

# NATIONAL BANK OF BELGIUM



## REPORT

1974



# NATIONAL BANK OF BELGIUM

LIMITED COMPANY

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# REPORT

*on the activities of the year 1974 presented to the General Meeting*

*on 24th February, 1975*

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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.

*After the exceptional and synchronous upsurge which benefited the industrialised economies in 1973, signs of slowing down became apparent in the largest countries towards the end of that year; this change was accentuated in 1974; measured in terms of volume the gross national product decreased in the United States, Japan and the United Kingdom and became stationary in the Federal Republic of Germany; the reduction in enterprises' expenditure on fixed capital and households' spending on housing and motor cars played an important part in these developments. In other industrialised countries, including Belgium, the slackening of the expansion became apparent later in the year.*

*Main features  
of the international  
trend.*

*Barring exceptions, one of the most notable of which is the Federal Republic of Germany, these cyclical downturns did not lessen the virulence of inflation — far from it. The aftermath of the earlier rises in the prices of foodstuffs and many raw materials, the sharp increase in the price of oil or, more generally, of energy products and the effects of the pressures of demand still operating in many economies during the first months of 1974 were reflected almost everywhere in a quickening of the price rise. The intensity of this movement differed fairly considerably, however, from country to country, depending on specific factors such as the increase in nominal incomes, the dependence on imported energy, the trend of exchange rates and the extent and effectiveness of the authorities' action to check inflation. The pronounced downturn, from May onwards, in the prices of many industrial raw materials made itself only partly felt in the trend of wholesale prices for finished products; in most cases this was influenced more by a rapid rise in most of the factors composing domestic costs.*

*The above-mentioned downturn of the prices of many raw materials, and, conversely, the increase in those of manufactured products, did not*

*prevent the rise in the cost of imported petroleum products from causing a worsening of the terms of trade for the group of industrialised countries. For most of them the change was substantial enough to cause their balance of current payments to deteriorate; altogether, however, the volume of their net exports increased. Those among them whose external position was already precarious before the rise in the price of oil registered large deficits, which they financed mainly by borrowing abroad.*

*The balance of payments difficulties of the developing countries which are not producers of energy products were aggravated in all cases where the prices of their main exports fell, while the industrial products and mineral oils which they import became more expensive. The real income of these poor countries began to decline.*

*Economic and  
financial trend  
in Belgium.*

*Although it is dominated by the rest of the world owing to its small size, the Belgian economy displayed a trend which was peculiar to itself in certain respects : in terms of volume the slackening of business activity took place with a time-lag and, in the case of prices, the quickening of the rise was particularly marked.*

*The effect produced on activity in certain sectors by the difficulties of obtaining supplies of petroleum products at the end of 1973 was brief and localised. As soon as this temporary shortage came to an end, the expansion was resumed at a rate which remained very steady until the beginning of the summer. Between the first halves of 1973 and 1974 industrial output increased by 9 p.c. In May the degree of employment of production capacities represented one of the highest levels attained. In many sectors the growth in supply was limited by bottlenecks.*

*The rush of demand was mainly attributable to the inflationary behaviour of households and enterprises : speculating on a faster price rise, the former speeded up their purchases of durable consumer goods and housing and the latter the building-up of stocks of raw materials and basic products. The incidence of the price rise on real purchasing power was reduced, more than in other countries, by the raising of a large proportion of nominal incomes. Nearly all salaries and wages, most rental incomes*

and a large number of pensions were readapted automatically, if not immediately, by the mechanism of contractual or legal index-linking schemes. For other categories of incomes, including in one-man enterprises, the expansion of pay or profit margins was facilitated by the firmness of demand and the relative scarcity of supply. Furthermore, households and enterprises found the funds necessary for financing their increased expenditure by reducing the part of their incomes devoted to the formation of financial savings and, lastly, by having substantial recourse to credit.

Demand was also sustained by the increase in enterprises' capital investment in equipment, by the growth in exports which benefited, in volume and in price, by an economic situation still favourable to metal products, and by Government expenditure; the Government deficit was concentrated in the first half of the year owing to the seasonal trend of cash transactions : thus, net financial requirements in the first six months of 1974 were around Fr. 80 billion, whereas the second half-year left a surplus of Fr. 23 billion.

The combined pressures exerted by the various categories of demand during this period on the system of production of goods and services facilitated and accentuated the repercussions on prices of the heavier cost burdens. These were brought about by the increase in the price of energy, by the rise in wage costs and also by the widening of profit margins in a very large number of enterprises at the various stages of production and in transport and distribution. The trend of wage costs is accurately assessed : the index calculated by the Economic Research Institute of Louvain for manufacturing industries reflects a rise, as an annual percentage, of 12.4 p.c. in the second half of 1973 and of 24.5 p.c. in the first half of 1974. But no accurate information is available for also measuring the cost increase borne by enterprises when others, which are their suppliers, incorporate an increased profit margin in the price of their products or services.

The increase in consumer prices reached an unprecedented level. The rise in the index went up from an annual percentage of 8 p.c. in the second half of 1973 to 16.5 p.c. in the first half of 1974.

*As has been recalled, the inflationary lines of behaviour were reflected in a preference for consumption and investment in real assets, leading to a further reduction of the propensity to hold financial assets. Measured in absolute figures, formation of such assets showed practically no increase between the first half of 1973 and the first half of 1974, despite the rise in nominal incomes. Simultaneously, impelled by the same factors, enterprises and individuals increased their indebtedness to the financial intermediaries : in the early months of the year the growth in credits used was extremely rapid. This recourse to credit, combined with that of the Treasury, and outflows of short-term funds accentuated the tension on the money and capital markets thereby sustaining the rise in creditor and debtor interest rates; the increase in the remuneration paid to investors, which had related primarily to short-term deposits in 1973, was extended to all types of investments in the first half of 1974; for its part, the increase in the cost of credit, although general, appears to have been more substantial for short-term funds than for medium and long-term borrowing. This upward movement of interest rates reflected the strength of demand for real assets; this was also observable, in the balance of current payments, in a reduction of the surplus.*

*Towards the middle of the year, prospects of activity worsened. The slackening of demand during the subsequent months proved to be one of the fastest of the post-war period. The deterioration started in the sector producing consumer goods; it soon spread to the other manufacturing industries and then to the building sector.*

*Like the preceding upsurge, this slowing-down was partly induced by conditions abroad; the pronounced recession simultaneously experienced by several large countries in the first half-year was beginning to affect the Belgian-Luxembourg Economic Union's exporting industries. Furthermore, various categories of domestic expenditure were rising less fast.*

*After the buying spree by households, demand for durable consumer goods inevitably fell off. Moreover, individuals, whose budgets were also burdened by the increased transport and heating costs, were no*

longer able to expand their demand for other goods and services at the same rate as hitherto. For the soaring retail prices were beginning to restrain demand by eroding the total of real incomes; for many households these were also curtailed by the progressivity of the taxes levied, the amount of which was, incidentally, greater in the second half-year; the purchasing power of recipients of fixed incomes was drastically affected by the price rises. The self-correcting processes of inflation regained a certain effectiveness, distributing their constraints unevenly. Lastly, the propensity to spend began to be affected by the uncertainties which were developing, threatening the level of activity, employment and profits and making purchasers more hesitant.

In enterprises, too, the spending rush slackened. Owing to the crumbling of world prices for industrial raw materials, users slowed down their building-up of stocks, especially when these were financed by credits the cost of which had become very high. Buyers at the subsequent stages of the production process tended to await a probable downturn of the prices of the semi-finished products which they required.

The effects of this trend of a large proportion of domestic demand were not offset by the growth in industrial capital expenditure, which was very substantial in the second half-year, nor by the maintenance of a high level of activity in building, a sector whose prospects were incidentally becoming less favourable.

On top of the effect of the structural factors which had kept unemployment at an abnormally high level during the boom period there now came the repercussions of the change in the economic climate. Whereas in the first half of the year the Bank's inquiries into the state of business activity revealed a tendency towards net appointments, dismissals were, on balance, contemplated from August onwards. The seasonally adjusted number of normally capable persons fully unemployed, a sensitive indicator, increased from May onwards. At the end of the year the decline in employment and the reduction in working hours had reached a disquieting level. Complete and partial unemployment in

*December, measured as a percentage of the insured population, was at the same level as at the end of 1967.*

*The worsening of the economic situation has not yet had any significant effect on domestic wholesale prices. The price index for semi-finished industrial products began to turn down from July onwards; this decline reflected that in industrial raw materials. The general level of prices for finished products, which had gone up less than those of semi-finished products during the last two years, continued to rise at a rate appreciably faster than that recorded in the Federal Republic of Germany, France, the Netherlands and the United States. Price movements in the previous stages only spread to finished products with a certain time-lag; this lag may be prolonged by certain rigidities, including the resistance which enterprises may oppose to the downward movement if their market is not very exposed to international competition. The decline in agricultural wholesale prices came to a halt in the autumn and the rise was resumed.*

*The trends in progress and the authorities' restrictive measures moderated enterprises' and individuals' recourse to credit. At the same time the increase in the Bank's foreign exchange reserves led to the creation of more abundant liquidity. Consequently there was an easing on the money and capital markets.*

*On the money market this was reflected, from midsummer onwards, in a downward trend of the most sensitive rates, namely those for uncertified acceptances and for deposits in Euro-francs; on the other hand, the rates for certificates of the Securities Regulation Fund and other short-term public paper, which had risen more slowly than the first-mentioned category since the end of 1972, did not start to turn downwards until the beginning of the fourth quarter. As for the rates for investments accessible to the public, these went up further during the third quarter : thus the remuneration of deposits on ordinary savings books, which had not been raised to the same extent as that of time deposits since 1972, was slightly improved from September onwards; similarly the rates on issue of the loans of public authorities and institutions were increased*

again; the movement stopped in the fourth quarter : the remuneration allowed on certain short-term financial assets declined somewhat after the banks had made a first reduction in the cost of their short-term credits; other short-term rates and long-term rates remained practically unchanged, but issues of bonds of public authorities and institutions were more easily placed. Medium and long-term credits granted to enterprises and individuals were made more expensive until the beginning of October; altogether, the rise in the cost of these credits during the period of tension was less marked than that for short-term credits. The easier state of the money and capital markets during the last months of the year is the reflection, in the financial data of the economy, of the diminution of tension in the real sectors; the latter was also one of the factors behind the expansion in the current payments surplus.

Altogether, looking at 1974 as a whole, the Belgian economy enjoyed better growth and a better external situation than could have been foreseen at the time of the oil crisis at the end of 1973.

The expansion in the volume of the gross national product would appear to have been about 4 p.c., or one of the highest rates achieved in the industrialised countries.

The Belgian-Luxembourg Economic Union's external position also appears to have been particularly satisfactory. The balance of current transactions resulted in a surplus which was still very large, namely Fr. 33 billion for the first eleven months, even though it is lower than that of Fr. 49 billion for the same months of 1973. Various factors contributed to the first-mentioned surplus. World demand for steel products, which kept up very well until the middle of the third quarter, was an important factor in the growth in the value of exports, achieved in terms not only of volume but also in prices, preventing any substantial deterioration of the terms of trade. Other transactions also yielded substantial amounts of income : this applied to the so-called third-country trade, which consists of purchasing goods in one foreign country and reselling them to another. Lastly, it is quite possible that the timing of payments may have changed somewhat in favour of the Belgian-Luxembourg Economic Union, especially

*in the second half of the year; at that time, short-term interest rates having fallen in major foreign markets faster than in Belgium, the financing of the payment periods allowed for Belgian foreign trade transactions with these countries was doubtless done more in these foreign centres, thus causing net receipts to flow in faster.*

*Nevertheless, the price trend remained disquieting. Admittedly the slackening of the pressure of domestic demand reduced the effect of one of the factors behind the rises. But although these were less widespread and smaller in the last months, they were still far from having returned within the limits hoped for in comparison with the position of foreign competitors. The price element has in fact become more important again in competition on export markets because these are everywhere displaying greater elasticity of demand; this change makes it more difficult to expand the export flows of the Belgian-Luxembourg Economic Union.*

*Monetary policy  
measures.*

*The recapitulation of the developments which took place during the year has shown that the combination of data on which forecasting analysis is based altered several times in 1974. The changes in the general context, and consequently the uncertainty regarding its development and the shifts in the centre of gravity of the problems, made the task of the authorities responsible for counter-cyclical economic policy more difficult. The framing of monetary policy, quickly adaptable though it is, was likewise complicated by the greater hazards of diagnosis and by the new difficulty of making choices between objectives which were becoming more contradictory.*

*Admittedly the specific aims of monetary policy had not changed. Excessive recourse to credit by enterprises and households had to be curbed in order to keep expenditure within appropriate limits. It was necessary, for the same purposes, to encourage formation of financial savings while at the same time assuring, for both social and economic reasons, that these savings were better remunerated. Lastly, it was important to prevent, on the foreign exchange market, any serious and*

*prolonged imbalance liable to jeopardise, to the detriment of the Belgian franc, the maintenance of the system of stable exchange rates established between the countries which still observe the Community agreement on the narrowing of the margins of fluctuations.*

*But the variations of a fluid situation induced the Bank to revise several times the system of instruments employed and to adjust each of them : the control of the financial intermediaries' lending capacity, supervision of credit expansion and, lastly, its own intervention rates.*

*The hesitancy caused by the oil crisis influenced the monetary policy measures adopted at the beginning of the year : these included certain relaxations compared with the previous system. While the monetary reserve instrument was maintained, it became less repressive, especially with regard to the short-term resources received by the banks from abroad : fears concerning the balance of payments warranted the relaxation of the measures of protection against inflows of funds.*

*When it became apparent that demand was getting out of hand, monetary policy became more restrictive again. The exceptional growth in the outstanding used amount of credit which occurred at the beginning of the year, especially in the case of the banks, had revealed that the measures for controlling the financial intermediaries' liquidity and the rise in market rates brought about by these measures were no longer sufficiently effective means of curbing borrowing by enterprises and individuals. The system was therefore supplemented by the introduction of quantitative limitations on the expansion of outstanding used amounts of credits from banks and on that of credits opened by all categories of financial intermediaries. A system of preferential norms was allowed for the financing of imports of raw materials, for medium-term export loans and for capital investment loans subsidised or guaranteed by the Government.*

*These selective provisions disappeared from the end-June recommendation. This was characterised by greater severity, in accordance with the wish of the Government, which was worried about the quickening of the price rise. The limitation of credit was made stricter. The conditions*

*for the granting of building loans had already been made more severe earlier, on the financial intermediaries' own initiative. Some of them decided temporarily to suspend the opening of such credits. Furthermore, these were made the subject of specific regulations : a royal decree of 5th August, made under new legal provisions, imposed a limitation, in relation to the market value of the property serving as security, on the amount of the mortgage which could be granted. The regulations governing hire-purchase loans were made more restrictive in July.*

*The system of the monetary reserves based on the financial intermediaries' liabilities was maintained throughout the year, but the Bank nevertheless had to relax it somewhat from the time when measures of credit limitation were adopted. At the end of March the coefficients applicable to the categories comprising the longest commitments were lowered. At the end of June, at the Government's request, it was made possible for the monetary reserve to be composed, to the extent of Fr. 6 billion, of investments in special Treasury certificates issued at a rate below the market rate, the difference serving to reduce the cost of financing medium- and long-term export credits. Altogether, for the year as a whole, the mechanism of the reserve on the financial intermediaries' resources did not lead to any net sterilisation of these funds. On the contrary, the fluctuations which occurred during the year resulted in a freeing of part of these resources; this activation of sterilised funds took place in the first part of the year; at that time it was probably inopportune from the point of view of general equilibria but helpful for the financing of the Treasury's seasonal deficit.*

*As the manipulation of the reserve coefficient was thus robbed of its effectiveness by considerations alien to monetary requirements, the Bank had greater recourse to other methods in order to influence the financial intermediaries' lending capacity : as the lender of last resort it limited the money market's possibilities of access to its assistance by lowering the rediscount ceilings on several occasions.*

*Parallel with this, the Bank supported the upward movement of interest rates. It changed the conditions of its interventions on the money*

market. True, it only raised its official rates once, namely on 1st February, increasing the discount rate from 7.75 to 8.75 p.c. and the rate for advances from 8.50 to 9.50 p.c. But the subsequent stability of these rates did not preclude flexibility of the banks' debtor rates. These are no longer dominated by the Bank's scales; since the end of 1973 they have in fact been fixed according to the general state of the market and they were therefore raised considerably during the first half-year. At the same time the Bank gave in other ways such indications as it deemed desirable : it made the banks' refinancing more expensive by lowering the rediscount ceilings and increasing the special rate which it applies to the Rediscount and Guarantee Institute for the rediscounting, within a fixed limit, of paper which is not counted against these ceilings. With the same intention it made institutional changes in its interventions on the market by introducing on 8th July new methods of utilisation of the rediscount ceilings and advance accounts. The former can now only be used partly — at present to the extent of one-half — for directly rediscounting at the Bank, at the official rate, or for rediscounting at the Rediscount and Guarantee Institute at the rate fixed by that institution, bills meeting the eligibility conditions and having not more than 120 days to run; the other part can be used for the rediscounting or placing « en pension », at the Rediscount and Guarantee Institute only, of the same bills or of certified bills financing medium-term exports and having not more than one year to run; since it is at its rate for advances that the Bank provides the Institute with the resources which it may need for these mobilisations, these are carried out at a penal rate in comparison with the discount rate. For the opening of credits on current advance accounts, the change consisted in the allocation to each institution of a monthly quota usable at the official rate for advances; beyond this quota the daily utilisations are charged for at a special rate fixed daily by the Bank.

When the signs of slowing-down which had appeared during the summer became general, monetary policy was adapted accordingly. The reorientation was carried out cautiously because — as has been recalled — the change in the economic climate was not accompanied by any clear slackening of the price rise.

*The reserve and credit limitation systems were relaxed and the Bank began to lower some of its intervention rates.*

*At the end of October the norms permitted for credit expansion were extended, particularly for short-term export credits; credits financing medium-term exports were completely exempted from limitation. The monetary reserve constituted on liabilities remained, but it would no longer increase in proportion to the liabilities; it could only be reduced with the decrease in the financial intermediaries' resources.*

*The new special rates for the Bank's intervention were lowered. The rate charged to the Rediscount and Guarantee Institute for rediscounting of bills not eligible within the ceilings fell from a maximum of 13.75 p.c. at the beginning of July to 9.50 p.c. in January 1975 and that for advances outside the quota went down from a maximum of 14 p.c. in mid-July to 9.75 p.c. in January 1975. The official rates remained unchanged because they were still well below the market rates.*

*The Bank could doubtless have accelerated the downturn of the latter rates and thus facilitated the lowering of the cost of credit to enterprises. These would have benefited by a more rapid easing of their financial burdens, which are a cost and profitability factor.*

*But, all things considered, the Bank nevertheless felt that caution was still called for. Even in the very last months of the year it thought that it would be premature to bring about indirectly a decrease in the remuneration allowed on funds invested, since for the great majority of these the rates paid were still below the percentage rise in prices. Moreover, a lowering of the cost of credit would have reduced the cost of financing an accumulation of stocks of finished products; now such an accumulation could be a means of resisting a necessary downward readjustment of selling prices. Furthermore, as an instrument for restimulating activity, this manoeuvre would hardly have been effective at that time; owing to the fundamental causes of the downturn of demand, the latter would only have responded slightly to an initial lowering of the rates, particularly as this movement could not have been very large;*

*otherwise, Belgian rates would have been put out of line with those of other markets and the difference would have brought about, to no purpose, a shift of cash holdings to foreign countries.*

*Considering the events which took place during 1974 — a runaway boom followed by a reversal of the economic situation, quickening of inflation — one might wonder about the results of monetary action.*

*Deteriorations  
of the context  
in which monetary  
policies operate.*

*Admittedly, for various reasons, the Bank had, in the first part of the year, to give some of its measures an excessive degree of mildness in view of the circumstances and in comparison to the attitude of other central banks. More restrictions introduced earlier would perhaps have been a better bulwark against tensions and the subsequent relaxation would have been easier. But in the great silence of history which it is impossible to remake with other data, no one can prove that things would have gone more smoothly if the policy had been conducted differently. At the same time attention should be drawn to the remark appearing in the conclusions of the British so-called « Radcliffe » report of 1959 : « Monetary measures can help, but that is all »; this assertion, pertinent by its realism and wise in its modesty, remains true today, even if it is disputed by categorical maxims which are captivating by their simplicity.*

*The problems of 1974 have demonstrated more tangibly than hitherto how difficult it is to take decisions of economic and monetary policy under ideal conditions. That is, conditions such as would give immediate and full knowledge of the situations which the decisions seek to influence and of their subsequent developments; such as would impose, from the very outset and with absolute clarity, the priorities which would meet with a general consensus and would therefore dictate the choice of aims; such as would project the consequences of the measures adopted unblurred.*

*The internationalisation of activities and the interpenetration of financial markets weaken the effectiveness of national measures; they allow some to escape more easily from the constraints imposed by their authorities so that the latter's decisions, despite their general scope, are in danger of creating unwanted discriminatory systems. These consequences*

*of the contradiction between the unification of the economic world and the geographical encirclement of the sovereign power could be mitigated by better coordination of policies between Governments. Little progress was made in this direction in 1974, either at the European level or on a worldwide scale, despite the contacts, meetings and conferences.*

*The nature of the problems, the choices and the repercussions of the decisions are analysed under particularly difficult conditions when one has to operate in small economies very open to foreign countries, dependent on the rest of the world and influenced by the decisions adopted elsewhere. And yet the difficulties peculiar to these countries do not dispense the authorities and all those who influence economic policy decisions from the necessity of preventing disequilibria of domestic origin from adding to, or aggravating the effects of, those propagated from abroad.*

*Moreover, even more than in the previous years, it became clear in 1974 that the economic context, a living reality, had been transformed and was still in course of transformation. This means not only the material mutation of the world's structures but also and above all changes in lines of behaviour. Those of countries : new nations assert their determination to exercise better control over their material development and to participate in international trade on better terms. Those of individuals : in those developed countries where they can express themselves, income earners are better informed than hitherto, have a greater understanding of interrelationships, can more accurately assess the repercussions of the authorities' decisions, and group together to defend their interests, even if they do not yet properly understand their contradictions at the macro-economic level and still define them badly from a long-term point of view. The actions and reactions resulting from these lines of behaviour, often subject to the collective determinism of events, have distorted the operation of known mechanisms and made the customary means of action very risky. Now these were the means by which governors and economists hoped to ensure the continuance of balanced growth.*

*The quantitative growth, in dispute as regards its allocations, continued in the world in 1973 and, save for serious exceptions, in 1974.*

*But the balance was profoundly upset.*

*The international imbalance is fundamental. The oil crisis aggravated it. The monetary system is taking shape empirically. The excessive current surpluses and deficits and enormous capital movements have swept away the attempts at restoring stable exchange rates : the events of the last three years indicate clearly enough that the Washington agreements of December 1971 have become a dead letter. Furthermore, few countries tried for long the experiment of exchange rates floating completely freely; the authorities were afraid to expose quotations to erratic movements at the whim of the markets; the theories asserting that balance would be automatically restored by clean floating were not tested and it is becoming doubtful whether they will be. The main thing that has been remembered from the lessons emerging from their application is that abandonment of fixed parities restored greater autonomy to domestic economic policy. But at the same time the authorities « administer » the rates for their currencies. For the system which is operating is actually a hybrid one. Apart from the exchange relationships within the group of the few European countries which are maintaining a system of stable exchange rates among themselves, rates are fluctuating; but their movements are controlled as far as possible by interventions, sometimes direct and sometimes concealed, on the markets. Decided upon from day to day — and it could not be otherwise — this national « administration » of rates tolerates variations which are often due to international shifts of capital which this hybrid system does not prevent. Consequently the value relationships which have established themselves between the various currencies as a result of their respective changes do not necessarily correspond to the relative levels of the national prices of the products which are the subject of trade.*

*Within the national economies, the prolonged expansion has produced rises in prices and nominal incomes on a scale hitherto unknown in times of peace. The myth of « inflation as a factor of growth » has been destroyed. And the rises continue with greater or less intensity depending on the countries even after the disappearance, almost everywhere, of one of the factors which facilitated the price explosion,*

namely excess overall demand. The industrialised countries are back in a position characterised by the divergence between the trend of demand and that of prices. They had become accustomed to calling this contradictory state « stagflation ». This time the acuteness of the phenomenon has brought into being the word « slumpflation » : for the immediate future, growth itself is threatened.

Revolutionising the basic situation, the oil crisis hastened the involvement in these contradictions of the industrialised countries which import energy products. On the one hand, the jump in energy prices resulted in a relative impoverishment of the purchasing countries; for them the terms of trade deteriorated; all other things being equal, the sudden increase in the proportion of expenditure devoted to imported products had a deflationary effect on real domestic demand and real income. On the other hand, at the same time, the rise in the price of energy products accentuated the inflationary pressure; this was exerted in two ways : one, direct, by the incorporation of the new costs in enterprises' production prices and the other, indirect, by the raising of various categories of nominal incomes, obtained or imposed by all those who were endeavouring to pass on to others the burden of the increase in expenditure on energy, heating and transport.

*The Belgian  
economy's  
prospects for 1975.*

Like most other industrialised countries, Belgium has to face a combination of a pronounced cyclical slowing-down, the persistence of price rises and the repercussions of the increased cost of energy products on its balance of payments.

The latest forecasts suggest that the real growth in the national product for the current year will be well below that for 1974. The ending of the feeling of euphoria is causing a slowing-down of the rise in private consumption; this could also be affected by the heavier taxation of personal incomes provided for in the 1975 budget. Available indications point to a falling-off in industrial capital expenditure : in nearly all sectors, installed production capacities are sufficient in relation to foreseeable demand; furthermore, the increase decided upon in the tax

*burden borne by enterprises is not likely to stimulate capital-expenditure decisions, particularly during a period of recession; in order to encourage such decisions, other countries are going to introduce tax reliefs; the change in the Belgian economic climate should perhaps induce the Government to adjust its budgetary policy and strengthen the selective incentives in favour of the capital expenditures which create most jobs and those which make possible savings in energy consumption. House-building will not be up to the level of the last two years. Export orders are suffering from the adverse trends in the other industrialised countries and in the non-oil-producing developing countries. Public expenditure is the only category of demand which we already know will show a larger increase in 1975, and even then the expansion of the current budget is largely nominal.*

*Moreover, the price-raising factors are still active. Wholesale prices for food products are increasing again; in industry the improvement in gross productivity is slowing down, causing a rise in the cost per unit of output, while the index-linking mechanism is pushing up wages in response to price increases due to earlier events.*

*For the immediate future it must be admitted that the authorities' scope for action is narrow. Circumstances appear to be trapping the options of economic policy in the dilemma of either stopping inflation at the risk of allowing the chain reactions of recession to accumulate, or restimulating activity at the risk of once more feeding the fires of inflation.*

*This present contradiction between aims, which are however reconcilable from a longer-term point of view, is not peculiar to Belgium; all the industrialised countries are experiencing it and the choices which will be made in the big countries, and especially those nearest to us, will weigh upon the decisions which may be adopted in Belgium. This must be said, because there is nothing to be gained by lulling public opinion with the illusion that everything can be done, with complete independence, in relation to and against everyone.*

*Undoubtedly the range of possible lines of action capable of sustaining activity and employment — a priority requirement — must*

*be examined and those among these means which can be useful in the light of all the facts must be employed. For its part, the Bank will adapt its monetary policy to the circumstances, bearing in mind the basic international factors which it is vain to attempt to ignore.*

*But a programme for reviving activity would be facilitated if inflationary lines of behaviour, still too active, were all moderated together. Exaggerated claims would be ignoring the fact that all cost increases cannot always be passed on to selling prices and that consequently excessive production costs can lead to unemployment. Self-employed persons and enterprises operating in sectors sheltered from international competition and therefore under less compulsion to moderate their prices must realise that the increase in their absolute profit margins is reflected, like that in wages, in the general costs of the economy.*

*One cannot now overlook the fact that Belgian costs rose to a significant extent in 1974 in comparison with those of some major trading partners. Now in the medium term it is on the maintenance of the whole economy's competitiveness, on both the domestic and the export markets, that employment and the decision to undertake new capital expenditure largely depend. Admittedly, relative prices are not the only conditioning element of this competitiveness. This is also based, and sometimes more, on other elements : for instance the quality of the products, the shortness of delivery terms and the efficiency of trading organisations. It is to be hoped that exporting firms will continue, naturally with the support of the public authorities, to provide themselves with these advantages. But their benefit could be lost unless an effort of moderation, which however does not imply a freezing of the present distribution, were made to contain domestic costs in the widest sense, that is all incomes, including wages, within the limits indicated by comparisons with other industrialised countries.*

*It can now already be foreseen that the current balance of payments might be less favourable than in 1974. The fall in prices of raw materials and semi-finished goods will reduce expenditure. Conversely, however, expenditure will suffer the full effect of the high price of imported energy;*

*the incidence of this could, however, be diminished if urgent efforts were undertaken to make more rational use of energy products. Receipts, for their part, will be influenced by the effects of the recession in many countries on the volume of Belgian-Luxembourg sales and by those of the fall in the prices of metals and metal products and probably other semi-finished goods; third-country trade might leave a smaller surplus; and it is also likely that the terms of payment will no longer be as favourable as hitherto. However, the prospects are far from being dramatic. In any case, the size of the foreign exchange reserves is amply sufficient to meet a swing in the current balance of payments.*

*In Belgium, the endeavour to keep up exports reflects the concern with sustaining activity. It does not spring from fear of shortage of foreign exchange reserves. That is the case, on the other hand, in the countries which were already in deficit before the oil crisis. These and others — whose external accounts have in turn run into deficit — have up to now been able to resort without difficulty to borrowing. Quite apart from any international consultation, the re-employment of those dollars earned by oil producers which they have invested on the money markets has been effected by the normal transactions of the international banking system : part of the funds of the surplus countries has gone to the deficit countries. This pragmatic mechanism of « recycling » by the market has been useful and effective. If it were left to itself, however, its operation might lead to its own paralysis. For « recycling » calls for an activity of transformation : volatile funds have to be re-employed for loans at much longer terms. Now the total mass of funds to be utilised is becoming too large in comparison with the possibilities of all the many private organisations combined; mindful of the principles of sound management, each one of them cannot participate too intensively in this transformation without running the risk of jeopardising its own liquidity, or even its solvency.*

*International  
cooperation  
essential.*

*Consequently this « recycling » of the liquid assets held by the surplus countries must henceforth take place through other channels, organised*

*by the international institutions and Governments. In 1974 the International Monetary Fund, whose world-wide role and organisation make it particularly fitted for this purpose, intervened by organising the first « oil facility » : it borrowed, mainly from the oil-producing countries, 3.7 billion dollars in order to grant credits chiefly to developing countries. The Managing Board of the Fund was authorised to undertake in 1975 a new and larger operation. Subsidiarily to this action by the Fund, the Governments of the countries of the Organisation for Economic Cooperation and Development are negotiating among themselves for the creation of another « recycling » mechanism which could help to cover the deficit of industrialised countries.*

*Undoubtedly, by borrowing abroad, a deficit country does not remedy the deflation of domestic expenditure which it suffers when a substantial proportion of its income is used for net imports. This contraction of real expenditure could only be compensated for if the amounts borrowed abroad were, in one way or another, reintroduced into the income circuit. This circuit would thus have restored to it the amount of the reduction due to payment of the foreign deficit, caused in particular by the meeting of the energy bill. Be that as it may, at the international level the organisation of compensatory financing in favour of deficit countries prevents some of them from becoming the victims of a serious shortage of foreign exchange reserves which would force them either to cut down domestic demand further or to impose direct limitations on their imports.*

*In the absence of an organised « recycling » of floating funds, the flow of world trade would be deprived of an essential supporting element. For the danger of a contraction of international trade must not be underestimated. The recession being experienced by many countries is in itself a factor of decline; it is obviously aggravated by the fact that a certain — unmeasurable — part of the income earned by the producers of mineral oils is not re-expended either directly by the holders or indirectly by borrowers and thus does not give rise anywhere in the world to any final expenditure on items of current production. The danger may also come from the temptation which would be felt by some industrialised countries*

*to revert to an aggressive mercantilism : in order to defend their foreign exchange reserves or stimulate their economic activity they might endeavour to encourage their exports and curb their imports by more or less legitimate means. At a time when world demand is stagnating, such policies could only be fruitful for a country at the expense of others, and if these practices were to become general, with some countries retaliating to the actions of others, they would inevitably have the ultimate effect of aggravating deflation and dislocating international trade.*

*Recent trade agreements already show signs of a return to the practices of bilateralism.*

*Furthermore the international monetary disorganisation gives each country the opportunity of manipulating the rates for its currency in order to obtain commercial advantages. In recent years these depreciations have not had any profound or lasting effects on the competitiveness of the countries which have resorted to them, especially in the case of economies which are heavily dependent on foreign countries for their supplies : the price rises deriving from imported products and readjustments in pay have soon cancelled out the advantage brought by depreciation. But the belief could gain ground that during a period of depression a lowering of the exchange rate of the national currency would become a more effective commercial trump card. Recourse to it would then be sufficient to create further impediments to international trade flows.*

*As Belgium cannot escape the big general economic movements or be spared by the vicissitudes of international trade, its interests are served by all the efforts of economic consultation and coordination between nations.*

*It must be admitted that these efforts, except for having staved off any fundamental collapse, did not bear much fruit in 1974.*

*Even among the member countries of the European Economic Community, the bonds have become looser. True, it can be regarded as*

*an achievement that the difficulties encountered by several countries have not led to the adoption by them of unilateral defence measures. The market has remained common. But the official change-over to the second stage of economic and monetary union has been postponed. It has not been possible to put into effect any programme of action for coordinating policies and harmonising situations. There has been no strengthening of the Community mechanisms for cooperation in the financial sphere but merely the granting to Italy, under a mechanism introduced in 1971, of medium-term financial assistance which, incidentally, only represented the consolidation of a previous facility.*

*True, the difficulties of integration became greater as a result of the different trends of the various members countries' external situations. But these new difficulties did not galvanise the Community spirit. The attitudes which were displayed were national ones. The political will of Europeans to pursue the integration which has been undertaken was lacking. The crisis of the Community has not been overcome.*

*For the immediate future, however, all the member countries of the Community, although in differing degrees, are faced with the same problem. After a long period during which their growth has been encouraged by the relatively low price of energy, they are all confronted by a sudden worsening of the terms of trade which is causing a redistribution, partly at their expense, of world income. They all have to correct, in their own economies, the social injustices created by this relative impoverishment and by the decline in activity, which initially weigh unevenly on the differently categories of citizens. They all have to ensure, under conditions which have become more difficult, an essential economic progress, because, whatever may be the philosophy which defines its content, improvement of the standard of living is demanded by the people.*

*Lacking sufficient energy resources of its own and being almost completely dependent on the rest of the world for its supplies of raw materials, Europe, although possessing a mighty industrial potential, is today seen to be economically fragile and so, like it, is each of its members individually, whatever its power or its past.*

*On the threshold of difficulties of which no-one can yet foresee the extent or duration, the Europeans' indecision about building Europe is a serious matter. Should times become harder, the resurgence of national egoisms could lead to confrontations and destroy the edifice which has been constructed to its very foundations. This risk cannot be run. It is urgently necessary that the members of the Community should get a grip on themselves and strengthen the solidarities which will make them better able to solve the common problems together.*

*13th January, 1975.*



Economic and financial trend  
in 1974

**Reference periods :**

Unless otherwise indicated, when data for different years are compared in this Report, they all refer to the same period of each of the years concerned.

**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.

In the developed countries the slackening of economic activity which became apparent during the last months of 1973 in several major economies spread, bringing a rise in unemployment, while almost everywhere the upward price movement was accentuated and balances of current payments radically deteriorated. Apart from certain selective relaxations,

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		
1969 .....	+ 7.4	+ 1.9	+ 6.0	+ 2.7	+12.1	+ 0.1	- 3.8	- 3.7	+ 1.3	+ 3.7
1970 .....	+ 5.8	+ 2.2	+ 4.9	- 0.4	+10.3	+ 0.1	- 4.0	- 3.9	+ 2.7	+ 3.9
1971 .....	+ 3.6	+ 2.6	+ 3.3	+ 3.3	+ 6.8	+ 1.5	- 3.0	- 1.5	- 2.0	+ 7.6
1972 .....	+ 4.3	+ 2.7	+ 3.9	+ 6.2	+ 8.9	+ 4.2	- 4.3	- 0.1	- 5.8	+ 8.2
1973 .....	+ 5.6	+ 5.5	+ 5.6	+ 5.9	+10.5	+ 5.0	- 8.8	- 3.8	+ 1.4	+ 3.1
1974 ... e	+ 2.8	- 0.2	+ 2.1	- 2.2	- 3.3	- 0.6	-16.1	-16.7	- 2.3	+ 0.8

(1) The unit of account is equal to 1 United States dollar in 1969 and 1970, 1.03 dollar in 1971, 1.09 dollar in 1972, 1.19 dollar in 1973 and 1.17 dollar in 1974. The value of the unit of account in terms of the dollar during the years 1969-1974 has been fixed in such a way that its average weighted value 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.

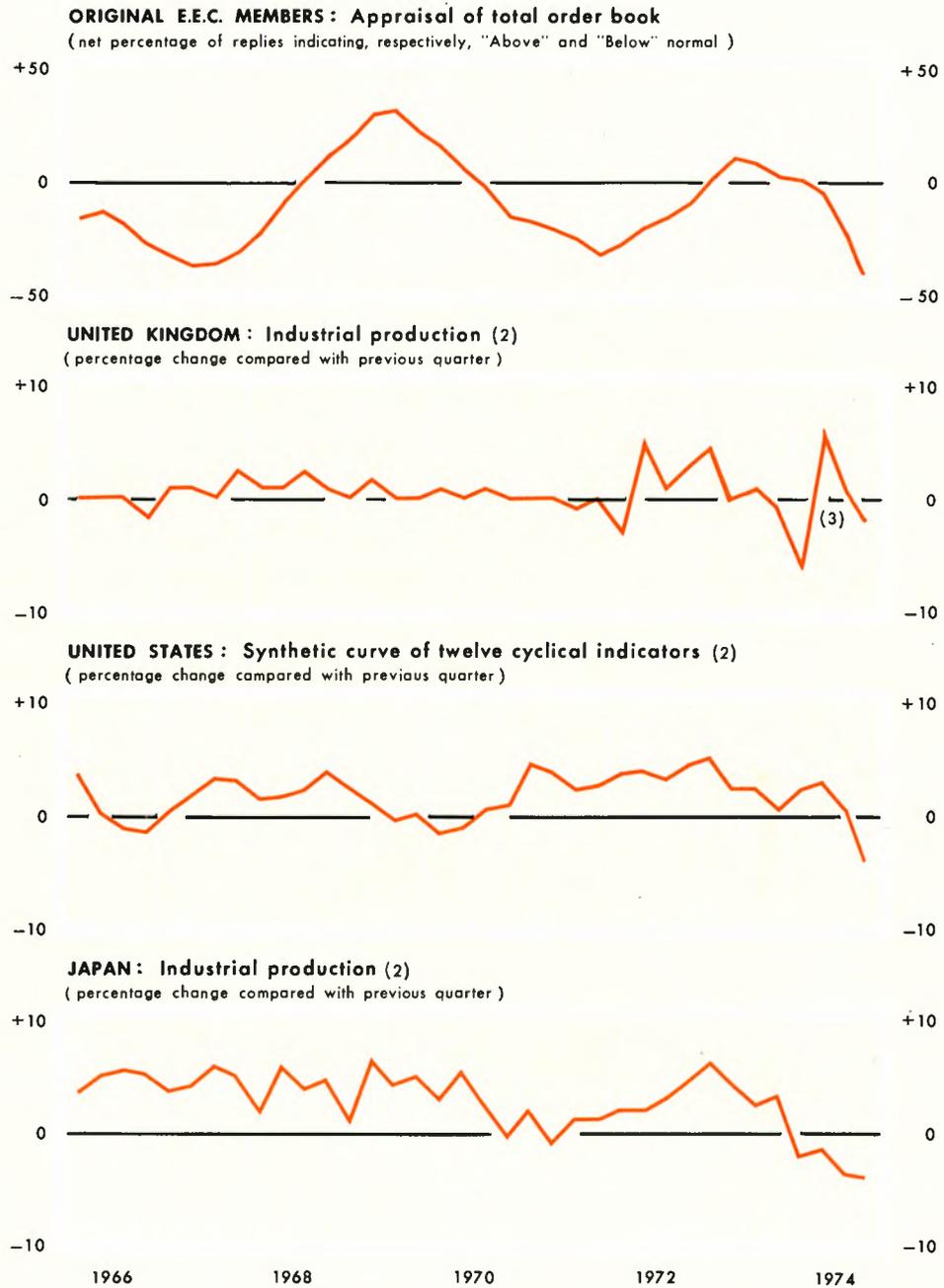
(4) Excluding exports by way of military aid.

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

introduced gradually, the policies pursued remained generally directed towards the struggle against inflation. They were also designed to mitigate the serious consequences of the sharp deterioration in the terms of trade.

Chart 1.

INTERNATIONAL TREND OF ECONOMIC ACTIVITY <sup>(1)</sup>



Sources : *Original E.E.C. members* : European Economic Community.

*United Kingdom* : Organisation for Economic Cooperation and Development.

*United States* : U.S. Department of Commerce.

*Japan* : Organisation for Economic Cooperation and Development.

(1) Monthly averages per quarter; last period : average for October-November 1974.

(2) Seasonally adjusted.

(3) The data for the first and second quarters are distorted owing to the strikes and the application of the three-day week during the first quarter and the compensatory recovery of production which followed in the second quarter.

The expansion in the volume of the gross national product of all the countries of the Organisation for Economic Cooperation and Development suddenly fell back from an exceptionally high level in 1973 to an insignificant rate.

In the first half-year the worsening was very marked in the United States, Japan and the United Kingdom, where negative rates were registered. During the second half of the year it continued in the United States, was accentuated particularly in Italy and the Federal Republic of Germany and spread to most other countries. Thus for the year as a whole the industrialised countries viewed as a group were caught up in a synchronous process of deceleration in which a part was played by the various components of final demand, more especially gross fixed capital formation and household consumption.

The slowing-down in growth led to an appreciable decline in vacancies and an increase in unemployment. At the end of the year this became disquieting, though to a smaller extent for some Scandinavian countries, where a satisfactory growth rate was maintained, and in Japan, where special traditions and social structures prevail.

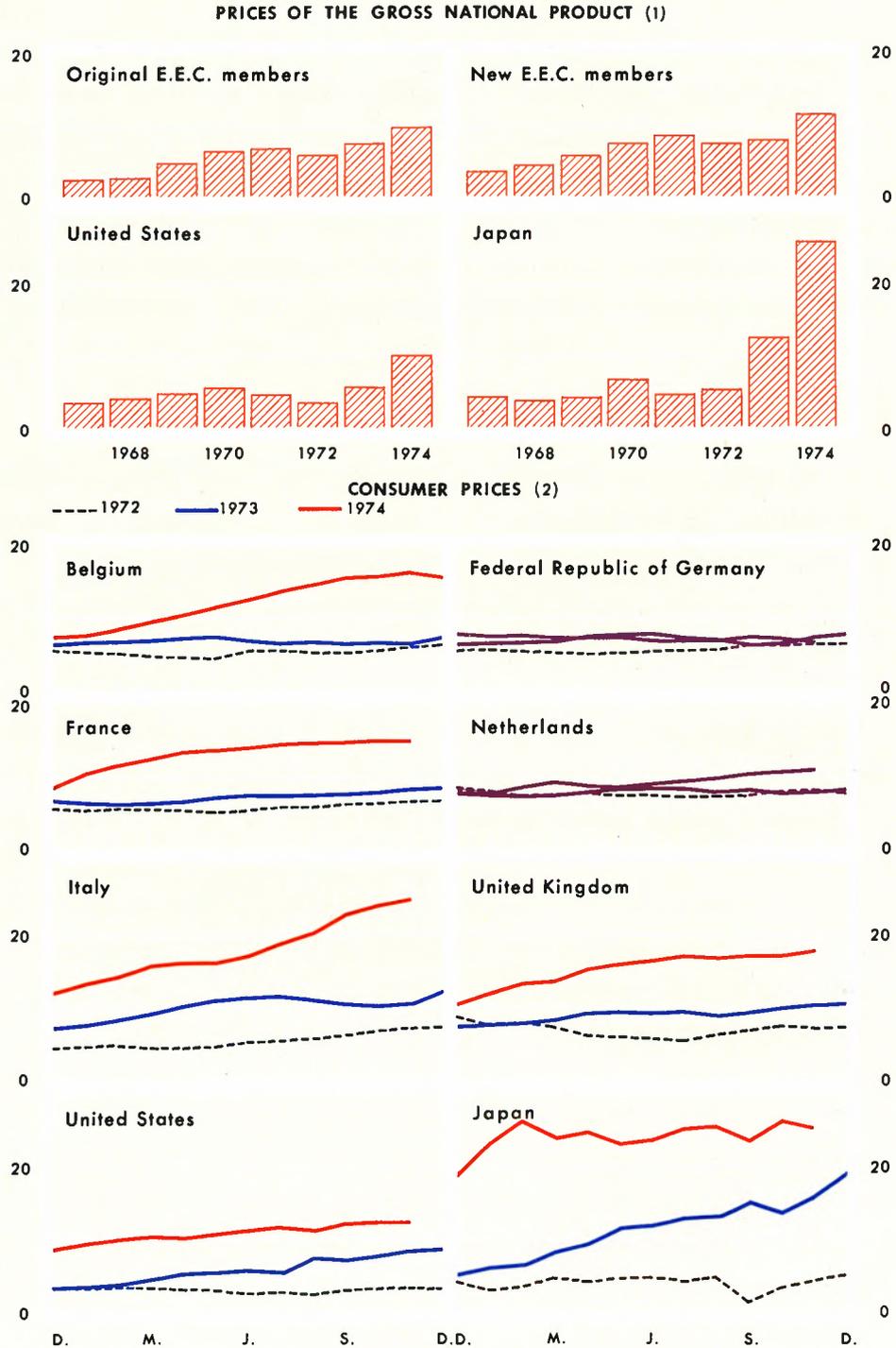
Nevertheless, the rise in prices quickened; the annual indices, both for prices of the gross national product and for domestic consumer prices and wholesale prices, went up much more than in 1973, except in the Federal Republic of Germany where, except for wholesale prices, the rises were of the same order of magnitude as in the previous year. These various prices showed hardly any tendency to slow down their rise during the year, despite the stabilisation, since May, of world prices for raw materials and basic products.

