

NATIONAL
BANK
OF
BELGIUM

REPORT 1980

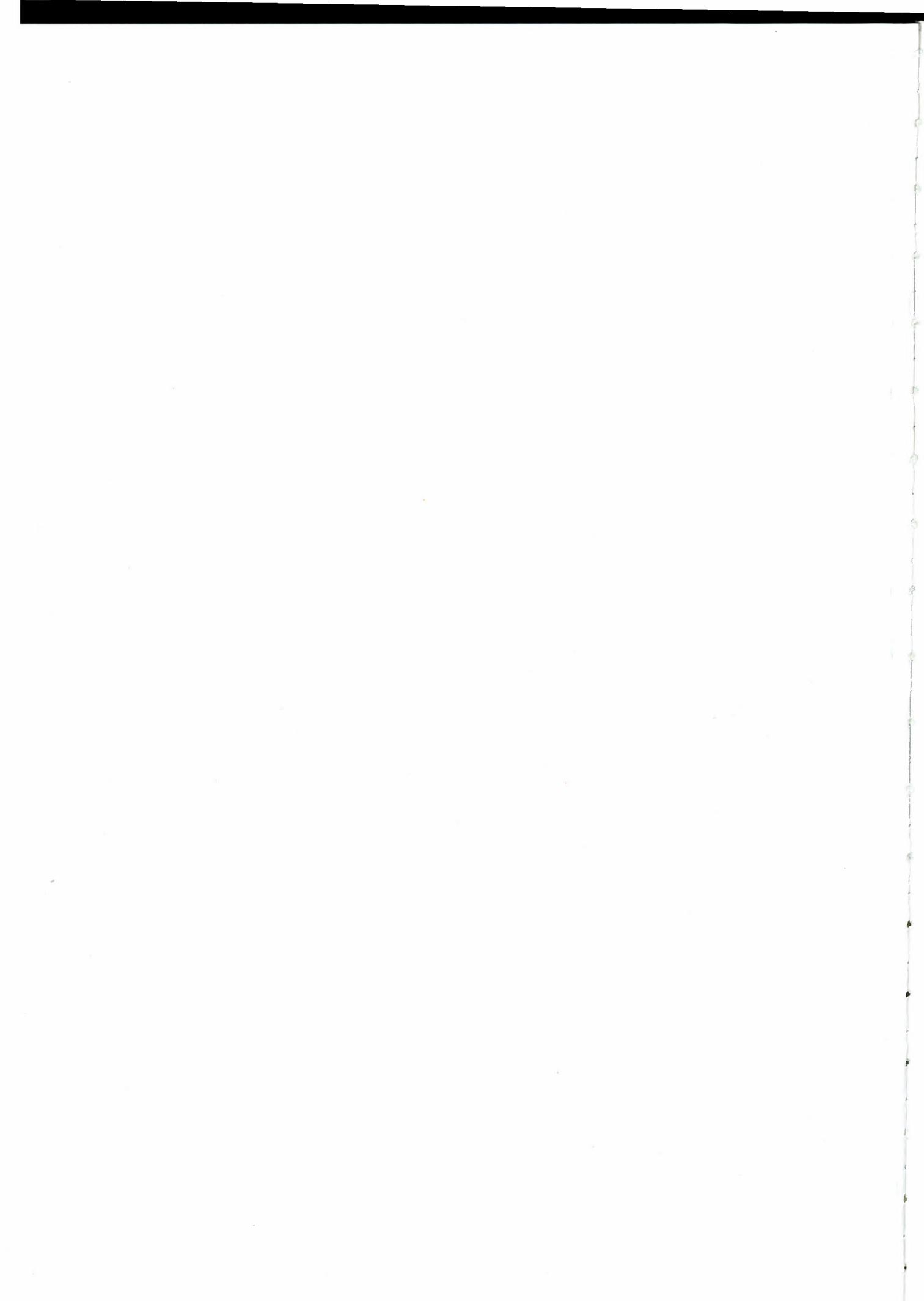
NATIONAL BANK OF BELGIUM

LIMITED COMPANY
BRUSSELS TRADE REGISTER No. 22,300



REPORT

*on the activities of the year 1980
presented to the General Meeting
on 23th February 1981*



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.

Although it is not yet possible to give precise figures for the development of the Belgian economy in 1980, the estimates that can be made for the most important data, although still approximate, are sufficiently coherent for it to be possible to regard the direction and order of magnitude of the assumed variations as being correct. Supplemented by these unofficial figures for 1980, the national accounts series thus covers the whole decade, which was marked by a far-reaching change in world economic relationships.

*Eleven years
in retrospect.*

Admittedly, the developments which become apparent are not absolutely linear : some fluctuations, reflecting general or particular cyclical variations, are observable. But, transcending these short-term movements, the details of which sometimes conceal the more fundamental features, this retrospective survey presents a very clear picture of the general trends.

The rate of growth slowed down appreciably; during the years 1970 to 1973 the average increase in the national product measured by volume was 5.4 p.c.; it averaged only 2.3 p.c. for the last three years of the decade — a period which was, moreover, marked by a slowing-down.

This increase in the national product was achieved more by a rise in the value added per employed person than by an expansion in employment; there were no longer enough jobs for the working population. The growth in that population continued from 1970 onwards and has even quickened in recent years; the demographic factor — including net immigration — added, on average, 25,000 persons per year to the working population; a second factor pushed up the demand for jobs : the rise in the activity rate of the population of working age; women engaged in gainful activity to an ever-greater extent : this change created an additional labour force averaging about 25,000 persons per year; this increase was never counter-balanced by the effects of the opposite trend of the activity rate of the male population due to, inter alia, the introduction of early-retirement schemes; on average, per year, 15,000 men of working age withdrew from the labour market. Altogether, to meet the demand, an average of 35,000 new jobs per year would have had to

MAIN COMPONENTS OF EXPENDITURE

(As percentages of gross national product)



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

1 Investment in housing, gross fixed capital formation by self-employed persons and changes in livestock.

2 Gross fixed capital formation by companies (including public operating organisations) and changes in stocks, excluding livestock.

be created throughout the decade. It was from 1974 onwards that the shortfall in the supply became substantial; the jobs lost in agriculture and industry were no longer, or no longer sufficiently, replaced by those created in private and public services; the increase in the number of public employees quickened in the second half of the decade. Nevertheless, the rise in unemployment did not stop. At the end of 1980 the seasonally adjusted number of normally capable persons without employment was 315,000, or 7.5 p.c. of the working population; the percentage was 12.5 p.c. for women, against 4.6 for men.

The allocation of the national product to the various categories of expenditure changed significantly during the 1970s. The movements which took place are clearly evident from the first chart.

This shows that consumption rose faster than the national product, at the expense of domestic investment and to the detriment of the current account of the balance of payments. Firstly, expenditure on consumption by individuals absorbed 64 p.c. of the gross national product of 1980; the corresponding average percentage for the years 1970 to 1973 was 60 p.c.; this relative increase contrasts with the rise in unemployment, which reduced the purchasing power of the previously working population; the macro-economic datum conceals the diversity of the individual movements. Expenditure on public consumption — the services which citizens demand from the State or receive from it, willy-nilly, free of charge or at prices unrelated to their cost — represented about 18 p.c. in 1980, against 14.3 p.c. during the first period, 1970-1973; this — substantial — increase was partly attributable, during the last years of the decade, to the deliberate policy for creating work in the public sector.

Altogether, in 1980, 82 p.c. of the gross national product was used for consumption of all kinds; the proportion was 74.3 p.c. in 1970-1973, when G.N.P. did not even amount to 80 p.c., in volume, of what it was at the end of the period.

During the years 1970-1973, 6.8 p.c. of the national product was devoted to gross capital formation by individuals. House-building — representing durable consumer goods, rather than productive investment — constitutes the greater part of this category of expenditure. This reached 8.5 p.c. of G.N.P. in 1980, despite the decline in building during that and the previous year.

Lastly, there is investment by private or public companies and by the State. During the years 1970-1973, 15.9 p.c. of the national product was devoted to this. For 1980 the figure reached only 14 p.c., after having been even lower. This decline between the beginning and the end of the period only affected investment in companies, which fell from 11.8 to 9.5 p.c.

During the years 1970-1973 total domestic expenditure was equivalent to 97 p.c. of the national product; the remaining 3 p.c. permitted net exports of goods and services. The same calculation for 1980 shows that total domestic expenditure amounted to 104.5 p.c. of the national product. The latter thus fell short of the former, and the difference had to be covered by net imports of goods and services.

On top of this excess of domestic expenditure over national real resources there has to be added the — much smaller — amount of current transfers and capital donations to foreign countries. Thus Belgium's current account balance of payments deficit, which is larger than that of the Belgian-Luxembourg Economic Union, reached 5.5 p.c. of the national product.

The imbalance between total domestic expenditure and the national product is nothing new. It has already existed, rapidly worsening, for several years. Throughout this period it has never been the result of a state of domestic demand inflation. Since 1975, at least, the country has no longer experienced any of those periods of strain when lack of essential factors of production prevents supply from increasing fast enough to meet the expansion in demand. On the contrary, in recent years unemployment, underemployment of production capacities and the closing-down of firms have all proved that there was no shortage of resources which would have enabled output to be stepped up if their use had not been made impossible by other factors which will be elucidated further on. It is these other factors, quite different in nature from a lack of means of production, that have prevented domestic supply from growing sufficiently, both for the home market, to meet existing demand, and for foreign markets. These factors have stimulated imports and slowed down the expansion in exports, thus contributing to the deterioration in the balance of trade.

This deterioration is, undoubtedly, largely due to the increases in the prices of energy products. These led to a serious worsening of the terms of trade, i.e. a much faster rise in import prices than in export

prices, which, in overall values, upset the balance of trade. A detailed analysis of the international data, available up to 1978, shows, however, that this shock was less severe for the Belgian-Luxembourg Economic Union than for the other industrialised countries as a whole. But after the first oil crisis these countries, as a group, were fairly quickly able to make up for nearly the whole of the worsening in their terms of trade through an improvement, in volume, in the balance of their trade in manufactured products. The Belgian-Luxembourg Economic Union did not succeed in doing this.

Its exports, and hence its production, suffered from two major handicaps. The first lay in the structure of its sales. This, after having been satisfactory at the beginning of the decade, was to become less favourable, in view of the subsequent developments in world demand, than the — somewhat different — sales structure of the other industrialised countries as a whole. For it turned out that the Belgian-Luxembourg Economic Union was specialising too much in the sale of products which were to be regressive, in that world demand for them was to increase less than that for manufactured products generally. Furthermore, the B.L.E.U. was not present to as great an extent as its competitors in the geographical markets which were to become particularly prosperous, including the oil-producing countries. The second handicap, more serious in its effects than the first, lay in the competitiveness of the Belgian-Luxembourg manufacturing industries; this deteriorated in relation to that of the other industrialised countries as a whole. There were, it is true, many striking exceptions to this general inferiority, but, all in all, the decline is abundantly clear : the gains in market shares did not make up for the losses. These were the result of a complex combination of factors : inadequate adaptation of the structure of supply to the changes in demand during the period, the disappearance of exporting forms owing to lack of profitability, less energetic efforts to win markets, but also, generally speaking, an increase in the burden of domestic costs compared with those of competitors. The last-mentioned deterioration, which is the one most easily identifiable, took place both in the labour costs of manufacturing industry itself and in the costs charged to the latter by the other sectors of the national economy. The relative increase which occurred in the former up to 1978 was largely offset by a faster rise in productivity than in other countries. But the improvement recorded in the statistical data is not only the expected gain from the rationalisation efforts of the manufacturing industries but also the inevitable result of the

disappearance of weaker firms; in any case, the effects of both factors, not having been compensated for by an adequate development of new industrial activities, led to the destruction of jobs in the manufacturing sector. The difficulties of this sector, which is the one most exposed to international competition, were reflected in a decrease in its share in employment and the national income.

The loss of competitiveness of the manufacturing industries was obviously bound to have an influence also on the movement of the volume of imports. The available international statistical data show that the « internationalisation » of the Union's domestic market was more rapid than that of those of the other industrialised countries. The fact is that on their domestic market, which is wide open to competition, the Belgian-Luxembourg manufacturing industries had to contend with the same handicaps as in their selling on the world markets.

Between the period 1970-1973 and the year 1978, the Belgian-Luxembourg Economic Union's imports grew in volume by just over 41 p.c.; those of the other industrialised countries as a whole went up by less than 35 p.c. For exports, the corresponding rates of increase are about 33 p.c. and 53 p.c. It should also be pointed out that, at the same time, total domestic expenditure rose by 24 p.c. in the Belgian-Luxembourg Economic Union and by 21 p.c. in these other countries as a whole.

Domestic demand was thus remarkably firm in an economy whose national income should have suffered, all other things being equal, owing to the difficulties being encountered by the manufacturing industries on the domestic and foreign markets. Various factors partly counterbalanced these adverse effects and hence helped to sustain demand. Firstly, the rate of increase of earned incomes exceeded that of the real income per unit of output actually available for domestic expenditure; this helped to expand the volume of consumption. Furthermore, substitute incomes were created or distributed by the State : employment was increased by the public authorities and the total amount of unemployment benefits rose sharply. Lastly, the State stepped up its assistance to firms in difficulties.

These developments brought about a gradual but substantial change in the sectoral distribution of the national income.

If all categories of their income, including allowances received, are combined, households had at their disposal, after payment of direct taxes

and social security contributions, a total amount of income, available for consumption and saving, which represented a clearly growing percentage of the national product. This increase was particularly marked during the three years following the first oil crisis; during that period the annual rate of growth of the national product, in volume, averaged 2.8 p.c., but the worsening of the terms of trade reduced the increase in the real resources available for domestic expenditure to less than 2 p.c.; the latter percentage was already above the limit beyond which the rise in the standard of living could not go without harming the country's current account with foreign countries. This constraint went unnoticed. After a slight slackening during the years 1977 and 1978, the relative rise in households' disposable income quickened again at the time of the second oil crisis. An all-time high appears to have been reached in 1980 : the disposable income of households appears to have represented over 81 p.c. of the national product; during the period 1970-1973 the proportion averaged 76.7 p.c.

The proportion accruing to private and public companies moved the opposite way : after tax, the gross savings of this sector appear to have represented only about 4.5 p.c. of the national product in 1980, against 7 p.c. in 1970-1973.

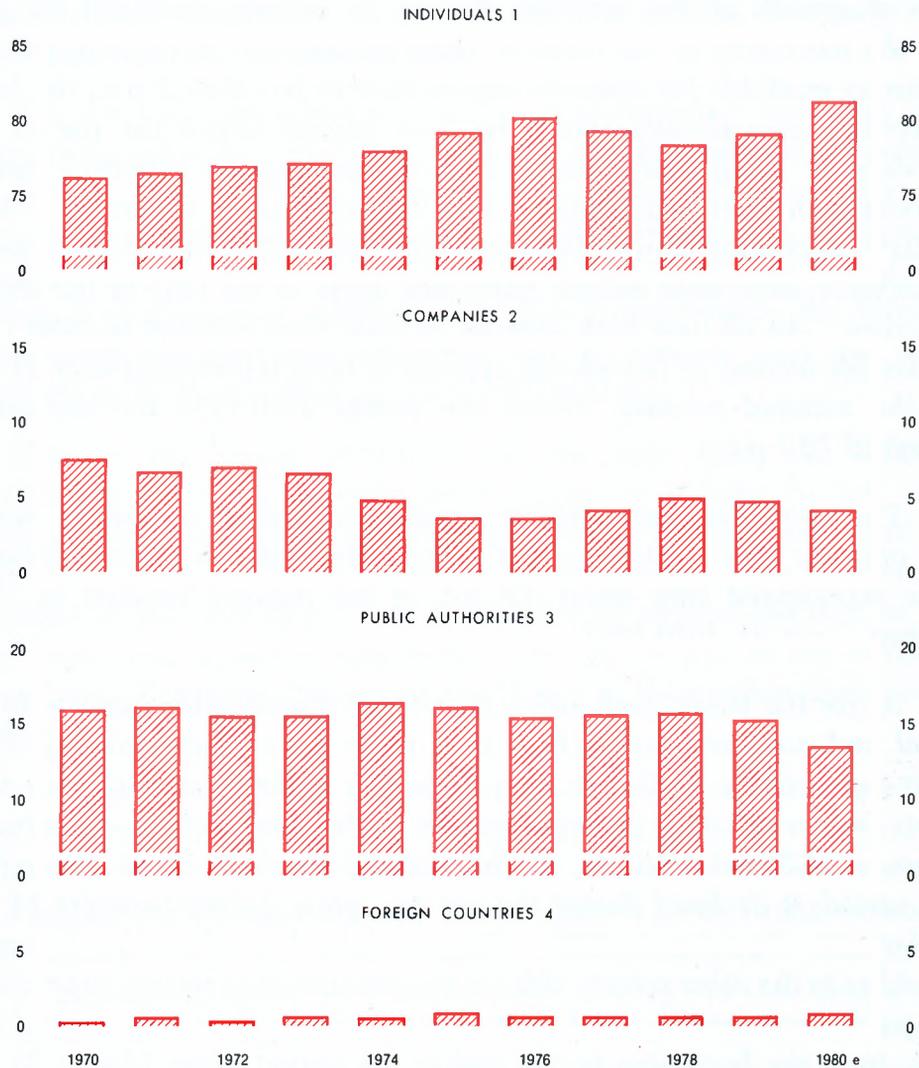
As for the public authorities, despite the considerable increase in the fiscal and parafiscal levy which took place up to and including 1979, their own revenue — that is, after deduction of the interest paid on their debts and on the other current transfers to the other sectors — fluctuated between 15.5 and 16.5 p.c. of the national product almost throughout the period; it declined during the last two years, falling to under 14 p.c. of the national product in 1980. After being further reduced by the capital subsidies to the other sectors, this net revenue serves to finance expenditure on public consumption and investment : the total of this expenditure rose, from the beginning to the end of the period, from 18.4 to 23 p.c. of the national product.

The second chart shows the changes which took place.

As this operating and investment expenditure by the public authorities together with the capital subsidies granted by them increased much more than net tax revenue, the financial deficit of the « State » sector grew larger and larger. Initially this deterioration was brought about by the effects of the external imbalance on income, activity and employment.

DISPOSABLE INCOME OF THE VARIOUS SECTORS

(As percentages of gross national product)



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

1 Gross incomes (including depreciation allowances) from work, property and entrepreneurial activity accruing to individuals (including self-employed persons) plus net current transfers received (mainly from social security) less direct taxes paid.

2 Undistributed profits and depreciation (estimated at replacement cost).

3 Income from property (including depreciation allowances) accruing to the public authorities, fiscal and parafiscal revenue, less interest on the national debt and other net transfers paid.

4 These incomes of the foreign countries sector only include the net current transfers which it has received from Belgium, except for the balance of transactions in goods and services shown in the previous chart. They do not, of course, include capital transfers.

After that, the deficit expanded spontaneously, as each year's indebtedness imposed on subsequent budgets growing financial burdens, which assumed enormous proportions. It was further swollen by the effect of the domestic developments which contributed to the spread of unemployment, such as the fact that a larger number of women decided to do paid work, the inadequacies of the training of young people or the effects of the increase in costs in the sectors exposed to competition. It was aggravated by tax evasion or various kinds of fraud : the concealing of taxable income or the unlawful obtaining of all kinds of allowances. Systematic recourse to borrowing exerted heavy pressure on the money and capital markets and pushed up interest rates, even though it was based more and more on the creation of money. Having been financed to an excessive extent by this expedient, the deficit in the public budgets ultimately helped to perpetuate the import surplus.

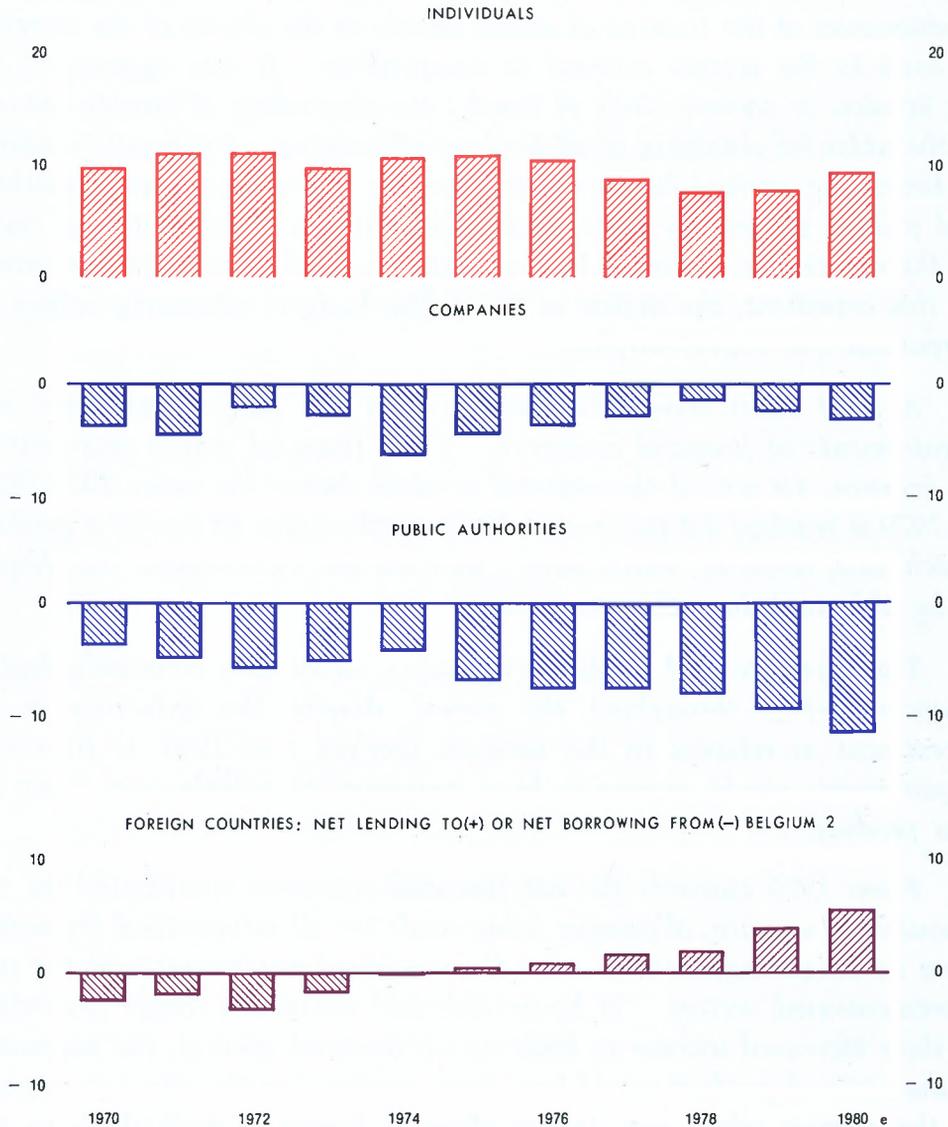
A third chart shows this movement of the public authorities' net requirements of financial resources. Their financial deficit represented, on average, 4.9 p.c. of the national product during the years 1970-1973. In 1979 it reached 9.4 p.c. and in 1980 a little under 12 p.c. of a product which was, however, much larger, whereas the Government had hoped to be able to reduce this percentage.

The « private and public companies » sector also constantly had a financial deficit throughout the period, despite the reduction in its investment in relation to the national product : in 1980 its financing requirements would appear to have amounted to a little over 3 p.c. of that product.

From 1975 onwards the net financial resources contributed by the « household » sector, allowance being made for all intrasectoral financing, were no longer sufficient to meet the combined requirements of the two aforementioned sectors. If households had devoted a larger proportion of their increased income to building up financial savings, the expansion in the national product would have been smaller, but the effect on imports of the change which was taking place in favour of individuals in the distribution of the national product would have been reduced. This did not happen. Households' expenditure on consumption and on house-building grew proportionally more than their disposable income, so much so that in the second half of the decade their contributions of funds in all forms declined as a percentage of the national product; this percentage rose again during the last two years, with the slackening of expenditure

FINANCING CAPACITIES (+) OR REQUIREMENTS (-)
OF THE VARIOUS SECTORS ¹

(As percentages of gross national product)



¹ Disposable income plus capital transfers received (or minus capital transfers made) less expenditure.

² Net lending by the rest of the world (+) means a deficit of Belgium in relation to foreign countries in respect of current transactions and capital transfers as a whole; net borrowing by the rest of the world (-) means a surplus of Belgium in relation to foreign countries for the same transactions.

on building, but without reattaining the level of 10.4 p.c. reached on average during the years 1970-1973.

When the resources provided by households proved smaller than the financing requirements of the public authorities and companies, the gap had to be filled by recourse to funds from abroad. This is Belgian's net borrowing from the rest of the world, which is the exact counterpart of its current account payments deficit with foreign countries, including the Grand Duchy of Luxembourg. In order to meet this deficit the economy was forced either to contract debts to foreign countries in various ways or to liquidate previously accumulated interest-bearing claims, in this case part of the Bank's foreign exchange reserves. The growth in indebtedness to foreign countries and the reduction in claims on them together constitute the country's net borrowing from the rest of the world.

The extent of this financial dependence into which the national economy has fallen has become greater during the last few years. For its recourse to the rest of the world, still slight in 1975, has increased faster and faster since then, each year reaching not only a larger amount but even a growing percentage of an expanding national product. Combined, these net borrowings reached, for the last six years as a whole, a total amount of around Fr. 460 billion. During the same period, the liabilities contracted to foreign countries, including the Grand Duchy of Luxembourg, by the public authorities and public institutions reached Fr. 333 billion; those of the banks, chiefly at short term, went up by about Fr. 190 billion; to these debts there must also be added the amount of the reserves lost by the Bank, namely Fr. 35 billion. The total amount of financing resources thus employed — around Fr. 560 billion — covered, in addition to the accumulated current account deficits, the net amount of the capital movements of the non-bank sector, namely an outflow of the order of Fr. 100 billion. The last-mentioned amount did not signify any deterioration in the overall balance of the national economy's assets and liabilities in relation to the rest of the world : the private non-bank sector built up net assets abroad, while the other sectors incurred debts.

On the other hand, the amount of Fr. 460 billion does represent net recourse to the savings of the rest of the world. This net borrowing by the national economy has no positive financial counterpart. Furthermore the data which have been given with regard to domestic expenditure show that this indebtedness did not have any counterpart, either, in an accumulation of productive real assets in the national economy, in

investments which would have increased the latter's production capacity. The reversal of the country's net current account position in relation to foreign countries during the decade, and its subsequent deterioration, are symmetrical to the rise in consumption. This symmetry throws light on the significance of Belgium's accumulated current account deficit in relation to foreign countries.

This will be swollen by the country's further current account balance of payments deficits. Even now the effects on the balance of payments of the interest on the last six years' net borrowing can be roughly estimated at Fr. 50-55 billion, or over 1.5 p.c. of the present national product. The most cautious forecasts made in the present state of affairs assume that Belgium's deficit for 1981 will exceed the figure of Fr. 195 billion reached last year; on this assumption, the cumulative amount of Belgium's net borrowing from the rest of the world during the seven years up to the end of 1981 would be of the order of Fr. 660 billion. It cannot be expected that equilibrium will be restored during the next few years. There will thus inevitably be a further increase in recourse to borrowing abroad in the foreseeable future. Should it not be possible for this to take place through a growth in indebtedness, or if the existing debts, including those which are accommodated with the banks and are rendered unstable owing to their maturities, could not be renewed when they fall due, substantial drawings would have to be made on the official foreign exchange reserves. At the end of 1980 these reserves, at market value, were estimated at Fr. 890 billion.

*
**

The second oil crisis. The years 1979 and 1980.

Developments in 1979 and 1980, which have been viewed above in the general perspective of the last eleven years, call for more specific comment in some respects.

The world economy suffered the shock of the second major increase in oil prices : from the end of 1978 to the middle of 1980, oil prices, expressed in dollars, rose by 150 p.c. The effect of this rise on the terms of trade of the member countries of the Organisation for Economic Cooperation and Development as a whole was as great as that of the first oil crisis : the deterioration is equivalent to the loss of about 2 p.c. of their gross national product.

But at the end of 1973 the countries which suffered this impoverishment had just enjoyed a long period of prosperity; the level of employment was satisfactory in all these countries; many of them were indeed still having to contend with inflation due to the pressure of demand.

In 1979, on the other hand, economic growth was weaker in these industrialised countries; they had an unemployment rate averaging 5 p.c. of the working population. The reactions to the second oil shock therefore did not lead to such a marked slackening of the expansion of demand as after 1973. In 1979-1980 domestic expenditure generally remained stronger than after the first crisis. True, the rise in wages in the industrialised countries as a whole would not appear to have been as great as in 1974-1975; but the more favourable development of the share represented by incomes of enterprises appears to have stimulated investment; furthermore, there appears to have been a decline in households' propensity to save. The volume of the industrialised countries' imports therefore held up better, and as at the same time the purchases of the oil-producing countries did not increase as rapidly as after 1973, the current account balance of payments of the former group of countries deteriorated more markedly than it had done the previous time.

The phenomenon admittedly did not take place in each country individually. It was, however, observed in all the countries of the European Economic Community — except the United Kingdom, placed in an advantageous position by the growth in its oil output — and in Japan. The United States escaped it : in 1979 its current payments were in balance and in 1980 they resulted in a surplus, albeit very small in relation to its national product.

Among the countries of the Community, Belgium suffered the greatest relative worsening in its external account : the current account deficit represented 1.2 p.c. of the national product on average for the period 1975-1978; in 1980 this percentage rose, as has been seen, to 5.5 p.c.; to judge by the most recent data, it would appear to be higher than that in each of the member countries of the Community, the countries of Northern Europe and Japan.

For the Belgian-Luxembourg Economic Union, this time as a whole, the deficit in respect of current transactions rose from Fr. 31 billion in 1978 to Fr. 100 billion in 1979 and about Fr. 170 billion in 1980. The

deterioration during the last two years was not only in the balance of goods transactions. This balance was affected by the increase in the value of net imports of energy products; as during the years 1974-1978, this increase was only offset to a small extent, and apparently less than in the other industrialised countries, by an improvement in the balance of trade for other products. Furthermore, the surplus left by services decreased in 1979 and was replaced by a deficit in 1980; this change is due to the heavier burden of interest payments owing to the rapid growth in indebtedness to foreign countries at ever-higher interest rates. Lastly, the negative balance in respect of both private and public donations and transfers rose further.

The world cyclical trend played a part in slowing down the expansion in Belgian-Luxembourg exports, since, as is generally the case, the recession is of external origin. During the first months of the year the expansion in consumption had quickened, stimulated by the prospect of a faster rise in prices. Business investment was recovering. Actually, however, the portents of a slackening of economic activity had become observable as far back as the autumn months of 1979, as in the other European countries. The slowdown gradually spread to production of all categories of goods, the last to be affected being that of capital goods. Thus the growth in the gross national product fell from 3 p.c. in 1978 to 2.1 p.c. in 1979 and 1.7 p.c. in 1980; the growth in 1979 had, however, been impeded by the effects of the hard winter of 1979 on activity in the building sector. Had it not been for this accidental factor, the decline in the rate of expansion of the gross national product would have been smaller in 1979 and more marked last year.

In 1980 the rise in production was not accompanied to the same extent as in the previous years by gains in productivity, defined as the increase in the value added per employed person. Employment in manufacturing industry and the cyclically sensitive services therefore did not decline as had been the case every year since 1973. There was, however, a growth in the working population. The unemployment rate, understood as being the ratio between the number of normally capable persons completely unemployed and the number of those insured against unemployment, went up from 9.1 p.c. in the last quarter of 1979 to 11.1 p.c. in the last quarter of 1980.

The slowing-down of the increase in demand, from 1979 to 1980, did not prevent an acceleration of the rise in prices, both at the level of

wholesale prices of domestic products and at that of consumer prices. But, whereas the increase in the prices of energy products had been the direct cause of the speeding-up of the rise in the last-mentioned prices in 1979, it was chiefly the increase in the prices of the other categories of products and services which pushed up the index of consumer prices in 1980.

The disparity in labour costs per unit of output compared with the main trading partners would appear to have become still smaller in 1980. However, total wages and salaries would appear to have gone up, on average, by 6.6 p.c. in 1979 and 8.2 p.c. in 1980; these percentages are, respectively, 3 and 1.7 p.c. greater than the average rise in prices; as the latter incorporates the rise in the prices of imported products, including energy, these real gains mean, on the one hand, not only that the income of wage- and salary-earners as a whole was completely sheltered both from the inflation of domestic origin and from the worsening of the terms of trade but, furthermore, that its real purchasing power increased.

According to the recorded data, which do not perhaps give a sufficiently accurate picture of the real situation, the total of the earned incomes of persons other than wage- and salary-earners would appear to have declined in real terms.

Property ranks second, in order of importance, among the sources of income of individuals. This is the part which grew most during the last two years, primarily owing to the increase in the interest received on financial investments.

The burden of the direct taxes paid by the « household » sector as a whole was lightened in 1980; furthermore, that sector benefited to the same extent as in 1979 by an increase in transfers, especially from the social security system; consequently, the nominal value of the disposable income of households rose more than the total of their primary incomes : 9.6 p.c. for the former, against 8.7 p.c. for the latter; in 1979 the corresponding increases were 7.2 and 7.1 p.c.

The substantial increase in the amount of households' disposable income contrasts with the decline in that of companies and of the public authorities, likewise expressed in terms of current francs. Unlike households, companies as a whole were not able to pass on to others the greater part of the rise in energy prices, while at the same time they had to contend with a growth in the incomes of their workforce and in

their financial charges; altogether, their disposable income appears to have contracted by about 5 p.c. As there was a substantial rise in their expenditure on investment, their net financing requirements would appear to have reached about Fr. 110 billion in 1980, against Fr. 80 billion in 1979.

With regard to the public authorities, their fiscal and parafiscal revenue would appear to have risen by 5.6 p.c., a growth rate lower than that of the national product; the overall burden of taxation would thus appear to have decreased slightly. At the same time, transfers to households showed a very substantial increase, due more to the rise in interest payments than to that in other transfers. This movement and that of revenue thus combined to reduce by 5.2 p.c. the disposable income of the « State » sector. Over against this, the total of that sector's expenditure on consumption and investment would appear to have gone up in 1980 by about 10 p.c. According to a different breakdown, without transfers having been deducted from revenue, the major expenditure categories would appear to have shown the following increases : for current expenditure, around 10 p.c. and for capital expenditure, about 16 p.c. In the former category, interest charges would appear to have gone up by 27 p.c., to Fr. 212 billion; expenditure on unemployment benefits and job creation appears to have increased by about 15 p.c., to around Fr. 110 billion; the expansion in the total of other current expenditure, including that for which the Treasury is responsible, which the Government had intended to keep down to the « zero growth » level in real terms, appears to have slightly exceeded that norm. It has already been mentioned that the public authorities' net financing requirements amounted in 1980 to nearly Fr. 410 billion, i.e. a little under 12 p.c. of the gross national product, against Fr. 305 billion or 9.4 p.c. of the gross national product in 1979; this is the numerical reflection of the unforeseen results of a conduct of affairs which was subordinated to the circumstances, dislocated by international events, constricted by earlier decisions and changed by budgetary measures imposed by necessity rather than having been adopted in implementation of well-thought-out and coherent plans. The public authorities' total debt thus reached an amount which can be estimated to have been, at the end of 1980, over Fr. 2,700 billion, which is far above the outstanding amount of the official national debt — Fr. 1,957 billion — which is generally commented upon.

This considerable increase in the public authorities' financial deficit was largely responsible for the strains to which the financial markets were

subject in 1980. While the liabilities contracted by households rose less than during the previous year, those of companies and above all those of the public authorities, as has just been recalled, grew far more. The gross financing requirements of the three sectors combined had risen from Fr. 505 billion in 1978 to Fr. 600 billion in 1979; in 1980 they appear to have reached around Fr. 660 billion.

Over against this, the spontaneous supply of funds on the domestic market was insufficient. Firstly, the financial assets in Belgian francs built up by individuals and companies — excluding cash holdings in notes but including the reinvestment in Belgium of the deposits in francs received by foreign financial intermediaries — fell from a peak of Fr. 405 billion in 1977 to Fr. 388 billion in 1978 and Fr. 378 billion in 1979; in 1980 they appear to have amounted to about Fr. 395 billion; these resources derived from the gross financial savings of residents appear to have covered only about 60 p.c. of the requirements. In addition to these savings there are the capital imports which can be described as « spontaneous », because they are not the result of loan operations undertaken in implementation of public-sector decisions; these imports became larger : Fr. 78 billion in 1978, Fr. 100 billion in 1979 and nearly Fr. 125 billion in 1980. These contributions from abroad are partly brought about by interest rate differentials which can encourage short-term investments in Belgium. Despite their increase, they were not sufficient to make up for the estimated difference, allowance having been made for a statistical adjustment, between the overall financial requirements — Fr. 660 billion — and the supply of domestic financial savings. The overall deficit consequently widened, from Fr. 53 billion in 1978 to Fr. 116 billion in 1979 and Fr. 126 billion in 1980.

It was ultimately the money market which had to cope with this shortage of funds. This could only be remedied by the creation, by the National Bank, of additional resources for the benefit of that market. On balance, this creation is equivalent to the shortfall.

*
**

Two basic factors shaped the course of monetary policy during the year. One was the fundamental imbalance, on the domestic markets, between the supply of and demand for funds; this has just been described. The other was the action taken, in big countries, to combat inflation,

Monetary policy
in 1979-1980.

and more specifically the type of instruments which they employed for that purpose; this will be discussed below.

By way of preface it may be recalled that no decision was taken in 1980 to change the parities within the European Monetary System. This functioned in accordance with the rules previously agreed upon, without any major problems arising. The position of the Belgian franc within this system had weakened at the beginning of the year : its rate had reached and, in February and March, even gone beyond the divergence threshold measured by the indicator 75; it subsequently improved, the divergence indicator remaining between 20 and 40 from April to August; after that it rose gradually again, reaching an average of 55 in December. The weighted average rate for the franc reflects its position in relation to a larger set of currencies : expressed in index numbers based on the average for the years 1975 and 1976, it stood at the beginning of the year at 113 with weighting by exports and at 115.5 with weighting by imports; after having declined, this rate returned to that level in May; it fell again during the last months, reaching 109 and 110.7 respectively at the end of the year.

No restrictive regulation or other measure was adopted with regard to the granting of credit by the financial intermediaries; on the contrary, the ceilings for discounts and advances were adjusted upwards.

The external deficit forced the Bank, which has to regulate the exchange rate in application of the principles of the European Monetary System, to undertake interventions which amounted to Fr. 123 billion for the year as a whole. There thus took place, on the initiative of buyers of foreign currencies, a destruction of liquidity for which the Bank was only the passive agent. But this tightening was more than counterbalanced by the creation of liquid resources which the bank had to undertake by financing the Treasury — Fr. 25 billion — and by exchanging for francs the proceeds of the foreign-currency loans of the Government and of public institutions — namely Fr. 148 billion; these two types of operations thus led, together, to a creation of liquidity of Fr. 173 billion, against Fr. 25 billion in 1978 and Fr. 108 billion in 1979. The amount of base money which was created for the public sector thus rose at a spectacular rate.

No doubt the money market, into which this liquidity flowed, was still strained during the first four months of 1980 : the tightening effect

due to the sales of foreign currencies by the Bank was still stronger than that of the opposing factors — the reduction in the note circulation and the creation of liquidity for the public sector; the strain forced the banks to resort to the Bank's advances to the extent of Fr. 8 billion. But after that the situation changed. During the last eight months, without the money market having to call on the Bank on its own initiative, the latter's operations resulted in a net creation of available funds; for the meeting of the public sector's requirements provided the money market with Fr. 109 billion of new resources; the sales of foreign currencies and the increase in the note circulation skimmed off only Fr. 56 billion of this; the banks used the surplus to reduce their indebtedness to the Bank instead of continuing to subscribe for Treasury certificates on the previous scale; the portfolio of this short-term paper held by the Belgian and Luxembourg banks had increased by Fr. 55 billion during the first four months; the expansion during the subsequent eight months was only Fr. 45 billion; this was because the reduced interest rates on the certificates remained, until November, very close to the cost of recourse to rediscounts and advances; the banks thus reconstituted available margins under their — in fact raised — rediscount ceilings; at the end of September these margins reached Fr. 47 billion; they still amounted to Fr. 38 billion at the end of the year.

The Bank's policy can thus hardly be called restrictive. Having been induced, owing to the Treasury's requirements, to create and place at the disposal of the money market an ample amount of funds, it weakened the effect of the spontaneous strains, which, had it not been for these interventions, would have pushed up domestic rates to levels above those which they actually reached.

Nevertheless, rates remained very high in comparison with what they had been in the past and in view of the present state of business. It must be pointed out, however, that the latter forms part of a context the data of which have undergone a far-reaching transformation, in relation to those for comparable periods, owing to the fundamental domestic disequilibrium : the inadequacy of national production in relation to expenditure, reflected in the shortage of resources in relation to financing requirements, both having as their counterpart the very large current account balance of payments deficit.

With regard to the capital markets, the public authorities' requirements, on the one hand, and the attitude of subscribers, on the

other, necessitated further improvements in the yields on bonds issued by the Government; these rates, which had already been raised by 2 p.c. in 1979, went up by over 1.40 p.c. in April and then by a further 0.50 p.c. in the subsequent months. The rates for the bonds of the public credit institutions were also raised : for 5-year bonds the increase was 2 p.c. in 1979 and 2.50 p.c. during the first four months of 1980. The upward movement spread to the yield of bonds on the stock exchange and to that of issues made by private enterprises; inevitably, the rates charged for investment credits and building loans had to be raised. The improvement in the yields offered, which went beyond the previous maximum levels, led to a shift in the placing of funds by individuals towards the long-term markets; in relation to the national product, however, the supply in 1980 remained below the maximum reached in 1977 and, in any case, very inadequate in comparison with the public sector's requirements. All the same, the net yields, after deduction of tax at source, did not improve significantly compared with those of Euro-bonds in dollars or Dutch bonds; but they became more favourable than the net rates obtainable on German securities.

Over the last two years as a whole, the rise in short-term rates was still much greater than that in long-term rates. These rates, too, fluctuated considerably in 1980.

The rise was brought about by the combined effects of two factors which determine the movement of interest rates. The first is inherent in the national economy : the fundamental imbalance in the domestic financial markets. The course of the movements which, as we have seen, disturbed the short-term markets, was subject to two forces : on the one hand there was the continuous tightening effect due to the net purchases of foreign currencies from the Bank, but, on the other hand, the markets' resources were regularly replenished by the Bank's creation of funds for the public sector. Ultimately, account being taken of all movements, it was the decisions of individuals and companies to hold short-term financial assets in Belgian francs that determined the domestic supply of these funds. These contributions were smaller in 1979, and again in 1980. In the latter year there was not only a decline in the overall propensity to build up financial savings but, in addition, savers displayed a greater preference for long-term assets. Thus, for the first ten months of 1980, the stock of short-term assets in Belgian francs — excluding notes — built up directly or indirectly in Belgium increased

by only 1.1 p.c., against 4 p.c. during the same period of 1979. This impoverished supply, in the face of urgent demand from the Treasury, which was unable to obtain sufficient resources on the domestic long-term market, was in fact supplemented by the proceeds of short-term investments from abroad; we have seen that these « spontaneous » inflows actually increased in 1979, and again in 1980. But the inflows could not take place unless these investments were sufficiently remunerative, account being taken of the yields of alternative investments available abroad and of the confidence inspired by the various currencies.

The second factor which, consequently, exerted a strong influence, was the movement of short-term rates abroad.

During the years following the first oil crisis, many industrialised countries had endeavoured to redress their balance of payments with foreign countries through a depreciation of the exchange rate for their monetary unit; the absence of effective international coordination had opened the door to disorderly fluctuations in exchange rates. Generally, the countries which had taken the course of depreciation had experienced a larger rise in their domestic prices than the other countries. Mindful of the lessons of this experience, most countries preferred to pursue different policies after the second oil crisis and to keep the exchange rates for their currencies as stable as possible. In those which were particularly affected by inflation the authorities endeavoured to slow down the rise in domestic prices.

Big countries introduced a restrictive monetary policy for this purpose. Without this action having been sufficiently supported, apparently, by the management of the public finances, they imposed on themselves an effort of restraint by setting their central banks quantitative targets, requiring them to keep the growth in the monetary aggregates within pre-established limits. These countries in principle abandoned control of short-term interest rates. The United States and the United Kingdom thus imposed a fundamental upward trend on their short-term interest rates at a time when their currencies were strengthening on the foreign exchange markets; furthermore, the United States embarked upon erratic changes in their interest rates.

The attractiveness of investments in pounds sterling and above all in dollars, during a large proportion of the years 1979 and 1980, exerted a pull on short-term rates abroad. Among others, the European countries, most of which were faced with deficits in respect of current transactions,

could not permit their position to be worsened by substantial outflows of funds. They therefore had to allow their rates to follow the movement of the Euro-dollar rates, pushed up by domestic U.S. rates : for three-month deposits the Euro-dollar rate rose from a daily average of 10.6 p.c. in June 1979 to an average of 18.75 p.c. in March 1980; it fell back to an average of 9.4 p.c. in July, but rose again towards new peaks during the last months of the year : the average for December was 19.6 p.c. The contagion spread to European short-term rates, which moved upwards, although not as much, in 1979 and during the first months of 1980; they fell in the second and third quarters to an extent which differed from country to country depending both on the soundness of each currency on the foreign exchange markets and on the degree of domestic financial disequilibrium; hence there was a bigger fall in the short-term rates for the French franc and the Netherlands guilder than in those for the German mark. At the end of the year, all European interest rates were moving upwards again.

Thus during the period which followed the second oil crisis it was not so much exchange rates that were disturbed by disorderly fluctuations; instead, there were unwanted variations in short-term interest rates; these changes were the result of the experiments made by the big countries in the conduct of their monetary policies; but the movements in rates which had to be allowed by the other countries were often unrelated to the objective facts of their own situation : for instance, real interest rates were considerably raised in the economies where the rate of inflation was lower than in the United States and the United Kingdom.

The Belgian market did not escape the influence of foreign rates. The Euro-franc rate for three-month deposits rose from a low of 7.7 p.c. in March 1979 to a high of 17.8 p.c. in March 1980; the domestic rates for large deposits and those for inter-bank loans were inevitably influenced by the general level of rates for alternative investments abroad; they in turn pushed up money market rates. The upward pressure was in fact so great that the financial intermediaries, in response to the stimulus of international competition, were obliged to introduce a considerable improvement, from February onwards, in the remuneration allowed on time deposits of over Fr. 1 million by applying to them a system closer to that for large deposits, that is, closer to market conditions.

Being already faced with the fundamental imbalance, already described, on the domestic financial markets, the Bank could not have

opposed the upward movement without bringing about, together with inevitable capital outflows, a reduction in the supply of the already too scarce financial resources and consequently a worsening of the shortage of funds. Had it attempted to prevent the rise by further speeding up the creation of funds, its efforts would have been in vain : the funds created would ultimately also have been attracted by the foreign money markets. All the more so because at the beginning of the year the position of the Belgian franc had become rather weak in the European Monetary System whereas the exchange rates for the dollar and the pound looked likely to rise, so that there was the possibility of obtaining, on top of the explicit yields offered by investments in these currencies, capital gains resulting from their possible appreciation. The Bank therefore preferred to allow the upward adjustments of market interest rates to take their course and to adapt its own rates to an inevitable movement. The official discount rate rose from 6 p.c. at the beginning of May 1979 to 14 p.c. in March 1980.

The fall in the rate for the Euro-dollar from April onwards changed the trend of money market rates. The decline was, however, slowed down because the yield of the other Euro-currencies did not fall as much as that of investments in dollars. The Bank was nevertheless able to reduce its own rates and gradually to lower the discount rate to 12 p.c. at the end of July.

It was possible for this rate to remain unchanged until the end of the year. The particularly rapid upsurge in U.S. interest rates and the Euro-dollar rate during the very last months of 1980 did not have such drastic effects on the yield of the Euro-Belgian franc and on those of the other Euro-currencies as at the beginning of the year. Investments in dollars were less attractive, specialists having been made cautious by the repercussions on the exchange rate for the dollar brought about by the downturn of U.S. interest rates during the year. True, the upward movement of the interest rates offered by the main Euro-currencies was resumed and spread to the domestic market. But the extent of the rise was limited; while it justified an upward adjustment of the rates for Treasury certificates, it was neither large nor lasting enough to necessitate a revision of the Bank's rates, the lowering of which during the year had been characterised by great caution.

