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REPORT

*on the activities of the year 1984
presented to the General Meeting
on 25th February 1985*

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

The exceptionally vigorous expansion of the economy of the United States, which exerts an enormous pull owing to its size, brought about in the industrialised countries as a whole — and in most of them individually — a cyclical upturn. The propagation of the American shock wave was felt more strongly in Japan than in the countries of the European Economic Community.

United States

The growth in the national product of the United States, which was particularly pronounced during the last months of 1983 and the first half of 1984, reached, over the two years as a whole, the highest rate since the beginning of the 1970s. In the preceding years the restimulation of domestic demand had been based on an increase in the budget deficit, the size of which must be judged in relative terms : the rise in the indebtedness of the public authorities as a whole represented about 1 p.c. of the gross national product in 1981. It reached a little over 4 p.c. in 1983 and already declined again to around 3.2 p.c. in 1984. Private consumption, sustained in 1983 by an easing of the tax burden and a decline in the rate of saving of households, also contributed to the growth in 1984. Its continuing expansion brought about a revival in expenditure on fixed capital investment and stocks by enterprises, which was not impeded by the high level of interest rates for all maturities.

The revival of demand did not lead to the resurgence of inflation which might have been feared in view of the relationships previously observed between growth and prices in most of the industrialised countries. The rise in the exchange rate for the dollar exerted a downward pressure on unit import values, while the moderation of wages and salaries helped to limit the effect of domestic price-increasing factors. Thus, consumer prices went up by only 3.8 p.c. in 1983 and by about 4 p.c. in 1984.

However, the growth had beneficial effects on employment, and unemployment fell : despite the increase in the population of working age, it went down from 10.2 p.c. of the working population in the

second half of 1982 to 8.9 p.c. in the second half of 1983 and about 7.2 p.c. in the same periods of 1983 and 1984.

During the latter year, real long-term interest rates remained at a higher level in the United States than in the other industrialised countries. Furthermore, for short-term investments in Euro-currencies, the differential of nominal interest rates in favour of the dollar in relation to the German mark, the yen, the guilder and the Swiss franc widened during part of 1984; subsequently, when the American monetary authorities, apparently reacting to the premonitory indications of a forthcoming slowing-down of the growth, eased the pressure which they had been exerting on these short-term rates, the differential narrowed, though still remaining positive.

These interest rate differentials, the dynamism of the American economy and the confidence in the dollar, the rate for which remained firm despite a few periods of weakening, helped to bring about a further increase in the capital inflow into the United States in 1984. Finally it was this inflow itself that determined the movement of the exchange rate for the dollar: under a system of floating exchange rates, the appreciation had to continue until, by its influence on price relationships, it gave rise to a current account deficit with foreign countries which counterbalanced the net capital inflows.

Thus the worsening of the current account of the balance of payments of the American economy continued owing to two factors: the disparity in growth rates and the movement of foreign exchange rates. The deficit rose from \$ 42 billion in 1983 to around \$ 100 billion in 1984. The seriousness of this imbalance, like that of the public authorities' financial deficit, cannot be assessed in absolute terms without reference to the magnitudes of the national economy: in relation to the gross national product, the United States' current account deficit amounts to 2.7 p.c.

It is this deficit, which obviously has as its counterpart a surplus of the rest of the world, that constituted the driving belt whereby the American upswing was transmitted to the other countries.

Japan

The Japanese economy increased the total volume of its exports of goods and services by about 16 p.c., against 5 p.c. in 1983, and its current account balance of payments surplus rose from \$ 21 to 32 bil-

lion. This faster growth in exports was accompanied by a further expansion in the flow of investment by enterprises; private consumption went up as in 1983, while the increase in expenditure by the public authorities continued, but at a slower pace. The rate of growth in the volume of the national product, at about 5.8 p.c., thus appears to have doubled in comparison with 1983. These movements are reflected in the difference between the net financial savings of enterprises and households and the net financing requirements of the public authorities: the amount by which the former exceed the latter increased further. Attracted by the yields offered in the United States, a large volume of disposable Japanese funds were employed for dollar investments, thus contributing to the rise in the exchange rate for that currency, and, on the rebound, to the Japanese export boom.

The worsening of the external account of the United States also had as its counterpart the disappearance of the current account deficit of the member countries of the Organisation of Petroleum Exporting Countries as well as a further reduction, following those in 1982 and 1983, in the deficit of the other developing countries; this deficit thus fell from about \$ 80 billion in 1981 to around \$ 30 billion in 1984. In that year, unlike in the two preceding years, these countries as a whole were able to increase the volume of their imports while at the same time improving their balance of trade, so strong was the support given to their exports by the demand from the American and Japanese markets and, subsidiarily, from those of the other industrialised countries. Thanks to this rise in sales, the total amount of interest paid by these developing countries as a whole, even though increased owing to the raising of the average level of the interest rates, represented a somewhat smaller percentage of their exports of goods and services in 1984. Furthermore, at the end of the year the ratio between the outstanding amount of these countries' short-term debt and their annual exports had fallen to about 18 p.c., the lowest figure since 1979, while this ratio remained unchanged for their long-term debt.

Developing
Countries

The expansion in the volume of world trade also stimulated the exports of goods and services of member countries of the European Economic Community, thus giving an impetus to activity in those countries; this increased further, but at a much slower rate than in the United States and Japan. Moreover, despite the strengthening of foreign demand, the surplus on the current account of the balance of payments

European Economic
Community

of the Community as a whole was no larger than in 1983; about \$ 3.5 billion. The terms of trade of the member countries of the Community generally deteriorated; furthermore, in most of these countries, imports were sustained by a more marked expansion in domestic expenditure than in the previous year; in this respect France is an exception, since its economic policy was mainly aimed at reducing both inflation and the current account balance of payments deficit. Among the components of domestic expenditure, private investment made a larger contribution to growth than consumption by households; public expenditure provided hardly any stimulus, since on the contrary the authorities of the various countries endeavoured to avoid any increase in their deficits, or to reduce them where they were particularly large. The rate of growth of the national products as a whole speeded up, from 1.1 p.c. in 1983 to 2.3 p.c. in 1984; the latter rate is still only half that for the period 1970-1973. The number of jobs did not fall any further, but, as the working population increased again by about half a percent, the unemployed — whether receiving benefit or not — reached 11 p.c. of that population, against 10.2 p.c. in 1983 and 9.1 p.c. in 1982; the present unemployment rate in the Community is four times what it was in 1970-1973.

The general level of import prices for basic products was pushed up by an increase, comparable to that in 1983, in the exchange rate for the dollar in relation to the currencies of the countries of the Community. Nevertheless the rate of inflation slackened further in these countries, especially in those where it was highest. The revival of demand, which fiscal policies generally avoided stimulating, was not yet vigorous enough to strengthen the forces tending to push prices up; the desire to maintain or improve the competitiveness, in terms of prices, of domestic producers generally kept the increase in labour costs per unit of output within moderate limits; measured from the beginning to the end of the year, the rise in consumer prices in the Community countries thus decreased from 6.9 p.c. in 1983 to 5.3 p.c. in 1984; it was smallest in the Federal Republic of Germany, where it amounted to 2 p.c., the lowest percentage since 1967.

In the countries where the inflationary pressures weakened the most and where the currency had displayed strength, the scope for action by the monetary authorities, especially in their interest rate policy, became wider. Thus the Deutsche Bundesbank and De Nederlandsche Bank

were able to keep short-term rates at the relatively low level at which they had stood since the beginning of 1983; they did not react to the upward movement of the American rates between October 1983 and July 1984, thereby allowing the exchange rate for their monetary units to weaken. Similarly, the raising of long-term yield rates on the American market did not give rise to any parallel movement of those rates in the leading European countries, except for the United Kingdom. In the second half of the year it was possible for the decline in American interest rates to be followed by long-term rates in all the countries of the Community and by short-term rates in those where it had remained high. Actually, all over the world, the rates on the markets for the major Euro-currencies, except those for the pound sterling and the Swiss franc, were somewhat lower at the end of 1984 than they had been a year earlier. The same applied to the rates of yield of long-term investments; for both categories of rates the fall was greatest for investments in Euro-French francs. Despite their slight decline in 1984, interest rates are still very high in many industrialised countries. This applies to, among others, real long-term rates, which — subject to the changes made in the taxation of income from financial assets in some countries — are keeping well above their level of the 1960s; in the United States the differential between the rate for long-term investments and the annual percentage rise in consumer prices is 7 points: the real rate is thus 2.5 times higher than in the first half of the 1960s; in the Federal Republic of Germany, where long-term real interest rates have always remained particularly stable, this differential widened by only about 1 point during the same period.

No change has taken place since March 1983 in the central rates of the currencies participating in the European Monetary System; that is the longest period of stability since the creation of the System. Its operation was facilitated because the international context and national policies brought about a greater convergence of economic developments in the various member countries. These countries' decisions in fiscal and monetary matters paid greater heed than previously to the necessary conditions for the cohesion of the System. The co-ordination took place mainly with regard to efforts to re-establish external equilibrium and slow down inflation. Believing that the inflationary forces had not yet been fully eradicated, the « virtuous » countries did not feel able to abandon their cautious course, and therefore their policies were not on the whole designed to accentuate, by internal measures, the spontaneous effects of the imported revival.

European Monetary
System

Nevertheless, by its results this return towards more orthodox demand policies helped to make a reality of the idea underlying the European Monetary System; that of creating an area of stable exchange rates.

Actually, if the System is to be successful, its mechanisms must not be allowed to go wrong because of failure to adapt them to fundamental developments. It was with this in mind that the Council decided to change the composition of the basket of the Ecu on 17th September 1984 by adjusting the relative weights of the various currencies and, in addition, including the Greek drachma in it as had been planned.

At the end of the first five years of the European Monetary System it had been agreed that it was working well and that the participants had made progress together towards stability. This progress prompted the political ambition to embark on a new stage in the strengthening of the System. During their informal meeting in May 1984 the Ministers for Economic and Financial Affairs of the Community called upon the appropriate authorities to examine a set of measures whose adoption would lead to a « significant and balanced strengthening » of the System. Among the measures which it was thought could be considered, the most significant were probably the inclusion of the pound sterling in the System's exchange rate mechanism, the alignment of the margins of fluctuation applied to the Italian lira with the 2.25 p.c. margin common to the other currencies, the effort to achieve greater uniformity in the degree of liberalisation of capital movements within the Community, the general treatment of the Ecu as being equivalent to a currency for private purposes and the extension of possible uses of the Ecu as a reserve instrument in payments between central banks.

The achievement of these aims is not a simple matter. On each of the points there are still hesitations on the part of the countries or central banks which are most concerned, but the discussions are continuing.

In the course of these the fairly widely supported proposal was made that the first phase should be confined to some adjustments of the conditions for the use of the Ecu reserves of the central banks. It was merely proposed that the purchase of these Ecus outside the Community should be permitted, that the mobilisation of Ecus against dollars should be facilitated and that the interest rate applicable to

positions in Ecus should be raised to the level of market rates. In agreement with the Belgian Government, the Bank advocated the adoption of more substantial provisions, as it did not consider that the proposed adjustments represented a sufficient strengthening of the System.

Furthermore, acting at the national level in response to the desire expressed by the financial institutions and following the example of other member countries, the Bank took the necessary steps to enable the Ecu to be officially quoted on the Brussels foreign exchange market with effect from 3rd September 1984 and to be added to the list of currencies in which payments could be made on the regulated market.

Economic and financial developments in Belgium

Like its European partners as a whole, Belgium enjoyed a somewhat better rate of economic growth in 1984. Activity was sustained, as elsewhere, by exports and, more than elsewhere, by a revival in investment by enterprises, which in 1983 had suffered a more marked decline than in the other countries. The rise in total domestic expenditure was even smaller in Belgium than in the other countries. Inflation slowed down further. In the fields in which the Belgian economy was more deficient than its European partners as a whole, developments in 1984 were better in Belgium than in the Community: Belgium's unemployment rate remained stable, the net financing requirements of its public authorities decreased and its current account balance of payments deficit apparently disappeared.

The recovery of production in manufacturing industry, which had started in Belgium at the turn of the year 1982-1983 and then continued at a very slow rate during the first three quarters of 1983, speeded up during the last months of 1983 and the early months of 1984. During that year as a whole, overall activity in industry was supported to an almost equal extent by foreign markets and the domestic market — the latter thanks to the revival in investment by enterprises. Total industrial production went up by about 2 p.c. in comparison with 1979, the last cyclical peak. During the same five-year period, production in manufacturing industry alone increased by about 2.5 p.c., whereas it fell by a little over 2 p.c. in the European Economic Community.

Production

Thanks to this growth in industrial activity and the slight upturn of consumption by households, production of cyclically sensitive market services recovered; after a decline of 1 p.c. in 1983, the value added at constant prices increased by 1.8 p.c. Since 1979 this value added has gone up by about 4.5 p.c. In the case of production of cyclically less sensitive market services, which more specifically meets a demand on the part of individuals than the former category, the structural year-to-year growth in its value added is tending to slow down; it was only about 1 p.c. in 1984, but the increase since 1979 amounts to 10.8 p.c. The value added, at constant prices, of non-market services, which are rendered mainly by the public authorities, has risen by 2.6 p.c. since 1979; during the year under review it appears to have contracted by about 1 p.c.; this reduction is due to changes made in the payment procedures for civil service remunerations; the effect of this restrictive measure was only partly counterbalanced by the increases resulting both from the creation of new jobs by the third labour circuit and from the increase in the number of civil service pensioners.

The value added by agriculture, forestry and fishing fluctuates fairly markedly from year to year; thus it had fallen in 1983 owing to poor harvests; in 1984 these were more abundant, so that the value added at constant prices rose by 3.5 p.c., bringing the growth in that value since 1979 up to 15 p.c.

The gross domestic product — the sum of the values added by the various sectors of the economy — appears to have risen in 1984 by 2.1 p.c., a rate of growth very close to that of 2.3 p.c. achieved in the countries of the European Economic Community as a whole; the same parallelism is observable in the rise in the respective national products since 1979, which was apparently 5 to 6 p.c. The gross national product, which additionally takes into account, on the receipts side, the remuneration paid by non-residents to domestic factors of production and, on the expenditure side, that paid by residents to foreign factors of production, would appear to have increased by 2.2 p.c. in Belgium in the year under review.

Employment

In the course of that year the rise in production in enterprises was equal to that in productivity, defined as the ratio between the value added and the number of persons employed. Thus this number did not change in 1984, or at least not between 30th June 1983 and 30th June 1984, the dates on which the censuses are carried out. That was the

first time since 1979 that no jobs were lost in enterprises ; in 1982 and 1983 job losses had still totalled 55,000 and 33,000 respectively.

This overall development, however, conceals fairly large differences in the situation in the various branches of activity. Employment rose only in services. In industry the productivity gains still slightly exceeded the increase in production, and employment showed a further decline, the smallest in the last ten years. In the building industry the rise in activity was coupled with such a great improvement in productivity that job losses almost equalled those which had been brought about in 1983 by the fall of over 3 p.c. in production.

Various decisions of the public authorities contributed to this stabilisation of the number of persons employed in enterprises as a whole : the decision to use the proceeds of part of the moderation of wages for the purpose of shortening working hours and recruiting additional workers, the decision to reduce the social security contributions of employers who appoint a first employee and the decision to give financial assistance to unemployed persons who become self-employed ; the success of the scheme for part-time working probably exerted an influence in the same direction, but in the absence of complete data it is difficult to determine with certainty whether this type of working increased more in 1984 than in 1983.

But, while the number of persons employed in enterprises remained unchanged, the working population grew further by 11,000 in 1984 ; this growth is declining, having amounted to 24,000 in 1982 and 16,000 in 1983.

The absence of any further worsening of unemployment in 1984 is attributable to the fact that this arrival of 11,000 new job-seekers was exactly matched by an increase in the number of persons employed in non-market services. About 13,000 persons were put to work under the so-called « special » programmes, while employment in the public services fell by about 2,000.

Whereas during the three preceding years economic activity had been sustained only by the improvement in the balance of international transactions in goods and services, in 1984 domestic demand contributed almost as much as that factor to the growth in the national product.

*Domestic
expenditure*

After having fallen each year from 1981 to 1983, and especially by 1.5 p.c. in 1983, total domestic expenditure appears to have risen by 1 p.c. in 1984. This rate is only half that recorded in the countries of the European Economic Community as a whole, which in turn falls far short of the rise of about 9 p.c. in the United States.

Investment by companies in fixed assets was the most dynamic component of demand in 1984; it appears to have risen by 7 p.c. at constant prices, after having fallen by 8 p.c. in 1983. In manufacturing industry, where it had contracted by 16 p.c. in 1983, it appears to have risen by 11 p.c. in 1984. This recovery took place, as in the past, about a year after the improvement in the economic climate as reflected by the results of the Bank's business surveys. However, in comparison with the data for previous periods in a similar cyclical context, the growth in 1984, barely compensating for the previous year's fall, can hardly be called vigorous. It is true that production capacities in industry are not often fully utilised and that firms are not obliged to increase them; investment decisions were therefore taken for other reasons, such as rationalisation or technological renewal in order to keep up with competitors. In the case of companies which produce services, various specific factors, such as the automation of certain mental operations and the developing of leasing, brought about a fairly marked revival in investment.

Capital investment by the individuals, measured at constant prices, increased for the first time in six years; as the building of social dwellings went on declining, the recovery was accounted for by other types of housing; it began back in 1983 and gained ground in 1984; nevertheless, despite the incentives provided by the national and regional authorities, this rise in total expenditure on housing at constant prices was modest, having amounted to less than 1 p.c. for the last two years combined.

Prices

In the industrialised countries, where the economic recovery was strong, it did not generate any resurgence of inflation. In the European countries the rise in prices actually slowed down further. Belgium was no exception: during the last three years consumer prices rose by 8.7 p.c., 7.7 p.c. and 6.3 p.c. respectively, but Belgium no longer belongs, as it did at the end of the 1970s, to the group of countries with low inflation: its rate is around the average for the other European countries.

It is not possible, owing to the lack of statistical data, to identify the categories of costs which brought about the changes in the general level of consumer prices. But this breakdown can be made for the prices of total expenditure. This analysis shows that in 1984 the factor which pushed up these prices most was the cost of imported products; its influence would appear to have increased further in 1984 despite the stability of the weighted average exchange rate for the Belgian franc. Since 1979 import costs have always been the main factor pushing up prices, to a greater extent than in the partner countries in the Community. It is because the degree of openness of the Belgian economy — measured here by the proportion of imports directly or indirectly contained in total expenditure — is particularly great that it is more vulnerable to imported inflation. This sensitivity of domestic costs and prices is indeed one of the reasons why the Bank always endeavours to prevent any chain reactions liable to lead to a lowering of the effective rate for the franc.

The total remuneration of employees, as defined in the national accounts, i.e. embracing all social security contributions, including those paid by employers, increased a little more than consumer prices in 1984. The rise, in nominal terms, in this total gross compensation would appear to have amounted to 6.8 p.c., leaving a real growth of 0.5 p.c. Estimated by the same method, the corresponding data for the years 1982 and 1983 showed a real reduction of 3.3 p.c. and 3.8 p.c. respectively; admittedly, the number of employees had fallen by 1.5 p.c. in each of the two preceding years, whereas it remained unchanged in 1984; during the latter year, therefore, remuneration per employee appears to have improved.

Capital incomes, which had already increased by 4.1 p.c. in real terms in 1983, rose by a further 6.2 p.c. last year. This speeding-up is partly attributable to the movement of the average level of interest rates on portfolio holdings and to the fact that individuals devoted a larger proportion of their new savings to short-term investments, the interest on which is received more quickly; furthermore, Belgian companies paid a higher dividend per share.

Judging by the available information, the real value of the total income of self-employed persons declined further.

All in all, the gross primary income of individuals improved by 1.2 p.c. in real terms. There was no such rise in their disposable

income, which, after having already decreased by 3 p.c. and 0.6 p.c. respectively during the two previous years, fell by a further 0.6 p.c. in 1984. On the one hand, transfers by individuals to the public authorities in that year represented 35 p.c. of their primary income, a slightly higher proportion than in 1983; the total direct taxes and social security contributions paid by households went up by more than their gross income; social security payments, in particular, were increased, because enterprises had to pay to that system the proceeds of a 2 p.c. index-linking of total gross compensation and because self-employed persons had to make an equivalent contribution. On the other hand, in the opposite direction, transfers paid by the public authorities to individuals went up less than in 1983, because the number of unemployed persons stabilised and a 2 p.c. index-linking portion was deducted from most social security benefits. As a result of these two converging movements, total net transfers by individuals to the public authorities, which had fallen by 11 p.c. in 1983, increased by about 35 p.c. in the year under review.

The unit profit margin of companies would appear to have risen by 14 p.c. in 1984. The smallness of the increase in labour costs per unit of output counterbalanced the effects of the worsening of the terms of trade on this margin. As the volume of sales grew further, the gross operating surplus, which is the product of the profit margin per unit of output and the quantities sold, appears to have improved by 18 p.c. in 1984. The movement of the net interest and the taxes paid by companies was about the same as that of the gross operating surplus : consequently, after deduction of these charges, the disposable income of companies appears to have been 18 p.c. above the 1983 level.

In the distribution of the national income among the disposable incomes of the various sectors, companies appear to have obtained, in 1984, 0.7 p.c. more of the total than in 1983 : their share apparently represented 8.4 p.c. of total income, the highest percentage since 1974. In 1983 the distribution had also shifted to the benefit of companies, but even more in favour of individuals ; the two sectors combined had received 2 p.c. more of the national income, at the expense of the share of the public authorities, that is, the income which the latter have at their disposal in order to meet their consumption and investment expenditure and their net capital transfers to other sectors. In 1984 that public revenue would appear to have represented a slightly higher

percentage of the national income, namely 10.7 p.c.; consequently, the share of individuals would appear to have declined from 81.5 to 80 p.c.

As mentioned, the fiscal and parafiscal levies of the Central Government, the local authorities and the social security system became heavier in 1984; altogether these revenues would appear to have absorbed 46.3 p.c. of the national product in 1982, 46 p.c. in 1983 and 46.6 p.c. in 1984.

*Financial deficit of
the public
authorities*

The multi-annual plan for the improvement of the public finances adopted by the Government in March 1984 provided for various increases in taxation and above all in parafiscal levies. The withholding tax on income from financial assets, which was made to constitute full discharge from tax liability, was raised from 20 to 25 p.c. with effect from 1st January. Many local authorities increased their own taxes and dues. Since, furthermore, taxable profits of companies increased and the progressiveness of personal income tax was not tempered in any way, direct taxes brought in 10 p.c. more revenue. The rise in levies for the social security system appears to have been greater, having reached 13.4 p.c., whereas the remuneration of employees and the incomes of self-employed persons, which still include these contributions, increased altogether by only 6.5 p.c. This development of parafiscal revenues was due to the application of various measures introduced at the end of 1983 and the beginning of 1984 and of the payment to the social security system of the proceeds of the moderation of wages and salaries which are not paid by the Treasury, and of that of the moderation of the incomes of self-employed persons. Indirect taxes brought in only 4 p.c. more revenue: in 1984 transactions exempt from value added tax — investment and exports — increased more than purchases of goods and services by individuals, which are subject to that tax.

At the same time the public authorities endeavoured to slow down the expansion in their expenditure. After having represented, on average, 63.7 p.c. of the national product in the years 1982 and 1983, this appears to have declined to 62.4 p.c. in 1984. Total current expenditure apparently rose by only 6.5 p.c.; for the first time in at least ten years it appears to have grown less than the national product. The rise in current expenditure on goods and services was slowed down by various measures which reduced the total remuneration paid to civil servants and curbed administrative expenditure, and above all by the

elimination of an index-linking portion of civil service salaries. The last mentioned measure was also applied to social security benefits, thus lightening the burden of current transfers to individuals.

Current expenditure furthermore includes interest charges, which were 11 p.c. greater in 1984 than in the previous year; average interest rates in 1984 were higher than those in 1983; the rise of the dollar and some other currencies affected the amount, expressed in francs, of the interest paid on the debt contracted in these currencies; furthermore, a larger proportion of the year's deficit had to be met by means of short-term borrowings, that is, by Treasury certificates, the interest on which quickly affects the debt budget; the Government was able to reduce the impact of these various factors to a great extent by a series of measures designed to postpone interest maturities on loans obtained in Belgian francs and foreign currencies to subsequent years: among other things it concluded agreements with the financial intermediaries whereby the life of some of the existing Treasury certificates was extended. Excluding interest charges, the public authorities' current expenditure fell from 46.8 p.c. of the national product in 1983 to 45.8 p.c. in 1984.

For the third year running the capital expenditure of the public authorities decreased as a percentage of the national product; on the one hand, the improvement in economic conditions made it possible to reduce the assistance given to the « national » industrial sectors, and on the other hand, investment by the public authorities was curbed — drastically, indeed, in the case of the local authorities.

Altogether, the cutting-down of expenditure did more than the increasing of fiscal and parafiscal burden to reduce the financial deficit of the public authorities. In relation to the national product and account being taken of their non-fiscal revenue, the latter's net financing requirements appear to have decreased from 15.5 p.c. on average in the years 1981 and 1982 and 15.6 p.c. in 1983 to 13.8 p.c. in 1984. During these years, the rise in revenue in the other countries of the European Economic Community as a whole also continued, at approximately the same rate as in Belgium, but expenditure decreased less there. It is true that both public expenditure and public revenue in Belgium — and the former more than the latter — are still above the average, high though it is, recorded in the Community as a whole. If the deficit of the various national public authorities is calculated on the basis of a harmonised

presentation and expressed in proportion to the national product, it is found that in 1984 it was nearly 2.5 times greater in Belgium than in the other countries of the Community as a whole.

As already stated, it was the disposable incomes of individuals that bore the brunt of the reduction, in 1984, of the deficit of the public finances. Individuals did not allow this erosion of their purchasing power to restrict their expenditure on consumption. Their propensity to save thus appears to have been reduced by about 1 p.c. of their disposable income. As their investment expenditure started to increase, they used less of their savings in order to build up net financial assets. Contributions of net financial resources by companies underwent little change : while their income did in fact increase, they received less capital transfers from the public authorities and expanded their investment. Altogether, the net financing capacity of individuals and companies combined appears to have fallen from 14.4 p.c. of the national product in 1983 to 13.1 p.c. in 1984. Although smaller, in relative terms, than that of the previous year, this financial surplus went further than in 1983 towards meeting the net financing requirements of the public authorities, which had been curtailed even more. The resultant reduction in the overall domestic financial deficit naturally had as its counterpart an improvement in the current account of Belgium's balance of payments.

Financial surplus of individuals and companies

The deficit in respect of the current transactions of the Belgian-Luxembourg Economic Union, which had reached a peak of Fr. 156 billion in 1981, still amounted to Fr. 110 billion in 1982 and had fallen to Fr. 28 billion in 1983, apparently disappeared in 1984. According to the available information, the improvement in that year was due to transactions in goods ; on the one hand, the increase in the degree of coverage of imports by exports, in volume, more than counterbalanced the worsening of the terms of trade ; on the other hand, earnings from commission processing went on rising. However, producers in the Economic Union have apparently not succeeded in further enlarging their market shares ; nor do the price and cost disparities appear to have changed further to the advantage of domestic producers, as had been the case since the years 1979-1980. It would seem that the improvement in 1984 is instead attributable to the differences in the movement of domestic expenditure : this revived more vigorously in the Union's trading partners as a whole than in the Belgian-Luxembourg

Balance of payments of the B.L.E.U.

Economic Union itself; now the volume of an economy's exports reacts to the fluctuations in demand abroad, whereas it is the changes in the various components of final demand in that economy that influence the volume of its imports.

The balance of transactions in services deteriorated, especially that of transport costs and portfolio and investment incomes; the banks' net incomes from their international transactions were lower than in 1983.

In the capital account of the balance of payments, the adverse balance left by private capital movements decreased further in 1984, but the improvement was smaller than in the previous year. Net outflows, down from Fr. 183 billion in 1982 to Fr. 108 billion in 1983, appear to have amounted to about Fr. 90 billion in 1984. This grand total conceals movements which differ depending on the operators, the types of investment and the periods concerned.