On top of their upsurge in 1973, these had gone up a further 38 p.c. during the first five months of the year, according to the index of the « Hamburgisches Welt-Wirtschafts-Archiv » expressed in current U.S. dollars; between May and December they declined by 1.3 p.c. thanks to the downturn of products for industrial use.

Chart 2.

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. 1974 : 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.

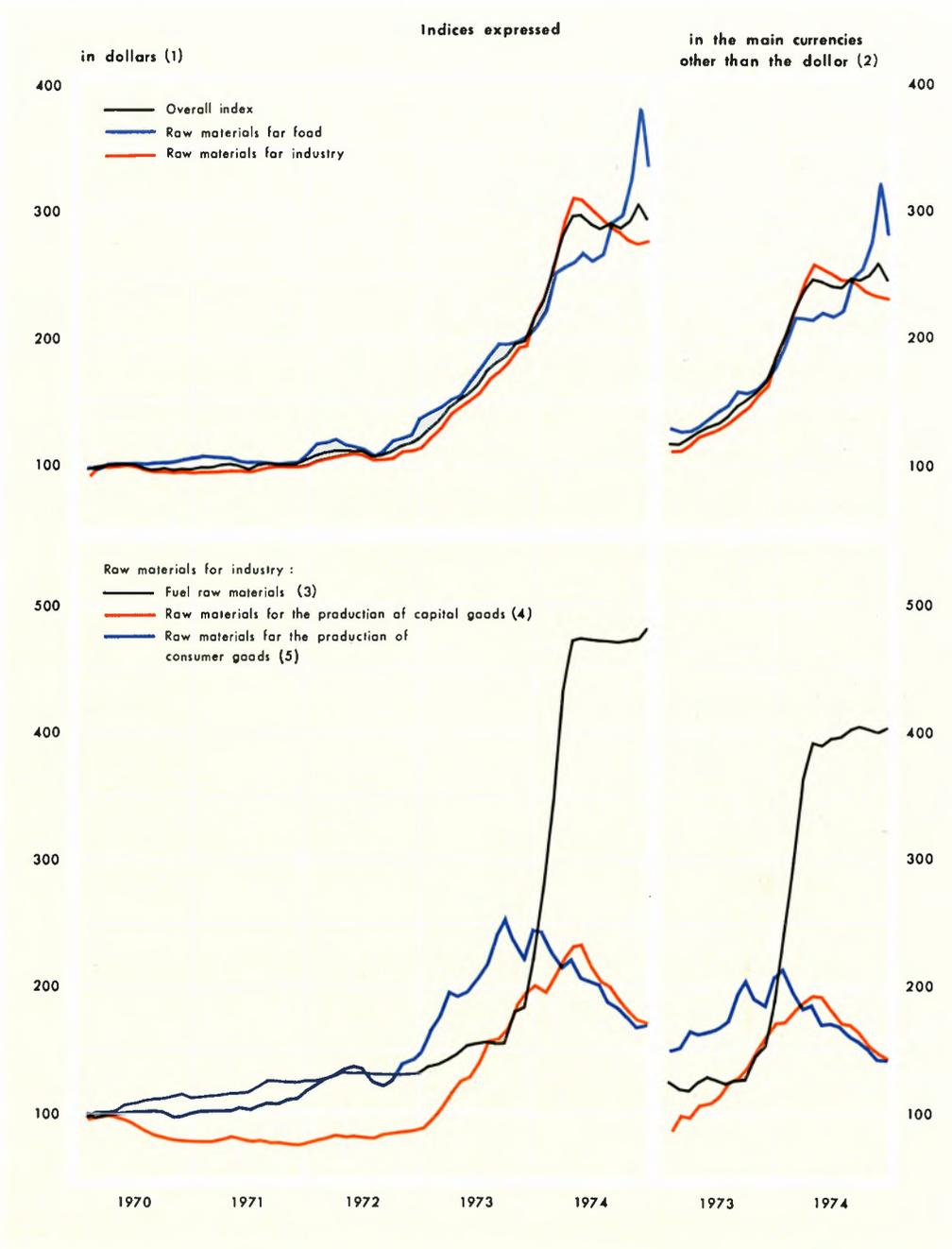
Until November the index of products for use as food went up appreciably and steadily, except for a slight falling-off in June, when the prospects for the new crops appeared very encouraging. This outlook was not fulfilled for some products such as maize, soya and sugar, mainly owing to adverse weather conditions; consequently, faced with inelastic and basically expanding demand and in view of the extremely low level of stocks all prices of products for use as food were affected. In December, however, the index fell.

The rise during the first months of the year in the index of products for industrial use reflected the increases in fuel prices, which gradually became incorporated in market prices, and those of products to be used for the production of capital goods, the cyclical movement of which usually lags behind the general trend of economic activity. On the other hand, prices of raw materials for the production of consumer goods fell practically throughout the year.

All the countries which are net importers of large quantities of raw materials, and especially petroleum, an energy product which offers few possibilities of substitution in the short run and which inevitably propagates its price rises to all types of products, had to contend with a marked deterioration in their terms of trade, although in differing degrees depending on their economic structure and the trend of the exchange rate for their currencies. For the member countries of the Organisation for Economic Cooperation and Development as a whole, the rise in the cost of imports of crude petroleum amounted to about \$ 60 billion. The worsening in the balance of trade of these countries as a whole was however mitigated to the extent of over \$ 20 billion thanks to an expansion of nearly 10 p.c. in the volume of exports, against one of only 2.5 p.c. for imports, and to a slight improvement in the terms of trade for dealings in products other than oil. As a result, the overall current balance of payments deficit, aggravated by the first payments of investment income to the oil-exporting countries, amounted to nearly \$ 40 billion for the countries of the Organisation for Economic Cooperation and Development. It is estimated at a little over \$ 5 billion for the other economically developed

Chart 3.

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 4.  
 (3) Coal and its derivatives, petroleum and its derivatives.  
 (4) Wood, rubber, iron and steel, non-ferrous metals.  
 (5) Textiles, hides and skins, cellulose.

countries. These overall figures conceal situations which differ greatly from country to country : approximate balance or even a substantial surplus for some, an exceptionally high deficit for others.

Among the economically less developed countries, those which are not petroleum-exporters also experienced a deterioration of their economic position, from the point of view of both the rise in prices and the external deficit. The current payments deficit of these regions, unevenly distributed depending on the production structures of the countries in question, would appear to have risen to just under \$ 20 billion. Coming on top of that of the economically developed countries, it swelled the current surplus of the oil-producing and exporting countries, increasing it from about \$ 5 billion in 1973 to around \$ 65 billion.

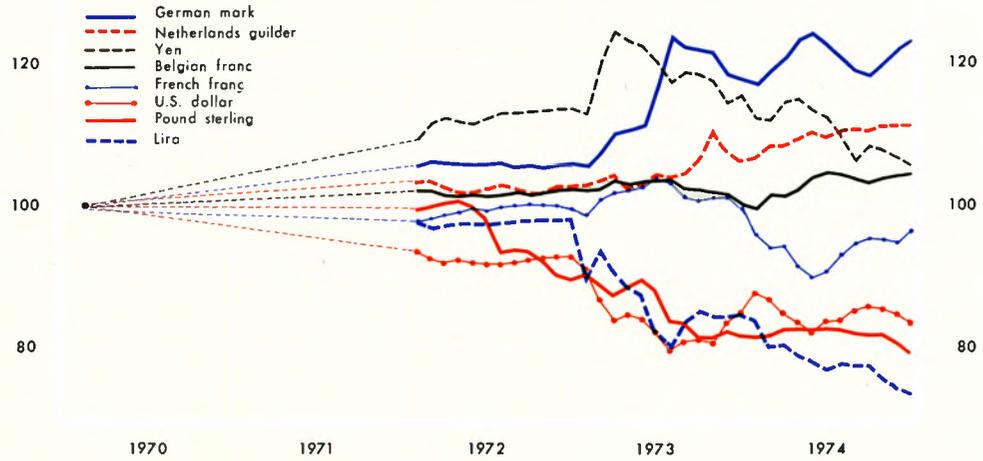
Such an upheaval inevitably had a profound effect on capital movements throughout the world. Suddenly possessed of incomes on an unprecedented size, the oil-exporting countries have up to now engaged primarily in short-term investments in international currencies and in currencies believed to be strong. With regard to the distribution of these investments, it is thought that 20 to 25 p.c. went to the United States, 30 to 40 p.c. to the Euro-currency market and 10 to 15 p.c. in pounds sterling to the United Kingdom, the remainder having been used for loans to Governments or international institutions or for direct capital investments.

As the way in which this return flow took place did not meet the requirements either as regards duration, since the debtor countries are mainly seeking longer-term funds, or with regard to distribution, since the largest deficits are often incurred by countries which do not present the best guarantees as regards their economic prospects and the stability of their currencies, a crucial problem of « recycling » arose. This recycling partly occurred in a pragmatic manner. Substantial amounts of capital flowed out from the United States, following the abolition of the restrictions in this field at the beginning of the year, and from the Federal Republic of Germany. Furthermore, several countries, including in particular Italy, the United Kingdom and France, faced with the threat of a drastic

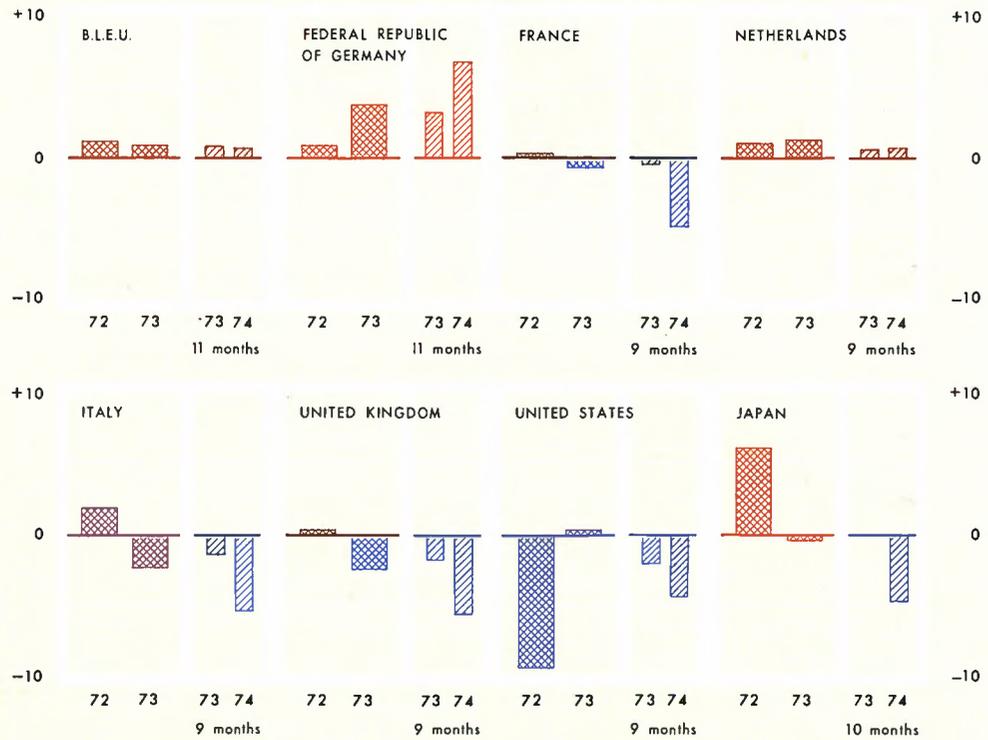
Chart 4.

EXCHANGE RATES AND BALANCE OF CURRENT TRANSACTIONS

AVERAGE WEIGHTED EXCHANGE RATES FOR VARIOUS CURRENCIES (1)  
(Indices first quarter 1970=100)



BALANCE OF CURRENT TRANSACTIONS (2)  
(in billions of European monetary units of account)



(1) Source : Organisation for Economic Cooperation and Development.  
(2) Source : Statistical Office of the European Communities.

depreciation in the exchange rate of their currencies or the rapid exhaustion of their reserves, borrowed heavily from foreign countries by drawing on the International Monetary Fund, resorting to other multilateral aid mechanisms, seeking loans from foreign central banks or borrowing on the Euro-currency market for the benefit of their Treasury or other public administrations or institutions.

The measures of **international cooperation** organised to meet the oil crisis only took shape slowly.

First of all, the International Monetary Fund, acting on suggestions put forward by the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues, the so-called Committee of Twenty, made recommendations to its members with regard to the policies to be employed; these policies were not to include measures which would merely aggravate the problems of the other member countries, such as competitive depreciation of exchange rates and the escalation of restrictions on trade and payments, but, on the contrary, should help to maintain economic activity and employment at suitable levels while minimising inflation and promoting equilibrating capital flows. These recommendations were subsequently incorporated in a « Declaration concerning trade and other current account measures for balance of payments purposes » to which the members were invited to subscribe; this declaration was to become effective among subscribing member countries when these represented 65 p.c. of the total voting power. Lastly, the Fund created, also at the suggestion of the Committee of Twenty, a special credit facility, financed by arrangements to borrow concluded, primarily with petroleum-exporting countries, for an amount of \$ 3.7 billion with a view to assisting members to meet the initial impact of the increase in the price of imports of petroleum products, provided that they could prove that they need assistance owing to the rise in the cost of their imports of petroleum products and the state of their balance of payments and that they comply with the principles formulated in the afore-mentioned declaration.

For their part, the competent bodies of the European Economic Community prepared proposals concerning the financing of deficits and the definition of the aims of a structural energy policy.

At the same time, talks and negotiations conducted within the Organisation for Economic Cooperation and Development led to the creation of an International Energy Agency which, up to the present, has been essentially an emergency organisation responsible for distributing the members' stocks in the event of new shortages; however, various member countries, in particular France and Norway, are not parties to this agreement. Furthermore, the Secretary General of the Organisation made proposals for the creation of a very large international fund which would finance itself by collecting « petro-dollars » in order to make them available to countries experiencing special difficulties.

Moreover, the International Monetary Fund adopted several decisions concerning the organisation of the international monetary system.

In the final report on its work which it submitted in June, the Committee of Twenty, while recognising the impossibility of laying down precise and detailed rules at the present time, formulated a number of conclusions with regard to the general principles which could serve in future as guidelines for the international monetary organisation. It advocates a system of convertibility facilitating the management of international liquidity and making it possible to avoid an uncontrolled increase in balances in reserve currencies, the special drawing right becoming the main reserve instrument and gold and the reserve currencies being henceforth only secondary instruments. The Fund's role would be increased thereby since it creates and manages the special drawing rights, but also because it would be incumbent upon it to devise more effective and better-balanced procedures for ensuring that the national authorities adopt, when necessary, the appropriate measures and to see to it that national lines of behaviour are compatible with the aims pursued by the international monetary community, which include the stimulation of economic development, especially in the form of the net contribution of real resources to developing countries.

In the second part of its report the Committee of Twenty specified various measures which could be adopted without awaiting the completion of the fundamental reform and which would remedy certain operating deficiencies of the system during the transitional period. Some of these suggestions led to decisions adopted by the Fund.

One of them created an Interim Committee of the Board of Governors on the International Monetary System, composed of Governors of the Fund, ministers, or persons of comparable rank, foreshadowing the permanent and representative Council, vested with substantial powers, which the Committee of Twenty recommended should be created by an amendment to the Fund's Articles of Agreement in order to simplify and speed up the decision-making process. The Interim Committee will normally meet three or four times per year; it will give advice to the Board of Governors, mainly with regard to the organisation of the international monetary system and supervision of its management, the preparation of proposals for amendments to the Articles of Agreement and the lines of action to be adopted in the event of sudden disturbances liable to jeopardise the system.

Another decision concerns the method of valuation of the special drawing rights and net reserve positions in the Fund. Since the floating of the dollar in relation to the monetary units of many countries, the application of the Fund's regulations had entailed, for the countries in question, fluctuations, which could become very large, in the valuation of these reserve instruments in terms of the national currency. For in fact, under these regulations, the value of these reserve instruments, fixed in terms of United States dollars, was determined, for the currencies of the other member countries, with reference to the rate for the dollar on their respective foreign exchange markets and was therefore subject to the effects of the instability of that rate.

After having been suspended since November 1973 only with regard to settlements between participants, in special drawing rights, of debts expressed in the currency of the debtor country, these regulations were amended by a decision of 13th June, 1974. By virtue of this decision, with effect from 1st July, 1974, for an interim period and without prejudice

to the arrangements to be introduced after the fundamental reform of the system, the international value of the special drawing rights and the net reserve positions in the Fund has been determined, for all currencies including the dollar, in relation to a « basket » of sixteen currencies namely those of the countries whose share in world exports of goods and services exceeded 1 p.c. during the period 1968-1972. The weighting adopted for these different currencies depends on this share, but with a few corrections to allow for the fact that this criterion does not necessarily reflect the actual importance of certain currencies in international transactions.

A third decision concerns « Guidelines for the management of floating exchange rates ». These are criteria defined by the Fund in an attempt to restore a certain coherence in international action, and which the Fund advised its members to apply in the management of their currencies; it will be guided by them itself in the exercise of the supervision with which it is entrusted. The aim of these guidelines is to regularise exchange rates by smoothing out short-term movements while at the same time inducing the rates to tend towards a medium-term norm corresponding to a level which is deemed appropriate for the currency in question by the national authorities acting in cooperation with the Fund.

## **EUROPEAN COMMUNITIES.**

The various provisions adopted by the Council of Ministers of the European Communities at the end of 1973 concerning the achievement of economic and monetary union were formally promulgated on 18th February. These were the renewal, in a more systematic and sometimes strengthened form, of the earlier decisions concerning the attainment of a high degree of convergence of the economic policies of the member countries, stability, growth and full employment in the Community, short-term monetary support and the creation of an Economic Policy Committee. But the Council was not prepared to adopt a resolution marking the change-over to the second stage in the attainment of economic and monetary

union, which had been planned for 1st January, 1974, and indicating the overall programme for this stage with a view to ensuring the necessary parallelism of the integration measures, especially as regards liberalisation of intra-Community capital movements, the common regulation of capital movements from or to third countries and the Community regional policy. It was likewise unable to make any positive decision on the plan for pooling official foreign exchange reserves.

The French Government decided to suspend, from 21st January, 1974 for a period of six months — which was extended — the interventions for maintaining the narrowing of the margins of fluctuation between the Community currencies, thus joining the United Kingdom, Ireland and Italy in free floating. The other member countries, however, immediately confirmed their decision to maintain the restricted margins between their respective currencies.

At a meeting held at Zeist on 22nd and 23rd April, the Ministers of Finance of the member countries adopted a common position with regard to the conditions under which effective mobilisation of official gold stocks could take place. While reasserting that the special drawing right on the International Monetary Fund is destined to occupy a central position in the reformed international monetary system, they agreed that the monetary authorities should be authorised to buy and sell gold either among themselves, at prices derived from the market prices, or on the free market. It was furthermore suggested that these transactions ought not to lead to a lasting increase in official gold stocks and that they could be coupled with a certain stabilising action on the market. The American authorities were informed of this Community position, with a view to their possible adherence to the principles underlying it. The technical methods of implementation of this Zeist agreement was studied by the Europeans, but no decision was reached. The intention of mobilising gold took concrete form, however, in a gold-backed lending operation whereby the Bank of Italy obtained a loan of \$ 2 billion from the German Federal Bank against the pledging of part of its gold reserves estimated at a price related to the market price. In December, at the meeting of the Heads of State

of France and the United States, the latter withdrew their objections of principle to the valuation of official gold holdings on the basis of current market prices.

The system of short-term monetary support — the amount of which was increased on 12th March in implementation of the Council of Ministers' resolution of 18th February — and that of medium-term financial assistance were put into operation for the first time in favour of Italy. From 18th March the three-month monetary support of 1,562.5 million units of account (\$ 1,884.9 million) granted in 1973 by the central banks was in fact used by the Bank of Italy; subsequently it was extended twice. The Council of Ministers decided on 17th December to replace this credit, to the extent of 1,159.2 million units of account — the difference from the above-mentioned amount being the share of the United Kingdom, kept at short term — by financial assistance for an average period of three and a half years, the beneficiary country entering into undertakings as regards economic policy in accordance with the provisions relating to this system.

On 18th November the Council of Ministers adopted a regulation enabling the Community to borrow, for a total amount of \$ 3 billion including interest, funds for an average term of five years or over in order to make them available to the central banks of member countries experiencing balance of payments difficulties caused by the rise in prices of petroleum products, subject to the adoption by these countries of measures designed to overcome these difficulties. The loans are guaranteed by each member country up to a maximum percentage for each country; this was fixed at 14.68 p.c. for the Belgian-Luxembourg Economic Union.

At the conference held in Paris on 9th and 10th December, the Heads of Government of the nine member countries of the Community decided to strengthen the Community institutions and improve their operation and they reiterated their intention of attaining economic and monetary union. In this connection they reaffirmed the need for convergence of economic policies and confirmed that their aim is still the struggle against

inflation and the defence of employment; cooperation between employers and employees is regarded as an essential factor for the success of such a policy. The lines of action to be adopted must be complementary in the sense that countries with large balance of payments deficits must put the emphasis on the fight against inflation, while those whose balances of payments are in equilibrium or surplus must apply a policy of stimulating domestic demand, without, however creating new inflationary conditions. Any recourse to protectionism was rejected and the Heads of Government stressed the urgent necessity of agreeing together on the policies to be undertaken, which must be in accordance with an aim of Community solidarity and must be based on permanent and effective mechanisms of consultation. They also decided on the establishment, from 1st January 1975, of the European Regional Development Fund; this will be provided with 1.3 billion units of account, namely 300 million in 1975 and 500 million for each of the next two years. Lastly, the Community institutions were called upon to work out and put into effect as soon as possible a common energy policy.

#### **OVERALL DATA CONCERNING THE BELGIAN ECONOMY.**

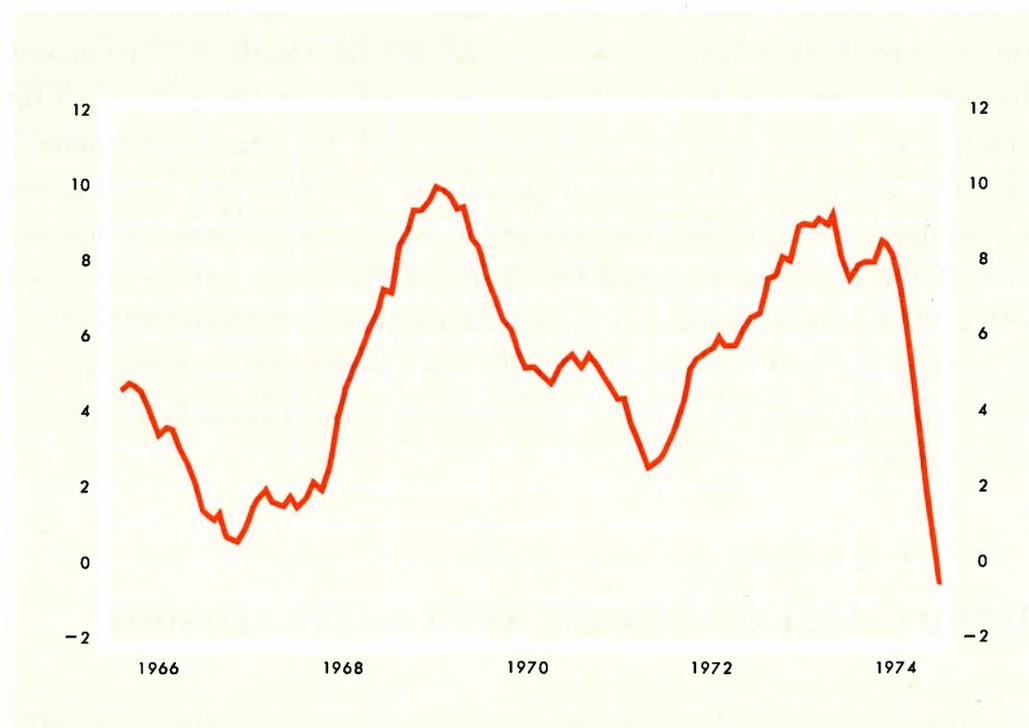
The gross national product at constant prices would appear to have grown, according to the latest estimates, by about 4 p.c., which corresponds approximately to the average growth proposed in the medium-term plan for the Belgian economy. This rate does not come up to that of 5.3 p.c. achieved in 1973, a year with a very high level of activity, but it exceeds the pace of expansion of economic activity registered by most of the other industrialised market-economy countries.

However, this very favourable overall balance conceals a fairly appreciable change in the course of economic development. During the first months of the year the cyclical trend turned upwards again, after a temporary hesitation due to the uncertainties of the oil crisis. But during the summer economic prospects suddenly deteriorated in nearly all

industrial sectors, as is shown by the synthetic curve of the main results of the National Bank's monthly inquiries into the trend of activity.

Chart 5.

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



<sup>(1)</sup> 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 depending on whether they were more or less favourable during a given month. The synthetic curve represents the mean of the marks thus obtained.

For the year as a whole the slackening of the expansion of demand in real terms appears to have been less marked for domestic expenditure than for exports of goods and services; the latter were influenced by a distinct slowing-down of the expansion in world trade. The restrictive effect resulting from the falling-off in exports was only partly offset by the slowing-down of imports.

Expenditure on private consumption, except for purchases of motor vehicles, was swollen during the first months by a wave of precautionary

buying, but after that its trend was less sustained, particularly as the growth in households' real available income probably slackened. Altogether it would appear that the volume of private consumption underwent a smaller expansion than the relatively large increase which took place in 1973.

Similarly, the rise in public consumption would appear to have fallen off slightly.

Public capital expenditure appears to have declined owing to the restrictive budgetary policy, although apparently to a smaller extent than in the previous year.

Capital expenditure on housing, restrained by the full employment of production capacities, would seem to have again slightly exceeded the figures, very substantial though they were, reached in 1973.

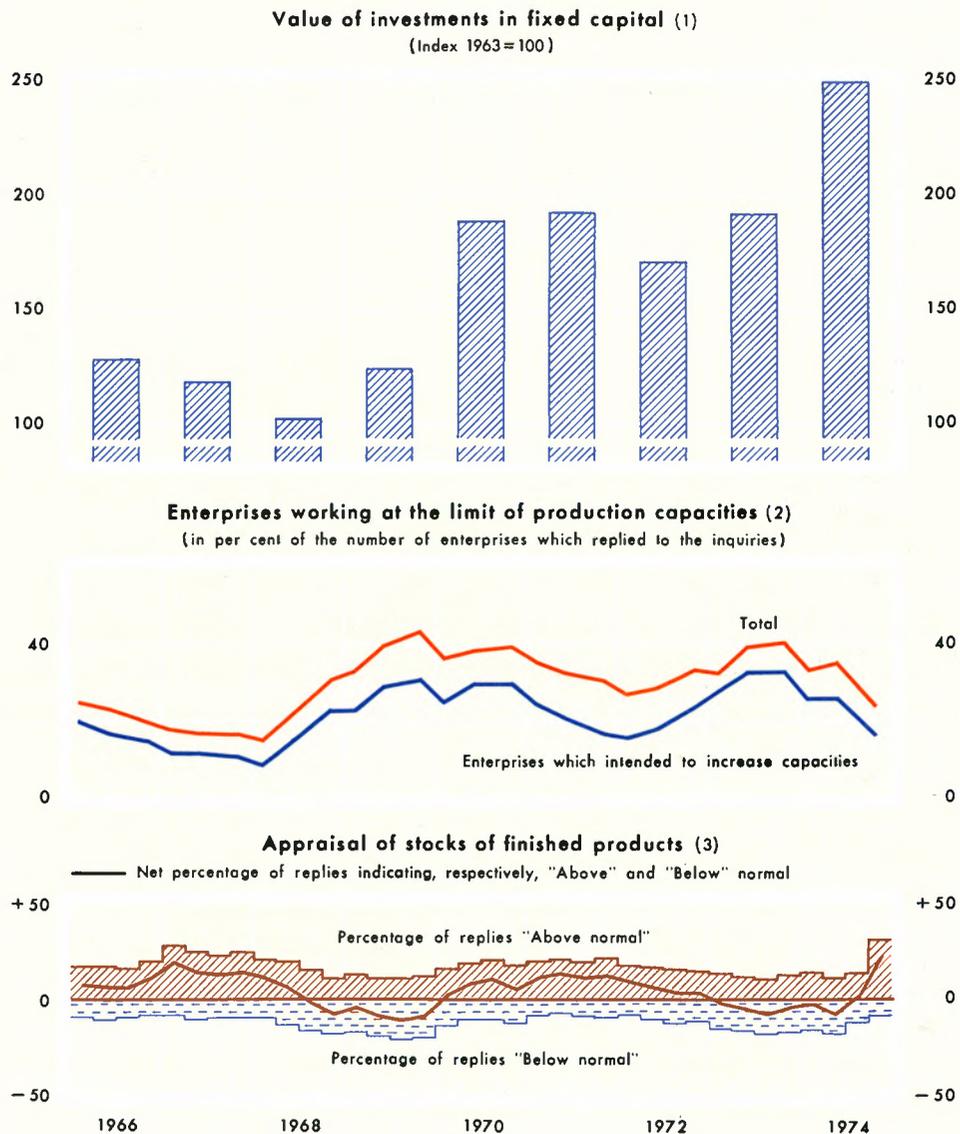
Gross fixed capital formation by enterprises as a whole, which had recovered during the second half of 1973, rose further. During the period just mentioned the proportion of industrial enterprises which were working at the limit of their production capacities and intended to increase them had reached a maximum. Several other factors helped to accentuate the capital investment effort : the improvement in enterprises' self-financing possibilities, the speeding-up of the price rise which encouraged the advancing of capital expenditure decisions, the rise in the prices of petroleum products which stimulated capital outlays producing or making more use of other energy sources and, lastly, the need to rationalise production processes under the pressure of the upward movement of costs.

According to the National Bank's last inquiry, gross fixed capital formation expressed in current prices went up by 30.7 p.c. in manufacturing industries as a whole, against 12.5 p.c. the previous year. That of the financial intermediaries and major retail enterprises, which had decreased by 11 p.c. from 1972 to 1973, rose by about 13 p.c. in 1974.

With regard to expenditure on stocks, the enterprises participating in the National Bank's monthly inquiries considered, at the end of the first

Chart 6.

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.

1966 to 1973 : expenditure effected. 1974 : 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.

half of the year, that their stocks of finished products were inadequate; on the other hand, products in course of manufacture were increasing while stocks of raw materials and basic products were swelling in a distinctly speculative atmosphere. In the second half of the year the situation was reversed : stocks of finished products began to accumulate at enterprise level while other stocks, owing to the crumbling of world prices for basic products and the high cost of credit, probably stopped increasing or declined. In terms of current prices, stockbuilding as a whole was appreciably higher than in the previous year.

## MANUFACTURING INDUSTRIES.

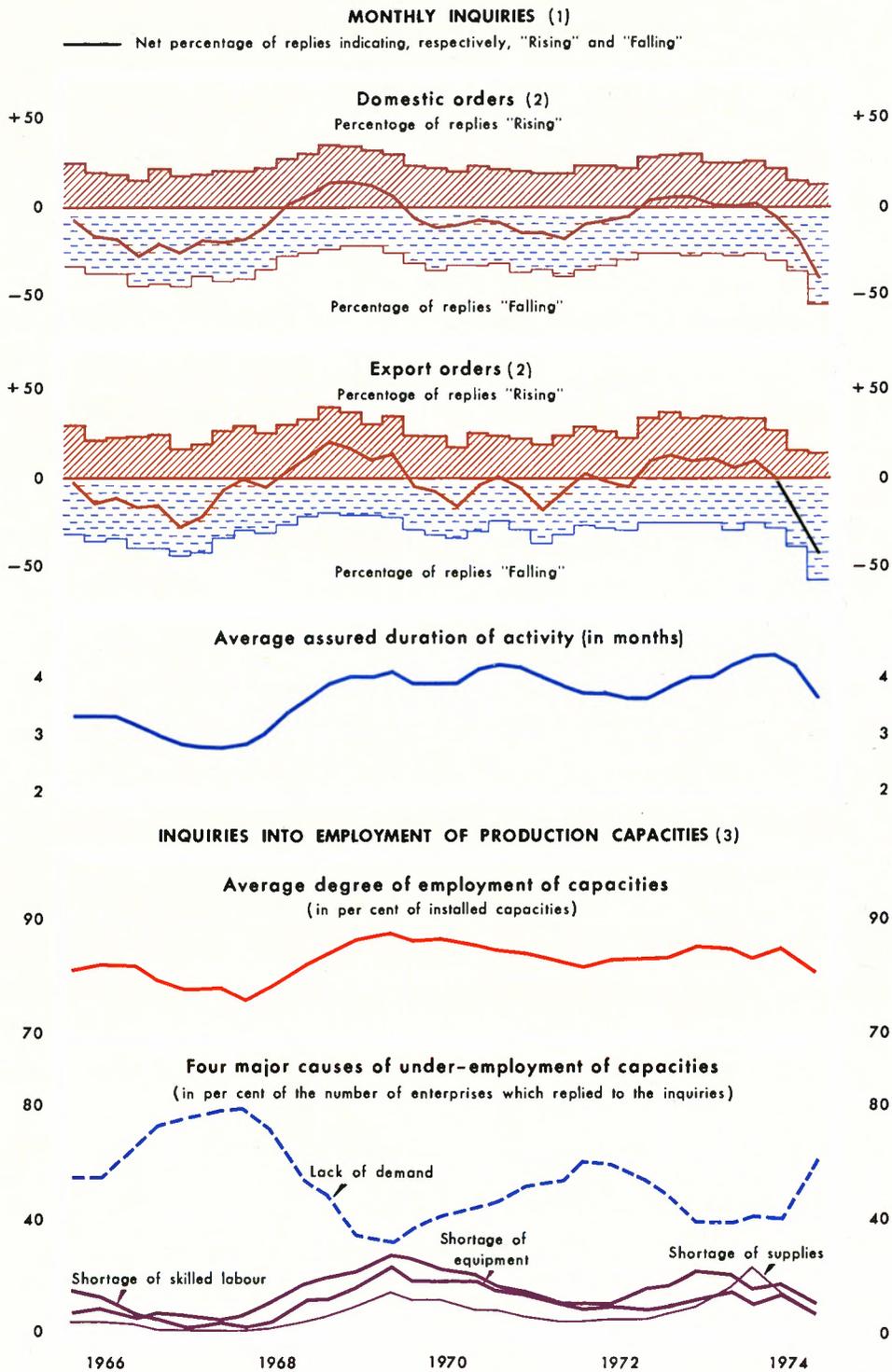
For the first ten months as a whole, the total production of the manufacturing industries went up by 7.4 p.c., against 7.8 p.c. in 1973 <sup>(1)</sup>. A slowing-down became apparent from the summer onwards; according to the National Bank's inquiries, this was accentuated during the last months of the year.

During the first half-year the extension of production capacities was the main factor making possible the growth in industrial output. Installed equipment in fact continued to be practically fully employed : at the end of May the average degree of employment of production capacities was 85.1 p.c., that is, a level very close to that reached a year earlier. Furthermore, the state of boom prevailing at that time was accompanied by the persistence of bottlenecks : 13 p.c. of industrial enterprises attributed the under-employment of their production capacities to shortage of skilled labour, 14 p.c. to shortage of supplies and 17 p.c. to shortage of equipment. Thus hampered, the rise in the rate of production of manufacturing industries as a whole fell short, during the first months of the year, of the growth in the flow of orders : this led to a lengthening of the average duration of activity ensured by the order books, which increased from

<sup>(1)</sup> These percentages also include 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.

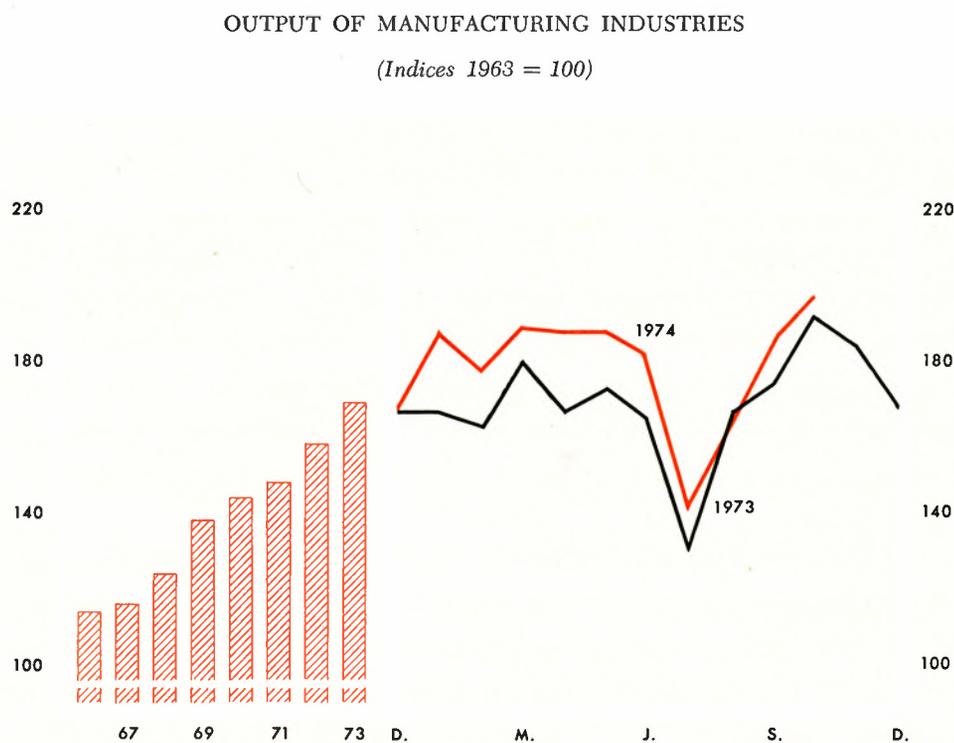
(2) Seasonally adjusted.

(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.

4.3 months at the end of December 1973 to an unprecedented peak of 4.5 months at the end of April.

Chart 8.



Source : National Statistical Institute.

The reversal of the cyclical trend already described was reflected, in the second half-year, in a decrease in the average degree of employment of production capacities, which declined to 80.9 p.c. at the end of October; at the same time the proportion of enterprises which attributed the under-employment of their production capacities to lack of demand rose from 40 to 61 p.c., while the average assured duration of the activity had shortened to 3.6 months at the end of December.

The trend of industrial activity varied fairly considerably depending on the categories of goods produced.

Output of **non-durable consumer goods** rose less than in 1973. During the first half-year this slowing-down was relatively moderate; it more particularly affected the foodstuffs industries, especially the manufacturing of biscuits and beverages and the industries making photographic products and chemical products such as paints and varnishes. From the summer onwards, output scarcely exceeded the previous year's level.

In the **durable consumer goods** industries, output increased in the first half-year more than in 1973. It was well sustained in the hosiery, ready-made clothing, footwear, furniture and electrical household appliance industries. On the other hand, owing to the oil crisis, it slowed down in the plastic articles sector and actually decreased in motor vehicle assembly. In the second half-year activity weakened in nearly all industries.

For the consumer goods industries as a whole, the appraisal given by the enterprises participating in the National Bank's inquiries regarding the level of order books, which is a few months in advance of the trend of output, after having already been unfavourable during the first months of the year, worsened greatly during the subsequent months.

The diamond industry benefited, in the speculative atmosphere of the first months of the year, by an appreciable strengthening of demand, which remained at a high level until October. After that the market deteriorated for all categories of diamonds.

Activity was very well sustained in the **capital goods** industries; its rate of increase rose, for the first ten months, from 8.8 p.c. in 1973 to 14.8 p.c.; the rise was particularly marked for industries producing goods forming part of enterprises' plant, such as electrical and other machines, and for railway construction and shipbuilding. The output of the industries making capital goods for building, which had speeded up greatly the previous year, increased further but at a slower rate. During

the last months of the year, however, activity in the capital goods sector as a whole began to show signs of slackening.

Similarly, order books, which had continued to improve during the first half-year, subsequently displayed a less favourable trend.

In the first half-year the **raw materials and intermediate products** industries were able to increase their output, thanks to the continued steady expansion of domestic production of finished products, very strong foreign demand and speculative purchases of basic products. From August onwards, however, demand fell off suddenly as a result of the general cyclical slowing-down and, more specifically, running down of stocks by dealers and users.

This course of events is very clearly observable in the basic metallurgy sector. Thus, in the iron and steel industry, the inflow of orders led to a lengthening of the average assured duration of activity from 2.61 months in January to the very high level of 3.14 months in July. In December this duration had, however, shortened to 1.77 month and production had had to be slowed down.

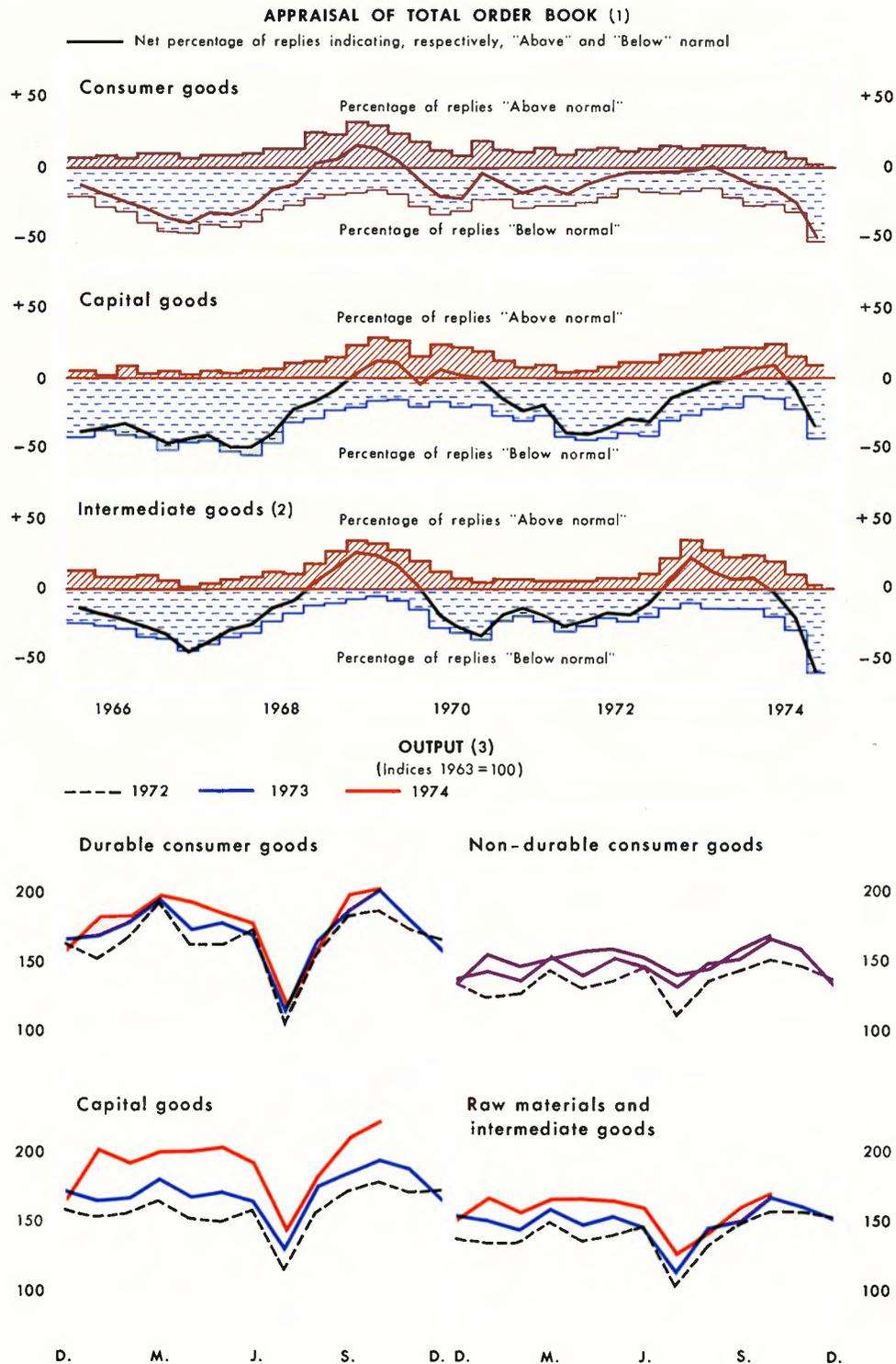
The growth in activity in the clothing and hosiery sectors led, during the first half of the year, to an increase in the output of spinning mills. Subsequently the situation was reversed as a result of the slackening of domestic and foreign demand. The spinning mills had to reduce their activity, especially as they were faced with a rapid expansion in their stocks of finished products.

