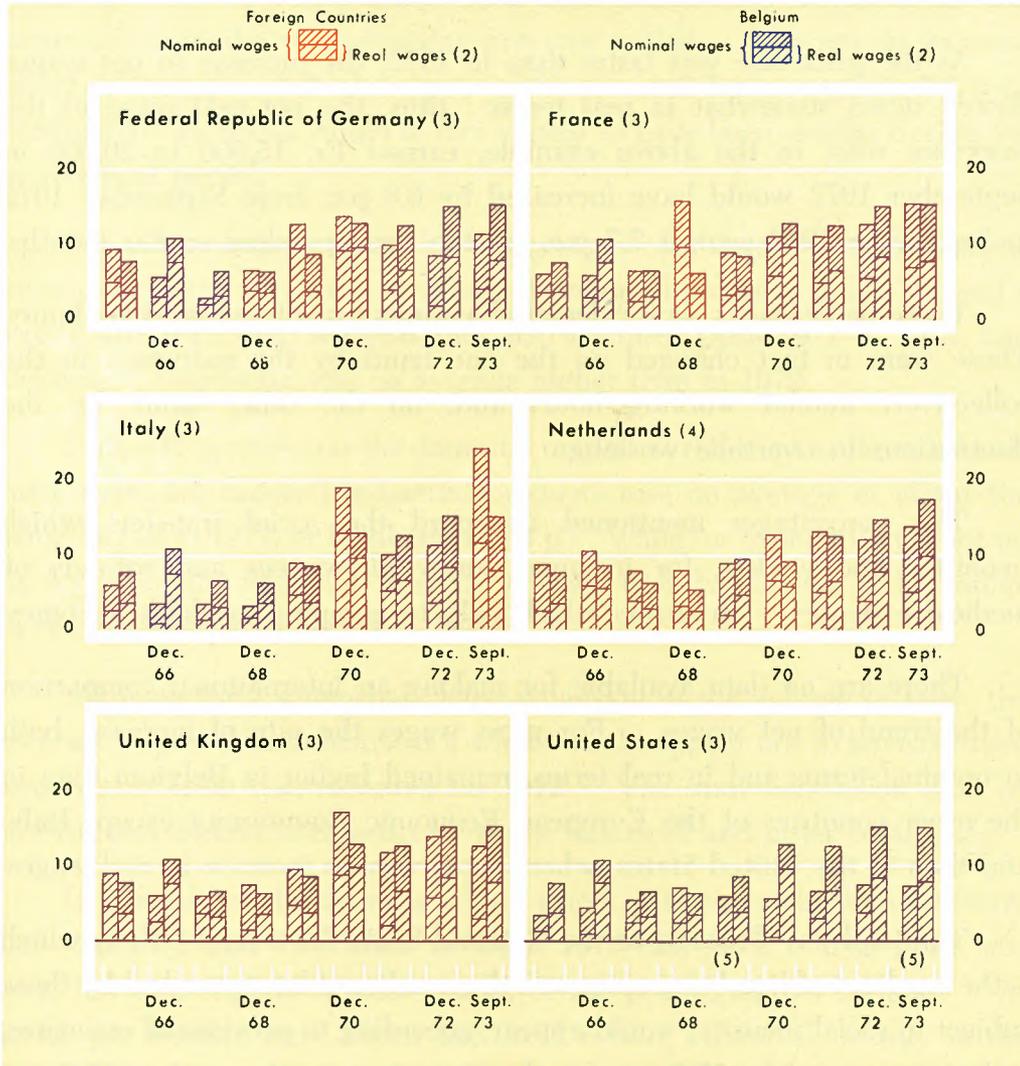
(4) Indices calculated on the basis of prices net of sales taxes or value-added tax. 1970 : estimate.

lowest incomes. For example, a married workman with three dependants receiving, in September 1972, a gross monthly wage of from Fr. 15,000 to 20,000, increasing in the same proportion as average gross earnings per hour worked, or 15.1 p.c., would have had in September of the following

Chart 15.

WAGES : COMPARISON WITH FOREIGN COUNTRIES

(Percentage changes <sup>(1)</sup> from the corresponding period of the previous year)



Sources : Nominal wages : *Federal Republic of Germany* : Federal Statistical Office. *France* : National Institute for Statistics and Economic Research. *Italy* : International Monetary Fund. *Netherlands* : International Monetary Fund. *United Kingdom* : National Institute of Economic and Social Research. *United States* : U.S. Department of Labor. Consumer prices : see Chart 17.

(1) Percentages not adjusted for changes in exchange rates.

(2) Percentage changes in nominal wages adjusted for changes in consumer prices.

(3) Average gross earnings per hour worked. Source for Belgium : National Bank of Belgium.

(4) Collectively agreed wage. Source for Belgium : Ministry of Employment and Labour.

(5) In December 1969 and September 1973 the real wage fell by 0.3 p.c. in the United States in comparison with the corresponding months of the previous year.

year a net monthly wage, i.e. after deduction of the amounts withheld at source in respect of social security contributions and the preliminary income tax, 14 p.c. higher than that in September 1972. For the period September 1971-September 1972 this calculation, based on the same assumptions and on a rate of increase of 15 p.c. in gross average earnings, gave an increase in the nominal wage of 13.5 p.c.

As the price rise was faster than in 1972, the increase in net wages slowed down somewhat in real terms : thus, the net real wage of the workman who, in the above example, earned Fr. 15,000 to 20,000 in September 1972 would have increased by 6.8 p.c. from September 1972 to September 1973 against 7.7 p.c. for the corresponding earlier months.

These percentages were calculated assuming unaltered working hours. These were in fact changed on the one hand by the reduction in the collectively agreed working hours and, on the other hand, by the fluctuations in overtime working.

The percentages mentioned disregard the social transfers which benefited the worker, for instance family allowances and refunds of medical expenses — transfers which help to compose available incomes.

There are no data available for making an international comparison of the trend of net wages. For gross wages the rate of increase, both in nominal terms and in real terms, remained higher in Belgium than in the other countries of the European Economic Community except Italy, and than in the United States, where there was no increase in real wages.

The total pay declared to the National Social Insurance Office, which is the resultant of hourly earnings and the number of hours worked by those subject to social security, would appear, according to provisional estimates, to have increased by 15.8 p.c. for the first nine months, against 12.6 p.c. for the same months of 1972.

The hourly wage cost, which includes not only nominal wages and salaries but also the social contributions borne by employers, was increased by a raising of the rates and ceilings for the employers' contributions for

employees' pensions, by the granting of two additional days' holiday and the monthly guaranteed wage in the event of workers being incapable of working and by the introduction of « hour credits ». According to the calculations made by the Economic Research Institute at Louvain, the hourly wage and salary cost increased by 15.3 p.c. in manufacturing industry between March-May 1972 and March-May 1973, or at the same rate as in the corresponding previous period. The rate of increase in wage costs per unit of output works out at 6.7 p.c., against 5.2 p.c.; productivity increases would in fact appear to have been smaller during the more recent period.

The other components of the unit cost price for enterprises also became more expensive : average unit values of imported producer goods showed a strong upward trend, whereas they had declined from 1971 to 1972, and the cost of borrowing was on average higher than in 1972.

Unit selling prices on the domestic market as reflected in the wholesale price index for finished industrial products rose on average at about the same rate as in 1972, or by about 3 to 4 p.c., while for exports they went up by 8 p.c. for the first nine months, whereas they had shown little change in the corresponding period of 1972.

Allowing for a somewhat faster expansion in the volume of sales, the increase in profits in industry as a whole would appear not to have differed appreciably from that recorded for 1972. The same conclusion is to be drawn from certain statements by major industrial and other companies.

In agriculture the average selling prices paid to producers rose faster between 1972 and 1973 than between 1971 and 1972. The same was true, but to a slightly smaller extent, of the prices paid by farmers. As yields per hectare were better and stock-raising expanded, mainly in the case of pigs, the trend of farmers' incomes must have been more favourable than in the previous year.

In the public sector, the rate of increase in pay, which had been particularly high in 1972 owing to the application of the programme for improving the status of civil servants, slowed down.

The total of social benefits and services paid or supplied by the central Government and the social security institutions increased — according to the amended 1973 budget — by 14.6 p.c., against 16.5 p.c. in 1972. In absolute terms, the increases were most pronounced in the pensions sector and, to a smaller extent, in that of family allowances and health benefits.

Among income from personal property, the total of interest received by enterprises was favourably influenced by the substantial raising of the interest allowed on time deposits and by the growth in the amount of these; the total of interest received by individuals also benefited by the raising of the interest allowed on deposits on ordinary deposit or savings books. As for the amounts paid as net dividends, which reflect the trend of net profits with a certain time-lag, these would appear, according to a sample survey of companies whose shares are quoted on the stock exchange, to have risen by 15.1 p.c., whereas they had fallen by 4.3 p.c. the previous year.

## **PRICES.**

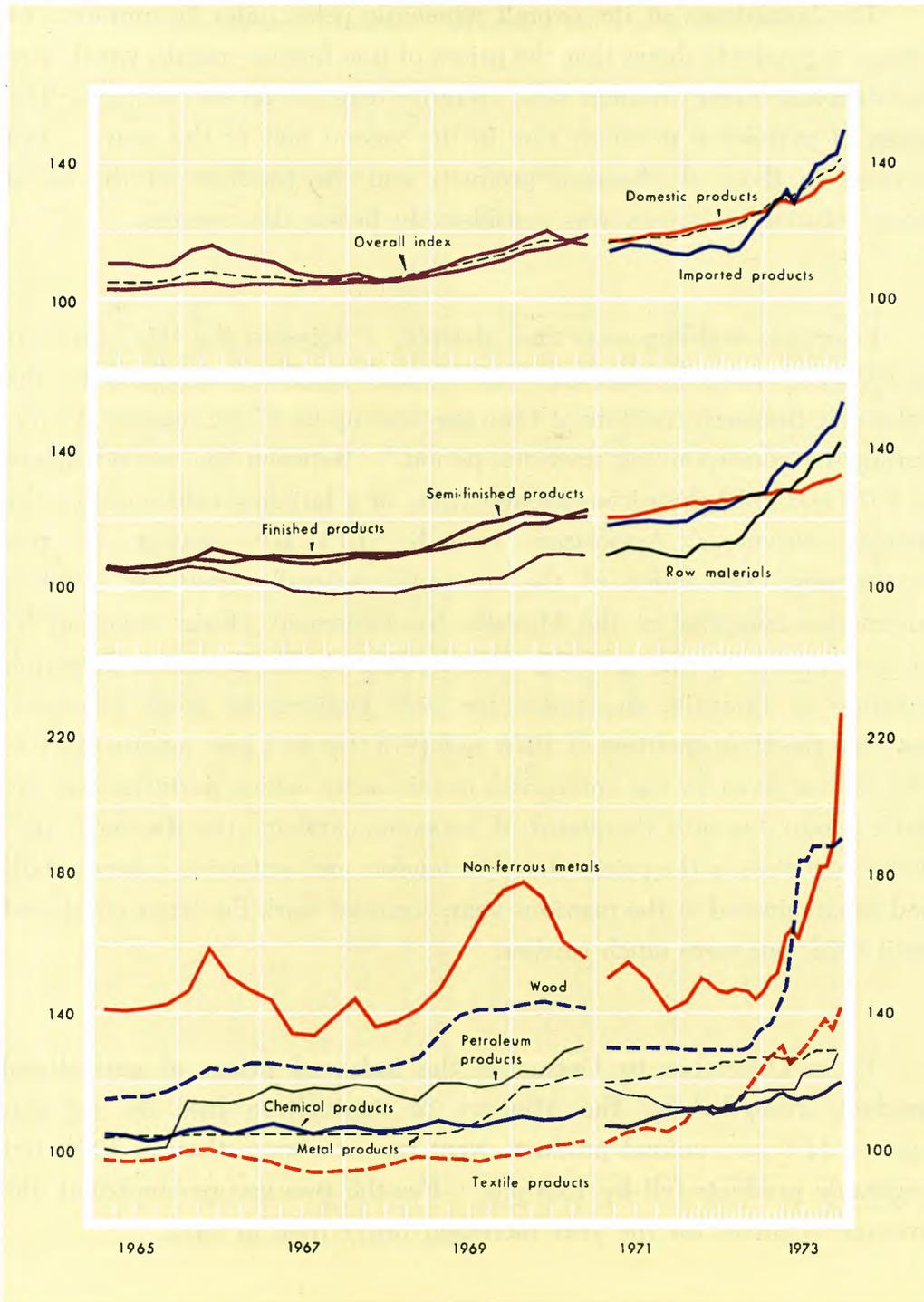
The rise in the index for **wholesale prices of industrial products** was considerably accentuated : from November 1972 to 1973 it amounted to 12.8 p.c., against 6.1 p.c. during the previous twelve months. The speeding-up was mainly due to a substantial rise in the price of imported products which, chiefly owing to the price trend on the raw material markets, reached 22.1 p.c. against 7.7 p.c., but the percentage rise in prices of domestic products also increased, to 9.2 p.c. against 5.3 p.c.

A breakdown according to stages of production reveals that, as in 1972, raw material prices increased greatly. The rise was even larger, however, for semi-finished products. Although the rate of increase accelerated considerably in both these cases, the rise in prices for finished products remained, for the whole of the period in question, relatively small and not much greater than in 1972; but after the middle of the year it quickened, as is confirmed by the National Bank's inquiries into the trend of activity. It would appear, subject to all reservations which have to be

Chart 16.

WHOLESALE PRICES OF INDUSTRIAL PRODUCTS IN BELGIUM (1)

(Indices 1963 = 100)



Source : Ministry for Economic Affairs.

(1) 1965-1971 : monthly averages per quarter; 1972 and 1973 : monthly data. Until 1970, indices calculated on the basis of prices including sales taxes. Subsequently, indices calculated on the basis of prices net of value-added tax.

made concerning such comparisons, that the rise in the price of finished products in Belgium, although greater than in the United States, was smaller than in the main countries of the European Economic Community.

The breakdown of the overall wholesale price index by products or groups of products shows that the prices of non-ferrous metals, wood, iron and steel and textile products went up faster than the general average. The prices of petroleum products rose in the second half of the year. The increase in those of chemical products and the products of the metal manufacturing industries was considerably below the average.

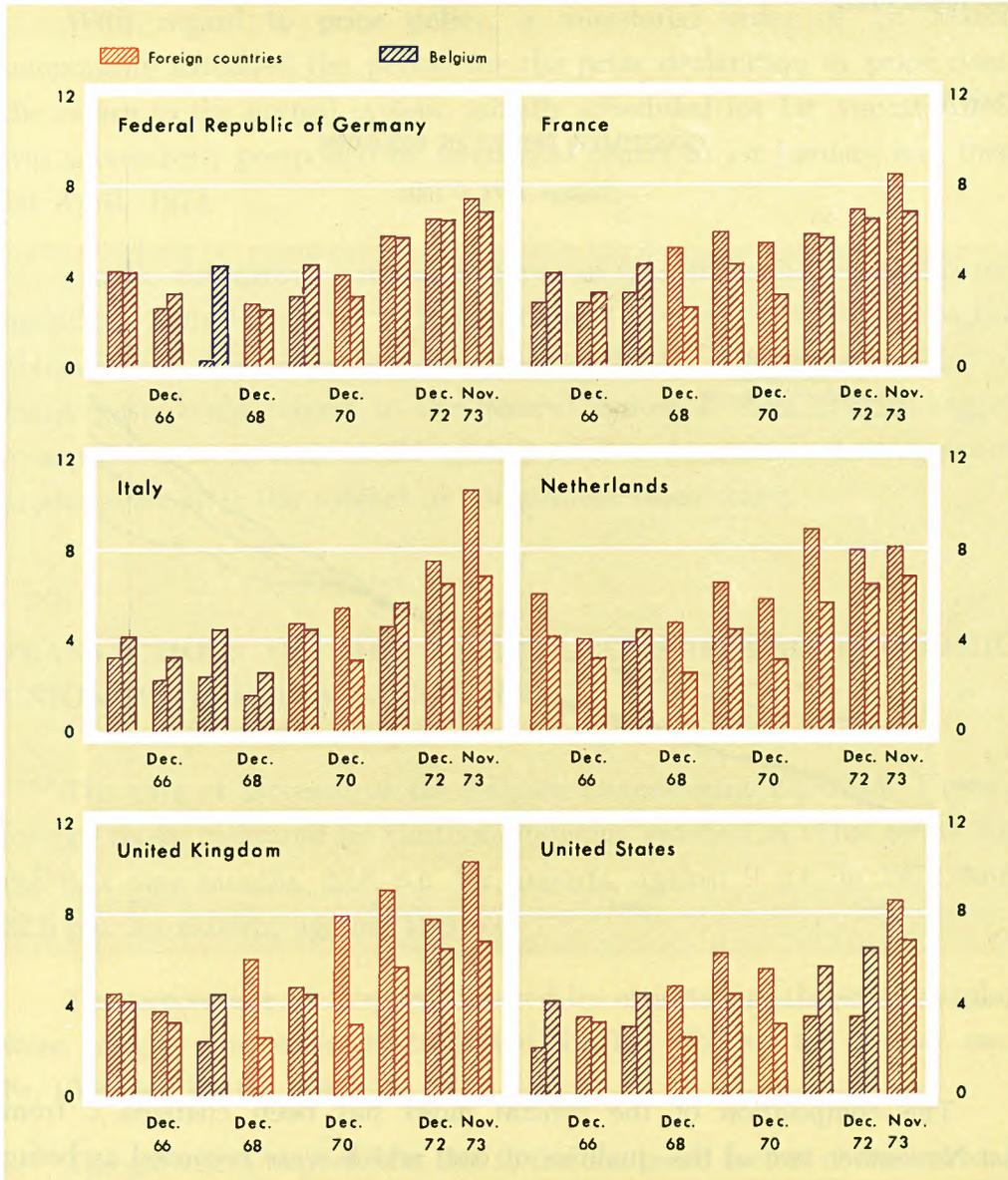
Prices for building work rose sharply. Between the third quarters of 1972 and 1973 the cost price of a social dwelling calculated by the Economic Research Institute at Louvain went up by 17 p.c., against 8.2 p.c. during the corresponding previous period. Between the second halves of 1972 and 1973 the reconstruction value of a building calculated by the Belgian Surveyors' Association rose by 13.4 p.c. against 3.1 p.c. Furthermore, the index of the materials generally used by building contractors compiled at the Ministry for Economic Affairs went up by 41 p.c., against 5 p.c. in 1972. According to the Economic Research Institute at Louvain, the prices for civil engineering work increased, between the third quarters of 1972 and 1973, by 14.4 p.c., against 6.8 p.c. The replies given by the enterprises in this sector which participate in the Bank's inquiries into the trend of economic activity for the most part mentioned rises in the prices stated in tenders and estimates, whereas falls had predominated in the previous year; for road work the latter continued until 1973, but were much smaller.

From December to December the index of prices of agricultural products compiled by the Ministry of Agriculture rose by 4.3 p.c. against 14.3 p.c.; animal products went up even more than in 1972, but vegetable products fell by 13.8 p.c. For the two groups combined, the average of prices for the year increased faster than in 1972.

Chart 17.

CONSUMER PRICES : COMPARISON WITH FOREIGN COUNTRIES

(Percentage changes <sup>(1)</sup> from the corresponding period in the previous year)



Sources : Belgium : Ministry for Economic Affairs. Federal Republic of Germany : Federal Statistical Office. France : National Institute for Statistics and Economic Research. Italy : Central Statistical Institute. Netherlands : Central Bureau of Statistics. United Kingdom : Ministry of Labour. United States : U.S. Department of Labor.

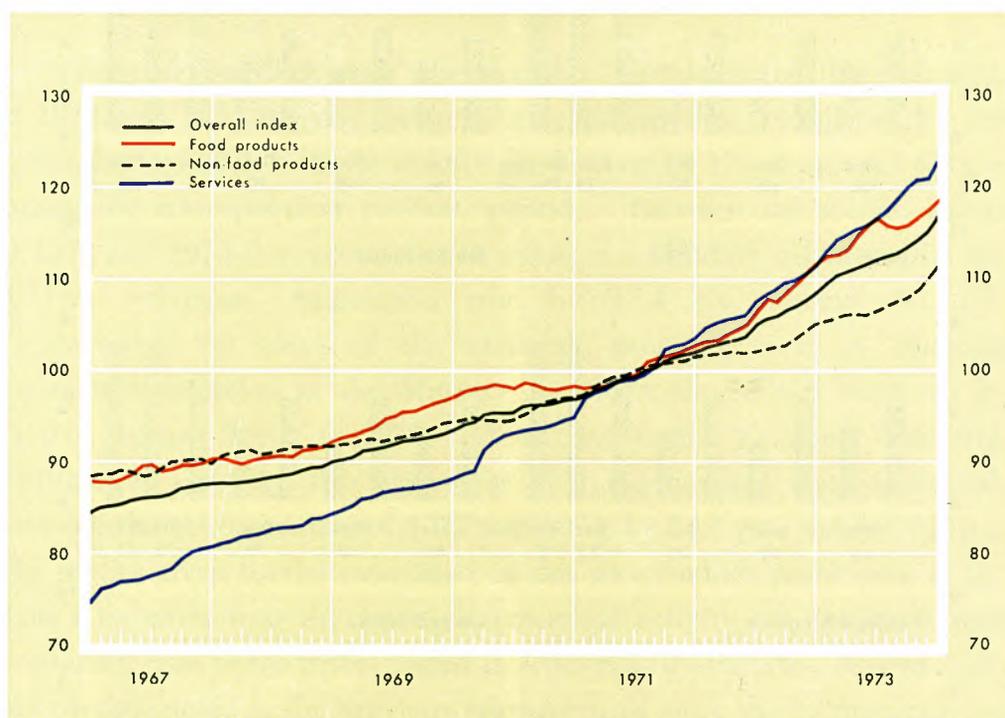
(1) Percentages not adjusted for changes in exchange rates.

Between December 1972 and December 1973 consumer prices rose by 7.3 p.c. against 6.4 p.c. The acceleration is attributable to the trend of prices of services and non-food products. Prices of food products, on the other hand, increased less than in 1972, although meats again became appreciably dearer — a movement which was, however, an international phenomenon.

Chart 18.

CONSUMER PRICES IN BELGIUM

(Indices 1971 = 100)



Source : Ministry for Economic Affairs.

The composition of the official index has been changed : from 1st November two of the qualities of coal which were recorded as being representative of fuel prices have been replaced by diesel oil and light fuel oil, the price trend for the latter products being calculated on the basis of 1st October.

A comparison between the trend of the consumer price index in Belgium, the other countries of the European Economic Community and the United States shows that the rise in prices during the twelve months ended in November was greater abroad.

With regard to **price policy**, a ministerial order of 1st March temporarily extended the period for the prior declaration of price rises; the return to the normal system, initially scheduled for 1st August, 1973, was successively postponed by ministerial orders to 1st January and then 1st April, 1974.

Lastly, enterprises with a turnover of less than Fr. 5 million, not including value added tax, which had been exempted in 1972 from the obligation to declare price rises, were again, by a ministerial order of 1st August, made subject to the general system if their activity relates to a product or service which, in the sector in question, is homogeneous in character or is the subject of comparable price scales.

## **TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION WITH FOREIGN COUNTRIES.**

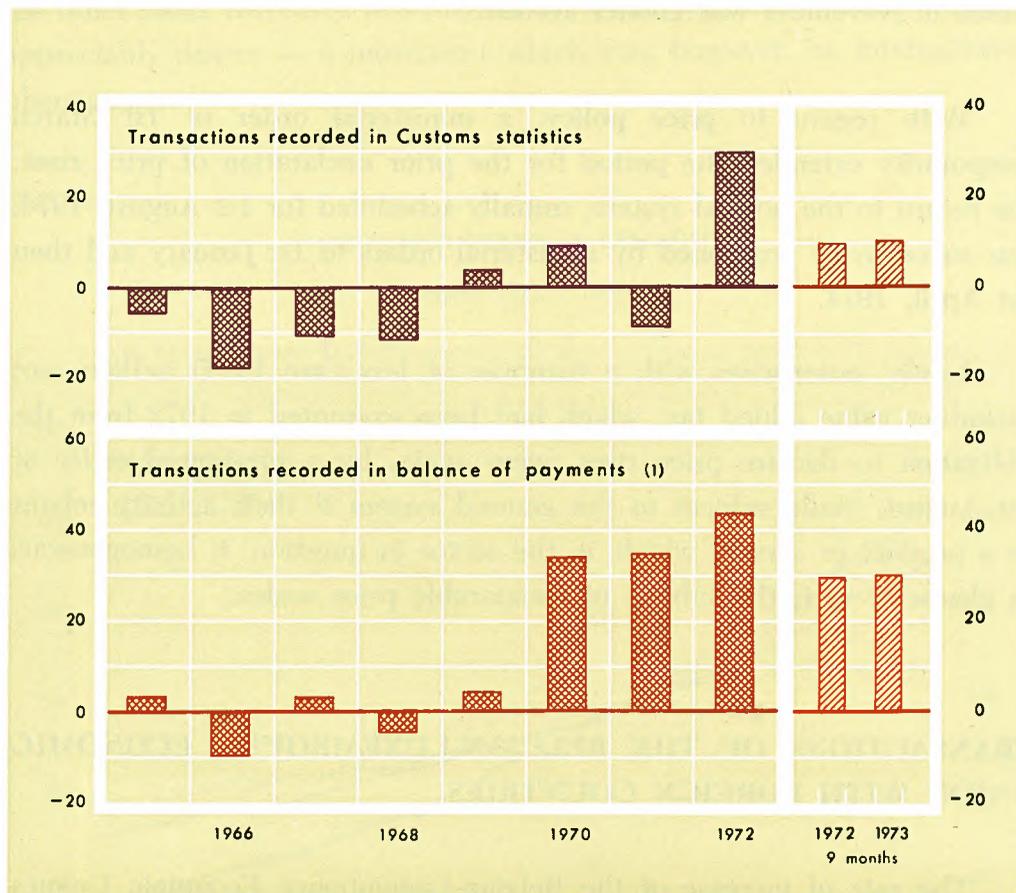
The rate of increase of the Belgian-Luxembourg Economic Union's foreign trade, measured by Customs statistics, reached in value terms, for the first nine months, 22.8 p.c. for imports, against 9 p.c. in 1972, and 22.5 p.c. for exports, against 11.9 p.c.

The percentage of imports covered by exports and the trade surplus were roughly the same in 1972 and 1973 : 102 for the former and Fr. 10 billion for the latter.

The growth in imports was due to the combined factors of the increase in exports, the strength of final domestic demand, the considerable supplies necessitated by the pronounced industrial expansion and the rise in the prices of imported products.

Chart 19.

EXTERNAL TRADE BALANCE OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION  
(Billions of francs)



(1) See Table 4, column (c).

Broken down by groups of products, the increase in the value of imports was mainly attributable to purchases of metal manufactures, common metals, agricultural products, food products and textiles. With regard to the classification by countries of origin, there were relatively large increases for the Federal Republic of Germany, the Netherlands, the United Kingdom, the United States and Zaïre, whereas in 1972 the imports supplied by the two last-mentioned countries declined.

The rise in the value of exports, brought about by the very pronounced boom conditions in nearly all industrialised countries, mainly affected

common metals, metal manufactures and chemical products. The greatest increase in deliveries were to the French and Italian markets and to the United States and Japan <sup>(1)</sup>.

The trade surplus in relation to the countries of the European Economic Community as a whole increased. The growth in the surplus with France and Italy offset the effect of the swing-round in the balance with the Federal Republic of Germany, which became negative, and the worsening of the deficit with the United Kingdom. There was a deterioration in the balance of trade with the United States and Zaïre, in the former case by a decrease in the surplus and in the latter by an increase in the deficit.

The current transactions shown in the balance of payments of the Belgian-Luxembourg Economic Union with foreign countries include, in addition to settlements in respect of foreign trade, third-country trade, payments for services and transfers. These resulted on balance, for the first eleven months, in a surplus of Fr. 45.4 billion, against Fr. 49.6 billion in 1972. The increase in the surplus in respect of third-country trade and private transfers was more than offset by the decrease in the surplus of payments in respect of services and foreign trade and by the growth in the deficit left by Government transfers.

The surplus of payments in respect of foreign trade amounted to Fr. 38.8 billion, against Fr. 40.3 billion.

The reduction in the surplus on payments for services was mainly attributable to the growth in the deficit in respect of travel abroad and by the decrease in the surplus left by the transactions of the public authorities, chiefly owing to the rise in military expenditure.

The trend of the balances of public and private transfers primarily reflected the effect of transactions with the European institutions : the increase in the funds made available by the Government to these

<sup>(1)</sup> See Annex 6, Table 1.

institutions greatly exceeded the rise in the payments made by the European Agricultural Direction and Guarantee Fund to resident farmers.

Table 4.

CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES (1)

(Billions of francs)

	Transactions in goods				Services (4)	Private transfers (5)	Government transfers (5)	Total (h) = (c) + (d) + (e) + (f) + (g)
	Exports (2)	Imports (2)	Balance	Third- country trade (3)				
	(a)	(b)	(c) = (a) - (b)	(d)				
1968 .....	329.0	333.1	- 4.1	+ 3.4	+ 5.7	+ 3.8	- 7.4	+ 1.4
1969 .....	400.1	395.7	+ 4.4	+ 4.8	+ 0.8	+ 5.8	-12.1	+ 3.7
1970 .....	480.0	446.4	+33.6	+ 5.0	+ 4.9	+ 6.6	-14.4	+35.7
1971 .....	520.6	485.9	+34.7	+ 6.4	+ 8.2	+ 6.8	-14.8	+41.3
1972 .....	581.7	538.7	+43.0	+ 3.1	+13.9	+ 8.1	-16.9	+51.2
1972 First 11 months .....	528.3	488.0	+40.3	+ 4.6	+12.9	+ 7.4	-15.6	+49.6
1973 First 11 months ... p	658.4	619.6	+38.8	+11.3	+ 6.2	+ 9.0	-19.9	+45.4

(1) Balance of operations, except for the items « Export » and « Import ».

(2) Payments made; these have been corrected, however, to allow for credits granted with the assistance of Belgian banks. Including commission processing.

(3) Goods bought and resold abroad without entering the Customs area of the Belgium-Luxembourg Economic Union.

(4) Costs of transport, insurance, foreign travel, investment income, transactions of public authorities and European and international institutions, frontier and seasonal workers, etc.

(5) Transactions carried out without counterpart, for instance, donations.

The **capital transactions** shown in Table 5 include, in addition to residents' spot transactions with foreign countries, residents' transactions in foreign countries, residents' transactions in foreign currencies with domestic monetary institutions and forward exchange transactions. This presentation of the balance of payments makes it possible to highlight all the transactions which, directly or indirectly, could have affected the exchange markets and which thus may have induced the central bank to intervene.

With regard, first of all, to the movement in the public authorities' capital funds, this gave rise, for the first eleven months, to net outflows of Fr. 4.3 billion, against Fr. 8.7 billion in 1972. By the end of June of the latter year the Treasury had completely paid off the short-term debt in foreign currencies with the exception of certificates expressed in gold

Table 5.

**CAPITAL TRANSACTIONS**  
(Billions of francs)

	1968	1969	1970	1971	1972	1972	1973 p		
						First 11 months	First 2 months	March-November	First 11 months
1. Movements in capital funds of public authorities :									
1.1 Transactions with foreign countries .....	- 3.4	- 2.1	- 0.7	-11.0	-10.7	-10.4	- 1.7	- 2.4	- 4.1
1.2 Increase (+) or decrease (-) in liabilities in foreign currencies to Belgian and Luxembourg banks .....	- 0.1	+ 5.9	-11.0	-18.1	- 6.4	- 6.4	- 0.5	+ 0.3	- 0.2
1.3 Increase (-) or decrease (+) in the outstanding amount of foreign currencies receivable at forward dates from the N.B.B. ....	+ 8.2	-13.5	+ 2.9	+18.3	+ 8.1	+ 8.1	...	...	...
Total 1 ...	+ 4.7	- 9.7	- 8.8	-10.8	- 9.0	- 8.7	- 2.2	- 2.1	- 4.3
2. Movements in capital funds of enterprises and individuals with foreign countries <sup>(1)</sup> ...	- 4.4	+14.2	-13.8	- 9.3	-20.2	-20.1	- 6.5	- 2.9	- 9.4
3. Movement in the net claims in foreign currencies of enterprises and individuals on Belgian and Luxembourg banks :									
3.1 Increase (-) or decrease (+) in net spot claims .....	- 1.7	-11.2	+ 7.4	+ 9.1	+ 3.5	+ 5.9	+ 7.3	- 9.7	- 2.4
3.2 Increase (-) or decrease (+) in net forward claims .....	+ 1.4	+ 0.9	...	- 1.8	+ 8.6	+ 9.0	+ 3.4	-11.4	- 8.0
Total 3 ...	- 0.3	-10.3	+ 7.4	+ 7.3	+12.1	+14.9	+10.7	-21.1	-10.4
4. Movement in non-residents' claims on and liabilities to Belgian and Luxembourg banks and miscellaneous monetary institutions :									
4.1 Increase (-) or decrease (+) in liabilities in the form of commercial credits originally financed by Belgian banks .....	- 9.5	- 0.6	- 6.7	- 3.9	- 7.6	- 6.7	+ 1.2	- 5.9	- 4.7
4.2 Increase (+) or decrease (-) in the excess of claims over other spot liabilities	+ 1.7	- 5.7	+ 5.3	+ 7.7	+ 4.8	+ 6.1	+ 8.7	+ 6.1	+14.8
4.3 Increase (+) or decrease (-) in the excess of the outstanding amount of Belgian and Luxembourg francs receivable at forward dates over the amount of Belgian and Luxembourg francs to be delivered at forward dates .....	- 6.0	+ 2.7	+ 3.1	+ 6.3	- 7.4	- 7.4	+ 3.1	+ 0.4	+ 3.5
Total 4 ...	-13.8	- 3.6	+ 1.7	+10.1	-10.2	- 8.0	+13.0	+ 0.6	+13.6
5. Movement in the net claims in foreign currencies of Belgian and Luxembourg banks :									
5.1 Increase (-) or decrease (+) in net spot claims .....	- 4.8	+ 3.7	+ 2.8	- 0.3	+ 1.4	+ 0.9	+ 8.4	-21.6	-13.2
5.2 Increase (-) or decrease (+) in net forward claims .....	+ 4.2	- 4.2	- 2.1	- 3.2	- 0.4	- 0.4	- 6.3	+13.0	+ 6.7
Total 5 ...	- 0.6	- 0.5	+ 0.7	- 3.5	+ 1.0	+ 0.5	+ 2.1	- 8.6	- 6.5
Total 1 to 5 ...	-14.4	- 9.9	-12.8	- 6.2	-26.3	-21.4	+17.1	-34.1	-17.0

(1) See Table 6.

held by the Bank for International Settlements; the repayment of these was completed in February 1973. Since then, the Treasury's capital transactions in foreign currencies have consisted mainly of contractual redemption payments on consolidated loans.

Table 6.

DETAILS OF CAPITAL TRANSACTIONS OF ENTERPRISES AND INDIVIDUALS WITH FOREIGN COUNTRIES

(Billions of francs)

	Public enterprises (1)	Private enterprises and individuals								Grand total	
		Foreign direct and portfolio investments in B.L.E.U.				Direct and portfolio investments in foreign countries					
		Total	of which			Total	of which				Total
			Securities	Direct investments	Real estate		Securities	Direct investments	Constitution (-) or liquidation (+) of deposits		
(a)	(b)				(c)				(d)=(b)+(c)	(e)=(a)+(d)	
1968 .....	- 0.6	+11.9	- 0.5	+12.5	- 0.1	-15.7	-13.4	- 2.6	+ 1.2	- 3.8	- 4.4
1969 .....	+ 9.6	+18.5	- 1.1	+13.8	- 0.3	-13.9	-15.0	- 0.7	+ 3.1	+ 4.6	+14.2
1970 .....	- 2.1	+15.4	+ 1.3	+15.9	...	-27.1	-15.7	- 7.8	- 2.7	-11.7	-13.8
1971 .....	- 1.7	+27.3	+ 5.1	+21.8	+ 0.3	-34.9	-23.6	- 8.8	- 1.2	- 7.6	- 9.3
1972 .....	- 2.2	+27.5	+ 4.1	+17.7	+ 0.9	-45.5	-36.0	- 6.5	- 1.4	-18.0	-20.2
1972 First 11 m. ...	- 1.8	+22.8	+ 3.4	+15.5	+ 0.7	-41.1	-30.7	- 6.9	- 2.0	-18.3	-20.1
1973 First 11 m. p	- 1.9	+36.1	+ 4.8	+23.5	+ 2.9	-43.6	-30.0	- 5.3	- 6.0	- 7.5	- 9.4

(1) Public operating organisations and public sector financial intermediaries.

The movement in capital funds of enterprises and individuals with foreign countries, details of which are given in Table 6, resulted on balance in a deficit Fr. 10.7 billion smaller than the corresponding figure for 1972.

Inflows of foreign capital into the Belgian-Luxembourg Economic Union increased substantially; large direct investments, mainly from the United States, the Netherlands and the Federal Republic of Germany, were made in metal-manufacturing, petroleum, textile and service enterprises; investments in real estate also increased. For their part, residents' direct and portfolio investments in foreign countries, although very large, increased only slightly on the year; net purchases of foreign

securities and direct investments in foreign countries actually decreased; on the other hand, there were large outflows for the constitution of deposits abroad.

In their transactions with the banks, during the first two months enterprises and individuals continued, as they had done from 1970 to 1972, to reduce their net spot and forward claims in foreign currencies, owing to the monetary disorders at the beginning of the year, marked as it was by a wave of speculation against the dollar, which was to lead to its devaluation. On the other hand, for the period March-November as a whole they increased these claims, thus indicating a revival of confidence in at least some currencies.

For their part, non-residents were concerned to contract the smallest possible amount of liabilities in francs and, conversely, to build up assets in that currency. Thus, the outstanding amount of Belgian franc commercial credits granted to foreign countries, originally financed by the banks, declined in the first two months and increased by only Fr. 4.7 billion over the whole of the eleven months in question, against Fr. 6.7 billion in 1972, despite the large expansion of foreign trade. On the other hand, during the same period, non-residents increased their net spot and forward assets in francs with the monetary institutions by Fr. 18.3 billion, whereas they had reduced these claims by Fr. 1.3 billion in 1972. Although this increase in assets in 1973 was doubtless partly due to the need felt by non-residents to obtain cover for future payments, it was also partly attributable to speculation on a rise in the value of the franc.

The behaviour of residents and non-residents with regard to short-term transactions during the period in question was thus characterised by a certain lack of symmetry. While the former displayed, during the nine months in question, revived interest in assets in at least some foreign currencies, the latter showed a much greater preference than in 1972 for the Belgian franc.

Like enterprises and individuals, although to a much smaller extent, the banks reduced their net combined spot and forward assets in foreign

Table 7.