Most of the short-term rates which the financial intermediaries apply to their credits reacted quickly to the indications of the money market

during the period of upward movement. When the trend was downwards, on the other hand, debtor interest rates only partly followed the movement. According to the estimates which it is possible to make in the absence of precise data, the gross margin earned, for their services as intermediaries, on their transactions in Belgian francs by all the institutions which operate on the short-term market would appear to have narrowed somewhat during the first period when rates were rising; it appears to have been restored after that, with the decline in rates and even to have temporarily widened. Overall, for 1980, this gross margin appears to have improved; but operating costs rose; the risk of insolvency of debtors increased and government regulations, or the principles of good management, require that financial intermediaries should build up reserves. The improvement in margins was doubtless necessary; nevertheless, it took place at the expense of borrowers, and primarily of those who do not have access to the least expensive forms of credit.

Generally speaking, the combined result of both the international and the domestic rise in all interest rates and of the growth in indebtedness was a shift in income to the benefit of households and foreign countries and at the expense of the State and of enterprises, whose financial burdens became considerably heavier; those whose low profitability forced them to rely extensively on borrowing for their financing were particularly hard hit by the rise in the cost of credit. The numerical data mentioned earlier showed the substantial growth in the State's financial burdens. In companies' profit and loss accounts, the increases in gross financial costs and those in labour costs in 1980, in absolute figures, would appear to have been in the proportion of 1 to 2; nevertheless, the fact remains that the burden of financial costs still appears to have represented only about one-seventh of that of labour costs and that the recent increase in the former is a more accidental and more reversible phenomenon than the growth in the latter. The general repercussions of the rise in interest rates on the competitiveness of Belgian enterprises cannot be assessed without this factor being viewed in the light of the whole context of comparisons; it is the international disparities in the rises to which attention should be paid; and these disparities also occur in the movements of the other, more important cost components, which include the prices of imported raw materials and labour costs per unit of output.

Lastly, it is difficult to arrive at a concrete assessment of the — a priori adverse — effects which the recent rises in interest rates have had on domestic expenditure. The view has frequently been expressed that

demand, or certain categories of demand, might be discouraged by the interest rates and that this would have repercussions on economic activity. Perhaps the interest rate-demand-activity relationships thus established did not make sufficient allowance for the fact that the inadequacy of domestic production in recent years has been due not so much to weakness of domestic demand as to the inability of domestic supply to meet it, owing to certain adverse factors which have already been mentioned. Perhaps they also overestimated the influence of interest rates on domestic demand. Decisions to borrow for consumption purposes are made without any clear idea of the interest burdens involved; furthermore, these borrowings only amount, on average, to 4 to 5 p.c. of consumers' total expenditure; this expenditure actually increased markedly in 1979 and the first quarter of 1980, that is, during a period of almost continuously rising interest rates. On the other hand, individuals who borrow fairly heavily for the purpose of house-buying were keenly affected by the increase in the real interest burden on mortgage loans; the effects of this factor were added to those of a number of other factors exerting a depressing effect on the market : the saturation of the demand for certain types of housing, the increase in taxes on income from real estate, the cost of maintenance work, the regulation of rents and insecurity regarding employment. Stockbuilding by enterprises varies in response to different data depending on whether it is a question of procurement of raw materials, goods in course of production or stocks of finished products; the first depends on the foreseeable level of activity and on expectations regarding the variations in the prices of these materials; these were the factors that caused a slowdown of procurement in 1980; goods in course of production declined with the degree of employment of production capacities; the financial cost of holding stocks of finished products may have induced firms to adjust their production rate more quickly to the development of their order books. On the other hand, fluctuations in interest rates do not appear to have influenced enterprises' investment in fixed capital any more than they did before; these investments had declined by 2 p.c. in volume in 1978; they increased by 4 p.c. in 1979 and by about 11 p.c. in 1980; despite the rise in the cost of credit during these three years, there was no downward revision of investment decisions so long as the prospects as regards the development of demand remained fairly good. Lastly, the fact remains that the expenditure of the public authorities is completely inelastic to the trend of interest rates : the net financing requirements of the « State », determined by a large number of decisions

adopted irrespective of the financing cost, just have to be met; by forcing the central bank to create base money in order to remedy a shortage of funds, the State can furthermore limit the rise in rates which would have taken place in the absence of this monetary financing, at the risk of perpetuating the domestic financial disequilibrium and its counterpart, the current account balance of payments deficit.

*
* *

The national economy suffers from disequilibria, the origins and development of which have been described on the first pages of this Report. These disequilibria are interdependent and, of course, have common underlying causes.

Expenditure has come to be far in excess of the possibilities of national supply. This excess is due to the expenditure of households and public consumption. The rise in the former has been based on the increase in the real income of households and, subsidiarily, on the stagnation of the propensity to build up financial savings. It is households that have benefited by the changes which have taken place in the sectoral distribution of incomes. The rise in public consumption naturally corresponds to the growth in the public services.

It is primarily in the industrial sector that national supply has been unable to grow sufficiently, despite the pressure of demand. The slackening of growth all over the world has led to keener competition between industrialised countries. Now, on the whole, Belgian industries have been handicapped by their product structure; their products have benefited less by the developments in demand, including domestic demand, than those of all their competitors. There ought to have been extensive reconversion, through capital investment. There have not been enough cases of successful modernisation. Even if firms had had a sufficient number of projects, their increasingly poor profitability would have impeded the necessary efforts; in some cases, doubtless, profitability has suffered because the firms have not been run efficiently enough; but, even in well-run enterprises, capital investment has had to be devoted mainly to rationalisation measures designed to enable them to survive. The decline in industrial employment has continued as enterprises have resorted to reorganisation; it has become even worse when enterprises

have disappeared because of their inability to reorganise or owing to inadequate management.

The financial savings built up by households have grown relatively little compared with the financial requirements of enterprises and the greatly increased financing needs of the State. Recourse to the creation of money, in order to meet financing requirements during the period, has been only a temporary makeshift : insofar as the resources thus created have not been saved in one way or another, they have been destroyed by purchases of foreign currencies. The overall domestic financial deficit still existing after all domestic means of financing have been used represents the amount of the foreign funds which the country finally needed in order to achieve a balance between the domestic supply of and demand for funds. The inadequacy of the domestic financial savings in relation to the requirements reflects more fundamental real maladjustments, which are steadily increasing. For the shortfall is equal to the current account balance of payments deficit, which in fact is another expression of the same maladjustments. The country has paid too little attention to the significance of this warning light and has complacently settled down more and more in a state of dependence on the contributions from other countries.

The national economy tends to neglect the task of rebuilding its real productive capital. Insufficiently maintained, inadequately modernised, managed, sometimes by obsolete methods, under increasingly difficult conditions and in a paralysing atmosphere of conflict, the country's industrial heritage, still great not so long ago, has deteriorated to an extent which is becoming disquieting; too many holes have had to be plugged as best as they can by the mobilisation of resources which could more usefully have been employed to make something new.

It is like a farmer exhausting his inadequately fertilised land by overcropping. The portion kept back for seed is too meagre; the remainder, abundant though it is, is not enough for him; he buys on credit from his neighbour.

People have become very short-sighted. They overlook the fact that the increase in prosperity since 1975 has no longer been earned, but borrowed, and that tomorrow we shall be borrowing again. People are unwilling to face the fact that they will be passing on to younger generations, as a legacy, together with a run-down production apparatus, the need to take from the proceeds of their activities, pursued under less

prosperous conditions, the real resources necessary for the subsistence of their ever more numerous predecessors, the former working population, and in order to service the debts to foreign countries contracted by these predecessors.

One does not have to be a moralist or a Cassandra to take this view of what is to come; these arguments spring from the cold logic of macro-economic projections made on the basis of observed trends. If it is not to find itself soon in a situation from which there is no escape as a result of having passively followed the course of these projections, the country will indeed have to tackle the task of remedying the present fundamental disequilibria.

There are no partial solutions whereby the disequilibria can be eliminated one at a time irrespective of the others, because these maladjustments are interdependent; they are coherent because they spring from an economic disorder which is logical in all its interrelationships. Measures decided upon in order to achieve an isolated aim, without a proper assessment of their ultimate repercussions on the other disequilibria, may in the end prove more harmful than beneficial or, at least, useless.

Nor is there an easy solution which can straight away solve this or that problem.

Thus, the concern which is felt about the State's indebtedness to foreign countries and its cost to the Treasury has prompted the suggestion that the Bank's gold holding should be revalued at a price to be determined; the counterpart of this increase in the value, in francs, of an asset belonging to the Bank would be transferred to the Treasury. Such an allocation was in fact made in the past whenever the legislator decided to raise the official price of gold by changing the legal definition of the franc; likewise, conversely, the State recognised that it must bear the loss suffered by the Bank on its gold holdings when the law of 3rd July 1972 increased the gold content of the franc by fixing a new gold parity. However, the Articles of Agreement of the International Monetary Fund, amended in 1978, prohibit Belgium, like all the other member countries of that institution, from fixing an official price for gold. Legally, therefore, all the Belgian authorities can do is to fix the accounting value of gold in the Bank's books. Admittedly, most of the countries of the European Economic Community have, each according to its own formula, re-estimated the value of this reserve; their aim in doing so has been to present a more favourable picture of the formal value, in the national

currency, of the stock of international means of payment held by them. But these estimates, which are inevitably of a purely accounting nature, are obviously subject to revision, both downwards and upwards, depending on the movements of the market price of the metal. Consequently, in accordance with sound accounting practice, all the central banks concerned have been careful to enter on the liabilities side of their balance sheets, as the counterpart to the precarious increase in value that has occurred, an unavailable reserve, intended to cover possible decreases in the value of the gold.

In any case, even if it had still been possible, recourse to the previous practices of revaluation of an official gold price would not have resulted in any improvement at all in the balance of the net interest payments which the economy makes to foreign countries. The current account balance of payments deficit for subsequent periods would not have been financed to the same extent as before by government loans from foreign countries; this would have entailed greater drawings on the Bank's reserves. Unless it had sold gold, the Bank would no longer have had the proceeds of the investment abroad of the foreign exchange reserves thus lost. Its net receipts would have been reduced parallel with the burdens borne by the Treasury. The national economy would not have benefited at all thereby. Even the Treasury itself would only have derived a modest profit from this change in the methods employed in order to finance its deficit by monetary means, for the Bank transfers to the Treasury the portion of the interest which it obtains, on balance, on its net foreign exchange holdings in excess of 3 p.c. of those holdings, that is, at the rates ruling at present, the greater part of it. This very slender profit would not have justified the wiping-out, by an accounting trick, of a real increase in the national debt.

The fact remains, however, that the national economy could abstain from contracting liabilities to foreign countries at expensive rates insofar as the Bank financed the final balance of payments deficit by sales of gold. Admittedly, gold does not bear interest. But the increase which has taken place, in a matter of a few years, in the value of the Bank's reserves of the metal, at the market price, has made it into the most profitable of its external assets. To sell a substantial proportion of the stock now would be to encroach on a reserve which plays a part in maintaining the stability of the franc. It would mean pursuing different courses from those followed by the partner countries in the European Monetary System. The entry into operation of that system in March 1979 set in motion a

process whereby allowance can partly be made, in the settlements to be carried out between member countries, for the rise in the market price of gold. But this formula is precarious. In implementation of the agreement the Bank in fact made a spot sale to the European Monetary Cooperation Fund of 20 p.c. of its gold holdings — by weight — and its dollar reserves; but both were repurchased forward. The sale was made against Ecus. Spot gold sales take place at a price which corresponds, in principle, to the average of the market prices during the last six months. Thus, by 31st December 1980, the Bank had acquired Ecus to a value corresponding to Fr. 162 billion; the Ecus created as the counterpart to the gold sold represented Fr. 144 billion, or ten times the book value of the metal. The Ecus acquired are owed to the Fund, having been resold forward. They were, however, partly used to meet deficits to other central banks belonging to the System : as at 31st December 1980, against the countervalue of the Ecus, equivalent to Fr. 162 billion, which it still owed to the Fund, the Bank only held Ecus to the value of Fr. 111 billion. The Bank has to pay interest, of course, on the Ecus which it had to use.

The fundamental disequilibria of the Belgian economy likewise cannot be remedied by any miraculous cure which relieves us of the need to make an effort to put our house in order.

Some people believe that the excessively high level, in comparison with the other industrialised countries as a whole, to which the various domestic costs charged to the industries which are exposed to competition have been pushed could be lowered by an adjustment of the official central rate for the Belgian franc in the European Monetary System. It goes without saying that this readjustment would have to be negotiated with the partner countries and accepted by them. In this event, the change — formally confined to the official exchange rates in relation to a few currencies — would, it is true, lead to a practically equivalent *de facto* depreciation in relation to non-E.M.S. currencies : all other things being equal, the weighted average rate for the Belgian franc would be lowered.

In order to be able to judge the consequences of such an operation, it is not sufficient merely to state principles. One must assess the application of these principles to the Belgian reality of today, because the circumstances under which this functions are very different from those assumed by abstract models or those of less open economies which are sometimes taken as examples.

According to the theoretical arguments, the depreciation of the monetary unit of a country must have one of the two following — not very different — consequences. A first consequence may be that the industries of that country will become more competitive in price — but only in price — on the domestic and foreign markets; this would be the case if these enterprises kept their prices unchanged in terms of their national currency, while their competitors did not lower theirs in terms of foreign currencies; on the domestic and foreign markets the change in relative prices would thus be to the advantage of the products and services of the country which had depreciated its currency; insofar as price comparisons are the decisive factor in the choice made by purchasers, the volume of the sales of the industries of the country in question might increase; and this would improve the level of activity, employment and profitability.

A second consequence may be that the industries of the country in question will benefit immediately by an increase in their profitability; this would be the case if they kept their selling prices unchanged in terms of foreign currencies on foreign markets, hence raising them in terms of their domestic currency; they would accordingly also increase their prices on the domestic market, following the rise in their competitors' prices. This second possible strategy would only have a limited immediate effect on the volume of sales : it would enable some plants which had been operating at a loss to start up again; but, subsequently owing to the improvement in their profitability, the enterprises in question would be less vulnerable and more easily able to undertake reconversion investments; if these developments actually took place, the competitiveness of the enterprises would improve and their expansion would be facilitated.

A devaluation or a depreciation which did not achieve either of these aims, or partly achieve both of them, would be a failure. And failure would be inevitable if economic agents did not accept the first consequence of a depreciation, which determines the others : the reduction in real income per unit of output, at the expense of the sectors which are net importers — the most sheltered sectors — and of households.

The full weight of this point becomes evident when the theoretical argument is applied to the present situation in Belgium. For the Belgian economy cannot substitute domestic products and services for the mass of raw materials, energy products, semi-finished producer goods, capital

and consumer goods which it will never produce or will perhaps one day produce. It is essentially because of the structural features peculiar to the Belgian-Luxembourg Economic Union that its coefficient of dependence on imports — the ratio between the value of purchases abroad and that of total expenditure — is one of the highest in the group of industrialised countries; it amounted in 1978 to about 37 p.c., whereas for Japan, for instance, the figure was only 9 p.c., for the United States, 10 p.c., for the Federal Republic of Germany, 20 p.c. and for the United Kingdom, 24 p.c. As the supplies are essential, the selling prices expressed in foreign currencies would not be reduced in the event of a devaluation of the franc; the devaluation would therefore cause the prices at the frontier in terms of Belgian francs to rise. At this stage, the manufacturing industries would experience a first cost-raising repercussion, as imported products account for over 50 p.c. of their costs; it goes without saying that this percentage includes not only the supplies obtained by them direct from foreign countries but also the import content of their purchases from the other domestic sectors. Furthermore, still at this first stage, the imported price rise would have an indirect effect on industrial costs if the trading profits which the other sectors incorporate in the price of their supplies were raised in proportion to the imported price rise. This would also be the case, of course, if wages generally likewise increased in the same proportion. For the devaluation or depreciation operation to be successful, therefore, it would be necessary to induce enterprises which are net importers, from the biggest down to one-man businesses, to refrain from changing the absolute amount of their profit margins and allow them to decrease as a percentage of cost prices. Similarly, wage- and salary-earners, everywhere, would have to be brought to accept a certain reduction in their real incomes; index-linking, if retained, would henceforth only be partial. If any socio-occupational category, or any category of non-industrial enterprises, were to shift the cut in its real unit income onto others, those who were unable to shelter themselves from the effects of the devaluation would have to suffer a correspondingly greater reduction in their purchasing power.

If the necessary sacrifices were not accepted, or not to a sufficient extent, from the first stage of the price rise, this would trigger off a circular price-income-price movement of ever-greater increases. The industrial sector would not therefore enjoy any increase in its real income per unit of output, because of the refusal by the rest of the national economy to accept a reduction in its income for the benefit of that sector.

The sectoral distribution of the national income would not be reshaped in favour of industry and at the expense of other enterprises and of households.

One can, if one wishes, describe the excessively high level to which the costs of the industries subject to foreign competition have been pushed by the other sectors, including households, as an « overvaluation » of the Belgian franc. But this term is liable to mislead an uninitiated public. The illusion may be created that it will be possible to obliterate the effect without removing the causes. A parity adjustment, a devaluation, would not by itself change deep-rooted general lines of behaviour which have prevailed for over a decade, the habitual ways of determining wages and fixing prices, the corporatist defensive reflexes and the imperfections of the markets. All these elements, which are among the fundamental causes of the decline in the price competitiveness of industry, would not be neutralised or transformed by the magic of devaluation. There is little likelihood of this, especially if the devaluation proposal appears tempting because it wrongly assumes the charms of a painless cure.

Precise simulation exercises, which also take into account the repercussions of fiscal and parafiscal charges, clearly show that, in the present socio-economic context, within a shorter or longer period depending on the assumptions made, net-exporting enterprises would lose the benefit of a devaluation and might even be harmed by it.

Furthermore, the devaluation percentage would have to be large enough to give the impression of being a decisive measure excluding the prospect of further devaluations within the foreseeable future. The higher the devaluation percentage, however, the greater the risk of failure, and the more dangerous the consequences of failure. The rise in prices and domestic costs would accelerate. Investments in Belgian francs would lose part of their real value, creating a disinclination for these types of savings to the benefit of others; this would cause further depletion of the domestic money and capital markets. The prospect of a further devaluation might loom up, triggering off speculative movements.

These consequences of the failure of a devaluation have doubtless been correctly assessed by those who, in all good faith, mention such a step. It is admittedly desirable that they should apprise public opinion of them, that they should take the precaution of expressly stating the conditions of success of this readjustment and of convincingly showing

how these conditions are fulfilled. Merely to mention the need for accompanying measures, of which everyone is well aware, does not amount to a precise definition of the content, extent and significance of the programme to be adopted. The plan which was recently proposed by the Government, and which is also designed to recreate the national economy's opportunities, was considered by some as being limited in relation to the problems, and yet this programme did not meet with a wide consensus.

Neither the year's events nor recent writings induce the Bank to revise its opinion : any possibility of devaluation must be ruled out.

*
* *

The road to be taken : expansion of supply. Its conditions.

The stability of the franc, which the Bank endeavours to ensure within the European Monetary System, is neither an aim in itself, peculiar to the central bank, nor the basic instrument of economic policy. The latter is a single entity within which a multitude of individual courses of action must be harmonised around a central policy line. In this entity the Bank's activities with regard to the exchange rate primarily represent a protective measure aimed at sheltering the national economy from disturbances in prices and costs and in the financial markets.

This safeguard having been provided, the necessary restorative measures ought to have been taken before things got worse. This did not prove possible. Years were frittered away in procrastination. The disequilibria became more pronounced. The erosion of industry continued. Unemployment spread. Recovery will henceforth require greater efforts.

It is the responsibility of the political authorities to work out precise strategies in these matters of economic policy. But the Bank, which by virtue of its function acts as an observer of the overall developments which determine its monetary policy, is in duty bound to express the general views derived from its analyses.

Just like a household, a country which, overall, has reached a stage where it is living beyond its means, cannot get itself back onto an even keel without choosing one of the two possible courses : either to lower its standard of living or to increase its real resources sufficiently to maintain its present standard. It could not be more obvious.

While the choice is quite clear in principle, there is not so much freedom when it comes to putting it into effect. In economic affairs, retreats are never orderly. It is a delusion to contemplate a deflationary curtailment of expenditure drastic enough to reduce real purchasing power to what it was in 1975, so as to eliminate the internal and external imbalance. No serious proposal has ever formulated such a recommendation. What will doubtless be necessary is that certain categories of expenditure be reduced, not in absolute terms but in relation to the national product. For a redeployment of activity presupposes shifts in the allocation of the national product, and these shifts, in turn, call for a change in the structure of expenditure. This change in proportions must correct the movements which have taken place to the advantage of consumption. Should it nevertheless prove essential in certain particular cases to make an absolute reduction in some categories of expenditure in order to replace them by other, more productive, categories, the cuts must be made only gradually, within the time-limits necessary for the reallocation of the factors.

If the national economy's use of imported energy could be reduced by new measures or by investments, the balance of payments deficit would of course decrease accordingly; if, in this way, the curtailment suffered by real income per unit of output to the benefit of foreign suppliers could be lessened, this improvement would certainly be accompanied by an easing of the pressures which have been and still are being exerted to enable the lost individual purchasing power to be restored by incomes of domestic origin.

The fact nevertheless remains that the chief method that must be adopted for re-establishing equilibrium is the expansion of resources. It is no longer a question of trying to revive demand; the aim must be to increase supply. The routine approach suggests the adoption of keynesian recipes, whereas the changed times call for other courses of action. For it is the performances of national supply, not foreign loans, that we must rely upon both for the real resources which will actually be available to enhance prosperity and for the means for achieving the essential creation of jobs.

The supply to be expanded is not that of goods and services distributed free of charge to the population. This makeshift remedy was perhaps temporarily called for; it might still have to be resorted to, in view of the worsening of unemployment, if the genuine solutions still fail to

materialise; but it is only a makeshift remedy to the present difficulties which is not effective for the purpose of providing a long-term solution to the employment problems of a small country which is open to all competition and obliged to obtain its essential supplies from foreign countries. What must be produced is goods and services which are competitive in nature, quality and price and which can be sold on foreign markets in order to pay for necessary or desired purchases, or which can take the place of former imports on the domestic market. It will be necessary to produce better and more cheaply in order to produce more. There will be a need for ideas and for men, creators and managers, in the private sector and the public sector. It will be necessary to work even better and perhaps more, if we are to provide our own prosperity instead of owing it to foreign countries. These more efficient activities will have to be profitable for everyone, and primarily for enterprises, whether private or public. The existence of the enterprise is the support of the future and depends on its prosperity. Admittedly, a determining factor of this is the quality of management; this principle appears to have been too often overlooked; but, however excellent may be the managers' methods and however great their drive, good management is not possible, and the private or public enterprise is bound to wither away or become a burden on the community, if its profitability is too poor or if its criticised earnings cannot be adequately devoted to the financing of its development. The changes in industrial investment observed in this country have been determined as much by prospects of profit as by the degree of employment of installed capacities.

During the decade, the profitability of manufacturing industry was impaired by the pressure of domestic costs, on the one hand, and of the prices imposed by the markets, on the other. A prerequisite for its restoration is that the movement of real wages should, for as long as is necessary to save the situation, remain within the limits set by the growth in the national product available for domestic expenditure. Should the transfer of incomes from the investing enterprise to consuming households continue, the slow erosion of productive capital would continue and would dislocate the foundation on which employment in prosperity is built.

Although the many enterprises in the other sectors of the national economy are more sheltered from international competition, they depend in the long run on the destinies of those in the exposed sectors. The latter's costs are affected by the increases in the prices of the supplies

from these other sectors; furthermore, the prices of these sectors exert a strong influence on the cost of living and hence, via index-linking, on the labour costs of the sector which has to compete with foreign countries. If the position of the latter sector is to be strengthened, the movement of wages and other incomes paid by the other sectors will also have to be kept under control.

The State's substantial fiscal and parafiscal levies weighed on these same industrial costs, either directly, or indirectly via their repercussions on consumer prices. A fundamental revision of the taxation of businesses, based on foreign examples, might, by reducing the burdens on each enterprise, contribute to economic expansion, provided that the enterprises took advantage of this tax reduction; the increase in taxable earnings would then compensate, in the State's revenue, for the lowering of the average level of taxation rates.

The Government's recent decisions are in any case a step in the direction of moderation.

But the state of the public finances is nevertheless disquieting. The run-down condition of the finances of the public authorities, at once both the result and the cause of the fundamental disequilibria which it helps to perpetuate, has been at the centre of the country's internal financial disturbances and has produced unmistakable economic effects. In recent years the State's overall accounts have shown that, ultimately, the national savings which it has borrowed have not only covered investment expenditure but have also been partly devoted to financing expenditure on public consumption; what is more, the greater part of the foreign loans has been used for the same purpose. The State's massive recourse to creation of money in order to meet this expenditure and distribute incomes has given rise to a corresponding net additional demand; thus, in view of the high marginal propensity to import, it has stimulated imports.

The Government has announced its intention to rectify the situation so as to create the conditions which are necessary, if not adequate, for a real expansionary policy. The contraction of the State's financial deficit is essential in order to create easier conditions on the domestic financial markets; it should in fact become gradually easier to achieve, owing to the slowing-down of the growth in the financial burdens on the current budget. Were it found necessary to bring about the improvement by an increase, in relation to the national product, in the fiscal and parafiscal

burden, already one of the heaviest among the countries of the European Economic Community, the additional tax would have to be very broadly based; the fear may be expressed that this course is not calculated either to revive the spirit of enterprise or to inspire individual efforts for advancement. Whatever may be the difficulties of rectifying the situation from the expenditure side — and it must be objectively admitted that they are very great — this course will ultimately have to be accepted. The aim must be precisely defined : it is the relative extent, in relation to the national product, of this expenditure — on consumption and transfers — that would have to be reduced, not its absolute amount. This relative reduction alone would force the political authorities to amend certain existing laws and regulations and would require recognition, on the part of the population, of the justification for this revision. It is also true that, within the overall mass, certain categories of expenditure would continue to grow more quickly than the national product; others would therefore have to be reduced in absolute amount. Subsequently, the real expansion, when it had regained sufficient momentum to create more jobs, would doubtless lead to a gradual decline in the total amount of unemployment benefits and of subsidies to enterprises in difficulties. Initially, however, the budgetary revisions designed to enable us to escape from the vicious circle are bound to be badly received. In the choice of the curbs to be imposed and the cuts to be made, there is no selection criterion which is not disputable and which would not be disputed.

It is by looking beyond the concerns of the moment, by concentrating their attention on basic requirements and by resolutely pursuing, without dissipation of effort, the courses of action which lead to the achievement of priority aims, that the responsible authorities can associate the actual conduct of the State's affairs with the revitalisation of the national economy which they are striving to bring about.

In this policy whereby the economy of today is to be reshaped in order to safeguard that of tomorrow, Government action cannot succeed alone. The decisive changes will not be brought about merely by the authorities' programmes, decisions and measures. Economic policy can only help. It can create a framework and fix objectives; it can guide, if its provisions are truly selective; it can act positively by stimulating and facilitating, rather than negatively by regulating and subjecting to prior authorisation; it can generously subsidise research and innovation rather than using its resources to provide cures for cases of economic arthritis.

It is in the sector subject to international competition, the sector which most needs to be strengthened, that new activities must now be created in order to make the country better able to earn its living. Owing to the integration of the national economy in that of the world as a whole, enterprises operating in the competitive sector, irrespective of whether their legal status is public or private, are of necessity working under the market system. In this system, innovatory initiatives and management decisions are inevitably decentralised. It is at the level of the enterprise, or group of enterprises, that creation takes place, that the line of conduct is determined. The former may have been discouraged and the latter impeded by the far-reaching changes which have taken place during the decade. The obstacles must be removed. The Government has proclaimed its intention of steering a different course for the future. This intention will give rise to all the more effects if it is supported by all those who, during this crucial period, by virtue of their functions, have responsibilities to fulfil towards their fellow-citizens. If reasonable moderation is accepted everywhere, if conflict situations are replaced by cooperation, with everyone recognising his duties while retaining his individual personality and responsibilities, the resultant climate will be conducive to the blossoming and employment, for the country's benefit, of the creativity and managerial qualities of entrepreneurs in the public and private sectors alike. In the absence of natural wealth, this creativity and these management skills, together with the quality of work, will, more than hitherto, be the factors on which this country's prosperity depends.

21st January 1981.

*Economic
and financial developments*

Reference periods :

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

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.

I. INTERNATIONAL DEVELOPMENTS.

The economic growth of the industrialised world slackened markedly in 1980 : for the member countries of the Organisation for Economic Cooperation and Development as a whole it only amounted to about 1 p.c., after having reached around 3.5 p.c. during each of the previous three years.

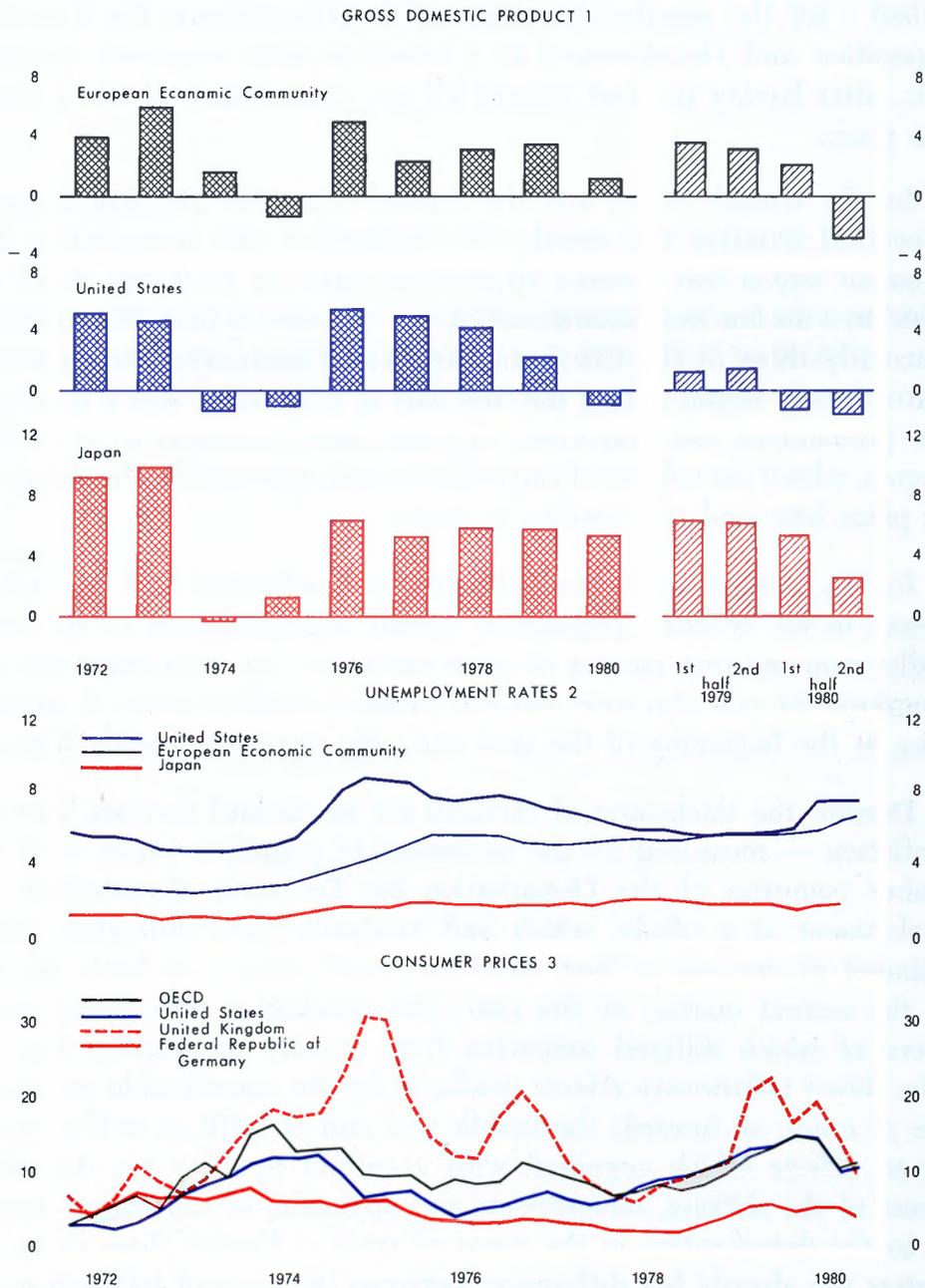
In the United States and the United Kingdom this worsening of the cyclical situation was merely the continuance and accentuation of a movement which had become apparent as early as 1979 and which led in 1980 to a decline in economic activity. In most of the other countries, particularly those of the European Economic Community, the slowdown in growth only began during the first half of 1980, after which it became more pronounced and was even, in many cases, replaced by a decline. In Japan, where the volume of exports increased appreciably, the slowdown took place later and was smaller in extent.

In the United States the falling-off in production and the further increase in the working population caused unemployment to rise more rapidly from the first months of 1980 onwards. In the Community the unemployment rate also rose, but less rapidly, while in Japan it went on falling at the beginning of the year and only increased slightly later on.

Despite the slackening of demand for goods and services, the rate of inflation — measured by the movement of consumer prices — in the member countries of the Organisation for Economic Cooperation and Development as a whole, which had gradually risen throughout 1979, continued to increase at first, reaching nearly 15 p.c. in both the first and the second quarter of the year; this quickening, the chronological pattern of which differed somewhat from country to country, was due to the direct inflationary effects produced by the considerable rise in the price of crude oil towards the middle and end of 1979 as well as to the derived effects which appeared with a certain time-lag via the whole process of the shifting, downstream and upstream, of the loss of income due to the deterioration in the terms of trade. During these same two quarters the already big differences between the rates of inflation in the various countries became greater : while below 6 p.c. in countries such as Switzerland and the Federal Republic of Germany and less than 8 p.c. in the Benelux countries, these rates were over 13 p.c. in others,

Chart 1.

GROSS DOMESTIC PRODUCT, UNEMPLOYMENT RATES AND CONSUMER PRICES



Sources : Gross domestic product : Organisation for Economic Cooperation and Development. Unemployment rates : European Economic Community and Organisation for Economic Cooperation and Development. Consumer prices : Central Statistical Office for the United Kingdom, U.S. Department of Commerce for the United States, Organisation for Economic Cooperation and Development for that geographical area and Federal Statistical Office for the Federal Republic of Germany.

- 1 At constant prices. Percentage changes compared with the previous year or half-year; in the latter case, the percentages were calculated from seasonally adjusted half-yearly figures and are expressed as annual rates.
- 2 As a percentage of total labour. The data for the different geographical areas are not fully comparable with each other; with certain reservations, however, they can be used to study the trend of unemployment in each area separately. Monthly averages per quarter, seasonally adjusted.
- 3 Percentage change compared with the level reached six months earlier, on an annual basis, seasonally adjusted; monthly averages per quarter. Last period : average for October-November 1980.

such as the United States, France and Spain, and in the region of — or even appreciably above — 20 p.c. in the United Kingdom, Ireland and Italy. As after the first increase in oil prices, the rise in consumer prices slowed down about a year later in most countries : on average it fell to about 10 p.c. in the third and fourth quarters of 1980. The gaps between inflation rates thus narrowed.

The current account deficit of the balances of payment of the industrialised world reached nearly U.S. \$ 75 billion, or more than twice the previous year's figure.

The main cause of this sharp deterioration is the rise in oil prices which entailed, for the same volume, additional payments of over \$ 120 billion to the oil-exporting countries. The effect of this factor was partly offset by the smaller growth in the volume of imports of goods and services due to the worsening of economic conditions and to economies in the use of oil, together with the increase in the value of exports. In most countries, however, the degree of this offsetting was not very great; hence, Italy, France and Switzerland were unable to maintain their current account surplus, while many other countries, including the Federal Republic of Germany, showed an even larger deficit. In Japan, which is more dependent on oil for its supply of energy than any other major industrial country, the growth in the oil bill was so great that the current account deficit worsened despite a substantial increase in exports. The current account position of the United States was favourably influenced not only by the decline in domestic demand but also by the appreciable improvement, during the preceding years, in the country's competitive position in terms of costs and prices adjusted to allow for variations in exchange rates; the deficit was therefore replaced by a surplus. The same was the case in the United Kingdom, one of the reasons being that that country was likewise experiencing, as has been stated, a severe recession, and the other being that during the year it became a net exporter of petroleum products.

The current account deficit of the non-oil-exporting developing countries rose from \$ 37 to 50 billion. While it is true that the value of exports increased in the same proportion as that of imports, the result was nevertheless a deterioration in the balance of trade, because imports had appreciably exceeded exports the previous year; furthermore, the deficit in respect of services, primarily due to interest payments, increases structurally.

Table 1.

BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of U.S. dollars)

	1972	1973	1974	1975	1976	1977	1978	1979	1980 <i>e</i>
Organisation for Economic Cooperation and Development .	7.9	10.3	-25.5	1.0	-18.9	-24.9	9.0	-35.5	-73.5
of which : United States	- 5.8	7.1	4.9	18.3	4.4	-14.1	-14.3	- 0.8	5.5
Canada	- 0.4	0.1	- 1.5	- 4.7	- 3.9	- 4.0	- 4.4	- 4.4	- 3.5
Japan	6.6	- 0.1	- 4.7	- 0.7	3.7	10.9	16.5	- 8.8	-13.2
Federal Republic of Germany	0.8	4.6	10.3	4.0	3.9	4.2	8.7	- 5.5	-17.2
United Kingdom	0.4	- 2.6	- 7.9	- 3.7	- 2.0	- 0.5	1.2	- 3.9	4.5
France	0.3	- 0.7	- 6.1	- 0.1	- 5.9	- 3.0	3.7	1.2	- 7.7
Italy	2.0	- 2.7	- 8.0	- 0.8	- 2.8	2.5	6.2	5.1	- 5.2
Netherlands	1.3	2.4	2.2	2.0	2.7	0.6	- 1.4	- 2.3	- 2.9
Belgian-Luxembourg Economic Union	1.4	1.2	0.6	0.3	...	- 0.7	- 1.0	- 3.4	- 5.8
Switzerland	0.2	0.3	0.2	2.6	3.5	3.4	4.4	2.4	- 0.8
Austria	- 0.2	- 0.4	- 0.5	- 0.3	- 1.5	- 3.0	- 1.4	- 1.8	- 4.2
Denmark	- 0.1	- 0.5	- 0.9	- 0.5	- 1.9	- 1.7	- 1.5	- 3.0	- 2.9
Organisation of Petroleum Exporting Countries	1.3	7.5	59.5	27.0	36.5	29.0	4.5	68.0	116.0
Other, non-oil-exporting developing countries	- 6.0	- 7.5	-26.0	-30.0	-17.5	-12.5	-22.5	-37.0	-50.0
Other countries	- 2.0	- 3.5	- 9.5	-18.0	-13.0	- 8.5	- 9.5	- 3.0	- 5.0
Total ¹	1.2	6.8	- 1.5	-20.0	-12.9	-16.9	-18.5	- 7.5	-12.5

Sources : Organisation for Economic Cooperation and Development. For the Belgian-Luxembourg Economic Union : National Bank of Belgium.

¹ As the surplus of one country necessarily has as its counterpart a deficit of other countries, this total should be equal to zero; if it is not, this is due to errors and statistical asymmetries which can sometimes be considerable in view of the size of the gross volumes of international transactions.

The earnings of the oil-exporting countries naturally rose sharply : the increase in the unit value of oil exports much more than offset a contraction of over 10 p.c. in their volume, due to a decline in the purchases of the industrialised countries brought about by the slackening of economic activity, a further expansion in their oil production and energy-saving measures in these countries. At the same time the imports of the countries in question rose very rapidly owing to the growth in their payment capacity. Their current account surplus finally went up by nearly \$ 50 billion to about \$ 116 billion.

Like the balances in respect of current transactions, capital movements underwent substantial changes.

During the first quarter the net capital exports of the oil-exporting countries to the industrialised world went mainly to the United States, owing to the exceptionally high level of short-term interest rates in that country and a distinct revival of confidence in the dollar. From April onwards, as a result of a particularly rapid fall in the rates in question in the United States, capital was withdrawn from that country; there were inflows, on the other hand, into the European countries and Japan; in the last-mentioned country, a whole series of monetary measures had been adopted with a view to making capital imports more attractive, and these did in fact attract considerable amounts, particularly from the oil-exporting countries. Following the renewed rise in U.S. rates which began during the summer, capital movements changed direction once more.

During the first quarter these capital movements, combined with the current account surpluses or deficits, had a destabilising effect on the main foreign exchange markets. In the United States, substantial capital inflows pushed up the exchange rate for the dollar again; in the Federal Republic of Germany and Switzerland, the effects of the capital outflows aggravated those of the current account deficit and the exchange rates for these countries' currencies weakened. These exchange rate movements took place despite large-scale interventions by the central banks.

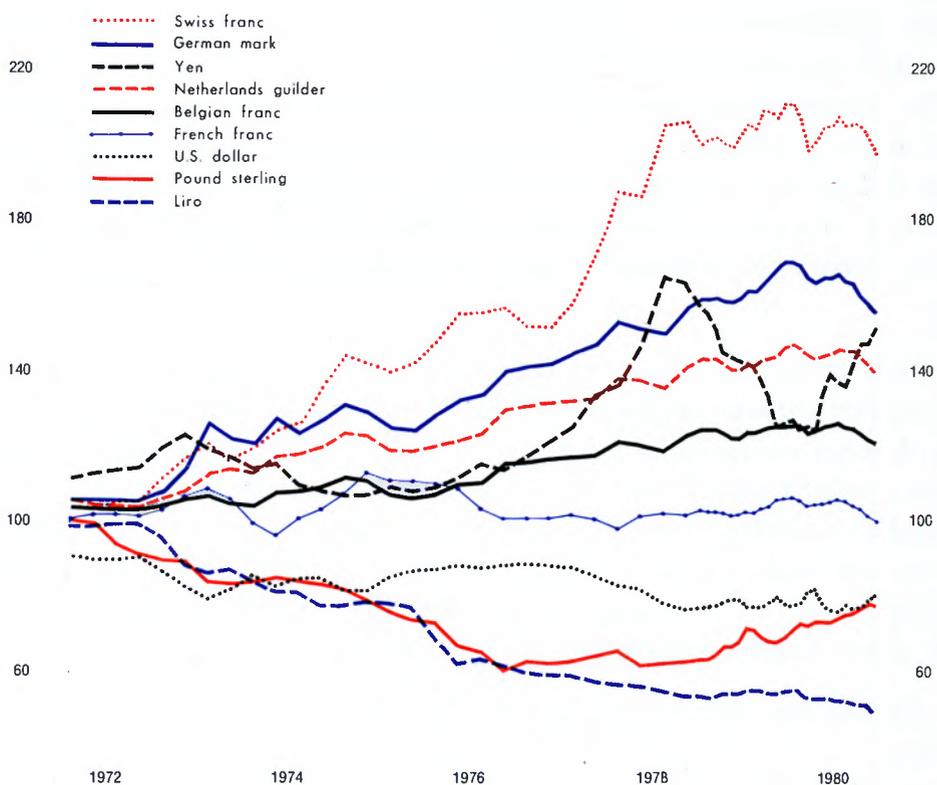
During the subsequent months the course taken by exchange rates continued to be strongly influenced by the capital movements described above : the dollar weakened and then recovered again, its strengthening being particularly pronounced at the end of the year; the German mark and the Swiss franc did the opposite; the yen improved markedly. The

upward movement of the pound sterling, which had begun at the end of 1979 and had been only very temporarily interrupted during the first quarter, subsequently continued; it was assisted by the improvement in the United Kingdom's current account position and by the high level of short- and long-term interest rates, which encouraged capital imports. The rates for the currencies of the other member countries of the European Economic Community underwent little change on the whole, except at the end of the year, when they weakened.

Chart 2.

WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES

(Indices based on May 1970 parities = 100)



Source : International Monetary Fund.

Within the European Monetary System, unlike in the previous year, no adjustment was made in the central rates. There were, however, intermittent interventions : in March-April and especially from October onwards, the Belgian franc and the German mark were the subject of support operations at their floor rates.

The upward movement of interest rates for short-term investments in dollars which had taken place during the second half of the previous year continued strongly during the early months of 1980. Its extent is explained by the changes made in the methods whereby the American monetary authorities seek to reach the targets fixed in terms of growth in the monetary aggregates : since November 1979 the emphasis has been placed not so much on the management of short-term interest rates as on the control of bank liquidity. Following this movement in the United States, several countries with a current account deficit — Japan, Belgium and, to a smaller extent, Switzerland and the Federal Republic of Germany — raised their own short-term interest rates. There was, furthermore, a rise in the United Kingdom, but in that country it was prompted by considerations of domestic monetary policy, namely the desire to bring down the particularly high rate of inflation. In other countries, such as the Netherlands and France, where capital imports were sufficient to cover the current account deficit, which was relatively modest at that time, rates were already showing a downward trend.

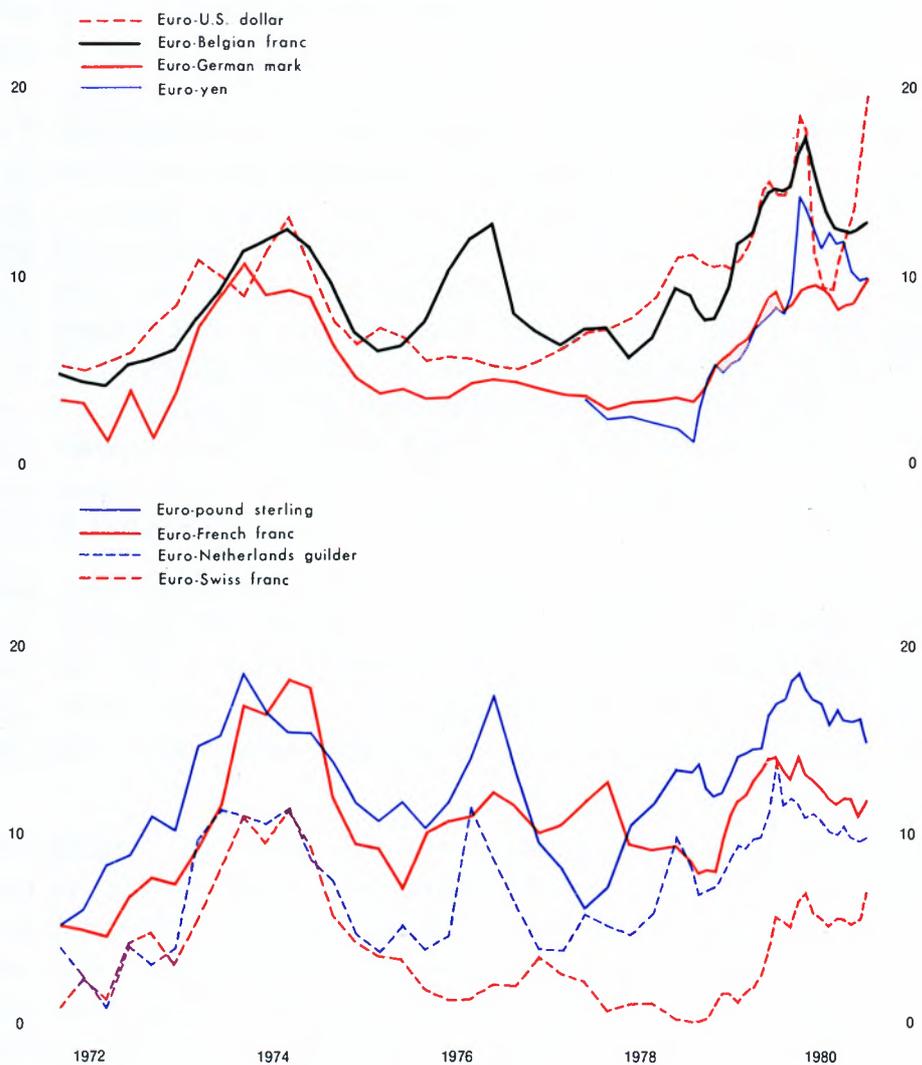
When, from mid-April onwards, U.S. rates fell again very rapidly, the countries with a substantial balance of payments deficit were also able to start to reduce their rates to a limited extent. This downward movement was cut short by the resumption of the rise in the United States, when it became clear that the monetary targets were again going to be exceeded.

Between the various phenomena which have just been described — recession, inflation, current transactions with foreign countries, international capital movements, exchange rates and interest rates — there is a close interdependence which it is probably worth-while emphasising. Some countries with high rates of inflation endeavoured to curb the growth in their monetary aggregates, and their short-term interest rates consequently reached very high levels. The big countries where this took place, namely the United States and the United Kingdom, thus brought about capital imports which they did not need at all in view of the state of the current account of their balance of payments. A

Chart 3.

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES ¹

(Per cent)



Sources : Bank for International Settlements and National Bank of Belgium.