On the other hand, despite strikes in the glass and building ceramics sectors and the existence of bottlenecks, the non-metallic mineral products industries, benefiting by the building boom, increased their activity as fast as in the previous year during the first eight months. From August onwards, however, demand showed signs of falling off. Thus, for the building materials industries as a whole, the average assured duration of activity, after having increased from 2.69 months in January to a maximum of a 2.79 months in June, fell back to 2 months in December.

Chart 9.

MANUFACTURING INDUSTRIES

Classified by categories of goods



(1) Monthly averages per quarter; last period : average for October-November 1974. Sources : National Bank of Belgium's inquiries. Calculations of the General Division 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.

In the industries making basic chemical products and plastic materials, the increase in output fell far short of the very good rate achieved the previous year. At the beginning of the year these industries ran up against difficulties of obtaining petroleum supplies and, after a brief recovery in the second quarter, they were affected by a progressive slackening of demand which caused them to cut down the rate of production.

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, while still favourable during the first two quarters, worsened in the third quarter and subsequently deteriorated in nearly all industries.

## **ENERGY.**

Final uses of energy, <sup>(1)</sup> which had increased steadily during the previous years, showed no further change for the first nine months; they were restrained by the rise in the prices of the various energy products, above all oil, the supply shortages and economy measures at the beginning of the year, and the mildness of the winter.

In 1973 these uses, calculated by the Ministry for Economic Affairs on the basis of data expressed in terms of equivalent tons of coal, could be broken down as follows : petroleum products 55 p.c., gas 20 p.c., coke 10 p.c., electricity 8 p.c., and coal 7 p.c. In 1974 there must have been changes in these percentages owing to substitutions among the various products.

Net total imports of energy products grew in quantity, for the first nine months, by 9 p.c. against 10.1 p.c.; the decline in exports was much

<sup>(1)</sup> These uses have been estimated by adding together the added value of the energy sector, the value of the non-energy producer goods used by this sector and the net imports of energy products, these data being expressed in terms of constant prices.

larger than that in imports : the former fell by 23.3 p.c., whereas they had risen by 9.9 p.c. the previous year, and the latter, which had gone up by 10.1 p.c. in 1973, decreased by 3.1 p.c.

On the other hand, the production of the energy sector as a whole, after elimination of duplicated data, declined slightly for the same period, whereas it had increased somewhat in 1973.

A breakdown by sources of energy shows that output of coal decreased, for the year as a whole, by 8.3 p.c. against 15.8 p.c., but net imports provided additional quantities, since these rose by 32.8 p.c. against 18.6 p.c. Deliveries of coal to the domestic market went up by 14.2 p.c. after having declined somewhat the previous year; supplies to power stations increased rapidly as a result of a reconversion policy aimed at economising in mineral oils, while those to the domestic sector also increased, but only slightly.

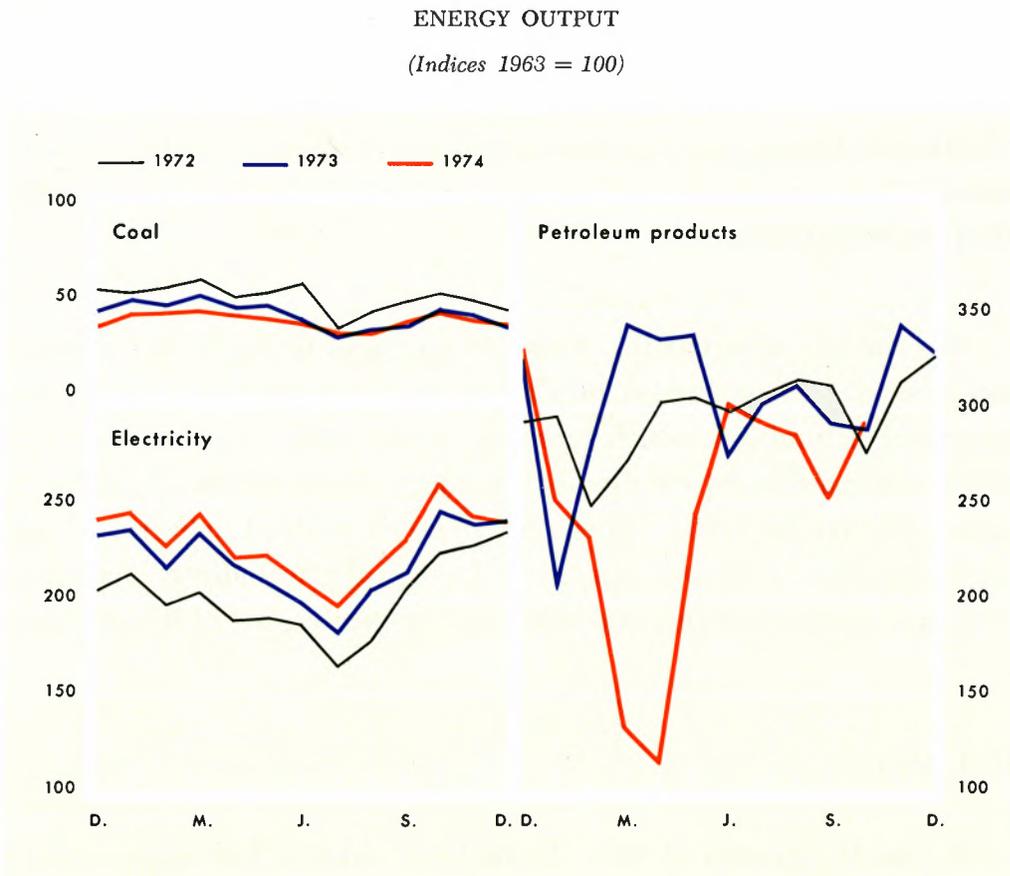
Output of coke, which had risen by 7.4 p.c. in 1973, went up further by 3.7 p.c. Net imports quickened : the rate of increase, in terms of quantity, rose from 29.8 to 42.5 p.c. Deliveries of coke to the domestic market, sustained for much of the year by the boom in the steel sector, grew by 5.2 against 8.9 p.c.

The rate of increase in the production of the electricity sector fell from 9.7 p.c. in 1973 to 4.3 p.c. However, whereas this rate was still 5 p.c. for the first nine months, it dropped to 2.4 p.c. for the last quarter. Domestic high-voltage uses, mainly by industry, which accounted for 77 p.c. of total electricity consumption, rose by 4.6 p.c. against 9.1 p.c. the previous year. Low-voltage uses went up by 8 p.c. against 10.3 p.c.

Of supplies to the power stations in 1973, approximately half had consisted of petroleum products, one-third of gas and the remainder mainly of coal. Owing to partial replacement of the first of these sources of

energy by the two last-mentioned sources, in 1974 approximately 43 p.c. of these supplies were accounted for by petroleum products, 38 p.c. by gas and the remainder mainly by coal.

Chart 10.



Source : National Statistical Institute.

The output of the **petroleum** refineries fell by 19.5 p.c. for the first ten months, after having increased slightly in 1973. The decline occurred mainly during the period February-May, marked by difficult negotiations concerning the prices of petroleum products. Transactions in refined products with foreign countries resulted in smaller net exports than in 1973 : the quantities exported, which had risen by 10.4 p.c. in 1973, fell by 24.3 p.c., while imports, which had gone up by 24 p.c. the previous year, declined by 1.2 p.c.

Domestic deliveries of mineral oils, which had increased at an average annual rate of nearly 13 p.c. during the period 1960-1970 and of 5 p.c. between 1970 and 1973, decreased by 16.7 p.c. for the first ten months, after having risen by 4.6 p.c. in 1973. Deliveries of residual fuel oil, naphtha and, above all, light fuel oil to the domestic market decreased considerably; those of gas oil and petrol for motor vehicles, on the other hand, declined only slightly. The reductions were due both to economy measures and substitutions induced by the rise in prices and to a certain reduction in heating requirements owing to the relative mildness of the winter; the supply shortage does not appear to have had any notable effects on industrial activity.

For the first nine months, output of gas went up by 5.6 p.c., mainly thanks to the gas production of blast furnaces, against 4.1 p.c. in 1973. Imports of natural gas, which represent nearly three times domestic gas output, continued to expand rapidly : they increased in volume by 29.5 p.c., against 22.6 p.c. in 1973. These contributions enabled deliveries of gas to be expanded by 22 p.c., against 16.1 p.c.; sales to industry, including deliveries to power stations, accounted for the greater part of this advance.

## **BUILDING.**

In the last quarter of 1973 the building industry had experienced a slackening of demand, mainly for dwellings : assured durations of activity had stopped increasing and applications for building permits were falling off. Then came the oil crisis and its repercussions — a quickening of the rise in prices and a flight into real assets — which quickly reversed the trend : expressed in cubic metres, the volume of residential buildings started increased by 9.3 p.c. for the first six months of 1974 compared with the already exceptionnally high level of 1973, despite a substantial reduction in the number of tenders awarded for social dwellings by the public sector; for its part, the number of applications for building premiums exceeded, for the first six months, the figures for the last few years; similarly, the

number of applications for mortgage loans made to the General Savings and Pensions Fund during this period almost equalled the all-time maximum reached the previous year. With regard to the average assured duration of activity for shells of residential buildings, this was higher than the 1973 levels in both the first and the second quarter.

Table 2.

BUILDING INDUSTRY  
(Monthly averages)

	Normally capable persons fully unemployed and receiving unemployment pay (1) (thousands)	Dwellings			Other buildings			Civil engineering	Public authorities' capital expenditure commitments (billions of francs)
		Buildings started (2) (millions of cubic metres)	Building permits (3) (thousands of approvals)	Average assured duration (4) (in months)	Buildings started (2) (millions of cubic metres)	Building permits (3) (thousands of approvals)	Average assured duration (4) (in months)	Average assured duration (5) (in months)	
1969 .....	5.1	2.4	3.3	7.9	1.7	1.6	21.3	15.1	4.9
1970 .....	2.2	1.9	2.5	7.9	1.9	1.3	23.1	14.9	5.4
1971 .....	3.6	1.8	2.0	7.1	2.2	0.9	23.5	13.9	6.1
1972 .....	6.1	2.3	3.5	7.0	2.3	1.0	20.2	13.1	7.8
1973 .....	3.5	2.7	3.8	8.0	2.3	1.1	18.4	14.5	6.8
1973 1st quarter .	5.6	2.4	4.2	7.5	1.9	0.9	18.6	14.0	7.0
2nd quarter .	3.1	3.4	4.1	7.7	3.2	1.2	18.1	14.6	5.6
3rd quarter .	2.3	2.6	3.5	8.3	2.0	1.1	18.3	15.2	8.6
4th quarter .	2.9	2.3	3.4	8.4	2.0	1.2	18.7	14.4	5.9
							(6)	(6)	
1974 1st quarter .	2.9	2.6	3.8	8.6	1.9	1.1	11.0	10.9	8.1
2nd quarter .	2.1	3.8	4.6	8.4	3.4	1.2	10.6	10.3	5.7
3rd quarter .	2.4	n.a.	4.0	8.0	n.a.	1.1	11.2	10.7	6.7
4th quarter .	4.9	n.a.	3.0	7.3	n.a.	0.9	11.3	10.2	n.a.

(1) Source : National Employment Office.

(2) Source : National Statistical Institute.

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

(4) Source : Inquiries by the National Bank of Belgium. The figures are for bare shells of buildings.

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

(6) New series.

In the sector of non-residential buildings, activity was likewise greater than in 1973, the volume of buildings started, expressed in cubic metres, having been 2.2 p.c. greater, for the first six months, than in 1973. As demand in the civil engineering sector declined only slightly in the first half-year — the falling-off in constant prices of the central Government's

capital expenditure commitments was largely offset by an increase in orders from local authorities — the expansion of activity in building exerted strong pressures on the production capacity of the construction sector as a whole . For each of the first eight months of the year, the number of normally capable persons fully unemployed in that sector was below the already low level of 1973; the number of unfilled vacancies for each of the months January to July exceeded the corresponding figure for the previous year. The tensions in the labour market culminated during the second quarter, when the average number of reported unfilled vacancies was about 900 more than the number of normally capable persons fully unemployed.

In order to bring down the demand for dwellings and other buildings to a level compatible with production capacities and financing possibilities, a whole set of specific measures was adopted on the initiative of the Government and the financial intermediaries. The latter increased, several times, the interest rates for mortgage loans and tightened the prior savings conditions; the General Savings and Pensions Fund even decided on a temporary stoppage of credit-granting.

On 5th August, 1974 a royal decree, which entered into force on 13th August for a period of six months, was issued under a law of 25th July in order to limit the amount of mortgage registrations in relation to the market value of the residential premises encumbered. The provisions of the above-mentioned decree did not, however, apply to the purchase of a social or medium-sized dwelling or to the part of a residential building which was solely devoted to the exercise of a business activity.

Another decree, of 22nd August, suspended the construction of buildings with a value of over Fr. 50 million for a period of one year from the date of the building permit. The Government furthermore suspended, for the period July-September, all contract awards relating to Government buildings and buildings of para-statal organisations.

This set of measures and the weakening of the speculation psychosis led to a slackening of demand for dwellings during the second half-year; this

was reflected in a gradual decline in assured durations of activity for residential buildings, which were below the 1973 levels from August onwards, by a reduction, from September onwards, in the number of applications for building permits approved by the Town Planning Board and by a decrease in mortgage loans applied for.

On the other hand, in the sector of non-residential buildings, the available data — approvals given by the above-mentioned Board and average ensured period of activity — indicate that activity still kept up in the second half-year, probably owing to the large scale of industrial fixed capital formation.

In the civil engineering sector, especially that of road works and miscellaneous works, the decrease in contracts awarded by public authorities became more marked in the third quarter; ensured periods of activity declined further, except for hydraulic works, for which they lengthened.

The slowing-down of demand observable in the building industry as a whole caused an easing of the labour market towards the end of the third quarter; perhaps influenced also by the bad weather, the number of unfilled vacancies decreased from August onwards and from September unemployment exceeded the previous year's figures.

## **AGRICULTURE AND FISHING.**

According to the agricultural census of 15th May, the shrinkage in the utilised agricultural area, which is of a structural nature, amounted to about 15,000 hectares, against about 9,000 hectares for each of the two preceding years.

The areas of meadows and pastures, and also the amounts of land sown to wheat, spring barley and rye were reduced. The same is true of the growing of potatoes, prices for which had fallen sharply in the second half of 1973 and at the beginning of 1974. On the other hand, the area

Table 3.

## AGRICULTURE AND FISHING

	1969	1970	1971	1972	1973	1974
Agricultural area used ( <i>thousands of hectares</i> ) (1)	1,553	1,542	1,529	1,521	1,512	1,497
of which : Bread grains .....	224	207	225	234	218	212
Coarse grains .....	249	255	229	228	230	224
Sugar beet .....	90	90	93	101	104	105
Other industrial plants .....	19	11	16	11	11	12
Potatoes .....	43	46	42	37	43	40
Meadows and pastures .....	788	795	782	768	762	753
Market gardening .....	23	25	25	24	27	29
Fruit growing .....	26	20	19	18	17	16
Livestock ( <i>thousand head</i> ) (1) :						
Horned cattle .....	2,839	2,887	2,840	2,825	2,962	3,044
of which : Milking cows .....	n.a.	997	967	964	994	1,003
Pigs .....	2,780	3,722	3,912	4,283	4,630	5,026
Fishing fleet ( <i>gross tonnage</i> ) (2) .....	29,468	31,185	24,061	23,175	22,824	p23,250
Vegetable production ( <i>thousand tonnes</i> ) (3) :						
Cereals .....	1,722	1,550	1,912	1,946	2,094	p 2,075
of which : Wheat .....	754	708	878	916	976	p1,004
Oats .....	281	194	278	244	246	p 225
Barley (spring and winter) ...	555	525	588	637	716	p 699
Sugar beet .....	4,217	3,868	4,873	4,319	5,136	p 4,740(4)
Potatoes .....	1,253	1,373	1,373	1,106	1,201	p 1,472(4)
Milk delivered to dairies ( <i>millions of litres</i> ) :						
Year .....	2,475	2,355	2,339	2,510	2,480	n.a.
First 9 months .....	1,986	1,889	1,867	2,004	2,006	2,116
Fish landed in Belgium by Belgian fleet ( <i>tonnes</i> ) :						
Year .....	49,958	46,392	50,170	47,202	42,240	n.a.
First 10 months .....	41,508	37,414	41,105	39,389	34,619	32,221

Source : National Statistical Institute.

(1) Census on 15th May.

(2) Census on 31st December.

(3) Estimates based on yields per hectare.

(4) Figures calculated on the basis of « in field » estimates without allowance for losses; in view of the bad weather in the autumn, the crops were probably considerably smaller.

devoted to winter barley was extended again, while that used for sugar beet remained practically unchanged.

According to the provisional data on yields per hectare, production of cereals was only slightly below the very good level achieved the previous year. The bad weather affected crops of sugar beet and potatoes, but production of the latter was nevertheless greater than in 1973.

There was a further increase in livestock, namely of nearly 400,000 in the number of pigs, which thus topped the 5 million mark, and of 82,000 in the number of head of cattle.

Owing to the slight increase in the number of milking cows, probably due to the rise in the price of milk, and thanks to the good weather in the spring, the quantity of milk delivered to dairies during the first nine months rose somewhat compared with the previous year.

The still satisfactory trend of production volumes did not prevent a deterioration in the profitability of farming. In view of the gravity of the situation, the Government adopted at the end of July an emergency programme in favour of agriculture, consisting mainly of the granting of bonuses for the orderly marketing, between 1st September, 1974 and 28th February, 1975, of fully-grown horned cattle other than milking cows, the organisation of an income-support system for farmers in backward regions, full payment in 1974 of the interest subsidies from the Agricultural Investment Fund in favour of farmers and horticulturalists and a temporary reduction of the value-added tax paid by farmers on certain products.

The quantities of fish landed in Belgium by the Belgian fleet decreased by 6.9 p.c. for the first ten months. In view, however, of the considerable rise in prices, the value of the fish landed went up by 6.7 p.c.

## **SERVICES.**

The services sector employs about two million people, or about 52 p.c. of the working population; measured at current prices, its contribution to the formation of the gross national product is about 55 p.c.

**Services connected with industrial and agricultural activities and with the marketing of enterprises' products** generally showed a less marked expansion than in 1973.

Road transport activities for outside customers would appear to have increased less than in 1973. According to the National Bank's monthly inquiries, the average rate of employment of transport capacity expressed by the tonnage of the vehicle stock — which has admittedly risen from year to year — amounted to nearly 82 p.c. in the first half-year, against 85 p.c. the previous year; in the second half-year the difference became even greater : the average rate of employment was 67 p.c. at the end of December, against 82 p.c. in 1973.

With regard to rail transport, the figures for the first eleven months indicate an increase of 11.1 p.c., against 10.6 p.c. the previous year; international transport, which represents about 85 p.c. of total goods transport by rail, increased further, while domestic transport remained stationary.

The net tonnage of loaded ships entering Belgian ports increased, for the first six months, by 3.5 p.c., against 2.8 p.c. the previous year. On the other hand, the tonnage of ships leaving declined by 2.2 p.c., whereas it had risen by 3.8 p.c.

For its part, the amount of goods carried by Sabena in terms of ton-kilometres increased, for the first nine months, by 11.6 p.c., against 14.8 p.c.

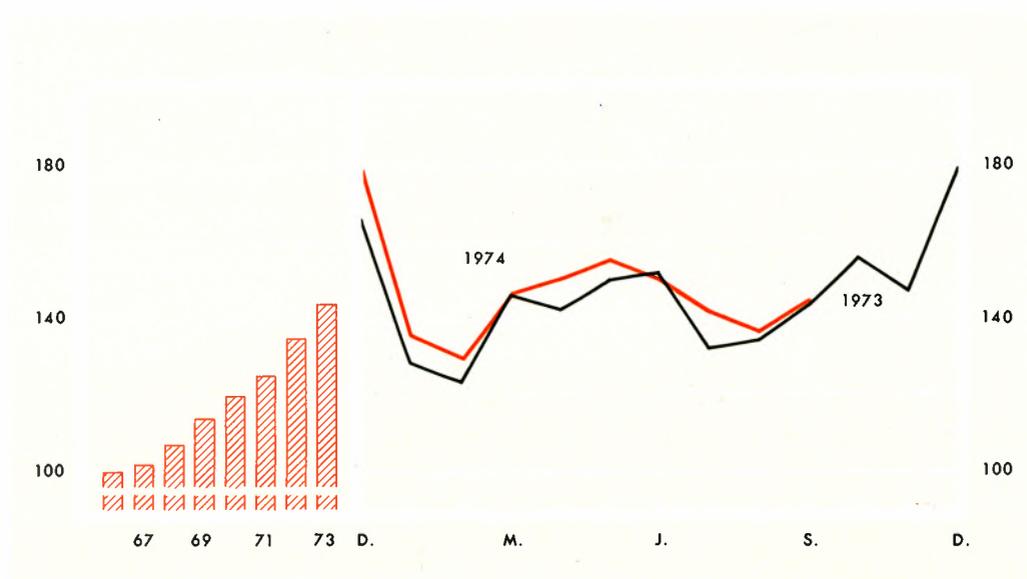
In the distribution sector, wholesale turnover, which represents approximately two-thirds of the total, is accounted for to the extent of one-third by exports. According to the appraisals made by those participating in the National Bank's inquiries on the trend of sales, these expanded for the first three quarters in the foodstuffs, textiles and electrical household appliances sectors; a less favourable tendency was detectable at the beginning of the fourth quarter and stocks began to grow in the textile sector.

Total retail sales, measured by the indices of the National Statistical Institute, expanded for the first nine months by 3.6 p.c. in volume, against 6.2 p.c. the previous year. In value, however, this total rose by 14.9 p.c., against 12.7 p.c., sales by small retailers went up by 13.9 p.c. in value, against 12.2 p.c. in 1973; those of cooperatives, which had fallen by 4.2 p.c.

Chart 11.

VOLUME OF RETAIL SALES

(Indices 1966 = 100)



Source : National Statistical Institute.

during the last-mentioned year, remained stable; the rates of increase of the sales of department stores and chain stores rose, respectively, from one year to the other, from 10.2 to 15.7 p.c. and from 14.6 to 20.1 p.c.; sales by small and medium-sized supermarkets increased by 20 p.c., against 16.7 p.c.; for their part, considered separately, the sales of supermarkets belonging to department stores, chain stores and cooperatives went up by 23.3 p.c., against 24 p.c.

Activity at petrol filling stations decreased; for the first ten months the volume of consumption of petrol for motor vehicles declined by 2.8 p.c., whereas it had increased by 2.8 p.c. the previous year.

In the publicity sector, expenditure on advertisements in the press, which represents about half of total expenditure, rose by 5.4 p.c. for the first nine months, whereas it had declined by 1.7 p.c. in 1973. The largest expenditures, for the last twelve months, were incurred by the motor car industry, on the one hand, and by insurance companies, banks and other financial intermediaries, on the other hand, which accounted respectively for 12.8 and 6.5 p.c. of total expenditure on advertisements in the press.

**Services rendered both to enterprises and to individuals** concerning the trend of which figures are available did not equal the rate of expansion which they had achieved the previous year.

The amount of Belgian franc funds of non-bank residents dealt with by the financial intermediaries increased by 8.3 p.c. for the first ten months, against 10.5 p.c. in 1973. The number of debit entries to accounts held with the financial institutions effected via the clearing houses increased by 19.7 p.c., against 28.8 p.c.

In the field of telecommunications, the number of telegrams sent declined by 2.5 p.c. for the first eight months, against 2 p.c.; the use of telex, expressed in minutes, increased by 15.5 p.c., against 19 p.c. the previous year.

The number of computers in service in Belgium and the Grand Duchy of Luxembourg remained practically unchanged during the twelve months ended 1st July, whereas it had gone up by 26.2 p.c. during the previous period. This levelling-out conceals, however, a shift between the different types of equipment : the number of small computers decreased, while that of medium-sized and large units rose.

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

The number of teaching staff and scientific and administrative personnel of State educational establishments rose by 10.1 p.c., against 7.6 p.c. in 1973, according to the data published in the general budget statement for 1975.

Medical services would appear to have increased more slowly than in the previous year, on the basis of the refunds scheduled in the relevant branches of the social security system.

For the first nine months, activity in the sector of repairs to consumer goods showed little increase, mainly owing to the small growth in turnover for repairs to motor vehicles and cycles.

With regard to passenger transport, the number of passengers carried by the Belgian National Railways Company was the same as in 1973 for the first eleven months; measured, however, according to the number of kilometres travelled, passenger transport increased by 2.9 p.c., whereas it had decreased by 1.4 p.c. the previous year. The number of persons carried by the National Local Railways Company declined by 2 p.c., for the first eleven months, against 2.2 p.c. The number of passengers carried by Sabena went up by 7.7 p.c., for the first nine months, against 20.4 p.c.

Assessed by the number of overnight stays, tourist traffic increased less : the total of reported overnight stays went up by 3.5 p.c. for the first six months, against 8.7 p.c. in 1973. The number of overnight stays rose in the art cities and in Campine, but declined slightly on the coast and in the Ardennes and the valley of the Meuse. Of the total of reported overnight stays, about one-quarter are accounted for by foreigners : these are mainly, in order of importance, West Germans, Dutch, British and French.

For the first nine months the turnover — influenced by the rise in prices — of restaurants and licenced victuallers, and also of travel agencies, increased more than that of the hotel sector.

Services in the field of recreation and culture recorded a rise in their turnover.

The sums collected as royalties, mainly for theatrical performances, performances of music, literary works and the plastic arts decreased by 3 p.c., against an increase of 25 p.c. the previous year.

The cinema sector, which, apart from the making and distribution of films, also includes the operation of cinemas, enlarged its turnover for the first nine months by about 13 p.c. This increase was influenced by the rise in costs and prices. As it appears in the index of consumer prices, the average price of a cinema seat rose by 9.6 p.c. during the same period.

With regard to the leisure sector connected with sporting activities, the 1973-1974 season witnessed an increase of 6.5 p.c. in the number of spectators at football matches, instead of the decrease recorded the previous season; the rise in the gross receipts of Belgian clubs amounted to 12.6 p.c., against 4 p.c.; from July to the end of September, however, these receipts went up by only 17.9 p.c., against 31.3 p.c. the previous year.

## **EMPLOYMENT.**

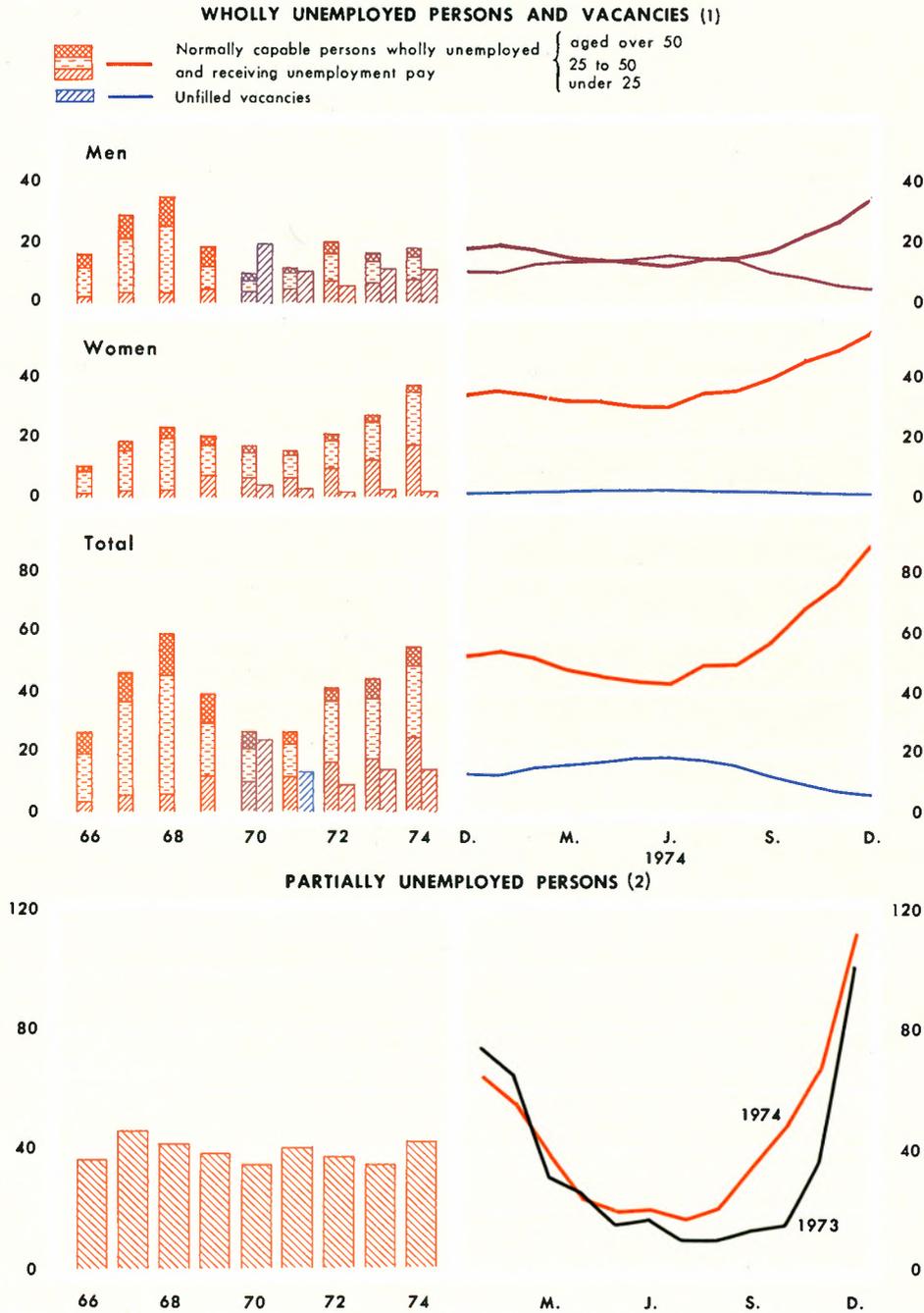
The labour market situation remained relatively favourable during the first six months of the year : the economic boom continued and the oil crisis led directly to the loss of only a limited number of jobs . In the second half-year, however, the situation deteriorated greatly.

The National Bank's inquiries among manufacturing industries and in the building industry regarding the state of activity revealed, throughout the first half of the year, a tendency of enterprises towards net appointments. At the same time a large number of participants mentioned shortage of skilled labour as a reason for the under-employment of their production capacities. At the end of the June the number of unfilled vacancies for men was at a very high level, above the number of normally capable unemployed persons. At that same time the last-mentioned number was still below its 1973 level. True, this was not the case for female unemployment, which increased from the beginning of the year, as it had already done during the two previous years, this trend being due to specific rather than cyclical causes.

From the beginning of the second half of the year, labour market conditions changed rapidly. From August onwards the enterprises which

Chart 12.

DEMAND FOR AND SUPPLY OF EMPLOYMENT  
(In thousands)



Source : National Employment Office.

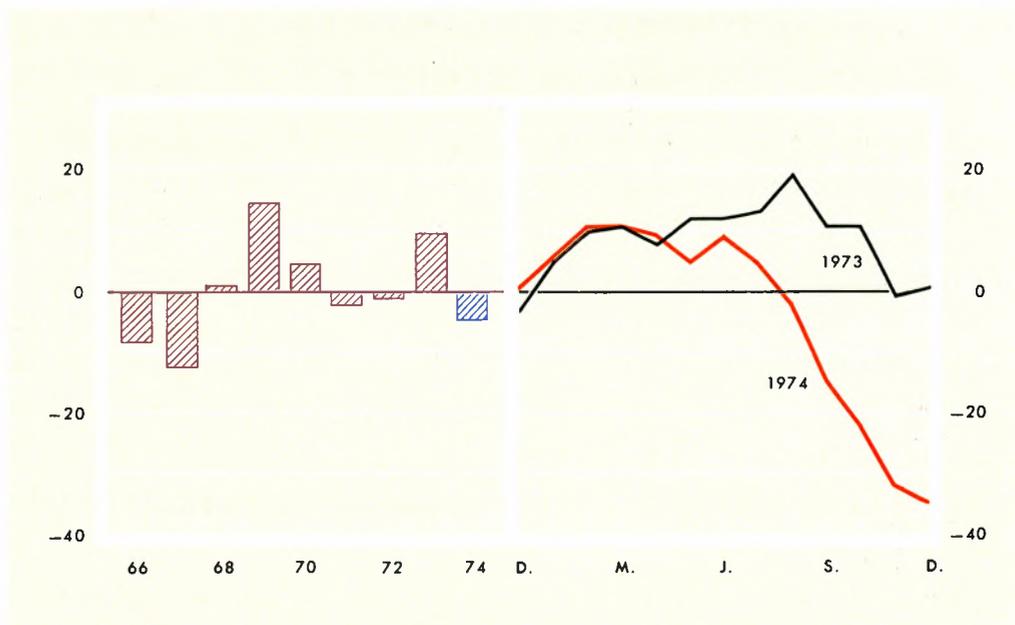
(1) For the annual data : average of the data at ends of months. For the monthly data : ends of months. For unfilled vacancies : 1966 to 1969 : comparable data not available.

(2) Daily averages.

Chart 13.

### THREE-MONTH EMPLOYMENT FORECASTS <sup>(1)</sup>

(Net percentage of replies indicating, respectively, « Rising » and « Falling »)



(1) 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, building and chemicals.

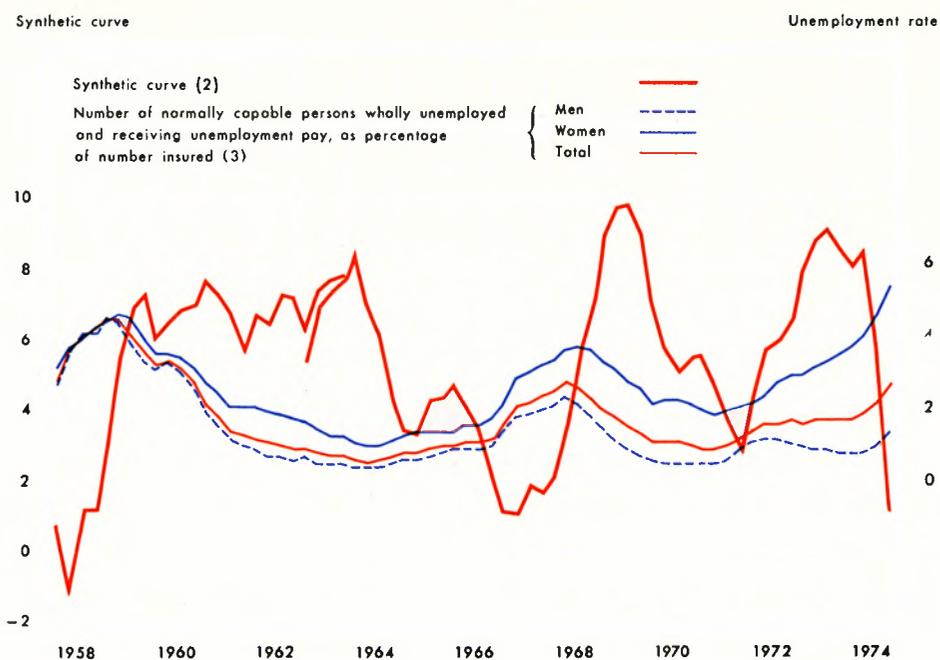
participate in the Bank's inquiries reported net dismissals. Similarly, shortage of skilled labour was mentioned less as a cause of under-employment of production capacities. Complete unemployment began to increase rapidly, especially as regards normally capable unemployed persons. For this category, the increase over the corresponding months of 1973 grew from 6,500 at the end of June to 35,800 at the end of December. The seasonally adjusted rate of this unemployment in relation to the total number of persons insured rose from 1.98 at the end of June to 2.79 at the end of December.

Whereas in the past unemployment usually took from three to nine months to react to swings in the economic situation, its worsening this time followed very quickly after the change in the general tendency in the middle of the year. The rapidity of this reaction is attributable to, among other factors, the sharpness of the cyclical downturn.

The trend of the distribution according to sex of normally capable persons fully unemployed was characterised in the first half-year by an increase in the proportion of female unemployment, more structural in nature, which at the end of June represented 71.8 p.c. of the total and, in the second half of the year, by the faster growth in male unemployment, the proportion of which rose to 38.3 p.c. at the end of December.

Chart 14.

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



(1) Monthly averages per quarter.  
 (2) See Chart 5.  
 (3) Seasonally adjusted.

The distribution according to age shows that the growth in unemployment was largely accounted for persons aged under 25, primarily young male unemployed : the number of these more than quadrupled between the end of June and the end of December, while the number of

young female unemployed went up by about 125 p.c. during the same period. At the end of December, 47.1 p.c. of the male unemployed were under 25, against 41.3 p.c. in December 1973, while for women these percentages were 51 and 47.6 p.c. respectively. The increase in the number of young unemployed was primarily due to the slackening of activity, which made it more difficult for young persons who had just finished their education to be absorbed in the working population; the fact that the severance compensation payments to be made by enterprises are relatively smaller for young persons may also have had an effect. With regard, in particular, to the large number of young female unemployed, this is probably partly due to the employment in certain sectors of female workers under 21, who, when they reach majority, at which age the minimum wage changes to a higher level, are replaced by new young workers. These are generally persons with only limited training who consequently have difficulty in subsequently finding a place in other sectors. It is found that 18.4 p.c. of the female unemployed aged under 25 have been out of work over a year, whereas for men in the same category the corresponding percentage is only 3.3. Lastly, some categories of women are sometimes not particularly eager to look for a new job.

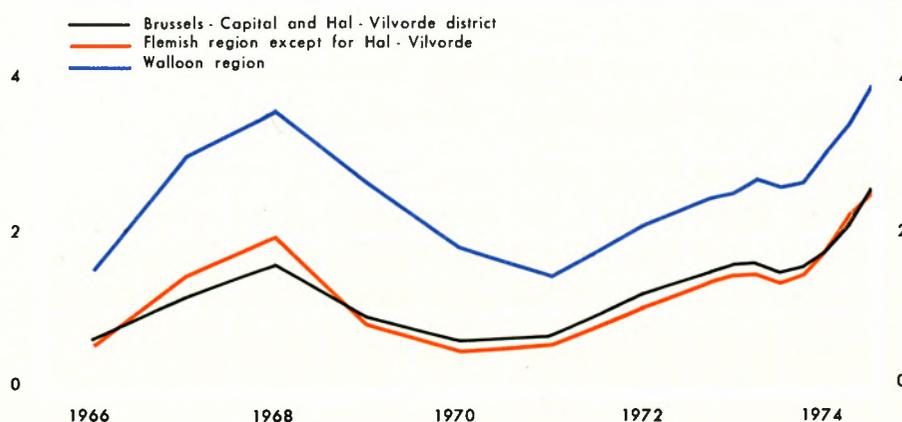
A regional analysis of complete unemployment reveals, since July, a proportionally greater worsening of unemployment in Flanders than in the Walloon region and Brussels. The unemployment rate nevertheless remained higher in the Walloon region for both male and female labour. The main areas of unemployment also remained the same within the regions. These were the La Louvière, Mons and Liège-Huy areas for the Walloon region and the Hasselt-Tongres and Ostend areas for the Flemish region.

Viewed according to its sectoral distribution, complete male unemployment increased mainly, in absolute figures, in the building industry, certain services sectors and in the metal-manufacturing industry. As for female unemployment, this rose primarily in the services and in the clothing, foodstuffs and textile industries. At the end of December,

Chart 15.

UNEMPLOYMENT RATE BY REGIONS (1)

(Percentages)



(1) Number of normally capable persons wholly unemployed and receiving unemployment pay, as a percentage of the number insured. 1966 to 1972, rate on 30th June. 1973 and 1974, seasonally adjusted end-of-quarter rates. Sources : National Employment Office. Calculations of the National Bank of Belgium.

complete unemployment was mainly concentrated in six sectors which altogether accounted for nearly 60 p.c. of normally capable unemployed persons : the « trade-bank-insurance » sector (12.8 p.c. of the total), other services (17.4 p.c.), building (7.5 p.c.), the clothing industry (7.5 p.c.), metal manufacturing (5.6 p.c.) and foodstuffs (5.5 p.c.).

With regard to partial unemployment, the daily average amounted to 41,900 in 1974, against 34,600 the previous year. The rise became substantial from the third quarter onwards, bearing witness to the slackening of activity. It reflected the growing number of stoppages of work in the building, metal-manufacturing, textile and clothing sectors. The exceptionally high figure recorded in October was partly due to the bad weather which affected building and other industries involving outdoor work. The mild weather in December, on the other hand, reduced the amount of partial unemployment.

## WAGES AND OTHER INCOMES.

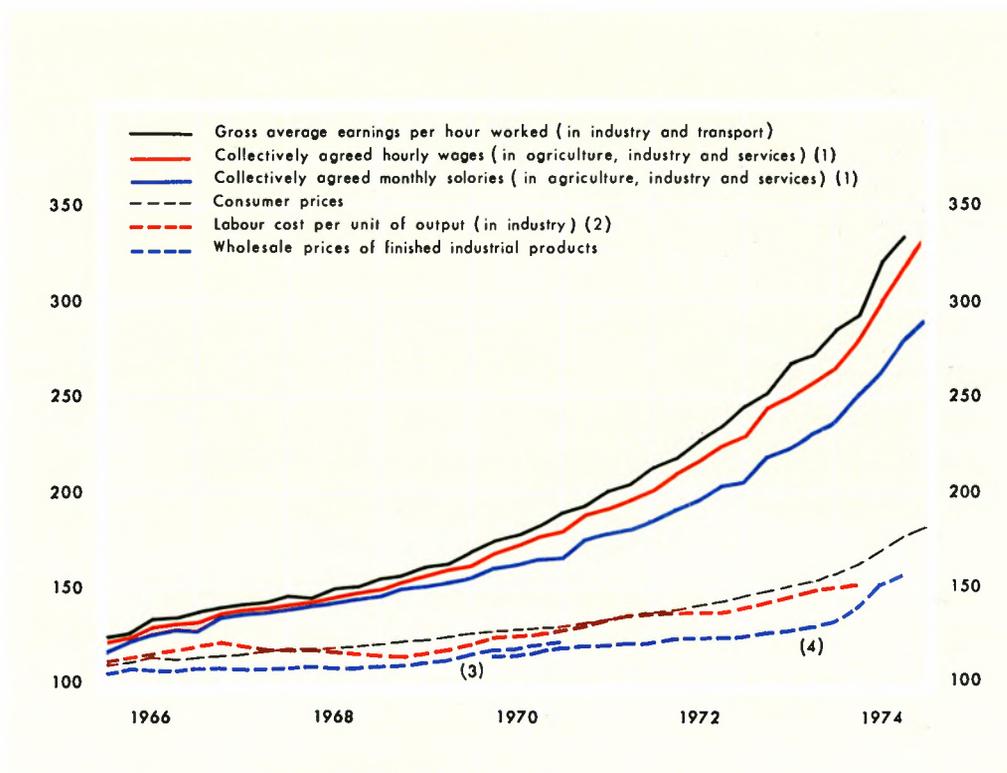
The rise in nominal gross wages and salaries became even faster.

The indices of collectively agreed wages and salaries went up, respectively, by 25.7 and 23 p.c. from December 1973 to December 1974, against 16.1 and 12.1 p.c. respectively the previous year. Between September 1973 and September 1974 the rise in the index of gross average earnings per hour worked by wage-earners in industry and transport

Chart 16.

### 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 of 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.

calculated by the Bank reached 23.1 p.c., against 15.6 p.c. in the previous twelve months.

