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*on the activities of the year 1982
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REPORT

presented by the Governor in the name of the

COUNCIL OF REGENCY

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

In 1980 and 1981 the expansion in economic activity in the industrialised countries as a whole had been very small; during the year under review it gave way to a decline; the total gross national product of the member countries of the Organisation for Economic Co-operation and Development would appear to have fallen by about 0.5 p.c.

The recession made itself felt earlier and more sharply in the United States. The fairly vigorous recovery which the American economy was enjoying came to a halt towards the middle of 1981; activity slackened after that, and this weakening continued into the second half of 1982. The latter year's gross national product would appear to have been 1.8 p.c. below that of the previous year. Europe, for its part, still achieved a slight growth in the second half of 1981 and the early months of 1982; the recession came only in the second half of the year; for 1982 as a whole, therefore, the volume of the gross national product would appear to have remained unchanged in relation to 1981. The Japanese economy continued to grow; the increase in the volume of GNP would appear to have been about 2.5 p.c., representing a slowing-down compared with the previous year.

In the United States the productivity of labour declined; nevertheless, employment fell, owing to the extent of the decrease in activity. Employment also decreased in Europe, under the combined influence of the cessation of the expansion in economic activity and a slight rise in productivity. As the working population grew further, the number of unemployed rose by over 5 million in the countries of the Organisation for Economic Co-operation and Development as a whole; altogether, 30 million people, or 8.5 p.c. of the working population, are registered as out of work in the OECD area. Among the major countries the rise in the unemployment rate in 1982 was greatest in Canada, the Federal Republic of Germany and the United States.

The contradictions between the movement of prices and that of employment which had been regarded as characteristic of « stagflation » are tending to disappear. In the climate of crisis the recent recession no longer led only to an aggravation of the major problem of unemployment; it was also accompanied, in most industrialised countries, by a slowing-down of inflation. On the one hand, the slackening of activity in these countries depressed the markets for primary products; the prices of non-energy products were hardest hit; in terms of U.S. dollars they fell, on average, by over 10 p.c. On the other hand, the sluggish

ness of demand helped, within the various economies, to sap the strength of some of the domestic inflationary factors by curbing the upward movement of costs, and especially labour costs. The rise in consumer prices, as measured by the combined national accounts of the countries of the Organisation for Economic Co-operation and Development, would appear to have slowed down from 9.4 p.c. in 1981 to 7.5 p.c. in 1982; during the last months the increase in these prices would appear to have amounted to only about half that which took place, immediately after the second rise in oil prices, in the second quarter of 1980; among the major countries, this slackening compared with 1980 was most marked in the United Kingdom and the United States. As usual, the prices of manufactured products withstood the fluctuations in economic activity better than those of raw materials; consequently the terms of trade of the industrialised countries improved appreciably in 1982, at the expense of those of the developing countries. In the former, therefore, the worsening of the situation was due no longer — as it had been in 1980 — to an exogenous impoverishment, but to other, domestic factors which directly affected the volume of final demand.

In most of these industrialised countries, anxiety about the fundamental recovery of world demand, the existence of surplus production capacities and in many cases the restrictive policies pursued caused a fairly general change in the prospects of enterprises; these became more hesitant about investing. This atmosphere of uncertainty and gloom also acted as a deterrent to expenditure by households on building. The effects of these general factors could not be counterbalanced by the fall in long-term interest rates, especially as the slackening of inflation slowed down the decline in real interest rates in many countries.

All in all, the inadequacy of gross domestic fixed capital formation contributed greatly to the decrease in the national product of the countries of the Organisation for Economic Co-operation and Development in 1982.

Furthermore, with a few exceptions, including the United States and above all France, these countries did not design their budgetary policies with a view to making them into an instrument of stimulation and revival. On the contrary, as their primary concern was to keep

down their budget expenditure in the medium term or to reduce the burden of the public debt, several important countries, such as Japan, the Federal Republic of Germany, the United Kingdom and Italy endeavoured to curb the growth in public expenditure or to increase the public authorities' revenues. The reason why many countries nevertheless, *ex post*, experienced a sometimes considerable worsening of their budget deficit was because their efforts were thwarted by the effects of the recession.

Activity in the industrialised countries also suffered on account of the contraction in the volume of the purchases by the rest of the world. Various countries in the Soviet zone and many developing countries had to make efforts to cut down their imports; this course was forced upon them by their financial situation, aggravated as it was by the deterioration of their terms of trade or by the falling-off in the volume of their exports or by the increase in the burden of their foreign debt. The group of members of the Organisation of Petroleum Exporting Countries likewise had to curb the growth in the volume of its purchases of manufactured products.

This dwindling of the volume of the industrialised countries' exports led to a worsening of their current account balance of payments deficit, despite the improvement in their terms of trade. The deficit would appear to have risen from \$ 30 billion in 1981 to \$ 40 billion in 1982. These overall figures conceal differing developments in the various countries. Those among them which had shown a deficit in 1981 generally succeeded in improving their external current account position in 1982; the most striking exception is France, where the stimulus given to consumption by the budget deficit led, in a deflationary international context, to a very rapid deterioration in the balance of trade. Among the countries which had a surplus in 1981, some, notably Japan, the Netherlands and Switzerland, increased it still further; two large countries, the United Kingdom and the United States, on the other hand, suffered a worsening of their current payments; the American economy, in surplus in the first half of the year, would appear to have incurred a very large deficit in the second half, partly owing to a decline in market shares for manufactured products.

This turn-round in the United States' current account balance of payments position did not prevent the weighted average rate for the dollar from continuing to rise; the movement continued until Novem

ber, that is, until after the appreciable narrowing of the interest-rate differential which encouraged short-term investments in dollars. From 1979 to 1981 the rise in interest rates in the United States — justified by the rate of inflation in that country and sustained by the policy of its monetary authorities — had spread throughout the rest of the industrialised world; the countries whose external accounts were worsening after the second oil price rise were forced, even if their domestic inflation did not justify it, to allow their own interest rates to rise and thus to impose upon themselves a particularly high level of real rates. The restrictive anti-inflationary monetary policy pursued by the U.S. authorities was thus propagated, with all its implications, to all the industrial countries. It furthermore added to the foreign debt service burden of all the countries which had borrowed abroad; countries with a fragile financial structure and substantial foreign debts were faced with an increasing danger of insolvency. True, an initial decline in the American rates had begun in the second half of 1981, but it had been interrupted in the early months of 1982. It was resumed towards the middle of the year owing to the slackening of demand for credit and, subsequently, to the U.S. authorities' decision to make their policy less rigid and assist the decline in short-term interest rates; this movement was accompanied, from November onwards, by a fall in the exchange rate for the dollar; it made possible an easing of interest rates in most European countries; the downward movement was greatest in the countries where foreign payments did not constitute a constraint on the conduct of monetary policy. Nevertheless, at the end of the year the rate for three-month investments in Euro-dollars was still appreciably higher than that for investments in Euro-guilders, Euro-German marks, Euro-Swiss francs and Euro-yens.

The average exchange rates for the guilder and the German mark rose slightly in 1982. Conversely, despite the relatively high interest rates paid on investments in lira, French francs and Belgian francs, these three currencies depreciated in 1982. The movements of the exchange rates for these five European currencies differed owing to fundamental factors and because of changes in central rates which were decided upon within the European Monetary System. On 22nd February the Belgian and Luxembourg francs and the Danish crown were devalued by 8.5 p.c. and 3 p.c. respectively in relation to the other currencies of the System; on 14th June the German mark and the Netherlands guilder were revalued by 4.25 p.c. in relation to the Belgian and Luxembourg

francs, the Danish crown and the Irish pound, while, in relation to these last-mentioned four currencies, the French franc and the Italian lira were devalued by 5.75 p.c. and 2.75 p.c. respectively.

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The cyclical profile of the Belgian economy is fairly close to that of the countries of the European Economic Community as a whole. The slight revival which, according to the main indicators, took place during the first three quarters of 1981, gave way to a certain flattening-out of the rise in the last months of 1981 and the first months of 1982; the devaluation of the Belgian franc in February was followed by a brief recovery; domestic expenditure was stimulated by expectations of price rises at the same time as foreign demand was strengthening. After that, the recession made itself felt; the slackening of activity caused by the weakening of foreign markets continued into the last months of the year.

Economic and
financial
developments in
Belgium

The above-mentioned revival which started at the beginning of 1981, whose fragility was reflected in the fluctuations of the cyclical indicators and which came to an end in the middle of the year under review, was, all in all, the weakest of all the expansions in activity which have taken place since the first rise in oil prices. The extent of the movement was too insignificant to bring about any positive growth in the gross domestic product; the latter, which is a good overall indicator of activity in the national economy, had declined by 1.1 p.c. in 1981, and appears to have gone down by a further 0.3 p.c. in 1982, according to the estimates made by the Bank. As for the gross national product, which, unlike the domestic product, takes into account the incomes earned by residents abroad, on the one hand, and paid to non-residents, on the other, this had fallen by 1.2 p.c. in volume in 1981 and would appear to have gone down by a further 0.7 p.c. in 1982, according to the Bank's estimates; its decline was therefore more marked than that in the domestic product — a divergence which is explained by the increase in the net interest charges borne by the Belgian economy because of its foreign debt.

As in 1981, it was in the building industry that activity fell off most; the value added by this branch had decreased by nearly 18.7 p.c. in volume in 1981; it appears to have fallen again, by 8.5 p.c., in

appears to have been slightly lower than in 1981. That of manufacturing industry appears to have gone up by 0.7 p.c.; according to the available indices of industrial production, this movement appears to have been more favourable than that recorded in the economies of our main trading partners. The value added by market services as a whole underwent little overall change. Consequently, the only sector in which activity rose appreciably was, as in 1981, agriculture, but this accounts for only about 2 p.c. of the domestic product.

During the years 1974 to 1976, following the first oil crisis, the value added by building and by the rest of industry had still increased by about 11 and 6 p.c. respectively. During the last three years, on the other hand, it fell by 22 and 3.5 p.c. respectively. The contraction in activity in the building industry is substantial; this sector is in fact suffering, with a time-lag and more intensely, a slump of the same kind as that which started earlier in most of the neighbouring countries.

The falling-off in activity led to further job losses. The distribution of these among the various branches is determined not only by the development of activity in each individual branch but also by specific apparent changes in the productivity of labour. Thus, in the building industry, the number of persons employed decreased in the same proportion as activity. In the manufacturing industries, on the other hand, the slight rise in output contrasts with the extent of the job losses; here the value added per person employed rose further in 1982, partly because the number of days lost owing to partial unemployment declined. The number of jobs provided by industry, building and the cyclically sensitive market services combined fell by about 65,000 from the end of June 1981 to the end of June 1982; the loss had amounted to 85,000 during the previous twelve months. In the « Companies » sector, employment increased only in the less cyclically sensitive market services; in agriculture it fell further despite the appreciable increase in production.

The public authorities have created hardly any more jobs in their own departments in recent years, unlike what happened during the years following the first oil shock. From June 1981 to June 1982 the number of staff of all the public services combined would appear to have remained stable.

Consequently, persons dismissed by enterprises added to the number of unemployed. Furthermore, from June 1981 to June 1982 the number of new job-seekers was again nearly 20,000, despite the reduction in the male working population. Altogether, during these twelve months, 80,000 more persons were recorded as unemployed job-seekers, pushing up the total of these to 512,000 at the end of June. The second half of the year brought no relief; on the contrary, at the end of the year 608,000 persons were unemployed and seeking work, 484,000 of these being recorded as wholly unemployed persons receiving unemployment pay. It should be noted that during the last two years male unemployment has increased more than female unemployment.

Whereas in the years 1981 and 1982 the development of activity and employment in the Belgian economy was hardly any different, in broad outline, from what happened in the industrialised countries as a whole, this was not so as regards price inflation. In the industrialised countries as a whole the rise in consumer prices slowed down in each of the last two years. In Belgium, on the other hand, it speeded up uninterruptedly, increasing from 6.6 p.c. in 1980 to 7.6 p.c. in 1981 and 8.7 p.c. in 1982. In 1979 and 1980 the rise in Belgian prices was only about half the average recorded for the industrialised countries as a whole; in 1982 it exceeded this average. The results of the comparisons are different, however, if account is taken of the decline in the weighted average exchange rate for the Belgian franc in 1981 and 1982: when consumer prices are expressed in a common currency, their increase during the last two years is found to have been smaller in Belgium than in its main partner countries as a whole.

The quickening of the price rise in Belgium in 1982 did not affect all the categories recorded in the index. The prices of energy products and rents went up less than in 1981. The opposite was true of food products, pushed up by the raising of agricultural prices in the European Economic Community and by the effects of the first of the two recent devaluations of the « green franc ».

According to the Bank's estimates, the prices of total domestic expenditure would appear, as in 1981, to have risen to an extent similar to the increase in consumer prices. But the rise in export prices would appear to have been greater, having amounted to about 13.5 p.c., which is, incidentally, the same as the rise in import prices. In this

connection a change took place compared with 1980 and 1981 : during each of these years the average price of exports of goods and services had gone up by only about 9 p.c., whereas the corresponding import prices rose by about 13.5 p.c.

This means that in 1982 the Belgian economy did not have to contend with any further worsening of its terms of trade. These had often changed to Belgium's disadvantage since the first oil crisis. This worsening had led to a real impoverishment of the national economy, a burden which the various categories of factors ought to have taken upon themselves at the time by accepting a reduction in their real income per unit of output, in order to avoid a worsening of the current account of the balance of payments. In fact, as is well known, the current account balance did then deteriorate. At the same time the distribution of real income changed at the expense of those enterprises that were prevented by international competition from increasing their nominal incomes; on the other hand, the real incomes of the enterprises, both large and small, in the sheltered sectors, the real incomes of wage- and salary-earners and those of other categories had been more easily protected by the index-linking mechanism or in other ways. Hence, these shifts which had taken place in the inter-sectoral distribution of real income had benefited individuals — households and one-man businesses — at the expense of companies.

In 1982, therefore, the terms of trade having remained practically unchanged, there was no further reduction, per unit of output, in the real disposable income to be used for domestic expenditure. Furthermore, the measures adopted by the authorities with regard to incomes stopped the shift in their distribution and began to remedy the existing distortions.

The public authorities, concerned about the imbalances which had developed and increased in the domestic economy since the mid-seventies, had in fact set themselves the tasks of reducing the balance of payments deficit, gradually putting the public finances back on a sound footing and restoring to enterprises, especially exporting industries, the profitability necessary for investment decisions. These aims were pursued by means of several co-ordinated lines of action. Thus, the upsurge of labour costs was to be curbed; this slackening was to have as its corollary, in the distribution of incomes, a shift to the benefit of enterprises; the growth in government transfers to households and that

of public consumption were to be slowed down; in order to avoid jeopardising employment, which depends on growth, the expected decline in private consumption expenditure was to be compensated for by the increase in the volume of exports and of domestic capital expenditure; to this end, the former were to be stimulated by the devaluation of the Belgian franc and the latter by a set of tax measures; lastly, the effects of the devaluation on domestic prices and costs were to be moderated by measures for exercising control over various categories of incomes and by a policy of price freezing, followed by one of spreading out price rises.

The national accounts enable the initial effects produced by the measures adopted on the distribution of incomes to be measured. For the first time since 1978 the disposable income of individuals declined in relation to the national product. On the other hand, the share of companies' gross profits placed to reserve increased again. This reversal was brought about by changes both in the primary income of each of these sectors and in the net levy made by the public authorities on this primary income.

Measured in real terms, the total of the gross primary incomes of individuals would appear, according to the Bank's estimates, to have fallen more than in 1981, namely by a little over 2 p.c., compared with 1.2 p.c. the previous year. The total of direct and indirect wages and salaries represents nearly 70 p.c. of the total of primary incomes; at constant prices this total would appear to have decreased by about 3.5 p.c., against about 2 p.c. in 1981. This movement has two causes: on the one hand, the fall in employment and, on the other hand, the reduction in real terms of gross earnings per wage- or salary-earner; this reduction is the first in the thirty years for which such information is available; while the rise in consumer prices was quickening, index-linking was abolished from the end of March to the end of May for remunerations in excess of the guaranteed monthly minimum, and from the latter date onwards it was applied only to the portion of incomes corresponding to this minimum. The income of self-employed persons would appear to have decreased a little less than the remuneration of wage- and salary-earners, still according to the data at the Bank's disposal. Among the primary incomes of individuals, only those which come from savings formed would appear to have risen further in real terms, albeit to a smaller extent than in 1981.

The portion of the gross primary incomes of individuals taken by the public authorities in the form of taxes and social security contributions would appear to have increased; at the same time, the social transfers made by the latter to individuals appear to have risen less than in 1981. Consequently, the net revenue which individuals have at their disposal for consuming or saving would appear to have fallen by about 3.5 p.c. in real terms, that is, more than primary incomes. In 1981 this disposable income, still rising slightly, had represented 81.3 p.c. of the national product; in the year under review the percentage appears to have declined to 79.6 p.c.; it may be recalled, for the sake of comparison, that in the years 1970 to 1973 the average proportion was 74.3 p.c.

The — inevitably general — data suggest that the reaction of individuals to the reduction in their real disposable income changed from one year to the other. In 1981 the propensity of individuals to save had increased and their expenditure on consumption had decreased by 2 p.c. in volume. In 1982, on the other hand, the decline in households' consumption would appear to have been only 1.3 p.c., and hence less than that in disposable income; individuals appear to have reduced their rate of saving, actually to its lowest level since the beginning of the seventies. As in 1981, only one-third of gross savings was devoted to the building of dwellings; there has been a significant decline in interest in investment in real estate, as this still represented 55 p.c. of the savings of households during the period 1974 to 1980. In volume these investments fell by 40 p.c. in 1981 and by 8 p.c. last year; the various measures adopted by the public authorities to encourage residential building failed to counterbalance the influence of fundamental factors whose effects on building are in fact observable in all the industrialised countries: unemployment, the reduction in incomes, the relatively high level of building prices, the uncertainty regarding unemployment and the high nominal interest rates. In Belgium the consequences of these factors were accentuated in 1982 by a fortuitous element: difficulties of an institutional nature slowed down the execution of the programmes for the building of social dwellings.

The financial savings of the « Individuals » sector correspond to the part of individuals' disposable income which they do not devote either to consumption expenditure or to investment in real estate. These

savings decreased in 1982, if not in nominal value, at least in relation to the national product, of which they then appear to have represented only 9.3 p.c.

With regard to « Companies », their income would appear to have risen, according to the Bank's estimates, from 6.5 p.c. to 7.9 p.c. of the national product, a percentage which had not been reached since 1974. The gross operating surplus of companies, expressed in terms of current prices, would appear to have increased by over 20 p.c. in 1982; in 1981, on the other hand, it had decreased by about 6 p.c. The improvement is not explained either by the development of the volume of sales or by that of unit cost prices, but primarily by the recovery of selling prices. Turnover in terms of volume in fact contracted further, although a little less than in 1981. Unit cost prices rose to about the same extent as in 1981; for each of these years, however, these costs went up less than those of the main competing countries as a whole, the figures being calculated in both cases in a common currency. Selling prices changed to the advantage of Belgian companies: they went up more than unit costs, which had not been the case in 1981; it was primarily export prices that recovered more than in 1981; during the latter year the rise of 9.3 p.c. in prices of exported products had been smaller than that in unit costs, and also smaller than the increase in the prices of similar products of the country's main competitors; in 1982 the rise in export prices reached approximately 13.5 p.c.; the increase was appreciably greater than that in unit costs, while still remaining smaller than that for similar products of the main competing countries, both sets of figures again being calculated in a common currency.

The companies' account for 1982 would also appear to have benefited by an expansion in the capital transfers made by the public authorities. The sector's total capital resources appear to have risen from 10 p.c. of the national product in 1981 to 12.1 p.c. in 1982 — a percentage which is nearly one point higher than that recorded during the years 1970 to 1973.

The expansion of the capital resources of companies in 1982 does not appear to have led to any recovery in capital investment during that year. According to the National Bank's inquiries concerning expenditure on fixed capital, the volume of the latter appears to have remained unchanged in manufacturing industry; this stability may be regarded as

satisfactory in comparison with the decline which took place in many industrialised countries. In the energy sector and the building industry, gross fixed capital formation appears to have fallen off appreciably. Altogether, investment by companies in capital goods appears to have contracted by 6.3 p.c. in 1981 and by about 1.5 p.c. last year.

The improvement in the resources of companies in 1982 was thus entirely reflected in an increase in their financial surplus, which appears to have been equivalent to over 3 p.c. of the national product, against 1.4 p.c. in 1981.

For the two sectors « Individuals » and « Companies » combined, the amount by which resources exceeded expenditure rose by a further Fr. 50 billion; in 1981 it had gone up by Fr. 180 billion.

The net financing requirements of the public authorities — Central Government, communities and regions, local authorities and social security — appear to have increased by Fr. 30 billion in 1982, against Fr. 170 billion in 1981.

The growth in the net financing requirements of the public authorities was curbed both by an increase, in relation to the national product, in fiscal and parafiscal revenue and by the measures which were adopted to restrain the expansion in expenditure. For the first time since 1974, in terms of percentages of the national product, the public authorities' revenues increased more than their expenditure.

Revenues from direct taxes absorbed 1.8 p.c. more of the national product than in 1981; the ratio between these revenues and the national product obviously rises when progressive tax scales are applied to growing nominal incomes; in 1982, however, nearly half the expansion is explained by the catching-up of backlogs in assessments which had developed previously and by the introduction of a voluntary advance tax payment scheme for wage- and salary-earners; the effect of these various revenue-increasing measures more than counterbalanced the results of the tax relief granted to companies and to households consisting of several persons.

The public authorities' total expenditure, measured here according to the concepts of national accounting — payments being attributed to the year in which they were authorised — would appear to have represented 64.9 p.c. of the national product in 1982, against 63.2 p.c.

in 1981 and 58.3 p.c. in 1980. The rise in the ratio slowed down in the year under review. While about a quarter of this slackening was due to the fact that the trend of economic activity was less unfavourable in 1982 than in 1981, it was chiefly caused by the government measures; thus, despite the rise in the number of job-seekers, expenditure on unemployment benefits and job-creation increased by only 0.2 p.c. of the national product; similarly, while the assistance given to sectors in difficulties was stepped up, public capital expenditure, and more particularly that of the local authorities, was reduced, so that the total capital expenditure of the public authorities remained at the same level in relation to the national product.

The net financing requirements of the public authorities — still in the broad sense of the term — would appear to have declined from 16.5 p.c. of the national product in 1981 to 16.1 p.c. While the reduction from year to year was small, it nevertheless represents a halting of the continuous deterioration which had taken place up to then and which had speeded up in 1980 and 1981. The improvement which took place in Belgium in fact contrasts with the development both in the industrialised countries as a whole and in the European Economic Community. But the extent of the Belgian public authorities' financial deficit still remains much greater than the average for the other countries of the Community; the difference, as a percentage of the national product, amounts to about ten points.

The fact also remains that in 1982 the total amount of financial resources required to meet the public authorities' deficit was again a good deal greater than the financial surplus of the two other domestic sectors, individuals and companies, which only represented 12.5 p.c. of the national product.

This gap between the national supply of and demand for domestic financial resources inevitably had to be filled by recourse to the financial savings of foreign countries. This net borrowing from the « rest of the world » was organised via various channels. The afore-mentioned gap also corresponds to the amount by which the economy's expenditure exceeds its available resources, that is, to Belgium's current account balance of payments deficit.

The detailed recording of current incomings from and outgoings to foreign countries is not carried out for Belgium alone but for the

Belgian-Luxembourg Economic Union. Furthermore, it is not possible on the basis of the data at present available for 1982, except for the first quarter, to make an accurate breakdown of a substantial proportion of the payments between the two categories of transactions which, together, gave rise to them : on the one hand, transactions in goods and services and, on the other, movements of funds connected with these transactions, namely changes in the holdings of commercial claims on foreign countries. Now the movements in these holdings are important and they vary considerably in direction and extent depending on the periods; they can only be accurately recorded after a certain length of time; meanwhile, the provisional indications provided by bank payments have to suffice.

These appear to suggest that there was in 1982 a slight reduction in the current account deficit, although the latter was apparently still in the region of Fr. 130 to 150 billion; the deficit in respect of transfers appears to have been greater than in 1981, but that in respect of transactions in goods and services seems to have been smaller.

In order to analyse, in the latter category, the changes in the balance of trade, we have to rely on the variations in volumes and prices revealed by the customs statistics. Indices calculated on the basis of these figures for the first eleven months of the year seem to point to a slight improvement, continuing that of 1981, in the degree of coverage, in volume, of imports by exports : the volume of imports appears to have undergone little change while that of exports appears to have increased slightly despite the sluggishness of world demand. It therefore seems that, as in 1981, producers in the Belgian-Luxembourg Economic Union succeeded in slightly increasing their market shares. Their competitive position benefited by a further improvement in competitiveness in terms of costs and prices; according to the available data, this recovery started in 1978 for costs and in 1980 for prices; in 1982 the improvement appears to have been much more pronounced for costs than for selling prices — an indication which is corroborated by the recovery in the profitability of companies.

For those services for which payment can be made via the free market, the change in prices expressed in a common currency gave a particular fillip to activity in Belgium and Luxembourg. Thus the deficit in respect of tourist expenditure appears to have decreased

considerably, so that, despite the heavier interest payments on the public sector's foreign debt, the surplus produced by invisible transactions as a whole appears to have grown.

In 1981 movements of private funds of all kinds, initiated both by non-residents and by residents, had resulted in net outflows of the order of Fr. 200 billion. It is not yet possible to make an accurate comparison on the basis of the data available for 1982, because the movement of commercial claims on foreign countries cannot yet be fully evaluated. It seems quite obvious, however, that the net outflows were smaller in 1982; by means of cross-checks it is possible to estimate, very roughly, that they were probably somewhere between Fr. 140 billion and Fr. 160 billion. With regard to movements of long-term funds, two points particularly call for attention: residents displayed a greater preference for investments in securities, during a year when interest rates began to fall, and private enterprises contracted less loans abroad; furthermore, direct investments gave rise to net inflows comparable to those in 1981.

It was thus in the movements of short-term funds that the improvement compared with the previous year took place. It is true that the net assets in foreign currencies which the banks build up — either for themselves or in order to meet their customers' requirements — were considerably increased; thus, after the devaluation of the franc, Luxembourg banks converted into foreign currencies assets which they were holding in Belgian francs as the counterpart to their capital and reserves and to certain other liabilities. But the transactions carried out by economic agents other than banks — not including the change in the outstanding amount of commercial claims — left a smaller deficit than in 1981. To a certain extent this reduction in net outflows of short-term funds is merely the result of the afore-mentioned shift towards investments in securities. The fact nevertheless remains that a real improvement took place. This was partly because the differential between domestic and foreign short-term interest rates changed in the opposite direction to its movement in 1981; investments in Belgian francs were encouraged by the maintenance of a substantial interest-rate differential, which was, on average, larger in 1982 than in the two previous years. Despite this rate advantage, the extent and direction of these movements of short-term funds varied in the course of the year. During the first two months and in the second quarter, substantial net outflows were recorded. The movement was reversed during the

period of calm which followed the realignment of the central rates in the European Monetary System in June : the attraction of Belgian rates then made its influence fully felt. But the outflows appear to have resumed in the fourth quarter.

The loans obtained abroad by the public authorities and organisations again reached Fr. 249 billion, against Fr. 258 billion in 1981. The foreign deficit in respect of all the transactions of the private sector, which was smaller than in 1981, was covered by these loans to a greater extent than in the previous year. Consequently, the decrease in the Bank's foreign exchange reserves amounted to only Fr. 38 billion, against Fr. 96 billion in 1981.

From time to time the Bank sold foreign currencies on the regulated market within the exchange rate margin permitted by the European Monetary System, and it was also obliged to make such sales in order to keep the exchange rate for the Belgian franc within the limits allowed by that system; altogether these sales, calculated at market exchange rates, amounted to Fr. 265 billion in 1982; in 1981 they had reached Fr. 317 billion. The effect of these interventions by the Bank was reinforced by direct sales by the public sector, on the regulated market, of foreign exchange proceeds of loans obtained abroad. The total value, at market exchange rates, of the foreign currencies sold by the authorities fell from Fr. 385 billion in 1981 to Fr. 307 billion in 1982. In the free market, where the Bank has not intervened at all for very many years, exchange rates for foreign currencies continued to show a premium over those in the regulated market. The weakening of the official rate for the franc ought, all other things being equal, to lead to a reduction in the differential. This did in fact take place : from 11 p.c. at the end of December 1981, the premium fell to about 9 p.c. at the beginning of June and to less than 3 p.c. by the end of the year.

The extent of the drain on the cash holdings of the financial intermediaries caused by the Bank's interventions in the foreign exchange market, though smaller than in 1981, was nevertheless considerable and, except during a short period, this withdrawal of funds took place continuously. As during the previous year, this tightening was just as regularly counterbalanced to a great extent by the creation of money which the Bank had to undertake in order to finance the Treasury. The sale by the latter of the proceeds of its foreign loans led to a creation of liquidity amounting to Fr. 220 billion. Further-

more, the Bank increased its indirect lending to the Treasury by raising, from Fr. 150 to 190 billion, the ceiling on the special assistance which it grants to the Securities Regulation Fund in order to enable it to subscribe for Treasury certificates : the amount of this special assistance actually used increased by Fr. 31 billion.

As the flow of financial savings provided to the money and capital markets by individuals and companies increased further in terms of nominal value, as was mentioned earlier, and as capital outflows decreased, the financial intermediaries were able to attract a substantially larger amount of resources from their customers. They hardly increased their lending to non-financial enterprises and individuals, whereas this had risen by over Fr. 100 billion in 1981. Out of this total, the outstanding amount of lending mainly serving to finance households rose a little more than in 1981. But the outstanding amount of investment loans, discount credits, advances and acceptances fell in 1982, whereas it had risen by Fr. 75 billion in 1981. This decline is probably due to the fact that the self-financing capacity of companies increased faster than their capital expenditure ; it is also attributable to the fact that companies, instead of borrowing, raised funds by means of public share issues ; there was a revival of interest in these on the part of the Belgian public owing to the tax advantages associated with them by the Royal Decree of 9th March 1982.

In view of the reduced credit demands made upon them by enterprises, the financial intermediaries were able to devote about Fr. 200 billion to subscribing for Treasury certificates, without being obliged, over the year as a whole, to increase their recourse to rediscounting at the Bank.

The downward movement of short-term interest rates on the leading markets enabled the Bank to reduce the rates for the facilities which it grants to the financial intermediaries. The discount rate and the rate for current account advances fell from 15 and 17 p.c. at the beginning of the year to 11.5 p.c. and 12.5 p.c. in mid-November. But this downward movement took place in fits and starts ; it was interrupted in April by an increase, which was rescinded in June when the easing of the position in the foreign exchange market enabled the Bank to revert to its policy of lowering its rates. In the money market this policy was thereafter consistently applied to the interest rate on very-short-term Treasury certificates and to that on the Securities Regu-

lation Fund's four-month certificates; the last-mentioned rate, which still stood at 15.75 p.c. at the beginning of July, was down to 12.35 p.c. by the end of December. As the fall in long-term rates was much smaller than that in short-term rates, the interest rate structure changed : by the end of the year it had come close to the scale based on the relative degree of liquidity of investments.

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*Financing of the
Treasury and
monetary policy*

The net outflows of private funds are the overall result of extensive inward and outward movements of funds relating to numerous categories of transactions of widely differing kinds. They obviously affect the financing of the Treasury. This overall result indicates the extent to which the savings of residents invested in foreign currencies, or non-residents' assets which have been withdrawn from the domestic money and capital markets, have not been replaced by other private funds.

Together with the current account balance of payments deficit, the balance of these movements of funds represents a burden on the Bank's foreign exchange reserves. When capital transactions take place via the regulated market, it is obvious that, by increasing the demand for foreign currencies and pushing up exchange rates, they play a part in prompting the Bank's interventions. The link is indirect, and less clear, when the outflows take place through the purchase, on the free market, of foreign currencies derived from the repatriation of incomes from abroad. Since the creation, quite a long time ago, of the two-tier foreign exchange market system, the regulations have had to allow the possibility, in the absence of effective means of control, of certain non-commercial current transactions being carried out, optionally, on one or other of the two markets. For all the categories of transactions for which this possibility exists, the receipts pass via the free market and the expenditure via the regulated market when the exchange rates for foreign currencies on the former show a premium over those on the latter. Consequently, during certain periods, the Bank's reserves may have to be drawn upon in order to cover payments of incomes to foreign countries, whereas these reserves are not at the same time replenished by the receipts of the same kinds of incomes.

There is thus a drain on the Bank's foreign exchange reserves ; this leads to a tightening of the money market, and consequently the Treasury's possibilities of issuing Treasury certificates on this market are reduced.

Insofar as the public authorities' foreign borrowings compensate for these net capital outflows, they pump — actually to the benefit of the Government — fresh blood into the financing circuits, which are made more round-about by to and fro movements between domestic and foreign centres. For the national economy as a whole there is not, on balance, any new borrowing from abroad. Either the capital outflows are attributable to non-residents who withdraw funds invested on the domestic market, and in this case the Treasury's foreign liabilities take the place of those of the former debtors; admittedly the debt, in its new form, is henceforth subject to an exchange risk. Or the outflows of funds are brought about by residents, and in this case the Treasury's foreign liabilities have as their counterpart private assets formed abroad; it is true that the former consequently has a position whereby it will benefit by a downward movement of the rates for the foreign currencies, whereas the private holders of the assets have chosen to assume a position envisaging a rise.

Whereas however, in the broad contexts of the economy, private foreign assets constitute the counterpart to public borrowings, it must be admitted that the symmetry of the financial data is not quite so satisfactory. Private assets are dispersed, their total amount is not known, their mobilisation is impossible and the repatriation of the earnings on them is uncertain. The public authorities' liabilities are recorded in detail, known and concentrated at the lending financial intermediaries, and the service of these liabilities is assured. When an inventory is drawn up for the purpose of establishing the balance sheet of the national economy in relation to foreign countries, this does not look very bright, because, when it comes to assessing the solvency of the Belgian economy, the debts are entered in the accounts, while the assets remain unknown.

The fact remains that these loans which the Government contracts abroad do in fact fortify the economy's external liquidity : they restore to the Bank foreign exchange reserves which the net capital outflows would otherwise have caused it to lose.

Very similar observations can be made about the foreign loans of the public authorities, which in fact meet part of the deficit in respect of the current transactions carried out via the regulated market. Here again, the monetary mechanism operates in the same strictly logical way, stage by stage : the banks' cash holdings are curtailed by the net purchases of foreign currencies which they have to carry out on behalf of their customers ; the resources of the money market are reduced and the Treasury's scope for issuing Treasury certificates on that market is restricted accordingly.

Despite the differences in their macro-economic significance, the current account deficit with foreign countries and net capital outflows have the same internal and external monetary effects. Both destroy domestic liquidity, thus making it more difficult to finance the Treasury's requirements, which nevertheless do have to be met, so that the Treasury is obliged to find ways, without delay, of replenishing its funds. This is done by the creation of base money. Either this can take place by means of foreign-currency loans, in which case the foreign exchange reserves, the bulwark of the economy's external liquidity, will not be used to meet the deficits in foreign payments. Or it can be done by the granting of credits in francs by the Bank, in which case the losses in foreign exchange reserves will be replaced, in the Bank's assets, by advances to the Treasury — because this solution does not provide for the replenishment of the foreign exchange reserves which have been consumed by the overall balance of payments deficit. In this case the worsening of the Belgian economy's overall external position takes the form of a loss of official assets. This worsening is noticed, just as much as is that which results from an increase in public liabilities.

Consequently this second solution, which is preferred by some, presents virtually no advantages over the other apart from that of being easy. It has been said that it is less expensive for the Treasury ; actually, however, the latter has to bear the same interest burden in both cases, because, on top of the net rate of 3 p.c. which it pays to the Bank when it borrows francs from it, there is the loss of income from the yield on the lost reserves, since, by virtue of the conventions, the Bank transfers to the Treasury the portion of the income from its foreign investments in excess of 3 p.c. It has also been argued that this second solution saves the Government from having to assume the foreign exchange risk on its borrowings ; actually, however, if the

foreign currencies appreciate, the Government, while not incurring a loss, does suffer a curtailment of income : since, all other things being equal, the Bank's foreign exchange reserves will have been reduced, the increases in the value of these investments will be smaller ; and these, too, benefit the Treasury.

The choices which the monetary authorities have had to make in recent years have been all the more difficult because, in their complex environment, major aims assigned to their policy were not compatible with each other.

The various criticisms which were levelled against the Bank could thus be based on different essential requirements : they were therefore conflicting ; for some people, the Bank's policy erred on the side of laxness ; for the same people at other times, or for others, it was too restrictive.

Those who accused the Bank of excessive laxness criticised it for having adopted an « accommodating » policy. In other words, it was alleged to have been too willing to reconstitute the destroyed liquidity, thus sheltering private economic agents and the public authorities from the repercussions, on the financial markets, of the disequilibria to which both these sectors had contributed. By constantly replenishing the supply of funds, the Bank, it was asserted, had prevented the operation of an automatic regulating mechanism : the upward movement of interest rates.

The Bank has not, however, in recent years refrained from deliberately imposing on the markets for short-term funds movements of rates in the direction of those which would have taken place spontaneously if it had been able to exercise stricter control over the volume of liquidity. It has, actually, often been obliged to do so by the development of short-term rates abroad. These upward movements of money market rates, which it has thus confirmed or speeded up in order to contend with strains on the foreign exchange markets, have probably had the effect of retaining or attracting short-term funds insofar as the decisions concerning these investments have been based on the differentials in nominal rates. When the short-term funds came from abroad, they constituted a foreign debt which helped to meet the current deficit ; these contributions were in Belgian francs ; when the banks re-employed them in order to subscribe for Treasury certificates, the Treasury in fact — but in an indirect and concealed manner — contracted a debt

towards foreign countries, without running any exchange risk ; but these contributions from foreign countries, being at short term, were volatile ; furthermore, their acquisition was rather expensive for the Treasury, because the yields on the whole of its short-term debt were soon going to have to be aligned with the new rates. It is possible, on the other hand, that these rises in interest rates also played a part, by delaying certain outlays, in preventing the current account balance of payments deficit from becoming even larger.

The fluctuations in long-term interest rates were not as wide as those in the rates for shorter-term investments. As during the preceding three years, the final providers of funds — households and non-financial enterprises — displayed an even more marked preference than institutional investors for assets at over one year, when building up assets in Belgian francs ; the public authorities probably did not benefit sufficiently by this preference on the part of savers during the last few years, as other issuers took greater advantage of it. In any case, the rise in short-term rates turned the interest-rate hierarchy upside down for a long time ; in order to safeguard their profitability, all those financial intermediaries which, in performance of their function as converters of funds, had granted credits for terms longer than those of their liabilities, gave preference to certificates in their portfolios of public paper. This change had two effects : on the one hand, it immediately added to the burden of the public debt, which had already been made heavier by the increase in the amount of the debt and the upward movement of long-term rates. On the other hand, in the existing context, it quickly became an obstacle to the Bank's action on liquidity ; for actually, when the Bank wanted to take an « orthodox » line by manipulating the rates within its control, namely those for short-term funds, it set in motion developments which subsequently obliged it to be more « accommodating », itself, in the creation of these funds. This was forced upon it by the operation of the financial mechanisms. For when the banks had to pay the Bank for the foreign currencies which they had bought from it, they provided themselves with resources by presenting for redemption Treasury certificates, of which they had built up a plentiful supply. The Treasury, being obliged to cope with the difficult problem of financing its deficit, could not, as has been mentioned earlier, bear a reduction for any length of time in the existing total of its short-term borrowing. Therefore, as soon as the money market tightened, the Treasury turned to the lender

as last resort : being unable to default in its payments, it had to have recourse, either directly or via participants in the money market, to a creation of money by the Bank. The latter had an option only as regards the quantitative distribution of its assistance : credits in francs or purchases of foreign currencies.

At the same time, the rise in short-term rates added further to the financial burdens of enterprises ; while the interest paid in francs might admittedly be offset by earnings from foreign-currency investments or capital gains due to exchange rate differentials, when the funds in question had been transferred abroad, this was far from being generally the case. On the whole, profitability worsened and, particularly in the sectors which are in difficulties, the rise in the cost of capital was difficult to accept.

Thus the Bank's defensive policy was criticised on the one hand as being too easy-going because it did not conform sufficiently to the orthodox line recommended for countries whose current account balance of payments deficit is aggravated by capital outflows, while on the other hand it was widely regarded as being too stringent.

According to the established doctrine, undoubtedly, the rise in the cost of lendable funds would have had to be considerably greater in order to enable equilibrium to be re-established without the central bank's being obliged to keep on creating liquidity. According to the theoretical models, the monetary authorities have supreme control over the money supply, and their scenarios show that these unchallengeable decisions bring about structural adjustments which restore the general balance between the different variables at the « end of the period ». But these teachings can only be rules for action on the ground if the variables — in this case, ultimately, human beings — will accept the adjustments which, according to the formal logic of abstract reasoning, they have to undergo. In actual fact, in an economy where the rate of inflation does not appear intolerable, where employment and the difficulties encountered by enterprises are the problems causing the greatest concern, because they directly affect the public and are more keenly felt than the problems of foreign payments, action by means of interest rates is subject to limits which are below the theoretical norms. The Bank has in fact constantly had to endeavour to reconcile, in an everlasting compromise, two opposite views, both well-founded. One of these, which probably overestimates the restimulating effect of lower

interest rates, places the emphasis on the slackening of economic activity. The other stresses the imbalance in foreign payments and the resultant indebtedness.

During the past year the amount of scope which the Bank has for making adjustments to its policy probably increased. It was still obliged, however, to take into account what was happening in foreign money markets — from this point of view the easing in the second half of the year brought some relief — and to contend with the Treasury's financing difficulties — with regard to which there was not sufficient lessening of these strains. As far as was at all possible, the Bank lowered its interest rates; it even somewhat overdid this in March, so that it had to make a correction at the beginning of April. It had set itself the aim of not allowing any further losses of reserves beyond a clearly specified limit; this limit automatically fixed that for the advances which it could make in francs to the Treasury. Fortunately, neither of the limits was reached.

With regard to capital outflows, until such time as lasting confidence in the franc is re-established, virtually the only weapon at the Bank's disposal is that of interest rates. It does not possess any regulating authority with regard to exchange control; it merely makes the services of its administration available to a body governed by international law : the Belgian-Luxembourg Foreign Exchange Institute; admittedly, its Governor is the chairman of that Institute, but the Belgian and Luxembourg delegations have equal rights in it. Any reform of the present organisation of the control system requires a political decision which would have more far-reaching implications.

In any case, a control is only useful if it is effective, and a system of regulations can only be good if it does not produce any perverse effects. It may be asked whether it is physically possible to put a stop to the carrying through of bank notes at each frontier post in a small country where every place in the land is close to foreign towns and where the citizens are jealous of their rights. It may be asked whether it is possible to prevent movements of funds which are easily concealed by commercial transactions in an economy which is wide open and where every firm of any size is engaged in international trade. True, measures may impede certain movements of funds by making things less easy than at present for those who undertake them; but it is still necessary to ensure that the measures will not produce any effects which

are contrary to those expected of them. These questions have to be asked. They call for carefully considered answers.

The year 1982 witnessed a further curtailment of the available reserves of international means of payments. It is rather an illusory consolation to note that the rise in the price of gold this year has increased the estimated nominal value of the reserves. It is in dollars, in special drawing rights, in Ecus or, as a last resort, in gold expressed in dollars at the market price that the payments for the purpose of meeting the deficit in relation to foreign countries have to be made — not with accounting gains. Equilibrium in the current account of the balance of payments is very far from having been restored; the reserves must continue to be prudently managed. The changes in the total of the Bank's assets are in practice determined by those in the note circulation; the Bank is in duty bound to see to it that, in its assets, credits to the Government, which it would be useless to conceal by sophisticated book-keeping devices, do not expand to an excessive extent at the expense of its holdings of international means of payments.

Now the public authorities' financial deficit will still be substantial in 1983. It ought to be met to a greater extent with funds derived from domestic savings, collected on terms which take into account the attraction exerted at present by the real or expected advantages of similar investments abroad; this alone would cause capital outflows to decrease.

For savings to remain in Belgium it is obviously necessary that the Belgian franc should inspire confidence. The Bank pursues its policy accordingly. But monetary policy on its own, however determined, can only play an auxiliary role; its efforts come to nothing unless they form part of an extensive and coherent programme of action designed to remedy the fundamental disequilibria of the economy. Because the gradual elimination of these disequilibria remains the main prerequisite for the re-establishment of confidence.

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During the years which followed the first oil shock, the Belgian economy, by a dramatic combination of developments, sank into a state of fundamental imbalance in which the major dislocations tended to perpetuate each other.

*The fundamental
problems*

The curtailment of real income brought about by the sudden worsening of the terms of trade was very unevenly distributed. The share accruing to enterprises exposed to international competition shrank considerably, to the advantage of that of individuals and of enterprises operating in the sheltered sector. The composition of national expenditure changed accordingly : productive investment grew less than private and public expenditure on consumption and, temporarily, than expenditure on house-building.

The relative deterioration of the income of enterprises in the exposed sector, reflected in inadequate profitability, was attributable to a weakening of the competitiveness of Belgian producers : they were losing ground both in their domestic market and in export markets ; for several years the degree of coverage of imports, in volume, had been declining ; the balance of current transactions with foreign countries had drastically worsened. It was found that, while Belgian producers were not sufficiently familiar with certain rapidly-growing foreign markets, their handicaps stemmed mainly from two causes : on the one hand, the range of products offered was less well adapted than that of the other industrial countries as a whole to the developments which were about to take place in world demand and, secondly, the competitiveness of Belgian enterprises displayed weaknesses at a time when competition in the world markets was becoming keener ; among the factors determining this competitiveness, it was found that the increase in the burden of costs was undermining the relative position of Belgian industries. They could not make sufficiently large increases in their selling prices, which are usually imposed by the market itself when competition prevails in it. The trading conditions of enterprises became worse, leading to the disappearance of some activities.

On top of the job losses resulting from the decline of industries there came others due to the rationalisation efforts which enterprises had to make in order to slow down the rise in their costs per unit of output. Combined with a growth in the working population, the job losses led to a considerable rise in unemployment. The gap between the demand for and supply of employment became wider and wider ; it deprived an excessively large number of young people of the chance to find work.

The public authorities could not remain indifferent to the consequences of the reappearance of mass unemployment. Called upon to

provide the population, in various ways, with the jobs which were no longer being created by enterprises, and to pay out substitute incomes, they stepped up their expenditure much faster than the rate of growth of their revenue. The imbalance of the public finances, in turn, increased at an excessive pace. It was not possible for the growing deficit to be adequately met by the financial savings of the other sectors. It therefore played a part in keeping national expenditure at a level which increasingly outstripped the economy's available resources, or, in other words, in expanding the current account deficit in relation to foreign countries.

In an open economy it is this third imbalance which, much more than the movement of prices, reflects the accentuation of internal maladjustments. For in fact, as regards consumer prices, Belgium's relative situation improved appreciably, during these same years of upheaval; the authorities' foreign exchange policy played an important role in bringing about this improvement.

In more recent years, spontaneous developments, the measures adopted in 1981 and, much more conspicuously, the policy pursued in 1982 have had the effect of gradually reducing the handicap of labour costs. In 1982 the current account balance of payments deficit began to decline and the imbalance in the public finances stopped increasing, but no solution was found to the problem of unemployment and the development of Belgian consumer prices became less favourable.

As the international data necessary for accurate comparisons are still unavailable, it is not possible to make a complete analysis of the changes which have taken place in the cost competitiveness and profitability of Belgian enterprises. All the available indicators suggest, however, that the cost price disparities developed very slightly in favour of Belgian enterprises from 1978 to 1980; the improvement appears to have been accentuated in 1981 and to have become more marked in 1982. Furthermore, during the latter year, the stabilisation of the terms of trade of Belgian producers appears to have contributed to a further restoration of the profitability of enterprises.

During the year when it takes place an improvement in the cost competitiveness of enterprises is not clearly reflected in the development of their market shares, nor can the improvement in profitability be seen to affect capital expenditure: adjustments of this kind only produce their full effects after a long period. The fragmentary data available

seem to indicate that Belgian producers won market shares in the export field both in 1982 and in 1981. It would appear, however, that these gains were still slight, as world trade is suffering from the general recession.

The Belgian economy did not escape this general climate of uncertainty. Despite the improvement in the profitability of enterprises, despite the incentives introduced by government policy, the volume of investment in fixed capital in manufacturing industry, although it did not decrease as was the case in many countries, nevertheless failed to expand in 1982. Now in the short term it was the recovery of investment in capital equipment which, taking the place of consumption, was supposed, together with exports, to help to keep up overall expenditure. In the longer term it is on this revival of capital expenditure for the purpose of expanding production capacities, rather than on investment in rationalisation, that the renewal of the structure of industry depends; this renewal is the condition for the development of new activities which will create new export flows, replace imports by domestic products, create jobs without adding to the burden on the public authorities' finances and again generate incomes which are earned and not borrowed from foreign countries.

The imbalance in the labour market has gone on increasing. True, the number of job losses in enterprises was a little lower in 1982 than in 1981; but as these losses have been taking place, actually since 1980, during a period when budgetary constraints have impeded the creation of work by the public authorities, they inevitably lead to a growth in unemployment.

Despite the worsening of unemployment and the poor state of activity, inflation has quickened during the last three years, since the weighted average rate for the Belgian franc has been moving downwards. In 1982 the rise in consumer prices speeded up by 1 p.c., whereas it was reduced by 2 p.c. in the other countries of the European Economic Community as a whole. This difference of 3 p.c. compared with the European partner countries approximately represents the direct impact, on the prices of domestic expenditure, of the rise in import prices resulting from the devaluation of the franc in relation to the currencies of these same partners. This difference has therefore remained limited: the measures adopted by the Government have prevented a derived acceleration of inflation; the price control measures

and, above all, the internal measures for moderating incomes have had the effect of slowing down the rises.

The adverse economic situation and the still high level of interest rates, despite its decline in the second half of the year, considerably impeded the carrying out of the Government's intention to put the public finances back on a sound footing. At the very most, the net financing requirements of the public authorities as a whole, expressed as a percentage of the gross national product, decreased very slightly : expenditure other than interest charges was stabilised and tax revenues rose, despite the adverse effect of the economic situation of the tax base.

That policy must undoubtedly be adhered to. The public authorities' financial deficit cannot possibly be allowed to continue making the Treasury permanently short of funds, so that it is constantly forced to resort in excessive monetary financing. The meeting of this deficit cannot be allowed to depend ultimately on the good will of foreign lenders, or to lead to a severe drain on the country's foreign exchange reserves.

But the rehabilitation will undoubtedly have to be a gradual process, which will take a long time. Because, upheld by the Government's own expenditure and the transfers which it allows, there has come into being a structure of activities, jobs and incomes ; parts of this structure have grown to excessive proportions, assisted by the too rapid expansion of public expenditure ; behind it there lies a widespread habituation to perquisites which are distributed free of charge but whose cost has to be borne by the community. This structure is, however, nowadays an important link in the chain of expenditure on which the activity of enterprises is based. Behind the billions of francs spent there are the incomes of working people, unemployment benefits and business profits.

Now, the rehabilitation of the public finances disrupts this already well-established structure. For it entails adjustments to the distribution of the flow of expenditure. Marginal though it is, this reorientation of the allocations of the national product will encounter a good deal of resistance, the causes of which must be recognised before they can be successfully tackled. Among these causes there is one which is intimately connected with the human element : changes in the nature of national expenditure entail, even with an unchanged product, a corresponding alteration in the allocation of the factors of production,

and especially in the deployment of the working population; this population, deprived of part of its former mobility by the far-reaching specialisation of the training which it has acquired, resists change.

This can therefore only be gradual. Even then it would be less keenly felt if it could be made within a growing national product; this would mean, however, that other categories of expenditure would have to replace those which stem from public expenditure, the upsurge of which must be checked. This necessary expansion of the expenditure of economic agents other than the Government would not be facilitated if the public authorities were to try to reduce the budget deficit by tax pressure; in a climate of recession an increase in this pressure would have a deflationary effect on demand and would act as a deterrent to individual productive effort; furthermore, excessive taxation tends to be self-cancelling, because it provides a powerful incentive to tax evasion, which also has as its corollary the flight of funds derived from « black » incomes; while it is therefore inappropriate to increase the total tax pressure during a period of slump, it is important that the burdens actually borne should be distributed fairly.

The expansion in the expenditure devoted by the public authorities to the operation of their departments and the payment of transfers granted by them have contributed to the excessive increase in private and public consumption in relation to the national product. During the last two years this percentage appears to have remained in the region of 85 p.c. It is not in a revival of private consumption that compensation for a slowing-down of government expenditure should be sought; its volume is already exceptional, and it should therefore be subjected to the impact of a policy aimed at reducing the budget deficit.

Capital expenditure, as had already been stressed, depends not only on the immediate profitability of enterprises but also on the prospects as regards the development of turnover. There is no doubt that, even now, the widening of profit margins is preventing further disinvestment and facilitating the financing of the projects which are being carried out. But the domestic market will certainly not do much to stimulate investment decisions; it will continue to be affected by the readjustments which are taking place in public expenditure and in incomes. The policy of moderation of incomes cannot go beyond certain limits without being liable to cause an excessive shrinking of the domestic market; as a whole, however, it will have to be adhered to in the

coming years with the object of, in any case, preventing the Belgian economy from suffering further run-away rises in its production costs compared with those of its competitors.

It is therefore chiefly from a recovery of expenditure on the part of the rest of the world that the necessary impetus must be expected. Stationary though it is, and however unsure its future course may be, world demand is still at an historically high level; as the exports of this country, owing to its small size, often only represent a marginal supply in relation to the demand of wider markets, the recovery of the national economy can be facilitated by an effort to achieve an improvement in its balance of trade in terms of volume. As has been stated, its relative position has become more favourable as regards costs, and the progress achieved must naturally be consolidated. At the same time, in fields other than that of prices, Belgian producers ought to further enhance their competitiveness by reinforcing the strong points which, in markets where there is keen rivalry, bring in extra earnings due to innovation, organisation and quality without being open to criticism as aggressive means of competition.

The fact remains that the future destinies of the Belgian economy are fundamentally dependent on those of the world and that the international recession is depriving it of some of the fruits of its efforts.

In this adverse international environment it is difficult for deficit countries to improve their balance of trade by expanding the volume of their exports; consequently, in order to slow down the rise in their purchases abroad, these countries try to curb domestic demand. At the same time, the expansion of this demand is likewise impeded, in the same countries or elsewhere, by the measures adopted to slow down inflation, or to reduce the public authorities' financial deficit, or to keep down labour costs. As world demand is the sum of domestic demands, the growth on which each country is relying for an improvement in its external account and a revival of its productive investment is made even more hesitant.

Thus, if the economic policies devised in the individual countries, all working in the same direction, are added together, the contradictions inherent in each of them become evident: when their effects are combined, they conflict with each other.

Wider markets will not be found in the near future in the countries which have been brought to the brink of insolvency by their external financial liabilities if they are obliged to rely solely on their own resources in order to find a remedy for their hard-pressed situation. Nor will it be possible to count on those industrialised countries which are faced with a substantial balance of payments deficit. Now if all the creditor countries, whose surpluses correspond to the deficits of the others, were also to adhere for too long to prudent — and hence inevitably restrictive — policies, they would be helping to perpetuate the decline in world demand; they would themselves become its victims, even if they remained creditors. In this world economy, whose interdependence has increased since the 1930s with the technical advances in communication, but whose political fragmentation is greater than it was then, it is dangerous for economic policies inspired by local considerations to be formulated in an unco-ordinated manner. A return to protectionist practices, to quantitative trade restrictions such as were resorted to in the Great Depression of the inter-war period, would, now as then, nip any revival in the bud. But the beginning of the 1930s also bore the marks of other national lines of action which, although less drastic than those just mentioned, were nevertheless « beggar-thy-neighbour » remedies. The driving forces behind the world economy might weaken still more if all countries, each looking to them for its own salvation, were to allow themselves to be guided by rules which call upon some to eliminate their deficits while encouraging others to adhere to the lines of action which produced their surpluses. If the interlinking mechanisms which cause the depression to continue were to be given full rein, instead of being combated by internationally co-ordinated lines of action, the prosperity of the industrialised countries would be threatened and the poorest countries would become even poorer.

The decision to organise and co-ordinate the programmes of action at world level is a political responsibility of governments. The assistance which can be given by the member states of the European Economic Community is important. Their voice will be all the more heeded if they, among themselves, have avoided the paralyses, dislocations and vicious circles to which short-sighted, self-centred national thinking leads. Instead of each of the member countries allowing its judgment to be clouded by its own specific problems, some seeking to increase their advantages while others try to improve their position,

each one ought to define its objectives in the light of the major problems common to all, and thus contribute to the essential cohesion of policies within the Community. With the support of these strengthened foundations, the action of the Community as a whole to tackle the crisis would have much more powerful resources behind it than those which can be employed by each country individually.

The central banks, for their part, beyond their immediate responsibilities within their countries, now have a more fundamental task to perform for the common good : that of keeping watch, with other institutions, to ensure the proper operation of the international financial mechanisms, in order to safeguard it against any danger of malfunction. They effectively assumed these responsibilities recently when this operation was in danger of disruption. When important countries affected by the crisis found themselves faced with major difficulties in meeting their obligations as debtors, and when the memories of the past aroused fears as to the consequences of possible accidents, the central banks of the leading countries, with the help of the Bank for International Settlements, granted the necessary bridging loans for the interim period preceding the giving of assistance by the International Monetary Fund. They thus helped to avert the danger. Essential, however, though these supporting actions were, they are nevertheless interim protective measures decided upon on an ad hoc basis.

What is urgently needed is an institutionalised strengthening of the financing resources of the international organisations, by mutual agreement among the member countries, because it is these organisations which are best able, nowadays, to provide the breathing space which is essential for the gradual elimination of these international disequilibria which have made the world economy so fragile, albeit after perhaps having prevented its expansion from coming to a halt earlier.

Furthermore, this return to greater equilibrium must be the result of collective action organised not according to the principle of « each for himself » but in the conviction that the nations bear a joint responsibility.

*Economic
and financial developments*

INTRODUCTION

Presentation.

The structure of this Report is different from that in previous years.

Each of the eight chapters dealing with the main economic variables which are considered, both at international level (Chapter I) and at national level (Chapters II to VIII), is henceforth analysed on the basis of a limited number of tables or charts (numbered consecutively from 1 to 26), which present the principal phenomena relating to that chapter. Each chapter has as many sections as there are such basic tables or charts in it. Apart from the latter, each section contains, in succession, a methodological commentary, a commentary on the chief developments observed and, lastly, a set of the various more detailed tables or charts which are necessary for the purpose of illustrating or supporting one or other of the specific aspects appearing in the commentaries or the basic table or chart.

The reader will find it useful to consult each methodology for the definitions of the main economic concepts employed, for details of the way in which the various tables or charts link up with each other and, where appropriate, for an explanation of the methods and sources used by the Bank for making certain estimates.