¹ 1972 to 1978 : daily averages per quarter. 1979 and 1980 : daily averages per month.

more serious drawback was the fact that part of the capital thus attracted came from European countries which on the contrary had a large current account deficit. This led to a scarcity in the supply of funds in these countries, whose interest rates consequently rose in turn. Furthermore, it so happened that in some of the countries in question, particularly the Federal Republic of Germany and Belgium, the rise in prices was moderate; hence real interest rates (that is, the nominal rates deflated by the rise in prices) became very high there, a fact which was hardly consistent with the slackening of economic activity and added to the financial burdens of enterprises. The countries which did not have a balance of payments problem did not concern themselves much with the international repercussions of their domestic monetary policies; towards the end of the year, France tried to reduce these repercussions by lowering some of its rates and adopting measures designed to curb capital imports, which may have helped to moderate the strains within the European Monetary System.

In the field of international monetary cooperation, the International Monetary Fund, at the beginning of last year, made a second allocation of special drawing rights amounting to 4 billion S.D.R.s in implementation of a three-year programme adopted in December 1978; it also simplified the calculation of the value of the drawing right by henceforth only including for this purpose the five main currencies, with the following weightings : 42 p.c. for the dollar, 19 p.c. for the German mark and 13 p.c. each for the yen, the French franc and the pound sterling. Furthermore, the seventh general revision of the quotas of the member countries of the Fund, which came into effect at the end of last year, increased these quotas by 50 p.c., raising them from 39.8 billion S.D.R.s to nearly 60 billion. A quarter of this increase, or 5 billion, had to be paid in S.D.R.s, so that, taking into account the above-mentioned allocation of 4 billion, the member countries' total holdings of these rights declined somewhat in 1980.

2. SUMMARY OF THE DEVELOPMENT OF INCOME AND EXPENDITURE IN BELGIUM ¹.

Among the various phenomena highlighted in the previous chapter as characteristic features of the international situation in 1980, there are three above all which had an effect on the development of income and expenditure in Belgium : these were the recession, the increase in oil prices and the marked rise in short-term interest rates.

It was primarily because of the increase in oil prices that net lending by foreign countries to Belgium (that is, Belgium's current account deficit with foreign countries) appears to have risen from 4 p.c. of the gross national product in 1979 to 5.6 p.c. (item A of Table 2). A subsidiary but by no means negligible cause of this deterioration was the increase in income on direct and portfolio investments paid to foreign countries, which is explained not only by the gradual growth in the burden of foreign indebtedness due to the persistent current account deficit but also by the particularly high level of short-term interest rates in 1980.

Expressed as a percentage of the gross national product, the disposable income of companies and that of the public authorities both declined between 1979 and 1980, the former from 4.8 to 4.3 p.c. (item B 1.2 of Table 2) and the latter from 15.3 to 13.6 p.c. (item B 1.3 of Table 2). These two reductions have one common cause : the increase in financial charges, partly due to the rise in interest rates. Each also has its specific causes : companies were unable to pass on the whole of the rise in oil prices to their selling prices; the public authorities were obliged, owing to the recession, to increase their transfers to the other sectors, particularly those relating to unemployment, while tax revenue was affected by reliefs allowed in this connection. The developments which thus took place in two of the sectors of the Belgian economy had their counterpart in the third : the disposable income of individuals as a percentage of the gross national product rose appreciably from one year to the other, namely from

¹ In order to make it possible to describe, in this Chapter 2 and in Chapters 3a) to c), devoted to the main sectors of the economy, the development of income and expenditure throughout 1980, it was necessary to make many estimates, as the statistical material for that year is inevitably still very fragmentary. Nevertheless, so as to bring out more clearly the interconnections between the various data on revenue and expenditure in 1980 themselves and those with the figures for earlier years, the figures for 1980 have been shown in the tables or quoted in the text to the nearest decimal point (percentages) or the nearest billion. This should not cause it to be overlooked that they represent mere orders of magnitude solely intended to demonstrate more clearly the major trends which already seem to be emerging.

Table 2.

INCOME AND EXPENDITURE IN BELGIUM ¹*(Percentage of gross national product)*

	1978	1979	1980 <i>c</i>
A. <i>Rest of the world</i> :			
Net lending to Belgium ²	1.9	4.0	5.6
B. <i>Belgium</i> :			
1. <i>Disposable income</i> ³ :			
1.1 Individuals	78.5	79.2	81.3
1.2 Companies	5.0	4.8	4.3
1.3 Public authorities	15.8	15.3	13.6
1.4 Total	99.3	99.3	99.2
2. <i>Consumption</i> :			
2.1 Individuals	61.9	63.1	63.9
2.2 Public authorities	17.9	18.2	18.3
2.3 Total	79.8	81.3	82.2
3. <i>Gross capital formation</i> :			
3.1 Individuals	9.2	8.5	8.4
of which : housing	(7.5)	(6.5)	(6.4)
3.2 Companies	8.4	9.1	9.4
3.3 Public authorities	3.6	4.1	4.5
3.4 Total	21.2	21.7	22.3
4. <i>Net financing capacity (+) or requirement (-)</i> <i>(after capital transfers)</i> :			
4.1 Individuals ⁴	+ 7.6	+ 7.9	+ 9.4
4.2 Companies ⁵	- 1.4	- 2.5	- 3.2
4.3 Public authorities ⁶	- 8.1	- 9.4	- 11.8
4.4 Total ⁷	- 1.9	- 4.0	- 5.6
<i>Pro memoria</i> : Percentage growth in gross national product at current prices	7.3	6.2	6.7

¹ See Annex 6, Table 1.² Including the public authorities' credits to and interests in foreign countries.³ Including depreciation.⁴ This item is equal to item 1.1 minus item 2.1 minus item 3.1 plus net capital transfers received.⁵ This item is equal to item 1.2 minus item 3.2 plus net capital transfers received (including the public authorities, credits and interests).⁶ This item is equal to item 1.3 minus item 2.2 minus item 3.3 minus net capital transfers made (including the granting of credits and the acquisition of interests).⁷ This item is equal to item A with reversed signs.

79.2 to 81.3 p.c. (item B 1.1 of Table 2). It will be recalled that a similar reallocation of disposable income in favour of individuals had already occurred after the first rise in oil prices in 1973; it then took place mainly at the expense of companies.

Likewise expressed as percentages of the gross national product, the various categories of domestic expenditure (items B 2.1, 2.2 and 3.1 to 3.3 of Table 2) all increased between 1979 and 1980, with the sole exception of individuals' investment in housing. This phenomenon is largely due to the movement of prices : the rise in the prices of domestic expenditure was greater, for all the components of that expenditure, albeit to different extents depending on the cases in question, than the rise in the implicit prices of the gross national product; this was because the increase in oil prices influenced the prices of the former type (the expenditure is partly on imported goods) both directly and indirectly, but only had an indirect effect on the prices of the latter type (the gross national product includes only the value added by the Belgian economy). Two categories of expenditure, however, showed an appreciable rise over and above that thus resulting from the movement of prices : gross capital formation by the public authorities and the part of such formation by companies consisting of investment in fixed capital.

Since, still in relation to the gross national product, the disposable income of companies and that of the public authorities decreased, while their expenditure increased, the net financing requirements of these two sectors grew : from 2.5 to 3.2 p.c. for companies and from 9.4 to 11.8 p.c. — an all-time high — for the public authorities (items B 4.2 and 4.3, respectively, of Table 2).

On the other hand, the net financing capacity of individuals would appear to have risen from 7.9 to 9.4 p.c. of the gross national product (item B 4.1 of Table 2). Not only, as has been stated, did this sector's investment in housing decline, but the increase in its consumption, from 63.1 to 63.9 p.c. of the national product (item B 2.1 of Table 2), was distinctly smaller than that, from 79.2 to 81.3 p.c., in its disposable income.

Such are, in broad outline, the actions and reactions which took place between the various transactions of individuals, companies, the public authorities and the rest of the world during the past year. The following chapters give a more detailed description of the development of the income and expenditure of each of these sectors, as well as of their financial transactions.

3. DEVELOPMENT OF THE MAJOR SECTORS OF THE BELGIAN ECONOMY.

a) Individuals ¹

The increase in the real gross income of individuals, including depreciation allowances, before payment of direct taxes and excluding net current transfers received, can be estimated at 2.1 p.c., against 3.5 and 2.5 p.c., respectively, in 1979 and 1978. The slowing-down affected, in varying degrees, the three major components of the income of individuals : wages and salaries, income from property and incomes of self-employed persons.

Wages and salaries would appear to have risen by 1.7 p.c. in real terms, against 3 p.c. in 1979. With regard to wages, on the one hand, and salaries, on the other, the following indications, again expressed in real terms, can be given. Gross average earnings per hour worked in industry and transport increased, for the first nine months, by 2.1 p.c., against 3.9 p.c. in 1979; these rates exceed the growth in total gross wages paid, since the number of hours worked decreased in 1979 and again, although, it appears, to a smaller extent, during the year under review. The collectively agreed salaries of white-collar workers, mainly employed in the tertiary sector, went up, again for the first nine months, by 1 p.c., against 2.3 p.c. in 1979; the growth in total gross salaries paid to white-collar workers was, however, greater, as the number of persons employed increased in 1980.

The expansion in incomes from property accruing to individuals would appear to have been about 7 p.c. in real terms, against 8.5 p.c. in 1979. The rise in nominal incomes, however, would appear on the other hand to have speeded up, owing to the favourable effect produced by the very marked rise in interest rates on the yield of financial investments, but this acceleration appears to have been more than offset by the faster rise in prices.

Few data are yet available concerning the incomes of self-employed persons in 1980. In real terms their movement was presumably less

¹ The term « individuals » here also embraces all enterprises which are not in the legal form of a joint-stock company or a partnership.

Chart 4.

INDIVIDUALS' GROSS INCOME, DISPOSABLE INCOME
AND CONSUMPTION AT 1975 PRICES ¹

(Percentage changes compared with previous year)



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

¹ Data at current prices deflated by the implicit price index of private consumption in the national accounts.

² Remuneration of wage and salary earners, incomes of self-employed persons, distributed incomes of private partnerships and income from personal property. Incomes of self-employed persons and income from personal property are inclusive of depreciation allowances. Moreover, in order to keep the gross national product unchanged, the gross income of individuals has been increased to offset the reduction made in companies' gross profits placed to reserve to allow for the replacement cost of the capital invested and materials used.

³ Gross income of individuals calculated as above plus net current transfers received (mainly from social security) less direct taxes paid.

favourable than that of wages and salaries and probably also than that which they themselves had shown the previous year : the incomes of farmers appear to have declined more than in 1979 while those of the professions, traders and artisans again seem to have undergone hardly any change.

Individuals have to devote part of their gross income thus received to the payment of direct taxes and social contributions, while on the other hand they benefit by social transfers. When the gross income is reduced or increased, as the case may be, by these elements, we obtain the disposable income of individuals, which, in real terms, appears to have

increased by 3 p.c., against 3.5 p.c. in 1979. The fact that this growth was distinctly greater in 1980 than that in real gross income is attributable to a slower rise in the tax burden — partly as a result of the reductions in taxes decided upon during the year — and to a further substantial increase in transfers received from the public authorities.

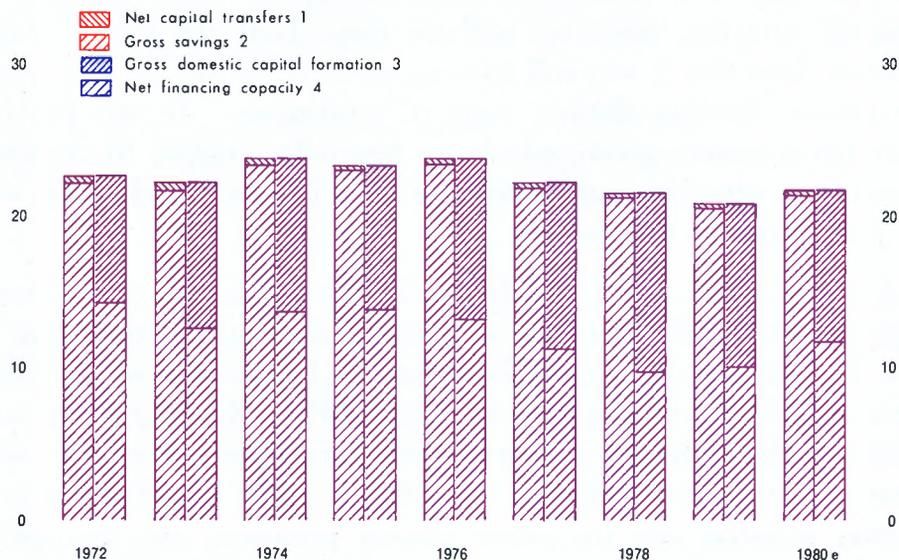
After its marked growth in 1979, the volume of private consumption expanded only to a moderate extent, namely by about 1.6 p.c. Its movement was not, however, uniform throughout the year. Various indicators show that it was still growing strongly during the first quarter, subsequently showing distinct signs of weakening. It was purchases of durable consumer goods, which are generally sensitive to changes in the economic situation, and particularly those of cars and clothing, which kept most closely to this pattern.

A comparison of the percentages mentioned in the two preceding paragraphs shows that the rate of growth of private consumption was lower than that in the disposable income of individuals, which was the reverse of what had been the case since 1977. Consequently, saving by individuals, expressed as a percentage of disposable income, would appear to have risen from 20.4 to 21.5 p.c. The deterioration in the economic situation and the rather gloomy prospects, and perhaps also some degree of uncertainty with regard to the future development of incomes owing to the restraint called for by the Government, probably explain this greater propensity to save on the part of individuals.

Despite this higher rate of saving, individuals, as in 1979, reduced the proportion of their disposable income devoted to gross domestic capital formation, which thus appears to have declined to 10.3 p.c., against 10.8 p.c. the previous year. This development applies solely to investment in housing, the volume of which, after having contracted sharply in 1979, declined further, but less markedly. The slowing-down of the decline is, however, due to accidental factors, actually the exceptionally severe winter weather at the beginning of 1979, which considerably hampered activity — a phenomenon which did not recur in 1980. It therefore does not correspond to a movement of demand, which has been showing a downward trend since the second half of 1976, under the influence of a whole series of factors : slower growth in individuals' real income, high building prices, growing insecurity as regards employment, the big increase in the real interest burden on mortgage loans, the limitation of the rise in rents and the heavier taxation of income from real estate.

Chart 5.

CAPITAL ACCOUNT OF INDIVIDUALS
(Percentage of their disposable income, at current prices)



Sources : Net capital transfers : Government budgets. Gross savings and gross capital formation : National Statistical Institute. Calculations and estimates of the National Bank of Belgium.

1 Capital transfers are unrequited movements of funds for the purpose of financing direct and portfolio investment; they include the proceeds of the sale of land, less death duty paid.

2 Difference between gross disposable income and private consumption.

3 Gross fixed capital formation and changes in livestock.

4 Calculated as the difference between gross savings and net capital transfers on the one hand and gross capital formation on the other.

As the total expenditure of individuals, on consumption and gross capital formation, rose proportionally less than their disposable income, their net financing capacity increased, for the second year in succession, having apparently gone up from 9.9 to 11.5 p.c. of that income. This rise has already been mentioned in Chapter 2¹, the percentages mentioned in which, however, having been calculated in relation to the gross national product, were at a different level, namely 7.9 and 9.4 p.c. respectively. In absolute figures and at current prices, the financing capacity of

¹ Summary of the development of income and expenditure in Belgium.

individuals appears to have reached Fr. 325 billion, against Fr. 256 billion in 1979.

The corresponding figures for the first ten months — the only period for which the details given below are at present available — are Fr. 281 and 196 billion respectively : individuals built up more financial assets in 1980 than in 1979 and contracted less debts.

The formation of financial assets by individuals, during the first ten months, amounted to Fr. 343 billion, against Fr. 306 billion in 1979. The decline in the rate of gross financial saving by individuals — that is, in the ratio between their formation of financial assets and their disposable income — which had taken place during the two preceding years was replaced by a rise.

The expansion took place mainly in the category of financial assets at over one year and was accounted for almost entirely by those expressed in Belgian francs, which increased by Fr. 227 billion, against Fr. 188 billion in 1979. This change seems to be attributable chiefly to the appreciable rise in the yield of the investments in question.

On the other hand, the growth in financial assets at up to one year was Fr. 16 billion smaller than in 1979. Of greater significance, however, are the substantial shifts which took place within this category. On the one hand, the extent of the formation of time deposits in Belgian francs and of assets in foreign currencies was exceptionally great; on the other hand, cash holdings decreased more than in the previous year and, above all, considerable withdrawals were made from deposits on ordinary deposit or savings books.

The increased preference for short-term investments in foreign currencies is probably largely due to the very high interest rates which it was possible to obtain at certain times on deposits in apparently very strong currencies, and especially on dollar deposits during the first quarter. A certain distrust of the Belgian franc during the same period is perhaps a further explanatory factor.

Time deposits in Belgian francs rose by Fr. 119 billion during the first ten months, against Fr. 43 billion in 1979. Of this overall increase, about Fr. 55 billion was in time deposits placed with Belgian financial intermediaries. This development is mainly attributable to a change made to the system of remuneration on this type of financial asset : from

Table 3.

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS ¹

	At over one year			At up to one year						Miscellaneous ²	Grand total	Grand total as percentage of disposable income
	In foreign currencies	In Belgian francs	Total	In foreign currencies	In Belgian francs			Total				
					Total	of which :						
						Time deposits	Deposits on ordinary deposit or savings books		Cash holdings			
(billions of francs)												
1972	+ 33	+ 64	+ 97	- 2	+156	- 3	+ 88	+ 65	+154	- 8	+243	19.9
1973	+ 26	+ 82	+108	+ 3	+136	+ 26	+ 70	+ 32	+139	- 23	+224	16.2
1974	+ 14	+ 96	+110	+ 8	+157	+ 64	+ 51	+ 34	+165	- 19	+256	15.6
1975	+ 32	+113	+145	+ 2	+230	- 10	+137	+ 92	+232	- 10	+367	19.9
1976	+ 14	+151	+165	+ 2	+193	+ 50	+106	+ 37	+195	- 5	+355	16.8
1977	+ 17	+223	+240	+ 15	+193	+ 10	+103	+ 73	+208	- 10	+438	19.3
1978	+ 20	+169	+189	+ 9	+200	+ 26	+106	+ 48	+209	- 6	+392	16.3
1979	+ 11	+207	+218	+ 20	+152	+ 58	+ 72	+ 27	+172	+ 1	+391	15.2
1979 First 10 months	+ 12	+188	+200	+ 11	+ 40	+ 43	+ 23	- 22	+ 51	+ 55	+306	
1980 First 10 months ... p	+ 13	+227	+240	+ 28	+ 7	+119	- 71	- 29	+ 35	+ 68	+343	

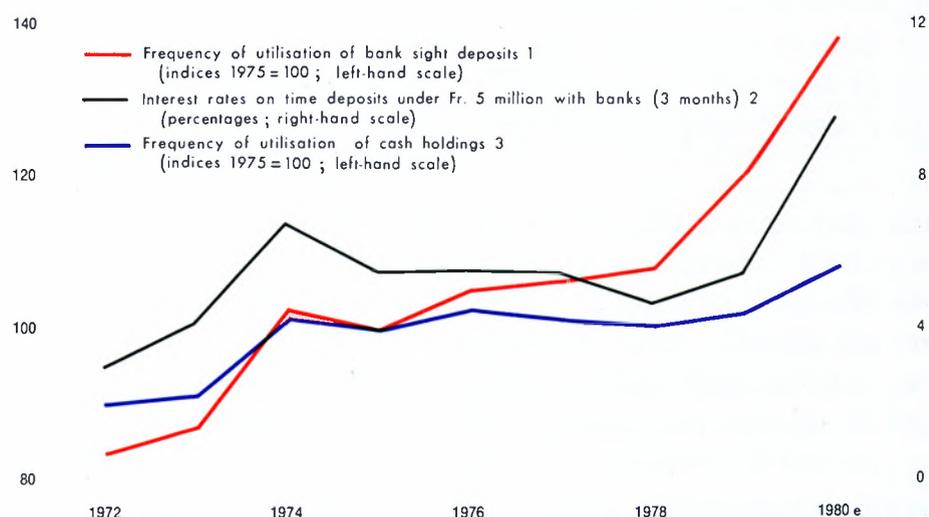
¹ Financial assets of individuals means mainly : the financial assets of enterprises and individuals shown in Table XV-2 of the Bulletin of the National Bank of Belgium with the exception of large deposits of Fr. 5 million and above and foreign-currency deposits with Belgian banks, direct investments abroad, ret commercial claims on foreign countries and the part of deposits abroad which is known to have been formed by companies; the miscellaneous financial assets thus excluded are regarded as belonging to companies.

² Financial assets whose breakdown according to maturities is unknown or meaningless. These are chiefly certain claims on foreign countries and also the amount which is obtained by deducting from their claims the debts of the financial intermediaries which are included as financial assets in columns (1) to (7) of Table XV-2 of the Bulletin of the National Bank of Belgium.

February onwards the Belgian financial intermediaries, largely owing to the pressure of foreign competition, applied special interest rates — fixed to some extent on the basis of money market rates — to time deposits of from Fr. 1 to 5 million, as they had previously done for time deposits of Fr. 5 million or above. This change did not, however, succeed in preventing individuals from also substantially increasing their deposits in Belgian francs with foreign financial intermediaries; the latter thus received about Fr. 64 billion, against Fr. 35 billion the previous year. This greater formation of deposits abroad is explained primarily by considerations of yield, coming on top of tax considerations whose influence is more continuous : in certain neighbouring countries, relatively high interest rates are offered for investments in Belgian francs the size of which is not, or was not, sufficient for them to benefit in Belgium by the remuneration allowed on large deposits, and furthermore no deduction of tax at source is made in those countries on the interest paid. It should

Chart 6.

VELOCITY OF CASH HOLDINGS AND BANK SIGHT DEPOSITS



1 Ratio of the amount of debit entries in bank sight deposit accounts in Belgian francs to the average balances of these accounts.

2 Interest rates before deduction of tax at source. Weighted annual averages.

3 Ratio of gross national product at current prices to average cash holdings.

be added, however, that this shifting of deposits to foreign countries has little or no effect on the volume of funds available on the domestic financial market, since the foreign financial intermediaries which receive Belgian franc deposits reinvest the greater part of them in Belgium, albeit in a different form and at a higher interest rate.

Deposits on ordinary deposit or savings books contracted by Fr. 71 billion, whereas they had increased by Fr. 23 billion in 1979, this having been mainly due to the fact that their yield rose much less than that on other investments.

Lastly, the more marked reduction in cash holdings, of Fr. 29 billion compared with Fr. 22 billion in 1979, is worthy of comment. Chart 6 shows the resultant pronounced increase in the frequency of utilisation of money, which is undoubtedly connected with the very high level of interest rates. For this frequency is strongly influenced by the yield on other investments : as this yield increases, the opportunity cost entailed by keeping cash holdings — on which either no interest or a low, invariable

Table 4.

FINANCIAL LIABILITIES OF INDIVIDUALS

(Changes in billions of francs)

	Consumer credit	Housing loans	Liabilities of enterprises not in the legal form of companies ¹	Total
1972	+ 9	+ 29	+ 14	+ 52
1973	+ 7	+ 39	+ 19	+ 65
1974	+ 4	+ 41	+ 20	+ 65
1975	+ 9	+ 45	+ 22	+ 76
1976	+ 25	+ 73	+ 19	+117
1977	+ 21	+ 79	+ 43	+143
1978	+ 15	+ 97	+ 23	+135
1979	+ 19	+106	+ 23	+148
1979 First 10 months	+ 15	+ 84	+ 11	+110
1980 First 10 months p	+ 3	+ 71	- 12	+ 62

¹ The financial liabilities of enterprises not in the legal form of companies are partly estimated on the basis of data of the Central Risks Office concerning the distribution of uses of credits of Fr. 1 million and above according to the legal nature of the beneficiary of the credit for banks, the National Industrial Credit Company and the General Savings and Pensions Fund, on the basis of similar data on the distribution of credits opened for private savings banks and on the basis of data published in the annual reports of the National Fund for Credit to Trade and Industry and the National Institute for Agricultural Credit. It should be noted that liabilities to foreign countries or in the form of shares and bonds have been disregarded, as they are assumed to have been wholly contracted by companies.

interest rate is paid — also rises, causing economic agents to keep such holdings as small as possible. Empirical investigations have furthermore shown that the velocity of money is primarily sensitive to movements in the interest rates on three-month time deposits and that the frequency of utilisation of bank sight deposits is particularly sensitive to these movements.

The financial liabilities of individuals rose by Fr. 62 billion during the first ten months, against Fr. 110 billion in 1979 : the slackening took place in all categories of liabilities. Recourse to consumer credit fell from Fr. 15 billion in 1979 to Fr. 3 billion, largely owing to the decline in purchases of cars and in the associated financing. Owing to the falling-off of activity in the building industry, the growth in housing loans likewise decreased appreciably. Lastly, the liabilities of enterprises not in company form fell by Fr. 12 billion, whereas they had risen by Fr. 11 billion in 1979.

b) Companies

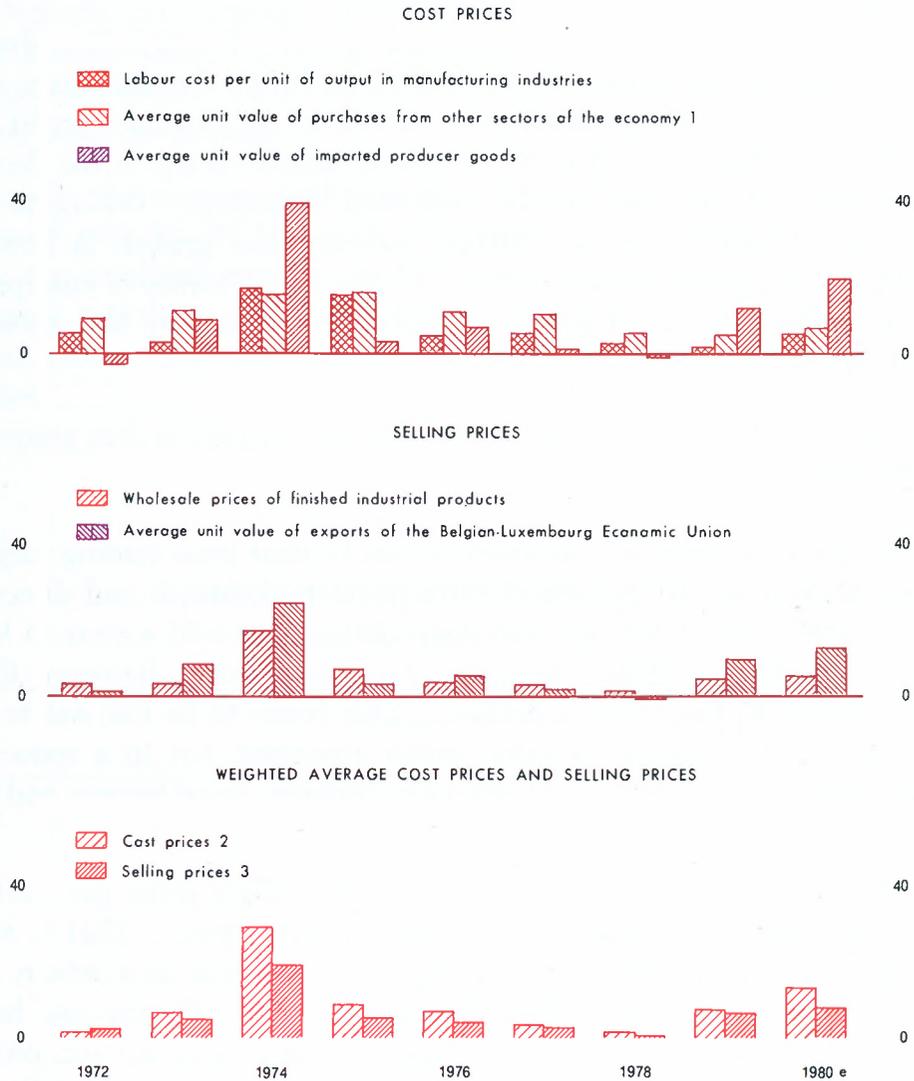
The gross incomes of companies — that is, their gross trading surplus, including financial charges, direct taxes payable, dividends and directors' profit shares to be distributed and depreciation — would appear to have increased slightly in 1980. In terms of constant prices, however, there would appear to have been a decline. This seems to be due not to the movement of the volume of sales, which expanded, but to a reduction in the profit margin, that is, in the ratio between gross income and the value of sales.

This profit margin is reduced when the selling price per unit of output increases to a smaller extent than the cost price. That is what happened, in the manufacturing industries in question as a whole, last year, whereas it had hardly been the case in 1979. On the one hand, the rise in the selling price would appear to have been 5.5 p.c. on the domestic market and 12 p.c. for exports, making an average of 8 p.c.; on the other hand, the increase in the main elements of the cost price would appear to have amounted to about 13 p.c. This average percentage conceals a marked rise — of nearly 20 p.c. — in the prices of imported producer goods, mainly owing to the increase in energy prices, and a much more moderate rise in domestic costs : of about 5.5 p.c. for the labour cost per unit of output — a growth of 8.5 p.c. in the labour cost

Chart 7.

COST PRICES AND SELLING PRICES IN MANUFACTURING INDUSTRIES

(Percentage changes compared with previous year)



Sources : Labour cost per unit of output in manufacturing industries : European Economic Community. Calculations of the National Bank of Belgium. Labour cost per unit of output in branches of activity not belonging to manufacturing industries : National Bank of Belgium. Average unit values of imports and exports : National Statistical Institute. Calculations of the National Bank of Belgium. Wholesale prices of finished industrial products : Ministry of Economic Affairs. Weighted average cost prices and selling prices : calculations of the National Bank of Belgium; weighting coefficients of the European Economic Community.

¹ Measured by the labour cost per unit of output in branches of activity not belonging to manufacturing industries.

² Weighted average of the labour cost per unit of output in manufacturing industries, the labour cost per unit of output in branches of activity not belonging to manufacturing industries and the average unit value of imported goods.

³ Weighted average of the wholesale prices of finished industrial products and the average unit value of exports.

per person employed having been partly offset by an improvement of 3 p.c. in productivity — and of around 6 p.c. for purchases from other sectors of the economy.

The profit margin of non-industrial companies probably did not deteriorate. While there is no doubt that the labour cost per unit of output increased, in this sector, somewhat faster than in manufacturing industry because rises in productivity in the former are slower, selling prices probably went up at least as much as that cost.

It is appropriate to add to what has just been said about the gross incomes of companies a few points concerning the effect of financial transactions.

The rise in gross financial charges, which had amounted to 29 p.c. in 1979, appears to have gone up to 37 p.c., 27 p.c. of this being attributable to the increase in the average cost of liabilities and the balance, i.e. 10 p.c., to the growth in their outstanding amount. In absolute terms, this rise would appear to have amounted to Fr. 54 billion, as against one of Fr. 104 billion in labour costs, the ratio between the former and the latter of these rises thus having been 52 p.c. Although it increased fairly considerably during the past decade, the average ratio between gross financial charges and total labour costs was much below this marginal ratio in 1980, having apparently been a little under 15 p.c.

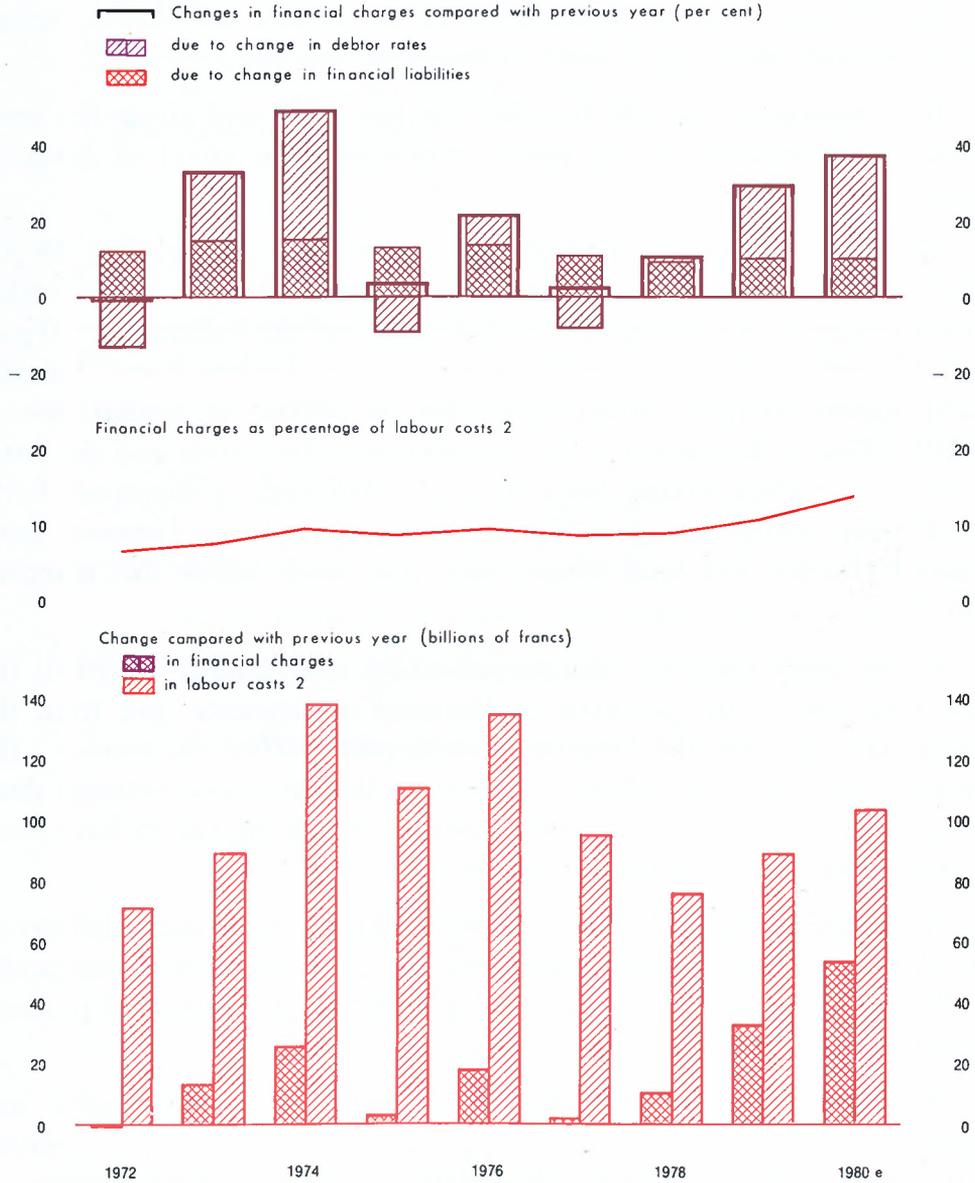
While gross financial charges increased considerably in 1980, the same was true of the proceeds of financial investments, and from the overall point of view the latter movement partly offset the former : the growth in net financial charges — that is, in the difference between gross charges and the proceeds of investments — would appear to have been no more than 38 p.c. of that in labour costs.

After deduction of the net financial charges paid and addition of the subsidies received, which increased, the gross incomes of companies would appear to have represented 8.1 p.c. of the gross national product, against 8.9 p.c. in 1979.

As direct taxes, dividends, percentages on profits, gifts and depreciation allowances remained approximately unchanged in relation to the gross national product, the relative decline in gross incomes is largely reflected in the movement of undistributed profits. Compared with the previous year, these deteriorated by about 0.6 p.c. of the gross national product.

Chart 8.

GROSS FINANCIAL CHARGES OF COMPANIES ¹



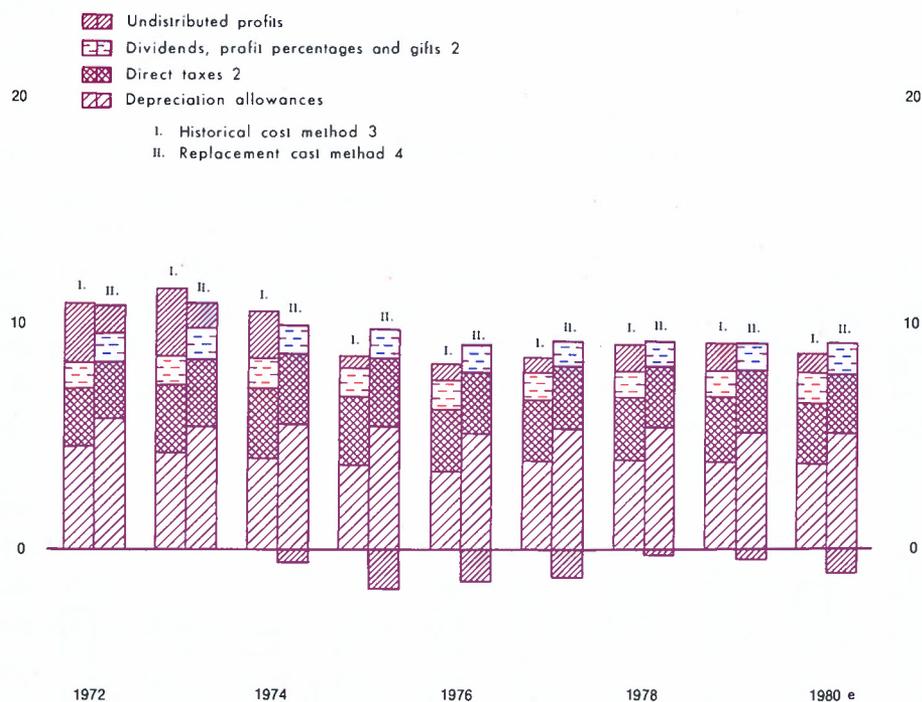
¹ Interest paid on gross financial liabilities.

² Sources : Statistical Office of the European Communities and National Social Insurance Office. Calculations of the National Bank of Belgium.

Chart 9.

INCOME ACCOUNT OF COMPANIES ¹

(As percentages of gross national product at market prices and at current prices)



¹ Joint-stock companies and partnerships (including public enterprises).

² The amounts in respect of direct taxes and dividends, percentages on profits and gifts are taken from the national accounts.

³ This method values depreciation and materials used at historical cost, giving rise to an overvaluation of the net profit the extent of which depends on the rate of inflation. On the other hand, however, during an inflationary period companies, insofar as they resort to borrowing, make an unrecorded profit equal to the product of the outstanding amount of their debt at the beginning of the period and the rate of inflation during the period. Hence it is only if the outstanding amount of a company's debt is equal to the value of its fixed assets and stocks at the beginning of the period that its net profit is not overestimated by the historical cost method of recording.

⁴ Recording of depreciation and materials used by this method usually leads to underestimation of the net profit; only if a company finances the whole of its investments in fixed capital and stocks with its own resources does the method of recording at replacement cost give a correct estimate of the net profit. The method of recording which corresponds most closely to reality probably lies between the replacement cost method and the historical cost method.

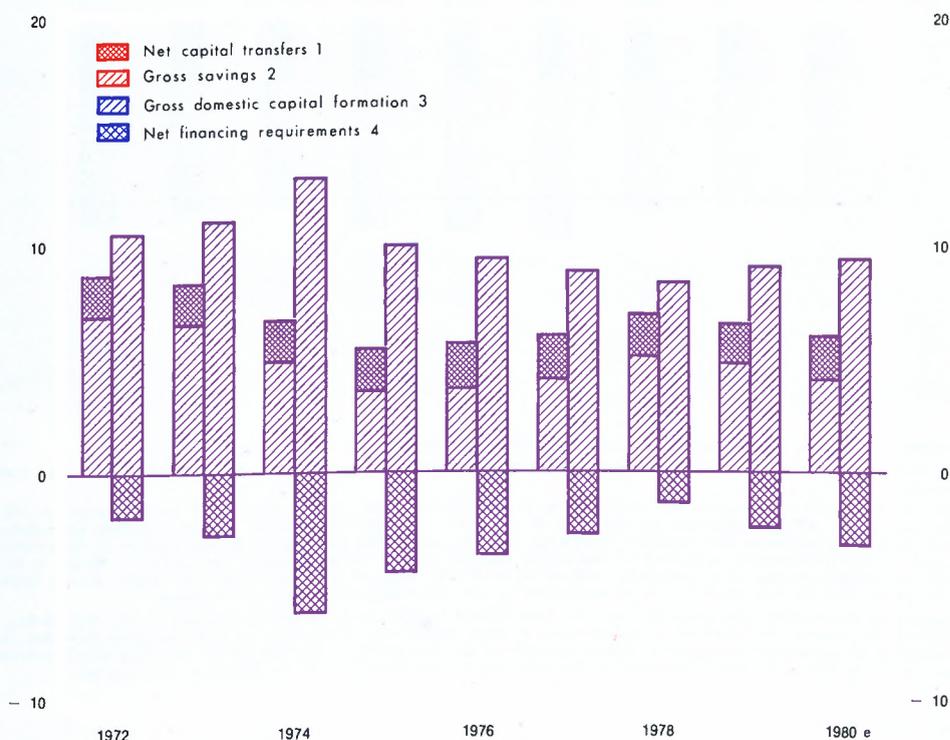
These data were arrived at by using the replacement cost method for the valuation of depreciation and materials used. Calculated by another method, that of historical cost, the level of undistributed profits is regularly higher, but their movement is in the same direction in 1980, although the deterioration is smaller (0.4 p.c. of the gross national product).

Both methods only give correct results in certain extreme hypothetical cases, as is shown by notes ³ and ⁴ to Chart 9; in order to avoid unnecessarily complicating the presentation of the developments described in this chapter, it was desirable to confine the comments to data of a single type; the data chosen for this purpose are those arrived at by the replacement cost method, because they are as a rule directly comparable with those concerning financial assets and liabilities.

Chart 10.

CAPITAL ACCOUNT OF COMPANIES

(As percentages of gross national product at market prices and at current prices)



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

1 Including credits received from the public authorities and interests acquired by them.

2 Materials used being estimated by the replacement cost method.

3 Gross fixed capital formation and change in stocks, including certain statistical adjustments.

4 Difference between gross savings and net capital transfers on the one hand and gross domestic capital formation on the other.

By adding depreciation to undistributed profits we arrive at gross savings, that is, companies' total own resources of internal origin. These savings declined from 4.8 p.c. of the gross national product in 1979 to 4.3 p.c.

Allowance being made for net capital transfers received, which rose slightly to 1.9 p.c. of the gross national product, companies' total own resources available for the financing of their gross capital formation would appear to have declined from 6.6 p.c. of G.N.P. in 1979 to 6.2 p.c.

On the other hand, that capital formation itself, which had already shown a distinct recovery the previous year, rose again fairly substantially : while the extent of stock-building was smaller than in 1979, investment in fixed capital would appear to have gone up by a little over 17 p.c. in value and more than 10 p.c. in volume. The extent of this growth was certainly influenced by the cyclical upswing of 1978-1979, the improvement in companies' own funds — undistributed profits and depreciation — which accompanied it, the ever-present need to rationalise production plant and, in some sectors, such as the steel and shipbuilding industries, the carrying out of restructuring plans drawn up in consultation with the public authorities. The expansion in fixed capital formation was particularly marked in the manufacturing industries as a whole (primarily in the iron and steel industry, the metal-working industries and the petroleum and textile industries), as well as in the mining industry, the water sector, banking and insurance; in trade, transport and communications the growth was smaller, while in building and agriculture there was a decline.

Altogether, gross domestic capital formation by companies would appear to have amounted to 9.4 p.c. of the gross national product, against 9.1 p.c. in 1979. This increase, combined with the decrease in companies' own funds which has been referred to above, would appear to have caused net financing requirements to rise from 2.5 to 3.2 p.c. of the national product, as already stated in Chapter 2¹.

The way in which these requirements were met is at present only known for the first ten months. During that period, these requirements amounted, according to financial data, to Fr. 109 billion, against Fr. 43 billion in 1979. In order to meet these increased requirements,

¹ Summary of the development of income and expenditure in Belgium.

companies appreciably reduced their formation of financial assets (Fr. 23 billion, against Fr. 69 billion) and contracted more debts (Fr. 132 billion, against Fr. 112 billion).

Table 5.

FORMATION OF FINANCIAL ASSETS BY COMPANIES ¹

(Billions of francs)

	Claims on Belgium			Claims on foreign countries	Grand total
	in Belgian francs	in foreign currencies	Total		
1972	+ 16	...	+ 16	+ 14	+ 30
1973	+ 43	+ 2	+ 45	+ 8	+ 53
1974	+ 20	+ 6	+ 26	+ 3	+ 29
1975	- 4	+ 6	+ 2	- 8	- 6
1976	+ 59	+ 8	+ 67	+ 19	+ 86
1977 .....	...	+ 4	+ 4	+ 2	+ 6
1978	+ 35	- 6	+ 29	+ 20	+ 49
1979	+ 39	+ 8	+ 47	+ 21	+ 68
1979 First 10 months	+ 53	+ 7	+ 60	+ 9	+ 69
1980 First 10 months ... p	+ 23	+ 11	+ 34	- 11	+ 23

¹ See footnote 1 to Table 3.

The reduced formation of financial assets by companies is to be found both in their claims on foreign countries and in their claims on Belgium; the former fell by Fr. 11 billion, whereas they had risen by Fr. 9 billion during the first ten months of 1979; this change is attributable to the movement of direct investments. Financial claims on Belgium, for their part, increased less rapidly than in 1979, this having been solely due to the appreciably slower growth in assets in Belgian francs; on the other hand, the formation of assets in foreign currencies increased.

The rise in the new financial liabilities of companies during the first ten months of 1980 (Fr. 132 billion) compared with that in 1979 (Fr. 112 billion) is mainly reflected in the movement of long-term liabilities, one reason for which is the fact that the cost of short-term credit rose rapidly to an all-time high during the early months of the year, whereas the rate for long-term credits was only raised, and to a

Table 6.

FINANCIAL LIABILITIES OF COMPANIES

(Changes in billions of francs)

	At short term to			At long term to						Grand total
	Belgian financial intermediaries	foreign countries	Total	Belgian financial intermediaries	of which : bonds issued by public operating organisations	Belgian non-financial sectors		foreign countries	Total	
						by bond issues	by share issues			
1972	+ 32	+ 5	+ 37	+ 28	(+ 9)	+ 9	+ 4	+ 6	+ 47	+ 84
1973	+ 40	+ 8	+ 48	+ 30	(+ 6)	+ 9	+ 4	+ 13	+ 56	+ 104
1974	+ 27	+ 19	+ 46	+ 39	(+ 6)	+ 12	+ 3	+ 20	+ 74	+ 120
1975	+ 45	+ 16	+ 61	+ 41	(+ 15)	+ 13	+ 2	+ 21	+ 77	+ 138
1976	+ 57	+ 8	+ 65	+ 37	(- 4)	+ 22	...	+ 29	+ 88	+ 153
1977	+ 54	+ 17	+ 71	+ 27	(+ 16)	+ 1	+ 9	+ 28	+ 65	+ 136
1978	+ 34	+ 9	+ 43	+ 48	(+ 17)	+ 8	+ 10	+ 35	+101	+ 144
1979	+ 87	+ 4	+ 91	+ 31	(+ 1)	...	+ 6	+ 31	+ 68	+ 159
1979 First 10 months	+ 58	+ 1	+ 59	+ 26	(...)	+ 4	+ 5	+ 18	+ 53	+ 112
1980 First 10 months <i>p</i>	+ 53	+ 11	+ 64	+ 35	(...)	+ 4	+ 1	+ 28	+ 68	+ 132

smaller extent, after a certain length of time. The long-term debts which increased to a greater extent are those to foreign countries, partly because a number of public operating organisations borrowed larger amounts on foreign markets, and those to Belgian financial intermediaries; recourse to the Belgian non-financial sectors, on the other hand, was again smaller in extent than the previous year : for instance, the public utility undertakings, primarily electricity companies, did not, as they had done in 1979, make any public share issues.

c) **Public authorities**

The very pronounced expansion — even greater than in the previous years — in the public authorities' net financing requirements, from 9.4 p.c. of the gross national product in 1979 to 11.8 p.c. in 1980, has already been mentioned in Chapter 2¹. In the foreign countries shown in Chart 11, these requirements were distinctly smaller, except in Italy, where they were of the same order of magnitude as in Belgium.

Likewise in Chapter 2 it was explained that this growth in the requirements of the Belgian public authorities in 1980 was attributable to the increase, in terms of the national product, in expenditure on consumption and capital formation and to the contraction in disposable income, i.e. in the extent to which receipts of all kinds exceed expenditure on transfers (interest payments on the public debt, unemployment benefits, etc.). It can also be shown, by classifying the public authorities' transactions in a slightly different manner, that the above-mentioned increase is due to the smallness of the rise in receipts and the marked growth in expenditure of all kinds (hence including transfer expenditure); this is what is done in the present chapter.