Although it is not possible to calculate average net pay, typical examples indicate that, within the range which embraces most wage and salary earners, net pay was not greatly influenced 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 progressivity of the tax accentuated the fiscal burden, but this was mitigated by tax alleviations. For example, a married workman with three dependants whose monthly gross wage had gone up to the same extent as the index of gross average earnings per hour worked, or 23.1 p.c., would have had in September 1974 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, 22.8 p.c. or 21.8 p.c. higher than that in the previous year depending on whether the gross wage had been Fr. 17,000 or Fr. 23,000; for the previous twelve months, the corresponding rate of increase had been 14.3 and 14.4 p.c. respectively.

Allowing for the quickening of the rise in consumer prices, the increase in net wages in real terms, namely 6.2 p.c. in the former case, was smaller than that during the previous twelve-month period, which was 7.1 p.c. for the same case.

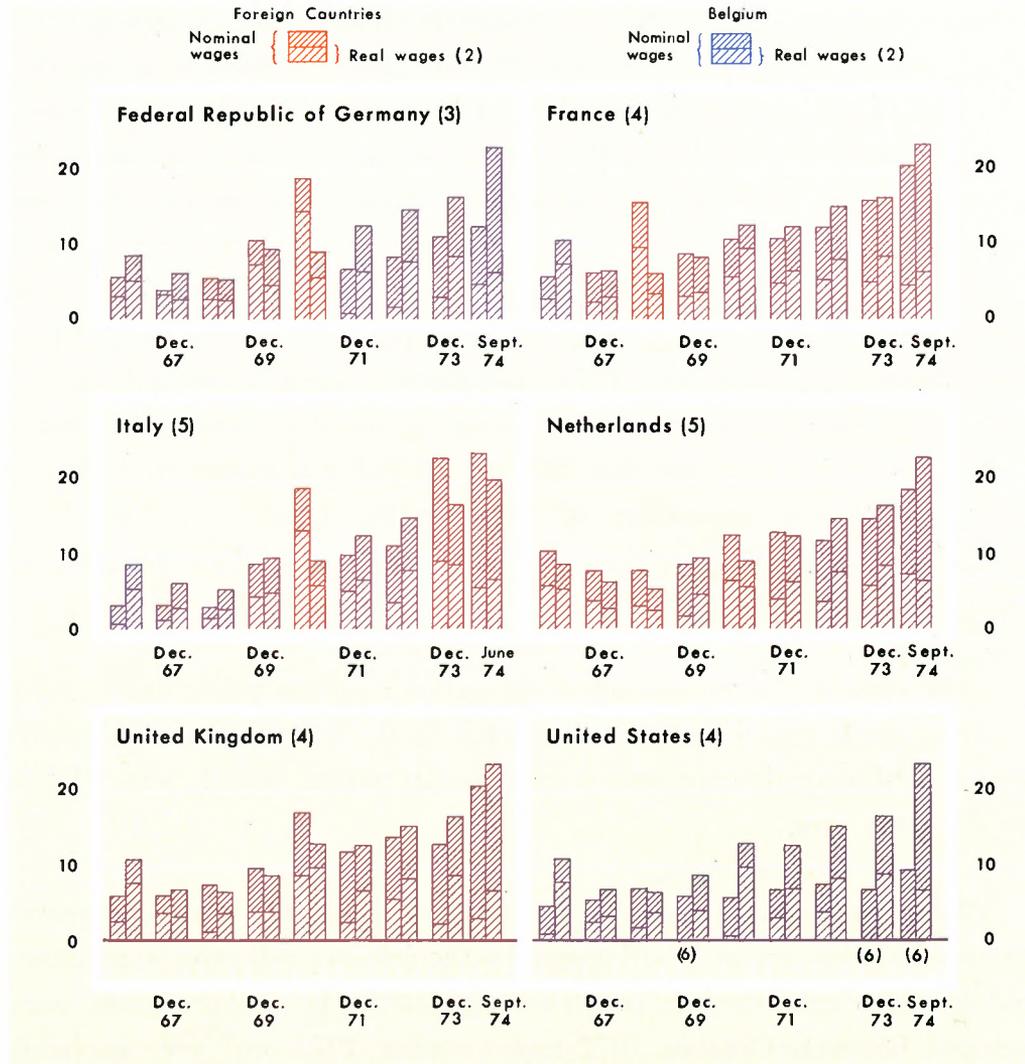
These percentages were calculated disregarding the trend of working hours, which are primarily influenced by the relevant collective agreements and by the fluctuations in overtime working. As working hours were reduced between October 1972 and October 1973 and very probably continued to decrease during the next twelve months, the rate of increase in net monthly wages in real terms is smaller than the above-mentioned percentages.

But, on the other hand, these do not include the social transfers which benefited the worker, for instance family allowances, which help to compose available income.

Chart 17.

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* : German Federal Bank. *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 20.

- (1) Percentages not adjusted for changes in exchange rates.
- (2) Percentage changes in nominal wages adjusted for changes in consumer prices.
- (3) Collectively agreed wages and salaries. For Belgium : collectively agreed wages only. Source : Ministry of Employment and Labour.
- (4) Average gross earnings per hour worked. Source for Belgium : National Bank of Belgium.
- (5) Collectively agreed wage. Source for Belgium : Ministry of Employment and Labour.
- (6) In December 1969, December 1973 and September 1974 the real wage fell by 0.4, 2 and 2.6 p.c. respectively in the United States in comparison with the corresponding months of the previous year.

The data available do not permit strict international comparison of the trend of wages. Compared with that in the main countries of the European Economic Community and in the United States, the increase in gross wages appears to have been faster in Belgium, except in comparison with Italy in nominal terms and with the Netherlands in real terms.

The total pay declared to the National Social Insurance Office, which is the resultant of the rate of pay, the levels of employment and the actual hours worked, would appear, according to provisional estimates, to have risen by 17.4 p.c. for the first nine months, against 16.4 p.c. in 1973.

The hourly wage cost, which, apart from nominal wages and salaries, also includes the social contributions borne by employers, was affected by the raising of the ceilings for the employers' contributions for compensation for illness and incapacity and for occupational diseases, and of the rate of employers' contributions for employees' pensions. According to the calculations made by the Economic Research Institute at Louvain, the hourly wage and salary cost increased by 16.7 p.c. in manufacturing industry between March-May 1973 and March-May 1974, against 15.7 p.c. for the corresponding previous period. Since, according to the same Institute, productivity increases were slightly smaller than in 1973, the rate of increase in wage costs per unit of output is said to have reached 5.7 p.c. against 3.6 p.c.

The other components of the unit cost price also became distinctly more expensive for the first six months of the year : average unit values of imported producer goods went up by 39.3 p.c., against 5 p.c. in 1973, and the average cost of credit increased further.

Unit selling prices on the domestic market as reflected in the official wholesale price index for finished industrial products rose on average by 13.8 p.c. for the first six months, against 2.7 p.c. in 1973, while average unit values for exports went up by 23.7 and 5.4 p.c. respectively.

Allowing for, on the one hand, the trend of the volume of sales, which continued to expand, and, on the other hand, the appreciations in the value

of stocks, the profits of industry as a whole doubtless again increased substantially for the first six months of the year. During the second half-year, however, according to partial and provisional indications and bearing in mind the slowing-down of production, their growth would appear to have slowed down.

In agriculture the prices received by producers declined on average, whereas they had increased rapidly in 1972 and 1973. On the other hand, there was an accentuation of the rise in the prices paid for the factors of production. Thus the worsening of the ratio between prices received and paid by farmers, which had begun in the second half of 1973, became more marked, this ratio having been on average 17 p.c. below that of the previous year. In view of the relative slowness of productivity advances, indirectly bound up with the decrease in the number of farmers, it was not possible in practice for this worsening to be offset by the growth in the volume of production. Consequently farmers' incomes must have declined in both nominal and real terms, whereas they had improved since 1971.

The incomes of enterprises as a whole, a heterogeneous agglomeration composed both of the profits of joint-stock companies and autonomous public enterprises and the incomes of the self-employed, whether they be engaged in industrial, commercial, artisan and agricultural activities or liberal professions, appear, according to the date of the economic budget, to have increased in 1974 at a rate approximately equivalent, in nominal terms, to that of the previous year. As nominal farm incomes decreased, those of other enterprises would appear to have gone up faster than in 1973.

The rise in the remuneration paid by the Government, in the wide sense of the term, quickened in both nominal and real terms, after having slowed down somewhat in 1973.

The total of social benefits and services paid or supplied by the central Government and the social security institutions increased, according to the amended 1974 budget, by 17.4 p.c., against 14.1 p.c. in 1973. The acceleration was mainly in compensation payments for loss of wages and in holiday allowances.

With regard to income from personal property, the increase in the total of interest received was accentuated, but only as a result of the appreciable rise in the average yield; the actual total of fixed-income financial assets showed a similar increase, in absolute figures, to that in the previous year. 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 Belgian companies, to have risen by 19.5 p.c. as in 1973.

## **PRICES.**

The rise in the official index for **wholesale prices of industrial products**, expressed as a rate of increase over the corresponding month of 1973, reached a maximum of 24.5 p.c. in April, after speeding up markedly during the previous months. It gradually slowed down from June onwards : in November it was still 15.9 p.c., against 12.8 p.c. for the corresponding previous period; it was 12.4 p.c. against 22.1 p.c., for the index for a group of imported industrial products and 20.1 p.c., against 9.2 p.c., for the index for a group of domestic products. From May onwards, the index for imported products declined without interruption following the reversal of the trend of the world markets for industrial raw materials.

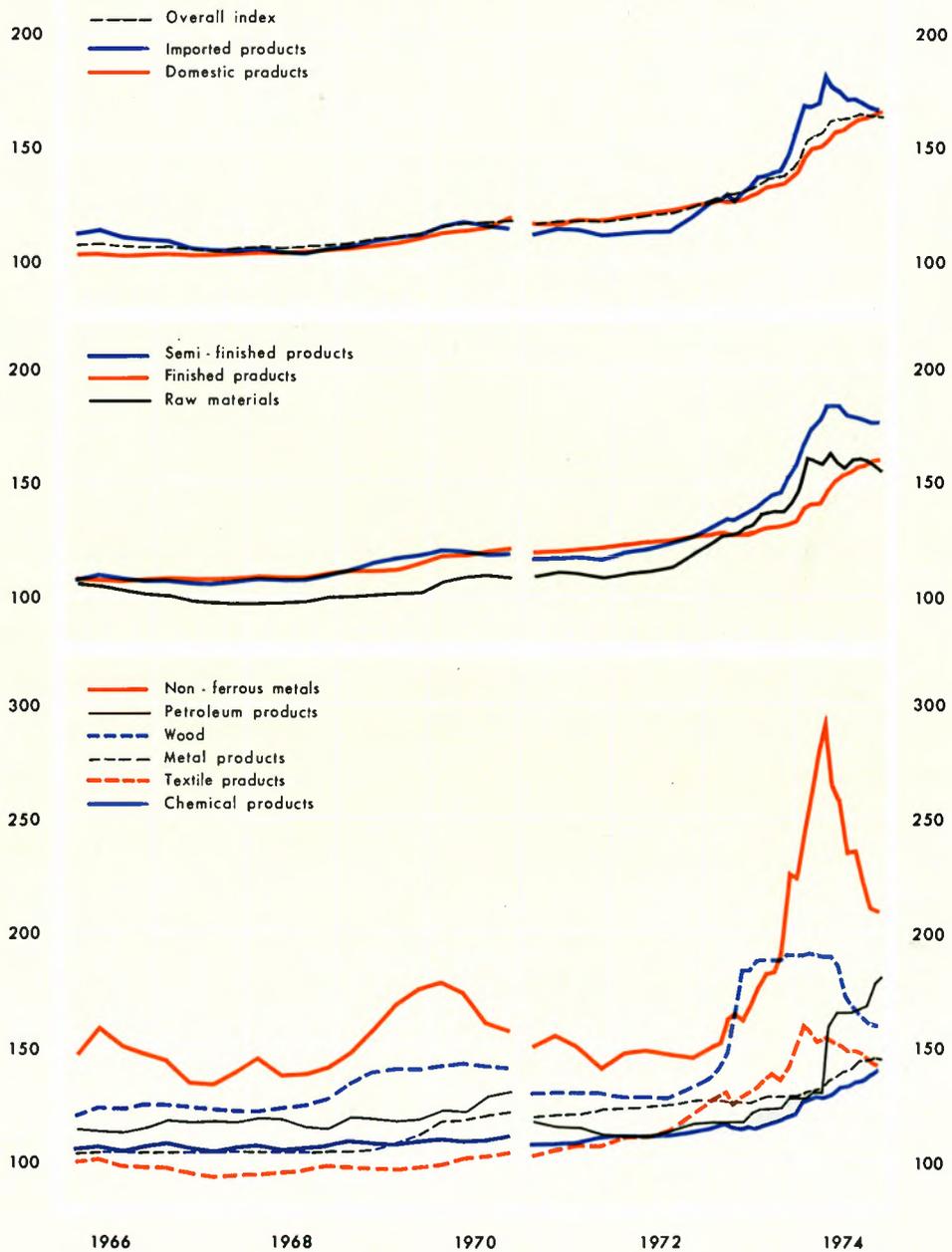
According to the National Bank's inquiries, the upward movement of producer prices was very strong during the first quarter; after that it gradually slackened and, in the last quarter of the year, the number of falls reported was even greater than that of rises.

A breakdown according to stages of production reveals that the raw materials index became practically stable from February onwards but, owing to the upsurge of prices during the previous three months, their rate of increase still amounted to 9 p.c. from November 1973 to November 1974, against 18.3 p.c. for the previous twelve months. The index for semi-finished products, which rose steadily during the first four months,

Chart 18.

WHOLESALE PRICES OF INDUSTRIAL PRODUCTS IN BELGIUM <sup>(1)</sup>

(Indices 1963 = 100)



Source : Ministry for Economic Affairs.

(1) 1966-1972 : monthly averages per quarter; 1973 and 1974 : 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.

declined from July onwards; for the above-mentioned periods its increase was 15.3 p.c., against 20.7 p.c. The downward movement or the slowing-down of the rise did not yet spread to finished products; the prices of these went up by 20.7 p.c., against 4.5 p.c., owing to the propagation of earlier rises in import prices and other cost components. In relation to the comparable price indices abroad it becomes apparent that the rise in the prices of finished products in Belgium was greater than that in the United States and the main countries of the European Economic Community, except for the United Kingdom and Italy.

The breakdown of the overall price index by products or groups of products confirms that the prices of petroleum products rose, from November 1973 to November 1974, considerably faster than the general average. On the other hand, prices of textile products went up distinctly less than the average and those of wood and non-ferrous metals declined.

The tariffs used as the basis for fixing the prices for natural gas paid by users, which are not included in the index of the Ministry for Economic Affairs, were raised by 15.7 p.c. from December 1973 to December 1974.

Prices for building and civil engineering work increased substantially. The index of the cost of social dwellings compiled by the Economic Research Institute at Louvain went up by 18.7 p.c. between the third quarter of 1973 and that of 1974, against 17 p.c. during the corresponding previous period. The reconstruction value of a building calculated by the Belgian Surveyors' Association rose by 27 p.c. between the second halves of 1973 and 1974, against 13.4 p.c. during the corresponding previous period. According to the above-mentioned Institute, the prices for civil engineering work went up, between the third quarters of 1973 and 1974, by 20 p.c., against 14.4 p.c. The replies given by the enterprises in this sector which participate in the Bank's inquiries into the trend of economic activity confirm this development : an appreciably larger proportion of them than in 1973 mentioned rises in the prices stated in tenders and estimates.

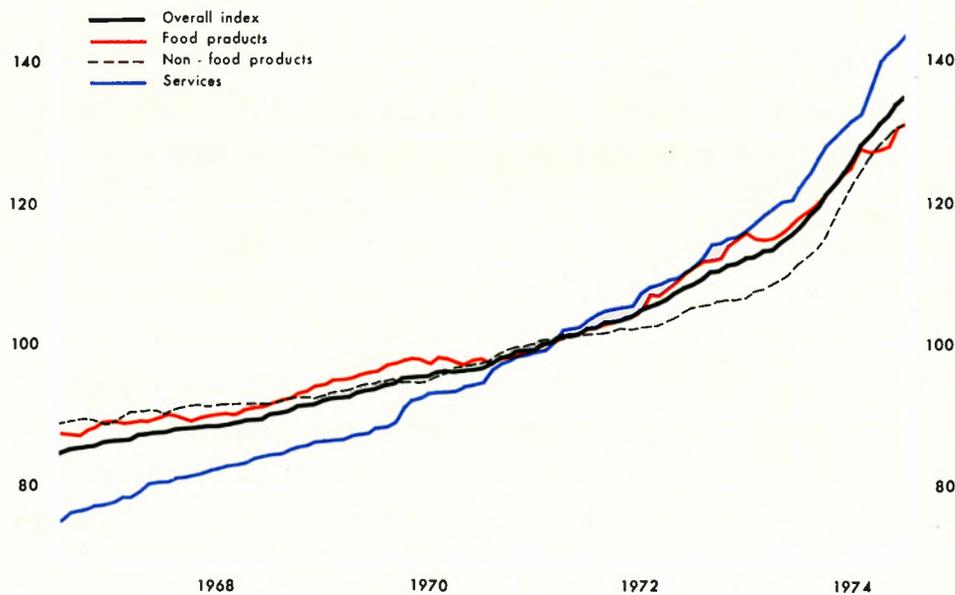
According to the index calculated by the Ministry of Agriculture, the prices of agricultural products paid to producers, which had risen during the previous twelve months, fell by 12.7 p.c. from December 1973 to July 1974; for animal products alone the fall was 14.4 p.c. During the subsequent months the prices of agricultural products turned upwards again, and so the annual rate of decrease was reduced to 5.4 p.c. in December.

Consumer prices increased by 15.7 p.c. from December 1973 to December 1974, against 7.3 p.c. for the previous twelve months. The speeding-up of the rise was particularly substantial for non-food products, up by 17.5 p.c. against 6 p.c., primarily owing to the rise in the prices of

Chart 19.

CONSUMER PRICES IN BELGIUM

(Indices 1971 = 100)

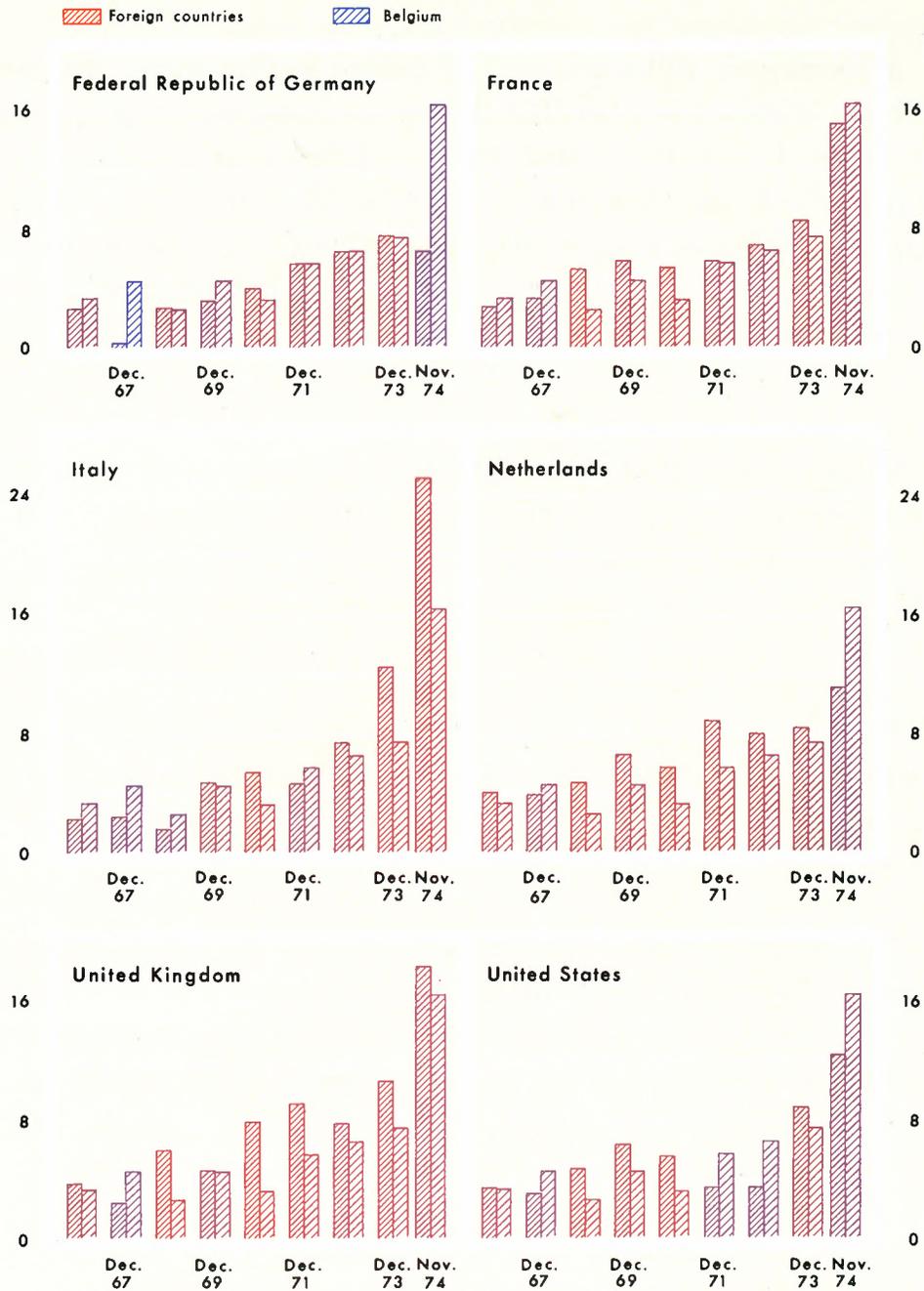


Source : Ministry for Economic Affairs.

Chart 20.

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.

mineral oils and other energy products. Prices of services increased to about the same extent, namely by 17.8 p.c. against 10.1 p.c. On the other hand, those of food products showed a more moderate rise, of 11.3 p.c. against 6.4 p.c., but this still seems high compared with the decline in the wholesale prices of agricultural products.

A comparison with the trend of foreign indices shows that from November 1973 to November 1974 the rise in consumer prices was greater in Belgium than in the United States and the main countries of the European Economic Community, except for the United Kingdom and Italy. The different composition and weighting of the indices used in the comparison may, in some cases, explain part of the disparities in the apparent rates of rise.

With regard to **price policy**, the Government continued to make use of the existing system, consisting mainly of three instruments : prior declaration of price rises, sectoral fixing of maxima for selling prices and/or profit margins and the conclusion of programme agreements for price changes.

The first instrument has remained the one most currently used. By a ministerial order of 14th October, 1974, the period of notice, fixed at three months since 1st July, 1973, was increased to six months until 31st January, 1975.

Maximum prices and, in some cases, a price freeze were applied to several products, in particular meat, fertilisers, pharmaceutical specialities and perfumery products. With regard to petroleum products, the fixing of maximum prices was replaced by an agreement on the determination of prices, concluded by the Ministry of Economic Affairs and the Belgian Petroleum Federation, and subsequently by a programme agreement.

Programme agreements are still in force for some other products, particularly non-ferrous metals and electrical household appliances.

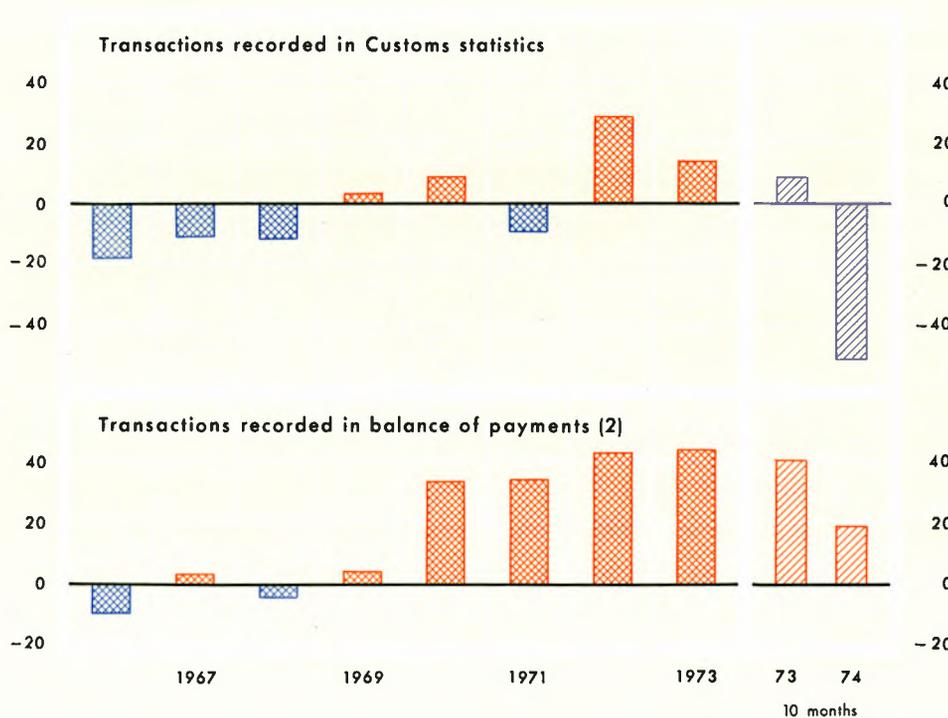
## TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION WITH FOREIGN COUNTRIES.

The Belgian-Luxembourg Economic Union's foreign trade resulted, for the first ten months, in a deficit of Fr. 51.4 billion according to Customs statistics and a surplus of Fr. 19.1 billion according to the balance of payments, making a difference of Fr. 70.5 billion between the two statistical series; in 1973, for the same period, foreign trade had left a

Chart 21.

EXTERNAL TRADE BALANCE OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION <sup>(1)</sup>

(Billions of francs)



(1) With regard to the many causes of divergence between the external trade balance according to the balance of payments and that in the Customs statistics, see the Bulletin of the National Bank of Belgium, April 1972, pp. XXI - XXII. It will be noted, however, that one cause of divergence mentioned in the Bulletin referred to above has been eliminated. This related to purchases and sales of military equipment, which have been included since 1972 in both sets of statistics but which, at the time when the Bulletin was written, appeared not in the settlements for exports and imports in the balance of payments but under the heading « Transactions of public authorities not included elsewhere ».

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

surplus of Fr. 8.5 billion according to the first-mentioned statistics and Fr. 40.9 billion according to the payments figures, that is, a difference of Fr. 32.4 billion. Thus the favourable difference which the balance of exports and imports according to the balance of payment figures regularly shows in comparison with the balance measured by Customs statistics increased considerably. This increase is rather surprising in view of the appreciable rise in the total value of exports; this should normally have led — provided, of course, that average payment periods remained unchanged — to a growth in the total of enterprises' commercial claims on their foreign customers. One factor helping to explain the increase in the above-mentioned difference is to be found in the very sharp rise in the value of imports of certain producer goods : thus, imports of petroleum products are generally paid for only after a delay of several months, and consequently the rise in their prices must have affected the figures in Customs returns more quickly than the payments figures. Another explanation could lie in the higher transport costs, as these are not included in the same way in the two sets of statistics. Furthermore, one cannot rule out the assumption that payment periods may have changed in favour of the Belgian-Luxembourg Economic Union, especially in the third quarter. Lastly, the afore-mentioned balance of Customs statistics in 1974 is worked out from figures which are still provisional and should therefore be interpreted with a certain amount of caution.

As measured by these statistics, the trade surplus in relation to the countries of the European Economic Community as a whole decreased substantially owing to the growth in the deficit with the Federal Republic of Germany and the disappearance of the surplus with the Netherlands. A deficit appeared in relation to the United States. In relation to the developing countries, there was a substantial increase in the deficit with the members of the Organisation of Petroleum Exporting Countries.

Still according to the Customs statistics, the rate of increase of foreign trade as a whole in terms of value reached, for the first ten months, 38.2 p.c. for imports, against 25.4 p.c. in 1973, and 29.3 p.c. for exports, against 23.4 p.c.

Unlike in 1973 when the advances had mainly been made in real terms, the growth in foreign trade in 1974 is primarily due to the trend of prices : actually, for the first nine months, the rise in the index of average unit values was 29 p.c. for imports and 25 p.c. for exports, whereas in terms of volume the corresponding percentages were only 9.2 and 5.2 p.c. The terms of trade deteriorated, 1970 being taken as the base year, from the index figures of 101 for the first three quarters of 1973 to 97.8 in 1974.

The increase in unit values chiefly reflected, for imports, the rise in the prices of producer goods — owing to the higher prices of raw materials, especially petroleum products — and, for exports, the rise in the prices of common metals and of chemical and petroleum products. In volume the growth in trade was due mainly, for imports, to capital goods and, for exports, to chemical and iron and steel products, cement and quarry products and food products.

For the first ten months the increase in the total value of imports was mainly attributable to purchases of petroleum, chemical, steel and copper products. With regard to the countries of origin, the increase was accounted for mainly by Italy, the Netherlands, the United States and the developing countries, especially the members of the Organisation of Petroleum Exporting Countries.

The rise in exports was mainly due to sales of chemical and petroleum products and of common metals, especially steel and copper. The largest rises in deliveries were to the United Kingdom, France, Italy, these being countries with weakened currencies but a high rate of inflation, the United States, the developing countries and the countries with centrally planned economies <sup>(1)</sup>.

Like the Customs statistics, the balance of payments figures show that the increase in imports was faster than that, although very large, in exports : for the first eleven months the rate of growth of the former reached 38 p.c., against 25.7 p.c. in 1973, and that of the latter 32 p.c.,

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

against 25 p.c. Consequently the surplus in respect of payments for exports and imports decreased on the year from Fr. 46.8 to 24.5 billion.

The trend of the currency pattern of payments for exports and imports shows that exporters have endeavoured, in recent years, to reduce the exchange risks, mainly by making greater use of the Belgian franc as a currency of payment. Thus the share of the franc in the total of currencies used in paying for exports rose from about 46 p.c. in 1971 to 53 p.c. in the first ten months of 1974. Conversely, there was a turn away from the United States dollar, its share in the total having declined, for the same periods, from about 15 p.c. to 8 p.c. With regard to payments for imports, on the other hand, the trend, especially since 1972, has been towards less use of the Belgian franc and the pound sterling and greater use of the United States dollar, the German mark and the Netherlands guilder.

The current transactions shown in the balance of payments of the Belgian-Luxembourg Economic Union with foreign countries include, in addition to the above-mentioned settlements in respect of foreign trade, other merchandise, payments for services and transfers. These resulted on balance, for the first eleven months, in a surplus of Fr. 32.7 billion, against Fr. 48.6 billion in 1973. The increase in the surplus in respect of goods transactions other than exports and imports and the reduction in the deficit in respect of Government transfers were more than offset by the contraction in the surplus of payments in respect of foreign trade and private transfers.

The reduction of Fr. 22.3 billion in the surplus of payments in respect of foreign trade was partly offset, at the level of total goods transactions, by the increase of Fr. 6.7 billion in the surplus in respect of third-country trade and transactions in non-monetary gold. While the deficit on the latter transactions increased, the surplus on the former, on the other hand, rose substantially; these transactions, carried out by an increasing number of dealers, have expanded in volume and even more in value, perhaps

partly because certain transactions could no longer take place direct from the country of origin to the country of destination.

Services left a surplus of Fr. 7.7 billion, just as in 1973. The deficit in respect of fees for patents, films and copyrights, travel abroad and transport charges other than on goods increased. On the other hand, net income from portfolio and direct investments, especially those of the National Bank itself, continued to rise.

Table 4.

CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES <sup>(1)</sup>

(Billions of francs)

	Transactions in goods				Services (4)	Private transfers (5)	Govern- ment transfers (5)	Total (h) = (c) + (d) + (e) + (f) + (g)
	Exports (2)	Imports (2)	Balance	Other trans- actions (3)				
	(a)	(b)	(c) = (a) - (b)	(d)				
1969 .....	400.1	395.7	+ 4.4	+ 4.4	+ 1.2	+ 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	+ 6.5	+ 8.1	+ 6.8	-14.8	+41.3
1972 .....	581.7	538.7	+43.0	+ 3.4	+13.6	+ 8.1	-16.9	+51.2
1973 .....	723.9	679.5	+44.4	+ 3.9	+ 8.8	+11.5	-23.6	+45.0
1973 First 11 months .....	660.3	613.5	+46.8	+ 5.4	+ 7.7	+10.4	-21.7	+48.6
1974 First 11 months ... p	871.4	846.9	+24.5	+12.1	+ 7.7	+ 7.8	-19.4	+32.7

(1) Balance of operations, except for the items « Exports » and « Imports ».

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

(3) Third-country trade, i.e. goods bought and resold abroad without entering the Customs area of the Belgian-Luxembourg Economic Union, and non-monetary gold.

(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.

Altogether, the surplus in respect of goods and services as a whole decreased, for the eleven months in question, from Fr. 59.9 to 44.3 billion. The growth in payments in respect of net imports of petroleum products was about twice as large as this reduction.

The deficit traditionally left by transfers amounted to Fr. 11.6 billion, against Fr. 11.3 billion in 1973. The reduction in net Government transfer payments, especially in favour of the various European and

Table 5.

## CAPITAL TRANSACTIONS

*(Billions of francs)*

	1969	1970	1971	1972	1973	1973	1974
						(First 11 months)	
1. Movements in capital funds of public authorities :							
1.1 Transactions with foreign countries ...	- 2.1	- 0.7	-11.0	-10.7	- 4.4	- 4.1	- 3.0
1.2 Increase (+) or decrease (-) in liabilities in foreign currencies to Belgian and Luxembourg banks .....	+ 5.9	-11.0	-18.1	- 6.4	- 0.3	- 0.3	+ 0.1
1.3 Increase (-) or decrease (+) in the outstanding amount of foreign currencies receivable at forward dates from the N.B.B. ....	-13.5	+ 2.9	+18.3	+ 8.1	...	...	...
Total 1 ...	- 9.7	- 8.8	-10.8	- 9.0	- 4.7	- 4.4	- 2.9
2. Movements in capital funds of enterprises and individuals with foreign countries (1)	+14.2	-13.8	- 9.3	-20.2	-13.1	-12.7	- 1.4
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 .....	-11.2	+ 7.4	+ 9.1	+ 3.5	+ 1.0	- 2.3	- 7.6
3.2 Increase (-) or decrease (+) in net forward claims .....	+ 0.9	+ 0.7	- 2.5	+ 8.6	- 6.5	- 9.0	- 3.4
Total 3 ...	-10.3	+ 8.1	+ 6.6	+12.1	- 5.5	-11.3	-11.0
4. Movement in non-residents' claims on and liabilities to Belgian and Luxembourg banks and miscellaneous monetary institutions in Belgian and Luxembourg francs :							
4.1 Increase (-) or decrease (+) in liabilities in the form of commercial credits originally financed by Belgian banks .....	- 0.6	- 6.7	- 3.9	- 7.6	- 5.7	- 4.7	- 8.2
4.2 Increase (+) or decrease (-) in the excess of claims over other spot liabilities .....	- 5.7	+ 5.3	+ 7.7	+ 4.8	+18.3	+15.6	+ 2.2
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 .....	+ 3.0	+ 2.4	+ 5.7	- 8.2	- 0.3	+ 2.4	- 9.0
Total 4 ...	- 3.3	+ 1.0	+ 9.5	-11.0	+12.3	+13.3	-15.0
5. Movement in the net claims in foreign currencies of Belgian and Luxembourg banks :							
5.1 Increase (-) or decrease (+) in net spot claims .....	+ 3.7	+ 2.8	- 0.3	+ 1.4	- 9.1	-11.8	- 9.3
5.2 Increase (-) or decrease (+) in net forward claims .....	- 4.2	- 2.1	- 3.2	- 0.4	+ 5.4	+ 5.2	+13.4
Total 5 ...	- 0.5	+ 0.7	- 3.5	+ 1.0	- 3.7	- 6.6	+ 4.1
Total 1 to 5 ...	- 9.6	-12.8	- 7.5	-27.1	-14.7	-21.7	-26.2

(1) See Table 6.

international institutions, was offset by that in net receipts of private transfers due to the decrease in the payments made by the European Agricultural Direction and Guarantee Fund to resident farmers and the increase in transfers by foreign workers to their countries of origin.

The **capital transactions** shown in Table 5 include, in addition to residents' spot transactions with foreign countries, which are the only ones recorded in the usual presentation of the balance of payments, residents' transactions in foreign currencies with domestic monetary institutions and forward foreign 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 foreign exchange markets and which thus may have induced the National Bank to intervene.

For the first eleven months, the capital transactions of the public authorities gave rise to a net outflow of Fr. 2.9 billion, against Fr. 4.4 billion the previous year; these transactions mainly consisted, in 1974, of contractual redemption payments on consolidated foreign loans and of loans to various developing countries.

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 of Fr. 1.4 billion, against Fr. 12.7 billion in 1973.

The deficit left by the capital transactions of public enterprises decreased from Fr. 3.1 billion in 1973 to Fr. 1.6 billion.

Foreign direct investments in the Belgian-Luxembourg Economic Union rose by Fr. 12.9 billion. They took various forms : formation and extension of companies, acquisition of holdings in existing companies, loans to resident enterprises, some of which were doubtless having difficulty, owing to the limitation of credit, in obtaining finance in Belgium, and appropriations to Luxembourg banks by foreign parent companies to enable their subsidiaries to extend their activities; in many cases, however, these appropriations in foreign currencies were not actually converted into Luxembourg francs; the inflows to which they gave rise had as their

counterpart equivalent outflows recorded in item 5.1 of Table 5. Furthermore, non-residents made net sales of Belgian and Luxembourg securities, mainly shares, instead of net purchases in 1973.

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)		
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
1973 .....	- 2.9	+38.1	+ 3.4	+27.5	+ 3.2	-48.3	-31.4	- 6.7	- 6.4	-10.2	-13.1
1973 First 11 m. ...	- 3.1	+35.6	+ 3.2	+24.7	+ 2.9	-45.2	-31.3	- 5.3	- 6.0	- 9.6	-12.7
1974 First 11 m. p	- 1.6	+36.7	- 3.0	+37.6	+ 1.9	-36.5	-12.3	- 8.7	-11.7	+ 0.2	- 1.4

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

For their part, residents' portfolio investments abroad in the form of net purchases of foreign securities declined by Fr. 19 billion, owing to the uncertainties created by floating exchange rates, the fall in security quotations and the decrease in issues of Euro-bonds. The greater part of the remaining deficit under this head was recorded with the Netherlands : portfolio investments in that country were encouraged by the liberalisation measures adopted with regard to inflows of foreign capital and by the high yields prevailing there. On the other hand, investments in Belgian franc deposits abroad, for instance those made in the form of banknotes with Dutch and Swiss banks in order to benefit by higher interest rates free of preliminary income tax, increased appreciably.

In their transactions with Belgian and Luxembourg banks, enterprises and individuals continued to expand their net spot and forward claims in foreign currencies, thus displaying their preference for at least some of these currencies.

In short, in their transactions with foreign countries and in foreign currencies, enterprises and individuals substituted short-term assets for long-term claims.

With regard to non-residents, the movement of the total of their spot and forward claims and liabilities in francs in relation to the monetary institutions gave rise to a decrease in net claims of Fr. 15 billion, implying a corresponding outflow of short-term capital, instead of an accumulation of claims of Fr. 13.3 billions the previous year. This development indicates that, during the period in question as a whole, unlike in the previous year, there was no speculation by non-residents on a rise in the value of the franc.

The banks' net combined spot and forward claims in foreign currencies, which undergo little change in the long run because their temporary variations are generally quickly reversed, declined in 1974 after having increased the previous year.

In January the Belgian-Luxembourg Foreign Exchange Institute decided on a reorientation of the system of protection against inflows of foreign funds on the regulated market : in view of the new prospects as regards the trend of the balance of payments owing to the rise in the prices of petroleum products, there were no longer the same reasons for discouraging the holding by non-residents of balances in Belgian francs on convertible accounts; the Institute therefore authorised the banks to pay interest again on these balances, which they had been forbidden to do since May 1971. Also, in order to prevent speculative outflows of funds, it established for each bank a limit on the spot position which it could take up in currencies of the regulated market in anticipation of a rise in their value.



Altogether, for the eleven months in question, the surplus left by current transactions and unidentified operations (errors and omissions) more than offset the deficit in respect of capital transactions, especially those carried out with domestic monetary institutions. Consequently the total composed of the Bank's exchange reserves and forward position, which represents the counterpart item to the three afore-mentioned categories of transactions, increased by Fr. 12.9 billion, against Fr. 30.9 billion in 1973.

For the year as a whole the above-mentioned total rose by Fr. 15.2 billion, against Fr. 34.4 billion.

Table 8.

NATIONAL BANK OF BELGIUM : EXCHANGE RESERVES  
AND FORWARD POSITION IN FOREIGN CURRENCIES AND,  
IN RELATION TO FOREIGN COUNTRIES, IN BELGIAN FRANCS (1)  
(Changes in billions of francs)

	Exchange reserves						Forward position (2)			Grand total	of which :	
	Gold holdings (a)	Assets held at the I.M.F. (b)	Net claims on the E.M.C.F. (c)	Spot Foreign currencies (d)	Spot Belgian francs (e)	Total (f) = (a) + (b) + (c) + (d) + (e)	Foreign currencies (g)	Belgian francs (h)	Total (j) = (g) + (h)		Position in foreign currencies (k) = (d) + (g)	Position in Belgian francs (l) = (e) + (h)
1969 .....	-0.2	- 7.3	—	+17.1	+0.2	+ 9.8	-15.5	+ 2.0	-13.5	- 3.7	+ 1.6	+ 2.2
1970 .....	-2.5	+18.6(3)	—	+ 3.4	-0.2	+19.3	- 3.7	+ 7.7	+ 4.0	+23.3	- 0.3	+ 7.5
1971 .....	+3.7	+17.0(3)	—	- 4.4	-2.7	+13.6	+ 2.8	+15.3	+18.1	+31.7	- 1.6	+12.6
1972 .....	-1.8	- 1.7(3)	—	+17.4	+1.8	+15.7	+14.0	- 6.1	+ 7.9	+23.6	+31.4	- 4.3
1973 .....	-1.6	+ 3.9	+3.5	+30.8	-0.6	+36.0	- 8.3	+ 6.7	- 1.6	+34.4	+22.5	+ 6.1
1974 .....	...	- 1.1	-3.5	+19.2	-0.5	+14.1	+15.4	-14.3	+ 1.1	+15.2	+34.6	-14.8
1973 F. 11 m.	-1.6	+ 3.3	+1.3	+29.9	-0.4	+32.5	- 8.3	+ 6.7	- 1.6	+30.9	+21.6	+ 6.3
1974 F. 11 m.	...	- 0.8	-3.5	+16.8	-0.7	+11.8	+13.9	-12.8	+ 1.1	+12.9	+30.7	-13.5

(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 (g) and an increase in column (h)]; if there were only forward transactions of this type, the figures in columns (f) and (j) would be identical; 2) sales of foreign currencies to the public sector in view of forthcoming payments due on its 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 (g)]; column (j) gives the variation in the exchange reserves remaining available, thus differing from column (f), which gives the apparent variation in these reserves.

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

Spot assets in foreign currencies went up on balance by Fr. 19.2 billion. These assets were augmented by the purchases of dollars made by

the Bank on the market and from foreign central banks needing Belgian francs, by the payments which it received in dollars following the operations in support of the snake currencies and by the receipt of the proceeds of investments of assets in foreign currencies. Conversely, the assets decreased when lire held by the Bank under swap agreements concluded with the Bank of Italy were repurchased by the latter with Belgian francs; these repurchases led to a decrease in the outstanding amount of lire sold forward to the Bank of Italy. Altogether the Bank's creditor position in foreign currencies (spot assets less foreign currencies to be delivered at forward dates) increased by Fr. 34.6 billion.

For its part, the Bank's creditor position in Belgian francs decreased by Fr. 14.8 billion, mainly owing to the above-mentioned winding-up of the Bank of Italy's forward operations.

Assets held at the International Monetary Fund declined by Fr. 1.1 billion, this being due, on balance, to the transfer of Fr. 2 billion of special drawing rights in respect of repayments of debts to the European Monetary Cooperation Fund and to an increase of Fr. 0.9 billion in the Bank's claim on the International Monetary Fund owing to net drawings in Belgian francs by various countries.

On the exchange markets the rate for the Belgian franc recovered in February, and subsequently continued its upward movement throughout the greater part of the year.

