

NATIONAL  
BANK  
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REPORT 1983



# NATIONAL BANK OF BELGIUM

LIMITED COMPANY

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HEAD OFFICE :

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# REPORT

*on the activities of the year 1983  
presented to the General Meeting  
on 27th February 1984*



# **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.

## **International environment**

*It was undoubtedly in Canada and the United States that the turn-round of the business cycle was most spectacular in 1983 and that the economic recovery made itself most clearly felt; whereas the volume of the gross national product of these two countries had decreased by some 4.5 and 2 p.c. respectively in 1982, it would appear to have increased by about 3 and 3.5 p.c. in 1983. Most of the other industrialised countries likewise benefited by an improvement in demand, largely induced by the American upsurge, but the change was not as pronounced as in the United States; however, the development was marked by fairly sharp differences from country to country. Thus in Japan, where growth has never been negative since 1974, the pace of activity quickened during the year. On the other hand, the European Economic Community emerged only slowly from the slight recession of 1981-1982 and its progress does not appear to have speeded up in the second half of the year. Among the big member countries of the European Economic Community, those which did not initially have a current account balance of payments deficit — the United Kingdom and the Federal Republic of Germany — were able to improve their activity more easily, whereas in France activity showed little increase and in Italy there was apparently even a further decline.*

*The revival was brought about by a growth in the volume of private consumption; in the United States the latter was strongly stimulated by tax reliefs; more generally it was by reducing their propensity to save that households in various countries increased their expenditure on consumption; this change of behaviour is partly due to the weakening, very distinct in some countries, of the upward movement of prices, which enhanced the purchasing power of fixed incomes and reduced the erosion of the real value of financial assets. Generally speaking, capital investment by enterprises did not contribute to the revival in its initial stage; in the United States it was not until the last months of the year that the expansion in expenditure of consumption began to stimulate investment. Similarly, demand from the rest of the world was not a factor sustaining activity in the industrialised countries.*

#### Employment

*The cyclical improvement began to become apparent during the year in the movement of unemployment, especially in the United States, where the percentage of unemployed persons in relation to the working population declined appreciably mainly in the second half of the year; in Japan this rate stopped rising; in the European Economic Community its increase slowed down, but at the end of 1983 it was still around 10 p.c.*

#### Prices

*The recovery of economic activity in the United States and other industrialised countries led to a rise in the prices of a number of raw materials; furthermore, weather conditions contributed to a sharp increase in food prices; on the other hand, the prices of mineral oils, expressed in dollars, continued to decline. This decline added to the effect on domestic prices of the slackening of the increase in nominal wages which was fairly general in most industrialised countries; consequently, the rate of rise of consumer prices slowed down further; towards the middle of the year, the inflation of these prices was at its lowest level for over ten years for the industrialised countries as a whole.*

#### Interest rates

*This further decline in inflation was no longer accompanied, as it had been in 1982, by any significant fall in nominal short-term interest rates; on the contrary, the level of these rates even took a slight upward turn again in several countries during the year. This tightening was brought about by the monetary policy decisions adopted in the United States, where the authorities showed themselves less accommodating than in 1982 and refrained from further relaxing the conditions for liquidity-creation despite the fact that the economy's financing requirements were expanding faster than in 1982. By transference, the decline in long-term rates came to a halt in most countries — indeed, a slight renewed upward movement of these rates was fairly generally observable; on the money and capital markets, on the demand side, the component represented by the requirements of enterprises and households expanded with the economic revival, while the other component, inelastic to interest rates, consisting of the public authorities' recourse to the markets, did not decrease — on the contrary, as it did not prove possible to reduce the budget deficits, except in Japan and the Federal Republic of Germany. Thus the gap between nominal long-term interest rates and inflation widened further in 1983: real interest rates, already distinctly positive in all the major countries during the two previous years, rose further.*

*The control exercised by the American authorities over the volume of liquidity available on the domestic money and capital markets had the ultimate effect of keeping up interest rates. The level of these made dollar assets attractive to foreigners. The inflow of funds into the United States was furthermore sustained by speculation — successful as it turned out — on the appreciation of the dollar. The surplus of the U.S. balance of capital transactions increased, all the more so because the recycling of the inflowing funds to Third World countries was taking place under more difficult conditions. As the regulating of the foreign exchange market was left solely to the fluctuation of rates, net inflows of funds ought, all other things being equal, to cause the dollar to rise against the other currencies; for the holder of the latter, the rising cost of dollar assets could have curbed their demand for these investments. But the effectiveness of this price deterrence obviously depended on the elasticity of demand. Now this elasticity does not appear to have been very great in 1983; the picking-up of the U.S. economy, the determination of the heads of the Federal Reserve System to oppose any resurgence of inflation and the political insecurity in other parts of the world helped to strengthen confidence in the dollar as an investment instrument and thus to weaken the elasticity of foreign demand for that currency. Consequently the dollar's rise was to continue until it brought about a current account balance of payments deficit equal in size to the net creditor balance of the spontaneous capital movements. Under a system of floating rates these movements ultimately contributed to the expansion of the U.S. current account deficit, which was furthermore induced, via the operation of propensities to import, by the lead which the reflation of domestic expenditure in the American economy had gained over the rest of the world. These adjustment mechanisms produced their effects throughout 1983; the deficit on current transactions of the U.S. balance of payments would appear to have reached \$ 43 billion, against \$ 11 billion in 1982.*

*The average weighted rate for the dollar appreciated by about 8 p.c. from the end of 1982, so that the rise in this rate from the low to which it had fallen in October 1978 reached 44 p.c. The only major currency against which the dollar did not appreciate in 1983 was the yen; the same mechanisms tending to restore external balance operated in Japan, but in the opposite direction; the current account surplus, rising from \$ 7 to 23 billion from 1982 to 1983, sustained the rise in the rate for the yen, even though, ultimately, the greater part of this surplus was cancelled out by net capital outflows. If one looks at the year 1983 as a whole one finds that all the currencies of the member*

*countries of the European Monetary System fluctuated downwards in relation to the dollar, but the extent of this weakening differed from currency to currency. The official exchange rate relationships between these currencies themselves underwent a new readjustment on 21st March 1983; the German mark was revalued by 5.5 p.c., the Dutch guilder by 3.5 p.c., the Danish crown by 2.5 p.c. and the Belgian franc by 1.5 p.c., while the French franc and the Italian lira were devalued by 2.5 p.c. and the Irish pound by 3.5 p.c. Following these realignments and the assignment of a new notional central rate to the pound sterling, the central rate for the Belgian franc in relation to the Ecu was raised by 1.36 p.c. The subsequent appreciation of the pound sterling, confirmed on 18th May by an adjustment of its notional central rate decided upon within the framework of the common agricultural policy, led to a fall in the central rate for the Belgian franc in relation to the Ecu of 1.2 p.c.; thus the March revaluation was practically cancelled out.*

*The current account of the balance of payments of each of the countries participating in the European Monetary System improved in 1983 owing to the economic recovery in the United States, the appreciation of the dollar and the yen and the effect of the specific measures which had been adopted by some of these countries in order to reduce their deficit in relation to foreign countries. Furthermore, the industrialised countries derived advantage from the worsening of the overall trade deficit of the group represented by the Organisation of Petroleum Exporting Countries. As for the non-oil-exporting developing countries, these benefited by an improvement in their terms of trade due to, among other things, the fall in energy prices, and also by a recovery in the volume of their exports to the industrialised countries together with a lightening of the interest burden on their foreign debt; at the same time their imports were further reduced as a result of the gradual implementation of the recovery programmes which the International Monetary Fund had made a condition of its granting of assistance to some of these countries, or, in other cases, as a result of measures which these countries had decided upon themselves, quite independently, in order to halt the deterioration in their external financial situation. Consequently, the burden of the gross foreign debt of the developing countries, measured by the relationship between the outstanding amount of this debt and their exports of goods and services, became hardly any heavier in 1983. Furthermore, the average term of this debt was appreciably lengthened. This consolidation and the downward movement of international interest rates eased the burden of the financial*

*service of the debt of these countries : it represented about 20 p.c. of the value of their exports of goods and services in 1983, against 24 p.c. in 1982. Despite this easing, this burden still takes a considerable slice out of the real resources which these countries produce ; most of them would be faced with the danger of major upheavals if they were unable to receive further financial assistance to help them to improve their position.*

*This assistance will probably continue to consist partly of credits granted by the international community of commercial banks. In order to enable a clearer idea to be gained of the desirability of the advances still to be granted, a group of bankers took the initiative of creating an International Finance Institute, which will centralise the collecting of data for assessing the solvency of the borrowing countries. For its part, the Committee on Banking Regulations and Supervisory Practices, which operates under the aegis of the Committee of Governors of the Central Banks of the Group of Ten, likewise endeavoured to improve the instruments of the supervision exercised by the national authorities. It concluded that the authorities should be kept informed of all the activities, world-wide, of every establishment within their sphere of competence and that for this purpose they should have at their disposal consolidated accounts of the parent company and its subsidiaries and branches abroad ; the principles which this Committee had laid down in 1975 concerning supervision of multinational banks were therefore amended ; the new « concordat » confirms the practice of balance sheet consolidation, and the supervisory authorities undertook to have this principle applied in their respective countries. Co-operation between supervisory authorities was strengthened ; the distribution of functions between the authorities of the country of the parent company and those of the country in which the subsidiaries and branches are located was more precisely defined.*

*International credits*

*It is obvious that for several years to come the credits granted by the markets will not be sufficient to meet the financial aid requirements of various developing countries. These contributions will have to be supported and supplemented by assistance from the official international institutions, especially the International Monetary Fund. Circumstances have highlighted the catalytic function performed by the latter ; the assistance which it gives can stimulate help from the private sector. Consequently the argument was put forward that it was desirable to expand by various means the resources which that institution has or will*

have at its disposal for financing its lending. This argument was supported by many industrialised countries, including Belgium, during negotiations which led to a substantial increasing of the Fund's quotas and borrowing possibilities; the eighth revision of quotas raised the total of these from 29 billion Special Drawing Rights to SDR 90 billion; the amounts which can be placed at the disposal of the Fund by the Group of Ten and Switzerland, under the General Arrangements to Borrow, were increased from SDR 6.7 to 17 billion; these resources can under certain conditions be used to finance drawings by countries which do not participate in the Arrangements. Furthermore the Bank for International Settlements and nineteen countries, including Belgium, decided to grant the Fund a credit line of SDR 3 billion on which the Fund can for one year make drawings for periods of up to two and a half years; parallel with this, Saudi Arabia expressed its willingness to open a credit line for the Fund for the same amount.

### ***Economic and financial developments in Belgium***

As the Bank has ample research material at its disposal, it is able, from the first weeks of the year, to make an overall analysis of the development of the domestic economy during the past financial year. Admittedly, for the events of the most recent months, the diagnosis is based on the observation not of continuous lines — because these are lacking — but of isolated reference points, which, however, are interrelated by consistent relationships which have been made clear by experience. For some years, however, this period for which paleontological methods have to be employed has been tending to lengthen with the time-lag which occurs, despite the facilities offered by electronic data processing, in the provision of some customary items of statistical information; furthermore, for various kinds of reasons, the quality of this material leaves something to be desired in certain cases. These deteriorations ought to be remedied, because they hamper the work of all those who endeavour to provide the information which throws light on the conduct of economic policy. Despite these new difficulties, the Bank has not as yet had to delay the research of which it publishes the results. When it is a matter of describing trends, the lessons which emerge from the observations are already clear. But when it becomes necessary to go further and to construct a set of tables interconnected by the logical thread of the macroeconomic interrelationships for which the data are very precisely quantified, there is a danger that these data

*will be too strictly interpreted. For some of the figures still have to be estimated on the basis of provisional and fragmentary data ; the figures are thus subject to subsequent adjustments ; the important thing is that the margin of error should remain narrow. This condition is fulfilled if the data are used in order to assess the direction and approximate size of the changes ; but it is no longer fulfilled if the interpretation attaches an absolute significance to the changes, especially when the latter are, relatively, very small. In order to convey the idea that the assessment of certain data is more particularly subject to a margin of error, the expressions « would appear to » or « apparently » are used in the comments on them.*

*Economic growth in Belgium, negative in 1981 and slight in 1982, would appear to have continued in 1983, but at a slower rate. It does not, however, appear to have been far below that of the other countries of the European Economic Community as a whole, which was also apparently modest. But this growth in the gross domestic product was not due to the same factors in the Belgian economy as in that of these other countries. In the latter, domestic demand and net exports appear to have contributed jointly and equally to the increase of 1 p.c. in the volume of the gross domestic product ; in Belgium, on the other hand, all the components of domestic demand appear to have worsened, the only stimulus having apparently been provided by the improvement in the current account of the balance of payments.*

*Growth and activity*

*Consequently, the activities which stood their ground and those which weakened differ in the two cases.*

*Whereas the total production of manufacturing industry decreased, for the second year running, in the Community as a whole, it recovered in Belgium, after the stagnation in 1982, having apparently risen by about 2.5 p.c. Some of the industries which make consumer goods benefited by the increase in expenditure on consumption in the major foreign economies. Activity expanded particularly in the textile, chemical, metal manufactures and electricity industries ; it fell off in the mineral-extracting industry and continued its decline of recent years in oil refining and the non-metallic mineral products industry. In building and in services, activity in which depends primarily on domestic demand, the results for 1983 were either worse or very slightly better than in 1982 ; the contribution of the building industry to the growth in the domestic product remained negative for the third year in succession :*

*the value added in this branch appears to have amounted in 1983 to only three-quarters of its 1980 volume; in the cyclically sensitive market services, which account for one-third of the creation of the gross domestic product, there appears to have been a slight reduction in the value added owing to the results of the « trade » branches, which are the main component of this category of services; in the less cyclically sensitive market services the value added appears to have increased in 1983, but at a rather low rate.*

National accounts.  
Expenditure

*Altogether the gross domestic product appears to have increased in volume by 0.5 p.c. against 0.9 p.c. in 1982. The gross national product, which additionally takes into account the incomes earned outside the domestic economy or paid to foreign factors of production, appears to have grown in 1983 to the same extent as the domestic product. The deficit in respect of capital incomes owed and received does not in fact appear to have risen during the year under review : in terms of annual averages, interest rates on the international markets fell from 1982 to 1983, despite the fact that their decline stopped at the beginning of the latter year, and this reduction appears to have counterbalanced the increase in the burdens resulting from the further rise in the foreign debt of the Belgian economy.*

*Private consumption appears to have contracted by 2 p.c. in Belgium, whereas it apparently increased by nearly 1 p.c. in the European Economic Community as a whole. Similarly, the expenditure devoted by households to the purchase of new dwellings appears to have remained unchanged in the Community whereas, owing to the sharp reduction in the building of social dwellings, it appears to have declined by 5 p.c. in volume in Belgium, where investment in housing has decreased year by year; in 1983, expressed at constant prices, its level appears to have been less than half that reached in 1978.*

*The volume of the expenditure of companies on fixed assets, which had stabilised in 1982, appears to have declined by 4 p.c. in 1983. In the Community as a whole the reduction in this investment has continued for the last three years, but its extent is only half as great as that in Belgium for this period as a whole.*

*Thus, altogether, the volume of domestic expenditure appears to have decreased by a little over 2 p.c. in 1983 in Belgium, whereas it apparently rose by 0.6 p.c. in the Community countries. In comparison*

*with the latter, the reduction in domestic demand therefore reflects, as during the two previous years, a situation of relative deflation. In 1983 the divergence of the movements is even more marked in relation to the United States. This situation helped to mitigate the external imbalance which had developed previously in the Belgian economy. It will be recalled that from 1977 onwards domestic expenditure had regularly exceeded the national product, both being measured at current prices; the gradually widening gap had reached 3.5 p.c. of this product in 1980; at the same time it was a measure of the extent of the balance of payments deficit in respect of goods and services and payments of factor incomes with foreign countries. This deficit gradually shrank from 1981 onwards and, particularly, during the year under review.*

*The substitution of net exports for domestic expenditure as a source of creation of the national product was in fact one of the aims of government policy. The co-ordinated lines of action pursued in order to achieve this aim produced results : the contribution of net exports of goods and services to growth has remained positive, leading to a revival in growth since 1982, although at a rate slowed down by the shrinkage of total domestic expenditure.*

*It is a pity that the distribution of this expenditure, in terms of volume, between consumption and domestic investment has not shown any significant improvement since 1981; in that year private and public consumption had reached 82 p.c. of domestic demand; this percentage would appear to have risen slightly further since then, at the expense of the share of gross capital formation; the latter includes, among other things, companies' investment in equipment, which apparently has not gained ground in relation to domestic expenditure : in 1983 its volume appears to have still been slightly below the 1981 level.*

*Despite this stagnation of productive investment, the improvement in apparent productivity has continued. In manufacturing industry the increase in 1983 appears, on average, to have exceeded that in the three preceding years; measured in terms of value added per person employed it appears to have reached nearly 5 p.c. or double the rise in production. Thus new job losses were recorded in industry, although these were fewer than during the previous year, when production did not increase. In all the other sectors — agriculture, building and service — the slowing-down of the productivity gains or the decline in productivity reduced the effect of the deterioration in activity on employment.*

*Employment*

Altogether, for enterprises as a whole, employment — officially measured only on 30th June of each year — appears to have fallen by 32,000 from mid-1982 to mid-1983; during the two preceding twelve-month periods, job losses had amounted to 82,000 and 51,000 respectively. But, as the working population went on increasing only a little more slowly than in the previous year and as, furthermore, since 1981, dismissals of workers in industry have no longer been compensated for by the creation of jobs in the non-market services sector, the number of unemployed rose further by 54,000 between June 1982 and June 1983; the increase had been 92,000 during the period 1980-1981 and 72,000 during the subsequent period. The unemployment rate, measured as the ratio between the total number of wholly unemployed persons, whether or not receiving unemployment pay, and the working population was 11.7 p.c. at the end of 1981 and 13.4 p.c. a year later; at the end of 1983 it was up to 13.9 p.c. According to the harmonised series published by the European institutions, the rise in the unemployment rate as thus defined would appear to have been of the same order in the Community as a whole and in Belgium.

#### Prices

In the field of prices, international comparisons reveal developments which are not in favour in Belgium, whether on the basis of the deflators of the gross domestic product or on that of the indices of consumer prices. With regard to the latter, whereas their rise slowed down considerably in each of the main trading partners over the last two years as a whole, in Belgium the inflationary pressure remained unchanged. This special feature of the movement of Belgian consumer prices, which appeared in 1981, has persisted since then; it became observable during the period of the weakening of the effective average exchange rate for the Belgian franc, which fell by 5.8 p.c. in 1981, 9.9 p.c. in 1982 and 2.6 p.c. in 1983; although delayed by the prices control measures, the derived effects of the rise in the prices of imported products gradually spread. Admittedly, when Belgian and foreign prices are expressed in a common currency, the disparity between the former and the latter has not become more marked; on the contrary, it has even decreased for industrial wholesale prices. But within the economy the movement of consumer prices is liable, in the medium term, to push up costs more than in many other countries. From 1982 to 1983 the rise in consumer prices declined, in the European Economic Community as a whole, from an annual average of 9.9 p.c. in 1982 to 7.4 p.c.; in Belgium the movement was from 8.7 to 7.7 p.c. This recent slowing-down of the rise in the Belgian overall price index was brought about

mainly by that in the prices of energy products and, subsidiarily, of foodstuffs, as the indices for the other categories of products went up more than in 1982; it was not the prices of imported products that caused the last-mentioned quickening because, expressed in francs, they rose by only 7 p.c. against 13 p.c. the previous year; it was domestic factors, among which mention must be made of the raising of certain indirect taxes and the widening of the gross profit margins of enterprises. It was likewise the movement of domestic prices and margins which brought about the acceleration of the rise in the prices of services.

Even more than in 1982, the rise in consumer prices exceeded the increase in remuneration per employee; in real terms this appears to have decreased by 2.6 p.c. in 1983, against 1.2 p.c. the previous year. Last year's reduction is due to the measures adopted by the Government to loosen the link between remuneration and the price index and to prevent the former from rising beyond certain limits. As the number of employed wage- and salary-earners fell further, the total of their earned incomes, estimated at constant prices, appears to have gone down by 3.7 p.c. in 1983 against 2.7 p.c. in 1982. During the last three years the wage push has been more strongly curbed in Belgium than in the main industrialised countries; it is nevertheless true that for a long time real remuneration per employee had risen more in Belgium than in most of these countries. The total of the incomes earned by one-man businesses through their activities appears to have declined slightly, in real terms, in 1983, to judge by the available statistical indications, whereas it had still grown the previous year. On the other hand, the total income of individuals from their financial and real estate investments appears to have shown a further real increase of nearly 3.5 p.c.; the rise is due to the continuous accumulation of the savings formed during each period, the upward movement of long-term interest rates in recent years, the improvement in dividends and the growth in the incomes, expressed in francs, from earlier long-term investments in foreign currencies.

National accounts.  
Incomes

Altogether the real value of the primary incomes of individuals, the changes in which are obviously influenced above all by those in total wages and salaries, owing to the weight of that total, would appear to have fallen by a little over 2 p.c. in 1983 against 1 p.c. in 1982. The changes in these primary incomes do not, however, exactly reflect those in the resources which individuals can devote to consumption and savings; these resources are the incomes which are available to individu-

als after they have paid direct taxes and social security contributions and received, in the opposite direction, transfers from the public authorities; now it would appear that the degree of erosion of the total of these disposable incomes was only modest: in real terms, 1 p.c. against 2 p.c. in 1982. This was because the amount of the direct taxes paid by individuals, which increased to an exceptional extent in 1982 owing to the delay in assessments in 1981 and the introduction of the system of voluntary advance payment of tax, underwent little change in 1983; furthermore, in absolute figures, the amount of the transfers received by individuals went up much more than that of the social security contributions which they paid. The Government thus, at its own expense and to the benefit of individuals, lessened the loss of real purchasing power which its policy of moderation had imposed on them. In the end the disposable income of individuals at current prices would appear to have risen in 1983 by 6.6 p.c., or to the same extent as the gross national product. The share of individuals in this product, which had grown in 1980 and 1981, has only decreased slightly since then; this overall stability naturally conceals shifts in the shares of the various categories of recipients of incomes.

In relation to the national product, the disposable incomes of companies and the public authorities changed more than that of individuals; while the relative extent of the former increased during the last two years, that of the latter was at the same time curtailed, if the accidental rise which took place in 1982 is disregarded.

The gross operating surplus of companies would appear to have grown by about 17.5 p.c. during each of the last two years; during both the sector as a whole benefited mainly by the widening of unit profit margins, as there was little change in the volume of sales. In 1982 the improvement in margins had been due to the appearance of an appreciable difference between cost prices and export selling prices, which rose appreciably in terms of francs. In 1983, as the rise in export selling prices slowed down, the difference was maintained by the slackening of the increase in cost prices, which was itself due to a slowing-down of the rise in import prices. During the year under review companies appear to have used a larger proportion of their surplus for the payment of dividends; nevertheless, as they apparently did not pay much more in the form of direct taxes, their disposable income — their net profits placed to reserve and their depreciation allowances — would appear to have swollen by about 23.5 p.c. in 1983; it had grown by 16.1 p.c. in 1982 after having remained unchanged during the two

previous years. Expressed as a percentage of the national product, the disposable income of companies would thus appear to have risen from 6.6 p.c. in 1981 to 7.1 p.c. in 1982 and 8.2 p.c. in 1983 — a percentage which had not been reached since 1974. According to the available data, this recent recovery appears to have been at least as marked as abroad, but the fall in the percentage during the 1970s had been greater in Belgium.

Over against this expansion in 1983 in the share of companies' disposable income in the national product, there is the contraction in that of the public authorities : total fiscal and parafiscal revenue rose less than the national product. Firstly, the proceeds from taxation had been swollen in 1982 by the introduction of the system of voluntary advance tax payment for wage- and salary-earners, which had enabled the levying of tax to be speeded up; at the same time, taxes which it had not been possible to assess in 1981 were collected, late; the repercussion of these increases in revenue, the one exceptional and the other accidental, made itself felt in 1983. Secondly, the moderation imposed on wage and salary incomes and the reliefs granted in order to encourage subscription for or the purchase of company shares reduced the tax base in 1983. Thirdly, the decrease in the volume of private consumption and house-building counteracted the effects, on the revenue from indirect taxes, of increases in the value added tax and certain excise duties; generally speaking, the rise in these indirect taxes was reduced by the fact that the value of exports, which are not subject to value added tax, went up more than that of domestic expenditure, which is generally taxed.

The slowing-down of the increase in revenue fortunately had a counterpart in the expenditure of the public authorities, the percentage rise in which did not exceed that in revenue; for the first time since 1969 this expenditure did not grow as much as the national product at current prices. In relation to the latter, current purchases of goods and services and also public investment appear to have decreased. It was not possible, on the other hand, similarly to hold down the expenditure due to unemployment and job creation, which appears to have increased further in relation to the national product. The proportion of the other major categories of expenditure in relation to that product appears to have undergone hardly any change; the burden of the debt service appears to have stabilised thanks to the fall in short-term interest rates and the public authorities' increased recourse to long-term borrowing,

*Sectoral surpluses  
and deficits*

*payment of the interest on which takes place later; the same appears to be true of social security transfers.*

*As the movement of the public authorities' total revenue and expenditure was apparently parallel, the deficit of the « Government » sector in the wide sense of the term also appears to have remained practically unchanged in relation to the national product. This is an overall state of affairs which conceals slight changes in the balances of the sub-sectors. The deficit of the Treasury, which provides for the financing of the actual budget, appears to have declined from 13.1 to 12.6 p.c. of the national product, while that of the local authorities apparently rose from 0.7 to 1 p.c.; the revenue of the latter no longer benefited, as was the case in 1982, by the payment of arrears due from the Treasury in respect of taxes assessed on behalf of the provinces and municipalities.*

*The percentage represented by the public authorities' net financing requirements, which was 15.3 p.c. in 1983, appears to have fallen off slightly from its all-time high of 16.2 p.c. reached in 1981. The opposite movement appears to have taken place in the other countries of the European Economic Community : the deficits increased under the influence of the automatic operation of the built-in cyclical budget stabilisers ; expressed as a percentage of the aggregate national product, they appear to have risen from 4.6 to 5 p.c. in two years. Harmless though it may appear, this deterioration did in fact generally provoke a reaction from the political authorities. And yet the extent of the imbalance of their public finances which is causing concern to the public authorities in our partner countries seems very modest in comparison with the Belgian figure, which is three times as great, despite the fact that fiscal and parafiscal levies are less heavy in the other Community countries than in Belgium, since in 1983 they appear to have represented just under 42 p.c. of the national product there, against 46 p.c. in Belgium. But the expenditure — including the transfers — of the Belgian public authorities bulks much larger than in the European Economic Community as a whole, where it appears to have represented 48.5 p.c. of the national product in 1983; in Belgium the percentage appears to have been 63.2 p.c.*

*The meeting of the public authorities' financial deficit — around Fr. 635 billion in 1983 — was a less difficult matter than in the preceding years, thanks to the easing which took place on the domestic money and capital markets. Firstly, households did not increase their*

*expenditure on consumption and investment to the extent which the nominal growth in their disposable income would have allowed; in the case of companies, gross capital formation, even expressed in nominal terms, did not expand as much as the total resources which companies derived from their disposable incomes and from capital subsidies from the public authorities. Secondly, the supply of funds, made more ample by the growth in the financial surplus of these two sectors, was directed more than in 1982 towards the domestic market.*

*All the changes in the domestic data of the economy — production, income, expenditure, investment of savings — observed during the year under review are of course reflected in the movement of the balance of payments with foreign countries. This does not mean that one can establish a one-way causal link between the two : the balance of payments is influenced in a dynamic process by impulses from abroad, particularly in the case of a dominated economy, and at the same time by the impulses due to spontaneous or enforced changes in the behaviour of residents, while on the other hand the movement of the external accounts in turn influences certain domestic data of the national economy.*

*Balance of payments*

*A comparison of the balance of payments for 1983 as a whole with that for the two preceding years reveals the very definite progress which has been made towards eliminating the imbalance. For it shows a further contraction in the current account deficit and a further reduction in that in respect of the private sector's capital transactions. However, this comparison of annual figures, while correctly indicating the actual changes, conceals swings which took place during the year.*

*Measured on a transactions basis the Belgian-Luxembourg Economic Union's deficit in respect of current transactions with foreign countries, which fell from a peak of Fr. 156 billion in 1981 to Fr. 120 billion in 1982, was very appreciably reduced during the year under review; estimates which are still approximate put in the region of Fr. 40 billion. The improvement in 1983 was only subsidiarily due to transactions in services, the balance of which reflected the decline in the deficit in respect of tourism. The deficit in respect of transfer payments appears to have been kept at around Fr. 55 billion. Consequently, the recovery is mainly due to the results achieved in transactions in goods.*

*These developed in a particularly satisfactory manner during the first eight months of the year; customs statistics indicate that the slight worsening of the terms of trade was more than counterbalanced by the change in volumes; the percentage coverage of the value of imports by exports reached 94 for the first eight months of 1983, whereas it had still been only 86 for the same period of the previous year. A number of factors are responsible for this recovery. The development of nuclear energy and the slackening of domestic demand helped to slow down imports, while the growth in that demand abroad stimulated exports. Furthermore, Belgian and Luxembourg enterprises were able to win market shares both at home and abroad; this progress was attributable not to any further general improvement in competitiveness as regards prices, since the average level of Belgian export and domestic-market prices rose to about the same extent as those of Belgium's competitors, expressed in francs; but Belgian products may have benefited by a price differential which had developed previously; some enterprises were able to expand their sales, as their activities had become more profitable; lastly, as has been seen, the sales of some industries specialising in consumer goods were boosted by the nature of the recovery abroad.*

*In the last third of the year the balance of transactions in goods appears to have deteriorated; payments for imports increased more than export earnings. The statistical information concerning this period is still too precarious for it to be possible to derive from it a figure which can be compared with the more precise figure for the first eight months. It seems, however, that the deficit recorded during the last third of 1983 will represent a substantial proportion of that for the whole year. It has not yet been possible to discover the origin and hence the meaning of this recent worsening. It may be partly attributable to seasonal movements and the effect of these may have been accentuated by more fortuitous factors, for instance, a concentration of oil purchases. But other kinds of factors are also operating: for some months, new export orders have been declining in the order books of manufacturing industry as a whole.*

*In the year 1983, again looked at as a whole, the deficit in respect of capital transactions, of all kinds and for whatever periods of time, carried out on the initiative both of foreigners and of private-sector residents, decreased; after reaching a peak of Fr. 201 billion in 1981, it had fallen to Fr. 167 billion in 1982; it will apparently amount to about Fr. 110 billion for the year under review.*

*One category of transactions, however, is an exception to the improvement which took place in 1983; this is purchases of foreign securities, which continued throughout the year and speeded up during the last few months. The growth in these investments, which appear to have reached the record figure of Fr. 95 billion, may have been stimulated by the expectation of a decline in long-term interest rates abroad and by the announcement that the withholding tax on income from financial assets was to be raised from 20 to 25 p.c. But the continued attractiveness of foreign securities was attributable to more permanent factors: the nominal net yields offered by bonds issued in Belgium, after deduction of tax at source, have for many years remained below those provided by bonds expressed in certain other monetary units; furthermore, the old investments expressed in currencies in relation to which the Belgian franc has repeatedly depreciated have brought particularly high yields, because both the current income on them and their principal amount have been pushed up by foreign exchange gains; knowledge of these advantages resulting from past events undoubtedly influences the present behaviour of investors.*

*The deficit in respect of all the other capital transactions of private enterprises and individuals with foreign countries would appear to have been very small — around Fr. 15 billion — whereas it still amounted to Fr. 109 billion the previous year. The improvement did not, however, take place consistently throughout the year; on the contrary, the general trend of the movements changed twice. During the first quarter, net capital outflows, which had already expanded during the last few months of 1982, continued, exceeding their amount in the corresponding period of 1982; they were prompted by anticipations of a revaluation of the German mark and the guilder, even though Belgian money market rates were exceptionally far above the rates for short-term investments in these two currencies. After the realignment, on 21st March, of the central rates in the European Monetary System, the movement of funds reversed: capital flowed back into the Belgian-Luxembourg Economic Union. Even if the fluctuations in the total of outstanding commercial claims on foreign countries are disregarded, because the amount of these cannot yet be determined, inflows of short-term capital were exceptionally large in the second half of the year — about Fr. 75 billion — and brought about a turn-round of the overall balance of private capital movements; the surplus left by these transactions counterbalanced the net outflows of the first quarter. Provided with funds by these inflows, the domestic financial market eased; interest rates took a downward turn; their development will be com-*

mented upon in greater detail later. The differential between Belgian short-term rates and the main corresponding rates abroad therefore gradually narrowed; it even became negative in relation to the Euro-dollar rates during the month of June. The balance of short-term capital movements underwent a further reversal; from the third quarter onwards, this deficit added to that produced by investments in securities.

#### Exchange rates

The reversal in the direction of capital movements which took place after the March realignment led to a further decline in the premium of free-market exchange rates in relation to those fixed on the regulated market. Calculated in relation to the latter, this premium had still averaged 4.6 p.c. during the first quarter; it became negligible in the second quarter, and, although it rose subsequently, it never exceeded a monthly average of 1.6 p.c. A balance between supply and demand on the free market was reached without major strains on exchange rates; this stability was facilitated by the development of the income and expenditure flows in respect of capital incomes, which can pass via either market; furthermore, the contributions of foreign funds increased during certain periods, partly owing to the reinvestment by foreign companies in their Belgian subsidiaries of incomes for the financial year which these subsidiaries had transferred to them — in accordance with the regulations pursuant to international undertakings — via the regulated market; during some months, however, the short-term funds which were exported largely consisted of balances in foreign currencies of the regulated market or balances in convertible Belgian francs withdrawn by their foreign holders.

On the regulated market the exchange rates for the Belgian franc weakened. In December the weighted average rate showed a decline of 2.9 p.c. compared with its level a year earlier. It was affected, in one direction, by the repercussions of the rises in the rate for the dollar and, subsidiarily, of other strong floating currencies and, in the other direction, by the depreciations of the zaïre and the Israeli pound; its movement furthermore reflects, in the second half of the year, the weakening of the franc in relation to all the currencies of the European Monetary System. This weakening took place when the current account of the balance of payments began to worsen after the balance of capital movements had become negative again. The divergence indicator of the franc in the European Monetary System reached a peak at the end of the year; the adverse movement of this indicator was, however, accentuated by the fact that central banks of member countries of the System

*artificially propped up their own currencies by making substantial non-compulsory sales of foreign currencies before the limits had been reached.*

*In 1983 the Bank's foreign exchange reserves decreased by Fr. 22 billion. The losses had been Fr. 96 billion in 1981 and Fr. 38 billion in 1982. Thus they did in fact become smaller. But the comparison of their amount during the last two years only partly reflects the much greater extent of the decrease in the overall deficit in respect of current payments and the capital transactions of private enterprises and individuals. This deficit fell from Fr. 357 billion in 1981 to Fr. 287 billion in 1982 and Fr. 145 billion in 1983. In 1982 it had still been largely financed by loans obtained abroad by the public sector; these had amounted to Fr. 255 billion, that is, practically the same amount as in 1981; the burden of financing by means of the foreign exchange reserves had been eased thereby. In 1983, as the public sector's net new borrowing from foreign countries amounted to only Fr. 126 billion, the Bank's reserves were again drawn upon to make good the deficiency.*

*This sharp reduction, from 1982 to 1983, in the imbalance in respect of transactions with foreign countries was coupled, as has already been mentioned, with a significant change in the domestic financial data : the domestic money and capital markets eased owing to the more plentiful supply of funds. The factors responsible for this have already been described : the increase in the net financial surpluses of individuals and companies and the decrease in net capital outflows. Just as the improvement in the balance of payments did not take place at an even pace, the extent of the easing of the domestic money and capital markets was likewise not uniform throughout the year; it was particularly marked during the months when the balance of foreign payments was most favourable; it had been much less pronounced in the first quarter and lessened during the last months of the year; these differences, depending on the period, in the degree of easiness of the financial markets were reflected not only in the movements of interest rates but also in the part of the budget deficit for each period which the Treasury had to meet by recourse to creation of liquidity by the Bank; this percentage was highest during the last three months, even though during this period the Treasury's financing requirements were smaller than during the other quarters of the year.*

*Domestic money  
and capital markets*

*Provisional financial accounts are as yet available only for the first ten months. During this period the total of new financial assets formed by enterprises and individuals reached about Fr. 590 billion, or 14 p.c. more than during the corresponding period of 1982; but those assets which consist of balances in Belgian francs increased by Fr. 441 billion, or 31 p.c. more than in 1982. Furthermore, the growth in the liabilities of enterprises and individuals was Fr. 107 billion, or 22 p.c. more than in 1982; this increase is only half as large, in current francs, as the peak figure reached in 1979. Individuals did not increase the outstanding amount of the consumer credit which they use, and the net rise in mortgage loans for housing slowed down in comparison with the previous year, when it already represented less than 30 p.c. of highest figure, reached in 1979. Although their self-financing capacity expanded considerably, enterprises resorted in 1983 to public share issues and bond loans, both on a larger scale than in 1982; they had less recourse to financial resources from abroad and, at least during the first half of the year, they reduced their short-term borrowing from the banks. Altogether, the external resources which they raised during the first ten months amounted to Fr. 55 billion in 1982 and Fr. 91 billion in 1983; of the last-mentioned amount, net borrowed resources — that is, excluding share issues — raised on the Belgian market accounted for Fr. 35 billion, which is appreciably less than the previous peaks reached.*

*Thus, the requirements of financial resources from the two sectors — enterprises and households — combined absorbed only a particularly small proportion of the total of the gross financial savings which these same sectors formed during the first ten months; the proportion would appear to have been about 18 p.c.; it had been decreasing since 1979, during which it had reached 63 p.c. Thus, increasingly abundant financing resources have become available to the public authorities, whose financial deficit appears to have more than doubled in comparison with its 1979 level of Fr. 279 billion.*

*During these first ten months, for financial assets formed in Belgian francs, the increase in holdings at up to one year rose from Fr. 87 billion in 1982 to Fr. 118 billion in 1983; cash holdings — notes and coin and deposits — went up more than in 1982, and their income velocity did not speed up further; it is at present around 4.5 times per year; as for balances on deposit books, their increase continued. The formation of time deposit balances slowed down considerably; for the greater part of these the interest rates allowed had fallen*

more in 1982 than those on bonds and notes; the widening of the differential in favour of long-term investments continued to produce its effects during the year under review; furthermore, the preference for the long term was accentuated by expectation of a fall in rates, which did in fact take place throughout the greater part of the year. Thus individuals and enterprises — not including the financial intermediaries — added to their bond portfolios to a greater extent than during the same period of 1982: by Fr. 288 billion against Fr. 237 billion. Furthermore, they subscribed for public share issues by companies to the extent of Fr. 23 billion against Fr. 13 billion in 1982.

The banks and other financial intermediaries, for which the granting of credits to enterprises and individuals did not, owing to the smallness of its growth, offer sufficient scope for re-employment of their resources, likewise expanded their portfolios of medium- and long-term bonds. Sustained by both final demand and intermediate demand, the primary supply of bonds increased and net issues went up to Fr. 544 billion during the first ten months of 1983 — a rise of three-quarters over the amount issued during the same period of 1982. The greatest advantage of this state of the market was taken by the public authorities: their long-term loans in Belgian francs, net of redemptions, amounted to Fr. 278 billion against Fr. 98 billion for the first ten months of 1982; on the other hand, the public credit institutions issued only Fr. 111 billion's worth of notes at over one year, against Fr. 135 billion during the same period of 1982.

It has already been recalled earlier that the evolution of all the financial data in 1983 enabled the Treasury to meet, by consolidated loans in Belgian francs, a distinctly larger proportion than in 1982 of the deficit resulting from the execution of the budget. This deficit of the Central Government cannot be measured by the increase of Fr. 631 billion which appears in the official public debt statistics. This is because certain transactions do not correspond to an actual movement of funds; for instance, the surrender of Treasury certificates to the International Monetary Fund in part payment for the increase in Belgium's quota or the changes in the foreign currency debt due to fluctuations in exchange rates. When these transactions are deducted it is found that the debt contracted during 1983 as a whole in order to meet a financing requirement reached Fr. 525 billion, against Fr. 509 billion in 1982. This deficit was met, to the extent of 52 p.c. against 13 p.c. in 1982, by consolidated loans and to the extent of 21 p.c. against 38 p.c. in 1982 by the floating debt placed on the

money market, both being expressed in Belgian francs; for the balance, 27 p.c. against 49 p.c. in 1982, the Treasury raised funds chiefly by the sale of the proceeds of its foreign currency loans, as the assistance which the Bank gives it indirectly, by granting advances to the Securities Regulation Fund, increased by only Fr. 7.3 billion, or less than 1.5 p.c. of the overall deficit to be met; the agreed limit on these advances was thus only raised once, in January 1983, from Fr. 190 to 210 million. Hence, all in all, the structure of the Government's new indebtedness improved greatly in 1983 in comparison with what it had been during the three previous years.

### **Monetary policy**

Throughout the greater part of the year the Bank was able to pursue its policy in a more favourable environment. This deteriorated, however, during the very last months.

For several years this policy has been operating through interest rates.

For there is not justification at all, in a weakly growing economy, in which both installed plant and the working population remain under-employed, for the adoption of quantitative restrictions designed to slow down further the expenditure of enterprises and individuals by influencing credit; this expenditure naturally has a high import content, which causes outflows of foreign currencies; while the level of this content is largely determined by structural factors, the greater part of this expenditure nevertheless feeds the domestic market.

Similarly, the inflation of recent years has clearly not been due to an excess of overall demand over domestic supply. It has been sustained by a rise in the cost of imports, induced by the depreciation of the Belgian franc and above all by a steady increase in domestic costs resulting from the growth in the tax burden and the rise in most categories of nominal incomes. Admittedly, quantitative monetary action could oppose this upward trend of domestic costs, but this would entail exerting sufficiently strong deflationary pressure on overall domestic demand to bring about a substantial change in the conditions of formation of prices and incomes. It is therefore rather by specific

*non-monetary measures that the pressure of costs must be curbed; recently the increase in extensive categories of incomes had been kept in check by the government measures, and the tax burden, which had reached a peak in 1982, decreased slightly in the year under review.*

*A restrictive quantitative monetary policy would hardly be capable, either, of forcing the public authorities to reduce their budget deficits. True, the Bank can take a less accommodating line by refusing to increase the advances which it grants directly or indirectly to the Government. But it cannot prevent the public authorities from bringing about the creation of liquidity by selling the foreign currency proceeds of their loans. It is difficult for it to oppose the use by the money market institutions of the margins available to them under the Bank's rediscount ceilings in order to obtain funds for the purpose of subscribing for Treasury certificates; this replacement of rediscount facilities by holdings of short-term public paper entails very little reduction of the financial intermediaries' liquidity; but it is profitable to them whenever the yields on certificates sufficiently exceed the cost of rediscounting commercial bills at the Rediscount and Guarantee Institute; this condition was fulfilled during the first and the very last months of 1983; hence, each time, the Bank, very indirectly, created liquidity for the benefit of the Treasury. It is equally difficult for the Bank not to shield the Government from the effect on its financial resources of the tightening of the money market which take place when net outflows of foreign currencies expand and cause the rate for the franc to slip to the agreed limits within the European Monetary System; the interventions of the Bank, which is obliged to sell foreign currencies on the foreign exchange market, cause a destruction of cash resources for the financial intermediaries when they pay to the Bank the foreign currencies which they have purchased on behalf of their customers; as the financial intermediaries' portfolios of short-term public paper represent the main component of their liquidity (the outstanding amount of the Treasury certificates held by them was Fr. 624 billion at the end of 1983), it is by requesting repayment of certificates that these institutions replenish their own cash holdings at the expense of the Treasury; during these periods, when the Treasury has to meet not only the burden of financing the deficit resulting from the execution of the budgets but moreover that of repaying part of the existing outstanding amount of these certificates, it is obliged to obtain the necessary resources from the Bank. This being so, the latter can either be accommodating in its function as lender of last resort, by increasing its advances to the Government or by adding, through rediscounting transactions, to the supply of funds on the money*

market, or it can buy the proceeds of new foreign currency loans directly from the Treasury. In both cases the extent of the creation of base money which takes place in favour of the Government is the same; but in the former case it is accompanied by a loss of foreign exchange reserves.

The Bank can escape these constraints which are imposed on its quantitative action by the state of the public finances only by pursuing an interest rate policy. When it is unwilling to be too accommodating, it allows money market rates to react, by rising, to the pressure exerted by the Treasury's demand when this exceeds the supply of funds. Admittedly, as has been seen, the imbalance of the money market can be eliminated by the Treasury itself when it borrows abroad. The fact remains, however, that the Bank can raise the scale of its own rates and thus confirm, or accelerate, the spontaneous movement of the money market, the impulses from which then spread to all short-term funds.

In an open economy this classical monetary manoeuvre, which endeavours to influence the movements of short-term funds with foreign countries, serves to defend the foreign exchange reserves. In recent years the aim of the Bank's interest rate policy has not been to attract floating foreign capital. For when the deficit in respect of current foreign payments was not met by spontaneous inflows of long-term funds, and the foreign exchange reserves had to be protected, another counter-measure was felt, all things considered, to be preferable; the Government contracted foreign currency loans for a contractually fixed period; except for the exchange risk, these foreign currency borrowings cost it less than the debts which it would have incurred by borrowing, apparently on the domestic market, funds, unstable as regards their term, which would ultimately have been attracted from abroad by an interest rate differential.

The Bank's object in pursuing its interest rate policy was to prevent outflows of short-term capital from worsening the foreign deficit resulting from other transactions. The level to which it therefore had to bring money market rates naturally depended on the nominal rates offered at leading centres for short-term investments. Account would have to have been taken, furthermore, of the expectations of changes in foreign exchange rates, which operated in favour of certain currencies during some periods. These speculations on quick capital gains could not be counterbalanced by an increase in the interest rate differential, which would have had to be too large; they therefore gave a strong stimulus to capital exports.

Hence during the first quarter of 1983 net outflows of private capital were very substantial, even though the differential in favour of domestic interest rates was exceptionally large : for three-month investments it averaged 7.9 p.c. in relation to the Euro-guilder and 7.3 p.c. in relation to the Euro-German mark. After the realignment of the central rates in the European Monetary System, the disturbing effect of speculation disappeared; a large volume of short-term funds flowed back and the nominal interest rate differentials became effective again : the shortage of funds on the domestic market came to an end. It became possible for the downward movement of interest rates, which had been interrupted during the first months of 1983, to be resumed and to follow, with a time-lag, the fall which had taken place in the Euro-dollar rates during the last months of 1982. The Bank, which on 9th March had been obliged to raise its official discount rate from 11.5 to 14 p.c., was able to abandon its defensive measure; it followed and sustained the downward movement of short-term interest rates by reducing the discount rate to 11 p.c. on 24th March, 10 p.c. on 14th April, 9.5 p.c. on 5th May and 9 p.c. on 23rd June.

Although long-term rates themselves fell on the domestic markets, the differential in their favour in relation to those short-term rates which are most sensitive to the fluctuations in supply went on widening until the summer months. The Bank's influence on these long-term rates, which are controlled to a greater extent by the main borrower, remains marginal, indeed sometimes non-existent; evidence of this is furnished by the reversal of the interest rate structure which persisted in Belgium for about three years, until some time in 1982, leading to a reduction in the long-term part of the public debt. Insofar, however, as it is not considered acceptable to abolish or even reverse the hierarchy of rates, long-term rates react to the same impulses as shorter-term rates; they can therefore be influenced, in various indirect ways, by the Bank's policy. In any case, the rise in long-term rates stopped at the end of 1982; their decline, slow during the first months of 1983, speeded up until the autumn; the fundamental factors behind their movement have been described earlier.

The downward trend of rates for all maturities particularly benefited the Government. That was because, owing to the permanent nature of their financial deficit and the resultant growth in their indebtedness, the public authorities are particularly hard-hit by the rise in the cost of financial resources; this increases their expenditure on the service of the public debt, which represents about 15 p.c. of their

*budget total. The same is not true of households and one-man businesses, which, combined, have a permanent financial surplus; hence, overall, the high rates bring them in more income than the burden which they impose on their budgets. In the case of companies, likewise viewed as a whole, which have no longer had a financial deficit since 1977, their surplus, which has increased in recent years, resulted in a slight easing of their net financial burdens, that is, after deduction of portfolio incomes.*

*During the third quarter, as has been seen, the direction of private capital transactions with foreign countries was reversed, and funds began to flow out again. The positive differential of short-term interest rates in relation to the Euro-German mark and the Euro-guilder had decreased considerably, having narrowed, on average, to 3.7 p.c. and 3.2 p.c.; the differential in relation to the Euro-dollar had become negative to an average extent of nearly 1 p.c. This was because, while the downward movement of Belgian rates had continued, the movement had stopped or even changed direction in foreign centres. From July and August onwards the rates for the bank deposits which are most sensitive to foreign influences had recovered slightly; during these two months the current account of the balance of payments showed a surplus, partly owing to seasonal factors, and the Bank's foreign exchange reserves, which had risen during the second quarter, remained practically unchanged, without the Government having increased its foreign debt. The easing of the domestic financial markets had undoubtedly ceased, but there were as yet no signs of any strain. Consequently, aware that a change in its rates would be interpreted by the financial markets as a revision of its policy aims decided upon owing to a resurgence of the balance of payments deficit, the Bank did not immediately adjust its own rates. During the last months the worsening of the financial data, both external and domestic, was confirmed; the rates for Treasury certificates had to be raised; the Bank supported the movement of short-term rates by increasing its discount rate from 9 to 10 p.c. on 24th November.*

*It is not possible to foresee whether or not the action of the factors which interrupted the recovery in foreign payments during the very last months of 1983 will continue. Should it do so, if only in the case of capital transactions, the Bank would again find itself faced with opposing requirements. On the one hand, it would have to take into account the enormous burden of the public debt budgets, the high level of the mortgage interest rate which has to be borne by house-buyers and the*

disadvantages, for enterprises, of a further addition to their financial charges. On the other hand, it would have to bear in mind the balance of payments situation. While it is true that foreign payments improved substantially in 1983, it is equally true that this improvement was achieved during the first eight months, as regards both current transactions and financial transactions. And the fact remains that in 1983 the worsening of the external balance sheet merely slowed down.

In September 1983 the foreign exchange reserves actually held by the Bank, valued at market exchange rates, amounted to Fr. 986 billion. Over against this there were the debts of the public authorities and the public enterprises, totalling Fr. 1,073 billion, the net indebtedness of the Belgian banks, Fr. 152 billion, and that of the public-sector non-monetary financial intermediaries, Fr. 166 billion. Admittedly the very extensive credit facilities which are available to the Bank and the Government under international agreements were intact; these could be used if it became necessary to resort to new borrowing channels. Admittedly, too, the country's capital abroad includes, on the assets side, the total amount of claims on or in foreign countries held by non-bank private enterprises and individuals; on the liabilities side, however, there is also the total of foreign assets in Belgium other than those listed above as forming part of the debt of the public authorities and financial intermediaries. It is not possible to draw up an exhaustive inventory of all the items which compose the Belgian economy's balance sheet in relation to foreign countries. Hence the outstanding amount of the foreign assets and liabilities of individuals and non-bank private enterprises cannot be arrived at from book-keeping data.

If one wishes to gain an idea of the amount of capital which has flowed from Belgium to foreign countries or from foreign countries to Belgium during a given period, one can add together the capital transactions recorded in the balance of payments — movements which are inevitably recorded at historic prices and costs and are therefore not comparable with changes in outstanding amounts calculated on the basis of book-keeping data. Since the year 1977, when the Belgian-Luxembourg Economic Union incurred the first of its continuous series of current account balance of payments deficits, which ought preferably to have been financed by a surplus in respect of capital transactions, the cumulative flows which it has been possible to record indicate that these transactions of private-sector residents, undertaken on their initiative or on that of non-residents, resulted, for Belgium alone, in a net outflow of some Fr. 380 billion; this amount is the measure of the

*difference between the flow of financial resources leaving, or being re-exported from, the domestic economy and the flow of those entering or returning from abroad for the purpose of direct or portfolio investment in Belgium.*

*No accurate information is available concerning the uses — of all kinds — made of the funds exported from Belgium; one has to rely on the data for the Belgian-Luxembourg Economic Union as a whole, and these only extend to the end of September 1983. During the six years and the three quarters in question, the total outflow of funds amounted to Fr. 630 billion and was partly offset by a total inflow of Fr. 310 billion. On the outflow side, one quite special category should be separated from the rest: this is the total holding of commercial claims which accumulates because export credits granted exceed those received; this total increased by about Fr. 170 billion. For the remainder, out of the funds which left the Belgian-Luxembourg Economic Union, totalling Fr. 460 billion, about Fr. 70 billion were used for direct investment, some Fr. 240 billion for purchases of securities, Fr. 30 billion for purchases of real estate and about Fr. 120 billion for building up net short-term balances in foreign currencies.*

*Whatever may have been the economic desirability, from the point of view of the public interest, of these capital outflows, which in fact took place without any violation of the foreign exchange regulations, they had two consequences on the financial plane because they were not adequately counterbalanced by inflows: on the one hand, they were one of the factors responsible for pushing up, or slowing down the decline of, interest rates on the domestic financial markets; on the other hand, they played a part in increasing the balance of payments deficit needing to be financed. The balance of the private sector's capital transactions was added to the current account deficit.*

*For Belgium alone this can be estimated at about Fr. 720 billion for the last seven years. This deficit is the exact measure of the deterioration which took place during this period, when all assets and liabilities are considered together, in the external resources of the entire Belgian economy. The loss suffered is apparent from the fall in the Bank's foreign exchange reserves — Fr. 185 billion during the period — and, furthermore, from the public sector's foreign borrowing of Fr. 535 billion. It is known that the latter's liabilities to foreign countries rose much more during these seven years, because they went up by Fr. 915 billion; but the difference of Fr. 380 billion is not a net*

liability for the Belgian economy, because it is counterbalanced by the accumulation of private balances. To this extent, the public debt to foreign countries and private balances offset each other in the Belgian economy's external balance sheet. The fact remains, however, that the financial service of these public-sector debt to foreign countries will have to be met and will cost foreign exchange, whereas it is not certain that the income from the private balances will be repatriated. It also remains true that the public sector has a short position in the foreign currencies in which its debts are expressed, whereas the private sector, for the greater part of its financial assets, has a long position.

It seemed desirable briefly to recall all these financial data, which were published as soon as recorded, at this time when net capital outflows are chiefly responsible for the balance of payments deficit, and when, too, the Bank is being advised by some to pursue a more stringent policy, while others, on the contrary, are calling upon it to take a more flexible line, partly in order to enable the Treasury to do without its foreign loans. Urging the Bank further to increase the assistance which it gives, by creating francs, to the money market institutions and the Government actually means calling upon it to sacrifice a further part of the country's foreign exchange reserves. Because, as long as current transactions and the private sector's capital transactions combined result in a deficit, in a system of fixed exchange rates, the credit multiplier in the financial markets will be weakened by a draining-away into foreign currencies. In the dynamic interaction of flows, these leaks, the burden of which ultimately has to be borne by the Bank, erode the cash holdings which the banks have obtained by recourse to the lender of last resort, or which — and this is the most important case — they have received through the Treasury's spending of the advances which it has obtained from the Bank. The link which now exists between the growth in the Bank's assets in Belgian francs and the shrinking of its foreign exchange holdings is revealed more clearly by the *ex post* book-keeping records of the net movements during the period in question than by the mechanical monetary inter-relationships just described. One must look at the Bank's balance sheets; the successive data which these provide show that, if seasonal fluctuations are disregarded, the tendency for the stock of bank-notes to increase has become less strong. The growth in the note circulation during the whole of the last five years has been 10 p.c., which is less than one-third of that in the gross national product at current prices. The public is reducing the proportion of its financial assets which it builds up in the form of bank-notes, tending to give preference to the

*use of sight deposits for payments or to the holding of remunerative short-term assets for storing its liquid savings. Consequently the Bank, as a financial intermediary, is faced with the slowing-down of the growth in its main means of action. Its other kinds of commitments to Belgium, which are in fact quite small, vary erratically and the increases in its other liabilities, which are debts to foreign countries, ultimately represent a reduction in its foreign assets. The increase of Fr. 13.7 billion in 1983 in the notes issued by the Bank was insufficient to cover that in its various claims on the domestic economy; therefore, its net claims on foreign countries had to be reduced by Fr. 22 billion. As long as the country's external payments continue to show a deficit, the Bank — unless it is prepared to accept a steady loss of foreign exchange reserves — will have only very little scope for expanding the credit base, including for the benefit of the Government, or for bringing about an easing of the domestic money and capital markets.*

*Today, among its various functions, the Bank has one responsibility to the nation which has become vital in view of the worsening of the external balance : that of managing the official foreign exchange reserves. Circumstances force it to make use of these reserves in order to keep the exchange rate within the limits set by the European Monetary System ; but the usefulness of the reserves of other central banks — although these operate in a system of controlled floating exchange rates — has also been confirmed, because these reserves have helped to prevent erratic fluctuations of their currencies or to direct the movements of their exchange rates. Much more fundamentally, the central banks safeguard the ultimate external liquidity of the national economies : when deficits persist and recourse to credit becomes more difficult, the possession of unconditional foreign exchange reserves enables the country to pay for essential imports and fulfil the financial obligations previously contracted to foreign countries, while allowing it to avoid uncontrolled fluctuation of exchange rates or the loss of all autonomy of decision-making in its economic policy.*

*Because of its own function, the Bank pays particular attention to the past and future movements of its reserves and therefore to the development of the balance of payments. The current account position and the situation as regards capital transactions are of course determined by a great complex of factors which change both abroad and within the economy. The central bank's influence on current transactions is absolutely marginal. The influence which it can exert on short-term capital movements is also limited, as has been recalled*

earlier, but is not negligible if the central bank is determined. The decision to take action itself is harder, because it entails a choice which affects the immediate data. The choice to be made is between an accommodating policy which shelters interest rates from the effects of the balance of payments deficit, on the one hand, and, on the other hand, a more restrictive policy aimed at reducing this deficit and, particularly, that in respect of movements of funds, while at the same time allowing the fundamental market forces to exert a greater influence on interest rates. And unfortunately there is no hard and fast rule to serve as a guide in making this choice.

It goes without saying that continuance of the more fundamental work of rehabilitation would make this choice easier.

### **The imbalances which persist**

The exceptionally serious imbalance of the public authorities' finances drags on and on. It has been seen that the slight decline, in 1983, in the Treasury's financial deficit was coupled with an increase in that of the local authorities; the rate of growth of expenditure had slowed down, but the effects of this improvement on the balance to be financed had been largely offset by a parallel easing of the tax burden, chiefly to the benefit of companies.

There is absolute unanimity in all quarters in deploring the size of the deficit, which creates a debt which imposes enormous burdens in advance on subsequent budgets; in complaining that the Government's demand for funds, inelastic to interest rates, weighs heavily on the money and capital markets; in drawing attention to the fears which the continuous growth in the public debt may awake in the minds of many lenders; and in regarding this disorder as being partly responsible for the relative weakness of the Belgian franc. Although in 1983 this deficit was in fact more easily met, and on better terms, the hoped-for continuance of the recovery in 1984 is liable, if accompanied by an expansion of domestic expenditure, to erode the financial surpluses of individuals and companies before, in turn, the cyclical increase in tax revenues reduces the Government's financial deficit; this would revive the strains on the domestic financial markets, leading to repercussions on the development of current payments.

