

NATIONAL BANK
OF BELGIUM



REPORT 1976

NATIONAL BANK OF BELGIUM

LIMITED COMPANY
BRUSSELS TRADE REGISTER No. 22,300



REPORT

*on the activities of the year 1976
presented to the General Meeting
on 28th February, 1977*

REPORT

presented by the Governor in the name of the

COUNCIL OF REGENCY *

* A member of the Board expressed his disagreement with the part of the text ending on page 78.

A Glossary of Names as used
in this and previous Reports of the National
Bank is printed at the end of the text.

After having started as early as the second quarter of 1975 in the United States and subsequently spread to all the industrialised countries, the recovery in activity continued during the first months of 1976. It was sustained mainly by replenishment of stocks, purchases of durable consumer goods by households and expenditure by the public authorities. But the derived effect of the recovery on industrial capital investment which had been typical of previous cycles did not take place, save in exceptional cases. Consequently the growth rate slowed down almost everywhere from the second quarter of 1976 onwards.

The economies of the industrialised countries.

The state of underemployment persisted, revealing changes of a structural nature.

Consumer prices rose less than in 1975; the pace of inflation continued to differ from country to country.

The synchronisation of the recovery led, in the first half of 1976, to a rise in raw material prices. As, at the same time, rebuilding of stocks in the industrialised countries caused an increase in imports of basic products, the current balance of payments deficit of these countries as a whole worsened compared with 1975; conversely, the current surplus of the members of the Organisation of Petroleum Exporting Countries was larger and the current deficit of the other developing countries as a whole declined. In the group of industrialised countries, the trend of the external situation differed widely from country to country. The surpluses of the Federal Republic of Germany, Switzerland and the Netherlands rose further, while the position of most of the other European countries, except the United Kingdom, deteriorated; in the major non-European countries the situation reversed from one year to the other : the United States' large current surplus was replaced by a slight deficit, while Japan became a creditor country again.

The effect of current payments on the foreign exchange markets was accentuated, more often than not, by shifts of capital, so that these

generally tended to be destabilising. As a result, the fluctuations in exchange rates were very marked despite the efforts of the authorities, in the cases where their regularising interventions on the markets were continued. The international exchange rate system remained hybrid; in many countries the disadvantages of stable exchange rates — especially the serious losses of reserves — alternated with those of fluctuating rates — especially the repercussion on domestic costs of the decline in the external value of the national currencies. The lines of action pursued by the various national authorities did not prevent the persistence of the previous divergences in the movement of exchange rates : the strong currencies became stronger still and the weak currencies, weaker. The floating currencies depreciated in relation to the currencies of the countries of the European Economic Community which are still applying the Basle agreements on margins of fluctuation, which have in fact been joined by Sweden and Norway; within this so-called « snake » group, changes in pivot rates were decided upon in mid-October, at the request of certain member countries other than the Belgian-Luxembourg Economic Union : the German mark was revalued by 2 p.c., the Danish crown was devalued by 4 p.c. and the Swedish and Norwegian crowns were devalued by 1 p.c.

The Belgian
economy.

With a certain delay in the recovery, the economic situation in Belgium reflected that of its main foreign partners. The revival of activity began at the end of the summer of 1975 and continued until the middle of 1976. Nevertheless, during this period, as incidentally for the rest of the year, the volume of industrial investment declined in comparison with the previous year's already low level; the main obstacle to a revival of the propensity to invest was the existence of substantial unutilised production capacities; another brake was the mediocre profitability of many enterprises, especially in the sectors which have to face foreign competition : the improvement observed during the first months of the year was not sufficient to make up for the consequences of the recession period, and, owing to the rise in prices, the increase in fiscal burdens resulting from the taxation of increases in the nominal value of stocks and the inadequacy of depreciation allowances continued.

The slackening of activity observed in the second half of 1976 was primarily due to a falling-off of orders from abroad, especially for semi-processed metal products and textiles, to the cessation of stockbuilding by enterprises and, lastly, to a slowing down of purchases of certain

durable goods by households. As fixed capital formation by the public authorities and housebuilding continued to sustain business activity, overall domestic demand fluctuated less sharply than foreign demand.

After having declined by 1.9 p.c. in 1975, the volume of the gross national product probably went up by 3 p.c. in 1976, thus being only just over 1 p.c. higher than in 1974. Even then, measured in this way, the growth during the year gives a false impression as regards the improvement in the nation's real income. For the terms of trade deteriorated again, that is, the prices of imported products rose on average more than those of exported products. The volume of exports required in order to cover the same quantity of imports was greater in 1976 than in 1975. Consequently, owing to this additional amount drawn in favour of foreign countries from the goods and services produced during the year, the real income actually available for domestic expenditure was not able to increase as much as the national product. Now this expenditure in fact rose more than income, and the discrepancy led to a reversal of the balance of current transactions, which moved into deficit. The inadequacy of national resources was not, however, the result of a state of overemployment either as regards equipment, the production capacities of which were far from being fully utilised, or as regards labour.

The employment situation was not basically changed by the recovery. Although the latter appreciably reduced partial unemployment, it had but little effect on complete unemployment, at most slowing down its growth. The fresh decline in economic activity observed in the second part of 1976 was very quickly reflected in a worsening of unemployment. Furthermore, the relative importance of the structural component of underemployment continued to increase : it can be estimated that in the autumn it represented about 40 p.c. of the number of normally capable persons wholly unemployed.

The situation in the labour market, the slowing down of price inflation and the measures contained in the Recovery Law of 30th March 1976 accentuated the slackening of the rise in wages. From September 1975 to September 1976, gross average earnings per hour worked went up by 11 p.c., whereas they had risen by 24 p.c. during 1974. This slackening and the productivity gains which accompanied the quickening of the rate of production are the main reasons why the rise in labour costs per unit of output in manufacturing industry, which had reached a record level from March-May 1974 to March-May 1975, was much smaller during

the next twelve months. As the other factors which govern the profits of industrial enterprises do not appear to have outweighed the advantage of the expansion in the volume of business, gross profits must generally have been less unfavourable during 1976; in many cases the improvement was confined to the first half of the year. Income of farmers and that of self-employed persons in other trades would also appear to have fared less badly than in 1975, in real terms.

Influenced by world markets, Belgian wholesale prices for raw materials and semi-finished products moved upwards until July 1976. The rise in the prices of finished industrial products was less rapid but continued longer. On the whole, however, the upward movement of the general level of wholesale prices was smaller in Belgium than in many other industrialised countries. This state of affairs is partly due to the fact that the increase in the prices of imported products as a whole was slowed down by the rise in the average rate for the Belgian franc. This also helped to curb the rise in consumer prices, which slackened from 11 p.c. in 1975 to 7.6 p.c.

The current balance of payments deficit of the Belgian-Luxembourg Economic Union amounted to Fr. 23 billion for the first ten months. The National Bank's foreign exchange reserves fell, however, by Fr. 52 billion during this period, as very substantial net outflows of short-term funds took place during the periods of unrest in the foreign exchange markets in the first and third quarters of 1976. These shifts of liquid assets took place through changes in the terms of payments and through movements, brought about by the instructions of resident and foreign clients, in the banks' position in foreign currencies and in Belgian francs in relation to foreign countries. The situation was reversed in the last two months of the year : current payments resulted, on balance, in a substantial surplus, and net inflows of capital were recorded; the National Bank's foreign exchange reserves were replenished to the extent of Fr. 28 billion.

During the year as a whole, financial savings were mainly placed on the domestic money and capital markets, where demand remained heavy. Firstly, as the central Government's deficit in respect of current transactions had deteriorated, the net financial requirements of the public authorities — central Government and local authorities — reached Fr. 174 billion for the first ten months, against Fr. 141 billion for the same period of 1975. Secondly, the « enterprises » sector also

substantially increased its gross indebtedness in order to finance the rebuilding of stocks and, for part of the year, to replace funds used to accumulate net claims on foreign countries; actually demand for short-term credit was particularly keen during the periods of unrest on the foreign exchange markets. Thirdly, the « individuals » sector contracted more long-term debts than in 1975 for house-building purposes. A larger proportion than in 1975 of demand for funds from enterprises and individuals was accounted for by long-term borrowing, owing, for individuals, to the type of expenditure to be financed and, for enterprises, especially to the particularly sharp rise in short-term lending rates. The financial assets of which these forms of indebtedness constitute the counterpart took the form, more than in 1975, of assets in Belgian francs. The propensity to hold cash or other financial assets with a low or unchanged yield decreased.

The constraints which operate on an open economy, dominated in terms of production of and trade in goods and services and in terms of capital movements, conditioned monetary policy even more than in the past, influencing the choices which the authorities had to make among the possible lines of action. The factors which these lines of action had to take into account were : the deterioration of the economic situation from the middle of the year onwards, the problem of unemployment, already disquieting during the period of recovery and still more acute subsequently, the persistent inflation, and, lastly, the two waves of unrest which shook the foreign exchange markets, of which the second was the longer and more powerful. The priority aims were defined by adopting as the criteria for decision not only the balance of the immediate disadvantages and advantages of each aim but also the balance between these disadvantages and the longer-term benefits which the whole economy could derive from it.

Monetary policy.
Its aims.

However rational speculation on exchange rates might have appeared in the calculations of the individual economic agent, whether fearing a relative depreciation of the franc and wishing to guard against it, or sometimes seeking to reap capital gains owing to exchange rate differentials, it constituted, by its extent, a threat to the external value of the national monetary unit. Now it was obvious, in the circumstances of the moment, that depreciation of the franc, reflected immediately in an increase in the prices, expressed in the national currency, of imported products, would

have quickly set in motion again the rise in domestic prices and costs. For although it is true that, generally speaking, the degree of propagation of this type of imported inflation depends at one and the same time on the import content of total expenditure, on the possibilities of substituting domestic resources for these foreign products and on the rigidity of the links, whether formal or implicit, between prices and incomes, there was a particularly great danger of the Belgian economy's being afflicted by this malignant fever and drawn into the vicious circle of foreign exchange rates and prices. As a processing economy, the country obtains from abroad a large proportion of the producer goods which it employs; only rarely or inadequately — as in the case of energy — does it have possibilities of replacing these imports by domestic products; lastly, it is one of those countries where incomes of all kinds, whether index-linked or not, develop in symbiosis with each other and with prices. This being so, a depreciation of the franc would, with a few exceptions, have presented only a momentary advantage to exports, production and employment; on the other hand, it would undoubtedly have resulted, after a fairly short period, in a quickening of inflation, giving rise to new handicaps and disruptions. Other industrialised countries, though less dependent than the Belgian economy, had already demonstrated to their cost that a downward adjustment of the rate for the national monetary unit is not necessarily the ultimate instrument of domestic expansion and return to external balance, and that this depreciation can instead have the effect of exacerbating the inflationary factors and, furthermore, of generating speculation, flights of capital which bring about the expected further slides in the rates.

Consequently the Bank, with the Government's agreement, made it the foremost aim of monetary policy to oppose any developments which could have brought about a fall in the pivot rate for the Belgian franc within the snake, or even Belgium's abandonment of its participation in this fixed exchange rate area. It has been recalled earlier that the readjustment of the pivot rates which took place in October was requested by partner countries; the changes decided upon following the negotiations were, incidentally, small.

During periods when the behaviour of residents and non-residents leads to disruptive capital movements, the system of the double foreign exchange market has proved an indispensable bulwark, in view of the mass of financial assets which could have been shifted abroad. But this system does not prevent shifts of enterprises' funds which take place, by

changes in the terms of payments, in connection with commercial transactions in the sphere of the regulated market; nor does it prevent changes in the positions which the banks may be induced to take up in the regulated market in response to requests from their clients. The latter movements were kept in check by specific regulating measures : in June, stricter limits were imposed on the banks' spot positions in foreign currencies. In addition, the banks were called upon to raise extremely sharply, during the first weeks of October, the debtor rates applied to those credits at very short term in Belgian francs to their foreign correspondents which were in excess of the current limits.

It was more by means of monetary policy in the strict sense of the term that the authorities were able to curb the shifts of short-term funds made by resident or foreign enterprises. This action by the Bank meant a tightening of liquidity creation on the domestic money market and a rise in short-term rates, the latter being, of course, interrelated with the former.

Undoubtedly the trend of domestic economic activity did not warrant a rise in the cost of short-term credit. But this was not an insuperable impediment. For the level of rates, in any case short-term rates, is not, or is no longer, an important factor in spending decisions.

Experience has provided ample proof that capital expenditure by enterprises is undertaken in response to a set of other factors, including the degree of utilisation of production capacities, which carry more weight than the cost of credit; medium and long-term lending rates were in any case only very slightly raised in 1976; furthermore, the improvement, decided upon in 1975, of the system of subsidies granted by the public authorities produced its effects. As for movements of stocks, which are largely financed with the aid of bank credit, these have more often than not, during recent decades, been in the same direction as short-term rates; increases in the latter during boom phases have not, in the short-run, prevented purchases decided upon on the basis of other factors; admittedly 1976 was far from having been characterised by run-away movements and, consequently, one might be tempted to establish a causal link between the rise in the cost of bank lending in the second half of the year and the cessation of restocking; but it seems that the latter is due more to the outlook as regards the trend of demand : the same hesitation on the part of enterprises was observed in those foreign countries where short-term interest rates had hardly risen at all.

True, the raising of short-term rates added to companies' production costs. According to the Bank's calculations, interest charges on short and long-term borrowing represent about one-twentieth of the total value of the goods and services produced by manufacturing industry; an increase of 1 p.c. in short-term rates raises this value by barely 0.3 p.c. whereas the two major cost factors — namely wages and imported products — would have been pushed up appreciably all along the line by a depreciation of the franc. In this connection, emphasis should be laid on the difference between the attitude of the firm, on the one hand, whose microeconomic view is focused rather on the immediate future and whose calculations are based on the assumption of « all other things remaining equal », and the attitude of the authorities, on the other hand, whose view, of necessity macroeconomic, must take into account the interdependences, the causal links, the induced effects, in short, the dynamics of phenomena over a longer period. However, although their policy choices must be inspired by an overall approach to problems, the authorities were not unmindful of the special position of enterprises with heavy debts whose earnings might be adversely affected by additional financial charges and which did not take any direct part in the shifting of funds abroad. The wish, expressed by the Bank, to see more selectivity applied in the raising of debtor rates did not remain a dead letter; but the only differences which the banks were able to introduce were based on the size of the credits. The aim, expressed by the Bank, of achieving even greater selectivity did not prove attainable. We should not be surprised at this impossibility : the banks would have had to be subjected to an authoritarian credit administration; now in a régime where economic policy respects the principles of the market economy there is no criterion of discrimination, no effective instrument for recording and no accurate check of a kind which would enable such a strict system of regulation to be designed and applied.

Lastly, the level of short-term rates did not affect expenditure by households. Consumer credit primarily relates to certain categories of purchases — cars and household appliances — and it is the relevant regulations, which, incidentally, were relaxed in 1975, and not interest rates at all, which influence decisions to buy on credit. Such indebtedness on the part of households is in any case modest in relation to their income. It is primarily for the purpose of building that individuals have recourse to borrowing, which is then at long term; this category of expenditure remained at such a high level in 1976 that supply bottlenecks appeared

in the housing sector, where the rise in prices was still above average; irrespective of all other considerations, the authorities had to limit the expansion of housing loans.

The sales of foreign exchange which the Bank had to carry out, during several periods in the year, in order to observe the margins of fluctuation between the franc and the currencies of the other snake countries tightened the liquidity position of the financial intermediaries. The supply of funds to the money market by the latter consequently contracted at the time when the financial requirements of the Treasury and of enterprises, particularly those which had shifted funds abroad, were increasing. The Government and the financial intermediaries consequently tended to have recourse to the Bank as the lender of last resort.

*Monetary policy.
Means employed.*

In order to reduce the strains on the foreign exchange market, the Bank tried to prevent shifted cash holdings from being reconstituted by recourse to bank credit and allowed interest rates to rise in order to hold floating foreign funds and discourage borrowing by non-residents.

It was therefore unwilling simply to compensate for the tightening of the money market by a creation of liquidity sufficient to moderate the rise in interest rates. But it was not possible for the Bank, even at the worst moments of the foreign exchange crises, to evade its obligations as the Treasury's ultimate banker; the latter was no longer able to obtain the usual resources on the money market, while its financial requirements had substantially increased owing to the deficit resulting from the execution of the budget. The Bank temporarily granted, via the Securities Regulation Fund, the additional assistance requested by the Treasury. The extent and duration of this assistance were rather exceptional. The Bank regarded this procedure as a lesser evil. For if instead it had generally increased its interventions in favour of the money market, there would have been a great danger that this creation of funds, far from going entirely to the Treasury, would have fed further outflows. In any case, having been immediately spent by the Treasury, the liquidity created in order to finance it partly flowed back into the cash holdings of the financial intermediaries, thus taking the edge off the Bank's restrictive policy.

The Bank therefore had to offset these expansionary effects of the monetary financing of the Treasury by other measures. The rediscount

ceilings and the possibilities of recourse to advances outside the quotas were reduced. These measures were supported by arrangements which prevented the financial intermediaries from obtaining funds by cutting down their holdings of public securities, thus causing the Treasury to increase its recourse to the Bank to their benefit.

The indirect effect of these measures on interest rates was reinforced by the raising of the Bank's rates for discounts and advances and its special penalty rates.

On two occasions during the year the Bank took the step of dismantling its defensive mechanism. The first time was in May and June, after the first foreign exchange crisis. The second occasion was when the signs of slackening tension which had become apparent in the foreign exchange market in October even before the revaluation of the German mark were confirmed; during the last quarter the restrictive measures were gradually eased and finally discontinued and the intervention rates were systematically lowered.

By withdrawing its measures when the lines of behaviour which had prompted their adoption returned to normal, the Bank wished clearly to affirm the specific nature of an action which had been imposed on it by events. Just as it displayed its determination energetically to oppose developments involving serious dangers to the economy, it likewise affirmed its wish to return as soon as possible to a more flexible and less one-sided policy.

While the monetary authorities' action succeeded in countering an external imbalance due to shifts of short-term funds, it must be clearly realised that it cannot make such an effective contribution to the attainment of all the ultimate aims of economic policy.

Monetary policy is undoubtedly more suitable for curbing expenditure during a period of excessive demand than for increasing the volume of spending during a period of recession and underemployment. It is also not a very effective means of checking domestic cost inflation; if this type of inflation is the result of a rise in prices abroad, it can ultimately only act by a revaluation of the national monetary unit.

So-called « monetarist » doctrines recommend that the stabilising virtues of monetary action should be enhanced by assigning to it quantified intermediate objectives in the form of normative limits to the expansion of

the money supply, the latter being appropriately defined. These recommendations have been the subject of very concrete exchanges of views during recent months between monetary authorities of the various countries of the European Economic Community, at the request of EEC agencies wishing to strengthen the coordination of economic and monetary policies.

As far as Belgium is concerned, the adoption of this mode of action, where the course is marked by only a single beacon, gives rise to serious objections of principle and also runs up against practical difficulties; it may even be feared that, under certain circumstances, it could have the effect of jeopardising rather than improving the effectiveness of monetary policy.

The country's financial structure is characterised by far-reaching despecialisation of the financial intermediaries and by the existence of a wide variety of financial instruments : these range from money in the strict sense of the term to short-, medium- and long-term investments for very widely varying periods of time. Money, which was created to cover the financial deficit of this or that economic agent, acts as a vehicle both for expenditure and income flows and for purely financial flows and, when all these flows take place, is partly destroyed by being transformed into other financial assets. Shifts take place rapidly from one category of assets to another, in response to changes in the hierarchy of interest rates or the expectation of such changes. It is therefore difficult to accept the argument that one or more arbitrarily determined categories of these financial assets — whether they be cash holdings in the strict sense of the term or a mass of fairly liquid assets — can have a specific strategic importance because of their alleged particular influence on spending decisions.

Some are in favour of the proposal of laying down norms for the expansion of the money supply, while fully recognising that the fluctuations of this aggregate do not possess enough economic significance for their management to be sufficient to ensure balanced growth. Their support is due to the fact that, in their opinion, exceeding of this norm can act as an alarm signal through its psychological repercussions : warned by the fact of this limit having been passed, economic agents would accept a restrictive policy. The argument is not convincing. In the first place, the signal which would indicate to the authorities that they have to adopt corrective measures may very well not sound at the crucial moment : the outstanding

amount of the monetary aggregate may remain unchanged, because its creation, though clearly excessive, is immediately cancelled out by the action of destructive factors; this is what happens, in an open economy, when domestic inflation generates an external payments deficit which gives rise to net purchases of foreign exchange; these mop up unrequired domestic liquidity. Moreover, the psychological weapon is double-edged: the fixing of a quantitative monetary norm is arbitrary and, under certain circumstances, exceeding it might not entail any disadvantage as far as overall equilibria are concerned, whereas it might prompt destabilising reactions by economic agents if they had been made too aware of it.

The human mind loves automatic operation ensured by simple mechanisms, and elementary rules are always very attractive. However, monetary policy is fundamentally too complex a matter for it to be possible to encompass its action in a monolithic formula.

Even if it lay within the power of the central bank effectively to apply a formula of this kind — which is particularly improbable in an open economy — it would not be permitted to confine itself to ensuring that the creation of liquidity did not go beyond certain quantitative limits and to allow the market, via significant differences in interest rates, to distribute these — more often than not relatively scarce — funds between public and private demands which would only be satisfied insofar as they were able to « pay the price ». A monetary policy of this kind would be regarded as excessively global. Moreover, the countries which have adopted the principle of this quantitative regulation frequently have to change the norms in order to adapt them to realities or, as the need arises, to adopt measures of monetary policy on the basis of criteria quite different from observance of these norms.

Actually, monetary policy must endeavour to adapt itself to and act in the light of the circumstances. In order to influence domestic expenditure, or certain categories of such expenditure, or the movements of funds with foreign countries, it must apply its action to the financial variables which it is best able to control or which must be controlled, whether these be, depending on the needs of the moment, short-term or long-term interest rates, lending to enterprises and households or, when it is politically feasible, lending to the Government. A comprehensive instrument panel of which all the pilot lights can serve as indicators is the most useful guide for monetary policy. In this connection, the drawing

up of accounts of financial transactions showing the trend of financial surpluses and deficits by sectors, including the rest of the world, and enabling categories of indebtedness which are in danger of becoming excessive to be identified, constitutes a much more useful basis of assessment than the trend of a single monetary aggregate.

This complexity of the data which must be taken into account by the monetary authorities has been increased by the changes which have occurred in recent years in the international foreign exchange system. It had appeared legitimate to hope, with the backing of the economic literature, that a system of floating rates would free monetary policy from the constraints of external equilibrium and would thus allow it to make a greater contribution to the optimum attainment of the objectives of domestic policy, for instance, growth and employment. These hopes have been dashed by the realities of the last few years. True, experience gained with floating rates is ambiguous, since the authorities of most of the countries with floating currencies have continued to intervene on the foreign exchange markets. But it has already taught us some lessons. The first is that foreign exchange crises have not been avoided : speculation has been just as destabilising as under a system of fixed exchange rates and although, in some cases, the floating of rates has helped to check capital movements, this has been at the cost of substantial variations which did not correspond to the basic economic relationships. The second lesson is perhaps even more disappointing : variations in exchange rates have not been a reliable means of readjustment of balances of current transactions; for, on the one hand, the implicit assumption that domestic costs and prices were little affected by a change in these rates proved to be false and, on the other hand, it became more clearly evident that relative prices are only one among a number of factors which determine the competitiveness of a country.

The wide divergences in the trends followed by the exchange rates for the various currencies, after the abandonment of the essential principle which had been enshrined in the Articles of Agreement of the International Monetary Fund, were further accentuated in 1976; they split the world, and especially Europe, into two groups of countries : the strong, creditor countries and the weak, debtor countries.

The international context.

It is undoubtedly true that the maintenance, over a long period, of absolute stability of the rate for each of the currencies is a myth, even for

the group of developed countries. Actually, the old system of fixed exchange rates saw many devaluations and fewer revaluations; than already both of these brought about a change, dimly discerned at the time, in the average weighted rate for the other currencies, whose parity was considered not to have undergone any formal change. But it is even more true that the more lax system of floating rates amplified the relative upward or downward variations in the rates which the national authorities accepted for their currencies. This admittedly does not apply to the Belgian franc, the average weighted rate of which, fluctuating but little over the past six years, rose only slightly during the whole of this period in comparison with the differentials which developed between the same rates for most of the major currencies.

For several years, many countries have in turn manipulated, without any real consultation, on the one hand, the rates for their currencies and, on the other hand, the volume of their new external borrowing or claims in order to influence supply and demand on their foreign exchange markets. This return to moderate forms of monetary nationalism is not without its dangers for the expansion of international trade and consequently for the growth of the interdependent economies of the partner countries as a whole.

One of the two methods — the fluctuation of rates — has revealed its weaknesses. The deficit countries have been drawn into the vicious circle in which the rise in the rates for foreign currencies and that in domestic prices feed upon each other. The creditor countries have benefited by the converse « virtuous circle ».

The other method — the manipulation of external indebtedness — must carry its own limitations within it. For some years the borrowings of deficit countries were facilitated by the recycling of the surpluses of the strongly creditor countries, largely taking place via the markets without any special conditions as regards economic policy being imposed on the borrowers. These financing operations indisputably prevented the world recession of 1974-1975 from being even more severe : for they in fact reduced the deflationary pressure exerted on domestic demand, after the oil crisis, by the worsening of the terms of trade of the countries most dependent on foreign energy supplies. But, beyond certain thresholds, the accumulation of foreign debts, not only by the developing countries but even by the industrialised countries, gave rise to hesitation on the part of private lenders, mindful of the growing danger of insolvency of the debtors. When official organisations took over,

such assistance as was granted was coupled with conditions requiring the borrowers to endeavour to reduce their deficit or their indebtedness to foreign countries. An effort of this type is more often than not incorporated in policies aimed at improving the current balance of payments with foreign countries in a manner compatible with the purpose of improving domestic activity and employment.

While doubtless representing a necessary condition for a more balanced development of international economic relations, these required, or, in any case, inevitable restorations of order are not, however, a sufficient condition for this development. For if, at the same time as the debtor countries are taking action to reduce their current deficits, the creditor countries are not able, or willing, to cut down their surpluses, the contradiction in attitudes can only accentuate the slowing-down of expansion, at first in the most exposed countries and subsequently in the others, thus prolonging the economic crisis. Now this lack of consistency is a fact.

It is brought about, in the first place, by the emergence of enormous current surpluses in the oil-producing countries, several of which are physically incapable of increasing their imports. In 1976 the OPEC countries' current surplus amounted to some \$ 40 billion, representing savings unequally drawn from the income of the rest of the world; these savings, formed to the detriment of world expenditure, would produce a deflationary effect were they not indirectly used to cover the deficits of economic agents — enterprises or public authorities — in countries which are able or willing to be borrowers. If each country individually frames its policy with a view to limiting its current deficit or maintaining its surplus, it is possible that the algebraic sum of the envisaged net current balances will not correspond « ex ante » to an overall deficit which will ensure the re-employment of the mass of funds which the oil producers may have at their disposal. In such an event, in the absence of other intervention, the difference could only be absorbed, in principle, by adjustment processes entailing a slackening of activity in the industrialised countries such as would reduce their energy requirements sufficiently to eliminate an adequate proportion of their oil deficit.

This inconsistency becomes worse if the countries which have a strong external position and are in a state of underemployment hesitate to give a sufficient boost to their domestic demand because they are

afraid, rightly from their point of view, of reviving in their economies an inflation which has been slowed down by dint of great effort.

The attitude of each country is conditioned more by domestic circumstances as perceived by its authorities than with a view to the consistency — which is difficult to ensure — of a world macroeconomic model. As soon as they are out of step, national policies become a source of confusion and create difficulties for the prosperity of each of the members of the international community. And yet the nation-States retain the powers, including that of setting the limits to international cooperation.

Though more difficult during a crisis, this cooperation nevertheless did not slacken. In the field of monetary relations, the preparatory work for the reform of the International Monetary Fund's Articles of Agreement was completed. In the field of trade, the spirit of cooperation remained strong enough to prevent the problems of the moment from leading to a revival of protectionism.

In these less easy times, the member countries of the European Economic Community have not felt the need for greater solidarity in order to solve problems which are similar in many respects as strongly as they have been aware of the divergences in their respective developments : this dissymmetry has been an obstacle to the pursuit of the effort of economic integration. The clear loss of ground of the European idea is particularly disappointing to those responsible for Belgian economic and social life because, working as they are in a small economy, they clearly realise that a policy designed to ensure balanced growth has, all other things being equal, more scope for action the larger the economy in question.

If there is an international crisis, and not only a recession of the classical type, Europe is particularly threatened because of its dependence and above all its fragmentation.

*The problems
in Belgium.*

Owing to its size and structure, the Belgian economy is particularly vulnerable to impulses from the rest of the world and the lines of economic policy cannot be decided upon without regard to external constraints.

Half of the total output of manufacturing industry is sold abroad. 40 p.c. of exports consists of foreign products incorporated after processing. One-third of domestic expenditure relates, directly or indirectly, to foreign

products; even so, it is not certain whether this average proportion is not lower than the marginal coefficient.

The fact that the Belgian-Luxembourg Economic Union swung over from a surplus to a deficit in 1976 and had to draw on its reserves of international means of payment in order to balance its external accounts is not in itself an acute problem, provided that it remains a short-term phenomenon. This would be so if this change-over were attributable to purely cyclical factors : for instance, rebuilding of those stocks which consist of necessarily imported materials or, again, a temporary but general slackening of demand for the products which constitute a large proportion of the country's exports.

But in any case these recent movements call for attention. Various theories cannot be excluded out of hand. Thus, the rise in incomes could bring about, in Belgium, a more than proportional growth in certain expenditures which are relatively insensitive to prices and are mainly directed towards foreign suppliers : among others, tourist travel abroad or mineral oils. Similarly, national production might include too large a relative proportion of goods for which solvent world demand is only expanding slightly. Similarly too, we cannot rule out from the outset the theory that the deterioration in the country's external accounts may be partly due to certain specific weaknesses, of various kinds, of the Belgian economy, the cumulative effects of which would tend to reduce its competitiveness.

One of these weaknesses of the Belgian economy is its susceptibility to inflationary chain reactions.

Admittedly, the rise in the general price level slowed down distinctly. It was tempered by circumstances, lessened by the moderation which undisputably characterised certain claims for wage increases, and curbed by the measures of incomes policy adopted by the Government, although it was only possible to verify the application of the latter for those incomes which are easily checked by those who pay them.

The rate at which price inflation nevertheless continued would have been incompatible, a few years ago, with a slowing-down of growth, widespread under-utilisation of production capacity and serious unemployment.

It is thus confirmed that inflation is being fostered by deeply-rooted lines of behaviour. The processes by which it has made its way are

assisted by the heterogeneous nature of the markets, of the sectors and of the elasticities of demand and supply. Despite the gloomy atmosphere created by the inadequacy of overall demand, some markets remained strained owing to the pressure of demand and certain rigidities of supply : this applies to various sections of the construction industry and certain services. In other cases, inflation has its origin in corporatist attitudes on the part of enterprises or wage and salary earners or self-employed persons who have been able to increase their prices or their incomes because their activities have been pursued in sectors which are in a privileged position as regards profitability thanks to their productivity, or by force of circumstances, or owing to inadequate competition. In still other cases it was given a fresh impetus by temporary shortages of foodstuffs, demand for which proved insufficiently elastic, despite possible substitutions. Generally speaking, it was kept going during the recession by the rise in costs per unit of output, due in particular to the fact that the continuous increase in the burden of fixed costs was no longer offset by a sufficiently rapid growth in the volumes produced.

Inflation was also sustained by fiscal and parafiscal pressure. The level reached, in relation to the national income, by the expenditures and revenues of the whole of the Government sector, after their exponential increase during the last decades, and also the size of the deficit to be financed, create economic problems. These have been extensively studied during the year. However, the reasoned and clear compromises which have to be reached between the various possible aims of budgetary policy have not been made; vague disputes about isolated proposals continue. The means to be employed in order to meet the large shortfall of current revenue without adding excessively to the cost burden or discouraging the production effort have not been agreed upon. The effort which must be made in order to reduce the excessive amount of tax evasion is still impeded by psychological barriers and technical difficulties.

Now that it has spread throughout the economy, inflation, no longer a general stimulant, is instead acting as a brake on certain components of demand. As the adaptation of many categories of incomes takes place with a time-lag and the progressiveness of taxation applies to nominal incomes, the corresponding real disposable after-tax incomes are scarcely rising any more or actually decreasing; furthermore a larger proportion of these real incomes has to be devoted to inelastic forms of consumption which have become more expensive; other purchases have to be spread out. Certain categories of households react to the price rise by extending the period of

use of durable consumer goods. Households increase the proportion of their incomes which they save, in order to keep the real value of the assets which they wish to build up unchanged. All these lines of behaviour ultimately weaken demand in certain markets for consumer goods; this slackening hits firms, which consequently decide to cut down their stocks and revise their capital investment programmes. These decisions affect other firms, which react in turn, thus propagating the deflationary waves induced by inflation. For exporting firms, the repercussions of inflation on the increase in costs per unit of output are obvious : selling their products on foreign markets, where they are not sheltered by any kind of protection, these firms suffer, in their activity, their profitability and even their viability, from the rises which constantly exceed those with which their foreign competitors have to contend.

Inflationary sections and deflationary sections coexisted in the Belgian economy during the two bad periods of 1975 and 1976. Less active than during the three previous years, the former nevertheless brought about increases sharp enough to make the activities in the deflationary sections more difficult and the position of marginal enterprises and sectors more precarious.

For one weakness of the Belgian economy, in comparison with others, not all of which are larger, is perhaps due to the excessively high proportion of these marginal enterprises, at the same time as to a lack of creative impetus in the country's citizens. One must not, is true, generalise about anything. Nevertheless, it is tempting to look back at the state of affairs, similar in some ways, which was observable at the end of the easy period of reconstruction in Europe, and to recall that the spirit of enterprise was revived during the subsequent decade largely thanks to foreign investors. The contribution of these is becoming rarer since they have become attracted by other regions of the world.

Even if these are exceptions, the observation or analysis of the facts about declining or extinct firms shows, in too many cases, that their failure has been attributable to management shortcomings due to incompetence, organisational faults or outdated habits; among the ailing firms, some are doubtless suffering from the same evils. And when the dead wood is cut out, too few substantial and vigorous new activities are developed to create new jobs : the operation is not a sufficiently creative process.

It is not enough just to deplore this situation. An effort of investigation and reflection is called for in order to determine the causes

of the lack of new initiatives, to distinguish the factors which are holding back capital investment projects and to discover the obstacles which are perhaps preventing these from being successfully completed.

Today, when unemployment is becoming a disquietingly acute problem, it is certainly important to kindle and foster a revival of creative dynamism on the part of enterprises, both public and private, and at the same time to devise more purposeful expansion policies, both of private groups and of the Government. The necessary impetus requires participation from every quarter. Would not this participation be more easily obtained if, on the one hand, successful entrepreneurial efforts were better appreciated and if, on the other hand, the social responsibilities of owners and heads of firms were clearly affirmed, while the distribution of power and the control of decisions within the firm were reorganised taking into account the new equilibria which are coming into being between all those on whom the firm's development depends ?

The Bank, whilst still maintaining a merely questioning attitude, considers it part of its function to raise these fundamental questions, because it is becoming more and more obvious that the answers given to them by those bearing the responsibility for negotiation and decision are conditions governing the ways in which the grave problem of unemployment is to be solved.

In the Bank's opinion the customary, so-called Keynesian, remedy which recommends that demand be boosted sufficiently to eliminate unemployment is now of only limited effectiveness. Within these limits, the policy of revival will be effective only if the basic conditions of operation of the economy are improved. This improvement presupposes a change in the behaviour of both management and workers, a rebirth of creativity and the adoption, absolutely clearly, of a choice of values which enjoy widespread support.

The increase in unemployment is not primarily attributable to the system of unemployment benefits; true, it must be admitted that benefits are allocated more generously in Belgium than in some other countries; these differences do somewhat distort international statistical comparisons, making the situation recorded in our country appear rather worse in comparison with that observed abroad; but the main thing to remember is the genuine worsening of unemployment in Belgium. The reasons for the particularly high level of female unemployment ought to be objectively

studied; such a study would bring out the many factors which together are responsible for causing it. Moreover, anyone concerned about the future of the country and of young people ought to be particularly worried about the acute degree of unemployment among the latter.

The distribution of unemployment according to age, sex, skills and regions, and also the way in which its extent has varied during the past few years show that it responds much less than hitherto to cyclical fluctuations and is due more to other factors. This new phenomenon is not peculiar to Belgium.

Consequently, even a vigorous upswing of activity going as far as the limits of overheating would still leave a much heavier residue of unemployment than in previous similar periods. Action directed towards demand would exhaust itself, running up against sectoral bottlenecks and supply shortages long before the unemployment percentage stopped being excessive by previous standards.