The sequence of the chapters and their basic tables and charts is therefore as follows :

CHAPTER I : International developments.

Table 1 : Gross domestic product at constant prices (*page 8*).

Table 2 : Balance of current transactions with foreign countries (*page 22*).

CHAPTER II : Production and employment in Belgium.

Table 3 : Value added at constant prices of the various branches of activity (*page 30*).

Table 4 : Supply of and demand for employment (*page 42*).

CHAPTER III : Expenditure and prices.

Table 5 : Gross national product and main categories of expenditure at constant prices (*page 52*).

Table 6 : Deflators of the gross national product and of the main categories of expenditure (*page 62*).

Table 7 : Main categories of expenditure (*page 76*).

CHAPTER IV : Incomes.

Table 8 : Income account of the various sectors (*page 84*).

Chart 9 : Disposable income of the various sectors (*page 94*).

CHAPTER V : Major sectors of the economy.

Table 10 : Summary of the transactions of individuals (*page 98*).

Table 11 : Summary of the transactions of companies (*page 102*).

Table 12 : Summary of the transactions of the public authorities (*page 104*).

Tables 13A and 13B :

Revenue, expenditure and net financing requirement of the public authorities (*pages 106 and 107*).

Table 14 : Summary of the transactions of the rest of the world with resident sectors (*page 118*).

CHAPTER VI : Transactions of the Belgian-Luxembourg Economic Union with foreign countries.

Table 15 : Summary of the transactions of the Belgian-Luxembourg Economic Union with foreign countries (*page 122*).

Table 16 : Current transactions (*page 126*).

Table 17 : Spot and forward capital transactions of the private sector (*page 134*).

Table 18 : Spot capital transactions of the public sector (*page 138*).

Table 19 : Net foreign exchange reserves of the National Bank of Belgium (*page 140*).

Chart 20 : Exchange rates (*page 144*).

CHAPTER VII : Financial assets and liabilities.

Table 21 : Financial accounts by sector (*page 150*).

Table 22 : Formation of financial assets by individuals and companies (*page 154*).

Table 23 : New liabilities of companies and individuals (*page 162*).

Table 24 : The public authorities' net financing requirement and the financial deficit (–) or surplus (+) of their various sub-sectors (*page 166*).

CHAPTER VIII : Financial markets and interest rates.

Table 25 : Gross requirements of funds of individuals, companies and public authorities and cover items (*page 176*).

Chart 26 : Interest rates (*page 192*).

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 or is meaningless
...	zero or negligible quantity
n.a.	not available
p.c.	per cent
<i>p.m.</i>	pro memoria
<i>p</i>	provisional
<i>e</i>	estimate : in order to make it possible to describe the development of various important economic data relating to Belgium throughout the year 1982, 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 these various data for 1982 themselves and those with the figures for earlier years, the figures for 1982 have been shown in the tables and quoted in the text to the nearest decimal point (percentages) or the nearest billion francs. 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.

1 billion = 1,000,000,000.

CHAPTER I

INTERNATIONAL DEVELOPMENTS

Table 1

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES¹

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1981		1982	
										1 st half	2 nd half	1 st half	2 nd half
Member countries of the Organisation for Economic Co-operation and Development	+ 0.7	- 0.2	+ 4.8	+ 3.8	+ 4.0	+ 3.1	+ 1.2	+ 1.5	- 0.5	+ 2.4	+ 0.2	- 0.8	...
United States	- 0.7	- 0.7	+ 4.9	+ 5.2	+ 4.7	+ 2.4	- 0.3	+ 2.3	- 1.8	+ 4.7	- 0.6	- 3.4	...
Japan	- 1.0	+ 2.3	+ 5.3	+ 5.3	+ 5.0	+ 5.1	+ 4.4	+ 3.2	+ 2.5	+ 3.3	+ 2.0	+ 2.6	+ 2.7
European Economic Community	+ 1.6	- 1.1	+ 5.0	+ 2.4	+ 3.3	+ 3.3	+ 1.1	- 0.5	+ 0.2	- 0.2	+ 0.5	+ 0.6	- 0.7
of which :													
Federal Republic of Germany	+ 0.7	- 1.6	+ 5.4	+ 3.1	+ 3.1	+ 4.1	+ 1.9	+ 0.2	- 1.2	+ 0.1	+ 0.7	- 0.6	- 4.2
France	+ 3.2	+ 0.2	+ 5.2	+ 3.1	+ 3.8	+ 3.3	+ 1.1	+ 0.2	+ 1.5	+ 0.4	+ 2.5	+ 1.4	+ 0.2
United Kingdom	- 1.0	- 0.7	+ 3.6	+ 1.3	+ 3.7	+ 1.6	- 2.0	- 2.0	+ 0.5	- 2.7	- 0.3	+ 1.3	- 0.5
Netherlands	+ 3.5	- 1.0	+ 5.3	+ 2.4	+ 2.7	+ 2.1	+ 0.9	- 1.2	+ 1.2	n.a.	n.a.	n.a.	n.a.
Italy	+ 4.1	- 3.6	+ 5.9	+ 1.9	+ 2.7	+ 4.9	+ 3.9	- 0.2	+ 0.7	+ 1.7	- 1.9	+ 3.6	- 1.7
Belgium	+ 4.5	- 1.8	+ 5.8	+ 0.8	+ 3.1	+ 2.4	+ 2.8	- 1.1	+ 0.3 ^e	n.a.	n.a.	n.a.	n.a.

Sources : Organisation for Economic Co-operation and Development. For Belgium, National Statistical Institute and National Bank of Belgium.

¹ Percentage changes compared with the previous year or half-year; in the latter case the percentages are calculated on the basis of seasonally adjusted half-yearly figures and are expressed as annual rates. For the United States, Japan and the Federal Republic of Germany the 1982 figures relate to the gross national product.

COMMENTS ON TABLE 1 :

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

A. Methodology

- a) The rates of growth at constant prices mentioned in Table 1 for the gross domestic product or, in certain cases, for the gross national product reflect the development of the volume of economic activity in the industrialised world. The figures for 1982 are estimates made by the Organisation for Economic Co-operation and Development dating from November 1982; as is shown by Table 1.1, they are appreciably lower than the estimates for the same year previously published by that organisation.
- b) The development of economic activity in each of the countries belonging to the Organisation for Economic Co-operation and Development obviously exerted an influence on the exports of the other member countries and of the countries outside the area, but it was at the same time affected by the changes in the activity of these countries, especially via their imports. Table 1.2 shows the development of merchandise imports at constant prices.
- c) The development of real economic activity determined to a great extent that of unemployment. But an important role was also played by other factors, such as the continuance of the increase in the working population, the movements of the productivity of labour and the measures decided upon in some countries in implementation of specific employment promotion programmes. The statistical data on unemployment presented in Chart 1.3, are from the Organisation for Economic Co-operation and Development; this institution adapted them to the extent required in order to make them correspond to the international definition given by the International Labour Office and to ensure their chronological continuity. This does not, however, mean that the data concerning unemployment in the various countries and geographical areas are fully comparable with each other. With certain reservations, however, they can nevertheless be useful for studying the development of unemployment in each of the countries or areas considered separately.
- d) Economic conditions also had an effect on inflation throughout the world. In Chart 1.4 inflation rates are measured by the percentage changes in the indices of consumer prices.
- e) The above-mentioned developments are partly the cause and partly the effect of the development of the public authorities' revenue and expenditure. In this connection, Table 1.5 presents a picture of the movement of the public authorities' net financing requirements as percentages of the gross domestic product of the seven main industrialised countries of the Organisation for Economic Co-operation and Development.

f) Lastly, it is difficult to examine these developments without taking into account the monetary policies pursued in recent years and the movement of interest rates. Chart 1.6 presents a summary of the interest rates on deposits in the main Euro-currencies, the development of which may be regarded as being representative of that of the rates in the domestic money markets of the countries concerned. For the French franc, however, a domestic rate has been directly used, because, during certain periods, the fluctuations of the rate for the Euro-French franc were dissociated from those in the domestic rates owing to the restrictions imposed on capital movements.

g) Most of the tables and charts used in Chapter 1 include, for the sake of comparison, the data for Belgium. These data are not, however, the subject of any specific comment, because they are fully discussed in the subsequent chapters.

B. Main developments

The chief lessons which emerge from Table 1, are as follows :

a) In 1982, economic activity in the countries of the Organisation for Economic Co-operation and Development as a whole would appear to have declined, after having shown, during each of the two preceding years, a growth hardly exceeding 1 p.c. In the United States the gross national product appears to have decreased by 1.8 p.c., the largest annual contraction recorded since World War II. The economies of Japan and the European Economic Community registered a certain growth, but in the former country this growth was modest in comparison with the rate which had been achieved since the first oil shock and, in the Community, it was hardly perceptible and not sufficient to make up for the loss suffered in 1981.

b) The developments described above relating to economic activity were everywhere more disappointing than had been foreseen, as is shown by Table 1.1. For 1982, the Organisation for Economic Co-operation and Development was still forecasting, towards the middle of 1981, for its member countries as a whole, a growth of around 2 p.c. : this forecast had to be revised downwards several times, until it became negative, because the trend of activity was particularly unfavourable in the first half of the year and because the recovery expected in the second half did not materialise. It was in the United States that developments were the most disappointing in comparison with the expectations. The recession made itself fully felt there in the first half of 1982, when enterprises reduced their capital expenditure, both on

fixed capital and on stocks, while households, too, held back in their types of expenditure which are sensitive to interest rates, notably expenditure on house-building and on the purchase of durable consumer goods. In the second half, economic activity stopped falling, but no progress was observable. In the European Economic Community, on the other hand, some growth was still achieved in the first half of the year, but it was followed by a decline in the second. Only France escaped this decline, partly because a distinctly expansionary policy was pursued there until the summer.

c) Economic activity in the countries of the Organisation for Economic Co-operation and Development was affected by the weakness of the demand for their products from non-member countries. These, too, were hard-hit by the recession, with adverse effects on their imports : expressed in terms of constant prices, the merchandise imports of the countries of the Organisation of Petroleum Exporting Countries would appear to have stagnated in 1982, whereas they had risen by over 20 p.c. the previous year ; those of the other developing countries, which had increased by about 6 p.c. per year from 1979 to 1981, would on the other hand appear to have fallen by about the same percentage during the year under review (Table 1.2). Furthermore, the mediocre economic performance of the countries of the Organisation for Economic Co-operation and Development inevitably had a negative effect on their own merchandise imports at constant prices : those of the United States, where the recession was worst, would appear to have fallen off by about 6 p.c. in 1982 ; those of Japan and the European Economic Community appear to have increased only slightly compared with 1981 and to have decreased appreciably between the first and the second half of 1982.

d) The unfavourable trend of economic activity had an adverse effect on employment in the industrialised world. Largely because of this, unemployment (Chart 1.3) went on rising rapidly there ; it reached about 8.5 p.c. of the working population towards the end of 1982 — which represents a new peak for the period since World War II.

This deterioration became apparent in all countries, although to a different extent : it was particularly pronounced in the United States, but very slight in Japan ; it was also considerable in the countries of the European Economic Community shown in Chart 1.3, except France.

e) The accentuation of the economic crisis all over the world led to a weakening of the world-market prices both of energy products and of other raw materials and a lessening of the strength of the domestic factors responsible for the rise in prices in the member countries of the Organisation for Economic Co-operation and Development. Thus, in these countries considered as a whole, the rate of inflation, measured by the movement of consumer prices, fell to 6.9 p.c. between November 1981 and November 1982, after having reached 10.6 p.c. the previous year (Chart 1.4). This downward movement of the inflation rate was fairly steady throughout the year under review.

It did not, however, make itself felt everywhere to the same extent. In the United States the fall was considerable; between December 1981 and December 1982 the rate of inflation was reduced to 3.9 p.c., after having been over 10 p.c. on average in 1981. This favourable result was due to the slackening of economic activity, which was itself partly attributable to the stringent monetary policy still being pursued throughout the greater part of the year under review. In Japan, where in 1981 the inflation rate was already only half that of the rest of the industrialised world, the progress, though marked, was inevitably less spectacular. The European Economic Community, which had an inflation rate of 8.6 p.c. between November 1981 and November 1982, achieved appreciably less good results as regards inflation than these two countries. In several countries of the Community the weighted average exchange rates were distinctly lower in 1982 than in 1981, resulting in upward pressures on the prices of imported goods and services, which constitute a considerable proportion of the resources of these countries. Within the Community itself, the various inflation rates converged. In the countries, such as Italy, France and the United Kingdom, which had had a high rate of inflation the previous year, it slackened appreciably; in the United Kingdom the inflation rate even fell below 6.5 p.c., a lower level than at any time since 1970. Nevertheless, the rise in prices in France and above all in Italy is still a multiple of that recorded in the Federal Republic of Germany and the Netherlands, which is about 5 p.c.

f) In the seven main member countries of the Organisation for Economic Co-operation and Development, the public authorities' net financing requirements (Table 1.5) felt the impact of the recession in 1982, with the result that there was an acceleration of the rise in

cyclically sensitive types of expenditure and a slowing-down of the rise in fiscal and parafiscal revenue. The public authorities' net financing requirements expressed as a percentage of the gross domestic product consequently rose substantially in the United States, Canada and France. The discretionary measures of budgetary policy adopted in these countries with a view to stimulating the economy likewise played a part in this expansion of net financing requirements.

On the other hand, in the other four countries the budgetary policy was made more restrictive with a view to bringing about an improvement in the public finances in the medium term and the public authorities succeeded either in somewhat reducing their net financing requirements, as in Japan, or in stabilising them, as in the United Kingdom, the Federal Republic of Germany and Italy.

g) As is shown by Chart 1.6, short-term interest rates displayed a fundamentally upward trend from the beginning of 1979 until the middle of 1981. This rise in interest rates followed a hardening of monetary policy in the United States and the United Kingdom, reflecting the endeavour by these countries to bring about a reduction in their domestic inflation, this reduction being regarded as a prerequisite for any lasting recovery. Most of the other major industrialised countries, whose current account balance of payments situations were generally unsatisfactory and which could not afford to allow their exchange rates to depreciate too far — this being a factor aggravating their inflation, which was already speeding up markedly following the second oil shock — were likewise obliged to pursue a restrictive monetary policy, thus internationalising the pronounced rise in interest rates. While from the point of view of the battle against inflation this policy has clearly been successful, it has also had its drawbacks. It was probably one of the causes of the recession owing to its depressing effect on the domestic expenditure of the industrialised countries and on their exports to the most heavily indebted countries or groups of countries. Indeed, it was partly because of the growing burden of the interest charges that the latter — which include a large number of developing countries — were forced to restore their current account balances by reducing their imports. The precarious situation of these countries furthermore considerably increased the risk of insolvency faced by their principal creditors and hence gave rise to fears of an international financial crisis.

The interest rates on deposits in most Euro-currencies reached their peak in the course of 1981 ; since then the general trend, reflecting the movement of rates on the domestic money markets, has been clearly downwards.

In the case of the dollar this downward movement was interrupted in 1982 until the summer, but it thereafter resumed and strengthened, probably under the influence of a falling-off in demand for credit owing to the deepening recession and the rise in real interest rates, which had been pushed up to very high levels by the sharp slowing-down of inflation. Furthermore, in view of this economic context, the Federal Reserve gradually made its monetary policy more flexible, thus accentuating the fall in interest rates. In a number of other countries — the Federal Republic of Germany, the Netherlands, Switzerland and the United Kingdom — interest rates declined more steadily from the end of 1981 onwards. These countries' current account balance of payments situation was either rapidly improving or still fully satisfactory ; they therefore had less cause to fear that capital outflows brought about by a widening interest-rate differential in favour of the dollar might lead to pressures on the exchange rates for their currencies. This being so, they were able to give higher priority to their domestic aims in the conduct of their monetary policies. In France and Belgium, on the other hand, the downward movement had to be temporarily interrupted in the second quarter of the year owing to the pressures on the exchange rates.

Lastly, in Japan, short-term interest rates have hardly changed for two years ; they had, it is true, reached their maximum in the middle of 1980 and it had already been possible to reduce them appreciably in the second half of that year, so that since the beginning of 1981 they have been quite appreciably lower than the rates of the other main countries.

Table 1.1

FORECASTS OF GROSS DOMESTIC PRODUCT¹ AT CONSTANT PRICES IN 1982*(Percentage changes compared with 1981)*

	Forecasts made in			
	May 1981	November 1981	May 1982	November 1982
Member countries of the Organisation for Economic Co-operation and Development	+ 2.0	+ 1.0	+ 0.5	- 0.5
United States	+ 1.0	- 0.5	- 1.5	- 1.8
Japan	+ 4.0	+ 3.8	+ 2.0	+ 2.5
European Economic Community	+ 1.5	+ 1.5	+ 1.3	+ 0.2

Source : Organisation for Economic Co-operation and Development.

¹ Gross national product for the United States, Japan and certain countries of the European Economic Community.

Table 1.2

MERCHANDISE IMPORTS AT CONSTANT PRICES¹

	1979	1980	1981	1982	1981		1982	
					1 st half	2 nd half	1 st half	2 nd half
Member countries of the Organisation for Economic Co-operation and Development	+ 8.6	...	- 0.3	...	- 1.1	+ 6.4	- 0.1	- 3.6
of which :								
United States	+ 2.7	- 3.8	+ 7.4	- 5.9	+11.3	+19.9	-17.0	- 2.3
Japan	+11.5	- 6.1	- 2.2	+ 1.4	- 1.1	...	+ 7.8	- 9.0
European Economic Community	+10.8	+ 1.9	- 2.6	+ 2.3	- 6.0	+ 5.7	+ 4.9	- 4.2
Organisation of Petroleum Exporting Countries	-10.0	+11.5	+22.4	...	+29.0	+21.1	- 5.1	- 7.8
Other developing countries	+ 6.5	+ 5.9	+ 6.3	- 6.0	+ 7.6	+ 1.4	- 9.7	- 5.3
Other countries ²	+ 4.0	+ 3.4	- 0.1	- 1.0	- 0.5	+ 0.8	- 0.9	- 0.7
Total	+ 6.5	+ 1.9	+ 2.1	- 1.0	+ 2.1	+ 6.0	- 1.9	- 3.8

Source : European Economic Community.

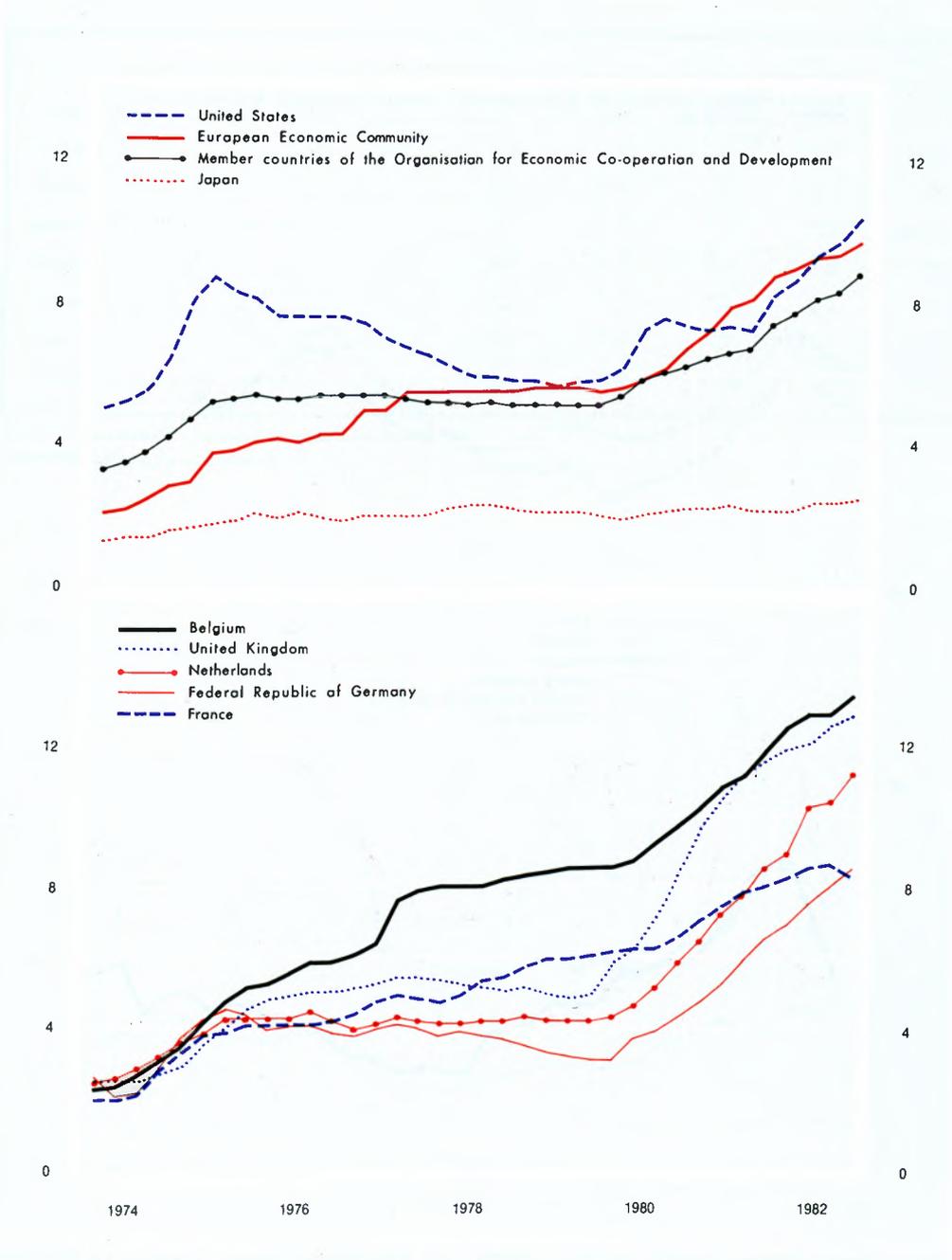
¹ Percentage changes compared with the previous year or half-year; in the latter case, the percentages are calculated on the basis of seasonally adjusted figures and are expressed as annual rates.

² Mainly centrally-planned economies.

Chart 1.3

UNEMPLOYMENT RATE

(As a percentage of the working population)¹

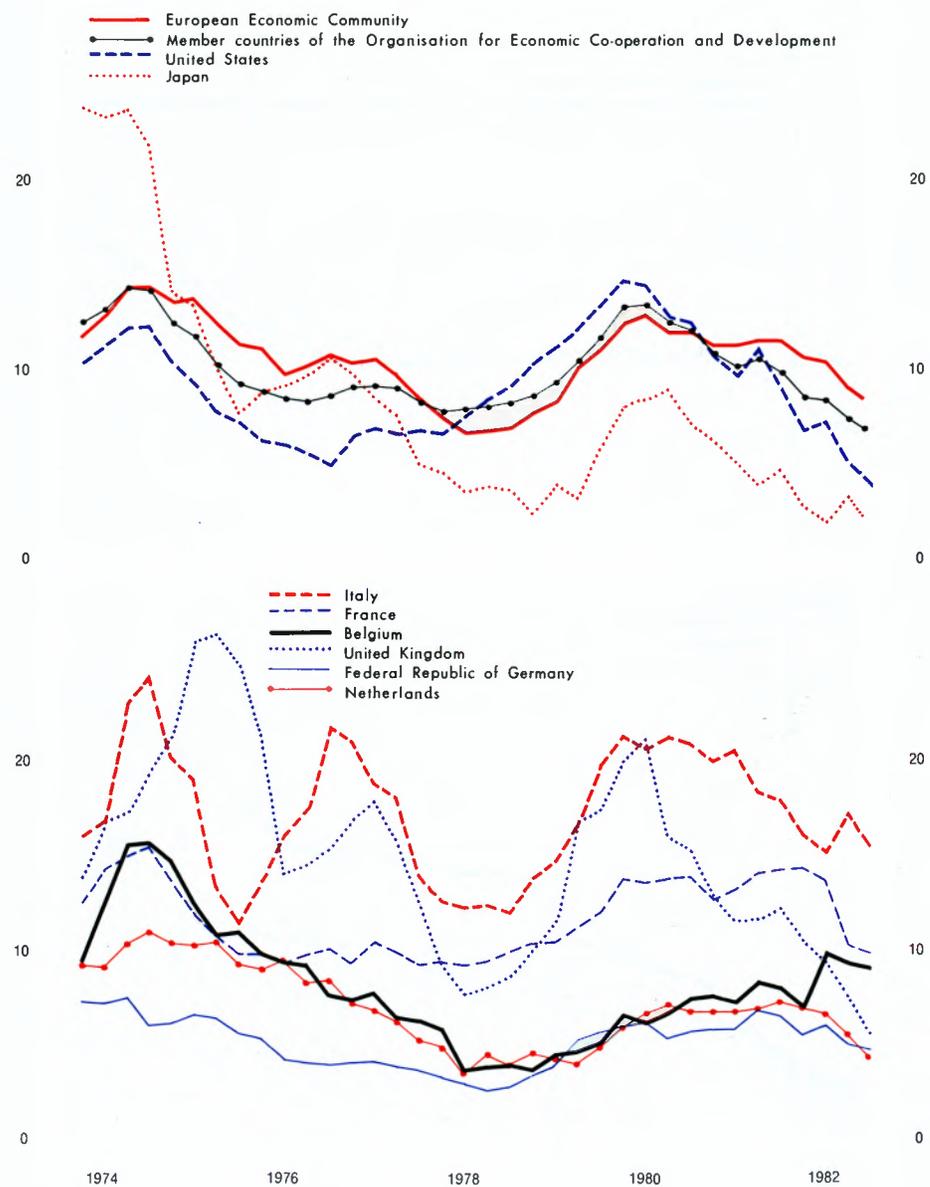


Source : Organisation for Economic Co-operation and Development.

¹ Averages, per quarter, of the seasonally adjusted monthly data.

Chart 1.4

CONSUMER PRICES¹



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

¹ Percentage changes in the data for the last month of each quarter in relation to the level reached a year earlier. Last period : November 1982 for the European Economic Community, the member countries of the Organisation for Economic Co-operation and Development and Japan.

Table 1.5

PUBLIC AUTHORITIES' NET FINANCING
REQUIREMENT (-) OR CAPACITY (+)

(As percentage of gross domestic product)

	1978	1979	1980	1981	1982
United States ¹ .....	...	+ 0.6	- 1.3	- 1.0	- 3.7
Canada	- 3.1	- 2.0	- 2.1	- 1.3	- 6.4
Japan ¹	- 5.5	- 4.8	- 4.2	- 3.9	- 3.3
Federal Republic of Germany	- 2.5	- 2.7	- 3.1	- 4.0	- 4.1
France	- 1.9	- 0.7	+ 0.3	- 1.6	- 2.9
United Kingdom	- 4.2	- 3.1	- 3.2	- 2.0	- 2.0
Italy	- 9.7	- 9.3	- 8.3	- 11.9	- 12.2
Total for the seven countries	- 2.4	- 1.8	- 2.4	- 2.5	- 4.1

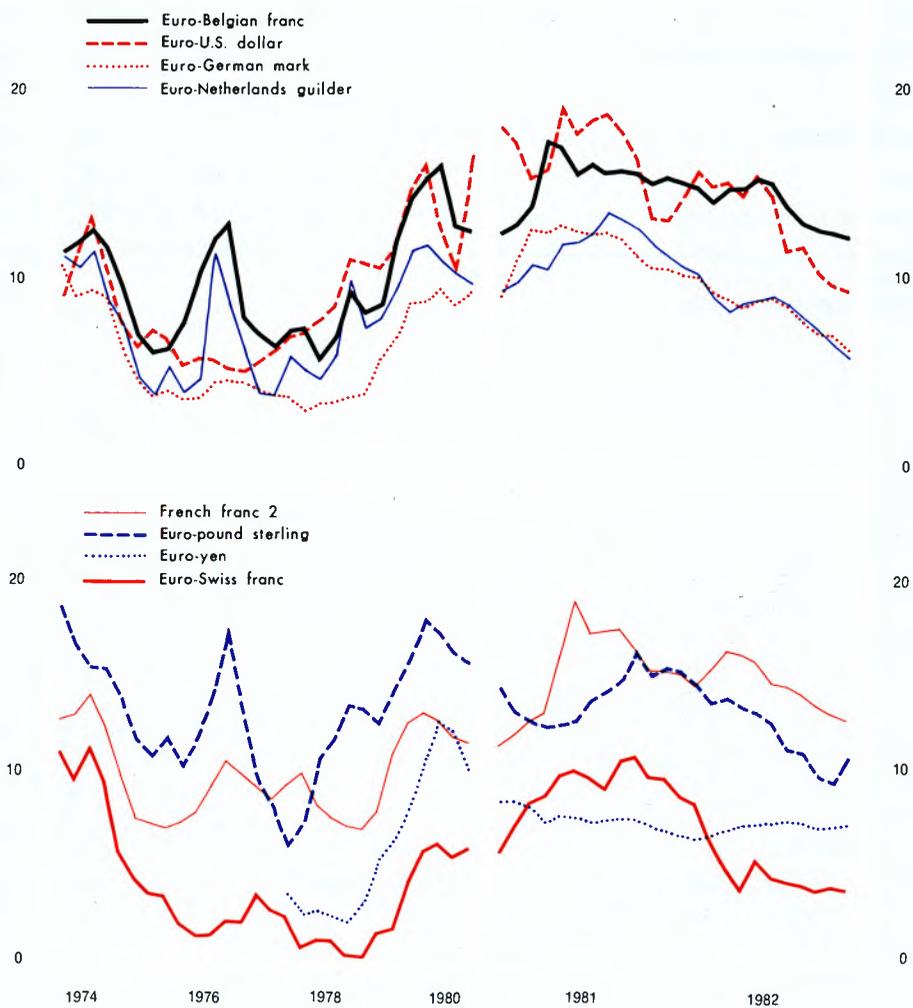
Source : Organisation for Economic Co-operation and Development.

¹ Percentages of gross national product.

Chart 1.6

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES¹

(Percentages)



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

¹ 1974 to 1980 : averages, per quarter, of daily rates.

1981 and 1982 : averages, per month, of daily rates.

² Rates for three-month inter-bank deposits held « en pension » against private securities.

*
**

Table 2

BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of U.S. dollars)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	<i>p.m.</i> 1982 in 1981 dollars
Member countries of the Organisation for Economic Co-operation and Development	- 23.2	+ 5.1	- 15.3	- 21.7	+ 12.3	- 27.7	- 69.1	- 31.0	- 38.5	- 46.0
United States	+ 4.9	+ 18.3	+ 4.4	- 14.1	- 14.8	- 0.5	+ 1.5	+ 4.5	- 8.7	- 8.7
France	- 3.9	+ 2.7	- 3.4	- 0.4	+ 7.0	+ 5.2	- 4.2	- 4.7	- 11.5	- 13.9
United Kingdom	- 7.8	- 3.4	- 1.6	...	+ 2.0	- 1.8	+ 6.7	+ 12.1	+ 4.5	+ 5.2
Australia	- 2.9	- 1.1	- 2.0	- 3.1	- 4.5	- 2.8	- 4.0	- 8.5	- 10.0	- 11.4
Denmark	- 0.9	- 0.6	- 2.0	- 1.8	- 1.5	- 2.9	- 2.5	- 1.9	- 2.5	- 2.9
Federal Republic of Germany	+ 10.3	+ 4.0	+ 3.9	+ 4.1	+ 9.0	- 6.0	- 16.3	- 7.3	- 0.2	- 0.2
Canada	- 1.5	- 4.7	- 3.9	- 4.0	- 4.3	- 4.2	- 0.9	- 4.5	+ 1.0	+ 1.0
Netherlands	+ 2.2	+ 2.0	+ 2.7	+ 0.6	- 1.5	- 2.0	- 2.6	+ 3.1	+ 6.2	+ 6.7
Japan	- 4.7	- 0.7	+ 3.7	+ 10.9	+ 16.5	- 8.8	- 10.7	+ 4.8	+ 6.5	+ 7.4
Italy	- 8.0	- 0.6	- 2.8	+ 2.5	+ 6.2	+ 5.5	- 9.7	- 8.1	- 5.5	- 6.6
Switzerland	+ 0.2	+ 2.6	+ 3.5	+ 3.4	+ 4.4	+ 2.4	- 0.5	+ 2.6	+ 3.5	+ 3.6
Austria	- 0.5	- 0.2	- 1.3	- 2.6	- 1.1	- 1.1	- 1.7	- 1.4	- 0.5	- 0.5
Belgian-Luxembourg Economic Union	+ 0.8	+ 0.2	+ 0.4	- 0.6	- 0.8	- 3.0	- 4.9	- 4.0	- 3.0 ^e	- 3.8 ^e
Organisation of Petroleum Exporting Countries ..	+ 59.5	+ 27.0	+ 37.0	+ 29.0	+ 4.0	+ 61.0	+ 115.0	+ 67.0	+ 2.0	—
Other developing countries	- 26.0	- 30.0	- 18.0	- 13.0	- 23.0	- 38.0	- 63.0	- 73.0	- 63.0	—
Other countries ¹	- 9.5	- 18.0	- 13.0	- 8.0	- 9.0	- 4.0	- 11.0	- 10.0	- 2.0	—
Total	+ 0.8	- 15.9	- 9.3	- 13.7	- 15.7	- 8.7	- 28.1	- 47.0	- 101.5	—

Sources : Organisation for Economic Co-operation and Development. For the Belgian-Luxembourg Economic Union, National Bank of Belgium. Calculations of the National Bank of Belgium.

¹ Mainly centrally-planned economies.

COMMENTS ON TABLE 2 :

BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

A. Methodology

a) The balances of current transactions appearing in Table 2 are all expressed in a common currency, namely the U.S. dollar. Thus the balances of each country or group of countries can be compared and added together. This method has the result, however, of causing the changes taking place in the balances in the course of time to be partly attributable to the fluctuations in the exchange rates for the currencies of the countries in question in relation to the dollar, which is liable to give a distorted picture of the real movements, in national currencies, of these balances. In 1982, all the currencies of the member countries of the Organisation for Economic Co-operation and Development depreciated in relation to the dollar. In such a case, assuming that their current account balances expressed in the national currencies did not change in the meantime, the countries which had a deficit in 1981 will see a reduction in the deficit in 1982 when it is expressed in dollars. The same will be the case for a country which initially had a surplus. In order to avoid this disadvantage for 1982 and enable a better comparison to be made with 1981, the same balances expressed in dollars but at the rates which were ruling in 1981 are shown in the last column of Table 2, alongside the 1982 balances expressed in dollars at that year's exchange rates.

b) In view of the fact that the current account surplus of one country is inevitably accompanied by an equivalent current account deficit in other countries, the result of the addition of current balances for the whole world should in principle be zero. Table 2 indicates, however, that that is not generally the case and that the world balance is structurally negative and has increased substantially during the last three years. This is mainly due to errors and disparities in the statistics — mainly in the field of transactions in services, including investment income, and in that of public transfers — which may have become greater owing to the substantial increase in gross revenue and expenditure of this type during recent years. Another reason why the above-mentioned balance is particularly high for the most recent years — and, a fortiori, for the year under review, for which the figures are still partly estimated — appears to be the still very provisional nature of the statistics for the countries which are not members of the Organisation for Economic Co-operation and Development.

B. Main developments

The chief lessons which emerge from Table 2 are as follows :

a) The deficit in respect of current transactions of the member countries of the Organisation for Economic Co-operation and Develop-

ment as a whole, which in 1980, after the second oil crisis, had reached the record figure of U.S. \$ 69.1 billion and which had been reduced by more than half in 1981, to \$ 31 billion, increased again in 1982 to nearly \$ 39 billion. Expressed in 1981 dollars, the deficit would even appear to have reached \$ 46 billion in 1982, thus showing a deterioration of \$ 15 billion.

This unfavourable development is a result of two opposite movements : on the one hand, an improvement in the terms of trade, mainly due to the fall in international prices for oil and the other raw materials and, on the other hand, a deterioration in the volume of current transactions.

If the member countries are considered individually, the movement is seen to have been fairly heterogeneous, mainly because the volume effects made themselves felt to a different extent in the various countries or even changed in opposite directions. A deterioration in the balance of current transactions took place in the United States, France, the United Kingdom, Australia and Denmark. In the latter country it was fairly limited and was chiefly due to larger interest payments on the public authorities' foreign debt. In the United States, France and the United Kingdom, the deterioration was more marked ; in the first of these countries it was solely attributable to a weakening of its competitive position and in the second it was entirely due to a relative improvement in economic activity sustained by an expansionary economic policy which ran counter to those pursued by the other countries ; in the United Kingdom, both the competitive position and domestic demand exerted a negative influence.

There was on the other hand a pronounced improvement in the balance of current transactions of the Federal Republic of Germany and Canada ; after both had had substantial deficits in 1981, the former succeeded in practically re-establishing equilibrium and the latter was able to show a surplus, the volume of current transactions having improved in both countries. An improvement would also seem to have appeared in a number of other countries, such as the Netherlands, Japan, Italy, Switzerland, Austria and the Belgian-Luxembourg Economic Union.

b) The large surplus on current transactions which the members of the Organisation of Petroleum Exporting Countries were able to achieve in each of the last few years almost completely disappeared in 1982

owing to the weakness of oil prices, the decline in the volume of oil exports and the continued high level of expenditure on imports.

The structural growth in the deficit in respect of current transactions of the other developing countries came to an end in 1982. These countries succeeded in further increasing the volume of their exports, while curbing their expenditure on imports. This curbing was essential owing to the reduction in their export earnings due to the fall in raw material prices and because of the considerable increase in the burden of interest payments on their foreign debt. In several of them, as also, incidentally, in some countries of Eastern Europe, difficulties arose when it came to refinancing their existing debts, so that in certain cases — notably in Latin America — a restructuring of the foreign debts became inescapable. The financial difficulties which thus developed in 1982 also necessitated special interventions by the central banks — either directly or via the Bank for International Settlements — or by the International Monetary Fund. At the same time, these difficulties stimulated and speeded up the many discussions in progress concerning international monetary co-operation including those about the expansion of the resources of the International Monetary Fund.

c) As is shown by Chart 2.1, the rise, between the end of 1981 and November 1982, in the weighted average rate for the U.S. dollar was spectacular; it approached 17 p.c., after having amounted to over 10 p.c. during the previous year. The dollar strengthened in relation to all the currencies included in Chart 2.1. This firmness of the dollar was due to, among other things, the still favourable results achieved on the plane of current transactions during the first nine months of 1982 and the widening, in the first half of the year, of the gap between American interest rates, which were practically stable, and foreign rates, which were moving downwards. Under these circumstances, substantial capital inflows — chiefly from the members of the Organisation of Petroleum Exporting Countries — were recorded in the United States, especially as the dollar was obviously regarded as a « refuge currency » because of the growing political instability in a number of countries. These capital movements to the United States took the form not only of short-term placements of funds but also of long-term operations, such as direct investments and purchases of shares and bonds.

In December, however, the dollar depreciated markedly; this phenomenon was doubtless due to the pronounced deterioration in current

transactions which took place at the end of 1982 and to the rapid fall in U.S. interest rates from the summer onwards.

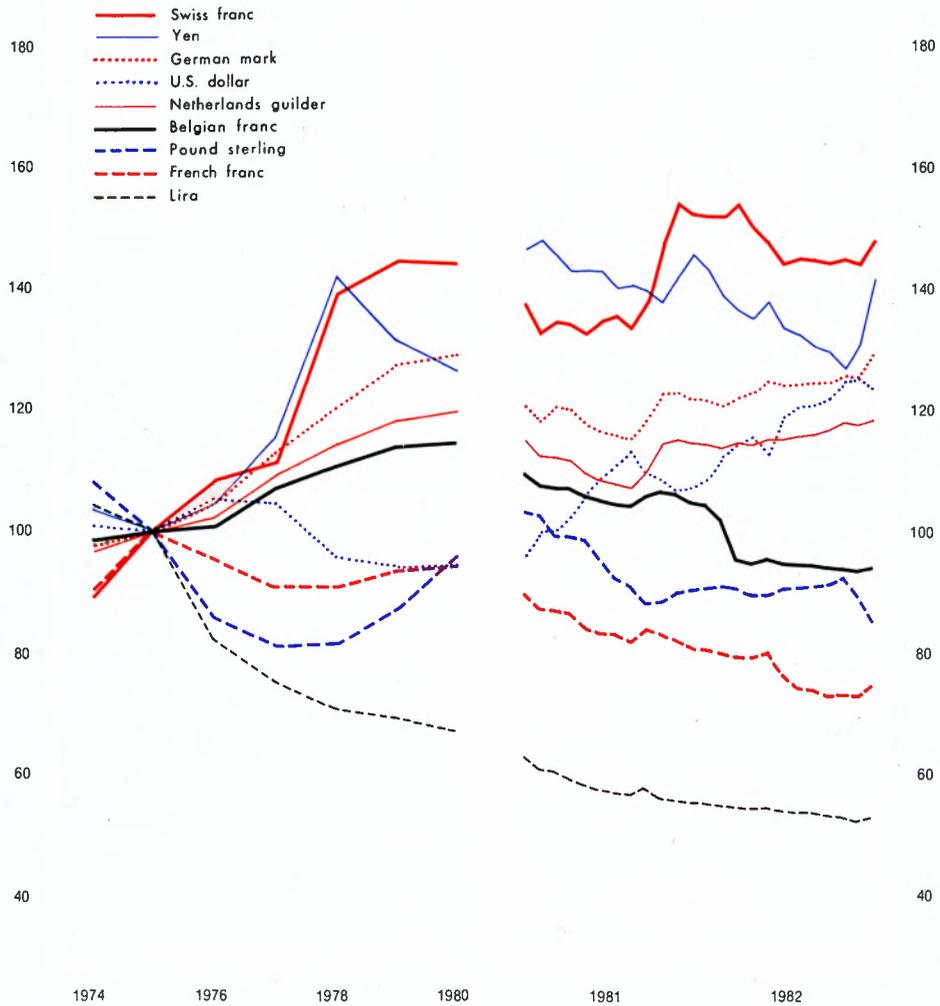
The weighted average rates for the yen and the Swiss franc fell sharply until October 1982. This development took place despite Japan's and Switzerland's large current account surpluses and is explained by the very low level of interest rates in these two countries. But towards the end of 1982 a reversal became apparent and the weighted average rates for the two currencies in question turned upwards, as a result of the maintenance of the surplus on current transactions in contrast with the deficit which had appeared in the United States, the reduction in the differential in short-term interest rates and, in Japan, a contraction in net movements of long-term capital to foreign countries.

Within the European Economic Community the weighted average rate for the pound sterling underwent hardly any change during the greater part of 1982 but declined appreciably towards the end of the year. The weighted average rates for the Belgian franc, the French franc and the Italian lira, the currencies of countries which had incurred a deficit on their current transactions, weakened, while those for the German mark and the guilder appreciated. The relative movement of these five currencies is connected with the changes which were made in 1982 in the central rates of the European Monetary System. In February, the Belgian and Luxembourg francs, on the one hand, and the Danish crown, on the other, were devalued by 8.5 p.c. and 3 p.c. respectively in relation to all the other currencies of the system. In June the German mark and the Dutch guilder were revalued by 4.25 p.c. against the Belgian and Luxembourg francs, the Danish crown and the Irish pound, while the French franc and the Italian lira were devalued by 5.75 p.c. and 2.75 p.c. respectively in relation to these last four currencies.

Chart 2.1

WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES¹

(Indices 1975 = 100)



Source : International Monetary Fund.

¹ 1974 to 1980 : averages, per year, of daily rates.
1981 and 1982 : averages, per month, of daily rates.

CHAPTER II

**PRODUCTION
AND EMPLOYMENT IN BELGIUM**

Table 3

VALUE ADDED AT CONSTANT PRICES OF THE VARIOUS BRANCHES OF ACTIVITY

(Percentage changes compared with previous year)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
Gross domestic product ¹	+ 4.5	- 1.8	+ 5.8	+ 0.8	+ 3.1	+ 2.4	+ 2.8	- 1.1	- 0.3
of which :									
agriculture, forestry and fishing	+ 3.9	- 15.0	- 4.0	+ 3.1	+ 10.5	+ 0.3	+ 2.5	+ 4.7	+ 6.7
industry ²	+ 4.7	- 5.9	+ 8.0	+ 1.3	+ 1.4	+ 4.2	- 0.9	- 3.0	+ 0.4
building industry	+ 4.2	- 0.2	+ 6.5	+ 2.5	+ 0.8	- 3.4	+ 5.0	- 18.7	- 8.5
cyclically sensitive market services ³	+ 4.0	- 3.6	+ 5.5	+ 0.3	+ 3.7	+ 4.3	+ 2.9	- 1.5	- 0.7
cyclically less sensitive market services ⁴	+ 2.0	+ 4.9	+ 4.0	+ 2.8	+ 2.2	+ 2.3	+ 2.5	+ 1.6	+ 0.8
non-market services ⁵	+ 4.9	+ 2.2	+ 4.1	+ 2.4	+ 5.0	+ 3.4	+ 1.9	+ 1.2	+ 0.9

Sources : National Statistical Institute and National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ Including various items which cannot be broken down by branches of activity, and also statistical adjustments.

² Manufacturing and mineral-extracting industries (excluding garages); including electricity, gas and water.

³ Trade, transport and communications, financial services, insurance and other services rendered to enterprises.

⁴ Medical professions, garages, residential real estate, services of domestic servants and household staff and other services rendered to individuals.

⁵ Services provided by the public authorities.

COMMENTS ON TABLE 3 :

VALUE ADDED AT CONSTANT PRICES OF THE VARIOUS BRANCHES OF ACTIVITY

A. Methodology

a) The gross domestic product measures the product of the activity carried on within the frontiers of the national economy, irrespective of the nationality of the factors of production — labour and capital — employed. By adding to the gross domestic product the incomes earned abroad by the national factors of production — whether they be the earnings of frontier workers, interest received on financial investments abroad or other incomes of labour or capital — and deducting from it the incomes paid to foreign factors of production employed within the national frontiers, one obtains the gross national product.

For the years 1974 to 1980 the percentage changes in the gross domestic product, like those in the branches of activity appearing in Table 3, were calculated directly on the basis of the national accounts drawn up by the National Statistical Institute, and more specifically the series « Gross value added at market prices by branch of activity, at 1975 prices ». For 1981 the provisional national accounts data published by the National Statistical Institute were adapted in accordance with the indications given by the most recent balance of payments data. These adaptations, which directly affect the gross domestic product and the gross national product from the point of view of expenditure, bring about — via the statistical adjustments which ensure the consistency of the national accounts depending on whether they are drawn up by recording expenditure, income or value added — changes in the data relating to income and value added. The numerical data for 1982 were estimated by the Bank.

b) The estimates of the value added in industry in 1982 are partly based on the available data on industrial production for the first ten months of 1982, as calculated by the National Statistical Institute (Table 3.4). The percentage change shown in Table 3 for the value added in industry in 1982 (namely + 0.4 p.c.) is, however, appreciably smaller than the change in industrial production during the first ten months of 1982 (namely + 1 p.c.). Account was taken, on the one hand, on the basis of the results of the Bank's business surveys (Chart 3.3), of a substantial falling-off in production in manufacturing industry during the last months of 1982 and, on the other hand, of the marked reduction in deliveries of gas, which influence the value added in industry but are not included in industrial production.

c) The value added in the building industry is calculated from the expenditure of individuals, companies and public authorities on dwellings, other buildings and civil engineering work (see Chapter III). This can result, during certain periods, in a movement of the value added which differs from that of the index of production in the building industry compiled by the National Statistical Institute, as shown in Chart 3.5.

d) The calculation of the value added in trade in 1982 is based mainly on an estimate of the expenditure on private consumption (Chapter III), including, in particular, that on food, beverages, clothing, household articles and petroleum products.

B. Main developments

The chief lessons which emerge from Table 3 are as follows :

a) The gross domestic product would appear to have decreased in 1982 by about 0.3 p.c. Thus for the second year in succession there was a fall — albeit less pronounced than in 1981 — in the volume of the value added in the Belgian economy.

b) Only the branch consisting of agriculture, forestry and fishing would appear to have registered a large rise in its total value added. This rise is attributable to the development in the agricultural sector and, more particularly, in the category of vegetable products (approximately + 14 p.c.); the crops of fruit, wheat and potatoes were among those which benefited by the good weather conditions.

c) The value added in industry, which had fallen in 1980 and especially in 1981, would appear to have shown a very slight rise in 1982. This movement appears to have been due to a decline of about 2 p.c. for electricity, gas and water and an increase of about 0.7 p.c. in the value added in manufacturing industry.

— This last-mentioned increase is small in comparison with the results which might have been expected on the basis of past experience and of the recovery in economic activity which had started in manufacturing industry during the first nine months of 1981 (see the synthetic curve shown in Chart 3.1). This recovery actually ended more quickly than most of the previous upward phases : a further falling-off in economic activity became apparent during the period October 1981-February 1982, and continued from the third quarter of the year onwards, after the temporary revival which followed the devaluation of the Belgian franc. The indications given both by the seasonally adjusted index of production and by the degree of utilisation of production capacities in manufacturing industry (Chart 3.2.) confirm that the recovery in economic activity which took place in 1981 hardly continued at all in 1982, except during the second quarter of the year.

— During the first ten months of the year under review, production in manufacturing industry nevertheless made a better showing in Belgium (+ 1.1 p.c.) than in the countries which are its main trading partners. In the Federal Republic of Germany, France and the United Kingdom this production fell by 1.7, 1.4 and 0.7 p.c. respectively, while in the Netherlands it remained unchanged. In the United States, where the break in the recovery had taken place earlier — in the autumn of 1981 — the fall actually amounted to 8.1 p.c. In Japan, on the other hand, production in manufacturing industry rose by 1.4 p.c.

— The development of production in Belgian manufacturing industry in 1981 and 1982 which has just been outlined clearly reflects that of demand as revealed by the available indicators (Chart 3.3). After a temporary improvement in both domestic and foreign demand during the second quarter of 1982, it was the marked fall in foreign demand which brought about the slackening of economic activity in the third and fourth quarters of 1982. Belgium thus felt the repercussions of the pronounced shrinkage of world trade which characterised the second half of the year.

— A detailed examination of the development of production in each of the industrial sectors during the first ten months of 1982 (Table 3.4) shows that the clothing and footwear sector, the food and beverages sector and, to a smaller extent, that comprising the chemical and rubber industries registered high growth rates. In all three cases an increase in exports would appear to have been responsible for this development. The important metal-working sector likewise achieved an appreciable positive growth rate, mainly owing to the favourable development of activity in the motor industry. On the other hand, the basic metallurgy and non-metallic mineral products sectors were affected by the slump in the Belgian iron and steel and building industries. Lastly, a number of refinery units were closed down in 1982 in the oil sector.

d) Just as in 1981, although to a less pronounced extent, the value added in the building industry fell on average in 1982 in comparison with the previous year (Table 3). Although the decline in economic activity seems to have bottomed out in this branch in the fourth quarter of 1981, as is shown by the seasonally adjusted index of production, the recovery in this industry remained very limited and is still hesitant. Furthermore, the synthetic curve in the sector of bare shells of

residential and non-residential buildings, which is a leading indicator of activity, turned downwards again in the second and third quarters of the year (Chart 3.5).

Owing to budgetary constraints which affected demand from the public authorities, the level of activity in the sector of road and civil engineering works remained below the 1981 level for the greater part of the year. The same was true of the non-residential building sector, despite the increase in expenditure on building by enterprises. On the other hand, in the residential building sector — perhaps under the influence of the government measures mentioned in Chapter III — activity was less pessimistically appraised than in 1981, although the expected growth was still rather small (Chart 3.6). It should also be pointed out that the particularly mild weather was probably the cause of the less unfavourable development of the rate of activity, which, according to the Bank's surveys, would appear to have been apparent in the afore-mentioned three sectors in the fourth quarter of 1982.

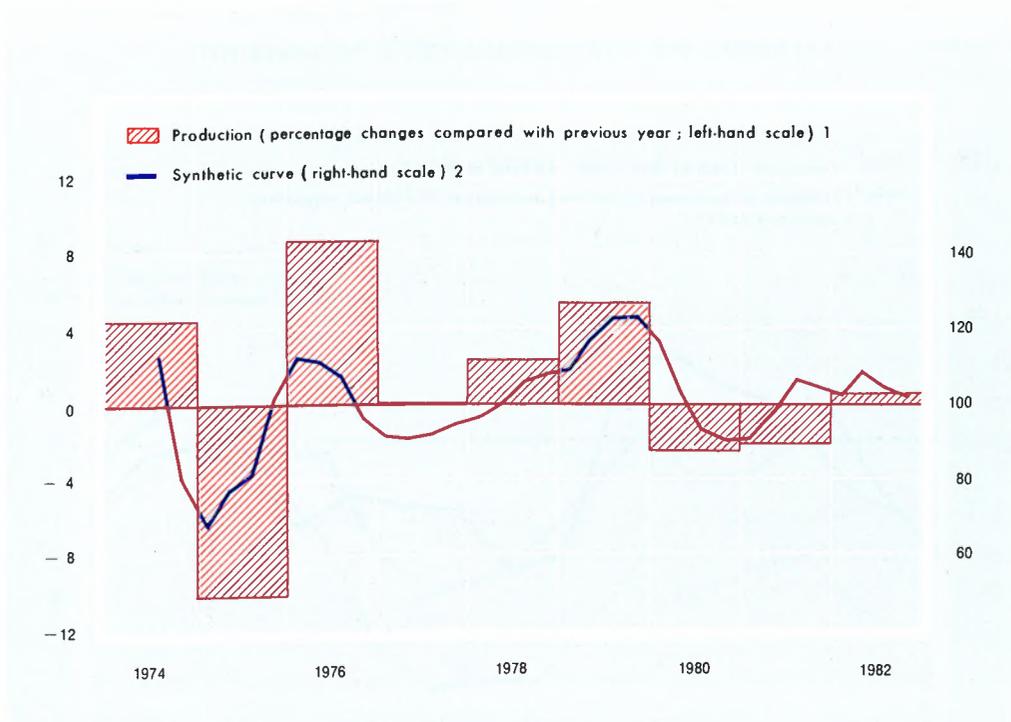
e) The value added in the branch of cyclically sensitive market services would appear to have declined by about 0.7 p.c., after having already shown a decrease — albeit more pronounced — in 1981 (Table 3). The increase observed in financial services and in transport and communications, especially port traffic, was not sufficient to counterbalance the reduction in the case of trade, which accounts for over half the value added of this branch. This reduction is due to a falling-off in private consumption.

f) Despite the rise in activity observed in the hotel and catering sector, favourably influenced by tourist expenditure following the devaluation of the Belgian franc, cyclically less sensitive services registered only a small increase in their value added (about 0.8 p.c.), the decline in private consumption having made itself felt here, too. This percentage is the lowest during the period covered by Table 3.

g) Non-market services — the value added of which consists chiefly of the remunerations and pensions paid by the public authorities — likewise registered the lowest growth rate (0.9 p.c.) in the period covered by Table 3, owing to the stagnation of employment in the public services in 1982.

Chart 3.1

PRODUCTION AND SYNTHETIC CURVE IN MANUFACTURING INDUSTRY

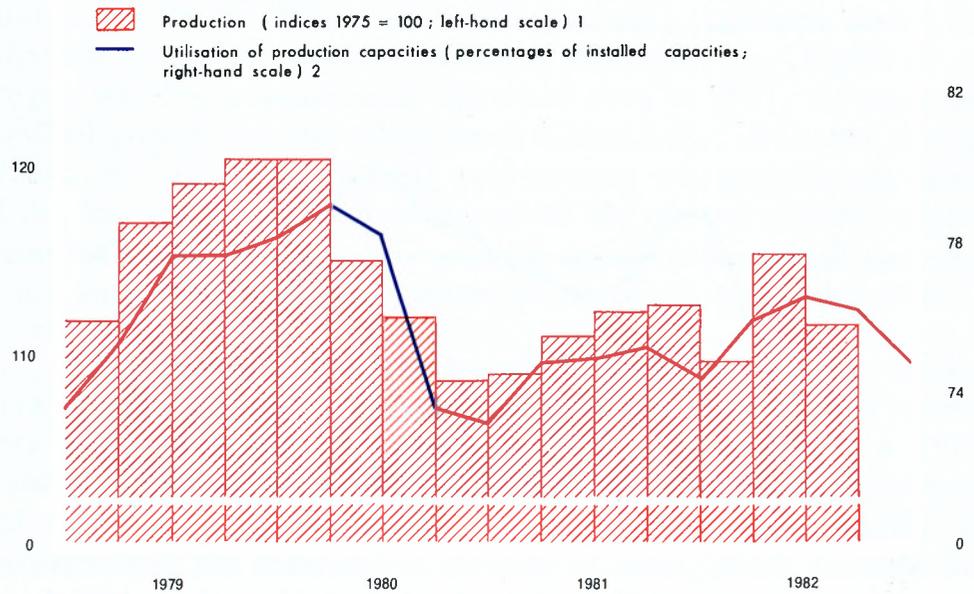


¹ Sources : National Statistical Institute and National Bank of Belgium. Calculations and estimates of the National Bank of Belgium.

² The numerical value of the synthetic curve in manufacturing industry is calculated from seven series of replies to the monthly business surveys conducted by the National Bank of Belgium : the development of the rate of production, domestic market orders, export orders, the appraisal of the total order book, the appraisal of the foreign order book, employment forecasts and demand forecasts. The level 100 corresponds to the mean of the monthly numerical values of the synthetic curve during the period July 1974 - June 1981. In principle, a numerical value above or below 100 corresponds, respectively, to an economic situation more favourable or less favourable than normal. Averages, per quarter, of monthly data.

Chart 3.2

PRODUCTION AND DEGREE OF UTILISATION OF PRODUCTION CAPACITIES IN MANUFACTURING INDUSTRY



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

¹ Seasonally adjusted averages, per quarter, of monthly data.

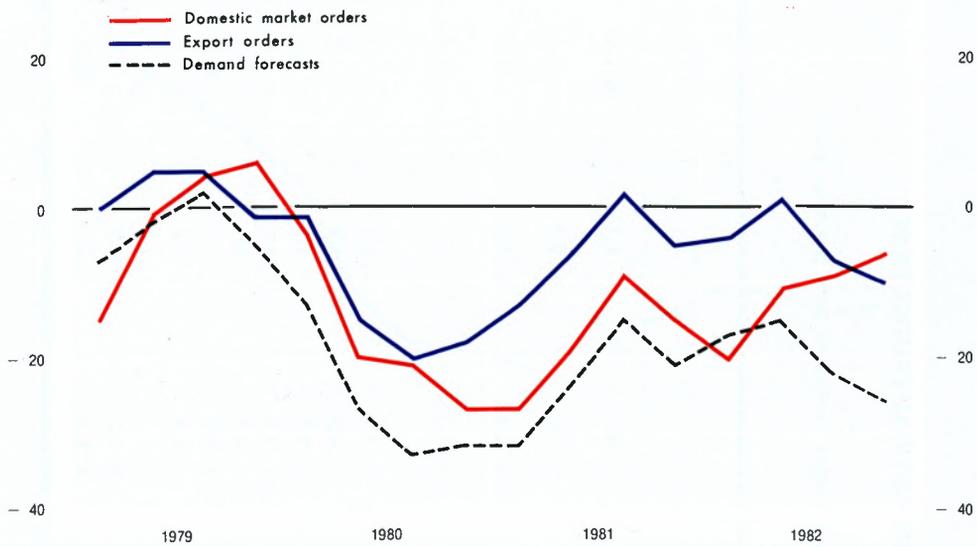
² End-of-quarter data.