*There is general agreement on the need to put the public finances back on a sound footing. This has been repeatedly emphasized by the Bank for a long time. It thus concurred with the view clearly expressed in the « Report of the Working Party commissioned to put forward suggestions for the immediate curbing of the Government's financing deficit », the so-called Van Houtte Report. This report in 1976 gave a strong warning to the country's leaders and public opinion; it had no effect. The Bank's warnings, likewise, have been disregarded. The present Government had set itself the aim of putting the management of the public finances in order and gradually reducing the deficit to be financed, expressed as a percentage of the gross national product, so as to bring it down, by 1985, to around the level envisaged for the European Economic Community as a whole. The Government succeeded in halting the worsening of the situation but had to postpone the execution of its plan. The Bank deplores this regrettable delay, which allows the continuance of the harmful effects of the public authorities' financial deficit by which its policy choices are hampered and considerably lessens the effectiveness of some of its instruments. In its opinion the political authorities should now, without further ado, adopt all the measures necessary for reducing the relative importance of the Government's financial deficit.*

*The Bank is of course well aware that this urgent tightening-up of budgetary management must be able to be incorporated in a more general policy which will avoid its restrictive effects on the economy.*

*One way towards the attainment of this aim would be by an increase in taxation. Such proposals run up against many objections in most quarters : the extent of the additional levy which would be required shows clearly enough that the raising of taxes would have to be very general; it would add substantially to a tax pressure which already appears very high in comparison with the average in the countries of the European Economic Community; furthermore, the repercussions of an increase in taxes would affect either costs and prices, which would be pushed up, or demand, which would be weakened; lastly, experience appears to confirm the argument of the degressive yield of taxation when its level rises beyond thresholds above which tax evasion becomes too remunerative.*

*Proposals to effect the necessary improvements by cutting down spending are as a rule more favourably received. But the choices of those who benefit by the budget — that is, everybody — begin to clash*

*when it comes to deciding just where the axe is to fall. The fear that one's own shares of the expenditure, or those of one's own group, are going to be eliminated rather than just pruned is rarely expressed in a flat refusal to admit the necessity of the reform; but it can be glimpsed, through the assertions of agreement in principle, in the « but » whereby the party in question passes on the « worst card » to his neighbour.*

*Beyond these individual points of resistance, which reflect an underlying conflict of group interests, a more general reluctance can be discerned. This reflects a more reasoned apprehension about the immediate economic consequences of budget cuts, which, in order to be effective, would have to be drastic.*

*For it is a known fact that, in order to reduce the budget deficit by a certain amount, it is necessary for public spending to be curtailed by a larger amount, which may be as much as twice the original sum; this is because, through its derived effects, a reduction in public spending leads to a more than proportional decrease in pre-tax incomes and private expenditure, that is, in the tax base; and, owing to the present high level of the fiscal and parafiscal levy, this reduction of the tax base is reflected in the revenues of the public authorities.*

*Consequently, the budget cuts which would have to be made during the coming years in order to bring about a substantial reduction in the Government's present financing requirements would have to be severe. « All other things being equal », they could have a drastic effect on domestic demand. It is obviously the fear of further weakening the already stagnant domestic market and of making unemployment even worse that explains the reluctance of the political leaders to undertake more boldly a change of course which they know is urgent but whose prerequisites they feel may not yet be fulfilled.*

*Basically, the obstacle is due to the fact that too many « other things have remained equal ». The changes made to the economic environment have been too few to eliminate the danger that a curtailment of government expenditure may have harmful repercussions. Fundamentally, the rate and extent of the reduction in this expenditure depend on those of the expansion of other kinds of expenditure capable of replacing it without too great a hiatus and of providing the basis, in place of the government expenditure, for the creation of incomes, activity and jobs.*

Growing expenditure by foreign countries could provide this replacement. From the point of view of the domestic economy this means net exports of goods and services. Tightening of the bonds between the countries of the European Economic Community and their further integration would undoubtedly enable every one of the member countries to enjoy a climate more conducive to expansion than that created by the present strains; these are regrettable, because they lead to a resurgence of protectionist reactions. In any case, even in the present state of affairs within the European Economic Community, the international organisations predict that world growth might be sustained in 1984 by a very substantial worsening of the United States' current account balance of payments deficit; the Belgian economy, like the others, would benefit by the spreading of the impetus imparted by the American economy. The last-mentioned prediction will only be fulfilled if Belgian enterprises can cope effectively with the competition from foreign producers; many of these do not allow themselves to be deterred by the depressing influences exerted on their domestic markets by the national economic policies aimed either at preventing the reappearance of inflation or at eliminating external deficits of consolidating surpluses. Under these circumstances, with most countries still keen to expand their foreign markets, while the growth of world markets remains modest, it is undoubtedly important that the competitiveness of Belgian enterprises should be maintained and even improved. This depends not only on relative labour and other costs but also on all the factors of « non-price competition ». From the point of view of the balance of payments, the safeguarding of employment and the profitability of enterprises operating in the exposed sectors, the improvement of competitiveness must remain a matter of primary concern both to the heads of enterprises themselves, responsible as they are for the quality of management, and for the authorities which have to frame the income and price policy. If, thanks to the necessary strict fulfilment of these requirements, the balance of transactions in goods and services with foreign countries continues to improve, the resultant boosting of growth will still not be sufficient, on its own, to counterbalance the effects on domestic demand of the accelerated reform of the public finances. But it will in any case make it easier.

It is clearly investment that will have to be chiefly relied upon to bring about the expansion of the domestic economy and of employment via private demand. In 1983 the fruits of the improvement in the profitability of enterprises were rather disappointing from this point of view: the volume of fixed capital formation by companies — private

*and public enterprises in the various sectors — dit not reach the levels attained in 1974 or 1980; in industry as a whole it has decreased since 1980, having represented in 1983 not even 80 p.c. of the peak figure reached in 1974 — a gap which will be far from being closed by the hoped-for increase in 1984. As investment in equipment has a considerable import content, of over 60 p.c., its growth would in the short run only partly add to the creation of domestic income. Only in the longer run, therefore, wil it be possible to reap a richer harvest as a result of the more innovating dynamism of business managements. The creativity of this dynamism must be brought to bear on the country's production apparatus, through investment in expansion and through new activities rather than through investment in rationalisation, which, though necessary for productivity, does not create jobs.*

*The reduction of unemployment — which has become structural, and is the other major imbalance the importance of which cannot be overlooked — will be more easily achieved, and more fundamentally than by recourse to palliatives, if, in this country, activities are developed whose products — services as well as goods — can be substituted for imports or can establish themselves in foreign markets. The balance of payments will then be restored to lasting health. The greatest obstacle to the efforts to put the public finances back on a sound footing — the fragility of growth — will have been eliminated.*

*The weakness of a currency in relation to the others is a secondary phenomenon : the monetary veil conceals the fundamental shortcomings which are revealed by a comparison of the real data of an economy with those of other countries. The diagnoses are becoming increasingly unanimous : the weakness of the Belgian economy lies in some of its structures. The primary requirement now is to bring about essential renewals, once a good start has been made on the most urgent prior remedial measures.*



*Economic  
and financial developments*

# INTRODUCTION

## Presentation.

In this Report, as in that for 1982, 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), consists of an analysis based on a limited number of tables or charts (numbered consecutively by a roman numeral referring to the number of the chapter followed by an arabic numeral showing the order of the table or chart in that chapter), which present the principal phenomena relating to the subject of the chapter. Each chapter has as many sections as there are such basic tables or charts in it. Each section contains, in succession, a methodological commentary, the basic table or chart, 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 sources and methods used by the Bank for making some estimates.

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

CHAPTER I : International developments.

Table I. 1 : Gross domestic product at constant prices (*page 9*).

Table I. 2 : Balance of current transactions with foreign countries (*page 27*).

CHAPTER II : Production and employment in Belgium.

Table II. 1 : Value added at constant prices of the various branches of activity (*page 39*).

Table II. 2 : Demand for and supply of employment (*page 50*).

- CHAPTER III : Expenditure and prices.
- Table III. 1 : Gross national product and main categories of expenditure at constant prices (*page 63*).
  - Table III. 2 : Deflators of the gross national product and of the main categories of expenditure (*page 76*).
  - Table III. 3 : Main categories of expenditure (*page 87*).
- CHAPTER IV : Incomes.
- Table IV. 1 : Income account of the various sectors (*page 95*).
  - Chart IV. 2 : Disposable income of the various sectors (*page 109*).
- CHAPTER V : Major sectors of the economy.
- Table V. 1 : Summary of the transactions of individuals (*page 115*).
  - Table V. 2 : Summary of the transactions of companies (*page 118*).
  - Table V. 3 : Summary of the transactions of the public authorities (*page 121*).
  - Tables V. 4.A and V. 4.B :  
Revenue, expenditure and net financing requirement ( - ) of the public authorities (*page 124*).
  - Table V. 5 : Summary of the transactions of the rest of the world with resident sectors (*page 136*).
- CHAPTER VI : Transactions of the Belgian-Luxembourg Economic Union with the rest of the world.
- Table VI. 1 : Summary of the transactions of the Belgian-Luxembourg Economic Union with the rest of the world (*page 141*).
  - Table VI. 2 : Current transactions (*page 147*).
  - Table VI. 3 : Spot and forward capital transactions of the private sector (*page 157*).
  - Table VI. 4 : Spot capital transactions of the public sector (*page 163*).
  - Table VI. 5 : The National Bank of Belgium's net foreign exchange reserves (*page 166*).
  - Chart VI. 6 : Exchange rates (*page 170*).

CHAPTER VII : Financial assets and liabilities.

Table VII. 1 : Financial accounts by sector (*page 179*).

Table VII. 2 : Formation of financial assets by individuals and companies (*page 185*).

Table VII. 3 : New liabilities of individuals and companies (*page 197*).

Table VII. 4 : The public authorities' net financing requirement and the financial deficit ( - ) or surplus ( + ) of their various sub-sectors (*page 202*).

CHAPTER VIII : Financial markets and interest rates.

Table VIII. 1 : Gross requirements of funds of individuals, companies and public authorities and cover items (*page 213*).

Chart VIII. 2 : Interest rates (*page 229*).

## 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 1983, 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 1983 themselves and those with the figures for earlier years, the figures for 1983 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.
<i>Bank</i>	the National Bank of Belgium is called the Bank in the text of the commentaries and the National Bank of Belgium in the legends of the tables and charts.

1 billion = 1,000,000,000.



CHAPTER I

**INTERNATIONAL DEVELOPMENTS**



## COMMENTS ON TABLE I. 1 :

### GROSS DOMESTIC PRODUCT AT CONSTANT PRICES

#### A. Methodology

a) The rates of growth at constant prices mentioned in Table I. 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 1983 are estimates made by the Organisation for Economic Co-operation and Development dating from December 1983.

b) The changes in the gross domestic or national product at constant prices are the result of the changes in the various components of expenditure of that product : domestic expenditure — private consumption, public expenditure, gross capital formation by individuals and companies (house-building, other fixed capital formation and changes in stocks) — and net exports (exports less imports) of goods and services. The contributions of each of these categories of expenditure to the changes in the gross domestic or national product in 1983 in the seven main industrialised countries of the Organisation for Economic Co-operation and Development are shown in Table I. 1.1 ; they are obtained by multiplying the percentage growth rate of the category in question by its share in the gross domestic or national product. The change in the gross domestic or national product is equal to the sum of the contributions thus obtained. The figures are estimates made by the Organisation for Economic Co-operation and Development dating from December 1983.

c) 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 I. 1.2 shows the development of merchandise imports at constant prices.

d) The development of economic activity influenced 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 to alleviate the social and budgetary consequences of unemployment. The statistical data on unemployment presented in Chart I. 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.

e) The economic situation, in conjunction with the various supply factors, also had an effect on raw material prices, which to a great extent determine the import prices of the industrialised countries. The movement of raw material prices is measured in Chart I. 1.4 by the indices of the « Institut für Wirtschaftsforschung », Hamburg.

f) The movement of prices in the world markets together with a number of other — particularly domestic — factors determined the degree of inflation in the industrialised countries. In Chart I. 1.5 this inflation is measured by the annual percentage changes in the indices of consumer prices.

g) 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 I. 1.6 presents a picture of the movement of the public authorities' net financing requirements as percentages of the gross domestic or national product of the seven main industrialised countries of the Organisation for Economic Co-operation and Development and also of the Netherlands and Belgium.

h) It is difficult to examine the foregoing developments without taking into account the monetary policies pursued in recent years and the movement of interest rates. Chart I. 1.7 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.

i) In order to be able to gain an idea of the real yield or cost which a given nominal interest rate in a country represents for the domestic investor or borrower, it would be necessary to be able to correct this rate according to the inflation anticipated by the investor or borrower during the period of his investment or borrowing. It would also be necessary to take into account the tax levied on the investor's income and the extent of the tax deductions allowed to the borrower. The available data do not, however, allow this type of calculation to be carried out accurately. It is nevertheless possible to obtain an approximate idea of the gross real yield or cost by comparing the interest rate with the inflation rate for the preceding period, on the assumption that the latter gives an indication of expectations concerning inflation. But this assumption does not invariably prove to be justified : hence, after exchange rate adjustments or during periods of price control, the expected inflation often differs from the inflation recorded during the immediately preceding period. This is one of the reasons why it appears appropriate to examine the movement of interest rates and inflation over a long period. Chart I. 1.8 presents a comparison, for a number of industrialised countries, of the movements since 1970 in long-term yield rates and inflation rates, the latter being measured by the rise, recorded on an annual

basis, in consumer prices; owing to the choice of the terms of the comparison, this primarily gives an idea of the real yield, before tax, for an individual making a long-term investment.

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

Table I. 1

GROSS DOMESTIC PRODUCT AT CONSTANT PRICES<sup>1</sup>

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1982		1983	
										1 <sup>st</sup> half	2 <sup>nd</sup> half	1 <sup>st</sup> half	2 <sup>nd</sup> half
Member countries of the Organisation for Economic Co-operation and Development	- 0.3	+ 4.8	+ 3.8	+ 4.0	+ 3.1	+ 1.2	+ 2.0	- 0.3	+ 2.3	- 1.1	...	+ 2.3	+ 4.8
United States .....	- 0.7	+ 4.9	+ 5.2	+ 4.7	+ 2.3	- 0.2	+ 2.7	- 1.9	+ 3.4	- 3.8	- 0.6	+ 3.3	+ 7.5
Canada .....	+ 1.1	+ 6.1	+ 2.2	+ 3.9	+ 3.4	+ 1.0	+ 4.0	- 4.4	+ 3.0	- 6.4	- 3.7	+ 4.9	+ 6.0
Japan .....	+ 2.3	+ 5.3	+ 5.3	+ 5.0	+ 5.1	+ 4.9	+ 4.0	+ 3.0	+ 3.1	+ 2.5	+ 4.3	+ 1.7	+ 4.8
European Economic Community	- 1.2	+ 5.1	+ 2.4	+ 3.3	+ 3.4	+ 1.0	- 0.3	+ 0.5	+ 1.0	+ 1.0	- 0.4	+ 1.4	+ 1.1
of which :													
Federal Republic of Germany	- 1.7	+ 5.5	+ 3.1	+ 3.1	+ 4.2	+ 1.8	- 0.1	- 1.1	+ 1.3	- 2.0	- 1.8	+ 2.2	+ 2.3
France .....	+ 0.2	+ 5.2	+ 3.1	+ 3.8	+ 3.3	+ 1.1	+ 0.3	+ 1.9	+ 0.5	+ 2.0	+ 0.4	+ 1.2	- 1.0
United Kingdom .....	- 0.9	+ 3.7	+ 1.2	+ 3.5	+ 2.0	- 2.6	- 1.3	+ 2.0	+ 2.5	+ 2.7	+ 3.7	+ 3.1	+ 1.5
Italy .....	- 3.6	+ 5.9	+ 1.9	+ 2.7	+ 4.9	+ 3.9	+ 0.1	- 0.3	- 1.5	+ 2.8	- 6.0	- 1.1	+ 2.8
Netherlands .....	- 1.0	+ 5.3	+ 2.4	+ 2.5	+ 2.4	+ 0.9	- 0.8	- 1.6	+ 1.3	n.a.	n.a.	n.a.	n.a.
Belgium .....	- 1.8	+ 5.6	+ 0.7	+ 3.3	+ 2.5	+ 3.1	- 1.1	+ 0.9	+ 0.5 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 for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> 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; thus, the percentages for the first half of 1983 indicate the changes compared with the second half of 1982. For the United States, Canada, Japan and the Federal Republic of Germany, the 1982 and 1983 figures relate to the gross national product.

## B. Main developments

a) The year 1983 was characterised, in the industrialised world, by a distinct economic recovery : in the member countries of the Organisation for Economic Co-operation and Development as a whole, economic activity would appear to have increased by 2.3 p.c., after having declined by 0.3 p.c. the previous year (Table I. 1). The economic revival was most marked in the United States, where growth appears to have been very rapid, particularly from the second quarter onwards, and in Canada. In Japan and the European Economic Community, on the other hand, there was only a very modest speeding-up of growth, partly owing to the cautious line adopted by the public authorities, whose budgetary policy was generally not at all expansionary. Furthermore, the revival which took place in Europe was not very homogeneous : while economic activity showed signs of picking up in the Federal Republic of Germany, the United Kingdom and the Netherlands, it slowed down in the countries where the requirements of re-establishing equilibrium in the current account of the balance of payments and reducing the inflation rate proved to be of primary importance, such as France and Italy.

b) An examination for the seven main industrialised countries as a whole, of the contributions made by the various expenditure categories to the 2.5 p.c. growth achieved in 1983 reveals that the growth was entirely due to an expansion in domestic demand [column (a) of Table I. 1.1]. The contribution of private consumption was particularly important. A certain recovery in house-building and replenishment of stocks — which in most cases had fallen to a low level by the time the revival began — also proved to be appreciable growth factors. That was not, on the contrary, the case with the public authorities' expenditure nor with gross fixed capital formation by enterprises : the former was generally curbed for budgetary reasons and the latter remained low, despite certain signs of recovery in the second half of the year, largely because the degree of utilisation of production capacities remained more depressed than during the preceding periods of cyclical recovery.

The movement of world trade to some extent counteracted this — on balance positive — effect of domestic expenditure : the growth in the latter was accompanied, as is normally the case during periods of recovery and stock replenishment, by a certain increase in imports, whereas exports failed to rise.

The developments described above largely reflect the recovery which took place in the United States, where private consumption revived owing both to a speeding-up of the growth in the real disposable income of individuals — due to the tax reliefs granted — and to a decline in the propensity to save, which fell to its lowest level since 1950. This decline was encouraged by the downward movement of nominal interest rates between 1982 and 1983, which furthermore had a distinctly stimulating effect on investment in housing. The cyclical recovery in the United States led to an appreciable rise in imports, while at the same time exports suffered from the weakness of foreign demand; the deterioration in the balance of trade was also, however, attributable to the appreciable weakening of the competitiveness of the U.S. economy.

In the other leading countries, developments diverged to some extent from this predominant pattern. In Canada and Japan exports quickly reflected — in the latter country, partly owing to an improvement in competitiveness in recent years — the revival in consumption in the United States. In Canada, however, the need for substantial stock replenishment led to an even larger increase in imports, whereas Japan succeeded in cutting them down. In the latter country, capital formation by individuals and companies — and even the portion represented by house-building — remained very low, as in Europe, where no expenditure category made a big contribution to growth.

c) For the member countries of the Organisation for Economic Co-operation and Development as a whole, foreign trade did not represent a growth factor because of the weakness of demand for their products from the rest of the world (Table I. 1.2). The members of the Organisation of Petroleum Exporting Countries would appear to have substantially reduced their imports, in reaction to the continuous decline in their export earnings since 1981. The imports of other countries, most of them belonging to the Third World, which had fallen off sharply in 1982, would also appear to have declined further in the year under review as a whole, even though there were signs of a certain revival during that period: despite the expansion in their exports to the industrialised countries, the position of these countries remained severely affected by the heavy burdens of their foreign debts, which once more forced them to curb their demand for foreign products.

d) The revival of economic activity in the industrialised countries exerted a favourable but, on balance, limited influence on employment. Unemployment, the rate of which had risen to 8.8 p.c. of the working population at the end of 1982 in the member countries of the Organisation for Economic Co-operation and Development as a whole, remained practically stable during the first half of the year and did not begin to decline until the summer (Chart I. 1.3). This improvement during the year took place in all areas, but it began later and was less pronounced in Europe than in the United States, where the unemployment rate in October-November was two percentage points below the level at which it stood in the fourth quarter of 1982.

e) Despite the economic revival, world markets were on average characterised by a weakness in the dollar prices applied (Chart I. 1.4). The cyclical upswing and the widespread drought in North America admittedly pushed up the prices of many raw materials, primarily foodstuffs, but on the other hand the prices of energy products fell; the persistent contraction in oil consumption and the pronounced growth in production outside the area of the Organisation of Petroleum Exporting Countries caused the latter to reduce the target price per barrel of crude oil in March from \$ 34 to \$ 29.

f) The fall in energy prices and the very moderate upward pressures exerted in most industrialised countries by domestic inflationary factors contributed to the continuance, during the first half of the year, of the slowing-down of the rise in consumer prices (Chart I. 1.5). In the member countries of the Organisation for Economic Co-operation and Development as a whole, inflation fell from 6.1 p.c. at the end of 1982 to 4.9 p.c. in June 1983 — its lowest level since 1972; in the second half of the year, however, it accelerated again slightly.

The United States, Japan, The Federal Republic of Germany, the United Kingdom and the Netherlands, which had generally pursued a strict economic policy in recent years, succeeded in the course of 1983 in bringing their inflation down to a very low level, sometimes well below 5 p.c., although a certain speeding-up took place in these countries in the second half of the year. On the other hand, inflation remained at a high level in France and Italy, although it slowed down considerably in Italy in the second half of 1983.

g) In the seven main industrialised countries as a whole, the public authorities' net financing requirements do not appear to have undergone any change in relation to the gross domestic product between 1982 and 1983 (Table I. 1.6). In the United States the favourable influence of the economic revival on the public finances — more revenue and less cyclically sensitive expenditure — was counterbalanced by the effect of new tax reliefs granted to individuals, so that net financing requirements would appear to have remained as high as in 1982. The public finances of Japan and the European countries were subject to very different influences, the public authorities of those countries having adopted measures aimed at stepping up their revenue or reducing their expenditure; this policy, which forms part of a medium-term effort to remedy the situation, enabled the Japanese and German authorities to reduce their net financing requirements. These net requirements could not, however, be prevented from rising in the United Kingdom, France and Italy, partly because, in the two last-mentioned countries, the public authorities' revenue and expenditure were severely affected by the slackening of economic activity.

h) Short-term interest rates, which at the end of 1982 had fallen to well below their 1980 or 1981 peaks, stabilised during the year under review (Chart I. 1.7). The rate for the Euro-dollar had fallen sharply in the second half of 1982 owing to the recession and the slowing-down of inflation, which had prompted a relaxation of monetary policy; this relaxation did not continue in 1983 and the decline in interest rates stopped; it was even replaced by a slight rise in the summer, owing to the extent of the recovery in economic activity, which brought about a growth in demand for credit from the private sector at a time when the public authorities' financing requirements were still substantial.

In most of the other industrialised countries, too, there were slight rises in interest rates in 1983 during certain periods, mainly influenced by movements in the United States. This took place right at the beginning of the year for the rate for the Swiss franc and from the spring onwards for the rates for the German mark and the guilder. The rise in interest rates in the Federal Republic of Germany and the Netherlands, accompanied by a raising of the official rates, took place in response to the readjustment of the central rates within the European Monetary System, which led to a tightening of the financial markets owing to outflows of foreign funds; it also reflected a reaction by the

monetary authorities of these countries to a speeding-up of the expansion in domestic lending.

i) The downward movement of long-term interest rates which was a feature of 1982 generally came to a halt during the year under review ; like short-term rates, these rates were even adjusted upwards in various countries during the second or third quarter. This was the case in, among other countries, the United States, the Federal Republic of Germany and the Netherlands, under the influence of increased domestic needs for long-term capital and a decline in individuals' propensity to save (Chart I. 1.8).

As the decline in long-term interest rates was, more often than not, smaller than that in the inflation rate during the last two years, the gap between these two factors widened substantially. This phenomenon must be interpreted with a great deal of caution in any attempt to present it as a measure of the heavy « real » financing burdens borne by borrowers. The expected pace of inflation may have been higher in various countries than the measured inflation rates — characterised during this period, by a sometimes exceptional drop — especially in countries where the financial markets anticipated the inflationary effects of a substantial financing requirement on the part of the public authorities. Allowance also has to be made for the tax deductibility of interest charges, which in the United States would appear to have cushioned the effect of continued high interest rates — a fact which may possibly explain why the latter did not prevent the marked recovery in demand from individuals.

Nevertheless, bearing in mind these reservations and looking at a sufficiently long span of years to eliminate the influence of fortuitous factors, it is possible to discern substantial movements in some countries representing an upward trend of real financial yields. Thus, in the United States, nominal interest rates have increasingly outstripped inflation rates in recent years, whereas during the 1970s these two factors had remained structurally very close to each other. This situation reflects the more severe line of American monetary policy aimed at combating inflation. At the beginning of the present decade the differential between the interest rate and the inflation rate likewise became markedly positive in the United Kingdom and France, while it had already widened earlier in the Netherlands and Belgium. Only in the Federal Republic of Germany, where the price rise was consistently kept

better under control, did long-term interest rates remain constantly above the inflation rate throughout the period covered by Chart I. 1.8; this positive differential has, however, tended to increase slightly in recent years.

Table I. 1.1

CONTRIBUTION OF THE VARIOUS EXPENDITURE CATEGORIES TO THE  
PERCENTAGE CHANGES IN THE GROSS DOMESTIC PRODUCT<sup>1</sup> AT CONSTANT  
PRICES IN 1983

	Seven main industrialised countries as a whole <sup>2</sup>	United States	Canada	Japan	Four main countries of the European Economic Community as a whole <sup>3</sup>
	(a)	(b)	(c)	(d)	(e)
1. Domestic expenditure :					
1.1 Private consumption .....	+ 1.9	+ 2.8	+ 1.8	+ 1.9	+ 0.6
1.2 Expenditure of the public authorities <sup>4</sup> .....	+ 0.1	+ 0.1	+ 0.3	+ 0.2	+ 0.1
1.3 Gross capital formation of individuals and companies .....	+ 0.7	+ 1.6	+ 1.7	- 0.3	...
1.31 House-building .....	(+ 0.5)	(+ 1.0)	(+ 1.2)	(- 0.1)	( ... )
1.32 Other fixed capital formation .....	(- 0.1)	( ... )	(- 1.4)	(+ 0.1)	(- 0.1)
1.33 Changes in stocks .....	(+ 0.3)	(+ 0.6)	(+ 1.9)	(- 0.3)	(+ 0.1)
1.4 Total domestic expenditure (1.1 + 1.2 + 1.3) .....	+ 2.7	+ 4.5	+ 3.8	+ 1.8	+ 0.7
2. Net exports of goods and services <sup>5</sup> :					
2.1 Exports .....	- 0.1	- 0.6	+ 1.0	+ 0.5	+ 0.3
2.2 Imports <sup>6</sup> .....	- 0.3	- 0.6	- 1.5	+ 0.8	- 0.1
2.3 Net exports (2.1 + 2.2) .....	- 0.4	- 1.2	- 0.5	+ 1.3	+ 0.2
3. Gross domestic product (1.4 + 2.3) <sup>7</sup> .....	+ 2.5	+ 3.4	+ 3.0	+ 3.1	+ 0.9

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

<sup>1</sup> For the United States, Canada, Japan and the Federal Republic of Germany the figures relate to the gross national product.

<sup>2</sup> United States, Canada, Japan, Federal Republic of Germany, France, United Kingdom, Italy.

<sup>3</sup> Federal Republic of Germany, France, United Kingdom, Italy.

<sup>4</sup> Public consumption and gross capital formation of the public authorities, except for public expenditure on housing in France, which is contained in item 1.31, and gross fixed capital formation by the Italian public authorities, which is contained in item 1.32.

<sup>5</sup> For the United States, Canada, Japan, Federal Republic of Germany, including factor income; for France, the United Kingdom and Italy, excluding factor income.

<sup>6</sup> Minus sign = increase in imports, i.e. negative contribution to the change in gross domestic or national product; plus sign = decrease in imports, i.e. positive contribution to the change in the gross domestic or national product.

<sup>7</sup> The figures for this item may differ from the sum of the figures for items 1.4 and 2.3 because the figures in the table have been rounded and, for certain countries, because of statistical adjustments.

Table I. 1.2

MERCHANDISE IMPORTS AT CONSTANT PRICES<sup>1</sup>

	1981	1982	1983	1983	
				1 <sup>st</sup> half	2 <sup>nd</sup> half
Member countries of the Organisation for Economic Co-operation and Development .....	- 2.0	- 0.5	+ 3.3	+ 4.5	+ 9.0
Organisation of Petroleum Exporting Countries .....	+25.0	+ 5.3	- 8.0	- 9.0	- 0.8
Other developing countries .....	+ 5.5	- 5.0	- 0.8	+ 1.5	+ 5.5
Other countries <sup>2</sup> .....	+ 0.3	- 7.5	- 2.8	+ 0.5	+ 3.8

Source : Organisation for Economic Co-operation and Development.

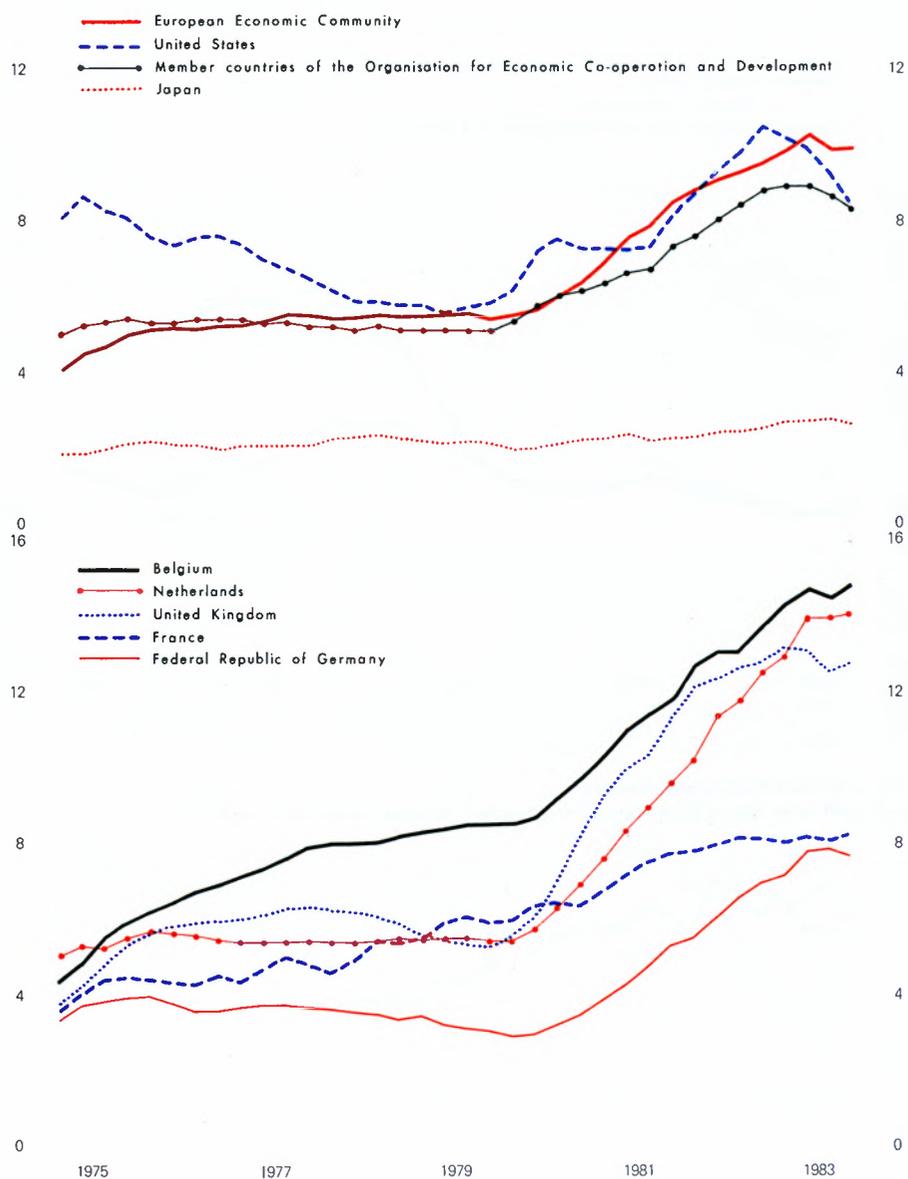
<sup>1</sup> Percentage changes compared with the previous year or half-year. In the latter case the percentages are calculated on the basis of seasonally adjusted figures and are expressed as annual rates; hence, the percentages for the first half of 1983 show the variations compared with the second half of 1982.

<sup>2</sup> Mainly centrally-planned economies.

Chart I. 1.3

UNEMPLOYMENT RATE

(Percentages of working population) <sup>1</sup>



Source : Organisation for Economic Co-operation and Development.

<sup>1</sup> Averages, per quarter, of the seasonally adjusted monthly figures. Last period : October-November average.

Table I. 1.6

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

*(As percentages of gross domestic product)*

	1979	1980	1981	1982	1983
United States <sup>1</sup> .....	+ 0.6	- 1.2	- 0.9	- 3.8	- 3.8
Canada .....	- 1.8	- 2.5	- 1.1	- 5.3	- 5.7
Japan <sup>1</sup> .....	- 4.8	- 4.5	- 4.0	- 4.1	- 3.4
Federal Republic of Germany .....	- 2.7	- 3.1	- 3.9	- 3.5	- 3.1
France .....	- 1.1	+ 0.3	- 1.9	- 2.6	- 3.4
United Kingdom .....	- 3.2	- 3.5	- 2.8	- 2.0	- 2.7
Italy .....	- 9.5	- 8.0	- 11.7	- 11.9	- 12.0
Above seven countries as a whole .....	- 1.7	- 2.4	- 2.5	- 4.1	- 4.1
Netherlands .....	- 4.0	- 4.1	- 5.5	- 7.4	- 8.1
Belgium <sup>1 2</sup> .....	- 8.9	- 11.7	- 16.2	- 15.5	- 15.3 e

Sources : Organisation for Economic Co-operation and Development. For Belgium, National Statistical Institute, Statistical Office of the European Communities and National Bank of Belgium; calculations and estimates of the National Bank of Belgium.

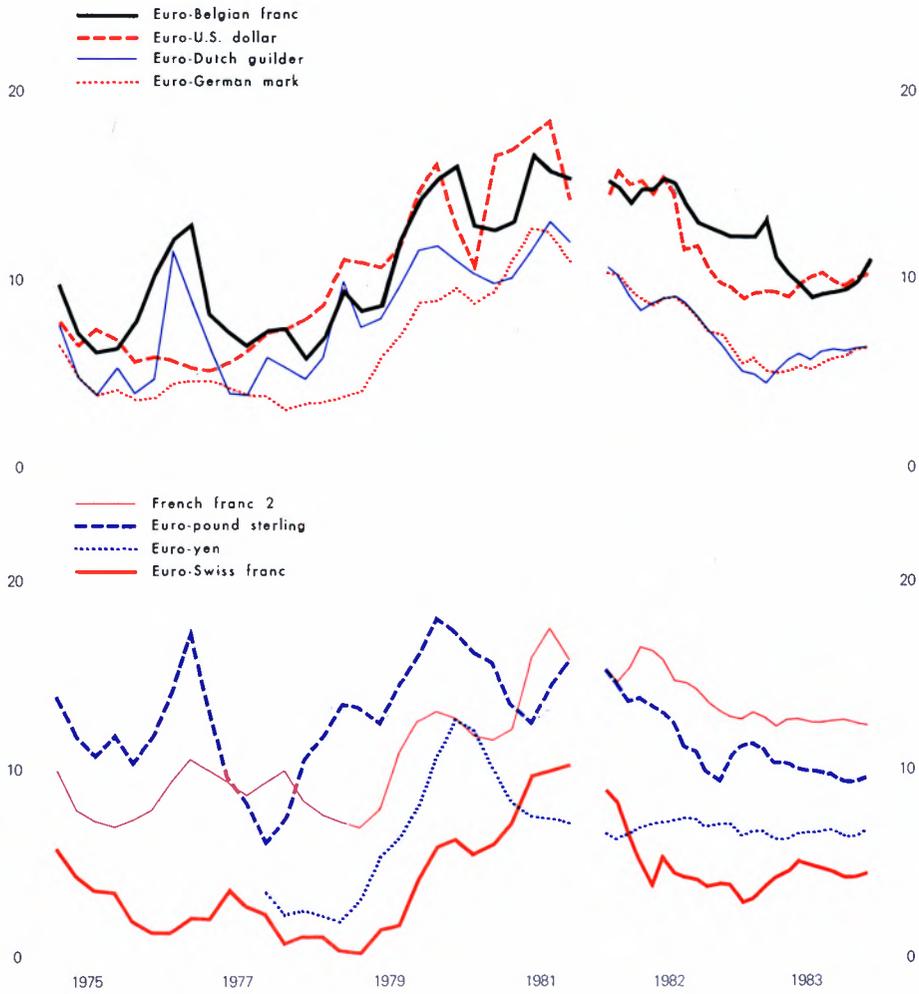
<sup>1</sup> Percentages of the gross national product.

<sup>2</sup> Including credit-granting and acquisition of interests.

Chart I. 1.7

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

(Per cent)



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

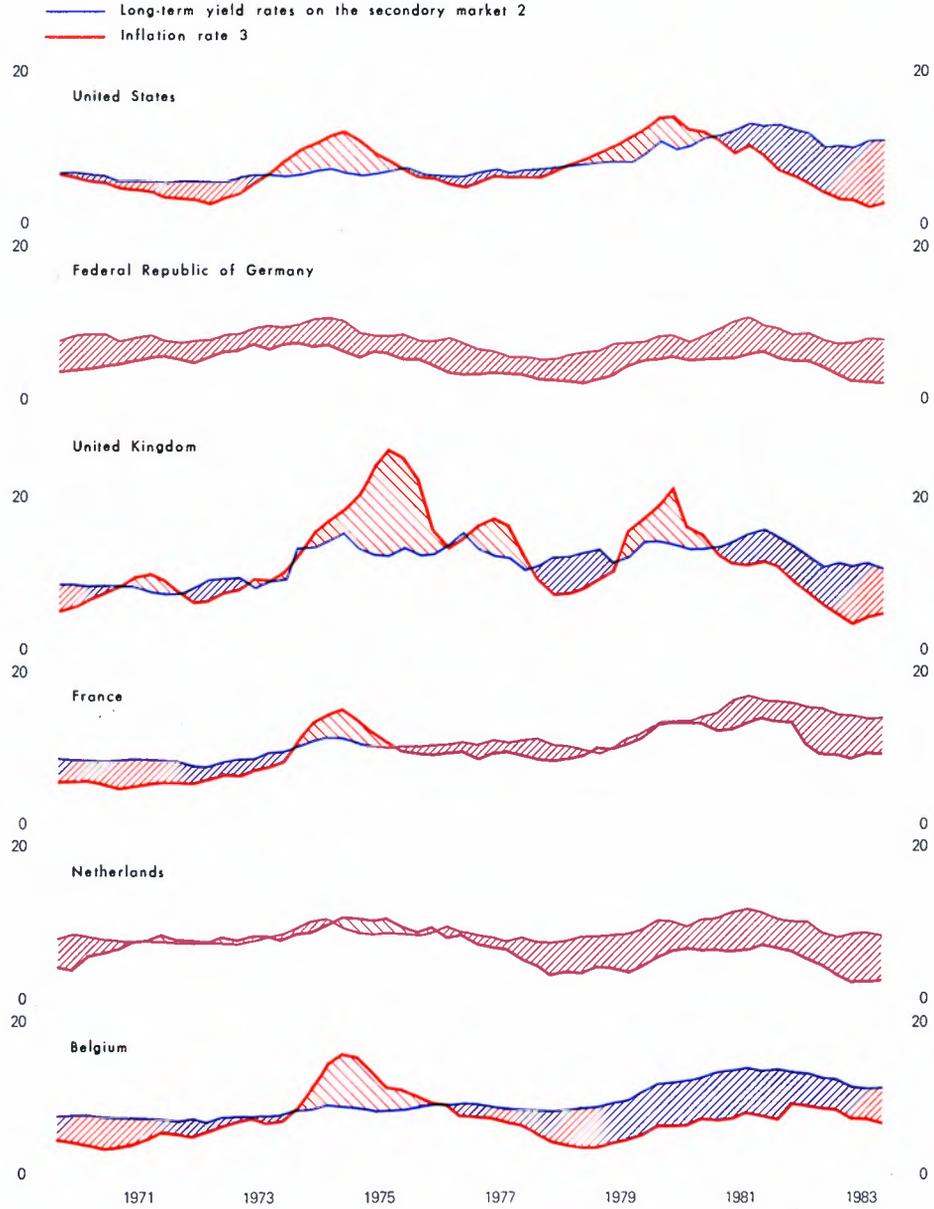
<sup>1</sup> Years 1975 to 1981 : averages, per quarter, of daily rates.

Years 1982 and 1983 : averages, per month, of daily rates.

<sup>2</sup> Rates for three-month interbank deposits « en pension » against private bills.

Chart I. 1.8

LONG-TERM YIELD RATES AND INFLATION RATE <sup>1</sup>



Sources : Long-term yield rates on the secondary market : United States : Federal Reserve Bulletin. Federal Republic of Germany, United Kingdom and France : Financial Statistics of the Organisation for Economic Co-operation and Development. Netherlands : Quarterly Report of the Netherlands Bank. Inflation : see Chart 1. 1.5.

<sup>1</sup> Averages, per quarter, of monthly data.

<sup>2</sup> Rates on loans of the public and semi-public sector.

<sup>3</sup> Percentage changes in consumer prices compared with the corresponding quarter of the previous year.

\*  
\*\*

## COMMENTS ON TABLE I. 2 :

### BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

#### A. Methodology

a) The balances of current transactions appearing in Table I. 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 actual movements, in national currencies, of these balances. In 1983 the currencies of most 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 1982 will see a reduction in the deficit in 1983 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 1983 and enable a better comparison to be made with 1982, the same balances expressed in dollars but at the rates which were ruling in 1982 are shown in the last column of Table I. 2, alongside the 1983 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. It is found, however, that the balance of current transactions for the whole world is structurally negative and that it has become particularly large since 1980, this having been mainly due to the substantial increase which has been shown since then by the « world deficit » in respect of transactions in services; furthermore, in 1982, this deficit was compensated to only a small extent by the traditional surplus in respect of merchandise transactions.

The world balances shown by the various items of the balance of current transactions can be mainly explained as follows :

— As a rule, merchandise transactions are recorded when the goods cross the frontier, so that the recording of exports to non-adjacent countries takes place some time before that of the corresponding imports. Consequently, some of the goods exported at the end of each year are not recorded as imports of the destination countries until the following year. An increase in international trade is reflected in this case by the appearance of a positive balance for the world as a whole. In 1982, as trade increased only slightly, that balance was relatively small.

— Whereas expenditure in respect of portfolio and investment income is fairly accurately recorded, the same is not necessarily true of receipts, which are obtained by a large number of very widely scattered creditors, who in some cases avoid any recording of these sums for reasons of taxation or exchange control and often do not repatriate the sums received. The resultant imbalance was accentuated by the increase in the amounts of the incomes in question, itself encouraged by the upward movement of interest rates.

— The deficit recorded for the world as a whole by other service transactions is partly to be found under the heading « Transport », for which more complete data are available concerning expenditure — this being generally included in merchandise imports — than concerning income, the amount of which is often estimated in another way, for instance by requesting the figures from transport firms; furthermore, the income received by the owners of ships sailing under flags of convenience are not generally recorded by any country. Moreover, income from other services also — for instance contracting projects, which are mainly carried out for members of the Organisation of Petroleum Exporting Countries and which have greatly increased since the second oil crisis — are incompletely recorded, partly because some of it is channelled into « tax havens ».

— The balance of transfers for the world as a whole is generally negative, but remains fairly stable; it is partly due to underestimating of transfers received by the developing countries.

c) The developing countries, except for those belonging to the Organisation of Petroleum Exporting Countries, showed structural deficits on the current account of their balance of payments throughout the period covered by Table I. 2. These deficits lead to a continuous growth in their indebtedness to foreign countries and hence in the financial charges entailed thereby, namely redemptions and interest payments. Table I. 2.1 shows, in relation to the value of these countries' exports of goods and services, the outstanding amount of their gross foreign debt, that is, without deduction of their foreign assets and particularly their official reserves, and the resultant financial charges, indicating, in the latter case, the proportion of the annual export earnings which has to be devoted to the service of the foreign debt.

Table I. 2

## BALANCE OF CURRENT TRANSACTIONS WITH FOREIGN COUNTRIES

(Billions of U.S. dollars)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	p.m. 1983 in 1982 dollars
Member countries of the Organisation for Economic Co-operation and Development	+ 4.9	- 14.6	- 21.3	+ 12.5	- 28.5	- 70.1	- 28.0	- 29.8	- 24.3	- 29.2
United States .....	+ 18.1	+ 4.2	- 14.5	- 15.4	- 1.0	+ 0.4	+ 4.6	- 11.2	- 42.5	- 42.5
United Kingdom .....	- 3.4	- 1.5	+ 0.1	+ 2.2	- 1.4	+ 6.8	+ 13.2	+ 9.5	+ 1.5	+ 1.7
Spain .....	- 3.5	- 4.3	- 1.9	+ 1.6	+ 1.1	- 5.1	- 4.8	- 4.2	- 3.5	- 4.6
Switzerland .....	+ 2.6	+ 3.5	+ 3.4	+ 4.4	+ 2.4	- 0.5	+ 2.8	+ 3.6	+ 3.3	+ 3.4
Austria .....	- 0.2	- 1.1	- 2.1	- 0.6	- 1.1	- 1.7	- 1.4	+ 0.5	+ 0.5	+ 0.5
Japan .....	- 0.7	+ 3.7	+ 10.9	+ 16.5	- 8.8	- 10.7	+ 4.8	+ 6.9	+ 22.5	+ 21.4
Italy .....	- 0.6	- 2.8	+ 2.5	+ 6.2	+ 5.5	- 9.7	- 8.1	- 5.5	+ 1.5	+ 1.7
France .....	+ 2.7	- 3.4	- 0.4	+ 7.0	+ 5.2	- 4.2	- 4.7	- 12.1	- 5.3	- 6.1
Australia .....	- 1.1	- 2.0	- 3.1	- 4.5	- 2.8	- 4.0	- 8.3	- 8.4	- 5.0	- 5.6
Federal Republic of Germany .....	+ 4.0	+ 3.9	+ 4.1	+ 9.0	- 6.1	- 15.7	- 6.5	+ 3.5	+ 5.3	+ 5.5
Belgian-Luxembourg Economic Union .....	+ 0.2	+ 0.4	- 0.6	- 0.8	- 3.0	- 4.9	- 4.2	- 2.7	- 0.8 <sup>e</sup>	- 0.9 <sup>e</sup>
Netherlands .....	+ 2.0	+ 2.7	+ 0.6	- 1.5	- 2.1	- 2.9	+ 2.9	+ 3.2	+ 4.5	+ 4.8
Denmark .....	- 0.6	- 2.0	- 1.8	- 1.5	- 2.9	- 2.5	- 1.8	- 2.3	- 1.0	- 1.1
Canada .....	- 4.7	- 3.9	- 4.0	- 4.3	- 4.2	- 0.9	- 4.8	+ 2.4	+ 2.5	+ 2.5
Organisation of Petroleum Exporting Countries .....	+ 27.0	+ 39.0	+ 28.0	- 1.0	+ 65.0	+ 111.0	+ 52.0	- 16.0	- 31.0	—
Other developing countries .....	- 30.0	- 19.0	- 13.0	- 26.0	- 39.0	- 60.0	- 76.0	- 65.0	- 45.0	—
Other countries <sup>1</sup> .....	- 18.0	- 13.0	- 8.0	- 12.0	- 8.0	- 9.0	- 10.0	+ 3.0	+ 4.0	—
Total .....	- 16.1	- 7.6	- 14.3	- 26.5	- 10.5	- 28.1	- 62.0	- 107.8	- 96.3	—
of which : Merchandise transactions <sup>2</sup> .....	+ 8.9	+ 19.0	+ 18.0	+ 9.3	+ 31.8	+ 33.7	+ 37.1	+ 7.7	n.a.	—
Portfolio and investment income .....	- 1.6	- 0.4	- 7.0	- 6.4	...	- 17.0	- 31.1	- 46.3	n.a.	—
Other services .....	- 16.1	- 21.1	- 19.8	- 21.0	- 32.7	- 36.3	- 59.0	- 58.0	n.a.	—
Transfers .....	- 7.3	- 5.1	- 5.5	- 8.4	- 9.6	- 8.5	- 9.0	- 11.2	n.a.	—

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.

<sup>1</sup> Mainly centrally-planned economies.<sup>2</sup> Figures calculated as balances.

## B. Main developments

a) Expressed in 1982 dollars, the current account deficit of the member countries of the Organisation for Economic Co-operation and Development as a whole would appear to have undergone hardly any change between 1982 and 1983. In current dollars, however, it would appear to have declined slightly to \$ 24.3 billion, against \$ 29.8 billion the previous year (Table I. 2).

This reduction conceals two movements in opposite directions : on the one hand, the terms of trade improved owing to the decline in the prices of petroleum products, while on the other hand the volume of current transactions deteriorated, imports having increased during the year under review because of the revival in economic activity, while exports to non-OECD countries would appear to have remained low.

Within the group of industrialised countries, movements were not homogeneous. In the United States the current account deficit rose substantially and in the United Kingdom the surplus was distinctly smaller than in 1982. As previously mentioned, imports were stimulated in these two countries by the revival of domestic demand ; furthermore, the United States felt the impact of a pronounced worsening of its competitive position, partly attributable to the substantial appreciation of the dollar. In nearly all the other industrialised countries the current account of the balance of payments showed an improvement. This was particularly substantial in Japan, which — for the reasons stated in the comments on Table I. 1 — considerably increased its surplus thanks to the improvement in the volume of its foreign trade. Some European countries which had incurred large deficits during the preceding years, such as Italy, France, the Belgian-Luxembourg Economic Union and Denmark, succeeded in appreciably bettering their external accounts owing to the lagging behind of the economic recovery in those countries and the improvement in their competitiveness. The Netherlands and the Federal Republic of Germany, for their part, would appear to have succeeded, despite a certain quickening of economic activity, in still further increasing their surpluses, the former owing to a growth in its export market shares and the latter owing to a decline in its deficit in respect of transactions in services.

b) After having shown very large current account surpluses from 1979 to 1981, the members of the Organisation of Petroleum Exporting

Countries had seen this surplus change into a deficit in 1982. This deficit increased substantially in 1983, the shrinkage in the volume of these countries' imports having been insufficient to counterbalance the further decline in demand for oil and the fall in oil prices.

This fall was furthermore one of the factors explaining the further decline in the current account deficit of the other developing countries. The other contributory factors include the rise in the prices of non-energy raw materials, the improvement in the volume of merchandise transactions — exports having been stimulated by the recovery in the western world and the efforts to curb imports having been continued — and a fall in the interest charges on the foreign debt.

c) The efforts of the developing countries aimed at keeping down their structural deficit in respect of current transactions and consequently slowing down the rate of increase of their foreign debt were particularly in evidence from 1982 onwards, when several of these countries were faced with serious financial difficulties. Despite these efforts, the foreign debt of these countries, measured in relation to their exports of goods and services, would appear to have increased substantially again in 1982 and to have only just stabilised, at an exceptionally high level, in 1983 (Table I. 2.1). There would, however, appear to have been a certain improvement in the structure of that debt : the proportion of total indebtedness represented by the long-term debt contracted with official organisations — consisting of loans the average cost of which is lower than that of the debt incurred to private lenders or at short term — increased again from 1982 onwards after having declined each year for a long period.

The last-mentioned development partly explains why the ratio of the interest payments made by the group of countries in question to their exports of goods and services declined in 1983 after having reached its highest level the previous year. More fundamentally, this decline was primarily made possible by the fall in international interest rates and the faster growth in exports earnings. The ratio of redemptions to these earnings also fell during the year under review, partly owing to various foreign debt rescheduling agreements aimed at spreading out the repayments over longer periods.

Although this had the effect of easing the total debt burden, it remained relatively heavy : it would still appear to have absorbed nearly one-fifth of export earnings in 1983.

d) The financial difficulties of a number of developing countries and the resultant need for them to have greater recourse to official financing circuits, especially loans from the International Monetary Fund, had already before 1983 accentuated the need for an expansion of the resources placed at the Fund's disposal. While these resources had in fact been increased in recent years under various bilateral agreements, their expansion had not kept pace with the growth in requirements. They were therefore augmented in 1983. By the eighth general revision of quotas, the total of quotas was raised from SDR 61 to 90 billion; Belgium's quota was raised from SDR 1,335 to 2,080 billion. Furthermore, lending possibilities under the General Arrangements to Borrow were raised from SDR 6.7 to 17 billion; subject to certain conditions these funds can henceforth be used to finance drawings by countries which do not participate in these arrangements; Belgium's share was raised from about SDR 140 million to SDR 595 million. Lastly, it should be mentioned that the Bank for International Settlements and nineteen industrialised countries, including Belgium, decided to place at the Fund's disposal standby credits totalling SDR 3 billion; Saudi Arabia expressed its willingness to open a credit for the same amount.

e) With regard to the movement of the exchange rates for the various currencies, 1983 was mainly marked by a further rise in the average weighted rate for the U.S. dollar, which amounted to 8.2 p.c. between December 1982 and December 1983; during the latter month the appreciation reached 39.2 p.c. compared with the minimum annual level reached in 1979 (Chart I. 2.2). The firmness of the dollar obviously cannot be explained by the state of the current account of the United States' balance of payments, which showed a greatly increased deficit, even though this deficit may perhaps have been somewhat overestimated owing to the fact that earnings from service transactions would appear to have been only partly recorded. The firmness of the U.S. currency was clearly due to very substantial investments in dollar by non-residents attracted by the positive yield differential — which actually widened slightly during the year — in relation to other currencies such as the German mark and the yen. Furthermore, the dollar's international attractiveness was probably enhanced, as in the preceding years, by the conviction that the American monetary authorities would continue to base their policy on combating inflation, as well as by the political tensions which became apparent in certain parts of the world.

The weighted average rate for the yen, which had advanced rapidly during the last months of 1982, likewise displayed an upward trend owing to Japan's substantial current account surplus. The rate for the Swiss franc remained practically stable.

Within the European Economic Community the pound sterling depreciated markedly during the fourth quarter of 1982 and the first quarter of 1983, probably in connection with the deterioration in the balance of current transactions; subsequently the sterling rate recovered to some extent. The weighted average rates for the other European currencies — except for a brief upward movement of the German mark at the beginning of the year — generally displayed a downward tendency, mainly under the influence of the appreciation of the dollar. The central rates for the currencies of the European Monetary System in fact underwent a further readjustment in 1983. On 21st March a number of currencies were revalued — the German mark by 5.5 p.c., the Dutch guilder by 3.5 p.c., the Danish crown by 2.5 p.c. and the Belgian franc by 1.5 p.c. — while the French franc and the Italian lira were devalued by 2.5 p.c. and the Irish pound by 3.5 p.c.

Table I. 2.1

FOREIGN DEBT OF THE DEVELOPING COUNTRIES<sup>1</sup>*(Percentages of exports of goods and services)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983
<i>Outstanding debt</i> <sup>2</sup> :									
1. Short-term debt .....	17.5	18.2	19.3	19.3	17.7	20.3	23.0	26.4	20.1
2. Long-term debt									
2.1 to official organisations <sup>3</sup> .....	45.0	45.4	44.8	45.4	39.9	36.5	38.8	45.3	47.6
2.2 to private creditors ...	59.9	61.9	62.3	65.5	61.6	56.1	63.1	71.6	76.7
2.3 total .....	104.9	107.3	107.1	110.9	101.5	92.6	101.9	116.9	124.3
3. Total debt (1 + 2.3) ....	122.4	125.5	126.4	130.2	119.2	112.9	124.9	143.3	144.4
<i>p.m. Percentage share in total debt</i>									
1. of short-term debt .....	14.3	14.5	15.3	14.8	14.8	18.0	18.4	18.4	13.9
2. of long-term debt									
2.1 to official organisations <sup>3</sup> .....	36.8	36.2	35.4	34.9	33.5	32.3	31.1	31.6	33.0
2.2 to private creditors ...	48.9	49.3	49.3	50.3	51.7	49.7	50.5	50.0	53.1
<i>Debt charges :</i>									
1. Interest payments .....	6.7	6.0	6.0	7.3	8.2	9.3	11.9	13.2	11.4
2. Redemption payments .....	9.4	9.3	9.4	11.7	10.8	8.3	8.6	10.7	7.9
3. Total charges (1 + 2) ....	16.1	15.3	15.4	19.0	19.0	17.6	20.5	23.9	19.3

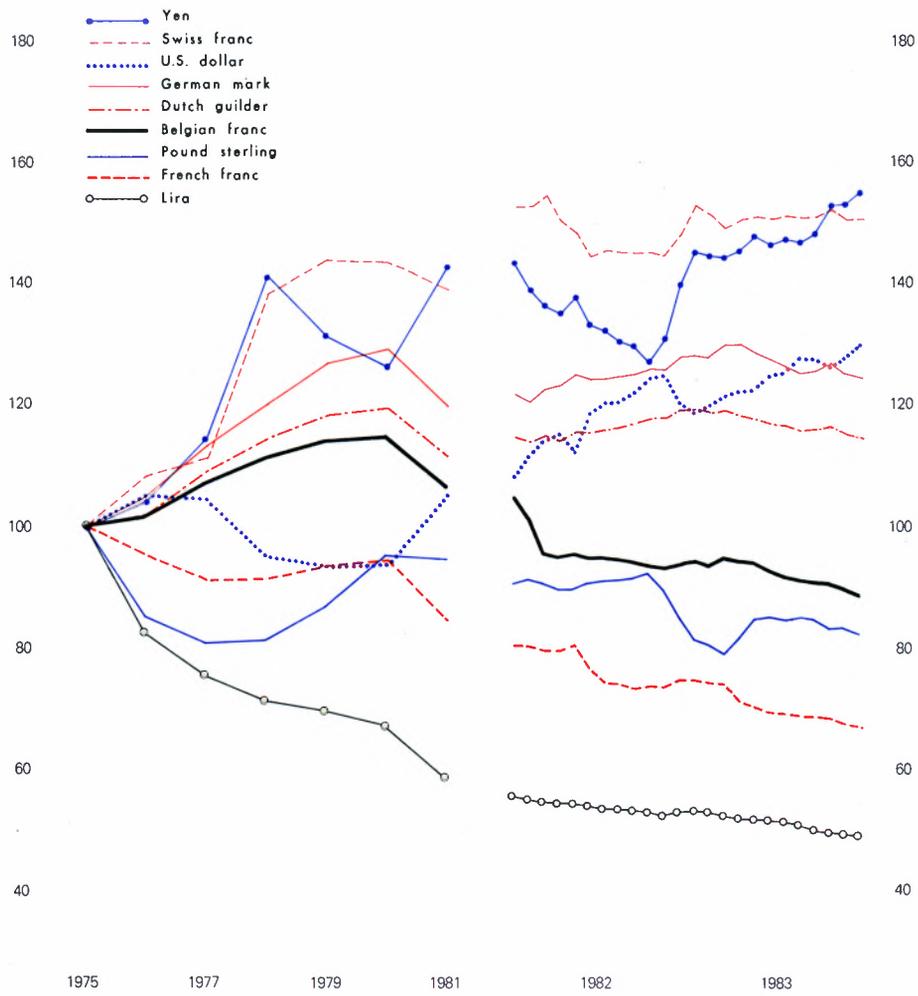
Source : International Monetary Fund.

<sup>1</sup> Excluding most of the members of the Organisation of Petroleum Exporting Countries; the People's Republic of China is included in the data only from 1977 onwards.<sup>2</sup> Outstanding amount at the end of each year, as a percentage of the year's exports.<sup>3</sup> Public authorities and international official institutions.

Chart I. 2.2

WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES<sup>1</sup>

(Indices 1975 = 100)



Source : International Monetary Fund.

<sup>1</sup> Years 1975 to 1981 : averages, per year, of daily rates.

Years 1982 and 1983 : averages, per month, of daily rates.



CHAPTER II

**PRODUCTION  
AND EMPLOYMENT IN BELGIUM**



## COMMENTS ON TABLE II. 1 :

### 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 1975 to 1981 the percentage changes in the gross domestic product, like those of the branches of activity appearing in Table II. 1, 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 1982 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 directly affect the gross domestic product and the gross national product from the point of view of expenditure; indirectly, 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, they lead to changes in the data relating to income and value added. The numerical data for 1983 were estimated by the Bank.

b) The estimates of the value added in industry in 1983 are mainly based on the available data on industrial production for the first eleven months of 1983, as calculated by the National Statistical Institute (Table II. 1.4). Account was taken of the fact that deliveries of gas, which are not included in industrial production, do in fact affect the value added in industry.

c) The value added in building activity is the result of all building work, irrespective of the branch of activity to which the enterprise doing the work belongs; it therefore does not represent only the value added by building enterprises in the strict sense. The value added in building activity is estimated for 1983 mainly on the basis of gross fixed capital formation in the form of housing, on the one hand, and of that in the form of non-residential buildings and civil engineering work, on the other.

The former is the subject of a specific estimate in its capacity as the main component of gross capital formation by individuals (see Chapter III).

Capital formation in the form of non-residential buildings and civil engineering work is first of all estimated by branch of activity : the calculation starts from the annual percentage changes in the total capital formation of each branch, which are estimated in order to obtain the domestic product from the point of view of expenditure, and the percentages are corrected, on the basis of the available statistical indicators, in order to allow for the fact that expenditure on construction work may not have developed in exactly the same way as the total. Finally, the weighted average of the percentage changes for each branch which have been thus obtained is calculated ; the respective weights — which are provided for 1982 by the National Statistical Institute — are those of the various branches in capital formation in non-residential buildings and civil engineering work.

d) The calculation of the value added in market services in 1983 is mainly based on the estimate of expenditure on private consumption (see Chapter III), and especially that on foodstuffs, beverages, clothing, household articles, petroleum products, personal care, leisure and hotel and catering services.

e) The synthetic curve in manufacturing industry (Chart II. 1.1), and also the three synthetic curves in building according to types of work, which are shown in Chart II. 1.5, are produced in accordance with the principles and methods described in the article « Rajeunissement de la courbe synthétique des principaux résultats de l'enquête mensuelle de la Banque Nationale », published in the Bulletin of the National Bank of Belgium, LVIIIth year, Volume II, No. 3, September 1983. It should be noted that the synthetic curves in building reflect the state of activity in building enterprises only. They may therefore present a different picture from that which would be obtained from all the building work which contributes to the formation of the value added as defined in paragraph c).

