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OF BELGIUM



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REPORT

presented by the Governor in the name of the

COUNCIL OF REGENCY

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

A combination of conditions favourable to the industrialised countries, exceptional in history, had given them the opportunity of making easy and extraordinarily rapid material progress during the 1960s and the early 1970s.

The crisis in the industrialised countries.

Within a short time these conditions altered. A number of simultaneous changes, some of which were in fact the result of the developments of that euphoric period, led to a worsening of the immediate situation of these countries, especially in Europe, and darkened their growth prospects. All of them are passing through a difficult period of uncertainty and instability, marked by the dislocation of the traditional mechanisms and burdened by problems which are new by their extent and for which the usual remedies, being ill-suited to them, do not provide any satisfactory solutions.

The years 1973 or 1974, depending on the countries in question, were characterised by a slackening of the boom. Largely cyclical in nature, this weakening was made more marked by the ebbing of the spending wave which had preceded it. This wave was broken by obstacles which had been created by its very strength : the inflationary rises in costs and prices, the world-wide overinvestment into which too many sectors had allowed themselves to be drawn and the inevitable slowing-down of expenditure by households, which had previously accelerated their spending in order to anticipate the rise in prices of durable consumer goods and real estate.

The effects of this repercussion of the previous expansionary waves were further accentuated by the return to peace in the world : for the first time since the mid-thirties, expenditure was no longer, for quite a long period, scandalously stimulated by the economic fall-out of large-scale military operations.

But at the same time there was a weakening of the more fundamental and less directly perceptible effect of other factors which had also sustained the material progress of the 1960s.

The general fall in the birth rate and, consequently, the slowing down or, in some cases, even cessation of population growth began to reduce one of the motive forces behind the growth in needs.

The expansion of markets was also affected by the repercussions of a relative saturation of the demand for goods such as cars, major household appliances, television sets and synthetic products. The growth in demand for these consumer goods, which had been particularly rapid in Europe in the 1960s, fell off sharply. The accelerating effect produced by the enormous spread of these goods therefore weakened and even disappeared, particularly in the case of the capital investment expenditure of the sectors whose growth is not stimulated to the same extent by an appreciable continued increase in demand for other consumer goods.

These various depressive effects were not offset, as had been hoped, by a sufficient enlargement of the markets offered by the developing countries. True, the meeting of the enormous potential requirements of these countries ought to provide a promising outlet for the activities of the industrialised economies. Up to the present, however, facts have been guided by other logics. On the one hand, preoccupied with their domestic needs, the richer countries have not perhaps devoted the necessary amount of effort to cooperation. On the other hand, many developing countries have not reached the take-off stage towards the achievement of growth, or are even losing ground, either because their administrative infrastructure has remained completely inadequate, or because their managers have not proved capable of coping with the responsibilities which they have assumed, or because the traditional mentalities of their populations have impeded material progress, or again because income has been so unequally distributed that the expatriated savings of a few individuals have stripped the majority of the people of their purchasing power. Others have turned away politically from the western countries. Lastly, some developing countries are becoming increasingly keen competitors of the industrialised countries in certain important activities; they have imported technologically advanced equipment and are operating it with local labour which has to be content with ridiculously low wages by western standards and has no social security.

The emergence of these countries as suppliers of high-technology finished products heralds a new international division of labour. Admittedly these new suppliers are as yet confining their competition to a few sectors, such as textiles and ready-made clothing, electronics

and steel products. It is true, too, that their growth could in the long run be beneficial to the overall activity of the old countries, although it is not certain that the newcomers to industrialisation will offer a wide market for the products of their predecessors. In any case, now and for an indefinite period ahead, the latter are seeing whole sections of their industries threatened by the new competitors, and are losing markets, jobs and income; although other sectors of their activities benefit by the repercussions of the newcomers' capital investment, this effect is only partial and slow; it is not distributed among the industrialised countries in proportion to what each of them loses in other respects; and where it does take place, it is less felt than are the losses suffered. Becoming aware of the possibility of an immense shift of production centres, the old countries are now already confronted by the enormous problem of the internal re-allocation of the factors of production, a process demanding painful disinvestments and expensive investments. The conversion operation needed in order to solve this problem calls for a considerable effort of imagination and foresight, together with a dynamic willingness to take action and make changes; this operation requires the cooperation of all the parties concerned, both the sectors which may still consider themselves to be in a privileged position and those which are already in difficulties. Both for the former and for the latter, things can no longer remain as they have been in the past.

It is no use, in this connection, reassuring public opinion by pulling the wool over its eyes : many of the supporting pillars of the road along which the industrialised nations were hoping to proceed with ever-increasing ease towards greater and greater prosperity have been shaken by all these changes. And the industrialised countries would doubtless have adapted themselves more easily to the gradual effect of these changes if their fortunes had not been so abruptly crossed by the oil crisis.

The sharp rise in the relative cost of mineral oils imposed on these industrialised countries a fourfold handicap, the consequences of which have since been a constant burden on them. The first, and also the one most generally recognised, was the acceleration of inflation: a dominating price, that of energy — of which the rich countries have an irreducible need and which they also waste on a large scale — underwent an enormous increase; this was to give the upward movement of costs already in progress a violent push from which the shock waves, multiplied, spread for a long time. The second, simultaneous handicap was a worsening

of the terms of trade, while these became more favourable for the oil-exporting countries. The relative rise in oil prices gave these countries a larger share in world income, at the expense of, in particular, the industrialised countries; these became poorer by the reduction, all other things being equal, in the real income, the product of their activities, at their disposal for their own consumption and investment. Public opinion has not become aware of this deterioration, which however is still continuing. The third handicap is due to the fact that the possibilities of development of some of the main oil-exporting countries, which are desert countries, are practically nil; the only use they have been able to make of their extraordinary income is to save it and invest it in foreign markets; thus, in 1974, the income of the non-oil-producing countries was suddenly curtailed by \$ 60 billion; the industrialised countries suffered, directly or indirectly, the deflationary effect of this reduction. The fourth handicap, linked with the previous one, is the emergence of an « oil deficit »; as a whole, the current account balances of the oil-importing countries have deteriorated, owing to a shortfall of income, by the amount not respent by the oil-exporting countries; admittedly, overall and « ex post », the investment of the latter's surplus has exactly covered the « oil deficit ». But the dynamic interrelationships whereby the overall balances of payments are brought into equilibrium have essentially different effects depending on whether current expenditure is covered by receipts in the form of income or whether it has to be largely financed by borrowing; similarly, the repercussions of this adjustment process on income formation are not the same in these two cases. The surplus of the oil-exporting countries has not been invested in accordance with criteria taking into account the individual financial requirements of each country as specifically affected in its external position by the oil crisis. In order to bring their balance of payments into equilibrium, some countries have had to draw heavily on their exchange reserves; others have had to stop supporting their currencies. Even those which have temporarily been able to find the necessary credit have endeavoured to restore balance on current account for fear of incurring excessive debts.

The « oil deficit » has admittedly declined since 1974, but it has nevertheless remained very large. It is a source of division between the industrialised nations. Disregarding international solidarity, each country has assessed the extent to which it can afford to bear part of this deficit. Most of them have attempted to reduce their share by pursuing policies aimed at increasing the surplus or eliminating the deficit in their payments

with the non-oil-producing countries. They have thus shifted the burden onto others.

The profound changes in the conditions of operation of the industrialised economies which have just been described have accentuated the heterogeneity of the various countries' situations. Each country, owing to the peculiar nature of its own economic and socio-political structures, has been affected with a different degree of intensity by each of the various manifestations of the crisis : the slowing-down of expansion and the unemployment, or inflation, or again the external deficit on current or capital account.

At the same time these changes have accentuated the internal, sectoral dissimilarities within each national economy. For the shifts taking place have affected the various activities in very widely different degrees. Thus, in one and the same country, in sectors or enterprises where « everything is going on as before » the old lines of behaviour born of the comfortable conditions of an exceptional boom have continued and have gone on producing cost inflation or more direct inflation of selling prices; in other branches of activity, on the other hand, where « everything is going badly », underemployment and the erosion or disappearance of enterprises' profitability have led to a fall in income coupled with a slackening of demand, propagating a deflationary wave. The coexistence of these two imbalances has been an impediment to those responsible for economic policy in many countries, making their choices into virtual dilemmas. True, it was socially unacceptable, economically too expensive and politically impossible to allow demand to weaken and unemployment to grow until such time as this blind corrective to inflation had totally eradicated the lines of behaviour which generate it. But at the same time it proved difficult to restore full employment by means of a sufficiently powerful reflation programme; inflation, where still obstinately entrenched in the national economy, would revive, would quicken and spread and, as experience had proved, would again generate unemployment; this danger appeared all the greater to each country as, faced in isolation by its economic policy choices, it estimated the damage which a runaway rise in prices, if experienced by it alone, would cause to its competitiveness. Furthermore, many countries were already suffering from external imbalance and from the concomitant foreign exchange problems, either because they had an oil deficit or because their structure made them particularly vulnerable to the slackening of world demand and the return of keener competition, or because domestic inflation was more intense

in their economies than elsewhere, or because, for whatever reason, they were the victims of capital outflows; this effective balance of payments deficit further paralysed these countries' possibilities of pursuing overall reflation policies. Meanwhile it was clear everywhere from the extent of the unemployment that the evil was to a large extent structural in nature; the lack of jobs was therefore due not only to the inadequacy of demand but also to radical changes, more difficult to define and measure; now the types of action to be taken in order to reduce this structural component obviously had to be matched to the nature and intensity of the causes; as these apparently had been nowhere sufficiently thoroughly and accurately analysed, it was not possible for the appropriate measures to be properly studied; in most countries, vaguely reasoned proposals were put forward; some countries resorted to partial palliatives.

Confronted with an accumulation of problems, forced to conduct the battle simultaneously on the many fronts of cost inflation and demand deflation, unemployment, the current balance of payments deficit, the flight or inflow of capital, the drifting of currencies, the budget difficulties, the threat of disruption of whole sectors of production, the national authorities everywhere endeavoured to work out strategies, which they often had to modify themselves within a few years, being obliged to make abrupt changes of course and to adapt the priorities of their action to changing events.

The aim of achieving balance on current account, sometimes imposed by the creditors, was often a choice inspired by necessity. It was in any case in harmony with the concern to improve employment, provided that national activity recovered under the stimulus of exports. Hence too many countries, either industrialised or developing, adopted restrictive measures or limited their efforts to revive domestic demand. They endeavoured to promote their exports and curb their imports. Thus the course of national policies, which often ran counter to each other, ultimately only had the effect of giving free rein to the latent tendencies towards stagnation weighing on world demand, and of making the disorder worse. One example of this is provided by the vicissitudes of currencies which, often useless, could with advantage have been avoided in many cases.

But it was obvious that the need to harmonise all policies on the international plane was not felt to be a matter of major concern, when within each country the working out of a coherent line of action was, more often than not, proceeding only hesitantly and with difficulty.

There was no coordinated common approach capable of providing valid solutions to problems which, however, had obviously and permanently grown beyond the national scale.

The buoyancy which had been imparted to industrial investment by the phase of internationalisation of economies slackened. Within the context of this internationalisation, brought about both by technological progress, especially in the field of communications, and by political measures whose success had led to a wide degree of liberalisation of the interchange of products, capital, know-how and persons, the prospects of further development were enhanced by the advantages of scale. The creation of the European Economic Community was a crowning achievement of these political efforts, even surpassing the creation, although embracing larger geographical areas, of the Organisation for European Economic Cooperation, between 1948 and 1953, or of the General Agreement on Tariffs and Trade, or of the International Monetary Fund during the Bretton Woods era. Today the internationally organised monetary system has collapsed; tariff barriers are insidiously rising again; the integration of the economies of the Common Market is marking time; latent attitudes of mind, reawakened by the current difficulties, are paralysing the efforts towards international cooperation. The temptations of economic nationalism are reviving and jeopardising the still possible growth of international trade, which nevertheless still remains, in most industrialised countries, one of the powerful pillars of their — still great, but threatened — prosperity.

The European Economic Community itself is again divided into States, each of which is only a fraction of a small continent, but which all have a currency of their own, managed with complete sovereignty by an authority which is mainly concerned with its immediate responsibilities at the national level.

It had been fondly hoped that the members of the Community, after the confused period of the years 1973-1976, would realise once more that, for them, the return to lasting and orderly growth, albeit differing from the previous growth in its rate and its stimuli, could only be achieved through an effort of cohesion which would have enabled them to regain the advantages of scale. Instead, fragmented, the European economy and its currencies were shaken by economic policy decisions which in most cases lacked any overall vision. Agreeing on one point, the Europeans waited in the hope of receiving a fresh boost from the dynamism of the

American and Japanese « locomotives », as the German authorities maintained their cautious attitude. However, certain calculations made by the departments of the Organisation for Economic Cooperation and Development had shown how slight an effect is produced, in European growth, by an autonomous expansion of the American and Japanese economies. Moreover, the quickening of the American recovery in 1977, coupled with the increase in the United States' oil deficit, led at the end of the year to a depreciation of the dollar which was disquieting for the Europeans.

The only new cooperation efforts made on the Community plane, apart from the safeguarding of the « snake », reduced to six members, were purely defensive and related primarily to two sectors : steel and textiles.

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For the countries of the Organisation for Economic Cooperation and Development as a whole, the annual growth in gross national products averaged 5.5 p.c. for the 6 years 1959-1964 and 5 p.c. for the five following years, then declining to 4.5 p.c. for the four years 1970-1973. It averaged only 2 p.c. for the four years 1974-1977.

The crisis was particularly severe during the first half of 1975, reducing the national product of this group of countries by over 4 p.c. Initially quite vigorous, the recovery which marked the last months of that year and the beginning of 1976 very soon ran out of steam. It had been set in motion by the boost given to total expenditure by the growth in budget deficits and — primarily — the rebuilding of stocks. But the pattern of previous cycles was not repeated : the impulses imparted by these two categories of expenditure were not, as a whole, prolonged by household consumption or by business investment or by a multiplier effect of foreign trade in the surplus countries.

Events thus contradicted the optimism of the hopes cherished for 1977. The growth in the real gross national products of the industrialised countries as a whole was only about 3.5 p.c. Industrial production only exceeded the previous maximum of 1974 by some 3 p.c. The volume of employment did not increase sufficiently to reduce the number of unemployed, which was still 16.5 million.

Developments in
the industrialised
countries in 1977.

For the period from 1959 to 1976 the development in the more limited area of the European Economic Community was similar to that just described. But in 1977 the rates of growth differ : the advance of about 2.5 p.c. in the product of the Community, whose most privileged members only achieve a growth of around 3 p.c., falls far short of that of the United States — nearly 5 p.c. — and that of Japan — 6 p.c.

At the same time there is a change in the distribution of the « oil deficit ». In 1977 it still amounts to some \$ 40 billion. As a result of its vigorous domestic expansion, the U.S. economy witnesses a significant increase in its current balance of payments deficit; neither the country's size, which makes it relatively little dependent on the outside world, nor the stability of the average weighted rate for the dollar during much of the year, prevented this deficit from rising from \$ 1.4 billion to \$ 17.5 billion from 1976 to 1977. On the other hand, the European Economic Community was able to reduce its external imbalance, partly owing to the elimination or reduction of the current deficits of the United Kingdom, Italy and France and to the continuance of the German surplus. The situation of a number of countries in northern and southern Europe deteriorated. In Japan the growth was accompanied by a substantial increase in the current surplus, of which it was in fact partly the result. The non-industrialised, non-oil-exporting countries as a whole had a smaller deficit.

This year again, capital movements only partly offset the imbalances on current account; in some countries they actually made them worse. Consequently, exchange rates once again underwent fluctuations, some of which were in no way justified by the respective economic developments. These fluctuations were accentuated in the last months of the year, with the new sudden weakening of the dollar, despite the fact that they were moderated by regulating interventions by the central banks, even in the countries which had adopted the system of floating exchange rates. The official reserves of the member countries of the European Economic Community rose by \$ 34 billion in 1977, compared with \$ 2 billion in 1976; for Japan the figures are \$ 6.2 and 3.8 billion.

The reduction of inflation slowed down in most of the industrialised countries. In the group of member countries of the Organisation for Economic Cooperation and Development the average rise in the index of prices of the national product, which had reached 11.9 p.c. in 1974 and had been reduced to 7.6 p.c. in 1976, remained at 7.5 p.c. in 1977.

The corresponding figures for the United States are 9.7 p.c., 5.3 p.c. and 5.5 p.c. and for the European Economic Community, 10.7 p.c., 9.3 p.c. and 9 p.c.; the last-mentioned percentage, an annual average, conceals a downward movement which took place during the year. The various countries' individual rates of inflation are still marked by a fairly wide spread around their general average; these divergences themselves remain a source of difficulties in international relations.

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*The year 1977
in Belgium.*

As in the other European countries, the economic climate worsened in Belgium from the second half of 1976 onwards, apart from a slight recovery of brief duration at the beginning of 1977. The growth in the gross national product was less than half that in 1976. Industrial production stagnated, remaining below the 1974 maximum.

The impulses from foreign markets weakened appreciably : the contraction in world trade led to a slowing-down of the growth in the volume of the Belgian-Luxembourg Economic Union's exports. Among the categories of domestic expenditure, measured in constant prices, only the public authorities' capital spending increased to the same extent as in 1976. Households' demand for dwellings showed no further increase, and the rise in their consumption slackened. Industrial enterprises, faced with a further reduction in the utilisation of production capacities, again reduced their investment in fixed capital assets.

The losses of jobs in industry were not compensated by recruitments to the tertiary sector. Consequently, unemployment increased further : the seasonally adjusted number of normally capable persons wholly unemployed rose, from December 1976 to December 1977, from 6.9 to 8.4 p.c. of the total number insured against unemployment; female unemployed persons represented about 55 p.c. of this increase and about 60 p.c. of the total number of unemployed thus defined; for unemployed persons aged under 25, these two percentages are 33 p.c. and 40 p.c. respectively.

The lessening of tension was confirmed by the trend of prices; it is the combined effect of the weakening of demand, the movement of world prices for basic products, better weather conditions for agricultural products

and the appreciation of the weighted average rate for the Belgian franc. The farm-gate-price index for agricultural products fell to an extent which more than cancelled out the considerable rise in 1976. The wholesale price index for finished industrial products went up by only 2.2 p.c. between November 1976 and November 1977, compared with 3.8 p.c. during the previous twelve months; the indices of the disparity in wholesale prices between Belgium and its main competitors thus moved in favour of Belgium. The rise in consumer prices still amounted to 6.3 p.c. from the beginning to the end of 1977; proportionally, the increase in these prices, which had gone up by 7.6 p.c. in 1976, remains stronger than that in the preceding category.

The upward movement of wages continued; the fact that it was a little smaller than in the previous year is due to the slowing-down of the rise in consumer prices : the increase in gross average earnings per hour worked declined from 10.9 p.c. from September 1975 to September 1976 to 9.6 p.c. during the next twelve months. The social charges payable by employers rose in 1977. The improvement in productivity appears to have slowed down, judging by the indications for the first nine months. It is therefore probable that the increase in wage costs per unit of output in industry was somewhat more pronounced in 1977 than in the previous year.

The current balance of payments of the Belgian-Luxembourg Economic Union deteriorated slightly; it is true that the momentary improvement in prospects in the first months of the year caused a temporary revival of imports. Calculated on a transactions basis, that is, after correction for the movements of commercial claims on and debts to foreign countries, the deficit for the first ten months was Fr. 15 billion, against Fr. 13 billion for the same period of 1976. The reason why the Bank's foreign exchange reserves nevertheless rose by about Fr. 20 billion during these first ten months is mainly because the Belgian-Luxembourg Economic Union benefited by net inflows of foreign funds in the form of direct investments, including the loans which resident enterprises obtained from abroad, and of balances on accounts in convertible francs formed by non-residents with banks. During the last two months, at the time of the unrest in the foreign exchange markets, the holders of these balances made withdrawals, residents repaid foreign-currency loans and the terms of payment for goods transactions changed to the detriment of the Belgian-Luxembourg Economic Union. These various movements led to a weakening of the rate for the franc in relation to the German mark, necessitating support interventions by the Bank amounting to Fr. 30 billion.

This speculation during the last weeks of the year was caused by the fall of the dollar and the relative strength of the German mark and not by any weakness of the Belgian franc. On the contrary, the latter remained firm throughout the year : the index of the average effective exchange rate, weighted by exports, calculated on the basis of the years 1975-1976, rose from 105.4 in January to 107 in October, and then to 109.5 at the beginning of January 1978.

The imbalance in the public finances was aggravated by the stagnation of industrial activity, by the slackening of the price rise and by the increase in expenditure, which, partly owing to the spreading of unemployment, was again greater than that in the national product. The burden of fiscal and parafiscal charges nevertheless increased; they absorbed about 42 p.c. of the gross national product in 1977, against about 41 p.c. in 1976. This did not prevent the net financial requirements of the Government in the wide sense of the term — the central Government, local authorities and social security — from reaching about Fr. 205 billion this year, against Fr. 170 billion for the previous year; this financial deficit absorbed, for 1977, a slightly larger proportion of the gross national product. For the Treasury alone, net borrowing amounted to Fr. 167 billion in 1977, against Fr. 133 billion in 1976, while the gross balance to be covered — including debt redemption — was Fr. 231 billion, against Fr. 204 billion.

Although the long-term loans issued by the Treasury brought in about Fr. 200 billion and the market covered an increase of nearly Fr. 21 billion in the floating debt, recourse to the Bank was unavoidable. At no time during the year was the Treasury able entirely to discharge its debts to the Bank; the seasonal expansion in its deficit forced it to increase its liabilities to the Bank by Fr. 13.7 billion from the end of December to the end of May; it was subsequently able to reduce them by Fr. 29.4 billion from the end of May to the end of October; during the last two months a further increase of Fr. 33.6 billion was necessary. The last-mentioned movement was due to two causes : firstly, the execution of the budgets did not leave any substantial surplus; secondly, money market funds became scarcer owing to the capital outflows brought about by the agitated state of the foreign exchange markets; the repercussions of this contraction affected the Treasury as the financial intermediaries made up for it by reducing their portfolios of short-term public securities; in this roundabout way the Bank, as the lender of last resort, was itself obliged to impede a corrective mechanism which would otherwise have operated by causing a tightening of domestic liquidity.

The Government's recourse to the money and capital markets took place until November in a climate of easing interest rates. For in fact, during this period, the reconstitution of the Bank's foreign exchange reserves had a liquidity-creating effect for the banks, while the financial intermediaries as a whole were not being subjected to any pressing demand from enterprises; furthermore, the trend of the foreign exchange market enabled the Bank to continue the action to bring down short-term rates which was called for by the economic situation. The weighted average rate for its interventions on the money market, which had risen above 11 p.c. at the end of October 1976 and had been reduced to just over 9 p.c. at the end of December, went down to 5.75 p.c. at the end of October 1977; the rates for discounts and advances, 9 and 10 p.c. respectively at the end of 1976, were lowered to 6 p.c. at the end of June. The lessening of the cost of credit thus achieved was general; it was, however, much more marked for short-term than for long-term rates, which had not changed much in 1976 either. The new tensions which disturbed the foreign exchange market from November onwards induced the Bank to react in order to provide a *de facto* confirmation of the authorities' decision to keep the Belgian franc's official position within the range of « snake » currencies unchanged. Two increases in the official rates for discounts and advances raised them to 9 p.c. in mid-December; the rise in the weighted average rate was less marked : this rate remained below 8 p.c. In the first days of January, as the capital outflows and, with them, the regularising interventions in the foreign exchange market had stopped, the Bank clearly indicated its intention of reverting as soon as possible to its policy of cheaper money : its two rates were lowered by 0.5 p.c. on 5th January. On 19th January a further reduction of 1 p.c. was made.

The decline in the general level of interest rates which took place in 1977 and, more still, the movement of the differentials between long-term and short-term rates brought about considerable shifts in the composition of the financial savings formed. The proportion of interest-bearing short-term investments decreased in favour of cash holdings on the one hand and long-term assets on the other. Cash holdings were replenished; in 1976 their growth had been limited, as enterprises and individuals had restricted them in order to benefit by the substantial rise in short-term rates. Long-term investments, the remuneration of which remained stable throughout the first half of the year and declined slightly in the second half, were preferred by the public as long as it anticipated a downward movement of rates.

During the year the provisions relating to the financing of the Government and the financial intermediaries by the Bank were revised.

By a convention of 15th July the direct credit line made available by the Bank to the Government was increased from Fr. 20.6 to 37 billion; this amount included a tranche of Fr. 6 billion which was granted to compensate for the loss of resources simultaneously suffered by the Treasury through the cancellation of the same amount of outstanding so-called « tranche B » Treasury certificates held at that time by the Securities Regulation Fund. The same convention laid down the rules for, and organised the announcement of, the temporary assistance which the Bank can give to the Treasury via the Securities Regulation Fund.

The system of rediscount ceilings which had been in force since 1969 was adjusted. The new formula, applicable from 2nd November onwards and uniform for all the financial intermediaries, grants each of them a rediscount credit line according to its cash requirements caused, on the one hand, by accidental and seasonal factors and, on the other hand, by the use of credits which it has granted to enterprises and individuals. The ceilings are calculated henceforth by applying different coefficients respectively to deposits at less than one year, to the available margins on the short-term credits opened in favour of enterprises and individuals and to the already used outstanding amounts of short- and long-term credits; these coefficients can be selectively changed depending on the direction of monetary policy. The introduction of the new formula led to an immediate raising of the existing ceilings, which had already been increased in January, and to the allocation of ceilings to new financial intermediaries.

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*The problems of
the Belgian
economy.*

A small processing country, heavily dependent on foreign countries for its supplies and for the sale of its products, inevitably open to capital movements, vulnerable to international competition and to all forms of protectionism, dominated in its prices by foreign economies, closely bound up with the markets of the Community, Belgium has not been spared either by the various causes or by the various aspects of the crisis of the industrialised countries and has felt the effects of the relative stagnation of Europe. Moreover, it suffers the consequences of specific weaknesses of which its present economic situation bears the marks. But its structure

also still includes, fortunately, many strong points, the mainstays of the country's prosperity of today and of its conversion of tomorrow.

For its supplies of energy and raw materials the dependence of the Belgian-Luxembourg Economic Union is extremely great. It imports over 80 p.c. of its primary energy, and this actual, physical state of affairs will not change until measures aimed at reducing the relative importance of petroleum as an energy source produce their effects; it is among the countries which have been most heavily handicapped by the oil crisis. One-quarter of its purchases abroad consists of products which can never be replaced by a domestically produced substitute; all the mineral raw materials except for coal and a small quantity of iron and all the basic agricultural products except for sugar-beet and half the wheat and barley required are supplied by foreign countries. Consequently the exports of this processing economy contain 40 p.c. of imported products; as for its domestic expenditure, 30 p.c. of this is accounted for by goods and services obtained from elsewhere, either ready for use or awaiting processing. Any rise in the prices of imported products therefore has marked repercussions on the prices of goods manufactured within the country.

This sensitivity of costs and prices in Belgium to rises in the cost of imports is one of the fundamentals which cannot be ignored by exchange rate policy.

Similarly, the fact that nearly one-third of the income which goes to pay for private and public investment and consumption is spent abroad is one of the fundamentals which cannot be ignored by the country's growth policy. This policy must provide for the development of activities which bring in earnings from exports of goods or services; because, while activities exclusively directed towards domestic requirements can create incomes and provide jobs, the spending of these incomes produced by these jobs will mean that the country must have at its disposal the means of making payments to foreign countries amounting to nearly one-third of this expenditure; therefore, unless one is going to cherish the impossible illusion of there being no limit to borrowing abroad, one has to recognise that this power of making payments to foreign countries is provided by exporting activities.

The level of national activity depends on the possibilities of selling the goods and services produced. The relative importance assumed by exports among these possibilities is a measure of the extent of the

dependence of the country's prosperity on foreign countries. Between one-quarter and one-third of the value added by industry, agriculture and services combined is exported; for industry alone the proportion is a half. Perhaps this dependence will be reduced in the long run, though within the limits imposed by the necessity, to which attention has just been drawn, of selling to foreign countries. In any case, until such time as this structural transformation has been achieved, the economy will still be obliged to adapt itself to the developments of world demand and will have to be capable of standing up to the competition of producers elsewhere.

The openness to foreign countries does not stop at commercial relations. It also extends, more and more, to capital movements. For the inevitable international integration of financial markets heightens the mobility of larger and larger amounts of funds which are liable to shift under the influence of interest rate differentials or anticipations of alterations in exchange rates; and these speculative movements have increased with the disappearance of the general system of fixed exchange rates.

In this old industrialised country the activities hardest hit by the competition from the newcomers with their low wage costs, or by the development of consumer habits, or by the change in manufacturing methods, are those which used to occupy and still do occupy a prominent place in the industrial structure. Despite the improvements which have already been made, most of the traditional products have remained too standard in nature; the prices at which they can be sold on the world markets are fixed by international competition rather than being determined by their own production costs. It is true that an extensive industrial renewal took place during the 1960s; but it was the work of major foreign investors; the choices which these make in the location of their hived-off activities are more liable to be revised than investments made by Belgian enterprises; consequently the loss by the Belgian economy of some of its comparative advantages could have an adverse effect on industrial expansion insofar as this is dependent on foreigners.

The ageing of industrial structures calls for difficult solutions requiring great conversion efforts. As this deterioration becomes evident not in itself but by its effects on activity, on the profitability of enterprises and on employment, the authorities are appealed to from all sides to palliate these effects rather than to look for and apply more fundamental remedies.

One of these convenient palliatives, a wrong solution for a small country, is recourse to Malthusian protectionist formulas. Curbing of imports or artificial encouragement of exports would give rise to chain reactions, thus contributing to a paralysis of world trade which would primarily stifle the small countries with a high proportion of exports.

Another palliative is to shift the burden of all the consequences of the difficulties and that of finding solutions onto the State. People call upon the State, the community of citizens, to give support to the necessary efforts but also to provide less justified forms of aid. People expect it to subsidise, to cover the losses, to bear the risks, to create the necessary jobs by its own activities as a producer of services, at the same time generously financing investments designed to stimulate recovery; this means, bit by bit, burdening the State with an enormous amount of extra expenditure. Now in fact, weighed down as it is by the obligations previously imposed upon it, paralysed by the increasingly onerous consequences of these obligations, already confronted by financing problems during the period of prosperity, the State does not possess the means of doing everything that is expected of it. To take the easy line of implicitly assuming that it is the State's responsibility to obtain the necessary resources, through taxation or by borrowing, or even through monetary financing, is to be — or pretend to be — unaware of the fact that the management of the community's finances, as at present organised, is already not only creating financial problems but also giving rise to concern from the economic point of view. For now already the public authorities' budgets, by their size, by their continuous expansion and by their chronic deficits, are having repercussions on growth and employment which are by no means always favourable. We shall revert to this matter later.

There are some who raise the question of the external value of the franc. It is perhaps understandable to fail to remember the deplorable effects which the competitive devaluations had on international trade during the 1930s; but it is not possible to ignore the lessons of the recent past. The monetary depreciations which the governments of the industrialised countries have had to agree to, or of which they have made an instrument of economic policy, have not, under the conditions of the present-day world, given any support to the growth of these economies. But they have certainly aggravated inflation, which leads to disturbances within them, partly because it insidiously changes the distribution of incomes and property. Moreover, these depreciations have not prevented the current balance of payments of the countries which have resorted to

them from deteriorating at least as much as that of other countries which have not reduced the external value of their currencies. In 1976, compared with 1970, the index number of the weighted average value of the pound sterling was at 62 in comparison with the Belgian franc, while the lira was at 60, the dollar at 82 and the French franc at 97. The period is long enough for these exchange rate alterations to have produced their effects. Now in 1976, still compared with 1970, the gross domestic product, in terms of volume, of the United Kingdom was only at the index number of 89 compared with that of Belgium, while that of Italy was at 95, that of the United States at 94 and that of France at 100; expressed in national currencies, however, the wholesale prices of British finished industrial products were at 161 compared with those of Belgium, Italian prices at 154, American prices at 110 and French prices at 104; as for the net current balance of payments positions, each measured as a percentage of receipts in 1970 and 1976, these deteriorated from the one year to the other by 5.7 p.c. for the Belgian-Luxembourg Economic Union, 9.3 p.c. for the United Kingdom, 9.6 p.c. for Italy, 4.7 p.c. for the United States and 7.3 p.c. for France. If the comparisons are extended to the Federal Republic of Germany and the Netherlands, it is found that the weighted average rate for the mark is in 1976, in comparison with 1970, at the index number of 124 compared with that for the Belgian franc, while that for the guilder is at 108. On the same bases, the indices for the gross domestic product in terms of volume are at 91 for the former country and 99 for the latter, compared with that of Belgium; the wholesale price indices for finished industrial products are at 99 and 104 respectively compared with that of Belgium; for their part, the net current balance of payments positions, measured as above, show an improvement of 0.5 p.c. for the German economy and of 8.1 p.c. for the Netherlands economy.

The maintenance of a fixed exchange rate cannot be sought and achieved at the expense of economic expansion and social progress. The principle is beyond dispute. It is therefore necessary to assess, in each country, in view of its specific features, what effects a change in the external value of the currency would have on economic expansion, the basis of social progress. All the examples quoted show that the rate of growth is determined by factors other than variations in the exchange rate. As for the repercussions of these on prices, we know the significance of price rises for social progress, through their internal effects, and for expansion, through their repercussions on the competitiveness of the economy and the current balance of payments.

In the particular case of Belgium, where the sensitivity of costs and prices to rises in import prices has already been emphasised, a depreciation of the Belgian franc would immediately push up all import prices by a percentage greater than that of the depreciation. Initially the effect of this rise on domestic costs and consumer prices would only be partial, since it would at first be proportional to the share of imports in national expenditure. But the initial effect would subsequently be amplified by two mutually sustaining multiplier mechanisms; on the one hand, the automatic index-linking of wages and, on the other, the less mechanical but very effective processes whereby the absolute profit margins of enterprises in the sectors of production, distribution and other services operating in the domestic market are often more than proportionately increased. These chain reactions would carry with them all costs, so that after a few months the exporting industries which had kept the prices of their supplies in terms of Belgian francs unchanged in order to increase the volume of their sales would find their profits on these transactions curtailed by the percentage of the depreciation, and then possibly by more than that percentage; likewise, after a few months, those exporting industries which had kept their selling prices in terms of foreign currencies unchanged would see the additional profit in francs which the depreciation would at first have brought them disappear, after which, most probably, their earlier profits would also decline.