Chart 3.3

RESULTS OF THE BUSINESS SURVEYS IN MANUFACTURING INDUSTRY

Demand indicators

(Net percentage of replies stating « Up » and « Down »)¹



Source : National Bank of Belgium.

¹ Averages, per quarter, of seasonally adjusted monthly data.

Table 3.4

INDUSTRIAL PRODUCTION

(Percentage changes compared with previous year)

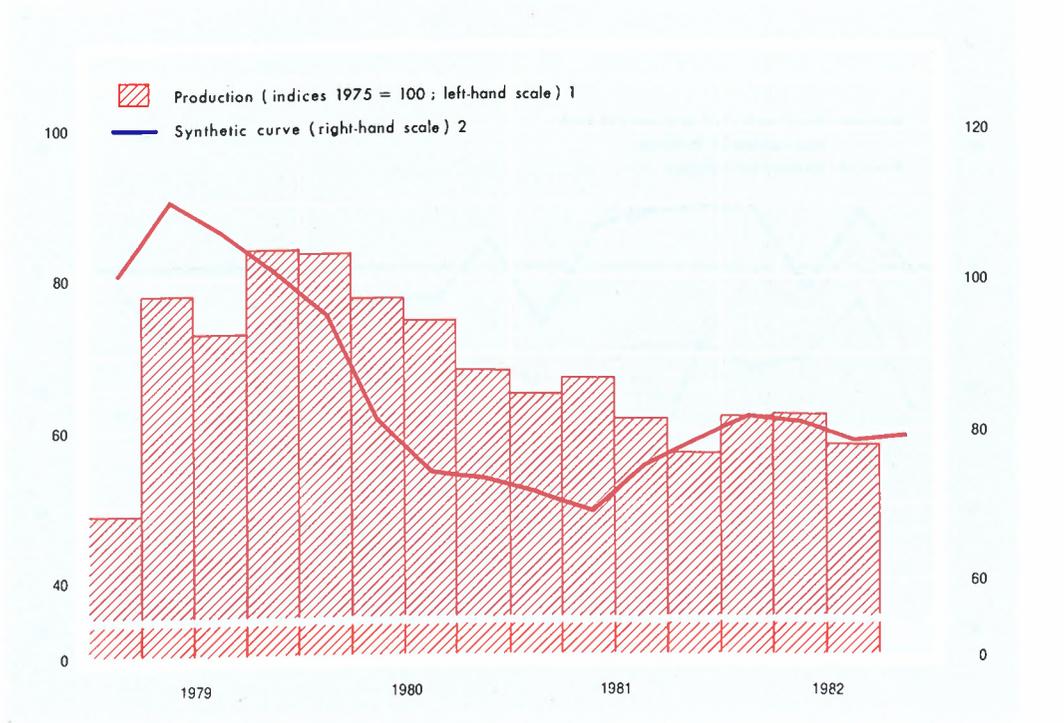
	1979	1980	1981	First ten months	
				1981	1982
Industry as a whole ¹	+ 4.7	- 1.3	- 2.6	- 4.2	+ 1.0
Mineral-extracting industries	- 7.6	+ 3.4	- 6.4	- 6.9	+ 0.3
Electricity and water industries	+ 2.4	+ 2.7	- 4.8	- 5.9	+ 0.6
Manufacturing industry	+ 5.3	- 2.7	- 2.2	- 4.1	+ 1.1
of which :					
Metal-working industry	+ 4.9	- 3.1	- 3.4	- 4.9	+ 2.7
Basic metallurgy	+ 8.0	- 4.8	- 4.2	- 8.8	- 5.9
Chemical industry and rubber industry	+ 8.1	- 5.4	+ 1.1	- 0.1	+ 1.9
Food and beverage industries	+ 3.1	+ 1.7	+ 4.1	+ 2.6	+ 4.6
Textile industry	+ 8.3	+ 3.3	- 2.9	- 3.4	- 0.1
Non-metallic mineral product industry	+ 0.4	...	-12.6	-13.9	- 6.2
Wood industry	- 1.4	+ 7.2	- 2.1	- 2.6	- 0.1
Manufacturing of clothing and footwear .....	...	- 2.8	- 3.2	- 3.9	+ 5.3
Paper and board industry	+ 7.0	- 0.8	+ 1.3	- 0.1	+ 1.2
Oil refining	+ 1.2	- 3.2	-13.0	-13.3	-11.7

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

¹ Not including building industry.

Chart 3.5

PRODUCTION IN THE BUILDING INDUSTRY
AND SYNTHETIC CURVE IN THE SECTOR OF BARE SHELLS OF RESIDENTIAL
AND NON-RESIDENTIAL BUILDINGS



Sources : National Statistical Institute and National Bank of Belgium.

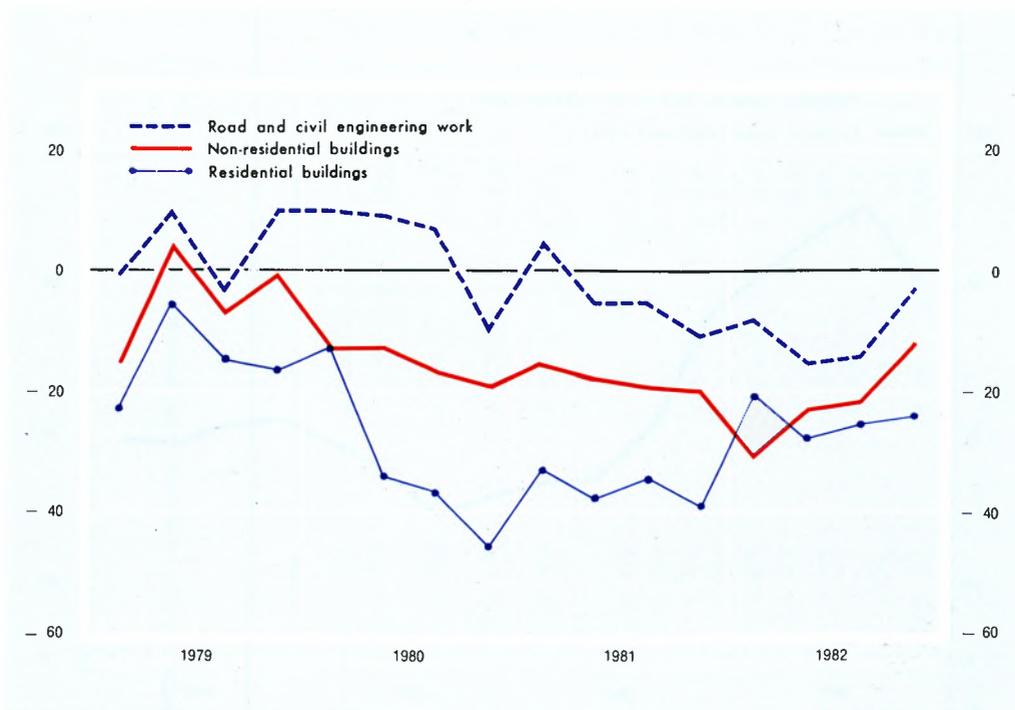
¹ The numerical value of the synthetic curve in the sector of bare shells of residential and non-residential buildings is calculated from six series of replies to the monthly business surveys conducted by the National Bank of Belgium : the development of the rate of activity, the development of employment, the appraisal of the order book, the appraisal of the assured period of activity, employment forecasts and demand forecasts. The level 100 corresponds to the mean of the monthly numerical values of the synthetic curve during the period July 1974 - June 1981. In principle, a numerical value above or below 100 corresponds, respectively, to an economic situation more favourable or less favourable than normal. Averages, per quarter, of monthly data.

Chart 3.6

RESULTS OF THE BUSINESS SURVEYS IN BUILDING

Rate of activity

(Net percentages of replies stating « Up » and « Down »)¹



Source : National Bank of Belgium.

¹ Averages, per quarter, of seasonally adjusted monthly data.

*
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Table 4

SUPPLY OF AND DEMAND FOR EMPLOYMENT

(Changes, in thousands) ¹

	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. Supply of employment (employment) ²	+ 52	- 58	- 27	- 9	+ 2	+ 44	- 4	- 80	- 62 e
by :									
a. enterprises	+ 43	- 68	- 40	- 20	- 27	+ 10	- 16	- 82	- 62 e
agriculture, forestry and fishing	- 5	- 4	- 8	- 5	- 4	...	- 6	- 3	- 3 e
industry	+ 5	- 72	- 48	- 43	- 43	- 29	- 21	- 49	- 39 e
building industry	+ 7	...	+ 3	+ 2	- 4	+ 2	- 9	- 29	- 22 e
cyclically sensitive market services	+ 22	+ 1	- 1	+ 7	+ 6	+ 15	+ 12	- 7	- 5 e
cyclically less sensitive market services	+ 14	+ 6	+ 14	+ 20	+ 17	+ 22	+ 8	+ 7	+ 7 e
b. non-market services ³	+ 8	+ 10	+ 12	+ 12	+ 29	+ 34	+ 12	+ 3	... e
2. Demand for employment (working population) Total ...	+ 58	+ 21	+ 31	+ 26	+ 28	+ 60	+ 16	+ 17	+ 18 e
Men ...	(+ 19)	(- 2)	(- 4)	(- 10)	(- 6)	(+ 14)	(- 13)	(- 12)	(- 12)e
Women ...	(+ 39)	(+ 23)	(+ 35)	(+ 36)	(+ 34)	(+ 46)	(+ 29)	(+ 29)	(+ 30)e
Changes due to those :									
a. in the population of working age ⁴ Total ...	+ 32	+ 37	+ 37	+ 39	+ 36	+ 33	+ 29	+ 25	+ 26
Men ...	(+ 22)	(+ 25)	(+ 21)	(+ 19)	(+ 17)	(+ 16)	(+ 20)	(+ 22)	(+ 24)
Women ...	(+ 9)	(+ 12)	(+ 16)	(+ 20)	(+ 19)	(+ 17)	(+ 9)	(+ 3)	(+ 3)
b. in the rate of activity Total ...	+ 27	- 17	- 6	- 13	- 9	+ 27	- 13	- 8	- 8 e
Men ...	(- 3)	(- 27)	(- 25)	(- 29)	(- 23)	(- 2)	(- 33)	(- 34)	(- 36)e
Women ...	(+ 30)	(+ 11)	(+ 19)	(+ 17)	(+ 15)	(+ 29)	(+ 20)	(+ 26)	(+ 28)e
of which : effect of early retirement schemes	(-)	(- 1)	(- 5)	(- 19)	(- 18)	(- 20)	(- 12)	(- 15)	(- 18)
3. (= 2 - 1) Unemployment ⁵ Total ...	+ 7	+ 79	+ 58	+ 35	+ 25	+ 16	+ 21	+ 96	+ 80
Men ...	(- 2)	(+ 39)	(+ 16)	(+ 6)	(+ 8)	(- 1)	(+ 5)	(+ 60)	(+ 44)
Women ...	(+ 9)	(+ 40)	(+ 43)	(+ 29)	(+ 18)	(+ 17)	(+ 15)	(+ 36)	(+ 35)

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

¹ Because the amounts have been rounded, the totals are not necessarily equal to the sum of the component parts.

² Men and women together. The various branches are defined in the same way as in Table 3, except for the item « residential buildings » (where employment is nil), which has not been included here but appears in Table 3 in the branch of cyclically less sensitive market services.

³ Including the armed forces, unemployed persons given employment by the public authorities and workers on the « special temporary staff ».

⁴ Men aged 15 to 64 and women aged 15 to 59.

⁵ Wholly unemployed persons receiving unemployment pay, other compulsorily registered unemployed persons, persons receiving vocational training and a certain proportion of voluntarily registered persons without employment. Partially unemployed persons are included in item 1. « Supply of employment (employment) ».

COMMENTS ON TABLE 4 :

SUPPLY OF AND DEMAND FOR EMPLOYMENT

A. Methodology

a) The changes shown in Tables 4, 4.1 and 4.2 are those on 30th June of the year in question compared with the same date of the previous year, except in the case of the value added (Tables 4.1 and 4.2) and employment (average for the year) and the number of hours worked in manufacturing industry (Table 4.2), for which the change is that for the whole of the year in question compared with the previous year.

The calculations of the value added per person employed (Tables 4.1 and 4.2) may therefore give a somewhat distorted picture, as the value added and employment do not relate to identical periods.

b) The changes — from year to year — in the working population are due both to the change in the population of working age and to that in the activity rate; the absolute extent of each of these two factors can be calculated in two ways :

— first way :

— the directly calculated influence of the change in the population of working age (A) : $A = \text{absolute change, from one year to the other, in the population of working age} \times \text{activity rate in the first year.}$

— the influence, calculated as a balance, of the change in the activity rate (B) : $B = \text{change in the working population} - A.$

— second way :

— the directly calculated influence of the change in the activity rate (B') : $B' = \text{change, from one year to the other, in the activity rate} \times \text{population of working age in the first year.}$

— the influence, calculated as a balance, of the change in the population of working age (A') : $A' = \text{change in the working population} - B'.$

In practice, the difference between the results of these two methods of calculation is very slight and the data presented in Table 4 are estimated on the basis of an arithmetic mean of the two results thus obtained each year for each of the two factors.

c) The change in the value added (at constant prices) per person employed (Tables 4.1 and 4.2) is calculated as follows :

$$\left(\frac{\text{Index of value added, previous year} = 100}{\text{Index of employment, previous year} = 100} - 1 \right) \times 100$$

This result is influenced by the changes in the number of hours actually worked per person employed (change in collectively agreed working hours, overtime, partial unemployment), which may give a distorted picture of what is normally meant by productivity. That is why the calculation of the (apparent) productivity of labour is more exact if it is based on the value added and the number of hours worked.

This figure is only available, however, for manufacturing industry, so that this is the only sector for which the value added per hour worked can be calculated (Table 4.2).

d) When productivity is defined as the relationship between value added and employment, the following identity is obtained :

$$\text{employment} = \frac{\text{value added}}{\text{productivity}}$$

This identity shows that employment decreases, all other things remaining equal, if the value added decreases or if productivity increases.

Although such a breakdown of the factors which determine employment is thus mathematically indisputable, one must not lose sight of the fact, when interpreting it in economic terms, that it is merely an ex post observation which does not take into account the underlying mechanisms and the possibility of a causal relationship, for instance, between productivity on the one hand and the value added on the other. Thus a rise in productivity may exert — apart from its direct negative effect on employment — an indirect effect which can be positive : a rise in productivity means, all other things remaining equal, a decrease in the cost per unit of output, which improves competitiveness and probably increases to a greater or lesser extent, sales, the value added and hence employment.

This second effect does not become apparent in the afore-mentioned identity, where the value added is regarded as a variable independent of productivity. It is furthermore difficult to quantify and thus cannot be incorporated in the analysis. It must nevertheless be borne in mind if the results of the analysis are to be correctly interpreted.

e) From 1981 onwards the waiting period for job-seekers leaving school (aged 18 and over) was increased from 75 to 150 days, so that most of the young people with school-leaving certificates who finished their schooling in June-July are no longer taken into the category of « wholly unemployed persons receiving unemployment pay » in October-November, but only in January-February of the following year. Accordingly, these young people with school-leaving certificates are recorded for a longer period in the category of « other compulsorily registered unemployed persons ». It is therefore clear that, owing to this change in the legislation, a distorted picture is obtained of the development of unemployment during the greater part of the period 1980-1982 if attention is paid only to the changes in the number of wholly unemployed persons receiving unemployment pay. The total of the categories of unemployed persons shown in Table 4 and Chart 4.3 is broader and is not influenced by the change in the length of the waiting period.

B. Main developments

The chief lessons which emerge from Table 4 are as follows :

a) Employment would appear to have fallen by over 60,000 in 1982 ; this decrease is admittedly not as large as that in 1981 (80,000),

but, with this exception, one has to go back to 1975 to find a drop of comparable size.

— Just as in 1981, the contraction in employment is entirely due to the development in enterprises and is particularly concentrated in industry and building, while employment in market services would appear to have remained more or less stable.

Table 4.1 shows that the slightly smaller reduction in employment in enterprises as a whole (-2 p.c. in 1982 against -2.6 p.c. in 1981) is fully attributable to the distinctly less unfavourable development of the value added. On the other hand, productivity would appear to have improved during the year under review, whereas it had declined in 1981. This improvement in productivity in 1982 is largely explained by the trend of economic activity : in the past, too, it has often been found that a pronounced decrease in the value added at constant prices — such as took place in 1981 — has been accompanied by a marked slowing-down of productivity, whereas this has subsequently increased when the economic situation has become less depressed.

In manufacturing industry (Table 4.2), the faster rise in the value added per person employed appears to have been mainly due to a higher « degree of utilisation » of the labour force : unlike in the two previous years, the number of hours worked per person employed would appear to have increased slightly, chiefly under the influence of the decline in the number of partially unemployed persons (the daily average number of these appears to have fallen by about 7,300 between the first nine months of 1981 and the corresponding period of 1982).

— Employment in non-market services, which had increased appreciably each year up to 1980, appears to have stabilised in 1982 (Table 4). On the basis of the position on 30th June, the reduction in the number of unemployed persons given work by the public authorities and of the workers belonging to the « special temporary staff » appears to have been counterbalanced by an expansion in public administration and in education. The former development is due to the gradual abandonment of the above-mentioned measures for promoting employment, while the new measures decided upon in March — the third labour circuit and the interdepartmental budgetary fund for the promotion of employment, created with a view to the putting to work of longer-term unemployed persons in the non-market sector — would

not appear to have been implemented until after June. With regard to the second development, it should be noted that the economy measures decided upon for the education sector made themselves felt only from September onwards.

b) The increase in the demand for employment amounted to about 18,000, a figure of the same order of magnitude as that for the two previous years; the demand from men declined once more while that from women increased further by about 30,000. As in the preceding years, the growth in the total working population is the result of two movements in opposite directions :

— an increase in the population of working age : this annual rise has been appreciably smaller for the last three years (about 27,000 per year) than during the previous years (about 36,000 per year from 1974 to 1979), owing to the smaller growth in the number of women aged 15 to 59. On the other hand, the increase in the number of men aged 15 to 64 is still sizable and is largely due to the sharp expansion in the 60 to 64 age group attributable to the low birth rate during the First World War and its pronounced recovery during the post-war years.

— a slight decline in the overall activity rate; the continuing success of the early retirement schemes accentuated the downward trend of the male activity rate and slowed down, although to a smaller extent, the spontaneous rise in the female activity rate.

c) The growth in the working population combined with the substantial job losses increased the number of unemployed by 80,000, a rise which is comparable with that in 1975, but smaller than that in 1981. Disregarding partially unemployed persons, there were, at the end of June 1982, 512,000 unemployed job-seekers, including nearly 443,000 wholly unemployed persons receiving unemployment pay.

The monthly data (Chart 4.3) make it clear that unemployment continued to show an upward trend until February 1982, stabilised at that month's level until May, during the brief period of revival of economic activity, and subsequently increased again sharply, so that at the end of the year 14.1 p.c. of the working population were unemployed.

Since 1981, contrary to what had been previously observed, the rise in unemployment has affected men more than women; while the rise

which took place from 1976 to 1980 was due more to the increase in the female working population than to job losses, the growth in the number of unemployed in 1981 and 1982 is attributable to a greater extent to job losses — then more numerous — which naturally affected both men and women (Table 4). The number of unemployed thus included 44 p.c. of men in June 1982 against only 36 p.c. two years earlier.

Table 4.1

EMPLOYMENT, VALUE ADDED¹ AND PRODUCTIVITY IN ENTERPRISES²*(Percentage changes compared with previous year)*

	1974	1975	1976	1977	1978	1979	1980	1981	1982 e
Agriculture, forestry and fishing :									
Employment	- 3.0	- 2.7	- 5.9	- 4.1	- 3.3	...	- 5.4	- 2.4	- 2.8
Value added	+ 3.9	-15.0	- 4.0	+ 3.1	+10.5	+ 0.3	+ 2.5	+ 4.7	+ 6.7
Value added per person employed	+ 7.1	-12.7	+ 2.1	+ 7.5	+14.3	+ 0.3	+ 8.3	+ 7.3	+ 9.8
Industry :									
Employment	+ 0.5	- 5.5	- 3.9	- 3.7	- 3.9	- 2.6	- 2.0	- 4.8	- 4.0
Value added	+ 4.7	- 5.9	+ 8.0	+ 1.3	+ 1.4	+ 4.2	- 0.9	- 3.0	+ 0.4
Value added per person employed	+ 4.2	- 0.4	+12.4	+ 5.2	+ 5.5	+ 7.0	+ 1.1	+ 2.0	+ 4.6
Building :									
Employment	+ 2.4	+ 0.2	+ 1.3	+ 0.6	- 1.3	+ 0.8	- 3.0	-10.3	- 8.5
Value added	+ 4.2	- 0.2	+ 6.5	+ 2.5	+ 0.8	- 3.4	+ 5.0	-18.7	- 8.5
Value added per person employed	+ 1.8	- 0.5	+ 5.1	+ 1.8	+ 2.1	- 4.2	+ 8.3	- 9.4	...
Cyclically sensitive market services :									
Employment	+ 2.2	+ 0.1	- 0.1	+ 0.7	+ 0.6	+ 1.5	+ 1.1	- 0.7	- 0.5
Value added	+ 4.0	- 3.6	+ 5.5	+ 0.3	+ 3.7	+ 4.3	+ 2.9	- 1.5	- 0.7
Value added per person employed	+ 1.7	- 3.7	+ 5.6	- 0.4	+ 3.1	+ 2.8	+ 1.8	- 0.8	- 0.2
Cyclically less sensitive market services :									
Employment	+ 2.4	+ 1.1	+ 2.4	+ 3.1	+ 2.7	+ 3.2	+ 1.2	+ 0.9	+ 1.0
Value added	+ 1.8	+ 5.7	+ 4.6	+ 3.0	+ 2.1	+ 2.2	+ 2.5	+ 1.4	+ 0.3
Value added per person employed	- 0.6	+ 4.6	+ 2.2	- 0.1	- 0.6	- 0.9	+ 1.3	+ 0.5	- 0.7
Total enterprises :									
Employment	+ 1.4	- 1.9	- 1.1	- 0.6	- 0.8	+ 0.4	- 0.5	- 2.6	- 2.0
Value added	+ 4.0	- 3.4	+ 6.0	+ 1.3	+ 2.6	+ 3.2	+ 1.6	- 2.8	- 0.4
Value added per person employed	+ 2.5	- 1.5	+ 7.2	+ 1.9	+ 3.5	+ 2.8	+ 2.1	- 0.3	+ 1.6

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

¹ Value added at constant prices.² The branches of activity are defined in Note 2 to Table 4.

Table 4.2

EMPLOYMENT, VALUE ADDED¹ AND PRODUCTIVITY
IN MANUFACTURING INDUSTRY

(Percentage changes compared with previous year)

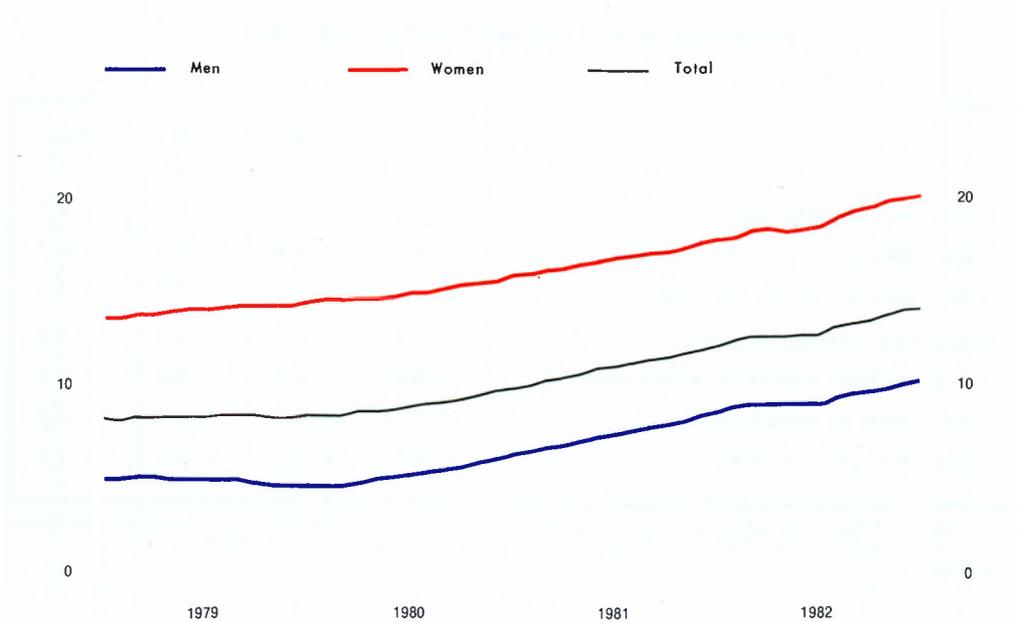
	1979	1980	1981	1982 <i>e</i>
Employment (on 30th June)	- 2.6	- 2.1	- 5.1	- 4.2
Value added	+ 3.7	- 1.4	- 2.5	+ 0.7
Value added per person employed	+ 6.5	+ 0.7	+ 2.7	+ 5.1
Employment (average for year)	- 2.5	- 2.2	- 4.8	- 4.8
Number of hours worked per person employed ...	+ 0.9	- 2.3	- 1.6	+ 0.3
Total number of hours worked	- 1.7	- 4.4	- 6.3	- 4.5
Value added per hour worked	+ 5.5	+ 3.2	+ 4.1	+ 5.5

Sources : Ministry of Employment and Labour, National Social Security Office, National Statistical Institute and Economic Research Institute of the Catholic University of Louvain. Calculations and estimates of the National Bank of Belgium.

¹ Value added at constant prices.

Chart 4.3

UNEMPLOYMENT RATE ¹
(Percentage of working population)



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

¹ Wholly unemployed persons receiving unemployment pay, other compulsorily registered unemployed persons and a certain proportion of voluntarily registered persons without employment. Owing to the lack of monthly data, it was not possible for persons receiving vocational training, who are included in item 3 of Table 4, to be taken into account in this chart. Seasonally adjusted end-of-month data.

CHAPTER III

EXPENDITURE AND PRICES

Table 5

GROSS NATIONAL PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES

(Percentage changes compared with previous year)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Private consumption	+ 3.1	+ 0.4	+ 5.1	+ 2.4	+ 2.7	+ 4.6	+ 1.3	- 2.0	- 1.3
2. Public consumption	+ 3.8	+ 4.9	+ 4.0	+ 3.3	+ 6.2	+ 2.6	+ 1.5	+ 0.6	- 0.5
3. Gross capital formation	+ 10.4	- 13.4	+ 7.2	+ 0.3	+ 1.9	+ 0.1	+ 1.8	- 16.3	- 4.0
3.1 Individuals	+ 5.6	- 6.2	+ 17.7	+ 2.1	+ 7.1	- 10.9	- 2.5	- 33.4	- 5.7
of which : housing	(+ 13.8)	(- 3.3)	(+ 15.7)	(+ 1.8)	(+ 6.3)	(- 12.6)	(- 1.0)	(- 40.3)	(- 8.5)
3.2 Companies	+ 19.1	- 24.0	- 0.1	- 1.7	- 1.2	+ 9.0	+ 2.2	- 6.5	+ 0.6
of which : fixed assets	(+ 11.5)	(- 2.7)	(- 7.5)	(- 3.0)	(- 0.2)	(+ 2.7)	(+ 10.2)	(- 6.3)	(- 1.5)
3.3 Public authorities	- 5.4	+ 10.0	+ 5.5	+ 1.1	- 2.5	+ 5.6	+ 9.9	- 7.6	- 12.5
4. Total domestic expenditure	+ 4.9	- 2.2	+ 5.4	+ 2.1	+ 3.1	+ 3.3	+ 1.5	- 4.5	- 1.6
5. Exports of goods and services	+ 6.7	- 8.9	+ 13.0	+ 12.2 ²	+ 4.0	+ 8.0	+ 5.1	+ 3.7	+ 2.4
6. Total final expenditure	+ 5.5	- 4.4	+ 7.8	+ 5.4	+ 3.4	+ 5.0	+ 2.8	- 1.4	- 0.1
7. Imports of goods and services	+ 7.5	- 9.7	+ 12.1	+ 14.9 ²	+ 4.0	+ 9.5	+ 2.7	- 1.9	+ 0.4
<i>p.m.</i> Net exports of goods and services ¹	- 0.4	+ 0.4	+ 0.4	- 1.2	...	- 0.9	+ 1.3	+ 3.4	+ 1.3
8. Gross domestic product	+ 4.5	- 1.8	+ 5.8	+ 0.8	+ 3.1	+ 2.4	+ 2.8	- 1.1	- 0.3
9. Net factor income ¹	+ 0.1	...	+ 0.1	- 0.2	- 0.1	- 0.4	- 0.4	- 0.1	- 0.4
10. Gross national product (= 8 + 9) ..	+ 4.6	- 1.8	+ 5.9	+ 0.6	+ 3.0	+ 2.0	+ 2.4	- 1.2	- 0.7

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ Contribution to the growth in the gross national product.

² In 1977 there was a break in the series because, since that year, the data on exports and imports of goods and services have included clearing operations, which has the effect of increasing the percentage changes. After correction they work out at 1.6 p.c. and 4.4 p.c. respectively.

COMMENTS ON TABLE 5 :

GROSS NATIONAL PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES

A. Methodology

a) The percentage changes in expenditure at constant prices shown in Table 5 were calculated, for the years 1974-1981, on the basis of national accounts compiled by the National Statistical Institute, and more specifically of Table III-4 « Allocation of the National Product. Estimates at 1975 prices ». For 1981, however, the data were adapted by the Bank (as mentioned in the methodology concerning Table 3 of Chapter II) in order to take into account the most recent balance of payments data. The data for 1982 are estimates made by the Bank.

b) The estimate of private consumption is based on various indicators. Among these, the main one is the index of retail sales at constant prices (Chart 5.1). For the first ten months of the year this index shows a decline of 2 p.c.

Private consumption in the form of tourism also appears to have fallen off. While the domestic indicators of expenditure of this type did in fact improve, they appear to have been swollen by the increased purchases made by foreign tourists in Belgium, which do not have to be taken into account in estimating private consumption ; furthermore, the expenditure of Belgian tourists abroad, which is included in private consumption but is not recorded by the indicators of tourism in Belgium, appears to have decreased.

The other components of private consumption, including, in particular, consumption of most services other than tourism — the development of which can be partly determined from that of the turnover of the sectors in question, as revealed by the declarations for value added tax — appear, on the other hand, to have displayed greater stability, partly offsetting the fall recorded in retail sales and tourism.

c) Public consumption was estimated on the basis of the budget data, which will be discussed in Chapter V.

d) For gross capital formation, a distinction has been made between individuals, companies and public authorities, and this distinction will be adhered to into the following chapters. It should be recalled that « individuals » is understood to mean not only actual individual persons but also enterprises which are not included in the company sector, that is, chiefly one-man businesses. This definition of the individuals sector corresponds to that of the European System of Integrated Economic Accounts (ESA) established by the Statistical Office of the European Communities. Companies include all enterprises which are in the legal form of companies having a share capital or partnerships, and also public corporations. As for the public

authorities, the definition which has been adopted for these is that of the national accounts, and it therefore comprises the Central Government, the regions and communities, the local authorities and the social security system.

e) Gross capital formation by individuals comprises the change in livestock, investment in fixed assets by one-man businesses — the development of which has been taken, for 1982, as being identical to that of investment in fixed assets by companies [point f) below] — and total investment in housing. The development of the latter has been mainly estimated — by analogy with the methods used in national accounting — on the basis of the National Statistical Institute's statistics on the number of housing starts (Chart 5.2) and making allowance for a period to completion of nine months: the available data, which cover dwellings started during the period April 1981 — September 1982, show a fall in investment in housing of about 11 p.c. in 1982. Account has also been taken of the less unfavourable movement of registration fees.

f) Gross capital formation by companies comprises the changes in stocks and investment in fixed assets. The latter has been estimated chiefly on the basis of two categories of information (Table 5.3).

For manufacturing industry, building and electricity, use has been made of the results of the investment survey conducted in November by the Bank. These results indicate a rise in investment of 3.5 p.c. in value — an increase of 9.6 p.c. in manufacturing industry having been partly offset by a fall of 21.4 p.c. in building and one of 12.8 p.c. in electricity production and distribution — which, account being taken of an increase in prices estimated at 10.5 p.c. (Table 6 below, item 3.2), represents a reduction of about 6.3 p.c. at constant prices. This decline appears to be confirmed by the development of investment according to the declarations for value added tax, which, for the first ten months, indicate, account being taken of the same deflator throughout, a decline of about 4 p.c.

For the other branches, the estimate is based mainly on the information provided by the declarations for value added tax, according to which the rise in investment would appear to have reached about 3.7 p.c. at constant prices during the first ten months. A lower percentage has been adopted, however, to take account of other items of information, taken from the budgetary data, which record for the year as a whole a development which is less favourable with regard to the sub-sector of transport and communications, which includes many public operating organisations.

g) The estimate of gross capital formation by the public authorities, like that of public consumption, is arrived at on the basis of budgetary data.

h) Exports and imports of goods and services, for their part, have been estimated mainly on the basis of the indices of the volume of foreign trade for the first eleven months of the year compiled by the National Statistical Institute (see also Chapter VI). For exports, the rise in this index reached 1.9 p.c. For imports, the index records an increase of 0.1 p.c., a percentage which underestimates the real rise owing

to the non-recording of certain imports from the Netherlands. These data have been supplemented and corrected, especially with regard to the development of exported or imported services, on the basis of the still fragmentary indications provided by the balance of payments of the Belgian-Luxembourg Economic Union.

B. Main developments

The chief lessons which emerge from Table 5 are as follows :

a) The fall in the gross domestic product, already mentioned in Chapter II and estimated at 0.3 p.c., is the result of a general weakness of final demand, albeit distinctly less pronounced than in 1981. The measures taken by the Government to restore the competitiveness of Belgian enterprises and put the public finances on a sounder footing undoubtedly contributed to the decrease in domestic expenditure, whether it be via the reduction in public expenditure or via the holding-down of the incomes of individuals, which had a depressing effect on their expenditure. On the other hand, by improving competitiveness in terms of costs, the government measures had a beneficial effect on exports, the increase in which remained modest, however, owing to the weakness of world demand.

b) Private consumption, which had decreased in 1981 for the first time in 25 years, declined again, although to a smaller extent. This decline is connected with the reduction in the real disposable income of individuals resulting from the above-mentioned policy of holding down incomes, the contraction in employment and the increase in the taxes paid. However, as individuals reduced their rate of saving, the decrease in private consumption was proportionally smaller than that in their real disposable income. Chart 5.1 shows that during the year private consumption decreased from quarter to quarter, but this tendency appears to have become more marked in the second half of 1982.

c) Investment by individuals fell for the fourth time in succession and investment in housing (Chart 5.2) played an important part in this connection. After having fallen spectacularly in 1981 it went on decreasing despite the various incentives introduced by the public authorities. The most important of these is certainly the reduction of the rate of value added tax from 17 to 6 p.c. with effect from 1st March 1982. The decline in investment does not, however, mean that this measure did not have any effect, because, unlike during the previous

year, the decrease in 1982 appears to have been mainly caused — as is evidenced by the movement of the number of dwellings for which approval was given by the National Housing Company and the National Land Company — by a contraction in the building of social dwellings, for which the rate of value added tax was already 6 p.c. The social housing sector is in fact encountering certain administrative and financial difficulties connected with the implementation of regionalisation.

d) The public authorities' budget restrictions were clearly reflected in their expenditure (Table 5). Public consumption would appear to have decreased slightly owing to the reduction in purchases of goods and services and the stabilisation of employment. Investment by the public authorities would appear to have fallen markedly, especially in the case of local authorities.

e) Gross capital formation by companies appears to have increased somewhat, greater stockbuilding having counterbalanced a slight decline in investment in fixed assets. The latter was in fact subject to two contrary influences. On the one hand, the profitability of enterprises improved as a result of the government measures. On the other hand, the worsening of the international and domestic economic climate undoubtedly had a deterring effect on investment projects.

f) The above-mentioned developments, combined, led to a decline in domestic expenditure estimated at 1.6 p.c. The development of this expenditure was thus, for the second year running, distinctly less favourable than abroad (Table 5.4), whereas, if Japan is disregarded, the opposite had been the case previously.

g) Exports of Belgian goods and services, for their part, would appear to have shown a limited rise, of 2.4 p.c., due to a very small growth in Belgium's main markets and despite a certain improvement in its market shares (Table 5).

h) All in all, total final expenditure, as has already been mentioned, would appear to have undergone hardly any change, having been down by an estimated 0.1 p.c., compared with a decline of 1.4 p.c. in 1981.

i) Despite the fact that final expenditure remained at virtually the same level, imports of goods and services — account being taken of the import contents of the various components of this expenditure — would appear to have risen by 0.4 p.c., after having fallen by 1.9 p.c. in 1981.

j) Lastly, if account is taken of the net factor incomes, which have become very negative since 1979 owing to the growing interest payments on the debt contracted abroad, the fall in the gross national product can be estimated at about 0.7 p.c., which is 0.4 p.c. more than that in the gross domestic product.

Chart 5.1

RETAIL SALES AT CONSTANT PRICES

(Indices 1975 = 100) ¹



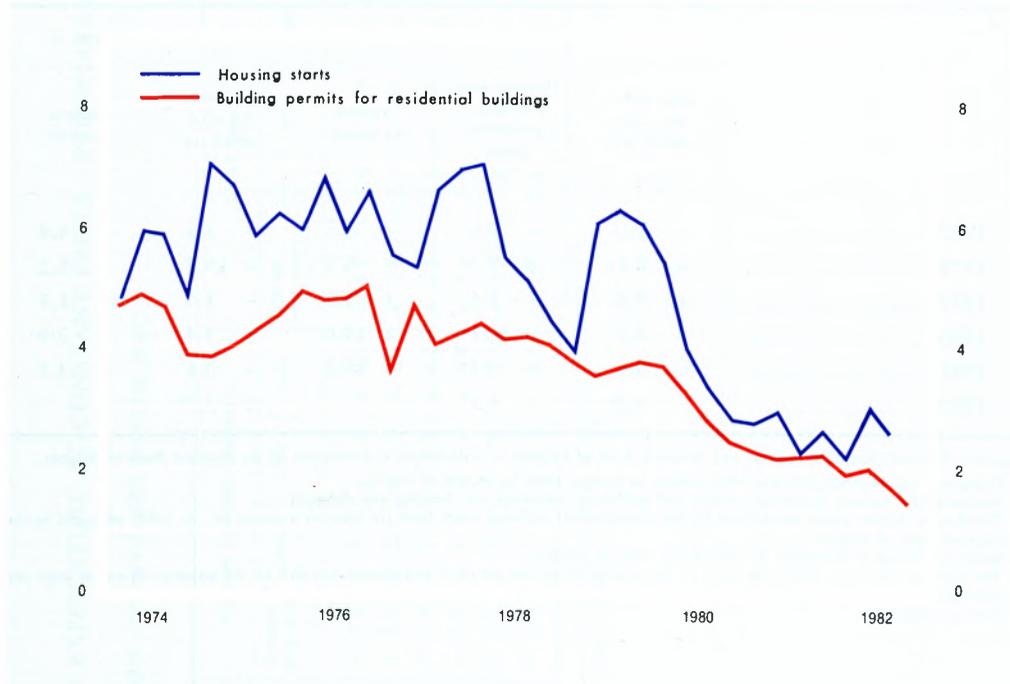
Source : National Statistical Institute.

¹ Averages, per quarter, of seasonally adjusted monthly data. Last quarter : October.

Chart 5.2

HOUSING STARTS AND BUILDING PERMITS FOR RESIDENTIAL BUILDINGS ¹

(Thousands)



Source : National Statistical Institute.

¹ Averages, per quarter, of seasonally adjusted monthly data. Last quarter : average for October-November for building permits. The reason why the number of housing starts is regularly higher than that of building permits for residential buildings is because a building may contain several dwellings (as, for instance, in the case of a block of flats).

Table 5.3

ENTERPRISES¹ INVESTMENT IN FIXED ASSETS AT CONSTANT PRICES*(Percentage change compared with previous year)*

	Industry ² according to :			Other branches according to :	
	declarations for value added tax ₃	National Bank of Belgium's investment survey _{3 4}	national accounts	declarations for value added tax _{3 5}	national accounts
1977	- 11.0	- 9.0	- 9.7	- 3.2	+ 4.8
1978	+ 7.1	- 7.3	- 4.2	+ 19.2	+ 5.2
1979	+ 9.5	+ 1.6	+ 1.7	- 3.4	+ 1.8
1980	+ 9.5	+ 20.8	+ 14.0	+ 3.4	+ 2.9
1981	- 10.4	- 2.1	- 10.2	- 3.1	- 3.5
1982 <i>e</i>	- 4.2 ⁶	- 6.3	—	+ 3.7 ⁶	—

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

¹ Companies and one-man business which cannot be broken down by branch of activity.

² Manufacturing industry (excluding printing and publishing; including oil), building and electricity.

³ The data at current prices are deflated by the corresponding deflators taken from the national accounts or, for 1982, estimated by the National Bank of Belgium.

⁴ Survey conducted in November of each of the years in question.

⁵ The statistics concerning value added tax are not exhaustive and do not cover certain branches such as, for instance, insurance, radio and television, the post office, medical activities and part of retail trade and agriculture.

⁶ First ten months.

Table 5.4

GROSS DOMESTIC PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES : INTERNATIONAL COMPARISON

(Percentage changes compared with previous year)

	Belgium				European Economic Community				United States				Japan			
	Average 1974-1979	1980	1981	1982 <i>e</i>	Average 1974-1979	1980	1981	1982	Average 1974-1979	1980	1981	1982	Average 1974-1979	1980	1981	1982
1. Private consumption	+ 3.1	+ 1.3	- 2.0	- 1.3	+ 2.8	+ 1.5	+ 0.1	+ 0.2	+ 3.1	+ 0.4	+ 2.0	+ 1.0	+ 3.5	+ 0.6	+ 0.6	+ 4.0
2. Public consumption	+ 4.1	+ 1.5	+ 0.6	- 0.5	+ 2.9	+ 2.1	+ 1.7	+ 1.7	+ 2.1	+ 2.7	+ 2.0	+ 0.5	+ 4.5	+ 2.2	+ 3.6	+ 2.7
3. Gross capital formation	+ 0.8	+ 1.8	- 16.3	- 4.0	+ 0.4	+ 0.8	- 11.4	+ 0.2	+ 0.5	- 11.3	+ 8.3	- 11.2	+ 1.9	+ 0.3	+ 0.3	- 0.7
4. Total domestic expenditure	+ 2.7	+ 1.5	- 4.5	- 1.6	+ 2.3	+ 1.3	- 2.1	+ 0.4	+ 2.6	- 1.5	+ 3.1	- 1.0	+ 3.0	+ 0.7	+ 0.8	+ 2.5
5. Net exports of goods and services ¹	+ 0.3	+ 1.3	+ 3.4	+ 1.3	+ 0.1	- 0.1	+ 1.7	- 0.3	+ 0.1	+ 1.2	- 0.8	- 0.6 ²	+ 0.7	+ 3.7	+ 2.4	+ 0.2 ²
6. Gross domestic product	+ 2.5	+ 2.8	- 1.1	- 0.3	+ 2.4	+ 1.1	- 0.5	+ 0.2	+ 2.7	- 0.3	+ 2.3	- 1.6 ²	+ 3.7	+ 4.4	+ 3.2	+ 2.6 ²

Sources : Belgium : National Statistical Institute and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

Other countries : Organisation for Economic Co-operation and Development. Calculations of the National Bank of Belgium.

¹ Contribution to the growth in the gross domestic product.² Estimate of the National Bank of Belgium.*
**

Table 6

DEFLATORS OF THE GROSS NATIONAL PRODUCT AND OF THE MAIN CATEGORIES OF EXPENDITURE

(Percentage changes compared with previous year)

	1974	1975	1976	1977	1978	1979	1980	1981 ¹		1982 ^e
1. Private consumption	+12.4	+12.6	+ 7.9	+ 7.0	+ 4.2	+ 3.7	+ 6.8	+ 7.2	[+ 8.7]	+ 8.7
2. Public consumption	+14.4	+17.9	+ 9.1	+ 8.1	+ 4.7	+ 5.3	+ 7.9	+ 8.0	[+ 8.0]	+ 6.9
3. Gross capital formation	+16.6	+12.2	+ 7.2	+ 6.3	+ 4.4	+ 4.0	+ 6.1	+ 3.8	[+ 5.2]	+ 7.7
3.1 Individuals	+18.3	+13.6	+ 9.3	+ 7.3	+ 5.3	+ 5.1	+ 7.6	+ 2.1	[+ 2.1]	+ 2.3
of which : housing	(+21.7)	(+14.3)	(+10.4)	(+ 7.8)	(+ 6.1)	(+ 5.5)	(+ 8.7)	(+ 4.1)	[(+ 4.1)]	(- 1.5)
3.2 Companies	+15.4	+12.4	+ 4.4	+ 5.5	+ 2.9	+ 3.5	+ 4.9	+ 4.1	[+ 6.8]	+10.5
of which : fixed assets	(+14.1)	(+10.1)	(+ 5.7)	(+ 5.3)	(+ 3.1)	(+ 4.4)	(+ 2.3)	(+ 4.3)	[(+ 4.3)]	(+10.5)
3.3 Public authorities	+17.6	+ 8.7	+ 9.3	+ 5.8	+ 5.4	+ 4.8	+ 5.7	+ 9.7	[+ 9.7]	+ 9.5
4. Total domestic expenditure	+13.7	+13.4	+ 7.9	+ 7.1	+ 4.3	+ 4.1	+ 6.9	+ 6.8	[+ 8.0]	+ 8.2
5. Exports of goods and services	+23.6	+ 4.8	+ 6.0	+ 3.4	+ 0.7	+ 9.0	+ 8.9	+ 9.3	[+ 9.3]	+13.5
6. Total final expenditure	+16.9	+10.4	+ 7.3	+ 5.7	+ 3.2	+ 5.6	+ 7.5	+ 7.7	[+ 8.5]	+10.3
7. Imports of goods and services	+27.2	+ 5.9	+ 7.1	+ 3.0	+ 1.1	+ 8.8	+13.4	+13.7	[+13.7]	+13.7
<i>p.m.</i> Terms of trade ²	- 2.8	- 1.0	- 1.0	+ 0.4	- 0.4	+ 0.2	- 4.0	- 3.9	[- 3.9]	- 0.2
8. Gross domestic product = Gross national product	+12.3	+12.6	+ 7.4	+ 7.3	+ 4.2	+ 4.2	+ 4.2	+ 4.0	[+ 5.2]	+ 8.0

Sources : National Statistical Institute and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ Left-hand column : gross deflators, not including statistical adjustments; right-hand column : deflators after incorporation of these statistical adjustments.² Formula : $\left(\frac{\text{index of deflator of exports of goods and services expressed on basis of previous year} = 100}{\text{index of deflator of imports of goods and services expressed on basis of previous year} = 100} \times 100 \right) - 100$.

COMMENTS ON TABLE 6 :

DEFLATORS OF THE GROSS NATIONAL PRODUCT AND OF THE MAIN CATEGORIES OF EXPENDITURE

A. Methodology

a) The main purpose of this section is to describe and explain the development of prices in Belgium, including by comparing it, where appropriate, with the development which has taken place in the main foreign countries ; no attempt is made, however, to give an account of the development of the Belgian economy's competitive position on the plane of prices, as this aspect is dealt with in Chapter VI, which is devoted to the Belgian-Luxembourg Economic Union's transactions with foreign countries.

b) The percentage changes shown in Table 6 for the years 1974 to 1981 were calculated on the basis of the deflators worked out annually by the National Statistical Institute within the framework of Belgium's national accounts. In principle, these deflators make it possible for the price development in each expenditure category to be measured as completely as possible and for the nominal expenditure items to be converted into items of expenditure at constant prices (1975 prices). As they correspond to accounting concepts, they may, however, differ from the corresponding price indices. This is the case, in particular, with the deflator of private consumption, which for 1981 is appreciably higher than the index number for consumer prices (8.7 against 7.6 p.c.). Such a large divergence can be mainly explained by the methodology employed in national accounting, according to which a considerable proportion of the statistical adjustments necessary for reconciling the data arrived at for the same magnitude — for instance, the gross domestic product — from the different angles studied (expenditure, production) are added to private consumption. This practice has led to a rather artificial increase in the deflator of private consumption in 1981 ; generally speaking, it has the disadvantage, in relation to Table 6, of making the 1981 deflators and the estimates without statistical adjustments of the 1982 deflators not comparable with each other. In order to make such comparisons possible, the 1981 deflators before statistical adjustments are shown in Table 6 alongside the deflators obtained after statistical adjustments.

Table 6 furthermore shows that the deflator of the gross domestic product and that of the gross national product are identical ; this identity is due to the fact that, in the absence of a specific deflator for factor incomes, it is customary to apply the same deflator to both magnitudes.

c) The 1982 deflators are estimates of the Bank which are generally calculated on the basis of the available price indicators ; where appropriate, these are corrected in order to make allowance for fiscal changes which, without affecting the corresponding price indices, may influence the development of the prices actually paid, including taxes (for instance, the reduction - from 17 to 6 p.c. - in the rate of value added tax in the residential building sector).

d) Owing to the structure of public consumption, which consists mainly of the remuneration of civil servants, the deflator of this category of expenditure is partly estimated on the basis of the index number for the salaries paid to civil servants. The rise in this index was restrained by the measures for moderating wages and salaries and was estimated at 6.5 p.c.

e) The deflator of the fixed assets of companies is calculated on the basis of a weighted average of three indices

— the index of average unit import values of capital goods (sources : National Statistical Institute, calculations of the National Bank of Belgium), the rise in which is estimated at 16.5 p.c. on the basis of the available data, representing an increase of 16.6 p.c. for the first nine months of the year ;

— the index of wholesale prices of metal manufactures (source : Ministry of Economic Affairs), the average rise in which during the year works out at 5.5 p.c.

— the index of the cost of construction of non-residential buildings (source : Economic Research Institute of the Catholic University of Louvain), the average rise in which is estimated at 9.2 p.c., account being taken of the available data — an increase of 9.6 p.c. during the first nine months of the year — and of an assumed slowing-down in the fourth quarter in view of the rapid rise in this index in the fourth quarter of 1981.

f) The deflator of exports of goods and services is mainly estimated on the basis of the index of average unit exports values (source : National Statistical Institute, customs statistics), which went up by 14.2 p.c. during the first eleven months of the year. As this index in practice only embraces the development of the prices of exported goods, allowance was also made, on the basis of still fragmentary data, for a smaller rise in the prices of exported services.

g) The estimate of the deflator of imports of goods and services, too, is mainly based on the movement of the index of average unit import values (source : National Statistical Institute, customs statistics), the increase in which amounted to 13.7 p.c. during the first eleven months of the year, and also on the fragmentary data available for the assessment of the rise in the prices of imported services.

h) In Table 6.1 the contribution of a category to the annual change in the overall index of consumer prices is obtained by calculating the annual change in points of the index of this category, multiplying this change by the weight of the category in overall index and dividing the result by the previous year's overall index.

i) The synthetic index of consumer prices of the eight foreign countries included in Chart 6.4, from which the average rise in these countries' consumer prices is calculated, corresponds to a weighted average of the eight corresponding indices expressed in national currencies. The weighting applied to each country's index represents the share of that country's private consumption in total expenditure on private consumption expressed in a common currency for the eight countries in question over the period 1979-1982 as a whole.

j) The average unit import values in Belgian francs are broken down in Chart 6.5 into an endogenous factor, namely the weighted average exchange rate for the currencies of Belgium's main supplier countries — corresponding to the converse of the average exchange rate for the Belgian franc weighted by imports — and a exogenous factor, namely the average unit values expressed in the currencies of Belgium's main supplier countries, which are obtained by dividing the unit values in Belgian francs by the weighted average exchange rate for the foreign currencies.

k) The average deflator of the gross domestic product of the main foreign countries included in Chart 6.6 corresponds to a weighted average of the deflators of the gross domestic product of these countries calculated on the basis of data expressed in national currencies. According to a method similar to that described in point i) above, the weighting applied to the deflator of a certain country represents the share of that country's gross domestic product in the total of the gross domestic products expressed in a common currency for the eight countries in question during the period 1979-1982 as a whole.

B. Main developments

The chief lessons which emerge from Table 6 are as follows :

a) The deflator of final expenditure increased appreciably more in 1982 than in 1981. The acceleration was distinctly greater for export prices than for the prices of domestic expenditure.

This acceleration was attributable not to that in the prices of imports of goods and services, which was very slight in 1982, but to that in the deflator of the gross domestic product. Its counterpart is hence to be found in the movement of the deflators of the components of the value added ; from this angle, the speeding-up would appear to be explained mainly by the sharply contrasting movement of the profit margins of companies, which increased in 1982 after having decreased the previous year (see Chapter IV).

b) The quickening of the rate of the rise of private consumption prices, revealed by a comparison of the estimated 1982 deflator and the 1981 deflator before statistical adjustments, is also observable in the movement of the index of consumer prices : after having decreased from 12.8 p.c. in 1975 to 4.5 p.c. in 1978 and 1979, the annual rate of rise of this index went up steadily in the subsequent years, reaching 8.7 p.c. in 1982 (Table 6.1).

— The rise in the prices of food products and, to a smaller extent, of non-food products (other than energy products) and services was

responsible for the worsening of inflation in 1982. On the other hand, energy products, although their prices still showed a larger rise than that of the other components of the overall index, made a negative contribution to the acceleration process.

The speeding-up in 1982 of the annual rate of rise of the price of food products is chiefly attributable to that in the producer prices of agriculture products (Table 6.2) and, to a smaller extent to the rise in coffee prices. The upward movement of prices of agricultural products is due partly to the conditions which prevailed in a number of markets (including those for beef and pork and for fruit and potatoes) but also to the decisions taken in 1982 by the European Economic Community within the framework of the common agricultural policy. On the one hand, in May 1982 the average annual increase in agricultural prices in the Community was fixed at about 10.5 p.c. and this increase was spread over the rest of the year according to the products in question. On the other hand, the green franc was devalued in two stages, first by 5.3 p.c. in May, a decision which led to an immediate rise in agricultural prices, and then by 4.6 p.c. in October ; this second devaluation, which enabled the green franc to be completely realigned with the central rate for the ECU, only had repercussions on the prices of a single product in 1982, namely pork, as the adjustments of the prices of the other products concerned were not, in principle, to enter into force until 1st April 1983.

The slowing-down of the rate of rise of the prices of energy products (Table 6.1) is mainly due to a slight decline in the dollar prices of petroleum products and to a smaller appreciation than in 1981 of the dollar in relation to the Belgian franc.

The acceleration of the increase in the price of non-food products other than energy products and in that of the prices of the services is attributable to, among other things, the residual effects of operation Maribel — as the tax adjustments involved were operative for the full year in 1982 whereas they had been in effect for only a few months in 1981 — and to the impact of measures adopted by the Government in 1982 (the increase in excise duties on cigarettes and the raising of certain public tariffs).

— In the course of 1982 itself the development of consumer prices was chiefly influenced by the provisions concerning the price freeze which was in force during the greater part of the year. A total freezing of the prices, at their level on 15th February 1982, was in fact

introduced with effect from 23rd February, immediately after the devaluation of the franc. This total price freeze, which was in force until 31st March, was followed by a selective defreezing from 1st April onwards according to « economic requirements » (the aim was actually to enable enterprises to pass on to their selling prices the cost increases induced by the devaluation of the franc) ; substantial relaxations of the system were also introduced for small and medium-sized enterprises.

Owing to the total freeze, the slowing-down of the rate of rise of the overall index which had taken place in February because of a temporary fall in oil prices continued in March (Chart 6.3). The subsequent relaxation of the system then opened the door to large increases, during a first stage, in the prices of energy products and services, chiefly public services, and, during a second stage, in those of other products, including the food products influenced by the aforementioned decisions of the European Economic Community. From October onwards the rate of rise of the overall index slowed down again as a result of a stabilisation of the prices of food products, on top of which there also came a decline in the prices of services in November and in those of energy products in November and December.

— Although fairly satisfactory in itself as far as its level is concerned, account being taken of the additional dose of inflation generally brought about by a substantial fall in the exchange rate for a currency, the rise in consumer prices in 1982 nevertheless marks an appreciable deterioration in Belgium's position compared with that of the main industrialised countries. The annual rate of rise of these prices in national currency in fact slowed down in each of the countries included in Chart 6.4, and for most of them for the second year running, contrary to what happened in Belgium, as described above.

c) The deflator of gross capital formation increased markedly, rising from 3.8 to 7.7 p.c. (Table 6). This speeding-up is attributable to that in the prices of investments in the form of companies' fixed assets, which was offset to only a smallish extent by the fall in the prices of investments in housing.

— The very pronounced acceleration of the annual rate of rise of the prices of companies' fixed assets is due to the impact of two factors. On the one hand, the abolition of the value added tax on investments on 1st July 1980 had still been reflected in an artificially low annual rate of rise in 1981, having exerted a downward pressure for a whole

year, against only six months in 1980. On the other hand, the high level of the import content of this category of expenditure was combined with the quickening of the rate of rise of average unit import values of capital goods (Chart 6.5).

— The two above-mentioned factors had little or no effect on the deflator of gross capital formation by the public authorities, which did not show any acceleration in 1982 (Table 6).

— The fall in housing prices is obviously to be associated with the lowering from 17 to 6 p.c. of the rate of value added tax applicable to the private residential housing sector. Had it not been for this tax relief, a rise would have taken place which would have been larger than that of 4.1 p.c. recorded in 1981.

d) Unlike that of the two other components of domestic expenditure, the deflator of public consumption would appear to have increased less in 1982 than in 1981 : by 6.9 against 8 p.c. This more moderate movement mainly reflects the smaller rise in the index of disbursement of the wages and salaries paid by the public authorities, owing to the direct influence exerted by the measures for moderating incomes.

e) The annual rate of rise of the deflator of exports of goods and services quickened appreciably in 1982, having amounted to 13.5 p.c. against 9.3 p.c. in 1981.

The devaluation of the Belgian franc doubtless played an important part in this quickening, as a number of enterprises which exports products whose prices do not differ much from market to market probably did not change these prices as expressed in foreign currencies, while the other enterprises, at the very least, passed on their prices in Belgian francs the direct and indirect effect of the rise in those of imported products.

f) The annual rate of rise of the deflator of imports of goods and services was the same as in 1981, but for distinctly different reasons.

