

NATIONAL  
BANK  
OF  
BELGIUM

REPORT 1981



# NATIONAL BANK OF BELGIUM

LIMITED COMPANY  
BRUSSELS TRADE REGISTER No. 22,300



## REPORT

*on the activities of the year 1981  
presented to the General Meeting  
on 22nd February 1982*





# REPORT

*presented by the Governor in the name of the*

COUNCIL OF REGENCY

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

*The growth in world production and international trade was no more vigorous in 1981 than it had been in 1980, when it had slowed down appreciably. The recovery which took place in a few big countries was neither strong enough nor sufficiently lasting to boost the economy of the rest of the world. The policies pursued, characterised as they were by the endeavour to slow down inflation or reduce the balance of payments deficits, or both, generally remained restrictive or only slightly expansionary. Furthermore, being too often determined by choices made in order to achieve national aims, they did not, in view of the circumstances, fit in with each other so as to present a consistent united front against the threat of a worsening of the world crisis. On the contrary, the divergence of the purposes behind them caused undesirable ups and downs : erratic changes in interest rates, sudden fluctuations in exchange rates, massive shifts of short-term funds; these disturbances were a particular hindrance to the countries which are most exposed to external influences.*

*The international environment.*

*For the industrialised countries as a whole, the expansion in the volume of their combined national products was as small as in 1980, namely about 1 p.c. Even though, in this state of virtual stagnation, advances in productivity were slow, unemployment worsened owing to the growth in the working population.*

*Europe suffered most from this lack of jobs : despite a slight improvement during the year, activity there was somewhat slacker in 1981. In the United States, on the other hand, the revival which had started at the end of the previous year strengthened during the first months of 1981, so that the real national product recovered by 2 p.c.; this year-to-year improvement conceals, however, the falling-off which took place during the year, when the sharp rise in interest rates caused a downturn in various categories of demand. In Japan the level of activity continued to be sustained by the country's export performance.*

*The movements of the rates of inflation in these three areas — Europe, the United States and Japan — do not reflect the differences in the state of economic activity. While the rise in consumer prices slowed down*

*in the United States and Japan, it quickened, if anything, in most European countries, where prices were pushed up by the increase in the cost of imports due to the depreciation of the national currencies in relation to the dollar.*

*The current account of the balance of payments of the industrialised countries as a whole showed a remarkable recovery in 1981 : the deficit was reduced by half. The terms of trade, however, deteriorated further. But the volume of imports contracted owing to the stagnation of domestic activity and to savings in energy, while that of sales to oil suppliers expanded by about 20 p.c. Most of the industrialised countries succeeded in improving their balance of payments position; Belgium is one of the exceptions.*

*With regard to the — heterogeneous — group of the non-oil-producing developing countries, their current account deficit worsened for the fourth year in succession. Their terms of trade deteriorated further and, moreover, the worldwide rise in interest rates made the burden of their foreign indebtedness still heavier. Their deficit had to be financed to a greater extent by the conditional aid granted by official international institutions.*

*In the European Economic Community activity remained depressed, despite a certain growth in demand after the low of the last months of 1980. As investment declined further and the volume of households' expenditure on consumption remained unchanged, it was exports that started the improvement. But this was only slight. The authorities were unable to adapt their action flexibly enough to the recession situation. Monetary policies, for instance, had to contend with a rise in interest rates of external origin. In most of the countries of the Community this increase in the cost of money was inconvenient because of its effect on investment decisions, already discouraged by the state of business, and because it imposed new burdens on the public authorities' budgets, which had been adversely affected by the recession. But, worried as they were by the outflows of funds and the repercussions of the appreciation of the dollar on the price of imported basic products and hence on costs, the European central banks did not arrest the spontaneous movement of domestic interest rates; most of them did succeed in slowing it down, while others, if anything, accentuated it. This upward trend was in fact powerful owing to the attraction exerted by the yields on investments in Euro-dollars, which remained extremely remunerative until the autumn*

*because of the policy pursued by the American authorities; capital movements sustained the appreciation of the rate for the dollar and this in turn strengthened the preference for that currency. During the last months of the year, when American economic activity began to slacken, the rates for investments in dollars fell back sharply; the movement spread to the European money markets. The fluctuations in the exchange rates for the dollar upset the foreign exchange markets; several European central banks were obliged to increase their stabilising interventions. In some member countries of the European Economic Community which had a high rate of inflation or were more vulnerable because of their domestic situation, the foreign exchange markets were subjected to particularly severe strains.*

*These strains led to two revisions of the central rates within the European Monetary System : in March the Italian lira was devalued by 6 p.c. in relation to the other monetary units of the System and at the beginning of October the central rates of the Italian lira, once again, and of the French franc were lowered by 3 p.c. in terms of the Belgian franc, the Luxembourg franc, the Danish crown and the Irish punt; at the same time the German mark and the Netherlands guilder were revalued by 5.5 p.c. against these four currencies.*

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*Owing to the direction of its export flows, the adverse effect on the Belgian economy of the weakness of demand in Europe far outweighed the benefit which it derived from the growth in the United States and Japan. The rise of the dollar pushed up the price of imports of energy products and thus contributed to the further worsening of the current account balance of payments deficit. The raising of world interest rates spread all the more easily to the domestic money and capital markets because these were disturbed by much more powerful internal disruptive forces than had been the case in 1980.*

*Economic  
and  
financial  
developments  
in Belgium.*

*To judge by the movement of the gross domestic product, activity declined. According to the Bank's estimates, this product, which had increased by 2.7 p.c. in 1980, would appear to have fallen by 1.3 p.c. last year. The changes in the gross national product would appear to have been even less satisfactory, a rise of only 2.2 p.c. in 1980 having*



*apparently been replaced by a drop of 1.6 p.c. in 1981; for, unlike the domestic product, the national product is estimated taking into account factor incomes paid or received abroad; now these include capital incomes, the balance of which became negative because the country's foreign assets were reduced by the losses of the Bank's reserves, while at the same time they were burdened by the borrowings of the various sectors.*

*The change in the domestic product from one year to another does not reflect the movements which took place during the year; actually the decline in the average level of activity in 1981 is an after-effect of the severe deterioration in the business climate which took place during the first three quarters of 1980; during the same period of 1981, on the other hand, the data on which forecasting is based improved; the indications which they have provided since then are less favourable.*

*Despite the improvement in the trend of the indicators of economic activity during the year, the volume of production in the year as a whole was either smaller or increased less than in 1980. Activity in the manufacturing industries as a whole, that in market services connected with the course of business and, still more, that of building declined. The rise in activity in the less cyclically sensitive market services and the increase in the volume of services rendered by the public authorities were smaller than in 1980; agriculture was virtually the only sector which increased its production more than in 1980.*

*The reduction in employment was more serious in 1981 than during the previous recessions. As prospects of a revival were uncertain, enterprises whose profitability was deteriorating were doubtless induced to take more radical steps to eliminate surplus employees, especially as this decision was made easier by the early-retirement system. At the same time, the structural decline in employment in the private sector persisted owing to the rationalisation investments, the reorganisations, the disappearance of a number of firms and — a less obvious factor — the inadequate extent of new initiatives. Altogether, from June 1980 to June 1981, the supply of employment in private and public enterprises would appear to have decreased by about 80,000, giving rise mainly to male unemployment. There appears to have been hardly any growth in employment provided by the public authorities during this period. The working population would appear to have risen further by about 17,000, despite a decline in the activity rate. Consequently, the total number of persons seeking employment rose by nearly 100,000 during the twelve*

months ended June 1981; at the last-mentioned date 433,000 persons were out of work, including 379,000 wholly unemployed persons receiving unemployment pay. At the end of the year the total number of jobseekers represented about 12 p.c. — on a seasonally adjusted basis — of the working population.

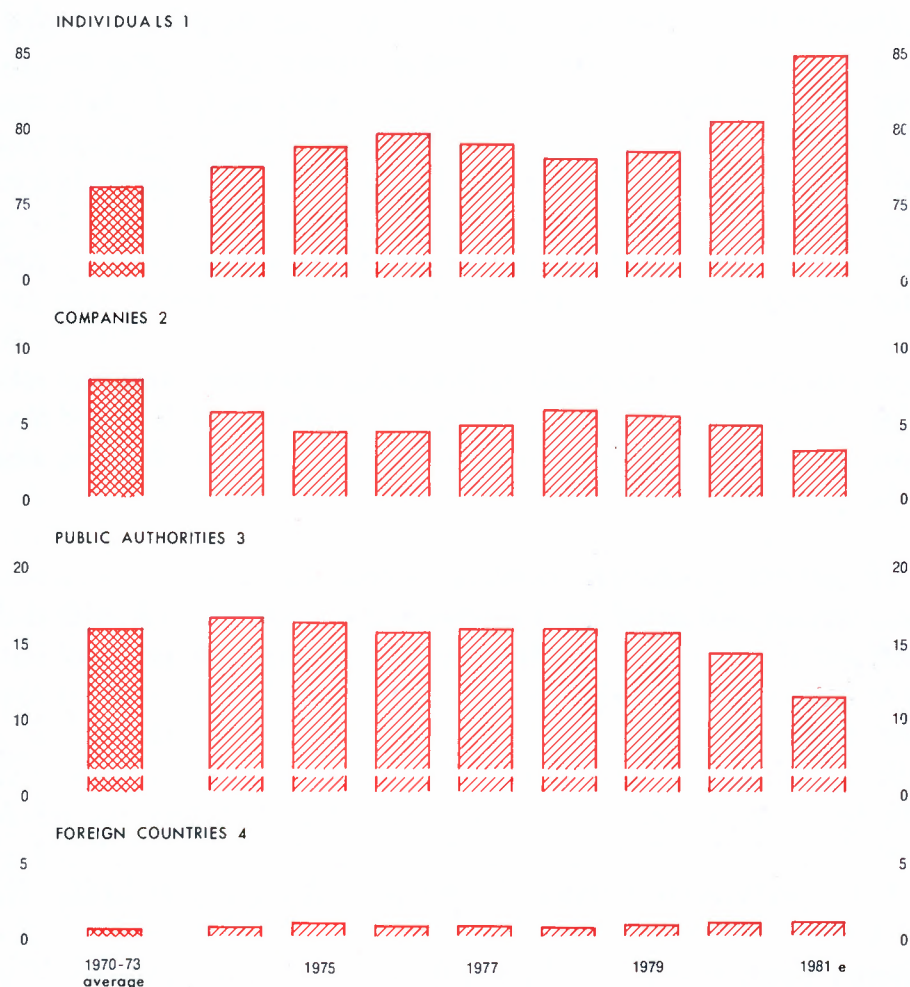
Despite the slackening of demand, the rise in prices speeded up. This accentuation of inflation is largely attributable to the rise in the average level of import prices, which was faster in 1981 : between the third quarters of 1980 and 1981 the index of these prices, expressed in francs, went up by nearly 20 p.c. This movement is due to two major causes : one is the rise in the prices of energy products and the other is the decline in the average rate for the Belgian franc on the regulated foreign exchange market. The weakening of the average rate for the franc, which was mainly due to the movement of the rate for the dollar, was interrupted in August and followed by a certain recovery; between the high reached in July 1980 and the low of August 1981, the difference amounts to 9.8 p.c. on the basis of the average rate weighted by imports and 7.2 p.c. on the basis of the export-weighted rate.

The effects of imported inflation on domestic prices are obvious; they were, however, mitigated by price-freezing measures which slowed down or delayed the increases; furthermore, the business climate made it less easy to put up prices at the various stages of production and distribution, as the decline in demand intensified, on the domestic market, the price competition to which Belgian producers are particularly vulnerable owing to the types of products which they offer. Nevertheless, the wholesale prices of finished industrial products rose by 7 p.c., agricultural prices by 15 p.c. and consumer prices by 8.1 p.c., all these percentages having been higher than in the previous year; with regard to prices, however, Belgium's position did not deteriorate in comparison with the average of its main competitors.

The recession of 1981 hit all categories of incomes and expenditure, but to a varying extent. Consequently, when measured as relative magnitudes in relation to the gross national product, the various income and expenditure flows, according to the Bank's estimates, show divergent changes; it must, however, be borne in mind, in assessing the movements of the coefficients, that they all relate to a product which has shrunk in volume.

## 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) and 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 next chart. They do not, of course, include capital transfers.



*The gross primary incomes of the « Individuals » sector consist of the incomes from work, property and entrepreneurial activity, as households and one-man businesses are included in this sector. For the first time for many years, the total of these gross incomes, in real terms, decreased significantly : by 1.1 p.c.; in 1980 they had risen by 1.7 p.c. Total wages and salaries, which had still increased by 2.5 p.c. from 1979 to 1980, declined by 1.6 p.c.; while it is true that the increase in direct hourly wages, expressed in real terms, was still of the order of 2 p.c., the number of hours worked fell considerably. According to the available data, the total income of self-employed persons fell once more in terms of constant prices. On the other hand, individuals' income from personal property, insofar as it could be recorded, went up once more, mainly owing to the improvement in the average yield on long-term investments.*

*However, after having, on the one hand, paid the direct taxes and, on the other hand, received the various allocations made to them by the State, individuals had a larger disposable income than in 1980 : the increase in real terms is 0.4 p.c. The burden of direct taxes borne by households as a whole was not made any lighter, despite the advantages granted in 1980, namely the partial decumulation and dividing-up of earned incomes<sup>1</sup>, while net transfers received from the public authorities, chiefly in the form of unemployment benefits, again increased substantially. In the end, as regards its disposable income, the « Individuals » sector only felt the recession through the slackening in the growth in this income. This statement, made from an overall point of view, ignores all distinctions to an excessive extent : it totally disregards the differences which exist from case to case.*

*Likewise measured at constant prices, the gross incomes of the « Companies » sector fell once more, because they were affected at one and the same time by a contraction in the volume of sales and a crumbling of the average profit margin per unit of output. Since the first oil crisis, the profitability of manufacturing industries, which have to contend with keen foreign competition, has suffered from their inability to pass on sufficiently to their selling prices the cost increases which they have had to bear; thus the rise in average cost prices in 1981 can be estimated at 13 p.c., while that in selling prices was only about 8 p.c. The burden of social charges was, however, lightened by the so-called « Operation*

<sup>1</sup> This system consists of the partial separate assessment of the earned incomes of married couples and the partial dividing-up of the income where only one spouse is earning.

*Maribel »; this brought about a partial shifting of the fiscal and parafiscal burden : on the one hand, the employers' contributions in respect of manual workers' wages were reduced, but, on the other hand and simultaneously, certain indirect taxes were raised and others introduced in order to counterbalance the effect of this measure on the public authorities' revenue; this increase in indirect taxation contributed to the quickening of the rise in consumer prices and automatically led to an adjustment of nominal wages; consequently, the favourable effect which it was hoped that « Operation Maribel » would have on companies' accounts was partly lost. The fact still remains that the rise, estimated at 13 p.c., in costs was mainly brought about by the increase in the prices of imported producer goods and, subsidiarily, by the rise in the cost of supplies from other domestic sectors; the labour cost per unit of output borne by manufacturing industries would appear to have gone up by 4.5 p.c. All in all, Belgian manufacturing industries suffered a deterioration in their own terms of trade, i.e. the ratio between the selling prices which they were able to obtain, account being taken of the specific nature of their products, and the prices of the goods and services which they had to procure and which to a considerable extent, directly or indirectly, come from abroad.*

*In non-industrial companies profitability was likewise eroded; the rise in labour costs per unit of output, which can be estimated at 9 p.c., was greater than in industry. For these enterprises achieved a smaller increase in productivity than industry and, furthermore, the hourly wages paid by them were indirectly affected by « Operation Maribel » without their deriving any great advantage from this operation.*

*The items which have to be deducted from the gross income of companies are net financial charges and direct taxes. The former increased by a further 15.5 p.c., against 36 p.c. in 1980, about half of the rise being due to interest rates and half to the expansion in the outstanding amount of commitments. The burden of the latter was reduced slightly by various measures designed to stimulate economic activity. After payment of dividends and profit shares, the gross savings of companies, equal to their disposable income, regarded as consisting of undistributed profit and appropriations for depreciation, represented only 3.1 p.c. of the gross national product in 1981, against 4.7 p.c. in 1980.*

*The disposable income of the « State » sector in the broad sense of the term — Central Government, local authorities and social security —*

*corresponding to the difference between its various revenues and its transfer payments, fell from 14.1 p.c. of the gross national product in 1980 to 11.3 p.c. in 1981.*

*This does not mean that the overall fiscal and parafiscal burden was lightened; on the contrary, it was made even heavier, mainly by an increase, in various forms, in the social security contributions; it rose from 44.3 p.c. to 45.2 p.c. of the national product. The pressure is seen to be particularly high in Belgium, in comparison with the level calculated for the whole of the European Economic Community, which is 41 p.c. for 1981.*

*But transfer payments went up further : their share in the national product grew by about 4 p.c. Some of these transfers, such as unemployment benefits, do in fact develop in an anti-cyclical manner; furthermore, interest charges were made heavier both by the sharp increase in the State's enormous debt and by the rises in interest rates; lastly, the total of other transfers, which include family allowances, reimbursements of medical expenses and subsidies to enterprises, tends to expand faster than the national product.*

*At the same time, this sector's expenditure on consumption increased somewhat further. The total of this expenditure and public investment rose from 22.9 to 24 p.c. of the national product. Net capital transfers went up from 3.3 to 3.6 p.c. of that product.*

*If, as is customary, the public authorities' expenditure in the strict sense and the transfers which they make are grouped together, it is found that the total rose proportionally much more than the national product : it represented 56.4 p.c. of the latter in 1980 and 61.5 p.c. in 1981. The last-mentioned percentage is far above the average for the Community, which is about 46 p.c.*

*The financial deficit of the « State » sector is expanding fairly generally in the European Economic Community, but the extent of the gap which has developed between public expenditure and revenue in Belgium during the past few years is exceptional. This can undoubtedly be explained to some extent by the severity of the recession and the level of unemployment. The fact remains that there are major financing problems when the final deficit shown by the public authorities' accounts rises in a period of two years from 9.1 to 16.3 p.c. of the national product.*



# 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.

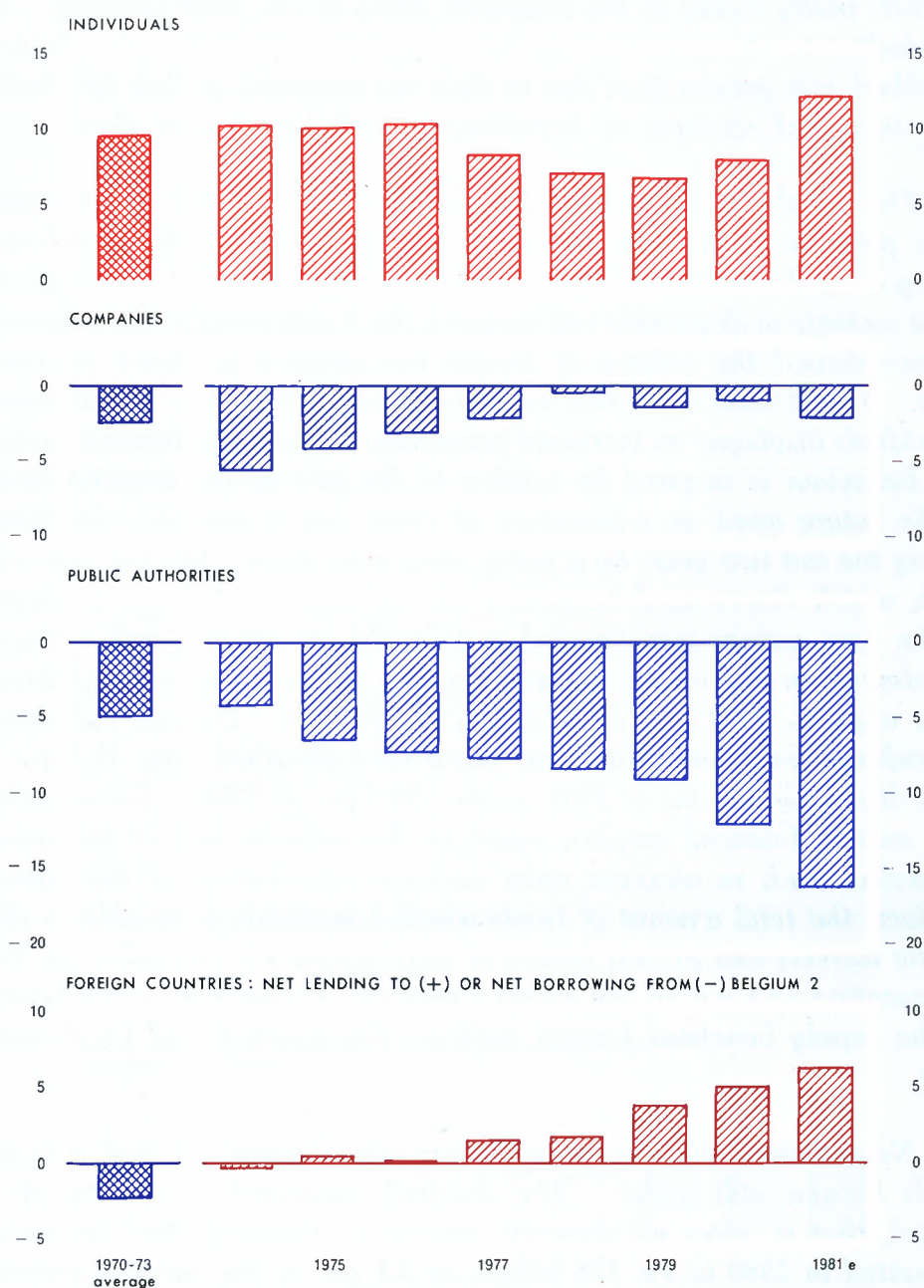
*The net financing requirements of companies, too, increased in 1981, reaching 2.1 p.c. of the national product against 1 p.c. in 1980. However, companies' fixed capital investment declined in volume by about 4.5 p.c. and their stocks underwent little change; moreover, capital transfers granted by the public authorities went up, reaching 3.2 p.c. of the national product, partly owing to the assistance given to the steel industry. But the decline in the gross savings of companies, which has already been described, was greater than that in their requirements, so that they had to have increased recourse to borrowing in order to finance them.*

*The supply of funds from the « Individuals » sector became much more plentiful. In 1981, the total savings of households represented 22.1 p.c. of disposable incomes against 20.3 p.c. in 1980. Despite the slight increase in disposable real incomes, the heightening of the propensity to save caused the volume of private consumption to shrink by nearly 2 p.c. This decline is the first since the second world war. Furthermore, individuals displayed an increased propensity to build up financial savings; this behaviour is inspired by caution in the face of the uncertainties as to the future amid an atmosphere of crisis; but it was also determined during the last two years by a partly exogenous factor : the rise in interest rates, which discouraged investment in real assets. A larger proportion of the new savings was devoted to financial investments rather than to investments in real estate; demand for new dwellings, which had already been weak in 1979 and 1980, contracted further. Overall, individuals' expenditure on consumption and investment absorbed only 85.7 p.c. of their disposable income in 1981, against 90.2 p.c. in 1980. Consequently, this sector's financial surplus, equal to the unspent part of its income, expanded, both in absolute value and as a proportion of the national product; the total amount of funds which households were able to place on the markets was Fr. 431 billion in 1981 against Fr. 278 billion in 1980, representing 12.1 p.c. of the national product, against 8 p.c.; this increase in the supply benefited foreign markets; this question will be discussed later.*

*Nevertheless, the gap between domestic demand for and supply of funds became still wider. The shortfall, measured at the end of the period, that is, after all domestic sources of financing had been used, amounted in 1980 to Fr. 178 billion, or 5.1 p.c. of the national product : the financial surplus of households had been Fr. 278 billion, but the net financing requirements of companies had been Fr. 37 billion and those*

# FINANCING CAPACITIES (+) OR REQUIREMENTS (-) OF THE VARIOUS SECTORS <sup>1</sup>

(As percentages of gross national product)



<sup>1</sup> Disposable income *plus* net capital transfers received (or *minus* net capital transfers made) *less* expenditure.

<sup>2</sup> 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.



of the public authorities Fr. 419 billion. In 1981 the shortfall reached Fr. 225 billion, or 6.3 p.c. of the national product; the Fr. 431 billion of households' financial savings was insufficient to meet the demand from companies — Fr. 76 billion — and from the public authorities — Fr. 580 billion; of the last-mentioned amount, the Central Government's deficit, including extrabudgetary expenditure, accounted for nearly Fr. 500 billion.

The excess demand for funds can only be met by net borrowing from the rest of the world, i.e. recourse to financial resources from abroad. This recourse takes place either by an increase in the foreign indebtedness of the economy as a whole or by a liquidation of foreign claims. Both methods lead to a net reduction in the national economy's foreign assets. In each period, the domestic financial imbalance, net borrowing abroad and the deficit in the current account of the balance of payments reflect in an identical manner the same economic phenomenon : the inadequacy of domestic production in relation to the total of consumption and investment.

For five years in succession, Belgium's balance of current transactions with foreign countries has shown a gradually increasing deficit. This persistence of the imbalance and its recent worsening are in contrast with the development observed in most industrialised countries. In 1981 the current account balance of payments deficit reached 6.3 p.c. of the national product; among the member countries of the Organisation for Economic Cooperation and Development, only Ireland and Portugal showed a larger deficit.

The recent deterioration is strikingly apparent from the still very provisional data at present available concerning the balance of payments of the Belgian-Luxembourg Economic Union; this includes the accounts for Luxembourg.

The adverse balance of current transactions, which was Fr. 152 billion in 1980, reached about Fr. 200 billion in 1981. The worsening is mainly in the balance of trade : according to an initial estimate, the value of net imports of energy products increased by about Fr. 70 billion, while that of net exports of all other products combined went up by only about Fr. 20 billion.

The average level of import prices rose for the reasons stated earlier; the rise in export prices was smaller. The terms of trade of most other

*countries deteriorated less, either because the average exchange rate for their currencies fared better than that of the franc or because their sales, compared with those of the Economic Union, contain less products whose prices are sensitive to cyclical changes. The movement in volumes partly counterbalanced the effects of those in prices; the import coverage coefficient improved somewhat, but this improvement is partly attributable to the contraction in purchases, in other words, to the weakness of economic growth in Belgium.*

*On top of the current account deficit there was the balance of private capital movements. In this connection, the worsening is very pronounced in comparison with the previous year, when these movements resulted in a net inflow of Fr. 35 billion; in 1981 there was a net outflow in the region of Fr. 180 billion. There was a very marked reversal in two flows from one period to the other. Firstly, the net balances in foreign currencies held by residents with Belgian and Luxembourg banks, which had fallen in 1980, rose by about Fr. 100 billion; secondly, the net balances in francs held by non-residents with these same banks decreased by over Fr. 30 billion, whereas they had increased by Fr. 50 billion in 1980. The many other capital transactions of the private sector, carried out by non-residents or residents, resulted in a net outflow of about Fr. 45 billion, against Fr. 30 billion in 1980.*

*The total deficit due to the private sector's current and capital transactions consequently reached Fr. 380 billion in 1981, thus assuming quite a different order of magnitude from that for the previous year, which was Fr. 117 billion. This net demand for foreign currencies, though its extent varied from time to time, was present throughout the year; it caused an unceasing destruction of liquidity, as the cash holdings of enterprises and households were eroded by the continuous purchases of foreign currencies; while these liquidity holdings were in fact replenished from elsewhere, thanks to the creation of money undertaken by the Bank, the money market remained tight.*

*Being inadequately supplied with domestic financial resources at a time when its needs were acute, the public sector turned to the foreign money and capital markets. Its borrowings abroad did not constitute an increase in the national economy's net indebtedness insofar as they offset the net outflows of private capital : residents accumulate assets in foreign countries while the Treasury borrows abroad, or debts are repaid to non-residents while the Treasury's borrowings recreate the indebtedness in*



another form. But the public sector's net borrowings abroad, which were of the order of Fr. 290 billion in 1981, that is, twice as great as in the previous year, exceeded the amount of net outflows of private capital by about a hundred billion francs. To the extent of this sum of approximately Fr. 100 billion, these borrowings by the public sector constitute part of the net indebtedness which the Belgian economy had to contract abroad, in some way or other, in order to meet its current account deficit. The remainder of this deficit was financed by a reduction of Fr. 96 billion in the Bank's foreign exchange reserves; in 1980 an increase of Fr. 27 billion in these reserves had been achieved.

The sales of currencies carried out by the Bank in order to support the exchange rate for the Belgian franc or keep it within the limits allowed by the European Monetary System reached Fr. 316 billion in 1981. The drawings on the reserves which were made in connection with these interventions on the regulated foreign exchange market were offset to the extent of two-thirds by the purchase by the Bank of foreign currencies borrowed by the public sector. On the free market, where the Bank does not intervene and where mainly financial transactions take place, the exchange rates for foreign currencies showed, in relation to the regulated market, a premium which became exceptionally large during the second half of the year and reached a peak of 14.5 p.c. in December.

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The Bank does not pursue its policy by setting itself so-called « intermediate » targets, in the new terminology of central banks. Under this system the monetary authorities announce in advance their intention of limiting the growth in previously chosen monetary aggregates to a certain percentage. They thus abstain from controlling the movement of short-term interest rates, as these henceforth fluctuate completely freely in response to the reactions of the demand for funds to a supply which has now become inelastic to interest rates. Monetary policy.

In its applications, if not in its principles, this method presupposes that the development of the aggregate influences expenditure; thus, at a given level of activity, price movements would be indirectly regulated. The connection between expenditure and the aggregate is assumed to consist of various links; one of the implicit hypotheses is that the extent

*of the financing operations which take place depends on the changes in the aggregate. Even in a closed economy the instrument obviously loses some of its effectiveness if the crucial financing flows whose intensity it is desired to indirectly control are able to take place via altered and unexpected channels; in this event the nature of the financial assets formed by the parties offering funds changes and there is no longer any possibility of keeping a check on the development of the new flows; they occur without being reflected in the aggregate, which is the subject of general attention. In Belgium the channels through which funds are collected and distributed are so diversified and so highly adaptable that control of either of the aggregates would be ineffective.*

*But the introduction of this monetary policy method in Belgium would have been pointless for an even more fundamental reason. For during the last few years, in Belgium's very open economy, the two components which determine the supply of liquidity — domestic lending and the fluctuations in foreign assets — have each developed in such a way that the effects of the one have largely offset those of the other. Thus, from September 1980 to September 1981, total liquidity grew by only 6 to 8 p.c., depending on how it is defined; but this moderate increase was the resultant of, on the one hand, an enormous destruction of liquidity due to the balance of payments deficit and, on the other hand, an even greater creation of liquidity due to domestic financing transactions. Any control limiting the changes, from end of period to end of period, in this stock of liquidity would have done nothing at all to curb a growth in these two functionally linked movements during the periods; sustained by the fundamental factors which generate them, they restimulate each other; excessively large creations call for corrective destructions, but, conversely also, destructions taking place spontaneously bring about compensatory creations.*

*Strict argumentation on the plane of monetary dynamics suggests that sufficiently strict limitation of lending to the private and public sectors would have reduced the power of the domestic component and induced, as the counterpart, a lessening of the destruction of liquidity caused via the foreign component; consequently, the external imbalance would have become smaller.*

*During the early years of the last decade, at the time of the great upsurges of inflation brought about by excessive demand leading to a state of overheating, the Bank had imposed quantitative restrictions on*

*the expansion of lending to enterprises and households. But in 1981, as in 1980, because of the climate of recession, there was no excessive growth in demand from these sectors; during the first ten months of each of these two years, this demand rose by only Fr. 190 billion; in 1981 the very marked decline in recourse to credit by households counterbalanced the growth in borrowing by enterprises.*

*It was the meeting of the public authorities' financing requirements, the size of which in 1981 has been emphasized, that brought about the creation of a substantial volume of liquidity.*

*Recourse to monetary financing was made necessary by a state of shortage, much more acute than in 1980, in the domestic money and capital markets. The expansion in demand from the State was one of the two factors responsible for this imbalance. The second factor was the stagnation of supply : although financial savings were much more plentiful than during the previous year, they were used to an even greater extent for investment in foreign currencies, especially at short term; in 1981 the formation of financial assets in Belgian francs by households and companies in the first ten months of the year was, as in 1980, around Fr. 270 million. The lack of interest of savers in investments in Belgian francs was obviously attributable both to the high level of the net yields offered by investments in foreign currencies, including dollars, and to increasing speculation on the possibility of capital gains.*

*The choices as regards monetary policy were complicated by conflicting considerations. On the one hand, the inadequacy of the contributions of financial resources of domestic origin in comparison with the requirements spontaneously tended to push up interest rates; the Bank might have contemplated further strengthening this tendency in an attempt to reduce the preference for foreign-currency assets, slow down the withdrawals of deposits belonging to non-residents and induce households to further postpone their expenditure on consumption and building; the financing of the public authorities' enormous deficit by the domestic market would perhaps have been somewhat facilitated. But, on the other hand, the absence of any increase in activity, the rise in unemployment, the decline in investment and the deterioration in the profitability of enterprises represented so many major counter-indications against a more stringent monetary policy.*

*The compelling necessity of regularly and urgently meeting the public authorities' financing requirements was a predominant factor in putting*



an end to the indecision. For in any case, even if the Bank had wished to restrict domestic monetary creation, it could not oppose the borrowing of foreign currencies by the various public authorities. By itself purchasing the greater part of the proceeds of these loans, it regulated their disposal on the foreign exchange market. But this did not cause any change in the monetary machinery : there was a corresponding, mutually counterbalancing creation and destruction of liquidity. The net sales of foreign currencies by the Treasury to the Bank totalled Fr. 214 billion in 1981. Furthermore, the Bank agreed to increase its indirect support to the Treasury : the ceiling on the special assistance which it grants to the Securities Regulation Fund to enable the latter to finance its portfolio of Treasury certificates was raised from Fr. 90 billion to Fr. 150 billion. The increase during the year in the actual utilisation of this advance facility was Fr. 72 billion. The total creation of base money by the Bank for the benefit of the Treasury, via its advances and its purchases of foreign currencies, which had reached Fr. 25 billion in 1978, Fr. 79 billion in 1979 and Fr. 117 billion in 1980, suddenly shot up to Fr. 286 billion in 1981.

The Treasury also benefited indirectly by the financial institutions' use of their rediscount facilities : for these enabled the banks to obtain from the Bank resources whose cost remained lower than the yields offered by the very-short-term Treasury certificates. The ceilings were reviewed quarterly and were raised, for the financial intermediaries as a whole, from Fr. 108 to 117 billion from the beginning to the end of the year; the average for the year of the outstanding amounts used was nearly 21 p.c. above the 1980 level. Moreover, on 1st December the Bank opened, for one year, a supplementary rediscount facility for the Rediscount and Guarantee Institute; this credit line, granted at a preferential rate, enabled the refinancing mechanisms which had been halted by the rise in money market rates to be reactivated for « Credit-export » bills with up to one year to run.

In order to be correctly interpreted, the expansion of the State's recourse to the Bank which was observed in 1981 must be analysed within the framework of the financial data as a whole. It has been seen that the considerable increase in net capital outflows was partly brought about by the greater preference displayed by Belgian households and enterprises for investments in foreign currencies and investments in real assets abroad; part of the savings actually formed did not benefit

*the domestic money and capital markets; this led to a reduction in the Treasury's borrowing possibilities. In addition, the withdrawals made by non-residents from deposits previously made by them in Belgian francs, the reinvestment of which had partly benefited the Treasury, forced the latter to repay a previous debt to the corresponding extent. In both cases the capital outflows destroyed liquidity; the Treasury's recourse to monetary financing recreated it. In both cases the financing circuits were altered, but this did not change the extent of the flow of expenditure which the worsening of the budget deficit was in any case inevitably going to bring about. Lastly, the decline in the new contributions of funds by non-residents led to the drying-up of a source of liquidity for the money market; the Treasury, a regular borrower on this market, previously derived advantage from this liquidity creation; this year it had to replace it by another kind.*

*The fact nevertheless remains that, insofar as it met a net increase in the public debt, this creation of liquidity, as it took part for the direct benefit of the Treasury, facilitated the meeting of the extremely large budget deficit. This generated incomes and, consequently, expenditure and savings. The incomes thus created took the place of those destroyed by the current account balance of payments deficit; the expenditure resulting from them prevented a deflation of domestic demand; but at the same time, owing to the high degree of the propensity to import, this expenditure perpetuated the balance of payments deficit; as for the savings formed from these same incomes, these replaced the funds destroyed by the capital outflows; but these substitute savings in turn also helped to swell financial investment abroad.*

*The debt issued in Belgian francs by the Treasury in 1981 was largely at short term. Curbed by a set of adverse circumstances, the net increase in the long-term public debt in Belgian francs was only Fr. 26 billion, against Fr. 70 billion in 1980. The political crisis may perhaps have prevented the Government from issuing a loan in the autumn. But the main factor responsible for the deconsolidation of the debt was the reversal of the hierarchy of interest rates which, in Belgium as in other countries, had taken place and continued under the influence of the yields offered by short-term investments in dollars. The public sector did, however, improve the nominal yield on the bonds which it offered to subscribers; the last government loan in September 1980 yielded 12.81 p.c.; that issued by the Telegraphs and Telephones Board in December 1981 gave*

*a yield of 14.49 p.c.; after deduction of the preliminary tax and with allowance made for the rise in consumer prices, the apparent real rate was thus maintained at 3.5 p.c.; the net nominal yields on bonds purchased on the market for fixed-interest securities likewise improved, but they nevertheless remained lower, throughout the year, than those on the corresponding investments which the Belgian public could make in the Netherlands or the United States or in Euro-bonds. Short-term certificates consistently remained an advantageous investment for the financial intermediaries.*

*The Treasury therefore turned to the money market. On that market, impoverished as it was by the outflows of short-term funds, the Treasury's persistent demand inevitably exerted a considerable upward pressure on interest rates. These, which directly influence the cost of credit, had already in 1980 reached an average level which put them among the highest rates. The strain was eased by the liquidity creation which has already been described and the upward movement of market rates slowed down in 1981; it was more moderate than that of the Euro-dollar and of most European Euro-currencies.*

*Thus, under these conditions of recession, the policy pursued by the Bank moderated the undesirable addition to the financial burdens borne by enterprises.*

*Nevertheless, the Bank did not hesitate to pursue a harder policy whenever this was necessary for the defence of the franc. At the end of March and the beginning of December, when speculation stimulated net demand for foreign currencies on the regulated foreign exchange market, causing the money market to dry up, the Bank did not oppose the spontaneous upward movement of interest rates. On the contrary, it accentuated it by raising its own. The discount rate, which had remained unchanged since the end of July 1980 at 12 p.c., was raised by 1 and then by 3 percentage points during the last days of March; it was subsequently lowered in stages when the demand for foreign currencies had returned to normal; reduced to 13 p.c. at the end of May, it was kept at that level until the beginning of December; on the 11th of that month it was raised to 15 p.c.; once again, the Bank did not hesitate to lower it as soon as it became possible : on 7th January 1982 the discount rate was reduced to 14 p.c. The movements of the rates for advances were similar. At the time of the foreign exchange crisis at the end of March, the Bank furthermore took steps to prevent the financial*



*intermediaries from replenishing their cash holdings by calling for the redemption of public paper, which would have forced the Treasury to increase its recourse to the creation of base money and would thus have slowed down the rise in interest rates which the Bank wished to see at that time; when the foreign exchange crisis was over, the measure was not renewed.*

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*The year 1981 was ill-starred. The deteriorations by which the Belgian economy is being weakened and the fundamental disequilibria to which it has been subject since the first oil crisis were accentuated . A number of adverse circumstances of foreign origin contributed to these : the slackening of expansion all over the world, the further increase in the price of energy products, the rise in the exchange rates for the dollar, the upward movement of international interest rates. Neither the public authorities' extraordinary deficit nor the de facto depreciation of the Belgian franc were able to prevent the decline in activity, the rise in unemployment and the difficulties of the exposed sectors, the restimulating effect was nipped in the bud by the handicaps due to the structure and prices of domestic supply.*

*The fundamental problems.*

*Dynamism is flagging, growth is slowing down. In order to maintain the apparent prosperity, the future is being increasingly sacrificed for the sake of immediate satisfaction. This conclusion is dictated by two observations, the dry numerical factualness of which leaves no place for any value judgement.*

*First observation. Investment, the source of future development, is being skimped. Priority is being given to immediate well-being : the share of the gross national product which is devoted to public and private consumption amounted to nearly 86 p.c. in 1981; for the years 1970 to 1973 this proportion averaged a little under 75 p.c.*

*Second observation. The gap between the product of national activity, on the one hand, and total domestic expenditure, on the other, is widening. Belgium's current account balance of payments has deteriorated since 1974; it has become negative and the deficit has*

*gradually grown. For the last seven years the cumulative amount of this current account deficit with foreign countries is about Fr. 640 billion. This amount is an accurate measure of the extent to which the national economy's external assets have been depleted. This impoverishment is not due to an intense investment effort, which would have strengthened the country's productive equipment; it is due to the fact that the population as a whole has allowed itself an average standard of living which was no longer warranted by the product of national activity.*

*It has not been the external assets of the group consisting of households and enterprises other than banks that have been curtailed; on the contrary, these have increased, on balance, during this seven-year period. Consequently the banks, the public financial institutions and operating organisations, as well as the public authorities and the Bank, have had to compensate, by the movement of their external assets and liabilities, not only for the current account deficit but also for the net outflow of private funds. For it is the foreign assets of this group of sectors which ultimately finance the balance of all transactions with foreign countries, since, in Belgium, the banks are not allowed to build up positions of their own.*

*On 30th September 1981, estimated at the exchange rates then in force, the foreign debt of the public authorities and organisations was in the region of Fr. 480 billion. On the same date the Belgian banks' net liabilities to foreign countries amounted to nearly Fr. 155 billion; this amount does not include either the balances held by correspondents by way of reinvestment of deposits in francs made with them by residents or the liabilities contracted in order to finance the Treasury, which are counted here in its foreign debt. At the same time the Bank's net reserves, calculated for gold on the basis of the actual market price and for foreign exchange holdings on the basis of the current exchange rates, was Fr. 744 billion. The algebraic sum of these three amounts shows that, in the consolidated external balance sheet of these bodies as a whole, the net assets then only amounted to around a hundred billion francs, whereas at the end of 1979 they had still been nearly Fr. 350 billion. The deterioration continued during the last months of 1981 and from the forecasts it is to be feared that this will also be the case in 1982.*

*Economic policy cannot ignore the external financial constraint which might appear.*



Consequently, the country must substantially reduce the disequilibrium of its balance of payments during the coming years. The restoration of the position is an urgent matter and will call for great efforts. The extent of the 1981 current account deficit is in fact known : Fr. 225 billion, or 6.3 p.c. of the national product. It is known that exports have an import content of the order of 40 p.c.; any increase in sales thus immediately leads to additional purchases; furthermore, the incomes derived from this expansion in turn cause substantial spending abroad, owing to the degree of households' propensity to import; moreover, the import content of private consumption is considerably lower than that of investment in equipment : therefore, essential though it is, the industrial redeployment effort will not, in the initial stages, have favourable effects on the balance of payments. There is nothing, in the present economic situation, to warrant the hope of any improvement in the terms of trade. The efforts must therefore be aimed at achieving a substantial improvement in the ratio between the volumes of foreign trade.