This is admittedly an overall line of reasoning. But by the very fact of representing a general model for the whole of industry, it is arguable against all particular cases. For while it is true that a monetary manipulation might have better or more lasting results for sectors which use relatively small amounts of imported materials and energy, it is thus equally true that it would have a correspondingly greater adverse effect on the other sectors.

It is true, too, that the reasoning is based on the assumption that the rises in costs and prices revived by a depreciation of the franc would not be halted by suitable ad hoc measures. In the absence of these, everyone would endeavour to keep his own real income unchanged, despite the overall reduction in the real income available for domestic consumption and investment, resulting, as has been recalled, from the deterioration of the terms of trade which would be the corollary of the operation. In no country has the latter by itself brought about the distribution of the loss of income among the many parties affected. This role has precisely been

assigned to the set of so-called « austerity » measures which, in principle, must accompany a depreciation decision in order to prevent it from being made useless, and thus harmful, by subsequent price rises. Foreign examples speak for themselves : countries which have disregarded this principle have later been obliged to resort to correspondingly more severe and consequently less fair measures in their distribution of the restrictions, the longer these have been deferred.

But while it is politically possible in a country to gain acceptance of this effort, this « austerity », in connection with a monetary manipulation, it is very much wiser to avoid this gamble, the cumulative risks of all kinds — incidentally difficult to measure — entailed by which have generally been underestimated. In a country which is wide open and dependent it is particularly dangerous to lift the lid of this Pandora's box, from which may emerge a greater disorder as regards costs and prices, a loss of interest in domestic investment leading to financing difficulties, incentives to future speculation, counter-measures in other countries; all these domestic or international consequences, immediate or derived, may subsequently make a risky intervention disastrous to the country's most essential interests. The ease of painless solutions induces laxity rather than providing the necessary remedies for the fundamental difficulties and lasting solutions to the structural problems.

A more effective course is to try to find the real ways of achieving the necessary recovery.

Inflation remains a handicap to economic activity. To combat it is to make a step in the right direction.

Save for exceptions confined to certain branches of activity, the inflation which still exists today is no longer the result of an excess of demand over the possibilities of supply, but a sort of cost inflation which has become generalised : incomes all tend to increase, often without any relation to the productivity of those who benefit by them; the case of profit margins calculated as a percentage of cost prices is one among many examples of this. Inflation has become institutionalised as lines of behaviour have become stereotyped and the market economy has degenerated and become contaminated by cartelisation. Whenever they can, associations of employers, workers and self-employed persons contrive, in the best interests of their members, to dominate the market in which the latter sell their products and services and in which they pursue the

activities from which they derive their income. In the dominated markets, price movements tend to become irreversible; they are easily swollen by all the increases in income which the workers, employers and self-employed manage to obtain or impose.

The firmness of demand and the absence of foreign competition still at present give a privileged position to some sectors where the market can still be thus dominated; their continuing privilege consists of being able to pass on to others, further down the line, through their prices, the increases in the incomes of their own factors of production, as well as the cost increases of all kinds to which they are subjected from other sectors or from abroad, together with the whole or part of their own tax burdens. They thus set in motion inflationary impulses.

Other sectors are today in an entirely different situation from those just referred to, either because they are suffering from a falling-off of demand, or because they are encountering keener international competition, or because their prices are imposed on them by depressed world markets; these sectors suffering from depression are subject to the price rises passed on by the afore-mentioned sectors without being able to pass them on further; at the same time the wages and salaries which they pay are pushed up, through index-linking, by the price rises caused by the other sectors, and also by the example of pay increases obtained in these other sectors. Consequently the enterprises in the depressed sectors, whose profitability is diminishing or disappearing, curtail their capital expenditure on expansion and reduce their work-force. The price rises brought about by the sheltered sectors have generated unemployment.

This inflation cannot be curbed by overall monetary measures, irrespective of whether they operate by the limitation of aggregates or through interest rates. Restrictions actually affecting demand would hit the privileged sectors less than the others; they would doubtless be less of a curb on the costs of the former than on the activity of the latter.

The measures to be taken probably lie in the field of price policy. Price control, imposed by regulation or agreed upon through negotiation, operates effectively for some products, some services, but there is danger of its losing this effectiveness if it tries to be too comprehensive. It is concerned mainly with rises. However, cost-reducing factors — which are not negligible on the import side — ought to be correctly passed on to prices, where this is warranted on the grounds of present profitability, and the regulations should encourage this.

As products come closer to the consumer, they become more and more diversified, and services become more personal in nature, making it difficult to apply the regulations. And yet the movement of consumer prices is of strategic importance for costs, not only owing to the index-linking practices but also because of the climate of rises which it creates, leading to spontaneous readjustments of non-wage incomes. While it is impossible, by detailed regulations alone, to prevent a widening of the gap between wholesale prices for industrial or agricultural products and consumer prices, the authorities can perhaps moderate the movement peculiar to consumer prices by giving more scope to competition. Too many practices and too many regulations, corporate in spirit in both cases, undoubtedly impede the operation of the market economy just where it would today be particularly useful.

For industrial prices, too, the upward movement would be less marked if, in a spirit of national solidarity, the various factors of production operating in the sectors where productivity is still rising were to agree to spread the benefit of this improvement throughout the economy; it would then be reflected in selling prices instead of being confined to and used to increase the income of the operators in the sector in question. The purchasing power of the whole population would increase without the inflation of nominal incomes which burdens the depressed sectors. Investment and consumption would be stimulated.

As the inflationary pressure lessens, the instrument of interest rate policy could be more actively employed. The measures adopted by the Bank in this field in 1977 have already been described. Although the lowering of interest rates is only a minor factor in the investment decisions of enterprises and in the propensity of households to resort to consumer credit, it considerably lightens the financial burdens weighing on the net profitability of a large number of enterprises. It can also make building decisions easier.

Certain items of government expenditure more particularly helped to keep up demand in 1977. Thus those which were devoted, at the expense of the Treasury, to unemployment benefits and early retirement pensions amounted to Fr. 41 billion, and the capital expenditure commitments assumed by the central Government alone amounted to about Fr. 120 billion. But the size of the current budget deficit is an impediment to the pursuit of a policy of reviving activity based on public expenditure.

Some regard this current deficit as a stimulus to inflation; others, on the contrary, consider it to be justified by the economic situation. In any case, it creates financing requirements which come on top of those already resulting from the capital budget transactions and the debt redemption burdens. Seeking financial resources throughout the year, the Treasury presents a demand for funds which is inelastic to interest rates, thus reinforcing the effect of the factors which impede the desirable decline in these rates, especially in the long-term markets. In addition, the growth in Treasury borrowing adds, year by year, to the interest burden borne by the current budget; the swelling of this contractual burden restricts the Government's elbow room in the preparation of subsequent budgets. Furthermore, except during short periods, the extent of its needs makes it impossible for the Treasury to obtain all the essential financing from the money and capital markets; all that it can then do is to have recourse to the lender of last resort. Thus the National Bank is obliged to allow the credit lines which it has made available to the Government to be used for abnormally long periods, although the conventions stipulated that these facilities were only intended for bridging over brief cash deficits. Under certain circumstances this duty to assist the Treasury greatly obstructs the National Bank in the performance of its function as the regulator of liquidity creation in favour of the money market.

While the financial effects of the continuous growth in government indebtedness are thus clearly perceptible, the repercussions of this deficit on the national economy, and more specifically on the price inflation and demand, are more difficult to assess. But those produced by the budget itself are infinitely more important, owing to the scale which it has assumed, as regards both revenue and expenditure, in relation to the national product, especially if one considers the whole government sector in the broad sense of the term.

It is particularly difficult to gain an accurate and detailed idea of the repercussions of the budget, as these effects have been made so complex by the diversification of revenues and the ramification of expenditure in all directions. Overall, however, it is clear that, in the present situation, the levying of the total mass of fiscal and parafiscal charges is having the deflationary effects on expenditure which were formerly attributed to it by the Keynesian doctrine and, at the same time, the inflationary effects which were recognised much later when cost inflation was analysed. Taxation thus makes its contribution to the state of « stagflation ». It is impossible to quantify each of the two opposite forces which it exerts,

but it is known that this duality of forces can be explained by the heterogeneity, described above, of the sectoral situations. The tax burden which the sheltered sectors can still pass on, wholly or in part, continues to provide an opportunity for price increases, while elsewhere it reduces disposable incomes : those of households which can no longer offset it by obtaining sufficiently large increases in income and those of enterprises in the depressed sectors. As for government expenditure, the increase in which, faster than that in the national product, was an expansionary factor during the demand inflation years, its overall effects are undoubtedly harder to discern. However, contrary to the accepted theory, these effects are not all expansionary. Some of the payments made by the Government may ultimately increase savings instead of supporting expenditure. In the case of transfers this applies to, among other things, the payment of interest on the debt; these incomes, at present amounting to nearly Fr. 130 billion, are to a great extent capitalised, directly or indirectly, by recipients who are trying to maintain the real value of their savings. The same is probably also true of part of other kinds of transfers, when they are made to the benefit of households whose other incomes are themselves not fully consumed; to judge by comparisons with foreign countries, the saving capacity of Belgian families is considerable.

Altogether, there is a great deal of obscurity as to how, through this combination of many forces, the mass of government revenue and expenditure exerts an expansionary or retarding influence on consumption and investment, on saving and on prices. One of the resultants exerts a constant push of varying strength on prices; the other influences overall demand in a direction which is undoubtedly less counter-cyclical than had been hoped.

For the present, the assumptions that may be made concerning the effect of the public finances justify the caution displayed by the Government, which is not allowing all expenditures to be swollen by the increases demanded from all sides; they also justify the recommendation, which has been made in various quarters, to avoid adding any further to the already very heavy overall tax burden; lastly, they justify the efforts being made by the Government to bring about more correct collection of taxes and thus distribute their pressure more fairly. For the future, these assumptions ought to be verified in the light of the lessons which may be learnt from a pragmatic but thorough study of the consequences of the way in which the Government's budgets are shaped; the choices

entailed by the announced reorganisation of the management of the public finances would then be made on the basis of clear data.

During this period of slower growth, attention has been directed towards the slackening of investment activity. In enterprises, expenditure on plant has steadily decreased in volume since 1974. The investment intentions announced for 1978 hold out hopes of a recovery, but this will, in most industries, be the result of the execution of rationalisation and modernisation programmes. The hesitation of those responsible for investment decisions is causing anxiety, both in Belgium and in the other industrialised countries. For the present, the stagnation of this expenditure is depriving overall demand of the support of its multiplier effects; it also obviously reflects the deterioration in growth prospects and thus in the prospects of keeping up employment. The expansion of investment in non-profit-making activities has its limits in a manufacturing country which is dependent on foreign countries. The conversion which the country must undertake in order to adapt itself to the changes in the location of the world's production centres cannot take place without an increased investment effort in the sectors which are competitive with foreign countries.

There is already in existence a set of measures of public assistance which facilitate investment by lightening the financial burdens which it entails. A large proportion of these assistance measures are today having the useful effect of supporting the defensive efforts of enterprises in the sectors which are in difficulties. But these measures are not effective enough to ensure growth under difficult circumstances.

The fundamental factor in investment decisions undoubtedly still remains the general trend of demand emerging from the totality of the markets served by the Belgian economy : so long as existing plants remain partly inactive, the chances of their further expansion are slight. But there would be more certainty that these chances would be seized, where they still exist today and subsequently when they arise more generally, if a climate more conducive to investment decisions were created.

The decision to invest is only one of the manifestations of the more fundamental decision to undertake entrepreneurial activity. This is the decision which determines the future of a growing economy, whatever may be the system to which it belongs. But investment opportunities are tending to become less numerous in the old, already developed countries, while the number of those who feel the call to entrepreneurial

activity is declining. The ageing of the population, resulting in the ageing of the top managers, has created an environment more conducive to the conservatism of the prudent administrator than to the dynamism of the bold creator. The pioneer spirit has become blunted amid featherbedded comfort. Discouragement oozes from the surrounding gloom. The uncertainties of the present time increase the risks run by entrepreneurs, whether public or private, of wrong allocation of the resources employed in an economy which remains a market economy as long as it is open to foreign countries. Especially as these risks have become greater insofar as the investments necessitated by the activity in question have become more expensive in relation to the value of the product.

It is true that, especially in a small country, the authorities have little power over all these factors. But they could adopt a number of measures of more modest scope to encourage the emergence of new entrepreneurial vocations in the private sector. A business enterprise is hemmed in, from the moment of its creation, by regulations of all kinds whose aims are undoubtedly legitimate; but the provisions of the regulations which serve these purposes could be organised without the responsibility for them being divided among a number of authorities whose interventions, too often tinged with bureaucratic peculiarities, overlap. The decision to undertake business activity could also be facilitated if economic calculation, risky under present conditions, were not made even more uncertain by substantial and frequent changes in the burdens weighing on the profitability of the business. In the event of failure the entrepreneurial risk is subject to the sanction of mediocre or non-existent profitability for those who have taken it; the withdrawal of their capital becomes an increasingly costly matter; in some cases it is forbidden in the name of the indisputable social function of the enterprise; in other cases, however, it is this social function which justifies the giving of aid by the community to enterprises which would have been sinking had it not been for this support, owing to shortcomings in their past management. This is all the more reason why the efficient exercise of this social function deserves to be rewarded; but this reward is too much disputed. And yet the profit of the enterprise, which is the evidence of its successful management, constitutes the financial basis for its subsequent development, either because it is the source of the enterprise's internal savings or because it bears witness to a prosperity which will attract new capital. During the last decades, this capital has been provided more by credit; many factors, including the system of taxation, have favoured borrowing by enterprises;

in eight years their liabilities to the financial intermediaries alone, increased by a factor of 2.5, have grown more than their internal savings; their financial structure has gradually deteriorated and the results of this deterioration are now becoming apparent.

The enterprise is an entity in itself; its continuity transcends the contingent interests of its owners, its managerial staff, its personnel and the Treasury; it bears within it the future employment and income of subsequent generations; and therefore its continued existence must be assured. The levies of all kinds which excessively curtail its profitability are undermining one of the foundations of its development. The authorities of some countries have lightened the tax burdens which weigh on enterprises. The Belgian Government has cautiously embarked on this course. The more extensive self-financing possibilities which enterprises should reacquire as a result of the tax reductions ought not to be immediately taken away from them by other recipients, whoever they are; observance of this principle could be the condition for the granting of tax reductions.

The Government has made a start, in conjunction with economic and social circles, on the study of a new industrial policy designed to facilitate the necessary redeployment of activities by stimulating investment, by guiding it in new directions, by reviving the creativity of the private sector and by supplementing the latter's efforts by public initiatives. It is to be hoped that this joint investigation will lead to a consensus, transcending doctrinal oppositions, and that agreement on the main lines of a programme of action will be quickly followed by very concrete measures.

However, the speeding-up of the rate of growth will not, in itself, be sufficient to bring back full employment. The most objective forecasts, making this assumption of renewed economic expansion, predict the continuance of a considerable amount of unemployment during the next few years.

The appearance of a structural component in unemployment goes back to the end of the 1960s. Undetected by the diagnoses during the boom years, this new phenomenon was subsequently revealed by the extent which it had assumed. It was caused by a number of factors greatly differing in strength; some of them give rise to sectoral disequilibria which it will be particularly difficult to rectify.

The relative rise in the costs of labour compared with that of capital has led to the gradual replacement of the former factor by the latter

wherever this has been possible. This has increased the apparent productivity of labour, but at the expense of employment, especially in agriculture and industry. These effects of the development of the respective costs on employment can be mitigated, very partially and temporarily, by the public authorities by the granting of various kinds of aid or tax advantages to enterprises employing proportionally more labour. A more lasting remedy for them is a slowing-down of the inflation of all categories of incomes. But it is to be feared that they will be accentuated by every rise in labour costs.

The attainment of working age by the larger number of young persons belonging to the generations born during the post-war years is naturally only a temporary phenomenon, but for a few more years it will remain one of the factors behind the present worsening of unemployment among the under-25s. Its effects have been accentuated by those of another change : the number of pupils undergoing higher education is growing more slowly than during the 1960s and thus the lengthening of the actual period of schooling has slowed down.

A much more lasting problem is created by the incorporation of women in the working population, a process which has gone less far in Belgium than in most other European countries and the United States. All other things being equal, the provision of employment for the new would-be women workers would call for job-creation on an exceptionally large scale, which is all the more difficult because a more than proportional number of women are seeking work in the services sector, already overmanned by the male labour released by the growth in productivity in industry. No proposal has yet been made as to how to solve this specific problem of female employment, which, hitherto, although recognised, has not been made the subject of any precise study, including with regard to its sectoral implications. The authorities are endeavouring, by appropriate measures, to reduce the number of cases where, according to the criteria, quite generous though they are, of the present regulations, unemployment benefits are being wrongly obtained. But it is not only women who are guilty of these abuses. In any case, even if they were eliminated, this would not solve the fundamental problem of female unemployment. The formula of part-time working has been proposed by some; but their arguments have doubtless not succeeded in adequately proving that its advantages are greater than its drawbacks, as this suggestion has been rejected out of hand by others. The remedy of shorter working hours,

advocated on the basis of overall arithmetical calculations, would not, even if adopted, remove all the obstacles to the employment of women.

There seems to be a conspiracy of silence about the structural causes attributable to the lack of mobility of the working population. The widely differing trades and professions which this population exercises or wishes to exercise are far from constituting a homogeneous whole. The labour « market », if there is a market, consists of a very varied whole made up of isolated sections. The national labour supply remains inadequate for unattractive or « dirty » jobs or ones of low social status, and there is certainly no general superabundance of suitable candidates for functions which, at whatever level, require a great effort of occupational training; the unpopular tasks still have to be performed, where possible, by immigrant workers, whose presence is then criticised. Other trades or professions, on the other hand, are flooded with applications, because they have the reputation of offering easy work, providing stability of employment or requiring a less exacting training than others. These disparities could be mitigated if the scale of remuneration, still based on old value criteria, could be changed so as to raise the relative level of pay for necessary but unattractive jobs; the rigidity of income scales is an obstacle to a readjustment of this kind; this sclerosis is due to the determination in all quarters to maintain the existing differentials between one income and all the others. Sectoral shortages which would quickly reappear if the general level of employment were to rise again could be reduced if the surplus labour existing elsewhere were able and willing to undergo the necessary retraining, although it would still be necessary for the latter to be effectively organised.

In addition, the education system, designed under circumstances which no longer exist, would need to be partially reshaped, at all levels, and adapted to training needs, the evolution of which is being accelerated by the changes now in progress.

In any case the fact remains that certain sectoral disequilibria between the supply of and demand for labour might yet persist for a long time : these would reflect one of the contradictions of society, which leaves the individual completely free to choose his training and the resultant career but which, at the same time, recognises each person's right to the work corresponding to his choice and compensates him if this employment is lacking. To emphasise this contradiction is to draw attention to the need for the provision of better information to young people seeking guidance.

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Within the favourable context of rapid growth, produced by mutually-reinforcing spontaneous expansionary factors, budgetary policy supported overall demand as soon as it showed signs of flagging; it organised the redistribution of an ever-growing national income. Monetary policy endeavoured to keep expenditure within the limits of available resources, in order to preserve the external income balance and maintain a sufficient degree of price stability; it manipulated short-term interest rates whenever it was necessary to influence the movements of funds with foreign countries.

Monetary policy was, of course, far from being all-powerful. But, whatever may have been the limits to the authorities' action (and these limits have often been stressed in the Bank's previous reports), the authorities could hope to be able, by overall measures, to exert a certain influence on this or that economic variable whose movement appeared to be of prior importance at a given moment.

The economic context has now changed. As has been explained on earlier pages, hardly any of the problems raised are of a kind that can be solved by traditional monetary measures.

Those responsible for such action feel the effect of this. Even in the absence of external constraints, they have hardly any instruments at their disposal for stimulating economic activity amid a general atmosphere of uncertainty. Financial saving, on the one hand, and the various categories of expenditure, on the other, show but little response to lowerings of the general level of interest rates, useful though these are for easing debt burdens.

Monetary policy also has hardly any impact on the type of domestic inflation still remaining.

It is therefore not this policy that, within the present trend of nominal expenditure, determines the respective shares of prices and volumes. This is done by the other « policies » in the broad sense of the term : incomes policy, price policy and, within certain limits, budgetary policy.

In the present context, the most effective contribution that monetary policy can make to balanced growth is to protect the currency from external vicissitudes.

For nearly five years now, international monetary relations have constituted a hybrid system : within it, more or less floating currencies

exist side by side with groups of currencies linked with each other by fixed exchange rates, the latter groups, together, being affected by the changes in the former.

The countries which have had experience of floating currencies have found that speculation is not a stabilising factor and that the deterrent effects which exchange rate fluctuations were expected to have mostly only took place after very substantial movements. They have also realised the extent of the danger of just allowing exchange rates to be determined by the state of the markets; except perhaps in the case of the very large countries which are little affected by foreign influences, the loss of value of the weakening currencies has trapped the economies in question in the vicious circle of external depreciation, price rises, external depreciation, and so on.

Under these circumstances the small, open economies have found it in their interest to attach the rates for their currencies to an element which offers them the advantages of relative stability. The monetary area commonly referred to as the « snake » largely satisfies this criterion. The commercial relations of the Belgian-Luxembourg Economic Union with the other countries composing this area represent about 40 p.c. of the Union's total foreign trade. The leading country of the area, namely the Federal Republic of Germany, is a country which does not propagate much inflation.

Admittedly, during the periods when the German mark was in world-wide demand, the joint fluctuations of the currencies of the « snake » countries in relation to all the others led to an appreciation of the franc and at the same time a loss of official foreign exchange reserves. These movements were, however, successfully kept in check, either because, as in October 1976, the German authorities resorted to a very slight revaluation of their currency or because, as in 1977, they intervened on the foreign exchange markets by buying dollars and pursued a domestic monetary policy aimed at halting the capital inflow.

As emphasised above, the present circumstances, while depriving monetary policy of part of its effectiveness with regard to domestic developments, still allowed it to play an active role as far as external monetary equilibrium was concerned. This equilibrium, though threatened during some periods, was nevertheless maintained.

It is true, however, that the fundamental balance of payments position of the Belgian-Luxembourg Economic Union is no longer exceptional, as it was a few years ago : before the oil crisis, the Union's current surplus was, proportionally, one of the highest. Many other industrialised countries suffered worse effects, especially those which the oil crisis caught in an already precarious situation.

It was real and not monetary factors which made the external position of the Belgian economy less favourable. The rise in the price of oil wiped out the surplus. The specific difficulties of the sectors whose sales abroad represented a substantial proportion of its exports led to the emergence of a current deficit, albeit not a serious one; these sectors are handicapped because they encounter intense competition from non-European countries, or because demand for their products is increasing less fast than world trade as a whole.

As was, under different circumstances, the loss in the internal value of the currency, the deterioration in the current account of the balance of payments is today the syndrome and visible manifestation of fundamental difficulties.

Only a profound effort of conversion of activities will make it possible to correct these substantial changes, which could undermine the country's relative position and prosperity. And this effort must be based on other reforms, other measures of restoration, other modernisations which, together, will strengthen the weak points of the national economy.

The provision of ample and frank information to everyone, by all those who bear responsibility at all levels, will be an aid to clear thinking and make it easier to undertake difficult measures.

25th January 1978.

*Economic
and financial trend
in 1977*

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 1977 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.

After a distinct recovery in the fourth quarter of 1975 and during the first months of 1976, the growth in the total gross national product of the member countries of the Organisation for Economic Cooperation and Development declined again to an annual rate of 3 to 4 p.c.; it even slowed down as the year 1977 went on.

True, in the United States of America and Japan the gross national product increased in 1977 by about 5 and 6 p.c. respectively, but in the European industrialised countries the overall growth did not even reach 2.5 p.c. and in none of these countries was it appreciably over 3 p.c.; contrary to the forecasts, demand from households, enterprises and foreign countries was not sufficient to sustain a strong spontaneous recovery, while the increase in public expenditure was generally restricted within the framework of a rehabilitation policy or under the influence of special factors.

Consequently, in most countries, the rate of growth achieved was not sufficient to reduce the unemployment rate. This even rose in the European Economic Community as a whole.

Expressed as an annual average, the rise of the prices both of household consumption and of the gross national product slowed down in most countries, except for the United States and Italy; during the year, however, the rate of inflation declined in these two countries too.

The current account of the balance of payments of all the member countries of the Organisation for Economic Cooperation and Development with the rest of the world showed an even larger deficit than in the previous year : it was over \$ 30 billion, that is, about \$ 5 billion larger than in 1976.

Chart 1.

INTERNATIONAL TREND OF ECONOMIC ACTIVITY ¹



Sources : Original E.E.C. members : General Division for Economic and Financial Affairs of the Commission of the European Communities.
 United Kingdom : National Institute Economic Review.
 United States : U.S. Department of Commerce.
 Japan : The Bank of Japan.

¹ Monthly averages per quarter; last period : average for October-November 1977 for the original E.E.C. members and the United States, October 1977 for the United Kingdom, fourth quarter of 1977 for Japan.

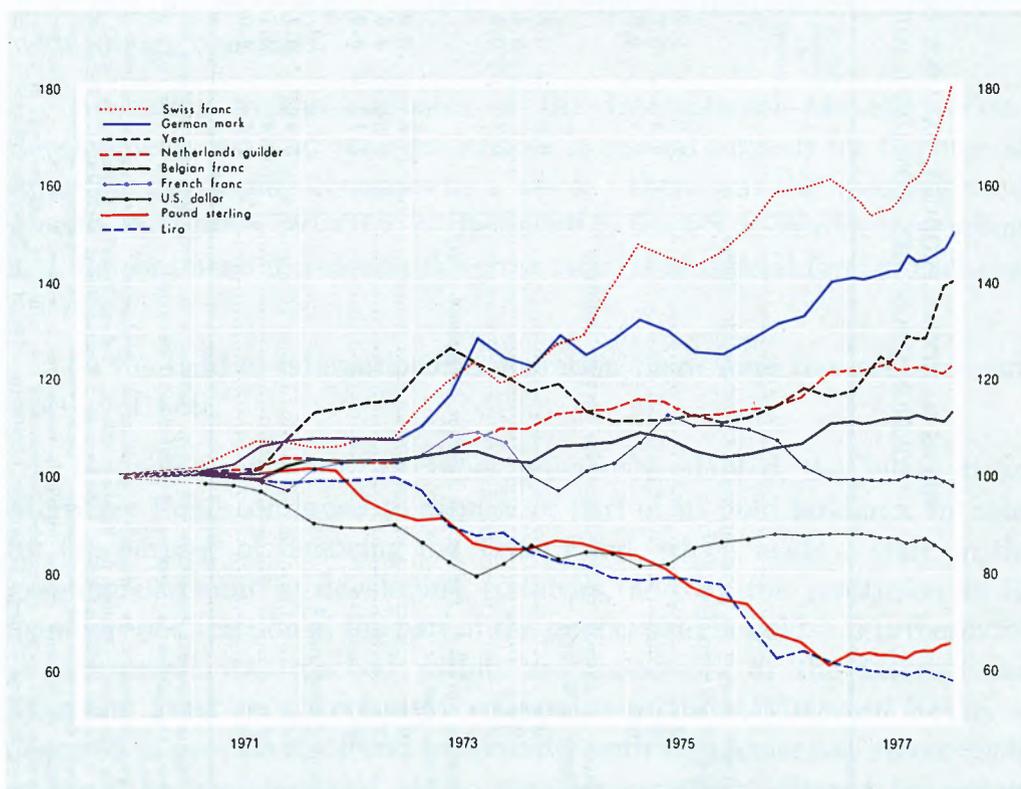
That of the United States worsened by about \$ 16 billion, while, on the other hand, Japan's surplus increased, the balance of payments of the United Kingdom and Italy returned to equilibrium and France's deficit was halved.

During the greater part of the year, substantial inflows of capital took place into the last-mentioned three countries, these movements doubtless being connected with the interest rate disparities but also probably with anticipations concerning the movement of exchange rates. The United Kingdom and Italy, in particular, took advantage of this development in order substantially to strengthen their official foreign exchange reserves, mainly by means of interventions on their foreign exchange markets.

Chart 2.

WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES

(Indices May 1970 = 100)



Source : International Monetary Fund.

Table 1.

**GROSS NATIONAL PRODUCT, BALANCE OF CURRENT TRANSACTIONS WITH
FOREIGN COUNTRIES, CONSUMER PRICES AND UNEMPLOYMENT RATE**

	Belgium 1	Federal Republic of Germany	France	Italy	Netherlands	United Kingdom	European Economic Community	United States	Japan
National product at constant prices ² (percentage change compared with previous year) :									
1975	- 1.9	- 3.2	+ 0.1	- 3.5	- 1.1	- 1.8	- 1.9	- 1.8	+ 2.4
1976	+ 5.3	+ 5.7	+ 5.2	+ 5.6	+ 4.6	+ 2.1	+ 4.7	+ 6.0	+ 6.3
1977	+ 2.2	+ 2.7	+ 3.0	+ 2.0	+ 2.5	+ 0.2	+ 2.3	+ 4.8	+ 6.0
Balance of current transactions with foreign countries ³ (billions of dollars) :									
1975	+ 0.3	+ 3.8	- 0.1	- 0.6	+ 1.6	- 3.7	+ 0.7	+ 11.7	- 0.7
1976 .....	...	+ 3.4	- 6.1	- 2.8	+ 2.4	- 2.5	- 7.8	- 1.4	+ 3.7
1977	- 0.4	+ 2.3	- 3.0	+ 1.0	+ 0.5	+ 0.8	- 0.3	- 17.5	+ 10.0
Consumer prices ⁴ (percentage change compared with previous year) :									
1975	+ 12.8	+ 6.0	+ 11.7	+ 17.1	+ 10.2	+ 24.2	+ 12.5	+ 9.1	+ 11.8
1976	+ 9.2	+ 4.5	+ 9.6	+ 16.5	+ 8.8	+ 16.5	+ 9.7	+ 5.8	+ 9.2
1977	+ 7.1	+ 3.9	+ 9.5	+ 18.1	+ 6.7	+ 15.9	+ 9.2	+ 6.4	+ 8.2
Unemployment rate ⁵ :									
1975	5.3	4.1	3.9	5.7	4.1	3.8	4.4	8.3	2.0
1976	6.8	4.1	4.3	6.1	4.4	4.9	5.0	7.5	2.1
1977	7.8	4.0	4.9	7.0	4.3	5.8	5.5	7.0	2.0

¹ The balance of current transactions with foreign countries is that of the Belgian-Luxembourg Economic Union.

² Sources : Organisation for Economic Cooperation and Development. For Belgium, for 1976 : provisional calculations of the National Statistical Institute; for 1977 : estimate of the Plan Bureau.

³ Sources : Organisation for Economic Cooperation and Development. For Belgium, estimates of the National Bank of Belgium.

⁴ Sources : Belgium : Ministry for Economic Affairs. Federal Republic of Germany : Federal Statistical Office. France : National Institute of Statistics and Economic Research. Italy : Central Statistical Office. Netherlands : Central Bureau of Statistics. United Kingdom : Ministry of Labour. European Economic Community : Organisation for Economic Cooperation and Development. United States : U.S. Department of Labor. Japan : Prime Minister's Office.

⁵ Percentage of registered persons completely unemployed in relation to the active civilian population including the unemployed. The data for the various countries are not fully comparable; with certain reservations, however, they can be used to study the trend of unemployment in each country.

Sources : European Economic Community : Statistical Office of the European Communities; United States and Japan : Organisation for Economic Cooperation and Development.

Substantial interventions were also undertaken in the countries with so-called strong currencies, such as Japan, the Federal Republic of Germany and Switzerland, with the object of relieving the upward pressures on their currencies which were making themselves particularly strongly felt during the last months.

The weighted average rates for these three currencies nevertheless continued to appreciate during the past year. Similarly, the rate for the pound sterling stopped falling and actually rose, while the decline of the French franc practically ceased and that of the lira appreciably slowed down. For its part, the rate for the U.S. dollar weakened, especially during the last two months. The Scandinavian countries' currencies underwent an even more marked depreciation; the conversion rates into European monetary units of account of the Norwegian and Danish crowns were lowered twice. A similar adjustment was made, in April, for the Swedish crown, which, furthermore, has since 29th August temporarily ceased to be attached to the so-called « snake » currencies.

As in the previous year, the oil-exporting countries would appear to have registered a surplus of about \$ 40 billion in their current transactions with foreign countries.

According to the estimates of the International Monetary Fund, developments last year were favourable in several respects for the non-oil-exporting developing countries as a whole : there was the speeding-up of growth, the further reduction in the deficit in respect of current transactions and the continued increase in the gross amount of official foreign exchange reserves.

In the field of international cooperation there were few achievements worthy of note.

In implementation of decisions previously adopted, the International Monetary Fund continued to dispose of part of its gold holdings, by sales for the purpose of financing the Trust Fund, which made a start on the granting of credit to developing countries, and by the restitution to its members of a fraction of the part of the quotas paid in gold. Furthermore, an agreement was reached within the framework of the International Monetary Fund on a mechanism referred to as the « Witteveen facility », designed to provide the Fund temporarily with supplementary resources to enable it to give financial aid to member countries affected by serious balance of payments disequilibria. This instrument will not, however,

become operational until a certain number of countries have formally undertaken to provide a minimum amount of contributions.

After discussions lasting about eighteen months, the so-called « North-South Dialogue » resulted, in June, in a limited agreement of principle which, however, for lack of a consensus, does not include a number of the most important subjects under discussion.

With regard to the building-up of Europe, apart from the raising of the reciprocal credit lines within the framework of the short-term support and medium-term assistance, the only events worthy of mention are a few agreements on technical questions, such as the basis of assessment of the value-added tax, the regulations concerning financial intermediaries, tax control and the method of calculation of the contributions of each member State to the Community budget. In addition, various measures were adopted both within the Community and in its relations with non-member countries, in order to deal with the cyclical and structural problems of the steel and textile industries.