Whereas in 1981 nearly half of the rise in the prices of imports was attributable to the increase in average unit import values expressed in the currencies of Belgium's main supplier countries and about half was due to the rise in the weighted average exchange rate for these countries' currencies, it was almost entirely due to this second factor in 1982 ; over the first nine months of the year the weighted average exchange

rate for the currencies of Belgium's main supplier countries went up by 11.4 p.c. — practically the same as the increase in average unit import values in Belgian francs, which amounted to 13 p.c. (upper part of Chart 6.5).

On the other hand, the virtual stabilisation of the rate of rise of average unit import values in Belgian francs conceals a faster increase in the case of consumer and capital goods and a slackening in the case of producer goods (lower part of Chart 6.5) ; this slackening is chiefly attributable to the movement of the dollar prices of raw materials, — which, on average, decreased in the world markets owing, especially, to the poor state of economic activity in the industrialised world — and to the movement of the U.S. dollar, which, on average, appreciated less in relation to the Belgian franc in 1982 than in 1981.

g) The rate of the rise of the deflator of the gross domestic product doubled in 1982. This speeding-up is all the more significant because the deflator in question, — having been adjusted to eliminate the direct effect of the rise in import prices, since it measures the rise in the prices of the value added of the Belgian economy — is a good indicator of the average movement of the domestic factors which push up prices. It is, of course, more than probable that it was indirectly influenced in 1982 by the appreciation of foreign currencies in relation to the Belgian franc, including via the behaviour of exporting enterprises. That is doubtless one of the reasons why its movement contrasts with that in the main foreign countries as a whole, where its rate of rise in national currencies would appear to have slowed down from 8.6 p.c. in 1981 to 6.8 p.c. (Chart 6.6).

Table 6.1

CONSUMER PRICES

Year	Overall index	Food products	Energy products	Other products	Services	Rents
<i>Percentage contribution of each of the categories to the change in the overall index</i>						
1974	12.7	2.8	1.1	4.4	4.4	—
1975	12.8	3.4	0.9	3.6	4.9	—
1976	9.2	3.4	0.5	2.1	3.2	—
1977	7.1	1.7	0.3	1.6	3.1	0.4
1978	4.5	0.4	0.1	1.2	2.4	0.4
1979	4.5	0.1	1.5	0.9	1.7	0.3
1980	6.6	0.9	2.7	0.9	1.7	0.4
1981	7.6	1.4	2.5	1.5	1.7	0.5
1982	8.7	2.2	1.9	2.1	2.1	0.4
<i>Percentage changes compared with the previous year</i>						
1974	+ 12.7	+ 9.4	+ 22.0	+ 13.4	+ 14.3	—
1975	+ 12.8	+ 11.2	+ 15.5	+ 10.6	+ 15.0	—
1976	+ 9.2	+ 12.7	+ 6.2	+ 5.9	+ 10.5	—
1977	+ 7.1	+ 6.7	+ 3.1	+ 4.9	+ 11.3	+ 9.2
1978	+ 4.5	+ 1.5	+ 1.2	+ 3.9	+ 8.3	+ 7.2
1979	+ 4.5	+ 0.5	+ 17.4	+ 2.8	+ 5.5	+ 6.0
1980	+ 6.6	+ 3.6	+ 27.9	+ 3.0	+ 5.7	+ 7.6
1981	+ 7.6	+ 6.0	+ 21.1	+ 4.9	+ 5.9	+ 10.2
1982	+ 8.7	+ 9.5	+ 14.8	+ 7.0	+ 7.1	+ 8.1

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

Table 6.2

AGRICULTURAL AND HORTICULTURAL PRICES¹*(Percentage changes compared with previous year)*

Year	Overall index	Agricultural products			Horticultural products
		Vegetable products	Animal products	Total	
1979	+ 1.4	+ 8.0	+ 1.3	+ 2.2	- 2.3
1980	+ 2.7	+ 0.5	+ 2.5	+ 2.1	+ 4.7
1981	+10.1 p	+ 9.3	+10.6	+10.0 p	+10.4
1982 p	+12.3	+13.5	+13.1	+13.4	+ 8.1

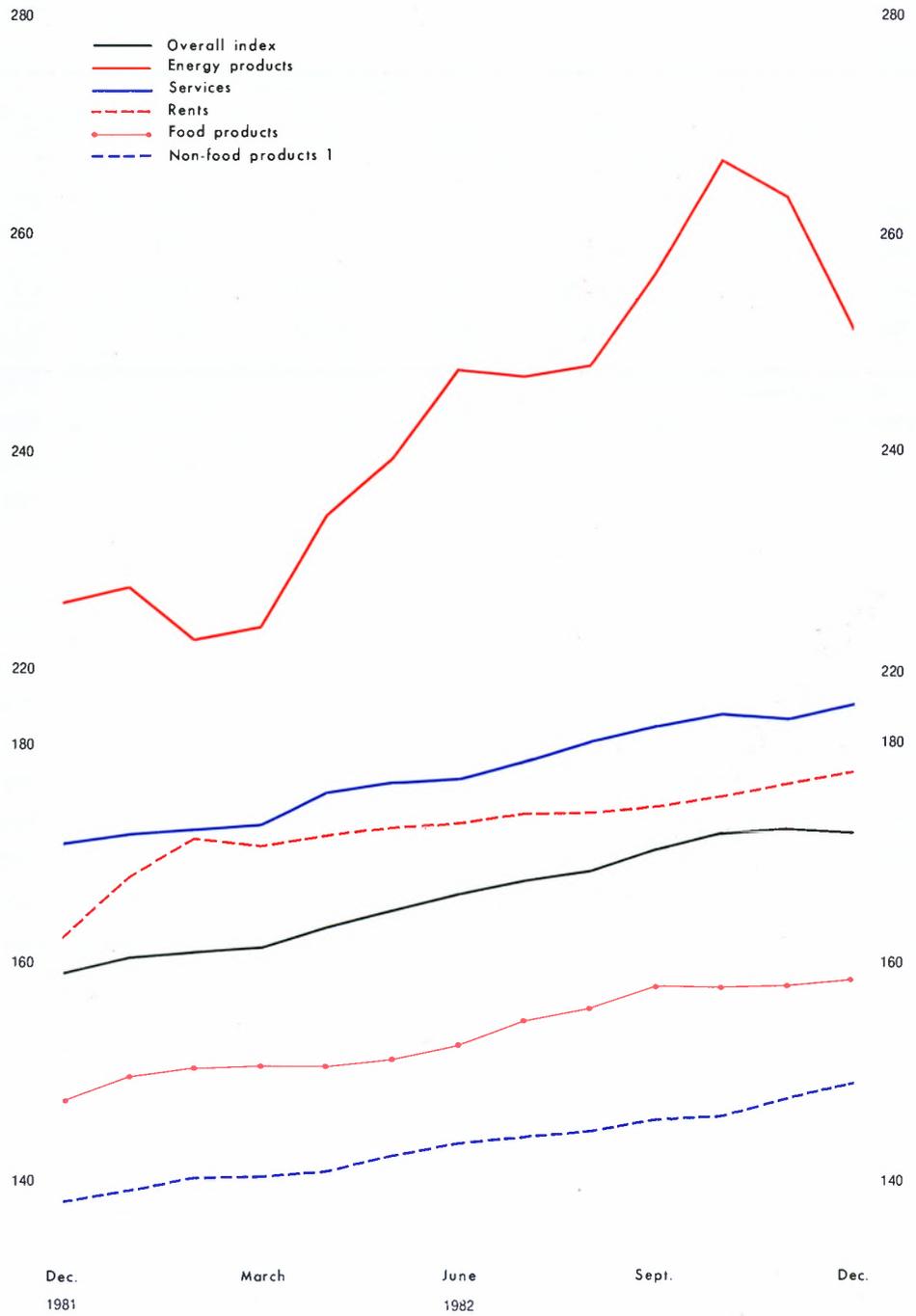
Source : Ministry of Agriculture.

¹ Producer prices.

Chart 6.3

CONSUMER PRICES

(Indices 2nd half 1974 - 1st half 1975 = 100)



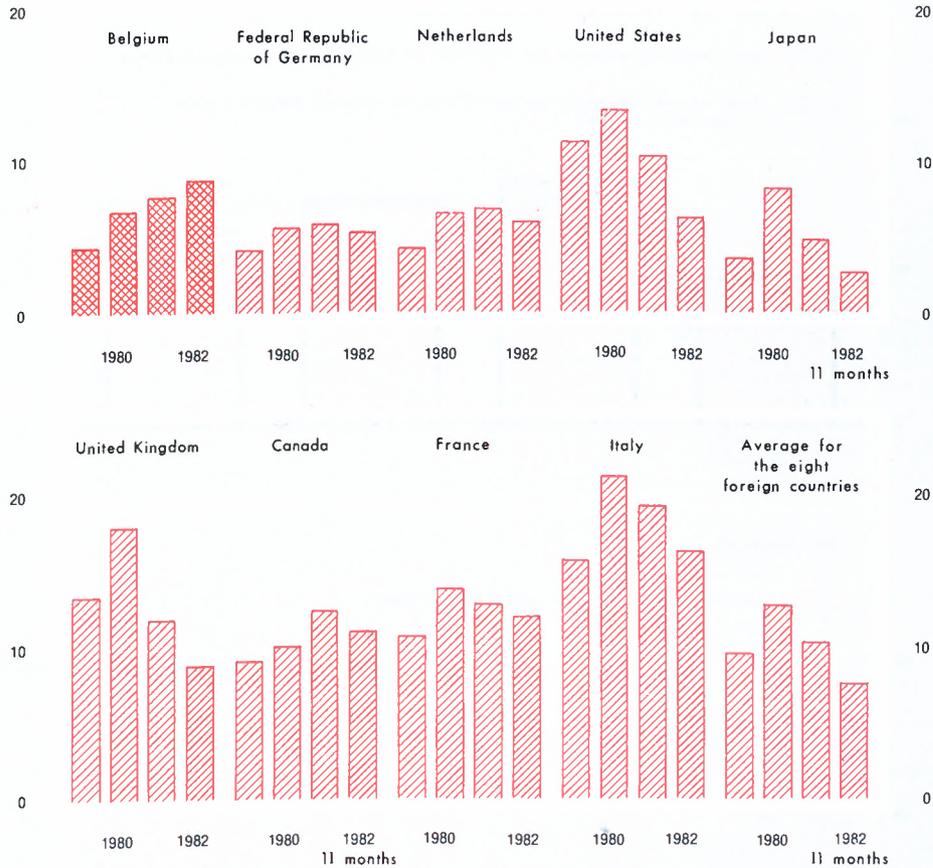
Source : Ministry of Economic Affairs.

¹ Excluding energy products.

Chart 6.4

CONSUMER PRICES IN NATIONAL CURRENCY
IN BELGIUM AND ABROAD

(Percentage changes compared with corresponding period
of previous year)

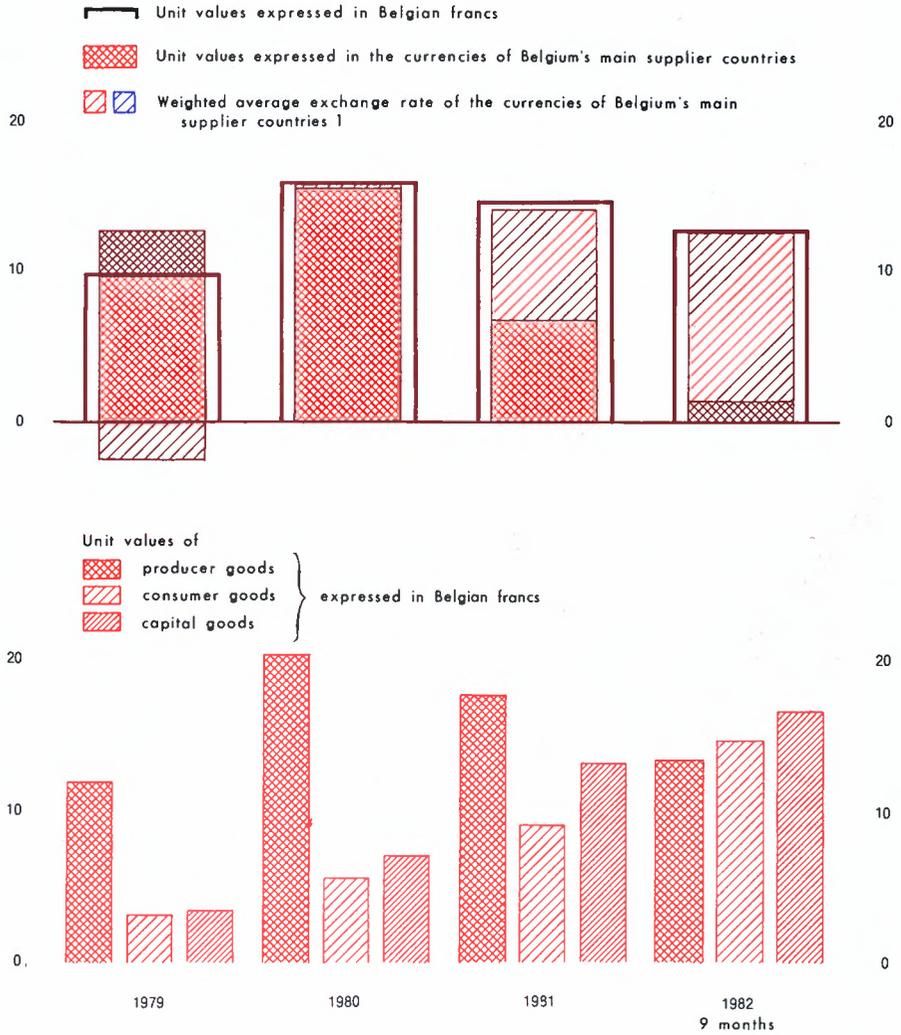


Sources : Belgium : Ministry of Economic Affairs. Federal Republic of Germany : Federal Statistical Office. Netherlands : Central Bureau of Statistics. United States : U.S. Bureau of Labor. Japan : Prime Minister's Office. United Kingdom : Ministry of Labour. Canada : International Monetary Fund. France : National Institute of Statistics and Economic Research. Italy : Central Statistical Office.

Chart 6.5

AVERAGE UNIT IMPORT VALUES AND EXCHANGE RATES

(Percentage changes compared with corresponding period of previous year)

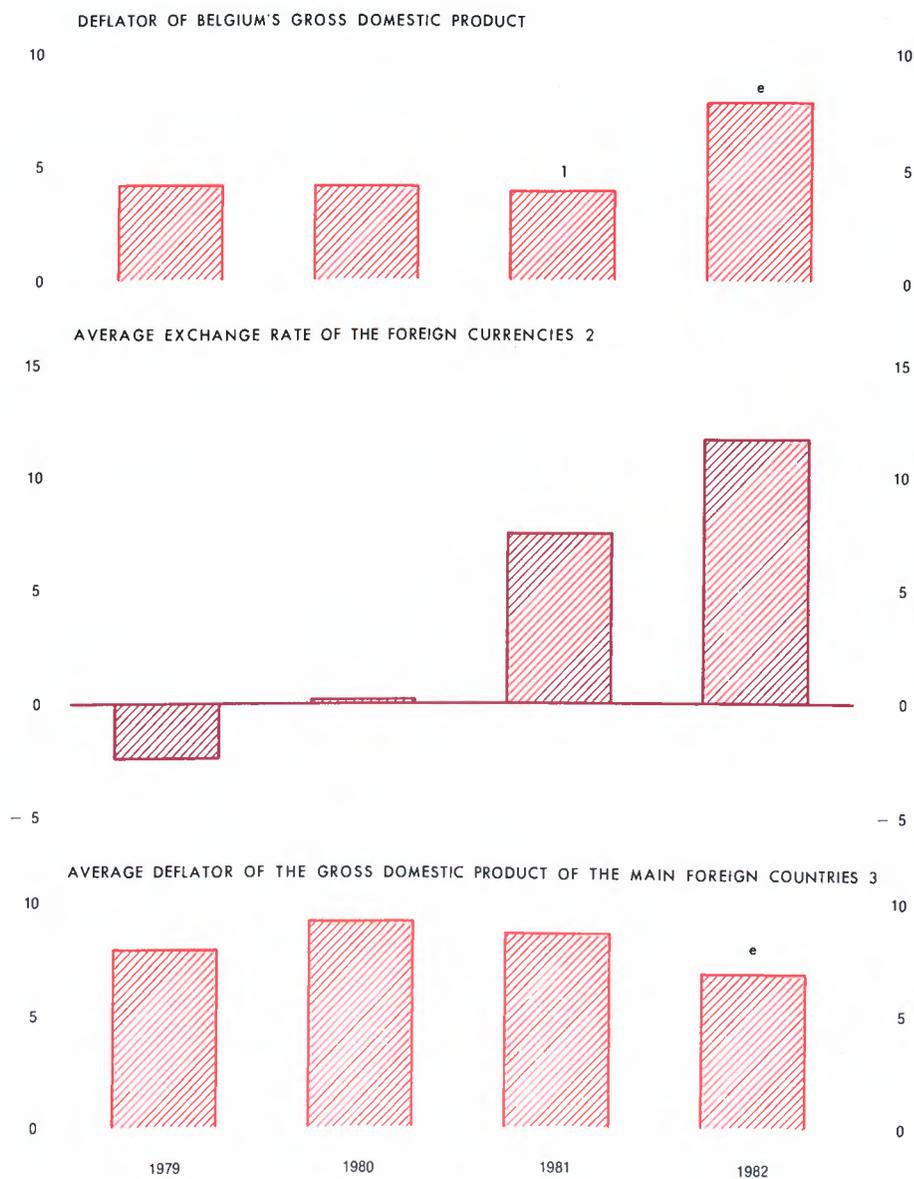


Sources : National Statistical Institute, customs statistics, and National Bank of Belgium. Calculations of the National Bank of Belgium.

¹ Converse of the average exchange rate for the Belgian franc weighted by the imports of the Belgian-Luxembourg Economic Union.

Chart 6.6

DEFLATOR OF THE GROSS DOMESTIC PRODUCT AND EXCHANGE RATE
(Percentage change compared with previous year)



Sources : Belgium : National Statistical Institute and National Bank of Belgium. Foreign countries : Organisation for Economic Co-operation and Development and International Monetary Fund. Calculations and estimates of the National Bank of Belgium.

¹ Before statistical adjustments.

² Converse of the average exchange rate for the Belgian franc weighted by the imports of the Belgian-Luxembourg Economic Union.

³ Federal Republic of Germany, Netherlands, United States, Japan, United Kingdom, Canada, France, Italy.

Table 7

MAIN CATEGORIES OF EXPENDITURE

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
	<i>a. Constant prices (1975 prices)</i>								
1. Private consumption	1,415	1,421	1,494	1,530	1,571	1,644	1,665	1,633	1,612
2. Public consumption	370	388	404	417	443	455	462	465	462
3. Gross capital formation	577	500	536	537	547	548	558	466	448
3.1 Individuals	190	178	210	214	229	204	199	133	125
3.2 Companies	307	234	233	229	226	247	252	235	237
3.3 Public authorities	80	88	93	94	92	97	107	98	86
4. Total domestic expenditure (= 1 + 2 + 3)	2,362	2,309	2,434	2,484	2,561	2,647	2,685	2,564	2,522
5. Net exports of goods, services and factor incomes	7	17	30	-6	-8	-43	-19	69	92
6. Gross national product (= 4 + 5)	2,369	2,326	2,464	2,478	2,553	2,604	2,666	2,633	2,614
	<i>b. Current prices</i>								
1. Private consumption	1,256	1,421	1,612	1,767	1,891	2,052	2,220	2,365	2,538
2. Public consumption	314	388	441	491	547	591	647	703	748
3. Gross capital formation	514	500	574	613	651	679	732	645	666
3.1 Individuals	167	178	229	251	283	265	278	189	182
3.2 Companies	273	234	243	253	256	290	310	310	344
3.3 Public authorities	74	88	102	109	112	124	144	146	140
4. Total domestic expenditure (= 1 + 2 + 3)	2,084	2,309	2,627	2,871	3,089	3,322	3,599	3,713	3,952
5. Net exports of goods, services and factor incomes	19	17	19	-17	-24	-67	-128	-106	-85
6. Gross national product (= 4 + 5)	2,103	2,326	2,646	2,854	3,065	3,255	3,471	3,607	3,867

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

COMMENTS ON TABLE 7 :

MAIN CATEGORIES OF EXPENDITURE

A. Methodology

a) Part a. of Table 7 shows, in billions of francs, the amounts of the main categories of expenditure at constant prices on the basis of which the percentage changes in Table 5 were calculated ; part b. of Table 7 presents the same data at current prices, that is, after they have been multiplied by the deflators whose percentage changes appear in Table 6.

b) Table 7 constitutes the link between the development of expenditure, to which this chapter is devoted, and the tables in Chapter V concerning the transactions of the various sectors, in which the data in billions of francs at current prices are incorporated.

Considered in isolation and as they stand, the data in question are on the other hand of little interest. That is why the developments described in section B. below will be those shown by Table 7.1, in which the data of Table 7 are expressed as percentages of the gross national product.

c) The movement of the percentages contained in part a. of Table 7.1, is the result of the relative movement, in constant prices, of the various categories of expenditure as compared with that of the gross national product. A given development of the share of an expenditure category may therefore have a somewhat different significance depending on the direction and extent of the change in this product : stability of the share of a category of expenditure implies, respectively, a decrease or increase in this expenditure at constant prices depending on whether the gross national product measured in the same way decreases or increases.

d) The movement of the percentages at current prices shown in part b. of Table 7.1 is usually different from that at constant prices, because the movement of the deflators of the various categories of expenditure and of that of the national product is generally not identical.

B. Main developments

The chief lessons which emerge from Table 7.1 are as follows :

a) Expressed as a percentage of the gross national product, private consumption at constant prices fell further in 1982, after having already declined in 1980 and 1981. On the other hand, the relative impor-

tance of public consumption, which had also decreased in 1980 but had increased again in 1981, did not change in 1982, as the fall in public consumption at constant prices was parallel with that in the gross national product (Table 7.1, part a.).

b) The share of total gross capital formation in the gross national product at constant prices, which had been decreasing slightly since 1976, contracted sharply in 1981 and to a smaller extent in 1982. The fall in the latter year is attributable to the public authorities and individuals. The share of the gross capital formation of the latter category has decreased by nearly half since 1978. This development is chiefly due to a reduction of the share of investment in housing ; as is evident from Table 7.2, Belgium is one of the few countries where this share still increased for a few years after the first oil shock, but between 1978 and 1982 it decreased appreciably more than abroad.

c) The share in the gross national product at constant prices of net exports goods, services and factor incomes, which had become negative from 1977 onwards, improved in 1980, became positive in 1981 and increased further in 1982 (Table 7.1, part a.).

d) In 1980 and 1981 the percentages at current prices (part b. of Table 7.1) developed quite differently from those at constant prices which have just been discussed, chiefly owing to the pronounced worsening of the terms of trade.

e) Thus, the share of private consumption, expressed in current prices, showed no decline during the period 1980-1982 ; on the contrary, as the deflator of private consumption increased appreciably faster than that of the gross national product, it still grew rapidly during the first two years and did not stabilise until 1982.

f) Furthermore, as the deflator of public consumption increased less fast than that of the gross national product, the share of public consumption declined somewhat in 1982, despite having remained stable at constant prices.

g) The improvement in net exports of goods, services and factor incomes observable since 1980 in the movement of the percentages at constant prices is obviously much less apparent in the percentages at current prices owing to the worsening of the terms of trade, which led

to a further deterioration of the external balance in 1980 and largely offset the improvement in terms of volume observable in 1981. There was practically no further deterioration in the terms of trade in 1982, and the share of net exports in the gross national product at current prices, while remaining negative, recovered by 0.7 p.c.

Table 7.1

MAIN CATEGORIES OF EXPENDITURE
(Percentages of gross national product)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
	<i>a. Constant prices (1975 prices)</i>								
1. Private consumption	59.7	61.1	60.6	61.7	61.5	63.1	62.5	62.0	61.7
2. Public consumption	15.6	16.7	16.4	16.8	17.4	17.5	17.3	17.7	17.7
3. Gross capital formation	24.4	21.5	21.8	21.7	21.4	21.1	20.9	17.7	17.1
3.1 Individuals	8.0	7.7	8.5	8.6	9.0	7.9	7.5	5.1	4.8
3.2 Companies	13.0	10.0	9.5	9.3	8.8	9.5	9.4	8.9	9.0
3.3 Public authorities	3.4	3.8	3.8	3.8	3.6	3.7	4.0	3.7	3.3
4. Total domestic expenditure (= 1 + 2 + 3)	99.7	99.3	98.8	100.2	100.3	101.7	100.7	97.4	96.5
5. Net exports of goods, services and factor incomes	0.3	0.7	1.2	-0.2	-0.3	-1.7	-0.7	2.6	3.5
<i>p.m. Percentage changes in gross national product compared with previous year</i>	+4.6	-1.8	+5.9	+0.6	+3.0	+2.0	+2.4	-1.2	-0.7
	<i>b. Current prices</i>								
1. Private consumption	59.7	61.1	60.9	61.9	61.7	63.0	64.0	65.6	65.6
2. Public consumption	15.0	16.7	16.7	17.2	17.9	18.2	18.6	19.5	19.4
3. Gross capital formation	24.4	21.5	21.7	21.5	21.2	20.8	21.1	17.8	17.2
3.1 Individuals	7.9	7.7	8.7	8.8	9.2	8.1	8.0	5.2	4.7
3.2 Companies	13.0	10.0	9.2	8.9	8.4	8.9	8.9	8.6	8.9
3.3 Public authorities	3.5	3.8	3.8	3.8	3.6	3.8	4.2	4.0	3.6
4. Total domestic expenditure (= 1 + 2 + 3)	99.1	99.3	99.3	100.6	100.8	102.0	103.7	102.9	102.2
5. Net exports of goods, services and factor incomes	0.9	0.7	0.7	-0.6	-0.8	-2.0	-3.7	-2.9	-2.2
<i>p.m. Percentage changes in gross national product compared with previous year</i>	+17.4	+10.6	+13.8	+7.9	+7.4	+6.2	+6.7	+3.9	+7.2

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

Table 7.2

INVESTMENT IN HOUSING AT CONSTANT PRICES

(Percentages of gross national product)

	Belgium	Netherlands	Federal Republic of Germany	France	United Kingdom	United States	Japan
1974	6.3	5.4	6.3	7.4	3.6	4.0	7.6
1975	6.2	5.1	5.7	7.3	3.9	3.5	7.6
1976	6.8	4.9	5.8	6.8	3.9	4.0	7.8
1977	6.9	5.3	5.8	6.4	3.6	4.5	7.5
1978	7.1	5.3	5.7	6.0	3.6	4.5	7.7
1979	6.1	4.8	5.9	6.1	3.1	4.1	7.1
1980	5.9	4.9	6.0	5.8	2.7	3.3	6.2
1981	3.6	4.3	5.8	5.6	2.1	3.1	5.9
1982 <i>e</i>	3.3	4.1	5.4	5.3	2.6	2.8	5.7

Sources : Organisation for Economic Co-operation and Development and National Statistical Institute. Calculations and estimates of the National Bank of Belgium.

CHAPTER IV

INCOMES

Table 8

INCOME ACCOUNT OF THE VARIOUS SECTORS

(At current prices)

	1974	1975	1976	1977	1978	1979	1980		1981		1982 <i>e</i>	
	Billions of francs						Percentage change	Billions of francs	Percentage change	Billions of francs	Percentage change	Billions of francs
1. Individuals :												
1.1 Gross primary income	1,703	1,930	2,211	2,390	2,570	2,740	+ 8.1	2,962	+ 6.3	3,149	+ 6.3	3,349
1.2 Current transfers to (-) and from the other sectors (net)	- 142	- 164	- 171	- 205	- 233	- 251	- 0.3	- 250	- 13.2	- 217	+ 24.8	- 271
1.3 Disposable income (= 1.1 + 1.2)	1,561	1,766	2,040	2,185	2,337	2,489	+ 8.9	2,712	+ 8.1	2,932	+ 5.0	3,078
<i>p.m.</i> Percentage change at constant prices ¹	(+ 4.0)	(+ 0.3)	(+ 5.8)	(...)	(+ 2.4)	(+ 2.0)	(+ 2.2)		(+ 0.5)		(- 3.5)	
2. Companies :												
<i>p.m.</i> Gross trading surplus	(318)	(314)	(331)	(358)	(375)	(410)	(+ 3.3)	(423)	(- 6.4)	(396)	(+ 22.8)	(487)
2.1 Gross primary income	246	233	251	275	306	332	- 0.9	329	- 2.3	321	+ 30.0	418
2.2 Current transfers to (-) the public authorities	- 64	- 70	- 72	- 76	- 82	- 92	- 2.4	- 90	- 2.7	- 87	+ 27.1	- 111
2.3 Disposable income (= 2.1 + 2.2)	182	163	179	199	224	240	- 0.4	239	- 2.1	234	+ 31.1	307
3. Public authorities :												
3.1 Gross primary income :												
3.11 Direct taxes less subsidies to enterprises	216	233	272	295	318	334	+ 8.3	361	+ 5.0	379	+ 7.9	409
3.12 Income from property and depreciation allowances	11	12	10	11	9	15	+ 118.2	34	+ 36.6	47	+ 30.7	60
3.13 Interest on the public debt (-)	- 73	- 82	- 98	- 117	- 138	- 166	+ 29.1	- 215	+ 34.7	- 289	+ 27.8	- 369
3.14 Total (= 3.11 to 3.13)	154	163	184	189	189	183	- 1.3	180	- 24.4	137	- 26.7	100
3.2 Current transfers to (-) and from the other sectors (net)	194	214	226	261	295	321	- 4.2	308	- 14.9	261	+ 29.6	339
3.3 Disposable income (= 3.14 + 3.2)	348	377	410	450	484	504	- 3.2	488	- 18.4	398	+ 10.3	439
4. Rest of the world :												
4.1 Disposable income (= net current transfers from the other sectors)	12	20	17	20	20	22	+ 47.5	32	+ 31.9	43	+ 0.5	43
5. Gross national product (= 1.1 + 2.1 + 3.14 or 1.3 + 2.3 + 3.3 + 4.1)	2,103	2,326	2,646	2,854	3,065	3,255	+ 6.7	3,471	+ 3.9	3,607	+ 7.2	3,867

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ Data at current prices deflated with the index of consumer prices.

COMMENTS ON TABLE 8 :

INCOME ACCOUNT OF THE VARIOUS SECTORS

A. Methodology

a) Like those of production in Chapter II and expenditure in Chapter III, the data on income which are included in Table 8 were calculated on the basis of the national accounts compiled by the National Statistical Institute for the years 1974 to 1981, and in particular of Table II.1 « Distribution of the national product among the factors of production ». The 1981 data were, however, adjusted, as was mentioned in the methodology of Table 3 of Chapter II, in order to take into account the most recent balance of payments data. For 1982 the numerical data are estimates made by the Bank, which cannot give a truer picture than the national accounts of certain incomes which escape being recorded at all owing to tax evasion.

b) In the system of national accounts, the income account shows the way in which the countervalue of the goods and services produced in the economy (that is, the gross national product) is distributed among the four major economic sectors which are considered in the national accounts.

From this point of view, a distinction can be made between primary and secondary income distribution :

— The primary incomes attributed to the various factors of production are the incomes which the latter have created within the framework of the production process. The sum of these incomes represents the net national income at factor cost, to which must also be added, in order to obtain the gross national income at factor cost, the depreciation, that is, the countervalue of the consumption of fixed capital, for each sector. In order to proceed from the concept of factor cost to that of market prices, it is necessary, lastly, to add indirect taxes and deduct subsidies to enterprises, the amount by which the former exceed the latter being incorporated in the gross primary income of the public authorities.

— In order to obtain the secondary or disposable incomes, the above-mentioned primary incomes have to be increased or reduced by the current transfers which the various sectors have received from or paid to the other domestic sectors or the rest of the world. These transfers may either result from intervention by the public authorities in accordance with the law or regulations (for instance, direct taxes, social security contributions or, in the opposite direction, social security benefits) or may take place on a contractual or voluntary basis (for instance, gifts, or transfers of money made by foreign workers to their countries of origin). The amount finally arrived at in this way is the disposable income, which each sector can devote either to expenditure on consumption or to the formation of gross savings.

c) The gross primary income of individuals (Table 8.1) comprises the remuneration of employees (including indirect wages and salaries : employers' social security

contributions, pensions and social charges borne by the public authorities and some public enterprises), the entrepreneurial incomes of self-employed persons (including the distributed incomes of partnerships, assessed at a flat rate of 40 p.c. of the total income of these companies), income from property (interest, dividends, net rents received or attributed, etc.) and depreciation allowances (both those on residential buildings and those attributed to self-employed persons).

d) In order to estimate the development of the remuneration of employees in 1982, recourse was had to the index of gross average hourly earnings of workers in industry : during the first nine months of the year this index rose by 6.7 p.c. As the average number of hours worked per employee would appear to have undergone little change during the year under review, this index, although of a partial nature, may be regarded as fairly representative of the development of gross wages in the economy as a whole.

In order to estimate the gross remuneration per employee it is furthermore necessary to take into account the reduction of employers' social security contributions, which does not affect the afore-mentioned index : owing to the prolongation of Operation Maribel, these contributions were reduced by a further amount of about Fr. 13 billion, which was only partly offset, first by the increase and then by the abolition — from October — of the last remuneration ceilings on the basis of which social security contributions were calculated.

Moreover, the total gross compensation of employees was negatively influenced by a further average decrease of about 1.7 p.c. in the number of employees ; in the private sector employment would appear to have fallen even more, whereas it appears to have hardly changed at all in the public sector. On the other hand, the retirement and surviving dependants' pensions of employees of the public authorities and certain public enterprises would still have increased quite appreciably, partly because of the rise in the number of pensioners.

Finally, the growth in the total remuneration of employees would appear to have amounted to about 4.9 p.c.

e) The available information about the development of the incomes of self-employed persons is still very scanty and fragmentary.

The figures for the incomes of farmers and horticulturists are based on, among other things, the increase in production estimated in Chapter II, as well as on the overall index of prices received by farmers and horticulturists and on the index of the purchase prices of inputs used in agriculture and horticulture, which rose by 12.3 and 9.9 p.c. respectively.

f) The gross primary income of companies comprises undistributed profits (before tax) and depreciation allowances. It should be pointed out that, unlike what was done in the previous Report, the data were not adjusted to allow for a possible overestimation of companies' gross incomes due to the taking into account of the replacement

cost of capital invested and materials used, because, on the basis of recent information supplied by the Central Balance Sheets Office administered by the Bank, it does not seem that such an adjustment is called for. It was therefore no longer necessary to reduce the apparent profits of companies or to counterbalance this reduction by an increase in the incomes of individuals.

For 1982 the gross primary income of companies was estimated as a balance, since the sum of the incomes of the different sectors must correspond to the gross national product, which is obtained by adding together the value added figures for the various branches of activity (Chapter II) or the figures for the various categories of expenditure (Chapter III). In order to check the reliability of the estimate thus obtained, a fairly thorough analysis was made, for the last few years, of the factors which have determined the development of the gross primary income of companies; the results of this analysis are presented in Table 8.3.

g) The gross primary income of companies is not affected solely by the result of their production and selling activities, measured by their gross operating surplus. It is necessary to deduct from this surplus the net payments to other sectors of income from property [item 2 of Table 8.3 (A)], which take the form of dividends, directors' profit shares, interest, etc. It should be noted that interest paid by non-financial companies on their debts is reduced by deducting from it the interest which they receive on their financial assets and also the net interest received by the financial intermediaries as remuneration for their services as intermediaries.

The gross operating surplus of companies is the difference between the total value of their sales net of tax, plus the subsidies received, and the sum of their costs — purchases from other sectors (self-employed persons, rest of the world) and labour costs. Its development is determined, as is shown by Table 8.3 (B), by the change in the companies' sales at constant prices in their unit profit margins expressed in francs and in the subsidies granted to them.

The unit profit margin expressed in francs fluctuates from year to year depending on the difference between the percentage change in the selling price and that in the cost price — or cost per unit of output — [Table 8.3 (C)]. When this difference is positive, as in 1982, the profit margin increases proportionally more than the selling price; when it is negative, as in the two preceding years, the profit margin increases proportionally less than the selling price (1980) or decreases (1981). The selling price index used is a weighted average of the deflator of exports of goods and services (Table 6, item 5) and of that of companies' domestic sales, that is, of the nation's domestic expenditure (Table 6, item 4), after incorporation of statistical adjustments, if any, and elimination of certain services and of indirect taxes. The cost price index is a weighted average of the indices of three cost factors: the wages paid by companies, imports of goods and services and the gross primary income of self-employed persons (regarded as representative of purchases from that sector), all three being expressed in costs per unit of output (or per unit sold), that is, related to companies' sales at constant prices. It will be noted that the development of these costs per unit of output is affected by the changes in the apparent productivity of labour and in intermediate consumption.

h) The gross primary income of the public authorities, arrived at on the basis of the data contained in Chapter V, comprises : incomes from property (including interest and dividends, largely from public-sector financial intermediaries, especially the Bank, profits received or losses incurred by the public operating organisations, net attributed rents, etc.), the amount by which indirect taxes exceed subsidies to enterprises [for the reason stated in section b) above], and depreciation allowances ; interest on the public debt is deducted here, because it is not regarded as public consumption, although it is included in income from property of companies and individuals.

i) Lastly, the gross primary income of the rest of the world is zero by definition and its disposable income comprises solely the net current transfers received from resident sectors (repatriation of funds by migrant workers, development aid, net contributions to international organisations, etc.).

B. Main developments

The chief lessons which emerge from Table 8 are as follows :

a) Although at current prices the growth in the gross primary income of individuals was the same as in 1981, at constant prices the reduction in this income would appear to have been greater (- 2.2 p.c. against - 1.2 p.c. the previous year) owing to the quickening of inflation (Table 8.1). The decrease in 1982 at constant prices is attributable to the shrinkage both in the compensation of employees and in the entrepreneurial incomes of self-employed persons. On the other hand, income from property accruing to individuals appears to have grown once more in constant prices, although to a smaller extent than previously.

b) Compensation of employees at constant prices appears to have fallen by 3.5 p.c., against 2 p.c. in 1981. Unlike the last-mentioned fall, which was due solely to the reduction in the number of employees, that in 1982 appears to have also been attributable to a decline in remuneration per employee, the first for many years (Chart 8.2), since in most sectors there was virtually no further increase in collectively agreed wages and salaries. Moreover, the development of compensation per employee was affected by the measures for moderating incomes decided upon by the Government during the year, especially the temporary abolition — from March to the end of May — of the index-linking of pay in excess of the guaranteed monthly wage, and by the introduction, from June onwards, of a flat-rate index-linking corresponding to the amount of the normal index-linking of this same minimum wage.

c) According to the available data, which are still very incomplete, the entrepreneurial income of self-employed persons appears to have declined once more in terms of constant prices (Table 8.1). This fall, estimated at 3 p.c., appears, however, to have been less sharp than that in 1981, mainly because of the substantial growth in the incomes of farmers and horticulturists. Relatively large price increases were in fact authorised within the framework of the European agricultural policy. Furthermore, thanks to favourable weather conditions, crops were better and farmers were therefore able to sell a larger quantity of products.

The incomes of traders and artisans at constant prices, for their part, would appear to have fallen less than in the previous year, partly, perhaps, because of a less pronounced decline in private consumption.

d) The growth at constant prices in income from property accruing to individuals was estimated for 1982 at 4 p.c., against 5.6 p.c. in 1981. The continuation of the increase in this category of incomes despite the quickening of inflation is chiefly due to the growth in the financial assets held by individuals and to the further rise in the average yield on these assets.

e) Whereas in 1981 the disposable income of individuals at constant prices had developed more favourably (+0.5 p.c.) than their gross primary income (-1.2 p.c.), the opposite took place in 1982: there was a reduction of 3.5 p.c. in disposable income and one of 2.2 p.c. in primary income. This reversal is attributable to a much larger increase than in the previous year in direct taxes paid and to a certain slowing-down of social benefits received, owing to, among other things, the smaller rise in unemployment and various economy measures in the field of social security (see Chapter V).

f) After having declined the previous year, the gross operating surplus of companies at current prices increased considerably in 1982 as a result of a distinct widening of the profit margin (Table 8.3) and despite a slight contraction in sales at constant prices. The rise in selling prices would appear to have amounted to 11 p.c., while that in cost prices appears to have been only 9.9 p.c., partly owing to the measures for moderating incomes, the residual effects of Operation Maribel and the improvement in the apparent productivity of labour; moreover, the increase in the unit cost of imports has been hardly any

larger than that in export prices. The gross operating surplus of exporting companies probably recovered to an even more marked extent, because export prices went up more than domestic selling prices and sales abroad increased in terms of constant prices.

Net payments to other sectors of income from property having continued to decrease (Table 8.3), the rise of about 22.8 p.c. in the gross operating surplus of companies was reflected in a growth of 30 p.c. in their gross primary income. Direct taxes paid by companies and their disposable income increased in about the same proportion as their gross primary income (Table 8, item 2).

g) The gross primary income of the public authorities declined appreciably once more during the year under review, the increase in the proceeds of indirect taxes and in income from property having been more than counterbalanced by the sharp rise in interest charges on the public debt. This movement was, however, cancelled out by the larger amounts of net current transfers from companies and individuals, so that the disposable income of the public authorities went up by about 10.3 p.c. (Table 8, item 3).

Table 8.1

INCOME ACCOUNT OF INDIVIDUALS

	1979	1980		billions of francs at current prices	1981		billions of francs at current prices	1982 <i>e</i>		billions of francs at current prices
	billions of francs at current prices	percentage change compared with 1979			percentage change compared with 1980			percentage change compared with 1981		
		at current prices	at constant prices ¹		at current prices	at constant prices ¹		at current prices	at constant prices ¹	
1. Gross primary income :										
1.1 Compensation of employees	1,909	+ 8.6	+ 1.8	2,073	+ 5.5	- 2.0	2,187	+ 4.9	- 3.5	2,295
1.2 Entrepreneurial income of self-employed persons	377	+ 0.8	- 5.5	380	+ 2.3	- 5.0	389	+ 5.4	- 3.0	410
1.3 Income from property	369	+13.3	+ 6.3	418	+13.6	+ 5.6	475	+13.1	+ 4.0	537
1.4 Depreciation allowances	85	+ 6.8	-	91	+ 8.4	-	98	+ 8.7	-	107
1.5 Total (= 1.1 to 1.4)	2,740	+ 8.1	+ 1.4	2,962	+ 6.3	- 1.2	3,149	+ 6.3	- 2.2	3,349
2. Current transfers :										
2.1 To (-) and from the public authorities :										
2.11 Social benefits received	604	+ 8.5	-	656	+12.0	-	734	+ 8.7	-	798
2.12 Other transfers received	76	+ 8.0	-	83	+ 9.6	-	91	+ 2.8	-	93
2.13 Social contributions paid	- 405	+ 8.0	-	- 438	+ 6.0	-	- 464	+ 6.7	-	- 495
2.14 Direct taxes paid	- 516	+ 4.6	-	- 540	+ 4.2	-	- 563	+16.4	-	- 655
2.15 Total (= 2.11 to 2.14)	- 241	- 0.7	-	- 239	-15.6	-	- 202	+28.3	-	- 259
2.2 To (-) and from the rest of the world (net)	- 10	+11.0	-	- 11	+40.4	-	- 15	-21.6	-	- 12
2.3 Total (= 2.15 + 2.2)	- 251	- 0.3	-	- 250	-13.2	-	- 217	+24.8	-	- 271
3. Disposable income (= 1.5 + 2.3)	2,489	+ 8.9	+ 2.2	2,712	+ 8.1	+ 0.5	2,932	+ 5.0	- 3.5	3,078

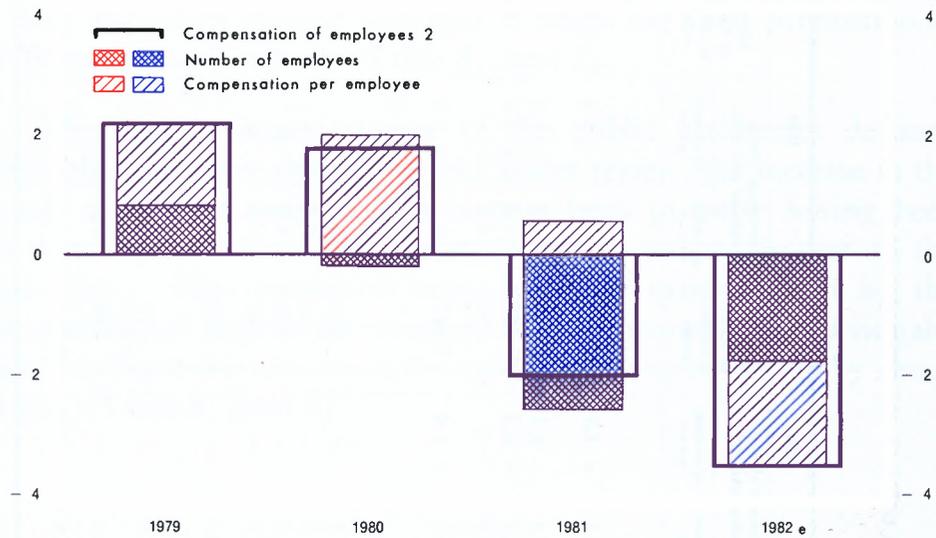
Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ Data at current prices deflated with the index of consumer prices.

Chart 8.2

COMPENSATION OF EMPLOYEES ¹

(Percentage change compared with previous year)



Sources : National Statistical Institute and Ministry of Employment and Labour and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

¹ At constant prices. Data at current prices deflated with the index of consumer prices.

² Gross wages and salaries, pensions and social charges of the public authorities and of certain public enterprises and employers' social security contributions.

Tabel 8.3

GROSS PRIMARY INCOME, GROSS OPERATING SURPLUS AND PROFIT MARGIN OF COMPANIES

	1979	1980		1981		1982 <i>e</i>	
	Billions of francs	Percentage change	Billions of francs	Percentage change	Billions of francs	Percentage change	Billions of francs
<i>A. From the gross primary income to the gross operating surplus of companies :</i>							
1. Gross primary income	332	- 0.9	329	- 2.3	321	+ 30.0	418
2. Net incomes from property paid to other sectors ...	78	+ 21.5	94	- 21.0	75	- 8.0	69
3. Gross operating surplus (= 1 + 2)	410	+ 3.3	423	- 6.4	396	+ 22.8	487
<i>B. Factors contributing to the change in the gross operating surplus :</i>							
1. Sales at constant prices		+ 2.8		- 1.8		- 0.2	
2. Unit profit margin, expressed in francs		+ 1.7		- 7.5		+ 25.5	
3. Gross operating surplus before subsidies	354	+ 4.6	370	+ 9.2	336	+ 25.3	422
4. Subsidies received	56	- 5.1	53	+ 13.1	60	+ 9.2	65
5. Gross operating surplus (= 3 + 4)	410	+ 3.3	423	- 6.4	396	+ 22.8	487
	Relative weights ¹		Relative weights ¹		Relative weights ¹		Relative weights ¹
<i>C. Factors contributing to the movement of the unit profit margin, expressed in francs :</i>							
1. Selling price excluding taxes	100.0	+ 8.0	108.0	+ 8.5	117,1	+ 11.0	130.0
of which : export of goods and services		(+ 8.9)		(+ 9.3)		(+ 13.5)	
domestic sales		(+ 7.1)		(+ 7.7)		(+ 8.5)	
2. Cost price or cost per unit of output	91.4	+ 8.5	99.2	+ 9.9	109.0	+ 9.9	119.8
of which : labour costs		(+ 5.4)		(+ 6.2)		(+ 4.4)	
imports of goods and services		(+ 13.2)		(+ 13.6)		(+ 14.4)	
other costs		(- 1.9)		(+ 4.3)		(+ 5.7)	
3. Unit profit margin	8.6	+ 1.7	8.8	- 7.5	8.1	+ 25.5	10.2
<i>p.m.</i> Unit profit margin as percentage of selling price during current year	(8.6)		(8.1)		(6.9)		(7.8)

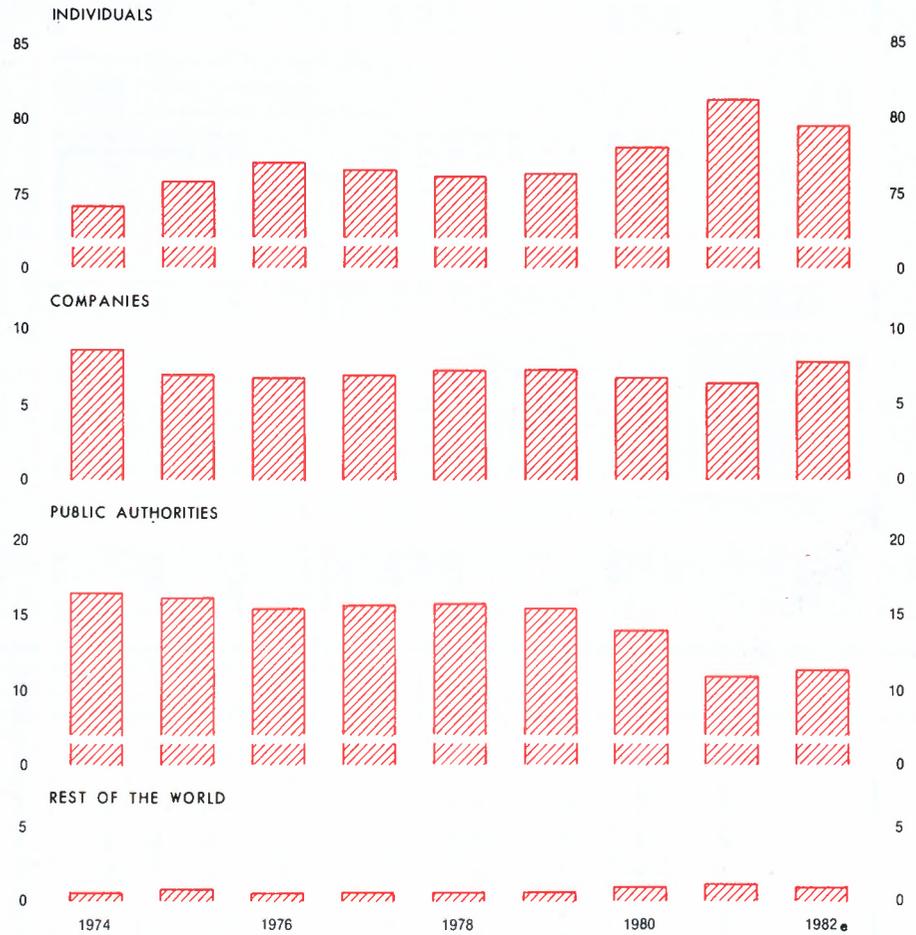
Sources : National Statistical Institute and Statistical Office of the European Communities. Calculations and estimates of the National Bank of Belgium.

¹ As percentages of the 1979 selling price.

Chart 9

DISPOSABLE INCOME OF THE VARIOUS SECTORS

(Percentage of gross national product)



Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

COMMENTS ON CHART 9 :

DISPOSABLE INCOME OF THE VARIOUS SECTORS

A. Methodology

The disposable incomes of the major sectors of the economy which are shown in Table 8, in items 1.3 (individuals), 2.3 (companies), 3.3 (public authorities) and 4.1 (rest of the world) respectively, have been expressed in Chart 9 as percentages of the gross national product (item 5 of the same table).

B. Main developments

The chief lessons which emerge from Chart 9 are as follows :

a) The combination of developments commented on in the discussion of Table 8 led to a decrease of about 1.7 p.c. in the proportion of the gross national product accounted for by the disposable income of individuals. It was companies that mainly benefited from this reduction, the share of their disposable income in the gross national product having risen from 6.5 p.c. in 1981 to 7.9 p.c. in 1982 — an advance which reflects the appreciable improvement in their profitability during the year under review.

b) After having declined consistently since 1978, and particularly in 1981, the share in the gross national product of the disposable income of the public authorities would appear to have risen slightly in 1982, mainly because of, among other things, the favourable development of tax revenue and income from property.

CHAPTER V

MAJOR SECTORS OF THE ECONOMY

Table 10

SUMMARY OF THE TRANSACTIONS OF INDIVIDUALS

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Disposable income	1,561	1,766	2,040	2,185	2,337	2,489	2,712	2,932	3,078
2. Consumption	1,256	1,421	1,612	1,767	1,891	2,052	2,220	2,365	2,538
3. Gross savings (1 - 2)	305	345	428	418	446	437	492	567	540
<i>(As percentage of disposable income)</i>	<i>(19.5)</i>	<i>(19.5)</i>	<i>(21.0)</i>	<i>(19.1)</i>	<i>(19.1)</i>	<i>(17.6)</i>	<i>(18.1)</i>	<i>(19.3)</i>	<i>(17.5)</i>
4. Net capital transfers received	9	8	9	8	7	8	8	6	3
5. Capital resources (3 + 4)	314	353	437	426	453	445	500	573	543
6. Gross capital formation	167	178	229	251	283	265	278	189	182
7. Net financing capacity (5 - 6)	147	175	208	175	170	180	222	384	361
<i>(As percentage of disposable income)</i>	<i>(9.4)</i>	<i>(9.9)</i>	<i>(10.3)</i>	<i>(8.0)</i>	<i>(7.3)</i>	<i>(7.2)</i>	<i>(8.2)</i>	<i>(13.1)</i>	<i>(11.7)</i>
<i>(As percentage of gross national product) ..</i>	<i>(7.0)</i>	<i>(7.5)</i>	<i>(7.9)</i>	<i>(6.1)</i>	<i>(5.6)</i>	<i>(5.6)</i>	<i>(6.4)</i>	<i>(10.7)</i>	<i>(9.3)</i>

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

COMMENTS ON TABLE 10 :

SUMMARY OF THE TRANSACTIONS OF INDIVIDUALS

A. Methodology

This table presents a summary of the expenditure of individuals — private consumption and gross capital formation — which also appears in Table 7.b (items 1 and 3.1) and of their disposable income, which is shown in Table 8 (item 1.3). The gross savings of individuals (item 3 of Table 10) are by definition the difference, measured ex post on the basis of the national accounts, between the disposable income of individuals (item 1) and their consumption (item 2). It is necessary to add to these gross savings the net capital transfers received by individuals (item 4); these transfers mainly consist of the building premiums granted by the public authorities together with the proceeds of the sale of land and existing buildings to the public authorities, less death duties paid. The sum of the savings of individuals and net capital transfers to them constitutes the capital resources at their disposal (item 5).

By deducting from these resources the expenditure on gross capital formation as defined in the comments on Table 5 (item 6 of Table 10) one obtains the net financing capacity of individuals (item 7), that is, the financial resources which they have made available to the money and capital markets by saving.

B. Main developments

The chief lessons which emerge from Table 10 are as follows :

a) The rate of saving — measured by the ratio between gross savings and disposable income — fell appreciably in 1982 because, at current prices, the increase in expenditure on consumption was faster than that in the disposable income of individuals, in other words, at constant prices, the reduction in the disposable income of individuals did not lead to a proportional decline in consumption. The rate of saving would thus appear to have fallen to 17.5 p.c. of disposable income, against 19.3 p.c. in 1981 and an average of 19.6 p.c. during the years 1974-1978. It should be pointed out, however, that the change in the rate of saving during the last two years was partly accentuated by exceptional factors; hence the shift, between 1981 and 1982, in the payment of certain direct taxes swelled disposable income and probably also the savings of individuals in 1981 and reduced these

same variables during the year under review, the figures for which were furthermore influenced by the voluntary tax prepayment scheme successfully introduced in 1982.

b) Individuals devoted an even smaller proportion of their disposable income than in 1981 to gross capital formation and notably to house-building, this proportion having been reduced from 10.3 p.c. of that income in 1980 to 6.4 p.c. in 1981 and 5.9 p.c. in 1982. This last movement explains why the net financing capacity of individuals declined less than their gross savings.

c) Actually, despite a certain falling-off compared with 1981, the net financing capacity of individuals remained at a high level in 1982; it would in fact appear to have reached 11.7 p.c. of their disposable income, against 13.1 p.c. in 1981 and a low of about 7.3 p.c. in 1978-1979.

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Table 11

SUMMARY OF THE TRANSACTIONS OF COMPANIES

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
	<i>a. Billions of francs</i>								
1. Disposable income = gross savings	182	163	179	199	224	240	239	234	307
2. Net capital transfers received	32	36	46	55	64	63	103	128	161
3. Capital resources (1 + 2)	214	199	225	254	288	303	342	362	468
4. Gross capital formation	273	234	243	253	256	290	310	310	344
5. Net financing requirement (-) or capacity (+) (3 - 4)	- 59	- 35	- 18	+ 1	+ 32	+ 13	+ 32	+ 52	+124
	<i>b. As percentage of gross national product</i>								
1. Disposable income = gross savings	8.7	7.0	6.8	7.0	7.3	7.4	6.9	6.5	7.9
2. Net capital transfers received	1.5	1.5	1.7	1.9	2.1	1.9	2.9	3.5	4.2
3. Capital resources (1 + 2)	10.2	8.5	8.5	8.9	9.4	9.3	9.8	10.0	12.1
4. Gross capital formation	13.0	10.0	9.2	8.8	8.4	8.9	8.9	8.6	8.9
5. Net financing requirement (-) or capacity (+) (3 - 4)	- 2.8	- 1.5	- 0.7	+ 0.1	+ 1.0	+ 0.4	+ 0.9	+ 1.4	+ 3.2

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

COMMENTS ON TABLE 11 : SUMMARY OF THE TRANSACTIONS OF COMPANIES

A. Methodology

As in the case of individuals, this table summarizes the expenditure and resources of a sector — that of companies. The gross capital formation of companies appears in item 3.2 of Table 7.b and their disposable income, or gross savings, in item 2.3 of Table 8. Their capital resources comprise, apart from these gross savings, the net capital transfers which they receive.

The capital transfers are, in principle, unrequited movements of funds for the purpose of financing direct or portfolio investments. Those received by companies, which, it should be recalled, include public enterprises, come from the public authorities; the figures of item 2 of Table 11 include, in addition to capital transfers in the strict sense, the granting of credits and acquisition of interests by the public authorities, a category which has also been deemed to include assistance to sectors in difficulties.

Companies develop a net financing capacity if their capital resources, gross savings and net capital transfers received are greater than their gross capital formation. In the opposite case they have a net financing requirement.

B. Main developments

The chief lessons which emerge from Table 11 are as follows :

- a) In 1982 the companies account showed a relatively large net financing capacity, of the order of 3.2 p.c. of the gross national product against only 1.4 p.c. in 1981.
- b) Companies would appear to have had at their disposal capital resources representing 12.1 p.c. of the gross national product against 10 p.c. in 1981 : as was seen in Chapter IV, their disposable income grew appreciably; moreover, net capital transfers from the public authorities, which had been rising rapidly since 1980, increased further, including those received by sectors in difficulties, among which the iron and steel sector occupies an important position.
- c) Gross capital formation by companies, on the other hand, appears to have remained virtually unchanged, at a level below 9 p.c. of the gross national product.