SUMMARY OF TRANSACTIONS WITH FOREIGN COUNTRIES, RESIDENTS'  
TRANSACTIONS IN FOREIGN CURRENCIES WITH THE MONETARY INSTITUTIONS  
AND FORWARD EXCHANGE TRANSACTIONS

(Billions of francs)

	1968	1969	1970	1971	1972	1972	1973 <i>p</i>		
						First 11 months	First 2 months	March-November	First 11 months
1. Current transactions (1) .....	+ 1.4	+ 3.7	+ 35.7	+ 41.3	+ 51.2	+ 49.6	+ 7.0	+ 38.4	+ 45.4
2. Capital transactions (2) .....									
2.1 Movements in capital funds of public authorities ...	+ 4.7	- 9.7	- 8.8	- 10.8	- 9.0	- 8.7	- 2.2	- 2.1	- 4.3
2.2 Movements in capital funds of enterprises and individuals with foreign countries .....	- 4.4	+ 14.2	- 13.8	- 9.3	- 20.2	- 20.1	- 6.5	- 2.9	- 9.4
2.3 Movement in net claims in foreign currencies of enterprises and individuals on Belgian and Luxembourg banks .....	- 0.3	- 10.3	+ 7.4	+ 7.3	+ 12.1	+ 14.9	+ 10.7	- 21.1	- 10.4
2.4 Movement in net claims in Belgian and Luxembourg francs of non-residents on Belgian and Luxembourg banks and miscellaneous monetary institutions .....	- 13.8	- 3.6	+ 1.7	+ 10.1	- 10.2	- 8.0	+ 13.0	+ 0.6	+ 13.6
2.5 Movement in net claims in foreign currencies of Belgian and Luxembourg banks .....	- 0.6	- 0.5	+ 0.7	- 3.5	+ 1.0	+ 0.5	+ 2.1	- 8.6	- 6.5
Total 2 ...	- 14.4	- 9.9	- 12.8	- 6.2	- 26.3	- 21.4	+ 17.1	- 34.1	- 17.0
3. Errors and omissions .....	+ 0.6	+ 2.5	+ 0.4	- 3.4	- 1.3	- 1.8	- 1.2	+ 3.7	+ 2.5
4. (= 1. to 3.) Total corresponding to the movement in the National Bank of Belgium's exchange reserves and in its forward position in foreign currencies and, in relation to foreign countries, in Belgian francs (3) ...	- 12.4	- 3.7	+ 23.3	+ 31.7	+ 23.6	+ 26.4	+ 22.9	+ 8.0	+ 30.9

(1) See Table 4, column (h).

(2) See Table 5.

(3) See Table 8, column (k).

currencies during the first two months and increased them during the following months. It will be recalled in this connection that the prohibition imposed on the banks by the Belgian-Luxembourg Foreign Exchange Institute against the taking-up of an overall position — spot and forward combined — in foreign currencies, in anticipation of either a rise or a fall in their value, beyond a normal level corresponding to their legitimate need for working funds required for the proper execution of their customers' transactions applies only to assets and liabilities of the regulated market.

In order to help to reduce the danger of speculation on the regulated exchange market, the Belgian-Luxembourg Foreign Exchange Institute twice — in September and November — lowered the limits imposed in 1972 on the spot debtor positions of banks in foreign currencies of the regulated market and in Belgian or Luxembourg francs on convertible foreign accounts. Furthermore, the special commission of 0.25 p.c. per week on increases in balances held on convertible Belgian francs accounts, which had been introduced in March and temporarily suspended in August, was restored in September owing to the repercussions caused on the exchange market by the revaluation of the guilder, but suspended again from 1st January 1974.

The surplus left by the transactions just described had as its counterpart, allowance being made for errors and omissions, an increase in the exchange reserves and the Bank's forward position. These are directly affected by transactions carried out on the regulated exchange market. Moreover, any prior imbalance on the free market gives rise to a movement of rates which induces compensating transactions or which causes a shift from one market to the other of transactions for which the regulations leave the choice of market open; in the latter case it affects the Bank's exchange reserves.

For the first eleven months these reserves, supplemented by the forward position, rose by Fr. 30.9 billion. The greater part of this increase took place during the first two months, and reflected the effect

of the surplus in respect of capital transactions and, to a smaller extent, of current transactions. From March to November the surplus on the latter was larger, in relation to the period of time, but was partly offset by a deficit on capital transactions.

For the year as a whole the combined total of the exchange reserves and the Bank's forward position rose by Fr. 34.4 billion.

Owing to purchases made in implementation of the international agreements to which the country is a party, spot assets in foreign currencies rose by Fr. 30.8 billion. This amount includes, in particular, lire bought in January and February as part of the Community support for that currency. As these purchases were coupled with forward resales, they

Table 8.

NATIONAL BANK OF BELGIUM : EXCHANGE RESERVES  
AND FORWARD POSITION IN FOREIGN CURRENCIES AND,  
IN RELATION TO FOREIGN COUNTRIES, IN BELGIAN FRANCS <sup>(1)</sup>

(Changes in billions of francs)

	Gold hold-ings (a)	Assets held at the I.M.F. (b)	Net claims on the E.M.C.F. (c)	Foreign currencies			Belgian francs			Exch-ange reserves (j) = (a) + (b) + (c) + (d) + (g)	Grand total (k) = (e) + (h) + (j)
				Spot (d)	Forw-ard (2) (e)	Total (f) = (d) + (e)	Spot (g)	Forw-ard (2) (h)	Total (i) = (g) + (h)		
1968 .....	+2.2	- 1.3	—	-18.0	+17.4	- 0.6	-3.3	- 9.4	-12.7	-20.4	-12.4
1969 .....	-0.2	- 7.3	—	+17.1	-15.5	+ 1.6	+0.2	+ 2.0	+ 2.2	+ 9.8	- 3.7
1970 .....	-2.5	+18.6 <sup>(3)</sup>	—	+ 3.4	- 3.7	- 0.3	-0.2	+ 7.7	+ 7.5	+19.3	+23.3
1971 .....	+3.7	+17.0 <sup>(3)</sup>	—	- 4.4	+ 2.8	- 1.6	-2.7	+15.3	+12.6	+13.6	+31.7
1972 .....	-1.8	- 1.7 <sup>(3)</sup>	—	+17.4	+14.0	+31.4	+1.8	- 6.1	- 4.3	+15.7	+23.6
1973 .....	-1.6	+ 3.9	+3.5	+30.8	- 8.3	+22.5	-0.6	+ 6.7	+ 6.1	+36.0	+34.4
1972 First 11 m. ...	-1.6	- 1.9 <sup>(3)</sup>	—	+20.5	+11.9	+32.4	+1.7	- 4.2	- 2.5	+18.7	+26.4
1973 First 11 m. ...	-1.6	+ 3.3	+1.3	+29.9	- 8.4	+21.5	-0.4	+ 6.8	+ 6.4	+32.5	+30.9

(1) See Annex 6, Table 2.

(2) The plus sign indicates an increase in foreign currencies or Belgian francs receivable, or a decrease in foreign currencies or Belgian francs to be delivered, by the National Bank of Belgium; the minus sign indicates a decrease in foreign currencies or Belgian francs receivable, or an increase in foreign currencies or Belgian francs to be delivered, by the National Bank of Belgium. The main forward transactions carried out by the National Bank are : 1) sales of foreign currencies against Belgian francs to foreign central banks to cover the exchange risk resulting from the holding of exchange reserves in foreign currencies; in this case the inclusion of forward transactions in the table reveals that certain claims apparently in foreign currencies are actually in Belgian francs [increase in column (d) offset by a decrease in column (e) and increase in column (h)]; if there were only forward transactions of this type, the figures in columns (j) and (k) would be identical; 2) sales of foreign currencies to the Treasury in view of forthcoming payments due on the public debt in foreign currencies; in this case the inclusion of forward transactions in the table reveals that certain exchange reserves are now already virtually used up [increase in column (d) offset by a decrease in column (c)]; column (k) gives the variation in the exchange reserves remaining available, thus differing from column (j), which gives the apparent variation in these reserves.

(3) Not including the amount of the special drawing rights received by Belgium as an allocation.

had no effect on the creditor position in foreign currencies (spot assets less currencies to be delivered at forward dates), but increased the creditor position in Belgian francs. Conversely, dollars held by the Bank under swap agreements with the Federal Reserve Bank of New York were repurchased by the latter with Belgian francs. These purchases led to an equivalent reduction in the outstanding amount of dollars sold forward to the Federal Reserve Bank; consequently they, too, did not change the creditor position in foreign currencies but reduced that in Belgian francs. Furthermore, the Bank purchased dollars by interventions on the regulated foreign exchange market before that currency was floated in March and received dollars in payment for Community support operations, the effect of this being to increase both its spot assets and its creditor position in foreign currencies.

Lastly, this position, which is almost entirely covered by a Government guarantee against exchange risks, increased by Fr. 22.5 billion and the creditor position in Belgian francs by Fr. 6.1 billion.

The item « Net claims on the European Monetary Cooperation Fund » shows the balance of the Bank's assets and liabilities resulting from Community support operations carried out since the said Fund started activity on 1st June and not yet settled.

The rise of Fr. 3.9 billion in assets held at the International Monetary Fund is due, on balance, to the transfer of special drawing rights by the Netherlands, France and the Federal Republic of Germany in settlement of Community support operations, and to a contraction in the Bank's claim in respect of Belgium's membership of the Fund owing to net repayments in Belgian francs by various countries.

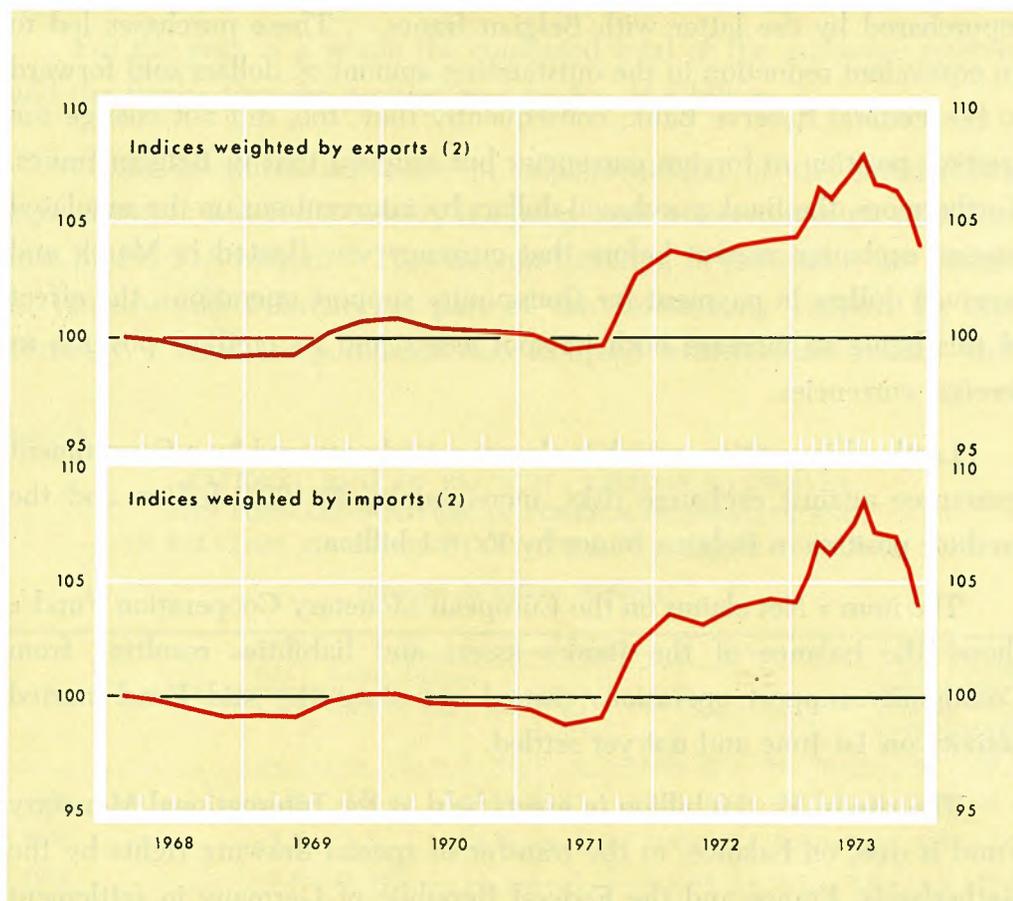
The reduction in the gold holding is due to sales to the Treasury with a view to the repayment of certificates denominated in gold held by the Bank for International Settlements.

On the exchange markets the changes in rates were numerous and large owing both to alterations in central rates and to fluctuations of the floating currencies.

Chart 20.

AVERAGE WEIGHTED VALUE OF THE BELGIAN FRANC  
ON THE REGULATED EXCHANGE MARKET <sup>(1)</sup>

(Indices, first half 1968 = 100)



(1) 1968 to 1972 : daily averages per quarter. 1973 : daily averages per month. See Annex 6, Table 3.

(2) These indices are obtained by weighting the indices of the rates for each currency by the relative importance of the Belgian-Luxembourg Economic Union's trade with the country or area of that currency. They differ from that calculated by the Organisation for European Cooperation and Development, reproduced in Chart 3, because they include the Belgian-Luxembourg Economic Union's foreign trade with all countries, whereas the index of the Organisation for European Cooperation and Development covers only foreign trade with member countries; furthermore, the latter index takes into consideration the competition between the Belgian-Luxembourg Economic Union and each of the afore-mentioned countries not only in their bilateral relations but also in the markets of the other countries.

On the regulated market the average rate for the Belgian franc, weighted by the relative importance of the Belgian-Luxembourg Economic Union's trade with foreign countries, rose steadily until July, except for a slight decline in April owing to the revaluation of the German mark. Subsequently the rate declined gradually, reflecting the effects of the revaluations of the German mark, in June, and the Dutch guilder, in

September, and the strengthening of the dollar from November onwards. The rise over December 1972 had reached nearly 4 p.c. in July; in December it was replaced by a decline of 0.5 p.c.

On the free market the rates for foreign currencies, expressed in Belgian francs, were very close to those on the regulated market and usually above them.

## PUBLIC FINANCES.

Despite the substantial increase — partly inflationary in origin — in tax revenue and the stabilisation of extraordinary expenditure, the gross deficit of the **central Government** rose further. Net financial requirements were, however, less than in 1972, mainly because the increased deficit on the Treasury's ordinary transactions was due to a sharp increase in expenditure on public debt redemption, which accentuates the gross deficit but not net financial requirements.

Thus for the first ten months the ordinary budget deficit reached Fr. 17.2 billion against Fr. 6.8 billion, allowance being made for Fr. 28.9 and 15 billion respectively of outpayments in respect of public debt redemption. This was no longer hindered by the level of security prices, and it was thus possible to make the normal redemption purchases and at the same time catch up the leeway which developed during the previous years.

Total ordinary expenditure increased by 20.2 p.c., against 16.7 p.c. in 1972. <sup>(1)</sup> This acceleration is attributable not only to the afore-mentioned expansion in debt repayments but also to the intensification of the price rise, additional expenditure resulting from the Government agreement and a pronounced increase in the contribution to the budget of the European

<sup>(1)</sup> In calculating the percentage increases in ordinary transactions, allowance was made for the ordinary debudgetised transactions of the Economic Expansion and Regional Reconversion Fund and the Road Fund. These percentages are also affected by the fact that large debt redemption expenditures in respect of earlier fiscal years took place in 1973.

Communities. It would have been even greater if the Government had not adopted, in May, a set of economy measures, such as the reduction of 4 p.c. in the appropriations for the purchase of non-durable goods and services, of 10 p.c. in the appropriations for the purchase of movable capital assets and of 5 p.c. in subsidies the amount of which is not fixed by any law or regulation.

The rise in ordinary revenue, smaller than that in expenditure, amounted to 17.2 p.c. against 12.9 p.c. in 1972. It was mainly in tax revenue and was primarily due to the expansion in total taxable assets and, to a very minor extent, to changes in rates and steps taken to improve tax collection. The increase in direct taxes, amounting to 22.4 p.c., was mainly attributable to the preliminary income tax and advance payments. The high yield of the preliminary income tax is mainly due to the rapid growth in earned incomes in nominal terms, to the progressive nature of the tax system and, to a certain extent, to an increase in the number of wage

Table 9.

THE CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Treasury (1)							Debudget- ised sector (h)	Central Govern- ment's net financial require- ments (i) = (g) + (h)
	Balance of budgetary transactions (2)			Other net inflows (+) or outflows (-) of funds (4) (d)	Net outflows of funds (e) = (e) + (d)	Public debt repay- ments included in budgetary expendi- ture (f)	Net financial require- ments (g) = (e) + (f)		
	Ordinary budget (3) (a)	Extraor- dinary budget (b)	Total (c) = (a) + (b)						
1968 .....	- 5.1	-41.7	-46.8	- 2.8	-49.6	15.5	-34.1	- 9.8	-43.9
1969 .....	- 5.1	-45.7	-50.8	+ 0.8	-50.0	21.9	-28.1	-12.9	-41.0
1970 .....	+ 5.6	-48.8	-43.2	- 1.0	-44.2	20.4	-23.8	-13.9	-37.7
1971 .....	+ 8.9	-63.2	-54.3	+ 1.3	-53.0	19.2	-33.8	-17.6	-51.4
1972 .....	- 3.4	-76.4	-79.8	- 3.9	-83.7	20.0	-63.7	-23.7	-87.4
1972 First 10 m. ...	- 6.8	-61.1	-67.9	- 5.4	-73.3	15.4	-57.9	-18.3	-76.2
1973 First 10 m. ...	-17.2	-61.1	-78.3	- 0.6	-78.9	29.3	-49.6	-18.3	-67.9

(1) Source : Ministry of Finance.

(2) Receipts and expenditure actually effected in each period, whatever the fiscal year to which they relate, internal transfers being excluded; including the transactions of the Road Fund and the Economic Expansion and Regional Reconversion Fund.

(3) See Annex 6, Table 4.

(4) Excluding inflows and outflows resulting from changes in the public debt.

and salary earners; the sharp rise in advance payments is connected with the growing tendency of taxpayers to make use of this method of payment, the favourable forecasts regarding business profits and the raising of the rate of corporation tax. Indirect taxes went up by 11.4 p.c. The yield of the value-added tax, although adversely affected by the obligation imposed on certain taxpayers to make in December 1972 a payment on account of the tax normally due in January 1973, increased by 10.2 p.c. for the first ten months.

For the same period, cash outpayments against the extraordinary budget <sup>(1)</sup> not covered by the — small — amount of extraordinary revenue amounted to Fr. 61.1 billion, or the same as in the previous year : this stability reflects a reduction in capital expenditure offset by an increase in financial expenditure, mainly transfers for social housing and payments made to balance the accounts of public transport enterprises. With regard to capital expenditure, the initial commitment programme was changed, in one direction, by the addition of programmes brought forward from 1972 and of extra programmes decided upon under the Government agreement and, in the opposite direction, by the reduction of 25 p.c. in the ceilings established for capital expenditure in non-priority sectors; on balance, the adjusted ceiling, for the budgetary and debudgetised sectors combined, was lowered to about 7 p.c. below the actual figures for 1972. Furthermore, the rate of use of authorised appropriations was slower than in 1972, thus accentuating the reduction in commitments.

For the execution of the ordinary and extraordinary budgets combined, the overall deficit consequently rose, for the first ten months, to Fr. 78.3 billion, against Fr. 67.9 billion.

However, after deduction of the budget cash outpayments for the redemption of the public debt, which, as stated above, were considerably larger than in the previous year, the deficit came to only Fr. 49 billion, against Fr. 52.5 billion. Allowance being made, furthermore, for the

<sup>(1)</sup> Including the capital expenditure of the Road Fund and the Economic Expansion and Regional Reconversion Fund.

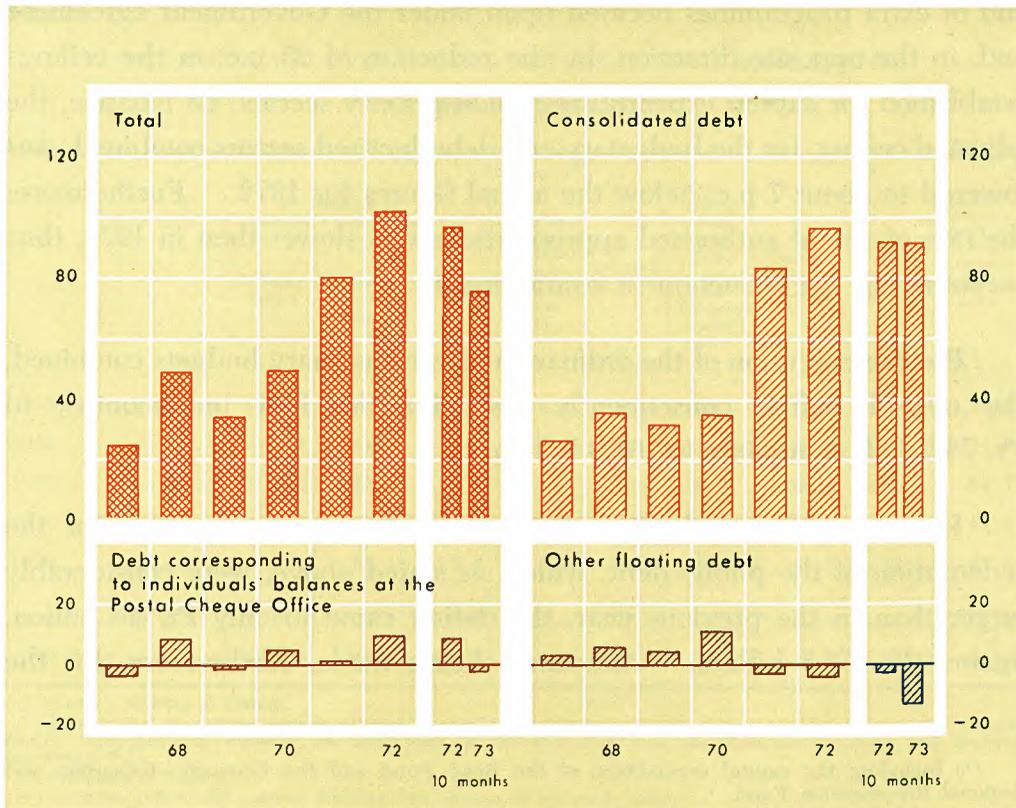
other Treasury transactions, especially the movements of third-party funds and the Treasury accounting officials' cash holdings, which resulted in net outflows of Fr. 0.6 billion, against Fr. 5.4 billion, the Treasury's net financial requirements finally reached, for the first ten months, Fr. 49.6 billion, against Fr. 57.9 billion.

The expenditure of the so-called debudgetised sector, which mainly relates to capital expenditure prefinanced outside the budget, such as the building of motorways, university expansion and Government-subsidised municipal works, was also affected by the curbing of public capital expenditure. It entailed net financial requirements totalling, for the first ten months, Fr. 18.3 billion, as in 1972. Added to that of the Treasury, this deficit raised the central Government's net financial requirements to Fr. 67.9 billion, against Fr. 76.2 billion.

Chart 21.

THE CENTRAL GOVERNMENT'S DEBT IN BELGIAN FRANCS

(Changes in billions of francs)



As in 1972, these requirements were more than fully covered by a rise in the central Government's commitments in Belgian francs : the amount of these increased by Fr. 75.8 billion the balance of an expansion of Fr. 90.4 billion in the consolidated debt and a reduction of Fr. 14.6 billion in the floating debt.

The redemption of the debt in gold and foreign currencies continued, but on a smaller scale, because by the end of 1972 the outstanding amount had already been reduced to Fr. 11.5 billion, including only Fr. 1.9 billion floating debt, which was fully redeemed two months later.

Table 10.

MEETING OF THE CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS  
(Billions of francs)

	Central Government's net financial requirements (1)	Changes in current account credit balance with the N.B.B. and Treasury holding of commercial bills (b)	Changes in debt							
			Grand total (2)	in foreign currencies (d)	in Belgian francs					to non-financial sectors (4)
					Total (e) = (c) - (d) = (f) to (j)	to financial intermediaries (3)				
						General Savings Fund and private savings banks (f)	Public sector financial intermediaries (g)	Banks (h)	National Bank of Belgium (i)	
(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d) = (f) to (j)	(f)	(g)	(h)	(i)	(j)	
1968 .....	+ 43.9	...	+43.9	- 0.9	+ 44.8	+ 3.7	+ 14.0	+ 4.0	+12.5	+10.6
1969 .....	+ 41.0	...	+41.0	+ 5.8	+ 35.2	+ 5.4	+ 3.8	+10.2	+ 0.2	+15.6
1970 .....	+ 37.7	...	+37.7	-11.2	+ 48.9	+ 10.9	+ 8.7	+17.3	- 2.5	+14.5
1971 .....	+ 51.4	...	+51.4	-28.6	+ 80.0	+ 18.1	+ 11.6	+39.0	- 8.8	+20.1
1972 .....	+ 87.4	...	+87.4	-14.4	+101.8	+ 20.3	+ 23.0	+38.9	- 3.7	+23.3
1972 First 10 m. ...	+ 76.2	+ 8.9	+85.1	-13.4	+ 98.5	+ 19.3	+ 15.8	+41.1	- 4.8	+27.1
1973 First 10 m. ...	+ 67.9	+ 4.5	+72.4	- 3.4	+ 75.8	+ 16.9	- 15.8	+48.1	- 1.0	+27.6

(1) See Table 9, column (i).

(2) See Annex 6, Tables 5 and 5bis.

(3) Certain categories of financial intermediaries, such as insurance companies and pension funds, for which the data are not available for the most recent periods, are included among the non-financial sectors.

(4) The figures for this item, which chiefly includes households and enterprises which are not financial intermediaries, are calculated as residues.

Out of the total of Fr. 75.8 billion of additional resources in Belgian francs acquired by the central Government during the first ten months, the non-financial sectors, primarily households and enterprises, provided Fr. 27.6 billion and the financial intermediaries Fr. 48.2 billion. The

decrease in indebtedness to the public sector financial intermediaries — primarily the decline in the debt to the Postal Cheque Office, the redemption by the Treasury of B certificates of the Securities Stabilisation Fund and the reduction in indebtedness to the Belgian Municipal Credit Institution — and the full repayment of the Treasury's short-term debt to the Bank did not offset the substantial increase in the portfolios of short-term and long-term public securities held by the savings banks and especially by the banks.

Thanks to the abundance of funds with which the money and capital markets supplied it during the year, the Treasury was able to keep down to Fr. 2.5 billion the average utilisation of its credit line with the Bank and, on several occasions, to build up a holding of temporary investments in commercial bills and sterilise cash surpluses with the Bank. Thus at the end of October it had a credit balance of Fr. 4.5 billion with the Bank.

The recorded net financial requirements of the **local authorities** amounted, for the first ten months, to Fr. 16.2 billion, against Fr. 10.1 billion; this increase was due in particular to an expansion, in current prices, in the capital expenditure of the provinces, municipalities

Table 11.

PUBLIC AUTHORITIES' NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Central Government (1)	Local authorities (2)	All public authorities (3)
1968 .....	43.9	10.8	54.7
1969 .....	41.0	4.6	45.6
1970 .....	37.7	13.6	51.3
1971 .....	51.4	15.9	67.3
1972 .....	87.4	12.6	100.0
1972 First 10 months .....	76.2	10.1	86.3
1973 First 10 months .....	67.9	16.2	84.1

(1) See Table 9, column (i).

(2) Net public loan issues and changes in net liabilities to the Belgian Municipal Credit Institution.

(3) Not including social security.

and associations of municipalities and by a certain falling-off in central Government transfers.

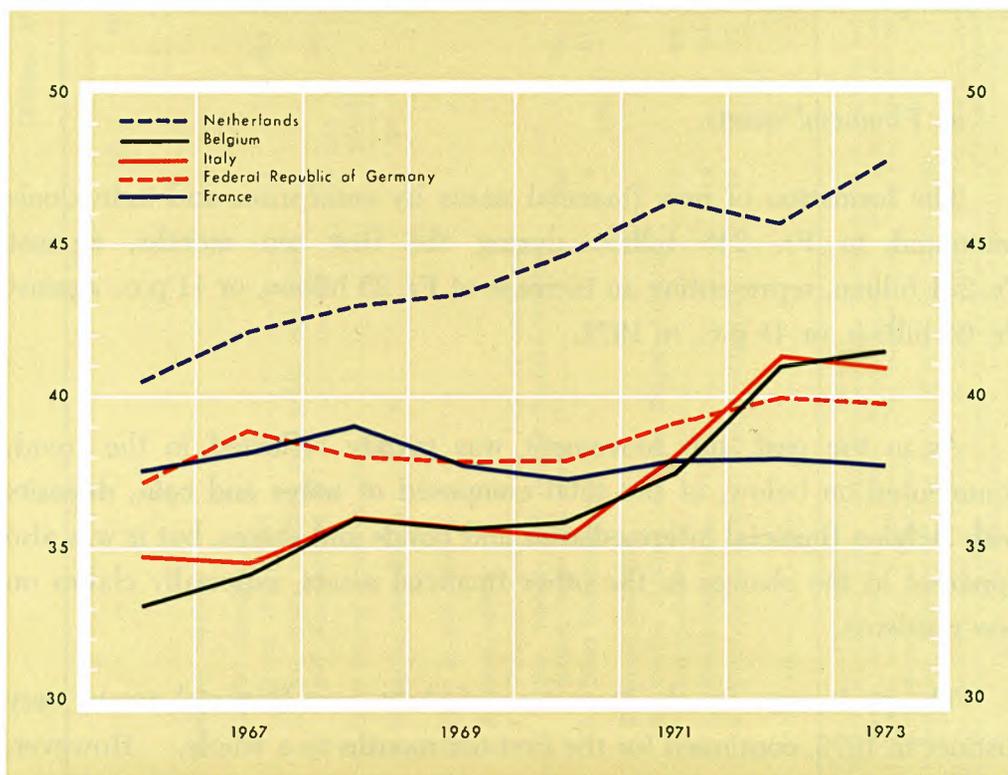
For the **public authorities** as a whole, excluding social security, the net financial requirements recorded amounted for the first ten months to Fr. 84.1 billion, against Fr. 86.3 billion.

Expressed as a percentage of the gross national product, the total expenditure of the public authorities, as defined in the national accounts, that is including social security, increased further. According to provisional estimates, this proportion declined slightly in some other countries of the European Economic Community; in the Netherlands, on the other hand, it appears to have grown more than in Belgium.

Chart 22.

PUBLIC AUTHORITIES' TOTAL EXPENDITURE AS A PROPORTION OF GROSS NATIONAL PRODUCT AT MARKET PRICES

(Per cent)



Source : Statistical Office of the European Communities. 1972 and 1973 : estimates.

## CLAIMS AND LIABILITIES OF INDIVIDUALS AND ENTERPRISES.

The increase, less marked than in 1972, in individuals' and enterprises' gross saving, that is, the amount of households' unconsumed available incomes and companies' undistributed gross profit (including appropriations to depreciation funds) was less than the growth, considerably greater than in 1972, in the total value of enterprises' investment in fixed assets and stock and of house-building.

Thus the financing capacity of individuals and enterprises, i.e. their net contribution to financing the expenditure of the public authorities and non-residents, was less than in the previous year : expressed in relation to the national product it fell from 9.3 to 7.4 p.c.

This trend of the financing capacity of individuals and enterprises is reflected, by definition, in that of their net claims : the increase, smaller than in 1972, in the financial assets formed by them was in fact exceeded by that, greater than in 1972, in their new financial liabilities.

### a) *Financial assets.*

The formation of new financial assets by enterprises and individuals amounted to Fr. 246 billion during the first ten months, against Fr. 221 billion, representing an increase of Fr. 25 billion, or 11 p.c., against Fr. 64 billion, or 41 p.c., in 1972.

As in the past, this movement was mainly reflected in the trend, commented on below, of the total composed of **notes and coin, deposits with Belgian financial intermediaries and bonds and shares**, but it was also apparent in the change in the other financial assets, especially claims on non-residents.

The preference for the formation of short-term financial assets, very distinct in 1972, continued for the first ten months as a whole. However, this tendency conceals divergent movements. During the first half-year

Table 12.

## CAPITAL ACCOUNT OF ENTERPRISES AND INDIVIDUALS

(Billions of francs)

	1971	1972	1973 <i>c</i>	1972		1973		Changes from the previous year (1)	
				First 10 months				1972	1973 <i>c</i>
<b>A. Financing capacity :</b>									
1. Capital resources :									
1.1 Gross saving (2) .....	331	385	428	n.a.	n.a.	n.a.	n.a.	+ 54	+ 43
1.2 Net capital transfers from public authorities and miscellaneous (3) .....	34	35	31	n.a.	n.a.	n.a.	n.a.	+ 1	- 4
	365	420	459	n.a.	n.a.	n.a.	n.a.	+ 55	+ 39
2. Gross capital formation (4) .....	268(5)	273(5)	326(5)	n.a.	n.a.	n.a.	n.a.	+ 5	+ 53
3. Financing capacity (=1.-2.) (6) .....	97	147	133	127	123	123	123	+ 50	- 14
<b>B. Changes in net claims :</b>									
1. Financial assets :									
1.1 Financial assets in the form of notes and coin, deposits with Belgian financial interme- diaries, bonds and shares (7) .....	210	261	265	194	205	205	205	+ 51	+ 4
1.2 Other financial assets (8) .....	- 2	21	36	27	41	41	41	+ 23	+ 15
	208	282	301	221	246	246	246	+ 74	+ 19
2. Financial liabilities :									
2.1 Credits obtained from the Belgian financial intermediaries (9) .....	73	98	130	66	97	97	97	+ 25	+ 32
2.2 Bonds and shares (10) .....	19	20	10	15	4	4	4	+ 1	- 10
2.3 Financial liabilities to foreign countries .....	19	17	28	13	22	22	22	- 2	+ 11
	111	135	168	94	123	123	123	+ 24	+ 33
3. Net claims (=1.-2.) .....	97	147	133	127	123	123	123	+ 50	- 14

(1) The comments generally relate to these changes.

(2) Gross undistributed profits (including appropriations for depreciation) of companies and unconsumed amounts of households' disposable incomes.

Sources : 1971 and 1972 : National Statistical Institute. 1973 : estimates of the Ministry for Economic Affairs.

(3) Amounts arrived at as differences. These amounts include, inter alia, payments for purchases of land and used goods and also credits to the public operating organisations and participations in these organisations.

(4) Enterprises, investments in fixed assets and stocks, and house-building.

Sources : See sources in Note (2) above.

(5) The estimates provided for this item by the sources stated in Note (4) have been adjusted to allow for the latest available balance-of-payments data.

(6) The amount of the savings of individuals and enterprises which, on balance, finances expenditure by public authorities and net lending to the rest of the world. This amount is, by definition, equal to the change in the net claims of individuals and enterprises; see section B. 3 of the table.

(7) See Table 13.

(8) Mainly claims on foreign countries.

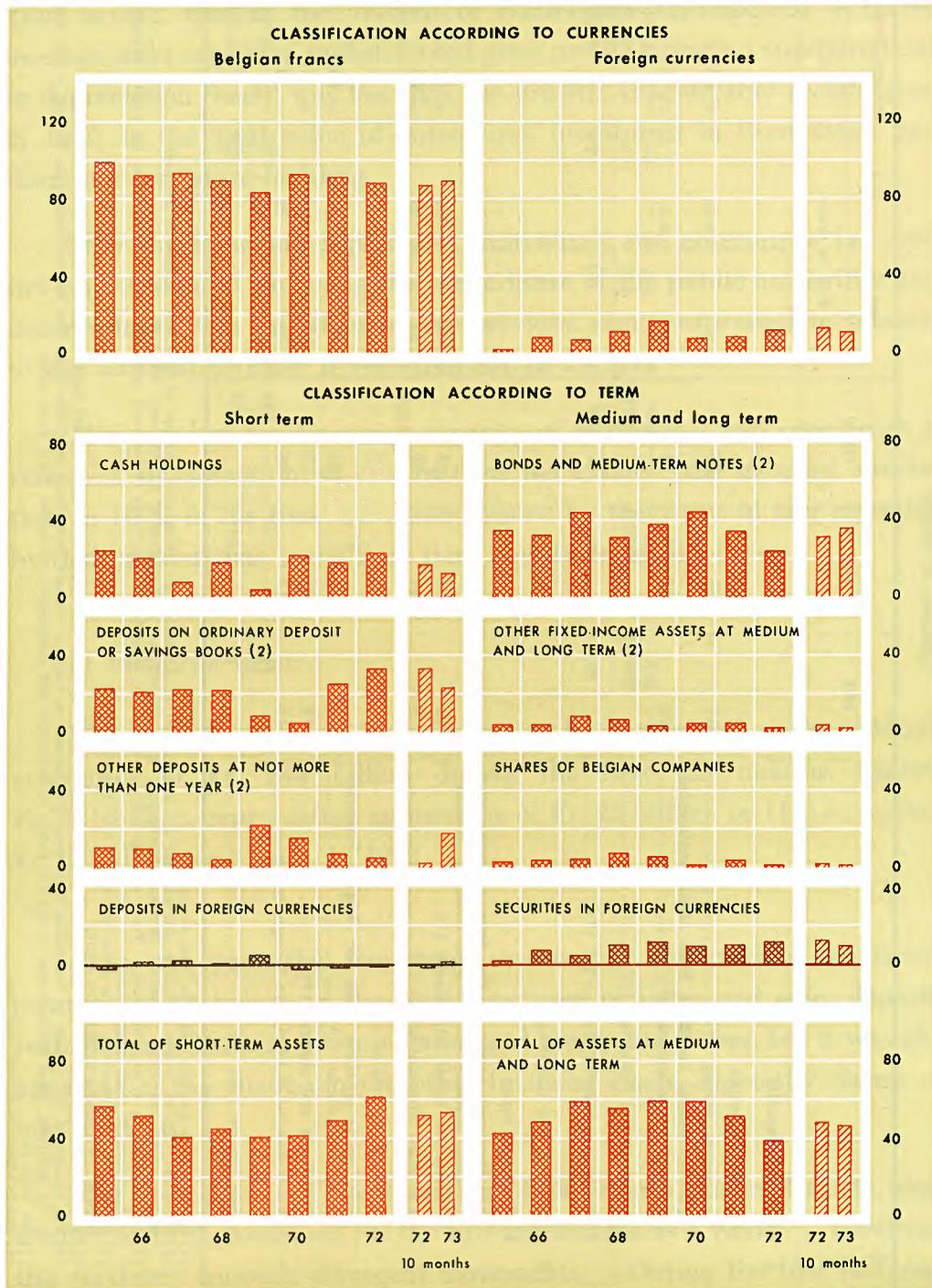
(9) See Table 15.

(10) Excluding the bonds purchased by the General Savings and Pensions Fund. These bonds are recorded among credits obtained from the financial intermediaries.

Chart 23.

CLASSIFIED CONSTITUTION OF FINANCIAL ASSETS <sup>(1)</sup>

(In per cent of total constitution)



(1) See Tables 13 and 14.  
 (2) In Belgian francs.

the relative share of short-term financial assets in total formation of new financial assets was greater than in 1972, but subsequently enterprises and individuals, probably anticipating an early decline in long-term interest rates, formed proportionally more assets at medium and long term.

The formation of financial assets in foreign currencies decreased, for the first ten months, from Fr. 24.6 billion in 1972 to Fr. 22.6 billion. Their share in total formation of new financial assets, which had increased greatly in the previous years, thus declined.

Table 13.

PRINCIPAL FINANCIAL ASSETS <sup>(1)</sup>

(Changes in billions of francs)

	Belgian francs					Foreign currencies			Grand total
	Cash holdings (2)	Non-monetary fixed-income assets (3)	Shares (4)	Less : Securities held by non-residents	Total	Deposits with Belgian banks	Securities (5)	Total	
1968 .....	+22.7	+ 79.5	+8.7	-( -0.5)	+111.4	+ 0.4	+12.6	+13.0	+124.4
1969 .....	+ 4.9	+ 89.5	+6.8	-( -1.1)	+102.3	+ 5.9	+14.7	+20.6	+122.9
1970 .....	+32.6	+102.5	+2.0	-( +1.3)	+135.8	- 3.3	+14.1	+10.8	+146.6
1971 .....	+37.8	+150.1	+8.0	-( +5.1)	+190.8	- 1.7	+21.0	+19.3	+210.1
1972 .....	+61.2	+169.6	+3.9	-( +4.1)	+230.6	- 0.5	+31.0	+30.5	+261.1
1972 First 10 months	+35.1	+134.1	+3.3	-( +3.6)	+168.9	- 1.3	+25.9	+24.6	+193.5
1973 First 10 months	+24.2	+161.4	+1.6	-( +4.5)	+182.7	+ 1.5	+21.1	+22.6	+205.3

(1) Held by individuals and enterprises (other than financial intermediaries), including public operating organisations and certain financial intermediaries which could not be excluded in 1973 : life assurance companies, employers' liability insurance companies and pension funds.