Table II. 1

VALUE ADDED AT CONSTANT PRICES  
OF THE VARIOUS BRANCHES OF ACTIVITY

(Percentage changes compared with previous year)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
Gross domestic product <sup>1</sup> : .....	- 1.8	+ 5.6	+ 0.7	+ 3.3	+ 2.5	+ 3.1	- 1.1	+ 0.9	+ 0.5
of which :									
1. Agriculture, forestry and fishing	-15.0	- 4.0	+ 3.1	+10.5	+ 0.3	+ 2.5	+ 2.7	+12.7	- 1.4
2. Industry <sup>2</sup> .....	- 5.9	+ 8.0	+ 1.3	+ 2.3	+ 4.3	- 0.5	- 2.8	+ 0.1	+ 2.6
3. Building industry <sup>3</sup> .	- 0.4	+ 6.0	+ 2.5	+ 1.0	- 3.0	+ 4.9	-19.1	- 4.2	- 3.5
4. Cyclically sensitive market services <sup>4</sup> .....	- 3.5	+ 5.4	+ 0.3	+ 3.7	+ 4.2	+ 3.3	- 1.2	+ 1.4	- 1.7
5. Cyclically less sensitive market services <sup>5</sup>	+ 4.9	+ 3.6	+ 2.7	+ 2.5	+ 2.6	+ 3.1	+ 2.3	+ 2.2	+ 1.2
6. Non-market services <sup>6</sup> .....	+ 2.2	+ 4.1	+ 1.9	+ 4.9	+ 3.5	+ 2.6	+ 0.8	- 0.2	+ 1.0

Sources : National Statistical Institute and National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

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

<sup>2</sup> Mineral extracting industry; electricity, gas and water; manufacturing industry (excluding garages).

<sup>3</sup> A precise definition of the value added of this branch is given in paragraph c) of the methodology.

<sup>4</sup> Trade, transport and communications, financial services, insurance and other services rendered to enterprises.

<sup>5</sup> Medical professions, garages, residential real estate, services of domestic servants and household staff and other services rendered to individuals.

<sup>6</sup> Services provided by the public authorities.

## B. Main developments

a) The rate of growth of the gross domestic product, already low in 1982, would appear to have declined further in 1983, amounting to 0.5 p.c. against 0.9 p.c. Actually, among all the branches which contribute to the formation of the value added of the Belgian economy, only industry and, to a smaller extent, non-market services appear to have shown an appreciable improvement in 1983 (Table II. 1).

b) Such a substantial advance as that recorded in 1982 in the branch consisting of agriculture, forestry and fishing (Table II. 1, item 1) is hardly achievable two years in succession. It would appear that there was actually a decline in 1983; this was accentuated by the heavy rainfall in the spring, which mainly affected vegetable products, but would appear to have been limited by the improvement in stock-farming.

c) After having decreased in 1980 and especially in 1981 and having stabilised in 1982, the value added in industry would appear to have shown a distinct increase during the year under review (item 2), the decline recorded in the mineral-extracting industry having been more than counterbalanced by the developments which took place in the other industrial branches, particularly manufacturing industry, which accounts for over 85 p.c. of the value added in industry.

— The cyclical decline in manufacturing industry during the second half of 1982 was succeeded around the turn of the year 1982-1983 by an uninterrupted phase of recovery, which brought production to above the 1982 level. For the first eleven months of 1983, the rise in production thus amounted to 2.8 p.c. (Chart II. 1.1 and Table II. 1.4).

— The available demand indicators (Chart II. 1.2) reveal that the recovery in economic activity was mainly triggered by foreign demand, the net increase in which during the first three quarters of 1983 was only partly offset by a falling-off in the fourth : this movement would appear to be attributable to the increase in the market shares of Belgian manufacturing industry and a modest expansion in its markets (see Chapter VI.). Orders from the domestic market, on the other hand, did not reach their latest cyclical low point until the first quarter of the year under review; the subsequent recovery was, furthermore, much less pronounced than that in export orders.

— The production of manufacturing industry developed, during the first ten months of 1983, more favourably in Belgium than in the various countries included in Table II. 1.3, with two exceptions : Belgium's growth rate did not equal those of the United States and Japan.

— A more detailed examination of the development of production in Belgium during the first eleven months of 1983 (Table II. 1.4) reveals that the highest growth rates were recorded by the textile industry, the metal-working industry and the chemical industry, which together generate nearly half the value added of manufacturing industry. This development would appear to have been mainly brought about by the rise in exports, especially in the field of consumer goods such as cars, domestic electrical appliances and carpets. On the other hand, non-metallic mineral products were again affected by the weakness of building activity, and oil refinery production was adversely influenced by the sharp decline in consumption of petroleum derivatives ; the fall recorded in this branch of industry during the first eleven months of 1983 was furthermore strongly influenced by the closing-down of a refinery in September 1982.

d) The value added in building would appear to have fallen in 1983, for the third year in succession. The contraction, which was very pronounced in 1981, had been distinctly smaller in 1982 ; in 1983 it appears to have been of the same order of magnitude as in the previous year (Table II. 1, item 3). Altogether the 1983 value added would thus appear to be about 25 p.c. below the 1980 level.

The overall decline in 1983 in fact conceals divergent movements in the various branches (Chart II. 1.5). Thus non-residential building appears to have benefited by, on the whole, a more favourable level of activity than in 1982, despite a sharp drop in the fourth quarter of the year. Conversely, the situation appears to have again deteriorated appreciably, on average, in road and civil engineering works and, to a smaller extent, in residential building, which was recovering after a prolonged decline which had persisted throughout the second half of 1982 and continued right into the first quarter of the year under review.

e) The development of private consumption, which had been responsible the previous year for a rise in the value added of cyclically sensitive market services, would appear, on the other hand, to have caused a decline in this branch in 1983 (Table II. 1, item 4). This was

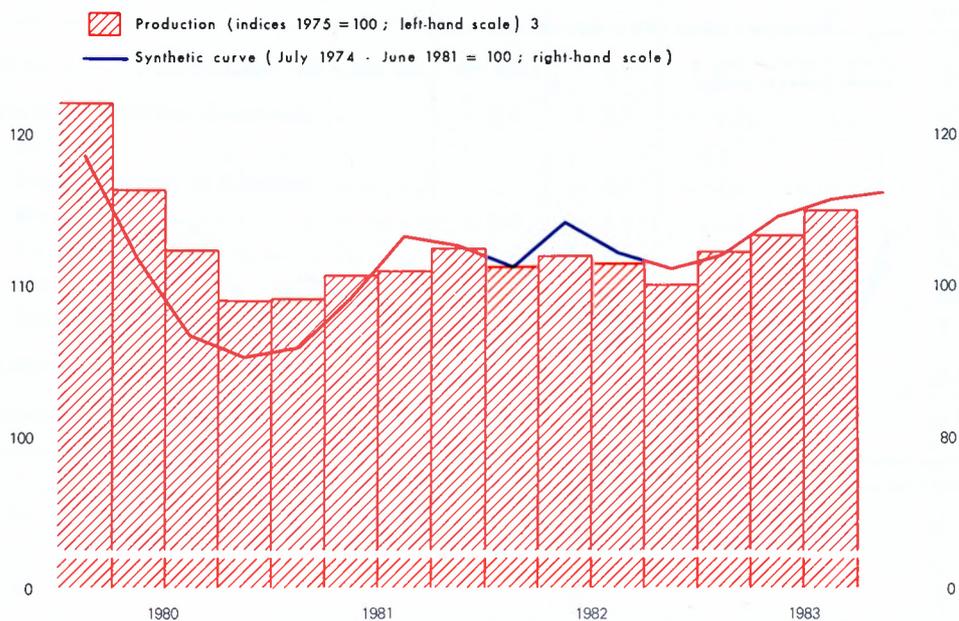
particularly the case with trade, the value added of which, representing more than half that of cyclically sensitive market services, would appear to have fallen by about 3 p.c.

f) The value added of cyclically less sensitive market services would appear to have increased less than during the preceding years (item 5). This branch, too, was influenced by the depressed state of private consumption, and particularly of hotel, catering and leisure services, which would appear to have risen by only 1 p.c., or much less than in 1982.

g) The value added of non-market services (item 6) consists mainly of the remunerations and pensions paid by the public authorities. It appears to have gone up by 1 p.c. in 1983 owing to the growth in the number of pensioners and despite the stagnation of employment in the public services.

Chart II. 1.1

PRODUCTION AND SYNTHETIC CURVE IN MANUFACTURING INDUSTRY<sup>1 2</sup>



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

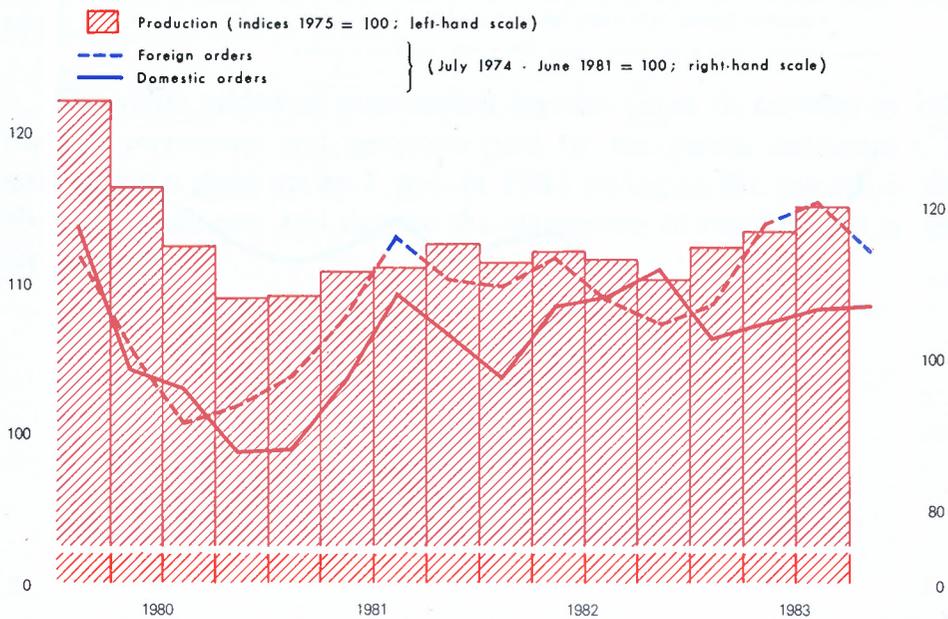
<sup>1</sup> Averages, per quarter, of monthly data.

<sup>2</sup> Manufacturing industry comprises the following industries : metal manufactures, chemicals and rubber, basic metallurgy, non-metallic mineral products, textiles, clothing, footwear and leather, wood, paper and board, oil refining and also food and beverages, tobacco and coking plants. The three last-mentioned branches are not, however, included in the synthetic curve.

<sup>3</sup> The monthly data used for calculating the averages per quarter were previously seasonally adjusted and smoothed.

Chart II. 1.2

PRODUCTION AND DEMAND IN MANUFACTURING INDUSTRY<sup>1 2</sup>



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

<sup>1</sup> Averages, per quarter, of seasonally adjusted and smoothed monthly data.

<sup>2</sup> Manufacturing industry is defined in footnote <sup>2</sup> to Chart II. 1.1.

Table II. 1.3

PRODUCTION OF MANUFACTURING INDUSTRY :  
AN INTERNATIONAL COMPARISON

(Percentage changes compared with previous year)

	1980	1981	1982	First ten months	
				1982	1983
Belgium .....	- 2.7	- 2.5	- 0.1	+ 0.4	+ 2.3
European Economic Community .....	- 0.4	- 2.7	- 1.9	- 1.5	- 1.1
of which :					
Federal Republic of Germany .....	...	- 1.5	- 2.6	- 2.2	- 1.0
France .....	- 0.8	- 3.4	- 1.8	- 1.1	- 0.4
United Kingdom .....	- 6.5	- 4.0	+ 2.1	+ 2.3	+ 1.9
Italy .....	+ 6.0	- 2.1	- 2.6	- 2.1	- 6.6
Netherlands .....	+ 1.7	- 0.9	- 0.9	- 0.4	- 1.1
United States .....	- 4.5	+ 2.5	- 8.5	- 8.9	+ 6.1
Japan .....	+ 4.8	+ 0.9	+ 0.4	+ 1.0	+ 2.5

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

Table II. 1.4

## INDUSTRIAL PRODUCTION

*(Percentage changes compared with previous year)*

	1980	1981	1982	First eleven months	
				1982	1983
Industry as a whole <sup>1</sup> .....	- 1.3	- 2.6	+ 0.1	+ 0.2	+ 2.7
Mineral-extracting industries .....	+ 3.4	- 6.4	+ 0.6	- 0.2	- 4.1
Electricity and water industries .....	+ 2.7	- 4.8	+ 0.2	+ 0.6	+ 3.8
Manufacturing industry .....	- 2.7	- 2.5	- 0.1	...	+ 2.8
of which :					
Metal-working industry .....	- 3.1	- 3.4	+ 2.2	+ 2.1	+ 3.9
Basic metallurgy .....	- 4.8	- 4.2	- 10.4	- 9.9	+ 1.4
Chemical industry and rubber industry .....	- 5.4	+ 1.1	+ 2.1	+ 2.4	+ 5.0
Food and beverage industries .....	+ 1.7	+ 4.1	+ 5.2	+ 5.1	+ 1.1
Textile industry .....	+ 3.3	- 2.9	- 1.0	- 0.8	+ 6.9
Non-metallic mineral product industry .....	...	- 12.6	- 6.6	- 7.0	- 4.9
Wood industry .....	+ 7.2	- 2.1	+ 1.2	+ 0.6	- 1.0
Manufacturing of clothing and footwear .....	- 2.8	- 3.2	+ 2.6	+ 2.5	+ 2.8
Paper and board industry .....	- 0.8	+ 1.3	+ 0.8	+ 1.3	+ 2.5
Oil refining .....	- 3.2	- 13.0	- 15.0	- 13.4	- 16.5

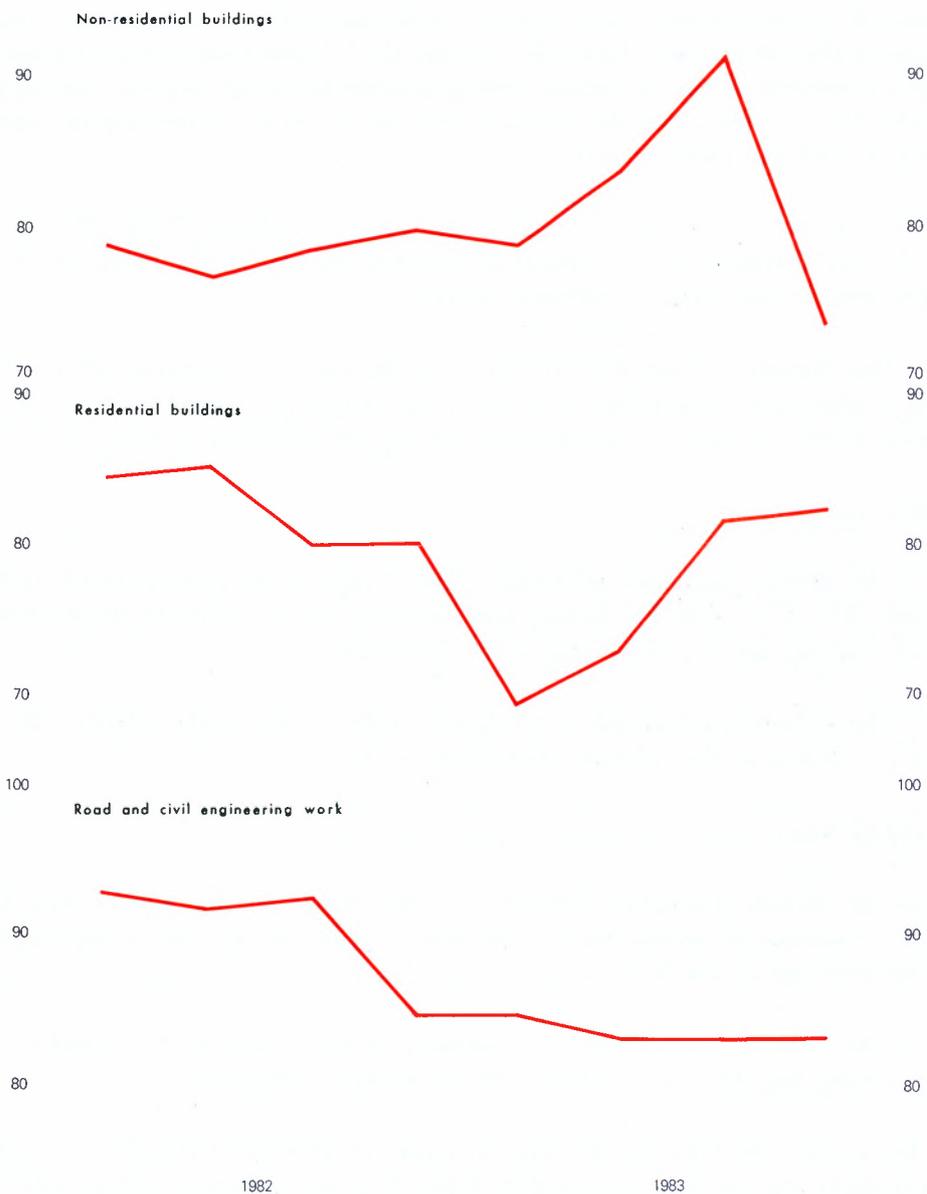
Sources : National Statistical Institute. Calculations of the National Bank of Belgium.

<sup>1</sup> Not including the building industry.

Chart II. 1.5

SYNTHETIC CURVES IN THE BUILDING INDUSTRY BY TYPE OF BUILDING ACTIVITY <sup>1</sup>

(July 1974 - June 1981 = 100)



Source : National Bank of Belgium.

<sup>1</sup> Averages, per quarter, of monthly data.

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## COMMENTS ON TABLE II. 2 :

### DEMAND FOR AND SUPPLY OF EMPLOYMENT

#### A. Methodology

a) The changes shown in Tables II. 2, II. 2.1 and II. 2.2 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 II. 2.1 and II. 2.2) and employment (average for the year) and the number of hours worked in manufacturing industry (second part of Table II. 2.2), 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 II. 2.1 and II. 2.2) 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 II. 2 are estimated on the basis of an arithmetic mean of the two results thus obtained every year for each of the two factors.

c) The change in the value added (in constant prices) per person employed (Tables II. 2.1 and II. 2.2) 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, part-time working), 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 II. 2.2)

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 between productivity on the one hand and the value added on the other. In the past, the development of productivity has thus often displayed a marked cyclical profile : for a pronounced decline in the value added at constant prices is, more often than not, accompanied by a slowing-down of productivity, whereas subsequently, when economic activity picks up, productivity as a rule improves. Conversely, a rise or fall in productivity may — apart from its direct negative or positive effect on employment — exert an indirect influence in the opposite direction : hence, a rise in productivity leads, all other things being equal, to a decrease in the cost per unit of output and thus an improvement in competitiveness, which will probably make it possible to increase, to a greater or lesser extent, sales, the value added and hence employment.

These reciprocal influences do not appear in the above-mentioned identity, where the value added is regarded as a variable independent of productivity. They are furthermore difficult to quantify and thus cannot be incorporated in the analysis. They must nevertheless be borne in mind if the results of the analysis are to be correctly interpreted.

e) The data on unemployment, which are shown in Table II. 2, include, apart from wholly unemployed persons receiving unemployment pay, other categories of job-seekers, namely persons receiving vocational training and part of the category « other compulsorily registered unemployed persons » and « voluntarily registered job-seekers without employment ». With regard to the two last-mentioned categories, it should be pointed out that :

— unemployed persons who have accepted a part-time job and who are therefore in principle already included in the employment figures (item 2 of Table II. 2) are not recorded here among « other compulsorily registered unemployed persons »; the data covered by this term differ, in this respect, from those published by the National Employment Office; on the other hand they do here include, as do the latter, wholly unemployed persons given work in a sheltered workshop, certain wholly unemployed persons temporarily excluded from receiving unemployment pay, job-seekers who have completed their education, for the duration of the waiting period preceding their eligibility for unemployment pay, etc.

— the recorded number of « voluntarily registered job-seekers without employment » was arbitrarily reduced by 30 p.c. to allow for the fact that job-seekers who have found a job do not all report this to the National Employment Office and therefore remain wrongly included in this statistic for a certain length of time.

In order to establish the unemployment rates shown in Chart II. 2.3 the number of unemployed persons was recorded as described above for Table II. 2; however, persons receiving vocational training, for whom the data are not available on a monthly basis, are not taken into account. It should furthermore be mentioned that the data in Chart II. 2.3 may differ from those — shown in Chart I. 1.3 — compiled by the Organisation for Economic Co-operation and Development according to different criteria, mainly for the purpose of improving the international comparability of unemployment rates.

From 1981 onwards the waiting period for job-seekers who have completed their education (aged 18 and over) was increased from 75 to 150 days, so that they are recorded for a greater length of time in the category of « other compulsorily registered unemployed persons » and are only later (that is, from January-February of the following year) included in the category of « wholly unemployed persons receiving unemployment pay ». 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 1980-1983 if attention is paid only to the changes in the number of wholly unemployed persons receiving unemployment pay. The overall unemployment figures shown in Table II. 2 and Chart II. 2.3, being broader in their scope, are not influenced by the change in the waiting period.

Finally, it should be noted that the data concerning unemployment disregard partially unemployed persons : although the work of these persons has been temporarily reduced or suspended, they remain bound by a contract of employment and are therefore included in the employment data (item 2 of Table II. 2).

Table II. 2  
DEMAND FOR AND SUPPLY OF EMPLOYMENT  
(Changes, in thousands)<sup>1</sup>

	1975	1976	1977	1978	1979	1980	1981	1982	1983
1. Demand for employment (working population)									
Total .....	+ 20	+ 30	+ 25	+ 25	+ 58	+ 14	+ 13	+ 23	+ 19 e
Men .....	(- 3)	(- 4)	(- 10)	(- 7)	(+ 14)	(- 13)	(- 13)	(- 6)	(- 6) e
Women .....	(+ 22)	(+ 34)	(+ 35)	(+ 32)	(+ 44)	(+ 27)	(+ 25)	(+ 29)	(+ 25) e
Changes due to those :									
1.1 in the population of working age <sup>2</sup>									
Total .....	+ 37	+ 37	+ 39	+ 36	+ 33	+ 29	+ 25	+ 26	+ 25
Men .....	(+ 25)	(+ 21)	(+ 19)	(+ 17)	(+ 16)	(+ 20)	(+ 22)	(+ 24)	(+ 23)
Women .....	(+ 12)	(+ 16)	(+ 19)	(+ 20)	(+ 16)	(+ 9)	(+ 3)	(+ 3)	(+ 2)
1.2 in the activity rate									
Total .....	- 18	- 8	- 14	- 11	+ 25	- 15	- 13	- 3	- 6 e
of which : effect of early retirement schemes ...	(- 1)	(- 5)	(- 19)	(- 18)	(- 20)	(- 12)	(- 15)	(- 18)	(- 17)
Men .....	(- 27)	(- 25)	(- 30)	(- 24)	(- 2)	(- 33)	(- 35)	(- 30)	(- 29) e
of which : effect of early retirement schemes ...	(- 1)	(- 5)	(- 15)	(- 14)	(- 12)	(- 8)	(- 13)	(- 15)	(- 16)
Women .....	(+ 10)	(+ 18)	(+ 16)	(+ 13)	(+ 27)	(+ 18)	(+ 22)	(+ 27)	(+ 23) e
of which : effect of early retirement schemes ...	( ... )	( ... )	(- 4)	(- 5)	(- 8)	(- 3)	(- 2)	(- 3)	(- 1)
2. Supply of employment (employment) <sup>3</sup>	- 58	- 27	- 9	+ 2	+ 44	- 4	- 80	- 49	- 35 e
by :									
2.1 enterprises .....	- 63	- 37	- 18	- 27	+ 12	- 16	- 82	- 51	- 32 e
- agriculture, forestry and fishing .....	- 4	- 8	- 5	- 4	...	- 6	- 3	- 3	- 1 e
- industry .....	- 68	- 46	- 41	- 42	- 27	- 20	- 48	- 32	- 20 e
- building industry .....	+ 1	+ 4	+ 2	- 4	+ 2	- 9	- 30	- 23	- 14 e
- cyclically sensitive market services .....	+ 1	- 3	+ 5	+ 6	+ 15	+ 9	- 9	- 8	- 9 e
- cyclically less sensitive market services .....	+ 7	+ 17	+ 21	+ 18	+ 22	+ 10	+ 7	+ 14	+ 11 e
2.2 non-market services <sup>4</sup> .....	+ 10	+ 12	+ 12	+ 29	+ 34	+ 12	+ 3	+ 3	- 2 e
2.3 foreign countries <sup>5</sup> .....	- 5	- 3	- 2	- 1	- 2	- 1	- 1	- 1	- 1 e
3. Unemployment (1 - 2)									
Total .....	+ 77	+ 57	+ 34	+ 23	+ 14	+ 18	+ 92	+ 72	+ 54
Men .....	(+ 39)	(+ 16)	(+ 6)	(+ 7)	(- 1)	(+ 5)	(+ 60)	(+ 43)	(+ 31)
Women .....	(+ 39)	(+ 41)	(+ 27)	(+ 16)	(+ 15)	(+ 13)	(+ 33)	(+ 29)	(+ 23)

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.

<sup>1</sup> The exact periods to which these changes relate are stated in section a) of the methodology. Because the figures have been rounded, the totals are not necessarily equal to the sum of the component parts.

<sup>2</sup> Men aged 15 to 64 and women aged 15 to 59.

<sup>3</sup> Men and women together. The various branches are defined in the same way as in Table II. 1, except for the item « residential buildings » (where employment is nil), which has not been included here but appears in Table II. 1 in the branch of cyclically less sensitive market services.

<sup>4</sup> Including the armed forces, unemployed persons given work by the public authorities and workers on the « special temporary staff » and in the « third labour circuit ».

<sup>5</sup> This item comprises persons working abroad : frontier workers, technical assistance and Belgian members of staff of international organisations.

## B. Main developments

a) The growth in the Belgian working population (item 1 of Table II. 2) was of approximately the same order of magnitude as the previous year and is attributable to the increase in the female working population, as there was a further decline in the male working population. This divergence in the evolution between men and women is due both to the movements in the population of working age and to the development of activity rates. The strong demand for jobs from women is mainly due to the spontaneous increase in their activity rate. In this connection it should, however, be mentioned that this tendency appears to have weakened somewhat during the year under review; for it seems that during a period of economic crisis a number of potential female workers refrain from entering the labour market and others even withdraw from it, thinking that their chances of finding a suitable job are too limited. With regard to the male working population, on the other hand, the increase in the number of persons of working age was, as in previous years, completely counterbalanced by the structural decline in the activity rate: in particular, the big increase in the 60 to 64 age group attributable to the low birth rate during the First World War and its recovery during the subsequent years was absorbed by the substantial decrease in the activity rate of this age group, which was itself largely attributable to the effects of early retirement schemes.

It should furthermore be mentioned in this connection that for wage-earners, with effect from 1st January 1983, the statutory early pension system was discontinued and replaced by the early retirement pension. Unlike the previous system and the other existing early pension systems (such as the contractual early pension following redundancy), the early retirement pension applies solely to male workers and confers on the person concerned the same status as that of ordinary pensioners; it is furthermore based on the assumption that the employer undertakes to replace the worker in question by a job-seeker recruited from outside the enterprise.

b) Job losses appear to have been substantial again in 1983 (35,000), although appreciably fewer than in 1982 and especially in 1981 (item 2 of Table II. 2). They would appear to have been mainly accounted for by enterprises, but also in non-market services the previous slackening in the growth in employment would appear to have been replaced by a slight decline in the workforce.

— Table II. 2.1 shows that employment in enterprises as a whole apparently declined less than in the previous year (– 1.1 p.c. in 1983 against – 1.7 p.c.), despite a smaller growth in the value added at constant prices, indicating a slower rise in productivity. The smaller decline in employment is observable in the various branches of activity, except for services. Industry, and more specifically manufacturing industry (Table II. 2.2) would, however, appear to be the only one of these branches where this smaller decline is solely attributable to more vigorous growth; here, the increase in productivity appears to have speeded up according to the value added per person employed or stabilised according to the value added per hour worked.

— Mainly owing to budgetary constraints, the creation of additional jobs in non-market services had already largely come to a halt during the two preceding years. During the year under review this tendency appears to have persisted : on the basis of the position on 30th June, the very limited increase in the number of persons employed in public administration and education would appear to have been more than counterbalanced by the reduction in the armed forces and in the number of employed persons given work by the public authorities; at the same time, the total number of persons given work on the « special temporary staff » and in the « third labour circuit » rose only very slightly compared with the previous year (item 2.2 of Table II. 2). During the second half of 1983, however, recruiting of unemployed persons for the third labour circuit speeded up, so that at the end of the year it more than offset the fall in the number of unemployed persons given work by the public authorities and the decrease in the special temporary staff.

— With regard to employment policy, various new initiatives were taken by the Government. Some of these measures were aimed at promoting the creation of additional jobs by a better distribution of the available work. With this purpose in view the government devised a plan whereby, for 1983, the additional gain due to the moderation of wages (estimated as totalling 3 p.c.) was to be used for a reduction in working hours of 5 p.c. and compensatory recruiting amounting to 3 p.c. As it did not prove possible to reach an agreement on this formula at inter-trade level, negotiations were shifted to the level of joint committees and enterprises and other formulae were established. The many agreements thus arrived at were very heterogeneous and in many cases represented only a partial attainment of the objectives

initially advocated. It should furthermore be borne in mind that the additional recruitments provided for by these agreements usually did not take place until the second half of 1983 or were even only scheduled for the beginning of 1984, and therefore had hardly any effect on the employment situation on 30th June of the year under review. Mention should also be made here of the measures for encouraging various forms of part-time working, and also of Royal Decree No. 179 aimed at promoting work organisation experiments in enterprises whereby, by means of a rearrangement and redistribution of working hours, these could be dissociated from the enterprises' operating time-table.

Various other measures have been designed to sustain employment in a more selective way or to solve particular problems, for instance by limiting combinations of jobs and regular overtime working, combating moonlighting, facilitating the appointment of a first employee by self-employed persons, providing forms of assistance for the setting-on of unemployed persons assigned to certain economic expansion projects (the search for new products and methods, energy-saving, export promotion, etc.) for the benefit of small and medium-sized enterprises or granting assistance to individuals wishing to become self-employed.

c) The recorded contraction in employment combined with the growth in the working population referred to above caused the number of unemployed to increase further by 54,000 (item 3 of Table II. 2), so that at the end of June 1983 more than 540,000 job-seekers were registered. Thus, while the increase in unemployment admittedly slowed down for the second year running, it nevertheless, viewed in historical perspective, remained at a particularly high level.

The seasonally adjusted monthly data (Chart II. 2.3) show that the rate of increase of the unemployment rate expressed as a percentage of the working population slowed down appreciably during the first half of 1983 but then speeded up again during the next four months (partly owing to the particularly big rise in the number of young people who have completed their education and are consequently registered as job-seekers). Towards the end of the year, however, a first falling-off in the unemployment rate, which particularly benefited young job-seekers, was recorded. This turn for the better can be related to, among other things, the above-mentioned agreements concerning employment, the extension of the third labour circuit and the large increase in the number of unemployed persons who have accepted a part-time job. At

the end of 1983, however, the overall unemployment rate was still as high as 13.9 p.c., against 13.4 p.c. a year earlier. This increase in unemployment affected men (whose unemployment rate rose from 9.9 to 10.6 p.c.) more than women (a rise from 18.9 to 19.2 p.c.), this having been primarily due to the growing interest in part-time jobs on the part of the female population : during 1983 the number of female unemployed persons who accepted such a job went up by nearly 16,600 (against only 4,800 for men). It is, of course, difficult to determine to what extent this success of part-time working is due to a deliberate choice by the persons concerned rather than to a growth in « concealed unemployment ». On the other hand, a more obvious form of unemployment not recorded in Chart II. 2.3 is represented by partial unemployment : during the first seven months of the year under review the monthly average number of partially unemployed persons reached about 92,700, or around 4,850 more than in 1982 ; this increase came on top of that in the number of wholly unemployed persons which took place during the same period.

Table II. 2.1

EMPLOYMENT, VALUE ADDED<sup>1</sup> AND PRODUCTIVITY IN ENTERPRISES<sup>2</sup>*(Percentage changes compared with previous year)<sup>3</sup>*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<i>Agriculture, forestry and fishing :</i>									
Employment .....	- 2.6	- 6.0	- 4.1	- 3.3	+ 0.1	- 5.4	- 2.4	- 2.3	- 0.6
Value added .....	-15.0	- 4.0	+ 3.1	+10.5	+ 0.3	+ 2.5	+ 2.7	+12.7	- 1.4
Value added per person employed .....	-12.7	+ 2.1	+ 7.5	+14.3	+ 0.3	+ 8.3	+ 5.2	+15.4	- 0.8
<i>Industry :</i>									
Employment .....	- 5.5	- 3.9	- 3.7	- 3.9	- 2.6	- 2.0	- 4.8	- 3.4	- 2.1
Value added .....	- 5.9	+ 8.0	+ 1.3	+ 2.3	+ 4.3	- 0.5	- 2.8	+ 0.1	+ 2.6
Value added per person employed .....	- 0.4	+12.4	+ 5.2	+ 6.5	+ 7.1	+ 1.5	+ 2.2	+ 3.6	+ 4.9
<i>Building :</i>									
Employment .....	+ 0.2	+ 1.3	+ 0.6	- 1.3	+ 0.8	- 3.0	-10.3	- 8.8	- 6.1
Value added .....	- 0.4	+ 6.0	+ 2.5	+ 1.0	- 3.0	+ 4.9	-19.1	- 4.2	- 3.5
Value added per person employed .....	- 0.6	+ 4.6	+ 1.8	+ 2.3	- 3.8	+ 8.2	- 9.8	+ 5.0	+ 2.7
<i>Cyclically sensitive market services :</i>									
Employment .....	+ 0.1	- 0.3	+ 0.5	+ 0.6	+ 1.4	+ 0.9	- 0.8	- 0.7	- 0.8
Value added .....	- 3.5	+ 5.4	+ 0.3	+ 3.7	+ 4.2	+ 3.3	- 1.2	+ 1.4	- 1.7
Value added per person employed .....	- 3.7	+ 5.7	- 0.2	+ 3.1	+ 2.8	+ 2.4	- 0.4	+ 2.2	- 0.9
<i>Cyclically less sensitive market services :</i>									
Employment .....	+ 1.1	+ 2.7	+ 3.4	+ 2.7	+ 3.2	+ 1.5	+ 1.0	+ 1.9	+ 1.5
Value added .....	+ 5.7	+ 4.1	+ 2.9	+ 1.9	+ 2.0	+ 2.6	+ 1.5	+ 2.1	+ 0.6
Value added per person employed .....	+ 4.6	+ 1.4	- 0.5	- 0.8	- 1.2	+ 1.1	+ 0.4	+ 0.2	- 0.9
<i>Total enterprises :</i>									
Employment .....	- 1.9	- 1.1	- 0.6	- 0.8	+ 0.4	- 0.5	- 2.6	- 1.7	- 1.1
Value added .....	- 3.4	+ 5.9	+ 1.3	+ 2.9	+ 3.2	+ 2.0	- 2.7	+ 1.1	+ 0.1
Value added per person employed .....	- 1.5	+ 7.1	+ 1.9	+ 3.8	+ 2.8	+ 2.5	- 0.1	+ 2.8	+ 1.1

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

<sup>1</sup> Value added at constant prices.<sup>2</sup> The branches of activity are defined in Note <sup>3</sup> to Table II. 2.<sup>3</sup> The exact periods to which these percentage changes relate are specified in section a) of the methodology.

Table II. 2.2

EMPLOYMENT, VALUE ADDED<sup>1</sup> AND PRODUCTIVITY IN MANUFACTURING INDUSTRY*(Percentage changes compared with previous year)*

	1980	1981	1982	1983 <i>e</i>
Employment (on 30th June) .....	- 2.0	- 5.1	- 3.6	- 2.2
Value added .....	- 1.0	- 2.3	+ 0.5	+ 2.6
Value added per person employed .....	+ 1.1	+ 3.0	+ 4.2	+ 4.9
Employment (average for year) .....	- 2.2	- 4.8	- 3.8	- 2.2
Number of hours worked per person employed .	- 2.3	- 1.9	- 0.9	- 0.5
Total number of hours worked .....	- 4.5	- 6.6	- 4.7	- 2.7
Value added per hour worked .....	+ 3.7	+ 4.6	+ 5.4	+ 5.4

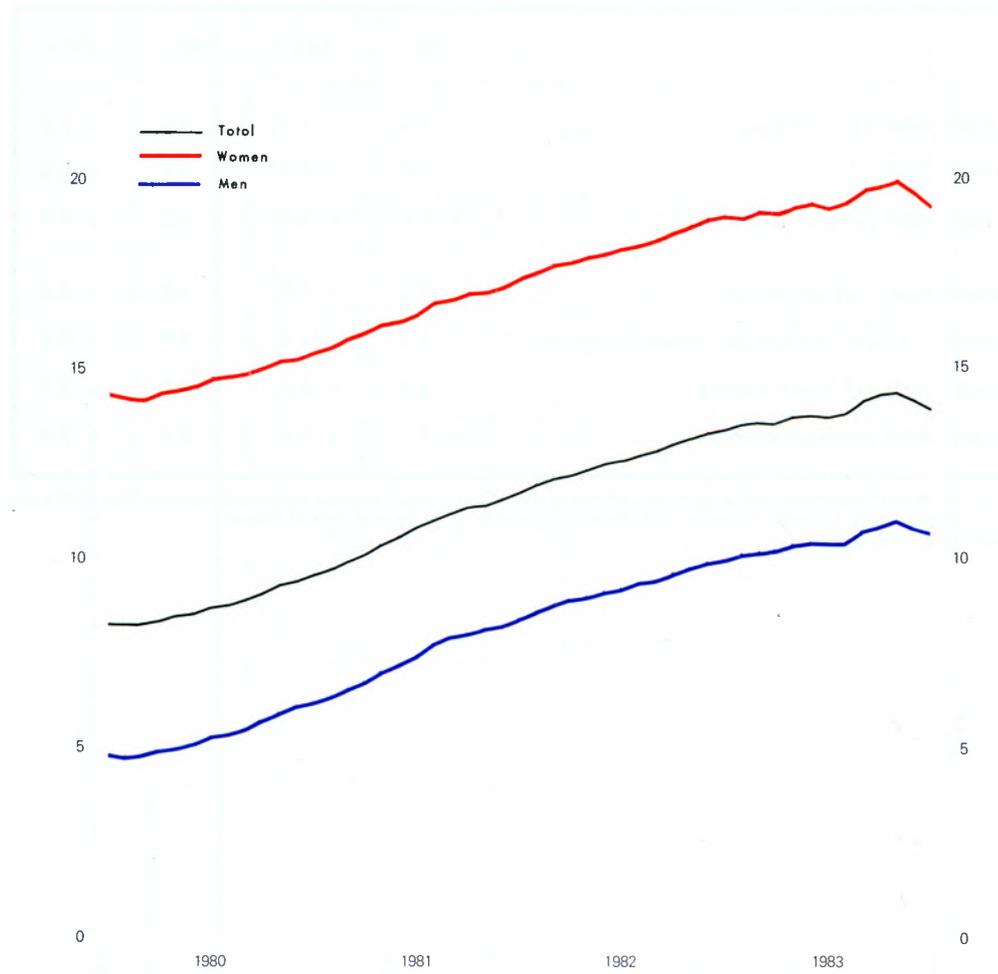
Sources : Ministry of Employment and Labour, National Social Security Office, National Statistical Institute and Economic Research Institute of the Catholic University of Louvain. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Value added at constant prices.

Chart II. 2.3

UNEMPLOYMENT RATE <sup>1</sup>

(Percentages of working population)



Sources : Ministry of Employment and Labour and National Employment Office. Calculations of the National Bank of Belgium.  
<sup>1</sup> Seasonally adjusted end-of-month figures.

CHAPTER III

EXPENDITURE AND PRICES



## COMMENTS ON TABLE III. 1 :

### 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 III. 1 were calculated, for the years 1975-1982, on the basis of the national accounts compiled by the National Statistical Institute, and more specifically of Table III. 4 « Allocation of the National Product. Estimates at 1975 prices ». In addition, in order to distinguish between individuals, companies and public authorities, use was also made of the national accounts compiled by the Statistical Office of the European Communities in accordance with the European System of Integrated Economic Accounts. For 1982 certain data were adapted by the Bank (as mentioned in the methodology concerning Table II. 1) in order to take into account the most recent balance of payments data. The data for 1983 are estimates made by the Bank.

b) The estimate of private consumption for 1983 is based on various indicators relating, respectively, to purchases of goods and purchases of services.

The development of purchases of goods within the national territory, which represent about 60 p.c. of total private consumption, is estimated on the basis of three trade indicators, shown in Chart III. 1.1.

The first indicator consists of the indicator of retail trade turnover according to declarations for value added tax, which showed a decline of 3.2 p.c. at constant prices during the first ten months of the year, against a rise of 1.1 p.c. during the twelve months of 1982.

The second indicator consists of the assessment of the development of commercial sales as indicated by the results of the Bank's business survey. According to this indicator, the movement of sales would appear to have deteriorated appreciably on average compared with 1982; during the year, however, the deterioration appears to have been particularly pronounced in the first half, whereas a distinct revival seems to have taken place from the summer onwards.

The third indicator consists of the index of retail turnover compiled on the basis of a survey conducted by the National Statistical Institute. This index, which had declined by 1.3 p.c. during the twelve months of 1982, showed a further fall of 6.7 p.c. over the first ten months of 1983.

The overall result arrived at was a decrease of the order of 3 p.c., that is, a slightly lower percentage than that given by the first of the above-mentioned indica-

tors, account having in fact been taken of the results of the Bank's survey for the last months of the year. Furthermore, the provisional index of retail turnover, the movement of which is the most negative in 1983, has seemed in some years to err on the pessimistic side in the light of the results of the national accounts (at least when this comparison is made — as in Chart III. 1.1 — on the basis of the provisional annual result of the turnover index compiled by the National Statistical Institute; as the latter arrives at the definitive data for this index with the aid of the national accounting results, it goes without saying that the annual evolution of private consumption then becomes, by definition, identical, whichever of these two statistics is used).

Expenditure on services in Belgium can be estimated on the basis of the movement of the turnover of the branches of activity concerned (as revealed by the declarations for value added tax), the benefits financed by the National Sickness and Disablement Insurance Institute and the number of households. According to these indicators purchases of services in Belgium would appear to have increased, during the year under review as a whole, by about 1.1 p.c.

In order to obtain the private consumption of Belgian households, the purchases of goods and services as recorded within the national territory must, according to the methodology adopted in the national accounts, be adapted by adding to them the expenditure of Belgian tourists abroad and deducting from them the expenditure of non-residents in Belgium. These data are derived from the balance of payments statistics: in 1983 the expenditure of Belgians abroad would appear to have fallen again while the purchases made in Belgium by non-residents, including those made direct from retailers by individuals from neighbouring countries, appear to have increased further.

Altogether, allowance being made for the downward adjustment resulting from these two movements and for the pronounced fall in purchases of consumer goods, partly offset by the rise in expenditure on services, private consumption appears to have decreased by 2 p.c. in 1983.

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 in 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 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 1983, 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 and making allowance for a period to completion of nine months. The available data, which cover dwellings started during the period April 1982 — September 1983, show a fall of about 14 p.c. in 1983 in the number of dwellings built. The fall in investment in housing was, however put at 5 p.c., an appreciably smaller drop, in order to allow for three factors :

— the reduction of 14 p.c. in the number of dwellings would appear to be exclusively attributable to social dwellings (that is, dwellings built by the National Housing Company, the National Land Company, the Housing Fund of the Large Families League and their approved companies, or financed through them, together with the social dwellings financed by the General Savings and Pensions Fund within the framework of its advances to approved loan companies), while the number of other dwellings appears to have risen slightly : if one turns from the numbers to the values at constant prices, the decrease in the former loses in importance in relation to the increase in the latter, owing to the relative prices of these two categories ;

— conversion work, which represents about 15 p.c. of investment in new dwellings, would appear to have expanded somewhat ;

— registration fees and charges on deeds, which, although primarily relating to the secondary market, are regarded in the national accounts conventions as representing expenditure on investment in housing, would also appear to have increased.

f) Gross capital formation by companies comprises the changes in stocks (other than livestock) and investment in fixed assets.

The movement of the latter is, as has already been mentioned earlier, estimated together with that of investment by one-man businesses, on the basis of the estimate of investment by enterprises, for which three main sources of information are available (Table III. 1.2).

The annual investment statistics of the National Statistical Institute, on which the national accounts are mainly based, only become available with a long time-lag and therefore cannot be directly used for estimates concerning the year under review ; they do, however, enable the link to be made between the national accounts and the other two indicators which can be used as a basis here because they are available more quickly, namely the Bank's investment surveys and the statistics derived from declarations for value added tax.

It was thought worthwhile, before presenting the estimates for 1983, to draw attention to certain divergences between the national accounts data and the various indicators referred to above.

There are, above all, differences between the various sources in the definition of investment. The main difference lies in the fact that in the national accounts, disinvestments (sales, demolitions or scrappings) are deducted from investments on the basis of the data of the annual investment statistics of the National Statistical Institute, which provides both sets of data separately by branch of activity. On the other hand, the statistics derived from the declarations for value added tax and, to a smaller extent, the Bank's surveys record the purchases of existing material without deducting disinvestments, which leads to duplication. Furthermore, the statistics based on the declarations for value added tax display other, more limited differences in definition as compared with the national accounts, owing, for instance, to divergences in the dates of recording.

Moreover, the scope of the two available indicators is more limited than that of the national accounts, which, by its nature, is all-embracing and comprises all branches of activity and all forms of enterprises. On the one hand, the statistics based on the declarations for value added tax record the investments only of the enterprises subject to that tax, so that the data provide no information on part of services — insurance institutions, the medical and paramedical professions, legal services and certain cultural services — and are incomplete in the fields of agriculture and commerce. The Bank's survey, for its part, is confined to the greater part of manufacturing industry, the building and electricity industries, together with the financial intermediaries and insurance institutions. On the other hand, the statistics based on the declarations for value added tax include the investments of all enterprises, whether in the form of companies or of one-man businesses. The Bank's survey, for its part, is based on a sample of companies. Its results are, however, extrapolated to all enterprises — companies and one-man businesses — belonging to the branches of activity considered.

For 1983 the decline in gross fixed capital formation by enterprises — companies and one-man businesses — was estimated at 4 p.c. In order to arrive at this overall estimate, three partial estimates were made, for manufacturing industry, other industries (including building) and market services respectively.

With regard to manufacturing industry, there are the two above-mentioned indicators: the results of the survey conducted in November by the Bank point to a stagnation in investment at current prices, which, allowance being made for an increase in the deflator estimated at 5 p.c. (see Table III. 2, item 3.2), represents a reduction of about 5 p.c. at constant prices. This decline is confirmed by the movement of investment based on declarations for value added tax during the first ten months of the year.

With regard to the other industries (mineral-extracting industry, electricity, water and gas) and building, which were grouped separately, because their development displays features different from those of manufacturing industry, but also because disturbances have taken place in recent years in various statistics relating to them, the calculations were based mainly on the declarations for value added tax, amended to take into account certain indications provided by the Bank's surveys; all in all, these data point to a fall of about 10 p.c.

With regard to market services, little information is provided by the Bank's surveys and the statistics derived from the declarations for value added tax therefore constitute the main source. According to these the fall in investment would appear to have amounted to about 2 p.c. at constant prices during the first ten months, and this percentage was assumed for the whole of the year under review.

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

h) On the basis of the still very fragmentary indications provided by the balance of payments of the Belgian-Luxembourg Economic Union (see Chapter VI) and of the estimates adopted for the movement of the deflators of foreign trade (see Table III. 2, items 5 and 7), Belgian exports and imports of goods and services would appear to have increased by 1.8 p.c. and decreased by 2.4 p.c. respectively.

Table III. 1

## GROSS NATIONAL PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES

*(Percentage changes compared with previous year)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. Private consumption .....	+ 0.4	+ 5.1	+ 2.4	+ 3.0	+ 4.7	+ 2.1	- 1.4	+ 0.8	- 2.0
2. Public consumption .....	+ 4.9	+ 4.0	+ 2.7	+ 6.0	+ 2.6	+ 1.6	+ 0.9	- 1.6	- 0.7
3. Gross capital formation .....	-13.4	+ 7.3	+ 0.3	+ 2.5	+ 0.5	+ 0.5	-16.3	- 2.5	- 3.6
3.1 Individuals .....	- 6.2	+17.7	+ 2.1	+ 7.0	-10.8	- 2.2	-34.8	- 3.8	- 5.1
of which : housing .....	(- 3.3)	(+15.7)	(+ 1.8)	(+ 6.3)	(-12.6)	(- 1.0)	(-40.3)	(- 6.5)	(- 5.0)
3.2 Companies .....	-24.0	+ 0.1	- 1.6	+ 0.4	+ 9.8	- 0.4	- 5.8	+ 0.1	- 1.3
of which : fixed assets .....	(- 2.6)	(- 7.5)	(- 2.9)	(+ 1.1)	(+ 3.5)	(+ 9.9)	(- 2.1)	(+ 0.4)	(- 4.0)
3.3 Public authorities .....	+ 9.7	+ 5.4	+ 0.7	- 2.4	+ 5.5	+ 8.6	- 6.6	- 6.8	- 7.8
4. Total domestic expenditure .....	- 2.2	+ 5.4	+ 2.0	+ 3.4	+ 3.4	+ 1.7	- 4.1	- 0.2	- 2.1
5. Exports of goods and services .....	- 8.9	+12.6	+12.3 <sup>2</sup>	+ 3.7	+ 7.9	+ 4.5	+ 3.7	+ 2.9	+ 1.8
6. Total final expenditure .....	- 4.4	+ 7.7	+ 5.4	+ 3.5	+ 5.0	+ 2.7	- 1.2	+ 1.0	- 0.5
7. Imports of goods and services .....	- 9.7	+12.1	+14.9 <sup>2</sup>	+ 4.0	+ 9.5	+ 2.1	- 1.4	+ 1.1	- 2.4
<i>p.m.</i> Net exports of goods and services <sup>1</sup> .....	+ 0.4	+ 0.3	- 1.2	- 0.2	- 1.0	+ 1.4	+ 3.0	+ 1.1	+ 2.6
8. Gross domestic product .....	- 1.8	+ 5.6	+ 0.7	+ 3.3	+ 2.5	+ 3.1	- 1.1	+ 0.9	+ 0.5
9. Net factor income <sup>1</sup> .....	...	+ 0.1	- 0.2	- 0.1	- 0.4	- 0.5	- 0.1	- 0.3	...
10. Gross national product .....	- 1.8	+ 5.7	+ 0.5	+ 3.2	+ 2.1	+ 2.6	- 1.2	+ 0.6	+ 0.5

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Contribution to the growth in the gross national product.<sup>2</sup> 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.

## B. Main developments.

a) The — very modest. — growth in the gross domestic product, already mentioned in Chapter II, has its origin in the movement of the external components of demand. Partly under the influence of the continued improvement in the competitiveness in terms of prices and costs of the sector exposed to international competition and of a moderate expansion in foreign markets, exports of goods and services rose during the year under review, making a positive contribution to the growth in the gross domestic product. The reduction in imports of goods and services also contributed to this growth. On the other hand, the weakness of domestic demand largely counteracted the impulse from the foreign components of demand; this weakness and this impulse are however closely interrelated, because they were both to a great extent due to the efforts made to improve competitiveness and reduce public spending.

b) Individuals, faced for the second year in succession with a drop in their real disposable income, reduced their private consumption by 2 p.c. (item 1 of Table III. 1). This decrease is the net result of a marked fall in purchases of goods (Chart III. 1.1) and a slight increase in expenditure on services.

c) Gross capital formation by individuals (item 3.1 of Table III. 1) declined again.

This was because investment in housing, which, since its spectacular fall in 1981, accounts for just under three-quarters of that formation, went on decreasing.

Social housing played a decisive role in this connection, since the falling-off in activity in this sector was even more pronounced than in 1982, which was already an exceptionally bad year. This development is the combined result of several factors: the existence of a substantial stock of unsold dwellings owned by the main housing companies, the maintenance of various financial constraints imposed on these companies by the regional supervisory authorities and certain profitability considerations on the part of institutions which finance this category of dwellings.

Private housing had reacted favourably in 1982 to the incentives introduced by the public authorities and particularly to the reduction of the rate of value added tax from 17 to 6 p.c. on 1st March 1982. During the year under review this movement continued thanks to the decline in mortgage interest rates, the tax measures for encouraging building in force from 1st July and the improvement of the systems of grants provided by the regions. Registration fees and charges on deeds — regarded in national accounting, by convention, as an item of expenditure on investment in housing — also continued to increase fairly strongly, as did also, albeit to a smaller extent, work on the conversion of dwellings. These factors were not, however, powerful enough to counterbalance the decline in social housing: the overall decrease in expenditure on housing thus appears to have amounted to about 5 p.c.

d) The public authorities' budget restrictions continued to be reflected in their expenditure. Public expenditure on consumption (item 2 of Table III. 1) would appear to have declined slightly as a result of a further reduction in purchases of goods and services and a stabilisation of employment, and despite the increase in expenditure due to the rise in the number of pensioners. Gross capital formation (item 3.3), for its part, showed a further substantial drop, which took place at Central Government level and, more still, at that of the local authorities.

e) Gross capital formation of companies (item 3.2) would appear to have fallen off by 1.3 p.c. The decline in the building-up of fixed assets was more pronounced, but was partly counterbalanced by the movement of stocks, since the level of the latter appears to have remained unchanged, on average, during the year under review whereas it had fallen the previous year, with the result that this item made a positive contribution to the change in gross capital formation by companies.

While the overall profitability of companies improved for the second year running (see the comments on Table IV. 1), partly owing to the government measures, the resultant easier financial situation was not reflected, during the year under review, in a growing flow of investment but led to an improvement in the financial structure — including by increased formation of financial assets — after the deterioration of that structure during the years prior to 1982; this line of conduct may have been encouraged by the still high level of interest rates. Furthermore,

the poor state of economic activity, reflecting the weakness of total final demand, doubtless gave companies little incentive to increase their production capacities.

f) The above-mentioned developments, combined, led to a reduction in total domestic expenditure (item 4 of Table III. 1) estimated at 2.1 p.c.

g) Exports of Belgian goods and services (item 5), for their part, appear to have risen by 1.8 p.c., and this in a context of low growth of Belgium's main markets, thus perhaps reflecting increased penetration of foreign markets (see the comments on Table VI. 2).

h) All in all, total final expenditure (item 6 of Table III. 1) would appear to have declined by 0.5 p.c.

i) Despite the limited extent of the decrease in final expenditure and the fact that the import content of exports (which rose) is higher than that of total domestic expenditure (which fell), imports of goods and services (item 7) would appear to have decreased by 2.4 p.c. owing to a reduction in purchases of energy products connected with the expansion in the production of Belgian nuclear power stations and probably also thanks to a certain substitution of domestic products for foreign products.

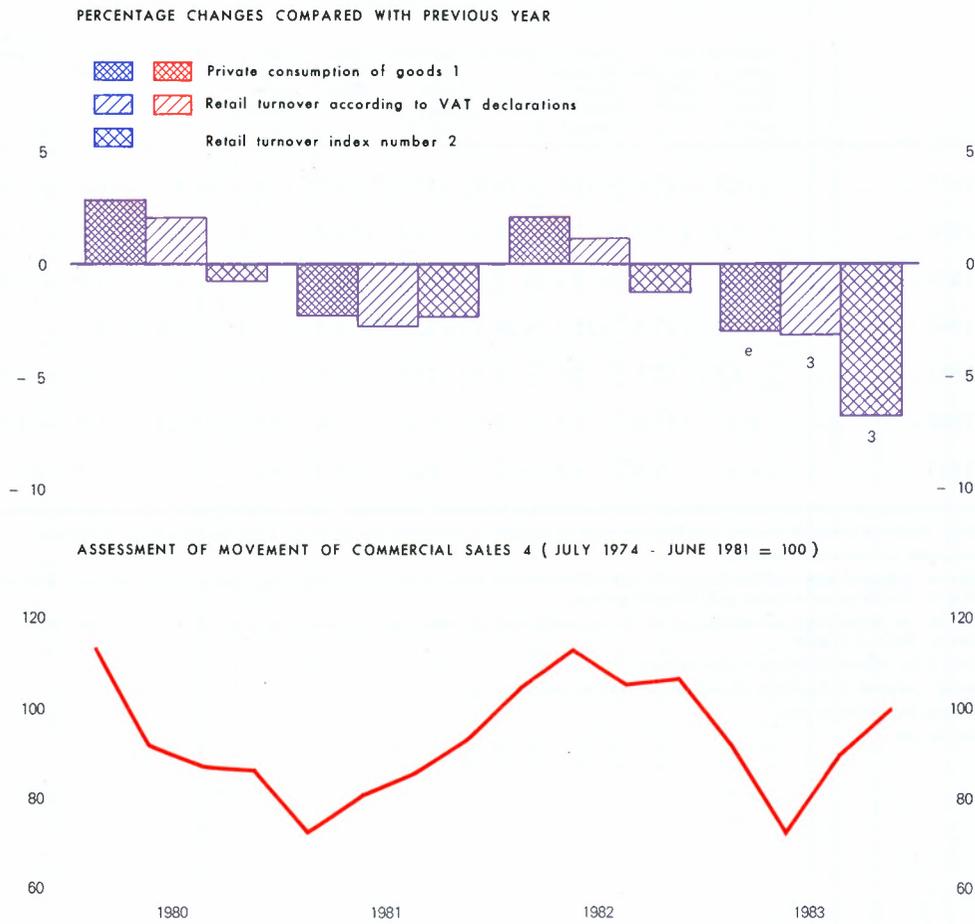
j) Lastly, net factor income — which has been structurally negative since interest payments to foreign countries have exceeded interest receipts from them — was favourably influenced by the fall in interest rates, and its contribution to the evolution of the gross national product (item 9) would appear to have been practically zero in 1983, so that the rise in that product (item 10) appears to have been 0.5 p.c., as was that in the gross domestic product.

k) The growth in the gross domestic product would appear to have been lower in Belgium in 1983 than in the European Economic Community as a whole and much smaller than in Japan and the United States (Table III. 1.3). These negative differences are due to the fact that only Belgium appears to have experienced a reduction in domestic expenditure and, in particular, in private consumption; similarly, gross capital formation, which appears to have declined everywhere except in the United States, seems to have fallen more in Belgium, partly owing

to the persistent decline in housing. Domestic expenditure in Belgium thus decreased for the third year in succession; that means that since 1981 its movement has been consistently less favourable than in the other countries of the European Economic Community. On the other hand, the contribution of net exports of goods and services to the growth in the gross domestic product would appear, as in the two preceding years, to have been much greater in Belgium than in the other countries considered : this more favourable development is due partly to good export performance and the low level of imports, but also to the degree of openness of the Belgian economy, which is reflected, when the volume of foreign trade improves, in a larger contribution to growth than for the more closed economies, such as Japan, for instance.

Chart III. 1.1

INDICATORS OF PRIVATE CONSUMPTION OF GOODS AT CONSTANT PRICES WITHIN THE TERRITORY OF BELGIUM



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

<sup>1</sup> According to the national accounts.

<sup>2</sup> According to provisional data compiled each year by the National Statistical Institute.

<sup>3</sup> Ten months.

<sup>4</sup> According to the National Bank of Belgium's survey; averages, per quarter, of seasonally adjusted and smoothed monthly data.

Table III. 1.2

ENTERPRISES<sup>1</sup> GROSS FIXED CAPITAL FORMATION AT CONSTANT PRICES*(Percentage changes compared with previous year)*

	Manufacturing industry according to :				Mineral-extracting industry, water, gas, electricity and building industries according to :				Other branches according to <sup>2</sup> :	
	annual industrial investment statistics <sup>3 4</sup>	declarations for value added tax <sup>3</sup>	National Bank of Belgium's investment survey <sup>3 5</sup>	national accounts	annual industrial investment statistics <sup>3 4</sup>	declarations for value added tax <sup>3</sup>	National Bank of Belgium's investment survey <sup>3 5 6</sup>	national accounts	declarations for value added tax <sup>3</sup>	national accounts
1977 .....	- 11.0	- 17.6	- 13.9	- 16.8	+ 17.4	- 9.7	+ 5.3	+ 8.3	+ 1.3	+ 5.3
1978 .....	- 3.2	+ 1.4	- 7.6	- 4.3	- 1.4	+ 19.4	- 3.1	- 1.9	+ 17.6	+ 7.1
1979 .....	+ 7.4	+ 8.7	+ 4.6	+ 2.1	+ 6.5	+ 7.1	+ 3.9	+ 1.9	- 5.0	+ 2.9
1980 .....	+ 22.2	+ 13.5	+ 21.3	+ 29.3	+ 12.0	+ 3.4	+ 7.1	- 9.8	+ 0.3	+ 2.1
1981 .....	- 4.9	- 11.1	- 3.0	- 9.3	- 11.6	- 6.5	- 6.4	- 0.7	- 5.0	- 1.0
1982 .....	n.a.	+ 11.6	+ 2.1	+ 9.5	n.a.	- 9.8	- 19.6	- 12.3	+ 6.0	- 1.6
1983 .....	n.a.	- 5.0 <sup>7</sup>	- 4.8	n.a.	n.a.	- 11.4 <sup>7</sup>	n.a.	n.a.	- 1.9 <sup>7</sup>	n.a.