EXPENDITURE AND PRODUCTION IN THE BELGIAN ECONOMY.

In Belgium as in most of the other industrialised countries, the rate of growth of economic activity slowed down. The synthetic curve of the results of the National Bank's inquiries into the trend of economic activity went down almost continuously from the beginning of the second quarter of 1976 until the end of the third quarter of 1977. In the last quarter a slight improvement occurred.

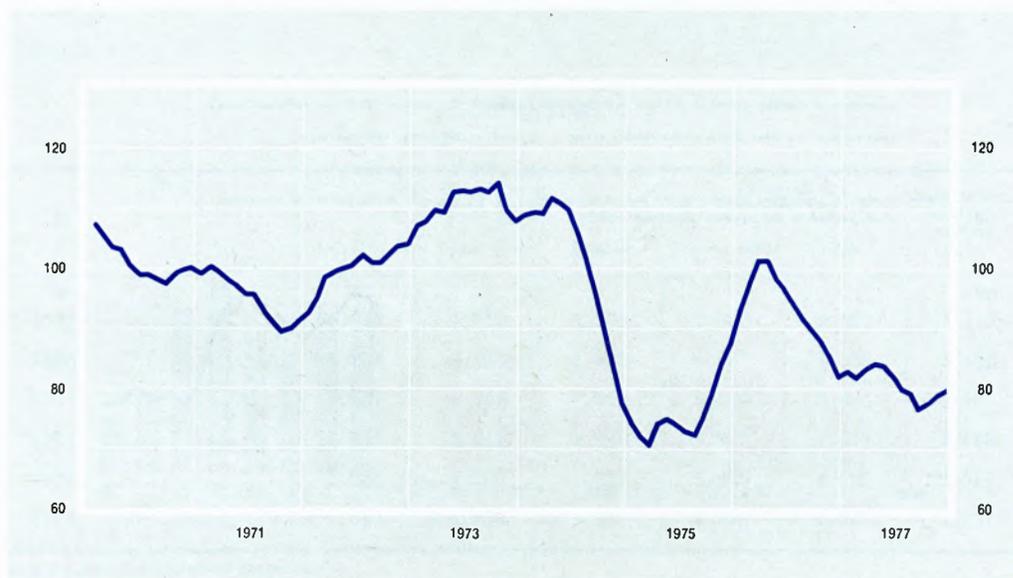
For the year as a whole, the gross national product in constant prices, calculated on the basis of provisional estimates, increased by about 2 p.c., against 5 p.c. in 1976. The development of the main components of this aggregate is examined below from the point of view both of expenditure and of production.

With regard to **expenditure**, the rate of growth of exports of goods and services slowed down considerably compared with 1976, owing to the relatively weak demand from Belgium's main trading partners. But the rate of growth of imports also slowed down, although to a smaller extent,

so that the balance of current transactions in goods and services (including factor incomes) finally showed only a slight deterioration.

Chart 3.

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



¹ The curve is the synthesis of eleven series of replies to the inquiries into the trend of activity made by the National Bank. The replies of the various series were converted to a common base by being allotted a mark 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 1968-1978.

Public consumption and households' consumption would also appear to have risen less than in the previous year; the latter of these components seems to have particularly weakened in the second half-year.

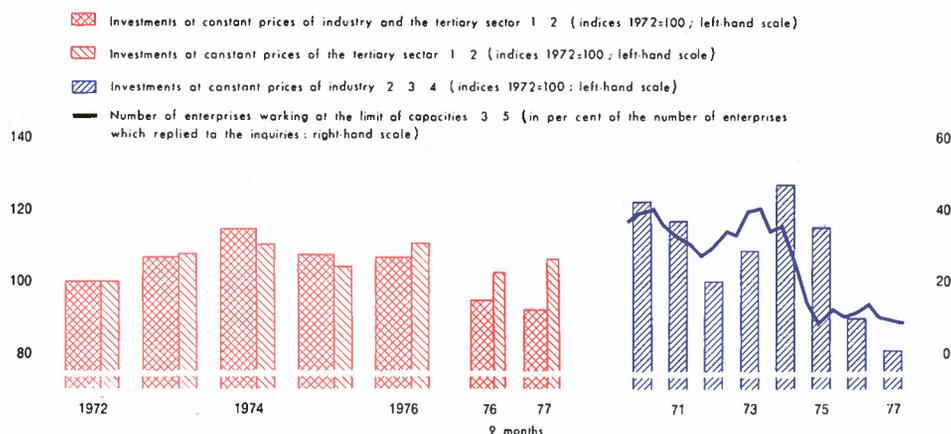
Enterprises' gross internal fixed capital formation declined, owing to the fact that the growth in the tertiary sector was not sufficient to offset the reduction in the case of manufacturing industry, where the underutilisation of production capacities remained considerable.

The unfavourable prospects with regard to prices and turnover undoubtedly deterred enterprises from forming any substantial additional stocks of raw materials and basic industrial products, while the virtual stagnation of production prevented any increase in the quantity of goods in course of manufacture. The slackening of demand did, however, lead to an expansion of stocks of finished products.

Households' investment in residential housing, which had increased substantially the previous year, remained practically unchanged.

Chart 4.

ENTERPRISES' GROSS INVESTMENT IN FIXED CAPITAL AT CONSTANT PRICES
AND EMPLOYMENT OF PRODUCTION CAPACITIES



1 Source : Ministry of Finance, Value Added Tax Statistics.

2 Deflated by the trend of the prices of the capital investments (until 1975, National Accounts data; since then, estimates based on the prices of metal capital goods and non-residential building).

3 Source : National Bank of Belgium, Inquiries into the trend of activity.

4 These data cover, for the latest period, the following industries : steel, non-ferrous metals, metal manufactures, textiles, paper, leather, wood processing, building materials, foodstuffs, chemicals, and also oil refining, electricity and the building industry.

1970 to 1976 : expenditure effected. 1977 : estimates.

5 These data cover, for the latest period, the industries listed in footnote 4 above, except for oil refining, electricity and the building industry.

Among the various expenditure categories, only the public authorities' capital expenditure maintained its 1976 growth rate.

The final uses of energy¹ entailed by the expenditure categories discussed above underwent hardly any change in the first half of the year, whereas they had increased by about 4 p.c. the previous year.

In nearly all sectors of production, a slackening of growth was observed in comparison with the previous year.

¹ 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.

In agriculture, a substantial reduction in the area sown and adverse weather conditions led to a fall in total production of cereals. The area devoted to sugar beet would also appear to have decreased, as well as the yield per hectare. The average sugar content was, however, higher, so that output of white sugar will be higher than in the 1976-1977 season. After the poor 1976 crop, production of potatoes rose by about 75 p.c.

Table 2.

AGRICULTURE

	Vegetable production ¹ (thousand tonnes)			Livestock ² (thousand head)		Milk delivered to dairies (millions of litres)
	Cereals	Sugar beet	Potatoes	Horned cattle	Pigs	
1972	1,946	4,319	1,106	2,825	4,283	2,510
1973	2,094	5,136	1,201	2,963	4,634	2,480
1974	2,067	4,465	1,460	3,048	5,034	2,580
1975	1,454	4,913	1,049	2,999	4,647	2,579
1976	1,758	4,600	714	2,979	4,890	2,611
1977	<i>p</i> 1,615	<i>p</i> 4,500	<i>p</i> 1,249	2,980	4,892	2,151 ³

Source : National Statistical Institute.

¹ Estimates based on yields per hectare.

² Census on 15th May.

³ Deliveries in the first nine months; corresponding 1976 figure : 2,128.

In the census of 15th May the number of pigs showed only a slight change compared with the previous year, but it would appear to have fallen since then. Slaughtering of cattle, including milking cows, declined during the first ten months owing to the reduction in livestock during the long drought of 1976. Consequently, despite the measures to limit dairy production adopted within the framework of the European Economic Community's agricultural policy, deliveries of milk during the first nine months showed a slight increase compared with the previous year.

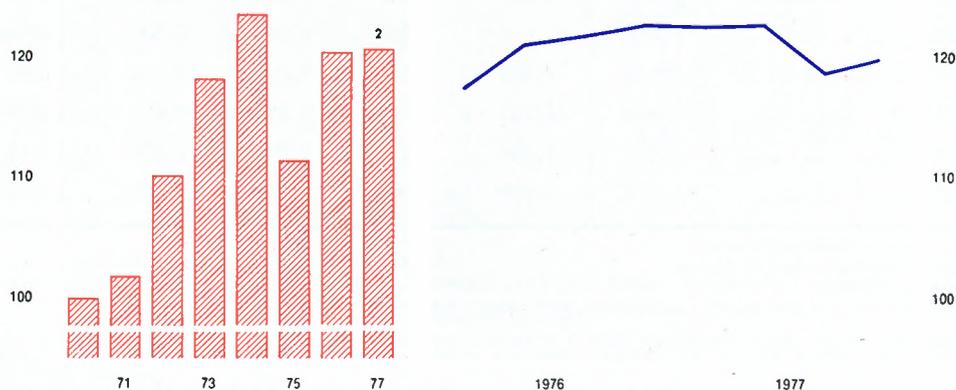
The output of the extractive industries during the first ten months remained at about the same level as in the previous year; while there was a further decline in coal-mining output, production in the other extractive industries increased substantially.

Output in the manufacturing industries, which had expanded considerably the previous year, showed hardly any further increase between the last quarter of 1976 and the second quarter of 1977, and even declined in the second half-year compared with the first; consequently for the first eleven months it was only up by 0.3 p.c. and remained somewhat below its 1974 level.

Chart 5.

PRODUCTION OF MANUFACTURING INDUSTRIES ¹

(Indices 1970 = 100)



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

¹ Left-hand part : monthly averages per year. Right-hand part : monthly averages per quarter, seasonally adjusted and corrected for the length and composition of the months; last period : average October-November 1977.

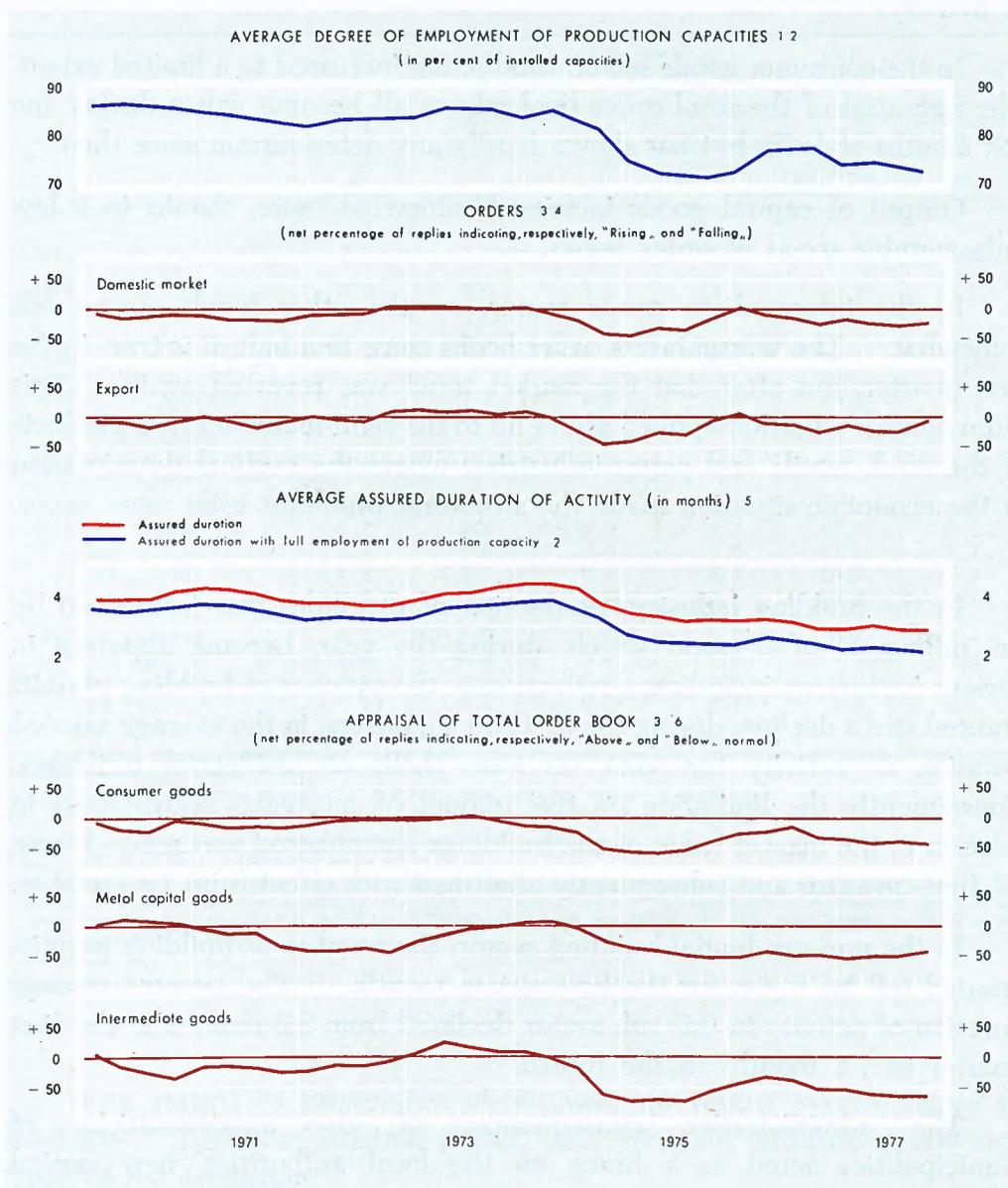
² The average index for 1977 was estimated on the assumption that the seasonally adjusted index for December would be at the same level as for November.

The average degree of employment of installed production capacities declined from 76.8 p.c. in October 1976 to 73.5 p.c. in January 1977; the May data showed little change, but in October the degree of employment was down to 72 p.c.

The profile of the trend of activity is also clearly illustrated by the movement of domestic and foreign orders : after a brief recovery in the first quarter, a downward tendency predominated until the beginning of the last quarter.

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.

Thus, the duration of activity ensured by the order books, which was already at a low level at the beginning of the year, did not improve.

The trend of output described above was not uniform for all branches of activity.

In the consumer goods sector, production increased to a limited extent. The appraisal of the total order book above all became worse during the last months of 1976, but has shown hardly any deterioration since then.

Output of capital goods increased somewhat more, thanks to a less unfavourable trend of order books.

In the intermediate goods sector, on the other hand, output fell somewhat. The worsening of order books came to a halt, it is true, in the first quarter, but after that the market trend was reversed again. This unfavourable situation applied above all to the semi-manufactured products of the steel, textile and paper industries, where the cyclical deterioration in the economic situation made the structural problems even more acute.

In the **building industry**, production of dwellings was influenced by the falling-off of demand which, during the year, became apparent in various indicators, including a reduction in the number of building permits granted and a decline, during the first three quarters, in the average assured duration of activity for work on bare shells of residential buildings. Consequently the limitation on the amount of mortgage registrations in relation to the market value of the buildings encumbered was relaxed from 1st June onwards and subsequently abolished with effect from 1st October.

In the non-residential building sector, the number of building permits granted fell by 6 p.c. for the first eleven months. The average assured duration of activity in this sub-sector declined from 8.3 months in the first quarter to 7.3 months in the fourth.

The administrative consequences of the amalgamations of municipalities acted as a brake on the local authorities' new capital expenditure commitments. The total of these commitments and of those of the central Government, expressed in constant prices, did not increase during the first half of the year; according to partial data it would appear to have decreased in the second half. Throughout the year, the average assured duration of activity of civil engineering enterprises was below the 1976 level.

Table 3.

BUILDING INDUSTRY

(Monthly averages)

	Dwellings		Non-residential buildings		Civil engineering	Public authorities' capital expenditure commitments at 1972 prices ⁶ (billions of francs)
	Permits ^{1 2} (thousands of approvals)	Average assured duration of activity ³ (in months)	Permits ^{1 4} (thousands of approvals)	Average assured duration of activity ³ (in months)	Average assured duration of activity ⁵	
1972	3.5	7.0	1.0	20.2	13.1	7.8
1973	3.8	8.0	1.1	18.4	14.5	6.0
	7	7	7	7	7	
1974	7.1	8.1	0.7	11.0	10.5	5.1
1975	5.7	7.2	0.5	10.7	10.2	6.0
		7		7		
1976	7.3	5.5	0.6	8.4	11.0	6.0
1976 1st quarter	7.7	5.2	0.5	8.6	11.5	5.8
2nd quarter	7.7	5.6	0.6	8.9	11.2	5.7
3rd quarter	7.0	5.7	0.6	8.1	10.9	5.4
4th quarter	6.7	5.6	0.6	8.1	10.5	7.1
1977 1st quarter	6.6	5.5	0.5	8.3	10.4	6.4
2nd quarter	6.2	5.4	0.6	7.7	9.9	5.1
3rd quarter	5.1	5.0	0.5	7.6	9.2	n.a.
4th quarter	5.1 ⁸	5.1	0.5 ⁸	7.3	8.8	n.a.

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

² For 1972 and 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 For 1972 and 1973, including certain structures other than buildings.

⁵ Source : National Bank of Belgium's inquiries.

⁶ Capital expenditure commitments assumed by the main ministerial departments, the Road Fund, the debudgetised sector and the local authorities affecting building, except for the housing sector. The initial data were converted into constant prices with the aid of the index of prices for civil engineering work compiled by the Economic Research Institute of the Catholic University of Louvain.

⁷ New series.

⁸ October-November.

With regard to production of services, no recent overall figure is available. However, existing partial data generally indicate a slowing-down of the expansion.

This applies to most of the services connected with industrial and agricultural activities and with the marketing of enterprises' products : the wholesale and retail trade, the publicity sector and road, air and sea goods transport. The decline in activity in rail goods transport was further accentuated; after an expansion in 1976, goods transport by inland

waterways decreased. On the other hand, activity at service stations appears to have increased appreciably faster than in the previous year.

In the sector of services rendered both to enterprises and to individuals, the turnover of the financial intermediaries and the services rendered by the public authorities, measured by the number of persons employed by the latter, increased to about the same extent as in the previous year. The growth in telecommunications was, however, smaller than in 1976.

Services only affecting individuals showed divergent trends. Whereas activity in the medical sector and air transport continued to expand at about the same rate as before, activity in the sector of tourism fell off, after having increased considerably in 1976; this trend is confirmed by the declarations made for the purpose of value-added tax by enterprises in the hotel, café and restaurant sector; other expenditure on recreation and culture as a whole rose less fast. Rail passenger transport showed a larger decline. The number of persons employed in State schools would appear to have remained more or less unchanged, after having increased the previous year.

EMPLOYMENT.

During 1975 and 1976 — the last years for which figures are available — total employment in the economy had decreased, as the further steady growth in the services sector had not been sufficient to offset the substantial fall in industry.

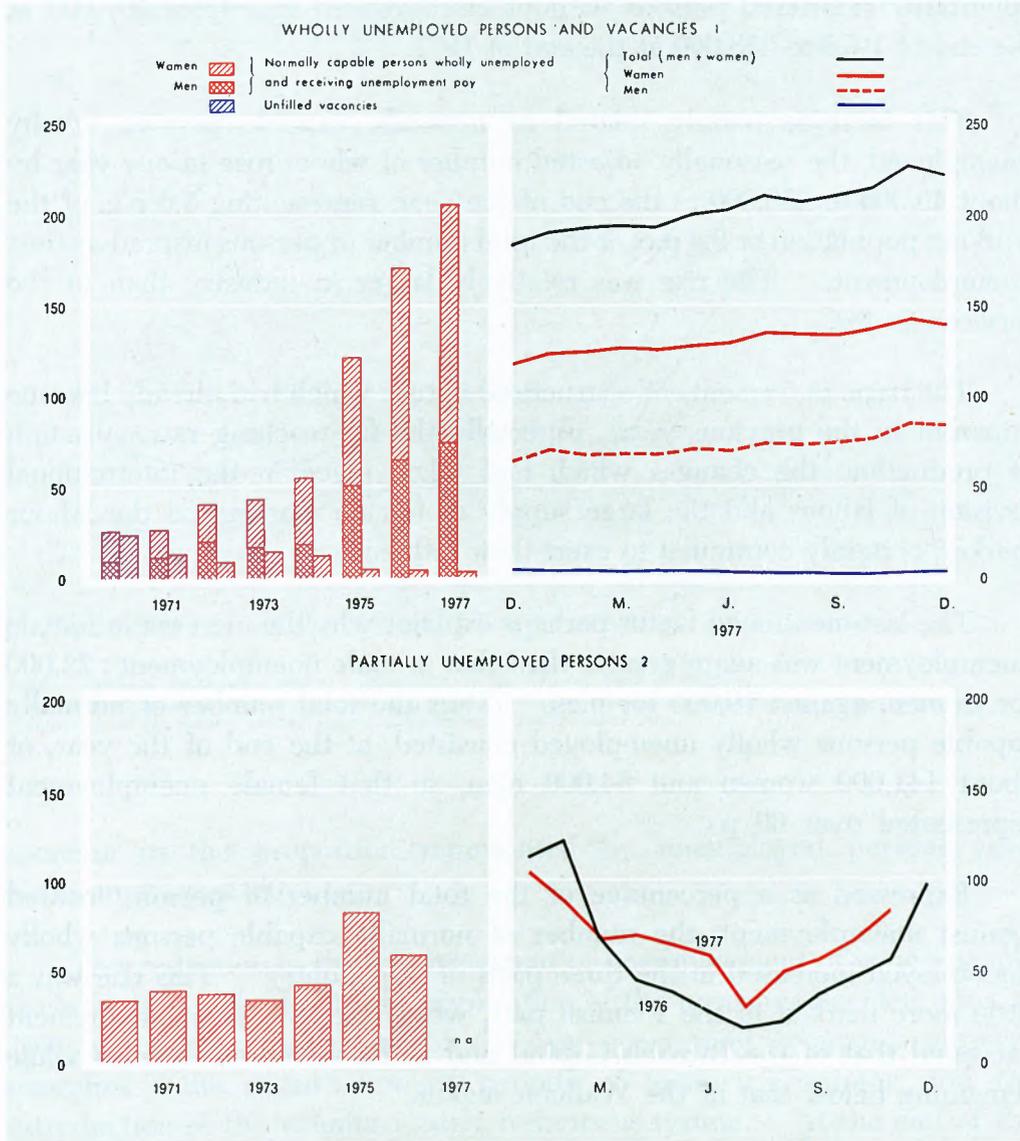
In the last-mentioned sector, the only one for which recent data are known, this trend appears to have continued last year : the number of jobs decreased by about 1.5 p.c. (or 23,000) during the first half of the year and, according to the National Bank's inquiries into the trend of economic activity, appears to have gone on falling since then.

The reduction in employment was accompanied by a rise in the number of persons partly unemployed, enterprises probably having preferred to abstain from permanently dismissing all their excess labour. The average number of persons partly unemployed thus exceeded, from April onwards, the corresponding figure recorded a year earlier; in November it stood at

Chart 7.

DEMAND FOR AND SUPPLY OF EMPLOYMENT

(in thousands)



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

1 For the annual data : average of the data at ends of months. For the monthly data : seasonally adjusted end-of-month data.

2 Daily averages.

83,000, against 56,000 in 1976, mainly owing to the increase in male partial unemployment.

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) rose from 307,000 at the end of 1976 to 358,000 at the end of 1977.

This increase mainly related to normally capable persons wholly unemployed, the seasonally adjusted number of whom rose in one year by about 40,000 to 225,000 at the end of the year, representing 5.6 p.c. of the working population or 8.4 p.c. of the total number of persons insured against unemployment. The rise was relatively larger in industry than in the services sector.

The basic movements of a structural nature which had already become apparent in the previous years, especially the far-reaching rationalisation of production, the changes which had taken place in the international division of labour and the large supply of female workers on the labour market, certainly continued to exert their influence.

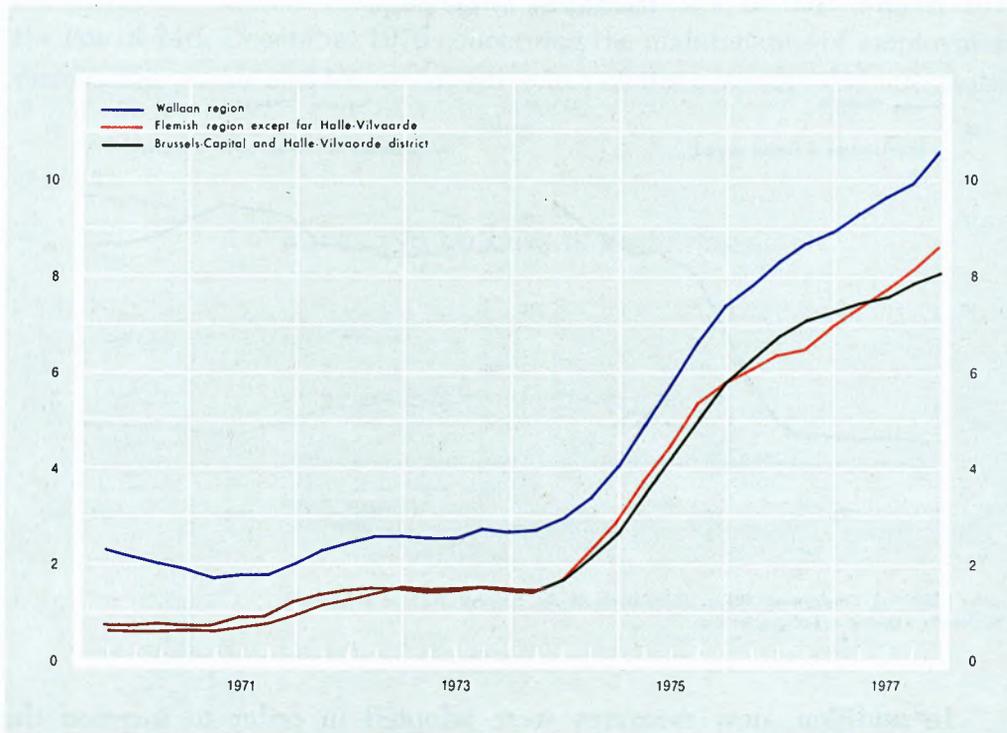
The last-mentioned factor perhaps explains why the increase in female unemployment was again greater than that in male unemployment : 22,000 for women, against 19,000 for men. Thus the total number of normally capable persons wholly unemployed consisted, at the end of the year, of about 141,000 women and 84,000 men, so that female unemployment represented over 60 p.c.

Expressed as a percentage of the total number of persons insured against unemployment, the number of normally capable persons wholly unemployed increased in the three parts of the country. This rise was a little more marked in the Flemish part, where the rate of unemployment exceeded that of the Brussels-Capital and Halle-Vilvoorde districts while remaining below that of the Walloon region.

Furthermore, as has been the case for several years, the unemployment rate was highest among young people under the age of 25. The relative increase was smaller, however, for this category than for the others, so that the share of young people in the total number of normally capable persons wholly unemployed declined, having as its inevitable counterpart an

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.

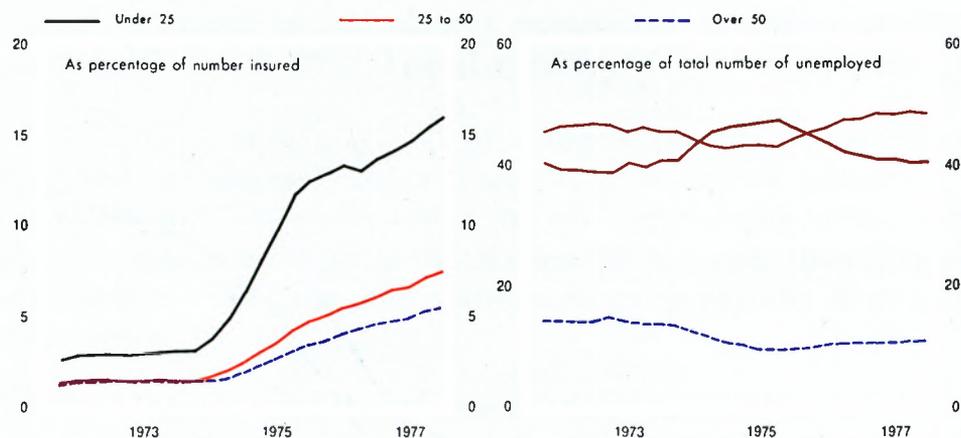
increase in the proportion represented by unemployed persons aged between 25 and 50.

This reduction in the relative extent of unemployment of young people is certainly largely due to the application of the measures decided upon in 1976 within the framework of the law concerning economic recovery measures : the organisation of periods of in-service training and the introduction of the voluntary early retirement system. At the end of the year, about 17,000 young people were engaged in in-service training and were therefore no longer registered as job-seekers; the number of early retirement pensions granted under the above-mentioned law, on condition that the workers thus pensioned be replaced by young unemployed persons, was about 18,000.

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.

In addition, new measures were adopted in order to increase the number of unemployed provided with work by the public authorities and to improve the financial status of certain categories of unemployed persons. Furthermore, the law concerning the budget proposals for 1977-1978 provides for a strengthening of the legislation concerning in-service training periods, an extension of the possibilities of anticipated pensions, the establishment of a special temporary staff in the public sector and measures for the humanisation of work.

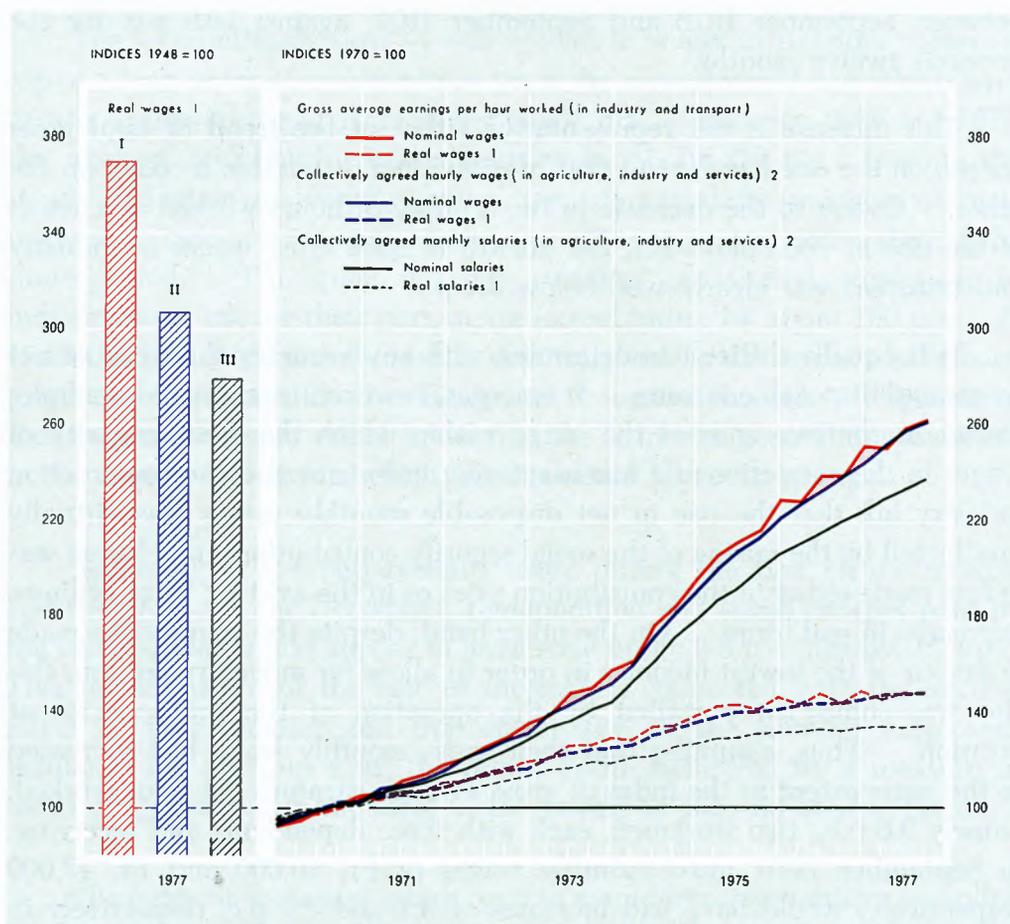
WAGES AND OTHER INCOMES.

The slowing down of the rise in **nominal wages and salaries in enterprises**, which had begun around the beginning of 1975, continued. With regard to collectively agreed monthly salaries, the rate of increase declined from 10.4 p.c. between September 1975 and September 1976 to 8 p.c. for the next twelve months. The rate of increase in collectively agreed hourly wages went down from 12.5 to 9.6 p.c. between the same

periods. The slackening of the rise in consumer prices reduced the effect of index-linking on the wage and salary scale, while, just as during the previous year, the new wage agreements bore witness to an effort of moderation. Unlike the Economic Recovery Law of 30th March 1976, the law of 24th December 1976 concerning the maintenance of employment, purchasing power and the competitiveness of the economy did not contain

Chart 10.

WAGES AND SALARIES IN ENTERPRISES



I Gross average earnings per hour worked (in industry and transport).
 II Gross average earnings per day worked of male workers in industry.
 III Gross average earnings per month worked of male staff in industry.
 Source: Gross average earnings per day worked of male workers and per month worked of male staff in industry: National Social Insurance Office. Collectively agreed hourly wages and monthly salaries: Ministry of Employment and Labour.

1 Nominal wages deflated by the index of consumer prices.
 2 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.

any measure aimed at directly discouraging the granting of new wage increases in the collective wage agreements. It did, however, contain an indirect curb by stating that, when price increases were reported, account could only be taken of wage increases due to linking with the index of consumer prices and that other increases could not lead to price revisions either in private contracts or in contracts concluded with the public authorities.

Gross average earnings per hour worked in industry and transport, which in principle include all earned incomes actually paid, went up, according to the calculations made by the National Bank, by 9.6 p.c. between September 1976 and September 1977, against 10.9 p.c. for the previous twelve months.