The fiscal and parafiscal revenue collected by the public authorities² appear to have risen by 5.6 p.c., which is a slower rate of increase than that in the gross national product, estimated at 6.7 p.c. The ratio between these two magnitudes, which represents the fiscal and parafiscal pressure, thus appears to have declined; this decline, although to some extent accidental in nature, is in contrast both with the uninterrupted

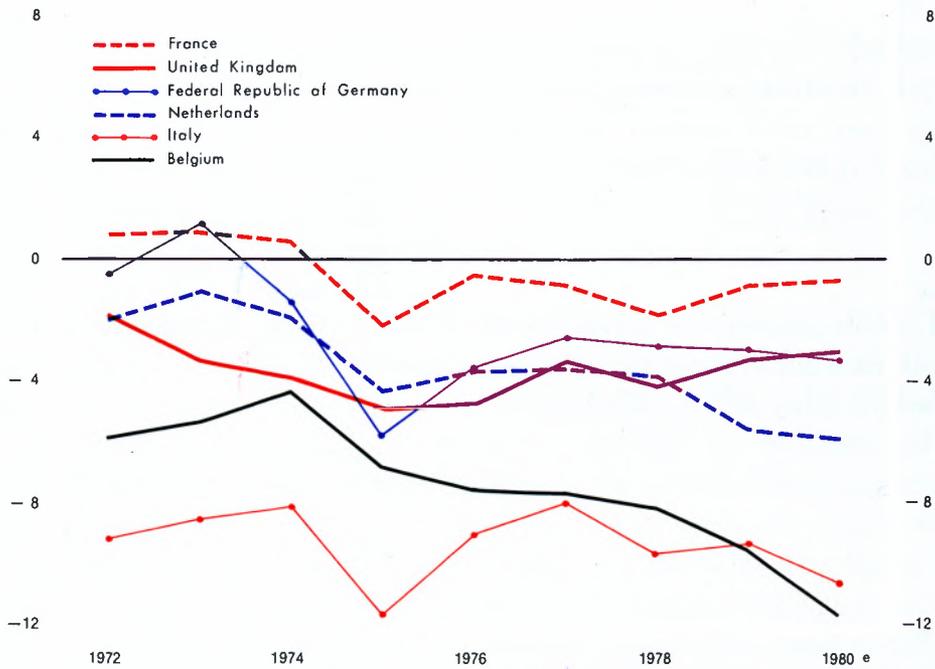
¹ Summary of the development of income and expenditure in Belgium.

² See Annex 6, Table 2.

Chart 11.

INTERNATIONAL COMPARISON OF THE NET FINANCING CAPACITIES (+) OR REQUIREMENTS (-) OF THE PUBLIC AUTHORITIES AS A WHOLE ¹

(As percentages of gross national product)



Sources : Belgium : see Table 7. Netherlands : Ministry of Finance. Other countries : Organisation for Economic Cooperation and Development.

¹ The data for Belgium and the Netherlands, unlike those for the other countries, include the public authorities' expenditure on the granting of loans and the acquisition of interests and are therefore not fully comparable with the latter. These differences, however, have only a limited effect on the chronological development of the respective balances.

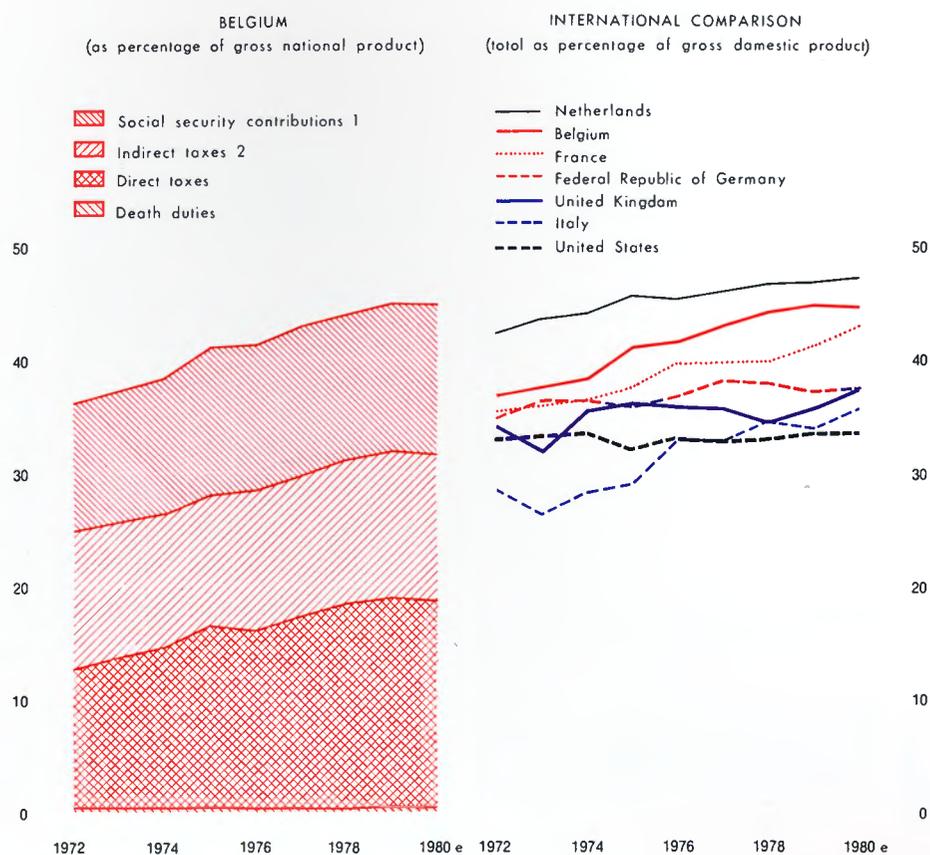
growth in the pressure during the previous years and with the general increase observed abroad. Despite this divergent movement, the pressure would appear to have remained distinctly greater in Belgium than in the other countries included in Chart 12, except for the Netherlands. It also appears to have been less than that in some member countries of the European Economic Community not included in that chart, as well as that in Norway and Sweden.

The fact that the fiscal and parafiscal pressure did not increase as it had during the previous years is partly due to a set of measures

adopted in implementation of the government agreement of 15th May, one of the aims of which was to moderate the pressure of taxation on individuals and encourage investment by enterprises.

Chart 12.

FISCAL AND PARAFISCAL CHARGES



Sources : Belgium : National Statistical Institute and Ministry of Finance. Calculations of the National Bank of Belgium. International comparison : Organisation for Economic Cooperation and Development, except for the charges of the Netherlands and Belgium in 1980 which were estimated on the basis of national sources.

¹ Including officials' contributions for surviving dependants' pensions (widows and orphans).

² Including revenue transferred as own resources to the European Communities (mainly customs duties and, since 1970, part of the value-added tax), agricultural levies and levies of the European Coal and Steel Community.

These measures had the effect of reducing the yield of direct taxes by abolishing the joint assessment of the earned incomes of married couples and by allowing a more favourable rate of taxation to households

where only one spouse has an earned income, provided, in both cases, that the earned income does not exceed Fr. 600,000. The effect of a series of other technical or administrative factors was in the same direction. Thus, in 1980 the Treasury's revenue was no longer swollen by the double levying of the additional income tax for the benefit of the local authorities, as had been the case in 1979 and, even more so, in 1978. Furthermore, there appear to have been delays in the assessment of the taxes payable by individuals owing to administrative difficulties connected with the implementation of the reforms of the tax system, as well as in the levying of the preliminary taxes on real estate, which were calculated, for the first time, on the basis of new scales for income from real estate. Altogether, the rate of expansion of direct taxes, which, as a result of the progressivity of the scales, usually exceeds that in the gross national product, would appear to have amounted to only 3.9 p.c.

The increase in indirect taxes, for its part, was slowed down by a measure for encouraging investment by enterprises, namely the introduction with effect from 1st July of the full deductibility of the value-added tax on items acquired for these investments, and by the weakness of the real estate market, which caused a decline in the revenue from registration fees. The revenue shortfall due to these factors was only partly offset by additional receipts mainly attributable to the increases introduced towards the end of 1979 and in 1980 in the excise duties on mineral oils and to the raising of the vehicle road tax, so that the total of indirect taxes would appear to have risen by 5.5 p.c., i.e. more slowly than the gross national product.

The rise of 8.1 p.c. in social security contributions, which was faster than that in the gross national product, is connected with the expansion of total wages and salaries, which was also faster than that in the national product; it is furthermore attributable to measures, effective from 1st October, providing for the introduction of a contribution payable by pensioners and the raising of the ceilings and rates used for calculating the contributions of the « health care » sector.

In addition to the fiscal and parafiscal revenue which has just been discussed, the public authorities had, as each year, certain other receipts, among which those from the public-sector financial intermediaries rose appreciably. The total of these fiscal, parafiscal and other receipts appears to have increased by about 6 p.c.

The rate of growth of the total expenditure of the public authorities¹ appears to have been 10.7 p.c., thus very considerably exceeding, to an even greater extent than during most of the previous years, that in the gross national product. Unlike that of receipts, it was little affected, at least directly, by political decisions, but was the result of international and national circumstances (the effect of the monetary policy pursued by certain foreign countries on Belgian interest rates, the recession) and of commitments previously entered into by the public authorities.

An analysis of the various categories of current expenditure does in fact show that the interest service of the public authorities' debt appears to have expanded most, going up from Fr. 167 billion in 1979 to Fr. 212 billion. This expansion of over 25 p.c., which is the fastest rate in recent decades, is explained both by the very high level of interest rates — especially short-term rates, whose average for the year reached an all-time high — and by the unprecedented growth in the public debt during the recent past.

Moreover, the further deterioration of the labour market situation led to an increase in the average number of unemployed persons and of beneficiaries of job-creation measures, commonly referred to as the « Spitaels Plan ». This development, together with the introduction of a system of bonuses payable to enterprises to encourage them to engage workers, called the « Dewulf Plan », would appear to have pushed up expenditure on unemployment benefits and job-creation by nearly 15 p.c.

The rate of increase of other public expenditure — that is, of those items which are not theoretically irreducible — was distinctly lower than that of the two categories analysed above. However, it still somewhat exceeded that in the gross national product, as well as the rate of increase of consumer prices (6.6 p.c.), thus exceeding what has come to be called the « zero growth » norm.

Altogether, current expenditure appears to have gone up by 10 p.c.

The marked expansion in total capital expenditure, amounting to about 16 p.c., would appear to be primarily attributable to the even faster rise in investment undertaken by the public authorities. The last-mentioned

¹ See Annex 6, Table 3.

development appears to have been the result of the carrying out of major contracts previously entered into, since the Government, in view of the already considerable extent of the financing requirements, once more decided to give the go-ahead to only part of the investment programme, which was itself modest in extent.

Table 7.

PUBLIC AUTHORITIES' NET FINANCING REQUIREMENTS

	Treasury	Other Central Government 1	Local authorities 2	Social security 3	Statistical adjustment 4	Public authorities as a whole 5	Public authorities as a whole as percentage of gross national product
(billions of francs)							
1972	- 64	- 22	- 7	+ 15	- 14	- 92	5.8
1973	- 51	- 20	- 16	+ 17	- 25	- 95	5.3
1974	- 57	- 21	- 20	+ 18	- 11	- 91	4.3
1975	- 110	- 23	- 23	+ 20	- 22	- 158	6.8
1976	- 133	- 21	- 29	+ 12	- 31	- 202	7.6
1977	- 168	- 18	- 19	+ 16	- 30	- 219	7.7
1978	- 183	- 10	- 27	+ 3	- 31	- 248	8.1
1979	- 212	- 29	- 29	- 6	- 29	- 305	9.4
1980 e	- 297	- 22	- 45	- 16	- 29	- 409	11.8

Sources : Treasury : see Table 8. Other Central Government and local authorities : National Bank of Belgium. Social security : National Statistical Institute.

1 Changes in the debudgetised debt borne by the Treasury and in the net indebtedness of some central government agencies other than the Treasury. See Annex 6, Table 5, item 4.

2 Changes in net liabilities to the Belgian Municipal Credit Institution and the other financial intermediaries and net loan issues in Belgian francs and foreign currencies.

3 Current savings of the social security institutions, including the Overseas Social Security Office and the Supplementary Assistance Funds, less their investments.

4 The reason why the result of adding together the requirements of the various sub-sectors is not equivalent to the total requirements is that it was not possible to record the former and the latter by the same method. The requirements of the various sub-sectors (except for social security) can only be estimated by recording the change in their net financial liabilities, which gives actual payments. The method used for estimating total requirements, which has to be such as to produce figures compatible with those for the financing requirements or capacities of the other sectors of the economy and of the rest of the world in some cases records the payments at the time when they become due. The statistical adjustment is therefore partly attributable to differences in the accounting dates, but probably above all to errors and omissions in the recording of the net financial liabilities of the various sub-sectors and in that of the total requirements.

5 The net financing requirements of the public authorities as a whole correspond to the difference between the receipts and expenditure of the public authorities as a whole shown in Annex 6, Tables 2 and 3.

The difference in the development of the public authorities' revenue and expenditure caused their net financing requirements to rise from Fr. 305 billion in 1979 to Fr. 409 billion.

This expansion in net financing requirements is primarily due to the operations of the Treasury, whose deficit amounted to Fr. 297 billion

in 1980, against Fr. 212 billion the previous year [column (h) of Table 8]. This increase of Fr. 85 billion was only financed to the extent of Fr. 47 billion by the traditional financial circuits outside the Bank [column (g) of Table 8]. Furthermore, a sharp change took place in the maturity pattern of the financing resources thus obtained : a distinct increase in the proportion represented by the floating debt (+ Fr. 103 billion) and a decrease in that represented by the consolidated debt (- 56 billion) [columns (e) and (f) of Table 8]; the fact that short-term rates exceeded long-term rates throughout the greater part of the year, together with the prospects of a rise in the latter, in fact induced the financial intermediaries to prefer subscribing for Treasury certificates rather than Government bonds.

The rise in indebtedness entailing creation of liquidity by the Bank was therefore greater than in the previous year : Fr. 117 billion, against Fr. 79 billion [column (d) of Table 8]. This additional Fr. 38 billion is more than accounted for by the greater volume of issues of foreign-currency loans : the proceeds of these amounted to Fr. 92 billion, or Fr. 50 billion more than in the previous year. On the other hand, the portfolio of Treasury certificates which the Securities Regulation Fund finances with the special advances which the Bank grants to it for this purpose increased less than in 1979.

As a result of these developments, the above-mentioned special advances, the limit on which was raised from Fr. 60 to 90 billion during the year, amounted to Fr. 77 billion as at 31st December; on the same date, the outstanding amount of the Treasury's foreign-currency debt, both short- and long-term, was Fr. 153 billion.

Expenditure not included in the budget would appear to have created, for the Central Government, smaller net financing requirements than in 1979. There appears to have been a decrease in outpayments of various kinds, including those made by the National Industrial Credit Company in order to provide funds to the iron and steel industry on behalf of the State.

The net financing requirements of the other sub-sectors of the public authorities appear to have increased.

The local authorities financed the appreciable growth in their deficit, primarily due to a delay in the collection of their revenues, by having

recourse, for larger amounts, to the Belgian Municipal Credit Institution, which is their traditional lender, and to foreign-currency loans.

Table 8.

MEETING OF THE TREASURY'S NET FINANCING REQUIREMENTS

(Billions of francs)

	Changes in debts entailing creation of liquidity by the National Bank of Belgium				Changes in other debts in Belgian francs			Grand total ²
	Treasury certificates held by the Bank (margin)	Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank	Debt in foreign currencies ¹	Total	Floating	Consolidated	Total	
1972	- 4	+ 2	- 14	- 16	+ 2	+ 78	+ 80	+ 64
1973	- 1	- 2	- 4	- 7	- 4	+ 62	+ 58	+ 51
1974	+ 5	...	- 2	+ 3	+ 3	+ 51	+ 54	+ 57
1975	- 1	+ 3	- 1	+ 1	+ 14	+ 95	+109	+110
1976	+ 16	+ 1	- 1	+ 16	+ 35	+ 82	+117	+133
1977	+ 16	...	- 1	+ 15	+ 18	+135	+153	+168
1978 .....	...	+ 13	+ 12	+ 25	+ 14	+144	+158	+183
1979 .....	...	+ 37	+ 42	+ 79	+ 7	+126	+133	+212
1980 .....	...	+ 25	+ 92	+117	+110	+ 70	+180	+297

¹ As their proceeds are surrendered by the Treasury to the National Bank of Belgium against Belgian francs, these foreign-currency loans also entail creation of liquidity by the Bank.

² See Annex 6, Table 5, item 3.

The deficit of the social security sector, accounted for by its « sickness and disability insurance » and, above all, « pension » sectors, would appear to have risen from Fr. 6 to 16 billion, this worsening having been mainly financed by a larger reduction than in 1979 in the financial assets held by the social security organisations.

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

As was stated in Chapter 2¹, net lending by foreign countries to Belgium would appear to have represented 4 p.c. of the gross national product in 1979 and 5.6 p.c. in 1980. The Belgian-Luxembourg Economic Union's deficit in respect of current transactions, which will be discussed in this chapter, differs somewhat from this net lending, mainly because it excludes the transactions of Belgium with the Grand Duchy of Luxembourg, but takes into account the latter's transactions with third countries. However, the development of the net lending of foreign countries to Belgium is due to essentially the same causes as will be mentioned to explain the development of the Union's current account balance of payments deficit.

This deficit, like that of Belgium, has become substantial, having risen from 1 p.c. of the gross national product in 1977 and 1978 to 3 p.c.

Table 9.

BALANCES OF CURRENT TRANSACTIONS OF VARIOUS INDUSTRIALISED COUNTRIES WITH FOREIGN COUNTRIES

(As percentages of gross national product)

	1972	1973	1974	1975	1976	1977	1978	1979	1980 <i>c</i>
Belgian-Luxembourg Economic Union	+3.7	+2.6	+1.2	+0.4	-0.1	-0.9	-1.0	-3.0	-4.7
Netherlands	+2.8	+4.0	+3.1	+2.4	+3.0	+0.6	-1.1	-1.6	-1.8
Federal Republic of Germany	+0.3	+1.3	+2.7	+1.0	+0.9	+0.8	+1.4	-0.7	-2.1
France	+0.2	-0.3	-2.3	...	-1.7	-0.8	+0.8	+0.2	-1.2
Italy	+1.5	-1.8	-4.7	-0.4	-1.5	+1.2	+2.4	+1.6	-1.3
Denmark	-0.5	-1.7	-2.8	-1.3	-4.5	-3.6	-2.7	-4.6	-4.4
United Kingdom	+0.3	-1.4	-4.0	-1.6	-0.9	-0.2	+0.4	-1.0	+0.9
United States	-0.5	+0.5	+0.3	+1.2	+0.3	-0.7	-0.7	...	+0.2
Japan	+2.2	...	-1.0	-0.1	+0.7	+1.6	+1.7	-0.9	-1.3

Source : International Monetary Fund and Organisation for Economic Cooperation and Development.

¹ Summary of the development of income and expenditure in Belgium.

Table 10.

CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES ¹

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1960 <i>p</i>
									First 9 months	
1. <i>Transactions in goods</i> :										
1.1 Exports ²	593	744	976	902	1,049	1,206	1,285	1,534	1,119	1,277
1.2 Imports ²	540	698	966	916	1,096	1,281	1,334	1,637	1,180	1,399
Trade surplus (+) or deficit (-) ³	+ 53	+ 46	+ 10	- 14	- 47	- 75	- 49	- 103	- 61	- 122
1.3 Third-country trade ⁴	+ 3	+ 5	+ 14	+ 17	+ 21	+ 26	+ 8	+ 19	+ 15	+ 20
Total 1 ...	+ 56	+ 51	+ 24	+ 3	- 26	- 49	- 41	- 84	- 46	- 102
2. <i>Transactions in services</i> ⁵ :										
2.1 Foreign travel	- 12	- 17	- 18	- 20	- 23	- 26	- 34	- 39	- 35	- 37
2.2 Portfolio and investment income	+ 7	+ 7	+ 12	+ 16	+ 23	+ 19	+ 19	+ 10	+ 9	- 2
2.3 Contracting	- 2	- 1	- 2	- 3	+ 4	+ 10	+ 2	- 3	- 2	- 1
2.4 Other services	+ 21	+ 20	+ 23	+ 35	+ 39	+ 43	+ 43	+ 42	+ 31	+ 37
Total 2 ...	+ 14	+ 9	+ 15	+ 28	+ 43	+ 46	+ 30	+ 10	+ 3	- 3
3. <i>Transfers</i> :										
3.1 Private transfers ⁶	+ 1	+ 2	+ 1	- 3	- 6	- 7	- 6	- 10	- 8	- 9
3.2 Public transfers ⁷	- 10	- 14	- 15	- 19	- 13	- 16	- 14	- 16	- 10	- 22
Total 3 ...	- 9	- 12	- 14	- 22	- 19	- 23	- 20	- 26	- 18	- 31
4. <i>Grand total</i>	+ 61	+ 48	+ 25	+ 9	- 2	- 26	- 31	- 100	- 61	- 136

¹ Balance of transactions, except for the items « Exports » and « Imports ». Including, since 1977, transactions paid for by offsetting.

² Including commission processing. Estimated actual transactions.

³ See Annex 6, Table 6.

⁴ Goods bought and resold abroad by residents. Estimated actual transactions.

⁵ See Annex 6, Table 7.

⁶ This item mainly consists, on the expenditure side, of funds transferred to their countries of origin by foreign workers living in the Belgian-Luxembourg Economic Union and, on the receipts side, of remuneration available in Belgium to Belgians working abroad for the purpose of technical assistance.

⁷ This item mainly consists, on the expenditure side, of technical assistance and of contributions of the Belgian and Luxembourg Governments to European institutions and, on the receipts side, of the payments made by the European Agricultural Guidance and Guarantee Fund to resident farmers.

in 1979 and 4.7 p.c. in 1980. It has thus during the last two years been appreciably greater than that of nearly all the industrialised countries appearing in Table 9. The worsening between 1978 and 1980 was just as great as in countries whose current account balance was originally positive, such as Italy, Japan and the Federal Republic of Germany.

The deficit on current transactions with foreign countries went up from Fr. 31 billion in 1978 to Fr. 100 billion in 1979 and, for the first nine months, from Fr. 61 billion in 1979 to Fr. 136 billion in 1980. These two successive deteriorations, which to a great extent have common causes, are the result of the development of the three major categories of current transactions, but above all of transactions in goods and, more specifically, exports and imports.

The trade deficit had increased by Fr. 54 billion between 1978 and 1979, Fr. 44 billion of this deterioration having been due to energy products. From the first nine months of 1979 to the corresponding period of 1980, the import surplus of these products rose further by Fr. 58 billion and the worsening of the overall trade deficit was of the same order of magnitude : Fr. 61 billion. Between 1978 and the whole of 1980, the expansion of the energy bill would appear to have represented about 3.5 p.c. of the gross national product of the first-mentioned year, as between 1973 and 1974. Net imports of non-energy raw materials, which had also risen in 1979, mainly owing to the increase in their prices, declined slightly during the first nine months of 1980. Furthermore, the downward trend of net exports of manufactured products which was observable in 1977-1978 seems to have stopped, if not reversed. Two factors could be responsible for this change of trend. The structure of exports according to products and geographical areas in 1970-1973, which is known to have been a handicap during the subsequent period, at least until 1977¹, may have had a less harmful effect owing to the temporary strengthening of the steel market in 1979 and at the beginning of 1980. Furthermore, the competitiveness of the Belgian-Luxembourg Economic Union with regard to domestic costs, which had deteriorated considerably until 1977, subsequently recovered; the influence of this second factor nevertheless remains uncertain, because there does in fact seem to be a certain time-lag before it takes effect.

¹ See « L'essoufflement de l'économie belge dans la décennie passée », in the Bulletin of the National Bank of Belgium, September and November 1980.

Whereas the surplus left by transactions in services had increased appreciably between 1973 and 1977, it became smaller after that, finally disappearing in 1980. This decline is mainly due to the fact that the rise in expenditure on foreign travel continued and that the sudden upsurge in net receipts in respect of contracting work in 1977 did not continue. In 1979 and 1980 it is also, and chiefly, due to the deterioration in the net income from direct and portfolio investments, owing to the ever-increasing indebtedness to foreign countries, especially in the form of foreign-currency loans contracted by the public sector; furthermore, in 1980, the interest rates paid on this indebtedness were extremely high.

Table 11.

DISPARITY IN LABOUR COSTS ¹

(Indices 1975 = 100)

	Labour costs per unit of output	Hourly labour costs
1972	96.8	86.3
1973	93.3	88.8
1974	98.5	94.7
1975	100.0	100.0
1976	103.1	102.6
1977	106.9	107.0
1978	105.1	106.9
1979	104.1	106.3
1979 First 6 months	103.4	106.1
1980 First 6 months	100.2	103.8

Sources : Statistical Office of the European Communities, Organisation for Economic Cooperation and Development, U.S. Department of Commerce, Economic Research Institute of the Catholic University of Louvain. Calculations of the National Bank of Belgium.

¹ Quotients of the index for Belgian manufacturing industries by the weighted average of the indices for the manufacturing industries of seven competing countries (Federal Republic of Germany, France, United Kingdom, Netherlands, Italy, United States, Japan). The indices of these competing countries were adjusted to allow for the variations in the exchange rate for their currency in relation to the Belgian franc.

The deficit in respect of transfers expanded in 1979 and again during the first nine months of 1980; during the latter period the deterioration was substantial, in particular, for public transfers, because the receipts resulting from the payments by the European Agricultural Guidance and Guarantee Fund to resident farmers, which are fairly irregular, fell off markedly.

Table 12.

SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1980 p
	First 9 months									
1. <i>Net commercial claims on foreign countries</i> ¹ , <i>including claims mobilised at banks</i>	-19	- 5	...	+ 9	-21	- 7	-21	-17	-19	- 3
2. <i>Other transactions of private-sector residents</i> :										
2.1 <i>Direct and portfolio investments of enterprises and individuals in foreign countries</i>	-46	-48	-46	-48	-44	-52	-54	-86	-52	-52
of which :										
2.11 <i>Securities</i>	(-36)	(-31)	(-15)	(-36)	(-13)	(-18)	(-25)	(-14)	(-14)	(-15)
2.12 <i>Deposits</i>										
2.121 <i>in Belgian and Luxembourg francs</i>	(...)	(- 4)	(- 9)	(...)	(- 9)	(- 4)	(-11)	(-26)	(-14)	(-32)
2.122 <i>in foreign currencies</i>	(- 1)	(- 3)	(- 3)	(- 3)	(- 9)	(-13)	(- 1)	(- 4)	(- 4)	(-12)
2.13 <i>Direct investments</i> ²	(- 3)	(- 6)	(-13)	(- 2)	(- 7)	(- 9)	(- 9)	(-19)	(-10)	(...)
2.14 <i>Loans</i>	(- 4)	(- 1)	(- 1)	(- 3)	(- 4)	(- 4)	(- 2)	(-14)	(- 3)	(+11)
2.2 <i>Net spot and forward assets in foreign currencies held by enterprises and individuals with Belgian and Luxembourg banks</i> ³	+12	- 4	-10	-13	...	+16	+19	+15	+ 1	+ 5
2.3 <i>Spot and forward position in foreign currencies of Belgian and Luxembourg banks</i> ⁴	+ 3	- 6	+ 4	- 7	- 8	- 4	+ 7	+23	+21	- 5
Total 2 ...	-31	-58	-52	-68	-52	-40	-28	-48	-30	-52
3. <i>Other transactions of non-residents with the resident private sector</i> :										
3.1 <i>Direct and portfolio investments with enterprises and individuals</i>	+28	+37	+42	+41	+43	+53	+45	+37	+24	+41
of which :										
3.11 <i>Direct investments</i> ²	(+11)	(+18)	(+20)	(+15)	(+23)	(+22)	(+27)	(+22)	(+16)	(+19)
3.12 <i>Loans</i>	(+ 6)	(+10)	(+22)	(+19)	(+ 8)	(+18)	(+14)	(+ 8)	(+ 1)	(+ 9)
3.2 <i>Net spot and forward assets in Belgian and Luxembourg banks</i> ⁵	- 3	+18	- 3	+20	- 5	- 2	+ 8	+28	+ 2	+49
Total 3 ...	+25	+55	+39	+61	+38	+51	+53	+65	+26	+90
4. <i>Grand total</i>	-25	- 8	-13	+ 2	-35	+ 4	+ 4	...	-23	+35

1 Plus sign : decrease in claims; minus sign : increase.

2 Formation of companies and acquisition of interests, excluding loans.

3 Plus sign : decrease in net assets of enterprises and individuals; minus sign : increase.

4 Plus sign : decrease in net assets of banks; minus sign : increase.

5 Plus sign : increase in net assets of non-residents; minus sign : decrease.

N.B. The plus signs indicate capital inflows; the minus signs, outflows.

Capital transactions are shown in Tables 12 and 14, which present, respectively, those of the private sector and those of the public sector, and in Table 15, which shows, together with a summary of other transactions, the movement in the Bank's exchange reserves.

The capital transactions of the private sector, which appear in Table 12, include, in addition to spot transactions with foreign countries (which are the only ones taken into account in the usual presentation of the balance of payments), residents' transactions in foreign currencies with domestic monetary institutions and forward transactions. During the first nine months of last year these transactions resulted in a total net surplus (of + Fr. 35 billion), instead of the net outflows (– Fr. 23 billion) recorded in 1979 (grand total of Table 12).

This improvement is to a certain extent attributable to the development of long-term capital movements. Inflows of foreign capital for direct investments (item 3.11 of Table 12) increased, rising from Fr. 16 billion during the first three quarters of 1979 to Fr. 19 billion last year. Expressed on an annual basis the latter amount is, in terms of current prices, much greater than the corresponding average for the past decade. These figures would seem to indicate that foreign companies are still investing in the Belgian-Luxembourg Economic Union, even if only in the form of extensions to or modernisations of existing establishments; it will be recalled, however, that they relate only to the portion of investments whose financing is provided by a contribution of funds from the companies in question. Furthermore, the outflows of residents' capital for direct investments in foreign countries (item 2.13 of Table 12), which had been substantial the previous year (Fr. 10 billion), practically disappeared. Lastly, purchases of foreign securities by residents (item 2.11 of Table 12), which fell off from the middle of the past decade onwards, stabilised in 1980, reaching Fr. 15 billion, against Fr. 14 billion in 1979.

With regard to short-term private capital, two very substantial movements in opposite directions are observable. On the one hand, for the reasons stated in Chapter 3 a) ¹, the formation of deposits in francs in foreign countries by residents increased sharply (item 2.121 of Table 12) : net outflows under this head amounted to Fr. 32 billion, against

¹ Development of the major sectors of the Belgian economy : Individuals.

Fr. 14 billion in 1979. On the other hand, non-residents added Fr. 49 billion to their net assets in Belgian francs with Belgian and Luxembourg banks, whereas they had increased them by only Fr. 2 billion the previous year (item 3.2 of Table 12). A large proportion of this latter movement in fact represents the counterpart of the former, since the deposits in francs built up with foreign banks are normally re-lent by the latter to their Belgian and Luxembourg correspondents.

Among the other movements of short-term private capital, it will be noted that residents' transactions in foreign currencies led to net outflows, instead of the net inflows recorded in 1979. On the one hand, the banks' total position in foreign currencies (item 2.3 of Table 12) increased by Fr. 5 billion, instead of a decrease of Fr. 21 billion the previous year; on

Table 13.

SHORT-TERM CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR
(Billions of francs)

	Net commercial claims on foreign countries ¹	Loans ²	Enterprises' and individuals' net assets in foreign currencies in the form of deposits in foreign countries and with Belgian and Luxembourg banks ³	Non-residents' net assets in francs with Belgian and Luxembourg banks ⁴	Belgian and Luxembourg banks' position in foreign currencies ⁵	Total
1972	- 15	+ 2	+ 11	- 3	+ 3	- 2
1973	- 3	+ 9	- 7	+ 14	- 6	+ 7
1974	+ 8	+ 21	- 13	- 12	+ 4	+ 8
1975	+ 9	+ 16	- 16	+ 20	- 7	+ 22
1976	- 10	+ 4	- 9	- 14	- 8	- 37
1977	- 3	+ 14	+ 3	- 6	- 4	+ 4
1978	- 15	+ 12	+ 18	- 3	+ 7	+ 19
1979	- 4	- 6	+ 11	+ 2	+ 23	+ 26
1979 First 9 months ...	- 10	- 2	- 3	- 12	+ 21	- 6
1980 First 9 months <i>p</i>	+ 12	+ 20	- 7	+ 17	- 5	+ 37

¹ Item 1 of Table 12, less the change in the outstanding amount of credits mobilised with Creditexport.

² Item 2.14 + item 3.12 of Table 12.

³ Item 2.122 + item 2.2 of Table 12.

⁴ Less the assets held by foreign banks with Belgian and Luxembourg banks, which represent the estimated counterpart of the deposits in francs made by enterprises and individuals with the afore-mentioned foreign banks. Owing to this correction, this column does not correspond to item 3.2 of Table 12 alone but to the sum of items 2.121 and 3.2 of that Table.

⁵ Item 2.3 of Table 12.

Table 14.

SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1980 <i>p</i>
									First 9 months	
1. <i>Transactions of public authorities :</i>										
1.1 with foreign countries	- 11	- 5	- 4	- 4	- 3	...	+ 12	+ 4	+ 2	+ 32
1.2 in foreign currencies with Belgian and Luxembourg banks ¹	- 6	...	...	...	+ 1	- 2	...	+ 36	+ 38	+ 53
Total 1 ...	- 17	- 5	- 4	- 4	- 2	- 2	+ 12	+ 40	+ 40	+ 85
2. <i>Transactions of public enterprises ² with foreign countries</i>	- 2	- 3	- 1	...	+ 9	+ 3	- 4	+ 32	+ 20	+ 47
3. <i>Grand total</i>	- 19	- 8	- 5	- 4	+ 7	+ 1	+ 8	+ 72	+ 60	+132

¹ Plus sign : increase in indebtedness in foreign currencies to banks; minus sign : decrease.

² Financial intermediaries and public operating organisations.

back as September 1978. Taking the beginning of that month as the starting point and allowance being made for their indebtedness to the Grand Duchy of Luxembourg and that in foreign currencies to Belgian banks, we obtain, for the net external borrowings of the public authorities, a cumulative total of about Fr. 195 billion as at 30th September 1980. To this total there must also be added that of the similar transactions carried out by the rest of the public sector : during the period September 1978 - September 1980, the financial intermediaries in that sector and the public operating organisations contracted new foreign loans totalling Fr. 74 billion and Fr. 10 billion respectively.

But it was not only the public sector that had recourse to foreign countries : during the period in question, the banks increased their net foreign indebtedness — including that to the Grand Duchy of Luxembourg but excluding the liabilities representing the counterpart of their foreign-currency claims on the public sector — by Fr. 152 billion.

The Bank, too, has recourse to foreign countries when it uses its exchange reserves, since the liquidation of assets has an impoverishing effect in just the same way as the contracting of debts. However, these reserves remained practically unchanged during the period under review (Fr. + 0.4 billion); the decrease which had taken place during the last four months of 1978 and in 1979 was made up for by the increase in 1980.

Altogether, net borrowing abroad by the public sector, the banks and the Bank between September 1978 and September 1980 amounted to about Fr. 431 billion. These capital inflows represent the counterpart of the net outflows from the private non-bank sector and of Belgium's current account deficit, which amounted to about Fr. 156 and 275 billion respectively.

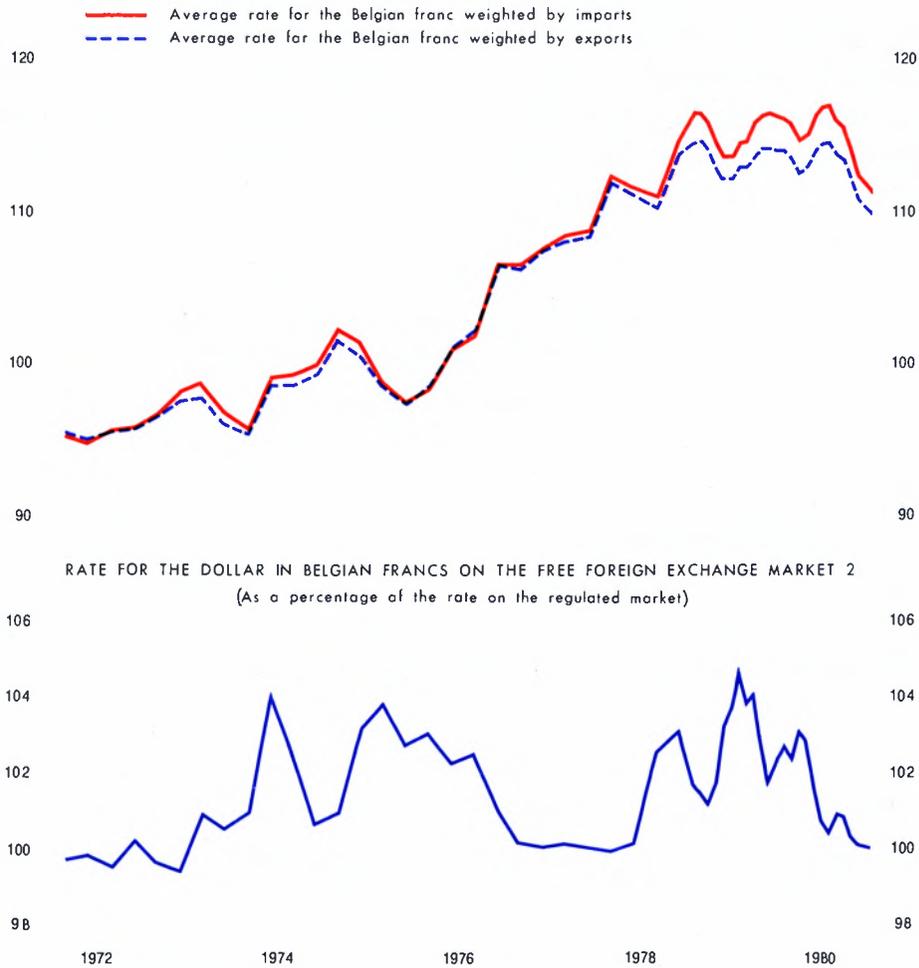
The statistical data available for the month of October do not allow current transactions to be estimated completely on a transactions basis, since it has not been possible to exclude capital movements corresponding to the changes in commercial claims not mobilised at banks. Subject to this reservation, the transactions thus recorded resulted in a deficit, solely attributable to transactions in goods. As for capital transactions recorded as such, these led to net outflows, partly owing to the redemption of Belgian Treasury certificates in foreign currencies.

For the year as a whole the Bank intervened by sales on the foreign exchange market totalling Fr. 123 billion, consisting of Fr. 43 billion in

Chart 13.

EXCHANGE RATES ¹

WEIGHTED AVERAGE RATES FOR THE BELGIAN FRANC ON THE REGULATED FOREIGN EXCHANGE MARKET
(indices 1975=100)



¹ 1972 to 1978 : quarterly figures. 1979 and 1980 : monthly figures.

² Formula : $\frac{\text{Rate on the free market for transfers}}{\text{Rate on the regulated market}} \times 100.$

dollars and Fr. 80 billion in other currencies, mainly those of other countries of the European Economic Community. The currencies thus sold were either acquired against Ecus or taken from the Bank's foreign exchange reserves, including the direct use of part of the proceeds of

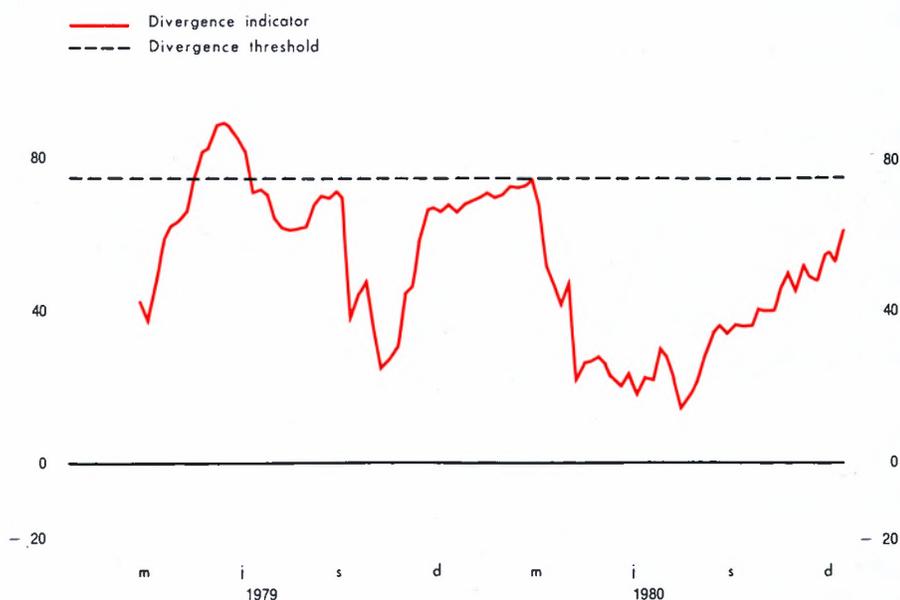
the public sector's foreign-currency issues. The balance — by far the largest proportion — of these proceeds was added to the reserves, which finally increased by Fr. 27 billion.

With regard to the situation on the regulated foreign exchange market ¹, the average weighted rate for the Belgian franc, after having fallen at the beginning of the year, rose from April to July. Subsequently it dropped sharply; thus, the export-weighted index (base 1975 = 100) had fallen in December to 110, its lowest level since July 1978. These fluctuations are mainly attributable to the movements of the average weighted rate for the dollar, which were commented upon in Chapter 1 ².

Chart 14.

DIVERGENCE INDICATOR ¹ OF THE BELGIAN FRANC
IN THE EUROPEAN MONETARY SYSTEM

(Daily averages per week)



¹ For the definition of the divergence indicator, readers are referred to the article in the Bulletin of the National Bank of Belgium for July-August 1979 : « Le Système Monétaire Européen », pp. 37-39.

¹ See Annex 6, Table 10.

² International developments.

On the free market, the dollar rate in francs continued to show a premium over the rate on the regulated market, but this premium became very small by mid-year and negligible towards the end of the year.

Within the European Monetary System, the Belgian franc last year underwent appreciable changes which can be measured by the variations in its divergence indicator ¹. The divergence threshold ² was only reached and occasionally overstepped in February and March, as a result of the substantial capital outflows which took place at that time. The latter having been succeeded by net inflows during the subsequent months, the divergence indicator declined, falling to a daily average per week of + 16 at the end of July, and even to a daily minimum of + 4 on the 31st of that month, thereafter remaining at a relatively low level in August; at the beginning of the third quarter this improvement was furthermore assisted to some extent by a falling-off of imports due to a cyclical running down of stocks. From September onwards the divergence indicator moved upwards again, this having been partly attributable to the adverse effect of the world recession on exports.

From April to the beginning of November the rate for the German mark was often below its central rate in terms of the Belgian franc. For the French franc the opposite was the case throughout the year; the compulsory intervention rate was reached several times for that currency. From October to December the same was true for the Netherlands guilder.

5. SUMMARY OF ECONOMIC DEVELOPMENTS IN BELGIUM.

a) Production of goods and services

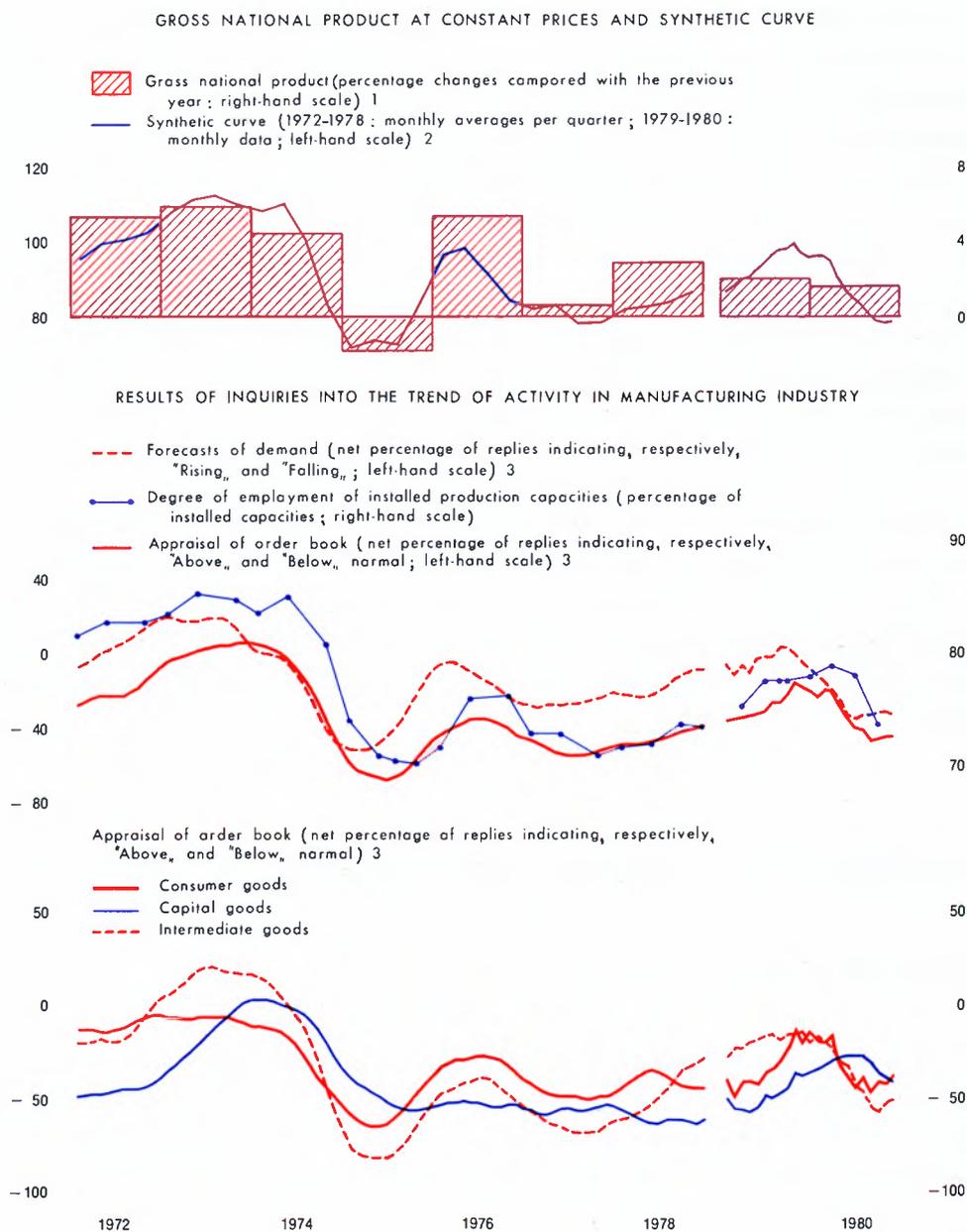
The recession by which the industrialised world, especially Belgium, was hit in 1980 has been mentioned a number of times on the preceding pages. It was obviously reflected in the development of production of goods and services. But an analysis of this development, which can

¹ The weaker a currency is, the higher its divergence indicator (which can vary from + 100 to - 100).

² Divergence indicator level of + 75.

Chart 15.

GROSS NATIONAL PRODUCT AND RESULTS OF THE NATIONAL BANK OF BELGIUM'S INQUIRIES INTO THE TREND OF ECONOMIC ACTIVITY



1 Sources : National Statistical Institute. Calculations of the National Bank of Belgium. 1980 : estimate.

2 The numerical value of the synthetic curve is calculated from ten series of replies to the monthly inquiries into the trend of economic activity made by the Bank. The level 100 corresponds to the mean of the monthly numerical values of the synthetic curve during the period 1963-1973. In principle, a numerical value above or below 100 corresponds, respectively, to an economic situation more favourable or less favourable than normal.

3 1972-1978 : seasonally adjusted and smoothed monthly data. 1979 and 1980 : seasonally adjusted monthly data.

be partly based on monthly data, shows that even during the course of the year tendencies differed to a fair extent from one period to another.

The business climate had already changed during the second half of 1979. In the manufacturing industries the demand forecasts first of all and then the appraisal of order books had begun to deteriorate rapidly at all stages of production, but more especially for intermediate goods and non-durable consumer goods. The downward course of the Bank's synthetic curve from November onwards seemed to predict a slackening of activity during the early months of 1980.

This slackening did not, however, become apparent immediately. There was in fact a — largely speculative — revival in demand, chiefly for the types of goods mentioned above, production of which therefore rose markedly during the first quarter of 1980. But this recovery of demand failed to have any appreciable effect on the demand forecasts; on the contrary, more and more firms were pessimistic about this, despite a further rise in the degree of employment of production capacities and the stabilisation of stocks of finished products, which had tended to accumulate during the last months of 1979.

After the first quarter, the development of demand and activity gradually fell into line with the worsening forecasts made by firms. Thus the degree of employment of capacities fell from a maximum of 78.7 p.c. in March to 74.5 p.c. in September. In accordance with the cyclical time-lags which characterise the various categories of goods, the decline came later for metal capital goods, which for part of the year continued to benefit by the recovery in industrial investment.