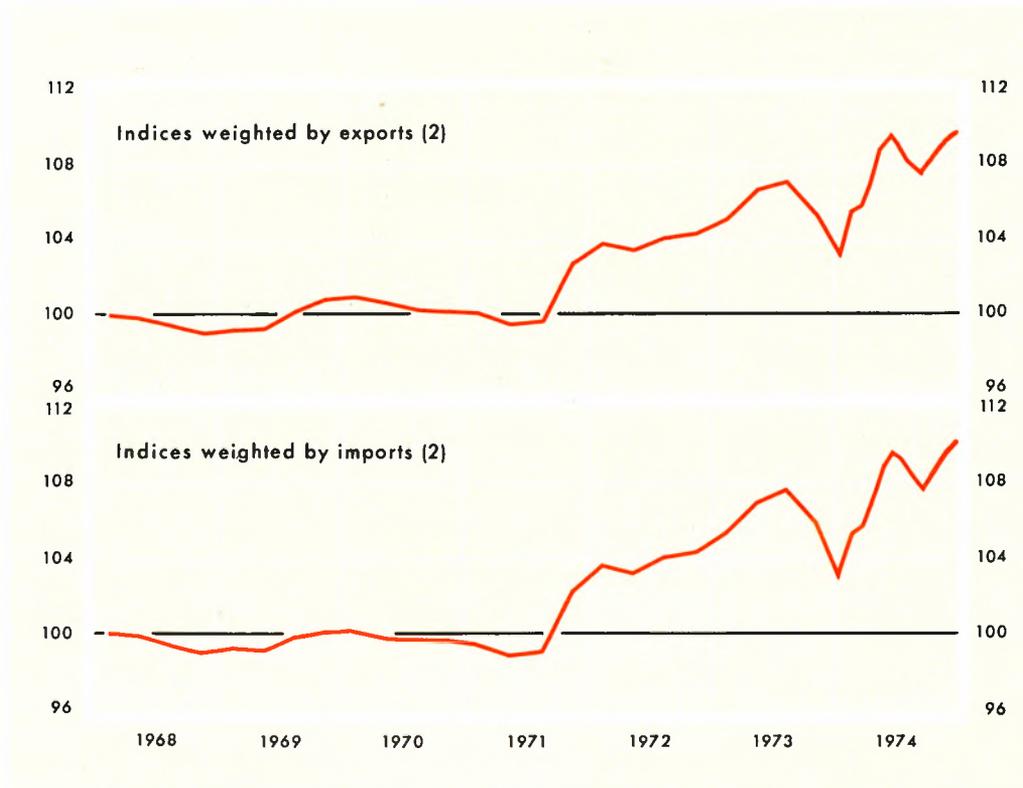
On the regulated market, after the decline which took place during the last months of 1973 and in January 1974, the average rate for the Belgian franc, weighted by the relative importance of the Belgian-Luxembourg Economic Union's trade with the various foreign countries, rose steadily until June. Its appreciation especially during the months March to May, was largely induced by the rise of the German mark. For in fact the interventions undertaken by the Bank in support of the franc under the agreement for the narrowing of the margins of fluctuation between the snake currencies simultaneously limited the depreciation of the franc

in relation to the mark and caused it to appreciate in relation to the currencies of countries not participating in the concerted float. Subsequently, in August and September, the decline of the Belgian franc was the result of a similar effect of sweeping along of rates caused this time by the weakness of the German mark and by the Bank's support interventions in favour of that currency. From October onwards the rate for the Belgian franc strengthened again. In December the rise over December 1973 was about 5.5 p.c.

Chart 22.

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

(Indices, first half 1968 = 100)



(1) 1968 to 1973 : daily averages per quarter. 1974 : daily averages per month. See Annex 6, Table 5.

(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 4, because they include the Belgian-Luxembourg Economic Union's foreign trade with all countries, whereas the index of the above-mentioned Organisation 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 free market the rates for foreign currencies, expressed in Belgian francs, were always slightly above those on the regulated market.

## **PUBLIC FINANCES.**

The rates of increase of, on the one hand, the total expenditure and, on the other, the total revenue of the **central Government** rose, for the first ten months of the year, to about the same extent, that is, respectively, from 15.6 p.c. in 1973 to 19 p.c. and from 17.2 to 20.5 p.c. Taking into account the considerable rise in prices and nominal incomes, this increase doubtless represented a slowing-down in real terms. The central Government's net financial requirements, which had declined the previous year, increased somewhat.

The deficit resulting from the execution of the ordinary budget reached Fr. 23.4 billion, against Fr. 17.2 billion in 1973, but the debt redemptions included in these balances increased by Fr. 3.6 billion.

The rate of increase of total ordinary expenditure <sup>(1)</sup> rose from 20.2 to 21.2 p.c. It is not easy to distribute this growth accurately between the different categories of ordinary expenditure : owing to the continuous expansion of expenditure against revenue allocated outside the budget, it is no longer possible to make accurate year-to-year comparisons, since the afore-mentioned transactions cannot be accurately broken down between the different economic items to which they relate. Subject to this reservation, the main increases in ordinary expenditure were in respect of « pay and pensions », under the combined influence of the faster rise in prices and of social programming for the public sector, « interest on the public debt », affected on the one hand by the persistent growth in that debt and, on the other hand, by the rise in interest rates and « income

<sup>(1)</sup> In calculating the percentage increases in ordinary transactions, allowance was made for the ordinary debudgetised transactions of the Economic Expansion Fund, the Road Fund, Belgium's general contribution to the European Economic Community and the Special Municipalities Fund. On the other hand, Customs duties transferred direct to the Community are not included in the figures.

transfers », mainly in favour of the social security and the subsidised education system, to which the said programming also applies.

The year-to-year increase in ordinary revenue — namely 17.2 p.c. in 1973 and 20.5 p.c. in 1974 — became faster, but remained slightly less than that in expenditure. It was mainly in tax revenue and was primarily due to the expansion in total taxable assets and, to a minor extent, to steps taken to improve tax collection. The increase in direct taxes, amounting to 26.7 p.c., was mainly attributable to the preliminary income tax, swollen by the rapid growth in earned incomes and the progressive nature of the tax, to personal income tax and to advance payments : despite a shortfall of Fr. 3.9 billion compared with the forecasts initially made, the latter still increased by Fr. 7.1 billion or 12.9 p.c. for the first ten months. Revenue from the value-added tax, influenced, like other taxes, by the acceleration of inflation, rose by 19 p.c. The latter rate would, however, be lower were it not for the increase on the year in the outstanding amount of tax credits, which in fact represent a claim on the Government.

Cash outpayments against the extraordinary budget, including the Road Fund, which were not covered by the tiny amount of extraordinary revenue, amounted to Fr. 65.2 billion, i.e. Fr. 4.1 billion or 6.7 p.c. more than in 1973. The comparability of the data is, however, impaired by the large changes on the year in the refunds of sales taxes paid on stocks existing on 31st December, 1970; if these refunds, actually Fr. 6.5 billion in 1973 and Fr. 0.9 billion in 1974, are eliminated, the above-mentioned rate of increase rises to 17.7 p.c. In view of the considerable rise in prices in general and building prices in particular, this movement is doubtless equivalent to a cessation of the rise or even a slight decline in extraordinary expenditure expressed in terms of constant prices.

As in 1973, the Government continued to curb capital investment commitments as part of its anti-inflation policy. Thus, so-called non-priority programmes were released only to the extent of 72.5 p.c., whereas the percentage of priority programmes authorised ranged between 80 and 100 p.c.

For the execution of the ordinary and extraordinary budgets combined, the gross deficit rose, for the first ten months, from Fr. 78.3 to 88.6 billion, after having already increased appreciably in the two previous years.

Table 9.

THE CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Net requirements met by the Treasury (1)							Other net requirements (5)	Grand total
	Balance of budgetary transactions (2)			Other net inflows (+) or outflows (-) of funds (4)	Net outflows of funds (e) = (c) + (d)	Public debt repayments included in budgetary expenditure (f)	Total (g) = (e) + (f)		
	Ordinary budget (3)	Extraordinary budget	Total (c) = (a) + (b)						
(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) + (d)	(f)	(g) = (e) + (f)	(h)	(i) = (g) + (h)	
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	-75.8	-79.2	- 4.5	-83.7	20.0	-63.7	-23.7	-87.4
1973 .....	-22.2	-74.2	-96.4	+10.8	-85.6	34.5	-51.1	-19.9	-71.0
1973 First 10 m. ...	-17.2	-61.1	-78.3	- 2.0	-80.3	29.3	-51.0	-18.4	-69.4
1974 First 10 m. ...	-23.4	-65.2	-88.6	+ 0.6	-88.0	32.9	-55.1	-15.9	-71.0

(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.

(5) These amounts correspond to the net increase in the debudgetised debt borne by the Central Government, i.e. to the prefinancing of certain central-government expenditure provided direct by autonomous organisations and institutions.

After deduction of the cash outpayments for the redemption of the public debt, which amounted to Fr. 32.9 billion against Fr. 29.3 billion, and with allowance being also made for the other Treasury transactions, especially the movement of third-party funds and the Treasury accounting officials' holdings, which resulted in net inflows of Fr. 0.6 billion, against net outflows of Fr. 2 billion, the net financial requirements met by the Treasury finally amounted to Fr. 55.1 billion, against Fr. 51 billion.

The central Government's other expenditure, which mainly relates to capital expenditure prefinanced outside the budget by autonomous institutions and funds, 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 Fr. 15.9 billion, against Fr. 18.4 billion. Thus the central Government's net financial requirements amounted altogether for the first ten months, to Fr. 71 billion, against Fr. 69.4 billion; the previous year they had decreased, after a particularly sharp rise in 1972.

Table 16.

MEETING OF THE CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Changes in 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	Changes in debt							
			Grand total (2)	in foreign currencies	in Belgian francs					to non-financial sectors (4)
					Total	to financial intermediaries (3)				
						General Savings Fund and private savings banks	Public sector financial intermediaries	Banks	National Bank of Belgium	
(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) - (d) = (f) to (j)	(f)	(g)	(h)	(i)	(j)	
1969 .....	+ 41.0	...	+41.0	+ 5.8	+ 35.2	+ 5.4	+ 6.3	+ 9.1	+ 0.2	+14.2
1970 .....	+ 37.7	...	+37.7	-11.2	+ 48.9	+ 10.9	+ 10.7	+17.3	- 2.5	+12.5
1971 .....	+ 51.4	...	+51.4	-28.6	+ 80.0	+ 18.1	+ 13.4	+39.0	- 8.8	+18.3
1972 .....	+ 87.4	...	+87.4	-14.4	+101.8	+ 19.2	+ 28.5	+38.9	- 3.7	+18.9
1973 .....	+ 71.0	...	+71.0	- 3.5	+ 74.5	+ 13.4	- 1.7	+41.2	- 0.5	+22.1
1973 First 10 m. ...	+ 69.4	+ 4.5	+73.9	- 3.4	+ 77.3	+ 18.8	- 10.8	+47.6	- 1.0	+22.7
1974 First 10 m. ...	+ 71.0	+ 2.7	+73.7	- 1.3	+ 75.0	+ 16.1	- 3.4	+28.6	- 0.2	+33.9

(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 are calculated as residues; it chiefly includes households and enterprises which are not financial intermediaries.

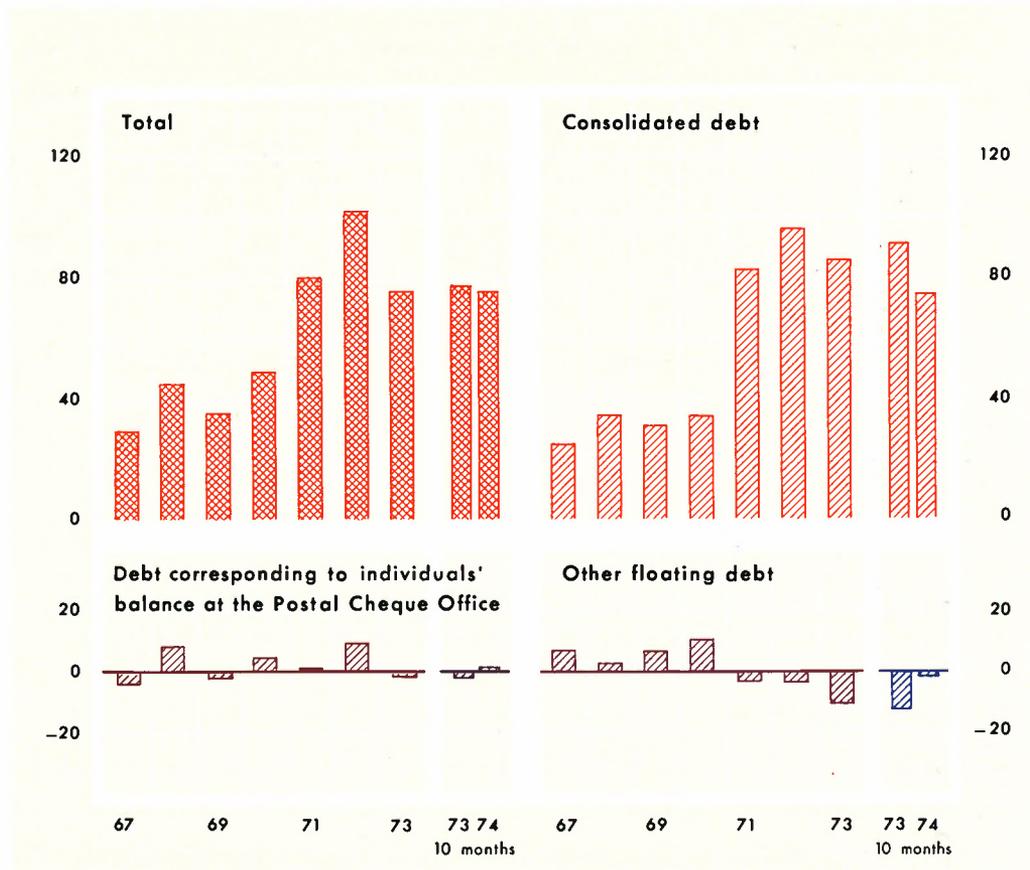
As in 1973, these requirements were more than fully covered by the increase in commitments in Belgian francs; the amount of these in fact rose by Fr. 75 billion, of which Fr. 74.8 billion was consolidated debt and only Fr. 0.2 billion floating debt.

Out of this total of Fr. 75 billion of additional resources in Belgian francs acquired by the central Government, the non-financial sectors, primarily enterprises and households, provided Fr. 33.9 billion and the

financial intermediaries Fr. 41.1 billion, this being the net result of an increase of Fr. 16.1 billion in the portfolios of short-term and long-term public securities held by the savings banks, one of Fr. 28.6 billion of securities held by the banks and an overall decline of Fr. 3.6 billion in indebtedness to the public-sector financial intermediaries and the Bank.

Chart 23.

THE CENTRAL GOVERNMENT'S DEBT IN BELGIAN FRANCS <sup>(1)</sup>  
*(Changes in billions of francs)*



(1) See Table 10, column (e).

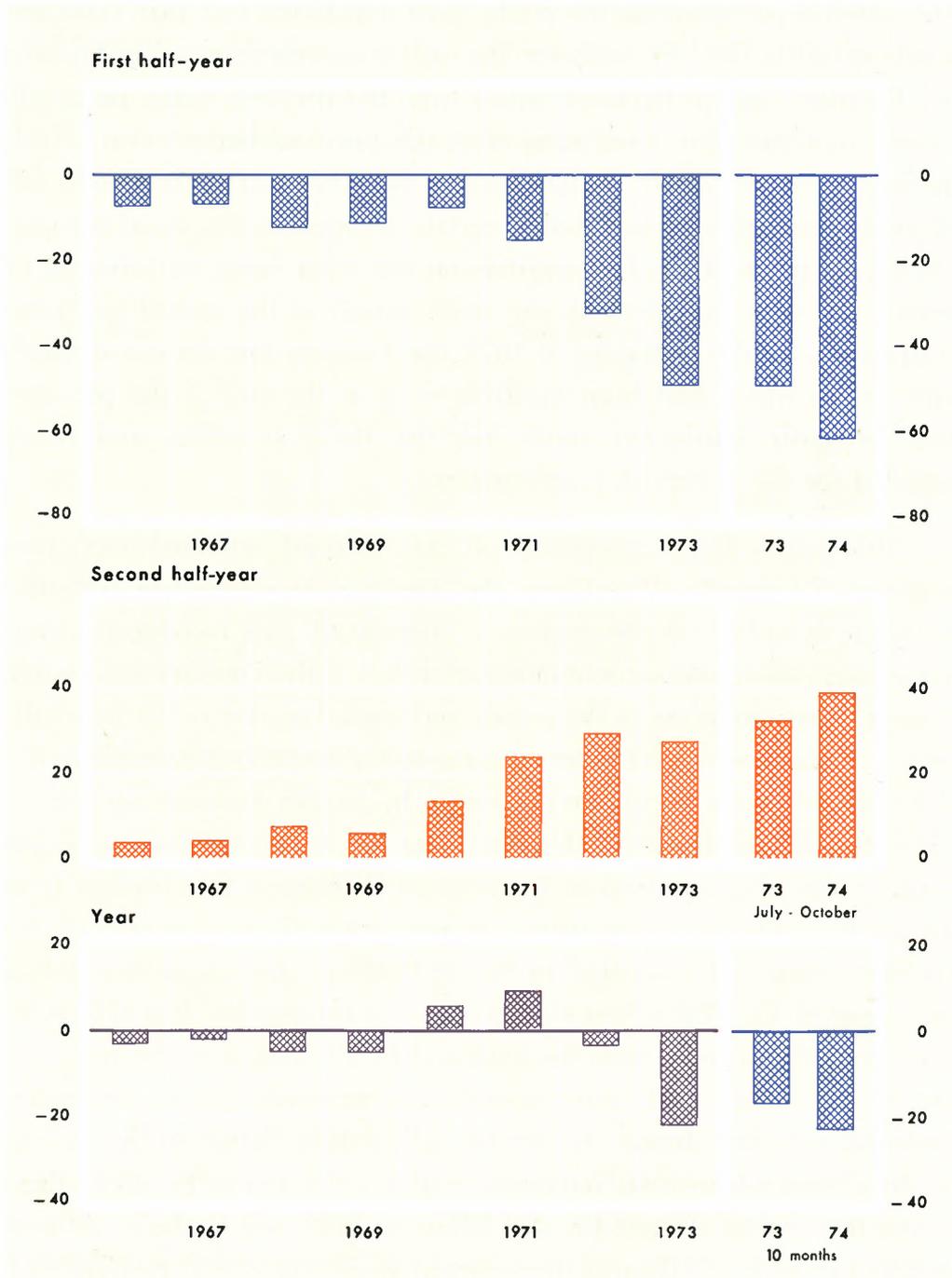
The Treasury's relatively easy position at the end of the period in question is in sharp contrast to its recurrent difficulties in the first half of the year : ordinary budget expenditure does in fact tend to be concentrated in that period of the year, while revenue comes in mainly during the second half-year. This means that at the end of the first six months the ordinary

budget always closes with a deficit, which incidentally increases from year to year, while the second half-year always leaves a surplus. Among the factors behind this irregular development, mention should be made of the large interest payments on the public debt due to the fact that loans are mainly issued in the first half-year, the cash outpayments made in January and February against payment orders from the previous years, payments against appropriations transferred from the previous budget year which are likewise made mainly during the first half-year and subsequently fall off as the year goes by and, lastly, certain transfers to the social security which take place in the first quarter; on the other hand, with regard to revenue, advance tax payments are made mainly in the second half-year. Furthermore, at the beginning of 1974, the Treasury lost the use of third-party funds which had been available to it at the end of the previous year, primarily third-party funds held by the Post Office and funds intended for the European Communities.

Although a large proportion of the financial intermediaries' new resources obligatorily flowed into the Treasury in accordance with the measures described in the section « Agreement and recommendations concerning various measures of monetary policy », the Treasury was unable to meet its requirements in the money and capital market in the first half-year. It therefore had greater recourse to the Bank, first by making use of its agreed credit margin and secondly by having Treasury certificates other than those of tranche B taken over by the Securities Regulation Fund, which obtained finance by substantial recourse to advances from the Bank. At the end of June the net financial requirements of the Treasury alone still amounted to Fr. 80.3 billion; they were financed to the extent of Fr. 37.9 billion at short term, including Fr. 15.4 billion by direct recourse to credit from the Bank and Fr. 7.8 billion via the Securities Regulation Fund. It was possible to terminate these temporary financing measures during the second half of July, thanks to the inflows resulting from advance tax payments, which amounted to Fr. 48.2 billion during that month, against Fr. 42.6 billion in 1973, and to the investment on 23rd July of Fr. 6 billion of the monetary reserve in special medium-term Treasury certificates.

Chart 24.

BALANCE OF ORDINARY BUDGET <sup>(1)</sup>  
*(Broken down into half-years, in billions of francs)*



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

The convention of 30th March, 1968 between the Belgian Government and the Bank stipulated that the amount of Fr. 16 billion of the Treasury's credit line at the Bank could be adapted, for the first time in 1971, depending on the trend of the Government's ordinary revenue. It was not until three years later, however, namely on 23rd July, 1974, that a new convention, implementing the above-mentioned stipulation, increased the credit line from Fr. 16 to 20.6 billion; the last-mentioned amount can be raised periodically, for the first time in 1977, according to the criterion already mentioned.

Table 11.

PUBLIC AUTHORITIES' NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Central Government (1)	Local authorities (2)	All public authorities (3)
1969 .....	41.0	2.1	43.1
1970 .....	37.7	11.1	48.8
1971 .....	51.4	13.0	64.4
1972 .....	87.4	9.8	97.2
1973 .....	71.0	15.3	86.3
1973 First 10 months .....	69.4	14.0	83.4
1974 First 10 months .....	71.0	11.5	82.5

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

(2) Net public loan issues and changes in net liabilities to the Belgian Municipal Credit Institution, less Government-share loans.

(3) Not including social security.

The recorded net financial requirements of the **local authorities** amounted, for the first ten months, to Fr. 11.5 billion, against Fr. 14 billion in 1973; the decrease was influenced by a certain speeding-up of transfers from the central Government.

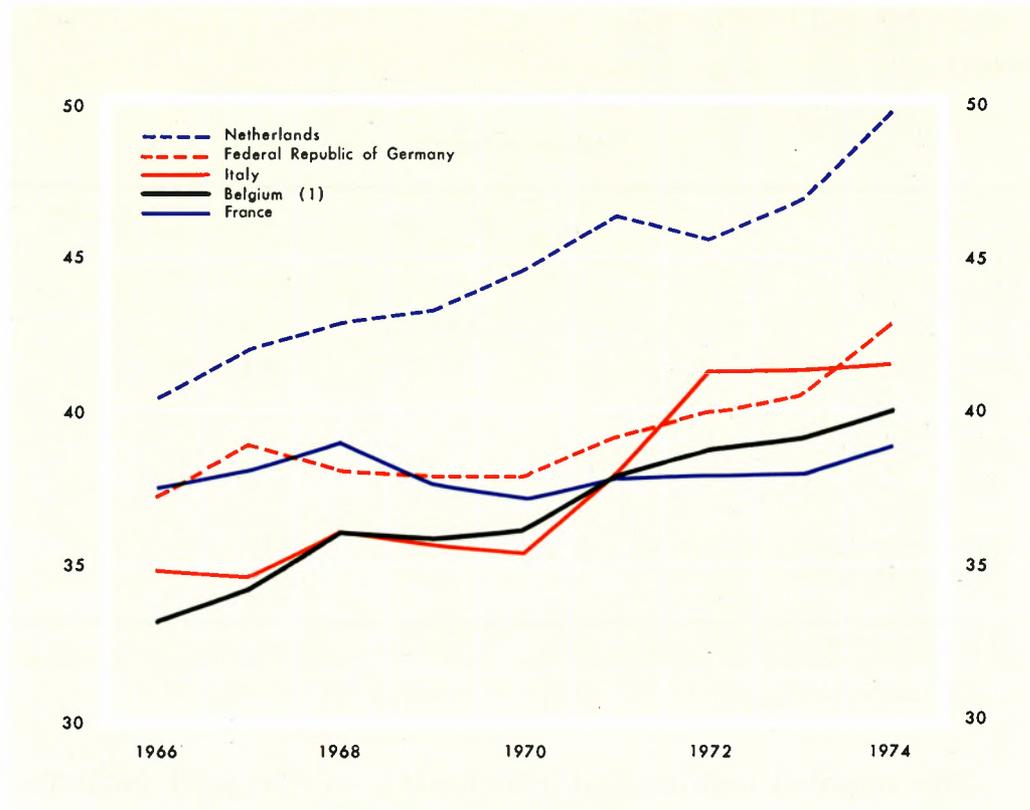
For the **public authorities** as a whole, excluding social security, the net financial requirements recorded amounted for the first ten months to Fr. 82.5 billion, against Fr. 83.4 billion. Expressed as a percentage of the gross national product, the total expenditure of the public

authorities, as defined in the national accounts, that is including social security, showed a further slight increase. According to provisional estimates, this proportion rose more than in some other countries but less than in the Netherlands and the Federal Republic of Germany.

Chart 25.

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

(Per cent)



Source : Statistical Office of the European Communities. 1972 to 1974 estimates.

(1) The expenditure does not include capital transfers.

**CLAIMS AND LIABILITIES OF INDIVIDUALS AND ENTERPRISES.**

Both the gross saving of individuals and enterprises and their investment of all kinds — in fixed capital and stocks for enterprises and in housing for individuals — increased much more than in 1973. These

Table 12.

## CAPITAL ACCOUNT OF ENTERPRISES AND INDIVIDUALS

(Billions of francs)

	1972	1973	1974 <i>c</i>	1973		1974		Changes from the previous year (1)	
				(First 10 months)				1973	1974 <i>c</i>
<b>A. Financing capacity :</b>									
1. Capital resources :									
1.1 Gross saving (2) .....	387	424	477	n.a.	n.a.	n.a.	n.a.	+ 37	+ 53
1.2 Net capital transfers from public authorities and miscellaneous (3) .....	37	37	37	n.a.	n.a.	n.a.	n.a.	...	...
	424	461	514	n.a.	n.a.	n.a.	n.a.	+ 37	+ 53
2. Gross capital formation (4) .....	282(5)	339(5)	409(5)	n.a.	n.a.	n.a.	n.a.	+ 57	+ 70
3. Financing capacity (= 1. - 2.) (6) .....	142	122	105	114	100	114	100	- 20	- 17
<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) .....	261	280	240	216	177	216	177	+ 19	- 40
1.2 Other financial assets (8) .....	18	11	60	23	70	23	70	- 7	+ 49
	279	291	300	239	247	239	247	+ 12	+ 9
Financial liabilities :									
2.1 Credits obtained from the Belgian financial intermediaries (9) .....	99	131	130	100	99	100	99	+ 32	- 1
2.2 Bonds and shares (10) .....	21	17	28	8	18	8	18	- 4	+ 11
2.3 Financial liabilities to foreign countries .....	17	21	37	17	30	17	30	+ 4	+ 16
	137	169	195	125	147	125	147	+ 32	+ 26
3. Net claims (= 1. - 2.) .....	142	122	105	114	100	114	100	- 20	- 17

(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 : 1972 and 1973 : National Statistical Institute. 1974 : estimates of the Ministry for Economic Affairs (September 1974 draft of economic budget for 1975).

(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 (2) 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 14.

(8) Mainly claims on foreign countries. This item records net commercial claims on foreign countries held by enterprises.

(9) See Table 16.

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

data, however, are nominal values, swollen by last year's inflation. The proportion of the gross national product represented by gross saving declined from 23.8 p.c. in 1973 to 23 p.c., while that of investment rose from 19 to 19.8 p.c.

The difference between these two magnitudes therefore decreased, the rise in investments having been considerably greater than that in gross savings.

The financing capacity of individuals and enterprises, i.e. their net contribution to financing the expenditure of the public authorities and non-residents, which had already decreased the previous year, thus again declined : there was hardly any change in the contribution to financing the public authorities, but the savings made available to foreign countries contracted greatly; indeed, the surplus in respect of transactions in goods and services with foreign countries decreased.

The reduction in the financing capacity of individuals and enterprises must, by definition, be reflected in the trend of their net claims : the increase, small as in 1973, in the formation of financial assets was exceeded by that in their new financial liabilities, although this was less marked than in 1973.

a) *Financial assets.*

The formation of financial assets by enterprises and individuals during the first ten months was hardly any greater than that in 1973, which already represented a slowing down.

The estimates of financial assets for the year as a whole, compared with those for the gross national product at current prices, reveal the slowing-down even more clearly : after having reached a peak in 1972, the rate of financial saving decreased markedly.

Contrary to its trend in 1973, total financial saving in the form of notes and coin, deposits in Belgian francs or foreign currencies with Belgian financial intermediaries and securities in Belgian francs or foreign

currencies, was considerably reduced and the formation of the other financial assets increased greatly, especially that of short-term deposits in Belgian francs with banks abroad; these made the amounts thus gathered available again to the Belgian economy via banks in Belgium.

Table 13.

FINANCIAL ASSETS AND GROSS NATIONAL PRODUCT

	Total formation of financial assets (1)	Gross national product at current prices	Rate of financial savings
	(a)	(b)	(a) : (b)
	<i>(billions of francs)</i>		<i>(percentages)</i>
1969 .....	132	1,159	11.4
1970 .....	171	1,292	13.2
1971 .....	208	1,411	14.7
1972 .....	279	1,574	17.7
1973 .....	291	1,783	16.3
1974 ..... e	300	2,070	14.5

(1) See Table 12, item B. 1.

The composition of the new financial assets reflected a certain turning away from long-term assets which expressed itself mainly in the appreciable decline in net purchases of long-term foreign securities coupled with a more than proportional increase in the afore-mentioned formation of short-term deposits in Belgian francs abroad. By this last-mentioned form of investment, individuals secured a distinctly higher gross yield than could have been obtained in Belgium and escaped payment of Belgian taxes. This concern with obtaining a better yield should be viewed in conjunction with the rise in prices; the extent of the price increase has meant that, despite the successive increases in the rates for all fixed-income non-monetary financial assets, the real yields have remained negative in Belgium, in any case for investments at not more than one year, and even for those at longer term if, on average throughout their life, the rise in prices were to be, as in 1974, greater than the nominal yields.

Unless otherwise stated, the following account concerns the part of financial assets formed during the first ten months of the year in the form

of notes and coin, deposits in francs or foreign currencies with Belgian financial intermediaries, and securities in francs and in foreign currencies.

Table 14.

PRINCIPAL FINANCIAL ASSETS (1)

(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	
1969 .....	+ 4.9	+ 89.5	+6.8	-( - 1.1)	+102.3	+ 5.9	+14.8	+20.7	+123.0
1970 .....	+32.6	+102.5	+2.0	-( + 1.3)	+135.8	- 3.3	+14.0	+10.7	+146.5
1971 .....	+37.8	+151.2	+8.0	-( + 5.1)	+191.9	- 1.7	+20.9	+19.2	+211.1
1972 .....	+61.2	+169.1	+4.1	-( + 4.1)	+230.3	- 0.5	+31.5	+31.0	+261.3
1973 .....	+41.5 <sub>p</sub>	+209.0	+4.4	-( + 3.4)	<sub>p</sub> +251.5	+ 2.7	+25.4	+28.1 <sub>p</sub>	<sub>p</sub> +279.6
1973 First 10 months	+25.2 <sub>p</sub>	+166.1	+1.6	-( + 3.0)	<sub>p</sub> +189.9	+ 1.5	+24.2	+25.7 <sub>p</sub>	<sub>p</sub> +215.6
1974 First 10 months	+25.2 <sub>p</sub>	+132.1	<sub>p</sub> +2.9	-( - 2.9)	<sub>p</sub> +163.1	+ 5.9 <sub>p</sub>	<sub>p</sub> + 7.6	<sub>p</sub> +13.5	<sub>p</sub> +176.6

(1) Held by individuals and enterprises (other than financial intermediaries), including public operating organisations and certain financial intermediaries which could not be excluded in 1974 : 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 15.

(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.

The formation of financial assets in foreign currencies in the form of deposits with Belgian banks and net purchases of foreign securities fell, for this period, from Fr. 25.7 billion in 1973 to Fr. 13.5 billion : while net purchases of securities declined, for the reasons mentioned above, from Fr. 24.2 to 7.6 billion, the constitution of deposits in foreign currencies rose from Fr. 1.5 to 5.9 billion.

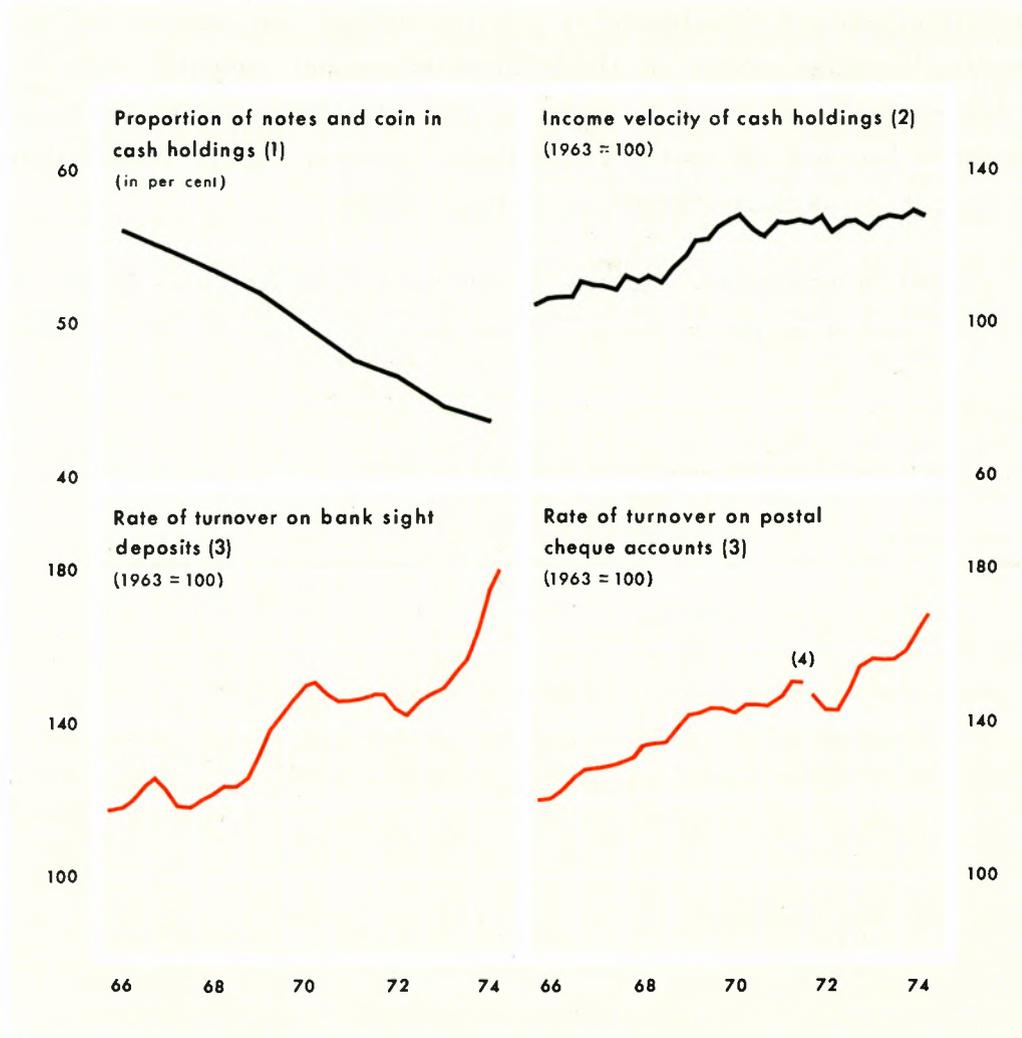
Among financial assets in Belgian francs, cash holdings increased by the same amount as in 1973, namely Fr. 25.2 billion. Thus their rate of growth fell considerably short of that of the gross national product in current prices, so that their income velocity rose further. The same applied to the rate of turnover on bank sight deposits and postal cheque accounts. The general rise in interest rates undoubtedly induced

enterprises and individuals to limit their holdings of assets which were not profitable or whose yield had remained unchanged.

The proportion of notes and coin in total cash holdings declined further, going down from 44.6 p.c. at the end of October 1973 to 44 p.c. a year later.

Chart 26.

COMPOSITION AND UTILISATION RATE OF CASH HOLDINGS



(1) 1974 : 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 of the Free University of Brussels.  
 (3) Monthly averages per quarter, seasonally adjusted. See Annex 6, Table 8.  
 (4) For statistical reasons, the figures for 1972 to 1974 are not fully comparable with those for the preceding years.

The constitution of deposits on ordinary deposit or savings books continued to slow down : it amounted to only Fr. 17.9 billion, against Fr. 46.4 billion in 1973 and Fr. 63 billion in 1972. It is true that in the first six months of the year the yield on these deposits was raised by 0.75 p.c., in three stages, for the basic rate and by 0.25 p.c. for the fidelity premium. But these increases obviously were not sufficient to prevent a new move away from these deposits to other financial assets. Consequently, from 16th September the fidelity premium was raised by a further 0.50 p.c., while for the period from that date to 31st December an encouragement premium of 1 p.c. per annum was allowed on the weighted average increase in the balance on account compared with the balance on 15th September. By the end of October, however, these measures had not yet had any significant influence on the constitution of deposits on ordinary deposit or savings books.

Other non-monetary deposits at not more than one year increased less fast than in the previous year, having gone up by only Fr. 28.8 billion,

Table 15.

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)	
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	+ 15.9	+ 13.5	+ 81.8	+ 70.7	+151.2
1972 .....	+ 87.3	+ 11.1	+ 4.7	+ 70.7	+ 62.7	+169.1
1973 .....	+ 69.0	+ 45.2	+ 40.3	p+ 94.8	p+ 91.3	p+209.0
1973 First 10 months ...	+ 46.4	+ 37.3	+ 35.6	p+ 82.4	p+ 77.7	p+166.1
1974 First 10 months ...	+ 17.9	p+ 28.8	p+ 28.8	p+ 85.4	p+ 86.7	p+132.1

(1) See Annex 6, Table 9.

(2) Deposits at fixed date and at notice, at over 30 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 30 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.

against Fr. 37.3 billion in 1973. In particular, the formation of large deposits at fixed date and at notice slowed down distinctly, especially in the third quarter. This phenomenon might be partly attributable to the trend of the profit position of enterprises : after having been definitely improving in 1973 and the first half of 1974, this would appear to have shown a less favourable trend thereafter. The rates for large deposits rose until the middle of the year; from the end of July onwards a downward trend became apparent.

On the other hand, ordinary deposits at fixed date and at notice went up much more than in 1973, a fact which is all the more striking because at the same time the formation of short-term deposits in francs with foreign banks showed a marked quickening. The standard rates paid on the above-mentioned ordinary deposits were raised several times, the increase amounting altogether to 1.35 to 1.75 p.c. depending on the duration of the deposits. Thus the yield on ordinary time deposits remained appreciably higher than the basic rates allowed on deposits on ordinary deposit or savings books. The upward movement of the standard rates did not, however, continue during the last months of the year; a first downturn even took place when the banks, in order to be able to lower their debtor interest rates, made reductions in November, ranging from 0.25 to 0.50 p.c., in the rates allowed on time deposits at up to 6 months.

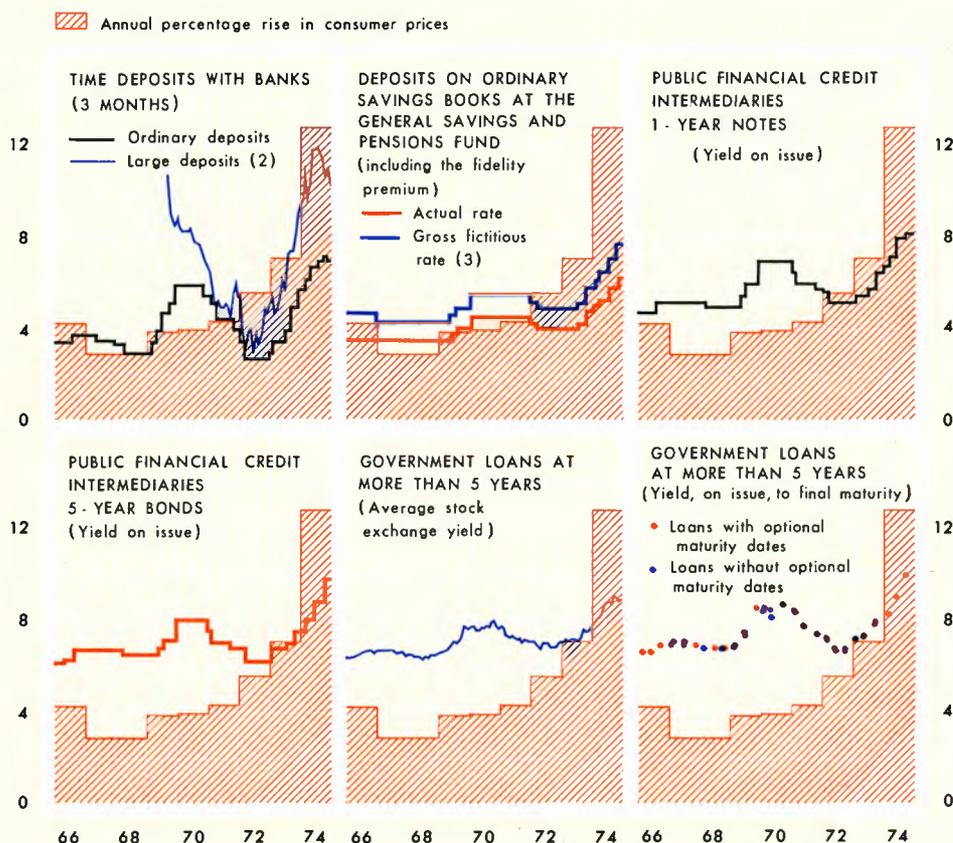
Enterprises and individuals formed, during the first ten months, fixed-income financial assets at medium and long term amounting to Fr. 85.4 billion, against Fr. 82.4 billion in 1973. Deposits at over one year decreased by Fr. 1.3 billion, whereas they had increased by Fr. 4.7 billion the previous year. On the other hand, net investments in bonds and medium-term notes rose substantially, having amounted to Fr. 86.7 billion, against Fr. 77.7 billion. These financial assets were better received, especially towards the end of the year under review, when the public, after the rise which had taken place, began to believe that rates had reached their maximum level. The rates for medium-term notes and bonds issued by the public credit institutions were in fact increased by 1.50 to 2.25 p.c., while the yield on Government bonds to the holder

to final maturity, which was 7.98 p.c. for the 1973-1987 loan issued in September 1973, rose to 10.02 p.c. for the 1974-1982 loan issued in September 1974.

Chart 27.

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 13.

(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. 15,000 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.

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 1973, this decline having been mainly accounted for by those of the central Government. The relative proportion of subscriptions by enterprises and individuals in net total issues rose from 51.8 p.c. for the first ten months of 1973 to 60.3 p.c. in 1974. On the other hand, the share of the mainly monetary institutions, and especially the banks, decreased fairly considerably.

The amounts paid in cash on public issues of equities increased, although still representing only a very small proportion of the total of new financial assets formed.

b) *Financial liabilities.*

The total of the financial liabilities <sup>(1)</sup> of enterprises and individuals increased more than in the previous year. Its trend is described below, first according to the nature of the users of the credits and then according to the channels of supply of these credits.

The most marked increase in financial liabilities was mainly due to the growth in external financing by enterprises. These substantially increased their long-term liabilities, as a result of a steady volume of fixed capital formation. They also expanded their short-term liabilities, especially in the first months of the year when their stocks of producer goods were swelling and their net commercial claims on foreign countries were rising owing to the greater confidence shown in certain foreign currencies than in the Belgian franc. Later, when the speculative fever on the raw material markets had passed its peak, demand by enterprises for short-term credit eased; it was also curbed by the very appreciable rise in its cost, which took place in the second quarter as a result of the new measures adopted to reduce the supply of credit; around the same time the amount of enterprises' net commercial claims on foreign countries decreased, mainly because of greater confidence in the Belgian franc.

<sup>(1)</sup> Financial liabilities do not include enterprises' commercial debts to foreign countries (mainly contracted in connection with imports), which are directly deducted from commercial claims on foreign countries (mainly formed through exports) to form the net commercial claims on foreign countries shown under item B. 1.2. « Other financial assets », of Table 12.

Altogether, individuals, too, had greater recourse to credit than in 1973. Their use of mortgage loans continued, as in the previous year, to increase substantially, owing to the lively housebuilding activity and, above all, the sharp rise in prices in this sector. On the other hand, their recourse to credit for financing consumer expenditure went up less strongly than in 1973 : firstly, purchases of certain durable consumer goods, especially motor cars, slowed down; secondly, the regulations governing instalment credit were made even stricter in July.

Enterprises and individuals resorted to various channels of credit supply : enterprises contracted financial liabilities to foreign countries, issued shares and bonds and, like individuals, had recourse to credit from Belgian financial intermediaries.

Belgian enterprises' **financial liabilities to foreign countries** increased, for the first ten months, by Fr. 30 billion, against Fr. 17 billion in 1973. Enterprises contracted more short-term financial liabilities abroad, especially from the second quarter onwards, when domestic short-term bank credit was becoming more expensive and in shorter supply, partly owing to the direct limitation on bank credits used. Their long-term liabilities to foreign countries also increased, as in previous years, mainly in connection with the formation of enterprises or the acquisition of holdings in enterprises in Belgium by non-residents.