The spot and forward assets in Belgian francs held by non-residents with banks in the Belgian-Luxembourg Economic Union are generally very unstable; at times of strain in the foreign exchange markets, the movements of these assets are largely determined by expectations concerning the exchange rate for the Belgian franc in relation to the strong currencies; they then seem to be hardly influenced at all by interest rate differentials; on the other hand, these play a much greater role during periods when the foreign exchange markets are calmer. Thus, during the first quarter of 1984, when there were rumours of a realignment of the central rates within the European Monetary System, non-residents withdrew about Fr. 40 billion from their net assets; when these expectations proved to be unfounded, these assets were increased by about Fr. 70 billion during the second and third quarters; according to the available information, the inflows continued during the fourth quarter, although on a much smaller scale. Now, actually, during the nine months when this inflow was taking place, the short-term interest rate differential in favour of the Belgian franc was maintained at a higher level than during the corresponding period of 1983. Over the year as a whole, these net assets of non-residents appear to have increased by around Fr. 30 billion, whereas they had fallen by Fr. 26 billion in 1983.

The fluctuations in the net spot and forward assets in foreign currencies held by resident enterprises and individuals were parallel

during the year, to those which have just been described : net outflows in the first quarter, followed by a rapid return flow in the second quarter and more scattered inflows thereafter. Over the year as a whole the movements of these liquid assets appear to have resulted in a slightly larger net inflow than in 1983.

The long position of the Belgian and Luxembourg banks — corresponding to their combined spot and forward assets in foreign currencies less their corresponding liabilities — increased further in 1984. As during the preceding years, branches of foreign banks formed short-term foreign currency assets by using all or part of the endowment funds with which they had been provided by their parent companies. Furthermore, during the year under review, the banks which operate in the international credit market built up larger reserves as a safeguard against the risk of default by debtors and kept the counterpart of these in foreign currency assets which could, if necessary, be used if other foreign-currency claims proved to be unrecoverable. Lastly, transactions in Ecus, which are being increasingly undertaken by the banks, lead to their holding net assets which are not fully covered by liabilities in foreign currencies, the difference being proportional to the weight of the Belgian franc in the Ecu.

The long-term capital movements of the private sector appear to have left a substantial deficit. Non-residents' direct investments and their various long-term loans to resident enterprises more than counter-balanced the similar transactions carried out by Belgian and Luxembourg enterprises abroad. The imbalance was thus caused by purchases of foreign securities : these resulted in a net outflow the amount of which — about Fr. 115 billion — was over Fr. 30 billion greater than the previous year's figure. This expansion does not reflect any general preference on the part of the Belgian public for long-term investments. On the contrary, the available data for the first ten months of 1984 indicate that the new long-term investments of individuals and companies in Belgian francs and all other currencies reached only four-fifths of their level for the same period of 1983. It was thus foreign-currency bonds that were particularly in favour : during these first ten months these accounted for about one-third of total net purchases of bonds and notes, against 15 to 20 p.c. during the years 1981 to 1983 and less than 10 p.c. during the second half of the 1970s. The increasing attractiveness of these foreign financial assets is due to

various reasons : the desire to diversify investment risks, or tax considerations, or the great confidence in the future of certain foreign currencies, inspired by their past : thus, bonds in Euro-German marks and in Euro-guilders were purchased in 1984 even though the interest rate on them was lower than the comparable rate for securities in Belgian francs ; in addition to these various factors there is the attractiveness of the rates offered by bonds denominated in dollars and in Ecus ; the interest rate differentials in favour of these securities actually widened somewhat at the beginning of the year and, although it narrowed during the last months, it remained substantial for the rates net of deductions at source.

Overall, the balance of the current transactions and private-sector capital transactions left a deficit of the Belgian-Luxembourg Economic Union in relation to the rest of the world of about Fr. 90 billion in 1984. This deficit had been Fr. 136 billion in 1983 ; it was then met by the public sector's Fr. 114 billion of net borrowing abroad and, for the remainder, by the drawing of Fr. 22 billion from the Bank's foreign exchange reserves. During the year under review, the public sector's net new foreign indebtedness, at Fr. 158 billion, was even greater than in 1983, and exceeded the balance left by all other transactions with foreign countries ; the surplus of Fr. 67 billion explains the increase in the Bank's net foreign exchange reserves.

Financial assets and liabilities

The preference for foreign-currency investments displayed by enterprises and individuals in the employment of their long-term assets does not appear in their use of short-term funds. On the contrary, these appear to have been mainly used to form assets in Belgian francs. That is because, during the year under review, the interest rate differential in favour of the latter in relation to the rates for deposits in strong European currencies remained very large ; the advantage was particularly great for deposits on savings books which are not subject to the withholding tax on income from financial assets and for deposits in Belgian francs formed by households abroad, which in fact escape any deduction at source. For investments in Belgian francs the relative level of the rates offered by short-term assets likewise improved in comparison with those for long-term claims : the differential in favour of the latter was smaller than in 1983 ; owing to the raising of the withholding tax, there was a particularly great improvement in the relative profitability of liquid investments which are not subject to deductions at source or which escape such taxation.

The shifts which took place in domestic investments and the extent of the outflows of long-term capital obviously affected the conditions governing the raising of funds by borrowers on the domestic markets.

The value of the bonds and notes at over one year in Belgian francs purchased by holders other than the financial intermediaries during the first ten months of the year represented, in 1984, only two-thirds of the 1983 figure; and yet there was a reduction compared with the previous year in subscriptions for share issues, which were much fewer.

Within the total of bonds bought directly by subscribers other than financial intermediaries, investments in the public authorities' bonds increased compared with the previous year; the change in the public's behaviour was reflected in its purchases of notes issued by the financial intermediaries. However, these intermediaries were better supplied than in the previous year, for the purpose of meeting requests for credit, by short-term funds placed with them.

During the greater part of the year, enterprises' and households' financial requirements were much more moderate than in the previous year. After having fallen to a very low level in 1982, the new debts contracted by individuals and companies had reached Fr. 215 billion in 1983; in the first ten months of 1984 they increased by only Fr. 24 billion, against Fr. 94 billion for the corresponding period of the previous year. Companies as a whole, thanks to their present self-financing possibilities and to the financial assets which they had previously accumulated, were able to meet their new capital investment expenditure without resorting to borrowing. Individuals increased their debt in the form of personal loans and hire-purchase credits more than in 1983, but the extent of this new indebtedness remained small; their recourse to housing loans rose further, but less than in 1983; altogether, the new liabilities of individuals reached Fr. 22 billion for the first ten months of 1984, against Fr. 19 billion for the same period of 1983.

Owing to the weakness of the demand for credit from the private sector, the financial intermediaries were able to make substantial amounts of resources available to the public authorities. As the funds in Belgian francs which they received from non-residents during the last nine months of the year were chiefly at short term, like those which they obtained from residents, the financial intermediaries subscribed for more public securities at up to one year and less long-term bonds than

in 1983. This movement is clearly evident in the structure of the Belgian-franc debt contracted by the Treasury. The increase in the consolidated debt had provided it with Fr. 275 billion in 1983; in 1984, the amount was only Fr. 161 billion; on the other hand, in 1983 the issuing of short-term Treasury certificates had brought in Fr. 109 billion, including the Fr. 37 billion of paper whose maturities were extended during the year by the agreements referred to earlier; in 1984 the Treasury was able to place Fr. 175 billion's worth of certificates, including the Fr. 101 billion which were likewise converted under the agreement into indebtedness at one year and over.

The amounts just mentioned do not include the changes in the outstanding amount of the Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank; the outstanding amount of the latter rose by Fr. 12 billion, against Fr. 7 billion in 1983. The liquidity which the Bank created by purchasing the proceeds of the foreign-currency loans obtained by the Treasury amounted to Fr. 156 billion, or Fr. 22 billion more than in 1983. Furthermore, the liquidity which the Bank creates by its rediscounting operations also, in a very indirect way, benefit the Government when the cost of these sales of commercial bills by financial intermediaries is lower than the yield of Treasury certificates; in this case it is in the interest of the money market to resort to the Bank for the purpose of subscribing for new certificates; it is impossible, however, exactly to measure the amount of the resources which accrued to the Treasury as a result of rediscounting operations, as some of these operations benefit other recipients. In 1984 the outstanding amount of rediscounted bills fell by Fr. 73 billion. If it is assumed that the fluctuations in the Bank's portfolio of commercial bills largely affect the Treasury's flow of receipts, it can be estimated that the amount of resources made available to the Treasury by the Bank in 1984 was of the order of Fr. 95 billion; the previous year this amount had been around Fr. 140 billion.

Monetary policy

The cyclical upturn did not change the basic factors by which the Bank is guided in deciding on the aims of its policy and in choosing the instruments which it will employ.

The Bank did not envisage, any more than in the preceding years, the use of the instrument of the so-called « aggregates ». This quantita-

tive method consists of defining those liquid assets which are regarded as being of a monetary nature, of fixing in a discretionary manner, at the beginning of each period, the limit beyond which the growth of this mass of assets is deemed to be harmful and of subsequently regulating the money market during the period in question in such a way as to avoid any overshooting of the target which has been set. The Bank has always considered that this method is difficult to apply and not very effective in a very open and small economy with a system of stable exchange rates, in which, therefore, the changes in the money supply are, more often than not, the resultant of two forces acting in different directions, the one being the recourse of the domestic economy, chiefly the Treasury, to the creation of money and the other being the overall balance of payments position. Furthermore, on the money and capital markets of the Belgian economy, the financing channels easily shift, from one period to the next, from the long-term compartments to the short-term compartments, and vice versa, without the overall amount of financial flows being affected thereby; a typical example of these shifts could be seen in 1984, with the sharp expansion in the total of short-term assets; the growth in these was partly offset by a slowing-down of their income velocity. Nor did the Bank, any more than in the preceding years, have to consider the desirability of imposing quantitative restrictions on credit-granting to enterprises and individuals; it has been shown that the new debts of these sectors were spontaneously reduced in 1984; not on any domestic market for goods and services of any size did demand expand sufficiently to exhaust production capacities.

In deciding on the aims of its policy the Bank was, as in previous years, obliged to choose between considerations which, though obviously justified, remained contradictory. On the one hand, it seemed desirable to take advantage of every opportunity to lower interest rates in order to lighten the burdens of enterprises, especially for the financing of their working capital, to sustain the current revival of activity in the building industry, and to reduce the burden of debt service in the public budgets. On the other hand, the Bank could not disregard two factors whose effects on the foreign exchange market called for its attention: the public authorities' deficit and the exporting of private long-term capital by residents.

It has been shown that these capital outflows continued unabated, being interrupted only by a decline during the holiday months. While

the current payments of the Belgian-Luxembourg Economic Union were in balance for the year 1984 as a whole, these capital outflows exerted a constant external pressure during the year under review. For in fact, unless they were counterbalanced by receipts derived from other transactions, these outflows of long-term funds had to be financed by drawing on the Bank's foreign exchange reserves. This risk would probably have been ruled out if the system of the two-tier foreign exchange market had provided for a watertight separation between the two compartments, current transactions being allowed to take place only via the regulated market and capital transactions only via the free market; in such a rigid model neither international interest-rate differentials nor other factors could induce net capital flows, since inflows and outflows would be made equal, « ex post », by the changes during the period in the exchange rates on the free market. Actually, the Belgian-Luxembourg authorities have never organised the dual foreign exchange market in such a strict manner. From the outset, the regulations allowed a certain osmosis between the two compartments of the foreign exchange market, with the object of limiting the difference in exchange rates during normal periods: consequently, some categories of payments — for instance, portfolio and investment income of non-banks — were allowed to take place via either market at the operator's discretion. From the outset, too, it was definitely necessary to ensure that certain current transactions, including a large proportion of tourist expenditure, were settled via the free market, because it was impossible to check whether the payment did in fact fall within the stated category. Moreover, some capital movements which cannot be dissociated from the settlement of current transactions — for instance, the granting of deferred payment terms giving rise to commercial claims — always affect supply and demand on the regulated market. The role of the two-tier market was therefore not to serve as a substitute for monetary policy but rather to assist it by providing scope for a rise in exchange rates on the free market in the event of substantial capital outflows; this pushing-up of the cost of portfolio investments abroad was intended to discourage those operators who were unable to build up assets in foreign currencies for the purpose of commercial transactions. Over the years, however, this auxiliary mechanism lost some of its effectiveness; various developments combined brought about a considerable expansion, on the free market, of the net supply of foreign currencies derived from the settlement of current transactions, thus helping to finance capital outflows; one example which may be given is the gradual

expansion which has taken place over the years in the flow of income from private portfolio investments in foreign currencies, which has far outstripped that due to tourist expenditure, or at least the part of that expenditure taking place via the free market. It should also be recalled that the abolition of customs formalities at the frontier between Belgium and the Netherlands has made it more difficult to ensure that the foreign exchange regulations are complied with in commercial transactions. In the course of time many changes have gradually taken place which have increasingly blurred the theoretical demarcation between the two compartments of the foreign exchange market defined by the regulations; on the free market the counterpart of net outflows of funds has consisted increasingly of current receipts, while current expenditure, taking place on the regulated market, has helped to disturb the equilibrium of the latter, giving rise to corrective interventions by the Bank. Furthermore, the experience gained during the periods of strain that have occurred in recent years when there have been expectations of revisions of official exchange rates in favour of currencies other than the Belgian franc tends to show that rises in the exchange rates for these currencies on the free market no longer had any great deterrent effect on operators until their extent came close to the expected percentage appreciation; this being so, this rise in the exchange rates for stronger currencies was, more often than not, interpreted as a tangible sign of the respective strength of the various monetary units and as an advance indication of the extent of the realignments.

As the degree of protection provided for the Bank's reserves and for the franc by the two-tier foreign exchange market system had been greatly reduced by a whole set of de facto developments, this protection, when necessary, had to be increasingly provided by other instruments. It was not possible for these to take the form of regulations. By reintroducing restrictive provisions the Belgian and Luxembourg authorities would be failing to comply with the international disciplines which they make it a matter of principle to observe and would even be contravening specific commitments which they have undertaken. Furthermore, this retrogression would in fact inevitably prove ineffective; the economies of the two countries are too dependent on their economic relations with the rest of the world and the financial markets of the industrialised countries have become too transnational for it to be possible for regulative restrictions really to prevent capital movements with other countries.

The Bank will therefore have to rely much more on the « classical » instruments of monetary policy when it has to act within the context of present-day realities.

In periods when, owing either to net private capital exports or to a current account balance of payments deficit, or both combined, the Bank, bound as it is to fulfil its contractual commitments to the European Monetary System, is obliged to sell foreign currencies on the foreign exchange market, these interventions restrict the supply of funds on the domestic money market. The banks reduce their lendings on that market when they have to buy from the Bank, and pay for, the foreign currencies which they have sold to their customers. Under these circumstances it is technically impossible for the Bank to refuse to play its role as lender of last resort and to be « accommodating » by enabling the market to replace its lost funds; because the banks can quite quickly replenish their cash holdings; they merely have to cash short-term Treasury certificates, with which they are very well supplied, when they mature. Thus the tightening of the supply of funds on the money market is passed on to the Treasury. When the latter is confronted, at the same time, with the need to finance the deficit resulting from the execution of the current budget, it cannot, on top of that, repay part of its existing debt unless the Bank agrees to supply it with the means of doing so by creating the necessary funds. These interactions took place in 1984, mainly during the first months of the year.

This combination of circumstances, which forced the Bank to replenish the supply of funds by being « accommodating », confronted it with a double choice with regard to monetary policy.

On the one hand, it had to choose the most suitable means of carrying out this inevitable creation of domestic liquidity; in other words, it had to decide which of its assets it preferred to see increase. In agreement with the Treasury it could have expanded the assistance which it gives the Treasury indirectly, that is, by raising the ceiling on the advances which it grants to the Securities Regulation Fund, thus enabling the latter to subscribe for the necessary amount of Treasury certificates; it would thus have replaced, among its assets, the currencies sold by claims in Belgian francs; the loss of foreign exchange reserves would have been made permanent and would have grown for as long as the overall external deficit had persisted. In the absence of any increase in the Bank's credits in francs to the Government, the

Treasury could obtain resources in francs by borrowing from abroad and selling the foreign-currency proceeds of these loans to the Bank; compared with the previous method, this way of financing the Treasury offered the advantage of replenishing the Bank's foreign exchange reserves, thus making up for the losses due to its interventions on the foreign exchange market.

On the other hand, it had to choose an interest rate policy. If one of the causes of the capital outflows could be seen to be the inadequacy of the yield of investments on the domestic market in comparison with those offered by foreign centres, the Bank could not replenish the funds available on that market while leaving the interest-rate relationships unchanged without the danger of causing these movements of funds and the reduction of its reserves to continue. In so far as the adverse differentials applying to investments in Belgian francs affected long-term rates, the Bank, having no direct way of acting upon those rates, could at least refrain from indirectly encouraging their fall. It could also, by acting upon money market rates, endeavour to slow down the outflow or to bring about a return flow of short-term funds.

Therefore, if the Bank were to attempt, by its own interest rate policy, to reduce the imbalance in respect of capital transactions with foreign countries, this would mean giving less priority to the alternative aim, previously mentioned, of reducing financing costs.

Confronted with the need to make a choice, the Bank could not remain passive in view of the movement of the official foreign exchange reserves which it is responsible for looking after: since 1976 these reserves had declined year by year, except in 1980, and at the end of 1983 the value of the gross reserves, at current exchange rates and at the market price for gold, amounted to only Fr. 989 billion, or nearly Fr. 500 billion less than the outstanding amount, on the same date, of the gross debt of the public authorities and the net debt of the financial intermediaries to the rest of the world. The Bank therefore set itself the immediate aim of avoiding any further reduction of its reserves in 1984, and also considered that it would be desirable to increase them.

During the first quarter of 1984, decisions were dictated by events. On top of the current account balance of payments deficit and the adverse movement of long-term private capital by residents, there were then, as has been mentioned, substantial net outflows of residents' and

non-residents' short-term assets. During the same period the Treasury, whose financing requirements were then reaching a seasonal peak, was unable to obtain the necessary resources on the domestic money and capital markets, the supply of funds on which was more reduced by the Bank's sales of foreign currencies than it was replenished by the rediscounting of bills at the Bank; it therefore had to resort to large-scale borrowing abroad. Faced with this situation, the Bank, which had already raised its rates by 1 p.c. in November 1983, put them up by a further 1 p.c. in February 1984, bringing the discount rate up to 11 p.c. and the rate for advances up to 12 p.c. The rate for short-term public paper, which immediately influences all sensitive money market rates, was raised further still, in order to counter the previous narrowing of the differential in relation to investments in the leading foreign currencies.

Although the reversal of the direction of flow of short-term funds during the subsequent months was not brought about by the improvement in this differential, the latter undoubtedly increased the volume of the return flow. During the second quarter, the net inflows of liquid funds were sufficient to counterbalance the deficit in respect of current transactions and long-term capital movements. The divergence indicator for the Belgian franc in the European Monetary System fell below the critical threshold which it had exceeded since October 1983. Although the Treasury was able to raise more funds on the domestic markets, where supply was increasing, these were not sufficient to meet the Government's still very substantial financing requirements. The Government and the Bank having jointly decided not to raise the ceiling on the advances which the Bank grants to the Securities Regulation Fund in order to finance the Treasury, the latter once more resorted to foreign-currency borrowing, but for only half the previous quarter's amount. The sale of these foreign currencies to the Bank enabled the latter to add to its reserves. The creation of liquidity which the Bank thus undertook made the money market easier again. It was able to reduce its recourse to the lender of last resort and the rates for short-term public paper were able to fall for the first time. On the bond market, too, the trend of yields, which had been upward since the autumn of 1983, reversed.

The easing became more marked on the domestic financial markets during the summer months. At the end of September the rates for very

short-term Treasury certificates were reduced to 11 p.c.; as it was no longer advantageous for the banks to rediscount commercial bills in order to finance subscription for these certificates at this rate, the money market substantially reduced its liabilities to the Bank. That market was supplied by the liquidity created by the Bank as the counterpart to a further growth in its reserves. The movement of foreign payments in fact enabled the Bank to repurchase foreign currencies on the foreign exchange market : although the interest rate differential was no longer as favourable as before, the return flow of short-term funds continued and the inflows, although on a smaller scale than in the second quarter, more than offset the net balance of movements of long-term funds; furthermore, the current account of the balance of payments showed a slight surplus; the improvement in the divergence indicator speeded up. In addition to its purchases of foreign currencies in the market, the Bank also bought foreign currencies derived from the foreign loans obtained by the Treasury; the amounts of these were much smaller, as the Treasury's financing requirements, which decrease very markedly during this period of the year, were met to a much greater extent by the financial intermediaries' subscriptions for certificates.

During the last three months of the year the decline in long- and short-term interest rates became more general and more marked in the main financial centres, and especially the short-term Euro-dollar market. The movement spread to domestic rates, which fell to a moderate extent; in November the rate for very short-term Treasury certificates was lowered to 10.75 p.c.; the average rate of yield on bonds, too, fell by about 0.25 p.c. The creation of liquidity by the Bank also slowed down. On the one hand, there was hardly any further increase in its foreign exchange reserves; although the interest rate differentials remained in favour of investments in Belgian francs and although, in particular, the differential in relation to the rate for the Euro-dollar improved substantially, residents' and non-residents' short-term capital movements led again, in October, to a deficit which was not counterbalanced by the net inflows during the following two months; long-term capital transactions again led to net outflows; but the surplus in respect of current transactions rose once more. On the other hand, the Treasury, which had a surplus at this time of the year, slightly reduced its total recourse to the Bank, in the form of liabilities in Belgian francs and sales of foreign currencies combined; this limited repayment did not lead to any significant tightening of the money market, whose recourse to the Bank therefore remained extremely slight.

The policy pursued by the Bank in 1984 bore fruit. The position of the franc on the foreign exchange markets strengthened. In December, the average level of the divergence indicator had been down to 16; it was to fall further still during the first days of January; the Belgian franc, the rate for which had been right below the parity grid since the autumn of 1983, gradually reduced its discount in relation to the other currencies of the European Monetary System; in December 1984 its quotation showed a premium against the guilder. The average effective rate for the franc, weighted by exports and expressed as an index number with 1975 as the base year, recovered from 93.8 to 95.7 from December 1983 to December 1984. The premium of the currencies on the free market in relation to their official rates, which had still been 3.4 p.c. in March, gradually decreased: it was less than 0.5 p.c. in December. The last-mentioned improvement took place despite the intervention purchases made by the Bank on the free market when conditions permitted; these operations, which it undertook by virtue of its responsibility for ensuring that the foreign exchange market operates in an orderly manner, took place during the second half of the year; the amount of the foreign currencies thus acquired was sufficiently large to cover current payments by the Government or public bodies to foreign countries, and also to be used for regulating interventions on the official market, thus relieving the foreign exchange reserves of this burden. As already stated, these increased by Fr. 67 billion, but, as they were not earned by means of a current account surplus, these new reserves are still borrowed funds.

Thus the Bank's attitude was cautious. It organised the possible downward movement of short-term interest rates by influencing those for public paper issued on the money market; but it refrained until the end of the year from lowering its own rates; it thus abstained from assisting the decline, the consequences of which it still regarded as precarious owing to the uncertainties concerning developments abroad. It may well be thought that this caution left the interest rates for domestic short-term investments at a high level. But there is no reliable yardstick for defining how great an interest rate differential must be in order to protect the foreign exchange market and the domestic money and capital markets from capital outflows. Other member countries of the European Monetary System whose currencies did not, during the past year, display any particular signs of weakness in comparison with the Belgian franc maintained differentials in relation to the rates for the

German mark or the guilder which were at least as large as those which safeguarded the Belgian franc. As for the rates for long-term investments, it must be admitted, viewing the situation objectively, that they are still lower in Belgium than those of the main competing investments, namely Ecu and dollar bonds, if allowance is made for the withholding tax.

The Bank admits, of course, that the accounts of enterprises and the budgets of the public authorities would benefit by a lowering of the cost of money. The decline which took place in 1984 is due to the changed climate of the international and domestic markets; the Bank did not impede its effects, but it did not take the risk of bringing about a larger and faster fall in domestic rates; these would then have become less attractive; there could have been an expansion of net capital outflows; in that event, the domestic supply of funds would have been restricted; left to itself, this tightening would have caused a reaction tending to push rates up again; to prevent this automatic mechanism for regulating movements of funds with foreign countries from being set in motion, the Bank would have had to counter the spontaneous reaction of interest rates and, for this purpose, it would have had to be willing to create a much larger amount of funds for the benefit of the money market and the Treasury than it actually did in 1984. And this would probably have been at the expense of equilibrium in foreign payments and the position of the franc.

Prospects

Rarely, since the post-war reconstruction period, has the health of the international economy depended to such an extent on the stimuli emanating from a single country. At that time it was still a physically devastated and humanly impoverished world that pinned great hopes on the rich and undiminished potential of the American economy. Subsequently, for a quarter of a century, the centre of the upswings of the world business cycle shifted from the United States to Europe and back, these two areas alternately giving the impetus to world growth, to which the expansion of the developing countries also contributed; when the boom coincided in the United States and in Europe, the two driving forces together caused the world economy to run at full speed, as at the beginning of the 1970s. Today the European countries, conditioned by the experience of the imbalances of the second half of

the last decade and hampered by the structural handicaps which they have allowed to develop, are awaiting the impetus of American growth; the countries of the third world, paralysed by their excessive indebtedness, are equally dependent; Japan is concentrating its dynamic efforts chiefly on expanding its exports.

For lack of the necessary means or will-power, no country other than the United States, no group of countries, appears to be prepared to stimulate its domestic expenditure sufficiently to take the place of American demand in the propelling role which the latter has played in recent years.

The European Economic Community, in view of its actual size, could be the successor in this role. But, fragmented as it is among ten authorities which draw up ten budgets, administer ten taxation systems and defend ten currencies, divided by the internal stresses generated by nine balances of payments and regionalised by eight languages, the Community has not reacted to the crisis in a united manner. Nor has it been able to keep up the growth rate achieved during its first years. In 1984, its working population, which represents 105 p.c. of that of the United States, produced an income equivalent to less than 70 p.c. of that generated by that country; furthermore, since the second oil crisis the Community has allowed itself to be outdistanced: in comparison with the period 1975-1977 its national product in the last two years showed an increase of 14 p.c., whereas over the same period the growth of the American economy reached 20 p.c., despite the severe recession of 1980 and 1981. Admittedly, since the beginning of 1979, the external assets of the U.S. economy have been burdened, on balance, by \$ 143 billion of new net indebtedness, whereas, for the Community countries as a whole, the net borrowing from the rest of the world amounted to only \$ 57 billion during these six years; but the accumulated American deficit was financed without difficulty, so strong was the demand for the assets, remunerated at high interest rates and denominated in that great international currency, issued by a country whose power is derived from its size and its cohesion.

Developments during the last few years have been marked by a greater convergence between the various countries of the Community: the disparities between inflation rates and the differences between current account balance of payments positions have lessened. But this convergence, necessary though it was and desirable though it is that it

should continue, has not yet been made to serve an employment policy : in 1984, unemployment still stood at 11 p.c. of the working population in Europe, whereas it had fallen to 7.5 p.c. in the United States. The employment crisis has revived national reflexes, caused a resurgence of certain insidious forms of protectionism and stimulated recourse to beggar-thy-neighbour remedies. The economic policies pursued, which had to take account of the constraint of external equilibrium, or used it as a pretext — were too generally aimed at reviving activity by means of a penetration of foreign markets, including those of partner countries, which was to be facilitated by the curbing of domestic demand. The recovery of that demand is an induced effect of the high level of American economic activity far more than the result of a determination to revive activity. It is true that a policy pursuing this purpose would not have had any chance of being maintained unless it had been organised in a co-ordinated manner by the authorities of the various member countries ; the drawing up of such a policy was not attempted ; consequently, separately but simultaneously, those responsible for national economies made it their aim, each in their own countries, to combat inflation ; they resorted to demand-restricting measures or wage policies which to some extent have the same results as the former, without trying to remedy the rigidities in price formation, the imperfections in the operation of the markets and the behaviour of the sheltered sectors which still feed cost inflation. It is also true that a policy designed to boost activity by increasing expenditure flows with a view to raising the level of employment would only achieve precarious results if it were not accompanied by vigorous and determined action aimed at renewal and redeployment of activities ; and this action would itself be facilitated by a lasting improvement of the profitability of entrepreneurial effort. It must be said that up to now the industrial policy of the Community authorities has had to confine itself to a defensive role, tinged with malthusianism, as has also, incidentally, been the case with national policies for safeguarding employment.