The growth in the volume of imports could be curbed more than it has been up to the present by energy-saving measures. It could also, theoretically, be kept in check by a slowing down of the expansion in real domestic demand; but the experience of 1981 is rather disappointing in this respect; the decline in the volume of expenditure did not fail to affect activity and employment.

It is fairly generally agreed that the problem ought to be tackled from the supply side. Disindustrialisation has cost jobs and market shares, both at home and abroad. For a country suffering from serious underemployment of its factors of production, there is no other way of achieving a fundamental recovery except by reversing the present trend. The weakness of world economic activity predicted for 1982 will undoubtedly not make the much-needed developments any easier. It only makes it more essential to remedy the causes of the national economy's obvious lack of vigour.

The economy's performance has been less good than the average achieved by the other industrialised countries and by the countries of the European Economic Community as a whole. Whereas at the beginning of the last decade Belgium's rate of growth was faster than that of the other countries, the comparison has since become more and more to its disadvantage : from 1974 to 1981 the volume of its gross domestic product increased on average by 1.6 p.c.; corresponding percentages are 1.9 p.c. for the Community and 2.6 p.c. for the industrialised countries as a whole.

*These, like Belgium and often more than it, have had to contend with the effects of the two oil crises and the keener competition from the new industrial centres. Their performance, though undoubtedly less good than during the golden era of the 1960s, has nevertheless surpassed that of Belgium and they have held their own better in international trade.*

*With the aid of available international data which have permitted significant comparisons to be made for the period 1970-1978, the Bank has devoted a great deal of time to analytical studies with a view to finding the explanation of the specific weaknesses of the Belgian economy. These were found to be largely attributable to the composition, at the beginning of the period, of the « basket » of manufactured products offered by Belgium; the subsequent development of world demand was to show that this « basket » was less good than that of the country's competitors; furthermore, the latter had, more than Belgian exporters, penetrated the markets whose growth has been particularly rapid, such as those of the oil producers; lastly, and above all, Belgian industry has lost market shares owing to the weakening of its competitiveness. The last-mentioned handicap is due to numerous factors. Many of these are not quantifiable, despite their importance, whether it be the quality of the products offered, their adaptation to the changes in demand, the organisation of marketing services or, more generally, business management. The only element regarding which quantified comparative assessments could be made and to which particular attention was therefore paid is the development of production costs; Belgian manufacturing industries have been handicapped in relation to their competitors by the rise in the price of the supplies which they obtain from the other branches of the economy and, secondly, by the rise in the wages and salaries which they pay per unit of output; they have not been placed at a disadvantage by the movement of the prices of their imported inputs. Altogether, during this period from 1970-1973 to 1978, the disparity in overall costs worsened by about 10 p.c. to the disadvantage of Belgian manufacturing industries; their gross trading surplus per unit of output declined more than that of their main competitors. The reduction in profitability led to closures of firms or parts of firms; foreign products took the place of domestic products, the remaining firms had to undertake rationalisation measures; in both cases, employment was reduced.*

*For the last three years the documentation, which is still fragmentary, seems to indicate that the movement of costs of domestic origin — labour costs per unit of output and the prices of purchases from other branches*



*of activity — has improved the competitiveness of Belgian industries; but the disparity which had developed has not been completely remedied; furthermore, the elimination of inefficient production units has continued, leading to further losses of market shares owing to the reduction in the supply of products.*

*It is this process of erosion that it is urgently necessary to bring to a halt as soon as possible. It is the manufacturing industries, which are particularly exposed to international competition, that remain the main earners of the foreign currencies which the country badly needs in order to cover the import content of its expenditure, and expansion of their activity would make it possible not only to increase export earnings but also to reduce this import content. The revival of industry would be equally beneficial to the other sectors; the prosperity of these, preponderantly net importers, ultimately depends on the fortunes of the enterprises whose sales enable these imports to be paid for.*

*The renewal of the industrial fabric is impossible unless two conditions are fulfilled. The first, which would have immediate effects, is that, as an interim protective measure, the causes of the closures of firms should be eliminated. The second, whose effects will be slower, is that the existing structures should be modernised and the activities extended to new products. The success of an industrial policy thus depends, at one and the same time, on an improvement of the methods of industrial and commercial management where this displays weaknesses, a lightening of production costs and a rebirth of creative dynamism.*

*With regard to costs, it should be recalled that, overall, the value of the sales of the manufacturing industries in 1980 included about 25 p.c. of direct labour costs, 17 p.c. of purchases from other branches of the national economy and 3 p.c. of net financial charges, while the greater part of the other elements was accounted for by imported products and services. Hence the restoration of the competitiveness of Belgian products, which has already begun, will call for a moderation of incomes extending far beyond the framework of the industries themselves with regard to remuneration, and furthermore applying to the other categories of incomes; as in the case of wages and salaries, although not as directly, the increase in the latter is passed on to prices; it is less offset by advances in productivity than is the case in industry. For the latter, the burdens passed on by the other sectors have been added to the increases in the pay of its own employees, to financial charges and to fiscal and parafiscal*

*burdens; it has not succeeded in fully passing on, in turn, downstream, the increase in its cost prices, as its product range does not allow it to impose its prices on the markets to a sufficient extent.*

*In recent years the growth in the real incomes of individuals has generally exceeded that in the national product actually available for domestic expenditure. For the deterioration in the terms of trade due to the two oil crises, followed, in 1981, by the de facto depreciation of the franc, has brought about a decline in real income per unit of output. This impoverishment, which has hardly been realised, if at all, has not been counterbalanced by any growth in production. Its results, though consequently inevitable, have not been accepted; real incomes have been sheltered from the imported price rises, for some by the statutory or collectively agreed index-linking systems and for others by more concealed index-linking methods or by the system of percentage profit margins. The increases in nominal incomes have been greater than the growth in real resources; domestic costs have been pushed up. Owing to the degree of openness of the Belgian economy, the imbalance between incomes and real resources has been reflected more in the foreign accounts than in prices.*

*The development of incomes can no longer escape the force of actual facts and remain inconsistent with the development of the real data. It can no longer be accepted that the main sources of foreign income shall continue to dry up as a result of the disappearance of more firms. As the changes which have taken place in recent years in the sectoral distribution of incomes have seriously eroded the profitability of firms in the competing sectors, a shift in the opposite direction towards the latter must be brought about. This improvement in profitability would recreate greater self-financing possibilities while at the same time making the prospects less gloomy. The necessary conditions for the consolidation, diversification and adaptation of the industrial structures would all be fulfilled. It would therefore be possible to expect, in return, a display of creative determination and a vigorous flow of domestic investment in expansion and innovation which would breathe new life into the national economy. An industrial policy arrived at with the consensus of all the parties involved — large and medium-sized enterprises, trade unions, self-employed persons, public authorities — and implemented in accordance with a programme which includes reciprocal obligations could achieve far-reaching objectives. It would at one and the same time serve*



*the aims of combating unemployment, building up the economy's own resources in order to reduce the balance of payments deficit and restoring order in the public finances. Its results would be more complete and hence more lasting than those of the efforts which have had to be confined to solving the most urgent problems by sustaining demand or creating jobs in the public services. These measures were undoubtedly necessary. But they were only makeshifts and they imposed a heavy burden on the financial administration of the public authorities.*

*The restoration of order in the finances of the latter is not only an aim in itself; it is an essential intermediate stage on the way towards economic recovery.*

*First of all, in view of its extent, the budget deficit of the State in the broad sense of the term, which, as has been seen above, reached Fr. 580 billion in 1981, including Fr. 500 billion for the Central Government, bears within it the seed of its own perpetuation. The accumulation of debts produced by it automatically burdens the subsequent budgets with financial charges which have become enormous; estimated at about Fr. 280 billion in 1981, they will be heavier still in 1982, owing to the deficit of the latter year and the year under review, even if the average level of interest rates falls on the various markets to which the State has had recourse. Secondly, the Treasury, continually appearing on the money and capital markets in search of the resources which it lacks in order to meet its present budget deficits and repay its earlier debts, has become completely dependent on the markets and is thus vulnerable to all the fluctuations in the supply of funds. The pressure which it exerts on the domestic market has reduced the already restricted scope for the pursuit of an independent interest rate policy by the Bank; on the foreign markets its demand has encroached on the credit facilities which the banks are prepared to grant to Belgium and which they all restrict, just as they do for other countries, in order to spread their risks.*

*The State's deficit was admittedly not the cause of the balance of payments deficit when it developed after the first oil crisis. The slackening of the rate of growth resulted in a smaller expansion in the tax base; at the same time it made job creation more difficult just when the incorporation of the female population in economic activity was increasing the demand for work; unemployment benefits, the cost of job creation in the public sector, together with the subsidies to firms in difficulties, further pushed up expenditure by the State, accentuating*

*the structural trend. Very soon and on a growing scale, the State was maintaining an enormous volume of consumption through its current expenditure and its transfer payments. Despite the increase in the fiscal and parafiscal pressure, which was in fact incorporated in costs, the deficit widened; increasing recourse had to be had to monetary financing. This support to demand was combating a crisis which was not of a cyclical nature. As a fairly considerable proportion of demand was for imported products and services, the State's restimulation programme only partly benefited domestic productive activities; it did not revive activity sufficiently in the sectors with unused resources; too large a proportion of it helped to increase the balance of payments deficit; only service enterprises benefited by these flows of purchases from abroad. This lack of effectiveness of the Government's restimulation programme is to a certain extent due to the characteristic of the Belgian economy which has already been emphasized : the supply of national products which, by its cost and composition, is no longer sufficiently attractive to demand; this leads to a dwindling of the multiplier of public expenditure; its effects are handicapped by an excessive flight of expenditure to foreign countries. The means employed are too expensive for the results achieved.*

*At present the reduction of the public authorities' financial deficit is creating problems of financial and economic policy. Whether the operation is carried out by an adjustment of revenue or of expenditure, resources have to be withdrawn from the other domestic sectors in either case; as the changes in the distribution of income during recent years have particularly favoured individuals (households and self-employed persons), the cuts — fairly distributed — should mainly be made in the resources of this sector. In order to reduce the public authorities' balance to be financed by a certain amount, the cuts have to be about twice that amount; for in 1981 the total fiscal and parafiscal burden reached a little over 45 p.c. of the national product; consequently, an increase in taxation would destroy nearly half of itself if it left prices unchanged, and a little less if it had the effect of pushing up the general price level, in which case, however, it would aggravate the problem of competitiveness; similarly, the curtailment of some items of expenditure would automatically lead to a reduction in the public authorities' revenue equal to nearly half of the amount of the cuts. These will therefore have to be substantial at first. They will affect incomes and expenditure and, through these, they will reduce the balance of payments deficit but also domestic activity. There is no disguising the fact that during the first year, all other things being*



*equal, they are liable to cause a certain deflationary decline. Whatever means are employed in order to tackle the rehabilitation of the public finances, they are bound to have adverse repercussions at first. But these will have to be accepted in order to avoid much more serious medium-term disadvantages, especially the development of a state of real domestic and foreign financial deadlock which would make any economic recovery impossible.*

*During the next few years the total growth in budgetary and debudgetised expenditure ought to remain below the nominal increase in the national product; thus the balance to be financed would represent, each year, a decreasing percentage of that product; in a few years this percentage could be reduced to a level close to the average recorded in the other countries of the European Economic Community. In any case, the more real growth is speeded up, the less total expenditure, and hence activity and employment, will be affected by this new orientation of public expenditure. Productive investments in domestic industrial enterprises would have the effect of creating a new supply of national products; this should be able to replace some imports, reducing the outflow of incomes to foreign countries, or should be capable of penetrating foreign markets, thus pushing up export earnings. The strengthening of the national supply would thus expand the tax base. It would at the same time increase employment, reducing the transfer payments which the State makes to assist the unemployed and support ailing firms.*

*As has already been stated, the competitiveness of the national supply depends on two factors : the structure of the products offered and their prices. At present both of these have shortcomings. With regard to the structure of supply, the range which the country offers is still marred by too many regressive products, demand for which is declining; their gradual replacement by progressive products is a question of dynamism, quality of management and mobility of the working population; in all these respects, refusal to accept change ultimately leads to destruction of the old without the creation of anything new in its place. As for the prices of the products offered, these are, for the same quality, not fixed, but limited by the prices of foreign competitors; profitability and hence also the growth of the national supply are thus dependent on relative costs.*

*In the opinion of some people, a depreciation of the Belgian franc would be necessary in order to reduce the relative costs of the national supply. Neither the theoretical arguments which remain confined to the*

*level of general principles and pay too little regard to the specific features of individual cases nor the references made to experiments carried out in other times or places, in different structures, with results which are, incidentally, disputed have convinced the Bank that a change in the official exchange rate for the Belgian franc in relation to the other currencies of the European Monetary System would today be an effective instrument of economic policy for dealing with the country's difficulties.*

*An over-simplified approach to the problem presents the depreciation of the monetary unit as a stimulus to domestic activity : it would discourage imports by pushing up their prices in the national currency and it would make exporting easier if selling prices, likewise expressed in the national currency, were not raised in proportion to the depreciation. The operation would thus lead to a deterioration in the terms of trade and hence a decline in real average income per unit of output which would more or less proportionally affect the various categories of economic agents; the reduction in the volume of purchases abroad and the expansion in that of sales would be more than sufficient to counterbalance the adverse effect, on the current account of the balance of payments, of the worsening of the terms of trade; furthermore, these two movements of the volumes would protect total income from the effects of the reduction in average unit incomes; more people would work, each in order to earn less and transfer more to foreign countries.*

*In this model, the higher the degree of elasticity of demand to prices, the less severe is the curtailment of the real income per unit of output and the faster the increase in national production : if this is the case, the rise in the prices of imported products greatly discourages purchases abroad and the decline in the prices of exports expressed in foreign currencies acts as a powerful stimulus to foreign demand : the greater the elasticities, the lower the required depreciation percentage, the smaller the contraction in real income per unit of output and the greater the chances of rapid success. Now at present in Belgium the elasticity of demand to import prices hardly fulfils this condition; whereas it was formerly selfsufficient in energy products, the Belgian economy now imports over 80 p.c. of these; all its raw materials and some of its foodstuffs have to be obtained from elsewhere, as do also the items of equipment, semi-manufactured and durable consumer goods which it will never manufacture, or no longer manufactures, or no longer produces enough of, or does not yet make; consequently, imported products will in fact become more expensive, the*



*rise in their prices will only have a weak discouraging effect and will spread to domestic costs.*

*With regard to the price elasticity of demand for exports, matters are less clear; careful study of all fairly recent national and foreign research work on the subject shows that the calculations made are numerous, conscientious and all supported by sound arguments, but that the results presented not only differ fundamentally but are sometimes also even contradictory; admittedly, this is something which it is almost impossible to calculate. Owing to the large number of factors involved, no conclusions can be drawn, either, from experience; while the volume of exports in fact hardly responded at all in 1981 to the effective decline in the weighted average rate for the Belgian franc, it may be assumed that factors other than the elasticity of demand were involved and that, for instance, exporting firms preferred, in order to increase their mediocre profitability, to refrain from adding to the current fall in prices in terms of dollars and chose instead to improve their prices in Belgian francs and forgo the volume effect.*

*In any case the fact remains that in the very open and small economy that is Belgium the rise in the prices of the necessary imports would certainly have affected domestic costs; consequently, what ought to be assessed is the extent to which the shock wave produced by the imported rise makes itself felt in costs and prices. If the movement ultimately had a proportionate impact on all categories of wholesale prices, it would affect the entire import content of the production of the industries which compete with foreign countries. If, at all stages of the production and distribution process, the imported rise were proportionately passed on to selling prices, the movement, which would also be propagated by indirect taxes, would reach the stage of consumer prices; the increase in these would then exceed the figure of 8 to 9 p.c. which is at present predicted. The repercussion of a rise in consumer prices on wages is perhaps no longer so certain. The Government has announced its intention of reducing the effects of automatic, rigid index-linking. But the more the upward tendency was accelerated by the effects of a depreciation, the greater would be the danger of the process going off the rails; for wage increases can take place in a variety of ways; countries where there was no index-linking system have recently experienced this, and the devaluations which they had relied upon to increase the competitiveness of their products finally led to an even more unbridled inflation. The inflationary effects of a depreciation, if*

*badly distributed, might appear to be the results of a policy favouring the income and savings of some people. It is to be feared that those who felt that they were its victims would reject its effects and that explosive catching-up movements would take place.*

*Some people see devaluation more as a financial operation. They regard it as the ultimate weapon against capital outflows. It would reverse the spontaneous upward movement of interest rates which these outflows bring about by reducing the supply of funds on the domestic money and capital markets. It would avoid the disadvantages of the raisings of interest rates decided upon in order to safeguard the official gold and foreign exchange reserves. By allowing those who gave preference to investments in currencies to obtain the capital gain on which they speculated, it would induce them finally to repatriate their holdings. An operation with this aim in Belgium would nowadays cost the community dear; the outstanding amount of the foreign-currency debt contracted by the State or guaranteed by it against exchange risks amounts at present to about Fr. 465 billion; for the State, already in financial difficulty, the cost of the redemption payments and interest on this debt, converted into francs, would be increased to the extent of the depreciation of the franc. Moreover, there is no certainty that the sacrifice ultimately made by the taxpayers would not be in vain. A currency which has been the victim of speculation is more vulnerable than others to subsequent attacks; it generates distrust in the very people who have paid the price for having placed their faith in it. Furthermore, the speculators' expectations might be disappointed by the extent of the change in the official rate : the outflows of funds, instead of being reversed, would increase; various countries have in recent years tried to carry out modest devaluations, which have had to be repeated. Conversely, a change big enough to fulfil the speculators' expectations would not only add to the Treasury's burdens but would, above all, intensify the inflationary domestic repercussions of the operation.*

*Because of its own special responsibilities, it is the Bank's duty, when the question is raised, to take account of all the facts and to view the matter in a perspective which extends beyond the immediate future. More than others, it would have to contend with the consequences of an operation which would ultimately create more problems than it would solve. Moreover, the Government itself, bound as it is by the Agreement concerning the European Monetary System, could not make any unilateral*

*decisions. The adjustments which have been introduced since March 1979 have been arrived at by negotiation. This reminder is necessary at a time when people have apparently forgotten the dislocations brought about, during the 1930s, by competitive devaluations which were decided upon absolutely independently.*

*In conclusion, the Bank does not believe in the existence of any easy, convenient solutions whereby recovery can be achieved without the need for sustained effort. The impatient desire for quick results must yield to the evidence of the facts. For too many years the country's economy has been gradually slipping into a state of profound imbalance, and structural damage has been suffered. Activities and jobs have been created by expenditure which at the same time has generated, maintained and aggravated the public authorities' deficit, the excessive growth in private consumption and the disequilibrium of the balance of payments. When a road has been followed for many years, unfortunately in the wrong direction, the journey back cannot be made in just a few months. Reconversions will entail sacrifices. These must be fairly distributed. They are not unbearable and, in any case, are much less painful than those which would result from a protracted process of decay. Renunciation of what is artificial in the present prosperity is a safe investment for the future. It is a safeguard of tomorrow's employment. The problems are serious. Their solution lies in the strengthening of the national economy's vital forces, many of which are still intact. The programme of joint action which must bring this about will take time, even if it is supported by the nation's unanimous will. But it must be tackled as a matter of urgency : the first signs of recovery will restore confidence, and the subsequent stages will therefore be less arduous and the efforts made more plentifully rewarded.*





*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.

## 1. INTERNATIONAL DEVELOPMENTS.

For the member countries of the Organisation for Economic Cooperation and Development as a whole the rate of growth — as in 1980 — would not appear to have been more than 1 p.c.; it thus continued to be strongly affected by the adverse influence of two factors : the second oil shock and, connected with it, the restrictive policies pursued in most countries.

The economic situation developed in different ways, however, in the main industrialised regions : in the United States it improved appreciably; in Japan the rate of growth was close to that observed the previous year, and in nearly all the countries of the European Economic Community, which represent the greater part of Belgium's export markets, activity declined owing to the contraction in domestic demand.

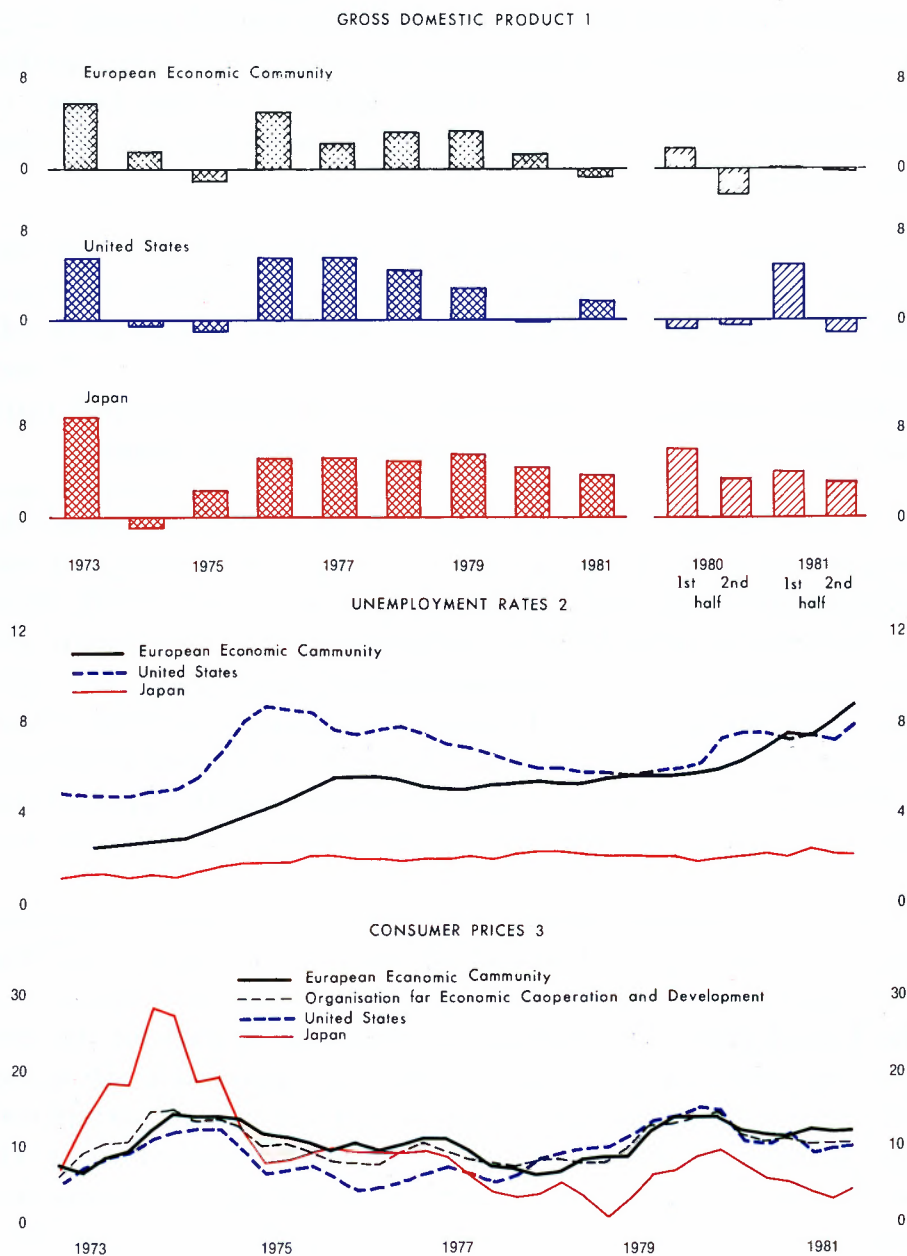
The development during the year was uneven in the United States, where a revival in the first six months was prematurely interrupted, mainly because demand for housing and durable consumer goods fell off, probably under the influence of the high level of interest rates. Elsewhere economic activity developed in a more uniform manner, although the pace differed greatly : in the European Economic Community activity remained unchanged throughout the year at the low level reached in the second half of 1980, whereas in Japan it showed a steady growth, mainly sustained by the expansion in the volume of goods exports.

The economic growth achieved in 1981 by Japan enabled that country to keep up almost entirely with the increase in the working population, so that in the end there was scarcely any rise in the unemployment rate. In the United States the position was the same throughout the greater part of the year, but in the last quarter the appreciable slackening of activity was accompanied by a sharp rise in the rate of unemployment. In the European Economic Community, where employment declined while the working population went on increasing, the worsening of unemployment was uninterrupted and even more marked; at the end of the year nearly 9 p.c. of the working population was seeking employment.

The smallness of the increase in demand for goods and services and the decline, in the course of 1981, in world prices of non-energy raw

Chart 1.

# ECONOMIC ACTIVITY, UNEMPLOYMENT AND 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 : U.S. Department of Commerce for the United States; Organisation for Economic Cooperation and Development for the other areas.

<sup>1</sup> 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. For the United States, Japan and certain countries of the European Economic Community, the data for 1981 are for the gross national product.

<sup>2</sup> As a percentage of the working population. 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. Last period : for the United States and Japan, average for October-November 1981.

<sup>3</sup> 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 1981.



materials, chiefly those to be used for food, led to a slight fall in 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. This rate declined from about 11 p.c. in the last quarter of 1980 to 10.5 p.c. in the last quarter of 1981. This slowing-down was only modest, but it followed a more marked reduction in the inflation rate between the second and fourth quarters of 1980, when the strong wave of direct and indirect price increases resulting from the second oil shock was largely spent. Unlike the position in the United States and particularly in Japan, which both made a certain amount of progress in 1981 in curbing the rate of inflation, most of the economies which form part of the European Economic Community had to contend with a slight resurgence of the inflationary pressures, since, during the first quarters of 1981, when their weighted average exchange rates fell, these economies were unable to avoid a pronounced rise in the prices of imported goods and services, which represent a considerable proportion of their resources.

The enormous current account deficit of the area of the Organisation for Economic Cooperation and Development as a whole, which had worsened in 1980 owing to the second oil shock, would appear to have been reduced by half, having fallen from \$ 73 billion to about \$ 35 billion, partly because of the rise in the rate for the dollar, but above all owing to the improvement in the balances expressed in national currencies.

In all the major industrialised countries the reduction in the volume of imports of energy products continued and even became more marked, substantially contributing to this recovery. On the one hand, the persistent slackness of economic activity produced its effects and, on the other hand, considerable economies were made in the use of oil after the drastic increase in the price of that product. Furthermore, the United States and the United Kingdom would appear to have stepped up their oil production, thus succeeding in more than offsetting the deterioration in value of their other goods transactions with foreign countries; these two countries thus approximately doubled their current account surpluses. The main major countries which improved their competitive position were Japan and the Federal Republic of Germany, which both benefited by a low rate of inflation; the volume of their goods imports and exports developed favourably, enabling Japan to transform its big 1980 deficit into a substantial surplus and the Federal Republic of Germany to reduce its deficit by half, despite the adverse effect of the worsening of its terms

Table 1.

## BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of U.S. dollars)

	1973	1974	1975	1976	1977	1978	1979	1980	1981
Organisation for Economic Cooperation and Development.	10.1	-25.1	2.4	-17.3	-24.8	9.5	-31.0	-72.7	-35.0
of which : United States .....	7.1	4.9	18.3	4.4	-14.1	-14.1	1.4	3.7	8.7
Canada .....	0.1	- 1.5	- 4.7	- 3.9	- 4.0	- 4.3	- 4.2	- 1.6	- 7.5
Japan .....	- 0.1	- 4.7	- 0.7	3.7	10.9	16.5	- 8.8	-10.7	5.5
Federal Republic of Germany .....	4.6	10.3	4.0	3.9	4.1	9.2	- 5.3	-16.4	- 8.5
United Kingdom .....	- 2.4	- 7.7	- 3.4	- 1.6	- 0.1	1.8	- 1.8	7.5	14.2
France .....	- 1.0	- 6.2	- 0.2	- 5.7	- 3.1	3.3	1.2	- 7.4	- 6.5
Italy .....	- 2.7	- 8.0	- 0.8	- 2.8	2.5	6.2	5.5	- 9.6	- 9.5
Netherlands .....	2.4	2.2	2.0	2.7	0.6	- 1.4	- 2.2	- 2.7	2.7
Belgian-Luxembourg Economic Union .....	1.3	0.8	0.2	0.4	- 0.6	- 0.7	- 3.0	- 5.2	- 5.4
Switzerland .....	0.3	0.2	2.6	3.5	3.4	4.4	2.4	- 0.6	2.5
Austria .....	- 0.4	- 0.5	- 0.3	- 1.5	- 3.0	- 1.4	- 1.9	- 3.6	- 2.7
Denmark .....	- 0.5	- 0.9	- 0.6	- 2.0	- 1.8	- 1.5	- 2.9	- 2.4	- 2.0
Organisation of Petroleum Exporting Countries .....	7.5	59.5	27.0	36.0	29.0	4.0	62.0	110.0	60.0
Other developing countries .....	- 7.5	-26.0	-30.0	-17.0	-12.0	-23.0	-38.0	-60.0	-68.0
Other countries .....	- 3.5	- 9.5	-18.0	-13.0	- 8.0	- 9.0	- 4.0	- 1.0	- 5.0
Total <sup>1</sup> .....	6.6	- 1.1	-18.6	-11.3	-15.8	-18.5	-11.0	-23.7	-48.0

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

<sup>1</sup> 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.

of trade. France, Italy and the smaller countries of Western Europe, with the exception only of the Belgian-Luxembourg Union, Ireland, Greece, Portugal and Spain, would also appear to have succeeded in improving their current account balance of payments. The favourable year-to-year development in the current account positions just referred to generally became more and more apparent as the year went on, with the sole important exception of the United Kingdom, where the movement appears to have been in the opposite direction.

The current account deficit of the developing countries which are not members of the Organisation of Petroleum Exporting Countries would appear to have risen from \$ 60 billion to \$ 68 billion. The reasons for this lie both in the increase in the trade deficit, under the pressure of the worsening of the terms of trade, and in the deterioration of the balance of services, affected by the structural growth in interest payments.

It goes without saying that the enormous surplus of the oil-exporting countries declined : it would appear to have dwindled by nearly half, from \$ 110 billion to \$ 60 billion. On the one hand the value of these countries' exports dropped by nearly 10 p.c. owing to the marked reduction in demand for oil, while on the other hand their imports, still stimulated by their extra earnings following the second oil shock, rose further by about 20 p.c.

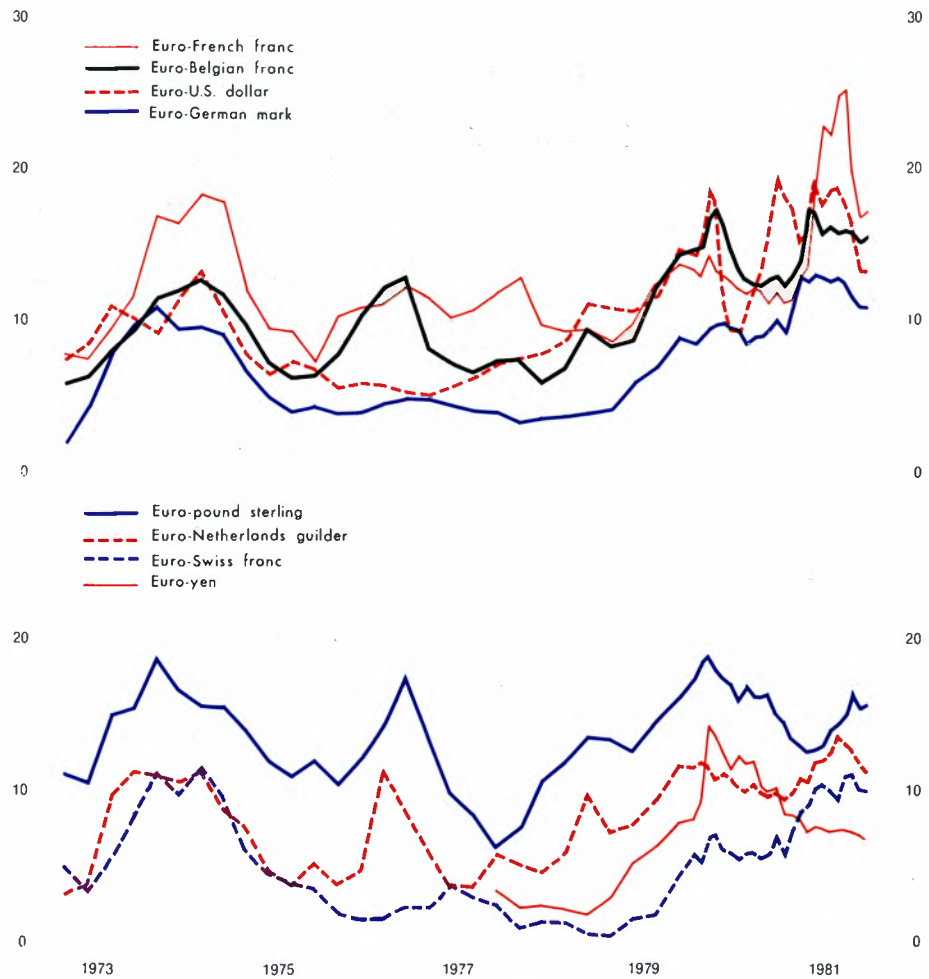
Among the major industrialised countries, capital movements, which represent the other transactions with foreign countries, were on a substantial scale, partly owing to sometimes considerable short-term interest rate differentials.

These rates — for which the rates for Euro-currencies are a good indicator — went up very sharply in the United States during the last months of 1980, thus reaching a high level at which they remained, save for a brief downward movement, until September 1981. The other big countries — some of which had a less rapid rate of inflation than the United States — followed this rise in American rates only partly and with a certain time-lag in order to avoid depressing domestic demand for goods and services still further; in Japan there was even an almost uninterrupted decline in rates, the aim having probably been to stimulate the economy, while in the United Kingdom the upward movement only started after a marked weakening which continued until April-May. In France and Belgium, while interest rates were indeed considerably increased, this was

Chart 2.

# INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES <sup>1</sup>

(Per cent)



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

<sup>1</sup> 1978 to 1979 : daily averages per quarter.

1980 and 1981 : daily averages per month.



only for fairly short periods and in order to counter difficulties in the foreign exchange markets caused or temporarily aggravated by events of a purely political nature; these countries — and they were not the only ones — also took steps to prevent any capital outflows which were regarded as excessive. The exceptionally large interest-rate differential which thus developed in favour of the dollar was not due to any deliberate desire on the part of the American authorities to attract foreign capital, as the United States had a current account surplus; it formed part of a policy which was aimed, more than ever at curbing domestic inflation by means of stringent monetary measures and hence paid little attention to controlling short-term interest rates.

Consequently, during the first three quarters of 1981, the United States recorded capital inflows which were all the more substantial because of the optimistic expectations with regard to the exchange rate for the dollar during this period. In the Federal Republic of Germany and in France, capital transactions likewise gave rise to inflows, but these were attributable mainly, if not entirely, to loans, both short- and long-term, contracted or organised by the public sector; private capital movements played little or no part in the financing of the current account deficits. In several other, smaller European countries, too, public loans made a big contribution to this financing. Moreover, the current account surpluses of Japan and, especially, the United Kingdom had as their counterpart capital outflows stimulated by the interest-rate differential against these two countries. By the end of the summer the differential in favour of the dollar had begun to narrow, or even disappear, owing to the considerably faster downturn of American interest rates compared with that in the rates for the other major currencies, and a reversal of private capital movements would then appear to have taken place.

The scale and direction of the capital movements which developed in 1981, as well as the sometimes appreciable differences between the current account balance of payments positions of the main industrialised countries, brought about far-reaching upheavals in the foreign exchange markets. The main European central banks were thus induced to sell, on these markets, large amounts of foreign currencies in order to counter what they considered to be undesirable exchange rate movements, especially as the U.S. authorities, for their part, had decided at the beginning of 1981 to keep their interventions to the minimum and use them only for obvious cases of serious disorder. These official sales in

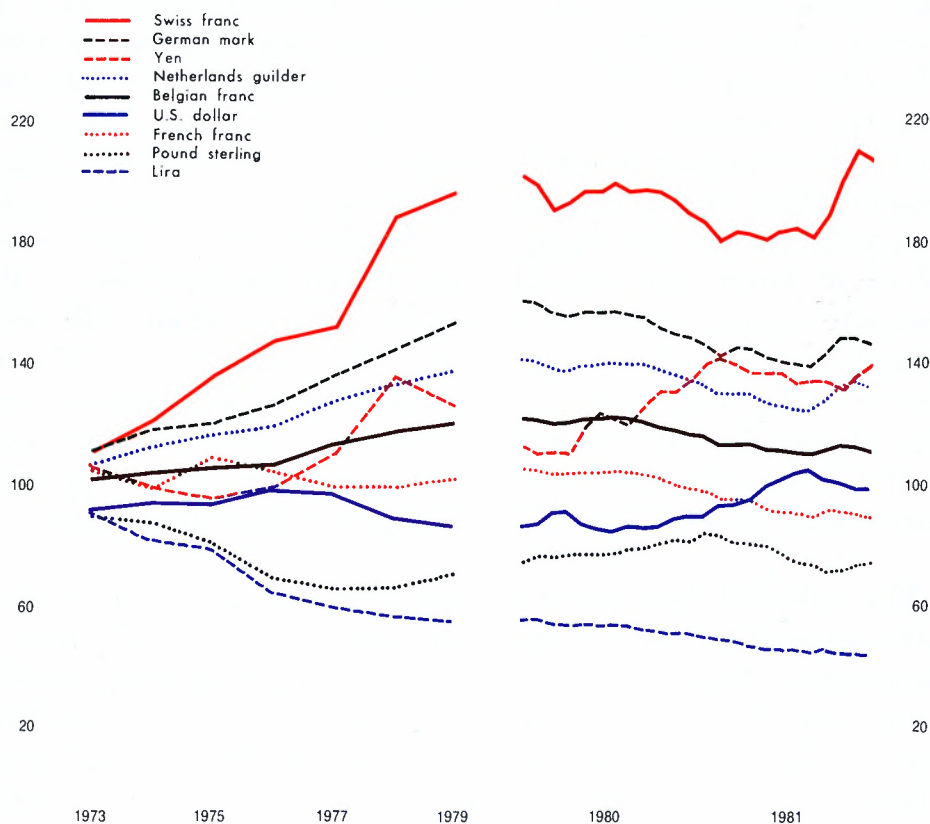
Europe still did not succeed, however, in preventing marked fluctuations in the rates for the main currencies.

The appreciable quickening of the upward movement of the average weighted exchange rate for the dollar thus continued until the summer. On the other hand, all the main European currencies lost ground, and so did the yen; however, the last-mentioned currency, like the pound sterling,

Chart 3.

# WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES

(Indices 1972 = 100)



Source : International Monetary Fund.

<sup>1</sup> 1973 to 1979 : daily averages per year.

1980 and 1981 : daily averages per month.

had shown a pronounced rise in 1980. Subsequently, a distinct turnaround became evident : the dollar declined and most of the European currencies began to strengthen; the pound sterling followed this movement with a certain time-lag.

Within the European Monetary System, the central rates underwent their biggest adjustments since the start of the system in March 1979. In March 1981 the Italian lira was devalued by 6 p.c. in relation to all the other currencies in the System, and this change was followed, at the beginning of October, by a more general adjustment. The German mark and the Netherlands guilder were then revalued by 5.5 p.c. in relation to the Belgian franc, the Luxembourg franc, the Danish crown and the Irish punt, while the French franc and the Italian lira were devalued by 3 p.c. in relation to these last four currencies. This resulted in, among other things, a devaluation of nearly 14 p.c. in six months in the bilateral central rate for the Italian lira against the German mark.

The facts described above throw light on the interaction between the various phenomena and the contradiction between the policies pursued. The world's leading economy, that of the United States, enjoyed a current account surplus which was coupled, throughout a large proportion of the year, with very high interest rates caused by the battle being fought — by curbing the growth in the monetary aggregates — against what was still regarded as an excessive rise in prices, so that in the end there was a substantial appreciation in the rate for the dollar. This development forced most European countries to raise their interest rates in order to prevent the occurrence of undesirable capital movements which would have burdened their balances of payments — already in deficit, sometimes to a considerable extent, in respect of current transactions — and might thus have accentuated the slide of their currencies. In some of these countries the price rises remained moderate despite the imported inflation and real debtor interest rates — that is, the nominal rates less the rise in prices — went up, which obviously did nothing to help the economic recovery.

In the field of international monetary cooperation, the International Monetary Fund, at the beginning of the year under review, distributed among its 141 members 4 billion special drawing rights, representing the last allocation in implementation of the three-year programme adopted in December 1978; Belgium was allotted nearly 91 million SDRs. With effect from 1st May 1981 the Fund raised the interest rate on the special



drawing right and the rate of remuneration on the member countries' reserve tranches by changing the method of calculation. Furthermore, within the framework of its policy for increasing its resources, the Fund concluded agreements for the opening of credit facilities with Saudi Arabia and with a group of industrialised countries, including Belgium; the latter committed itself to the extent of 50 million SDRs.

## 2. DEVELOPMENT OF PRODUCTION, EMPLOYMENT AND PRICES IN BELGIUM.

### a) Production of goods and services

The growth in the gross national product at constant prices, after having gradually slackened in 1979 and 1980, became negative in 1981. This decline would appear to have amounted to about 1.6 p.c. and followed an increase of 2.2 p.c. in 1980.

The gross national product represents the final result of production activity connected with the use of the national factors of production — labour and capital — and is obtained by adding to the gross domestic product, which measures the product of the activity carried out within the frontiers of the national economy, irrespective of the nationality of the factors of production used, the incomes acquired abroad by the national factors of production — whether these be the earnings of frontier workers, interest received on financial investments abroad or other incomes of labour or capital — and deducting from it the corresponding incomes paid to the foreign factors of production utilised within the national frontiers. In other words, the gross national product is greater than the gross domestic product when the national economy receives net factor incomes from the rest of the world; GNP is smaller than GDP if the country in question pays such incomes to the rest of the world.

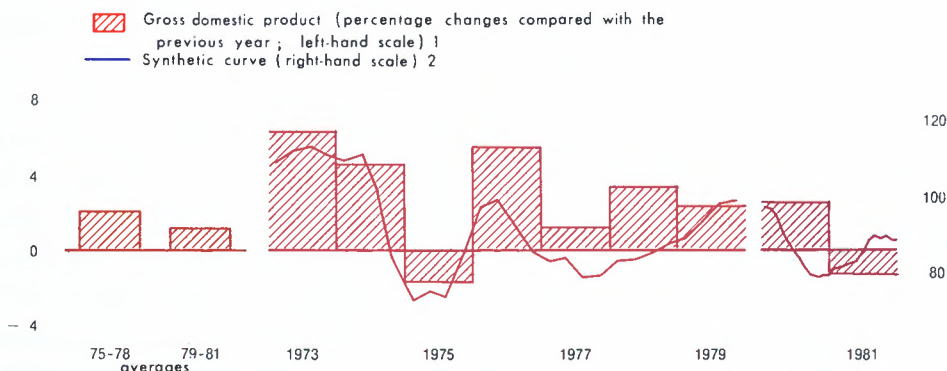
During the last three years, Belgium paid more factor incomes to foreign countries than it received from them. Furthermore, these net payments gradually increased, because debts had to be contracted in order to finance the growing deficit in respect of current transactions with foreign countries. The gross domestic product therefore developed less unfavourably than the gross national product and fell by only 1.3 p.c. in 1981.