This increase is not representative either of the trend of total gross wages, on the one hand, or of that of individual disposable income, on the other. Owing to the decrease in the number of hours worked as a result of the rise in unemployment, the growth in total gross wages in industry and transport was clearly well below 9.6 p.c.

It is equally difficult to determine with any accuracy the trend of net wages and disposable income. It emerges, however, 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 net disposable monthly wages was virtually unaffected by the raising of the social security contributions; no change was in fact made either in the contribution rates or in the existing wage ceilings, expressed in real terms. On the other hand, despite the adaptations made in favour of the lowest incomes in order to allow for monetary erosion, this rise was somewhat curtailed by the operation of the progressivity of taxation. Thus, assuming that their gross monthly wage had increased to the same extent as the index of gross average earnings per hour worked, namely 9.6 p.c., two workmen, each with three dependants and receiving, in September 1976, gross monthly wages of Fr. 26,000 and Fr. 42,000 respectively, would have had increases of 9.1 and 7.7 p.c. respectively in their net monthly wages. For the previous twelve months, the corresponding rates of increase were 11 and 10.7 p.c.

Allowing for the rise in consumer prices, their net disposable wages in real terms would have gone up by 2.4 and 1.1 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 by 2.3 and 1.2 p.c. respectively.

With regard to gross hourly wages, the rise in nominal terms appears to have been faster in Belgium than in the Netherlands, the Federal Republic of Germany, the United Kingdom and the United States, but slower than in France. In real terms it appears to have been faster in Belgium than in the United States, France and the Netherlands, but less marked than in the Federal Republic of Germany. In the United Kingdom, real wages appear to have decreased.

The — admittedly slow — real growth in wages in Belgium comes on top of a long series of real increases since the second world war which have greatly improved the workers' living conditions. Between 1948 and 1977, the workers' real hourly wages went up by about 270 p.c. Despite the steady reduction in working hours, the average daily earnings of male workers in industry rose by a little over 200 p.c. in real terms during the same period. The gross monthly earnings of salaried employees in industry went up, for their part, again in real terms, by about 180 p.c. It cannot be deduced from these data that wage and salary earners have been privileged in relation to other categories of income earners. The rates of increase stated should rather be seen in the light of a general improvement in the standard of living which has benefited all social groups.

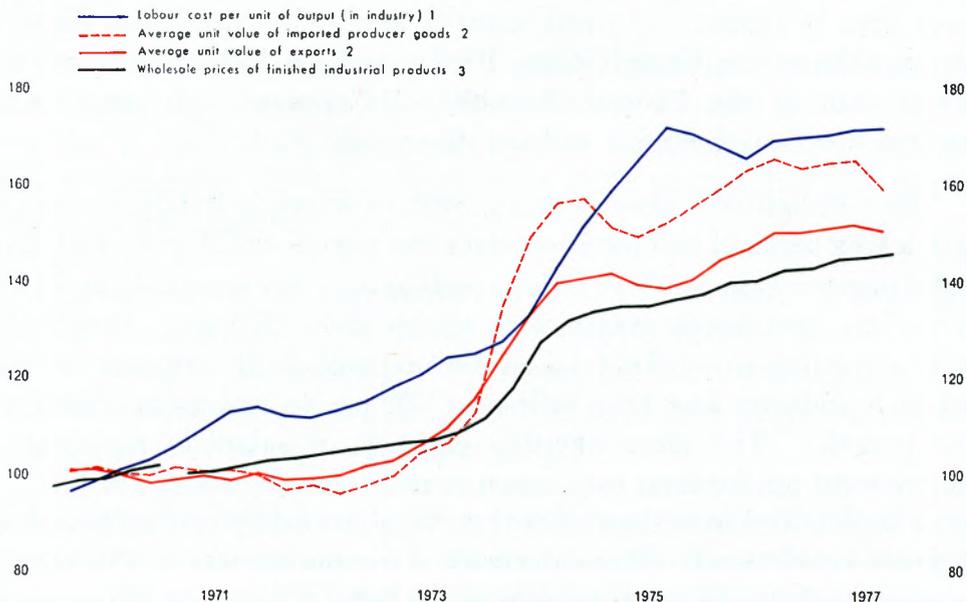
According to the outpayments made during the first eleven months and the prospects for December, remuneration and social charges paid by the Government would appear to have gone up by 9.8 p.c., against 12.4 p.c. This slowing-down of the rate of increase is connected with the smaller effect of index-linking and the slower rise in the number employed. Unlike in the previous year, the public sector benefited by a measure of social programming in the form of the raising of the end-of-year bonus.

The index of wage and salary costs in manufacturing industry compiled by the Economic Research Institute of the Catholic University of Louvain would appear to have gone up by 9.2 p.c. between the first nine months of 1976 and the first nine months of 1977, against 12.8 p.c. during the previous corresponding period. In 1977 this index was affected by heavier social charges borne by employers as a result of the introduction of a uniform contribution for accidents at work, payable by all sectors to the

Chart 11.

COMPONENTS OF INDUSTRIAL COST PRICES AND SELLING PRICES

(Indices 1970 = 100)



Sources : Labour cost per unit of output : Economic Research Institute of the Catholic University of Louvain. Average unit value : National Statistical Institute. Calculations of the National Bank of Belgium. Wholesale prices of finished industrial products : Ministry of Economic Affairs.

1 Wages and salaries; quarterly data.

2 Quarterly data.

3 1970 : index calculated on the basis of prices including sales taxes. Subsequently : index calculated on the basis of prices net of value-added tax. Monthly averages per quarter.

National Social Insurance Office, and also by the raising of the rates of contribution for annual holidays and of the ceilings, where still in force, for employers' contributions.

As the growth in productivity appears to have slowed down somewhat more than that in remuneration between the two periods mentioned, the index of wage and salary costs per unit of output would appear to have risen slightly more than in the previous year, namely by 2.1 p.c., against 1.4 p.c.

Among the other components of cost prices, the average cost of net financial liabilities in Belgian francs declined slightly, while the percentage

rise in the average unit value of imported producer goods, which are an important component of cost prices, fell from 7.8 p.c. in 1976 to 0.3 p.c.

For selling prices, however, the slowing-down was less marked : the average rise in wholesale prices of finished industrial products remained, during the first nine months, slightly smaller than that in the previous year, namely 3.5 p.c. against 3.8 p.c., while the average increase in the unit value of exports fell from 5.2 to 2.6 p.c.

On balance, profit margins widened. Owing, however, to the very small increase in sales, the growth in the **gross nominal profits of industry taken as a whole** hardly exceeded that in profit margins. Furthermore, this growth was slower than in the previous year.

This overall view conceals considerable differences between sectors and enterprises; a distinction should, for instance, be made between the sectors which had to face foreign competition and the more sheltered sectors. In non-industrial enterprises, most of which belong to the sheltered sectors, the movement of nominal profits would appear to have been more favourable than in industry.

Agricultural output, expressed in terms of value, was adversely affected by a fall in prices : the average prices received by producers were in fact, on average, about 7.1 p.c. below the previous year's level. This factor was only partly offset by an increase, in terms of volume, in output of potatoes, certain horticultural products and sugar. For their part, the prices paid by producers were 5.3 p.c. higher than in 1976. Consequently, the **total nominal income of farmers** showed a decrease which partly cancelled out the improvement of some 10 p.c. which took place the previous year.

With regard to the **total nominal incomes of other self-employed persons**, no recent data are yet available.

The remuneration for the services of those engaged in the liberal professions was, as in 1976, limited by a law. The remunerations which are fixed on a proportional basis were not allowed, in 1977, to exceed those which were in force on 31st December 1975 and which resulted, for the same services, from the regulations concerning tariffs, scales, fees or

subscriptions laid down by the professional associations. Remunerations fixed as absolute amounts were allowed to be increased by 8.5 p.c. during the year. As in 1976, no direct checks were carried out in this connection.

According to the adjusted budget for 1977, the rate of growth of **social benefits and services paid or supplied by the central Government and the social security institutions** declined from 14 to 12 p.c., despite a considerable speeding-up of health service and holiday allowance payments. This slowing-down related to pensions 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 increased, for the first ten months, by 17.6 p.c., against 34.6 p.c. in 1976.

With regard to **income from personal property** in Belgian francs, the growth in income on short-term fixed-interest investments slackened owing to the fall in interest rates. Income from medium-term notes and bonds showed, thanks to the increase in their total outstanding amount during the previous year, a further rise.

According to a sample survey of Belgian companies, net dividend payments went up by 13.4 p.c., whereas they had fallen by nearly 20 p.c. the previous year. According to the afore-mentioned law of 24th December 1976, the amount of dividends of Belgian origin payable to shareholders of companies during 1977 in respect of 1976 profits was not allowed to exceed the highest amount paid for the 1972, 1973 and 1974 financial years, plus 8.5 p.c.

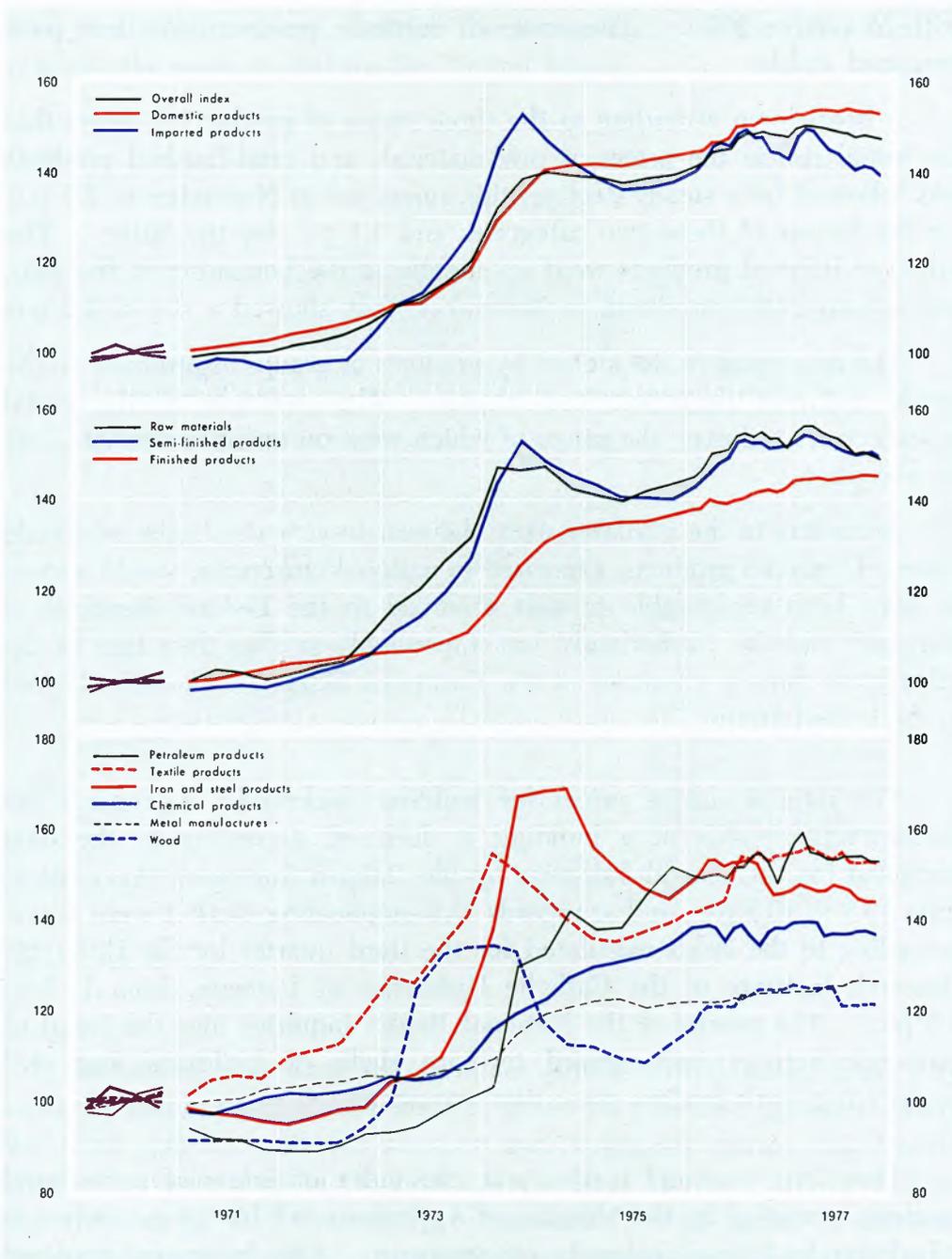
PRICES.

The official index of **wholesale prices of industrial products** underwent hardly any change from November 1976 to November 1977, whereas it went up by 6 p.c. during the previous twelve months. Apart from a rise during the first two months of the year due to the increase in the prices of imported products, including, in particular, oil, the index showed a downward trend. This general movement was confirmed by the results of the National Bank's inquiries among manufacturing industries into the trend of activity.

Chart 12.

WHOLESALE PRICES OF INDUSTRIAL PRODUCTS ¹

(Indices 1970 = 100)



Source : Ministry of Economic Affairs.

¹ 1970 to 1975 : monthly averages per quarter. 1976 and 1977 : monthly data. 1970 : indices calculated on the basis of prices including sales taxes. Subsequently : indices calculated on the basis of prices net of value-added tax.

The above-mentioned rise in the prices of imported products was replaced, from April onwards, by an appreciable decline, thanks to the movement of prices on the world market and the relative appreciation of the Belgian franc; in November the decline amounted to 3 p.c. compared with November 1976. The prices of domestic products, for their part, remained stable.

A breakdown according to the three stages of production shows that the initial rise in the prices of raw materials and semi-finished products was followed by a steady decline; this amounted in November to 2.7 p.c. for the former of these two categories and 1.1 p.c. for the latter. The prices of finished products went up slightly at the beginning of the year, and subsequently stabilised; in November, they showed a rise of 2.2 p.c.

The movement of the indices by products or groups of products on the whole followed that described above. The products of the metal manufactures industry, the prices of which went on rising somewhat, were an exception.

According to the available data, the year-to-year rise in the wholesale prices of finished products, expressed in national currencies, would appear to have been comparable to that observed in the Federal Republic of Germany and the Netherlands, but appreciably smaller than that in the other main partner countries of the European Economic Community and in the United States.

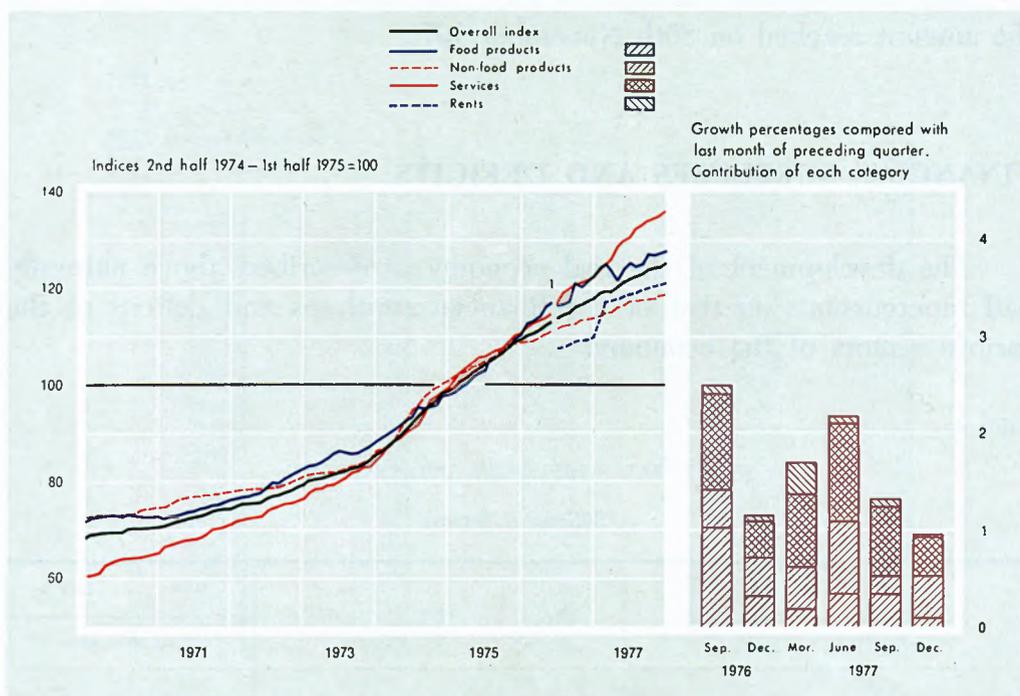
The rate of rise of **prices for building** slackened : as regards the reconstruction value of a building it declined, according to the data compiled for the second half-year by the Belgian Surveyors' Association, from 13.3 to 10.5 p.c., and as regards civil engineering work it went down, according to the index calculated for the third quarter by the Economic Research Institute of the Catholic University of Louvain, from 11.5 to 5.5 p.c. The results of the National 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 one year-end to the next, the index of **prices of agricultural products** compiled by the Ministry of Agriculture fell by 7.6 p.c., whereas it had risen by 5.3 p.c. during the previous year. This decline was confined to vegetable products, especially potatoes, while animal products showed a slight rise.

The rate of rise in consumer prices declined from 7.6 to 6.3 p.c. from one year-end to the next. The latter rate compares favourably with that for most of the partner countries of the European Economic Community, but exceeds the corresponding rate for the Federal Republic of Germany and, to a smaller extent, that for the Netherlands; on the other hand, it is about the same as that for the United States.

Chart 13.

CONSUMER PRICES



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

The average increase in consumer prices slowed down from July onwards, thanks to a steadier trend of prices for non-food products during the third quarter, and for services and foodstuffs during the fourth. There were some falls in the prices of the latter during the year, but on the whole an upward tendency predominated. With regard to services, the overall increase remained considerable, having amounted to 10.8 p.c.; apart from structural factors, an influence was exerted by the increases in value-added taxes.

In order to mitigate the effect produced on the index of consumer prices by the erratic fluctuations in prices of fruit and vegetables, the Government decided to use, from October onwards, a three-month moving average for these products.

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

The limit on rent increases in 1977 was fixed by a law at 8.5 p.c. of the amount reached on 30th November 1976.

FINANCIAL SURPLUSES AND DEFICITS.

The development of the real economy as described above naturally had repercussions on that of the financial surpluses and deficits of the various sectors of the economy.

Table 4.

FINANCIAL SURPLUSES AND DEFICITS

(Billions of francs)

	1975	1976	1977 <i>e</i>	1976	1977 <i>p</i>
				First 10 months	
A. Balance of current transactions with foreign countries (on transactions basis)	+ 14	+ 7	- 10	- 4	- 9
B. Surplus or deficit of domestic sectors :					
1. Net deficit of public authorities	- 137	- 170	- 205	- 176 ¹	- 205 ¹
2. Net surplus of enterprises and individuals	+ 166	+ 196	+ 215	+ 169	+ 197
of which : Liabilities	(- 211)	(- 269)	(- 260)	(- 218)	(- 201)
Claims	(+ 377)	(+ 465)	(+ 475)	(+ 387)	(+ 398)
3. Miscellaneous and statistical adjustments (A. - B.1. - B.2.)	- 15	- 19	- 20	+ 3 ²	- 1 ²
Total ...	+ 14	+ 7	- 10	- 4	- 9

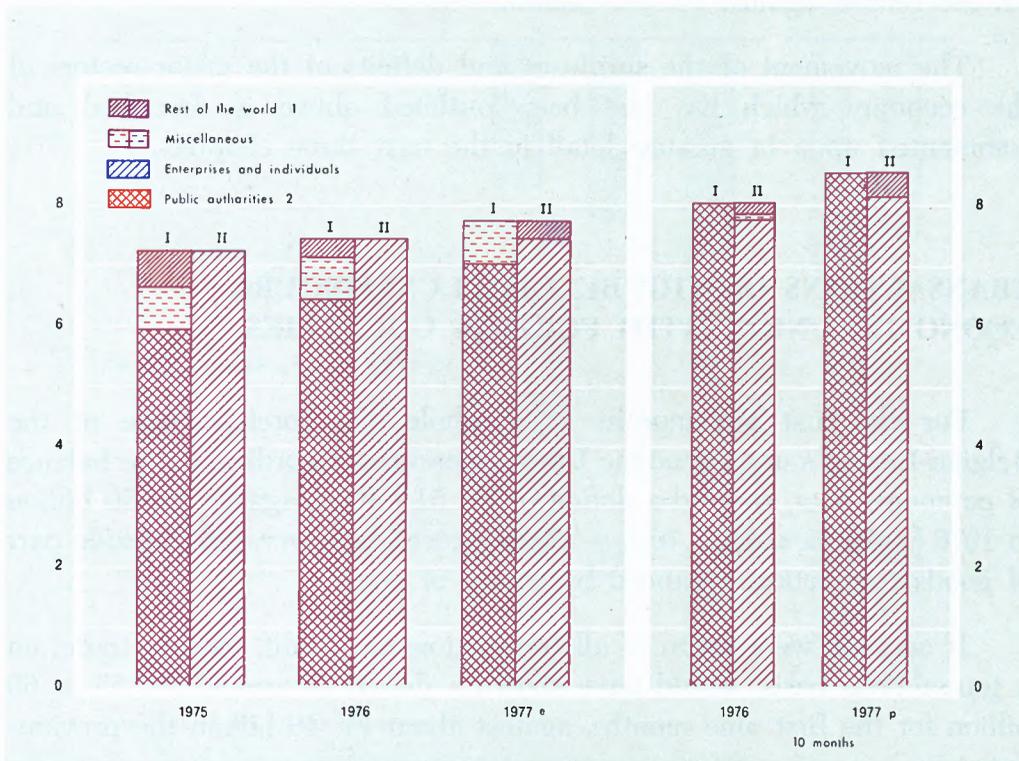
¹ Excluding social security.

² Including social security.

Most categories of expenditure — both foreign demand and the components of domestic demand — only increased slightly, not only in volume, as has been stated above, but also in value; only the volume of the public authorities' capital expenditure showed a rise comparable to that in 1976.

Chart 14.

FINANCIAL SURPLUSES AND DEFICITS
(As percentage of gross national product at current prices)



I Deficits.
II Surpluses.

¹ A deficit of the rest of the world means a surplus in Belgium's current transactions with foreign countries; a surplus of the rest of the world means a deficit in Belgium's current transactions with foreign countries.

² For the first ten months of 1976 and 1977, excluding social security.

This slackening of the growth in expenditure slowed down the rise in imports. It also led to an increase in the public authorities' net current transfers to other sectors : it adversely affected tax revenues and forced the Government to pay a larger amount of unemployment benefits.

The result of these developments was that Belgium's current account deficit with foreign countries for the first ten months worsened somewhat,

rising from Fr. 4 to 9 billion, and that the public authorities' financial deficit, as regards both their current transactions and their capital account, rose from Fr. 176 billion to Fr. 205 billion. The last-mentioned movement had as its counterpart an increase in the financial surplus of individuals and enterprises, which went up from Fr. 169 to 197 billion. This expansion applied solely to households and unincorporated enterprises; it was the resultant of, on the one hand, a decrease in new financial liabilities, which declined from Fr. 218 to 201 billion and, on the other hand, an increase in the new financial assets formed, which amounted to Fr. 398 billion, against Fr. 387 billion.

The movement of the surpluses and deficits of the major sectors of the economy which has just been outlined above is described and commented upon in greater detail in the next three chapters.

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

For the first ten months as a whole, the foreign trade of the Belgian-Luxembourg Economic Union, measured according to the balance of payments data, showed a deficit of Fr. 51 billion, against Fr. 50 billion in 1976 [Table 5, column (c)]. These figures, however, only include part of goods transactions financed by means of credit.

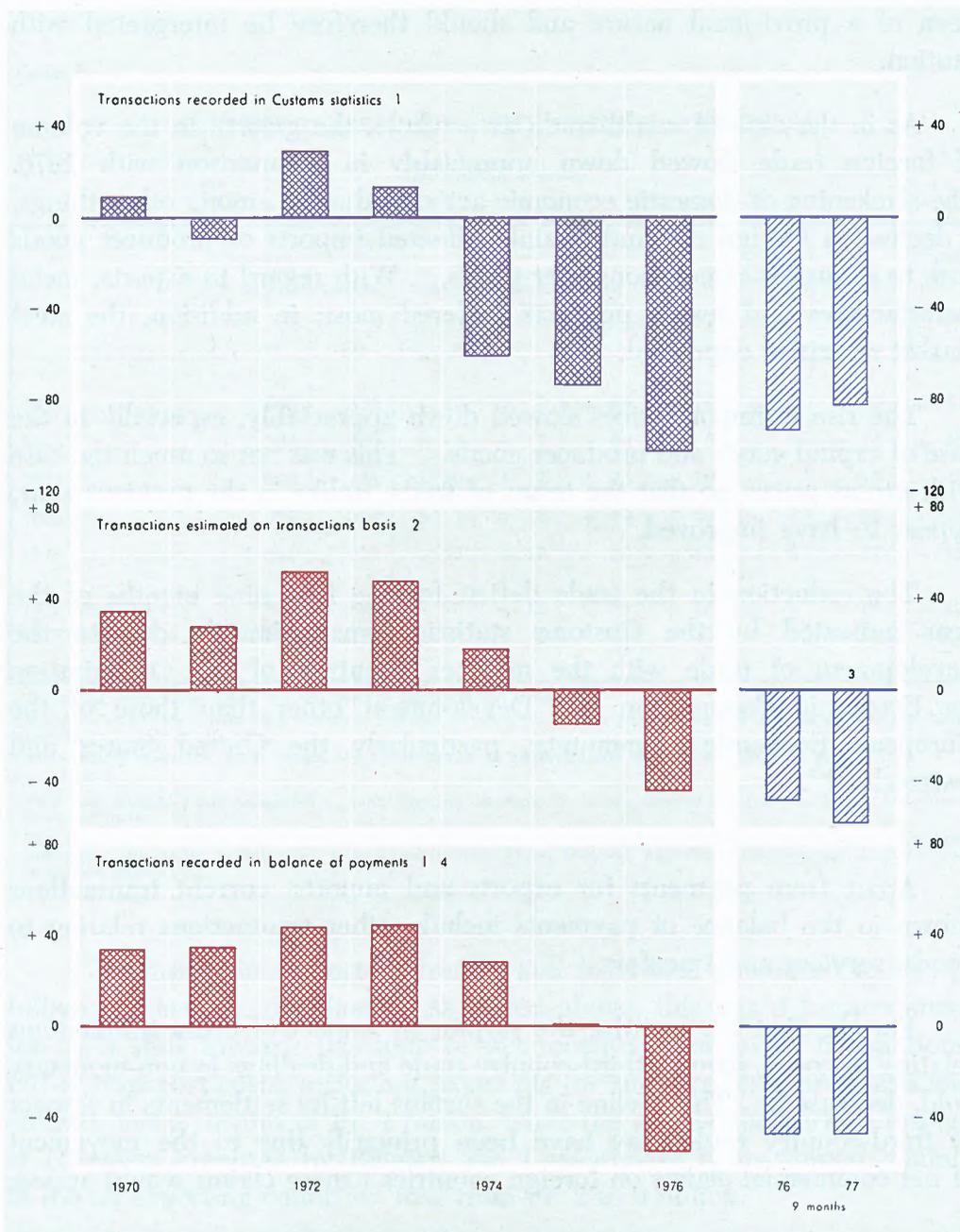
If account were taken of all transactions on credit, foreign trade, on a transactions basis, would have shown a deficit of around Fr. 55 to 60 billion for the first nine months, against about Fr. 48 billion the previous year.

According to the Customs statistics, on the other hand, the deficit decreased, for the same periods, from Fr. 93 to 82 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. The recording of freight and insurance in the payment statistics does not necessarily remain unchanged : it is quite possible that in 1977 a larger proportion of the net receipts in respect of freight and insurance was recorded under the appropriate item of the balance of payments, which

Chart 15.

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 5, column (c).

would incidentally also explain the increase in the surplus of this item. Furthermore, the Customs statistics also include supplies on board ships and aircraft which are shown under the item « Other transport costs » of the balance of payments; in 1977 these supplies left a surplus. Lastly, it should be recalled that the Customs statistics have for a very long time been of a provisional nature and should therefore be interpreted with caution.

As in the case of world trade as a whole, the growth in the volume of foreign trade slowed down appreciably in comparison with 1976. The slackening of domestic economic activity, due to, among other things, a decline in foreign demand, mainly affected imports of producer goods and, to a smaller extent, consumer goods. With regard to exports, metal manufactures and textile products suffered most; in addition, the steel market remained depressed.

The rise in import prices slowed down appreciably, especially in the case of capital goods and producer goods. This was not so much the case with export prices, so that the terms of trade, unlike in the previous year, appear to have improved ¹.

The reduction in the trade deficit for the first nine months of the year indicated by the Customs statistics was primarily due to the development of trade with the member countries of the Organisation for Economic Cooperation and Development other than those of the European Economic Community, particularly the United States and Switzerland ².

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 ten months, the surplus in respect of other transactions relating to goods, namely third-country trade and dealings in non-monetary gold, decreased. The decline in the surplus left by settlements in respect of third-country trade may have been primarily due to the movement of net commercial claims on foreign countries : these claims would appear

¹ See Annex 6, Table 1.

² See Annex 6, Table 2.

to have increased more during the period in question of last year than in the previous year.

The positive balance in respect of transactions in services again widened markedly, reaching Fr. 42 billion, against Fr. 32 billion.

Table 5.

CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES ¹

(Billions of francs)

	Transactions in goods					Services 4	Private transfers 5	Public transfers 6	Grand total (i) = (e) + (f) + (g) + (h)
	Exports 2 (a)	Imports 2 (b)	Balance (c) = (a) - (b)	Other trans- actions 3 (d)	Total (e) = (c) + (d)				
1972	582	539	+ 43	+ 3	+ 46	+ 14	+ 1	- 10	+ 51
1973	724	680	+ 44	+ 4	+ 48	+ 9	+ 2	- 14	+ 45
1974	959	931	+ 28	+ 7	+ 35	+ 16	...	- 15	+ 36
1975	899	898	+ 1	+ 18	+ 19	+ 28	- 3	- 19	+ 25
1976	1,024	1,079	- 55	+ 19	- 36	+ 43	- 6	- 13	- 12
1976 First 10 m. ...	839	889	- 50	+ 12	- 38	+ 32	- 6	- 10	- 22
1977 First 10 m. p	895	946	- 51	+ 8	- 43	+ 42	- 5	- 11	- 17

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 Belgium banks. Including commission processing.

³ Third-country trade (i.e. goods bought and resold abroad by residents) and trade in non-monetary gold.

⁴ See Table 6.

⁵ This item includes funds transferred to their countries of origin by foreign workers living in the Belgian-Luxembourg Economic Union.

⁶ This item mainly consists, on the expenditure side, of technical assistance and of Government contributions to European institutions and, on the receipts side, of the payments made by the European Agricultural Guidance and Guarantee Fund to resident farmers.

The surplus in respect of freight and insurance amounted to Fr. 10 billion, against Fr. 6 billion. As stated above, this might be accounted for by a shift towards this item of net receipts from goods transactions. Other transport costs, including payments for supplies on board ships and aircraft, left a surplus of Fr. 1 billion, while the positive balance in respect of contracts executed by Belgian and Luxembourg firms abroad, mainly in the oil-exporting countries, rose from Fr. 2 to 9 billion.

Taking into account transfers, the balance of which underwent scarcely any change, the Belgian-Luxembourg Economic Union's current

transactions resulted, as shown by Table 5, in a deficit, for the first ten months as a whole, amounting to Fr. 17 billion, against Fr. 22 billion. It should, however, be pointed out that in 1977 the transactions recorded as errors and omissions, partly because it was not possible to identify their nature, gave rise to net receipts of Fr. 13 billion, of which a relatively large proportion — at least about Fr. 5 billion — appears to

Table 6.

SERVICES TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of francs)

	Freight and insurance for goods transport	Other transport costs ¹	Foreign travel	Portfolio and investment income	Transactions of public authorities not included elsewhere ²	Frontier workers	Contracting	Other services ³	Total
1972	+ 5	...	- 12	+ 7	+ 9	+ 5	- 2	+ 2	+ 14
1973	+ 3	...	- 17	+ 7	+ 7	+ 5	- 1	+ 5	+ 9
1974	+ 3	...	- 18	+ 12	+ 13	+ 5	- 2	+ 3	+ 16
1975	+ 6	+ 1	- 20	+ 16	+ 15	+ 6	- 3	+ 7	+ 28
1976	+ 8	...	- 23	+ 23	+ 17	+ 6	+ 4	+ 8	+ 43
1976 First 10 m. ...	+ 6	...	- 21	+ 19	+ 14	+ 5	+ 2	+ 7	+ 32
1977 First 10 m. p	+ 10	+ 1	- 22	+ 17	+ 16	+ 5	+ 9	+ 6	+ 42

¹ Costs of passenger transport, port and Customs charges, rental costs, costs of maintenance and repair of ships and aircraft, purchases and sales of supplies for ships and aircraft.

² This item mainly consists, on the receipts side, of the operating expenditure of international institutions located in the Belgian-Luxembourg Economic Union and, on the expenditure side, of military expenditure.

³ Fees for cinematographic films, patents and copyright, brokers' fees, commissions and miscellaneous commercial expenses, insurance premiums and compensation payments (excluding insurance on goods transport, shown with freight, and life assurance and credit and capital-accumulation insurance, included in capital transactions), etc.