(2) The cash holdings of the sectors described in footnote (1) have been calculated by adding together the total amount of notes and coin (see Annex 6, Table 6) and the sight deposits held by enterprises and individuals (see Annex 6, Table 7).

(3) See Table 14.

(4) Belgian companies' public share issues : amounts paid in cash on issue or on calls for further funds.

(5) Net purchases by residents of the Belgian-Luxembourg Economic Union.

Deposits in foreign currencies with Belgian banks increased by Fr. 1.5 billion during the first ten months, whereas they had decreased by Fr. 1.3 billion in 1972. On the other hand, net purchases of securities fell from Fr. 25.9 to 21.1 billion owing to the uncertainty which prevailed on the exchange markets and which was coupled with an appreciable decrease in the amount of international issues of bonds.

The formation of assets in Belgian francs amounted to Fr. 182.7 billion in the first ten months, against Fr. 168.9 billion in 1972. The yield on non-monetary assets was raised several times, but more often than not it failed to offset the decline in the domestic purchasing power of the currency. In addition to the changes mentioned below for the first ten months, an

Chart 24.

COMPOSITION AND UTILISATION RATE OF CASH HOLDINGS



(1) 1973 : estimate.

(2) Ratio of the gross national product at current prices to the average cash holdings. Quarterly figures seasonally adjusted. Sources : Gross national product : National Statistical Institute and Department of Applied Economics at the Free University of Brussels.

(3) Monthly averages per quarter, seasonally adjusted. See Annex 6, Table 8.

(4) For statistical reasons, the 1972 and 1973 figures are not fully comparable with those for the preceding years.

increase in short-term and medium-term rates was decided upon in December.

The growth in cash holdings was only Fr. 24.2 billion, against Fr. 35.1 billion in 1972. The general rise in interest rates probably caused enterprises and individuals to restrict the holding of assets whose yield is either nil or invariable.

Parallel to this there took place, between the third quarter of 1972 and the corresponding quarter of 1973, an increase in the income velocity of cash holdings and, even more, in the rate of turnover on bank sight deposits and postal cheque accounts.

The proportion of notes and coin in cash holdings declined further from 46.1 p.c. at the end of October 1972 to 44.7 p.c. a year later. For control of the liquidity of the financial intermediaries to remain adequate, this trend necessitates a widening of the range of instruments of monetary policy employed.

After an exceptionally large increase of Fr. 63 billion during the first ten months of 1972, deposits on ordinary deposit or savings books rose further by Fr. 46.2 billion last year, but their share in total new financial assets in Belgian francs fell from 37.3 to 25.3 p.c. Although the remuneration of these deposits was raised twice during the latter period, namely by 0.25 and 0.50 p.c. respectively, these increases did not equal those in the rates for other non-monetary financial assets in Belgian francs.

On the other hand, other non-monetary deposits at not more than one year rose faster than in the previous year. Their expansion amounted, for the first ten months, to Fr. 37 billion, against only Fr. 3.5 billion in 1972, their share in total formation of financial assets in Belgian francs having thus risen from 2.1 to 20.2 p.c. The growth was mainly in large deposits, favoured by the increased liquidity of some enterprises and by yields which had become very attractive; at certain times it was possible to obtain short-term credits at rates which made it profitable to form new deposits. Ordinary deposits at fixed date and at notice also increased faster than in

the previous year, although to a less marked extent than large deposits. Their interest rates were raised three times during the period in question, amounting, according to the term of the deposits, to a total rise of 1.25 to 2 p.c.; this was thus more than the increase in the rates for deposits on ordinary deposit or savings books.

Table 14.

FIXED-INCOME NON-MONETARY FINANCIAL ASSETS IN BELGIAN FRANCS

(Changes in billions of francs)

	Deposits on ordinary deposit or savings books (1)	Other deposits at not more than one year		Financial assets at medium and long term		Grand total
		Total (2)	of which : Deposits at fixed date and at notice	Total (3)	of which : Bonds and medium-term notes (4)	
1968 .....	+ 27.3	+ 5.7	+ 4.4	+ 46.5	+ 38.0	+ 79.5
1969 .....	+ 11.3	+ 27.5	+ 25.7	+ 50.7	+ 46.4	+ 89.5
1970 .....	+ 7.5	+ 23.4	+ 19.1	+ 71.6	+ 64.1	+102.5
1971 .....	+ 53.5	+ 14.7	+ 12.3	+ 81.9	+ 70.8	+150.1
1972 .....	+ 87.3	+ 12.8	+ 6.1	<i>p</i> + 69.5	<i>p</i> + 61.5	<i>p</i> +169.6
1972 First 10 months .	+ 63.0	+ 3.5	+ 3.9	<i>p</i> + 67.6	<i>p</i> + 59.6	<i>p</i> +134.1
1973 First 10 months <i>p</i>	+ 46.2	+ 37.0	+ 35.0	+ 78.2	+ 73.5	+161.4

(1) See Annex 6, Table 9.

(2) Deposits at fixed date and at notice, at over 90 days and not more than one year with the mainly monetary institutions and the other financial intermediaries and deposits at sight and at not more than 90 days with the last-mentioned intermediaries.

(3) Deposits at over one year and holdings of bonds and medium-term notes.

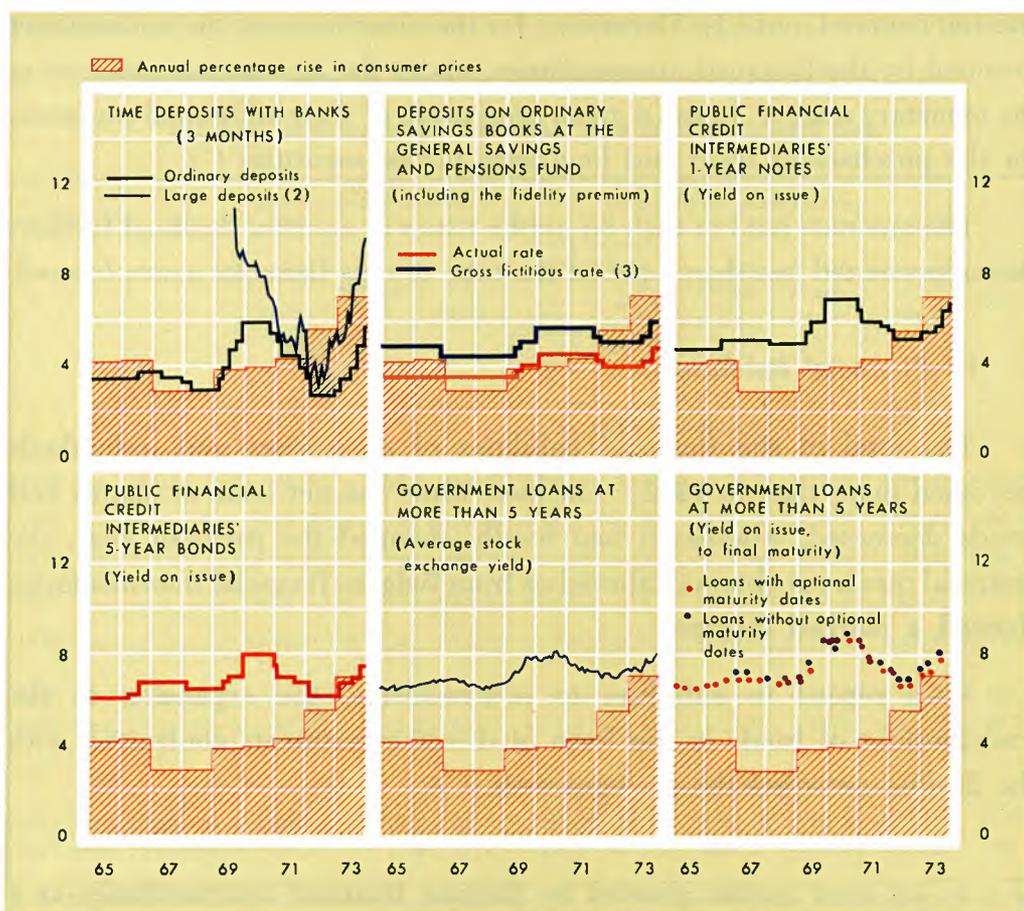
(4) See Annex 6, Tables 10, 11 and 12.

Enterprises and individuals formed, during the first ten months, fixed-income financial assets at medium and long term amounting to Fr. 78.2 billion, against Fr. 67.6 billion in 1972. Deposits at over one year rose by only Fr. 4.7 billion, against Fr. 8 billion. Net investments in bonds and medium-term notes, on the other hand, amounted to Fr. 73.5 billion, against Fr. 59.6 billion. This increase, which largely reflects a growth in subscriptions to bonds and medium-term notes issued by the public-sector financial intermediaries, is probably connected with the afore-mentioned decline in net purchases of securities in foreign currencies and with the trend of rates of yield. The rates on medium-term notes and bonds issued by the public credit institutions were raised by from 0.95 to 1.25 p.c.

Chart 25.

RATES ON PORTFOLIO INVESTMENTS IN BELGIAN FRANCS ACCESSIBLE TO THE GENERAL PUBLIC (1)

(Per cent)



(1) Rates before deduction of taxes at source. See Annex 6, Table 18.

(2) Indicative rates for deposits from Fr. 5 to 20 million.

(3) As income from deposits on ordinary savings books is at present exempt from tax up to Fr. 10,000 per year, their actual rate is not comparable with the rates shown in the other charts. The gross fictitious rate provides a valid basis of comparison in the case of an individual who pays, on the income from his other investments, neither more nor less than the tax deducted at source.

in three stages, while the yield on Government bonds to the holder to final maturity, which was 6.78 p.c. for the 1972-1987 loan issued in September 1972, rose to 7.98 p.c. for the 1973-1987 loan issued in September 1973.

Despite the increase in purchases of bonds and medium-term notes by enterprises and individuals, total net issues of these securities were lower

than in 1972. The relative proportion of subscriptions by enterprises and individuals thus, for the first ten months, rose from 35.5 p.c. in 1972 to 50.4 p.c. The financial intermediaries acquired less bonds and medium-term notes issued by the public credit institutions; this category of securities was not counted, until 1st December, for the observance of the undertaking assumed by the financial intermediaries, under the agreements concerning the monetary reserve, to use a given proportion of their additional resources for the purchase of short and long-term public securities <sup>(1)</sup>.

The amounts paid in cash on public issues of equities declined further; they represented less than 1 p.c. of the total of new financial assets formed.

b) *Financial liabilities.*

The total of the financial liabilities of enterprises and individuals increased more than in 1972. In fact, while the net issue of shares and bonds decreased, whereas it had hardly changed the previous year, the financial resources obtained abroad or from Belgian financial intermediaries showed a marked increase.

With regard to liabilities to non-residents, the expansion in the contributions of funds in the form of direct investments contrasted with the decline recorded the previous year.

As for **used credits granted by Belgian financial intermediaries as a whole**, these rose during the first ten months by Fr. 97 billion, or 11.6 p.c., against Fr. 65.8 billion or 9 p.c. the previous year.

Individuals considerably increased their recourse to mortgage loans, mainly to finance outlays decided on in 1972. On the other hand, the increase in short-term credits for financing consumer expenditure, mainly on durable consumer goods, failed to reach the very high 1972 level, chiefly owing to the tightening of the terms for instalment credit in February and August.

<sup>(1)</sup> See, on this subject, page 84 et seq.

Compared with 1972, enterprises substantially intensified their recourse to long-term capital investment credits in the first half of the year and that to short-term credits in the third quarter; a slackening followed.

Table 15.

CHANGES IN CREDITS USED BY ENTERPRISES AND INDIVIDUALS <sup>(1)</sup>

Classified according to the institutions which originally granted them

	Mainly monetary institutions			Other financial intermediaries					Grand total
	Banks	National Bank of Belgium	Total	Public financial intermediaries		General Savings and Pensions Fund <sup>(2)</sup>	Private savings banks	Total	
				which specialise in business lending	which specialise in loans for housing				
<i>A. In billions of francs</i>									
1968 .....	+25.5	- 0.3	+25.2	+18.1	+ 3.4	+ 7.7	+ 5.2	+34.4	+59.6
1969 .....	+12.2	+ 0.6	+12.8	+21.1	+ 4.2	+10.0	+ 8.5	+43.8	+56.6
1970 .....	+24.9	- 0.2	+24.7	+18.6	+ 5.7	+ 5.1	+ 8.8	+38.2	+62.9
1971 .....	+34.1	+ 0.9	+35.0	+14.1	+ 8.3	+ 8.3	+ 7.3	+38.0	+73.0
1972 .....	+52.0	+ 0.2	+52.2	+ 8.2	+ 8.0	+18.0	+11.4	+45.6	+97.8
1972 First 10 months	p+29.3	- 1.9	p+27.4	+ 6.8	+ 7.8	+15.8	+ 8.0	+38.4	p+65.8
1973 First 10 months	p+38.0	- 2.1	p+35.9	+19.0	+ 9.3	+17.0	+15.8	+61.1	p+97.0
<i>B. As percentage of change in grand total</i>									
1972 First 10 months	p+44.5	- 2.9	p+41.6	+10.3	+11.9	+24.0	+12.2	+58.4	100
1973 First 10 months	p+39.2	- 2.2	p+37.0	+19.6	+ 9.6	+17.5	+16.3	+63.0	100

(1) Changes in outstanding used amount of credits granted by way of discount, advance and acceptance, excluding those representing enterprises' commercial claims on non-residents. The enterprises include the public operating organisations but not the financial intermediaries.

(2) Including net purchases of bonds issued by enterprises.

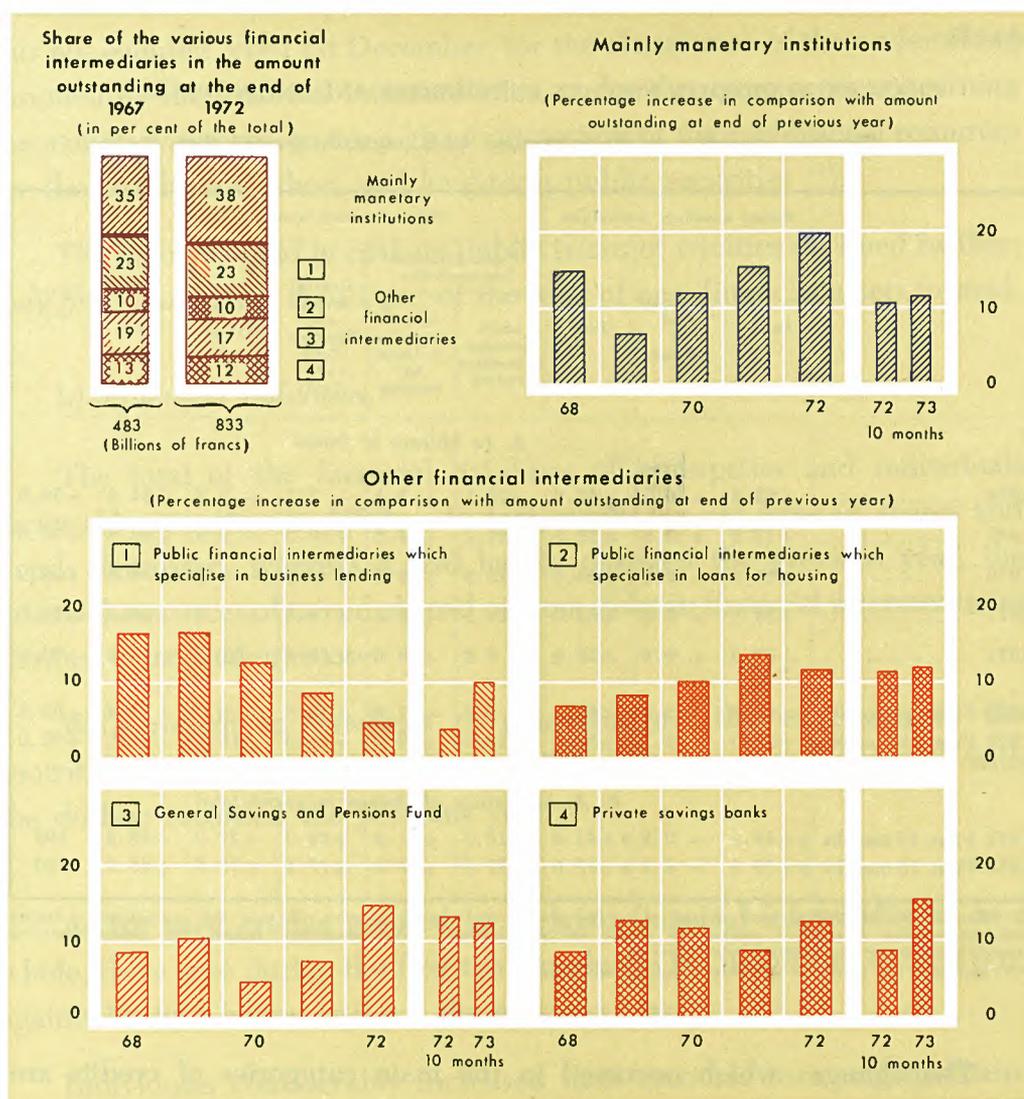
The changes which occurred in the main categories of credits are reflected in the movements of the outstanding used amounts obtained from each type of financial intermediary.

Bank credits used rose by Fr. 38 billion or 12.1 p.c. in the first ten months, against Fr. 29.3 billion or 11.1 p.c. in 1972. This faster growth was solely due to the increased demand from enterprises for both short-term and long-term credit.

Chart 26.

OUTSTANDING USED AMOUNT OF CREDITS GRANTED TO ENTERPRISES AND INDIVIDUALS <sup>(1)</sup>

Classified according to the institutions which originally granted them



(1) See Table 15.

The more pressing need for long-term credit also affected the public financial intermediaries specialising in business lending, but not the General Savings and Pensions Fund, which did not allocate such a large volume of resources as in the previous year to net subscription to bonded loans issued

by both public-sector and private-sector enterprises. However, that institution's total credit-granting did expand slightly owing to the growth in loans for housing in connection with the recovery in building.

This last phenomenon also explains the more marked increase in used credits granted by the private savings banks and also a certain quickening in the use of credits from the public financial intermediaries specialising in loans for housing.

**Credits opened**, although less well recorded statistically, have an important significance, as they are a major factor in enterprises' and individuals' spending decisions. They reached very high levels in the case of all categories of financial intermediaries in the first part of the year. The October and November figures on the other hand, were relatively low.

The outstanding amounts of credits opened by banks rose, in the first eleven months, by Fr. 87 billion, against Fr. 89.2 billion the previous year. A slackening of the rate of expansion was observable from the third quarter onwards for capital investment credits and from September for other credits. According to the very latest available data, the trend might now be upwards again.

The degree of use of bank credits exceeded the rather low level reached in 1972.

As for credits to enterprises opened by the public financial intermediaries, these amounted to Fr. 56 billion in the first eleven months, against Fr. 50 billion; they were particularly high in the first quarter, but became rather low from October onwards.

Credits for housing opened by the public financial intermediaries reached Fr. 24.1 billion in the first half-year, against Fr. 18.5 billion the previous year; from the end of June to the end of November their amount, at Fr. 12.3 billion, was below the 1972 figure of Fr. 15.8 billion. Credits opened by the private savings banks also reached a particularly high level in the first six months; in the third quarter they began to decline, and this

movement was accentuated in October and November. This slowing-down in both the public and private sectors in the last months of the period under review reflects, in particular, the relatively low level inevitably reached by house-purchase decisions, for a while at least, after the concentration of a large number of such decisions in a short period owing to the stimulating measures adopted in 1972.

Table 16.

CREDITS OPENED

(Billions of francs)

	Changes in outstanding amount of credits opened by banks (1)			New credits opened		
	Capital investment credits	Other credits	Total	Public financial intermediaries		Private savings banks
				Business lending	Loans for housing	
1971 .....	+ 2.6	+ 76.3	+ 78.9	38.2	20.6	18.8
1972 .....	+ 11.2	+ 88.8	+100.0	54.8	37.1	29.8
1972 1st quarter .....	- 0.1	+ 27.5	+ 27.4	11.1	9.8	5.1
2nd quarter .....	+ 2.8	+ 20.4	+ 23.2	13.8	8.7	6.8
3rd quarter .....	+ 4.8	+ 15.1	+ 19.9	11.3	9.9	6.8
October-November .....	+ 1.8	+ 16.9	+ 18.7	13.8	5.9	5.1
Total for first 11 months .....	+ 9.3	+ 79.9	+ 89.2	50.0	34.3	23.8
1973 1st quarter .....	p+ 4.5	p+ 27.2	p+ 31.7	24.2	12.9	9.3
2nd quarter .....	p+ 2.8	p+ 23.8	p+ 26.6	14.6	11.2	9.9
3rd quarter .....	p+ 2.3	p+ 21.6	p+ 23.9	11.8	7.0	7.9
October-November .....	p- 0.8	p+ 5.6	p+ 4.8	5.4	5.3	4.2
Total for first 11 months .....	p+ 8.8	p+ 78.2	p+ 87.0	56.0	36.4	31.3

(1) Credits of Fr. 1 million and above, excluding advances to non-residents.

In view of the trend of economic activity, the state of the money and capital markets and the monetary policy pursued, the financial intermediaries raised their debtor interest rates several times. The cost of short-term credit followed the increases in the Bank's rates, while the rates for long-term loans were usually raised in conjunction with the increases in the creditor interest rates of the financial intermediaries specialising in the granting of these loans. Furthermore, at the beginning of the last quarter a monetary reserve commission was set up for capital

investment credits and discount and acceptance credits; this was subsequently extended to overdrafts. Lastly, in December the banks agreed to fix the rates for overdrafts by reference no longer to the Bank's rate for advances but to a rate more in keeping with the state of the market.

## FINANCIAL INTERMEDIARIES.

About 73 p.c. of the new financial assets of enterprises and individuals were constituted with financial intermediaries, against 70 p.c. in the first ten months of 1972. The funds thus provided to those intermediaries increased at the same rate as in the previous year. However, there was a speeding-up or slowing-down depending on the categories of financial intermediaries in question. For, according to the structure of their resources, these intermediaries were influenced by the divergent changes in the different kinds of financial assets described earlier.

For the intermediaries whose liabilities consist almost exclusively of means of payment, that is, the Bank, the Monetary Fund and the Postal

Table 17.

### CHANGES IN FINANCIAL ASSETS OF INDIVIDUALS AND ENTERPRISES HELD WITH FINANCIAL INTERMEDIARIES

(Billions of francs)

	National Bank of Belgium	Monetary Fund and Postal Cheque Office	Banks	Public sector non- monetary financial intermedi- aries	Private savings banks	Total	Total as percentage of total financial assets (1)
1968 .....	+ 5.5	+ 7.4	+ 31.1	+ 33.2	+ 13.4	+ 90.6	72.8
1969 .....	- 1.0	- 2.0	+ 41.4	+ 28.6	+ 13.7	+ 80.7	65.7
1970 .....	+ 5.1	+ 6.1	+ 38.9	+ 42.6	+ 16.4	+109.1	74.4
1971 .....	+ 13.3	+ 0.6	+ 59.5	+ 58.4	+ 25.9	+157.7	75.1
1972 .....	+ 20.5	+ 11.1	+ 77.0	+ 57.4	p+ 31.7	p+197.7	p 75.7
1972 First 10 months .	+ 10.0	+ 13.0	+ 49.8	+ 40.7	p+ 23.0	p+136.5	p 70.5
1973 First 10 months .	+ 5.1	+ 0.8	+ 71.7	p+ 47.9	p+ 25.1	p+150.6	p 73.4

(1) Changes in financial assets held with all the financial intermediaries as a percentage of the grand total of Table 13.

Cheque Office, the growth in the first ten months was appreciably smaller than in 1972. Thus the share of the Bank's monetary liabilities in the total of new financial assets formed by individuals and enterprises with the financial intermediaries fell from 7.3 p.c. for the first ten months of 1972 to 3.4 p.c. The marked increase in time deposits enabled the banks to show a larger growth in resources than the other financial intermediaries. The rise in purchases of bonds and medium-term notes by enterprises and individuals mainly benefited the public-sector non-monetary financial intermediaries. Lastly, the falling-off in the formation of deposits on ordinary deposit or savings books largely cancelled out the greater increase in the private savings banks' other liabilities.

Table 18.

ORIGINS OF CHANGES IN THE MONEY SUPPLY AND IN THE BANKS'  
NON-MONETARY LIABILITIES

(Billions of francs)

	Money supply (1)	Non-monetary financial assets held with banks			Total	Origins			
		in Belgian francs		in foreign currencies		Transactions with foreign countries (3)	Credits to enterprises and individuals (4)	Financing of the public authorities (5)	Miscellaneous
		at up to one year (2)	at over one year						
1968 .....	+26.1	+14.0	+ 6.8	+ 0.4	+ 47.3	- 8.1	+25.2	+27.1	+ 3.1
1969 .....	+ 9.8	+23.2	+ 4.7	+ 5.9	+ 43.6	+12.6	+12.8	+21.1	- 2.9
1970 .....	+32.2	+12.8	+ 8.2	- 3.3	+ 49.9	+13.5	+24.7	+13.4	- 1.7
1971 .....	+42.1	+25.5	+12.4	- 1.7	+ 78.3	+32.1	+35.0	+ 8.7	+ 2.5
1972 .....	+65.2	+39.0	+10.3	- 0.5	+114.0	+22.6	+52.2	+40.6	- 1.4
1972 First 10 months	+36.0	+29.7	+10.1	- 1.3	+ 74.5	+19.9	<i>p</i> +27.4	+31.3	<i>p</i> - 4.1
1973 First 10 months	+27.1	+45.7	+ 7.0	+ 1.5	+ 81.3	<i>p</i> +11.8	<i>p</i> +35.9	<i>p</i> +37.2	<i>p</i> - 3.6

(1) See Annex 6, Tables 6 and 7. The totals of the amounts included in the last column of these two tables are equal to the amounts appearing in this column.

(2) Including deposits received on deposit or savings books.

(3) Current transactions and movements in capital funds of enterprises and individuals. The figures, calculated as differences from data prepared by the Belgian mainly monetary institutions, relate to Belgium; they are not comparable with those in Tables 4 to 7, which relate to the Belgian-Luxembourg Economic Union.

(4) See Table 15.

(5) The movement in capital funds of the public authorities to and from foreign countries is included in this column.

With regard, more particularly, to the mainly monetary institutions, their liabilities, including those to the public authorities, increased as a whole for the first ten months by Fr. 81.3 billion, against Fr. 74.5 billion.

As a counterpart to this acceleration there was the more pronounced increase in lending to enterprises and individuals and, to a smaller extent, in financing of the public authorities. On the other hand, the surplus in respect of current transactions and capital movements of enterprises and individuals with foreign countries was smaller than in 1972.

## **MONETARY RESERVE.**

The system established for the period from 20th November, 1972 to the end of February, 1973 by the agreements concluded between, on the one hand, the Bank and, on the other hand, the banks, private savings banks and main public credit institutions with the object of forming a monetary reserve and maintaining, in the employment of these financial intermediaries' resources, at least as large a proportion of investments in public paper as before was renewed and, as regards the monetary reserve, reinforced on 26th February and 28th September. The life assurance companies, from 15th July, and the employers' liability insurance companies, from 31st December, were associated with this system, which now embraces all financial intermediaries of any importance.

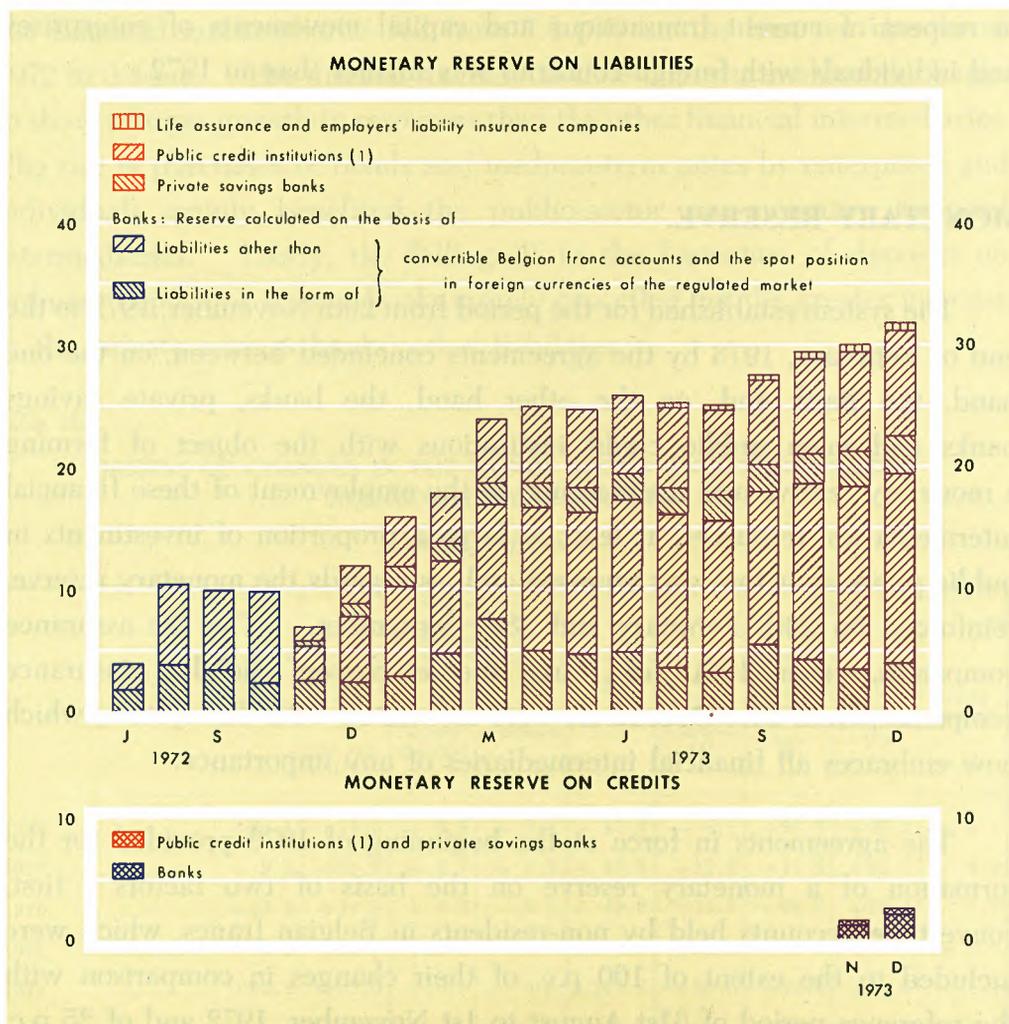
The agreements in force at the beginning of 1973 provided for the formation of a monetary reserve on the basis of two factors : first, convertible accounts held by non-residents in Belgian francs, which were included to the extent of 100 p.c. of their changes in comparison with the reference period of 31st August to 1st November, 1972 and of 25 p.c. of their average outstanding amount during this period; second, other liabilities, included to the extent of 4, 1.5 and 0.5 p.c. respectively depending on whether they were at sight, at not exceeding two years or for longer terms. The financial intermediaries were, however, only obliged to form a monetary reserve to the extent of 70 p.c. of the amount thus obtained.

The agreements concluded on 26th February for the period from 1st March to 31st May progressively raised the above mentioned rate from

Chart 27.

MONETARY RESERVE

(Outstanding amount in billions of francs, end of month)



(1) General Savings and Pensions Fund, Belgian Municipal Credit Institution, National Industrial Credit Company, National Fund for Credit to Trade and Industry and, from 1st October 1978, Central Office for Mortgage Credit and National Institute for Agricultural Credit.

70 to 100 p.c. They also imposed a 100 p.c. reserve on any increase in the banks' debtor spot position in foreign currencies of the regulated market compared with the reference period of 1st-10th February. For a worsening of this position, connected in particular with the banks' need to obtain cover for their forward purchases of foreign currencies from their customers, can lead to substantial sales of foreign currencies to the Bank;

the object of making it subject to the reserve requirement in the same way as convertible Belgian franc accounts was thus to perfect the system of protection as regards inflows of funds to the banks from abroad.

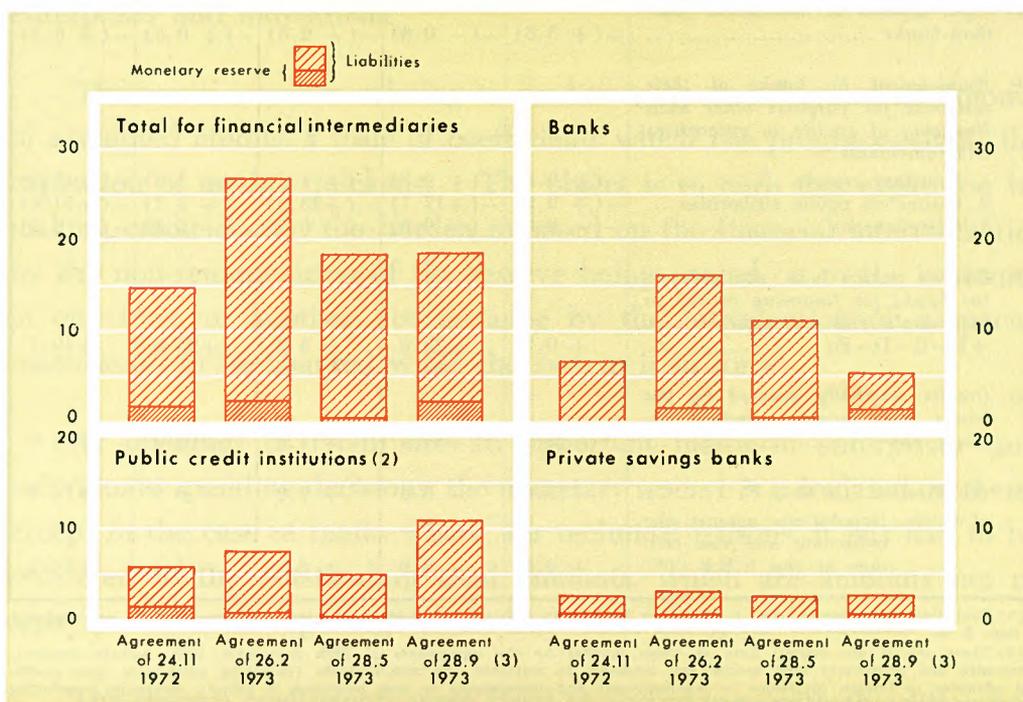
While no major change was made at the time of the renewal of 28th May, that was not the case with the agreements concluded on 28th September for the period from 1st October, 1973 to 31st January, 1974.

At that time the increase in credits opened by the financial intermediaries in favour of enterprises and individuals was very large. Now the economic climate was characterised by price and cost tensions which were all the more threatening because they were exerted via a

Chart 28.

MONETARY RESERVE AND LIABILITIES ON WHICH IT IS CALCULATED <sup>(1)</sup>

(Average monthly changes in billions of francs)



(1) Excluding the monetary reserve on the accounts in convertible Belgian francs and on the spot position in foreign currencies of the regulated market.

(2) General Savings and Pensions Fund, Belgian Municipal Credit Institution, National Industrial Credit Company, National Fund for Credit to Trade and Industry and, from 1st October 1973, Central Office for Mortgage Credit and National Institute for Agricultural Credit.

(3) Changes for the period 1st October to 30th November only.

Table 19.

RESOURCES WHICH WERE AVAILABLE TO THE BANKS FOR FINANCING  
CREDITS TO ENTERPRISES AND INDIVIDUALS

(Changes in billions of francs)

	End June to end October 1972	End October 1972 to end February 1973	End February to end May 1973	End May to end September 1973	Total
A. <i>Creation of liquidity by the active transactions of the monetary institutions :</i>					
1. Exchange reserves of the N.B.B. <sup>(1)</sup> .....	+11.1	+20.8	+14.5	<i>p</i> + 1.6	<i>p</i> +48.0
2. Claims on public authorities ...	- 4.7	+13.0	+27.3	<i>p</i> - 0.8	<i>p</i> +34.8
3. Credits to enterprises and individuals <sup>(2)</sup> .....	+ 2.5	+38.1	+14.5	+30.5	+85.6
4. Miscellaneous .....	- 0.7	- 8.8	-10.2	<i>p</i> + 8.8	<i>p</i> -10.9
B. <i>Structural decline in the proportion of notes and coin in cash holdings</i> <sup>(3)</sup> .....	+ 3.5	+ 3.5	+ 2.0	+ 1.0	+10.0
Less :					
C. <i>Leakage in currency</i> .....	-(- 4.5)	-(+ 7.5)	-(+14.0)	-(+ 3.7)	-(+20.7)
D. <i>Sight deposits at institutions other than banks</i> .....	-(+ 3.8)	-(- 0.8)	-(+ 2.8)	-(+ 0.5)	-(+ 6.3)
E. <i>Employment by banks of their resources for purposes other than financing of credits to enterprises and individuals :</i>					
1. Monetary reserve .....	-(+ 9.8)	-(+ 2.3)	-(+ 4.0)	-(+ 1.8)	-(+17.9)
2. Claims on public authorities ...	-(+ 9.9)	-(+17.7)	-(+23.3)	-(+ 3.7)	-(+54.6)
3. Miscellaneous .....	-(- 8.0)	-(+ 0.9)	-(- 0.8)	-(+ 5.8)	-(- 2.1)
F. <i>Balance which was available to the banks for financing credits to individuals and enterprises (= A + B - C - D - E)</i> .....	+ 0.7	+39.0	+ 4.8	+25.6	+70.1
G. <i>Credits originally granted by the banks to enterprises and individuals</i> <sup>(2)</sup> .....	+13.7	+32.4	+14.0	+24.7	+84.8
H. <i>Mobilisation (= G - F)</i> .....	+13.0	- 6.6	+ 9.2	- 0.9	+14.7
of which : <i>Imputations against the rediscount and visa ceilings at the N.B.B.</i> <sup>(4)</sup>	+ 6.0	- 2.9	+ 8.4	- 1.4	+10.1

(1) Excluding the changes due to those in the public authorities' debt in foreign currencies, which are included in item A. 2.

(2) These credits are defined here as those covered by the agreements of 28th September 1973, namely discount, acceptance and promissory note credits and advances to residents and non-residents (excluding promissory note credits and advances in foreign currencies to non-residents) and investments in loan securities of private companies (excluding foreign securities in foreign currencies).

(3) The relative importance of notes and coin in total cash holdings has a structural tendency to decline. This trend provides the banks with resources the amount of which has been estimated, for each period, by subtracting the change in notes and coin during that period from the change which would have taken place if the proportion of notes and coin in cash holdings had been subject to no variation other than that resulting from seasonal factors. This hypothetical change in notes and coin has been shown in brackets in item C, "Leakage in currency". This term denotes the loss of potential resources resulting for the banks from the fact that the granting of a credit only leads to the constitution of deposits representing a fraction of its amount.

(4) Paper with visa is only included in these figures insofar as it has been mobilised by the banks.

production apparatus the utilisation of which had nearly reached the limits of its technical capacities.

The moderating effect which it was desirable to exert on credit under these circumstances could not have been achieved by merely extending the agreements in force. For, as the monetary reserve was calculated by applying relatively low coefficients to the amounts outstanding, it only neutralised a very small proportion of the financial intermediaries' additional resources when these coefficients were left unchanged, as was the case for the period from 1st June to 30th September.

The agreements of 28th September therefore raised the coefficients applicable to liabilities other than convertible accounts and the spot position foreign currencies of the regulated market by increasing them, by stages, to 5, 1.875 and 0.625 p.c. respectively. They also introduced a supplementary reserve related directly to the increase in lending to enterprises and individuals.

The reserve system relating to credits comprises, beyond an amount of exempted credits, a scale of coefficients which rise progressively as the expansion of credits quickens. The object is to curb this expansion by making credit dearer, the burden imposed on the financial intermediaries by the non-remuneration of the reserve being passed on to the customer in one form or another, for instance by the introduction of a special commission to be charged while the system is in force.