The decline in the gross domestic product recorded in 1981 fits into the new structural context which resulted from the first oil crisis; since 1975 the growth in the Belgian economy had in fact been, on average, much slower than in the preceding years; this phenomenon is not peculiar to Belgium alone, but it has nevertheless been more marked there than in the main partner countries of the Organisation for Economic Cooperation

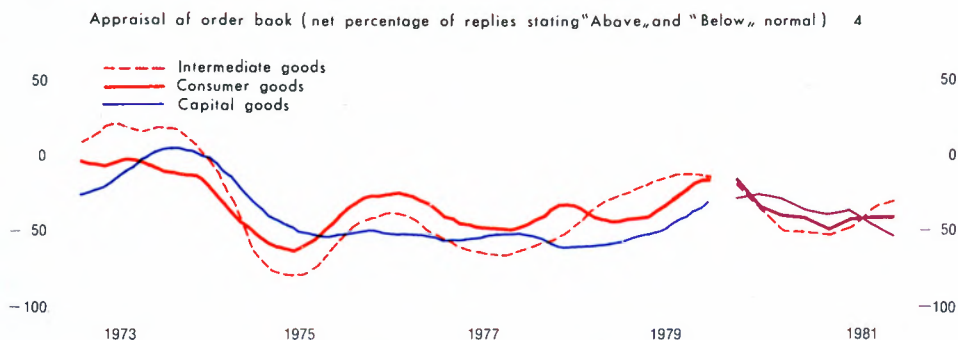
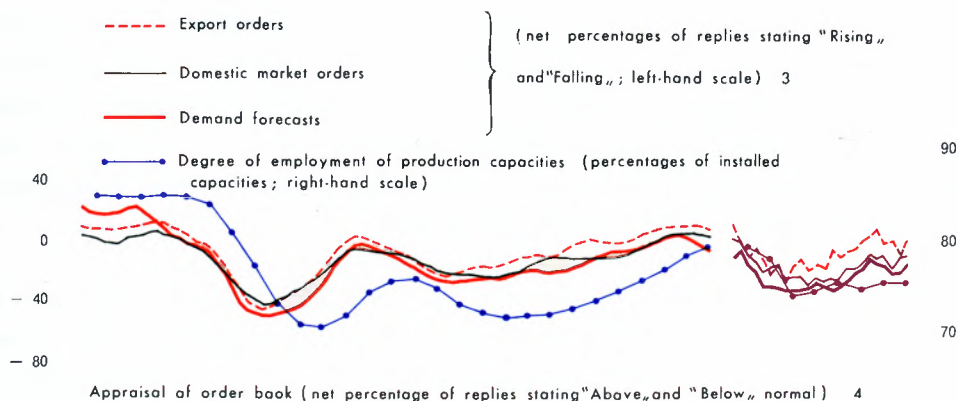
Chart 4.

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

## GROSS DOMESTIC PRODUCT AT CONSTANT PRICES AND SYNTHETIC CURVE



## RESULTS OF INQUIRIES INTO THE TREND OF ACTIVITY IN MANUFACTURING INDUSTRY



1 Sources : National Statistical Institute. Calculations of the National Bank of Belgium. 1981 : 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 National Bank of Belgium. The level 100 corresponds to the mean of the monthly numerical values of the synthetic curve during the period 1968-1973. In principle, a numerical value above or below 100 corresponds, respectively, to an economic situation more favourable or less favourable than normal. 1973-1979 : monthly averages per quarter; 1980 and 1981 : monthly data.

3 1973-1979 : seasonally adjusted and smoothed monthly data; 1980 and 1981 : seasonally adjusted monthly data.

4 1973-1979 : seasonally adjusted and smoothed monthly data; 1980 and 1981 : averages, per quarter, of seasonally adjusted monthly data.

and Development or the European Economic Community. The slowing-down furthermore tended to become more marked during the period 1975-1981 itself; the average annual rate of growth in the gross domestic product at constant prices fell from 2 p.c. for the period 1975-1978 to 1.2 p.c. for the period 1979-1981.

While, on average, the economic situation was distinctly worse in 1981 than in the previous year, the contrary is true of the development during the period. The synthetic curve, which enables the changes in the business climate to be followed month by month, had moved downwards throughout the greater part of 1980; it rose again during the year under review, although its tendency became more hesitant from September onwards.

Over the year as a whole, economic activity deteriorated, as is shown by Chart 5, in most sectors. It decreased in the three cyclically sensitive sectors, while its rate of growth slowed down appreciably in the other two sectors shown in the chart.

The rate of growth of the primary sector would also appear to have slackened, having amounted to 0.5 p.c., against 0.9 p.c. in 1980. The value added appears to have increased in agriculture but to have fallen in the extractive industries. The last-mentioned decline would appear to have been attributable not only to the continued structural decline in activity in the coal mines but also to the repercussions on quarrying output of the low level of activity in the building industry.

The value added by manufacturing industries would appear to have fallen by about 1 p.c. in 1981, after having already decreased by 0.1 p.c. the previous year. These results can be explained both by the relatively brisk rate of activity which had still been observable during the early months of 1980 and by the slowness and hesitancy of the business revival which began in 1981. The seasonally adjusted index of industrial production, after having reached a peak in the first quarter of 1980, subsequently fell sharply throughout the rest of the year and only rose slowly again during the first half of 1981; in the third quarter it actually moved downwards again slightly. Parallel with this, as is shown by Chart 4, the degree of employment of production capacities, which in March 1980 reached one of its highest levels since 1974, touched a low in September 1980 and only recovered slightly during the year under review.



Chart 5.

# 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.

The reason why the increases in activity in the manufacturing industries were not more marked was largely because enterprises, presumably keen to keep down their financial charges, reduced their stocks of finished products. Moreover, demand itself, which had strengthened appreciably until July-August, subsequently displayed signs of weakness; demand forecasts, export orders, which had been the main driving force behind the revival, and orders from the domestic market showed no further rise or, on balance, declined.

Furthermore, on the basis of the appraisal of the order book, the improvement in the trend of economic activity during 1981 was primarily observable for demand for intermediate goods, mainly sustained by the revival in orders from Belgium's trading partners. The growth was, on the other hand, fairly slight for consumer goods, while the decline recorded in 1980 continued for capital goods.

In the case of cyclically sensitive market services the value added would appear to have declined in 1981 by about 2 p.c. This reduction contrasts with the growth rate of 2.4 p.c. still registered by this sector the previous year. The decrease in the volume of private consumption would appear to have been the main cause of this deterioration, which chiefly affected both wholesale and retail trade. In particular, the drop in consumption of petroleum products which had already been observed in 1980 appears to have become appreciably more marked in 1981 : it seems to have led to a substantial decline in the value added in the distribution sector for these products.

The situation undoubtedly worsened most in the construction industry. The reduced interest in housing, on the one hand, and the limitations on public works due to the budgetary constraints, on the other, had repercussions on activity in this industry. Although a certain bottoming-out seems to have taken place towards the end of the year, no signs of recovery were as yet detectable in the three sub-sectors of the construction industry, namely residential building, which was hardest hit, non-residential building and road and civil engineering work. In 1981 the total value added at constant prices would appear to have fallen by about 9 p.c., in contrast to the growth rate of 6.2 p.c. recorded the previous year; it should be noted, however, that the last-mentioned percentage gave an unduly favourable impression, having been calculated in relation to an exceptionally low level of production during the very severe winter weather of the beginning of 1979.

The rate of expansion of less cyclically sensitive market services would appear to have declined from 2.3 p.c. in 1980 to a little over 1 p.c. in 1981. As in the case of the other market services, this slowdown appears to have been mainly due to the drop in consumption by individuals.

The value added of non-market services consists mainly of the remuneration paid to persons employed by the public authorities. As employment in this sector appears to have increased less in 1981, mainly owing to the reduction in the special temporary staff and the number of unemployed persons given work by the public authorities, the rate of growth would appear to have reached only 1 p.c., against 2.1 p.c. in 1980.

#### b) Employment

The increase in the demand for jobs, measured by that in the working population between June 1980 and June 1981, would appear to have been slight : only about 17,000.

This moderate increase is explained by the opposite effect produced by the two factors determining the development of the working population : on the one hand, the growth in the population of working age and, on the other, the reduction in the activity rate of this population, that is, the proportion of the persons in question who, successfully or otherwise, try to find a job on the labour market.

The effects of the first factor, namely the population of working age, defined as the number of persons aged between 15 and 64, became more marked during the last two years compared with the period June 1975 - June 1979; during the twelve months ended June 1981, the increase in this population appears to have led — on the assumption of an unchanged overall activity rate — to a growth of 38,000 in the working population.

This development was, however, accompanied by a shift in the population towards the age classes characterised by a fairly low activity rate — especially that between 60 and 64 — at the expense of the age classes in which this rate is higher. This shift was thus one of the causes of the decrease in the average activity rate. The further, and growing, success achieved by the early-retirement schemes also contributed to this

Table 2.

## DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Changes <sup>1</sup>, in thousands)

	Men							Women							Total						
	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981	1974-1975	1975-1976	1976-1977	1977-1978	1978-1979	1979-1980	1980-1981
1. Demand for employment (working population) .....	- 3	- 4	-10	- 7	+14	-13	-14 <sup>e</sup>	+23	+35	+36	+34	+46	+29	+31 <sup>e</sup>	+21	+31	+26	+28	+60	+16	+17 <sup>e</sup>
Changes due to those :																					
in the population of working age .....	+25	+22	+20	+17	+16	+22	+24	+ 9	+ 9	+ 9	+ 7	+ 8	+12	+14	+34	+31	+29	+24	+25	+34	+38
in the rate of activity ...	-28	-26	-30	-23	- 2	-35	-38 <sup>e</sup>	+14	+26	+27	+26	+37	+17	+17 <sup>e</sup>	-13	...	- 3	+ 3	+35	-18	-21 <sup>e</sup>
of which : early retirement	(- 1)	(- 5)	(-15)	(-19)	(-11)	(-10)	(-14)	( ... )	( ... )	(- 4)	(-10)	(- 6)	(- 5)	(- 5)	(- 1)	(- 5)	(-19)	(-29)	(-17)	(-15)	(-19)
2. Supply of employment (employment) by :	-41	-20	-17	-14	+16	-18	-74 <sup>e</sup>	-17	- 8	+ 8	+16	+29	+14	- 6 <sup>e</sup>	-58	-27	- 9	+ 2	+44	- 4	-80 <sup>e</sup>
public authorities <sup>2</sup> .....	+ 3	+ 4	+ 3	+15	+17	- 1	n.a.	+ 7	+ 8	+ 9	+14	+17	+13	n.a.	+10	+12	+12	+29	+34	+12	+ 2 <sup>e</sup>
industry <sup>3</sup> .....	-45	-30	-26	-30	-19	-14	n.a.	-27	-19	-17	-13	-10	- 7	n.a.	-72	-48	-43	-43	-29	-21	-50 <sup>e</sup>
cyclically sensitive services <sup>4</sup>	...	- 2	+ 1	+ 1	+ 9	+ 6	n.a.	+ 1	+ 1	+ 6	+ 5	+ 7	+ 5	n.a.	+ 1	- 1	+ 7	+ 6	+16	+11	- 6 <sup>e</sup>
cyclically less sensitive services <sup>5</sup> .....	+ 5	+10	+ 8	+ 8	+ 8	+ 2	n.a.	+ 1	+ 4	+12	+ 9	+13	+ 7	n.a.	+ 6	+14	+20	+17	+21	+ 9	+ 5 <sup>e</sup>
building industry .....	...	+ 3	+ 1	- 4	+ 2	- 9	n.a.	...	...	...	+ 1	...	...	n.a.	...	+ 3	+ 2	- 4	+ 2	- 9	-29 <sup>e</sup>
agriculture, forestry and fishing .....	- 4	- 5	- 3	- 5	- 2	- 3	n.a.	...	- 3	- 2	...	+ 2	- 4	n.a.	- 4	- 8	- 5	- 4	...	- 6	- 2 <sup>e</sup>
3. (= 1. - 2.) Unemployment <sup>6</sup> .....	+39	+16	+ 6	+ 8	- 1	+ 5	+60	+40	+43	+29	+18	+17	+15	+37	+79	+58	+35	+25	+16	+21	+97

Sources : National Statistical Institute, Ministry of Employment and Labour, National Employment Office and National Social Insurance Office. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> 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.<sup>2</sup> Including the armed forces, unemployed persons given employment by the public authorities and workers on the « special temporary staff ».<sup>3</sup> Manufacturing and extractive industries (including electricity, gas and water), excluding the building industry.<sup>4</sup> Trade, transport and communications, financial services (including insurance) and other services rendered to enterprises.<sup>5</sup> Medical professions, services of domestic servants and household staff and other services rendered to individuals.<sup>6</sup> Wholly unemployed persons receiving unemployment pay, persons receiving vocational training, other compulsorily registered unemployed persons and a certain proportion of voluntarily registered persons without employment.

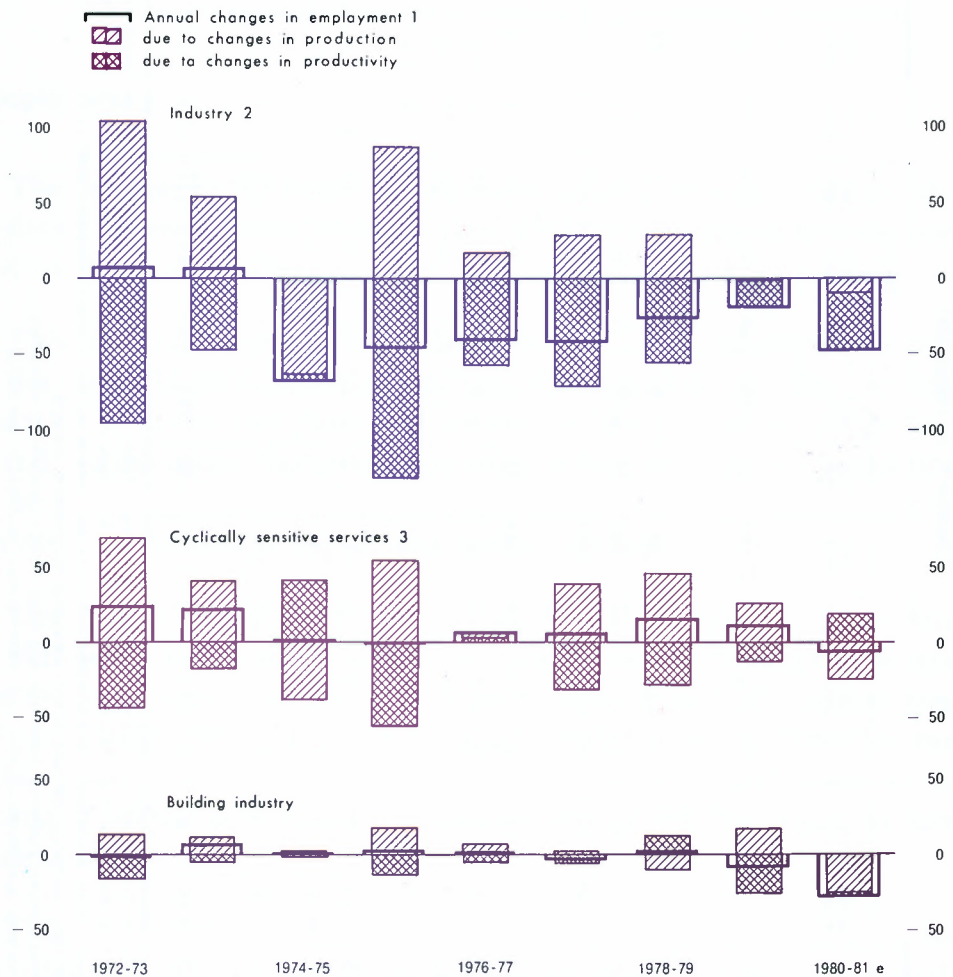


decrease. Through these schemes, 19,000 additional persons — including 14,000 men — were removed from the working population. It was primarily the system of « collectively agreed early retirement » that was thus implemented by the lowering in many cases, and in accordance with

Chart 6.

# SUPPLY OF EMPLOYMENT, PRODUCTION AND PRODUCTIVITY

(Thousands)



Sources : National Statistical Institute, Ministry of Employment and Labour and National Social Insurance Office.  
Calculations and estimates of the National Bank of Belgium.

1 Changes between 30th June of the first year and 30th June of the second.

2 See Table 2, note 3.

3 See Table 2, note 4.

the stipulations of various collective labour agreements, of the required age for eligibility for this type of early retirement. The difficulties encountered by many firms may, of course, have influenced this development.

Through the operation of the « activity rate » factor, demand for jobs would appear to have finally shown a reduction of 21,000 between June 1980 and June 1981.

During the same period the supply of jobs appears to have fallen sharply, namely by about 80,000.

This contraction in employment is due, firstly, to the appreciable slackening of activity, mainly apparent in the building sector, industry and the cyclically sensitive services; this slackening would appear, on the assumption of unchanged productivity, to have reduced the labour requirements of these three sectors combined by about 60,000.

Secondly — rather a rare thing during a period of economic recession — a certain number of job losses appear to have been attributable to a distinct increase in industrial productivity. This appreciably larger contraction in the workforce than in production can probably be explained by, among other things, the unfavourable profit situation, and indeed the disappearance of the less productive enterprises, by the more acute awareness of the lasting nature of the economic difficulties and perhaps also by the facilities offered by the early-retirement system, which enables firms to shed certain workers, actually the oldest ones, at lower cost.

Lastly, the structural increase in the employment offered by the public authorities recorded during the past few years, which has benefited over 130,000 persons since 1972 whereas employment has declined by over 160,000 units in the other sectors of the economy, came to a virtual halt in 1981. This was probably not unconnected, during the year under review, with particularly stringent budgetary constraints. Furthermore, in order to promote employment, the Government in August 1981 adopted a series of new measures including, among others, the extension of the special temporary staff to projects of general interest undertaken by employers in the private sector.

In view of the extent of job losses, there was bound to be a big increase in unemployment despite the smallness of the rise in the working

population : between June 1980 and June 1981 there was a growth of 97,000. Thus, at the end of June 1981, disregarding partial unemployment, 433,000 people were looking for work, including 379,000 wholly unemployed persons receiving unemployment pay. Unlike what

Chart 7.

SUPPLY OF EMPLOYMENT BY THE PUBLIC AUTHORITIES  
AND BY THE OTHER SECTORS OF THE ECONOMY

(In thousands)



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

1 See Table 2, note 2.

2 Changes between 30th June of the first year and 30th June of the second.

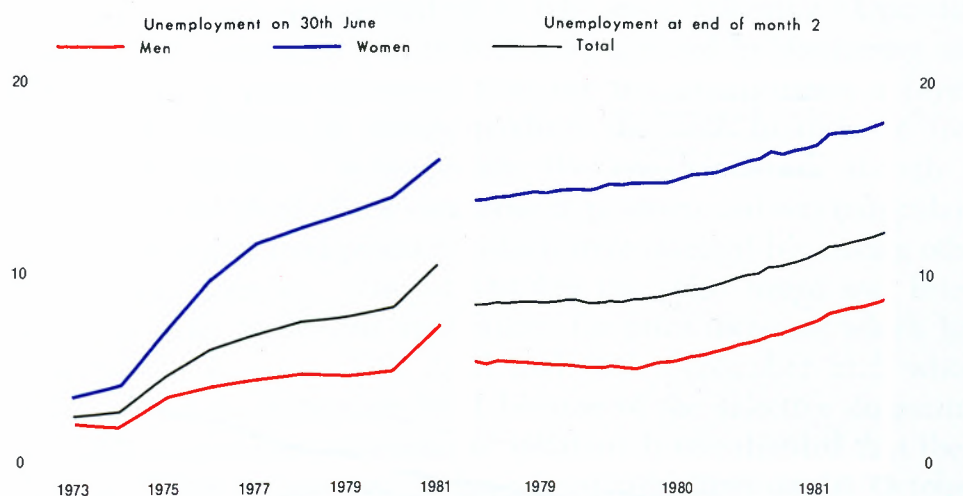
has been observed most often in recent years, male unemployment rose much more than female unemployment, namely by 60,000, against 37,000, which seems to indicate that male unemployment was more sensitive to the recession.

The detailed data concerning the demand for and supply of employment which have 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 can be obtained from the development of unemployment expressed as a percentage of the working population after elimination of purely seasonal factors. For men and women combined, this percentage, which had hardly gone up at all in 1979 and during the first months of 1980, subsequently deteriorated

sharply, rising from 8.7 p.c. in May 1980 to 11.4 p.c. in July 1981. During the last months of the year the rate of growth slackened somewhat, though remaining fairly fast, so that in December 1981 unemployment affected no less than 12.1 p.c. of the working population.

Chart 8.

#### UNEMPLOYMENT <sup>1</sup> AS A PERCENTAGE OF THE WORKING POPULATION



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

<sup>1</sup> Wholly unemployed persons receiving unemployment pay, other compulsorily registered unemployed persons and a certain proportion of voluntarily registered persons without employment.

<sup>2</sup> Seasonally adjusted data.

These data provide clear evidence of the considerable worsening of the employment market in 1981. Yet they may still be an underestimate of this worsening; for partial unemployment — for which, however, only fragmentary and less recent data are available — would also appear, on average, to have risen substantially in 1981.

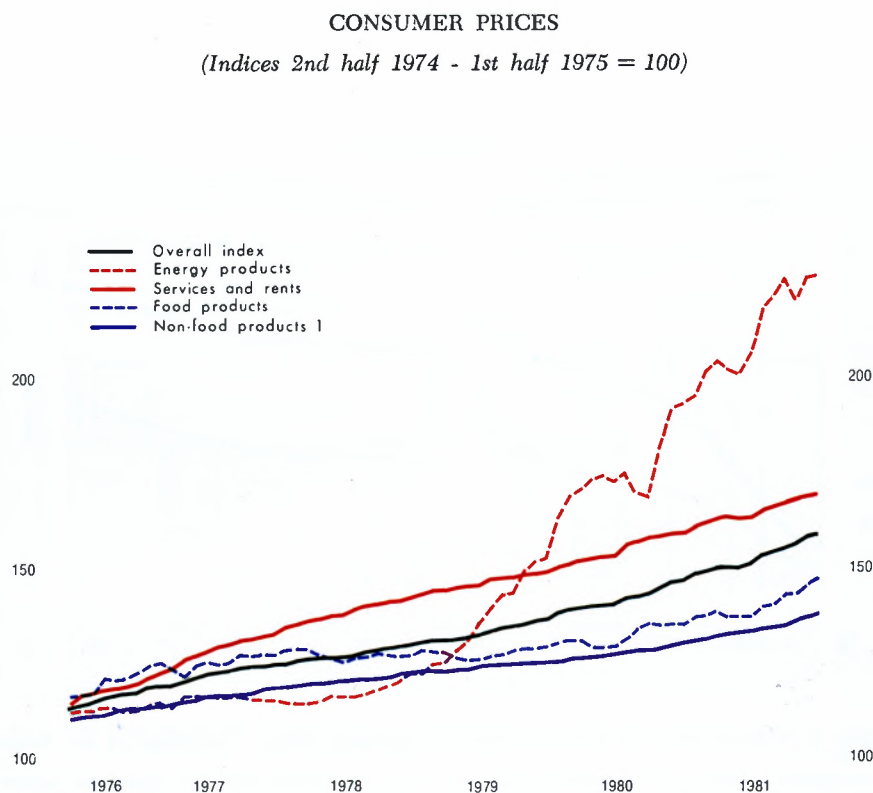
#### c) Prices

Except in special cases such as that of building, the recession was accompanied not by a slowing-down but rather by a speeding-up of inflation. The apparently contradictory developments are doubtless



primarily attributable to the depreciation of the weighted average rate for the Belgian franc. Had it not been for the recession, the effect of this depreciation on prices would most probably have been much greater.

Chart 9.



Sources : Ministry of Economic Affairs.

1 Excluding energy products.

After having quickened markedly in 1980, the annual rate of rise of consumer prices increased further in 1981 : in December it reached 8.1 p.c., against 7.5 p.c. in 1980 and 5.1 p.c. in 1979.

The quickening in 1981 was due to food prices, the rate of increase of which doubled from year to year, and, to a smaller extent, to those of non-food products other than energy products. The upward movement of prices of services and energy products, on the other hand, slowed down somewhat; but the latter again in 1981, as in 1980, went up considerably more than the other components of the index of consumer prices.

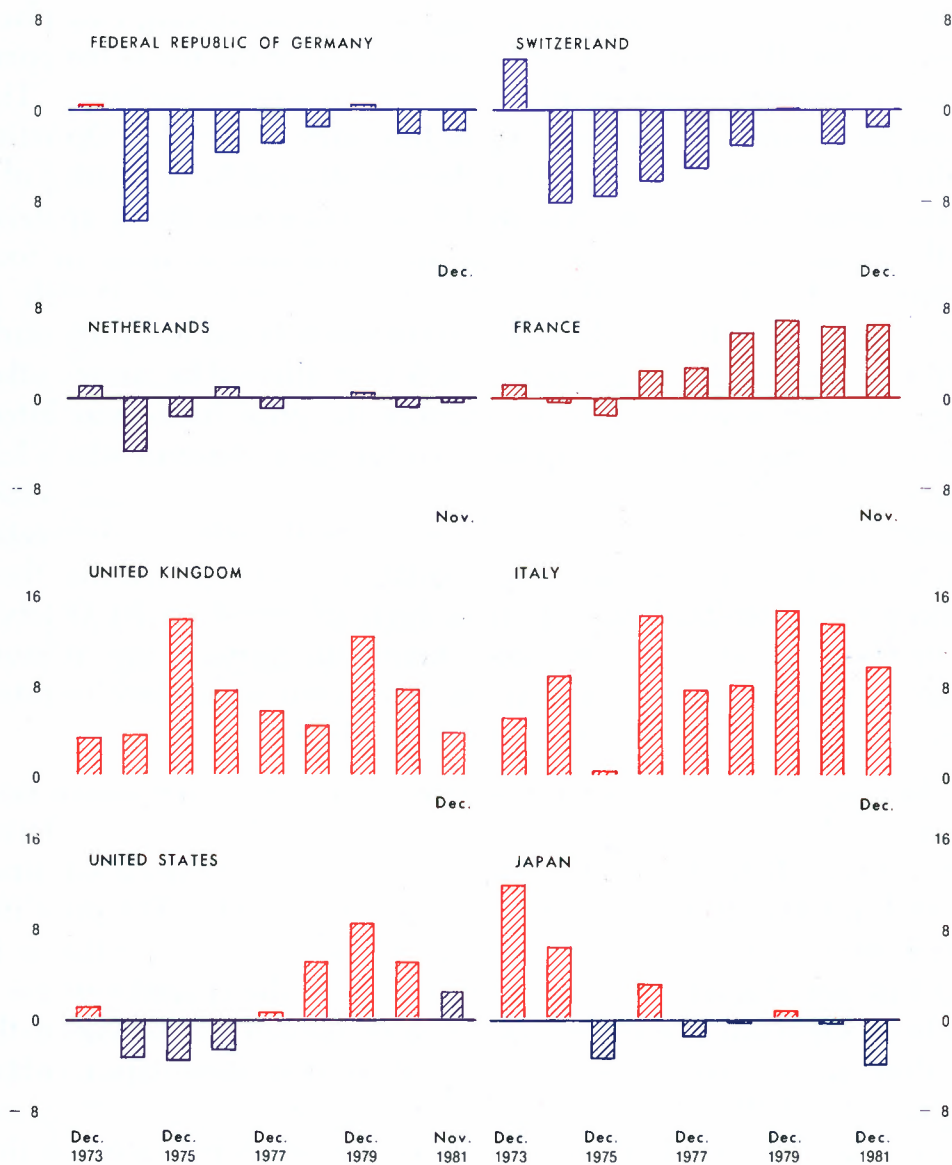
During the year 1981 itself the movement of consumer prices was fairly irregular. After a sharp rise in the first quarter, mainly due to increases in the prices of energy products and services, prices declined slightly during the period April-May. This development is obviously connected with the price freeze imposed on 2nd April 1981 by the Ministry of Economic Affairs, whereby most prices were frozen throughout the month of April. Subsequently a gradual selective unfreezing took place. Therefore, but also owing to a further quickening of the rise in the prices of energy products, consumer prices began to go up again in June. This movement continued and speeded up in July, since, following « Operation Maribel »<sup>1</sup>, the price index was then directly affected by the raising of a certain number of rates of value-added tax and excise duties applying chiefly to the category of energy products, but also to those of food products and services. Subsequently the rise continued, though at varying rates; it involved all the categories of products and was particularly sharp in the sector of food products, which were affected by, among other things, the bad weather. On 1st October the price freeze was lifted. However, in order to prevent applications for price increases which had been submitted between 30th April and 30th September and whose examination had not been completed because of the selective defreezing from leading to a sudden worsening of inflation, it was decided that these applications would be deemed to have been submitted on 1st October. In practice, in view of the time taken to examine the relevant documentation, this means that, save in exceptional cases, these increases came into force during the fourth quarter of 1981.

To judge by the increase in consumer prices during the twelve most recent months for which data are available, the differences in inflation rates between Belgium and the majority of the industrialised countries included in Chart 10 were appreciably reduced in 1981. The price rise slowed down in nearly all the countries where the rate of inflation in 1980 had been higher than in Belgium, while in the countries where it had been lower there was generally a more marked quickening of the rise than in Belgium. Exceptions in this respect were Japan, where inflation, already less than in Belgium in 1980, slowed down further, and France, where the acceleration of the price rise somewhat exceeded that in Belgium, so that the difference in favour of the latter increased slightly more.

<sup>1</sup> The details of this operation are given in Chapter 3, Development of Income and Expenditure in Belgium : d) Public authorities.

Chart 10.

# DIFFERENCES BETWEEN THE RISE IN CONSUMER PRICES IN FOREIGN COUNTRIES AND IN BELGIUM <sup>1</sup>



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.

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

According to the Belgian Surveyors' Association, the rise in the cost of constructing a dwelling slowed down appreciably. Between November 1980 and November 1981 this cost is said to have gone up by only 1.9 p.c., against 6.6 p.c. a year earlier. This development is undoubtedly connected with the marked weakening in demand for residential buildings. According to the calculations of the Economic Research Institute of the Catholic University of Louvain, the cost of constructing non-residential buildings also rose more slowly, namely by 7.5 p.c. between the third quarters of 1980 and 1981, instead of 8.6 p.c.

The prices of agricultural products paid to farmers, which had remained stable between December 1979 and December 1980, went up by 15.1 p.c. during the next twelve months. This pronounced speeding-up is primarily due to the prices of animal products, and especially to those of livestock.

After having remained relatively stable during the second and third quarters of 1980, the wholesale prices of industrial products subsequently showed a pronounced, steady rise between the third quarters of 1980 and 1981: of 9.8 p.c. against 6.2 p.c. over the four previous quarters; during the last months of 1981 this movement did not continue and wholesale prices underwent hardly any further change.

The upward pressures came mainly from import prices. Between the third quarter of 1980 and that of 1981, the index of average unit import values in fact went up by 19.7 p.c., against 11.1 p.c. during the preceding period. The marked rise in the prices of imported products is largely attributable to the movement of the weighted average rate for the Belgian franc, which declined steadily throughout the greater part of the period under review. Consequently, unlike during the four preceding quarters, when the slight appreciation of the franc had perhaps partly offset the price rises in terms of foreign currencies, the depreciation of the franc would explain about half of the rise in the franc prices of imported products.

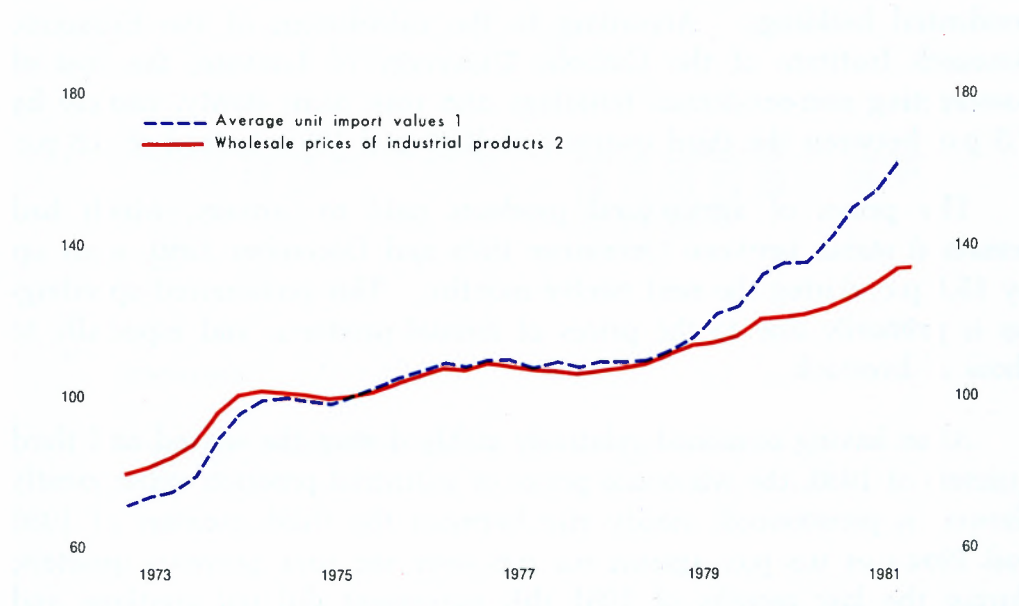
Although the index of unit import values is not fully comparable with the index of wholesale prices, as it covers a wider field and its composition is of more recent origin, it is evident from the movement of these two indices that the sharp rise in the prices of imported products has so far been only partly reflected in the general price level. The aforementioned price freeze may have contributed to this, but the



Chart 11.

WHOLESALE PRICES OF INDUSTRIAL PRODUCTS AND AVERAGE UNIT  
IMPORT VALUES

(Indices 1975 = 100)



Sources : Average unit import values : National Statistical Institute. Calculations of the National Bank of Belgium.  
Wholesale prices of industrial products : Ministry of Economic Affairs.

1 Quarterly data.

2 Monthly averages per quarter. Last period : average October-November 1981.

deterioration of the economic situation probably also curbed the repercussions of imported inflation; its retarding effect was all the more pronounced because Belgian industry is relatively specialised in the manufacturing of products whose prices are particularly sensitive to cyclical trends.

### 3. DEVELOPMENT OF INCOME AND EXPENDITURE IN BELGIUM <sup>1</sup>.

#### a) Summary

Among the phenomena which were commented on in the previous chapters, two in particular set their stamp on the development of income and expenditure in 1981 : the poor state of economic activity in the European countries — which Belgium was unable to escape — and the substantial rise in the exchange rate for the dollar; the new autonomous increase in oil prices and the maintenance of foreign interest rates at a high level also had a distinct influence. In the absence of an adequate adjustment, these phenomena led to a further worsening of the existing sectoral disequilibria, which were to some extent self-perpetuating via their effects on interest incomes and interest charges.

The impact of the economic recession which hit Belgium and would appear to have caused a reduction of 1.3 p.c. in the gross domestic product was apparent in the various categories of domestic expenditure; with the sole exception of public consumption, which went on rising slightly, they all showed a decline in real terms.

This development was undoubtedly the most unusual in the case of the proportionally largest component of domestic demand, namely private consumption. For this fell, for the first time in the past twenty-five years, partly under the influence of the slackening in the growth in real disposal incomes, but chiefly because of the deterioration of the economic climate, which greatly added to the uncertainty about the future and increased individuals' propensity to save.

The decline in investment by individuals had already become apparent since 1979; during the year under review, however, it assumed considerable proportions owing to an obvious weakening of demand. Gross fixed

<sup>1</sup> In order to make it possible to describe, in this chapter, the development of income and expenditure throughout 1981, 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 income and expenditure in 1981 themselves and those with the figures for earlier years, the figures for 1981 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.

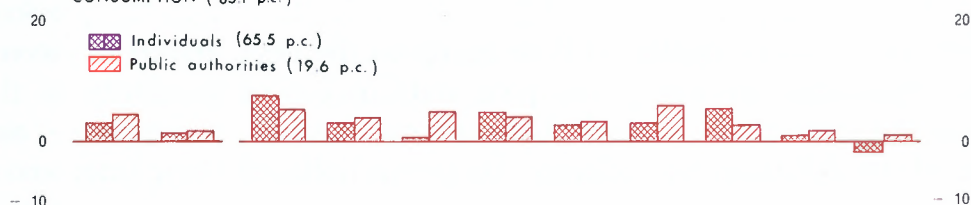
Chart 12.

# MAIN COMPONENTS, FROM THE POINT OF VIEW OF EXPENDITURE, OF THE GROSS DOMESTIC PRODUCT, AT CONSTANT PRICES

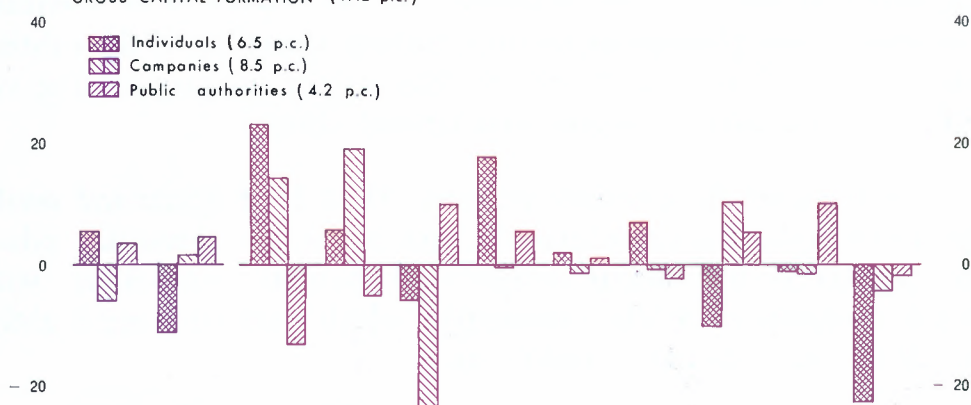
(Percentage changes compared with the previous year)

(The percentages in brackets indicate the relative importance of the component in question in relation to the 1981 gross domestic product)

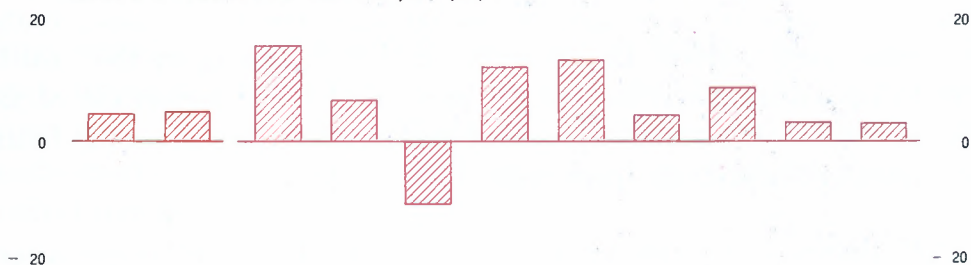
CONSUMPTION (85.1 p.c.)



GROSS CAPITAL FORMATION (19.2 p.c.)



EXPORTS OF GOODS AND SERVICES (65.7 p.c.)<sup>1</sup>



IMPORTS OF GOODS AND SERVICES (70 p.c.)<sup>1</sup>



Sources : National Statistical Institute. Calculations and estimates of the National Bank of Belgium.  
1 Except for factor incomes.

capital formation by companies decreased, though, unlike in 1980, this was due not so much to a reduction in stockbuilding as to a falling-off in purchases of fixed capital goods, brought about by the slackening of economic activity and by the deterioration — perceptible since 1980 — in the profitability of companies. Investment by the public authorities also appears to have decreased : the work carried out in 1981 was restricted by the limitation of commitments from 1980 onwards owing to the budgetary constraints, which made themselves felt even more during the year under review.

In the end, only the public authorities' expenditure on consumption showed a real growth. The increase in this expenditure — which does not include either transfers or interest charges — remained very limited, however, because of the recruiting slowdown and the moderation of real wages and salaries; the slackening of the rate of increase, observable since 1979, was thus accentuated.

Despite the contraction of foreign markets, due to the poor state of economic activity in the world, notably in the countries which are Belgium's main trading partners, and notwithstanding the adverse effect of the country and product structure of Belgian exports, the volume of exports of goods and services again showed an appreciable increase, which seems to indicate that Belgian exporters were able to enlarge their market share somewhat. On the other hand, the weakness of domestic demand led to a reduction in imports, so that in volume, the percentage coverage of the latter by exports greatly improved.

This improvement was not, however, sufficient to prevent net lending by the rest of the world to Belgium — in other words, Belgium's current account deficit in relation to foreign countries — from again increasing substantially, from 5.1 p.c. of the gross national product in 1980 to 6.3 p.c. The improvement was in fact more than counterbalanced by two adverse movements : the further growth in payments to foreign countries of income on direct and portfolio investments, due to the expansion in the country's net foreign indebtedness, and the sharp rise in import prices. Unlike what had happened in 1980, the latter was not only the result of autonomous increases in the foreign-currency prices of imported goods but was equally attributable to the depreciation of the weighted average rate for the Belgian franc, mainly due to the rise in the exchange rate for the dollar.



Table 3.

INCOME AND EXPENDITURE IN BELGIUM <sup>1</sup>  
(Percentage of gross national product)

	Average 1975-1978	Average 1979-1981	1979	1980	1981 <sup>6</sup>
A. Foreign countries :					
Net lending to Belgium <sup>2</sup> .....	0.9	5.1	3.8	5.1	6.3
B. Belgium :					
1. Disposable income <sup>3</sup> :					
1.1 Individuals .....	78.6	81.1	78.4	80.3	84.7
1.2 Companies .....	4.5	4.5	5.4	4.7	3.1
1.3 Public authorities .....	15.8	13.6	15.5	14.1	11.3
1.4 Total .....	98.9	99.2	99.3	99.1	99.1
2. Consumption :					
2.1 Individuals .....	61.4	64.5	63.6	64.1	66.0
2.2 Public authorities .....	17.1	18.9	18.2	18.7	19.8
2.3 Total .....	78.5	83.4	81.8	82.8	85.8
3. Gross capital formation :					
3.1 Individuals .....	8.6	7.7	8.2	8.3	6.6
of which : housing .....	(7.0)	(5.9)	(6.5)	(6.5)	(4.7)
3.2 Companies .....	9.1	8.7	9.1	8.7	8.6
3.3 Public authorities .....	3.8	4.1	3.8	4.2	4.2
3.4 Total .....	21.5	20.5	21.1	21.2	19.4
4. Net financing capacity (+) or requirement (-) (after capital transfers) :					
4.1 Individuals <sup>4</sup> .....	+ 9.0	+ 8.9	+ 6.7	+ 8.0	+12.1
4.2 Companies <sup>5</sup> .....	- 2.4	- 1.5	- 1.4	- 1.0	- 2.1
4.3 Public authorities <sup>6</sup> .....	- 7.5	-12.5	- 9.1	-12.1	-16.3
4.4 Total <sup>7</sup> .....	- 0.9	- 5.1	- 3.8	- 5.1	- 6.3
Pro memoria : Percentage growth in gross national product at current prices .....	9.9	5.0	6.0	6.7	2.4

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

<sup>2</sup> Including the public authorities, credits to and interests in foreign countries.