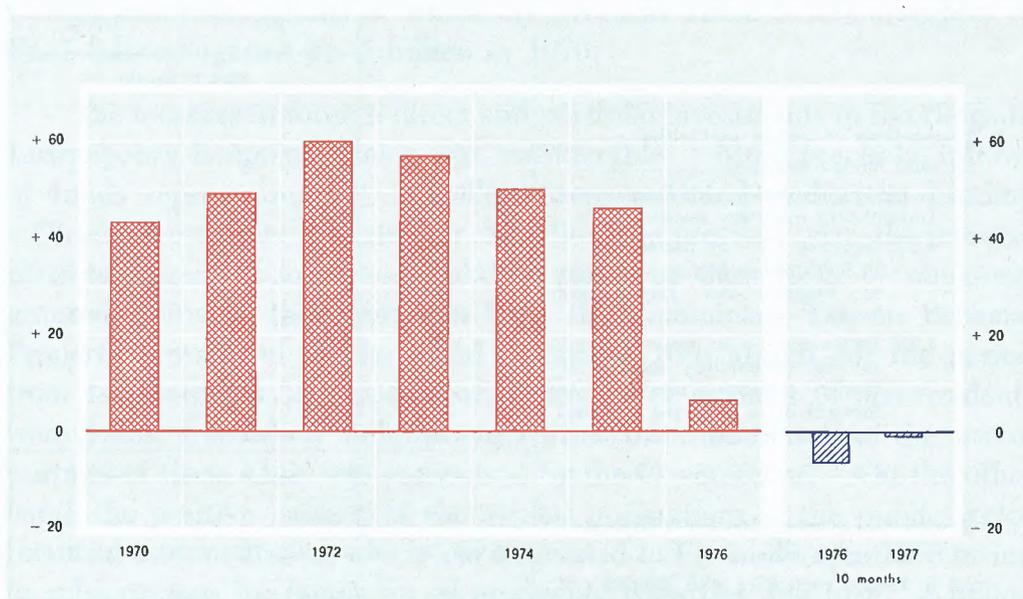
be due to transactions in goods and services; it may therefore be assumed that the deficit in respect of current transactions was in fact no more than Fr. 12 billion, although it is not possible to give a breakdown of this overall total among the various items described above.

It may also be recalled that, on a transactions basis and for Belgium alone, the current deficit is roughly estimated, after the correction which has just been mentioned, at Fr. 9 billion, against Fr. 4 billion in 1976 (Table 4, item A).

Chart 16.

TRANSACTIONS IN GOODS AND SERVICES WITH FOREIGN COUNTRIES ¹

(Billions of francs)



¹ See Table 5, columns (e) and (f).

The capital transactions shown in Table 7 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 foreign exchange markets and which thus may have induced the National Bank to intervene. Forward transactions between residents and 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 as a whole resulted, for the first ten months, in a surplus of Fr. 24 billion, whereas in the previous year, owing to the tensions in the foreign exchange markets, outflows of funds amounting to Fr. 30 billion had been recorded.

Table 7.

CAPITAL TRANSACTIONS

(Billions of francs)

	1976	1976	1977 <i>p</i>
		First 10 months	
1. Transactions of public authorities :			
1.1 with foreign countries	- 3	- 2	- 1
1.2 in foreign currencies with Belgian and Luxembourg monetary institutions :			
1.2.1 Increase (+) or decrease (-) in liabilities in foreign currencies to Belgian and Luxembourg banks	+ 1	+ 1	- 1
1.2.2 Increase (-) or decrease (+) in the outstanding amount of foreign currencies receivable at forward dates from the National Bank of Belgium .....	...	- 1	...
Total 1 ...	- 2	- 2	- 2
2. Transactions of enterprises and individuals :			
2.1 with foreign countries ¹	+ 8	+ 5	+ 7
2.2 in foreign currencies with Belgian and Luxembourg banks :			
2.2.1 Increase (-) or decrease (+) in net spot claims	- 8	- 13	+ 3
2.2.2 Increase (-) or decrease (+) in net forward claims	+ 8	+ 15	+ 13
Total 2 ...	+ 8	+ 7	+ 23
3. Transactions of non-residents in Belgian and Luxembourg francs with Belgian and Luxembourg monetary institutions :			
3.1 Increase (-) or decrease (+) in liabilities in the form of commercial credits originally financed by Belgian banks	- 12	- 12	- 6
3.2 Increase (+) or decrease (-) in the excess of spot claims over other spot liabilities	+ 4	- 4	+ 20
3.3 Increase (+) or decrease (-) in the excess of the outstanding amount of Belgian and Luxembourg francs receivable at forward dates over the outstanding amount of Belgian and Luxembourg francs to be delivered at forward dates	- 9	- 13	- 8
Total 3 ...	- 17	- 29	+ 6
4. Movement in the position in foreign currencies of Belgian and Luxembourg banks :			
4.1 Increase (-) or decrease (+) in net spot claims	- 8	- 4	+ 2
4.2 Increase (-) or decrease (+) in net forward claims	+ 1	- 2	- 5
Total 4 ...	- 7	- 6	- 3
Total 1 to 4 ...	- 18	- 30	+ 24

¹ See Table 8.

The capital transactions of the public authorities resulted, as in 1976, in a slight deficit.

The movements in capital funds of enterprises and individuals with foreign countries, details of which are given in Table 8, left a surplus of Fr. 7 billion, against Fr. 5 billion in 1976.

The increase in foreign direct and portfolio investments in the Belgian-Luxembourg Economic Union was considerable. More precisely, inflows of funds representing Fr. 30 billion were recorded under the heading « Direct investments », against Fr. 19 billion the previous year; the increase consists largely of loans — doubtless partly at short term — obviously granted owing to the exemption from the Preliminary Tax on Personal Property introduced by the Royal Decree of 16th March, for the period from 1st March to 31st December, in favour of incomes of non-residents from loans granted to Belgian enterprises on condition that the useful purpose of these loans was recognised by the Government. On the other hand, the positive balance of the capital transactions of the public sector financial intermediaries, which had amounted to Fr. 9 billion in 1976 owing to subscriptions for bonds by oil-producing countries, fell to Fr. 4 billion in 1977.

Furthermore, item 2.2 of Table 7 shows that the transactions in foreign currencies carried out by enterprises and individuals resident in the Belgian-Luxembourg Economic Union with banks left a surplus of Fr. 16 billion, against Fr. 2 billion. This movement is mainly due to the reduction in spot claims in foreign currencies, whereas these claims had increased substantially the previous year.

Non-residents' total transactions in francs with domestic monetary institutions left a surplus of Fr. 6 billion, against a deficit of Fr. 29 billion.

In particular, non-residents increased their net spot claims in francs by Fr. 20 billion, whereas in 1976 there had been a reduction — of a speculative nature — of Fr. 4 billion. The change in attitude towards the franc may be attributed to two phenomena, namely the return of confidence towards the end of 1976 after the disturbed conditions of the preceding months and the attractive level of Belgian interest rates in comparison with the very low rates prevailing in the United States, the Federal Republic of Germany and, to a smaller extent, the Netherlands. Consequently the Belgian franc came to be regarded as the « snake » currency providing the highest yield.

Table 8.

CAPITAL TRANSACTIONS OF ENTERPRISES AND INDIVIDUALS WITH FOREIGN COUNTRIES

(Billions of francs)

	Public enterprises		Private enterprises and individuals								Grand total	
	Financial intermediaries	Public operating organisations	Foreign direct and portfolio investments in B.J.E.U.				Direct and portfolio investments in foreign countries					Total (c) = (c) + (d)
			Total	of which :			Total	of which :				
				Securities	Direct investments	Real estate		Securities	Direct investments	Constitution (-) or liquidation (+) of deposits		
(a)	(b)	(c)				(d)				(e)	(f) = (a) + (b) + (e)	
1972	- 1	- 1	+ 28	+ 4	+ 18	+ 1	- 46	- 36	- 7	- 1	- 18	- 20
1973	- 2	- 1	+ 38	+ 3	+ 28	+ 3	- 48	- 31	- 7	- 6	- 10	- 13
1974	- 2	+ 1	+ 42	- 3	+ 42	+ 2	- 46	- 15	- 15	- 13	- 4	- 5
1975	- 1	+ 1	+ 41	+ 2	+ 34	+ 1	- 48	- 36	- 6	- 3	- 7	- 7
1976	+ 9	...	+ 43	+ 1	+ 31	+ 3	- 44	- 13	- 11	- 18	- 1	+ 8
1976 First 10 months	+ 9	...	+ 30	...	+ 19	+ 2	- 34	- 10	- 8	- 15	- 4	+ 5
1977 First 10 months ... p	+ 4	- 1	+ 40	+ 4	+ 30	+ 4	- 36	- 12	- 8	- 14	+ 4	+ 7

The banks' net combined spot and forward claims in foreign currencies increased by Fr. 3 billion, against Fr. 6 billion in 1976.

Table 9.

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

(Billions of francs)

	1972	1973	1974	1975	1976	1976	1977 <i>p</i>
						First 10 months	
1. Current transactions ¹	+ 51	+ 45	+ 36	+ 25	- 12	- 22	- 17
2. Capital transactions ² :							
2.1 Transactions of public authorities	- 9	- 5	- 4	- 4	- 2	- 2	- 2
2.2 Transactions of enterprises and individuals	- 8	- 18	- 14	- 19	+ 8	+ 7	+ 23
2.3 Transactions of non-residents in Belgian and Luxembourg francs with Belgian and Luxembourg monetary institutions	- 11	+ 12	- 14	+ 15	- 17	- 29	+ 6
2.4 Movement in the position in foreign currencies of Belgian and Luxembourg banks	+ 1	- 4	+ 4	- 8	- 7	- 6	- 3
Total 2 ...	- 27	- 15	- 28	- 16	- 18	- 30	+ 24
3. Errors and omissions .....	...	+ 4	+ 5	+ 10	+ 5	- 1	+ 13
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	+ 24	+ 34	+ 13	+ 19	- 25	- 53	+ 20

¹ See Table 5.

² See Table 7.

³ See Table 10, column (j).

The capital movements shown in Table 7 do not relate solely to transactions in the free market but also to transactions which, being connected with dealings in goods, take place via the regulated market and therefore directly influence the National Bank's foreign exchange reserves. With regard to the transactions in the regulated market, however, the figures only include part of commercial claims on foreign countries, namely those which were mobilised with Belgian banks. In order to present as

full a picture as possible of all the transactions on the regulated market, it was thought appropriate also to take into account the other commercial credits, according to the estimates that can be made of these. The total amount of capital transactions on the regulated market thus obtained has led in recent years to large movements, sometimes positive in direction and sometimes negative, in the National Bank's exchange reserves. Thus, since 1973, four periods have been marked by capital outflows of the order of Fr. 15 to 40 billion, while five other periods have been marked by inflows amounting to Fr. 10 to 50 billion. These divergent developments reflected, among other things, the effect of speculative movements against or in favour of the Belgian franc, as well as differences between interest rates in Belgium and abroad.

Altogether, for the first ten months, the current transactions described above and the capital transactions shown as such in Table 7 resulted on balance — taking into account errors and omissions, which, as stated, gave rise to inflows of funds amounting to Fr. 13 billion — in a surplus of Fr. 20 billion, against a deficit of Fr. 53 billion in 1976. These figures have as their counterpart corresponding movements in the total composed of the Bank's exchange reserves and forward position.

During the last two months of the year, current and capital transactions resulted in substantial deficits mainly caused by, respectively, an increase in commercial claims on foreign countries and a decrease in non-residents' claims in Belgian francs on banks, owing to the tensions in the foreign exchange markets.

In order to limit the downward pressures on the Belgian franc, the banks agreed, at the request of the National Bank, to charge, with effect from 7th December, debtor interest rates corresponding to the real rate for the Belgian franc in the international markets on mail credits granted to foreign banking correspondents on convertible accounts. The purpose of this measure is to prevent certain foreign correspondents from being tempted to take improper advantage, during periods of tension, of mail credits in order to assume a foreign exchange position against the Belgian franc.

In the end, for the year as a whole, the Bank's exchange reserves fell by Fr. 9 billion, against Fr. 25 billion in 1976.

Table 10.

NATIONAL BANK OF BELGIUM : EXCHANGE RESERVES AND FORWARD POSITION IN FOREIGN CURRENCIES AND, IN
RELATION TO FOREIGN COUNTRIES, IN BELGIAN FRANCS ¹

(Changes in billions of francs)

	Exchange reserves						Forward position ²			Grand total	of which :	
	Gold holdings	Assets held at the International Monetary Fund	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)
1972	- 2	- 2 ⁴	—	+ 18	+ 2	+ 16	+ 14	- 6	+ 8	+ 24	+ 32	- 4
1973	- 2	+ 4	+ 4	+ 31	- 1	+ 36	- 8	+ 6	- 2	+ 34	+ 23	+ 5
1974 .....	...	- 1	- 4	+ 18	- 1	+ 12	+ 15	- 14	+ 1	+ 13	+ 33	- 15
1975 .....	...	+ 5	...	+ 14	- 1	+ 18	+ 1	...	+ 1	+ 19	+ 15	- 1
1976 .....	...	+ 1	...	- 26	...	- 25	+ 12	- 12	...	- 25	- 14	- 12
1977 .....	...	- 1	- 24	+ 16	...	- 9	...	...	...	- 9	+ 16	...
1976 First 10 months .....	...	+ 1	- 8	- 45	...	- 52	+ 10	- 11	- 1	- 53	- 35	- 11
1977 First 10 months .....	...	...	...	+ 20	...	+ 20	...	...	...	+ 20	+ 20	...

¹ Not including accounting changes. See Annex 6, Table 3 and especially footnote 3.

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 : 10 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; 20 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.

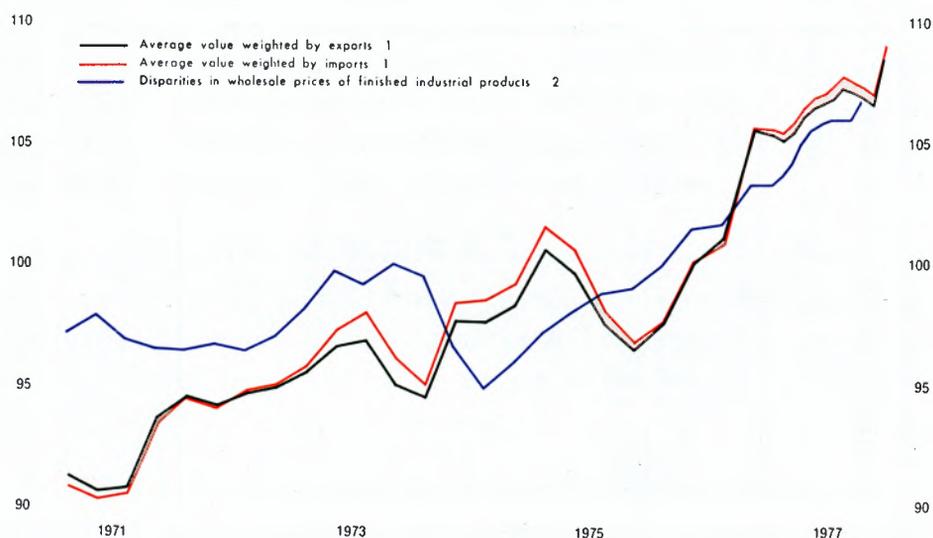
On the one hand, debts were incurred by the Bank to the European Monetary Cooperation Fund to the amount of Fr. 24 billion. This indebtedness was due to the interventions in support of the franc undertaken from November onwards, in accordance with the agreement on the narrowing of the margins of fluctuation between the « snake » currencies.

On the other hand, spot foreign currencies rose on balance by Fr. 16 billion.

Chart 17.

WEIGHTED AVERAGE VALUE OF THE BELGIAN FRANC
ON THE REGULATED EXCHANGE MARKET AND DISPARITIES
IN THE WHOLESALE PRICES OF FINISHED INDUSTRIAL PRODUCTS

(Indices 1975-1976 = 100)



¹ 1971 to 1976 : daily averages per quarter. 1977 : daily averages per month. See Annex 6, Table 4.
The indices of the weighted average 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 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 2, 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.

² 1971 to 1976 : monthly averages per quarter. 1977 : monthly data.
This is the ratio : (weighted index for foreign countries/index for Belgium) x 100. The index for foreign countries is weighted in the same way as the index of the weighted average value of the Belgian franc calculated by the National Bank of Belgium (exports). The foreign countries chosen are the United States, the Federal Republic of Germany, France, the United Kingdom, Italy and the Netherlands.

With regard to the situation on the **exchange markets**, the average rate for the Belgian franc on the regulated market declined somewhat at first; after that it rose steadily from March until August, subsequently moving downward again until November; in December it rose appreciably, so that its level during this month was finally about 2.5 p.c. up on 1976. This movement of the weighted average value of the Belgian franc largely reflected the pull exerted by the German mark on the other « snake » currencies. Within the snake, however, the position of the Belgian franc weakened, especially from September onwards, in relation to the German mark, which was pushed up, in relation to the U.S. dollar and other currencies, by capital movements. The appreciation of the effective rate for the Belgian franc during the period under review as a whole helped, thanks to its effect on import prices, to slow down domestic inflation. It was undoubtedly one of the main factors responsible for the smaller rise in industrial wholesale prices in Belgium compared with those in other competing countries, as shown by Chart 17. One should, however, refrain from drawing conclusions concerning the changes in the country's real competitive position from a comparison between the indices of the effective exchange rate and of price disparities. The price indices which are used as a basis for calculating the disparities are in fact compiled in ways which are not very uniform in the various countries and which are sometimes open to criticism. Furthermore, a country's competitive position is also influenced by factors other than prices or costs.

On the free market the rates for foreign currencies, expressed in Belgian francs, were more often than not slightly above those on the regulated market.

PUBLIC FINANCES.

As has already been stated, the public authorities' net financial requirements, excluding social security, amounted, for the first ten months, to Fr. 205 billion, against Fr. 176 billion in 1976 (Table 4, item B. 1). These figures are made up of a rise in the central Government's financial requirements from Fr. 161 to 186 billion and an increase in those of the local authorities from Fr. 15 to 19 billion.

Expressed as a percentage of the gross national product, the financial deficit of the public authorities as a whole, including social security, would

appear to have increased slightly for the whole year : namely by about 7 p.c., against 6.5 p.c. in 1976. On the other hand, according to provisional estimates, the corresponding percentage in the main industrialised countries appears to have declined.

Table 11.

PUBLIC AUTHORITIES' NET FINANCIAL REQUIREMENTS
(Billions of francs)

	Central Government 1	Local authorities 2	All public authorities 3
1972	87	7	94
1973	71	15	86
1974	77	19	96
1975	130	22	152
1976	156	29	185
1976 First 10 months	161	15	176
1977 First 10 months	186	19	205

1 See Table 12.

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.

After having risen substantially in the two previous years, the financial deficit which had to be met by the Treasury increased again during the first ten months. This movement is, however, mainly attributable to the levels involved : although the rate of increase of total expenditure slowed down from 16.4 p.c. in 1976 to 15.1 p.c., and that of total revenue rose from 12.4 to 14.6 p.c., expenditure in fact went up considerably more than revenue in absolute terms.

The deficit in respect of current transactions to be met by the Treasury expanded, for the months in question, to Fr. 96 billion, against Fr. 80 billion, mainly owing to the additional expenditure and loss of revenue due to the worsening of unemployment.

The rate of increase of current expenditure¹ amounted to 15.3 p.c., against 17.8 p.c. in 1976. The main increases were in the following

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 assigned, 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 this revenue.

categories : « income transfers », mainly in favour of health and unemployment insurance, the local authorities and subsidised education; « pay and pensions », the rate of rise of which has, however, been slackening for some years now; « interest on the public debt », which is affected by the continual swelling of that debt; and, lastly, « budgetary funds », the expansion of which is mainly attributable to the expenditure of the Road Fund, the Economic Expansion Fund and the Special Municipalities Fund.

Table 12.

CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS

(Billions of francs)

	Net requirements met by the Treasury 1						Other net requirements 7	Grand total
	Balance of budgetary transactions 2			Other net inflows (+) or outflows (-) of funds 5	Net outflows of funds	Pro memoria : Contractual public debt repayments 6		
	Current transactions 3	Capital transactions 4	Total					
(a)	(b)	(c) = (a) + (b)	(d)	(e) = (c) + (d)	(f)	(g)	(h) = (e) + (g)	
1972 .....	...	- 59	- 59	- 5	- 64	20	- 23	- 87
1973	- 4	- 58	- 62	+ 11	- 51	35	- 20	- 71
1974	- 1	- 57	- 58	+ 1	- 57	39	- 20	- 77
1975	- 43	- 71	- 114	+ 5	- 109	35	- 21	- 130
1976	- 54	- 77	- 131	- 2	- 133	48	- 23	- 156
1976 First 10 months	- 80	- 64	- 144	+ 1	- 143	39	- 18	- 161
1977 First 10 months	- 96	- 72	- 168	...	- 168	39	- 18	- 186

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 5, Table 5.

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 prefinancing of certain central-government expenditure provided direct by autonomous organisations and institutions.

The rate of growth of current revenue — mainly tax revenue — rose from 12.5 to 14.7 p.c. However, as in the previous year, the various categories of revenue showed sometimes widely differing trends.

The rate of increase of direct taxes reached 18.2 p.c., against 9.4 p.c. Whereas in 1976 the yield of most categories of direct taxes had been affected to a varying extent by the 1975 recession, for the year under review

a distinct reversal is observable in most cases, except for assessed revenue from corporation tax, which, once again, decreased considerably, mainly owing to a number of tax exemptions. The rate of increase in 1977 was favourably influenced by technical factors : the adjustment of the Preliminary Income Tax levied on holiday allowances and a certain catching-up in the collection of personal income tax.

The trend of the revenue from indirect taxes, on the other hand, was affected by the repercussions of the slackening of economic growth and of the slowing-down of the rise in prices. The rate of increase of the revenue from the value-added tax fell from 18.1 to 12.9 p.c., after adjustment of the data to make them comparable from year to year. This slowing-down would have been even more marked if the rate of the value-added tax applicable to certain goods and services had not been raised with effect from 1st April.

The negative balance in respect of capital transactions rose from Fr. 64 to 72 billion.

For the first ten months, the overall deficit in respect of the current and capital transactions of the actual budget which have been mentioned above thus amounted to Fr. 168 billion, against Fr. 144 billion.

After adding to these amounts the negative balance of various other items of expenditure and revenue of the central Government [Columns (d) and (g) of Table 12], one obtains the figures already given for the central Government's total net financial requirements, namely Fr. 186 billion in 1977, against Fr. 161 billion in 1976.

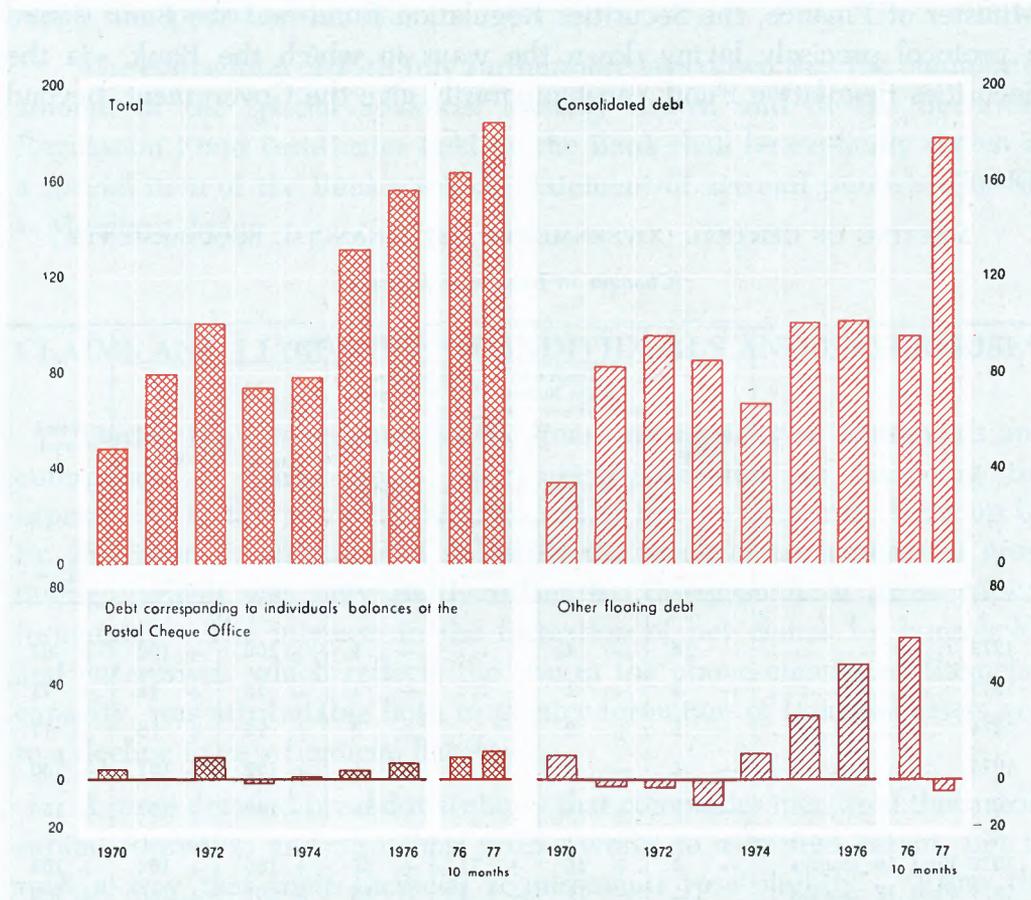
As in previous years, the central Government met its net financial requirements entirely by contracting debts in Belgian francs. Net issues of consolidated loans rose from Fr. 94 to 179 billion, so that the net increase in the floating debt was confined to Fr. 7 billion, against Fr. 68 billion in 1976. This slowing-down of the growth of the floating debt is primarily due to the movement of the short-term indebtedness, to the Belgian Municipal Credit Institution, of the associations of local authorities for the building of motorways and to that of the Treasury's direct and indirect recourse to the Bank.

As the central Government was able to obtain outside the Bank more funds (Fr. 201 billion) than it needed to meet its net financial requirements

Chart 18.

CENTRAL GOVERNMENT'S DEBT IN BELGIAN FRANCS ¹

(Changes in billions of francs)



¹ See Table 18, column (f).

(Fr. 186 billion), it was possible for the Treasury to repay Fr. 14 billion of its recourse to its direct credit margin with the Bank and the whole of its borrowing from the Securities Regulation Fund, for the financing of which the latter resorted to advances from the Bank. At the end of the year, however, the Treasury's direct and indirect recourse to the Bank was Fr. 18 billion higher than at the end of 1976.

On 15th July the Belgian Government and the Bank concluded a new convention increasing the Government's direct credit margin with the Bank from Fr. 20,616 million to Fr. 37 billion, this amount including Fr. 6 billion

which should be regarded as compensation for the loss of financial resources suffered by the Treasury from the cancellation of an equivalent amount of so-called « tranche B » Treasury certificates, all of which were held by the Securities Regulation Fund. In connection with this convention, the Minister of Finance, the Securities Regulation Fund and the Bank signed a protocol precisely laying down the ways in which the Bank, via the Securities Regulation Fund, can temporarily give the Government, beyond

Table 13.

MEETING OF CENTRAL GOVERNMENT'S NET FINANCIAL REQUIREMENTS
(Changes in billions of francs)

	Debt in foreign currencies	Debt in Belgian francs					Grand total ¹
		Direct and indirect recourse to the National Bank of Belgium			Other debts	Total	
		Treasury certificates held by the Bank	Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank	Total			
(a)	(b)	(c)	(d) = (b) + (c)	(e)	(f) = (d) + (e)	(g) = (a) + (f)	
1972	- 15	- 4	...	- 4	+ 106	+ 102	+ 87
1973	- 3	- 1	...	- 1	+ 75	+ 74	+ 71
1974	- 1	+ 3	...	+ 3	+ 75	+ 78	+ 77
1975	- 1	- 1	...	- 1	+ 132	+ 131	+ 130
1976	- 1	+ 16	+ 1	+ 17	+ 140	+ 157	+ 156
1976 First 10 months .	- 1	+ 16	+ 11	+ 27	+ 135	+ 162	+ 161
1977 First 10 months .	...	- 14	- 1	- 15	+ 201	+ 186	+ 186

¹ The figures in this column are the same as those in Table 12, but of opposite sign. See also Annex 6, Tables 6 and 6bis.

the credit margin granted to the latter, additional assistance in order to meet seasonal and unexpected deficits. In such cases the Securities Regulation Fund will subscribe for Treasury certificates. If its ordinary resources, which are primarily used to regulate the market for long-term public securities and the call money market, are not sufficient for this purpose, the Securities Regulation Fund may, within the limits of an agreed ceiling¹, have recourse to a special advance account with the Bank.

¹ This ceiling was first of all fixed at Fr. 15 billion, then reduced to zero at the end of September and then raised again to Fr. 15 billion on 15th December.

So long as the Securities Regulation Fund has not fully repaid these special advances, the Bank may, to the extent of their amount, make a bid at the weekly tendering for Securities Regulation Fund certificates. The proceeds of these certificates assigned to the Bank will be primarily used to repay the special advances.

The convention of 15th July furthermore lays down that the cumulative amount of the special advances actually drawn and of the Securities Regulation Fund certificates held by the Bank shall be explicitly shown as a special item of the Bank's weekly statement of account published in the « Moniteur belge »¹.

CLAIMS AND LIABILITIES OF INDIVIDUALS AND ENTERPRISES.

During the first ten months the financing capacity of households and enterprises, in other words their net contribution to financing the expenditure of the public authorities and of foreign countries, went up by Fr. 28 billion. This amount is mainly the result of an increase in gross savings, which was only partly offset by the growth in gross capital formation. The increase in the formation of net claims by households and enterprises, which reflects the rise in the above-mentioned financing capacity, was attributable both to greater formation of financial assets and to a decline in new financial liabilities.

A more detailed breakdown shows that companies increased their gross capital formation and also their gross savings to a limited extent, but in such a way that their financial requirements rose slightly. From the financial point of view this development was reflected in a decline in the formation of financial claims which was larger than the reduction in recourse to new loans and credits.

For their part, households, including enterprises other than companies, also constituted a larger amount of gross savings than during the previous year; the increase was not completely absorbed by the nominal growth in their gross capital formation in dwellings, so that their financing capacity was further increased. From the financial point of view this development led to a substantial growth in the formation of financial assets, while there was a smaller rise in new debts compared with those contracted in 1976.

¹ For further details concerning these arrangements for financing the Treasury, see the article on this subject published in the September 1977 Bulletin of the National Bank of Belgium, pp. 3-19.

Table 14.

CAPITAL ACCOUNT OF ENTERPRISES AND INDIVIDUALS

(Billions of francs)

	1975	1976	1977 <i>e</i>	1976	1977	Changes in first 10 months of 1977 from first 10 months of 1976
				First 10 months		
A. Financing capacity :						
1. Capital resources :						
1.1 Gross saving ¹	525	599	630	<i>e</i> 484	<i>e</i> 530	<i>e</i> + 46
1.2 Net capital transfers from public authorities	33	48	53	<i>e</i> 40	<i>e</i> 44	<i>e</i> + 4
1.3 Miscellaneous ²	19	24	27	<i>e</i> 20	<i>e</i> 23	<i>e</i> + 3
	<u>577</u>	<u>671</u>	<u>710</u>	<u><i>e</i> 544</u>	<u><i>e</i> 597</u>	<u><i>e</i> + 53</u>
2. Gross capital formation ³	<u>411</u> ⁴	<u>475</u> ⁴	<u>495</u> ⁴	<u><i>e</i> 375</u>	<u><i>e</i> 400</u>	<u><i>e</i> + 25</u>
3. Financing capacity (= 1. - 2.) ⁵	166	196	215	169	197	+ 28
B. Changes in net claims :						
1. Financial liabilities ⁶	211	269	260	218	201	- 17
2. Financial claims ⁷	<u>377</u>	<u>465</u>	<u>475</u>	<u>387</u>	<u>398</u>	<u>+ 11</u>
3. Net claims (= 2. - 1.)	166	196	215	169	197	+ 28

¹ Gross undistributed profits (including appropriations for depreciation) of companies and unconsumed amounts of households' disposable incomes.
Sources : 1975 : National Statistical Institute. 1976 and 1977 : estimates of the Ministry of Economic Affairs.

² Amounts calculated as differences.

³ Enterprises' investments in fixed assets and stocks, and house-building.

Sources : see sources quoted in note 1 above.

⁴ The estimates provided for this item by the sources quoted in note 1 were adjusted to take into account the latest available balance of payments data.

⁵ 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.

⁶ See Table 15.

⁷ See Table 19.

a) *Financial liabilities.*

During the first ten months, enterprises and individuals together contracted less new debts than in the previous year : their total financial liabilities rose by Fr. 201 billion, against Fr. 218 billion; at the end of October they reached an amount which can be estimated at over Fr. 2,200 billion.

Table 15.

FINANCIAL LIABILITIES OF ENTERPRISES AND INDIVIDUALS

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

	Enterprises			Individuals			Grand total
	Short term	Long term	Total	Short term	Long term	Total	
	<i>(Changes in billions of francs)</i>						
1972	+ 44	+ 50	+ 94	+ 10	+ 29	+ 39	+133
1973	+ 54	+ 66	+120	+ 9	+ 39	+ 48	+168
1974	+ 58	+ 81	+139	+ 5	+ 41	+ 46	+185
1975	+ 74	+ 82	+156	+ 9	+ 46	+ 55	+211
1976	+ 62	+107	+169	+ 26	+ 74	+100	+269
1976 First 10 months .	+ 51	+ 91	+142	+ 19	+ 57	+ 76	+218
1977 First 10 months .	+ 46	<i>p</i> + 67	<i>p</i> +113	+ 19	+ 69	+ 88	<i>p</i> +201
	<i>(Changes in per cent)</i>						
1976 First 10 months .	<i>e</i> + 10	<i>e</i> + 11	<i>e</i> + 11	+ 32	+ 15	+ 17	<i>e</i> + 13
1977 First 10 months .	<i>e</i> + 8	<i>e</i> + 7	<i>e</i> + 8	+ 22	+ 15	+ 16	<i>e</i> + 10
	<i>(Outstanding amounts in billions of francs)</i>						
1977 31st October	<i>e</i> 598	<i>e</i> 984	<i>e</i> 1,582	105	524	629	<i>e</i> 2,211

The slowing-down was solely due to the smaller increase in enterprises' debts : Fr. 113 billion, against Fr. 142 billion. It took place more for long-term than for short-term debts; during the first half of the year, in particular, the reluctance of enterprises to contract long-term debts was particularly marked, partly because long-term debtor interest rates were appreciably higher than the short-term rates and because a decline in rates for long-term credits was expected; during this period, recourse to short-term credits therefore quickened slightly.

During the first ten months, individuals, for their part, increased their liabilities by Fr. 88 billion, against Fr. 76 billion. Uses of short-term credits went up by Fr. 19 billion, as in 1976; purchases of durable consumer goods — mainly motor cars and household appliances — which are financed by these credits did not increase any more than in the previous year. For its part, recourse to long-term credit was greater than in 1976 : house-building showed a further nominal expansion as a result of the rise in prices.