Total working hours have been somewhat reduced by a shortening of working life in order to increase the number of jobs available. This reduction, organised in various ways, but in such a manner as not to jeopardise the improvement in productivity, ought doubtless to be continued. But this remedy is not a panacea either : that we can see from the structure of unemployment. In any case, it could not be indiscriminately applied, since reality is too complex, presenting as it does the contrast of shortages of certain categories of labour still persisting even in the geographical pockets of unemployment. Until such time as it is organised under international agreements, this shortening of working hours, too, should not be allowed to add to the burden of enterprises' costs; otherwise in the case of Belgium, it would lead to a resurgence of the evils which it is intended to remedy. It should therefore be looked upon as a means of social progress, which a consensus would agree to substitute for others, in a spirit of solidarity; even so, this consensus and this solidarity would not have to be displayed by wage and salary earners alone.

The structural component of unemployment will only be gradually reduced by measures of quite a different kind, entailing a rethinking of concepts with regard to the organisation of education, training, retraining of adults, as well as a revision of the hierarchy of incomes and even of the criteria of social advancement. These are long-term tasks.

For the immediate future, to be sure, the pursuit of a policy of reviving domestic demand remains essential with a view to reducing the components of unemployment which are still cyclical in nature.

Even if it can only set itself limited objectives, this action must be as effective as possible. This effectiveness will itself depend on the clarity with which the entire population, duly informed of the transformations which have taken place in the working of the world economy, understands the need for the choices and perceives, beyond the circumstances of the moment, the compulsions and difficulties of action.

19th January, 1977.

*Economic
and financial trend
in 1976*

Reference periods :

Unless otherwise indicated, the figures used in this Report to describe the movements from year to year relate, whichever year is concerned, to the same period, i.e. that for which the 1976 data are available.

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

1 billion = 1,000,000,000.

INTERNATIONAL ECONOMIC AND FINANCIAL TREND.

For the first time since 1973, the world economy last year showed appreciable growth : the gross national product of all the economically developed countries which are members of the Organisation for Economic Cooperation and Development increased in volume by about 5 p.c.

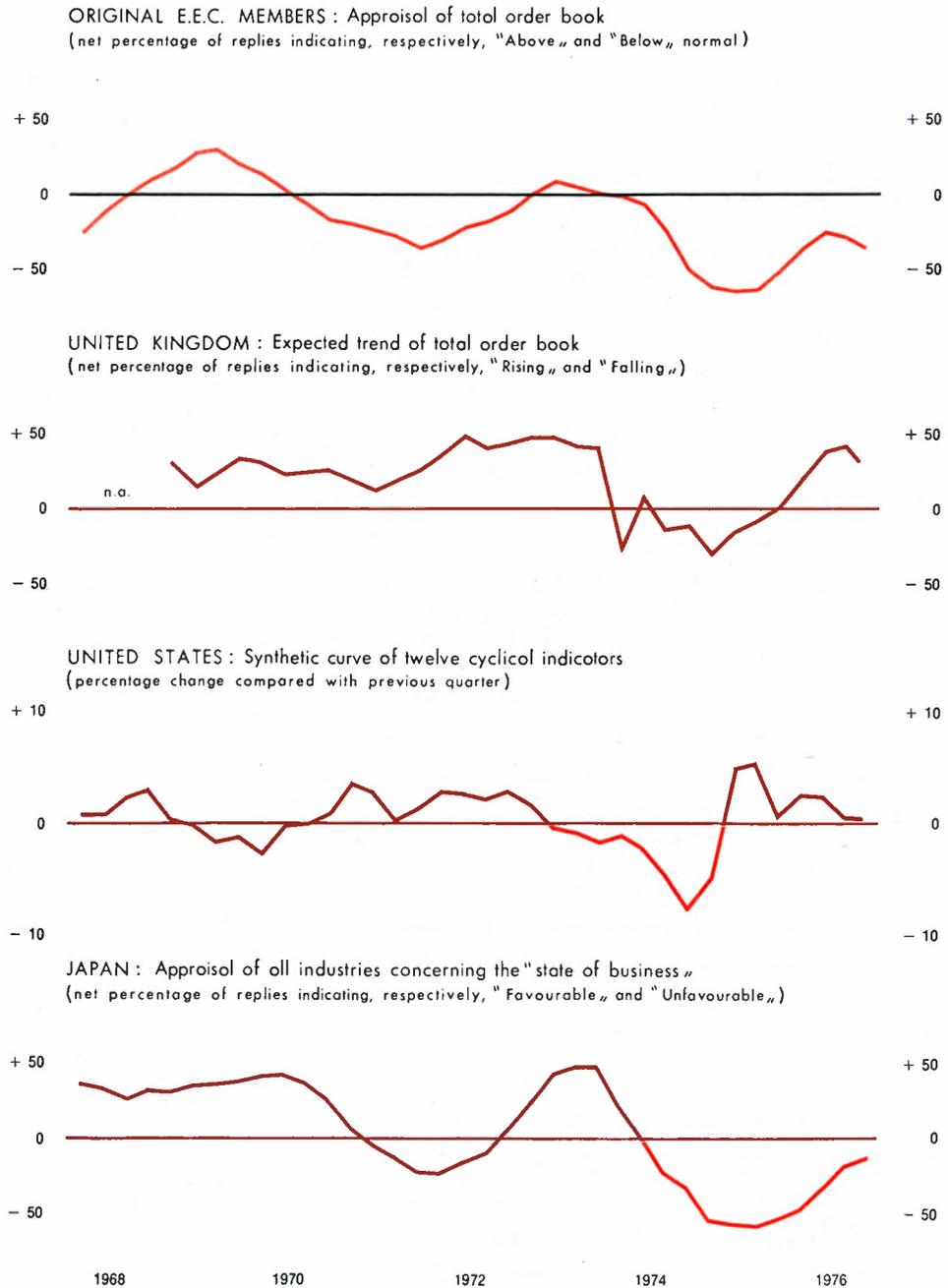
The rate of growth was high during the first months, mainly as a result of rebuilding of stocks, the mainly budgetary measures previously adopted by the public authorities to revive the economy and the recovery in purchases of durable consumer goods. It slowed down markedly during the second half of the year, and consequently unemployment, which had fallen at first, subsequently began to rise again in many countries.

Almost everywhere the rise in prices was appreciably slower than in the previous years; however, the differences between the rates of increase in the member countries of the Organisation remained substantial.

The current balance of payments deficit of these countries as a whole with the rest of the world went up from over \$ 6 billion in 1975 to about \$ 22 billion. In particular, the balance of trade was adversely affected by a substantial upsurge of imports, especially of raw materials — which moreover became considerably more expensive — unaccompanied by an equivalent growth in exports. As in the previous year, large deficits in some countries, especially France, the United Kingdom and Italy, were coupled in 1976 with sizeable surpluses in others, among which special mention should be made of the Federal Republic of Germany and Japan.

Chart 1.

INTERNATIONAL TREND OF ECONOMIC ACTIVITY ¹



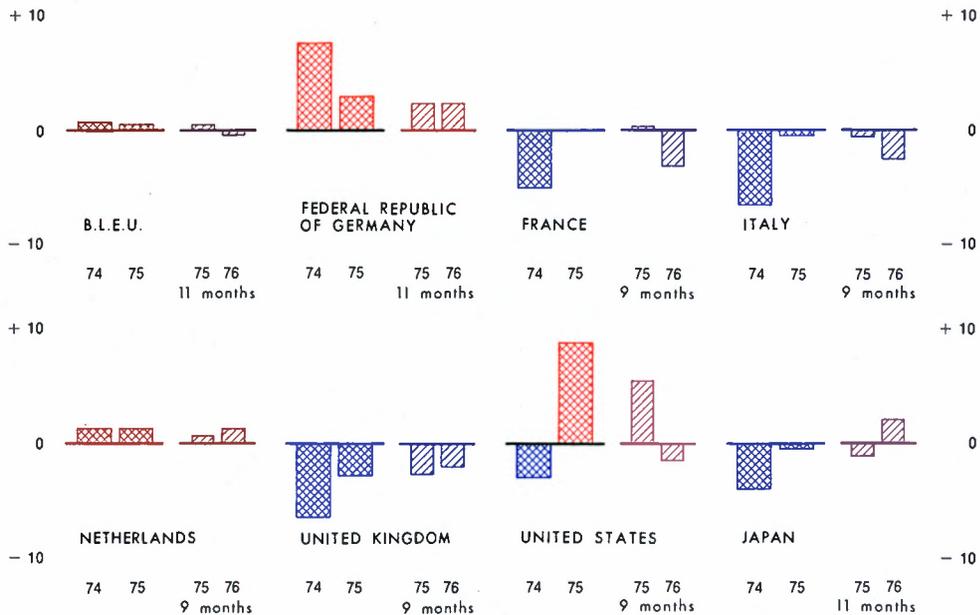
Sources : Original E.E.C. members : European Economic Community.
 United Kingdom : National Institute Economic Review.
 United States : U.S. Department of Commerce.
 Japan : The Bank of Japan.

¹ Quarterly figures; last period : average for October-November 1976 for the original E.E.C. members and the United States, October 1976 for the United Kingdom, fourth quarter of 1976 for Japan.

Chart 2.

BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of European monetary units of account)



Source : Statistical Office of the European Communities.

With regard to capital movements, the influence of the differentials between the interest rates in the various markets was countered by anticipations concerning the trend of the exchange rates for a number of currencies.

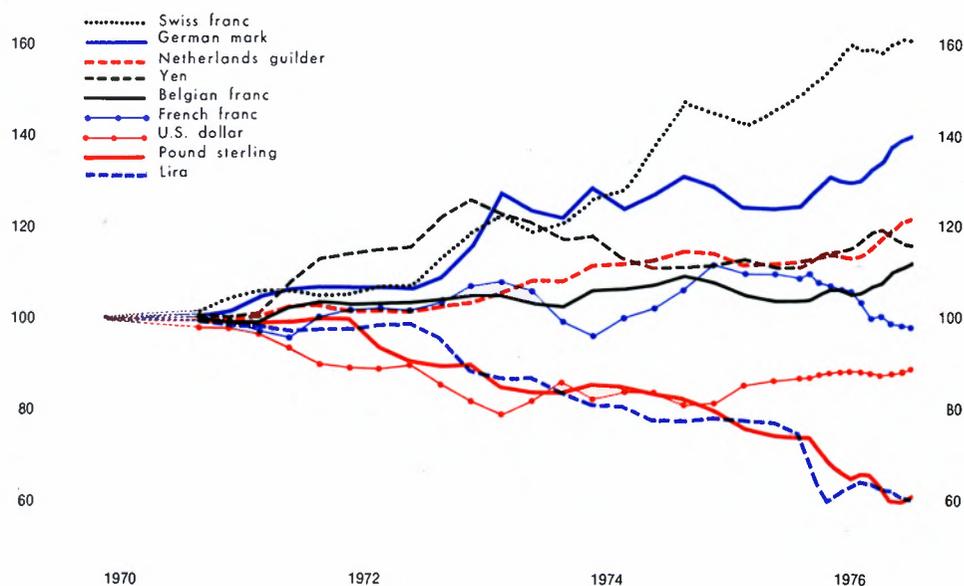
As is shown by Chart 3, there were again substantial movements in the weighted average exchange rates. The pound sterling, the lira and the French franc, which on 15th March withdrew from the Community foreign exchange agreements — the so-called « snake » — for the second time, weakened considerably. On the other hand, the weighted exchange rates for the other snake currencies, especially that for the German mark, strengthened; the latter was in fact revalued slightly on 18th October in connection with the adaptation of the rates for the conversion of certain of the snake currencies into European monetary units of account. Rises

also took place in the case of the yen and, more still, the Swiss franc. The weighted rate for the U.S. dollar underwent little change. These different trends further accentuated the divergences between the exchange rates for the main currencies, despite the efforts made by the monetary authorities of a number of countries to check these movements by interventions — sometimes on a considerable scale — on their foreign exchange markets.

Chart 3.

AVERAGE WEIGHTED EXCHANGE RATES FOR VARIOUS CURRENCIES

(Indices May 1970 = 100)



Source : International Monetary Fund.

The current account surplus of the oil-exporting countries increased by about \$ 8 billion, the rate of growth of their imports having slackened while their exports expanded owing to the economic recovery in the industrialised countries, and their terms of trade improved as a result of the rise in the price of oil since the last quarter of 1975.

The position of the economically less developed non-oil-exporting countries improved somewhat. In value, their exports rose fairly sharply thanks to the increased demand for and rise in the prices of raw materials, while there was scarcely any increase in their imports. These countries were thus able to reduce their current account deficit by over \$ 32 billion to about \$ 24 billion and at the same time to increase the gross amount of their official foreign exchange reserves.

With regard to international cooperation, it should be noted that, after the Interim Committee, the Board of Governors of the International Monetary Fund also approved the raising of the member countries' quotas as well as certain proposals for amending the Articles of Agreement, particularly with regard to the exchange rate system, the role of gold and the special drawing rights. Pending ratification of the amendment to the Articles of Agreement by a sufficient number of members, a prerequisite for the entry into force of the raising of quotas, the credit tranches have been uniformly raised by 45 p.c.

Furthermore, the Fund began to sell part of its gold holdings; the profit on these sales is transferred to the Trust Fund, which is thus enabled to grant loans on favourable terms to developing countries.

Little progress was made in the building-up of the European Economic Community. The only fact worthy of mention is that the Council of Heads of Government reached an agreement on the number and distribution of seats in the European Parliament, making possible direct elections to it in 1978.

EXPENDITURE AND PRODUCTION IN THE BELGIAN ECONOMY.

The economic recovery which began to be observable in the main industrialised countries towards the middle of 1975 spread rapidly to the Belgian economy. As is shown by the synthetic curve of the results of the National Bank's inquiries into the trend of economic activity, business conditions appreciably improved from September 1975 until the end of the first quarter of 1976; in April, however, the curve stopped moving upwards and from the summer onwards there was a gradual but continuous slackening of activity (see Chart 4).

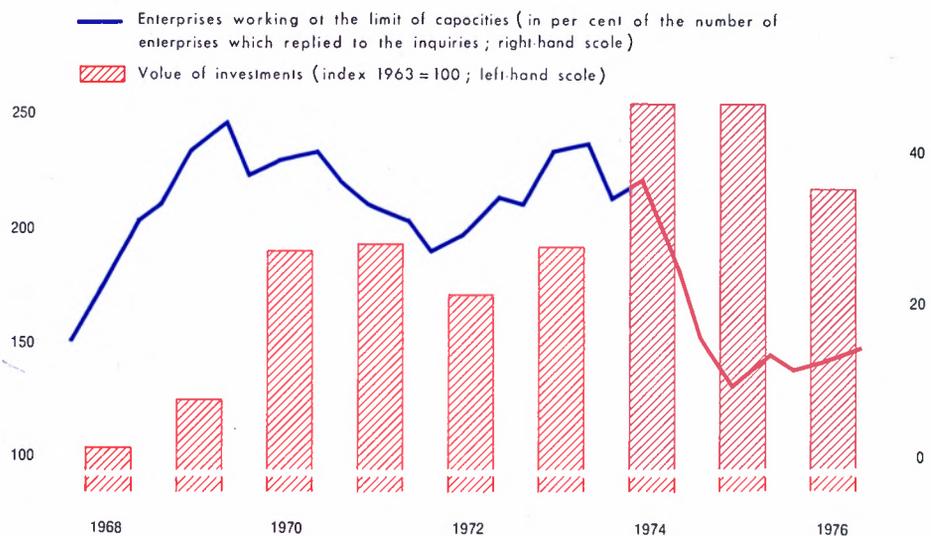
Chart 4.

SYNTHETIC CURVE, EMPLOYMENT OF PRODUCTION CAPACITIES
AND FIXED CAPITAL FORMATION

Synthetic curve of the main results of the National Bank of Belgium's monthly inquiries ¹



Employment of production capacities ² and investments in fixed capital ³



¹ The curve is the synthesis of eleven series of replies to the inquiries into the trend of activity made by the National Bank. The replies of the various series were converted to a common base by being allotted a mark depending on whether they were more or less favourable during a given month. The value of the synthetic curve, which represents the mean of the marks thus obtained, was at an average level of 100 points during the period 1968-1973.

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 These data cover, for the latest period, the industries listed in footnote 2 above, plus oil refining and electricity. 1968 to 1975 : expenditure effected. 1976 : expenditure effected for the first half-year and forecasts for the second half-year.

For the year as a whole, the gross national product would appear, according to official estimates, to have actually risen by about 3 p.c., whereas it had declined by 1.9 p.c. in 1975. Because of the deterioration of the terms of trade ¹, however, total real income did not increase to the same extent : import prices rose faster than export prices, which meant, for the country, a loss of income to the benefit of foreign countries.

The development of the gross national product can in particular be examined from two points of view, namely expenditure and production.

With regard to **expenditure** at constant prices, as a result of the expansion in world trade, exports of goods and services for the year as a whole increased more than domestic expenditure.

The latter was sustained by a rise in the rate of growth of public capital investment and households' consumer expenditure, and also by the expansion of two components which had decreased in 1975, namely enterprises' stocks and households' investment in residential housing. The growth in household consumption is connected with a partial restoration of confidence and with pent-up demand for durable consumer goods during the first months of the year.

Gross fixed capital formation by enterprises as a whole, for its part, again decreased. Actually, the proportion of enterprises in manufacturing industry which fully employed their production capacities was not much higher than during the slump of 1975, so that the tendency to increase these capacities remained very limited.

In connection with these different categories of expenditure, final uses of energy ² went up by about 9 p.c., whereas they had fallen by about 15 p.c. in 1975. The economies brought about by the rise in the prices of the products, which accentuated the reduction caused in 1975 by the falling-off in activity, also probably to some extent slowed down the increase in 1976.

¹ See Annex 6, Table 1.

² 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.

Table 1.

AGRICULTURE

	1971	1972	1973	1974	1975	1976
1. Vegetable production (<i>thousand tonnes</i>) ¹ :						
Cereals	1,912	1,946	2,094	2,067	1,444	p 1,728
of which : Wheat (spring and winter) ...	878	916	976	1,004	677	891
Oats	278	244	246	222	228	129
Barley (spring and winter) ...	588	637	716	699	426	610
Sugar beet	4,873	4,319	5,136	4,465	4,913	p 5,292
Potatoes	1,373	1,106	1,201	1,460	1,049	714
2. Livestock (<i>thousand head</i>) ² :						
Horned cattle	2,840	2,825	2,963	3,048	2,997	2,974
of which : Milking cows	967	964	1,000	1,005	993	985
Pigs	3,912	4,283	4,634	5,034	4,638	4,882
3. Milk delivered to dairies (<i>millions of litres</i>) :						
Year	2,339	2,510	2,480	2,580	2,579	n.a.
First 9 months	1,867	2,004	2,006	2,116	2,076	2,128

Source : National Statistical Institute.

¹ Estimates based on yields per hectare.

² Census on 15th May.

The expansion of total **production** conceals widely divergent trends.

In **agriculture**, total production of cereals, after its substantial fall in 1975, increased, largely owing to an appreciable shift towards the more productive crops of winter wheat and barley; these crops incidentally enjoyed considerably more favourable sowing conditions than in the autumn of 1974. Production of sugar beet did not really suffer from the long drought and rose despite the reduction in the area sown. The potato crop, on the other hand, was even poorer than the previous year.

On 15th May the number of pigs was 5.3 p.c. greater than the previous year, which, however, had been affected by the repercussions of the pig-rearing crisis of 1974. Owing to the drought, the supply of cattle for slaughtering declined less than might have been expected from the abandonment of the European Economic Community's premium systems. Another result was that milk production fell from July onwards, after having risen by 9.1 p.c. during the first six months, thanks to, among other things, the raising of the European Economic Community's target price for milk.

In the **extractive industries**, coal output fell further, but more slowly, namely by 3.2 p.c., against 7.8 p.c. in 1975.

The expansion of output in the **manufacturing industries**, which reached 10.5 p.c. for the first eleven months, nearly offset the previous year's decrease (see Chart 5). This recovery took place mainly in the first half of the year, and subsequently slackened.

This movement is clearly outlined by the successive average degrees of employment of installed production capacities : these rose from a minimum of 71 p.c. in October 1975 to 76.6 p.c. in May 1976, but in October there was virtually no further change.

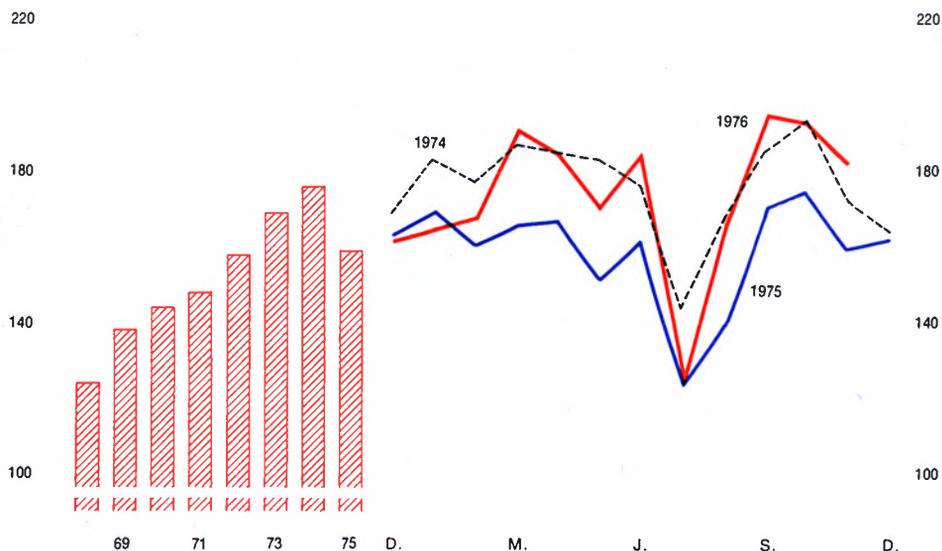
The revival of activity was preceded by an increase in orders, both from the domestic market and from abroad. From the second quarter onwards, orders from both markets fell off again.

The average duration of activity ensured by the order books rose from 3.16 months in January to 3.27 months in May; the increase would

Chart 5.

OUTPUT OF MANUFACTURING INDUSTRIES

(Indices 1963 = 100)



Source : National Statistical Institute.

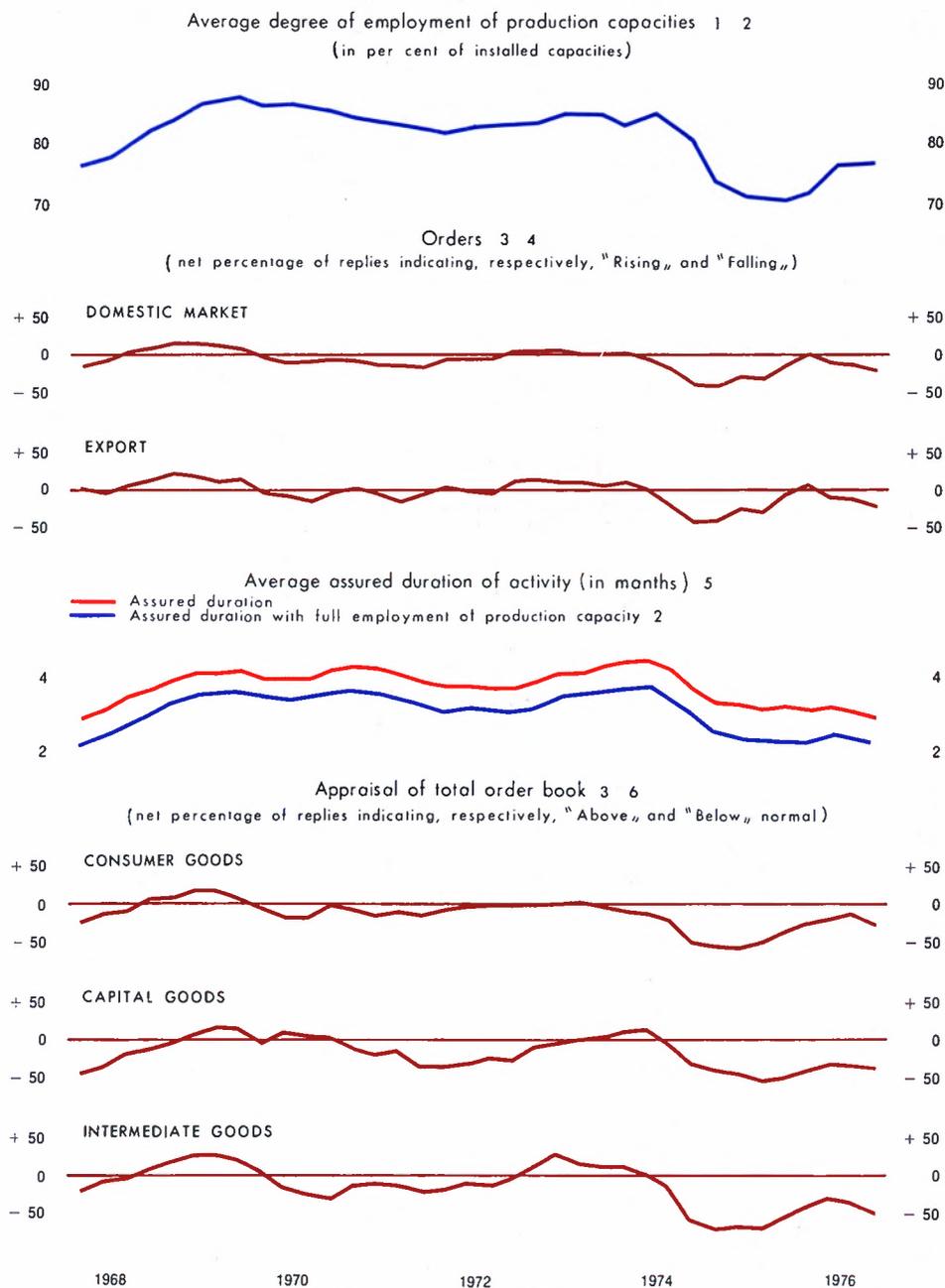
have been more marked if the degree of employment of production capacities had not risen. From June onwards the assured duration of activity decreased very gradually; it was still 2.84 months in December, but would have gone down to about 2.20 months if the degree of employment of capacities had reached 100 p.c.

The extent of the initial recovery and the time of the subsequent reversal of the trend differed according to the industrial sectors concerned.

In the intermediate goods sector, the revival, which had begun in the second half of 1975 and was sustained mainly by replenishment of stocks, was vigorous. But as early as the summer of 1976, heads of enterprises considered that the state of their order books had become less favourable again, particularly in the iron and steel industry, the paper and cardboard manufacturing industry and certain branches of the non-ferrous-metal and chemical industries.

Chart 6.

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 foodstuffs.

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

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

Monthly averages per quarter.

4 Seasonally adjusted.

5 This graph covers, for the latest period, the industries listed in footnote 1 above, except for the chemical and foodstuffs industries.

6 Sources : National Bank of Belgium's inquiries. Calculations of the General Division for Economic and Financial Affairs of the Commission of the European Communities.

In the consumer goods industries, order books improved fairly steadily until the beginning of the autumn, after which the trend was reversed.

Only limited progress was made in the metal capital goods industry.

In the **building** sector, demand for dwellings, the revival of which began towards the end of the third quarter of 1975 and continued vigorously during the first half of the year — thus nearly equalling the previous years' peaks — was directed mainly towards the building of single-family houses and was stimulated chiefly by the interest taken by individuals in investment in real assets, by anticipation of price rises and,

Table 2.

BUILDING INDUSTRY

(Monthly averages)

	Dwellings			Non-residential buildings		Civil engineering	Public authorities' capital expenditure commitments (billions of francs)
	Permits 1 2 (thousands of approvals)	Average assured duration of activity 3 (in months)	Appraisal of assured duration of activity 3 4	Permits 1 5 (thousands of approvals)	Average assured duration of activity 3 (in months)	Average assured duration of activity 6	
1971	2.0	7.1	— 42	0.9	23.5	13.9	6.1
1972	3.5	7.0	— 25	1.0	20.2	13.1	7.8
1973	3.8	8.0	— 8	1.1	18.4	14.5	6.8
	?	?		?	?	?	
1974	7.1	8.1	— 18	0.7	11.0	10.5	6.8
1975	5.7	7.2	— 35	0.5	10.7	10.2	8.7
1975 1st quarter	5.5	6.8	— 34	0.5	10.6	9.7	8.2
2nd quarter	5.7	6.9	— 34	0.5	10.5	10.0	7.9
3rd quarter	5.6	7.3	— 34	0.5	11.0	10.3	6.5
4th quarter	6.0	7.8	— 38	0.5	10.7	11.0	12.2
		?	?		?		
1976 1st quarter	7.7	5.2	— 17	0.4	8.6	11.5	8.9
2nd quarter	7.7	5.6	— 7	0.6	8.9	11.2	9.1
3rd quarter	7.0	5.7	— 6	0.6	8.1	10.9	8.8
4th quarter	6.1 ⁸	5.6	— 7	0.6 ⁸	8.1	10.5	n.a.

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

² For the period 1971-1973, number of residential buildings; from then on, number of dwellings.

³ Source : National Bank of Belgium's inquiries. The figures are for bare shells of buildings.

⁴ Net percentage of replies indicating, respectively, « Adequate » and « Inadequate ».

⁵ For the period 1971-1973, including certain structures other than buildings.

⁶ Source : National Bank of Belgium's inquiries.

⁷ New series.

⁸ October-November.

subsidiarily, by the counter-cyclical raising of the building premium in the Flemish region between 1st September 1975 and 29th February 1976. This strong demand for housing was reflected in, among other things, the marked rise in the number of building permits granted, the lengthening of the average assured duration of activity and the improvement in appraisals concerning it, the increase in the number of mortgage loans for which application was made to the General Savings and Pensions Fund and the substantial growth in the amount of mortgage loans granted by the specialised credit institutions. For their part, the National Housing Company and the National Land Company, during the first six months, approved contract awards or placed orders for 8,600 dwellings, against 8,150 in 1975 and only 3,600 in 1974.

In order to prevent excessive straining of production and financing capacities, measures were taken to make mortgage credit more difficult to obtain. In comparison with the large rises in prices, mortgage interest rates were increased to a fairly small extent, i.e. by 0.75 p.c. for loans with insurance of the outstanding balance from the General Savings and Pensions Fund. The Government therefore resorted to another method in order to prevent a run-away expansion in demand : it limited the amount of mortgage registrations in relation to the market value of the buildings encumbered, except in the case of social dwellings, medium-sized dwellings and those financed by a combined savings and housing contract.

This restrictive measure somewhat damped down housing demand during the third quarter, although the number of permits granted remained high. With regard to social dwellings, contracts awarded or orders placed remained above their 1975 level even after the first half of the year.

In non-residential building, the previous year's recession was only slowly overcome; the number of building permits granted rose distinctly less fast than in the housing sector (see Table 2).

For the first nine months, the new capital expenditure commitments for building entered into by the public authorities, that is, those of the main ministerial departments, the Road Fund, the debudgetised sector and the local authorities, increased even faster than in 1975. According to the results of the National Bank's monthly inquiries into the trend of activity, the average assured duration of activity of civil engineering enterprises was above its corresponding 1975 level during each of the first three quarters, but lower in the fourth quarter.

With regard to production of services, no recent overall figure is available. However, existing data indicate a fairly general growth during the greater part of the year.

Thus, the supply of most services connected with industrial and agricultural activities and with the marketing of enterprises' products showed a distinct upward trend. After declining or remaining stationary in 1975, activity in the wholesale and retail trade, the publicity sector and road, air, sea and river goods transport increased once more. It declined much less than in the previous year in the sector of rail goods transport.

With regard to services rendered both to enterprises and to individuals, the turnover of the financial intermediaries rose to the same extent as in 1975.

Services only affecting individuals showed divergent trends. For tourism and medical services, the growth recorded was about the same as in the previous year. Rail passenger transport was again unchanged. In air transport, personal services such as laundries and hairdressing saloons and most services in the field of recreation and culture, activity revived or expanded more rapidly.

EMPLOYMENT.

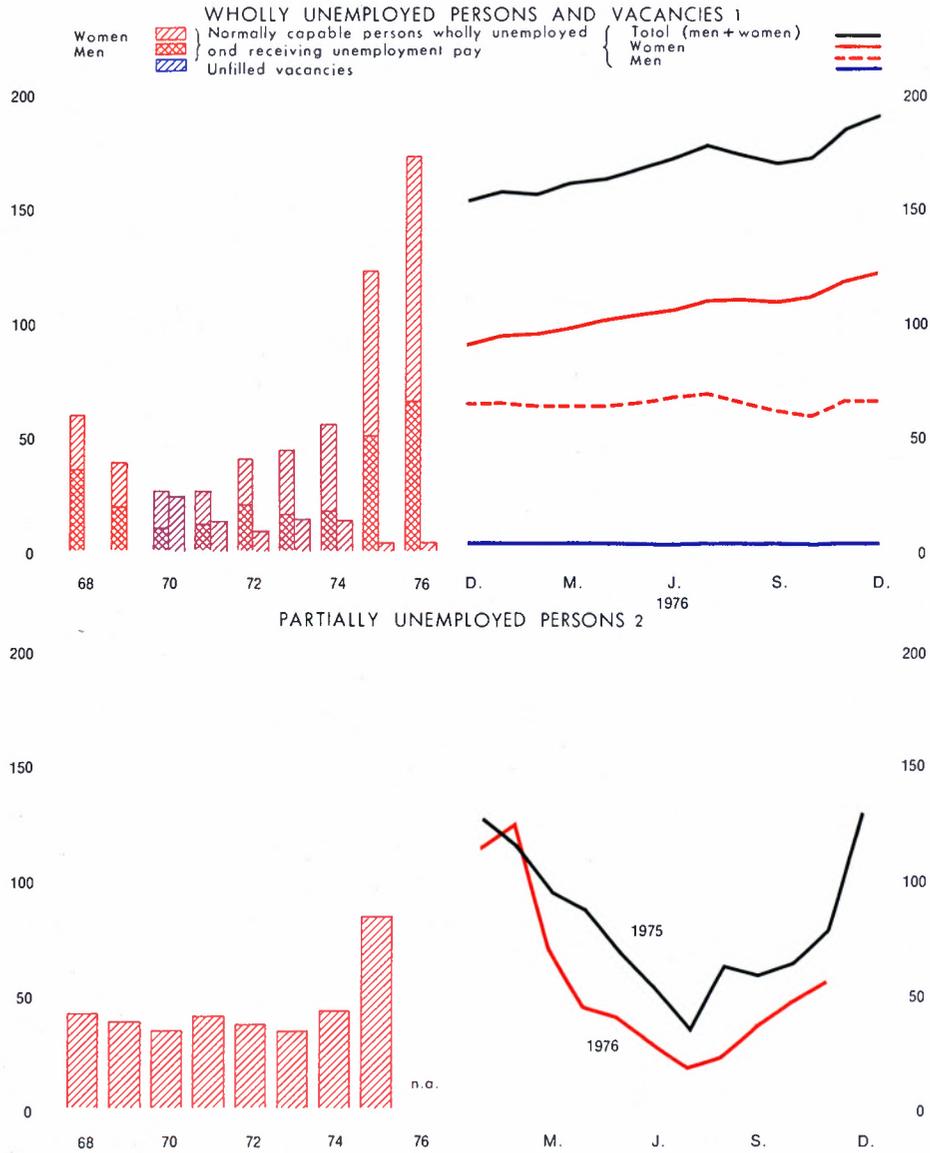
As is generally the case after a recession, enterprises made fuller use of their existing workforce before increasing it. This explains why there was, on the one hand, a decline in partial employment, which fell from an average of 78,000 for the period January-November 1975 to 55,000 in 1976 and, on the other hand, a further expansion of the total number of persons seeking employment (wholly unemployed persons receiving unemployment benefit, unemployed persons given work by the public authorities, other compulsorily registered unemployed and voluntarily registered persons, without employment); from one year-end to the next, this expansion amounted to nearly 40,000, or about 15 p.c., against 101,000 in 1975.

This movement mainly related to normally capable persons wholly unemployed, the seasonally adjusted number of which rose by 36,000, against 77,000 in 1975. Measured in relation to the total number of

Chart 7.

DEMAND FOR AND SUPPLY OF EMPLOYMENT

(In thousands)



Source : National Employment Office.