<sup>3</sup> Including depreciation.

<sup>4</sup> This item is equal to item 1.1 minus item 2.1 minus item 3.1 plus net capital transfers received.

<sup>5</sup> This item is equal to item 1.2 minus item 3.2 plus net capital transfers received (including the public authorities' credits and interests).

<sup>6</sup> 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).

<sup>7</sup> This item is equal to item A with reversed signs.

Import prices went up faster than export prices, so that, as in 1980, the terms of trade showed a considerable deterioration, which was not fully counterbalanced by the above-mentioned improvement in volume : in order completely to offset the deterioration in the terms of trade, the volume of imports would have had to be 0.8 p.c. smaller than it actually was.

Individuals were sheltered from the losses of income due to this deterioration of the terms of trade and the decline in domestic activity by a combination of various factors : the adjustment of their earned incomes and the social benefits received to the rise in consumer prices; the increases in real wages and salaries still granted in some sectors; the further growth in transfers from the public authorities, chiefly for the purpose of partly compensating for the loss of earnings due to the growth in unemployment; and, lastly, the rise in interest income on the financial assets held. The share of individuals' disposable income in the gross national product thus increased considerably, from 80.3 p.c. in 1980 to 84.7 p.c.

On the other hand, the situation as regards the other two domestic sectors deteriorated. The big rise in the prices of imported raw materials, the adverse state of economic activity and the growth in financial charges hit companies, the proportion of the gross national product represented by their disposable income having fallen, despite a certain easing of their direct taxation, from 4.7 p.c. in 1980 to 3.1 p.c. The share of the public authorities contracted more still — from 14.1 to 11.3 p.c. — as a result of the marked expansion in social benefits — chiefly unemployment benefits — and the swelling of interest charges on the debt.

As has been seen, most of the categories of domestic expenditure declined in real terms, causing a reduction in the volume of the gross national product. On the other hand, owing to the worsening of the terms of trade, the prices of this expenditure went up faster than the implicit prices of the gross national product. Consequently, in nominal terms, the share of expenditure on consumption in this product again expanded substantially, from 82.8 p.c. in 1980 to 85.8 p.c.; in volume, this expenditure actually either rose further (public consumption) or decreased more or less parallel with the national product (private consumption). On the other hand, the decrease in real terms in gross capital formation was much more pronounced and, in nominal terms, its share in the gross national product was reduced.

The fact that, expressed as a percentage of the gross national product, the disposable income of the public authorities declined markedly while their consumption and their capital transfers to other sectors, mainly the steel industry, increased, had the effect of pushing up their net financing requirements to a new peak, namely 16.3 p.c. of the gross national product, against 12.1 p.c. in 1980. Companies, too, had to contend with an

expansion in their net financing requirements; owing, however, to the low level of their investment and the growth in capital transfers received, the extent of this expansion remained limited, namely from 1 to 2.1 p.c.

On the other hand, the financing capacity of individuals would appear to have risen from 8 to 12.1 p.c. : chiefly because of the appreciable decline in house-building, the growth in their expenditure, expressed as a percentage of the gross national product, was considerably smaller than that in their disposable income.

Those are the broad lines of the reciprocal actions and reactions by which the various transactions of individuals, companies, the public authorities and foreign countries exerted their influences on each other; together with financial transactions they will be the subject of more detailed examination in the remainder of this chapter. They indicate in any case that the steady, radical worsening of the disequilibria of the Belgian economy — very obvious if the years 1979-1981 are compared with the period 1975-1978 — also continued during the year under review, but at a faster rate, particularly owing to the very poor state of economic activity : a shift in the disposable incomes of the public authorities towards individuals, a growth in the relative scale of expenditure on consumption, and expansion of the public authorities' net financing requirements and in net lending by foreign countries to Belgium. These developments themselves took place against an economic background which was structurally less favourable during the last few years than during the years 1975-1978, namely a slower real growth in the gross national product and a more pronounced deterioration in the terms of trade.

#### b) Individuals <sup>1</sup>

The development of the gross income of individuals in 1981 was characterised by a rather exceptional movement; it was probably negative in real terms. During the year under review, the real gross incomes accruing to individuals, including depreciation allowances, but before payment of direct taxes and excluding net current transfers received, would in fact appear, on the basis of the available information, to have

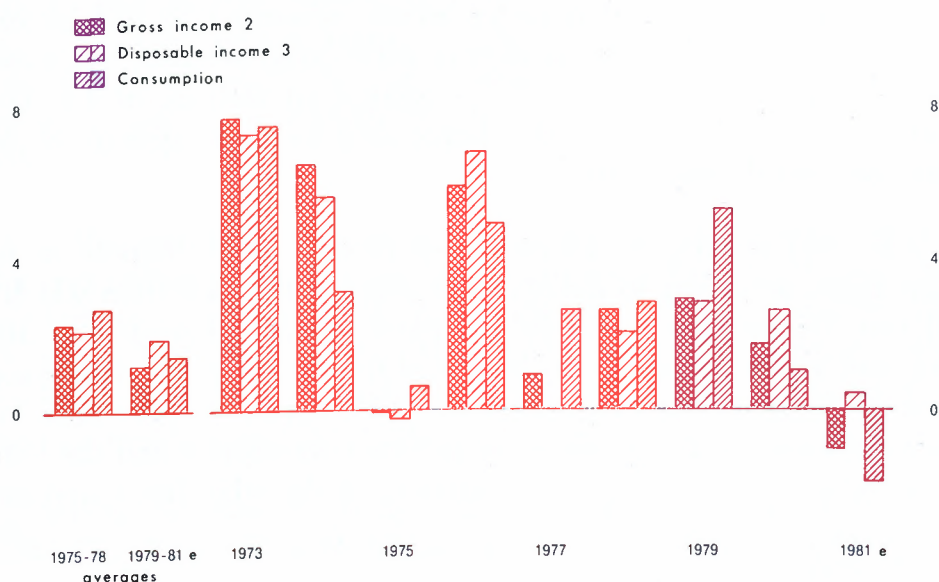
<sup>1</sup> The term « individuals » here also embraces all enterprises which are not in the legal form of a joint-stock company or a partnership.

fallen by 1.1 p.c., whereas they had increased by 1.7 p.c. in 1980 and by 2.9 p.c. in 1979. This overall decrease is due to the negative movement of total gross wages and salaries, including employers' contributions,

Chart 13.

# INDIVIDUALS' GROSS INCOME, DISPOSABLE INCOME AND CONSUMPTION AT 1975 PRICES <sup>1</sup>

(Percentage changes compared with previous year)



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

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

<sup>2</sup> 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 real estate 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.

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

regarded as indirect remuneration, and of the incomes of self-employed persons — a fall which was not counterbalanced by the further rise in income from property.

The total of real gross wages and salaries would appear to have declined by 1.6 p.c.; in 1980, it had grown by 2.5 p.c. The available



information concerning the individual developments of wages and salaries, still in real terms, is as follows. For the first nine months of the year, gross average earnings per hour worked in industry and transport — which do not include employers' social security contributions — would appear to have increased, in real terms, at about the same rate as in 1980, namely 2 p.c. against 2.4 p.c. Total gross wages fell, however, because there appears to have been a marked decrease, even greater than that in 1980, in the number of hours worked. Furthermore, as a result of the aforementioned « Operation Maribel »<sup>1</sup>, the employers' social security contributions for manual workers were substantially reduced. The collectively agreed salaries of white-collar workers, mainly employed in the tertiary sector, would appear to have remained unchanged during the first nine months of the year under review, whereas they had increased by 0.7 p.c. in 1980. As the number of white-collar workers, too, appears to have remained virtually stable — against an increase of 1.8 p.c. in 1980 — the total of the real salaries paid to them appears to have undergone hardly any change.

The real income of self-employed persons would appear to have fallen again, according to the available sources, the data from which are still very fragmentary : this drop appears to have amounted to nearly 4 p.c. and applies mainly to the income of traders and professional people, the nominal growth in whose incomes would appear to have been fairly moderate owing to the weakness of private consumption and the limited rise in fees. The real income of farmers, on the other hand, appears to have improved, so that the decline of the previous years was perhaps partly offset.

The growth in individuals' income from property would appear to have amounted, in real terms, to about 4 p.c. The growth in nominal terms is primarily due to the fact that the outstanding amount of financial assets held by individuals and earning them interest rose and especially the fact that the average yield on financial assets at over one year went up owing to the incorporation in this yield of the considerable rise in long-term interest rates which has taken place during the last few years.

Individuals have to give up part of their gross income to pay direct taxes and social security contributions, while they benefit by social

<sup>1</sup> The details of this operation are given in section d) Public authorities, below.

transfers. When the gross income is reduced or increased, as the case may be, by these elements, we obtain the disposable income of individuals. In real terms the latter would appear to have increased by 0.4 p.c., despite the decline in real gross income, because the fiscal and parafiscal burden, after deduction of transfers received, appears to have decreased. This reduction in the net burdens borne by individuals appears to have been mainly due to the effect of the alleviations of direct taxation granted to them — partial decumulation and splitting up of earned incomes — and to the further large increase in transfers received from the public authorities, including unemployment benefits.

For the first time for many years, the volume of private consumption of goods and services would appear to have declined, namely by about 2 p.c. For the first ten months the National Statistical Institute's index of the volume of retail sales registered a reduction of 2.4 p.c., while the number of vehicle registrations fell by nearly 12 p.c. over the year as a whole.

As the real disposable income of individuals grew slightly and the volume of private consumption decreased, the rate of saving by individuals, expressed as a percentage of their disposable income, increased, from 20.3 p.c. in 1980 to 22.1 p.c. This growth in savings probably reflects the greater caution of individuals in the face of the worsening of the economic situation and prospects.

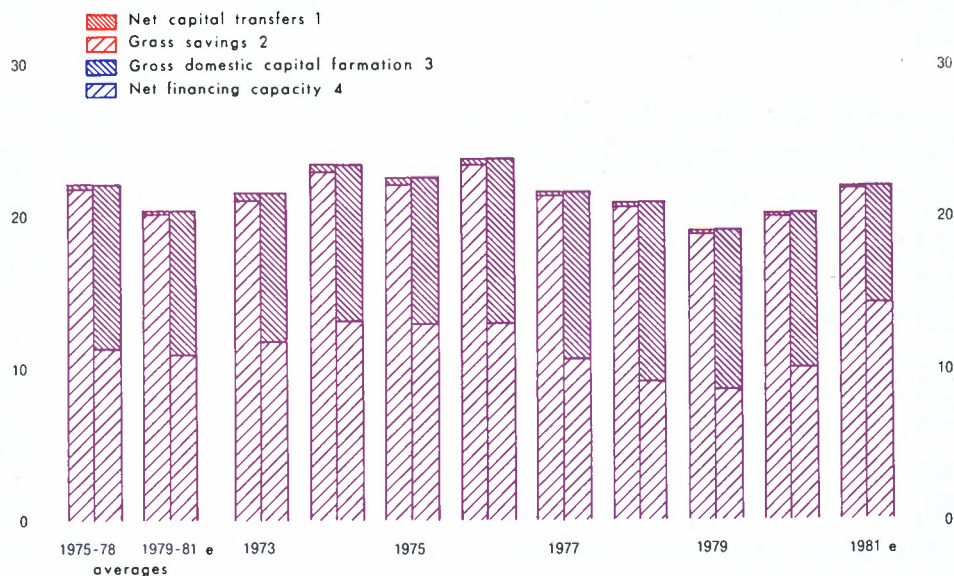
Despite the increase in their rate of saving, individuals devoted a smaller proportion of their disposable income to gross domestic capital formation. This proportion appears to have fallen from 10.3 p.c. in 1980 to 7.8 p.c. This development mainly reflects the marked contraction in investment in housing, within the context of a generally downward movement of demand since 1976 which had been still more pronounced since 1979. The weakness of demand was doubtless accentuated in 1981 by the further slowing-down of the rise in real disposable incomes, by the growing uncertainty concerning employment, by the rise in interest rates — already very high — charged on mortgage loans and by the increase in the burden of taxation, particularly following the raising of incomes from real estate, and was apparently not appreciably counteracted by the stimulating measures adopted by the public authorities, including the refunding of part of the value-added tax and the granting, by the regional authorities, of interest rate subsidies on mortgage loans.

As individuals' total expenditure on consumption and investment decreased in volume while their disposable income would appear to have risen slightly, their net financing capacity increased appreciably : from 10 p.c. of their disposable income in 1980 to about 14.3 p.c.

Most of the developments which have been brought out above by comparing what happened in 1981 with what had happened the previous year — a real slowing down (smaller increase or reduction instead of

Chart 14.

**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.

increase) in individuals' gross and disposable incomes and in their expenditure on consumption and investment — are also apparent when the average for 1979-1981 is compared with that for 1975-1978; the



developments between 1980 and 1981 consequently do not appear to be purely cyclical in nature. The movements of individuals' rate of saving and net financing capacity are, however, an exception : while these were, on average, lower during the period 1979-1981 than during the previous period, they would appear, as has been seen, to have increased appreciably in 1981 compared with 1980.

This increase is confirmed, with regard to the net financing capacity, by the financial data available for the first ten months of the year under review.

During this period the net financial surplus of individuals in fact rose from Fr. 265 billion in 1980 to Fr. 411 billion. This increase is due both to the growth in gross financial savings and to the reduction in new borrowing. Such a « scissor movement » of individuals' claims and liabilities is typical of a period of unfavourable economic conditions such as the year 1981.

The formation of financial assets by individuals during the first ten months amounted to Fr. 420 billion, against Fr. 328 billion in 1980. The rate of gross financial saving by individuals, that is, the ratio between their formation of financial assets and their disposable income, which had contracted during the preceding three years, would thus appear to have increased again.

Subject to the reservation that a breakdown according to currencies is not possible in all cases, this increase in the formation of financial assets between the first ten months of 1980 and 1981 can be said to be the net result of a rise — from Fr. 29 billion to Fr. 109 billion — in the part in foreign currencies and a reduction — from Fr. 244 to 215 billion — in the part in Belgian francs. Thus a kind of shift took place which is mainly explainable by the combination of relatively greater confidence in certain foreign currencies and of the high level of the interest rates on certain deposits in such currencies; investments in dollars, especially, were more attractive for these two reasons.

The decline in the formation of fixed assets in Belgian francs applied solely to assets at over one year. On the other hand, the formation of assets at up to one year was somewhat greater than during the previous year : withdrawals of deposits on ordinary deposit or savings books were appreciably smaller than in 1980 and cash holdings increased instead of



Table 4.

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS <sup>1</sup>

	In Belgian francs						In foreign currencies			Miscellaneous 2	Grand total	Grand total as percentage of disposable income
	At up to one year	At over one year				Total	At over one year	At up to one year	Total			
		Total	of which :									
			Time deposits	Deposits on ordinary deposit or savings books	Cash holdings							
(billions of francs)												
1973 .....	+ 82	+135	+ 26	+ 70	+ 32	+217	+ 26	+ 5	+ 31	- 23	+225	16.4
1974 .....	+ 96	+157	+ 64	+ 51	+ 34	+253	+ 14	+ 10	+ 24	- 18	+259	15.9
1975 .....	+113	+231	- 10	+137	+ 92	+344	+ 32	+ 8	+ 40	- 8	+376	20.6
1976 .....	+151	+194	+ 50	+106	+ 37	+345	+ 14	+ 1	+ 15	- 7	+353	16.7
1977 .....	+223	+192	+ 10	+103	+ 73	+415	+ 17	+ 18	+ 35	- 15	+435	19.3
1978 .....	+169	+196	+ 26	+106	+ 48	+365	+ 20	- 4	+ 16	- 3	+378	15.8
1979 .....	+206	+157	+ 62	+ 73	+ 26	+363	+ 11	+ 35	+ 46	- 6	+403	15.8
1980 .....	+258	+109	+113	+ 2	+ 6	+367	+ 22	+ 19	+ 41	- 7	+401	14.4
1980 First 10 months .....	+237	+ 7	+120	- 75	- 28	+244	+ 17	+ 12	+ 29	+ 55	+328	n.a.
1981 First 10 months ... p	+195	+ 20	+ 37	- 19	+ 2	+215	+ 25	+ 84	+109	+ 96	+420	n.a.
1975-1978 Ann. average ...	+164	+203	+ 19	+113	+ 63	+367	+ 21	+ 6	+ 27	- 8	+386	18.0
1979-1981 Ann. average e	+228	+127	+ 73	+ 40	+ 20	+355	+ 20	+ 51	+ 71	...	+426	15.3

<sup>1</sup> 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, excluding the financial assets which are regarded as belonging to companies and which are formed either with Belgian banks — large deposits of Fr. 5 million and above, deposits in foreign currencies of the regulated market and deposits in free-market foreign currencies which are known to have been formed by companies — or abroad — direct investments, net commercial claims and the part of deposits abroad which is known to have been formed by companies.

<sup>2</sup> Financial assets whose breakdown according to currency 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 column (1) to (7) of Table XV-2 of the Bulletin of the National Bank of Belgium.

decreasing; the favourable effect of these two developments was, however, largely offset by a reduction in the formation of time deposits. In 1980 there had been a shift from deposits on ordinary deposit and savings books, and perhaps from cash holdings, towards time deposits, the rates for which had risen considerably, mainly as a result of the introduction by the Belgian financial intermediaries of special rates for deposits of from Fr. 1 to 5 million. In 1981 the negative difference between these special rates and money-market rates widened and, among all assets in Belgian francs, time deposits were probably those most affected by the attraction exerted by deposits of the same kind in foreign currencies.

The composition of the financial assets formed by individuals during the last three years differed in many respects from that during the years 1975 to 1978. Firstly, attention should be drawn once more to the growing preference of individuals for assets in foreign currencies. For their investments in Belgian francs, individuals have in recent years turned to a greater extent towards financial assets with maturities of over one year, so that their shorter-term investments have lost much of their importance. This decline has not, however, affected all categories of financial assets at up to one year : the formation of time deposits has increased appreciably during the last three years; the formation of deposits on ordinary deposit and savings books, as well as the building-up of cash holdings, on the other hand, has declined considerably. These shifts in the pattern of assets in Belgian francs are primarily attributable to, on the one hand, the steady rise in the yield on investments at over one year and the resultant widening of the interest-rate differential in relation to deposits on ordinary deposit and savings books and ordinary time deposits and, on the other hand, the sharp increases in interest rates on time deposits of from Fr. 1 to 5 million, which have been partly linked with money-market rates since 1980, the effect of this having been further to reduce the attractiveness of other forms of investment at up to one year.

The increase in the liabilities of individuals, which had already slowed down in 1980, slackened further during the year under review : during the first ten months, these liabilities rose by only Fr. 9 billion, against Fr. 63 billion in 1980. The slowing-down was observable in all categories : owing to the weakness of demand for durable consumer goods, especially cars, the outstanding amount of consumer credit fell by Fr. 9 billion, against a rise of Fr. 3 billion the previous year; the house-building crisis was coupled with a distinctly smaller growth in housing

Table 5.

## FINANCIAL LIABILITIES OF INDIVIDUALS

*(Changes in billions of francs)*

	Hire-purchase credit	Housing loans	Business credit <sup>1</sup>	Total
1973 .....	+ 6	+ 39	+ 19	+ 64
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	+109	+ 23	+151
1980 .....	+ 5	+ 80	- 2	+ 83
1980 First 10 months .....	+ 3	+ 74	- 14	+ 63
1981 First 10 months .....	- 9	+ 41	- 23	+ 9

<sup>1</sup> Business credit to individuals is 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.

loans : Fr. 41 billion in 1981, against Fr. 74 billion; lastly, the outstanding amount of business credit decreased again by Fr. 23 billion, after having already fallen by Fr. 14 billion in 1980.

## c) Companies

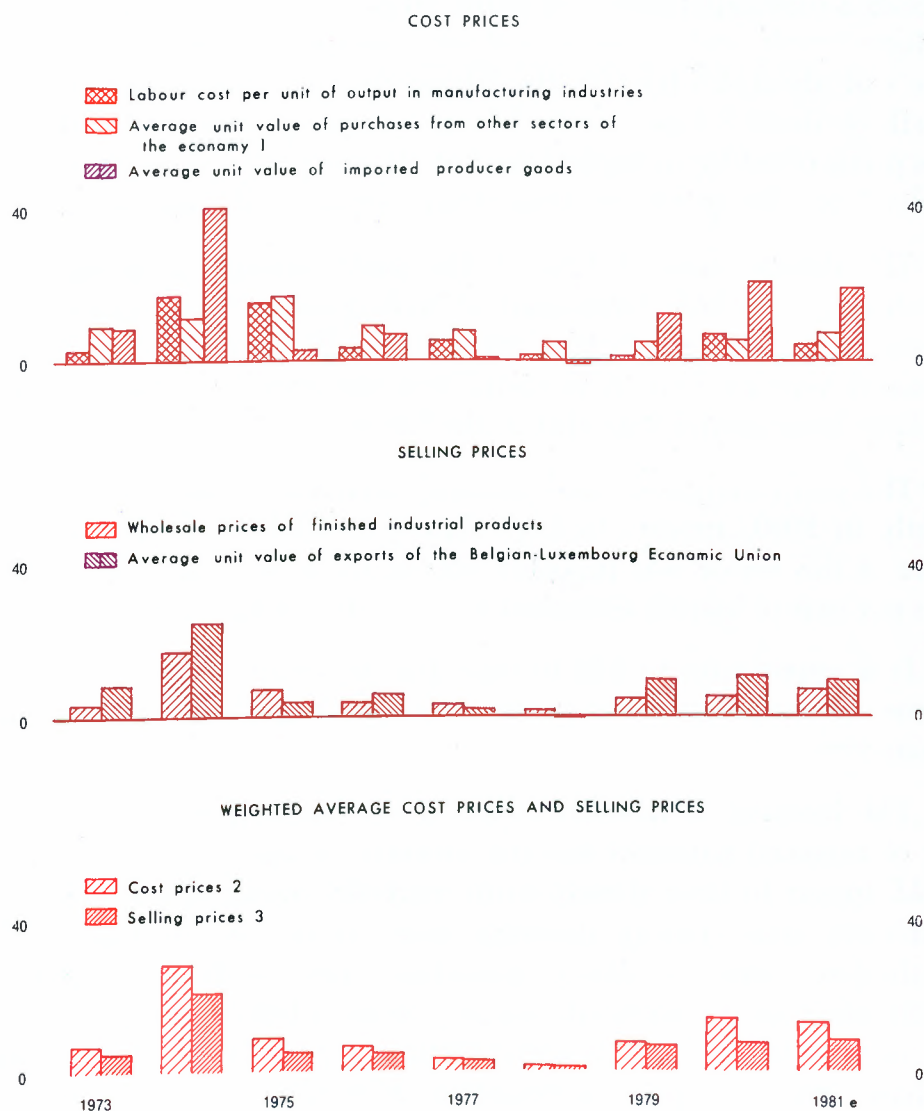
The gross incomes of companies — that is, their gross trading surplus, including financial charges, direct taxes payable, dividends and directors' profit shares to be distributed and depreciation — would appear to have declined appreciably in terms of constant prices. This decrease would appear to have been attributable to the contraction in the volume of sales and also to a reduction in the profit margin, that is, in the ratio between gross nominal incomes and the value of sales.

The profit margin is reduced, for instance, when the selling price per unit of output increases to a smaller extent than the cost price. That happened in the manufacturing industries as a whole in 1980, and appears

Chart 15.

## 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. Deflator of the gross value added in branches of activity not belonging to manufacturing industries : European Economic Community. Calculations of the 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.

- 1 Measured by the deflator of the gross value added in branches of activity not belonging to manufacturing industries.
- 2 Weighted average of the labour cost per unit of output in manufacturing industries, the deflator of the gross value added 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.



to have occurred again during the year under review. On the one hand, the rise in the selling price would appear to have been 6.5 p.c. on the domestic market and 9.8 p.c. for exports, making an average of 8.1 p.c.; on the other hand, the increase in the main elements of the cost price would appear to have been about 13 p.c. This average percentage conceals a substantial rise — of nearly 20 p.c. — in the prices of imported producer goods and a more moderate upward movement of domestic costs : of about 4.5 p.c. for the labour cost per unit of output — the growth of about 8.5 p.c. in the labour cost per person employed having been partly offset by an improvement of about 4 p.c. in productivity — and nearly 7 p.c. for purchases from other sectors of the economy.

The deterioration in 1981 in the profit margin of manufacturing industries as a whole forms part of a longer-term development. For indeed, if the changes in cost prices and selling prices since 1973 are examined year by year, it is found that the growth in the former has regularly been greater than that in the latter.

The profit margin of non-industrial companies, which had increased slightly in 1980, appears to have shrunk in 1981. The rise in selling prices in this sector was probably not sufficient to offset that in labour costs per unit of output, estimated at 9 p.c. during the year under review.

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

The increase, in nominal terms, in net financial charges — i.e. the cost of financial liabilities less the proceeds of financial investments — would appear to have slowed down markedly owing to the smaller rise in interest rates, having declined from 36 p.c. in 1980 to 15.5 p.c. In absolute terms the latter percentage corresponds to a growth of Fr. 26 billion in net financial charges; the ratio between this growth and that in total labour costs at current prices (Fr. 74 billion) would appear to have been 35 p.c., representing a decline compared with the corresponding ratio for 1980, which had been 43 p.c. On the other hand, the ratio between total net financial charges and total labour costs would appear to have gone up for the fourth year in succession, reaching over 13 p.c.

After deduction of the net financial charges paid and addition of the subsidies received, the gross incomes of companies would appear

Chart 16.

# NET FINANCIAL CHARGES OF COMPANIES <sup>1</sup>



<sup>1</sup> Interest paid on gross financial liabilities minus interest received on financial assets.

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

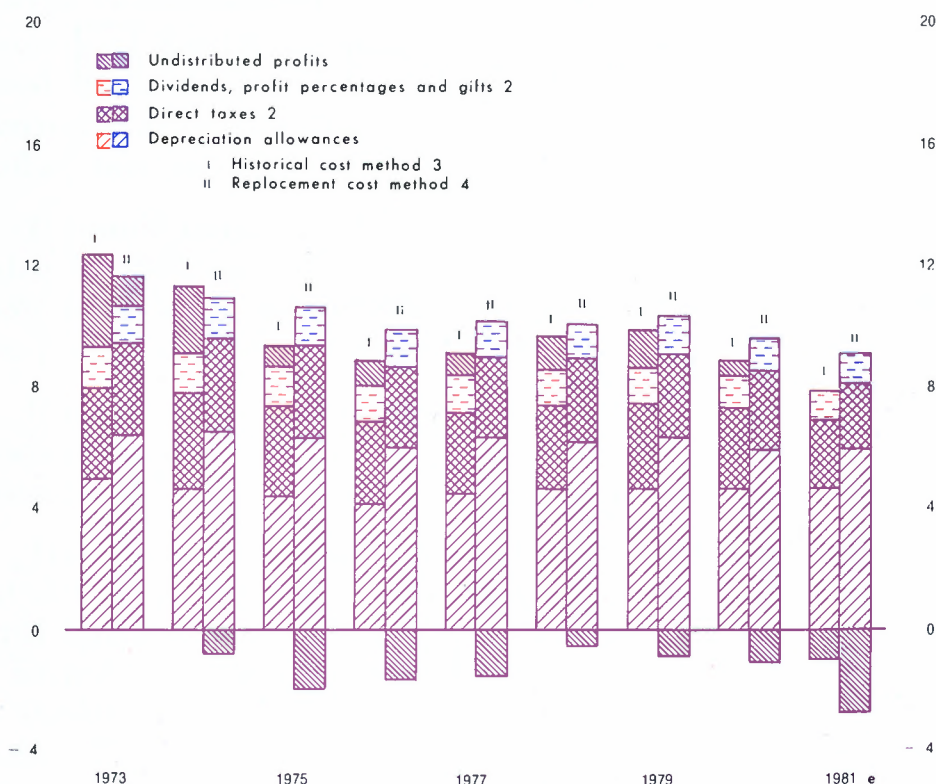
to have represented 6.3 p.c. of the gross national product, against 8.4 p.c. in 1980.

Dividends, percentages on profits, gifts and depreciation allowances remained practically unchanged in relation to the national product. The relative decline in gross incomes is therefore reflected, on the one hand,

Chart 17.

# INCOME ACCOUNT OF COMPANIES <sup>1</sup>

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



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

<sup>1</sup> Joint-stock companies and partnerships (including public enterprises).

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

<sup>3</sup> 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 in so far 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.

<sup>4</sup> 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.

in the movement of direct taxes paid, which decreased from 2.6 p.c. in 1980 to 2.2 p.c. — owing to the contraction in the tax base and to the tax reliefs received — and, on the other hand, in that of undistributed profits. Compared with 1980, the latter deteriorated by 1.6 p.c. of the gross national product.

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 and of the same magnitude in 1981. In the text which follows, the data used are those arrived at by the replacement cost method, because they are as a rule directly comparable with those concerning financial assets and liabilities.

By adding depreciation to undistributed profits we arrive at gross savings, that is, companies' total own resources of internal origin. These savings would appear to have declined from 4.7 p.c. of the gross national product in 1980 to 3.1 p.c.

Allowance being made for net capital transfers received, which rose slightly to 3.2 p.c. of the gross national product, the resources available to companies, before resorting to borrowing or the issuing of shares, for the financing of their gross capital formation would appear to have declined from 7.7 p.c. of the national product to 6.3 p.c.

Companies' gross domestic capital formation at current prices would appear to have risen even more slowly than the gross national product; it appears to have gone down to 8.6 p.c. of that product, against 8.7 p.c. Account being taken of the price rise, this movement represents a decline in volume, which, for fixed capital investment, appears to have reached about 4.5 p.c. The decrease in this investment appears to have been particularly marked in the building and gas industries, the medical services and agriculture and less pronounced in trade and electricity, as well as in manufacturing industry as a whole. An exception within the latter, however, was the metal-working sector, in which substantial capital investment took place during the second half of the year under review. In the banking and insurance sectors and in water undertakings, the volume of investment appears to have remained unchanged.

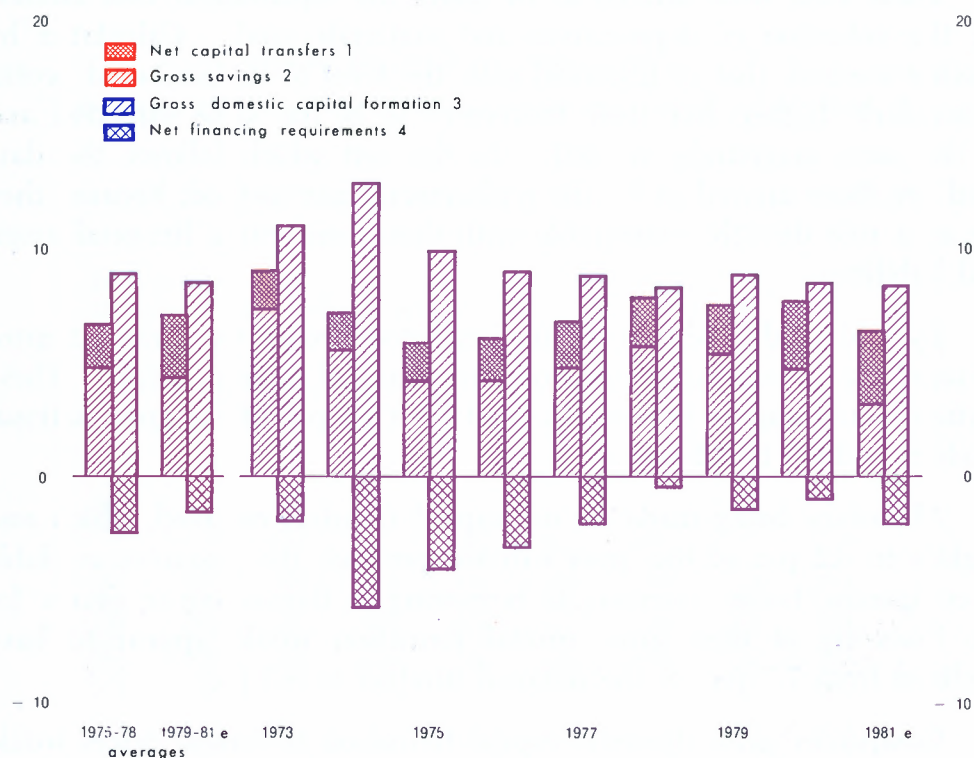
The decline in gross domestic capital formation by companies was distinctly less pronounced than the decrease in the resources derived



Chart 18.

# CAPITAL ACCOUNT OF COMPANIES

(As percentage 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.

from gross savings formed and net capital transfers received, so that their net financing requirements appear to have risen from 1 to 2.1 p.c. of the gross national product.

On average, however, over the period 1979-1981, the ratio between these net requirements and the gross national product would appear to have been lower than it had been during the period 1975-1978 : 1.5 p.c. against 2.4 p.c. This is mainly due to the continuous growth in net capital

transfers received by companies, which appears to have amounted to 2.8 p.c. of the gross national product during the period 1979-1981, against 1.9 p.c. during the period 1975-1978, chiefly because of the assistance granted by the public authorities to the steel industry; furthermore, gross domestic capital formation by companies would appear to have decreased, having amounted to 8.7 p.c. of the national product, compared with 9.1 p.c.

The financial data also reflected the growth in companies' net financing requirements in 1981, albeit less clearly. It must not be overlooked, however, that the indications given by these data are only approximations and furthermore cover only the first ten months of the

Table 6.

FORMATION OF FINANCIAL ASSETS BY COMPANIES <sup>1</sup>

(Billions of francs)

	Claims on Belgium		Claims on foreign countries	Total
	in Belgian francs	in foreign currencies		
1973 .....	+ 44	+ 1	+ 10	+ 55
1974 .....	+ 21	+ 3	+ 7	+ 31
1975 .....	- 7	...	- 10	- 17
1976 .....	+ 60	+ 9	+ 37	+106
1977 .....	+ 6	+ 1	+ 7	+ 14
1978 .....	+ 36	+ 7	+ 27	+ 70
1979 .....	+ 35	- 7	+ 31	+ 59
1980 .....	+ 25	+ 22	+ 14	+ 61
1980 First 10 months .....	+ 27	+ 20	+ 14	+ 61
1981 First 10 months ..... p	+ 48	+ 27	+ 12	+ 87

<sup>1</sup> See note 1 to Table 4.

year under review. During this period, the net financial deficit of companies would appear to have reached Fr. 88 billion, or Fr. 22 billion more than in 1980. While companies contracted appreciably more new financial liabilities than in the previous year (Fr. 175 billion, against Fr. 127 billion), they likewise appear to have formed more financial assets than in 1980 (Fr. 87 billion, against Fr. 61 billion).

The fact that there was thus an increase not only in new liabilities contracted but also in net assets formed probably reflects, to a certain extent, the diversity of individual situations : while companies as a whole had financing requirements, some of them, including financial companies, may have had a financing capacity. Furthermore, there is a possibility that the two increases mentioned may have been partly linked : during certain periods of the year the structure of debtor and creditor interest rates was such that it may have encouraged companies to finance the formation of large deposits in Belgian francs by means of short-term credits obtained from national financial intermediaries. This might to a certain extent explain the pronounced growth in 1981, which is paradoxical during a period of declining profits, in the formation of financial assets in Belgian francs by companies.

Their claims in foreign currencies on Belgium would also appear to have risen more than in 1980 : this was doubtless partly an accidental phenomenon, certain large enterprises having repatriated substantial amounts of capital to Belgium and having temporarily invested them with Belgian financial intermediaries. The growth in companies' claims on foreign countries was limited : Fr. 12 billion, against Fr. 14 billion in 1980; the granting of commercial credits to foreign customers was in fact partly counterbalanced by the aforementioned repatriations.

The substantial increase in the financial liabilities of companies is primarily due to the movement of their short-term liabilities to Belgian financial intermediaries, which grew — partly, perhaps, as indicated above, because it would have been profitable to contract such liabilities in order to form big deposits — by Fr. 82 billion, against Fr. 50 billion in 1980, and of their long-term liabilities to foreign countries, the growth in which amounted to Fr. 68 billion, against Fr. 25 billion in 1980.

On the other hand, companies' new long-term financial liabilities to the domestic sectors — both financial and non-financial — declined appreciably.

This last-mentioned movement shows that the increased recourse by companies to foreign countries is at least partly due to the shrinking in their possibilities of financing on the domestic capital market. Some public enterprises and public utilities — including electricity companies — therefore raised substantial loans abroad.

Table 7.

## 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	Belgian non-financial sectors	foreign countries	Total	
1973 .....	+ 40	+ 8	+ 48	+ 30	+ 13	+ 13	+ 56	+ 104
1974 .....	+ 27	+ 19	+ 46	+ 39	+ 15	+ 20	+ 74	+ 120
1975 .....	+ 45	+ 16	+ 61	+ 41	+ 15	+ 21	+ 77	+ 138
1976 .....	+ 57	+ 8	+ 65	+ 37	+ 22	+ 29	+ 88	+ 153
1977 .....	+ 54	+ 17	+ 71	+ 21	+ 10	+ 28	+ 59	+ 130
1978 .....	+ 34	+ 9	+ 43	+ 37	+ 18	+ 35	+ 90	+ 133
1979 .....	+ 87	+ 4	+ 91	+ 30	+ 4	+ 31	+ 65	+ 156
1980 .....	+ 57	+ 14	+ 71	+ 40	+ 5	+ 46	+ 91	+ 162
1980 First 10 months .....	+ 50	+ 11	+ 61	+ 35	+ 6	+ 25	+ 66	+ 127
1981 First 10 months .....	+ 82	+ 13	+ 95	+ 13	- 1	+ 68	+ 80	+ 175



#### d) Public authorities

Mention has already been made of the very marked increase in the public authorities' net financing requirements, which, expressed as a percentage of the gross national product, would appear to have risen, between 1980 and 1981, from 12.1 to 16.3 p.c. : the growth in these requirements which had been observed for some years thus obviously speeded up.

During the year under review, net financing requirements also expanded in all the big countries of the European Economic Community, except the United Kingdom, without, however, getting out of control as they did in Belgium. Consequently, the gap between the latter and the other countries of the Community again widened greatly. In 1981, this widening cannot be attributed to the movement of revenue; fiscal and parafiscal pressure — that is, the ratio between fiscal and parafiscal revenue and the gross national product — increased in Belgium from 44.3 to 45.2 p.c., a similar increase to that recorded, on average, for the countries of the European Economic Community (from 39.9 to 40.8 p.c.). It is therefore the movement of expenditure which provides the explanation; likewise expressed as a percentage of the gross national product, this rose in Belgium from 56.4 to 61.5 p.c. and in the European Economic Community only from 43.7 to 45.6 p.c.<sup>1</sup>.

The above-mentioned rise in fiscal and parafiscal pressure in Belgium is not due to direct taxes. Actually, after having declined from 18.7 to 18.2 p.c. of the gross national product between 1979 and 1980, direct fiscal pressure stabilised at 18.3 p.c. in 1981 : the effect — in the direction of expansion — of the progressiveness of scales and the increase in nominal incomes per taxpayer was counteracted by discretionary measures relating to both enterprises and individuals. The fiscal measures adopted in favour of enterprises from part of the growing effort which is being made by the public authorities to create a climate more favourable to investment and to restore international competitiveness. By the Recovery Law of 10th February 1981 and by the Programme Law of 2nd July 1981, part of enterprises' profits intended to be used for subsequent investment

<sup>1</sup> For purposes of international comparison the data concerning public expenditure quoted here or included in Chart 19 are arrived at by adding together the net financing requirements (in absolute value) and fiscal and parafiscal revenue, which causes them to be underestimated to the extent of the non-fiscal and non-parafiscal revenue. The comments on page 56, which refer to Belgium only, relate to actual expenditure, which is naturally higher.

Chart 19.

# INTERNATIONAL COMPARISON OF THE NET FINANCING CAPACITIES OR REQUIREMENTS, REVENUE AND EXPENDITURE OF THE PUBLIC AUTHORITIES AS A WHOLE

(As percentages of gross national product)



Sources : Belgium : see Table 8 and Annex 6, Table 2. Other countries : Statistical Office of the European Communities; for the Netherlands also the Ministry of Finance.

<sup>1</sup> The data for Belgium and the Netherlands include the public authorities' expenditure on the granting of loans and the acquisition of interests and are therefore not fully comparable with those for other countries. These differences, however, are not large enough to distort the disparities between developments in the various countries.

<sup>2</sup> Fiscal and parafiscal charges are lower than the public authorities' total revenue because they do not include non-fiscal and non-parafiscal receipts. This approach is traditionally adopted in international comparisons.

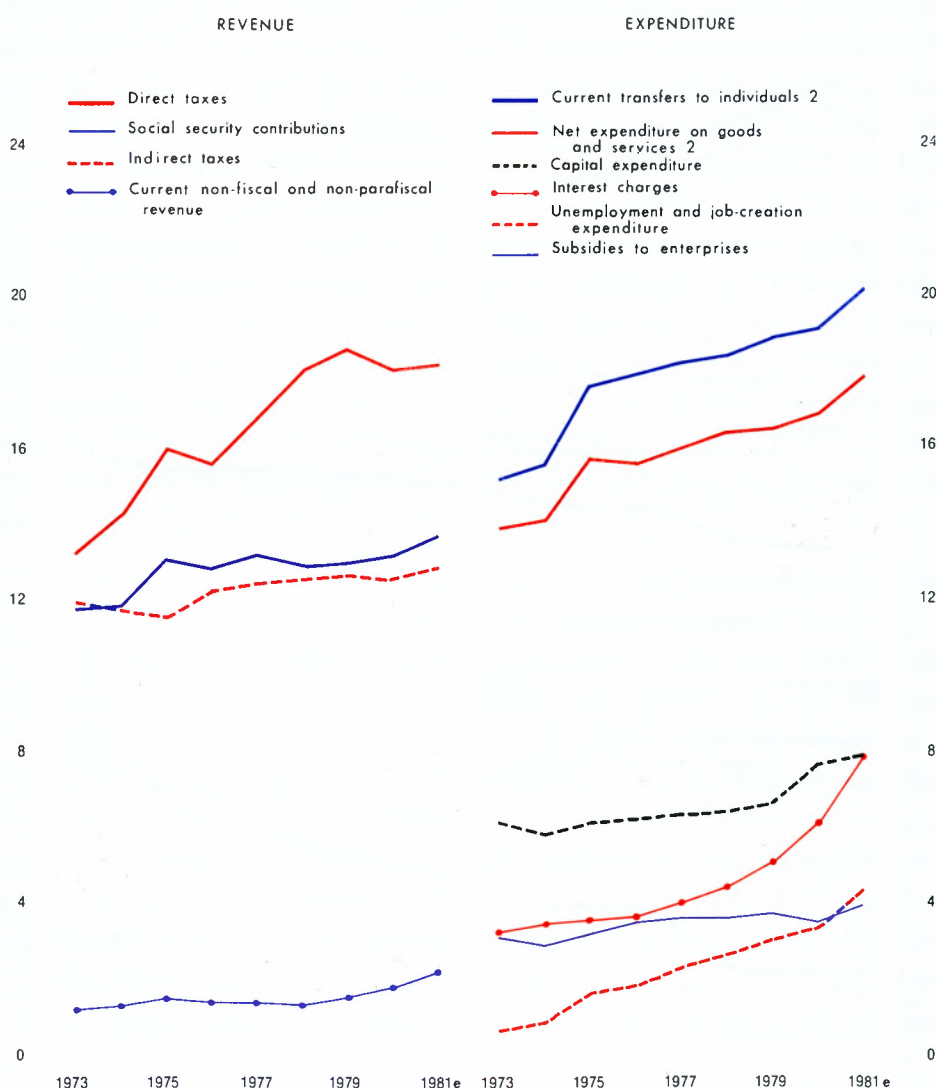
<sup>3</sup> Data calculated by adding the absolute value of net financing requirements to fiscal and parafiscal charges. Hence expenditure is reduced by the amount of non-fiscal and non-parafiscal receipts.

was exempted from tax. The rise in the direct taxes paid by individuals was, for its part, slowed down owing to the fact that the measures adopted in 1980, and slightly extended in 1981 -- especially the partial

Chart 20.