As openings of credit are an important factor in enterprises' and individuals' spending decisions, the monetary reserve is calculated on these, except in the case of banks where, for technical reasons, it has had to be restricted to the outstanding used amounts, which are amounts net of repayments, unlike openings of credit, which are gross amounts.

The reserve coefficients were fixed in accordance with the difference between the bases thus adopted for the banks, on the one hand, and for the other financial intermediaries, on the other hand, so as to ensure that, as far as possible, for an equal effort of moderation, both would have to form

the same reserve. Thus, credits beyond the exempted sum entailed, for the parts falling within a first and, possibly, a second and third portion, the formation of a reserve at rates of 7, 20 and 30 p.c. respectively in the case of banks and 3.5, 10 and 15 respectively in the case of the other financial intermediaries.

At the end of the year the monetary reserve totalled Fr. 33.6 billion; the payments made in respect of convertible accounts in francs and the spot position in foreign currencies of the regulated marked accounted for Fr. 3.8 billion of this total, those in respect of other liabilities amounted to Fr. 27.6 billion and those relating to the increase in credits to Fr. 2.2 billion.

Those participating in the successive agreements undertook to maintain their existing holdings of public paper and to devote to increasing these holdings a part of their new available resources equal to the average for the last years.

The purpose of the provisions regarding the structure of holdings of public paper is to prevent the financial intermediaries from passing on to the Treasury the desired tightening of lending to enterprises and individuals. If these intermediaries kept up their balances in the special account by reducing the credits which they usually grant to the Treasury, the latter would be obliged to have recourse directly or indirectly to the lender of last resort. Thus the Bank itself would be creating the funds constituting the monetary reserve.

The inclusion of these provisions in the agreements gave rise to criticisms from the signatories. The main criticism was that the Treasury, benefiting in a way by enforced assistance, was inclined to issue its public loans at interest rates lower than those which would normally have resulted from the state of the market. The Bank, for its part, stressed on several occasions the importance which it attaches to the maintenance of an orderly interest-rate structure which is in keeping with the domestic and international conditioning factors of the money and capital markets.

In any case, it is obvious that the provisions just described concerning the structure of holdings of public paper represented an essential part of the monetary reserve system. This fact is clearly demonstrated, in the particular case of the banks, by Table 19.

During the fifteen months up to the end of September, the banks' resources increased substantially, mainly owing to net purchases of foreign currencies by the Bank (Fr. 48 billion), the public authorities' recourse to the monetary institutions (Fr. 34.8 billion) and the structural decline in the proportion of notes and coin in cash holdings (Fr. 10 billion).

Out of the additional resources thus obtained by the banks, Fr. 17.9 billion was sterilised by the monetary reserve. The proportion of these resources absorbed by lending to the public authorities, largely under the influence of the provisions concerning the structure of holdings of public paper, was much greater, namely Fr. 54.6 billion. It was thus mainly owing to these provisions that the banks had insufficient resources to finance the whole of the credits which they had originally granted to enterprises and individuals (Fr. 84.8 billion). They therefore had to resort to the refinancing institutions, and this led to a reduction of Fr. 10.1 billion in the available margin under their rediscount and visa ceilings, that is, a tightening of their liquidity, which should induce them to exercise greater moderation in lending to enterprises and individuals. This effect could not have been achieved by the monetary reserve instrument alone except by raising the coefficients by which it is calculated to extremely high levels.

In the Grand Duchy of Luxembourg the banks constituted, under conventions concluded with the Bank Control Commissioner, a monetary reserve on accounts held by non-residents in convertible Luxembourg or Belgian francs, from 2nd January, and on the spot positions in foreign currencies of the regulated market, from 21st March, on conditions similar to those in force in Belgium. From the end of 1972 onwards, Luxembourg banks and savings institutions were called upon by the Bank Control Commissioner to keep their lending to Belgian enterprises within normal limits; this recommendation, which falls within the framework of the

monetary association agreement between Belgium and the Grand Duchy of Luxembourg, is intended to prevent the possibility of the Belgian measures adopted with regard to liabilities in francs other than convertible accounts being evaded via the Luxembourg banking sector.

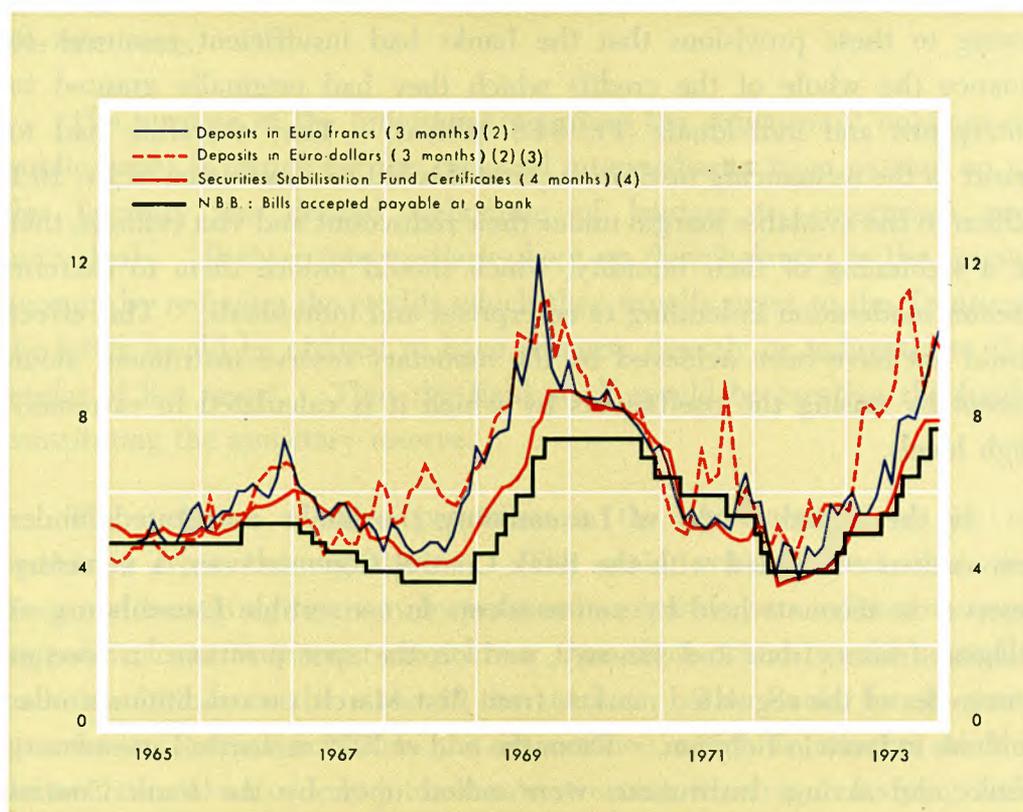
## MONEY MARKET.

The financial intermediaries whose liquidity influences contributions to the money market obtained funds from enterprises and individuals at an even faster rate than in the previous year. On the other hand, they

Chart 29.

### RATES ON THE BELGIAN MONEY MARKET AND RATES FOR THE EURO-FRANC AND EURO-DOLLAR (1)

(Per cent)



(1) See Annex 6, Tables 14 and 16.

(2) Rate in force at the end of the month.

(3) Rate for investors not arranging forward cover.

(4) Rate at the last weekly tender in the month.

reduced their net liabilities to non-residents and greatly increased their lending. On balance there was a tightening of their liquidity, accentuated by the formation of the monetary reserve; the signs of this tightening appeared from the second quarter onwards and became more marked towards the middle of the year, when the halt in the growth of the exchange reserves coincided with heightened recourse by enterprises and individuals to bank credit; the tightening was mainly reflected in increased refinancing by the financial intermediaries at the Bank and by a rise in rates in the various sections of the money market.

The rise was very pronounced for the rates with the greatest freedom, primarily those for deposits in Euro-francs and bank acceptances without visa or certification negotiated on the market outside the National Bank; it was less marked for the certificates of the Securities Stabilisation Fund and other short-term public paper; it was smallest for the Bank's rates. The latter's basic discount rate, which had remained at 5 p.c. since the end of December 1972, was raised to 5.50 p.c. on 10th May, 6 p.c. on 5th July, 6.50 p.c. on 2nd August, 7 p.c. on 4th October and 7.75 p.c. on 29th November. In May, the rates other than the basic rate were increased to a greater extent than the latter in order to accentuate the rises in the debtor interest rates applied by the banks. In November, on the other hand, only the basic discount rate was raised so as to make a technical correction of distortions which had appeared because some rates had gone up more than the Bank's.

On top of the above-mentioned increases in its various rates, the Bank decided to apply a special rate, which can vary from day to day, when the Rediscount and Guarantee Institute makes use of its facility for rediscounting at the Bank, within a limit fixed at Fr. 10 billion, or possibly Fr. 13 billion, paper not counted against the banks' rediscount and visa ceilings; during the last days of December, this rate came into effect and was set above the rate for advances.

On the call money market, net lendings by banks and miscellaneous institutions were, on average, higher than in the previous year, while the

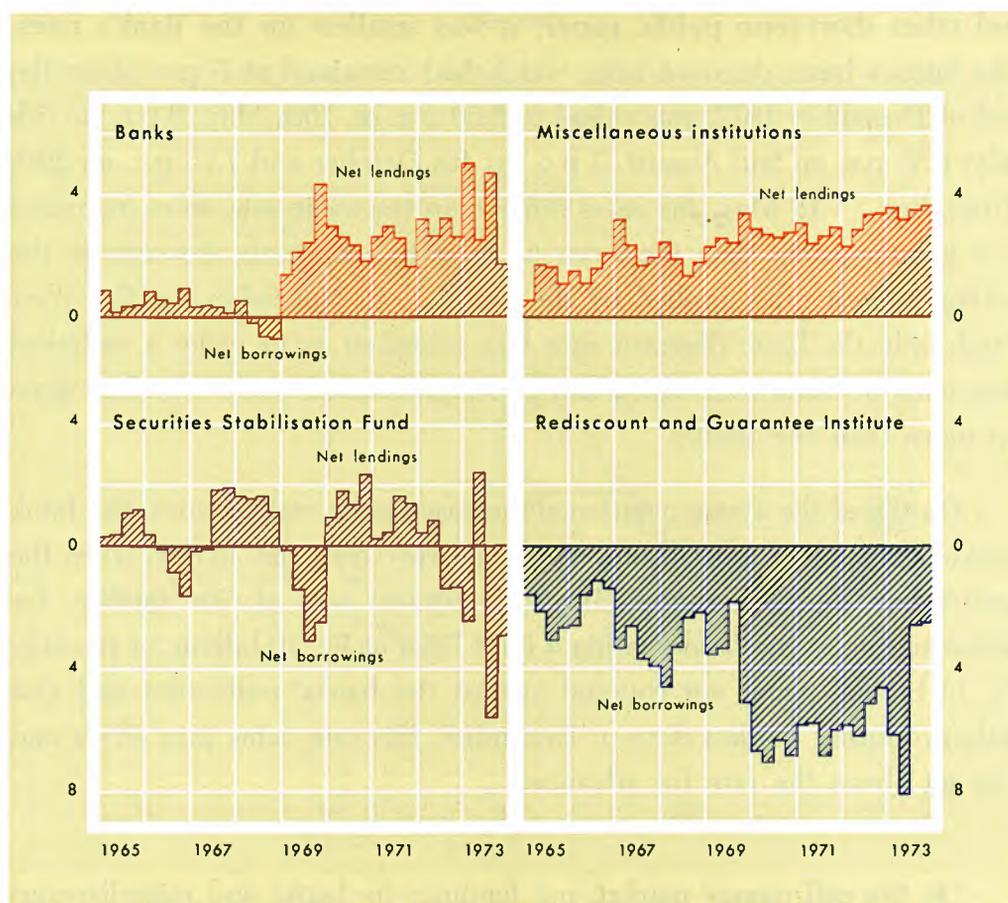
Securities Stabilisation Fund borrowed substantial amounts on that market, except from February to June.

During the first two months of the year the inflows of currencies, which led to the growth in the Bank's foreign exchange reserves, provided substantial amounts of funds to the banks; these were net lenders of large amounts on the call money market, where rates showed a downward trend. Subsequently they reduced their net contributions, but as the Securities Stabilisation Fund increased net issues of its own certificates from March to June, it was a net lender on the call money market and the latter's rates

Chart 30.

CALL MONEY <sup>(1)</sup>

(Daily averages per quarter in billions of francs)



(1) See Annex 6, Table 15.

remained at fairly low levels; the Rediscount and Guarantee Institute was able to have greater recourse to that market to finance its growing portfolio.

In the second half of the year, on the other hand, the Securities Stabilisation Fund procured less resources, as the rise in the rates for its certificates had remained moderate in comparison with the trend of the yields which the financial institutions could obtain on other assets; it was obliged to borrow almost continuously on the market to meet its own needs, except during some periods when the Treasury was able to redeem all or part of the B certificates. Moreover, the banks' net contributions remained small, except in August and September. Consequently, call money rates showed an upward tendency, being supported by the raisings of the level at which the Securities Stabilisation Fund intervenes as the market regulator.

It was decided that from 19th December the Securities Stabilisation Fund would no longer lend on the call money market by drawing on its advance account with the Bank, but only when it had available resources.

The average outstanding amount of **commercial bills and bank acceptances** rose from Fr. 170.7 billion in the third quarter of 1972 to Fr. 187.6 billion in the third quarter of 1973. This increase was reflected in the holdings of the banks and, above all, in that of the Bank.

There was a further rise in the overall outstanding amount and in the Bank's holding in the last months of the year.

During the first half-year the growth in the exchange reserves was greater than that in the Bank's liabilities, and the total holding of commercial bills and public paper contracted. In the second half the exchange reserves underwent little change, on balance, and rediscounting constituted almost the sole counterpart to the increase in the Bank's liabilities.

The various rates of the Rediscount and Guarantee Institute, which had been reduced somewhat in March, were raised considerably from

Table 20.

LOCATION OF COMMERCIAL BILLS DISCOUNTED BY BANKS AND OF  
BANK ACCEPTANCES <sup>(1)</sup>

(Billions of francs)

Average of amounts outstanding at ends of months (2)	Amount located				Total
	in banks	at the Rediscount and Guarantee Institute (3)	in other market institutions, outside the National Bank, and abroad (4)	at the National Bank of Belgium (5)	
1968 .....	86.6	1.8	21.5	10.8	120.7
1969 .....	89.9	2.2	19.5	26.0	137.6
1970 .....	110.4	5.8	20.8	7.6	144.6
1971 .....	124.1	4.6	23.5	4.1	156.3
1972 .....	130.6	3.4	24.9	12.7	171.6
1972 1st quarter .....	128.9	2.6	28.4	5.8	165.7
2nd quarter .....	131.8	4.6	20.6	12.9	169.9
3rd quarter .....	132.0	3.4	21.6	13.7	170.7
4th quarter .....	129.7	3.0	29.1	18.2	180.0
1973 1st quarter .....	139.2	2.5	28.7	14.7	185.1
2nd quarter .....	140.7	5.6	22.9	14.6	183.8
3rd quarter .....	139.6	2.1	22.2	23.7	187.6
4th quarter .....	138.7 <sup>(6)</sup>	2.7	23.2 <sup>(6)</sup>	29.7	192.6 <sup>(6)</sup>

(1) Outstanding used amount of Belgian franc discount and acceptance credits originally granted by banks to enterprises and individuals (other than financial intermediaries, but including public operating organisations), to the Road Fund and to foreign countries.

(2) These averages have been calculated by taking, once, the amounts outstanding at the beginning and end of the period, and twice the amounts outstanding at the ends of intermediate months.

(3) Amount currently held, excluding the part financed by recourse to rediscounting at the National Bank of Belgium.

(4) Including the Treasury's temporary investments in commercial bills and bank acceptances.

(5) As the table relates only to credits granted originally by banks, the figures in this column do not include the credits directly granted by the National Bank of Belgium.

(6) October-November.

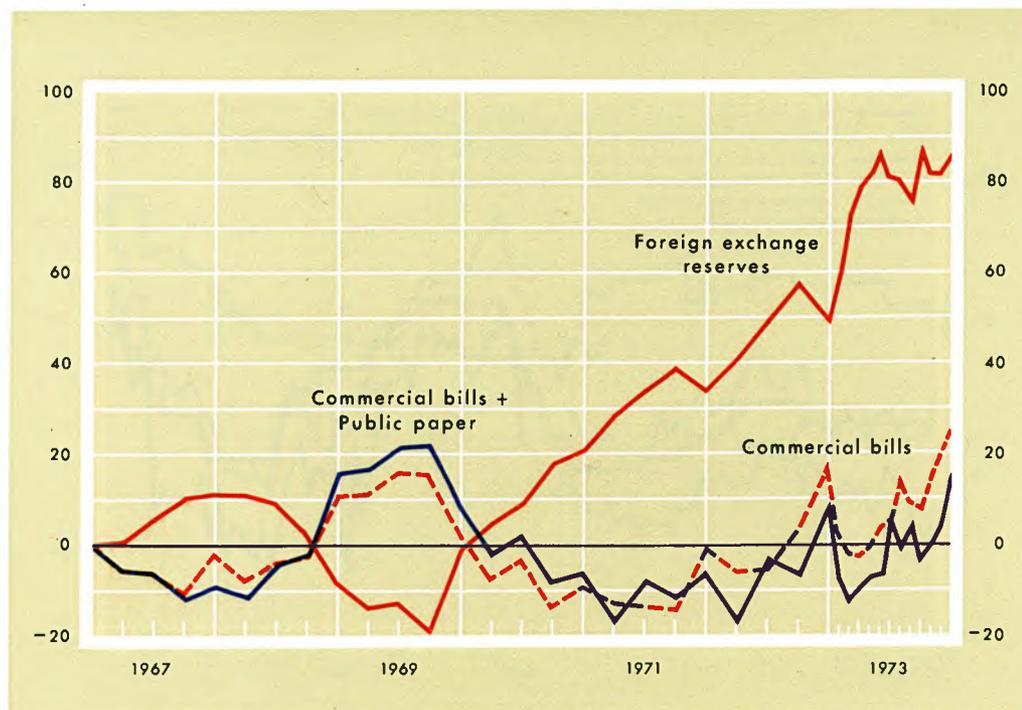
then on. The rate for bank acceptances with visa or certification at 61 to 120 days representing foreign trade transactions, which had been lowered from 4.9 to 4.7 p.c. in March, was raised several times; at the end of December it was up to 7.65 p.c. Parallel with this, the rate for bank acceptances without visa having 90 days to run and negotiated on the market outside the National Bank fell in the first quarter and then, with the exception of a few temporary declines, made a substantial recovery during the following quarters, standing at 9.50 p.c. at the end of December.

The banks' rediscount and visa ceilings were lowered several times and thus went down from Fr. 46.2 billion at the end of 1972 to

Chart 31.

MAIN COUNTERPARTS OF THE LIABILITIES <sup>(1)</sup> OF THE NATIONAL BANK OF BELGIUM

(Cumulative changes, in billions of francs, since 31st December, 1966)

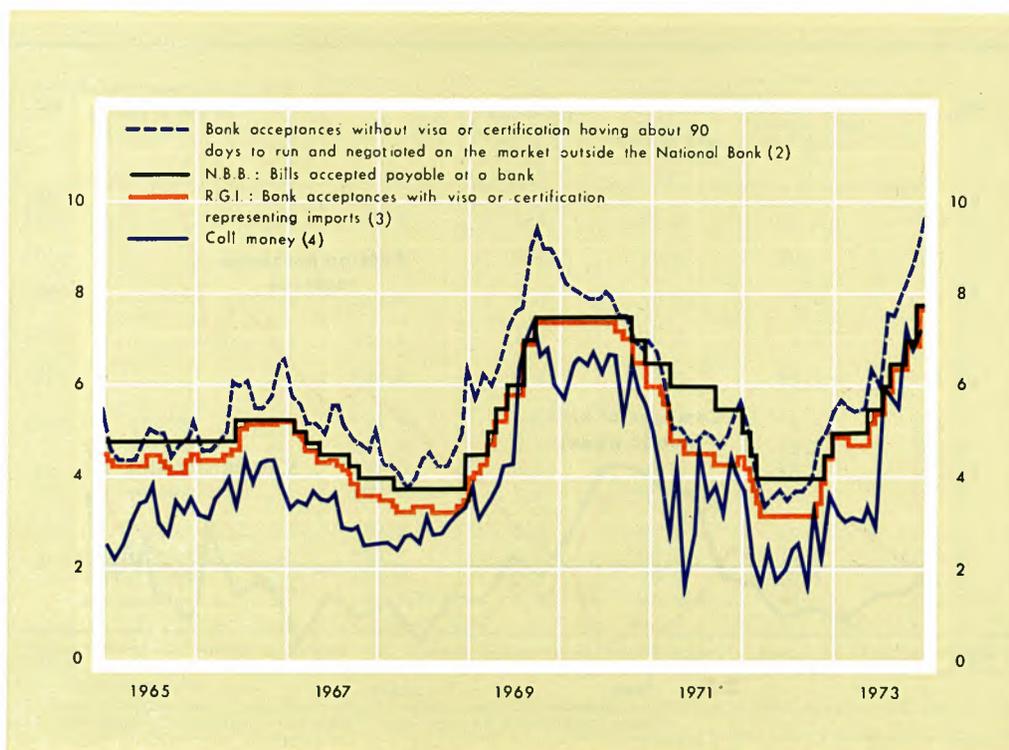


(1) Including the monetary reserve but excluding liabilities to foreign countries, which have been deducted from the foreign exchange reserves, and the Treasury's creditor current account, which has been deducted from the public paper. 1967 to 1972 : end of quarter. 1973 : end of month.

Fr. 37.8 billion at the end of 1973, whereas their quarterly adjustment to the banks' resources would have raised them, on the basis of the coefficient of 8 p.c. in force at the end of 1972, to Fr. 55 billion. This coefficient was lowered to 7.5 p.c. on 1st March, to supplement the strengthening of the monetary reserve, and then to 7.25 p.c. at the end of May in order partly to offset the expansion which would have resulted from the quarterly adjustment of the ceilings to resources. Larger reductions, designed to curb mobilisation operations, successively lowered the coefficient to 6.5 p.c. at the end of August, 6 p.c. at the end of November and 5.5 p.c. in mid-December. The public credit institutions' rediscount ceilings were reduced to the same extent as the banks'; at the end of December they totalled Fr. 2.4 billion.

Chart 32.

RATES FOR COMMERCIAL BILLS AND FOR CALL MONEY <sup>(1)</sup>  
(Per cent)



(1) See Annex 6, Tables 14 and 16.

(2) Rates ruling at end of months.

(3) Until 31st May 1970 : not more than 120 days to maturity. Since then : from 61 to 120 days to maturity.

(4) Daily averages per month.

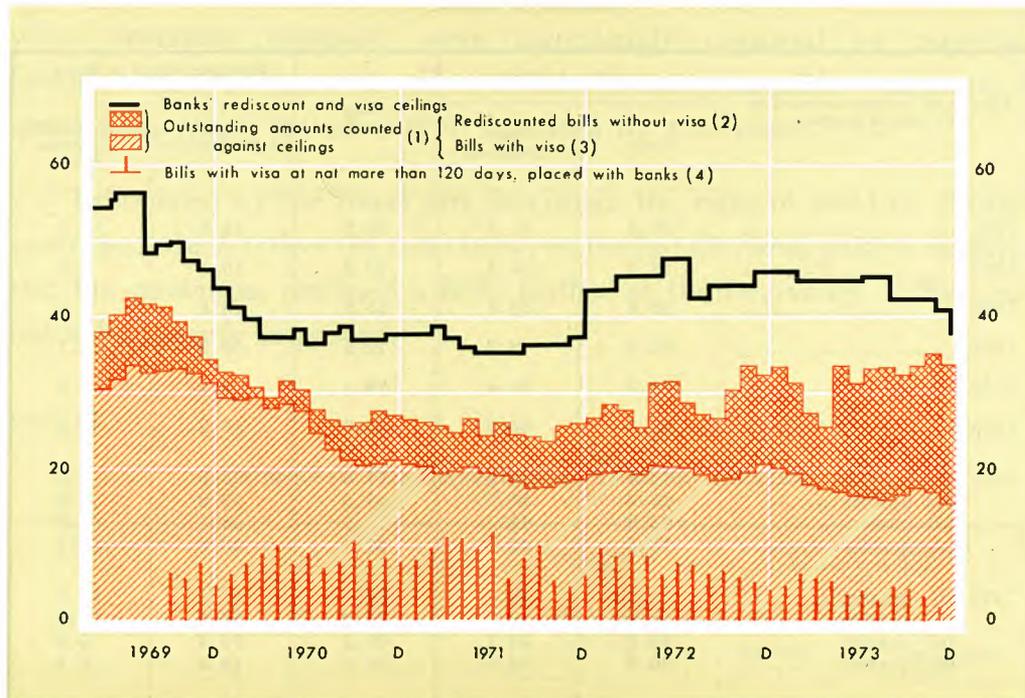
The total available margin within the banks' rediscount and visa ceilings, which, despite the lowering of these ceilings on 1st March, had increased from Fr. 13.8 billion in December 1972 to Fr. 19.4 billion in April, subsequently contracted and fell to Fr. 5.4 billion in December. This narrowing is attributable at the same time to the expansion in bank lending to enterprises and individuals, the halt in the growth of the exchange reserves and the reduction in the ceilings.

The financial intermediaries reduced their holdings of **short-term public paper**, which decreased from Fr. 61.2 billion in the fourth quarter of 1972 to Fr. 55.2 billion in the corresponding quarter of 1973. This

Chart 33.

BANKS' REDISCOUNT AND VISA CEILINGS

(Billions of francs)



- (1) Daily averages per month.
- (2) Certified bills and other bills rediscountable at the National Bank of Belgium that have actually been mobilised at the latter or on the market outside the National Bank.
- (3) Bills, whether rediscounted or not, with less than two years to run (with not more than one year to run for Export Credit bills since 31st March 1970).
- (4) These bills, having already been counted against the ceilings, give the banks a rediscounting facility over and above the possibility of mobilising other bills within the limits of the available margins. Data known only from the end of September 1969 to the end of November 1973.

reduction took place only in bills held by financial intermediaries other than banks and particularly in the holdings of the Belgian Municipal Credit Institution. The amount of bills held by the banks, on the other hand, rose slightly. From the issuers' point of view, it was mainly the Treasury that obtained less funds.

The rate for the Securities Stabilisation Fund's certificates went up from 4.85 p.c. at the beginning of January to 7.95 p.c. at the end of October, remaining at that level from then on. The rates for Treasury certificates showed a similar trend.

Table 21.

BELGIAN FRANC PUBLIC SECURITIES AT NOT MORE THAN ONE YEAR HELD  
BY FINANCIAL INTERMEDIARIES OPERATING ON THE MONEY MARKET <sup>(1)</sup>

(Billions of francs)

Average of amounts outstanding at ends of months (2)	Securities held by		Total securities	Resources placed at disposal (3)	
	banks	other institutions		of the Treasury	of the Securities Stabilisation Fund
1968 .....	17.2	31.3	48.5	44.6	3.9
1969 .....	14.7	27.4	42.1	40.1	2.0
1970 .....	20.5	33.3	53.8	48.5	5.3
1971 .....	23.6	48.9	72.5	65.8	6.7
1972 .....	21.7	50.4	72.1	63.4	8.7
1973 .....	21.5	43.2	64.7	55.2	9.5
1972 1st quarter .....	18.8	53.1	71.9	65.6	6.3
2nd quarter .....	25.2	56.3	81.5	72.2	9.3
3rd quarter .....	24.2	49.7	73.9	65.1	8.8
4th quarter .....	18.5	42.7	61.2	50.8	10.4
1973 1st quarter .....	18.3	46.4	64.7	53.4	11.3
2nd quarter .....	28.2	49.7	77.9	66.1	11.8
3rd quarter .....	19.0	42.1	61.1	55.4	5.7
4th quarter .....	20.6	34.6	55.2	45.8	9.4

(1) Securities issued by the Treasury and the Securities Stabilisation Fund, and held by banks, the National Industrial Credit Company, the Belgian Municipal Credit Institution, the National Fund for Credit to Trade and Industry, the National Housing Company, the National Land Company, the Central Office for Mortgage Credit, the National Institute for Agricultural Credit, the General Savings and Pensions Fund and the private savings banks.

(2) These averages have been calculated by taking once the amounts outstanding at the beginning and end of the period, and twice the amounts outstanding at the ends of intermediate months.

(3) Securities issued by the Treasury and held by the Securities Stabilisation Fund have been treated as resources placed at the disposal of the Treasury and as a deduction from those which the Fund received.

## MARKET FOR VARIABLE-INCOME SECURITIES.

The pronounced upward movement of quotations for Belgian variable-income securities continued during the early months of the year. In June these rates were 28.5 p.c. higher on the cash market and 30.8 p.c. higher on the time market than their corresponding 1972 levels. From the middle of the year onwards, however, they moved downwards; in December they were down 0.8 p.c. on the cash market and 3.3 p.c. on the time market compared with the previous year.

The sharp rise in the early months took place in the context of favourable economic conditions. The subsequent decline came in the wake of falling quotations on foreign stock exchanges, at a time when the yield on fixed-interest securities was becoming more attractive and when economic prospects were increasingly impaired by uncertain factors. In December the oil crisis caused an appreciable weakening of quotations, which was, however, followed by a recovery.

Influenced by the trend just described, the rates of yield on Belgian securities, which reflect the ratio between the last dividend paid or declared and the quotation, declined a little further at the beginning of the year, but subsequently improved.

Table 22.

MARKETS FOR VARIABLE-INCOME SECURITIES

	Total dealings (1) <i>(Averages per session, in millions of francs)</i>	Indices of quotations for Belgian securities (2) <i>(1963 = 100)</i>	
		For cash	Time bargains
1968 .....	133	93	86
1969 .....	147	101	99
1970 .....	111	95	94
1971 .....	166	105	97
1972 .....	195	118	112
1973 .....	270	140	136
1972 December .....	204	126	123
1973 December .....	270	125	119

(1) Transactions on the Brussels Stock Exchange (time and cash bargains).

Source : Committee of the Brussels Stock Exchange.

(2) Average of the indices on the 10th and 25th of each month for the Brussels and Antwerp Stock Exchanges.

Source : National Statistical Institute.

Total dealings increased considerably, their average per session rising from Fr. 195 million in 1972 to Fr. 270 million.



Analysis of the Balance Sheet  
and Profit and Loss Account  
for the year 1973



*The Bank, in agreement with the Minister of Finance, specified as on 31st December, 1973, the net reductions in assets resulting, on the one hand, from the appreciation of the Belgian franc due to the decisions of the Washington Monetary Conference of 18th December, 1971, and, on the other hand, from the devaluation of the dollar of the United States of America on 12th February, 1973.*

*The former falls within the scope of Article 2 of the Law of 3rd July, 1972, concerning the monetary parity <sup>(1)</sup>, which lays down that « the net increases and reductions in assets resulting for the National Bank of Belgium from any change in the franc shall be for account of the State »; the latter is covered by the guarantee confirmed to the Bank by the Government following the Washington Monetary Conference in accordance with Article 6 of Decree-Law No. 5 of 1st May, 1944, as last amended by the Law of 9th June, 1969.*

*It was agreed that the Government would fulfil its obligations by giving special non-interest-bearing Treasury bills, the methods of redemption of which were to be fixed by agreement with the Bank.*

*However, the net reduction in assets resulting from the appreciation of the Belgian franc on 18th December, 1971, and specified as at 31st December, 1973, namely Fr. 3,450,349,538, will remain entered in the Bank's returns in an item entitled « Provisional adjustment resulting from the Law of 3rd July, 1972 » <sup>(2)</sup> until such time as the Royal Decree fixing the date of entry into force of that law has been issued and the Convention placing on record the methods of application mutually agreed between the Minister of Finance and the Bank can accordingly be signed.*

<sup>(1)</sup> See Annex 7 to the Report on the activities of the Bank in 1972.

<sup>(2)</sup> See page 112 of this Report.

*The Convention concerning the implementation of the guarantee covering the assets accumulated by the Bank in U.S. dollars between 18th December, 1971, and 12th February, 1973, was concluded on 31st December, 1973 <sup>(1)</sup>. Under this Convention, special Treasury bills were given to the Bank for an amount of Fr. 2,771,333,509, representing the net decrease in assets of Fr. 4,038,504,173 minus the reduction made previously in accordance with the redemption principles included in the Convention, which amounts to Fr. 1,267,170,664.*

<sup>(1)</sup> See Annex 7 to this Report.

## ASSETS

### GOLD HOLDING.

On 31st December, 1972    On 31st December, 1973

Fr.        75,393,865,938        71,817,877,911

The accounting value of the gold holding fell, on the year, by Fr. 3,575,988,027, mainly for two reasons :

— firstly, the accounting price of a kilogramme of fine gold was reduced, with effect from 18th December, 1971, from Fr. 56,263.7994 to Fr. 54,752.8184 in order to allow for the appreciation of the franc following the decisions of the Washington Monetary Conference <sup>(1)</sup>. The amount entered for this purpose in the provisional adjustment account resulting from the Law of 3rd July, 1972, represents Fr. 1,956,591,652 <sup>(2)</sup>;

— secondly, sales of gold were made to the Treasury to enable it to redeem the balance of its short-term certificates expressed in gold.

On 31st December, 1973, the distribution of the gold holding was as follows :

Gold in foreign countries . . . . .	Fr.	71,458,188,416
Gold in Belgium . . . . .	Fr.	359,689,495
	Fr.	<u>71,817,877,911</u>

<sup>(1)</sup> Law of 3rd July, 1972, Art. 1, para. 1 : « The parity of the monetary unit of Belgium shall be 0.0182639 gramme of fine gold per Belgian franc ».

<sup>(2)</sup> See page 112 of this Report.

INTERNATIONAL MONETARY FUND.

The item thus entitled shows, at the rate of 48.6572 Belgian francs per S.D.R. <sup>(1)</sup>, the assets created by the application of the Conventions concluded between the Government and the Bank concerning Belgium's rights and obligations in its capacity as a member of the International Monetary Fund and a participant in the Special Drawing Account <sup>(2)</sup>.

Q u o t a.

	On 31st December, 1972	On 31st December, 1973
Fr.	25,913,730,418	23,959,261,421

The amount shown against the heading « Quota » represents the countervalue of what it has been agreed to call the drawing rights in the « Gold tranche » and in the « Gold supertranche ».

Its decrease on the year, amounting to Fr. 1,954,468,997, is explained by the following movements :

*Less :*

a) Transfer to the account entitled « Provisional adjustment resulting from the Law of 3rd July, 1972 » <sup>(3)</sup> of the reduction in value due to the appreciation of the Belgian franc on 18th December, 1971, which had been temporarily kept in the General Account . . . . .	Fr.	801,016,216
b) Increase in the International Monetary Fund's holdings of Belgian francs due to repurchases of		
Carried forward . . . . .	Fr.	801,016,216

<sup>(1)</sup> 0.888671 gramme of fine gold, definition of the S.D.R.  
0.0182639 gramme of fine gold, definition of the Belgian franc (Art. 1, para. 1, of the Law of 3rd July, 1972).

<sup>(2)</sup> Law of 9th June, 1969. See the Report on the activities of the Bank in 1969, page 132.

<sup>(3)</sup> See page 112 of this Report.

Brought forward . . Fr.	801,016,216
-------------------------	-------------

their currency against Belgian francs and/or to purchases of Special Drawing Rights against Belgian francs by the following countries :  
*Afghanistan, Burundi, Colombia, Ecuador, Indonesia, Iran, Israel, Korea, Malawi, Malaya, Nicaragua, Peru, Ruanda, San Salvador, Sudan, Tunisia, Uruguay and Yugoslavia . . . . .* Fr.

2,530,954,607
---------------

Fr.	3,331,970,823
-----	---------------

*Plus :*

a) Reduction in the International Monetary Fund's holdings of Belgian francs due to drawings by the following countries :  
*Afghanistan, Ceylon, Federal Republic of Germany, France, Pakistan and Roumania . . . . .* Fr.

1,376,385,789
---------------

b) Expenditure by the Fund for its own account . . . . . Fr.

1,116,037
-----------

Fr.	1,377,501,826
-----	---------------

Net decrease . . . Fr.	1,954,468,997
------------------------	---------------

L o a n s <sup>(1)</sup>.

In 1973 the Bank was not called upon to grant, in relief of the Belgian Government, any loan to the International Monetary Fund in implementation of the General Arrangements to Borrow.

<sup>(1)</sup> See the Report on the activities of the Bank in 1969, pages 135 and 136.

## Special Drawing Rights.

	On 31st December, 1972	On 31st December, 1973
Fr.	26,094,999,079	30,477,059,298

The asset shown in the Special Drawing Account shows an increase of Fr. 4,382,060,219, accounted for by :

*Plus :*

a) Acquisition of special drawing rights transferred to Belgium by the <i>Federal Republic of Germany, France and the Netherlands</i> in settlement of their intra-Community debts . . . . .	Fr. 4,582,074,625
b) Payment of special drawing rights by the Fund in respect of interest due to the Belgian Treasury on the « Gold supertranche » of the quota and on Belgium's holdings of special drawing rights for the year ended 30th April, 1973 (Art. V, section 9, and Art. XXVI of the Fund's Articles of Agreement) . . . . .	Fr. 441,799,564

*Less :*

Transfer to the account entitled « Provisional adjustment resulting from the Law of 3rd July, 1972 » <sup>(1)</sup> of the reduction in value due to the appreciation of the Belgian franc on 18th December, 1971, which had been temporarily kept in the General Account . . . . .	Fr. 641,813,970
Net increase . . Fr.	4,382,060,219

To the extent of Fr. 10,186,198,565, the asset of Fr. 30,477,059,298 shown on 31st December, 1973, has as its counterpart on the liabilities side

<sup>(1)</sup> See page 112 of this Report.

the account at indefinite term entitled « International Monetary Fund : Special Drawing Rights, Net Cumulative Allocation » <sup>(1)</sup>.

#### TOTAL COVER ITEMS.

According to Article 30 of the Statutes, brought into conformity with the Law of 9th June, 1969 <sup>(2)</sup>, the total assets grouped under this head must cover the total sight liabilities to the extent of at least one-third.

Entered in the accounts according to the principles stated above, the cover items on 31st December, 1973, totalled Fr. 126,254,198,630, corresponding to a proportion of cover of 51.57 p.c. On 31st December, 1972, it was 55.84 p.c.

#### FOREIGN CURRENCIES.

#### FOREIGN CURRENCIES AND GOLD RECEIVABLE AND TO BE DELIVERED <sup>(3)</sup>.

The amount of the Bank's assets and liabilities in foreign currencies is shown as follows in the balance sheets as at 31st December, 1972, and 31st December, 1973 :

	On 31st December, 1972	On 31st December, 1973
Foreign Currencies . . . . Fr.	52,420,925,595	75,905,078,759
Foreign Currencies and Gold receivable . . . . . Fr.	11,433,427	—
Total . . Fr.	52,432,359,022	75,905,078,759
Foreign Currencies and Gold to be delivered <sup>(4)</sup> . . . . Fr.	21,546,617,022	26,530,308,905
Net position . . Fr.	30,885,742,000	49,374,769,854

<sup>(1)</sup> See page 118 of this Report.

<sup>(2)</sup> See the Report on the activities of the Bank in 1969, page 136.

<sup>(3)</sup> See page 119 of this Report.

<sup>(4)</sup> The transactions current are all in foreign currencies.

The provisional adjustment accounts which had been opened in the general accounts on the assets and liabilities sides after the Washington Monetary Conference of 18th December, 1971 and after the devaluation of the U.S. dollar on 12th February, 1973 were closed on 31st December, 1973 <sup>(1)</sup>.