Enterprises' liabilities in the form of **shares and bonds** went up by Fr. 18 billion, against Fr. 8 billion. This item includes, in addition to the issues actually made, the short-term advances resorted to by public operating organisations to pre-finance bond issues; the increase mentioned was mainly due to these advances.

Unlike financial liabilities to foreign countries and net issues of shares and bonds, and mainly owing to the measures of monetary policy, **used credits from Belgian financial intermediaries** did not show a larger rise than in the previous year : they increased, during the first ten months by only Fr. 99 billion, or 10.3 p.c., against Fr. 99.6 billion or 11.9 p.c. the

previous year. Their expansion was substantial during the first months of the year, but later slowed down markedly.

The divergent trends which characterised the various categories of credits, distinguished according to the nature of the users and the duration of their financial requirements, can also be detected in the trend of the amounts used from the various categories of financial intermediaries, each of which specialises in a certain type of lending.

Table 16.

CHANGES IN CREDITS FROM BELGIAN FINANCIAL INTERMEDIARIES  
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>									
1969 .....	+12.2	+ 0.6	+12.8	+21.1	+ 4.3	+10.0	+ 8.5	+43.9	+ 56.7
1970 .....	+24.9	- 0.2	+24.7	+18.3	+ 5.7	+ 5.1	+ 8.8	+37.9	+ 62.6
1971 .....	+34.1	+ 0.9	+35.0	+13.6	+ 8.3	+ 8.4	+ 7.3	+37.6	+ 72.6
1972 .....	+52.0	+ 0.2	+52.2	+ 8.9	+ 8.1	+18.0	+11.4	+46.4	+ 98.6
1973 .....	+55.7	+ 0.2	+55.9	+24.4	+ 9.1	+22.7	+19.1	+75.3	+131.2
1973 First 10 months	+40.4	- 2.1	+38.3	+19.0	+ 9.3	+17.2	+15.8	+61.3	+ 99.6
1974 First 10 months	+33.2	- 2.5	+30.7	+23.9	+10.4	+16.5	+17.5	+68.3	+ 99.0
<i>B) As percentage increase in comparison with amount outstanding at end of previous year</i>									
1973 First 10 months	+12.8	-63.2	+12.0	+ 9.9	+11.7	+12.4	+15.3	+11.9	+ 11.9
1974 First 10 months	+ 9.0	-70.7	+ 8.2	+11.0	+11.8	+10.2	+14.2	+11.6	+ 10.3

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

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

Uses of bank credits, primarily short-term credits to enterprises, increased exceptionally fast at the beginning of the year, but during the subsequent months, marked by the introduction of a system of credit

limitation — which incidentally induced enterprises to resort more to foreign countries for finance — and then by a reversal of the cyclical trend, their growth slackened appreciably. For the first ten months as a whole, bank credits used finally went up by only Fr. 33.2 billion, or 9 p.c., against Fr. 40.4 billion, or 12.8 p.c., in 1973.

Chart 28.

OUTSTANDING USED AMOUNT OF CREDITS GRANTED TO ENTERPRISES AND INDIVIDUALS (1)

Classified according to the institutions which originally granted them



(1) See Table 16.

Although enterprises' substantial long-term credit requirements were partly met by other channels and especially by increased issuing of shares and bonds, they also affected the public financial intermediaries specialising in business lending and the private savings banks, for which latter business lending does not, however, occupy an important position in the total of credit granted, while drawings by enterprises on long-term credits from the General Savings and Pensions Fund were, for the first ten months, distinctly smaller than in 1973. On the other hand, additional recourse to credit from that institution for the financing of housing was greater than in the previous year, as was also that from private savings banks and the public financial intermediaries specialising in the loans in question.

Actual recourse by enterprises and individuals to borrowing from financial intermediaries specialising in long-term credit and, more especially in the granting of housing loans would doubtless have been greater if the supply of this credit had not been curbed by the measures adopted as part of the anti-inflationary policy.

The growth in credits opened at Belgian financial intermediaries slowed down.

The total of credits opened by banks showed a further increase, for the first eleven months, of only Fr. 45.3 billion, against Fr. 86 billion the previous year. This very moderate expansion, like that in uses of credit, occurred for the most part in the first months of the year, when bank credits opened were not yet subject to limitation; from April onwards their growth was only very slight. The rate of use of bank credits thus exceeded its corresponding 1973 level.

For the first eleven months as a whole, the amount of new credits granted by private savings banks and public sector financial intermediaries barely increased for business lending and declined for housing loans. This development, which took place despite the appreciable rise in prices of fixed capital goods in general and in building costs in particular, is at least partly attributable, on the demand side, to the increased scale of self-financing,

the high level of debtor rates and, towards the end of the period in question, the effect of the limitation on the amount of mortgage registrations in relation to the sales value of the dwellings, imposed by the Royal Decree of 5th August. Furthermore, financial intermediaries were in some cases induced to reduce their supply as a result of the authorities' restrictive measures.

Table 17.

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 .....	+ 12.2	+ 89.4	+101.6	54.8	37.1	29.8
1973 .....	+ 8.7	+ 85.9	+ 94.6	59.3	39.5	33.8
1973 First 11 months .....	+ 8.8	+ 77.2	+ 86.0	56.1	36.4	31.3
1974 First 11 months .....	p+ 3.8	p+ 41.5	p+ 45.3	56.5	33.6	30.6

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

New credit authorisations granted for housing by the public sector financial intermediaries were influenced by the specific restrictive measures temporarily adopted by the General Savings and Pensions Fund during the third quarter, at the time when the growth of its resources was no longer keeping pace with new credit applications.

The cost of credit rose appreciably during the year. Especially in the second quarter, the banks substantially raised the interest rates for overdrafts, which since December 1973 have no longer been fixed on the basis of the Bank's rate for advances, and also those for discount and acceptance credits. In view of the slackening of economic activity, the cost of short-term credit to enterprises was reduced somewhat in October; discount and acceptance credits then became generally subject to the

system, already applied by some banks since the third quarter, of rates fluctuating in response to market rates, and especially the rates quoted on the market outside the National Bank, conducted by the Rediscount and Guarantee Institute, for paper not counted against the rediscount ceilings. On the other hand, the very high rates for long-term credits did not yet begin to decline. Lastly, the maximum rates chargeable for instalment credits to individuals were raised, until the end of May 1975, by a Royal Decree of 18th September.

### **FINANCIAL INTERMEDIARIES.**

About 51 p.c. of the new financial assets of enterprises and individuals were constituted, during the first ten months, directly with Belgian financial intermediaries, against 66 p.c. in 1973. As total formation of financial assets, including deposits in Belgian francs at foreign banks, showed little change in its absolute amount, the new resources which the above-mentioned intermediaries obtained directly in Belgium were appreciably smaller than in the previous year; furthermore, there was a change in the share of the various categories of intermediaries concerned in the total funds raised.

The increase in the Bank's monetary liabilities was of the same order of magnitude as the previous year.

The banks, for their part, experienced an appreciable reduction in the new resources coming direct from individuals and enterprises. This trend is not as strongly marked for the total of the Belgian banks' resources : they obtained more funds in francs from their foreign correspondents, which thus made available again to the Belgian economy the large franc deposits constituted with them by individuals and enterprises.

The smaller formation of deposits on ordinary deposit or savings books affected the growth in the non-monetary financial intermediaries' resources, but was partly offset by the larger amounts of funds devoted by individuals

and enterprises to purchases of bonds and medium-term notes issued by these intermediaries and to the formation of ordinary deposits at fixed date and notice with them.

Table 18.

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

(Billions of francs)

	National Bank of Belgium (1)	Monetary Fund and Postal Cheque Office	Banks	Public sector non-monetary financial intermediaries	Private savings banks, mortgage and capital-accumulation companies	Total	Total as percentage of total financial assets (2)
1969 .....	- 1.0	- 2.0	+ 41.4	+ 28.6	+ 13.7	+ 80.7	61.1
1970 .....	+ 5.1	+ 6.1	+ 38.9	+ 42.6	+ 16.4	+109.1	63.8
1971 .....	+ 13.3	+ 0.6	+ 59.5	+ 59.5	+ 25.9	+158.8	76.3
1972 .....	+ 20.5	+ 11.1	+ 77.0	+ 56.9	+ 31.7	+197.2	70.7
1973 .....	+ 14.6	+ 1.7	+ 88.4	p+ 74.6	p+ 34.5	p+213.8	p 73.5
1973 First 10 months ...	+ 5.1	+ 1.7	+ 71.6	p+ 54.4	p+ 25.5	p+158.3	p 66.2
1974 First 10 months ...	+ 5.0	+ 2.8	+ 48.1	p+ 49.2	p+ 20.1	p+125.2	p 50.7

(1) Mainly the outstanding amount of notes issued, less the part held by banks.

(2) Changes in financial assets held with all the financial intermediaries as a percentage of the total of item B. 1. of Table 12.

The very distinct preference, analysed earlier, displayed by individuals and enterprises for short-term deposits in Belgian francs at foreign banks exerted a strong influence on the trends of, on the one hand, the liabilities of the mainly monetary institutions and, on the other hand, of the counterparts of these liabilities. For if these deposits had been formed at Belgian banks, the growth in the above-mentioned liabilities would have been correspondingly larger; as a counterpart to this, the net total of individuals' and enterprises' current transactions and capital movements with foreign countries, including the Grand Duchy of Luxembourg, would have been positive, as in 1973, instead of being negative.

Among the other origins of the changes in the money supply and in the banks' non-monetary liabilities, the increase in credits to individuals and enterprises and financing of the public authorities also slowed down

appreciably. On the other hand, the monetary reserves constituted by the non-monetary financial intermediaries decreased substantially and therefore no longer exerted a restrictive effect as they had done in 1973, when they had increased by Fr. 6.5 billion.

Table 19.

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		Trans- actions with foreign countries (3)	Credits to enterprises and individuals (4)	Financing of the public authorities (5)	Mone- tary reserve of non- mone- tary financial intermediaries (6)	Miscel- laneous
		at up to one year (2)	at over one year							
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	- 4.1	+ 2.7
1973 .....	+46.7	+55.7	+ 6.2	+ 2.7	+111.3	+19.8	+55.9	+45.3	- 8.3	- 1.4
1973 First 10 months	+28.0	+45.7	+ 7.0	+ 1.5	+ 82.2	+ 9.4	+38.3	+37.7	- 6.5	+ 3.3
1974 First 10 months	+23.8	+23.2	+ 2.1	+ 5.9	+ 55.0	p-14.7	+30.7	p+23.6	+ 6.2	p+ 9.2

(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 16.

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

(6) Increase (-); decrease (+).

From what has been stated above it emerges that both the interest rates paid on most of the financial intermediaries' resources and those charged to borrowers rose appreciably. This does not necessarily mean that the financial intermediaries' margin for their function as such — the difference between the average of their debtor rates and that of their creditor rates — remained unchanged. The situation in this respect can differ from one category of financial intermediaries to the other. In particular, an increase in rates — both debtor and creditor — can only be applied to new transactions or when transactions are renewed.

Consequently such a rise, either immediately or within a short time, affects all the existing amounts of resources and uses at sight or at short term; on the other hand, it only gradually comes to apply, over a fairly long period, to the outstanding amounts at medium and long term.

In the case of the banks a certain proportion of uses, more particularly the public securities portfolio, is at medium and long term, so that to this extent the yield on these uses has not been fully adjusted. However, the greater part of resources is at short term; in addition, the relative importance of the more expensive resources must have increased, mainly owing to the exceptional expansion of deposits in Belgian francs obtained through foreign correspondents; on the other hand, the rate for sight deposits was not changed and the rates for ordinary time deposits went up less than those at which credits are granted to enterprises and individuals.

For most savings banks the important factor is that a substantial proportion of resources are demandable at short term and were therefore affected by the rise in creditor rates, while the rise in debtor rates affected only a part of investments, because these are mainly at medium and long term. However, the rates paid on deposits on ordinary deposit or savings books rose less than the yields on certain other investments with financial intermediaries.

In the case of institutions such as the public financial credit intermediaries, the greater part of whose resources and uses are at medium and long term, the rise in rates affected only a limited proportion of the balance sheet totals.

#### **AGREEMENT AND RECOMMENDATIONS CONCERNING MEASURES OF MONETARY POLICY.**

The Bank on several occasions adapted the methods of the monetary reserve system which has been in existence since 20th November, 1972. Faced by particularly changeable circumstances it deliberately limited to short periods the validity of the measures which it adopted in this

connection and which were the subject of the agreement concluded on 31st January, 1974 between it and the main financial intermediaries for the period from 1st February to 31st March and of three subsequent recommendations issued respectively on 29th March, 28th June and 31st October. For technical reasons, different periods were adopted in the case of life assurance companies and employers' liability insurance companies.

The extension measures introduced in the form of recommendations were adopted on the basis of the law of 28th December, 1973 concerning the budget proposals for 1973-1974. In accordance with this law, the contents of the recommendations were in each case made the subject of prior consultations with the financial intermediaries concerned or their representative bodies. Under the above-mentioned law the Banking Commission, at the Bank's request, gave compulsory force to the recommendations issued, respectively, for the periods from July to the end of October and from November to the end of January 1975 to the banks, the latter having themselves expressed the wish that this be done.

The adaptations introduced applied at once to all three elements of the system : the monetary reserve on liabilities, the credit regulations and the obligations concerning the maintenance of the structure of holdings of public paper. At the beginning of the year, when it could be feared that the oil crisis would quickly have an adverse effect on the economic situation, the purpose of these adaptations was to ease the restraints somewhat while at the same time allowing for the possibility of a deterioration in the balance of payments. Subsequently the runaway expansion of demand made it necessary to tighten the measures designed to curb the expansion of lending by the financial intermediaries. Finally, when the signs of a cyclical easing became apparent, relaxations were introduced.

*a) Monetary reserve on liabilities.*

Owing to the worsening of the balance of payments prospects, and in order to supplement other measures, already described, by the Belgian-

Luxembourg Foreign Exchange Institute, the agreement of 31st January, 1974 abolished the reserve requirement applying jointly to convertible accounts held by non-residents in Belgian francs and the debtor spot position in foreign currencies of the regulated market. The former 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; the latter required a reserve of 100 p.c. on any increase compared with the reference period of 1st-10th February, 1973. The funds sterilised in this way, namely Fr. 5.8 billion, were released.

The liabilities constituted by other deposits and medium-term notes were taken into account, at the beginning of 1974, to the extent of 5, 1.875 and 0.625 p.c. respectively, depending on whether they were at sight, at not exceeding two years, including deposit books, or for longer terms.

The transformation, at the end of March, of the system of a reserve on credits — which will be discussed further on — into a system of limitation made it possible slightly to lower the coefficient applying to the longest categories of liabilities. Thus the level of the latter was reduced to 0.9 p.c. for liabilities at not more than two years and to 0.3 p.c. for liabilities for terms beyond two years; the latter coefficient had already been slightly adjusted by the agreement of 31st January, which had lowered it to 0.5 p.c. These adaptations gave the institutions in question an incentive to borrow in the forms which are least liquid for those providing the funds, that is, the least likely to be used at short notice to cover expenditure.

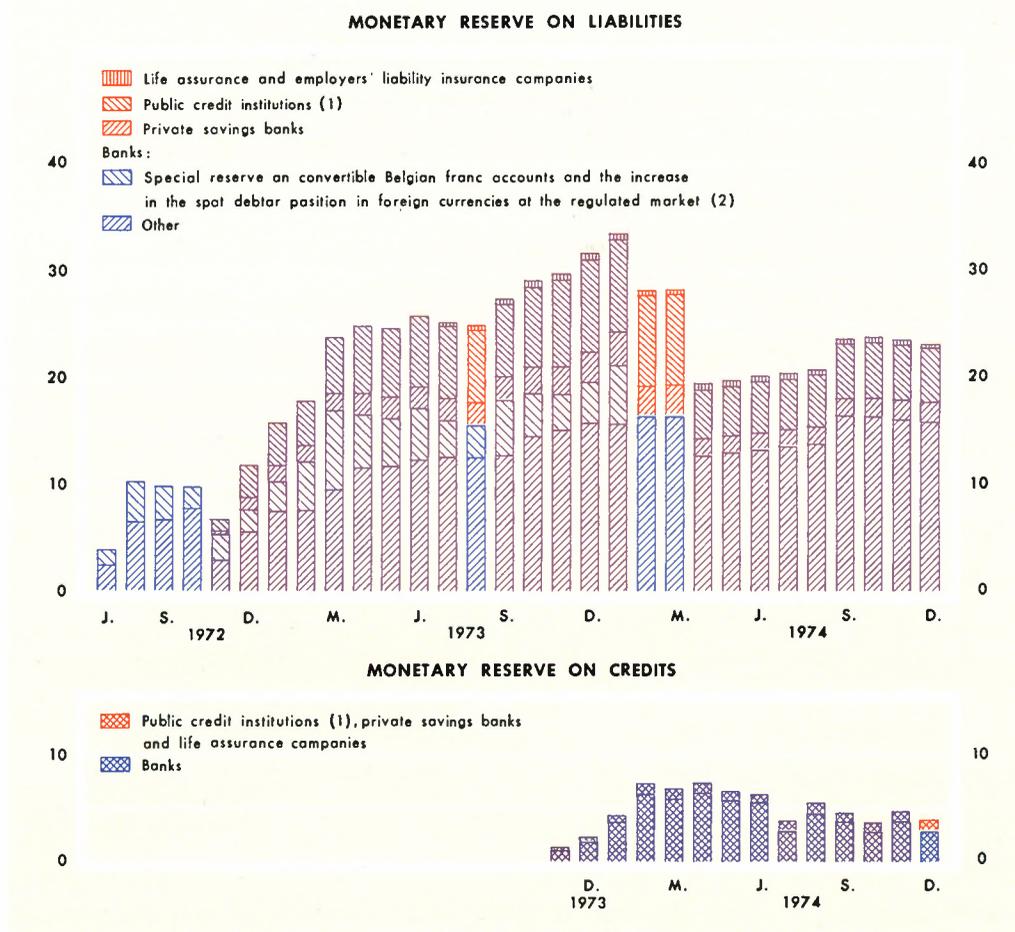
The recommendation of 29th March also established a link between a set of the Bank's assets and the monetary reserve to be formed. This mechanism, which was supplemented by the next recommendation, is designed to neutralise the effects, on the financial intermediaries' cash holdings, of movement unconnected with their lending activity, such as the changes in the Bank's foreign assets or in the Treasury's recourse to the Bank; these movements are reflected in fluctuations in various of the Bank's assets. When such changes take place — they must amount

to at least Fr. 4 billion — the reserve coefficient on sight liabilities is adapted in such a way that the reserve is lightened or made heavier, as the case may be, to the extent of 50 p.c. of the amount of the change in the assets <sup>(1)</sup>. For it has been established that, taking into account various factors and especially the keeping of part of cash holdings in the form

Chart 29.

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 1973, Central Office for Mortgage Credit and National Institute for Agricultural Credit.

(2) This special reserve was abolished with effect from February 1974.

(1) The reserve coefficient on liabilities at not more than two years can also be lowered if the reduction to 0 p.c. of the coefficient on sight liabilities is insufficient to offset the decrease in the Bank's assets.

of banknotes, a change in these assets leads, to the extent of one-half, to a change in monetary deposits formed with financial intermediaries and thus in the latter's cash holdings.

This mechanism was applied on 20th September : as the Bank's assets had increased by Fr. 5.9 billion in comparison with the ten-day reference period 5th-14th April, the reserve coefficient on sight liabilities was raised to 6.2 p.c., at which level it has since remained.

By virtue of the recommendation of 28th June and at the request of the Minister of Finance, the financial intermediaries were allowed to constitute the reserve, to the extent of a total amount of Fr. 6 billion, in the form of special three-year Treasury certificates; on these the Treasury pays 6 p.c. to the holders and 3 p.c. to the Creditexport Association.

Lastly, according to the recommendation of 31st October, the monetary reserve which each financial intermediary has to constitute on its liabilities no longer increases in line with the latter; on the other hand, it decreases if these liabilities decline; it can however still be adapted depending on the trend of a set of the Bank's assets, but only after consultation between the latter and the Minister of Finance. Twice during December these assets exceeded the adaptation thresholds, but the reserve coefficient was not raised in order to avoid making the money market tighter and impeding the downward movement of interest rates.

*b) Monetary reserve on credits and direct credit limitation.*

The relaxations decided upon at the end of January owing to the uncertainties resulting from the oil crisis took the form, in particular, of modifications to the reserve system relating to credits. Whereas under the agreement of 28th September, 1973 any increase in credit gave rise to the constitution of a reserve, henceforth it was only above an exempted amount that a reserve had to be formed according to a scale of progressive coefficients : for the banks these coefficients were applicable to the outstanding used amounts and were 7, 20 and 30 p.c. respectively, while for the other financial intermediaries they applied to credits opened and were 3.5, 10 and 15 p.c. respectively.

By the end of March it had become clear from experience that the pressure of demand for credit was such that the deterrent represented by the additional and progressive cost of the reserve, passed on by the financial intermediaries to their customers, was losing some of its effectiveness : while the reserve on credits ought normally to stay at a relatively low level if the moderating effect were achieved, it amounted on 20th March to the very large sum of Fr. 6.6 billion. Consequently the recommendation of 29th March applying to the period from April to the end of June changed the nature of the system for credits : it fixed quantitative limits to credit expansion, any amounts exceeding these limits being subject to a larger reserve than in the past — 30 or 60 p.c. for the banks and 15 or 30 p.c. for the other financial intermediaries, depending on the extent of the excess — and the excess amount being expected, without prejudice to other penalties, to be eliminated as soon as possible.

The banks were allowed to increase the use of their credits on the basis of an annual rate of 17 p.c., against an actual growth of 24 p.c. during the first quarter. The system introduced also included a special arrangement for three categories of credits, namely import credits represented by acceptances with visa or certification — for which a higher rate of expansion was permitted than that in other credits in order to allow for the exceptionally large rise in the price of imported producer goods — Creditexport credits and capital investment credits subsidised or guaranteed by the public authorities, the last two categories of credits having been exempted from restriction.

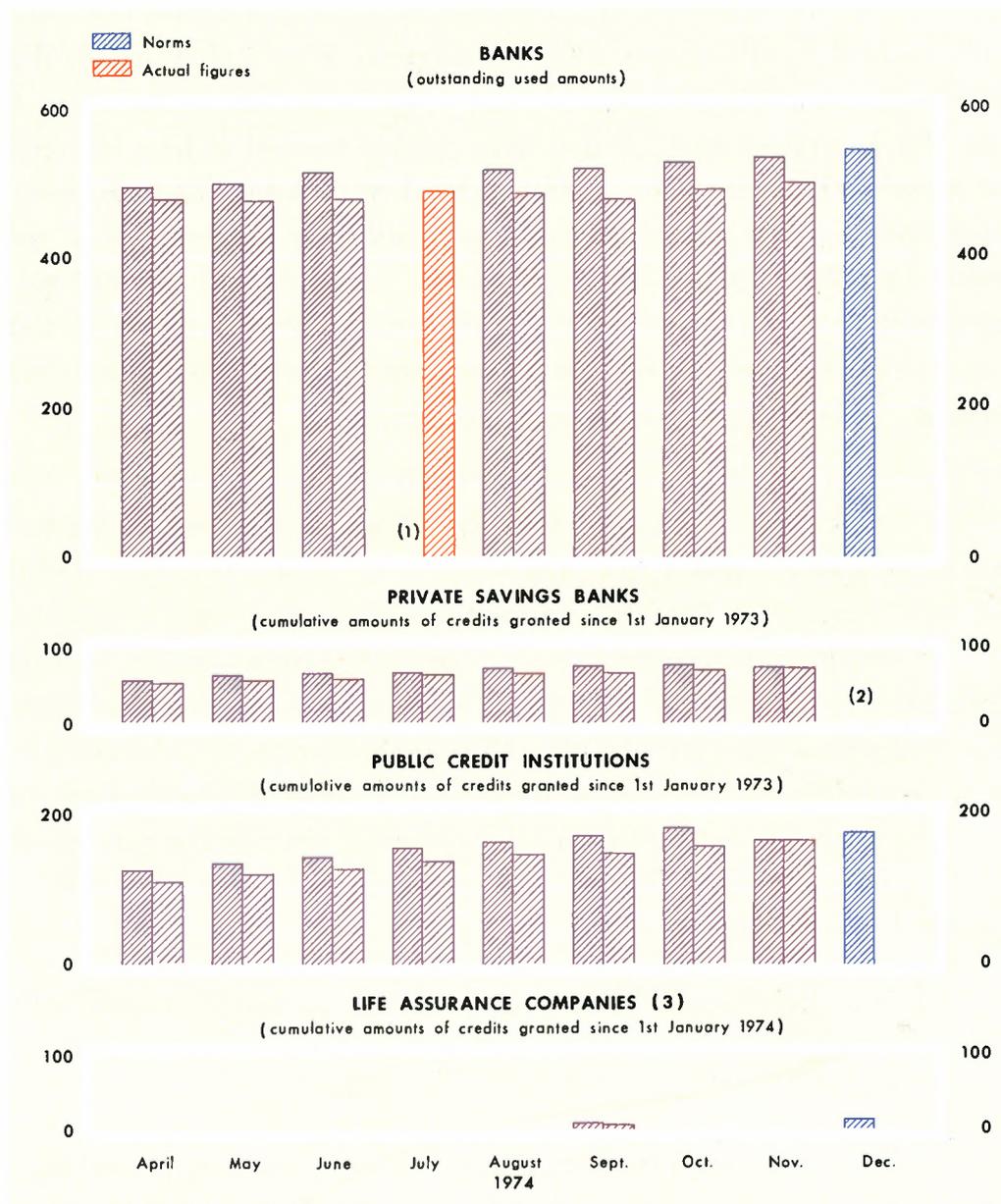
Although they cannot be accurately measured, credits opened were also subjected to limitation, since they enable enterprises to incur expenditure.

In accordance with the programme for the fight against inflation submitted by the Government on 6th and 14th June to the National Committee for Economic Expansion, the recommendation of the 28th of that month, covering the period from 1st July to 31st October, further tightened the system of credit restraint : stricter norms were fixed, limiting

Chart 30.

LIMITATION OF CREDIT : NORMS AND ACTUAL FIGURES

(In billions of francs, end of month)



(1) No norm on 31st July 1974.  
 (2) No norm on 31st December 1974.  
 (3) Main companies.

the credit expansion to an annual rate of around 14 p.c., a percentage close to the foreseeable growth in the national product at current prices; the selectivity described earlier was abolished, except that credits opened by Creditexport remained free; furthermore, the financial intermediaries were strongly urged to give priority, within the overall norms, to the three categories of credits which previously benefited by a special arrangement and to be particularly restrictive with regard to instalment loans and also with regard to credits for the building of non-social dwellings. Another tightening consisted of a more precise definition of the credits covered by the recommendation : these were defined as comprising all credits in the granting of which a part is played directly or indirectly by a bank.

Owing to the changes in the economic situation from the third quarter onwards, relaxations were introduced by the recommendation of 31st October. Thus the annual rate of credit expansion tolerated was raised from 14 to 16 p.c., it being understood that this expansion would take place partly by a certain utilisation of the available margins, which were particularly large at the end of October. However, the new norm no longer includes Creditexport credits, henceforth free of restriction. As for the financing of exports for which payment is to be made at short term, represented by acceptances with visa and certification, their permitted percentage increase was raised to 24 p.c. Moreover, special measures were adopted to ensure adequate financing of medium-sized and small enterprises, the banks being called upon, in particular, to give priority treatment to applications from these enterprises.

The credit system applicable to **financial intermediaries other than the banks**, which is based on credits opened, was subjected, *mutatis mutandis*, to the same adaptations as have been described above. The new medium and long-term credit authorisations granted by the Belgian Municipal Credit Institution to the local authorities were also subjected to the limitation from 1st July onwards.

Chart 30 shows side by side, for the financial intermediaries to which the recommendations apply, the norms to which credit expansion is subject

and the amount of the credits actually used or granted. At the end of November the available margins amounted for the banks to Fr. 32.4 billion, more than half of which were for the benefit of small and medium-sized or recently created banks, for private savings banks to Fr. 1.8 billion and for public credit institutions to Fr. 3.6 billion. The life assurance companies had at the end of September unutilised margins amounting to nearly Fr. 3 billion.

*c) Maintenance of the structure of holdings of public paper.*

The agreement of 31st January and the subsequent recommendations <sup>(1)</sup> extended the obligations regarding the maintenance and expansion of holdings of public paper, which are designed to reduce the funds available to financial intermediaries for granting credits to enterprises and individuals. This system thus consolidated the restrictive effects of the reserve on liabilities and strengthened the credit restraint system insofar as purchases of public paper do not lead to an increase in government expenditure; it may, however, have induced the Treasury to issue its loans at lower interest rates than would normally have resulted from the state of the market.

The changes made to this system were for the most part confined to changes in the coefficient for investment in public paper and technical adjustments.

After it had been lowered by the agreement of 31st January from 50 to 43 p.c., it was possible for the investment coefficient imposed on banks to be reduced, in view of the strengthening of the system applying to credits, to 41 p.c. from April. However, the recommendation of 28th June raised it again to 43 p.c., at which level it has since been maintained. The

<sup>(1)</sup> The reserve coefficient on liabilities at not more than two years can also be lowered if the reduction to 0 p.c. of the coefficient on sight liabilities is insufficient to offset the decrease in the Bank's assets.

coefficients applicable to the other financial intermediaries varied in the same proportion.

The recommendation of 31st October changed the definition of the liabilities the increase in which determines the purchases to be made : the resources in Belgian francs received by correspondent banks in Belgium are no longer subject to the investment obligations; similarly, Belgian franc loans to these correspondent banks can no longer be deducted from the liabilities which are subject to these obligations. These changes were made, without impairing the effectiveness of the system, because of the difficulties experienced by certain banks, owing to the structure of their balance sheets, in fulfilling their investment obligations.

The effectiveness of the provisions concerning the structure of holdings of public paper is brought out, in particular, by the data for banks : during the twelve months ended October 1974, the additional funds obtained by these institutions amounted to Fr. 95 billion; the proportion of these funds which served to finance credits to enterprises and individuals amounted to Fr. 53 billion, while that absorbed by assistance to the public sector, largely owing to the above-mentioned provisions, came to Fr. 43 billion <sup>(1)</sup>.

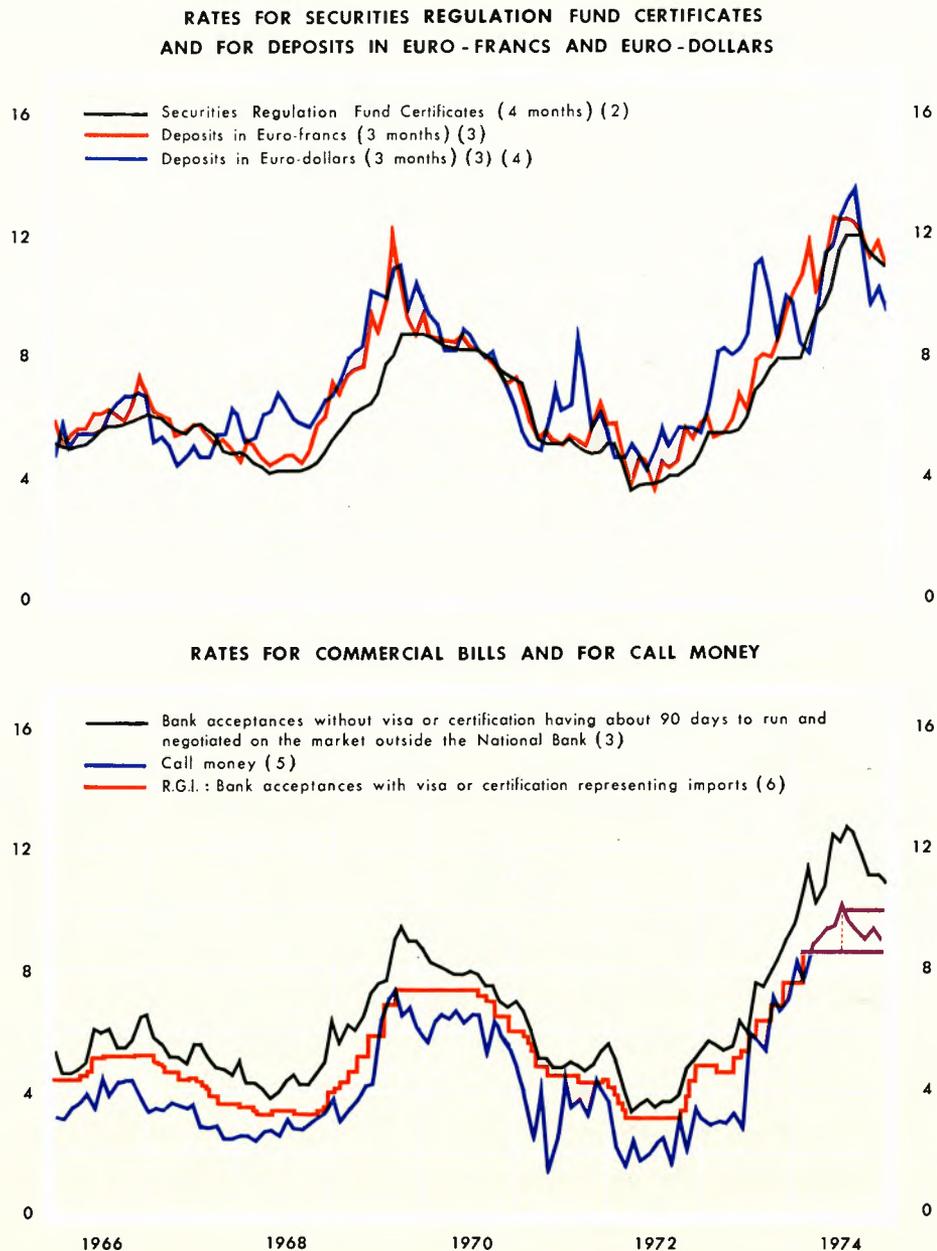
In the Grand Duchy of Luxembourg, the Bank Control Commissioner suspended, on 19th February, the obligation imposed on banks to constitute a monetary reserve on accounts held by non-residents in convertible Luxembourg or Belgian francs and on the spot debtor positions in currencies of the regulated market, parallel with the abolition decided upon in Belgium. The Luxembourg authorities, however, for their part maintained, in the Bank's books, a reserve which at the end of December amounted to Fr. 300 million. The limitation, to normal growth, of lending by banks and savings banks to Belgian enterprises or ones established in Belgium, designed to support — within the framework of the monetary association between the two countries — the credit restriction in force in Belgium, was extended until 30th June, 1975.

<sup>(1)</sup> Not including the three-year special Treasury bills subscribed for in order to constitute part of the monetary reserve on liabilities.

Chart 31.

RATES ON THE BELGIAN MONEY MARKET AND RATES FOR  
THE EURO-FRANC AND EURO-DOLLAR <sup>(1)</sup>

(Per cent)



(1) See Annex 6, Table 14.

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

(3) Rates ruling at end of month.

(4) Rate for investors not arranging forward cover.

(5) Daily averages per month.

(6) Until 31st May 1970 and from 23rd October 1973 : not more than 120 days to maturity. Between these dates : from 61 to 120 days to maturity. This is the rate for acceptances counted against the transferring bank's rediscount and visa ceiling at the National Bank of Belgium; from 8th July 1974 onwards the rate is different depending on whether the acceptances are counted against sub-ceiling A (bottom line) or sub-ceiling B (top line).

## MONEY MARKET.

The trend of the money market generally followed the development which occurred in the international money markets and, more particularly, in the Euro-dollar market.

Except for a slight easing at the beginning of the year, these markets were characterised by tensions which continued until the beginning of September, subsequently slackening somewhat.

In Belgium, the tightening of the money market, which had already begun to appear during the previous year, was further accentuated at the beginning of 1974. The shifting of foreign exchange reserves from the Bank to the banks, which accumulated net spot claims on foreign countries at the expense of their cash holdings in Belgian francs, combined with considerable recourse to credit by enterprises and individuals, created a tension which prevented the momentary easing observed at that time on the international markets from spreading to the Belgian market.

After the usual mid-year tensions, a certain easing became apparent, mainly as a result of a rapid reconstitution of the Bank's foreign exchange reserves and a slowing-down, in comparison with the first quarter, of the expansion in bank credit to enterprises and individuals. A temporary tightening occurred in the last quarter, chiefly owing to the destruction of liquidity by the Treasury in October and particularly in November, and also to a certain upsurge of demand for credit in the latter month; apart from the seasonal movement at the end of the year, a tendency towards easing reappeared in the course of December.

Influenced by these developments and by the trend of interest rates abroad, the rise in short-term rates which had prevailed since 1972 continued during the first seven months of the year. It was most pronounced for the certificates of the Securities Regulation Fund and for other short-term public paper issued by tender or on tap. The rates for these, more « administered » than the rates for commercial paper, had previously risen less than the latter. The differential which had thus

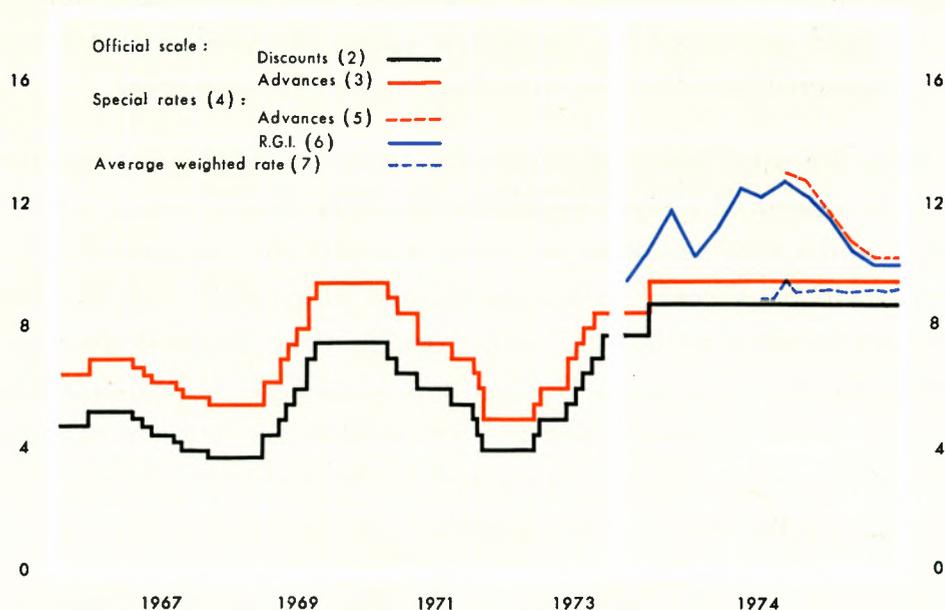
come into being in 1973 had induced the banks and institutional investors to make their short-term investments preferably in commercial bills; during the year this differential gradually disappeared.

In view of the persistence of tensions on the money market and the need to make recourse to bank credit for speculative financing more expensive, the Bank raised the official scale of its rates in February : it increased the basic discount rate from 7.75 to 8.75 p.c. and the rate for advances from 8.50 to 9.50 p.c. Although it did not subsequently make

Chart 32.

RATES OF THE NATIONAL BANK OF BELGIUM (1)

(Per cent)



(1) See Annex 6, Tables 15 and 16.  
 (2) Bills accepted payable at a bank (from 8th July 1974 : bills counted against rediscount sub-ceiling A).  
 (3) From 8th July 1974 onwards this rate is also the discount rate for bills accepted payable at a bank counted against rediscount ceiling B.  
 (4) Rates ruling at end of months. These rates can change from day to day within a range fixed by the Bank's Council of Regency.  
 (5) Rate at which daily utilisations are charged when the monthly quota has been exhausted.  
 (6) Rate applied by the Bank when the Rediscount and Guarantee Institute makes use of its facility for rediscounting at the Bank, within a fixed limit, paper not counted against the banks' rediscount and visa ceilings.  
 (7) Average cost of the financial intermediaries' recourse to the Bank, calculated by taking the mean of the different rates weighted by the outstanding amount of the financing obtained by these intermediaries at these rates. Rates ruling at the middle and end of the month.

any further change in this scale, it introduced various alterations in the financial intermediaries' mobilisation facilities with a view to reducing the amounts which could be obtained at the relatively low rates of its official scale and increasing the amounts granted at special rates — which will be discussed further on — closer to those of the market, which moved upwards until July.

The banks' rediscount and visa ceilings were lowered several times and thus decreased from Fr. 37.8 billion at the end of 1973 to Fr. 31.4 billion at the end of December 1974; their quarterly adjustment to the banks' resources ought to have raised them, on the basis of the coefficient of 5.5 p.c. in force at the end of 1973, to Fr. 43.2 billion. In order to neutralise the effects of this adjustment, this coefficient was lowered to 5.25 p.c. at the end of February and to 4.50 p.c. from 1st May onwards; the last-mentioned lowering also compensated for the effect on the financial intermediaries' liquidity of, firstly, the reduction, from 22nd April, of the coefficient of the monetary reserve on liabilities, other than those at sight, and, secondly, the decision no longer to count against the rediscount ceilings, from 1st April onwards, Creditexport bills with up to one year still to run, provided that they were financed by Creditexport's own pool. Lastly, on 31st August the above-mentioned coefficient was lowered to 4 p.c.; thus the increase in the ceilings in terms of absolute amount which would otherwise have taken place was more than offset.

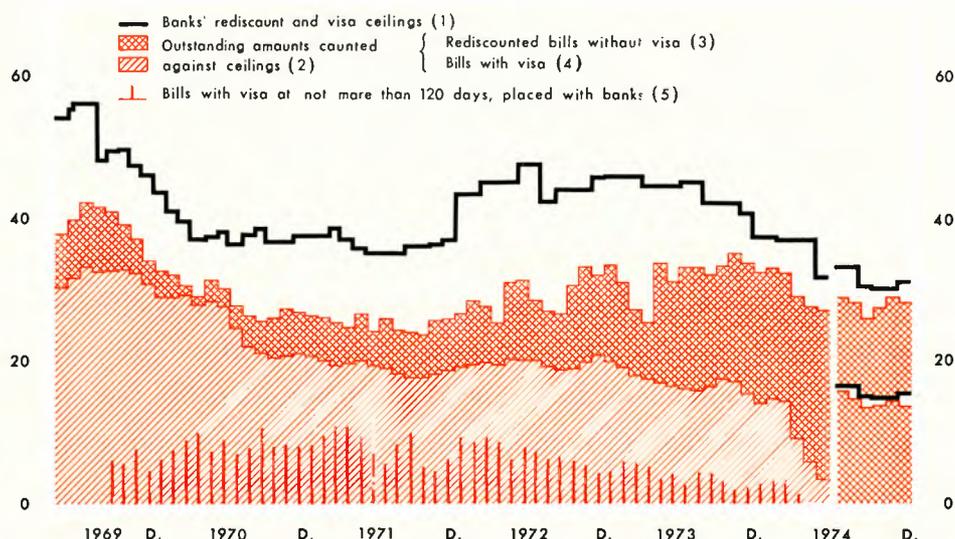
The public credit institutions' rediscount ceilings were reduced in the same proportion as those of the banks.

The available margin within the banks' rediscount ceilings widened from Fr. 5.4 to 11.6 billion during the first four months of the year, but subsequently contracted. After a temporary increase in the third quarter, it became extremely small in October and November : at the end of the latter month it amounted to only Fr. 1.8 billion; this narrowing is attributable to the tightening of the money market which took place at that time, when the ceilings had been reduced. At the end of December the available margin was Fr. 5.1 billion.

Chart 33.

BANKS' REDISCOUNT AND VISA CEILINGS

(Billions of francs)



- (1) Since July 1974 these ceilings have been divided into two equal sub-ceilings A (lower part) and B (upper part).
- (2) Daily averages per month.
- (3) Certified bills and other bills which are rediscountable at the National Bank of Belgium and have actually been mobilised at the latter or on the market outside the National Bank. Since July 1974, including mobilised bills with visa.
- (4) Until June 1974, bills, whether rediscounted or not, with less than two years to run.
- (5) 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 (system in force until June 1974). Data known only from the end of September 1969.

In order to follow market conditions more closely, the method of use of the rediscount ceilings and the conditions of use of advances in current account were fundamentally modified.

Since 8th July the rediscount ceiling of each bank and each public credit institution has been usable :

— to the extent of one-half by rediscounting, either directly at the Bank at its official rate or at the Rediscount and Guarantee Institute at the rate fixed by that institution, of bills with visa or certification or bills representing domestic trade meeting the Bank's eligibility conditions,

provided that these various bills have no more than 120 days to run (sub-ceiling A) :

— to the extent of one-half by rediscounting, only at the Rediscount and Guarantee Institute and at the rate fixed by that institution, of the bills referred to above and also of « Creditexport » bills with visa or certification with over 120 days and not more than one year to run (sub-ceiling B) : the rate which the Bank applies to the Rediscount and Guarantee Institute was fixed at 9.50 p.c., that is, the rate for advances in current account.