# MAIN CATEGORIES OF THE PUBLIC AUTHORITIES' REVENUE AND EXPENDITURE <sup>1</sup>

(As percentages of gross national product)



<sup>1</sup> See Annex 6, Tables 2 and 8.

<sup>2</sup> Excluding separately recorded expenditure connected with unemployment and job creation.

decumulation and dividing-up of earned incomes<sup>1</sup> — were completely operative in 1981, whereas they had not produced their full effects in 1980. Furthermore, the yield of direct taxes was depressed by the reduction in taxable income caused by the raising, referred to below, of social security contributions.

The increase in total fiscal and parafiscal pressure is partly due to indirect taxation, which went up a little faster than the gross national product, having represented 12.9 p.c. of the latter in 1981, against 12.6 p.c. the previous year. The yield of indirect taxes was, however, kept down by various factors : the full deduction of the value-added tax on goods acquired for capital investment purposes, which applied for the first time to a whole year, the persistent depression of the real estate market, which led to a further decline in the amount of registration dues received, and the fall in consumption of energy products, which are subject to high rates of taxation. These adverse influences were more than counterbalanced by the raising of the road tax at the end of 1980, the changing of the structure of the taxes on certain energy products, the introduction of a special luxury tax and, above all, the raising, during the second half of the year under review, of excise duties, several rates of the value-added tax and the special luxury tax, the field of application of which was moreover extended. These last-mentioned measures formed part of the so-called « Operation Maribel », which certainly represented the most important initiative taken by the public authorities on the fiscal and parafiscal plane to stimulate economic activity : in order to lighten the burdens borne by enterprises, most of the social security contributions payable by employers in respect of manual workers were reduced, with effect from 1st July 1981, by 6.17 p.c. of the gross wages of these workers; to prevent this from increasing the public authorities' financing requirements, indirect taxes were adjusted as described above.

Despite the shift of part of the social security revenue to indirect taxes, parafiscal pressure increased, rising from 13.2 p.c. in 1980 to 13.7 p.c.; this rise explains the greater part of the overall increase in the fiscal and parafiscal burden. The causes of the rise, here again, are of various kinds. Firstly, the rate of growth of total gross wages and salaries in current francs exceeded that in the gross national product. Moreover, the social security contributions payable by employees were appreciably

<sup>1</sup> See note on page XIII of the introduction.



raised. This was done both via adjustments of existing ceilings and rates and by the establishment of a solidarity contribution payable by civil servants and an additional unemployment contribution payable by workers in the private sector. Social security revenue was furthermore favourably influenced by a raising of the rates in force for self-employed persons and by the introduction, with effect from October 1980, of a contribution payable by pensioners.

Apart from this fiscal and parafiscal revenue, the public authorities traditionally collect other revenues, which increased sharply in 1981 (mainly those from the public-sector financial intermediaries), so that the total of fiscal, parafiscal and other revenue rose from 46.1 p.c. of the gross national product in 1980 to 47.4 p.c. in 1981.

The increase in the public authorities' expenditure was appreciably greater than that in their revenue : expressed as a percentage of the gross national product, the total of this expenditure rose from 58.2 p.c. in 1980 to 63.7 p.c. in 1981.

This considerable expansion is partly explained by the linking — *de jure* or *de facto* — of virtually all expenditure other than interest charges to the index of consumer prices, the rise in which, as has already been mentioned, was distinctly faster than that recorded by the index of the implicit prices of the gross national product.

Apart from this influence of a general nature, other factors contributed to the expansion observed, applying more specifically to certain particularly important categories of current expenditure.

The cumulative financing requirements of the last few years — during which they have become higher and higher — and the increase in the average interest rate paid by the public authorities on their borrowing have led to a very marked swelling of interest charges : these reached 7.9 p.c. of the gross national product in 1981, against 6.2 p.c. in 1980 and an average of 4 p.c. during the period 1975-1978.

Furthermore, expenditure connected with unemployment and job creation rose from 3.4 p.c. of the gross national product in 1980 to 4.4 p.c. in 1981, primarily because of the worsening of unemployment. This increase would have been even more marked if the Government had not adopted economy measures mainly consisting of calculating the amount

of unemployment benefit according to the family situation, delaying the granting of benefit to young unemployed persons and tightening up certain checks.

Moreover, a decline in activity such as occurred in 1981 — but one could also refer to 1975 — does not automatically bring about a comparable reduction in real terms in most other major categories of current expenditure. Among these there are two which are particularly affected by this downward rigidity, namely, on the one hand, current transfers to individuals (other than unemployment benefits) which include, *inter alia*, family allowances, health care payments and pensions, all of which are inelastic to cyclical fluctuations in economic activity, and, on the other hand, purchases of goods and services, and chiefly the wages and salaries paid to staff employed by the public authorities, whose number obviously does not decrease during periods of recession. Expressed as a percentage of the gross national product, these two categories of expenditure rose, respectively, from 19.2 and 17 p.c. in 1980 to 20.3 and 18 p.c. in 1981.

The relative importance of capital expenditure as a percentage of the gross national product also increased slightly, rising from 7.6 p.c. in 1980 to 7.9 p.c., mainly owing to the extension of the assistance given to sectors in difficulty, chiefly the steel sector.

The increase — from Fr. 419 billion in 1980 to Fr. 580 billion — in the public authorities' net financing requirements was almost entirely accounted for by the Treasury, whose requirements rose from Fr. 297 to 454 billion. The steady deterioration which took place from 1978 to 1980 in the financial position of the social security sector continued in 1981, despite the growth in revenue resulting from the measures described earlier. On the other hand, the increase in the local authorities' net indebtedness would appear to have slowed down, chiefly owing to a substantial capital transfer from the Treasury for the purpose of consolidating the deficit of Greater Brussels and the Brussels municipalities.

Whereas the net financing requirements which the Treasury had to meet expanded considerably, the amount of long-term funds which it was able to raise in the domestic market decreased : its consolidated debt in Belgian francs rose by only Fr. 26 billion, against Fr. 70 billion in 1980. Despite the attractive fiscal conditions and the partial exchange rate guarantee of the « Special Loan 1981 », the proceeds of the new issues

were slightly below the already small amount recorded in 1980, while redemptions were higher. It was the financial intermediaries, in particular, that reduced their net subscriptions for consolidated loans in Belgian francs, preferring to invest in Treasury certificates, the interest

Table 8.

# 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)						
1973 .....	- 51	- 21	- 16	+ 18	- 24	- 94	5.2
1974 .....	- 57	- 23	- 20	+ 20	- 9	- 89	4.2
1975 .....	- 110	- 25	- 23	+ 22	- 16	- 152	6.5
1976 .....	- 133	- 24	- 29	+ 15	- 25	- 196	7.4
1977 .....	- 168	- 28	- 19	+ 20	- 25	- 220	7.7
1978 .....	- 183	- 32	- 27	+ 14	- 28	- 256	8.3
1979 .....	- 212	- 49	- 29	+ 9	- 15	- 296	9.1
1980 .....	- 297	- 42	- 62	+ 1	- 19	- 419	12.1
1981 .....	- 454	- 40e	- 55e	- 5e	- 26e	- 580e	16.3e

Sources : Treasury : see Table 9. Other Central Government and local authorities : estimates of the National Bank of Belgium. Social security : National Statistical Institute. Calculations and estimates of the National Bank of Belgium.

1 Changes in the net indebtedness of some central government agencies other than the Treasury and in the debudgetised debt borne by the Treasury. The latter includes, inter alia, the debt which the Treasury has taken over from steel enterprises and from the « Sickness and Disability » and « Self-employed Persons' Pensions » sectors of the social security system; these debts are not recorded here in the year during which the Treasury formally took them over but are assigned to the years during which they were originally contracted by the sectors in question.

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

3 Current savings of the social security institutions, including the Overseas Security Office and the Supplementary Assistance Funds, less their gross fixed capital formation. These data have been adjusted to allow for the transfers of debts to the Treasury by the two social security sectors mentioned in note 1 above.

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 amounts in this column correspond to the difference between the receipts and expenditure of the public authorities as a whole shown in Annex 6, Tables 2 and 3.

rates on which were very high and above the long-term rates. The growth in the floating debt in Belgian francs placed outside the Bank was thus greater than in the previous year, increasing from Fr. 110 to 142 billion.

Table 9.

## 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 <sup>2</sup>
	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 <sup>1</sup>	Total	Floating debt	Consoli- dated debt	Total	
	(a)	(b)	(c)	(d) = (a) + (b) + (c)	(e)	(f)	(g) = (e) + (f)	(h) = (d) + (g)
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
1981 .....	...	+ 72	+214	+286	+142	+ 26	+168	+454

<sup>1</sup> 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.

<sup>2</sup> See Annex 6, Table 5, item 8.

The total amount of resources in Belgian francs raised in this way outside the Bank via the traditional financial circuits did not even enable the Treasury to meet half of its net financing requirements, so that it was obliged to increase its foreign-currency loans very considerably. These reached Fr. 214 billion, or over twice the amount borrowed in 1980. The resultant creation of liquidity by the Bank, substantial though it was, was still not sufficient, and the Treasury had recourse, in addition, to the Securities Regulation Fund. The portfolio of Treasury certificates held by the latter and financed by the Bank grew by Fr. 72 billion, compared with Fr. 25 billion the previous year, and the limit on the Bank's special assistance to the Securities Regulation Fund was appreciably raised, going up — in three stages — from Fr. 90 billion at the end of 1980 to Fr. 150 billion.



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

It was stated in Chapter 3<sup>1</sup> that net lending by foreign countries to Belgium represented 6.3 p.c. of the gross national product in 1981, against 5.1 p.c. in 1980. The Belgian-Luxembourg Economic Union's deficit in respect of current transactions, which will be discussed in this chapter, displays, in comparison with this net lending, certain differences which are illustrated below with the data for 1980 :

	<i>(billions of francs)</i>
Net lending by foreign countries to Belgium : 5.1 p.c. of the gross national product = . . . . .	178
Difference due to the fact that certain operations are regarded as current transactions for the purpose of estimating the above-mentioned net lending and as capital transactions in this chapter (and vice versa) . . . . .	— 6
Difference due to the fact that the above-mentioned net lending relates to Belgium alone, whereas this chapter is devoted to the Belgian-Luxembourg Economic Union . . . . .	— 20
Total corresponding to the Belgian-Luxembourg Economic Union's deficit in respect of current transactions . . . . .	152

The development of net lending by foreign countries to Belgium is basically due to the same causes as will be mentioned in order to explain the movement of the Union's current account balance.

This continued to deteriorate, as it has been doing almost continuously for many years : the current deficit, which had already reached 4.2 p.c. of the total of the national products of the two countries in 1980, would appear to have risen to 5.4 p.c. in 1981. This development contrasts with the improvement in the current account of the member countries of the Organisation for Economic Cooperation and Development as a whole. Furthermore, for the last two years, the above-mentioned percentages relating to the Union were the most negative of those of any of the countries shown in Table 10.

During the first nine months the deficit of the Belgian-Luxembourg Economic Union in respect of current transactions with foreign countries rose from Fr. 114 billion in 1980 to Fr. 147 billion in 1981.

<sup>1</sup> Development of income and expenditure in Belgium : a) Summary.

Table 10.

BALANCES OF CURRENT TRANSACTIONS OF VARIOUS INDUSTRIALISED  
COUNTRIES WITH FOREIGN COUNTRIES

(As percentages of gross national product)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 e
Belgian-Luxembourg Economic Union ...	+ 2.7	+ 1.3	+ 0.3	+ 0.6	- 0.7	- 0.7	- 2.6	- 4.2	- 5.4
Netherlands .....	+ 3.9	+ 3.1	+ 2.4	+ 3.0	+ 0.6	- 1.0	- 1.4	- 1.6	+ 2.0
Federal Republic of Germany .....	+ 1.3	+ 2.6	+ 0.8	+ 0.8	+ 0.8	+ 1.4	- 0.7	- 2.0	- 1.4
France .....	- 0.3	- 2.8	...	- 1.7	- 0.9	+ 0.8	+ 0.2	- 1.1	- 0.9
Italy .....	- 1.7	- 4.7	- 0.4	- 1.5	+ 1.1	+ 2.4	+ 1.7	- 2.5	- 2.6
Denmark .....	- 1.6	- 2.8	- 1.4	- 4.6	- 3.7	- 2.6	- 4.4	- 3.7	- 3.6
United Kingdom .....	- 1.3	- 4.1	- 1.6	- 1.0	- 0.2	+ 0.6	- 0.8	+ 1.4	+ 2.2
Total for the member countries of the European Economic Community <sup>1</sup> .....	...	- 1.0	...	- 0.5	...	+ 0.8	- 0.6	- 1.5	- 1.0
United States .....	+ 0.5	+ 0.3	+ 1.2	+ 0.3	- 0.7	- 0.6	+ 0.1	+ 0.1	+ 0.3
Japan .....	...	- 1.0	- 0.1	+ 0.7	+ 1.6	+ 1.7	- 0.9	- 1.0	+ 0.7
Total for the member countries of the Organisation for Economic Cooperation and Development .....	+ 0.3	- 0.7	...	- 0.4	- 0.5	+ 0.2	- 0.5	- 1.0	- 0.4

Sources : Belgian-Luxembourg Economic Union : National Bank of Belgium. Other countries and areas : Organisation for Economic Cooperation and Development.

<sup>1</sup> Not including Greece.

Table 11.

CURRENT TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION WITH FOREIGN COUNTRIES <sup>1</sup>

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 p
									First 9 months	
1. Transactions in goods :										
1.1 Exports <sup>2</sup> .....	761	995	900	1,066	1,206	1,295	1,550	1,742	1,288	1,427
1.2 Imports <sup>2</sup> .....	711	980	916	1,095	1,275	1,337	1,642	1,872	1,390	1,569
Balance of trade .....	+ 50	+ 15	- 16	- 29	- 69	- 42	- 92	- 130	- 102	- 142
of which : energy products <sup>3</sup> .....	(- 44)	(- 109)	(- 106)	(- 137)	(- 123)	(- 111)	(- 157)	(- 226)	(- 166)	(- 215)
1.3 Third-country trade <sup>4</sup> .....	+ 5	+ 14	+ 17	+ 21	+ 26	+ 9	+ 18	+ 14	+ 20	+ 34
Total 1 ...	+ 55	+ 29	+ 1	- 8	- 43	- 33	- 74	- 116	- 82	- 108
2. Transactions in services <sup>5</sup> .....	+ 10	+ 16	+ 29	+ 45	+ 48	+ 32	+ 13	+ 2	...	- 6
3. Transfers :										
3.1 Private transfers <sup>6</sup> .....	+ 2	+ 1	- 3	- 7	- 7	- 6	- 10	- 11	- 8	- 9
3.2 Public transfers <sup>7</sup> .....	- 15	- 16	- 20	- 14	- 19	- 16	- 18	- 27	- 24	- 24
Total 3 ...	- 13	- 15	- 23	- 21	- 26	- 22	- 28	- 38	- 32	- 33
4. Grand total .....	+ 52	+ 30	+ 7	+ 16	- 21	- 23	- 89	- 152	- 114	- 147

<sup>1</sup> Balance of transactions, except for the items « Exports » and « Imports »; including, since 1977, transactions paid for by offsetting.<sup>2</sup> Including commission processing. Estimated actual transactions.<sup>3</sup> Payments, corrected to allow for the estimated change in the oil companies' commercial claims on and debts to foreign countries (from 1974 onwards) and for these companies' transactions settled by offsetting. Section 27 of the Brussels Customs Nomenclature.<sup>4</sup> Goods bought and resold abroad by residents. Estimated actual transactions.<sup>5</sup> See Annex 6, Table 6.<sup>6</sup> 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.<sup>7</sup> 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.

This deterioration is more than explained by that of the balance of trade. The increase in the surplus of imports over exports of energy products, due to the rise in the prices of these, was of the order of Fr. 49 billion; only a very small part of it was offset by the increase in the surpluses achieved in respect of other products, which amounted to only Fr. 9 billion.

The rate of coverage of imports of non-energy products at current prices by the corresponding exports remained at almost the same level as in the previous year. On the other hand, this rate rose in the main competing countries, except for the United States, where a certain decline is observable<sup>1</sup>.

The relatively unfavourable development of the balance of trade appears to be due — according to the available information — to a deterioration in the terms of trade of the Belgian-Luxembourg Economic Union, which was considerably more marked than that for the main industrialised countries as a whole. In particular, the Union's average export prices, expressed in dollars, would appear to have fallen appreciably, in contrast with the less pronounced decline, or even the rise, observable in the other countries. Two factors might explain this relative fall : the decline in the weighted average rate for the franc, combined with a limited degree of inflation in the Union, and the structure according to products of Belgian and Luxembourg exports, especially the large proportion of these represented by cyclically sensitive products such as non-ferrous metals and steel.

However, the coverage, in volume, of the Union's imports by its exports appears to have distinctly improved. On the one hand, imports were kept down by the extent — probably more marked than abroad — of the decline in domestic economic activity. On the other hand, exports appear to have shown a further slight rise. This expansion seems to suggest that the Union's exporters had increased their share of foreign markets. Such an increase would not be impossible in view of the fact that the labour cost per unit of output, expressed in dollars, has for some time been rising more slowly in Belgium than elsewhere. It should be noted, however, that this slower rise, insofar as it is measurable, is largely due to a faster advance than abroad in the apparent productivity of labour; an advance of this nature does not have — or does not necessarily

<sup>1</sup> See Annex 6, Table 7.



have — a favourable effect on exports, to the extent that it is due, for instance, to a more pronounced increase than elsewhere in the « technical » capital content of production, which entails a larger relative burden of non-labour costs.

Third-country trade, the balance of which is subject to fairly wide fluctuations, left a particularly large surplus during the first nine months of 1981; this surplus represents the profit of Belgian and Luxembourg brokers and the expenses which they paid to other residents.

Capital transactions are shown in Tables 12 and 13, which present, respectively, those of the private sector and those of the public sector, and in Table 14, which shows, together with a summary of other transactions, the movement in the Bank's exchange reserves.

The balance of transactions in services continued to deteriorate, mainly owing to a larger deficit in respect of income from direct and portfolio investment, contracting work and foreign travel.

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 the year under review, there was a substantial reversal in these transactions, the 1980 surplus (of + Fr. 15 billion) having been replaced by a large overall net deficit (— Fr. 149 billion) (grand total of Table 12).

The extent of this swing is more than fully explained by two particularly pronounced movements.

On the one hand, residents' net assets in foreign currencies with banks in the Union went up by Fr. 96 billion, whereas they had fallen by Fr. 6 billion in 1980 (item 2.2 of Table 12). This movement seems to be mainly due to the fact that residents diversified their portfolio investments in 1981 because the interest-rate differentials between those expressed in francs and those expressed in other currencies did not in their opinion indisputably counterbalance the chances of a possible capital gain from the appreciation of the foreign currencies in which they chose to make their investments. However, a by no means negligible part of the above-mentioned increase in foreign-currency assets also represents the temporary investment of funds which residents have obtained by

Table 12.

## SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 p
									First 9 months	
1. Net commercial claims on foreign countries <sup>1</sup> , including claims mobilised at banks .....	-10	- 5	+12	-39	-11	-28	-25	-13	-19	-25
2. Other transactions of private-sector residents										
2.1 Direct and portfolio investments of enterprises and individuals in foreign countries <sup>2</sup>	-48	-46	-48	-44	-52	-54	-86	-86	-59	-59
of which :										
2.11 Securities .....	(-31)	(-15)	(-36)	(-13)	(-18)	(-25)	(-14)	(-23)	(-18)	(-19)
2.12 Deposits .....										
2.121 in Belgian and Luxembourg francs .....	(- 4)	(- 9)	( ... )	(- 9)	(- 4)	(-11)	(-26)	(-36)	(-36)	(-26)
2.122 in foreign currencies .....	(- 3)	(- 3)	(- 3)	(- 9)	(-13)	(- 1)	(- 4)	(-19)	(-12)	(-14)
2.13 Direct investments <sup>3</sup> .....	(- 7)	(-14)	(- 5)	(-11)	(-13)	(-11)	(-33)	(- 2)	(+11)	(+ 4)
2.2 Net spot and forward assets in foreign currencies held by enterprises and individuals with Belgian and Luxembourg banks <sup>4</sup> .....	- 6	-10	-12	- 1	+17	+19	+15	+15	+ 6	-96
2.3 Spot and forward position in foreign currencies of Belgian and Luxembourg banks <sup>5</sup> .....	- 6	+ 4	- 7	- 8	- 4	+ 7	+22	-14	- 5	-20
Total 2 ...	-60	-52	-67	-53	-39	-28	-49	-85	-58	-175
3. Other transactions of non-residents with the resident private sector :										
3.1 Direct and portfolio investments with enterprises and individuals <sup>6</sup> .....	+37	+42	+41	+43	+53	+45	+37	+74	+42	+79
of which :										
3.11 Direct investments <sup>3</sup> .....	(+28)	(+42)	(+34)	(+31)	(+40)	(+41)	(+30)	(+43)	(+28)	(+41)
3.12 Loans <sup>7</sup> .....	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(+ 2)	(+16)	(+ 3)	(+24)
3.2 Net spot and forward assets in Belgian and Luxembourg francs held with Belgian Luxembourg banks <sup>8</sup> .....	+18	- 4	+20	- 6	- 2	+ 8	+29	+50	+50	-28
Total 3 ...	+55	+38	+61	+37	+51	+53	+66	+124	+92	+51
4. Grand total .....	-15	-19	+ 6	-55	+ 1	- 3	- 8	+26	+15	-149

<sup>1</sup> Plus sign : decrease in claims; minus sign : increase.<sup>2</sup> Plus sign : realisation of previous direct and portfolio investments; minus sign : new direct and portfolio investments.<sup>3</sup> Formation of companies, acquisition of interests and loans (excluding, since 1979, those known not to be between affiliated enterprises).<sup>4</sup> Plus sign : decrease in net assets of enterprises and individuals; minus sign : increase.<sup>5</sup> Plus sign : decrease in net assets of banks; minus sign : increase. Not including fixed assets (recorded in item 2.13) and commercial credits (recorded in item 1).<sup>6</sup> Plus sign : new direct and portfolio investments; minus sign : realisation of former direct and portfolio investments.<sup>7</sup> Loans which are known not to be between affiliated enterprises; they are for the most part long-term loans contracted abroad by Belgian enterprises.<sup>8</sup> Plus sign : increase in net assets of non-residents; minus sign : decrease.

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

contracting long-term liabilities in foreign currencies or realising direct investments abroad; to this extent it is the counterpart of capital inflows recorded under other headings.

On the other hand, non-residents' net assets in francs with Belgian and Luxembourg banks declined by Fr. 28 billion, compared with an increase of Fr. 50 billion in 1980 (item 3.2 of Table 12). This net withdrawal of funds took place despite the inflows recorded in the foreign banks' accounts with their correspondents in the Union as a counterpart to the formation of deposits in francs by residents with these foreign banks (Item 2.121).

The private sector's other capital transactions resulted in smaller net outflows than in the previous year : Fr. 25 billion against Fr. 41 billion. Among the factors contributing to this change were the direct investments of non-residents (item 3.11 of Table 12) and the long-term loans obtained by national enterprises abroad (item 3.12). Inflows in respect of non-residents' direct investments reached Fr. 41 billion, against Fr. 28 billion in 1980; this development should not, however, be interpreted as necessarily reflecting greater interest in Belgium and Luxembourg on the part of foreign investors, because this category of capital inflows represents only one method of financing among others — partly consisting of loans between affiliated enterprises — employed for financing the activities of companies controlled by non-residents. The loans recorded under item 3.12 also accounted for a large and growing proportion of inflows of funds; this movement springs from the narrowness of the domestic capital market, which, as has been explained, forced not only the public sector but also private enterprises to obtain finance from foreign markets.

It is short-term transactions which more than account for the deterioration in the private sector's capital transactions as a whole; their net amount swung from a surplus of Fr. 21 billion during the first nine months of 1980 to a deficit of Fr. 190 billion in 1981.

The public sector's transactions gave rise to even larger capital inflows than during the previous year, public authorities and enterprises having contracted foreign-currency loans from resident banks and increased their net indebtedness to foreign countries to the total extent of Fr. 200 billion during the first nine months of 1981, against Fr. 131 billion.

Altogether, current and capital transactions during the first nine months resulted on balance — allowance being made for errors and

Table 13.

## SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 <i>p</i>
									First 9 months	
1. <i>Transactions of public authorities :</i>										
1.1 with foreign countries .....	- 5	- 4	- 4	- 3	...	+ 12	+ 4	+ 26	+ 32	+ 78
1.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	...	...	...	+ 1	- 2	...	+ 36	+ 65	+ 52	+ 82
Total 1 ...	- 5	- 4	- 4	- 2	- 2	+ 12	+ 40	+ 91	+ 84	+160
2. <i>Transactions of public enterprises <sup>2</sup> :</i>										
2.1 with foreign countries .....	- 3	- 1	...	+ 9	+ 3	- 4	+ 32	+ 53	+ 47	+ 28
2.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	+ 2	...	- 1	+ 1	- 1	...	...	...	...	+ 12
Total 2 ...	- 1	- 1	- 1	+ 10	+ 2	- 4	+ 32	+ 53	+ 47	+ 40
3. <i>Grand total</i> .....	- 6	- 5	- 5	+ 8	...	+ 8	+ 72	+144	+131	+200

<sup>1</sup> Plus sign : increase in indebtedness in foreign currencies to banks; minus sign : decrease.<sup>2</sup> Financial intermediaries and public operating organisations.



Table 14.

## SUMMARY OF TRANSACTIONS

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 <i>p</i>
									First 9 months	
1. <i>Current transactions</i> <sup>1</sup> .....	+ 52	+ 30	+ 7	+ 16	- 21	- 23	- 89	-152	-114	-147
2. <i>Capital transactions</i> :										
2.1 Spot and forward transactions of private sector <sup>2</sup> .....	- 15	- 19	+ 6	- 55	+ 1	- 3	- 8	+ 26	+ 15	-149
2.2 Spot transactions of public sector <sup>3</sup> .....	- 6	- 5	- 5	+ 8	...	+ 8	+ 72	+144	+131	+200
Total 2 ...	- 21	- 24	+ 1	- 47	+ 1	+ 5	+ 64	+170	+146	+ 51
3. <i>Errors and omissions</i> .....	+ 5	+ 6	+ 10	+ 6	+ 11	+ 2	- 6	+ 9	+ 1	+ 13
4. (= 1. to 3.) <i>Total corresponding to the movement in the National Bank of Belgium's net exchange reserves</i> <sup>4</sup> .....	+ 36	+ 12	+ 18	- 25	- 9	- 16	- 31	+ 27	+ 33	- 83
<i>Pro memoria</i> : Foreign currencies to be delivered at forward dates by the National Bank of Belgium to the public sector (plus sign : decrease; minus sign : increase) .....	(- 2)	(+ 1)	(+ 1)	(...)	(...)	(- 12)	(- 8)	(+ 17)	(+ 17)	(+ 2)

<sup>1</sup> See Table 11.<sup>2</sup> See Table 12.<sup>3</sup> See Table 13.<sup>4</sup> See Annex 6, Table 9.

omissions — in a deficit of Fr. 83 billion; they had as their counterpart a reduction in the net foreign exchange reserves. For the year as a whole, this reduction reached Fr. 96 billion. During the last quarter the decline in the reserves of Fr. 13 billion would appear to have been due to a current-account deficit of about Fr. 53 billion and a private capital deficit totalling Fr. 44 billion, partly offset by a surplus of public capital of Fr. 84 billion.

At the end of September 1981 the net foreign exchange reserves estimated on the basis of current prices and exchange rates amounted to Fr. 744 billion. This amount still exceeded, appreciably for the Belgian-Luxembourg Economic Union, but to a much smaller extent for Belgium alone, the indebtedness in foreign currencies and the indebtedness in francs to foreign countries of the two major sectors for which the outstanding amount of claims and debts is known — the banks and the public sector :

	Belgian-Luxembourg Economic Union	Belgium
	(30th September 1981, in billions of francs).	
Indebtedness to foreign countries <sup>1</sup> and in foreign currencies to resident sectors :		
Net indebtedness of the banks (including forward transactions) ...	44	154
Gross indebtedness of the public sector .....	438	479
Total .....	482	633

<sup>1</sup> After elimination of the liabilities representing the counterpart of the deposits in francs of Belgian individuals with foreign banks.

For their part, Belgian individuals and non-bank enterprises hold net claims on foreign countries which there is reason to believe are fairly large; the former have, in particular, built up, over the years, a substantial portfolio of foreign securities and large foreign-currency deposits. Unlike foreign exchange reserves, however, these claims could hardly be mobilised to repay the debts of the other two sectors. The same is true, generally speaking, of the claims of the public sector, a by no means negligible proportion of which consists of long-term Belgian Government loans to developing countries.

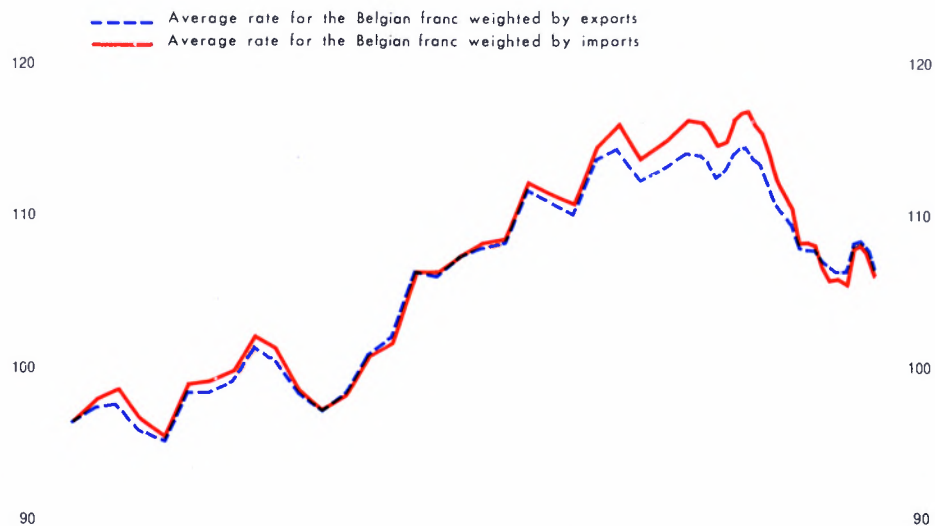
On the regulated foreign exchange market <sup>1</sup>, the average weighted rate for the Belgian franc declined continuously during the first eight months of the year, mainly because of the appreciation of the dollar, which

<sup>1</sup> See Annex 6, Table 10.

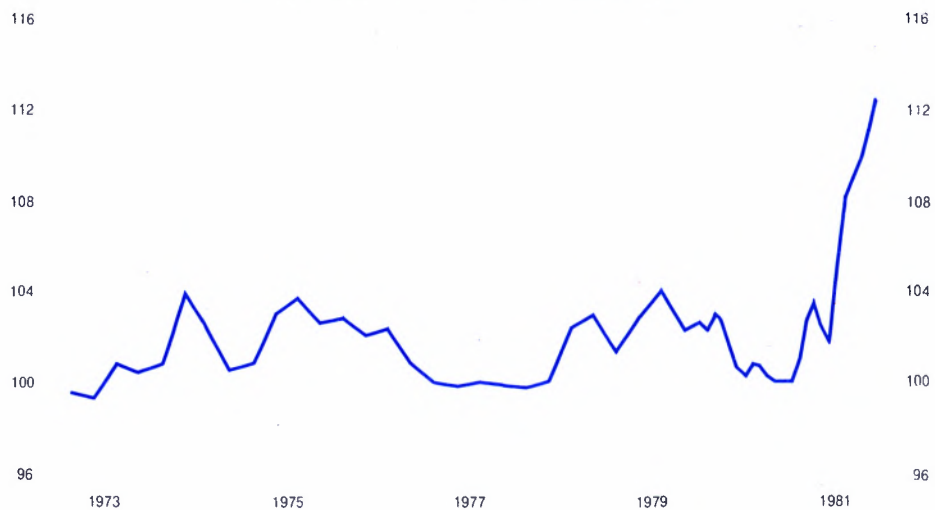
Chart 21.

# EXCHANGE RATES <sup>1</sup>

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



RATE FOR THE DOLLAR IN BELGIAN FRANCS ON THE FREE FOREIGN EXCHANGE MARKET <sup>2</sup>  
( As a percentage of the rate on the regulated market )



<sup>1</sup> 1973 to 1979 : quarterly figures. 1980 and 1981 : monthly figures.

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

continued uninterruptedly until August. After a distinct recovery in September and October, due to a downturn of the dollar, the average rate for the franc weakened once more; the last-mentioned movement was attributable both to a renewed strengthening of the dollar and to a rise in the rates for various other currencies, especially those of the member countries of the European Monetary System. Following these various fluctuations, the import-weighted index (base 1975 = 100) stood at 106.3 in December, against 111.6 a year earlier.

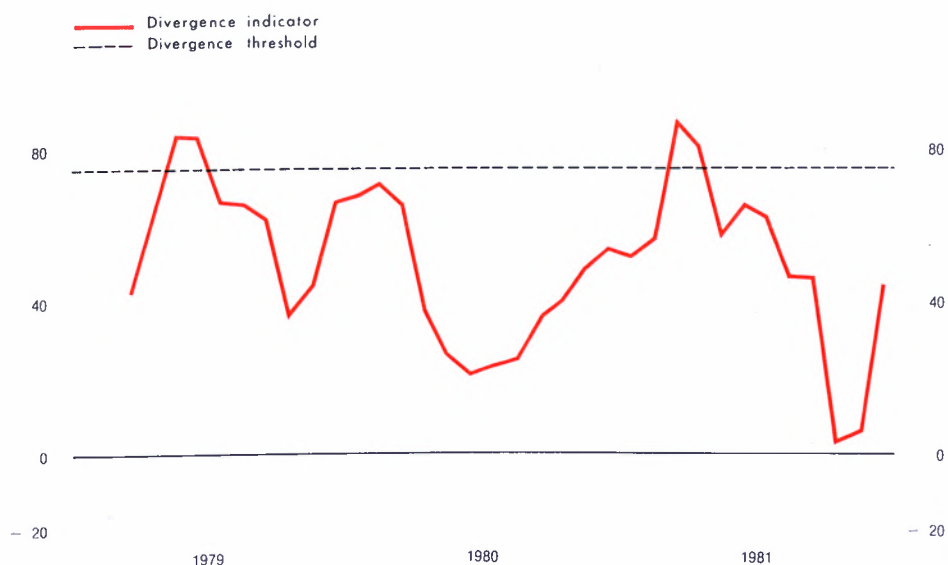
On the free exchange market the exchange rates for foreign currencies showed an increasing premium over those on the regulated market. After a first peak in April, the gap between the two markets widened from July onwards, finally exceeding 12 p.c. on average for December, having reached a high of 14.5 p.c. towards the middle of the last-mentioned month.

During the year under review, the position of the Belgian franc within the European Monetary System underwent appreciable changes,

Chart 22.

# DIVERGENCE INDICATOR <sup>1</sup> OF THE BELGIAN FRANC IN THE EUROPEAN MONETARY SYSTEM

*(Daily averages per month)*



<sup>1</sup> 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.



which can be measured by those in its divergence indicator. This went up sharply at the beginning of the year, so that the divergence threshold was overstepped in March and April. During the following months the divergence indicator fell back somewhat and, after the monetary realignment of 5th October, remained for two months at the lowest level which it had reached since the creation of the European Monetary System. In December, however, it moved sharply upwards again.

The difference between the developments which have just been described — a widening of the discount against the franc on the free market, on the one hand, and somewhat erratic movements of the franc's divergence indicator, on the other — is due to the characteristics of the transactions taking place via the free and the regulated market respectively. The free market rates are mainly influenced by the capital transactions of individuals. During the year under review these in fact devoted a larger proportion of their more abundant savings to building up deposits in foreign currencies. The situation on the regulated market, as reflected by the divergence indicator, is, for its part, almost constantly adversely affected by the deficit in respect of current transactions on a transactions basis; furthermore, at various times in 1981, it was hard-hit by certain types of capital transactions, especially drawings by non-residents on their holdings of convertible francs and capital outflows connected with foreign trade transactions : the building up of foreign-exchange balances by resident enterprises for the purpose of paying for imports and the granting by these same enterprises of deferred payment terms to their foreign customers. However, Belgian industrial enterprises, whose cash position was generally tight owing to the poor state of business and their run-down financial position, were in most cases only able to build up such assets by correspondingly increasing their borrowing on expensive terms; consequently they only undertook transactions of this kind involving exceptional amounts when they thought they had a chance of making an almost immediate profit on them, and quickly wound them up when these hopes were disappointed. Furthermore, holdings of convertible francs appeared to have fallen, in any case towards the end of the year, to a level corresponding to the normal working balances which non-residents can hardly do without, that is, to a level beyond which they could only be very temporarily reduced. This explains why, although very acute strains sometimes developed on the regulated market, these sometimes did not last for more than a week-end.

## 5. SUMMARY OF FINANCIAL DEVELOPMENTS IN BELGIUM.

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

As has already been explained in Chapter 3<sup>1</sup>, individuals contracted less financial liabilities during the first ten months of 1981 than in 1980, while companies, and above all the public authorities, contracted considerably more. The overall increase in the liabilities of the three domestic sectors proved substantially greater than that during the previous year, rising from Fr. 539 to 671 billion. The total of the financing requirements, which also includes recourse by companies to bank credit for the apparent economic purpose of financing payment periods for exports<sup>2</sup>, went up, for the period under review, from Fr. 541 billion in 1980 to Fr. 688 billion (item 1.3 of Table 15).

Among the elements which enabled these requirements to be met, a distinction can be made — *ex post* — between, on the one hand, the funds which were available « spontaneously » or « autonomously » on the domestic market and, on the other hand, those which were resorted to only because the former were inadequate.

Part of the first group consists of the funds in Belgian francs which residents — individuals and companies — place at the disposal of the domestic market (item 2.1 of Table 15), directly or indirectly (via the formation of deposits in francs with foreign financial intermediaries which the latter in turn reinvest in Belgium). During the first ten months of 1981, these funds amounted to Fr. 349 billion, or slightly more than in 1980 : total formation of financial assets did in fact increase, but, as has been seen, a much larger proportion of these was directed into investments in foreign currencies, while the outstanding amount of the notes issued declined less<sup>3</sup>. Consequently, their contribution towards meeting total financing requirements contracted once more, from 63 to 51 p.c.

Certain types of capital imports — for instance the establishment or expansion of head offices of foreign companies in Belgium and the

<sup>1</sup> Development of income and expenditure in Belgium.

<sup>2</sup> These credits are not included in the afore-mentioned liabilities of companies because they are, strictly speaking, credits granted to foreign countries.

<sup>3</sup> Assets in the form of notes, like those which the financial intermediaries have used to build up frozen or free balances with the Bank, are not taken into account here because they are not resources which can be used by financial intermediaries other than the Bank to finance their credits.

Table 15.

**GROSS FINANCING REQUIREMENTS OF INDIVIDUALS, COMPANIES AND PUBLIC AUTHORITIES AND COVER ITEMS**  
(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 p
									First 10 months	
<b>1. Gross financing requirements :</b>										
1.1 Increase in liabilities of individuals, companies and public authorities <sup>1</sup> .....	238	265	350	441	468	496	588	645	539 <sup>6</sup>	671 <sup>6</sup>
1.2 Increase in credits for financing payment periods for exports .....	5	14	5	1	16	9	17	7	2	17
1.3 (= 1.1 + 1.2) Total .....	243	279	355	442	484	505	605	652	541	688
<b>2. Cover items :</b>										
<i>Funds available on the domestic market :</i>										
2.11 Formation of financial assets by individuals and companies <sup>2</sup> .....	280	290	359	459	449	448	462	462	389	507
<i>less :</i>										
2.12 Formation of financial assets in currencies other than the franc .....	-(22)	-(14)	-(25)	-(49)	-(16)	-(36)	-(71)	-(72)	-(60)	-(164)
2.13 Increase in bank notes held by individuals .....	-(15)	-(17)	-(33)	-(16)	-(28)	-(21)	-(9)	-(4)	-(7)	-(2)
2.14 Increase in frozen balances (monetary reserve) and free balances of financial intermediaries with the National Bank of Belgium .....	-(22)	-(12)	-(21)	-(2)	-(...)	-(4)	-(3)	-(...)	-(4)	-(4)
2.1 (= 2.11 + 2.12 + 2.13 + 2.14) Available balance ...	221	271	322	392	405	387	379	386	340	349
2.2 Capital imports other than those mentioned under 2.5 <sup>3</sup> .....	26	35	65	22	68	81	97	110	74	15
2.3 Statistical adjustment .....	- 4	- 22	- 24	- 13	- 29	- 17	11	17	31 <sup>7</sup>	1 <sup>7</sup>
2.4 (= 2.1 + 2.2 + 2.3) Total .....	243	284	363	401	444	451	487	513	445	365
<i>Other :</i>										
2.5 Increase in liabilities :										
2.51 of the Treasury in foreign currencies <sup>4</sup> .....	- 4	- 2	- 1	- 1	- 1	12	42	92	82	171
2.52 of the rest of the public sector <sup>5</sup> in foreign currencies <sup>4</sup> .....	- 1	1	...	1	3	...	29	53	49	48
2.53 of private companies to foreign financial intermediaries .....	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	2	16	5	25
2.54 (= 2.51 + 2.52 + 2.53) Total .....	- 5	- 1	- 1	...	2	12	73	161	136	244
2.6 Increase in domestic recourse to the National Bank of Belgium .....	5	- 4	- 7	41	38	42	45	- 22	- 40	79
<b>3. (= 1.3 - 2.4 = 2.54 + 2.6) Shortage of funds on the financial market .....</b>	...	- 5	- 8	41	40	54	118	139	96	323

<sup>1</sup> Annual data : sum of the grand totals of Tables 5 and 7 and the first four columns (with reversed signs) of Table 8.