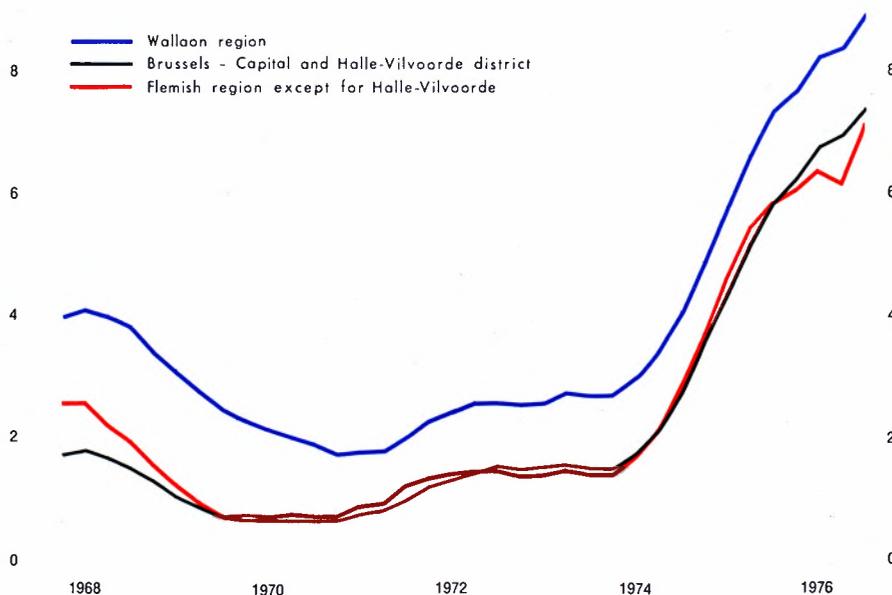
¹ For the annual data : average of the data at ends of months. For the monthly data : seasonally adjusted end-of-month figures. For unfilled vacancies, 1968 and 1969 : comparable data not available.

² Daily averages.

persons insured against unemployment, the percentage of these unemployed at the end of December went up from 3 p.c. in 1974 to 5.8 p.c. in 1975 and 7.2 p.c. in 1976.

Chart 8.

RATE OF COMPLETE UNEMPLOYMENT BY REGIONS ¹



Sources : National Employment Office. Calculations of the National Bank of Belgium.

¹ Seasonally adjusted number of normally capable persons wholly unemployed and receiving unemployment pay, as a percentage of the number insured against unemployment; end-of-quarter rates.

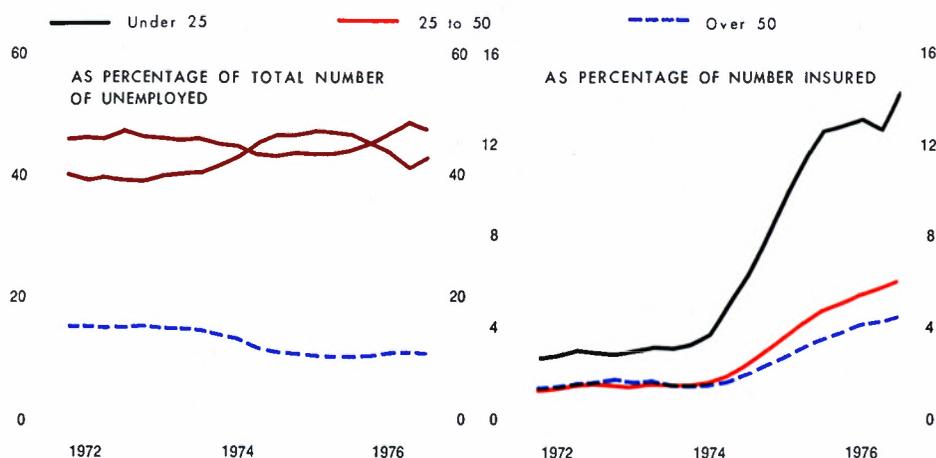
This new worsening hit industry relatively less than services, and applied almost exclusively to women. It was proportionally more marked in the Brussels-Capital and Halle-Vilvoorde districts; the unemployment rate there was greater than in the Flemish region, where the deterioration scarcely became apparent until towards the end of the year; the rate in the Walloon region remained highest, as it has been for several years. Although still high, the rate of unemployment among young people went up less than that of other categories, so that this group's share in the total number of unemployed declined.

This trend of unemployment of young people is largely attributable to the application of the measures adopted by the Government. One of these measures was the introduction of a voluntary early retirement system in the private sector with, as its corollary, replacement of the workers who have retired early by young unemployed persons. Furthermore, large enterprises and administrations were obliged to accept, for periods of in-service training, young holders of degrees and diplomas seeking employment. At the end of December, 5,198 persons had taken advantage of this early retirement system and 9,586 young people were undergoing one of these training periods. Other measures concerned the lengthening of the waiting period imposed on voluntarily unemployed persons and the repression of illegal working. Furthermore, the system — which has been in operation for several years — whereby public authorities give work to unemployed persons remained in force.

Chart 9.

NUMBER OF NORMALLY CAPABLE PERSONS WHOLLY UNEMPLOYED AND RECEIVING UNEMPLOYMENT PAY ¹

Classification by age groups



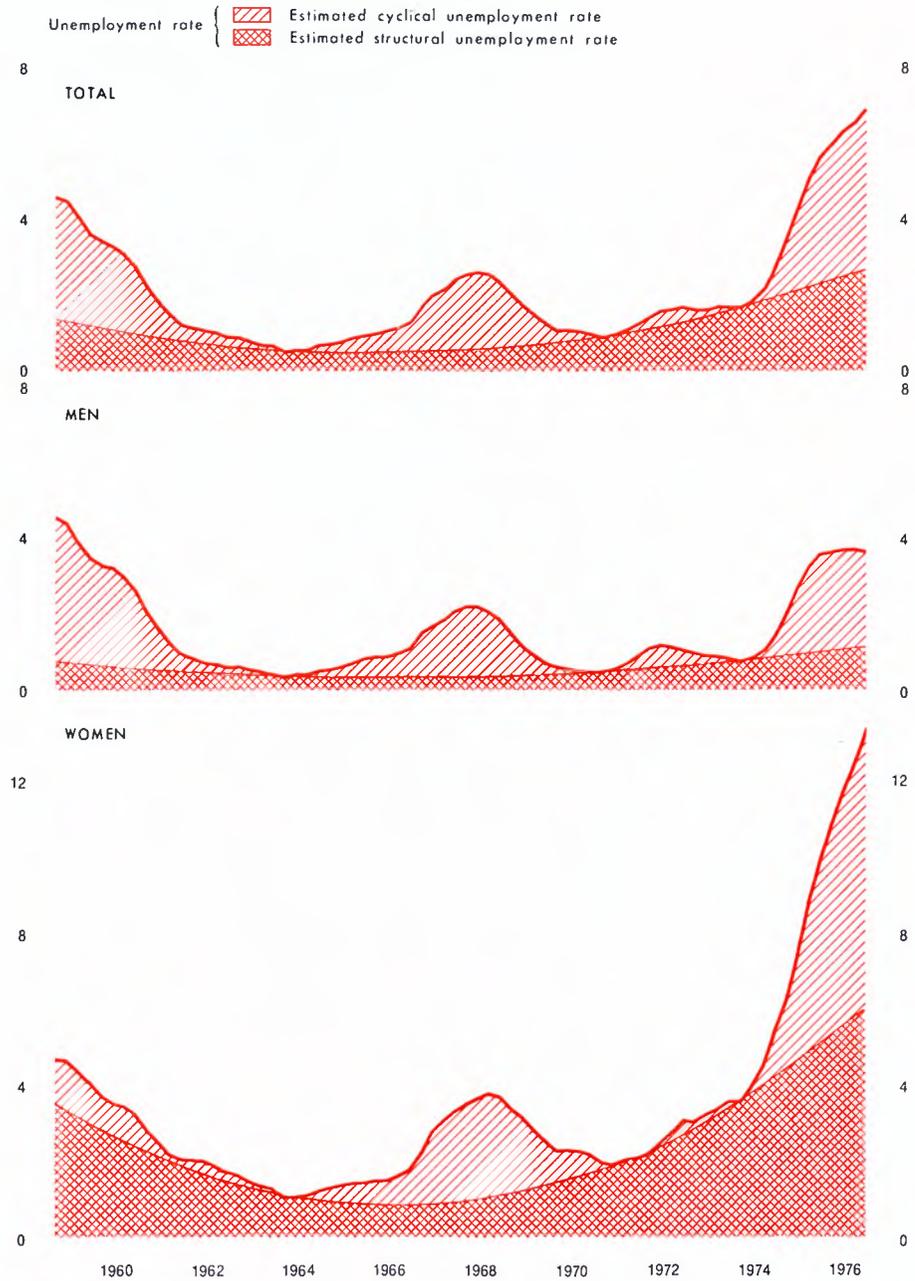
Sources : National Employment Office. Calculations of the National Bank of Belgium.
¹ Seasonally adjusted end-of-quarter data.

This set of measures, some of which mitigate the social effects of unemployment rather than tackling the causes of the evil, did little to solve a problem which, though not peculiar to Belgium, is perhaps more acute there than in other countries. As has been seen, unemployment rose further in 1976, although more slowly, and does not appear likely

Chart 10.

STRUCTURAL AND CYCLICAL UNEMPLOYMENT RATES ¹

Estimates



Sources : National Employment Office. Calculations of the National Bank of Belgium.

¹ Seasonally adjusted number of normally capable persons wholly unemployed and receiving unemployment pay, as a percentage of the number insured against unemployment; monthly averages per quarter. The estimate of structural unemployment is based on the assumption that during a boom period cyclical unemployment tends towards zero and that then the whole of the unemployment observed, reaching a minimum, can be regarded as structural. Structural unemployment for the other periods observed is calculated on the basis of a curve — actually a parabola — connecting the minima. The results obtained are plausible orders of magnitude, which, however, become less reliable beyond the observation period.

to be reduced in the near future. For actually, after having improved at the beginning of the year, the employment forecasts made by the manufacturing and construction enterprises which participate in the National Bank's inquiries into the trend of activity deteriorated again.

The difficulties encountered in the fight against unemployment are not due only to the hesitant nature of the revival of activity but also, and perhaps above all, to developments of a structural nature. For about ten years, structural unemployment, especially of women, has been steadily growing. It has been increased by certain fundamental factors which have appeared or been accentuated since the end of the 1960's, such as the rationalisation of production of goods and services, the growing proportion of women wishing to go to work, the discrepancies between the supply of and demand for work, and the inadequacy of job-creating projects. Out of a seasonally adjusted total of 183,000 normally capable persons wholly unemployed, the number of structural unemployed was estimated, in the fourth quarter of 1976, at about 70,000; of these, women represented nearly three-quarters and young men and women, half.

WAGES AND OTHER INCOMES.

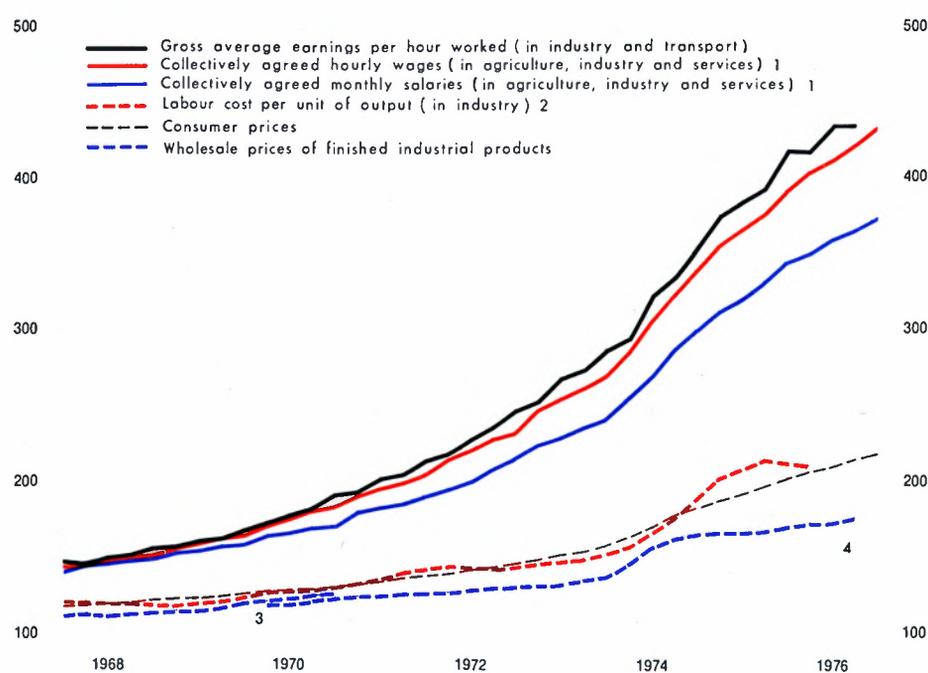
After the exceptional peak of about 25 p.c. per annum reached towards the beginning of 1975, the speed of the rise in wages and salaries in enterprises steadily slowed down. The rate of increase declined from 15.1 p.c. for the period from December 1974 to December 1975 to 8.8 p.c. for the next twelve months for collectively agreed monthly salaries and from 16.1 to 10.5 p.c. for collectively agreed hourly wages. The effect of index-linking lessened thanks to the slackening of the rise in consumer prices, while on the other hand collective wage agreements became more moderate. In this connection mention should be made of the Economic Recovery Law, which, in its section on incomes, stipulated that only half of any new wage benefits granted under collective wage agreements concluded after 31st October 1975 could be paid to the wage-earners, while the other half would have to be transferred by the employer to a Solidarity Fund created to finance early retirement pensions; the employer was furthermore obliged to pay additionally into the same fund a sum equal to half of the new benefits granted. The Economic Recovery Law also fixed a ceiling beyond which the index-linking of wages and salaries was no longer applicable.

Gross average earnings per hour worked, which in principle include all earned incomes actually paid, went up, according to the calculations made by the National Bank for the workers of a sample of industrial and transport enterprises, by 10.9 p.c. between September 1975 and September 1976, against 17.1 p.c. for the previous twelve months.

Chart 11.

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 of 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 Index calculated on the basis of prices including sales taxes.

⁴ Index calculated on the basis of prices net of sales taxes or value-added tax.

Although it is impossible to establish an accurate average, it emerges from typical examples chosen at the two ends of the range within which

the great majority of wages in the extractive and manufacturing industries and the construction industry fall that the rise in the net disposable monthly wages was slowed down somewhat by the raising, at the beginning of the year, of the ceilings which serve as a reference for calculating social security contributions. This increase was also curtailed by the operation of the progressivity of taxation, despite the adaptations made to it in favour of the lowest incomes in order to allow for monetary erosion. Thus, two workmen, each with three dependants and receiving, in September 1975, gross monthly wages of Fr. 23,000 and Fr. 38,000 respectively, would have had, in September 1976, a net monthly wage 10.6 and 9.8 p.c. higher, respectively, than in September of the previous year, assuming that their gross monthly wage had increased to the same extent as the index of gross average earnings per hour worked, namely 10.9 p.c. For the previous twelve months, the corresponding rates of increase were 16.6 and 13.8 p.c. Allowing for the rise in consumer prices, the net disposable wage in real terms would have gone up by 1.2 and 0.5 p.c. respectively.

If we add to the above-mentioned net wages the amount of the family allowances for two children under the age of six, the disposable income as thus defined would, during the twelve months in question, have risen, in the two cases considered, by 10.3 and 9.6 p.c. in nominal terms and by 0.9 and 0.3 p.c. in real terms.

These percentages do not take into account changes in the number of hours actually worked. Should it be confirmed that this number decreased, as appears to be indicated by provisional and partial data, the increase in real terms in the disposable monthly income received by workers in the form of earnings and family allowances would have been below the percentages stated.

It is difficult to make an accurate international comparison of the trend of net wages on the basis of the data available. For gross hourly wages the rise in nominal terms appears to have been slower in Belgium than in France and the United Kingdom but faster than in the United States, the Netherlands and the Federal Republic of Germany.

According to the budget figures, the increase in remuneration and social charges paid by the Government was 15.7 p.c., against 22.1 p.c. It was due mainly to the effect of index-linking and, to a smaller extent, to

the increase in the number employed, while the social programming, unlike in the previous year, had but little effect.

Wage and salary costs per unit of output in manufacturing industry would appear, according to the estimates of the Economic Research Institute of Louvain, to have increased between March-May 1975 and the same months of 1976 by 3.5 p.c., against 29.7 p.c. during the previous corresponding period : not only did the rate of increase of the cost of the labour factor slow down but furthermore productivity, unlike in the previous year, improved considerably, thanks to the growth in output. Apart from gross nominal wages and salaries, the cost of the labour factor per unit of output includes the social charges borne by employers; these were, on the one hand, alleviated by the abolition of contributions for hours credited and the lowering of the contribution coefficients for occupational diseases and family allowances and, on the other hand, made heavier by the abolition of the ceilings on employers' contributions under the two last-mentioned heads and by the raising of the ceilings for the others.

It emerges from the trend of the other components of cost prices during the first half-year as compared with the corresponding period of 1975 that the average cost per unit of output of the net financial commitments in Belgian francs underwent little or no change on average, while fixed costs, in view of the growth in production, probably did not increase. On the other hand, the rate of growth of the average unit value of imported producer goods, which account for about two-fifths of industrial cost prices, increased, going up from 5.5 p.c. in 1975 to 7.4 p.c.

Selling prices, for their part, rose to a smaller extent. Thus, prices in the domestic market, as shown by the index of wholesale prices of finished industrial products, increased on average by 3.4 p.c., while the average unit value of exports went up by 3.6 p.c.

These overall data concerning the trend of cost prices and selling prices per unit of output do not reveal any improvement in profit margins. However, the volume of sales expanded, so that it can be assumed that the **gross nominal profits of industry** taken as a whole, that is, without taking into account specific situations differing widely from sector to sector and from firm to firm, recovered somewhat in the first half-year, after having dropped sharply in 1975. According to the first indications

regarding the trend of costs and selling prices per unit of output and the trend of production, these gross nominal profits would not appear to have undergone any change worthy of note between the first and the second half of the year.

Agricultural output increased substantially in value. The prices received by producers in fact rose considerably : they were on average 20.1 p.c. higher than in 1975, mainly owing to the fact that the price of potatoes quadrupled. With regard to production costs, the prices paid by producers on average exceeded those of 1975 by 6.5 p.c., while at the same time a larger volume of fertilisers and fodder plants was used. Even taking into account possible losses of assets, including enforced reductions in livestock, it can nevertheless be assumed that the **total nominal income of farmers** was higher than in the previous year.

According to the estimates of the economic budget, the **total nominal incomes of other self-employed persons**, that is, members of the liberal professions, tradesmen and private companies, increased somewhat less rapidly than in the previous year. For those engaged in the liberal professions, the afore-mentioned Economic Recovery Law laid down that from 1st January to 31st December, the remuneration for their services, in whatever form, could not in principle exceed its level on 31st December 1975, as established by the professional associations; but no check was organised. Partial data, which cannot be extrapolated without reservations, suggest that the tariffs or scales of the services sector rose to about the same extent as gross average earnings per hour worked.

Social benefits and services paid or supplied by the central Government and the social security institutions increased, according to the amended 1976 budget, by 14.4 p.c., against 31.1 p.c. in 1975. This slowing-down related to health service payments and family allowances, but above all to compensation payments for loss of wages and salaries, especially unemployment benefits; the average daily total of the latter went up by about 34 p.c. for the first ten months, after having already more than doubled the previous year.

With regard to **income from personal property**, that on fixed-interest investments in Belgium increased more than in the previous year; this

applies both to short-term non-monetary deposits, mainly thanks to their faster growth, and to medium-term notes and bonds, thanks to the increase in their total outstanding amount during the previous year. Lastly, income from investments abroad clearly underwent a further rise.

Net dividend payments, according to a sample survey of Belgian companies, fell by 15.7 p.c. owing to the contraction in profits in 1975, after having gone up by 6 p.c. the previous year. According to the provisions of the Economic Recovery Law, the amount of dividends of Belgian origin payable to shareholders of companies during 1976 in respect of 1975 profits was not allowed to exceed the highest amount paid for the 1972, 1973 and 1974 financial years.

PRICES.

From November 1975 to November 1976 the official index of **wholesale prices of industrial products** rose by 6 p.c., whereas it had remained unchanged the previous twelve months. The rise took place mainly during the first half-year; it was then followed by a stabilisation. This general movement was confirmed by the results of the National Bank's inquiries among manufacturing industries into the trend of activity.

A breakdown of the index between a set of imported products on the one hand and domestic products on the other reveals for the former a rise of 5 p.c., against a fall of 3.8 p.c. during the previous period, and for the latter a rise of 6 p.c., against 1.2 p.c.

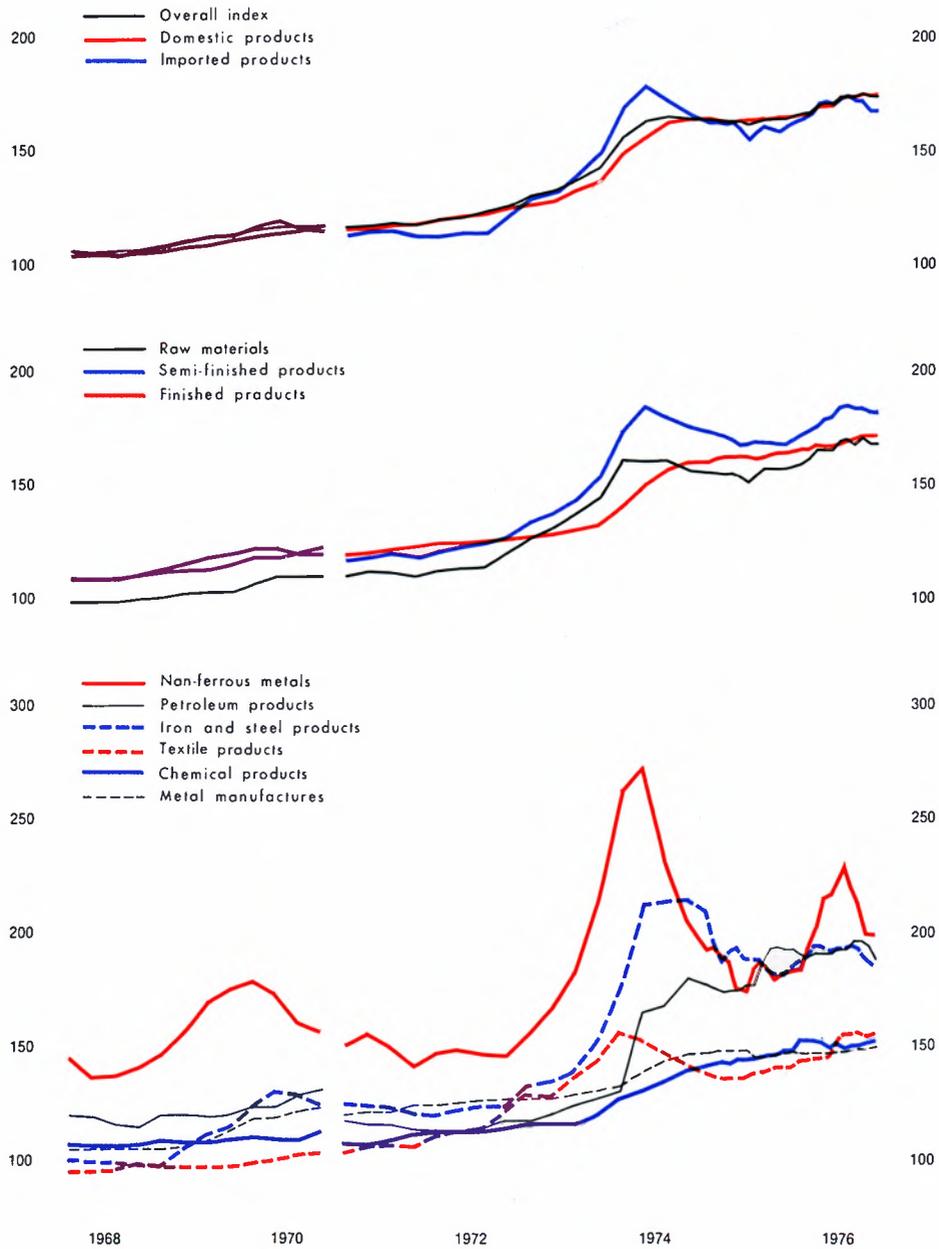
A breakdown according to the three stages of production shows that the prices of raw materials and semi-finished products rose until July and subsequently declined, while those of finished products went up more slowly but almost without interruption; in November the increase amounted to 7.1 p.c. for the first of these categories, 8.3 p.c. for the second and 3.8 p.c. for the third, compared with a rise of 0.4 p.c., a fall of 4.4 p.c. and a rise of 2.7 p.c. respectively.

It is apparent from the trend of the indices by products or groups of products that the rise in wholesale prices from one November to the next was substantial for non-ferrous metals, textiles and wood and moderate for chemical products, coal, iron and steel products and metal manufactures; prices of petroleum products went down slightly.

Chart 12.

WHOLESALE PRICES OF INDUSTRIAL PRODUCTS ¹

(Indices 1963 = 100)



Source : Ministry of Economic Affairs.

¹ 1968-1974 : monthly averages per quarter; 1975 and 1976 : 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.

According to the available data, the rise from one end of period to the next in the wholesale prices of finished products, expressed in national currencies, would appear to have been smaller in Belgium than in the United States and the main partner countries of the European Economic Community.

The rate of rise of **prices for building** remained high : it increased, according to the data compiled for the second half of the year by the Belgian Surveyors' Association, from 9.3 to 13.3 p.c. as regards the reconstruction value of a building and, according to the index compiled for the third quarter by the Economic Research Institute of Louvain, from 7.3 to 10.2 p.c. for civil engineering work. The results of the Bank's inquiries into the trend of economic activity with regard to bare shells of buildings and civil engineering work confirm these two movements.

From December 1975 to December 1976, the index of **prices of agricultural products** compiled by the Ministry of Agriculture went up by only 2.8 p.c., against 21.8 p.c. for the previous twelve months. The further rise mainly reflected that for vegetable products, especially potatoes.

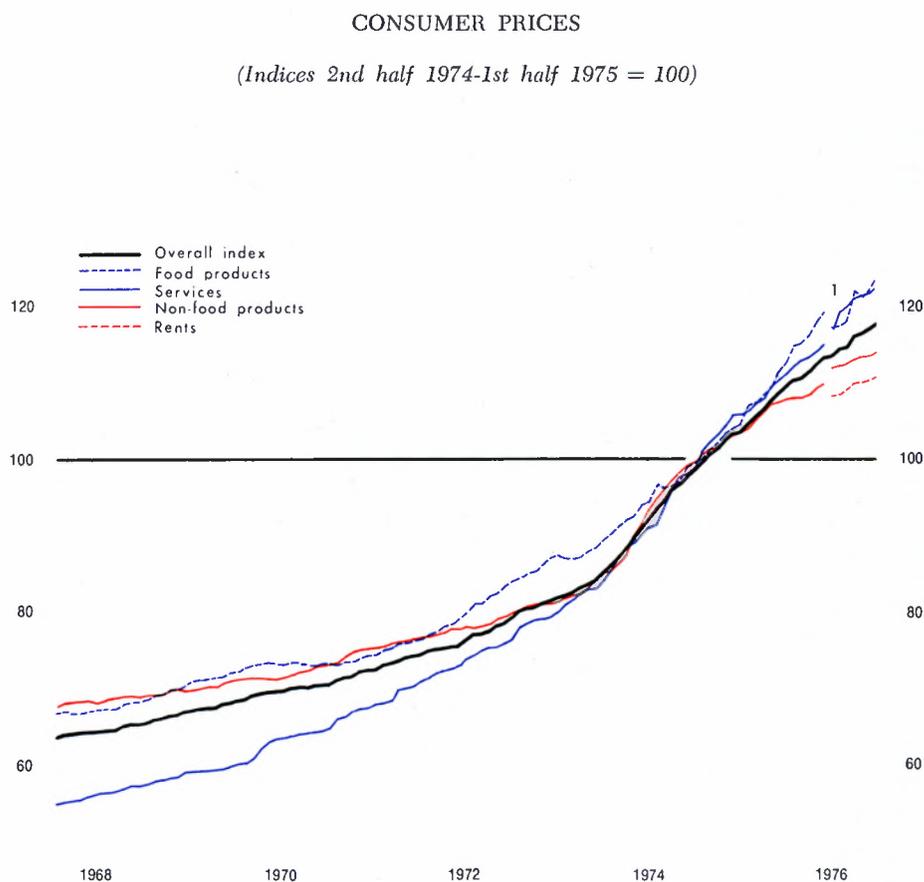
The slowing-down of the rise in **consumer prices** took place mainly in the fourth quarter; the rate of increase from December to December fell from 11 p.c. in 1975 to 7.6 p.c.; nevertheless, it was still higher than the corresponding rates of increase in the United States and the Federal Republic of Germany, but lower than those in the other partner countries of the European Economic Community. For the year as a whole, the average increase declined from 12.8 to 9.2 p.c.

A breakdown of the index shows that the rise in prices of foodstuffs was rapid during the first five months of the year, but that it subsequently slackened, apart from the temporary explosion of prices for fruit and fresh vegetables; the rise in prices of non-food products also slowed down during the last quarter, but prices of services went on increasing at about the same rate as before.

In June, a new consumer price index was introduced. It is based on the results of the survey on household budgets carried out in 1973 and 1974. The number of products and services covered was increased

from 149 in the old index to 358. In addition to the traditional breakdown between foodstuffs, non-food products and services, to which there was added a fourth group, rents, the new index classified goods and services in eight categories. The weightings of the various products and services were substantially altered in order, especially, to take into account changes in consumer habits.

Chart 13.



Source : Ministry of Economic Affairs.
1 From June 1976, new index.

The Government continued to make use of the traditional instruments of **price policy** : the prior reporting of price rises, sectoral fixing of maxima for selling prices, tariffs or profit margins and also programme agreements.

Maximum prices or profit margins were fixed, for, among other products, fertilisers, potatoes, drinking milk, beef and pork, fruit and vegetables, macaroni, spaghetti and similar products, pharmaceutical products and travel by taxi.

Programme agreements concerning animal feedstuffs, petroleum products and chocolate were renewed. This agreement system was also extended to margarine.

The Economic Recovery Law of 30th March, already mentioned in another context, also contains provisions concerning price policy : apart from temporarily limiting rents, this law prohibits index-linking of industrial and commercial prices and allows revision clauses for these prices only if they relate to the movement of real costs, and only to the extent of 80 p.c. of the final price.

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

For the first eleven months as a whole, the foreign trade of the Belgian-Luxembourg Economic Union, measured according to the balance of payments data, resulted in a deficit of Fr. 50.4 billion, against a surplus of Fr. 2.2 billion in 1975.

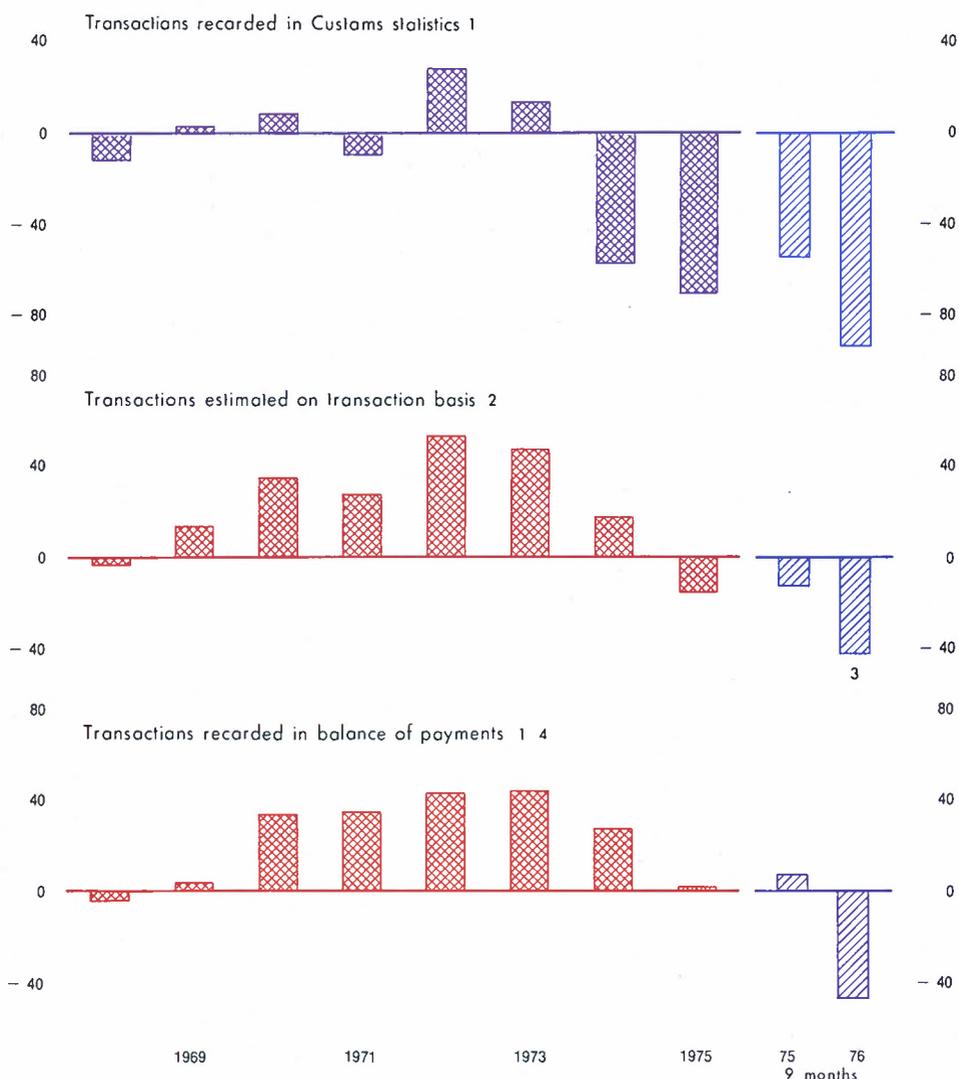
This sharp reversal was partly attributable to a certain kind of capital movement, namely the changes in the outstanding amount of net commercial claims on foreign countries : in 1975 this amount had appreciably decreased, correspondingly improving the balance of transactions with foreign countries, but this was no longer the case in the past year, during which it underwent marked rises and falls, according to the periods, as a result of speculative leads and lags. Consequently payments in respect of foreign trade display an irregular pattern : in the first and third quarters, characterised by tension in the foreign exchange markets, deficits of Fr. 22.1 and 19.3 billion respectively were recorded, but during the second quarter and in October and November, when there was a certain degree of calm, the deficits were down to Fr. 6.1 and 2.9 billion respectively.

Disregarding the movement of commercial claims, that is, on a transactions basis, foreign trade would have shown a deficit of around

Chart 14.

EXTERNAL TRADE BALANCE OF THE BELGIAN-LUXEMBOURG
ECONOMIC UNION

(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 With regard to this statistic, see the information published in the October 1976 number of the National Bank's Bulletin, « A new statistic : The B.L.E.U.'s Exports and Imports - Payments, transactions and changes in net commercial claims on or debts to foreign countries (Table IX-5) ».

3 Estimates based on provisional and partial data.

4 See Table 3, column (e).

Fr. 40 to 45 billion for the first nine months, against about Fr. 12 billion the previous year.

According to the Customs statistics, the deficit rose, for the same periods, from Fr. 53.6 to 92.6 billion. The divergences between the foreign trade balance estimated on a transactions basis and that shown by the Customs statistics are due partly to the fact that, in the former statistics, the value of exports is not purely f.o.b. nor that of imports completely c.i.f. as in the Customs statistics. In connection with the revival of economic activity in the last months of 1975 and the first part of last year, enterprises gradually increased their stocks of raw materials and semi-finished products, while imports of consumer goods also speeded up, so that, despite the stagnation of imports of capital goods, the rate of growth of the volume of exports — about 13 p.c. — was still exceeded by that of imports. In terms of value, the discrepancy between the increase in imports and that in exports was, however, much larger, because the terms of trade developed very unfavourably : expressed on the basis of 1970, they fell, for the average of the first nine months, from 98.2 in 1975 to 95.9¹. The rise in import prices of both raw materials and certain consumer goods was appreciably greater than that in export prices, which was slowed down by, among other things, the weakness of the international steel market.

For the first eleven months, according to the Customs statistics, the deficit amounted to Fr. 98.5 billion, against Fr. 69.4 billion the previous year. The developing countries as a whole, including the oil-producing countries, increased their exports to the Belgian-Luxembourg Economic Union by nearly 30 p.c., while their imports hardly rose at all. The Union's trade deficit also grew substantially in relation to the United States, owing to the small rise in exports to that country, and in relation to Japan. On the other hand, the substantial deficit registered the previous year with the trading partners in the European Economic Community was replaced by a surplus, thanks to the considerable expansion in exports to France and Italy².

The trend of the proportions of the various currencies used in payment for imports and exports shows that, during the first nine months, the proportion of exports paid for in Belgian francs was distinctly lower; the

¹ See Annex 6, Table 1.

² See Annex 6, Table 2.

share of the German mark and the U.S. dollar, on the other hand, increased. With regard to imports, use of the Belgian franc hardly changed, but the share of the dollar increased at the expense of most of the currencies of the countries of the European Economic Community; this trend probably reflects the relative growth in imports from countries outside the Community ¹.