As long as this pessimism about the future, this tendency towards a brain drain, persist in Europe, national policies cannot be other than conservative, designed to defend the status quo, and aimed at shifting the effects of the structural crisis onto neighbouring economies. It will therefore be difficult, for each of the member countries, to rid itself of its distrust of Community solutions ; but unless they resume, together, the slow, arduous but so very necessary advance towards economic and

monetary integration, the European countries will all continue, each on its own, to rely passively, for their economic future, on the vicissitudes of international economic conditions, having abandoned all effort to play an active part in shaping them.

Now, at the beginning of 1985, it seems almost certain that the movement of the world economy will continue to be governed by the trend of economic activity in the United States. Now, if it is left to rely on its own resilience alone because other areas have not responded dynamically to its impetus, the momentum of the growth of the American economy might slacken. How conditions there will develop in the near future cannot yet be properly diagnosed. Some indicators suggest that the rate of growth might slow down; according to others, which are perhaps more recent, it would on the other hand appear that the predicted downturn is already past. Whatever forecasts are warranted by the present signals, a great deal will subsequently depend on the Federal authorities' fiscal policy. Should this be directed towards a reduction of the deficit, this would initially affect the disposable incomes of households and enterprises; but if the total amount of funds offered by households and enterprises does not decline along with incomes, the reduction in the Federal Government's financing requirement ought to facilitate a lowering of interest rates; this should, in a second stage, stimulate a revival of some categories of private expenditure which are fairly elastic to interest rates; altogether, the expansion of this expenditure might counterbalance the effects, on total demand, of the reduction in the budget deficit and the falling-off of those items of private expenditure which reacted to the fall in disposable incomes. The maintenance of a high level of economic activity in the United States would depend on the resultant of these divergent forces.

As a result of the change of course of American monetary policy, there has already been a fall in interest rates. For several years the stated aim of the heads of the Federal Reserve System has been to control the growth of the monetary aggregates in order to slow down inflation. Now, for the last few months it would appear that these authorities are increasingly taking into account, in reaching their decisions, the levels of activity and employment; in order to support these they have facilitated a decline in interest rates. The official authorities are also taking more interest than before in exchange rates, the rise in which, made self-perpetuating by capital inflows into the United States, has

increased the current account balance of payments deficit by undermining the competitiveness of American producers, as has been shown. Now, while it is true that uncontrolled floating of the exchange rates for a currency automatically preserves the overall equilibrium of the balance of payments, it seems much less certain that the country's company heads and their employees will in the long run remain satisfied with a situation in which this overall equilibrium is the result of a current account deficit and a surplus in respect of capital transactions. The reactions to this state of affairs seem to have been slow, partly owing to the small degree of openness of the American economy and the vigorousness of the upturn, but they do appear to have started recently.

Abroad, too, the movement and level of the exchange rate for the dollar have been closely watched. Its upward movement has given rise to concern, because its effects on the prices in domestic currency of imports which have to be paid for in dollars have been measured and the repercussions on the financial charges in respect of dollar debts — which have become heavier — have been keenly felt. The beneficial effect of the dearer dollar on the volume of the exports of the competitors of American producers have generally received less attention, the growth in exports in many countries having been attributed rather to the American recovery, the wisdom of domestic policies or the dynamism of domestic enterprises; and hardly any mention has been made of the capital gains on dollar investments. A fall in the exchange rate for the dollar would have the converse advantages and disadvantages. The prospect of such a movement possibly coinciding with a slackening in economic activity in the United States is viewed with anxiety because that would have an adverse effect on the economic trend in the other countries. In response to these anxieties, the soothsayers have made their predictions. They have contradicted each other, and many have already been proved wrong.

It is difficult to find precise criteria for showing whether the dollar is overvalued; the idea of overvaluation is different in a large, fairly closed economy from what it is in the case of extremely open and dependent economies; the trade deficit is not a reliable symptom, because the particularly vigorous nature of the recovery in the United States contributed to that worsening. Indeed, until quite recently, financial managers all over the world have not appeared to be convinced of

the imminence of a movement of exchange rates, which ought to take place as the inescapable corrective reaction to an overvaluation.

It was capital transactions that determined the movement of the dollar in recent years. For capital movements in fact have decisive effects nowadays on the foreign exchange markets, where they can radically alter the relationships between supply and demand in the short run, whereas the slower changes in the respective economic data exert a more gradual influence on international relationships. As it is doubtful whether any central bank interventions on the foreign exchange market will be designed to bring about a lasting reversal of the direction in which the dollar is floating, its movement will probably continue to depend, in the short run, on a multiplicity of short-term investment decisions made by treasurers. The nature of these decisions is a matter of conjecture, because, while they may be based on an objective factor — interest rate differentials — they are also shaped by the subjective expectations of the parties concerned with regard to the exchange rate fluctuations themselves. Many events of different kinds can occur to polarise and change the direction of these expectations.

One of these factors is of course the economic situation in the United States itself, especially as a possible slowing-down of growth in that country might induce the monetary authorities to accelerate the downward movement of domestic interest rates.

In itself, a fall in American interest rates would obviously benefit the rest of the world. Among the industrialised countries, some would be able to maintain the already fairly low level of their interest rates with less danger to the exchange rates for their currencies and others would be able to make the hoped-for reductions in their financial costs. The developing countries, the burden of whose foreign debt would be lightened, could devote more of their export earnings to paying off their debts, or could allow some slight easing of the extreme efforts which they demand of their populations. But if, at the same time, this lowering of American interest rates were to bring about a reverse flow of funds from the American financial markets, it would lead, in a system of floating exchange rates, to a decline in the exchange rate for the dollar; this decline itself would bring about an improvement in the current account of the U.S. balance of payments; its effects in this respect might be combined with those of a possible weakening of American domestic demand. An improvement in the United States' balance of

payments would obviously be at the expense of the exports of both the developing countries and the other industrialised countries. These would perhaps react, each individually; some would benefit by the international return flow of funds; others would not; but both would suffer the results of the reversal: there would be a deterioration in the current account of their balance of payments. If this worsening were not accepted and national policies became more restrictive, it is hard to see how the spread of a cyclical downturn could be avoided. Now a general slowing-down of growth in the industrialised countries would add further to the difficulties of the developing countries.

In 1984, as has been mentioned, the situation of these countries improved; the fear, which was very great in 1983, that the insolvency of big debtors would cause a major financial crisis, has been dispelled. This improvement remains fragile and this fragility calls for caution on the part of market organisations, supervisory bodies and central banks. The warning given by the events of the last few years has been heeded and acted upon. The inadequacy of the resources of the International Monetary Fund, which to a certain extent performs functions similar to those of the lender of last resort for the world market, has been remedied by co-operation between central banks. The banks which operate on that market have jointly created information instruments designed to prevent any recurrence of the past excesses in the granting of credit; and they have strengthened their own solvency. The supervisory authorities everywhere saw to this, and at the same time took steps to improve the co-ordination of their methods of supervision.

The Belgian economy, like that of all the other industrialised countries, benefited by the support of the American recovery. But it is more vulnerable than others to a slackening in the growth of the volume of world trade. Furthermore, it could not possibly, on its own, devise a policy for restimulating the economy via domestic expenditure: owing to the high import content of this expenditure, the balance of transactions in goods would be bound to be appreciably affected.

At the same time, the size of the remaining deficit in the public finances leaves little scope for fiscal policy. Some progress was made in 1984, as has already been stated. This progress must be consolidated and continued. If, for any reason, the public authorities' financing requirements were to increase in relation to the gross national product, confidence in the Belgian economy and in the soundness of the franc,

especially on the part of non-residents who at present hold substantial liquid assets in francs, might be weakened again; this would inevitably affect the foreign exchange market. A setback in the improvement of the government finances would force the authorities to repeat a course of action which they have already taken. Cutting down government expenditure is undoubtedly a difficult undertaking; this expenditure, whatever its nature, does not merely consist of payment flows; behind these there are incomes of households and enterprises, the spending of which has derived effects which support activity and preserve jobs. What is necessary is therefore a substitution within domestic demand, by means of an increase in the contribution made by private expenditure to the formation of the gross national product : in 1984 this shift took place thanks to a revival in investment by enterprises.

Admittedly, the expansion of investment flows is not in itself sufficient to generate a high level of activity straight away; investment by enterprises represents only a fairly small proportion of the national product and its import content is high. In the longer run, however, investment can strengthen the industrial structure, make possible the creation of new products which can take the place of imports and, generally, improve competitiveness in the widest sense of the term. It is regrettable that too little has been done in this direction in recent years. In many cases the investment has been for the purpose of rationalisation rather than expansion and the creation of new activities. And, even from the quantitative point of view, the effort made has not been very great; on average in the years 1970 to 1973, the capital resources of enterprises represented about 11 p.c. of the national product and their investment in fixed capital nearly 12 p.c.; in 1982 to 1984 the capital resources of enterprises still averaged 11 p.c. of the national product, but investment fell to around 8 p.c. In recent years, enterprises have used a larger proportion of their resources to improve their worsened financial structure or possibly to invest abroad; in most of the other countries of the Community the tendency appears to have been similar, although generally less pronounced.

The investment of today leads to the consumption of tomorrow. This truth must not be overlooked if the object is to restimulate consumption on the grounds that the ultimate aim of economic activity is the standard of living of the country's citizens. Moreover, developments in the last fifteen years have already benefited household con-

sumption in Belgium more than in the other countries of the European Economic Community. From 1970-1973 to 1982-1984, the share of the disposable income of individuals in the national product rose from about 74 p.c. to over 80 p.c., but their gross savings still represent only 14 p.c. of that national income; during this period, the share of private expenditure on consumption in the national product, the total volume of which, however, grew by 27 p.c., increased from 60 to 66 p.c.

When taking a longer term view and considering the fundamental developments towards which the action of the authorities and of many other parties responsible for economic and social life must endeavour to steer the national economy, one must not overlook all these data and the way in which they have developed in the past. Beyond its role as an instrument for influencing the business cycle, fiscal policy in the wide sense of the term can, if designed with a long-term outlook, help to bring about the desirable reorganisations. True, the many micro-economic interests may conflict with the macro-economic requirements for strengthening production structures. It is the job of the authorities to weigh all the pros and cons, influence the choices made and convince public opinion.

The effort of renewal of the Belgian economy would not be facilitated if dislocations were to arise in the financial sector. Monetary policy, whose operation is more of a short-term nature, endeavours to forestall these dislocations and to avoid disorderly developments on the domestic money and capital markets and the foreign exchange market. Under still difficult circumstances, the Bank is performing its proper function of safeguarding internal and external monetary equilibrium.

*Economic
and financial developments*

INTRODUCTION

Presentation

In this Report, as in that for 1983, 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 that 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 :

MAIN DEVELOPMENTS ABROAD

CHAPTER I : International developments

Table I. 1 : Gross domestic product at constant prices
(page 11)

Table I. 2 : Balance of current transactions with foreign countries
(page 30)

MAIN DEVELOPMENTS IN BELGIUM

CHAPTER II : Production and employment

- Table II. 1 : Value added at constant prices of the various branches of activity (page 43)
- Table II. 2 : Demand for and supply of employment (page 53)

CHAPTER III : Expenditure and prices

- Table III. 1 : Gross national product and main categories of expenditure at constant prices (page 65)
- Table III. 2 : Deflators of the gross national product and of the main categories of expenditure (page 78)
- Table III. 3 : Main categories of expenditure at current prices (page 90)

CHAPTER IV : Incomes

- Table IV. 1 : Income account of the various sectors (page 95)

CHAPTER V : Major sectors of the economy

- Table V. 1 : Summary of the transactions of individuals (page 111)
- Table V. 2 : Summary of the transactions of companies (page 114)
- Table V. 3 : Summary of the transactions of the public authorities (page 117)
- Tables V. 4.A and V. 4.B : Revenue, expenditure and net financing requirement (-) of the public authorities (page 119)
- Table V. 5 : Summary of the transactions of the rest of the world with resident sectors (page 133)

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

- Table VI. 1 : Summary of the transactions of the Belgian-Luxembourg Economic Union with foreign countries (page 139)
- Table VI. 2 : Current transactions (page 144)
- Table VI. 3 : Spot and forward capital transactions of the private sector (page 153)

- Table VI. 4 : Spot capital transactions of the public sector (page 159)
- Table VI. 5 : Net foreign exchange reserves of the National Bank of Belgium (page 162)
- Table VI. 6 : Exchange rates (page 167)

CHAPTER VII : Financial assets and liabilities

- Table VII. 1 : Financial accounts by sector (page 175)
- Table VII. 2 : Formation of financial assets by individuals and companies (page 180)
- Table VII. 3 : New liabilities of individuals and companies (page 192)
- Table VII. 4 : The public authorities' net financing requirement and the financial deficit (-) or surplus (+) of their various sub-sectors (page 198)

CHAPTER VIII : Financial markets and interest rates

- Table VIII. 1 : Gross requirements of funds of individuals, companies and public authorities and cover items (page 209)
- Chart VIII. 2 : Interest rates (page 225)

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 1984, 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 1984 themselves and those with the figures for earlier years, the figures for 1984 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.
Bank	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.

MAIN DEVELOPMENTS ABROAD

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 1984 are estimates made by the Organisation for Economic Co-operation and Development dating from December 1984.

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 1984 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 in 1983. The change in the gross domestic or national product is equal to the sum of the contributions thus obtained.

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. As these prices are expressed in U.S. dollars, their movement may be partly determined by that of the exchange rate for that currency; the weighted average rate for the dollar is therefore also shown in Chart I. 1.4.

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. For the purpose of this international comparison the data for Belgium do not include expenditure on net credit-granting and acquisition of interests. Table V. 4.1 shows the extent of the Belgian public authorities' financing requirement depending on whether or not the expenditure in question is included; item 3 of that table shows the requirement without this expenditure and is therefore identical with the « Belgium » item of Table I. 1.6; item 4 of Table V. 4.1 shows this expenditure and item 5 a requirement including it; it is the Belgian public authorities' requirement in this second sense that is the subject of the comments on Table V. 4.B (item 3).

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 which a given nominal interest rate in a country represents for the domestic investor, it would be necessary to be able to correct this rate according to the inflation anticipated by the investor during the period of his investment. It would also be necessary to take into account the tax levied on the investor's income. It is, however, difficult to make calculations of this type accurately on the basis of the available data. It is nevertheless possible to obtain an approximate idea of the real yield before tax by comparing the interest rate with the inflation rate recorded at the same time, 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 previously recorded. 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 1960 in long-term before tax yield rates and inflation rates, the latter being measured by the rise, recorded on an annual basis, in consumer prices. It will be realised that the absolute « real » rates thus shown in Chart I. 1.8 have hardly any meaning, chiefly because they disregard the taxation resulting, for instance, from the deductions at source made in some countries ; the only thing that counts is their chronological development within each country, provided that there is no significant change in the actual level of taxation.

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

(Percentage changes compared with the previous year or half-year)¹

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1983		1984	
										1 st half	2 nd half	1 st half	2 nd half
Member countries of the Organisation for Economic Co-operation and Development	+ 4.9	+ 3.9	+ 4.0	+ 3.1	+ 1.2	+ 2.1	- 0.5	+ 2.6	+ 4.8	+ 1.8	+ 5.0	+ 5.4	+ 3.5
United States	+ 4.9	+ 5.2	+ 4.7	+ 2.4	- 0.2	+ 3.0	- 2.3	+ 3.6	+ 6.8	+ 2.5	+ 7.2	+ 8.3	+ 3.8
Canada	+ 6.1	+ 2.2	+ 3.9	+ 3.4	+ 1.0	+ 4.0	- 4.2	+ 3.3	+ 4.3	+ 4.5	+ 7.0	+ 3.4	+ 3.5
Japan	+ 5.3	+ 5.3	+ 5.0	+ 5.1	+ 4.9	+ 4.2	+ 3.0	+ 3.0	+ 5.8	+ 2.8	+ 5.0	+ 6.3	+ 5.3
European Economic Community	+ 5.1	+ 2.3	+ 3.3	+ 3.5	+ 1.1	- 0.2	+ 0.5	+ 1.1	+ 2.3	+ 0.6	+ 2.1	+ 2.2	+ 2.5
of which :													
Federal Republic of Germany	+ 5.5	+ 3.1	+ 3.1	+ 4.2	+ 1.8	...	- 1.0	+ 1.0	+ 2.5	+ 1.0	+ 2.7	+ 1.7	+ 4.3
France	+ 5.2	+ 3.1	+ 3.8	+ 3.3	+ 1.1	+ 0.2	+ 2.0	+ 1.0	+ 1.8	- 0.5	+ 0.9	+ 2.1	+ 1.3
United Kingdom	+ 3.8	+ 1.0	+ 3.6	+ 2.1	- 2.2	- 1.1	+ 1.9	+ 3.3	+ 2.0	+ 1.0	+ 3.6	+ 1.8	+ 0.5
Italy	+ 5.9	+ 1.9	+ 2.7	+ 4.9	+ 3.9	+ 0.2	- 0.4	- 1.2	+ 3.0	+ 1.0	+ 1.7	+ 3.4	+ 3.5
Netherlands	+ 5.3	+ 2.4	+ 2.5	+ 2.4	+ 0.9	- 0.7	- 1.7	+ 0.6	+ 1.3	n.	n.	n.	n.
Belgium	+ 5.3	+ 0.5	+ 3.1	+ 2.1	+ 3.3	- 1.2	+ 1.1	+ 0.4	+ 2.1 <i>e</i>	n.	n.	n.	n.

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

¹ For the half-yearly data the percentages are calculated on the basis of seasonally adjusted figures and are expressed as annual rates; thus, the percentages for the first half of 1984 indicate the changes compared with the second half of 1983. For the United States, Canada, Japan and the Federal Republic of Germany, the 1984 figures relate to the gross national product.

B. Main developments

a) In 1984 the economic recovery continued and became more marked in the industrialised world : in the member countries of the Organisation for Economic Co-operation and Development as a whole economic activity would appear to have increased by 4.8 p.c., or appreciably more than in 1983 ; indeed this was the highest growth rate reached since 1976 (Table I. 1).

The acceleration of the growth was considerable in the United States, although a significant recovery had already been observable in 1983 ; economic expansion was also very pronounced in Japan. The advance in these two countries was particularly rapid at the beginning of the year, but from the second half-year onwards there would appear to have been a slowing-down of the growth, chiefly in the United States. In the European Economic Community growth remained limited, after having already been slight in 1983 ; thus the divergence between the economic trends in the Community and in the rest of the industrialised world became more marked. Within the Community, all the countries showed an improvement in their economic growth except for the United Kingdom. The latter country, after having achieved the fastest expansion in 1983, was unable to keep in line with its European partners, mainly owing to the miners' strike, which began in March and continued for the remainder of the year.

b) An examination of the contributions made by the various expenditure categories to the 6.8 p.c. growth achieved in 1984 in the United States reveals that the growth was entirely due to the expansion in domestic expenditure [column (a) of Table I. 1.1]. Investment by enterprises increased markedly as a result of the economic revival which had already been set in motion in 1983 by the expansion in the expenditure of individuals ; it was also encouraged by the increase in profits after tax, which had been particularly pronounced the previous year, and by the development of the new technological resources made available to producers. The expansionary effect of this investment was accentuated by a further rise in private consumption, itself sustained by the increase in the real disposable income of individuals due in particular to the growth in employment and, in some sectors, the rise in the number of hours worked per week. The growth in domestic expenditure led to an appreciable upsurge in imports, additionally stimulated by a further

weakening of the competitive position of the American economy. This weakening also effected exports, the increase in which remained very small in relation to the expansion in the imports of the rest of the world.

Developments in the other major economies did not follow the same pattern, in so far as these countries, especially Canada and Japan, were able to benefit by the growth in foreign demand emanating from the United States; hence the contribution to growth made by the net exports of these countries was not negative. The positive contribution of domestic expenditure in these countries was smaller — including among the main economies of the European Economic Community — than in the United States, but, as for the latter country, it was chiefly attributable, in most of the countries in question, to the growth in gross fixed capital formation.

For the seven main industrialised countries as a whole [column (e)], economic developments were a fairly faithful reflection of the economic picture in the United States, if only because of the size of the latter country. Thus, the growth in domestic expenditure was the only expansionary factor; along with private consumption, it was mainly gross capital formation by enterprises, in the form both of fixed capital and of stocks, that was the driving force. On the other hand, public expenditure and expenditure on house-building made only a modest contribution, the former having generally been curbed for budgetary reasons and the latter having been adversely affected by, in particular, the high level of interest rates.

The development of international trade to the benefit of countries outside the group slightly counteracted the favourable effect of domestic expenditure; the growth in the latter was accompanied by an increase in imports greater than the rise — large though it was — in exports, and this at the same time contributed, for the group as a whole, to the worsening of the balance of current transactions with the rest of the world.

The speeding-up of economic growth in the member countries of the Organisation for Economic Co-operation and Development as a whole led to a faster rise in merchandise imports at constant prices (Table I. 1.2). This had a favourable effect on the exports of the other areas of the world, so that import demand likewise held up better there,

too. Thus the members of the Organisation of Petroleum Exporting Countries were able to start stepping up their imports again towards the end of the year; on average, however, these were still smaller than in the previous year. The other developing countries were able to expand their imports substantially thanks to the still greater increase in their exports. Among the « Other countries » the most marked increase in imports was in the case of the People's Republic of China.

d) The growth in economic activity in the industrialised countries had an appreciable effect on employment only in the United States, where the fall in the unemployment rate, which had already been considerable in 1983, continued in 1984 (Chart I. 1.3). In Europe and even in Japan the recovery was generally still not sufficient to absorb the whole of the increase in the working population, so that the unemployment rate failed to decline. On the contrary, it rose in nearly all the countries of the European Economic Community, and mainly in France, where economic growth would appear to have been very slight. Altogether, the unemployment rate in the member countries of the Organisation for Economic Co-operation and Development as a whole remained virtually unchanged at the level which it had reached at the end of 1983.

e) Despite the quickening of the economic growth of the industrialised countries, the dollar prices of raw materials in the world markets underwent hardly any change (Chart I. 1.4). The prices of energy raw materials remained practically stable from the second quarter of 1983 onwards, largely owing to the persistent weakness of demand for oil: among the countries where economic growth was particularly strong in 1984, those in North America are themselves oil producers, so that imports of that product increased substantially only in Japan. The price index for other raw materials rose to a very modest extent in the first half of 1984 but subsequently declined from the third quarter onwards, when the first signs of a slackening of the growth of the world economy became apparent. That index thus fell back to the level which it had reached twenty months earlier; its weakness is probably due to the fact that it is expressed in a currency — the dollar — the average exchange rate for which has appreciated and to the necessity for some developing countries, faced with the substantial burden of their foreign indebtedness, to step up their exports of raw materials despite the adverse state of the market.

f) In the countries where the improvement in economic activity was most pronounced — the United States and Japan — the rate of the rise in consumer prices, which had become very low in 1983, increased again slightly in 1984 (Chart I. 1.5), since, while import prices did not decline as they had done in the previous year, the rise in domestic costs appears to have speeded up.

In the European Economic Community the downward trend of the rate of inflation, on the other hand, continued despite a more marked increase than in 1983 in import prices expressed in national currencies. One important factor was that the limited extent of the revival in economic activity had a moderating effect on labour costs, which was furthermore reinforced in several countries by the public authorities' incomes policies.

The inflation rate therefore slackened somewhat in the member countries of the Organisation for Economic Co-operation and Development as a whole, reaching 5.1 p.c. in November 1984 against 5.3 p.c. at the end of 1983.

g) In the seven main industrialised countries as a whole, the public authorities' net financing requirements would appear to have decreased in relation to the gross domestic product between 1983 and 1984 (Table I. 1.6). This decline appears to have taken place in each of these countries with the exception of France and, above all, Italy. In the United States and Canada it would appear to have been solely due to the marked speeding-up of growth, which led to a rise in revenue and a decline in cyclically sensitive expenditure, whereas in Japan and the Federal Republic of Germany it would appear to have been also or mainly attributable to the measures adopted by the public authorities with a view to reducing their expenditure or increasing their revenue. Such measures also partly explain the decline in the net financing requirements in the Netherlands and Belgium.

h) Between the end of 1983 and December 1984, short-term interest rates generally fell (Chart I. 1.7). The rate for the Euro-dollar — which had started to move upwards in 1983 — rose appreciably in the first half of 1984 owing to the accentuation of the cyclical upturn and a tightening of American monetary policy with a view to curbing inflation. Subsequently an easing — particularly marked towards the end of the year — became apparent owing to the distinct slowing-down

of the growth of the American economy; as the inflation rate had stabilised from the second quarter of the year, the Federal Reserve was able to lower its discount rate by 0.5 p.c. in November, after having raised it to the same extent in April. In December it lowered the rate by a further 0.5 p.c. All in all, the level of market interest rates in December 1984 was more than a percentage point below that reached a year earlier.

In most of the other industrialised countries short-term interest rates generally followed the movements of the Euro-dollar rate only very partially, if at all. During the period when that rate was rising, this relative stability reflected the monetary authorities' desire not to impede a still hesitant economic recovery, and during the period when the Euro-dollar rate was falling it indicated their wish to avoid adding to the growing strength of the U.S. dollar on the foreign exchange markets. Nevertheless, at the end of the year under review, interest rates in these countries were down to a lower level than at the end of 1983 with the exception, however, of those for the Swiss franc and for the pound sterling, whose exchange rate was affected in 1984 by the weakness of crude oil prices and the coal miners' strike.

i) During the year under review the development of long-term interest rates in the United States reflected that of short-term rates: an upward movement in the first half of the year followed by a decline in the second (Chart I. 1.8). In most of the countries participating in the European Monetary System, on the other hand, long-term interest rates fell almost continuously throughout the year, so that they went down between the end of 1983 and the end of 1984, whereas they rose further in the United States.

Since 1981, when they reached their peak, long-term interest rates have generally displayed a downward trend; the extent of this fall has in most countries been less than the decline in inflation rates as measured by the movement of the index of consumer prices, so that the gap between the two has widened, sometimes considerably. Great caution is called for in interpreting this phenomenon with a view to deriving from it an indication of the movement of « real » interest rates. This is because expectations as regards inflation may have been adjusted only with a time-lag, or only partly, to the measured inflation rates — characterised by an exceptionally rapid fall after the sharp rises of the 1970s — or because they may have been influenced by the possibility

of a resurgence of inflation connected with the recent speeding-up of economic growth. Furthermore, in assessing the real financial yields obtained by investors, account should also be taken of the tax paid on these incomes; that is why these yields are clearly overestimated in Chart I. 1.8 for the countries where a deduction is made at source (France, the United Kingdom, Belgium). It will furthermore be noted that the movement of consumer prices, shown in Chart I. 1.8, cannot generally provide a valid approximate indication of the extent to which inflation reduces the real financing costs of borrowers, especially enterprises, for which other costs and prices are in fact much more important.

Account being taken of these reservations and considering a sufficiently long period in order to eliminate the influence of fortuitous factors, it is nevertheless possible to discern a few basic trends. Real financial yields were clearly positive almost uninterruptedly and in all countries in the 1960s. In the next decade these yields declined or even sometimes became negative; finally, since the beginning of the 1980s they have risen appreciably, becoming substantially positive again and exceeding the yields of the 1960s in most countries. These movements were especially marked in the United States and the United Kingdom, where real financial yields have been particularly high for the last few years, thus probably reflecting the distinct hardening of these countries' monetary policies during the most recent period. Developments in the other countries have generally been similar, so that they have been unable to avoid the recent rise in real interest rates; this rise has, however, remained quite small in the Federal Republic of Germany, where the stability of real yields has been structurally much more soundly based than elsewhere — a fact evidenced by, among other things, the maintenance, without exception, of positive real rates throughout the period covered by Chart I. 1.8.

Some of the factors mentioned above probably help to explain the exceptionally high level — from an historical point of view — of the present real rates: because the measured inflation rates probably gave a better approximate indication of inflation expectations during the 1960s, which were characterised by relatively stable prices, than has been the case during the last few years. Thus Chart I. 1.8 probably overestimates the average real rates, as defined in sub-section i) of the methodology (nominal interest rates less inflation expected by inves-

tors), recorded from 1981 to 1984 — that is, after a period of extreme instability of inflation rates which gave rise to deep-rooted inflation expectations which are hard to reverse.