<sup>2</sup> Sum of the grand totals of Tables 4 and 6. See Annex 6, Table 11.

<sup>3</sup> Sum of the changes in companies' gross liabilities to foreign non-financial sectors 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).

<sup>4</sup> Contracted both directly abroad and via private-sector financial intermediaries.

<sup>5</sup> All public authorities other than the Treasury, public operating organisations and public credit institutions.

<sup>6</sup> Excluding social security.

<sup>7</sup> Including social security.



acquisition of interests in existing Belgian companies — would probably have taken place irrespective of whether funds were scarce or plentiful on the domestic financial market; such imports can therefore also be counted as belonging in the category of funds spontaneously on offer on this market. The distinction between spontaneous capital imports and others can, however, only be made in a somewhat arbitrary manner : it has in fact been assumed that all capital imports took place spontaneously except for the public sector's foreign-currency loans and those obtained by private Belgian companies from foreign financial intermediaries. This pragmatic ex post approach implies, however, that the movements which are described as spontaneous also include capital flows which are in fact induced, for instance, by rises in interest rates which were due to the ex ante shortage of funds but which, as such, are difficult to quantify. Spontaneous capital imports as thus defined (item 2.2 of Table 15) reached, during the first ten months of 1981, Fr. 15 billion, or considerably less than the Fr. 74 billion recorded in 1980.

Finally, account being taken of a statistical adjustment, the total amount of funds available on the domestic market declined from Fr. 445 billion for the first ten months of 1980 to Fr. 365 billion (item 2.4 of Table 15). On the other hand, total gross financing requirements showed, as mentioned, a marked expansion, so that the difference between the two, which provides an indication of the shortage of funds on the domestic market, was over three times as great for the period under review than during the previous year : namely Fr. 323 billion against Fr. 96 billion (item 3 of Table 15). Ex post, it can be observed that this shortage induced the public sector to issue a larger volume of foreign-currency loans, namely Fr. 219 billion against Fr. 131 billion (the sum of items 2.51 and 2.52 of Table 15), and that, similarly, certain companies — in particular some public utility undertakings — were obliged to resort to foreign financial intermediaries in order to place loans. Lastly, the domestic sectors as a whole appreciably increased their recourse to the Bank's rediscounting and advances, namely by Fr. 79 billion for the first ten months, whereas it had shown a net decline of Fr. 40 billion in 1980.

Item 1 of Table 16<sup>1</sup> shows the extent to which the various sectors of the Belgian economy were affected by the shortage of funds on the

<sup>1</sup> See Annex 6, Table 16, for the data for the year as a whole.



Table 16.

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

(First ten months of 1981 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 National Bank of Belgium's statement of account
			Total	Of which :				
				Public credit institutions	Belgian and Luxembourg banks <sup>1</sup>	Private savings banks		
1. Transactions outside the money market <sup>2</sup> .....	- 393	- 16	+ 112	(+ 30)	(+ 49)	(+ 21)	+ 297	—
of which :								
1.1 Long-term public paper in Belgian francs <sup>3</sup> <sup>4</sup> .....	(+ 42)	(- 22)	(+ 94)	(+ 103)	(+ 3)	(- 14)	(- 114)	—
1.2 Individuals' balances at the Postal Cheque Office .....	(+ 2)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(- 2)	—
2. Transactions on the money market :								
2.1 Transactions with parties other than the lender of last resort :								
2.11 Certificates in Belgian francs at up to one year <sup>4</sup> <sup>5</sup> .....	+ 168	- 3	- 166	(- 62)	(- 80)	(- 24)	+ 1	—
2.12 Call money : — against security (net amounts) .....	—	—	—	(...)	(- 1)	(+ 1)	—	—
— outside the protocol .....	—	...	...	(...)	(...)	(...)	...	—
2.13 Inter-bank market .....	—	—	—	(...)	(+ 2)	(...)	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market .....	...	+ 16	+ 26	(+ 26)	(—)	(—)	- 42	—
2.15 Total .....	+ 168	+ 13	- 140	(- 36)	(- 79)	(- 23)	- 41	—
2.2 Transactions with the lender of last resort :								
2.21 Transactions which cause the financial intermediaries to resort to the National Bank of Belgium or enable them to reduce their indebtedness to it :								
2.211 Treasury certificates sold to the National Bank of Belgium .....	...	—	—	(—)	(—)	(—)	—	...
2.212 Treasury certificates sold to the Securities Regulation Fund and financed by it with the special assistance of the National Bank of Belgium .....	+ 54	—	—	(—)	(—)	(—)	—	+ 54
2.213 Foreign currencies borrowed by the public sector and sold by it to the National Bank of Belgium ...	+ 171	+ 3	+ 3	(+ 3)	(—)	(—)	—	+ 177
2.214 The National Bank of Belgium's interventions on the foreign exchange market <sup>6</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 263	- 263
2.215 Notes of the National Bank of Belgium <sup>7</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 5	+ 5
2.216 Other .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 2	+ 2
2.217 Total .....	+ 225	+ 3	+ 3	(+ 3)	(—)	(—)	- 256	- 25
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted .....	—	—	+ 34	(+ 3)	(+ 30)	(+ 2)	—	+ 34
2.222 Advances obtained .....	—	—	- 9	(...)	(...)	(...)	—	- 9
2.223 Total .....	—	—	+ 25	(+ 3)	(+ 30)	(+ 2)	—	+ 25

<sup>1</sup> 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 National Bank of Belgium 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.

<sup>2</sup> In the first six 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.

<sup>3</sup> Treasury certificates at over one year and bonds and medium-term notes issued by the Treasury, the public sector not included elsewhere and the public credit institutions.

<sup>4</sup> 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.

<sup>5</sup> Treasury certificates and Securities Regulation Fund certificates.

<sup>6</sup> Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.

<sup>7</sup> Plus sign : decrease; minus sign : increase.

financial market : actually, it was only felt by the Treasury (column 1) and the public sector not included elsewhere (column 2). The liquidity of the financial intermediaries as a whole and of their main categories was appreciably greater at the end of the period examined than at the beginning : this is probably attributable, on the one hand, to the relative weakness of demand for credit by individuals and, on the other hand, to the fact that there was little or no increase in the financial intermediaries' portfolio of long-term public paper, because the yield on the latter was nearly always below the interest rates on Treasury certificates.

The financial intermediaries used their extra liquidity to subscribe for Treasury certificates; furthermore, the public credit institutions acquired such certificates with the proceeds of loans contracted in foreign currencies and the Belgian banks financed part of their purchases of these certificates by increasing their recourse to rediscounting at the Bank, having been induced to do so by the fact that the differential between the interest rates on Treasury certificates and the official discount rate, which was small at the beginning of the year under review, widened during the first half of the year and remained relatively large until the discount rate was raised at the beginning of December.

Altogether, during the first ten months, the Treasury issued Treasury certificates at up to one year to the amount of Fr. 168 billion (item 2.11 of Table 16). This amount was, however, much smaller than that of the budget deficit not covered by the net issue of long-term public paper in Belgian francs. In order to finance the balance, the Treasury was obliged to have recourse to loans in foreign currencies to the extent of Fr. 171 billion (item 2.213 of Table 16) and to sell Fr. 54 billion's worth of Treasury certificates to the Securities Regulation Fund, which financed them with the Bank's special assistance (item 2.212 of Table 16).

It is evident from the developments described, however, that the trends of the two components of the financial intermediaries' liquidity diverged fairly considerably in 1981 : for each of the four quarters of the year under review, the amounts of the portfolios of public short-term paper were greater than those in 1980, which, in turn, were already well above those previously recorded; on the other hand, despite the raising of the rediscount ceilings, modest though it was, the available margins under these fell from Fr. 55 billion in the fourth quarter of 1980 to Fr. 28 billion in the fourth quarter of 1981. It should be pointed out that no change was made in the coefficients which are applied to the

Table 17.

## COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES

(Average outstanding amounts in billions of francs <sup>1</sup>)

	Net lending of call money				Portfolio of Belgian-franc public paper at up to one year (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
1973 .....	4	1	...	5	22	42	1	65	12	3	—	15
1974 .....	4	1	...	5	25	31	1	57	5	2	—	7
1975 .....	3	1	...	4	19	58	2	79	16	3	...	19
1976 .....	3	1	1	5	35	57	1	93	9	2	1	12
1977 .....	3	...	1	4	54	84	1	139	23	3	2	28
1978 .....	3	...	1	4	46	83	2	131	21	8	4	33
1979 .....	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
1981 1st quarter .....	3	...	2	5	199	87	8	294	35	11	4	50
2nd quarter .....	3	...	1	4	237	118	17	372	18	10	3	31
3rd quarter .....	1	...	2	3	243	113	26	382	13	9	2	24
4th quarter .....	2	...	1	3	241	137	29	407	16	10	2	28
Year .....	2	...	2	4	230	114	20	364	20	10	3	33

<sup>1</sup> 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.

various elements of the financial intermediaries' statement 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 : these adjustments raised the rediscount ceilings of the financial intermediaries as a whole from Fr. 108 billion at the end of 1980 to Fr. 117 billion a year later.

Nevertheless the Bank adopted measures in 1981 in order to make it easier for the Creditexport Pool to finance exports by means of medium-term credits. In principle, « Creditexport » bills with up to one year to run are resold by the Pool to the bank which lodged the transaction with it. However, these short-term bills remain frozen in the Pool's portfolio when their interest rate is below the standard rates of the Rediscount and Guarantee Institute. This was the case in 1981, which made it difficult for the Pool to finance new export transactions. The Bank therefore decided to apply a special interest rate to the rediscounting of « Creditexport » bills with up to one year to run representing exports to countries which are not members of the European Economic Community. This special rate is identical to that of the bill.

The practical procedures under this new system are as follows. The Creditexport Pool mobilises the short-term bills in question with the Rediscount and Guarantee Institute at a rate equal to the Bank's special rate which has just been referred to. These bills are counted against the rediscount ceiling of the bank which lodged the transaction, not in full in accordance with the general rule but to the extent of the amount of the bank's participation in the financing, by the Pool, of the total of short-term « Creditexport » bills prior to their resale to the Institute. The latter in turn mobilises these bills with the Bank; the part which is not counted against the ceiling of a bank is then counted against a ceiling which the Bank has specially granted to the Institute for this purpose.

The new system entered into force on 1st December 1981 for a period of one year.

#### **b) Interest rates and monetary policy**

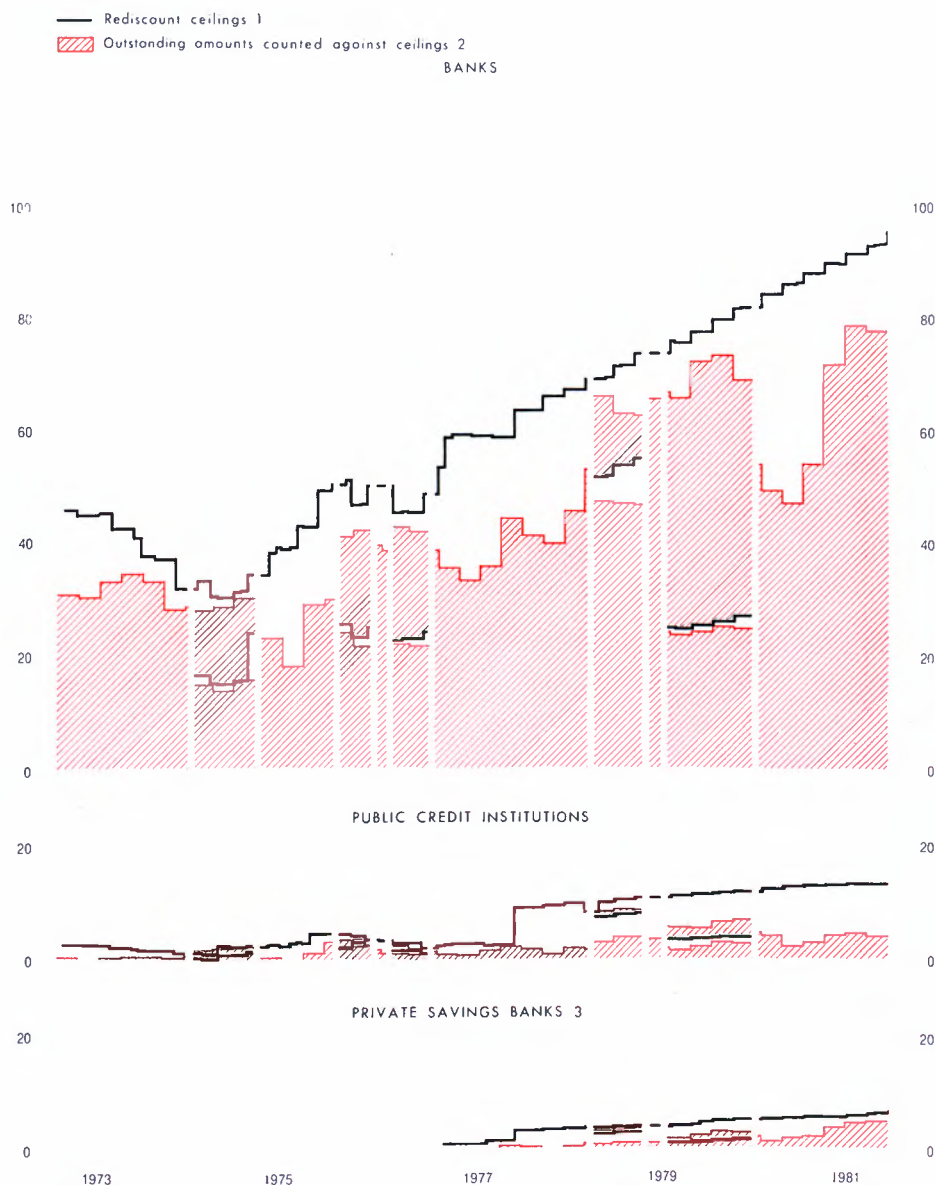
Long-term interest rates and, with certain exceptions, short-term rates rose further in 1981. In view, however, of the national and international context, these rises are to be regarded as moderate.



Chart 23.

# FINANCIAL INTERMEDIARIES' REDISCOUNT CEILINGS

(Billions of francs)



<sup>1</sup> End-of-month date. 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, the ceilings were divided into sub-ceilings A (lower part of chart) and B (upper part).

<sup>2</sup> 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.

<sup>3</sup> The system of rediscount ceilings for the private savings banks has only existed since March 1975. For 1975 and 1976 : small amounts.

The shortage of funds on the domestic market referred to in section a) of this chapter <sup>1</sup> could conceivably have pushed up interest rates to a level high enough to cause the shortage to disappear, mainly as a result of a growth in the net capital imports which are assumed to be spontaneous but which actually depend on the interest rate differential between Belgium and foreign countries, such as the formation of assets in Belgian francs of the regulated market by non-residents. In view of the extent of the shortage, an extraordinarily high level of rates would have been necessary in order to make it disappear. The reason why such a level was not reached was largely because the public sector financed a considerable proportion of its requirements with the proceeds of the sale, against francs, of borrowed foreign currencies; it was also because the Bank appreciably increased its special assistance to the Securities Regulation Fund and did not prevent the financial intermediaries, by a change in the method of calculation of the rediscount ceilings, from increasing the outstanding amount of their rediscounting with it.

The rate of yield on issue of public-sector loans rose in 1981. As is shown by Chart 24, for most of the year the rise was slower than that observed on the main foreign markets; on these, however, the rates turned downwards during the fourth quarter, whereas no such movement took place in Belgium. The rise in long-term rates did not, incidentally, prevent the financial intermediaries as a whole from displaying a marked preference for the more remunerative short-term Treasury certificates, at the expense of their net purchases of public long-term paper, as is shown by Table 16 above <sup>2</sup>.

The rate of yield on the bonds and medium-term notes issued on tap by the public credit institutions had to be adjusted to the above-mentioned rise, although this adjustment did not take place completely in 1981. These institutions were therefore obliged to increase the rates on the long-term credits granted by them. Chart 25 also shows that the rise in the rates for mortgage loans was smaller than that for investment credits, because the former are largely financed with the aid of deposits on ordinary savings books, the rate for which did not change.

Among the various Euro-currencies for which Table 18 gives the three-month interest rate, the Belgian franc was already in 1980 among

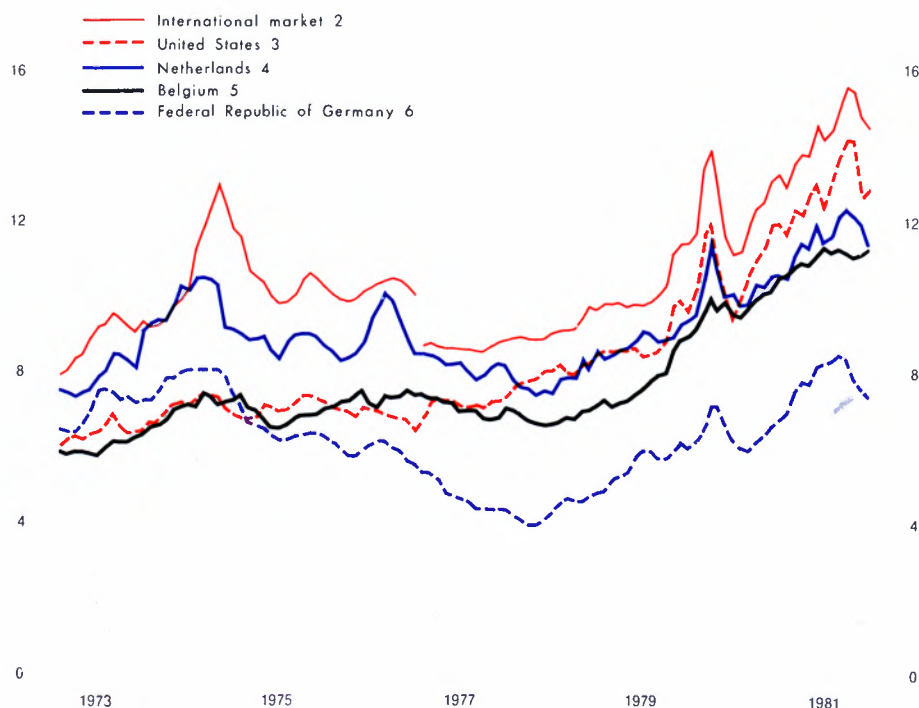
<sup>1</sup> Meeting of gross financing requirements, and effect, on the situation of the financial intermediaries.

<sup>2</sup> Obtaining and use of funds by the various sectors of the economy.

Chart 24.

# LONG-TERM YIELD RATES <sup>1</sup> IN BELGIUM AND ABROAD

(Per cent)



Sources : International market : Financial statistics of the Organisation for Economic Cooperation and Development.  
 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.

<sup>1</sup> Rate of yield on the secondary market, 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 17.

<sup>2</sup> Dollar Euro-bonds with a remaining period to maturity of from 7 to under 15 years, issued by the public sector. The calculation and composition of the sample were changed in January 1977.

<sup>3</sup> Federal Government bonds (10 years and over).

<sup>4</sup> Last three long-term government loans.

<sup>5</sup> Government bonds at over 5 years.

<sup>6</sup> Public-sector bonds.

those with the best remuneration. In 1981 the rate for the Euro-Belgian franc — which may be regarded as representative of money market rates in Belgium <sup>1</sup> — was on average even higher than the preceding year, as

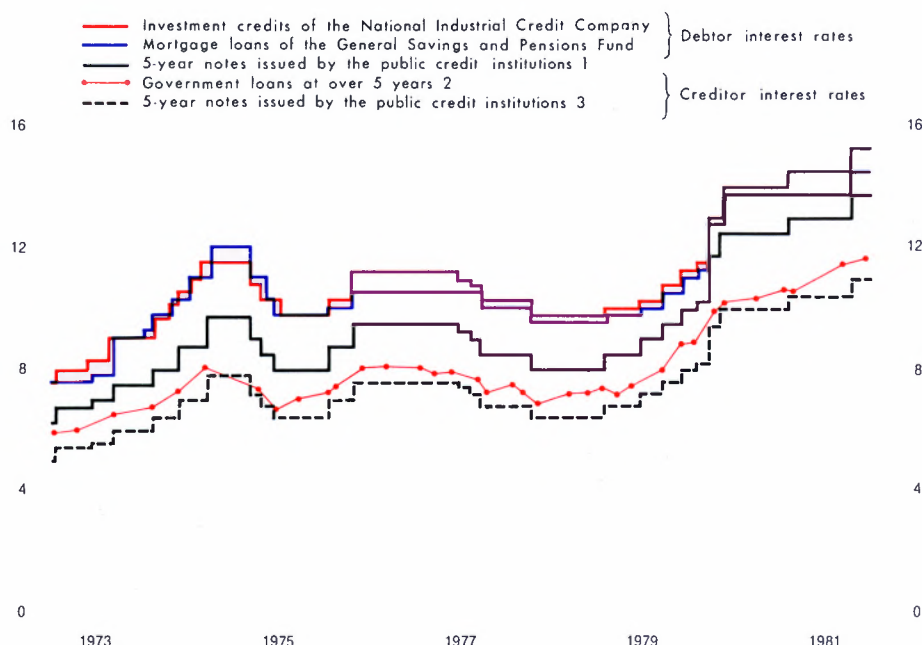
<sup>1</sup> See Annex 6, Table 18.

was also the case, incidentally, with the other main currencies, except for the pound sterling. At the same time, however, distinctly greater confidence was displayed in some of these currencies, which explains,

Chart 25.

# LONG-TERM RATES

(Per cent)



1 Yield on issue, before deduction of tax at source.

2 Yield on issue to final maturity, after deduction of tax at source. Including the loans of the Road Fund and, in 1981, the Belgian Municipal Credit Institution Loan 1981-85-89 and the Telegraphs and Telephones Board Loan 1981-88. These last two loans were included owing to the small number of loans issued by the Government in 1981 and to the fact that the rate of yield on the special loan issued in June 1981 is not comparable with those on the other issues.

3 Yield on issue, after deduction of tax at source.

as stated, the appearance of net outflows of short-term capital and the widening of the discount on the Belgian franc on the free market which was observable throughout the greater part of the year.

If attention is paid to the changes from year-end to year-end instead of the annual averages, it will be seen from Chart 26 that, among short-



term creditor rates, not only that on deposits on ordinary savings books remained stable, as has already been mentioned, but also the rates on ordinary time deposits. Furthermore, the negative differential displayed by the rates on time deposits of from Fr. 1 to 5 million in comparison

Table 18.

THREE-MONTH INTEREST RATES FOR EURO-CURRENCIES

(Daily averages)

	1980 (a)	1981 (b)	Difference (c) = (b) - (a)
	(per cent)		
Belgian franc .....	14.23	15.23	1.00
U.S. dollar .....	14.11	16.85	2.74
German mark .....	9.09	11.73	2.64
French franc .....	12.51	18.04	5.53
Pound sterling .....	16.76	13.94	- 2.82
Netherlands guilder .....	10.61	11.60	0.99
	(percentage of exchange rate on the regulated market)		
<i>Pro memoria</i> : Belgian-franc rate for the dollar on the free foreign exchange market. ....	101.4	106.0	+ 4.6

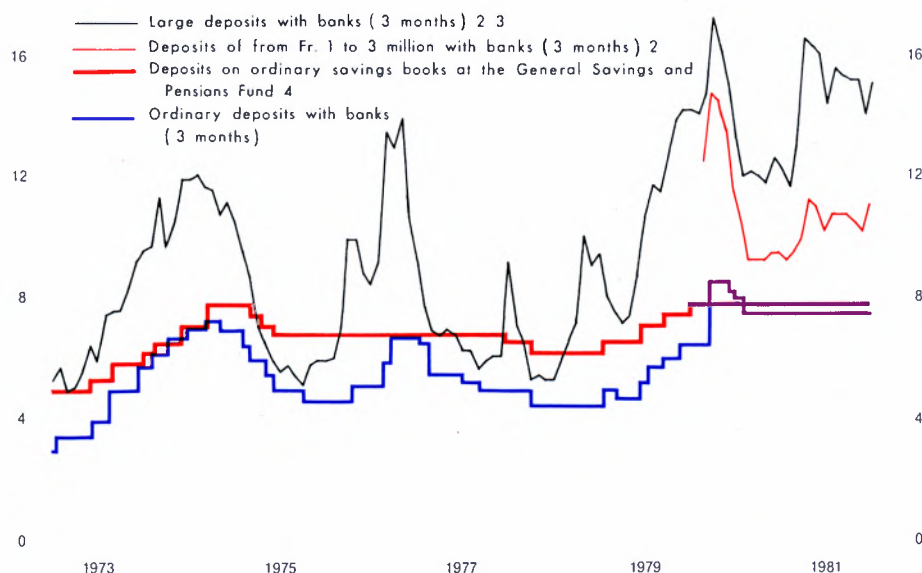
with those on time deposits of from Fr. 5 to 20 million increased; for three-month deposits of from Fr. 1 to 3 million it rose from 2.75 to 4 p.c. The behaviour of these various creditor rates slowed down, all other things being equal, the rise in the debtor rates for discounts advances and acceptance credits.

Table 19 shows the successive periods of upward and downward movement of interest rates on the money market in 1981. The periods of upward movement are characterised by the fact that the private sector bought substantial net amounts of foreign currencies on the regulated foreign exchange market. The resultant destruction of francs was such that, during these periods, the banks' liquidity declined, whereas as was seen in section a) of this chapter <sup>1</sup>, it went up over the first ten months as a whole. This contraction in liquidity is normally accompanied by a rise in the interest rates on interbank deposits.

<sup>1</sup> Meeting of gross financing requirements, and effect, on the situation of the financial intermediaries.

Chart 26.

# SHORT-TERM CREDITOR RATES <sup>1</sup> (Per cent)



<sup>1</sup> Rates before deduction of tax at source. See Annex 6, Table 19.

<sup>2</sup> Rates ruling at end of month.

<sup>3</sup> Indicative rates for deposits of from Fr. 5 to 20 million.

<sup>4</sup> 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. 80,000 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.

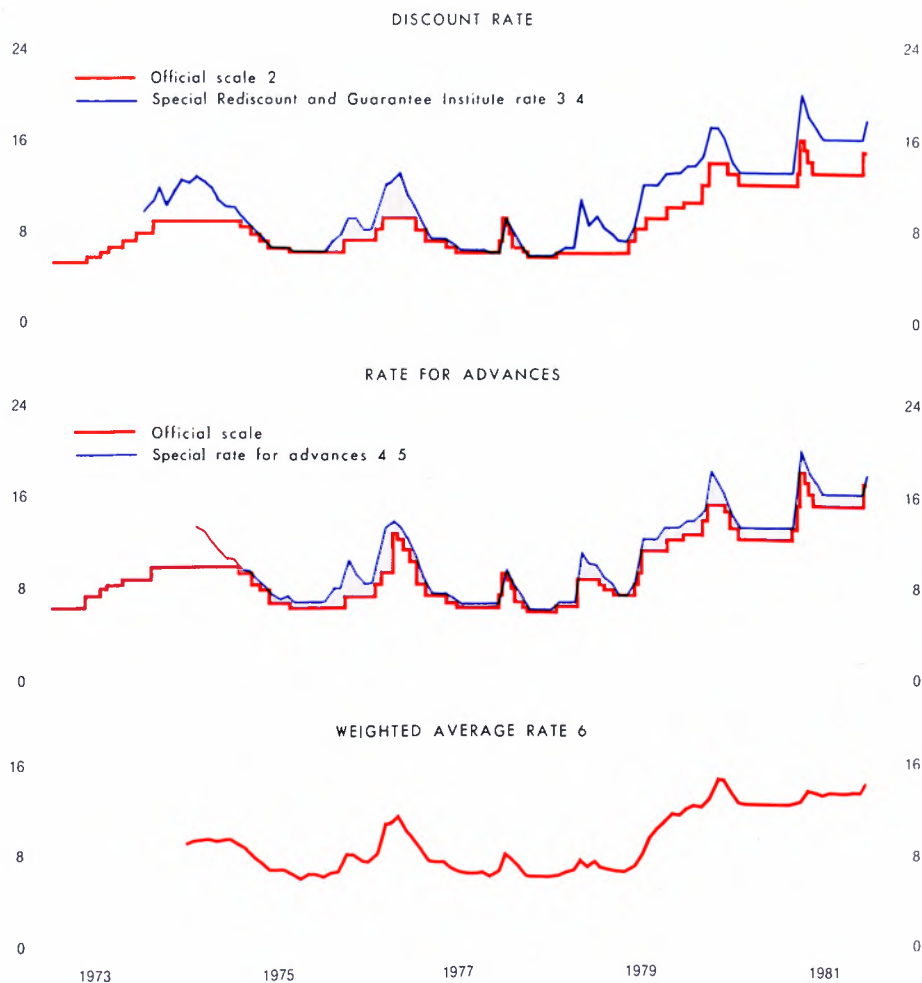
Furthermore, during periods such as that from the end of January to the beginning of April or that covering the second third of December, during which net purchases reached particularly substantial amounts on certain days, the Bank ratified the spontaneous rise in rates on the money market, and even accentuated it, by raising its own scales. These were lowered, on the other hand, as soon as the situation on the foreign exchange market permitted.

The increases in the Bank's rates were an indication of its determination to maintain the position of the franc within the European Monetary System and were aimed at preventing the more serious disorders

Chart 27.

# RATES OF THE NATIONAL BANK OF BELGIUM <sup>1</sup>

(Per cent)



<sup>1</sup> See Annex 6, Tables 20 and 21.

<sup>2</sup> Bills accepted payable at a bank (from 8th July 1974 to 31st March 1975, from 12th February to 10th 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).

<sup>3</sup> 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.

<sup>4</sup> 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.

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

<sup>6</sup> 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.

Table 19.

CHANGE IN THE LIQUIDITY OF THE BANKS AND NET PURCHASES  
OF FOREIGN CURRENCIES DURING THE PERIODS OF RISING AND  
FALLING INTEREST RATES IN 1981

Periods of rise and fall in the rates on inter-bank deposits in 1981	Change in interest rates (per cent)		Change in the liquidity of the Belgian and Luxembourg banks 1	Net purchases of foreign currencies on the regulated foreign exchange market 2
	Rates on three-month inter-bank deposits	Discount rate of the National Bank of Belgium		
	(billions of francs per working day)			
2nd January — 28th January .....	— 1.0	...	+ 2.9	0.3
29th January — 7th April .....	+ 5.4	+ 4	— 0.8	2.8
8th April — 17th June .....	— 2.7	— 3	+ 1.4	0.2
18th June — 10th July .....	+ 1.6	...	— 1.7	2.3
13th July — 9th December .....	— 1.8	...	+ 0.1	1.6
10th December — 22nd December .....	+ 1.9	+ 2	— 6.5	3.3

<sup>1</sup> The definition of this column is the same as that of the fifth column of item 1 of Table 16.

<sup>2</sup> Purchases by the private sector and purchases by the public sector for its current expenditure abroad; the total of these purchases was estimated by adding the sales of borrowed foreign currencies by the public sector on the regulated foreign exchange market to the National Bank of Belgium's interventions on that market.

which would have occurred on the money market if the capital outflows had been allowed to grow in volume and continue for an unduly long period.

In order to prevent the financial intermediaries from weakening the effect of the purchases of foreign currencies on their cash holdings by withdrawing funds from the public sector and thus forcing the Treasury to resort, indirectly for their benefit, to the lender of last resort, the Bank addressed to them at the beginning of April, when these purchases were becoming disquietingly large, a monetary policy recommendation <sup>1</sup> whereby they were called upon, for a period of three months, on the one hand to maintain a minimum portfolio of public paper and on the other hand to make additional investments in public paper in proportion to the growth in short-term credit granted to enterprises and individuals.

<sup>1</sup> The details of this recommendation are given in Annex 7.





## *Annual accounts*

# BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER, 1981

(in thousands of francs)

## ASSETS

Gold Holding . . . . .		58,213,957
International Monetary Fund :		
Quota . . . . .		15,342,722
Loans . . . . .		—
Special Drawing Rights . . . . .		30,553,442
Ecus . . . . .		33,640,363
Foreign Currencies . . . . .		112,004,933
Foreign Currencies and Gold Receivable :		
European Monetary Cooperation Fund . . . . .		39,609,969
Other . . . . .		—
International Agreements . . . . .		968,042
Advances to the I.M.F. . . . .		4,475,776
European Monetary Cooperation Fund . . . . .		—
E.E.C. : Medium-term Financial Assistance . . . . .		—
Debtors in respect of Foreign Exchange and Gold at Forward Dates . . . . .		—
Commercial Bills . . . . .		85,559,427
Advances against Pledged Security :		
Institutions governed by a Special Law . . . . .	92,178	
Banks . . . . .	479,275	
Enterprises and Individuals . . . . .	2,965	574,418
Public Securities :		
Belgian Public Securities . . . . .		37,000,000
Luxembourg Public Securities . . . . .		—
Special Assistance to the Securities Regulation Fund . . . . .		149,540,000
Treasury Notes and Coin . . . . .		673,509
Balances at the Postal Cheque Office :		
A Account . . . . .		1,991
B Account . . . . .		4,468,980
Consolidated Claim on the Government . . . . .		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972 . . . . .		3,450,350
Items Receivable . . . . .		3,401,652
Public Long-term Securities . . . . .		8,861,355
Premises, Furniture and Equipment . . . . .		2,253,471
Securities of the Staff Pensions Fund . . . . .		14,254,014
Transitory Assets . . . . .		2,899,179
Total Assets . . . . .		641,747,550

# LIABILITIES

(in thousands of francs)

Bank Notes in Circulation . . . . .		382,224,640
Current and Sundry Accounts :		
Public Treasury : Ordinary Account . . . . .	23,359	
Institutions governed by a Special Law . . . . .	4,070,592	
Banks in Belgium . . . . .	355,572	
Enterprises and Individuals . . . . .	769,337	
Banks in Foreign Countries, Ordinary Accounts . . . . .	1,557,003	
Items Payable . . . . .	4,133,813	10,909,706
International Agreements :		
Financial Assistance Agreements . . . . .		4,468,980
Other Agreements . . . . .		34,015
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation . . . . .		23,610,731
European Monetary Cooperation Fund . . . . .		2,752,525
Ecus to be delivered to the European Monetary Cooperation Fund . . . . .		163,460,495
Monetary Reserve :		
Belgium . . . . .		—
Grand Duchy of Luxembourg . . . . .		—
Foreign Currencies and Gold to be delivered . . . . .		18,149
Staff Pensions Fund . . . . .		14,254,014
Transitory Liabilities . . . . .		29,139,743
Capital . . . . .		400,000
Reserve Fund :		
Statutory Reserve . . . . .		1,516,531
Extraordinary Reserve . . . . .		6,073,631
Account for Depreciation of Premises, Furniture and Equipment . . . . .		2,058,459
Net Profit for Distribution . . . . .		825,931
Total Liabilities . . . . .		641,747,550

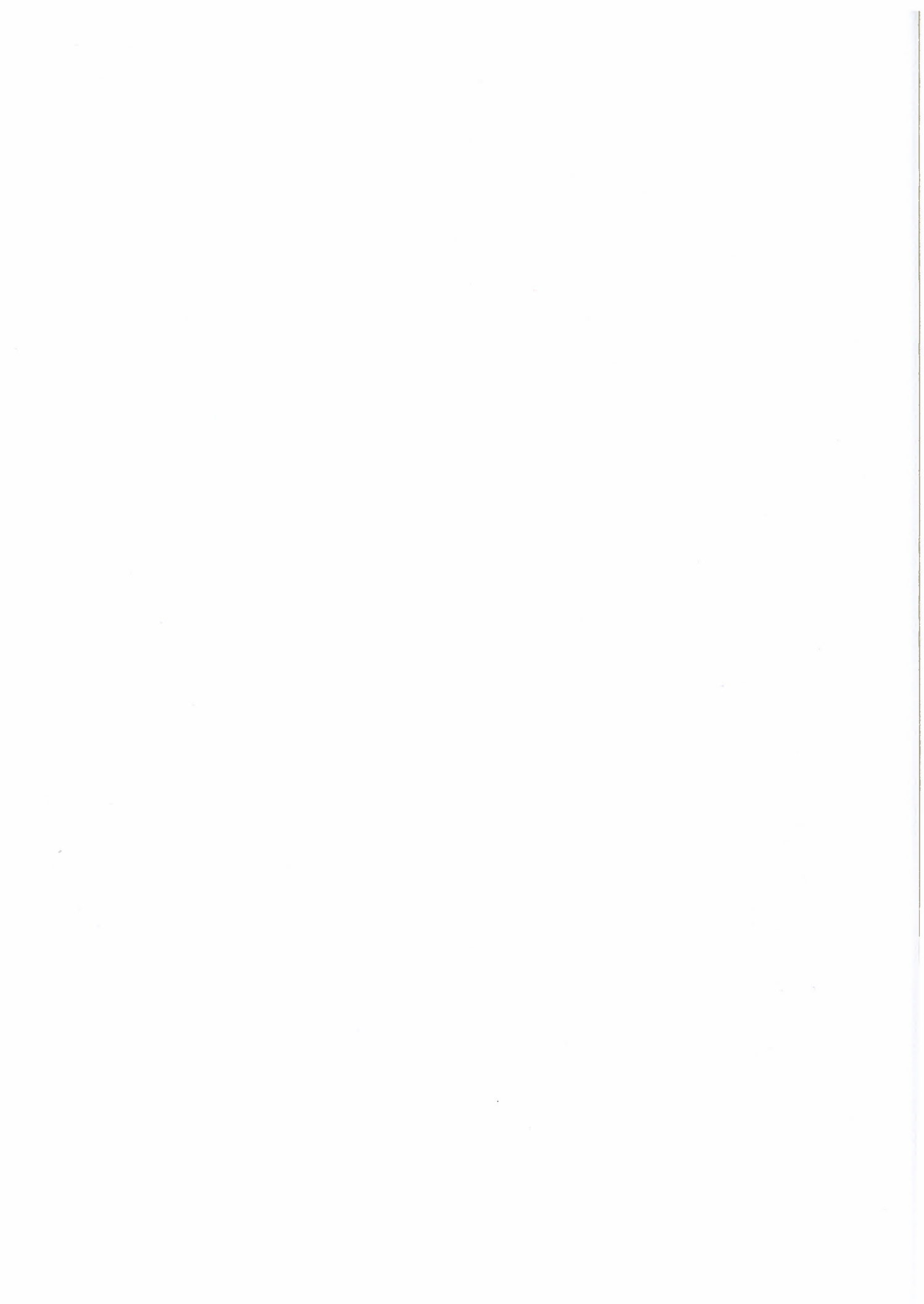


## PROFIT AND LOSS ACCOUNT AS AT 31<sup>ST</sup> DECEMBER, 1981

		(in thousands of francs)
<b>DEBIT</b>		
Government's Share :		
Discounts and Advances . . . . .	24,271,161	
Transactions with Foreign Countries . . . . .	8,482,569	32,753,730
General Expenses :		
Remunerations and Social Charges . . . . .	4,405,738	
Other Expenses . . . . .	440,145	
	4,845,883	
<i>less :</i>		
Expenses to be borne by Others . . . . .	716,966	4,128,917
Taxes and Dues . . . . .		2,830,828
Other Payments to the Public Treasury imposed by Law . . . . .		456,588
Depreciation of Premises, Furniture and Equipment . . . . .		335,265
Additional Grant to the Staff Pensions Fund . . . . .		500,000
Transfers to Reserves and Provisions as :		
Extraordinary Reserve . . . . .	1,177,000	
Provision for Premises, Furniture and Equipment . . . . .	260,000	
Provision against Sundry Contingencies . . . . .	500,000	
Provision for Taxes . . . . .	300,000	2,237,000
Net Profit for Distribution . . . . .		825,931
		44,068,259
<b>CREDIT</b>		
Proceeds of Discount and Advance Operations . . . . .		30,929,761
Proceeds of Transactions with Foreign Countries . . . . .		11,352,961
Proceeds of Public Long-term Securities . . . . .		867,559
Fees for Safe Custody, Commissions and Allowances . . . . .		226,822
Sundry Receipts . . . . .		533
Transfer of Reserves from the Staff Pensions Fund (Art. 240 of the Law of 8th August 1980 concerning the 1979-1980 Budget Proposals) . . . . .		429,188
Drawings on Transitory Liabilities Items . . . . .		261,435
		44,068,259

# MEMORANDUM ACCOUNTS AS AT 31<sup>ST</sup> DECEMBER, 1981

		(in thousands of francs)
Ministers of National Education :		
Balance for their account at the Postal Cheque Office (Education legislation) . . . . .		26,490,051
Documentary Credits Opened . . . . .		9,380
« Visa » of Acceptances relating to Exports and Imports . . . . .		431,831
Guarantees given by the Bank . . . . .		790,041
Securities received by way of Guarantee :		
Cover for advance limits against pledged security . . . . .	62,400,925	
Guarantees given by persons lodging bills for discount . . . . .	1,508	
Securities provided by borrowers of call money . . . . .	17,097,060	
Sundry security commitments . . . . .	34,672	
Other guarantees . . . . .	1,178,920	80,713,085
Guarantee Certificates received from the Public Treasury . . . . .		1,350,000
Items for Collection . . . . .		372,093
Assets administered for account of the European Monetary Cooperation Fund . . . . .		39,609,969
Deposits of Securities and Sundry Items :		
International Monetary Fund . . . . .	43,926,000	
International Development Association . . . . .	5,100,975	
Asian Development Bank . . . . .	656,974	
Inter American Development Bank . . . . .	310,520	
African Development Fund . . . . .	380,366	
Other Deposits . . . . .	755,961,487	806,336,322
Public Treasury :		
Sundry Securities owned by the Government :		
Preference Shares of the Belgian National Railways Co. . . . .	5,000,000	
Ordinary Shares of the Belgian National Railways Co. . . . .	1,000,000	
Participating Debentures of the Belgian National Railways Co. . . . .	638,305	
4.50 p.c. Certificates of the National Housing Co. . . . .	3,415,551	
4.50 p.c. Certificates of the National Land Co. . . . .	40,134	
Sundry Items :		
— Earmarked for the Monetary Fund . . . . .	940,447	
— Others . . . . .	6,306,196	17,340,633
Sundry Items for which the Government is the Depositary :		
Items lodged by outside parties . . . . .	91,823,855	
Service of the Registered Debt . . . . .	648,283,281	
Deposit and Consignment Office . . . . .	6,901,318	
Items lodged by way of guarantee . . . . .	12,524,099	759,532,553
Items to be delivered . . . . .	354,826,533	1,131,699,719
Securities Regulation Fund . . . . .		177,400,878



## DIVIDEND DECLARED FOR THE YEAR 1981

First Dividend, Total . . . . .	24,000
Second Dividend, Total . . . . .	526,000
Total . .	550,000

on 400,000 shares, that is per share a dividend of Fr. 1,375

Coupon No. 180 will be payable with effect from 1st March 1982 at the rate of Fr. 1,100 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 1,100, the taxable income per share is Fr. 2,007.50, including the tax relief and the Preliminary Tax on Personal Property <sup>1</sup>.

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 Roland BEAUVOIS, *Director*,  
 Georges JANSON, *Director*,  
 William FRAEYS, *Director*,  
 Frans JUNIUS, *Director*,  
 Jean-Pierre PAUWELS, *Director*,  
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 Roger RAMAEKERS, *Regent*,  
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 Jan HINNEKENS, *Regent*,  
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 Albert FRERE, *Regent*,  
 André DEVOGEL, *Regent*,  
 Alfred RAMPEN, *Regent*.