Table 3.

CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES ¹

(Billions of francs)

	Transactions in goods					Services 4	Private transfers 5	Govern- ment transfers 6	Grand total (i) = (e) + (f) + (g) + (h)
	Exports 2	Imports 2	Balance	Other trans- actions 3	Total				
	(a)	(b)	(c) = (a) - (b)	(d)	(e) = (c) + (d)				
1971	520.6	485.9	+34.7	+ 6.5	+41.2	+ 8.1	+ 6.8	-14.8	+41.3
1972	581.7	538.7	+43.0	+ 3.4	+46.4	+13.6	+ 8.1	-16.9	+51.2
1973	723.9	679.5	+44.4	+ 3.9	+48.3	+ 8.8	+11.5	-23.6	+45.0
1974	958.8	930.6	+28.2	+ 6.6	+34.8	+15.6	+ 6.8	-21.4	+35.8
1975	898.8	898.3	+ 0.5	+17.8	+18.3	+28.1	+ 7.1	-28.6	+24.9
1975 First 11 m.	812.7	810.5	+ 2.2	+17.7	+19.9	+24.1	+ 5.4	-26.0	+23.4
1976 1st qtr p	241.2	263.3	-22.1	+ 2.1	-20.0	+ 9.2	+ 1.5	- 7.0	-16.3
2nd qtr p	255.3	261.4	- 6.1	+ 4.5	- 1.6	+10.2	+ 2.8	- 8.1	+ 3.3
3rd qtr p	251.4	270.7	-19.3	+ 2.9	-16.4	+ 6.7	+ 3.5	- 7.5	-13.7
Oct.-Nov. p	177.9	180.8	- 2.9	+ 4.5	+ 1.6	+11.4	+ 1.3	- 4.6	+ 9.7
F. 11 m. p	925.8	976.2	-50.4	+14.0	-36.4	+37.5	+ 9.1	-27.2	-17.0

¹ Balance of transactions, 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 by residents) and trade in 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 This item mainly consists, on the receipts side, of the payments made by the European Agricultural Guidance and Guarantee Fund to resident farmers and, on the expenditure side, of funds transferred to their countries of origin by foreign workers living in the Belgian-Luxembourg Economic Union.

⁶ This item mainly consists of technical assistance and of Government contributions to European institutions.

Apart from payments for exports and imports, current transactions shown in the balance of payments include other transactions relating to goods, services and transfers.

For the first eleven months, the surplus in respect of other transactions relating to goods, namely third-country trade and dealings in non-monetary

¹ See Annex 6, Table 3.

gold, decreased; with regard to the latter, it should be mentioned that net imports of gold were recorded, whereas in 1975 there had been net sales.

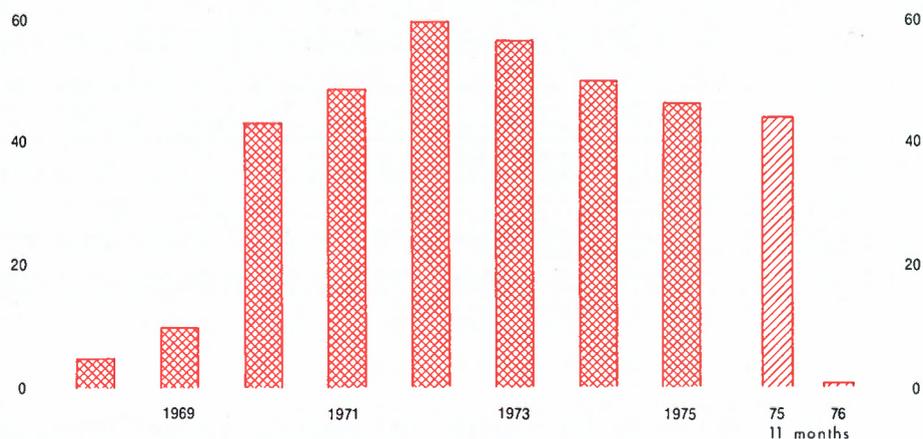
The positive balance in respect of transactions in services rose further, from Fr. 24.1 billion in 1975 to Fr. 37.5 billion. This movement was due mainly to income from portfolio and direct investments, to contracts and, to a smaller extent, to the transactions of the public authorities. These reflected the growth in the current expenditure of the international institutions established within the Belgian-Luxembourg Economic Union.

Altogether, the surplus recorded in respect of all transactions in goods and services fell from Fr. 44 billion in 1975 to Fr. 1.1 billion.

Chart 15.

TRANSACTIONS IN GOODS AND SERVICES WITH FOREIGN COUNTRIES ¹

(Billions of francs)



¹ See Table 3, columns (e) and (f).

The deficit usually left by transfers decreased : the growth in the surplus in respect of private transfers, which was primarily attributable to the increase in the payments made to farmers in the Belgian-Luxembourg

Economic Union by the European Agricultural Guidance and Guarantee Fund, was greater than the rise in Government transfer expenditure, including that in favour of European institutions.

Altogether, current transactions in the first eleven months resulted in a deficit of Fr. 17 billion, against a surplus of Fr. 23.4 billion in 1975.

The **capital transactions** shown in Table 4 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, transactions in foreign currencies between residents and domestic monetary institutions and forward transactions. This presentation of the balance of payments makes it possible to highlight all the transactions which, directly or indirectly, may have affected the foreign exchange markets and which thus may have induced the National Bank to intervene. Forward transactions between residents or non-residents, on the one hand, and the banks of the Belgian-Luxembourg Economic Union, on the other, can in fact lead to a shifting of reserves between the National Bank and the banks : insofar as they are allowed to do so, the latter may be induced to assume spot positions in order to cover a forward position.

Capital transactions, just like foreign trade, were strongly influenced by the disturbances of the foreign exchange markets in the first and third quarters; capital outflows then amounted to Fr. 33.9 and Fr. 27.1 billion respectively, whereas the second quarter and the months of October and November were marked by favourable swings. These speculative movements were caused more by non-residents than by residents and, insofar as the latter played a part, more by enterprises than by individuals.

For the first eleven months, the capital transactions of the public authorities resulted, as in 1975, in a slight deficit.

The movements in capital funds of enterprises and individuals with foreign countries, details of which are given in Table 5, left a surplus of Fr. 5.4 billion, against a deficit of Fr. 8.6 billion the previous year.

This turn-round is explained in the first place by a marked reduction in net purchases of foreign securities by residents. On the one hand, the net purchases of foreign shares were replaced by net sales, probably owing to what was thought to be the not very encouraging trend of the

Table 4.

CAPITAL TRANSACTIONS

(Billions of francs)

	1975	1975 First 11 months	1976 p				
			1st quarter	2nd quarter	3rd quarter	October- November	First 11 months
1. Transactions of public authorities :							
1.1 with foreign countries	- 4.2	- 2.5	- 0.6	- 0.4	- 1.0	- 0.7	- 2.7
1.2 in foreign currencies with Belgian and Luxembourg monetary institutions :							
1.2.1 Increase (+) or decrease (-) in liabilities in foreign curren- cies to Belgian and Luxembourg banks	+ 0.3	+ 0.3	+ 0.5	+ 0.2	+ 0.1	+ 0.1	+ 0.9
1.2.2 Increase (-) or decrease (+) in the outstanding amount of foreign currencies receivable at forward dates from the National Bank of Belgium .....	...	...	...	- 0.5	...	+ 0.5	...
Total 1 ...	- 3.9	- 2.2	- 0.1	- 0.7	- 0.9	- 0.1	- 1.8
2. Transactions of enterprises and individu- als :							
2.1 with foreign countries ¹	- 6.8	- 8.6	- 3.7	+ 6.1	- 4.5	+ 7.5	+ 5.4
2.2 in foreign currencies with Belgian and Luxembourg banks :							
2.2.1 Increase (-) or decrease (+) in net spot claims	- 4.5	- 3.4	-13.7	+ 5.4	- 1.3	+ 0.2	- 9.4
2.2.2 Increase (-) or decrease (+) in net forward claims	- 8.2	- 5.8	+10.8	+ 5.9	- 2.6	- 3.9	+10.2
Total 2 ...	-19.5	-17.8	- 6.6	+17.4	- 8.4	+ 3.8	+ 6.2
3. Transactions of non-residents in Belgian and Luxembourg francs with Belgian and Luxembourg monetary institutions :							
3.1 Increase (-) or decrease (+) in lia- bilities in the form of commercial cre- dits originally financed by Belgian banks	- 4.8	- 1.1	- 4.5	+ 1.3	- 6.1	- 0.9	-10.2
3.2 Increase (+) or decrease (-) in the excess of claims over other spot lia- bilities	+10.1	+ 5.4	- 7.7	+11.0	-14.3	+14.2	+ 3.2
3.3 Increase (+) or decrease (-) in the excess of the outstanding amount of Belgian and Luxembourg francs recei- vable at forward dates over the out- standing amount of Belgian and Lu- xembourg francs to be delivered at forward dates	+ 9.8	+13.2	-16.4	+ 1.6	- 0.2	+ 4.7	-10.3
Total 3 ...	+15.1	+17.5	-28.6	+13.9	-20.6	+18.0	-17.3
4. Movement in the position in foreign cur- rencies of Belgian and Luxembourg banks :							
4.1 Increase (-) or decrease (+) in net spot claims	- 6.9	- 1.7	- 4.2	+ 4.0	...	- 5.6	- 5.8
4.2 Increase (-) or decrease (+) in net forward claims	- 1.2	- 7.0	+ 5.6	- 7.5	+ 2.8	- 0.8	+ 0.1
Total 4 ...	- 8.1	- 8.7	+ 1.4	- 3.5	+ 2.8	- 6.4	- 5.7
Total 1 to 4 ...	-16.4	-11.2	-33.9	+27.1	-27.1	+15.3	-18.6

¹ See Table 5.

main foreign stock exchanges, especially the New York stock exchange. On the other hand, the interest shown in foreign bonds decreased considerably; there was a clear shift in favour of domestic issues, the yield of which was raised. Moreover, the possibility cannot be ruled out that there may have been greater hesitancy with regard to the

Table 5.

DETAILS OF CAPITAL TRANSACTIONS OF ENTERPRISES AND INDIVIDUALS WITH FOREIGN COUNTRIES

(Billions of francs)

	Public enterprises ¹	Private enterprises and individuals								Total (d)= (b)+(c)	Grand total (e)= (a)+(d)
		Foreign direct and portfolio investments in B.L.E.U.				Direct and portfolio investments in foreign countries					
		Total	of which			Total	of which				
			Securities	Direct investments	Real estate		Securities	Direct investments	Constitution (-) or liquidation (+) of deposits		
(a)	(b)				(c)						
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
1974	- 1.0	+42.2	- 2.9	+41.8	+ 2.1	-46.3	-15.4	-14.5	-12.5	- 4.1	- 5.1
1975	- 0.2	+41.2	+ 1.6	+33.9	+ 1.4	-47.8	-36.1	- 5.5	- 3.2	- 6.6	- 6.8
1975 First 11 m. ...	+ 0.1	+33.0	+ 1.5	+26.3	+ 1.1	-41.7	-31.5	- 5.0	- 2.5	- 8.7	- 8.6
1976 First 11 m. <i>p</i>	+ 9.4	+34.8	+ 0.7	+22.8	+ 2.2	-38.8	-10.2	-10.5	-16.1	- 4.0	+ 5.4

¹ Public operating organisations and public sector financial intermediaries.

traditional purchases of foreign securities for tax reasons, because, owing to the recommendations made by the supervisory authorities to the financial intermediaries, certain circuits which facilitated the execution of these transactions disappeared. Furthermore, the movement in capital funds of public enterprises resulted in a surplus of over Fr. 9 billion, primarily thanks to subscriptions by oil-producing countries for bonds of public credit institutions.

Conversely, residents increased their direct foreign investments and, above all, their formation of deposits abroad in foreign currencies and

Table 6.

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

(Billions of francs)

	1971	1972	1973	1974	1975	1975 First 11 months	1976 <i>p</i>				
							1st quarter	2nd quarter	3rd quarter	October- November	First 11 months
1. Current transactions ¹	+ 41.3	+ 51.2	+ 45.0	+ 35.8	+ 24.9	+ 23.4	- 16.3	+ 3.3	- 13.7	+ 9.7	- 17.0
2. Capital transactions ² :											
2.1 Transactions of public authorities	- 10.8	- 9.0	- 4.7	- 3.8	- 3.9	- 2.2	- 0.1	- 0.7	- 0.9	- 0.1	- 1.8
2.2 Transactions of enterprises and individuals	- 2.7	- 8.1	- 18.6	- 14.1	- 19.5	- 17.8	- 6.6	+ 17.4	- 8.4	+ 3.8	+ 6.2
2.3 Transactions of non-residents in Belgian and Luxembourg francs with Belgian and Luxembourg monetary institutions	+ 9.5	- 11.0	+ 12.3	- 14.2	+ 15.1	+ 17.5	- 28.6	+ 13.9	- 20.6	+ 18.0	- 17.3
2.4 Movement in the position in foreign currencies of Belgian and Luxembourg banks	- 3.5	+ 1.0	- 3.7	+ 4.5	- 8.1	- 8.7	+ 1.4	- 3.5	+ 2.8	- 6.4	- 5.7
Total 2 ...	- 7.5	- 27.1	- 14.7	- 27.6	- 16.4	- 11.2	- 33.9	+ 27.1	- 27.1	+ 15.3	- 18.6
3. Errors and omissions	- 2.1	- 0.5	+ 4.1	+ 5.2	+ 10.3	+ 7.7	- 1.2	- 0.4	+ 5.6	- 4.1	- 0.1
4. (= 1. to 3.) Total corresponding to the movement in the National Bank of Belgium's exchange reserves and in its forward position in foreign currencies and, in relation to foreign countries, in Belgian francs ³	+ 31.7	+ 23.6	+ 34.4	+ 13.4	+ 18.8	+ 19.9	- 51.4	+ 30.0	- 35.2	+ 20.9	- 35.7

¹ See Table 3.

² See Table 4.

³ See Table 7, column (j).

francs; the deficit in respect of the last-mentioned transactions rose from Fr. 2.5 to 16.1 billion; in addition, the direct investments of foreign enterprises in the Belgian-Luxembourg Economic Union fell from Fr. 26.3 to 22.8 billion.

As shown by item 2.2 of Table 4, the transactions carried out in foreign currencies by resident enterprises and individuals with Belgian and Luxembourg banks left, for the whole period under review, a slight surplus of Fr. 0.8 billion, against a deficit of Fr. 9.2 billion in 1975 : the substantial forward sales of foreign currencies were offset by a roughly equivalent increase in spot holdings.

It was particularly non-resident's transactions in francs — spot and forward — with the monetary institutions that showed speculative movements : these transactions left a deficit of Fr. 17.3 billion, against a surplus of the same size the previous year. This deficit resulted from the increase in the outstanding amount of commercial credits to foreign countries, partly due to the expansion of exports, and from the forward sales of francs by foreign banks and enterprises; it appeared during the already mentioned periods of agitation of the foreign exchange markets, whereas the position reversed in the second quarter and in October and November.

The banks' net combined spot and forward claims in foreign currencies increased, just as in the previous year.

The National Bank, in agreement with the Government, and the Belgian-Luxembourg Foreign Exchange Institute adopted a series of measures during the year in order to check the outflows of short-term funds and thus prevent them from giving rise to serious disturbances. The Institute made the provisions of the foreign exchange regulations more specific in order more strictly to prevent unwarranted or unduly anticipated purchases of foreign currencies on the regulated market. It also reduced the limits on the banks' spot positions in foreign currencies of the regulated market. For its part, the National Bank endeavoured to impede the exporting of funds by encouraging the tightening of the money market and raising short-term rates.

Altogether, for the eleven months in question, the current and capital transactions described above resulted on balance, taking into account errors and omissions, in a deficit of Fr. 35.7 billion, against a surplus of Fr. 19.9 billion in 1975. For the first and third quarters separately,

deficits of Fr. 51.4 and 35.2 billion, respectively, were registered, but the second quarter and the months of October and November left surpluses of Fr. 30 and 20.9 billion respectively. These figures have as their counterpart corresponding movements in the total composed of the Bank's exchange reserves and forward position.

For the year as a whole, the above-mentioned total fell by Fr. 24.6 billion, after having risen by Fr. 18.8 billion in 1975.

Table 7.

NATIONAL BANK OF BELGIUM : EXCHANGE RESERVES
AND FORWARD POSITION IN FOREIGN CURRENCIES AND,
IN RELATION TO FOREIGN COUNTRIES, IN BELGIAN FRANCS¹
(Changes in billions of francs)

	Exchange reserves						Forward position ²			Grand total	of which :	
	Gold holdings	Assets held at the I.M.F.	Net claims on or liabilities to the E.M.C.F. ³	Spot foreign currencies	Spot Belgian francs	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)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1971	+3.7	+17.0 ⁴	—	- 4.4	-2.7	+13.6	+ 2.8	+15.3	+18.1	+31.7	- 1.6	+12.6
1972	-1.8	- 1.7 ⁴	—	+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 .....	...	- 1.3	- 3.5	+17.7	-0.5	+12.4	+15.3	-14.3	+ 1.0	+13.4	+33.0	-14.8
1975 .....	...	+ 5.1	...	+13.9	-0.6	+18.4	+ 1.2	- 0.8	+ 0.4	+18.8	+15.1	- 1.4
1976 .....	...	+ 1.2	...	-26.2	+0.4	-24.6	+12.0	-12.0	...	-24.6	-14.2	-11.6
1975 F. 11 m.	...	+ 5.4	...	+14.7	-0.6	+19.5	+ 0.5	- 0.1	+ 0.4	+19.9	+15.2	- 0.7
1976 1st qtr	...	+ 3.0	-33.1	-20.6	-0.7	-51.4	+ 3.5	- 3.5	...	-51.4	-17.1	- 4.2
2nd qtr	...	+ 4.2	+33.1	- 7.7	+0.9	+30.5	+ 2.9	- 3.4	- 0.5	+30.0	- 4.8	- 2.5
3rd qtr	...	- 5.9	-19.0	-10.5	+0.2	-35.2	+ 4.0	- 4.0	...	-35.2	- 6.5	- 3.8
Oct.-Nov.	...	+ 0.3	+19.0	+ 1.2	-0.1	+20.4	+ 1.6	- 1.1	+ 0.5	+20.9	+ 2.8	- 1.2
F. 11 m.	...	+ 1.6	...	-37.6	+0.3	-35.7	+12.0	-12.0	...	-35.7	-25.6	-11.7

¹ Not including accounting changes. See Annex 6, Table 4, and especially footnote 3 of the latter.

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. 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 The plus sign indicates an increase in net claims or a decrease in net liabilities; the minus sign indicates a decrease in net claims or an increase in net liabilities.

⁴ Not including the amount of the special drawing rights received by Belgium as an allocation.

A breakdown by major components shows that spot assets in foreign currencies decreased by Fr. 26.2 billion; on balance, the Bank sold foreign currencies to the market and to foreign central banks, mainly in order to support the Belgian franc in accordance with the so-called « snake » agreement on the narrowing of margins of fluctuation, but also owing to conversions into dollars of the Belgian francs lent to the International Monetary Fund under the « oil facility »; furthermore, the Federal Reserve Bank of New York repurchased dollars against Belgian francs in order to pay off its drawings under swap agreements concluded with the Bank : this resulted in the disappearance from the liabilities side of the dollars sold forward to the Federal Reserve Bank. Altogether, the Bank's creditor position in foreign currencies (spot assets less forward liabilities) fell by Fr. 14.2 billion.

The winding-up of the above-mentioned forward operations largely explains the reduction of Fr. 11.6 billion in the Bank's position in Belgian francs.

The debts incurred by the Bank in the first and third quarters to the European Monetary Cooperation Fund owing to the application of the afore-mentioned agreement on the narrowing of margins were subsequently repaid in full.

Assets held at the International Monetary Fund rose by Fr. 1.2 billion as a result of two opposite movements : on the one hand, the Bank's claim on the Fund resulting from its participation in the oil facility and from net drawings in Belgian francs by various countries increased; on the other hand, the Bank drew on its holdings of special drawing rights in order to repay debts to the European Monetary Cooperation Fund.

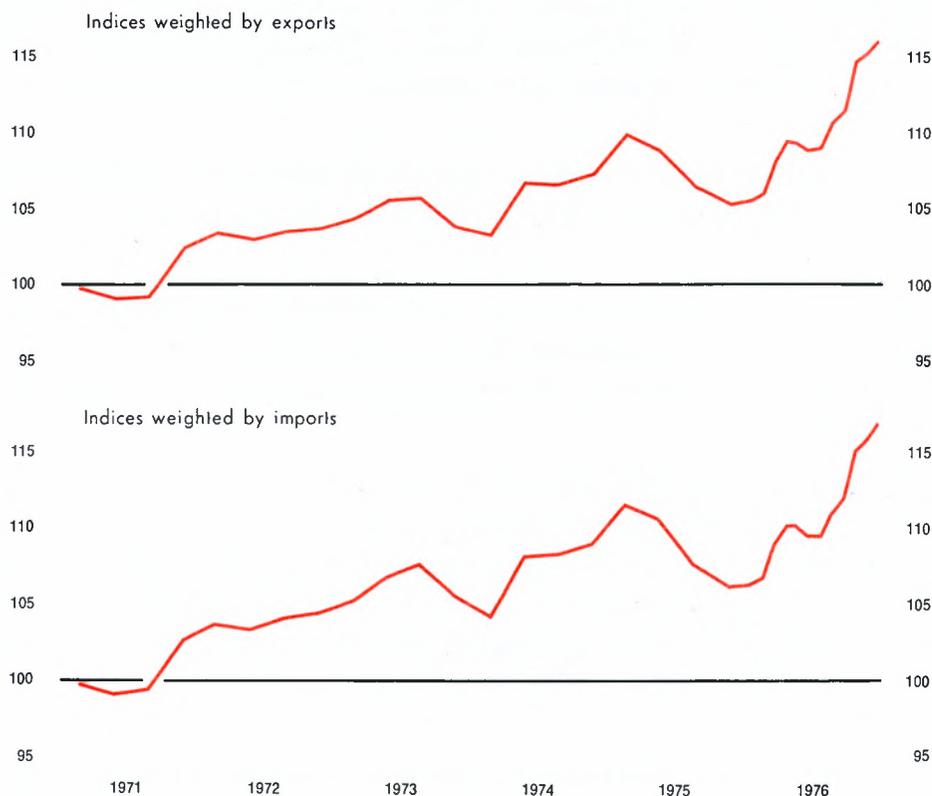
The movements which upset the European exchange markets on several occasions during the past year also strongly influenced the development of the rate for the Belgian franc.

The average rates for the Belgian franc on the regulated market, as calculated, on the one hand, by the Bank, with the aid of a weighting coefficient based on the relative importance of the Belgian-Luxembourg Economic Union's foreign trade (see Chart 16) and, on the other hand, by the International Monetary Fund, using a weighting based on a « multilateral model » of exchange rates (see Chart 3), rose continuously until April; they then declined somewhat until towards the middle of the year, after which they rose again sharply. On average, for the year as

Chart 16.

AVERAGE WEIGHTED VALUE OF THE BELGIAN FRANC
ON THE REGULATED EXCHANGE MARKET ¹

(Indices 1970 = 100)



¹ 1971 to 1975 : daily averages per quarter. 1976 : daily averages per month. See Annex 6, Table 5.

The indices of the average weighted value of the Belgian franc try to answer the following question : what would have been, under a system of fixed exchange rates, the changes in the parity of the Belgian franc whose effects would have been equivalent to those of the changes in rates which have taken place under the present exchange rate system ? The indices calculated by the National Bank of Belgium and incorporated in this chart indicate the parity changes which would have had equivalent effects on the average cost of products of the Belgian-Luxembourg Economic Union to a foreign purchaser and on the average cost of foreign products to a Belgian-Luxembourg importer; they are obtained by weighting the indices of the rates for each currency by the importance, respectively, of the Belgian-Luxembourg Economic Union's exports to and imports from the country or area of that currency. The indices calculated by the International Monetary Fund, included in Chart 3, indicate the parity changes which would have had equivalent effects on the balance of trade of the Belgian-Luxembourg Economic Union : they are obtained by weighting the indices of the rates for each currency by coefficients derived from a multilateral exchange rate model which takes into consideration both the characteristics of the products traded in by the Belgian-Luxembourg Economic Union and the competition between the B.L.E.U. and each of its partners not only in their bilateral relations but also in the markets of other countries.

a whole, the latter rate went up by 0.5 p.c. compared with the previous year; that calculated by the Bank rose by about 2 p.c. The appreciation of the average weighted rates for the franc during the year is the result of a distinct weakening of certain European currencies in relation to the other currencies as a whole, on the one hand, and of the pull exerted on rates by the rise of the German mark in a system which limits the margins of fluctuation within the snake, on the other. Little or no effect was produced on the average weighted rates for the franc either by the abandonment, in March, of the special agreement limiting the margins of fluctuation between the franc and the guilder — these becoming the same as those in force between the other participants in the joint float — or by the adjustment, in October, of the rates for conversion into European monetary units of account of certain snake currencies, which incidentally left the rates for the franc and the guilder unchanged. After that adjustment, the franc's position within the snake strengthened, particularly in relation to the German mark. Although the latter was revalued, its rates in Brussels constantly remained below its ceiling rate prior to the adjustment.

On the free market the rates for foreign currencies, expressed in Belgian francs, were nearly always higher than those on the regulated market; at the end of the year, however, they fell below the latter. The premium of the free dollar rate, expressed in daily averages per month, which had fluctuated between a maximum of 4.06 p.c. in March and a minimum of 0.44 p.c. in November, was replaced by a discount of 0.11 p.c. in December.

PUBLIC FINANCES.

The financial deficit of the central Government, which had already increased substantially in 1975 owing to the economic recession, grew further; although for the first ten months the rise in total expenditure slowed down proportionally more than that in total revenue, namely from 24.3 to 16.4 p.c. for the former and from 15.8 to 12.4 p.c. for the latter, the absolute growth in expenditure remained considerably greater than that in revenue.

The deficit in respect of current transactions to be met by the Treasury expanded, for the months in question, from Fr 45.3 billion in 1975 to Fr. 79.8 billion in 1976.

The rate of increase of current expenditure ¹ reached 17.8 p.c., against 23.9 p.c. in 1975. These movements cannot be accurately broken down between the different categories of current expenditure in view of the fact that the expenditure and revenue allocated direct outside the budget steadily increased. Subject to this reservation, the main increases were in the following categories : « income transfers » mainly in favour of the social security (specifically health insurance and unemployment), subsidised education and the railways; « pay and pensions », which however increased less than in the previous year, thanks to the slackening of the rate of inflation and the fact that there was no general social programming; « interest on the public debt », which was affected by the uninterrupted expansion in that debt and the rise in interest rates; and, lastly, « budgetary funds », whose growth was mainly attributable to the expenditure of the National Housing Fund and the hospitals' operating expenses.

The rate of growth of current revenue — mainly tax revenue — declined from 15.6 p.c. in 1975 to 12.5 p.c. It was due chiefly to the expansion in total taxable assets and, to a minor extent, to the steps taken with a view to fairer collection of taxes. The various categories of revenue showed widely differing trends.

Direct taxes fell short of the initial estimates by Fr. 12.2 billion; their rate of growth in fact fell from 21.9 to 9.4 p.c., owing to the fact that the recession continued to affect certain revenues, especially corporation tax and advance payments by companies and self-employed persons, all the more so as enterprises are allowed to set off their 1975 losses against the following year's profits; furthermore, the moderation of wages acted as a brake, so that the yield of the preliminary income tax rose by only 15.7 p.c., against 33.8 p.c. in 1975. Import and excise duties also increased much less than in 1975, namely by 8.9 p.c. against 21.3 p.c., but the latter figure was strongly influenced by the raising of excise duties on petroleum products. Revenue from the value-added tax went up by Fr. 23.8 billion, or 18.3 p.c., against Fr. 5.1 billion, or 4.1 p.c.; after elimination of the effects of certain technical factors, such as the building-up and repayment of tax credits, which can distort the year-to-year comparability of the data, this revenue showed a basic rise of 18.1 p.c., against 11.4 p.c. in 1975, thanks to, among other factors, the favourable state of activity in house-building

¹ In calculating the percentage increases in current transactions, allowance was made, on the one hand, for the current revenue which was collected by the central Government but directly transferred, outside the budget, to various funds and organisations and, on the other hand, for the current expenditure of these funds and organisations financed by means of these revenues.

and the growth in households' consumption. Lastly, registration fees rose by 32 p.c., whereas they had fallen by 7.1 p.c. the previous year; they reflected the good state of business in the real estate market.

The negative balance in respect of capital transactions rose from Fr. 60.8 to 63.8 billion. Capital income, chiefly death duties, rose by Fr. 0.5 billion, or 8.7 p.c., and expenditure, including the capital expenditure of the Road Fund, by Fr. 3.5 billion, or 5.2 p.c. After elimination of the substantial changes in refunds of the sales tax included in the stocks existing on 1st January, 1971, namely Fr. 7,363 million in 1975 and Fr. 22 million in 1976, which are not actually capital transactions, the increase in capital expenditure amounted to Fr. 10.8 billion, or 18.1 p.c., against 15.2 p.c. in 1975. For their part, the capital investment commitments of the budgetary sector exceeded those of the previous year by only Fr. 3.3 billion, or 6.7 p.c., against 11.1 billion, or 29 p.c., in 1975. The boosting of capital investment during the last-mentioned year was reflected with a certain time-lag in cash expenditure.

Table 8.

CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Net requirements met by the Treasury ¹							Grand total (h) = (e) + (g)
	Balance of budgetary transactions ²			Other net inflows (+) or outflows (-) of funds ⁵	Net outflows of funds (e) = (c) + (d)	Pro memoria Contractual public debt repayments ⁶	Other net requirements ⁷	
	Current transactions ³	Capital transactions ⁴	Total (c) = (a) + (b)					
	(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) + (d)	(f)	(g)	
1971	+10.8	-45.9	-35.1	+1.3	-33.8	19.2	-17.6	-51.4
1972	-0.3	-58.9	-59.2	-4.5	-63.7	20.0	-23.7	-87.4
1973	-3.9	-58.0	-61.9	+10.8	-51.1	34.5	-19.9	-71.0
1974	-0.6	-57.2	-57.8	+0.4	-57.4	39.3	-19.5	-76.9
1975	-42.8	-71.0	-113.8	+4.5	-109.3	35.0	-24.3	-133.6
1975 First 10 months	-45.3	-60.8	-106.1	-1.4	-107.5	29.0	-17.4	-124.9
1976 First 10 months	-79.8	-63.8	-143.6	+0.8	-142.8	38.5	-20.4	-163.2

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.

³ See Annex 6, Table 6.

⁴ Including the expenditure of the Road Fund.

⁵ Excluding inflows and outflows resulting from changes in the public debt.

⁶ Redemptions by repurchase on the stock exchange or drawings by lot.

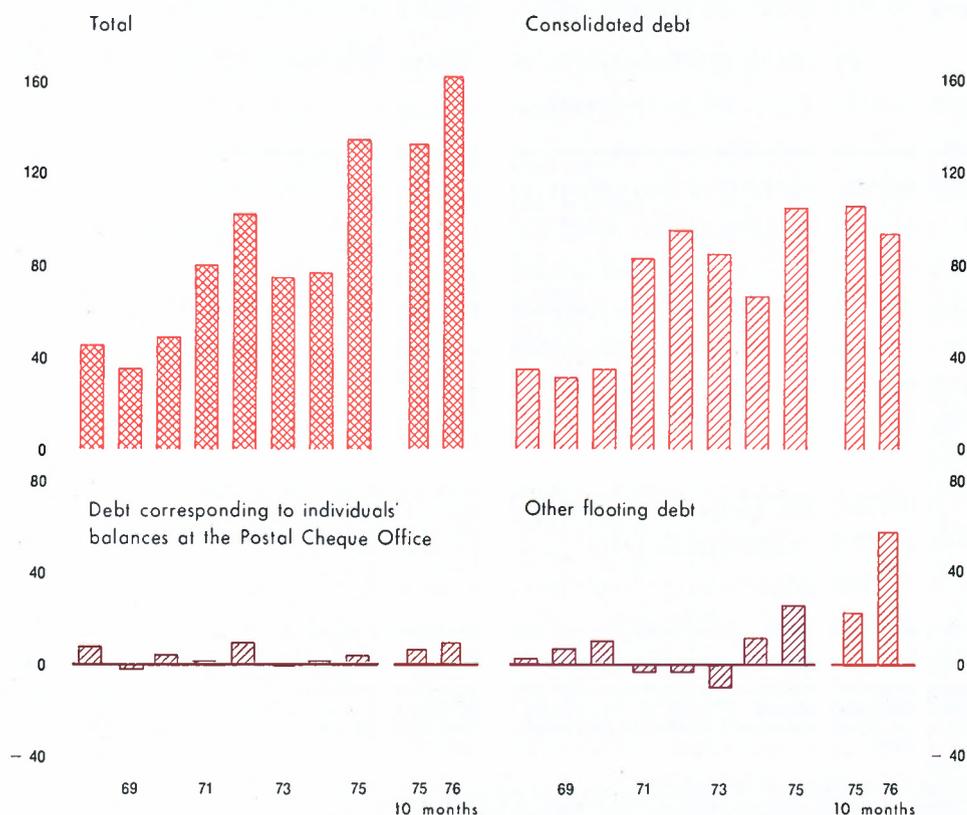
⁷ These amounts correspond to the net increase in the debudgetised debt borne by the central Government, i.e. to the refinancing of certain central-government expenditure provided direct by autonomous organisations and institutions.

For the first ten months, the overall deficit in respect of current and capital transactions thus rose from Fr. 106.1 to 143.6 billion. After adding to this other Treasury transactions, especially the movement of third-party funds and the changes in the Treasury accounting officials' cash holdings, which resulted in net inflows of Fr. 0.8 billion, against net outflows of Fr. 1.4 billion, the net financial requirements met by the Treasury finally amounted to Fr. 142.8 billion, against Fr. 107.5 billion in 1975.

The central Government's other expenditure, which mainly relates to capital expenditure prefinanced outside the budget by autonomous

Chart 17.

CENTRAL GOVERNMENT'S DEBT IN BELGIAN FRANCS ¹
(Changes in billions of francs)



¹ See Table 9, column (e).

institutions and funds, including for the building of motorways by associations of local authorities, university expansion, the building of underground metropolitan railways and Government-subsidised municipal works, gave rise to financial requirements amounting to Fr. 20.4 billion, against Fr. 17.4 billion in 1975.

Thus the central Government's net financial requirements amounted altogether, for the first ten months, to Fr. 163.2 billion, against Fr. 124.9 billion in 1975, representing a further substantial expansion.

Table 9.

MEETING OF CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Central Government's net financial requirements 1	Changes in current account credit balance with the N.B.B. and Treasury holding of commercial bills (b)	Changes in debt							
			Grand total 2	in foreign currencies (d)	in Belgian francs					to non-financial sectors 4
					Total (e) = (e) - (d) = (f) to (j)	to financial intermediaries 3				
						General Savings Fund and private savings banks (f)	Public financial credit intermediaries (g)	Banks (h)	National Bank of Belgium (i)	
(a)	(c) = (a) + (b)	(e)	(f)	(g)	(h)	(i)	(j)			
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
1974	+ 76.9	...	+ 76.9	- 1.5	+ 78.4	+ 17.1	+ 11.2	+26.5	+ 3.3	+20.3
1975	+133.6	...	+133.6	- 1.5	+135.1	+ 42.2	+ 31.3	+31.2	- 0.6	+31.0
1975 First 10 m.	+124.9	+ 7.1	+132.0	- 1.3	+133.3	+ 43.9	+ 25.2	+41.6	- 4.8	+27.4
1976 First 10 m.	+163.2	...	+163.2	- 0.9	+164.1	+ 13.6	+ 37.5 ⁵	+38.7	+27.3 ⁶	+47.0

1 See Table 8, column (h).

2 See Annex 6, Tables 7 and 7bis.

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.

5 Excluding Fr. 10.7 billion of Treasury certificates financed by the Securities Regulation Fund with advances from the National Bank of Belgium.

6 Including Fr. 10.7 billion of advances to the Securities Regulation Fund for financing its holding of Treasury certificates.

As in previous years, the central Government financed its net requirements with the proceeds of debts contracted in Belgian francs.

Nevertheless, net issues of long-term loans in Belgian francs decreased, from Fr. 105.6 to 96.9 billion, so that substantial recourse had to be had to short- and medium-term borrowing; the latter rose by Fr. 67.2 billion, against Fr. 27.7 billion.