Debtor interest rates on short-term credits to enterprises, which had reached peak levels in October 1976, fell considerably during the first eleven months. From the beginning of January until the end of November, the minimum debtor interest rates went down by about 4.25 p.c. for discount and acceptance credits, by 3.25 p.c. for ordinary overdrafts and by 3.40 p.c. for straight loans, that is, fixed-term advances for specific amounts, the cost of which is closely linked with the rate in the interbank market. In December the trend of rates underwent a sudden reversal, connected with the tensions in the foreign exchange market : the monetary authorities raised their rates and the money market tightened, so that the cost of short-term credits to enterprises went up; during this month the minimum debtor interest rates rose by about 3 p.c. for discount and acceptance credits, 3.15 p.c. for straight loans and 1.50 p.c. for ordinary overdrafts. Nevertheless, at the end of the year these rates were still below the level at which they had stood at the beginning of 1977.

The cost of long-term loans likewise fell, although later and also to a smaller extent than that of short-term credits; in 1976 it had in fact risen less than the latter. The debtor interest rates applied by the public-sector financial intermediaries declined by 0.90 p.c. for capital investment credits and by 0.50 p.c. for housing loans.

Lastly, by the Royal Decree of 17th November, the maximum rates chargeable for instalment credits were lowered by 5 centimes per month.

The outstanding amount of credits opened at banks for enterprises and individuals rose somewhat more than in the previous year. But this movement was not uniform : a rise in mainly short-term credits was coupled with an appreciable slackening in capital investment credits.

Table 16.

CREDITS ¹ OPENED FOR ENTERPRISES AND INDIVIDUALS*(Billions of francs)*

	Changes in outstanding amount of credits opened by banks ²			New credits opened		
				Public financial intermediaries		Private savings banks
	Capital investment credits	Other credits	Total	Business lending	Loans for housing	
1972	+ 12	+ 86	+ 98	55	37	30
1973	+ 9	+ 74	+ 83	59	39	34
1974	+ 4	+ 32	+ 36	61	33	33
1975	+ 13	+143	+156	82	47	33
1976	+ 12	+115	+127	108	61	52
1976 First 10 months	+ 11	+ 89	+100	93	53	42
1977 First 10 months p	+ 6	+ 97	+103	69	53	42

¹ Only credits contracted with Belgian financial intermediaries, and therefore excluding credits contracted abroad and liabilities in the form of bonds. On the basis of their use, the credits in question represent over 90 p.c. of the total liabilities of enterprises and individuals.

² Credits of Fr. 1 million and above, including credits opened for residents to finance their commercial claims on foreign countries, other than within the framework of Creditexport.

In the case of the other financial intermediaries, there was a decline in new credits opened by the public institutions in the category of business lending. On the other hand, new credits opened were on the same scale as the previous year as regards both the housing credits granted by these same institutions and the credits granted by private savings banks.

The increase, during the first nine months, in the **unused margins** of credits to enterprises and individuals was of the same order as in the previous year.

During this period, the available margins on long-term credits increased by only Fr. 4 billion, against Fr. 34 billion. For the short term, on the other hand, the rise amounted to Fr. 64 billion, against Fr. 36 billion, and the rate of utilisation of credits fell.

The total available margins on credits opened to enterprises and individuals, which reached about Fr. 700 billion at the end of September,

represent for those benefiting by them, and more specifically for enterprises, a form of liquidity comparable to some of the financial assets the trend of which is commented upon below.

Table 17.

AVAILABLE MARGINS ON CREDITS OPENED ¹

(Changes in billions of francs)

	Long-term credits	Short-term credits ²	Total
1972	+ 26	+ 64	+ 90
1973	+ 1	+ 43	+ 44
1974	+ 4	- 2	+ 2
1975	+ 26	+ 103	+ 129
1976	+ 25	+ 64	+ 89
1976 First 9 months	+ 34	+ 36	+ 70
1977 First 9 months <i>p</i>	+ 4	+ 64	+ 68

¹ See Table 16, footnote 1.

² Including available margins on credits opened for residents to finance their commercial claims on foreign countries.

b) *Financial assets.*

The formation of financial assets by individuals and enterprises during the first ten months amounted to Fr. 398 billion, against Fr. 387 billion, representing an increase of Fr. 11 billion or 2.8 p.c. For the year as a whole the rate of increase would appear to be lower than that in the gross national product at current prices, so that the rate of gross financial savings by households and enterprises as a whole appears to have declined after having risen during the previous two years.

The above-mentioned increase applies solely to assets in Belgian francs. The formation of assets in foreign currencies underwent hardly any change, while that of assets whose distribution between Belgian francs and foreign currencies is not known or has no point decreased; more particularly, according to partial data, the net commercial claims on foreign countries held by enterprises appear to have declined, after having increased substantially in 1976.

Table 18.

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>
1972	280	1,578	17.7
1973	286	1,792	16.0
1974	302	2,105	14.3
1975	377	2,320	16.3
1976	465	2,650	17.5
1977	475	2,900	16.4

¹ See Table 19.

The increase in the formation of assets in Belgian francs is the net result of a large growth in the formation of cash holdings and assets at over one year, partly offset by a decrease in the formation of non-monetary assets at up to one year.

Table 19.

 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	At up to one year (Deposits)	At over one year (Securities) ³	Total		
1972	+ 169	+ 62	+ 231	- 2	+ 33	+ 31	+ 18	+ 280
1973	+ 171	+ 81	+ 252	+ 6	+ 25	+ 31	+ 3	+ 286
1974	+ 176	+ 97	+ 273	+ 13	+ 15	+ 28	+ 1	+ 302
1975	+ 217	<i>p</i> + 112	<i>p</i> + 329	+ 8	+ 32	+ 40	+ 8	<i>p</i> + 377
1976	+ 236	<i>p</i> + 148	<i>p</i> + 384	+ 12	+ 14	+ 26	+ 55	<i>p</i> + 465
1976 First 10 months	+ 156	<i>p</i> + 127	<i>p</i> + 283	+ 11	+ 11	+ 22	+ 82	<i>p</i> + 387
1977 First 10 months ... <i>p</i>	+ 104	+ 213	+ 317	+ 10	+ 13	+ 23	+ 58	+ 398

¹ Held by individuals and enterprises (other than financial intermediaries), including public operating organisations and certain financial intermediaries which could not be excluded in 1977: life assurance companies, employers' liability insurance companies and pension funds.

² See Table 20.

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.

Table 20.

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	Medium-term notes and savings certificates	Miscellaneous	Total	Medium-term notes and bonds ³	Deposits	Shares	Total	
1972	+ 65	+ 88	+ 9	+ 5	+ 2	+ 169	+ 53	+ 8	+ 1	+ 62	+ 231
1973	+ 32	+ 70	+ 61	+ 8	...	+ 171	+ 75	+ 4	+ 2	+ 81	+ 252
1974	+ 34	+ 51	+ 83	+ 7	+ 1	+ 176	+ 92	- 1	+ 6	+ 97	+ 273
1975	+ 92	+ 137	- 23	+ 10	+ 1	+ 217	p+ 95	+ 13	+ 4	p+ 112	p+ 329
1976	+ 37	+ 106	+ 92	+ 5	- 4	+ 236	p+ 143	+ 3	+ 2	p+ 148	p+ 384
1976 First 10 months	+ 11	+ 67	+ 77	+ 2	- 1	+ 156	p+ 123	+ 2	+ 2	p+ 127	p+ 283
1977 First 10 months p	+ 51	+ 47	+ 1	+ 2	+ 3	+ 104	+ 198	+ 6	+ 9	+ 213	+ 317

¹ The cash holdings of the sectors described in footnote 1 of Table 19 (see Annex 6, Table 7).² See Annex 6, Table 8.³ See Annex 6, Tables 9, 10 and 11.

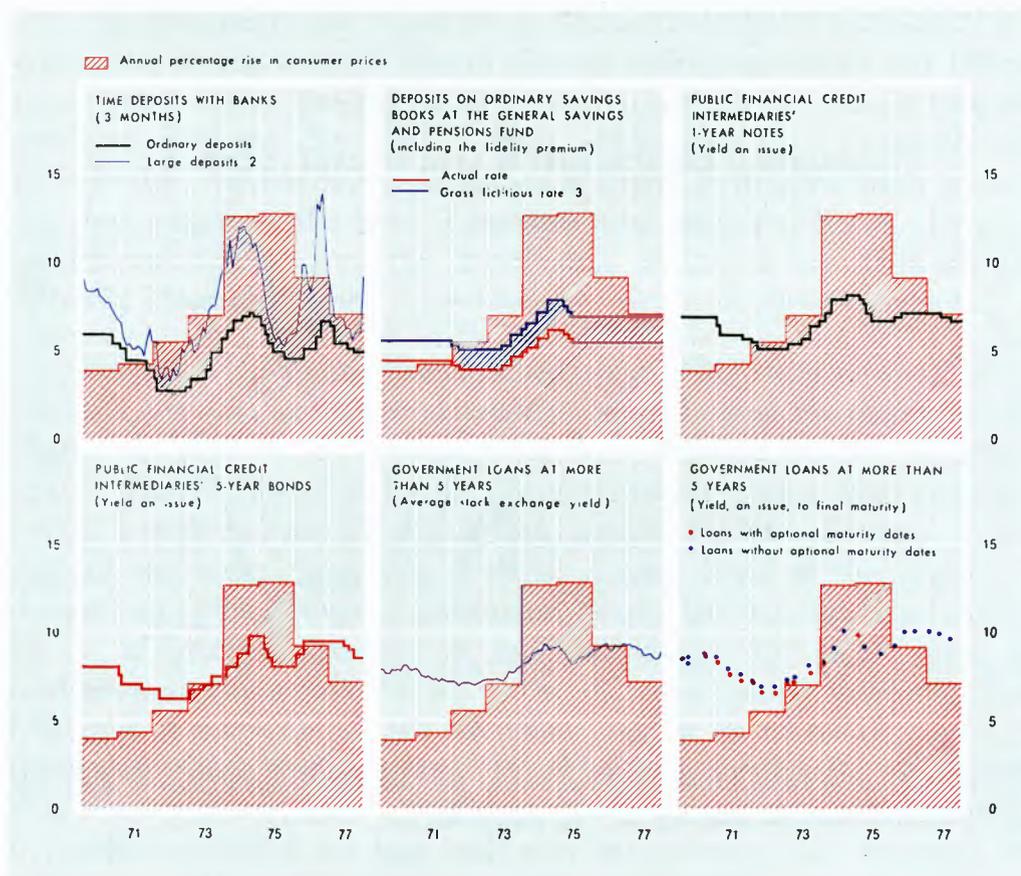
These movements are largely explained by the trend of, and anticipations concerning, interest rates.

During the first ten months, the rate for deposits at fixed data and at notice showed a marked decline; this applied mainly to the rates which are closely tied to those of the money market (less 3 to 3.5 p.c.) and, to a smaller extent, to those for ordinary time deposits (less 0.50 to 2 p.c.). On the other hand, the fall in the rates for assets at over one year was

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 12.

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

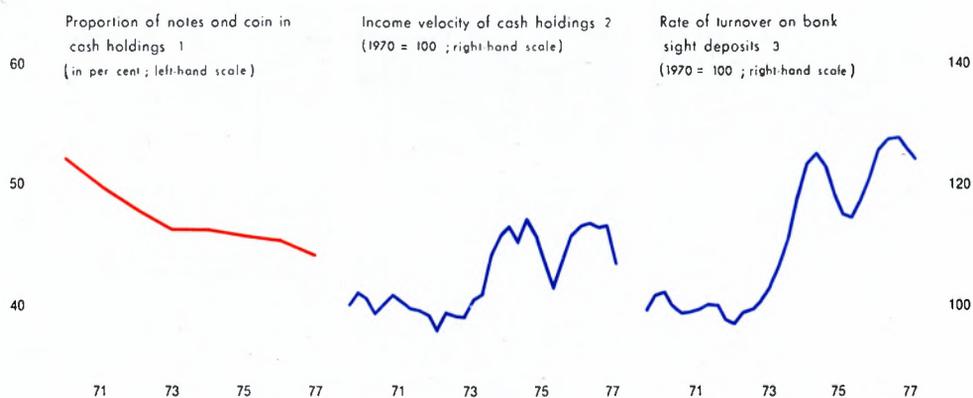
³ As income from deposits on ordinary savings books is at present exempt from tax up to Fr. 15,000 per year, their actual rate is not comparable with the rates shown in the other charts. The gross fictitious rate provides a valid basis of comparison in the case of an individual who pays, on the income from his other investments, neither more nor less than the tax deducted at source.

smaller than that mentioned above : the interest rates on the medium-term notes and bonds issued on tap by the public credit institutions were lowered by 1 p.c., while the yield on Government bonds issued in large tranches, which amounted to 10.02 p.c. for the 1976-1985 loan issued in September 1976, declined to 9.48 p.c. for the 1977-1987 loan issued in September 1977 and to 9.02 p.c. for the 1977-1985 Road Fund loan issued in October.

Furthermore, it was anticipations of falls in rates that mainly influenced the public during the period in question, so that the attractiveness of long-term investments was further enhanced : some investors wanted to subscribe before the rates were lowered, while others were hoping to reap capital gains within a short time. That is the interpretation to be put on the shift from non-monetary assets at up to one year to assets at over one year.

Chart 20.

COMPOSITION AND UTILISATION RATE OF CASH HOLDINGS



¹ 1977 : 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.

The reduction in the rates for non-monetary assets at up to one year also contributed to a distinctly larger formation of cash holdings, since the loss of interest appeared less important.

Consequently, the rate of growth of the total monetary assets held by enterprises and individuals was greater than that in the gross national product at current prices, so that the income velocity of cash holdings fell between the last quarter of 1976 and the third quarter of 1977; the same was true of the rate of turnover on bank sight deposits.

The growth in notes and coin was appreciably smaller than that in deposit money; the proportion of the former in total cash holdings therefore declined from 45.4 p.c. in 1976 to 44.3 p.c.

FINANCIAL FLOWS.

The increase in the formation of financial assets by individuals and enterprises for the first ten months (Fr. 398 billion, against Fr. 387 billion) is, as stated above, the net result of movements of the various types of assets in different directions. These movements, and especially the considerable increase in the formation of assets in Belgian francs at over one year, mainly in the form of medium-term notes and bonds, obviously exerted an influence on the distribution of investments between the different channels.

Individuals and enterprises formed appreciably more financial assets with the domestic non-financial sectors — consisting mainly of households' claims on the public authorities in the form of bonds — (Fr. 89 billion, against Fr. 63 billion) and with financial intermediaries other than the mainly monetary ones (Fr. 170 billion, against Fr. 138 billion). In the case of the latter there was a slight slowing-down in the growth in deposits on ordinary deposit and savings books, but this was largely offset by a pronounced speeding-up in subscriptions for their issues of medium-term notes and bonds. On the other hand, there was less formation of assets abroad (Fr. 24 billion, against Fr. 63 billion) and with the mainly monetary institutions (Fr. 115 billion, against Fr. 123 billion) than in the previous year. With regard to the former of these movements, it should be pointed out that, unlike in the previous year, Belgians did not increase their deposits in francs abroad. The mainly monetary institutions, for their part, attracted less additional funds from their customers, mainly because the latter formed appreciably less deposits at up to one year.

The amount of the new gross financial liabilities of enterprises and individuals was, as has been stated above, smaller than in the previous year (Fr. 201 billion, against Fr. 218 billion). The slowing-down applied to debts to each of the three domestic sectors; it was, however, insignificant in the case of the mainly monetary institutions (Fr. 78 billion, against Fr. 79 billion). On the other hand, recourse by enterprises and individuals to foreign countries increased (Fr. 29 billion, against Fr. 22 billion). The last-mentioned movement, which is in contrast to that of debts contracted via other channels, is obviously connected with the afore-mentioned

Table 21.

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				Financial intermediaries other than mainly monetary 3		Mainly monetary institutions 4				
	1976	1977	1976	1977	1976	1977	1976	1977	1976	1977	
1. Enterprises and individuals :											
1.1 Gross claims	387	398	63	24	63	89	138 ⁵	170 ⁵	123 ⁵	115 ⁵	
1.2 Gross liabilities	218	201	22	29	21	5	96 ⁶	89 ⁶	79 ⁶	78 ⁶	
1.3 Net claims											
(= 1.1 - 1.2)	169	197	41	- 5	42	84	42	81	44	37	
2. Foreign countries : Net liabilities	- 4	- 9	-	-	42 ⁷	- 3 ⁷	- 5	- 4	- 41 ⁸	- 2 ⁸	
3. Public authorities ⁹ : Net liabilities	176	205	- ¹⁰	- ¹⁰	51	88	50	87	75	30	
4. Miscellaneous (including social security) and statistical adjustments ...	- 3	1	-1	- 2	- 9	- 4	- 3	- 2	10	9	
5. = 2. + 3. + 4.	169	197	-1	- 2	84	81	42	81	44	37	

¹ See Table 4.

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 See Annex 6, Table 14.

⁶ See Annex 6, Table 15.

⁷ These amounts correspond to those in item 1.3, in the column « Foreign countries (capital movements of enterprises and individuals) », subject to the amount of the statistical adjustment shown in item 4, same column.

⁸ Net external assets of mainly monetary institutions, after statistical adjustment and excluding the changes resulting from the public authorities' capital movements with foreign countries.

⁹ Excluding social security.

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

exemption from the Preliminary Tax on Personal Property granted in favour of non-residents' incomes from loans granted to Belgian enterprises.

For the first ten months, Belgium's deficit in respect of current transactions with foreign countries amounted, as has been stated, to Fr. 9 billion, against Fr. 4 billion. But whereas in 1976 the non-financial sectors had added to this deficit by net capital exports amounting to Fr. 42 billion, in 1977 they produced a net inflow of Fr. 3 billion. This turn-round is due to the two movements already mentioned ; on the one hand, the reduction in the formation of financial assets abroad by households and enterprises and, on the other hand, the increase in their new financial liabilities to foreign countries. The financial intermediaries other than the mainly monetary ones borrowed Fr. 4 billion abroad, against Fr. 5 billion in 1976. Lastly, the net claims of the mainly monetary institutions on foreign countries decreased by Fr. 2 billion, against Fr. 41 billion the previous year. The slight decline in 1977 is the net result of, on the one hand, a marked increase in the Bank's exchange reserves and, on the other hand, an even more pronounced reduction in the other monetary institutions' net claims on foreign countries.

For their part, the public authorities were largely able to finance their increased deficit (Fr. 205 billion, against Fr. 176 billion) by much greater recourse to the domestic non-financial sectors (Fr. 88 billion, against Fr. 51 billion) and to the other than mainly monetary financial intermediaries (Fr. 87 billion, against Fr. 50 billion); the latter were able considerably to increase their financial assistance to the public authorities because enterprises and individuals entrusted more funds to them than in 1976 and used less new credits. Lastly, the public authorities consequently did not have to borrow as much from the mainly monetary institutions (Fr. 30 billion, against Fr. 75 billion); in particular, the Government's recourse — both direct and indirect — to credit from the Bank was reduced, whereas it had substantially increased the previous year.

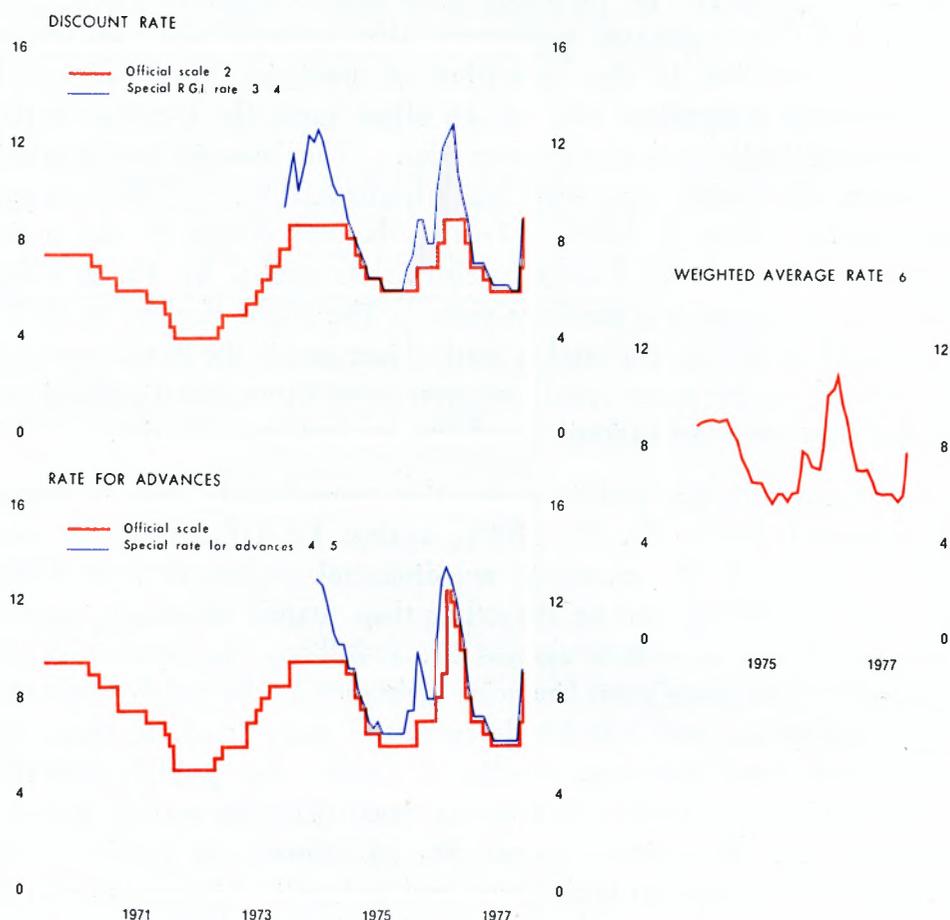
MONEY MARKET.

Until towards the end of November, distinctly easier conditions prevailed in the money market; they were reflected in, among other things, a reduction in the financial intermediaries' recourse to refinancing with the Bank, a considerable increase in their holdings of short-term public

Chart 21.

RATES OF THE NATIONAL BANK OF BELGIUM ¹

(Per cent)



¹ See Annex 6, Tables 16 and 17.

² Bills accepted payable at a bank (from 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976 and from 28th 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 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.

securities and a fall in the various money market rates. This fall was greatest during the first quarter and less marked in the second, from when on it was followed by a certain stabilisation. Consequently in November interest rates were almost back to the level reached towards the middle of 1975. This easing was assisted by substantial capital inflows from foreign countries and by the relative weakness of demand for credit from enterprises and individuals. Thus the Bank, too, was able to make appreciable reductions in its rates. In December, however, it had to raise them again considerably in order to counter shifts of cash holdings to foreign countries, especially the Federal Republic of Germany, which were disturbing the foreign exchange market.

The weighted average rate representing the resultant of the rates for the Bank's various forms of credit and the extent of the recourse to them by the financial intermediaries which directly or indirectly grant credits to enterprises and individuals fell from 9.06 p.c. at the end of 1976 to 5.75 p.c. in October. In December, however, the weighted average rate rose again to 7.73 p.c.

In order to exert an additional downward pressure on the debtor interest rates charged to enterprises and individuals, the Bank extended the financial intermediaries' possibilities of mobilisation during the period of easier conditions, particularly by raising the rediscount ceilings. In January, by an increase from 4.675 to 5.1425 p.c. in the coefficient applied to the working funds, the banks' rediscount ceilings were raised from Fr. 54 to 59 billion. In February the last-mentioned amount rose to Fr. 60 billion; this rise was due to the quarterly adjustment of the ceilings to the movement of the banks' working funds, an increase to 5.25 p.c. in the coefficient applied to these working funds and a reduction of 25 p.c. in the selective raising of the ceilings which had been granted in 1975. In May and August the rediscount ceilings fell slightly, owing to further reductions in the selective ceilings which were not offset by the effects of the quarterly adjustments to the movement of working funds.

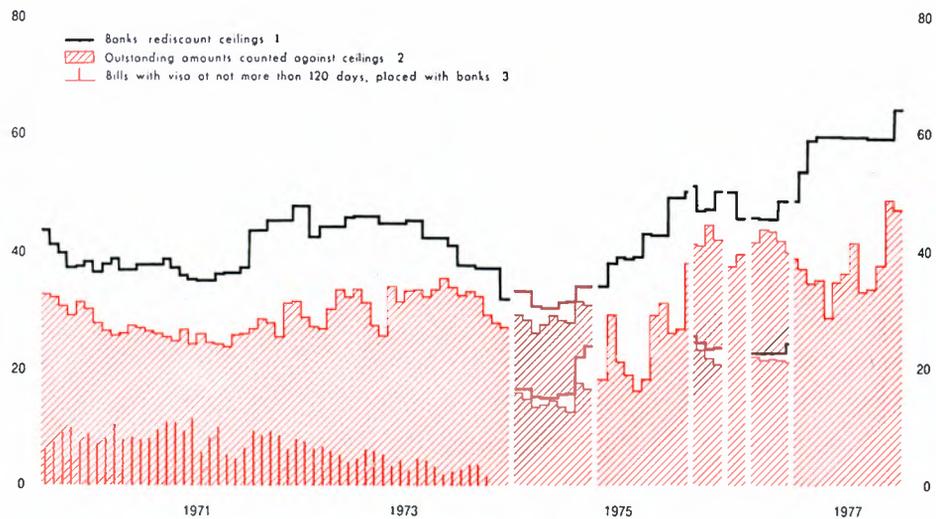
On 2nd November the Bank introduced a reform of the system of rediscount ceilings¹. Since then, a single formula has been in force for calculating these; it is applied both to the banks and to the private savings banks and public credit institutions and its purpose is to make available to

¹ For a detailed description of the reform of the system of rediscount ceilings, see the article published on this subject in the September 1977 Bulletin of the National Bank of Belgium, pp. 21-25.

each financial intermediary a rediscount ceiling which will enable it to meet its seasonal and accidental cash requirements and also the liquidity requirements resulting from drawings on credits granted to enterprises and individuals. The calculation is made by applying different percentages, which can be changed according to the demands of monetary policy, to deposits at up to one year, to the unused margins on short-term credits opened to enterprises and individuals and on the outstanding amounts of the credits used by enterprises and individuals. The overall amount of the banks' rediscount ceilings was not changed in principle by the introduction of this system; true, slight alterations were made to the individual ceilings, but, for the banks whose ceilings were reduced, the adjustment will be spread over one year for cash management reasons. Altogether, the result was that the banks' rediscount ceilings were increased by Fr. 5 billion, thus reaching Fr. 64 billion.

Chart 22.

BANKS' REDISCOUNT CEILINGS
(Billions of francs)



¹ From 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976 and from 28th July to 19th December 1976, the ceilings were divided into sub-ceilings A (lower part of chart) and B (upper part).

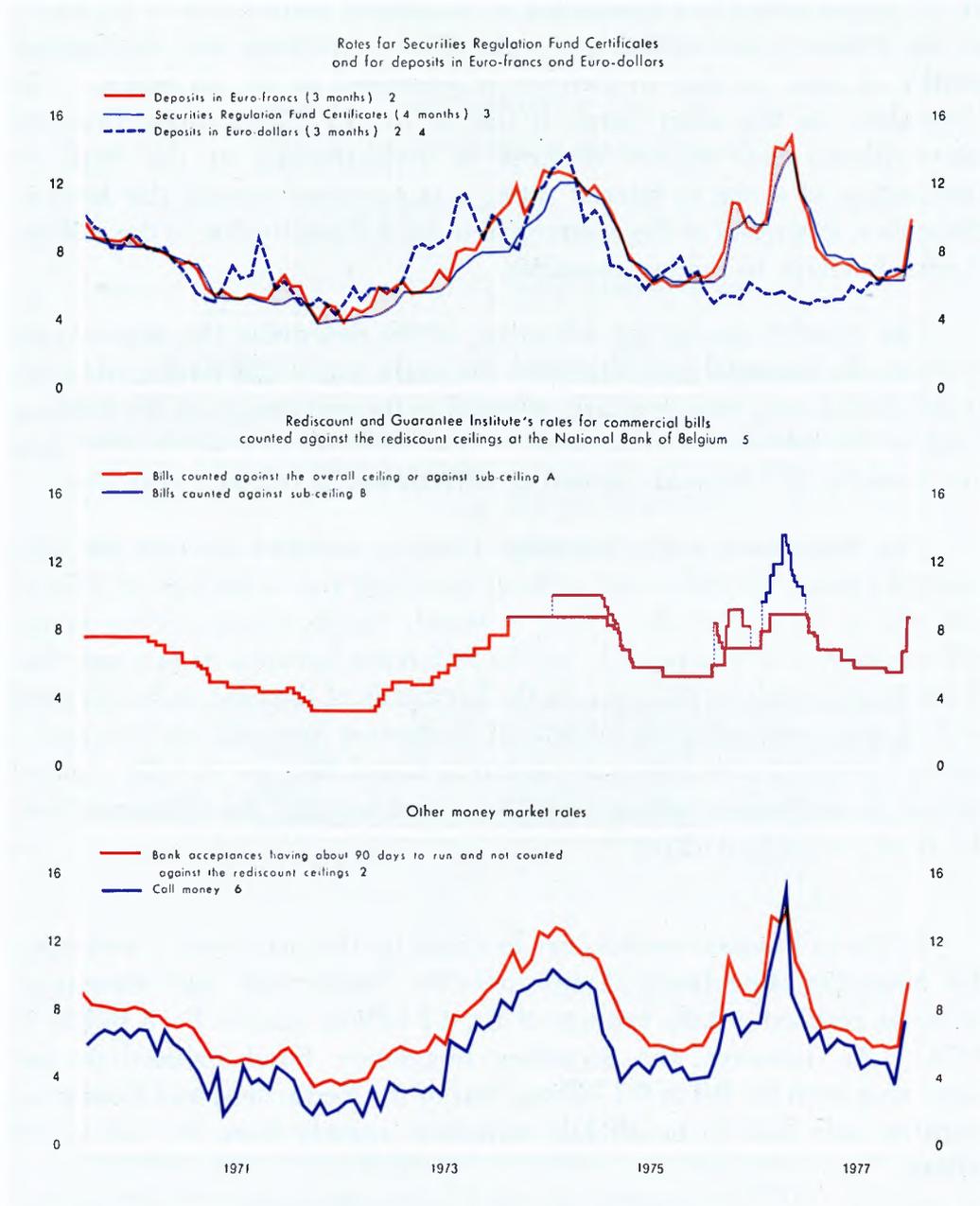
² Daily averages per month. From 1970 to June 1974 the amounts counted against the ceilings included the amount of certified bills and other bills which were rediscountable at the National Bank of Belgium and actually mobilised at the latter or on the market outside the National Bank, together with that 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).

Chart 23.

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

(Per cent)



¹ See Annex 6, Table 18.

² Rates ruling at end of month.

³ Rates at the last weekly tender in the month.

⁴ Rates for investors not arranging forward cover.

⁵ Until 31st May 1970, from 28rd October 1978 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.

The daily average of the available margin within the rediscount ceilings of the banks as a whole rose from Fr. 13 billion in December 1976 to Fr. 21 billion in January and Fr. 25 billion in February. After that, except in April, when it reached Fr. 31 billion and in July, when it declined to Fr. 18 billion owing to a tightening of the money market due to payments to the Treasury, the available margin did not undergo any fluctuations worthy of note, so that in October it amounted to Fr. 22 billion. In November, on the other hand, it fell to Fr. 15 billion when financial intermediaries had greater recourse to rediscounting at the Bank in anticipation of a rise in interest rates. It remained around this level in December, as a result of the contraction in bank liquidity due to the shifting of cash holdings to foreign countries.

The monthly quotas for advances, which determine the amounts up to which the financial intermediaries can make use of the Bank's advances at the official rate, were regularly adapted to the movements of the working funds of the institutions in question. For the latter as a whole, they thus rose from Fr. 67 billion at the end of 1976 to Fr. 74 billion a year later.

The Rediscount and Guarantee Institute reduced its rate for bills counted against the rediscount ceilings from 8.90 p.c. at the end of 1976 to 5.55 p.c. at the end of November. Mainly thanks to the decline in the call money rate, it was possible for the difference between its rate and that of the Bank, which was 0.10 p.c. at the beginning of the year, to be widened to 0.45 p.c., producing an additional downward pressure on the bank's debtor rates. In December the Institute raised the rate for bills counted against the rediscount ceilings to 8.75 p.c. and reduced the difference from the Bank's rates to 0.25 p.c.