The validity of this explanation diminishes, however, in so far as, in the main economies, the authorities, and especially the monetary authorities, continue to succeed in keeping down inflation, and this should gradually be reflected in the expectations of economic agents. In this connection it should certainly be noted that at present the economic climate, structural growth prospects and the level of unemployment have deteriorated appreciably as compared with the 1960s, a fact which would doubtless justify lower real rates than during that period.

Table I. 1.1

CONTRIBUTION OF THE VARIOUS EXPENDITURE CATEGORIES TO THE PERCENTAGE CHANGES IN THE GROSS DOMESTIC PRODUCT¹ AT CONSTANT PRICES IN 1984

	United States	Canada	Japan	Four main countries of the European Economic Community as a whole ²	Seven main industrialised countries as a whole ³
	(a)	(b)	(c)	(d)	(e)
1. <i>Domestic expenditure</i> :					
1.1 Private consumption	+ 3.2	+ 2.3	+ 1.7	+ 0.7	+ 2.2
1.2 Expenditure of the public authorities ⁴	+ 0.7	+ 0.5	+ 0.2	+ 0.2	+ 0.5
1.3 Gross capital formation of the individuals and companies	+ 4.7	+ 0.8	+ 2.2	+ 1.1	+ 2.9
1.31 House-building	(+ 0.4)	(- 0.3)	(...)	(+ 0.1)	(+ 0.2)
1.32 Other fixed capital formation	(+ 2.3)	(+ 0.3)	(+ 1.7)	(+ 0.6)	(+ 1.5)
1.33 Changes in stocks	(+ 2.0)	(+ 0.8)	(+ 0.5)	(+ 0.4)	(+ 1.2)
1.4 Total domestic expenditure (1.1 + 1.2 + 1.3)	+ 8.6	+ 3.6	+ 4.1	+ 2.1	+ 5.6
2. <i>Net exports of goods and services</i> ⁵ :					
2.1 Exports	+ 0.6	+ 5.0	+ 3.2	+ 1.7	+ 1.5
2.2 Imports ⁶	- 2.4	- 4.3	- 1.5	- 1.7	- 2.0
2.3 Net exports (2.1 + 2.2)	- 1.8	+ 0.7	+ 1.7	...	- 0.5
3. <i>Gross domestic product</i> (1.4 + 2.3) ⁷ .	+ 6.8	+ 4.3	+ 5.8	+ 2.1	+ 5.0

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

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

² Federal Republic of Germany, France, United Kingdom, Italy.

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

⁴ 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.

⁵ For the United States, Canada, Japan and the Federal Republic of Germany, including factor incomes; for France, the United Kingdom and Italy, excluding factor incomes.

⁶ Minus sign = increase in imports, i.e. negative contribution to the change in the gross domestic or national product.

⁷ 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

(Percentage changes compared with the previous year or half-year)¹

	1982	1983	1984	1983		1984	
				1 st half	2 nd half	1 st half	2 nd half
Member countries of the Organisation for Economic Co-operation and Development	- 0.3	+ 4.0	+ 12.0	+ 5.1	+ 11.9	+ 13.3	+ 9.5
Organisation of Petroleum Exporting Countries	+ 0.8	- 11.5	- 6.5	- 10.1	- 18.1	- 6.0	+ 5.5
Other developing countries	- 5.2	- 1.5	+ 6.0	+ 0.6	+ 6.0	+ 5.2	+ 7.7
Other countries ²	- 6.5	- 0.7	+ 6.2	+ 1.6	+ 4.9	+ 6.2	+ 8.2

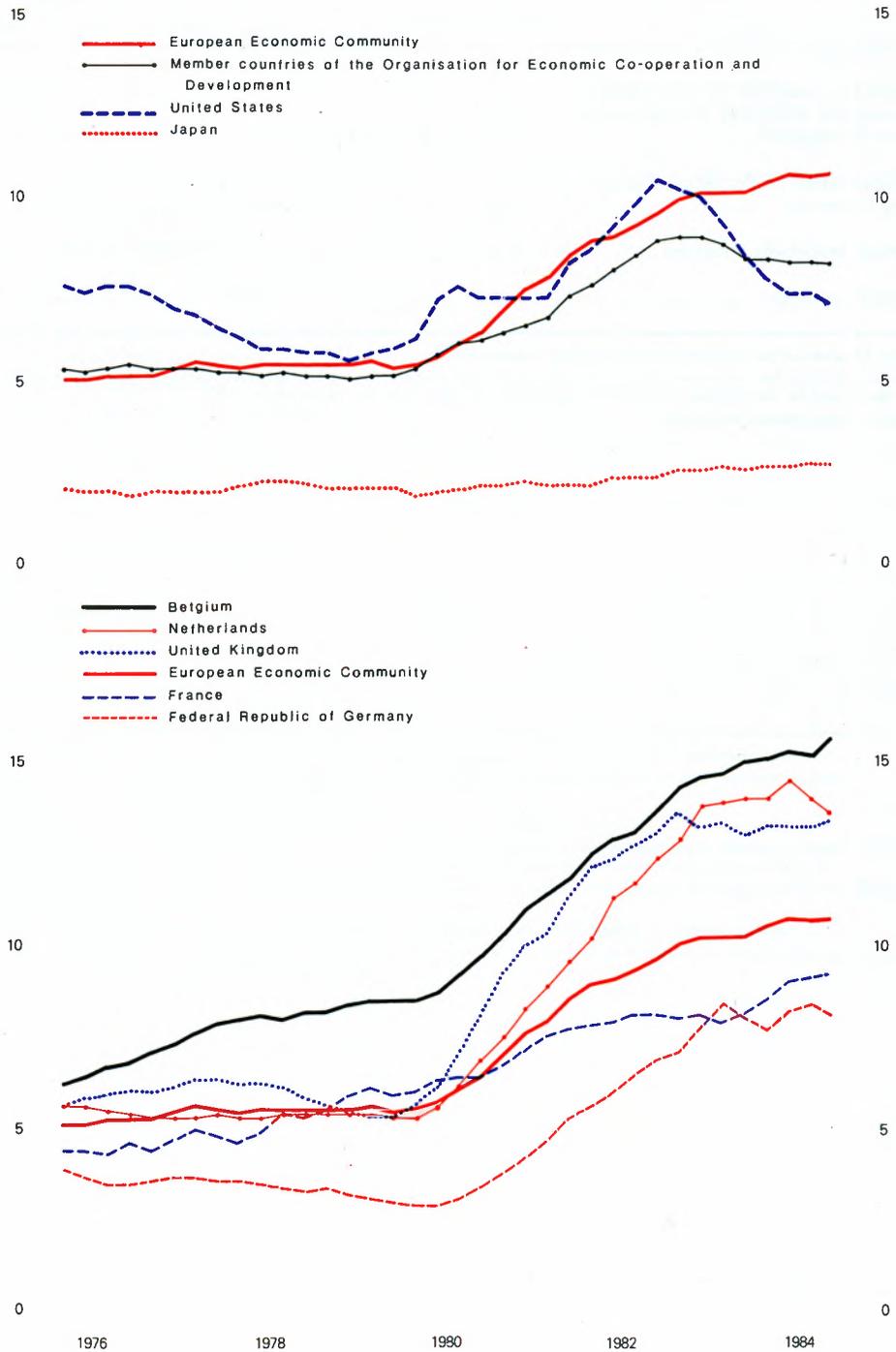
Source: Organisation for Economic Co-operation and Development.

¹ For the half-yearly data 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 1984 show the changes compared with the second half of 1983.² Mainly centrally-planned economies.

Chart I. 1.3

UNEMPLOYMENT RATE

(Percentage of working population)¹



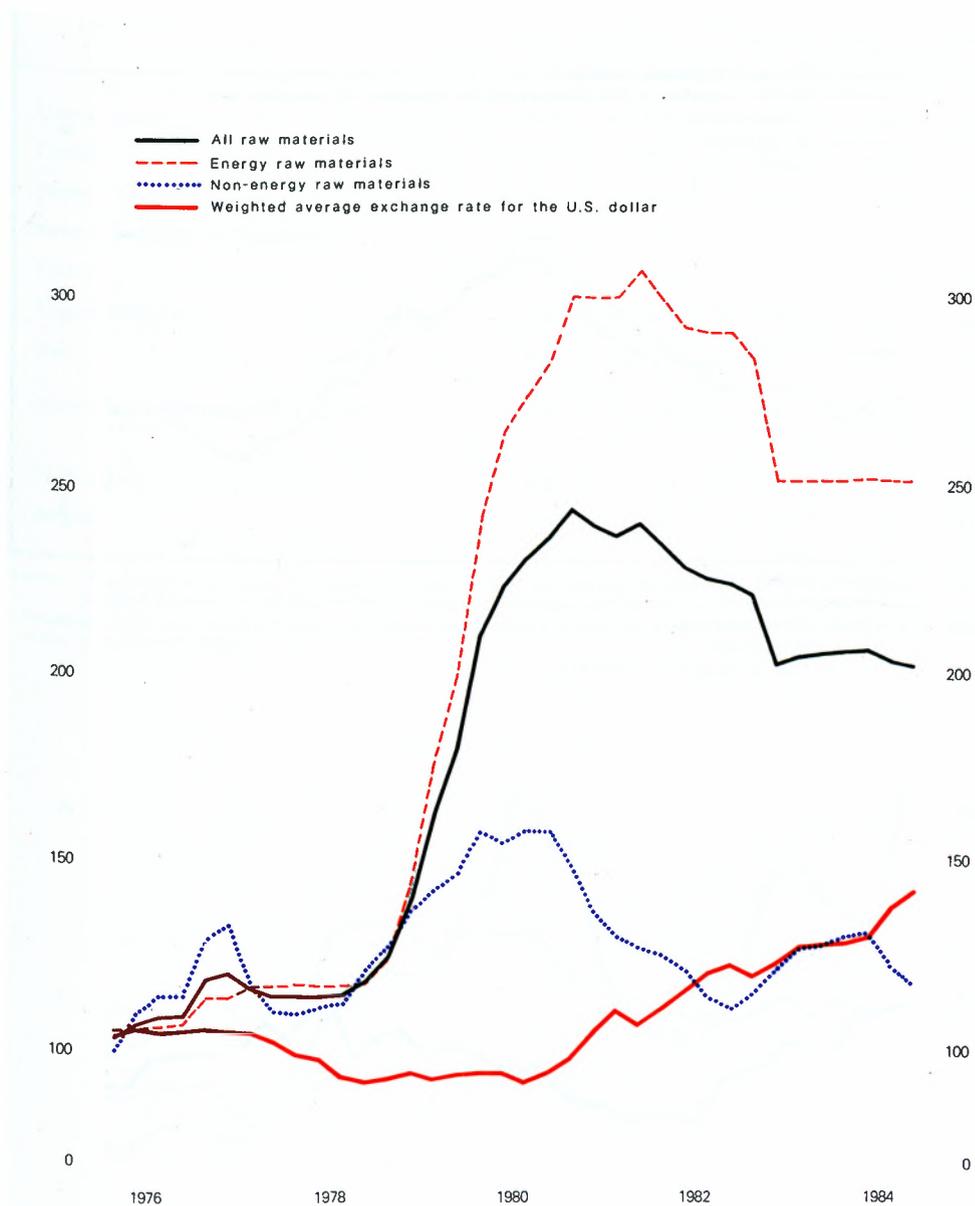
Source : Organisation for Economic Co-operation and Development.

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

Chart I. 1.4

RAW MATERIAL PRICES ¹ AND WEIGHTED AVERAGE EXCHANGE RATE FOR THE U.S. DOLLAR ²

(Indices 1975 = 100)



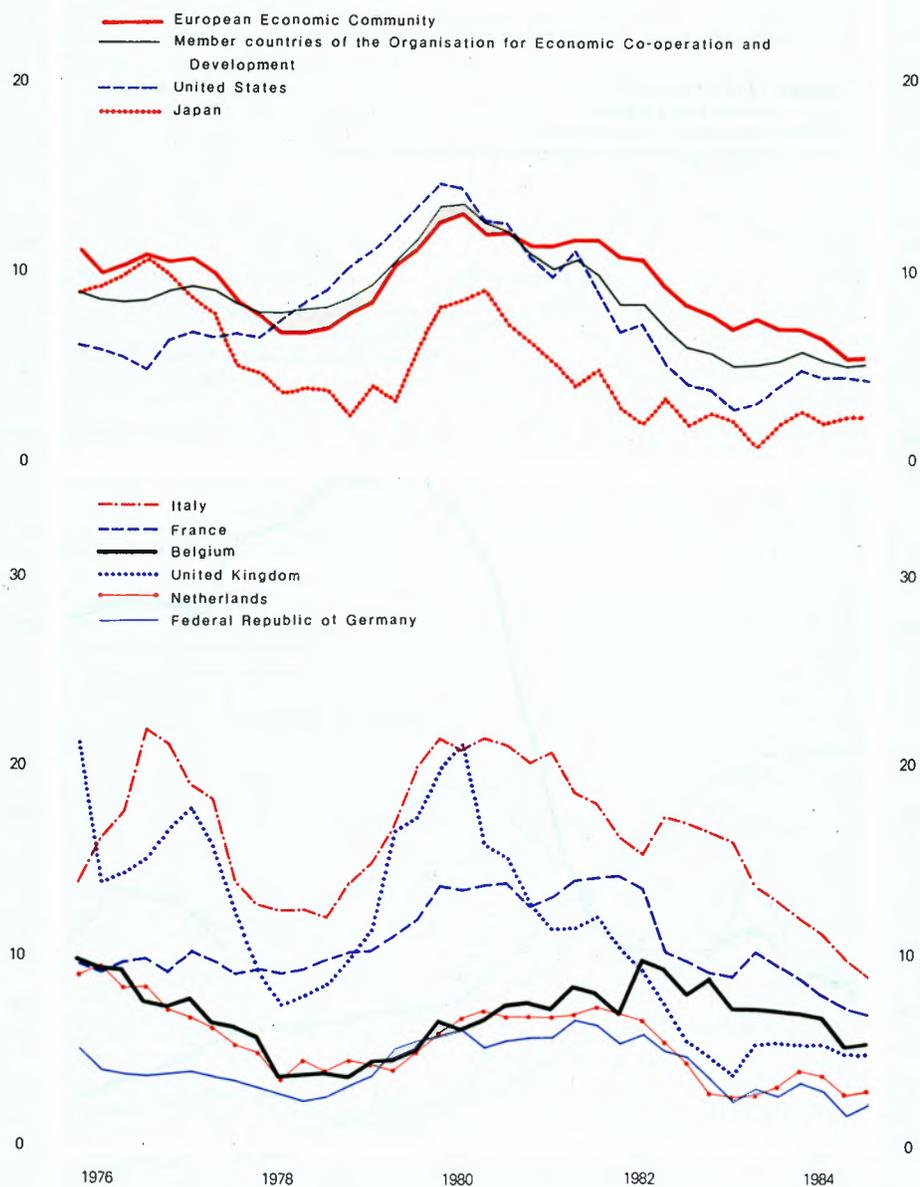
Sources : Institut für Wirtschaftsforschung, Hamburg, and International Monetary Fund.

¹ Indices calculated on the basis of prices expressed in U.S. dollars. Averages, per quarter, of monthly data.

² Averages, per quarter, of daily rates.

Chart I. 1.5

CONSUMER PRICES ¹



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

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

Table I. 1.6

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

(As percentages of gross domestic product)

	1980	1981	1982	1983	1984
United States ¹	- 1.2	- 0.9	- 3.8	- 4.1	- 3.2
Canada	- 2.7	- 1.6	- 5.0	- 6.2	- 6.0
Japan ¹	- 4.5	- 4.0	- 3.4	- 3.3	- 2.2
Federal Republic of Germany	- 3.1	- 3.8	- 3.4	- 2.7	- 1.7
France	+ 0.2	- 1.8	- 2.5	- 3.4	- 3.5
United Kingdom	- 3.8	- 3.1	- 2.4	- 3.3	- 3.1
Italy	- 8.0	- 11.9	- 12.7	- 11.8	- 13.5
Above seven countries as a whole	- 2.4	- 2.6	- 4.0	- 4.2	- 3.6
Netherlands	- 3.9	- 5.3	- 7.0	- 6.4	- 5.9
Belgium ¹	- 9.3	- 13.4	- 11.9	- 12.8	- 11.4 <i>e</i>

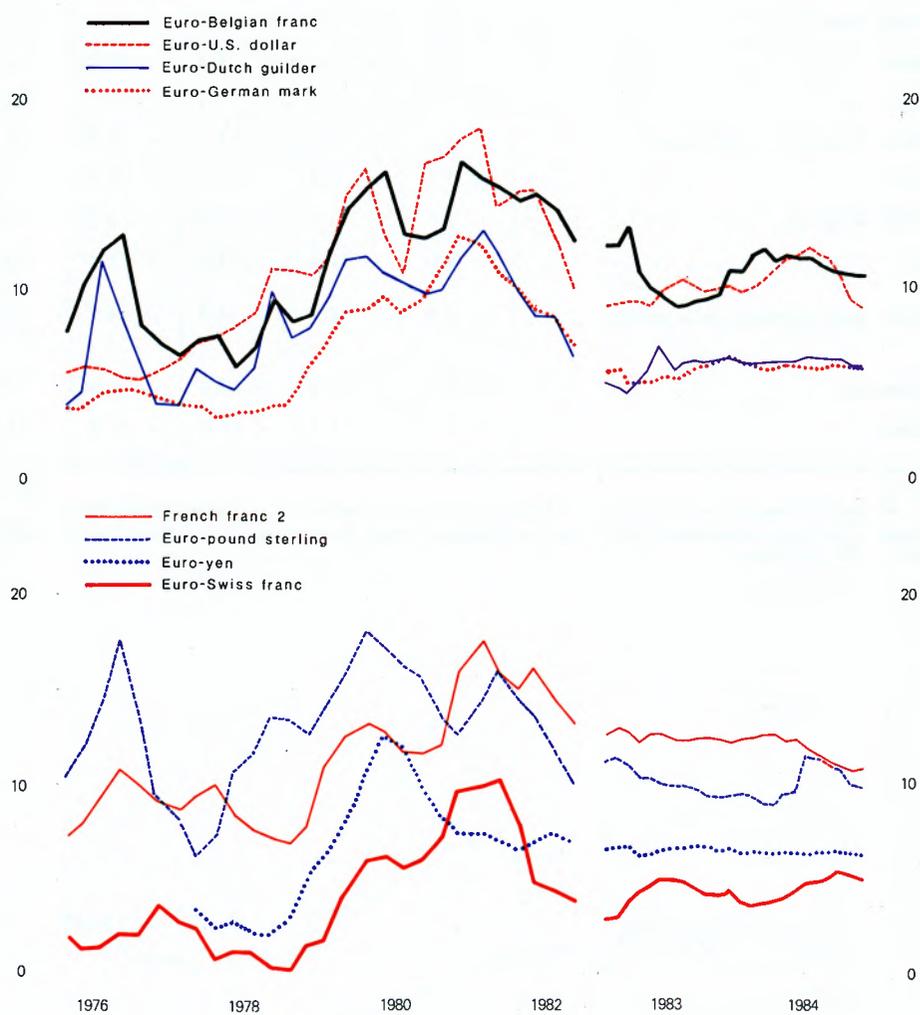
Sources : Organisation for Economic Co-operation and Development. For Belgium, National Statistical Institute, Statistical Office of the European Communities and National Bank of Belgium; calculations and estimates of the National Bank of Belgium.

¹ Percentages of the gross national product. For Belgium the discrepancy between this item and item 3 of Table V. 4.B is explained in section g) of the methodology.

Chart I. 1.7

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

(Per cent)



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

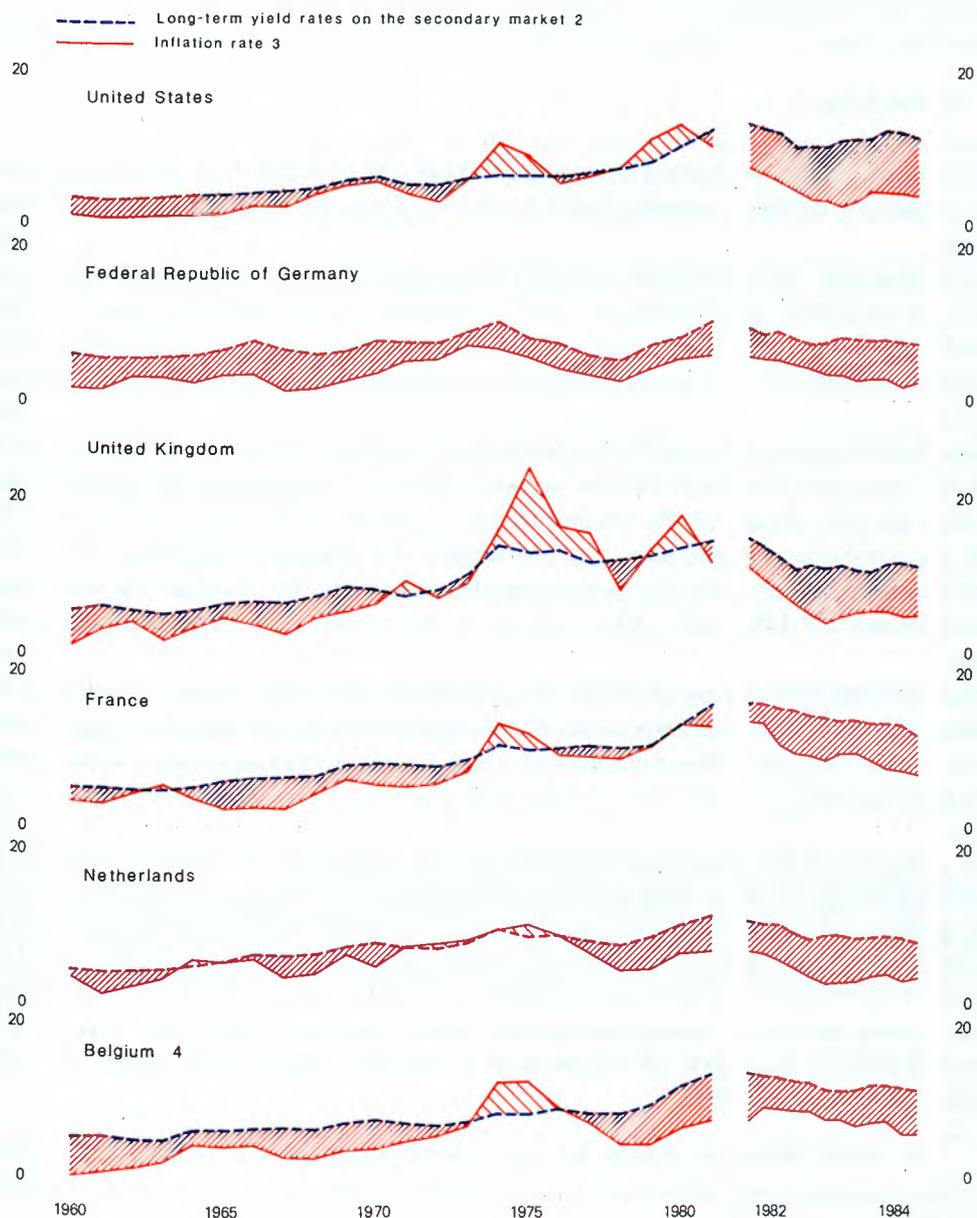
¹ Years 1976 to 1982 : averages, per quarter, of daily rates.

Years 1983 and 1984 : averages, per month, of daily rates.

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

Chart I. 1.8

LONG-TERM YIELD RATES AND INFLATION RATE ¹



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 I. 1.5.

¹ Years 1960 to 1981 : averages, per year, of monthly data. Years 1982 to 1984 : averages, per quarter, of monthly data.

² Yields on loans of the public and semi-public sector. These are gross yields before any taxation. It is practically impossible to determine the extent of taxation in the countries where there is no deduction at source for residents (United States, Federal Republic of Germany and Netherlands) but where the tax administration can as a rule make a fairly complete record of the interest income received by each tax-payer; even in the countries where such deductions are made, many difficulties are encountered in measuring the extent to which they apply because of, among other things, the existence of several categories of preliminary tax (France), changes in the course of time in the nature of the preliminary tax (in France in 1965 and in Belgium in 1984, when the preliminary tax, raised to 25 p.c., was deemed to constitute full discharge of tax liability), the possible existence of tax exemptions (France), etc.

³ Percentage changes in consumer prices compared with the previous year or the corresponding quarter of the previous year.

⁴ Years 1960 to 1963 : loans issued before 1st December 1962; from 1964 onwards : loans issued after 1st December 1962.

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 1984 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 1983 will see a reduction in the deficit in 1984 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 1984 and enable a better comparison to be made with 1983, the same balances expressed in dollars but at the rates which were ruling in 1983 are shown in the last column of Table I. 2, alongside the 1984 balances expressed in dollars at that year's exchange rates. A comparison of the two series of figures does in fact show that the differences between the balances calculated by the two methods are fairly small.

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, which would appear to have increased further in 1984.

The world balances shown by the various items of the balance of current transactions can, in the opinion of the international organisations, 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.

— 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 is 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 — is 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)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	<i>p.m.</i> 1984 in 1983 dollars
Member countries of the Organisation for Economic Co-operation and Development	- 14.8	- 21.3	+ 12.5	- 28.1	- 67.0	- 24.5	- 27.7	- 24.8	- 70.5	- 71.4
United States	+ 4.2	- 14.5	- 15.4	- 1.0	+ 1.9	+ 6.3	- 9.2	- 41.6	- 99.8	- 99.8
United Kingdom	- 1.5	+ 0.1	+ 2.2	- 1.1	+ 8.4	+ 14.5	+ 9.1	+ 4.4	- 1.5	- 1.7
Italy	- 2.8	+ 2.5	+ 6.2	+ 5.5	- 9.7	- 8.1	- 5.5	+ 0.8	- 1.0	- 1.1
Australia	- 2.0	- 3.1	- 4.5	- 2.8	- 4.0	- 8.3	- 8.4	- 5.4	- 6.5	- 6.7
Denmark	- 2.0	- 1.8	- 1.5	- 2.9	- 2.5	- 1.8	- 2.2	- 1.2	- 1.8	- 2.0
Canada	- 4.2	- 4.1	- 4.3	- 4.1	- 1.0	- 5.1	+ 2.2	+ 1.4	+ 1.0	+ 1.1
Austria	- 1.1	- 2.1	- 0.6	- 1.1	- 1.7	- 1.3	+ 0.7	+ 0.2	...	...
Japan	+ 3.7	+ 10.9	+ 16.5	- 8.8	- 10.7	+ 4.8	+ 6.9	+ 20.8	+ 32.3	+ 32.2
Spain	- 4.3	- 1.9	+ 1.6	+ 1.1	- 5.1	- 4.8	- 4.2	- 2.8	+ 1.5	+ 1.7
France	- 3.4	- 0.4	+ 7.0	+ 5.2	- 4.2	- 4.7	- 12.1	- 4.4	- 0.3	- 0.3
Federal Republic of Germany	+ 3.9	+ 4.1	+ 9.0	- 6.1	- 15.7	- 5.8	+ 3.7	+ 4.1	+ 6.3	+ 7.0 ^e
Netherlands	+ 2.7	+ 0.6	- 1.5	- 2.1	- 2.9	+ 2.9	+ 3.2	+ 3.6	+ 4.5	+ 5.0
Belgian-Luxembourg Economic Union	+ 0.4	- 0.6	- 0.8	- 3.0	- 4.9	- 4.2	- 2.4	- 0.5	... ^e	... ^e
Switzerland	+ 3.5	+ 3.4	+ 4.4	+ 2.4	- 0.5	+ 2.8	+ 3.9	+ 3.5	+ 3.5	+ 3.9
Organisation of Petroleum Exporting Countries	+ 39.0	+ 28.0	- 1.0	+ 65.0	+ 111.0	+ 51.0	- 15.0	- 18.0	+ 2.0	—
Other developing countries	- 19.0	- 13.0	- 26.0	- 41.0	- 63.0	- 81.0	- 68.0	- 41.0	- 32.0	—
Other countries ¹	- 13.0	- 8.0	- 12.0	- 8.0	- 9.0	- 10.0	+ 8.0	+ 11.0	+ 11.0	—
Total	- 7.8	- 14.3	- 26.5	- 12.1	- 28.0	- 64.5	- 102.7	- 72.8	- 89.5	—
of which : Merchandise transactions ²	+ 18.8	+ 18.0	+ 9.3	+ 30.2	+ 33.8	+ 34.6	+ 10.3	+ 26.2	+ 21.5	—
Portfolio and investment income	- 0.4	- 7.0	- 6.4	...	- 17.0	- 31.1	- 50.0	- 49.0	- 59.0	—
Other services	- 21.1	- 19.8	- 21.0	- 32.7	- 36.3	- 59.0	- 47.0	- 35.0	- 38.0	—
Transfers	- 5.1	- 5.5	- 8.4	- 9.6	- 8.5	- 9.0	- 16.0	- 15.0	- 14.0	—

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

¹ Mainly centrally-planned economies.² Figures calculated as balances.