Out of the Fr. 164.1 billion of additional resources in Belgian francs thus borrowed, Fr. 47 billion, against Fr. 27.4 billion in 1975, was provided by the non-financial sectors, that is, primarily households and enterprises; the raising of the interest rates on Government loans doubtless helped to facilitate this increase. The central Government's debt to the General Savings Fund and the private savings banks went up by only Fr. 13.6 billion, against Fr. 43.9 billion; these institutions were unable to attract as large an amount of new funds as in the previous year and also had to meet a heavy demand for mortgage loans. The contributions of the public financial intermediaries increased from Fr. 25.2 to 37.5 billion, mainly owing to the rise in individuals' balances at the Postal Cheque Office and the short-term liabilities of the associations of local authorities for the building of motorways to the Belgian Municipal Credit Institution. The central Government's indebtedness to the banks showed a slightly smaller increase than in the previous year, namely Fr. 38.7 billion, against Fr. 41.6 billion; while the banks certainly obtained more funds, their lending to the other domestic sectors increased much more than in the previous year.

The total amount of the resources provided by the above-mentioned non-financial and financial sectors — Fr. 136.8 billion — was not sufficient to cover the central Government's net financial requirements of Fr. 163.2 billion, already referred to, and the redemption of the debt in foreign currencies, amounting to Fr. 0.9 billion. The Treasury therefore had to have substantial recourse to the Bank as the lender of last resort, firstly by making use of its agreed credit margin of Fr. 20.6 billion and secondly, indirectly, by causing the Securities Regulation Fund to repurchase Treasury certificates to the extent to which the Fund had financed these certificates by drawing on its advance account with the Bank. For the first ten months, the Treasury's total recourse to the Bank, which had fallen by Fr. 4.8 billion in 1975, rose by Fr. 27.3 billion, made up of Fr. 16.6 billion¹ in the form of direct recourse and Fr. 10.7 billion in the form of indirect recourse.

¹ Including an increase of Fr. 0.3 billion in the Bank's portfolio of public long-term securities.

The recorded net financial requirements of the local authorities amounted, for the first ten months, to Fr. 11 billion, against Fr. 16.1 billion in 1975.

Table 10.

PUBLIC AUTHORITIES' NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Central Government 1	Local authorities 2	All public authorities 3
1971	51.4	13.0	64.4
1972	87.4	9.8	97.2
1973	71.0	15.3	86.3
1974	76.9	20.8	97.7
1975	133.6	27.1	160.7
1975 First 10 months	124.9	16.1	141.0
1976 First 10 months	163.2	11.0	174.2

1 See Table 8, column (h).

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.

Altogether, the net financial requirements of the public authorities as a whole, excluding social security, amounted for the first ten months to Fr. 174.2 billion, against Fr. 141 billion in 1975.

Expressed as a percentage of the gross national product, total public expenditure, including social security expenditure, would appear to have increased further after its sharp rise during the recession year 1975.

CLAIMS AND LIABILITIES OF INDIVIDUALS AND ENTERPRISES.

In nominal terms, gross capital formation by enterprises and individuals showed, after the previous year's decrease, a substantial rise, mainly due to a cyclical change in stocks; after having been run down, these were replenished. The gross savings of enterprises and individuals would appear to have increased, according to estimates, by an amount slightly smaller than their capital formation. Nevertheless, their financing

Table 11.

CAPITAL ACCOUNT OF ENTERPRISES AND INDIVIDUALS

(Billions of francs)

	1974	1975	1976 <i>e</i>	1975		1976		Changes from the previous year ¹	
				First 10 months		1975	1976 <i>e</i>		
A. Financing capacity :									
1. Capital resources :									
1.1 Gross saving ²	496	516	580	n.a.	n.a.			+ 20	+ 64
1.2 Net capital transfers from central Government	31	37	54	n.a.	n.a.			+ 6	+ 17
1.3 Miscellaneous ³	39	28	26	n.a.	n.a.			- 11	- 2
	566	581	660	n.a.	n.a.			+ 15	+ 79
2. Gross capital formation ⁴	445 ⁵	415 ⁵	485 ⁵	n.a.	n.a.			- 30	+ 70
3. Financing capacity (= 1. - 2.) ⁶	121	166	175	155	167			+ 45	+ 9
B. Changes in net claims :									
1. Financial assets ⁷									
	302	378	445	311	385			+ 76	+ 67
2. Financial liabilities ⁸ :									
2.1 To Belgian financial intermediaries ⁹									
	131	163	220	119	175			+ 32	+ 57
2.2 Other :									
a) Belgium	11	16	25	14	22			+ 5	+ 9
b) Foreign countries	39	33	25	23	21			- 6	- 8
	181	212	270	156	218			+ 31	+ 58
3. Net claims (= 1. - 2.)	121	166	175	155	167			+ 45	+ 9

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 : 1974 and 1975 : National Statistical Institute. 1976 : estimates of the Ministry of Economic Affairs (draft of economic budget for 1976).

³ Amounts calculated as differences.⁴ Enterprises' investments in fixed assets and stocks, and house-building.

Source : see sources quoted in note 2 above.

⁵ The estimates provided for this item by the sources quoted in note 2 were adjusted to take into account the latest available balance of payments data.⁶ The amount of individuals' and enterprises' savings which, on balance, finances the public authorities' expenditure and net lending to the rest of the world. This amount is, by definition, equal to the changes in individuals' and enterprises' net claims; see item B. 3. in the table.⁷ See Table 13.⁸ See Table 15.⁹ See Table 16.

capacity, in other words their financial surplus, appears to have grown somewhat, thanks to substantial capital transfers from the public sector, mainly in the form of credit-granting and participations in enterprises.

This trend conceals divergent movements : formation of assets by households and enterprises other than companies appears to have hardly increased, while their new financial liabilities expanded, with the result that their financing capacity was reduced in comparison with the previous year; on the other hand, formation of assets by companies showed a substantial increase, greater than that in their new liabilities, which means that their financial requirements were reduced.

a) *Financial assets.*

The formation of financial assets by individuals and enterprises during the first ten months amounted to Fr. 385 billion, against Fr. 311 billion in 1975, representing an increase of Fr. 74 billion or 23.8 p.c. For the year as a whole the increase would appear to be about 18 p.c., which is more than that in the gross national product at current prices; thus the rate of gross financial savings by households and enterprises as a whole appears to have risen further.

Table 12.

FINANCIAL ASSETS AND GROSS NATIONAL PRODUCT

	Total formation of financial assets ¹	Gross national product at current prices	Rate of gross financial savings
	(a)	(b)	(a) : (b)
	<i>(billions of francs)</i>		<i>(percentages)</i>
1971	206	1,415	14.6
1972	282	1,578	17.9
1973	281	1,792	15.7
1974	<i>p</i> 302	2,105	<i>p</i> 14.3
1975	<i>p</i> 378	2,320	<i>p</i> 16.3
1976 <i>c</i>	445	2,645	16.8

¹ See Table 13.

After having fallen in 1975, formation of financial assets by companies increased again, undoubtedly owing to the improvement in the nominal cash flow of most enterprises. This increase reflected not only the

movement of their time deposits but also, among other things, that in their net commercial claims on foreign countries, which had decreased substantially the previous year. Account must also be taken of a special phenomenon : during certain periods of the year, it was to the advantage of first-class borrowers to take up short-term credits and immediately reinvest these funds at short-term; this « merry-go-round » process had the effect of simultaneously pushing up companies' financial assets and liabilities.

Formation of financial assets by individuals and enterprises other than companies appears to have increased only slightly, so that their rate of gross financial savings would not seem to have reattained the exceptionally high level reached in 1975.

Table 13.

FINANCIAL ASSETS ¹
(Changes in billions of francs)

	Assets in Belgian francs ²			Assets in foreign currencies			Other assets ⁴	Grand total
	At up to one year	At over one year	Total	Deposits	Securities ³	Total		
1971	+ 113.9	+ 69.0	+182.9	- 2.8	+21.6	+18.8	+ 4.4	+206.1
1972	+ 168.3	+ 64.3	+232.6	- 2.2	+33.3	+31.1	+18.1	+281.8
1973	+ 171.5	+ 82.2	+253.7	+ 4.9	+23.0	+27.9	- 0.3	+281.3
1974	+ 175.9	<i>p</i> + 93.0	<i>p</i> +268.9	+13.1	+15.0	+28.1	+ 4.5	<i>p</i> +301.5
1975	+ 217.4	<i>p</i> +112.0	<i>p</i> +329.4	+ 9.3	+31.8	+41.1	<i>p</i> + 7.3	<i>p</i> +377.8
1975 First 10 months	+ 134.6	<i>p</i> +105.6	<i>p</i> +240.2	+ 9.7	+23.2	+32.9	<i>p</i> +37.7	<i>p</i> +310.8
1976 First 10 months ... <i>p</i>	+ 160.8	+129.2	+290.0	+ 5.5	+10.4	+15.9	+78.7	+384.6

¹ Held by individuals and enterprises (other than financial intermediaries), including public operating organisations and certain financial intermediaries which could not be excluded in 1976 : life assurance companies, employers' liability insurance companies and pension funds.

² See Table 14.

³ Net purchases by residents of the Belgian-Luxembourg Economic Union; the share of Luxembourg savings in these net purchases is small.

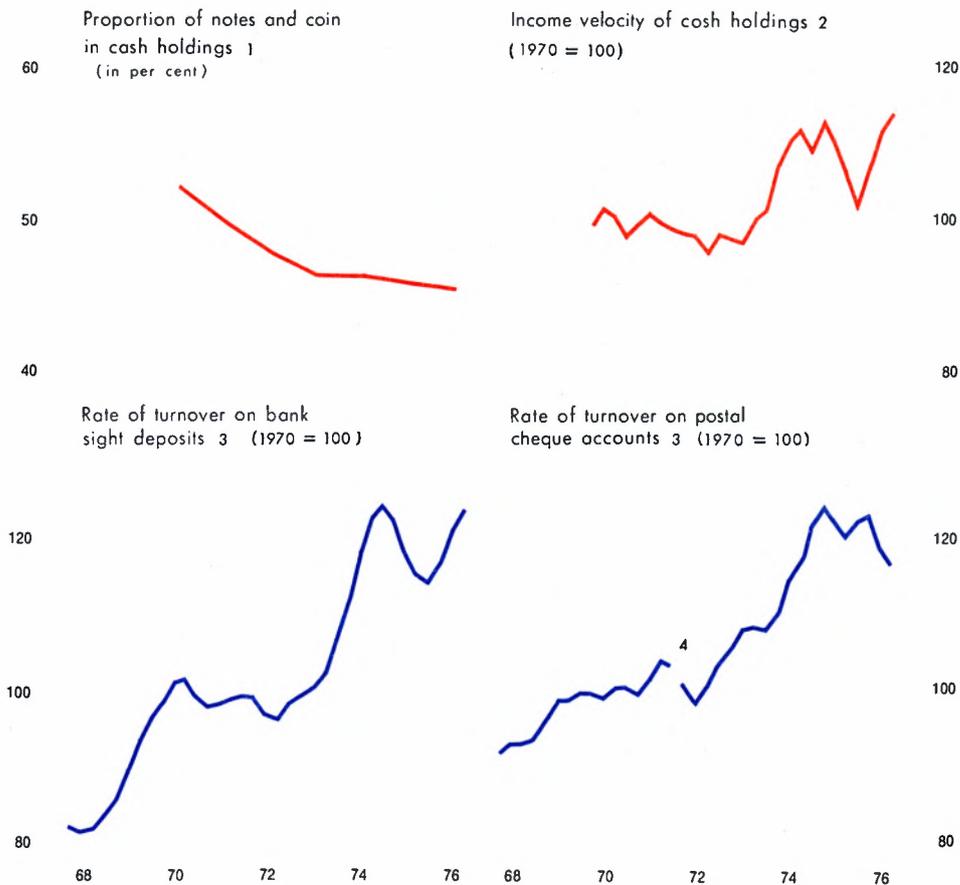
⁴ Assets for which the classification into Belgian francs and foreign currencies is not known or has no point. These are primarily net commercial claims on foreign countries held by enterprises and direct investments abroad.

In the total financial assets held by individuals and enterprises, a shift is observable towards short-term investments. This shift did not, however, take place uniformly; it applied solely to investments in foreign currencies, whereas in the case of assets in Belgian francs the proportion of short-term investments remained virtually unchanged.

The formation of assets in foreign currencies was on a much smaller scale than in the previous year. For the first ten months it fell from Fr. 32.9 to 15.9 billion. Deposits, especially at short term, went up by only Fr. 5.5 billion, whereas they had still risen by Fr. 9.7 billion in 1975, while net purchases of securities only amounted, for the reasons already stated, to Fr. 10.4 billion, against Fr. 23.2 billion.

Chart 18.

COMPOSITION AND UTILISATION RATE OF CASH HOLDINGS



1 1976 : estimate.
 2 Ratio of the gross national product at current prices to 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 13.
 4 For statistical reasons, the figures for 1972 to 1976 are not fully comparable with those for the preceding years.

Table 14.

FINANCIAL ASSETS IN BELGIAN FRANCS
(Changes in billions of francs)

	At up to one year					At over one year				Grand total
	Cash holdings 1	Deposits on ordinary deposit or savings books 2	Deposits at fixed date and at notice	Bonds, medium-term notes and miscellaneous	Total	Fixed-income assets		Shares	Total	
						Total 3	of which : Bonds and medium-term notes 4			
1971	+ 35.8	+ 54.2	+ 12.9	+ 11.0	+113.9	+ 65.0	+ 53.8	+ 4.0	+ 69.0	+182.9
1972	+ 64.7	+ 88.0	+ 9.9	+ 5.7	+168.3	+ 63.2	+ 55.2	+ 1.1	+ 64.3	+232.6
1973	+ 31.9	+ 70.2	+ 61.6	+ 7.8	+171.5	+ 80.5	+ 77.0	+ 1.7	+ 82.2	+253.7
1974	+ 34.4	+ 51.2	+ 83.1	+ 7.2	+175.9	p+ 87.0	p+ 88.1	+ 6.0	p+ 93.0	p+268.9
1975	+ 91.2	+136.7	- 22.6	+ 12.1	+217.4	p+107.4	p+ 96.9	+ 4.6	p+112.0	p+329.4
1975 First 10 months	+ 51.9	+ 88.1	- 16.3	+ 10.9	+134.6	p+101.2	p+ 93.0	+ 4.4	p+105.6	p+240.2
1976 First 10 months p	+ 11.0	+ 66.9	+ 80.0	+ 2.9	+160.8	+127.5	+125.3	+ 1.7	+129.2	+290.0

1 The cash holdings of the sectors described in footnote 1 of Table 13 (See Annex 6, Table 8).

2 See Annex 6, Table 9.

3 Deposits and holdings of bonds and medium-term notes.

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

With regard to financial assets in Belgian francs, the rise in cash holdings was appreciably less rapid : Fr. 11 billion, against Fr. 51.9 billion. Their rate of growth thus fell short of that in the gross national product at current prices, so that their income velocity rose. The rate of turnover on sight deposits, which is influenced not only by expenditure but also by purely financial transactions, showed a still larger increase in the case of the banks; that of postal cheque accounts, on the other hand, declined. The general rise in the level of interest rates undoubtedly induced individuals and enterprises to limit their holdings of monetary assets yielding little or no interest.

The proportion of notes and coin in total cash holdings went on declining, though more slowly : it appears to have fallen from an average of 45.7 p.c. in 1975 to 45.1 p.c.

The increase in deposits on ordinary deposit or savings books was not as large as in the first ten months of 1975, amounting to Fr. 66.9 billion, against Fr. 88.1 billion. Unlike most other creditor rates, the interest rates on these assets remained unchanged throughout the year.

Deposits at fixed date and at notice at up to one year increased by Fr. 80 billion, after having fallen by Fr. 16.3 billion in 1975. This turn-round applied solely to large deposits and deposits abroad, the interest rates on which were raised in accordance with market conditions. A part was also played in this connection by the afore-mentioned « merry-go-round » effect. Formation of ordinary deposits at fixed date and at notice, on the other hand, underwent hardly any change despite adjustments of the standard rates.

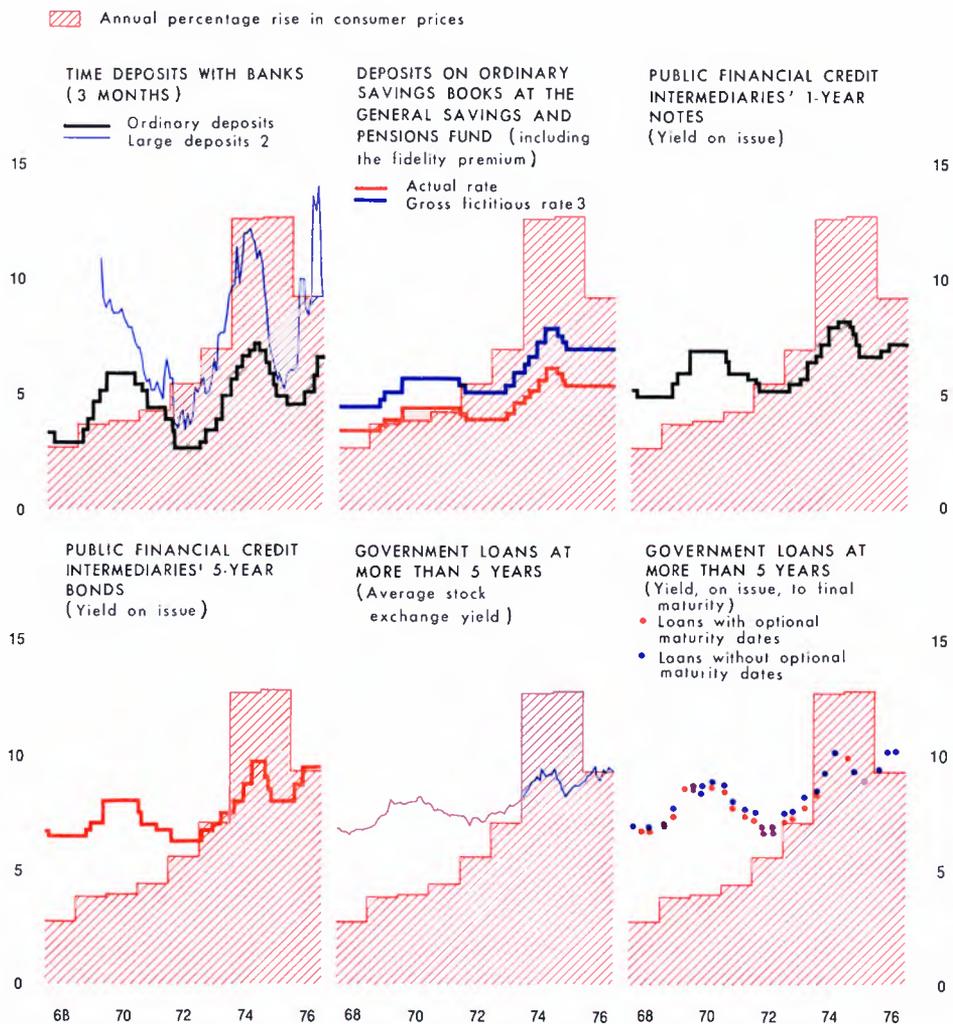
One-year notes also met with less success; their yield in fact improved less than that of longer-term assets.

Fixed-income financial assets at over one year formed by enterprises and individuals increased, during the first ten months, by Fr. 127.5 billion, against Fr. 101.2 billion in 1975. The rise in deposits fell back from Fr. 8.2 to 2.2 billion, but net investments in bonds and medium-term notes, on the other hand, increased substantially, rising from Fr. 93 to 125.3 billion : during the greater part of this period their interest rates rose faster than the standard rates for short-term investments and the rates for most long-term investments abroad. The interest rate on the medium-term notes and bonds issued by the public credit institutions were in fact raised by 1.50 to 1.75 p.c., while the yield on Government

bonds to the holder to final maturity, which amounted to 8.69 p.c. for the 1975-1983 loan issued in September 1975, rose to 10.02 p.c. for the 1976-1985 loan issued in September 1976.

Chart 19.

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 14.

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.

At the same time the rise in consumer prices slowed down, so that investors again had the prospect of a real net yield.

The total amount of net issues of bonds and medium-term notes was practically the same as in 1975. The share of subscriptions by enterprises and individuals in these issues rose, however, from 45.5 p.c. in 1975 to 60.7 p.c.; on the other hand, the share of the financial intermediaries — both the mainly monetary institutions and the others — declined considerably.

Purchases of shares continued to represent a very small proportion of total investments in financial assets.

The increase in **other financial assets** was much greater than in the previous year. This speeding-up is largely due to the movement, already pointed out, of net commercial claims on foreign countries held by enterprises.

b) *Financial liabilities.*

During the first ten months, both enterprises and individuals increased their total financial liabilities more than in the previous year, namely by Fr. 218 billion, against Fr. 156 billion in 1975.

Table 15.

FINANCIAL LIABILITIES OF ENTERPRISES AND INDIVIDUALS

Approximate classification according to the debtor and the duration of the liabilities

(Changes in billions of francs)

	Enterprises			Individuals			Grand total
	Short term	Long term	Total	Short term	Long term	Total	
1972	+ 44	+ 49	+ 93	+ 10	+ 29	+ 39	+132
1973	+ 54	+ 66	+120	+ 9	+ 39	+ 48	+168
1974	+ 58	+ 77	+135	+ 5	+ 41	+ 46	+181
1975	+ 74	+ 83	+157	+ 9	+ 46	+ 55	+212
1975 First 10 months .	+ 49	+ 66	+115	+ 5	+ 36	+ 41	+156
1976 First 10 months .	+ 50	+ 91	+141	+ 20	+ 57	+ 77	+218

Table 16.

CHANGES IN FINANCIAL LIABILITIES OF ENTERPRISES
AND INDIVIDUALS TO BELGIAN FINANCIAL INTERMEDIARIES ¹

Classified according to the institutions with which these liabilities were originally contracted

	Mainly monetary institutions				Other financial intermediaries						Grand total	of which : Bonds issued by the public operating organisations
	Banks	National Bank of Belgium	Public institutions	Total	Public financial intermediaries which specialise in		General Savings and Pensions Fund	Private savings banks	Miscellaneous	Total		
					business lending	loans for housing						
<i>a) In billions of francs</i>												
1971	+ 35.8	+ 0.9	...	+ 36.7	+ 13.7	+ 8.3	+ 8.3	+ 9.8	+ 0.3	+ 40.4	+ 77.1	+ 9.0
1972	+ 59.1	+ 0.2	+ 0.4	+ 59.7	+ 9.8	+ 8.1	+ 18.0	+ 15.5	+ 0.8	+ 52.2	+111.9	+ 9.0
1973	+ 57.1	+ 0.1	...	+ 57.2	+ 25.8	+ 9.3	+ 22.8	+ 20.0	+ 0.1	+ 78.0	+135.2	+ 5.5
1974	+ 53.0	- 0.6	...	+ 52.4	+ 28.6	+ 9.7	+ 18.6	+ 21.9	- 0.4	+ 78.4	+130.8	+ 5.8
1975	+ 75.6	- 1.3	- 0.1	+ 74.2	+ 29.4	+ 12.3	+ 20.9	+ 25.9	+ 0.2	+ 88.7	+162.9	+ 14.5
1975 First 10 months	+ 56.1	- 2.7	...	+ 53.4	+ 21.1	+ 11.2	+ 15.7	+ 17.8	- 0.2	+ 65.6	+119.0	+ 12.8
1976 First 10 months	+ 80.5	- 1.5	...	+ 79.0	+ 25.3	+ 15.5	+ 27.5	+ 27.8	+ 0.1	+ 96.2	+175.2	- 2.2
<i>b) As percentage change in comparison with amount outstanding at end of previous year</i>												
1975 First 10 months	+ 12.5	- 77.4	...	+ 11.8	+ 8.5	+ 11.5	+ 8.7	+ 11.2	- 10.8	+ 9.6	+ 10.5	+ 22.0
1976 First 10 months	+ 15.4	- 72.4	...	+ 15.0	+ 9.1	+ 14.0	+ 13.7	+ 15.1	+ 6.7	+ 12.4	+ 13.5	- 3.1

¹ See Bulletin of the National Bank of Belgium, Statistics, Table XVII-6.

Enterprises increased their liabilities by Fr. 26 billion more than in 1975, partly owing to the growth in stocks and in net commercial claims on foreign countries, which had been reduced the previous year; the previously mentioned « merry-go-round » effect also made itself felt.

Enterprises' short-term and long-term liabilities displayed clearly divergent trends.

The former grew hardly any more than in the previous year : their sharp rise in the first quarter and the summer months was largely offset by the slowness of their growth during the other periods of the year; this course of events was due to the up-and-down movement of net commercial claims on foreign countries, which has already been discussed. It should be noted that enterprises contracted less short-term liabilities to foreign countries.

Long-term liabilities increased more than in 1975, despite the stagnation of gross fixed capital formation. There appears to have been a decrease in the self-financing rate of a number of enterprises, causing them to have relatively greater recourse to credit. Some of them may in addition have contracted long-term debts in order to plug the gaps in their working capital. Lastly, the fact that the rates for short-term credit often exceeded those for long-term credit induced many enterprises to stop postponing recourse to long-term borrowing.

Individuals increased their debts by a much larger amount than in the first ten months of 1975. On the one hand, there was an exceptionally large growth in their use of short-term credit, connected with the revival in purchases of durable consumer goods, especially cars, which was in turn encouraged by the flexibility of the regulations governing instalment credit. On the other hand, their long-term liabilities also increased faster owing to the high level of house-building activity; the expansion in gross drawings on housing credits was in fact foreshadowed by the upsurge in credits opened during the preceding months.

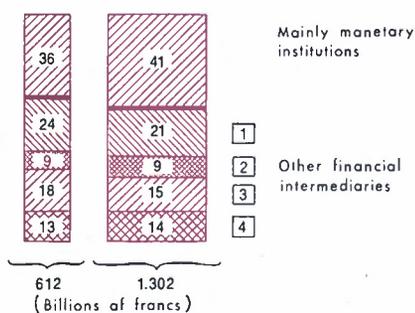
The speeding-up of the growth in the indebtedness of enterprises and individuals just described was chiefly reflected in the utilisation of credit from Belgian financial intermediaries, which went up by Fr. 175.2 billion, against Fr. 119 billion. Enterprises furthermore had greater direct recourse to the Belgian capital market; on the other hand, they contracted less new debts to foreign countries.

Chart 20.

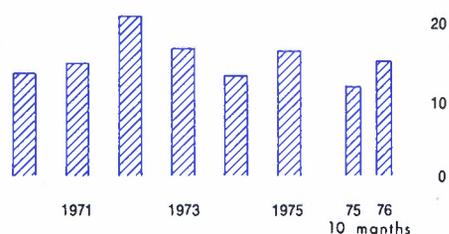
FINANCIAL LIABILITIES OF ENTERPRISES AND INDIVIDUALS TO BELGIAN FINANCIAL INTERMEDIARIES ¹

Classified according to the institutions with which these
liabilities were originally contracted

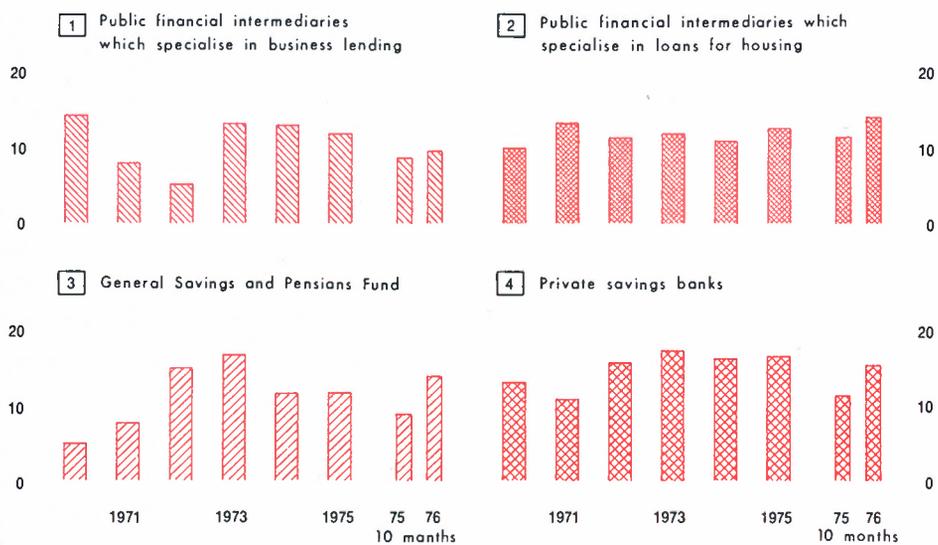
SHARE OF THE VARIOUS FINANCIAL
INTERMEDIARIES IN THE AMOUNT
OUTSTANDING AT THE END OF
1969 1975
(in per cent of the total)



Mainly monetary institutions
(Percentage increase in comparison with amount
outstanding at end of previous year)



Other financial intermediaries
(Percentage increase in comparison with amount outstanding at end of previous year)



¹ See Table 16.

The increase in indebtedness was greater than in 1975 in relation to all the main categories of financial intermediaries. The banks primarily expanded their short-term lending to both enterprises and individuals, while the speeding-up of the growth in utilisation of housing

loans and business loans naturally made itself felt most in lending by the institutions specialising in this type of credit : the General Savings and Pensions Fund, the public financial intermediaries and the private savings banks.

Credits opened at the banks displayed a different trend from those at the other financial intermediaries.

Table 17.

CREDITS OPENED FOR ENTERPRISES AND INDIVIDUALS
(Billions of francs)

	Changes in outstanding amount of credits opened by banks ¹			New credits opened		
				Public financial intermediaries		Private savings banks
	Capital investment credits	Other credits	Total	Business lending	Loans for housing	
1971	+ 2.6	+ 76.3	+ 78.9	38.2	20.6	18.8
1972	+ 12.1	+ 87.6	+ 99.7	54.8	37.1	29.8
1973	+ 8.7	+ 84.7	+ 93.4	59.4	39.5	33.8
1974	+ 3.4	+ 52.3	+ 55.7	61.2	33.1	32.6
1975	+ 12.6	+149.1	+161.7	82.4	46.8	32.5
1975 First 11 months	+ 10.5	+130.8	+141.3	77.6	39.6	27.5
1976 First 11 months	<i>p</i> + 10.7	<i>p</i> +112.3	<i>p</i> +123.0	98.5	55.9	46.1

¹ Credits of Fr. 1 million and above, including credits opened for residents to finance their commercial claims on foreign countries.

In the case of the banks, the growth during the first eleven months was smaller than in 1975; some special expansionary factors during that year — catching-up after the abolition of the limitation on the opening of bank credit at the end of January and the upsurge of « straight loans » — disappeared or weakened. The slackening did not affect capital investment credits opened, the expansion in which, influenced by the factors already mentioned, was just as great as in 1975. Demand for short-term credit was very strong during the periods of tension on the foreign exchange markets, despite the high level of interest rates. In view of the fact that total bank credits opened finally rose less than the outstanding amounts used, their rate of use rose.

The other financial intermediaries opened considerably more new credits than in the previous year, mainly in order to finance house-building but also for business purposes. There were signs of a certain slackening from the third quarter onwards : in the case of housing credits, the limit on mortgage percentages from 29th May onwards, among other factors, acted as a brake on demand.

The **cost of credit** showed a general but uneven rise.

The trend of debtor interest rates for short-term credits to enterprises was largely determined by that of money market rates, which were themselves strongly influenced by the tensions on the foreign exchange markets : from the end of December to mid-April, the rise in minimum debtor rates amounted to about 2.75 p.c. for ordinary advances, 4.40 p.c. for discount and acceptance credits and 5.50 p.c. for straight loans; during the next three months, these rates were lowered by 1, 1.75 and 2.60 p.c. respectively; after that they rose again, so that at the beginning of October they exceeded the mid-July rates by 3.25, 4.50 and 5.60 p.c.; finally, at the end of the year, the rates were 1.75, 3 and 5 p.c. down compared with these peaks. For the year as a whole, therefore, the rise amounted to 3.25, 4.15 and 3.50 p.c. The margin within which these changes took place was thus generally less wide for ordinary advances than for discount and acceptance credits and straight loans, the cost of which is more closely dependent on money market rates; the last-mentioned form of credit incidentally met with much less success than in 1975, owing to the fact that it was usually more expensive than ordinary overdrafts.

During the first months of the year, debtor interest rates for long-term loans were raised by 1.40 p.c. for business lending and by 0.75 p.c. for housing loans; from then onwards they remained unchanged.

Lastly, by the Royal Decrees of 13th July and 17th December, the maximum rates chargeable for instalment credits were uniformly raised by 9 and 3 centimes per month respectively.

FINANCIAL SURPLUSES AND DEFICITS.

In the three preceding chapters it has been mentioned that, from 1975 to 1976, the surplus in respect of current transactions with foreign countries swung round to a deficit, although a small one, that the public authorities' net financial requirements increased considerably and that

the financial surplus of enterprises and individuals finally showed only little change.

The transactions of the various sectors naturally influenced each other. While the extent of this interdependence cannot be discussed in detail in this report, it is nevertheless possible, by a very drastic simplification of reality, to highlight the broad lines of the dynamic process during the past year.

Table 18.

FINANCIAL SURPLUSES AND DEFICITS
(Billions of francs)

	1974	1975	1976 ^c	1975	1976
				First 10 months	
<i>A. Current surplus or deficit with foreign countries ¹ :</i>					
1. Merchandise transactions	+ 24	+ 7	- 15	+ 7	- 23
2. Other current transactions	- 7	+ 7	+ 10	+ 3	+ 13
Total ...	+ 17	+ 14	- 5	+ 10	- 10
<i>B. Surplus or deficit of domestic sectors :</i>					
1. Net deficit of public authorities	- 80	- 145	- 170	- 141 ²	- 174 ²
2. Net surplus of enterprises and individuals	+ 121	+ 166	+ 175	+ 155	+ 167
of which : Liabilities	(- 181)	(- 212)	(- 270)	(- 156)	(- 218)
Claims	(+ 302)	(+ 378)	(+ 445)	(+ 311)	(+ 385)
3. Miscellaneous and statistical adjustments (A. - B.1. - B.2.)	- 24	- 7	- 10	- 4 ³	- 3 ³
Total ...	+ 17	+ 14	- 5	+ 10	- 10

¹ On transactions basis.

² Excluding social security.

³ Including social security.

The substantial deterioration of the financial deficit of the public authorities as a whole — the large rise in the central Government's and local authorities' net financial requirements was added to by a contraction in the surplus in respect of social security — perhaps to a certain extent had an adverse effect on the balance of current transactions with foreign countries; however, it primarily led to a large growth in the formation of financial assets by individuals. For the public authorities' deficit was met by the issue of public short- and long-term securities which were subscribed for either with newly-created money or with existing money which the public authorities put back into circulation; in the former case

the money supply was increased, in the latter it ultimately remained unchanged, but its income velocity rose, as did also the amount of the non-monetary assets, particularly bonds, held by individuals; in both cases, financial assets were formed.

For its part, the rebuilding of stocks of producer goods undoubtedly led to a growth in the indebtedness of enterprises. On the other hand, part of enterprises' and individuals' funds was absorbed by the rise in the prices of imported goods, so that these economic agents, all other things being equal, were no longer able to form the same amount of new financial assets or were obliged to contract more new debts. This rebuilding of stocks and this deterioration of the terms of trade, which, together, were the main cause of the reversal of the current balance with foreign countries, therefore largely offset the expansionary effect of the public authorities' financial requirements on the financial surplus of enterprises and individuals, so that the latter finally increased only slightly.

Table 18 shows the « ex post » result of the dynamic process described. For the first ten months, current transactions with foreign countries — that is, the operations of the Belgian-Luxembourg Economic Union on a transactions basis, less those of the Grand Duchy of Luxembourg with third countries and plus those between Belgium and the Grand Duchy of Luxembourg — left a deficit of Fr. 10 billion, against a surplus of the same amount in 1975. The public authorities' net financial deficit was Fr. 33 billion higher than in the previous year. The net financial surplus of enterprises and individuals increased by Fr. 12 billion : new debts went up by Fr. 62 billion and new claims by Fr. 74 billion.

FINANCIAL INTERMEDIARIES.

As has just been stated, individuals and enterprises increased their formation of financial assets during the first ten months (Fr. 385 billion, against Fr. 311 billion in 1975). This expansion is largely reflected in the trend of their claims on foreign countries (Fr. 65 billion, against Fr. 20 billion) and of those on the non-financial domestic sectors (Fr. 56 billion, against Fr. 45 billion); the latter consist mainly of individuals' claims on the public authorities in the form of bonds. Financial assets formed with the financial intermediaries as a whole showed a much smaller proportional increase (Fr. 264 billion, against Fr. 246 billion).

The assets formed with the non-monetary financial intermediaries by individuals and enterprises were of the same order of magnitude as in 1975 (Fr. 140 billion, against Fr. 139 billion). The funds obtained by the public-sector financial intermediaries decreased; the increase in subscriptions for their medium-term notes and bonds was in fact more than counterbalanced by the slower rise in deposits on ordinary deposit

Table 19.