The spread of the cyclical downturn to most industrial and commercial activities and to the different stages of the production process was reflected in a sharp fall in the Bank's synthetic curve; its value fell from a maximum of 100 points in October 1979 to 79.5 points in November 1980, despite a stabilisation between December 1979 and February 1980. Towards the end of the year the demand forecasts and the appraisal of the order book in manufacturing industries stopped becoming more pessimistic.

Altogether, it would appear that the growth in the gross national product at constant prices, despite the momentary jump in activity at the beginning of the year, which moderated its slowdown, was only about

1.7 p.c., against 2.1 p.c. in 1979 and 3 p.c. in 1978. The slackening in 1980 was basically different from that in the previous year. During the latter, the upward trend of economic activity would have justified a speeding-up of the growth in the gross national product; the fact that finally the gross national product grew less than in 1978 is attributable to the movement of the value added of two components, namely building and non-market services, a movement which was influenced, apart from the cyclical context, by specific factors which will become apparent further on.

The primary sector, which is largely insensitive to cyclical fluctuations and moreover of little importance in the total, developed in the course of last year in the same way as activity in general : its value added at constant prices would appear to have risen by only 0.5 p.c., against 1.6 p.c. the previous year. That of agriculture appears to have declined, whereas it had increased in 1979. The opposite appears to have been true of the value added in the mining industry; in particular, the decline in coal production which had continued almost uninterruptedly since the beginning of the 1960s appears to have stopped.

In manufacturing industry, despite the jump in activity at the beginning of 1980 and the expansion in industrial investment during a large proportion of the year, the rate of growth in the value added appears to have declined from 3.6 p.c. in 1979 to about 2.5 p.c. In the first quarter the seasonally adjusted index of industrial production, excluding building, registered a rise of over 4 p.c. compared with the previous quarter, which was more than wiped out in the following quarter; from July to October it remained virtually unchanged, although, towards the middle of the year, a decrease in production of capital goods was added to the drop in the production of the other categories.

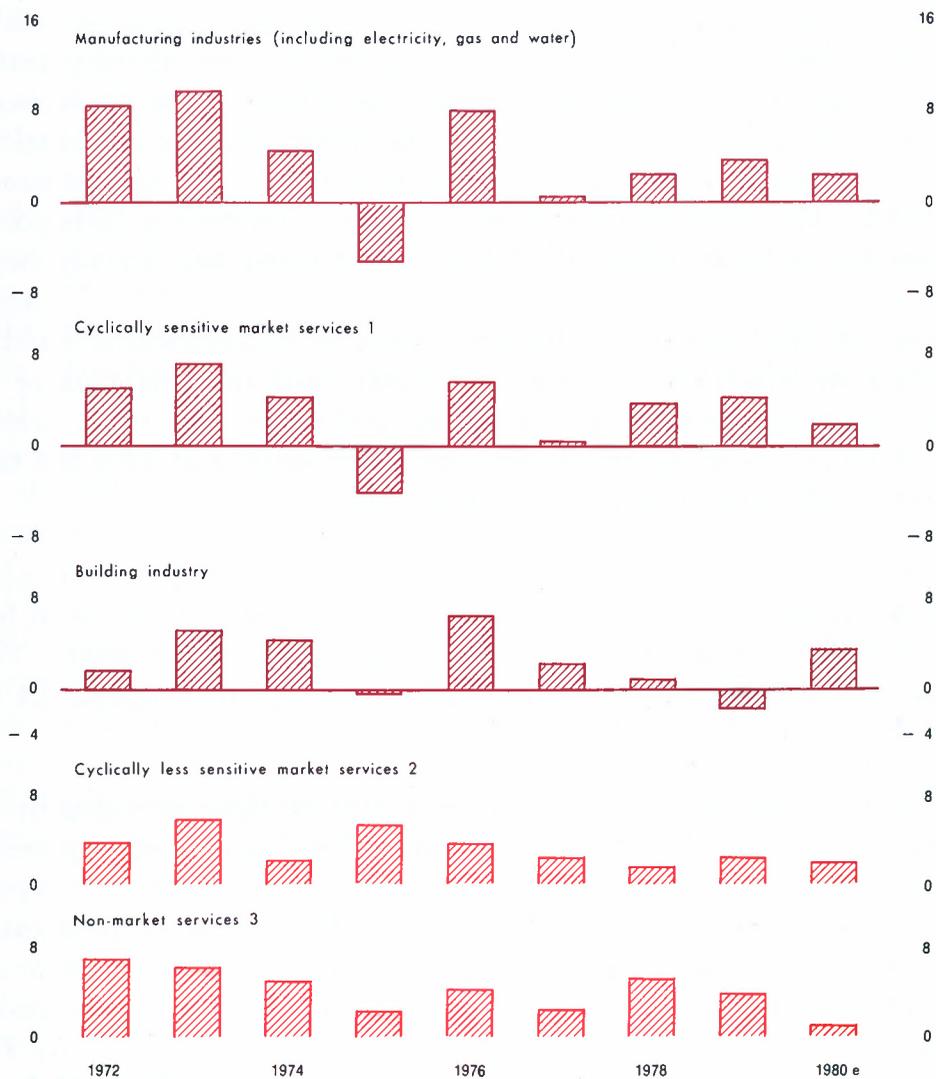
The temporary recovery of demand at the beginning of the year appears to have been directed less towards cyclically sensitive market services, the rate of growth of which consequently appears to have slowed down distinctly more than that of the manufacturing industries, having fallen from 4.1 p.c. to about 2 p.c.

The value added of the building industry appears to have risen by 3.5 p.c. in 1980, after having declined by 1.5 p.c. in 1979. Both these movements are, however, distorted by an accidental factor, namely the

Chart 16.

VALUE ADDED AT CONSTANT PRICES OF MAIN SECTORS OF THE ECONOMY

(Percentage changes compared with previous year)



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

1 Trade, transport and communications, financial services and other services rendered to enterprises.

2 Medical professions, residential real estate, insurance, services of domestic servants and household staff and other services rendered to individuals.

3 Services provided by the public authorities.

almost total lack of activity during the first two months of 1979, due to the particularly severe weather. This factor explains why there was a drop in production in 1979 despite the fact that a limited and temporary revival in demand for bare shells of buildings started towards the middle of 1978 and a sharp rise in demand from the public authorities for road and civil engineering work took place during the first half of 1979. Conversely, the development in 1980 is made to appear too favourable, because it is calculated in relation to the accidentally low production in 1979. Furthermore, account must be taken of the fact that, in the building industry, there is the substantial time-lag between the development of demand and its effects on activity; thus the effects of the slackening of demand which appeared successively in the various sections of the building industry probably did not make themselves fully felt until the last months of 1980. The above-mentioned rise of 3.5 p.c. conceals a falling-off in residential building, where the decline in demand had already begun during the second quarter of 1979 and became very severe from the second quarter of 1980 onwards, a limited growth in non-residential building, demand for which did not begin to slacken until the beginning of last year, and a marked increase in road and civil engineering work, demand for which had been declining since the fourth quarter of 1979 but takes a particularly long time to affect production.

Cyclically less sensitive market services, the development of which depends primarily on consumption by individuals, would appear to have begun to be somewhat affected by the smaller growth in the latter. Their value added appears to have increased by about 2 p.c., against 2.4 p.c. in 1979.

With regard to non-market services, that is, those provided by the public authorities, their rate of expansion has been mainly influenced during the last three years by the development of a particular type of service : the jobs created in implementation of the government programmes designed to combat unemployment. In 1978 the reactivation and extension of these programmes under the « Spitaels Plan » had made a very big contribution to raising this rate to 5.1 p.c. In 1979 and 1980 the rate fell off appreciably, declining to 3.6 p.c. and about 1 p.c. respectively : the additional effect of the above-mentioned programmes gradually decreased and, more recently, there has been an endeavour to make the development of the other non-market services more compatible with the trend of government revenue.

b) Employment

The increase in demand for jobs, measured by that in the working population, would appear to have amounted to about 50,000 between June 1979 and June 1980, compared with 58,100 during the preceding twelve months.

The development of the working population depends on two factors : on the one hand, the population of working age and, on the other, the economic activity rate of that population, that is, the proportion of the persons in question who, successfully or otherwise, present themselves on the labour market in order to find work.

As a result of the first factor, namely the population of working age, demand for job appears to have increased, during the twelve months ending in June 1980, by 29,100. The growth was much more pronounced for the male population than for the female population : 19,500, against 9,600. The influence of the population of working age during a given period is in fact calculated by applying the percentage change in that population to the working population at the beginning of the period; now the number of working men remains much higher than that of working women.

Demand for jobs would furthermore appear to have increased by 20,900 owing to the second of the two above-mentioned factors : the pronounced rise in the female activity rate was only partly offset by a decline in the male rate. The latter moreover slowed down appreciably during the last two years, mainly for two reasons. The first is that the effect of the early retirement system — one of the components of the « Spitaels Plan »¹ — lessened : the number of men of working age who were removed from the working population by this system fell by nearly half compared with the year ended June 1978 (fourth line of Table 16). The second is that a shift took place between age classes : the relative importance of men aged between 15 and 24 — with a low activity rate — declined, whereas that of men aged between 25 and 44 — with a high rate — rose more than during the previous years.

¹ Various indications concerning the effects of this plan have already been given on the preceding pages, particularly in Chapter 3. Development of the major sectors of the Belgian economy c) Public authorities and Chapter 5. Summary of economic developments in Belgium a) Production of goods and services.

Table 16.

DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Changes ¹, in thousands)

	Men					Women					Total				
	1970-1974	1974-1980	1977-1978	1978-1979	1979-1980	1970-1974	1974-1980	1977-1978	1978-1979	1979-1980	1970-1974	1974-1980	1977-1978	1978-1979	1979-1980
	(annual averages)					(annual averages)					(annual averages)				
1. Working population (demand for employment)	+ 6.7	p+ 0.2	- 8.0	+14.5	p+14.3	+32.1	p+33.5	+31.5	+43.6	p+35.7	+38.8	p+33.7	+23.5	+58.1	p+50.0
Changes due to those :															
in the population of working age	+17.5	+20.0	+15.9	+17.3	+19.5	+ 5.6	+ 7.9	+ 6.5	+ 7.7	+ 9.6	+23.1	+27.9	+22.4	+25.0	+29.1
in the rate of activity	-10.8	p-19.8	-23.9	- 2.8	p- 5.2	+26.5	p+25.6	+25.0	+35.9	p+26.1	+15.7	p+ 5.8	+ 1.1	+33.1	p+20.9
of which : early retirement	(-)	(-10.1)	(-19.1)	(-10.8)	(- 9.9)	(-)	(- 4.1)	(- 9.8)	(- 6.1)	(- 4.7)	(-)	(-14.2)	(-28.9)	(-16.9)	(-14.6)
2. Employment (supply of employment) in :	+ 6.0	p-11.1	-14.3	+15.6	p+ 8.7	+26.7	p+ 8.7	+16.4	+29.1	p+22.6	+32.7	p- 2.5	+ 2.1	+44.7	p+31.3
public services ²	+ 5.8	p+ 8.4	+13.4	+18.8	p+ 5.2	+10.1	p+14.4	+16.8	+21.4	p+12.2	+15.9	p+22.8	+30.2	+40.2	p+17.4
industry	- 5.4	p-26.1	-29.6	-18.6	p- 7.8	+ 2.4	p-15.5	-13.0	-10.4	p- 6.5	- 3.0	p-41.5	-42.6	-29.0	p-14.3
cyclically sensitive services ³ ...	+12.4	p+ 4.1	+ 1.4	+ 9.4	p+12.8	+ 9.3	p+ 4.6	+ 4.6	+ 6.7	p+ 9.2	+21.7	p+ 8.8	+ 6.1	+16.1	p+22.0
cyclically less sensitive services ⁴	+ 1.9	p+ 5.7	+ 9.3	+ 5.9	p+ 2.0	+ 6.4	p+ 5.3	+ 7.2	+ 9.0	p+ 7.9	+ 8.3	p+11.0	+16.5	+14.9	p+ 9.9
building	- 2.3	p+ 0.6	- 4.2	+ 2.5	p+ 0.8	+ 0.5	p+ 0.2	+ 0.3	- 0.1	p ...	- 1.8	p+ 0.8	- 4.0	+ 2.4	p+ 0.8
agriculture, forestry and fishing .	- 6.5	p- 4.0	- 4.7	- 2.4	p- 4.3	- 2.0	p- 0.3	+ 0.6	+ 2.5	p- 0.2	- 8.5	p- 4.3	- 4.1	+ 0.1	p- 4.5
3. (= 1. - 2.) Unemployment ⁵ ...	+ 0.7	+11.4	+ 6.3	- 1.1	+ 5.6	+ 5.4	+24.8	+15.1	+14.5	+13.1	+ 6.1	+36.2	+21.4	+13.4	+18.7

Sources : National Social Insurance Office, Ministry of Employment and Labour and Ministry of Civil Service. Calculations of the National Bank of Belgium.

¹ Changes between 30th June of the first year and 30th June of the second. As the figures have been rounded, the totals are not necessarily equal to the sum of the component parts.² Including the armed forces and persons employed on the « special temporary staff ».³ Trade, transport and communications, financial services (including insurance) and other services rendered to enterprises.⁴ Medical professions, services of domestic servants and household staff and other services rendered to individuals.⁵ Wholly unemployed persons receiving unemployment pay and voluntarily registered persons without employment.

The expansion in the supply of jobs slowed down more markedly than that of demand : it appears to have declined from 44,700 for the period June 1978 - June 1979 to 31,300 the following year.

This decline is mainly attributable to the development of employment in the public services, the increase in which appears to have fallen off from 40,200 to 17,400, mainly owing to a drop — from 24,100 to 6,200 — in the new jobs created by the provisions of the « Spitaels Plan » specifically aimed at stimulating employment in the services in question, namely the « special temporary staff » and the putting to work of unemployed persons by the public authorities. In the cyclically sensitive sectors of the economy, on the other hand, the development of employment was more favourable, or in any case less unfavourable, during the period June 1979 - June 1980, which largely coincided with an upward cyclical movement : the decrease in the supply of jobs was smaller in industry, declining from 29,000 to 14,300, and the increase was larger in the sector of cyclically sensitive services, rising from 16,100 to 22,000.

The development of employment can be compared with that of activity, measured by the value added at constant prices. In the medium term the relationship between employment and economic growth appears to differ from one sector to another, as is shown by Table 17. In industry and the sector of cyclically sensitive services the very marked slowdown of activity after 1974 was reflected in more dismissals or less appointments than previously, as there was no substantial decline in the increase in the value added per person employed. In the other sectors (excluding the public services), that is, the cyclically less sensitive services, building and agriculture, the above-mentioned slow-down in activity was accompanied by an even more marked falling-off in the value added per person employed, so that employment increased more — or decreased less — than during the period 1971-1974.

From year to year there only seems to be, in most sectors, a very tenuous link between the movement of employment and that of activity. For Table 17 shows that during the period 1975-1980, after elimination of the trend (measured by the average annual change during that period), the fluctuations in activity were not generally reflected in a corresponding change in employment, but were more often than not offset by a change in the value added per person employed; this change is itself the resultant of two others : that in the working hours per person employed and that

Table 17.

EMPLOYMENT ¹ AND VALUE ADDED AT CONSTANT PRICES

	Percentage change compared with previous year		Differences between percentage change compared with previous year and average for 1975-1980					
	Average 1971-1974	Average 1975-1980	1975	1976	1977	1978	1979	1980 <i>e</i>
Whole economy (except public services) :								
Employment	+ 0.5	- 0.6	- 1.3	- 0.7	- 0.1	...	+ 0.8	+ 1.1
Total value added	+ 5.3	+ 1.9	- 5.3	+ 4.0	- 1.1	+ 0.8	+ 1.2	+ 0.2
Value added per employed person	+ 4.8	+ 2.5	- 4.0	+ 4.8	- 1.0	+ 0.8	+ 0.4	- 0.9
Industry :								
Employment	- 0.1	- 3.5	- 2.0	- 0.4	- 0.2	- 0.4	+ 0.9	+ 2.1
Total value added	+ 6.4	+ 1.8	- 6.9	+ 5.8	- 1.5	+ 0.3	+ 1.6	+ 0.4
Value added per employed person	+ 6.5	+ 5.5	- 5.1	+ 6.5	- 1.3	+ 0.7	+ 0.7	- 1.8
Cyclically sensitive services ² :								
Employment	+ 2.2	+ 0.8	- 0.7	- 0.9	- 0.1	- 0.2	+ 0.7	+ 1.3
Total value added	+ 5.0	+ 1.9	- 5.6	+ 3.5	- 1.5	+ 1.7	+ 2.0	+ 0.1
Value added per employed person	+ 2.7	+ 1.1	- 4.9	+ 4.4	- 1.4	+ 1.9	+ 1.3	- 1.2
Cyclically less sensitive services ² :								
Employment	+ 1.3	+ 2.4	- 1.2	- 0.4	+ 0.2	+ 1.8	...	- 0.6
Total value added	+ 4.4	+ 3.1	+ 2.7	+ 1.2	- 0.5	- 1.8	- 0.7	- 1.1
Value added per employed person	+ 3.1	+ 0.7	+ 3.9	+ 1.6	- 0.7	- 3.5	- 0.7	- 0.5
Building :								
Employment	- 0.5	+ 0.3	- 0.1	+ 1.0	+ 0.3	- 1.6	+ 0.5	...
Total value added	+ 3.2	+ 1.9	- 2.1	+ 4.6	+ 0.3	- 1.0	- 3.4	+ 1.6
Value added per employed person	+ 3.7	+ 1.6	- 2.0	+ 3.5	...	+ 0.6	- 3.9	+ 1.6
Agriculture, forestry and fishing :								
Employment	- 5.3	- 3.3	+ 0.7	- 2.7	- 0.8	...	+ 3.4	- 0.5
Total value added	+ 3.4	- 1.4	- 13.6	- 3.0	+ 3.7	+ 8.1	+ 4.2	+ 0.8
Value added per employed person	+ 9.2	+ 2.0	- 14.7	- 0.3	+ 4.7	+ 8.3	+ 0.7	+ 1.3

Sources : National Statistical Institute and Ministry of Employment and Labour. Calculations of the National Bank of Belgium.

¹ For employment, the percentage changes are calculated on the basis of the figures as at 30th June.

² See Table 16.

in the value added per hour worked. In 1979 and 1980, however, there appears to have been a departure from this average pattern in most sectors : the expansion in activity was achieved much less than in the preceding years through an increase in the value added per person employed, and hence had a greater effect on employment. The smaller increase in 1980 in the value added per person employed in industry seems to be the result at one and the same time of a smaller growth in the value added per hour worked — that is, in productivity — and of a reduction in working hours, which was more marked than in the previous years; the extent of this reduction and the positive difference between the movement of employment and its trend might have been partly caused by the entry into force in October 1979 of the « Dewulf Plan », whereby industrial and commercial enterprises which increase their workforce and reduce the working week receive a subsidy.

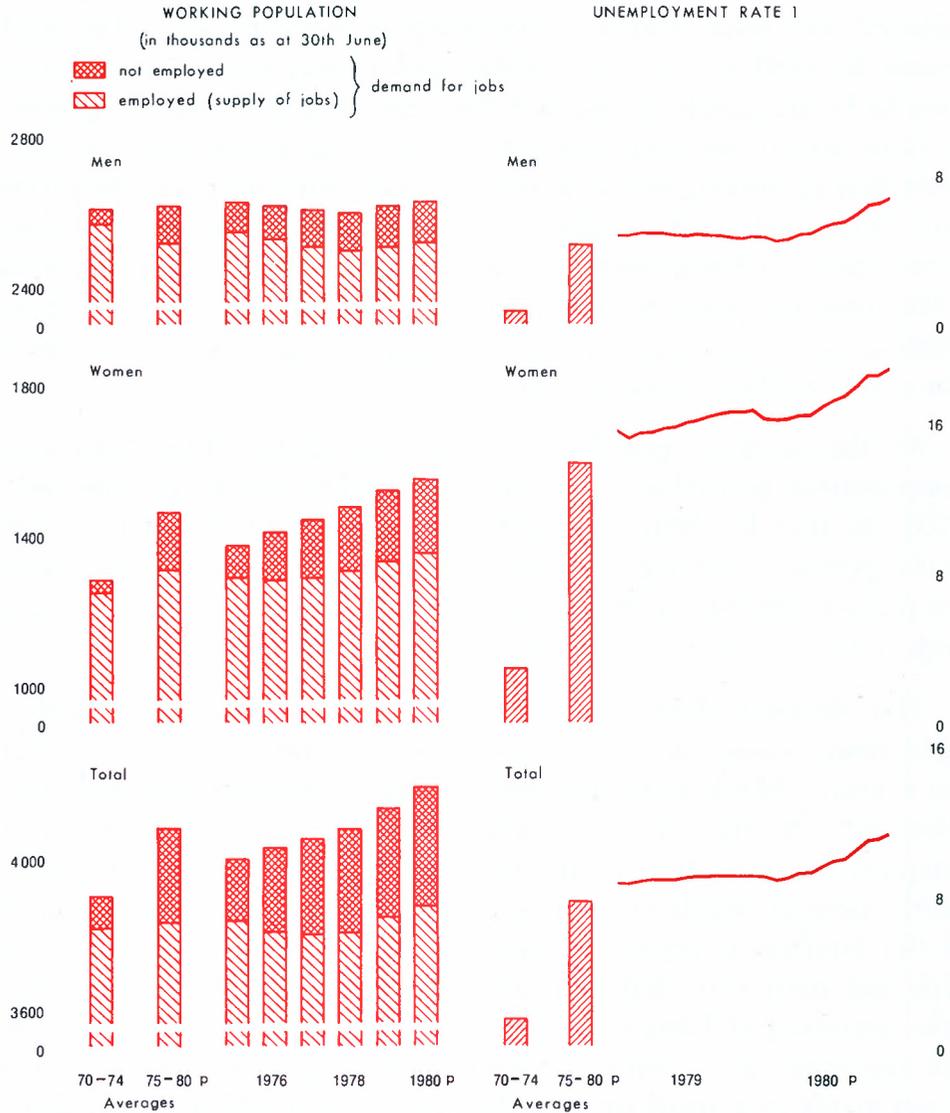
As the working population again rose faster than employment, unemployment inevitably worsened. In twelve months it increased by 18,700, so that by 30th June 1980 it had reached 311,000, including 295,000 persons receiving unemployment pay. The proportion of foreign unemployed persons in the latter total was 15 p.c., the level around which it has fluctuated since 1972.

The detailed data concerning the demand for and supply of employment which has been commented on above are only available once a year. Much more summary, but more frequent and more recent indications on the labour market situation are provided by the unemployment rate, that is, the ratio between the number of normally capable persons wholly unemployed and receiving unemployment pay and the number of persons insured against unemployment. This rate, which had risen very slightly in the course of 1979, declined somewhat at the beginning of 1980; in February it was at practically the same level as in December 1978 (8.9 p.c., instead of 8.7 p.c.); this stabilisation was the net result of a small drop in the rate for men and a rise in that for women. Subsequently, as a result of the rapid deterioration of business conditions, the overall rate rose appreciably, reaching 11.3 p.c. in December; the increase was proportionally greater for men than for women.

Belgium is not the only country where unemployment has worsened in the recent past, as well as over a longer period. Since 1970, however, the worsening in Belgium has been more serious than the average

Chart 17.

WORKING POPULATION AND UNEMPLOYMENT



Sources : Ministry of Employment and Labour.

1 Number of persons wholly unemployed and normally capable of work receiving unemployment pay, as a percentage of the number insured against unemployment. 1979 and 1980 : seasonally adjusted end-of-month data.

movement in the main other industrialised countries. In particular, female unemployment has increased there much faster, reaching a far higher level at the end of the period. This disparity compared with

foreign countries seems to be due, in particular, to the fact that the female activity rate, without being particularly high in Belgium, has risen much faster there. Differences in the regulations concerning unemployment have probably played a role in this connection : in other countries the job-seeker often receives an unemployment allowance for only a relatively short period; beyond this period he may possibly receive assistance, and this only, in any case in some countries, if the household to which he belongs does not have sufficient other income; there may thus be less incentive to register oneself as unemployed abroad than in Belgium.

c) Prices

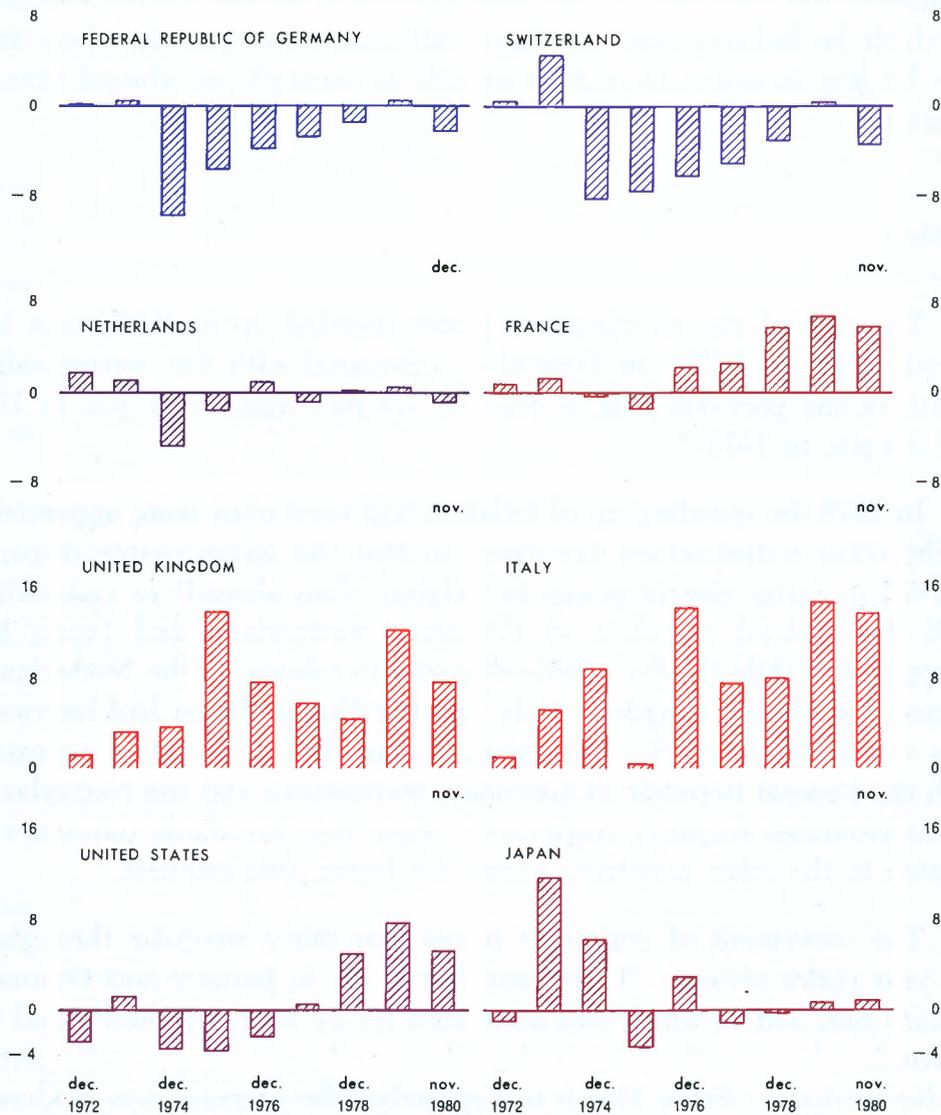
The rate of rise of consumer prices speeded up in 1980, as it had already done in 1979 : in December, compared with the corresponding month of the previous year, it reached 7.5 p.c., against 5.1 p.c. in 1979 and 3.9 p.c. in 1978.

In 1979 the speeding-up of inflation had been even more appreciable in the other industrialised countries, so that the unfavourable disparity of 1978 (a faster rise in prices in Belgium than abroad) in comparison with the Federal Republic of Germany, Switzerland and Japan had disappeared, while the favourable disparity in relation to the Netherlands, France, the United Kingdom, Italy and the United States had increased, as is shown by Chart 18. The opposite was the case in 1980 : compared with the Federal Republic of Germany, Switzerland and the Netherlands, an unfavourable disparity reappeared, while the favourable difference in relation to the other countries, except for Japan, was reduced.

The movement of consumer prices was fairly irregular throughout the year under review. There was first of all, in January and February, a sharp rise, half of which was accounted for by energy products and the remainder almost entirely by food products and services, especially certain public services. From March to September the increase was moderate, but with a slight quickening in the third quarter which affected the various categories of goods and services, except for energy, the prices of which declined slightly. In October and November the rise was rapid again owing to the movement of the prices of both energy and other non-food products, subsequently slowing down during the last month of the year.

Chart 18.

DIFFERENCES BETWEEN THE RISE IN CONSUMER PRICES
IN FOREIGN COUNTRIES AND IN BELGIUM ¹



Sources : Belgium : Ministry of 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. Switzerland : Federal Statistical Office. United States : U.S. Bureau of Labor Statistics. Japan : Prime Minister's Office.

¹ Percentage rise compared with the corresponding month of the previous year in the foreign country minus the corresponding percentage in Belgium.

The speeding-up of the rise in consumer prices in 1980 clearly had different causes from that in 1979. The latter was the direct result of the increase in oil prices in the second half of the year, the quickening of the rise from 3.9 p.c. in 1978 to 5.1 p.c. in 1979 having been due to the fact that the contribution of energy products to this rise went up from 0.5 to 2.3 p.c. In 1980, on the other hand, it was primarily the rises in the prices of the other components that were responsible for the acceleration; at 2.8 p.c., the contribution of energy products, though still substantial, was not in fact all that much greater than in 1979, while the contributions of food products, non-food products other than energy products and services increased, respectively, from 0.5, 0.7 and 1.6 p.c. to 1.1, 1.2 and 2.4 p.c. Consequently, while the rise in 1979 mainly represents the direct effect of the increase in energy prices, in 1980 the indirect incidence of that increase also made itself felt.

The contribution of energy products to the rise in consumer prices was appreciably greater in 1979 and 1980 than it had been after the increase in oil prices in 1973, and this despite the fact that the first increase was proportionally much larger than that in the last two years. There are two explanations of this apparent paradox. The first is that the tax burden on energy products was appreciably increased in 1980, which had not been the case after 1973; the second is that the share of crude oil in the consumer prices of petroleum products (as distinct from that of freight, insurance, refining, distribution, etc.) more than doubled between 1973 and 1979, so that a given (percentage) increase in the price of crude oil now leads to a much bigger (percentage) rise in these prices than would have been the case a few years ago.

According to the Belgian Surveyors' Association, the cost of constructing a dwelling went up between November 1979 and November 1980 by 6.6 p.c., or hardly any more than in 1979 and appreciably less than in 1978. For non-residential buildings the rise, as shown by the calculations of the Economic Research Institute of the Catholic University of Louvain, slowed down : it was 6.5 p.c. between the second quarter of 1979 and the same quarter of 1980, against 7.9 p.c. The movements just mentioned are undoubtedly connected to some extent with the general falling-off in demand in the building sector.

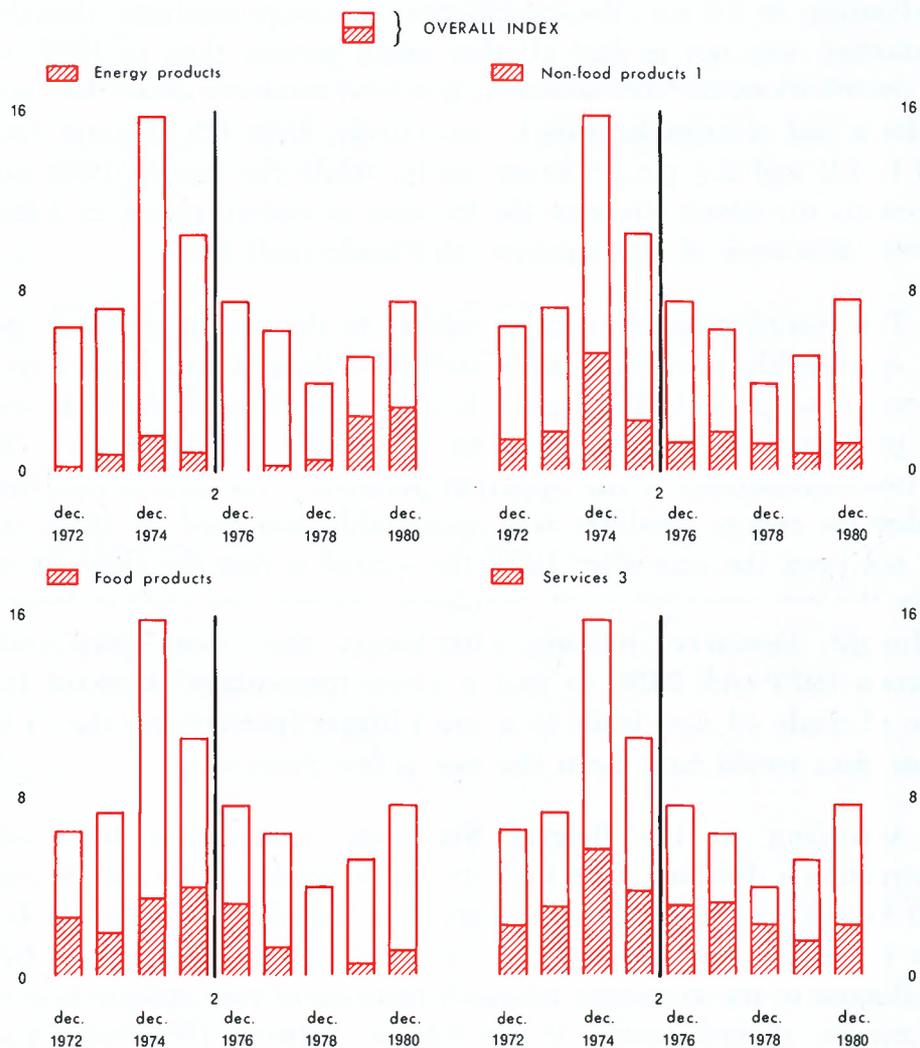
The prices of agricultural products paid to farmers, which had gone up by 8.5 p.c. between November 1978 and November 1979, declined

Chart 19.

CONSUMER PRICES

Contribution of each category

(Percentage rise compared with corresponding month of previous year)



Sources : Ministry of Economic Affairs. Calculations of the National Bank of Belgium.

1 Excluding energy products.

2 Change in weighting.

3 Including rents from 1977 onwards.

by 0.6 p.c. during the twelve subsequent months. This fall is entirely attributable to animal products.

The rise in the wholesale prices of industrial products, which had been faster in 1979 than in 1978, speeded up further in January and February of last year. During the subsequent months it dwindled and was even interrupted by a few declines. From October onwards it quickened again. It finally amounted to 6.5 p.c. between November 1979 and November 1980, against 6.8 p.c. during the preceding twelve months.

This slowing-down as well as the development throughout last year were mainly caused by the movement of import prices. Between November 1979 and November 1980 the rise in these was in fact smaller than in 1979, namely 8.1 p.c. against 12.4 p.c.; during the year they first of all rose rapidly, reaching a peak in March, then fell back until July and subsequently went up again. Similar observations can be made as regards both petroleum products and other imported products. It is possible that the fluctuations in the weighted average rate for the Belgian franc played a certain role in the price changes observed during the year; there is no doubt, on the other hand, that the widespread cyclical downturn all over the world is an important explanatory factor of the slackening of the rise compared with 1979.

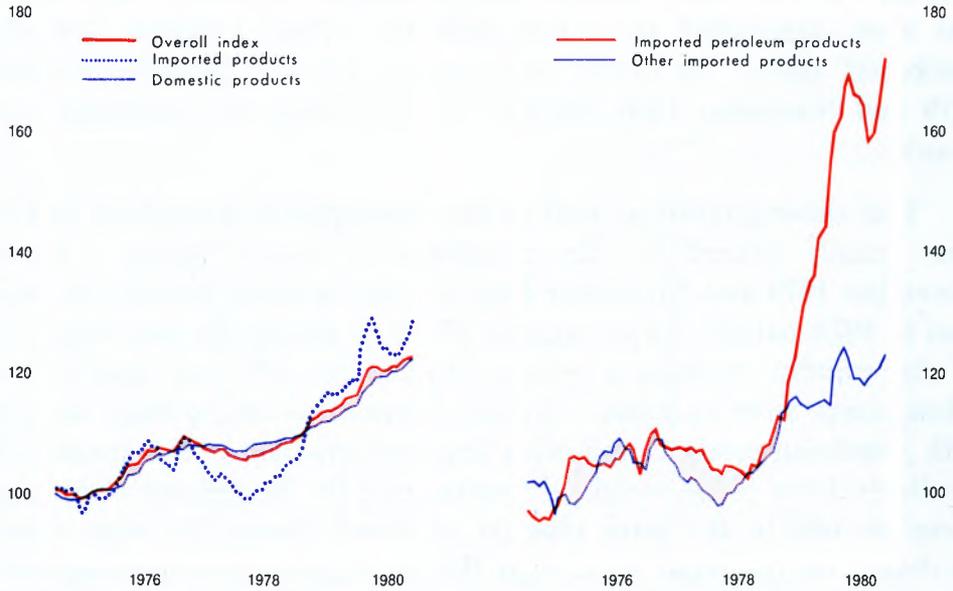
Unlike the prices of imported products, those of domestic products went up more between November 1979 and November 1980 than in 1979 : the rise reached 6.9 p.c., against 5.1 p.c. There was, however, an appreciable slowing-down from March onwards; this had in fact been foreshadowed at the end of 1979 by the results of the Bank's inquiries into the trend of prices in manufacturing industry; these results are generally somewhat ahead of the actual movement of prices. During the last months of 1980 they predicted a new speeding-up, which is observable in the movement of the prices of domestic products from October onwards.

A comparison of the rise in the wholesale prices of industrial products during the last cyclical expansion phase with that which occurred during the similar phase in the course of which the first increase in oil prices took place shows that this time it was very moderate. This phenomenon is attributable to domestic products and to imported products other than petroleum products. The prices of petroleum products, on the other

Chart 20.

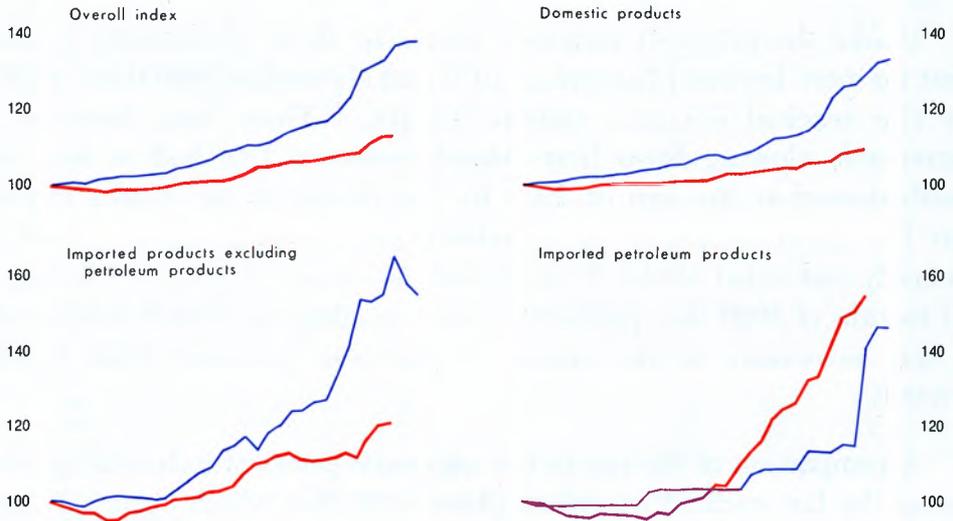
WHOLESALE PRICES OF INDUSTRIAL PRODUCTS

INDICES 1975 = 100



TREND DURING TWO PHASES OF CYCLICAL EXPANSION

— Indices October 1971 = 100 (until June 1974)
 — Indices September 1977 = 100 (until March 1980)



Sources : Ministry of Economic Affairs. Calculations of the National Bank of Belgium.

hand, increased to a somewhat greater extent during the more recent period. Since, as has been stated, the increase in crude oil prices was, on the other hand, smaller during this period, we have here the same paradox as for consumer prices, but in this case there is only one important explanation, which is the counterpart of the second of the explanations put forward above : the share of the imported basic product in the wholesale prices of petroleum products is about double what it was in 1973.

6. SUMMARY OF FINANCIAL DEVELOPMENTS IN BELGIUM.

a) Meeting of gross financing requirements and effect on the situation of the financial intermediaries

From what has been stated in Chapter 3¹ it emerges that, during the first ten months, individuals contracted much less liabilities than in 1979, but that companies and above all the public authorities contracted more. In the end, the increase in the liabilities of the three domestic sectors was greater than that during the previous year, rising from Fr. 467 to 530 billion. The total of financing requirements, which also includes recourse by companies to bank credit for the apparent economic purpose of financing payment periods for exports², went up from 477 to 532 billion (item 1.3 of Table 18).

Among the elements which enabled these requirements to be met, it is possible to isolate a first group, namely that consisting of the total amount of funds which were available on the domestic market. Part of this group consists of the financial assets built up by individuals and companies, except for those in currencies other than the Belgian franc and those which directly or indirectly took the form of claims on the Bank, especially bank notes (which do not represent working funds usable by the financial intermediaries other than the Bank for financing their lending). During the last few years, funds of this type (item 2.1 of Table 18) have met an ever-decreasing proportion of financing

¹ Development of the major sectors of the Belgian economy.

² These credits are not included in the above-mentioned liabilities of companies, since they are, strictly speaking, credits granted to foreign countries.

Table 18.

GROSS FINANCING REQUIREMENTS OF INDIVIDUALS,
COMPANIES AND PUBLIC AUTHORITIES AND COVER ITEMS

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1980
									First 10 months	
1. Gross financing requirements :										
1.1 Increase in liabilities of individuals, companies and public authorities ¹	214	239	265	350	441	468	496	583	467 ⁶	530 ⁶
1.2 Increase in credits for financing payment periods for exports	7	5	14	5	1	16	9	17	10	2
1.3 (= 1.1 + 1.2) Total	221	244	279	355	442	484	505	600	477	532
2. Cover items :										
<i>Funds available on the domestic market :</i>										
2.11 Formation of financial assets by individuals and companies ²	273	277	285	361	441	444	441	459	375	366
<i>less :</i>										
2.12 Increase in financial assets in currencies other than the franc	-(38)	-(19)	-(9)	-(27)	-(31)	-(11)	-(28)	-(69)	-(52)	-(42)
2.13 Increase in bank notes held by individuals	-(19)	-(15)	-(17)	-(33)	-(16)	-(28)	-(21)	-(9)	-(1)	-(7)
2.14 Increase in frozen balances (monetary reserve) and free balances of financial intermediaries with the National Bank of Belgium	-(14)	-(22)	-(12)	-(21)	-(2)	-(...)	-(4)	-(3)	-(1)	-(4)
2.1 (= 2.11 + 2.12 + 2.13 + 2.14) Available balance	202	221	271	322	392	405	388	378	325	335
2.2 Capital imports other than those mentioned under 2.5 ³	35	26	35	65	24	71	78	100	70	91
2.3 Statistical adjustment	-14	-4	-22	-24	-15	-32	-14	6	1 ⁷	14 ⁷
2.4 (= 2.1 to 2.3) Total	223	243	284	363	401	444	452	484	396	440
<i>Other :</i>										
2.5 Capital imports in foreign currencies by the public sector ⁴ :										
2.51 Treasury	-14	-3	-2	-1	-1	-1	11	42	38	84
2.52 Other ⁵	-6	-1	1	...	1	3	...	29	19	48
2.53 (= 2.51 + 2.52) Total	-20	-4	-1	-1	...	2	11	71	57	132
2.6 Increase in domestic recourse to the National Bank of Belgium	18	5	-4	-7	41	38	42	45	24	-40
3. (= 1.3 - 2.4 = 2.53 + 2.6) Shortage of funds on the financial market	-2	1	-5	-8	41	40	53	116	81	92

¹ Annual data : sum of the grand totals of Tables 4 and 6 and the first four columns (with reversed signs) of Table 7.

² Sum of the grand totals of Tables 3 and 5. See Annex 6, Table 11.

³ Sum of the changes in companies' gross liabilities to foreign countries and in foreign currencies to Belgium, private-sector financial intermediaries' net liabilities in foreign currencies to Belgium and foreign countries and financial intermediaries' and public authorities' net liabilities in Belgian francs to foreign countries, except for the liabilities which are regarded as constituting the counterpart to the formation of financial assets in francs abroad (which formation is already recorded under item 2.1).

⁴ Both direct from abroad and via private-sector financial intermediaries.

⁵ All public authorities other than the Treasury, public operating organisations and public credit institutions.

⁶ Excluding social security.

⁷ Including social security.

requirements. This proportion fell to 63 p.c. during the first ten months of 1980. During this period the funds in question amounted to Fr. 335 billion, or slightly more than in 1979 : total formation of financial assets decreased; on the other hand, it was directed less towards investments in foreign currencies and in notes, the latter having in fact fallen more than in 1979 for the reasons stated in Chapter 3 a) ¹.

Capital imports from foreign countries which take place spontaneously for general economic reasons, for instance with a view to the establishment of an enterprise in Belgium, also belong to the category of funds available on the domestic market. It is not at all easy to distinguish between these spontaneous imports and the others, and this is one of the reasons why the estimate of the total amount of funds available on the domestic market suffers from a certain degree of arbitrariness. The assumption adopted here is that all capital imports are spontaneous, except for those of the public sector in foreign currencies. Spontaneous imports as thus defined (item 2.2 of Table 18) reached, during the first ten months, an amount substantially greater than that in 1979 : Fr. 91 billion, against Fr. 70 billion.

Finally, and account being taken of a statistical adjustment, the total amount of funds available on the domestic market during the first ten months increased from Fr. 396 billion in 1979 to Fr. 440 billion. As financing requirements expanded more, namely from Fr. 477 to 532 billion as stated, the shortage of funds — that is, the difference between requirements and available funds — grew from Fr. 81 to 92 billion (item 3 of Table 18).

It is necessary, for a proper interpretation of these data, to bear in mind that they are inevitably arrived at *ex post*; an *ex ante* shortage of funds is only revealed by them insofar as it finally necessitated recourse by the public sector to foreign-currency loans and by the domestic sectors as a whole to the Bank. Now such a shortage may also have brought about a rise in interest rates which will have discouraged investment in currencies other than the franc (item 2.12 of Table 18) and encouraged what are deemed to be spontaneous capital imports (item 2.2 of the same table) and which will thus have reduced the extent to which the above-mentioned recourse will have been necessary. This mechanism may

¹ Development of the major sectors of the Belgian economy : Individuals.

operate to a greater or lesser extent depending on whether the shortage affects one sector rather than another; Table 19 provides information enabling an opinion to be arrived at as to what happened from this point of view in 1980.

The shortage of funds on the financial market can be seen from Table 19 as from Table 18, but in a different form : it can be obtained from that table by adding together ¹ the amounts appearing in the last column of items 1.24 The Bank's interventions on the foreign exchange market ², 1.25 Bank's notes ³ and 1.26 Other.

As is shown by item 3 of Table 19, it was the Treasury, whose requirements were particularly large, that was most affected by the shortage of funds : the deficit which it was unable to meet with the proceeds of consolidated loans in Belgian francs amounted to Fr. 199 billion and its financing contributed to the expansion in the working funds of the financial intermediaries, thereby much more than counterbalancing the destruction caused by the purchases of foreign currencies from the Bank. It even led to such a growth in the liquidity of the financial intermediaries that these increased their portfolio of Treasury certificates by Fr. 92 billion. Consequently the Treasury was able to limit its recourse to the Bank to Fr. 109 billion. For their part, the financial intermediaries not only subscribed for Treasury certificates as stated above but also reduced their indebtedness to the Bank by Fr. 64 billion.

The situation within the group of financial intermediaries was not homogeneous owing to the fact that the forms taken by financial assets in Belgian francs and the spontaneous capital imports favoured some of them at the expense of others. The public credit institutions had to ease their liquidity shortage by obtaining foreign-currency loans. The amount of these (Fr. 43 billion) was so large that it enabled these institutions to subscribe for Fr. 19 billion of public short-term paper; the remainder was

¹ A negative total indicates a shortage.

² The reason why the Bank's selling interventions on the foreign exchange market indicate a shortage is as follows : except for notes, the financial intermediaries' assets with the Bank and the statistical adjustment, the shortage corresponds to the following combination of items of Table 18 : $(1.3 - 2.11) + (2.12 - 2.2)$; an excess of 1.3 over 2.11 indicates that part of the financial assets which are the accounting counterpart of the requirements met is destroyed because it is used for net purchases of foreign goods and services, necessitating sales of foreign currencies by the Bank; an excess of 2.12 over 2.2 is equivalent to net capital exports, which also entails sales by the Bank; altogether, $(1.3 - 2.11) + (2.12 - 2.2)$ is therefore equal to the Bank's net interventions on the foreign exchange market.