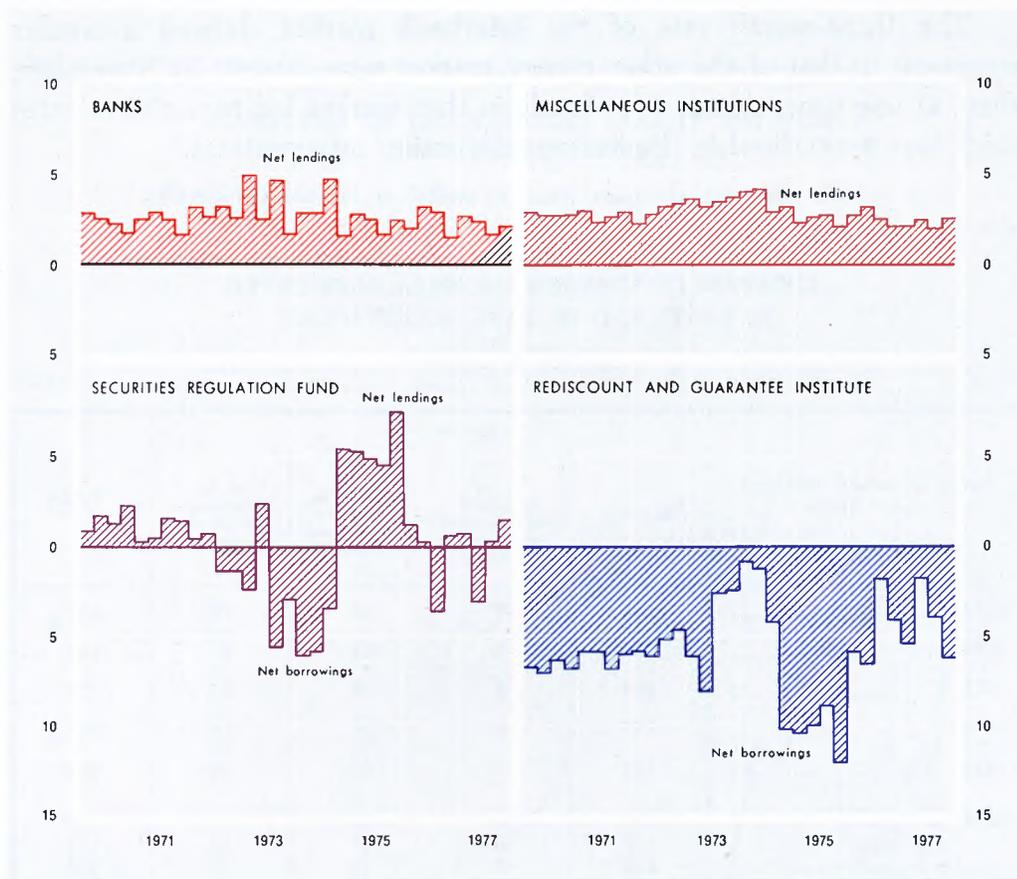
In the call money market, net lendings by the participants, excluding the Securities Regulation Fund and the Rediscount and Guarantee Institute, reached a daily average of Fr. 4.5 billion, against Fr. 5 billion in 1976. As, however, the Securities Regulation Fund reduced its net borrowing from Fr. 0.4 to 0.1 billion, that of the Rediscount and Guarantee Institute only had to be slightly curtailed, namely from Fr. 4.6 to 4.4 billion.

The small change which took place in the Securities Regulation Fund's position is attributable, on the one hand, to the fact that, for the year as a whole, the average outstanding amount of its holdings of quoted public

paper and Treasury certificates decreased less than that of its own certificates and, on the other hand, to the fact that at certain times the Fund's loans were financed by means of advances granted by the Bank within the framework of a policy aimed at easing market conditions.

Chart 24.

CALL MONEY ¹
(Daily averages per quarter, in billions of francs)



¹ See Annex 6, Table 19.

Together, these movements led to a fall in the call money rate, which went down from an average of 7.4 p.c. in December 1976 to 5.5 p.c. in March. Owing to the increased requirements of the Securities Regulation Fund, which, at this time, had to finance a substantial holding of Treasury certificates, the call money rate rose slightly in the second quarter. When

in the third quarter, the Securities Regulation Fund no longer had recourse to the call money market, the rate fell again. It went on falling during the next two months : to a moderate extent in October owing to the regularisation intervention of the Securities Regulation Fund, and more sharply in November owing to the fact that the financial intermediaries, which had had substantial recourse to rediscounting at the Bank, invested the funds thus obtained on the call money market. In December, on the other hand, the rate rose to 7.2 p.c.

The three-month rate of the interbank market showed a similar movement to that of the other money market rates, except in November, when, at one time, demand for funds in that market led to a rise in rates which was neutralised by limited regularisation interventions.

Table 22.

LOCATION OF COMMERCIAL BILLS DISCOUNTED
BY BANKS AND OF BANK ACCEPTANCES ¹

(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	
1972	131	3	25	13	172
1973	140	3	24	21	188
1974	158	5	28	27	218
1975	167	9	38	10	224
1976	185	4	34	36	259
1976 1st quarter	180	8	39	23	250
2nd quarter	178	6	37	33	254
3rd quarter	189	2	29	43	263
4th quarter	193	2	30	43	268
1977 1st quarter	197	7	35	28	267
2nd quarter	210	3	37	26	276
3rd quarter	203	4	38	32	277
4th quarter	191 ⁶	6	40 ⁶	42	277 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.

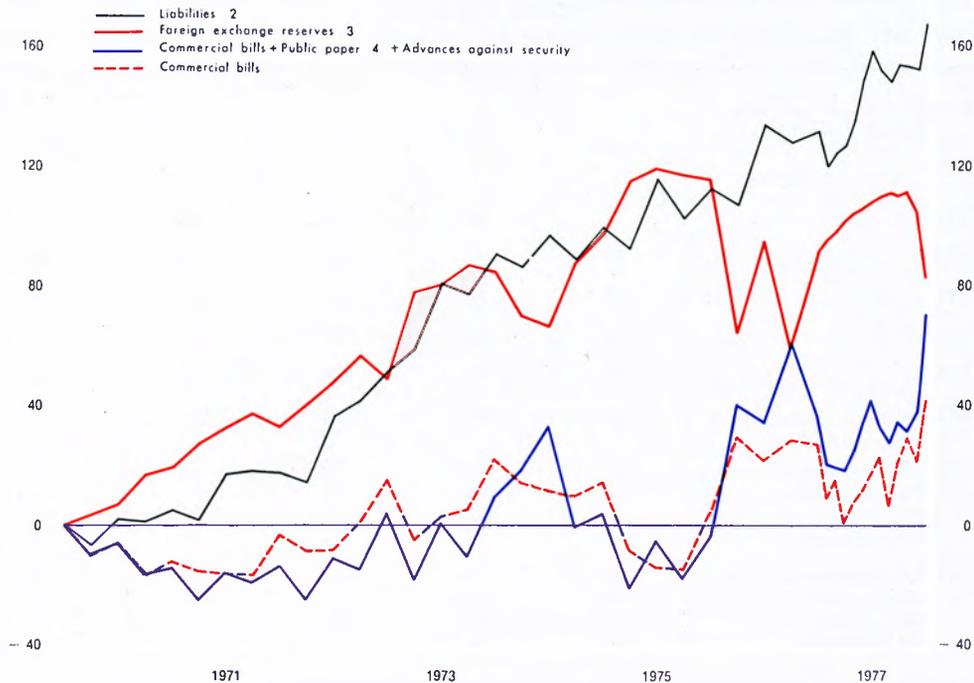
The average outstanding amount of **commercial bills and bank acceptances** held by the institutions participating in the money market as a whole rose from Fr. 263 billion in the third quarter of 1976 to Fr. 277 billion in 1977. There was a substantial increase both in the case of the banks and in that of the various money market institutions and foreign countries. The holdings of the Rediscount and Guarantee Institute also increased. That being so, the Bank was able to reduce its interventions.

During the first half of the year, except in January, the Bank's liabilities, the main counterparts of which are shown in Chart 25, increased

Chart 25.

LIABILITIES OF THE NATIONAL BANK OF BELGIUM
AND THEIR MAIN COUNTERPARTS

(Cumulative changes, in billions of francs, since 31st December 1969 ¹)



¹ 1970 to 1976 : end of quarter. 1977 : 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 in this chart.

³ Less liabilities to foreign countries.

⁴ Less the Treasury's creditor current account.

much more than in 1976 owing to the public's greater preference for cash holdings; as for the assets, the substantial growth in the foreign exchange reserves and in advances against security was only partly offset by a reduction in the commercial portfolio. From the end of June to the end of November the liabilities decreased slightly; as for the assets, the net decline in advances against security and the small reduction in the exchange reserve were greater than the increase in the portfolios of public paper and commercial bills. In December the Bank's liabilities increased again considerably owing to the strong demand for notes towards the end of the year; on the assets side, the fall in the foreign exchange reserves was accentuated and there was therefore a very marked growth in the other main counterparts of the Bank's liabilities, especially commercial bills.

Table 23.

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
1972	22	50	72	63	9
1973	22	43	65	55	10
1974	25	33	58	55	3
1975	19	63	82	69	13
1976	32	59	91	85	6
1977	42	94	136	131	5
1976 1st quarter	20	65	85	71	14
2nd quarter	32	65	97	91	6
3rd quarter	37	56	93	91	2
4th quarter	41	50	91	90	1
1977 1st quarter	42	75	117	112	5
2nd quarter	50	102	152	156	- 4
3rd quarter	51	103	154	146	8
4th quarter	24	98	122	112	10

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 Those 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 which have not been financed by means of advances from the National Bank of Belgium have been treated as resources placed at the disposal of the Treasury and as a deduction from those which the Fund received.

The average outstanding amount of the **portfolio of short-term public paper** held by the financial intermediaries was considerably greater than in 1976, having in fact amounted to Fr. 136 billion, against Fr. 91 billion. This rise was accounted for partly by the banks, but mainly by the other financial intermediaries. With regard to the issuers, only the Treasury benefited by these additional resources, as the Securities Regulation Fund used a larger proportion than in 1976 of the funds raised directly by the issue of its own certificates to finance its portfolio of Treasury certificates.

The rate for the Securities Regulation Fund's certificates fell, first very rapidly and then more gradually, going down from 10.50 p.c. at the end of 1976 to 6.25 p.c. at the end of August, subsequently stabilising at that level. In December it rose, as did the other money market rates; at the end of the month it was 9.50 p.c. The rates for Treasury certificates showed a similar movement.

In August the Rediscount and Guarantee Institute created a secondary market for public paper in which such paper can henceforth be bought or sold by the financial intermediaries. The Institute acts as a broker in this market, the volume of transactions in which amounted, during the period August-December, to about Fr. 8 billion.

Balance Sheet

Profit and Loss Account

Memorandum Accounts

Dividend Declared for the Year 1977

BALANCE SHEET
AS AT 31ST DECEMBER, 1977

ASSETS

Gold Holding		72,295,013,245
International Monetary Fund :		
Quota		26,717,960,240
Loans		1,467,760,096
Special Drawing Rights		19,808,864,595
Total Cover Items		120,289,598,176
Foreign Currencies		101,161,041,651
Foreign Currencies and Gold Receivable		—
International Agreements		444,056,993
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		59,670,308,557
Advances against Pledged Security		
Institutions Governed by a Special Law	7,815,423,202	
Banks	48,956,535	
Enterprises and Individuals	15,486,831	7,879,866,568
Public Securities :		
Belgian Public Securities		37,000,000,000
Luxembourg Public Securities		—
Special Assistance to the Securities Regulation Fund		2,800,000,000
Treasury Notes and Coin		366,333,771
Balances at the Postal Cheque Office		
A Account		2,047,598
B Account		2,446,130,271
Consolidated Claim on the Government		34,000,000,000
Special Treasury Bills		400,000,000
Provisional Adjustment resulting from the Law of 3rd July, 1972		3,450,349,538
Items Receivable		2,241,070,094
Public Long-term Securities		6,066,641,195
Premises, Furniture and Equipment		2,191,490,623
Securities of the Staff Pensions Fund		9,043,828,349
Transitory Assets		1,207,411,713
Total Assets		406,929,829,337

LIABILITIES

Bank Notes in Circulation		335,404,472,100
Current and Sundry Accounts :		
Public Treasury :		
Ordinary Account	6,526,036	
Exceptional Counter-Cyclical Tax	6,954,718	
Institutions Governed by a Special Law	207,244,976	
Banks in Belgium	504,135,155	
Enterprises and Individuals	833,785,450	
Banks in Foreign Countries, Ordinary Accounts	861,010,564	
Items Payable	<u>1,998,231,391</u>	4,417,888,290
International Agreements:		
Financial Assistance Agreements		2,446,130,271
Other Agreements		<u>376,389,983</u>
Total Sight Liabilities		342,644,880,644
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation		10,186,198,565
European Monetary Cooperation Fund		23,441,498,158
Monetary Reserve :		
Belgium		—
Grand Duchy of Luxembourg		—
Foreign Currencies and Gold to be Delivered		28,284,146
Staff Pensions Fund		9,043,828,349
Transitory Liabilities		14,475,121,603
Capital		400,000,000
Reserve Fund :		
Statutory Reserve		1,234,744,716
Extraordinary Reserve		2,734,331,016
Account for Depreciation of Premises, Furniture and Equipment		2,067,491,305
Net Profit for Distribution		<u>673,450,835</u>
Total Liabilities		406,929,829,337

**PROFIT AND LOSS ACCOUNT
AS AT 31ST DECEMBER, 1977**

DEBIT

Government's Share :

Discounts and Advances	2,389,277,321	
Transactions with Foreign Countries	2,582,468,950	4,971,746,271

General Expenses :

Remunerations and Social Charges	3,314,472,986	
Other Expenses	298,322,230	3,612,795,216

less :

Expenses to be borne by Others	420,938,442	3,191,856,774
--	-------------	---------------

Taxes		1,210,102,534
-----------------	--	---------------

Depreciation of Premises, Furniture and Equipment		172,829,186
---	--	-------------

Additional Grant to the Staff Pensions Fund		500,000,000
---	--	-------------

Transfers to Reserves and Provisions :

Extraordinary Reserve	373,000,000	
Provisions for Premises, Furniture and Equipment	73,500,000	646,500,000
Provision for Sundry Contingencies	200,000,000	

Net Profit for Distribution		673,450,835
---------------------------------------	--	-------------

11,366,485,600

CREDIT

Proceeds of Discount and Advance Operations		4,343,695,914
---	--	---------------

Proceeds of Transactions with Foreign Countries		6,331,075,473
---	--	---------------

Proceeds of Public Long-term Securities		468,847,060
---	--	-------------

Fees for Safe Custody, Commissions and Allowances		191,336,174
---	--	-------------

Sundry Receipts		31,530,979
---------------------------	--	------------

Drawings on the Transitory Liabilities Items :

Provision for Building of Premises and Purchasing of Furniture and Equipment		—
--	--	---

11,366,485,600

MEMORANDUM ACCOUNTS
AS AT 31ST DECEMBER, 1977

Ministers of National Education :			
Balance for their account at the Postal Cheque Office (Education legislation)			19,988,333,878
Documentary Credits Opened			32,823,870
« Visa » of Acceptances relating to Exports and Imports			8,225,689,927
International Institution benefiting by a commitment of the National Bank			2,420,064,000
Guarantees given on behalf of the Staff			600,555,066
Securities received by way of Guarantee :			
Cover for advance limits against pledged security	47,883,685,250		
Guarantees given by persons lodging bills for discount	1,445,126		
Securities provided by borrowers of call money	15,423,121,000		
Sundry security commitments	83,872,626		
Other guarantees	894,138,595		
			64,286,262,597
Guarantee Certificates received from the Public Treasury			900,000,000
Items for Collection			993,776,289
Deposits of Securities and Sundry Items :			
International Monetary Fund	4,135,000,000		
International Development Association	1,611,775,000		
Inter-American Development Bank	279,925,847		
Asian Development Bank	382,317,500		
African Development Fund	11,000,000		
Other Deposits	221,066,295,431		
			227,486,313,778
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>	932,342,208		
<i>4.50 % Certificates of the National Housing Co.</i>	3,548,181,000		
<i>4.50 % Certificates of the National Land Co.</i>	190,876,000		
Sundry Items :			
— <i>Earmarked for the Monetary Fund</i>	743,061,985		
— <i>Others</i>	4,018,657,553		
			16,071,423,933
Sundry Items for which the Government is the Depository :			
<i>Items lodged by outside parties</i>	61,493,831,873		
<i>Service of the Registered Debt</i>	431,886,152,200		
<i>Deposit and Consignment Office</i>	4,786,001,609		
<i>Items lodged by way of guarantee</i>	13,543,210,993		
			511,709,196,675
Securities lodged in pursuance of the provisions regarding the cancellation of undeclared Belgian bearer securities		35,352	
Items to be delivered		59,454,634,051	
			587,235,290,011
Securities Regulation Fund			20,326,387,742
General Savings and Pensions Fund :			
Sight or short-term investments	1,667,417,551		
Guarantee deposits	751,652,710		
			2,419,070,261

DIVIDEND DECLARED FOR THE YEAR 1977

First Dividend, Total	Fr.	24,000,000
Second Dividend, Total	Fr.	<u>426,000,000</u>
Total	Fr.	450,000,000

on 400,000 Shares, that is per Share a dividend of Fr. 1,125

Coupon No. 176 will be payable with effect from 1st March, 1978 at the rate of Fr. 900 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 900, the taxable income per share to be declared by individuals for tax purposes is Fr. 1,642.50¹, 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*,
 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*,
 Philippe MOUREAUX, *Regent*.

The Governor,
 Cecil de STRYCKER.

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

Income from shares	Fr.	900.00
Tax relief $\frac{900 \times 57.5}{100}$	Fr.	517.50
Preliminary Tax on Personal Property $\frac{900 \times 1}{4}$	Fr.	<u>225.00</u>
	Fr.	1,642.50

Annexes

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BALANCE SHEETS COMPARED AS AT

ASSETS	1973	1974	1975	1976	1977
Gold Holding	71,817.9	71,821.2	71,821.2	71,821.2	72,295.0
International Monetary Fund :					
Quota	23,959.3	24,866.2	26,343.1	29,883.3	26,718.0
Loans	—	—	—	—	1,467.8
Special Drawing Rights	30,477.0	28,425.7	29,946.6	19,334.4	19,808.8
Total Cover Items	126,254.2	125,113.1	128,110.9	121,038.9	120,289.6
Foreign Currencies	75,905.1	88,619.5	107,146.9	84,025.0	101,161.0
Foreign Currencies and Gold Receivable	—	—	—	—	—
International Agreements	—	—	10.4	153.0	444.1
Advance to the I.M.F.	—	—	2,428.5	9,731.4	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	6,538.2
Debtors in respect of Foreign Exchange and Gold at Forward Dates	28,775.8	13,470.1	11,914.1	—	—
Commercial Bills	40,081.8	32,157.5	22,161.3	45,259.8	59,670.3
Advances against Pledged Security :					
Institutions Governed by a Special Law	364.6	434.7	3,313.2	4,035.8	7,815.4
Banks	2,080.7	165.4	—	97.7	49.0
Enterprises and Individuals	20.2	22.5	23.0	21.8	15.5
	2,465.5	622.6	3,336.2	4,155.3	7,879.9
Public Securities :					
Belgian Public Securities	450.0	5,125.0	4,225.0	20,575.0	37,000.0
Luxembourg Public Securities	—	—	—	—	—
Special Assistance to the Securities Regulation Fund	—	—	—	—	2,800.0
Treasury Notes and Coin	301.8	378.7	409.1	400.8	366.3
Balances at the Postal Cheque Office :	1.4	1.9	1.7		
A Account	—	—	—	1.1	2.1
B Account	—	—	—	2,477.3	2,446.1
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	400.0
Provisional Adjustment resulting from the Law of 3rd July, 1972	3,450.4	3,450.4	3,450.4	3,450.4	3,450.4
Items Receivable	1,050.8	1,683.4	996.4	845.0	2,241.1
Public Long-term Securities	4,293.6	4,831.2	5,273.9	5,534.7	6,066.6
Premises, Furniture and Equipment	2,193.5	2,197.4	2,195.9	2,195.6	2,191.5
Securities of the Staff Pensions Fund	4,541.1	5,454.4	6,481.5	7,753.6	9,043.8
Transitory Assets	913.4	1,134.4	1,301.8	928.4	1,207.4
	330,949.9	325,639.4	340,782.2	349,663.5	406,929.8

LIABILITIES	1973	1974	1975	1976	1977
Bank Notes in Circulation	238,505.9	256,103.6	288,380.8	307,197.4	335,404.5
Current and Sundry Accounts :					
Public Treasury :					
Ordinary Account	4.0	23.6	10.3	8.6	6.5
Exceptional Counter-Cyclical Tax	7.0	7.0	7.0	7.0	7.0
Institutions Governed by a Special Law	308.9	118.3	203.4	292.8	207.3
Banks in Belgium	559.5	858.3	723.4	639.8	504.1
Enterprises and Individuals	390.5	719.8	762.6	895.2	833.8
Banks in Foreign Countries, Ordinary Accounts	626.6	422.1	394.7	564.9	861.0
Items Payable	2,444.2	3,655.2	2,336.0	2,138.9	1,998.2
	4,340.7	5,804.3	4,437.4	4,547.2	4,417.9
International Agreements :	1,971.9	2,628.9	3,222.8		
Financial Assistance Agreements				2,477.3	2,446.1
Other Agreements				354.2	376.4
Total Sight Liabilities	244,818.5	264,536.8	296,041.0	314,576.1	342,644.9
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Allo-					
cation	10,186.2	10,186.2	10,186.2	10,186.2	10,186.2
European Monetary Cooperation Fund	—	—	—	—	23,441.5
Monetary Reserve :					
Belgium	33,630.8	20,746.0			
Grand Duchy of Luxembourg	897.8	300.0			
Foreign Currencies and Gold to be Delivered	26,530.3	11,082.2	12,072.2	36.9	28.3
Staff Pensions Fund	4,541.1	5,454.4	6,481.5	7,753.6	9,043.8
Transitory Liabilities	4,997.2	7,523.2	9,929.2	10,462.3	14,475.1
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	1,002.7	1,057.8	1,115.1	1,172.8	1,234.7
Extraordinary Reserve	1,308.7	1,686.0	1,890.9	2,361.3	2,734.3
Account for Depreciation of Premises, Furni-					
ture and Equipment	2,068.9	2,072.9	2,071.7	2,071.3	2,067.5
Net Profit for Distribution	567.7	593.9	594.4	643.0	673.5
	330,949.9	325,639.4	340,782.2	349,663.5	406,929.8

PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT	1973	1974	1975	1976	1977
Government's Share :					
Discounts and Advances	799.4	2,586.3	626.3	3,678.2	2,389.3
Transactions with Foreign Countries	2,110.0	3,819.5	3,167.0	1,966.5	2,582.4
Monetary Reserve	660.4	678.0	197.3	0.4	—
	3,569.8	7,083.8	3,990.6	5,645.1	4,971.7
General Expenses :					
Remunerations and Social Charges	1,597.1	2,021.4	2,487.5	2,972.0	3,314.5
Other	180.9	195.0	260.1	315.1	298.3
	1,778.0	2,216.4	2,747.6	3,287.1	3,612.8
<i>less</i>					
Expenses to be borne by Others	— 237.4	— 270.5	— 401.5	— 399.3	— 420.9
	1,540.6	1,945.9	2,346.1	2,887.8	3,191.9
Taxes	863.3	724.0	897.5	1,316.3	1,210.1
Depreciation of Premises, Furniture and Equipment	174.3	82.4	190.0	83.9	172.8
Additional Grant to the Staff Pensions Fund	212.0	498.0	525.0	620.0	500.0
Transfers to Reserves and Provisions :					
— Extraordinary Reserve	451.1	377.3	204.8	470.5	373.0
— Provision for Building of Premises and Purchasing of Furniture and Equipment	—	—	—	125.0	73.5
— Provision against Sundry Contingencies	680.0	150.0	100.0	200.0	200.0
— Centenary Fund	—	—	10.0	—	—
Net Profit for Distribution	567.7	593.9	594.4	643.0	673.5
	8,058.8	11,455.3	8,858.4	11,991.6	11,366.5

CREDIT	1973	1974	1975	1976	1977
Proceeds of Discount and Advance Operations	1,538.8	3,892.0	1,086.5	5,698.8	4,343.7
Proceeds of Transactions with Foreign Countries	5,537.0	6,971.4	7,185.6	5,661.3	6,331.1
Proceeds of Public Long-term Securities	299.4	346.2	388.4	423.1	468.9
Fees for Safe Custody, Commissions and Allowances	213.1	211.1	184.6	187.3	191.3
Sundry Receipts	2.8	27.7	12.2	18.7	31.5
Drawings on Transitory Liabilities Items :					
— Provision for Building of Premises and Purchasing of Furniture and Equipment	15.8	6.9	1.1	2.4	—
— Provision for Taxes	451.9				
	8,058.8	11,455.3	8,858.4	11,991.6	11,366.5

MISCELLANEOUS INFORMATION

	1973	1974	1975	1976	1977
Gross dividend declared per share	950	993.75	993.75	1,075.00	1,125.00
Preliminary tax on personal property retained per share	190	198.75	198.75	215.00	225.00
Net dividend declared per share	760	795.00	795.00	860.00	900.00
Taxable income per share to be declared by individuals for tax purposes	1,292	1,351.50	1,450.88	1,569.50	1,642.50

ANNEX 4

WEEKLY RETURNS
PUBLISHED IN THE « MONITEUR BELGE » DURING 1977

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1977 *

(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 :		Special assistance to the Securities Regulation Fund	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											A Account	B Account												
3 January 1977	71.821	29.884	...	19.334	121.039	85.858	...	153	9.731	...	6.538	...	40.763	7.338	20.600	...	—	388	2	2.527	34.000	800	3.450	5.535	2.196	7.494	6.096	354.508
10 »	72.058	29.650	779	19.334	121.821	82.425	...	26	9.731	...	6.538	...	36.780	6.194	20.575	...	—	375	2	2.518	34.000	800	3.450	5.535	2.196	7.478	9.172	349.616
17 »	72.058	29.650	779	19.334	121.821	84.541	...	...	9.731	...	6.538	...	36.514	2.734	20.575	...	—	434	1	2.220	34.000	800	3.450	5.535	2.196	7.493	7.827	346.410
24 »	72.058	29.375	779	19.334	121.546	85.455	...	295	9.731	...	6.538	...	29.685	3.984	20.600	...	—	472	2	2.351	34.000	800	3.450	5.535	2.196	7.539	6.435	340.614
31 »	72.058	29.375	779	19.334	121.546	87.508	...	486	9.731	...	6.538	...	26.511	7.103	20.600	...	—	497	2	2.349	34.000	600	3.450	5.535	2.196	8.205	1.776	338.633
7 February	72.058	29.864	779	19.334	122.035	88.003	...	147	9.731	...	6.538	...	27.348	10.025	18.725	...	—	514	1	2.340	34.000	600	3.450	6.067	2.196	8.277	1.664	341.661
14 »	72.058	29.864	779	19.334	122.035	89.463	...	99	9.731	...	6.538	...	25.884	5.179	20.575	...	—	547	2	2.339	34.000	600	3.450	6.067	2.196	8.277	1.834	338.816
21 »	72.058	29.499	779	19.334	121.670	89.863	...	199	9.731	...	6.538	...	29.572	1.735	18.375	...	—	570	1	2.327	34.000	600	3.450	6.067	2.196	8.338	2.062	337.294
28 »	72.058	29.499	779	19.334	121.670	90.957	...	79	9.731	...	6.538	...	32.634	353	20.600	...	—	548	1	2.323	34.000	600	3.450	6.067	2.196	8.395	2.636	342.778
7 March	72.058	29.499	779	19.334	121.670	92.226	...	38	9.731	...	6.538	...	31.448	3.421	20.575	...	—	528	1	2.323	34.000	600	3.450	6.067	2.196	8.448	2.390	345.650
14 »	72.058	29.499	779	19.334	121.670	91.261	...	38	9.731	...	6.538	...	23.064	9.596	20.575	...	—	542	2	2.419	34.000	600	3.450	6.067	2.196	8.448	3.410	343.607
21 »	72.058	29.499	779	19.334	121.670	92.880	...	254	9.731	...	6.538	...	20.668	10.518	20.600	...	—	548	1	2.389	34.000	600	3.450	6.067	2.196	8.453	2.245	342.808
28 »	72.058	29.499	779	19.334	121.670	93.671	...	208	9.731	...	6.538	...	16.025	13.320	20.575	...	—	565	1	2.324	34.000	600	3.450	6.067	2.196	8.471	2.093	341.505
4 April	72.058	29.499	779	19.334	121.670	94.197	...	353	9.731	...	6.538	...	22.194	14.858	20.600	...	—	520	1	2.316	34.000	600	3.450	6.067	2.196	8.455	2.551	350.297
8 »	72.058	29.499	779	19.334	121.670	94.799	...	500	9.731	...	6.538	...	23.939	10.786	20.600	...	—	519	1	2.314	34.000	600	3.450	6.067	2.196	8.455	2.517	348.682
18 »	72.058	29.499	779	19.334	121.670	95.288	...	309	9.731	...	6.538	...	22.672	8.612	20.600	...	—	472	1	2.303	34.000	600	3.450	6.067	2.196	8.487	3.651	346.647
25 »	72.058	29.499	779	19.334	121.670	96.372	...	191	9.731	...	6.538	...	25.548	7.181	20.550	...	—	491	1	2.297	34.000	600	3.450	6.067	2.196	8.493	2.408	347.784
2 May	72.058	29.504	779	19.334	121.675	97.030	...	139	9.731	...	6.538	...	24.393	14.177	20.600	...	—	471	2	2.276	34.000	600	3.450	6.067	2.196	8.545	3.158	355.048
9 »	72.058	29.747	779	19.334	121.918	97.137	...	272	9.731	...	6.538	...	24.582	15.678	20.600	...	—	466	1	2.275	34.000	600	3.450	6.067	2.196	8.542	2.744	356.797
16 »	72.058	30.231	779	19.334	122.402	97.480	...	142	9.731	...	6.538	...	23.902	15.783	20.600	...	—	451	2	2.274	34.000	600	3.450	6.067	2.196	8.555	3.357	357.530
23 »	72.058	30.232	969	19.334	122.593	97.440	...	392	9.731	...	6.538	...	28.512	13.826	20.600	...	—	460	1	2.261	34.000	600	3.450	6.067	2.196	8.573	3.276	360.516
27 »	72.058	30.449	1.219	19.809	123.535	98.516	...	361	9.731	...	6.538	...	29.444	15.528	20.600	...	—	448	1	2.253	34.000	600	3.450	6.067	2.196	8.574	3.290	365.132
6 June	72.058	30.449	1.219	19.809	123.535	98.829	...	515	9.731	...	6.538	...	27.068	22.731	20.600	...	—	418	1	2.202	34.000	600	3.450	6.067	2.196	8.562	3.028	370.071
13 »	72.058	30.449	1.219	19.809	123.535	98.980	...	696	9.731	...	6.538	...	32.531	13.896	20.575	...	—	446	1	2.176	34.000	600	3.450	6.067	2.196	8.577	3.408	367.403
20 »	72.058	30.932	1.219	19.809	124.018	100.024	...	574	9.731	...	6.538	...	31.426	14.969	20.600	...	—	455	2	2.214	34.000	600	3.450	6.067	2.196	8.592	3.192	368.648
27 »	72.058	30.833	1.219	19.809	123.919	100.091	...	669	9.731	...	6.538	...	32.772	14.762	20.600	...	—	462	1	2.191	34.000	600	3.450	6.067	2.196	8.593	3.326	369.968
4 July	72.058	30.107	1.219	19.809	123.193	100.685	...	541	9.731	...	6.538	...	34.741	26.128	20.600	...	—	408	1	2.164	34.000	600	3.450	6.067	2.196	8.570	3.767	383.380
11 »	72.058	30.107	1.219	19.809	123.193	101.379	...	444	9.731	...	6.538	...	35.932	21.415	20.575	...	—	416	1	2.310	34.000	600	3.450	6.067	2.196	8.572	3.581	380.400
18 »	72.058	30.107	1.219	19.809	123.193	100.741	...	616	9.731	...	6.538	...	42.447	34	27.700	...	—	429	1	2.445	34.000	600	3.450	6.067	2.196	8.590	4.413	373.191
25 »	72.058	30.107	1.219	19.809	123.193	101.850	...	483	9.731	...	6.538	...	40.370	34	27.125	...	—	436	1	2.438	34.000	600	3.450	6.067	2.196	8.593	3.925	371.030
1 August	72.058	29.633	1.219	19.809	122.719	102.749	...	185	9.731	...	6.538	...	40.074	1.703	25.550	...	—	453	1	2.434	34.000	600	3.450	6.063	2.196	8.595	4.219	371.260
8 »	72.058	29.633	1.219	19.809	122.719	103.690	...	569	9.731	...	6.538	...	36.338	237	28.650	...	—	444	2	2.406	34.000	600	3.450	6.063	2.196	8.577	3.866	370.076
12 »	72.058	28.981	1.219	19.809	122.067	104.523	...	611	9.731	...	6.538	...	29.394	331	32.475	...	—	477	2	2.387	34.000	600	3.450	6.063	2.196	8.577	3.838	367.260
22 »	72.058	28.981	1.219	19.809	122.067	105.426	...	335	9.731	...	6.538	...	23.697	31	36.600	...	—	484	1	2.361	34.000	600	3.450	6.067	2.196	8.577	3.968	366.129
29 »	72.058	28.982	1.468	19.809	122.317	103.833	...	377	9.731	...	6.538	...	25.158	1.339	29.675	...	—	501	2	2.356	34.000	600	3.450	6.067	2.196	8.577	5.579	362.296
5 September	72.058	28.982	1.468	19.809	122.317	104.418	...	696	9.731	...	6.538	...	25.851	3.559	37.000	...	1.782	461	1	2.346	34.000	600	3.450	6.067	2.196	8.558	3.957	373.528
12 »	72.058	28.982	1.468	19.809	122.317	104.243	...	676	9.731	...	6.538	...	16.827	371	37.000	...	8.740	480	2	2.354	34.000	600	3.450	6.067	2.196	8.566	4.334	368.492
19 »	72.058	28.982	1.468	19.809	122.317	105.254	...	598	9.731	...	6.538	...	16.065	139	37.000	...	11.634	492	2	2.351	34.000	600	3.450	6.067	2.196	8.567	4.147	371.148
26 »	72.058	27.686	1.468	19.809	121.021	105.619	...	492	9.731	...	6.538	...	44.373	960	17.350	...	...	503	1	2.714	34.000	600	3.450	6.067	2.196	8.581	4.467	368.663
3 October	72.058	27.686	1.468	19.809	121.021	105.471	...																					