CLAIMS AND LIABILITIES OF ENTERPRISES AND INDIVIDUALS,
FOREIGN COUNTRIES AND PUBLIC AUTHORITIES

(Changes in first ten months, in billions of francs)

Sectors which built up the claims and contracted the liabilities	Total ¹		Sectors with which the claims were built up and the liabilities contracted							
			Foreign countries (capital movements of enterprises and individuals)		Belgium					
	Non-financial sectors ²				Non-monetary financial intermediaries ³		Mainly monetary institutions ⁴			
	1975	1976	1975	1976	1975	1976	1975	1976	1975	1976
1. Enterprises and individuals :										
1.1 Gross claims	311	385	20	65	45	56	139 ⁵	140 ⁵	107 ⁶	124 ⁶
1.2 Gross liabilities	156	218	23	21	14	22	66	96	53	79
1.3 Net claims (= 1.1 - 1.2)	155	167	- 3	44	31	34	73	44	54	45
2. Foreign countries : Net liabilities	10	-10	—	—	- 1 ⁷	39 ⁷	...	- 5	11 ⁸	-44 ⁸
3. Public authorities ⁹ : Net liabilities	141	174	- ¹⁰	- ¹⁰	20	42	81	54	40	78
4. Miscellaneous (including social security) and statistical adjustments .	4	3	- 2	5	11	- 8	- 8	- 5	3	11
5. = 2. + 3. + 4.	155	167	- 2	5	30	73	73	44	54	45

¹ See Table 18.

² All domestic sectors, excluding the financial intermediaries shown in the following columns.

³ Not including life assurance companies, employers' liability insurance companies and pension funds.

⁴ Source : Bulletin of the National Bank of Belgium, Statistics, Table XIII-3.

⁵ Of which (see Annex 6, Table 15) :

— with public sector non-monetary financial intermediaries	1975	1976
— with private savings banks, mortgage and capital accumulation companies	100	96
	39	44

⁶ Of which (see Annex 6, Table 15) :

— with banks	83	109
— with public monetary institutions	6	6
— with the National Bank of Belgium	18	9

⁷ These amounts correspond to the difference between the amounts of items 1.3 and 5. in the column « Foreign countries (capital movements of enterprises and individuals) ».

⁸ Statistically adjusted net external assets of mainly monetary institutions.

⁹ Excluding social security.

¹⁰ The public authorities' capital movements with foreign countries are included among these authorities' net liabilities to mainly monetary institutions.

or savings books; on the other hand, the financial assets formed with private savings banks and mortgage and capital accumulation companies increased slightly, although their growth, too, was slowed down by the smaller degree of success of deposits on ordinary deposit or savings books. Over against the stability of the total of financial assets formed by enterprises and individuals with the non-monetary financial intermediaries there is a very large expansion in the new credits made available by these financial intermediaries to other enterprises and individuals (Fr. 96 billion, against Fr. 66 billion), so that the net claims of these economic agents on these financial intermediaries increased much less (Fr. 44 billion, against Fr. 73 billion). The latter were also able to borrow, on balance, Fr. 5 billion abroad. They were finally obliged, however, to reduce their contribution to the financing of the public authorities from Fr. 81 to 54 billion.

The mainly monetary financial intermediaries therefore had to increase their share in the financing of the public authorities very substantially (by Fr. 78 billion, against Fr. 40 billion), although the latter, as already pointed out, were also able to count, in order to meet their —greatly increased — deficit, on the larger direct contribution from the non-financial domestic sectors (Fr. 42 billion, against Fr. 20 billion). This increased expansion in claims on the public authorities was more than offset, especially in the case of the Bank, by the opposite movement of another component of the mainly monetary financial intermediaries' assets : their net claims on foreign countries showed, owing to Belgium's deficit in respect of current transactions with foreign countries and the net capital exports by enterprises and individuals, a decrease of Fr. 44 billion, against an increase of Fr. 11 billion the previous year. Since, however, the intermediaries in question placed considerably more new funds at the disposal of enterprises and individuals (Fr. 79 billion, against Fr. 53 billion), the formation of financial assets by the latter with these intermediaries showed a moderate increase : these assets rose by Fr. 124 billion, against Fr. 107 billion the previous year. The formation of financial assets with the Bank in fact slowed down, owing to a reduced preference for cash holdings on the part of the public; but it was greater with the banks, in the case of which the slowing-down of the growth in sight deposits and those on ordinary deposit and savings books was more than offset by the sharp expansion in other deposits at up to one year and, to a smaller extent, in issues of medium-term bonds.

RECOMMENDATIONS CONCERNING MONETARY POLICY.

During the year the Bank issued, for reasons of foreign exchange policy, recommendations to the main financial intermediaries under the Law of 28th December, 1973. The purpose of these recommendations was on each occasion to prevent speculative shifts of funds to foreign countries from being financed by a reduction in the financial intermediaries' holdings of public paper, which would have helped to enable these shifts to continue.

By the recommendations made on 22nd March, at the time when the tensions in the foreign exchange markets were reaching a first critical stage, the banks, the private savings banks and the main public-sector financial intermediaries were called upon to maintain, between their portfolio of public paper, on the one hand, and their current liabilities — a combination of liabilities in Belgian francs to Belgium — on the other hand, the proportion which existed during the most recent period.

On 30th April, when these recommendations expired, the Bank decided to relax the obligation concerning investments in public paper, since the tensions on the foreign exchange markets had lessened. Under the new recommendations, the financial intermediaries were only obliged to maintain an amount of public paper at least equal to that which they had to hold to comply with the last check on the recommendations of 22nd March. If, however, an institution's current liabilities decreased in relation to the last position checked, this institution could reduce the assets in question, provided that it observed its reference coefficient as defined by the recommendations of 22nd March.

The recommendations of 30th April were originally to remain in force until 30th June, but the Bank was able to discontinue them earlier than expected, on 2nd June.

When, in the summer, the easing of the strains on the foreign exchange markets was replaced by a new state of unrest, the Bank, on 26th July, issued new recommendations to the main financial intermediaries, once more calling upon them to maintain a holding of public paper at least equal in amount to that reached shortly before that date; if their current liabilities declined, however, a downward adjustment of this portfolio was allowed.

The recommendations of 26th July were to remain in force until 30th September, but the tensions still persisting at that time necessitated

a prolongation of this protection system, which was therefore continued, for a period of two months, by the recommendations of 28th September. On the next expiry date, a further extension was not necessary.

MONEY MARKET.

For a large proportion of the year, more specifically during February and March and, subsequently, during the period between mid-July and about mid-October, the money market was subject to acute tensions owing to the temporary shifting of cash holdings to foreign countries which has already been described. The resultant tightening of the market led to, among other things, extremely heavy recourse to the lender of last resort by the financial intermediaries and the Treasury — which was no longer able to find the necessary short-term funds on the money market — and an exceptional rise in all the money market rates.

Owing to the priority which had to be given, according to Government policy, to the defence of the position of the Belgian franc within the snake, the Bank reacted in the classical way by raising its own rates and lowering the quantitative limits which it imposes on its credit-granting. Its aim was to impede the financing of speculative shifts of funds to foreign countries and to make short-term investments in Belgium more attractive.

Between the two foreign exchange crises, that is, from the beginning of April until mid-July and also after the adjustment of the pivot rates for the snake currencies on 18th October, money market conditions eased somewhat. Interest rates then turned downwards, but without returning to their level at the beginning of the year. The Bank supported this movement as far as possible, while bearing in mind the balance of the foreign exchange markets.

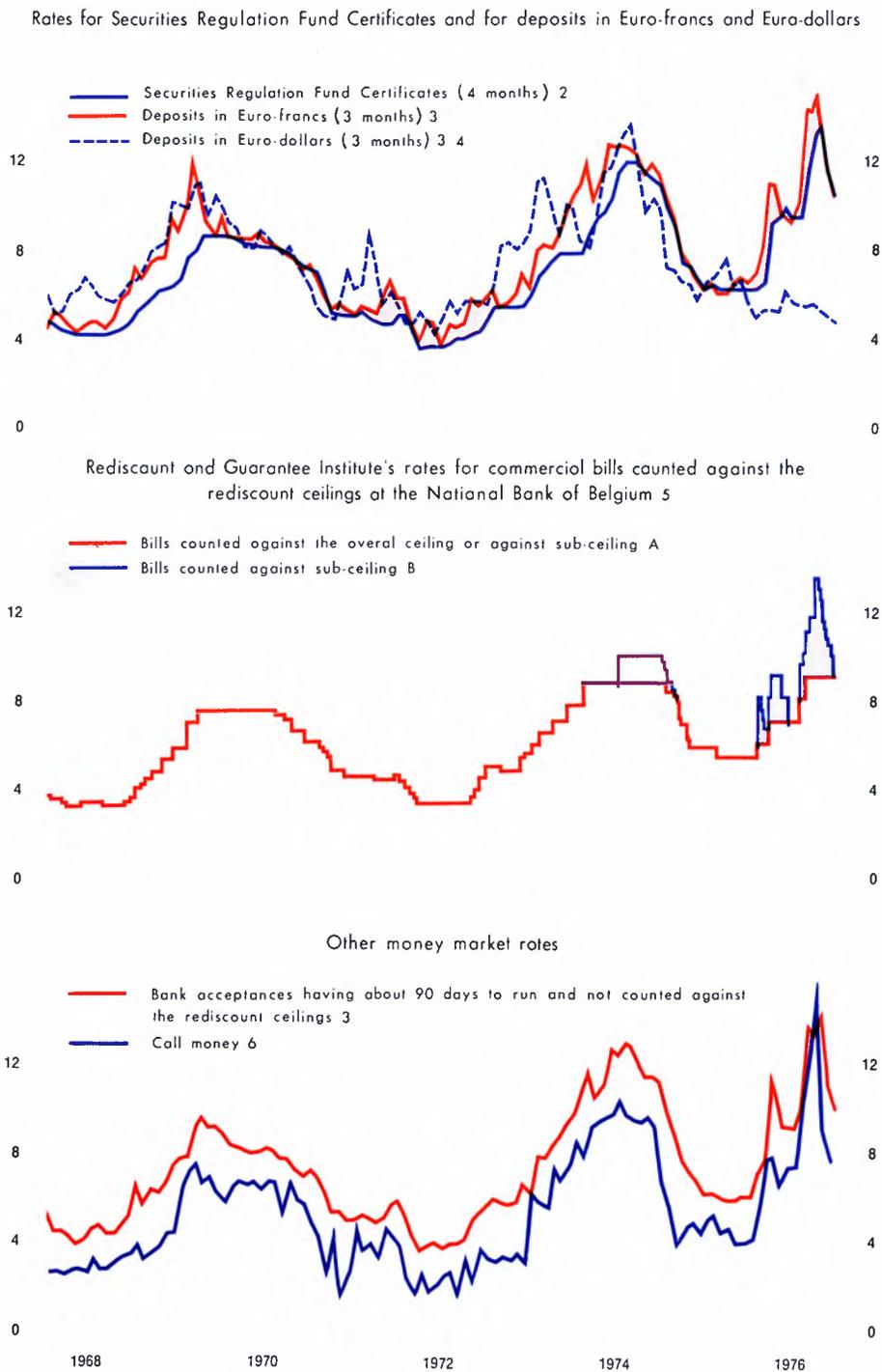
The consequences of the policy pursued by the Bank can be clearly seen in the trend of the Bank's average weighted rate, in that of the available margin under the banks' rediscount ceilings and in the changes in the rates of the Rediscount and Guarantee Institute.

The average weighted rate — the resultant of the rates and of the extent of recourse to the Bank's various forms of credit by the financial

Chart 21.

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

(Per cent)



¹ See Annex 6, Table 16.

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.

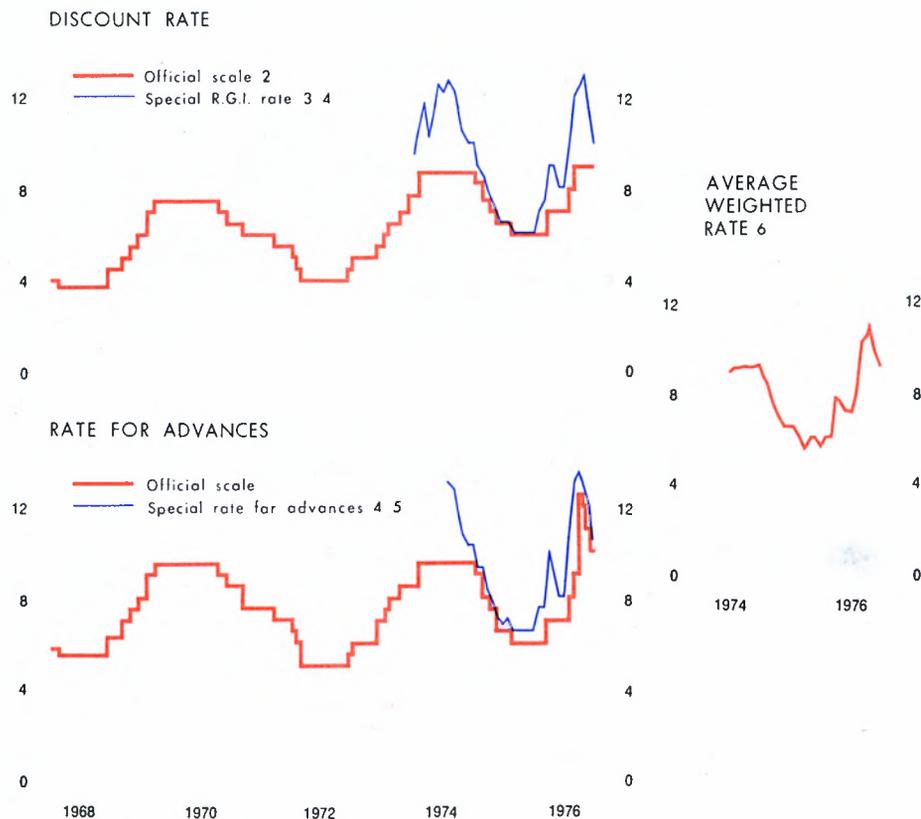
⁵ Until 31st May 1970, from 23rd October 1973 until 1st January 1976 and from 30th January 1976 : not more than 120 days to maturity. For other periods : from 61 to 120 days to maturity.

⁶ Daily averages per month.

Chart 22.

RATES OF THE NATIONAL BANK OF BELGIUM ¹

(Per cent)



¹ See Annex 6, Tables 17 and 18.

² Bills accepted payable at the bank (from 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976 and from 23rd July to 19th December 1976 : bills counted against rediscount sub-ceiling A).

³ Rate applied by the National Bank of Belgium when the Rediscount and Guarantee Institute makes use of its rediscounting facility at the Bank, within a fixed limit, for paper not counted against the banks' rediscount ceilings.

⁴ Rate ruling at end of months. This rate can change from day to day within a range fixed by the Council of Regency of the National Bank of Belgium.

⁵ Rates at which daily utilisations are charged when the monthly quota has been exhausted.

⁶ Average cost of recourse to the National Bank of Belgium for the financial intermediaries which directly or indirectly finance credits to enterprises and individuals; this cost is 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 end of the month.

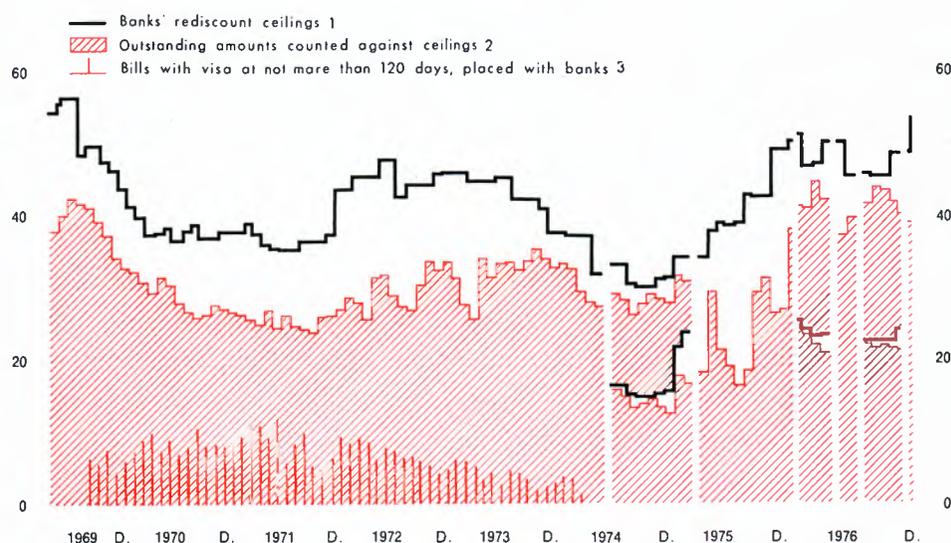
intermediaries which lend directly or indirectly to enterprises and individuals — rose from 6 p.c. in January to 7.8 p.c. in March; it then declined slightly, but moved upwards again from July onwards. It reached a maximum of 11.4 p.c. in October, when the money market was particularly strained. By the end of December the average weighted rate had fallen again to 9.1 p.c.

The available margin under the rediscount ceilings of the banks as a whole shrank from an average of Fr. 23.4 billion in December 1975 to Fr. 4.4 billion in April; after widening temporarily in May and June, it decreased again to Fr. 3.5 billion in September, subsequently rising again to reach Fr. 13.4 billion in December. These fluctuations reflected

Chart 23.

BANKS' REDISCOUNT CEILINGS

(Billions of francs)



¹ From July 1974 to January 1975 the ceilings were divided into two equal sub-ceilings A (lower part) and B (upper part). In February and March 1975 the ceilings were usable to the extent of 70 p.c. for sub-ceiling A and 80 p.c. for sub-ceiling B. From 12th February to 16th June 1976 and from 23rd July to 19th December 1976 the ceilings were again divided into two equal sub-ceilings.

² Daily averages per month. From 1969 to June 1974 the amounts counted against the ceilings included the amount of certified bills and other bills which were rediscountable at the National Bank of Belgium and actually mobilised at the latter or on the market outside the National Bank, together with that of bills with visa, whether rediscounted or not, with less than two years to run. From July 1974 onwards only the amount of rediscountable bills actually mobilised is counted against the ceilings; this change of procedure is explained by the fact that, since April 1974, no new visas have been granted.

³ These bills, having already been counted against the ceilings, gave 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.

not only the effect produced by the alternating outflows and inflows of funds in relation to foreign countries on the banks' cash position but also the measures adopted by the Bank to restrict the banks' rediscount ceilings. The Bank postponed until the end of May and the end of November, respectively, the quarterly adjustments of these ceilings to

the trend of working funds, which should normally have taken place at the end of February and the end of August, and even, on 16th March and 23rd July, lowered from 5.25 to 4.75 and 4.25 p.c. respectively the percentage applied to these resources in order to determine these ceilings; furthermore, from 12th February to 16th June and again from 23rd July to 19th December, it reintroduced the subdivision of the ceilings into two sub-ceilings, A and B, of equal size, as a result of which measure only mobilisations under sub-ceiling A were allowed to benefit by the relatively low official rate. It also substantially reduced the Rediscount and Guarantee Institute's special facility with it for the mobilisation of paper not counted against the ceilings. Lastly, the quarterly adjustments of the monthly quotas for advances available to the financial intermediaries at the Bank at the official rate, which should normally have taken place on 1st March and 1st September, were postponed and advances outside the quotas were limited, per month, to five times the amount of the credit opened by the Bank to the financial intermediaries in question, whereas previously there had been no formal limit.

During the last few months, owing to the easing of the foreign exchange markets and the slackening of economic activity, this restrictive policy was considerably relaxed; not only was the Rediscount and Guarantee Institute's afore-mentioned rediscount facility increased but, in addition, the rediscount ceilings, unified again with effect from 20th December, were raised by 10 p.c.

The Rediscount and Guarantee Institute's rates were adjusted on a number of occasions in response to changes in the Bank's rates (see Chart 21).

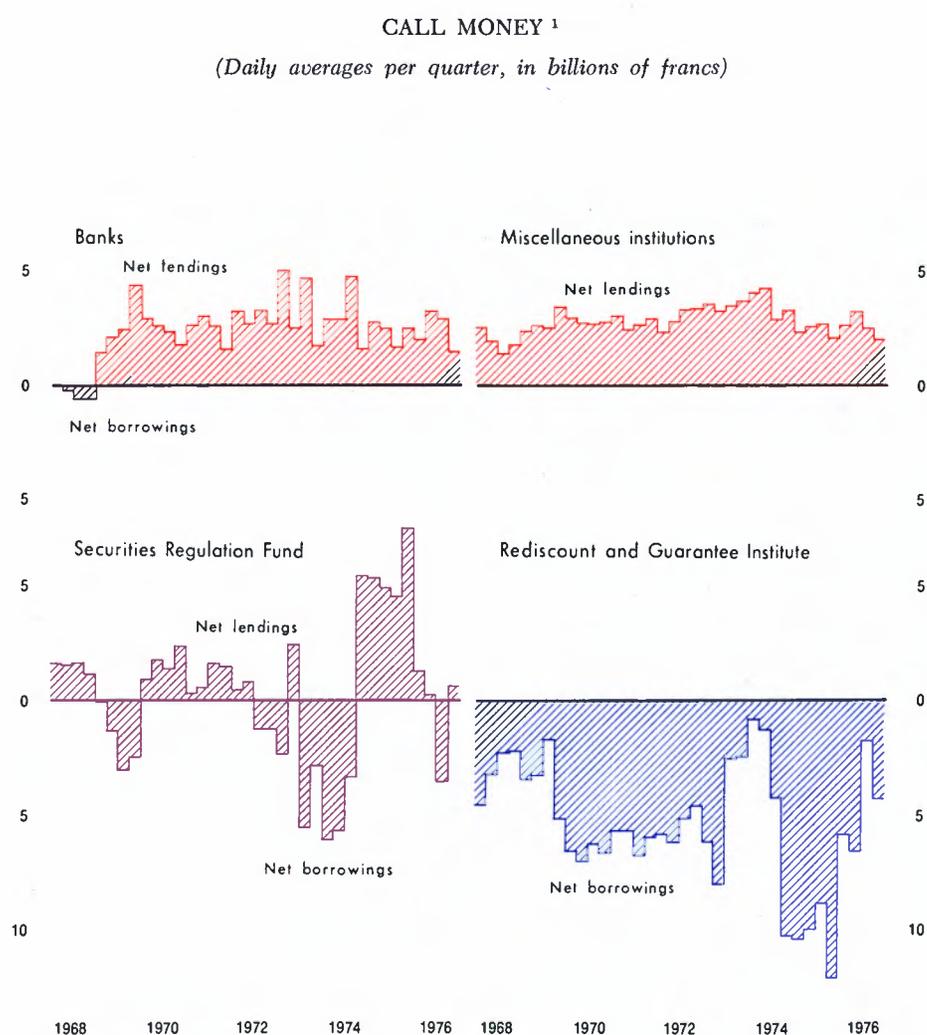
On the call money market, net lendings by the participants, excluding the Securities Regulation Fund and the Rediscount and Guarantee Institute, reached a daily average of Fr. 5 billion, against Fr. 4.8 billion in 1975. There was a complete swing-round in the Securities Regulation Fund's interventions : net borrowings averaging Fr. 0.4 billion replaced the previous year's substantial lendings. As a result, the Rediscount and Guarantee Institute had to cut down its recourse to the market substantially, from Fr. 10.4 billion in 1975 to Fr. 4.6 billion.

The reversal of the Securities Regulation Fund's position can be linked with the movement of its holdings of public paper and Treasury

certificates, which were on average higher than in 1975, whereas the outstanding amount of its own certificates did not increase to the same extent. Furthermore, the Securities Regulation Fund on several occasions raised the pivot rate for its interventions on the market and, at certain times, refrained from lending call money in order thus to support, when it was considered desirable, the policy aimed at raising the level of money market rates.

The result was a rise in the rate for call money. A first movement raised it from an average of about 4 p.c. in January to 7.6 p.c. in March,

Chart 24.



¹ See Annex 6, Table 19.

with a peak of 15 p.c. around the middle of that month; after an easing in the second quarter, a new upward movement took place in the third quarter; indeed, a record rate of 18.5 p.c. was reached at the beginning of October; in December the average rate was down again to 7.4 p.c.

During the last weeks of the year the Securities Regulation Fund again made substantial loans, financed with advances from the Bank; the purpose was to widen the money market and prevent the usual end-of-year strains from pushing the call money rate up again to an exceptionally high level.

The average outstanding amount of commercial bills and bank acceptances held by the institutions participating in the money market as a whole rose from Fr. 228.2 billion in the fourth quarter of 1975 to

Table 20.

LOCATION OF COMMERCIAL BILLS DISCOUNTED
BY BANKS AND OF BANK ACCEPTANCES¹

(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	
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
1974	158.2	4.5	27.8	27.2	217.7
1975	167.1	8.8	38.0	10.5	224.4
1975 1st quarter	156.8	7.5	47.0	11.3	222.6
2nd quarter	165.3	5.6	43.0	10.1	224.0
3rd quarter	175.4	9.2	30.1	7.9	222.6
4th quarter	170.8	12.8	31.8	12.8	228.2
1976 1st quarter	179.9	7.7	39.3	22.7	249.6
2nd quarter	178.1	5.7	37.0	33.4	254.2
3rd quarter	188.8	1.5	29.5	43.6	263.4
4th quarter	193.2 ⁶	2.4	28.6 ⁶	43.3	268.4 ⁶

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

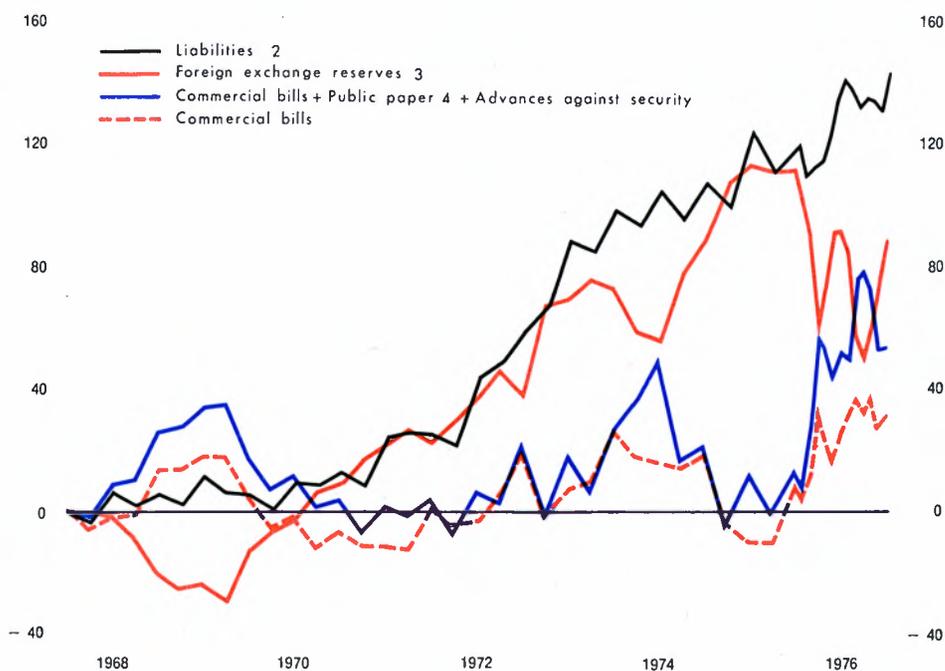
Fr. 263.4 billion in the third quarter of 1976. Under the circumstances already described, this growth took place mainly at the Bank, which had to increase its interventions substantially, and, to a smaller extent, at the banks. For its part, the Rediscount and Guarantee Institute had to reduce its holdings of commercial bills considerably as the call money market became tighter. Lastly, the holdings of various money market institutions and of foreign countries declined slightly.

Chart 25, which gives a broad picture of the main counterparts of the Bank's liabilities, shows that during a large proportion of the year,

Chart 25.

LIABILITIES OF THE NATIONAL BANK OF BELGIUM
AND THEIR MAIN COUNTERPARTS

(Cumulative changes, in billions of francs, since 31st December 1967)¹



¹ 1968 to 1975 : end of quarter. 1976 : end of month.

² Total of the liabilities side of the Bank's statement of account, excluding the items which have a specific counterpart on the assets side of the statement of account and the items which have been deducted from the counterparts shown in this chart.

³ Less liabilities to foreign countries.

⁴ Less the Treasury's creditor current account.

owing to the substantial fall in the foreign exchange reserves, demand for notes was not fully matched by the increase in the commercial portfolio, so that both holdings of public paper and advances against security rose appreciably. In the last quarter these movements were reversed.

The increase in the average outstanding amount of the **portfolio of short-term public paper** held by the financial intermediaries slowed down considerably : this amount rose by Fr. 12.1 billion, namely from Fr. 81.7 to 93.8 billion, against Fr. 23.7 billion the previous year. This increase is solely due to the banks, which displayed a greater preference for investments in short-term than for those in long-term public paper. The holdings of the other institutions hardly changed. With regard to issuers, the Treasury alone benefited by these additional resources, as the funds

Table 21.

BELGIAN FRANC PUBLIC SECURITIES AT NOT MORE THAN ONE YEAR HELD
BY FINANCIAL INTERMEDIARIES OPERATING ON THE MONEY MARKET ¹

(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
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
1975	19.2	62.5	81.7	68.9	12.8
1976	32.1	61.7	93.8	88.0	5.8
1975 1st quarter	16.4	49.5	65.9	52.7	13.2
2nd quarter	13.4	72.4	85.8	75.4	10.4
3rd quarter	23.3	68.1	91.4	80.0	11.4
4th quarter	23.8	60.1	83.9	67.0	16.9
1976 1st quarter	19.7	66.2	85.9	71.4	14.5
2nd quarter	31.6	65.9	97.5	91.6	5.9
3rd quarter	36.5	59.7	96.2	94.8	1.4
4th quarter	40.9	54.8	95.7	94.2	1.5

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.

raised by the Securities Regulation Fund by the issue of its own certificates were used to help to finance the large increase in its portfolio of Treasury certificates.

The rates for short-term public securities, mainly those for Treasury certificates at very short term, were used on various occasions as a supplementary instrument for influencing market rates. The rate for the Securities Regulation Fund's certificates rose, with an interruption at the beginning of the summer, from 6.20 p.c. in January to 13.75 p.c. in October; after that a decline set in. The interest rates for Treasury certificates showed a similar movement.

MARKET FOR VARIABLE-INCOME SECURITIES.

The slight recovery in quotations which started to appear during the last months of 1975 and the first months of 1976 faded out in March. After that, prices crumbled. In December, despite a certain strengthening towards the end of the year, they were, for cash and time bargains respectively, 10.8 and 13 p.c. below their already low 1975 level.

Table 22.

MARKET 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
1971	166	105	97
1972	195	118	112
1973	270	140	136
1974	180	116	119
1975	200	111	116
1976	223	106	109
1975 December	187	111	115
1976 December	177	99	100

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.

This trend not only reflected the change in economic conditions during the year but was also contributed to by the high interest rates and restrictive monetary policy which prevailed during a large proportion of the year.

Although quotations were on average a little lower than in the previous year, the average per session of dealings on the Brussels Stock Exchange was Fr. 223 million, against Fr. 200 million in 1975; it was mainly in the first months of the year that large volumes of transactions were recorded.

Despite the decline in quotations, the average yield on Belgian securities, consisting of the ratio between the last net dividend announced or paid and the end-of-month quotation, did not improve; it stood at 5.5 p.c., against 5.8 p.c. in 1975.

Balance Sheet

Profit and Loss Account

Memorandum Accounts

Dividend Declared for the Year 1976

BALANCE SHEET
AS AT 31ST DECEMBER, 1976

ASSETS		
Gold Holding	71,821,213,379	
International Monetary Fund :		
Quota	29,883,267,922	
Loans	—	
Special Drawing Rights	19,334,387,266	
Total Cover Items	121,038,868,567	
Foreign Currencies	84,024,950,168	
Foreign Currencies and Gold Receivable	—	
International Agreements	153,019,270	
Advance to the I.M.F.	9,731,448,000	
European Monetary Cooperation Fund	—	
E.E.C. : Medium-term Financial Assistance	6,538,206,240	
Debtors in respect of Foreign Exchange and Gold at Forward Dates	—	
Commercial Bills	45,259,773,516	
Advances against Pledged Security :		
Institutions Governed by a Special Law	4,035,786,353	
Banks	97,693,927	
Enterprises and Individuals	21,861,214	
Public Securities :		
Belgian Public Securities	20,575,000,000	
Luxembourg Public Securities	—	
Treasury Notes and Coin	400,799,578	
Balances at the Postal Cheque Office :		
A Account	1,062,524	
B Account	2,477,310,722	
Consolidated Claim on the Government	34,000,000,000	
Special Treasury Bills	600,000,000	
Provisional Adjustment resulting from the Law of 3rd July, 1972	3,450,349,538	
Items Receivable	844,979,121	
Public Long-term Securities	5,534,732,684	
Premises, Furniture and Equipment	2,195,644,987	
Securities of the Staff Pensions Fund	7,753,613,083	
Transitory Assets	928,412,020	
Total Assets	349,663,511,512	

LIABILITIES

Bank Notes in Circulation		307,197,380,600
Current and Sundry Accounts :		
Public Treasury :		
Ordinary Account	8,553,151	
Exceptional Counter-Cyclical Tax	6,954,718	
Institutions Governed by a Special Law	292,798,030	
Banks in Belgium	639,773,629	
Enterprises and Individuals	895,237,192	
Banks in Foreign Countries, Ordinary Accounts	564,937,109	
Items Payable	<u>2,138,941,777</u>	4,547,195,606
International Agreements :		
Financial Assistance Agreements		2,477,310,722
Other Agreements		<u>354,236,844</u>
Total Sight Liabilities		314,576,123,772
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation		10,186,198,565
European Monetary Cooperation Fund		—
Monetary Reserve :		
Belgium		—
Grand Duchy of Luxembourg		—
Foreign Currencies and Gold to be Delivered		36,889,925
Staff Pensions Fund		7,753,613,083
Transitory Liabilities		10,462,307,078
Capital		400,000,000
Reserve Fund :		
Statutory Reserve		1,172,809,260
Extraordinary Reserve		2,361,331,016
Account for Depreciation of Premises, Furniture and Equipment		2,071,276,569
Net Profit for Distribution		<u>642,962,244</u>
Total Liabilities		349,663,511,512

**PROFIT AND LOSS ACCOUNT
AS AT 31ST DECEMBER, 1976**

DEBIT

Government's Share :

Discounts and Advances	3,678,185,389	
Transactions with Foreign Countries	1,966,491,342	
Monetary Reserve	442,710	5,645,119,441

General Expenses :

Remunerations and Social Charges	2,971,970,859	
Other Expenses	315,175,783	
	3,287,146,642	

less :

Expenses to be borne by Others	399,385,806	2,887,760,836
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Taxes		1,316,291,650
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Depreciation of Premises, Furniture and Equipment		83,934,628
---	--	------------

Additional Grant to the Staff Pensions Fund		620,000,000
---	--	-------------

Transfers to Reserves and Provisions :

Extraordinary Reserve	470,499,928	
Provisions for Premises, Furniture and Equipment	125,000,000	
Provisions for Sundry Contingencies	200,000,000	795,499,928

Net Profit for Distribution		642,962,244
---------------------------------------	--	-------------

11,991,568,727

CREDIT

Proceeds of Discount and Advance Operations		5,698,804,976
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Proceeds of Transactions with Foreign Countries		5,661,289,322
---	--	---------------

Proceeds of Public Long-term Securities		423,125,698
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Fees for Safe Custody, Commissions and Allowances		187,284,277
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Sundry Receipts		18,650,006
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Drawings on the Transitory Liabilities Items :

Provision for Building of Premises and Purchasing of Furniture and Equipment		2,414,448
--	--	-----------

11,991,568,727

MEMORANDUM ACCOUNTS
AS AT 31ST DECEMBER, 1976

Ministers of National Education :			
Balance for their account at the Postal Cheque Office (Education legislation)			17,438,174,535
Documentary Credits Opened			45,775,627
« Visa » of Acceptances relating to Exports and Imports			11,844,628,773
International Institution benefiting by a Commitment of the National Bank			1,008,360,000
Guarantees given on behalf of the Staff			555,418,231
Securities received by way of Guarantee :			
Cover for advance limits against pledged security	50,315,750,650		
Guarantees given by persons lodging bills for discount	1,365,650		
Securities provided by borrowers of call money	14,960,127,000		
Sundry security commitments	871,704,066		
Other guarantees	894,138,595		
			67,043,085,961
Guarantee Certificates received from the Public Treasury			900,000,000
Items for Collection			189,348,985
Deposits of Securities and Sundry Items :			
International Monetary Fund	1,531,000,000		
International Development Association	2,087,325,000		
Inter-American Development Bank	130,896,568		
Asian Development Bank	300,524,032		
African Development Fund	11,000,000		
Other Deposits	261,687,931,491		
			265,748,677,091
Public Treasury :			
Sundry Securities owned by the Government :			
<i>Preference Shares of the Belgian National Railways Co.</i>	5,000,000,000		
<i>Ordinary Shares of the Belgian National Railways Co.</i>	1,000,000,000		
<i>Participating Debentures of the Belgian National Railways Co.</i>	638,305,187		
<i>Treasury Bills of the Government of the Grand Duchy of Luxembourg (Belgian Luxemb. Agreement)</i>	1,060,388,441		
<i>4.50 % Certificates of the National Housing Co.</i>	3,577,848,000		
<i>4.50 % Certificates of the National Land Co.</i>	224,594,000		
Sundry Items :			
— <i>Earmarked for the Monetary Fund</i>	892,206,485		
— <i>Others</i>	3,817,626,197		
			16,210,968,310
Sundry Items for which the Government is the Depository :			
<i>Items lodged by outside parties</i>	47,724,633,991		
<i>Service of the Registered Debt</i>	366,515,351,000		
<i>Deposit and Consignment Office</i>	4,225,747,009		
<i>Items lodged by way of guarantee</i>	12,928,419,888		
			431,394,151,888
Securities lodged in pursuance of the provisions regarding the cancellation of undeclared Belgian bearer securities		35,870	
Items to be delivered		46,340,812,649	
			493,945,968,717
Securities Regulation Fund			22,610,525,366
General Savings and Pensions Fund :			
Sight or short-term investments	1,689,061,707		
Cover for loans	—		
Guarantee deposits	646,416,639		
			2,335,478,346

DIVIDEND DECLARED FOR THE YEAR 1976

First Dividend, Total	Fr.	24,000,000
Second Dividend, Total	Fr.	<u>406,000,000</u>
Total : Fr.		430,000,000

on 400,000 Shares, that is per Share a Dividend of Fr. 1,075

Coupon No. 175 will be payable with effect from 1st March, 1977 at the rate of Fr. 860 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 860, the taxable income per share to be declared by individuals for tax purposes is Fr. 1,569.50¹, including the tax relief and the Preliminary Tax on Personal Property.