B. Main developments

a) The current account deficit of the member countries of the Organisation for Economic Co-operation and Development as a whole would appear to have increased considerably in 1984, rising from \$ 24.8 billion to about \$ 71 billion, whether the latter amount be expressed in current dollars or in 1983 dollars (Table I. 2).

The increase in the deficit is mainly due to the development of current transactions at constant prices, as the growth in exports to non-OECD countries was smaller than the rise in imports from those countries, while the deterioration of the terms of trade would appear to have had only a minor effect.

The extent of the worsening of the current account deficit was particularly large in the United States — \$ 58 billion — because economic growth there was appreciably greater than in other countries and because the competitiveness of American enterprises, undermined by the continuous appreciation of the dollar, declined further. This situation led to a particularly large rise — of about 29.6 p.c. — in imports of goods and services at constant prices, whereas exports went up by only about 6 p.c. In the United Kingdom, which showed a deficit for the first time since 1979, the worsening of the balance of current transactions was partly attributable to the substantial expansion in the volume of imports of energy products due to the coal miners' strike which began in March. In Italy it would seem that the terms of trade deteriorated and imports were furthermore boosted by substantial replenishment of stocks.

Japan, on the other hand, improved its current account balance for the fourth year in succession, achieving a surplus of \$ 32.3 billion, a substantial amount for that country. As already mentioned in the comments on Table I. 1.1, the Japanese economy benefited greatly by the sharp increase in the imports of the United States. The current account balance also improved appreciably in some European countries whose competitiveness appears to have recovered further, such as Spain, France, the Federal Republic of Germany and the Netherlands.

b) The current transactions of the members of the Organisation of Petroleum Exporting Countries, which had shown deficits in the two preceding years, appear to have broken even in 1984. This improve-

ment appears to have been attributable both to an increase in the volume of exports, due to a slight rise in world demand for oil, and to a decrease in the volume of imports.

The current account deficit of the other developing countries appears to have shown a further decline, the considerable expansion in the volume of exports triggered off by the marked revival in the industrialised countries having substantially exceeded the growth in imports, still curbed by various rehabilitation measures. This change for the better was particularly marked — especially in Latin America — in the case of the newly industrialised countries and of certain oil producers which appear to have succeeded in meeting a large proportion of their interest payments on their foreign debt by means of a surplus achieved in their other current transactions, thus reducing their further borrowing.

c) The improvement in the current account position of the developing countries, especially the main debtors, appears to have enabled them to reduce their foreign debt expressed as a percentage of their exports of goods and services for the first time since 1980 (Table I. 2.1). This amelioration was accompanied by a further improvement in the structure of the debt, its short-term portion having apparently decreased considerably as a result of further reschedulings agreed to by the bankers and of a slight increase in the long-term debt to official organisations.

This restructuring explains why the ratio of redemption payments to export of goods and services again declined slightly in 1984. Despite the substantial rise in export earnings, the ratio of interest payments to these earnings would also appear to have fallen only marginally : the outstanding amount of the debt, for the most part expressed in U.S. dollars, increased further and the interest rates on it rose between mid-1983 and mid-1984.

All in all, the total debt burden appears to have been only slightly lightened in 1984 and to have still absorbed over one-fifth of export earnings.

d) As shown by Chart I. 2.2 the year 1984 was marked by a further substantial rise in the weighted average rate for the U.S. dollar, amounting to 9.9 p.c. between December 1983 and December 1984.

This strength of the American currency, which may appear paradoxical in view of the sharp worsening of the United States' current account balance of payments position, is clearly due to the very large portfolio investments made, especially at short term, by non residents attracted by the positive yield differential — which in fact increased during the greater part of the year — in relation to other currencies such as the German mark and the yen.

The abolition, on certain conditions, of the income tax which was deducted from the interest on fixed-interest securities held by non-residents took place too late to have been able to exert any significant influence on capital movements to the United States in 1984; on the other hand, these movements were probably made larger — as in the preceding years — by the confidence inspired by the American economy, by the belief that the U.S. monetary authorities would adhere to their policy centred on the fight against inflation and perhaps by favourable prospects as regards the further profitability, after tax, of investments in the United States.

Among the other leading currencies the yen was the only one whose exchange rate displayed a certain upward trend, this having been entirely due to the large increase in Japan's current account surplus, at a time when substantial capital outflows were taking place from that country, largely because of the unfavourable interest-rate differential in relation to the dollar.

The weighted average exchange rates for the European currencies moved downwards; the fall was particularly marked in the case of the Swiss franc and the pound sterling, but smaller for the currencies of the countries participating in the foreign exchange mechanism of the European Monetary System. In the absence of further readjustments of the central rates, the movements of these currencies were more or less parallel, the stability within the system having in fact been contributed to in 1984 by the appreciation of the dollar, which had a greater effect on the traditionally strong currencies such as the German mark, and by the increased convergence of inflation rates among the countries in question.

Table I. 2.1

FOREIGN DEBT OF THE DEVELOPING COUNTRIES¹*(Percentages of exports of goods and services)*

	1976	1977	1978	1979	1980	1981	1982	1983	1984
<i>Outstanding debt</i> ² :									
1. Short-term debt	18.2	19.4	19.7	17.6	19.8	22.7	28.5	22.9	17.9
2. Long-term debt :									
2.1 to official organisations ³	45.4	43.9	44.4	39.5	35.8	37.3	43.0	47.4	47.9
2.2 to private creditors ...	61.9	62.8	63.6	60.1	55.6	62.5	72.6	79.2	78.9
2.3 total	107.3	106.7	108.0	99.6	91.4	99.8	115.6	126.6	126.8
3. Total debt (1 + 2.3)	125.5	126.1	127.7	117.2	111.2	122.5	144.1	149.5	144.7
<i>(p.m. In billions of U.S. dollars)</i>	(228.0)	(280.3)	(334.3)	(395.3)	(475.2)	(559.6)	(633.3)	(668.6)	(710.9)
<i>p.m. Percentage share in total debt :</i>									
1. of short-term debt	14.5	15.4	15.4	15.0	17.8	18.5	19.8	15.3	12.4
2. of long-term debt :									
2.1 to official organisations ³	36.2	34.8	34.8	33.7	32.2	30.5	29.8	31.7	33.1
2.2 to private creditors ...	49.3	49.8	49.8	51.3	50.0	51.0	50.4	53.0	54.5
<i>Debt charges :</i>									
1. Interest payments	6.0	5.7	6.9	7.7	9.1	12.0	14.3	13.2	13.0
2. Redemption payments	9.3	9.1	11.2	10.4	8.0	9.3	10.2	8.4	8.1
3. Total charges (1 + 2)	15.3	14.8	18.1	18.1	17.1	21.3	24.5	21.6	21.1

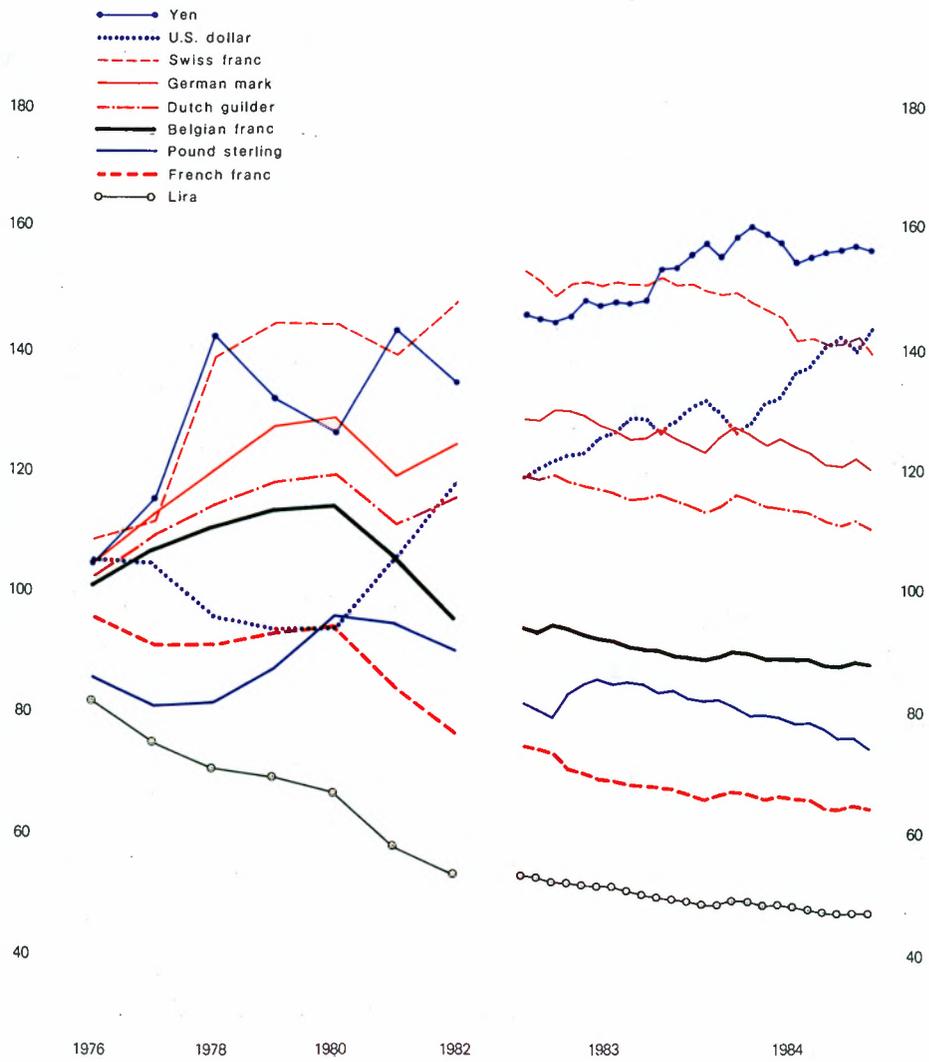
Sources : International Monetary Fund. Calculations of the National Bank of Belgium.

¹ Excluding most of the members of the Organisation of Petroleum Exporting Countries.² Outstanding amount at the end of each year, as a percentage of the year's exports.³ Public authorities and international official institutions.

Chart I. 2.2

WEIGHTED AVERAGE EXCHANGE RATES FOR VARIOUS CURRENCIES ¹

(Indices 1975 = 100)



Source : International Monetary Fund.

¹ Years 1976 to 1982 : averages, per year, of daily rates.

Years 1983 and 1984 : averages, per month, of daily rates.



MAIN DEVELOPMENTS IN BELGIUM



CHAPTER II

PRODUCTION AND EMPLOYMENT

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 and deducting from it the incomes paid to foreign factors of production employed within the national frontiers, one obtains the gross national product.

Thus, for 1983, the following data (in billions of francs) taken from the national accounts of the National Statistical Institute enable the conversion to be made from Belgium's gross domestic product to its gross national product :

Gross domestic product :	4,190
— add the proceeds of the investment of Belgian capital abroad (interest received on deposits, bonds or loans, investment income...) .	+ 327
— deduct the proceeds of the investment of foreign capital in Belgium (interest paid on deposits, bonds or loans, including interest on the public debt placed abroad, investment income...)	- 387
— add the incomes of Belgian frontier workers abroad (remuneration received by workers resident in Belgium but working abroad) ..	+ 42
— deduct the incomes of foreign frontier workers in Belgium (remuneration paid to workers resident abroad but working in Belgium)	- 18
Total = gross national product	4,154

For the years 1976 to 1983 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 1980 prices ». The numerical data for 1984 were estimated by the Bank.

b) The estimates of the value added in industry in 1984 are mainly based on the available data on industrial production for the first ten months of 1984, as calculated by the National Statistical Institute (Table II. 1.2). Account was taken of the fact that the 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 1984 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, in so far as statistical indicators by branch are available, in order to allow for the fact that expenditure on construction work may not have developed in exactly the same way as total capital formation. Finally, the weighted average of the percentage changes for each branch which have been thus obtained is calculated; the respective weights — which were provided for 1983 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 1984 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 value added of non-market services consists mainly of the salaries and pensions paid by the public authorities. As described in the comments on Table V. 4.B, the procedures for the payment of salaries were changed in 1984. These changes had hardly any effect on the development of the value of total gross remuneration in 1984, since, while only eleven monthly salaries instead of twelve were authorised in 1984, this was largely compensated for by the payment of the previously postponed 1983 end-of-year bonus and of the 1984 end-of-year bonus. For national accounting purposes, however, the effect which this carrying forward from year to year of the 1983 end-of-year bonus had on the development of total gross remuneration both in 1983 and in 1984 was treated in both years as a change due to a price movement : this transfer thus lowered the 1983 deflator and raised that for 1984. On balance this practice means that, for 1984, stability of total gross remuneration (including bonuses) in value is regarded as being the resultant of the above-mentioned rise in the deflator on the one hand and of a corresponding fall in the data at constant prices on the other. This explains why in 1984 the value added at constant prices of non-market services would appear to have declined by 1 p.c. despite the increase in employment in that branch.

f) 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. 1.3, 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, N° 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)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
Gross domestic product ¹	+ 5.3	+ 0.5	+ 3.1	+ 2.1	+ 3.3	- 1.2	+ 1.1	+ 0.4	+ 2.1
of which :									
1. Agriculture, forestry and fishing	- 4.6	+ 3.4	+12.3	+ 0.2	+ 3.0	+ 2.7	+ 8.8	- 3.1	+ 3.5
2. Industry ²	+ 7.7	+ 1.3	+ 2.2	+ 3.3	+ 2.7	- 2.8	- 0.3	+ 1.5	+ 4.5
3. Building industry ³ .	+ 6.6	+ 2.5	+ 0.9	- 3.4	+ 4.7	-19.2	- 3.5	- 3.1	+ 1.8
4. Cyclically sensitive market services ⁴ ...	+ 5.3	+ 0.2	+ 3.6	+ 4.1	+ 2.4	- 0.8	+ 1.9	- 1.0	+ 1.8
5. Cyclically less sensitive market services ⁵	+ 3.6	+ 2.6	+ 2.4	+ 2.5	+ 3.0	+ 2.4	+ 2.2	+ 1.7	+ 1.1
6. Non-market services ⁶	+ 4.1	+ 1.9	+ 4.9	+ 3.5	+ 2.6	+ 1.2	- 0.6	+ 0.4	- 1.0

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

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

² Mineral-extracting industry; electricity, gas and water; manufacturing industry (excluding garages).

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

⁴ Trade, transport and communications, financial services, insurance and other services rendered to enterprises.

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

⁶ Services provided by the public authorities.

B. Main developments

a) The rate of growth of the gross domestic product would appear to have been higher in 1984 than in the two preceding years : 2.1 p.c. (Table II. 1). With one exception — that of non-market services — all the branches which contribute to the formation of the value added of the Belgium economy would appear to have shown a growth that was particularly appreciable in industry, where it appears to have amounted to 4.5 p.c. Furthermore, the decline in non-market services is largely artificial, since it is attributable to a change — described in section e) of the methodology — in the composition (salaries or bonuses) of total gross remuneration and to the effect which this change had on the deflator used in order to obtain the data at constant prices. Had it not been for this accidental factor, the growth rate of the gross domestic product would have been higher and would thus have exceeded 2.1 p.c.

b) After the decline recorded in 1983 in the branch consisting of agriculture, forestry and fishing (Table II. 1, item 1), there appears to have been an improvement again in 1984 ; this was apparently due to favourable results both in stock-farming and in the field of vegetable products.

c) The increase in the value added in industry recorded in 1983 — the first since 1980 — appears to have become larger during the year under review (item 2), chiefly owing to faster growth in manufacturing industry but also because of a certain advance in the mineral-extracting industry, following a decline recorded by that industry in 1983.

— The gradual, limited recovery in production in manufacturing industry which took place during 1983 continued and became more marked in the first quarter of 1984. After a slackening in the second quarter, partly due to the effect of the strikes in the metallurgical industry in the Federal Republic of Germany, production revived appreciably again in the third quarter. For the first ten months as a whole, the increase compared with the previous year amounted to 4.7 p.c. (Chart II. 1.1 and Table II. 1.2). Whereas in 1983 the recovery had been chiefly triggered off by foreign demand, the available indicators show that throughout the year under review activity was sustained both by the dynamism of domestic demand, especially for capital goods, and by the maintenance of foreign demand at a high level.

— More detailed examination of the movement of production in manufacturing industry during the first ten months of 1984 (Table II. 1.2) reveals that high gross rates, appreciably above those for 1983, were recorded in basic metallurgy, the chemical and rubber industries and the non-metallic mineral product industry. To a smaller extent a similar development is observable in the case of the metal-working industry and the paper and board industry. The advance achieved in basic metallurgy and metal-working was mainly attributable to the increase in capital investment in Belgium and abroad. The increase in production of non-metallic mineral products is partly due to the revival in building, which will be discussed further on, whereas the replenishment of stocks of basic chemical products by other branches of industry was largely responsible for the sharp increase in the chemical industry.

d) After three successive years of decline, a turnround took place in 1984 in building, the added value of which would appear to have gone up by 1.8 p.c. (Table II. 1, item c). The differences in the development depending on the type of work can be illustrated by means of the synthetic curves produced by the Bank, it being borne in mind that these, unlike the data used to estimate the increase in the value added [see point c) of the methodology], reflect not only actual activity but also largely the activity which is to be expected (Chart II. 1.3). With this reservation, the afore-mentioned turnround appears to be connected with that in residential building, where the first signs of revival had been discerned during 1983 and the recovery continued in 1984. On the other hand, in non-residential building the economic climate would not appear to have been, on average, appreciably better than in 1983 : the gradual recovery which took place throughout the year under review was only sufficient to counterbalance the pronounced decline which took place in the fourth quarter of 1983. Similarly, in road and civil engineering work, the upswing in the second half of 1984 would appear to have been primarily due to a catching-up of the backlog existing at the beginning of the year in the execution of certain public investment programmes.

e) After having declined slightly in 1983 the value added of cyclically sensitive market services would appear to have risen again during the year under review (Table II. 1, item 4). This phenomenon would appear to have been chiefly caused by the pronounced growth in the

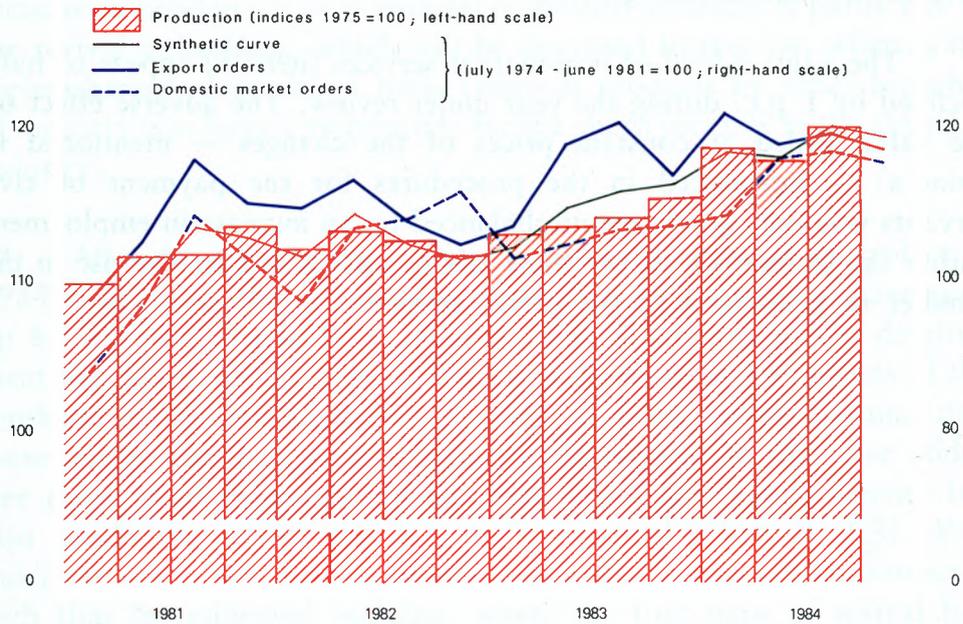
value added of transport and communication and by the less depressed state of private consumption. Thus, the value added of trade — which represents more than half of that of cyclically sensitive services — would appear to have remained stable in 1984, whereas it had declined by 1.4 p.c. in 1983.

f) The rate of growth of the value added of cyclically less sensitive market services would appear to have slackened again in 1984 (item 5). Within this branch, only hotel, catering and leisure services appear to have shown substantial growth.

g) The value added of non-market services (item 6) appear to have declined by 1 p.c. during the year under review. The adverse effect on the value added at constant prices of the changes — mentioned in point a) — introduced in the procedures for the payment of civil servants was only partly counterbalanced by an increase in employment within the framework of the third labour circuit and by the rise in the number of pensioners in the public services.

Chart II. 1.1

PRODUCTION, SYNTHETIC CURVE AND DEMAND IN MANUFACTURING INDUSTRY ^{1 2}



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

¹ 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 either in the synthetic curve or in demand indicators.

² Averages, per quarter, of seasonally adjusted and smoothed monthly data.

Table II. 1.2

INDUSTRIAL PRODUCTION

(Percentage changes compared with previous year)

	1981	1982	1983	First ten months	
				1983	1984
Industry as a whole ¹	- 2.6	+ 0.1	+ 1.8	+ 1.2	+ 4.6
Mineral-extracting industries	- 6.4	+ 1.0	- 6.0	- 6.1	+ 1.9
Electricity and water industries	- 4.5	+ 0.2	+ 3.4	+ 3.7	+ 4.2
Manufacturing industry	- 2.3	+ 0.1	+ 1.9	+ 1.2	+ 4.7
of which :					
Metal-working industry	- 3.4	+ 2.2	+ 2.7	+ 2.3	+ 4.2
Basic metallurgy	- 4.2	- 10.4	+ 2.2	- 0.6	+ 8.9
Chemical industry and rubber industry	+ 1.1	+ 2.1	+ 3.9	+ 2.7	+ 7.8
Food and beverage industries	+ 4.1	+ 5.2	+ 1.0	+ 1.6	+ 3.5
Textile industry	- 2.9	- 1.0	+ 7.6	+ 6.6	+ 3.7
Non-metallic mineral product industry .	- 12.6	- 6.6	- 5.2	- 6.4	+ 5.7
Wood industry	- 2.1	+ 1.2	- 2.6	- 1.9	+ 0.2
Manufacturing of clothing and footwear	- 3.2	+ 2.6	- 0.9	- 0.7	- 3.5
Paper and board industry	+ 1.3	+ 0.8	+ 2.9	+ 2.1	+ 5.2
Oil refining	- 13.0	- 15.0	- 16.0	- 18.5	- 3.6

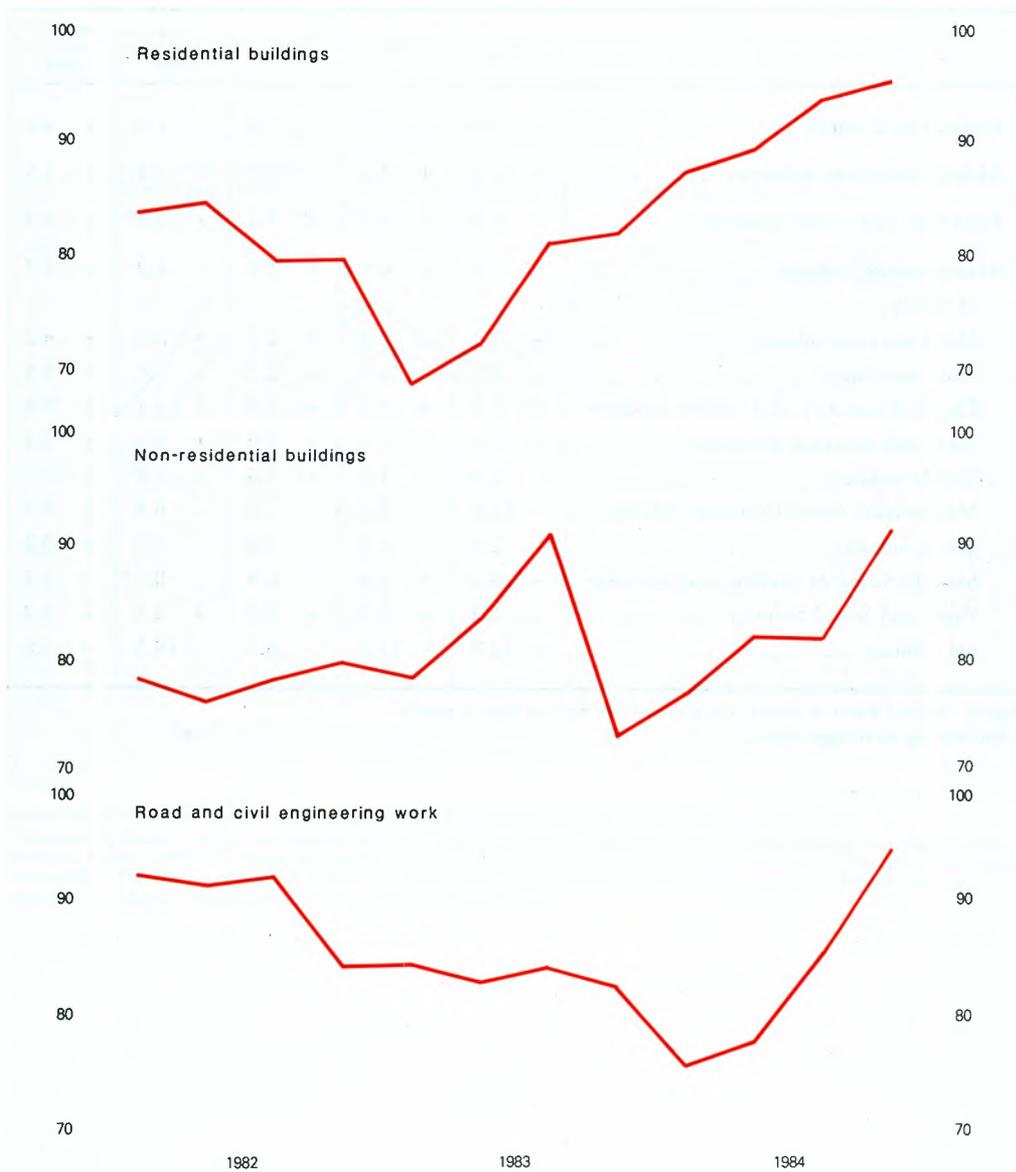
Sources : National Statistical Institute. Calculations of the National Bank of Belgium.

¹ Not including the building industry.

Chart II. 1.3

SYNTHETIC CURVES IN THE BUILDING INDUSTRY BY TYPE OF BUILDING ACTIVITY ¹

(July 1974 - June 1981 = 100)



Source : National Bank of Belgium.

¹ Averages, per quarter, of monthly data.

*
**

COMMENTS OF TABLE II. 2 :

SUPPLY OF AND DEMAND FOR 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 (Table II. 2.1), 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 (Table II. 2.1) may therefore give a somewhat distorted picture, as the value added and employment do not relate to identical periods.

b) The population of working age (Table II. 2, *p.m.* of item 1) consists of the male population aged 15 to 64 and the female population aged 15 to 59. In addition to employed persons and the unemployed (working population), the population of working age also includes the persons in the above-mentioned age groups who are not job-seekers.

c) The change in the value added (at constant prices) per person employed (Table II. 2.1) 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 must be interpreted with a certain amount of caution, chiefly because it 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.