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Table 12

SUMMARY OF THE TRANSACTIONS OF THE PUBLIC AUTHORITIES

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Disposable income	348	377	410	450	484	504	488	398	439
2. Consumption	314	388	441	491	547	591	647	703	748
3. Gross savings (1 - 2)	34	- 11	- 31	- 41	- 63	- 87	-159	-305	-309
<i>(As percentage of gross national product) ..</i>	<i>(1.6)</i>	<i>(- 0.5)</i>	<i>(- 1.2)</i>	<i>(- 1.4)</i>	<i>(- 2.0)</i>	<i>(- 2.7)</i>	<i>(- 5.2)</i>	<i>(- 8.5)</i>	<i>(- 8.0)</i>
4. Net capital transfers	- 45	- 50	- 60	- 68	- 78	- 80	-119	-143	-174
5. Capital resources (3 + 4)	- 11	- 61	- 91	-109	-141	-167	-278	-448	-483
6. Gross capital formation	74	88	102	109	112	124	144	146	140
7. Net financing requirement (-) (5 - 6)	- 85	-149	-193	-218	-253	-291	-422	-594	-623
<i>(As percentage of gross national product) ..</i>	<i>(- 4.1)</i>	<i>(- 6.4)</i>	<i>(- 7.3)</i>	<i>(- 7.6)</i>	<i>(- 8.2)</i>	<i>(- 8.9)</i>	<i>(-12.2)</i>	<i>(-16.5)</i>	<i>(-16.1)</i>

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1981. Calculations and estimates of the National Bank of Belgium.

COMMENTS ON TABLE 12 :

SUMMARY OF THE TRANSACTIONS OF THE PUBLIC AUTHORITIES

Methodology

a) This table, by analogy with what has been done for the individuals sector and the companies sector, presents a summary of the transactions of the public authorities (comprising the sub-sectors : Treasury, other Central Government, communities and regions, local authorities and social security). The disposable income of the public authorities appears in item 3.3 of Table 8 and their consumption in item 2 of Table 7.b. The gross savings of the public authorities (item 3 of Table 12) are, by definition, the difference, measured ex post on the basis of the national accounts, between their disposable income and their consumption. A minus sign indicates that consumption was greater than disposable income.

The net capital transfers of the public authorities to the other sectors comprise transfers to individuals (item 4 of Table 10), to companies (item 2 of Table 11) and to the rest of the world (item 4 of Table 14).

The gross savings of the public authorities (which can be negative) less their net capital transfers to the other sectors constitute their capital resources (item 5 of Table 12). By subtracting these resources from the public authorities' gross capital formation (item 3.3 of Table 7.b) we obtain their net financing requirement; as the resources in question have been consistently negative in recent years, they have contributed to this requirement instead of reducing it.

b) The picture of the state of the public finances thus presented is, however, a very summary one and hardly lends itself to any significant analysis, since a large number of categories of revenue and expenditure do not appear in their true amounts, as they are the subject of offsetting. Hence, for instance, the item « Disposable income of the public authorities » corresponds to the grand total of indirect taxes, income from property accruing to the public authorities, depreciation allowances, the direct taxes paid by individuals and companies, the social security contributions of wage- and salary-earners and self-employed persons and current transfers from foreign countries, less subsidies to enterprises, interest on the public debt, the current transfers paid in respect of the social security of wage- and salary-earners and self-employed persons, and the balance of other current transfers to individuals and of current transactions to foreign countries (item 3.3 of Table 8).

For this reason it has not been thought appropriate to describe the general developments emerging from Table 12. The development of the main transactions of the public authorities is described on the basis of Table 13.B, in which revenue and expenditure are classified according to categories which enable a more detailed analysis to be made.

Table 13.A

REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT OF THE PUBLIC AUTHORITIES

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Revenue :									
1.1 Direct taxes	300	374	416	482	553	608	630	649	766
1.2 Indirect taxes	248	270	325	356	386	414	437	459	496
1.3 Social security contributions	251	304	343	377	395	425	459	488	521
1.4 Capital taxes	5	7	8	10	11	13	13	13	13
1.5 Total fiscal and parafiscal revenue (= 1.1 + 1.2 + 1.3 + 1.4)	804	955	1,092	1,225	1,345	1,460	1,539	1,609	1,796
1.6 Non-fiscal and non-parafiscal revenue	27	35	37	41	39	48	62	77	91
1.7 Grand total (= 1.5 + 1.6)	831	990	1,129	1,266	1,384	1,508	1,601	1,686	1,887
2. Expenditure :									
2.1 Net expenditure on goods and services	297	367	415	459	505	538	586	639	680
2.2 Interest charges	73	82	98	117	138	166	215	289	369
2.3 Unemployment and job-creation expenditure	18	39	51	68	84	104	120	151	171
2.4 Current transfers to individuals	328	412	476	524	569	619	666	725	776
2.5 Subsidies to enterprises	56	68	84	95	102	111	115	126	132
2.6 Net current transfers to the rest of the world	20	26	28	34	38	44	45	48	55
2.7 Total current expenditure (= 2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6)	792	994	1,152	1,297	1,436	1,582	1,747	1,978	2,183
2.8 Gross fixed capital formation	74	88	102	109	112	124	144	146	140
2.9 Net capital transfers	50	57	68	78	89	93	132	156	187
2.91 Net credit-granting and acquisition of interests ..	(20)	(26)	(33)	(40)	(49)	(50)	(78)	(98)	(125)
2.92 Other net capital transfers	(30)	(31)	(35)	(38)	(40)	(43)	(54)	(58)	(62)
2.10 Total capital expenditure (= 2.8 + 2.9)	124	145	170	187	201	217	276	302	327
2.11 Grand total (= 2.7 + 2.10)	916	1,139	1,322	1,484	1,637	1,799	2,023	2,280	2,510
3. Net financing requirement (= 1.7 - 2.11)	- 85	- 149	- 193	- 218	- 253	- 291	- 422	- 594	- 623

Table 13.B

REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT OF THE PUBLIC AUTHORITIES

(As percentages of gross national product)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Revenue :									
1.1 Direct taxes	14.3	16.1	15.7	16.9	18.1	18.7	18.2	18.0	19.8
1.2 Indirect taxes	11.8	11.6	12.3	12.5	12.6	12.7	12.5	12.7	12.8
1.3 Social security contributions	11.9	13.1	13.0	13.2	12.9	13.1	13.2	13.5	13.5
1.4 Capital taxes	0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3
1.5 Total fiscal and para-fiscal revenue (= 1.1 + 1.2 + 1.3 + 1.4)	38.2	41.1	41.3	42.9	43.9	44.9	44.3	44.6	46.4
1.6 Non-fiscal and non-para-fiscal revenue	1.3	1.5	1.4	1.5	1.3	1.5	1.8	2.1	2.4
1.7 Grand total (= 1.5 + 1.6)	39.5	42.6	42.7	44.4	45.2	46.4	46.1	46.7	48.8
2. Expenditure :									
2.1 Net expenditure on goods and services	14.2	15.8	15.7	16.1	16.5	16.5	16.9	17.7	17.6
2.2 Interest charges	3.5	3.6	3.7	4.1	4.5	5.1	6.2	8.0	9.5
2.3 Unemployment and job-creation expenditure	0.9	1.7	1.9	2.4	2.7	3.2	3.4	4.2	4.4
2.4 Current transfers to individuals	15.6	17.7	18.0	18.3	18.6	19.0	19.2	20.1	20.1
2.5 Subsidies to enterprises	2.6	2.9	3.2	3.3	3.3	3.4	3.3	3.5	3.4
2.6 Net current transfers to the rest of the world	0.9	1.1	1.1	1.2	1.2	1.4	1.3	1.3	1.4
2.7 Total current expenditure (= 2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6)	37.7	42.8	43.6	45.4	46.8	48.6	50.3	54.8	56.4
2.8 Gross fixed capital formation	3.5	3.8	3.8	3.8	3.7	3.8	4.2	4.1	3.6
2.9 Net capital transfers	2.4	2.4	2.6	2.8	2.9	2.9	3.8	4.3	4.9
2.91 Net credit-granting and acquisition of interests	(1.0)	(1.1)	(1.3)	(1.4)	(1.6)	(1.6)	(2.2)	(2.7)	(3.3)
2.92 Other net capital transfers	(1.4)	(1.3)	(1.3)	(1.4)	(1.3)	(1.3)	(1.6)	(1.6)	(1.6)
2.10 Total capital expenditure (= 2.8 + 2.9)	5.9	6.2	6.4	6.6	6.6	6.7	8.0	8.4	8.5
2.11 Grand total (= 2.7 + 2.10)	43.6	49.0	50.0	52.0	53.4	*55.3	58.3	63.2	64.9
3. Net financing requirement (= 1.7 - 2.11)	- 4.1	- 6.4	- 7.3	- 7.6	- 8.2	- 8.9	- 12.2	- 16.5	- 16.1

COMMENTS ON TABLES 13.A and 13.B :

REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT OF THE PUBLIC AUTHORITIES

A. Methodology

a) The classification of the data of Table 13.A is based, for the years 1974 to 1981, on the national accounts data compiled by the National Statistical Institute. Mainly with regard to capital transactions, these figures were supplemented by data from other sources, such as, for instance, the European System of Integrated Economic Accounts (ESA) produced by the Statistical Office of the European Community. The data for 1982 are estimates made by the Bank.

b) The item « Direct taxes » corresponds to the sum of the items « Direct taxes on individuals » and « Direct taxes on companies in all legal forms » of the table « Current transactions of the Government » in the national accounts of the National Statistical Institute.

The item « Indirect taxes » is based on the item « Indirect taxes » in the same table. In Table 13.A, however, revenues transferred to the European Economic Community are shown in their entirety in item 1.2 without being reduced, as in the accounts of the National Statistical Institute, by deduction of Community expenditure in the form of interventions and reimbursements. Accordingly, these transferred revenues are also shown in full in item 2.6 « Net current transfers to the rest of the world ».

The item « Social security contributions » is identical with the item « Social security contributions of wage- and salary-earners and self-employed persons » appearing in the above-mentioned national accounts table, plus the contributions of civil servants for pensions for surviving dependants (widows and orphans).

The item « Capital taxes » corresponds to the item « Capital taxes » in the accounts of the European System of Integrated Economic Accounts. It includes duties on gifts as well as death duties.

The item « Non-fiscal and non-parafiscal revenue » consists mainly of shares in the profits of public enterprises, including the Bank, interest on the public authorities' claims and current transfers from other economic agents (for instance, the National Lottery and possibly from the European Economic Community). The proceeds of the sale of goods and services, imputed revenues and depreciation allowances are disregarded.

Non-fiscal and non-parafiscal revenues are much larger than those appearing in the item « Income from property and from entrepreneurial activity accruing to the Government » included in the national accounts. The main differences between the two items are as follows :

— in the national accounts data, the contributions to meeting the interest charges and operating losses of public enterprises are deducted from income from property, whereas in Table 13.A they appear in expenditure item 2.5, as subsidies to enterprises;

— Imputed rents are included in the national accounts data but not in item 1.6 of Table 13.A.

c) The item « Net expenditure on goods and services » comprises wages and pensions (excluding expenditure connected with the job-creation programme, that is, the wages paid to unemployed persons given work and the special temporary staff) and net purchases of goods and services; transfers to private education relating to these transactions are also taken into account. Imputed costs and depreciation allowances on furniture, fittings and equipment are not included. This is one of the factors which help to explain the difference between the above-mentioned item and the item « Public consumption » in the national accounts. The second explanatory factor is the treatment of the above-mentioned job-creation expenditure which is included in the national accounts item « Public consumption ».

The item « Interest charges » corresponds (with reversed sign) to item 3.13 « Interest on the public debt » of Table 8.

The item « Unemployment and job-creation expenditure » embraces employment benefits, expenditure on the various early retirement schemes, the vocational training allowance, the allocations of the Building Industry Subsistence Fund, redeployment premiums (which, in the national accounts, are included in social security transfers to wage- and salary-earners and self-employed persons) and also the wages of unemployed persons given work and expenditure relating to the special temporary staff (which, in the national accounts, form part of public consumption).

The item « Current transfers to individuals » corresponds to the national accounts item « Social security transfers to wage- and salary-earners and self-employed persons », less the part of the unemployment and job-creation expenditure which constitutes a separate item here and plus civil service pensions to surviving dependants (widows and orphans).

The item « Subsidies to enterprises » covers the contributions towards meeting the interest charges and operating losses of public operating organisations, made for the purpose of reducing rents and interest charges, and other subsidies intended for enterprises.

The item « Net current transfers to the rest of the world » is equal to the balance of the national accounts items « Current transfers to the rest of the world » and « Current transfers from the rest of the world », to which is added the part of the revenues transferred to the European Economic Community which is not recorded by the National Statistical Institute owing to the offsetting operations carried out by the latter [see point b) above].

d) The item « Gross fixed capital formation » comprises capital expenditure on the construction of buildings, road-building, hydraulic and harbour works and the purchase of durable goods by the public authorities (including private education). It excludes purchases of land and existing buildings. The data are from the accounts of the European System of Integrated Economic Accounts.

The item « Net capital transfers » is subdivided into two : « net credit-granting and acquisition of interests » and « other net capital transfers ». These are net items of expenditure because the gross capital transfers of the public authorities to the other sectors were reduced by deduction of the capital revenues resulting, in the first case, from the repayment of credits and the realisation of interests and, in the second case, from the sale of land and buildings and capital transfers received, other than capital taxes.

The Central Government's net credit-granting and acquisition of interests is obtained on the basis, for domestic economic agents, of the Economic Regrouping of the Central Government's Expenditure and Revenue published by the Ministry of Finance and, for the rest of the world, of the balance of payments of the Belgian-Luxembourg Economic Union. Assistance to domestic sectors, which was estimated on the basis of partial and provisional data mainly derived from extra-budgetary sources, was added to this item. Net credit-granting and acquisition of interests by the local authorities is estimated on the basis of data published by the Belgian Municipal Credit Institution.

Other net capital transfers, including net purchases of land and buildings, are evaluated, as far as companies and individuals are concerned, on the basis of the accounts of the European System of Integrated Economic Accounts and, as far as the rest of the world is concerned, on the basis of the balance of payments data of the Belgian-Luxembourg Economic Union. This item also includes some of the public authorities' operations for financing the National Housing Company and the National Land Company resulting from the methods whereby the National Housing Fund assists in the financial service of the loans issued by these two companies.

e) The data of Table 13.A are expressed in Table 13.B as percentages of the gross national product, and it is the main developments of the latter table which are described in part B. below.

f) In Table 13.1 the public authorities' net financing requirement in Belgium, as shown in item 3 of Table 13.B, is compared with the average of the requirements of all the other countries of the European Economic Community (excluding Greece) and with that of the main countries among these considered separately.

The data concerning the various foreign countries are from the European Economic Community, except those for the Netherlands and Belgium, for which national data were used in order to take into account the substantial expenditure of the public authorities in the form of credit-granting and acquisition of interests, which does not appear in the statistics of the European Economic Community. For this reason, the

data for these two countries are not entirely comparable with those for the others. These differences are not, however, liable to give an incorrect impression of the disparities between developments in the various countries.

g) Chart 13.2 shows, as percentages of the gross national product, fiscal and parafiscal revenues, which are lower than the public authorities' total revenues, as they do not include non-fiscal and non-parafiscal revenues. This approach is traditionally adopted for making international comparisons. For Belgium the data correspond to item 1.5 of Table 13.B, while the data for foreign countries are taken from the same sources as are mentioned in point f) above as having been used for calculating the public authorities' net financing requirement.

Chart 13.2 also shows expenditure as a percentage of the gross national product. For the purpose of international comparison this expenditure is calculated by adding the net financing requirement to the fiscal and parafiscal revenue. In this way, expenditure is reduced by the amount of non-fiscal and non-parafiscal revenue. The item « Expenditure » of Chart 13.2 thus corresponds for Belgium to the balance of the items « Grand total of expenditure » and « Non-fiscal and non-parafiscal revenue » of Table 13.B.

B. Main developments

The chief lessons which emerge from Table 13.B are as follows :

a) Between 1981 and the year under review the public authorities' net financing requirement would appear to have decreased from 16.5 to 16.1 p.c. of the gross national product ; between 1974 and 1979 this requirement had increased uninterruptedly and, in 1980 and particularly in 1981, the increase had not only continued but had also become much faster. Whereas the state of Belgium's public finances did not deteriorate any further, the net financing requirement of the public authorities in all the other countries of the European Economic Community as a whole, that is, the countries mentioned separately in Table 13.1 plus Denmark, Ireland and Luxembourg, would appear to have increased further. Within the Community, however, divergent developments took place ; there would appear to have been a sharp deterioration in France and the Netherlands, whereas the situation appears to have remained practically unchanged in the Federal Republic of Germany and Italy and to have improved markedly, for the second year running, in the United Kingdom.

This more favourable development of the public authorities' net financing requirement in Belgium than in the rest of the European

Economic Community would seem to be attributable to a faster growth in fiscal and parafiscal revenue and to the fact that the increase in expenditure was hardly any greater than the average for these other countries (Chart 13.2).

b) The rise from 44.6 p.c. in 1981 to 46.4 p.c. in 1982 in fiscal and parafiscal revenue in Belgium would appear to be entirely due to direct taxes, which appear to have gone up from 18 to 19.8 p.c. (Table 13.B).

— About half of this increase in direct taxes would appear to be due to shifts in their collection. These shifts are mainly attributable to the catching-up, at the beginning of 1982, of the backlog of the 1981 assessments and to a speeding-up of these in the second half of 1982; they are also attributable, though to a smaller extent, to the introduction of the so-called voluntary tax system, that is, a rebate scheme for advance payment of taxes which are not deducted at source on income from personal and real property and on the earned incomes of wage- and salary-earners.

Furthermore, the afore-mentioned increase in direct taxes stems from the growth in taxable income per tax-payer and the progressivity inherent in the tax scales. It was, on the other hand, slowed down somewhat by various measures adopted by the Government in the field of tax legislation. The most important of these measures were the reduction in corporation tax from 48 to 45 p.c., the tax advantages granted to enterprises to encourage the revival of private investment and the raising of the ceiling for the decumulation and splitting-up of earned incomes. The repercussion on taxable income — and hence on the pay-as-you-earn employees' income tax — of various measures relating to social security (which will be more fully discussed further on) also gave rise to reductions in tax revenue.

— The proceeds of indirect taxes would appear to have increased at about the same rate as the gross national product. This development conceals, however, two movements in opposite directions. There were substantial decreases in revenue from the value added tax as a result of the lowering from 17 to 6 p.c., with effect from 1st March 1982, of the rates applied to all building work on private dwellings and on the supplying of new private dwellings, a reduction which was decided upon in order to stimulate building activity; furthermore, the hoped-for

revival in this sector failed to materialize. On the other hand, the proceeds of indirect taxes benefited by operation Maribel, which was started in the second half of 1981 and was applicable throughout 1982.

It should be recalled that this operation consisted of a series of increases in the value added tax and in excise duties and a raising of the luxury tax, the field of application of which was extended. This addition to the burden of indirect taxation was a compensation for the decreases in social security revenues resulting from the reduction, with effect from 1st July 1981, of most employers' social security contributions in respect of manual workers; the reduction amounted to 6.17 p.c. of the gross wages of these workers.

— Despite this reduction of employers' social security contributions, which was applicable for the full year in 1982, and notwithstanding the fact that the increase both in the gross remuneration of wage- and salary-earners and in the entrepreneurial incomes of self-employed persons was smaller than that in the gross national product, social security contributions expressed as percentages of GNP do not appear to have changed. With a view to putting the finances of the social security sector back on a sound footing, various measures were adopted to increase its financial resources or to make possible a reduction in central government subsidies. The main measures were the substantial raising on 1st January 1982 of the remuneration ceiling on which the contribution is calculated and the removal of this ceiling on 1st October 1982, the raising from 6.25 p.c. to 7 p.c. on 1st April 1982 of the employees' contribution in the pension sector, the application of a once-for-all retention of 7 p.c. on the double holiday allowance, a flat-rate reduction of Fr. 500 per month and per family in family allowances, a flat-rate contribution of Fr. 900 per month for all childless families and all unattached persons, an extension of the solidarity contribution for civil servants, an exceptional levy on taxable incomes in excess of Fr. 3 million and a contribution of 3.5 p.c. by persons taking early retirement and the recipients of disability allowances.

— During the year under review, non-fiscal and non-parafiscal revenues, which come mainly from the public-sector financial intermediaries, once more exceeded the previous year's levels, this having again been mainly due to the increase in the revenue of the State in respect of its participation in the transactions of the Bank.

c) The increase in current expenditure slowed down in 1982. The rise from 54.8 p.c. to 56.4 p.c. of the gross national product would appear to have been almost entirely attributable to the further growth in the burden of interest charges, which appear to have gone up from 8 to 9.5 p.c. Thanks to an important series of measures adopted in order to curb the majority of other expenditure categories, it would appear that total expenditure, excluding interest charges, was kept almost unchanged.

— The rise in interest charges which has just been mentioned was the result of the substantial financing requirements in 1981 and 1982 and of the high average interest rates which the public authorities continued to pay on their debts. Furthermore, the interest on the foreign-currency debt was increased because of the depreciation of the national currency; thus, the devaluation of the franc in February alone led to about Fr. 4 billion of additional expenditure.

— Although the adverse economic conditions caused a considerable increase in the average number of wholly or partly unemployed persons receiving unemployment pay in 1982, unemployment and job-creation expenditure would appear to have shown hardly any rise, having only gone up from 4.2 p.c. to 4.4 p.c. of the gross national product. This curbing of the increase was only made possible by a reduction, from April 1982 onwards, in the average daily rate of unemployment benefit paid, resulting from various economy measures such as the 6 p.c. reduction in the daily benefit paid to unemployed persons living under the same roof, the calculation of the daily benefit on the basis of 1/26th instead of 1/25th of the monthly remuneration and the replacement of the unemployment benefit by a lower waiting allowance for young people. Furthermore, the number of beneficiaries of specific job-creation programmes (giving of work to unemployed persons, special temporary staff and third labour circuit) fell by about 7,000. This reduction was mainly due to the delay in the implementation of the third labour circuit.

— Nearly all the other categories of current expenditure, still expressed as percentages of the gross national product, would appear to have remained more or less unchanged or even to have declined slightly between 1981 and 1982.

Net expenditure on goods and services appears to have gone down somewhat, from 17.7 to 17.6 p.c. The increase in pay and pensions

— which represent the greater part of this expenditure — remained limited owing to the measures for moderating incomes and to specific economy measures applying to, among other things, employment in the education sector and civil service pensions. At the same time, considerable efforts were made to keep down purchases of equipment.

Current transfers to individuals (other than unemployment benefits), which include, *inter alia*, family allowances, medical care payments and private-sector pensions, would appear to have stabilised at 20.1 p.c. Various economy measures, mainly in the field of medical care — the raising of various prescription charges, reduction of consumption of medicinal products, controlling of hospitalisation costs by a reduction in the number of beds, etc — enabled this stabilisation to be achieved.

Subsidies to enterprises and net current transfers to the rest of the world appear to have undergone hardly any change.

d) Capital expenditure as a percentage of the gross national product appears to have increased slightly, from 8.4 p.c. in 1981 to 8.5 p.c. in 1982. This movement was the result of two developments. Gross fixed capital formation appears to have been lower in 1982 than in the previous year : 3.6 p.c. against 4.1 p.c. This fall was by far the most marked in the case of the local authorities, which had to contend with an extremely unfavourable financial situation. Net capital transfers, on the other hand, rose sharply. This increase, which is in line with the trend already observed during the two preceding years, chiefly reflects the increased assistance given by the public authorities to enterprises, especially those in the iron and steel sector.

Table 13.1

INTERNATIONAL COMPARISON OF THE NET FINANCING REQUIREMENT (-)
OF THE PUBLIC AUTHORITIES

(As percentage of gross national product)

	Belgium	Average for the other countries of the European Economic Community ¹	Federal Republic of Germany	United Kingdom	France	Italy	Netherlands
1974	- 4.1	- 2.1	- 1.4	- 3.8	+ 0.6 ²	- 7.0	- 1.9
1975	- 6.4	- 5.4	- 5.8	- 4.8	- 2.2	-11.7	- 4.3
1976	- 7.3	- 3.7	- 3.6	- 4.9	- 0.5	- 9.0	- 3.7
1977	- 7.6	- 3.0	- 2.4	- 3.4	- 0.8	- 8.0	- 3.5
1978	- 8.2	- 4.0	- 2.8	- 4.1	- 2.3	-10.5	- 3.6
1979	- 8.9	- 3.8	- 3.0	- 3.4	- 1.4	-10.4	- 5.1
1980	-12.2	- 3.9	- 3.4	- 3.5	+ 0.4 ²	- 7.7	- 6.5
1981	-16.5	- 4.6	- 4.0	- 2.1	- 1.5	-11.9	- 7.9
1982	-16.1 _e	- 4.8 _e	- 3.9	- 0.9	- 3.1	-11.7	- 8.9 _e

Sources : Belgium : Table 13.B. Other countries : Statistical Office of the European Communities; for the Netherlands, also, Ministry of Finance. Calculations and estimates of the National Bank of Belgium.

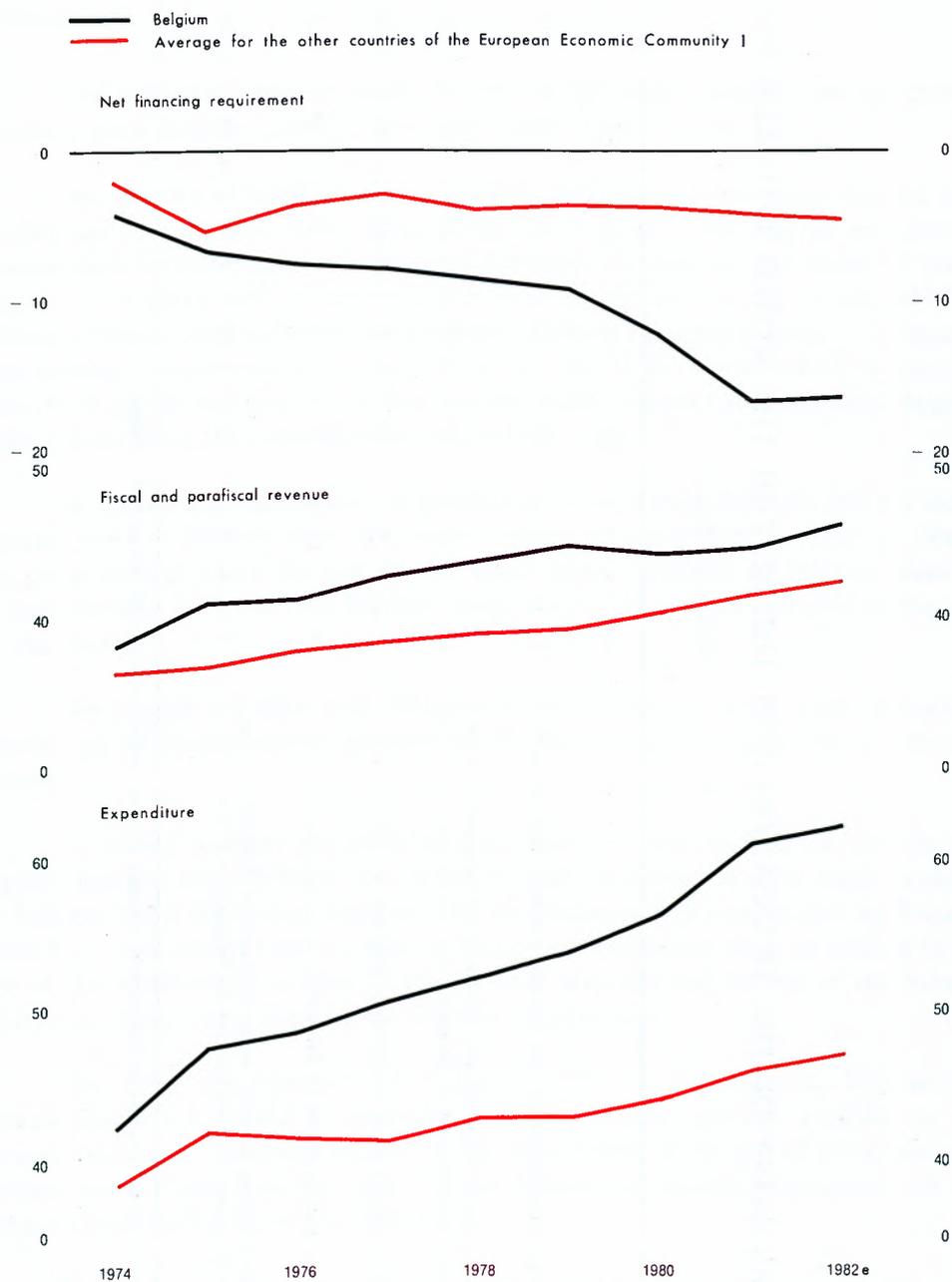
¹ Not including Greece.

² Net financing capacity.

Chart 13.2

INTERNATIONAL COMPARISON OF THE NET FINANCING REQUIREMENT (-),
REVENUE AND EXPENDITURE OF THE PUBLIC AUTHORITIES

(As percentages of gross national product)



Sources : Belgium : Table 13.B. Other countries : Statistical Office of the European Communities; for the Netherlands, also the Ministry of Finance. Calculations and estimates of the National Bank of Belgium.

¹ Excluding Greece.

Table 14

SUMMARY OF THE TRANSACTIONS OF THE REST OF THE WORLD WITH RESIDENT SECTORS

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Disposable income (= net current transfers from Belgium)	12	20	17	20	20	22	32	43	43
2. Net imports of goods and services from Belgium and net factor incomes paid to Belgium	19	17	19	- 17	- 24	- 67	-128	-106	- 85
3. Gross savings made available to Belgium (1 - 2)	- 7	+ 3	- 2	+ 37	+44	+ 89	+160	+149	+128
4. Net capital transfers to Belgium	4	6	5	5	7	9	8	9	10
5. Net financing capacity made available to Belgium (+) or net financing requirement met by Belgium (-) (3 + 4)	- 3	+ 9	+ 3	+ 42	+ 51	+ 98	+168	+158	+138

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

COMMENTS ON TABLE 14 :

SUMMARY OF THE TRANSACTIONS OF THE REST OF THE WORLD WITH RESIDENT SECTORS

Methodology

- a) The disposable income which the rest of the world derives from net current transfers from Belgium (item 1) was taken from Table 8 (item 4.1).
- b) Net imports of goods and services from Belgium and net factor incomes paid to Belgium (item 2) were taken from Table 7.b (Item 5). By analogy with private consumption by individuals, the payment for these net imports and these net factor incomes is equated with a current expenditure by the rest of the world, which is deducted from its disposable income in order to obtain the gross savings. A negative sign in item 2 represents net receipts from the rest of the world, which means that exports of goods and services to Belgium and factor incomes received from Belgium were greater than the corresponding expenditure items.
- c) By subtracting net imports of goods and services from Belgium and net factor incomes paid to Belgium from the rest of the world's disposable income we obtain the gross savings which the rest of the world makes available to Belgium (item 3). A negative sign indicates that Belgium made part of its savings available to the rest of the world.
- d) Net capital transfers from Belgium (item 4) include, apart from unrequited movements of funds, credits granted by the Belgian public authorities to foreign government and their participation in international organisations.
- e) By adding together the gross savings made available to Belgium and the net capital transfers from Belgium we obtain the net financing capacity made available to Belgium or, if the sign is negative, the net financing requirement met by Belgium (item 5). This concept corresponds to that of net borrowing from or lending to the rest of the world which is used in the national accounts and to that of the balance of current transactions used in the balance of payments.
- f) The main developments of Table 14 will not be analysed, because the breakdowns which would be necessary for this purpose are not available in the national accounts. Detailed figures for the transactions of the rest of the world with resident sectors are available only for the balance of current transactions of the Belgian-Luxembourg Economic Union.
- g) This balance, which is analysed in Chapter VI, is not fully comparable with the data which appear in Table 14, for two main reasons : on the one hand, it disregards the transactions of Belgium with Luxembourg but takes into account

Luxembourg's transactions with third countries ; on the other hand, it does not include among current transactions certain transactions which form part of item 4 of Table 14, but counts as services certain other transactions, although these are not included in item 2 of Table 14.

The adjustments required in order to change over from one concept to the other are small — particularly owing to the respective size of the Belgian and Luxembourg economies — and consequently the development of the net financing capacity of the rest of the world is primarily attributable to the same causes as those which will be mentioned in order to explain the development of the deficit in respect of current transactions of the Belgian-Luxembourg Economic Union.

CHAPTER VI

TRANSACTIONS
OF THE BELGIAN-LUXEMBOURG
ECONOMIC UNION WITH FOREIGN COUNTRIES

Table 15

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

(Balances in billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>p</i>	1981				1982 <i>p</i>				First nine months	
										1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1981	1982 <i>p</i>
1. Current transactions on transactions basis ¹	+30	+6	+15	-20	-26	-89	-145	-150		-32	-43	-45	-30	-74	n.a.	n.a.		-120	n.a.
1.1 Current transactions on payments basis ^{1 2}	(+35)	(+22)	(-13)	(-2)	(-46)	(-91)	(-165)	(-199)		(-36)	(-60)	(-49)	(-54)	(-51)	(-50)	(+4)		(-145)	(-97)
2. Capital transactions :																			
2.1 Commercial claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks ³	+5	+16	-28	+18	-20	-2	-20	-49	-287 ⁷	-4	-17	-4	-24	+23	n.a.	n.a.	-105 ⁷	-25	n.a.
2.2. Other spot and forward transactions of the private sector ³	-25	-12	-28	-19	+18	-8	+21	-156		-62	+2	-67	-29	-29	-46	+10		-127	-65
2.3. Spot transactions of the public sector ⁴	-5	-5	+8	...	+8	+72	+154	+258	+249	+41	+57	+79	+81	+79	+88	+44	+38	+177	+211
Total 2 ...	-25	-1	-48	-1	+6	+62	+155	+53	n.a.	-25	+42	+8	+28	+73	n.a.	n.a.	n.a.	+25	n.a.
3. Errors and omissions	+7	+13	+8	+12	+4	-4	+17	+1	n.a.	+10	+5	-3	-11	-10	-12	+2	n.a.	+12	-20
4. (= 1 + 2 + 3 = 1.1 + 2.2 + 2.3 + 3) Total corresponding to the movement in the National Bank of Belgium's net foreign exchange reserves ⁵	+12	+18	-25	-9	-16	-31	+27	-96	-38	-47	+4	-40	-13	-11	-20	+60	-67	-83	+29
<i>p.m.</i> Foreign currencies to be delivered at forward dates by the National Bank of Belgium to the public sector ⁶ ..	(+1)	(+1)	(...)	(...)	(-12)	(-8)	(+17)	(+2)	(...)	(+2)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(+2)	(...)

¹ Plus sign : surplus, minus sign : deficit. For details, see Table 16.² Item 1 less the current transactions which represent the counterpart of the capital transactions shown in item 2.1. The figures of item 1.1 thus correspond to the sum of those of items 1 and 2.1.³ Plus sign : capital inflows; minus sign : capital outflows. For details, see Table 17.⁴ Plus sign : capital inflows; minus sign : capital outflows. For details, see Table 18.⁵ Plus sign : increase in reserves; minus sign : decrease in reserves. For details, see Table 19.⁶ Plus sign : decrease; minus sign : increase.⁷ Including errors and omissions.

COMMENTS ON TABLE 15 :

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

A. Methodology

a) The balance of current transactions (item 1 of Table 15), that is, of transactions in goods and services and of transfers, is estimated on the basis of the payments relating to these transactions, supplemented by, among other things, the exports and imports which, not having been paid for, have given rise to commercial claims. For the period subsequent to the first quarter of 1982, the data relating to the part of these claims which has not been mobilised at banks are not very reliable; it was therefore thought preferable, for this period, not to make any estimate for current transactions on a transactions basis (item 1 of Table 15) nor, therefore, for the change in this part of commercial claims (item 2.1 of Table 15). Item 1.1 does, on the other hand, show the movement of current transactions on a payments basis for the whole of the period covered by Table 15; exports and imports which have not been paid for are included in this item only insofar as the commercial claims to which they gave rise were mobilised at banks.

b) Apart from errors and omissions, a current deficit has as its counterpart a net capital inflow, that is, a reduction in the economy's net foreign financial assets or an increase in its net liabilities, and vice versa for a current surplus. The various movements of the financial assets and liabilities in relation to foreign countries which result in such a reduction in net assets can be regrouped, for purposes of presentation and analysis, in several ways. For the purposes of the Report these numerous capital transactions have been classified according to three major categories of residents: the private sector (items 2.1 and 2.2), the public sector (item 2.3) and the Bank (item 4).

c) The capital transactions of the private sector and those of the public sector comprise, in each case, not only transactions with the rest of the world — the only ones which are taken into account in the usual presentation of the balance of payments — but also residents' transactions in foreign currencies with the domestic mainly monetary institutions. Thus, placings of foreign-currency loans by the public sector with resident banks are recorded as capital inflows in item 2.3; as the counterpart to this, subscriptions to these same loans by the banks are recorded as capital outflows in item 2.2 (the details of these transactions appear in Tables 17 and 18). The total of item 2 « Capital transactions » is not affected by this extension of the range of transactions considered.

d) It should also be noted that, since 1978, the capital transactions of the public sector, although they are traditionally entered « above the line » in the balance of payments, actually, together with the movement of the Bank's foreign exchange reserves, finance the deficits in respect of all the relatively « autonomous » transactions : the current transactions and capital transactions of the private sector.

B. Main developments

The chief lessons which emerge from Table 15 are as follows :

- a) During the first nine months of the year the deficit in respect of current transactions on a payments basis decreased appreciably : from Fr. 145 billion in 1981 to Fr. 97 billion, the greater part of the recovery having taken place in the third quarter (item 1.1 of Table 15). Account being taken of the first available indications concerning commercial claims not mobilised at banks (item 2.1 of Table 15), which might have declined, whereas they increased the previous year, it does in fact look as if the development of the current deficit was appreciably less favourable on a transactions basis than on a payments basis. From the still very fragmentary information available it can be estimated that the current deficit on a transactions basis for the whole of 1982 was about Fr. 140 billion.
- b) The transactions which can be identified as private-sector capital outflows were likewise appreciably lower than in the previous year : Fr. 65 billion for the first nine months against Fr. 127 billion (item 2.2 of Table 15). The contrast would probably have been even more marked if it had been possible to take into account commercial claims not mobilised at banks (item 2.1 of Table 15).
- c) Altogether, the transactions described above — current transactions and private-sector capital transactions — resulted in a considerably smaller net deficit than during the first nine months of 1981 : Fr. 162 billion against Fr. 272 billion. For the whole of the year under review and despite the deterioration in these transactions in the fourth quarter, the improvement compared with 1981 remains appreciable : Fr. 287 billion against Fr. 355 billion.

Although public-sector capital inflows (item 2.3 of Table 15) were smaller than in the previous year (Fr. 249 billion against Fr. 258 billion), the Bank's foreign exchange reserves (item 4 of Table 15) decreased less (Fr. 38 billion against Fr. 96 billion). In 1982 the fall in the reserves was particularly large in the fourth quarter.

COMMENTS ON TABLE 16 :

CURRENT TRANSACTIONS

A. Methodology

a) Item 1.12 gives exports and imports on a payments basis and item 1.13 gives them on a transactions basis. For the reasons stated in point a) of the methodology of Table 15, the data on the latter basis do not go beyond the first quarter of 1982.

b) Table 16.1 gives a picture of the recent development of foreign trade in terms of value, volume and prices (average unit values).

The only source which enables an estimate to be made of the movements of the volume and the prices of exports and imports is the foreign trade statistics compiled by the National Statistical Institute on the basis of customs documents. During the last two years the movement of the value of foreign trade estimated on this basis — which includes the movements of goods for commission processing — has been fairly similar to that of the corresponding transactions in the balance of payments (items 1.13 and 1.2 of Table 16). The price and volume index numbers shown in Table 16.1 are those arrived at on the basis of the above-mentioned foreign trade statistics by the National Statistical Institute itself.

c) Chart 16.2 presents a number of indicators enabling an assessment to be made of the competitiveness, in terms of prices and costs, of manufacturing industry in relation to its foreign competitors. The percentage changes shown in this chart indicate, in principle, a deterioration in competitiveness when they are positive and an improvement when they are negative.

— The competitiveness of manufacturing industry in terms of selling prices can be measured by means of a disparity index of unit export values (upper part of Chart 16.2). This index is obtained by dividing the index for the Belgian-Luxembourg Economic Union by that for the weighted total for the other countries of the Organisation for Economic Co-operation and Development, all the national indices having been converted into a common currency¹. As the changes in this index may be influenced by the different composition of the export baskets, competitiveness in prices can be more accurately measured by calculating the disparity index which would be arrived at if the structure of the manufactured products exported by the Belgian-Luxembourg Economic Union had been the same as that of the countries of the Organisation for Economic Co-operation and Development (right-hand bar of the chart).

— The competitiveness of Belgian manufacturing industry in terms of costs can be measured by a disparity index of cost prices, excluding financial charges (middle

part of Chart 16.2)¹. The index for Belgium, which forms the numerator of this disparity index, is an average, weighted by coefficients taken from input-output tables, of three indices : that of imported inputs, that of purchases from the other branches of the domestic economy estimated at factor cost and that of labour costs per unit of output in manufacturing industry. The index which constitutes the denominator is a weighted average of indices similar to that of Belgium calculated for its seven main competitors (Federal Republic of Germany, France, Italy, Netherlands, United Kingdom, United States and Japan). The calculations were made using index numbers expressed in a common currency.

— The lower section of Chart 16.2 shows separately the changes in the disparity index of labour costs per person employed, those in the disparity index of the apparent productivity of labour and those of their resultant, namely the disparity index of labour costs per unit of output², one of the three components used in calculating the cost price.

B. Main developments

The chief lessons which emerge from Table 16 are as follows :

a) The improvement of the current balance on a payments basis during the first nine months of 1982 compared with the previous year would appear to be due to the decrease in the deficit in respect of transactions in goods and the increase in the surplus produced by services; on the other hand, the deficit in respect of transfers appears to have become larger.

b) The substantial deficit in respect of transactions in goods, on a transactions basis, recorded in the first quarter is probably partly due to the adverse influence generally exerted by seasonal factors at this time of the year. Furthermore, the pronounced worsening of the deficit in March suggests that the devaluation also played a part. On the one hand, this had a mechanical effect : prices previously contractually stipulated remained unchanged in the various currencies of payment, so that, expressed in Belgian francs, they were increased to the extent of the percentage increase in the cost of the foreign currencies applied to the portion of imports and exports to be paid for in these currencies ;

¹ The methodology and statistical sources employed are identical to those used for the article entitled « L'essoufflement de l'économie belge dans la décennie passée », Bulletin of the National Bank of Belgium, LVIth year, Volumes I, Nos. 5-6 and II, No. 1, May-June-July 1981, pp. 3-84. See, in particular, Table LVII, column (a).

² See the column (c) of Table LX and column (c) of Table LXIII of the article mentioned in note 1 above.

as this portion is traditionally larger for imports than for exports, and as the initial level of imports was higher than that of exports, this automatically led to an increase in the deficit in respect of transactions in goods. On the other hand, and above all, enterprises may have replenished their stocks to a certain extent; the domestic price control may well have caused a certain growth in demand from households and hence in imports of consumer goods, and the mechanisms peculiar to the European Economic Community's agricultural policy may have led to larger imports of agricultural products.

For the two subsequent quarters, transactions in goods are known only on a payments basis. On this basis they would appear, in the third quarter, to have produced a surplus (total of items 1.12, 1.2 and 1.3), which has only very rarely been the case in recent years.

c) The development of the balance of exports and imports between the first nine months of 1981 and the corresponding period of 1982 was influenced by, among other things, the movement of the terms of trade (Table 16.1). Despite the appreciation of the dollar and the devaluation of the Belgian and Luxembourg francs in relation to the other currencies of the European Monetary System, the rise in average unit import values would appear to have remained moderate, a fact which is attributable to the relatively small rises in the prices of non-energy raw materials and of certain semi-finished products. Average unit export values would appear to have increased somewhat faster: firstly, after the devaluation a large number of exporters probably incorporated in their Belgian-franc prices the rise in their costs brought about by the devaluation or even in some cases simply kept their prices in foreign currencies unchanged, thus increasing their receipts in Belgian francs; secondly, the prices of steel products rose sharply in the first half of the year under review, partly as a result of the agreements concluded at European level. All in all, therefore, the terms of trade appear to have improved slightly. Although such a development may seem surprising after a devaluation, it should be noted that the terms of trade of all the industrialised countries appear to have improved appreciably from the one year to the other.

d) Between the first nine months of 1981 and the corresponding period of 1982, the export volume index appears to have risen slightly (Table 16.1), despite the very pronounced weakness of world demand. This relatively favourable development is probably not uncon

nected with the recovery in the competitiveness of manufacturing industry in terms of costs and prices, which, according to the indicators shown in Chart 16.2, seems to have been in progress since 1978 or 1980 and to have continued during the year under review. With regard to developments during the latter year (estimates for the whole twelve-month period), the following observations can be made :

— The reduction of the disparity in cost prices (middle section of Chart 16.2) would appear to have quickened, so that, unlike in the previous year, the disparity would appear to have been greater than that estimated for unit export values (upper part of Chart 16.2); this would indicate the starting of a process of recovery in the relative competitiveness of exporting manufacturing industries.

— The reduction in the disparity in labour costs per unit of output (lower part of Chart 16.2) appears to have been much more marked than in the previous year, owing both to the development of labour costs per person employed and to that of the apparent productivity of labour.

e) The increase in the surplus in respect of transactions in services between 1981 and 1982 (first nine months) is the net result of various movements, the two most important of which — the one favourable and the other unfavourable — are the following (Table 16.3) :

— a reduction in the deficit of the item « foreign travel », for which receipts increased and expenditure decreased, probably because the depreciation of the franc induced a larger number of residents and foreigners to spend their holidays in Belgium and Luxembourg;

— a widening of the deficit left by income from direct and portfolio investment, almost entirely attributable to the growth in interest charges on the public sector's foreign debt.

f) The worsening, between the first nine months of 1981 and the corresponding period of 1982, of the traditional deficit in respect of transfers is due to a growth in expenditure on public transfers (Table 16). This consists mainly of the rise in the contributions and taxes paid to the European Communities. On the other hand, a slight reduction in the deficit is observable in the case of private transfers.

Table 16.1

FOREIGN TRADE
(Indices 1975 = 100)

	1979	1980	1981	1981				1982 <i>p</i>			First nine months	
				1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter	1981	1982 <i>p</i>
<i>Values</i>												
Exports	157.2	178.9	195.1	180.4	194.9	188.1	217.2	210.6	229.7	216.2	187.8	218.8
Imports	157.8	185.8	204.2	202.4	200.4	200.9	213.3	234.5	243.5	217.0	201.2	231.7
<i>Volumes</i>												
Exports	131.0	133.4	133.7	128.8	136.0	126.0	143.7	132.9	136.8	128.1	130.3	132.6
Imports	129.4	131.4	126.0	129.7	125.4	120.5	128.5	132.6	134.3	115.5	125.2	127.5
Coverage ratio ¹	101.2	101.5	106.1	99.3	108.5	104.6	111.8	100.2	101.9	110.9	104.1	104.0
<i>Average unit values</i>												
Exports	120.0	134.0	145.9	139.9	142.9	149.3	151.1	157.4	167.0	168.4	144.0	164.3
Imports	121.8	141.2	162.0	155.8	159.9	166.8	166.0	176.2	181.2	187.8	160.8	181.7
Terms of trade ²	98.5	94.9	90.1	89.8	89.4	89.5	91.0	89.3	92.2	89.7	89.6	90.4

Source : National Statistical Institute, Customs statistics.

1 $\frac{\text{Index of volume of exports}}{\text{Index of volume of imports}} \times 100.$

2 $\frac{\text{Index of average unit exports values}}{\text{Index of average unit import values}} \times 100.$

Table 17

SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1979	1980	1981	1981						1982 p					First nine months		
				1st qtr	of which :			2nd qtr	3rd qtr	4th qtr	1st qtr	of which :		2nd qtr	3rd qtr	1981	1982 p
					Jan. and Feb.	March	Jan. and Feb.					March					
1. Net commercial claims on foreign countries ¹ :																	
1.1 Claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks	- 2	- 20	- 49	- 4	+ 6	-10	-17	- 4	-24	+23	+23	...	n.a.	n.a.	- 25	n.a.	
1.2 Other claims	- 23	...	- 17	- 8	- 9	+ 1	- 5	- 1	- 3	- 2	+ 2	- 4	- 2	+13	- 14	+ 9	
Total 1 ...	- 25	- 20	- 66	-12	- 3	- 9	-22	- 5	-27	+21	+25	- 4	n.a.	n.a.	- 39	n.a.	
2. Other transactions of private-sector residents :																	
2.1 Direct and portfolio investments of enterprises and individuals in foreign countries ²	- 86	- 86	-102	-27	- 4	-23	- 5	-32	-38	-29	-21	- 8	...	-48	- 64	- 77	
of which :																	
2.11 Securities	(- 14)	(- 23)	(- 41)	(-10)	(- 4)	(- 6)	(- 3)	(- 6)	(-22)	(-14)	(- 5)	(- 9)	(-13)	(-20)	(- 19)	(- 47)	
2.12 Deposits :																	
2.121 in Belgian and Luxembourg francs	(- 26)	(- 36)	(- 37)	(- 5)	(- 3)	(- 2)	(-11)	(-14)	(- 7)	(- 5)	(- 3)	(- 2)	(- 5)	(-13)	(- 30)	(- 23)	
2.122 in foreign currencies	(- 4)	(- 19)	(- 18)	(-12)	(...)	(-12)	(...)	(- 3)	(- 3)	(-10)	(- 9)	(- 1)	(+ 6)	(- 8)	(- 15)	(- 12)	
2.13 Direct investments ³	(- 33)	(- 2)	(- 1)	(+ 2)	(+ 5)	(- 3)	(+11)	(- 9)	(- 5)	(- 1)	(- 5)	(+ 4)	(+13)	(- 6)	(+ 4)	(+ 6)	
2.2 Net spot and forward assets in foreign currencies held by enterprises and individuals with Belgian and Luxembourg banks ⁴	+ 15	+ 5	- 83	-17	-11	- 6	-30	-26	-10	- 2	-10	+ 8	-24	+ 4	- 73	- 22	
2.3 Spot and forward position in foreign currencies of Belgian and Luxembourg banks ⁵	+ 22	- 20	- 23	- 6	- 5	- 1	-19	...	+ 2	-11	+ 4	-15	-31	-27	- 25	- 69	
Total 2 ...	- 49	-101	-208	-50	-20	-30	-54	-58	-46	-42	-27	-15	-55	-71	-162	-168	
3. Other transactions of non-residents with the resident private sector :																	
3.1 Direct and portfolio investments with enterprises and individuals ⁶	+ 37	+ 73	+108	+18	+ 8	+10	+48	+ 9	+33	+11	+ 7	+ 4	+20	+20	+ 75	+ 51	
of which :																	
3.11 Direct investments ³	(+ 30)	(+ 43)	(+ 52)	(+ 9)	(+ 2)	(+ 7)	(+22)	(+ 5)	(+16)	(+ 2)	(+ 1)	(+ 1)	(+23)	(+12)	(+ 36)	(+ 37)	
3.12 Loans ⁷	(+ 2)	(+ 16)	(+ 30)	(+ 9)	(+ 3)	(+ 6)	(+ 6)	(+ 9)	(+ 6)	(+ 3)	(+ 2)	(+ 1)	(+ 4)	(+ 1)	(+ 24)	(+ 8)	
3.2 Net spot and forward assets in Belgian and Luxembourg francs held with Belgian and Luxembourg banks ⁸	+ 27	+ 49	- 39	-22	- 1	-21	+13	-17	-13	+ 4	+ 3	+ 1	- 9	+48	- 26	+ 43	
Total 3 ...	+ 64	+122	+ 69	- 4	+ 7	-11	+61	- 8	+20	+15	+10	+ 5	+11	+68	+ 49	+ 94	
4. (= 1 to 3) Grand total	- 10	+ 1	-205	-66	-16	-50	-15	-71	-53	- 6	+ 8	-14	n.a.	n.a.	-152	n.a.	
4bis. (= 1.2 + 2 + 3) Grand total excluding commercial claims on foreign countries arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks	- 8	+ 21	-156	-62	-22	-40	+ 2	-67	-29	-29	-15	-14	-46	+10	-127	- 65	

¹ Plus sign : decrease in claims; minus sign : increase.² Plus sign : realisation of previous direct and portfolio investments; minus sign : new direct and portfolio investments.³ Formation of companies, acquisition of interests and loans (excluding those known not to be between affiliated enterprises).⁴ Plus sign : decrease in net assets of enterprises and individuals; minus sign : increase.⁵ Plus sign : decrease in net assets of banks; minus sign : increase. Not including fixed assets and interests (recorded in item 2.13), amounts not payable (recorded in item 3.11) and commercial credits (recorded in item 1.2).⁶ Plus sign : new direct and portfolio investments; minus sign : realisation of previous direct and portfolio investments.⁷ Loans which are known not to be between affiliated enterprises; they are for the most part long-term loans contracted abroad by Belgian enterprises.⁸ Plus sign : increase in net assets of non-residents; minus sign : decrease.

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

COMMENTS ON TABLE 17 :

SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

A. Methodology

According to the recommendations of the International Monetary Fund, balance of payments statistics should only record, as capital transactions of the private sector, spot transactions, both in francs and in foreign currencies, between residents of the Belgian-Luxembourg Economic Union and foreign countries. Some of these transactions — especially those of resident banks with foreign countries — are, however, carried out as the counterpart to transactions between residents or forward foreign exchange transactions. Table 17 shows, apart from the above-mentioned spot transactions with foreign countries, the transactions of resident banks in foreign currencies with the main resident non-monetary sectors and forward foreign exchange transactions. It thus enables the possible causes of changes in the net foreign assets of banks to be identified : for instance, their foreign assets in foreign currencies may increase as the counterpart to a rise in their net liabilities in foreign currencies to resident enterprises and individuals ; their foreign liabilities in foreign currencies may increase because they finance subscription for foreign-currency certificates of the Belgian Treasury by borrowing from their foreign correspondents in these currencies ; their net foreign assets in foreign currencies may also be altered because they change their spot position in these currencies (in relation to the Belgian-Luxembourg Economic Union and foreign countries combined), or as the counterpart to forward transactions in the opposite direction, or « autonomously » ; their net foreign assets in francs may, furthermore, change because non-residents carry out spot transactions as the counterpart to forward transactions, etc.

B. Main developments

The chief lessons which emerge from Table 17 are as follows :

a) For the first nine months as a whole, the private sector's capital transactions resulted, as has already been stated, in much smaller net outflows than in 1981. The reduction would appear to have amounted to Fr. 65 billion ; an even higher estimate would very probably have been obtained for this reduction if it had been possible to take into account commercial claims on foreign countries resulting from exports and imports and not mobilised at resident banks ; as has been mentioned, these are not yet known for the second and third quarters of

1982. The main improvement was in the short-term transactions of residents and non-residents. One of the factors responsible for this development was probably a smaller fall in short-term interest rates in Belgium than abroad. This caused the interest-rate differentials in favour of investments in Belgian francs to become — especially in the second half of the year — appreciably wider than in the previous year and even than in 1980, when they had been sufficiently large to result in equilibrium of capital transactions with foreign countries, all commercial claims being included (Table 17.1).

b) The development described conceals divergent movements during the year. In January and February capital inflows took place, probably owing to the formation of a new government — putting an end to a period of political crisis — and to the announcement by that government of a programme designed to remedy the macro-economic disequilibria of the Belgian economy (item 4 of Table 17).

On the other hand, during the months following the devaluation, confidence in the Belgian franc seems to have temporarily weakened, probably because of rumours about a further adjustment of the central rates in the European Monetary System. Capital outflows thus started to take place again in March and the second quarter of the year (item 4 bis of Table 17).

Lastly, after the readjustment of the central rates which took place on 14th June had put an end to the speculation about further alterations in these rates, short-term capital movements were able to react fully to the interest-rate differentials in favour of the Belgian franc, with the result that in the third quarter there were net capital inflows of Fr. 10 billion, against net outflows of Fr. 67 billion in 1981.

c) An examination of capital transactions during the first nine months according to categories reveals four striking developments.

— Resident enterprises and individuals displayed greater preference for long-term investments (foreign securities : item 2.11 of Table 17) than for short-term investments in foreign currencies (deposits abroad or with resident banks : items 2.122 and 2.2), unlike what had happened in 1981.

— The foreign-currency assets of resident banks (item 2.3) increased much more than in the previous year.

— Belgian enterprises contracted less long-term loans abroad (item 3.12) : in 1981, public utilities, especially electricity producers, had resorted to such loans, whereas in 1982 they were able, thanks to a change in legislation, to raise funds in the domestic market by issuing shares (see Chapter VII).

— Non-residents increased their net assets in francs with resident banks, whereas they had reduced them in 1981 (item 3.2); the increase in 1982 is entirely due to the large rise in balances in convertible accounts during the third quarter of the year.

Table 17.1

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES¹

(Per cent)

	Euro-dollar	Euro-German Mark	Euro-guilder	Euro-Belgian franc	Difference to the advantage (+) or disadvantage (-) of the Euro-Belgian franc in relation to the		
					Euro-dollar	Euro-German mark	Euro-guilder
1979	12.03	6.31	9.08	10.89	- 1.14	+ 4.58	+ 1.81
1980	14.11	9.09	10.61	14.23	+ 0.12	+ 5.14	+ 3.62
1981	16.85	11.73	11.60	15.23	- 1.62	+ 3.50	+ 3.63
1982	13.16	8.55	8.38	14.06	+ 0.90	+ 5.51	+ 5.68
1982 1 st half	15.10	9.45	9.27	14.87	- 0.23	+ 5.42	+ 5.60
2 nd half	11.29	7.68	7.53	13.28	+ 1.99	+ 5.60	+ 5.75

¹ Average, per year or per half-year, of daily rates.

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Table 18

SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>p</i>	1981				1982				First nine months	
										1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr <i>p</i>	1981	1982
1. Transactions of public authorities :																			
1.1 with foreign countries	- 4	- 4	- 3	...	+12	+ 4	+ 26	+109	} n.a.	+32	+27	+20	+30	+44	+40	+34	} n.a.	+ 79	+118
1.2 in foreign currencies with Belgian and Luxembourg banks ¹ .....	...	...	+ 1	- 2	...	+36	+ 65	+ 98		+14	+19	+39	+26	+34	+42	+ 7		+ 72	+ 83
Total 1 ...	- 4	- 4	- 2	- 2	+12	+40	+ 91	+207		+46	+46	+59	+56	+78	+82	+41		+151	+201
2. Transactions of public enterprises ² :																			
2.1 with foreign countries	- 1	...	+ 9	+ 3	- 4	+32	+ 63	+ 31	} n.a.	- 5	+ 3	+16	+17	+ 1	+ 6	+ 3	} n.a.	+ 14	+ 10
2.2 in foreign currencies with Belgian and Luxembourg banks ¹ .....	...	- 1	+ 1	- 1	...	...	...	+ 20		...	+ 8	+ 4	+ 8	...	...	...		+ 12	...
Total 2 ...	- 1	- 1	+10	+ 2	- 4	+32	+ 63	+ 51		- 5	+11	+20	+25	+ 1	+ 6	+ 3		+ 26	+ 10
3. Grand total	- 5	- 5	+ 8	...	+ 8	+72	+154	+258	+249	+41	+57	+79	+81	+79	+88	+44	+38	+177	+211

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

COMMENTS ON TABLE 18 :

SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

A. Methodology

Table 18 gives details of the capital transactions of the public sector which appear in item 2.3 of Table 15. The public sector is defined as the aggregate consisting of the public authorities proper together with the public operating organisations and the public-sector financial intermediaries.