WEEKLY RETURNS PUBLISHED IN THE « MONITEUR BELGE » DURING 1977 *

(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															
17.438	308.107	23	7	552	2.822	2.527	351	314.389	10.186	...	...	38	7.494	16.866	5.535	354.508	3 January 1977
17.438	304.933	2	7	353	1.387	2.518	319	309.519	10.186	...	...	61	7.478	16.837	5.535	349.616	10 »
17.273	299.230	5	7	312	3.755	2.220	430	305.959	10.186	...	...	62	7.493	17.175	5.535	346.410	17 »
17.186	295.438	16	7	330	1.451	2.351	316	299.909	10.186	...	...	61	7.539	17.384	5.535	340.614	24 »
17.071	297.110	6	7	398	3.014	2.349	397	303.281	10.186	...	...	59	8.205	10.835	6.067	338.633	31 »
16.747	300.024	17	7	332	2.887	2.340	244	305.851	10.186	...	...	32	8.277	11.248	6.067	341.661	7 February
16.514	297.038	12	7	358	2.664	2.339	224	302.642	10.186	...	...	34	8.277	11.610	6.067	338.816	14 »
16.514	295.520	16	7	319	2.500	2.327	249	300.938	10.186	...	...	32	8.338	11.733	6.067	337.294	21 »
16.390	299.468	19	7	390	3.561	2.323	248	306.016	10.186	...	...	33	8.395	12.081	6.067	342.778	28 »
16.196	303.990	11	7	342	1.552	2.323	234	308.459	10.186	...	...	30	8.448	12.460	6.067	345.650	7 March
15.831	301.936	10	7	326	1.430	2.419	210	306.338	10.186	...	...	29	8.448	12.539	6.067	343.607	14 »
15.718	300.537	21	7	542	1.355	2.389	358	305.209	10.186	...	...	24	8.453	12.869	6.067	342.808	21 »
15.596	297.049	22	7	514	3.426	2.324	324	303.666	10.186	...	...	24	8.471	13.091	6.067	341.505	28 »
15.361	307.440	13	7	672	1.517	2.316	262	312.227	10.186	...	...	24	8.455	13.338	6.067	350.297	4 April
15.191	306.674	6	7	673	1.492	2.314	275	311.441	10.186	...	...	32	8.455	12.501	6.067	348.682	8 »
15.050	304.454	3	7	541	1.494	2.303	261	309.063	10.186	...	...	23	8.487	12.821	6.067	346.647	18 »
14.875	303.318	3	7	479	3.650	2.297	217	309.971	10.186	...	...	23	8.493	13.044	6.067	347.784	25 »
14.606	312.094	12	7	575	1.514	2.276	366	316.844	10.186	...	...	24	8.545	13.382	6.067	355.048	2 May
14.432	313.832	5	7	724	1.261	2.275	274	318.378	10.186	...	...	24	8.542	13.600	6.067	356.797	9 »
14.178	313.776	1	7	495	1.339	2.274	286	318.178	10.186	...	...	24	8.555	14.520	6.067	357.530	16 »
14.050	316.219	20	7	331	1.958	2.261	202	320.998	10.186	...	...	33	8.573	14.659	6.067	360.516	23 »
13.896	316.791	7	7	387	5.095	2.253	263	324.803	10.186	...	...	38	8.574	15.464	6.067	365.132	27 »
13.692	324.785	1	7	428	1.747	2.202	233	329.403	10.186	...	...	79	8.562	15.774	6.067	370.071	6 June
13.488	322.476	20	7	396	1.284	2.176	252	326.611	10.186	...	...	30	8.577	15.932	6.067	367.403	13 »
13.343	323.202	12	7	513	1.315	2.214	211	327.474	10.186	...	...	29	8.592	16.300	6.067	368.648	20 »
13.005	323.868	23	7	634	1.616	2.191	316	328.655	10.186	...	...	30	8.593	16.437	6.067	369.968	27 »
12.911	335.851	4	7	793	2.426	2.164	296	341.541	10.186	...	...	30	8.570	16.986	6.067	383.380	4 July
12.556	333.660	21	7	708	2.294	2.310	316	339.316	10.186	...	...	30	8.572	16.229	6.067	380.400	11 »
12.457	327.058	9	7	701	1.422	2.445	373	332.015	10.186	...	...	30	8.590	16.303	6.067	373.191	18 »
12.328	323.257	1	7	680	2.841	2.438	326	329.550	10.186	...	...	30	8.593	16.604	6.067	371.030	25 »
12.178	323.961	8	7	816	1.745	2.434	346	329.317	10.186	...	...	30	8.595	17.065	6.067	371.260	1 August
12.124	322.909	24	7	793	1.280	2.406	315	327.734	10.186	...	...	18	8.577	17.494	6.067	370.076	8 »
11.957	320.096	4	7	901	1.099	2.387	275	324.769	10.186	...	...	17	8.577	17.644	6.067	367.260	12 »
11.878	317.519	16	7	663	2.260	2.361	582	323.408	10.186	...	...	27	8.577	17.864	6.067	366.129	22 »
11.657	314.141	8	7	682	1.740	2.356	520	319.454	10.186	...	...	17	8.577	17.995	6.067	362.296	29 »
11.437	324.189	25	7	778	2.721	2.346	411	330.477	10.186	...	...	18	8.558	18.222	6.067	373.528	5 September
11.222	320.605	17	7	698	1.361	2.354	311	325.353	10.186	...	...	17	8.566	18.303	6.067	368.492	12 »
11.041	322.000	7	7	579	2.414	2.351	339	327.697	10.186	...	...	17	8.567	18.614	6.067	371.148	19 »
10.920	317.957	5	7	787	3.187	2.714	318	324.975	10.186	...	...	17	8.581	18.837	6.067	368.663	26 »
10.817	325.360	7	7	984	2.507	2.650	337	331.852	10.186	...	...	17	8.581	19.062	6.067	375.765	3 October
10.602	325.006	22	7	885	2.606	2.625	365	331.516	10.186	...	...	16	8.560	18.113	6.067	374.458	10 »
10.399	320.952	8	7	923	2.585	2.767	299	327.541	10.186	...	...	16	8.561	18.286	6.067	370.657	17 »
10.094	318.561	10	7	791	2.150	2.737	314	324.570	10.186	...	...	15	8.560	18.483	6.067	367.881	24 »
14.525	321.493	12	7	926	2.971	2.734	412	328.555	10.186	...	...	15	8.561	18.992	6.067	372.376	28 »
14.254	324.100	7	7	792	1.482	2.681	327	329.396	10.186	...	...	15	8.544	19.138	6.067	373.346	7 November
14.195	322.920	15	7	844	1.914	2.673	259	328.632	10.186	...	...	15	8.544	19.386	6.067	372.830	14 »
14.016	320.725	4	7	713	1.158	2.628	202	325.437	10.186	...	...	18	8.544	19.586	6.067	369.838	21 »
13.820	317.309	14	7	746	2.521	2.618	201	323.416	10.186	...	...	19	8.543	19.656	6.067	372.751	28 »
14.820	327.644	15	7	859	2.421	2.582	204	333.732	10.186	4.864	...	20	8.530	19.512	6.067	389.918	5 December	
14.567	325.385	9	7	769	1.568	2.559	207	330.504	10.186	11.871	...	32	8.530	19.791	6.067	391.573	12 »	
20.383	329.680	15	7	724	1.074	2.424	287	334.211	10.186	23.442	...	42	8.530	20.445	6.067	402.923	19 »	
20.201	332.648	13	7	754	1.804	2.421	358	338.005	10.186	23.442	...	32	8.530	20.527	6.067	406.789	23 »	

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER, 1977,
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.
10 p.c.	Belgian Loan 1977/85.
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.

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
	Imports	Exports	
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
1976	153.9	147.8	96.0
1976 First 9 months	153.5	147.2	95.9
1977 First 9 months	156.3	151.0	96.6

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

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

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		
	1972	1973	1974	1975	1976	1976	1977 <i>p</i>	1960	1970	1977 <i>p</i>
						First 11 months				First 11 months
1. Market-economy countries ...	57.9	70.5	88.2	84.5	102.0	100.6	107.8	97.0	97.8	97.0
a) Developed countries	53.3	64.8	79.6	75.6	92.5	91.4	95.9	82.4	89.8	86.4
of which :										
European Economic Community	43.7	53.0	64.1	62.2	77.7	76.9	79.2	58.3	73.1	71.3
Original members	40.4	48.6	57.9	55.1	69.6	69.0	69.8	50.5	68.2	62.8
Federal Republic of Germany	(14.7)	(17.2)	(19.8)	(19.6)	(24.5)	(24.4)	(24.9)	(15.8)	(24.2)	(22.4)
France	(12.0)	(15.0)	(18.3)	(16.8)	(22.2)	(22.1)	(21.3)	(10.4)	(19.9)	(19.1)
Italy	(2.7)	(3.5)	(4.1)	(3.6)	(5.0)	(4.9)	(4.9)	(3.1)	(4.7)	(4.4)
Netherlands	(11.0)	(12.9)	(15.7)	(15.1)	(17.9)	(17.6)	(18.7)	(21.2)	(19.4)	(16.9)
New members	3.3	4.4	6.2	7.1	8.1	7.9	9.4	7.8	4.9	8.5
of which :										
United Kingdom ...	(2.6)	(3.4)	(5.0)	(5.7)	(6.4)	(6.2)	(7.6)	(5.5)	(3.7)	(6.8)
United States	3.6	4.1	5.1	3.6	3.8	3.7	4.7	9.5	6.1	4.2
Japan	0.4	0.7	0.7	0.5	0.6	0.6	0.5	0.6	0.7	0.5
b) Developing countries ...	4.6	5.7	8.6	8.9	9.5	9.2	11.9	14.6	8.0	10.6
of which :										
Members of the Organisation of Petroleum Exporting countries	(1.1)	(1.5)	(2.2)	(3.4)	(4.2)	(4.0)	(5.4)	(2.8)	(1.7)	(4.9)
Republic of Zaire	(0.4)	(0.5)	(0.6)	(0.5)	(0.4)	(0.4)	(0.5)	(1.6)	(1.0)	(0.5)
2. Countries with centrally planned economies	1.1	1.7	2.9	2.8	2.7	2.6	2.4	2.5	1.7	2.2
Total ¹ ...	59.3	72.5	91.7	88.1	105.5	104.0	111.1	100.0	100.0	100.0

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

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

Table 3.

National Bank of Belgium : foreign exchange reserves and forward position in foreign currencies and, in relation to foreign countries, in Belgian francs

(Billions of francs)

At end of	Foreign exchange reserves						Forward position			Grand total	of which :		Annual changes in total of foreign exchange reserves ³	Annual changes in grand total ³
	Gold holding	Assets held at the International Monetary Fund ¹	Net claims on 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		
	(a)	(b)	(c)	(d)	(e)	(f) = (a) + (b) + (c) + (d) + (e)	(g)	(h)	(i) = (g) + (h)	(j) = (f) + (i)	(k) = (d) + (g)	(l) = (e) + (h)	(m)	(n)
1971	77	51	—	35	-4	159	-36	27	-9	150	-1	23		
1972	75	52	—	53	-2	178	-22	21	-1	177	31	19	+ 16	+ 24
1973	72	54	4	76	-3	203	-27	28	1	204	49	25	+ 36	+ 34
1974	72	53	...	95 ⁴	-3	217	-11	13	2	219	84	10	+ 12	+ 13
1975	72	59	...	114 ⁴	-4	241	-12	12	...	241	102	8	+ 18	+ 19
1976 Oct. .	72	59	- 9	71 ⁴	-3	190	...	...	...	190	71	-3	- 52 ⁵	- 53 ⁵
Dec. .	72	59	...	90 ⁴	-3	218	...	...	...	218	90	-3	- 25	- 25
1977 Oct. .	72	59	...	112 ⁴	-4	239	...	...	...	239	112	-4	+ 20 ⁵	+ 20 ⁵
Dec. .	72	58	-23	108 ⁴	-4	211	...	...	...	211	108	-4	- 9	- 9

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 allocation of special drawing rights to Belgium in 1972, b) the adjustments made to various assets and liabilities owing to the devaluation of the U.S. dollar in 1973, 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 ten months.

Table 4.

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

(Daily quotations in Belgian francs)

1977	1 U.S.- dollar	1 German mark	100 yens	1 French franc	1 Pound sterling	100 Italian lire	1 Cana- dian dollar	1 Nether- lands guilder	1 Swedish crown	1 Swiss franc	100 pesetas	1 Danish crown	100 Austrian schillings	1 Norwe- gian crown	1 Finnish mark	100 escudos	1 Zaire
January																	
Highest	37.33	15.43	12.95	7.50	64.23	4.24	36.90	14.73	8.77	14.84	54.21	6.27	217.00	7.00	9.74	115.50	42.99
Lowest	35.73	15.25	12.24	7.25	61.02	4.09	35.48	14.63	8.69	14.65	52.48	6.16	214.70	6.93	9.52	113.75	41.65
Mean	36.70	15.35	12.62	7.39	62.89	4.18	36.32	14.68	8.72	14.75	53.54	6.23	216.14	6.96	9.65	114.93	42.41
February																	
Highest	37.16	15.39	13.05	7.47	63.78	4.21	36.38	14.74	8.72	14.76	53.92	6.26	216.70	7.00	9.71	115.00	42.84
Lowest	36.72	15.32	12.85	7.35	62.40	4.16	35.00	14.66	8.67	14.35	53.00	6.22	215.50	6.96	9.60	111.80	42.48
Mean	36.89	15.35	12.96	7.41	63.10	4.18	35.89	14.69	8.69	14.64	53.47	6.24	216.01	6.98	9.66	113.68	42.65
March																	
Highest	36.82	15.38	13.25	7.38	63.24	4.16	35.18	14.75	8.73	14.43	53.50	6.27	216.50	7.01	9.67	95.20	42.57
Lowest	36.61	15.32	12.97	7.35	62.66	4.12	34.65	14.67	8.69	14.26	53.06	6.23	215.25	6.96	9.62	94.50	42.36
Mean	36.68	15.34	13.10	7.36	62.99	4.14	34.90	14.70	8.71	14.38	53.35	6.25	216.06	6.99	9.65	94.86	42.46
April																	
Highest	36.62	15.36	13.49	7.37	62.98	4.13	34.86	14.75		14.45	53.31		216.50			94.85	42.46
Lowest	36.03	15.28	12.99	7.26	61.89	4.06	34.35	14.67	2	14.28	52.33	2	215.00	2	4	93.35	41.87
Mean	36.34	15.32	13.20	7.32	62.48	4.10	34.59	14.71		14.39	52.88		215.74			93.97	42.20
May																	
Highest	36.23	15.34	13.05	7.31	62.32	4.09	34.59	14.76	8.33	14.41	52.59	6.06	215.60	6.86	8.89	93.75	42.04
Lowest	35.96	15.28	12.97	7.27	61.83	4.06	34.32	14.63	8.25	14.27	52.18	5.96	214.70	6.83	8.83	93.30	41.85
Mean	36.10	15.31	13.02	7.29	62.05	4.07	34.43	14.70	8.30	14.33	52.38	6.01	215.22	6.85	8.86	93.51	41.94
June																	
Highest	36.20	15.42	13.50	7.34	62.27	4.09	34.34	14.65	8.23	14.64	52.32	5.99	217.35	6.88	8.90	93.68	42.07
Lowest	36.02	15.29	13.03	7.29	61.89	4.07	33.94	14.46	8.10	14.41	51.65	5.95	214.60	6.78	8.77	93.25	41.85
Mean	36.07	15.32	13.23	7.30	62.02	4.08	34.11	14.56	8.17	14.50	52.02	5.97	215.39	6.83	8.84	93.44	41.91
July																	
Highest	36.03	15.62	13.58	7.38	61.99	4.07	34.02	14.61	8.19	14.77		6.00	220.25	6.79	8.92	93.65	42.12
Lowest	34.93	15.41	13.21	7.27	60.08	3.97	32.83	14.49	8.10	14.63	3	5.87	217.45	6.68	8.75	91.40	41.15
Mean	35.53	15.54	13.42	7.32	61.20	4.03	33.50	14.55	8.16	14.72		5.95	219.04	6.75	8.84	92.58	41.69
August																	
Highest	35.86	15.47	13.41	7.30	62.43	4.06	33.37	14.57		15.01	42.42		217.75		8.88	92.80	41.71
Lowest	35.34	15.32	13.28	7.25	61.48	4.01	32.92	14.49	2	14.67	41.77	2	215.75	2	8.39	89.40	41.37
Mean	35.57	15.37	13.35	7.27	61.91	4.03	33.11	14.53		14.78	42.05		216.48		8.78	91.90	41.49
September																	
Highest	35.95	15.49	13.57	7.29	62.70	4.06	33.48	14.57	7.42	15.28	42.53	5.81	217.00	6.57	8.62	89.35	41.68
Lowest	35.66	15.37	13.31	7.27	62.16	4.05	33.20	14.49	7.35	14.87	42.23	5.77	215.50	6.50	8.50	88.00	41.45
Mean	35.81	15.41	13.42	7.28	62.43	4.06	33.37	14.54	7.38	15.07	42.36	5.80	216.40	6.53	8.58	88.55	41.58
October																	
Highest	35.67	15.62	14.15	7.32	64.50	4.05	33.07	14.59	7.40	15.81	42.28	5.81	219.25	6.49	8.60	87.90	41.64
Lowest	35.22	15.47	13.61	7.27	62.44	4.01	31.61	14.51	7.36	15.23	42.05	5.76	216.90	6.42	8.46	86.50	41.43
Mean	35.42	15.55	13.91	7.29	62.71	4.02	32.25	14.55	7.39	15.55	42.17	5.80	218.07	6.46	8.54	87.36	41.53
November																	
Highest	35.52	15.77	14.69	7.29	64.56	4.04	31.93	14.59	7.41	16.27	42.72	5.80	221.25	6.51	8.52	87.30	41.83
Lowest	34.94	15.64	14.18	7.21	63.54	3.99	31.52	14.50	7.29	15.84	42.27	5.70	219.45	6.42	8.33	86.25	41.50
Mean	35.22	15.71	14.41	7.26	64.03	4.01	31.76	14.56	7.34	16.03	42.51	5.75	220.43	6.46	8.43	86.76	41.64
December																	
Highest	34.90	15.77	14.36	7.20	63.43	3.98	31.64	14.60	7.27	16.55	42.40	5.71	220.75	6.48	8.33	86.10	41.54
Lowest	32.77	15.56	13.66	6.97	61.76	3.76	29.92	14.38	7.03	16.06	40.51	5.65	217.10	6.38	8.12	82.50	39.83
Mean	33.80	15.70	14.03	7.05	62.71	3.86	30.78	14.51	7.12	16.28	41.40	5.69	219.18	6.44	8.21	84.11	40.65
Year																	
Highest	37.33	15.77	14.69	7.50	64.56	4.24	36.90	14.76		16.55			221.25				42.99
Lowest	32.77	15.25	12.24	6.97	60.08	3.76	29.92	14.38	2	14.26	3	2	214.60	2	4	5	39.83
Mean	35.84	15.44	13.39	7.29	62.55	4.06	33.75	14.60		14.95			216.99				41.84

1 Average for 1st to 27th February. Quotation was suspended on 28th February.

	April		August		Year		
	1st April	4th to 30th	1st to 26th	29th to 31st	1st Jan. to 1st Apr.	4th Apr. to 26th. Aug.	29th. Aug. to 31st Dec.
Swedish crown	Highest	8.72	8.14	7.97	8.77	8.38	7.42
	Lowest	8.72	8.30	8.07	7.85	8.67	7.03
	Mean	8.72	8.35	8.09	7.86	8.71	7.91
Danish crown	Highest	6.26	5.97	5.80	6.27	6.08	5.81
	Lowest	6.26	6.04	5.88	5.76	6.16	5.65
	Mean	6.26	6.07	5.92	5.78	6.24	5.76
Norwegian crown	Highest	6.98	6.80	6.55	7.01	6.91	6.57
	Lowest	6.98	6.88	6.70	6.53	6.93	6.38
	Mean	6.98	6.87	6.74	6.54	6.98	6.47

	July		Year	
	1st to 8th	12th to 31st	1st Jan. to 8th July	12th July to 31st Dec.
Highest	51.73	41.68	54.21	42.72
Lowest	51.15	40.89	51.15	40.51
Mean	51.52	41.15	52.88	42.00

	April		Year	
	1st to 4th	5th to 30th	1st Jan. to 4th Apr.	15th Apr. to 31st Dec.
Highest	9.64	9.06	9.74	9.06
Lowest	8.70	8.88	8.70	8.12
Mean	9.17	8.98	9.64	8.67

	Year	
	1st Jan. to 27th Feb.	1st Mar. to 31st Dec.
Highest	115.50	95.20
Lowest	111.80	82.50
Mean	114.93	90.69

Table 5.

**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)	
1972	361	361	368	368	...
1973	404	408	430	434	- 4
1974	484	485	513	514	- 1
1975	577	620	609	652	- 43
1976	657	711	696	750	- 54
1976 First 10 months	527	607	559	639	- 80
1977 First 10 months	608	704	640	736	- 96

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 6.

Official national debt position

(Billions of francs)

At end of	Direct debt						Indirect debt ²	Debt taken over from the Republic of Zaïre ³	Grand total ⁴
	in Belgian francs				in foreign currencies ¹	Total			
	Consolidated	Medium term	Short term	Total					
1971	427	13	124	564	22	586	57	2	645
1972	495	18	124	637	8	645	66	1	712
1973	559	16	120	695	6	701	63	1	765
1974	614	20	123	757	4	761	59	1	821
1975	682	17	140	839	4	843	85	...	928
1976 October	760	14	193	967	3	970	98	...	1.068
December ...	753	13	193	959	3	962	96	...	1.058
1977 October	873	6	226	1.105	3	1.108	120	...	1.228
December ...	865	6	236	1.107	3	1.110	119	...	1.229

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 Zaïre, 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 6bis indicates the changes in the national debt which have not given rise to movements of funds for the Treasury.

Table 6bis.

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

(Changes in billions of francs)

	1972	1973	1974	1975	1976	1976	1977
						(First 10 months)	
1. National debt ¹	+67	+53	+56	+107	+130	+140	+170
2. Transactions without movement of funds :							
a) Treasury Certificates held by the International Monetary Fund ²	(+ 4)	(+ 1)	(- 1)	(- 2)	(- 3)	(- 3)	(+ 2)
b) The National Bank of Belgium's credit balance at the Postal Cheque Office for account of the Ministers of National Education ³	(...)	(- 2)	(-)	(-)	(-)	(-)	(-)
c) Miscellaneous	(- 1)	(+ 3)	(...)	(...)	(...)	(...)	(...)
Total 2 ...	+ 3	+ 2	- 1	- 2	- 3	- 3	+ 2
3. Funds used to meet the Treasury's net financial requirements (= 1. - 2.)	+64	+51	+57	+109	+133	+143	+168
4. Debudgetised debt for the service of which the Central Government is responsible ⁴ ...	+23	+20	+20	+ 21	+ 23	+ 18	+ 18
5. Funds used to meet the Central Government's net financial requirements (= 3. + 4.) ⁵ ...	+87	+71	+77	+130	+156	+161	+186

¹ According to Table 6 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 Debt to the financial intermediaries and direct recourse to the capital market, insofar as it has been possible to record them.

⁵ See Table 13, page 50.

Table 7.

Cash holdings of individuals and enterprises *

(Billions of francs)

At end of	Notes and coin 1	Deposit money			Grand total (e) = (a) + (d)	Annual changes in grand total (f)
		with mainly monetary institutions (b)	with financial intermediaries other than mainly monetary (c)	Total (d) = (b) + (c)		
1971	203	193	13	206	409	
1972	223	234	17	251	474	+ 65
1973	238	248	20	268	506	+ 32
1974	255	259	26	285	540	+ 34
1975	288	307	37	344	632	+ 92
1976 October	299	304	40	344	643	+ 11 ²
December	306	324	39	363	669	+ 37
1977 October	320	351	49	400	720	+ 51 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 8.

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	
1972	+ 35	+ 23	+ 23	+ 7	+ 88
1973	+ 25	+ 19	+ 20	+ 6	+ 70
1974	+ 13	+ 18	+ 13	+ 7	+ 51
1975	+ 51	+ 36	+ 33	+ 17	+ 137
1976	+ 33	+ 27	+ 29	+ 17	+ 106
1976 First 10 months	+ 23	+ 15	+ 16	+ 13	+ 67
1977 First 10 months	+ 28	+ 7	+ 4	+ 8	+ 47

Table 9.

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

Classified according to issuers

(Changes in billions of francs)

	Central Govern- ment 1	Other public authorities	Public financial interme- diaries 2	Public operating organisa- tions	Banks	Private savings banks, mortgage and capital accumu- lation companies 2	Others	Total
1972	+ 95	+ 3	+ 27	+ 9	+ 5	+ 2	+ 26	+167
1973	+ 79	+ 2	+ 37	+ 6	+ 6	+ 7	+ 18	+155
1974	+ 66	- 1	+ 52	+ 10	+ 7	+ 12	+ 14	+160
1975	+ 92	+ 6	+ 53	+ 5	+ 10	+ 11	<i>p</i> + 27	<i>p</i> +204
1976	+ 91	+ 9	+ 66	+ 18	+ 16	+ 15	<i>p</i> + 11	<i>p</i> +226
1976 First 10 months ... <i>p</i>	+ 88	+ 8	+ 60	+ 19	+ 14	+ 12	+ 9	+210
1977 First 10 months ... <i>p</i>	+166	+ 12	+123	+ 11	+ 27	+ 17	...	+356

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 10.

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	Financial intermediaries other than mainly monetary 1	Public authorities	Foreign countries c	Others 2	Total
1972	+ 54	+ 58	+ 1	+ 1	+ 53	+167
1973	+ 49	+ 27	+ 3	+ 1	+ 75	+155
1974	+ 40	+ 26	+ 2	...	+ 92	+160
1975	+ 46	+ 62	+ 1	...	p + 95	p +204
1976	+ 29	+ 43	+ 2	+ 9	p +143	p +226
1976 First 10 months p	+ 36	+ 41	+ 2	+ 8	+123	+210
1977 First 10 months p	+ 90	+ 65	...	+ 3	+198	+356

¹ Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1977, 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 11 in this Annex.

Table 11.

**Outstanding amounts of bonds and notes at over one year in Belgian francs
held by enterprises and individuals**

Classified according to issuers

(Changes in billions of francs)

	Central Government	Other public authorities	Public financial interme- diaries	Public operating organi- sations	Banks	Private savings banks, mortgage and capital accumu- lation companies	Others	Total
1972	+ 20	+ 1	+ 13	+ 1	+ 5	+ 2	+ 11	+ 53
1973	+ 20	...	+ 30	+ 2	+ 6	+ 6	+ 11	+ 75
1974	+ 25	- 1	+ 37	+ 4	+ 7	+ 11	+ 9	+ 92
1975	+ 26	+ 2	+ 34	...	+ 9	+ 10	p+ 14	p+ 95
1976	+ 47	+ 2	+ 44	+ 14	+ 16	+ 14	p+ 6	p+143
1976 First 10 months ... p	+ 41	+ 2	+ 37	+ 13	+ 14	+ 12	+ 4	+123
1977 First 10 months ... p	+ 75	+ 7	+ 79	- 3	+ 27	+ 17	- 4	+198

Table 12.

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

(Per cent)

At end of	Time deposits at banks (3 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)	
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	5.875	4.65	5.50	6.75	8.00	8.72
1976 June	8.375	5.15	5.50	7.25	9.50	8.94
December ...	9.250	6.75	5.50	7.25	9.50	9.22
1977 January	7.625	6.50	5.50	7.25	9.50	9.24
February ...	6.875	6.50	5.50	7.25	9.50	9.08
March	6.750	5.50	5.50	7.25	9.50	9.06
April	6.875	5.50	5.50	7.25	9.50	8.94
May	6.750	5.50	5.50	7.25	9.50	8.93
June	6.250	5.50	5.50	7.00	9.25	8.61
July	6.250	5.25	5.50	7.00	9.25	8.62
August	5.625	5.25	5.50	7.00	9.00	8.68
September ...	5.875	5.00	5.50	6.75	8.50	8.42
October	6.000	5.00	5.50	6.75	8.50	8.39
November ...	6.000	5.00	5.50	6.75	8.50	8.42
December ...	9.125	5.00	5.50	6.75	8.50	8.76

* See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-5, 6, 7 and 8.

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.

Table 13.

Deposit money
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 of sight deposits at banks	
	through sight deposits at banks	through balances at Postal Cheque Office	Total		
1972	436	266	702	3.25	
1973	523	293	816	3.38	
1974	647	353	1,000	3.99	
1975	710	408	1,118	3.88	
1976	829	449	1,278	4.08	
1976 First 11 months	812	447	1,259	4.01	
1977 First 11 months	921	509	1,430	4.09	
					1
1976 1st quarter	752	445	1,197	3.85	3.89
2nd quarter	843	471	1,314	4.09	4.02
3rd quarter	814	420	1,234	3.88	4.17
4th quarter	906	460	1,366	4.48	4.23
1977 1st quarter	896	517	1,413	4.20	4.23
2nd quarter	990	555	1,545	4.29	4.17
3rd quarter	874	454	1,328	3.76	4.11

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

¹ Seasonally adjusted figures.

Table 14.

**Financial assets of individuals and enterprises with the
financial intermediaries ***

Classified according to the institutions with which these assets were formed

(Changes in billions of francs)

	Financial intermediaries other than mainly monetary			Mainly monetary institutions				Grand total	Grand total as percentage of total financial assets ¹
	Public financial intermediaries	Private savings banks, mortgage and capital accumulation companies	Total	Banks	Public institutions	National Bank of Belgium	Total		
1972	+ 54	+ 33	+ 87	+ 76	+ 12	+ 20	+108	+195	70
1973	+ 71	+ 34	+105	+ 87	+ 2	+ 14	+103	+208	73
1974	+ 78	+ 33	+111	+ 63	+ 3	+ 17	+ 83	+194	64
1975	+112	+ 51	+163	+105	+ 8	+ 33	+146	+309	82
1976	+101	+ 53	+154	+122	+ 7	+ 17	+146	+300	65
1976 First 10 m. ...	+ 92	+ 46	+138	+108	+ 6	+ 9	+123	+261	67
1977 First 10 m. ...	+131	+ 39	+170	+ 90	+ 11	+ 14	+115	+285	72

* See the Bulletin of the National Bank of Belgium, Statistics, Table XV-5a.

¹ Changes in financial assets with all the financial intermediaries as a percentage of the grand total of Table 19, page 57.

Table 18.

Financial liabilities of enterprises and individuals to the financial intermediaries

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

	Mainly monetary institutions				Financial intermediaries other than mainly monetary						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	Miscel- laneous	Total		
					business lending	loans for housing						
<i>a) Changes in billions of francs</i>												
1972	+ 59	...	+ 1	+ 60	+ 10	+ 8	+ 18	+ 15	+ 1	+ 52	+112	+ 9
1973	+ 57	...	...	+ 57	+ 26	+ 9	+ 23	+ 20	...	+ 78	+135	+ 6
1974	+ 53	- 1	...	+ 52	+ 29	+ 10	+ 18	+ 22	...	+ 79	+131	+ 6
1975	+ 75	- 1	...	+ 74	+ 30	+ 12	+ 21	+ 26	...	+ 89	+163	+ 15
1976	+ 90	...	...	+ 90	+ 35	+ 19	+ 32	+ 36	...	+122	+212	- 3
1976 First 10 months	+ 80	- 1	...	+ 79	+ 25	+ 15	+ 28	+ 28	...	+ 96	+175	- 2
1977 First 10 months	+ 79	- 1	...	+ 78	+ 21	+ 22	+ 25	+ 22	- 1	+ 89	+167	+ 14
<i>b) As percentage change in comparison with amount outstanding at end of previous year</i>												
1976 First 10 months	+ 15	- 72	...	+ 15	+ 9	+ 14	+ 14	+ 15	+ 7	+ 12	+ 13	- 3
1977 First 10 months	+ 13	- 69	...	+ 13	+ 7	+ 17	+ 11	+ 10	- 33	+ 10	+ 11	+ 21

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

Table 16.

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 up to 374 days 3	Other public securities 4
At end of					
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	
1976		9.00		10.00	
1977		9.00		9.00	
1977					
1st January - 5th January		9.00		10.00	
6th January - 16th February		8.00		8.00	
17th February - 4th May ...		7.00		7.00	
5th May - 22nd June		6.50		6.50	
23rd June - 1st December .		6.00		6.00	
2nd December - 13th Dec.		7.00		7.00	
14th December - 31st Dec.		9.00		9.00	

* See the Bulletin of the National Bank of Belgium, Statistics, Table XIX-1a.

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 17.

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
1977 January	—	8.50	8.50
February	—	7.25	7.25
March	—	7.25	7.25
April	—	7.25	7.25
May	—	6.75	6.75
June	—	6.25	6.25
July	—	6.25	6.25
August	—	6.25	6.25
September	—	6.25	6.25
October	—	6.00	6.25
November	—	6.00	6.25
December	—	9.00	9.25

* See the Bulletin of the National Bank of Belgium, Statistics, Table XIX-1b.

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 18.

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. : commercial bills 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
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	4.63	6.05	6.20	6.75	5.25	5.80	6.44	5.62	
1976 June	6.31 ⁷	9.00	9.50	10.00	6.90	8.80	9.13	5.75	
December	10.29 ⁸	10.00	10.50	10.75	8.90	9.65	10.13	4.87	
1977 January	6.14	8.25	9.00	9.00	7.75	8.00	8.25	5.12	
February	6.69	7.50	7.75	8.75	6.75	6.90	7.63	5.00	
March	5.46	7.25	7.75	8.00	6.75	7.00	7.25	5.12	
April	6.18	7.25	7.50	8.00	6.75	6.80	7.38	5.12	
May	5.93	7.00	7.50	7.75	6.25	6.70	7.25	6.00	
June	5.87	6.75	7.00	7.65	5.75	6.35	6.81	5.62	
July	4.49	6.65	6.90	7.50	5.75	6.35	6.75	6.12	
August	4.91	6.25	6.25	7.00	5.75	5.85	6.44	6.12	
September	4.88	6.25	6.25	6.75	5.75	5.90	6.44	6.87	
October	4.75	6.25	6.25	6.75	5.55	5.80	6.56	7.00	
November	3.42	6.00	6.25	6.75	5.55	5.90	6.75	6.87	
December	7.16	9.25	9.50	7.75	8.75	9.50	9.75	7.12	

* See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-2, 8 and 4.

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 Until 22nd October, 1973 : rates 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.

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	
1972	5	1	4	2	1	6	1	10
1973	6	1	5	3	3	5	1	12
1974	6	1	5	3	4	4	1	12
1975	7	6	3	4	...	10	2	16
1976	7	1	3	4	1	5	1	11
1977	7	1	4	5	1	5	1	12

* 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.)
General Division 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 Ducre
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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