In view of the nature of the assets in foreign currencies, this led, as far as the decisions of 18th December, 1971 are concerned, to the entering of an increase in value of Fr. 19,454,044 to the credit of the account entitled « Provisional adjustment resulting from the Law of 3rd July, 1972 » and, as far as the devaluation of the dollar on 12th February, 1973 is concerned, to the showing of a decrease in value of Fr. 4,038,504,173.

The net position on 31st December, 1973 includes U.S. dollars covered by the Belgian Government's guarantee totalling Fr. 49,154,680,285, at the central rate of Fr. 40.3344 Belgian francs to the dollar. The decrease in value of Fr. 4,038,504,173 has thus been deducted.

Expressed in dollars, the sum of Fr. 49,154,680,285 represents \$ 1,218,678,852, an increase of \$ 535,022,552 on 31st December, 1972.

This increase is due to two main reasons, separated in time by the date 19th March, 1973, the date on which the European countries bound by the agreements on the narrowing of the margins of fluctuation of their currencies decided, jointly, to allow the dollar to float.

Until 19th March, 1973 the Bank went on buying dollars at the lower intervention rate in accordance with the obligations assumed by Belgium at the Washington Monetary Conference of 18th December, 1971.

The receipts which it obtained, on balance, after 19th March, 1973 are attributable to the settlements carried out between European countries under the agreements on the narrowing of the quotation margins and, from 1st June, 1973 onwards, within the European Monetary Cooperation Fund.

<sup>(1)</sup> See the prefatory note and the sections entitled « Special Treasury bills » and « Provisional adjustment resulting from the Law of 3rd July, 1972 », pages 111 and 112 of this Report.

The Bank remains covered by the guarantee of the Belgian Government pursuant to Article 6 of Decree-Law No. 5 of 1st May, 1944 as last amended by the Law of 7th June, 1973.

As regards the assets in foreign currencies forming the counterpart of the forward commitments shown on 31st December, 1973 under « Foreign currencies and gold to be delivered », these relate to the following transactions :

— Swaps of foreign currencies against Belgian francs carried out with foreign central banks . . . . Fr.	24,956,356,300
— Forward sales of foreign currencies to public operating organisations . . . . . Fr.	1,573,041,600
— Sales to sundry buyers . . . . . Fr.	911,005
Total . . Fr.	26,530,308,905

#### INTERNATIONAL AGREEMENTS.

This item is reserved for recording claims in Belgian francs on the countries with which Belgium has concluded or might conclude payments agreements outside the European Economic Community. No balance appears under this heading on 31st December, 1973.

#### EUROPEAN MONETARY COOPERATION FUND <sup>(1)</sup>.

The Bank shows separately in its returns its claims on and liabilities to the European Monetary Cooperation Fund resulting from the application of the provisions on the narrowing of the margins of fluctuation of the currencies of the member Countries, insofar as, not falling due on the same dates, the claims and liabilities in question cannot be offset against each other.

<sup>(1)</sup> Created by a regulation of the Council of the European Communities dated 3rd April, 1973 and began operation on 1st June, 1973.

These claims and liabilities are expressed in units of account whose equivalent in Belgian francs is 48.6572 francs per unit.

The claim of Fr. 3,500,213,876 appearing in the balance sheet as on 31st December, 1973 represents the balance of the support interventions carried out in December, the settlement for which will take place on 31st January, 1974, namely :

— support of the guilder in relation to the Belgian franc . . . . .	Fr.	3,844,357,349
— support of the Belgian franc in relation to the Danish crown . . . . .	Fr.	344,143,473
		3,500,213,876
	Balance . . Fr.	3,500,213,876

DEBTORS IN RESPECT OF FOREIGN EXCHANGE AND GOLD AT FORWARD DATES <sup>(1)</sup>.

	On 31st December, 1972	On 31st December, 1973
Fr.	20,594,375,000	28,775,833,359

The liabilities to the Bank contracted, at the exchange rates ruling at the time when the transactions were concluded, by purchasers of foreign currencies or gold <sup>(2)</sup> deliverable at forward dates against payment in Belgian francs are shown in the item « Debtors in respect of Foreign Exchange and Gold at Forward Dates ».

The changes on the year are shown below :

	On 31st December, 1972	On 31st December, 1973
Foreign central banks . . . . Fr.	20,594,375,000	27,350,383,359
Public operating organisations Fr.	—	1,425,450,000
	20,594,375,000	28,775,833,359
Total . . Fr.	20,594,375,000	28,775,833,359

<sup>(1)</sup> See page 119 of this Report.

<sup>(2)</sup> The transactions current are all in foreign currencies.

The Federal Reserve Bank of New York wound up swap operations amounting to Fr. 7,604,961,895, thus reducing its liabilities to the Bank to Fr. 12,989,413,105.

Conversely, before the Italian authorities' decision to float the lira from 13th February, 1973, the Bank participated with other central banks in supporting that currency for an amount of Fr. 14,360,970,254, which was unchanged on 31st December, 1973.

#### COMMERCIAL BILLS.

	On 31st December, 1972	On 31st December, 1973
Fr.	33,433,735,454	40,081,826,520

The holding of commercial bills groups together the discounted Belgian franc bills payable in Belgium and abroad, namely :

	On 31st December, 1972	On 31st December, 1973
Bills on Belgium . . . . . Fr.	33,421,231,772	40,052,710,255 <sup>(1)</sup>
Bills on foreign countries . . Fr.	12,503,682	29,116,265
Total . . . Fr.	33,433,735,454	40,081,826,520

#### ADVANCES AGAINST PLEDGED SECURITY.

Advances against pledged security are distributed as follows :

	On 31st December, 1972	On 31st December, 1973
Institutions Governed by a Special Law . . . . . Fr.	2,630,450,574	364,578,505
Banks . . . . . Fr.	867,606,019	2,080,685,225
Enterprises and Individuals . Fr.	27,706,630	20,257,103
Total . . . Fr.	3,525,763,223	2,465,520,833

<sup>(1)</sup> Including Fr. 6,644.2 million of bills discounted for the Rediscount and Guarantee Institute at the special rate applicable to paper presented by it not counted against the rediscount and visa ceiling (see page 87 of this Report).

## PUBLIC SECURITIES.

The Conventions of 14th September, 1948, 15th April, 1952 and 30th March, 1968, concluded in conformity with Article 20 of the Statutes, govern the conditions for admissibility of the securities which are comprised in this item.

The last Convention, which was concluded on 30th March, 1968 and came into force on 1st September, 1968, fixes their maximum amount at . . . . . Fr. 16,533,000,000  
This includes the credit line placed by the Bank at the Luxembourg Government's disposal, namely . . Fr. 533,000,000

### Belgian Public Securities.

On 31st December, 1973 the Bank held Fr. 450,000,000 of Belgian Treasury Certificates as against Fr. 1,100,000,000 on 31st December, 1972.

### Luxembourg Public Securities.

On 31st December, 1973 the Bank's portfolio contained no Luxembourg Treasury Bills; the position was the same on 31st December, 1972.

## TREASURY NOTES AND COIN.

	On 31st December, 1972	On 31st December, 1973
Treasury notes . . . . . Fr.	211,333,360	198,704,800
Metal coin . . . . . Fr.	101,501,174	103,142,583
Total . . . . Fr.	312,834,534	301,847,383

The provisions applicable to the arrangement for repaying the excess over the contractual limit of Fr. 700 million <sup>(1)</sup> have not operated since 1959.

<sup>(1)</sup> See the Report on the activities of the Bank in 1962, page 140.

BALANCES AT THE POSTAL CHEQUE OFFICE.

	On 31st December, 1972	On 31st December, 1973
Fr.	1,538,963	1,407,878

CONSOLIDATED CLAIM ON THE GOVERNMENT.

The Bank's consolidated claim on the Government, originally Fr. 35 billion, is unchanged at . . . . . Fr. 34,000,000,000

It was fixed at this figure in pursuance of Article 3 of the Law of 19th June, 1959, which reduced from five to one billion francs the repayments laid down by Article 3, paragraph b, of the Law of 28th July, 1948, concerning the reorganisation of the Bank's Balance Sheet.

SPECIAL TREASURY BILLS <sup>(1)</sup>.

In this item are shown the special Treasury Bills given to the Bank by the Government in implementation of the Convention of 31st December, 1973 between the Government and the Bank, namely :

Amount of the decrease in value due to the devaluation of the U.S. dollar on 12th February, 1973	Fr.	4,038,504,173
Reduction made under Art. 2 of the above-mentioned Convention in accordance with the rule stated in the following paragraph (income for 1972 and 1973) . . . . .	Fr.	1,267,170,664
Amount converted into special Treasury Bills	Fr.	<u>2,771,333,509</u>

These Treasury Bills are redeemable annually by means of half of the Government's share of the proceeds of the investment of dollars covered

<sup>(1)</sup> See prefatory note, page 99 of this Report and Annex 7.

by its guarantee, which is paid to it by the Bank to enable it to form a reserve for exchange risks.

The Government will pay the Bank, from 1st January, 1974, a remuneration calculated at the rate of 0.10 p.c. per annum, on the unredeemed amount of these Treasury Bills.

PROVISIONAL ADJUSTMENT RESULTING FROM THE LAW OF  
3rd JULY, 1972 <sup>(1)</sup>.

The sum of Fr. 3,450,349,538 shown under the heading « Provisional adjustment resulting from the Law of 3rd July, 1972 » comprises :

- the balance of the decreases and increases in value referred to in these comments <sup>(2)</sup>;
- a provision for the adjustment of transactions still to be completed.

The amount of the adjustment will be finally fixed when the Royal Decree putting into force the Law of 3rd July, 1972 concerning the parity of the franc has been issued.

The Government will give to the Bank, to the amount of the final adjustment, special Treasury Bills redeemable under the same conditions as those referred to above, except for the part corresponding to the adjustment of the gold holding, which amounts to Fr. 1,956,591,652.

<sup>(1)</sup> See prefatory note, page 99 of this Report.

<sup>(2)</sup> Gold holdings . . . . .	Fr.		— 1,956,591,652
International Monetary Fund :			
— Quota . . . . .	Fr.		— 801,016,216
— Special Drawing Rights :			
Assets . . . . .	Fr.	— 641,813,970	
Liabilities . . . . .	Fr.	+ 281,101,435	— 360,712,535
Foreign currencies . . . . .	Fr.		+ 19,454,044

ITEMS RECEIVABLE.

	On 31st December, 1972	On 31st December, 1973
Fr.	565,695,955	1,050,741,185

The « Items Receivable » consist of cheques, coupons and redeemable securities for collection and of amounts recoverable or receivable from third parties, including in connection with transactions in securities or foreign currencies and with printing work.

PUBLIC LONG-TERM SECURITIES.

	On 31st December, 1972	On 31st December, 1973
Fr.	4,110,757,003	4,293,560,219

The public long-term and other securities acquired under Articles 18 and 21 of the Statutes are shown in account at their purchase price.

In 1971 and 1972 the Bank participated in the increases in the capital of the National Investment Company to the total extent of Fr. 100,000,000, of which Fr. 40,000,000 was paid up in 1971 and 1972 and Fr. 30,000,000 in 1973. The latter amount is included in the year-to-year increase of Fr. 182,803,216 in the holding of public long-term securities.

PREMISES, FURNITURE AND EQUIPMENT.

	On 31st December, 1972	On 31st December, 1973
Fr.	2,191,627,230	2,193,489,756

The asset item « Premises, Furniture and Equipment » is virtually unchanged.

The amount of this asset item was increased by the expenditure during the year on the rebuilding of the Turnhout agency and the purchase price of a plot of land, totalling Fr. 28,148,326, and reduced by the book value of old buildings sold or demolished.

The new Turnhout agency will be occupied in 1974.

Modernisation work not involving rebuilding is in progress at several locations, its purpose being to increase the safety of persons and valuables and improve working conditions.

The modernisation of buildings and the purchases of equipment and furniture are written off by debiting to the Profit and Loss Account. The furniture and equipment are still shown in the assets « pro memoria ».

The difference between the item « Premises, Furniture and Equipment » on the assets side and the item for depreciation in premises, furniture and equipment on the liabilities side corresponds to the book value of the land.

#### SECURITIES OF THE STAFF PENSIONS FUND.

	On 31st December, 1972	On 31st December, 1973
Fr.	3,988,207,371	4,541,095,997

The securities of the Staff Pensions Fund consist of public securities shown at their purchase price. They have as their counterpart on the liabilities side the account entitled « Staff Pensions Fund ».

The increase on the year results from the grants paid by the Bank, from the deductions from staff salaries and wages and from interest, lottery prizes and premiums received during the year, less the out-payments effected by the Fund.

TRANSITORY ASSETS.

On 31st December, 1973 the Transitory Assets consisted of the following :

a) Fractional interest receivable on bills held . . Fr.	1,141,461
b) Fractional interest receivable on transactions with foreign countries . . . . . Fr.	512,510,542
c) Fractional interest receivable on public long-term securities acquired in accordance with the Statutes Fr.	147,570,762
d) Provisions for the printing works, for the Bank's departments and for printing work in progress Fr.	52,547,288
e) Residue, to be carried forward to 1974, of the anticipated payment made in July, 1973 with regard to Corporation Tax . . . . . Fr.	140,000,000
f) Securities of the Centenary Fund. The income on this Fund, which was created on the occasion of the Bank's Centenary and supplemented in 1964, 1968, 1969 and 1970, permits the awarding of prizes to encourage studies pursued by children of members of the staff as well as the payment of rewards for useful suggestions . . . . . Fr.	40,167,594
g) Value of the Collections. Inventoried under this heading at their purchase price are the acquisitions effected, since 1952, of coins and other objects or documents which relate to the history of our country's currency, credit and finances, and more particularly to the history of the Bank . . . . Fr.	19,484,701

The counterpart of the two items f) and g) appears among the Transitory Liabilities.

Total . . Fr.	913,422,348
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## LIABILITIES

### BANK NOTES IN CIRCULATION.

	On 31st December, 1972	On 31st December, 1973
Fr.	222,559,660,900	238,505,910,500

The increase on the year in the amount of the Bank's notes in circulation was . . . . . Fr. 15,946,249,600

The breakdown by denominations was as follows :

	On 31st December, 1972	On 31st December, 1973
Fr. 5,000 . . . . . Fr.	49,787,025,000	64,205,580,000
Fr. 1,000 . . . . . Fr.	153,158,621,000	154,150,108,000
Fr. 500 . . . . . Fr.	9,811,759,500	9,945,855,000
Fr. 100 . . . . . Fr.	9,802,255,400	10,204,367,500
Total . . . . . Fr.	222,559,660,900	238,505,910,500

### CURRENT AND SUNDRY ACCOUNTS.

The balances on « Current and Sundry Accounts » compare with a year previously as follows :

	On 31st December, 1972	On 31st December, 1973
Public Treasury, Ordinary		
Account . . . . . Fr.	20,171,292	3,993,195
Public Treasury, Exceptional		
Counter-Cyclical Tax <sup>(1)</sup> . . Fr.	7,434,718	6,954,718
Carried forward . . Fr.	27,606,010	10,947,913

<sup>(1)</sup> The Law of 12th March, 1957 lays down, in its Article 7, that the proceeds receivable from this tax are to be credited in full to a special account which is to be shown under a separate heading in the Bank's returns and Balance Sheets.

Brought forward . . Fr.	27,606,010	10,947,913
Institutions Governed by a Special Law . . . . . Fr.	496,772,409	308,905,850
Banks in Belgium . . . . . Fr.	1,089,710,885	559,540,619
Enterprises and Individuals . Fr.	352,589,627	390,475,579
Banks in foreign countries, ordinary accounts . . . . . Fr.	605,325,400	626,636,282
Items payable . . . . . Fr.	1,605,321,060	2,444,209,479
Total . . Fr.	4,177,325,391	4,340,715,722

Under the head « Items Payable » there appear certain liabilities, denominated in Belgian francs, such as : letters of credit, cheques payable at a place other than that at which they are drawn, payment orders, dividends, the equivalent of foreign exchange due to third parties, taxes payable, payments to be made to suppliers of goods and to the National Social Insurance Office, credit advices pending, and transactions in course of settlement which will later give rise to payments or to the crediting of current accounts.

#### INTERNATIONAL AGREEMENTS.

	On 31st December, 1972	On 31st December, 1973
Fr.	1,407,006,022	1,971,906,981

Under this heading are shown the Belgian franc assets of the central banks which were signatories to the agreement establishing, from 1st January, 1973, an exchange guarantee between the central banks of the member countries of the Organisation for Economic Cooperation and Development and also the assets of the institutions of countries with which the Belgian Government has concluded financial aid agreements.

#### TOTAL SIGHT LIABILITIES.

	On 31st December, 1972	On 31st December, 1973
Fr.	228,143,992,313	244,818,533,203

The sight liabilities, up Fr. 16,674,540,890 on the year, are the sum of the banknotes in circulation, the current and sundry accounts and the amounts shown under the heading « International Agreements ».

#### INTERNATIONAL MONETARY FUND.

##### Special Drawing Rights, Net Cumulative Allocation.

	On 31st December, 1972	On 31st December, 1973
Fr.	10,467,300,000	10,186,198,565

The balance shown for the item « Special Drawing Rights, Net Cumulative Allocation » is the counterpart of an equal sum shown for the assets item « International Monetary Fund : Special Drawing Rights » <sup>(1)</sup>.

The commitment represented by it was reduced, on 31st December, 1973, by Fr. 281,101,435 by the transfer of an equivalent amount to the account « Provisional Adjustment resulting from the Law of 3rd July, 1972 »; this amount is to be deducted from the decreases in value specified on the assets side <sup>(2)</sup>.

#### EUROPEAN MONETARY COOPERATION FUND.

The contents of this item were defined in the comments on the asset item with the same title <sup>(3)</sup>.

On 31st December, 1973, the Bank had no liability to the European Monetary Cooperation Fund.

<sup>(1)</sup> See page 104 of this Report.

<sup>(2)</sup> See page 112 of this Report, note <sup>(2)</sup>.

<sup>(3)</sup> See page 107 of this Report.

## MONETARY RESERVE.

In accordance with the gentlemen's agreements conducted in Belgium with the financial intermediaries and the arrangements adopted for the Grand Duchy of Luxembourg, which are described on pages 79 onwards of this Report, the Bank holds deposits in a special account as a monetary reserve.

The year-to-year changes in these deposits were as follows :

	On 31st December, 1972	On 31st December, 1973
— Belgium . . . . . Fr.	11,790,972,000	33,630,730,454
— Grand Duchy of Luxembourg <sup>(1)</sup> . . . . . Fr.	—	897,787,648

## FOREIGN CURRENCIES AND GOLD TO BE DELIVERED.

	On 31st December, 1972	On 31st December, 1973
Fr.	21,546,617,022	26,530,308,905

The comments on this item and on the counterpart account « Debtors in respect of Foreign Exchange and Gold at Forward Dates » were made in the analysis of the asset items <sup>(2)</sup>.

## STAFF PENSIONS FUND.

	On 31st December, 1972	On 31st December, 1973
Fr.	3,988,207,371	4,541,095,997

The item « Staff Pensions Fund » is the counterpart of the asset account « Securities of the Staff Pensions Fund » <sup>(3)</sup>.

<sup>(1)</sup> The arrangements adopted in the Grand Duchy of Luxembourg came into force on 2nd January, 1973.

<sup>(2)</sup> See pages 105 and 108 of this Report.

<sup>(3)</sup> See page 114 of this Report.

## TRANSITORY LIABILITIES.

On 31st December, 1973 the Transitory Liabilities were as follows :

a) Unaccrued discount on bills and on Treasury certificates held . . . . . Fr.	396,669,002
b) Exchange differences shown but not realised <sup>(1)</sup> Fr.	1,450,164,347
c) Centenary Fund . . . . . Fr.	40,167,594
d) Collections . . . . . Fr.	19,484,701
The counterpart of the two items c) and d) is in the Transitory Assets.	
e) Provision for expenses of acquiring, selling and shipping gold . . . . . Fr.	100,000,000
f) Provision for building of premises and purchasing of furniture and equipment <sup>(2)</sup> . . . . . Fr.	490,729,427
g) Provision against Sundry Contingencies <sup>(2)</sup> . . Fr.	2,500,000,000
Total . . Fr.	<u>4,997,215,071</u>

## CAPITAL.

The Capital of Fr. 400,000,000 is divided into 400,000 shares of Fr. 1,000 each, registered or to bearer, including 200,000 registered and untransferable shares in the name of the Government.

## RESERVE FUND.

The Reserve Fund, which is provided under Article 14 of the Bank's Statutes, comprises the following items :

<sup>(1)</sup> The Bank's holdings of foreign currencies are shown in account on the basis of the central rates; the difference between the purchase price and the central rate is shown in account under « Exchange differences shown but not realised » so long as it has not materialised, that is, so long as the foreign currencies have not been realised.

<sup>(2)</sup> See page 141 of this Report.

	On 31st December, 1972	On 31st December, 1973
Statutory Reserve . . . . . Fr.	950,298,884	1,002,730,560
Extraordinary Reserve . . . . Fr.	857,623,627	1,308,666,275
Account for Depreciation of Premises, Furniture and Equipment . . . . . Fr.	2,033,259,827	2,068,937,325
Total . . . Fr.	3,841,182,338	4,380,334,160

The increase in the Reserve Fund represents the part accruing to the Statutory Reserve in the distribution of profits for 1972, a transfer of Fr. 451,042,648 to the Extraordinary Reserve by debit of the Profit and Loss Account for 1973 and the depreciation applied to premises as on 31st December, 1973.

#### NET PROFIT FOR DISTRIBUTION.

The favourable balance on the Profit and Loss Account, which forms the profit to be distributed in accordance with Article 38 of the Statutes, amounts to Fr. 567,715,787 as against Fr. 530,950,420 on 31st December, 1972.



## MEMORANDUM ACCOUNTS

### MINISTERS OF NATIONAL EDUCATION :

Balance for their account at the Postal Cheque Office (Education legislation).

The Memorandum Account « Ministers of National Education : Balance for their account at the Postal Cheque Office (Education legislation) » is published in the Bank's weekly return below the total of the liabilities <sup>(1)</sup>.

Its counterpart « Postal Cheque Office : Balance for account of the Ministers of National Education (Education legislation) » appears in the weekly return below the total of the assets . . . . . Fr. 3,225,464,284

### DOCUMENTARY CREDITS OPENED.

Under the head « Documentary Credits Opened » there appear the import credits opened by the Bank for Belgian companies or firms which are customers of its Discount Agencies, as well as the export credits opened via foreign banks . . . . . Fr. 6,949,839

<sup>(1)</sup> Account opened pursuant to the Law of 29th May, 1959, Article 15, amended by the Law of 11th July, 1973, Article 5.

« VISA » OF ACCEPTANCES RELATING TO EXPORTS AND IMPORTS.

The bank or commercial acceptances which were in circulation on 31st December, 1973 <sup>(1)</sup> and were given the visa of the Bank, which thereby undertakes to discount them whenever they shall have not longer than 120 days to run, in so far as they conform to the conditions laid down at the time of affixing of the visa, amounted to . . . . . Fr.

21,638,638,669

GUARANTEES GIVEN ON BEHALF OF THE STAFF.

The guarantees given by the Bank to certain Discount Agencies in respect of loans granted by the General Savings and Pensions Fund to members of the Bank's staff to enable them to build or buy their house amounted to . . . . . Fr.

466,452,999

SECURITIES RECEIVED BY WAY OF GUARANTEE.

The Securities received by way of Guarantee comprise the items below :

Cover for advance limits against Pledged Security . . . . . Fr.	33,949,310,090
Guarantees given by persons lodging bills for discount . . Fr.	1,459,715
Carried forward . . Fr.	33,950,769,805

<sup>(1)</sup> Other than those forming part of the Bank's portfolio, namely :

Acceptances with visa :	On 31st December, 1972	On 31st December, 1973
— export . . . . . Fr.	19,468,304,884	20,450,043,309
— import . . . . . Fr.	1,733,974,334	1,188,595,360
	Fr. 21,202,279,218 <sup>(*)</sup>	21,638,638,669 <sup>(*)</sup>

<sup>(\*)</sup> Including those due within 120 days from Balance Sheet date : Fr. 2,939,733,854

1,659,970,819

Brought forward . . Fr.	33,950,769,805	
Cover provided in Public Securities by Borrowers of Call Money . Fr.	8,552,128,000	
Sundry Guarantees . . . . Fr.	985,404,709	
	<hr/>	
Total . . Fr.		43,488,302,514

GUARANTEE CERTIFICATES RECEIVED FROM  
THE PUBLIC TREASURY.

The Guarantee Certificates received from the Public Treasury cover the advances granted by the Bank for the purpose of carrying out international agreements, this being in accordance with the provisions of the Law of 28th July, 1948, which amended Decree-Law No. 5 of 1st May, 1944, relating to the terms for purchase and sale of gold and foreign currencies . . . . . Fr. 700,000,000

ITEMS FOR COLLECTION.

The items — commercial bills, foreign currencies, etc. — which had been lodged by holders of current accounts or by foreign correspondents amounted on 31st December, 1973 to . . . . . Fr. 79,531,768

DEPOSITS OF SECURITIES.

The breakdown of these deposits is as follows :

International Monetary Fund . Fr.	7,263,500,000
International Development Association . . . . . Fr.	47,000,000
	<hr/>
Carried forward . . Fr.	7,310,500,000

Brought forward . . Fr.	7,310,500,000	
Asian Development Bank . . Fr.	54,597,211	
Other Deposits . . . . Fr.	129,949,151,831	
		Total . . Fr. 137,314,249,042

PUBLIC TREASURY.

The Memorandum Accounts listed under the title « Public Treasury » call for no comment.

*Sundry Securities owned by the Government :*

Preference Shares of the Belgian National Railways Company . Fr.	5,000,000,000
Ordinary Shares of the Belgian National Railways Company . Fr.	1,000,000,000
Participating Debentures of the Belgian National Railways Company . . . . . Fr.	638,305,187
Treasury Bills of the Government of the Grand Duchy of Luxem- bourg (Belgian-Luxembourg Agreement) . . . . . Fr.	1,203,911,072
4.50 p.c. Certificates of the National Housing Company . Fr.	3,659,401,000
4.50 p.c. Certificates of the National Land Company . . Fr.	317,285,000
	Carried forward . . Fr. 11,818,902,259

Brought forward . . Fr.	11,818,902,259	
Sundry Items :		
— Earmarked for the Monetary Fund <sup>(1)</sup> . . . . . Fr.	1,090,038,335	
— Others . . . . . Fr.	2,157,419,385	
		Fr. 15,066,359,979
<i>Sundry Items for which the Government is the Depositary :</i>		
Items lodged by outside parties Fr.	36,468,701,452	
Service of the Registered Debt Fr.	212,395,418,700	
Deposit and Consignment		
Office . . . . . Fr.	2,759,014,483	
Items lodged by way of		
Guarantee . . . . . Fr.	9,738,416,892	
		Fr. 261,361,551,527
<i>Securities lodged in pursuance of the provisions regarding the cancellation of undeclared Belgian bearer securities <sup>(2)</sup> . . . . . Fr.</i>		
		39,318
<i>Items to be delivered . . . . . Fr.</i>		20,377,686,764
Total . . Fr.		296,805,637,588

SECURITIES STABILISATION FUND.

The Securities which belong to the Securities Stabilisation Fund set up in pursuance of the Decree-Law of 18th May, 1945, and which are held in safe custody at the Bank, amount to . . . . . Fr. 24,770,386,936

<sup>(1)</sup> Belgian Monetary Fund.

<sup>(2)</sup> Pursuant to the Regent's Decree of 17th January, 1949.

GENERAL SAVINGS AND PENSIONS FUND.

The deposits of the General Savings and Pensions Fund are made up as follows :

<i>Provisional Investments</i> . . . . .	Fr.	39,331,120,755
<i>Cover for Loans</i> . . . . .	Fr.	43,654,500
<i>Guarantee Deposits</i> . . . . .	Fr.	<u>535,428,648</u>
Total . . . . .	Fr.	39,910,203,903

## PROFIT AND LOSS ACCOUNT

*Changes have been made in the presentation of the Profit and Loss Account.*

*In order to facilitate comparison, the 1972 figures mentioned in the following comments have been adjusted to the contents of the new items. Any differences from the published data for that year will be explained in each case.*

### CREDIT

#### PROCEEDS OF DISCOUNT AND ADVANCE OPERATIONS.

	On 31st December, 1972	On 31st December, 1973
Fr.	670,388,543	1,538,867,306

The gross proceeds of discount and advance operations more than doubled.

This marked increase is explained as follows :

- firstly, operations in 1973 reached a considerably higher level than in 1972 <sup>(1)</sup>;

<sup>(1)</sup> Average volume of operations (in millions of Fr.) :

		In 1972	In 1973
— public securities . . . . .	Fr.	2,516	2,472
— commercial bills and advances against pledged security .	Fr.	13,111	22,104
	Fr.	15,627	24,576

— secondly, the rates for discounts and advances were raised five times in 1973 <sup>(1)</sup>; furthermore, during the last days of December a special rate, higher than that for advances, was applied to the Rediscount and Guarantee Institute's presentations of paper not counted against the rediscount and visa ceilings <sup>(2)</sup>.

Shown over against the gross receipts, to the debit of the Profit and Loss Account <sup>(3)</sup>, are the proceeds in excess of 3 p.c. of discount and advances operations, which go to the Government in accordance with Article 37 of the Statutes.

Through the operation of this provision the Treasury benefited by the greater part of the increase in the net receipts, i.e. Fr. 595,771,358 out of Fr. 868,478,763.

#### PROCEEDS OF TRANSACTIONS WITH FOREIGN COUNTRIES.

	On 31st December, 1972	On 31st December, 1973
Fr.	2,155,073,230 <sup>(4)</sup>	5,537,044,405

The year-to-year trend of the gross proceeds of transactions with foreign countries displays the same features as that of the gross proceeds of discount and advances, namely an appreciable increase in the volume of transactions <sup>(5)</sup> and a marked rise in interest rates <sup>(6)</sup>.

<sup>(1)</sup> See the annexes to this Report, Table 16.

<sup>(2)</sup> See page 87 of this Report.

<sup>(3)</sup> See page 134 of this Report.

<sup>(4)</sup> Figure credited to the Profit and Loss Account as on 31st December, 1972 . . . . .	Fr.	1,689,099,562
Government's share previously deducted . . . . .	Fr.	465,973,668
Gross receipts . . . . .	Fr.	2,155,073,230

<sup>(5)</sup> Average volume of assets (in millions of francs) :		In 1972	In 1973
International Monetary Fund :			
— Quota . . . . .	Fr.	18,589	16,841
— Special Drawing Rights . . . . .	Fr.	13,779	17,566
Foreign currencies (apart from the following item) . . . . .	Fr.	43,586	57,195
Monetary cooperation in the EEC . . . . .	Fr.	—	15,738

<sup>(6)</sup> With regard to the positions in the International Monetary Fund, the remuneration allowed to the Bank by the Government remains limited to 0.50 p.c. per annum.

For example, the interest rate on the U.S. Treasury's three-month certificates rose from 5.20 p.c. at the end of December 1972 to 7.45 p.c. in December 1973, after reaching a peak of 9.05 p.c. in September.

The average of the discount rates of the participating central banks applicable to the granting of credits at very short term within the European Economic Community went up from 5 p.c. at the beginning of the year to 8 p.c. last December.

The Government's share in the proceeds of transactions with foreign countries, debited to the Profit and Loss Account, was influenced in its favour by three factors : the increase in volume of the U.S. dollars held by the Bank under the Government guarantee pursuant to Article 6 of Decree-Law No. 5 of 1st May, 1944 as last amended by the Law of 7th June, 1973 <sup>(1)</sup>, the improved yield on the investments effected with these dollars and the changes made to the arrangements between the Government and the Bank governing the methods of implementation of that guarantee <sup>(2)</sup>.

On the year, the Government's share of these proceeds rose from Fr. 465,973,668 to Fr. 2,110,042,814.

#### PROCEEDS FROM PUBLIC LONG-TERM SECURITIES.

	On 31st December, 1972	On 31st December, 1973
Fr.	287,957,797	299,393,460

The proceeds from public long-term securities acquired by the Bank in accordance with Articles 18 and 21 of its Statutes <sup>(3)</sup> increase from year to year owing to the growth in its holding due to the transfers made to the Reserve Fund.

<sup>(1)</sup> See page 106 of this Report.

<sup>(2)</sup> See page 135 of this Report.

<sup>(3)</sup> See page 113 of this Report.

## FEES FOR SAFE CUSTODY, COMMISSIONS AND ALLOWANCES.

	On 31st December, 1972	On 31st December, 1973
Fr.	199,625,445	213,081,889

The amount received in respect of fees for safe custody, commissions and allowances is almost unchanged.

The round-sum allocation of 0.10 p.c. on the Bank's consolidated non-interest-bearing claim of Fr. 34,000,000,000 on the Government appears among the allowances; the purpose of this allocation is partly to reimburse the Bank for the expenses incurred in maintaining the currency circulation of which this claim is the counterpart.

## SUNDRY RECEIPTS.

	On 31st December, 1972	On 31st December, 1973
Fr.	26,758,566 <sup>(1)</sup>	2,780,094

The receipts for 1973 are mainly derived from the sale of a written-off building no longer used by the Bank.

## TAX REFUNDS.

	On 31st December, 1972	On 31st December, 1973
Fr.	39,291,106	—

The tax refund received in 1973, amounting to Fr. 36,742,580, was deducted from the year's charges in respect of taxes <sup>(2)</sup>.

<sup>(1)</sup> Sum included on that date under the heading « Amounts collected on assets written off pending collection ».

<sup>(2)</sup> See page 138 of this Report.

DRAWINGS ON THE TRANSITORY LIABILITIES ITEMS.

— *Provision for Building of Premises and Purchasing of Furniture and Equipment.*

	On 31st December, 1972	On 31st December, 1973
Fr.	24,518,557	15,853,050

The drawing on the « Provision for Building of Premises and Purchasing of Furniture and Equipment » was made in order to cover the capital outlays on new building.

In 1973 these outlays were smaller than in the previous year.

— *Provision for Taxes.*

Owing to the change in the way in which taxes payable by the Bank <sup>(1)</sup> are recorded in the books, this provision has lost its purpose. The sum of Fr. 451,856,013 shown for it on 31st December, 1972 was transferred on 31st December, 1973 to the credit of the Profit and Loss Account for allocation to the Provision for Contingencies.

<sup>(1)</sup> See page 138 of this Report.

*DEBIT*

GOVERNMENT'S SHARES.

	On 31st December, 1972	On 31st December, 1973
Discounts and advances . . . Fr.	203,676,678	799,448,036
Transactions with foreign countries . . . . . Fr.	465,973,668	2,110,042,814
Monetary reserve . . . . . Fr.	—	660,348,900
	<hr/>	<hr/>
	Fr. 669,650,346	3,569,839,750

The Government's shares mentioned at the top of the debit side of the Profit and Loss Account, are calculated on the proceeds of the Bank's transactions before deduction of any charges (general expenses, depreciation, taxes); they are independent of the part accruing to the Treasury in the distribution of the net profit.

In 1972 these parts were two in number; a third was added in 1973, in connection with the existence in the Bank's books of a monetary reserve.

The sum of Fr. 669,650,346 received by the Government in 1972 is to be viewed in relation to gross proceeds of discounts and advances and transactions with foreign countries totalling Fr. 2,825,461,773; the sum of Fr. 3,569,839,750 paid to it in 1973 is to be compared with gross receipts of Fr. 7,075,911,711.

The allocation to the Government of part of the proceeds of the Bank's transactions is based on the following provisions :

— *Discounts and advances* <sup>(1)</sup>.

Article 37 of the Bank's Statutes states that the profit resulting for the Bank from the difference between interest at 3 p.c. and the interest rate received on its discounts, advances and lending operations shall be allocated to the Government.

— *Transactions with foreign countries* <sup>(2)</sup>.

By the effect of Article 6 of Decree-Law No. 5 of 1st May, 1944 as last amended by the Law of 7th June, 1973, the assets in unconvertible dollars of the United States of America held by the Bank are covered by the Government guarantee.

One of the conditions of implementation of this guarantee is a clause whereby the Bank pays to the Treasury part of the proceeds of the investment of these dollars so as to enable it to form a reserve for exchange risks.

Originally fixed at 50 p.c. of the gross proceeds from the investments, this part was increased to 75 p.c. from 19th March, 1973, in view of the decision of the European countries participating in the agreement on the narrowing of the margins of fluctuation of their currencies jointly to allow the dollar to float. It is understood, however, that the yield on these investments continuing to accrue to the Bank cannot be less than 1.50 p.c. per annum.

— *Monetary reserve.*

In view of the purposes for which a monetary reserve was constituted, the special accounts composing this reserve earn no interest for their holders.

<sup>(1)</sup> See page 129 of this Report.

<sup>(2)</sup> See page 130 of this Report.

As it has a counterpart among the Bank's assets, the monetary reserve is a source of income for the latter; this income must revert to the community.

The amount paid on this account to the public Treasury on 31st December, 1973 is dependent on the average income from the productive assets, minus the Government's shares in the gross proceeds of discounts and advances and transactions with foreign countries, commented on above.

The distributions of profits and charges to be made between the Belgian State and the Luxembourg State, by agreement between the two Governments, are governed by the Special Protocol of 29th January, 1963 between Belgium and the Grand Duchy of Luxembourg concerning the system of monetary association <sup>(1)</sup>.

#### GENERAL EXPENSES.

	On 31st December, 1972	On 31st December, 1973
Remunerations and social charges . . . . .	Fr. 1,383,884,534	1,597,089,731
Other operating expenses . .	Fr. 153,198,010	180,925,848
	<u>Fr. 1,537,082,544</u>	<u>1,778,015,579</u>
<i>less :</i>		
Expenses to be borne by others	Fr. 198,357,338	237,397,673
	<u>Fr. 1,338,725,206 <sup>(2)</sup></u>	<u>1,540,617,906</u>

The Bank used to show on the debit side of the Profit and Loss Account, on the one hand, its general expenses less recovered costs to be

<sup>(1)</sup> See the *Moniteur belge* of 29th July, 1965, page 9064 and seq.

<sup>(2)</sup> Figures included on the debit side of the Profit and Loss Account as on 31st December, 1972 :

General Expenses . . . . .	Fr. 1,225,288,612
Ordinary Grant to the Staff Pensions Fund . . . . .	Fr. 129,307,000
	<u>Fr. 1,354,595,612</u>
Less non-deductible V.A.T. included among Taxes . . . . .	Fr. 15,870,406
Remainder . . . . .	Fr. 1,338,725,206

borne by others and, on the other hand, the ordinary grant to the Staff Pensions Fund.

Henceforth it will show the following data : firstly, remunerations and social charges, including the ordinary grant to the Staff Pensions Fund, secondly, other operating expenses and, lastly, deducted from the total of these two items, the amount of recovered expenses to be borne by others.

This presentation brings out the preponderance of remunerations and social charges in total expenses, already mentioned in earlier analyses.

The rise observed under this head from 1972 to 1973 is not due to an increase in the staff : on the contrary, numbering 2,595, compared with 2,631 in 1972 and a maximum of 2,665 during the past ten years, the staff in fact shows a slight reduction. The additional expenses in 1973 are due to the social programme agreements, the upward adjustment of salary and wage scales, the rise in the index of consumer prices causing the application, on more quickly succeeding dates than in 1972, of four steps of the sliding scale, and the raising of the rate and/or ceiling for the levying of certain social security contributions.

The other operating expenses, representing for 1973, Fr. 180,925,848 compared with Fr. 153,198,010 for 1972, comprise all expenditure not relating to remuneration and social charges, that is, primarily, apart from day-to-day office expenses, expenditure on printing, data-processing and the maintenance and repair of premises and equipment. The year-to-year increase of Fr. 27,727,838 in these expenses is attributable, on the one hand, to the rise in prices and tariffs and in the costs charged by suppliers of goods and services and, on the other hand, to the completion of the equipping of the electronic centre, which facilitates the carrying out of more numerous and more complex tasks without any increase in staff.