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

<sup>1</sup> Companies and one-man businesses.<sup>2</sup> Only two indicators were used here because the national investment statistics cover only transport and communications and financial services, while the Bank's survey concerns only financial services.<sup>3</sup> The data at current prices are deflated by the corresponding deflators taken from the national accounts or, for 1983, estimated by the National Bank of Belgium.<sup>4</sup> Gross data, without deduction of disinvestment.<sup>5</sup> Survey conducted in November of each of the years in question.<sup>6</sup> Building and electricity only.<sup>7</sup> Ten months.

Table III. 1.3

GROSS DOMESTIC PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES :  
INTERNATIONAL COMPARISON<sup>1</sup>*(Percentage changes compared with previous year)*

	Belgium			European Economic Community			United States			Japan		
	1981	1982	1983 e	1981	1982	1983	1981	1982	1983	1981	1982	1983
1. Private consumption .....	- 1.4	+ 0.8	- 2.0	+ 0.1	+ 0.5	+ 0.9	+ 2.7	+ 1.4	+ 4.3	+ 0.5	+ 4.2	+ 3.5
2. Public consumption .....	+ 0.9	- 1.6	- 0.7	+ 1.7	+ 0.7	+ 1.1	+ 0.8 <sup>4</sup>	+ 1.8 <sup>4</sup>	+ 0.7 <sup>4</sup>	+ 4.6	+ 3.5	+ 3.3
3. Gross capital formation .....	-16.3	- 2.5	- 3.6	- 9.2	+ 1.0	- 0.6	+ 9.2 <sup>4</sup>	-14.5 <sup>4</sup>	+11.7 <sup>4</sup>	+ 3.2	+ 0.7	- 1.3
3.1 Housing .....	-40.3	- 6.5	- 5.0	- 5.6	- 4.5	- 0.1	- 5.2	-15.3	+40.0	- 2.6	- 1.0	- 2.5
3.2 Enterprises <sup>2</sup> .....	- 7.0	+ 0.5	- 1.8	-12.6	+ 4.2	- 0.1	+13.3	-14.3	+ 4.9	+ 4.5	+ 1.2	- 1.0
(of which : fixed assets) .....	(- 3.6)	(+ 0.1)	(- 4.0)	(- 2.9)	(- 0.7)	(- 0.7)	(+ 5.2)	(- 4.7)	(+ 0.2)	(+ 5.6)	(+ 1.8)	(+ 0.5)
3.3 Public authorities .....	- 6.6	- 6.8	- 7.8	- 2.8	- 4.3	- 4.6	n.b. <sup>4</sup>	n.b. <sup>4</sup>	n.b. <sup>4</sup>	+ 5.3	+ 0.7	- 1.0
4. Total domestic expenditure .....	- 4.1	- 0.2	- 2.1	- 2.1	+ 0.8	+ 0.6	+ 3.2	- 1.0	+ 4.6	+ 1.9	+ 2.9	+ 2.0
5. Exports .....	+ 3.7	+ 2.9	+ 1.8	+ 3.9	+ 1.3	+ 1.6	- 2.0	- 7.8	- 6.0	+14.7	+ 3.2	+ 2.5
6. Imports .....	- 1.4	+ 1.1	- 2.4	- 1.6	+ 2.1	+ 0.4	+ 5.8	+ 1.4	+ 7.5	+ 1.5	+ 3.1	- 5.7
<i>p.m.</i> Net exports of goods and services <sup>3</sup> .....	+ 3.0	+ 1.1	+ 2.6	+ 1.7	- 0.3	+ 0.4	- 0.6	- 0.9	- 1.2	+ 2.2	+ 0.2	+ 1.2
7. Gross domestic product .....	- 1.1	+ 0.9	+ 0.5	- 0.3	+ 0.5	+ 1.0	+ 2.7	- 1.9	+ 3.4	+ 4.0	+ 3.0	+ 3.1

Sources : Belgium : National Statistical Institute and also National Bank of Belgium for 1982. Other countries : Organisation for Economic Co-operation and Development. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> For the United States, Japan and the Federal Republic of Germany, the 1982 and 1983 figures are for the gross national product.

<sup>2</sup> Companies and one-man businesses.

<sup>3</sup> Contribution to the growth in the gross domestic product.

<sup>4</sup> In the United States the distinction between public consumption and public investment does not exist. The latter is therefore included in item 2.

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## COMMENTS ON TABLE III. 2 :

### 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 the rest of the world.

b) The percentage changes shown in Table III. 2 for the years 1975 to 1982 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, the rise in which in 1981 is appreciably higher than that in the index of consumer prices (8.8 against 7.6 p.c.), whereas in 1982 the converse takes place (7.6 against 8.7 p.c.). Among the causes of these divergences mention should be made in particular of that connected with 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 attributed to private consumption. Generally speaking, this practice has the disadvantage, in relation to Table III. 2, of making the 1982 deflators and the estimates without statistical adjustments of the 1983 deflators not comparable with each other. In order to facilitate such comparisons, the 1981 and 1982 deflators before statistical adjustments are shown in Table III. 2 alongside the deflators obtained after statistical adjustments.

Table III. 2 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 1983 deflators are estimates of the Bank which are generally calculated on the basis of the price indicator used by the National Statistical Institute or, in the absence of these, on the basis of the available indicators which approach them most closely.

d) For private consumption the estimated change in the deflator corresponds to that recorded by the index of consumer prices, namely + 7.7 p.c. In the past, and independently of the effects due to the statistical adjustments mentioned in b) above, these two indices have not generally moved parallel with each other, partly because the weightings of the various categories of goods and services which compose them are different. According to still provisional calculations, however, it appears that this cause of divergence was particularly small in 1983, so that it was not necessary to take it into account.

e) Owing to the structure of public consumption, three-quarters of which consists of the remuneration of civil servants, the deflator of this category of expenditure depends largely on the movement of the deflator employed for this remuneration. This movement was estimated on the basis of the index of the salaries paid to civil servants, the rise in which was curbed by the system of partial index-linking in force in 1983; it was furthermore subject to the downward influence of the postponement of the payment of the 1983 end-of-year bonus until 1984. The rise in the deflator for remuneration would thus appear to have been only 1.2 p.c. It should be noted, in connection with the postponement of the payment of the bonus, that its effect on the nominal development of public consumption was entirely attributed to prices.

Account being taken, furthermore, of a rise of some 8 p.c. in the prices of goods and services purchased by the public authorities, the deflator of public consumption would appear to have gone up altogether by 2.8 p.c.

f) The rise in the deflator of gross capital formation in housing is estimated at 3 p.c. This estimate is obtained by calculating the weighted average of the increase in the cost of building materials — estimated at 3 p.c. on the basis of the two available indicators (the index of the wholesale prices of building materials and Index I of the cost of building materials; source : Ministry of Economic Affairs) — and of that in the cost of labour in building — estimated at 6 p.c. on the basis of the movement of Index S compiled by the Ministry of Public Works; the result thus obtained — namely 4.5 p.c. — was reduced by 1.5 p.c. in order to allow for the residual effect of the lowering of the rate of value added tax from 17 to 6 p.c.

g) The rise in the deflator of companies' fixed assets was estimated at 5 p.c. This percentage corresponds to the weighted average of the percentage changes in two categories of costs :

— the cost of construction of non-residential buildings and civil engineering structures, the rise in which is assumed to be identical with that in the cost, excluding value added tax, of the construction of dwellings and is therefore estimated at 4.5 p.c. [see point f) above];

— the cost of materials, the rise in which is estimated at 5.7 p.c., account being taken of the upward movement of the index of wholesale prices of metal manufactures (source : Ministry of Economic Affairs) and of certain factors which this index does not appear to take into account.

h) The deflators of foreign trade in goods and services are mainly estimated on the basis of the indices of the average unit values of exports and imports of goods compiled by the National Statistical Institute (see Table VI. 2.1). Over the first eight months of the year these went up by 6.8 p.c. and 7.6 p.c. respectively.

i) In Table III. 2.1 the contribution of a category of products 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 the overall index and dividing the result by the previous year's overall index.

j) An international comparison of the rises in consumer prices and in deflators of the gross domestic product (after statistical adjustments) is shown in Chart III. 2.3. Foreign countries are represented by a group of eight industrialised countries (United States, Canada, Japan, Federal Republic of Germany, France, United Kingdom, Italy, Netherlands), for which a geometrical weighted average of the price indices in the national currencies was calculated. The weighting applied to the consumer price index of each country represents the relative share of that country's private consumption in the total expenditure on private consumption, expressed in a common currency, of the eight countries considered during the period 1980-1983 as a whole. The weightings applied to the deflators of the gross domestic products represent the relative shares of these products, arrived at in a similar manner. The rate of the rise in prices is then calculated from these average indices.

Table III. 2

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

(Percentage changes compared with previous year)

	1975	1976	1977	1978	1979	1980	1981 <sup>1</sup>		1982 <sup>1</sup>		1983 <sup>e</sup>
1. Private consumption .....	+12.6	+ 7.8	+ 7.0	+ 3.9	+ 3.7	+ 6.7	+ 7.3	(+ 8.8)	+ 8.0	(+ 7.6)	+ 7.7
2. Public consumption .....	+17.8	+ 9.2	+ 7.9	+ 4.9	+ 5.3	+ 7.7	+ 7.9	(+ 7.9)	+ 7.3	(+ 7.3)	+ 2.8
3. Gross capital formation .....	+12.3	+ 7.1	+ 6.4	+ 4.1	+ 4.0	+ 6.0	+ 3.5	(+ 5.0)	+ 6.1	(+ 5.6)	+ 4.7
3.1 Individuals .....	+13.6	+ 9.3	+ 7.3	+ 5.5	+ 5.1	+ 7.5	+ 2.6	(+ 2.6)	+ 2.7	(+ 2.7)	+ 3.8
of which : housing .....	(+14.7)	(+10.2)	(+ 7.9)	(+ 6.0)	(+ 5.4)	(+ 8.7)	(+ 4.0)	(+ 4.0)	(+ 1.8)	(+ 1.8)	(+ 3.0)
3.2 Companies .....	+12.3	+ 4.3	+ 5.7	+ 1.9	+ 3.7	+ 4.5	+ 3.3	(+ 6.4)	+ 6.4	(+ 5.4)	+ 5.3
of which : fixed assets .....	(+ 9.9)	(+ 5.9)	(+ 5.3)	(+ 2.9)	(+ 4.3)	(+ 2.4)	(+ 3.5)	(+ 3.5)	(+ 6.4)	(+ 6.4)	(+ 5.0)
3.3 Public authorities .....	+ 9.4	+ 9.0	+ 5.8	+ 5.4	+ 4.7	+ 6.4	+ 9.3	(+ 9.3)	+10.6	(+10.6)	+ 5.5
4. Total domestic expenditure .....	+13.4	+ 7.9	+ 7.1	+ 4.2	+ 4.0	+ 6.8	+ 6.8	(+ 8.1)	+ 7.6	(+ 7.2)	+ 6.3
5. Exports of goods and services .....	+ 4.7	+ 6.3	+ 3.3	+ 1.1	+ 9.0	+ 9.1	+ 9.4	(+ 9.4)	+13.3	(+13.3)	+ 6.4
6. Total final expenditure .....	+10.3	+ 7.4	+ 5.7	+ 3.1	+ 5.7	+ 7.6	+ 7.8	(+ 8.5)	+ 9.8	(+ 9.6)	+ 6.4
7. Imports of goods and services .....	+ 5.9	+ 7.1	+ 3.0	+ 1.0	+ 8.8	+13.4	+13.8	(+13.8)	+13.4	(+13.4)	+ 7.4
<i>p.m.</i> Terms of trade <sup>2</sup> .....	- 1.2	- 0.7	+ 0.3	+ 0.1	+ 0.1	- 3.7	- 3.9	(- 3.9)	- 0.1	(- 0.1)	- 0.9
8. Gross domestic product = Gross national product .....	+12.6	+ 7.5	+ 7.3	+ 4.2	+ 4.2	+ 4.2	+ 4.1	(+ 5.3)	+ 7.4	(+ 7.0)	+ 6.0

Sources : National Statistical Institute and National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Left-hand column : gross deflators, not including statistical adjustments; right-hand column : deflators after incorporation of these statistical adjustments.

<sup>2</sup> Formula :  $\left( \frac{\text{index of deflator of exports of goods and services expressed on the basis of the preceding year} = 100}{\text{index of deflator of imports of goods and services expressed on the basis of the preceding year} = 100} \times 100 \right) - 100$ .

## B. Main developments.

a) The deflator of final expenditure (item 6 of Table III. 2) increased appreciably less in 1983 than in 1982. This slowing-down, which appears to be mainly attributable to the slackening of the rise in import prices, affected all the main categories of expenditure, but was more marked for export prices than for those of domestic expenditure.

b) The rate of rise of the deflator of expenditure on private consumption slowed down slightly (item 1 of Table III. 2, taking for 1982 the rise before statistical adjustments). The slackening is clearer if the comparison is made by means of the index of consumer prices (Table III. 2.1) : from 8.7 p.c. in 1982 to 7.7 p.c. This development is in contrast with the speeding-up of inflation which had characterised the three preceding years.

It should be noted that the slowing-down of the rise in consumer prices took place despite the fact that the direct impact of the increases in indirect taxes would appear to have been nearly 1 p.c. in 1983, against only about 0.5 p.c. in 1982. This greater impact is mainly attributable to the fact that the tax measures in the year under review generally came into force from 1st January, while those which influenced the previous year (Operation Maribel of June 1981) applied only to part of that year (the first half of 1982 in relation to the first half of 1981).

The comparison of the contributions made by the main product categories to the rise in the overall consumer price index (lower part of Table III. 2.1) shows that the slackening observable from 1982 to 1983 is more than fully attributable to the slowing-down of the rise in the prices of energy products and, subsidiarily, of food products, the contributions of which decreased from 1.9 and 2.2 p.c. in 1982 to 0.5 and 1.9 p.c. respectively.

The appreciably smaller rise in the prices of energy products (3.3 p.c. against 14.8 p.c. in 1982) (upper part of Table III. 2.1) is due to the substantial fall in the dollar prices of energy products, combined with a smaller appreciation of the dollar rate.

The slowing-down of the rise in the prices of food products, from 9.5 p.c. in 1982 to 8.4 p.c. is undoubtedly connected with the smaller

increase in producer prices [column (a) of Table III. 2.2] of agricultural and horticultural products (about 8 p.c. against 10.9 p.c. during 1982). This development is solely due to that of animal products, and particularly pig-meat products [column (d) of Table III. 2.2], the price of which would appear to have fallen by nearly 5 p.c. against a rise of some 20 p.c. in 1982, under the influence of market factors (an expansion in supply coupled with a weakness of demand). The decisions concerning prices adopted by the European Economic Community within the framework of the common agricultural policy likewise tended to slow down the rise. In May 1983 the annual average increase in agricultural prices in the Community was fixed at 4.2 p.c., against 10.5 p.c. in May 1982. Furthermore, the changes in the rate for the green franc in 1983, largely due to the delayed effects of the 1982 devaluation, were less important than the adjustments which had already been made in 1982 as a result of that devaluation.

In comparison with the movements recorded in eight foreign countries (Chart III. 2.3, top part), the rise in consumer prices nevertheless slowed down less in Belgium, so that the difference between Belgium's inflation rate and the average rate for the foreign countries considered — which had become positive in 1982 — increased appreciably.

c) The rise in the deflator of public consumption was much smaller in 1983 : 2.8 against 7.3 p.c. the previous year. This slowing-down mainly reflects the repercussions of the incomes policy, and especially of the measures applying to the remunerations of civil servants (item 2 of Table III. 2).

d) The deflator of gross capital formation went up less in 1983, its rate of rise having declined from 6.1 to 4.7 p.c. (item 3). The slowing-down would have been greater had it not been for the movement of prices of investment in housing, the increase in which, though still very modest, was greater than in the previous year. This acceleration is the result of two factors working in opposite directions. On the one hand, the increase in prices excluding value added tax was — as for other capital goods — distinctly smaller than in 1982, owing to a pronounced slackening of the rise in the prices of building materials; on the other hand, the lowering of the rate of value added tax, which, in 1982, had exerted a downward influence from March onward and had largely counterbalanced the movement of prices excluding value added tax

during that year, had hardly any moderating effect on that movement in 1983.

e) The price control measures adopted following the devaluation of the franc in February 1982 had subsequently been relaxed for small and medium-sized production and import enterprises and for small distribution enterprises. The development of prices during the year under review may have been influenced, first of all, by the relaxation decided upon at the end of 1982 for medium-sized distribution enterprises — enabling these to adjust their profit margins — and then, in November 1983, by the application of a similar relaxation to large distribution enterprises.

f) The rate of rise of the deflators of foreign trade slowed down markedly (items 5 and 7 of Table III. 2). As in the case of domestic expenditure, the slackening of the rise in the deflator of exports of goods and services (6.4 p.c. in 1983 against 13.3 p.c.) is largely attributable to that in import prices (7.4 p.c. in 1983 against 13.4 p.c.) for exporters who pass on the rise in their costs to their selling prices. For exporters the movement of whose selling prices is governed more by the prices applied in foreign markets, this movement would appear to be due to the slowing-down of the rise, expressed in national currencies, of foreign prices, combined with the smaller increase in the weighted average rate for the foreign currencies (2.7 p.c. in 1983 against 11 p.c.).

g) All the deflators of the various components of final demand reflect, in varying degrees, both the movement of Belgian costs and that of foreign costs expressed in francs. On the other hand, import prices do not have any direct influence on the movement of the deflator of the gross domestic product (item 8), since this price movement corresponds to that of the value added by the Belgian economy and thus, in principle, takes account of the average development of domestic costs, even if these may have been indirectly influenced by import prices. The rise in this deflator slowed down from 7.4 p.c. in 1982 to 6 p.c.

h) An international comparison (Chart III. 2.3, bottom part) — which, for reasons of comparability, has to apply to the data after statistical adjustments — of the rates of rise of the deflator of the gross domestic product in national currency shows, however, that the rise in

costs in national currency in Belgium, which had increased in 1981 and above all in 1982 — when it was decreasing abroad — did not slow down in 1983 as much as it did abroad.

Table III. 2.1

## CONSUMER PRICES

Years	Overall index (a)	Breakdown by categories of products				
		Food products (b)	Energy products (c)	Other products (d)	Services (e)	Rents (f)
Percentage changes compared with previous year						
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
1983 .....	+ 7.7	+ 8.4	+ 3.3	+ 8.6	+ 7.9	+ 9.0
Percentage contribution of each of the categories to the change in the overall index						
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
1983 .....	+ 7.7	1.9	0.5	2.5	2.3	0.5

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

Table III. 2.2

AGRICULTURAL AND HORTICULTURAL PRICES<sup>1</sup>*(Percentage changes compared with previous year)*

Years	Overall index	Agricultural products			Total	Horticultural products
		Vegetable products	Animal products			
			total	of which pig-meat		
(a)	(b)	(c)	(d)	(e)	(f)	
1980 .....	+ 3.1	+ 4.8	+ 2.5	+ 2.4	+ 2.9	+ 4.6
1981 .....	+10.0	+ 4.9	+10.6	+12.1	+ 9.7	+11.4
1982 .....	+10.9	+ 5.0	+13.7	+19.6	+12.4	+ 4.9
1983 ..... <i>p</i>	+ 8.2	+29.5	+ 3.5	- 4.9	+ 7.0	+12.8

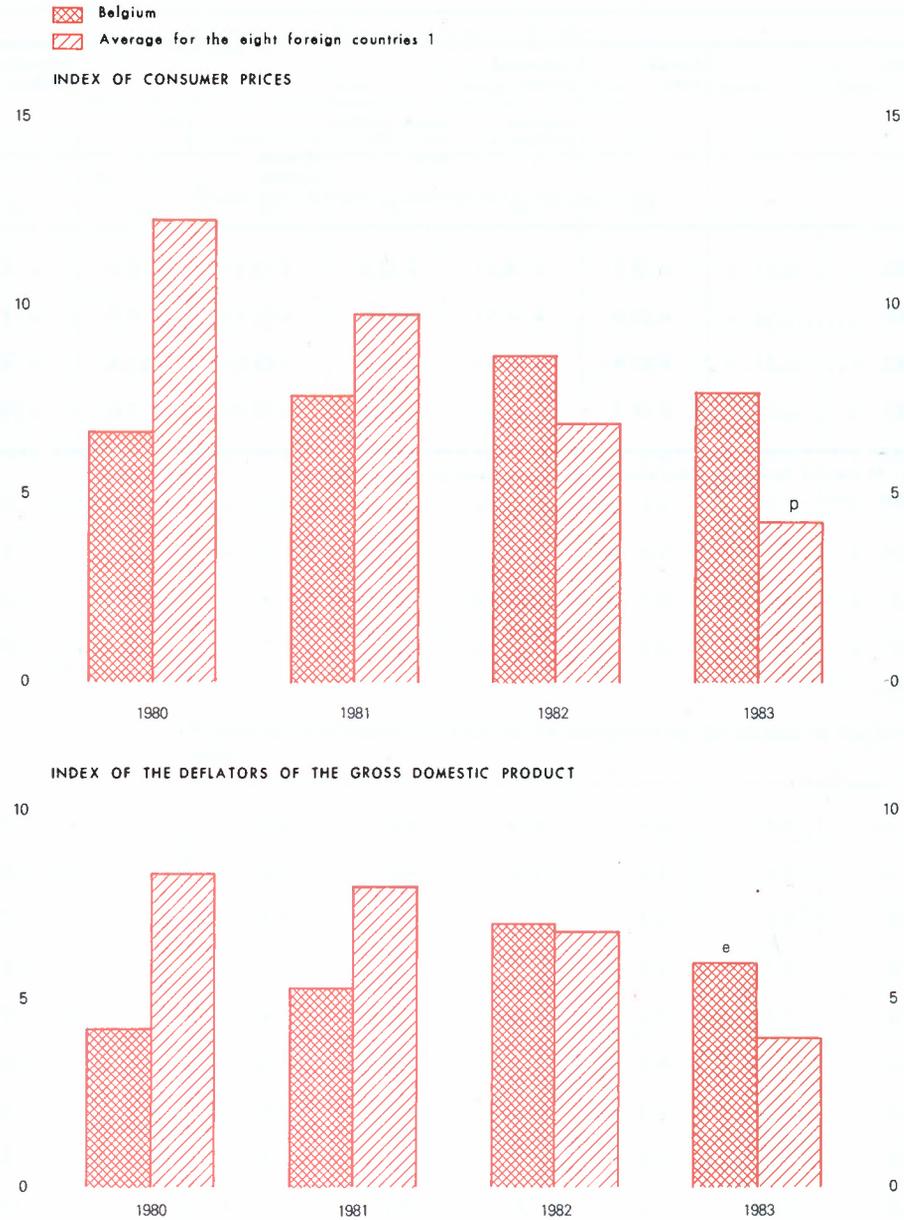
Sources : Ministry of Agriculture. Calculations of the National Bank of Belgium.

<sup>1</sup> Producer prices.

Chart III. 2.3

PRICES IN NATIONAL CURRENCY IN BELGIUM AND ABROAD

(Percentage changes compared with previous year)



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

Deflators of the gross domestic product : Belgium : National Statistical Institute and National Bank of Belgium for 1982. Foreign countries : Organisation for Economic Co-operation and Development. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> United States, Canada, Japan, Federal Republic of Germany, France, United Kingdom, Italy, Netherlands.

## COMMENTS ON TABLE III. 3 :

### MAIN CATEGORIES OF EXPENDITURE.

#### A. Methodology.

a) Part a. of Table III. 3 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 III. 1 were calculated; part b. of Table III. 3 presents the same data at current prices, that is, after they have been multiplied by the deflators whose percentage changes appear in Table III. 2.

b) Table III. 3 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 III. 3.1, in which the data of Table III. 3 are expressed as percentages of the gross national product.

c) The movement of the percentages contained in part a. of Table III. 3.1 is the result of the relative movement, at 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 III. 3.1 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 gross national product is generally not identical.

Table III. 3

## MAIN CATEGORIES OF EXPENDITURE

*(Billions of francs)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<i>a. Constant prices (1975 prices)</i>									
1. Private consumption .....	1,421	1,493	1,529	1,574	1,648	1,682	1,658	1,671	1,637
2. Public consumption .....	388	404	415	440	452	459	463	455	452
3. Gross capital formation .....	500	536	537	551	554	557	466	455	438
3.1 Individuals .....	178	210	214	229	204	200	130	126	119
3.2 Companies .....	232	232	228	230	252	251	237	237	234
3.3 Public authorities .....	90	94	95	92	98	106	99	92	85
4. Total domestic expenditure (1 + 2 + 3) .....	2,309	2,433	2,481	2,565	2,654	2,698	2,587	2,581	2,527
5. Net exports of goods, services and factor incomes ..	17	26	- 10	- 16	- 52	- 28	51	72	139
6. Gross national product (4 + 5) .....	2,326	2,459	2,471	2,549	2,602	2,670	2,638	2,653	2,666
<i>b. Current prices</i>									
1. Private consumption .....	1,421	1,610	1,764	1,888	2,049	2,232	2,394	2,596	2,740
2. Public consumption .....	388	441	489	544	588	644	701	740	755
3. Gross capital formation .....	500	574	613	654	684	729	640	659	665
3.1 Individuals .....	178	229	251	283	266	279	187	184	182
3.2 Companies .....	232	242	252	258	294	306	307	324	336
3.3 Public authorities .....	90	103	110	113	124	144	146	151	147
4. Total domestic expenditure (1 + 2 + 3) .....	2,309	2,625	2,866	3,086	3,321	3,605	3,735	3,995	4,160
5. Net exports of goods, services and factor income ..	17	19	- 17	- 24	- 67	- 122	- 113	- 98	- 10
6. Gross national product (4 + 5) .....	2,326	2,644	2,849	3,062	3,254	3,483	3,622	3,897	4,150

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

## B. Main developments.

a) Expressed as a percentage of the gross national product (part a. of Table III. 3.1), private consumption at constant prices would appear to have fallen in 1983, whereas it had remained at a virtually unchanged level from 1979 to 1982. It thus appears to have declined to a little below the average proportion recorded in 1977-1978. The relative importance of public consumption appears to have decreased slightly, as it already had in 1982.

b) The share of total gross capital formation in the gross national product at constant prices appears to have decreased again in 1983, thus confirming a tendency observable since 1979. The fall during the year under review is attributable to the public authorities and individuals. The latter appear to have once more reduced their investment in housing, so that the share of their gross capital formation was reduced by half compared with the peak recorded in 1978. The share of investment by companies, for its part, would appear to have remained virtually stable, but at a very low level in view of the worsening since 1980 : it is thus at the lowest point observed for all the years considered in Table III. 3.1.

c) The share in the gross national product at constant prices of net exports of goods and services and net factor income appears to have practically doubled, reaching 5.2 p.c., an exceptionally high level.

d) The shares of the various categories of expenditure at current prices (part b. of Table III. 3.1) developed, during the year under review, in the same direction as those at constant prices which have just been discussed, but to a sometimes very different extent.

e) Thus, the share of private consumption at current prices appears to have declined only slightly in 1983. It remained above the average for the years 1977-1978, which contrasts with the movement observed at constant prices. During the last few years the deflator of private consumption has in fact tended to rise faster than that of the gross national product.

f) As the deflator of public consumption increased distinctly less fast during the year under review than that of the gross national product, for the reasons stated in the methodology of Table III. 2, the share of

public consumption decreased appreciably more at current prices than at constant prices.

g) As there was relatively little worsening of the terms of trade, the share of net exports of goods and services and net factor income would appear to have increased to virtually the same extent at both current and constant prices. This increase was not, however, sufficient to offset the effect of the earlier worsening of the terms of trade, so that, despite the recovery in volume, the share of net exports in the gross national product at current prices remained slightly negative.

h) The development of the structure of Belgian expenditure at current prices (Table III. 3.2) in 1983 was slightly different from that for the European Economic Community, the United States and Japan considered as a whole, since in all these countries or groups of countries, unlike in Belgium, the proportion of the gross national product represented by private consumption increased. It should however be mentioned that this proportion nevertheless still remains larger in Belgium, and that the growth in the gross national product at constant prices was smaller there than elsewhere and particularly than in Japan and the United States, where the recovery was very marked. The decline in the share of gross capital formation, on the other hand, is observable everywhere, except in the United States, where the sharp rise in the share of housing more than offset the slight decrease in the share of other investment. The growth in the share of net exports of goods, services and factor income was more pronounced in Belgium than abroad, and in the United States there was in fact a decrease.

Table III. 3.1

## MAIN CATEGORIES OF EXPENDITURE

*(Percentages of gross national product)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<i>a. Constant prices (1975 prices)</i>									
1. Private consumption .....	61.1	60.7	61.9	61.8	63.4	63.0	62.9	63.0	61.4
2. Public consumption .....	16.7	16.4	16.8	17.2	17.3	17.2	17.5	17.2	17.0
3. Gross capital formation .....	21.5	21.8	21.7	21.6	21.3	20.8	17.7	17.1	16.4
3.1 Individuals .....	7.7	8.5	8.6	9.0	7.8	7.4	4.9	4.7	4.4
3.2 Companies .....	10.0	9.5	9.3	9.0	9.7	9.4	9.0	8.9	8.8
3.3 Public authorities .....	3.8	3.8	3.8	3.6	3.8	4.0	3.8	3.5	3.2
4. Total domestic expenditure (1 + 2 + 3) .....	99.3	98.9	100.4	100.6	102.0	101.0	98.1	97.3	94.8
5. Net exports of goods, services and factor incomes ..	0.7	1.1	- 0.4	- 0.6	- 2.0	- 1.0	1.9	2.7	5.2
<i>p.m. Percentage changes in gross national product compared with previous year .....</i>	- 1.8	+ 5.7	+ 0.5	+ 3.2	+ 2.1	+ 2.6	- 1.2	+ 0.6	+ 0.5
<i>b. Current prices</i>									
1. Private consumption .....	61.1	60.9	61.9	61.7	63.0	64.1	66.1	66.6	66.0
2. Public consumption .....	16.7	16.7	17.2	17.8	18.1	18.5	19.3	19.0	18.2
3. Gross capital formation .....	21.5	21.7	21.5	21.3	21.0	20.9	17.7	16.9	16.1
3.1 Individuals .....	7.7	8.6	8.8	9.2	8.2	8.0	5.2	4.7	4.4
3.2 Companies .....	10.0	9.2	8.9	8.4	9.0	8.8	8.5	8.3	8.1
3.3 Public authorities .....	3.8	3.9	3.8	3.7	3.8	4.1	4.0	3.9	3.6
4. Total domestic expenditure (1 + 2 + 3) .....	99.3	99.3	100.6	100.8	102.1	103.5	103.1	102.5	100.3
5. Net exports of goods, services and factor incomes ..	0.7	0.7	- 0.6	- 0.8	- 2.1	- 3.5	- 3.1	- 2.5	- 0.3
<i>p.m. Percentage changes in gross national product compared with previous year .....</i>	+10.6	+13.7	+ 7.8	+ 7.5	+ 6.3	+ 7.0	+ 4.0	+ 7.6	+ 6.5

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

Table III. 3.2

## MAIN CATEGORIES OF EXPENDITURE IN BELGIUM AND ABROAD AT CURRENT PRICES

*(Percentages of national product)*

	Belgium				European Economic Community				United States				Japan			
	Average 1970 - 1973	1981	1982	1983 <i>e</i>	Average 1970 - 1973	1981	1982	1983	Average 1970 - 1973	1981	1982	1983	Average 1970 - 1973	1981	1982	1983
1. Private consumption ....	60.0	66.1	66.6	66.0	58.3	62.6	62.6	62.8	62.1	62.9	64.8	65.2	53.4	57.6	58.9	59.6
2. Public consumption .....	14.3	19.3	19.0	18.2	15.8	17.4	17.5	17.6	18.4 <sup>2</sup>	18.0 <sup>2</sup>	19.1 <sup>2</sup>	19.0 <sup>2</sup>	8.0	10.2	10.3	10.4
3. Gross capital formation .	22.7	17.7	16.9	16.1	24.5	19.6	19.7	19.1	19.0	18.3	15.5	16.1	37.1	31.6	30.0	28.3
3.1 Housing .....	4.9	3.9	3.4	3.2	6.2	5.2	4.8	4.6	4.8	3.5	3.0	3.9	7.5	5.9	5.7	5.3
3.2 Enterprises <sup>1</sup> .....	13.6	9.8	9.6	9.3	15.0	11.2	11.9	11.5	11.2	12.6	10.5	10.3	20.6	16.0	15.1	14.5
3.3 Public authorities ...	4.2	4.0	3.9	3.6	3.3	3.2	3.0	3.0	3.0 <sup>2</sup>	2.2 <sup>2</sup>	2.0 <sup>2</sup>	1.9 <sup>2</sup>	9.0	9.7	9.2	8.5
4. Total domestic expenditure (1* + 2 + 3) .....	97.0	103.1	102.5	100.3	98.6	99.6	99.8	99.5	99.5	99.2	99.4	100.3	98.5	99.4	99.2	98.3
5. Net exports of goods, services and factor income	3.0	- 3.1	- 2.5	- 0.3	1.4	0.4	0.2	0.5	0.5	0.8	0.6	- 0.3	1.5	0.6	0.8	1.7
<i>p.m. Percentage changes in gross national product compared with previous year</i>																
- at current prices ....	+ 11.5	+ 4.0	+ 7.6	+ 6.5	+ 12.1	+ 10.1	+ 9.9	+ 8.1	+ 8.9	+ 12.3	+ 4.0	+ 7.8	+ 16.0	+ 6.5	+ 5.0	+ 4.0
- at constant prices ...	+ 5.7	- 1.2	+ 0.6	+ 0.5	+ 4.6	- 0.4	+ 0.5	+ 1.0	+ 3.6	+ 2.6	- 1.9	+ 3.4	+ 8.1	+ 3.8	+ 3.0	+ 3.1

Sources : Belgium : National Statistical Institute and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

Other countries : Organisation for Economic Co-operation and Development, International Monetary Fund and European Economic Community. Calculations of the National Bank of Belgium.

<sup>1</sup> Companies and one-man businesses.<sup>2</sup> In the United States the distinction between public consumption and public investment does not in principle exist; an estimate of the International Monetary Fund was adopted here, and extrapolated to 1983.

CHAPTER IV

**INCOMES**



## COMMENTS ON TABLE IV. 1 :

### 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 IV. 1 were calculated on the basis of the national accounts compiled by the National Statistical Institute for the years 1975 to 1982, and in particular of Table II. 1 « Distribution of the national product among the factors of production ». The 1982 data were, however, adjusted, as was mentioned in the methodology of Table II. 1, in order to take into account the most recent balance of payments data. For the purpose of distribution between individuals and companies, recourse was also had to the national accounts according to the European System of Integrated Economic Accounts compiled by the Statistical Office of the European Communities. For 1983 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 and of the net factor income received from foreign countries or paid to them (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 interest received by the various economic agents on their financial investments thus increase their primary income in the same way as do wages or profits, whereas the interest paid on their financial liabilities is deducted from that income : that is true, notably, of the public authorities, whose primary income is reduced by the interest charges on the public debt [see i) below]. The sum of the above-mentioned 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 (items 1 of Table IV. 1 and Table IV. 1.1) 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 the fixed capital stock of self-employed persons).

d) In order to estimate the development of the remuneration of employees, the development of the gross wage per worker in the private sector was first of all calculated. Following the measures adopted by the Government in order to moderate incomes, remunerations could only be adjusted throughout the greater part of the year by fixed index-linked increases corresponding to the amount of the normal indexing of the guaranteed minimum monthly wage and, when the full index-linking system was reapplied, were only index-linked with a certain time-lag owing to the taking into account of an average index number of consumer prices over a period of four months. Furthermore, no wage increase in excess of the legally permitted index-linking could be granted in 1983. In view of these measures and on the basis of the 1982 average gross wage — arrived at from the data of the National Social Security Office - and of the movement of consumer prices, the gross wage per worker would appear to have risen by 4.3 p.c. It was furthermore assumed that the effect of wage drift, estimated as being the same as in the previous year, would have been counterbalanced by the reduction in the average remuneration per employee resulting from the increase in part-time working.

Moreover, the total gross compensation of employees in the private sector was negatively influenced by a further average decrease of 1.4 p.c. in the number of employees. This figure gives a somewhat more negative picture of the development, described in Table II. 2.1, of the whole of the population employed in enterprises, because it disregards self-employed persons and their assistants, the number of whom, as in the past, would appear to have undergone little change.

Lastly, the raising of employers' social security contributions owing to the reduction, by half, of the scope of the measures of Operation Maribel and to a number

of other measures which will be discussed in Chapter V, would appear to have contributed to the extent of 1.3 p.c. to the increase in the remuneration of employees in the private sector.

The total gross compensation of employees in the public sector, for its part, would appear to have risen by nearly 3 p.c. The figure is largely based on budgetary data which will be dealt with in Chapter V.

For the economy as a whole — both the private and the public sector — the increase in the compensation of employees was thus estimated at about 3.7 p.c.; the number of employees would appear to have declined by about 1.1 p.c., while the remuneration per employee would appear to have risen by 4.9 p.c., corresponding to a decline of about 2.6 p.c. at constant prices (see Chart IV. 1.2). A certain amount of caution must be exercised in interpreting these last two percentages, because they are somewhat artificially influenced in the downward direction by the spread of partial unemployment and above all by the increase in part-time jobs, as well as being affected by the development of overtime working.

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 are based on, among other things, the development of production estimated in Chapter II, as well as on the overall index of prices received by farmers and horticulturalists and on the index of the purchase prices of inputs used in agriculture and horticulture, which would appear to have increased by about 8 and 7 p.c. respectively.

f) The gross primary income of companies comprises undistributed profits (before tax) and depreciation allowances.

For 1983 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 of the factors which had determined the development of the gross primary income of companies; the results of this analysis are presented in Tables IV. 1.4 and IV. 1.5.

g) The gross primary income of companies is mainly derived from the result of their production and selling activities, measured by their gross operating surplus. The latter 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 IV. 1.4, by the change in sales at constant prices, by that in their unit profit margins expressed in francs and by that in the subsidies received. It is necessary to deduct from this surplus the net payments to other sectors of income

from property (item 6 of Table IV. 1.4), which takes 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; the net interest received by the financial intermediaries as remuneration for their services as intermediaries in fact contributes to the formation of the gross primary income of companies.

h) The unit profit margin expressed in francs (Table IV. 1.5) 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 — and on the relative weight of these two factors (expressed in Table IV. 1.5 in relation to the previous year's unit profit margin expressed in francs). In other words, if one multiplies the percentage change in a price by its relative weight one obtains its contribution — positive in the case of the selling price and negative in the case of the cost price — to the movement of the margin. The selling price index used is a weighted average of the deflator of exports of goods and services (Table III. 2, item 5) and of that of companies' domestic sales, that is, of the nation's domestic expenditure (Table III. 2, item 4), after incorporation of statistical adjustments, if any, and elimination of certain services and 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 that of the apparent productivity of labour and of intermediate consumption.

i) The gross primary income of the public authorities, arrived at on the basis of the data contained in Chapter V, comprises: income from property (including interest and dividends, largely from public-sector financial intermediaries, especially the Bank, profits received or losses incurred by the public enterprises, 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; furthermore, interest on the public debt is deducted [see b) above].

j) 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.).

Table IV. 1  
INCOME ACCOUNT OF THE VARIOUS SECTORS  
(At current prices)

	1975	1976	1977	1978	1979	1980	1981		1982		1983 <i>e</i>	
	Billions of francs						Percentage changes	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs
<b>1. Individuals :</b>												
1.1 Gross primary income .....	1,930	2,210	2,386	2,568	2,743	2,975	+ 6.3	3,162	+ 7.6	3,403	+ 5.5	3,589
1.2 Current transfers to (-) other sectors (net) .....	- 164	- 171	- 205	- 233	- 251	- 256	- 13.1	- 222	+ 21.3	- 269	- 7.4	- 249
1.3 Disposable income (1.1 + 1.2) ..	1,766	2,039	2,181	2,335	2,492	2,719	+ 8.1	2,940	+ 6.6	3,134	+ 6.6	3,340
<i>p.m.</i> Percentage changes at constant prices <sup>1</sup> .....	(+0,3)	(+5.7)	(-0.1)	(+2.5)	(+2.1)	(+2.2)	(+ 0.5)		(- 2.0)		(- 1.0)	
<b>2. Companies :</b>												
<i>p.m.</i> Gross operating surplus .....	(314)	(321)	(350)	(365)	(399)	(410)	(- 3.9)	(394)	(+17.5)	(462)	(+17.7)	(544)
2.1 Gross primary income .....	233	252	275	307	331	326	...	327	+19.6	390	+17.4	458
2.2 Current transfer to (-) the public authorities .....	- 70	- 73	- 76	- 82	- 92	- 89	- 2.4	- 88	+29.2	- 113	+ 2.7	- 116
2.3 Disposable income (2.1 + 2.2) ..	163	179	199	225	239	237	+ 1.1	239	+16.1	277	+23.5	342
<b>3. Public authorities :</b>												
3.1 Gross primary income :												
3.11 Indirect taxes less subsidies to enterprises .....	233	271	294	317	332	362	+ 4.0	376	+ 8.9	410	+ 6.2	435
3.12 Income from property and depreciation allowances .....	12	8	10	7	13	31	+39.5	43	+28.1	55	- 5.8	52
3.13 Interest on the public debt (-) .....	- 82	- 97	- 116	- 137	- 165	- 211	+35.5	- 286	+26.0	- 361	+ 6.4	- 384
3.14 Total (3.11 to 3.13) .....	163	182	188	187	180	182	-26.7	133	-21.7	104	- 0.8	103
3.2 Current transfers from the other sectors (net) .....	214	227	261	295	321	312	-13.9	269	+25.5	337	- 5.1	320
3.3 Disposable income (3.14 + 3.2) ..	377	409	449	482	501	494	-18.6	402	+ 9.9	441	- 4.1	423
<b>4. Rest of the world :</b>												
4.1 Disposable income (=net current transfers from the other sectors) ..	20	17	20	20	22	33	+23.4	41	+10.5	45	...	45
<b>5. Gross national product (1.1 + 2.1 + 3.14 or 1.3 + 2.3 + 3.3 + 4.1) ..</b>	<b>2,326</b>	<b>2,644</b>	<b>2,849</b>	<b>3,062</b>	<b>3,254</b>	<b>3,483</b>	<b>+ 4.0</b>	<b>3,622</b>	<b>+ 7.6</b>	<b>3,897</b>	<b>+ 6.5</b>	<b>4,150</b>

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Data at current prices deflated with the index of consumer prices.

## B. Main developments

a) Expressed at current prices, the gross primary income of individuals would appear to have increased by 5.5 p.c., against 7.6 p.c. in 1982 (item 1.1 of Table IV. 1); this slowing-down is a reflection both of the slackening of the inflation rate (measured on the basis of the movement of consumer prices) and of the loss of income at constant prices, which appears to have been greater in the year under review (- 2.1 p.c.) than in the previous year (-1 p.c.) (item 1.5 of Table IV. 1.1). The decline at constant prices in 1983 is mainly attributable to a decrease in the compensation of employees and, to a much smaller extent, to the decrease in the income of self-employed persons. On the other hand, income from property accruing to individuals appears to have grown once more at constant prices, although somewhat less rapidly than in the previous year.

b) Compensation of employees at constant prices appears to have fallen by 3.7 p.c. against 2.7 p.c. in 1982 (item 1.1 of Table IV. 1.1). The development of employment was a little less negative than in the previous year, and the increase in the decline in remuneration is therefore solely due to the reduction — larger than in 1983 (2.6 p.c. against 1.2 p.c.) — in remuneration per employee (Chart IV. 1.2). This decrease is partly due to the measures adopted by the public authorities in order to moderate incomes.

Among the industrialised countries which appear in Table IV. 1.3, some likewise experienced, during the period 1981-1983, a decline, on average and at constant prices, in remuneration per employee; but this decrease was largest in Belgium. Despite this recent fall, the rise in real remunerations since 1970 has generally been faster in Belgium than in the other countries: in France, Italy and Japan, however, the rise was apparently still slightly larger; in the United States, on the other hand, there actually appears to have been a slight decline.

c) According to the available data, which are still very incomplete, the entrepreneurial income of self-employed persons appears to have declined slightly at constant prices, whereas it had still increased a little the previous year (item 1.2 of Table IV. 1.1). The incomes at constant prices of tradesmen and artisans appear to have been affected by the reduction in private consumption, whereas the latter had still increased in 1982; the incomes of farmers and horticulturalists appear to have

developed much less favourably than in the previous year : the exceptional 1982 harvest was not repeated and the price increases, including those authorised within the framework of the European agricultural policy, were smaller than in the previous year.

d) Income from property accruing to individuals would appear to have increased again by 3.4 p.c. at constant prices, against 4.3 p.c. in 1982 (item 1.3 of Table IV. 1.1). This rise is mainly attributable to incomes from long-term investments : long-term financial assets, especially those in Belgian francs, increased appreciably in 1982, still benefiting by a greater yield, and these developments had favourable repercussions on incomes in 1983 ; the countervalue in Belgian francs of incomes in foreign currencies, for its part, was swollen by the appreciation of the main investment currencies. Furthermore, dividends appear to have increased appreciably. Incomes from short-term investments, for their part, were depressed by the decline in interest rates and the reduction in assets in foreign currencies, but were still positively influenced by the formation of financial assets in Belgian francs and, as in the case of long-term investments, by a higher countervalue in Belgian francs of incomes in foreign currencies.

e) Although the gross primary income of individuals, expressed at constant prices, fell by 2.1 p.c. in 1983, the decrease in their disposable income would appear to have been only 1 p.c., a lower percentage than that of 2 p.c. recorded in 1982 (item 3 of Table IV. 1.1). This different development of gross primary income and disposable income in 1983 is attributable to the decrease of 7.4 p.c. at current prices in the total of net current transfers paid by individuals to the public authorities and the rest of the world ; in other words, expressed in billions of francs, the increase in the transfers paid by individuals would appear to have been smaller than that in the transfers which they received. Unlike in the previous years, the direct taxes paid in fact appear to have hardly increased at all during the year under review, owing to the accidentally high level which they reached in 1982 (catching-up of the delay in assessments in 1981 and voluntary prepayment of tax) and to a number of tax reliefs (see Chapter V). Transfers received were swollen by the increase in unemployment and their growth, expressed in billions of francs, was again larger than that in social security contributions, even though there was a substantial growth in the latter, partly owing to the reduction by half of the effect of Operation Maribel and to various other measures (see Chapter V).

f) The increase in the gross primary income of companies at current prices, which had already been particularly marked in 1982, continued in 1983 (Table IV. 1.4, item 7). Net payments of income from property to other sectors (item 6) having grown considerably in 1983, especially dividends, the rise in the gross operating surplus of companies would appear to have been somewhat faster (item 5). This rise is not due to the movement of sales at constant prices, which appear to have declined by 0.9 p.c. (item 1), but appears to have been attributable to the fact that the unit profit margin expressed in francs increased considerably, even more than in 1982, after a series of slow rises or even decreases during the previous years (item 2).

This increase in the margin would appear to have been due to a rise in selling prices net of tax of 6.8 p.c., while cost prices, for their part, appear to have gone up by only 5.7 p.c. (Table IV. 1.5). Unlike during the previous year, companies put up their prices more on the domestic market than for export; but as sales abroad increased, the gross operating surplus of exporting enterprises probably went up more than did their profit margin.

Furthermore, the rise in current transfers paid to the public authorities — actually direct taxes — (Table IV. 1, item 2.2) would appear to have remained limited after the big increase in 1982 (due to the catching-up of the delay in assessments in 1981); moreover, companies benefited by tax reliefs in 1983; hence the increase in their disposable income (item 2.3) would appear to have been greater than that in their gross operating surplus.

g) During the year under review the gross primary income of the public authorities appears to have remained practically stable, after decreasing markedly for two years (item 3.1). This development is due to the slowing-down of the increase in interest charges, connected with the downward movement of short-term interest rates and the increase in the contribution of the long-term public debt to the meeting of the Treasury's financing requirements. On the other hand, despite the raising of their scales, indirect taxes increased to only a moderate extent, owing to the adverse movement of private consumption and house-building, while subsidies, which are deducted from this primary income, increased more. Furthermore, incomes from property decreased: the Government's revenue, notably in respect of its share in the Bank's transactions, declined because of the fall in interest rates in Belgium and abroad.

Net current transfers from the other sectors likewise decreased on balance, for the reasons which were mentioned in the analysis of the disposable incomes of these sectors; all in all, the disposable income of the public authorities decreased by 4.1 p.c. (item 3.3).

Table IV. 1.1

## INCOME ACCOUNT OF INDIVIDUALS

	1980	1981		1982		1983 <i>e</i>		Billions of francs at current prices		
	Billions of francs at current prices	Percentage changes compared with 1980		Billions of francs at current prices	Percentage changes compared with 1981		Billions of francs at current prices		Percentage changes compared with 1982	
		at current prices	at constant prices <sup>1</sup>		at current prices	at constant prices <sup>1</sup>			at current prices	at constant prices <sup>1</sup>
<b>1. Gross primary income :</b>										
1.1 Compensation of employees .....	2,076	+ 4.8	- 2.6	2,176	+ 5.8	- 2.7	2,302	+ 3.7	- 3.7	2,388
1.2 Entrepreneurial income of self-employed persons .....	381	+ 2.4	- 4.8	390	+ 9.6	+ 0.8	428	+ 6.5	- 1.1	456
1.3 Income from property .....	428	+ 16.2	+ 8.0	497	+ 13.4	+ 4.3	564	+ 11.3	+ 3.4	628
1.4 Depreciation allowances .....	90	+ 9.4	+ 1.7	99	+ 10.0	+ 1.2	109	+ 7.3	- 0.3	117
1.5 Total (1.1 to 1.4) .....	2,975	+ 6.3	- 1.2	3,162	+ 7.6	- 1.0	3,403	+ 5.5	- 2.1	3,589
<b>2. Current transfers :</b>										
2.1 To (-) and from the public authorities :										
2.11 Social benefits received .....	656	+ 12.1	—	735	+ 9.4	—	804	+ 9.1	—	877
2.12 Other transfers received .....	79	+ 14.7	—	91	+ 3.1	—	93	+ 2.1	—	95
2.13 Social contributions paid .....	- 438	+ 6.2	—	- 465	+ 7.7	—	- 500	+ 10.6	—	- 553
2.14 Direct taxes paid .....	- 542	+ 4.7	—	- 568	+ 15.4	—	- 655	+ 0.5	—	- 658
2.15 Total (2.11 to 2.14) .....	- 245	- 15.5	—	- 207	+ 24.9	—	- 258	- 7.4	—	- 239
2.2 To (-) and from the rest of the world (net)	- 11	+ 40.4	—	- 15	- 27.5	—	- 11	- 9.1	—	- 10
2.3 Total (2.15 + 2.2) .....	- 256	- 13.1	—	- 222	+ 21.3	—	- 269	- 7.4	—	- 249
<b>3. Disposable income (1.5 + 2.3) .....</b>	<b>2,719</b>	<b>+ 8.1</b>	<b>+ 0.5</b>	<b>2,940</b>	<b>+ 6.6</b>	<b>- 2.0</b>	<b>3,134</b>	<b>+ 6.6</b>	<b>- 1.0</b>	<b>3,340</b>

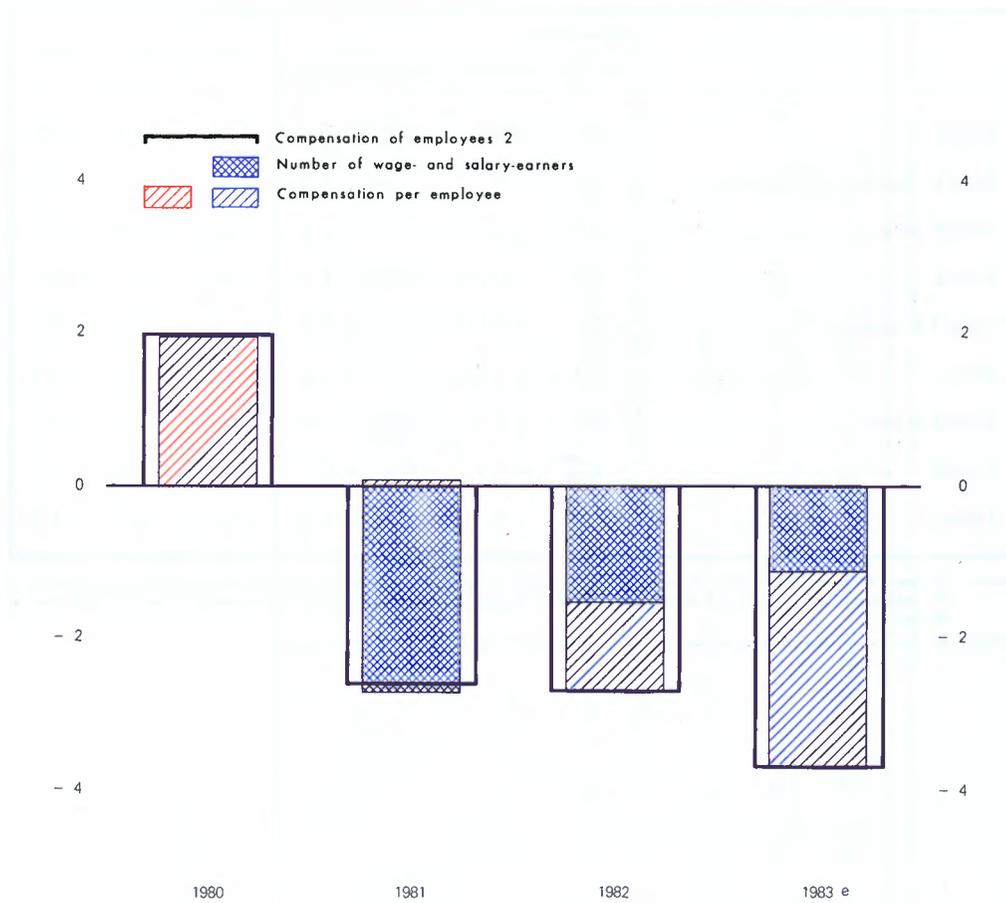
Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Data at current prices deflated with the index of consumer prices.

Chart IV. 1.2

COMPENSATION OF EMPLOYEES <sup>1</sup>

(Percentage changes compared with previous year)



Sources : National Statistical Institute, Ministry of Employment and Labour and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> At constant prices. Data at current prices deflated with the index of consumer prices.

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

Table IV. 1.3

COMPENSATION AT CONSTANT PRICES<sup>1</sup> PER EMPLOYEE :  
INTERNATIONAL COMPARISON

(Percentage changes compared with previous year)

	Annual averages				1981	1982	1983
	1971-1983	1971-1975	1976-1980	1981-1983			
Belgium .....	+ 3.1 <i>e</i>	+ 6.2	+ 2.6	- 1.2 <i>e</i>	+ 0.1	- 1.2	- 2.6 <i>e</i>
Federal Republic of Germany ...	+ 2.5	+ 4.1	+ 2.4	- 0.2	- 0.6	- 0.9	+ 0.9
Netherlands .....	+ 2.3	+ 5.0	+ 1.5	- 1.0	- 3.2	- 0.3	+ 0.4
France .....	+ 3.2	+ 4.8	+ 2.8	+ 1.2	+ 1.0	+ 2.4	+ 0.2
United Kingdom .....	+ 2.1	+ 3.7	+ 0.7	+ 1.9	+ 2.5	+ 0.2	+ 3.1
Italy .....	+ 3.3	+ 5.3	+ 2.5	+ 1.1	+ 2.3	+ 0.5	+ 0.5
United States .....	- 0.2	+ 0.3	- 1.0	+ 0.5	- 0.6	+ 0.1	+ 1.9
Canada .....	+ 1.1	+ 3.1	+ 0.1	- 0.5	- 1.4	- 0.2	+ 0.1
Japan .....	+ 3.3	+ 6.1	+ 1.5	+ 1.7	+ 1.6	+ 2.0	+ 1.4

Sources : European Economic Community, Organisation for Economic Co-operation and Development. National Statistical Institute, Ministry of Employment and Labour, and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Data, expressed in national currency at current prices, deflated with the index of consumer prices.

Table IV. 1.4

## GROSS PRIMARY INCOME OF COMPANIES

	1975		1976		1977		1978		1979		1980		1981		1982		1983 <i>e</i>	
	Billions of francs	Percentage changes	Billions of francs															
1. Sales at constant prices ..		+ 8.2		+ 1.9		+ 3.4		+ 5.2		+ 2.7		- 1.6		+ 1.1		- 0.9		
2. Unit profit margin, expressed in francs <sup>1</sup> .....		- 8.2		+ 6.9		- 0.7		+ 2.5		+ 1.9		- 5.7		+ 17.9		+ 19.7		
3. Gross operating surplus before subsidies .....	287	- 0.7	284	+ 8.9	310	+ 2.7	318	+ 7.8	343	+ 4.7	360	- 7.2	334	+ 19.2	398	+ 18.7	472	
4. Subsidies received .....	27	+ 33.1	37	+ 10.4	40	+ 15.8	47	+ 19.2	56	- 8.9	50	+ 19.5	60	+ 7.5	64	+ 11.5	72	
5. Gross operating surplus (3 + 4) .....	314	+ 2.2	321	+ 9.1	350	+ 4.3	365	+ 9.3	399	+ 2.7	410	- 3.9	394	+ 17.5	462	+ 17.7	544	
6. Net income from property paid to other sectors .....	81	- 14.8	69	+ 8.2	75	- 21.4	58	+ 14.2	68	+ 24.3	84	- 19.9	67	+ 7.3	72	+ 19.4	86	
7. Gross primary income (5 - 6) .....	233	+ 8.2	252	+ 9.3	275	+ 11.3	307	+ 8.3	331	- 1.6	326	...	327	+ 19.6	390	+ 17.4	458	

Sources : National Statistical Institute, Statistical Office of the European Communities, and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> See Table IV. 1.5.

Table IV. 1.5

## FACTORS CONTRIBUTING TO THE MOVEMENT OF THE UNIT PROFIT MARGIN

(Percentage changes compared with previous year)

	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. <i>Selling prices excluding taxes</i> .....	+ 6.8	+ 5.3	+ 2.2	+ 6.0	+ 7.9	+ 8.5	+ 10.2	+ 6.8
of which :								
exports of goods and services .....	(+ 6.3)	(+ 3.3)	(+ 1.1)	(+ 9.0)	(+ 9.1)	(+ 9.4)	(+ 13.3)	(+ 6.4)
domestic sales .....	(+ 7.1)	(+ 6.7)	(+ 3.0)	(+ 3.7)	(+ 6.8)	(+ 7.7)	(+ 7.2)	(+ 7.1)
2. <i>Cost price or cost per unit of output</i> .....	+ 8.6	+ 5.2	+ 2.5	+ 6.4	+ 8.4	+ 9.7	+ 9.6	+ 5.7
of which :								
labour costs .....	(+ 7.0)	(+ 6.2)	(+ 3.4)	(+ 1.0)	(+ 5.6)	(+ 5.2)	(+ 4.4)	(+ 5.1)
imports of goods and services .....	(+11.0)	(+ 5.5)	(+ 1.5)	(+13.3)	(+12.7)	(+ 14.0)	(+ 13.5)	(+ 5.8)
other costs .....	(+ 5.7)	(+ 0.9)	(+ 2.7)	(- 3.1)	(- 1.5)	(+ 4.4)	(+ 8.2)	(+ 7.6)
3. <i>Unit profit margin, expressed in francs</i>								
3.1 Contribution of selling price <sup>1</sup> .....	+ 6.8 x( 9.4)	+ 5.3 x( 10.9)	+ 2.2 x( 10.8)	+ 6.0 x( 11.1)	+ 7.9 x( 11.4)	+ 8.5 x( 12.1)	+10.2 x( 14.0)	+ 6.8 x( 13.1)
3.2 Contribution of cost price <sup>1</sup> .....	+64.0 x(-8.4)	+58.1 x(-9.9)	+23.8 x(-9.8)	+66.9 x(-10.1)	+89.6 x(-10.4)	+102.4 x(-11.1)	+142.7 x(-13.0)	+88.9 x(-12.1)
3.3 Movement of the margin (3.1 + 3.2)	-72.2 - 8.2	-51.2 + 6.9	-24.5 - 0.7	-64.4 + 2.5	-87.7 + 1.9	-108.1 - 5.7	-124.8 + 17.9	-69.2 +19.7
<i>p.m. Unit profit margin as percentages of selling price during current year</i> .....	(9.1)	(9.2)	(9.0)	(8.7)	(8.2)	(7.2)	(7.6)	(8.6)

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> As the percentage changes in the selling price or cost price and their relative weights were rounded to one decimal place, the contributions are not necessarily equal to the product of these two factors.