The Council of Regency :

Marcel D'HAENZE, *Vice-Governor*,
 Roland BEAUVOIS, *Director*,
 Elisabeth MALAISE, *Director*,
 Henri VLOEBERGHES, *Director*,
 René EWALENKO, *Director*,
 Georges JANSON, *Director*,
 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*,
 Jan HINNEKENS, *Regent*.

The Governor,
 Cecil de STRYCKER.

¹ To be shown in Section IV of individuals' tax declaration :

Income from shares	Fr.	860.00
Tax relief $\frac{860 \times 57.5}{100}$	Fr.	494.50
Preliminary Tax on Personal Property $\frac{860 \times 1}{4}$	Fr.	<u>215.00</u>
	Fr.	1,569.50

Annexes

BALANCE SHEETS COMPARED AS AT

ASSETS	1972	1973	1974	1975	1976
Gold Holding	75,393.9	71,817.9	71,821.2	71,821.2	71,821.2
International Monetary Fund :					
Quota	25,913.7	23,959.3	24,866.2	26,343.1	29,883.3
Loans	—	—	—	—	—
Special Drawing Rights	26,095.0	30,477.0	28,425.7	29,946.6	19,334.4
Total Cover Items	127,402.6	126,254.2	125,113.1	128,110.9	121,038.9
Foreign Currencies	52,420.9	75,905.1	88,619.5	107,146.9	84,025.0
Foreign Currencies and Gold Receivable	11.4	—	—	—	—
International Agreements	—	—	—	10.4	153.0
Advance to the I.M.F.	—	—	—	2,428.5	9,731.4
European Monetary Cooperation Fund	—	3,500.2	—	—	—
E.E.C. : Medium-term Financial Assistance	—	—	6,538.2	6,538.2	6,538.2
Debtors in respect of Foreign Exchange and Gold at Forward Dates	20,594.4	28,775.8	13,470.1	11,914.1	—
Commercial Bills	33,433.7	40,081.8	32,157.5	22,161.3	45,259.8
Advances against Pledged Security :					
Institutions Governed by a Special Law	2,630.5	364.6	434.7	3,313.2	4,035.8
Banks	867.6	2,080.7	165.4	—	97.7
Enterprises and Individuals	27.7	20.2	22.5	23.0	21.8
	3,525.8	2,465.5	622.6	3,336.2	4,155.3
Public Securities :					
Belgian Public Securities	1,100.0	450.0	5,125.0	4,225.0	20,575.0
Luxembourg Public Securities	—	—	—	—	—
Treasury Notes and Coin	312.8	301.8	378.7	409.1	400.8
Balances at the Postal Cheque Office :	1.6	1.4	1.9	1.7	
A Account					1.1
B Account					2,477.3
Consolidated Claim on the Government.	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Special Treasury Bills	—	2,771.3	861.6	800.0	600.0
Provisional Adjustment resulting from the Law of 3rd July, 1972	—	3,450.4	3,450.4	3,450.4	3,450.4
Items Receivable	565.7	1,050.8	1,683.4	996.4	845.0
Public Long-term Securities	4,110.8	4,293.6	4,831.2	5,273.9	5,534.7
Premises, Furniture and Equipment	2,191.6	2,193.5	2,197.4	2,195.9	2,195.6
Securities of the Staff Pensions Fund	3,988.2	4,541.1	5,454.4	6,481.5	7,753.6
Assets Written Off Pending Collection	p.m.	—	—	—	—
Transitory Assets	778.4	913.4	1,134.4	1,301.8	928.4
	284,437.9	330,949.9	325,639.4	340,782.2	349,663.5

LIABILITIES	1972	1973	1974	1975	1976
Bank Notes in Circulation	222,559.7	238,505.9	256,103.6	288,380.8	307,197.4
Current and Sundry Accounts :					
Public Treasury :					
Ordinary Account	20.2	4.0	23.6	10.3	8.6
Exceptional Counter-Cyclical Tax	7.4	7.0	7.0	7.0	7.0
Institutions Governed by a Special Law	496.8	308.9	118.3	203.4	292.8
Banks in Belgium	1,089.7	559.5	858.3	723.4	639.8
Enterprises and Individuals	352.6	390.5	719.8	762.6	895.2
Banks in Foreign Countries, Ordinary Accounts	605.3	626.6	422.1	394.7	564.9
Items Payable	1,605.3	2,444.2	3,655.2	2,336.0	2,138.9
	4,177.3	4,340.7	5,804.3	4,437.4	4,547.2
International Agreements :	1,407.0	1,971.9	2,628.9	3,222.8	
Financial Assistance Agreements					2,477.3
Other Agreements					354.2
Total Sight Liabilities	228,144.0	244,818.5	264,536.8	296,041.0	314,576.1
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Allo-	10,467.3	10,186.2	10,186.2	10,186.2	10,186.2
cation					
European Monetary Cooperation Fund		—	—	—	—
Monetary Reserve :					
Belgium	11,791.0	33,630.8	20,746.0		
Grand Duchy of Luxembourg		897.8	300.0		
Foreign Currencies and Gold to be Delivered	21,546.6	26,530.3	11,082.2	12,072.2	36.9
Staff Pensions Fund	3,988.2	4,541.1	5,454.4	6,481.5	7,753.6
Transitory Liabilities	3,728.7	4,997.2	7,523.2	9,929.2	10,462.3
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	950.3	1,002.7	1,057.8	1,115.1	1,172.8
Extraordinary Reserve	857.6	1,308.7	1,686.0	1,890.9	2,361.3
Account for Depreciation of Premises, Furni-	2,033.3	2,068.9	2,072.9	2,071.7	2,071.3
ture and Equipment					
Net Profit for Distribution	530.9	567.7	593.9	594.4	643.0
	284,437.9	330,949.9	325,639.4	340,782.2	349,663.5

PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT ¹	1972	1973	1974	1975	1976
Government's Share :					
Discounts and Advances	203.7	799.4	2,586.3	626.3	3,678.2
Transactions with Foreign Countries	465.9	2,110.0	3,819.5	3,167.0	1,966.5
Monetary Reserve		660.4	678.0	197.3	0.4
	669.6	3,569.8	7,083.8	3,990.6	5,645.1
General Expenses :					
Remunerations and Social Charges	1,383.9	1,597.1	2,021.4	2,487.5	2,972.0
Other Expenses	153.1	180.9	195.0	260.1	315.1
	1,537.0	1,778.0	2,216.4	2,747.6	3,287.1
<i>less :</i>					
Expenses to be borne by Others	— 198.3	— 237.4	— 270.5	— 401.5	— 399.3
	1,338.7	1,540.6	1,945.9	2,346.1	2,887.8
Taxes	351.1	863.3	724.0	897.5	1,316.3
Depreciation of Premises, Furniture and Equipment	120.1	174.3	82.4	190.0	83.9
Additional Grant to the Staff Pensions Fund	198.2	212.0	498.0	525.0	620.0
Transfers to Reserves and Provisions :					
— Extraordinary Reserve	125.1	451.1	377.3	204.8	470.5
— Provision for Taxes	310.0	—	—	—	—
— Provision for Premises, Furniture and Equipment	—	—	—	—	125.0
— Provision against Sundry Contingencies	95.0	680.0	150.0	100.0	200.0
— Centenary Fund	—	—	—	10.0	—
Net Profit for Distribution	530.9	567.7	593.9	594.4	643.0
	3,738.7	8,058.8	11,455.3	8,858.4	11,991.6

¹ The figures for 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 ».

CREDIT ¹	1972	1973	1974	1975	1976
Proceeds of Discount and Advance Operations	670.4	1,538.8	3,892.0	1,086.5	5,698.8
Proceeds of Transactions with Foreign Countries	2,155.0	5,537.0	6,971.4	7,185.6	5,661.3
Proceeds of Public Long-term Securities	288.0	299.4	346.2	388.4	423.1
Fees for Safe Custody, Commissions and Allowances	199.6	213.1	211.1	184.6	187.3
Sundry Receipts ²	26.7	2.8	27.7	12.2	18.7
Drawings on Transitory Liabilities Items :					
— Provision for Building of Premises and Purchasing of Furniture and Equipment	24.5	15.8	6.9	1.1	2.4
— Provision for Taxes	374.5	451.9			
	3,738.7	8,058.8	11,455.3	8,858.4	11,991.6

MISCELLANEOUS INFORMATION

	1972	1973	1974	1975	1976
Gross dividend declared per share	887.06	950	993.75	993.75	1,075.00
Preliminary tax on personal property retained per share	167.06	190	198.75	198.75	215.00
Net dividend declared per share	720.00	760	795.00	795.00	860.00
Taxable income per share to be declared by individuals for tax purposes	1,093.00	1,292	1,351.50	1,450.88	1,569.50

ANNEX 4

WEEKLY RETURNS
PUBLISHED IN THE « MONITEUR BELGE » DURING 1976

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1976 *
(Millions of francs)

ASSETS

DATE	Gold holding	International Monetary Fund :			Total cover items	Foreign currencies	Foreign currencies and gold receivable	International agreements	Advance to the I.M.F.	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		A Account	B Account									
January	5	71.821	26.781	...	29.947	128.549	106.824	...	12	2.428	...	6.538	11.914	21.568	7.084	250	...	379	1	—	34.000	862	3.450	5.274	2.197	6.253	5.705	343.288
»	12	71.821	26.781	...	29.947	128.549	107.359	...	11	2.428	...	6.538	11.914	12.009	1.971	7.850	...	397	1	—	34.000	862	3.450	5.274	2.197	6.261	5.988	337.059
»	19	71.821	26.538	...	29.947	128.306	107.132	...	...	2.428	...	6.538	11.914	13.218	4.566	2.225	...	428	1	—	34.000	862	3.450	5.274	2.197	6.274	5.951	334.764
»	26	71.821	26.538	...	29.947	128.306	103.366	...	...	4.866	...	6.538	10.124	15.969	635	...	...	478	1	—	34.000	800	3.450	5.534	2.196	6.818	2.410	325.491
February	2	71.821	26.903	...	29.947	128.671	94.344	...	14	4.866	...	6.538	10.124	15.591	14.619	...	...	500	1	—	34.000	800	3.450	5.534	2.196	6.919	4.422	332.589
»	9	71.821	26.903	...	29.947	128.671	89.878	...	2	4.866	...	6.538	10.124	31.521	179	...	...	520	2	—	34.000	800	3.450	5.534	2.196	6.904	4.620	329.805
»	16	71.821	26.903	...	29.947	128.671	89.881	...	...	4.866	...	6.538	10.124	33.035	172	4.675	...	551	1	—	34.000	800	3.450	5.534	2.196	6.965	2.174	333.633
»	23	71.821	26.866	...	29.947	128.634	89.434	...	165	4.866	...	6.538	9.524	33.117	19	6.975	...	558	2	—	34.000	800	3.450	5.534	2.196	6.964	1.850	334.626
March	1	71.821	26.720	...	29.947	128.488	89.767	...	148	4.866	...	6.538	9.524	36.592	8.778	...	...	537	2	—	34.000	800	3.450	5.535	2.196	7.056	2.468	340.745
»	8	71.821	26.720	...	29.947	128.488	89.772	...	...	4.866	...	6.538	9.524	41.853	3.543	...	...	516	1	—	34.000	800	3.450	5.535	2.196	7.046	2.068	340.196
»	15	71.821	26.525	...	29.947	128.293	87.568	...	...	4.866	...	6.538	8.451	39.137	1.718	4.925	...	533	1	—	34.000	800	3.450	5.535	2.196	7.043	7.972	343.026
»	22	71.821	26.525	...	29.947	128.293	87.609	...	137	4.866	...	6.538	8.451	42.186	17.770	11.200	...	607	2	—	34.000	800	3.450	5.535	2.196	7.043	5.434	366.117
»	29	71.821	26.525	...	29.947	128.293	87.703	...	5	4.866	...	6.538	8.451	45.280	5.558	20.616	...	633	2	—	34.000	800	3.450	5.535	2.196	7.060	2.756	363.742
April	5	71.821	27.012	...	29.947	128.780	87.176	...	12	4.866	...	6.538	8.451	48.218	11.612	20.600	...	628	2	—	34.000	800	3.450	5.534	2.196	7.044	2.898	372.805
»	12	71.821	26.428	...	29.947	128.196	87.963	...	...	4.866	...	6.538	8.451	41.750	12.538	20.600	...	611	2	—	34.000	800	3.450	5.534	2.196	7.077	4.074	368.646
»	16	71.821	26.428	...	29.947	128.196	88.991	...	...	4.866	...	6.538	8.451	42.001	8.677	20.600	...	520	1	—	34.000	800	3.450	5.534	2.196	7.077	3.760	365.658
»	26	71.821	26.007	...	29.947	127.775	88.335	...	...	4.866	...	6.538	7.650	38.141	9.957	20.600	...	547	1	—	34.000	800	3.450	5.535	2.196	7.081	3.817	361.289
May	3	71.821	26.008	...	26.643	124.472	83.260	...	...	4.866	...	6.538	6.872	38.967	10.697	20.600	...	502	1	—	34.000	800	3.450	5.535	2.196	7.139	4.338	354.233
»	10	71.821	26.567	...	26.643	125.031	80.672	...	50	7.706	...	6.538	5.901	38.242	6.854	20.616	...	490	1	2.236	34.000	800	3.450	5.535	2.196	7.138	4.092	351.548
»	17	71.821	27.784	...	26.643	126.248	77.719	...	...	9.731	...	6.538	5.901	30.059	9.345	20.616	...	498	...	2.215	34.000	800	3.450	5.535	2.196	7.161	4.726	346.738
»	24	71.821	28.463	...	27.409	127.693	77.691	...	...	9.731	...	6.538	5.901	35.804	1.962	20.600	...	520	1	2.206	34.000	800	3.450	5.535	2.196	7.161	5.234	347.023
»	31	71.821	28.463	...	27.409	127.693	80.070	...	10	9.731	...	6.538	5.901	30.806	10.184	20.600	...	454	1	2.193	34.000	800	3.450	5.533	2.196	7.163	3.220	350.543
June	4	71.821	28.463	...	27.409	127.693	79.795	...	88	9.731	...	6.538	5.607	34.774	6.809	20.575	...	432	1	2.192	34.000	800	3.450	5.533	2.196	7.149	2.881	350.244
»	14	71.821	28.463	...	27.409	127.693	79.035	...	173	9.731	...	6.538	5.607	33.021	6.813	20.600	...	429	1	2.190	34.000	800	3.450	5.533	2.196	7.166	3.438	348.414
»	21	71.821	28.671	...	27.409	127.901	79.269	...	40	9.731	...	6.538	5.607	40.395	2.097	20.600	...	442	1	2.136	34.000	800	3.450	2.535	2.196	7.167	3.059	350.963
»	28	71.821	28.671	...	27.409	127.901	79.259	...	...	9.731	...	6.538	5.607	37.276	7.737	20.575	...	466	2	2.130	34.000	800	3.450	5.535	2.196	7.181	4.065	354.449
July	5	71.821	28.535	...	27.409	127.765	79.643	...	1	9.731	...	6.538	5.607	38.583	15.046	20.575	...	416	2	2.098	34.000	800	3.450	5.535	2.196	7.166	3.382	362.534
»	12	71.821	29.265	...	27.409	128.495	78.002	...	...	9.731	...	6.538	4.606	39.734	9.786	20.575	...	438	1	2.421	34.000	800	3.450	5.535	2.196	7.174	3.361	356.843
»	19	71.821	29.265	...	27.409	128.495	75.250	...	20	9.731	...	6.538	4.606	44.119	1.050	20.575	...	440	1	2.449	34.000	800	3.450	5.535	2.196	7.184	5.460	351.899
»	26	71.821	29.265	...	27.409	128.495	72.065	...	65	9.731	...	6.538	3.805	43.460	2.859	20.575	...	472	1	2.444	34.000	800	3.450	5.535	2.196	7.185	3.641	347.317
August	2	71.821	28.823	...	27.409	128.053	72.630	...	55	9.731	...	6.538	3.805	43.697	4.459	20.600	...	474	2	2.438	34.000	800	3.450	5.531	2.196	7.187	7.684	353.330
»	9	71.821	29.699	...	27.409	128.929	71.799	...	69	9.731	...	6.538	3.805	47.286	9.106	20.600	...	462	2	2.433	34.000	800	3.450	5.531	2.196	7.171	4.430	358.338
»	16	71.821	29.942	...	27.409	129.172	70.099	...	71	9.731	...	6.538	3.005	43.612	13.017	20.600	...	467	2	2.430	34.000	800	3.450	5.533	2.196	7.171	11.614	363.508
»	23	71.821	29.942	...	27.409	129.172	70.201	...	48	9.731	...	6.538	3.005	47.918	18.111	20.575	...	494	1	2.421	34.000	800	3.450	5.533	2.196	7.171	6.146	367.511
»	30	71.821	29.893	...	27.409	129.123	70.658	...	398	9.731	...	6.538	3.005	52.710	16.711	20.600	...	489	2	2.416	34.000	800	3.450	5.533	2.196	7.171	3.630	369.161
September	6	71.821	29.424	...	27.409	128.654	70.733	...	313	9.731	...	6.538	3.005	50.310	25.112	20.600	...	466	1	2.404	34.000	800	3.450	5.533	2.196	7.155	3.885	374.886
»	13	71.821	29.424	...	27.409	128.654	70.809	...	367	9.731	...	6.538	3.005	52.443	19.023	20.575	...	491	2	2.494	34.000	800	3.450	5.533	2.196	7.156	3.805	371.072
»	20	71.821	29.214	...	27.409	128.444	70.557	...	369	9.731	...	6.538	3.005	52.332	19.174	20.600	...	506	1	2.482	34.000	800	3.450	5.533	2.196	7.156	6.952	373.826
»	27	71.821	29.518	...	27.409	128.748	70.880	...	230	9.731	...	6.538	1.604	50.617	20.765	20.600	...	522	1	2.474	34.000	800	3.450	5.535	2.196	7.159	3.911	369.761
October	4	71.821	29.518	...	19.846	121.185	64.522	...	157	9.731	...	6.538	1.604	47.950	35.140	20.575	...	487	1	2.461	34.000	800	3.450	5.535	2.196	7.143	10.458	373.933
»	11	71.821	29.518	...	19.846	121.185	64.979	...	157	9.731	...	6.538	1.604	49.185	33.859	20.575	...	493	1	2.452	34.000	800	3.450	5.535	2.196	7.143	4.423	368.306
»	18	71.821	29.789	...	19.846	121.456	66.490	...	136	9.731	...	6.538	1.604	50.502	28.233	20.600	...	494	1	2.429	34.000	800	3.450	5.535	2.196	7.143	4.641	365.979
»	25	71.821	29.594	...	19.846	121.261	64.495	...	161	9.731	...	6.538	1.604	50.483	18.357	20.600	...	504	1	2.387	34.000	800	3.450	5.535	2.196	7.143	4.553	353.799
»	29	71.821	29.594	...	19.846	121.261	64.131	...	137	9.731	...	6.538	1.604	52.221	16.424	20.575	...	494	2	2.386	34.000	800	3.450	5.535	2.196	7.143	5.205	353.833
November	8	71.821	30.321	...	19.846	121.988	64.052	...	184	9.731	...	6.538	1.604	52.345														

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1976 *

(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				International 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	Financial assistance agreements	Other agreements				Belgium	Grand Duchy of Luxembourg						
		Ordinary account	Exceptional counter-cyclical Tax															
14.133	289.704	7	7	359	1.204	3.410	294.691	10.186	...	...	...	12.072	6.253	14.812	5.274	343.288	January 5
18.997	283.906	19	7	333	1.092	2.938	288.295	10.186	...	...	...	12.076	6.261	14.967	5.274	337.059	» 12
18.887	281.519	10	7	472	1.059	2.870	285.937	10.186	...	...	...	12.065	6.274	15.028	5.274	334.764	» 19
18.747	276.852	97	7	464	2.966	2.776	283.162	10.186	...	...	...	10.322	6.818	9.468	5.535	325.491	» 26
13.476	281.664	180	7	539	5.032	2.817	290.239	10.186	...	...	...	10.262	6.919	9.448	5.535	332.589	February 2
13.430	281.938	107	7	463	2.124	2.838	287.477	10.186	...	...	...	10.272	6.904	9.432	5.534	329.805	» 9
13.373	279.655	3	7	501	1.708	2.676	284.550	10.186	6.449	...	...	10.264	6.965	9.684	5.535	333.633	» 16
13.173	278.169	3	7	447	2.565	2.707	283.898	10.186	8.418	...	...	9.658	6.964	9.967	5.535	334.626	» 23
13.084	285.011	119	7	521	2.144	2.638	290.440	10.186	7.802	...	...	9.657	7.056	10.069	5.535	340.745	March 1
12.833	285.974	153	7	419	1.567	2.490	290.610	10.186	7.004	...	...	9.657	7.046	10.158	5.535	340.196	» 8
12.626	283.450	9	7	453	7.476	2.507	293.902	10.186	7.322	...	...	8.576	7.043	10.462	5.535	343.026	» 15
12.540	282.077	16	7	402	5.533	2.333	290.368	10.186	33.294	...	...	8.578	7.043	11.113	5.535	366.117	» 22
12.446	279.629	14	7	392	4.585	2.649	287.276	10.186	33.597	...	...	8.652	7.060	11.436	5.535	363.742	» 29
12.349	290.566	23	7	405	3.112	2.583	296.696	10.186	33.152	...	...	8.594	7.044	11.598	5.535	372.805	April 5
12.356	287.252	13	7	401	4.102	2.545	294.320	10.186	30.812	184	...	8.605	7.077	11.927	5.535	368.646	» 12	
12.253	288.187	15	7	455	4.521	2.544	295.729	10.186	27.284	14	...	8.603	7.077	11.230	5.535	365.658	» 16	
12.212	284.806	24	7	356	6.389	2.556	294.138	10.186	25.023	108	...	7.795	7.081	11.423	5.535	361.289	» 26	
11.963	293.422	23	7	457	2.719	2.507	299.135	10.186	14.183	100	...	7.011	7.139	10.944	5.535	354.233	May 3	
11.856	294.354	16	7	373	2.942	2.236	300.269	10.186	11.013	123	...	6.032	7.138	11.252	5.535	351.548	» 10	
11.681	292.512	...	7	433	3.546	2.215	299.070	10.186	7.009	143	...	6.052	7.161	11.582	5.535	346.738	» 17	
11.602	294.584	3	7	390	4.996	2.206	302.542	10.186	2.471	8	...	6.019	7.161	13.101	5.535	347.023	» 24	
11.376	299.608	24	7	402	5.847	2.193	308.392	10.186	...	20	...	6.019	7.163	13.228	5.535	350.543	» 31	
11.323	303.731	4	7	525	1.417	2.192	308.229	10.186	...	20	...	5.725	7.149	13.400	5.535	350.244	June 4	
11.112	301.712	12	7	454	1.546	2.190	306.258	10.186	...	20	...	5.725	7.166	13.524	5.535	348.414	» 14	
11.003	304.048	17	7	490	1.277	2.136	308.419	10.186	...	20	...	5.744	7.167	13.892	5.535	350.963	» 21	
10.794	303.133	12	7	490	5.529	2.130	311.741	10.186	...	5	...	5.736	7.181	14.065	5.535	354.449	» 28	
10.597	314.260	5	7	399	2.326	2.098	319.467	10.186	...	5	...	5.736	7.166	14.439	5.535	362.534	July 5	
10.490	311.038	4	7	302	1.416	2.421	315.577	10.186	...	5	...	4.730	7.174	13.636	5.535	356.843	» 12	
10.198	306.010	12	7	311	1.244	2.449	310.488	10.186	...	5	...	4.706	7.184	13.795	5.535	351.899	» 19	
10.158	298.927	18	7	301	4.333	2.444	306.449	10.186	...	5	...	3.898	7.185	14.059	5.535	347.317	» 26	
10.023	302.132	10	7	376	5.232	2.437	310.600	10.186	1.516	...	...	3.898	7.187	14.408	5.535	353.330	August 2
9.851	301.520	23	7	312	3.059	2.433	307.734	10.186	9.158	...	...	3.881	7.171	14.673	5.535	358.338	» 9
9.781	298.161	3	7	265	9.135	2.430	310.356	10.186	12.142	...	...	3.074	7.171	15.044	5.535	363.508	» 16
9.789	296.055	...	7	291	3.612	2.421	302.700	10.186	23.440	...	...	3.074	7.171	15.405	5.535	367.511	» 23
9.538	295.359	24	7	347	3.268	2.416	301.823	10.186	25.800	...	...	3.075	7.171	15.571	5.535	369.161	» 30
9.507	302.690	19	7	263	1.507	2.404	307.394	10.186	25.799	...	...	3.075	7.155	15.742	5.535	374.886	September 6
9.175	299.156	18	7	295	1.405	2.494	303.825	10.186	25.308	...	...	3.079	7.156	15.983	5.535	371.072	» 13
8.926	299.061	8	7	344	1.248	2.481	303.581	10.186	28.047	...	...	3.073	7.156	16.248	5.535	373.826	» 20
8.829	295.092	7	7	322	3.539	2.474	301.765	10.186	26.882	...	...	1.661	7.159	16.573	5.535	369.761	» 27
8.686	304.370	5	7	392	1.159	2.461	308.745	10.186	25.070	30	...	1.661	7.142	15.564	5.535	373.933	October 4	
8.462	300.659	6	7	323	1.652	2.452	305.701	10.186	23.747	30	...	1.661	7.143	14.303	5.535	368.306	» 11	
8.388	297.590	15	7	314	4.094	2.428	304.935	10.186	21.846	30	...	1.655	7.143	14.649	5.535	365.979	» 18	
13.907	294.031	8	7	341	2.628	2.387	299.800	10.186	14.745	30	...	1.653	7.143	14.707	5.535	353.799	» 25	
13.767	299.045	24	7	327	3.266	2.386	305.640	10.186	8.717	...	...	1.653	7.143	14.959	5.535	353.833	» 29
13.369	298.441	9	7	342	4.095	2.385	305.787	10.186	2.104	5	...	1.769	7.128	15.194	5.535	347.708	November 8	
17.456	295.711	12	7	324	3.429	2.548	302.522	10.186	...	5	...	660	7.128	15.364	5.535	341.400	» 15	
17.456	292.739	24	7	265	2.959	2.542	298.940	10.186	...	...	...	658	7.128	15.971	5.535	338.418	» 22
17.117	293.327	17	7	281	1.829	2.495	298.888	10.186	...	...	...	659	7.128	16.389	5.535	338.785	» 29
18.191	300.217	7	7	287	2.124	2.489	305.559	10.186	...	...	...	37	7.119	16.747	5.535	345.183	December 6
18.059	298.541	16	7	311	2.080	2.535	303.945	10.186	...	...	...	37	7.119	17.229	5.535	344.051	» 13
17.947	302.657	14	7	331	2.366	2.476	308.336	10.186	...	...	...	67	7.119	18.106	5.535	349.349	» 20
17.682	304.659	20	7	363	1.897	2.540	309.787	10.186	...	...	...	67	7.134	18.403	5.535	351.112	» 24

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER, 1976,
THE BANK'S HOLDINGS**

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

7.50 p.c.	Belgian Loan 1969/87.
8.25 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.
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.
10 - 9.75 p.c.	Belgian Loan 1975/81/85.
9 p.c.	Belgian Loan 1976/84.
10 p.c.	Belgian Loan 1976/84.
10 p.c.	Belgian Loan 1976/85.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
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.
- 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"> — Belgian Issue. — American Issue. — Estonian Issue. — Latvian Issue. — Lithuanian Issue. |
|----------------------|---|---|
- 3rd tranche of Belgian issue.
- Belgian National Railways Company Dividend Right Certificates.

ECONOMIC AND FINANCIAL STATISTICS

Table 1.

Unit import and export values and terms of trade of the Belgian-Luxembourg Economic Union

(Indices 1970 = 100)

	Average unit values		Terms of trade ¹
	Import	Export	
1971	101.2	99.6	98.4
1972	100.1	100.2	100.1
1973	107.1	108.3	101.1
1974	136.9	134.7	98.4
1975	144.4	139.8	96.8
1975 First 9 months	142.5	139.9	98.2
1976 First 9 months	153.5	147.2	95.9

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

$$^1 \text{ Terms of trade} = \frac{\text{average unit export values}}{\text{average unit import values}} \times 100$$

Table 2.

**Geographical distribution
of exports from the Belgian-Luxembourg Economic Union**

	Monthly averages in billions of francs							In per cent of the total value		
	1971	1972	1973	1974	1975	1975	1976 p	1960	1970	1976 p (First 11 months)
						(First 11 months)				
1. Market-economy countries ...	50.64	57.91	70.45	88.20	84.52	83.55	100.40	97.0	97.8	96.8
a) Developed countries	46.56	53.33	64.79	79.57	75.62	74.66	91.19	82.4	89.8	87.9
of which :										
European Economic Community	37.89	43.74	53.02	64.07	62.16	61.29	76.76	58.3	73.1	74.0
Original members	35.50	40.45	48.65	57.85	55.10	54.29	68.80	50.5	68.2	66.3
Federal Republic of Germany	(13.11)	(14.71)	(17.16)	(19.71)	(19.62)	(19.43)	(24.35)	(15.8)	(24.2)	(23.5)
France	(10.26)	(12.03)	(15.06)	(18.31)	(16.84)	(16.47)	(22.08)	(10.4)	(19.9)	(21.3)
Italy	(2.25)	(2.70)	(3.50)	(4.10)	(3.55)	(3.40)	(4.88)	(3.1)	(4.7)	(4.7)
Netherlands	(9.88)	(11.01)	(12.93)	(15.73)	(15.09)	(14.99)	(17.49)	(21.2)	(19.4)	(16.8)
New members	2.39	3.29	4.37	6.22	7.06	7.00	7.96	7.8	4.9	7.7
of which :										
United Kingdom ...	(1.87)	(2.63)	(3.36)	(4.95)	(5.70)	(5.67)	(6.17)	(5.5)	(3.7)	(5.9)
United States	3.45	3.61	4.07	5.13	3.59	3.55	3.68	9.5	6.1	3.5
Japan	0.31	0.40	0.65	0.71	0.47	0.48	0.58	0.6	0.7	0.6
b) Developing countries ...	4.08	4.58	5.66	8.63	8.90	8.89	9.21	14.6	8.0	8.9
of which :										
Members of the Organisation of Petroleum Exporting Countries	(0.81)	(1.07)	(1.49)	(2.21)	(3.40)	(3.40)	(3.98)	(2.8)	(1.7)	(3.8)
Republic of Zaire	(0.52)	(0.43)	(0.46)	(0.60)	(0.48)	(0.48)	(0.40)	(1.6)	(1.0)	(0.4)
2. Countries with centrally planned economies	0.79	1.05	1.73	2.86	2.78	2.73	2.62	2.5	1.7	2.5
Total ¹ ...	51.69	59.25	72.51	91.65	88.07	87.04	103.79	100.0	100.0	100.0

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

¹ Including supplies on board ships and aircraft and miscellaneous items.

Table 3.

Currencies used in payments for imports and exports ¹

(Percentage of total)

Currencies	Payments for imports							Receipts from exports						
	1971	1972	1973	1974	1975	1975	1976	1971	1972	1973	1974	1975	1975	1976
						(First 9 months)							(First 9 months)	
Belgian franc	25.1	27.1	26.0	25.1	25.3	25.6	25.4	46.2	46.0	48.9	52.1	50.4	50.6	47.7
German mark	18.9	18.6	19.6	20.1	19.7	20.0	18.5	17.7	18.1	17.4	16.4	16.3	16.4	17.8
French franc	10.1	11.9	12.1	11.0	11.5	11.9	10.3	8.5	10.3	11.3	10.5	10.9	10.9	11.3
Netherlands guilder	6.5	6.6	7.0	7.8	8.0	7.9	8.4	6.7	6.9	6.7	6.7	6.5	6.5	6.5
Pound sterling	7.7	7.4	7.1	5.8	6.0	6.2	5.1	2.3	2.3	2.0	2.2	2.5	2.6	1.9
Italian lira	2.9	3.0	2.5	2.2	2.3	2.2	1.9	0.7	1.2	1.1	1.0	1.0	0.9	1.2
Danish crown	0.3	0.3	0.3	0.1	0.2	...	...	...	0.1	0.2	0.3	0.1	...	...
Total of currencies of E.E.C. countries	71.5	74.9	74.6	72.1	73.0	73.8	69.6	82.1	84.9	87.6	89.2	87.7	87.9	86.4
United States dollar	20.6	18.3	18.8	21.0	20.8	19.9	25.2	14.5	11.9	9.7	8.2	10.0	9.8	11.4
Other currencies	7.9	6.8	6.6	6.9	6.2	6.3	5.2	3.4	3.2	2.7	2.6	2.3	2.3	2.2

¹ Only payments for genuine imports and exports of goods; commission processing and third-country transactions are therefore excluded.

Table 4.

**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 International Monetary Fund ¹	Net claims on or liabilities to (-) the European Monetary Cooperation Fund ¹	Spot foreign currencies	Spot Belgian francs ²	Total	Foreign currencies	Belgian francs	Total		Position in foreign currencies	Position in Belgian francs		
1970	73.5	29.8	—	39.0	-1.1	141.2	-37.9	11.4	-26.5	114.7	1.1	10.3		
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	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	71.8	53.3	...	95.1 ⁴	-3.1	217.1	-11.1	13.0	1.9	219.0	84.0	9.9	+ 12.4	+ 13.4
1975 Nov. .	71.8	59.0	...	112.4 ⁴	-3.7	239.5	-10.6	13.0	2.4	241.9	101.8	9.3	+ 19.5 ⁵	+ 19.9 ⁵
Dec. .	71.8	58.7	...	113.7 ⁴	-3.7	240.5	-12.1	11.9	- 0.2	240.3	101.6	8.2	+ 18.4	+ 18.8
1976 March .	71.8	61.9	-33.1	93.7 ⁴	-4.4	189.9	- 8.6	8.5	- 0.1	189.8	85.1	4.1	- 51.4 ⁶	- 51.4 ⁶
June .	71.8	65.8	...	85.8 ⁴	-3.4	220.0	- 5.7	5.1	- 0.6	219.4	80.1	1.7	+ 30.5 ⁷	+ 30.0 ⁷
Sept. .	71.8	59.1	-19.0	71.0 ⁴	-3.2	179.7	- 1.7	1.1	- 0.6	179.1	69.3	-2.1	- 35.2 ⁸	- 35.2 ⁸
Nov. .	71.8	59.4	...	77.4 ⁴	-3.3	205.3	- 0.2	...	- 0.2	205.1	77.2	-3.3	- 35.7 ⁵	- 35.7 ⁵
Dec. .	71.8	59.0	...	90.5 ⁴	-3.3	218.0	...	...	...	218.0	90.5	-3.3	- 24.6	- 24.6

¹ These comprise a) the rights which are held by the Belgian Government as a member of the International Monetary Fund and which the National Bank of Belgium has been authorised, first by the Law of 19th June, 1959 and then by that of 9th June, 1969, to show in its accounts as its own assets in consideration of its assuming liability for the obligations incumbent on the Belgian Government in that connection and b) the advances granted by the Bank for its own account to the Fund, under the « oil facility », under an agreement concluded with the Fund and approved by the Government.