³ The reason why an increase in notes causes and hence indicates a shortage has already been stated.

Table 19.

OBTAINING (+) AND USE (-) OF FUNDS BY THE VARIOUS SECTORS OF THE ECONOMY

(First ten months of 1980 in billions of francs)

	Treasury	Public sector not included elsewhere	Financial intermediaries			Other sectors and indeterminate sectors	Total corresponding to changes in the items of the Bank's statement of account
			Total	of which :			
				Public credit institutions	Belgian and Luxembourg banks 1		
1. Transactions with the lender of last resort :							
1.1 Bills rediscounted with the Bank and advances obtained from it :							
1.11 Bills rediscounted	—	—	— 46	(— 3)	(— 42)	—	— 46
1.12 Advances	—	—	— 18	(...)	(...)	—	— 18
1.13 Total	—	—	— 64	(— 3)	(— 42)	—	— 64
1.2 Other transactions :							
1.21 Treasury certificates sold to the Bank .....	...	—	—	(—)	(—)	—	...
1.22 Treasury certificates sold to the Securities Regulation Fund and financed by it with the Bank's special assistance	+ 24	—	—	(—)	(—)	—	+ 24
1.23 Foreign currencies borrowed by the public sector and sold by it to the Bank	+ 85	+ 4	+ 43	(+ 43)	(—)	—	+ 132
1.24 The Bank's interventions on the foreign exchange market 2	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	— 104	— 104
1.25 Bank notes 3	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	+ 11	+ 11
1.26 Other	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	+ 1	+ 1
1.27 Total	+ 109	+ 4	+ 43	(+ 43)	(—)	— 92	+ 64
2. Other transactions on the money market :							
2.1 Short-term public paper in Belgian francs 4 5 ...	+ 90	+ 2	— 92	(— 19)	(— 86)	...	—
2.2 Call money : — against security (net amounts) — outside the protocol	—	—	—	(+ 1)	(— 4)	—	—
2.3 Inter-bank deposits	—	...	— 1	(...)	(...)	+ 1	—
2.4 Total	+ 90	+ 2	— 93	(— 18)	(— 95)	+ 1	—
3. Other transactions 6	— 199	— 6	+ 114	(— 22)	(+ 137)	+ 91	—
of which :							
3.1 Long-term public paper in Belgian francs 5	(+ 82)	(+ 17)	(+ 32)	(+ 71)	(— 25)	(— 131)	—
3.2 Individuals' balances at the Postal Cheque Office	(...)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(...)	—

1 The Luxembourg banks have been grouped with the Belgian banks because, when their liquidity increases, they make the same kind of investments on the Belgian money market as the Belgian banks themselves. This liquidity of the Luxembourg banks mainly originates from : a) the repurchase by the Bank of the foreign currencies derived from the country's (Luxembourg's) current account surplus with foreign countries, b) the building-up of deposits in francs by Belgian residents; the Belgian banks' liquidity can have the same origin.

2 Plus sign : net purchases of foreign currencies by the Bank; minus sign : net sales.

3 Plus sign : decrease; minus sign : increase.

4 Treasury certificates and Securities Regulation Fund certificates.

5 An increase has a plus sign in the issuer's column and a minus sign in the purchaser's column, and a decrease has the opposite signs.

6 In the first five columns a plus (minus) sign normally indicates that the liquidity of the sector in question was greater (less) at the end of the period in question than at the beginning.

Table 20.

COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES

(Average outstanding amounts in billions of francs ¹)

	Net lending of call money				Portfolio of Belgian-franc public paper (Treasury certificates and Securities Regulation Fund certificates)				Available margins under rediscount ceilings			
	Belgian and Luxembourg banks	Public credit institutions	Private savings banks	Total	Belgian and Luxembourg banks	Public credit institutions	Private savings banks	Total	Belgian banks	Public credit institutions	Private savings banks	Total
1972 4th quarter	3	1	...	4	19	40	1	60	13	3	—	16
Year	3	1	...	4	22	49	1	72	16	3	—	19
1973 4th quarter	2	1	...	3	21	34	1	56	7	2	—	9
Year	4	1	...	5	22	42	1	65	12	3	—	15
1974 4th quarter	2	1	...	3	26	30	1	57	5	2	—	7
Year	4	1	...	5	25	31	1	57	5	2	—	7
1975 4th quarter	3	1	...	4	25	55	2	82	18	3	1	22
Year	3	1	...	4	19	58	2	79	16	3	...	19
1976 4th quarter	2	...	1	3	46	48	2	96	8	2	1	11
Year	3	1	1	5	35	57	1	93	9	2	1	12
1977 4th quarter	3	...	1	4	34	86	1	121	18	5	3	26
Year	3	...	1	4	54	84	1	139	23	3	2	28
1978 4th quarter	2	1	...	3	48	75	1	124	10	7	4	21
Year	3	...	1	4	46	83	2	131	21	8	4	33
1979 1st quarter	3	...	1	4	70	81	2	153	16	7	4	27
2nd quarter	5	...	1	6	93	104	2	199	13	8	4	25
3rd quarter	2	...	1	3	92	75	1	168	12	8	4	24
4th quarter	3	...	1	4	74	64	1	139	8	8	3	19
Year	3	...	1	4	82	81	2	165	12	8	4	24
1980 1st quarter	3	1	...	4	82	67	1	150	9	7	3	19
2nd quarter	1	1	1	3	119	86	3	208	17	7	3	27
3rd quarter	2	...	1	3	156	76	8	240	36	9	5	50
4th quarter	3	...	1	4	162	80	5	247	40	11	4	55
Year	2	1	1	4	130	78	4	212	25	9	4	38

¹ Call money and available margins under the rediscount ceilings : daily averages. Portfolio of public paper : averages calculated by taking once the amounts outstanding at the beginning and end of the period and twice the amounts outstanding at the end of the intermediate months.

used mainly to finance credits which had the effect of further adding to the working funds of Belgian and Luxembourg banks. It was ultimately this group of intermediaries which chiefly benefited by the improvement in liquidity.

Table 16 of Annex 6, which is identical to Table 19, except that it is more complete and more detailed with regard to periods, brings out, for the year as a whole and even for those months of the year — the first four — during which the Bank's sales on the foreign exchange market were largest, the same contrast as for the first ten months between the pronounced shortage of funds and the growth in the liquidity of the financial intermediaries specialising in short-term operations, namely the banks. The most notable difference between the various parts of the year is in the use which the institutions in question made of this liquidity : their subscriptions for short-term public paper in Belgian francs were greater or smaller depending on the periods, so that their recourse to the lender of last resort sometimes increased and sometimes decreased.

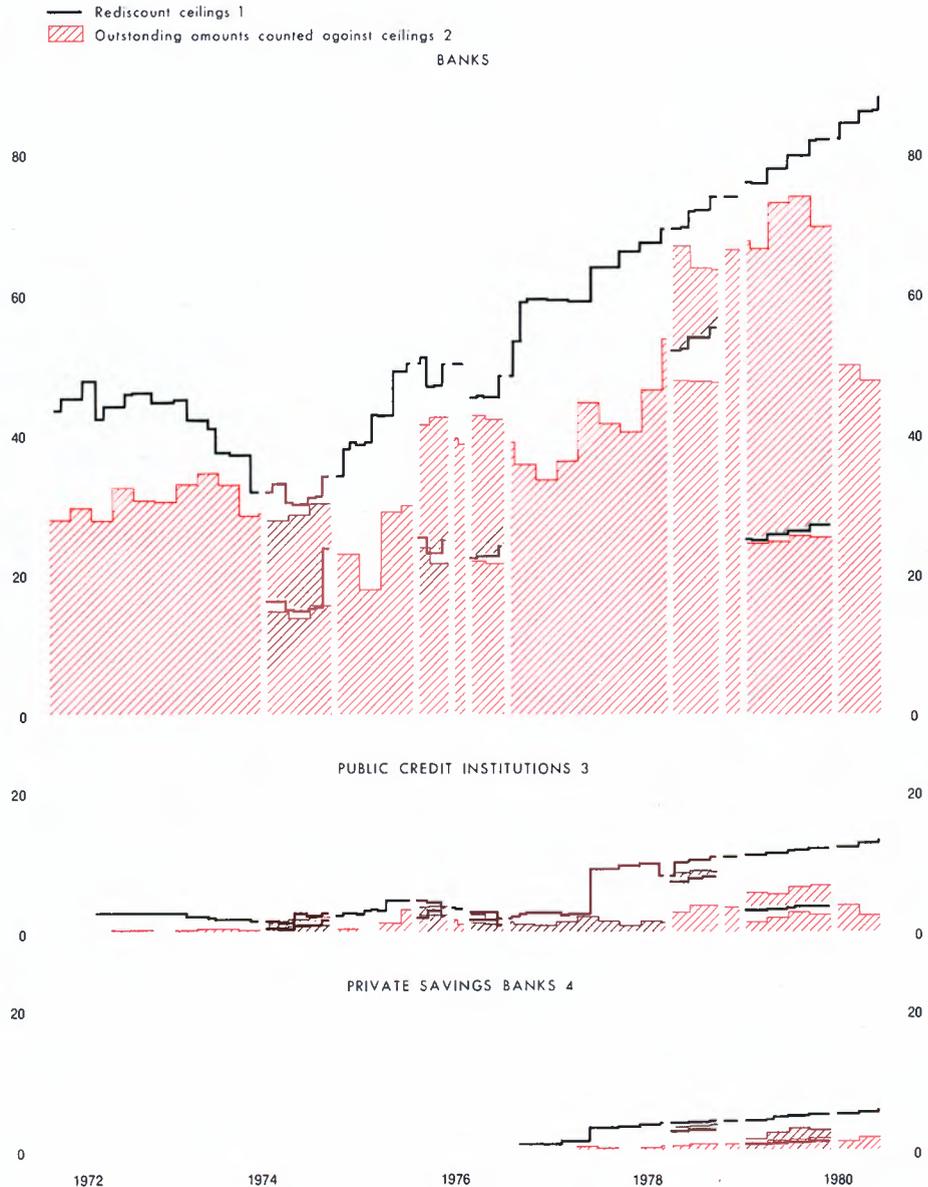
A corollary of the contrast mentioned in the previous paragraph is that it is not possible to establish any direct, close link, for 1980, between the shortage of funds and the changes in short-term interest rates, as one would be tempted to do in the light of Table 18 alone. These changes are primarily due to other factors, as will become apparent in the next chapter.

The movements described above had the effect of raising to particularly high levels the elements which combine to form the liquidity of the financial intermediaries, especially in the case of the Belgian and Luxembourg banks. In the last quarter these banks' portfolio of short-term public paper reached Fr. 162 billion, against Fr. 74 billion for the corresponding quarter of the previous year and Fr. 82 billion for the whole of the latter year, amounts which were themselves much greater than those previously recorded. The available margins under the rediscount ceilings of the financial intermediaries as a whole were likewise exceptionally large during the quarter of 1980 in question; they were expanded not only by a reduction in the outstanding amounts counted against the margins after the first quarter but also, although to a smaller extent, by the raising of the ceilings, which totalled Fr. 108 billion at the end of 1980, against Fr. 98 billion a year earlier : no change was made in the coefficients which are applied to various components of the financial

Chart 21.

FINANCIAL INTERMEDIARIES' REDISCOUNT CEILINGS

(Billions of francs)



¹ End-of-month data. From 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976, from 28th July to 19th December 1976, from 12th October 1978 to 2nd May 1979 and from 29th June 1979 to 25th June 1980, the ceilings were divided into sub-ceilings A (lower part of chart) and B (upper part).

² Daily averages per quarter. Until 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 The system of rediscount ceilings for the public credit institutions has only existed since July 1972.

⁴ The system of rediscount ceilings for the private savings banks has only existed since March 1975. For 1975 and 1976 : small amounts.

intermediaries' statements of account in order to calculate the ceilings, while the rule according to which the ceilings are periodically adjusted, although in a non-automatic manner, to the development of these statements of account was complied with as usual.

On the other hand, the method of calculation of the quotas for advances — that is, of the maximum amount up to which a financial intermediary's cumulative daily utilisations since the beginning of the month are charged to it at the official rate — was changed on 1st March 1980. The purpose of the advance facilities which the Bank makes available to the financial intermediaries is to enable them to meet temporary cash requirements. The part of the rediscount ceilings connected with the same requirements has a similar purpose. It was therefore logical that each intermediary's quota for advances should be fixed according to the same criteria as the above-mentioned part of its ceiling. That is why each intermediary was allotted a basic quota equal to the said part¹ multiplied by the coefficient 3.

The financial intermediaries whose portfolio of rediscountable commercial bills is smaller than the amount of their total rediscount ceiling henceforth have the possibility of converting the whole or part of this difference into an additional quota. This is obtained by multiplying the converted part of the ceiling by the coefficient 3. When the ceiling is divided into sub-ceilings, the reduction is first of all applied to sub-ceiling B.

A change was also made in the maximum which cannot be exceeded by the cumulative daily uses beyond the quota in one month, which are charged for at the special rate for advances : previously this maximum amounted, for each financial intermediary, to five times the amount of its credit opened, which represents the limit of the daily use; since 1st March 1980 it has been equal to the basic quota.

¹ It will be recalled that the part of the rediscount ceiling connected with cash requirements is calculated as follows :

Monthly average, during the reference period, of :

- deposits on ordinary deposit or savings books \times 1.3 p.c.
- other deposits of customers in Belgian francs at under one year \times 2.5 p.c.

Quarterly average, during the reference period, of :

- the unused margin of short-term credits to enterprises and individuals \times 3.3 p.c.
- the used outstanding amounts of long-term credits to enterprises and individuals \times 0.2 p.c.

b) Interest rates and monetary policy

In 1980 the movement of short-term interest rates in Belgium was primarily determined by the fluctuations which took place on foreign and international money markets, account being taken of the degree of confidence inspired by each of the various currencies. Long-term rates, for their part, were influenced by the very strong demand for funds from the public authorities; they were furthermore affected by the attraction exerted by the — by now very high — rates on the money market. Monetary policy was subject to the constraint that rates could not be allowed to fall below the level necessary in order to prevent outflows of short-term funds to foreign countries from adding still further to the destruction of liquidity already brought about by the large current account deficit.

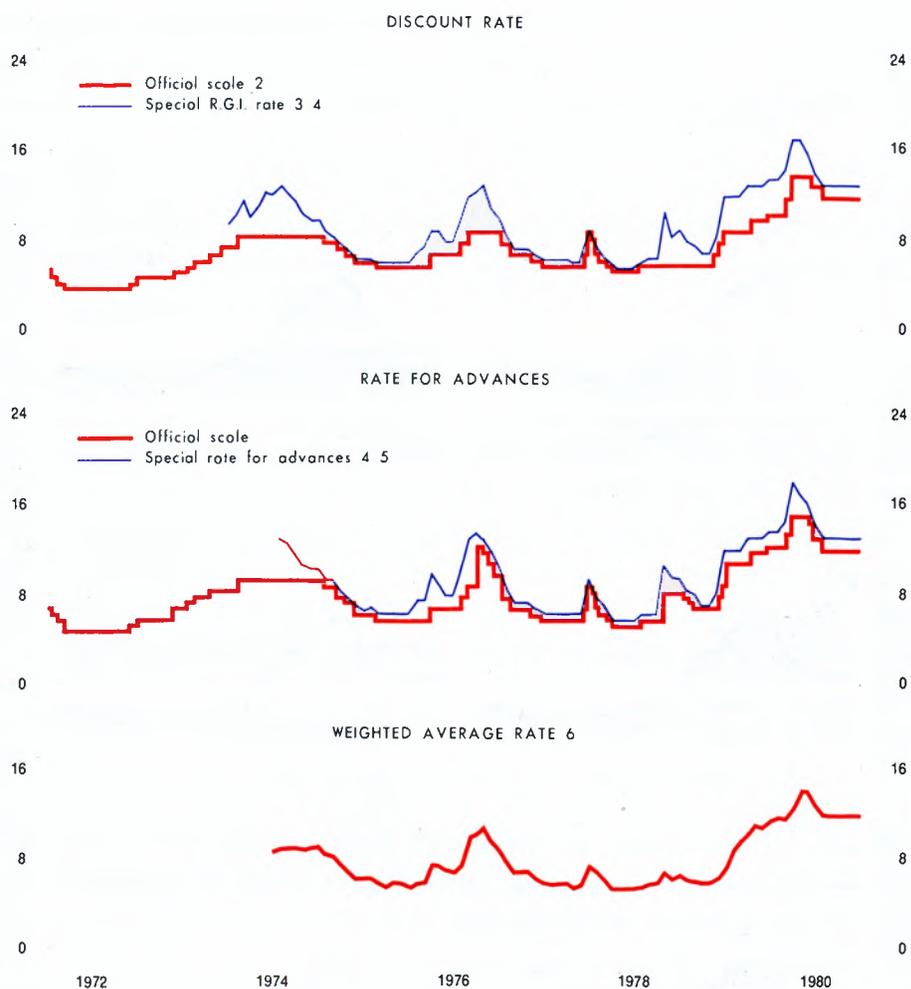
The money and capital markets were disturbed in the very first months of the year by the sharp rise in short-term interest rates in the United States and in the rate for the Euro-dollar. This rise prompted a movement of funds from other countries, including Belgium. As these outflows — probably further accentuated by the fact that there was at the time a certain distrust of the Belgian franc — reduced the liquidity of the Belgian money market, the rise of the Euro-dollar brought about a rise in the Euro-franc, although the latter was distinctly smaller than the former : the three-month rate for the Euro-dollar went up from 14.6 p.c. at the end of December 1979 to 20.4 p.c. on 1st April 1980, while that for the Euro-franc merely rose from 14.7 to 17.8 p.c.

The Bank could not do other than adjust its policy to this situation. On 28th February it raised its discount rate for bills counted against sub-ceiling A by 1.50 p.c. to 12 p.c., and its other discount and interest rates by 1 p.c. On 20th March a further rise was put into effect : the discount rate for bills counted against sub-ceiling A was put up from 12 to 14 p.c.; the discount rate for bills counted against sub-ceiling B and the rate for advances within the limits of the monthly quota were raised from 13.50 to 15 p.c. The Bank's other rates, namely that for advances outside the quota and that charged to the Rediscount and Guarantee Institute for the mobilisation of bills not counted against the rediscount ceilings, were the subject of even larger adjustments. The overall result of these changes was that the Bank's weighted average rate, which had already gradually increased in 1979 from 6.15 p.c. in April to 11.53 p.c.

Chart 23.

RATES OF THE NATIONAL BANK OF BELGIUM ¹

(Per cent)



¹ See Annex 6, Tables 17 and 18.

² Bills accepted payable at a bank (from 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976, from 23rd July to 19th December 1976, from 12th October 1978 to 2nd May 1979 and from 29th June 1979 to 25th June 1980 : bills counted against rediscount sub-ceiling A).

³ Rate applied by the National Bank of Belgium when the Rediscount and Guarantee Institute makes use of its rediscounting facility at the Bank, within a fixed limit, for paper not counted against the financial intermediaries' 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 end of months. The weighted average rate has only been calculated since July 1974.

in December, went on rising in 1980 and reached a peak of 14.13 p.c. in April.

The fall in the rate for the Euro-dollar from the beginning of April onwards made possible a decline in the Euro-Belgian franc. The latter, like the rise which had preceded it, was smaller than that of the Euro-dollar, namely 5.75 p.c. between the maximum and minimum, against 11.6 p.c. for the Euro-dollar. But the rates for other Euro-currencies declined less still, and the attraction exerted by them may have prevented a more marked fall in the Belgian rates. Nevertheless, the Bank was able to reduce its own rates to an appreciable extent, this having been done in several stages in the course of June and July, at which time the Bank also suspended the subdivision of the rediscount ceilings; thus, on 31st July, the official discount rate was reduced to 12 p.c.; the weighted average rate returned to the same level in August.

As early as the end of July, but chiefly in November and during the first weeks of December, there was a further sharp rise in the rate for the Euro-dollar. This led to a recovery of the Euro-Belgian franc towards mid-November, but this only went a small way towards offsetting the previous fall. There was no need for an increase in the Bank's rates.

In the preceding paragraphs the movement of the rates for the Euro-currencies has been used to represent the development which took place on the various national markets. The rate for three-month inter-bank deposits on the Belgian money market is practically identical to that for the Euro-franc. The other rates on this market underwent parallel fluctuations; thus, the rate for three-month Treasury certificates rose from 14.40 p.c. at the end of 1979 to a peak of 17.50 p.c. towards the end of March and the beginning of April 1980, thereafter gradually declined to 12.10 p.c. at the end of October and went up again from mid-November onwards, standing at 12.75 p.c. on 31st December.

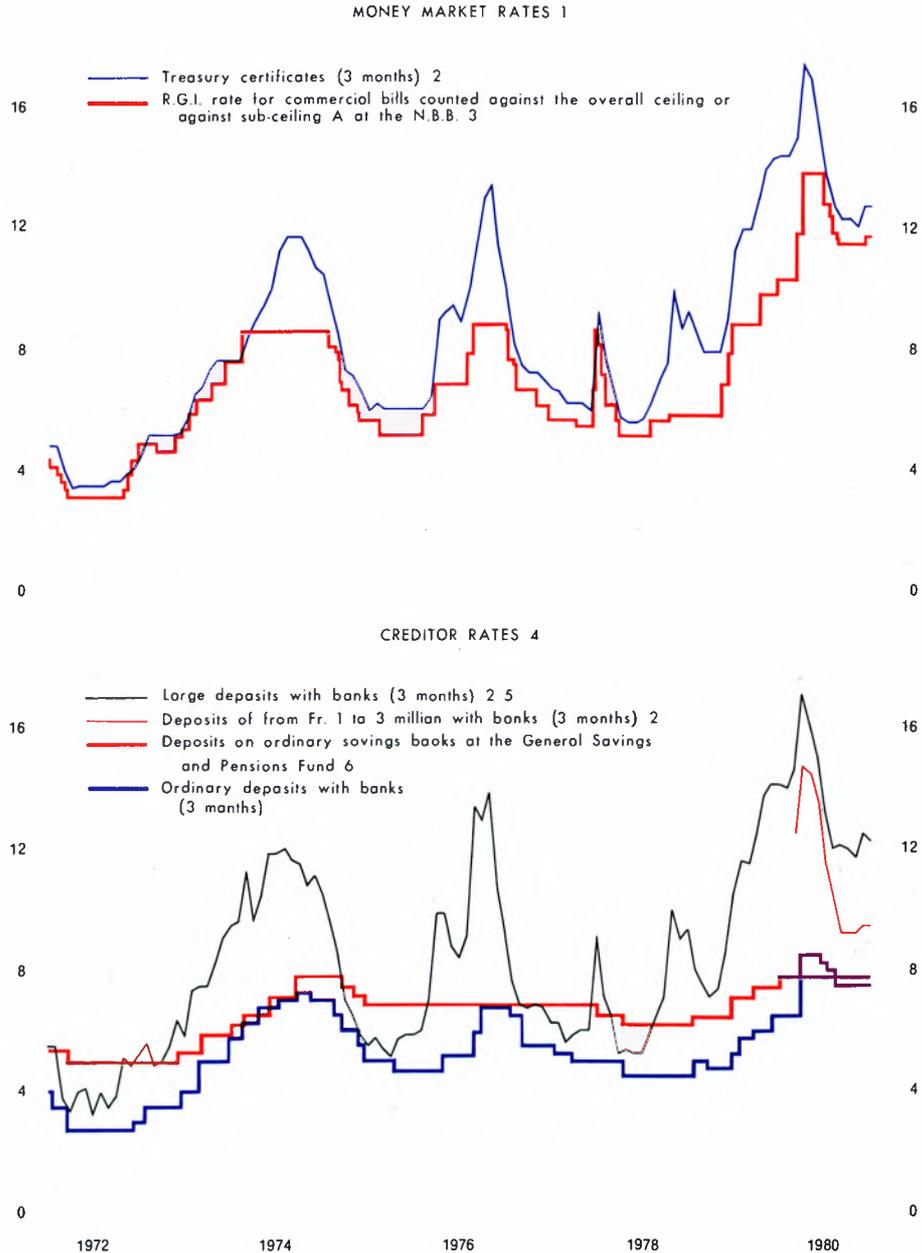
Short-term creditor rates which are closely linked with money market rates, namely the rates for large deposits of Fr. 5 million or more, likewise moved in the same way as those for inter-bank deposits.

The other short-term creditor rates, such as those for ordinary time deposits and deposits on ordinary savings books, which are fixed after consultation among the different categories of financial intermediaries, were, as usual, much less volatile than money market rates : the rate for ordinary three-month deposits with banks was increased by only 2 p.c.

Chart 24.

SHORT-TERM RATES

(Per cent)



¹ See Annex 6, Table 19.

² Rates ruling at end of month.

³ From 23rd October 1978 to 1st January 1976, from 30th January 1976 to 9th March 1978, from 17th to 23rd March 1978, from 12th October 1978 to 12th June 1980, from 24th June to 17th July 1980 and from 1st August to 30th November 1980 : not more than 120 days to maturity. From 24th March to 11th October 1978 and from 18th to 23rd June 1980 : from 81 to 120 days to maturity. From 1st December 1980 : bills maturing after 31st December 1980 and with not more than 120 days to run. For other periods : from 61 to 120 days maturity.

⁴ Rates before deduction of taxes at source. See Annex 6, Table 20.

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

⁶ Including the fidelity premium but not including the premiums granted since 1st April 1980 on increases in deposits. Fictitious gross rate : as income from deposits on ordinary savings books is at present exempt from tax up to Fr. 30,000 per year, their actual rate is not comparable with the other rates; 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.

between December 1979 and March 1980, bringing it up to 8.50 p.c.; the remuneration on sums in savings books at the beginning of the year was not raised beyond the level which came into force at that time, in view of the excessive effect which an additional increase applying to the total amounts outstanding would have had on the cost of new mortgage loans. It is partly the modest extent of this increase in the so-called « standard » rates that explains why, as stated in Chapter 3 a) ¹, the financial intermediaries had to contend with keen competition from some foreign banks and saw fit to apply systematically, from February onwards, to deposits of from Fr. 1 to 3 million and Fr. 3 to 5 million, special rates which, without corresponding exactly to the terms in force on the money market, followed them fairly closely.

After the end of March the fall in these special rates was much greater than that in the standard rates : for funds at three months this fall amounted at the end of December to 5.25 p.c. for deposits of from Fr. 1 to 3 million — or slightly more than for deposits of Fr. 5 million or more — but to only 1 p.c. for ordinary deposits, the rate for which had been reduced to 7.50 p.c. in August; the differential depending on the size of the deposit was thus reduced to 2 p.c., whereas at its maximum it had been 7 p.c.

During the phase when the rates were moving upwards, the increase in those charged by the financial intermediaries for short-term credits was of the same order of magnitude as the rise in money market rates; the rates applied by big banks to first-class clients for discount credits, ordinary overdrafts and « straight loans » were raised by 3, 3.50 and 3.10 p.c. respectively between the end of December 1979 and the end of March 1980. From the beginning of April to the end of October, on the other hand, there was no longer the same symmetry between the movement of money market rates (– 5.40 p.c. for inter-bank deposits) and that of debtor rates (– 3 p.c. for discount credits and ordinary overdrafts, – 5.40 p.c. for « straight loans »), so that the banks' operating margin — defined as the difference between the average rate of yield on their investments in Belgian francs and the average rate of remuneration on their resources in Belgian francs ² — widened fairly appreciably, on

¹ Development of the major sectors of the Belgian economy : Individuals.

² For short-term investments and resources, the rates used for the calculation are those for the month in question. These rates, if they remain unchanged, will be applied to the total existing outstanding amounts only with a certain — though admittedly relatively short — time-lag. Consequently, the calculated operating margin, while being a true reflection, on average, of the actual developments may somewhat change their chronological pattern.

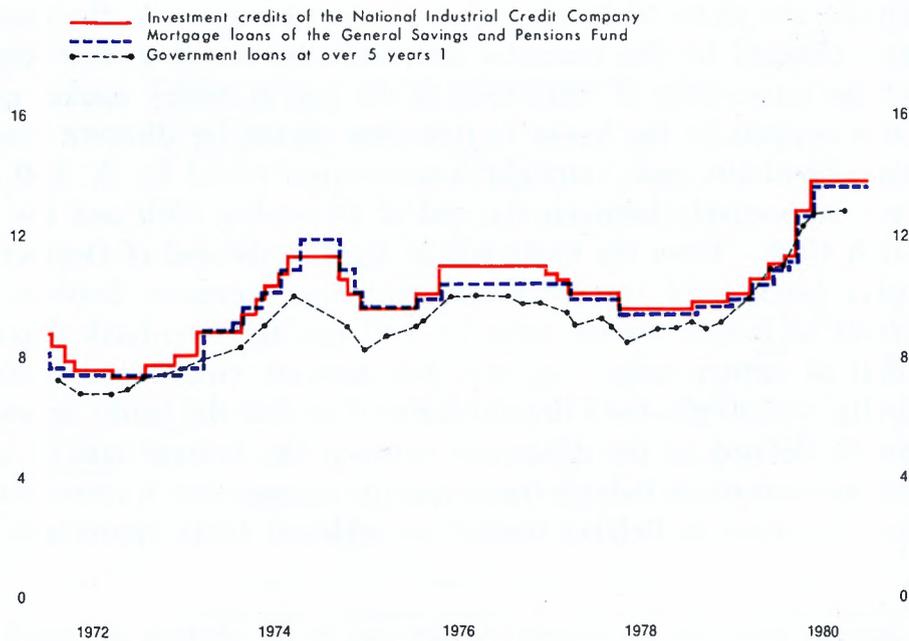
average, during the period May-October, according to the Bank's calculations. During the last two months of the year this widening appears to have lessened.

Like short-term interest rates, the rates of yield on public-sector long-term loans increased during the first quarter of 1980 : the gross yield rose from 11 p.c. for the January Government loan to 12.33 p.c. for the April Road Fund loan. On the other hand, the subsequent decline in short-term rates did not spread to long-term yields, which, on the contrary, went on rising, reaching 12.75 p.c. for the May Government loan and 12.81 p.c. for the September loan; this is perhaps connected with the fact that the level of interest rates on Treasury certificates remained very high, despite the decline which took place during the

Chart 25.

LONG-TERM RATES

(Per cent)



¹ Yield, on issue, to final maturity, before deduction of tax at source. Including the loans of the Road Fund.

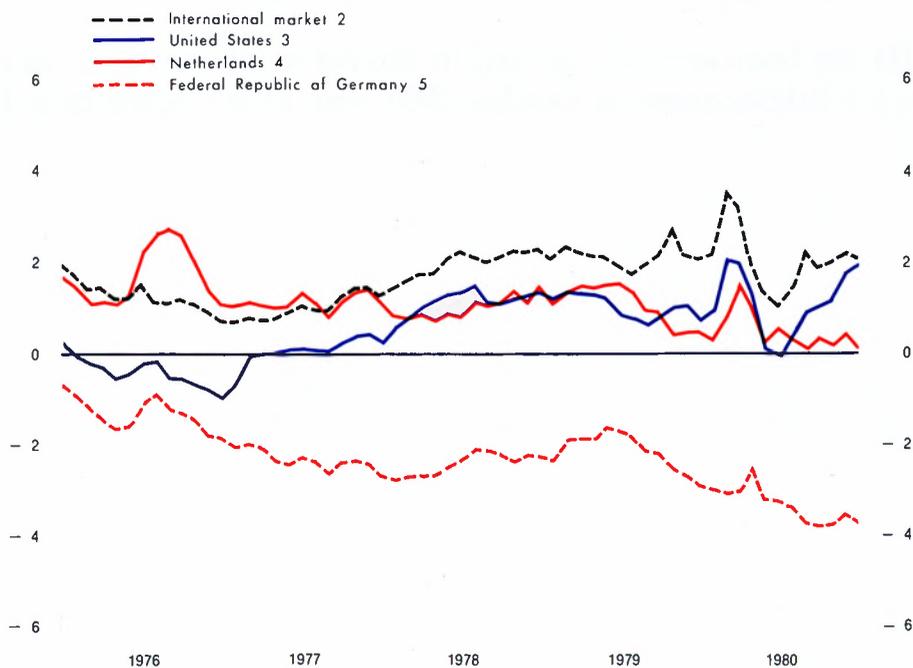
period April-October, and that long-term interest rates were confidently expected to go on rising, in view of the public sector's substantial financing requirements.

If, as in Chart 26, a comparison is made between the long-term yield rates on some foreign markets and in Belgium, allowance being made for any deduction of tax at source, it is found that the differential in favour

Chart 26.

DIFFERENCES BETWEEN FOREIGN AND BELGIAN LONG-TERM
YIELD RATES ¹

(Per cent)



Sources : International market : Bondtrade. United States : Federal Reserve Bulletin. Netherlands : Quarterly Report of the Netherlands Bank. Federal Republic of Germany : Financial Statistics of the Organisation for Economic Cooperation and Development. Calculations of the National Bank of Belgium.

¹ Foreign rate of yield minus stock exchange yield on Belgian Government bonds at over 5 years. Rates after any deduction of tax at source, i. e. : for Belgium, preliminary tax on personal property of 20 p.c.; for the Federal Republic of Germany, coupon tax of 25 p.c. See Annex 6, Table 21.

² Yield on dollar Euro-bonds at over 7 years.

³ Yield on Federal Government bonds on the secondary market (10 years and over).

⁴ Yield on the last three long-term government loans.

⁵ Yield on public-sector bonds on the secondary market.

of Euro-bonds in dollar and that in favour of the United States fluctuated violently in the course of last year; on balance, the latter differential widened, becoming nearly equal to the former, which hardly changed. The differential in favour of the Netherlands was very small, indeed negligible, except from February to April. The adverse differential for the Federal Republic of Germany increased further in 1980.

Debtor rates for long-term credits — those for capital investment credits and mortgage loans — were adjusted with a certain time-lag to the movement of the creditor rates paid on medium-term notes, bonds and deposits on ordinary savings books; they reached an all-time high in May 1980 and subsequently remained unchanged. The rate for capital investment credits was thus raised to 14 p.c. and that for residential mortgage loans applied by the General Savings and Pensions Fund for very good clients to 13.75 p.c., representing an increase of between 2.50 and 2.75 p.c. compared with the end of December 1979.

Having been adversely affected by the rise in interest rates, the cash prices for Belgian shares in October 1980 were 15 p.c. below their 1979 level.

Annual accounts

BALANCE SHEET AS AT 31ST DECEMBER, 1980

(in thousands of francs)

ASSETS

Gold Holding		58,213,956
International Monetary Fund :		
Quota		18,108,205
Loans		—
Special Drawing Rights		24,166,740
Ecus		110,675,145
Foreign Currencies		114,750,988
Foreign Currencies and Gold Receivable :		
European Monetary Cooperation Fund		40,126,249
Other		—
International Agreements		841,510
Advances to the I.M.F.		5,706,455
European Monetary Cooperation Fund		—
E.E.C. : Medium-term Financial Assistance		—
Debtors in respect of Foreign Exchange and Gold at Forward Dates		2,989,768
Commercial Bills		47,080,291
Advances against Pledged Security :		
Institutions governed by a Special Law	10,362,560	
Banks	52,614	
Enterprises and Individuals	8,784	10,423,958
Public Securities :		
Belgian Public Securities		37,000,000
Luxembourg Public Securities		—
Special Assistance to the Securities Regulation Fund		77,125,000
Treasury Notes and Coin		577,333
Balances at the Postal Cheque Office :		
A Account		1,775
B Account		4,276,376
Consolidated Claim on the Government		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972		3,450,349
Items Receivable		22,289,111
Public Long-term Securities		8,005,680
Premises, Furniture and Equipment		2,240,109
Securities of the Staff Pensions Fund		13,130,186
Transitory Assets		2,053,096
Total Assets		637,232,280

LIABILITIES

(in thousands of francs)

Bank Notes in Circulation		376,087,099
Current and Sundry Accounts :		
Public Treasury : Ordinary Account	4,233	
Institutions governed by a Special Law	1,834,529	
Banks in Belgium	368,283	
Enterprises and Individuals	560,667	
Banks in Foreign Countries, Ordinary Accounts	1,249,972	
Items Payable	4,831,793	8,849,477
International Agreements :		
Financial Assistance Agreements		4,276,376
Other Agreements		59,921
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation		19,193,627
European Monetary Cooperation Fund		—
Ecus to be delivered to the European Monetary Cooperation Fund		162,357,267
Monetary Reserve :		
Belgium		—
Grand Duchy of Luxembourg		—
Foreign Currencies and Gold to be delivered		3,146,224
Staff Pensions Fund		13,130,186
Transitory Liabilities		40,561,778
Capital		400,000
Reserve Fund :		
Statutory Reserve		1,440,523
Extraordinary Reserve		4,896,631
Account for Depreciation of Premises, Furniture and Equipment		2,049,240
Net Profit for Distribution		783,931
	Total Liabilities	637,232,280

PROFIT AND LOSS ACCOUNT AS AT 31ST DECEMBER, 1980

(in thousands of francs)

DEBIT

Government's Share :		
Discounts and Advances	17,002,036	
Transactions with Foreign Countries	1,929,539	18,931,575
General Expenses :		
Remunerations and Social Charges	3,958,321	
Other Expenses	431,054	
	4,389,375	
<i>less :</i>		
Expenses to be borne by Others	659,945	3,729,430
Taxes		2,623,654
Depreciation of Premises, Furniture and Equipment		245,525
Additional Grant to the Staff Pensions Fund		400,000
Transfers to Reserves and Provisions as :		
Extraordinary Reserve	780,300	
Provision for Premises, Furniture and Equipment	290,000	
Provision against Sundry Contingencies	500,000	
Provision for Taxes	250,000	1,820,300
Net Profit for Distribution		783,931
		28,534,415

CREDIT

Proceeds of Discount and Advance Operations		22,231,010
Proceeds of Transactions with Foreign Countries		5,131,461
Proceeds of Public Long-term Securities		712,906
Fees for Safe Custody, Commissions and Allowances		214,992
Sundry Receipts		4,715
Drawings on Transitory Liabilities Items :		
Provision for Taxes		239,331
		28,534,415

MEMORANDUM ACCOUNTS AS AT 31ST DECEMBER, 1980

(in thousands of francs)

Ministers of National Education :		
Balance for their account at the Postal Cheque Office (Education legislation)		25,836,889
Documentary Credits Opened		20,271
« Visa » of Acceptances relating to Exports and Imports		2,044,302
International Institution benefiting by a Commitment of the National Bank		103,984
Guarantees given on behalf of the Staff		756,521
Securities received by way of Guarantee :		
Cover for advance limits against pledged security	63,166,010	
Guarantees given by persons lodging bills for discount	1,550	
Securities provided by borrowers of call money	16,259,346	
Sundry security commitments	39,581	
Other guarantees	1,128,232	80,594,719
Guarantee Certificates received from the Public Treasury		1,050,000
Items for Collection		738,723
Assets administered for account of the European Monetary Cooperation Fund		40,126,249
Deposits of Securities and Sundry Items :		
International Monetary Fund	36,954,500	
International Development Association	4,088,448	
Asian Development Bank	547,638	
Inter American Development Bank	335,532	
African Development Fund	236,911	
Other Deposits	490,366,557	532,529,586
Public Treasury :		
Sundry Securities owned by the Government :		
<i>Preference Shares of the Belgian National Railways Co.</i>	5,000,000	
<i>Ordinary Shares of the Belgian National Railways Co.</i>	1,000,000	
<i>Participating Debentures of the Belgian National Railways Co.</i>	638,305	
<i>Treasury Bill of the Government of the Grand Duchy of Luxembourg (Belgian-Luxemb. Agreement)</i>	425,871	
<i>4.50 p.c. Certificates of the National Housing Co.</i>	3,450,929	
<i>4.50 p.c. Certificates of the National Land Co.</i>	80,344	
Sundry Items :		
— <i>Earmarked for the Monetary Fund</i>	984,884	
— <i>Others</i>	5,830,478	17,410,811
Sundry Items for which the Government is the Depository :		
<i>Items lodged by outside parties</i>	71,422,611	
<i>Service of the Registered Debt</i>	609,008,163	
<i>Deposit and Consignment Office</i>	6,478,642	
<i>Items lodged by way of guarantee</i>	12,844,223	699,753,639
Items to be delivered		130,593,471
Securities Regulation Fund		107,032,108

DIVIDEND DECLARED FOR THE YEAR 1980

First Dividend, Total	24,000
Second Dividend, Total	498,500
Total	522,500

on 400,000 shares, that is per share a dividend of Fr. 1,306.25

Coupon No. 179 will be payable with effect from 1st March 1981 at the rate of Fr. 1,045 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 1,045, the taxable income per share is Fr. 1,907.125, including the tax relief and the Preliminary Tax on Personal Property ¹.

The Council of Regency :

Marcel D'HAEZE, *Vice-Governor*,
 Roland BEAUVOIS, *Director*,
 Henri VLOEBERGHES, *Director*,
 Georges JANSON, *Director*,
 William FRAEYS, *Director*,
 Frans JUNIUS, *Director*,
 Hendrik CAPPUYNS, *Regent*,
 Roger RAMAEKERS, *Regent*,
 Raymond PULINCKX, *Regent*,
 Jozef HOUTHUYS, *Regent*,
 Georges DEBUNNE, *Regent*,
 Jan HINNEKENS, *Regent*,
 Philippe MOUREAUX,* *Regent*,
 Luc AERTS, *Regent*,
 Albert FRERE, *Regent*.

The Governor,
 Cecil de STRYCKER.

* Has no longer attended the meetings since 18th May 1980 owing to his ministerial functions.

¹ Tax relief $\frac{1,045 \times 57.5}{100}$	Fr. 600.875
Preliminary Tax on Personal Property $\frac{1,045 \times 1}{4}$	Fr. 261.25

Administration and supervision

Departments and services

Branches and agencies

ADMINISTRATION AND SUPERVISION

<i>Governor</i>	Mr Cecil de STRYCKER.
<i>Vice-Governor</i>	Mr Marcel D'HAENZE.
<i>Directors</i>	Messrs Roland BEAUVOIS, Henri VLOEBERGHES, Georges JANSON, William FRAEYS, Frans JUNIUS.
<i>Regents</i>	Messrs Hendrik CAPPUYNS, Roger RAMAEKERS, Raymond PULINCKX, Jozef HOUTHUYS, Georges DEBUNNE, Jan HINNEKENS, Philippe MOUREAUX *, Luc AERTS, Albert FRERE.
<i>Censors</i>	Messrs Alex FLORQUIN, <i>Chairman</i> , Louis PETIT, <i>Secretary</i> , Gaston VANDEWALLE, Jacques DELRUELLE, Hubert DETREMMERIE, Henri DE KERCKHEER, Roger van de WYER, André LEYSEN, Lucien ROEGIERS, Joseph POLET.
<i>Secretary</i>	Mr Valery JANSSENS.
<i>Treasurer</i>	Mr Pol DASIN.

GOVERNMENT COMMISSIONER

Mr Emiel KESTENS.

* Has no longer attended the meetings since 18th May 1980 owing to his ministerial functions.

ADVISERS

<i>Economic Adviser</i>	Mr J. BAUDEWYNS,
<i>Adviser to the Board of Directors</i>	Mr J. POULLET, Head of Personnel.

DEPARTMENTS

Social Affairs Department — Mr J. POULLET, Adviser to the Board of Directors, Head of Personnel,

Training	
Head	Mr P. JACOBS, Head of Division,
Head of Division	Mr P. JANSEGGERS.
Medico-social Affairs	
Head Doctor	Mr J. DE REDE,
Doctors	Mr J. BARY, Mrs G. BERTE-VAN ERMEN.
Personnel	
Head	Mr J. LUYCKFASSEEL, Inspector-General,
Adviser	Mr J. CARDIJN,
Heads of Division	Mrs L. SWINGS-LAMOUREUX, Messrs R. VAN SIMAEYS, L. HANCISSE, L. VAN DER VEKEN.

Accounting and Budgetary Control Department — Mr G. LAKIERE, Assistant Director,

Accounting	
Head	Mr M. SCHOLLAERT, Inspector-General,
Heads of Division	Messrs L. BOES, C. DEKEYSER.
Budgetary Control	
Head	Mr J. VAN ROY, Inspector-General.

General Control Department — Mr G. FIRSON, Assistant Director,

External Control	
Head	Mr H. KUSSE, Inspector-General,
Controllers	Messrs P. BLAISE, E. VAN DER JEUGHT.
Inspection	
Head	Mr R. VAN STEENKISTE, Inspector-General,
Inspectors	Messrs F. MORVOET, P. COENRAETS, A. PIERRET, W. VAN DER PERRE, D. MUS, T. DE ROOVER.

Credit Department — Mr M. DEMANET, Assistant Director,

Advances and Portfolio

Head Mr P. BOON, Head of Division,
Head of Division Mr J.-M. WULLUS.

Central Risks Office

Head Mr F. TOURNEUR, Inspector-General,
Heads of Division Messrs F. DEPUYDT, P. TELLIER.

Discounting

Head Mr C. DE NYS, Head of Division,
Heads of Division Messrs J. VAN ROMPAY, M. RENERT.

Foreign Department — Mr F. HEYVAERT, Assistant Director,

Chief Adviser Mr J.-J. REY.

International Agreements

Head Mr J. ROELANDTS, Inspector-General,
Advisers Miss A. HARNOULD, Messrs M. DEMARET,
P. LEROY, M. JAMAR, G. NOPPEN,
J. MICHIELSEN, H. BUSSEERS,
Heads of Division Messrs L. DE VRIES, L. VAN SCHEPDAEL.

Foreign Exchange

Head Mr P. ADRIAENS, Head of Division,
Heads of Division Messrs H. DE SAEDELEER, J. MAKART.

Goods Transactions Control

Head Mr W. STOOP, Head of Division,
Head of Division Mr F. ROBBERECHT.

Foreign Payments Statistics

Head Mr W. VANLEEuw, Inspector-General,
Heads of Division Messrs J. HEYVAERT, G. MARLET.

Research Department — Mr J. BAUDEWYNS, Economic Adviser,

Advisers Mr G. DEFRANCE, Miss M.-H. LAMBERT,
Mr J. DESPIEGELAERE,

Deputy Head
of Department Mr L. PLUM, Inspector-General,

Senior Economist Mr A. VERPLAETSE,

Economists Messrs W. PLUYM, W. VERTONGEN, R. REYNDERS,
R. BEUTELS, S. BERTHOLOME, B. MEGANCK,
Miss A.-M. PEETERS, Mr A. NYSSENS.

Documentation

Head Mr M. JACOBS, Head of Division,
Head of Division Mr G. BURGGRAEVE,
Translator Mr M. LEENDERS.

Statistics

Head Mr R. EGLEM, Inspector-General,
Heads of Division Messrs W. BRUMAGNE, J.-B. TEIRLINCK.

Public Securities Department — Mr A. ROWIES, Assistant Director,

Government Cashier's Department

Head Mr J. VAN AKEN, Inspector-General,
Head of Division Mr C. VAN POPPEL.

Securities Regulation

Head Mr P. GENIE, Inspector-General,
Head of Division Mr W. SMOUT.

Securities

Head Mr O. BELLEMANS, Inspector-General,
Heads of Division Messrs J. CARLIER, L. NICOLAY, F. SERCKX.

Buildings Department — Mr J. WENS, Assistant Director,

Buildings

Head Mr F. DEMEULENAERE, Inspector-General.
Advisers Messrs J. VICTOIR, K. VANDENEDE,
Architect Mr C. DEMEYERE.

Stores and Security

Head Mr G. VAN DEN STEEN, Inspector-General,
Heads of Division Messrs S. VAN RILLAER, J. VANDEUREN.

Printing Department — Mr J. VAN DROOGENBROECK, Assistant Director,

Administrative Services

Head Mr A. TAYMANS, Inspector-General,
Head of Division Mr M. VAN GEYTE.

Technical Services

Head Mr W. VAN NIEUWENHUYSE, Head of Division.

Organisation and Data Processing Department — Mr B. LIETAER, Assistant Director,

Electronics Centre

Head Mr A. VLASSELAER, Inspector-General,
Head of Division Mr J. RENDERS,
Senior Systems Engineer Mr J. MOERMAN.

Organisation

Head Mr J. NAGANT, Head of Division,
Head of Division Mr C. LOTS,
Consultant analysts Messrs R. MAUHIN, H. BARBE, R. VAN HEMELRIJCK,
Adviser Mr J.-C. PAUWELS.

General Secretariat Department,

Secretariat

Head Mr G. DEVRIENDT, Inspector-General,
Head of Division Mr M. VERHAEGEN.

Secretariat of the Board of Directors

Head Miss M. WILLEMS, Inspector-General,
Heads of Division Messrs J. DOLO, H. DOMS.