*The Governor*,  
 Cecil de STRYCKER.

<sup>1</sup> Tax relief  $\frac{1,100 \times 57.5}{100}$  . . . . . Fr. 632.50

Preliminary Tax on Personal Property  $\frac{1,100 \times 1}{4}$  . . . Fr. 275.00





*Administration and supervision*

*Departments and services*

*Branches and agencies*



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<i>Regents</i>	Messrs Hendrik CAPPUYNS, Roger RAMAEKERS, Raymond PULINCKX, Jozef HOUTHUYS, Georges DEBUNNE, Jan HINNEKENS, Luc AERTS, Albert FRERE, André DEVOGEL, Alfred RAMPEN.
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<i>Secretary</i>	Mr Valery JANSSENS.
<i>Treasurer</i>	Mr Pol DASIN.

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Mr Emiel KESTENS.



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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. VANDENEDEE.

Stores and Security

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

*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, Inspector-General.
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*Organisation and Data Processing Department* — Mr B. LIETAER, Assistant Director,

Deputy Head  
of Department

Mr J. NAGANT, Inspector-General,

Electronics Centre

Head Mr A. VLASSELAER, Inspector-General,

Heads of Division                      Messrs J. RENDERS, Y. LEBLANC,

Senior system-engineer      Mr J. MOERMAN.

## Organisation

Head Mr H. BARBE, Head of Division,

Head of Division Mr C. LOTS.

Consultant analysts      Messrs R. MAUHIN, R. VAN HEMELRIJCK,  
R. THIRION, W. STEPPE,

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,

Adviser Mr J. DOLO,

Heads of Division                      Mr H. DOMS, Miss J. RONDEUX.

*Branches and Agencies Department* — Mr J. VANNESTE, Assistant Director,

Head of Division Mr P. TELLIER.

General Treasury Department — Mr P. DASIN, Treasurer,

## Central Cash Office

Chief Cashier                      Mr F. DE MAEYER, Inspector-General,

Adviser Mr J. DE MAESSCHALCK,

**H**eads of Division                  Messrs R. SCHEYS, Y. BALSEAU, R. VERHEYDEN.

## Current Accounts

Head Mr T. FELIX, Inspector-General,

Heads of Division                      Messrs L. LEEMAN, G. BOEYKENS.

*Collections and Staff Library*

Head Miss C. LOGIE, Head of Division,

Adviser Mr X. DUQUENNE.



*Juridic Department*

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 at the International Monetary Fund in Washington*

Messrs L. VAN DER VEKEN, Head of Division,  
Mr DESSART, Adviser.

*Officials on mission on behalf of the International Monetary Fund*

Banque du Rwanda — Mr J. TAVERNIER, Adviser,  
Banque du Zaïre — Messrs J. DUREUIL, Controller, R. VANHULST, Head of Division,  
Banque de la République du Burundi — Mr R. BEERENS, Controller.

## BRANCHES AND AGENCIES

### *Antwerp*

Branch Manager  
Heads of Division

Mr H. ALLAER,  
Messrs E. DE KOCK, J. LINS, L. ROBBROECKX,  
F. KEMPS, E. RENTMEESTERS, J. BRIL,  
L. JACOBS, P. VERPOEST.

### *Liège*

Branch Manager  
Heads of Division

Mr A. FRANÇOIS,  
Messrs A. AMEILE, J. CROTTEUX, H. PAQUES.

### *Luxembourg (Grand Duchy)*

Branch Manager  
Head of Division

Mr M. HENNEQUIN,  
Mr J. HANSEN.

### *Aalst*

Agency Manager

Mr L. GHYSELS.

### *Arlon*

Agency Manager

Mr R. TOBIE.

### *Brugge*

Agency Manager  
Head of Division

Mr L. VAN DEN WIJNGAERT,  
Mr W. MAGERMAN.

### *Charleroi*

Agency Manager  
Heads of Division

Mr A. D'HAUWE,  
Messrs J.F. KERVYN de MARCKE ten DRIESSCHE,  
A. DEBU.

### *Ghent*

Agency Manager  
Heads of Division

Mr K. MORTIER,  
Messrs A. MAENHAUT, G. DE CLERCQ.

### *Hasselt*

Agency Manager  
Head of Division

Mr M. WELLEMAN, S.  
Mr L. MESOTTEN.

### *Huy*

Agency Manager

Mr J. TIELEMANS.

*Kortrijk*

Agency Manager	Mr F. LEFLERE,
Head of Division	Mr L. GHEKIERE.

*La Louvière*

Agency Manager	Mr P. VAN NIEUWENHUYSE.
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*Leuven*

Agency Manager	Mr H. LIENAERT van LIDTH de JEUDE.
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*Malmédy*

Responsible for the management of the agency	Mr E. LIENNE.
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*Marche-en-Famenne*

Agency Manager	Mr J. BOFFING.
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*Mechelen*

Agency Manager	Mr L. KERREMANS.
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*Mons*

Agency Manager	Mr P. NYS.
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*Namur*

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

*Nivelles*

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

Agency Manager	Mr G. ONGENA.
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*Roeselare*

Agency Manager	Mr J. BOUDOU.
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*Ronse*

Responsible for the management of the agency	Mr G. DELIVEYNE.
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*Sint-Niklaas*

Agency Manager	Mr P. PEETROONS.
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*Tienen*

Head of Division	Mr W. SMOUT.
Responsible for the management of the agency	

*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

ASSETS	1977	1978	1979	1980	1981
<b>Gold Holding</b>	72,295.0	72,531.9	58,261.4	58,214.0	58,214.0
<b>International Monetary Fund :</b>					
Quota	26,718.0	19,407.1	18,125.9	18,108.2	15,342.7
Loans	1,467.8	689.9	—	—	—
Special Drawing Rights	19,808.8	20,150.7	23,152.1	24,166.7	30,553.4
<b>Ecus</b>			61,112.2	110,675.1	33,640.4
<b>Foreign Currencies</b>	101,161.0	106,125.9	75,472.6	114,751.0	112,004.9
<b>Foreign Currencies and Gold Receivable :</b>					
European Monetary Cooperation Fund			35,707.0	40,126.2	39,609.9
Other	—	—	2,377.3	—	—
<b>International Agreements</b>	444.1	392.9	4.8	841.5	968.0
<b>Advances to the I.M.F.</b>	9,731.4	9,374.3	7,369.4	5,706.4	4,475.8
<b>European Monetary Cooperation Fund</b>	—	—	—	—	—
<b>E.E.C. : Medium-term Financial Assistance</b>	6,538.2	—	—	—	—
<b>Debtors in respect of Foreign Exchange and Gold at Forward Dates</b>	—	11,889.1	19,597.3	2,989.8	—
<b>Commercial Bills</b>	59,670.3	78,992.7	80,603.0	47,080.3	85,559.4
<b>Advances against Pledged Security :</b>					
Institutions governed by a Special Law	7,815.4	14,171.9	23,534.8	10,362.6	92.2
Banks	49.0	2,046.1	187.5	52.6	479.2
Enterprises and Individuals	15.5	561.4	11.2	8.8	3.0
	7,879.9	16,779.4	23,733.5	10,424.0	574.4
<b>Public Securities :</b>					
Belgian Public Securities	37,000.0	37,000.0	37,000.0	37,000.0	37,000.0
Luxembourg Public Securities	—	—	—	—	—
<b>Special Assistance to the Securities Regulation Fund</b>	2,800.0	15,950.0	52,450.0	77,125.0	149,540.0
<b>Treasury Notes and Coin</b>	366.3	419.0	426.6	577.3	673.5
<b>Balances at the Postal Cheque Office :</b>					
A Account	2.1	2.0	2.2	1.8	2.0
B Account	2,446.1	2,018.5	3,432.6	4,276.4	4,469.0
<b>Consolidated Claim on the Government</b>	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
<b>Special Treasury Bills</b>	400.0				
<b>Provisional Adjustment resulting from the Law of 3rd July 1972</b>	3,450.4	3,450.4	3,450.4	3,450.4	3,450.4
<b>Items Receivable</b>	2,241.1	9,152.1	18,776.3	22,289.1	3,401.7
<b>Public Long-term Securities</b>	6,066.6	6,498.2	7,232.7	8,005.7	8,861.4
<b>Premises, Furniture and Equipment</b>	2,191.5	2,150.0	2,232.2	2,240.1	2,253.5
<b>Securities of the Staff Pensions Fund</b>	9,043.8	10,293.5	11,757.7	13,130.2	14,254.0
<b>Transitory Assets</b>	1,207.4	1,554.7	2,010.8	2,053.1	2,899.2
	406,929.8	458,822.3	578,288.0	637,232.3	641,747.6

LIABILITIES	1977	1978	1979	1980	1981
<b>Bank Notes in Circulation</b> . . . . .	335,404.5	359,903.0	371,796.1	376,087.1	382,224.6
<b>Current and Sundry Accounts :</b>					
Public Treasury :					
Ordinary Account . . . . .	6.5	2.8	11.2	4.2	23.4
Exceptional Counter-Cyclical Tax . . . . .	7.0				
Institutions governed by a Special Law . . . . .	207.3	2,933.3	1,498.1	1,834.5	4,070.6
Banks in Belgium . . . . .	504.1	389.7	325.0	368.3	355.6
Enterprises and Individuals . . . . .	833.8	733.2	832.8	560.7	769.3
Banks in Foreign Countries, Ordinary Accounts	861.0	1,150.0	1,430.4	1,250.0	1,557.0
Items Payable . . . . .	1,998.2	3,256.2	3,817.6	4,831.8	4,133.8
	4,417.9	8,465.2	7,915.1	8,849.5	10,909.7
<b>International Agreements :</b>					
Financial Assistance Agreements . . . . .	2,446.1	2,018.5	3,432.6	4,276.4	4,469.0
Other Agreements . . . . .	376.4	350.4	16.5	59.9	34.0
<b>International Monetary Fund :</b>					
Special Drawing Rights, Net Cumulative Allocation . . . . .	10,186.2	10,186.2	14,689.9	19,193.6	23,610.7
<b>European Monetary Cooperation Fund</b> . . . . .	23,441.5	26,702.9	27,357.1	—	2,752.5
<b>Ecus to be delivered to the European Monetary Cooperation Fund</b> . . . . .			86,349.4	162,357.3	163,460.5
<b>Monetary Reserves :</b>					
Belgium . . . . .	—	365.0	—	—	—
Grand Duchy of Luxembourg . . . . .	—	—	—	—	—
<b>Foreign Currencies and Gold to be delivered</b> . . . . .	28.3	16,206.8	28,129.0	3,146.2	18.2
<b>Staff Pensions Fund</b> . . . . .	9,043.8	10,293.5	11,757.7	13,130.2	14,254.0
<b>Transitory Liabilities</b> . . . . .	14,475.1	16,458.0	18,168.3	40,561.8	29,139.8
<b>Capital</b> . . . . .	400.0	400.0	400.0	400.0	400.0
<b>Reserve Fund :</b>					
Statutory Reserve . . . . .	1,234.7	1,299.7	1,368.4	1,440.5	1,516.5
Extraordinary Reserve . . . . .	2,734.3	3,436.3	4,116.3	4,896.7	6,073.7
Account for Depreciation of Premises, Furniture and Equipment . . . . .	2,067.5	2,028.7	2,049.2	2,049.2	2,058.5
<b>Net Profit for Distribution</b> . . . . .	673.5	708.1	742.4	783.9	825.9
	406,929.8	458,822.3	578,288.0	637,232.3	641,747.6



# PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT	1977	1978	1979	1980	1981
<b>Government's Share :</b>					
Discounts and Advances . . . . .	2,389.3	3,582.2	8,616.9	17,002.0	24,271.2
Transactions with Foreign Countries . . . . .	2,582.4	3,014.3	3,562.7	1,929.6	8,482.6
	4,971.7	6,596.5	12,179.6	18,931.6	32,753.8
<b>General Expenses :</b>					
Remunerations and Social Charges . . . . .	3,314.5	3,536.2	3,772.6	3,958.3	4,405.7
Other Expenses . . . . .	298.3	322.7	356.2	403.6	440.2
	3,612.8	3,858.9	4,128.8	4,361.9	4,845.9
<i>less :</i>					
Expenses to be borne by Others . . . . .	— 420.9	— 543.5	— 593.8	— 659.9	— 717.0
	3,191.9	3,315.4	3,535.0	3,702.0	4,128.9
<b>Taxes and Dues . . . . .</b>	1,210.1	1,647.0	2,253.3	2,623.7	2,830.8
<b>Other Payments to the Public Treasury imposed by Law . . . . .</b>				27.4	456.6
<b>Depreciation of Premises, Furniture and Equipment</b>	172.8	172.5	193.0	245.5	335.3
<b>Additional Grant to the Staff Pensions Fund . . . . .</b>	500.0	350.0	440.0	400.0	500.0
<b>Transfers to Reserves and Provisions :</b>					
— Extraordinary Reserve . . . . .	373.0	702.0	680.0	780.3	1,177.0
— Provision for Premises, Furniture and Equipment . . . . .	73.5	—	278.0	290.0	260.0
— Provision against Sundry Contingencies . . . . .	200.0	500.0	500.0	500.0	500.0
— Provision for Taxes . . . . .			250.0	250.0	300.0
<b>Net Profit for Distribution . . . . .</b>	673.5	708.1	742.4	783.9	825.9
	11,366.5	13,991.5	21,051.3	28,534.4	44,068.3

CREDIT	1977	1978	1979	1980	1981
Proceeds of Discount and Advance Operations . . . . .	4,343.7	6,824.6	13,113.7	22,231.0	30,929.8
Proceeds of Transactions with Foreign Countries . . . . .	6,331.1	6,386.8	7,134.5	5,131.5	11,353.0
Proceeds of Public Long-term Securities . . . . .	468.9	536.8	595.6	712.9	867.6
Fees for Safe Custody, Commissions and Allowances . . . . .	191.3	191.0	204.5	215.0	226.8
Sundry Receipts . . . . .	31.5	52.3	3.0	4.7	0.5
Transfer of Reserves from the Staff Pensions Fund (Art. 240 of the Law of 8th August 1980 concerning the 1979-1980 Budget Proposals)					429.2
Drawings on Transitory Liabilities Items . . . . .	—	—	—	239.3	261.4
	11,366.5	13,991.5	21,051.3	28,534.4	44,068.3



## MISCELLANEOUS INFORMATION

	1977	1978	1979	1980	1981
Gross dividend declared per share . . . . .	1,125.00	1,181.25	1,237.50	1,306.25	1,375.00
Preliminary Tax on Personal Property retained per share . . . . .	225.00	236.25	247.50	261.25	275.00
Net dividend declared per share . . . . .	900.00	945.00	990.00	1,045.00	1,100.00
Taxable income per share . . . . .	1,642.50	1,724.63	1,806.75	1,907.13	2,007.50





ANNEX 4

**WEEKLY RETURNS**  
**PUBLISHED IN THE « MONITEUR BELGE » DURING 1981**



## WEEKLY RETURNS PUBLISHED IN THE «MONITEUR BELGE» DURING 1981

(Millions of francs)

## ASSETS

DATE	Gold holding	International Monetary Fund :			Ecus	Foreign currencies	Foreign currencies and gold receivable :		Inter-national 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	Commer-cial bills	Advances against pledged security	Public securities :		Special assistance to the Securities Regulation Fund	Treasury notes and coin	Balances at the Postal Cheque Office :		Consol-idated 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 Fond
		Quota	Loans	Special drawing rights			E.M.C.F.	Other								A Account	B Account									
5 January 1981	58,214	17,737	...	24,167	110,675	114,760	40,126	...	738	5,706	...	...	2,990	52,768	10,295	37,000	...	71,550	541	2	4,276	34,000	3,450	8,006	2,232	13,227
12 »	58,214	17,737	...	28,584	119,591	114,886	40,852	...	592	5,706	...	...	2,990	40,324	3,548	37,000	...	84,350	608	1	4,274	34,000	3,450	8,006	2,232	13,184
19 »	58,214	17,333	...	28,584	119,591	115,543	40,852	...	605	5,706	...	...	2,895	48,583	1,279	37,000	...	73,075	679	2	4,270	34,000	3,450	8,006	2,232	13,186
26 »	58,214	17,333	...	28,584	119,591	128,670	40,852	...	621	5,554	...	...	2,895	38,149	18	37,000	...	69,950	752	1	4,250	34,000	3,450	8,006	2,240	13,616
2 February	58,214	17,333	...	28,584	111,269	126,684	40,852	...	612	5,554	...	...	720	33,482	18,187	37,000	...	70,046	778	2	4,248	34,000	3,450	8,862	2,240	13,660
9 »	58,214	17,333	...	28,584	103,897	134,919	40,852	...	693	5,499	...	...	4,263	30,186	521	37,000	...	87,292	791	2	4,234	34,000	3,450	8,862	2,240	13,821
16 »	58,214	16,992	...	28,584	92,663	145,863	40,852	...	714	5,373	...	...	4,256	37,716	378	37,000	...	78,672	789	2	4,155	34,000	3,450	8,862	2,240	14,056
23 »	58,214	16,992	...	28,584	89,829	146,803	40,852	...	694	5,373	...	...	4,256	52,249	304	37,000	...	70,954	794	2	4,104	34,000	3,450	8,862	2,240	14,192
2 March	58,214	16,993	...	28,584	81,528	149,900	40,852	...	691	5,373	...	...	720	43,546	27	37,000	...	91,726	770	2	4,079	34,000	3,450	8,852	2,240	14,227
9 »	58,214	16,993	...	28,584	75,174	155,653	40,852	...	837	5,373	...	...	720	51,339	101	37,000	...	84,511	738	2	4,069	34,000	3,450	8,862	2,240	14,250
16 »	58,214	16,993	...	28,584	63,285	165,470	40,852	...	749	5,373	...	...	80	65,646	5,523	37,000	...	74,350	727	1	4,024	34,000	3,450	8,862	2,240	14,266
23 »	58,214	16,737	...	28,584	59,646	161,397	40,852	...	800	5,373	...	...	80	70,661	10,168	37,000	...	62,875	723	2	4,011	34,000	3,450	8,862	2,240	14,331
30 »	58,214	16,689	...	28,584	46,968	137,395	40,852	...	782	5,221	...	...	80	64,048	76	37,000	...	91,880	691	2	4,004	34,000	3,450	8,862	2,240	14,344
6 April	58,214	16,689	...	28,584	50,004	148,375	40,852	...	602	5,221	...	...	9,954	72,640	10,503	37,000	...	106,705	682	1	3,941	34,000	3,450	8,862	2,240	14,337
13 »	58,214	16,567	...	28,584	59,215	151,474	46,556	...	640	5,221	...	...	14,894	75,192	376	37,000	...	98,079	670	...	3,926	34,000	3,450	8,862	2,240	14,324
17 »	58,214	16,567	...	28,584	60,441	150,736	46,556	...	653	5,221	...	...	80	75,585	7,985	37,000	...	90,927	637	2	4,033	34,000	3,450	8,862	2,240	14,351
27 »	58,214	16,567	...	28,736	60,441	150,511	46,556	...	687	5,069	...	...	80	79,204	1,890	37,000	...	87,742	652	2	4,012	34,000	3,450	8,862	2,240	14,355
4 May	58,214	16,509	...	28,736	59,793	152,124	46,556	1,042	900	5,069	...	...	80	73,754	7,173	37,000	...	97,870	649	1	3,994	34,000	3,450	8,862	2,240	14,379
11 »	58,214	16,450	...	29,348	59,793	154,115	46,556	1,042	976	4,887	...	...	80	72,747	202	37,000	...	103,188	688	1	3,877	34,000	3,450	8,862	2,240	14,438
18 »	58,214	16,304	...	29,348	59,793	159,708	46,556	1,042	856	4,887	...	...	80	72,904	5,330	37,000	...	97,508	665	2	4,393	34,000	3,450	8,862	2,240	14,448
25 »	58,214	16,304	...	29,348	59,793	162,858	46,556	1,042	874	4,887	...	...	80	79,108	9,942	37,000	...	83,520	678	2	4,153	34,000	3,450	8,862	2,240	14,475
1 June	58,214	16,252	...	30,126	58,782	162,574	46,556	1,042	869	4,887	...	...	80	72,498	11,780	37,000	...	94,517	654	1	4,131	34,000	3,450	8,862	2,240	14,475
5 »	58,214	16,185	...	30,126	58,782	159,408	46,556	1,042	933	4,887	...	...	80	75,267	1,277	37,000	...	103,258	667	1	3,984	34,000	3,450	8,862	2,240	14,008
15 »	58,214	16,185	...	30,126	58,782	155,586	46,556	1,042	946	4,887	...	...	80	72,302	394	37,000	...	104,382	652	1	3,961	34,000	3,450	8,862	2,240	13,979
22 »	58,214	15,941	...	30,126	58,782	153,437	46,556	1,042	780	4,887	...	...	80	69,963	89	37,000	...	111,923	649	2	4,261	34,000	3,450	8,862	2,240	14,026
29 »	58,214	15,941	...	30,126	58,803	142,573	46,556	...	957	5,465	...	...	80	64,124	86	37,000	...	121,558	691	1	4,201	34,000	3,450	8,862	2,240	14,027
6 July	58,214	15,825	...	30,126	57,703	137,527	46,556	...	1,043	5,465	...	...	80	74,891	1,435	37,000	...	127,100	663	1	4,106	34,000	3,450	8,862	2,240	14,000
13 »	58,214	15,825	...	30,126	50,234	134,762	47,072	...	1,081	5,506	...	...	80	82,813	556	37,0										



## WEEKLY RETURNS PUBLISHED IN THE «MONITEUR BELGE» DURING 1981

(Millions of francs)

## LIABILITIES

Sundries	TOTAL ASSETS	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						
18,285	630,745	25,837	377,879	3	1,135	1,881	4,276	59	19,194	...	162,357	...	...	3,146	13,227	39,582	8,006	630,745	5 January 1981
18,316	638,445	25,687	371,410	15	1,315	1,703	4,274	79	23,611	...	171,470	...	...	3,134	13,184	40,244	8,006	638,445	12 »
20,711	635,796	25,485	367,884	10	1,286	1,579	4,270	66	23,611	...	171,470	...	...	3,070	13,186	41,358	8,006	635,796	19 »
19,670	633,416	25,121	359,869	2	1,136	3,497	4,250	69	23,611	...	171,470	...	...	3,074	13,616	43,960	8,862	633,416	26 »
21,797	637,574	24,866	363,634	6	1,178	4,835	4,248	19	23,611	...	171,470	...	...	733	13,660	45,318	8,862	637,574	2 February
23,838	640,491	24,495	363,697	15	1,205	3,981	4,234	38	23,611	...	171,470	...	...	3,069	13,821	46,488	8,862	640,491	9 »
34,009	648,840	24,349	360,819	16	1,116	12,036	4,155	22	23,611	...	171,470	...	...	3,080	14,056	49,597	8,862	648,840	16 »
20,577	640,325	23,809	359,506	8	1,037	3,097	4,105	39	23,611	...	171,470	...	...	3,079	14,192	51,319	8,862	640,325	23 »
23,528	646,302	23,768	365,686	21	1,156	3,148	4,079	164	23,611	...	171,470	...	...	735	14,227	53,143	8,862	646,302	2 March
25,720	648,682	23,770	365,838	1	1,188	3,004	4,068	112	23,611	...	171,470	...	...	735	14,250	55,543	8,862	648,682	9 »
26,277	655,966	23,376	363,964	16	1,254	9,917	4,024	33	23,611	...	171,470	...	...	91	14,266	58,458	8,862	655,966	16 »
30,346	650,352	22,854	361,144	13	1,196	2,096	4,011	24	23,611	...	175,818	...	...	94	14,331	59,152	8,862	650,352	23 »
50,754	646,136	22,601	361,533	3	1,078	6,046	4,004	23	23,611	...	175,818	...	...	96	14,344	50,718	8,862	646,136	30 »
33,655	686,511	22,371	372,629	9	1,074	10,540	3,941	113	23,611	19,604	175,818	...	...	6,514	14,337	49,459	8,862	686,511	6 April
24,210	683,694	22,300	367,695	1	1,076	3,146	3,926	19	23,611	19,604	180,984	...	...	9,722	14,324	50,724	8,862	683,694	13 »
26,300	672,424	22,052	367,842	24	1,043	2,571	4,033	31	23,611	17,122	180,984	...	...	101	14,351	51,849	8,862	672,424	17 »
21,198	661,468	21,669	360,839	23	1,221	3,705	4,012	29	23,611	13,322	180,984	...	...	124	14,355	50,381	8,862	661,468	27 »
21,690	674,085	21,427	372,136	8	1,014	5,612	3,994	29	23,611	11,764	180,984	...	...	1,299	14,379	50,393	8,862	674,085	4 May
22,409	674,563	21,145	372,896	14	982	5,890	3,878	30	23,611	10,092	180,984	...	...	1,296	14,438	51,590	8,862	674,563	11 »
21,380	678,970	20,877	377,402	8	1,033	6,042	4,393	27	23,611	8,563	180,984	...	...	1,290	14,448	52,307	8,862	678,970	18 »
22,022	679,408	20,528	380,649	3	958	5,611	4,153	29	23,611	5,465	180,984	9	...	1,285	14,476	53,313	8,862	679,408	25 »
21,938	684,928	20,355	387,740	24	932	5,704	4,131	33	23,611	3,613	180,984	...	...	1,280	14,475	53,539	8,862	684,928	1 June
23,130	683,357	20,074	387,042	12	1,791	4,004	3,984	35	23,611	3,613	180,984	...	...	1,280	14,008	54,131	8,862	683,357	5 »
22,981	676,608	19,814	384,563	1	1,240	4,038	3,961	20	23,611	...	180,984	...	...	1,289	13,979	54,060	8,862	676,608	15 »
24,061	680,371	19,194	387,634	13	1,336	4,062	4,261	35	23,611	...	180,984	...	...	1,317	14,026	54,230	8,862	680,371	22 »
31,723	680,678	19,125	387,144	15	1,256	5,143	4,201	25	23,611	...	180,984	...	...	89	14,027	55,321	8,862	680,678	29 »
25,799	686,086	18,556	394,275	22	1,166	6,472	4,106	35	23,611	...	180,984	...	...	88	14,000	52,465	8,862	686,086	6 July
24,061	670,192	18,177	387,349	14	1,364	4,680	4,151	38	23,611	...	173,514	...	...	87	14,016	52,506	8,862	670,192	13 »
26,040	671,125	17,928	385,475	16	1,160	7,499	3,866	24	23,611	...	173,514	...	...	8	14,022	53,068	8,862	671,125	17 »
27,975	660,062	17,681	374,033	10	1,110	6,963	4,210	34	23,611	...	173,514	...	...	5	14,022	53,688	8,862	660,062	27 »
27,473	659,518	17,200	376,294	6	1,102	4,369	4,144	21	23,611	...	173,514	...	...	5	14,022	53,568	8,862	659,518	3 August
26,964	657,233	17,087	373,774	22	1,079	4,136	4,099	28	23,611	...	173,514	...	...	6	13,980	54,122	8,862	657,233	10 »
36,849	657,162	16,768	373,105	20	1,086	3,855	4,077	27	23,611	...	173,514	...	...	7	13,980	55,018	8,862	657,162	14 »
22,616	657,545	16,509	370,244	2	1,089	6,421	3,991	23	23,611	...	173,514	...	...	5	13,980	55,803	8,862	657,545	24 »
26,892	659,347	16,510	372,948	15	1,023	5,345	3,961	19	23,611	...	173,514	...	...	5	13,980	56,064	8,862	659,347	31 »
29,925	663,858	16,091	375,029	18	1,260	6,659	3,926	33	23,611	...	173,514	...	...	22	13,935	56,989	8,862	663,858	7 September
28,711	660,785	15,858	372,405	5	1,158	5,032	4,309	27	23,611	...	173,514	...	...	7	13,935	57,920	8,862	660,785	14 »
39,496	663,888	15,395	372,210	2	1,303	8,062	4,352	61	23,611	...	173,514	...	...	6	13,935	57,970	8,862	663,888	21 »
23,888	650,038	15,076	367,424	11	1,257	7,311	4,326	164	23,611	...	173,514	...	...	7	13,948	49,603	8,862	650,038	28 »
31,109	656,857	14,926	377,934	12	1,012	4,504	4,305	41	23,611	...	173,339	...	...	19	13,951	49,267	8,862	656,857	5 October
24,301	641,550	14,499	371,846	8	1,183	4,723	4,289	45	23,611	...	163,461	...	...	12	13,902	49,608	8,862	641,550	12 »
23,415	641,832	14,253	372,103	16	1,097	4,608	4,360	24	23,611	...	163,461	...	...	13	13,902	49,775	8,862	641,832	19 »
23,164	638,290	13,823	366,346	14	998	6,186	4,557	20	23,611	...	163,460	...	...	12	13,902	50,322	8,862	638,290	26 »
24,093	644,279	13,477	371,121	24	916	7,614	4,647	18	23,611	...	163,460	...	...	11	13,898	50,097	8,862	644,279	30 »
25,544	642,258	13,508	371,217	18	1,166	4,190	4,635	39	23,611	...	163,460	...	...	20	13,805	51,235	8,862	642,258	9 November
23,738	645,971	27,457	370,645	23	1,170	8,139	4,617	28	23,611	...	163,460	...	...	14	13,805	51,597	8,862	645,971	16 »
25,810	647,267	27,141	368,807	25	1,025	10,317	4,609	29	23,611	...	163,460	...	...	8	13,805	52,709	8,862	647,267	23 »
27,397	648,595	28,332	372,468	11	1,429	7,799	4,681	24	23,611	...	163,460	...	...	13	13,814	52,423	8,862	648,595	30 »
28,946	650,523	27,990	375,377	7	1,349	5,856	4,649	27	23,611	...	163,460	...	...	26	13,732	53,567	8,862	650,523	7 December
36,791	662,369	27,480	375,895	10	1,243	6,537	4,647	37	23,611	10,454	163,460	...	...	102	13,728	53,783	8,862	662,369	14 »
24,048	670,826	27,154	381,737	14	1,571	8,014	4,594	93	23,611	10,454	163,460	...	...	11	13,728	54,677	8,862	670,826	21 »
24,946	666,896	26,849	381,701	12	1,509	9,482	4,478	36	23,611	4,090	163,460	...	...	463	13,752	55,440	8,862	666,896	28 »





**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES  
CONSTITUTING, ON 31st DECEMBER 1981,  
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 1972-73/87, Amalgamated.
7.75 p.c.	Belgian Loans 1973/87, Amalgamated.
8.25 p.c.	Belgian Loan 1974/88.
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.
13 - 13.25 p.c.	Belgian Loan 1981/85/89.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
10.50 p.c.	Road Fund Loan 1979/88.
13 - 11.50 p.c.	Road Fund Loan 1980/83/88.
13 p.c.	Road Fund Loan 1981/85/99.
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. Loans of the Association of Local Authorities for Motorway E3  
1972-73/84, Amalgamated.
- 7.25 p.c. Loan of the Association of Local Authorities for Motorways of the  
Periphery of Brussels « B1 » 1973/85.
- 7.75 p.c. City of Antwerp Loan 1971/82.
- 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 :
- 1st and 2nd tranches { — Belgian Issue.  
— American Issue.  
— Estonian Issue.  
— Latvian Issue.  
— Lithuanian Issue.
- 3rd tranche of Belgian issue.
- Belgian National Railways Company Dividend Right Certificates.



## ECONOMIC AND FINANCIAL STATISTICS

Table 1.

## Capital account of the economic sectors

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 e	1980 First 10 months	1981 p
A. <i>Rest of the world</i> <sup>1</sup> :											
1. Balance of goods and services transactions with Belgium .....	- 39	- 12	- 2	- 2	+ 29	+ 34	+ 90	+ 119	+ 154	n.a.	n.a.
2. Balance of factor incomes received from (+) and paid to (-) Belgium ..	- 9	- 12	- 13	- 17	- 12	- 10	+ 3	+ 18	+ 30	n.a.	n.a.
3. Net current transfers from Belgium ..	+ 11	+ 12	+ 20	+ 17	+ 20	+ 20	+ 22	+ 33	+ 32	n.a.	n.a.
4. Net capital transfers from Belgium <sup>2</sup> ..	+ 3	+ 4	+ 6	+ 5	+ 5	+ 7	+ 9	+ 8	+ 9	n.a.	n.a.
5. Net lending to (+) or borrowing from (-) Belgium (= 1 + 2 + 3 + 4) <sup>3</sup> ..	- 34	- 8	+ 11	+ 3	+ 42	+ 51	+ 124	+ 178	+ 225	+ 144	+ 167
B. <i>Public authorities</i> :											
1. Gross savings (= net savings and depreciation) .....	+ 15	+ 33	- 11	- 32	- 41	- 62	- 87	- 158	- 304	n.a.	n.a.
2. Net capital transfers to other sectors <sup>2</sup> .....	- 42	- 48	- 52	- 62	- 70	- 82	- 86	- 117	- 126	n.a.	n.a.
3. Capital resources (= 1 + 2) .....	- 27	- 15	- 63	- 94	- 111	- 144	- 173	- 275	- 430	n.a.	n.a.
4. Gross capital formation .....	+ 67	+ 74	+ 89	+ 102	+ 109	+ 112	+ 123	+ 144	+ 150	n.a.	n.a.
5. Net financing requirement (= 3 - 4) ..	- 94	- 89	- 152	- 196	- 220	- 256	- 296	- 419	- 580	n.a.	n.a.
6. Statistical adjustment .....	+ 24	+ 9	+ 16	+ 25	+ 25	+ 28	+ 15	+ 19	+ 26	n.a.	n.a.
7. Net financial deficit (= 5 + 6) .....	- 70	- 80	- 136	- 171	- 195	- 228	- 281	- 400	- 554	- 349 <sup>7</sup>	- 487 <sup>7</sup>
C. <i>Companies</i> :											
1. Gross savings (= net savings and depreciation) .....	+ 132	+ 118	+ 100	+ 113	+ 136	+ 174	+ 177	+ 162	+ 112	n.a.	n.a.
2. Net capital transfers from other sectors <sup>2</sup> .....	+ 30	+ 36	+ 38	+ 49	+ 58	+ 69	+ 72	+ 103	+ 115	n.a.	n.a.
3. Capital resources (= 1 + 2) .....	+ 162	+ 154	+ 138	+ 162	+ 194	+ 243	+ 249	+ 265	+ 227	n.a.	n.a.
4. Gross capital formation <sup>4</sup> .....	+ 198	+ 273	+ 233	+ 244	+ 254	+ 256	+ 295	+ 302	+ 303	n.a.	n.a.
5. Net financing requirement (= 3 - 4) ..	- 36	- 119	- 95	- 82	- 60	- 13	- 46	- 37	- 76	n.a.	n.a.
6. Statistical adjustment .....	- 13	+ 30	- 60	+ 35	- 56	- 50	- 51	- 64	n.a.	n.a.	n.a.
7. Net financial deficit (= 5 + 6) .....	- 49	- 89	- 155	- 47	- 116	- 63	- 97	- 101	n.a.	- 66	- 88
of which:											
Increase in liabilities .....	+ 104	+ 120	+ 138	+ 153	+ 130	+ 133	+ 156	+ 162	n.a.	+ 127	+ 175
Increase in claims .....	+ 55	+ 31	- 17	+ 106	+ 14	+ 70	+ 59	+ 61	n.a.	+ 61	+ 87
D. <i>Individuals</i> :											
1. Gross savings (= net savings and depreciation) .....	+ 289	+ 373	+ 405	+ 495	+ 482	+ 496	+ 481	+ 561	+ 663	n.a.	n.a.
2. Net capital transfers from other sectors <sup>2</sup> .....	+ 9	+ 9	+ 8	+ 9	+ 7	+ 6	+ 5	+ 6	+ 2	n.a.	n.a.
3. Capital resources (= 1 + 2) .....	+ 298	+ 382	+ 413	+ 504	+ 489	+ 502	+ 486	+ 567	+ 665	n.a.	n.a.
4. Gross capital formation <sup>5</sup> .....	+ 134	+ 167	+ 178	+ 229	+ 251	+ 284	+ 267	+ 289	+ 234	n.a.	n.a.
5. Net financing capacity (= 3 - 4) ..	+ 164	+ 215	+ 235	+ 275	+ 238	+ 218	+ 219	+ 278	+ 431	n.a.	n.a.
6. Statistical adjustment .....	- 3	- 21	+ 65	- 39	+ 54	+ 25	+ 33	+ 40	n.a.	n.a.	n.a.
7. Net financial surplus (= 5 + 6) .....	+ 161	+ 194	+ 300	+ 236	+ 292	+ 243	+ 252	+ 318	n.a.	+ 265	+ 411
of which:											
Increase in liabilities .....	+ 64	+ 65	+ 76	+ 117	+ 143	+ 135	+ 151	+ 83	n.a.	+ 63	+ 9
Increase in claims .....	+ 225	+ 259	+ 376	+ 353	+ 435	+ 378	+ 403	+ 401	n.a.	+ 328	+ 420
E. <i>Statistical adjustment</i> <sup>6</sup> .....	- 8	- 17	- 20	- 21	- 23	- 3	+ 2	+ 5	n.a.	+ 6 <sup>8</sup>	- 3 <sup>8</sup>
Pro memoria: Gross National Product .....	(1,793)	(2,104)	(2,325)	(2,650)	(2,858)	(3,066)	(3,251)	(3,468)	(3,552)	(n.a.)	(n.a.)

Sources: 1973 to 1980: National Statistical Institute; Statistical Office of the European Communities, National Accounts. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Subdivisions 1 to 4 of this item A correspond to the national accounts definitions and not to those of the balance of payments. In particular, the concept of services (A.1) is narrower according to the former than according to the latter.

<sup>2</sup> 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.

<sup>3</sup> The rest of the world's net lending to (+) or borrowing from (-) Belgium in the national accounts is equivalent to, respectively, a deficit or surplus of Belgium's current transactions with foreign countries in the balance of payments, subject to the reservation that certain operations are regarded as current transactions in the national accounts and capital transactions in the balance of payments, and vice versa.

<sup>4</sup> Gross fixed capital formation and changes in stocks, including certain statistical adjustments.

<sup>5</sup> Gross fixed capital formation and changes in livestock.

<sup>6</sup> An adjustment which has to be made to the net financial deficit or surplus of the domestic sectors (B.7 + C.7 + D.7) for this to be exactly counterbalanced, as it must be by definition, by the net lending or borrowing by the rest of the world to or from Belgium (A.5).

<sup>7</sup> Excluding social security.

<sup>8</sup> Including social security.



Table 2.

Revenue of the public authorities as a whole <sup>1</sup>

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 <i>e</i>
I. <i>Fiscal and parafiscal revenue:</i>									
A. <i>Current direct taxes:</i>									
— Central Government .....	215	271	342	381	443	506	556	583	599
— local authorities .....	23	29	32	35	40	48	52	47	50
Total .....	238	300	374	416	483	554	608	630	649
B. <i>Indirect taxes:</i>									
— Central Government .....	199	229	247	296	322	354	364	384	400
— local authorities .....	7	8	9	10	11	11	11	13	13
— revenue surrendered to the European Communities <sup>2</sup> .....	9	11	14	19	23	20	38	40	44
Total .....	215	248	270	325	356	385	413	437	457
C. <i>Social security contributions</i> <sup>3</sup> .....	211	251	304	343	377	395	424	457	488
D. <i>Death duties</i> .....	5	5	7	7	8	10	12	11	12
Total fiscal and parafiscal revenue .....	669	804	955	1,091	1,224	1,344	1,457	1,535	1,606
II. <i>Current non-fiscal and non-parafiscal revenue</i> <sup>4</sup> .....	21	27	35	37	40	39	48	64	78
III. <i>Grand total of public revenue</i> .....	690	831	990	1,128	1,264	1,383	1,505	1,599	1,684

Sources: 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.

<sup>1</sup> After elimination of duplications due to transfers between public authorities.

<sup>2</sup> Mainly Customs duties, agricultural levies and, since 1979, part of the revenue from value-added tax.

<sup>3</sup> Including the contributions of officials for surviving dependants' pensions (widows and orphans) and, in 1981, the solidarity contribution payable by officials.

<sup>4</sup> 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, allocated revenue and depreciation.

Table 3.

Expenditure of the public authorities as a whole <sup>1</sup>

(Billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1981 <i>e</i>
I. <i>Current expenditure:</i>									
A. Net expenditure on goods and services <sup>2</sup>	251	298	367	415	459	506	539	588	640
B. Services of national debt .....	59	73	83	98	117	138	166	215	280
C. Expenditure relating to unemployment and job creation .....	13	18	39	51	68	83	102	119	155
D. Income transfers to individuals <sup>3</sup> .....	273	328	412	476	524	568	619	665	722
E. Subsidies to enterprises <sup>4</sup> .....	56	62	74	92	103	110	119	123	137
F. Income transfers to foreign countries <sup>5</sup>	23	20	26	28	34	38	43	45	50
Total current expenditure .....	675	799	1,001	1,160	1,305	1,443	1,588	1,755	1,984
II. <i>Capital expenditure:</i>									
A. Direct investments <sup>6</sup> .....	67	74	88	102	109	112	123	144	150
B. Capital transfers and purchases of land and buildings <sup>7</sup> .....	23	27	29	31	33	39	40	43	42
C. Granting of credits and acquisition of share participations .....	19	20	24	31	37	45	50	76	88
Total capital expenditure .....	109	121	141	164	179	196	213	263	280
III. <i>Grand total of public expenditure</i> .....	784	920	1,142	1,324	1,484	1,639	1,801	2,018	2,264

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.

<sup>1</sup> After elimination of duplications due to transfers between public authorities.

<sup>2</sup> Wages and pensions (excluding certain expenditure items relating to the job-creation programme), net purchases of goods and services; including transfers to private education relating to these transactions, but excluding allocated costs and depreciation.

<sup>3</sup> Including surviving dependants' pensions (widows and orphans) of civil servants, not including expenditure relating to unemployment and to job creation.

<sup>4</sup> Contribution towards interest burdens and trading losses of public enterprises, subsidies reducing rent and interest and other subsidies to enterprises.

<sup>5</sup> Including the revenue surrendered to the European Communities mentioned in Table 2 of this Annex.

<sup>6</sup> 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.