The expenses to be borne by others represent the cost of the services rendered by the Bank to various institutions. These include the lending of premises and staff to the Belgian-Luxembourg Foreign Exchange Institute and the Central Office for Small Savings.

The services of Cashier for the Government and those for the Securities Equalisation Fund are rendered free of charge.

#### TAXES.

	On 31st December, 1972	On 31st December, 1973
Fr.	351,119,822 <sup>(1)</sup>	863,311,815 <sup>(2)</sup>

Until 31st December, 1972 the Bank regularly replenished the account entitled « Provision for Taxes » by debiting the Profit and Loss Account and drew from the provision thus formed the taxes actually paid.

Henceforth it will show as a charge pertaining to the year in question all taxes of all kinds payable by it, less any tax refunds received during the same year.

Apart from the advance payment of corporation tax adjusted as on 31st December, 1973, the sum of Fr. 863,311,815 includes the Preliminary Land and Building Tax and the Preliminary Tax on Personal Property, the non-deductible part of the value-added tax on the goods and services supplied to the Bank and the provincial and municipal taxes.

The raising of the rates of taxation and the year-to-year increase in the amount subject to tax explain the high figure shown as on 31st December, 1973 for taxes to the debit of the Profit and Loss Account.

#### DEPRECIATION OF PREMISES, FURNITURE AND EQUIPMENT.

	On 31st December, 1972	On 31st December, 1973
Fr.	120,144,664	174,348,311

<sup>(1)</sup> Amount actually paid for 1972, less a tax refund of Fr. 39,291,106. As on 31st December, 1972 the Bank had transferred Fr. 310,000,000 to the Provision for Taxes.

<sup>(2)</sup> Taxes due for 1973, less tax refunds received during that year.

The depreciations applied on 31st December, 1973 consist of two parts :

— the first, amounting to Fr. 61,502,521, was credited to the account for depreciation of premises, furniture and equipment included in the Reserve Fund and is subdivided as follows :

a) New building . . . . .	Fr.	15,853,050
(amount taken from the Provision for Building of Premises and Purchasing of Furniture and Equipment)		
b) Adjustment of previous depreciations . . .	Fr.	45,649,471

— the second, amounting to Fr. 112,845,790, covers the following expenses :

a) Modernisation of premises . . . . .	Fr.	61,174,286
b) Purchases of equipment for the printing works, technical departments and offices .	Fr.	42,352,345
c) Purchases of furniture for offices . . . .	Fr.	9,319,159

ADDITIONAL GRANT TO THE STAFF PENSIONS FUND.

	On 31st December, 1972	On 31st December, 1973
Fr.	198,200,000	212,000,000

The provision of a supplementary grant to the Staff Pensions Fund is the corollary to the increase in pay in accordance with the movement of the index of consumer prices : its object is to raise the actuarial reserves to the level required in order to cover pensions which are not yet running.

The rate of payment of wages and salaries rose faster in 1973 than in 1972.

TRANSFERS TO RESERVES AND PROVISIONS.

The following transfers were made to reserves and provisions :

<i>Extraordinary Reserve</i> . . . . . Fr.	451,042,648
<i>Provision for Sundry Contingencies</i> . . . . . Fr.	680,000,000

The detailed position of the Extraordinary Reserve and the provision accounts is as follows :

a) *Extraordinary Reserve.*

On 31st December, 1972 . . . . . Fr.	857,623,627
Transfer corresponding to the part of the profit made on the sale and collection of securities from the holding of public long-term securities <sup>(1)</sup> which is exempted from tax on condition that it remains unavailable . Fr.	42,648
Transferred by the debit of the Profit and Loss Account in order to strengthen the Reserve Fund . . . . Fr.	<u>451,000,000</u>
Balance on 31st December, 1973 . . . . . Fr.	1,308,666,275

b) *Provision for Taxes.*

On 31st December, 1972 . . . . . Fr.	451,856,013
Closing of the account by transfer to the Provision for Sundry Contingencies via the Profit and Loss Account . . . . . — Fr.	<u>451,856,013</u>

(<sup>1</sup>) Articles 34 and 105 of the Income Taxes Code.

c) *Provision for Building of Premises and  
Purchasing of Furniture and Equipment.*

On 31st December, 1972 . . . . . Fr.	506,582,477
Drawn in 1973 <sup>(1)</sup> . . . . . — Fr.	<u>15,853,050</u>
Balance on 31st December, 1973 . . . . . Fr.	490,729,427

No transfer had to be made to this provision on 31st December, 1973.

The existing balance covers the execution of the present programme, spread over several years.

d) *Provision against Sundry Contingencies.*

On 31st December, 1972 . . . . . Fr.	1,820,000,000
Transfer of the balance of the account « Provision for Taxes », closed as on 31st December, 1973 . . . . . Fr.	451,856,013
Drawing on the net profits for 1973 . . . . . Fr.	<u>228,143,987</u>
	Fr. <u>680,000,000</u>
Balance on 31st December, 1973 . . . . . Fr.	2,500,000,000

The Provision against Sundry Contingencies was created at the end of 1957 in view of the risks inherent in the Bank's activity and of the fluctuations to which its earnings are subject.

The provision of Fr. 2,500,000,000 represents 3.18 p.c. of the average amount, cumulated in 1973, of the commercial bill holding and of the investments in foreign currencies.

<sup>(1)</sup> See page 133 of this Report.

NET PROFIT FOR DISTRIBUTION.

In conformity with Article 38 of the Statutes, the Net Profit has been distributed as follows :

1. To the Shareholders, a First Dividend of 6 p.c. on the Nominal Capital . . . . . Fr.	24,000,000
2. As to the rest, namely Fr. 543,715,787	
a) 10 p.c. to Reserve . . . . . Fr.	54,371,579
b) 8 p.c. to the Staff . . . . . Fr.	43,497,263
3. As to the remainder, namely Fr. 445,846,945	
a) To the Government, one-fifth . . . . . Fr.	89,169,389
b) To the Shareholders, a Second Dividend . Fr.	356,000,000
c) The balance to Reserve . . . . . Fr.	677,556
<i>Total Net Profit to be distributed . . Fr.</i>	<i>567,715,787</i>

## DIVIDEND DECLARED FOR THE YEAR 1973

First Dividend, Total . . . . .	Fr.	24,000,000
Second Dividend, Total . . . . .	Fr.	356,000,000
Total . . . . .	Fr.	380,000,000

on 400,000 Shares, that is per Share a Dividend of . Fr. 950

Coupon No. 172 will be payable with effect from 1st March, 1974 at the rate of Fr. 760 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 760, the taxable income per Share to be declared by individuals for tax purposes is Fr. 1,292 <sup>(1)</sup>, including the tax relief and the Preliminary Tax on Personal Property.

### *The Council of Regency :*

Cecil de STRYCKER, *Vice-Governor*,  
 Roland BEAUVOIS, *Director*,  
 Elisabeth MALAISE, *Director*,  
 Henri VLOEBERGHES, *Director*,  
 René EWALENKO, *Director*,  
 Georges JANSON, *Director*,  
 Constant BOON, *Regent*,  
 Henri LEMAIRE, *Regent*,  
 Hendrik CAPPUYNS, *Regent*,  
 Louis VAN HELSHOECHT, *Regent*,  
 Roger RAMAEKERS, *Regent*,  
 Raymond PULINCKX, *Regent*,  
 Charles HURIAUX, *Regent*,  
 Jozef HOUTHUYS, *Regent*,  
 William FRAEYS, *Regent*,  
 Georges DEBUNNE, *Regent*.

*The Governor*,  
 Robert VANDEPUTTE.

<sup>(1)</sup> To be shown in Section IV of individuals' tax declaration :

Income from Shares . . . . .	Fr.	760
Tax relief $\frac{760 \times 45}{100}$ . . . . .	Fr.	342
Preliminary Tax on Personal Property $\frac{760 \times 1}{4}$ . . . . .	Fr.	190
	Fr.	1,292



Balance Sheet

Profit and Loss Account

Memorandum Accounts

## ASSETS

## BALANCE SHEET A1

<b>Gold Holding</b> . . . . .		71,817,877,911
<b>International Monetary Fund :</b>		
Quota . . . . .		23,959,261,421
Loans . . . . .		—
Special Drawing Rights . . . . .		30,477,059,298
	<b>Total Cover Items</b> . . . . .	126,254,198,630
<b>Foreign Currencies</b> . . . . .		75,905,078,759
<b>Foreign Currencies and Gold Receivable</b> . . . . .		—
<b>International Agreements</b> . . . . .		—
<b>European Monetary Cooperation Fund</b> . . . . .		3,500,213,876
<b>Debtors in respect of Foreign Exchange and Gold at Forward Dates</b> . . . . .		28,775,833,359
<b>Commercial Bills</b> . . . . .		40,081,826,520
<b>Advances against Pledged Security :</b>		
Institutions Governed by a Special Law . . . . .	364,578,505	
Banks . . . . .	2,080,685,225	
Enterprises and Individuals . . . . .	20,257,103	2,465,520,833
<b>Public Securities :</b>		
Belgian Public Securities . . . . .		450,000,000
Luxembourg Public Securities . . . . .		—
<b>Treasury Notes and Coin</b> . . . . .		301,847,383
<b>Balances at the Postal Cheque Office</b> . . . . .		1,407,878
<b>Consolidated Claim on the Government</b> . . . . .		34,000,000,000
<b>Special Treasury Bills</b> . . . . .		2,771,333,509
<b>Provisional Adjustment resulting from the Law of 3rd July, 1972</b> . . . . .		3,450,349,538
<b>Items Receivable</b> . . . . .		1,050,741,185
<b>Public Long-term Securities</b> . . . . .		4,293,560,219
<b>Premises, Furniture and Equipment</b> . . . . .		2,193,489,756
<b>Securities of the Staff Pensions Fund</b> . . . . .		4,541,095,997
<b>Transitory Assets</b> . . . . .		913,422,348
	<b>Total Assets</b> . . . . .	330,949,919,790

T 31<sup>ST</sup> DECEMBER, 1973

**LIABILITIES**

<b>Bank Notes in Circulation</b> . . . . .		238,505,910,500
<b>Current and Sundry Accounts :</b>		
Public { Ordinary Account . . . . .	3,993,195	
Treasury { Exceptional Counter-Cyclical Tax . . . . .	6,954,718	
Institutions Governed by a Special Law . . . . .	308,905,850	
Banks in Belgium . . . . .	559,540,619	
Enterprises and Individuals . . . . .	390,475,579	
Banks in Foreign Countries, Ordinary Accounts . . . . .	626,636,282	
Items Payable . . . . .	2,444,209,479	4,340,715,722
<b>International Agreements</b> . . . . .		1,971,906,981
	<b>Total Sight Liabilities</b> . . . . .	244,818,533,203
<b>International Monetary Fund :</b>		
Special Drawing Rights, Net Cumulative Allocation . . . . .		10,186,198,565
<b>European Monetary Cooperation Fund</b> . . . . .		—
<b>Monetary Reserve :</b>		
Belgium . . . . .		33,630,730,454
Grand Duchy of Luxembourg . . . . .		897,787,648
<b>Foreign Currencies and Gold to be Delivered</b> . . . . .		26,530,308,905
<b>Staff Pensions Fund</b> . . . . .		4,541,095,997
<b>Transitory Liabilities</b> . . . . .		4,997,215,071
<b>Capital</b> . . . . .		400,000,000
<b>Reserve Fund :</b>		
Statutory Reserve . . . . .		1,002,730,560
Extraordinary Reserve . . . . .		1,308,666,275
Account for Depreciation of Premises, Furniture and Equipment . . . . .		2,068,937,325
<b>Net Profit for Distribution</b> . . . . .		567,715,787
	<b>Total Liabilities</b> . . . . .	330,949,919,790

## DEBIT

## PROFIT AND LOSS ACCOUNT

<b>Government's Share :</b>		
Discounts and Advances . . . . .	799,448,036	
Transactions with Foreign Countries . . . . .	2,110,042,814	
Monetary Reserve . . . . .	660,348,900	3,569,839,750
<b>General Expenses :</b>		
Remunerations and Social Charges . . . . .	1,597,089,731	
Other Operating Expenses . . . . .	180,925,848	
	1,778,015,579	
<i>less :</i>		
Expenses to be borne by Others . . . . .	— 237,397,673	1,540,617,906
<b>Taxes</b> . . . . .		863,311,815
<b>Depreciation of Premises, Furniture and Equipment</b> . . . . .		174,348,311
<b>Additional Grant to the Staff Pensions Fund</b> . . . . .		212,000,000
<b>Transfers to Reserves and Provisions :</b>		
Extraordinary Reserve . . . . .	451,042,648	
Provision for Sundry Contingencies . . . . .	680,000,000	1,131,042,648
<b>Net Profit for Distribution</b> . . . . .		567,715,787
		<u>8,058,876,217</u>

## MEMORANDUM ACCOUNT

**Ministers of National Education :**

Balance for their account at the Postal Cheque Office (Education)

**Documentary Credits Opened**

« Visa » of Acceptances relating to Exports and Imports

**Guarantees given on behalf of the Staff****Securities received by way of Guarantee :**

Cover for advance limits against Pledged Security . . . . .  
 Guarantees given by persons lodging bills for discount . . . . .  
 Securities provided by borrowers of Call Money . . . . .  
 Sundry Guarantees . . . . .

**Guarantee Certificates received from the Public Treasury****Items for Collection****Deposits of Securities :**

International Monetary Fund . . . . .  
 International Development Association . . . . .  
 Asian Development Bank . . . . .  
 Other Deposits . . . . .

**Public Treasury :***Sundry Securities owned by the Government :*

Preference Shares of the Belgian National Railways Co.  
 Ordinary Shares of the Belgian National Railways Co.  
 Participating Debentures of the Belgian National Railways Co.

Treasury Bills of the Government of the Grand Duchy of Luxembourg (Belgian-Luxembourg Agreement)  
 4.50 % Certificates of the National Housing Co.  
 4.50 % Certificates of the National Land Co.

**Sundry Items :**

— Earmarked for the Monetary Fund . . . . .  
 — Others . . . . .

*Sundry Items for which the Government is the Depository*

Items lodged by outside parties . . . . .  
 Service of the Registered Debt . . . . .  
 Deposit and Consignment Office . . . . .  
 Items lodged by way of Guarantee . . . . .

*Securities lodged in pursuance of the provisions regarding the cancellation of undeclared Belgian bearer securities*

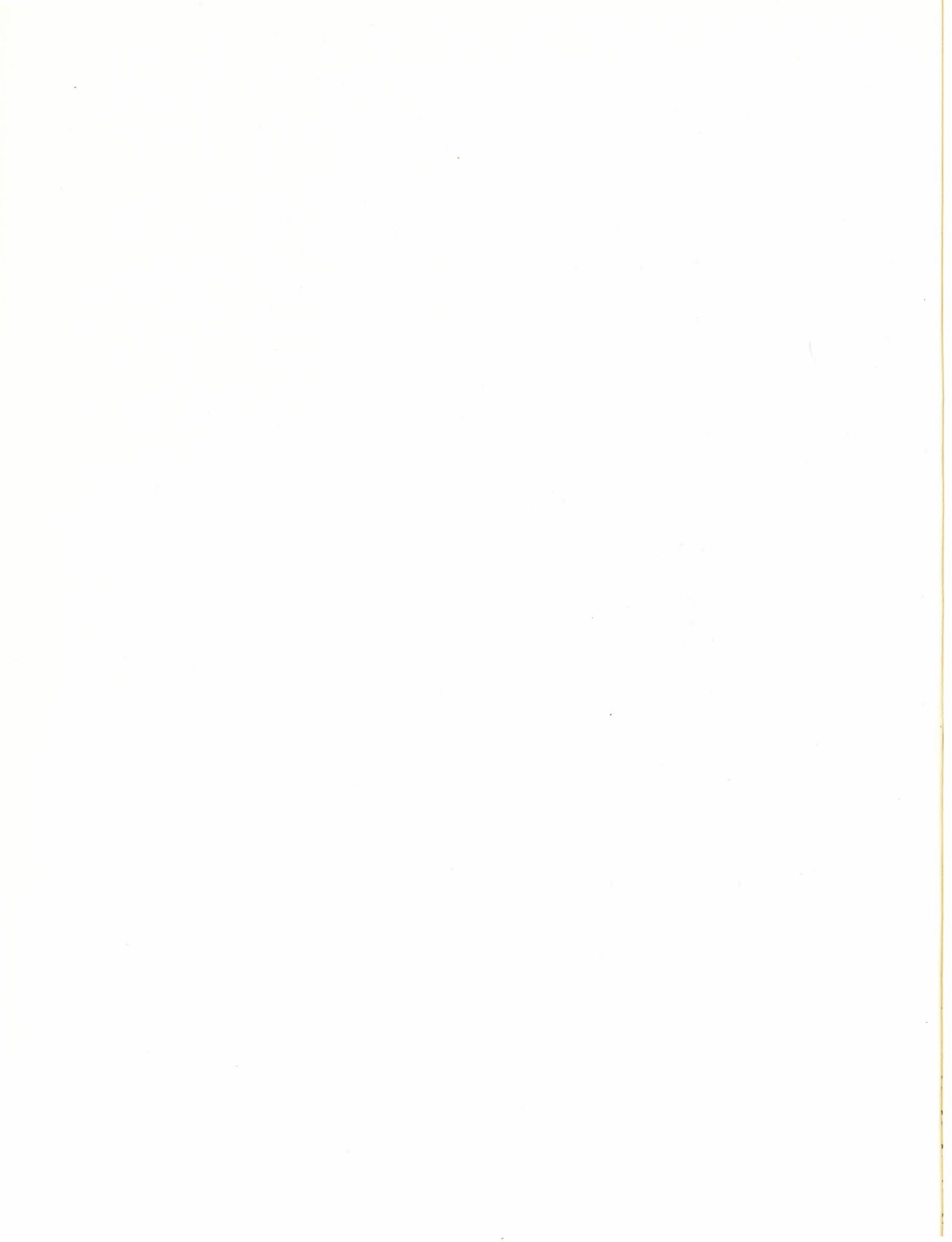
Items to be delivered . . . . .

**Securities Stabilisation Fund****General Savings and Pensions Fund :**

Provisional Investments . . . . .  
 Cover for Loans . . . . .  
 Guarantee Deposits . . . . .

Proceeds of Discount and Advance Operations . . . . .		1,538,867,306
Proceeds of Transactions with Foreign Countries . . . . .		5,537,044,405
Proceeds of Public Long-term Securities . . . . .		299,393,460
Fees for Safe Custody, Commissions and Allowances . . . . .		213,081,889
Sundry Receipts . . . . .		2,780,094
<b>Drawings on the Transitory Liabilities Items :</b>		
Provision for Building of Premises and Purchasing of Furniture and Equipment . . . . .	15,853,050	
Provision for Taxes . . . . .	451,856,013	467,709,063
		<u>8,058,876,217</u>

egislation) . . . . .		3,225,464,284
. . . . .		6,949,839
. . . . .		21,638,638,669
. . . . .		466,452,999
. . . . .	33,949,310,090	
. . . . .	1,459,715	
. . . . .	8,552,128,000	
. . . . .	985,404,709	43,488,302,514
. . . . .		700,000,000
. . . . .		79,531,768
. . . . .	7,263,500,000	
. . . . .	47,000,000	
. . . . .	54,597,211	
. . . . .	129,949,151,831	137,314,249,042
5,000,000,000		
1,000,000,000		
638,305,187		
1,203,911,072		
3,659,401,000		
317,285,000		
1,090,038,335		
2,157,419,385	15,066,359,979	
36,468,701,452		
212,395,418,700		
2,759,014,483		
9,738,416,892	261,361,551,527	
. . . . .	39,318	
. . . . .	20,377,686,764	296,805,637,588
. . . . .		24,770,386,936
. . . . .	39,331,120,755	
. . . . .	43,654,500	
. . . . .	535,428,648	39,910,203,903



## Annexes

**BALANCE SHEETS COMPARED AS AT**

ASSETS	1969	1970	1971	1972	1973
<b>Gold Holding</b> . . . . .	75,947.2	73,519.4	77,206.6	75,393.9	71,817.9
<b>International Monetary Fund :</b>					
Quota . . . . .	7,777.0	19,583.8	29,972.2	25,913.7	23,959.3
Loans . . . . .	—	—	—	—	—
Special Drawing Rights . . . . .		10,245.5	20,269.8	26,095.0	30,477.0
<b>Total Cover Items</b> . . . . .	83,724.2	103,348.7	127,448.6	127,402.6	126,254.2
<b>Foreign Currencies</b> . . . . .	35,618.5	39,013.9	35,039.2	52,420.9	75,905.1
<b>Foreign Currencies and Gold Receivable</b> . . . . .	17,509.8	10,718.0	244.8	11.4	—
<b>International Agreements</b> . . . . .	—	140.2	—	—	—
<b>European Monetary Cooperation Fund</b> . . . . .					3,500.2
<b>Debtors in respect of Foreign Exchange and Gold at Forward Dates</b> . . . . .	34,015.5	37,843.0	34,777.4	20,594.4	28,775.8
<b>Commercial Bills</b> . . . . .	18,638.5	6,487.9	15,084.2	33,433.7	40,081.8
<b>Advances against Pledged Security :</b>					
Institutions Governed by a Special Law . . . . .	18.3	147.7	305.9	2,630.5	364.6
Banks . . . . .	9.1	27.8	0.7	867.6	2,080.7
Enterprises and Individuals . . . . .	19.7	13.1	12.0	27.7	20.2
	47.1	188.6	318.6	3,525.8	2,465.5
<b>Public Securities :</b>					
Belgian Public Securities . . . . .	15,550.0	13,250.0	4,925.0	1,100.0	450.0
Luxembourg Public Securities . . . . .	—	—	—	—	—
<b>Treasury Notes and Coin</b> . . . . .	281.4	265.2	312.3	312.8	301.8
<b>Balances at the Postal Cheque Office</b> . . . . .	1.4	1.6	0.9	1.6	1.4
<b>Consolidated Claim on the Government.</b> . . . .	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
<b>Special Treasury Bills</b> . . . . .					2,771.3
<b>Provisional Adjustment under the Law of 3rd July, 1972</b> . . . . .					3,450.4
<b>Items Receivable</b> . . . . .	923.0	1,196.0	414.3	565.7	1,050.8
<b>Public Long-term Securities</b> . . . . .	3,632.8	3,728.4	3,832.3	4,110.8	4,293.6
<b>Premises, Furniture and Equipment</b> . . . . .	2,105.0	2,161.0	2,191.7	2,191.6	2,193.5
<b>Securities of the Staff Pensions Fund</b> . . . . .	2,857.9	3,119.9	3,514.1	3,988.2	4,541.1
<b>Assets Written Off Pending Collection</b> . . . . .	p.m.	p.m.	p.m.	p.m.	
<b>Transitory Assets</b> . . . . .	822.5	785.7	578.4	778.4	913.4
	249,727.6	256,248.1	262,681.8	284,437.9	330,949.9

LIABILITIES	1969	1970	1971	1972	1973
<b>Bank Notes in Circulation</b> . . . . .	183,002.0	188,211.6	201,765.5	222,559.7	238,505.9
<b>Current and Sundry Accounts :</b>					
Public Treasury :					
Ordinary Account . . . . .	24.9	23.6	19.3	20.2	4.0
Exceptional Counter-Cyclical Tax . . . . .	8.2	7.4	7.4	7.4	7.0
Institutions Governed by a Special Law . . . . .	292.4	248.5	374.6	496.8	308.9
Banks in Belgium . . . . .	954.1	1,187.9	1,009.2	1,089.7	559.5
Enterprises and Individuals . . . . .	212.2	217.8	297.1	352.6	390.5
Banks in Foreign Countries, Ordinary Accounts	382.5	525.6	698.7	605.3	626.6
Items Payable . . . . .	3,053.1	2,551.0	1,485.5	1,605.3	2,444.2
	4,927.4	4,761.8	3,891.8	4,177.3	4,340.7
<b>International Agreements</b> . . . . .	466.3	722.9	3,129.3	1,407.0	1,971.9
<b>Total Sight Liabilities</b> . . . . .	188,395.7	193,696.3	208,786.6	228,144.0	244,818.5
<b>International Monetary Fund :</b>					
Special Drawing Rights, Net Cumulative Allocation . . . . .		3,544.8	7,022.3	10,467.3	10,186.2
<b>European Monetary Cooperation Fund</b> . . . . .					—
<b>Monetary Reserve :</b>					
Belgium . . . . .				11,791.0	33,630.8
Grand Duchy of Luxembourg . . . . .					897.8
<b>Foreign Currencies and Gold to be Delivered</b> . . . . .	51,767.3	48,686.9	35,796.2	21,546.6	26,530.3
<b>Staff Pensions Fund</b> . . . . .	2,857.9	3,119.9	3,514.1	3,988.2	4,541.1
<b>Transitory Liabilities</b> . . . . .	2,572.7	2,939.5	2,999.5	3,728.7	4,997.2
<b>Capital</b> . . . . .	400.0	400.0	400.0	400.0	400.0
<b>Reserve Fund :</b>					
Statutory Reserve . . . . .	809.0	852.1	899.5	950.3	1,002.7
Extraordinary Reserve . . . . .	530.4	532.5	732.6	857.6	1,308.7
Account for Depreciation of Premises, Furniture and Equipment . . . . .	1,945.9	2,000.5	2,028.3	2,033.3	2,068.9
<b>Net Profit for Distribution</b> . . . . .	448.7	475.6	502.7	530.9	567.7
	249,727.6	256,248.1	262,681.8	284,437.9	330,949.9

**PROFIT AND LOSS ACCOUNTS COMPARED**

DEBIT <sup>(1)</sup>	1969	1970	1971	1972	1973
<b>Government's Share :</b>					
Discounts and Advances . . . . .	1,266.4	893.5	346.9	203.7	799.4
Transactions with Foreign Countries . . . . .	406.6	1,468.1	329.4	465.9	2,110.0
Monetary Reserve . . . . .					660.4
	1,673.0	2,361.6	676.3	669.6	3,569.8
<b>General Expenses :</b>					
Remunerations and Social Charges . . . . .	934.7	1,042.1	1,206.6	1,383.9	1,597.1
Other Operating Expenses . . . . .	123.6	123.6	157.8	153.1	180.9
	1,058.3	1,165.7	1,364.4	1,537.0	1,778.0
<i>less :</i>					
Expenses to be borne by Others . . . . .	— 172.9	— 154.4	— 182.5	— 198.3	— 237.4
	885.4	1,011.3	1,181.9	1,338.7	1,540.6
<b>Taxes</b> . . . . .	971.2	483.9	396.1	351.1	863.3
<b>Depreciation of Premises, Furniture and Equipment</b>	106.8	118.3	88.4	120.1	174.3
<b>Additional Grant to the Staff Pensions Fund</b> . . . . .	68.0	70.0	138.0	198.2	212.0
<b>Transfers to Reserves and Provisions :</b>					
— Extraordinary Reserve . . . . .	12.2	2.1	200.1	125.1	451.1
— Provision for Taxes . . . . .	575.0	525.0	360.0	310.0	—
— Provision for Expenses of Acquiring, Selling and Shipping Gold . . . . .	20.0	—	—	—	—
— Provision for Building of Premises and Purchasing of Furniture and Equipment . . . . .	190.0	160.0	—	—	—
— Provision for Sundry Contingencies . . . . .	250.0	250.0	125.0	95.0	680.0
— Centenary Fund . . . . .	5.0	10.0	—	—	—
<b>Net Profit for Distribution</b> . . . . .	448.7	475.6	502.7	530.9	567.7
	5,205.3	5,467.8	3,668.5	3,738.7	8,058.8

(<sup>1</sup>) The figures for 1969 to 1972 have been adjusted to the new structure of the Profit and Loss Account.

(<sup>2</sup>) Until 1972 this item was entitled « Amounts Collected on Assets Written Off Pending Collection ».

## AS AT 31st DECEMBER (in millions of francs)

CREDIT <sup>(1)</sup>	1969	1970	1971	1972	1973
Proceeds of Discount and Advance Operations . . . . .	2,587.4	1,480.7	679.4	670.4	1,538.8
Proceeds of Transactions with Foreign Countries . . . . .	1,227.0	3,033.8	2,131.4	2,155.0	5,537.0
Proceeds of Public Long-term Securities . . . . .	218.7	233.1	267.3	288.0	299.4
Fees for Safe Custody, Commissions and Allowances . . . . .	186.4	192.6	188.9	199.6	213.1
Sundry Receipts <sup>(2)</sup> . . . . .	1.9	0.2	0.7	26.7	2.8
<b>Drawings on the Transitory Liabilities Items :</b>					
— Provision for Building of Premises and Purchasing of Furniture and Equipment . . . . .	40.1	54.6	27.9	24.5	15.8
— Provision for Taxes . . . . .	943.8	472.8	372.9	374.5	451.9
	5,205.3	5,467.8	3,668.5	3,738.7	8,058.8



## MISCELLANEOUS INFORMATION

	1969	1970	1971	1972	1973
Gross dividend declared per share . . . . .	754.94	794.92	837.80	887.06	950
Preliminary tax on personal property retained per share . . . . .	144.94	149.92	157.80	167.06	190
Net dividend declared per share . . . . .	610.00	645.00	680.00	720.00	760
Taxable income per share to be declared by individuals for tax purposes . . . . .	925.90	979.00	1,032.00	1,093.00	1,292



**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES  
CONSTITUTING, ON 31st DECEMBER, 1973,  
THE BANK'S HOLDINGS**

**Public long-term and other securities acquired in pursuance of the Statutes**

- 4 p.c. Unified Belgian Debt, 1st Series.
- 7.50 p.c. Belgian Loan 1969/87.
- 8 - 8.25 p.c. Belgian Loans 1975/81, Amalgamated,
- 8.25 p.c. Belgian Loans 1970/80, Amalgamated.
- 8.50 p.c. Belgian Loan 1970/83.
- 8.50 p.c. Belgian Loan 1971/84.
- 7.50 - 7.75 p.c. Belgian Loan 1971/78/86.
- 7.75 p.c. Belgian Loan 1971/86.
- 7.25 - 7.50 p.c. Belgian Loan 1971/80/87.
- 7.50 p.c. Belgian Loan 1971/87.
- 7 - 7.25 p.c. Belgian Loan 1972/79/87.
- 6.75 p.c. Belgian Loan 1972/87.
- 7.25 p.c. Belgian Loan 1973/87.
- 7 - 7.25 p.c. Belgian Loan 1973/81/87.
- 7.75 p.c. Belgian Loan 1973/87.
- 4 p.c. Belgian Premium Bonds 1941.
- 4 p.c. War Damage 1923.
- 8 - 8.25 p.c. Road Fund Loan 1970/76/83.
- 6.75 p.c. Road Fund Loan 1972/85.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 1st tranche.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 2nd tranche.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 3rd tranche.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 4th tranche.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 5th tranche.
- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 6th tranche.

- 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 7th tranche.
  - 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 8th tranche.
  - 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 9th tranche.
  - 2 p.c. National Foundation for Financing Scientific Research  
1960/69 - 1990/99, 10th tranche.
  - 8.25 p.c. Telegraphs and Telephones Board 1969/81.
  - 8.50 p.c. Telegraphs and Telephones Board 1970/84.
  - 7.25 p.c. Telegraphs and Telephones Board 1971/83.
  - 7.75 p.c. Telegraphs and Telephones Board 1973/85.
  - 8 - 8.25 p.c. Belgian National Railways Company 1970/76/82.
  - 7.75 p.c. Belgian National Railways Company 1971/85.
  - 6.75 p.c. Belgian Fund for Credit to Trade and Industry 1968/88.
  - 8.25 p.c. Belgian Fund for Credit to Trade and Industry 1970/78.
  - 6.75 p.c. National Industrial Credit Company 1968/88.
  - 8.25 p.c. National Industrial Credit Company 1969/80.
  - 8.25 p.c. National Industrial Credit Company 1970/90.
  - 8 p.c. National Industrial Credit Company 1971/91.
  - 8 p.c. National Industrial Credit Company 1971/79.
  - 7.75 p.c. Loan of the Association of Local Authorities for Motorway E3 1971/83.
  - 7.25 p.c. Loan of the Association of Local Authorities for Motorway E3 1972/84.
  - 7.75 p.c. Loan of the Association of Local Authorities for Motorway E5 1971/83.
  - 6.75 p.c. Loan of the Association of Local Authorities for Motorway E5 1972/82.
  - 7.25 p.c. Loan of the Association of Local Authorities for the  
Motorways of the Periphery of Brussels « B1 » 1973/85.
  - 7.75 p.c. City of Antwerp Loan 1971/82.
  - 8 p.c. City of Ghent Loan 1971/81.
  - 7.75 p.c. City of Liège Loan 1971/82.
  - 8.75 p.c. Brussels Canal and Maritime Installation Company Limited 1970/86.  
National Industrial Credit Company shares.  
National Investment Company shares.  
Bank for International Settlements shares :
    - Belgian Issue.
    - American Issue.
    - Danzig Issue.
    - Esthonian Issue.
    - Latvian Issue.
    - Lithuanian Issue.
- 1st and 2nd tranches
- 3rd tranche of Belgian Issue.
- Belgian National Railways Company Dividend Right Certificates.

ANNEX 5

**WEEKLY RETURNS**  
**PUBLISHED IN THE « MONITEUR BELGE » DURING 1973**

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1973 \*

(Millions of francs)

ASSETS

DATE	Gold holding	International Monetary Fund :			Total cover items	Foreign currencies	Foreign currencies and gold receivable	International agreements	European Fund for Monetary Cooperation	Debtors in respect of foreign exchange and gold at forward dates	Commercial bills	Advances against pledged security	Public securities :		Treasury notes and coin	Balances at Postal Cheque Office	Consolidated claim on the Government	Public long-term securities	Premises, furniture and equipment	Securities of the Staff Pensions Fund	Sundries	TOTAL ASSETS
		Quota	Loans	Special drawing rights									Belgian public securities	Luxemburg public securities								
January 8	74.663	25.906	—	26.095	126.664	53.814	11	—	—	21.934	30.589	1.865	825	—	313	1	34.000	4.111	2.192	3.954	3.365	283.638
» 15	74.890	25.736	—	26.095	126.721	57.092	11	—	—	25.690	22.137	26	2.400	—	337	2	34.000	4.111	2.192	3.955	3.534	282.208
» 22	74.890	25.718	—	26.095	126.703	60.109	11	—	—	28.759	18.492	28	4.550	—	380	1	34.000	4.108	2.192	4.016	3.048	286.397
» 29	74.890	25.718	—	26.095	126.703	61.037	11	—	—	29.877	14.320	50	7.225	—	404	1	34.000	4.294	2.192	4.204	1.436	285.754
February 5	74.609	25.718	—	26.095	126.422	73.432	11	—	—	33.525	16.206	1.592	—	—	410	1	34.000	4.293	2.192	4.218	990	297.292
» 12	74.271	25.718	—	26.095	126.084	76.203	11	—	—	33.525	10.189	28	—	—	441	1	34.000	4.293	2.192	4.218	922	292.107
» 19	74.271	25.718	—	26.095	126.084	76.221	11	—	—	33.525	7.098	16	—	—	459	1	34.000	4.293	2.192	4.258	1.122	289.280
» 26	73.765	25.718	—	26.095	125.578	76.674	11	—	—	33.525	11.537	29	—	—	483	1	34.000	4.293	2.192	4.258	1.117	293.698
March 5	73.765	25.718	—	26.095	125.578	81.683	11	—	—	33.603	17.652	628	—	—	450	1	34.000	4.293	2.192	4.255	996	305.342
» 12	73.765	25.718	—	26.095	125.578	81.602	11	—	—	33.603	11.892	18	—	—	461	2	34.000	4.293	2.192	4.255	1.096	299.003
» 19	73.765	25.718	—	26.095	125.578	81.497	11	—	—	33.603	6.023	17	3.300	—	467	2	34.000	4.293	2.192	4.255	1.204	296.442
» 26	73.765	25.718	—	26.095	125.578	82.715	11	—	—	34.868	13.587	22	—	—	485	1	34.000	4.293	2.192	4.255	1.454	303.461
April 2	73.765	25.718	—	26.095	125.578	82.711	11	—	—	34.884	12.386	23	3.500	—	467	1	34.000	4.293	2.192	4.255	1.427	305.728
» 9	73.765	25.715	—	26.095	125.575	82.786	11	—	—	34.959	12.272	16	3.400	—	455	1	34.000	4.293	2.192	4.248	1.555	305.763
» 16	73.765	25.715	—	26.095	125.575	83.626	11	—	—	35.792	8.699	14	4.475	—	447	2	34.000	4.293	2.192	4.289	1.480	304.895
» 20	73.765	25.715	—	26.095	125.575	85.113	11	—	—	37.267	6.877	37	6.925	—	438	1	34.000	4.293	2.192	4.314	1.827	308.870
» 27	73.765	25.511	—	26.095	125.371	86.757	11	—	—	38.891	9.964	42	7.775	—	396	1	34.000	4.293	2.192	4.316	1.798	315.807
May 7	73.765	25.203	—	26.095	125.063	87.989	11	—	—	40.009	22.647	121	—	—	355	1	34.000	4.293	2.192	4.314	2.067	323.062
» 14	73.765	25.441	—	26.095	125.301	87.920	11	—	—	40.043	15.057	41	—	—	358	1	34.000	4.293	2.192	4.322	2.101	315.640
» 21	73.765	25.441	—	26.313	125.519	89.354	11	—	—	41.457	15.240	18	—	—	363	1	34.000	4.286	2.192	4.350	1.620	318.411
» 28	73.800	25.441	—	26.537	125.778	90.827	11	—	—	42.935	16.302	16	—	—	376	1	34.000	4.286	2.192	4.350	1.793	322.867
June 4	73.800	25.052	—	29.429	128.281	88.437	11	—	427	38.064	19.349	34	3.125	—	331	1	34.000	4.286	2.192	4.340	2.034	324.912
» 8	73.800	25.052	—	29.429	128.281	88.428	11	—	512	38.064	12.805	25	7.100	—	367	1	34.000	4.294	2.192	4.340	2.286	322.706
» 18	73.800	25.052	—	29.429	128.281	88.438	11	—	512	38.064	13.893	28	3.925	—	355	1	34.000	4.294	2.192	4.370	2.369	320.733
» 25	73.800	25.470	—	29.429	128.699	88.430	11	—	—	38.064	16.221	75	5.450	—	358	2	34.000	4.294	2.192	4.368	2.079	324.243
July 2	73.800	25.316	—	29.429	128.545	87.432	11	—	—	38.066	19.292	5.233	12.575	—	309	1	34.000	4.294	2.192	4.358	2.602	338.910
» 9	73.800	25.316	—	29.429	128.545	87.433	11	—	—	38.066	20.706	25	15.900	—	319	1	34.000	4.294	2.192	4.360	3.747	339.599
» 16	73.800	25.316	—	29.429	128.545	87.581	11	—	—	38.192	27.640	1.495	3.000	—	334	1	34.000	4.294	2.192	4.360	3.772	335.417
» 20	73.800	25.170	—	29.429	128.399	87.645	11	—	—	38.252	31.954	2.065	—	—	362	1	34.000	4.294	2.192	4.360	3.890	337.425
» 30	73.800	25.170	—	29.429	128.399	87.686	11	—	—	38.282	31.749	1.990	—	—	375	2	34.000	4.294	2.192	4.360	3.927	337.267
August 6	73.800	25.170	—	29.429	128.399	86.131	11	—	—	36.579	32.084	2.842	—	—	362	2	34.000	4.291	2.192	4.351	3.967	335.211
» 13	73.800	25.170	—	29.429	128.399	86.142	11	—	—	36.579	26.858	22	1.425	—	375	1	34.000	4.291	2.192	4.351	4.106	328.752
» 20	73.800	25.170	—	29.429	128.399	85.900	11	—	—	37.789	25.490	235	1.125	—	369	2	34.000	4.290	2.192	4.351	4.592	328.745
» 27	73.800	25.018	—	29.429	128.247	85.295	11	—	—	37.176	24.428	24	—	—	388	2	34.000	4.290	2.192	4.351	3.682	324.086
September 3	73.800	25.115	—	29.429	128.344	82.106	11	—	—	34.735	24.541	879	6.525	—	385	2	34.000	4.290	2.192	4.351	4.037	326.398
» 10	73.800	25.115	—	29.429	128.344	81.270	11	—	—	33.910	23.234	18	10.600	—	384	1	34.000	4.290	2.192	4.339	3.797	326.390
» 17	73.800	25.113	—	29.429	128.342	80.522	11	—	—	33.164	21.328	1.243	11.750	—	401	1	34.000	4.294	2.192	4.360	4.082	325.690
» 24	73.800	25.113	—	29.429	128.342	80.689	11	—	6.357	33.318	31.145	1.225	—	—	410	1	34.000	4.294	2.192	4.362	4.350	330.696
October 1	73.800	25.113	—	29.429	128.342	80.573	11	—	12.590	33.214	28.121	2.667	—	—	380	1	34.000	4.294	2.192	4.362	4.033	334.780
» 8	73.800	25.113	—	29.429	128.342	79.825	11	—	12.590	32.476	27.868	20	—	—	365	2	34.000	4.294	2.192	4.349	4.323	330.657
» 15	73.800	24.870	—	29.429	128.099	78.450	11	—	12.590	31.116	26.988	2.727	—	—	394	1	34.000	4.294	2.192	4.349	4.465	329.676
» 22	73.800	24.538	—	29.429	127.767	77.865	11	—	12.590	30.532	29.119	1.009	—	—	398	1	34.000	4.294	2.192	4.345	4.594	328.717
» 29	73.800	24.538	—	29.429	127.767	77.536	11	—	12.590	30.206	30.739	73	—	—	406	1	34.000	4.295	2.192	4.346	4.748	328.909
November 5	73.800	24.538	—	29.429	127.767	83.743	11	—	2.815	28.763	28.550	4.717	—	—	390	1	34.000	4.295	2.192	4.336	4.924	326.504
» 12	73.800	24.538	—	29.429	127.767	83.084	11	—	4.083	28.763	29.544	245	—	—	393	1	34.000	4.295	2.192	4.336	4.669	323.383
» 19	73.800	24.538	—	29.429	127.767	83.082	11	—	4.083	28.763	28.369	24	—	—	379	1	34.000	4.295	2.192	4.336	4.861	322.163
» 26	73.800	24.538	—	29.429	127.767	83.083	11	—	4.083	28.763	30.506	309	—	—	390	1	34.000	4.294	2.192	4.336	4.756	324.491
December 3	73.800	24.460	—	30.815	129.075	82.308	11	—	1.268	28.774	34.484	3.035	—	—	372	1	34.000	4.294	2.192	4.339	4.159	328.312
» 10	73.800	24.654	—	30.815	129.269	82.313	11	—	3.752	28.774	31.449	253	—	—	367	1	34.000	4.294	2.192	4.329	4.068	325.072
» 17	73.800	24.654	—	30.815	129.269	82.316	11	—	5.113	28.774	26.396	194	2.450	—	362	2	34.000	4.294	2.192	4.329	4.205	323.907
» 21	73.800	24.654	—	30.815	129.269	82.318	11	—	5.113	28.774	36.396	2.007	—	—	351	1	34.000	4.294	2.192	4.329	4.109	333.164
» 28	73.800	24.654	—	30.815	129.269	82.318	11	—	5.099	28.774	40.351	1.633	—	—	311	1	34.000	4.294	2.192	4.329	4.201	336.788

(1) Of which capital : fr. 400 million.  
The figures in this table being reprinted from the French version of the Report, billions are marked by a full-stop, instead of by a comma as would be usual in English.