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

³ Not including the accounting changes, namely those resulting from a) the adjustments made to various assets and liabilities following 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 U.S. dollar in 1973, b) the allocations of special drawing rights to Belgium in 1971 and 1972, and c) the changes in exchange rates which, since January, 1974, may have affected the countervalue in Belgian francs of the changes in the outstanding amounts in foreign currencies.

- ⁴ 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 on behalf of the Government in accordance with the Convention concluded on that date between the Government and the Bank.
- ⁵ Change in the first eleven months.
- ⁶ Change in the first quarter.
- ⁷ Change in the second quarter.
- ⁸ Change in the third quarter.

Table 8.

Official rates of exchange fixed by the bankers meeting at the Brussels Clearing House

(Daily quotations in Belgian francs)

1976	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
January																	
Highest	39.53	80.00	14.72	15.13	8.83	5.78	38.68	15.14	9.00	6.40	7.08	214.25	144.75	66.16	10.27	79.06	12.99
Lowest	39.16	79.56	14.69	15.07	8.75	5.23	39.42	15.05	8.95	6.37	7.06	213.50	144.00	65.61	10.20	78.81	12.81
Mean	39.30	79.72	14.71	15.10	8.78	5.61	39.06	15.10	8.98	6.38	7.07	213.78	144.37	65.85	10.23	78.60	12.91
February																	
Highest	39.25	79.55	14.72	15.37	8.78	5.26	39.76	15.34	8.98	6.39	7.11	214.75	144.50		10.23	78.51	13.07
Lowest	38.96	78.92	14.63	15.17	8.72	4.84	39.06	15.07	8.92	6.35	7.06	213.25	141.20	1	10.18	77.92	12.90
Mean	39.10	78.27	14.69	15.28	8.75	5.10	39.34	15.23	8.95	6.37	7.08	214.07	143.10		10.21	78.20	12.98
March																	
Highest	39.74	79.58	14.75	15.46		5.07	40.42	15.52	9.01	6.44	7.13	215.60	140.90	59.34	10.30		13.25
Lowest	38.65	74.55	14.35	15.14	2	4.48	39.28	15.15	8.78	6.34	6.98	211.50	138.00	57.65	10.06	3	12.91
Mean	39.25	76.38	14.59	15.34		4.77	39.84	15.31	8.92	6.39	7.08	213.85	137.70	58.67	10.21		13.07
April																	
Highest	39.05	73.36	14.54	15.40	8.37	4.63	39.86	15.48	8.88	6.52	7.13	215.25	133.25	58.25	10.16	45.15	13.12
Lowest	38.81	70.72	14.45	15.30	8.30	4.33	39.44	15.36	8.83	6.40	7.07	213.50	131.00	57.60	10.10	44.66	12.98
Mean	38.97	71.99	14.51	15.36	8.34	4.44	39.64	15.42	8.85	6.46	7.10	214.55	131.89	57.95	10.13	44.89	13.04
May																	
Highest	39.85	71.80	14.50	15.43	8.44	4.76	40.76	16.38	9.05	6.51	7.22	216.00	131.10	59.05	10.39	45.52	13.33
Lowest	38.73	70.10	14.39	15.26	8.29	4.23	39.51	15.47	8.84	6.42	7.08	213.40	130.00	57.48	10.06	44.56	12.96
Mean	39.19	70.89	14.43	15.31	8.34	4.59	40.00	15.77	8.89	6.47	7.14	213.96	130.55	58.00	10.13	44.96	13.12
June																	
Highest	39.80	70.76	14.53	15.44	8.40	4.78	41.10	16.59	8.94	6.50	7.18	215.80	129.70	58.65	10.22	45.52	13.41
Lowest	39.51	68.35	14.46	15.33	8.35	4.60	40.40	15.75	8.89	6.45	7.11	214.25	126.25	58.23	10.13	45.22	13.19
Mean	39.64	70.01	14.48	15.39	8.37	4.68	40.73	16.06	8.91	6.47	7.15	215.13	128.01	58.41	10.17	45.34	13.26
July																	
Highest	39.83	71.69	14.60	15.46	8.38	4.76	41.07	16.09	8.93	6.46	7.14	218.00	127.40	58.58	10.26	45.56	13.58
Lowest	39.30	70.14	14.52	15.38	8.00	4.72	40.36	15.85	8.86	6.42	7.09	215.50	126.10	57.42	10.14	45.26	13.36
Mean	39.70	70.92	14.55	15.42	8.21	4.74	40.86	15.99	8.89	6.44	7.11	216.73	126.86	58.38	10.22	45.48	13.48
August																	
Highest	39.28	70.43	14.74	15.46	7.99	4.71	40.12	15.84	8.88	6.45	7.11	217.95	126.75	57.66	10.13	45.08	13.50
Lowest	38.74	68.68	14.51	15.35	7.78	4.60	39.21	15.65	8.80	6.39	7.04	216.50	124.25	56.93	9.98	44.53	13.39
Mean	39.01	69.58	14.59	15.43	7.86	4.66	39.60	15.74	8.85	6.42	7.08	217.35	125.63	57.28	10.04	44.82	13.43
September																	
Highest	38.85	68.87	14.80	15.46	7.89	4.62	39.77	15.70	8.85	6.44	7.12	218.80	125.70	57.30	10.00	44.74	13.56
Lowest	37.61	62.62	14.65	15.37	7.64	4.37	38.64	15.38	8.80	6.39	7.05	216.75	121.00	55.50	9.74	43.88	13.12
Mean	38.41	66.54	14.74	15.42	7.82	4.55	39.41	15.54	8.84	6.42	7.08	217.65	123.71	56.65	9.91	44.37	13.38
October																	
Highest	37.80	63.32	14.75		7.63	4.48	38.93	15.44				218.25	122.00	55.67	9.83	43.67	13.18
Lowest	36.78	57.50	14.56	4	7.36	4.26	37.90	15.15	4	4	4	214.80	117.40	53.88	9.56	42.45	12.54
Mean	37.31	61.25	14.65		7.49	4.37	38.36	15.26				216.27	119.58	54.85	9.68	43.15	12.83
November																	
Highest	37.21	62.35	14.71	15.38	7.47	4.31	37.21	15.24	8.80	6.28	7.03	216.75	118.75	54.47	9.71	42.93	12.65
Lowest	36.63	58.71	14.64	15.25	7.34	4.23	36.63	15.03	8.74	6.23	7.00	214.75	116.50	53.65	9.58	42.33	12.42
Mean	36.97	60.65	14.68	15.33	7.41	4.28	36.97	15.15	8.77	6.26	7.02	215.91	117.82	54.14	9.63	42.68	12.54
December																	
Highest	36.83	61.73	14.67	15.30	7.37	4.26	36.02	15.02	8.78	6.28	7.02	218.00	117.00	53.97	9.64	42.39	12.45
Lowest	35.94	60.60	14.62	15.23	7.23	4.11	35.47	14.69	8.70	6.22	6.95	214.45	114.25	52.62	9.53	41.76	12.27
Mean	36.42	61.15	14.65	15.27	7.30	4.20	35.73	14.87	8.76	6.24	6.99	215.26	115.82	53.34	9.58	42.11	12.36
Year																	
Highest	39.85	80.00	14.80			5.78	41.10	16.59				218.80	144.75		10.39		13.58
Lowest	35.94	57.50	14.35	4	2	4.11	35.47	14.69	4	4	4	211.50	114.25	1	9.53	3	12.27
Mean	38.60	69.85	14.61			4.67	39.17	15.45				215.39	128.71		10.01		13.04

	February		Year	
	1st to 6th	9th to 29th	1st Jan. to 6th Feb.	9th Feb. to 31st Dec.
Highest	65.42	59.04	66.16	59.34
Lowest	65.36	58.82	65.36	52.62
Mean	65.39	58.93	65.76	56.91

	March		Year	
	1st to 12th	15th to 31st	1st Jan. to 12th March	15th March to 31st Dec.
Highest	8.74	8.45	8.83	8.45
Lowest	8.69	8.22	8.69	7.23
Mean	8.72	8.39	8.76	7.98

	March		Year	
	1st to 15th	16th to 31st	1st Jan. to 15th March	16th March to 31st Dec.
Highest	79.25	45.79	79.25	45.79
Lowest	78.82	44.65	77.92	41.76
Mean	78.88	45.19	78.49	44.25

	October								Year							
	1st to 15th				18th to 31st				1st January to 15th October				18th October to 31st December			
	1 DM	1 S.Cr.	1 D.Cr.	1 N.Cr.	1 DM	1 S.Cr.	1 D.Cr.	1 N.Cr.	1 DM	1 S.Cr.	1 D.Cr.	1 N.Cr.	1 DM	1 S.Cr.	1 D.Cr.	1 N.Cr.
Highest	15.46	8.85	6.48	7.08	15.38	8.77	6.29	7.00	15.46	9.05	6.52	7.22	15.88	8.80	6.29	7.03
Lowest	15.25	8.77	6.85	7.02	15.35	8.71	6.25	6.97	15.07	8.77	6.34	6.98	15.23	8.70	6.22	6.95
Mean	15.36	8.81	6.40	7.05	15.36	8.74	6.27	6.99	15.34	8.89	6.42	7.10	15.31	8.76	6.25	7.00

Table 6.

**Cash receipts and expenditure
resulting from execution of the current budgetary transactions**

(Billions of francs)

	Actual budgetary data		Budgetary data plus debudgetised transactions ¹		Balance (e) = (a) - (b) or (c) - (d)
	Receipts (a)	Expenditure (b)	Receipts (c)	Expenditure (d)	
1971	320.5	309.7	324.3	313.5	+10.8
1972	360.5	360.8	367.8	368.1	- 0.3
1973	404.5	408.4	430.2	434.1	- 3.9
1974	483.8	484.4	512.8	513.4	- 0.6
1975	577.5	620.3	609.4	652.2	-42.8
1975 First 10 months	471.3	516.6	496.8	542.1	-45.3
1976 First 10 months	527.0	606.8	558.8	638.6	-79.8

¹ The transactions thus added are current receipts which came in to the central Government but which the latter transferred to various funds and organisations, and the expenditure which these funds and organisations financed with the receipts in question.

Table 7.

Official national debt position

(Billions of francs)

At end of	Direct debt						Indirect debt 2	Debt taken over from the Republic of Zaire 3	Grand total 4
	in Belgian francs				in foreign currencies 1	Total			
	Consolidated	Medium term	Short term	Total					
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	559.4	15.9	120.0	695.3	5.5	700.8	62.9	1.0	764.7
1974	613.7	19.7	123.4	756.8	4.6	761.4	59.2	0.8	821.4
1975 October	687.0	17.6	139.4	844.0	3.9	847.9	85.6	0.5	934.0
December ...	681.9	17.3	140.4	839.6	3.7	843.3	85.1	0.4	928.8
1976 October	760.2	14.4	192.9	967.5	3.1	970.6	97.9	0.2	1.068.7
December ...	752.5	13.0	193.4	958.9	2.9	961.8	96.7	0.2	1.058.7

Source : Ministry of Finance, Treasury Administration.

- ¹ Not including the inter-governmental debts resulting from the 1914-18 war.
- ² 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 national debt budget.
- ³ Debt assumed by the Belgian Government under the Convention of 6th February, 1965 between Belgium and the Republic of Zaire, approved by the Law of 23rd April, 1965. Not including the debt of the Belgian-Congolese Amortisation and Management Fund.
- ⁴ The changes between the end of one period and the other may be partly of an accounting nature. Item 2 in Table 7bis indicates the changes in the national debt which have not given rise to movements of funds for the Treasury.

Table 7bis.

**National debt and funds used for meeting the Central Government's
net financial requirements**

(Changes in billions of francs)

	1971	1972	1973	1974	1975	1975	1976
						(First 10 months)	
1. National debt ¹	+23.0	+66.9	+53.1	+56.7	+107.4	+112.6	+139.9
2. Transactions without movement of funds :							
a) Treasury Certificates held by the International Monetary Fund ²	(-10.4)	(+ 3.9)	(+ 1.3)	(- 0.7)	(- 1.9)	(- 2.0)	(- 2.9)
b) The National Bank of Bel- gium's credit balance at the Postal Cheque Office for account of the Ministers of National Education ³	(- 0.3)	(- 0.2)	(- 2.1)	(—)	(—)	(—)	(—)
c) Miscellaneous	(- 0.1)	(- 0.5)	(+ 2.8)	(...)	(...)	(...)	(...)
Total 2 ...	-10.8	+ 3.2	+ 2.0	- 0.7	- 1.9	- 2.0	- 2.9
3. Funds used to meet the Treas- ury's net financial requirements (= 1. - 2.)	+33.8	+63.7	+51.1	+57.4	+109.3	+114.6 ⁴	+142.8
4. Debudgetised debt for the service of which the Central Government is responsible ⁵ ...	+17.6	+23.7	+19.9	+19.5	+ 24.3	+ 17.4	+ 20.4
5. Funds used to meet the Central Government's net financial requirements (= 3. + 4.) ⁶ ...	+51.4	+87.4	+71.0	+76.9	+133.6	+132.0 ⁴	+163.2

¹ According to Table 7 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 receipt of funds by the Treasury; as for the other changes in the Fund's portfolio, connected with its transactions in Belgian francs, these are reflected, in accordance with the provisions of the existing laws and agreements, in receipts or payments for the National Bank of Belgium and not for the Treasury.

³ Until November 1973, that is, during the period when the Government's liability corresponding to this credit balance was included in the national 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.

⁴ Including Fr. 7.1 billion used by the Treasury to make temporary investments (holding of commercial bills and creditor current account at the National Bank of Belgium).

⁵ Debt to the financial intermediaries and direct recourse to the capital market, insofar as it has been possible to record them.

⁶ See Table 9, column (c), page 47.

Table 8.

Cash holdings of individuals and enterprises *

(Billions of francs)

At end of	Notes and coin 1	Sight deposits			Grand total	Annual changes in grand total
		with mainly monetary institutions	with other financial intermediaries	Total		
	(a)	(b)	(c)	(d) = (b) + (c)	(e) = (a) + (d)	(f)
1970	188.4	173.4	11.4	184.8	373.2	
1971	202.6	193.6	12.8	206.4	409.0	+ 35.8
1972	222.4	234.1	17.2	251.3	473.7	+ 64.7
1973	237.6	247.6	20.4	268.0	505.6	+ 31.9
1974	254.9	258.6	26.5	285.1	540.0	+ 34.4
1975 October	273.4	286.1	32.4	318.5	591.9	+ 51.9 ²
December	288.1	306.1	37.0	343.1	631.2	+ 91.2
1976 October	298.0	304.5	39.7	344.2	642.2	+ 11.0 ²

* See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-4b.

¹ Notes and coin less holdings of financial intermediaries which have monetary liabilities.

² Change on the first ten months.

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	
1971	+21.8	+16.3	+12.3	+ 3.8	+ 54.2
1972	+35.5	+22.9	+22.6	+ 7.0	+ 88.0
1973	+25.0	+19.5	+19.6	+ 6.1	+ 70.2
1974	+12.9	+17.8	+13.5	+ 7.0	+ 51.2
1975	+50.9	+36.2	+17.3	+32.3	+136.7
1975 First 10 months	+37.0	+21.9	+18.5	+10.7	+ 88.1
1976 First 10 months	+23.2	+15.2	+16.5	+12.0	+ 66.9

Table 10.

Outstanding amounts of bonds and notes at over one year in Belgian francs

Classified according to issuers

(Changes in billions of francs)

	Central Government 1	Public financial intermed- iaries 2	Other public authorities and institutions	Banks	Private savings banks, mortgage and capital accumulation companies 2	Others	Total
1971	+ 79.4	+ 40.7	+ 11.5	+ 4.8	+ 4.9	+ 9.2	+150.5
1972	+ 94.5	+ 29.4	+ 12.4	+ 5.4	+ 2.3	+ 25.5	+169.5
1973	+ 79.3	+ 37.4	+ 7.9	+ 6.1	+ 6.7	+ 19.4	+156.8
1974	+ 66.1	+ 51.9	+ 9.2	+ 6.9	+ 11.8	p+ 10.7	p+156.6
1975	+ 90.1	+ 55.5	+ 11.9	+ 9.5	+ 11.0	p+ 27.3	p+205.3
1975 First 10 months .	+ 96.3	+ 53.9	+ 14.1	+ 8.2	+ 10.5	p+ 21.3	p+204.3
1976 First 10 months .	+ 88.0	+ 57.5	p+ 31.4	+ 13.7	p+ 11.1	p+ 4.6	p+206.3

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

² Including savings bonds or certificates.

Table 11.

Outstanding amounts of bonds and notes at over one year in Belgian francs

Classified according to holders

(Changes in billions of francs)

	Mainly monetary institutions	Other financial intermediaries 1	Public authorities	Foreign countries e	Others 2	Total
1971	+ 48.9	+ 44.8	+ 2.0	+ 1.0	+ 53.8	+150.5
1972	+ 53.8	+ 58.2	+ 1.6	+ 0.7	+ 55.2	+169.5
1973	+ 49.2	+ 27.4	+ 2.6	+ 0.6	+ 77.0	+156.8
1974	+ 40.4	+ 25.6	+ 2.3	+ 0.2	p+ 88.1	p+156.6
1975	+ 47.0	+ 60.6	- 0.7	+ 1.5	p+ 96.9	p+205.3
1975 First 10 months .	+ 56.4	+ 53.9	- 0.5	+ 1.5	p+ 93.0	p+204.3
1976 First 10 months p	+ 35.5	+ 43.6	+ 1.7	+ 0.2	+125.3	+206.3

¹ Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1976, namely those of life assurance companies and employers' liability insurance companies and those of pension funds.

² 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 notes at over one year 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 accumulation companies	Others	Total
1971	+ 16.5	+ 21.7	+ 2.0	+ 4.8	+ 4.8	+ 4.0	+ 53.8
1972	+ 19.3	+ 15.8	+ 1.9	+ 5.3	+ 2.1	+ 10.8	+ 55.2
1973	+ 20.0	+ 30.3	+ 1.5	+ 6.1	+ 6.4	+ 12.7	+ 77.0
1974	+ 25.4	+ 37.0	+ 2.2	+ 6.9	+ 11.1	p+ 5.5	p+ 88.1
1975	+ 25.6	+ 36.0	+ 2.9	+ 9.4	+ 9.9	p+ 13.1	p+ 96.9
1975 First 10 months .	+ 26.1	+ 35.1	+ 6.5	+ 8.1	+ 9.3	p+ 7.9	p+ 93.0
1976 First 10 months p	+ 40.3	+ 40.8	+ 19.4	+ 13.4	+ 10.7	+ 0.7	+125.3

Table 13.

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	
1971	375.7	234.4	610.1	3.28		4.24 ¹	
1972	435.4	266.4	701.8	3.25		4.15	
1973	522.5	293.3	815.8	3.38		4.41	
1974	646.6	353.5	1,000.1	3.99		4.82	
1975	709.6	408.4	1,118.0	3.88		5.05	
1975 First 11 months	696.1	407.1	1,103.2	3.84		5.05	
1976 First 11 months	812.5	446.8	1,259.3	4.01		4.94	
1975 1st quarter	673.9	415.8	1,089.7	4.04	4.04	5.44	5.24
2nd quarter	738.1	430.9	1,169.0	4.03	4.00	5.15	5.05
3rd quarter	658.6	370.9	1,029.5	3.44	3.66	4.53	4.79
4th quarter	767.7	416.1	1,183.8	4.06	3.86	5.10	5.15
1976 1st quarter	752.1	445.2	1,197.3	3.85	3.85	5.27	5.04
2nd quarter	843.1	470.8	1,313.9	4.09	4.05	5.04	4.95
3rd quarter	813.7	420.5	1,234.2	3.88	4.13	4.49	4.76

* See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-18.

¹ For statistical reasons, the figure for 1971 is not fully comparable to those for the subsequent years.

² Seasonally adjusted figures.

Table 14.

Rates for investments in Belgian francs accessible to the general public ¹

(Per cent)

At end of	Time deposits at banks (8 months)		Deposits on ordinary savings books at the General Savings and Pensions Fund ³	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) ⁴
	Large deposits ²	Ordinary deposits		(1 year)	(5 years)	
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	9.500	5.75	4.75	6.75	7.50	7.92
1974	10.500	7.00	6.25	8.25	9.75	9.03
1975 June	5.500	5.00	5.50	6.75	8.00	8.07
December ...	5.875	4.65	5.50	6.75	8.00	8.72
1976 January	6.000	4.65	5.50	7.00	8.75	8.80
February ...	7.000	4.65	5.50	7.00	8.75	8.96
March	9.875	4.65	5.50	7.00	8.75	9.00
April	9.875	5.15	5.50	7.25	9.50	9.19
May	8.750	5.15	5.50	7.25	9.50	9.35
June	8.375	5.15	5.50	7.25	9.50	8.94
July	9.125	5.15	5.50	7.25	9.50	8.81
August	13.375	5.90	5.50	7.25	9.50	9.21
September ...	12.875	6.75	5.50	7.25	9.50	9.11
October	13.875	6.75	5.50	7.25	9.50	9.17
November ...	10.625	6.75	5.50	7.25	9.50	9.30
December ...	9.250	6.75	5.50	7.25	9.50	9.22

¹ Rates before deduction of tax at source.² Indicative rates for deposits of from Fr. 5 to 20 million.³ Rates credited on amounts up to Fr. 500,000. They include the fidelity premium paid on amounts that remained on deposit from 16th January to 31st December. Since, up to a certain amount (at present Fr. 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.⁴ 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 15.

Financial assets of individuals and enterprises with the financial intermediaries

(Changes in billions of francs)

	Non-monetary financial intermediaries			Mainly monetary institutions				Grand total	Grand total as percentage of total financial assets ²
	Public-sector non-monetary financial intermediaries	Private savings banks, mortgage and capital accumulation companies	Total	Banks	Public monetary institutions	National Bank of Belgium ¹	Total		
1971	+ 56.4	+ 26.1	+ 82.5	+ 56.5	+ 1.9	+ 13.8	+ 72.2	+154.7	75.1
1972	+ 55.0	+ 33.3	+ 88.3	+ 76.4	+11.9	+ 19.5	+107.8	+196.1	69.6
1973	+ 69.6	+ 34.5	+104.1	+ 86.7	+ 2.0	+ 14.3	+103.0	+207.1	73.6
1974	+ 80.0	+ 34.1	+114.1	+ 63.3	+ 2.3	+ 16.8	+ 82.4	+196.5	p 65.2
1975	+111.3	+ 51.6	+162.9	+102.4	+ 7.6	+ 33.1	+143.1	+306.0	p 81.0
1975 First 10 m. ...	+ 99.7	+ 39.1	+138.8	+ 83.2	+ 6.2	+ 18.1	+107.5	+246.3	p 79.2
1976 First 10 m. ...	+ 95.5	+ 44.4	+139.9	+108.9	+ 6.6	+ 8.9	+124.4	+264.3	p 68.7

¹ Mainly the outstanding amounts of notes issued less the part held by the monetary intermediaries which have monetary commitments.

² Changes in financial assets with all the financial intermediaries as a percentage of the grand total of Table 13, page 52.

Table 16.

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 (6 months) 4	R.G.I. : bank acceptances counted against the rediscount ceilings at the National Bank of Belgium (up to 120 days) 2 5		Bank acceptances not counted against the rediscount ceilings and negotiated on the market outside the National Bank (at about 90 days) 2	Deposits in Euro-currencies (3 months) 2	
					against sub-ceiling A	against sub-ceiling B		Belgian francs	Dollars 6
1970	6.25	6.95	7.25	7.45	6.00		7.00	7.31	6.37
1971	3.70	4.80	5.15	5.35	4.45		5.65	5.75	5.62
1972	2.48	4.50	4.85	4.85	4.90		5.40	5.81	5.62
1973	4.81	7.65	7.95	—	7.65		9.50	10.25	9.87
1974	9.25	10.50	11.00	—	8.65	10.00	10.90	11.25	9.87
1975 June	4.85 ⁽⁷⁾	6.00	6.25	6.50	5.75		5.85	6.06	6.50
December	4.42 ⁽⁸⁾	6.05	6.20	6.75	5.25		5.80	6.44	5.62
1976 January	3.99	6.05	6.20	6.75	5.90		6.75	6.81	5.00
February	5.41	6.40	6.55	7.10	5.90	7.10	7.25	7.88	5.37
March	7.56	9.00	9.25	7.10	6.90	9.10	11.25 ⁹	10.88	5.37
April	7.74	9.25	9.50	—	6.90	9.10	10.00	10.75	5.25
May	6.52	9.50	10.00	—	6.90	8.10	8.85	9.38	6.25
June	7.16	9.00	9.50	10.00	6.90		8.80	9.13	5.75
July	7.14	10.00	9.50	9.75	7.90	9.60	9.60 ⁹	9.88	5.50
August	10.28	11.50	11.75	10.50	8.90	11.10	13.50	14.13	5.50
September	12.18	13.00	13.25	—	8.90	11.75	13.10	14.00	5.62
October	15.52	13.50	13.75	10.50	8.90	12.50	14.00	14.88	5.25
November	8.86	11.50	11.50	12.50	8.90	10.50	10.75	11.63	5.00
December	7.37	10.00	10.50	10.75	8.90		9.65	10.13	4.87

* See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-2 and 3.

¹ Daily averages.² End of period.³ Last weekly tender in the period.⁴ Last tender in the year or tender in the month.⁵ Bills with visa or certification representing imports. Until 22nd October, 1973 : rate for transactions at 61 to 120 days.⁶ Source : The Times. Rate for investors not arranging forward cover.⁷ First half-year.⁸ Second half-year.⁹ At about 60 days.

Table 17.

**National Bank of Belgium's official scale of discount
and advance rates**

(Per cent)

	Discount ¹		Advances in current account and loans against		
	Bills accepted payable at a bank, warrants and acceptances, bearing visa ² or certified, representing foreign trade transactions	Other bills and promissory notes	Treasury Certificates and Securities Regulation Fund Certificates issued at up to 180 days ³	Treasury Certificates issued at over 180 days and up to 374 days ³	Other public securities ⁴
At end of					
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	9.50		9.50	
1975	6.00	6.00		6.00	
1976	9.00	9.00		10.00	
1976					
1st January - 17th March .	6.00	6.00		6.00	
18th March - 22nd July ...	7.00	7.00		7.00	
23rd July - 12th August ...	8.00	8.00		8.00	
13th August - 30th Sept.	9.00	9.00		9.00	
1st October - 19th October	9.00	9.00		12.50	
20th October - 17th Nov.	9.00	9.00		12.00	
18th November - 8th Dec.	9.00	9.00		11.00	
9th December - 31st Dec.	9.00	9.00		10.00	

¹ Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.

² The visa was abolished on 1st April, 1974.

³ Maximum proportion advanced : 95 p.c.

⁴ Maximum proportion advanced : 80 p.c.

Table 18.

National Bank of Belgium's special rates

(Per cent)

At end of	Discounting of bills counted against sub-ceiling B ¹	Rediscount and Guarantee Institute's rediscount facility for mobilisation of paper not counted against rediscount ceilings ²	Advances above monthly quota allotted to banks, private savings banks and public credit institutions ³
1973 December	—	9.50	—
1974 January	—	10.50	—
February	—	11.75	—
March	—	10.25	—
April	—	11.25	—
May	—	12.50	—
June	—	12.25	—
July	9.50	12.75	13.00
August	9.50	12.25	12.75
September	9.50	11.50	11.75
October	9.50	10.50	10.75
November	9.50	10.00	10.25
December	9.50	10.00	10.25
1975 January	9.00	9.00	9.25
February	8.25	8.50	9.25
March	7.50	7.75	8.25
April	—	7.25	7.75
May	—	6.50	7.00
June	—	6.50	6.75
July	—	6.50	7.00
August	—	6.00	6.50
September	—	6.00	6.50
October	—	6.00	6.50
November	—	6.00	6.50
December	—	6.00	6.50
1976 January	—	7.00	7.50
February	7.00	7.50	7.50
March	9.00	9.00	10.00
April	9.00	9.00	9.00
May	8.00	8.00	8.00
June	—	8.00	8.00
July	10.00	10.00	10.50
August	11.00	12.00	13.00
September	11.50	12.50	13.50
October	12.00	13.00	13.00
November	10.50	11.00	12.00
December	—	10.00	10.50

¹ Rate which existed from 8th July, 1974, to 31st March, 1975, from 12th February to 16th June, 1976 and from 23rd July to 19th December, 1976.

² Rate existing since 21st December, 1973.

³ Rate existing since 8th July, 1974.

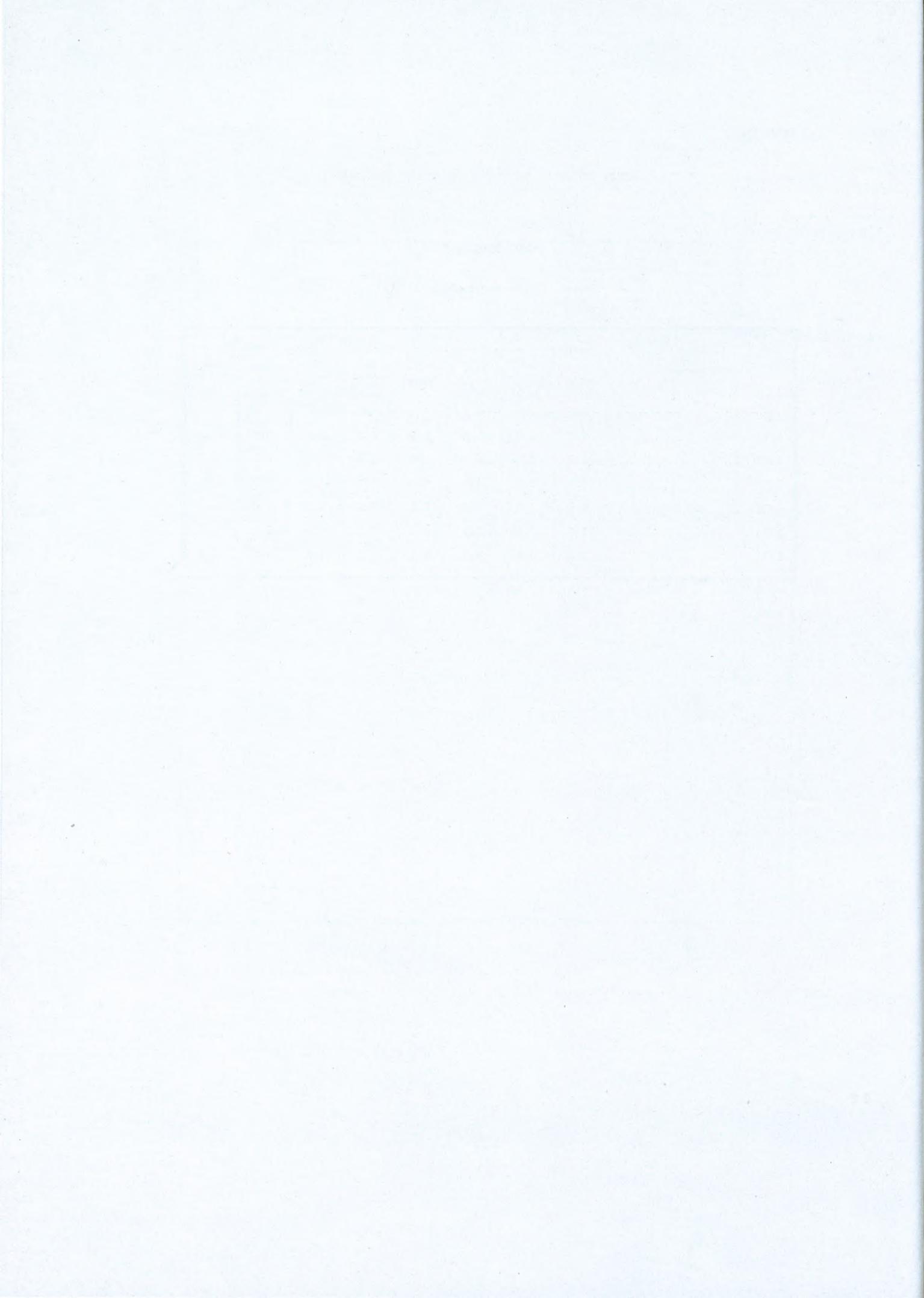
Table 19.

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	
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
1975	6.5	5.7	3.4	4.1	0.1	10.4	1.0	15.6
1976	6.8	0.8	3.6	4.4	1.2	4.6	1.0	11.2

* 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 Navi- gation Aérienne (Sabena)
Belgian Aluminium Syndicate	Syndicat Belge de l'Aluminium
Belgian Bankers' Association	Association Belge des Banques
Belgian Coal Mines Re-equipment Fund	Fonds de Rééquipement des Charbonnages Belges
Belgian-Congolese Amortisation and Management Fund	Fonds Belgo-Congolais d'Amortissement et de Gestion
Belgian-Luxembourg Economic Union (B.L.E.U.)	Union Economique Belgo-Luxembourgeoise (U.E.B.L.)
Belgian-Luxembourg Foreign Exchange Institute	Institut Belgo-Luxembourgeois du Change
Belgian Municipal Credit Institution	Crédit Communal de Belgique
Belgian National Railways Company (B.N.R.C.)	Société Nationale des Chemins de fer belges (S.N.C.F.B. ou S.N.C.B.)
Belgian Office for Increasing Productivity	Office Belge pour l'Accroissement de la Productivité
Belgian Petroleum Federation	Fédération pétrolière belge
Belgian Surveyors' Association	Association Belge des Experts
Benelux Economic Union	Union Economique Benelux

Benelux Intergovernmental Conference	Conférence intergouvernementale du 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 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 Publicity Consultants' Bureaux	Chambre des Agences-Conseils en Publicité
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 Heads of Government	Conseil des Chefs de Gouvernement
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.)
Department of National Education	Département de l'Education Nationale
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 (of 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 Guidance 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 Paiement (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 (précédem- ment 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 fabri- cations métalliques
Franco-Belgian Nuclear Energy Company of the Ardennes	Société Franco-Belge d'Energie Nucléaire des Ardennes
General Agreement on Tariffs and Trade (G.A.T.T.)	Accord Général sur les Tarifs douaniers et le Com- merce (G.A.T.T.)
General Arrangements to Borrow (I.M.F.)	Accords Généraux d'Emprunt (F.M.I.)
General Budget Statement	Exposé Général du Budget
General Savings and Pensions Fund (G.S.P.F.)	Caisse Générale d'Epargne et de Retraite (C.G.E.R.)
General Statistical Bulletin of the Statistical Office of the European Communities	Bulletin général de Statistiques de l'Office statisti- que 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
Interim Committee (of I.M.F.)	Comité intérimaire (du F.M.I.)
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'Etudes International du Plomb et du Zinc
International Materials Conference	Conférence Internationale des Matières Premières
International Monetary Fund (I.M.F.)	Fonds Monétaire International (F.M.I.)
International Sugar Agreement	Accord International du Sucre
International Sugar Conference	Conférence Internationale des Sucres
International Tin Council	Conseil International de l'Etain
International Wheat Agreement	Accord International du Blé
Joint Committee of Banks and Bank Employees	Commission paritaire des banques
London Metal Exchange	Bourses des Métaux de Londres
Medium-term Economic Policy Committee (of the European Communities)	Comité de politique économique à moyen terme (des Communautés Européennes)
Minister of National Education	Ministre de l'Education Nationale
Ministry for Economic Affairs	Ministère des Affaires Economiques
Ministry of Agriculture	Ministère de l'Agriculture
Ministry of Employment and Labour	Ministère de l'Emploi et du Travail
Ministry of Finance	Ministère des Finances
Ministry of National Defence	Ministère de la Défense Nationale
Ministry of Public Functions	Ministère de la Fonction Publique
Ministry of Public Works, Town Planning Board	Ministère des Travaux Publics, Administration de l'Urbanisme
Monetary Committee (of 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 Economique
National Del Credere Office	Office National du Dueroire
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
Oil facility (of I.M.F.)	Mécanisme pétrolier (du F.M.I.)
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.)
Regional Policy Committee	Comité de politique régionale
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
Solidarity Fund for Financing Early-Retirement Pensions	Fonds de solidarité de financement de la prépension
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
Trust Fund (of I.M.F.)	Fonds fiduciaire (du F.M.I.)
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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Translated from the French by

D.F. Long & Co. (Translations) Ltd. London SE1 6DQ

Printing Works
of the National Bank of Belgium
Boulevard de Berlaimont 56
1000 Brussels

Chief of the Printing Department
J. VAN DROOGENBROECK