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 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 interrelation-

ship 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 and Chart II. 2.3, include, apart from wholly unemployed persons receiving unemployment pay, other categories of job-seekers, namely, « voluntarily registered job-seekers without employment » and « other compulsorily registered unemployed persons ». The various categories of job-seekers whom the National Employment Office groups under the heading « other compulsorily registered unemployed persons » are not, however, all included in item 3 of Table II. 2 or in Chart II. 2.3. In order to avoid duplication, the categories of unemployed persons who are, in principle, included in the employment figures (item 2 of Table II. 2), namely wholly unemployed persons given work in a sheltered workshop and wholly unemployed persons who have accepted a part-time job in order to escape unemployment, have not been included ; the other categories, such as job-seekers who have completed their education, for the duration of the waiting period preceding their eligibility for unemployment pay, or certain wholly unemployed persons temporarily excluded from receiving unemployment pay, have been taken into account in working out the figures of item 3 of Table II. 2 and Chart II. 2.3.

The recording of unemployment as described above is thus brought into line with the standardised definition of the Statistical Office of the European Communities. It is broad enough not to be distorted, particularly by changes in the regulations which can cause shifts between different categories of job-seekers. The Belgian data thus arrived at are also comparable, in principle and subject to certain differences in national regulations which are liable to influence the number of recorded job-seekers, to those of the European Economic Community and of certain member States included in table II. 2.2 ; they differ, on the other hand, from those arrived at according to other criteria by the Organisation for Economic Co-operation and Development, which have been used in Chart I. 1.3 in order to provide consistent data for a larger geographical area ; the last-mentioned chart may therefore present a somewhat different picture from that which emerges from Chart II. 2.3.

Finally it should be noted that the data concerning unemployment disregard partially unemployed persons : although the work of these persons has been temporarily suspended or at least reduced, 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)¹

	1976	1977	1978	1979	1980	1981	1982	1983	1984
1. Demand for employment (working population)									
Total	+ 31	+ 25	+ 25	+ 58	+ 16	+ 17	+ 24	+ 16	+ 11 e
Men	(- 3)	(- 10)	(- 7)	(+ 14)	(- 11)	(- 11)	(- 6)	(- 9)	(- 12) e
Women	(+ 35)	(+ 35)	(+ 33)	(+ 44)	(+ 27)	(+ 28)	(+ 30)	(+ 25)	(+ 23) e
<i>p.m.</i> Population of working age :									
Total	+ 59	+ 63	+ 60	+ 53	+ 43	+ 34	+ 35	+ 33	+ 24
Men	(+ 25)	(+ 23)	(+ 20)	(+ 20)	(+ 24)	(+ 28)	(+ 30)	(+ 29)	(+ 22)
Women	(+ 33)	(+ 39)	(+ 39)	(+ 33)	(+ 18)	(+ 6)	(+ 5)	(+ 3)	(+ 2)
2. Supply of employment (employment)²									
by :	- 27	- 8	+ 1	+ 44	- 2	- 76	- 50	- 39	+ 10 e
2.1 enterprises	- 37	- 20	- 28	+ 12	- 11	- 78	- 55	- 33	- 1 e
- agriculture, forestry and fishing	- 8	- 5	- 4	...	- 6	- 3	- 3	- 1	... e
- industry	- 46	- 41	- 42	- 27	- 20	- 48	- 32	- 20	- 6 e
- building industry	+ 4	+ 2	- 4	+ 2	- 9	- 30	- 23	- 19	- 15 e
- cyclically sensitive market services	- 3	+ 5	+ 6	+ 15	+ 9	- 9	- 8	...	+ 11 e
- cyclically less sensitive market services	+ 17	+ 20	+ 16	+ 22	+ 15	+ 11	+ 10	+ 7	+ 9 e
2.2 non-market services ³	+ 13	+ 14	+ 30	+ 33	+ 10	+ 3	+ 6	- 6	+ 11 e
2.3 foreign countries ⁴	- 3	- 2	- 1	- 2	- 1	- 1	- 1	...	... e
3. Unemployment (1 - 2)									
Total	+ 58	+ 34	+ 24	+ 14	+ 18	+ 93	+ 74	+ 55	+ 1
Men	(+ 16)	(+ 6)	(+ 8)	(- 1)	(+ 5)	(+ 60)	(+ 44)	(+ 31)	(- 3)
Women	(+ 42)	(+ 27)	(+ 16)	(+ 15)	(+ 13)	(+ 33)	(+ 31)	(+ 24)	(+ 4)

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

¹ 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.² 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.³ 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 ».⁴ 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 smaller than in the preceding years, having amounted to only about 11,000. This development is largely attributable to the slowing-down of the increase in the male population of working age. As had already been the case with the female population during the years 1979 to 1981, owing to the peak birth rates reached during the years immediately following the First World War, in 1984 a large group of men ceased to belong to the population of working age. The effect of this demographic phenomenon on demand for employment was, however, relatively slight, because the male population which passed the 65-year age limit in 1984 was already actually benefiting to a great extent by the various early retirement schemes, so that its activity rate was very low.

b) For the first time since 1979, employment appears to have increased (by 10,000; item 2); while the supply of employment by enterprises appears to have remained virtually unchanged, employment in non-market services appears to have risen by about 11,000.

— The growth in the value added in enterprises as a whole did not lead to an increase in employment (Table II. 2.1). The value added rose in all branches of activity, but only three of them also showed a growth in employment : agriculture, forestry and fishing and the two market-services branches. Employment declined, on the other hand, in building and industry, so that the value added per person employed increased appreciably. Owing to the reduction in the number of hours worked per person employed, the value added per hour worked in industry appears to have gone up still faster than the value added per person employed. This confirms an observation made in the past, namely that a cyclical upturn of the value added is not generally accompanied by a parallel movement of employment in this branch, because enterprises start by making fuller use of the workforce which they have retained during the preceding recession.

— A number of measures adopted by the public authorities probably contributed to the stabilisation of employment in enterprises as a whole.

Thus, several collective labour agreements had been contracted in the course of 1983 in partial implementation of a government decision

whereby the gain resulting from the additional moderation of wages was to be used for a reduction in working hours and for compensatory recruiting, in 1983 and 1984, amounting to 3 p.c. (2.5 p.c. in the case of small and medium-sized enterprises) of employment at the end of 1982. The recruitments which were to result from the above-mentioned agreements did not take place until the end of 1983 and, chiefly, in the course of 1984. Their effect on the supply of employment must therefore have been particularly great during the last period covered by the data in Table II. 2, i.e. between June 1983 and June 1984.

Part-time working also appears to have increased further in 1984, partly thanks to the measures aimed at encouraging it. An indication of this phenomenon is provided by the movement of the number of fully unemployed persons who accepted a part-time job in order to escape unemployment, which rose by 26,200 between June 1983 and June 1984.

At the end of 1982 the Government had decided temporarily to reduce employers' social security contributions for physical persons or corporate bodies appointing a first employee. The increase between June 1983 and June 1984 in the number of persons given work as a result of this provision can be estimated at over 4,000.

Lastly, it should be mentioned that, within the framework of the other measures adopted to promote employment, nearly 2,000 unemployed persons receiving unemployment pay and wishing to become self-employed or to establish an enterprise were given financial assistance.

— Unlike in 1983, employment appears to have increased again in non-market services (by 11,000, compared with a decrease of 6,000 in 1983; item 2.2 of Table II. 2). This rise is entirely due to the activation (12,400 persons between June 1983 and June 1984) of the « third labour circuit ». On the other hand the number of persons employed in public administration, education and the armed forces appears to have fallen slightly.

c) As employment rose and the growth in the working population — as stated — slowed down, the number of unemployed at the end of June 1984 (545,700) was only 1,000 (item 3 of Table II. 2) above the 1983 level — an insignificant rise compared with that in previous

years. This stabilisation of unemployment in Belgium contrasts with the less favourable development in most of the other countries of the European Economic Community (Table II. 2.2), especially as, in 1984, the growth of the Belgian economy was no faster than in these countries as a whole. Nevertheless, the level of unemployment, viewed both in historical perspective and in comparison with other countries, remained particularly high in Belgium.

The seasonally adjusted monthly data (Chart II. 2.3) confirm the stabilisation of unemployment : in December 1984 unemployment, expressed as a percentage of the working population, reached 14.1 p.c., the same level as a year earlier ; the unemployment rate for men was 10.5 p.c. against 10.7 p.c. in December 1983, while that for women reached 20.2 p.c. against 19.6 p.c. With regard to the movement during the period, it should be noted that a change in the method of payment of certain categories of temporary staff in education had the effect of pushing up unemployment — especially of women — during the holiday period.

The changes which took place in partial unemployment, which declined on average by 10,600 during the first seven months of 1984, give an additional indication of the improvement in conditions in the labour market. It will be recalled, on the other hand, that the picture which it presents may be too favourable owing to the expansion in part-time working : the number of wholly unemployed persons who accepted a part-time job in order to escape unemployment in fact rose, on average, by 25,100 during 1984. It is difficult to ascertain to what extent the success of this form of working is due to a deliberate choice by the persons concerned rather than to an increase in « concealed unemployment ».

Table II. 2.1

EMPLOYMENT, VALUE ADDED¹ AND PRODUCTIVITY IN ENTERPRISES²(Percentage changes compared with previous year)³

	1976	1977	1978	1979	1980	1981	1982	1983	1984 ^e
<i>Agriculture, forestry and fishing :</i>									
Employment	- 6.0	- 4.1	- 3.3	+ 0.1	- 5.4	- 2.4	- 2.3	- 0.7	+ 0.4
Value added	- 4.6	+ 3.4	+12.3	+ 0.2	+ 3.0	+ 2.7	+ 8.8	- 3.1	+ 3.5
Value added per person employed	+ 1.5	+ 7.8	+16.1	+ 0.1	+ 8.9	+ 5.2	+11.4	- 2.4	+ 3.1
<i>Industry :</i>									
Employment	- 3.9	- 3.7	- 3.9	- 2.6	- 2.0	- 4.8	- 3.4	- 2.2	- 0.7
Value added	+ 7.7	+ 1.3	+ 2.2	+ 3.3	+ 2.7	- 2.8	- 0.3	+ 1.5	+ 4.5
Value added per person employed	+12.1	+ 5.2	+ 6.3	+ 6.1	+ 4.8	+ 2.1	+ 3.2	+ 3.8	+ 5.2
<i>Building :</i>									
Employment	+ 1.3	+ 0.6	- 1.3	+ 0.8	- 3.0	-10.3	- 8.8	- 8.0	- 6.7
Value added	+ 6.6	+ 2.5	+ 0.9	- 3.4	+ 4.7	-19.2	- 3.5	- 3.1	+ 1.8
Value added per person employed	+ 5.2	+ 1.9	+ 2.2	- 4.2	+ 7.9	- 9.9	+ 5.8	+ 5.3	+ 9.1
<i>Cyclically sensitive market services :</i>									
Employment	- 0.3	+ 0.5	+ 0.6	+ 1.4	+ 0.9	- 0.8	- 0.7	...	+ 1.0
Value added	+ 5.3	+ 0.2	+ 3.6	+ 4.1	+ 2.4	- 0.8	+ 1.9	- 1.0	+ 1.8
Value added per person employed	+ 5.6	- 0.3	+ 3.0	+ 2.7	+ 1.5	...	+ 2.6	- 1.0	+ 0.8
<i>Cyclically less sensitive market services :</i>									
Employment	+ 2.7	+ 3.1	+ 2.5	+ 3.2	+ 2.1	+ 1.5	+ 1.4	+ 0.9	+ 1.3
Value added	+ 4.1	+ 2.8	+ 1.9	+ 1.9	+ 2.6	+ 1.8	+ 2.2	+ 1.7	+ 1.0
Value added per person employed	+ 1.4	- 0.3	- 0.6	- 1.3	+ 0.5	+ 0.3	+ 0.8	+ 0.8	- 0.3
<i>Total enterprises :</i>									
Employment	- 1.1	- 0.6	- 0.9	+ 0.4	- 0.4	- 2.5	- 1.8	- 1.1	...
Value added	+ 5.7	+ 1.2	+ 2.8	+ 2.7	+ 2.7	- 2.6	+ 1.0	...	+ 2.6
Value added per person employed	+ 6.9	+ 1.8	+ 3.7	+ 2.3	+ 3.1	- 0.1	+ 2.9	+ 1.1	+ 2.6

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

¹ Value added at constant prices.² The branches of activity are defined in note 2 to table II. 2.³ The exact periods to which those percentage changes relate are specified in section a) of the methodology.

Table II. 2.2

UNEMPLOYMENT IN BELGIUM AND IN THE EUROPEAN ECONOMIC COMMUNITY¹*(Percentage changes in the number of unemployment compared with previous year)¹*

	1981	1982	1983	1984
Belgium	+ 28.9	+ 17.9	+ 11.2	+ 0.1
European Economic Community	+ 35.6	+ 21.7	+ 10.6	+ 5.7
of which :				
Federal Republic of Germany	+ 44.1	+ 46.6	+ 28.9	- 0.7
France	+ 25.4	+ 14.9	+ 0.6	+ 14.4
United Kingdom	+ 61.5	+ 14.2	- 2.5	+ 1.5
Italy	+ 12.5	+ 20.8	+ 13.2	+ 10.7
Netherlands	+ 62.4	+ 44.8	+ 52.0	+ 2.9

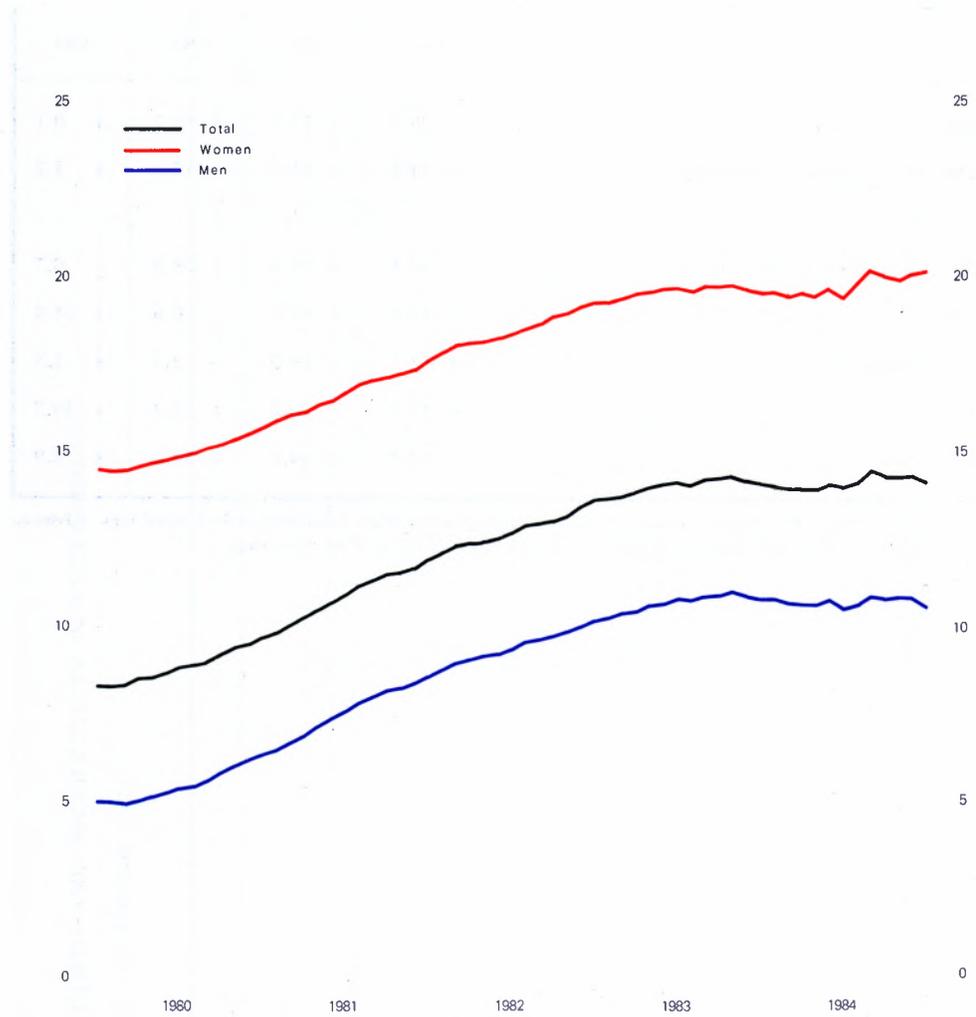
Sources : Statistical Office of the European Communities and National Employment Office. Calculations of the National Bank of Belgium.

¹ The exact periods to which these percentage changes relate are specified in section a) of the methodology.

Chart II. 2.3

UNEMPLOYMENT RATE ¹

(Percentages of working population)



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

CHAPTER III

EXPENDITURE AND PRICES

most recent tendencies. According to this indicator, the movement of sales showed a very different profile in 1983 and in 1984. In 1983 sales fell off during the first half of the year, after which they showed a marked recovery. In 1984, on the other hand, they rose at the beginning of the year, continuing the upswing which took place in the second half of 1983, and then fell sharply, stabilising at a fairly low level towards the end of the year.

The overall result arrived at, for purchases of goods, was a stabilisation, against a decline of 1.6 p.c. in 1983. This estimate takes into account the fact that, while the first of the above mentioned indicators still shows a positive movement over the first ten months of the year, it is to be expected, in view of the information provided by the Bank's surveys, that it will display a less favourable movement over the year as a whole.

With regard to expenditure on services, its movement was estimated making allowance for the fact that most items of expenditure of this kind are undergoing a structural growth; this is the case with the expenditure on services included in the lower part of Chart III. 1.2, all of which showed positive growth during each of the years 1981 to 1983. This expenditure, the total amount of which represents over 60 p.c. of total expenditure on services, consists of the following items of the national accounts: « rent, taxes, water », « medical and allied expenses », « communications », « education and research » and « financial services ». According to the fragmentary information available (including about the benefits financed by the National Sickness and Disablement Insurance Institute) the rise in these structurally growing items of expenditure on services would not appear to have differed much from that in 1983, so that, all in all, expenditure on services would appear to have risen at practically the same rate as in 1983, that is, by about 1.5 p.c.

Account being taken of all the movements described above, private consumption within the national territory appears to have increased by 0.6 p.c. in 1984.

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-resident individuals in Belgium. These data are derived from the balance of payments statistics: in 1984 the purchases made in Belgium by non-residents, including those made from retailers by individuals from neighbouring countries, and, to a smaller extent, the expenditure of Belgians abroad, both appear to have risen slightly at constant prices; on balance, this expenditure appears to have exerted a depressing influence on private consumption, but only to a very slight extent, so that it would not affect the above estimate of 0.6 p.c.

d) Public consumption was estimated on the basis of the budget data, which will be discussed in the comments on Table V. 4.B. It will be recalled [see e) of the methodology of Table II. 1] that, at constant prices, the consumption of the public authorities — like their value added — was negatively influenced in 1984 by the

changes made in the procedures for the payment of salaries and bonuses and by the way in which, for national accounts purposes, these changes were distributed between a raising of the deflator and a lowering of the data at constant prices.

e) 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, the communities, the local authorities and the social security system.

f) Gross capital formation by individuals comprises the change in livestock, investment in fixed assets by one-man businesses — which was estimated together with that of companies other than electricity companies [namely at + 7.8 p.c., see point g) below] — and total investment in housing. The development of the latter was 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 gradual completion during the subsequent nine months. The available data, which cover dwellings started during the period April 1983-July 1984, point to a slight decline in the number of dwellings built in 1984. A rise in investment in housing of 3 p.c. has, however, been assumed in order to allow for three factors :

— the fall in the number of dwellings built covers a further reduction in 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) and an increase in the number of other dwellings : if one turns from the numbers to the values at constant prices, the decrease in social dwellings loses in importance in relation to the increase in other dwellings, owing to the relative prices of these two categories, so that, at constant prices, expenditure on new dwellings appears to have risen slightly ;

— conversion work, which represents about 15 p.c. of investment in dwellings, would appear to have increased more than the building of new dwellings ;

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

g) Gross capital formation by companies comprises 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 two main sources of information are available for the year under review : the Bank's investment surveys and the statistics from the declarations for value added tax.

Before presenting the estimates for 1984 it should be recalled that these two indicators display certain differences, including as regards definition, in comparison with the data of the national accounts, so that their movement may diverge from that of gross fixed capital formation which emerges from the national accounts. The reasons for these divergences were fully discussed in the Bank's Annual Report for 1983, in point f) of the methodology of Table III. 1, p. 66.

The overall estimate for 1984 was made on the basis of a number of partial estimates concerning the development of investment in the main branches which the National Statistical Institute usually distinguishes.

With regard to manufacturing industry, it was assumed that gross fixed capital formation rose at constant prices by about 11 p.c. — an increase between that derived from the results of the survey made by the Bank in November (+ 9 p.c. for the whole of 1984) and that which emerges from the declarations for value added tax (+ 15 p.c. for the first ten months of 1984).

The growth in the investment of the industrial branches as a whole — that is, including the mineral-extracting industry, building, electricity, water and gas — would appear to have been smaller, having amounted to about 5.5 p.c., mainly owing to a falling-off of investment by the electricity companies due to the completion of the programme for the building of nuclear power stations.

With regard to service activities, the calculations are largely based, as is done by the National Statistical Institute, on the statistics derived from the declarations for value added tax. In addition, account was taken of the results of the survey carried out by the Bank in November among financial intermediaries, and also of certain items of unofficial information provided by the main public transport and communication companies. For service activities as a whole, the increase in gross fixed capital formation at constant prices would appear to have amounted to about 8 p.c. This estimate conceals, among other things, a sharp upsurge in investment in trade, banking and insurance and a slight decline in the case of transport and communication activities.

All in all, gross fixed capital formation by enterprises (companies and one-man businesses) appears to have risen by 6.9 p.c. in 1984. If investment by producers and distributors of electricity (which are all in company form) is excluded, this increase works out at 7.8 p.c.; the last-mentioned percentage was taken as the basis for the movement of gross fixed capital formation by one-man businesses [see f) above], so that investment by companies alone would appear to have increased by 6.7 p.c.

h) 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 the comments on Table V. 4.B).

i) The estimates of exports and imports of goods and services were arrived at from different sources and by different methods. For exports of goods, the estimate is chiefly based on the forecasts of the development of the Belgian-Luxembourg Economic Union's markets abroad made by the international organisations, while for imports of goods it is mainly based on the estimated developments of the various categories of final expenditure, account being taken of the import content of each of these. These data were corrected and supplemented, including with regard to the movement of exported or imported services, on the basis of the still fragmentary indications provided by the balance of payments of the Belgian-Luxembourg Economic Union. Altogether, account being taken of the estimates adopted for the transactions of the Grand Duchy and for the movement of the deflators of foreign trade (see Table III. 2, items 5 and 7), the increase in exports of Belgian goods and services was estimated at 5.6 p.c. and that in imports of goods and services at 4 p.c.

Table III. 1

GROSS NATIONAL PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES

(Percentage changes compared with previous year)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
1. Private consumption	+ 4.7	+ 2.4	+ 2.8	+ 4.4	+ 2.2	- 1.0	+ 0.7	- 1.0	+ 0.6
2. Public consumption	+ 4.0	+ 2.7	+ 5.9	+ 2.7	+ 1.6	+ 1.2	- 1.4	+ 0.2	- 0.7
3. Gross capital formation	+ 8.2	+ 0.7	+ 2.5	- 0.1	+ 0.6	-17.4	- 2.3	- 5.6	+ 4.4
3.1 Individuals	+17.7	+ 2.1	+ 6.7	-11.4	- 2.3	-36.0	- 4.2	- 2.5	+ 3.6
(of which : housing)	(+15.8)	(+ 1.8)	(+ 6.1)	(-13.1)	(- 1.2)	(-40.9)	(- 6.4)	(- 2.3)	(+ 3.0)
3.2 Companies	+ 0.8	- 0.7	+ 0.3	+10.4	- 0.1	- 6.1	+ 1.7	- 6.8	+ 8.7
(of which : fixed assets)	(- 7.4)	(- 2.6)	(+ 0.8)	(+ 3.9)	(+ 9.4)	(- 3.5)	(+ 4.8)	(- 8.1)	(+ 6.7)
3.3 Public authorities	+ 5.5	+ 0.9	- 2.4	+ 5.3	+ 8.7	- 5.6	- 8.6	- 6.9	- 4.8
4. Total domestic expenditure	+ 5.3	+ 2.1	+ 3.3	+ 3.1	+ 1.8	- 3.9	- 0.2	- 1.5	+ 1.0
5. Exports of goods and services	+12.6	+12.3 ²	+ 3.7	+ 8.0	+ 4.5	+ 3.3	+ 3.4	...	+ 5.6
6. Total final expenditure	+ 7.6	+ 5.4	+ 3.4	+ 4.8	+ 2.8	- 1.3	+ 1.2	- 0.9	+ 2.8
7. Imports of goods and services	+12.2	+14.9 ²	+ 3.9	+ 9.5	+ 1.9	- 1.5	+ 1.3	- 3.0	+ 4.0
<i>p.m.</i> Net exports of goods and services ¹	- 0.1	- 1.6	- 0.3	- 1.2	+ 1.5	+ 2.9	+ 1.3	+ 1.9	+ 1.1
8. Gross domestic product	+ 5.3	+ 0.5	+ 3.1	+ 2.1	+ 3.3	- 1.2	+ 1.1	+ 0.4	+ 2.1
9. Net factor income ¹	+ 0.2	- 0.2	- 0.1	- 0.5	- 0.4	- 0.1	- 0.4	+ 0.1	+ 0.1
10. Gross national product	+ 5.5	+ 0.3	+ 3.0	+ 1.6	+ 2.9	- 1.3	+ 0.7	+ 0.5	+ 2.2

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

¹ Contribution to the growth in the gross national product.

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

B. Main developments

a) The growth in the gross domestic product in 1984, which has already been discussed in Chapter II, is due both to an increase in domestic expenditure, which, after having declined for three years, appears to have reattained a positive growth of 1 p.c. (item 4 of Table III. 1), and to a pronounced expansion in exports of goods and services (item 5), which appear to have gone up by 5.6 p.c. thanks to the marked expansion in Belgium's markets abroad, that is, in the imports of its main economic partners. This rise in exports, coupled with that in domestic expenditure, brought about an upturn in imports of goods and services, (item 7) estimated at 4 p.c., which partly counterbalanced the rise of 2.8 p.c. in total final expenditure (item 6).

Altogether, the growth in the gross national product would appear to have reached 2.2 p.c., having thus speeded up in comparison with 1983, when it had amounted to 0.5 p.c. (item 10).

This acceleration is attributable (Table III. 1.1) to the behaviour of domestic expenditure, whose contribution to growth, after having been negative in 1983, became positive in 1984; of this turnround, two-thirds would appear to be attributable to the development of the contribution made by gross capital formation and the remainder to the contribution of private consumption. On the other hand, the contribution of net exports of goods and services, although still positive, would appear to have diminished in comparison with 1983.

b) Despite a third successive decline in their disposable income at constant prices, individuals would appear to have increased their consumption by 0.6 p.c. (item 1 of Table III. 1) whereas they had reduced it by 1 p.c. in 1983. This reversal would appear to be due to the movement of purchases of goods (upper part of Chart III. 1.2). There appears to have been no further decline in these purchases in 1984, so that the rise in expenditure on services, which is for the most part characterised by structural growth (lower part of Chart III. 1.2), appears to have pushed up private consumption as a whole.

c) Gross capital formation by individuals (item 3.1 of Table III. 1) appears to have increased by 3.6 p.c. in 1984.

This increase is mainly due to the movement of investment in housing, which appears to have increased for the first time since 1978.

The revival of this category of expenditure appears to be entirely attributable to the continuance of the recovery, which started in 1983, in private expenditure on housing, and is probably connected with the introduction of a number of incentives on the initiative both of the national Government and of the regional authorities. This recovery appears to have been, in the end, fairly slight in 1984, owing, possibly, to several factors. Firstly, the brisker demand probably did not yet produce its full effects, because the periods elapsing between the decision to build and the actual starting of work appear to have lengthened. Secondly, the negative movement, already mentioned, of the disposable income of individuals at constant prices, the competition from the secondary market, evidenced by the relatively large increase in registration fees and conversion work, or again the attraction of other forms of investment and the relatively high level of the interest rate for mortgage loans, may have impeded the revival in investment in housing.