## COMMENTS ON CHART IV. 2 :

### DISPOSABLE INCOME OF THE VARIOUS SECTORS

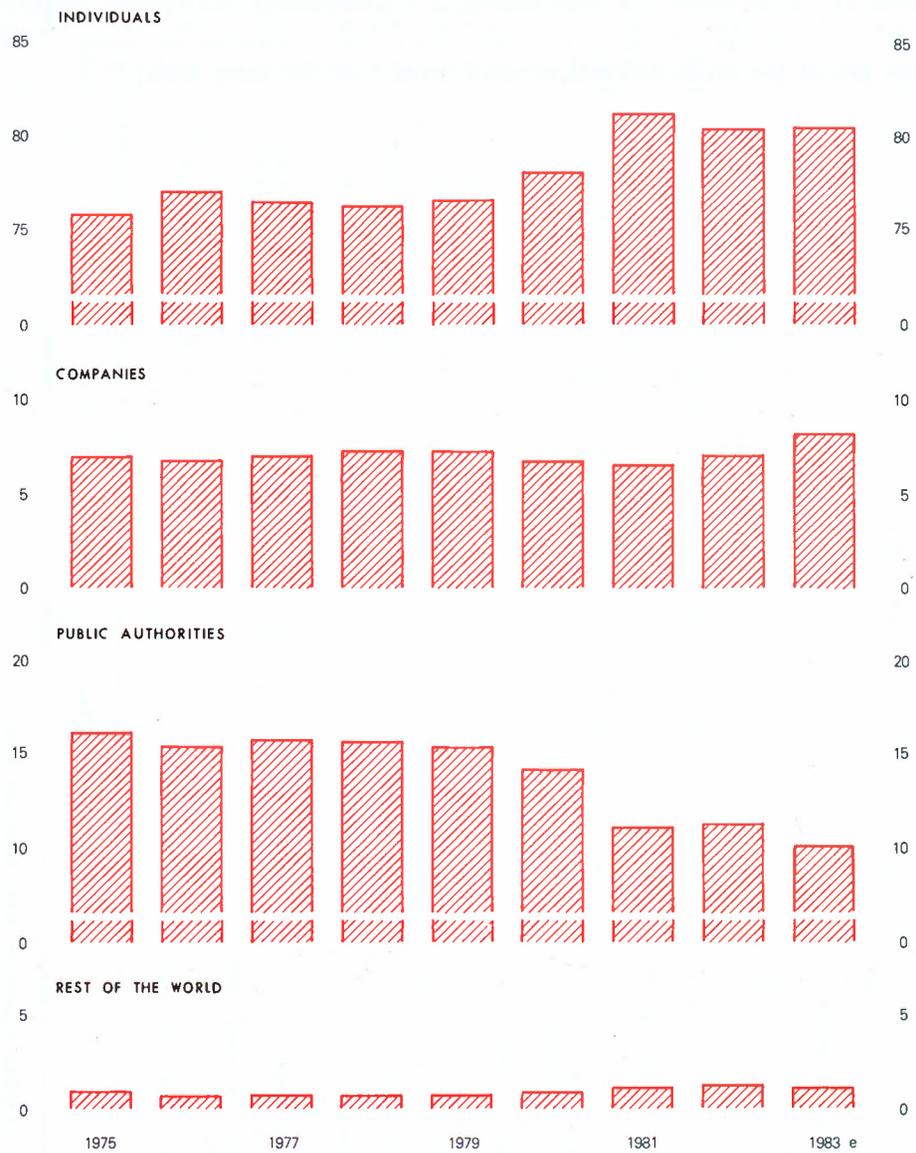
#### A. Methodology

The disposable incomes of the major sectors of the economy which are shown in Table IV. 1, 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 IV. 2 as percentages of the gross national product (item 5 of the same table).

Chart IV. 2

DISPOSABLE INCOME OF THE VARIOUS SECTORS

(Percentages of gross national product)



Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

## B. Main developments

a) The combination of developments commented on in the discussion of Table IV. 1 led to a decrease in the share of the disposable income of the public authorities in the gross national product, which declined from 11.3 to 10.2 p.c. in 1983, mainly because of the decrease in net current transfers from the other sectors, and also the fall in income from property.

b) This reduction in the share of the public authorities during the year under review had as its counterpart an increase in the share represented by the disposable income of companies: owing to an increase in profitability, this share in fact went up again, from 6.6 p.c. in 1981 and 7.1 p.c. in 1982 to 8.2 p.c. during the year under review.

c) The share represented by the disposable income of individuals appears to have undergone hardly any change (from 80.4 p.c. in 1982 to 80.5 p.c.); this share was thus again in 1983 below the exceptionally high level which it had reached in 1981, namely 81.2 p.c.



CHAPTER V

MAJOR SECTORS OF THE ECONOMY



## COMMENTS ON TABLE V. 1 :

### 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 III. 3.b (items 1 and 3.1) and of their disposable income, which is shown in Table IV. 1 (item 1.3). The gross savings of individuals (item 3 of Table V. 1) are by definition the difference, measured *ex post* on the basis of the annual accounts, between their disposable income (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 to the public authorities of land and existing buildings; death duties paid are deducted from these transfers. 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 III. 1 (item 6 of Table V. 1) 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.

Table V. 1

## SUMMARY OF THE TRANSACTIONS OF INDIVIDUALS

*(Billions of francs)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. Disposable income .....	1,766	2,039	2,181	2,335	2,492	2,719	2,940	3,134	3,340
2. Consumption .....	1,421	1,610	1,764	1,888	2,049	2,232	2,394	2,596	2,740
3. Gross savings (1 - 2) .....	345	429	417	447	443	487	546	538	600
<i>(As percentages of disposable income) .....</i>	<i>(19.5)</i>	<i>(21.0)</i>	<i>(19.1)</i>	<i>(19.1)</i>	<i>(17.7)</i>	<i>(17.9)</i>	<i>(18.6)</i>	<i>(17.2)</i>	<i>(18.0)</i>
4. Net capital transfers received .....	9	9	7	6	7	8	6	5	5
5. Capital resources (3 + 4) .....	354	438	424	453	450	495	552	543	605
6. Gross capital formation .....	178	229	251	283	266	279	187	184	182
7. Net financing capacity (5 - 6) .....	176	209	173	170	184	216	365	359	423
<i>(As percentages of disposable income) .....</i>	<i>( 9.9)</i>	<i>(10.3)</i>	<i>( 8.0)</i>	<i>( 7.3)</i>	<i>( 7.4)</i>	<i>( 7.9)</i>	<i>(12.4)</i>	<i>(11.4)</i>	<i>(12.7)</i>
<i>(As percentages of gross national product) .....</i>	<i>( 7.5)</i>	<i>( 7.9)</i>	<i>( 6.1)</i>	<i>( 5.6)</i>	<i>( 5.6)</i>	<i>( 6.2)</i>	<i>(10.1)</i>	<i>( 9.2)</i>	<i>(10.2)</i>

Sources : National Statistical Institute. Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

## B. Main developments

a) The rate of saving of individuals — measured by the ratio between their gross savings and their disposable income — appears to have increased slightly; expressed at constant prices, consumption appears to have declined more than the disposable income of individuals.

During the last few years the rate of savings has undergone fairly substantial fluctuations : from an average of 17.8 p.c. in 1979-1980 it rose to 18.6 p.c. in 1981, thereafter falling considerably to 17.2 p.c. in 1982 and then rising again in the year under review to 18 p.c. : this percentage represents about the average for the last five years. These year-to-year fluctuations are partly attributable to exceptional factors : owing to the fact that the payment of certain direct taxes was shifted from 1981 to 1982, the disposable income and probably also the savings of individuals were swollen in 1981 and reduced in 1982 ; in the latter year, furthermore, there was the influence of the successfully introduced voluntary tax prepayment scheme. Such exceptional factors would, however, appear to have operated to a much smaller extent during the year under review, so that the increase in the rate of savings in 1983 can probably, at least in part, be regarded as a return to an average level.

Furthermore, a part was perhaps played by a certain inertia in consumption habits. This would explain why the fall, at constant prices, in the disposable income of individuals in 1982 did not immediately bring about an adjustment of the level of their consumption but was reflected in a reduced propensity to save ; after a while, however, individuals appear to have adjusted their consumption to their smaller income and reverted to more traditional habits with regard to saving.

b) Individuals devoted an even smaller proportion of their disposable income in 1982 to gross capital formation, more particularly house-building; this proportion, which had already fallen from 10.3 p.c. in 1980 to 5.9 p.c. in 1982, decreased further to only 5.4 p.c. during the year under review. Consequently, the net financing capacity of individuals increased even more than their gross savings, rising, as a percentage of their disposable income, from 11.4 p.c. in 1982 to 12.7 p.c., the highest level reached during the whole period covered by Table V. 1.

## COMMENTS ON TABLE V. 2 :

### 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 III. 3.b and their disposable income, or gross savings, in item 2.3 of Table IV. 1. Their capital resources comprise, apart from these gross savings, the net capital transfers which they receive.

These 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 V. 2 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 the « national » sectors (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.

Table V. 2

## SUMMARY OF THE TRANSACTIONS OF COMPANIES

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<i>a. Billions of francs</i>									
1. Disposable income = gross savings .....	163	179	199	225	239	237	239	277	342
2. Net capital transfers received .....	36	46	55	64	63	98	126	138	141
3. Capital resources (1 + 2) .....	199	225	254	289	302	335	365	415	483
4. Gross capital formation .....	232	242	252	258	294	306	307	324	336
5. Net financing requirement (-) or capacity (+) (3 - 4) .....	- 33	- 17	+ 2	+ 31	+ 8	+ 29	+ 58	+ 91	+147
<i>b. As percentages of gross national product</i>									
1. Disposable income = gross savings .....	7.0	6.8	7.0	7.3	7.3	6.8	6.6	7.1	8.2
2. Net capital transfers received .....	1.6	1.8	2.0	2.1	2.0	2.8	3.5	3.5	3.4
3. Capital resources (1 + 2) .....	8.6	8.6	9.0	9.4	9.3	9.6	10.1	10.6	11.6
4. Gross capital formation .....	10.0	9.2	8.9	8.4	9.0	8.8	8.5	8.3	8.1
5. Net financing requirement (-) or capacity (+) (3 - 4) .....	- 1.4	- 0.6	+ 0.1	+ 1.0	+ 0.3	+ 0.8	+ 1.6	+ 2.3	+ 3.5

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

## B. Main developments

a) The developments which had become apparent in 1982 in the companies account appeared again in 1983. Thus, the proportion of the gross national product represented by the disposable income of companies increased further, even more than in 1982, rising from 7.1 to 8.2 p.c. on the year, representing a growth of 1.1 p.c. of the gross national product against 0.5 p.c. of that product in 1982.

b) For their part, net capital transfers received remained stable in relation to the gross national product, both in 1982 and in 1983, after having risen considerably during the two preceding years, partly owing to assistance to national sectors.

c) Consequently the capital resources at the disposal of companies rose from 10.1 p.c. of the gross national product in 1981 to 10.6 p.c. in 1982 and 11.6 p.c. in 1983. Since, moreover, there was a further decrease in the share of their gross capital formation in the gross national product, their net financing capacity appears to have risen from 1.6 p.c. in 1981 to 2.3 p.c. in 1982 and 3.5 p.c. in 1983. This increase continues the trend observed for the whole of the period covered by Table V. 2, except for the year 1979. The underlying causes were not, however, the same : while the decrease in gross capital formation as a percentage of the gross national product played a part practically throughout the period under review, this factor mainly exerted an influence during the first years ; subsequently, during the years 1980 and 1981, the increase in the net financing capacity was mainly due to the growth in capital transfers received, while during the last two years it was primarily attributable to the rise in the disposable income of companies.

## COMMENTS ON TABLE V. 3 :

### SUMMARY OF THE TRANSACTIONS OF THE PUBLIC AUTHORITIES

#### A. 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 IV. 1 and their consumption in item 2 of Table III. 3.b. The gross savings of the public authorities (item 3 of Table V. 3) 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 V. 1) to companies (item 2 of Table V. 2) and to the rest of the world (item 4 of Table V. 5).

The gross savings of the public authorities less their net capital transfers to the other sectors ought to constitute their capital resources (item 5 of Table V. 3). But, as gross savings were negative for all the years covered by Table V. 3, what item 5 expresses is a financing requirement. This requirement (item 7 of Table V. 3) has to be further increased when account is taken of the public authorities' expenditure on gross capital formation (item 6 taken over from item 3.3 of Table III. 3.b).

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 », calculated from the national accounts compiled by the National Statistical Institute, corresponds to the grand total of direct taxes paid by individuals and companies, indirect taxes, the social security contributions of wage- and salary-earners and self-employed persons, income from property and entrepreneurial activity accruing to the public authorities, current transfers from the rest of the world and depreciation allowances, less interest in the public debt, subsidies to enterprises, 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 transfers to the rest of the world.

For this reason it has not been thought appropriate to describe the general developments emerging from Table V. 3. The development of the main transactions

of the public authorities is described on the basis of Table V. 4.B, in which revenue and expenditure are classified according to categories which enable a more detailed analysis to be made.

Table V. 3

## SUMMARY OF THE TRANSACTIONS OF THE PUBLIC AUTHORITIES

*(Billions of francs)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. Disposable income .....	377	409	449	482	501	494	402	441	423
2. Consumption .....	388	441	489	544	588	644	701	740	755
3. Gross savings (1 - 2) .....	- 11	- 32	- 40	- 62	- 87	- 150	- 299	- 299	- 332
<i>(As percentages of gross national product) .....</i>	<i>(- 0.5)</i>	<i>(- 1.2)</i>	<i>(- 1.4)</i>	<i>(- 2.0)</i>	<i>(- 2.7)</i>	<i>(- 4.3)</i>	<i>(- 8.3)</i>	<i>(- 7.7)</i>	<i>(- 8.0)</i>
4. Net capital transfers .....	- 51	- 60	- 67	- 77	- 79	- 113	- 141	- 154	- 158
5. Capital resources (3 + 4) .....	- 62	- 92	- 107	- 139	- 166	- 263	- 440	- 453	- 490
6. Gross capital formation .....	90	103	110	113	124	144	146	151	147
7. Net financing requirement (-) (5 - 6) .....	- 152	- 195	- 217	- 252	- 290	- 407	- 586	- 604	- 637
<i>(As percentages of gross national product) .....</i>	<i>(- 6.5)</i>	<i>(- 7.4)</i>	<i>(- 7.6)</i>	<i>(- 8.2)</i>	<i>(- 8.9)</i>	<i>(- 11.7)</i>	<i>(- 16.2)</i>	<i>(- 15.5)</i>	<i>(- 15.3)</i>

Sources : National Statistical Institute, Statistical Office of the European Communities and also National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

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## COMMENTS ON TABLE V. 4.A and V. 4.B :

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

#### A. Methodology

a) The classification of the data of Table V. 4.A is based, for the years 1975 to 1982, on the national accounts data compiled by the National Statistical Institute, which, mainly with regard to capital transactions, were supplemented by data from other sources, such as, for instance, the national accounts compiled by the Statistical Office of the European Communities according to the European System of Integrated Economic Accounts or the « Economic Regrouping of the Central Government's Transactions » published by the Ministry of Finance. The data for 1983 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 V. 4.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.

The item « Non-fiscal and non-parafiscal revenue » was calculated from the item « Income from property and from entrepreneurial activity accruing to the Government » included in the national accounts. However, in the national accounts, contributions towards meeting the interest charges and operating losses of public enterprises are deducted from income from property, whereas in Table V. 4.A they are included in item 2.5 under subsidies to enterprises. Furthermore, unlike the national accounts data, item 1.6 of Table V. 4.A excludes imputed rents but, on the other hand,

includes current transfers from the National Lottery. This item does not include any depreciation allowance.

c) The item « Net expenditure on goods and services » corresponds to the item « Public consumption » of Table III. 1 « Allocation of the national product » of the national accounts of the National Statistical Institute, less imputed rents and depreciation allowances (which are not recorded as receipts either); expenditure on the job-creation programme — that is, the wages of unemployed persons given work by the public authorities and the special temporary staff — has been isolated in a specific item, although in national accounting it merely forms part of public consumption.

The item « Interest charges » corresponds to the item « Interest on the public debt » of the national accounts.

The item « Unemployment and job-creation expenditure » embraces unemployment benefits, expenditure on the various early retirement schemes, the vocational training and readaptation allowances, expenditure on the third labour circuit, the allocations to the Building Industry Subsistence Fund (which, in the national accounts, are all included in social security transfers to wage- and salary-earners and self-employed persons) and also the wages of unemployed persons given work by the public authorities 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 consisting of unemployment and job-creation expenditure — which constitutes a separate item here — and plus the pensions to surviving dependants (widows and orphans) paid by the public authorities.

The item « Subsidies to enterprises » is identical with the item « Operating subsidies » of the accounts of the European System of Integrated National Accounts, that is, its contents differ from the data of the National Statistical Institute's accounts, partly because they include contributions towards meeting the interest charges and operating losses of public enterprises.

Except that transfers of indirect taxes to the European Economic Community are included in it in their entirety [see point b) above], 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 ».

d) The item « Gross fixed capital formation » corresponds to the item « Gross fixed capital formation on the public administrations » of the accounts of the European System of Integrated Economic Accounts, plus the capital expenditure on harbours (both by the Central Government and by the local authorities) included in the same 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 item « Net credit-granting and acquisition of interests » embraces, for domestic economic agents, the items « Credit-granting (net) to and acquisition of interests in enterprises » and « Credit-granting (net) to households » of the Economic Regrouping of the Central Government's Transactions, plus assistance to the « national » sectors and net credit-granting and acquisition of interests by the local authorities, which were estimated on the basis of partial and provisional data mainly derived from extra-budgetary sources. For the rest of the world, the source of the data is the balance of payments of the Belgian-Luxembourg Economic Union.

The item « Other net capital transfers » includes, as far as companies and individuals are concerned, the items « Net acquisitions of land and intangible assets », « Investment assistance paid to resident sectors » (less investment in harbours, which is included, in Table V. 4.A, in gross fixed capital formation) and « Other capital transfers (net) paid to households and other resident sectors » of the accounts of the European System of Integrated Economic Accounts ; there have been added to it some of the public authorities' operations for financing the National Housing Company and the National Land Company in implementation of the methods whereby the National Housing Fund assists in the financial service of the loans issued by these two companies. With regard to the rest of the world, other net capital transfers correspond to the item « Net capital transfers to Belgium » of the table « Belgium's transactions with the rest of the world » of the national accounts of the National Statistical Institute.

e) The data of Table V. 4.A are expressed in Table V. 4.B as percentages of the gross national product, and it is primarily the main developments of the latter table which are described in part B. below.

f) In Table V. 4.1 the public authorities' net financing requirement and various categories of revenue and expenditure in Belgium are compared with the corresponding data for the other countries of the European Economic Community as a whole. The revenue and expenditure have been classified on the basis of the European System of Integrated Economic Accounts (accounts and statistics of the public administrations); for Belgium, this classification therefore does not fully correspond to that of Table V. 4.B, which was arrived at partly on the basis of the national accounts of the National Statistical Institute.

Account was taken, in the case of Belgium, of the public authorities' expenditure in the form of net credit-granting and acquisition of interests, which are not included in the statistics of the European Economic Community. For this reason the data for

Belgium are not, as regards the balance, entirely comparable with those for the rest of the Community, although these differences are not liable to give an incorrect impression of the disparities between developments. There are also certain structural differences between the Community countries, which, without affecting the balances, may impair the comparison of the various categories of revenue and expenditure, mainly with regard to social security contributions and benefits. Hence, the United Kingdom, Denmark and Ireland have fiscalised the greater part of social security contributions, which are consequently included in direct taxes; at the level of social security benefits, expenditure on health care (doctors' fees and purchases of medicaments) is included in public consumption in the United Kingdom, Italy, Denmark and Ireland and in current transfers in the other countries, including Belgium.

Table V. 4.A

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

(Billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<b>1. Revenue :</b>									
1.1 Direct taxes .....	374	416	482	554	608	631	655	768	774
1.2 Indirect taxes .....	270	325	355	385	413	435	457	498	535
1.3 Social security contributions .....	304	343	378	395	425	459	489	521	577
1.4 Capital taxes .....	7	8	10	11	13	13	13	12	13
1.5 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3 + 1.4)	955	1,092	1,225	1,345	1,459	1,538	1,614	1,799	1,899
1.6 Non-fiscal and non-parafiscal revenue .....	35	36	39	36	45	62	74	89	86
1.7 Grand total (1.5 + 1.6) .....	990	1,128	1,264	1,381	1,504	1,600	1,688	1,888	1,985
<b>2. Expenditure :</b>									
2.1 Net expenditure on goods and services .....	367	415	456	502	535	582	637	677	691
2.2 Interest charges .....	82	97	116	137	165	211	287	361	384
2.3 Unemployment and job-creation expenditure .....	39	51	68	84	104	121	152	166	191
2.4 Current transfers to individuals .....	412	476	524	569	619	662	724	778	831
2.5 Subsidies to enterprises .....	68	85	95	102	111	116	128	135	144
2.6 Net current transfers to the rest of the world .....	26	28	35	38	44	45	46	58	63
2.7 Total current expenditure (2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6) ...	994	1,152	1,294	1,432	1,578	1,737	1,974	2,175	2,304
2.8 Gross fixed capital formation .....	90	103	110	113	124	144	146	151	147
2.9 Net capital transfers .....	58	68	77	88	92	126	154	166	171
2.91 Net credit-granting and acquisition of interests .....	(28)	(34)	(40)	(49)	(50)	(75)	(98)	(116)	(113)
2.92 Other net capital transfers .....	(30)	(34)	(37)	(39)	(42)	(51)	(56)	( 50)	( 58)
2.10 Total capital expenditure (2.8 + 2.9) .....	148	171	187	201	216	270	300	317	318
2.11 Grand total (2.7 + 2.10) .....	1,142	1,323	1,481	1,633	1,794	2,007	2,274	2,492	2,622
<b>3. Net financing requirement (1.7 - 2.11) .....</b>	- 152	- 195	- 217	- 252	- 290	- 407	- 586	- 604	- 637

Table V. 4.B

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

(As percentages of gross national product)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
<i>1. Revenue :</i>									
1.1 Direct taxes .....	16.1	15.7	16.9	18.1	18.7	18.1	18.1	19.7	18.7
1.2 Indirect taxes .....	11.6	12.3	12.5	12.6	12.7	12.5	12.6	12.8	12.9
1.3 Social security contributions .....	13.0	13.0	13.3	12.9	13.0	13.2	13.5	13.3	13.9
1.4 Capital taxes .....	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.3
1.5 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3 + 1.4)	41.0	41.3	43.0	43.9	44.8	44.2	44.6	46.1	45.8
1.6 Non-fiscal and non-parafiscal revenue .....	1.5	1.3	1.4	1.2	1.4	1.8	2.0	2.3	2.1
1.7 Grand total (1.5 + 1.6) .....	42.5	42.6	44.4	45.1	46.2	46.0	46.6	48.4	47.9
<i>2. Expenditure :</i>									
2.1 Net expenditure on goods and services .....	15.8	15.7	16.0	16.4	16.4	16.7	17.6	17.4	16.7
2.2 Interest charges .....	3.5	3.6	4.1	4.5	5.1	6.1	7.9	9.2	9.2
2.3 Unemployment and job-creation expenditure .....	1.7	1.9	2.4	2.7	3.2	3.5	4.2	4.2	4.6
2.4 Current transfers to individuals .....	17.7	18.0	18.4	18.6	19.0	19.0	20.0	20.0	20.0
2.5 Subsidies to enterprises .....	2.9	3.2	3.3	3.3	3.4	3.3	3.5	3.5	3.5
2.6 Net current transfers to the rest of the world .....	1.1	1.1	1.2	1.3	1.4	1.3	1.3	1.5	1.5
2.7 Total current expenditure (2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6) ...	42.7	43.5	45.4	46.8	48.5	49.9	54.5	55.8	55.5
2.8 Gross fixed capital formation .....	3.8	3.9	3.9	3.6	3.8	4.2	4.0	3.9	3.6
2.9 Net capital transfers .....	2.5	2.6	2.7	2.9	2.8	3.6	4.3	4.2	4.1
2.91 Net credit-granting and acquisition of interests .....	(1.2)	(1.3)	(1.4)	(1.6)	(1.5)	(2.1)	(2.7)	(2.9)	(2.7)
2.92 Other net capital transfers .....	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)	(1.5)	(1.6)	(1.3)	(1.4)
2.10 Total capital expenditure (2.8 + 2.9) .....	6.3	6.5	6.6	6.5	6.6	7.8	8.3	8.1	7.7
2.11 Grand total (2.7 + 2.10) .....	49.0	50.0	52.0	53.3	55.1	57.7	62.8	63.9	63.2
<i>3. Net financing requirement (1.7 - 2.11) .....</i>	- 6.5	- 7.4	- 7.6	- 8.2	- 8.9	-11.7	-16.2	-15.5	-15.3

## B. Main developments

a) Fiscal and parafiscal revenue would appear to have represented only 45.8 p.c. of the gross national product in 1983, against 46.1 p.c. the previous year (item 1.5 of Table V. 4.B). The decline is entirely due to direct taxes, which appear to have decreased from 19.7 to 18.7 p.c. (item 1.1).

Account should be taken, however, in assessing this decrease in direct taxes, of the shifts which took place between 1981, 1982 and 1983 in their collection. These shifts were due to a catching-up, at the beginning of 1982, of the delay which took place in assessments in 1981 and to a speeding-up, at the end of 1982, of the assessments for that same year; the introduction, likewise in 1982, of the voluntary tax system (voluntary advance payment of taxes) also led to a temporary swelling of revenue.

These three factors largely explain the particularly high level reached by direct taxes in 1982, compared with 1981 and 1983.

In 1983 the effect of the increase in nominal incomes per tax-payer and of the progressivity of the tax scales, which should normally lead to a growth in the yield of direct taxes, was small owing to the moderation of wages. This factor was only partly offset by expansion of the tax base brought about by the increase in company profits. Furthermore, the fiscal and parafiscal measures adopted by the Government likewise contributed to the slowing-down of the rise in direct tax revenue. In particular, the raising, described below, of the social security contributions led to a decline in taxable income and hence gave rise to substantial losses of revenue from pay-as-you-earn tax on the income of employees. Among the other measures, while the taxing of replacement incomes enabled the tax base to be expanded, on the other hand the abolition of Solidarity Taxes I and II, levied on the exceptional profits of large enterprises, as well as the tax reliefs introduced by Royal Decree No. 15 of 9th March 1982 (amended by Royal Decree No. 150 of 30th December 1982) encouraging subscription for or the purchase of shares or other forms of participation in Belgian companies, limited the increase in direct taxes.

Despite the rising, on 1st January 1983, of certain rates of value added tax (the rates on most goods and services previously taxed at

17 p.c. were increased to 19 p.c.) and the increase, from 28th March 1983, of one franc per litre in the excise duties on motor fuel, the proceeds of indirect taxes appear to have remained virtually unchanged as a percentage of the gross national product (item 1.2). As stated in Chapter III, the growth in volume of the national product took place only because of the expansion in exports, which are not taxed, whereas the decline, at constant prices, in domestic demand was particularly marked in the case of purchases of goods and house-building by individuals, which constitute the bulk of transactions subject to value added tax. Lastly, the reduction from 17 to 6 p.c. in the rate of tax applicable to real estate transactions relating to residential buildings used, or intended to be used, as private accommodation applied for the first time to a full year (against ten months in 1982).

Social security contributions rose from 13.3 p.c. in 1982 to 13.9 p.c. despite the fact that the increase in the gross compensation of employees remained distinctly smaller than that in the gross national product (item 1.3). This growth in contributions is due to various measures adopted in order to ensure the balancing of the accounts of the various branches of social security. The main measures were the abolition, on 1st October 1982, of the last ceilings set on the remunerations on which certain social security contributions were calculated, the reduction by half of the scope of Operation Maribel following the replacement of the reduction in the employers' contributions of 6.17 p.c. of the total gross wages of manual workers — a system which had been in force from 1st July 1981 until the end of 1982 — by a flat-rate reduction for each manual worker employed, the raising from 1st October 1983 of the workers' contribution for health care (from 1.80 to 2.55 p.c.) and for pensions (from 7 to 7.50 p.c.), the increase from 7 to 11 p.c. in the special contribution on the double holiday allowance, the extension to the whole year of the flat-rate reduction of Fr. 500 per month and per family in family allowances and of the contribution of Fr. 900 per month for all childless families and all unattached persons, the equalisation of the contribution rates of blue-collar and white-collar workers and the increase in the pension contributions payable by persons taking early retirement.

Apart from fiscal and parafiscal revenue, the public authorities receive other revenue, mainly derived from the public-sector financial intermediaries. This revenue decreased somewhat in 1983, partly

because the decline in interest rates led to a reduction in the Treasury's revenue in respect of its participation in the transactions of the Bank (item 1.6).

b) For the first time since 1969, current expenditure appears to have gone up less rapidly than the gross national product. It appears to have amounted, in 1983, to 55.5 p.c. of that product, against 55.8 p.c. in 1982 (item 2.7).

This decline is attributable to the reduction in net expenditure on goods and services, which appears to have fallen from 17.4 p.c. in 1982 to 16.7 p.c. (item 2.1). The increase in remunerations and pensions was curbed not only by the wage moderation measures and by the postponement of the end-of-year bonus to 1984 but also by the development of the number of employees : for the first time for many years, the number of persons employed by the public authorities appears to have undergone no further increase in 1983 (on the other hand, the number of pensioners for whom the public authorities are directly responsible would appear to have risen again). Purchases of material, for their part, appear to have decreased in the year under review.

Interest charges, after having more than doubled as a percentage of the gross national product between 1978 and 1982, rising from 4.5 to 9.2 p.c., appear to have stabilised in 1983 (item 2.2). The explanation is that during the year under review, on the one hand, short-term interest rates fell and, on the other hand, the Treasury was able to finance a larger proportion of its deficit by the issuing of long-term loans in Belgian francs — issues whose effect on interest charges will not make itself felt until subsequent years.

Unemployment and job-creation expenditure increased again, from 4.2 to 4.6 p.c. of the gross national product (item 2.3). This increase is primarily due to the development of the number of fully unemployed and partially unemployed persons receiving unemployment pay, which went on rising in 1983, although more slowly than during the previous year. The compensatory recruiting which was to result from the agreements on the utilisation of the moderation of wages began too late in the year to have any appreciable effect on its average. The number of persons taking early retirement also appears to have risen by about 15,000 in 1983. On the other hand, the numbers of persons benefiting by the programmes of direct setting to work of unemployed persons

appears to have undergone hardly any change, as the growth in the third labour circuit was counterbalanced by the reduction in the special temporary staff and the fall in the number of unemployed persons given work by the public authorities.

Other transfers — transfers to individuals other than unemployment and job-promotion expenditure, subsidies to enterprises and transfers to the rest of the world — would appear to have remained stable in 1983. Social security transfers, which represent the greater part of these expenditure categories, were kept in check by two major economy measures, namely the abolition of the thirteenth and fourteenth month of family allowances for the first child and the limitation of the index-linking of medical fees. Current transfers to individuals (item 2.4 of Table V. 4.A) consequently rose, at constant prices, by only 6.8 p.c., or less than the rise in consumer prices.

c) Gross fixed capital formation appears to have decreased from 3.9 to 3.6 p.c. of the gross national product (item 2.8 of Table V. 4.B). This movement represents the continuation of the decrease already observed in 1981 and 1982 : as a large proportion of current expenditure is difficult to compress, the public authorities' economy efforts can most easily be made at the level of capital investment.

Net capital transfers appear to have undergone hardly any change and to have represented 4.1 p.c. of the gross national product in 1983 against 4.2 p.c. the previous year (item 2.9).

d) The reduction of both current and capital expenditure as a percentage of the gross national product made it possible to compensate for the simultaneous decrease in revenue as compared with the accidentally high level reached in 1982. On balance, the public authorities' net financing requirement would thus appear to have remained at a level comparable to that of the previous year : 15.3 of the gross national product against 15.5 p.c. in 1982 (item 3).

e) Table V. 4.1 provides, for the last three years, a comparison of the main categories of public expenditure and revenue in Belgium and in the European Economic Community. It reveals two major kinds of differences, one of which concerns the levels reached in 1983 and the other, the movements during the last three years.

As regards its level, the net financing requirement in Belgium is seen to be structurally higher than in the other countries of the European Economic Community as a whole, where it appears to have represented in 1983 only 5 p.c. of the gross national product. This phenomenon is certainly not due to revenue — which in Belgium is likewise much higher than in the other Community countries (essentially at the level of direct tax pressure) — but is in fact attributable to the particularly large volume of expenditure. It is especially interest charges — the result of a net financing requirement which has long been higher in Belgium — and current transfers — swollen by, in particular, the extent of Belgian unemployment — which reach a particularly high level.

The slight decline in the public authorities' net financing requirement observed in Belgium in comparison with 1981, combined with the worsening observable during the same period in the rest of the Community, has somewhat reduced the existing discrepancy between the respective state of the public finances. While the public authorities' revenue — account being taken of the afore-mentioned shifts in the collection of direct taxes in Belgium between 1981, 1982 and 1983 — does not appear to have developed very differently from what has happened in the other Community countries, on the other hand, Belgium seems to have had relatively more success in curbing its expenditure, although this is a phenomenon peculiar to 1983. Altogether, however, these recent developments were only limited in extent, so that they could do only very little to correct the profound relative imbalances which had previously arisen.

Table V. 4.1

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

(As percentages of gross national product)

	Belgium			Other countries of the European Economic Community as a whole <sup>1</sup>		
	1981	1982	1983 <i>e</i>	1981	1982	1983
<b>1. Revenue :</b>						
1.1 Direct taxes and capital taxes ..	18.6	20.1	19.1	12.7	13.1	13.4
1.2 Indirect taxes .....	12.5	12.7	12.8	14.1	13.9	14.0
1.3 Social security contributions ....	13.5	13.3	13.9	13.6	13.9	14.3
1.4 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3) .....	44.6	46.1	45.8	40.4	40.9	41.7
1.5 Non-fiscal and non-parafiscal revenue .....	2.0	2.3	2.1	1.8	1.8	1.8
1.6 Grand total (1.4 + 1.5) .....	46.6	48.4	47.9	42.2	42.7	43.5
<b>2. Expenditure :</b>						
2.1 Public consumption .....	18.0	17.8	17.1	16.6	16.6	16.6
2.2 Interest charges .....	7.9	9.2	9.2	3.9	4.3	4.8
2.3 Current transfers .....	28.6	28.8	29.2	22.1	22.5	22.9
2.4 Total current expenditure (2.1 + 2.2 + 2.3) .....	54.5	55.8	55.5	42.6	43.4	44.3
2.5 Gross fixed capital formation ..	3.7	3.6	3.3	2.9	2.8	2.8
2.6 Net capital transfers .....	4.6	4.5	4.4	1.3	1.3	1.4
2.61 Net credit-granting and acquisition of interests ....	(2.8)	(2.9)	(2.7)	(n.a.)	(n.a.)	(n.a.)
2.62 Other net capital transfers	(1.8)	(1.6)	(1.7)	(1.3)	(1.3)	(1.4)
2.7 Total capital expenditure (2.5 + 2.6) .....	8.3	8.1	7.7	4.2	4.1	4.2
2.8 Grand total (2.4 + 2.7) .....	62.8	63.9	63.2	46.8	47.5	48.5
<b>3. Net financing requirement (1.6 - 2.8)</b>	- 16.2	- 15.5	- 15.3	- 4.6	- 4.8	- 5.0

Sources : European Economic Community. Calculations and estimates of the National Bank of Belgium.

<sup>1</sup> Excluding Greece.

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## COMMENTS ON TABLE V. 5 :

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

#### A. Methodology

a) The disposable income which the rest of the world derives from net current transfers from Belgium (item 1 of Table V. 5) was taken from Table IV. 1 (item 4.1).

b) Net imports of goods and services from Belgium and net factor income paid to Belgium (item 2) were taken from Table III. 3.b (item 5). By analogy with private consumption by individuals, the payment for these net imports and this net factor income (if their sum is positive) 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 income received from Belgium were greater than the corresponding expenditure items.

c) By subtracting net imports of goods and services from Belgium and net factor income 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 governments 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 (item 5). This concept corresponds in principle to that of net borrowing from 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 V. 5 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 V. 5, 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 V. 5, but counts as services certain other transactions, although these are not included in item 2 of Table V. 5.

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 Belgium's net borrowing from the rest of the world will be adequately explained by the development of the balance of current transactions of the Belgian-Luxembourg Economic Union, which will now be analysed.

Table V. 5

SUMMARY OF THE TRANSACTIONS OF THE REST OF THE  
WORLD WITH RESIDENT SECTORS*(Billions of francs)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. Disposable income (= net current transfers from Belgium)	20	17	20	20	22	33	41	45	45
2. Net imports of goods and services from Belgium and net factor income paid to Belgium	17	19	- 17	- 24	- 67	- 122	- 113	- 98	- 10
3. Gross savings made available to Belgium (1 - 2) .....	+ 3	- 2	+ 37	+ 44	+ 89	+ 155	+ 154	+ 143	+ 55
4. Net capital transfers from Belgium .....	6	5	5	7	9	7	9	11	12
5. Net financing capacity made available to Belgium (3 + 4)	+ 9	+ 3	+ 42	+ 51	+ 98	+ 162	+ 163	+ 154	+ 67

Sources : National Statistical Institute and National Bank of Belgium for 1982. Calculations and estimates of the National Bank of Belgium.

CHAPTER VI

TRANSACTIONS  
OF THE BELGIAN-LUXEMBOURG  
ECONOMIC UNION WITH  
THE REST OF THE WORLD



## COMMENTS ON TABLE VI. 1 :

### SUMMARY OF THE TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION WITH THE REST OF THE WORLD

#### A. Methodology

a) The balance of current transactions (item 1 of Table VI. 1), 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 during the period observed, have given rise to commercial claims. For the period subsequent to the first quarter of 1983, 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 VI. 1) nor, therefore, for the change in this part of commercial claims (item 2.1 of Table VI. 1). Item 1.1 does, on the other hand, show the balance of current transactions on a payments basis for the whole of the period covered by Table VI. 1; exports and imports for which no actual payment has been made 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 external liabilities, and vice versa for a current surplus. The various movements of the financial assets and liabilities in relation to the rest of the world 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) It should be noted that 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 the transactions in foreign currencies of the domestic mainly monetary institutions with residents. Thus, subscriptions by resident banks for foreign-currency loans of the Belgian public sector are recorded as capital outflows in item 2.2; as the counterpart to this, loans thus placed by the Belgian public sector with resident banks are recorded as capital inflows in item 2.3 (the details of these transactions appear in Tables VI. 3 and VI. 4). The total of item 2 « Capital transactions » is not affected by this extension of the range of transactions considered.

d) The capital transactions of the public sector are traditionally entered « above the line » in the balance of payments, that is, among the transactions whose balance has to be financed in order to enable equilibrium to be maintained in the foreign exchange market under a system of fixed exchange rates; however, together with the movement of the Bank's foreign exchange reserves, these public-sector borrowings have also, since 1978, directly financed the deficits in respect of all the relatively « autonomous » transactions : the current transactions and capital transactions of the private sector.

Item 1 of Table VI. 1.1 gives, for the last two categories of transactions which have just been mentioned, an estimate of the cumulative deficit from 1977 — the first year of the past decade in which the Belgian-Luxembourg Economic Union incurred a deficit on current transactions — until 1983. Item 2 of the table shows to what extent the deficit in respect of these transactions (the current and capital transactions of the private sector) was financed respectively by net inflows of funds from the public sector and by a reduction of the Bank's foreign exchange reserves.

Table VI. 1.1 also presents an estimate of the above-mentioned transactions for Belgium alone. Mention should be made of one special feature of this estimate : the deposits in francs formed by Belgian residents with Luxembourg banks, which the latter used to subscribe for Belgian Treasury certificates, are not included among the private sector's capital outflows, nor are the certificates in question included in the public sector's capital inflows, because these operations are in fact transactions between residents which merely passed via foreign institutions.

Table VI. 1

SUMMARY OF THE TRANSACTIONS OF THE BELGIAN-LUXEMBOURG ECONOMIC UNION  
WITH THE REST OF THE WORLD

(Balances in billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>p</i>	1982				1983 <i>p</i>				First nine months		
										1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1982	1983 <i>p</i>	
1. <i>Current transactions on transactions basis</i> <sup>1</sup> .....	+ 6	+15	-20	-26	-89	-145	-156	-120	-148 <sup>7</sup>	-80	-29	...	-11	-54	n.a.	n.a.	-76 <sup>7</sup>	-109	n.a.	
1.1 Current transactions on payments basis <sup>1 2</sup> .....	(+22)	(-13)	(-2)	(-46)	(-91)	(-165)	(-200)	(-116)		(-51)	(-53)	(+3)	(-15)	(-73)	(+28)	(+24)		(-101)	(-21)	
2. <i>Capital transactions</i> :																				
2.1 Commercial claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks <sup>3</sup> .....	+16	-28	+18	-20	-2	-20	-44	+4		+29	-24	+3	-4	-19	n.a.	n.a.		+8	n.a.	
2.2 Other spot and forward transactions of the private sector <sup>3</sup> .....	-12	-28	-19	+18	-8	+21	-157	-171	-31	-47	+6	-99	-36	+46	-73	-72	-63			
2.3 Spot transactions of the public sector <sup>4</sup> .....	-5	+8	...	+8	+72	+154	+258	+255	+126	+79	+88	+43	+45	+87	+12	+1	+26	+210	+100	
Total 2...	-1	-48	-1	+6	+62	+155	+57	+88	n.a.	+77	+17	+52	-58	+32	n.a.	n.a.	n.a.	+146	n.a.	
3. <i>Errors and omissions</i> .....	+13	+8	+12	+4	-4	+17	+3	-6	n.a.	-7	-9	+8	+2	-19	+13	+18	n.a.	-8	+12	
4. <i>Total corresponding to the movement in the National Bank of Belgium's net foreign exchange reserves (1 + 2 + 3 = 1.1 + 2.2 + 2.3 + 3)<sup>5</sup> ...</i>	+18	-25	-9	-16	-31	+27	-96	-38	-22	-10	-21	+60	-67	-41	+99	-30	-50	+29	+28	
<i>p.m.</i> Foreign currencies to be delivered at forward dates by the National Bank of Belgium to the public sector <sup>6</sup> .....	(+1)	(...)	(...)	(-12)	(-8)	(+17)	(+2)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	

<sup>1</sup> Plus sign : surplus, minus sign : deficit. For details, see Table VI. 2.<sup>2</sup> 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.<sup>3</sup> Plus sign : capital inflows ; minus sign : capital outflows. For details, see Table VI. 3.<sup>4</sup> Plus sign : capital inflows ; minus sign : capital outflows. For details, see Table VI. 4.<sup>5</sup> Plus sign : increase in reserves ; minus sign : decrease in reserves. For details, see Table VI. 5.<sup>6</sup> Plus sign : decrease ; minus sign : increase.<sup>7</sup> Including errors and omissions.

## B. Main developments

a) The decrease in the deficit on current transactions on a payments basis already observed in 1982 continued during the first nine months of 1983 : the deficit thus declined from Fr. 101 billion in 1982 to Fr. 21 billion (item 1.1 of Table VI. 1).

According to the first available indications, net commercial claims on foreign countries not mobilised at banks (item 2.1) would not appear to have decreased more than they did the previous year, so that the improvement in the current balance on a payments basis appears to be attributable to continued shrinking of the current deficit on a transactions basis. From still provisional and very fragmentary information, it can be estimated that this deficit amounted for the year as a whole to about Fr. 40 billion, against Fr. 120 billion in 1982 and Fr. 156 billion in 1981.

b) The amount of the transactions which can be distinguished as private-sector capital outflows would also appear to have been smaller than the previous year's figure : Fr. 63 billion for the first nine months against Fr. 72 billions (item 2.2). It is not certain that there would have been such an improvement if it had been possible to take into account the commercial claims not mobilised at banks (item 2.1). For the reasons which will be explained in the comments on Table VI. 3, the movements thus described for the period as a whole in fact conceal widely divergent movements during the year.

c) Altogether, the transactions described above — current transactions and private-sector capital transactions — resulted for the first nine months in a much smaller deficit than the previous year : Fr. 84 billion against Fr. 173 billion.

During the last quarter of the year under review, the still very fragmentary indications available pointed to a less favourable development of current transactions on a payments basis, with their deficit apparently exceeding that recorded in 1982. On the other hand, private-sector capital outflows, which appear to have continued, apparently did not reattain the exceptionally large volume of the fourth quarter of the previous year. For the year as a whole, the above-mentioned improve-

ment in the balance of the current account and the private sector's capital transactions became more marked still : this deficit thus fell to Fr. 148 billion in 1983, against Fr. 287 billion in 1982 and Fr. 357 billion in 1981, during which year both the current deficit and capital outflows had reached a peak.

d) Although public-sector capital inflows (item 2.3, annual data, of Table VI. 1) were much less large than during the preceding years (Fr. 126 billion against Fr. 255 billion in 1982 and Fr. 258 billion in 1981), the Bank's foreign exchange reserves decreased only slightly : by Fr. 22 billion, against Fr. 38 billion in 1982 and Fr. 96 billion in 1981.

e) Examination of the developments over a longer period, that is, from 1977 to 1983 (Table VI. 1.1), with public-sector capital inflows also being regarded as financing transactions, reveals that the latter reached Fr. 873 billion and played a part, along with the drawings on the Bank's foreign exchange reserves amounting to Fr. 185 billion, in meeting a current account deficit of Fr. 596 billion and private-sector capital outflows totalling Fr. 462 billion. For Belgium alone these financing transactions were even higher (Fr. 1,102 billion) and represented the counterpart of a current account deficit of Fr. 721 billion and private-sector capital outflows of Fr. 381 billion.

Among these two categories of transactions, only the cumulative current account deficit leads to a net indebtedness of the economy to the rest of the world. This is because, when the increase in the public-sector debt and the decrease in the foreign exchange reserves serve to meet the deficit in respect of the private sector's capital transactions, the worsening of the official authorities' external balance is mitigated by the accumulation, among the private sector's assets, of a stock of claims on foreign countries. These claims furthermore generate net incomes which reduce the impact, on the balance of current transactions, of the burden of the interest charges paid by the public sector to its foreign creditors and of the reduction in the Bank's earnings on its foreign investments; in 1983, however, an amount of some Fr. 45 billion of such incomes was recorded, but this probably represents only part of the income generated by the private sector's net foreign assets.

Table VI. 1.1

CUMULATIVE BALANCES OF THE TRANSACTIONS WITH THE REST  
OF THE WORLD FROM 1977 TO 1983

(Billions of francs)

	Belgian- Luxembourg Economic Union	Belgium
1. Balances to be financed :		
1.1 Deficit on current transactions on a transactions basis . e	- 596	- 721
1.2 Private-sector capital outflows <sup>1</sup> ..... e	- 462	- 381
1.3 Total ..... p	-1,058	-1,102
2. Means of financing :		
2.1 Public-sector capital inflows <sup>2</sup> ..... p	873	917
2.2 Reduction in the National Bank of Belgium's foreign exchange reserves ..... p	185	185
2.3 Total ..... p	1,058	1,102

<sup>1</sup> Including the transactions of the banking sector, which include those in foreign currencies with the Belgian public sector, and also errors and omissions.

<sup>2</sup> Including transactions in foreign currencies with resident banks.

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## COMMENTS ON TABLE VI. 2 :

### CURRENT TRANSACTIONS

#### A. Methodology

a) Item 1.12 of Table VI. 2 gives exports and imports on a payments basis and items 1.13 gives them on a transactions basis. For the reasons stated in point a) of the methodology of Table VI. 1, the data on the latter basis do not go beyond the first quarter of 1983.

b) Table VI. 2.1 gives a picture of the 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 three years the movement of foreign trade estimated on this basis — which includes the movements of goods for commission processing but not third-country trade — has been fairly similar to that of the corresponding transactions in the balance of payments (items 1.13 and 1.2 of Table VI. 2). In 1983, particularly, the movements revealed by both these statistical sources were large and in the same direction, so that it seemed reasonable to use the data of the National Statistical Institute in order to obtain a breakdown of the respective effects of prices and volumes on the movement of foreign trade. The price and volume index numbers shown in Table VI. 2.1 are those arrived at by the National Statistical Institute itself on the basis of the above-mentioned foreign trade statistics.

c) Chart VI. 2.2 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 VI. 2.2). This index is obtained by dividing the index for the Belgian-Luxembourg Economic Union by that for a weighted average for thirteen of its main competitors (Netherlands, Federal Republic of Germany, France, United Kingdom, Italy, United States, Japan, Canada, Austria, Denmark, Norway, Sweden and Switzerland), all the national indices having first been converted into a common currency (left-hand bar in the chart). 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 weighted average for the above-mentioned thirteen countries (right-hand bar in 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 VI. 2.2)<sup>1</sup>. 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 (Netherlands, Federal Republic of Germany, France, United Kingdom, Italy, United States and Japan). The calculations were made using index numbers expressed in a common currency.

— The lower section of Chart VI. 2.2 shows separately the changes in the disparity index of labour costs per person employed, expressed in a common currency, those in the apparent productivity of labour and those in their resultant, namely the disparity index of labour costs per unit of output<sup>2</sup>, one of the three components used in calculating the cost price.

<sup>1</sup> 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 LVIII, column (a).

<sup>2</sup> See column (c) of Table LX at column (c) of Table LXIII of the article mentioned in note 1 above.

Table VI. 2

CURRENT TRANSACTIONS<sup>1</sup>

(Balances in billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	1982				1983 <sup>p</sup>			First nine months		
									1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	1982	1983 <sup>p</sup>	
1. Transactions in goods :																		
1.1 Exports and imports :																		
1.11 Transactions which give rise to commercial claims which were not mobilised at Belgian and Luxembourg banks .....	- 16	+ 28	- 18	+ 20	+ 2	+ 20	+ 44	- 4	- 29	+ 24	- 3	+ 4	+ 19	n.a.	n.a.	- 8	n.a.	
1.12 Other transactions .....	- 16	- 79	- 92	- 107	- 142	- 175	- 220	- 166	- 47	- 64	- 22	- 33	- 67	...	- 8	- 133	- 75	
1.13 Total .....	- 32	- 51	- 110	- 87	- 140	- 155	- 176	- 170	- 76	- 40	- 25	- 29	- 48	n.a.	n.a.	- 141	n.a.	
1.2 Commission processing <sup>2</sup> .....	+ 16	+ 21	+ 41	+ 45	+ 48	+ 38	+ 41	+ 54	+ 1	+ 11	+ 24	+ 18	+ 13	+ 17	+ 16	+ 36	+ 46	
1.3 Third-country trade <sup>2 3</sup> .....	+ 17	+ 22	+ 26	+ 9	+ 18	+ 8	+ 25	+ 25	+ 7	+ 8	+ 10	...	...	+ 16	+ 9	+ 25	+ 25	
Total 1 (1.13 + 1.2 + 1.3) .....	+ 1	- 8	- 43	- 33	- 74	- 109	- 110	- 91	- 68	- 21	+ 9	- 11	- 35	n.a.	n.a.	- 80	n.a.	
Total 1bis (1.12 + 1.2 + 1.3) ....	+ 17	- 36	- 25	- 53	- 76	- 129	- 154	- 87	- 39	- 45	+ 12	- 15	- 54	+ 33	+ 17	- 72	- 4	
2. Transactions in services <sup>4</sup> .....	+ 29	+ 45	+ 48	+ 32	+ 13	+ 2	+ 2	+ 27	+ 2	+ 8	+ 6	+ 11	- 4	+ 14	+ 15	+ 16	+ 25	
3. Transfers :																		
3.1 Private transfers <sup>5</sup> .....	- 4	- 8	- 6	- 9	- 10	- 11	- 15	- 11	- 4	- 3	- 2	- 2	- 3	- 2	- 3	- 9	- 8	
3.2 Public transfers <sup>6</sup> .....	- 20	- 14	- 19	- 16	- 18	- 27	- 33	- 45	- 10	- 13	- 13	- 9	- 12	- 17	- 5	- 36	- 34	
Total 3 (3.1 + 3.2) .....	- 24	- 22	- 25	- 25	- 28	- 38	- 48	- 56	- 14	- 16	- 15	- 11	- 15	- 19	- 8	- 45	- 42	
4. Total of current transactions on transactions basis (1 to 3) .....	+ 6	+ 15	- 20	- 26	- 89	- 145	- 156	- 120	- 80	- 29	...	- 11	- 54	n.a.	n.a.	- 109	n.a.	
4 bis. Total of current transactions on payments basis (1bis + 2 + 3) .	+ 22	- 13	- 2	- 46	- 91	- 165	- 200	- 116	- 51	- 53	+ 3	- 15	- 73	+ 28	+ 24	- 101	- 21	

<sup>1</sup> Including, since 1977, transactions settled by offsetting.<sup>2</sup> On transactions basis.<sup>3</sup> Goods bought and resold abroad by residents.<sup>4</sup> For details, see Table VI. 2.3.<sup>5</sup> This item mainly consists, on the expenditure side, of funds transferred to their countries of origin by foreign workers living in the Belgian-Luxembourg Economic Union and, on the receipts side, of remuneration available in Belgium to Belgians working abroad for the purpose of technical assistance.<sup>6</sup> This item mainly consists, on the expenditure side, of technical assistance and of contributions of the Belgian and Luxembourg Governments to European institutions and, on the receipts side, of the payments made by the European Agricultural Guidance and Guarantee Fund to resident farmers.

## B. Main developments

a) The marked reduction shown by the current deficit on a payments basis during the first nine months of 1983 (item 4 bis of Table VI. 2) is primarily due to the favourable development of transactions in goods (item 1 bis). The increase in the surplus in respect of transactions in services (item 2) and the decline in the deficit in respect of transfers (item 3) also contributed, albeit to a smaller extent, to the improvement in the current balance.

b) During the first quarter transactions in goods estimated on a transactions basis (item 1) again left an appreciable deficit, but this can largely be explained by the adverse influence generally exerted by seasonal factors at this time of the year : this deficit was thus only half as large as that for the corresponding quarter of 1982.

For the subsequent months transactions in goods could only be calculated on a payments basis. According to these data, the deficit in respect of the transactions under this head would appear to have fallen from Fr. 72 billion during the first nine months of 1982 to Fr. 4 billion in 1983 (item 1 bis), owing to a sharp reduction in the deficit in respect of exports and imports in the strict sense and, to a smaller extent, to an increased surplus in respect of commission processing.

c) The favourable movement of transactions in goods is also reflected in that of the index of the coverage ratio, in value, of imports by exports (item 1.3 of Table VI. 2.1) : during the first eight months this index (base 1975 = 100) reached 101 in 1983, against 92 the previous year. This distinct improvement took place despite the virtual stabilisation of the terms of trade at the level of the two preceding years (item 2.3).

The increase in unit import values (item 2.2) would appear to have remained moderate in comparison with that observed the previous year. The explanation lies partly in the smaller depreciation of the Belgian franc and also in the fall in energy prices and the smallness of the increase in the dollar prices of other raw materials.

The increase in average unit export values (item 2.1) would appear to have been slightly smaller than that in average unit import values. The rises were particularly small in the case of exports of foodstuffs, agricultural products, iron and steel products, textiles and chemicals, which together account for about 40 p.c. of the total value of exports.

d) There was, on the other hand, a sharp rise during the first eight months of 1983 in the coverage ratio in volume of imports by exports (item 3.3 of Table VI. 2.1) : exports increased appreciably, while there was a marked fall in imports.

As in the previous year, the increase in the volume of exports (item 3.1) would appear to have been due both to a moderate expansion of the markets of the Belgian-Luxembourg Economic Union and to a gain in market shares.

The reduction in the volume of imports (item 3.2), which took place despite the virtual stability of final demand mentioned in the comments on Table III. 1, seems to be attributable to the lightening of the energy bill, partly due to the growth in the production of the Belgian nuclear power stations, together with, to a smaller extent, the substitution of domestic products for imports.

The gains in market shares achieved — abroad and in the domestic market — by the producers of the Belgian-Luxembourg Economic Union are probably attributable partly to the recovery in competitiveness in terms of prices and costs of manufacturing industry (Chart VI. 2.2) and, in the case of exports, perhaps also to the nature of the revival of demand abroad, which was reflected in a sharp increase in demand for consumer goods, in which Belgian exporters specialise.

The improvement in competitiveness in terms of prices and costs, which, in accordance with the indicators included in Chart VI. 2.2, would appear to have been in progress for several years and which seems to have been substantial in 1982, apparently continued, albeit to a less marked extent, in 1983. Allowance being made for the usual time-lag between fluctuations in relative prices and their effects on foreign trade, the previous improvement probably in fact contributed more to the growth in market shares in 1983 than that which took place in 1983 itself.

With regard to the actual development of the relative prices and costs of manufacturing industry (estimates for the whole twelve-month period), the following points can be made :

— The disparity index of unit export values (top part of Chart VI. 2.2) indicates that domestic prices went up less than those of the competing countries in 1981 and 1982; this index appears to have stabilized in 1983. The movements in recent years were hardly influenced at all by the difference in the structure of the basket of exports of manufactured products of the Belgian-Luxembourg Economic Union and that of its main competitors.

— The disparity in cost prices (second part of Chart VI. 2.2) appears to have moved in favour of domestic products in 1983, but to a smaller extent than in 1982 and even in 1981.

— The new, favourable movement of the disparity of labour costs per unit of output (last part of Chart VI. 2.2) would appear to have been attributable in 1983 both to the development of labour costs per person employed and to that in productivity. It should be noted that the influence of the latter factor is not perhaps as important as the chart might suggest, because it was not possible to take into account the costs (depreciation and cost of borrowed capital) which probably had to be incurred in order to enable this gain in productivity to be achieved.

e) The surplus in respect of transactions in services (Table VI. 2.3) increased slightly between 1982 and 1983 (first nine months); this improvement was mainly due to the following developments :

— a further contraction in the deficit in respect of « Foreign travel » (item 2) ;

— a slight decline in the deficit in respect of portfolio and investment income (item 3) due to the general fall in interest rates, the expansion in the transactions of Belgian and Luxembourg banks on the Euro-currency market, which led to an increase in the net income from these transactions, and also a rise in the portfolio and investment income repatriated by the private sector ;

— a further rise in the operating expenditure of the European institutions (item 4).

The deficit under item 5 (« Technology » ) illustrates the dependence of Belgium and Luxembourg in this respect. This is the case, however, with most industrialised countries, as only the United States and the United Kingdom regularly show a surplus in respect of these transactions.

f) The decrease during the first nine months of 1983 in the traditional deficit in respect of transfers (item 3 of Table VI. 2) took place for both public transfers and private transfers. With regard to the latter, it will be seen that there was a contraction in repatriations of funds by immigrant workers to their countries of origin. In the case of public transfers, the increase in the payments made for the benefit of resident farmers by the European Agricultural Guidance and Guarantee Fund exceeded that in the contributions of Belgium and Luxembourg to Community institutions.

g) As was mentioned in the comments on Table VI. 1, the very fragmentary data available for the fourth quarter of 1983 suggest a distinct worsening of the balance of current transactions on a payments basis — including in the case of transactions in goods — so that the current deficit appears to have been greater than the Fr. 15 billion (item 4 bis of Table VI. 2) recorded in the fourth quarter of 1982.

Table VI. 2.1

## FOREIGN TRADE

	Indices 1975 = 100						Percentage changes compared with previous year	
	1980	1981	1982	First eight months			First eight months	
				1981	1982	1983 p	1982	1983 p
1. Values :								
1.1 Exports .....	178.9	195.1	226.4	182.9	212.8	238.8	+ 16.3	+ 12.2
1.2 Imports .....	185.8	204.2	234.6	199.9	231.3	236.4	+ 15.7	+ 2.2
1.3 Coverage ratio <sup>1</sup> .....	96.3	95.5	96.5	91.5	92.0	101.0	+ 0.6	+ 9.8
2. Average unit values :								
2.1 Exports .....	134.0	145.9	166.5	143.4	163.5	174.7	+ 14.0	+ 6.8
2.2 Imports .....	141.2	162.0	184.3	160.5	180.9	194.6	+ 12.7	+ 7.6
2.3 Terms of trade <sup>2</sup> .....	94.9	90.1	90.3	89.3	90.4	89.8	+ 1.2	- 0.7
3. Volumes :								
3.1 Exports .....	133.4	133.7	136.0	127.6	130.1	136.6	+ 2.0	+ 4.9
3.2 Imports .....	131.4	126.0	127.3	124.7	127.9	121.4	+ 2.6	- 5.1
3.3 Coverage ratio <sup>3</sup> .....	101.5	106.1	106.8	102.3	101.7	112.5	- 0.6	+ 10.6

Source : National Statistical Institute, customs statistics.