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1973 \*

(Millions of francs)

LIABILITIES

Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of National Education (law of July 11, 1973 - law on education)	Notes in circulation	Current Accounts :				Inter-national agreements	Total sight liabilities	International Monetary Fund : Special drawing rights, net cumulative allocation	European Fund for Monetary Cooperation	Monetary reserve		Foreign currencies and gold to be delivered	Staff Pensions Fund	Sundries	Capital, reserves and depreciation accounts (1)	TOTAL LIABILITIES	DATE
		Public Treasury		Banks in foreign countries, ordinary accounts	Sundry current accounts and items payable					Belgium	Grand Duchy of Luxembourg						
		Ordinary account	Exceptional counter-cyclical tax														
2.043	219.377	19	7	693	1.874	1.243	223.213	10.467	—	12.120	563	22.894	3.954	6.316	4.111	283.638	January 8
2.011	215.318	4	7	695	934	1.091	218.049	10.467	—	12.000	511	26.713	3.955	6.402	4.111	282.208	» 15
2.014	212.406	17	7	659	1.028	1.064	215.181	10.467	—	15.736	516	29.834	4.016	6.536	4.111	286.397	» 22
1.926	210.803	18	7	631	3.464	1.005	215.928	10.467	—	15.705	516	30.975	4.204	3.665	4.294	285.754	» 29
1.831	216.233	70	7	472	6.529	940	224.251	10.467	—	14.825	525	34.688	4.218	4.024	4.294	297.292	February 5
1.831	213.629	126	7	440	3.285	906	218.393	10.467	—	15.303	495	34.685	4.218	4.252	4.294	292.107	» 12
1.653	212.719	109	7	472	1.270	884	215.461	10.467	—	15.304	495	34.696	4.258	4.305	4.294	289.280	» 19
1.608	212.689	93	7	490	3.250	867	217.396	10.467	—	17.712	489	34.701	4.258	4.381	4.294	293.698	» 26
1.552	219.730	5.005	7	557	1.015	887	227.201	10.467	—	19.275	489	34.705	4.255	4.656	4.294	305.342	March 5
1.539	216.935	503	7	489	963	943	219.840	10.467	—	20.306	427	34.705	4.255	4.709	4.294	299.003	» 12
1.449	215.855	17	7	537	1.015	978	218.409	10.467	—	19.220	427	34.685	4.255	4.685	4.294	296.442	» 19
1.449	213.793	1.633	7	505	2.606	935	219.479	10.467	—	23.703	585	35.968	4.255	4.710	4.294	303.461	» 26
1.407	219.977	20	7	609	1.244	896	222.753	10.467	—	22.561	602	35.968	4.255	4.828	4.294	305.728	April 2
1.314	220.653	3	7	526	1.068	908	223.165	10.467	—	22.040	602	36.044	4.248	4.903	4.294	305.763	» 9
1.314	218.770	4	7	564	1.201	940	221.486	10.467	—	22.055	615	36.883	4.289	4.806	4.294	304.895	» 16
1.289	217.863	17	7	540	1.546	945	220.918	10.467	—	25.037	608	38.370	4.314	4.862	4.294	308.870	» 20
1.289	222.772	9	7	547	1.686	999	226.020	10.467	—	25.099	608	40.010	4.316	4.993	4.294	315.807	» 27
1.158	225.175	107	7	571	6.063	1.021	232.944	10.467	—	24.051	601	41.248	4.314	5.143	4.294	323.062	May 7
1.158	223.714	155	7	502	1.518	902	226.798	10.467	—	22.677	625	41.173	4.322	5.284	4.294	315.640	» 14
1.078	223.691	111	7	550	1.025	970	226.354	10.467	—	24.075	638	42.593	4.350	5.635	4.294	318.411	» 21
1.038	224.261	97	7	672	2.689	1.094	228.820	10.467	—	24.261	638	44.089	4.350	5.943	4.294	322.867	» 28
1.014	230.974	20	7	1.569	1.901	986	235.457	10.467	—	24.218	653	39.138	4.340	6.345	4.294	324.912	June 4
929	230.041	21	7	906	1.370	1.042	233.387	10.467	—	24.036	635	39.138	4.340	6.409	4.294	322.706	» 8
930	228.390	—	7	1.219	1.424	1.138	232.178	10.467	—	23.194	635	39.150	4.370	6.456	4.294	320.733	» 18
930	229.181	9	7	1.455	1.466	1.220	233.338	10.467	246	25.146	669	39.138	4.368	6.577	4.294	324.243	» 25
831	238.424	24	7	605	1.639	1.237	241.936	10.467	5.969	25.038	669	39.139	4.358	7.040	4.294	338.910	July 2
831	240.053	1	7	605	1.713	1.062	243.441	10.467	5.637	24.702	669	39.139	4.360	6.890	4.294	339.599	» 9
787	235.927	24	7	542	1.778	1.306	239.584	10.467	5.551	24.234	649	39.235	4.360	6.993	4.294	335.417	» 16
773	232.530	5.087	7	462	1.745	1.252	241.083	10.467	5.552	24.653	607	39.353	4.360	7.056	4.294	337.425	» 20
589	230.533	5.066	7	479	3.110	1.293	240.488	10.467	5.552	24.876	607	39.387	4.360	7.236	4.294	337.267	» 30
527	233.217	3.721	7	494	1.784	1.213	240.436	10.467	4.034	25.806	729	37.659	4.351	7.435	4.294	335.211	August 6
414	229.680	14	7	474	1.796	1.715	233.686	10.467	4.034	25.867	742	37.660	4.351	7.651	4.294	328.752	» 13
414	228.576	7	7	493	2.351	1.642	233.076	10.467	4.034	25.171	742	38.992	4.351	7.618	4.294	328.745	» 20
414	225.610	72	7	492	1.525	1.356	229.062	10.467	4.034	25.093	742	38.384	4.351	7.659	4.294	324.086	» 27
334	231.315	16	7	566	2.015	1.233	235.152	10.467	3.429	24.167	728	35.873	4.351	7.937	4.294	326.398	September 3
334	229.923	20	7	578	1.553	1.228	233.309	10.467	5.345	24.799	709	35.042	4.339	8.086	4.294	326.390	» 10
245	226.961	23	7	587	1.663	1.272	230.513	10.467	7.467	25.344	709	34.291	4.360	8.245	4.294	325.690	» 17
103	225.713	9.850	7	601	1.776	1.693	239.640	10.467	3.429	25.131	660	34.449	4.362	8.264	4.294	330.696	» 24
53	231.733	4.059	7	746	1.669	1.635	239.899	10.467	3.432	28.861	693	34.332	4.362	8.440	4.294	334.780	October 1
1.412	231.682	2.243	7	710	1.435	1.756	237.883	10.467	3.432	27.771	693	33.589	4.349	8.179	4.294	330.657	» 8
1.412	228.475	2.491	7	602	1.655	1.658	234.888	10.467	5.414	29.063	662	32.220	4.349	8.319	4.294	329.676	» 15
1.412	225.882	4.396	7	558	1.719	1.665	234.227	10.467	5.414	29.258	685	31.630	4.345	8.396	4.294	328.717	» 22
1.340	224.294	4.494	7	511	3.555	1.554	234.415	10.467	5.414	29.460	685	31.300	4.346	8.528	4.294	328.909	» 29
1.329	229.230	4.433	7	532	1.943	1.622	237.767	10.467	1.981	27.578	702	29.842	4.336	9.537	4.294	326.504	November 5
1.310	226.687	3.458	7	524	1.731	1.649	234.056	10.467	1.981	27.981	785	29.842	4.336	9.641	4.294	323.383	» 12
1.210	225.243	3.388	7	511	1.998	1.721	232.868	10.467	1.981	27.776	781	29.842	4.336	9.818	4.294	322.163	» 19
2.657	222.788	4.513	7	527	2.373	1.685	231.893	10.467	1.981	30.975	798	29.842	4.336	9.905	4.294	324.491	» 26
2.600	229.195	4.499	7	697	1.087	1.614	237.099	10.467	—	31.238	826	29.842	4.339	10.207	4.294	328.312	December 3
2.541	229.114	1.175	7	610	1.155	1.773	233.834	10.467	—	31.167	826	29.842	4.329	10.313	4.294	325.072	» 10
3.341	229.440	10	7	646	1.097	1.727	232.927	10.467	—	30.746	826	29.842	4.329	10.476	4.294	323.907	» 17
3.281	235.183	113	7	649	1.375	1.899	239.226	10.467	—	33.548	898	29.841	4.329	10.561	4.294	333.164	» 21
3.282	238.537	152	7	617	1.149	1.845	242.307	10.467	—	34.060	898	29.842	4.329	10.591	4.294	336.788	» 28



## ECONOMIC AND FINANCIAL STATISTICS

Table 1.

**Geographical Distribution  
of Exports from the Belgian-Luxembourg Economic Union**

	Monthly averages in billion of francs							In per cent of the total value	
	1968	1969	1970	1971	1972	1972	1973 <i>p</i>	1960	1973 <i>p</i> (First 10 months)
						(First 10 months)			
1. Market-economy countries .	33.11	40.97	47.31	50.47	57.91	56.15	68.65	97.0	97.2
a) Industrialised countries .	29.18	36.34	41.57	44.41	51.07	49.59	60.41	76.6	85.5
of which :									
European Economic Community .....	23.77	30.62	35.30	37.89	43.74	42.48	51.75	58.3	73.3
Original members ...	21.88	28.33	32.94	35.49	40.45	39.37	47.55	50.5	67.3
Federal Republic of Germany .....	(7.12)	(9.60)	(11.67)	(13.11)	(14.71)	(14.53)	(16.93)	(15.8)	(24.0)
France .....	(6.31)	(8.81)	(9.60)	(10.25)	(12.03)	(11.59)	(14.54)	(10.4)	(20.6)
Italy .....	(1.29)	(1.80)	(2.28)	(2.25)	(2.70)	(2.54)	(3.37)	(3.1)	(4.7)
Netherlands .....	(7.16)	(8.12)	(9.39)	(9.88)	(11.01)	(10.71)	(12.71)	(21.2)	(18.0)
New members .....	1.89	2.29	2.36	2.40	3.29	3.12	4.23	7.8	6.0
of which :									
United Kingdom ...	(1.49)	(1.69)	(1.79)	(1.87)	(2.63)	(2.49)	(3.24)	(5.5)	(4.6)
United States .....	3.21	2.90	2.90	3.45	3.61	3.42	3.96	9.5	5.6
Japan .....	0.23	0.32	0.35	0.31	0.40	0.37	0.64	0.6	0.9
b) Other developed countries	1.16	1.49	1.89	1.99	2.26	2.13	2.81	5.8	4.0
c) Developing countries ...	2.77	3.14	3.85	4.07	4.58	4.43	5.43	14.6	7.7
of which :									
Republic of Zaïre .....	(0.29)	(0.37)	(0.47)	(0.52)	(0.43)	(0.44)	(0.46)	(1.6)	(0.7)
2. Countries with centrally planned economies .....	0.69	0.69	0.81	0.78	1.05	0.94	1.66	2.5	2.4
Total (1) ...	34.02	41.94	48.33	51.69	59.25	57.39	70.62	100.0	100.0

Source : National Statistical Institute. Calculations by the National Bank of Belgium.

(1) Including supplies on board ships and aircraft, and miscellaneous items.

Table 2.

**National Bank of Belgium : foreign exchange reserves and forward position  
in foreign currencies and, in relation to foreign countries, in Belgian francs**

(Billions of francs)

At end of	Gold holding (a)	Assets held at the International Monetary Fund (1) (b)	Net claims on the European Monetary Cooperation Fund (c)	Foreign currencies			Belgian francs			Foreign exchange reserves (j) = (a) + (b) + (c) + (d) + (e) (i) = (g) + (h)	Grand total (k) = (e) + (h) + (j)	Annual changes in total of foreign exchange reserves (3) (l)	Annual changes in grand total (3) (m)
				Spot (d)	Forward (e)	Total (f) = (d) + (e)	Spot (2) (g)	Forward (h)	Total (i) = (g) + (h)				
1967 .....	74.0	16.6	—	36.1	-35.7	0.4	2.2	11.1	13.3	128.9	104.3		
1968 .....	76.2	15.3	—	18.1	-18.3	-0.2	-1.1	1.7	0.6	108.5	91.9	-20.4	-12.4
1969 .....	76.0	7.8	—	35.6	-34.2	1.4	-0.9	3.7	2.8	118.5	88.0	+ 9.8	- 3.7
1970 .....	73.5	29.8	—	39.0	-37.9	1.1	-1.1	11.4	10.3	141.2	114.7	+19.3	+23.3
1971 .....	77.2	50.3	—	35.0	-35.5	-0.5	-3.8	26.7	22.9	158.7	149.9	+13.6	+31.7
1972 Nov. ...	75.6	51.8	—	55.5	-23.6	31.9	-2.1	22.5	20.4	180.8	179.7	+18.7 <sup>(4)</sup>	+26.4 <sup>(4)</sup>
Dec. ...	75.4	52.0	—	52.4	-21.5	30.9	-2.0	20.6	18.6	177.8	176.9	+15.7	+23.6
1973 Nov. ...	73.8	55.3	1.3	82.3	-29.8	52.5	-2.4	27.3	24.9	210.3	207.8	+32.5 <sup>(4)</sup>	+30.9 <sup>(4)</sup>
Dec. ...	71.8	54.4	3.5	75.9	-26.5	49.4	-2.6	27.3	24.7	203.0	203.8	+36.0	+34.4

(1) Rights, including the special drawing rights, which are held by the Belgian Government as a member of the International Monetary Fund and which the National Bank of Belgium has been authorised, first by the Law of 19th June, 1959 and then by that of 9th June, 1969, to show in its accounts as its own assets in consideration of its assuming liability for the obligations incumbent on the Belgian Government in that connection.

(2) Difference between claims on foreign countries (other than acceptances representing exports), primarily American Treasury certificates at the end of 1967, and liabilities to foreign countries, particularly to the central banks.

(3) Not including the accounting changes, namely those resulting from a) the change in the method of financing the counterpart of the International Monetary Fund's account with the National Bank of Belgium (Law of 9th June, 1969), b) the adjustments made to various assets and liabilities following the revaluation of the German mark in 1969, the revaluation of the Swiss franc in 1971, the appreciation of the Belgian franc due to the decisions of the Washington Monetary Conference of 18th December, 1971, and the devaluation of the U.S. dollar in 1973 and c) the allocations of special drawing rights to Belgium in 1970, 1971 and 1972.

(4) Change in the first eleven months.

Table 3.

## Official Rates of Exchange Fixed by the Bankers meeting at the Brussels Clearing House

(Daily quotations in Belgian francs)

1973	1 U.S. dollar	1 pound sterling	1 Nether- lands guilder	1 German mark	1 French franc	100 Italian lire	1 Canadian dollar		1 Swiss franc	1 Swedish crown	1 Danish crown	1 Norwe- gian crown	100 Austrian schillings	100 escudos	100 pesetas	1 Finnish mark	1 Zaire
							Tele- graphic transfer	Mail transfer									
<b>January</b>																	
Highest	44.28	104.29	13.79	13.89	8.74	7.56	44.37	44.37	12.11	9.34	6.44	6.71	191.60	165.50	69.75	10.62	88.55
Lowest	43.83	103.48	13.65	13.75	8.60	7.54	43.86	43.86	11.69	9.28	6.39	6.64	190.40	164.40	69.08	10.53	87.67
Mean	44.12	103.93	13.71	13.80	8.68	7.54	44.17	44.17	11.82	9.31	6.42	6.67	190.89	164.96	69.52	10.58	88.24
<b>February (1)</b>																	
Highest	43.87	104.54	13.82	13.92	8.75	7.55	43.85	43.85	12.31	9.32	6.43	6.75	193.05	165.00	69.14	10.55	87.73
Lowest	43.81	104.35	13.79	13.89	8.74	7.54	43.78	43.78	12.16	9.31	6.42	6.70	191.95	164.38	69.03	10.53	87.62
Mean	43.82	104.46	13.81	13.91	8.74	7.54	43.80	43.80	12.23	9.32	6.42	6.72	192.40	164.70	69.07	10.54	87.65
<b>February (2)</b>																	
Highest	41.03	101.16	13.95	13.98	8.83	7.17	41.29	41.29	12.54	9.18	6.49	6.79	193.40	166.90	69.05	10.55	82.06
Lowest	39.48	97.97	13.75	13.76	8.71	6.98	39.73	39.73	12.13	8.86	6.38	6.61	191.10	157.80	67.92	10.12	78.95
Mean	40.43	99.37	13.81	13.85	8.76	7.10	40.72	40.72	12.26	9.02	6.43	6.70	192.05	160.02	68.50	10.35	80.86
<b>March (3)</b>	39.43	98.50	13.82	13.91	8.75	7.05	39.68	39.68	12.61	8.86	6.42	6.74	192.65	158.60	68.02	10.11	78.85
<b>March (4)</b>																	
Highest	40.08	99.31	13.72	14.11	8.83	6.98	40.16	40.16	12.38	8.89	6.47	6.78	194.10	173.00	69.60	10.37	80.16
Lowest	39.53	97.31	13.62	14.01	8.71	6.88	39.63	39.63	12.21	8.83	6.40	6.66	192.70	158.80	67.80	10.23	79.05
Mean	39.71	98.31	13.67	14.05	8.77	6.92	39.84	39.84	12.28	8.86	6.44	6.72	193.00	161.85	68.50	10.28	79.42
<b>April</b>																	
Highest	40.35	100.36	13.63	14.22	8.83	6.88	40.34	40.35	12.45	8.92	6.48	6.84	194.75	160.50	69.51	10.40	80.70
Lowest	39.96	99.20	13.61	14.09	8.80	6.77	39.98	40.00	12.28	8.82	6.46	6.77	193.65	158.60	68.89	10.32	79.92
Mean	40.15	99.71	13.61	14.16	8.82	6.82	40.13	40.13	12.39	8.89	6.46	6.79	194.18	159.32	69.21	10.36	80.30
<b>May</b>																	
Highest	40.31	100.61	13.63	14.22	8.85	6.83	40.22	40.22	12.51	8.92	6.46	6.81	194.60	159.30	69.47		80.62
Lowest	38.55	98.68	13.61	14.05	8.77	6.56	38.56	38.57	12.38	8.87	6.34	6.76	193.30	157.10	66.30	(5)	77.10
Mean	39.44	99.85	13.62	14.13	8.81	6.70	39.42	39.42	12.44	8.90	6.41	6.79	193.84	158.70	67.99		78.88
<b>June</b>																	
Highest	38.01	97.96	13.82	14.65	8.88	6.60	38.20	38.20	12.40	8.99	6.49	6.89	201.90	161.00	65.58	10.14	76.02
Lowest	36.05	92.98	13.62	14.20	8.76	6.07	36.10	36.10	12.06	8.88	6.39	6.78	194.00	158.50	62.58	9.87	72.10
Mean	37.47	96.57	13.73	14.53	8.82	6.31	37.55	37.55	12.29	8.93	6.44	6.83	197.98	160.05	64.65	10.07	74.94
<b>July</b>																	
Highest	36.62	93.04	13.87	15.38	8.99	6.22	36.65	36.65	12.75	8.99	6.50	6.86	210.25	162.75	63.19	9.99	73.24
Lowest	34.54	86.93	13.66	15.00	8.70	6.01	34.68	34.68	12.49	8.70	6.28	6.66	203.50	158.25	59.58	9.63	69.08
Mean	35.47	90.18	13.75	15.20	8.81	6.12	35.53	35.53	12.59	8.81	6.42	6.74	206.87	160.65	61.72	9.79	70.94
<b>August</b>																	
Highest	38.11	93.61	14.02	15.36	9.03	6.67	37.91	37.91	12.60	9.03	6.55	6.77	209.70	162.90	66.80	10.25	76.21
Lowest	35.37	89.02	13.77	15.12	8.76	6.12	35.38	35.39	12.35	8.76	6.42	6.64	205.50	159.50	62.45	9.80	70.74
Mean	36.96	91.58	13.91	15.26	8.91	6.46	36.84	36.84	12.46	8.91	6.49	6.71	207.38	160.78	65.03	10.08	73.93
<b>September</b>																	
Highest	37.58	92.40		15.35	8.73	6.64	37.38	37.38	12.41	8.92	6.56	6.74	207.70	161.00	66.22	10.15	75.16
Lowest	36.06	87.34	(6)	15.11	8.57	6.43	35.84	35.84	12.08	8.59	6.37	6.59	204.00	157.10	63.73	9.76	72.12
Mean	36.94	89.37		15.24	8.67	6.54	36.66	36.66	12.26	8.79	6.47	6.67	206.08	159.24	65.13	9.97	73.88
<b>October</b>																	
Highest	37.10	90.12	14.72	15.31	8.74	6.55	37.20	37.20	12.25	8.85	6.52	6.76	206.50	158.65	65.16	10.06	74.20
Lowest	36.07	88.17	14.50	15.04	8.61	6.40	36.10	36.10	11.91	8.69	6.44	6.65	202.50	156.50	63.58	9.78	72.14
Mean	36.59	88.89	14.65	15.17	8.68	6.47	36.56	36.56	12.10	8.77	6.48	6.70	204.81	158.02	64.39	9.91	73.17
<b>November</b>																	
Highest	39.71	93.78	14.46	15.10	8.81	6.59	39.77	39.77	12.39	8.98	6.53		205.50	161.50	69.31	10.48	79.42
Lowest	36.86	89.80	14.29	14.78	8.68	6.46	36.95	36.95	11.95	8.81	6.42	(9)	201.40	158.50	64.90	10.00	73.72
Mean	38.72	92.47	14.40	14.97	8.77	6.54	38.80	38.80	12.23	8.91	6.48		203.80	159.74	67.80	10.35	77.44
<b>December</b>																	
Highest	41.32	95.99	14.63	15.36	8.84	6.90	41.48	41.48	12.90	9.05	6.57	7.22	211.00	161.00	72.90	10.72	82.64
Lowest	39.70	92.81	14.29	15.10	8.71	6.54	39.70	39.70	12.39	8.80	6.46	7.09	205.25	159.00	69.50	10.45	79.40
Mean	40.42	93.77	14.40	15.21	8.80	6.66	40.46	40.46	12.63	8.92	6.50	7.14	207.16	160.15	71.18	10.55	80.84
<b>Year (10)</b>																	
Highest	44.28	104.54	13.82	13.92	8.75	7.56	44.37	44.37	12.31	9.34	6.44	6.75	193.05	165.50	69.75	10.62	88.55
Lowest	43.81	103.48	13.65	13.75	8.60	7.54	43.78	43.78	11.69	9.28	6.39	6.64	190.40	164.38	69.03	10.53	87.62
Mean	44.05	104.06	13.74	13.83	8.70	7.54	44.08	44.08	11.92	9.31	6.42	6.69	191.33	164.90	69.41	10.57	88.10
<b>Year (11)</b>																	
Highest	41.03	101.16	13.95	13.98	8.83	7.17	41.29	41.29	12.61	9.18	6.49	6.79	193.40	166.90	69.05	10.55	82.06
Lowest	39.43	97.97	13.75	13.76	8.71	6.98	39.68	39.68	12.13	8.86	6.38	6.61	191.10	157.80	67.92	10.11	78.85
Mean	40.35	99.30	13.81	13.85	8.76	7.09	40.63	40.63	12.29	9.00	6.43	6.71	192.10	159.90	68.44	10.33	80.69
<b>Year (12)</b>																	
Highest	41.32	100.61			9.03	6.98	41.48	41.48	12.90	9.05	6.57			173.00	72.90		82.64
Lowest	34.54	86.93	(13)	(14)	8.57	6.01	34.68	34.68	11.91	8.59	6.28	(15)	(16)	156.50	59.58	(17)	69.08
Mean	38.05	93.72			8.76	6.53	38.03	38.03	12.37	8.87	6.46			160.66	69.65		76.09

The notes are on the next page.

- (1) Period from 1st to 9th February
- (2) Period from 14th to 28th February. Quotations suspended on 12th and 13th February, except for that for the peseta, which was suspended from 12th to 19th February.
- (3) Rate on 1st March.
- (4) Period from 19th to 30th March. Quotations suspended from 2nd to 18th March for all currencies and also on 22nd and 23rd March for the peseta.
- (5) Rate on 2nd May : 10.89. Quotation suspended from 3rd to 16th May and 25th to 30th May.

Period from 17th to 24th May	
Highest . . . . .	10.25
Lowest . . . . .	10.20
Mean . . . . .	10.23

- (6) Period from 1st to 28th June. Rate on 29th June : 14.95.
- (7) Period from 6th to 20th June. Quotation suspended from 1st to 5th June.

(8)

Period from 3rd to 14th September	
Highest . . . . .	14.02
Lowest . . . . .	14.01
Mean . . . . .	14.02

Period from 17th to 28th September	
Highest . . . . .	14.61
Lowest . . . . .	14.29
Mean . . . . .	14.40

(9)

Period from 2nd to 14th November	
Highest . . . . .	6.82
Lowest . . . . .	6.65
Mean . . . . .	6.73

Period from 16th to 30th November	
Highest . . . . .	7.08
Lowest . . . . .	7.01
Mean . . . . .	7.05

Quotation suspended on 15th November.

- (10) Period from 1st January to 9th February.
- (11) Period from 14th February to 1st March. Quotations suspended on 12th and 13th February, except for that for the peseta, which was suspended from 12th to 19th February.
- (12) Period from 19th March to 31st December. Quotations suspended from 2nd to 18th March for all currencies and also on 22nd and 23rd March for the peseta.

(13)

Period from 19th March to 14th September	
Highest . . . . .	14.02
Lowest . . . . .	13.61
Mean . . . . .	13.75

Period from 17th September to 31st December	
Highest . . . . .	14.72
Lowest . . . . .	14.29
Mean . . . . .	14.48

(14)

Period from 19th March to 28th June	
Highest . . . . .	14.65
Lowest . . . . .	14.01
Mean . . . . .	14.23

Period from 29th June to 31st December	
Highest . . . . .	15.38
Lowest . . . . .	14.78
Mean . . . . .	15.29

(15)

Period from 19th March to 14th November	
Highest . . . . .	6.89
Lowest . . . . .	6.59
Mean . . . . .	6.74

Period from 16th November to 31st December	
Highest . . . . .	7.22
Lowest . . . . .	7.01
Mean . . . . .	7.11

(16)

Period from 19th March to 30th June	
Highest . . . . .	201.90
Lowest . . . . .	192.70
Mean . . . . .	194.99

Period from 1st July to 31st December	
Highest . . . . .	211.00
Lowest . . . . .	201.40
Mean . . . . .	205.99

(17)

Period from 19th March to 2nd May	
Highest . . . . .	10.40
Lowest . . . . .	10.23
Mean . . . . .	10.33

Period from 6th June to 31st December	
Highest . . . . .	10.72
Lowest . . . . .	9.63
Mean . . . . .	10.10

Period from 17th to 24th May, see note (5).

Table 4.

**Cash Receipts and Expenditure  
resulting from Execution of the Ordinary Budget**

*(Billions of francs)*

	Gross data		Data made comparable ( <sup>1</sup> )		Balance (e) = (a) - (b) or (c) - (d)
	Receipts (a)	Expenditure (b)	Receipts (c)	Expenditure (d)	
1968 .....	238.8	243.9	234.9	240.0	- 5.1
1969 .....	266.3	271.4	261.8	266.9	- 5.1
1970 .....	299.5	293.9	299.0	293.4	+ 5.6
1971 .....	325.5	316.6	329.3	320.4	+ 8.9
1972 .....	365.1	368.5	372.4	375.8	- 3.4
1972 First 10 months .....	301.0	307.8	307.2	314.0	- 6.8
1973 First 10 months .....	347.7	364.9	360.2	377.4	-17.2

(<sup>1</sup>) The data have been made comparable by, on the one hand, eliminating the receipts and expenditure of the Post and Sea Transport Administrations, which, before the creation of the Post Board and Sea Transport Board in 1971, were included in budget transactions and, on the other hand, adding to these transactions the debudgetised ordinary receipts and expenditure of the Economic Expansion and Regional Reconversion Fund and the Road Fund. It was not possible, however, to add to the receipts the Customs duty transferred direct to the European Communities since 1971 or to allow for the corresponding expenditure.

Table 5.

### Official National Debt Position

(Billions of francs)

At end of	Direct debt						Indirect debt (2)	Debt taken over from the Republic of Zaïre (3)	Total (4)
	in Belgian francs				in foreign currencies (1)	Total			
	Consolidated	Medium term	Short term	Total					
1967 .....	317.1	8.5	103.7	429.3	55.4	484.7	40.7	3.5	528.9
1968 .....	335.0	9.1	120.7	464.8	54.9	519.7	47.6	3.0	570.3
1969 .....	347.7	13.9	120.2	481.8	61.1	542.9	52.9	2.6	598.4
1970 .....	359.6	12.5	135.4	507.5	50.3	557.8	61.7	2.2	621.7
1971 .....	426.5	13.4	124.1	564.0	22.2	586.2	56.7	1.8	644.7
1972 October .....	503.5	18.2	126.6	648.3	9.4	657.7	54.3	1.5	713.5
December ...	494.9	17.7	123.7	636.3	8.4	644.7	65.5	1.4	711.6
1973 October .....	563.9	16.4	116.3	696.6	5.5	702.1	63.3	1.0	766.4
December ...	559.4	15.9	120.0	695.3	5.5	700.8	62.9	1.0	764.7

Source : Treasury and Public Debt Administration.

(<sup>1</sup>) Not including the inter-governmental debts resulting from the 1914-18 war.

(<sup>2</sup>) Debt in Belgian francs and in foreign currencies which has been issued by public organisations but in respect of which the interest and redemption are borne by the public debt budget.

(<sup>3</sup>) Debt assumed by the Belgian Government under the Convention of 6th February, 1965 between Belgium and the Republic of Zaïre, approved by the Law of 23rd April, 1965. Not including the debt of the Belgian-Congolese Amortisation and Management Fund.

(<sup>4</sup>) The changes between the end of one period and the other may be partly of an accounting nature. Item 2 in Table 5bis indicates the changes in the national debt which have not given rise to payments or receipts for the Treasury.

Table 5bis.

**National Debt and Funds Available for Meeting the Central Government's  
Net Financial Requirements**

(Changes in billions of francs)

	1968	1969	1970	1971	1972	1972	1973
						(First 10 months)	
1. Public debt <sup>(1)</sup> .....	+41.4	+28.1	+23.3	+23.0	+66.9	+68.8	+54.8
2. Transactions without movement of funds :							
a) Treasury Certificates held by the International Monetary Fund <sup>(2)</sup> .....	(+ 4.4)	(+ 2.3)	(- 0.5)	(-10.4)	(+ 3.9)	(+ 4.1)	(+ 1.4)
b) Treasury Certificates taken by the National Bank of Belgium to finance loans to the International Monetary Fund pursuant to the General Arrangements to Borrow <sup>(3)</sup> .....	(+ 3.1)	(- 5.0)	(—)	(—)	(—)	(—)	(—)
c) The National Bank of Belgium's credit balance at the Postal Cheque Office for account of the Ministers of National Education <sup>(4)</sup> .....	(+ 0.8)	(+ 0.2)	(...)	(- 0.3)	(- 0.2)	(- 1.6)	(- 0.7)
d) Miscellaneous .....	(...)	(+ 0.7)	(...)	(- 0.1)	(- 0.5)	(- 0.5)	(...)
Total of 2 ...	+ 8.3	- 1.8	- 0.5	-10.8	+ 3.2	+ 2.0	+ 0.7
3. Bills accepted by the Road Fund <sup>(5)</sup> .....	+ 1.0	- 1.8	...	...	...	...	...
4. Funds available to meet the Treasury's net financial requirements (=1.-2.+3.) .....	+34.1	+28.1	+23.8	+33.8	+63.7	+66.8	+54.1
5. Recorded debt of the debudgetised sector <sup>(6)</sup> .....	+ 9.8	+12.9	+13.9	+17.6	+23.7	+18.3	+18.3
6. Funds available to meet the Central Government's net financial requirements (=4.+5.) <sup>(7)</sup>	+43.9	+41.0	+37.7	+51.4	+87.4	+85.1	+72.4

<sup>(1)</sup> According to Table 5 of this Annex.

<sup>(2)</sup> The giving of Treasury Certificates to the International Monetary Fund in part payment for the increases in Belgium's quota does not, by its very nature, lead to any receipt of funds by the Treasury; as for the other changes in the Fund's portfolio, connected with its transactions in Belgian francs, these are reflected, in accordance with the provisions of the existing laws and agreements, in receipts or payments for the National Bank of Belgium, and not for the Treasury.

(<sup>3</sup>) The loans granted to the International Monetary Fund within the framework of the General Arrangements to Borrow, and the repayments made by the Fund on those loans, are regarded as not having given rise to outward payments or receipts for the Treasury, since they were financed by the National Bank of Belgium. By way of counterpart, the movement of the certificates for which the Bank subscribed in order to ensure this financing must be regarded as not being reflected in receipts or payments for the Treasury.

(<sup>4</sup>) The movements of the National Bank of Belgium's credit balance at the Postal Cheque Office for account of the Ministers of National Education have, as their exact counterparts, movements of the balance held by the Ministers of National Education at the Bank.

(<sup>5</sup>) Changes in the Road Fund's indebtedness in the form of bills accepted by it in settlement for work done and approved (Royal Decree No. 41 of 29th September, 1967).

(<sup>6</sup>) Debt to the financial intermediaries and direct recourse to the capital market.

(<sup>7</sup>) See Table 10, column (c), page 61.

Table 6.

## Notes and Coin (\*)

*(Billions of francs)*

At end of	Notes issued by the National Bank of Belgium	Notes and coin issued by the Treasury	Total notes and coin (1)	Annual changes in total notes and coin
1967 .....	177.5	6.5	180.1	
1968 .....	183.2	6.6	185.4	+ 5.3
1969 .....	183.0	7.0	185.2	- 0.2
1970 .....	188.2	7.5	190.7	+ 5.5
1971 .....	201.8	8.1	204.5	+13.8
1972 October .....	212.5	8.3	214.8	+10.3 (2)
December .....	222.6	8.5	225.3	+20.8
1973 October .....	228.0	8.9	231.0	+ 5.7 (2)
December .....	238.5	9.1	n.a.	n.a.

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-4.

(1) Notes and coin less holdings of mainly monetary institutions. Since it is not known to what extent the holdings of mainly monetary institutions other than the National Bank of Belgium consist of notes issued by the Bank, on the one hand, and of notes and coin issued by the Treasury, on the other, it has not been possible to effect the same deduction in the first column, and it has been possible to make it only partly in the second.

(2) Change on the first ten months.

Table 7.

**Sight Deposits (\*)**

(Billions of francs)

At end of	Held by enterprises and individuals				Held by public authorities (1)	Grand total	Annual changes in grand total
	at the National Bank of Belgium	at the Postal Cheque Office	at banks and public institutions	Total			
1967 .....	0.5	39.0	113.5	153.0	17.4	170.4	
1968 .....	0.8	46.3	123.3	170.4	20.8	191.2	+ 20.8
1969 .....	0.4	43.9	131.2	175.5	25.7	201.2	+ 10.0
1970 .....	0.4	49.6	152.6	202.6	25.3	227.9	+ 26.7
1971 (2) .....	0.6	49.6	176.4	226.6	29.6	256.2	+ 28.3
1971 (3) .....	0.6	49.6	176.4	226.6	33.9	260.5	
1972 October .....	0.4	62.4	188.6	251.4	34.8	286.2	+ 25.7(4)
December .....	0.6	60.3	206.1	267.0	37.9	304.9	+ 44.4
1973 October .....	0.4	60.7	224.4	285.5	40.8	326.3	+ 21.4(4)

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-4.

(1) Balances held by the special accounting officers at the Postal Cheque Office, and public authorities' balances at sight or not more than one month at the Belgian Municipal Credit Institution.

(2) Old series.

(3) New series. The difference from the old series is due to better recording of the balance held by the special accounting officers at the Postal Cheque Office.

(4) Change on the first ten months.

Table 8.