Branches and Agencies Department — Mr P. ANDRE, Assistant Director, assisted by
Mr J. VANNESTE, Inspector-General,

Head of Division Mr C. METTENS.

General Treasury Department — Mr P. DASIN, Treasurer,

Central Cash Office

Chief Cashier Mr F. DE MAEYER, Inspector-General,
Heads of Division Messrs R. SCHEYS, Y. BALSEAU, J. DE MAESSCHALCK,
R. VERHEYDEN.

Current Accounts

Head Mr T. FELIX, Head of Division,
Heads of Division Messrs L. LEEMAN, G. BOEYKENS.

Collections and Staff Library

Head Mr A. vander STRAETEN, Inspector-General,
Adviser Mr X. DUQUENNE,
Head of Division Miss C. LOGIE.

Legal Affairs

Head Mr J.-V. LOUIS, Inspector-General,
Advisers Messrs P. LOHEST, J.-P. BRISE.

Safety, Hygiene and Embellishment of Working Environment,

Head	Mr J. BOULAERT, Head of Division,
Head of Division	Mr G. SCHAMPAERT.

Officials on mission on behalf of the International Monetary Fund

Banque Centrale des Etats de l'Afrique de l'Ouest — Mr G. PARLONGUE, Economist.
Banque du Rwanda — Mr M. ASSEAU, Controller.
Banque du Zaïre — Mr J. DUREUIL, Controller, Mr R. VANHULST, Head of Division.

Kortrijk

Agency Manager Mr F. LEFLERE.

La Louvière

Agency Manager Mr P. VAN NIEUWENHUYSE.

Leuven

Agency Manager Mr H. LIENART van LIDTH de JEUDE.

Malmédy

Responsible for the management
of the agency Mr E. LIENNE.

Marche-en-Famenne

Agency Manager Mr J. BOFFING.

Mechelen

Agency Manager Mr L. KERREMANS.

Mons

Agency Manager Mr P. NYS.

Namur

Agency Manager Mr G. WALNIER,
Head of Division Mr J. DENILLE.

Nivelles

Responsible for the management
of the agency Mr R. CLOQUET.

Ostend

Agency Manager Mr G. ONGENA.

Roeselare

Agency Manager Mr L. GHYSELS.

Ronse

Responsible for the management
of the agency Mr G. DELIVEYNE.

Sint-Niklaas

Agency Manager Mr P. PEETROONS.

Tienen

Agency Manager

Mr J. BOUDOU.

Tournai

Agency Manager

Mr F. RYCKAERT.

Turnhout

Agency Manager

Mr M. THIJS.

Verviers

Agency Manager

Mr J. TASSIER,

Head of Division

Mr A. MOXHET.

Annexes

BALANCE SHEETS COMPARED AS AT 31

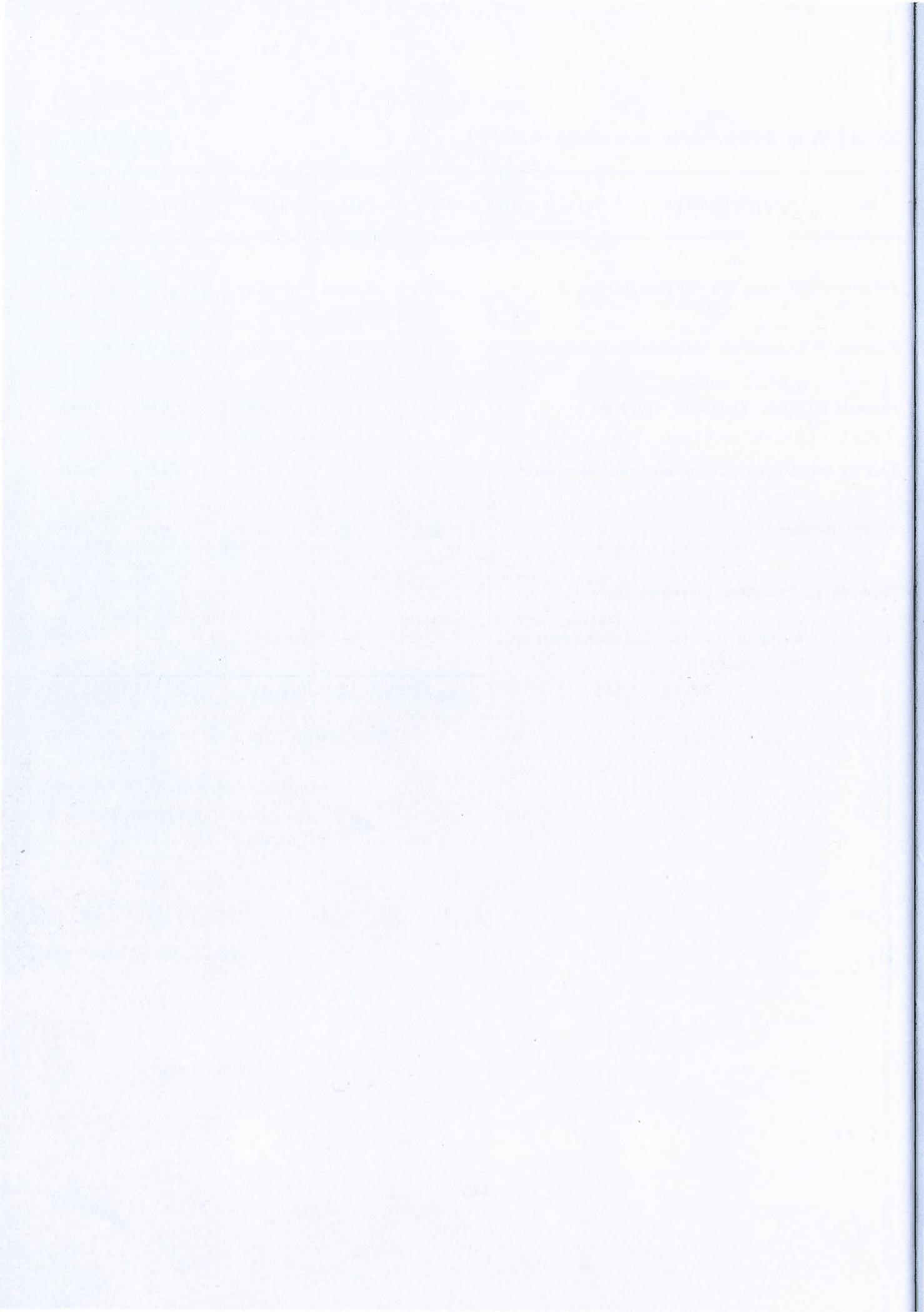
ASSETS	1976	1977	1978	1979	1980
Gold Holding	71,821.2	72,295.0	72,531.9	58,261.4	58,214.0
International Monetary Fund :					
Quota	29,883.3	26,718.0	19,407.1	18,125.9	18,108.2
Loans	—	1,467.8	689.9	—	—
Special Drawing Rights	19,334.4	19,808.8	20,150.7	23,152.1	24,166.7
Ecus				61,112.2	110,675.1
Foreign Currencies	84,025.0	101,161.0	106,125.9	75,472.6	114,751.0
Foreign Currencies and Gold Receivable :					
European Monetary Cooperation Fund				35,707.0	40,126.2
Other	—	—	—	2,377.3	—
International Agreements	153.0	444.1	392.9	4.8	841.5
Advances to the I.M.F.	9,731.4	9,731.4	9,374.3	7,369.4	5,706.4
European Monetary Cooperation Fund	—	—	—	—	—
E.E.C. : Medium-term Financial Assistance	6,538.2	6,538.2	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates	—	—	11,889.1	19,597.3	2,989.8
Commercial Bills	45,259.8	59,670.3	78,992.7	80,603.0	47,080.3
Advances against Pledged Security :					
Institutions governed by a Special Law	4,035.8	7,815.4	14,171.9	23,534.8	10,362.6
Banks	97.7	49.0	2,046.1	187.5	52.6
Enterprises and Individuals	21.8	15.5	561.4	11.2	8.8
	4,155.3	7,879.9	16,779.4	23,733.5	10,424.0
Public Securities :					
Belgian Public Securities	20,575.0	37,000.0	37,000.0	37,000.0	37,000.0
Luxembourg Public Securities	—	—	—	—	—
Special Assistance to the Securities Regulation Fund		2,800.0	15,950.0	52,450.0	77,125.0
Treasury Notes and Coin	400.8	366.3	419.0	426.6	577.3
Balances at the Postal Cheque Office :					
A Account	1.1	2.1	2.0	2.2	1.8
B Account	2,477.3	2,446.1	2,018.5	3,432.6	4,276.4
Consolidated Claim on the Government	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Special Treasury Bills	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	845.0	2,241.1	9,152.1	18,776.3	22,289.1
Public Long-term Securities	5,534.7	6,066.6	6,498.2	7,232.7	8,005.7
Premises, Furniture and Equipment	2,195.6	2,191.5	2,150.0	2,232.2	2,240.1
Securities of the Staff Pensions Fund	7,753.6	9,043.8	10,293.5	11,757.7	13,130.2
Transitory Assets	928.4	1,207.4	1,554.7	2,010.8	2,053.1
	<u>349,663.5</u>	<u>406,929.8</u>	<u>458,822.3</u>	<u>578,288.0</u>	<u>637,232.3</u>

LIABILITIES	1976	1977	1978	1979	1980
Bank Notes in Circulation	307,197.4	335,404.5	359,903.0	371,796.1	376,087.1
Current and Sundry Accounts :					
Public Treasury :					
Ordinary Account	8.6	6.5	2.8	11.2	4.2
Exceptional Counter-Cyclical Tax	7.0	7.0			
Institutions governed by a Special Law	292.8	207.3	2,933.3	1,498.1	1,834.5
Banks in Belgium	639.8	504.1	389.7	325.0	368.3
Enterprises and Individuals	895.2	833.8	733.2	832.8	560.7
Banks in Foreign Countries, Ordinary Accounts	564.9	861.0	1,150.0	1,430.4	1,250.0
Items Payable	2,138.9	1,998.2	3,256.2	3,817.6	4,831.8
	4,547.2	4,417.9	8,465.2	7,915.1	8,849.5
International Agreements :					
Financial Assistance Agreements	2,477.3	2,446.1	2,018.5	3,432.6	4,276.4
Other Agreements	354.2	376.4	350.4	16.5	59.9
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Allo- cation	10,186.2	10,186.2	10,186.2	14,689.9	19,193.6
European Monetary Cooperation Fund	—	23,441.5	26,702.9	27,357.1	—
Ecus to be delivered to the European Monetary Cooperation Fund				86,349.4	162,357.3
Monetary Reserve :					
Belgium	—	—	365.0	—	—
Grand Duchy of Luxembourg	—	—	—	—	—
Foreign Currencies and Gold to be delivered	36.9	28.3	16,206.8	28,129.0	3,146.2
Staff Pensions Fund	7,753.6	9,043.8	10,293.5	11,757.7	13,130.2
Transitory Liabilities	10,462.3	14,475.1	16,458.0	18,168.3	40,561.8
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	1,172.8	1,234.7	1,299.7	1,368.4	1,440.5
Extraordinary Reserve	2,361.3	2,734.3	3,436.3	4,116.3	4,896.7
Account for Depreciation of Premises, Furni- ture and Equipment	2,071.3	2,067.5	2,028.7	2,049.2	2,049.2
Net Profit for Distribution	643.0	673.5	708.1	742.4	783.9
	349,663.5	406,929.8	458,822.3	578,288.0	637,232.3

PROFIT AND LOSS ACCOUNTS COMPARED

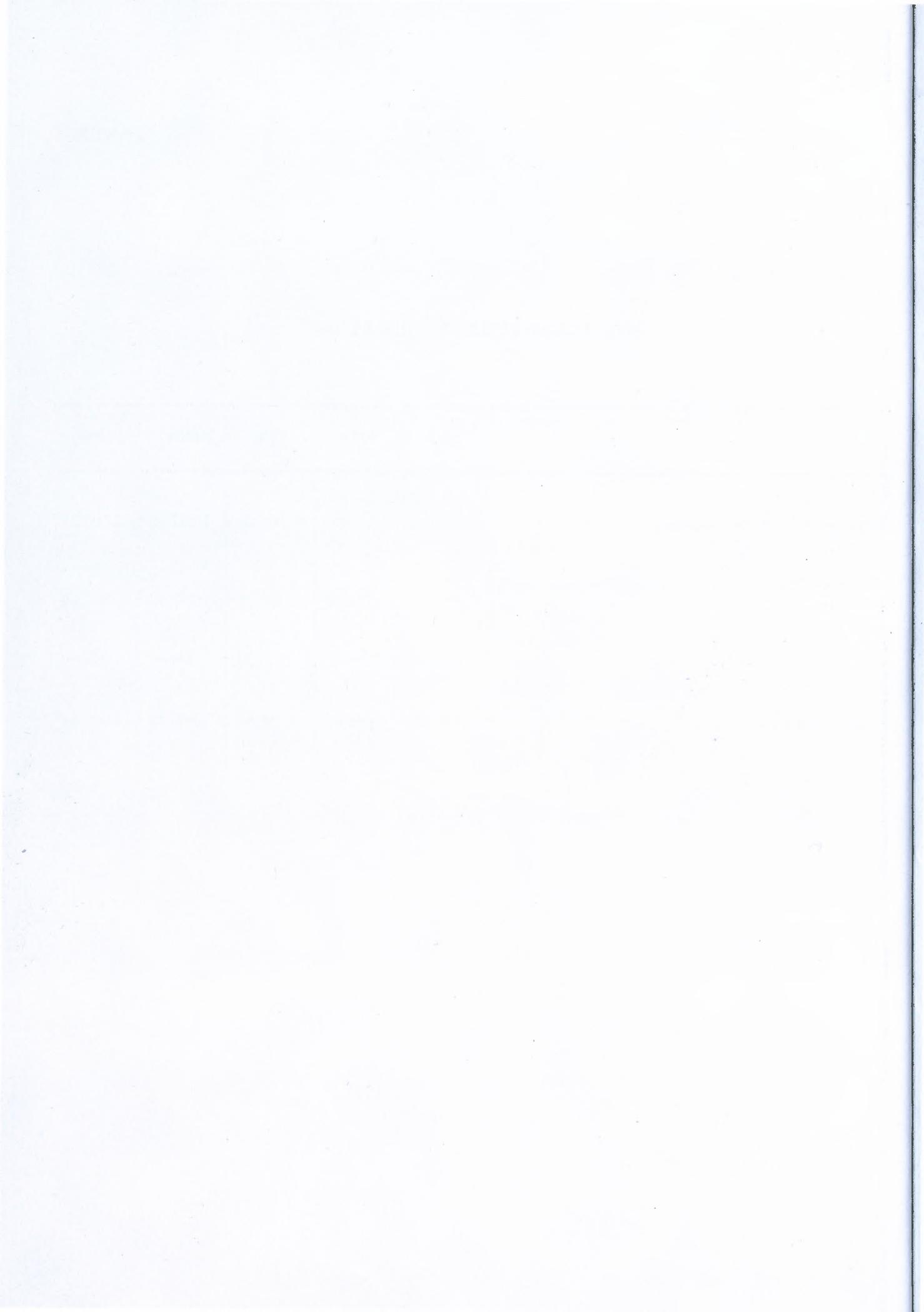
DEBIT	1976	1977	1978	1979	1980
Government's Share :					
Discounts and Advances	3,678.2	2,389.3	3,582.2	8,616.9	17,002.0
Transactions with Foreign Countries	1,966.5	2,582.4	3,014.3	3,562.7	1,929.6
Monetary Reserve	0.4	—	—	—	—
	5,645.1	4,971.7	6,596.5	12,179.6	18,931.6
General Expenses :					
Remunerations and Social Charges	2,972.0	3,314.5	3,536.2	3,772.6	3,958.3
Other Expenses	315.1	298.3	322.7	356.2	431.0
	3,287.1	3,612.8	3,858.9	4,128.8	4,389.3
<i>less :</i>					
Expenses to be borne by Others	— 399.3	— 420.9	— 543.5	— 593.8	— 659.9
	2,887.8	3,191.9	3,315.4	3,535.0	3,729.4
Taxes	1,316.3	1,210.1	1,647.0	2,253.3	2,623.7
Depreciation of Premises, Furniture and Equipment	83.9	172.8	172.5	193.0	245.5
Additional Grant to the Staff Pensions Fund	620.0	500.0	350.0	440.0	400.0
Transfers to Reserves and Provisions :					
— Extraordinary Reserve	470.5	373.0	702.0	680.0	780.3
— Provision for Premises, Furniture and Equipment	125.0	73.5	—	278.0	290.0
— Provision against Sundry Contingencies	200.0	200.0	500.0	500.0	500.0
— Provision for Taxes				250.0	250.0
Net Profit for Distribution	643.0	673.5	708.1	742.4	783.9
	11,991.6	11,366.5	13,991.5	21,051.3	28,534.4

CREDIT	1976	1977	1978	1979	1980
Proceeds of Discount and Advance Operations	5,698.8	4,343.7	6,824.6	13,113.7	22,231.0
Proceeds of Transactions with Foreign Countries	5,661.3	6,331.1	6,386.8	7,134.5	5,131.5
Proceeds of Public Long-term Securities	423.1	468.9	536.8	595.6	712.9
Fees for Safe Custody, Commissions and Allowances	187.3	191.3	191.0	204.5	215.0
Sundry Receipts	18.7	31.5	52.3	3.0	4.7
Drawings on Transitory Liabilities Items :					
— Provision for Building of Premises and Purchasing of Furniture and Equipment	2.4	—	—	—	—
— Provisions for Taxes					239.3
	11,991.6	11,366.5	13,991.5	21,051.3	28,534.4



MISCELLANEOUS INFORMATION

	1976	1977	1978	1979	1980
Gross dividend declared per share	1,075.00	1,125.00	1,181.25	1,237.50	1,306.25
Preliminary Tax on Personal Property retained per share	215.00	225.00	236.25	247.50	261.25
Net dividend declared per share	860.00	900.00	945.00	990.00	1,045.00
Taxable income per share	1,569.50	1,642.50	1,724.63	1,806.75	1,907.13



ANNEX 4

WEEKLY RETURNS
PUBLISHED IN THE « MONITEUR BELGE » DURING 1980

WEEKLY RETURNS PUBLISHED IN THE 'MONITEUR BELGE' DURING 1980

(Millions of francs)

ASSETS

DATE	Gold holding	International Monetary Fund:			Ecus	Foreign currencies	Foreign currencies and gold receivable		International agreements	Advances 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 the Postal Cheque Office		Consolidated claim on the Government	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			E.M.C.F.	Other								Belgian public securities	Luxembourg public securities			A Account	B Account							
7 January 1980	58,261	18,126	...	27,656	61,112	72,147	35,707	2,377	3	7,369	...	...	15,538	80,058	30,324	37,000	...	46,000	446	2	3,399	34,000	3,450	7,233	2,150	11,727	15,445	569,530
14 "	58,214	18,126	...	27,656	75,537	64,803	33,060	2,377	...	7,369	...	...	13,455	81,465	23,903	37,000	...	51,550	594	1	3,345	34,000	3,450	7,233	2,150	11,728	13,588	570,604
21 "	58,214	18,126	...	27,656	74,150	63,550	33,060	1,794	...	7,369	...	...	6,772	71,691	20,954	37,000	...	53,925	666	1	3,326	34,000	3,450	7,233	2,150	11,741	15,267	552,095
28 "	58,214	18,126	...	27,656	74,150	58,124	33,060	1,794	...	7,217	...	...	7,517	77,695	18,982	37,000	...	39,950	738	2	3,319	34,000	3,450	8,005	2,232	12,208	16,837	540,276
4 February	58,214	17,520	...	27,656	70,750	57,930	33,060	1,794	3	7,217	...	...	7,517	79,746	30,918	37,000	...	35,100	738	2	3,279	34,000	3,450	8,005	2,232	12,331	16,980	545,442
11 "	58,214	17,520	...	27,711	68,761	57,681	33,060	1,794	1	7,036	...	...	6,711	89,146	27,242	37,000	...	30,550	773	2	3,329	34,000	3,450	8,006	2,232	12,509	15,235	541,963
18 "	58,214	17,521	...	27,711	65,751	53,156	33,060	350	16	7,036	...	...	2,919	77,275	17,452	37,000	...	53,650	807	1	3,302	34,000	3,450	8,006	2,232	12,664	16,236	531,809
25 "	58,214	17,493	...	27,711	61,053	49,982	33,060	350	39	7,036	...	...	2,897	84,147	16,850	37,000	...	48,225	807	1	3,362	34,000	3,450	8,006	2,232	12,664	17,063	525,642
3 March	58,214	17,494	...	27,711	56,208	49,419	33,060	350	53	7,036	...	...	2,897	79,282	17,004	37,000	...	62,725	807	2	3,346	34,000	3,450	8,006	2,232	12,699	17,883	530,878
10 "	58,214	17,494	...	27,711	51,167	48,062	33,060	350	55	7,036	...	...	2,897	81,429	20,397	37,000	...	62,575	801	2	3,331	34,000	3,450	8,006	2,232	12,747	17,285	529,301
17 "	58,214	17,494	...	27,711	43,104	44,699	33,060	350	54	7,036	...	...	2,897	80,951	21,133	37,000	...	59,825	796	1	3,322	34,000	3,450	8,006	2,232	12,756	27,045	525,136
24 "	58,214	17,494	...	27,832	41,163	46,026	33,060	...	65	6,884	...	...	2,358	84,087	23,182	37,000	...	65,600	762	2	3,305	34,000	3,450	8,006	2,232	12,816	14,868	522,406
31 "	58,214	17,494	...	27,832	43,664	54,194	33,060	...	73	6,884	...	...	2,333	74,370	18,646	37,000	...	72,625	733	1	3,402	34,000	3,450	8,006	2,232	12,832	17,829	528,874
4 April	58,214	17,297	...	27,832	39,075	52,925	33,060	...	88	7,163	...	...	2,333	82,276	20,835	37,000	...	67,100	699	2	3,389	34,000	3,450	8,006	2,232	12,800	19,124	528,900
14 "	58,214	17,297	...	27,832	73,559	58,339	28,502	...	108	7,163	...	...	2,333	81,223	20,552	37,000	...	67,575	648	1	3,407	34,000	3,450	8,006	2,232	12,848	15,671	559,960
21 "	58,214	16,568	...	27,832	74,112	58,306	28,502	...	654	7,163	...	...	2,333	78,890	26,960	37,000	...	60,775	620	1	3,379	34,000	3,450	8,006	2,232	12,836	15,101	556,934
28 "	58,214	16,130	...	27,832	78,067	58,669	28,502	...	759	7,010	...	...	2,333	78,856	15,943	37,000	...	64,325	600	2	3,433	34,000	3,450	8,006	2,232	12,835	15,034	553,232
5 May	58,214	15,624	...	27,832	80,369	60,020	28,502	...	731	7,010	...	...	2,333	81,372	26,747	37,000	...	57,025	553	1	3,424	34,000	3,450	8,005	2,232	12,897	15,440	562,781
12 "	58,214	15,624	...	28,663	81,799	62,707	28,502	...	691	6,829	...	...	2,333	78,125	11,690	37,000	...	71,350	520	1	3,572	34,000	3,450	8,005	2,232	12,870	15,316	563,493
19 "	58,214	15,624	...	28,663	82,593	71,573	28,502	...	451	6,829	...	...	5,211	77,064	14,515	37,000	...	69,450	480	1	3,566	34,000	3,450	8,005	2,232	12,875	15,731	576,029
23 "	58,214	15,629	...	29,338	82,593	72,600	28,502	...	703	6,829	...	...	5,211	68,217	8,759	37,000	...	79,450	526	2	3,544	34,000	3,450	8,005	2,232	12,901	15,611	573,316
2 June	58,214	14,886	...	29,338	86,054	82,982	28,502	...	459	6,829	...	...	5,211	68,057	10,238	37,000	...	74,050	498	2	3,512	34,000	3,450	8,005	2,232	12,897	16,332	582,748
9 "	58,214	14,886	...	29,338	87,635	89,943	28,502	...	832	6,829	...	...	5,211	55,402	8,425	37,000	...	84,475	518	1	3,488	34,000	3,450	8,005	2,232	12,861	15,729	586,976
16 "	58,214	15,129	...	29,338	91,236	103,882	28,502	...	499	6,829	...	...	3,472	61,455	14,090	37,000	...	55,175	548	2	3,485	34,000	3,450	8,005	2,232	12,885	15,914	585,342
23 "	58,214	15,129	...	29,338	94,401	107,838	28,502	...	174	6,829	...	...	3,472	61,638	13,954	37,000	...	54,950	558	1	3,428	34,000	3,450	8,005	2,232	12,903	16,638	592,654
30 "	58,214	14,156	...	29,338	93,975	109,075	28,502	...	722	6,677	...	...	3,459	62,120	15,800	37,000	...	59,975	717	2	3,712	34,000	3,450	8,005	2,232	12,903	16,394	600,428
7 July	58,214	14,156	...	29,338	94,767	111,670	28,502	...	824	6,677	...	...	3,459	64,687	12,140	37,000	...	60,500	666	2	3,809	34,000	3,450	8,005	2,232	12,880	16,133	603,111
14 "	58,214	14,156	...	29,364	118,379	109,803	37,625	...	819	6,677	...	...	2,763	63,183	19,584	37,000	...	44,175	708	2	3,694	34,000	3,450	8,005	2,232	12,891	15,981	622,705
18 "	58,214	14,156	...	29,364	118,379	110,372	37,625	...	206	6,526	...	...	2,763	58,451	9,419	37,000	...	52,475	722	1	3,672	34,000	3,450	8,006	2,232	12,903	18,136	618,072
28 "	58,214	14,156	...	29,364	119,643	114,598	37,625	...	783	6,525	...	...	2,415	58,808	6,040	37,000	...	44,950	707	2	3,892	34,000	3,450	8,006	2,232	12,903	16,628	611,941
4 August	58,214	14,156	...	29,476	119,271	118,919	37,625	...	818	6,525	...	...	2,415	53,653	11,788	37,000	...	44,100	671	2	3,821	34,000	3,450	8,001	2,232	12,897	16,339	615,373
11 "	58,214	13,903	...	29,476	119,271	120,606	37,625	...	716	6,344	...	...	2,415	53,624	4,608	37,000	...	46,750	662	2	4,277	34,000	3,450	8,001	2,232	12,858	16,921	612,955
18 "	58,214	13,903	...	29,476	119,271	117,339	37,625	...	787	6,344	...	...	2,415	44,725	6,193	37,000	...	53,275	684	2	3,974	34,000	3,450	8,001	2,232	12,858	18,875	610,643
25 "	58,214	13,903	...	29,476	119,271	117,670	37,625	...	765	6,344	...	...	2,415	49,356	7,539	37,000	...	47,725	682	1	3,969	34,000	3,450	8,001	2,232	12,858	16,090	608,586
1 September	58,214	13,904	...	29,476	118,942	116,962	37,625	...	734	6,344	...	...	2,415	50,071	267	37,000	...	60,176	699	2	3,930	34,000	3,450	8,001	2,232	12,858	17,160	614,462
8 "	58,214	13,539	...	29,476	119,717	112,543	37,625	...	740	6,344	...	...	2,415	46,406	6,841	37,000	...	60,075	686	2	3,929	34,000	3,450	8,001	2,232	12,819	16,821	612,875
15 "	58,214	13,539	...	29,476	119,717	111,134	37,625	...	729	6,344	...	...	2,415	40,778	5,030	37,000	...	65,025	696	2	3,898	34,000	3,450	8,001	2,232	12,819	16,896	609,020
22 "	58,214	12,857	...	29,476	119,717	112,831	37,625	...	826	6,344	...	...	2,415	35,348	3,468	37,000	...	72,050	667	2	4,322	34,000	3,450	8,001	2,232	12,819	16,533	610,197
29 "	58,214	12,857	...	29,476	119,717	111,616	37,625	...	794	6,192	...	...	2,415	40,586	9,640	37,000	...	56,400	636	2	4,322	34,000	3,450	8,001	2,232	12,832	17,697	605,704
6 October	58,214	12,857	...	29,476	119,357	108,804	37,625	...	714	6,192	...	...	2,415	36,049	4,139	37,000	...	76,150	606	1	4,321	34,000	3,450	8,001	2,232	12,833	18,549	612,985
13 "	58,214	12,857	...	29,476	123,057	101,384	40,126	...	468	6,192	...	...	2,415	34,856	5,349	37,000	...	73,275	613	2	4,552	34,000	3,450	8,001	2,232	12,792	20,772	611,083
20 "	58,214	12,857	...	29,476	123,057	101,718	40,126	...	464	6,192	...	...	2,415	36,716	8,855	37,000	...	69,575	620	1	4,536	34,000	3,450	8,006	2,232	12,792	16,855	609,157
27 "	58,214	12,857	...	29,476	123,05																							

WEEKLY RETURNS PUBLISHED IN THE 'MONITEUR BELGE' DURING 1980

(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		International Monetary Fund: Special drawing rights, net cumulative allocation	European Monetary Cooperation Fund	Ecus to be delivered to the E.M.C.F.	Monetary reserve		Foreign currencies and gold to be delivered	Staff Pensions Fund	Sundries	Capital, reserves and depreciation accounts ¹	TOTAL LIABILITIES	DATE
		Public Treasury: Ordinary account	Banks in foreign countries, ordinary accounts	Sundry current accounts and items payable	Financial assistance agreements	Other agreements				Belgium	Grand Duchy of Luxembourg						
25,793	370,181	25	1,249	2,121	3,399	20	19,194	27,357	86,349	...	...	23,165	11,727	17,510	7,233	569,530	7 January 1980
25,743	364,229	1	1,421	1,922	3,345	28	19,194	24,957	100,774	...	...	20,054	11,728	15,718	7,233	570,604	14 "
24,987	359,617	5	1,221	3,539	3,326	21	19,194	17,257	100,774	...	...	9,727	11,741	18,440	7,233	552,095	21 "
24,666	352,561	21	1,194	3,895	3,319	22	19,194	12,420	100,774	...	...	10,223	12,208	16,439	8,006	540,276	28 "
24,659	359,205	19	1,338	2,197	3,279	136	19,194	11,701	100,774	...	...	10,253	12,331	17,009	8,006	545,442	4 February
24,279	356,557	11	1,158	3,919	3,329	47	19,194	8,927	100,774	...	...	9,717	12,509	17,815	8,006	541,963	11 "
24,077	355,377	24	1,146	3,193	3,302	470	19,194	5,932	100,774	...	...	3,543	12,664	18,184	8,006	531,809	18 "
23,412	351,741	22	1,184	5,058	3,362	94	19,194	2,488	100,774	...	...	3,520	12,664	17,535	8,006	525,642	25 "
23,411	359,424	18	1,162	4,075	3,346	16	19,194	897	100,774	...	...	3,521	12,699	17,746	8,006	530,878	3 March
23,211	359,729	8	1,373	1,972	3,331	24	19,194	897	100,774	...	...	3,523	12,747	17,723	8,006	529,301	10 "
23,424	356,713	...	1,341	1,874	3,322	13	19,194	...	100,774	...	...	3,506	12,756	17,637	8,006	525,136	17 "
23,232	353,885	16	1,243	2,121	3,305	186	19,194	...	100,774	...	...	2,353	12,816	18,507	8,006	522,406	24 "
22,550	357,576	17	1,371	2,721	3,402	16	19,194	...	100,774	...	...	2,440	12,832	20,525	8,006	528,874	31 "
22,513	363,265	15	1,173	2,435	3,389	25	19,194	...	100,774	...	...	2,351	12,800	15,473	8,006	528,900	4 April
22,213	358,240	24	1,132	2,109	3,406	21	19,194	...	136,628	...	...	2,351	12,848	16,001	8,006	559,960	14 "
21,937	355,518	24	1,027	1,933	3,379	30	19,194	...	136,628	...	...	2,348	12,836	16,011	8,006	556,934	21 "
21,881	351,293	17	1,107	2,035	3,433	21	19,194	...	136,628	...	...	2,348	12,835	16,315	8,006	553,232	28 "
21,842	361,121	17	1,082	1,741	3,424	32	19,194	...	136,628	...	...	2,331	12,897	16,308	8,006	562,781	5 May
21,533	359,630	23	1,150	1,990	3,572	78	19,194	...	136,628	...	...	2,373	12,870	17,979	8,006	563,493	12 "
21,377	367,659	1	1,106	1,867	3,566	30	19,194	...	136,628	...	...	4,304	12,875	20,793	8,006	576,029	19 "
21,121	362,633	22	1,002	2,378	3,544	140	19,194	...	136,628	...	...	4,275	12,901	22,593	8,006	573,316	23 "
21,022	368,465	2	1,037	2,957	3,512	185	19,194	...	136,628	...	...	4,260	12,897	25,605	8,006	582,748	2 June
20,436	368,904	19	1,876	2,451	3,488	18	19,194	...	136,628	...	...	4,260	12,861	29,271	8,006	586,976	9 "
20,139	367,300	25	1,076	2,060	3,485	13	19,194	...	136,628	...	...	3,093	12,885	31,577	8,006	585,342	16 "
19,369	370,455	2	1,022	4,834	3,428	22	19,194	...	136,628	...	...	3,094	12,903	33,066	8,006	592,654	23 "
19,163	377,641	22	1,047	4,711	3,712	122	19,194	...	136,628	...	...	3,099	12,903	33,343	8,006	600,428	30 "
18,949	380,474	16	1,449	1,872	3,809	34	19,194	...	136,628	...	...	3,094	12,880	35,655	8,006	603,111	7 July
18,762	374,789	5	1,310	3,934	3,694	23	19,194	...	158,657	...	...	2,628	12,891	37,574	8,006	622,705	14 "
18,625	370,682	18	1,271	2,941	3,672	33	19,194	...	158,657	...	...	2,628	12,903	38,067	8,006	618,072	18 "
18,043	359,763	11	1,216	6,226	3,892	20	19,194	...	158,657	...	...	2,408	12,903	39,645	8,006	611,941	28 "
17,919	364,743	22	1,329	2,577	3,821	79	19,194	...	158,657	...	...	2,419	12,897	41,629	8,006	615,373	4 August
17,689	361,105	21	1,252	2,754	4,277	26	19,194	...	158,657	...	...	2,627	12,858	42,178	8,006	612,955	11 "
17,630	360,611	15	1,357	1,536	3,974	72	19,194	...	158,657	...	...	2,397	12,858	41,966	8,006	610,643	18 "
17,045	356,718	...	1,259	2,886	3,969	25	19,194	...	158,657	...	...	2,599	12,858	42,415	8,006	608,586	25 "
17,046	362,459	20	1,269	2,751	3,930	43	19,194	...	158,657	...	...	2,595	12,858	42,680	8,006	614,462	1 September
17,046	362,725	20	1,216	1,810	3,929	32	19,194	...	158,657	...	...	2,751	12,819	41,716	8,006	612,875	8 "
16,190	359,419	18	1,216	1,661	3,898	85	19,194	...	158,657	...	...	2,394	12,819	41,653	8,006	609,020	15 "
15,994	357,671	5	1,392	3,247	4,322	19	19,194	...	158,657	...	...	2,393	12,819	42,472	8,006	610,197	22 "
15,791	357,905	4	1,569	3,362	4,322	20	19,194	...	158,657	...	...	2,394	12,832	37,439	8,006	605,704	29 "
15,591	367,425	7	1,600	1,819	4,321	98	19,194	...	158,657	...	...	2,407	12,833	36,618	8,006	612,985	6 October
15,516	362,757	3	1,380	2,354	4,552	41	19,194	...	162,357	...	...	2,410	12,792	35,237	8,006	611,083	13 "
15,262	361,126	13	1,259	2,172	4,536	16	19,194	...	162,357	...	...	2,410	12,792	35,276	8,006	609,157	20 "
14,605	354,130	7	1,480	3,687	4,904	149	19,194	...	162,357	...	...	2,407	12,792	35,491	8,006	604,604	27 "
14,545	362,204	8	1,709	2,951	4,410	38	19,194	...	162,357	...	...	2,398	12,793	35,330	8,006	611,398	3 November
14,503	364,568	8	1,601	1,636	4,407	63	19,194	...	162,357	...	...	2,399	12,753	36,057	8,006	613,049	7 "
14,223	360,298	5	1,652	5,812	4,397	28	19,194	...	162,357	...	...	2,395	12,753	39,954	8,006	616,851	17 "
13,672	358,091	15	1,709	2,201	4,373	21	19,194	...	162,357	...	...	2,395	12,753	38,892	8,006	610,007	24 "
26,557	365,301	19	1,538	2,341	4,330	14	19,194	...	162,357	...	...	2,395	12,753	39,127	8,006	617,375	1 December
26,513	366,790	22	1,476	2,611	4,347	31	19,194	...	162,357	...	...	2,478	12,713	39,543	8,006	619,568	8 "
26,428	368,015	1	1,457	3,530	4,325	15	19,194	...	162,357	...	...	2,478	12,713	40,207	8,006	622,298	15 "
26,409	374,657	9	1,249	5,443	4,327	202	19,194	...	162,357	...	...	2,409	12,718	40,589	8,006	631,160	22 "
25,666	376,976	13	1,316	4,201	4,295	175	19,194	...	162,357	...	...	2,409	12,718	40,405	8,006	632,065	29 "

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER 1980,
THE BANK'S HOLDINGS**

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

7.50 p.c.	Belgian Loan 1969/87.
8.50 p.c.	Belgian Loan 1970/83.
8.50 p.c.	Belgian Loan 1971/84.
7.75 p.c.	Belgian Loans 1971/86, Amalgamated.
7.50 p.c.	Belgian Loans 1971/87, Amalgamated.
7.25 p.c.	Belgian Loans 1972-1973/87, Amalgamated.
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 - 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.
9.50 p.c.	Belgian Loan 1978/86.
8.50 p.c.	Belgian Loan 1978/85.
8.75 p.c.	Belgian Loan 1978/86.
9 p.c.	Belgian Loan 1979/87.
10 p.c.	Belgian Loan 1979/88.
11 p.c.	Belgian Loan 1980/89.
12.50 - 13 p.c.	Belgian Loan 1980/84/89.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
8.75 p.c.	Road Fund Loan 1978/85.
10.50 p.c.	Road Fund Loan 1979/88.
13 - 11.50 p.c.	Road Fund Loan 1980/83/88.
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 1st tranche.
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 2nd tranche.
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 3rd tranche.

2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 4th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 5th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 6th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 7th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 8th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 9th tranche.							
2 p.c.	National Foundation for Financing Scientific Research 1960/69 - 1990/99, 10th tranche.							
12.75 p.c.	National Housing Company 1980/87.							
8.50 p.c.	Telegraphs and Telephones Board 1970/84.							
7.25 p.c.	Telegraphs and Telephones Board 1971/83.							
7.75 p.c.	Telegraphs and Telephones Board 1973/85.							
7.75 p.c.	Belgian National Railways Company 1971/85.							
6.75 p.c.	National Fund for Credit to Trade and Industry 1968/88.							
6.75 p.c.	National Industrial Credit Company 1968/88.							
8.25 p.c.	National Industrial Credit Company 1970/90.							
8 p.c.	National Industrial Credit Company 1971/91.							
9 p.c.	National Industrial Credit Company 1979/87.							
7.75 p.c.	Loan of the Association of Local Authorities for Motorway E3 1971/83.							
7.75 p.c.	Loan of the Association of Local Authorities for Motorway E5 1971/83.							
7.25 p.c.	Loan of the Association of Local Authorities for Motorway E3 1972-73/84, Amalgamated.							
7.25 p.c.	Loan of the Association of Local Authorities for Motorways of the Periphery of Brussels « B1 » 1973/85.							
7.75 p.c.	City of Antwerp Loan 1971/82.							
8 p.c.	City of Ghent Loan 1971/81.							
7.75 p.c.	City of Liège Loan 1971/82.							
8.75 p.c.	Brussels Canal and Maritime Installation Company Limited 1970/86. Belgian International Investment Company shares. National Industrial Credit Company shares. National Investment Company shares. Bank for International Settlements shares :							
	<table> <tr> <td rowspan="5">1st and 2nd tranches</td> <td rowspan="5">}</td> <td>— Belgian Issue.</td> </tr> <tr> <td>— American Issue.</td> </tr> <tr> <td>— Esthonian Issue.</td> </tr> <tr> <td>— Latvian Issue.</td> </tr> <tr> <td>— Lithuanian Issue.</td> </tr> </table>	1st and 2nd tranches	}	— Belgian Issue.	— American Issue.	— Esthonian Issue.	— Latvian Issue.	— Lithuanian Issue.
1st and 2nd tranches	}			— Belgian Issue.				
				— American Issue.				
				— Esthonian Issue.				
				— Latvian Issue.				
		— Lithuanian Issue.						
	3rd tranche - Belgian Issue.							
	Belgian National Railways Company Dividend Right Certificates.							

ECONOMIC AND FINANCIAL STATISTICS

Table 1. Capital account of the economic sectors

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1980p	1979	1980p
										First 10 months	
A. Rest of the world:											
1. Balance of current transactions with Belgium ¹	- 56	- 34	- 7	+ 3	+ 16	+ 42	+ 51	+121	+187	n.a.	n.a.
2. Net capital transfers from Belgium ²	+ 4	+ 3	+ 4	+ 6	+ 5	+ 5	+ 8	+ 8	+ 8	n.a.	n.a.
3. Net lending to (+) or borrowing from (-) Belgium (=1+2) ³	- 52	- 31	- 3	+ 9	+ 21	+ 47	+ 59	+129	+195	+ 98	+164
B. Public authorities:											
1. Gross savings (= net savings and depreciation).....	+ 14	+ 15	+ 33	- 12	- 32	- 42	- 64	- 97	-167	n.a.	n.a.
2. Net capital transfers to other sectors ²	- 37	- 43	- 50	- 58	- 68	- 68	- 73	- 76	- 84	n.a.	n.a.
3. Capital resources (=1+2).....	- 23	- 28	- 17	- 70	-100	-110	-137	-173	-251	n.a.	n.a.
4. Gross capital formation.....	+ 69	+ 67	+ 74	+ 88	+102	+109	+111	+132	+158	n.a.	n.a.
5. Net financing requirement (=3-4).....	- 92	- 95	- 91	-158	-202	-219	-248	-305	-409	n.a.	n.a.
6. Statistical adjustment.....	+ 14	+ 25	+ 11	+ 22	+ 31	+ 30	+ 31	+ 29	+ 29	n.a.	n.a.
7. Net financial deficit (=5+6).....	- 78	- 70	- 80	-136	-171	-189	-217	-276	-380	-245 ⁷	-336 ⁷
C. Companies:											
1. Gross savings (= net savings and depreciation).....	+110	+118	+104	+ 84	+ 97	+118	+155	+156	+148	n.a.	n.a.
2. Net capital transfers from other sectors ²	+ 27	+ 32	+ 38	+ 44	+ 54	+ 55	+ 59	+ 59	+ 67	n.a.	n.a.
3. Capital resources (=1+2).....	+137	+150	+142	+128	+151	+173	+214	+215	+215	n.a.	n.a.
4. Gross capital formation ⁴	+168	+199	+273	+233	+248	+254	+258	+295	+326	n.a.	n.a.
5. Net financing requirement (=3-4).....	- 31	- 49	-131	-105	- 97	- 81	- 44	- 80	-111	n.a.	n.a.
6. Statistical adjustment.....	- 23	- 2	+ 40	- 39	+ 30	- 49	- 51	- 11	n.a.	n.a.	n.a.
7. Net financial deficit (=5+6).....	- 54	- 51	- 91	-144	- 67	-130	- 95	- 91	n.a.	- 43	-109
of which:											
Increase in liabilities.....	+ 84	+104	+120	+138	+153	+136	+144	+159	n.a.	+112	+132
Increase in claims.....	+ 30	+ 53	+ 29	- 6	+ 86	+ 6	+ 49	+ 68	n.a.	+ 69	+ 23
D. Individuals:											
1. Gross savings (= net savings and depreciation).....	+270	+300	+383	+424	+498	+496	+510	+525	+606	n.a.	n.a.
2. Net capital transfers from other sectors ²	+ 6	+ 9	+ 9	+ 8	+ 9	+ 8	+ 6	+ 9	+ 9	n.a.	n.a.
3. Capital resources (=1+2).....	+276	+309	+392	+432	+507	+504	+516	+534	+615	n.a.	n.a.
4. Gross capital formation ⁵	+101	+134	+167	+178	+229	+251	+283	+278	+290	n.a.	n.a.
5. Net financing capacity (=3-4).....	+175	+175	+225	+254	+278	+253	+233	+256	+325	n.a.	n.a.
6. Statistical adjustment.....	+ 16	- 16	- 34	+ 37	- 40	+ 42	+ 24	- 13	n.a.	n.a.	n.a.
7. Net financial surplus (=5+6).....	+191	+159	+191	+291	+238	+295	+257	+243	n.a.	+196	+281
of which:											
Increase in liabilities.....	+ 52	+ 65	+ 65	+ 76	+117	+143	+135	+148	n.a.	+110	+ 62
Increase in claims.....	+243	+224	+256	+367	+355	+438	+392	+391	n.a.	+306	+343
E. Statistical adjustment⁶.....											
<i>Pro memoria:</i> Gross National Product.....	(1582)	(1791)	(2102)	(2326)	(2642)	(2854)	(3064)	(3253)	(3473)	(n.a.)	(n.a.)

Sources: 1972 to 1979: National Statistical Institute; Statistical Office of the European Communities, National Accounts. Calculations of the National Bank of Belgium.

¹ A positive balance of current transactions (transactions relating to goods, services and income transfers) of the rest of the world (including the Grand Duchy of Luxembourg) with Belgium means a deficit of Belgium in its current transactions with foreign countries; a negative balance of the rest of the world means a surplus in Belgium's current transactions with foreign countries.

² Capital transfers are unrequited movements of funds for financing direct or portfolio investments. They also include the public authorities' credits and share participations, their net purchases of land and death duties.

³ Net lending by the rest of the world (+) means a deficit in respect of the whole of Belgium's current transactions and capital transfers with foreign countries; net borrowing by the rest of the world (-) means a surplus of Belgium with foreign countries for these same transactions.

⁴ Investment in fixed capital and stocks.

⁵ Investment in fixed capital and stocks of enterprises not in company form, and house-building.

⁶ An adjustment which has to be made to the net financial deficit or surplus of the domestic sectors (B.7 + C.7 + D.7) to make this equal, as it must be by definition, to the net lending or borrowing by the rest of the world (A.3.).

⁷ Excluding social security.

⁸ Including social security.

Table 2.

Revenue of the public authorities as a whole¹

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979 <i>p</i>	1980 <i>e</i>
<i>I. Fiscal and parafiscal revenue:</i>									
<i>A. Indirect taxes:</i>									
— Central Government	179	199	229	247	296	322	354	367	387
— local authorities.....	6	7	8	9	10	11	11	12	14
— revenue surrendered to the European Communities ²	8	9	11	14	19	23	20	38	39
Total.....	193	215	248	270	325	356	385	417	440
<i>B. Current direct taxes:</i>									
— Central Government	173	215	271	342	381	443	506	556	583
— local authorities.....	21	23	29	32	35	40	48	52	49
Total.....	194	238	300	374	416	483	554	608	632
<i>C. Death duties</i>	5	5	5	7	7	8	10	12	12
<i>D. Social security contributions³</i>	180	211	251	304	343	377	395	421	455
Total fiscal and parafiscal revenue.....	572	669	804	955	1,091	1,224	1,344	1,458	1,539
<i>II. Current non-fiscal and non-parafiscal revenue⁴</i>	19	21	27	35	37	40	39	48	56
<i>III. Grand total of public revenue</i>	591	690	831	990	1,128	1,264	1,383	1,506	1,595

Source: Ministry of Finance, Economic regrouping of the Central Government's transactions; National Statistical Institute, National Accounts; Statistical Office of the European Communities. Calculations and estimates of the National Bank of Belgium.

¹ After elimination of duplications due to transfers between public authorities.

² Revenue transferred as own resources to the European Communities (mainly Customs duties and, since 1979, part of the revenue from value-added tax), levies of the European Coal and Steel Community and agricultural levies.

³ Including the contributions of officials for surviving dependants' pensions (widows and orphans).

⁴ Mainly shares in the trading profits of public enterprises, interest on public authorities' claims and income transfers from other economic agents; excluding the proceeds of the sale of goods and services.

Table 3.