Social housing, whose relative share has diminished during recent years to around 13 p.c. of total investment in housing in 1983, continued its decline in 1984, mainly because of the limitation of the funds assigned to it by the supervisory authorities. Contrary to what had happened in 1983, the fall in social housing no longer counterbalanced the rise in the other components. Altogether, expenditure on housing would appear to have gone up by 3 p.c.

d) Consumption and gross capital formation by the public authorities are the only two categories of expenditure which appear to have declined in 1984. Public consumption (item 2 of Table III. 1) appears to have decreased by about 0.7 p.c. : purchase of goods and services appear to have remained stable, but total remunerations and pensions appear to have fallen owing to the changes made in the procedures for their payment ; although they had practically no effect on the data at current prices, these changes are regarded, in the national accounts, as having brought about a rise in the deflator and hence a fall in constant prices, as was explained in section e) of the methodology of Table II. 1. Gross capital formation (item 3.3), for its part, appears to have declined for the fourth year in succession owing to the continuance of the local authorities' efforts to put their finances on a sounder footing. This further decline appears to have brought it down to only just over three-quarters of the 1980 level.

e) Gross capital formation by companies (item 3.2) would appear to have increased by 8.7 p.c. Of this rise, about one-quarter would

appear to have been attributable to the movement of stocks — which seem to have stopped falling in 1984, whereas they were still declining in 1983, so that their contribution to the change in gross capital formation appears to have been positive — and three-quarters to a rise of 6.7 p.c. in formation of fixed assets.

The improvement in the profitability of companies which has become apparent in recent years, partly owing to the government measures, doubtless contributed to the expansion in investment in 1984.

Furthermore, particularly in manufacturing industry, this expansion was probably assisted by the cyclical upswing which started in 1983 and continued in 1984. The increase in gross capital formation in this branch — estimated at about 11 p.c. — would appear, however, to have been fairly modest in comparison with the previous revivals. On the other hand, viewed in the same historical perspective, the expansion in the services sector would appear to have been fairly vigorous; specific factors which may have played a part in this include the spread of devices and techniques whereby a number of mental operations can be automated, the extension of leasing services for movable equipment and somewhat keener commercial competition owing to the contraction of the domestic market.

f) The adverse balance of factor incomes appears to have declined slightly for the second year running and to have made a positive — although minute — contribution to the growth in the gross national product (item 9), which would appear to have amounted to 2.2 p.c. against 2.1 p.c. for the gross domestic product (item 8).

g) In 1984 the increase in the gross domestic product in Belgium would appear to have been of practically the same order of magnitude as that in the countries of the European Economic Community as a whole, which was itself much smaller than that in Japan and, above all, in the United States (Table III. 1.3). The parallelism in growth with the European Economic Community is not, however, to be found in the various categories of expenditure. Whereas domestic expenditure and net exports of goods and services would appear to have made a similar contribution to growth in Belgium, it appears to have been primarily sustained by domestic expenditure in the European Economic Community as a whole. The relatively smaller rise in domestic expenditure in Belgium would appear to be due to a smaller increase both in

the various categories of consumption and in gross capital formation. The latter, although it expanded for the first time since 1980, in fact appears to have increased appreciably less fast in Belgium than in the other countries or groups of countries included in Table III. 1.3. On the other hand, the contribution of net exports of goods and services to the increase in the gross domestic product would appear to have been much greater in Belgium than in the European Economic Community as a whole and above all than in the United States; only in Japan does this contribution appear to have been even greater.

Table III. 1.1

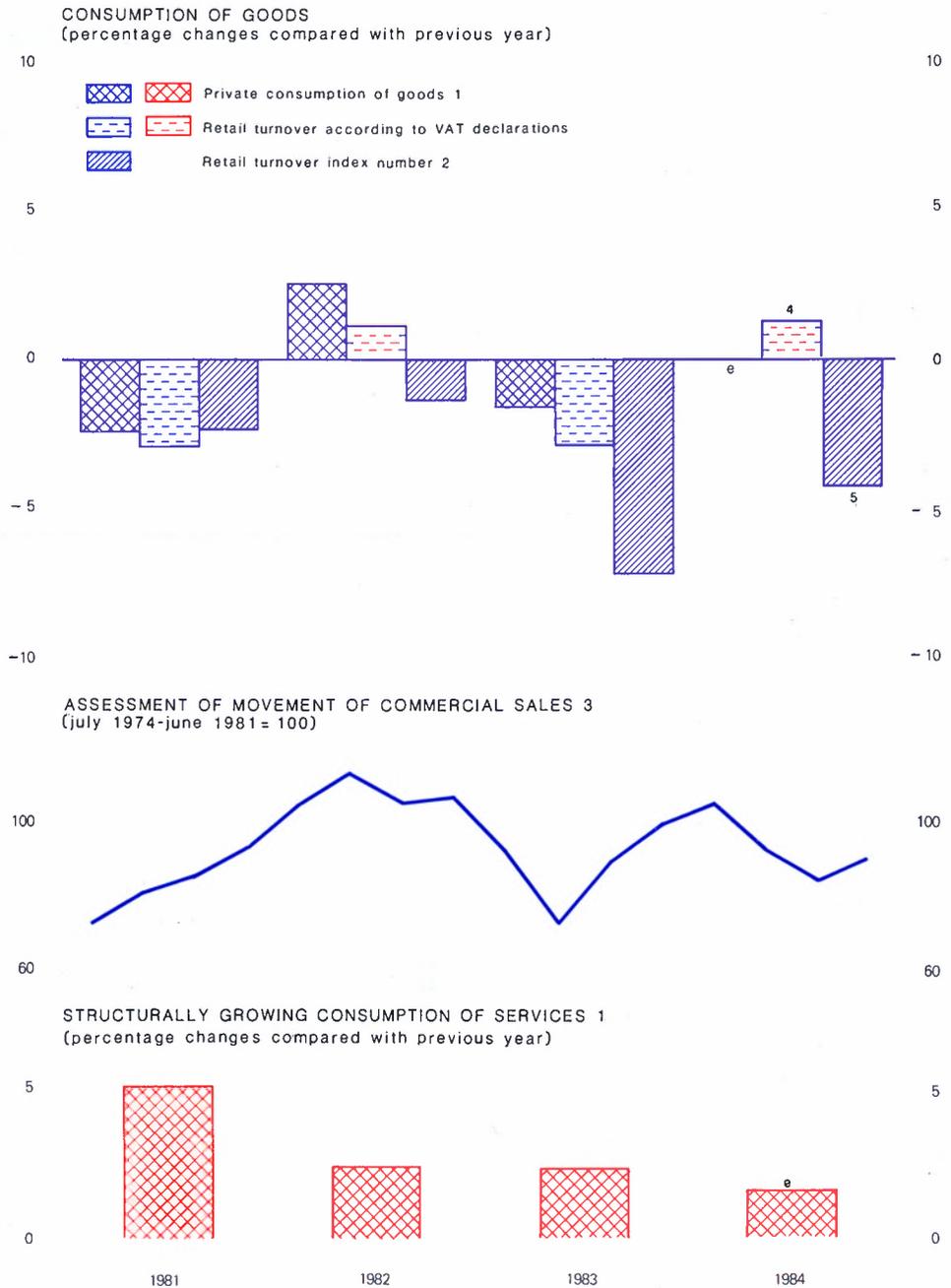
CONTRIBUTION OF THE VARIOUS CATEGORIES OF EXPENDITURE TO THE
PERCENTAGE CHANGES IN THE GROSS NATIONAL PRODUCT AT CONSTANT
PRICES

	1980	1981	1982	1983	1984 <i>e</i>
1. Private consumption	+ 1.4	- 0.7	+ 0.5	- 0.6	+ 0.4
2. Public consumption	+ 0.3	+ 0.2	- 0.3	..	- 0.1
3. Gross capital formation	+ 0.1	- 3.6	- 0.4	- 0.9	+ 0.7
4. Total domestic expenditure (1 + 2 + 3)	+ 1.8	- 4.1	- 0.2	- 1.5	+ 1.0
5. Net exports of goods and services ...	+ 1.5	+ 2.9	+ 1.3	+ 1.9	+ 1.1
6. Gross domestic product (4 + 5)	+ 3.3	- 1.2	+ 1.1	+ 0.4	+ 2.1
7. Net factor income	- 0.4	- 0.1	- 0.4	+ 0.1	+ 0.1
8. Gross national product (6 + 7)	+ 2.9	- 1.3	+ 0.7	+ 0.5	+ 2.2

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

Chart III. 1.2

PRIVATE CONSUMPTION 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.

¹ According to the national accounts.

² According to provisional data compiled each year by the National Statistical Institute.

³ According to the National Bank of Belgium's survey; averages per quarter, of seasonally adjusted and smoothed monthly data.

⁴ Ten months.

⁵ Nine months.

Table III. 1.3

GROSS DOMESTIC PRODUCT AND MAIN CATEGORIES OF EXPENDITURE AT CONSTANT PRICES :
INTERNATIONAL COMPARISON¹

(Percentage changes compared with previous year)

	Belgium			European Economic Community			United States			Japan		
	1982	1983	1984 <i>e</i>	1982	1983	1984	1982	1983	1984	1982	1983	1984
1. Private consumption	+ 0.7	- 1.0	+ 0.6	+ 0.4	+ 1.3	+ 1.1	+ 1.3	+ 4.8	+ 5.1	+ 4.2	+ 3.3	+ 3.2
2. Public consumption	- 1.4	+ 0.2	- 0.7	+ 0.8	+ 1.4	+ 0.8	+ 2.0 ⁴	- 0.3 ⁴	+ 3.7 ⁴	+ 2.3	+ 2.6	+ 2.7
3. Gross capital formation	- 2.3	- 5.6	+ 4.4	+ 1.8	- 1.1	+ 6.1	-15.9 ⁴	+13.7 ⁴	+32.1 ⁴	+ 1.6	- 1.6	+ 6.3
3.1 Housing	- 6.4	- 2.3	+ 3.0	- 3.9	+ 1.3	+ 1.3	-15.0	+41.7	+13.6	- 0.8	- 4.7	+ 0.4
3.2 Enterprises ²	+ 1.8	- 6.2	+ 8.3	+ 5.7	- 0.9	+10.3	-16.0	+ 7.0	+37.3	+ 3.2	- 1.5	+11.9
(of which : fixed assets)	(+ 3.9)	(- 7.6)	(+ 6.9)	(+ 0.2)	(- 0.3)	(+ 5.0)	(- 4.7)	(+ 2.5)	(+19.2)	(+ 3.6)	(+ 2.0)	(+ 9.6)
3.3 Public authorities	- 8.6	- 6.9	- 4.8	- 2.6	+ 0.3	...	n. ⁴	n. ⁴	n. ⁴	...	- 0.2	- 1.1
4. Total domestic expenditure	- 0.2	- 1.5	+ 1.0	+ 0.8	+ 1.0	+ 2.0	- 1.2	+ 5.0	+ 8.8	+ 3.1	+ 1.6	+ 4.2
5. Exports of goods and services	+ 3.4	...	+ 5.6	+ 1.0	+ 1.7	+ 5.9	- 8.8	- 5.6	+ 6.2	+ 1.2	+ 4.8	+16.4
6. Imports of goods and services	+ 1.3	- 3.0	+ 4.0	+ 1.7	+ 1.3	+ 5.8	+ 1.6	+ 7.6	+29.2	+ 1.1	- 4.5	+11.8
<i>p.m.</i> Net exports of goods and services ³	+ 1.3	+ 1.9	+ 1.1	- 0.2	+ 0.1	+ 0.2	- 1.0	- 1.2	- 1.8	+ 0.1	+ 1.6	+ 1.7
7. Gross domestic product	+ 1.1	+ 0.4	+ 2.1	+ 0.5	+ 1.1	+ 2.3	- 2.3	+ 3.7	+ 6.8	+ 3.0	+ 3.0	+ 5.8

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

¹ For the United States, Japan and some countries of the European Economic Communities, the 1983 and 1984 figures are for the gross national product.² Companies and one-man businesses.³ Contribution to the growth in the gross domestic product.⁴ In the United States the distinction between public consumption and public investment does not exist. The latter is therefore included in item 2.

**

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 Belgium economy's competitive position on the plane of prices, as this aspect is dealt with in Chapter VI, which is devoted to the Belgian-Luxembourg Economic Union's transactions with foreign countries.

b) The percentage changes shown in Table III. 2 for the years 1976 to 1983 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 (1980 prices). As they correspond to accounting concepts, they may, however, differ from the corresponding price indices. Among the cause of divergences, mention should be made in particular of the national accounting practice whereby 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 and gross capital formation. This practice has a disadvantage : the deflators which are recorded, year by year, in Table III. 2 are affected by these statistical adjustments until 1983 ; the deflators estimated by the Bank for 1984 are not comparable with them, because, as they are estimated only from the point of view of expenditure, they do not include any statistical adjustments. In order to facilitate such comparisons, the 1982 and 1983 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 1984 deflators are estimates of the Bank which are generally calculated on the basis of the price indicators 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 + 6.3 p.c.

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 deflator employed for this remuneration. The movement of this deflator was estimated on the basis of the index of the salaries paid to civil servants, the rise in which was curbed by the non-application of a 2 p.c. index increase in 1984; the estimate thus obtained was raised to the extent necessitated by the postponement of the 1983 end-of-year bonus to 1984, the effect of that postponement on the movement of public consumption at current prices having been entirely attributed to prices in 1984 (pushing them up) as it had been in 1983 (pushing them down) [see e) of the methodology of Table II. 1].

Account being taken, furthermore, of a rise of about 6.3 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 7 p.c.

f) The rise in the deflator of gross capital formation in housing, all categories of housing being combined, is estimated at about 6.8 p.c. This estimate is obtained, for social housing, from the contracts awarded during the year under review and, for private dwellings, on the one hand from the increase in the cost of the materials used in building work (estimated at 6.3 p.c. according to the index of wholesale prices of the Ministry of Economic Affairs) and on the other hand from the rise in labour costs in the building sector, which is estimated at 7.2 p.c. on the basis of index S compiled by the Ministry of Public Works.

g) The rise in the deflator of companies' fixed assets was estimated at 5 p.c. This estimate was made on the basis of the movement of two categories of costs :

— the cost of construction of non-residential buildings and civil engineering works, the rise in which is estimated at 6.8 p.c. on the basis of the indices used for assessing the movement of the building cost of private dwellings;

— the cost of equipment, the rise in which is estimated at 3.8 p.c., account being taken of the upward movement of the index of wholesale prices of domestic and imported 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 specific estimates of the prices of imports and exports of goods. For import prices account was taken of the prices of energy (source : Ministry of Economic Affairs, Energy Board), other raw materials (source : Institut für Wirtschaftsforschung, Hamburg) and manufactured products (source : Organisation for Economic Co-operation and Development). Export prices were estimated partly on the basis of cost factors (import prices, labour cost per unit of output, other costs) and partly on the basis of forecasts regarding the export prices of our main competitors (source : Organisation for Economic Co-operation and Development); for the year under review, these two methods of estimating produce much the same result.

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) Table III. 2.3 gives, in its upper part, the percentage changes in the cost components which determine the deflator of final expenditure and, in its lower part, the percentage contribution of each component to the change in this deflator (item 6 of Table III. 2).

The lower part of the table was produced by applying to the national accounting data of the National Statistical Institute a method devised by the departments of the Commission of the European Communities. In national accounting, the total of the final expenditure of a given economy is equal to the sum of domestic expenditure and exports of goods and services or, alternatively, to the sum of the gross domestic product at market prices and imports of goods and services. The gross domestic product at market prices can also be arrived at from primary incomes. The method employed by the departments of the Commission distinguishes among the components of primary incomes, between wages, indirect taxes net of subsidies, and all the other components of primary incomes combined. In this approach, final expenditure at current prices is analysed as being the sum of imports of goods and services, total gross compensation, indirect taxes net of subsidies, and other types of primary incomes as a whole.

Such an analysis of final expenditure can only, absolutely strictly, be applied to a gross domestic product for which the expenditure and income approaches have been previously reconciled by means of statistical adjustments. However, as mentioned in section b) above, it is difficult to compare the Bank's estimates for 1984 with data which have been adjusted in this way. Therefore, in order to obtain the most homogeneous possible chronological series, the method employed by the Commission's departments was applied to the Belgian national accounts before statistical adjustments. Consequently, a residual item had to be added to the domestic cost components enumerated in the preceding paragraph in order to make the amount of final expenditure measured before adjustment and the sum of the costs measured in the same way equal to each other. This residual item was treated as a component of domestic costs, since these costs are the ones for which the statistical estimates are as a rule most subject to error.

The deflator of final expenditure is therefore expressed by the following equation :

$$P_{d,t} = \frac{D_t}{d_t} = \frac{M_t + W_t + T_t + A_t + R_t}{d_t}$$

where the meanings of the symbols are as follows :

- $P_{d,t}$: deflator of final expenditure in year t, without statistical adjustments
 D_t : final expenditure in year t at current prices, without statistical adjustments
 d_t : final expenditure in year t at constant prices, without statistical adjustments
 M_t : imports of goods and services in year t at current prices
 W_t : total gross compensation in year t, without statistical adjustments
 T_t : indirect taxes net of subsidies in year t
 A_t : other income components in year t, without statistical adjustments, forming the gross operating surplus before subsidies, i.e. primarily the incomes of one-man businesses, incomes from property less interest on the public debt, undistributed profits of companies including direct taxes, depreciation
 R_t : residual difference between the gross domestic product from the angle of expenditure and the gross domestic product from the angle of incomes when the latter are measured without statistical adjustments.

It is shown algebraically that the change, expressed as a percentage, in the deflator of final expenditure is given by the following equation :

$$\Delta P_{d,t} = \left(\Delta P_{m,t} \times \frac{M_{t-1}}{D_{t-1}} \right) + \left(\Delta ULC_t \times \frac{W_{t-1}}{D_{t-1}} \right) + \left(\Delta UTC_t \times \frac{T_{t-1}}{D_{t-1}} \right) + \left(\Delta UAC_t \times \frac{A_{t-1}}{D_{t-1}} \right) + e$$

where the meanings of the symbols are as follows :

- $\Delta P_{d,t}$: percentage change in the deflator of final expenditure in year t
 $\Delta P_{m,t}$: percentage change in import prices of goods and services in year t
 ΔULC_t : percentage change in the labour cost per unit of output in year t, defined as the ratio between total gross compensation and the gross domestic product at constant prices from the angle of expenditure
 ΔUTC_t : percentage change in indirect taxes net of subsidies per unit of output in year t, defined as the ratio between indirect taxes net of subsidies and the gross domestic product at constant prices from the angle of expenditure
 ΔUAC_t : percentage change in the gross operating surplus net of subsidies per unit of output in year t, defined as the ratio between other incomes and the gross domestic product at constant prices from the angle of expenditure
 e : statistical deviation, comprising the « contribution » of the residual item R_t and the approximation element which is inherent in the linear method used.

The ratios $\frac{M_{t-1}}{D_{t-1}}$, $\frac{W_{t-1}}{D_{t-1}}$, $\frac{T_{t-1}}{D_{t-1}}$ et $\frac{A_{t-1}}{D_{t-1}}$ are the variable weightings, calculated on the basis of the national account data for the year t-1, assigned to the various cost components.

The terms in brackets thus represent the percentage contribution made to the change in the deflator of final expenditure by, respectively, import prices, the labour cost per unit of output, indirect taxes net of subsidies per unit of output and the net operating surplus before subsidies per unit of output.

In Table III. 2.3 the effect of variations in exchange rates on the change in import prices in the national currency is obtained by applying the weight of imports

in final expenditure in year t-1 to the percentage change in the average exchange rate, weighted by imports, for the foreign currencies on the regulated foreign exchange market.

In interpreting the data of Table III. 2.3 it should be borne in mind that the contributions calculated in the way described above are recorded ex post, after the interactions between the cost components themselves during the past period have taken place. Consequently, these interactions are not revealed, although they frequently occur, since, while some cost components, for instance indirect taxes net of subsidies, are relatively autonomous, others are greatly interdependent, as the movements of the ones bring about movements of the others, for example via legal or de facto index-linking.

k) An international comparison of the rises in consumer prices and in the deflators of the gross domestic product is shown in Chart III. 2.2; this relates to the data after statistical adjustments — the only ones generally available for foreign countries. The latter 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 1981-1984 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 THE MAIN CATEGORIES OF EXPENDITURE

(Percentage changes compared with previous year)

	1976	1977	1978	1979	1980	1981	1982 ¹		1983 ¹		1984 ^e
1. Private consumption	+ 8.1	+ 7.1	+ 4.1	+ 4.0	+ 6.4	+ 8.6	+ 7.6	(+ 8.2)	+ 6.8	(+ 7.9)	+ 6.3
2. Public consumption	+ 9.2	+ 8.0	+ 5.0	+ 5.3	+ 7.7	+ 7.9	+ 7.0	(+ 7.0)	+ 2.4	(+ 2.4)	+ 7.0
3. Gross capital formation	+ 6.3	+ 6.0	+ 4.0	+ 4.9	+ 5.7	+ 6.7	+ 5.4	(+ 6.1)	+ 3.5	(+ 4.6)	+ 5.3
3.1 Individuals	+ 9.2	+ 7.4	+ 5.5	+ 5.6	+ 7.3	+ 4.4	+ 2.5	(+ 2.5)	+ 5.3	(+ 5.3)	+ 5.6
(of which : housing)	(+10.1)	(+ 7.9)	(+ 6.0)	(+ 5.8)	(+ 8.5)	(+ 4.6)	(+ 0.8)	(+ 0.8)	(+ 4.4)	(+ 4.4)	(+ 6.8)
3.2 Companies	+ 3.8	+ 5.0	+ 2.2	+ 3.7	+ 4.1	+ 6.9	+ 5.3	(+ 6.8)	+ 2.9	(+ 5.1)	+ 5.0
(of which : fixed assets)	(+ 5.7)	(+ 5.0)	(+ 3.1)	(+ 4.0)	(+ 2.9)	(+ 4.3)	(+ 6.8)	(+ 6.8)	(+ 5.1)	(+ 5.1)	(+ 5.0)
3.3 Public authorities	+ 8.9	+ 5.6	+ 5.4	+ 5.0	+ 6.3	+ 9.4	+ 9.6	(+ 9.6)	+ 2.7	(+ 2.7)	+ 6.5
4. Total domestic expenditure	+ 7.9	+ 7.0	+ 4.2	+ 4.4	+ 6.5	+ 8.1	+ 7.1	(+ 7.7)	+ 5.5	(+ 6.4)	+ 6.2
5. Exports of goods and services	+ 6.4	+ 3.3	+ 1.0	+ 9.1	+ 9.1	+ 9.4	+13.1	(+13.1)	+ 7.4	(+ 7.4)	+ 7.1
6. Total final expenditure	+ 7.4	+ 5.7	+ 3.1	+ 5.9	+ 7.4	+ 8.6	+ 9.5	(+ 9.8)	+ 6.3	(+ 6.8)	+ 6.7
7. Imports of goods and services	+ 7.0	+ 3.1	+ 1.0	+ 8.9	+13.6	+13.8	+12.9	(+12.9)	+ 7.2	(+ 7.2)	+ 8.2
<i>p.m.</i> Terms of trade ²	- 0.6	+ 0.3	...	+ 0.2	- 4.0	- 3.9	+ 0.1	(+ 0.1)	+ 0.2	(+ 0.2)	- 1.0
8. Gross domestic product = Gross national product	+ 7.8	+ 7.5	+ 4.3	+ 4.6	+ 3.9	+ 5.4	+ 7.1	(+ 7.7)	+ 5.9	(+ 6.8)	+ 5.5

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

¹ Left-hand column : deflators after incorporation of statistical adjustments ; right-hand column : gross deflators, not including these statistical adjustments.² 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 rate of rise of the deflator of expenditure on private consumption appears to have slowed down appreciably, having gone down from 8.2 p.c. in 1982 and 7.9 p.c. in 1983 to 6.3 p.c. in 1984 (item 1 of Table III. 2, taking the rise before statistical adjustment for 1982 and 1983). The index of consumer prices (Table III. 2.1) would appear to have moved parallel to the deflator, its increase having declined from 7.7 to 6.3 p.c. in 1984.

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 this further slackening during the year under review is more than fully attributable to the slowing-down of the rise in the price of services and of products other than energy and food, the contribution of which decreased from 2.3 and 2.5 p.c. respectively in 1983 to 1.6 and 1.9 p.c. in 1984. This slowing-down is fairly general, as it is to be found in nearly all categories of products or services, including in most public service tariffs. The rise in the prices of services (upper part of Table III. 2.1) was smaller, for the second year running, than that in the case of goods, except for energy products, which is in contrast to the previous development, when inflation in the services sector was greater than that for other non-energy products.

Although the contribution of food products to the rise in the overall index is at practically the previous year's level, the upward movement of 7.9 p.c. in the prices of these products was greater than that for all the other categories distinguished in Table III. 2.1. This development is partly due to the rise in the prices of various tropical foodstuffs. It is also attributable to the repercussions, during the first half of the year under review, of the rise in the producer prices of certain horticultural and agricultural products, including potatoes, the 1983 crop of which had been particularly poor. In the second half of the year there was a slackening of the rise in the price of food products due to a fall in the producer prices of agricultural and horticultural products, partly owing to the abundance of the new crop of potatoes and of certain kinds of fruit. The policy pursued by the European Economic Community, which sharply limited the rise in the guaranteed prices granted to farmers during the year under review, helped to slow down the rise in the consumer prices of food products.

Unlike in 1983, when the slackening of the rise in the prices of energy products had contributed greatly to that of the overall index, the quickening recorded during the year under review (4.3 p.c. against 3.3 p.c. in 1983) somewhat impeded the further slowing-down of the overall index, the contribution of the products in question having risen from 0.5 p.c. in 1983 to 0.6 p.c. In 1984 the further appreciation of the dollar more than counterbalanced the decline in the dollar prices of these products.

Whereas in Belgium the rise in consumer prices slowed down, it speeded up slightly in the eight countries included in Chart III. 2.2 (top part), so that the difference between Belgium's inflation rate and the average rate for the foreign countries considered, which had increased greatly in 1983, was reduced.

b) The rise in the deflator of public consumption would appear to have been greater than in 1983, partly because of the rather artificial effect of the postponement of the 1983 end-of-year bonus to 1984 (item 2 of Table III. 2).

c) The deflator of gross capital formation appears to have gone up by 5.3 p.c., against 4.6 p.c. the previous year (item 3). This quickening appears to be attributable to the rise in the deflator of the gross capital formation of the public authorities and to the rise in the prices of investment in housing, which seems to have been no longer moderated, as it was in 1983, by the residual effect of the lowering of the value added tax in 1982. The rise in the deflator of gross capital formation by companies (+ 5 p.c.), for its part, appears to have been almost identical to that recorded the previous year.

d) The rise in the deflator of exports of goods and services appears to have been close to that in 1983 (item 5). Both the prices of foreign manufactured products competing with Belgian products, expressed in Belgian francs, and the costs of domestic producers would in fact appear to have risen in 1984 at rates near to those of the previous year.

e) The upward movement of the deflator of final expenditure, which reflects the development of the total domestic and foreign costs incorporated in this expenditure, would appear to have amounted to 6.7 p.c., or practically the same percentage as in 1983. This stability appears to have been due to movements in opposite directions. On the one hand,

the contribution of import prices, which since 1979 have been the most important factor pushing up prices (Table III. 2.3, bottom part), would appear to have increased. Import prices in Belgian francs would in fact appear to have gone up more than in the previous year (Table III. 2.3, top part) despite the stability of the weighted average exchange rate for foreign currencies during the year under review, having failed to benefit by such a marked fall in the prices of energy products as in 1983. On the other hand, the rise in the total of domestic costs per unit of output appears to have slowed down, the contribution of this total having fallen from 3.8 to 3.3 p.c. (Table III. 2.3, bottom part). However, total gross remuneration would appear to have increased faster than in the previous year (see Table IV. 1.1, item 1), and this quickening appears to have been only partly offset by that in the gross domestic product at constant prices, so that the labour cost per unit of output would also appear to have gone up more. The contribution of the gross operating surplus would also appear to have been greater than in 1983. On the other hand, that of indirect taxes net of subsidies appears to have declined somewhat. It is therefore found that the rise in the total of domestic costs slowed down, while the resultant of the aforementioned movements of its three components is rising. This paradox is due to the fact that the calculation of the respective contributions of the various categories of domestic costs can only be approximate owing to the margins of uncertainty to which the 1983 provisional national accounts are subject, as is indicated by the movement of the statistical deviation appearing in the last column of Table III. 2.3 (bottom part).

f) By definition, the deflator of the gross domestic product, which corresponds to the price of the Belgian added value incorporated in final expenditure, is not directly influenced by import prices; the rise in this deflator (item 8 of Table III. 2, figures in brackets for 1983) would appear to have slowed down appreciably during the year under review, from 6.8 p.c. in 1983 to 5.5 p.c.