**Sight Deposits**  
**Total Amount of Payments Effected, and Rate of Turnover (\*)**

Monthly averages per standard month of 25 days	Total amount of payments effected (Billions of francs)			Rate of turnover			
	through sight deposits at banks	through balances at Postal Cheque Office	Total	of sight deposits at banks	of balances at Postal Cheque Office		
1968 .....	236.6	174.0	410.6	2.74	3.83		
1969 .....	280.6	194.9	475.5	3.03	4.07		
1970 .....	325.7	207.3	533.0	3.33	4.13		
1971 .....	375.7	234.4	610.1	3.28	4.24		
1972 .....	435.4	266.4	701.8	3.25	4.15		
1972 First 11 months .....	427.8	264.8	692.6	3.22	4.13		
1973 First 11 months .....	515.1	292.3	807.4	3.34	4.42		
					( <sup>1</sup> )		( <sup>1</sup> )
1972 1st quarter .....	401.4	253.5	654.9	3.29	3.31	4.12	4.22
2nd quarter .....	438.5	281.3	719.8	3.27	3.21	4.20	4.11
3rd quarter .....	418.3	251.6	669.9	2.99	3.19	3.92	4.10
4th quarter .....	483.2	279.2	762.4	3.45	3.26	4.38	4.22
1973 1st quarter .....	482.8	291.3	774.1	3.30	3.31	4.40	4.38
2nd quarter .....	528.7	308.9	837.6	3.33	3.37	4.54	4.49
3rd quarter .....	515.7	282.5	798.2	3.26	3.43	4.35	4.52

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-18.

(<sup>1</sup>) Seasonally adjusted figures.

Table 9.

### Deposits on Ordinary Deposit or Savings Books

(Changes in billions of francs)

	Institutions receiving deposits				Total
	Banks	General Savings and Pensions Fund	Private savings banks	Public financial credit intermediaries	
1968 .....	+12.0	+ 7.2	+ 6.5	+ 1.6	+ 27.3
1969 .....	+ 2.2	+ 3.7	+ 4.9	+ 0.5	+ 11.3
1970 .....	+ 2.7	+ 1.5	+ 2.8	+ 0.5	+ 7.5
1971 .....	+21.8	+16.2	+12.3	+ 3.2	+ 53.5
1972 .....	+35.6	+23.0	+22.7	+ 6.0	+ 87.3
1972 First 10 months .....	+28.4	+15.1	+15.5	+ 4.0	+ 63.0
1973 First 10 months .....	+17.9	<i>p</i> +12.5	+13.0	+ 2.8	<i>p</i> + 46.2

Table 10.

### Outstanding Amounts of Bonds and Medium-Term Notes in Belgian Francs

Classified according to issuers

(Changes in billions of francs)

	Central Government (1)	Public financial inter- mediaries (2)	Other public authorities and institutions	Banks	Private savings banks, mortgage and capital accumulation companies (2)	Others	Total
1968 .....	+ 30.8	+ 28.6	+ 3.8	+ 3.0	+ 4.8	+ 3.9	+ 74.9
1969 .....	+ 29.2	+ 20.7	+ 9.1	+ 4.5	+ 5.6	+ 2.5	+ 71.6
1970 .....	+ 28.4	+ 42.2	+ 11.5	+ 4.6	+ 7.0	+ 5.5	+ 99.2
1971 .....	+ 79.4	+ 48.9	+ 14.5	+ 4.8	+ 7.2	+ 10.5	+165.3
1972 .....	+ 94.6	+ 33.3	p+ 18.7	+ 5.3	p+ 5.1	p+ 19.6	p+176.6
1972 First 10 months .	+ 93.3	+ 34.2	p+ 18.0	+ 4.7	p+ 4.7	p+ 12.8	p+167.7
1973 First 10 months .	+ 85.6	+ 34.3	p+ 3.3	+ 5.1	p+ 7.1	p+ 10.4	p+145.8

(<sup>1</sup>) Direct and indirect debt and the recorded debt of the debudgetised sector.

(<sup>2</sup>) Including savings bonds or certificates.

Table 11.

**Outstanding Amounts of Bonds and Medium-Term Notes in Belgian Francs**

Classified according to holders

(Changes in billions of francs)

	Mainly monetary institutions	Other financial intermediaries (1)	Public authorities	Others (2)	Total
1968 .....	+ 16.4	+ 20.1	+ 0.4	+ 38.0	+ 74.9
1969 .....	+ 11.8	+ 13.0	+ 0.4	+ 46.4	+ 71.6
1970 .....	+ 28.9	+ 5.3	+ 0.9	+ 64.1	+ 99.2
1971 .....	+ 48.5	+ 45.2	+ 0.8	+ 70.8	+165.3
1972 .....	+ 54.6	+ 58.4	+ 1.1	<i>p</i> + 61.5	<i>p</i> +176.6
1972 First 10 months .....	+ 51.4	+ 55.8	+ 0.9	<i>p</i> + 59.6	<i>p</i> +167.7
1973 First 10 months ... <i>p</i>	+ 50.1	+ 21.0	+ 1.2	+ 73.5	+145.8

(<sup>1</sup>) Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1973, namely those of life assurance companies and employers' liability insurance companies and those of pension funds.

(<sup>2</sup>) The figures in this column have been calculated as a difference and mainly represent the net acquisitions of individuals and enterprises. See Table 12 in this Annex.

Table 12.

**Outstanding Amounts of Bonds and Medium-Term Notes in Belgian Francs  
held by Individuals and Enterprises**

Classified according to issuers

*(Changes in billions of francs)*

	Central Government	Public financial inter- mediaries	Other public authorities and institutions	Banks	Private savings banks, mortgage and capital accumu- lation companies	Others	Total
1968 .....	+ 9.3	+18.5	- 0.6	+ 3.0	+ 4.5	+ 3.3	+38.0
1969 .....	+12.8	+16.9	+ 5.2	+ 4.5	+ 5.5	+ 1.5	+46.4
1970 .....	+13.0	+29.5	+ 6.4	+ 4.6	+ 7.2	+ 3.4	+64.1
1971 .....	+17.3	+30.4	+ 4.5	+ 4.8	+ 7.1	+ 6.7	+70.8
1972 .....	+20.0	+18.8	<i>p</i> + 7.2	+ 5.2	<i>p</i> + 4.9	<i>p</i> + 5.4	<i>p</i> +61.5
1972 First 10 months .	+23.1	+19.0	<i>p</i> + 5.0	+ 4.6	<i>p</i> + 4.6	<i>p</i> + 3.3	<i>p</i> +59.6
1973 First 10 months .	+27.0	+26.4	<i>p</i> + 1.7	+ 5.1	<i>p</i> + 6.8	<i>p</i> + 6.5	<i>p</i> +73.5

Table 13.

Rates for Investments in Belgian Francs Accessible to the General Public <sup>(1)</sup>

(Per cent)

At end of	Time deposits at banks (3 months)		Deposits on ordinary savings books at the General Savings and Pensions Fund <sup>(3)</sup>	Yield, at issue, on public financial credit intermediaries' bonds and medium-term notes		Average stock exchange yield on Government loans (at more than 5 years) <sup>(4)</sup>
	Large deposits <sup>(2)</sup>	Ordinary deposits		(1 year)	(5 years)	
1967 .....	n.a.	3.60	3.50	5.25	6.70	6.58
1968 .....	n.a.	3.00	3.50	5.00	6.50	6.65
1969 .....	9.000	6.00	4.00	7.00	8.00	7.80
1970 .....	6.875	5.50	4.50	7.00	8.00	7.79
1971 .....	5.500	4.00	4.50	5.75	6.75	7.17
1972 June .....	3.250	2.75	4.00	5.25	6.25	7.07
December ...	5.250	3.00	4.00	5.25	6.25	7.21
1973 January .....	5.625	3.50	4.00	5.50	6.75	7.33
February ...	4.875	3.50	4.00	5.50	6.75	7.28
March .....	5.000	3.50	4.00	5.50	6.75	7.33
April .....	5.500	3.50	4.00	5.50	6.75	7.34
May .....	6.375	3.50	4.00	5.50	6.75	7.29
June .....	5.875	4.00	4.25	5.75	7.00	7.21
July .....	7.375	4.00	4.25	5.75	7.00	7.45
August .....	7.500	5.00	4.25	5.75	7.00	7.71
September ...	7.500	5.00	4.75	6.50	7.50	7.62
October .....	8.250	5.00	4.75	6.50	7.50	7.66
November ...	9.125	5.00	4.75	6.50	7.50	7.79
December ...	9.500	5.75	4.75	6.75	7.50	7.92

<sup>(1)</sup> Rates before deduction of tax at source.

<sup>(2)</sup> Indicative rates for deposits of from Fr. 5 to 20 million.

<sup>(3)</sup> Rates credited on amounts up to Fr. 500,000. They include the fidelity premium paid on amounts that remained on deposit from 16th January to 31st December. Since, up to a certain amount (at present Fr. 10,000 per year), the income from deposits on ordinary savings books is exempt from tax, its rate is not comparable with the rates shown in the other columns.

<sup>(4)</sup> Yields at the start of the following year or the following month. See the Bulletin of the National Bank of Belgium, Statistics, Table XIX-6.

Table 14.

Belgian Money Market, Euro-Franc and Euro-Dollar Rates (\*)

(Per cent)

	Call money (1)	Treasury Certificates at very short term (3 months) (2)	Certificates of the Securities Stabilisation Fund (4 months) (3)	Treasury Certificates issued by tender (4)		R.G.I. : bank acceptances with visa representing imports (61 to 120 days) (2) (5)	Acceptances without visa negotiated on the market outside the National Bank (2)		Deposits in Euro-currencies (3 months) (2)	
				(9 months)	(12 months)		Commercial (at about 30 days)	Bank (at about 90 days)	Belgian francs	Dollars (6)
1967 .....	3.19	4.40	4.90	5.10	5.15	3.60	3.90	5.10	4.56	6.12
1968 .....	2.84	5.00	5.25	5.30	5.30	4.00	4.30	6.50	7.25	6.75
1969 .....	5.40	8.50	8.75	8.80	8.80	7.40	7.40	8.75	9.50	10.00
1970 .....	6.25	6.95	7.25	—	7.75	6.00	6.00	7.00	7.31	6.37
1971 .....	3.70	4.80	5.15	5.65	6.15	4.45	5.00	5.65	5.75	5.62
1972 June .....	2.26 <sup>(7)</sup>	3.50	3.80	4.30	5.00	3.20	3.10	3.50	3.75	5.00
December	2.67 <sup>(8)</sup>	4.50	4.85	5.25	5.85	4.90	4.90	5.40	5.81	5.62
1973 January .	3.19	5.20	5.50	5.35	6.15	4.90	4.90	5.70	6.06	6.62
February .	3.03	5.20	5.50	6.00	6.25	4.90	4.70	5.50	5.44	8.25
March ...	3.15	5.20	5.50	6.00	6.25	4.70	4.70	5.40	5.50	8.37
April .....	3.07	5.20	5.50	6.00	6.25	4.70	4.80	5.50	5.94	8.12
May .....	3.42	5.25	5.55	6.00	6.25	5.20	5.30	6.40	6.88	8.37
June .....	2.96	5.70	6.00	6.20	6.50	5.40	5.20	6.00	6.31	8.87
July .....	6.11	6.55	6.85	6.75	6.75	5.90	5.90	7.60	7.94	11.12
August ...	5.79	6.85	7.15	7.25	7.25	6.40	6.40	7.50	8.06	11.37
September	5.54	7.35	7.65	—	7.30	6.40	6.40	8.00	8.00	10.25
October ...	7.34	7.65	7.95	7.95	8.00	6.90	6.90	8.40	8.69	8.87
November	6.78	7.65	7.95	8.00	8.10	7.65	7.65	9.00	9.63	10.12
December	7.18	7.65	7.95	—	8.10	7.65	7.50	9.50	10.25	9.87

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-2 and 3.

(1) Daily averages.

(2) End of period.

(3) Last weekly tender in the period.

(4) Last tender in the year or tender in the month.

(5) Before 1st June, 1970 : rate for acceptances at 120 days or less.

(6) Source : The Times. Rate for investors not arranging forward cover.

(7) First half-year.

(8) Second half-year.

Table 13.

**Call Money (\*)**

(Billions of francs)

Daily average	Lent by			Borrowed by				Total dealings
	banks	the Securities Stabilisation Fund	other institutions	banks	the Securities Stabilisation Fund	the Rediscount and Guarantee Institute	other institutions	
1968 .....	2.1	1.5	3.0	2.4	...	3.1	1.1	6.6
1969 .....	3.8	0.1	3.3	1.3	1.8	3.5	0.6	7.2
1970 .....	3.8	1.6	3.2	1.4	0.1	6.7	0.4	8.6
1971 .....	4.4	1.2	3.2	1.9	0.3	6.1	0.5	8.8
1972 .....	5.2	0.8	3.5	2.2	1.2	5.4	0.7	9.5
1973 .....	6.4	0.9	4.2	2.9	3.1	4.8	0.7	11.5

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XVIII-1.

Table 16.

## National Bank of Belgium's Discount and Advance Rates

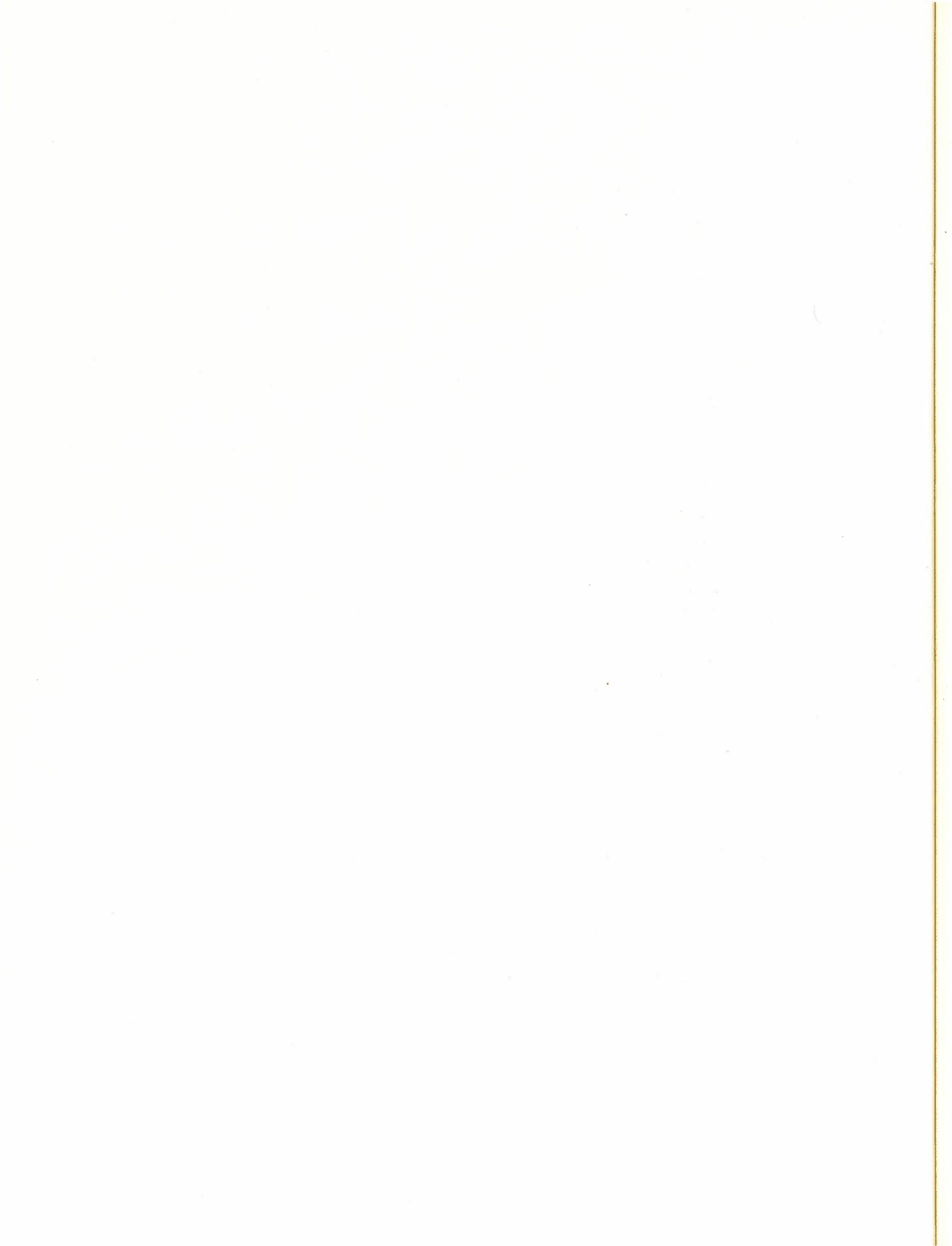
(Per cent)

	Discount						Advances in current account and loans against		
	Bills accepted payable at a bank, warrants	Acceptances with prior visa of the National Bank of Belgium		Bills accepted but not payable at a bank	Bills not accepted payable at a bank	Bills not accepted and not payable at a bank, promissory notes	Treasury Certificates and Securities Stabilisation Fund Certificates issued at up to 180 days (1)	Treasury Certificates issued at over 180 days up to 374 days (1)	Other public securities (2)
		Imports	Exports						
At end of									
1967 .....	4.00	4.00	3.50	4.75	5.25	5.75	5.00	5.25	5.75
1968 .....	4.50	4.50	4.00	5.25	5.75	6.25	5.50	5.75	6.25
	Accepted bills payable at a bank, warrants, and acceptances bearing visa or certification (3) representing foreign trade transactions			Other bills and promissory notes					
1969 .....	7.50			9.50			9.00	9.25	9.50
1970 .....	6.50			8.50			8.00	8.25	8.50
1971 .....	5.50			7.00			6.50	6.75	7.00
1972 .....	5.00			6.00			6.00		
1973 .....	7.75			8.50			8.50		
1978									
1st January - 9th May .....	5.00			6.00			6.00		
10th May - 4th July .....	5.50			7.00			7.00		
5th July - 1st August .....	6.00			7.50			7.50		
2nd August - 3rd October	6.50			8.00			8.00		
4th October - 28th Novemb.	7.00			8.50			8.50		
29th November - 31st Dec.	7.75			8.50			8.50		

(1) Maximum proportion advanced : 95 p.c.

(2) Maximum proportion advanced : 80 p.c.

(3) The certification procedure started on 1st June, 1970.



**CONVENTION OF 31st DECEMBER, 1973**

**between the Belgian Government and the National Bank of Belgium  
concerning the implementation of the Government guarantee covering the Bank's  
assets in U.S.A. dollars in accordance with the letter from the Minister of  
Finance dated 18th February, 1972.**

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In view of paragraph 7 of Article 6 of Decree-Law No. 5 of 1st May, 1944, as last amended by the Law of 7th June, 1973, whereby the Belgian Government guarantees the National Bank of Belgium against any exchange or other loss which it might suffer on the assets in U.S.A. dollars which it has had to acquire in fulfilment of the obligations assumed by Belgium to the International Monetary Fund ;

In view of the letters, defining the methods of implementation of the Government guarantee, addressed on 18th February, 1972 and 31st December, 1973 by the Minister of Finance to the Governor of the National Bank of Belgium ;

Between

the Belgian Government, represented by Mr. Willy De Clercq, Deputy Prime Minister and Minister of Finance, of the one part,

and

the National Bank of Belgium, represented by its Governor, Mr. Robert Vandeputte, of the other part,

The following has been agreed :

*Art. 1.* — The amount of the claim of the National Bank of Belgium on the Government, equal to the net reduction in assets resulting for the Bank from the decision adopted on 12th February, 1973 by the Government of the United States of America and approved by the International Monetary Fund on 17th October, 1973 to change the parity of the U.S.A. dollar, is 4,038,504,173 Belgian francs.

*Art. 2.* — The amount shown in Article 1 shall be reduced by a sum corresponding to the provision formed on 31st December, 1973, equivalent to half the part of the proceeds of the investments in U.S.A. dollars covered by the Government guarantee under the aforesaid Decree-Law No. 5 which is paid by the Bank to the Government in order to enable the latter to form a reserve for exchange risks.

*Art. 3.* — The Government shall give to the National Bank of Belgium Treasury bills for an amount equal to that resulting from the application of the provisions of Article 2.

These bills are stipulated as being payable at sight.

*Art. 4.* — With effect from 31st December, 1974 the Government shall allocate annually for the redemption of the bills referred to in Article 3 a sum equivalent to half the part of the income produced from 1st January, 1974 by the investment of the assets referred to in Article 2 which is paid by the Bank to the Government.

*Art. 5.* — The Government shall pay the Bank a remuneration calculated at the rate of 0.10 % per annum on the unredeemed amount of the bills referred to in Article 3.

Done in duplicate in Brussels on 31st December, 1973.

For the Belgian Government,  
The Deputy Prime Minister and  
Minister of Finance,

W. De Clercq.

For the National Bank  
of Belgium,  
The Governor,

R. Vandeputte.

## GLOSSARY OF NAMES AS USED IN THIS AND PREVIOUS REPORTS OF THE NATIONAL BANK

Agricultural Fund	Fonds Agricole
Agricultural Investment Fund	Fonds d'investissement agricole
Antwerp Port Administration	Administration du Port d'Anvers
Asian Development Bank	Banque Asiatique de Développement
Association of Local Authorities for the Building of Motorways	Association Intercommunale pour la Construction d'Autoroutes
Autonomous Funds	Fonds autonomes
Autonomous War Damage Fund	Caisse Autonome des Dommages de Guerre
Bank Control Commissioner (Luxembourg)	Commissaire au contrôle des banques (Luxembourg)
Bank for International Settlements	Banque des Règlements Internationaux
Bank of Issue	Banque d'Emission
Banking Commission	Commission Bancaire
Belgian Air Navigation Company (Sabena)	Société Anonyme Belge d'Exploitation de la Navi- gation Aérienne (Sabena)
Belgian Aluminium Syndicate	Syndicat Belge de l'Aluminium
Belgian Bankers' Association	Association Belge des Banques
Belgian Coal Mines Re-equipment Fund	Fonds de Rééquipement des Charbonnages Belges
Belgian-Congolese Amortisation and Management Fund	Fonds Belgo-Congolais d'Amortissement et de Gestion
Belgian-Luxembourg Economic Union (B.L.E.U.)	Union Economique Belgo-Luxembourgeoise (U.E.B.L.)
Belgian-Luxembourg Foreign Exchange Institute	Institut Belgo-Luxembourgeois du Change
Belgian Municipal Credit Institution	Crédit Communal de Belgique
Belgian National Railways Company (B.N.R.C.)	Société Nationale des Chemins de fer belges (S.N.C.F.B. ou S.N.C.B.)
Belgian Office for Increasing Productivity	Office Belge pour l'Accroissement de la Productivité
Belgian Surveyors' Association	Association Belge des Experts
Benelux Economic Union	Union Economique Benelux
Board of Executive Directors (of I.M.F.)	Conseil d'Administration (du F.M.I.)

Board of Governors (of I.M.F.)	Conseil des Gouverneurs (du F.M.I.)
Board of Management (of E.M.A.)	Comité directeur (de l'A.M.E.)
Brussels Canal and Maritime Installation Company Limited	S.A. du Canal et des Installations Maritimes de Bruxelles
Brussels Entente	Entente de Bruxelles
Brussels Land Surveyors' Union	Union des Géomètres Experts de Bruxelles
Brussels Municipal Water Company	Compagnie Intercommunale Bruxelloise des Eaux
Brussels Universal and International Exhibition	Exposition Universelle et Internationale de Bruxelles
Budgetary Policy Committee (of the European Communities)	Comité de politique budgétaire (des Communautés Européennes)
Bulletin of the National Bank of Belgium (formerly Information Bulletin of the National Bank of Belgium)	Bulletin de la Banque Nationale de Belgique (précédemment Bulletin d'Information et de Documentation de la Banque Nationale de Belgique)
Centenary Fund	Fonds du Centenaire
Central Council of the Economy	Conseil Central de l'Economie
Central Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Risks Office	Centrale des Risques
Chamber of Representatives	Chambre des Représentants
Clearing House (at Brussels)	Chambre de Compensation (à Bruxelles)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (O.C.R.A.)
Commission of the European Communities	Commission des Communautés Européennes
Committee for the Study and Promotion of Exports of Small and Medium-sized Enterprises	Commission d'études pour la promotion des exportations de petites et moyennes entreprises
Committee of Control for Electricity	Comité de Contrôle de l'Electricité
Committee of Governors of the Central Banks	Comité des Gouverneurs des banques centrales
Committee of Management for Electricity	Comité de Gestion de l'Electricité
Committee of the Brussels Stock Exchange	Commission de la Bourse de Bruxelles
Consultation Committee for Creditor Interest Rates	Comité de concertation des taux d'intérêt créditeurs
Consultative Committee for Coordinating Medium-Term Export Financing, known as « Cofinex »	Comité Consultatif de Coordination du Financement à Moyen Terme des Exportations (Cofinex)
Consultative Council for External Trade	Conseil Consultatif pour le Commerce Extérieur
Council of Public Credit Institutions	Conseil des Institutions Publiques de Crédit
Council of Regency	Conseil de Régence
Council of State	Conseil d'Etat
Council of the European Communities	Conseil des Communautés Européennes
Court of Justice	Cour de Justice
Currency Reform Loan	Emprunt de l'Assainissement monétaire

Department of Applied Economics at the Free University of Brussels	Département d'Economie appliquée de l'Université Libre de Bruxelles (D.U.L.B.E.A.)
Deposit and Consignment Office	Caisse des Dépôts et Consignations
Direct Taxes Department	Administration des Contributions directes
Directing Committee (of N.B.B.)	Comité de direction (de la B.N.B.)
Directorate-General for Economics and Financial Affairs of the Commission of the European Communities	Direction générale des Affaires économiques et financières de la Commission des Communautés Européennes
Directorate General of Mines	Direction Générale des Mines
Directorate of the Coal Industry	Directoire de l'Industrie charbonnière
Discount Agency	Comptoir d'Escompte
Discount Committee	Comité d'Escompte
Economic and Social Committee	Comité Economique et Social
Commission (of the European Communities)	Commission (des Communautés Européennes)
Economic Expansion and Regional Reconversion Fund	Fonds d'Expansion Economique et de Reconversion Régionale
Economic Policy Committee (of the European Communities)	Comité de politique économique (des Communautés Européennes)
Economic Programming Office	Bureau de Programmation Economique
Economic Research Centre (at Louvain)	Centre de Recherches Economiques (de Louvain)
Economic, Social and Political Research Institute (of Louvain University) (E.S.P.R.I.)	Institut de Recherches Economiques, Sociales et Politiques (de l'Université de Louvain) (I.R.E.S.P.)
Energy Board	Administration de l'Energie
European Agricultural Direction and Guarantee Fund (of E.E.C.)	Fonds Européen d'Orientation et de Garantie Agricole (de la C.E.E.)
European Agricultural Markets Organisation	Organisation Européenne des Marchés Agricoles
European Assembly	Assemblée européenne
European Atomic Energy Community (Euratom)	Communauté Européenne de l'Energie Atomique (Euratom)
European Coal and Steel Community (E.C.S.C.)	Communauté Européenne du Charbon et de l'Acier (C.E.C.A.)
European Communities	Communautés européennes
European Development Fund (of the European Communities) (formerly Fund for the Development of Overseas Countries and Territories)	Fonds Européen de Développement (des Communautés Européennes) (précédemment Fonds de Développement pour les Pays et Territoires d'Outre-mer)
European Economic Community (E.E.C.)	Communauté Economique Européenne (C.E.E.)
European Free Trade Association	Association Européenne de Libre Echange
European Fund	Fonds Européen = Fonds de l'A.M.E.
European Investment Bank	Banque Européenne d'Investissement
European Monetary Agreement (E.M.A.)	Accord Monétaire Européen (A.M.E.)
European Monetary Cooperation Fund	Fonds européen de coopération monétaire
European Nuclear Energy Agency	Agence Européenne pour l'Energie Nucléaire
European Parliamentary Assembly	Assemblée Parlementaire Européenne

European Payments Union (E.P.U.)	Union Européenne de Paiements (U.E.P.)
European Social Fund (of E.E.C.)	Fonds social européen (de la C.E.E.)
Excise Department (Ministry of Finance)	Service des Accises (Ministère des Finances)
Export Credit	Creditexport
External Trade Fund	Fonds du Commerce Extérieur
Federation of Belgian Industries	Fédération des Industries Belges
Federation of Chemical Industries	Fédération des Industries chimiques
Federation of Enterprises in the Metal Manufacturing Industries	Fédération des entreprises de l'industrie des fabrications métalliques
Franco-Belgian Nuclear Energy Company of the Ardennes	Société Franco-Belge d'Energie Nucléaire des Ardennes
General Agreement on Tariffs and Trade (G.A.T.T.)	Accord Général sur les Tarifs douaniers et le Commerce (G.A.T.T.)
General Arrangements to Borrow (I.M.F.)	Accords Généraux d'Emprunt (F.M.I.)
General Budget Statement	Exposé Général du Budget
General Savings and Pensions Fund (G.S.P.F.)	Caisse Générale d'Epargne et de Retraite (C.G.E.R.)
General Statistical Bulletin of the Statistical Office of the European Communities	Bulletin général de Statistiques de l'Office statistique des Communautés européennes
Group of Twenty	Groupe des Vingt
High Authority (of E.C.S.C.)	Haute Autorité (de la C.E.C.A.)
Housing Fund of the Large Families' League	Fonds du Logement de la Ligue des Familles Nombreuses
Housing Institute	Institut du Logement
Industrial Promotion Office	Office de Promotion Industrielle
Information Bulletin of the Ministry of Finance	Bulletin de Documentation du Ministère des Finances
Inland Water Transport Regulating Office	Office Régulateur de la Navigation Intérieure
International Bank for Reconstruction and Development (I.B.R.D.)	Banque Internationale pour la Reconstruction et le Développement (B.I.R.D.)
International Development Association	Association Internationale de Développement
International Finance Corporation	Société Financière Internationale
International Lead and Zinc Study Group	Groupe d'Etudes International du Plomb et du Zinc
International Materials Conference	Conférence Internationale des Matières Premières
International Monetary Fund (I.M.F.)	Fonds Monétaire International (F.M.I.)
International Sugar Agreement	Accord International du Sucre
International Sugar Conference	Conférence Internationale des Sucres
International Tin Council	Conseil International de l'Etain
International Wheat Agreement	Accord International du Blé
Joint Committee of Banks and Bank Employees	Commission paritaire des banques
London Metal Exchange	Bourses des Métaux de Londres

Medium-term Economic Policy Committee (of the European Communities)	Comité de politique économique à moyen terme (des Communautés Européennes)
Minister of National Education	Ministre de l'Education Nationale
Ministry for Economic Affairs	Ministère des Affaires Economiques
Ministry of Agriculture	Ministère de l'Agriculture
Ministry of Employment and Labour	Ministère de l'Emploi et du Travail
Ministry of Finance	Ministère des Finances
Ministry of National Defence	Ministère de la Défense Nationale
Ministry of Public Functions	Ministère de la Fonction Publique
Ministry of Public Works, Town Planning Board	Ministère des Travaux Publics, Administration de l'Urbanisme
Monetary Committee (of E.E.C.)	Comité Monétaire (de la C.E.E.)
Monetary Fund	Fonds Monétaire
National Coal Mines Council	Conseil National des Charbonnages
National Committee for Economic Expansion	Comité National d'Expansion Economique
National Del Credere Office	Office National du Ducroire
National Employment Office (formerly National Employment and Unemployment Office)	Office National de l'Emploi (précédemment Office National du Placement et du Chômage)
National Foundation for Financing Scientific Research	Fondation Nationale pour le Financement de la Recherche Scientifique
National Fund for Credit to Trade and Industry	Caisse Nationale de Crédit Professionnel
National Housing Company (formerly National Cheap Dwellings Company)	Société Nationale du Logement (précédemment Société Nationale des Habitations et Logements à Bon Marché)
National Industrial Credit Company (N.I.C.C.)	Société Nationale de Crédit à l'Industrie (S.N.C.I.)
National Institute for Agricultural Credit	Institut National de Crédit Agricole
National Investment Company	Société Nationale d'Investissement
National Labour Council	Conseil National du Travail
National Land Company (formerly National Smallholders' Company)	Société Nationale Terrienne (précédemment Société Nationale de la Petite Propriété Terrienne)
National Mixed Mines Commission	Commission Nationale Mixte des Mines
National Post Board	Régie Nationale des Postes
National Sea Transport Board	Régie Nationale des Paquebots
National Sickness and Disablement Insurance Institute	Institut National d'Assurance Maladie-Invalidité
National Social Insurance Office	Office National de Sécurité Sociale
National Statistical Institute (N.S.I.)	Institut National de Statistique (I.N.S.)
National Water Distribution Company	Société Nationale des Distributions d'Eau
North Atlantic Treaty Organisation (N.A.T.O.)	Organisation du Traité de l'Atlantique-Nord (O.T.A.N.)
Nuclear Energy Research Centre	Centre d'Etudes de l'Energie Nucléaire

Organisation for Economic Cooperation and Development (O.E.C.D.) [formerly Organisation for European Economic Cooperation (O.E.E.C.)]	Organisation de Coopération et de Développement Économiques (O.C.D.E.) [précédemment Organisation Européenne de Coopération Économique (O.E.C.E.)]
Permanent Budget Equalisation Fund	Fonds Permanent d'Égalisation des Budgets
Post Administration	Administration des Postes
Post Board	Régie des Postes
Postal Cheque Account (P.C.A.)	Compte de Chèques Postaux (C.C.P.)
Postal Cheque Office (P.C.O.)	Office des Chèques Postaux (O.C.P.)
Public Debt Sinking Fund	Fonds d'Amortissement de la Dette Publique
Rediscount and Guarantee Institute (R.G.I.)	Institut de Réescompte et de Garantie (I.R.G.)
Research Department (of the National Bank of Belgium)	Département des Etudes (de la Banque Nationale de Belgique)
Road Fund	Fonds des Routes
Royal Society for Political Economy	Société Royale d'Économie Politique
Sabena (see Belgian Air Navigation Company)	Sabena (cf. Société Anonyme Belge d'Exploitation de la Navigation Aérienne)
Savings Bank of the Grand Duchy of Luxembourg	Caisse d'Épargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Épargne de la Caisse Générale d'Épargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Stabilisation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Social Programming Agreement	Accord de programmation sociale
Special Agricultural Committee (of E.E.C.)	Comité Spécial Agricole (de la C.E.E.)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Staff Pensions Fund	Caisse de Pensions du Personnel
Statistical Office of the European Communities	Office statistique des Communautés européennes
Superior Finance Council	Conseil Supérieur des Finances
Telegraphs and Telephones Board	Régie des Télégraphes et des Téléphones
Textile Industry Federation	Fédération de l'Industrie Textile
Town Planning Board	Administration de l'Urbanisme
Treasury and Public Debt Administration	Administration de la Trésorerie et de la Dette Publique
Union of Non-Ferrous Metal Industries	Union des Industries des Métaux Non Ferreux
United Nations (Organisation of the)	Organisation des Nations Unies
Veterans' Endowment	Dotation des Combattants
Washington Monetary Conference	Conférence monétaire de Washington

## CONTENTS

	Pages
Report presented by the Governor in the name of the Council of Regency . . .	V
Economic and Financial Trend in 1973 . . . . .	1
International economic and financial trend . . . . .	3
European Communities . . . . .	9
Overall data concerning the Belgian economy . . . . .	12
Manufacturing industries . . . . .	15
Energy . . . . .	20
Building . . . . .	22
Agriculture and fishing . . . . .	25
Services . . . . .	27
Employment . . . . .	30
Wages and other incomes . . . . .	35
Prices . . . . .	40
Transactions of the Belgian-Luxembourg Economic Union with foreign countries . . . . .	45
Public finances . . . . .	57
Claims and liabilities of individuals and enterprises . . . . .	64
Financial intermediaries . . . . .	77
Monetary reserve . . . . .	79
Money market . . . . .	86
Market for variable-income securities . . . . .	94

Analysis of the Balance Sheet and Profit and Loss Account for the year 1973.	97
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### Balance Sheet

#### *Assets*

Gold holding . . . . .	101
International Monetary Fund . . . . .	102
Quota . . . . .	102
Loans . . . . .	103
Special Drawing Rights . . . . .	104
Total cover items . . . . .	105
Foreign currencies. Foreign currencies and gold receivable and to be delivered . . . . .	105
International agreements . . . . .	107
European Monetary Cooperation Fund . . . . .	107
Debtors in respect of foreign exchange and gold at forward dates . . . . .	108
Commercial bills . . . . .	109
Advances against pledged security . . . . .	109
Public securities . . . . .	110
Belgian public securities . . . . .	110
Luxembourg public securities . . . . .	110
Treasury notes and coin . . . . .	110
Balances at the Postal Cheque Office . . . . .	111
Consolidated claim on the Government . . . . .	111
Special Treasury bills . . . . .	111
Provisional adjustment resulting from the Law of 3rd July, 1972 . . . . .	112
Items receivable . . . . .	113
Public long-term securities . . . . .	113
Premises, furniture and equipment . . . . .	113
Securities of the Staff Pensions Fund . . . . .	114
Transitory assets . . . . .	115

#### *Liabilities*

Bank notes in circulation . . . . .	116
Current and sundry accounts . . . . .	116
International agreements . . . . .	117

	Pages
Total sight liabilities . . . . .	117
International Monetary Fund . . . . .	118
European Monetary Cooperation Fund . . . . .	118
Monetary reserve . . . . .	119
Foreign currencies and gold to be delivered . . . . .	119
Staff Pensions Fund . . . . .	119
Transitory liabilities . . . . .	120
Capital . . . . .	120
Reserve Fund . . . . .	120
Net profit for distribution . . . . .	121

#### Memorandum Accounts

Ministers of National Education . . . . .	123
Documentary credits opened . . . . .	123
« Visa » of acceptances relating to exports and imports . . . . .	124
Guarantees given on behalf of the staff . . . . .	124
Securities received by way of guarantee . . . . .	124
Guarantee certificates received from the Public Treasury . . . . .	125
Items for collection . . . . .	125
Deposits of securities . . . . .	125
Public Treasury . . . . .	126
Securities Stabilisation Fund . . . . .	127
General Savings and Pensions Fund . . . . .	128

#### Profit and Loss Account

##### *Credit*

Proceeds of discount and advance operations . . . . .	129
Proceeds of transactions with foreign countries . . . . .	130
Proceeds from public long-term securities . . . . .	131
Fees for safe custody, commissions and allowances . . . . .	132
Sundry receipts . . . . .	132
Tax refunds . . . . .	132
Drawings on Transitory Liabilities items . . . . .	133

*Debit*

	Pages
Government's Shares . . . . .	134
General Expenses . . . . .	136
Taxes . . . . .	138
Depreciation of premises, furniture and equipment . . . . .	138
Additional grant to the Staff Pensions Fund . . . . .	139
Transfers to reserves and provisions . . . . .	140
a) Extraordinary Reserve . . . . .	140
b) Provision for taxes . . . . .	140
c) Provision for building of premises and purchasing of furniture and equipment . . . . .	141
d) Provision against sundry contingencies . . . . .	141
Net profit for distribution . . . . .	142
 Balance Sheet. — Profit and Loss Account. — Memorandum Accounts . . . . .	 145

	Pages
Annexes . . . . .	151
1 Balance Sheets compared as at 31st December, 1969 to 1973 . . . . .	152
2 Profit and Loss Accounts compared as at 31st December, 1969 to 1973 . . . . .	154
3 Miscellaneous information . . . . .	157
4 Statement of the public long-term securities constituting, on 31st December, 1973, the Bank's holdings . . . . .	159
5 Weekly returns published in the <i>Moniteur Belge</i> during 1973 . . . . .	—
6 Economic and financial statistics . . . . .	161
7 Convention of 31st December, 1973 concerning the Government guarantee covering the Bank's assets in U.S.A. dollars in accordance with the letter from the Minister of Finance dated 18th February, 1972 . . . . .	181
Glossary of names as used in this and previous reports of the National Bank . . . . .	183

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