Expenditure of public authorities as a whole ¹

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979 <i>p</i>	1980 <i>e</i>
<i>I. Current expenditure:</i>									
A. Net expenditure on goods and services ²	221	252	299	370	419	465	518	559	602
B. Service of national debt	52	59	73	83	98	118	139	167	212
C. Subsidies to enterprises ³	47	56	62	74	92	103	110	126	138
D. Income transfers to individuals ⁴	242	285	345	448	524	587	641	701	763
E. Income transfers to foreign countries...	15	23	20	26	28	34	37	46	44
of which: revenue surrendered to the European Communities.....	(8)	(9)	(11)	(14)	(19)	(23)	(20)	(38)	(39)
other transfers	(7)	(14)	(9)	(12)	(9)	(11)	(17)	(8)	(5)
Total current expenditure	577	675	799	1,001	1,161	1,307	1,445	1,599	1,759
<i>II. Capital expenditure:</i>									
A. Direct investments ⁵	69	67	74	88	102	109	111	132	158
B. Capital transfers and purchases of land and buildings ⁶	21	23	27	29	31	33	35	40	47
C. Granting of credits and share participa- tions	16	20	22	30	36	34	40	40	40
Total capital expenditure	106	110	123	147	169	176	186	212	245
<i>III. Grand total of public expenditure</i>	683	785	922	1,148	1,330	1,483	1,631	1,811	2,004

Sources: Ministry of Finance, Economic regrouping of the transactions of the Central Government and, up to 1975, Economic regrouping of the transactions of the public authorities as a whole; National Statistical Institute, National Accounts; Statistical Office of the European Communities. Calculations and estimates of the National Bank of Belgium.

- ¹ After elimination of duplications due to transfers between public authorities.
- ² Wages and pensions (including certain expenditure items relating to the programme for reducing unemployment), net purchases of goods and services; including transfers to private education relating to these transactions, but excluding allocated costs and depreciation.
- ³ Contribution towards the interest burden and trading losses of public enterprises, subsidies reducing rent and interest and other subsidies to enterprises.
- ⁴ Including surviving dependants' pensions (widows and orphans) of civil servants.
- ⁵ Construction of buildings, road-building, hydraulic engineering work and purchases of durable movable goods; including private educational investment but excluding purchases of land and existing buildings.
- ⁶ Net expenditure, i.e. after deduction of capital revenue resulting from the sale of land and buildings and from capital transfers other than death duties.

Table 4.

Official national debt position

(Billions of francs)

At end of	Debt in Belgian francs				Debt in foreign currencies ²			Grand total ⁴
	Direct		Indirect (consolidated) ¹	Total	Direct	Indirect ^{1 3}	Total	
	Consolidated	Floating						
1971	427	137	55	619	22	4	26	645
1972	495	141	64	700	9	3	12	712
1973	559	136	62	757	5	3	8	765
1974	614	143	58	815	4	2	6	821
1975	682	158	84	924	4	1	5	929
1976	753	206	96	1,055	3	1	4	1,059
1977	865	242	119	1,226	2	1	3	1,229
1978	977	285	150	1,412	14	1	15	1,427
1979	1,065	329	188	1,582	56	1	57	1,639
1980	1,118	481	205	1,804	151	2	153	1,957

Source: Ministry of Finance, Treasury Administration.

- ¹ Debt which has been issued by certain public organisations but in respect of which the interest and redemption are borne by the national debt budget.
- ² Not including the inter-governmental debts resulting from the 1914-1918 war.
- ³ Including the debt taken over from the Republic of Zaïre and 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.
- ⁴ The changes between the end of one period and the other may be partly of an accounting nature. Item 2 in Table 5 of this Annex indicates the changes in the national debt which have not given rise to movements of funds for the Treasury.

Table 5.

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

(Changes in billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1980
1. National debt ¹	+67	+53	+56	+108	+130	+170	+198	+212	+318
2. Transactions without movement of funds:									
a) Treasury certificates held by the International Monetary Fund ²	+ 4	+1	- 1	- 2	- 3	+ 2	+ 15	...	+ 17
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 ⁴	- 1	+ 3	...	...	...	...	...	...	+ 4
Total 2.	+ 3	+ 2	- 1	- 2	- 3	+ 2	+ 15	...	+ 21
3. Funds used by the Treasury to meet the net financing requirements (=1.-2.)	+64	+51	+57	+110	+133	+168	+183	+212	+297
4. Other debts for the service of which the Central Government is responsible ⁵	+22	+20	+21	+ 23	+ 21	+ 18	+ 10	+ 29	+ 22

¹ According to Table 4 of this Annex.

² The giving of Treasury certificates to the International Monetary Fund in part payment for the increases in Belgium's quota does not, by its very nature, lead to any receipt of funds by the Treasury; as for the other changes in the Fund's portfolio, connected with its transactions in Belgian francs, these are reflected, in accordance with the provisions of the existing laws and agreements, in receipts or payments for the National Bank of Belgium and not for the Treasury.

³ Until November 1973, that is, during the period when the Government's liability corresponding to this credit balance was included in the national debt. Changes in this credit balance have as their exact counterparts movements of the balance held by the Ministers of National Education at the Bank.

⁴ Including the foreign exchange differences corresponding to the discrepancy between, on the one hand, the countervalue in Belgian francs of the foreign-currency loans included in the official national debt position, where it is calculated on the basis of the central rates or exchange rates on the date of the position and, on the other hand, the amount of Belgian francs which the Treasury actually received as a result of these foreign-currency loans.

⁵ Changes in the debudgetised debt for the service of which the Treasury is responsible and in the net indebtedness of certain Central Government organisations other than the Treasury.

Table 6.

**Trade surplus (+) or deficit (–) of the Belgian-Luxembourg Economic Union
with foreign countries, by major product categories**

(Billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1980 p
									First 9 months	
Energy products ¹	– 35	– 44	–109	–106	–137	–123	–111	–155	–109	–167
Non-energy raw materials ²	– 26	– 45	– 56	– 56	– 80	– 81	– 81	– 92	– 67	– 65
Manufactured products ³	+ 95	+122	+165	+161	+177	+171	+161	+195	+149	+159
Products not included in break-down ⁴	+ 19	+ 13	+ 10	– 13	– 7	– 42	– 18	– 51	– 34	– 49
Total ⁵	+ 53	+ 46	+ 10	– 14	– 47	– 75	– 49	–103	– 61	–122

¹ Payments, adjusted to allow for the estimated change in the net commercial claims of the oil companies on foreign countries (from 1974 onwards) and for the transactions of these companies settled by offsetting. Section 27 of the Brussels Customs Nomenclature.

² Payments. Sections 1 to 26 and 47 of the Brussels Customs Nomenclature.

³ Payments, adjusted to allow for Credit export's outstanding amounts. Sections 28 to 46 and 48 to 99 of the Brussels Customs Nomenclature. Including commission processing.

⁴ This item includes, inter alia, transactions settled by offsetting (recorded for all exports and imports since 1977), payments not broken down by products, transactions paid for by means of bank notes, gifts in kind and the change in commercial claims not included elsewhere.

⁵ Estimated actual transactions.

Table 7. Services transactions of the Belgian-Luxembourg Economic Union with foreign countries

(Balances in billions of francs)

	1972	1973	1974	1975	1976	1977	1978	1979	1979	1980 <i>p</i>
									First 9 months	
1. Transport ¹	+ 5	+ 3	+ 3	+ 7	+ 8	+ 10	+ 9	+ 10	+ 6	+ 13
2. Foreign travel	- 12	- 17	- 18	- 20	- 23	- 26	- 34	- 39	- 35	- 37
3. Portfolio and investment income	+ 7	+ 7	+ 12	+ 16	+ 23	+ 19	+ 19	+ 10	+ 9	- 2
4. Transactions of public authorities not included elsewhere . of which: operating expenditure of international institutions in the B.L.E.U.	+ 9	+ 7	+ 13	+ 15	+ 17	+ 23	+ 25	+ 25	+ 19	+ 22
5. Frontier workers	(+ 7)	(+ 8)	(+ 14)	(+ 16)	(+ 17)	(+ 22)	(+ 23)	(+ 24)	(+ 18)	(+ 19)
6. Contracting	+ 5	+ 5	+ 5	+ 6	+ 6	+ 6	+ 5	+ 5	+ 4	+ 3
7. Other services ²	- 2	- 1	- 2	- 3	+ 4	+ 10	+ 2	- 3	- 2	- 1
7. Other services ²	+ 2	+ 5	+ 2	+ 7	+ 8	+ 4	+ 4	+ 2	+ 2	- 1
Total ...	+ 14	+ 9	+ 15	+ 28	+ 43	+ 46	+ 30	+ 10	+ 3	- 3

¹ Freight and insurance for goods transport, for the part which it was possible to identify separately from the exports and imports to which it relates, the other part being incorporated in the amounts in items 1.1 and 1.2 of Table 10 on page 41 ; costs of passenger transport, port and customs charges, rental costs and cost of maintenance and repair of ships and aircraft; purchases and sales of supplies for ships and aircraft.

² Technical assistance and management services, fees for cinematographic films, patents and copyright, subscriptions and contributions, insurance premiums and compensation payments (excluding insurance on goods transport, shown under item 1, and life assurance and credit and capital-accumulation insurance, included in capital transactions), brokerage, commission and miscellaneous commercial expenses, etc.

Table 8.

National Bank of Belgium: foreign exchange reserves*

(Billions of francs)

At end of	Gold holding	Assets held at the International Monetary Fund ¹	Net claims on or liabilities to (-) the E.M.C.F.		Foreign currencies	Belgian francs ²	Total	Annual changes in total ³
			Ecus	Other				
1971	77	51	—	—	35	- 4	159	
1972	75	52	—	—	53	- 2	178	+ 16
1973	72	54	—	4	76	- 3	203	+ 36
1974	72	53	—	...	95 ⁴	- 3	217	+ 12
1975	72	59	—	...	114 ⁴	- 4	241	+ 18
1976	72	59	—	...	90 ⁴	- 3	218	- 25
1977	72	58	—	- 23	108 ⁴	- 4	211	- 9
1978	72	50	—	- 27	106	- 5	196	- 16
1979 September	58	51	67	- 40	85	- 4	217	- 24 ⁵
December	58	49	61	- 27	75	- 6	210	- 31
1980 September	58	49	119	...	112	- 7	331	+ 33 ⁵
December	58	48	110	...	115	- 6	325	+ 27

* See the Bulletin of the National Bank of Belgium, Statistics, Table XIII-5b.

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' and the 'supplementary credit facility', under an agreement concluded with the Fund and approved by the Government.

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

³ Not including the accounting changes, namely those resulting from a) the adjustments made to various assets and liabilities following the devaluation of the U.S. dollar in 1973, b) the allocations of special drawing rights to Belgium in 1972, 1979 and 1980, 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, and d) the entry into force of the European Monetary System on 13th March 1979.

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 nine months.

Table 9.

National Bank of Belgium: foreign exchange reserves ¹*(Changes in billions of francs)*

	Gold holding	Assets held at the International Monetary Fund	Net claims on or liabilities to the E.M.C.F. ²		Foreign currencies	Belgian francs	Total
			Ecus	Other			
1972	- 2	- 2	—	—	+ 18	+ 2	+ 16
1973	- 2	+ 4	—	+ 4	+ 31	- 1	+ 36
1974	- 1	—	- 4	+ 18	- 1	+ 12
1975	+ 5	—	...	+ 14	- 1	+ 18
1976	+ 1	—	...	- 26	...	- 25
1977	- 1	—	- 24	+ 16	...	- 9
1978	- 7	—	- 5	- 2	- 2	- 16
1979	- 4	- 25	- 1	- 1	...	- 31
1980	- 4	- 27	+ 28	+ 30	...	+ 27
1979 First 9 months	- 3	- 11	- 14	+ 2	+ 2	- 24
1980 First 9 months	- 4	- 14	+ 28	+ 24	- 1	+ 33

¹ Not including accounting changes. See Table 8 of this Annex, especially footnote 3.

² 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.

Table 10.

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

(Daily quotations in Belgian francs)

1980	1 U.S. dollar	1 German mark	100 Yens	1 French franc	1 pound sterling	1 Irish punt	100 Italian lire	1 Canadian dollar	1 Netherl. guilder	1 Swedish crown	1 Swiss franc	100 Pesetas	1 Danish crown	100 Austrian schill.	1 Norwegian crown	1 Finnish mark	100 escudos	1 zaire
January																		
Highest	28.26	16.28	11.95	6.95	64.28	60.20	3.50	24.34	14.74	6.78	17.71	42.63	5.23	226.75	5.79	7.65	56.60	13.91
Lowest	27.77	16.24	11.68	6.93	62.06	59.94	3.47	23.82	14.70	6.74	17.40	42.16	5.19	225.85	5.66	7.55	56.15	13.79
Mean	28.01	16.25	11.79	6.94	63.44	60.07	3.48	24.08	14.72	6.76	17.59	42.41	5.20	226.31	5.71	7.58	56.36	13.86
February																		
Highest	28.77	16.25	11.81	6.93	65.56	60.36	3.51	25.13	14.76	6.83	17.54	42.93	5.22	227.20	5.86	7.66		
Lowest	28.14	16.22	11.50	6.92	64.36	59.96	3.50	24.24	14.69	6.79	17.02	42.27	5.19	226.15	5.79	7.61	2	3
Mean	28.38	16.24	11.63	6.93	64.99	60.13	3.50	24.56	14.73	6.81	17.33	42.61	5.20	226.58	5.81	7.63		
March																		
Highest	31.17	16.29	12.47	6.96	67.70	60.42	3.51	26.22	14.81	6.97	17.16	43.79	5.21	227.40	6.01		61.30	10.22
Lowest	28.92	16.04	11.64	6.93	64.97	59.46	3.47	25.19	14.66	6.83	16.88	43.03	5.15	224.10	5.85	1	59.80	9.85
Mean	29.96	16.19	12.06	6.94	66.09	60.06	3.48	25.56	14.76	6.89	17.00	43.29	5.19	226.20	5.93		60.45	10.02
April																		
Highest	31.68	16.12	12.51	6.96	67.65	60.40	3.47	26.62	14.71	7.01	17.42	43.11	5.19	226.60	6.07	8.04	61.40	10.31
Lowest	28.77	16.00	11.86	6.86	65.87	59.39	3.40	24.31	14.49	6.78	16.86	40.90	5.11	224.00	5.82	7.73	58.25	9.79
Mean	30.08	16.06	12.05	6.93	66.62	60.02	3.44	25.39	14.64	6.89	17.15	41.99	5.16	225.22	5.95	7.88	60.10	10.04
May																		
Highest	29.20	16.12	12.93	6.92	67.34	60.01	3.43	24.86	14.63	6.91	17.43	41.00	5.16	226.00	5.91	7.84	59.65	9.92
Lowest	28.36	16.02	12.18	6.87	65.61	59.48	3.41	24.23	14.52	6.81	17.19	40.39	5.12	224.10	5.83	7.76	58.40	9.81
Mean	28.78	16.07	12.63	6.88	66.32	59.68	3.42	24.52	14.59	6.83	17.32	40.66	5.14	225.18	5.86	7.80	58.92	9.86
June																		
Highest	28.53	16.07	13.13	6.90	66.84	60.05	3.41	24.66	14.65	6.81	17.45	40.83	5.17	225.50	5.86	7.79	58.75	9.85
Lowest	28.11	15.98	12.78	6.87	65.75	59.47	3.36	24.49	14.57	6.78	17.18	40.18	5.14	224.00	5.82	7.74	57.68	9.79
Mean	28.31	16.01	12.99	6.88	66.17	59.80	3.39	24.58	14.60	6.80	17.33	40.47	5.16	224.98	5.83	7.76	58.20	9.82
July																		
Highest	28.55	16.04	12.86	6.91	66.88	60.25	3.39	24.62	14.66	6.82	17.54	40.22	5.18	226.50	5.83	7.77	58.25	9.78
Lowest	27.78	15.94	12.25	6.89	65.96	59.93	3.34	23.96	14.60	6.76	17.22	39.22	5.15	224.80	5.78	7.72	57.25	9.69
Mean	27.98	16.01	12.67	6.90	66.36	60.07	3.36	24.30	14.64	6.78	17.40	39.59	5.17	225.56	5.81	7.74	57.64	9.75
August																		
Highest	28.93	16.07	13.21	6.92	68.92	60.65	3.39	24.97	14.74	6.90	17.47	39.81	5.20	226.85	5.95	7.88	58.43	9.95
Lowest	28.27	15.95	12.51	6.88	66.77	60.20	3.37	24.43	14.63	6.80	17.22	39.29	5.15	225.15	5.81	7.78	57.60	9.79
Mean	28.64	15.99	12.79	6.90	67.86	60.38	3.38	24.72	14.69	6.86	17.33	39.58	5.17	225.85	5.89	7.83	57.99	9.86
September																		
Highest	29.10	16.07	13.79	6.92	69.80	60.58	3.38	25.01	14.77	6.98	17.60	39.51	5.20	227.00	5.97	7.93	58.20	10.01
Lowest	28.46	16.01	13.09	6.89	68.25	60.13	3.36	24.47	14.72	6.86	17.44	38.95	5.17	226.25	5.92	7.81	57.30	9.87
Mean	28.70	16.04	13.38	6.90	68.95	60.40	3.37	24.67	14.75	6.91	17.51	39.19	5.18	226.65	5.93	7.87	57.91	9.93
October																		
Highest	30.60	16.06	14.46	6.96	74.61	60.62	3.40	26.02	14.83	7.22	18.01	40.75	5.22	227.50	6.17	8.15	59.85	10.31
Lowest	28.84	16.00	13.85	6.90	69.18	60.03	3.36	24.72	14.74	6.95	17.60	39.12	5.19	226.10	5.95	7.89	57.90	9.97
Mean	29.50	16.03	14.11	6.93	71.34	60.28	3.38	25.26	14.78	7.04	17.77	39.66	5.21	226.71	6.03	8.00	58.62	10.11
November																		
Highest	31.40	16.10	14.76	6.96	76.27	60.50	3.41	26.44	14.83	7.25	17.92	41.36	5.24	227.00	6.25	8.25	60.50	10.52
Lowest	30.38	16.03	14.30	6.93	72.43	59.80	3.38	25.67	14.80	7.11	17.80	39.64	5.21	226.50	6.09	8.10	58.80	10.30
Mean	30.85	16.06	14.48	6.94	74.02	60.07	3.39	26.03	14.82	7.17	17.85	40.32	5.23	226.75	6.15	8.15	59.46	10.39
December																		
Highest	32.58	16.15	15.65	6.96	75.35	60.35	3.41	27.18	14.83	7.28	17.90	40.87	5.27	228.25	6.22	8.31	60.75	10.71
Lowest	31.17	16.06	14.35	6.93	73.14	59.75	3.38	26.14	14.80	7.13	17.69	39.66	5.23	226.50	6.07	8.14	59.50	10.38
Mean	31.72	16.09	15.15	6.95	74.34	60.02	3.39	26.54	14.82	7.21	17.79	40.21	5.25	227.05	6.14	8.21	60.01	10.54
Year																		
Highest	32.58	16.29	15.65	6.96	76.27	60.65	3.51	27.18	14.83	7.28	18.01	43.79	5.27	228.25	6.25			
Lowest	27.77	15.94	11.50	6.86	62.06	59.39	3.34	23.82	14.49	6.74	16.86	38.95	5.11	224.00	5.66	1	2	3
Mean	29.22	16.09	12.97	6.92	68.01	60.09	3.42	25.01	14.71	6.91	17.45	40.83	5.19	226.10	5.92			

¹ Finnish mark

	March		Year	
	1st to 24th	25th to 31st	1st Jan. to 24th March	25th March to 31st Dec.
Highest	7.80	8.02	7.80	8.31
Lowest	7.65	7.93	7.55	7.72
Mean	7.71	7.96	7.64	7.92

² Escudo

	February		Year	
	1st to 11th	12th to 29th	1st Jan. to 11th Feb.	12th Feb. to 31st Dec.
Highest	60.13	60.00	60.13	61.40
Lowest	56.40	59.40	56.15	57.25
Mean	57.05	59.79	56.53	58.97

³ Zaire

	February		Year	
	1st to 22nd	26th to 29th	1st Jan. to 22nd Feb.	26th Feb. to 31st Dec.
Highest	13.97	9.82	13.97	10.71
Lowest	13.92	9.81	13.79	9.69
Mean	13.95	9.82	13.90	10.03

Table 11.

Formation of financial assets by individuals and companies

(Billions of francs)

	In Belgian francs												Others ⁴	Grand total
	At up to one year						At over one year				Miscel- laneous ³	Total		
	Cash holdings	Deposits on ordinary deposit or savings books ¹	Time deposits	Medium term notes	Miscel- laneous	Total	Medium- term notes and bonds ²	Deposits	Shares	Total				
1972	+ 65	+ 88	+ 10	+ 5	...	+168	+ 55	+ 8	+ 1	+ 64	+ 2	+234	+ 39	+273
1973	+ 32	+ 70	+ 60	+ 8	+ 1	+171	+ 76	+ 4	+ 2	+ 82	+ 5	+258	+ 19	+277
1974	+ 34	+ 51	+ 82	+ 7	+ 1	+175	+ 91	- 1	+ 6	+ 96	+ 5	+276	+ 9	+285
1975	+ 92	+137	- 24	+ 10	+ 1	+216	+ 96	+ 13	+ 4	+113	+ 5	+334	+ 27	+361
1976	+ 37	+106	+ 94	+ 5	- 4	+238	+146	+ 3	+ 2	+151	+ 21	+410	+ 31	+441
1977	+ 73	+103	+ 3	+ 5	+ 2	+186	+206	+ 7	+ 10	+223	+ 24	+433	+ 11	+444
1978	+ 48	+106	+ 47	+ 15	+ 5	+221	+158	+ 1	+ 10	+169	+ 22	+412	+ 29	+441
1979	+ 27	+ 72	+ 81	- 4	- 2	+174	+203	+ 1	+ 4	+208	+ 8	+390	+ 69	+459
1979 First 10 months	- 22	+ 23	+ 82	- 3	- 1	+ 79	+182	+ 2	+ 4	+188	+ 56	+323	+ 52	+375
1980 First 10 months ^p	- 29	- 71	+130	- 13	...	+ 17	+226	...	+ 1	+227	+ 80	+324	+ 42	+366

¹ See Table 12 of this Annex.² See Tables 14 and 15 of this Annex.³ Financial assets whose classification according to maturities is unknown or meaningless.⁴ Financial assets in foreign currencies and financial assets whose classification into Belgian francs and foreign currencies is unknown or meaningless.

Table 12.

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
1977	+ 44	+ 24	+ 20	+ 15	+ 103
1978	+ 39	+ 25	+ 27	+ 15	+ 106
1979	+ 24	+ 20	+ 20	+ 8	+ 72
1979 First 10 months.....	+ 12	+ 3	+ 6	+ 2	+ 23
1980 First 10 months..... <i>p</i>	- 22	- 21	- 21	- 7	- 71

Table 13.

Bonds and notes at over one year in Belgian francs

Classified according to issuers

(Changes in billions of francs)

	Central Government ¹	Other public authorities	Public financial intermediaries ²	Public operating organisations	Banks	Private savings banks, mortgage and capital accumulation companies ²	Others	Total
1972	+ 95	+ 3	+ 28	+ 9	+ 5	+ 2	+26	+168
1973	+ 79	+ 2	+ 37	+ 6	+ 6	+ 7	+19	+156
1974	+ 66	- 1	+ 52	+10	+ 7	+12	+14	+160
1975	+ 91	+ 6	+ 54	+ 5	+10	+11	+30	+207
1976	+ 91	+ 9	+ 67	+18	+16	+15	+13	+229
1977	+159	+10	+146	+13	+30	+15	+ 9	+382
1978	+156	+10	+ 50	+22	+21	+13	+ 8	+280
1979	+131	+19	+ 75	- 1	+27	+25	+ 8	+284
1979 First 10 months.....	+127	+19	+ 66	+ 1	+21	+21	+ 8	+263
1980 First 10 months..... <i>p</i>	+ 88	+ 7	+ 71	- 4	+40	+40	+ 3	+245

¹ Direct and indirect official debt of the Treasury and the other debts for the service of which the Central Government is responsible.

² Including savings bonds or certificates.

Table 14.

Bonds and notes at over one year in Belgian francs

Classified according to holders

(Changes in billions of francs)

	Mainly monetary institutions	Other financial inter- mediaries ¹	Public authorities	Foreign countries ^e	Others ²	Total ³
1972	+ 53	+ 58	+ 1	+ 1	+ 55	+ 168
1973	+ 49	+ 27	+ 3	+ 1	+ 76	+ 156
1974	+ 41	+ 26	+ 2	...	+ 91	+ 160
1975	+ 49	+ 59	...	+ 3	+ 96	+ 207
1976	+ 32	+ 40	+ 2	+ 9	+ 146	+ 229
1977	+ 92	+ 80	...	+ 4	+ 206	+ 382
1978	+ 53	+ 67	...	+ 2	+ 158	+ 280
1979	+ 44	+ 35	+ 3	- 1	+ 203	+ 284
1979 First 10 months	+ 40	+ 39	+ 3	- 1	+ 182	+ 263
1980 First 10 months ^p	+ 3	+ 16	+ 1	- 1	+ 226	+ 245

¹ Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1980, 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. See Table 15 of this Annex.

³ See Table 13 of this Annex.

Table 15.

**Bonds and notes at over one year in Belgian francs
held by individuals**

Classified according to issuers

(Changes in billions of francs)

	Central Govern- ment	Other public authorities	Public financial inter- mediaries	Public operating organ- isations	Banks	Private savings banks, mortgage and capital accumula- tion companies	Others	Total
1972	+ 20	+ 1	+ 15	+ 1	+ 5	+ 2	+ 11	+ 55
1973	+ 20	...	+ 30	+ 2	+ 6	+ 6	+ 12	+ 76
1974	+ 25	- 2	+ 37	+ 4	+ 7	+ 11	+ 9	+ 91
1975	+ 25	+ 3	+ 34	+ 1	+ 9	+ 10	+ 14	+ 96
1976	+ 48	+ 2	+ 45	+ 13	+ 16	+ 14	+ 8	+ 146
1977	+ 72	+ 4	+ 83	- 2	+ 30	+ 15	+ 4	+ 206
1978	+ 73	+ 4	+ 35	+ 6	+ 20	+ 13	+ 7	+ 158
1979	+ 71	+ 5	+ 72	- 2	+ 27	+ 25	+ 5	+ 203
1979 First 10 months.....	+ 60	+ 8	+ 63	+ 3	+ 21	+ 21	+ 6	+ 182
1980 First 10 months.... <i>p</i>	+ 59	+ 4	+ 78	- 1	+ 40	+ 40	+ 6	+ 226

Table 17.

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

(Per cent)

	Discount ¹		Advances in current account and loans against		
	Bills accepted payable at a bank, warrants and acceptances, bearing visa ² or certified, representing foreign trade transactions	Other bills and promissory notes	Treasury certificates and Securities Regulation Fund certificates issued at up to 130 days ³	Treasury certificates issued at over 130 days and 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		
1978	6.00		8.50		
1979	10.50		12.50		
1980	12.00		12.00		
1980					
1st January - 27th February	10.50		12.50		
28th February - 19th March	12.00		13.50		
20th March - 4th June	14.00		15.00		
5th June - 25th June	14.00		14.50		
26th June - 30th July	13.00		13.00		
31st July - 31st December	12.00		12.00		

* 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 18.

National Bank of Belgium's special rates and weighted average rate*

(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	Weighted average rate ⁴
1973	—	9.50	—	—
1974	9.50	10.00	10.25	9.18
1975	—	6.00	6.50	5.73
1976	—	10.00	10.50	9.06
1977	—	9.00	9.25	7.73
1978	8.50	9.00	9.50	6.89
1979 June	11.00	12.00	12.00	7.31
December	12.50	13.50	13.50	11.53
1980 January	12.50	13.50	13.50	11.85
February	13.50	14.50	14.50	11.79
March	15.00	17.00	18.00	12.67
April	15.00	17.00	17.00	14.13
May	15.00	16.00	16.00	14.10
June	—	14.00	14.00	13.01
July	—	13.00	13.00	12.04
August	—	13.00	13.00	12.00
September	—	13.00	13.00	12.00
October	—	13.00	13.00	12.00
November	—	13.00	13.00	12.00
December	—	13.00	13.00	12.00

* See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-1b and 1c.

¹ Rate which existed from 8th July 1974 to 31st March 1975, from 12th February to 16th June 1976, from 23rd July to 19th December 1976, from 12th October 1978 to 2nd May 1979 and from 29th June 1979 to 25th June 1980.

² Rate existing since 21st December 1973.

³ Rate existing since 8th July 1974.

⁴ 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.

Table 19.

Money market rates*

(Per cent)

	Call money ¹	Treasury Certificates at very short term (3 months) ²	R.G.I.: Commercial bills counted against the rediscount ceilings at the National Bank of Belgium (up to 120 days) ^{2 3}		Bank acceptances not counted against the rediscount ceilings, traded on the market outside the National Bank (at about 90 days) ²	Interbank deposits (3 months) ²
			against sub-ceiling A	against sub-ceiling B		
1971	3.70	4.80	4.45		5.65	n.a.
1972	2.48	4.50	4.90		5.40	n.a.
1973	4.81	7.65	7.65		9.50	10.16
1974	9.25	10.50	8.65	10.00	10.90	11.25
1975	4.63	6.05	5.25		5.80	6.50
1976	8.38	10.00	8.90		9.65	10.00
1977	5.58	9.25	8.75		9.50	9.75
1978	5.17	9.25	5.90	8.50	9.50	10.00
1979 June	5.94 ⁴	11.25	8.90	11.00	9.40	11.50
December	9.98 ⁵	14.40	10.40	12.50	13.75	14.69
1980 January	11.74	14.40	10.40	12.75	13.70	14.63
February	9.66	15.00	11.90	13.75	14.30	15.25
March	12.59	17.50	13.90	15.25	16.50	17.69
April	14.83	16.75	13.90	15.25	16.40	16.75
May	13.47	15.50	13.90	15.00	15.00	15.63
June	11.96	13.75	12.90		13.90	13.88
July	11.84	12.75	12.50		—	12.63
August	9.80	12.35	11.60		11.85	12.75
September	9.51	12.35	11.60		11.85	12.63
October	9.50	12.10	11.60		11.60	12.31
November	10.04	12.75	11.60		12.00	13.13
December	9.73	12.75	11.80		12.20	13.13

* See the Bulletin of the National Bank of Belgium, Statistics, Tables XIX-2, 3 and 4.

¹ Daily averages.² End of period.³ Until 22nd October 1973 and from 18th to 31st July 1980: rate for transactions at from 61 to 120 days; from 24th March to 11th October 1978 and from 13th to 23rd June 1980: rate for transactions at from 31 to 120 days.⁴ First half-year.⁵ Second half-year.

Table 20.

Short-term creditor interest rates * 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	
	Large deposits ²	Deposits of from Fr. 1 to 3 million	Ordinary deposits	Effective rate	Gross fictitious rate
1971	5.500	—	4.00	4.50	5.63
1972	5.250	—	3.00	4.00	5.00
1973	9.500	—	5.75	4.75	5.94
1974	10.500	—	7.00	6.25	7.81
1975	5.875	—	4.65	5.50	6.87
1976	9.250	—	6.75	5.50	6.87
1977	9.125	—	5.00	5.50	6.87
1978	9.375	—	4.50	5.00	6.25
1979 June	10.500	—	5.25	5.75	7.19
December	14.125	—	6.50	6.00	7.50
1980 January	14.000	—	6.50	6.25	7.81
February	14.625	12.50	6.50	6.25	7.81
March	17.125	14.75	8.50	6.25	7.81
April	16.125	14.50	8.50	6.25	7.81
May	15.000	13.50	8.50	6.25	7.81
June	13.250	11.50	8.25	6.25	7.81
July	12.000	10.50	8.00	6.25	7.81
August	12.125	9.25	7.50	6.25	7.81
September	12.000	9.25	7.50	6.25	7.81
October	11.750	9.25	7.50	6.25	7.81
November	12.500	9.50	7.50	6.25	7.81
December	12.250	9.50	7.50	6.25	7.81

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

¹ Rates for investments in Belgian francs accessible to the general public; rates before deduction of tax at source.

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

³ Until 31st March 1980: 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 but not the premiums on increases in deposits granted from 1st April 1980 onwards. Since up to a certain amount (at present Fr. 30,000 per year) the income from deposits on ordinary savings books is exempt from tax, their effective rate is not comparable with the rates shown in the table for other investments. 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.

Table 21.

Belgian and foreign long-term yield rates on the secondary market¹

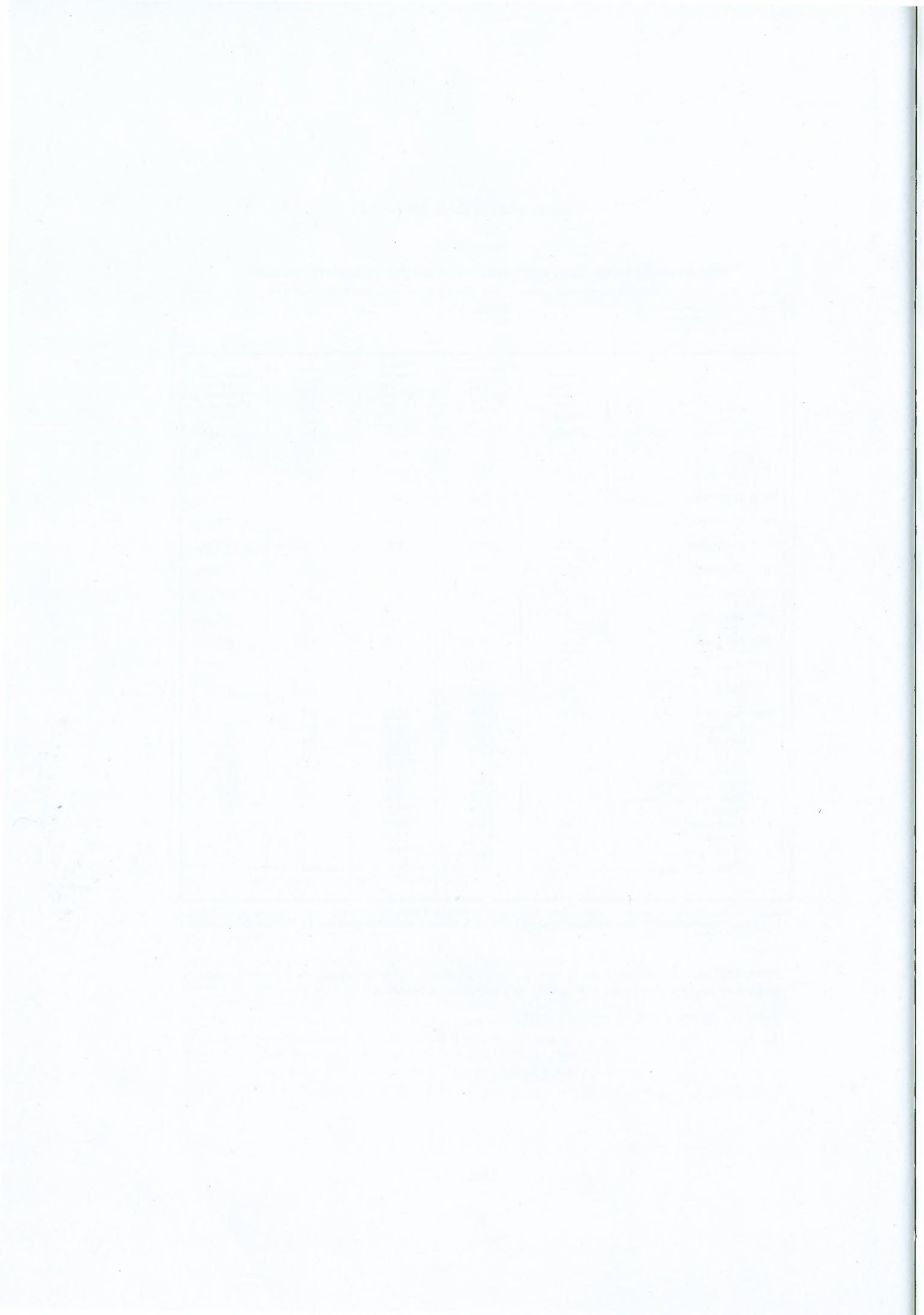
(Per cent)

	Belgium: Government bonds at over 5 years ²	International market: Dollar Eurobonds at over 7 years	United States: Federal Government bonds (10 years and over)	Federal Republic of Germany: Public- sector bonds	Netherlands: Last three long-term government loans
1971 December	5.7	7.7	5.6	5.9	7.8
1972 December	5.8	7.3	5.6	6.5	7.5
1973 December	6.3	8.4	6.4	7.2	9.0
1974 December	7.2	10.0	6.8	7.4	9.1
1975 December	7.0	9.0	7.2	6.2	8.6
1976 December	7.4	8.1	6.4	5.5	8.4
1977 December	7.0	8.3	7.2	4.3	8.1
1978 December	7.0	9.3	8.4	4.7	8.5
1979 June	7.5	9.4	8.3	5.9	9.0
December	8.9	11.0	9.6	5.9	9.3
1980 January	9.1	11.3	10.0	6.1	9.4
February	9.5	13.1	11.6	6.4	10.4
March	10.0	13.2	11.9	7.1	11.5
April	9.6	11.7	10.8	7.1	10.6
May	9.8	11.1	9.8	6.5	10.0
June	9.5	10.6	9.4	6.2	10.0
July	9.4	10.9	9.8	5.9	9.7
August	9.7	11.9	10.5	5.9	9.7
September	9.9	11.9	10.9	6.1	10.3
October	10.0	12.1	11.2	6.2	10.2
November	10.1	12.3	11.8	6.5	10.5
December	10.4	12.6	12.3	6.7	10.5

Sources: International market: Bondtrade. United States: Federal Reserve Bulletin. Federal Republic of Germany: Financial Statistics of the Organisation for Economic Cooperation and Development. Calculations of the National Bank of Belgium. Netherlands: Quarterly Report of the Netherlands Bank.

¹ Rates after any deduction of tax at source, i.e. for Belgium: preliminary tax on personal property of 20 p.c. and for the Federal Republic of Germany: coupon tax of 25 p.c.

² Rates at the beginning of the next month.



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 (pré- cédemment Bulletin d'Information et de Docu- mentation 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 expor- tations 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 crédeurs
Consultative Committee for Coordinating Medium-Term Export Financing, known as « Cofinex »	Comité Consultatif de Coordination du Finance- ment 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

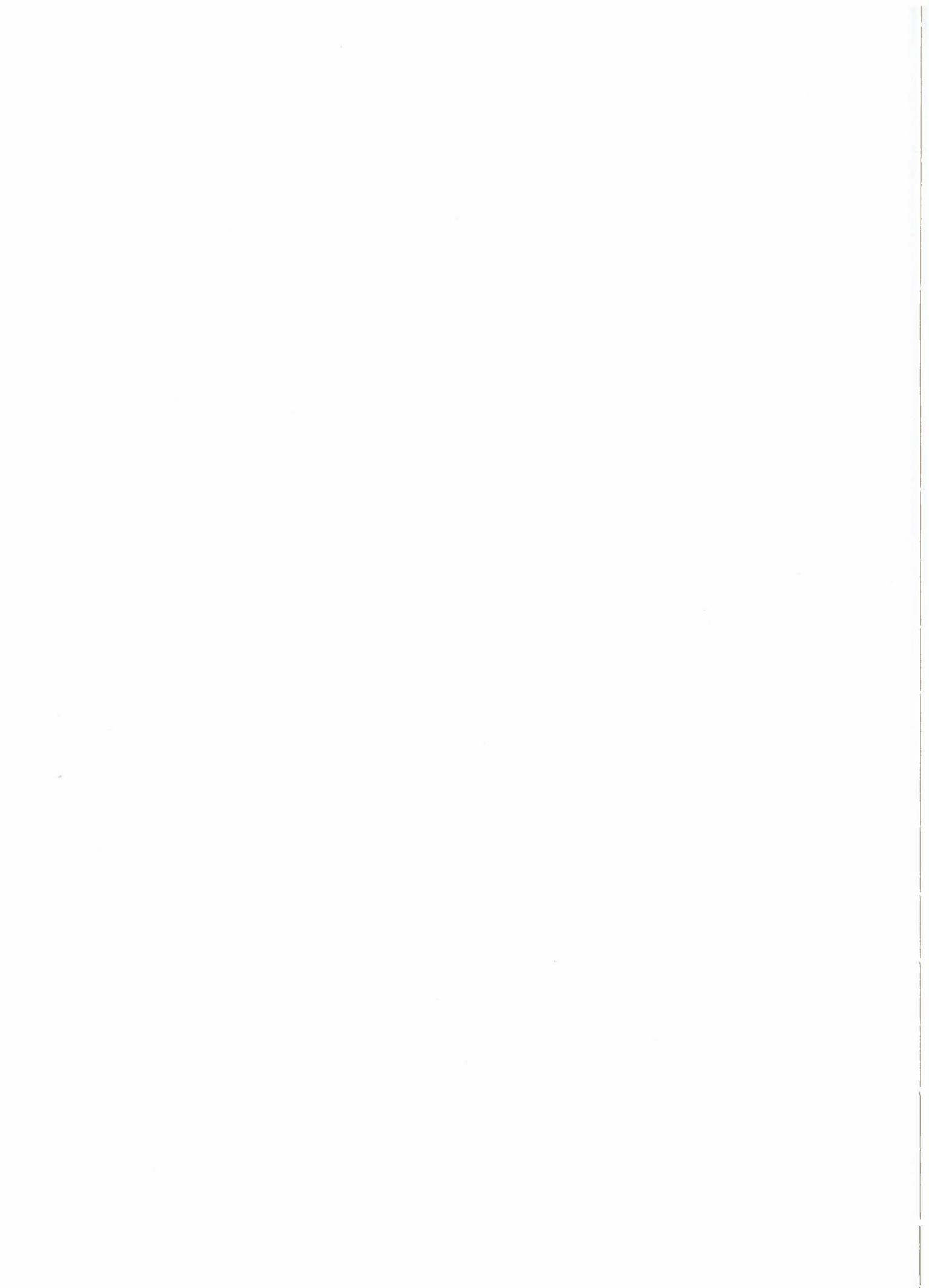
Council of State	Conseil d'Etat
Council of the European Communities	Conseil des Communautés Européennes
Court of Justice	Cour de Justice
Creditexport Association	Association Creditexport
Currency Reform Loan	Emprunt de l'Assainissement monétaire
Department of Applied Economics at the Free University 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 (E.M.C.F.)	Fonds européen de coopération monétaire (FECOM)
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 of 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 Civil Service	Ministère de la Fonction Publique
Ministry of Public Works, Town Planning Board	Ministère des Travaux Publics, Administration de l'Urbanisme
Ministry of Social Security	Ministère de la Prévoyance Sociale
Monetary Committee (of the European Communities)	Comité Monétaire (des Communautés Européennes)
Monetary Fund	Fonds Monétaire
National Coal Mines Council	Conseil National des Charbonnages
National Committee for Economic Expansion	Comité National d'Expansion Economique
National Del Credere Office	Office National du Dueroire
National Employment Office (formerly National Employment and Unemployment Office)	Office National de l'Emploi (précédemment Office National du Placement et du Chômage)
National Foundation for Financing Scientific Research	Fondation Nationale pour le Financement de la Recherche Scientifique
National Fund for Credit to Trade and Industry	Caisse Nationale de Crédit Professionnel
National Fund for the Rehabilitation of Handicapped Persons	Fonds National pour le Reclassement des Handicapés
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 Organi- sation Européenne de Coopération Economique (O.E.C.E.)]
Organisation of Petroleum Exporting Countries	Organisation des pays exportateurs de pétrole
Overseas Social Security Office	Office de Sécurité Sociale d'Outre-Mer
Permanent Budget Equalisation Fund	Fonds Permanent d'Equalisation des Budgets
Planning Bureau	Bureau du Plan
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
Public Social Assistance Centres	Centres publics d'aide sociale
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 Commu- nautés 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



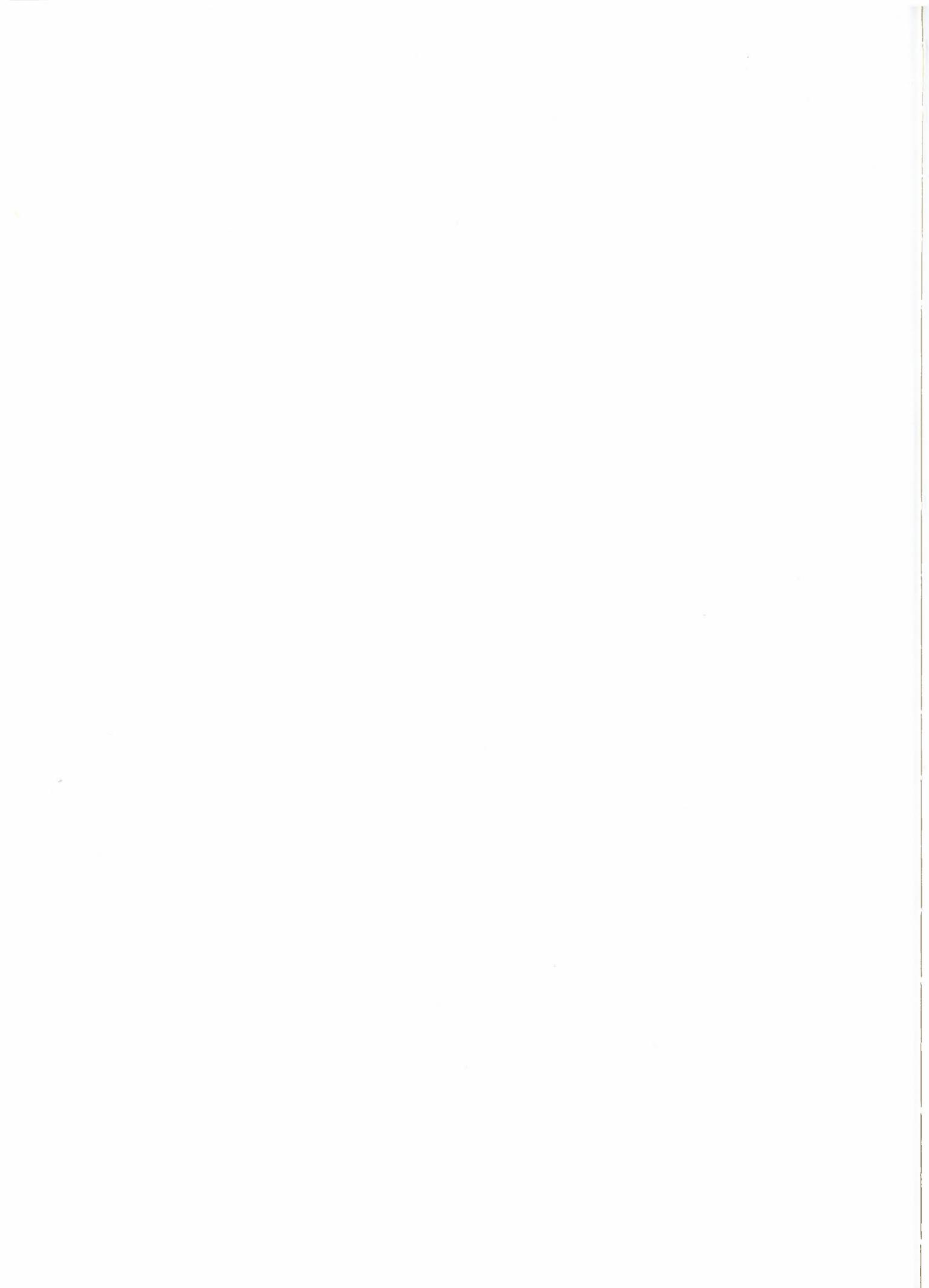
CONTENTS

	Pages
Report presented by the Governor in the name of the Council of Regency . . .	V
 Economic and Financial Developments	 1
1. International developments	3
2. Summary of the development of income and expenditure in Belgium	12
3. Development of the major sectors of the Belgian economy	15
a) Individuals	15
b) Companies	23
c) Public authorities	32
4. Transactions of the Belgian-Luxembourg Economic Union with foreign countries	40
5. Summary of economic developments in Belgium	53
a) Production of goods and services	53
b) Employment	59
c) Prices	65
6. Summary of financial developments in Belgium	71
a) Meeting of gross financing requirements and effect on the situation of the financial intermediaries	71
b) Interest rates and monetary policy	80

	Pages
Annual accounts	91
Balance Sheet. — Profit and Loss Account. — Memorandum Accounts. — Dividend declared for the year 1980	92
Administration and supervision. — Departments and services. — Branches and agencies	99
 Annexes	 111
1 Balance Sheets compared as at 31st December 1976 to 1980	112
2 Profit and Loss Accounts compared as at 31st December 1976 to 1980	114
3 Miscellaneous information	117
4 Weekly returns published in the <i>Moniteur Belge</i> during 1980	—
5 Statement of the public long-term securities constituting, on 31st December 1980, the Bank's holdings	119
6 Economic and financial statistics	121
Glossary of names as used in this and previous reports of the National Bank	143

Translated from the French by

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



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

Chief of the Printing Department
J. Van Droogenbroeck