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

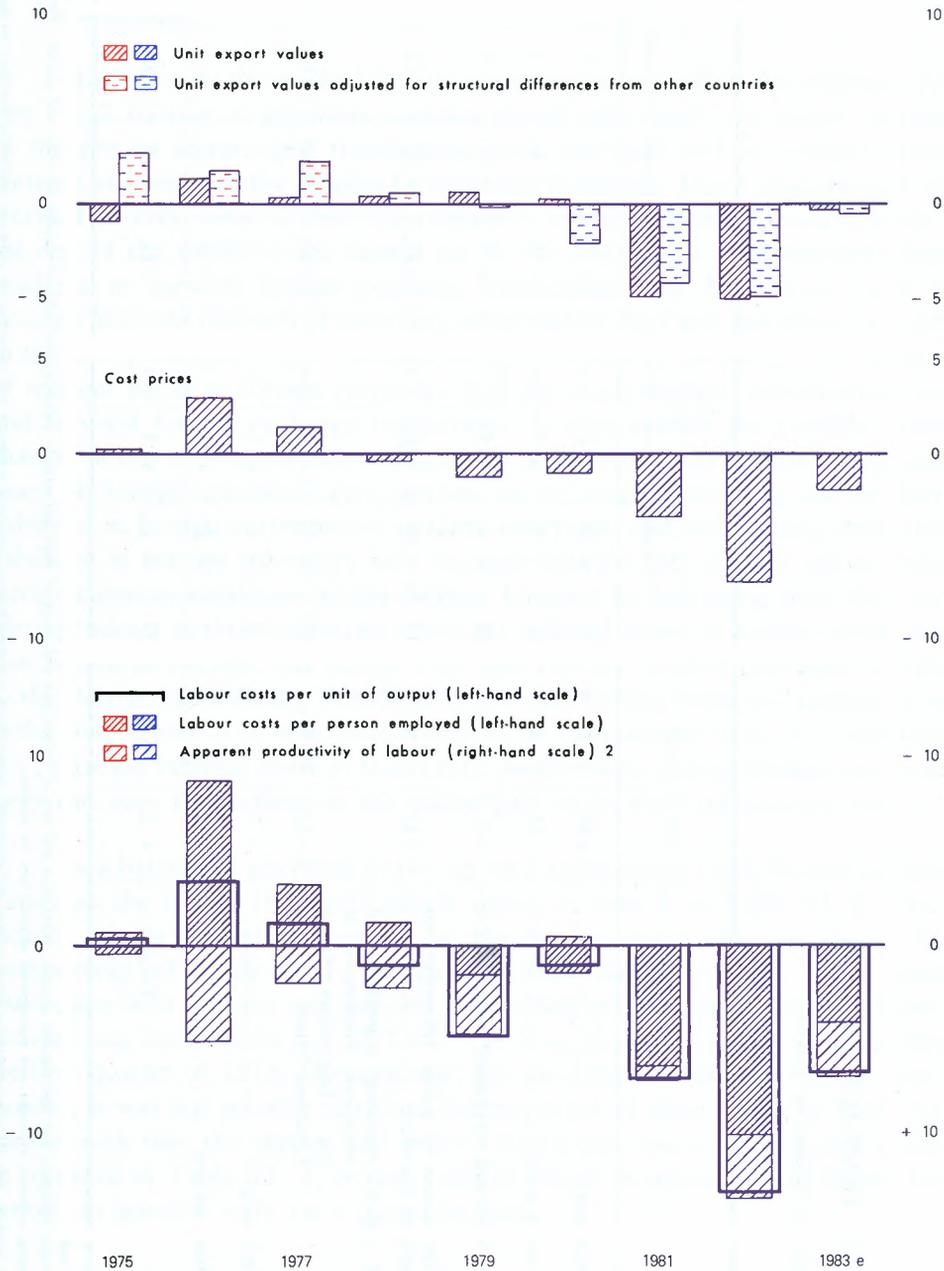
$$^2 \frac{\text{Index of average unit export values}}{\text{Index of average unit import values}} \times 100.$$

$$^3 \frac{\text{Index of volume of exports}}{\text{Index of volume of imports}} \times 100.$$

Chart VI. 2.2

DISPARITY INDICES OF THE PRICES AND COSTS OF MANUFACTURING INDUSTRY COMPARED WITH THE REST OF THE WORLD<sup>1</sup>

(Percentage changes compared with previous year)



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

<sup>1</sup> For the method used for compiling the disparity indices (in a common currency) and the list of the foreign countries : see paragraph c) of the methodology.

<sup>2</sup> The percentage changes are measured, for this productivity, on a reversed scale, so as to show the direction in which they have influenced the development of labour costs per unit of output.

Table VI. 2.3

## SERVICES TRANSACTIONS

*(Balances in billions of francs)*

	1980	1981	1982	1982				1983 <i>p</i>			First nine months	
				1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	1982	1983 <i>p</i>
1. Transport <sup>1</sup> .....	+16	+15	+27	+ 4	+ 8	+11	+ 4	+ 4	+ 9	+ 5	+23	+18
2. Foreign travel .....	-43	-47	-28	- 7	- 7	-11	- 3	- 6	- 3	- 8	-25	-17
3. Portfolio and investment income .....	-2	- 3	-10	- 6	- 4	- 5	+ 5	-11	- 4	+ 4	-15	-11
4. Transactions of public authorities not included elsewhere .....	+32	+37	+43	+10	+10	+11	+12	+12	+12	+12	+31	+36
of which : operating expenditure of European institutions in the Belgian-Luxembourg Economic Union .....	(+26)	(+31)	(+37)	(+ 9)	(+ 9)	(+ 9)	(+10)	(+10)	(+10)	(+10)	(+27)	(+30)
5. Technology <sup>2</sup> .....	- 7	- 9	- 8	- 1	- 1	- 4	- 2	- 3	...	- 2	- 6	- 5
6. Other services <sup>3</sup> .....	+ 6	+ 9	+ 3	+ 2	+ 2	+ 4	- 5	...	...	+ 4	+ 8	+ 4
Total ...	+ 2	+ 2	+27	+ 2	+ 8	+ 6	+11	- 4	+14	+15	+16	+25

<sup>1</sup> Freight and insurance for goods transport, for the part which it was possible to identify separately from the exports and imports to which it relates, the other part being incorporated in item 1 of Table VI. 2; costs of passenger transport, port and customs charges, rental costs and cost of maintenance and repair of ships and aircraft; purchases and sales of supplies for ships and aircraft.

<sup>2</sup> Contracting, technical assistance and management services, fees for patents.

<sup>3</sup> Frontier workers, fees for cinematographic films, patents and copyright, subscriptions and contributions, insurance premiums and compensation payments (excluding insurance on goods transport, shown under item 1, and life assurance, credit and capital-accumulation insurance, included in capital transactions), brokerage commission and miscellaneous commercial expenses, etc.

## COMMENTS ON TABLE VI. 3 :

### SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

#### A. Methodology

a) According to the methodological 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 the rest of the world. However, some of these transactions — especially those of resident banks with the rest of the world — are carried out as the counterpart to transactions between residents or forward foreign exchange transactions. For this reason Table VI. 3 deviates from the methods of recording advocated by the Fund and shows, in addition to the above-mentioned spot transactions with the rest of the world, 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 external assets of banks to be identified : for instance, their external 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 external 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 external 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), either as the counterpart to forward transactions in the opposite direction, or « autonomously » ; their net external assets in francs may, furthermore, change because non-residents carry out spot transactions as the counterpart to forward transactions, etc.

b) In a balance of payments drawn up on a transactions basis, the net commercial claims on the rest of the world which appear in item 1 of Table VI. 3 affect the balance of the capital transactions of the private sector. As was shown in the methodology of Table VI. 1, for part of these claims — those which arose in connection with exports and imports and which are not mobilised at Belgian and Luxembourg banks (item 1.1 of Table VI. 3) — the data are not available beyond the first quarter of 1983. Consequently, for the other months and for the first nine months, it was not possible to record the movement of these claims in Table VI. 3 ; parallel with this, the exports and imports which gave rise to these claims could not be recorded in Table VI. 2, certain items of which therefore contain figures for the periods in question only on a payments basis.

Table VI. 3

## SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1979	1980	1981	1982	1982				1983 p			First nine months		
					1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	1982	1983 p	
1. <i>Net commercial claims on the rest of the world</i> <sup>1</sup> :														
1.1 Claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks .....	- 2	- 20	- 44	+ 4	+29	-24	+ 3	- 4	-19	n.a.	n.a.	+ 8	n.a.	
1.2 Other claims .....	-23	...	- 17	- 1	- 2	- 2	+13	-10	- 8	+ 1	- 1	+ 9	- 8	
Total 1 ...	-25	- 20	- 61	+ 3	+27	-26	+16	-14	-27	n.a.	n.a.	+ 17	n.a.	
2. <i>Other transactions of private-sector residents</i> :														
2.1 Direct and portfolio investments of enterprises and individuals in the rest of the world <sup>2</sup> .....	-82	- 83	-106	- 87	-28	- 5	-41	-13	-15	-18	-34	- 74	-67	
of which :														
2.11 Securities .....	(-14)	(- 23)	(- 41)	(- 58)	(-13)	(-15)	(-18)	(-12)	(-24)	(-13)	(-26)	(- 46)	(-63)	
2.12 Deposits :														
2.121 in Belgian and Luxembourg francs .....	(-26)	(- 36)	(- 37)	(- 27)	(-11)	(- 6)	(-12)	(+ 2)	(+10)	(+ 2)	(+ 2)	(- 29)	(+14)	
2.122 in foreign currencies .....	(...)	(- 16)	(- 22)	(- 4)	(- 4)	(+ 4)	(- 5)	(+ 1)	(- 3)	(...)	(+ 3)	(- 5)	(...)	
2.13 Direct investments <sup>3</sup> .....	(-33)	(- 2)	(- 1)	(+ 4)	(...)	(+13)	(- 6)	(- 3)	(+ 2)	(- 6)	(-12)	(+ 7)	(-16)	
2.2 Net spot and forward assets in foreign currencies held by enterprises and individuals with Belgian and Luxembourg banks <sup>4</sup> .....	+11	+ 2	- 80	- 60	- 6	-24	- 7	- 23	- 5	+29	-17	- 37	+ 7	
2.3 Spot and forward position in foreign currencies of Belgian and Luxembourg banks <sup>5</sup> .....	+22	- 20	- 23	- 89	-12	-31	-27	-19	+11	-20	-21	- 70	-30	
Total 2 ...	-49	-101	-209	-236	-46	-60	-75	-55	- 9	- 9	-72	-181	-90	
3. <i>Other transactions of non-residents with the resident private sector</i> :														
3.1 Direct and portfolio investments in enterprises and individuals <sup>6</sup> ....	+37	+ 73	+108	+ 72	+13	+23	+19	+17	+28	-12	+ 2	+ 55	+18	
of which :														
3.11 Direct investments <sup>3</sup> .....	(+30)	(+ 43)	(+ 50)	(+ 64)	(+ 2)	(+19)	(+11)	(+32)	(- 3)	(- 1)	(+13)	(+ 32)	(+ 9)	
3.12 Loans <sup>7</sup> .....	(+ 2)	(+ 16)	(+ 30)	(+ 10)	(+ 3)	(+ 4)	(+ 1)	(+ 2)	(+ 1)	(+ 2)	(- 3)	(+ 8)	(...)	
3.2 Net spot and forward assets in Belgian and Luxembourg francs held with Belgian and Luxembourg banks <sup>8</sup> .....	+27	+ 49	- 39	- 6	+ 4	- 8	+49	- 51	-47	+66	- 2	+ 45	+17	
Total 3 ...	+64	+122	+ 69	+ 66	+17	+15	+68	- 34	-19	+54	...	+100	+35	
4. <i>Grand total (1 to 3)</i> .....	-10	+ 1	-201	-167	- 2	-71	+ 9	-103	-55	n.a.	n.a.	- 64	n.a.	
4bis <i>Grand total excluding commercial claims on the rest of the world arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks (1.2 + 2 + 3)</i> .....	- 8	+ 21	-157	-171	-31	-47	+ 6	- 99	-36	+46	-73	- 72	-63	

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

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

## B. Main developments

a) For the first nine months as a whole, the private sector's capital transactions resulted in smaller net outflows than in 1982 : the reduction appears to have amounted to Fr. 9 billion (change in item 4 bis of Table VI. 3). It is not certain whether an improvement would still have been recorded if it had been possible to take into account the movement of commercial claims on foreign countries arising in connection with exports and imports and not mobilised at resident banks.

The development recorded during the first nine months conceals widely divergent movements of short-term and long-term transactions. Only short-term transactions improved, indeed to a considerable extent ; they swung round from a deficit of Fr. 96 billion in 1982 to a surplus of Fr. 8 billion (sum of items 2.121, 2.122, 2.2, 2.3 and 3.2) :

— the movement of residents' net assets in foreign currencies held with Belgian and Luxembourg banks (item 2.2) resulted in capital inflows instead of the substantial outflows recorded in 1982 ;

— the increase in the position of Belgian and Luxembourg banks in foreign currencies, which represents an outflow of funds, was appreciably smaller than in the previous year (item 2.3) ;

— the formation by non-residents of net assets in francs with resident banks (item 3.2) did in fact slow down, but a by no means negligible portion of these assets is merely the counterpart of residents' deposits in francs with foreign banks (item 2.121), which decreased, whereas they had increased in 1982. The movement of non-residents' other assets in francs gave rise to a larger inflow of funds than in the previous year.

b) The overall development as regards short-term funds thus described conceals divergent movements during the year. In the first quarter capital outflows were still substantial (Fr. 34 billion), probably because economic agents expected a revaluation of the German mark and the guilder within the European Monetary System as part of a realignment which they thought to be imminent.

After this had taken place on 21st March and as no further realignment was expected during the subsequent months, a distinct

reversal of capital movements took place : in the second quarter a net inflow amounting to Fr. 77 billion was recorded. Thus, the net assets in foreign currencies held by enterprises and individuals with resident banks (item 2.2) fell sharply and non-residents' net assets in francs with these banks (item 3.2) increased appreciably during that quarter, in contrast to what had occurred in the first quarter. This improvement in the second quarter took place despite the fact that the differentials of short-term interest rates — very large at the beginning of the year — in favour of investments in francs had begun to dwindle (Table VI. 3.1). It was perhaps because these differentials continued to narrow during the third quarter that short-term capital movements then reversed again, new outflows (of Fr. 35 billion) having been recorded.

c) For the first nine months of the year under review as a whole, the improvement, described above, in short-term capital movements was largely counteracted by a worsening in respect of long-term capital, partly because in 1983 individuals displayed greater preference for long-term portfolio investments at the expense of those at shorter terms :

— in 1983 residents thus purchased appreciably more foreign securities (especially those denominated in Ecus) than in the previous year (item 2.11 of Table VI. 3);

— residents' direct investments abroad (item 2.13) gave rise to capital outflows instead of the inflows observed the previous year : the latter had been partly due to exceptional disinvestments;

— non-residents' direct investments in Belgium and Luxembourg (item 3.11) fell sharply compared with the preceding years. In 1982, inflows in respect of loans among affiliated enterprises — which are included in item 3.11 — had been recorded, whereas a movement in the opposite direction was observed in the year under review;

— the Belgian enterprises no longer contracted long-term loans abroad (item 3.12), because they were able to obtain funds to a greater extent on the domestic market, especially by issuing shares.

d) During the last quarter of the year, according to the still very fragmentary data available, the total amount of net capital outflows — at both short and long term — would appear to have remained substan-

tial, without reattaining the end-1982 level, which had been particularly high owing to speculative movements. These outflows would appear to have taken place despite a certain recovery of the short-term interest rate differential in favour of portfolio investments in francs (Table VI. 3.1)

Table VI. 3.1

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES<sup>1</sup>*(Per cent)*

	Euro-dollar	Euro-German mark	Euro-Dutch 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-Dutch 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
1983 .....	9.64	5.52	5.65	10.55	+ 0.91	+ 5.03	+ 4.90
1983 1 <sup>st</sup> quarter .....	9.19	5.41	4.77	12.68	+ 3.49	+ 7.27	+ 7.91
2 <sup>nd</sup> quarter .....	9.38	5.13	5.61	10.23	+ 0.85	+ 5.10	+ 4.62
3 <sup>rd</sup> quarter .....	10.11	5.46	6.00	9.17	- 0.94	+ 3.71	+ 3.17
4 <sup>th</sup> quarter .....	9.87	6.06	6.23	10.07	+ 0.20	+ 4.01	+ 3.84

<sup>1</sup> Yearly or quarterly averages of daily rates.

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## COMMENTS ON TABLE VI. 4 :

### SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

#### A. Methodology

Table VI. 4 gives details of the capital transactions of the public sector which appear in item 2.3 of Table VI. 1. The public sector is defined as the aggregate consisting of the public authorities proper together with the public enterprises and the public-sector financial intermediaries.

Table VI. 4

## SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 p	1982				1983				First nine months			
										1 <sup>st</sup> quart.	2 <sup>nd</sup> quart.	3 <sup>rd</sup> quart.	4 <sup>th</sup> quart.	1 <sup>st</sup> quart.	2 <sup>nd</sup> quart.	3 <sup>rd</sup> quart. p	4 <sup>th</sup> quart. p	1982	1983 p		
1. Transactions of public authorities :																					
1.1 with the rest of the world	- 4	- 3	...	+ 12	+ 4	+ 26	+107	+117	}	n.a.	+ 42	+ 41	+ 32	+ 2	+ 45	+ 2	- 23	}	n.a.	+115	+ 24
1.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	...	+ 1	- 2	...	+ 36	+ 65	+100	+115			+ 36	+ 40	+ 9	+ 30	+ 43	+ 9	+ 26			+ 85	+ 78
Total 1 ...	- 4	- 2	- 2	+ 12	+ 40	+ 91	+207	+232			+ 78	+ 81	+ 41	+ 32	+ 88	+ 11	+ 3			+200	+102
2. Transactions of public enterprises <sup>2</sup> :																					
2.1 with the rest of the world	...	+ 9	+ 3	- 4	+ 32	+ 63	+ 31	+ 16	}	n.a.	...	+ 4	- 2	+ 14	- 1	+ 1	- 2	}	n.a.	+ 2	- 2
2.2 in foreign currencies with Belgian and Luxembourg banks <sup>1</sup> .....	- 1	+ 1	- 1	...	...	...	+ 20	+ 7			+ 1	+ 3	+ 4	- 1	...	...	...			+ 8	...
Total 2 ...	- 1	+ 10	+ 2	- 4	+ 32	+ 63	+ 51	+ 23			+ 1	+ 7	+ 2	+ 13	- 1	+ 1	- 2			+ 10	- 2
3. Grand total .....	- 5	+ 8	...	+ 8	+ 72	+154	+258	+255	+126	+ 79	+ 88	+ 43	+ 45	+ 87	+ 12	+ 1	+26	+210	+100		

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

## B. Main developments

a) During the first nine months of the year under review, public-sector capital inflows decreased markedly, having amounted to Fr. 100 billion against Fr. 210 billion in 1982; only the public authorities continued to finance themselves directly or indirectly abroad. These inflows reached substantial amounts only in the first quarter; subsequently they fell off sharply, the drawing-off of funds from the domestic money and capital markets previously brought about by the deficit in respect of current transactions and the private sector's capital transactions having stopped.

b) According to still provisional data, public-sector capital inflows during the last quarter appear to have amounted to only about Fr. 26 billion, thus bringing the total for the year up to about Fr. 126 billion, against Fr. 255 billion in 1982.

## COMMENTS ON TABLE VI. 5 :

### THE NATIONAL BANK OF BELGIUM'S NET FOREIGN EXCHANGE RESERVES

#### 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 account of 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, from some of its implementing measures.

b) Table VI. 5.1 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 and the outstanding amount, expressed in the same way, of certain debts (less, where appropriate, easily mobilisable claims) of the Belgian-Luxembourg Economic Union, on the one hand, 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, LVIIIth year, Volume I, No.6, June 1982, pp. 29 and 30. The table enables an idea to be gained of the extent to which there exist, over against the debts of the Union or of Belgium alone, claims which could if necessary be mobilised without too much difficulty in order to repay these debts. With regard to the debts and claims considered, the following points are made :

— The liabilities which represent the counterpart of the deposits in francs of resident non-bank enterprises and individuals with foreign banks were deducted from the debt of the banks and that of the public sector.

— The following were considered to be easily mobilisable claims, in addition to the Bank's reserves : the claims of the banks and the public-sector non-monetary financial intermediaries, which were therefore deducted from their debt ; an exception was made, however, for commercial claims on the rest of the world mobilised at banks, the disappearance of which would paralyse the export trade ; these claims are shown pro memoria in the table. The following, on the other hand, were entirely disregarded : the claims of individuals and of non-bank private enterprises, the outstanding amount of which is in any case difficult to estimate, and those of the public enterprises and the public authorities, of which an appreciable proportion consists of long-term loans of the Belgian Government to developing countries ; it is therefore the gross indebtedness of these two public sub-sectors which is shown in the table.

Table VI. 5

## THE NATIONAL BANK OF BELGIUM'S NET FOREIGN EXCHANGE RESERVES

*(Changes in billions of francs)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1982				1983				First nine months		
										1 <sup>st</sup> quart.	2 <sup>nd</sup> quart.	3 <sup>rd</sup> quart.	4 <sup>th</sup> quart.	1 <sup>st</sup> quart.	2 <sup>nd</sup> quart.	3 <sup>rd</sup> quart.	4 <sup>th</sup> quart.	1982	1983	
1. Gold holding .....	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2. Assets held at the International Monetary Fund <sup>1</sup> .....	+ 5	+ 1	- 1	- 7	- 4	- 4	- 2	- 1	- 4	...	+ 1	- 1	- 1	- 2	- 1	...	- 1	...	- 3	
3. Net claims on or liabilities to the European Monetary Co-operation Fund <sup>2</sup> :																				
3.1 Ecus .....	-	-	-	-	-25	-27	-79	+48	+34	+18	- 3	+27	+ 6	+20	+16	...	- 2	+42	+36	
3.2 Other .....	...	...	-24	- 5	- 1	+28	- 3	-14	-33	+ 3	...	...	-17	-65	+81	- 5	-44	+ 3	+11	
4. Foreign currencies .....	+14	-26	+16	- 2	- 1	+30	-10	-74	-19	-34	-16	+32	-56	+ 6	+ 6	-28	- 3	-18	-16	
5. Belgian francs <sup>3</sup> .....	- 1	...	...	- 2	...	...	- 2	+ 3	...	+ 3	- 3	+ 2	+ 1	...	- 3	+ 3	...	+ 2	...	
Total ...	+18	-25	- 9	-16	-31	+27	-96	-38	-22	-10	-21	+60	-67	-41	+99	-30	-50	+29	+28	

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

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

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

## B. Main developments

a) During the first nine months of 1983 as a whole — a period during which there were substantial fluctuations from quarter to quarter — the foreign exchange reserves increased by altogether Fr. 28 billion, or virtually the same amount as in 1982. This movement is attributable to developments which have already been described : the improvement in current transactions on a payments basis and the slight decrease in private-sector capital outflows were counterbalanced by the reduction in public-sector capital inflows.

b) Even when valued at current exchange rates and prices, that is, taking into account the market price of gold — a multiple of the accounting price — the net foreign exchange reserves were at the end of 1982 lower than the recorded debts (Table VI. 5.1), both for the Belgian-Luxembourg Economic Union and for Belgium alone. In both cases the net indebtedness increased further between December 1982 and September 1983, despite the rise in the price of gold which took place during that period.

For the reasons stated in the methodology, account was not taken, for the definition of net indebtedness, of the net foreign claims of individuals and non-bank private enterprises, although it is in fact known that they represent considerable amounts.

c) In the last quarter of the year under review, the net foreign exchange reserves decreased by Fr. 50 billion at the transaction exchange rates — a movement which would appear to have been entirely due to a current deficit on a payments basis and to private-sector capital outflows, whereas public-sector capital inflows were fairly small. Over the year as a whole, a fall of Fr. 22 billion, against Fr. 38 billion in 1982, was thus recorded.

Table VI. 5.1

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 1982		End September 1983	
	Belgian-Luxembourg Economic Union	Belgium	Belgian-Luxembourg Economic Union	Belgium
<i>Indebtedness (-) to the rest of the world and in foreign currencies to resident sectors :</i>				
— net indebtedness of banks <sup>1</sup> .....	+ 100	- 102	+ 65 p	- 152 p
— net indebtedness of non-monetary financial intermediaries of the public sector .....	- 160	- 163	- 164 p	- 166 p
— gross indebtedness of the public authorities <sup>2</sup> and the public enterprises	- 850	- 892	-1,021 p	-1,073 p
Total indebtedness .....	- 910	-1,157	-1,120 p	-1,391 p
<i>Assets (+)</i>				
— net foreign exchange reserves of the National Bank of Belgium .....	+ 879	+ 879	+ 986	+ 986
<i>p.m.</i> Commercial claims on the rest of the world mobilised at the banks .....	+ 129	+ 129	+ 132 p	+ 131 p

<sup>1</sup> Including forward transactions.<sup>2</sup> Not including the Treasury bills in Belgian francs given in payment for Belgium's participation in international credit organisations.\*  
\*\*

## COMMENTS ON TABLE VI. 6 :

### 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 VI. 6 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 XIV and XV to the article « Les indices du cours de change moyen pondéré ou effectif du franc belge », Bulletin of the National Bank of Belgium, LII<sup>nd</sup> year, Volume I, No.5, May 1977, pp. 45-49.

b) The lower part of Chart VI. 6 shows the premium on the foreign currencies on the free market as a percentage of their exchange rates on the regulated market. Unlike the latter, which of necessity lie, if necessary as a result of interventions by the Bank, within the limits set by the European Monetary System, the free-market rates fluctuate freely. But the two markets are not absolutely cut off from one another. Indeed, a change in the regulations introduced during the year explicitly permitted certain transfers : after the monetary realignment of March 1983, when a considerable inflow of foreign currencies was recorded on the free market, the banks were given permission — by a decision of the Belgian-Luxembourg Foreign Exchange Institute — to sell on the regulated market foreign currencies which they had acquired on the free market, with the result that the rates on the latter can no longer fall below those on the former.

While there is thus henceforth a limit to the downward movement of free-market rates, there is on the other hand no limit to their upward movement. Whereas in principle it is capital transactions which, save for permitted exceptions, are carried out on this market, the foreign exchange regulations allow a choice to be made between the two markets for certain current transactions. Consequently, as soon as the free-market rates reach a level slightly higher than that on the regulated market, the expenditure in respect of these transactions takes place on the regulated market while the receipts are collected on the free market. This is the case, for instance, with an appreciable proportion of expenditure and receipts in respect of incomes from direct and portfolio investments. Thus, the free market may receive a substantial net supply of foreign currencies derived from current transactions which finances capital outflows at the expense of the supply of funds to the regulated market ; by this detour the Bank's interventions are increased accordingly. These interventions therefore then actually have as their real counterpart capital outflows. However, during certain periods the demand for foreign currencies with a view to such capital exports may

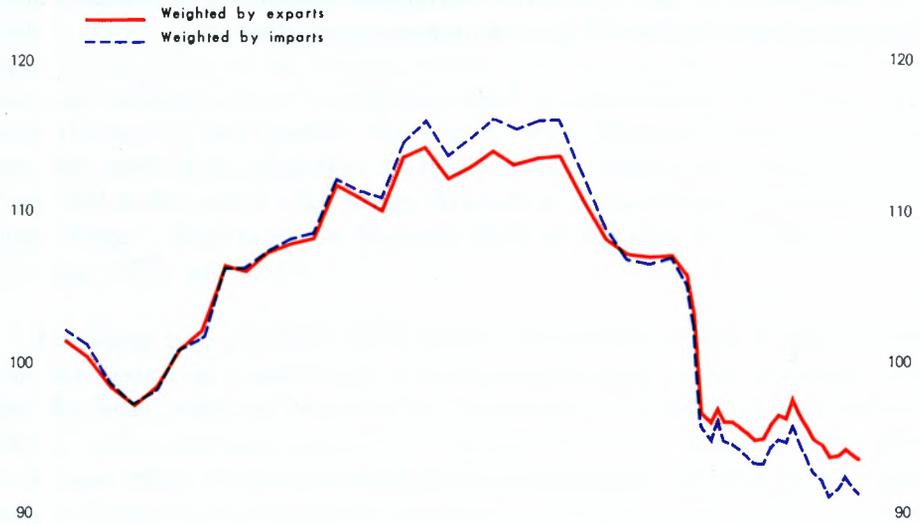
become so strong that the supply in question is insufficient, and this may push up the premium on the currencies of the free market to relatively high levels.

c) Chart VI. 6.1 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.

Chart VI. 6

EXCHANGE RATES<sup>1</sup>

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



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



<sup>1</sup> 1975 to 1981 : averages, per quarter, of daily rates. 1982 and 1983 : averages, per month, of daily rates.

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

## B. Main developments

a) As it had done at the end of the previous year, the weighted average exchange rate for the Belgian franc on the regulated foreign exchange market showed a slight rise during the first quarter of 1983, mainly connected with the depreciation of the pound sterling; thus in March it was at a level close to that reached immediately after the devaluation of the franc in February 1982. The realignment of the central rates under the European Monetary System which took place on 21st March 1983 had but little influence on the weighted average exchange rate for the franc. Subsequently, there was a decline in that rate, attributable partly to the sharp rise of the dollar and, to a smaller extent, of the pound sterling and the yen and, on the other hand, to the weakening of the franc within the European Monetary System, which will be discussed in greater detail further on. This decline continued until the end of the year, except for a recovery in September-October due to the devaluation of the zaire and a temporary weakening of the dollar rate. In December the index weighted by imports stood at 91.5 (basis 1975 = 100), against 94.6 a year earlier, which represents a depreciation of 3.3 p.c. (Chart VI. 6). In annual averages the movement of this weighted average rate has been characterised, since 1979, by a continuous weakening: - 0.2 p.c. in 1980, - 7 p.c. in 1981, - 10.2 p.c. in 1982 and - 3.3 p.c. in 1983.

b) It was only in the first quarter, when the prospect of a realignment within the framework of the European Monetary System led to substantial outflows of private capital, that the premium on the currencies on the free market was relatively high: thus in March it reached 5.2 p.c. Subsequently a pronounced fall was recorded: by May the premium had become negligible. After that a very slight rise took place and in December the premium reached 1.4 p.c.

c) Since the creation of the European Monetary System in March 1979 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 VI. 6.1). This situation is partly attributable to the fact that the current transactions of the Belgian-Luxembourg Economic Union have resulted throughout this period in a deficit, even

though the latter has decreased considerably since 1982; it should furthermore be noted that the periods when there have been sharp temporary rises in the divergence indicator, sometimes leading to overstepping of the divergence threshold, have also been characterised by capital outflows on the regulated market, partly as a result of leads and lags.

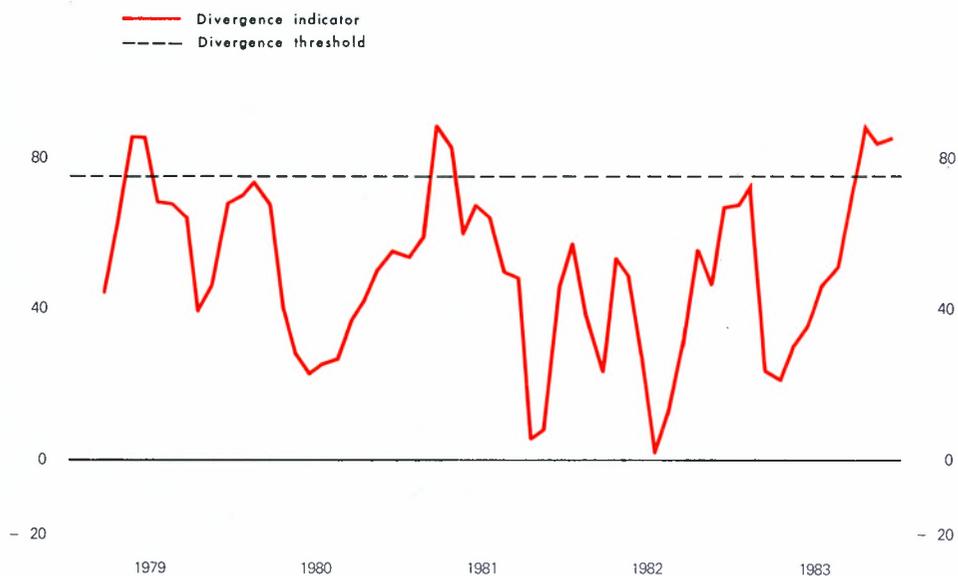
Temporary strains of this kind occurred twice during the year under review.

The first time was at the beginning of the year, continuing a movement which started at the end of 1982; the strains were due to anticipations concerning the realignment, expected to take place at the beginning of 1983, within the European Monetary System. The introduction of temporary measures in the field of foreign exchange regulations, followed by the realignment which took place on 21st March 1983, greatly reduced the strains on the franc; in April the divergence indicator had fallen back to 21.

Subsequently, towards the end of the year, the divergence indicator again reached a very high level, probably owing to the worsening of current transactions on a payments basis which took place after the excellent mid-year performance, and because of a narrowing of the interest rate differentials in favour of the franc. From October onwards the divergence threshold was exceeded; in the last quarter the divergence indicator averaged 86.

Chart VI. 6.1

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



<sup>1</sup> Averages, per month, of daily data.



CHAPTER VII

**FINANCIAL ASSETS AND LIABILITIES**



## COMMENTS ON TABLE VII. 1 :

### FINANCIAL ACCOUNTS BY SECTOR

#### A. Methodology

a) Table VII. 1 shows the balances, for the various sectors, of the transactions appearing in Tables V. 1, V. 2, V. 3 and V. 5. 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 VII. 1.1 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 VII. 1), 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. Furthermore, for the first ten months of 1982 and 1983 this balance includes social security transactions, for which complete data are available only on an annual basis; according to fragmentary indications, the transactions of this sector with the financial intermediaries would seem largely to explain the swing-round of the balance, recorded in item 4, between 1982 and 1983.

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 1983 the net 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 VII. 2 to VII. 4.

Table VII. 1

## FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>	First ten months	
										1982	1983 <i>p</i>
<b>1. Individuals and companies :</b>											
1.1 Net financing capacity (+) or requirement (-) :											
1.11 Individuals .....	+176	+209	+173	+170	+184	+216	+365	+359	+423	n.a.	n.a.
1.12 Companies .....	- 33	- 17	+ 2	+ 31	+ 8	+ 29	+ 58	+ 91	+147	n.a.	n.a.
1.13 Total .....	+143	+192	+175	+201	+192	+245	+423	+450	+570	n.a.	n.a.
<b>1.2 Net financial surplus :</b>											
1.21 Formation of financial assets (+) <sup>1</sup> :											
1.211 Net commercial claims on foreign countries not mobilised at banks <sup>2</sup> .....	- 14	+ 27	- 17	+ 19	+ 3	+ 22	+ 44	- 4	n.a.	- 13	n.a.
1.212 Other .....	+371	+437	+469	+437	+485	+477	+562	+620	n.a.	+519	+590
1.213 Total .....	+357	+464	+452	+456	+488	+499	+606	+616	n.a.	+506	n.a.
1.22 New liabilities (-) .....	-215	-275	-277	-276	-306	-249	-222	-158	n.a.	- 88	-107
1.23 Total (1.213 + 1.22) .....	+142	+189	+175	+180	+182	+250	+384	+458	+545	+418	n.a.
( <i>p.m.</i> 1.23bis Total 1.212 + 1.22) .....	(+156)	(+162)	(+192)	(+161)	(+179)	(+228)	(+340)	(+462)	(n.a.)	(+431)	(+483)
1.3 Statistical deviation (1.13 - 1.23) .....	+ 1	+ 3	...	+ 21	+ 10	- 5	+ 39	- 8	+ 25	n.a.	n.a.
<b>2. Public authorities :</b>											
2.1 Net financing requirement (-) .....	-152	-195	-217	-252	-290	-407	-586	-604	-637	n.a.	n.a.
2.2 Net financial deficit (-) .....	-134	-172	-196	-227	-279	-402	-561	-588	-612	-535 <sup>3</sup>	-549 <sup>3</sup>
2.3 Statistical deviation (2.1 - 2.2) .....	- 18	- 23	- 21	- 25	- 11	- 5	- 25	- 16	- 25	n.a.	n.a.
<b>3. Rest of the world :</b>											
3.1 Net financing capacity made available to Belgium (+) .....	+ 9	+ 3	+ 42	+ 51	+ 98	+162	+163	+154	+ 67	+135	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 = -) <sup>2</sup> .....	+ 14	- 27	+ 17	- 19	- 3	- 22	- 44	+ 4	n.a.	+ 13	n.a.
3.22 Other .....	- 2	+ 31	+ 24	+ 73	+128	+184	+207	+150	n.a.	+122	+ 56
3.23 Total .....	+ 12	+ 4	+ 41	+ 54	+125	+162	+163	+154	+ 67	+135	n.a.
3.3 Statistical deviation (3.1 - 3.23) .....	- 3	- 1	+ 1	- 3	- 27	...	...	...	...	...	n.a.
4. Balance of financial surpluses and deficits (1.23 + 2.2 + 3.23 = 1.23bis + 2.2 + 3.22)	+ 20	+ 21	+ 20	+ 7	+ 28	+ 10	- 14	+ 24	...	+ 18 <sup>4</sup>	- 10 <sup>4</sup>

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

## B. Main developments

a) The public authorities' net financing requirement would appear to have risen from Fr. 604 billion in 1982 to Fr. 637 billion in 1983 (item 2.1 of Table VII. 1). It appears to have been covered to a greater extent than in the previous year by the net financing capacity of individuals and companies, which appears to have increased from Fr. 120 to 570 billion (item 1.13). On the other hand, the net financing capacity made available to Belgium by the rest of the world appears to have decreased sharply, from Fr. 154 to 67 billion (item 3.1).

b) Expressed as a percentage of the gross national product (Table VII. 1.1), the public authorities' net financing requirement, which had declined in 1982 for the first time during the period covered by the table, appears to have fallen somewhat further, to 15.3 p.c., as the drop in expenditure, as a percentage of the national product, appears to have been a little more marked than that in revenue.

The recovery in the net financing capacity of individuals would appear to be mainly attributable to the decline in private consumption and, to a smaller extent, in demand for housing, as their disposable income appears to have increased only slightly in relation to the national product. Companies as a whole appear to have made use of the appreciable increase in their disposable income in 1983 more in order to improve their financial structure than to step up their investment, thus expanding their net financing capacity from 2.3 to 3.5 p.c. of the gross national product.

The recovery of the competitiveness of Belgian enterprises appears to have again exerted a favourable influence on foreign trade; the reduction in the trade deficit is also probably due to the demand deflation in the Belgian economy, in which total domestic expenditure contracted, whereas it expanded in the main other countries as a whole : the net financing capacity made available to Belgium by the rest of the world would thus appear to have fallen in 1983 from 4 to 1.6 p.c. of the gross national product.

c) The provisional data concerning the net financial deficits and surpluses during the first ten months of the year (Table VII. 1) reveal movements which seem to confirm those of the estimated sectoral financial requirements and capacities for the year as a whole. The net

recordable financial surplus of the rest of the world in fact decreased appreciably (item 3.22). This decrease had as its counterpart the rise in the recorded net financial surplus of individuals and companies (item 1.23 bis), partly counterbalanced by a slight increase in the net financial deficit of the public authorities (item 2.2).

Table VII. 1.1

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

*(Percentages of gross national product)*

	1975	1976	1977	1978	1979	1980	1981	1982	1983 <i>e</i>
1. Individuals . . . . .	+ 7.5	+ 7.9	+ 6.1	+ 5.6	+ 5.6	+ 6.2	+10.1	+ 9.2	+10.2
2. Companies . . . . .	- 1.4	- 0.6	+ 0.1	+ 1.0	+ 0.3	+ 0.8	+ 1.6	+ 2.3	+ 3.5
3. Public authorities . . . . .	- 6.5	- 7.4	- 7.6	- 8.2	- 8.9	-11.7	-16.2	-15.5	-15.3
4. Rest of the world	+ 0.4	+ 0.1	+ 1.4	+ 1.6	+ 3.0	+ 4.7	+ 4.5	+ 4.0	+ 1.6

\*  
\*\*

## COMMENTS ON TABLE VII. 2 :

### FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

#### A. Methodology

a) Table VII. 2 gives a breakdown, by currency and by period, of item 1.21 « Formation of financial assets » of Table VII. 1. This relates to the total formation of financial assets in Belgium and abroad.

b) The item « Other » in Table VII. 2 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 VII. 2.1 provides an even more detailed breakdown of the financial assets formed in Belgian francs by individuals and companies. It should be pointed out that column (b) includes only public issues of shares, which significantly reduces the extent of the issues considered : private issues were in fact much greater and had in 1982 represented over Fr. 80 billion, against a figure of about Fr. 20 billion for public issues. Private issues are not included in Table VII. 2.1, however, because they are in any case difficult to record for the most recent period and because their inclusion would be liable to introduce a break in the continuity of the statistical series concerning the formation of financial assets and, accordingly, the new liabilities and to cause an artificial expansion of both series (for instance, because in the case of small and medium-sized enterprises some share issues take the place of other categories of claims held by the shareholders, claims which it is in fact impossible to record, or again because it may be a case of chain issues, the funds raised by an issuing company enabling it to subscribe for the issues of other companies). Lastly, it should be noted that the amount of the public issues shown in column (b) for the first ten months of 1983 is relatively limited owing to the bunching of issues of that kind towards the end of the year.

Some of the assets in Table VII. 2.1 are placed in a wider context or presented in a more detailed form in Tables VII. 2.2 to VII. 2.6.

d) Table VII. 2.2 gives the breakdown, according to purchasers, of the total of net issues of bonds and notes at over one year in Belgian francs and Table VII. 2.3 gives the breakdown of the same total according to issuers. Table VII. 2.4 breaks down among the various issuers the net purchases, by individuals and companies, which appear in column (e) of Table VII. 2.2.

Table VII. 2.6 gives the changes in the components of cash holdings [column (c)], namely, notes and coin, on the one hand [column (a)], and sight deposits, on the other [column (b)], and the share of notes and coin in total cash holdings [column (d)], together with the various measures of the velocity of money. The data shown in columns (a), (b), (c) and (d) were calculated on the basis of the average amounts outstanding at the month ends. Consequently, the data concerning total cash holdings [column (c)] differ from those shown in column (e) of Table VII. 2.1.

Table VII. 2

FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES<sup>1</sup>*(Billions of francs)*

	In Belgian francs			In foreign currencies <sup>2</sup>			Other		Grand total	Grand total excluding commercial claims
	At over one year	At up to one year	Total <sup>3</sup>	At over one year	At up to one year	Total	Commercial claims <sup>4</sup>	Miscellaneous		
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1975 .....	+112	+216	+328	+33	+ 7	+ 40	-14	+ 3	+357	+371
1976 .....	+154	+230	+384	+14	+ 20	+ 34	+27	+ 19	+464	+437
1977 .....	+224	+188	+412	+17	+ 18	+ 35	-17	+ 22	+452	+469
1978 .....	+171	+225	+396	+20	...	+ 20	+19	+ 21	+456	+437
1979 .....	+208	+178	+386	+11	+ 17	+ 28	+ 3	+ 71	+488	+485
1980 .....	+259	+116	+375	+23	+ 46	+ 69	+22	+ 33	+499	+477
1981 .....	+210	+146	+356	+40	+115	+155	+44	+ 51	+606	+562
1982 .....	+312	+173	+485	+46	+ 27	+ 73	- 4	+ 62	+616	+620
1982 First 10 months....	+249	+ 87	+336	+43	+ 24	+ 67	-13	+116	+506	+519
1983 First 10 months... p	+323	+118	+441	+57	- 19	+ 38	n.a.	+111	n.a.	+590

<sup>1</sup> Companies other than financial intermediaries, public enterprises, life assurance companies and employers' liability insurance companies and pension funds. Minus sign : decrease in financial assets.

<sup>2</sup> After elimination of the purely accounting effects of alterations in exchange rates.

<sup>3</sup> For details, see Table VII. 2.1.

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

## B. Main developments

a) If net commercial claims on foreign countries are disregarded, the formation of financial assets by individuals and companies in the first ten months of 1983 reached Fr. 590 billion, or Fr. 71 billion more than in 1982 [column (j) of Table VII. 2]. If it had been possible to take into account the above-mentioned claims, the total increase would probably have been even larger.

The greater formation of financial assets is solely due to the larger increase in assets in Belgian francs [column (c)] and, within the latter, mainly to that in assets at over one year [column (a)]. It should be noted in this connection that in 1982 the last government loan of the year had been issued in October, whereas in 1983 it was not issued until November. Consequently the formation of assets at over one year [column (a)] was artificially low during the first ten months of 1983 compared with 1982 and the formation of assets at up to one year [column (b)] was expanded so that it exceeded the 1982 figure, whereas it would probably have remained unchanged had it not been for this distorting factor.

b) The greater interest displayed by individuals and companies with regard to assets in Belgian francs at over one year, at the expense of assets with shorter maturities, is mainly attributable to two factors. On the one hand, the fall in interest rates on deposits of at least one million francs was greater than that in long-term rates. On the other hand, expectations of a fall in interest rates made long-term portfolio investments more attractive, either because individuals and companies were motivated by the prospects of subsequent capital gains or because they wished to make investments at still relatively high interest rates for a long period of time.

c) Table VII. 2.1 shows that the speeding-up of the formation of financial assets in Belgian francs at over one year is mainly attributable to bonds and notes [column (a)].

The total of net issues of bonds and notes increased substantially during the first ten months of 1983, from Fr. 310 to 544 billion [Table VII. 2.2, column (f)]. Not only individuals and companies but also the financial intermediaries and, to a smaller extent, foreign countries increased their purchases of these securities [columns (a), (b) and (d)].

The growth of Fr. 234 billion in net issues of bonds and notes mainly benefited the public authorities, whose net issues rose from Fr. 98 to 278 billion [Table VII. 2.3, column (a)], despite the aforementioned difference in the timing of the last government loan.

Of the last-mentioned amount, individuals and companies (Table VII. 2.4) purchased Fr. 64 billion, a substantially larger amount than in 1982. The steady fall in net purchases by individuals and companies of bonds issued by the public authorities which had taken place since 1980 thus came to an end. The increase recorded in column (f) « Other » of Table VII. 2.4 is due to net purchases by individuals and companies of bonds in francs issued by Belgian companies, mainly electricity companies, and by international institutions.

d) During the first ten months of 1983 there was a further increase in the interest displayed in issues of shares [Table VII. 2.1, column (b)], which was undoubtedly connected, as in the previous year, with the tax advantages granted by Royal Decree No. 15 of 9th March 1982 (amended by Royal Decree No. 150 of 30th December 1982). By virtue of the so-called « Cooreman » section of that decree and for the periods mentioned by the decree (in practice ten or nine years depending on whether the issues took place in 1982 or 1983), the portion of profits paid out in the form of dividends on new shares which comply with the conditions laid down is exempt from corporation tax up to a certain point. Furthermore, no tax, apart from the withholding tax on income from financial assets, is payable during the same periods by individuals on the income from these new shares, and these are exempt from death duty and the duty on gifts for a period of ten years.

e) As has already been mentioned in paragraph a), the increased formation of financial assets in Belgian francs at up to one year revealed by Table VII. 2.1 [column (k)] is probably primarily due to temporary investments in anticipation of the November government loan. This increased formation took place despite the opposite movement of time deposits, which went up by only Fr. 17 billion during the first ten months of 1983 against Fr. 123 billion [columns (g) and (h)]. This decrease appears to be connected not only with the revival of interest in assets in francs at over one year but also with the reconstitution of deposits on ordinary deposit or savings books, interest in which had fallen off appreciably since 1979; this reconstitution, which is observable in the case of all categories of institutions receiving such deposits

(Table VII. 2.5), is probably attributable to the movement of the interest rate differential between time deposits and deposits on ordinary deposit or savings books, which was favourable to the latter.

f) The formation of cash holdings — probably accidentally swollen during the first ten months of 1983 — reached Fr. 48 billion, against Fr. 15 billion in 1982 [Table VII. 2.1, column (e)]. The corresponding figures on the basis of average outstanding amounts are Fr. 38 billion for both periods [Table VII. 2.6, column (c)]. They are distinctly below the amounts for the years 1975-1978. This fall is attributable to, among other things, the consistently high level of interest rates since 1979. The influence of these has been reflected in recent years in an increase in the income velocity of cash holdings [Table VII. 2.6, column (e)]. There was in particular an increase in the velocity of circulation of money in the form of sight deposits, as measured by the frequency of utilisation of bank deposits and postal cheque accounts [column (f) and (g)]. Although the velocity of circulation of money in the form of notes and coin — the former being predominantly issued by the Bank — cannot be measured, it can be reasonably assumed that it, too, increased under the influence of interest rates. The increase of this type of money [column (a)] was probably also slowed down by two other factors : the falling-off, recorded since 1977, in the rate of growth of nominal private consumption — the main category of expenditure justifying the holding of the money in question for transaction purposes — and the structural change in the payment habits of individuals and companies, which are increasingly using sight deposits at the expense of notes. Thus the share of notes and coin in total cash holdings decreased appreciably during the period covered by Table VII. 2.6 [column (d)] as a whole.

g) The loss of interest in investments in foreign currencies already observed in 1982 continued, total formation of financial assets in these currencies [column (f) of Table VII. 2] having fallen to Fr. 38 billion during the first ten months of the year under review, against Fr. 67 billion. This reduction was solely due to the withdrawal of deposits in foreign currencies [Table VII. 2, column (e)]; as was the case with assets in francs and probably for the same reasons, an increased preference was thus displayed here, too, for long-term investments.

Table VII. 2.1

## FORMATION OF FINANCIAL ASSETS IN BELGIAN FRANCS BY INDIVIDUALS AND COMPANIES

*(Billions of francs)*

	At over one year				At up to one year							Grand total
	Bonds and notes <sup>1</sup>	Shares <sup>2</sup>	Miscellaneous <sup>3</sup>	Total	Cash holdings	Deposits on ordinary deposit or savings books <sup>4</sup>	Time deposits		Notes	Miscellaneous <sup>5</sup>	Total	
							Deposits of Fr. 5 million or over in Belgium	Other				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
1975 .....	+ 95	+ 4	+ 13	+112	+ 92	+137	- 13	- 11	+ 10	+ 1	+216	+328
1976 .....	+149	+ 2	+ 3	+154	+ 37	+106	+ 44	+ 43	+ 4	- 4	+230	+384
1977 .....	+207	+ 10	+ 7	+224	+ 73	+103	- 7	+ 12	+ 5	+ 2	+188	+412
1978 .....	+160	+ 10	+ 1	+171	+ 48	+106	+ 15	+ 36	+ 15	+ 5	+225	+396
1979 .....	+203	+ 4	+ 1	+208	+ 26	+ 73	+ 23	+ 62	- 4	- 2	+178	+386
1980 .....	+256	+ 2	+ 1	+259	+ 4	+ 2	+ 11	+112	- 11	- 2	+116	+375
1981 .....	+206	+ 1	+ 3	+210	+ 37	+ 46	+ 23	+ 35	- 5	+ 10	+146	+356
1982 .....	+292	+ 21	- 1	+312	+ 35	+ 21	+ 36	+ 88	- 4	- 3	+173	+485
1982 First 10 months .....	+237	+ 13	- 1	+249	+ 15	- 42	+ 33	+ 90	- 4	- 5	+ 87	+336
1983 First 10 months ..... p	+288	+ 23	+ 12	+323	+ 48	+ 30	+ 22	- 5	+ 8	+ 15	+118	+441

<sup>1</sup> For details, see Table VII. 2.4.<sup>2</sup> Public issues only; see, on this subject, paragraph c) of the methodology.<sup>3</sup> Consists mainly of deposits at over one year formed with domestic financial intermediaries.<sup>4</sup> For details, see Table VII. 2.5.<sup>5</sup> Other assets formed with domestic financial intermediaries and assets formed with domestic non-financial sectors.

Table VII. 2.2

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

Classified according to purchasers

*(Billions of francs)*

	Mainly monetary institutions	Other financial interme- diaries <sup>1</sup>	Public authorities	Rest of the world <sup>e</sup>	Others <sup>2</sup>	Total
	(a)	(b)	(c)	(d)	(e)	(f)
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	+ 1	- 2	+ 206	+ 206
1982 .....	+ 40	+ 69	+ 4	- 14	+ 292	+ 391
1982 First 10 months .....	+ 32	+ 49	+ 3	- 11	+ 237	+ 310
1983 First 10 months ..... <i>p</i>	+ 114	+ 140	- 1	+ 3	+ 288	+ 544

<sup>1</sup> Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1983, namely those of life assurance companies and employers' liability insurance companies and those of pension funds.

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

Table VII. 2.3

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

Classified according to issuers

*(Billions of francs)*

	Public authorities	Public financial interme- diaries <sup>1</sup>	Public enterprises	Banks	Private savings banks, mortgage and capital accumu- lation companies <sup>1</sup>	Others	Total <sup>2</sup>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
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	+ 94	+ 4	+44	+34	+13	+206
1982 .....	+ 85	+179	+12	+55	+47	+13	+391
1982 First 10 months .....	+ 98	+135	- 6	+42	+38	+ 3	+310
1983 First 10 months ..... <i>p</i>	+278	+111	+19	+53	+38	+45	+544

<sup>1</sup> Including savings bonds or certificates.<sup>2</sup> This column is identical with column (f) of Table VII. 2.2.

Table VII. 2.4

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 interme- diaries	Public enterprises	Banks	Private savings banks, mortgage and capital accumu- lation companies	Others	Total <sup>1</sup>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
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	+ 86	+ 1	+ 44	+ 34	+ 9	+ 206
1982 .....	+ 22	+ 145	+ 9	+ 55	+ 47	+ 14	+ 292
1982 First 10 months .....	+ 30	+ 118	+ 3	+ 42	+ 39	+ 5	+ 237
1983 First 10 months ..... <i>p</i>	+ 64	+ 95	+ 15	+ 52	+ 39	+ 23	+ 288

<sup>1</sup> This column is identical with column (e) of Table VII. 2.2.

Table VII. 2.5

FORMATION OF DEPOSITS ON ORDINARY DEPOSIT OR SAVINGS BOOKS<sup>1</sup>*(Billions of francs)*

	Institutions receiving deposits				Total (e)
	Banks (a)	General Savings and Pensions Fund (b)	Private savings banks (c)	Public financial credit intermediaries (d)	
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
1982 .....	+ 7	...	+ 6	+ 8	+ 21
1982 First 10 months .....	- 11	- 18	- 11	- 2	- 42
1983 First 10 months ..... <i>p</i>	+ 19	- 5	+ 5	+ 11	+ 30

<sup>1</sup> Minus sign : withdrawal of deposits.

Table VII. 2.6

## COMPOSITION AND FREQUENCY OF UTILISATION OF CASH HOLDINGS

	Notes and coin	Sight deposits	Total cash holdings	Share of notes and coin in total cash holdings (per cent)	Annual income velocity of cash holdings <sup>1</sup>	Monthly frequency of utilisation of :	
	(change, in billions of francs compared with previous year)					bank sight deposits <sup>2</sup>	postal cheque accounts <sup>3</sup>
	(a)	(b)	(c) = (a) + (b)				
1975 .....	+ 25	+ 32	+ 57	45.9	4.0	3.9	5.1 <i>e</i>
1976 .....	+ 27	+ 39	+ 66	45.4	4.1	4.1	4.9 <i>e</i>
1977 .....	+ 20	+ 42	+ 62	44.3	4.0	4.1	n.a.
1978 .....	+ 24	+ 29	+ 53	44.3	4.0	4.2	5.9
1979 .....	+ 18	+ 17	+ 35	44.7	4.1	4.7	6.3
1980 .....	+ 2	+ 3	+ 5	44.7	4.3	5.4	6.6
1981 .....	+ 10	+ 23	+ 33	44.1	4.3	5.8	7.0
1982 .....	+ 5	+ 34	+ 39	42.7	4.5	6.2	7.3
1982 First 10 months .....	+ 5	+ 33	+ 38	42.8	4.5 <i>e</i>	6.0	7.2
1983 First 10 months .....	+ 4 <i>p</i>	+ 34 <i>p</i>	+ 38 <i>p</i>	41.5 <i>p</i>	4.5 <i>e</i>	6.3	7.3

<sup>1</sup> Ratio of gross national product at current prices (numerator) to average cash holdings (denominator).

<sup>2</sup> Ratio of debit entries to sight deposit accounts (numerator) to the average outstanding amount of these accounts (denominator).  
Source: Bulletin of the National Bank of Belgium, Table XIII-13, penultimate column.

<sup>3</sup> Ratio of debit entries to postal cheque accounts (numerator) to the average outstanding amount of these accounts (denominator).  
Source: Bulletin of the National Bank of Belgium, Table XIII-13, last column.

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## COMMENTS ON TABLE VII. 3 :

### NEW LIABILITIES OF INDIVIDUALS AND COMPANIES

#### A. Methodology

a) Table VII. 3 gives a breakdown of item 1.22 « New liabilities » of Table VII. 1. While not tallying absolutely with it, this breakdown corresponds to a great extent to that which could be arrived at according to the debtor sectors — individuals or companies — of these liabilities.

Personal loans and hire-purchase credits [column (a)] and also mortgage loans for housing [column (b)] are in fact mainly granted to individuals. The amounts shown in these columns are those of the credits of this kind granted by Belgian financial intermediaries.

The other liabilities [columns (d) and (e)] represent liabilities chiefly of companies — including public enterprises — but also of one-man businesses; in the breakdowns given in Chapters II to V, the latter have been consistently regarded as individuals. These other liabilities are contracted both to Belgium and to foreign countries; the liabilities to foreign countries comprise the formation of companies in Belgium, the acquisition of interests in Belgian companies, loans received from affiliated enterprises and strictly financial loans contracted by Belgian enterprises.

b) Table VII. 3.1 gives a breakdown of the liabilities of companies and one-man businesses to Belgium [column (d) of Table VII. 3]. This table calls for the following comments :

— column (a) contains only public share issues [see (c) of the methodology of Table VII. 2];

— columns (b) and (c) relate to all bonds issued by private companies and public enterprises respectively, irrespective of the identity of the holders;

— column (f) comprises the public short-term paper issued by public enterprises and purchased by certain public credit institutions, together with the liabilities resulting from the non-payment to the Treasury by certain private or public 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.

Table VII. 3

NEW LIABILITIES OF INDIVIDUALS AND COMPANIES<sup>1</sup>*(Billions of francs)*

	Liabilities contracted mainly by individuals			Liabilities of companies and one-man businesses <sup>2</sup>			Grand total
	Personal loans and hire-purchase credits (a)	Mortgage loans for housing (b)	Total (c)	To Belgium <sup>3</sup> (d)	To foreign countries (e)	Total (f)	
1975 .....	+ 9	+ 46	+ 55	+123	+ 37	+160	+215
1976 .....	+ 26	+ 73	+ 99	+140	+ 36	+176	+275
1977 .....	+ 23	+ 79	+102	+129	+ 46	+175	+277
1978 .....	+ 16	+ 98	+114	+119	+ 43	+162	+276
1979 .....	+ 21	+109	+130	+140	+ 36	+176	+306
1980 .....	+ 6	+ 80	+ 86	+ 99	+ 64	+163	+249
1981 .....	- 10	+ 41	+ 31	+ 94	+ 97	+191	+222
1982 .....	+ 2	+ 30	+ 32	+ 43	+ 83	+126	+158
1982 First half .....	- 1	+ 22	+ 21	+ 20	+ 30	+ 50	+ 71
July-October .....	+ 4	+ 8	+ 12	- 12	+ 17	+ 5	+ 17
First 10 months .....	+ 3	+ 30	+ 33	+ 8	+ 47	+ 55	+ 88
1983 First half .....	- 5	+ 11	+ 6	+ 20	+ 8	+ 28	+ 34
July-October .....	+ 6	+ 4	+ 10	+ 34	+ 29	+ 63	+ 73
First 10 months .....	+ 1	+ 15	+ 16	+ 54	+ 37	+ 91	+107

<sup>1</sup> Companies which are not financial intermediaries.<sup>2</sup> After elimination of the purely accounting effects of alterations in exchange rates.<sup>3</sup> For details, see Table VII. 3.1.

## B. Main developments

a) Whereas since 1980 the total new liabilities of companies and individuals had decreased year by year, these liabilities appear to have been greater in 1983 than in 1982. The development during 1983 was not, however, homogeneous : thus, during the first half of the year the downward trend observed during the previous years continued, while the next four months were marked by a distinct recovery [column (g) of Table VII. 3].

b) The increase in 1983 was the result of a decline in the new liabilities contracted mainly by individuals, on the one hand [column (c)], and of a growth in those of companies and one-man businesses, on the other [column (f)].

c) Among the new liabilities contracted mainly by individuals, it was mainly those in the form of mortgage loans for housing that decreased : whereas for the first ten months of 1982 they had still amounted to Fr. 30 billion, they totalled only half that amount in 1983 [column (b)]. This is mainly due to the movement of social housing, activity in which was at a very low level for the reasons stated in Chapter III.

New liabilities in the form of personal loans and hire-purchase credits were somewhat less than in 1982 : Fr. 1 billion against Fr. 3 billion [column (a)]. This is due to the falling-off of private consumption, especially that of goods, such as cars, the purchase of which is traditionally financed with the aid of hire-purchase credits and personal loans.

d) During the first ten months of 1983 the new liabilities of companies and one-man businesses were distinctly higher than in 1982 : Fr. 91 against 55 billion [column (f)]. However, this increase conceals a divergent movement of liabilities to Belgium and those to foreign countries : the increase in the former [column (d)] was coupled with a slowing-down, albeit less marked, in the latter [column (e)], chiefly owing to the repayment of loans received from affiliated enterprises.

The increase in new liabilities to Belgium was particularly marked in the case of those in the form of securities (Table VII. 3.1) : share issues, benefiting by the tax advantages conferred by the « Cooreman »

section of Royal Decree No. 15 of 9th March 1982 (amended by Royal Decree No. 150 of 30th December 1982), rose further [column (a)], but the main expansion was in recourse to the issuing of bond loans both by private companies [column (b)] and by public enterprises [column (c)]. The change from the one period to the other in issues by the latter is, however, chiefly explained by the fact that in 1983 the public issue of a bond loan by the Telegraphs and Telephones Board was made in October, whereas in 1982 this recourse to the bond market had taken place in December.