B. Main developments

The chief lessons which emerge from Table 18 are as follows :

- a) During the first nine months of the year under review, public-sector capital inflows increased, to Fr. 211 billion against Fr. 177 billion in 1981, the greater part of them being accounted for by the transactions of the public authorities. These inflows reached substantial amounts, particularly during the first half of the year ; during the third quarter, on the other hand, they were distinctly smaller, the deficit in respect of current transactions and the private sector's capital transactions having ceased to draw off funds from the domestic money and capital markets.
- b) According to still provisional data, public-sector capital inflows during the last quarter of 1982 would appear to have amounted to only about Fr. 38 billion, thus bringing the total for the year up to about Fr. 249 billion, against Fr. 258 billion the previous year.

Table 19

NET FOREIGN EXCHANGE RESERVES OF THE NATIONAL BANK OF BELGIUM

(Changes in billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1981				1982				First nine months	
										1st qtr	2nd qtr	3rd qtr	4th qtr	1st qtr	2nd qtr	3rd qtr	4th qtr	1981	1982
1. Gold holding .....	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2. Assets held at the International Monetary Fund ¹	- 1	+ 5	+ 1	- 1	- 7	- 4	- 4	- 2	- 1	- 2	+ 1	...	- 1	...	+ 1	- 1	- 1	- 1	...
3. Net claims on or liabilities to the European Monetary Co-operation Fund ² :																			
3.1 Ecus	—	—	—	—	—	-25	-27	-79	+48	-71	- 1	- 3	- 4	+19	- 3	+27	+ 5	-75	+43
3.2 Other	- 4	...	...	-24	- 5	- 1	+28	- 3	-14	...	...	...	- 3	+ 3	...	...	-17	...	+ 3
4. Foreign currencies	+18	+14	-26	+16	- 2	- 1	+30	-10	-74	+25	+ 4	-36	- 3	-35	-15	+32	-56	- 7	-18
5. Belgian francs ³	- 1	- 1	...	...	- 2	...	...	- 2	+ 3	+ 1	...	- 1	- 2	+ 2	- 3	+ 2	+ 2	...	+ 1
Total ...	+12	+18	-25	- 9	-16	-31	+27	-96	-38	-47	+ 4	-40	-13	-11	-20	+60	-67	-83	+29

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

² The plus sign indicates an increase in net claims or a decrease in net liabilities; the minus sign indicates a decrease in net claims or an increase in net liabilities.

³ Difference between claims on foreign countries (other than commercial claims) and liabilities to foreign countries, particularly to the central banks and the European institutions.

COMMENTS ON TABLE 19 :

NET FOREIGN EXCHANGE RESERVES OF THE NATIONAL BANK OF BELGIUM

A. Methodology

a) The changes in the Bank's foreign exchange reserves are estimated, like other balance of payments transactions, at the rates of exchange of the transactions. They do not take into account the allocations of special drawing rights to Belgium in 1979, 1980 and 1981 or the transactions resulting from the entry into force, on 13th March 1979, of the European Monetary System and, subsequently, some of its implementing measures.

b) Table 19.1 contains a comparison, made at two dates, between the outstanding amount, expressed in terms of current exchange rates and prices, of the Bank's net foreign exchange reserves, on the one hand, and the outstanding amount, expressed in the same way, of certain debts of the Belgian-Luxembourg Economic Union and Belgium, on the other. For details concerning the method employed in compiling this table, readers are referred to the article on « L'évolution des avoirs et engagements de la Belgique vis-à-vis de l'étranger de 1970 à 1981 », Bulletin of the National Bank of Belgium, LVIIth year, Volume I, No. 6, June 1982, pp. 29 and 30.

— The table confines itself to the public sector, the banks and the Bank, because these are the only sectors of the economy for which the outstanding amount of debts to and claims on foreign countries is known. The fact of having to disregard the net claims of individuals and non-bank enterprises because they cannot be estimated with sufficient accuracy is no great disadvantage, even though it is known that they must represent fairly large amounts. This is because the table only takes claims into account insofar as they could possibly be mobilised without too much difficulty in order to repay debts; this is not, however, the case with the afore-mentioned claims of individuals and enterprises. Nor is it generally the case with the claims of the public operating organisations and the public authorities, a by no means negligible part which consists of long-term loans made by the Belgian Government to developing countries; it is therefore the gross indebtedness of these two sectors that is recorded in the table. On the other hand, for the banks and the non-monetary public-sector financial intermediaries, the claims are regarded as being mobilisable and are therefore deducted from the indebtedness; an exception has been made, however, for commercial claims on foreign countries mobilised at banks, without which the export trade would be paralysed; these claims are shown as a memorandum item in the table.

— The liabilities which represent the counterpart of the Belgian-franc deposits of resident non-bank enterprises and individuals with foreign banks have been deducted from the indebtedness of the banks and from that of the public sector.

B. Main developments

The chief lessons which emerge from Table 19 are as follows :

- a) The foreign exchange reserves increased by Fr. 29 billion during the first nine months of 1982, whereas they had fallen by Fr. 83 billion the previous year. The major categories of transactions which have been discussed earlier on — current transactions on a payments basis, capital transactions of the private sector and capital transactions of the public sector — all three contributed to the turn-round which thus took place from one period to the other.
- b) Expressed at current prices and exchange rates, the net foreign exchange reserves had reached an appreciably higher level on 30th September 1982 than at the end of the previous year (Table 19.1). The whole of the increase took place during the third quarter of the year under review ; it resulted from the transactions of that period, but above all from the sharp rise in the price of gold. Despite this increase, and in contrast to the position nine months earlier, the foreign exchange reserves on 30th September were smaller than the total indebtedness of the Belgian-Luxembourg Economic Union as recorded in Table 19.1. Furthermore, their shortfall in relation to the indebtedness of the same nature of Belgium alone had grown compared with the end of 1981, mainly owing to the sharp rise in the gross indebtedness of the public authorities and the public operating organisations, the net indebtedness of the banks, on the other hand, having fallen slightly.
- c) In the last quarter of the year the reduction in the foreign exchange reserves of Fr. 67 billion (Table 19) would appear to be due to a deficit of the order of Fr. 105 billion for the current and capital transactions of the private sector, only very partly offset by a surplus of Fr. 38 billion in the public sector's capital transactions.

Over the whole year the foreign exchange reserves thus fell by Fr. 38 billion.

Table 19.1

NET FOREIGN INDEBTEDNESS OF THE BANKS AND THE PUBLIC SECTOR AND
NET FOREIGN EXCHANGE RESERVES OF THE NATIONAL BANK OF BELGIUM

(Outstanding amounts, in billions of francs, at current exchange rates and prices)

	End December 1981		End September 1982	
	Belgian-Luxembourg Economic Union	Belgium	Belgian-Luxembourg Economic Union	Belgium
Indebtedness (-) to foreign countries and in foreign currencies to resident sectors :				
— net indebtedness of banks ¹	- 19	- 158	+ 12	- 126
— net indebtedness of non-monetary financial intermediaries of the public sector ...	- 130	- 136	- 143	- 148
— gross indebtedness of the public authorities ² and the public operating organisations	- 502	- 555	- 782	- 860
Total indebtedness	- 651	- 849	- 913	- 1,134
Assets (+) :				
— net foreign exchange reserves of the National Bank of Belgium	+ 705	+ 705	+ 876	+ 876
<i>p.m.</i> Commercial claims on foreign countries mobilised at the banks	+ 128	+ 127	+ 117	+ 117

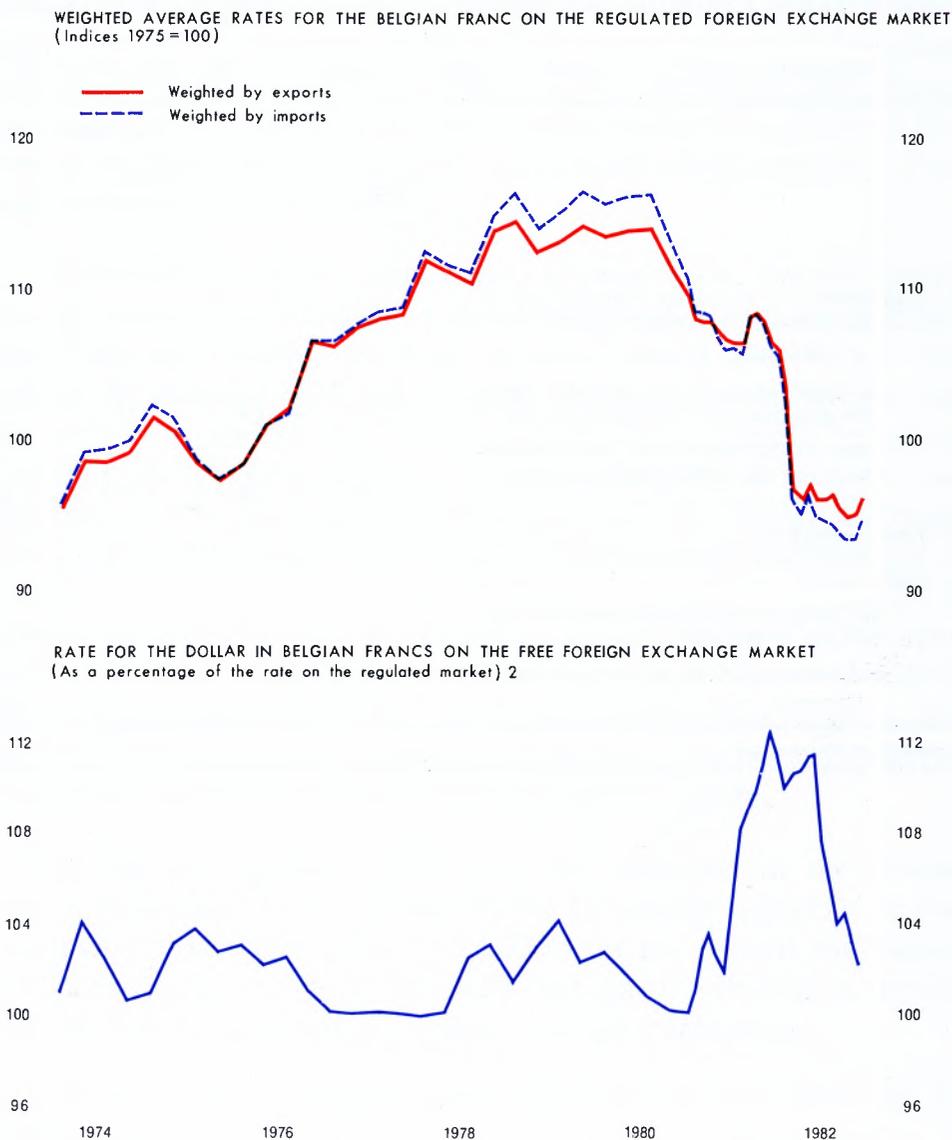
¹ Including forward transactions.

² Not including the Treasury bills in Belgian francs given in payment for Belgium's participation in international credit organisations.

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Chart 20

EXCHANGE RATES ¹



¹ 1974 to 1980 : averages, per quarter, of daily rates. 1981 and 1982 : averages, per month, of daily rates.

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

COMMENTS ON CHART 20 :

EXCHANGE RATES

A. Methodology

a) The indices of the weighted average exchange rates for the Belgian franc on the regulated market appearing in the upper part of Chart 20 are calculated by applying to the indices of the bilateral rates for the franc in relation to the currencies of the main trading partners a weighting which is representative of the share of the latter in the exports and imports, respectively, of the Belgian-Luxembourg Economic Union. The method of calculation of these indices is explained in detail in Annexes 14 and 15 to the article « Les indices du cours de change moyen pondéré ou effectif du franc belge », Bulletin of the National Bank of Belgium, LIInd year, Volume I, No. 5, May 1977, pp. 45-49.

b) The lower part of Chart 20 shows the premium of the foreign currencies on the free market as a percentage of their exchange rates on the regulated market. As opposed to what happens on the regulated market, where the Bank has to keep the exchange rates within the limits set by the European Monetary System, free-market transactions take place at an exchange rate which is formed freely, in other words, without intervention by the Bank.

In principle, it is capital transactions that are carried out via the free market, with the exception, however, of those connected with transactions in goods. For certain current transactions the foreign exchange regulations allow a choice between the two markets. Consequently, as soon as free-market rates become higher than those on the regulated market, the expenditures of these transactions take place on the regulated market while the receipts are collected on the free market; thus, the free market is provided with a net supply of currencies which enables it to finance capital outflows. During certain periods, however, demand for foreign currencies with a view to such capital exports may become so strong that the supply becomes inadequate, and the premium of foreign currencies on the free market may then reach relatively high levels.

c) Chart 20.1 shows the development of the divergence indicator of the franc on the regulated market; this indicator provides a measure of the average differential between the rates actually applied in this market and the central rates established within the European Monetary System; for the exact way in which the indicator is calculated, readers are referred to the article entitled « Le Système Monétaire Européen », Bulletin of the National Bank of Belgium, LIVth year, Volume II, Nos 1-2, July-August 1979, pp. 37-39. The « divergence threshold » is crossed when the divergence indicator reaches 75 p.c. of its maximum value.

B. Main developments

The chief lessons which emerge from Chart 20 are as follows :

a) During the first quarter of the year the weighted average exchange rate for the Belgian franc on the regulated foreign exchange market showed a sharp fall, connected with the appreciation of the dollar and above all with the Government's decision to devalue the franc, with effect from 22nd February, by 8.5 p.c. within the European Monetary System.

During the rest of the year the weighted average rate declined slightly further on balance, mainly because the dollar rate was higher in December than in March. In December the index weighted by imports stood at 94.6 (basis 1975 = 100), against 106.3 a year earlier, which represents a depreciation of 11 p.c. In comparison with the average for 1979 — during which year the weighted average rate for the franc had reached a peak — the depreciation recorded in December amounted to 17.9 p.c.

b) The premium on foreign currencies in the free market had increased substantially in the course of 1981; the monthly average for December had in fact been over 12 p.c.

During the year under review the difference between the rates on the two markets narrowed. Until the end of the first half of the year the premium remained substantial, although smaller than at the end of 1981 (+ 9.6 p.c. in June against + 12.6 p.c. in December 1981), owing to the strong preference for investments in foreign currencies. As the incentives to export funds lessened in the second half of the year and foreign travel — transactions partly settled in notes on the free market — gave rise to smaller deficits, the premium subsequently decreased considerably; by December it had declined to an average of 2.9 p.c.

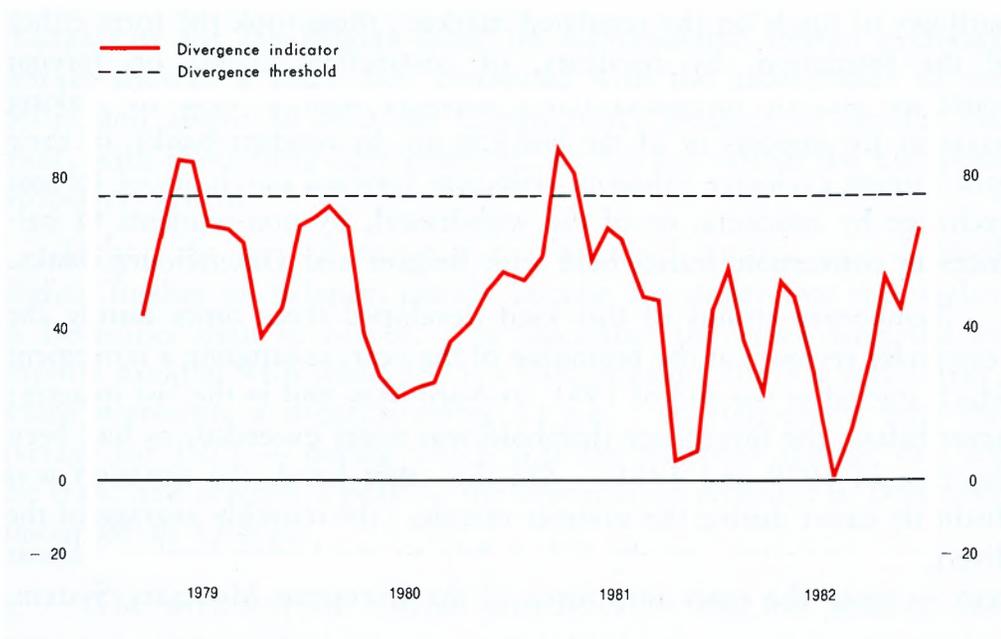
c) Since the creation of the European Monetary System the market rate for the Ecu in francs, in monthly averages, has constantly been above its central rate, so that the value of the divergence indicator for the Belgian franc has always remained positive; the Belgian franc has therefore constantly been in a weak position in comparison with the average of the other currencies of the European Monetary System

(Chart 20.1). This weakness is explained by the substantial structural deficit in the current transactions of the Belgian-Luxembourg Economic Union; it should be noted, however, that the periods when temporary large rises in the divergence indicator took place, sometimes causing the divergence threshold to be exceeded, were also characterised by outflows of funds on the regulated market : these took the form either of the formation, by residents, of commercial claims on foreign countries and of foreign-currency deposits with a view to making payment for imports or of the building up, by resident banks, of their spot foreign exchange position, reflecting forward purchases of foreign exchange by residents, or of the withdrawal, by non-residents of balances in convertible francs held with Belgian and Luxembourg banks.

Temporary strains of this kind developed three times during the year under review : at the beginning of the year, continuing a movement which started at the end of 1981, in April-May and in the last quarter ; nevertheless, the divergence threshold was never exceeded, as had been the case in 1979 and 1981. On the other hand, the situation was distinctly easier during the summer months : the monthly average of the divergence indicator actually fell in July to the lowest level — almost zero — since the entry into force of the European Monetary System.

Chart 20.1

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



¹ Averages, per month, of daily data.

CHAPTER VII

FINANCIAL ASSETS AND LIABILITIES

Table 21

FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>	First ten months	
										1981	1982 <i>p</i>
1. Individuals and companies :											
1.1 Net financing capacity (+) or requirement (-):											
1.11 Individuals	+ 147	+ 175	+ 208	+ 175	+ 170	+ 180	+ 222	+ 384	+ 361	n.a.	n.a.
1.12 Companies	- 59	- 35	- 18	+ 1	+ 32	+ 13	+ 32	+ 52	+ 124	n.a.	n.a.
1.13 Total	+ 88	+ 140	+ 190	+ 176	+ 202	+ 193	+ 254	+ 436	+ 485	n.a.	n.a.
1.2 Net financial surplus :											
1.21 Formation of financial assets (+) ¹ :											
1.211 Net commercial claims on foreign countries not mobilised at banks ²	- 5	- 14	+ 27	- 17	+ 19	+ 3	+ 22	+ 49	n.a.	+ 31	n.a.
1.212 Other	+ 295	+ 371	+ 437	+ 469	+ 432	+ 463	+ 437	+ 582	n.a.	+ 497	+ 507
1.213 Total	+ 290	+ 357	+ 464	+ 452	+ 451	+ 466	+ 459	+ 631	n.a.	+ 528	n.a.
1.22 New liabilities (-)	- 186	- 214	- 277	- 277	- 277	- 310	- 246	- 209	n.a.	- 164	- 93
1.23 Total (1.213 + 1.22)	+ 104	+ 143	+ 187	+ 175	+ 174	+ 156	+ 213	+ 422	+ 469	+ 364	n.a.
(p.m. Total 1.212 + 1.22)	(+ 109)	(+ 157)	(+ 160)	(+ 192)	(+ 155)	(+ 153)	(+ 191)	(+ 373)	(n.a.)	(+ 333)	(+ 414)
1.3 Statistical adjustment (1.13 - 1.23)	- 16	- 3	+ 3	+ 1	+ 28	+ 37	+ 41	+ 14	+ 16	n.a.	n.a.
2. Public authorities :											
2.1 Net financing requirement	- 85	- 149	- 193	- 218	- 253	- 291	- 422	- 594	- 623	n.a.	n.a.
2.2 Net financial deficit	- 80	- 136	- 171	- 195	- 227	- 281	- 403	- 565	- 607	- 492 ³	- 520 ³
2.3 Statistical adjustment (2.1 - 2.2)	- 5	- 13	- 22	- 23	- 26	- 10	- 19	- 29	- 16	n.a.	n.a.
3. Rest of the world :											
3.1 Net financing capacity made available to Belgium (+) or net financing requirement met by Belgium (-)	- 3	+ 9	+ 3	+ 42	+ 51	+ 98	+ 168	+ 158	+ 138	+ 124	n.a.
3.2 Net financial surplus (+) or deficit (-) :											
3.21 Taking the form of a change in net commercial claims on foreign countries not mobilised at banks (increase = -) ²	+ 5	+ 14	- 27	+ 17	- 19	- 3	- 22	- 49	n.a.	- 31	n.a.
3.22 Other	- 12	- 2	+ 31	+ 24	+ 73	+ 128	+ 185	+ 207	n.a.	+ 155	+ 92
3.23 Total	- 7	+ 12	+ 4	+ 41	+ 54	+ 125	+ 163	+ 158	+ 138	+ 124	n.a.
3.3 Statistical adjustment (3.1 - 3.23)	+ 4	- 3	- 1	+ 1	- 3	- 27	+ 5	...	...	...	n.a.
4. Balance of financial surpluses and deficits	+ 17	+ 19	+ 20	+ 21	+ 1	...	- 27	+ 15	...	- 4⁴	- 14⁴

¹ Minus sign : realisation of financial assets.² Claims arising in connection with Belgium's exports and imports.³ Excluding social security and communities and regions.⁴ Including social security and communities and regions.

COMMENTS ON TABLE 21 :

FINANCIAL ACCOUNTS BY SECTOR

A. Methodology

a) Table 21 shows the balances, for the various sectors, of the transactions appearing in Tables 10, 11, 12 and 14. It also constitutes the link between these data and the financial data.

b) Items 1.11, 1.12, 2.1 and 3.1 of this table in fact show the net financing capacities and requirements of the sectors, as they appear in the last item of the above-mentioned tables. By definition, these balances must cancel each other out. In Table 21.1 they are expressed as percentages of the gross national product.

c) Each sector's net financing capacity or requirement, obtained as the difference between its disposable income, adjusted for capital transfers, and its expenditure, must in principle have an exact counterpart in its financial surplus or deficit (items 1.23, 2.2, 3.23 of Table 21), which, for its part, is obtained as the difference between its formation of financial assets and its new liabilities. In practice there is for each sector a statistical deviation (items 1.3, 2.3 and 3.3). This is attributable to, among other things, the fact that the date of recording of the transactions may differ between the two angles of approach ; thus, for instance, for the calculation of the public authorities' financing requirement the transactions are in a number of cases entered in the books at a date different from that of payment, for example at the time when payment becomes due, whereas it is the actual payments which induce the public authorities to contract new liabilities. The statistical deviations are furthermore due and probably to an even greater extent, to errors and omissions in the collection of the data.

d) Likewise the balance of the sectoral financial surpluses and deficits should in principle be zero, as every new liability has as its counterpart the formation of a financial asset. The fact that this is not the case (item 4) is explained here again by errors and omissions in the recording of the data.

e) With regard to the financial surpluses and deficits, the following points should also be noted :

- for lack of adequate information, it was not possible to make a breakdown of these between individuals and companies, as was done for the net financing capacities and requirements ;

- for the reasons stated in Chapter VI, they do not take into account in 1982 the commercial claims on foreign countries arising in connection with exports and imports and not mobilised at banks ;

- the changes in financial assets and liabilities in foreign currencies were corrected in order to eliminate the purely accounting effects of the fluctuations in exchange rates ;

- the formation of financial assets and the new liabilities will be presented in detail, for the domestic sectors, in Tables 22, 23 and 24.

B. Main developments

The chief lessons which emerge from Table 21 are as follows :

- a) The public authorities' net financing requirement would appear to have grown by about Fr. 29 billion during the year under review, having risen from Fr. 594 billion in 1981 to Fr. 623 billion in 1982. This increase would appear to have been more than covered by the expansion in the financing capacity of individuals and companies, estimated at about Fr. 49 billion, while on the other hand the financing capacity made available to Belgium by the rest of the world appears to have fallen by Fr. 20 billion, from Fr. 158 to 138 billion.
- b) Notwithstanding the general worsening of activity and the operation of the automatic stabilisers, the public authorities' net financing requirement would appear to have declined slightly as a proportion of the national product, namely from 16.5 p.c. in 1981 to 16.1 p.c. in 1982, as a result of autonomous economy measures and the rise in direct tax revenue. On the other hand, the policy pursued by the Government made possible a transfer of resources to the companies sector which led to a pronounced increase in the net financing capacity of companies, particularly as their capital expenditure proved relatively sluggish during the year under review. The net financing capacity of individuals, however, would appear to have decreased by over a percentage point, despite the weakness of demand for housing. The restoration of the competitiveness of Belgian producers during the last few years, together with the fact that domestic deflation was greater in Belgium than abroad, appears to have reduced the financing capacity made available to Belgium by the rest of the world to 3.6 p.c. of the gross national product, against 4.4 p.c. in 1981 (Table 21.1).
- c) The movements of the sectoral financing requirements and capacities appear to be confirmed by the provisional data available concerning the net financial deficits and surpluses during the first ten months of the year (Table 21). According to these data, the net financial surplus of individuals and companies — excluding net commercial claims on foreign countries not mobilised at banks — appears to have increased by Fr. 81 billion compared with the first ten months of 1981. However, the fragmentary data available suggest that the increase will probably be less marked when account is taken of these claims.

Table 21.1

NET FINANCING CAPACITY (+) OR DEFICIT (-) BY SECTOR

(Percentages of gross national product)

	1974	1975	1976	1977	1978	1979	1980	1981	1982 <i>e</i>
1. Individuals	+ 7.0	+ 7.5	+ 7.9	+ 6.1	+ 5.6	+ 5.6	+ 6.4	+10.7	+ 9.3
2. Companies	- 2.8	- 1.5	- 0.7	+ 0.1	+ 1.0	+ 0.4	+ 0.9	+ 1.4	+ 3.2
3. Public authorities	- 4.1	- 6.4	- 7.3	- 7.6	- 8.2	- 8.9	-12.2	-16.5	-16.1
4. Rest of the world ...	- 0.1	+ 0.4	+ 0.1	+ 1.4	+ 1.6	+ 2.9	+ 4.9	+ 4.4	+ 3.6

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Table 22

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES¹*(Billions of francs)*

	In Belgian francs			In foreign currencies ²			Other		Grand total	Grand total excluding commercial claims
	At up to one year	At over one year	Total ³	At up to one year	At over one year	Total	Commercial claims ⁴	Miscellaneous		
1974	+ 179	+ 97	+ 276	+ 8	+ 14	+ 22	- 5	- 3	+ 290	+ 295
1975	+ 216	+ 112	+ 328	+ 7	+ 33	+ 40	- 14	+ 3	+ 357	+ 371
1976	+ 230	+ 154	+ 384	+ 20	+ 14	+ 34	+ 27	+ 19	+ 464	+ 437
1977	+ 188	+ 224	+ 412	+ 18	+ 17	+ 35	- 17	+ 22	+ 452	+ 469
1978	+ 225	+ 171	+ 396	...	+ 20	+ 20	+ 19	+ 16	+ 451	+ 432
1979	+ 178	+ 208	+ 386	+ 21	+ 11	+ 32	+ 3	+ 45	+ 466	+ 463
1980	+ 116	+ 259	+ 375	+ 49	+ 23	+ 72	+ 22	- 10	+ 459	+ 437
1981	+ 150	+ 206	+ 356	+ 111	+ 40	+ 151	+ 49	+ 75	+ 631	+ 582
1981 First 10 months	+ 57	+ 188	+ 245	+ 93	+ 25	+ 118	+ 31	+ 134	+ 528	+ 497
1982 First 10 months ^p	+ 82	+ 250	+ 332	+ 31	+ 45	+ 76	n.a.	+ 99	n.a.	+ 507

¹ Companies other than financial intermediaries, public operating organisations, life assurance companies and employers' liability insurance companies and pension funds. Minus sign : decrease in financial assets.

² After elimination of the purely accounting effects of alterations in exchange rates.

³ For details, see Table 22.1.

⁴ Net commercial claims on foreign countries arising in connection with Belgium's exports and imports and not mobilised at banks.

COMMENTS ON TABLE 22 :

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

A. Methodology

a) Table 22 gives a breakdown, by currency and by period, of item 1.21 « Formation of financial assets » of Table 21. This relates to the total formation of financial assets in Belgium and abroad.

b) The item « Other » in Table 22 is composed of assets whose breakdown between Belgian francs and foreign currencies is not known or is meaningless ; this applies, for instance, to « Commercial claims » and various other claims, on foreign countries or on the financial intermediaries, which have been calculated as balances.

c) Table 22.1 provides an even more detailed breakdown of the financial assets formed in Belgian francs by individuals and companies. Some of these assets are placed in a wider context or presented in a more detailed form in Tables 22.2 to 22.5. Table 22.2 thus shows with which categories of financial intermediaries the formation of deposits on ordinary deposit or savings books took place. Table 22.3 gives the classification, according to purchasers, of total net issues of bonds and notes at over one year in Belgian francs and Table 22.4 classifies the same total according to issuers. Table 22.5 breaks down among the various issuers the net purchases, by individuals and companies, which appear in the penultimate column of Table 22.3.

B. Main developments

The chief lessons which emerge from Table 22 are as follows :

a) If net commercial claims on foreign countries are disregarded, the formation of financial assets by individuals and companies was hardly any greater during the first ten months of 1982 than in the corresponding period of 1981 : Fr. 507 billion against Fr. 497 billion. It is even probable that estimates taking the above-mentioned claims into account would reveal a decrease from the one year to the next.

b) The formation of financial assets in foreign currencies, which had been very substantial during the first ten months of 1981, when it had reached Fr. 118 billion, fell to Fr. 76 billion in 1982. This decline took place entirely in the formation of financial assets at up to one year,

which dropped from Fr. 93 to 31 billion. On the other hand, formation of assets at over one year increased further, probably owing to expectations of a fall in the interest rates on investments in most foreign currencies, inducing investors to replace investments at up to one year by investments at over one year.

c) The formation of financial assets in Belgian francs increased sharply, both in the case of assets at over one year and in that of those with shorter maturities.

d) Table 22.1 shows that the rise in the formation of financial assets in Belgian francs at up to one year conceals movements in opposite directions : a rise in the case of cash holdings and above all of time deposits and a decline in that of deposits on ordinary deposit or savings books. The marked preference for time deposits, especially those of less than Fr. 5 million, might be connected with, among other things, the reduction in the formation of deposits in foreign currencies and might have been induced by the appearance of a larger interest-rate differential in favour of the Belgian franc. The reduction in the formation of deposits on ordinary deposit or savings books — which, as is shown by Table 22.2, is observable in the case of all categories of institutions receiving such deposits — confirms the loss of interest on the part of individuals in this type of asset since the remuneration on other assets became more attractive in 1979.

e) The growth in the formation of financial assets in Belgian francs at over one year is observable mainly in the item « Bonds and notes » and to a smaller extent in the item « Shares ».

— The total of net issues of bonds and notes rose substantially during the first ten months of 1982, from Fr. 178 billion to 302 billion (Table 22.3). Apart from individuals and companies, it was mainly the financial intermediaries that increased their purchases of these securities (first and second columns of Table 22.3), by subscribing for the greater part of the public authorities' net issues, which thus increased from Fr. 34 to 98 billion (Table 22.4). These financial intermediaries were in fact virtually the only beneficiaries of the substantial increase in net purchases of bonds and notes by individuals and companies (Table 22.5). On the other hand, these two categories' purchases of bonds issued by the public authorities continued to decline.

— The revival of interest in new share issues is undoubtedly connected with the tax advantages granted by Royal Decree No. 15 of

9th March 1982. By virtue of the so-called « Cooreman » section of that decree, the portion of profits paid out in the form of dividends on new shares which comply with the conditions laid down by this section is exempt from corporation tax up to a certain amount. Furthermore, no personal income tax, apart from the Preliminary Tax on Personal Property levied at source, is payable on the dividend incomes on these new shares for the periods mentioned in the decree, and these securities are exempt from death duty and the duty of gifts. The same decree also contains a so-called « Monory » section which, on certain conditions, allows individuals, up to a certain ceiling, to deduct their purchases of new or existing shares from their taxable income.

Table 22.1

FORMATION OF FINANCIAL ASSETS IN BELGIAN FRANCS BY INDIVIDUALS AND COMPANIES

(Billions of francs)

	At up to one year							At over one year				Grand total
	Cash holdings	Deposits on ordinary deposit or savings books ¹	Time deposits		Notes	Miscellaneous ²	Total	Bonds and notes ³	Deposits	Shares ⁴	Total	
			Deposits of Fr. 5 million or over, in Belgium	Other								
1974	+ 35	+ 51	+ 18	+ 68	+ 7	...	+ 179	+ 91	- 1	+ 7	+ 97	+ 276
1975	+ 92	+ 137	- 13	- 11	+ 10	+ 1	+ 216	+ 95	+ 13	+ 4	+ 112	+ 328
1976	+ 37	+ 106	+ 44	+ 43	+ 4	- 4	+ 230	+ 149	+ 3	+ 2	+ 154	+ 384
1977	+ 73	+ 103	- 8	+ 13	+ 5	+ 2	+ 188	+ 207	+ 7	+ 10	+ 224	+ 412
1978	+ 48	+ 106	+ 22	+ 29	+ 15	+ 5	+ 225	+ 160	+ 1	+ 10	+ 171	+ 396
1979	+ 26	+ 73	+ 23	+ 62	- 4	- 2	+ 178	+ 203	+ 1	+ 4	+ 208	+ 386
1980	+ 4	+ 2	+ 11	+ 112	- 11	- 2	+ 116	+ 256	+ 1	+ 2	+ 259	+ 375
1981	+ 37	+ 46	+ 23	+ 38	- 5	+ 11	+ 150	+ 203	+ 2	+ 1	+ 206	+ 356
1981 First 10 months	+ 3	- 19	+ 30	+ 43	- 5	+ 5	+ 57	+ 184	+ 2	+ 2	+ 188	+ 245
1982 First 10 months p	+ 15	- 43	+ 33	+ 87	- 4	- 6	+ 82	+ 231	+ 6	+ 13	+ 250	+ 332

¹ For details, see Table 22.2.² Other assets formed with domestic financial intermediaries and assets formed with domestic non-financial sectors.³ For details, see Table 22.5.⁴ Public issues only.

Table 22.2

FORMATION OF DEPOSITS ON ORDINARY DEPOSIT OR SAVINGS BOOKS¹
(Billions of francs)

	Institutions receiving deposits				Total
	Banks	General Savings and Pensions Fund	Private savings banks	Public financial credit intermediaries	
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
1981	+ 15	+ 7	+ 13	+ 11	+ 46
1981 First 10 months	- 4	- 13	- 4	+ 2	- 19
1982 First 10 months p	- 11	- 18	- 11	- 3	- 43

¹ Minus sign : withdrawal of deposits.

Table 22.3

NET ISSUES OF BONDS AND NOTES AT OVER ONE YEAR IN BELGIAN FRANCS

Classified according to purchasers

(Billions of francs)

	Mainly monetary institu- tions	Other financial inter- mediaries ¹	Public authorities	Foreign countries	Others ²	Total
1974	+ 41	+ 26	+ 2	...	+ 91	+ 160
1975	+ 49	+ 59	...	+ 3	+ 95	+ 206
1976	+ 33	+ 40	+ 2	+ 9	+ 149	+ 233
1977	+ 92	+ 80	...	+ 5	+ 207	+ 384
1978	+ 53	+ 67	...	+ 3	+ 160	+ 283
1979	+ 44	+ 35	+ 3	- 1	+ 203	+ 284
1980	+ 2	+ 16	+ 1	+ 1	+ 256	+ 276
1981 .....	...	...	+ 1	- 2	+ 203	+ 202
1981 First 10 months	- 5	+ 2	+ 2	- 5	+ 184	+ 178
1982 First 10 months <i>p</i>	+ 35	+ 43	+ 4	- 11	+ 231	+ 302

¹ Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1982, namely those of life assurance companies and employers' liability insurance companies and those of pension funds.

² The figures in this column have been calculated as a difference and mainly represent the net acquisitions of individuals and companies.

Table 22.4

NET ACQUISITIONS OF BONDS AND NOTES
AT OVER ONE YEAR IN BELGIAN FRANCS

Classified according to issuers

(Billions of francs)

	Public authorities	Public financial inter- mediaries ¹	Public operating organisa- tions	Banks	Private savings banks, mortgage and capital accumu- lation companies ¹	Others	Total ²
1974	+ 65	+ 52	+ 10	+ 7	+ 12	+ 14	+ 160
1975	+ 97	+ 54	+ 5	+ 9	+ 11	+ 30	+ 206
1976	+ 100	+ 67	+ 18	+ 16	+ 15	+ 17	+ 233
1977	+ 169	+ 146	+ 13	+ 30	+ 15	+ 11	+ 384
1978	+ 166	+ 50	+ 22	+ 21	+ 13	+ 11	+ 283
1979	+ 150	+ 75	- 1	+ 27	+ 25	+ 8	+ 284
1980	+ 78	+ 102	- 6	+ 48	+ 44	+ 10	+ 276
1981	+ 17	+ 91	+ 4	+ 44	+ 33	+ 13	+ 202
1981 First 10 months ...	+ 34	+ 81	- 6	+ 38	+ 29	+ 2	+ 178
1982 First 10 months <i>p</i>	+ 98	+ 130	- 8	+ 42	+ 38	+ 2	+ 302

¹ Including savings bonds or certificates.

² Corresponds to the last column of Table 22.3.

Table 22.5

NET PURCHASES OF BONDS AND NOTES AT OVER ONE YEAR
IN BELGIAN FRANCS BY INDIVIDUALS AND COMPANIES

Classified according to issuers

(Billions of francs)

	Public authorities	Public financial intermediaries	Public operating organisations	Banks	Private savings banks, mortgage and capital accumulation companies	Others	Total ¹
1974	+ 23	+ 37	+ 4	+ 7	+ 11	+ 9	+ 91
1975	+ 28	+ 34	+ 1	+ 9	+ 9	+ 14	+ 95
1976	+ 50	+ 45	+ 13	+ 16	+ 14	+ 11	+ 149
1977	+ 75	+ 83	- 2	+ 30	+ 15	+ 6	+ 207
1978	+ 76	+ 35	+ 5	+ 21	+ 13	+ 10	+ 160
1979	+ 78	+ 70	- 3	+ 27	+ 25	+ 6	+ 203
1980	+ 58	+ 98	- 4	+ 48	+ 44	+ 12	+ 256
1981	+ 32	+ 84	+ 1	+ 44	+ 33	+ 9	+ 203
1981 First 10 months ...	+ 41	+ 77	- 1	+ 37	+ 29	+ 1	+ 184
1982 First 10 months <i>p</i>	+ 29	+ 117	+ 1	+ 42	+ 38	+ 4	+ 231

¹ Corresponds to the penultimate column of Table 22.3.

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Table 23

NEW LIABILITIES OF COMPANIES¹ AND INDIVIDUALS²*(Billions of francs)*

	To :			Total
	Belgian financial intermediaries	Belgian non-financial sectors	foreign countries	
1974	+ 131	+ 16	+ 39	+ 186
1975	+ 162	+ 15	+ 37	+ 214
1976	+ 214	+ 26	+ 37	+ 277
1977	+ 219	+ 12	+ 46	+ 277
1978	+ 211	+ 22	+ 44	+ 277
1979	+ 268	+ 6	+ 36	+ 310
1980	+ 175	+ 9	+ 62	+ 246
1981	+ 106	+ 10	+ 93	+ 209
1981 First 10 months	+ 86	+ 2	+ 76	+ 164
1982 First 10 months	+ 21	+ 22	+ 50	+ 93

¹ Companies other than financial intermediaries.² After elimination of the purely accounting effects of alterations in exchange rates.

COMMENTS ON TABLE 23 :

NEW LIABILITIES OF COMPANIES AND INDIVIDUALS

A. Methodology

- a) Table 23 gives a breakdown of item 1.22 « New liabilities » of Table 21.

The liabilities to Belgian non-financial sectors are those resulting from public issues of shares and bonds by companies, except for the amount of the shares and bonds which is held in the portfolio of the financial intermediaries and which thus represents liabilities towards these ; for the first ten months of 1982 they also include the liabilities resulting from the non-payment to the Treasury by certain enterprises of sums owed by them in respect of the pay-as-you-earn income tax deducted from the wages and salaries of their employees.

The liabilities to foreign countries comprise the formation of companies in Belgium, the acquisition of interests, loans received from affiliated enterprises and strictly financial loans contracted by enterprises.

- b) Table 23.1 gives a breakdown of the first column of Table 23 ; this breakdown corresponds to a great extent to that which could be arrived at from the debtor « sector » — companies or individuals — of the liabilities : personal loans and hire-purchase credits and mortgage loans for housing are in fact mainly granted to individuals ; the other credits — investment credits and other discount, advance and acceptance credits — represent liabilities chiefly of companies, but also of one-man businesses ; in all the breakdowns in Chapters III to V, the latter have been consistently regarded as individuals.

B. Main developments

The chief lessons which emerge from Table 23 are as follows :

- a) The new liabilities of companies and individuals were much lower during the first ten months of 1982 than in 1981 : Fr. 93 billion against Fr. 164 billion. The slowing-down observable since 1980 was thus accentuated in 1982.

- b) The decrease in 1982 in the new liabilities of companies and individuals was chiefly in those to the Belgian financial intermediaries : the amount of the new liabilities to the latter in fact amounted to only Fr. 21 billion, against Fr. 86 billion the previous year. This consid-

erable reduction is attributable, as is shown by Table 23.1, to the development of investment credits and other discount, advance and acceptance credits : new liabilities in these forms became negative in 1982 (decrease in outstanding amounts), whereas they had been substantially positive the previous year ; this turn-round probably largely reflects the appreciable increase in 1982 in the net financing capacity of companies, which was commented upon in connection with Table 21.

Among the other liabilities to the Belgian financial intermediaries, the outstanding amount of personal loans and hire-purchase credits, which had shown a decrease (new liabilities negative) — an exceptional development — during the first ten months of 1981, remained virtually unchanged in 1982, mainly because of the maintenance of the level of demand for new cars (following the motor show in January) ; on the other hand, owing to the continuing slump in the building industry, new liabilities contracted in the form of mortgage loans for housing declined further.

c) New liabilities to the Belgian non-financial sectors, which had been virtually zero for the first ten months of 1981, reached Fr. 22 billion in 1982 (Table 23). This large amount is partly due to non-payment to the Treasury by certain enterprises — including public operating organisations — of sums owed in respect of the pay-as-you-earn income tax, but it is also due to the fact, that, thanks to the provisions of Royal Decree No. 15 of 9th March 1982, which has already been discussed in connection with financial assets, companies were able to make substantial public issues of shares, so that they again had a source for strengthening their capital and reserves.

d) The possibility of raising funds by issuing shares on the Belgian markets is one of the reasons why enterprises, especially public utilities, contracted less financial loans abroad. It was because of the movement of these loans that new liabilities to foreign countries fell by Fr. 26 billion between the first ten months of 1981 and the corresponding period of 1982.

Table 23.1

NEW LIABILITIES OF COMPANIES AND INDIVIDUALS
TO BELGIAN FINANCIAL INTERMEDIARIES¹

(Billions of francs)

	Credits granted mainly to individuals			Other credits			Grand total
	Personal loans and hire-purchase credits	Mortgage loans for housing	Total	Investment credits ²	Other discount credits, advances and acceptances	Total	
1979	+ 21	+ 108	+ 129	+ 52	+ 87	+ 139	+ 268
1980	+ 6	+ 80	+ 86	+ 41	+ 48	+ 89	+ 175
1981	- 10	+ 41	+ 31	+ 23	+ 52	+ 75	+ 106
1981 First 10 months ..	- 8	+ 42	+ 34	+ 15	+ 37	+ 52	+ 86
1982 First 10 months ..	+ 3	+ 32	+ 35	+ 1	- 15	- 14	+ 21

¹ After elimination of the purely accounting effects of alterations in exchange rates.

² Including the change in the financial intermediaries' portfolios of companies' shares and bonds.

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Table 24

**THE PUBLIC AUTHORITIES' NET FINANCING REQUIREMENT
AND THE FINANCIAL DEFICIT (-) OR SURPLUS (+) OF THEIR VARIOUS SUB-SECTORS**

(Billions of francs)

	Public authorities, net financing deficit (a)	Financial deficit or surplus of the sub-sectors							Statistical deviation (i) = (a) - (h)
		Treasury (b)	Other Central Government (c)	Local authorities (d)	Subtotal (e) = (b) + (c) + (d)	Communities and regions (f)	Social security (g)	Total (h) = (e) + (f) + (g)	
1974	- 85	- 57	- 23	- 20	- 100	—	+ 20	- 80	- 5
1975	- 149	- 110	- 25	- 23	- 158	—	+ 22	- 136	- 13
1976	- 193	- 133	- 24	- 29	- 186	—	+ 15	- 171	- 22
1977	- 218	- 168	- 28	- 19	- 215	—	+ 20	- 195	- 23
1978	- 253	- 183	- 32	- 26	- 241	—	+ 14	- 227	- 26
1979	- 291	- 212	- 49	- 29	- 290	—	+ 9	- 281	- 10
1980	- 422	- 297	- 47	- 62	- 406	—	+ 3	- 403	- 19
1981	- 594	- 454	- 46	- 65	- 565	—	...	- 565	- 29
1982	- 623 ^e	- 509	- 57 ^e	- 40 ^e	- 606 ^e	... ^e	- 1 ^e	- 607 ^e	- 16 ^e
1981 First 10 months	n.a.	- 437	- 32	- 23	- 492	n.a.	n.a.	n.a.	n.a.
1982 First 10 months ^p	n.a.	- 483	- 39	+ 2	- 520	n.a.	n.a.	n.a.	n.a.

COMMENTS ON TABLE 24 :

THE PUBLIC AUTHORITIES' NET FINANCING REQUIREMENT AND THE FINANCIAL DEFICIT (-) OR SURPLUS (+) OF THEIR VARIOUS SUB-SECTORS

A. Methodology

a) Column (a) of Table 24 shows the figures of item 2.1 « Net financing requirement » of the public authorities of Table 21. Columns (b) to (h) give a breakdown, by sub-sectors of the public authorities, of item 2.2 « Net financial deficit » of the public authorities of the same Table 21.

b) The financial deficit of the Treasury [column (b)] is synonymous with its new liabilities, of which a breakdown is given in Table 24.3. This table was compiled on the basis of the official public debt statement (Table 24.1), from which the transactions which did not give rise to movements of funds were eliminated (table 24.2).

c) The financial deficit of the sub-sector « Other Central Government » [column (c)] corresponds to the changes in the net indebtedness of some central government bodies other than the Treasury and in the debudgetised debt to be met by the Treasury. The latter comprises :

— the debt which the Treasury incurred owing to the fact that financial intermediaries financed on its behalf part of the aid to the sectors in difficulties, the building premiums and the « government portion » of the loans to the local authorities ;

— the public authorities' debt to the National Housing Company and the National Land Company resulting from the participation by the National Housing Fund in the financial service of the loans issued by these two institutions ;

— the debt, taken over by the Treasury, of the « Sickness and Disablement » and « Pensions of Self-employed Persons » sectors of the social security.

The last-mentioned debt, as well as the debts which the Treasury took over from steel enterprises, were not recorded in Table 24 in the year during which the Treasury formally took them over but were attributed to the years in which they were originally contracted by the sectors in question.

For 1982 account was also taken of the public authorities' claims on private and public enterprises which, being faced by cash problems, postponed payment of the pay-as-you-earn income tax deducted from the wages and salaries of their employees.

d) The financial deficit of the local authorities [column (d)] corresponds to the change in their net liabilities to the Belgian Municipal Credit Institution and the other financial intermediaries, plus their net issues of loans in Belgian francs and in foreign currencies.

e) As the financial assets and liabilities of the sub-sectors « Communities and regions » and « Social security » are not accurately known, it is impossible to estimate the financial deficit or surplus of these sub-sectors.

With regard to the communities and regions, it would seem, according to the latest available data, that their revenue and expenditure were in balance in 1982, so that they would not show either a financial deficit or a financial surplus [column (f)].

With regard to social security, it was assumed that the financial surplus or deficit [column (g)] was identical to the financing capacity or requirement. The latter concept corresponds to the current savings of the social security institutions, including the Overseas Social Security Office and the Subsistence Funds, less these bodies' gross fixed capital formation. These data, which were taken from the National Statistical Institute and, for 1982, from the Ministry of Social Security, were adapted to allow for the transfer of debts to the Treasury by the « Sickness and Disablement » and « Pensions of Self-employed Persons » sectors.

As the data for the sub-sectors « Communities and regions » and « Social security » are available only on an annual basis, it was not possible to include them in the total of the public authorities' financial deficit for the first ten months of the year.

f) The statistical deviation [column (i) of Table 24], which represents the difference between the public authorities' net financial requirement and their financial deficit, is partly due to possible differences in the dates of recording of certain budget expenditures : whereas for the purpose of calculating the net financing requirement account is taken of the ordering of the expenditure (the payment order to a government accountant), the calculation of the financial deficit is based on the development of the public debt, which does not increase until the payment is actually made by the Treasury. In 1981 the portion represented by expenditures which were ordered but did not give rise to payments during the same year was relatively larger than in the past (which explains the large statistical deviation observed in 1981). These expenditures ordered in 1981 were made in 1982, and this led to an increase in the financial deficit without influencing the financing requirement ; consequently the statistical deviation in 1982 was smaller. This shift of payments between 1981 and 1982 likewise explains why the increase in the public authorities' financial deficit between 1981 and 1982 (Fr. 42 billion) was appreciably larger than that in their net financing requirement (Fr. 29 billion)¹.

B. Main developments

The chief lessons which emerge from Table 24 are as follows :

a) The financial deficit of the public authorities (excluding the sub-sectors « Communities and regions » and « Social security » rose

¹ In the absence of information about possible payment shifts between 1982 and 1983, it was assumed that such a phenomenon would not occur again.

from Fr. 492 billion during the first ten months of 1981 to Fr. 520 billion in 1982 [column (e) of Table 24]. This increase of Fr. 28 billion is due to the expansion in the Treasury's deficit from Fr. 437 billion to Fr. 483 billion. The local authorities, on the other hand, which still had a financial deficit of Fr. 23 billion during the first ten months of 1981, recorded a financial surplus of Fr. 2 billion.

b) For the year as a whole, and account being taken of the sub-sectors « Communities and regions » and « Social security », the public authorities' financial deficit would appear to have risen from Fr. 565 billion in 1981 to Fr. 607 billion in 1982.

This increase of Fr. 42 billion in the financial deficit is due to the fact that a contraction in the local authorities' deficit was more than offset by a worsening of that of the other sub-sectors. In particular, the Treasury's financial deficit rose from Fr. 454 billion in 1981 to Fr. 509 billion during the year under review. The growth in the official public debt (Table 24.1) was again larger in 1982 (+ Fr. 646 billion), but this growth is partly due to transactions which do not involve any movement of funds (Table 24.2), which were particularly substantial during the year under review. The various types of new liabilities which served to meet the deficit which actually had to be financed developed as follows (Table 24.3) :

— The Treasury's new liabilities in Belgian francs, other than the Treasury's direct and indirect recourse to the Bank, rose from Fr. 168 billion in 1981 to Fr. 258 billion. They thus represented in 1982 more than half of the Treasury's total financial deficit, which had not been the case the previous year. Both the increase in the consolidated debt in Belgian francs and that in the floating debt in Belgian francs were larger in 1982 than in 1981.

— On balance, the Treasury's new liabilities which gave rise to a creation of liquidity decreased between 1981 and 1982, falling from Fr. 286 billion to Fr. 251 billion : the growth in the debt in foreign currencies was larger in 1982 than in 1981, but that in the portfolio of Treasury certificates held by the Securities Regulation Fund and financed by the Bank amounted to only Fr. 31 billion, against Fr. 72 billion the previous year. The ceiling on the Bank's special assistance to the Securities Regulation Fund, which enable the latter to finance the above-mentioned portfolio, was raised, going up from Fr.150 billion on

31st December 1981 to Fr. 170 billion on 26th January 1982 and to Fr. 190 billion on 4th May 1982. At the end of the year there remained an available margin of Fr. 9 billion under this ceiling.

c) The increase, for the year as a whole, in the financial deficit of the sub-sector « Other Central Government » from Fr. 46 billion to Fr. 57 billion is mainly due to a considerable expansion in aid to national sectors in difficulties, and especially to iron and steel enterprises. The 1982 deficit would have been appreciably larger if account had not been taken here of the claims possessed by the public authorities owing to the non-payment, by some enterprises, of the pay-as-you-earn income tax deducted from the wages and salaries of their employees.

The reduction in the local authorities' financial deficit, from Fr. 65 billion in 1981 to Fr. 40 billion in 1982, can be explained by several factors : the most important of these are the decline in investment, the payment by the Treasury of the municipal and provincial taxes assessed on behalf of the municipalities and provinces (as has already been mentioned in Chapter V, a large backlog had developed in 1981 in these assessments and this backlog was worked off in 1982) and, to a smaller extent, the repayment by the National Sickness and Disablement Insurance Institute of part of its debts to the public social assistance centres, which enabled the municipalities to reduce their subsidies to the latter.

Table 24.1

OFFICIAL NATIONAL DEBT POSITION

(Billions of francs)

At end of	Debt in Belgian francs				Debt in foreign currencies ²			Grand total
	Direct		Indirect (consolidated) ¹	Total	Direct	Indirect ¹	Total	
	Consolidated	Floating						
1978	977	285	150	1.412	14	1	15	1.427
1979	1.065	329	188	1.582	56	1	57	1.639
1980	1.118	481	205	1.804	151	2	153	1.957
1981	1.127	702	222	2.051	384	4	388	2.439
1982	1.184	934	325	2.443	637	5	642	3.085

Source : Ministry of Finance, Treasury Administration.

¹ Debt which has been issued by certain public organisations but in respect of which the interest and redemption are borne by the national debt budget. For 1982, including the part of the debts of the Associations of Local Authorities for Motorways taken over by the Road Fund pursuant to the Law of 2nd July 1981 and the Royal Decree of 10th December 1981, i.e. the whole of these debts except for the loans for Motorway E3.

² Not including the inter-governmental debts resulting from the 1914-1918 war.

Table 24.2

CHANGES IN THE NATIONAL DEBT WHICH GAVE RISE TO MOVEMENTS
OF FUNDS FOR THE TREASURY

(Billions of francs)

	1979	1980	1981	1982
1. Changes in the national debt ¹	+ 212	+ 318	+ 482	+ 646
2. Transactions without movement of funds :				
a) Treasury certificates held by the International Monetary Fund ² .....	...	+ 17	+ 7	+ 7
b) Consolidated debt in Belgian francs of the Associations of Local Authorities for Motorways taken over by the Road Fund	—	—	—	+ 96
c) Foreign exchange differences ³ .....	...	+ 4	+ 21	+ 34
Total 2 ...	...	+ 21	+ 28	+ 137
3. Balance (= 1 - 2) ⁴	+ 212	+ 297	+ 454	+ 509

¹ According to Table 24.1.

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

³ The foreign exchange differences correspond to the discrepancy between, on the one hand, the countervalue in Belgian francs of the foreign-currency loans included in the official national debt position, where it is calculated on the basis of the central rates or exchange rates on the date of the position and, on the other hand, the amount of Belgian francs which the Treasury actually received as a result of these foreign-currency loans.

⁴ For details, see Table 24.3.

Table 24.3

NEW TREASURY LIABILITIES

(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
	Treasury certificates held by the Bank (margin)	Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank	Debt in foreign currencies ¹	Total	Floating debt	Consolidated debt	Total	
1979	+ 37	+ 42	+ 79	+ 7	+ 126	+ 133	+ 212
1980	+ 25	+ 92	+ 117	+ 110	+ 70	+ 180	+ 297
1981	+ 72	+ 214	+ 286	+ 142	+ 26	+ 168	+ 454
1982	+ 31	+ 220	+ 251	+ 193	+ 65	+ 258	+ 509

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

CHAPTER VIII

FINANCIAL MARKETS AND INTEREST RATES

Table 25

**GROSS REQUIREMENTS OF FUNDS OF INDIVIDUALS,
COMPANIES AND PUBLIC AUTHORITIES AND COVER ITEMS**

(Billions of francs)

	1974	1975	1976	1977	1978	1979	1980	1981	First 10 months	
									1981	1982 <i>p</i>
1. Gross requirements of funds	266	350	448	472	504	591	649	774	656 ³	613 ³
2. Cover items :										
Funds available on the domestic markets :										
2.11 Formation of financial assets by individuals and companies	295	371	437	469	432	463	437	582	497	507
<i>less :</i>										
2.12 Formation of financial assets in currencies other than the Belgian franc	-(14)	-(38)	-(31)	-(33)	-(12)	-(68)	-(60)	-(217)	-(169)	-(151)
2.13 Increase in bank notes held by individuals and companies	-(17)	-(33)	-(16)	-(28)	-(21)	-(9)	-(4)	-(3)	-(- 4)	-(...)
2.14 Increase in frozen balances (monetary reserve) and free balances of financial intermediaries with the National Bank of Belgium	-(-12)	-(-21)	-(2)	-(...)	-(4)	-(3)	-(...)	-(3)	-(- 1)	-(- 4)
2.1 (= 2.11 + 2.12 + 2.13 + 2.14) Available balance	276	321	388	408	395	383	373	359	333	360
2.2 Capital inflows other than those mentioned under 2.5	16	59	31	53	72	86	109	17	- 2	6
2.3 Statistical adjustment	- 21	- 20	- 13	- 30	- 17	5	45	5	23 ⁴	21 ⁴
2.4 (= 2.1 + 2.2 + 2.3) Total	271	360	406	431	450	474	527	381	354	387
Other :										
2.5 Increase in foreign-currency liabilities of the public sector ¹ :										
2.51 Treasury	- 2	- 2	- 1	- 1	12	42	92	214	170	204
2.52 Rest of the public sector ²	1	- 1	2	4	...	30	52	77	53	38
2.53 (= 2.51 + 2.52) Total	- 1	- 3	1	3	12	72	144	291	223	242
2.6 Increase in domestic recourse to the National Bank of Belgium	- 4	- 7	41	38	42	45	- 22	102	79	- 16
3. (= 1 - 2.4 = 2.53 + 2.6) Shortage of funds on the domestic markets	- 5	- 10	42	41	54	117	122	393	302	226

¹ Contracted both directly abroad and via private-sector financial intermediaries.