In order to give the banks more flexible mobilisation possibilities, the Rediscount and Guarantee Institute decided henceforth to allow the banks to place bills with it « en pension », that is, to transfer them to it with arrangements for repurchases at agreed dates; this placing of bills « en pension » is only allowed under sub-ceiling B.

Moreover, only the amount of the rediscountable bills actually mobilised at the Bank or via the Rediscount and Guarantee Institute has since then been counted against the ceilings; before it was completely replaced by certification, the affixing of the visa on a bill with less than two years to run automatically caused it to be counted against the ceiling. This change had hardly any practical effect because, firstly, the visa was abolished on 1st April and, secondly, the amount of the bills with visa held in the banks' portfolios and therefore automatically counted against the ceilings had become practically negligible even before the entry into force of the decision changing the structure of the ceilings.

The Rediscount and Guarantee Institute's rate for acceptances with visa or certification having up to 120 days to run and representing foreign trade transactions was raised on 4th February from 7.65 to 8.65 p.c. owing to the change in the Bank's official rate. From 8th July onwards, referring to the Bank's decisions, the Institute announced that, for the transactions which it carried out with the financial intermediaries, the rate of 8.65 p.c. remained applicable only to purchases made within the limits of sub-ceiling A, while for those made within the framework of sub-ceiling B the rate was fixed from the outset at 10 p.c. These two

rates underwent no change before the end of the year. The rates applied by the Institute for bank acceptances without visa or certification at 90 days, negotiated on the market outside the National Bank, which was 9.50 p.c. at the end of 1973, rose steadily, except for a few temporary downward movements, up to 13.75 p.c. during the first fortnight of July. Subsequently a downturn became observable, reducing the rate to 11.15 p.c. at the end of October and 10.90 p.c. at the end of December.

From December 1973 onwards the Bank has made available to the Rediscount and Guarantee Institute a special rediscount facility for the mobilisation of paper not counted against the rediscount ceilings. The rate applied by the Bank for this rediscounting can vary from day to day depending on the state of the market, thus enabling it to adjust the price of its interventions very flexibly.

The limit, which at the end of 1973 was fixed at Fr. 13 billion, including Fr. 3 billion usable by way of exception, was raised to Fr. 16 billion in August in order to offset the effects of the lowering of the rediscount ceilings, but in conjunction with the imposition of a penalty through the rates, and, in two stages, to Fr. 22 billion towards the end of the year, in order to prevent a rise in short-term rates from taking place on the market at that time, as such a rise would not have been desirable in the context of worsening business conditions. The Bank gradually raised the rate which it applies for the bills mobilised by the Rediscount and Guarantee Institute within the framework of this special tranche, from 9.50 p.c. at the end of 1973 to a maximum of 13.75 p.c. at the beginning of July. After that it began to reduce this rate : at the beginning of November it was down to 10 p.c., at which level it was kept from then on.

The Bank decided also to change, from 8th July onwards, the conditions of use of the credits opened on current advance accounts which it grants to banks, private savings banks and public credit institutions. Each establishment is allotted a monthly quota which is usable at the basic rate for advances appearing in the official scale of discount and interest rates published by the Bank. From the beginning of each month and in chronological order, the daily utilisations are cumulatively counted

against the quota. Once, during a month, the quota is exhausted, the daily utilisations effected from that time until the end of the month are charged for at a special rate fixed daily by the Bank. Initially fixed at 13.25 p.c., this rate reached a maximum of 14 p.c. on 15th July. After that it was regularly reduced down to 10.25 p.c. at the beginning of November, subsequently remaining unchanged until the end of the year.

The Bank's average weighted rate, representing the average cost of recourse to it by the financial intermediaries, including the Rediscount and Guarantee Institute, reached a maximum of 9.48 p.c. on 1st August. It declined slightly during that month and then remained practically stable until 23rd December, on which date it rose again to 9.27 p.c. owing to temporary tensions; at the end of the year it was 9.18 p.c.

On the call money market, net lendings by the participants, except for the Securities Regulation Fund and the Rediscount and Guarantee Institute, were on average slightly lower than in 1973. The banks' interventions were the determining factor behind this trend; the daily average of their net lending declined from Fr. 3.5 billion in 1973 to Fr. 3.1 billion.

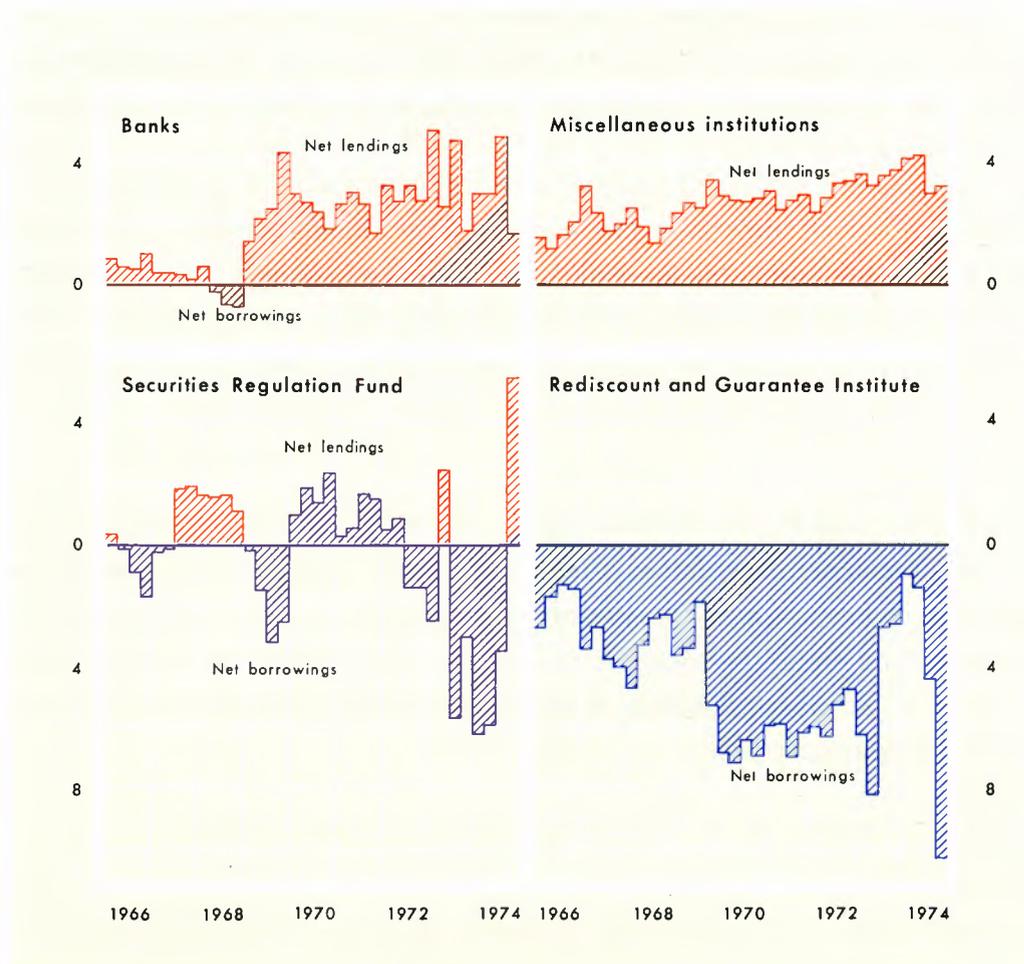
Considerable changes took place, however, during that period. The Securities Regulation Fund was constantly a net borrower of appreciable amounts during the first two quarters, when it was unable to raise sufficient funds by the issue of its own certificates and in addition almost constantly had to finance the entire amount of the B Treasury certificates and at the same time take into its portfolio other Treasury certificates in order to alleviate the difficulties, already described, experienced by the Treasury. The Securities Regulation Fund's substantial recourse to the call money market had the effect, in view of the slight tightening of the supply from the other participants, of forcing the Rediscount and Guarantee Institute to cut down its borrowing substantially.

From the third quarter, and especially from August onwards, a reversal became apparent on both the supply and the demand side, leading

Chart 34.

CALL MONEY (1)

(Daily averages per quarter in billions of francs)



(1) See Annex 6, Table 17.

to a slight temporary reduction in the call money rate. The rebuilding of the Bank's foreign exchange reserves provided substantial resources to the banks, which were net lenders of large amounts on the market from July to September; in October their interventions were more or less balanced, but in November they resulted in net recourse to the market, probably owing to the upsurge of demand for credit; in December the banks were net lenders. For its part, the Securities Regulation Fund gradually reduced its demand, the issuing of its own certificates having

been facilitated by the raising of their rates to a competitive level in relation to other investment instruments; as at the same time the Treasury was able to take back certificates of tranche B, the Fund became a net lender of large amounts in October and particularly in November. The call money rate rose slightly in November and fell again in December, mainly owing to the changes made to its interventions by the Securities Regulation Fund.

The average outstanding amount of commercial bills and bank acceptances held by all the institutions participating in the money market rose from Fr. 187.7 billion in the third quarter of 1973 to Fr. 219.1 billion in 1974. This increase took place mainly at the banks, whose holdings increased substantially in the first and second quarters.

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)	
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
1973 .....	140.3	3.2	24.1	20.7	188.3
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 .....	139.8	2.1	22.1	23.7	187.7
4th quarter .....	141.8	2.7	22.5	29.7	196.7
1974 1st quarter .....	153.9	0.8	27.2	29.0	210.9
2nd quarter .....	164.0	1.4	28.7	27.9	222.0
3rd quarter .....	161.7	4.1	26.0	27.3	219.1
4th quarter .....	153.6 <sup>(6)</sup>	11.8	28.2 <sup>(6)</sup>	24.7	216.4 <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.

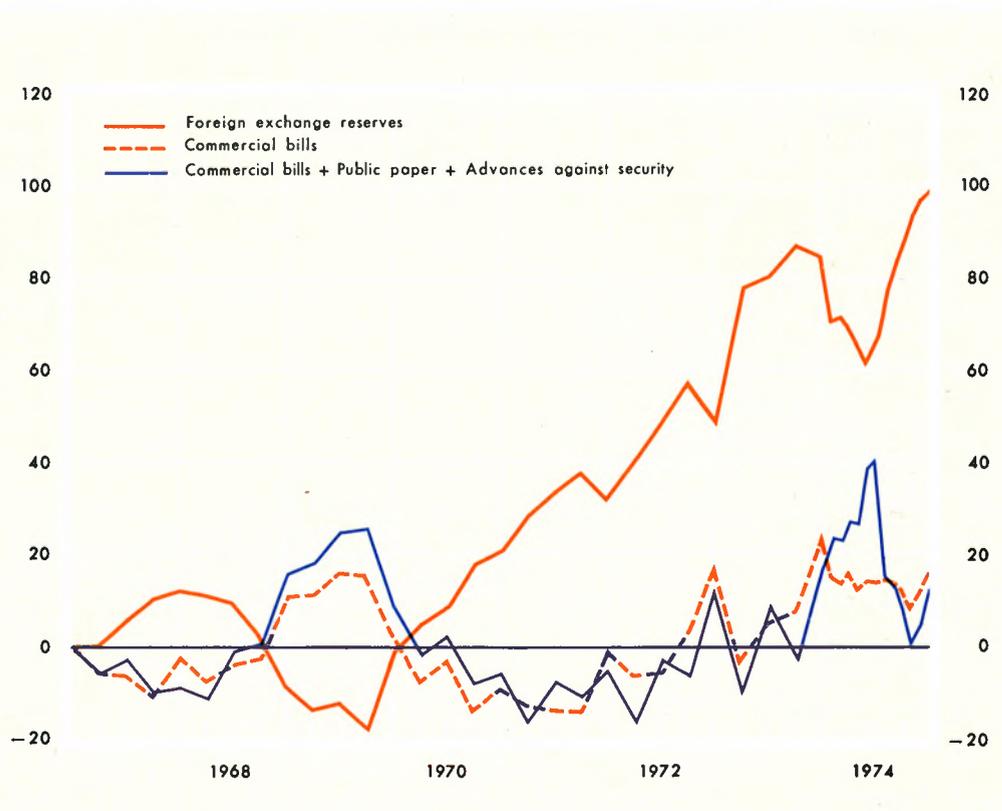
The growth in the amount of funds which the Rediscount and Guarantee Institute was able to obtain on the call money market in the fourth quarter enabled it to increase its portfolio, which had risen by only Fr. 2 billion between the third quarters of 1973 and 1974, to an unusually high level. The decrease in the banks' holdings in October-November was more than offset by the afore-mentioned growth in the Rediscount and Guarantee Institute's portfolio and by that in the holdings of other market institutions and non-residents; the Bank was thus able to reduce its intervention.

During the first half-year the Bank's liabilities, the main counterparts of which are shown in Chart 35, showed little increase. With regard

Chart 35.

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

(Cumulative changes, in billions of francs, since 31st December 1966) <sup>(2)</sup>



(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.

(2) 1967 to 1973 : end of quarter. 1974 : end of month.

to the Bank's assets, the sharp decline in the foreign exchange reserves was offset not, as in the past, by a growth in the commercial portfolio — far from it — but by that in the portfolio of public paper and advances against pledged security, part of which indirectly finance the Treasury. From July to December the Bank's liabilities did not change; on the assets side, the considerable inflow of foreign exchange reserves was practically offset by the contraction in the portfolio of public paper and advances against pledged security.

The outstanding amount of the portfolios of **short-term public paper** held by the financial intermediaries participating in the money market underwent substantial changes during the year. The funds made available to the Treasury reached a maximum in the second quarter, at which time the Treasury's seasonal requirements were particularly large. After 15th July, the date of the advance tax payments, the Treasury's position became much easier and the outstanding amount of funds obtained by it from the money market declined considerably. At the end of the periode in question, the funds placed at the disposal of the Treasury were below the previous year's level.

For its part, the Securities Regulation Fund was strongly affected until the third quarter by the unattractiveness of its certificates owing to their rate being too low. Subsequently, when this rate compared favourably with the other money market rates, the outstanding amount of these certificates increased sharply. Thus the total amount of funds made available to the Treasury and the Securities Regulation Fund increased slightly, going up from Fr. 55.2 billion in the fourth quarter of 1973 to Fr. 58.5 billion in the fourth quarter of 1974.

With regard to the subscribers, the growth in the portfolios held by the banks was partly offset by a reduction in those of the other financial intermediaries.

The rate for the Securities Regulation Fund's certificates, which was 7.95 p.c. at the beginning of the year and 9.40 p.c. at the end of March,

Table 21.

BELGIAN FRANC PUBLIC SECURITIES AT NOT MORE THAN ONE YEAR AND 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 Regulation Fund
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
1974 .....	25.3	32.7	58.0	54.8	3.2
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
1974 1st quarter .....	18.8	34.3	53.1	50.4	2.7
2nd quarter .....	32.3	43.0	75.3	80.3	— 5.0
3rd quarter .....	24.1	21.2	45.3	45.4	— 0.1
4th quarter .....	26.2	32.3	58.5	43.2	15.3

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

rose to 12 p.c. at the end of July, at which level it remained in August and September; in October it began to fall : on 5th November it was 11.25 p.c.; subsequently it remained stable at that level until 17th December, when it fell to 11 p.c. The rates for Treasury certificates showed a similar trend.

### MARKET FOR VARIABLE-INCOME SECURITIES.

The downturn of the quotations for Belgian variable-income securities, which began in the middle of the previous year, quickened in 1974, after a temporary recovery, mainly on the time market, during the first months

of the year. The cash and time rates declined, on average, by 17 and 12 p.c.; expressed in comparison with the highest averages recorded in 1973, which were in June and in April respectively, the fall amounts to 36.3 and 33.8 p.c. Similar trends occurred in foreign centres. On top of the effect of the very high level of interest rates and thus of the yield on fixed-interest securities there came, as one of the main causes of the downward movement, the rapid worsening of the economic situation.

Table 22.

MARKETS FOR VARIABLE-INCOME SECURITIES

	Total dealings (1) (Averages per session, in millions of francs)	Indices of quotations for Belgian securities (2) (1963 = 100)	
		For cash	Time bargains
1969 .....	147	101	99
1970 .....	111	95	94
1971 .....	166	105	97
1972 .....	195	118	112
1973 .....	270	140	136
1974 .....	180	116	119
1973 December .....	270	125	119
1974 December .....	121	95	96

(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.

The fall in rates and the reduction in the volume of transactions led to a substantial decrease in total stock exchange dealings, their average per session having declined from Fr. 270 million in 1973 to Fr. 180 million.

As dividends distributed increased compared with 1973, the rate of yield on Belgian securities, consisting of the ratio between the last net dividend paid or declared and the quotation, increased appreciably on average; at the end of the year it stood, according to a sample survey of Belgian companies, at 6.5 p.c., against 4.2 p.c.



Balance Sheet

Profit and Loss Account

Memorandum Accounts

Dividend Declared for the Year 1974

## ASSETS

## BALANCE SHEET A

<b>Gold Holding</b> . . . . .		71,821,213,379
<b>International Monetary Fund :</b>		
Quota . . . . .		24,866,210,770
Loans . . . . .		—
Special Drawing Rights . . . . .		28,425,674,147
	<b>Total Cover Items</b> . . . . .	125,113,098,296
<b>Foreign Currencies</b> . . . . .		88,619,456,272
<b>Foreign Currencies and Gold Receivable</b> . . . . .		—
<b>International Agreements</b> . . . . .		—
<b>European Monetary Cooperation Fund</b> . . . . .		—
<b>E.E.C. : Medium-term Financial Assistance</b> . . . . .		6,538,206,240
<b>Debtors in respect of Foreign Exchange and Gold at Forward Dates</b> . . . . .		13,470,148,168
<b>Commercial Bills</b> . . . . .		32,157,503,130
<b>Advances against Pledged Security :</b>		
Institutions Governed by a Special Law . . . . .	434,729,215	
Banks . . . . .	165,366,255	
Enterprises and Individuals . . . . .	22,514,843	622,610,313
<b>Public Securities :</b>		
Belgian Public Securities . . . . .		5,125,000,000
Luxembourg Public Securities . . . . .		—
<b>Treasury Notes and Coin</b> . . . . .		378,688,901
<b>Balances at the Postal Cheque Office</b> . . . . .		1,907,188
<b>Consolidated Claim on the Government</b> . . . . .		34,000,000,000
<b>Special Treasury Bills</b> . . . . .		861,577,752
<b>Provisional Adjustment resulting from the Law of 3rd July, 1972</b> . . . . .		3,450,349,538
<b>Items Receivable</b> . . . . .		1,683,432,893
<b>Public Long-term Securities</b> . . . . .		4,831,232,028
<b>Premises, Furniture and Equipment</b> . . . . .		2,197,398,823
<b>Securities of the Staff Pensions Fund</b> . . . . .		5,454,418,091
<b>Transitory Assets</b> . . . . .		1,134,394,163
	<b>Total Assets</b> . . . . .	325,639,421,796

(<sup>1</sup>) For the analysis of the Balance Sheet, see the French or the Dutch version of this Report, which may be obtained from the National Bank of Belgium.

AT 31<sup>ST</sup> DECEMBER, 1974 (1)

**LIABILITIES**

<b>Bank Notes in Circulation</b> . . . . .		256,103,618,400
<b>Current and Sundry Accounts :</b>		
Public { Ordinary Account . . . . .	23,554,595	
Treasury { Exceptional Counter-Cyclical Tax . . . . .	6,954,718	
Institutions Governed by a Special Law . . . . .	118,348,964	
Banks in Belgium . . . . .	858,322,536	
Enterprises and Individuals . . . . .	719,815,615	
Banks in Foreign Countries, Ordinary Accounts . . . . .	422,077,966	
Items Payable . . . . .	3,655,220,376	5,804,294,770
<b>International Agreements</b> . . . . .		2,628,850,318
	<b>Total Sight Liabilities</b> . . . . .	264,536,763,488
<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 . . . . .		20,746,005,508
Grand Duchy of Luxembourg . . . . .		300,000,000
<b>Foreign Currencies and Gold to be Delivered</b> . . . . .		11,082,189,238
<b>Staff Pensions Fund</b> . . . . .		5,454,418,091
<b>Transitory Liabilities</b> . . . . .		7,523,249,220
<b>Capital</b> . . . . .		400,000,000
<b>Reserve Fund :</b>		
Statutory Reserve . . . . .		1,057,779,695
Extraordinary Reserve . . . . .		1,685,993,410
Account for Depreciation of Premises, Furniture and Equipment . . . . .		2,072,921,299
<b>Net Profit for Distribution</b> . . . . .		593,903,282
	<b>Total Liabilities</b> . . . . .	325,639,421,796

<b>Government's Share :</b>		
Discounts and Advances . . . . .	2,586,324,493	
Transactions with Foreign Countries . . . . .	3,819,511,515	
Monetary Reserve . . . . .	678,014,678	7,083,850,686
<b>General Expenses :</b>		
Remunerations and Social Charges . . . . .	2,021,436,754	
Other Operating Expenses . . . . .	194,991,481	
	2,216,428,235	
<i>less :</i>		
Expenses to be borne by Others . . . . .	270,510,951	1,945,917,284
<b>Taxes</b> . . . . .		724,016,694
<b>Depreciation of Premises, Furniture and Equipment</b> . . . . .		82,428,663
<b>Additional Grant to the Staff Pensions Fund</b> . . . . .		498,000,000
<b>Transfers to Reserves and Provisions :</b>		
Extraordinary Reserve . . . . .	377,327,135	
Provision for Sundry Contingencies . . . . .	150,000,000	527,327,135
<b>Net Profit for Distribution</b> . . . . .		593,903,282
		11,455,443,744

## MEMORANDUM ACCOUNTS

**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 and Sundry Items :***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 Regulation Fund****General Savings and Pensions Fund :***Provisional Investments . . . . .**Cover for Loans . . . . .**Guarantee Deposits . . . . .*

(1) For the analysis of the Profit and Loss Account and the Memorandum obtained from the National Bank of Belgium.

Proceeds of Discount and Advance Operations . . . . .	3,891,969,917
Proceeds of Transactions with Foreign Countries . . . . .	6,971,457,074
Proceeds of Public Long-term Securities . . . . .	346,186,516
Fees for Safe Custody, Commissions and Allowances . . . . .	211,152,598
Sundry Receipts . . . . .	27,703,380
<b>Drawings on the Transitory Liabilities Items :</b>	
Provision for Building of Premises and Purchasing of Furniture and Equipment . . . . .	6,974,259
	<hr/>
	11,455,443,744

legislation) . . . . .	11,791,419,635
. . . . .	1,473,785
. . . . .	20,591,372,436
. . . . .	482,679,673
. . . . .	44,336,869,720
. . . . .	1,307,563
. . . . .	11,421,189,793
. . . . .	895,055,986
	<hr/>
	56,654,423,062
. . . . .	700,000,000
. . . . .	735,856,609
. . . . .	6,595,500,000
. . . . .	27,000,000
. . . . .	139,943,411
. . . . .	194,068,611,631
	<hr/>
	200,831,055,042
5,000,000,000	
1,000,000,000	
638,305,187	
1,174,597,775	
3,633,404,000	
287,738,000	
947,984,035	
2,845,945,192	15,527,974,189
49,961,853,708	
256,316,477,200	
3,210,769,583	
11,312,421,098	320,801,521,589
. . . . .	39,318
. . . . .	28,757,391,304
	<hr/>
	365,086,926,400
. . . . .	21,318,902,155
. . . . .	24,512,227,215
. . . . .	53,184,600
. . . . .	567,210,480
	<hr/>
	25,132,622,295

## DIVIDEND DECLARED FOR THE YEAR 1974

First Dividend, Total . . . . .	Fr.	24,000,000
Second Dividend, Total . . . . .	Fr.	373,500,000
Total . . Fr.		397,500,000

on 400,000 Shares, that is per Share a Dividend of . Fr. 993.75

Coupon No. 173 will be payable with effect from 1st March, 1975 at the rate of Fr. 795 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 795, the taxable income per Share to be declared by individuals for tax purposes is Fr. 1,351.50 <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.	795.00
Tax relief $\frac{795 \times 45}{100}$ . . . . .	Fr.	357.75
Preliminary Tax on Personal Property $\frac{795 \times 1}{4}$ . . . . .	Fr.	198.75
	Fr.	1,351.50

## Annexes

**BALANCE SHEETS COMPARED AS AT**

ASSETS	1970	1971	1972	1973	1974
<b>Gold Holding</b> . . . . .	73,519.4	77,206.6	75,393.9	71,817.9	71,821.2
<b>International Monetary Fund :</b>					
Quota . . . . .	19,583.8	29,972.2	25,913.7	23,959.3	24,866.2
Loans . . . . .	—	—	—	—	—
Special Drawing Rights . . . . .	10,245.5	20,269.8	26,095.0	30,477.0	28,425.7
<b>Total Cover Items</b> . . . . .	103,348.7	127,448.6	127,402.6	126,254.2	125,113.1
<b>Foreign Currencies</b> . . . . .	39,013.9	35,039.2	52,420.9	75,905.1	88,619.5
<b>Foreign Currencies and Gold Receivable</b> . . . . .	10,718.0	244.8	11.4	—	—
<b>International Agreements</b> . . . . .	140.2	—	—	—	—
<b>European Monetary Cooperation Fund</b> . . . . .				3,500.2	—
<b>E.E.C. : Medium-term Financial Assistance</b> . . . . .					6,538.2
<b>Debtors in respect of Foreign Exchange and Gold at Forward Dates</b> . . . . .	37,843.0	34,777.4	20,594.4	28,775.8	13,470.1
<b>Commercial Bills</b> . . . . .	6,487.9	15,084.2	33,433.7	40,081.8	32,157.5
<b>Advances against Pledged Security :</b>					
Institutions Governed by a Special Law . . . . .	147.7	305.9	2,630.5	364.6	434.7
Banks . . . . .	27.8	0.7	867.6	2,080.7	165.4
Enterprises and Individuals . . . . .	13.1	12.0	27.7	20.2	22.5
	188.6	318.6	3,525.8	2,465.5	622.6
<b>Public Securities :</b>					
Belgian Public Securities . . . . .	13,250.0	4,925.0	1,100.0	450.0	5,125.0
Luxembourg Public Securities . . . . .	—	—	—	—	—
<b>Treasury Notes and Coin</b> . . . . .	265.2	312.3	312.8	301.8	378.7
<b>Balances at the Postal Cheque Office</b> . . . . .	1.6	0.9	1.6	1.4	1.9
<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	861.6
<b>Provisional Adjustment resulting from the Law of 3rd July, 1972</b> . . . . .				3,450.4	3,450.4
<b>Items Receivable</b> . . . . .	1,196.0	414.3	565.7	1,050.8	1,683.4
<b>Public Long-term Securities</b> . . . . .	3,728.4	3,832.3	4,110.8	4,293.6	4,831.2
<b>Premises, Furniture and Equipment</b> . . . . .	2,161.0	2,191.7	2,191.6	2,193.5	2,197.4
<b>Securities of the Staff Pensions Fund</b> . . . . .	3,119.9	3,514.1	3,988.2	4,541.1	5,454.4
<b>Assets Written Off Pending Collection</b> . . . . .	p.m.	p.m.	p.m.		
<b>Transitory Assets</b> . . . . .	785.7	578.4	778.4	913.4	1,134.4
	256,248.1	262,681.8	284,437.9	330,949.9	325,639.4

LIABILITIES	1970	1971	1972	1973	1974
<b>Bank Notes in Circulation</b> . . . . .	188,211.6	201,765.5	222,559.7	238,505.9	256,103.6
<b>Current and Sundry Accounts :</b>					
Public Treasury :					
Ordinary Account . . . . .	23.6	19.3	20.2	4.0	23.6
Exceptional Counter-Cyclical Tax . . . . .	7.4	7.4	7.4	7.0	7.0
Institutions Governed by a Special Law . . . . .	248.5	374.6	496.8	308.9	118.3
Banks in Belgium . . . . .	1,187.9	1,009.2	1,089.7	559.5	858.3
Enterprises and Individuals . . . . .	217.8	297.1	352.6	390.5	719.8
Banks in Foreign Countries, Ordinary Accounts	525.6	698.7	605.3	626.6	422.1
Items Payable . . . . .	2,551.0	1,485.5	1,605.3	2,444.2	3,655.2
	4,761.8	3,891.8	4,177.3	4,340.7	5,804.3
<b>International Agreements</b> . . . . .	722.9	3,129.3	1,407.0	1,971.9	2,628.9
<b>Total Sight Liabilities</b> . . . . .	193,696.3	208,786.6	228,144.0	244,818.5	264,536.8
<b>International Monetary Fund :</b>					
Special Drawing Rights, Net Cumulative Allo-					
cation . . . . .	3,544.8	7,022.3	10,467.3	10,186.2	10,186.2
<b>European Monetary Cooperation Fund</b> . . . . .				—	—
<b>Monetary Reserve :</b>					
Belgium . . . . .			11,791.0	33,630.8	20,746.0
Grand Duchy of Luxembourg . . . . .				897.8	300.0
<b>Foreign Currencies and Gold to be Delivered</b> . . . . .	48,686.9	35,796.2	21,546.6	26,530.3	11,082.2
<b>Staff Pensions Fund</b> . . . . .	3,119.9	3,514.1	3,988.2	4,541.1	5,454.4
<b>Transitory Liabilities</b> . . . . .	2,939.5	2,999.5	3,728.7	4,997.2	7,523.2
<b>Capital</b> . . . . .	400.0	400.0	400.0	400.0	400.0
<b>Reserve Fund :</b>					
Statutory Reserve . . . . .	852.1	899.5	950.3	1,002.7	1,057.8
Extraordinary Reserve . . . . .	532.5	732.6	857.6	1,308.7	1,686.0
Account for Depreciation of Premises, Furni-					
ture and Equipment . . . . .	2,000.5	2,028.3	2,033.3	2,068.9	2,072.9
<b>Net Profit for Distribution</b> . . . . .	475.6	502.7	530.9	567.7	593.9
	256,248.1	262,681.8	284,437.9	330,949.9	325,639.4

## PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT <sup>(1)</sup>	1970	1971	1972	1973	1974
<b>Government's Share :</b>					
Discounts and Advances . . . . .	893.5	346.9	203.7	799.4	2,586.3
Transactions with Foreign Countries . . . . .	1,468.1	329.4	465.9	2,110.0	3,819.5
Monetary Reserve . . . . .				660.4	678.0
	2,361.6	676.3	669.6	3,569.8	7,083.8
<b>General Expenses :</b>					
Remunerations and Social Charges . . . . .	1,042.1	1,206.6	1,383.9	1,597.1	2,021.4
Other Operating Expenses . . . . .	123.6	157.8	153.1	180.9	195.0
	1,165.7	1,364.4	1,537.0	1,778.0	2,216.4
<i>less :</i>					
Expenses to be borne by Others . . . . .	— 154.4	— 182.5	— 198.3	— 237.4	— 270.5
	1,011.3	1,181.9	1,338.7	1,540.6	1,945.9
<b>Taxes</b> . . . . .	483.9	396.1	351.1	863.3	724.0
<b>Depreciation of Premises, Furniture and Equipment</b>	118.3	88.4	120.1	174.3	82.4
<b>Additional Grant to the Staff Pensions Fund</b> . . . . .	70.0	138.0	198.2	212.0	498.0
<b>Transfers to Reserves and Provisions as :</b>					
— Extraordinary Reserve . . . . .	2.1	200.1	125.1	451.1	377.3
— Provision for Taxes . . . . .	525.0	360.0	310.0	—	—
— Provision for Building of Premises and Purchasing of Furniture and Equipment	160.0	—	—	—	—
— Provision for Sundry Contingencies . . . . .	250.0	125.0	95.0	680.0	150.0
— Centenary Fund . . . . .	10.0	—	—	—	—
<b>Net Profit for Distribution</b> . . . . .	475.6	502.7	530.9	567.7	593.9
	5,467.8	3,668.5	3,738.7	8,058.8	11,455.3

(1) The figures for 1970 to 1972 have been adjusted to the new structure of the Profit and Loss Account.

(2) Until 1972 this item was entitled « Amounts Collected on Assets Written Off Pending Collection ».

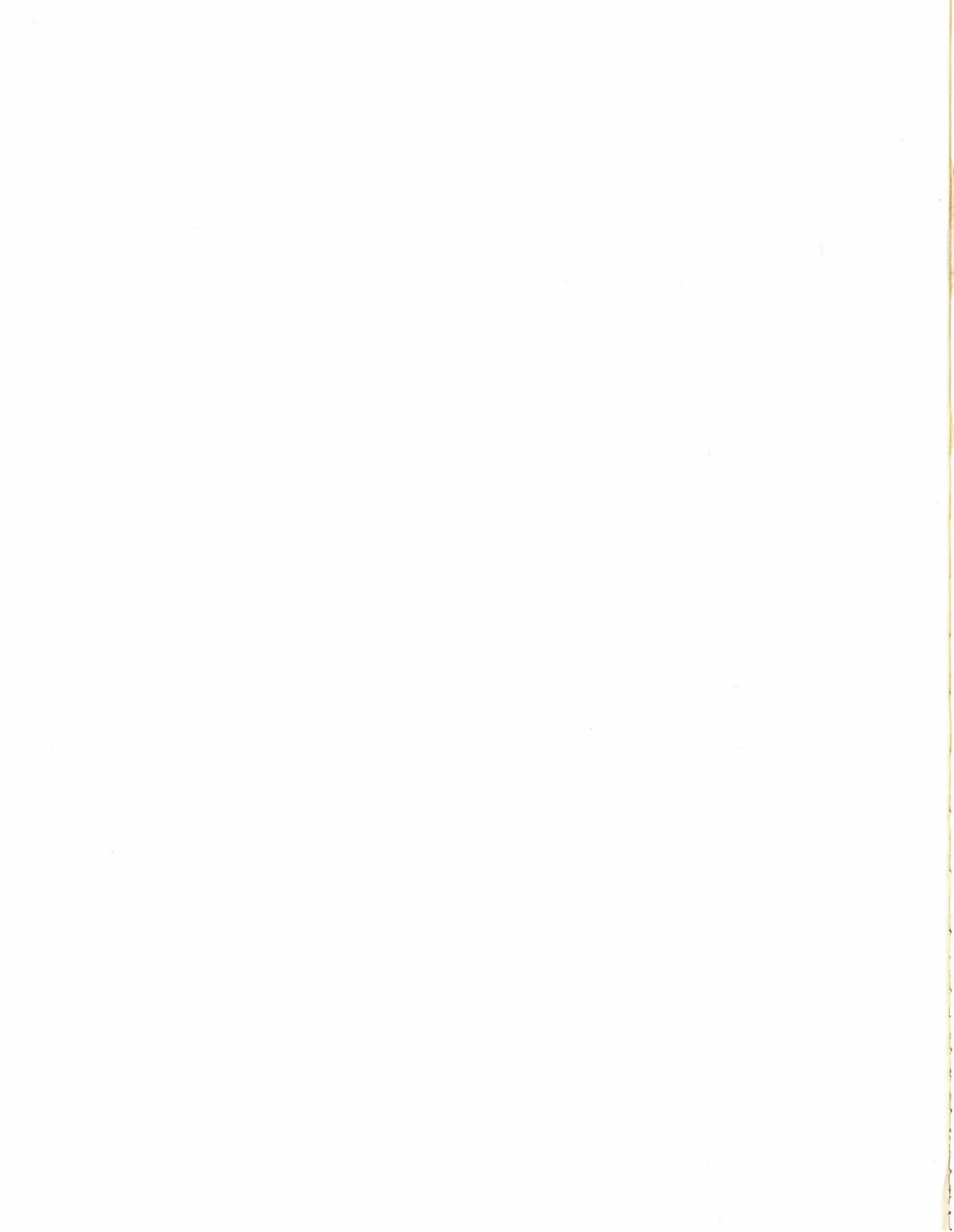
## AS AT 31st DECEMBER (in millions of francs)

CREDIT <sup>(1)</sup>	1970	1971	1972	1973	1974
Proceeds of Discount and Advance Operations . . . . .	1,480.7	679.4	670.4	1,538.8	3,892.0
Proceeds of Transactions with Foreign Countries . . . . .	3,033.8	2,131.4	2,155.0	5,537.0	6,971.4
Proceeds of Public Long-term Securities . . . . .	233.1	267.3	288.0	299.4	346.2
Fees for Safe Custody, Commissions and Allowances . . . . .	192.6	188.9	199.6	213.1	211.1
Sundry Receipts <sup>(2)</sup> . . . . .	0.2	0.7	26.7	2.3	27.7
<b>Drawings on the Transitory Liabilities Items :</b>					
— Provision for Building of Premises and Purchasing of Furniture and Equipment . . . . .	54.6	27.9	24.5	15.8	6.9
— Provision for Taxes . . . . .	472.8	372.9	374.5	451.9	
	5,467.8	3,668.5	3,738.7	8,058.8	11,455.3



## MISCELLANEOUS INFORMATION

	1970	1971	1972	1973	1974
Gross dividend declared per share . . . . .	794.92	837.80	887.06	950	993.75
Preliminary tax on personal property retained per share . . . . .	149.92	157.80	167.06	190	198.75
Net dividend declared per share . . . . .	645.00	680.00	720.00	760	795.00
Taxable income per share to be declared by individuals for tax purposes . . . . .	979.00	1,032.00	1,093.00	1,292	1,351.50



**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES  
CONSTITUTING, ON 31st DECEMBER, 1974,  
THE BANK'S HOLDINGS**

**Public long-term and other securities acquired in pursuance of the Statutes**

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.
7.25 p.c.	Belgian Loans 1972/73/87, Amalgamated.
7 - 7.25 p.c.	Belgian Loan 1972/79/87.
6.75 p.c.	Belgian Loan 1972/87.
7 - 7.25 p.c.	Belgian Loan 1973/81/87.
7.75 p.c.	Belgian Loan 1973/87.
8.25 p.c.	Belgian Loan 1974/88.
8 - 8.25 p.c.	Belgian Loan 1974/81/88.
9 p.c.	Belgian Loan 1974/82.
10 p.c.	Belgian Loan 1974/82.
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. National Fund for Credit to Trade and Industry 1968/88.
- 8.25 p.c. National 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.
- 7.75 p.c. Loan of the Association of Local Authorities for Motorway E5 1971/83.
- 7.25 p.c. Loans of the Association of Local Authorities for Motorway E3 1972/  
73/84, Amalgamated.
- 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 :
- |                      |   |   |
|----------------------|---|---|
| 1st and 2nd tranches | } | <ul style="list-style-type: none"> <li>— Belgian Issue.</li> <li>— American Issue.</li> <li>— Danzig Issue.</li> <li>— Esthonian Issue.</li> <li>— Latvian Issue.</li> <li>— Lithuanian Issue.</li> </ul> |
|----------------------|---|---|
- 3rd tranche of Belgian Issue.
- Belgian National Railways Company Dividend Right Certificates.