Table VII. 3.1

NEW LIABILITIES OF COMPANIES<sup>1</sup> AND ONE-MAN BUSINESSES TO BELGIUM<sup>2</sup>*(Billions of francs)*

	Shares (a)	Bonds issued by		Investment credits (d)	Other discount credits, advances and acceptances (e)	Miscella- neous (f)	Total (g)
		private companies (b)	public enterprises (c)				
1975 .....	+ 2	+ 22	+ 15	+ 26	+ 58	...	+ 123
1976 .....	...	+ 16	+ 9	+ 58	+ 59	- 2	+ 140
1977 .....	+ 9	+ 7	+ 14	+ 32	+ 66	+ 1	+ 129
1978 .....	+ 10	+ 7	+ 23	+ 41	+ 39	- 1	+ 119
1979 .....	+ 5	+ 6	- 2	+ 49	+ 82	...	+ 140
1980 .....	+ 1	+ 11	- 5	+ 44	+ 46	+ 2	+ 99
1981 .....	...	+ 10	+ 5	+ 18	+ 57	+ 4	+ 94
1982 .....	+ 18	+ 5	+ 14	+ 12	- 14	+ 8	+ 43
1982 First half .....	+ 9	...	- 6	+ 7	+ 1	+ 9	+ 20
July-October .....	+ 2	+ 3	+ 3	+ 3	- 23	...	- 12
First 10 months .....	+ 11	+ 3	- 3	+ 10	- 22	+ 9	+ 8
1983 First half .....	+ 12	+ 20	- 3	+ 13	- 24	+ 2	+ 20
July-October .....	+ 7	+ 4	+ 23	- 7	+ 7	...	+ 34
First 10 months .....	+ 19	+ 24	+ 20	+ 6	- 17	+ 2	+ 54

<sup>1</sup> Companies which are not financial intermediaries.<sup>2</sup> After elimination of the purely accounting effects of alterations in exchange rates.\*  
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## COMMENTS ON TABLE VII. 4 :

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

#### A. Methodology

a) Column (a) of Table VII. 4 shows the figures of item 2.1 « Net financing requirement » of the public authorities of Table VII. 1. 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 VII. 1.

b) The financial deficit of the Treasury [column (b)] is synonymous with its new liabilities, of which a breakdown is given in Table VII. 4.3. This table was compiled on the basis of the official public debt statement (Table VII. 4.1), from which the transactions which did not give rise to movements of funds were eliminated (Table VII. 4.2).

c) The financial deficit of the sub-sector « Other Central Government » [column (c)] comprises the changes in the net indebtedness of some central government bodies other than the Treasury and in the debudgetised debt, the main components of which are :

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

— the public authorities' debt to the National Housing Company and the National Land Company in implementation of the scheme for 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 in 1981, of the « Sickness and Disablement » and « Pensions of Self-employed Persons » sectors of the social security.

A part of the debt mentioned in the first sub-paragraph above, namely the debts which the Treasury took over from steel enterprises, and also the debt mentioned in the third sub-paragraph, were not recorded in Table VII. 4 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.

Another debt which was taken into account is that represented by the account which the European Economic Community holds with the Treasury.

In the opposite direction, lastly, account was taken of the Treasury's claims on private and public enterprises which, faced with cash-flow problems, postponed the payment of the pay-as-you-earn tax deducted from the wages and salaries of their employees.

d) Under the Law of 9th August 1980 on Institutional Reforms, the French and Flemish communities and the Walloon and Flemish regions have been allowed since 1982 to cover their financing requirement by loans. Up to the present the communities and regions have made hardly any use of this possibility, because they have been able to obtain finance by having recourse to the credit margin at their disposal at the Treasury (a credit line equal, for each of the above-mentioned institutions, to one-sixth of its annual transfer which it receives from the Treasury). The bulk of the communities' and regions' financial deficit is thus included in that of the Treasury. The amounts shown in column (d) of Table VII. 4 hence comprise only the loans contracted direct by the communities and regions from financial intermediaries.

e) The financial deficit of the local authorities [column (e)] 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.

f) As the financial assets and liabilities of the sub-sector « Social security » are not accurately known, it is impossible to estimate the financial surplus or deficit of this sub-sector. It was therefore assumed that its financial surplus or deficit [column (g)] was identical to its 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, the source of which is the National Statistical Institute and, for 1983, the Ministry of Social Security, were adapted to allow for the taking-over by the Treasury of the debt of the « Sickness and Disablement » and « Pensions of Self-employed Persons » sectors.

As the data for the « Social security » sub-sector 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.

Table VII. 4

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

(Billions of francs)

	Public authorities' net financing requirement (a)	Financial deficit or surplus of the sub-sectors							Statistical deviation (i) = (a) - (h)
		Treasury (b)	Other Central Government (c)	Communities and regions (d)	Local authorities (e)	Subtotal (f) = (b) + (c) + (d) + (e)	Social security (g)	Total (h) = (f) + (g)	
1975 .....	-152	-109	-24	—	-23	-156	+22	-134	-18
1976 .....	-195	-133	-24	—	-29	-186	+14	-172	-23
1977 .....	-217	-168	-28	—	-19	-215	+19	-196	-21
1978 .....	-252	-183	-31	—	-27	-241	+14	-227	-25
1979 .....	-290	-212	-47	—	-29	-288	+9	-279	-11
1980 .....	-407	-297	-47	—	-62	-406	+4	-402	-5
1981 .....	-586	-455	-43	—	-65	-563	+2	-561	-25
1982 .....	-604	-509	-56	-2	-27	-594	+6	-588	-16
1983 .....	-637 <sup>e</sup>	-525	-48 <sup>e</sup>	+1 <sup>e</sup>	-40 <sup>e</sup>	-612 <sup>e</sup>	... <sup>e</sup>	-612 <sup>e</sup>	-25 <sup>e</sup>
1982 10 months ..	n.a.	-483	-52	-1	+1	-535	n.a.	n.a.	n.a.
1983 10 months ..	n.a.	-494	-38 <sup>p</sup>	+1	-18	-549 <sup>p</sup>	n.a.	n.a.	n.a.

## B. Main developments

a) The financial deficit of the public authorities (excluding the « Social security » sub-sector) rose from Fr. 535 billion during the first ten months of 1982 to Fr. 549 billion in 1983 [column (f) of Table VII. 4]. The increase took place at the level of the Treasury and the local authorities.

b) For the year as a whole, and account being taken of the « Social security » sub-sector, the public authorities' financial deficit would appear to have amounted to Fr. 612 billion against Fr. 588 billion the previous year [column (h) of Table VII. 4].

c) The greater part of this deficit was attributable to the Treasury. The transactions of this sub-sector resulted in a net deficit of Fr. 525 billion in 1983 against Fr. 509 billion in 1982. The growth in the official public debt (Table VII. 4.1) was even greater (+ Fr. 631 billion in 1983) owing to certain transactions which did not involve any movement of funds, particularly the taking-over by the Road Fund of the debt of the Association of Local Authorities for the Building of Motorway E3, the increase in Belgium's quota in the capital of the International Monetary Fund and the foreign exchange differences recorded by the Treasury in respect of its foreign-currency borrowings (Table VII. 4.2).

The Treasury was able to meet its financial deficit to a greater extent than in 1982 by contracting new liabilities in Belgian francs (other than by direct or indirect recourse to the Bank), which rose from Fr. 257 billion in 1982 to Fr. 384 billion in 1983 [column (g) of Table VII. 4.3]. The corresponding figures for the consolidated debt alone are Fr. 65 and 275 billion, which represents an even more striking increase. This is attributable to both individuals and the financial intermediaries. The reasons for this increased preference for long-term paper on the part of individuals have already been explained (see the comments on Table VII. 2). Similar reasons influenced the financial intermediaries : the rates for Treasury certificates fell more throughout the greater part of the year than long-term rates. The smaller increase in the floating debt — Fr. 109 billion in 1983 against Fr. 192 billion — is a corollary of the foregoing.

Accordingly, the Treasury's new liabilities which gave rise to a creation of liquidity by the Bank decreased, from Fr. 252 billion to Fr. 141 billion in 1983. The debt in foreign currencies rose by only Fr. 134 billion against Fr. 220 billion in 1982, while the growth in the portfolio of Treasury certificates held by the Securities Regulation Fund and financed by the Bank amounted to only Fr. 7 billion against Fr. 32 billion in 1982 and Fr. 72 billion in 1981. The ceiling on the Bank's special assistance to the Securities Regulation Fund had been raised by Fr. 20 billion on 24th January 1983, to Fr. 210 billion : thus, from year-end to year-end, the available margin under this ceiling increased from Fr. 9 to 22 billion.

d) The financial deficit of the sub-sector « Other Central Government » [column (c) of Table VII. 4], which appears to have amounted to Fr. 48 billion in 1983 against Fr. 56 billion in 1982, is again mainly due to the aid given to the five « national » sectors, especially the iron and steel sector.

e) The financial deficit of the local authorities [column (e)], after having decreased from Fr. 65 billion in 1981 to Fr. 27 billion in 1982, appears to have risen again in 1983 to Fr. 40 billion. The erratic movement during these last three years is primarily due to two technical factors :

— the payment by the Treasury of the municipal and provincial taxes assessed on behalf of the municipalities and provinces was no longer swollen during the year under review, as it had been in 1982, by the catching-up of delays which had occurred in these assessments in 1981 ;

— local authorities had in 1981, and above all in 1982, delayed the payment to the Treasury of a large proportion of the pay-as-you-earn income tax deducted from the wages and salaries of their employees. It would appear that Royal Decree No. 201 of 25th July 1983 introducing measures aimed at ensuring proper collection of the pay-as-you-earn tax enabled the accumulation of these arrears to be slowed down in 1983.

These two factors obscure the possible effect of the efforts made by the local authorities to reduce their financial deficit. These efforts, which are being made in compliance with Royal Decree No. 110 of

13th December 1982 calling upon the provinces, the municipalities and the associations and federations of municipalities to bring their budgets into balance not later than the beginning of the 1988 budget year, took several forms : a curtailment of investment following the reduction which already took place in 1982, a moderating of wages and salaries, which was in fact advocated by the above-mentioned Royal Decree, and an expansion of tax revenues. A new possibility of achieving such an expansion was created by the Law of 11th April 1983 abolishing, with effect from the 1983 tax year, the 6 p.c. limit on the municipal tax imposed on top of the personal income tax. This law probably had only a very limited impact, however, during the year under review and is only likely to begin to make a real contribution to improving the local authorities' financial situation from 1984 onwards.

f) The sub-sector « Social security » [column (g)] was affected in 1983 by the smallness of the increase in contributions due to the moderating of wages and salaries and the development of the number of persons subject to the contributions. Thanks, however, to various measures for adjusting the contributions and economising as regards benefits (see Chapter V), the financial equilibrium of this sub-sector appears to have been maintained.

Table VII. 4.1

## OFFICIAL NATIONAL DEBT POSITION

(Billions of francs)

At end of	Debt in Belgian francs				Debt in foreign currencies			Grand total
	Direct		Indirect (consolidated) <sup>1</sup>	Total	Direct	Indirect <sup>1</sup>	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	933	326	2,443	637	5	642	3,085
1983 .....	1,403	1,082	407	2,892	819	5	824	3,716

Source : Ministry of Finance, Treasury Administration.

<sup>1</sup> 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. Including the part of the debts of the Associations of Local Authorities for Motorways from the time when they were taken over by the Road Fund pursuant to the Law of 2nd July 1981 and the Royal Decrees of 10th December 1981 and 7th March 1983.

Table VII. 4.2

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

(Billions of francs)

	1979	1980	1981	1982	1983
1. Changes in the national debt <sup>1</sup> .....	+ 212	+ 318	+ 482	+ 646	+ 631
2. Transactions without movement of funds :					
2.1 Treasury certificates held by the International Monetary Fund <sup>2</sup> ...	...	+ 17	+ 7	+ 7	+ 33
2.2 Consolidated debt in Belgian francs of the Associations of Local Authorities for Motorways taken over by the Road Fund .....	—	—	—	+ 96	+ 26
2.3 Foreign exchange differences <sup>3</sup> .....	...	+ 4	+ 20	+ 34	+ 47
Total 2 ...	...	+ 21	+ 27	+ 137	+ 106
3. Balance (1 - 2) <sup>4</sup> .....	+ 212	+ 297	+ 455	+ 509	+ 525

<sup>1</sup> According to Table VII. 4.1.

<sup>2</sup> 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.

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

<sup>4</sup> For details, see Table VII. 4.3.

Table VII. 4.3

## 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 <sup>1</sup>	Total	Floating debt	Consolidated debt	Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
1979 .....	...	+ 37	+ 42	+ 79	+ 7	+ 126	+ 133	+ 212
1980 .....	...	+ 25	+ 92	+ 117	+ 110	+ 70	+ 180	+ 297
1981 .....	...	+ 72	+ 214	+ 286	+ 142	+ 27	+ 169	+ 455
1982 .....	...	+ 32	+ 220	+ 252	+ 192	+ 65	+ 257	+ 509
1983 .....	...	+ 7	+ 134	+ 141	+ 109	+ 275	+ 384	+ 525

<sup>1</sup> As their proceeds are sold by the Treasury for Belgian francs, these foreign-currency loans also entail creation of liquidity by the National Bank of Belgium.



CHAPTER VIII

**FINANCIAL MARKETS AND INTEREST RATES**



## COMMENTS ON TABLE VIII. 1 :

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

#### A. Methodology

a) Tabel VIII. 1 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 VII. 1) and the net financial deficit of the public authorities (item 2.2 of Table VII. 1) 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 VIII. 1), 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 VIII. 1, taken from Table VII. 1, item 1.212). These claims were disregarded for purely pragmatic reasons; as was mentioned in the comments in Table VI. 1, 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 1983. 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 2.13 of Table VIII. 1, 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 in foreign currencies [item 2.12 of

Table VIII. 1, taken from Table VII. 2, column (f)], and that of financial assets for which the breakdown according to currency is not known or is meaningless, but which is known to consist largely of transactions with foreign countries [item 2.13 of Table VIII. 1, taken from Table VII. 2, column (h)]. Also subtracted was the formation of assets in the form of bank notes held by individuals and companies (item 2.14) and of assets which were used by the financial intermediaries to build up balances with the Bank (item 2.15). These last-mentioned two types of assets must not be taken into account here, because they 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 on the domestic markets; such capital inflows can therefore also be included in the category of funds spontaneously offered on these markets. 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 VIII. 1, 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 net liabilities in foreign currencies to Belgium and to the rest of the world of the private financial intermediaries and of the public financial intermediaries within the framework of their banking activities and those in the financial intermediaries', public enterprises' 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 liabilities of the public sector excluding those of the financial intermediaries already recorded in item 2.2 (item 2.53 of Table VIII. 1) and the recourse by the domestic sectors to the rediscounting and advances provided by the Bank in its capacity as « lender of last resort » (item 2.6); as has already been emphasized, it is assumed that these items reflect the shortage of funds which appeared — *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 VIII. 1.1 distributes between the Treasury (item 1), the public sector not included elsewhere (item 2) and the financial intermediaries (item 3) the shortage on funds on the domestic markets shown in item 3 of Table VIII. 1.

The sectors which appear in Table VIII. 1.1 are not the same as those which were dealt with in Chapter III: 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 enterprises; 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 having the possibility of having recourse directly or indirectly to the lender of 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 money market. Consequently, the afore-mentioned three sectors are the only ones which can — still by definition — be shown here as having a shortage of funds. It will in fact be seen that the algebraic sum of items 1.3, 2.4 and 3.4 of Table VIII. 1.1 — which appears in item 4 of that table — corresponds to item 3 « Shortage of funds on the domestic markets » of Table VIII. 1 (except that in the latter table a shortage is indicated by the absence of a sign and not by a minus sign as in Table VIII. 1.1). Table VIII. 1.1 also shows that an overall shortage of funds may be the net result of shortages of some sectors and surpluses of others.

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 the rest of the world and, on the other hand, the formation of deposits in Belgian francs; these causes may also be responsible for a surplus of funds of the Belgian banks.

Furthermore, Table VIII. 1.1 segregates a category of transactions which is a source of surplus of funds (+) for the various sectors, namely their net issues of bonds and possibly notes (items 1.1, 2.1 and 3.1) and a category of transactions which is a source of shortage (-), namely their net purchases of bonds and notes (items 2.2 and 3.2); both the issues and the purchases relate solely to bonds and notes in Belgian francs. The other transactions, which are lumped together in items 1.2, 2.3 and 3.3, consist mainly, for the Treasury and the public sector not included elsewhere, of the budget deficit which they have to finance, which is a source of shortage, and for the financial intermediaries, of the difference between the increase in deposits in Belgian francs and that in credits in Belgian francs to individuals and non-financial companies, this difference being a source of surplus or deficit depending on whether it is positive

or negative. Item 3.3 furthermore includes the changes in the spot foreign exchange position of the financial intermediaries, and especially the banks, an increase (decrease) in the net spot liabilities in foreign currencies being a source of surplus (shortage).

e) Table VIII. 1.2 covers the same period as the last column of Tables VIII. 1 and VIII. 1.1, namely the first ten months of the year under review; for most of the items of Table VIII. 1.2, however, data are available for the whole year. The main developments in 1983 are therefore commented upon the basis of Table VIII. 1.3, which covers this period. As the structure of Table VIII. 1.3 is identical with that of Table VIII. 1.2, the methodology explained below applies equally to both.

The sectors shown in columns (a) to (f) of Tables VIII. 1.2 and VIII. 1.3 are the same as in Table VIII. 1.1. Column (g) relates to the « Other sectors and indeterminate sectors »; these are included in Tables VIII. 1.2 and VIII. 1.3 mainly in order to make their figures balance, because their 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 a 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.

In addition, item 1 shows the shortage (-) or surplus (+) of funds of the various sectors; that of Table VIII. 1.2 thus presents data for the first ten months of 1983 which already appeared in the last column of Table VIII. 1.1. Item 2 « Counterparts » then shows how each sector had recourse to the money market in order to remedy its shortage or, on the contrary, supplied the market with its surplus funds.

In sub-items 2.11 to 2.14, the plus and minus signs indicate that the sector concerned, via the transaction which is the subject of the sub-item in question, obtained funds from other sectors (+) or used funds to their benefit (-); 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 column (h) of Tables VIII. 1.2 and VIII. 1.3. 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.

f) Table VIII. 1.4 « 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 1982 and 1983, in column (a) corresponds, for each category of intermediaries, to item 2.11 of Table VIII. 1.3; 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, on the other hand, for the banks, from item 2.221 of Table VIII. 1.3 : 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 VIII. 1.4 does not include the portion of the rediscounted « Creditexport » bills which was counted against the ceiling especially 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. It should be mentioned in this connection that the system which came into force on 1st December 1981, 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 1983 for a further period of one year.

Table VIII. 1.4 likewise shows, in column (e), the degree of utilisation of the rediscount ceilings (the ratio between the bills discounted, on the one hand, and the rediscount ceilings, on the other). The banks' degree of utilisation is shown in Chart VIII. 1.5, 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; as these two rates are not strictly comparable with each other — the former being applicable in arrears and the latter in advance — the Rediscount and Guarantee Institute's rate was converted into a rate applicable in arrears for the purpose of calculating this difference.

g) Chart VIII. 1.6 presents, for a series of years and in a more condensed form, the data which are shown for 1983 in column (h) of Table VIII. 1.3. It compares the facilities which the financial intermediaries and the public sector have sought from the Bank (level 1) with the latter's other transactions (level 2); these consist mainly of the interventions on the foreign exchange market and the change in the note circulation; these other transactions may be regarded, for the years in question, as resulting from a more or less autonomous line of behaviour by the other sectors (private non-financial companies, individuals and the rest of the world), possibly influenced by the Bank's policy measures, and as therefore being responsible for the above-mentioned recourse to the Bank's facilities.

Table VIII. 1

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

(Billions of francs)

	1975	1976	1977	1978	1979	1980	1981	1982	First ten months	
									1982	1983 <i>p</i>
1. Gross requirements of funds .....	349	447	473	503	585	651	783	746	623 <sup>3</sup>	656 <sup>3</sup>
2. Cover items :										
Funds available on the domestic markets :										
2.11 Formation of financial assets by individuals and companies .....	371	437	469	437	485	477	562	620	519	590
less :										
2.12 Formation of financial assets in foreign currencies .....	-( 40)	-(34)	-(35)	-(20)	-(28)	-(69)	-(155)	-(73)	-( 67)	-( 38)
2.13 Formation of financial assets other than in Belgian francs and in foreign currencies .....	-( 3)	-(19)	-(22)	-(21)	-(71)	-(33)	-( 51)	-(62)	-( 116)	-(111)
2.14 Increase in bank notes held by individuals and companies .....	-( 33)	-(17)	-(28)	-(21)	-( 9)	-( 5)	-( 3)	-(...)	-( 1)	-( 12)
2.15 Increase in balances of financial intermediaries with the National Bank of Belgium .....	-(-21)	-( 2)	-(...)	-( 4)	-( 3)	-(...)	-( 4)	-(...)	-(- 4)	-(- 3)
2.1 Available balance (2.11 + 2.12 + 2.13 + 2.14 + 2.15) .....	316	365	384	371	374	370	349	485	339	432
2.2 Capital inflows other than those mentioned under 2.5 .....	61	31	46	77	84	119	24	- 13	25	104
2.3 Statistical deviation .....	- 18	9	2	1	10	40	16	- 28	33 <sup>4</sup>	29 <sup>4</sup>
2.4 Total (2.1 + 2.2 + 2.3) .....	359	405	432	449	468	529	389	444	397	565
Other :										
2.5 Increase in foreign-currency liabilities of the public sector <sup>1</sup> :										
2.51 Treasury .....	- 2	- 1	- 1	12	42	92	214	220	204	110
2.52 Rest of the public sector <sup>2</sup> .....	- 1	2	4	...	30	52	79	52	38	3
2.53 Total (2.51 + 2.52) .....	- 3	1	3	12	72	144	293	272	242	113
2.6 Increase in domestic recourse to the National Bank of Belgium .....	- 7	41	38	42	45	- 22	101	30	- 16	- 22
3. Shortage of funds on the domestic markets (1 - 2.4 = 2.53 + 2.6) .....	- 10	42	41	54	117	122	394	302	226	91

<sup>1</sup> Contracted both directly abroad and via financial intermediaries.<sup>2</sup> All public authorities other than the Treasury, public enterprises and public credit institutions.<sup>3</sup> Excluding social security.<sup>4</sup> Including social security.

## B. Main developments

a) The shortage of funds on the domestic markets, which had reached Fr. 226 billion during the first ten months of 1982, fell to Fr. 91 billion in 1983, a decrease of Fr. 135 billion (item 3 of Table VIII. 1).

This development is mainly due to the reduction in the deficit on current transactions with foreign countries; the effect of this reduction, which is of necessity coupled with a corresponding contraction of the net financial deficit of the domestic sectors as a whole, was not, on the contrary, reflected in a decrease in their gross requirements of funds (item 1), but manifested itself in an increase in the formation of fixed assets (item 2.11).

Furthermore, the increase in the available funds supplied to the domestic markets (item 2.4) was even more pronounced than that in the formation of financial assets. In view of the prospects of changes in exchange rates and of the respective levels of interest rates, the Belgian franc was in fact more attractive, on average during the period, in relation to foreign currencies than it had been in 1982. Consequently the formation of financial assets in Belgian francs by individuals and companies increased greatly (item 2.1), as did also the « spontaneous » capital inflows (item 2.2).

b) The reduction in the shortage was reflected chiefly in the movement of the public sector's liabilities in foreign currencies, which increased appreciably less than in the previous year (item 2.53).

c) The whole of the above-mentioned reduction of Fr. 135 billion benefited the Treasury (item 1 of Table VIII. 1.1) and the public sector not included elsewhere (item 2). While the financial intermediaries as a whole (item 3) again recorded a surplus of funds, this was smaller than in 1982.

d) It was mainly the Treasury's shortage that decreased in 1983, from Fr. 400 billion in 1982 to Fr. 237 billion (item 1.3); this reduction was entirely due to the fact that, by its net issues of bonds (item 1.1), this sector raised appreciably more funds than in the previous year (Fr. 256 billion against Fr. 81 billion), the reasons for this development having already been stated in Chapter VII.

e) With regard to the public sector not included elsewhere, it was likewise the increase in its net issues of bonds (item 2.1), on top of the reduction in its budget deficit (the main component of item 2.3), that enabled it, unlike in the previous year, to have a surplus of funds.

f) The decrease in 1983 (ten months) in the surplus of funds of the financial intermediaries as a whole was due to the fact that, without having increased their net issues of bonds and notes, these financial intermediaries on the other hand appreciably stepped up their net purchases of these securities (item 3.2), especially bonds issued by the Treasury.

The situation was not, however, the same in all categories of financial intermediaries; while the banks and the private savings banks once more had a surplus of funds, which was larger than in 1982, the public credit institutions, on the contrary, had a shortage in 1983, in contrast to the previous year; this turn-round was mainly due to the reduction in their net issues of bonds and notes and the big increase in their net purchases of these securities. The growth in the surplus of the other categories of financial intermediaries was chiefly due to certain transactions carried out by the banks outside the money market (item 3.23) and more particularly to the movement of the Belgian banks' spot position in foreign currencies: in 1982 these banks' net liabilities in foreign currencies had decreased, whereas they rose sharply in 1983. This reversal chiefly reflected the opposite swing-round in the movement of their forward transactions.

g) The shortage of funds on the domestic markets, which, as has been stated, reached Fr. 91 billion at the end of the first ten months, amounted for the year as a whole to Fr. 157 billion, the Treasury's shortage (Fr. 211 billion) having been partly offset by the surpluses of the public sector not included elsewhere (Fr. 1 billion) and above all of the financial intermediaries (Fr. 53 billion) (first three columns of item 1 of Table VIII. 1.3).

h) The financial intermediaries, and more particularly the Belgian and Luxembourg banks, used their surplus of funds in order to subscribe for Belgian-franc certificates at up to one year (item 2.11 of Table VIII. 1.3). These subscriptions reached Fr. 65 billion, that is, an amount greater than that of the surplus of the financial intermediaries as a whole: the latter thus, on balance, had recourse to the Bank, in the form of advances (item 2.222). For their part, the three main

categories of financial intermediaries — public credit institutions, banks and private savings banks — as a whole increased the outstanding amount of their rediscounted bills, which had the effect — despite the raising of the rediscount ceilings from Fr. 126 billion at the end of 1982 to Fr. 130 billion at the end of 1983, in application of the normal rules of quarterly adjustment — of somewhat reducing the available margins under these ceilings, to Fr. 42 billion at the end of 1983 (Table VIII. 1.4). These margins thus remained, within the liquidity of the financial institutions, a much less important component than certificates. In the case of the banks the relative shares of these two components nevertheless underwent appreciable changes during the year. The Belgian banks in fact have the possibility — which the other financial intermediaries either do scarcely have or hardly use — of reducing or increasing the outstanding amount of their rediscounted bills, thus changing the available margins under the rediscount ceilings, depending on the desired movement of their certificate portfolio. Their behaviour will be influenced by the difference between the yield of the certificates and the cost of rediscounting. When this difference increases appreciably, the Belgian banks are in fact induced to prefer using their surplus of funds for subscribing for certificates rather than for cutting down their rediscounting, or even to make greater use of their rediscount ceilings in order to subscribe for certificates. Conversely, when the difference decreases or seems insufficient, the Belgian banks use their surplus of funds in order to reduce the outstanding amount of their rediscounted bills rather than for further increasing their certificate portfolio. That is why, at the beginning of the year, the degree of utilisation of the banks' rediscount ceilings was high when the difference was positive (Chart VIII. 1.5); the difference subsequently became practically zero, bringing about a substantial fall in the degree of utilisation; towards the end of the year, however, the difference became positive again, and this was coupled with a fresh rise in the degree of utilisation.

i) The public sector not included elsewhere used its surplus of funds, which was actually not very large, and also the proceeds of sales of borrowed foreign currencies on the foreign exchange market (item 2.14 of Table VIII. 1.3) to purchase Belgian-franc certificates at up to one year.

j) Subscriptions for certificates by the public sector not included elsewhere and above all those by the financial intermediaries provided

the Treasury with Fr. 70 billion [column (a) of item 2.11]. The Treasury met the greater part of the remainder of its shortage of funds by increasing its recourse to the Bank by Fr. 130 billion, of which Fr. 123 billion was accounted for by the sale to the Bank of borrowed foreign currencies [column (a) of item 2.213] and Fr. 7 billion by the sale to the Securities Regulation Fund of Treasury certificates which that Fund financed with the special assistance from the Bank [column (a) of item 2.212].

k) The increase in the recourse of the Treasury, and of the public sector in general, to the Bank thus remained substantial, as it has been since 1979, albeit less than in 1982 and above all in 1981. This rise, just like that, in some of the years in question, in the recourse of the financial intermediaries in the form of rediscounts and advances, was made necessary by the Bank's interventions on the foreign exchange market, whereas the Bank's other transactions — especially the increase in the note circulation — were only a quite subsidiary cause (Chart VIII. 1.6).

Table VIII. 1.1

## SHORTAGE (-) OR SURPLUS (+) OF FUNDS OF THE VARIOUS SECTORS

*(Billions of francs)*

	1980	1981	1982	First ten months	
				1982	1983 <sup>p</sup>
<b>1. Treasury :</b>					
1.1 Net issues (+) of bonds <sup>1</sup> .....	+ 70	+ 27	+ 63	+ 81	+ 256
1.2 Other transactions outside the money market <sup>2</sup> .....	- 294	- 451	- 512	- 481	- 493
1.3 Shortage (-) or surplus (+) of funds (1.1 + 1.2) .....	- 224	- 424	- 449	- 400	- 237
<b>2. Public sector not included elsewhere :</b>					
2.1 Net issues (+) of bonds .....	+ 14	- 16	+ 36	+ 12	+ 41
2.2 Net purchases (-) of bonds and notes .....	- 1	- 1	- 4	- 4	+ 1
2.3 Other transactions outside the money market <sup>2</sup> .....	- 25	- 11	- 84	- 54	- 30
2.4 Shortage (-) or surplus (+) of funds (2.1 + 2.2 + 2.3) .	- 12	- 28	- 52	- 46	+ 12
<b>3. Financial intermediaries :</b>					
3.1 Net issues (+) of bonds and notes .....	+ 183	+ 167	+ 277	+ 211	+ 210
3.2 Net purchases (-) of bonds and notes .....	- 25	- 10	- 110	- 83	- 244
3.3 Other transactions outside the money market <sup>2</sup> .....	- 44	- 99	+ 32	+ 92	+ 168
3.4 Shortage (-) or surplus (+) of funds (3.1 + 3.2 + 3.3) .	+ 114	+ 58	+ 199	+ 220	+ 134
of which : Public credit institutions					
3.11 Net issues (+) of bonds and notes .....	+ 95	+ 90	+ 175	+ 131	+ 117
3.12 Net purchases (-) of bonds and notes .....	+ 10	+ 24	- 13	- 2	- 79
3.13 Other transactions outside the money market <sup>2</sup> ....	- 126	- 97	- 41	- 41	- 64
3.14 Shortage (-) or surplus (+) of funds (3.11 + 3.12 + 3.13) .....	- 21	+ 17	+ 121	+ 88	- 26
Belgian and Luxembourg banks					
3.21 Net issues (+) of bonds and notes .....	+ 48	+ 44	+ 55	+ 42	+ 53
3.22 Net purchases (-) of bonds and notes .....	- 22	+ 9	- 45	- 37	- 98
3.23 Other transactions outside the money market <sup>2</sup> ....	+ 109	- 37	+ 61	+ 112	+ 189
3.24 Shortage (-) or surplus (+) of funds (3.21 + 3.22 + 3.23) .....	+ 135	+ 16	+ 71	+ 117	+ 144
Private savings banks					
3.31 Net issues (+) of bonds and notes .....	+ 40	+ 33	+ 47	+ 38	+ 40
3.32 Net purchases (-) of bonds and notes .....	- 16	- 23	- 61	- 51	- 65
3.33 Other transactions outside the money market <sup>2</sup> ....	- 20	+ 12	+ 14	+ 15	+ 34
3.34 Shortage (-) or surplus (+) of funds (3.31 + 3.32 + 3.33) .....	+ 4	+ 22	...	+ 2	+ 9
<b>4. Shortage (-) or surplus (+) of funds on the domestic markets (1.3 + 2.4 + 3.4) .....</b>	<b>- 122</b>	<b>- 394</b>	<b>- 302</b>	<b>- 226</b>	<b>- 91</b>

<sup>1</sup> Including Treasury certificates at over one year.<sup>2</sup> The plus sign indicates that these transactions were a source of surplus of funds; the minus sign indicates that they were a source of shortage.

Table VIII. 1.2

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

(First ten months of 1982 in billions of francs)

	Treasury (a)	Public sector not included elsewhere (b)	Financial intermediaries			Other sectors and indeter- minate sectors (g)	Total corre- sponding to change in the items of the National Bank of Bel- gium's state- ment of ac- count (h)	
			Total (c)	of which :				
				Public credit institutions (d)	Belgian and Luxembourg banks (e)			Private sav- ings banks (f)
1. Shortage (-) or surplus (+) of funds (= transactions outside the money market) :	- 237	+ 12	+ 134	(- 26)	(+ 144)	(+ 9)	+ 91	-
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 <sup>1</sup> .....	+ 121	- 15	- 106	(+ 8)	(- 95)	(- 7)	-	-
2.12 Call money : — against security (net amounts) .....	-	-	-	(+ 2)	(- 2)	(+ 1)	-	-
— outside the protocol .....	-	...	...	( ... )	( ... )	( ... )	...	-
2.13 Inter-bank market .....	-	-	-	(+ 18)	(- 19)	(+ 1)	-	-
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market .....	...	+ 3	...	( ... )	( - )	( - )	- 3	-
2.15 Total .....	+ 121	- 12	- 106	(+ 28)	(- 116)	(- 5)	- 3	-
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 Bank .....	...	-	-	( - )	( - )	( - )	-	...
2.212 Treasury certificates sold to the Securities Regula- tion Fund and financed by it with the special assistance of the Bank .....	+ 6	-	-	( - )	( - )	( - )	-	+ 6
2.213 Foreign currencies borrowed by the public sector and sold by it to the Bank .....	+ 110	...	...	( ... )	( - )	( - )	-	+ 110
2.214 Total .....	+ 116	...	...	( ... )	( - )	( - )	-	+ 116
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted .....	-	-	- 35	(- 2)	(- 28)	(- 4)	-	- 35
2.222 Advances obtained .....	-	-	+ 7	( ... )	( ... )	( ... )	-	+ 7
2.223 Total .....	-	-	- 28	(- 2)	(- 28)	(- 4)	-	- 28
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market <sup>2</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 99	- 99
3.2 Notes <sup>3</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 10	- 10
3.3 Other .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 21	+ 21
3.4 Total .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 88	- 88

<sup>1</sup> Treasury certificates and Securities Regulation Fund certificates. An increase has a plus sign in the issuer's column and a minus sign in the purchaser's column, and a decrease has the opposite signs.<sup>2</sup> Plus sign : net purchases of foreign currencies by the National Bank of Belgium ; minus sign : net sales.<sup>3</sup> Plus sign : decrease in the outstanding amount of notes ; minus sign : increase.

Table VIII. 1.3

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

(Year 1983 in billions of francs)

	Treasury (a)	Public sector not included elsewhere (b)	Financial intermediaries				Other sectors and indeter- minate sectors (g)	Total corre- sponding to change in the items of the National Bank of Bel- gium's state- ment of ac- count (h)
			Total (c)	of which :				
				Public credit institutions (d)	Belgian and Luxembourg banks (e)	Private sa- vings banks (f)		
1. Shortage (-) or surplus (+) of funds (= transactions outside the money market) : .....	-211	+ 1	+ 53	(- 30)	(+ 84)	(+ 9)	+157	—
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 <sup>1</sup> .....	+ 70	- 5	- 65	(+ 29)	(- 84)	(- 8)	—	—
2.12 Call money : — against security (net amounts) .....	—	—	—	(+ 1)	(- 4)	( ... )	—	—
— outside the protocol .....	—	...	...	( ... )	( ... )	( ... )	...	—
2.13 Inter-bank market .....	—	—	—	(n.a.)	(n.a.)	(n.a.)	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market .....	+ 11	+ 4	...	( ... )	( - )	( - )	- 15	—
2.15 Total .....	+ 81	- 1	- 65	(+ 30)	(- 88)	(- 8)	- 15	—
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 Bank .....	...	—	—	( - )	( - )	( - )	—	...
2.212 Treasury certificates sold to the Securities Regula- tion Fund and financed by it with the special assistance of the Bank .....	+ 7	—	—	( - )	( - )	( - )	—	+ 7
2.213 Foreign currencies borrowed by the public sector and sold by it to the Bank .....	+123	...	...	( ... )	( - )	( - )	—	+123
2.214 Total .....	+130	...	...	( ... )	( - )	( - )	—	+130
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted .....	—	—	- 1	( ... )	(+ 4)	(- 1)	—	- 1
2.222 Advances obtained .....	—	—	+ 13	( ... )	( ... )	( ... )	—	+ 13
2.223 Total .....	—	—	+ 12	( ... )	(+ 4)	(- 1)	—	+ 12
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market <sup>2</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	-149	-149
3.2 Notes <sup>3</sup> .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	- 14	- 14
3.3 Other .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	+ 21	+ 21
3.4 Total .....	n.a.	n.a.	n.a.	(n.a.)	(n.a.)	(n.a.)	-142	-142

<sup>1</sup> Treasury certificates and Securities Regulation Fund certificates. An increase has a plus sign in the issuer's column and a minus sign in the purchaser's column, and a decrease has the opposite signs.<sup>2</sup> Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.<sup>3</sup> Plus sign : decrease in the outstanding amount of notes; minus sign : increase.

Table VIII. 1.4

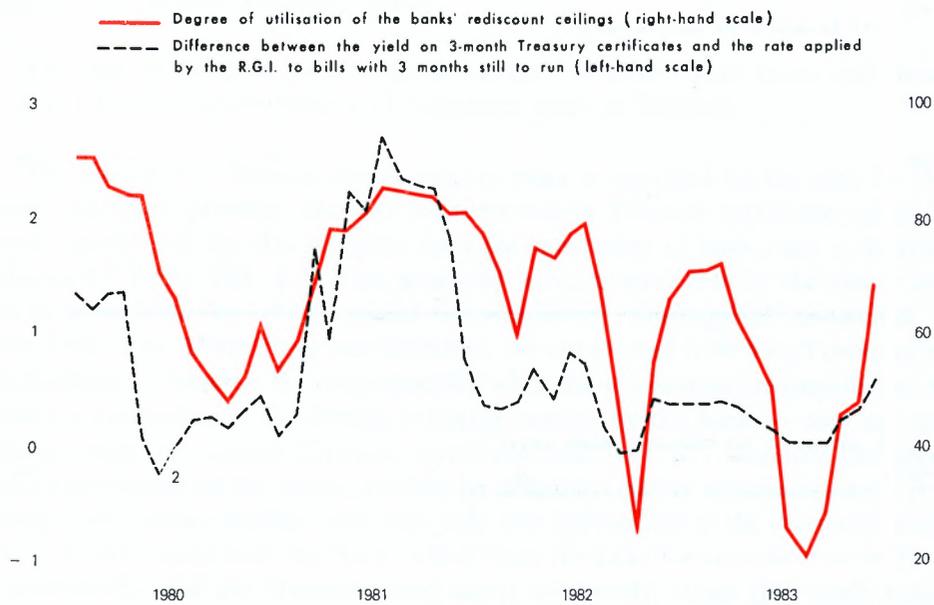
MAIN COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES  
(Billions of francs)

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)	
<b>1. PUBLIC CREDIT INSTITUTIONS</b>						
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
1983 .....	231	15	4	11	(27)	242
<b>2. BELGIAN AND LUXEMBOURG BANKS</b>						
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
1983 .....	371	107	80	27	(75)	398
<b>3. PRIVATE SAVINGS BANKS</b>						
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
1983 .....	37	8	4	4	(50)	41

Chart VIII. 1.5

DEGREE OF UTILISATION OF THE BANKS' REDISCOUNT CEILINGS AND  
DIFFERENCE BETWEEN THE YIELD ON TREASURY CERTIFICATES AND THE  
COST OF REDISCOUNTING<sup>1</sup>

(Per cent)



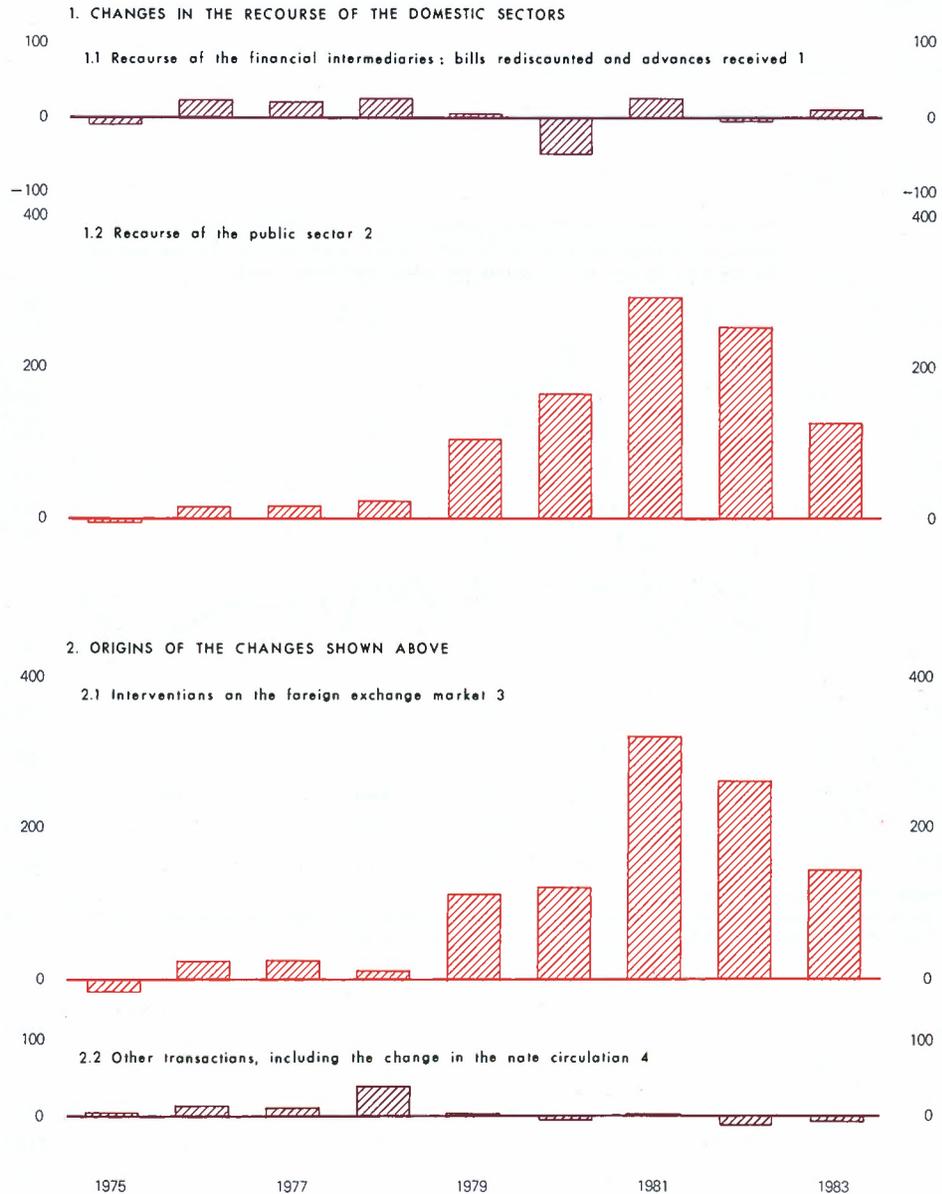
<sup>1</sup> Averages, per month, of daily data.

<sup>2</sup> 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 VIII. 1.6

CHANGES IN THE RECOURSE OF THE DOMESTIC SECTORS TO THE NATIONAL BANK OF BELGIUM AND THEIR ORIGINS

(Billions of francs)



<sup>1</sup> This level corresponds to item 2.223 of Table VIII. 1.3.

<sup>2</sup> In other forms than those included in 1.1; this level corresponds to item 2.214 of Table VIII. 1.3.

<sup>3</sup> This level corresponds to item 3.1 of Table VIII. 1.3; however, while in the latter the plus (minus) sign indicates net purchases (sales) of foreign currencies by the Bank, in this chart, on the other hand, it indicates net sales (purchases).

<sup>4</sup> This level corresponds to the total of items 3.2 and 3.3 of Table VIII. 1.3, with reversed signs; thus, whereas in that table an increase (decrease) in the outstanding amount of notes appears with the minus (plus) sign, the opposite is the case in this chart.

## COMMENTS ON CHART VIII. 2 :

### INTEREST RATES

#### A. Methodology

a) Chart VIII. 2 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 inter-bank deposits; the rate for three-month Treasury certificates could have served equally well for this purpose, since the movement of both rates is similar, as is shown by Table VIII. 2.1. This similarity is made inevitable by the extent which has been reached by the financial intermediaries' holdings of certificates (see Table VIII. 1.4). When these intermediaries are confronted with a tightening of their cash position — which is the case especially when these resources are curtailed by sales of foreign currencies on the foreign exchange market by the Bank — they can easily replenish them by cashing Treasury certificates and they will therefore not seek to obtain more funds on the money market by offering a higher remuneration on them; consequently, money market rates will only rise appreciably if the monetary authorities, and more specifically the Bank, which fixes the rates for very-short-term Treasury certificates, raise the last-mentioned rates; conversely, when their cash holdings increase, the financial intermediaries will not have any reason for markedly reducing the remuneration which they offer in order to obtain funds on the money market as long as they have the possibility of using these funds to subscribe for certificates at rates which have not been lowered by the authorities.

The Bank's various rates, which are shown in Table VIII. 2.2, are represented in a summary manner in Chart VIII. 2 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 companies and individuals; this cost is calculated by taking the mean of the Bank's different rates weighted by the outstanding amount of the financing obtained by the financial intermediaries at these rates.

b) Chart VIII. 2.3 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 these books is at present exempt from tax up to a certain annual amount, which was Fr. 30,000

in 1983, 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.

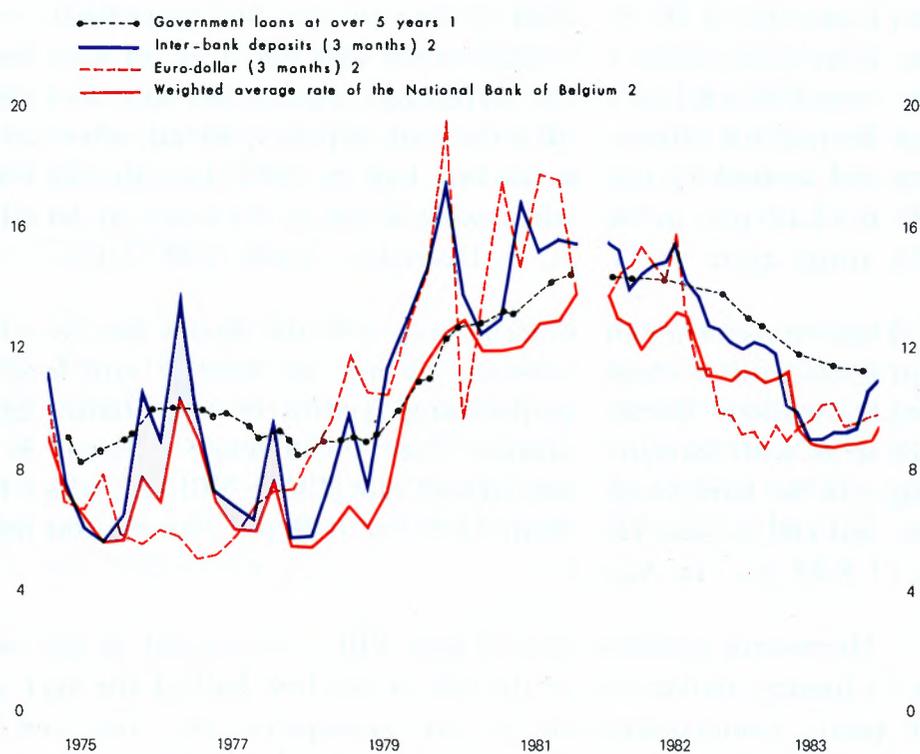
c) Chart VIII. 2.4 presents a comparison of the long-term yields in Belgian francs and other currencies, after deduction of tax at source, if any; for Belgium this tax is the 20 p.c. Preliminary Tax on Personal Property; on the other hand, no tax is deducted at source on income from the other bonds shown in the chart. 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.

d) Chart VIII. 2.5 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.

Chart VIII. 2

## INTEREST RATES

(Per cent)



<sup>1</sup> 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.

<sup>2</sup> 1975 to 1981 : end-of-quarter data. 1982 and 1983 : end-of-month data.

## B. Main developments

a) Money market rates in Belgium, which had differed little from the Euro-dollar rate in the first half of 1982, had fallen with the latter in the second half, but to a much smaller extent, so that they were distinctly higher than that rate at the beginning of the year under review (Chart VIII. 2). In the course of 1983 they began to decline again after the realignment in March of the central rates in the European Monetary System, which was followed by substantial purchases of foreign currencies by the Bank on the foreign exchange market, with the result that towards the end of the first half of the year they had moved back very close to the Euro-dollar rate. Later in the year they rose, in accordance with a trend which had already appeared abroad a few months earlier. Thus the rate for three-month inter-bank deposits, which, after having fluctuated around 15 p.c. in the first half of 1982, had already fallen back to 12.19 p.c. in December, went down to 9.13 p.c. in June-July 1983, rising again to 11 p.c. in December (Table VIII. 2.1).

These movements are in accordance with the Bank's aim, which is to promote, for domestic reasons, as low an interest rate level as possible, without thereby jeopardising control of short-term capital movements with foreign countries. They are therefore reflected in the changes in the Bank's weighted average rate (Chart VIII. 2), which fell, from year-end to year-end, from 11.35 to 9.49 p.c., having touched a low of 8.85 p.c. in August.

b) Short-term creditor rates (Chart VIII. 2.3) moved in the same way as money market rates : the fall in the first half of the year was only partly compensated for by the subsequent rise. The rate for deposits on ordinary savings books was only changed once, however, by a reduction of the fidelity premium, which in fact took place later and was smaller than the reduction in the other creditor rates.

Debtor interest rates on short-term credits likewise underwent a decline during the first half of the year, the extent of which corresponded to that of the fall in money market rates; the base rate for discounts and current-account advances was in fact reduced by 2.50 and 3 p.c. respectively between December 1982 and July 1983. As in the case of most other short-term rates, the fall was subsequently partly cancelled out by a rise, the base rate in question having been raised at the end of the year by 1 and 1.25 p.c. respectively.

c) The yield on issue of government bonds fell by about 2.50 p.c., from 13.79 p.c. in October 1982 to 11.28 p.c. in November 1983 (Chart VIII. 2). In the first half of the year the fall in this long-term rate was smaller than that in money market rates, so that, during this period, the positive differential between the former and the latter, which reappeared in the second half of 1982, widened further; during the second half of the year, on the other hand, it narrowed following the renewed rise in money market rates, so that it shrank on balance from year-end to year-end, while nevertheless still remaining positive.

d) Whereas in the second half of 1982 the fall in long-term yield rates in Belgian francs had been smaller than that in several other currencies, their further decline over the year 1983 as a whole contrasts with the development of the rates of yield in certain foreign currencies (the dollar and the Dutch guilder), which, as the net result of sometimes opposing movements during the year, on balance remained stable or rose (Chart VIII. 2.4).

e) The decline in the yield on issue of government loans was accompanied by a reduction of 2.5 p.c. in the rates of yield on notes and bonds issued on tap at over two years by the public credit institutions, the other notes having fallen less. The public credit institutions therefore likewise lowered their debtor rates on long-term credits, namely investment credits and mortgage loans (Chart VIII. 2.5), by 2.35 and 2.25 p.c. respectively.

Table VIII. 2.1

## INTEREST RATES ON INTER-BANK DEPOSITS AND THREE-MONTH TREASURY CERTIFICATES

*(Per cent)*

At end of	Inter-bank deposits (a)	Treasury certificates	
		Adjusted rate <sup>1</sup> (b)	Standard rate (c)
1978 .....	10.00	9.38	( 9.25)
1979 .....	14.69	14.60	(14.40)
1980 .....	13.13	12.93	(12.75)
1981 .....	15.63	16.22	(16.00)
1982 .....	12.19	12.42	(12.25)
1983 January .....	12.38	12.42	(12.25)
February .....	12.25	12.42	(12.25)
March .....	12.00	12.17	(12.00)
April .....	10.25	10.60	(10.45)
May .....	10.00	10.14	(10.00)
June .....	9.13	9.38	( 9.25)
July .....	9.13	9.38	( 9.25)
August .....	9.38	9.38	( 9.25)
September .....	9.38	9.38	( 9.25)
October .....	9.50	9.63	( 9.50)
November .....	10.75	10.65	(10.50)
December .....	11.00	11.00	(10.85)

<sup>1</sup> The standard rate on Treasury certificates [column (c)] has been adjusted in order to make it comparable with the rate on inter-bank deposits, the latter being calculated on the basis of 365 days while the former is based on 360 days.

Table VIII. 2.2

## NATIONAL BANK OF BELGIUM'S RATES

(Per cent)

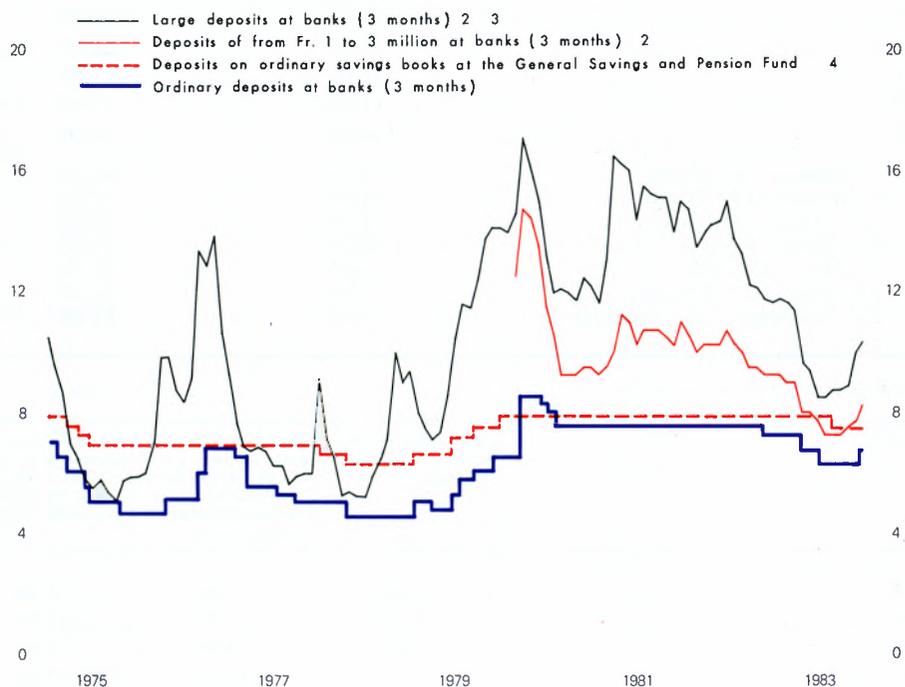
OFFICIAL SCALE OF DISCOUNT AND ADVANCE RATES			
	Discount <sup>1</sup>	Current-account advances against public securities <sup>2</sup>	
At end of :			
1978 .....	6.00	8.50	
1979 .....	10.50	12.50	
1980 .....	12.00	12.00	
1981 .....	15.00	17.00	
1982 .....	11.50	12.50	
1983 .....	10.00	11.00	
1983 1 <sup>st</sup> January - 8 <sup>th</sup> March .....	11.50	12.50	
9 <sup>th</sup> March - 23 <sup>rd</sup> March .....	14.00	15.00	
24 <sup>th</sup> March - 13 <sup>th</sup> April .....	11.00	12.00	
14 <sup>th</sup> April - 4 <sup>th</sup> May .....	10.00	11.00	
5 <sup>th</sup> May - 22 <sup>nd</sup> June .....	9.50	10.50	
23 <sup>rd</sup> June - 23 <sup>rd</sup> November .....	9.00	10.00	
24 <sup>th</sup> November - 31 <sup>st</sup> December .....	10.00	11.00	
SPECIAL RATES			
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
1978 .....	8.50	9.00	9.50
1979 .....	12.50	13.50	13.50
1980 .....	—	13.00	13.00
1981 .....	—	17.50	17.50
1982 .....	—	12.50	12.50
1983 .....	—	11.00	11.00
1983 January .....	—	12.50	12.50
February .....	—	12.50	12.50
March .....	—	12.00	12.00
April .....	—	11.00	11.00
May .....	—	10.50	10.50
June .....	—	10.00	10.00
July .....	—	10.00	10.00
August .....	—	10.00	10.00
September .....	—	10.00	10.00
October .....	—	10.00	10.00
November .....	—	11.00	11.00
December .....	—	11.00	11.00

<sup>1</sup> Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.<sup>2</sup> Maximum proportion advanced : 95 p.c. on Treasury certificates, Securities Regulation Fund certificates and medium-term notes of the parastatal organisations issued at up to 374 days and 80 p.c. on other public securities.

Chart VIII. 2.3

SHORT-TERM CREDITOR INTEREST RATES <sup>1</sup>

(Per cent)



<sup>1</sup> Rates before deduction of tax at source.

<sup>2</sup> Rates in force at the end of the months.

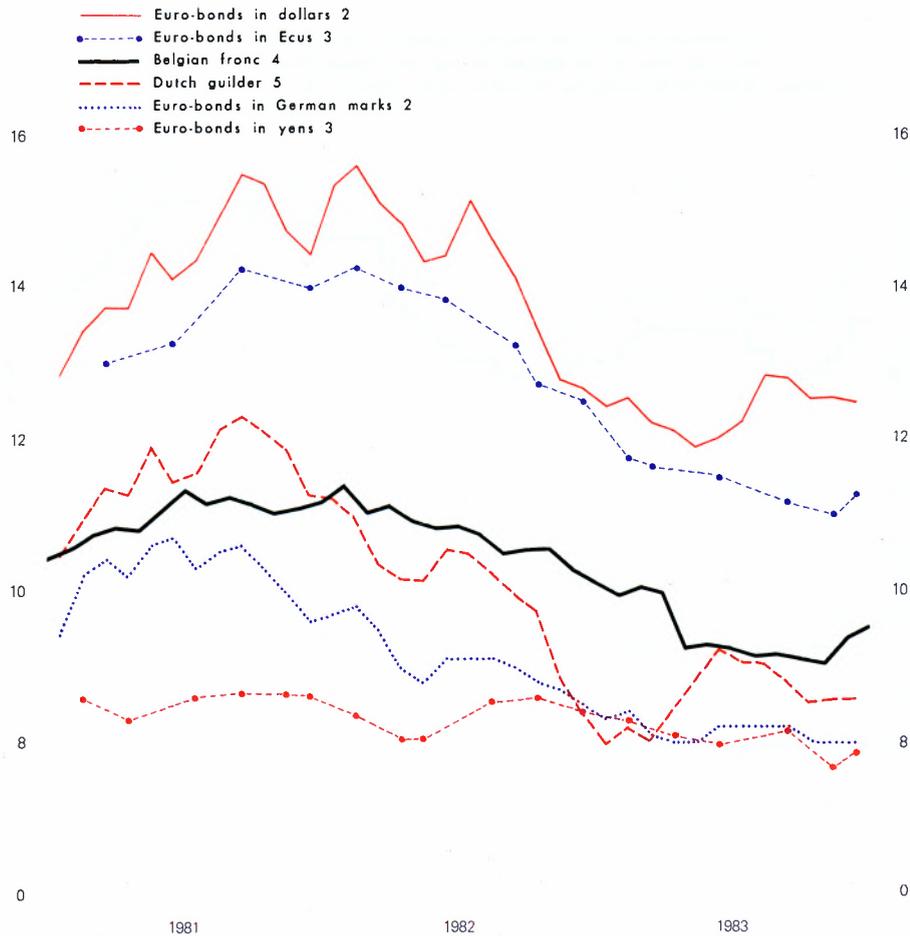
<sup>3</sup> Indicative rates for deposits of from Fr. 5 to 20 million.

<sup>4</sup> Including the fidelity premium but not including the premiums on increases in deposits granted from 1<sup>st</sup> April 1980 until 31<sup>st</sup> December 1981. Gross fictitious rate.

Chart VIII. 2.4

LONG-TERM YIELD RATES<sup>1</sup> IN BELGIAN FRANCS AND OTHER CURRENCIES

(Per cent)



Sources : Euro-bonds in dollars and marks : Financial statistics of the Organisation for Economic Co-operation and Development. Dutch guilder : Quarterly report of The Netherlands Bank. Euro-bonds in Ecus and yens : Survey by the National Bank of Belgium. Calculations of the National Bank of Belgium.