<sup>7</sup> 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 6. Services transactions of the Belgian-Luxembourg Economic Union with foreign countries

(Balances in billions of francs)

	1973	1974	1975	1976	1977	1978	1979	1980	1980	1981 p
									First 9 months	
1. Transport <sup>1</sup> .....	+ 3	+ 3	+ 7	+ 8	+ 10	+ 9	+ 11	+ 16	+ 13	+ 13
2. Foreign travel .....	- 17	- 18	- 20	- 23	- 26	- 34	- 39	- 43	- 39	- 41
3. Portfolio and investment income .....	+ 7	+ 12	+ 16	+ 23	+ 19	+ 19	+ 10	- 2	...	- 3
4. Transactions of public authorities not included elsewhere .....	+ 8	+ 14	+ 16	+ 19	+ 25	+ 27	+ 27	+ 32	+ 24	+ 25
of which: operating expenditure of international institutions in the B.L.E.U. ....	(+ 8)	(+ 14)	(+ 16)	(+ 17)	(+ 22)	(+ 23)	(+ 24)	(+ 26)	(+ 19)	(+ 20)
5. Frontier workers .....	+ 5	+ 5	+ 6	+ 6	+ 6	+ 5	+ 5	+ 4	+ 3	+ 3
6. Contracting .....	- 1	- 2	- 3	+ 4	+ 10	+ 2	- 3	- 1	...	- 3
7. Other services <sup>2</sup> .....	+ 5	+ 2	+ 7	+ 8	+ 4	+ 4	+ 2	- 4	- 1	...
Total .....	+ 10	+ 16	+ 29	+ 45	+ 48	+ 32	+ 13	+ 2	...	- 6

<sup>1</sup> 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 11 on page 62; 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.

<sup>2</sup> 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 7.

**Balance of trade with foreign countries  
and degree of coverage of imports by exports<sup>1</sup>**

	Belgian-Luxembourg Economic Union						Difference between degree of coverage in 1981 and 1980				
	Balance of trade for first 9 months (billions of francs)			Degree of coverage for first 9 months			United States <sup>2</sup>	Japan <sup>2</sup>	Federal Republic of Germany <sup>2</sup>	Nether- lands <sup>3</sup>	France <sup>3</sup>
	1980 (a)	1981 (b)	Difference (c) = (b) - (a)	1980 (d)	1981 (e)	Difference (f) = (e) - (d)					
Total .....	- 102	- 142	- 40	92.7	91.0	- 1.7	+ 0.7	+ 16.7	+ 1.9	+ 4.4	+ 2.7
of which: non-energy products .....	+ 64	+ 73	+ 9	105.5	105.7	+ 0.2	- 3.6	+ 38.7	+ 4.9	+ 7.6	+ 5.9

Sources: Belgian-Luxembourg Economic Union: National Bank of Belgium; other countries: Customs Statistics of the Organisation for Economic Cooperation and Development - Series A.

<sup>1</sup> Degree of coverage =  $\frac{\text{value of exports}}{\text{value of imports}} \times 100$ .

<sup>2</sup> First eight months.

<sup>3</sup> First six months.

<sup>4</sup> First seven months.



Table 8.

## National Bank of Belgium: net foreign exchange reserves \*

(Billions of francs)

At end of	Gold holding	Assets held at the International Monetary Fund <sup>1</sup>	Net claims on or liabilities to (-) the E.M.C.F.		Foreign currencies	Belgian francs <sup>2</sup>	Total	Annual changes in total <sup>3</sup>
			Ecus	Other				
1972 .....	75	52	—	—	53	- 2	178	
1973 .....	72	54	—	4	76	- 3	203	+ 36
1974 .....	72	53	—	...	95 <sup>4</sup>	- 3	217	+ 12
1975 .....	72	59	—	...	114 <sup>4</sup>	- 4	241	+ 18
1976 .....	72	59	—	...	90 <sup>4</sup>	- 3	218	- 25
1977 .....	72	58	—	- 23	108 <sup>4</sup>	- 4	211	- 9
1978 .....	72	50	—	- 27	106	- 5	196	- 16
1979 .....	58	49	61	- 27	75	- 6	210	- 31
1980 September .....	58	49	119	...	112	- 7	331	+ 33 <sup>5</sup>
December .....	58	48	110	...	115	- 6	325	+ 27
1981 September .....	58	51	47	...	107	- 7	256	- 83 <sup>5</sup>
December .....	58	50	34	- 3	112	- 8	243	- 96

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

<sup>1</sup> 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.

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

<sup>3</sup> Not including the accounting changes, namely those resulting from a) the 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 1979, 1980 and 1981, c) the changes in exchange rates which, since January 1974, may have affected the countervalue in Belgian francs of the outstanding amounts in foreign currencies, and d) the entry into force of the European Monetary System on 13th March 1979 and, subsequently, of some of its implementation procedures.

<sup>4</sup> Including the medium-term financial assistance which the Belgian Government granted to Italy under the directive of the Council of the European Communities adopted on 17th December 1974 and which is financed by the National Bank of Belgium on behalf of the Government in accordance with the Convention concluded on that date between the Government and the Bank.

<sup>5</sup> Change in the first nine months.

Table 9.

National Bank of Belgium: net foreign exchange reserves <sup>1</sup>*(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. <sup>2</sup>		Foreign currencies	Belgian francs	Total
			Ecus	Other			
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
1981 .....	...	- 2	- 79	- 3	- 10	- 2	- 96
1980 First 9 months .....	...	- 4	- 14	+ 28	+ 24	- 1	+ 33
1981 First 9 months .....	...	- 1	- 75	...	- 7	...	- 83

<sup>1</sup> Not including accounting changes. See Table 8 of this Annex, especially footnote <sup>3</sup>.<sup>2</sup> 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)

1981	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
<b>January</b>																		
Highest .....	33.92	16.12	16.47	6.96	80.83	60.26	3.40	28.30	14.82	7.41	17.86	41.04	5.25	228.00	6.23	8.44	61.10	11.00
Lowest .....	31.10	16.03	15.59	6.95	75.49	59.73	3.38	26.17	14.76	7.19	17.63	39.59	5.21	226.15	6.09	8.15	59.40	10.50
Mean .....	32.28	16.08	15.98	6.96	77.64	59.97	3.39	27.12	14.80	7.27	17.75	40.10	5.23	227.14	6.17	8.30	60.26	10.71
<b>February</b>																		
Highest .....	36.25	16.35	17.38	6.96	81.57	59.95	3.41	30.15	14.83	7.66	18.01	41.06	5.26	231.30	6.65	8.69	62.50	11.32
Lowest .....	33.83	16.03	16.41	6.94	76.55	58.85	3.38	28.35	14.78	7.43	17.57	39.88	5.21	226.35	6.24	8.44	60.60	11.04
Mean .....	34.56	16.12	16.83	6.96	79.34	59.78	3.39	28.85	14.80	7.51	17.77	40.33	5.23	227.89	6.39	8.51	61.62	11.16
<b>March</b>																		
Highest .....	35.55	16.40	16.97	6.96	78.66	60.03		29.50	14.83	7.58	18.04	40.49	5.23	232.00	6.49	8.58	61.90	11.32
Lowest .....	33.54	16.37	16.12	6.94	76.42	59.69	1	28.35	14.79	7.42	17.72	40.21	5.21	230.85	6.33	8.40	60.95	10.94
Mean .....	34.56	16.39	16.56	6.95	77.10	59.85		29.00	14.82	7.50	17.96	40.34	5.22	231.66	6.41	8.50	61.31	11.15
<b>April</b>																		
Highest .....	36.04	16.40	16.78	6.96	77.32	59.85	3.29	30.13	14.81	7.59	18.00	40.56	5.23	231.90	6.53	8.56	61.75	11.34
Lowest .....	34.31	16.27	16.17	6.86	76.42	59.47	3.26	29.03	14.63	7.48	17.79	40.20	5.16	229.50	6.39	8.45	60.50	11.07
Mean .....	35.34	16.36	16.46	6.92	76.96	59.71	3.28	29.69	14.74	7.53	17.93	40.37	5.20	231.18	6.46	8.52	61.02	11.22
<b>May</b>																		
Highest .....	38.22	16.37	17.12	6.89	78.88	59.90	3.29	31.86	14.74	7.70	18.36	41.31	5.21	231.60	6.64	8.74	62.50	11.71
Lowest .....	36.50	16.29	16.80	6.75	77.38	59.43	3.27	30.42	14.64	7.59	17.87	40.56	5.17	230.00	6.52	8.59	61.05	11.34
Mean .....	37.39	16.31	16.97	6.81	78.16	59.63	3.28	31.17	14.68	7.65	18.13	40.97	5.19	230.78	6.60	8.66	61.85	11.55
<b>June</b>																		
Highest .....	39.61	16.40	17.50	6.91	78.71	59.90	3.30	32.77	14.76	7.75	19.26	41.33	5.23	232.50	6.63	8.81	62.65	2
Lowest .....	37.90	16.30	17.09	6.80	76.03	59.33	3.27	31.50	14.66	7.64	18.33	40.86	5.17	229.90	6.52	8.64	61.65	
Mean .....	38.82	16.35	17.34	6.86	76.74	59.72	3.28	32.26	14.70	7.69	18.75	41.08	5.20	231.32	6.57	8.73	62.09	
<b>July</b>																		
Highest .....	40.44	16.40	17.65	6.92	76.47	59.89	3.30	33.82	14.76	7.76	19.24	41.18	5.24	233.25	6.61	8.88	63.00	7.22
Lowest .....	39.47	16.35	16.86	6.83	74.18	59.58	3.28	32.54	14.69	7.67	18.85	40.72	5.21	232.10	6.51	8.74	61.50	7.10
Mean .....	39.94	16.38	17.22	6.89	74.93	59.74	3.29	33.03	14.72	7.71	19.06	40.96	5.22	232.69	6.55	8.80	62.09	7.14
<b>August</b>																		
Highest .....	42.19	16.39	17.97	6.91	74.71	60.00	3.32	34.00	14.78	7.80	19.15	41.17	5.24	234.00	6.71	8.97	62.60	7.35
Lowest .....	39.67	16.22	16.69	6.75	74.05	59.27	3.24	32.98	14.60	7.62	18.63	40.38	5.17	231.40	6.54	8.72	60.00	7.10
Mean .....	40.86	16.35	17.51	6.83	74.43	59.69	3.29	33.43	14.72	7.71	18.86	40.86	5.20	232.94	6.61	8.84	61.74	7.23
<b>September</b>																		
Highest .....	40.19	16.38	17.42	6.86	73.67	59.80	3.28	33.45	14.81		19.31	40.84	5.24	233.80	6.58	8.80	61.20	7.15
Lowest .....	36.37	16.31	16.22	6.82	66.88	59.27	3.21	30.55	14.68	3	18.61	39.38	5.18	231.75	6.30	8.33	52.00	6.68
Mean .....	38.57	16.37	16.82	6.83	70.04	59.65	3.25	32.17	14.75		19.04	40.15	5.22	233.10	6.47	8.57	59.24	6.96
<b>October</b>																		
Highest .....	38.67		16.41		70.64	59.74		32.03		6.84	20.43	39.62	5.24	240.25	6.45	8.59	59.50	6.93
Lowest .....	36.69	4	16.02	5	68.29	59.10	1	30.64	6	6.74	19.29	39.01	5.19	233.65	6.29	8.42	58.00	6.77
Mean .....	37.61		16.27		69.33	59.42		31.29		6.79	19.97	39.27	5.21	238.57	6.37	8.51	58.88	6.84
<b>November</b>																		
Highest .....	37.92	16.87	17.50	6.68	73.05	59.70	3.16	32.03	15.39	6.88	21.16	39.38	5.23	240.90	6.54	8.67	59.00	6.95
Lowest .....	37.05	16.74	16.25	6.63	69.60	59.23	3.13	30.97	15.20	6.77	20.51	38.96	5.20	238.25	6.34	8.50	57.30	6.80
Mean .....	37.36	16.79	16.79	6.66	71.18	59.50	3.14	31.48	15.31	6.82	20.94	39.20	5.21	239.34	6.43	8.59	58.57	6.86
<b>December</b>																		
Highest .....	39.06	17.19	17.76	6.75	74.15	60.90	3.21	32.80	15.65	6.97	21.38	39.95	5.27	245.25	6.73	8.99	60.50	7.10
Lowest .....	37.38	16.56	17.17	6.54	70.94	58.50	3.10	31.56	15.15	6.77	20.55	38.65	5.12	236.50	6.54	8.57	56.70	6.89
Mean .....	38.25	16.95	17.52	6.69	72.94	60.27	3.17	32.33	15.48	6.90	21.09	39.53	5.23	242.15	6.62	8.77	59.31	7.00
<b>Year</b>																		
Highest .....	42.19		17.97		81.57	60.90		34.00			21.38	41.33	5.27	245.25	6.73	8.99	63.00	2
Lowest .....	31.10	4	15.59	5	66.88	58.50	1	26.17	6	3	17.57	38.65	5.12	226.15	6.09	8.15	52.00	
Mean .....	37.13		16.85		74.84	59.75		30.98			18.94	40.26	5.21	233.25	6.47	8.61	60.65	

<sup>1</sup> Italian lira

	March		October		Year		
	1st to 20th	23rd to 31st	1st to 2nd	5th to 31st	1st Jan. to 20th March	23rd March to 2nd Oct.	5th Oct. to 31st Dec.
Highest ...	3.40	3.29	3.23	3.16	3.41	3.32	3.21
Lowest ...	3.36	3.29	3.20	3.14	3.36	3.20	3.10
Mean .....	3.38	3.29	3.21	3.15	3.39	3.28	3.15

<sup>2</sup> Zaire

	June		Year	
	1st to 19th	23rd to 30th	1st Jan. to 19th June	23rd June to 31st Dec.
Highest ...	11.90	7.12	11.90	7.35
Lowest ...	11.65	7.06	10.50	6.68
Mean .....	11.76	7.08	11.22	7.01

<sup>3</sup> Swedish crown

	September		Year	
	1st to 11th	14th to 30th	1st Jan. to 11th Sept.	14th Sept. to 31st Dec.
Highest ...	7.67	6.85	7.80	6.97
Lowest ...	7.60	6.73	7.19	6.73
Mean .....	7.63	6.79	7.57	6.83

<sup>4</sup> German mark

	October		Year	
	1st to 2nd	5th to 31st	1st Jan. to 2nd Oct.	5th Oct. to 31st Dec.
Highest ...	16.39	16.84	16.40	17.19
Lowest ...	16.38	16.67	16.03	16.56
Mean .....	16.38	16.74	16.30	16.83

<sup>5</sup> French franc

	October		Year	
	1st to 2nd	5th to 31st	1st Jan. to 2nd Oct.	5th Oct. to 31st Dec.
Highest ...	6.84	6.71	6.96	6.75
Lowest ...	6.83	6.64	6.75	6.54
Mean .....	6.83	6.67	6.89	6.68

<sup>6</sup> Netherlands guilder

	October		Year	
	1st to 2nd	5th to 31st	1st Jan. to 2nd Oct.	5th Oct. to 31st Dec.
Highest ...	14.75	15.24	14.83	15.65
Lowest ...	14.74	15.10	14.60	15.10
Mean .....	14.75	15.17	14.75	15.32

Table 11.

## Formation of financial assets by individuals and companies

(Billions of francs)

	In Belgian francs												Other <sup>4</sup>	Grand total
	At up to one year						At over one year				Miscel- laneous <sup>3</sup>	Total		
	Cash hold- ings	Deposits on ordinary deposit or savings books <sup>1</sup>	Time deposits	Medium- term notes	Miscel- laneous	Total	Medium- term notes and bonds <sup>2</sup>	Deposits	Shares	Total				
1973 .....	+ 32	+ 70	+ 60	+ 8	+ 1	+171	+ 76	+ 4	+ 2	+ 82	+ 5	+258	+ 22	+280
1974 .....	+ 34	+ 51	+ 82	+ 7	+ 1	+175	+ 91	- 1	+ 6	+ 96	+ 5	+276	+ 14	+290
1975 .....	+ 92	+137	- 24	+ 10	+ 1	+216	+ 96	+ 13	+ 4	+113	+ 5	+334	+ 25	+359
1976 .....	+ 37	+106	+ 94	+ 5	- 4	+238	+146	+ 3	+ 2	+151	+ 21	+410	+ 49	+459
1977 .....	+ 73	+103	+ 3	+ 5	+ 2	+186	+206	+ 7	+ 10	+223	+ 24	+433	+ 16	+449
1978 .....	+ 48	+106	+ 47	+ 15	+ 5	+221	+158	+ 1	+ 10	+169	+ 22	+412	+ 36	+448
1979 .....	+ 26	+ 73	+ 85	- 4	- 2	+178	+201	+ 1	+ 4	+206	+ 7	+391	+ 71	+462
1980 .....	+ 6	+ 2	+125	- 11	- 3	+119	+255	+ 1	+ 2	+258	+ 13	+390	+ 72	+462
1980 First 10 months .....	- 28	- 75	+130	- 12	...	+ 15	+235	+ 1	+ 1	+237	+ 77	+329	+ 60	+389
1981 First 10 months ..... <i>p</i>	+ 2	- 19	+ 67	- 5	+ 5	+ 50	+191	+ 2	+ 2	+195	+ 98	+343	+164	+507

<sup>1</sup> See Table 12 of this Annex.<sup>2</sup> See Tables 14 and 15 of this Annex.<sup>3</sup> Financial assets whose classification according to maturities is unknown or meaningless.<sup>4</sup> 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	
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	+ 21	+ 20	+ 8	+ 73
1980 .....	+ 2	- 2	- 2	+ 4	+ 2
1980 First 10 months .....	- 22	- 26	- 21	- 6	- 75
1981 First 10 months ...p	- 4	- 13	- 4	+ 2	- 19

Table 13.

# Bonds and notes at over one year in Belgian francs

Classified according to issuers

(Changes in billions of francs)

	Public authorities	Public financial interme- diaries <sup>1</sup>	Public operating organisations	Banks	Private savings banks, mortgage and capital accumulation companies <sup>1</sup>	Others	Total
1973 .....	+ 81	+ 37	+ 6	+ 6	+ 7	+ 19	+156
1974 .....	+ 65	+ 52	+ 10	+ 7	+ 12	+ 14	+160
1975 .....	+ 97	+ 54	+ 5	+ 10	+ 11	+ 30	+207
1976 .....	+100	+ 67	+ 18	+ 16	+ 15	+ 13	+229
1977 .....	+169	+146	+ 13	+ 30	+ 15	+ 9	+382
1978 .....	+166	+ 50	+ 22	+ 21	+ 13	+ 8	+280
1979 .....	+150	+ 75	- 1	+ 27	+ 25	+ 6	+282
1980 .....	+ 78	+103	- 6	+ 48	+ 45	+ 6	+274
1980 First 10 months .....	+ 92	+ 81	- 4	+ 41	+ 40	+ 3	+253
1981 First 10 months ..... <sup>p</sup>	+ 35	+ 86	- 5	+ 38	+ 29	+ 1	+184

<sup>1</sup> 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 intermediaries <sup>1</sup>	Public authorities	Foreign countries <sup>e</sup>	Others <sup>2</sup>	Total <sup>3</sup>
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	+ 201	+ 282
1980 .....	+ 2	+ 15	+ 1	+ 1	+ 255	+ 274
1980 First 10 months .....	...	+ 17	+ 1	...	+ 235	+ 253
1981 First 10 months ..... <sup>p</sup>	- 5	+ 2	+ 2	- 6	+ 191	+ 184

<sup>1</sup> Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1981, namely those of life assurance companies and employers' liability insurance companies and those of pension funds.

<sup>2</sup> The figures in this column have been calculated as a difference and mainly represent the net acquisitions of individuals. See Table 15 of this Annex.

<sup>3</sup> 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)*

	Public authorities	Public financial interme- diaries	Public operating organisations	Banks	Private savings banks, mortgage and capital accumulation companies	Others	Total
1973 .....	+ 20	+ 30	+ 2	+ 6	+ 6	+ 12	+ 76
1974 .....	+ 23	+ 37	+ 4	+ 7	+ 11	+ 9	+ 91
1975 .....	+ 28	+ 34	+ 1	+ 9	+ 10	+ 14	+ 96
1976 .....	+ 50	+ 45	+ 13	+ 16	+ 14	+ 8	+146
1977 .....	+ 76	+ 83	- 2	+ 30	+ 15	+ 4	+206
1978 .....	+ 77	+ 35	+ 6	+ 20	+ 13	+ 7	+158
1979 .....	+ 77	+ 71	- 3	+ 27	+ 25	+ 4	+201
1980 .....	+ 57	+100	- 3	+ 48	+ 45	+ 8	+255
1980 First 10 months .....	+ 65	+ 85	- 2	+ 41	+ 40	+ 6	+235
1981 First 10 months ..... <i>p</i>	+ 48	+ 80	- 3	+ 37	+ 29	...	+191



Table 16.

## Obtaining (+) and use (–) of funds by the various sectors of the economy in 1981

(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 National Bank of Belgium's statement of account
			Total	Of which :				
				Public credit institutions	Belgian and Luxembourg banks <sup>1</sup>	Private savings banks		
1. Transactions outside the money market <sup>2</sup> .....	- 424	- 26	+ 58	(+ 17)	(+ 16)	(+ 22)	+ 392	—
of which :								
1.1 Long-term public paper in Belgian francs <sup>3</sup> .....	(+ 26) <sup>4</sup>	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(- 26)	—
1.2 Individuals' balances at the Postal Cheque Office .....	(+ 3)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(- 3)	—
2. Transactions on the money market :								
2.1 Transactions with parties other than the lender of last resort :								
2.11 Certificates in Belgian francs at up to one year <sup>3,5</sup> .....	+ 138	- 8	- 130	(- 62)	(- 53)	(- 23)	...	—
2.12 Call money : — against security (net amounts) .....	—	—	—	(...)	(...)	(...)	—	—
— outside the protocol .....	—	...	...	(...)	(...)	(...)	...	—
2.13 Inter-bank market .....	—	—	—	(...)	(+ 2)	(...)	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market .....	...	+ 31	+ 37	(+ 37)	(—)	(—)	- 68	—
2.15 Total .....	+ 138	+ 23	- 93	(- 25)	(- 51)	(- 23)	- 68	—
2.2 Transactions with the lender of last resort :								
2.21 Transactions which cause the financial intermediaries to resort to the National Bank of Belgium or enable them to reduce their indebtedness to it :								
2.211 Treasury certificates sold to the National Bank of Belgium .....	...	—	—	(—)	(—)	(—)	—	...
2.212 Treasury certificates sold to the Securities Regulation Fund and financed by it with the special assistance of the National Bank of Belgium .....	+ 72	—	—	(—)	(—)	(—)	—	+ 72
2.213 Foreign currencies borrowed by the public sector and sold by it to the National Bank of Belgium .....	+ 214	+ 3	+ 6	(+ 6)	(—)	(—)	—	+ 223
2.214 The National Bank of Belgium's interventions on the foreign exchange market <sup>6</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 316	- 316
2.215 Notes of the National Bank of Belgium <sup>7</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 6	- 6
2.216 Other .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 2	- 2
2.217 Total .....	+ 286	+ 3	+ 6	(+ 6)	(—)	(—)	- 324	- 29
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted .....	—	—	+ 38	(+ 2)	(+ 35)	(+ 1)	—	+ 38
2.222 Advances obtained .....	—	—	- 9	(...)	(...)	(...)	—	- 9
2.223 Total .....	—	—	+ 29	(+ 2)	(+ 35)	(+ 1)	—	+ 29

<sup>1</sup> The Luxembourg banks have been grouped with the Belgian banks because, when their liquidity increases, they make the same kinds 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 National Bank of Belgium 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 origins.

<sup>2</sup> In the first six columns a plus (minus) sign normally indicates that the liquidity of the sector in question was greater (less) at the end of the period under review than at the beginning.

<sup>3</sup> An increase has a plus sign in the issuer's column and a minus sign in the purchaser's column; a decrease has the opposite signs.

<sup>4</sup> Change in the direct and indirect consolidated debt in Belgian francs and in the outstanding amount of Treasury certificates in Belgian francs at over one year.

<sup>5</sup> Treasury certificates and Securities Regulation Fund certificates.

<sup>6</sup> Plus sign: net purchases of foreign currencies by the National Bank of Belgium; minus sign: net sales.

<sup>7</sup> Plus sign: decrease; minus sign: increase.

Table 17.

Belgian and foreign long-term yield rates on the secondary market <sup>1</sup>

(Per cent)

	Belgium : Government bonds at over 5 years <sup>2</sup>	International market : Dollar bonds <sup>3</sup>	United States : Federal Government bonds (10 years and over)	Federal Republic of Germany : Public-sector bonds	Netherlands : Last three long-term government loans
1972 December .....	5.8	n.a.	5.6	6.5	7.5
1973 December .....	6.3	9.2	6.4	7.2	9.0
1974 December .....	7.2	11.7	6.8	7.4	9.1
1975 December .....	7.0	10.2	7.2	6.2	8.6
1976 December .....	7.4	9.9	6.4	5.5	8.4
1977 December .....	7.0	8.7	7.2	4.3	8.1
1978 December .....	7.0	9.5	8.4	4.7	8.5
1979 December .....	8.9	11.3	9.6	5.9	9.3
1980 June .....	9.5	11.0	9.4	6.2	10.0
December .....	10.4	13.2	11.9	6.7	10.5
1981 January .....	10.6	12.8	11.7	6.8	10.4
February .....	10.8	13.4	12.2	7.4	11.0
March .....	10.9	13.7	12.2	7.7	11.4
April .....	10.8	13.7	12.6	7.7	11.3
May .....	11.1	14.5	13.0	8.1	11.9
June .....	11.3	14.1	12.4	8.2	11.4
July .....	11.2	14.4	13.1	8.3	11.6
August .....	11.2	15.0	13.6	8.4	12.1
September .....	11.2	15.5	14.1	8.3	12.3
October .....	11.0	15.4	14.1	7.8	12.1
November .....	11.1	14.7	12.7	7.5	11.9
December .....	11.2	14.5	12.9	7.3	11.3

Sources : International market : Financial Statistics of the Organisation for Economic Cooperation and Development. 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.

<sup>1</sup> 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.

<sup>2</sup> Rates at the beginning of the next month.

<sup>3</sup> Bonds with a remaining period of 7 to 15 years issued by the public sector. The calculation and composition of the sample were changed in 1977.



Table 18.

## Money market rates \*

(Per cent)

	Call money <sup>1</sup>	Treasury Certificates at very short term (3 months) <sup>2</sup>	R.G.I.: Commercial bills counted against the rediscount ceilings at the National Bank of Belgium (up to 120 days) <sup>2,3</sup>		Bank acceptances not counted against the rediscount ceilings, traded on the market outside the National Bank (at about 90 days) <sup>2</sup>	Interbank deposits (3 months) <sup>2</sup>
			against sub-ceiling A	against sub-ceiling B		
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 .....	7.96	14.40	10.40	12.50	13.75	14.69
1980 June .....	12.31 <sup>4</sup>	13.75	12.90		13.90	13.88
December .....	10.01 <sup>5</sup>	12.75	11.80		12.20	13.13
1981 January .....	10.20	12.10	11.80		11.60	12.25
February .....	8.98	13.25	11.80		12.75	13.63
March .....	10.25	17.00	12.90		—	17.00
April .....	16.44	17.00	14.90		—	16.88
May .....	12.51	16.75	13.90		—	16.63
June .....	9.40	15.00	12.90		14.30	15.38
July .....	10.56	16.25	12.90		—	16.13
August .....	11.93	15.75	12.90		14.55	15.88
September .....	11.26	15.75	12.90		15.00	15.75
October .....	12.72	15.65	12.90		14.50	15.75
November .....	10.94	15.00	12.90		13.95	14.63
December .....	12.45	16.00	14.90		—	15.63

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

<sup>1</sup> Daily averages.<sup>2</sup> End of period.<sup>3</sup> 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, from 13th to 23rd June 1980 and from 20th January to 25th March 1981: rate for transactions at from 31 to 120 days.<sup>4</sup> First half-year.<sup>5</sup> Second half-year.

Table 19.

## 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 <sup>3</sup>	
	Large deposits <sup>2</sup>	Deposits of from Fr. 1 to 3 million	Ordinary deposits	Effective rate	Gross fictitious rate
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 .....	14.125	—	6.50	6.00	7.50
1980 June .....	13.250	11.50	8.25	6.25	7.81
December .....	12.250	9.50	7.50	6.25	7.81
1981 January .....	11.625	9.25	7.50	6.25	7.81
February .....	13.000	9.50	7.50	6.25	7.81
March .....	16.500	10.00	7.50	6.25	7.81
April .....	16.250	11.25	7.50	6.25	7.81
May .....	16.000	11.00	7.50	6.25	7.81
June .....	14.375	10.25	7.50	6.25	7.81
July .....	15.500	10.75	7.50	6.25	7.81
August .....	15.250	10.75	7.50	6.25	7.81
September .....	15.125	10.75	7.50	6.25	7.81
October .....	15.125	10.50	7.50	6.25	7.81
November .....	14.000	10.25	7.50	6.25	7.81
December .....	15.000	11.00	7.50	6.25	7.81

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

<sup>1</sup> Rates for investments in Belgian francs accessible to the general public; rates before deduction of tax at source.<sup>2</sup> Indicative rates for deposits of from Fr. 5 to 20 million.<sup>3</sup> 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 20.

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

(Per cent)

	Discount <sup>1</sup>		Current-account advances against public securities <sup>3</sup>
	Bills accepted payable at a bank, warrants and acceptances, bearing visa <sup>2</sup> or certified, representing foreign trade transactions	Other bills and promissory notes	
At end of			
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
1981 .....	15.00		17.00
1981			
1st January - 4th March ...	12.00		12.00
5th March - 25th March ..	12.00		13.00
26th March - 30th March ..	13.00		15.00
31st March - 15th April ...	16.00		18.00
16th April - 29th April .....	15.00		17.00
30th April - 27th May .....	14.00		16.00
28th May - 10th December ..	13.00		15.00
11th Dec. - 31st Dec. ....	15.00		17.00

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

<sup>1</sup> Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.

<sup>2</sup> The visa was abolished on 1st April 1974.

<sup>3</sup> Maximum proportion advanced: 95 p.c. on Treasury certificates, Securities Regulation Fund certificates and medium-term notes of the parastatal organisations issued at up to 374 days and 80 p.c. on other public securities.

Table 21.

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

(Per cent)

At end of	Discounting of bills counted against sub-ceiling B <sup>1</sup>	Rediscount and Guarantee Institute's rediscount facility for mobilisation of paper not counted against rediscount ceilings	Advances above monthly quota allotted to banks, private savings banks and public credit institutions <sup>2</sup>	Weighted average rate <sup>3</sup>
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 .....	12.50	13.50	13.50	11.53
1980 June .....	—	14.00	14.00	13.01
December .....	—	13.00	13.00	12.00
1981 January .....	—	13.00	13.00	12.00
February .....	—	13.00	13.00	12.00
March .....	—	20.00	20.00	12.15
April .....	—	18.00	18.00	13.25
May .....	—	17.00	17.00	13.01
June .....	—	16.00	16.00	12.95
July .....	—	16.00	16.00	13.00
August .....	—	16.00	16.00	13.00
September .....	—	16.00	16.00	13.00
October .....	—	16.00	16.00	13.01
November .....	—	16.00	16.00	13.01
December .....	—	17.50	17.50	13.91

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

<sup>1</sup> 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.

<sup>2</sup> Rate existing since 8th July 1974.

<sup>3</sup> 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.





## **MONETARY RECOMMENDATION OF 6th APRIL 1981**

With a view to combating the strains on the foreign exchange market which had at that time become particularly acute, the Bank, on 6th April 1981, addressed to the financial intermediaries a monetary policy recommendation based on the law of 28th December 1973. This recommendation applied to the period up to 30th June 1981.

The strains in question were due to the fact that funds were leaving the country on a large scale for speculative reasons. Very large outflows of funds are corrected by the fact that they cause the money market to dry up, which tends to impede further outflows. This self-correcting mechanism would not have operated, however, if the financial intermediaries had replenished their cash holdings by obtaining redemption of short- and long-term public paper, forcing the Treasury to replace the financing resources thus lost by recourse to the Bank, which would thus have been obliged to compensate, to a practically unlimited extent, for the destruction of liquidity caused by the outflows of funds. In order to avoid such compensation and the dangers resulting from further outflows of funds, it was important that the financial intermediaries should maintain their holdings of public short- and long-term paper at their previous level.

Concretely, the recommendation was designed to achieve this aim by imposing a dual obligation on the financial intermediaries.

Firstly, each financial intermediary was called upon to keep the total amount of its holdings of Belgian short- and long-term public paper in Belgian francs issued or guaranteed by the Government, the provinces or the municipalities at a level at least equal to a reference amount defined as follows : the sum of the daily average amount, calculated on the basis of calendar days, of the Treasury and Securities Regulation Fund certificates held by the intermediary in question during the period from 13th to 26th March inclusive, and the amount of its holdings of other short- and long-term public paper on 31st December 1980. A financial intermediary whose liabilities decreased in comparison with the level reached on 31st March 1981 was, however, allowed to reduce its holdings of public short- and long-term paper, provided that it maintained between these holdings and its liabilities a ratio at least equal to the existing ratio between the afore-mentioned reference amount, on the one hand, and its liabilities on 31st March 1981, on the other. Observance of this first requirement was checked, as planned, for the



months of April and May. The third check, which was to have been for the month of June, did not take place, as the Bank decided, owing to the fact that the strains on the foreign exchange market had eased, to discontinue the application of the recommendation with effect from 26th June.

Secondly, each financial intermediary was required to have, during each week, an average daily amount, calculated on the basis of calendar days, of Treasury and Securities Equalisation Fund certificates at least equal to the average daily amount, calculated on the same basis, of its holdings of the paper in question during the period from 13th to 26th March inclusive, less an exempt amount of 15 p.c. Compliance with this second obligation was checked eight times, for the weeks of the period 6th April-31st May. The obligation was discontinued with effect from 1st June, as most of the financial intermediaries' holdings of certificates were substantially above the prescribed minimum.

Outflows of short-term funds on the regulated market, which take the form of the building-up of commercial claims on foreign countries by enterprises in connection with foreign trade transactions, were also liable to be larger if they could be easily financed by credits, especially short-term credits. It was thus also important that the ratio between the short-term credits granted to enterprises and individuals by the financial intermediaries, on the one hand, and the public short- and long-term paper acquired by these intermediaries, on the other, should not exceed a level which could be regarded as normal. The recommendation therefore stated that each intermediary's holdings of Belgian short- and long-term public paper in Belgian francs issued or guaranteed by the Government, the provinces or the municipalities, should show, in comparison with the minimum amount which was to be held under the obligation described above, a surplus at least equal to the increase in the intermediary's short-term credits to enterprises and individuals since 31st March 1981 multiplied by a reference coefficient defined as follows : the ratio, for that intermediary, between, on the one hand, the average of the amounts at the end of each quarter of 1978 of its holdings of public short- and long-term paper and, on the other hand, the average of the amounts at the end of each quarter of 1978 of short-term credits to enterprises and individuals; when, for a given intermediary, the ratio thus calculated had a value above 1, the reference coefficient was fixed at 1. A check was made on the amount of the holdings of public short- and long-term paper in May in relation to the increase in short-term credits during the previous month. The corresponding check planned for the amount of these holdings in June did not take place because, as stated, the recommendation ceased to be applicable on 26th of that month.

If, when a monthly or weekly check was made, it was found that a financial intermediary's holdings of public short- and medium-term paper showed a shortfall in relation to the requirements of the recommendation, that intermediary was required, for an amount equal to that shortfall, either to form a monetary reserve with the Bank in a special non-interest-bearing account or to make a special sale of U.S. dollars to the Bank with a repurchase clause; this swap

operation was to be carried out at exchange rates fixed in such a way as to cause it to have, for the intermediary in question, a penalising effect equivalent to the loss of interest which the intermediary would have suffered through the building-up of a monetary reserve. Out of all the checks made, only one weekly check revealed a shortfall — which was in fact small — on the part of a financial intermediary.

Within the framework of the monetary association between Belgium and Luxembourg, the Luxembourg Bank Control Commissioner addressed to the Luxembourg banks, on 10th April 1981, a recommendation designed to prevent the possibility of the provisions described above being evaded by means of transactions carried out with the Grand Duchy.





## GLOSSARY OF NAMES AS USED IN THIS AND PREVIOUS REPORTS OF THE NATIONAL BANK

Agricultural Fund	Fonds Agricole
Agricultural Investment Fund	Fonds d'investissement agricole
Antwerp Port Administration	Administration du Port d'Anvers
Asian Development Bank	Banque Asiatique de Développement
Association of Local Authorities for the Building of Motorways	Association Intercommunale pour la Construction d'Autoroutes
Autonomous Funds	Fonds autonomes
Autonomous War Damage Fund	Caisse Autonome des Dommages de Guerre
Bank Control Commissioner (Luxembourg)	Commissaire au contrôle des banques (Luxembourg)
Bank for International Settlements	Banque des Règlements Internationaux
Bank of Issue	Banque d'Emission
Banking Commission	Commission Bancaire
Belgian Air Navigation Company (Sabena)	Société Anonyme Belge d'Exploitation de la Navi- gation Aérienne (Sabena)
Belgian Aluminium Syndicate	Syndicat Belge de l'Aluminium
Belgian Bankers' Association	Association Belge des Banques
Belgian Coal Mines Re-equipment Fund	Fonds de Rééquipement des Charbonnages Belges
Belgian-Congolese Amortisation and Management Fund	Fonds Belgo-Congolais d'Amortissement et de Gestion
Belgian-Luxembourg Economic Union (B.L.E.U.)	Union Economique Belgo-Luxembourgeoise (U.E.B.L.)
Belgian-Luxembourg Foreign Exchange Institute	Institut Belgo-Luxembourgeois du Change
Belgian Municipal Credit Institution	Crédit Communal de Belgique
Belgian National Railways Company (B.N.R.C.)	Société Nationale des Chemins de fer belges (S.N.C.F.B. ou S.N.C.B.)
Belgian Office for Increasing Productivity	Office Belge pour l'Accroissement de la Productivité
Belgian Petroleum Federation	Fédération pétrolière belge
Belgian Surveyors' Association	Association Belge des Experts
Benelux Economic Union	Union Economique Benelux



Benelux Intergovernmental Conference	Conférence intergouvernementale du Benelux
Board of Executive Directors (of I.M.F.)	Conseil d'Administration (du F.M.I.)
Board of Governors (of I.M.F.)	Conseil des Gouverneurs (du F.M.I.)
Board of Management (of E.M.A.)	Comité directeur (de l'A.M.E.)
Brussels Canal and Maritime Installation Company Limited	S.A. du Canal et des Installations Maritimes de Bruxelles
Brussels Entente	Entente de Bruxelles
Brussels Land Surveyors' Union	Union des Géomètres Experts de Bruxelles
Brussels Municipal Water Company	Compagnie Intercommunale Bruxelloise des Eaux
Brussels Universal and International Exhibition	Exposition Universelle et Internationale de Bruxelles
Budgetary Policy Committee (of the European Communities)	Comité de politique budgétaire (des Communautés Européennes)
Bulletin of the National Bank of Belgium (formerly Information Bulletin of the National Bank of Belgium)	Bulletin de la Banque Nationale de Belgique (précédemment Bulletin d'Information et de Documentation de la Banque Nationale de Belgique)
Centenary Fund	Fonds du Centenaire
Central Council of Economy	Conseil Central de l'Economie
Central Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Risks Office	Centrale des Risques
Chamber of Publicity Consultants' Bureaux	Chambre des Agences-Conseils en Publicité
Chamber of Representatives	Chambre des Représentants
Clearing House (at Brussels)	Chambre de Compensation (à Bruxelles)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (O.C.R.A.)
Commission of the European Communities	Commission des Communautés Européennes
Committee for the Study and Promotion of Exports of Small and Medium-sized Enterprises	Commission d'études pour la promotion des exportations de petites et moyennes entreprises
Committee of Control for Electricity	Comité de Contrôle de l'Electricité
Committee of Governors of the Central Banks	Comité des Gouverneurs des banques centrales
Committee of Management for Electricity	Comité de Gestion de l'Electricité
Committee of the Brussels Stock Exchange	Commission de la Bourse de Bruxelles
Consultation Committee for Creditor Interest Rates	Comité de concertation des taux d'intérêt créditeurs
Consultative Committee for Coordinating Medium-Term Export Financing, known as « Cofinex »	Comité Consultatif de Coordination du Financement à Moyen Terme des Exportations (Cofinex)
Consultative Council for External Trade	Conseil Consultatif pour le Commerce Extérieur
Council of Heads of Government	Conseil des Chefs de Gouvernement
Council of Public Credit Institutions	Conseil des Institutions Publiques de Crédit
Council of Regency	Conseil de Régence

Council of State	Conseil d'Etat
Council of the European Communities	Conseil des Communautés Européennes
Court of Justice	Cour de Justice
Creditexport Association	Association Creditexport
Currency Reform Loan	Emprunt de l'Assainissement monétaire
Department of Applied Economics at the Free University of Brussels	Département d'Economie appliquée de l'Université Libre de Bruxelles (D.U.L.B.E.A.)
Department of National Education	Département de l'Education Nationale
Deposit and Consignment Office	Caisse des Dépôts et Consignations
Direct Taxes Department	Administration des Contributions directes
Directing Committee (of N.B.B.)	Comité de Direction (de la B.N.B.)
General Division for Economics and Financial Affairs of the Commission of the European Communities	Direction générale des Affaires économiques et financières de la Commission des Communautés Européennes
Directorate General of Mines	Direction Générale des Mines
Directorate of the Coal Industry	Directoire de l'Industrie charbonnière
Discount Agency	Comptoir d'Escompte
Discount Committee	Comité d'Escompte
Economic and Social Committee	Comité Economique et Social
Commission (of the European Communities)	Commission (des Communautés Européennes)
Economic Expansion and Regional Reconversion Fund	Fonds d'Expansion Economique et de Reconversion Régionale
Economic Policy Committee (of the European Communities)	Comité de politique économique (des Communautés Européennes)
Economic Programming Office	Bureau de Programmation Economique
Economic Research Centre (of Louvain)	Centre de Recherches Economiques (de Louvain)
Economic Research Institute [formerly Economic, Social and Political Research Institute (of Louvain University)]	Institut de Recherches Economiques [précédemment Institut de Recherches Economiques, Sociales et Politiques (de l'Université de Louvain)]
Energy Board	Administration de l'Energie
European Agricultural Guidance and Guarantee Fund (of the European Communities)	Fonds Européen d'Orientation et de Garantie Agricole (des Communautés Européennes)
European Agricultural Markets Organisation	Organisation Européenne des Marchés Agricoles
European Assembly	Assemblée européenne
European Atomic Energy Community (Euratom)	Communauté Européenne de l'Energie Atomique (Euratom)
European Coal and Steel Community (E.C.S.C.)	Communauté Européenne du Charbon et de l'Acier (C.E.C.A.)
European Communities	Communautés Européennes
European Development Fund (of the European Communities) (formerly Fund for the Development of Overseas Countries and Territories)	Fonds Européen de Développement (des Communautés Européennes) (précédemment Fonds de Développement pour les Pays et Territoires d'Outre-mer)
European Economic Community (E.E.C.)	Communauté Economique Européenne (C.E.E.)

European Free Trade Association	Association Européenne de Libre Echange
European Fund	Fonds Européen = Fonds de l'A.M.E.
European Investment Bank	Banque Européenne d'Investissement
European Monetary Agreement (E.M.A.)	Accord Monétaire Européen (A.M.E.)
European Monetary Cooperation Fund (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'Egalisation 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



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*Translated from the French by*

D.F. Long & Co. (Translations) Ltd. London SE8 4AE



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Printing Works  
of the National Bank of Belgium  
Boulevard de Berlaimont 56  
1000 Brussels  
Head of the Printing Department  
J. Van Droogenbroeck

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