ANNEX 5

**WEEKLY RETURNS**  
**PUBLISHED IN THE « MONITEUR BELGE » DURING 1974**

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1974 \*

(Millions of francs)

ASSETS

DATE	Gold holding	International Monetary Fund :			Total cover items	Foreign currencies	Foreign currencies and gold receivable	International agreements	European Monetary Cooperation Fund	E.E.C. : Medium-term financial assistance	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'	Special Treasury bills	Provisional adjustment resulting from the Law of 3rd July, 1972	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	Luxembourg public securities											
January	7	73.800	24.760	...	31.119	129.679	82.489	11	...	2.800	—	28.096	35.937	4.558	550	...	298	1	34.000	—	—	4.294	2.192	4.531	6.129	335.565
»	14	73.800	24.534	...	31.119	129.453	80.106	11	...	1.790	—	25.722	35.467	6.130	...	...	323	1	34.000	—	—	4.294	2.192	4.532	6.093	330.114
»	21	73.800	24.534	...	31.119	129.453	79.035	11	...	1.710	—	24.650	36.461	5.850	...	...	394	1	34.000	—	—	4.294	2.192	4.596	6.275	328.922
»	28	71.818	22.805	...	30.477	125.100	67.133	...	...	1.710	—	22.239	35.167	3.484	5.525	...	430	2	34.000	2.771	3.450	4.834	2.193	4.810	1.844	314.692
February	4	71.818	22.878	...	30.915	125.611	66.649	...	...	—	—	21.354	27.419	9.512	9.025	...	436	1	34.000	2.771	3.450	4.834	2.193	4.805	1.930	313.990
»	11	71.818	22.732	...	30.915	125.465	66.641	...	...	—	—	21.354	28.220	282	14.575	...	458	1	34.000	2.771	3.450	4.834	2.193	4.805	1.778	310.827
»	18	71.818	22.732	...	30.915	125.465	66.468	...	...	—	—	21.354	28.271	22	13.500	...	484	1	34.000	2.771	3.450	4.835	2.193	4.818	1.747	309.379
»	25	71.818	22.902	...	30.915	125.635	66.468	...	...	—	—	21.354	30.905	10.337	2.050	...	486	1	34.000	2.771	3.450	4.835	2.193	4.881	1.423	310.789
March	4	71.818	22.902	...	30.915	125.635	66.361	...	...	—	—	21.263	30.021	6.724	13.625	...	454	1	34.000	2.771	3.450	4.835	2.193	4.877	1.623	317.833
»	11	71.818	22.902	...	30.915	125.635	66.493	...	...	—	—	21.263	32.905	3.107	13.225	...	454	1	34.000	2.771	3.450	4.835	2.193	4.877	1.327	316.536
»	18	71.818	22.677	...	30.915	125.410	66.862	...	...	—	—	21.263	31.974	1.549	13.800	...	464	2	34.000	2.771	3.450	4.835	2.193	4.877	1.351	314.801
»	25	71.818	22.227	...	30.915	124.960	67.128	...	...	—	—	21.263	32.486	4.006	8.950	...	471	2	34.000	2.771	3.450	4.835	2.193	4.877	1.929	313.321
April	1	71.818	22.227	...	30.915	124.960	67.631	...	...	—	—	21.106	30.999	9.439	15.325	...	455	2	34.000	2.771	3.450	4.835	2.193	4.881	1.624	323.671
»	8	71.818	22.227	...	30.915	124.960	67.742	...	...	—	—	21.106	35.242	7.869	13.775	...	433	2	34.000	2.771	3.450	4.835	2.193	4.870	1.494	324.742
»	12	71.818	22.227	...	30.915	124.960	67.985	...	...	—	—	21.106	34.103	6.634	14.250	...	426	2	34.000	2.771	3.450	4.835	2.193	4.911	1.672	323.298
»	22	71.818	22.432	...	30.915	125.165	68.022	...	...	—	—	21.106	29.136	129	15.325	...	408	2	34.000	2.771	3.450	4.829	2.193	4.933	1.708	313.177
»	29	71.818	22.432	...	30.915	125.165	68.123	...	...	—	—	21.106	30.092	5.622	15.850	...	391	2	34.000	2.771	3.450	4.829	2.193	4.940	1.844	320.378
May	6	71.818	22.432	...	29.112	123.362	66.979	...	...	—	—	20.872	30.840	8.685	15.950	...	369	2	34.000	2.771	3.450	4.829	2.193	4.952	1.913	321.167
»	13	71.818	22.627	...	29.112	123.557	67.050	...	...	—	—	20.872	31.688	8.900	15.850	...	379	2	34.000	2.771	3.450	4.829	2.193	4.968	1.783	322.292
»	20	71.818	22.627	...	29.398	123.843	66.249	...	...	—	—	19.933	31.639	11.159	15.875	...	378	1	34.000	2.771	3.450	4.829	2.193	4.988	2.950	324.258
»	27	71.821	22.861	...	29.398	124.080	64.823	...	...	—	—	18.497	32.617	10.920	15.775	...	366	1	34.000	2.771	3.450	4.826	2.193	4.988	2.200	321.507
»	31	71.821	22.627	...	26.649	121.097	63.914	...	...	—	—	18.496	30.249	18.184	15.850	...	348	2	34.000	2.771	3.450	4.826	2.193	4.988	2.193	322.561
June	10	71.821	22.627	...	26.649	121.097	64.829	...	...	—	—	18.418	28.186	18.216	15.825	...	332	1	34.000	2.771	3.450	4.832	2.193	4.979	1.953	321.082
»	17	71.821	22.627	...	26.649	121.097	64.882	...	...	—	—	18.418	27.917	16.747	15.750	...	371	1	34.000	2.771	3.450	4.832	2.193	4.980	2.192	319.601
»	24	71.821	22.627	...	26.649	121.097	65.107	...	...	—	—	18.418	29.698	13.616	15.825	...	371	1	34.000	2.771	3.450	4.832	2.193	4.980	1.944	318.609
July	1	71.821	22.476	...	26.649	120.946	65.252	...	...	—	—	17.465	29.319	23.457	15.875	...	341	1	34.000	2.771	3.450	4.832	2.193	5.005	1.945	327.300
»	8	71.821	22.476	...	26.649	120.946	66.920	...	...	—	—	17.882	31.202	19.323	15.800	...	317	1	34.000	2.771	3.450	4.832	2.193	4.993	3.072	328.189
»	15	71.821	22.257	...	26.649	120.727	71.927	...	...	—	—	19.828	31.660	11.370	15.825	...	347	1	34.000	2.771	3.450	4.832	2.193	4.993	3.484	327.895
»	19	71.821	22.403	...	26.649	120.873	72.381	...	...	—	—	19.828	31.016	11.853	9.750	...	378	1	34.000	2.771	3.450	4.832	2.193	4.994	2.933	321.740
»	29	71.821	22.337	...	26.649	120.807	73.996	...	...	—	—	19.828	30.992	9.611	...	...	387	1	34.000	2.771	3.450	4.832	2.193	4.994	3.186	311.535
August	5	71.821	25.847	...	26.903	124.571	71.387	...	...	—	—	15.856	32.212	8.659	...	...	355	2	34.000	2.771	3.450	4.829	2.193	4.983	3.375	312.024
»	12	71.821	25.073	...	26.903	123.797	72.952	...	...	—	—	15.856	29.582	5.955	...	...	380	2	34.000	2.771	3.450	4.829	2.193	4.983	3.443	308.815
»	19	71.821	25.073	...	26.903	123.797	73.154	...	...	—	—	15.856	28.758	4.920	...	...	385	2	34.000	2.771	3.450	4.829	2.193	4.983	3.241	308.041
»	26	71.821	25.073	...	26.903	123.797	73.279	...	...	—	—	15.856	29.266	3.146	...	...	386	2	34.000	2.771	3.450	4.829	2.193	4.983	3.801	309.273
September	2	71.821	24.619	...	27.115	123.555	74.994	...	...	—	—	13.495	28.694	5.626	3.100	...	370	2	34.000	2.771	3.450	4.829	2.193	4.984	3.262	311.956
»	9	71.821	24.615	...	27.115	123.551	75.256	...	...	—	—	13.461	27.126	3.250	4.425	...	371	2	34.000	2.771	3.450	4.829	2.193	4.971	3.456	311.347
»	16	71.821	24.133	...	27.115	123.069	75.864	...	...	—	—	13.461	25.169	29	6.800	...	398	1	34.000	2.771	3.450	4.829	2.193	4.973	3.643	308.885
»	23	71.821	24.133	...	27.115	123.069	76.243	...	...	—	—	13.461	25.537	2.026	5.825	...	405	2	34.000	2.771	3.450	4.802	2.193	4.976	3.486	310.481
»	30	71.821	24.919	...	27.901	124.641	81.641	...	...	—	—	13.461	28.105	5.473	...	...	395	2	34.000	2.771	3.450	4.802	2.193	4.976	3.947	313.583
October	7	71.821	24.919	...	27.901	124.641	83.307	...	...	—	—	13.450	28.157	2.277	3.625	...	395	1	34.000	2.771	3.450	4.835	2.193	4.968	3.440	315.615
»	14	71.821	24.919	...	27.901	124.641	83.631	...	...	—	—	13.450	25.219	19	2.600	...	416	2	34.000	2.771	3.450	4.835	2.193	4.967	3.483	309.782
»	21	71.821	24.919	...	27.901	124.641	83.918	...	...	—	—	13.450	27.738	581	...	...	427	1	34.000	2.771	3.450	4.835	2.193	4.967	3.494	310.571
»	28	71.821	24.919	...	27.901	124.641	84.554	...	...	—	—	13.450	22.959	2.224	...	...	435	2	34.000	2.771	3.450	4.835	2.193	4.968	3.657	308.244
November	4	71.821	25.389	...	28.374	125.584	89.018																			

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1974 \*  
(Millions of francs)

LIABILITIES

Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of National Education (Law of 11.7.1973 - Education legislation)	Notes in circulation	Current Accounts :				Inter-national agreements	Total sight liabilities	International Monetary Fund : Special drawing rights, net cumulative allocation	European Monetary Cooperation Fund	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														
3.225	236.354	22	7	826	1.605	1.751	240.565	10.467	862	33.550	985	29.156	4.531	11.155	4.294	335.565	January 7
3.216	231.315	126	7	1.455	1.407	1.628	235.938	10.467	862	35.030	948	26.775	4.532	11.268	4.294	330.114	» 14
3.214	228.190	144	7	1.455	1.928	1.602	233.326	10.467	862	37.420	894	25.701	4.596	11.362	4.294	328.922	» 21
3.170	225.052	2	7	1.150	2.885	1.604	230.700	10.186	862	37.296	894	19.978	4.810	5.131	4.835	314.692	» 28
2.979	230.750	16	7	1.223	2.971	1.451	236.418	10.186	...	32.352	963	19.079	4.805	5.352	4.835	313.990	February 4
2.865	229.188	1	7	524	2.089	1.339	233.148	10.186	...	32.293	910	19.079	4.805	5.571	4.835	310.827	» 11
2.744	227.069	7	7	403	2.934	1.355	231.775	10.186	...	31.951	910	19.078	4.818	5.826	4.835	309.379	» 18
2.584	225.732	5	7	353	2.399	1.510	230.006	10.186	...	35.211	700	19.078	4.881	5.892	4.835	310.789	» 25
2.404	232.585	19	7	373	2.278	1.489	236.751	10.186	...	35.240	700	18.974	4.877	6.270	4.835	317.833	March 4
2.263	231.302	22	7	323	1.921	1.691	235.266	10.186	...	35.223	700	18.976	4.877	6.473	4.835	316.536	» 11
2.212	229.467	14	7	328	1.914	1.549	233.279	10.186	...	35.250	700	18.976	4.877	6.698	4.835	314.801	» 18
2.092	228.291	4	7	358	1.864	1.542	232.066	10.186	...	34.910	700	18.975	4.877	6.772	4.835	313.321	» 25
2.053	234.742	18	7	412	1.673	1.457	238.309	10.186	3.890	34.910	700	18.801	4.881	7.159	4.835	323.671	April 1
2.006	235.938	13	7	347	1.268	1.484	239.057	10.186	5.344	34.909	700	18.801	4.870	6.040	4.835	324.742	» 8
2.006	234.415	10	7	320	1.210	1.379	237.341	10.186	5.344	34.919	700	18.800	4.911	6.262	4.835	323.298	» 12
1.845	232.034	15	7	340	1.221	1.376	234.993	10.186	5.691	26.630	700	18.801	4.933	6.408	4.835	313.177	» 22
1.782	236.763	15	7	327	2.507	1.333	240.952	10.186	6.729	26.616	700	18.801	4.940	6.619	4.835	320.378	» 29
1.782	241.041	13	7	345	1.551	1.314	244.271	10.186	4.195	26.613	700	18.543	4.952	6.872	4.835	321.167	May 6
1.661	240.125	17	7	248	1.753	1.296	243.446	10.186	5.939	26.615	700	18.543	4.968	7.060	4.835	322.292	» 13
1.661	240.595	5	7	456	2.461	1.216	244.740	10.186	7.417	26.214	700	17.603	4.988	7.575	4.835	324.258	» 20
1.576	239.296	23	7	312	1.970	1.210	242.818	10.186	7.687	26.200	700	16.162	4.988	7.931	4.835	321.507	» 27
1.465	244.835	7	7	430	2.041	1.163	248.483	10.186	3.039	26.165	700	16.162	4.988	8.003	4.835	322.561	» 31
1.370	244.164	8	7	395	1.351	1.274	247.199	10.186	3.039	26.083	300	16.064	4.979	8.397	4.835	321.082	June 10
1.287	242.371	20	7	401	1.393	1.428	245.620	10.186	3.039	26.083	300	16.065	4.980	8.493	4.835	319.601	» 17
1.160	243.070	19	7	384	1.250	1.496	246.226	10.186	1.075	26.194	300	16.065	4.980	8.748	4.835	318.609	» 24
1.118	253.297	16	7	456	1.553	1.340	256.669	10.186	...	26.194	300	15.100	5.005	9.011	4.835	327.300	July 1
2.519	255.207	7	7	350	1.599	1.270	258.440	10.186	...	25.625	300	15.549	4.993	8.261	4.835	328.189	» 8
2.306	250.506	16	7	434	3.345	1.505	255.813	10.186	...	25.666	300	17.494	4.993	8.608	4.835	327.895	» 15
2.269	246.473	24	7	357	1.152	1.538	249.551	10.186	...	25.668	300	17.493	4.994	8.713	4.835	321.740	» 19
2.193	241.545	36	7	332	3.203	1.552	246.675	10.186	...	18.110	300	17.493	4.994	8.942	4.835	311.535	» 29
1.992	246.355	105	7	317	1.905	1.457	250.146	10.186	...	18.615	300	13.511	4.983	9.448	4.835	312.024	August 5
1.954	242.631	106	7	335	2.050	1.492	246.621	10.186	...	18.716	300	13.509	4.983	9.665	4.835	308.815	» 12
1.794	242.126	48	7	329	1.757	1.328	245.595	10.186	...	18.720	300	13.509	4.983	9.913	4.835	308.041	» 19
1.794	240.137	73	7	369	2.931	1.921	245.438	10.186	...	19.992	300	13.510	4.983	10.029	4.835	309.273	» 26
1.588	246.696	15	7	541	1.551	1.888	250.698	10.186	...	19.424	300	11.116	4.984	10.413	4.835	311.956	September 2
1.450	246.305	10	7	356	1.428	1.911	250.017	10.186	...	19.398	300	11.080	4.971	10.560	4.835	311.347	» 9
1.358	243.160	6	7	366	2.081	1.753	247.373	10.186	...	19.398	300	11.079	4.973	10.741	4.835	308.885	» 16
2.789	240.704	20	7	409	1.681	2.129	244.950	10.186	...	23.185	300	11.080	4.976	10.969	4.835	310.481	» 23
2.753	243.674	7	7	497	2.342	2.157	248.684	10.186	...	22.181	300	11.080	4.976	11.341	4.835	313.583	» 30
3.058	246.621	16	7	356	1.388	2.087	250.475	10.186	...	22.180	300	11.067	4.968	11.604	4.835	315.615	October 7
3.058	242.778	7	7	300	1.194	1.988	246.274	10.186	...	22.176	300	11.067	4.967	9.977	4.835	309.782	» 14
2.925	241.990	2.473	7	309	1.098	2.095	247.972	10.186	...	21.145	300	11.067	4.967	10.099	4.835	310.571	» 21
5.699	238.017	2.478	7	395	2.420	2.104	245.421	10.186	...	21.145	300	11.068	4.968	10.321	4.835	308.244	» 28
5.530	243.894	2.527	7	356	1.392	2.362	250.538	10.186	...	21.143	300	11.763	4.957	11.012	4.835	314.734	November 4
5.530	243.478	2.543	7	272	1.330	2.423	250.053	10.186	...	21.143	300	12.270	4.957	11.206	4.835	314.950	» 8
5.322	241.282	2.551	7	325	1.254	2.445	247.864	10.186	...	21.143	300	12.361	4.957	11.556	4.835	313.202	» 18
5.243	239.492	2.525	7	312	1.223	2.380	245.939	10.186	...	21.921	300	13.129	4.958	11.768	4.835	313.036	» 25
5.053	246.633	2.549	7	460	1.584	2.431	253.664	10.186	...	21.920	300	12.760	4.966	12.099	4.835	320.730	December 2
8.542	246.709	2.246	7	300	1.686	2.651	253.599	10.186	...	21.920	300	12.670	4.952	12.437	4.835	320.899	» 9
8.462	247.030	7	7	357	1.489	2.617	251.507	10.186	...	21.917	300	12.669	4.953	12.695	4.835	319.062	» 16
11.849	253.031	66	7	289	2.073	2.651	258.117	10.186	...	20.746	300	12.691	4.953	13.033	4.835	324.861	» 23
11.799	252.457	10	7	300	3.274	2.664	258.712	10.186	...	20.746	300	12.691	4.956	13.129	4.835	325.555	» 27



## ECONOMIC AND FINANCIAL STATISTICS

Table 1.

**Geographical Distribution  
of Exports from the Belgian-Luxembourg Economic Union**

	Monthly averages in billions of francs							In per cent of the total value	
	1969	1970	1971	1972	1973	1973	1974 p	1969	1974 p
						(First 10 months)			(First 10 months)
1. Market-economy countries .	40.98	47.27	50.64	57.91	70.47	68.84	88.20	97.0	96.3
a) Industrialised countries .	37.84	43.39	46.56	53.33	64.81	63.43	79.71	82.4	87.0
of which :									
European Economic Community .....	30.61	35.31	37.89	43.74	53.03	51.95	64.22	58.3	70.1
Original members .....	28.33	32.94	35.50	40.45	48.66	47.73	58.05	50.5	63.4
Federal Republic of Germany .....	(9.60)	(11.67)	(13.11)	(14.71)	(17.15)	(17.03)	(19.76)	(15.8)	(21.6)
France .....	(8.81)	(9.60)	(10.26)	(12.03)	(15.07)	(14.57)	(18.46)	(10.4)	(20.2)
Italy .....	(1.80)	(2.28)	(2.25)	(2.70)	(3.50)	(3.38)	(4.24)	(3.1)	(4.6)
Netherlands ...	(8.12)	(9.39)	(9.88)	(11.01)	(12.94)	(12.75)	(15.59)	(21.2)	(17.0)
New members .....	2.28	2.37	2.39	3.29	4.37	4.22	6.17	7.8	6.7
of which :									
United Kingdom .	(1.69)	(1.79)	(1.87)	(2.63)	(3.36)	(3.25)	(4.85)	(5.5)	(5.3)
United States .....	2.90	2.93	3.45	3.61	4.07	3.96	5.19	9.5	5.7
Japan .....	0.32	0.36	0.31	0.40	0.65	0.64	0.75	0.6	0.8
b) Developing countries ...	3.14	3.88	4.08	4.58	5.66	5.41	8.49	14.6	9.3
of which :									
Members of the Organi- sation of Petroleum Ex- porting Countries .....	(0.61)	(0.79)	(0.81)	(1.07)	(1.49)	(1.43)	(2.15)	(2.8)	(2.3)
Republic of Zaïre .....	(0.37)	(0.47)	(0.52)	(0.43)	(0.46)	(0.47)	(0.57)	(1.6)	(0.6)
2. Countries with centrally planned economies .....	0.69	0.81	0.79	1.05	1.74	1.66	2.82	2.5	3.1
Total <sup>(1)</sup> ...	41.94	48.33	51.69	59.25	72.52	70.83	91.56	100.0	100.0

Source : National Statistical Institute. Calculations by the National Bank of Belgium.

<sup>(1)</sup> 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	Foreign exchange reserves						Forward position			Grand total	of which :		Annual changes in total of foreign exchange reserves (3)	Annual changes in grand total (3)
	Gold holding	Assets held at the International Monetary Fund (1)	Net claims on the European Monetary Cooperation Fund (2)	Spot foreign currencies	Spot Belgian francs (2)	Total (f) = (a) + (b) + (c) + (d) + (e)	Foreign currencies	Belgian francs	Total (i) = (g) + (h)		Position in foreign currencies (k) = (d) + (g)	Position in Belgian francs (l) = (e) + (h)		
1968 .....	76.2	15.3	—	18.1	-1.1	108.5	-18.3	1.7	-16.6	91.9	-0.2	0.6		
1969 .....	76.0	7.8	—	35.6	-0.9	118.5	-34.2	3.7	-30.5	88.0	1.4	2.8	+ 9.8	-- 3.7
1970 .....	73.5	29.8	—	39.0	-1.1	141.2	-37.9	11.4	-26.5	114.7	1.1	10.3	+19.3	+23.3
1971 .....	77.2	50.3	—	35.0	-3.8	158.7	-35.5	26.7	- 8.8	149.9	-0.5	22.9	+13.6	+31.7
1972 .....	75.4	52.0	—	52.4	-2.0	177.8	-21.5	20.6	- 0.9	176.9	30.9	18.6	+15.7	+23.6
1973 Nov. ...	73.8	55.3	1.3	82.3	-2.4	210.3	-29.8	27.3	- 2.5	207.8	52.5	24.9	+32.5 <sup>(4)</sup>	+30.9 <sup>(4)</sup>
Dec. ...	71.8	54.4	3.5	75.9	-2.6	203.0	-26.5	27.3	0.8	203.8	49.4	24.7	+36.0	+34.4
1974 Nov. ...	71.8	53.6	...	92.7	-3.3	214.8	-12.6	14.5	1.9	216.7	80.1	11.2	+11.8 <sup>(4)</sup>	+12.9 <sup>(4)</sup>
Dec. ...	71.8	53.3	...	95.1 <sup>(5)</sup>	-3.1	217.1	-11.1	13.0	1.9	219.0	84.0	9.9	+14.1	+15.2

(<sup>1</sup>) 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 connexion.

(<sup>2</sup>) Difference between claims on foreign countries (other than acceptances representing exports) and liabilities to foreign countries, particularly to the central banks.

(<sup>3</sup>) 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.

(<sup>4</sup>) Change in the first eleven months.

(<sup>5</sup>) Including the medium-term financial assistance which the Belgian Government granted to Italy under the directive of the Council of the European Communities adopted on 17th December, 1974 and which is financed by the National Bank of Belgium in accordance with the Convention concluded on that date between the Government and the Bank.

Table 3.

## Official Rates of Exchange Fixed by the Bankers meeting at the Brussels Clearing House

(Daily quotations in Belgian francs)

1974	1 U.S. dollar	1 pound sterling	1 Nether- lands guilder	1 German mark	1 French franc	100 Italian lire	1 Cana- dian 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	100 yens
<b>January</b>																	
Highest . . .	43.79	97.50	14.71	15.41		6.84	44.13	12.94	9.01	6.57	7.24	209.75	161.75	76.30	10.90	87.58	14.94
Lowest . . .	41.76	93.40	14.50	15.12	( <sup>1</sup> )	6.42	41.94	12.61	8.82	6.32	7.11	205.48	159.00	72.10	10.65	83.52	14.15
Mean . . .	42.82	95.32	14.59	15.24		6.64	43.21	12.74	8.93	6.44	7.18	207.09	160.39	73.96	10.77	85.64	14.44
<b>February</b>																	
Highest . . .	42.03	96.02	14.63	15.21	8.39	6.39	42.60	13.07	8.91	6.43	7.17	207.00	161.00	71.35	10.62	84.06	14.32
Lowest . . .	39.96	92.38	14.44	14.97	8.14	6.19	41.07	12.78	8.68	6.34	7.06	204.00	157.10	68.46	10.16	79.92	13.92
Mean . . .	41.00	93.33	14.51	15.12	8.28	6.27	41.98	12.92	8.77	6.38	7.11	205.74	158.97	69.58	10.46	82.00	14.11
<b>March</b>																	
Highest . . .	40.56	94.55	14.67	15.46	8.37	6.36	41.86	13.11	8.86	6.46	7.12	208.90	161.00	68.80	10.49	81.12	14.43
Lowest . . .	38.95	92.04	14.44	15.10	8.18	6.19	40.00	12.80	8.69	6.38	7.05	204.80	158.00	66.21	10.39	77.90	13.90
Mean . . .	39.95	93.51	14.52	15.25	8.29	6.28	41.12	12.97	8.75	6.41	7.08	206.79	158.85	67.72	10.44	79.90	14.22
<b>April</b>																	
Highest . . .	39.50	94.24	14.64	15.46	8.21	6.26	40.79	12.94	8.91	6.49	7.13	208.75	165.00	67.39	10.48	79.00	14.30
Lowest . . .	37.54	91.35	14.47	15.29	7.70	5.95	39.13	12.75	8.79	6.36	7.04	206.70	156.30	65.33	10.24	75.08	13.48
Mean . . .	38.87	92.96	14.56	15.41	8.01	6.12	40.21	12.87	8.85	6.42	7.08	207.96	157.99	66.57	10.39	77.75	14.04
<b>May</b>																	
Highest . . .	38.29	92.35	14.63	15.46	7.81	6.05	39.85	13.18	8.87	6.45	7.21	214.00	167.00	66.58	10.34	76.57	13.75
Lowest . . .	36.81	89.02	14.29	15.02	7.67	5.91	38.30	12.76	8.73	6.37	6.97	207.60	153.50	64.40	10.12	73.62	13.30
Mean . . .	37.66	90.88	14.51	15.32	7.75	5.96	39.15	12.94	8.82	6.41	7.07	210.28	156.14	65.71	10.23	75.31	13.58
<b>June</b>																	
Highest . . .	38.42	91.00	14.38	15.14	7.89	5.90	39.62	12.81	8.77	6.44	7.04	210.75	154.00	66.85	10.49	76.83	13.56
Lowest . . .	37.59	90.39	14.29	14.88	7.69	5.81	39.01	12.63	8.66	6.30	6.92	207.75	153.20	65.89	10.22	75.19	13.33
Mean . . .	37.95	90.69	14.33	15.04	7.74	5.84	39.28	12.69	8.69	6.36	6.99	209.64	153.64	66.35	10.37	75.90	13.45
<b>July</b>																	
Highest . . .	38.25	91.20	14.78	14.97	8.15	5.94	39.19	12.89	8.75	6.42	7.06	213.00	155.00	67.15	10.54	76.49	13.40
Lowest . . .	37.43	89.58	14.31	14.78	7.87	5.85	38.41	12.69	8.65	6.37	6.98	208.33	151.00	65.85	10.15	74.86	12.72
Mean . . .	37.93	90.64	14.41	14.86	7.95	5.90	38.90	12.79	8.68	6.40	7.03	209.19	152.21	66.57	10.30	75.87	13.07
<b>August</b>																	
Highest . . .	39.40	91.32	14.56	14.88	8.18	5.98	40.10	13.12	8.82	6.47	7.10	209.80	154.50	68.60	10.40	78.80	13.04
Lowest . . .	37.82	90.29	14.43	14.78	8.05	5.85	38.58	12.88	8.68	6.36	7.01	208.50	151.70	66.45	10.24	75.65	12.61
Mean . . .	38.70	90.80	14.49	14.79	8.10	5.91	39.51	12.98	8.76	6.41	7.06	208.95	152.71	67.70	10.33	77.41	12.83
<b>September</b>																	
Highest . . .	39.59	91.55	14.59	14.86	8.28	5.97	40.05	13.30	8.83	6.40	7.12	209.75	153.50	68.64	10.39	79.18	13.33
Lowest . . .	39.23	90.99	14.46	14.78	8.18	5.94	39.87	13.07	8.79	6.30	7.08	208.70	152.00	68.14	10.26	78.46	13.01
Mean . . .	39.42	91.31	14.53	14.82	8.21	5.95	39.96	13.15	8.81	6.36	7.10	209.24	152.78	68.40	10.35	78.83	13.19
<b>October</b>																	
Highest . . .	39.24	91.62	14.57	15.06	8.29	5.94	39.62	13.39	8.83	6.42	7.10	211.50	153.50	68.26	10.27	78.48	13.18
Lowest . . .	38.09	88.88	14.46	14.79	8.11	5.71	38.68	13.23	8.71	6.39	6.92	208.20	151.00	66.45	10.06	76.17	12.72
Mean . . .	38.57	89.98	14.52	14.88	8.15	5.79	39.24	13.31	8.78	6.40	7.01	209.04	152.02	67.24	10.16	77.14	12.90
<b>November</b>																	
Highest . . .	38.23	89.35	14.57	15.19	8.17	5.75	38.66	14.25	8.79	6.44	6.98	212.70	151.80	66.69	10.16	76.46	12.77
Lowest . . .	37.20	86.46	14.45	14.85	7.95	5.59	37.63	13.38	8.69	6.37	6.92	208.00	150.40	65.55	10.06	74.40	12.38
Mean . . .	37.68	87.74	14.50	15.03	8.07	5.66	38.18	13.74	8.75	6.42	6.94	210.36	151.24	66.10	10.11	75.36	12.57
<b>December</b>																	
Highest . . .	37.65	87.43	14.56	15.11	8.26	5.65	38.04	14.58	8.95	6.44	6.98	214.00	152.00	66.17	10.24	75.29	12.56
Lowest . . .	36.12	84.89	14.36	14.96	8.05	5.56	36.51	13.66	8.74	6.32	6.92	210.00	147.50	64.59	10.10	72.25	12.04
Mean . . .	36.86	85.90	14.49	15.02	8.15	5.60	37.33	14.15	8.81	6.39	6.95	211.67	150.05	65.42	10.14	73.73	12.29
<b>Year</b>																	
Highest . . .	43.79	97.50	14.78	15.46		6.84	44.13	14.58	9.01	6.57	7.24	214.00	167.00	76.30	10.90	87.58	14.94
Lowest . . .	36.12	84.89	14.29	14.78	( <sup>1</sup> )	5.56	36.51	12.61	8.65	6.30	6.92	204.00	147.50	64.40	10.06	72.25	12.04
Mean . . .	38.95	91.09	14.50	15.06		5.99	39.84	13.10	8.78	6.40	7.05	208.83	154.72	67.62	10.34	77.91	13.39

(1)

	January		Year	
	1st - 18th	19th - 31st	1st - 18th January	19th January to 31st December
Highest . . . . .	8.78	8.41	8.78	8.41
Lowest . . . . .	8.60	8.24	8.60	7.67
Mean . . . . .	8.68	8.31	8.68	8.07

Table 4.

**Cash Receipts and Expenditure  
resulting from Execution of the Ordinary Budget**

*(Billions of francs)*

	Gross data		Data made comparable (1)		Balance (e) = (a) - (b) or (c) - (d)
	Receipts (a)	Expenditure (b)	Receipts (c)	Expenditure (d)	
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
1973 .....	409.7	431.9	435.4	457.6	-22.2
1973 First 10 months .....	347.7	364.9	360.2	377.4	-17.2
1974 First 10 months .....	409.8	433.2	434.1	457.5	-23.4

(1) 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, of the Road Fund, of Belgium's ordinary contribution to the European Communities and of the Special Municipalities Fund. It was not possible, on the other hand, 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 ( <sup>2</sup> )	Debt taken over from the Republic of Zaïre ( <sup>3</sup> )	Total ( <sup>4</sup> )
	in Belgian francs				in foreign currencies ( <sup>1</sup> )	Total			
	Consolidated	Medium term	Short term	Total					
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	481.3	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 .....	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
1974 October .....	621.4	19.7	114.8	755.9	4.7	760.6	59.8	0.8	821.2
December ...	613.7	19.7	123.4	756.8	4.6	761.4	59.2	0.8	821.4

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)

	1969	1970	1971	1972	1973	1973	1974
						(First 10 months)	
1. Public debt (1) .....	+28.1	+ 23.3	+23.0	+66.9	+53.1	+54.8	+56.5
2. Transactions without movement of funds :							
a) Treasury Certificates held by the International Monetary Fund (2) .....	(+ 2.3)	(- 0.5)	(-10.4)	(+ 3.9)	(+ 1.3)	(+ 1.4)	(- 1.3)
b) Treasury Certificates taken by the National Bank of Belgium to finance loans to the International Monetary Fund pursuant to the Gene- ral Arrangements to Bor- row (3) .....	(- 5.0)	(—)	(—)	(—)	(—)	(—)	(—)
c) The National Bank of Bel- gium's credit balance at the Postal Cheque Office for account of the Ministers of National Education (4) .....	(+ 0.2)	(...)	(- 0.3)	(- 0.2)	(- 2.1)	(- 2.1)	(—)
d) Miscellaneous .....	(+ 0.7)	(...)	(- 0.1)	(- 0.5)	(+ 2.8)	(...)	(...)
Total 2 ...	- 1.8	- 0.5	-10.8	+ 3.2	+ 2.0	- 0.7	- 1.3
3. Bills accepted by the Road Fund (5) .....	- 1.8	...	...	...	...	...	...
4. Funds available to meet the Treasury's net financial require- ments (=1.-2.+3.) .....	+28.1	+23.8	+33.8	+63.7	+51.1	+55.5	+57.8
5. Debudgetised debt for the service of which the Central Government is responsible (6) .	+12.9	+13.9	+17.6	+23.7	+19.9	+18.4	+15.9
6. Funds available to meet the Central Government's net finan- cial requirements (=4.+5.) (7)	+41.0	+37.7	+51.4	+87.4	+71.0	+73.9	+73.7

(1) According to Table 5 of this Annex.

(2) 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 receipts 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 outpayments 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>) Until November 1973, that is, during the period when the Government's liability corresponding to this credit balance was included in the public debt. Changes in this credit balance 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, insofar as it has been possible to record such recourse.

(<sup>7</sup>) See Table 10, column (c), page 73.

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
1968 .....	183.2	6.6	185.4	
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 .....	222.6	8.5	225.3	+20.8
1973 October .....	228.0	8.9	231.0	+ 5.7 (2)
December .....	238.5	9.1	240.7	+15.4
1974 October .....	243.1	9.2	246.0	+ 5.3 (2)
December .....	256.1	9.5	n.a.	n.a.

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-4.

(<sup>1</sup>) 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.

(<sup>2</sup>) 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			
1968 .....	0.8	46.3	123.3	170.4	20.8	191.2	
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 .....	0.6	60.3	206.1	267.0	37.9	304.9	+ 44.4
1973 October .....	0.4	61.6	224.5	286.5	40.7	327.2	+ 22.3(4)
December .....	0.5	61.4	231.2	293.1	43.1	336.2	+ 31.3
1974 October .....	0.2	64.1	248.7	313.0	41.7	354.7	+ 18.5(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		
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 <sup>(1)</sup>		
1973 .....	522.5	293.3	815.8	3.38	4.41		
1973 First 11 months .....	515.1	292.3	807.4	3.34	4.42		
1974 First 11 months .....	634.8	350.8	985.6	3.93	4.75		
					(2)		(2)
1973 1st quarter .....	482.8	291.3	774.1	3.30	3.31	4.40	4.41
2nd quarter .....	528.7	308.9	837.6	3.33	3.34	4.54	4.49
3rd quarter .....	515.7	282.5	798.2	3.26	3.41	4.35	4.48
4th quarter .....	562.7	290.5	853.2	3.64	3.52	4.36	4.49
1974 1st quarter .....	586.5	346.4	932.9	3.79	3.66	4.77	4.54
2nd quarter .....	655.2	362.7	1,017.9	3.92	3.90	4.75	4.70
3rd quarter .....	636.7	339.8	976.5	3.85	4.03	4.71	4.87

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-13.

<sup>(1)</sup> For statistical reasons, the figures for 1972 to 1974 are not fully comparable to those for the previous years.

<sup>(2)</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	
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
1973 .....	+24.9	+19.5	+19.7	+ 4.9	+ 69.0
1973 First 10 months .....	+17.9	+12.7	+13.0	+ 2.8	+ 46.4
1974 First 10 months .....	+ 2.7	+ 6.9	+ 4.8	+ 3.5	+ 17.9

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
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	+ 10.8	+165.6
1972 .....	+ 94.6	+ 33.3	+ 17.4	+ 5.3	+ 4.5	+ 23.1	+178.2
1973 .....	+ 79.2	+ 41.8	p+ 13.8	+ 6.1	p+ 8.9	p+ 17.1	p+166.9
1973 First 10 months .	+ 85.6	+ 35.8	p+ 3.1	+ 5.1	p+ 7.5	p+ 12.8	p+149.9
1974 First 10 months .	+ 74.3	+ 44.3	p- 0.3	+ 5.3	p+ 10.4	p+ 9.7	p+143.7

(1) Direct and indirect debt and the debudgetised debt for the service of which the Central Government is responsible, insofar as it has been possible to record this.

(2) 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
1969 .....	+ 11.8	+ 13.0	+ 0.4	+ 46.4	+ 71.6
1970 .....	+ 28.9	+ 5.3	+ 0.9	+ 64.1	+ 99.2
1971 .....	+ 48.9	+ 45.2	+ 0.8	+ 70.7	+165.6
1972 .....	+ 55.7	+ 58.8	+ 1.0	+ 62.7	+178.2
1973 .....	+ 47.9	+ 26.3	+ 1.4	<i>p</i> + 91.3	<i>p</i> +166.9
1973 First 10 months .....	+ 49.4	+ 21.6	+ 1.2	<i>p</i> + 77.7	<i>p</i> +149.9
1974 First 10 months ... <i>p</i>	+ 36.8	+ 18.5	+ 1.7	+ 86.7	+143.7

(<sup>1</sup>) Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1974, 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
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	+ 6.6	+70.7
1972 .....	+19.5	+18.8	+ 5.9	+ 5.2	+ 4.3	+ 9.0	+62.7
1973 .....	+20.9	+37.3	<i>p</i> + 6.7	+ 6.1	<i>p</i> + 8.6	<i>p</i> +11.7	<i>p</i> +91.3
1973 First 10 months .	+22.8	+31.0	<i>p</i> + 2.8	+ 5.1	<i>p</i> + 7.2	<i>p</i> + 8.8	<i>p</i> +77.7
1974 First 10 months .	+37.6	+33.1	<i>p</i> - 3.2	+ 5.3	<i>p</i> +10.1	<i>p</i> + 3.8	<i>p</i> +86.7

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)	
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 .....	5.250	3.00	4.00	5.25	6.25	7.21
1973 June .....	5.875	4.00	4.25	5.75	7.00	7.21
December ...	9.500	5.75	4.75	6.75	7.50	7.92
1974 January .....	9.625	5.75	5.00	6.75	7.50	8.14
February ...	11.250	6.25	5.25	7.25	8.00	8.22
March .....	9.625	6.25	5.25	7.25	8.00	8.36
April .....	10.500	6.75	5.25	7.25	8.00	8.71
May .....	11.875	6.75	5.25	8.00	8.75	8.78
June .....	11.875	6.75	5.75	8.00	8.75	8.86
July .....	12.000	7.00	5.75	8.00	8.75	8.82
August .....	11.625	7.00	5.75	8.00	8.75	9.26
September ...	11.500	7.25	6.25	8.25	9.75	9.12
October .....	10.750	7.25	6.25	8.25	9.75	8.92
November ...	11.125	7.00	6.25	8.25	9.75	9.00
December ...	10.500	7.00	6.25	8.25	9.75	9.03

<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. Moreover, a « 1974 encouragement premium » of 1 p.c. per annum was allowed, for the period from 16th September to 31st December, 1974, on the average weighted increase of the balance on account over the balance on 15th September, 1974. Since, up to a certain amount (at present Fr. 15,000 per year), the income from deposits on ordinary savings books is exempt from tax, their 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 Regulation Fund (4 months) (3)	Treasury Certificates issued by tender (4)		Rediscount and Guarantee Institute : bank acceptances with visa or certification representing imports (up to 120 days) (2) (5)	Bank acceptances with visa or certification negotiated on the market outside the National Bank (at about 90 days) (2)	Deposits in Euro-currencies (3 months) (2)	
				(9 months)	(12 months)			Belgian francs	Dollars (6)
1968 .....	2.84	5.00	5.25	5.30	5.30	4.00	6.50	7.25	6.75
1969 .....	5.40	8.50	8.75	8.80	8.80	7.40	8.75	9.50	10.00
1970 .....	6.25	6.95	7.25	—	7.75	6.00	7.00	7.31	6.37
1971 .....	3.70	4.80	5.15	5.65	6.15	4.45	5.65	5.75	5.62
1972 .....	2.48	4.50	4.85	5.25	5.85	4.90	5.40	5.81	5.62
1973 June .....	3.16(?)	5.70	6.00	6.20	6.50	5.40	6.00	6.31	8.87
December .	6.37(8)	7.65	7.95	—	8.10	7.65	9.50	10.25	9.87
1974 January .	8.52	7.65	7.95	—	7.75	7.65	10.50	10.75	8.50
February .	7.94	8.50	8.75	—	8.60	8.65	11.50	12.00	8.25
March ...	8.96	9.00	9.40	—	8.50	8.65	10.25	10.31	9.75
April .....	9.21	9.40	9.70	—	9.00	8.65	10.75	11.16	11.50
May .....	9.52	10.00	10.25	10.00	8.75	8.65	12.50	12.69	11.75
June .....	9.59	11.25	11.50	—	—	8.65	12.25	12.56	12.75
July .....	10.34	11.75	12.00	10.00	9.00	8.65	10.00	12.75	12.63
August ...	9.68	11.75	12.00	12.00	9.00	8.65	10.00	12.50	13.75
September .	9.42	11.75	12.00	11.75	9.00	8.65	10.00	11.75	12.19
October ...	9.19	11.25	11.50	11.50	9.00	8.65	10.00	11.15	11.38
November .	9.50	10.75	11.25	11.00	8.80	8.65	10.00	11.15	11.88
December .	9.04	10.50	11.00	—	—	8.65	10.00	10.90	11.25

(\*) 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) Between 1st June, 1970 and 22nd October, 1973 : rates for transactions at 61 to 120 days. This is the rate for acceptances which are counted against the presenting bank's rediscount and visa ceiling at the National Bank of Belgium; from 8th July, 1974 onwards this rate is different depending on whether the acceptances are counted against sub-ceiling A (left-hand column) or sub-ceiling B (right-hand column).

(6) Source : The Times. Rate for investors not arranging forward cover.

(7) First half-year.

(8) Second half-year.

Table 15.

## National Bank of Belgium's Official Scale of 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 Regulation 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									
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 (3) or certified (4), 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		
1974 .....		8.75 <sup>(5)</sup>			9.50		9.50 <sup>(6)</sup>		
1974									
1st January - 31st January		7.75			8.50		8.50		
1st February - 31st Dec. ...		8.75 <sup>(5)</sup>			9.50		9.50 <sup>(6)</sup>		

(1) Maximum proportion advanced : 95 p.c.

(2) Maximum proportion advanced : 80 p.c.

(3) The visa was abolished on 1st April, 1974.

(4) The certification procedure started on 1st June, 1970.

(5) Rate for bills counted against rediscount sub-ceiling A (since 8th July, 1974). See pages 110 and 111.

(6) This rate is also the discount rate for bills counted against rediscount ceiling B (since 8th July, 1974). See page 111.

Table 16.

## National Bank of Belgium's Special Rates

(Per cent)

At end of	Rediscount and Guarantee Institute's rediscount facility for mobilisation of paper not counted against rediscount ceilings (1)	Advances above monthly quota allotted to banks, private savings banks and public credit institutions (2)
1973 December .....	9.50	—
1974 January .....	10.50	—
February .....	11.75	—
March .....	10.25	—
April .....	11.25	—
May .....	12.50	—
June .....	12.25	—
July .....	12.75	13.00
August .....	12.25	12.75
September .....	11.50	11.75
October .....	10.50	10.75
November .....	10.00	10.25
December .....	10.00	10.25

(<sup>1</sup>) Rate existing since 21st December, 1973. See pages 111 and 112.

(<sup>2</sup>) Rate existing since 8th July, 1974. See pages 112 and 113.

Table 17.

**Call Money (\*)**

(Billions of francs)

Daily average	Lent by			Borrowed by				Total dealings
	banks	the Securities Regulation Fund	other institutions	banks	the Securities Regulation Fund	the Rediscount and Guarantee Institute	other institutions	
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
1974 .....	6.2	1.4	4.2	3.1	3.9	4.2	0.6	11.8

(\*) See the Bulletin of the National Bank of Belgium, Statistics, Table XVIII-1.



## 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 Navigation 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 Petroleum Federation	Fédération pétrolière belge
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
Creditexport Association	Association Creditexport
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 Research Institute [formerly Economic, Social and Political Research Institute (of Louvain University)]	Institut de Recherches Economiques [précédemment Institut de Recherches Economiques, Sociales et Politiques (de l'Université de Louvain)]
Energy Board	Administration de l'Energie
European Agricultural Direction and Guarantee Fund (of the European Communities)	Fonds Européen d'Orientation et de Garantie Agricole (des Communautés Européennes)
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 Regional Development Fund	Fonds européen de développement régional

European Social Fund (of the European Communities)	Fonds social européen (des Communautés Européennes)
Excise Department (Ministry of Finance)	Service des Accises (Ministère des Finances)
Export Credit	Creditexport
External Trade Fund	Fonds du Commerce Extérieur
Federation of Belgian Enterprises (formerly Federation of Belgian Industries)	Fédération des Entreprises de Belgique (précédemment 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'Énergie 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'Épargne 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 Energy Agency	Agence internationale de l'énergie
International Development Association	Association Internationale de Développement
International Finance Corporation	Société Financière Internationale
International Lead and Zinc Study Group	Groupe d'Études 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'Étain
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'Éducation Nationale
Ministry for Economic Affairs	Ministère des Affaires Économiques
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 the European Communities)	Comité Monétaire (des Communautés Européennes)
Monetary Fund	Fonds Monétaire
National Coal Mines Council	Conseil National des Charbonnages
National Committee for Economic Expansion	Comité National d'Expansion Économique
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 Local Railways Company	Société Nationale des Chemins de fer Vicinaux
National Mixed Mines Commission	Commission Nationale Mixte des Mines
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 Economiques (O.C.D.E.) [précédemment Organisation Européenne de Coopération Economique (O.E.C.E.)]
Organisation of Petroleum Exporting Countries	Organisation des pays exportateurs de pétrole
Permanent Budget Equalisation Fund	Fonds Permanent d'Egalisation 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'Economie 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'Epargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Epargne de la Caisse Générale d'Epargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Regulation 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 the European Communities)	Comité Spécial Agricole (des Communautés Européennes)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Special Municipalities Fund	Fonds spécial des communes
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

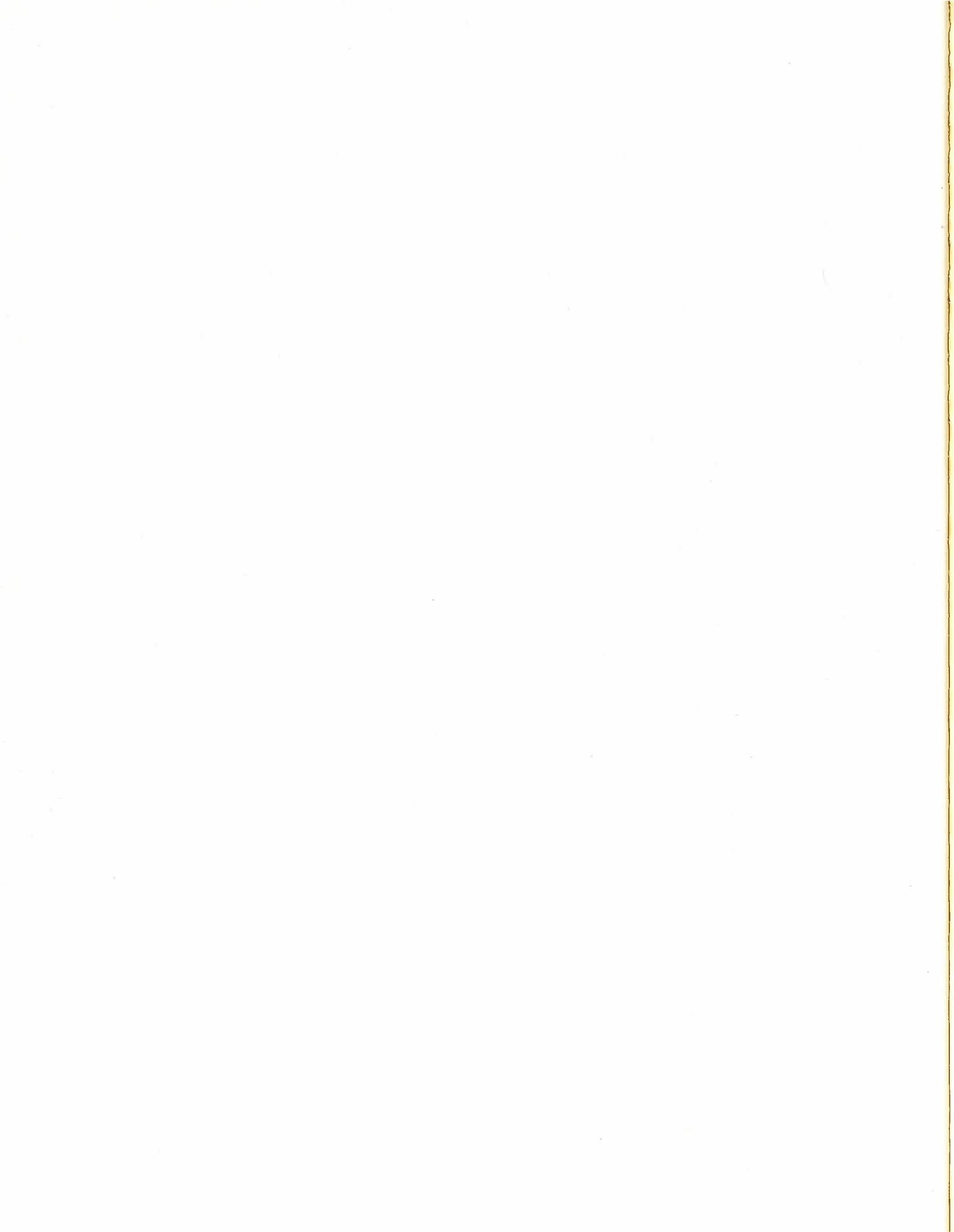
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