² All public authorities other than the Treasury, public operating organisations and public credit institutions.

³ Excluding social security and the communities and regions.

⁴ Including social security and the communities and regions.

COMMENTS ON TABLE 25 :

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

A. Methodology

a) Table 25 shows the channels through which the gross requirements of funds of the domestic sectors as a whole were met. Item 1 first of all gives the total of the new liabilities contracted by the various sectors : for this purpose, with reversed signs, the new liabilities of individuals and companies (item 1.22 of Table 21) and the net financial deficit of the public authorities (item 2.2 of Table 21) were added together.

Among the elements (shown in item 2) which enabled these requirements of funds to be met, it is possible to make — ex post — a distinction between, on the one hand, the funds which were available « spontaneously » or « autonomously » on the domestic markets and, on the other hand, those which were only resorted to because the former were inadequate and which, therefore, reflect the shortage of funds in these markets.

b) The first group includes, among other resources, the funds in Belgian francs which residents — individuals and companies — make available to the domestic markets (item 2.1 of Table 25), directly or indirectly (via the formation of deposits in francs with foreign financial intermediaries which the latter in turn reinvest in Belgium).

In order to determine the amount of these funds, the following procedure was adopted :

— the calculation was based on the total formation of financial assets by individuals and companies, excluding net commercial claims on the rest of the world arising in connection with exports or imports and not mobilised at banks (item 2.11 of Table 25, taken from table 21, item 1.212). These claims were disregarded for purely pragmatic reasons ; as was mentioned in the comments in Table 15, it was not yet possible to estimate their amount with a sufficient degree of accuracy for the most recent period, nor, therefore, to incorporate it in the figures for the first ten months of 1982. In any case this amount, whether included or not, has no influence on the net amount of funds available in the domestic markets, because, if it is included, it must also be added in item 2.12 of Table 25, which, as will be seen later, is subtracted from the total of financial assets.

— the following was then subtracted from the total formation of financial assets : the formation of financial assets other than in Belgian francs (item 2.12 of Table 25), of assets in the form of bank notes held by individuals and companies (item 2.13) and of assets which were used by the financial intermediaries to build up frozen balances (when a monetary reserve was introduced) and free balances with the Bank

(item 2.14). These last-mentioned two types of assets must not be taken into account here, because these are not resources which the financial intermediaries, other than the Bank, can use to finance their lending.

Some types of capital inflows — for instance, the establishment or extension of head offices of foreign companies in Belgium and the acquisition of interests in existing Belgian companies — would probably take place irrespective of whether funds were scarce or plentiful in the domestic markets; such capital inflows can therefore also be included in the category of funds spontaneously offered on the domestic market. The distinction between spontaneous capital inflows and others can only be made, however, in a somewhat arbitrary manner : actually it was assumed in this case that all capital inflows took place spontaneously, except for the foreign-currency loans obtained by the public sector. This pragmatic *ex post* approach means, however, that movements classified as spontaneous also include flows of funds which are in fact induced, for example by rises in interest rates due to the *ex ante* shortage of funds, but which, as such, are difficult to quantify. Spontaneous capital inflows as thus defined, recorded in item 2.2 of Table 25, comprise : the changes in the gross liabilities of private enterprises to the rest of the world and in foreign currencies to the Belgian financial intermediaries (as these can serve as a channel for flows of funds from abroad), those in the private financial intermediaries' net liabilities in foreign currencies to Belgium and to foreign countries and those in the financial intermediaries' and public authorities' net liabilities in Belgian francs to the rest of the world, except for the liabilities which are regarded as representing the counterpart to the formation of financial assets in francs abroad (this formation being already recorded in item 2.1).

c) The following form part of the second group of cover items [those to which recourse was had only because the funds mentioned in b) above were inadequate] : the foreign-currency loans obtained by the public sector (item 2.53 of Table 25) and the recourse by the domestic sectors to the rediscounting and advances provided by the Bank in its capacity as « lender as last resort » (item 2.6); as has already been emphasized, it is assumed that these items reflect the shortage of funds which existed — *ex post* — on the domestic markets. Combined, the two groups of items, by definition, exactly meet, subject to a statistical adjustment, the total gross requirement of funds, because *ex post*, the supply of funds must necessarily be equal to the demand. As some components — those in the second group — were segregated as representing the shortage of funds, this shortage (item 3) can be obtained directly by adding together the components in question (item 2.53 + item 2.6); it can also be obtained indirectly, in view of the above-mentioned identity, by subtracting the total amount of funds available on the domestic markets (item 2.4) from the total of the gross requirements of funds (item 1).

d) Table 25.1 relates to the same period as the last column of Table 25, namely the first ten months of the year under review; for most of its items, however, data are available for the whole year. The main developments in 1982 will therefore be commented upon on the basis of Table 25.2, which covers the entire period. But, as the structure of Table 25.2 is identical to that of Table 25.1, the methodology described below applies equally to both.

The sectors which appear in the various columns of Tables 25.1 and 25.2 are not the same as those which were dealt with in Chapter V : the « Treasury » is a sub-sector of the public authorities; the « Public sector not included elsewhere » comprises the public authorities other than the Treasury, and also some companies, namely the public operating organisations; the « Financial intermediaries » are likewise companies. The reason why the Treasury, the public sector not included elsewhere and the financial intermediaries were segregated in this way is because they are the only sectors which, in the Belgian financial system, have access to the money market, thus being able to have recourse directly or indirectly to the lender as last resort. The shortage of funds has in fact been defined in such a way that it must necessarily be met by recourse to this market. Consequently, the afore-mentioned three sectors are the only ones which can — still by definition — have a shortage of funds. It will in fact be seen that the algebraic sum of the first three columns of item 1 of Table 25.1 (Fr. 226 billion) is equal to the amount appearing in the last column of item 3 « Shortage of funds on the domestic markets » of Table 25.

Within the financial intermediaries sector, Luxembourg banks were grouped with Belgian banks because, when they have a surplus of funds in Belgian francs, they make, on the Belgian money market, investments of the same kind as the Belgian banks themselves. The main causes of this surplus of the Luxembourg banks, are, on the one hand, the repurchase by the Bank of foreign currencies derived from the Grand Duchy's surplus with foreign countries and, on the other hand, the formation of deposits in francs by Belgian residents; these causes may also be responsible for a surplus of funds of the Belgian banks. The « Other sectors and indeterminate sectors », which are the subject of the penultimate column of Table 25.1 and 25.2, are included in these tables mainly in order to make their figures balance, because these sectors' transactions have little significance in themselves; for they consist of transactions of individuals, companies (other than those forming the subject of the preceding columns) and foreign countries, which are heterogeneous sectors, as well as of transactions which were carried out by the sectors included in the preceding columns but could not be broken down between these sectors; it will be noted, however, that the positive amount appearing in item 1 illustrates the fact that any shortage of funds inevitably has as its counterpart a surplus, which may be on the part of foreign countries.

The various sectors may have a shortage (-) or a surplus (+) of funds (item 1), including for the following reasons : the Treasury and the public sector not included elsewhere have a shortage when their net issues of long-term public paper in Belgian francs (item 1.11 for the former and item 1.12 for the latter) are not sufficient to meet their budget deficit; the financial intermediaries, for their part, have a shortage or a deficit depending on whether the resources which they obtain from their customers, including, as far as the public credit institutions are concerned, the whole of their net issues of long-term public paper in Belgian francs (item 1.12), are less than or greater than the long-term public paper in Belgian francs which they acquire and the credits which they grant to individuals and non-financial companies.

Item 1 « Shortage (–) or surplus (+) of funds » of Tables 25.1 and 25.2 shows that an overall shortage of funds may be the net result of some sectors' shortages and the other sectors' surpluses. Item 2 « Counterparts » then shows how each sector had recourse to the money market in order to remedy its shortage or, on the other hand, supplied the market with its surplus funds.

In sub-items 2.11 to 2.14, the plus and minus signs indicate that the sectors concerned, via the transaction which is the subject of the sub-item in question, obtained funds from other sectors (+) or provided funds to them (–); for each of these sub-items, the sum of the amounts shown for the various sectors must naturally be zero. With regard to sub-items 2.211 to 2.213, the plus and minus signs give the same indication, except that the various transactions recorded in them take place between the public sector and the Bank, the former either obtaining funds from the latter (+) or, on the other hand, repaying funds to it (–); this explains why the transactions in question change certain items of the Bank's statement of account; these changes are recorded in the last column of Tables 25.1 and 25.2. Sub-items 2.221 and 2.222 relate only to the financial intermediaries and the Bank, increased recourse by the former to the Bank's rediscounting or advances being indicated by a plus sign and reduced recourse by a minus sign.

Lastly, item 3 « Other transactions of the National Bank of Belgium » records transactions which, in the Bank's statement of account, are the counterpart to those of its transactions which are recorded in items 2.214 and 2.223.

e) Table 25.3 gives a month-by-month breakdown, in its first column, of the financial intermediaries' surplus which appears in the third column of item 1 of Table 25.2 and records, in the subsequent columns, the contributions made to these monthly surpluses (or shortages) by the transactions of the public sector and the Bank. The total, for the whole twelve months, of each of the columns showing the contributions corresponds to one or more items of Table 25.2, as specified below :

— column « Shortage or surplus of funds of the Treasury and the public sector not included elsewhere » : item 1, sum of the first two columns with reversed signs (the part of these sectors' requirements of funds met by recourse to the money market);

— column « Sales, by the public sector, of foreign currencies borrowed by it » : item 2.14, penultimate column;

— column « Interventions by the National Bank of Belgium » : item 3.1;

— column « Notes » : item 3.2;

— column « Other » : item 3.3.

It should also be pointed out that the total of transactions on the foreign exchange market corresponds to the total net purchases (–) or sales (+) of foreign currencies by the private sector plus those carried out by the public sector for its current transactions with foreign countries.

f) Table 25.4 « Main components of the liquidity of the financial intermediaries » shows, on the one hand, the portfolio of Treasury certificates and Securities Regulation Fund certificates in Belgian francs at up to one year [column (a)] and, on the other hand, the available margins under the rediscount ceilings [column (d)] 1) of the public credit institutions, 2) of the banks and 3) of the private savings banks. The movement of these two components is influenced by the surpluses and shortages of funds of the three categories of financial intermediaries in question, but also, as far as the second component is concerned, by the changes in the rediscount ceilings.

The change, between 1981 and 1982, in column (a) corresponds, for each category of intermediaries, to item 2.11 of Table 25.2; that in column (c) « Rediscounted bills », the amount of which determines, together with that of the rediscount ceilings [column (b)], the available margins under these ceilings, differs, for the banks, from item 2.221 of Table 25.2 : for, whereas the latter takes into account all the bills rediscounted by these institutions at the Rediscount and Guarantee Institute and the Bank, column (c) of Table 25.4 does not include the portion of the rediscounted « Creditexport » bills which was counted against the ceiling specially granted for this purpose by the Bank to the Rediscount and Guarantee Institute and which therefore did not affect the available margins under the banks' ceilings.

Table 25.4 likewise shows, in column (e), the degree of utilisation of the rediscount ceilings (the ratio between the bills rediscounted, on the one hand, and the rediscount ceilings, on the other). The banks' degree of utilisation is shown in Chart 25.5, where it is compared with the differential between the rate for three-month Treasury certificates and the rate applied by the Rediscount and Guarantee Institute to bills which still have three months to run, the latter rate actually representing the cost of rediscounting ; for the purpose of calculating this differential, the standard rates were adapted in order to make them comparable, because the rate for certificates is applied in arrears, whereas the Rediscount and Guarantee Institute's rate is applied in advance.

B. Main developments

The chief lessons which emerge from Table 25 are as follows :

a) During the first ten months of the year under review the shortage of funds in the domestic markets was distinctly less than in the previous year : having amounted to Fr. 302 billion in 1981, it went down to Fr. 226 billion in 1982. This decrease is attributable to several factors :

— first of all, the total of the domestic sectors' gross requirements of funds was about Fr. 43 billion lower than the 1981 figure, the further increase in the public authorities' financial deficit having been more than counterbalanced by the sharp reduction in the new liabilities assumed by individuals and companies ;

— furthermore, these requirements were met to a greater extent by the formation of financial assets in Belgian francs by residents; not only did the total formation of financial assets increase by Fr. 10 billion but, in addition, a smaller proportion of these assets was in the form of assets other than in Belgian francs. The share of the formation of financial assets in Belgian francs in the meeting of the total requirements, which had declined from year to year throughout the period covered by the table, appears to have increased again in 1982, from 51 to 59 p.c.;

— lastly, there appear to have been « autonomous » capital inflows amounting to about Fr. 6 billion, against outflows of around Fr. 2 billion in 1981.

b) The reduction in the shortage of funds was only reflected in the development — a reduction in 1982 following an increase the previous year — in the domestic sectors' recourse to the Bank's rediscounting facilities and advances, as the public sector — actually, the Treasury only — contracted even more new liabilities in foreign currencies than in 1981.

c) Between the end of October and the end of December 1982, the shortage expanded, from Fr. 226 billion to Fr. 302 billion (the sum of the first three columns of item 1 of Table 25.1 and 25.2). As this item shows, only the Treasury and the public sector not included elsewhere had a shortage of funds in 1982. The financial intermediaries as a whole, on the other hand, had a substantial surplus.

d) This surplus appeared mainly at the public credit institutions and the banks; the financial intermediaries' additional resources, derived from, among other sources, the public authorities' financial deficit, were only absorbed to a very small extent by new lending to individuals and companies — Fr. 21 billion during the first ten months (Table 23), including Fr. 36 billion granted by the public credit institutions and Fr. 3 billion granted by the private savings banks, the outstanding amount of the Belgian banks' lending having gone down by Fr. 18 billion — and by the expansion in the portfolio of public securities at over one year in Belgian francs — Fr. 78 billion during the first ten months (the sum of the first two columns of Table 22.3), of which Fr. 38 billion was held by Belgian banks and Fr. 45 billion by private savings banks. The public credit institutions used their surplus to

subscribe for Belgian-franc certificates at up to one year (item 2.11 of Table 25.2); the banks employed by far the greater part of their surplus in the same way, using the remainder to reduce the outstanding amount of their rediscounted bills (item 2.221).

e) Table 25.3 shows the preponderant influence which the cash position of the Treasury (and of the public sector not included elsewhere) exerted on that of the financial intermediaries throughout the year under review. During the month when transactions on the foreign exchange market caused the greatest destruction of Belgian francs (March), the intermediaries nevertheless had a surplus of funds, mainly because of the Treasury's concomitant shortage. The months when the intermediaries' surplus was largest (August and September) were also those when the Treasury's shortage reached its highest level of the year. Conversely, the only months when the intermediaries had a really very substantial shortage (October and December) were also the only ones when the Treasury had a surplus.

f) The public sector not included elsewhere had, as has already been stated, a shortage of funds in 1982; as it was not able to meet this entirely with the proceeds of the sale of borrowed foreign currencies (items 2.14 and 2.213 of Table 25.2), it had to cover the remainder by reducing its holdings of Treasury and Securities Regulation Fund certificates.

g) The subscriptions for certificates by financial intermediaries and the cashing of certificates, just mentioned, by the public sector not included elsewhere provided the Treasury with a net amount of Fr. 198 billion (first column of item 2.11 of Table 25.2). This amount was, however, much smaller than that of its shortage of funds. In order to finance the remainder, the Treasury had to have recourse to the lender as last resort, which it did in 1982 almost entirely by selling borrowed foreign currencies to the Bank (item 2.213); the amount of the latter, namely Fr. 220 billion, was such that the Treasury only had to resort to the Bank via the Securities Regulation Fund (item 2.212) for a limited amount, namely Fr. 31 billion.

h) As is shown by Table 25.4, certificates in Belgian francs at up to one year form the predominant component of the liquidity of the financial intermediaries. The amount of these certificates has in fact

increased appreciably in recent years. The increase is probably to a large extent the reflection of a turning away from public long-term paper in Belgian francs, the movement of interest rates in recent years having as a whole been characterised by the fact that the level of short-term rates was higher than that of long-term rates, while expectations of a rise in the latter likewise acted as a deterrent to purchases of public long-term paper. The situation in this respect was reversed in the last months of the year under review, but too late for this to have any appreciable effect on the figures for the year as a whole.

i) When they have a surplus of funds, the Belgian banks have the possibility — which the other financial intermediaries hardly have — of reducing the outstanding amount of their rediscounted bills, thus expanding again the available margins under their ceilings, instead of adding to their portfolio of certificates. Their choice between these two employments of funds will be influenced by the differential between the yield on certificates and the cost of rediscounting. When this differential increases appreciably, the Belgian banks are in fact induced to make greater use of their rediscount ceilings in order to subscribe for certificates; conversely, when the differential decreases or appears insufficient, they have no — or not enough — inducement to resort to this form of arbitrage. This behaviour on the part of the banks is illustrated in Chart 25.5. Thus, the appreciable contraction in the differential in favour of the yield on certificates in the second quarter of 1980 was coupled with a likewise considerable lessening of the degree of utilisation of their rediscount ceilings; subsequently, the differential tended to widen, after which it remained at a high level until November 1981; the degree of utilisation of the banks' rediscount ceilings then also rose again, subsequently remaining at a high level until the end of the year. After having narrowed appreciably in December 1981, the differential remained relatively small in 1982 and even disappeared at the end of the third quarter, this having been accompanied by a sharp reduction in the degree of utilisation of the banks' ceilings; it became positive again, however, during the fourth quarter, and this played a considerable part in bringing about the rise in the degree of utilisation of the said ceilings during this period.

The rediscount ceilings of the financial intermediaries as a whole were raised from Fr. 117 billion at the end of 1981 to Fr. 126 billion a year later: this raising resulted from the application of the normal

rules for the quarterly adjustment of the ceilings without any changes having been made to the method by which they are calculated. It should furthermore be pointed out that the new system which entered into force on 1st December 1981 for a period of one year and which was designed to make it easier for the Creditexport Pool to continue to finance exports with payment periods of medium length was extended on 1st December 1982 for a further period of one year.

Table 25.1 SHORTAGE (-) OR SURPLUS (+) OF FUNDS OF THE VARIOUS SECTORS AND THEIR COUNTERPARTS

(First ten months of 1982 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	Private savings banks		
1. Shortage (-) or surplus (+) of funds : (= transactions outside the money market)	- 400	- 46	+ 220	(+ 88)	(+ 117)	(+ 2)	+ 226	—
of which :								
1.1 Long-term public paper in Belgian francs ¹ :								
1.11 Long-term government paper ²	(+ 81)	(- 5)	(- 56)	(- 4)	(- 36)	(- 19)	(- 20)	—
1.12 Other long-term public paper ³	(-)	(+ 12)	(+ 100)	(+ 131)	(- 6)	(- 26)	(- 112)	—
1.2 Individuals' balances at the Postal Cheque Office ...	(+ 7)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(- 7)	—
2. Counterparts (= 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 ⁴	+ 180	+ 11	- 191	(- 97)	(- 81)	(+ 2)	—	—
2.12 Call money : — against security (net amounts) . — outside the protocol	—	—	—	(+ 1)	(+ 4)	(+ 1)	—	—
2.13 Inter-bank market	—	—	—	(...)	(...)	(...)	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market	...	+ 32	+ 6	(+ 6)	(- 5)	(- 2)	—	—
2.15 Total	+ 180	+ 43	- 185	(- 84)	(- 82)	(+ 1)	- 38	—
2.2 Transactions with the lender of last resort :								
2.21 Transactions of the public sector with the National Bank of Belgium :								
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	+ 16	—	—	(-)	(-)	(-)	—	+ 16
2.213 Foreign currencies borrowed by the public sector and sold by it to the National Bank of Belgium	+ 204	+ 3	- 3	(- 3)	(-)	(-)	—	+ 204
2.214 Total	+ 220	+ 3	- 3	(- 3)	(-)	(-)	—	+ 220
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted	—	—	- 34	(- 1)	(- 37)	(- 3)	—	- 34
2.222 Advances obtained	—	—	+ 2	(...)	(+ 2)	(...)	—	+ 2
2.223 Total	—	—	- 32	(- 1)	(- 35)	(- 3)	—	- 32
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market ⁵	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 200	- 200
3.2 Notes ⁶	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 3	+ 3
3.3 Other	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 9	+ 9
3.4 Total	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 188	- 188

¹ 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.² Treasury certificates at over one year and bonds issued by the Treasury.³ Bonds and medium-term notes issued by the public sector not included elsewhere and by the public credit institutions.⁴ Treasury certificates and Securities Regulation Fund certificates.⁵ Plus sign : net purchases of foreign currencies by the National Bank of Belgium ; minus sign : net sales.⁶ Plus sign : decrease in the outstanding amount of notes ; minus sign : increase.

Table 25.2 SHORTAGE (-) OR SURPLUS (+) OF FUNDS OF THE VARIOUS SECTORS AND THEIR COUNTERPARTS

(Year 1982 in billions of francs)

187

	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	Private savings banks		
1. Shortage (-) or surplus (+) of funds : (= transactions outside the money market)	- 449	- 53	+ 200	(+ 121)	(+ 71)	(...)	+ 302	—
of which :								
1.1 Long-term public paper in Belgian francs ¹ :								
1.11 Long-term government paper ²	(+ 63)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(- 63)	—
1.12 Other long-term public paper ³	(-)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	—
1.2 Individuals' balances at the Postal Cheque Office ...	(- 1)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(n.a.)	(+ 1)	—
2. Counterparts (= 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 ⁴	+ 198	+ 6	- 204	(- 125)	(- 69)	(- 1)	—	—
2.12 Call money : — against security (net amounts) . — outside the protocol	—	—	—	(- 1)	(+ 3)	(+ 1)	—	—
2.13 Inter-bank market .....	—	...	...	( ... )	( ... )	( ... )	...	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market	...	+ 39	+ 8	(+ 8)	(-)	(-)	- 47	—
2.15 Total	+ 198	+ 45	- 196	(- 118)	(- 66)	(...)	- 47	—
2.2 Transactions with the lender of last resort :								
2.21 Transactions of the public sector with the National Bank of Belgium :								
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	+ 31	—	—	(-)	(-)	(-)	—	+ 31
2.213 Foreign currencies borrowed by the public sector and sold by it to the National Bank of Belgium	+ 220	+ 8	- 3	(- 3)	(-)	(-)	—	+ 225
2.214 Total	+ 251	+ 8	- 3	(- 3)	(-)	(-)	—	+ 256
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted	—	—	- 1	(...)	(- 5)	(...)	—	- 1
2.222 Advances obtained	—	—	...	(...)	(...)	(...)	—	...
2.223 Total	—	—	- 1	(...)	(- 5)	(...)	—	- 1
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market ⁵	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 265	- 265
3.2 Notes ⁶	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a. )	...	...
3.3 Other	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 10	+ 10
3.4 Total	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 255	- 255

¹ 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.² Treasury certificates at over one year and bonds issued by the Treasury.³ Bonds and medium-term notes issued by the public sector not included elsewhere and by the public credit institutions.⁴ Treasury certificates and Securities Regulation Fund certificates.⁵ Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.⁶ Plus sign : decrease in the outstanding amount of notes; minus sign : increase.

Table 25.3

CONTRIBUTIONS MADE TO THE FINANCIAL INTERMEDIARIES' MONTHLY
SURPLUS OR SHORTAGE OF FUNDS BY THE TRANSACTIONS OF THE PUBLIC
SECTOR AND THE NATIONAL BANK OF BELGIUM

(Billions of francs)

1982	Financial intermediaries' surplus (+) or shortage (-) of funds	Contributions					
		Shortage (+) or surplus (-) of funds of the Treasury and the public sector not included elsewhere	Transactions on the foreign exchange market			Notes ²	Other
			Sales (-) by the public sector of foreign currencies borrowed by it	Interventions of the National Bank of Belgium ¹	Total		
January	+ 54	+ 52	- 3	- 12	- 15	+ 12	+ 5
February	+ 32	+ 65	- 8	- 25	- 33	- 2	+ 2
March	+ 10	+ 55	- 4	- 50	- 54	+ 1	+ 8
April	- 1	+ 52	- 1	- 43	- 44	- 8	- 1
May	+ 20	+ 49	- 2	- 20	- 22	- 15	+ 8
June	- 9	+ 48	- 9	- 33	- 42	- 2	- 13
July	+ 55	+ 36	- 3	+ 12	+ 9	+ 10	...
August	+ 77	+ 75	- 1	+ 2	+ 1	+ 5	- 4
September	+ 77	+ 75	...	- 9	- 9	+ 3	+ 8
October	- 95	- 61	- 7	- 22	- 29	- 1	- 4
November	+ 31	+ 57	- 7	- 16	- 23	+ 4	- 7
December	- 51	- 1	- 2	- 49	- 51	- 7	+ 8
Total for year	+ 200	+ 502	- 47	- 265	- 312	...	+ 10

¹ Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.

² Plus sign : decrease in the outstanding amount of notes; minus sign : increase.

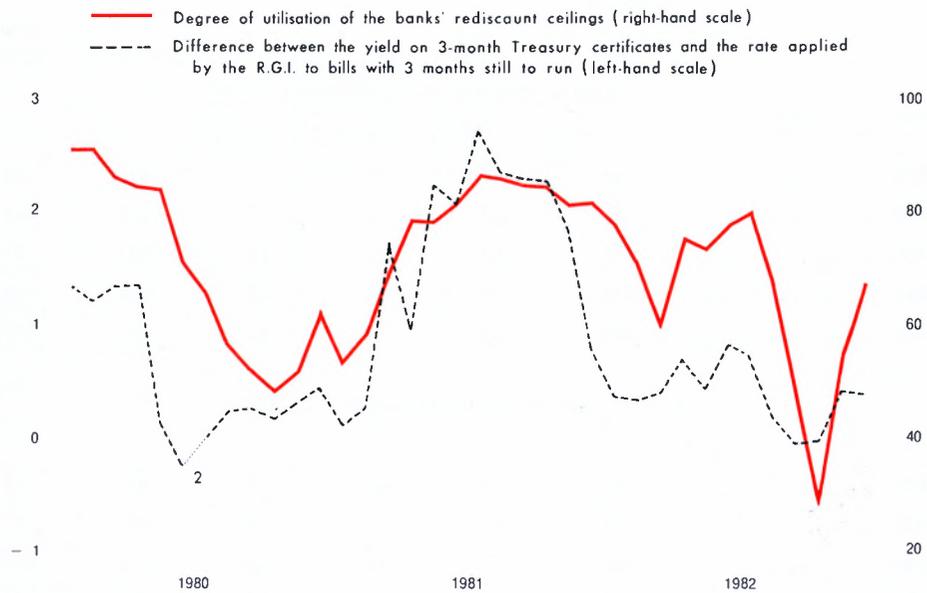
Table 25.4

MAIN COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES
(Billions of francs)

At end of	Treasury and Securities Regulation Fund certificates in Belgian francs at up to one year (a)	Rediscount ceilings at the National Bank of Belgium				Total of recorded liquidity components (f) = (a) + (d)
		Total (b)	Bills rediscounted (c)	Available margins (d) = (b) - (c)	p.m. Degree of utilisation (e) = $\frac{(c)}{(b)}$ (per cent)	
1. PUBLIC CREDIT INSTITUTIONS						
1978	63	11	5	6	(45)	69
1979	57	12	5	7	(42)	64
1980	73	13	2	11	(15)	84
1981	135	14	4	10	(29)	145
1982	260	14	4	10	(29)	270
2. BELGIAN AND LUXEMBOURG BANKS						
1978	43	72	64	8	(89)	51
1979	65	80	72	8	(90)	73
1980	165	89	51	38	(57)	203
1981	218	96	77	19	(80)	237
1982	287	104	73	31	(70)	318
3. PRIVATE SAVINGS BANKS						
1978	2	5	1	4	(20)	6
1979	2	6	3	3	(50)	5
1980	6	6	2	4	(33)	10
1981	28	7	5	2	(71)	30
1982	29	8	5	3	(63)	32

Chart25.5

DEGREE OF UTILISATION OF THE BANKS' REDISCOUNT CEILINGS
AND DIFFERENCE BETWEEN THE YIELD ON TREASURY CERTIFICATES
AND THE COST OF REDISCOUNTING ¹
(Per cent)



¹ Averages, per month, of daily data.

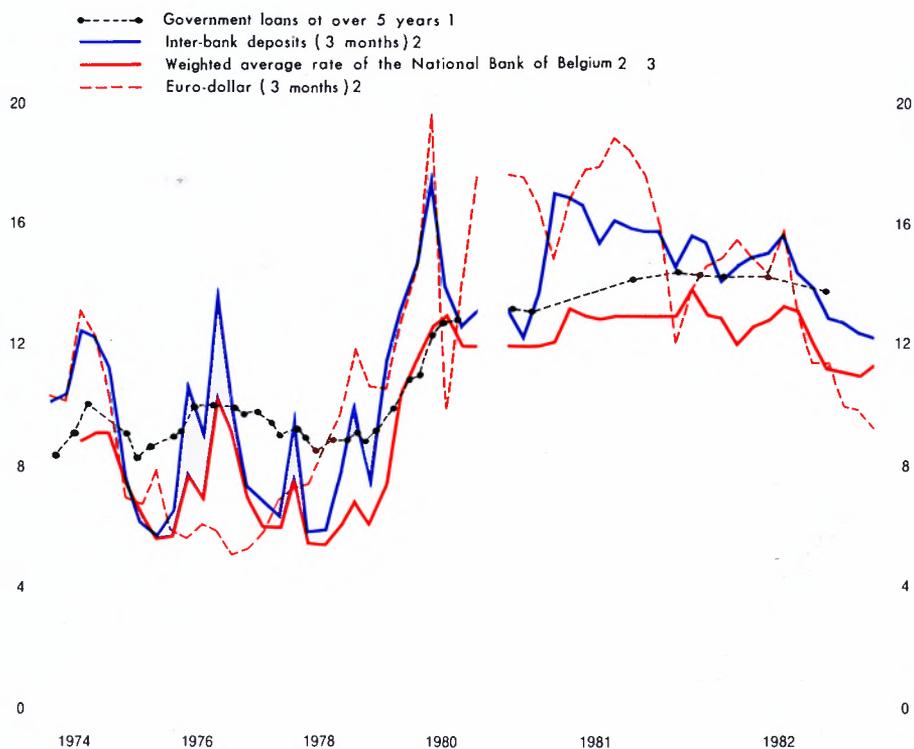
² For the period from January to June 1980, during which the rediscount ceilings were divided into sub-ceilings A and B, the rate is that for bills counted against sub-ceiling B.

*
**

Chart 26

INTEREST RATES

(Per cent)



¹ Yield on issue to final maturity, before 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.

² 1974 to 1980: end-of-quarter data. 1981 and 1982: end-of-month data.

³ The weighted average rate has only been calculated since July 1974.

COMMENTS ON CHART 26 :

INTEREST RATES

A. Methodology

a) Chart 26 presents a summary of the movement of interest rates in Belgium and abroad.

The foreign rate is the three-month Euro-dollar rate, which is one of the most important for Belgian monetary policy.

The rate of yield on issue to final maturity of government loans and those of the Road Fund is representative of long-term rates in Belgium.

The indicator of Belgian money market rates is provided by the rate for three-month interbank deposits; the rate for three-month Treasury certificates could have served equally well for this purpose, since the movement of both rates is very similar, as is shown by Table 26.1.

The Bank's various rates, which are shown in Table 26.2, are represented in a summary manner in Chart 26 by the Bank's weighted average rate, that is, the average cost of recourse to it for the financial intermediaries which directly or indirectly finance credits to enterprises and individuals; this cost is calculated by taking the mean of the Bank's different rates¹ weighted by the outstanding amount of the financing obtained by the financial intermediaries at these rates.

b) Chart 26.3 gives a picture of short-term creditor rates. As far as deposits on ordinary savings books at the General Savings and Pensions Fund are concerned, the rate shown is a gross fictitious rate; as income from deposits on ordinary savings books is at present exempt from tax up to Fr. 30,000 per year, their actual rate (basic rate plus fidelity premium) 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.

c) Chart 26.4 presents a comparison of the long-term yields on some foreign markets and in Belgium, after deduction of tax at source, if any; for Belgium this tax is the 20 p.c. preliminary tax on personal property and for the Federal Republic of Germany it is the 25 p.c. coupon tax; as far as the Euro-market, the United States and the Netherlands are concerned, it should be noted that no tax is deducted at source on income from the bonds shown in Chart 26.4. This chart is therefore applicable to the Belgian investor who, when comparing long-term yield rates, only takes into account the possible deduction of tax at source.

¹ Including the special interest rate applied to the rediscounting, by the Rediscount and Guarantee Institute, of « Creditexport » bills still having up to one year to run representing exports to countries which are not members of the European Economic Community (see p. 185 of this Report).

d) Chart 26.5 presents a summary of the long-term debtor and creditor rates of the public credit institutions; it actually shows the development of the cost of some of the new funds which the public credit institutions raise by the issuing of notes and bonds on tap, this cost being compared with the yield of certain new investments in the form of mortgage loans and investment credits.

B. Main developments

The chief lessons which emerge from Chart 26 are as follows :

a) The movement of money market rates in Belgium was similar, in direction if not in extent, to that of the Euro-dollar and, more generally, the main Euro-currencies. After having reached a peak in the course of 1981, these rates began to display a downward trend, which became appreciably more marked from the middle of 1982 onwards. Belgian money market rates were also influenced by factors peculiar to Belgium; at the end of 1981 they had reached a relatively high level owing to strains which had developed in December in the foreign exchange market; when these strains eased, the rates fell again; however, as a result of further strains which developed from March onwards, they had by the end of June reattained the level at which they had stood at the end of the previous year. During the second half of the year and particularly in the third quarter, during which the Bank was able to carry out net sales of foreign currencies on the foreign exchange market, Belgian money market rates displayed a distinct downward tendency; that for three-month interbank deposits thus declined from 15.63 p.c. at the end of June to 12.88 p.c. at the end of September and 12.19 p.c. at the end of December (Table 26.1).

The influences which have just been discussed — the strained or calm state of the foreign exchange market, the movement of foreign short-term rates and particularly their decline in the second half of the year — are factors which, in turn, made it impossible and possible for the Bank to bring its scales (Table 26.2) closer to the level which would have been warranted by the poor state of domestic economic activity. The movement of the Bank's weighted average rate was thus parallel with that of Belgian money market rates.

b) The short-term creditor rates (Chart 26.3) which are connected with money market rates, namely the rates applied to large time deposits of from Fr. 5 to 20 million, moved in the same way as the latter.

As the rates on time deposits of from Fr. 1 to 3 million fell less during the year, the negative difference from those on time deposits of from Fr. 5 to 20 million decreased from 4 p.c. at the end of December 1981 to 2.375 p.c. a year later. The other short-term creditor rates, which are fixed after consultation between the various categories of financial intermediaries, varied, as has been the case during the last few years, much less than the money market rates. The rates on ordinary savings books, which had not followed the movement during the previous period of rising rates — because a higher remuneration, by which the whole of the amounts deposited would have benefited, would have been liable to jeopardize the earning power of certain categories of financial intermediaries which specialize in attracting savings of this kind — remained unchanged in 1982; for their part, the rates on ordinary three-month deposits were reduced by 0.25 p.c. towards the end of the year.

Owing to, among other things, the stability of the cost of part of the financial intermediaries' resources, which has just been discussed, the decline in debtor interest rates on short-term credits was less marked than that in money market rates; thus, the minimum effective rate applied to the discounts and ordinary advances granted to first-class customers fell by 2.75 and 2 p.c. respectively between the end of June and the end of December.

c) Chart 26 also shows that the rate of yield on issue of government bonds fell by about 0.50 p.c. in 1982. On the whole, the decline in capital market rates was mainly brought about by the actual and expected movement of short-term rates, although the extent of the fall was considerably smaller than on the money market; it was also less than that abroad, as is shown by Chart 26.4.

The decline in the yield on issue of government loans was accompanied by a reduction of 0.50 p.c. in the rates of yield on most notes and bonds issued on tap by the public credit institutions. These therefore reduced to the same extent their debtor rates on long-term credits, namely investment credits and mortgage loans (Chart 26.5).

Table 26.1

INTEREST RATES ON INTER-BANK DEPOSITS
AND THREE-MONTH TREASURY CERTIFICATES

(Per cent)

At end of	Inter-bank deposits	Treasury certificates
1978	10.00	9.25
1979	14.69	14.40
1980	13.13	12.75
1981	15.63	16.00
1982 January	15.38	15.15
February	14.19	14.25
March	14.63	14.50
April	14.88	15.00
May	15.00	15.00
June	15.63	15.75
July	14.38	14.50
August	13.88	13.75
September	12.88	12.75
October	12.75	12.75
November	12.38	12.25
December	12.19	12.25

Table 26.2

NATIONAL BANK OF BELGIUM'S RATES

(Per cent)

OFFICIAL SCALE OF DISCOUNT AND ADVANCE RATES

SPECIAL RATES

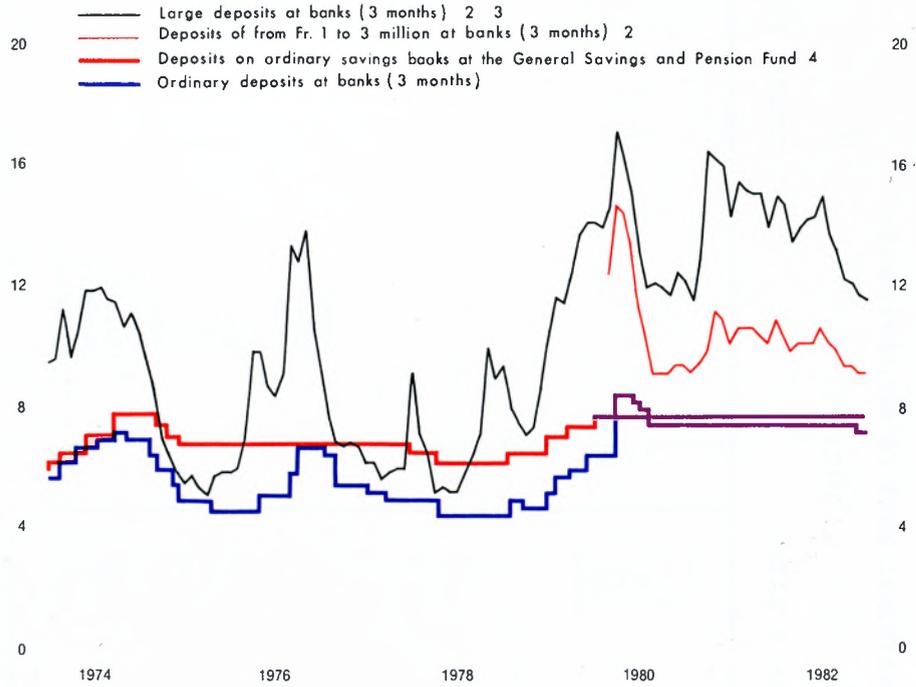
	Discount ¹	Current account advances against public securities ²	At end of	Discounting of bills counted against sub-ceiling B	Rediscount and Guarantee Institute's rediscount facility for mobilisation of paper not counted against rediscount ceilings	Advances above monthly quota allotted to public credit institutions, banks and private savings banks
<i>At end of :</i>			1978	8.50	9.00	9.50
1978	6.00	8.50	1979	12.50	13.50	13.50
1979	10.50	12.50	1980	—	13.00	13.00
1980	12.00	12.00	1981	—	17.50	17.50
1981	15.00	17.00	1982 January	—	16.00	16.00
1982	11.50	12.50	February	—	16.00	16.00
1982 1 st January - 6 th January	15.00	17.00	March	—	15.00	15.00
7 th January - 3 rd March	14.00	15.00	April	—	15.50	15.50
4 th March - 7 th April	13.00	13.50	May	—	15.50	15.50
8 th April - 28 th July	14.00	15.00	June	—	15.50	15.50
29 th July - 18 th August	13.50	14.50	July	—	15.00	15.00
19 th August - 8 th September	13.00	14.00	August	—	14.50	14.50
9 th September - 20 th October	12.50	13.50	September	—	13.50	13.50
21 st October - 11 th November	12.00	13.00	October	—	13.00	13.00
12 th November - 31 st December ..	11.50	12.50	November	—	12.50	12.50
			December	—	12.50	12.50

¹ Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.² 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.

Chart 26.3

SHORT-TERM CREDITOR INTEREST RATES ¹

(Per cent)



¹ Rates before deduction of tax at source.

² Rates in force at the end of the month.

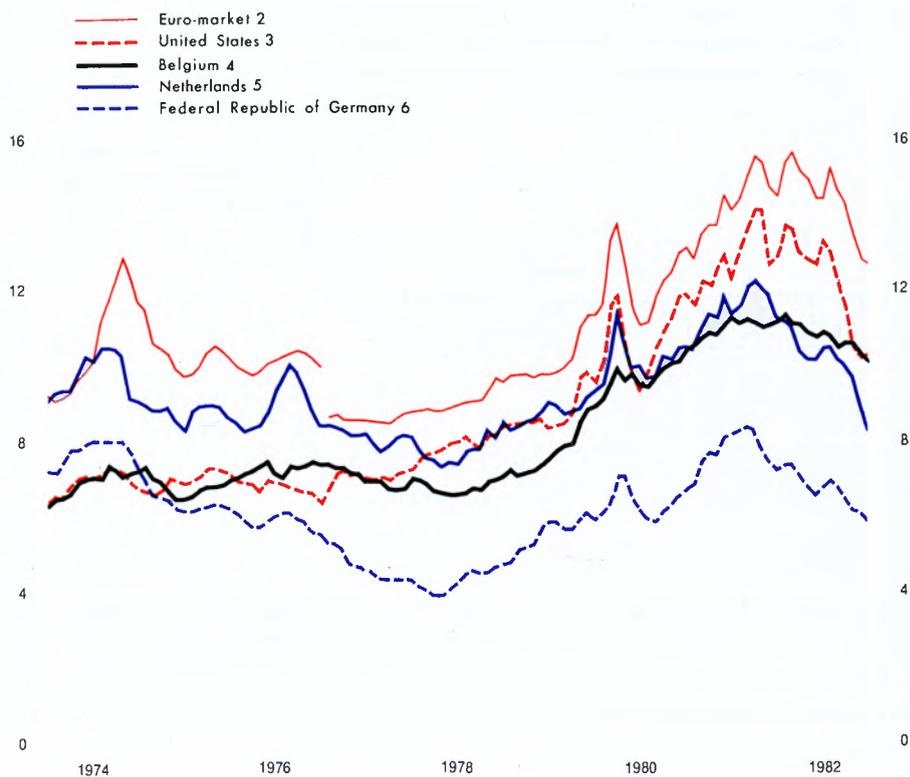
³ Indicative rates for deposits of from Fr. 5 to 20 million.

⁴ Including the fidelity premium but not including the premiums on increases in deposits granted from 1st April 1980 until 31st December 1981. Gross fictitious rate.

Chart 26.4

LONG-TERM YIELD RATES ¹ IN BELGIUM AND ABROAD

(Per cent)



Sources : Euro-market and Federal Republic of Germany : Financial Statistics of the Organisation for Economic Co-operation and Development. United States : Federal Reserve Bulletin. Netherlands : Quarterly Report of the Netherlands Bank. Calculations of the National Bank of Belgium.

¹ Rate of yield on the secondary market after any deduction of tax at source.

² Dollar Euro-bonds with a remaining period of from 7 years to less than 15 years issued by the public sector. The calculation and composition of the sample were changed in January 1977.

³ Federal Government bonds (10 years and over).

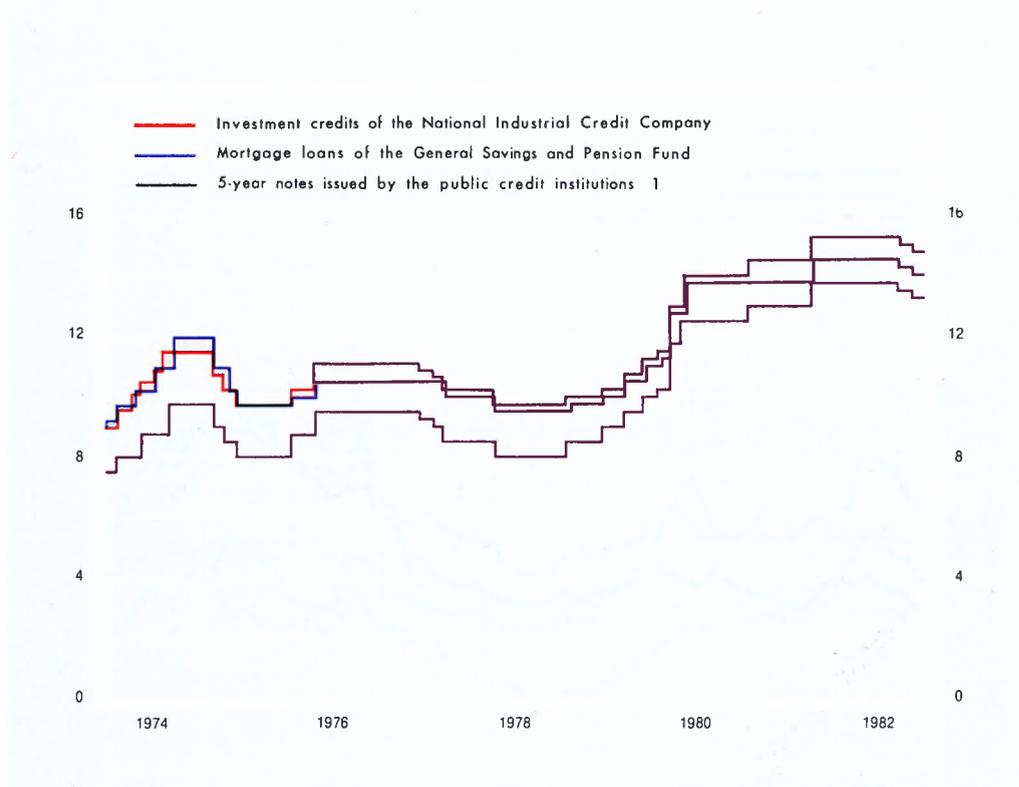
⁴ Government bonds at over 5 years.

⁵ Last three long-term government loans.

⁶ Public-sector bonds.

Chart 26.5

THE PUBLIC CREDIT INSTITUTIONS' LONG-TERM RATES
(Per cent)



¹ Yield on issue before deduction of tax at source.

Annual Accounts

BALANCE SHEET AS AT 31st DECEMBER 1982

(in thousands of francs)

ASSETS

Gold Holding		58,213,957
International Monetary Fund :		
Quota		14,601,333
Loans		—
Special Drawing Rights		32,695,573
Ecus		72,953,310
Foreign Currencies		49,416,046
Foreign Currencies and Gold Receivable :		
European Monetary Co-operation Fund		35,657,197
Other		—
International Agreements		1,086,776
Advances to the I.M.F.		2,282,138
European Monetary Co-operation Fund		—
E.E.C. : Medium-term Financial Assistance		—
Debtors in respect of Foreign Exchange and Gold at Forward Dates		—
Commercial Bills		84,422,684
Advances against Pledged Security :		
Private-sector Financial Intermediaries	155,212	
Public-sector Financial Intermediaries	94	
Other Public-sector Institutions	—	
Private and Public Enterprises, and Individuals	460,232	615,538
Public Securities :		
Belgian Public Securities		37,000,000
Luxembourg Public Securities		—
Special Assistance to the Securities Regulation Fund		181,059,000
Treasury Notes and Coin		859,383
Balances at the Postal Cheque Office :		
A Account		1,519
B Account		4,410,393
Consolidated Claim on the Government		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972		3,450,350
Items Receivable		8,978,022
Public Long-term Securities		10,128,149
Premises, Furniture and Equipment		2,384,454
Securities of the Staff Pensions Fund		15,334,430
Transitory Assets		13,422,670
	Total Assets	662,972,922

(in thousands of francs)

LIABILITIES

Bank Notes in Circulation		382,193,302
Current and Sundry Accounts :		
Public Treasury, Ordinary Account	16,293	
Private-sector Financial Intermediaries	380,557	
Public-sector Financial Intermediaries	20,155	
Other Public-sector Institutions	867,801	
Private and Public Enterprises, and Individuals	149,821	
Banks in Foreign Countries and International Institutions, Ordinary Accounts	2,249,193	
Items Payable	27,983,194	31,667,014
International Agreements :		
Financial Assistance Agreements		4,410,393
Other Agreements		28,064
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation		23,610,731
European Monetary Co-operation Fund		18,078,067
Ecus to be delivered to the European Monetary Co-operation Fund		166,552,341
Monetary Reserve :		
Belgium		—
Grand Duchy of Luxembourg		—
Foreign Currencies and Gold to be delivered		14,670
Staff Pensions Fund		15,334,430
Transitory Liabilities		8,694,363
Capital		400,000
Reserve Fund :		
Statutory Reserve		1,596,791
Extraordinary Reserve		7,357,631
Account for Depreciation of Premises, Furniture and Equipment		2,159,344
Net Profit for Distribution		875,781
Total Liabilities		662,972,922

PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1982

(in thousands of francs)

DEBIT

Government's Share :		
Discounts and Advances	29,586,392	
Transactions with Foreign Countries	3,513,594	33,099,986
General Expenses :		
Remunerations and Social Charges	4,941,942	
Other Expenses	510,403	
<i>less :</i>		
Expenses to be borne by Others	853,763	4,598,582
Taxes and Dues		2,863,974
Other Payments to the Public Treasury imposed by Law		36,634
Depreciation of Premises, Furniture and Equipment		563,526
Transfers to Reserves and Provisions as :		
Extraordinary Reserve	1,284,000	
Provision for Premises, Furniture and Equipment	234,000	
Provision against Sundry Contingencies	700,000	
Tax Saving effected by virtue of R.D. No. 16 of 9th March 1982	173,000	2,391,000
Net Profit for Distribution		875,781
		44,429,483

CREDIT

Proceeds of Discount and Advance Operations	37,981,353
Proceeds of Transactions with Foreign Countries	4,846,767
Proceeds of Public Long-term Securities	1,056,111
Fees for Safe Custody, Commissions and Allowances	221,423
Sundry Receipts	23,829
Drawings on Transitory Liabilities Items	300,000
	44,429,483

MEMORANDUM ACCOUNTS AS AT 31 DECEMBER 1982

(in thousands of francs)

Ministers of National Education :			
Balance for their account at the Postal Cheque Office (Education legislation)			27,526,831
Documentary Credits Opened			1,898
« Visa » of Acceptances relating to Exports and Imports			115,684
International Institution benefiting by commitments of the Bank			2,145,588
Guarantees given by the Bank			819,304
Securities received by way of Guarantee :			
Cover for advance limits against pledged security.	62,494,199		
Guarantees given by persons lodging bills for discount		1,615	
Securities provided by borrowers of call money	16,967,690		
Sundry security commitments.		34,610	
Other guarantees	1,427,618		
			80,925,732
Guarantee Certificates received from the Public Treasury			1,350,000
Items for Collection			432,089
Assets administered for account of the European Monetary Co-operation Fund			
Deposits of Securities and Sundry Items :			
International Monetary Fund.	51,394,000		
International Development Association	5,570,621		
Asian Development Bank	751,739		
Inter American Development Bank	632,105		
African Development Fund	380,366		
Other Deposits	731,293,229		
			790,022,060
Public Treasury :			
Sundry Securities owned by the Government :			
<i>Preference Shares of the Belgian National Railways Co.</i>	5,000,000		
<i>Ordinary Shares of the Belgian National Railways Co.</i>	1,000,000		
<i>Participating Debentures of the Belgian National Railways Co.</i>	638,305		
<i>4.50 p.c. Certificates of the National Housing Co.</i>	3,378,580		
<i>4.50 p.c. Certificates of the National Land Co.</i>	11,622		
<i>Sundry Items :</i>			
— <i>Earmarked for the Monetary Fund</i>	905,353		
— <i>Others</i>	5,760,476	16,694,336	
Sundry Items for which the Government is the Depository :			
<i>Items lodged by outside parties.</i>	92,875,317		
<i>Service of the Registered Debt</i>	732,475,945		
<i>Deposit and Consignment Office</i>	8,503,390		
<i>Items lodged by way of guarantee</i>	12,454,179	846,308,831	
Items to be delivered.		613,340,004	1,476,343,171
Securities Regulation Fund			208,814,092

DIVIDEND DECLARED FOR THE YEAR 1982

First Dividend, Total	24,000
Second Dividend, Total	558,500
Total	582,500

on 400,000 shares, that is per share a dividend of . . . Fr. 1,456.25

Coupon N° 181 will be payable with effect from 1st March 1983 at the rate of Fr. 1,165 free of Preliminary Tax on Personal Property.

Since the Net Dividend amounts to Fr. 1,165, the taxable income per share is Fr. 2,050.40, including the tax relief and the Preliminary Tax on Personal Property¹.

The Council of Regency :

Marcel D'HAEZE, *Vice-Governor*,
 Roland BEAUVOIS, *Director*,
 Georges JANSON, *Director*,
 William FRAEYS, *Director*,
 Frans JUNIUS, *Director*,
 Jean-Pierre PAUWELS, *Director*,

The Governor,
 Jean GODEAUX.

Roger RAMAEKERS, *Regent*,
 Raymond PULINCKX, *Regent*,
 Jozef HOUTHUYS, *Regent*,
 Georges DEBUNNE, *Regent*,
 Jan HINNEKENS, *Regent*,
 Luc AERTS, *Regent*,
 Albert FRERE, *Regent*,
 André DEVOGEL, *Regent*,
 Alfred RAMPEN, *Regent*,
 Rik VAN AERSCHOT, *Regent*.

¹ Tax relief $\frac{1,165 \times 51}{100}$ Fr. 594.15

Preliminary Tax on Personal Property $\frac{1,165 \times 1}{4}$ Fr. 291.25

Administration and supervision

Departments and services

Branches and agencies

ADMINISTRATION AND SUPERVISION

<i>Governor</i>	Mr Jean GODEAUX.
<i>Vice-Governor</i>	Mr Marcel D'HAEZE.
<i>Directors</i>	Messrs Roland BEAUVOIS, Georges JANSON, William FRAEYS, Frans JUNIUS, Jean-Pierre PAUWELS.
<i>Regents</i>	Messrs. Roger RAMAEKERS, Raymond PULINCKX, Jozef HOUTHUYS, Georges DEBUNNE, Jan HINNEKENS, Luc AERTS, Albert FRERE, André DEVOGEL, Alfred RAMPEN, Rik VAN AERSCHOT.
<i>Censors</i>	Messrs. Alex FLORQUIN, <i>Chairman</i> , Louis PETIT, <i>Secretary</i> , Gaston VANDEWALLE, Jacques DELRUELLE, Hubert DETREMMERIE, André LEYSEN, Lucien ROEGIERS, Joseph POLET, Théo VANDERVORST.
<i>Secretary</i>	Mr Valery JANSSENS.
<i>Treasurer</i>	Mr Maurice DEMANET.

GOVERNMENT COMMISSIONER

Mr Emiel KESTENS.

ADVISERS

<i>Economic Adviser</i>	Mr J. BAUDEWYNS.
<i>Adviser to the Board of Directors</i>	Mr J. POULLET, Head of Personnel, Miss M.-H. LAMBERT.

DEPARTMENTS

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

Training

Head Mr P. COENRAETS, Inspector-General.

Medico-social Affairs

Head Doctor Mr J. DE REDE,
Doctors Messrs J. BARY, A. DE LANDTSHEER.

Personnel

Head Mr L. HANCISSE, Head of Division,
Heads of Division Messrs R. VAN SIMAEYS, J. LEEMANS.

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

Accounting

Head Mr M. SCHOLLAERT, Inspector-General,
Adviser Mr L. BOES,
Heads of Division Messrs C. DEKEYSER, A. MICHEL.

Budgetary Control

Head Mr J. VAN ROY, Inspector-General,
Head of Division Mr F. HEYMANS.

General Control Department — Mr R. VAN STEENKISTE, Inspector-General,

External Control

Head Mr H. KUSSE, Inspector-General,
Controllers Messrs P. BLAISE, E. VAN DER JEUGHT.

Inspection

Head Mr W. VAN DER PERRE, Inspector-General,
Inspectors Messrs A. PIERRET, D. MUS, T. DE ROOVER,
J. HELFGOTT.

Credit Department — Mr L. PLUM, Inspector-General,

Advances and Portfolio

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

Central Risks Office

Head Mr F. TOURNEUR, Inspector-General,
Controller Mr M. ASSEAU,
Head of Division Mr F. DEPUYDT.

Discounting

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

Foreign Department — Mr J.-J. REY, Assistant Director,

International Agreements

Head Mr J. ROELANDTS, Inspector-General,
Advisers Messrs M. DEMARET, L. DE VRIES,
P. LEROY, M. JAMAR,
G. NOPPEN, J. MICHIELSEN,
Mrs F. LEPOIVRE-MASAI,
Controller Mr R. BEERENS.

Foreign Exchange

Head Mr P. ADRIAENS, Inspector-General,
Head of Division Mr H. DE SAEDELEER.

Goods Transactions Control

Head Mr W. STOOP, Inspector-General,
Heads of Division Messrs F. ROBBERECHT, L. DUSSAIWOIR.

Foreign Payments Statistics

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

Research Department — Mr J. BAUDEWYNS, Economic Adviser,

	Miss M.-H. LAMBERT, Adviser to the Board of Directors.
Deputy Head of Department	Mr R. EGLEM, Inspector-General,
Advisers	Messrs J. DESPIEGELAERE, S. BERTHOLOME
Economists	Messrs W. PLUYM, R. REYNDERS, B. MEGANCK, Miss A.-M. PEETERS, Messrs. A. NYSENS, J. SMETS.

Documentation

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

Statistics

Head	Mr W. BRUMAGNE, Inspector-General,
Head of Division	Mr R. BEUTELS.

Public Securities Department — Mr P. GENIE, Inspector-General,

Government Cashier's Department

Head	Mr C. VAN POPPEL, Head of Division,
Head of Division	Mr C. LOTS.

Securities Regulation

Head	Mr J. CARLIER, Head of Division,
Head of Division	Mr J. MAKART.

Securities

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

Buildings Department — Mr G. VAN DEN STEEN, Inspector-General,

Buildings

Head	Mr F. DEMEULENAERE, Inspector-General,
Advisers	Messrs J. VICTOIR, K. VANDENEDEE.

Stores and Security

Head	Mr J. TEIRLINCK, Head of Division,
Heads of Division	Messrs S. VAN RILLAER, J. VANDEUREN, R. LOISEAU, A. KOZIJS.

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.

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,
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 M. DEMANET, Treasurer,

Central Cash Office

Chief Cashier Mr F. DE MAEYER, Inspector-General,
Adviser Mr J. DE MAESSCHALCK,
Heads 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,
J.-F. KERVYN DE MARCKE TEN DRIESSCHE.

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,
J. DESSART, Adviser.

Officials on mission on behalf of the International Monetary Fund,

Banque du Rwanda : Mr J. TAVERNIER, Adviser,
Banque d'Ouganda : Mr W. VERTONGEN, Economist,
Banque du Zaïre : Messrs J. DUREUIL, Controller, R. VANHULST, Head of Division.
Federal and Islamic Republic of the Comoros : Mr G. PARLONGUE, Economist.