<sup>1</sup> Rate of yield on the secondary market after any deduction of tax at source, except for Euro-bonds in Ecus and in yens, where the rate is the yield on issue.

<sup>2</sup> With a maturity of 7 to 15 years, issued by the foreign public sector. Averages of monthly rates.

<sup>3</sup> With a maturity of at least 8 years, issued by first-class borrowers.

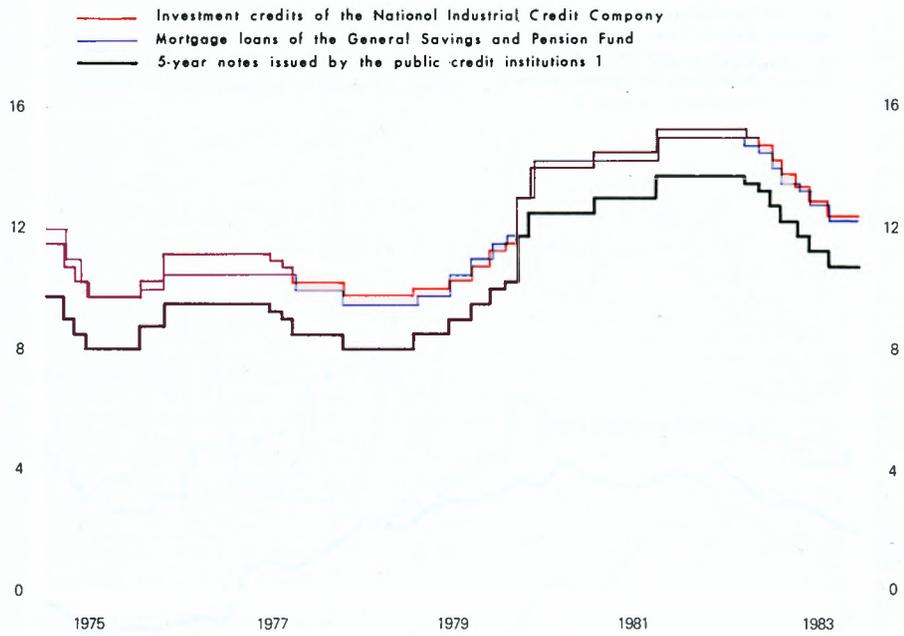
<sup>4</sup> Government bonds at over 5 years. Rate at the beginning of the next month.

<sup>5</sup> Last three long-term government loans. End-of-month averages.

Chart VIII. 2.5

THE PUBLIC CREDIT INSTITUTIONS' LONG-TERM RATES

(Per cent)



<sup>1</sup> Yield on issue before deduction of tax at source.

# *Annual Accounts*

## BALANCE SHEET AS AT 31st DECEMBER 1983

*(in thousands of francs)*

### ASSETS

Gold Holding . . . . .		58,213,957
International Monetary Fund :		
Quota . . . . .		23,671,018
Loans . . . . .		—
Special Drawing Rights . . . . .		19,413,949
Ecus . . . . .		139,230,889
Foreign Currencies . . . . .		47,536,565
Foreign Currencies and Gold Receivable :		
European Monetary Co-operation Fund . . . . .		26,694,894
Other . . . . .		—
International Agreements . . . . .		1,316,548
Advances to the I.M.F. . . . .		2,402,202
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 . . . . .		83,181,284
Advances against Pledged Security :		
Private-sector Financial Intermediaries . . . . .	751	
Public-sector Financial Intermediaries . . . . .	13,671,064	
Other Public-sector Institutions . . . . .	23	
Public and Private Enterprises, and Individuals . . . . .	370,764	14,042,602
Public Securities :		
Belgian Public Securities . . . . .		37,000,000
Luxembourg Public Securities . . . . .		—
Special Assistance to the Securities Regulation Fund . . . . .		188,400,000
Treasury Notes and Coin . . . . .		907,953
Balances at the Postal Cheque Office :		
A Account . . . . .		1,753
B Account . . . . .		4,583,807
Consolidated Claim on the Government . . . . .		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972 . . . . .		3,450,350
Items Receivable . . . . .		1,625,386
Public Long-term Securities . . . . .		11,598,541
Premises, Furniture and Equipment . . . . .		2,853,295
Securities of the Staff Pensions Fund . . . . .		16,675,511
Transitory Assets . . . . .		14,292,912
Total Assets . . . . .		731,093,416

(in thousands of francs)

## LIABILITIES

Bank Notes in Circulation . . . . .		395,916,096
Current and Sundry Accounts :		
Public Treasury, Ordinary Account . . . . .	9,621	
Private-sector Financial Intermediaries . . . . .	269,618	
Public-sector Financial Intermediaries . . . . .	33,435	
Other Public-sector Institutions . . . . .	815,890	
Public and Private Enterprises, and Individuals . . . . .	152,999	
Banks in Foreign Countries and Inter- national Institutions, Ordinary Accounts . . . . .	2,275,947	
Items Payable . . . . .	<u>16,391,123</u>	19,948,633
International Agreements :		
Financial Assistance Agreements . . . . .		4,583,807
Other Agreements . . . . .		31,020
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation . . . . .		23,610,731
European Monetary Co-operation Fund . . . . .		48,237,319
Ecus to be delivered to the European Monetary Co-operation Fund . . . . .		198,574,159
Monetary Reserve :		
Belgium . . . . .		—
Grand Duchy of Luxembourg . . . . .		—
Foreign Currencies and Gold to be delivered . . . . .		35,440
Staff Pensions Fund . . . . .		16,675,511
Transitory Liabilities . . . . .		9,812,977
Capital . . . . .		400,000
Reserve Fund :		
Statutory Reserve . . . . .		1,682,238
Extraordinary Reserve . . . . .		8,089,631
Account for Depreciation of Premises, Furniture and Equipment . . . . .		2,561,097
Net Profit for Distribution . . . . .		<u>934,757</u>
	Total Liabilities . . . . .	<u>731,093,416</u>

## PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1983

*(in thousands of francs)*

### DEBIT

Government's Share :		
Discounts and Advances . . . . .	21,809,590	
Transactions with Foreign Countries . . . . .	1,666,154	23,475,744
General Expenses :		
Remunerations and Social Charges . . . . .	5,322,588	
Other Expenses . . . . .	602,369	
	5,924,957	
<i>less :</i>		
Expenses to be borne by Others . . . . .	973,184	4,951,773
Taxes and Dues . . . . .		2,789,392
Other Payments to the Public Treasury imposed by Law . . . . .		36,634
Depreciation of Premises, Furniture and Equipment . . . . .		929,418
Transfers to Reserves and Provisions as :		
Extraordinary Reserve . . . . .	732,000	
Provision for Premises, Furniture and Equipment . . . . .	500,000	
Provision against Sundry Contingencies . . . . .	600,000	
Centenary Fund . . . . .	25,000	1,857,000
Net Profit for Distribution . . . . .		934,757
		34,974,718

### CREDIT

Proceeds of Discount and Advance Operations . . . . .		30,337,475
Proceeds of Transactions with Foreign Countries . . . . .		2,984,106
Proceeds of Public Long-term Securities . . . . .		1,289,430
Fees for Safe Custody, Commissions and Allowances . . . . .		221,034
Sundry Receipts . . . . .		13,673
Drawings on Transitory Liabilities Items . . . . .		129,000
		34,974,718

# MEMORANDUM ACCOUNTS AS AT 31st DECEMBER 1983

(in thousands of francs)

Ministers of National Education :			
Balance for their account at the Postal Cheque Office (Education legislation) . . . . .			25,317,239
Documentary Credits Opened . . . . .			3,269
« Visa » of Acceptances relating to Exports and Imports . . . . .			62,724
Guarantees given by the Bank . . . . .			856,242
Securities received by way of Guarantee :			
Cover for advance limits against pledged security . . . . .	62,628,492		
Guarantees given by persons lodging bills for discount . . . . .	1,690		
Securities provided by borrowers of call money . . . . .	17,181,805		
Sundry security commitments . . . . .	41,532		
Other guarantees . . . . .	<u>1,532,040</u>		81,385,559
Guarantee Certificates received from the Public Treasury . . . . .			1,350,000
Items for Collection . . . . .			571,577
Assets administered for account of the European Monetary Co-operation Fund . . . . .			26,694,894
Deposits of Securities and Sundry Items :			
International Monetary Fund . . . . .	84,200,500		
International Development Association . . . . .	5,647,916		
Asian Development Bank . . . . .	681,553		
Inter American Development Bank . . . . .	658,782		
African Development Fund . . . . .	380,366		
Other Deposits . . . . .	<u>1,114,291,787</u>		1,205,860,904
Public Treasury :			
Sundry Securities owned by the Government :			
Preference Shares of the Belgian National Railways Co. . . . .	5,000,000		
Ordinary Shares of the Belgian National Railways Co. . . . .	1,000,000		
4.50 p.c. Certificates of the National Housing Co. . . . .	3,339,947		
4.50 p.c. Certificates of the National Land Co. . . . .	2,937		
Sundry Items :			
— Earmarked for the Monetary Fund . . . . .	686,493		
— Others . . . . .	<u>5,639,882</u>	15,669,259	
Sundry Items for which the Government is the Depositary :			
Items lodged by outside parties . . . . .	110,623,004		
Service of the Registered Debt . . . . .	910,622,977		
Deposit and Consignment Office . . . . .	9,752,240		
Items lodged by way of guarantee . . . . .	<u>12,522,793</u>	1,043,521,014	
Items to be delivered . . . . .		<u>342,066,308</u>	1,401,256,581
Securities Regulation Fund . . . . .			215,232,790

## DIVIDEND DECLARED FOR THE YEAR 1983

First Dividend, Total . . . . .	24,000
Second Dividend, Total . . . . .	<u>597,333</u>
Total . .	621,333
on 400,000 shares, that is per share a dividend of Fr. 1,553.33	

Coupon No. 182 will be payable with effect from 1st March 1984, at the rate of Fr. 1,165 free of Preliminary Tax on Personal Property<sup>1</sup>.

*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*,  
 Roger RAMAEKERS, *Regent*,  
 Raymond PULINCKX, *Regent*,  
 Jozef HOUTHUYS, *Regent*,  
 Jan HINNEKENS, *Regent*,  
 Luc AERTS, *Regent*,  
 Albert FRERE, *Regent*,  
 André DEVOGEL, *Regent*,  
 Alfred RAMPEN, *Regent*,  
 Rik VAN AERSCHOT, *Regent*,  
 André VANDEN BROUCKE, *Regent*.

*The Governor*,  
 Jean GODEAUX.

<sup>1</sup> Withholding tax on income from financial assets :

$$\frac{1,165 \times 1}{3} \dots \text{Fr. } 388.33.$$

The tax relief which can be included in the base for income tax amounts to :

$$\frac{1,165 \times 54.5}{100} \dots \text{Fr. } 634.93.$$

*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'HAENZE.
<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, Jan HINNEKENS, Luc AERTS, Albert FRERE, André DEVOGEL, Alfred RAMPEN, Rik VAN AERSCHOT, André VANDEN BROUCKE.
<i>Censors</i>	Messrs Alex FLORQUIN, <i>Chairman</i> , Jacques DELRUELLE, <i>Secretary</i> , Gaston VANDEWALLE, Hubert DETREMMERIE, André LEYSEN, Lucien ROEGIERS, Joseph POLET, Théo VANDERVORST, Joseph VAN LANDSCHOOT, Roger MENE.
<i>Secretary</i>	Mr Valery JANSSENS.
<i>Treasurer</i>	Mr Maurice DEMANET.

## GOVERNMENT COMMISSIONER

Mr Emiel KESTENS.

## CENTRAL ADMINISTRATION

### ADVISERS

*Economic Adviser  
to the Bank*

Mr J. BAUDEWYNS.

*Advisers to the Board  
of Directors*

Mr J. POULLET, Head of Personnel,  
Miss M.- H. LAMBERT.

### DEPARTMENTS AND SERVICES

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

#### Training

Head Mr P. COENRAETS, Inspector-General,  
Head of Division Mr L. VAN DER VEKEN.

#### Medico-social Affairs

Head Doctor Mr J. BARY,  
Doctor Mr A. DE LANDTSHEER.

#### Personnel

Head Mr L. HANCISSE, Inspector-General,  
Heads of Division Messrs R. VAN SIMAEYS, J. LEEMANS.

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

#### Accounting

Head Mr L. BOES, Inspector-General,  
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, Assistant Director,

External Control

Head Mr H. KUSSE, Inspector-General,  
Controllers Messrs P. BLAISE, E. VAN DER JEUGHT,  
D. VERMEIREN.

Inspection

Head Mr W. VAN DER PERRE, Inspector-General,  
Inspectors Messrs D. MUS, A. PIERRET, L. LEEMAN,  
J. HELFGOTT, J. PAPLEUX.

*Credit Department* — Mr L. PLUM, Assistant Director,

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, J. MICHIENSEN,  
M. JAMAR, G. NOPPEN,  
Mrs F. LEPOIVRE-MASAI, Mr P. VIGNERON.

Foreign Exchange

Head Mr P. ADRIAENS, Inspector-General,  
Heads of Division Messrs H. DE SAEDELEER, R. BEERENS.

Goods Transactions Control

Head Mr W. STOOP, Inspector-General,  
Heads of Division Messrs F. ROBBERECHT, L. DUSSAIWOIR.

Foreign Payments Statistics

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

*Research Department* — Mr J. BAUDEWYNS, Economic Adviser to the Bank,  
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,  
J. SMETS.  
Senior Economist Mr W. PLUYM,  
Economists Mr B. MEGANCK,  
Miss A.M. PEETERS, Mr A. NYSSENS.

Documentation

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

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 L. NICOLAY, Head of Division,  
Head of Division Mr W. STEPPE.

*Buildings Department* — Mr G. VAN DEN STEEN, Assistant Director,

Buildings

Head Mr F. DEMEULENAERE, Inspector-General,  
Advisers Messrs J. VICTOIR, K. VANDENEDEE.

Stores and Security

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Heads of Division Messrs S. VAN RILLAER, J. VANDEUREN,  
R. LOISEAU, A. KOZIJNS.

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

Administrative Services

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

Technical Services

Head Mr W. VAN NIEUWENHUYSE, Inspector-General.  
Head of Division Mr L. DUFRESNE.

*Organisation and Data Processing Department* — Mr J. NAGANT, Inspector-General,

Electronics Centre

Head Mr J. MOERMAN, Head of Division,  
Heads of Division Messrs J. RENDERS, Y. LEBLANC,

Organisation

Head Mr H. BARBE, Head of Division,  
Consultant Analysts Messrs R. MAUHIN, R. VAN HEMELRIJCK,  
A. HUET.

Planning and Information Systems

Head Mr J.-C. PAUWELS, Head of Division,  
Consultant Analyst Mr R. THIRION.

*General Secretariat Department* — Mr A. VLASSELAER, Assistant Director,

Secretariat

Head Mr M. SCHOLLAERT, Inspector-General,  
Head of Division Mr M. VERHAEGEN.

Secretariat of the Board of Directors

Head Mr J. DOLO, Inspector-General,  
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 J. DE MAESSCHALCK, Inspector-General,  
Heads of Division Messrs R. SCHEYS, Y. BALSEAU, R. VERHEYDEN.

Current Accounts

Head Mr T. FELIX, Inspector-General,  
Adviser Mr G. BOEYKENS,  
Head of Division Mr J.-F. KERVYN DE MARCKE TEN DRIESSCHE.

*Collections and Staff Library,*

Head Miss C. LOGIE, Head of Division,  
Adviser Mr X. DUQUENNE.

*Legal 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, Inspector-General,  
Head of Division Mr G. SCHAMPAERT.

\*

\*\*

*Official on mission at the International Monetary Fund in Washington,*

Mr J. DESSART, Adviser.

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

Banque du Rwanda : Mr J. TAVERNIER, Adviser.  
Banque du Zaïre : Messrs J. DUREUIL, Controller, R. VANHULST, Head of Division.  
Banque du Burundi : Mr R. REYNDERS, Economist.  
Federal and Islamic Republic of the Comoros : Mr G. PARLONGUE, Economist.

*Official temporarily attached to the Prime Minister's Office,*

Mr A. VERPLAETSE, Adviser.

*Official temporarily attached to the Belgian Permanent Representation with the European Communities,*

Mr H. BUSSERS, Adviser.

*Official temporarily attached to the O.E.C.D. in Paris :*

Mr W. VERTONGEN, Economist.

## BRANCHES AND AGENCIES

### *Antwerp*

Branch Manager Mr H. ALLAER,  
Inspector-General Mr E. DE KOCK,  
Heads of Division Messrs L. ROBBROECKX, E. RENTMEESTERS,  
J. BRIL, F. SERCKX, L. JACOBS,  
P. VERPOEST.

### *Liège*

Branch Manager Mr A. D'HAUWE,  
Inspector-General Mr A. AMEILE,  
Heads of Division Messrs H. PAQUES, J. DARDENNE.

### *Luxembourg*

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 J. TASSIER

### *Courtrai*

Agency Manager Mr F. LEFLERE.

### *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.

### *La Louvière*

Agency Manager Mr P. VAN NIEUWENHUYSE.

*Leuven*

Agency Manager  
Head of Division

Mr P. PEETROONS,  
Mr W. SMOUT.

*Malmédy*

Agency Manager

Mr A. MOXHET.

*Marche-en-Famenne*

Agency Manager

Mr P. DETRY.

*Mechelen*

Agency Manager

Mr L. KERREMANS.

*Mons*

Agency Manager  
Head of Division

Mr P. NYS.  
Mr R. DENDAL.

*Namur*

Agency Manager

Mr J. DELPEREE.

*Ostend*

Agency Manager

Mr G. ONGENA.

*Roeselaere*

Agency Manager

Mr J. BOUDOU.

*Ronse*

Responsible for the management  
of the agency

Mr G. DELIVEYNE.

*Sint-Niklaas*

Agency Manager

Mr L. GHEKIERE.

*Tournai*

Agency Manager

Mr F. RYCKAERT.

*Turnhout*

Agency Manager

Mr T. DE ROOVER.

*Verviers*

Agency Manager

Mr J. BOFFING.

## *Annexes*

**BALANCE SHEETS COMPARED**

ASSETS	1979	1980	1981	1982	1983
Gold Holding . . . . .	58,261.4	58,214.0	58,214.0	58,214.0	58,214.0
International Monetary Fund :					
Quota . . . . .	18,125.9	18,108.2	15,342.7	14,601.3	23,671.0
Loans . . . . .	—	—	—	—	—
Special Drawing Rights . . . . .	23,152.1	24,166.7	30,553.4	32,695.6	19,413.9
Ecus . . . . .	61,112.2	110,675.1	33,640.4	72,953.3	139,230.9
Foreign Currencies . . . . .	75,472.6	114,751.0	112,004.9	49,416.0	47,536.6
Foreign Currencies and Gold Receivable :					
European Monetary Co-operation Fund . .	35,707.0	40,126.2	39,609.9	35,657.2	26,694.9
Other . . . . .	2,377.3	—	—	—	—
International Agreements . . . . .	4.8	841.5	968.0	1,086.8	1,316.5
Advances to the I.M.F. . . . .	7,369.4	5,706.4	4,475.8	2,282.1	2,402.2
European Monetary Co-operation Fund . . .	—	—	—	—	—
E.E.C. : Medium-term Financial Assistance . .	—	—	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates . . . . .	19,597.3	2,989.8	—	—	—
Commercial Bills . . . . .	80,603.0	47,080.3	85,559.4	84,422.7	83,181.3
Advances against Pledged Security :					
Private-sector Financial Intermediaries . . .	} 23,733.5	10,424.0	479.3	155.2	0.7
Public-sector Financial Intermediaries . . .			0.7	0.1	13,671.1
Other Public-sector Institutions . . . . .			—	—	—
Public and Private Enterprises, and Individuals			94.4	460.2	370.8
	23,733.5	10,424.0	574.4	615.5	14,042.6
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	52,450.0	77,125.0	149,540.0	181,059.0	188,400.0
Treasury Notes and Coin . . . . .	426.6	577.3	673.5	859.4	907.9
Balances at the Postal Cheque Office :					
A Account . . . . .	2.2	1.8	2.0	1.5	1.8
B Account . . . . .	3,432.6	4,276.4	4,469.0	4,410.4	4,583.8
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 . . . . .	18,776.3	22,289.1	3,401.7	8,978.0	1,625.4
Public Long-term Securities . . . . .	7,232.7	8,005.7	8,861.4	10,128.1	11,598.5
Premises, Furniture and Equipment . . . . .	2,232.2	2,240.1	2,253.5	2,384.5	2,853.3
Securities of the Staff Pensions Fund . . . .	11,757.7	13,130.2	14,254.0	15,334.4	16,675.5
Transitory Assets . . . . .	2,010.8	2,053.1	2,899.2	13,422.7	14,292.9
	578,288.0	637,232.3	641,747.6	662,972.9	731,093.4

LIABILITIES	1979	1980	1981	1982	1983
Bank Notes in Circulation . . . . .	371,796.1	376,087.1	382,224.6	382,193.3	395,916.1
<b>Current and Sundry Accounts :</b>					
Public Treasury, Ordinary Account . . . . .	11.2	4.2	23.4	16.3	9.6
Private-sector Financial Intermediaries . . . . .	} 4,086.3	} 4,013.5	358.7	380.6	269.6
Public-sector Financial Intermediaries . . . . .			24.2	20.1	33.5
Other Public-sector Institutions . . . . .			612.1	867.8	815.9
Public and Private Enterprises, and Individuals Banks in Foreign Countries and International Institutions, Ordinary Accounts . . . . .			770.0	149.8	153.0
Items Payable . . . . .			3,817.6	4,831.8	4,133.8
	7,915.1	8,849.5	10,909.7	27,983.2	16,391.1
<b>International Agreements :</b>					
Financial Assistance Agreements . . . . .	3,432.6	4,276.4	4,469.0	4,410.4	4,583.8
Other Agreements . . . . .	16.5	59.9	34.0	28.1	31.0
<b>International Monetary Fund :</b>					
Special Drawing Rights, Net Cumulative Allocation . . . . .	14,689.9	19,193.6	23,610.7	23,610.7	23,610.7
<b>European Monetary Co-operation Fund . . . . .</b>	27,357.1	—	2,752.5	18,078.1	48,237.3
<b>Ecus to be delivered to the European Monetary Co-operation Fund . . . . .</b>	86,349.4	162,357.3	163,460.5	166,552.3	198,574.2
<b>Monetary Reserve :</b>					
Belgium . . . . .	—	—	—	—	—
Grand Duchy of Luxembourg . . . . .	—	—	—	—	—
<b>Foreign Currencies and Gold to be delivered . . . . .</b>	28,129.0	3,146.2	18.2	14.7	35.5
<b>Staff Pensions Fund . . . . .</b>	11,757.7	13,130.2	14,254.0	15,334.4	16,675.5
<b>Transitory Liabilities . . . . .</b>	18,168.3	40,561.8	29,139.8	8,694.4	9,813.0
<b>Capital . . . . .</b>	400.0	400.0	400.0	400.0	400.0
<b>Reserve Fund :</b>					
Statutory Reserve . . . . .	1,368.4	1,440.5	1,516.5	1,596.8	1,682.2
Extraordinary Reserve . . . . .	4,116.3	4,896.7	6,073.7	7,357.6	8,089.6
Account for Depreciation of Premises, Furni- ture and Equipment . . . . .	2,049.2	2,049.2	2,058.5	2,159.3	2,561.1
<b>Net Profit for Distribution . . . . .</b>	742.4	783.9	825.9	875.8	934.8
	578,288.0	637,232.3	641,747.6	662,972.9	731,093.4

**PROFIT AND LOSS ACCOUNTS COMPARED**

DEBIT	1979	1980	1981	1982	1983
<b>Government's Share :</b>					
Discounts and Advances . . . . .	8,616.9	17,002.0	24,271.2	29,586.4	21,809.6
Transactions with Foreign Countries . . . . .	3,562.7	1,929.6	8,482.6	3,513.6	1,666.1
	12,179.6	18,931.6	32,753.8	33,100.0	23,475.7
<b>General Expenses :</b>					
Remunerations and Social Charges . . . . .	3,772.6	3,958.3	4,405.7	4,941.9	5,322.6
Other Expenses . . . . .	356.2	403.6	440.2	510.4	602.4
	4,128.8	4,361.9	4,845.9	5,452.3	5,925.0
<i>less :</i>					
Expenses to be borne by Others . . . . .	- 593.8	- 659.9	- 717.0	- 853.7	- 973.2
	3,535.0	3,702.0	4,128.9	4,598.6	4,951.8
<b>Taxes and Dues . . . . .</b>	2,253.3	2,623.7	2,830.8	2,864.0	2,789.4
<b>Other Payments to the Public Treasury imposed by Law . . . . .</b>		27.4	456.6	36.6	36.6
<b>Depreciation of Premises, Furniture and Equipment</b>	193.0	245.5	335.3	563.5	929.4
<b>Additional Grant to the Staff Pensions Fund . . . . .</b>	440.0	400.0	500.0	—	—
<b>Transfers to Reserves and Provisions :</b>					
— Extraordinary Reserve . . . . .	680.0	780.3	1,177.0	1,284.0	732.0
— Provision for Premises, Furniture and Equipment . . . . .	278.0	290.0	260.0	234.0	500.0
— Provision against Sundry Contingencies . . . . .	500.0	500.0	500.0	700.0	600.0
— 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	
— Centenary Fund . . . . .					25.0
<b>Net Profit for Distribution . . . . .</b>	742.4	783.9	825.9	875.8	934.8
	21,051.3	28,534.4	44,068.3	44,429.5	34,974.7

CREDIT	1979	1980	1981	1982	1983
Proceeds of Discount and Advance Operations . . . . .	13,113.7	22,231.0	30,929.8	37,981.4	30,337.5
Proceeds of Transactions with Foreign Countries . . . . .	7,134.5	5,131.5	11,353.0	4,846.8	2,984.1
Proceeds of Public Long-term Securities . . . . .	595.6	712.9	867.6	1,056.1	1,289.4
Fees for Safe Custody, Commissions and Allowances . . . . .	204.5	215.0	226.8	221.4	221.0
Sundry Receipts. . . . .	3.0	4.7	0.5	23.8	13.7
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	129.0
	21,051.3	28,534.4	44,068.3	44,429.5	34,974.7



## MISCELLANEOUS INFORMATION

	1979	1980	1981	1982	1983
Gross dividend declared per share . . . . .	1,237.50	1,306.25	1,375.00	1,456.25	1,553.33
Withholding tax on income from financial assets per share . . . . .	247.50	261.25	275.00	291.25	388.33
Net dividend declared per share . . . . .	990.00	1,045.00	1,100.00	1,165.00	1,165.00
Taxable income per share . . . . .	1,806.75	1,907.13	2,007.50	2,050.40	1,553.33 <sup>1</sup>

<sup>1</sup> As the withholding tax on income from financial assets became payable in full discharge with effect from 1st January 1984, the tax credit is no longer included in the tax base.



ANNEX 4

WEEKLY RETURNS PUBLISHED IN  
THE « BELGISCH STAATSBLAD - MONITEUR BELGE »  
DURING 1983

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1983

(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 3rd July 1972	Public long-term securities	Premises, furniture and equipment	Securities of the Staff Pensions Fund	Sundries	TOTAL ASSETS
		Quota	Loans	Special drawing rights			European Monetary Co-operation Fund	Other								Belgian public securities	Luxembourg public securities			A Account	B Account							
3 January 1983	58,214	14,601	...	32,696	77,583	48,133	35,657	...	956	2,282	...	...	87,602	1,449	37,000	...	165,986	851	1	4,410	34,000	3,450	10,128	2,253	15,334	10,276	642,862	
10 »	58,214	14,601	...	31,896	90,237	55,081	27,308	...	978	2,282	...	...	84,517	584	37,000	...	166,130	908	1	4,557	34,000	3,450	10,128	2,253	15,789	15,976	655,890	
17 »	58,214	14,601	...	31,896	90,237	54,548	27,308	...	987	2,305	...	...	80,760	574	37,000	...	176,838	987	1	4,547	34,000	3,450	10,128	2,253	15,790	12,658	659,082	
24 »	58,214	14,601	...	31,896	90,237	53,615	27,308	...	1,064	2,153	...	...	80,852	697	37,000	...	179,054	1,041	1	4,406	34,000	3,450	10,125	2,253	15,803	10,377	658,147	
31 »	58,214	14,601	...	31,653	89,608	53,940	27,308	...	1,065	2,153	...	...	86,630	5,420	37,000	...	166,800	1,081	1	4,405	34,000	3,450	11,599	2,384	15,766	15,545	662,623	
7 February	58,214	14,601	...	31,654	92,003	54,696	27,308	...	1,085	2,030	...	...	90,294	620	37,000	...	176,785	1,111	2	4,414	34,000	3,450	11,599	2,384	16,023	15,069	674,342	
14 »	58,214	14,601	...	31,654	92,003	47,006	27,308	...	1,085	1,848	...	...	86,953	436	37,000	...	190,345	1,133	1	4,665	34,000	3,450	11,599	2,384	16,480	13,800	675,965	
21 »	58,214	14,601	...	31,654	94,374	46,293	27,308	...	1,101	1,848	...	...	88,469	1,398	37,000	...	191,228	1,134	1	4,624	34,000	3,450	11,599	2,384	16,603	18,172	685,455	
28 »	58,214	14,602	...	31,654	96,619	45,415	27,308	...	1,140	1,848	...	...	77,525	283	37,000	...	203,477	1,120	1	4,589	34,000	3,450	11,599	2,384	16,625	17,688	686,541	
7 March	58,214	14,602	...	31,167	103,636	45,917	27,308	...	1,164	1,848	...	...	81,348	493	37,000	...	204,020	1,129	1	4,514	34,000	3,450	11,599	2,384	16,648	38,803	719,245	
14 »	58,214	14,602	...	31,167	105,626	66,146	27,308	...	1,178	1,848	...	...	96,885	21,724	37,000	...	180,500	1,142	1	4,280	34,000	3,450	11,598	2,384	16,753	25,934	741,740	
21 »	58,214	14,602	...	31,167	105,621	64,965	27,308	...	1,189	1,848	...	...	102,029	13,656	37,000	...	184,166	1,143	1	4,279	34,000	3,450	11,598	2,384	16,809	21,254	736,683	
28 »	58,214	14,602	...	31,021	104,202	65,184	27,308	...	1,150	1,848	...	...	90,304	2,965	37,000	...	189,370	1,154	1	4,455	34,000	3,450	11,598	2,384	16,915	14,755	711,880	
1 April	58,214	14,603	...	31,021	103,666	65,431	27,308	...	1,157	1,848	...	...	88,381	10,147	37,000	...	182,849	1,141	1	4,453	34,000	3,450	11,598	2,384	16,885	14,044	709,581	
11 »	58,214	14,603	...	31,021	117,615	62,737	30,148	...	1,151	1,848	...	...	89,212	7,231	37,000	...	162,291	1,140	1	4,397	34,000	3,450	11,598	2,384	16,851	13,949	700,841	
18 »	58,214	14,603	...	30,535	117,615	63,513	30,148	...	1,166	1,848	...	...	84,091	5,416	37,000	...	155,508	1,143	2	4,317	34,000	3,450	11,598	2,384	16,851	14,214	687,616	
25 »	58,214	14,603	...	30,292	117,615	63,519	30,148	...	1,172	1,848	...	...	81,605	3,880	37,000	...	153,906	1,136	1	4,268	34,000	3,450	11,598	2,384	16,861	14,219	681,719	
29 »	58,214	14,603	...	29,006	117,184	65,091	30,148	...	1,088	1,848	...	...	77,126	4,316	37,000	...	159,948	1,126	2	4,210	34,000	3,450	11,598	2,384	16,878	14,319	683,539	
9 May	58,214	14,603	...	29,715	117,184	65,365	30,148	...	1,120	1,671	...	...	66,826	739	37,000	...	171,721	1,096	2	4,757	34,000	3,450	11,598	2,384	16,949	15,569	684,111	
16 »	58,214	14,603	...	29,544	116,388	65,861	30,148	...	1,141	1,544	...	...	65,719	5,783	37,000	...	174,907	1,054	1	4,740	34,000	3,450	11,598	2,384	16,901	15,379	690,359	
20 »	58,214	14,603	...	29,058	117,791	66,547	30,148	...	1,166	1,544	...	...	73,815	1,993	37,000	...	163,268	1,039	1	4,740	34,000	3,450	11,598	2,384	17,001	17,047	686,407	
30 »	58,214	14,603	...	28,912	117,821	65,191	30,148	...	1,126	3,247	...	...	71,947	1,148	37,000	...	152,457	1,017	2	4,692	34,000	3,450	11,598	2,384	17,001	17,574	673,532	
6 June	58,214	14,603	...	28,766	121,849	69,309	30,148	...	1,123	3,247	...	...	65,890	4	37,000	...	151,734	1,028	1	4,544	34,000	3,450	11,598	2,384	16,956	17,396	673,244	
13 »	58,214	14,603	...	29,652	129,271	66,255	30,148	...	1,104	3,207	...	...	43,972	5	37,000	...	163,719	1,038	1	4,641	34,000	3,450	11,598	2,384	16,906	16,987	668,155	
20 »	58,214	14,603	...	29,652	134,373	66,362	30,148	...	1,072	3,207	...	...	64,093	4,350	37,000	...	138,099	1,008	2	4,927	34,000	3,450	11,594	2,384	16,952	16,713	672,203	
27 »	58,214	14,603	...	29,652	134,373	67,177	30,148	...	1,074	3,207	...	...	57,929	196	37,000	...	145,987	997	1	4,833	34,000	3,450	11,594	2,384	16,994	17,652	671,465	
4 July	58,214	14,603	...	29,652	134,645	67,266	30,148	...	1,209	2,477	...	...	42,949	3,310	37,000	...	170,282	966	1	4,772	34,000	3,450	11,594	2,384	17,014	17,973	683,909	
11 »	58,214	14,603	...	29,683	141,848	67,068	31,083	...	1,212	2,477	...	...	31,949	281	37,000	...	178,986	956	1	4,742	34,000	3,450	11,594	2,384	16,959	17,251	685,741	
18 »	58,214	14,603	...	29,683	142,263	67,402	31,083	...	1,231	2,477	...	...	33,193	189	37,000	...	172,799	930	1	4,839	34,000	3,450	11,594	2,384	16,959	17,456	681,750	
25 »	58,214	14,603	...	29,683	142,263	67,958	31,083	...	1,221	2,477	...	...	25,055	13	37,000	...	177,307	928	2	4,807	34,000	3,450	11,594	2,384	16,959	16,961	677,962	
1 August	58,214	14,603	...	29,683	141,932	68,027	31,083	...	1,251	2,477	...	...	31,564	1,640	37,000	...	168,044	919	2	4,787	34,000	3,450	11,588	2,384	16,959	17,075	676,682	
8 »	58,214	14,603	...	29,683	141,932	65,421	31,083	...	1,278	2,477	...	...	22,866	74	37,000	...	178,248	906	2	4,765	34,000	3,450	11,588	2,384	16,910	20,288	677,172	
12 »	58,214	14,603	...	29,683	141,932	64,049	31,083	...	1,279	2,477	...	...	28,948	4,360	37,000	...	171,800	902	1	4,698	34,000	3,450	11,588	2,384	16,910	17,586	676,947	
22 »	58,214	14,603	...	29,683	141,932	64,240	31,083	...	1,237	2,477	...	...	23,482	5,318	37,000	...	173,375	879	2	4,678	34,000	3,450	11,588	2,384	16,910	19,957	676,492	
29 »	58,214	14,603	...	29,683	141,932	62,069	31,083	...	1,257	2,477	...	...	15,552	4,509	37,000	...	178,475	891	2	4,646	34,000	3,450	11,588	2,384	16,910	21,330	672,055	
5 September	58,214	14,603	...	29,683	141,556	58,971	31,083	...	1,141	2,477	...	...	15,264	3,613	37,000	...	191,400	883	2	4,608	34,000	3,450	11,588	2,384	16,884	20,021	678,825	
12 »	58,214	14,603	...	29,683	141,556	53,916	31,083	...	1,169	2,477	...	...	12,970	4,349	37,000	...	197,075	894	1	4,544	34,000	3,450	11,588	2,384	16,832	17,639	675,427	
19 »	58,214	14,603	...	29,683	141,556	51,067	31,083	...	1,163	2,477	...	...	17,449	6,950	37,000	...	196,300	881	1	4,538	34,000	3,450	11,599	2,384	16,832	17,189	678,419	
26 »	58,214	14,603	...	29,683	141,556	47,634	31,083	...	1,189	2,477	...	...	40,020	5,866	37,000	...	180,800	897	3	4,538	34,000	3,450	11,594	2,384	16,832	21,296	685,119	
3 October	58,214	14,603	...	29,683	141,212	45,578	31,083	...	1,087	2,442	...	...	41,368	5,546	37,000	...	186,300	926	2	4,872	34,000	3,450	11,594	2,384	16,849	17,522	685,715	
10 »	58,214	14,603	...	29,683	140,470	50,014	26,695	...	1,194	2,442	...	...	44,236	4,553	37,000	...	185,025	958	1	4,825	34,000	3,450	11,594	2,384	16,783	17,709	685,833	
17 »	58,214	14,603	...	29,683	140,470	50,124	26,695	...	1,020	2,442	...	...	42,408	6,170	37,000	...	185,025	974	2	4,820	34,000	3,450	11,594	2,384	16,783	16,915	684,776	
24 »	58,214	14,603	...	29,683	140,470	50,163	26,695	...	1,138	2,442	...	...	51,317	8,250	37,000	...	175,875	977	1	4,801	34,000	3,450	11,594	2,384	16,783	18,347	688,187	
31 »	58,214	14,604	...	29,683	140,112	49,233	26,695	...	1,158	2,442	...	...	49,020	8,017	37,000	...												

## WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1983

(millions of francs)

## LIABILITIES

Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of National Education (Law of 11.7.1973 - Education legislation)	Bank notes in circulation	Current accounts :			International agreements :		International Monetary Fund : Special drawing rights, net cumulative allocation	European Monetary Co-op- eration 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 <sup>1</sup>	TOTAL LIABILITIES	DATE
		Public Treasury : Ordinary account	Banks in the rest of the world, ordinary accounts	Sundry current accounts and items payable	Financial assistance agreements	Other agreements				Belgium	Grand Duchy of Luxembourg						
27,531	382,767	20	2,595	5,021	4,410	184	23,611	18,078	166,552	...	...	13	15,334	14,148	10,129	642,862	3 January 1983
27,439	375,967	20	1,850	5,020	4,557	29	23,611	24,840	179,206	...	...	58	15,789	14,814	10,129	655,890	10 »
27,295	373,221	17	1,627	3,587	4,547	41	23,611	31,967	179,206	...	...	9	15,790	15,330	10,129	659,082	17 »
27,125	370,494	16	1,759	3,320	4,406	28	23,611	33,495	179,206	...	...	13	15,803	15,867	10,129	658,147	24 »
26,636	369,606	2	1,641	14,019	4,405	26	23,611	36,022	179,206	...	...	10	15,766	6,710	11,599	662,623	31 »
26,255	372,426	15	2,011	13,029	4,414	33	23,611	43,976	179,206	...	...	9	16,023	7,990	11,599	674,342	7 February
27,322	371,184	12	1,411	13,585	4,665	39	23,611	44,496	179,206	...	...	326	16,480	9,351	11,599	675,965	14 »
26,869	369,701	24	2,586	20,412	4,624	41	23,611	47,355	179,206	...	...	13	16,603	9,680	11,599	685,455	21 »
26,795	372,358	23	2,500	20,003	4,589	46	23,611	46,393	179,206	...	...	13	16,625	9,575	11,599	686,541	28 »
26,524	375,360	13	2,543	13,299	4,514	175	23,611	82,528	179,206	...	...	40	16,648	9,709	11,599	719,245	7 March
26,067	372,905	13	995	20,023	4,280	35	23,611	101,774	179,206	...	...	12	16,753	10,534	11,599	741,740	14 »
25,625	372,513	22	3,740	12,506	4,279	188	23,611	101,224	179,206	...	...	12	16,809	10,974	11,599	736,683	21 »
25,496	366,277	23	3,908	17,617	4,455	152	23,611	86,918	176,799	...	...	16	16,915	3,590	11,599	711,880	28 »
25,059	373,107	14	3,393	17,162	4,453	41	23,611	78,957	176,799	...	...	8	16,885	3,552	11,599	709,581	1 April
24,831	370,783	7	1,294	19,003	4,397	43	23,611	59,339	189,826	...	...	9	16,851	4,079	11,599	700,841	11 »
24,752	372,922	5	2,013	14,520	4,317	36	23,611	47,280	189,826	...	...	285	16,851	4,351	11,599	687,616	18 »
24,374	372,254	7	2,892	13,326	4,268	21	23,611	42,495	189,826	...	...	5	16,861	4,554	11,599	681,719	25 »
24,294	379,443	16	1,992	18,794	4,210	31	23,611	32,877	189,826	...	...	9	16,878	4,253	11,599	683,539	29 »
23,825	382,652	21	3,165	13,575	4,757	41	23,611	32,094	189,826	...	...	36	16,949	5,785	11,599	684,111	9 May
23,828	390,806	10	2,988	15,128	4,740	27	23,611	29,367	189,826	...	...	15	16,901	5,341	11,599	690,359	16 »
23,722	390,486	10	2,965	16,356	4,740	33	23,611	21,718	192,113	...	...	18	17,001	5,757	11,599	686,407	20 »
23,383	389,664	23	2,713	19,413	4,692	33	23,611	6,567	192,113	...	...	14	17,001	6,089	11,599	673,532	30 »
22,751	395,344	21	2,680	20,491	4,544	21	23,611	...	192,113	...	...	16	16,956	5,848	11,599	673,244	6 June
22,611	392,021	24	7,100	13,175	4,641	30	23,611	...	192,113	...	...	5	16,906	6,930	11,599	668,155	13 »
22,561	394,723	3	7,005	14,317	4,927	119	23,611	...	192,113	...	...	12	16,952	6,822	11,599	672,203	20 »
22,634	395,458	12	5,659	13,285	4,833	80	23,611	...	192,113	...	...	776	16,994	7,045	11,599	671,465	27 »
22,075	404,532	24	4,636	13,984	4,772	42	23,611	...	192,113	...	...	6	17,014	11,576	11,599	683,909	4 July
21,816	400,871	20	3,117	13,388	4,742	58	23,611	...	199,316	...	...	3	16,959	12,057	11,599	685,741	11 »
21,306	396,980	...	2,986	12,990	4,839	39	23,611	...	199,316	...	...	3	16,959	12,428	11,599	681,750	18 »
20,975	393,635	21	2,701	12,576	4,807	32	23,611	...	199,316	...	...	31	16,959	12,674	11,599	677,962	25 »
20,778	393,151	11	2,353	12,324	4,787	24	23,611	...	199,316	...	...	7	16,959	12,540	11,599	676,682	1 August
20,157	391,594	16	2,304	13,385	4,765	38	23,611	...	199,316	...	...	8	16,910	13,626	11,599	677,172	8 »
19,921	391,330	17	2,487	12,923	4,698	38	23,611	...	199,316	...	...	12	16,910	14,006	11,599	676,947	12 »
19,798	389,112	13	3,789	12,862	4,678	34	23,611	...	199,316	...	...	20	16,910	14,548	11,599	676,492	22 »
19,417	383,141	12	3,362	13,720	4,646	115	23,611	...	199,316	...	...	9	16,910	15,614	11,599	672,055	29 »
19,097	390,993	11	3,357	12,449	4,608	118	23,611	...	199,316	...	...	5	16,884	15,874	11,599	678,825	5 September
18,640	386,819	12	3,158	12,155	4,544	38	23,611	...	199,316	...	...	7	16,832	17,336	11,599	675,427	12 »
18,640	388,060	23	3,135	12,896	4,538	39	23,611	...	199,316	...	...	6	16,832	18,364	11,599	678,419	19 »
18,640	390,292	20	2,842	12,511	4,538	55	23,611	4,059	199,316	...	...	8	16,832	19,436	11,599	685,119	26 »
17,964	393,586	17	2,371	13,183	4,872	48	23,611	6,300	199,316	...	...	10	16,849	13,953	11,599	685,715	3 October
17,960	393,003	12	2,268	13,071	4,825	36	23,611	7,655	198,574	...	...	31	16,783	14,365	11,599	685,833	10 »
17,614	390,879	20	2,958	12,597	4,820	28	23,611	8,258	198,574	...	...	14	16,783	14,635	11,599	684,776	17 »
17,285	389,366	6	2,686	12,806	4,801	29	23,611	13,172	198,574	...	...	9	16,783	14,745	11,599	688,187	24 »
16,698	391,755	10	2,105	12,210	4,781	170	23,611	22,638	198,574	...	...	8	16,783	14,694	11,599	698,938	31 »
16,699	390,709	12	2,820	13,308	4,711	35	23,611	27,983	198,574	...	...	4	16,778	15,160	11,599	705,304	7 November
16,422	391,153	5	2,916	12,418	4,763	128	23,611	36,673	198,574	...	...	27	16,718	15,410	11,599	713,995	14 »
27,348	389,848	20	5,484	12,661	4,752	46	23,611	42,677	198,574	...	...	10	16,718	15,531	11,599	721,531	21 »
27,201	383,588	12	5,451	11,912	5,013	35	23,611	47,905	198,574	...	...	7	16,718	15,623	11,599	720,048	28 »
27,003	391,731	16	4,196	12,212	4,997	31	23,611	48,237	198,574	...	...	15	16,724	20,689	11,599	732,632	5 December
26,376	388,586	11	4,538	15,531	4,630	61	23,611	48,237	198,574	...	...	24	16,671	21,813	11,599	733,886	12 »
25,725	394,074	10	4,288	13,511	4,628	165	23,611	48,237	198,574	...	...	9	16,674	21,683	11,599	737,063	19 »
25,510	397,222	13	3,791	12,399	4,623	27	23,611	48,237	198,574	...	...	10	16,674	21,817	11,599	738,597	23 »



**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES  
CONSTITUTING, ON 31st DECEMBER 1983,  
THE BANK'S HOLDINGS**

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

8.50 p.c.	Belgian Loan 1971/84.
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.
12.75 p.c.	Belgian Loan 1983/91.
12 - 11.50 p.c.	Belgian Loan 1983/90/94.
11.25 p.c.	Belgian Loan 1983/92.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
10.50 p.c.	Road Fund Loan 1979/88.
13 p.c.	Road Fund Loan 1981/85/89.
14.25 p.c.	Road Fund Loan 1982/89.
13 p.c.	Road Fund Loan 1983/91.
11 p.c.	Road Fund Loan 1983/91.
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.
- 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.
- 7.25 p.c. Loan of the Association of Local Authorities for Motorway E3 1972-73/84, Amalgamated.
- 7.25 p.c. Loan of the Association of Local Authorities for Motorways of the Periphery of Brussels « B1 » 1973/85.
- 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"> <li>— Belgian Issue.</li> <li>— American Issue.</li> <li>— Esthonian Issue.</li> <li>— Latvian Issue.</li> <li>— Lithuanian Issue.</li> </ul>
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- 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)

1983	1 U.S. dollar	1 German mark	100 yens	1 French franc	1 pound sterling	1 Irish pound	100 Italian lire	1 Canadian dollar	1 Netherlands guilder	1 Swedish crown	1 Swiss franc	100 pesetas	1 Danish crown	100 Austrian schillings	1 Norwegian crown	1 Finnish mark	100 escudos	1 zaïre
<b>January</b>																		
Highest .....	48.31	19.70	20.24	6.95	75.63	65.46	3.43	39.21	17.83	6.46	24.01	37.18	5.59	280.40	6.74	8.90	54.00	8.23
Lowest .....	45.85	19.50	19.98	6.88	72.22	64.96	3.40	37.39	17.79	6.35	23.35	36.52	5.55	277.75	6.60	8.74	48.90	8.04
Mean .....	46.85	19.62	20.13	6.92	73.83	65.21	3.41	38.12	17.82	6.40	23.82	36.97	5.57	279.34	6.66	8.81	51.52	8.11
<b>February</b>																		
Highest .....	48.56	19.71	20.30	6.95	73.79	65.42	3.42	39.53	17.83	6.46	23.96	37.03	5.58	280.55	6.75	8.91	52.75	8.26
Lowest .....	47.10	19.55	20.14	6.90	72.07	65.08	3.41	38.52	17.81	6.39	23.34	36.50	5.54	278.50	6.67	8.82	51.50	8.14
Mean .....	47.72	19.66	20.22	6.93	73.09	65.29	3.41	38.89	17.82	6.42	23.67	36.78	5.56	279.84	6.71	8.86	52.43	8.20
<b>March</b>																		
Highest .....	48.30	19.86	20.28	6.95	72.49	65.33	3.41	39.24	17.83	6.42	23.34	36.56	5.59	282.75	6.70	8.85	52.90	8.22
Lowest .....	45.71	19.18	19.33	6.57	69.07	62.24	3.25	37.28	17.29	6.15	22.31	34.95	5.34	274.00	6.38	8.50	47.05	7.88
Mean .....	47.46	19.70	19.96	6.77	70.75	64.08	3.33	38.70	17.69	6.35	23.02	35.63	5.51	280.38	6.61	8.74	50.36	8.11
<b>March</b> (1st to 18th)																		
Highest .....	48.07	19.71	20.20	6.95	72.49	65.33	3.41	39.09	17.83	6.42	23.34	36.56	5.55	280.70	6.70	8.85	52.90	8.22
Lowest .....	45.71	19.18	19.33	6.75	69.07	63.63	3.25	37.28	17.29	6.15	22.31	34.95	5.34	274.00	6.38	8.50	49.30	7.88
Mean .....	47.15	19.63	19.88	6.87	71.06	64.93	3.33	38.49	17.73	6.33	22.97	35.86	5.47	279.62	6.59	8.73	50.89	8.10
<b>March</b> (22nd to 31st)																		
Highest .....	48.30	19.86	20.28	6.64	71.44	62.74	3.34	39.24	17.67	6.42	23.20	35.40	5.59	282.75	6.69	8.81	52.30	8.17
Lowest .....	47.50	19.70	19.88	6.57	69.50	62.24	3.30	38.76	17.58	6.32	22.94	35.02	5.55	280.25	6.60	8.68	47.05	8.07
Mean .....	47.99	19.80	20.11	6.61	70.20	62.59	3.32	39.08	17.63	6.37	23.11	35.23	5.57	281.72	6.65	8.76	49.44	8.13
<b>April</b>																		
Highest .....	49.09	19.95	20.71	6.65	76.75	63.02	3.35	39.99	17.72	6.55	23.82	36.02	5.62	283.70	6.90	9.02	51.60	8.36
Lowest .....	47.95	19.88	20.19	6.63	72.20	62.70	3.34	38.83	17.64	6.42	23.25	35.42	5.59	282.50	6.72	8.83	49.50	8.18
Mean .....	48.60	19.92	20.46	6.64	74.91	62.94	3.35	39.44	17.69	6.49	23.64	35.77	5.61	283.15	6.81	8.94	49.94	8.28
<b>May</b>																		
Highest .....	50.33	20.01	21.14	6.66		63.18	3.37	40.92	17.78	6.68	24.12	35.98	5.61	284.30	7.04	9.20	50.75	8.51
Lowest .....	48.67	19.94	20.60	6.60		63.01	3.34	39.71	17.74	6.51	23.68	35.65	5.56	283.10	6.86	8.98	48.75	8.33
Mean .....	49.32	19.97	20.99	6.64		63.10	3.36	40.12	17.76	6.58	23.92	35.78	5.59	283.66	6.93	9.06	49.76	8.40
<b>June</b>																		
Highest .....	51.45	20.02	21.34	6.67	81.21	63.20	3.38	41.65	17.90	6.72	24.25	36.08	5.60	284.25	7.09	9.25		8.65
Lowest .....	50.37	19.94	21.03	6.63	77.13	62.94	3.36	40.95	17.77	6.62	23.98	35.04	5.55	282.75	6.93	9.15	2	8.51
Mean .....	50.92	19.98	21.22	6.65	78.93	63.07	3.37	41.33	17.83	6.67	24.12	35.56	5.58	283.55	7.01	9.19		8.57
<b>July</b>																		
Highest .....	52.92	20.05	21.91	6.68	80.47	63.28	3.39	42.91	17.91	6.83	24.88	35.30	5.59	285.25	7.16	9.37	44.50	8.76
Lowest .....	50.79	20.00	21.29	6.65	77.92	63.05	3.38	41.40	17.86	6.66	24.17	34.89	5.55	284.20	6.98	9.10	43.00	8.56
Mean .....	51.83	20.02	21.55	6.66	79.23	63.21	3.38	42.07	17.89	6.74	24.47	35.04	5.57	284.60	7.08	9.26	43.96	8.66
<b>August</b>																		
Highest .....	54.81	20.11	22.26	6.68	81.23	63.28	3.39	44.29	17.99	6.88	24.97	35.65	5.60	287.00	7.24	9.49	45.50	8.99
Lowest .....	52.52	20.01	21.70	6.65	79.24	63.21	3.36	42.66	17.89	6.76	24.62	35.35	5.54	284.30	7.13	9.31	42.70	8.76
Mean .....	53.57	20.05	21.93	6.66	80.48	63.26	3.37	43.44	17.93	6.82	24.77	35.46	5.57	285.31	7.18	9.39	44.30	8.85
<b>September</b>																		
Highest .....	54.33	20.28	22.68	6.68	81.19	63.28	3.37	44.06	18.14	6.86	25.17	35.61	5.62	288.60	7.29	9.46	44.00	
Lowest .....	53.44	20.10	21.89	6.68	80.01	63.05	3.34	43.41	17.97	6.81	24.75	35.20	5.59	286.00	7.20	9.36	43.00	3
Mean .....	53.83	20.18	22.20	6.68	80.67	63.21	3.36	43.70	18.04	6.83	24.89	35.44	5.61	286.98	7.25	9.43	43.50	
<b>October</b>																		
Highest .....	53.49	20.42	22.92	6.68	79.90	63.27	3.36	43.37	18.18	6.84	25.23	35.17	5.64	290.25	7.27	9.43	43.60	1.76
Lowest .....	52.55	20.31	22.65	6.65	78.63	62.97	3.35	42.72	18.12	6.78	25.01	34.92	5.62	288.85	7.21	9.35	42.25	1.72
Mean .....	53.03	20.38	22.77	6.67	79.39	63.18	3.35	43.05	18.16	6.81	25.13	35.08	5.63	289.69	7.24	9.40	42.88	1.74
<b>November</b>																		
Highest .....	55.24	20.35	23.53	6.68	81.01	63.28	3.36	44.70	18.16	6.91	25.33	35.40	5.64	289.25	7.33	9.52	43.50	1.79
Lowest .....	53.76	20.29	22.97	6.67	79.99	63.06	3.35	43.61	18.11	6.85	25.01	35.09	5.62	288.25	7.26	9.44	42.00	1.76
Mean .....	54.56	20.32	23.22	6.68	80.54	63.21	3.35	44.13	18.13	6.89	25.14	35.27	5.63	288.66	7.30	9.49	42.84	1.78
<b>December</b>																		
Highest .....	56.48	20.43	24.12	6.68	80.59	63.27	3.36	45.56	18.18	6.98	25.69	35.70	5.64	289.50	7.32	9.60	43.00	1.84
Lowest .....	54.74	20.27	23.52	6.65	79.57	63.10	3.35	44.13	18.09	6.88	25.20	35.24	5.59	287.50	7.19	9.48	41.00	1.78
Mean .....	55.90	20.34	23.87	6.67	80.17	63.17	3.36	44.88	18.13	6.94	25.46	35.41	5.62	288.60	7.25	9.55	42.34	1.81
<b>Year</b>																		
Highest .....	56.48	20.43	24.12	6.95	81.23	65.46	3.43	45.56	18.18	6.98	25.69	37.18	5.64	290.25	7.33	9.60	54.00	8.99
Lowest .....	45.71	19.18	19.33	6.57	69.07	62.24	3.25	37.28	17.29	6.15	22.31	34.89	5.34	274.00	6.38	8.50	41.00	1.72
Mean .....	51.18	20.01	21.55	6.72	77.50	63.58	3.37	41.53	17.91	6.66	24.34	35.68	5.59	284.50	7.00	9.18	46.77	6.36
<b>Year</b> (1st January to 18th March)																		
Highest .....	48.56	19.71	20.30	6.95	75.63	65.46	3.43	39.53	17.83	6.46	24.01	37.18	5.59	280.70	6.75	8.91	54.00	8.26
Lowest .....	45.71	19.18	19.33	6.75	69.07	63.63	3.25	37.28	17.29	6.15	22.31	34.95	5.34	274.00	6.38	8.50	48.90	7.88
Mean .....	47.24	19.64	20.10	6.91	72.86	65.17	3.39	38.50	17.80	6.39	23.55	36.62	5.54	279.59	6.66	8.81	51.69	8.14
<b>Year</b> (22nd March to 31st December)																		
Highest .....	56.48	20.43	24.12	6.68		63.28	3.39	45.56	18.18	6.98	25.69	36.08	5.64	290.25	7.33	9.60		3
Lowest .....	47.50	19.70	19.88	6.														

<sup>1</sup> Pound sterling

	May		Year		
	1st to 17th	18th to 31st	1st Jan. to 18th March	22nd March to 17th May	18th May to 31st Dec.
Highest .....	77.36	80.99	75.63	77.36	81.23
Lowest .....	76.42	76.74	69.07	69.50	76.74
Mean .....	76.84	78.71	72.86	74.35	79.85

<sup>2</sup> Escudo

	June		Year		
	1st to 21st	22nd to 30th	1st Jan. to 18th March	22nd March to 21st June	23rd June to 31st Dec.
Highest .....	52.00	44.70	54.00	52.30	45.50
Lowest .....	48.00	43.80	48.90	47.05	41.00
Mean .....	49.65	44.41	51.69	49.75	43.36

<sup>3</sup> Zaire

	September		Year		
	1st to 9th	12th to 30th	1st Jan. to 18th March	22nd March to 9th Sept.	12th Sept. to 31st Dec.
Highest .....	8.95	2.00	8.26	8.99	2.00
Lowest .....	8.88	1.76	7.88	8.07	1.72
Mean .....	8.92	1.79	8.14	8.56	1.78







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 (précédemment Bulletin d'Information et de Documentation de la Banque Nationale de Belgique)
Centenary Fund	Fonds du Centenaire
Central Council of Economy	Conseil Central de l'Economie
Central Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Risks Office	Centrale des Risques
Chamber of Publicity Consultants' Bureaux	Chambre des Agences-Conseils en Publicité
Chamber of Representatives	Chambre des Représentants
Clearing House (at Brussels)	Chambre de Compensation (à Bruxelles)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (O.C.R.A.)
Commission of the European Communities	Commission des Communautés Européennes
Committee for the Study and Promotion of Exports of Small and Medium-sized Enterprises	Commission d'études pour la promotion des exportations de petites et moyennes entreprises
Committee of Control for Electricity	Comité de Contrôle de l'Electricité
Committee of Governors of the Central Banks	Comité des Gouverneurs des banques centrales
Committee of Management for Electricity	Comité de Gestion de l'Electricité
Committee of the Brussels Stock Exchange	Commission de la Bourse de Bruxelles
Consultation Committee for Creditor Interest Rates	Comité de concertation des taux d'intérêt créditeurs
Consultative Committee for Coordinating Medium-Term Export Financing, known as « Cofinex »	Comité Consultatif de Coordination du Financement à Moyen Terme des Exportations (Cofinex)

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

European Development Fund (of the European Communities) (formerly Fund for the Development of Overseas Countries and Territories)	Fonds Européen de Développement (des Communautés Européennes) (précédemment Fonds de Développement pour les Pays et Territoires d'Outre-mer)
European Economic Community (E.E.C.)	Communauté Economique Européenne (C.E.E.)
European Free Trade Association	Association Européenne de Libre Echange
European Fund	Fonds Européen = Fonds de l'A.M.E.
European Investment Bank	Banque Européenne d'Investissement
European Monetary Agreement (E.M.A.)	Accord Monétaire Européen (A.M.E.)
European Monetary Cooperation Fund (E.M.C.F.)	Fonds européen de coopération monétaire (FECOM)
European Nuclear Energy Agency	Agence Européenne pour l'Energie Nucléaire
European Parliamentary Assembly	Assemblée Parlementaire Européenne
European Payments Union (E.P.U.)	Union Européenne de Paiement (U.E.P.)
European Regional Development Fund	Fonds européen de développement régional
European Social Fund (of the European Communities)	Fonds social européen (des Communautés Européennes)
Excise Department (Ministry of Finance)	Service des Accises (Ministère des Finances)
Export Credit	Creditexport
External Trade Fund	Fonds du Commerce Extérieur
Federation of Belgian Enterprises (formerly Federation of Belgian Industries)	Fédération des Entreprises de Belgique (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 Ducroire
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'Epargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Epargne de la Caisse Générale d'Epargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Regulation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Social Programming Agreement	Accord de programmation sociale
Solidarity Fund for Financing Early-Retirement Pensions	Fonds de solidarité de financement de la prépension
Special Agricultural Committee (of the European Communities)	Comité Spécial Agricole (des Communautés Européennes)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Special Municipalities Fund	Fonds spécial des communes
Staff Pensions Fund	Caisse de Pensions du Personnel
Statistical Office of the European Communities	Office statistique des Communautés européennes
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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