Official drafted into the Prime Minister's Office,

Mr A. VERPLAETSE, Adviser.

Official drafted into the Belgian Permanent representation in the European Communities,

Mr H. BUSSERS, Adviser.

BRANCHES AND AGENCIES

Antwerp

Branch Manager Mr H. ALLAER,
Heads of Division Messrs E. DE KOCK, L. ROBBROECKX,
E. RENTMEESTERS, J. BRIL,
L. JACOBS, P. VERPOEST.

Liège

Branch Manager (*) Mr A. FRANÇOIS,
Heads of Division Messrs A. AMEILE, J. CROTTEUX, H. PAQUES.

Luxembourg (Grand Duchy)

Branch Manager Mr M. HENNEQUIN,
Head of Division Mr J. HANSEN.

Aalst

Agency Manager Mr L. GHYSELS.

Arlon

Agency Manager Mr R. TOBIE.

Brugge

Agency Manager Mr L. VAN DEN WIJNGAERT,
Head of Division Mr W. MAGERMAN.

Charleroi

Agency Manager (**) Mr A. D'HAUWE
Head of Division Mr A. DEBU.

Ghent

Agency Manager Mr K. MORTIER,
Head of Division Mr A. MAENHAUT.

Hasselt

Agency Manager Mr M. THIJS,
Head of Division Mr L. MESOTTEN.

Huy

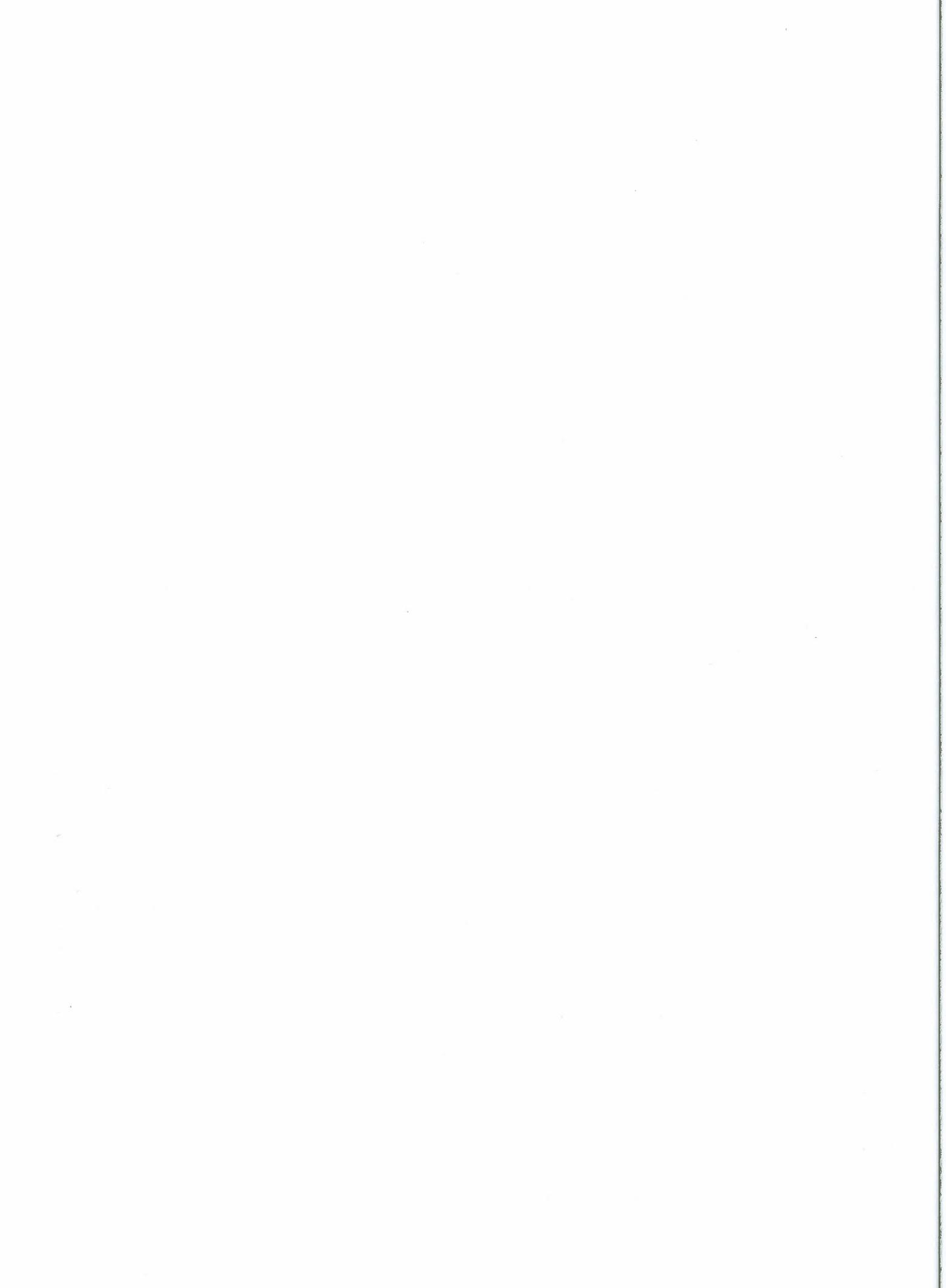
Agency Manager Mr J. DENILLE.

Kortrijk

Agency Manager Mr F. LEFLERE.

(*) From the 24th of January 1983, the branch in Liège is managed by Mr A. D'HAUWE.
(**) From the 13th of January 1983, the agency in Charleroi is managed by Mr J. TASSIER.

<i>La Louvière</i>	
Agency Manager	Mr P. VAN NIEUWENHUYSE.
<i>Leuven</i>	
Agency Manager	Mr P. PEETROONS,
Head of Division	Mr W. SMOUT.
<i>Malmédy</i>	
Responsible for the management of the agency	Mr E. LIENNE.
<i>Marche-en-Famenne</i>	
Agency Manager	Mr P. DETRY.
<i>Mechelen</i>	
Agency Manager	Mr L. KERREMANS.
<i>Mons</i>	
Agency Manager	Mr P. NYS.
<i>Namur</i>	
Agency Manager	Mr J. DELPEREE.
<i>Ostend</i>	
Agency Manager	Mr G. ONGENA.
<i>Roeselaere</i>	
Agency Manager	Mr J. BOUDOU.
<i>Ronse</i>	
Responsible for the management of the agency	Mr G. DELIVEYNE.
<i>Sint-Niklaas</i>	
Agency Manager	Mr L. GHEKIERE.
<i>Tournai</i>	
Agency Manager	Mr F. RYCKAERT.
<i>Turnhout</i>	
Agency Manager	—
<i>Verviers</i>	
Agency Manager	Mr J. BOFFING,
Head of Division	Mr A. MOXHET.



Annexes

BALANCE SHEETS COMPARED AS AT

ASSETS	1978	1979	1980	1981	1982
Gold holding :	72,531.9	58,261.4	58,214.0	58,214.0	58,214.0
International Monetary Fund :					
Quota	19,407.1	18,125.9	18,108.2	15,342.7	14,601.3
Loans	689.9	—	—	—	—
Special Drawing Rights	20,150.7	23,152.1	24,166.7	30,553.4	32,695.6
Ecus		61,112.2	110,675.1	33,640.4	72,953.3
Foreign Currencies	106,125.9	75,472.6	114,751.0	112,004.9	49,416.0
Foreign Currencies and Gold Receivable :					
European Monetary Co-operation Fund . .		35,707.0	40,126.2	39,609.9	35,657.2
Other	—	2,377.3	—	—	—
International Agreements	392.9	4.8	841.5	968.0	1,086.8
Advances to the I.M.F.	9,374.3	7,369.4	5,706.4	4,475.8	2,282.1
European Monetary Co-operation Fund	—	—	—	—	—
E.E.C. : Medium-term Financial Assistance . .	—	—	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates	11,889.1	19,597.3	2,989.8	—	—
Commercial Bills :	78,992.7	80,603.0	47,080.3	85,559.4	84,422.7
Advances against Pledged Security :					
Private-sector Financial Intermediaries				479.3	155.2
Public-sector Financial Intermediaries				0.7	0.1
Other Public-sector Institutions				—	—
Public and Private Enterprises, and Individuals				94.4	460.2
	16,779.4	23,733.5	10,424.0		
	16,779.4	23,733.5	10,424.0	574.4	615.5
Public Securities :					
Belgian Public Securities	37,000.0	37,000.0	37,000.0	37,000.0	37,000.0
Luxembourg Public Securities	—	—	—	—	—
Special Assistance to the Securities Regulation Fund	15,950.0	52,450.0	77,125.0	149,540.0	181,059.0
Treasury Notes and Coin	419.0	426.6	577.3	673.5	859.4
Balances at the Postal Cheque Office :					
A Account	2.0	2.2	1.8	2.0	1.5
B Account	2,018.5	3,432.6	4,276.4	4,469.0	4,410.4
Consolidated Claim on the Government : . . .	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Provisional Adjustment resulting from the Law of 3rd July 1972	3,450.4	3,450.4	3,450.4	3,450.4	3,450.4
Items Receivable	9,152.1	18,776.3	22,289.1	3,401.7	8,978.0
Public Long-term Securities	6,498.2	7,232.7	8,005.7	8,861.4	10,128.1
Premises, Furniture and Equipment	2,150.0	2,232.2	2,240.1	2,253.5	2,384.5
Securities of the Staff Pensions Fund	10,293.5	11,757.7	13,130.2	14,254.0	15,334.4
Transitory Assets	1,554.7	2,010.8	2,053.1	2,899.2	13,422.7
	458,822.3	578,288.0	637,232.3	641,747.6	662,972.9

LIABILITIES	1978	1979	1980	1981	1982
Bank Notes in Circulation	359,903.0	371,796.1	376,087.1	382,224.6	382,193.3
Current and Sundry Accounts :					
Public Treasury, Ordinary Account	2.8	11.2	4.2	23.4	16.3
Private-sector Financial Intermediaries	} 5,206.2	} 4,086.3	} 4,013.5	358.7	380.6
Public-sector Financial Intermediaries				24.2	20.1
Other Public-sector Institutions				612.1	867.8
Public and Private Enterprises, and Individuals Banks in Foreign Countries and International Institutions, Ordinary Accounts				770.0	149.8
Items Payable				3,256.2	3,817.6	4,831.8	4,987.5	2,249.2
	8,465.2	7,915.1	8,849.5	10,909.7	31,667.0
International Agreements :					
Financial Assistance Agreements	2,018.5	3,432.6	4,276.4	4,469.0	4,410.4
Other Agreements	350.4	16.5	59.9	34.0	28.1
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Al- location	10,186.2	14,689.9	19,193.6	23,610.7	23,610.7
European Monetary Co-operation Fund	26,702.9	27,357.1	—	2,752.5	18,078.1
Ecus to be delivered to the European Monetary Co-operation Fund		86,349.4	162,357.3	163,460.5	166,552.3
Monetary Reserve :					
Belgium	365.0	—	—	—	—
Grand Duchy of Luxembourg	—	—	—	—	—
Foreign Currencies and Gold to be delivered . . .	16,206.8	28,129.0	3,146.2	18.2	14.7
Staff Pensions Fund	10,293.5	11,757.7	13,130.2	14,254.0	15,334.4
Transitory Liabilities	16,458.0	18,168.3	40,561.8	29,139.8	8,694.4
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	1,299.7	1,368.4	1,440.5	1,516.5	1,596.8
Extraordinary Reserve	3,436.3	4,116.3	4,896.7	6,073.7	7,357.6
Account for Depreciation of Premises, Furni- ture and Equipment	2,028.7	2,049.2	2,049.2	2,058.5	2,159.3
Net Profit for Distribution	708.1	742.4	783.9	825.9	875.8
	458,822.3	578,288.0	637,232.3	641,747.6	662,972.9

PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT	1978	1979	1980	1981	1982
Government's Share :					
Discounts and Advances	3,582.2	8,616.9	17,002.0	24,271.2	29,586.4
Transactions with Foreign Countries.	3,014.3	3,562.7	1,929.6	8,482.6	3,513.6
	6,596.5	12,179.6	18,931.6	32,753.8	33,100.0
General Expenses :					
Remunerations and Social Charges	3,536.2	3,772.6	3,958.3	4,405.7	4,941.9
Other Expenses	322.7	356.2	403.6	440.2	510.4
	3,858.9	4,128.8	4,361.9	4,845.9	5,452.3
<i>less :</i>					
Expenses to be borne by Others	-543.5	-593.8	-659.9	-717.0	-853.7
	3,315.4	3,535.0	3,702.0	4,128.9	4,598.6
Taxes and Dues	1,647.0	2,253.3	2,623.7	2,830.8	2,864.0
Other Payments to the Public Treasury imposed by Law			27.4	456.6	36.6
Depreciation of Premises, Furniture and Equipment	172.5	193.0	245.5	335.3	563.5
Additional Grant to the Staff Pensions Fund . .	350.0	440.0	400.0	500.0	—
Transfers to Reserves and Provisions :					
— Extraordinary Reserve	702.0	680.0	780.3	1,177.0	1,284.0
— Provision for Premises, Furniture and Equipment.	—	278.0	290.0	260.0	234.0
— Provision against Sundry Contingencies	500.0	500.0	500.0	500.0	700.0
— Provision for Tax.		250.0	250.0	300.0	—
— Tax Saving effected by virtue of R.D. No. 16 of 9th March 1982					173.0
Net Profit for Distribution	708.1	742.4	783.9	825.9	875.8
	13,991.5	21,051.3	28,534.4	44,068.3	44,429.5

CREDIT	1978	1979	1980	1981	1982
Proceeds of Discount and Advance Operations .	6,824.6	13,113.7	22,231.0	30,929.8	37,981.4
Proceeds of Transactions with Foreign Countries	6,386.8	7,134.5	5,131.5	11,353.0	4,846.8
Proceeds of Public Long-term Securities	536.8	595.6	712.9	867.6	1,056.1
Fees for Safe Custody, Commissions and Allowances	191.0	204.5	215.0	226.8	221.4
Sundry Receipts	52.3	3.0	4.7	0.5	23.8
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	300.0
	13,991.5	21,051.3	28,534.4	44,068.3	44,429.5

MISCELLANEOUS INFORMATION

	1978	1979	1980	1981	1982
Gross dividend declared per share	1,181.25	1,237.50	1,306.25	1,375.00	1,456.25
Preliminary Tax on Personal Property retained per share.	236.25	247.50	261.25	275.00	291.25
Net dividend declared per share	945.00	990.00	1,045.00	1,100.00	1,165.00
Taxable income per share	1,724.63	1,806.75	1,907.13	2,007.50	2,050.40

ANNEX 4

**WEEKLY RETURNS PUBLISHED IN
THE « BELGISCH STAATSBLAD - MONITEUR BELGE »
DURING 1982**

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE » DURING 1982

(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 Co-operation Fund	E.E.C. : Medium-term financial assistance	Debtors in respect of foreign exchange and gold at forward dates	Commercial bills	Advances against pledged security	Public securities :		Special assistance to the Securities Regulation Fund	Treasury notes and coin	Balances at the Postal Cheque Office :		Consolidated claim on the Government	Provisional adjustment resulting from the Law of 3 rd July 1972	Public long-term securities	Premises, furniture and equipment	Securities of the Staff Pensions Fund
		Quota	Loans	Special drawing rights			E.M.C.F.	Other								Belgian public securities	Luxembourg public securities			A Account	B Account					
4 January 1982	58,214	15,343	...	30,553	33,640	110,469	39,610	...	971	4,476	...	...	91,480	3,153	37,000	...	140,693	677	2	4,844	34,000	3,450	8,861	2,240	13,754
11 »	58,214	15,343	...	30,553	22,801	103,019	40,860	...	1,055	4,476	...	...	88,260	432	37,000	...	145,429	722	1	4,769	34,000	3,450	8,861	2,240	14,235
18 »	58,214	15,343	...	30,553	22,801	103,484	40,860	...	1,082	4,521	...	...	87,697	2,996	37,000	...	138,528	799	1	4,763	34,000	3,450	8,861	2,240	14,237
25 »	58,214	15,343	...	30,706	22,801	102,735	40,860	...	1,068	4,368	...	...	78,943	13	37,000	...	149,527	844	1	4,638	34,000	3,450	8,861	2,240	14,268
1 February	58,214	15,241	...	30,706	21,692	106,505	40,860	...	1,079	4,368	...	...	80,906	6,202	37,000	...	138,181	876	1	4,530	34,000	3,450	10,128	2,253	14,813
8 »	58,214	15,241	...	30,829	21,692	102,740	40,860	...	1,085	4,191	...	...	85,726	27	37,000	...	135,707	904	1	4,806	34,000	3,450	10,129	2,253	15,083
15 »	58,214	15,241	...	30,829	21,692	99,609	40,860	...	1,094	4,064	...	...	77,745	27	37,000	...	144,466	919	2	4,475	34,000	3,450	10,129	2,253	15,320
22 »	58,214	15,241	...	30,829	47,404	74,712	40,860	...	1,156	4,064	...	...	83,480	15,604	37,000	...	132,461	916	2	4,415	34,000	3,450	10,129	2,253	15,442
1 March	58,214	15,241	...	30,829	46,311	84,017	40,860	...	1,119	4,064	...	...	64,187	15	37,000	...	166,818	906	1	4,403	34,000	3,450	10,129	2,253	15,466
8 »	58,214	15,241	...	30,829	46,311	99,083	40,860	...	1,172	4,064	...	...	72,840	1,489	37,000	...	136,353	927	1	4,391	34,000	3,450	10,129	2,253	15,499
15 »	58,214	15,241	...	30,829	46,311	95,581	40,860	...	1,215	4,064	...	...	63,623	412	37,000	...	143,790	940	2	4,379	34,000	3,450	10,122	2,253	15,612
22 »	58,214	15,241	...	30,829	46,311	85,186	40,860	...	1,188	4,064	...	...	65,661	7	37,000	...	155,277	961	1	4,375	34,000	3,450	10,122	2,253	15,611
29 »	58,214	15,241	...	30,829	46,311	76,739	40,860	...	1,144	3,912	...	...	73,506	4,946	37,000	...	145,401	970	1	4,322	34,000	3,450	10,129	2,253	15,671
5 April	58,214	15,241	...	30,829	45,162	64,301	40,860	...	1,163	3,912	...	...	76,327	2,005	37,000	...	169,381	908	1	4,308	34,000	3,450	10,129	2,253	15,658
9 »	58,214	15,241	...	30,829	23,573	64,908	33,237	...	1,219	3,912	...	...	85,867	35	37,000	...	161,110	927	2	4,302	34,000	3,450	10,129	2,253	15,633
19 »	58,214	15,241	...	30,829	23,573	62,527	33,237	...	1,268	3,912	...	...	89,068	108	37,000	...	163,433	900	2	4,244	34,000	3,450	10,129	2,253	15,642
26 »	58,214	14,949	...	30,981	23,573	65,891	33,237	...	1,233	3,760	...	...	89,214	971	37,000	...	160,155	919	1	4,239	34,000	3,450	10,129	2,253	15,648
30 »	58,214	14,949	...	30,981	22,543	67,046	33,237	...	1,233	3,760	...	...	86,625	643	37,000	...	168,306	934	2	4,224	34,000	3,450	10,129	2,253	15,663
10 May	58,214	14,949	...	31,953	22,543	69,838	33,237	...	1,234	3,583	...	...	82,622	1,269	37,000	...	171,195	897	1	4,417	34,000	3,450	10,129	2,253	15,718
17 »	58,214	14,949	...	31,953	22,543	70,369	33,237	...	1,213	3,456	...	...	83,620	3,809	37,000	...	171,402	896	1	4,538	34,000	3,450	10,129	2,253	15,719
24 »	58,214	14,949	...	31,953	22,543	69,277	33,237	...	1,168	3,456	...	...	87,244	173	37,000	...	183,891	837	1	4,527	34,000	3,450	10,129	2,253	15,743
28 »	58,214	14,949	...	31,953	21,551	66,516	33,237	...	1,174	3,456	...	...	84,085	29	37,000	...	188,293	853	2	4,511	34,000	3,450	10,129	2,253	15,740
7 June	58,214	14,949	...	31,953	21,551	74,912	33,237	...	1,194	3,456	...	...	78,782	219	37,000	...	188,748	863	2	4,490	34,000	3,450	10,129	2,253	15,698
14 »	58,214	14,949	...	32,842	21,683	67,135	33,237	...	1,230	3,456	...	...	87,039	272	37,000	...	177,290	867	1	4,680	34,000	3,450	10,129	2,253	15,699
21 »	58,214	14,949	...	32,842	21,683	70,616	33,237	...	1,203	3,456	...	...	88,014	47	37,000	...	183,606	880	1	5,020	34,000	3,450	10,129	2,253	15,741
28 »	58,214	14,949	...	32,842	21,683	71,078	33,237	...	1,237	3,304	...	...	96,150	6,493	37,000	...	170,280	895	2	4,959	34,000	3,450	10,129	2,253	15,721
5 July	58,214	14,833	...	32,842	31,739	64,377	33,237	...	1,233	3,304	...	...	94,676	1,417	37,000	...	188,012	899	1	4,829	34,000	3,450	10,128	2,253	15,738
12 »	58,214	14,833	...	32,842	30,514	69,689	30,470	...	1,179	3,304	...	...	95,381	8,156	37,000	...	169,899	949	1	4,825	34,000	3,450	10,128	2,253	15,702
19 »	58,214	14,833	...	32,842	30,961	72,384	30,470	...	1,215	3,347	...	...	92,746	531	37,000	...	172,506	972	1	4,744	34,000	3,450	10,128	2,253	15,702
26 »	58,214	14,833	...	32,842	31,300	79,214	30,470	...	1,236	3,194	...	...	94,270	5,008	37,000	...	154,465	996	2	4,796	34,000	3,450	10,128	2,253	15,702
2 August	58,214	14,833	...	32,842	30,325	79,264	30,470	...	1,246	3,194	...	...	85,227	14,850	37,000	...	150,895	987	1	4,730	34,000	3,450	10,128	2,253	15,695
9 »	58,214	14,833	...	32,842	31,442	79,719	30,470	...	1,203	3,017	...	...	74,552	426	37,000	...	173,491	967	2	4,828	34,000	3,450	10,128	2,253	15,636
13 »	58,214	14,833	...	32,842	31,932	80,325	30,470	...	1,217	2,890	...	...	85,644	86	37,000	...	161,353	970	1	4,927	34,000	3,450	10,128	2,253	15,627
23 »	58,214	14,833	...	32,842	36,434	82,822	30,470	...	1,273	2,890	...	...	78,969	1,632	37,000	...	159,600	938	1	4,965	34,000	3,450	10,128	2,253	15,627
30 »	58,214	14,833	...	32,842	36,434	89,534	30,470	...	1,204	2,890	...	...	76,494	1,152	37,000	...	158,998	953	1	4,938	34,000	3,450	10,128	2,253	15,625
6 September	58,214	14,736	...	32,842	37,097	91,182	30,470	...	1,209	2,890	...	...	68,988	53	37,000	...	164,253	899	1	4,992	34,000	3,450	10,128	2,253	15,568
13 »	58,214	14,736	...	32,842	44,437	102,419	30,470	...	1,174	2,890	...	...	53,288	40	37,000	...	166,164	911	1	4,865	34,000	3,450	10,079	2,253	15,506
20 »	58,214	14,736	...	32,842	44,583	99,188	30,470	...	1,178	2,890	...	...	59,602	3,175	37,000	...	146,413	943	1	4,959	34,000	3,450	10,118	2,253	15,506
27 »	58,214	14,736	...	32,842	44,583	96,861	30,470	...	1,202	2,739	...	...	51,254	51	37,000	...	160,181	949	2	5,002	34,000	3,450	10,121	2,253	15,515
4 October	58,214	14,737	...	32,842	43,783	99,431	30,470	...	1,233	2,739	...	...	41,724	2,817	37,000	...	159,495	942	1	4,875	34,000	3,450	10,121	2,253	15,481
11 »	58,214	14,645	...	32,842	67,132	87,067	35,657	...	1,199	2,739	...	...	34,015	3	37,000	...	167,920	956	1	4,823	34,000	3,450	10,128	2,253	15,427
18 »	58,214	14,645	...	32,842	67,132	86,628	35,657	...	1,148	2,739	...	...	30,362	6	37,000	...	181,065	958	1	4,822	34,000	3,450	10,128	2,253	15,423
25 »	58,214	14,645	...	32,842	67,132	82,888	35,657	...	1,095	2,586	...	...	40,819	83	37,000	...	172,104	973	1	4,790	34,000	3,450	10,128	2,253	15,423
29 »	58,214	14,646	...	32,842	66,381	78,504	35,657	...	1,200	2,586	...	...	51,643	2,054	37,000	...	165,902	968	1	4,773	34,000	3,450	10,128	2,253	15,424
8 November	58,214	14,646	...	32,842	67,489	79,958	35,657	...	1,225	2,409	...	...	56,043	11	37,000	...	167,851	900	2	4,698	34,000	3,450	10,128	2,253	15,374
15 »	58,214	14,601	...	32,842	67,489	74,489	35,657	...	1,238	2,282	...	...	54,540	3	37,000	...	166,596	880	2	4,687	34,000	3,450	10,128	2,253	15,374
22 »	58,214	14,601	...	32,842	67,489	74,335	35,657	...	1,249	2,282	...	...	74,388	8	37,000	...	148,808	884	1	4,617	34,000	3,450	10,128	2,253	15,374
29 »	58,214	14,601	...	32,842	67,489	70,615	35,657	...	1,222	2,282	...	...	77,627	22	37,000	...	150,491	873	2	4,818	34,000	3,450	10,128	2,253	15,377
6 December	58,214	14,601	...	32,842	66,722	66,564	35,657	...	1,143	2,282																

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1982

(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)	Bank Notes in circulation	Current accounts :			International agreements :		International Monetary Fund : Special drawing rights, net cumulative allocation	European Monetary Co-operation 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						
26,604	660,034	26,490	383,704	7	1,479	6,491	4,844	32	23,611	...	163,460	...	...	404	13,754	53,386	8,862	660,034	4 January 1982
26,057	641,777	26,517	376,080	14	1,430	5,510	4,769	31	23,611	...	152,621	...	...	68	14,235	54,546	8,862	641,777	11 »
27,851	639,281	26,518	373,943	18	1,228	5,219	4,763	29	23,611	...	152,621	...	...	13	14,237	54,737	8,862	639,281	18 »
26,699	636,579	26,436	368,964	15	1,189	7,254	4,638	31	23,611	...	152,621	...	...	11	14,268	55,115	8,862	636,579	25 »
2,439	613,444	26,154	371,895	4	1,149	6,393	4,530	17	23,611	...	152,621	...	...	11	14,813	28,271	10,129	613,444	1 February
8,622	612,560	25,822	370,515	7	1,035	5,923	4,806	13	23,611	...	152,621	...	...	13	15,083	28,804	10,129	612,560	8 »
10,254	611,643	25,545	368,302	11	938	7,798	4,475	747	23,611	...	152,621	...	...	14	15,320	27,677	10,129	611,643	15 »
9,499	621,131	25,074	367,412	15	1,201	11,750	4,415	28	23,611	...	167,371	...	...	924	15,442	18,833	10,129	621,131	22 »
3,322	622,605	24,970	374,259	10	1,163	8,927	4,403	97	23,611	...	167,371	...	...	22	15,466	17,147	10,129	622,605	1 March
5,440	619,546	24,461	373,505	25	1,116	7,491	4,391	21	23,611	...	167,371	...	...	10	15,499	16,377	10,129	619,546	8 »
8,065	615,963	24,461	371,924	2	1,184	4,478	4,379	38	23,611	...	167,371	...	...	22	15,612	17,213	10,129	615,963	15 »
10,789	621,400	23,850	371,005	12	1,192	8,138	4,375	106	23,611	...	167,371	...	...	4	15,611	19,846	10,129	621,400	22 »
13,636	618,535	23,851	368,703	1	960	7,009	4,322	27	23,611	...	167,371	...	...	11	15,671	20,720	10,129	618,535	29 »
8,885	623,987	23,088	379,261	8	1,062	7,702	4,308	35	23,611	...	167,371	...	...	119	15,658	14,723	10,129	623,987	5 April
10,327	596,168	22,937	375,589	22	988	4,731	4,302	37	23,611	...	145,783	...	...	9	15,633	15,334	10,129	596,168	9 »
10,186	599,216	22,938	374,837	23	1,041	6,132	4,244	22	23,611	...	145,783	...	...	21	15,642	17,731	10,129	599,216	19 »
7,526	597,343	22,669	370,101	24	977	9,746	4,239	24	23,611	...	145,783	...	...	42	15,648	17,019	10,129	597,343	26 »
10,056	605,248	22,409	379,135	20	986	9,159	4,224	31	23,611	...	145,783	...	...	12	15,663	16,495	10,129	605,248	30 »
5,957	604,459	21,775	380,034	12	987	5,615	4,417	36	23,611	...	145,783	...	...	56	15,718	18,061	10,129	604,459	10 May
8,236	610,987	21,614	386,342	15	1,437	4,866	4,538	22	23,611	...	145,783	...	...	60	15,719	18,465	10,129	610,987	17 »
6,867	620,912	21,452	391,936	6	1,371	8,256	4,527	23	23,611	...	145,783	...	...	22	15,743	19,505	10,129	620,912	24 »
9,985	621,380	21,158	393,654	4	1,189	8,571	4,511	149	23,611	...	145,783	...	...	19	15,740	18,020	10,129	621,380	28 »
9,633	624,733	20,763	394,616	9	1,180	10,745	4,490	32	23,611	...	145,783	...	...	20	15,698	18,420	10,129	624,733	7 June
12,147	617,573	20,482	391,822	24	1,150	5,396	4,680	24	23,611	...	146,677	...	...	11	15,699	18,350	10,129	617,573	14 »
6,187	622,528	20,256	392,865	1	1,309	7,536	5,020	19	23,611	...	146,677	...	...	999	15,741	18,621	10,129	622,528	21 »
5,617	623,493	19,867	393,396	15	1,298	8,549	4,959	48	23,611	...	146,677	...	...	14	15,721	19,076	10,129	623,493	28 »
6,187	638,369	19,384	404,019	22	1,414	7,259	4,829	25	23,611	...	146,677	...	...	7	15,738	24,639	10,129	638,369	5 July
5,093	627,882	18,985	396,293	13	1,410	7,761	4,825	39	23,611	...	143,203	...	...	6	15,702	24,890	10,129	627,882	12 »
5,515	623,814	18,832	392,824	9	1,406	6,998	4,744	64	23,611	...	143,203	...	...	5	15,702	25,119	10,129	623,814	19 »
5,495	618,868	18,445	385,058	4	1,242	10,551	4,796	35	23,611	...	143,203	...	...	12	15,702	24,525	10,129	618,868	26 »
4,900	614,504	18,123	386,100	11	1,229	5,573	4,730	31	23,611	...	143,203	...	...	14	15,695	24,178	10,129	614,504	2 August
6,158	614,631	17,826	383,784	1	1,273	7,119	4,828	24	23,611	...	143,203	...	...	6	15,636	25,017	10,129	614,631	9 »
6,982	615,144	17,678	383,677	14	1,473	6,736	4,927	83	23,611	...	143,203	...	...	368	15,627	25,296	10,129	615,144	13 »
5,453	613,794	17,297	380,172	10	2,515	7,519	4,965	22	23,611	...	143,203	...	...	42	15,627	25,979	10,129	613,794	23 »
6,352	617,765	17,097	377,987	3	2,248	14,217	4,938	40	23,611	...	143,203	...	...	39	15,625	25,725	10,129	617,765	30 »
6,196	616,421	16,608	384,464	14	2,363	6,000	4,992	23	23,611	...	143,203	...	...	4	15,568	26,050	10,129	616,421	6 September
5,511	620,250	16,379	381,939	11	2,298	13,685	4,865	37	23,611	...	143,203	...	...	4	15,506	24,962	10,129	620,250	13 »
9,814	611,335	16,278	382,810	13	2,171	2,805	4,959	36	23,611	...	143,203	...	...	4	15,506	26,088	10,129	611,335	20 »
6,815	608,240	15,854	376,199	1	2,180	5,072	5,002	219	23,611	...	143,203	...	...	486	15,515	26,623	10,129	608,240	27 »
8,095	603,703	15,814	382,502	4	2,625	3,910	4,875	42	23,611	...	143,203	...	...	8	15,481	17,313	10,129	603,703	4 October
14,700	624,171	15,339	378,560	2	2,432	3,407	4,823	40	23,611	...	166,552	...	...	10	15,427	19,178	10,129	624,171	11 »
7,081	625,554	15,249	378,809	20	2,679	4,010	4,822	34	23,611	...	166,552	...	...	10	15,423	19,455	10,129	625,554	18 »
8,924	625,007	15,131	375,051	23	2,616	6,401	4,790	29	23,611	...	166,552	...	...	56	15,423	20,326	10,129	625,007	25 »
11,772	629,398	14,848	379,163	21	2,559	6,271	4,773	100	23,611	...	166,552	...	...	8	15,424	20,787	10,129	629,398	29 »
7,736	631,886	14,480	378,711	4	1,476	10,440	4,698	31	23,611	...	166,552	...	...	12	15,374	20,848	10,129	631,886	8 November
12,262	627,987	30,046	378,705	10	1,290	5,087	4,686	25	23,611	...	166,552	...	...	28	15,374	22,490	10,129	627,987	15 »
9,663	627,243	29,807	375,673	20	1,180	6,820	4,617	117	23,611	...	166,552	...	...	5	15,374	23,145	10,129	627,243	22 »
10,475	629,438	29,387	375,254	22	1,135	8,579	4,817	68	23,611	...	166,552	...	...	30	15,377	23,864	10,129	629,438	29 »
11,670	634,069	29,079	381,127	24	6,088	2,258	4,810	36	23,611	...	166,552	...	...	19	15,377	24,038	10,129	634,069	6 December
16,530	632,692	28,741	377,512	13	3,280	3,739	4,743	33	23,611	...	166,552	...	...	9	15,321	27,750	10,129	632,692	13 »
18,130	657,072	28,013	382,544	6	1,602	2,248	4,704	835	23,611	21,421	166,552	...	...	18	15,321	28,081	10,129	657,072	20 »
7,465	658,601	27,863	382,929	10	2,427	5,725	4,617	28	23,611	18,950	166,552	...	...	24	15,321	28,278	10,129	658,601	24 »

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER 1982,
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.
7.75 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 I.
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.
14.25 p.c.	Belgian Loan 1982/89.
14 p.c.	Belgian Loan 1982/90.
13.75 - 14 p.c.	Belgian Loan 1982/86/90.
13.50 - 13.75 p.c.	Belgian Loan 1982/87/91.
13.75 p.c.	Belgian Loan 1982/91.
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 1981/85/89.
14.25 p.c.	Road Fund Loan 1982/89.
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.
- 7.75 p.c. Telegraphs and Telephones Board 1973/85.
- 14.25 p.c. Telegraphs and Telephones Board 1981/88.
- 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.
- 13.50 p.c. Belgian Municipal Credit Institution 1981/85/89.
- 13.75 - 14 p.c. Belgian Municipal Credit Institution 1982/86/90.
- 7.75 p.c. Loan of the Association of Local Authorities for Motorway E3 1971/83.
- 7.75 p.c. Loan of the Association of Local Authorities for Motorway E5 1971/83.
- 7.25 p.c. Loan of the Association of Local Authorities for Motorway E3 1972-73/84, Amalgamated.
- 7.25 p.c. Loan of the Association of Local Authorities for Motorways of the Pheriphery of Brussels « B1 » 1973/85.
- 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 | } | <ul style="list-style-type: none"> — Belgian Issue. — American Issue. — Esthonian Issue. — Latvian Issue. — Lithuanian Issue. |
|----------------------|---|--|
- 3rd tranche of Belgian issue.
 Belgian National Railways Company Dividend Right Certificates.

ANNEX 6

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

(Daily quotations in Belgian francs)

1982	1 U.S.- dollar	1 German mark	100 yens	1 French franc	1 pound sterling	1 Irish pound	100 Italian lira	1 Canadian dollar	1 Netherl. guilder	1 Swedish crown	1 Swiss franc	100 pesetas	1 Danish crown	100 Aus- trian schill.	1 Norwe- gian crown	1 Finnish mark	100 escudos	1 zaire
January																		
Highest	39.70	17.05	17.54	6.73	74.06	60.60	3.19	33.16	15.56	6.97	21.33	40.02	5.22	243.40	6.70	8.88	60.00	7.13
Lowest	38.08	16.97	17.16	6.67	72.77	59.75	3.17	32.15	15.49	6.92	20.95	39.47	5.18	242.10	6.59	8.80	58.50	7.02
Mean	39.02	17.02	17.39	6.70	73.60	60.11	3.18	32.74	15.53	6.95	21.16	39.70	5.21	242.98	6.66	8.85	59.05	7.08
February (1st to 19th)																		
Highest	40.87	17.06	17.31	6.72	74.91	60.16	3.20	33.58	15.56	7.02	21.41	40.43	5.21	243.40	6.81	8.96	59.00	7.24
Lowest	39.89	17.03	16.97	6.70	74.48	59.85	3.18	33.11	15.52	6.98	21.17	39.96	5.20	242.40	6.72	8.90	58.00	7.11
Mean	40.33	17.04	17.12	6.71	74.66	60.01	3.19	33.32	15.54	7.00	21.28	40.28	5.20	242.96	6.76	8.93	58.72	7.19
February (22nd to 26th)																		
Highest	43.78	18.35	18.50	7.20	79.65	64.85	3.42	35.70	16.75	7.56	23.15	42.43	5.49	261.75	7.28	9.61	63.25	7.74
Lowest	42.60	18.19	18.38	7.13	79.10	64.15	3.40	35.23	16.58	7.44	22.82	42.17	5.43	259.60	7.17	9.52	62.00	7.63
Mean	43.30	18.31	18.47	7.18	79.42	64.61	3.41	35.53	16.69	7.52	23.07	42.30	5.47	260.99	7.23	9.58	62.65	7.71
March																		
Highest	45.56	18.88	18.53	7.30	81.45	65.80	3.45	37.12	17.08	7.69	23.75	42.83	5.56	268.80	7.46	9.86	64.25	7.99
Lowest	43.15	18.37	18.25	7.19	78.89	64.82	3.41	35.63	16.73	7.52	23.21	42.02	5.48	258.20	7.27	9.58	61.75	7.72
Mean	44.35	18.64	18.42	7.22	80.18	65.39	3.43	36.36	16.94	7.60	23.49	42.46	5.52	265.39	7.36	9.70	63.32	7.84
April																		
Highest	45.87	18.90	18.82	7.27	81.11	65.43	3.44	37.52	17.04	7.67	23.42	42.97	5.58	269.60	7.49	9.84	63.75	8.01
Lowest	44.10	18.85	18.33	7.23	78.90	65.18	3.40	36.19	16.98	7.59	22.57	42.46	5.52	268.05	7.36	9.74	61.10	7.88
Mean	45.25	18.88	18.56	7.25	80.10	65.31	3.43	36.96	17.02	7.65	23.09	42.72	5.55	268.82	7.44	9.80	62.82	7.96
May																		
Highest	44.35	18.90	18.68	7.28	79.52	65.44	3.41	35.92	17.08	7.58	22.89	42.55	5.58	269.00	7.36	9.73	63.00	7.85
Lowest	43.04	18.81	18.11	7.23	78.32	65.10	3.39	34.88	16.96	7.50	22.15	42.22	5.55	267.30	7.27	9.62	61.50	7.75
Mean	43.57	18.88	18.44	7.25	79.08	65.33	3.40	35.35	17.00	7.54	22.42	42.36	5.57	268.10	7.31	9.67	62.22	7.79
June																		
Highest	47.59		18.50		82.06	65.90		36.95		7.75	22.41	42.49	5.56	272.30	7.56	9.94		8.14
Lowest	44.49	1	18.29	2	79.84	65.25	3	35.63	4	7.58	22.02	42.05	5.50	268.20	7.35	9.71	5	7.85
Mean	46.21		18.40		81.15	65.58		36.27		7.67	22.23	42.31	5.53	270.00	7.47	9.84		8.01
July																		
Highest	48.04	19.12	18.63	6.89	82.09	65.94	3.42	37.54	17.34	7.75	22.69	42.52	5.53	271.75	7.51	10.00	57.00	8.18
Lowest	45.84	19.04	18.30	6.85	80.67	65.49	3.39	36.37	17.23	7.64	22.36	41.85	5.49	270.20	7.27	9.85	55.00	7.96
Mean	47.05	19.08	18.46	6.86	81.61	65.68	3.41	37.00	17.28	7.70	22.45	42.18	5.51	271.01	7.41	9.92	56.11	8.09
August																		
Highest	48.31	19.22	18.56	6.88	82.39	66.16	3.43	38.71	17.53	7.78	22.82	42.60	5.51	273.50	7.13	10.03	57.00	8.20
Lowest	46.37	19.09	18.04	6.83	81.26	65.56	3.39	37.07	17.29	7.67	22.31	41.82	5.47	271.30	7.07	9.86	55.00	8.01
Mean	47.41	19.14	18.34	6.86	81.89	65.85	3.41	38.07	17.40	7.73	22.52	42.34	5.49	272.42	7.10	9.96	55.67	8.11
September																		
Highest	49.32	19.43	18.48	6.88	83.54	66.26	3.46	39.94	17.77	7.84	22.66	43.20	5.56	276.80		10.15	56.35	8.32
Lowest	47.27	19.16	18.25	6.78	82.11	65.50	3.40	38.25	17.51	7.69	22.49	42.35	5.38	272.50	6	9.97	54.00	8.11
Mean	48.20	19.27	18.36	6.82	82.58	65.94	3.42	39.06	17.59	7.75	22.57	42.68	5.48	274.04		10.02	55.25	8.19
October																		
Highest	49.64	19.42	18.45	6.88	83.53	66.19	3.45	40.48	17.81		22.79	43.09	5.55	276.35	7.07		56.00	8.32
Lowest	48.41	19.33	17.79	6.85	82.82	65.71	3.38	39.47	17.74	7	22.41	42.07	5.45	275.00	6.68	8	54.50	8.23
Mean	49.05	19.39	18.11	6.86	83.25	66.00	3.41	39.87	17.78		22.61	42.62	5.50	275.90	6.84		55.26	8.28
November																		
Highest	50.18	19.63	19.70	6.94	83.12	66.19	3.40	41.16	17.83	6.67	22.89	42.24	5.58	279.40	6.90	9.02	55.50	8.40
Lowest	48.76	19.34	17.89	6.85	78.09	65.79	3.37	39.26	17.80	6.56	22.41	41.25	5.51	275.50	6.82	8.93	53.00	8.28
Mean	49.62	19.44	18.83	6.88	80.83	65.97	3.38	40.49	17.81	6.61	22.62	41.73	5.54	276.83	6.86	8.97	54.49	8.34
December																		
Highest	48.51	19.71	20.10	6.95	78.83	65.95	3.42	39.10	17.83	6.55	23.46		5.59	281.90	6.92	8.95	56.05	8.29
Lowest	46.52	19.54	19.36	6.90	75.24	65.00	3.38	37.53	17.67	6.36	22.85	9	5.53	277.60	6.64	8.80	46.00	8.09
Mean	47.49	19.63	19.64	6.93	76.88	65.38	3.40	38.36	17.79	6.46	23.15		5.57	279.24	6.76	8.87	52.97	8.19
Year (1st January to 19th February)																		
Highest	40.87		17.54		74.91	60.60		33.58			21.41		5.22	243.40				7.24
Lowest	38.08	1	16.97	2	72.77	59.75	3	32.15	4	7	20.95	9	5.18	242.10	6	8	5	7.02
Mean	39.58		17.27		74.05	60.06		32.99			21.22		5.21	242.97				7.13
Year (22nd February to 31st December)																		
Highest	50.18		20.10		83.54	66.26		41.16			23.75		5.59	281.90				8.40
Lowest	42.60	1	17.79	2	75.24	64.15	3	34.88	4	7	22.02	9	5.38	258.20	6	8	5	7.63
Mean	46.78		18.56		80.74	65.62		37.75			22.73		5.52	271.95				8.08

¹ German mark

	June		Year		
	1st to 11th	14th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 11th June	14th June to 31st Dec.
Highest	18.90	19.19	17.06	18.90	19.71
Lowest	18.89	19.02	16.97	18.19	19.02
Mean	18.90	19.10	17.03	18.77	19.30

² French franc

	June		Year		
	1st to 11th	14th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 11th June	14th June to 31st Dec.
Highest	7.27	6.92	6.73	7.30	6.95
Lowest	7.20	6.86	6.67	7.13	6.78
Mean	7.24	6.89	6.70	7.23	6.87

³ Italian lira

	June		Year		
	1st to 11th	14th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 11th June	14th June to 31st Dec.
Highest	3.43	3.42	3.20	3.45	3.46
Lowest	3.40	3.38	3.17	3.39	3.37
Mean	3.42	3.39	3.18	3.42	3.40

⁴ Netherlands guilder

	June		Year		
	1st to 11th	14th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 11th June	14th June to 31st Dec.
Highest	17.10	17.38	15.56	17.10	17.83
Lowest	17.04	17.20	15.49	16.58	17.20
Mean	17.06	17.30	15.54	16.97	17.58

⁵ Escudo

	June		Year		
	1st to 15th	16th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 11th June	16th June to 31st Dec.
Highest	63.50	59.00	60.00	64.25	59.00
Lowest	61.30	56.25	58.00	61.10	46.00
Mean	62.54	57.05	58.91	62.79	55.12

⁶ Norwegian crown

	September		Year		
	1st to 3rd	6th to 30th	1st Jan. to 19th Feb.	22nd Feb. to 3rd Sept.	6th Sept. to 31st Dec.
Highest	7.12	7.16	6.81	7.56	7.16
Lowest	7.11	6.92	6.59	7.07	6.64
Mean	7.11	6.98	6.70	7.34	6.85

⁷ Swedish crown

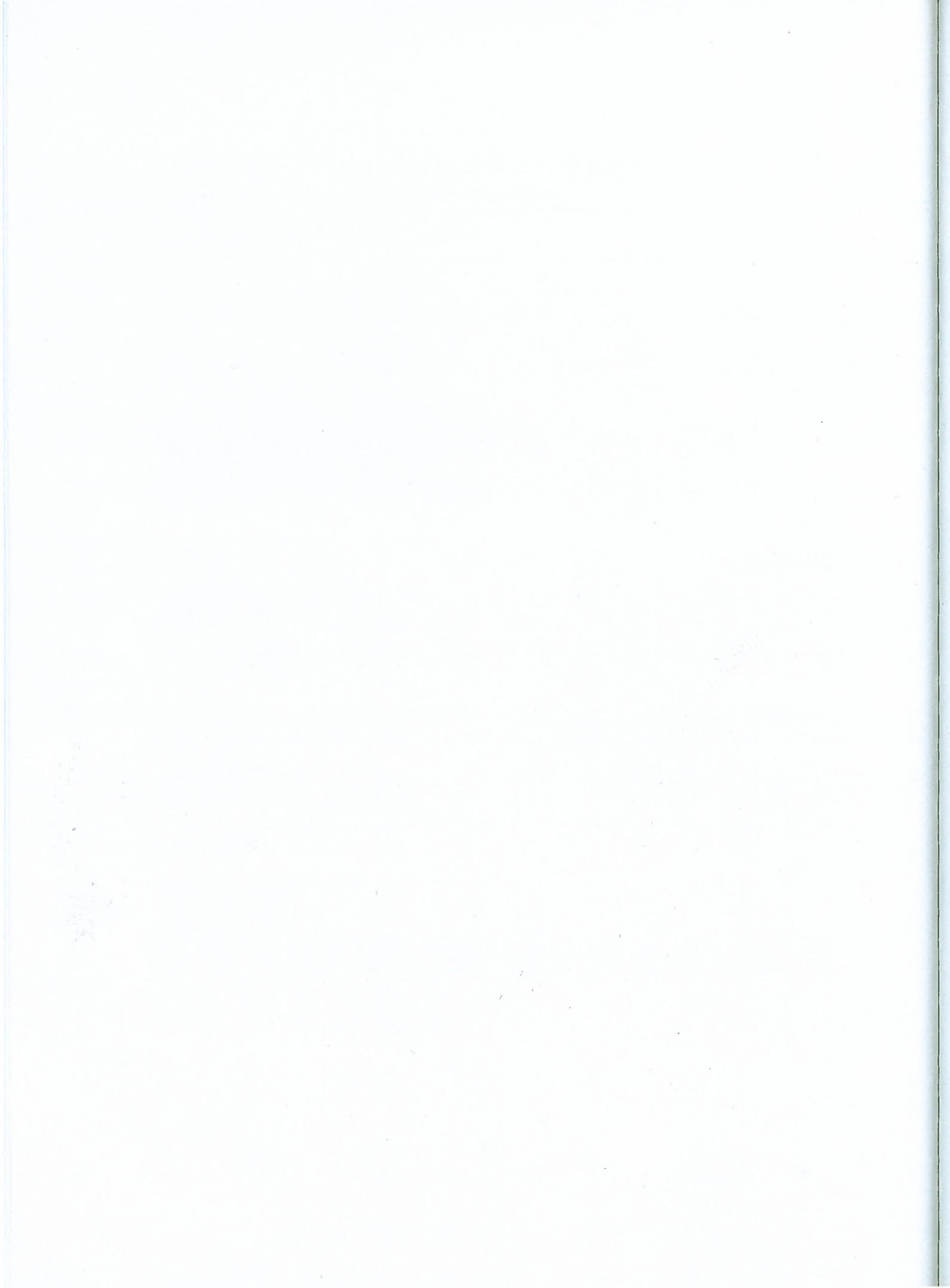
	October		Year		
	1st to 6th	8th to 29th	1st Jan. to 19th Feb.	22nd Feb. to 6th Oct.	8th Oct. to 31st Dec.
Highest	7.86	6.67	7.02	7.86	6.67
Lowest	7.80	6.62	6.92	7.44	6.36
Mean	7.83	6.64	6.97	7.66	6.56

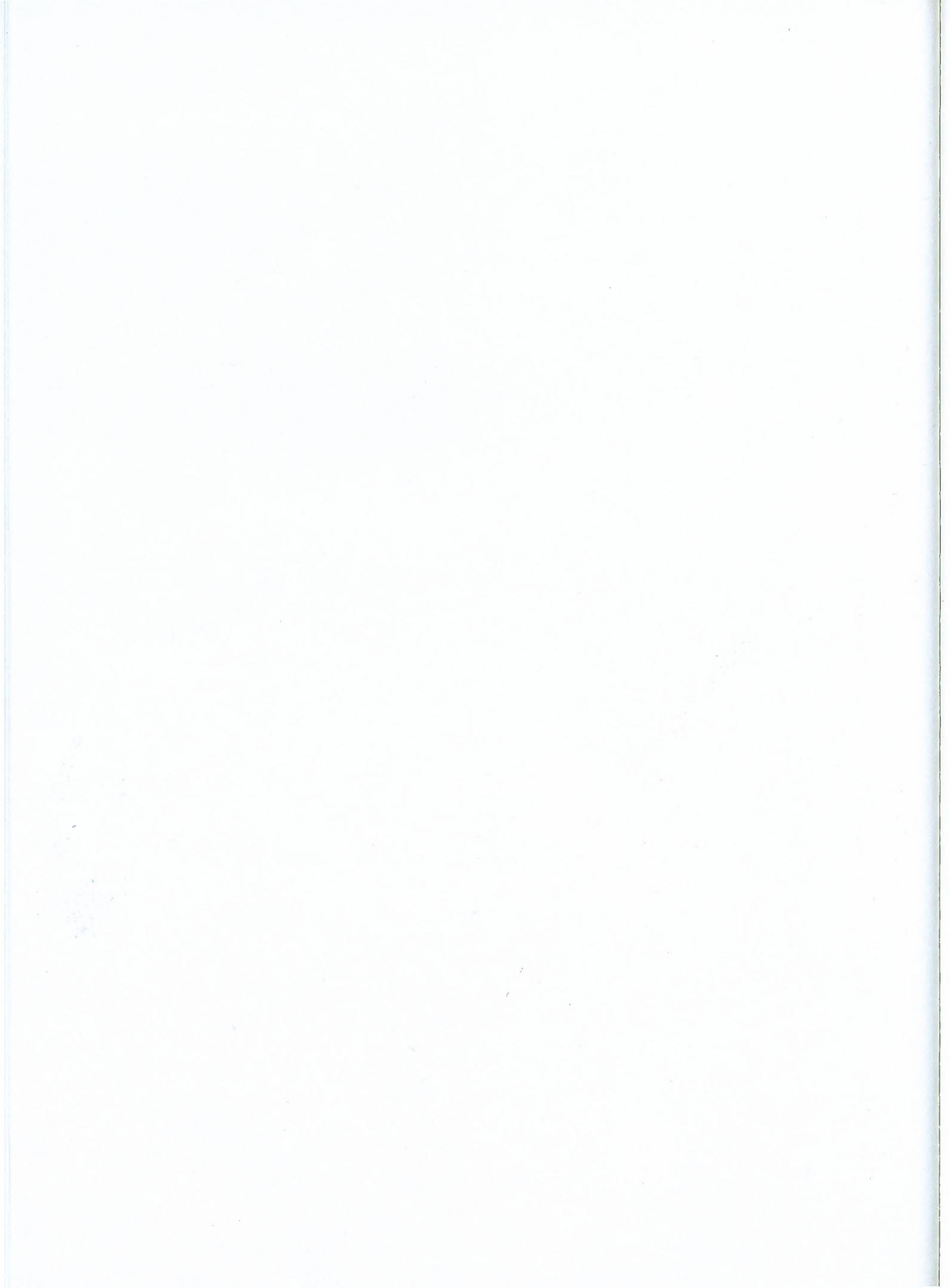
⁸ Finnish mark

	October			Year			
	1st to 5th	6th	11th to 29th	1st Jan. to 19th Feb.	22nd Feb. to 5th Oct.	6th Oct.	11th Oct. to 31st Dec.
Highest	10.17	9.72	8.97	8.96	10.17	9.72	9.02
Lowest	10.10	9.72	8.90	8.80	9.52	9.72	8.80
Mean	10.13	9.72	8.94	8.88	9.85	9.72	8.92

⁹ Peseta

	December		Year		
	1st to 3rd	6th to 31st	1st Jan. to 19th Feb.	22nd Feb. to 3rd Dec.	6th Dec. to 31st Dec.
Highest	41.07	37.44	40.43	43.20	37.44
Lowest	40.76	36.91	39.47	40.76	36.91
Mean	40.93	37.21	39.95	42.36	37.21





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

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

Belgian Petroleum Federation	Fédération pétrolière belge
Belgian Surveyors' Association	Association Belge des Experts
Benelux Economic Union	Union Economique Benelux
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)
Building Industry Subsistence Fund	Fonds de sécurité d'existence de la construction
Bulletin of the National Bank of Belgium (formerly Information Bulletin of the National Bank of Belgium)	Bulletin de la Banque Nationale de Belgique (pré- cédemment Bulletin d'Information et de Docu- mentation de la Banque Nationale de Belgique)
Centenary Fund	Fonds du Centenaire
Central Council of Economy	Conseil Central de l'Economie
Central Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Risks Office	Centrale des Risques
Chamber of Publicity Consultants' Bureaux	Chambre des Agences-Conseils en Publicité
Chamber of Representatives	Chambre des Représentants
Clearing House (at Brussels)	Chambre de Compensation (à Bruxelles)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (O.C.R.A.)
Commission of the European Communities	Commission des Communautés Européennes
Committee for the Study and Promotion of Exports of Small and Medium-sized Enterprises	Commission d'études pour la promotion des 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 crédeurs
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 (précédemment Fédération des Industries Belges)
Federation of Chemical Industries	Fédération des Industries chimiques
Federation of Enterprises in the Metal Manufacturing Industries	Fédération des entreprises de l'industrie des fabrications métalliques
Franco-Belgian Nuclear Energy Company of the Ardennes	Société Franco-Belge d'Energie Nucléaire des Ardennes
General Agreement on Tariffs and Trade (G.A.T.T.)	Accord Général sur les Tarifs douaniers et le Commerce (G.A.T.T.)
General Arrangements to Borrow (I.M.F.)	Accords Généraux d'Emprunt (F.M.I.)
General Budget Statement	Exposé Général du Budget
General Savings and Pensions Fund (G.S.P.F.)	Caisse Générale d'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 statistique des Communautés Européennes
Group of Twenty	Groupe des Vingt
High Authority (of E.C.S.C.)	Haute Autorité (de la C.E.C.A.)
Housing Fund of the Large Families League	Fonds du Logement de la Ligue des Familles Nombreuses
Housing Institute	Institut du Logement
Industrial Promotion Office	Office de Promotion Industrielle
Information Bulletin of the Ministry of Finance	Bulletin de Documentation du Ministère des Finances

Inland Water Transport Regulating Office	Office Régulateur de la Navigation Intérieure
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 the 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 Ducreire
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 Housing Fund	Fonds National du Logement
National Industrial Credit Company (N.I.C.C.)	Société Nationale de Crédit à l'Industrie (S.N.C.I.)
National Institute for Agricultural Credit	Institut National de Crédit Agricole
National Investment Company	Société Nationale d'Investissement
National Labour Council	Conseil National du Travail
National Land Company (formerly National Smallholders' Company)	Société Nationale Terrienne (précédemment Société Nationale de la Petite Propriété Terrienne)
National Local Railways Company	Société Nationale des Chemins de fer Vicinaux
National Mixed Mines Commission	Commission Nationale Mixte des Mines
National Sickness and Disablement Insurance Institute	Institut National d'Assurance Maladie-Invalidité
National Social Insurance Office	Office National de Sécurité Sociale
National Statistical Institute (N.S.I.)	Institut National de Statistique (I.N.S.)
National Water Distribution Company	Société Nationale des Distributions d'Eau
North Atlantic Treaty Organisation (N.A.T.O.)	Organisation du Traité de l'Atlantique-Nord (O.T.A.N.)
Nuclear Energy Research Centre	Centre d'Etudes de l'Energie Nucléaire
Oil facility (of I.M.F.)	Mécanisme pétrolier (du F.M.I.)
Organisation for Economic Cooperation and Development (O.E.C.D.) [formerly Organisation for European Economic Cooperation (O.E.E.C.)]	Organisation de Coopération et de Développement Economiques (O.C.D.E.) [précédemment Organisation Européenne de Coopération Economique (O.E.C.E.)]
Organisation of Petroleum Exporting Countries	Organisation des pays exportateurs de pétrole
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'Épargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Épargne de la Caisse Générale d'Épargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Regulation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Social Programming Agreement	Accord de programmation sociale
Solidarity Fund for Financing Early-Retirement Pensions	Fonds de solidarité de financement de la prépension
Special Agricultural Committee (of the European Communities)	Comité Spécial Agricole (des Communautés Européennes)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Special Municipalities Fund	Fonds spécial des communes
Staff Pensions Fund	Caisse de Pensions du Personnel
Statistical Office of the European Communities	Office statistique des Communautés européennes
Subsistence Funds	Fonds de sécurité d'existence
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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