A comparison of the rates of rise in this deflator between Belgium and eight foreign countries (Chart III. 2.2, bottom part) shows that the slackening was hardly any more pronounced in Belgium than abroad.

Table III. 2.1.

CONSUMER PRICES

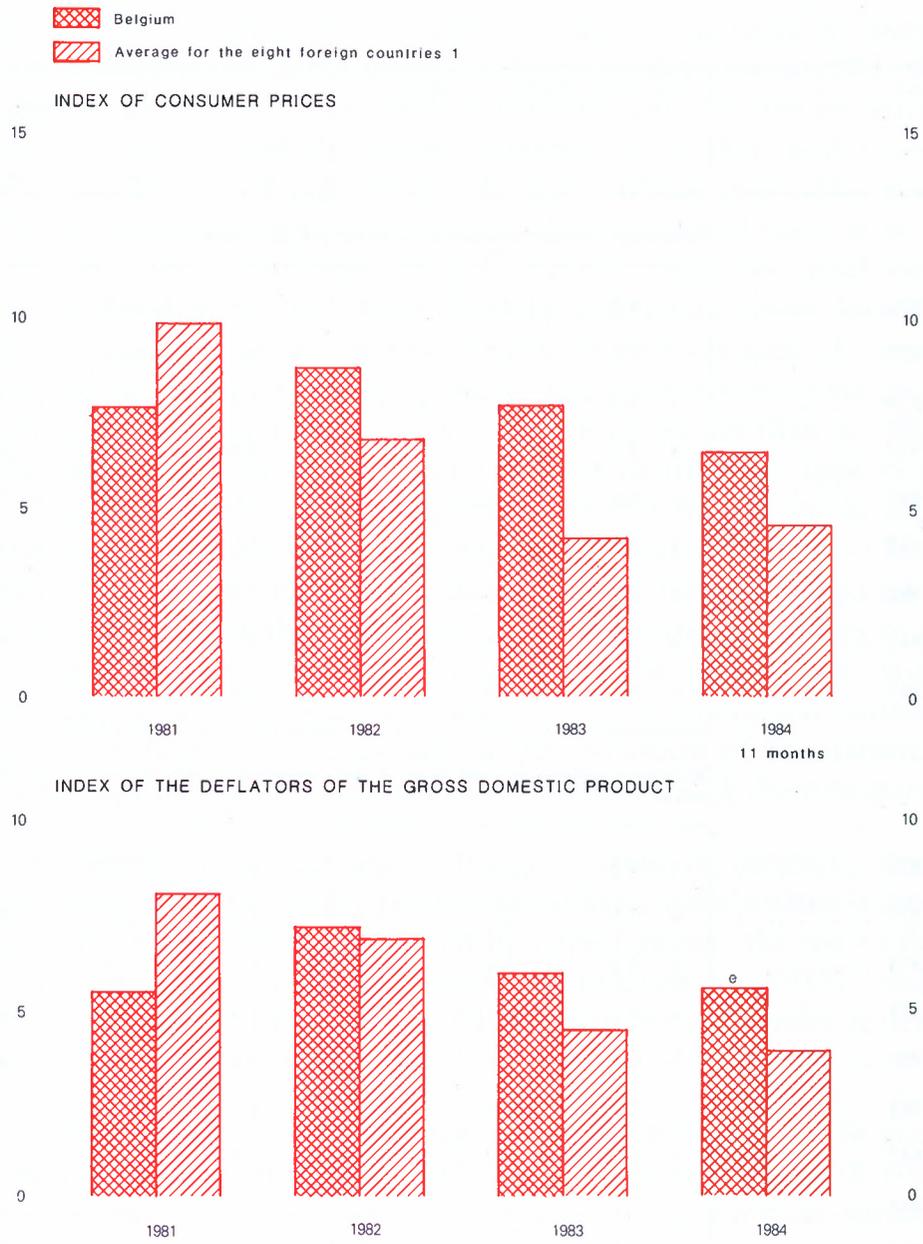
Years	Overall index (a)	Breakdown by categories				
		Food products (b)	Energy products (c)	Other products (d)	Services (e)	Rents (f)
Percentage changes compared with the previous year						
1976	+ 9.2	+ 12.7	+ 6.2	+ 5.9	+ 10.5	—
1977	+ 7.1	+ 6.7	+ 3.1	+ 4.9	+ 11.3	+ 9.2
1978	+ 4.5	+ 1.5	+ 1.2	+ 3.9	+ 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
1984	+ 6.3	+ 7.9	+ 4.3	+ 6.4	+ 5.3	+ 7.3
Percentage contribution of each of the categories to the change in the overall index						
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
1984	+ 6.3	1.8	0.6	1.9	1.6	0.4

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

Chart III. 2.2

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

¹ United States, Canada, Japan, Federal Republic of Germany, France, United Kingdom, Italy, Netherlands.

Table III. 2.3

DEFLATOR OF FINAL EXPENDITURE

Year	Deflator of final expenditure ¹	Breakdown by category of costs						
		Foreign costs			Domestic costs			
		Import prices	(<i>p.m.</i> Weighted average exchange rate for foreign currencies)	Total domestic costs	Labour cost per unit of output ¹	Indirect taxes net of subsidies per unit of output	Gross operating surplus per unit of output ^{1 2}	Statistical deviation
(a)	(b)		(c)	(d)	(e)	(f)	(g)	
Percentage changes compared with the previous year.								
1976	+ 7.9	+ 7.0	(- 1.6)	+ 8.4	+ 7.1	+10.2	+ 3.0	—
1977	+ 5.7	+ 3.1	(- 5.7)	+ 7.4	+10.0	+ 8.8	+ 7.6	—
1978	+ 3.3	+ 1.0	(- 4.0)	+ 4.5	+ 3.5	+ 4.6	+ 3.8	—
1979	+ 6.1	+ 8.9	(- 2.6)	+ 4.9	+ 6.4	+ 3.3	+ 6.2	—
1980	+ 7.2	+13.6	(+ 0.3)	+ 3.4	+ 4.5	+ 5.0	+ 0.4	—
1981	+ 8.0	+13.8	(+ 7.6)	+ 4.3	+ 5.8	+ 5.7	+ 2.8	—
1982	+ 9.8	+12.9	(+11.4)	+ 7.7	+ 3.6	+ 9.4	+ 9.5	—
1983	+ 6.8	+ 7.2	(+ 3.4)	+ 6.8	+ 3.1	+ 4.0	+ 7.5	—
1984 e	+ 6.7	+ 8.2	(...)	+ 5.5	+ 4.7	+ 1.5	+ 8.7	—
Percentage contribution of each of the categories to the change in the deflator of final expenditure								
		= (b) + (c)		= (d) to (g)				
1976	+ 7.9	2.2	(- 0.5)	5.7	2.8	0.7	0.7	1.5
1977	+ 5.7	1.0	(- 1.9)	4.7	4.0	0.6	1.6	- 1.5
1978	+ 3.3	0.4	(- 1.4)	2.9	1.3	0.3	0.8	0.5
1979	+ 6.1	3.1	(- 0.9)	3.0	2.4	0.2	1.3	- 0.9
1980	+ 7.2	5.0	(0.1)	2.2	1.7	0.3	0.1	0.1
1981	+ 8.0	5.3	(2.9)	2.7	2.1	0.4	0.5	- 0.3
1982	+ 9.8	5.2	(4.6)	4.6	1.3	0.6	1.7	1.0
1983	+ 6.8	3.0	(1.4)	3.8	1.1	0.3	1.3	1.1
1984 e	+ 6.7	3.4	(...)	3.3	1.6	0.1	1.6	...

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

¹ Excluding statistical adjustments.

² Before subsidies.

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COMMENTS ON TABLE III. 3 :

MAIN CATEGORIES OF EXPENDITURE AT CURRENT PRICES

A. Methodology

a) Table III. 3 shows, in billions of francs, the amounts of the main categories of expenditure at current prices, including any statistical adjustments. It 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 these data are incorporated.

Considered in isolation and as they stand, the data in question are on the other hand of little interest, and they will therefore not be separately commented on.

Table III. 3

MAIN CATEGORIES OF EXPENDITURE AT CURRENT PRICES

(Billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
1. Private consumption	1,608	1,762	1,885	2,046	2,225	2,392	2,591	2,740	2,930
2. Public consumption	441	489	544	588	644	703	742	761	808
3. Gross capital formation	575	614	654	686	729	643	663	648	713
3.1 Individuals	229	251	283	265	277	185	182	187	205
(of which : housing)	(185)	(203)	(228)	(210)	(225)	(139)	(131)	(134)	(147)
3.2 Companies	243	253	259	297	309	310	333	319	364
(of which : fixed assets)	(237)	(243)	(253)	(273)	(307)	(309)	(346)	(334)	(374)
3.3 Public authorities	103	110	112	124	143	148	148	142	144
4. Total domestic expenditure (1 + 2 + 3)	2,624	2,865	3,083	3,320	3,598	3,738	3,996	4,149	4,451
5. Exports of goods and services	1,276	1,480	1,551	1,826	2,082	2,352	2,751	2,956	3,342
6. Imports of goods and services	1,274	1,509	1,585	1,889	2,186	2,449	2,803	2,915	3,280
7. Net exports of goods and services (5 - 6)	2	- 29	- 34	- 63	- 104	- 97	- 52	41	62
8. Gross domestic product (4 + 7)	2,626	2,836	3,049	3,257	3,494	3,641	3,944	4,190	4,513
9. Net factor income	17	12	10	- 4	- 18	- 23	- 38	- 36	- 33
10. Gross national product (8 + 9)	2,643	2,848	3,059	3,253	3,476	3,618	3,906	4,154	4,480

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

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 1976 to 1983, and in particular of the table which, in these accounts, bears the number II. 1 and is entitled « Distribution of the national product among the factors of production ». 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 1984 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, for instance, 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 incomes 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 j) 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 migrant 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) As for expenditure [see point b) of the methodology of Table III. 2], in national accounting practice statistical adjustments are made to primary incomes — specifically to the remuneration of employees and the entrepreneurial incomes of self-employed persons. This method has a disadvantage: the movements of the incomes of individuals are affected until 1983 by these statistical adjustments and are not comparable with the Bank's estimates for 1984, which do not include such adjustments. In order to facilitate such comparisons in the description of the main developments, the data before statistical adjustment were added, for the incomes of individuals, in Table IV. 1.1 and also used for producing Chart IV. 1.2. As for the incomes of companies, to which according to national accounting methods no statistical adjustments are made, Table IV. 1.3 presents a picture of how they would have developed [see h) below] if their selling prices and all their costs had been measured without the statistical adjustments which are applied to these prices and costs (especially labour costs).

d) The gross primary income of individuals (item 1.1 of Table IV. 1 and item 1 of 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 40 p.c. of the incomes of partnerships, this percentage being regarded as the part of these companies' profits which is taken by individuals), 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).

e) The movement of the remuneration of employees in 1984 was estimated separately for enterprises and public authorities.

For enterprises, the estimate was mainly based on the following elements:

— The number of employees would appear to have decreased by about 0.5 p.c. This figure gives a somewhat more negative picture than the movement, described in Table II. 2.1, of the whole of the population employed in enterprises. This population includes, apart from employees, self-employed persons and their assistants, the number of whom would appear to have risen slightly, as in 1983, unlike that of employees.

— Employers' social security contributions, which form part of the remuneration of employees in the distribution of primary incomes, were raised as a result of a series of measures which will be examined in the comments on Tables V. 4, and this would

appear to have contributed, to the extent of about 1.4 p.c., to the increase in that remuneration.

— Lastly, it was assumed that the remuneration per employee (excluding employers' social security contributions) rose by about 6 p.c. This movement is due to the index-linking of wages and salaries according to consumer prices (flat-rate index-linking during the greater part of 1983, followed by a return to a system of full index-linking) and to the legal prohibition against the granting of wage increases in excess of the permitted index-linking; furthermore, it was assumed that the effect of the decrease in partial unemployment and of wage drift would have been partly counterbalanced by the reduction in average remuneration per employee resulting from the growth in part-time working. The government measure requiring employers to pay the proceeds of a 2 p.c. index-linking to the social security system instead of to the workers had not been taken into account for the purposes of the estimate to be made, since it does not affect the primary income (which corresponds, for enterprises, to the labour cost). The loss of disposable income which this measure entailed for workers was counted as an increase in the social security contributions paid by individuals to the public authorities.

The total gross remuneration paid by the public authorities, for its part, appears to have increased by about 6 p.c. This rate is largely based on budgetary data, which will be dealt with in the comments on Tables V. 4. For the sake of clarity it should be pointed out at this stage that the movement of this total gross compensation — unlike the total gross compensation paid by enterprises — was influenced downwards by the government decision not to apply a 2 p.c. index-linking, since this measure represents a saving in terms of public expenditure and the resultant loss of disposable income for civil servants was therefore directly recorded as a loss of primary income.

For the economy as a whole — enterprises and public authorities — the increase in the remuneration of employees was thus estimated at about 6.8 p.c., or 0.5 p.c. at constant prices; Chart IV. 1.2 presents a breakdown of the last-mentioned increase among its components: the change in the number of employees and that in remuneration per employee.

f) 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 3.3 and 6.3 p.c. respectively during the first eleven months of the year.

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

For 1984 the gross primary income of companies was estimated as a balance, since the sum of the incomes of the different sectors must in principle correspond to the gross national product, which is obtained by adding together the various categories of expenditure (Table III. 3). In order to check the reliability of the estimate thus obtained, a fairly thorough analysis was made of the factors which determined the development of the gross primary income of companies during the last few years; the results of this analysis are presented in Table IV. 1.3.

h) The gross primary income of companies is mainly derived from the result of their production and selling activities, which can be measured by their gross operating surplus before subsidies. The latter is the difference between the total value of their final sales net of tax, and the sum of their costs. Its development (item C of Table IV. 1.3) is determined by that of the unit profit margin expressed in francs (item A. 3) and by that of final sales at constant prices (item B). The unit profit margin fluctuates from year to year depending on the percentage change in the selling price net of tax (item A. 1.3) and that in the cost price (item A. 2.4) and on the relative weight of these two factors. These were considered before incorporation of the statistical adjustments, in the same way as the data concerning the deflators (Table III. 2) and the incomes of individuals (Table IV. 1.1), so as to make the movements in 1982 and 1983 comparable with the estimated ones for 1984. The selling price index used is a weighted average of the deflator of exports of goods and services (item 5 of Table III. 2) and of that of companies' final domestic sales, that is, of the nation's domestic expenditure (item 4 of Table III. 2), after 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 sold, that is, related to companies' final sales at constant prices. It will be noted that the development of these costs per unit sold is affected by that of the apparent productivity of labour and of purchases from the other sectors.

The percentage changes in the gross operating surplus before subsidies which can be calculated in this way (item C. 1) are appreciably higher than those obtained by directly recording companies' incomes (item C. 2). The difference is due to the fact that, for calculating these two items, use was made of different elements of the national accounts, taking the value which they had before these accounts had been made consistent by means of statistical adjustments designed to reconcile the national product from the angle of expenditure and from that of income; actually, the way in which item C. 1 is arrived at amounts to attributing all these statistical adjustments to the gross operating surplus, while that used for item C. 2 amounts to attributing no adjustment to it, which is what is done in practice by the National Statistical Institute in the national accounts which it publishes. However, item C. 1 is the only one that gives, for 1984, a percentage change comparable to that in the preceding years. The percentage appearing in item C. 3 is that derived from the national accounts which have been made consistent, but it is of a hybrid nature — and must therefore be interpreted with caution — because it is calculated on the basis of the

gross operating surpluses, which are not estimated by the same methods for 1983 and 1984 : the 1983 surplus is that which the National Statistical Institute obtains by directly recording companies' incomes and which it then incorporates in the national accounts as it stands, because, as stated, it does not make any statistical adjustment to it, while the 1984 surplus is that which the Bank, not being yet able to undertake such a recording, estimates by the difference between the national product from the expenditure angle and the income elements (primarily those of individuals and public authorities) which it has been able to calculate, thus arriving at a gross operating surplus which implicitly includes any statistical adjustments that may be necessary in order to make the expenditure and income angles consistent.

i) Table IV. 1.4 shows that in order to obtain the gross primary income of companies as it appears in the national accounts it is necessary to add to the gross operating surplus before subsidies (item 1) the subsidies received (item 2) and to deduct from it the net payments to other sectors of income from property (item 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. The disposable income of companies corresponds to their gross primary income after deduction of direct taxes (item 6).

j) The gross primary income of the public authorities (Table IV. 1, item 3.1), calculated on the basis of the national accounts compiled by the National Statistical Institute, especially the table « Current transactions of the Government », comprises : the amount by which indirect taxes exceed subsidies to enterprises [for the reason stated in section b) above], income from property (including interest, dividends and sundry proceeds, largely from public-sector financial intermediaries, especially the Bank, profits received or losses taken over from public enterprises, net attributed rents, etc.) and depreciation allowances; furthermore, interest on the public debt is deducted [see b) above].

The figures for the public authorities' gross primary income are shown in Table IV. 1 because, together with the gross primary income of individuals and companies, they enable the gross national product at market prices to be calculated. However, neither the public authorities' gross primary income nor their disposable income are of much economic significance, and it was therefore not thought necessary to describe their movements in the comments on this table, as the main transactions of the public authorities will in fact be described in detail on the basis of Tables V. 4.

k) Lastly, the gross primary income of the rest of the world is zero by definition and its disposable income (item 4.1) 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)

	1976	1977	1978	1979	1980	1981	1982		1983		1984 <i>e</i>	
	Billions of francs						Percentage changes	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs
1. Individuals :												
1.1 Gross primary income	2,209	2,383	2,564	2,738	2,964	3,157	+ 7.7	3,401	+ 6.9	3,636	+ 7.6	3,912
1.2 Current transfers to (-) the other sectors (net)	- 171	- 205	- 233	- 251	- 256	- 223	+ 25.4	- 279	- 11.4	- 248	+ 33.9	- 332
1.3 Disposable income (1.1 + 1.2) ... <i>p.m. Percentage change at constant prices</i> ¹	2,038 (+ 5.7)	2,178 (- 0.2)	2,331 (+ 2.4)	2,487 (+ 2.1)	2,708 (+ 2.1)	2,934 (+ 0.7)	+ 6.4 (- 2.1)	3,122	+ 8.5 (+ 0.8)	3,388	+ 5.7 (- 0.6)	3,580
2. Companies :												
2.1 Gross primary income	252	277	308	335	331	326	+ 20.8	394	+ 9.9	433	+ 18.0	511
2.2 Current transfers to (-) the public authorities	- 73	- 76	- 82	- 92	- 90	- 88	+ 28.9	- 113	+ 0.9	- 114	+ 17.5	- 134
2.3 Disposable income (2.1 + 2.2) ...	179	201	226	243	241	238	+ 17.8	281	+ 13.5	319	+ 18.2	377
3. Public authorities :												
3.1 Gross primary income :												
3.11 Indirect taxes less subsidies to enterprises	271	294	317	332	362	381	+ 11.0	422	+ 4.5	441	+ 3.6	457
3.12 Income from property and depreciation allowances	8	10	7	13	31	43	+ 28.6	56	- 26.6	41	- 2.4	40
3.13 Interest on the public debt (-)	- 97	- 116	- 137	- 165	- 212	- 289	+ 27.2	- 367	+ 8.0	- 397	+ 10.8	- 440
3.14 Total (3.11 to 3.13)	182	188	187	180	181	135	- 18.0	111	- 22.9	85	- 32.9	57
3.2 Current transfers from the other sectors (net)	227	261	295	321	312	267	+ 30.3	347	- 8.5	318	+ 32.7	422
3.3 Disposable income (3.14 + 3.2) ..	409	449	482	501	493	402	+ 14.1	458	- 12.0	403	+ 18.9	479
4. Rest of the world :												
4.1 Disposable income (= net current transfers from the other sectors) ..	17	20	20	22	34	44	+ 2.3	45	- 2.2	44	...	44
5. Gross national product (1.1 + 2.1 + 3.14 or 1.3 + 2.3 + 3.3 + 4.1) ...	2,643	2,848	3,059	3,253	3,476	3,618	+ 7.9	3,906	+ 6.4	4,154	+ 7.8	4,480

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

¹ 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 7.6 p.c., against 5.5 p.c. in 1983 on the basis of the data before statistical adjustment (item 1.51 of Table IV. 1.1); as the rate of inflation (measured by the movement of consumer prices) slackened, this acceleration is solely due to the movement of incomes at constant prices, which appear to have gone up by 1.2 p.c. during the year under review, after having fallen by 2 p.c. in 1983. This advance in terms of constant prices in 1984 is primarily attributable to a substantial rise in income from property and a slight increase in the compensation of employees; the income of self-employed persons, on the other hand, would appear to have declined further at constant prices.

b) Compensation of employees at constant prices appears to have grown by 0.5 p.c. after having decreased by 3.8 p.c. in 1983 (item 1.11 of Table IV.1.1). This positive difference in the growth rate is connected both with the movement of the number of employed persons — which appears to have stabilised, whereas it fell by 1.4 p.c. in 1983 — and to that of compensation per employee — which appears to have risen by 0.5 p.c. during the year under review, whereas it had gone down by 2.4 p.c. the previous year — (Chart IV. 1.2). The last-mentioned factor is mainly due to the change-over, during the second half of 1983, from a system of flat-rate index-linking of wages and salaries to a system of full index-linking.

c) According to the available data, which are still very incomplete, the entrepreneurial incomes of self-employed persons at constant prices appear to have declined again slightly (item 1.21 of Table IV. 1.1). Although private consumption did not make as poor a showing as in 1983, its weakness still appears to have affected the incomes of self-employed persons, which hardly seem to have risen at all. The incomes of farmers and horticulturalists appear to have decreased appreciably: while the total volume of production did in fact expand (see the comments on Table II. 1), the rise in selling prices appears to have been much smaller than that in the cost of means of production.

d) Income from property accruing to individuals would appear to have increased again by 6.2 p.c. at constant prices against 4.1 p.c. in 1983 (item 1.3 of Table IV. 1.1). The rise of 12.9 p.c. at current

prices would appear to be attributable to various factors : the expansion of the stock of financial assets, the rise in the amount of the dividends per share distributed by Belgian companies, the greater preference displayed by individuals for short-term investments in 1984, which had the effect of speeding up the collection of interest during the year under review, and a slight rise in the average yield of financial investments in francs.

e) Although the gross primary income of individuals at constant prices appears to have risen in 1984 by 1.2 p.c., their disposable income appears to have declined by 0.6 p.c., that is, a decrease equal to that in 1983 but smaller than that of 3 p.c. recorded in 1982 (item 3.1 of Table IV. 1.1). This striking divergence between the movement of gross primary income and that of disposable income during the year under review is due to total net current transfers by individuals to the public authorities, which would appear to have gone up, at current prices, by about one-third. This rise is primarily attributable to the substantial increase — of 13.7 p.c. — in social security contributions, as the result of a series of government measures (see the comments on Tables V. 4). These measures include the payment by enterprises to the public authorities of the proceeds of a 2 p.c. index-linking of total gross remuneration and a similar transfer by self-employed persons. Furthermore, direct taxes went up by 8.7 p.c., partly owing to certain measures which added to the tax burden. Whereas the transfers paid by individuals increased substantially, the transfers received by them rose by only about 5 p.c. owing to the virtual stabilisation of unemployment and a number of economy measures, among which mention may be made of the 2 p.c. non-index-linking of most allowances apart from the various minimum payments.

f) The widening of 14.1 p.c. in the unit profit margin of companies expressed in francs (item A.3 of Table IV. 1.3) would appear to be attributable to a rise of 7 p.c. in selling prices (excluding taxes) (item A. 1.3), whereas cost prices appear to have risen by only 6.3 p.c. (item A. 2.4) : the negative influence of the worsening of the terms of trade would in fact appear to have been more than counterbalanced by the relatively moderate increase in labour costs per unit sold. Account being taken, furthermore, of a rise of about 3.4 p.c. in sales at constant prices (item B), the gross operating surplus of companies before subsidies appears to have risen by 18 p.c., which is lower than the

percentage of 29.1 recorded in 1983 (item C.1). It should be noted that the absolute level of these percentage changes in the gross operating surplus should be viewed with great caution, since another method of estimation gives, for 1983, an appreciably lower figure, namely 8.7 p.c. (item C.2).

In 1984 the percentage rise in the gross primary income and that in the disposable income of companies would appear to have been of the same order of magnitude as that in their gross operating surplus before subsidies (items 5, 7 and 1 of Table IV. 1.4), chiefly because taxes paid (item 6) appear to have moved parallel with primary income.

Table IV. 1.1

INCOME ACCOUNT OF INDIVIDUALS

	1981		1982		1983		1984 e		Billions of francs at current prices	
	Billions of francs at current prices	Percentage changes compared with 1981		Billions of francs at current prices	Percentage changes compared with 1982		Billions of francs at current prices	Percentage changes compared with 1983		
		at current prices	at constant prices ¹		at current prices	at constant prices ¹		at current prices		at constant prices ¹
1. Gross primary income :										
1.1 Compensation of employees :										
1.11 before statistical adjustment	(2,181)	(+ 5.1)	(- 3.3)	(2,293)	(+ 3.6)	(- 3.8)	(2,376)	(+ 6.8)	(+ 0.5)	(2,539)
1.12 after statistical adjustment	2,173	+ 6.2	- 2.3	2,308	+ 5.3	- 2.2	2,431	+ 6.8	+ 0.5	2,597
1.2 Entrepreneurial income of self-employed persons :										
1.21 before statistical adjustment	(391)	(+ 5.4)	(- 3.0)	(412)	(+ 6.5)	(- 1.1)	(439)	(+ 4.5)	(- 1.7)	(459)
1.22 after statistical adjustment	389	+ 6.6	- 1.9	415	+ 8.3	+ 0.6	450	+ 4.5	- 1.7	470
1.3 Income from property	496	+ 14.6	+ 5.4	569	+ 12.1	+ 4.1	638	+ 12.9	+ 6.2	720
1.4 Depreciation allowances	99	+ 10.1	+ 1.3	109	+ 7.5	- 0.2	117	+ 6.8	+ 0.5	125
1.5 Total (1.1 to 1.4) :										
1.51 before statistical adjustment	(3,167)	(+ 6.8)	(- 1.7)	(3,383)	(+ 5.5)	(- 2.0)	(3,570)	(+ 7.6)	(+ 1.2)	(3,843)
1.52 after statistical adjustment	3,157	+ 7.7	- 0.9	3,401	+ 6.9	- 0.7	3,636	+ 7.6	+ 1.2	3,912
2. Current transfers :										
2.1 To (-) and from the public authorities :										
2.11 Social benefits received	734	+ 8.6	—	798	+ 9.5	—	874	+ 5.1	—	919
2.12 Other transfers received	90	+ 1.5	—	92	+ 13.2	—	104	+ 4.8	—	109
2.13 Social contributions paid	- 465	+ 8.1	—	- 503	+ 8.8	—	- 547	+ 13.7	—	- 622
2.14 Direct taxes paid	- 567	+ 15.4	—	- 655	+ 2.1	—	- 669	+ 8.7	—	- 727
2.15 Total (2.11 to 2.14)	- 208	+ 29.3	—	- 268	- 11.2	—	- 238	+ 34.9	—	- 321
2.2 To (-) and from the rest of the world (net)	- 15	- 28.1	—	- 11	- 14.5	—	- 10	+ 10.0	—	- 11
2.3 Total (2.15 + 2.2)	- 223	+ 25.4	—	- 279	- 11.4	—	- 248	+ 33.9	—	- 332
3. Disposable income :										
3.1 before statistical adjustment (1.51 + 2.3) ...	(2,944)	(+ 5.4)	(- 3.0)	(3,104)	(+ 7.0)	(- 0.6)	(3,322)	(+ 5.7)	(- 0.6)	(3,511)
3.2 after statistical adjustment (1.52 + 2.3)	2,934	+ 6.4	- 2.1	3,122	+ 8.5	+ 0.8	3,388	+ 5.7	- 0.6	3,580

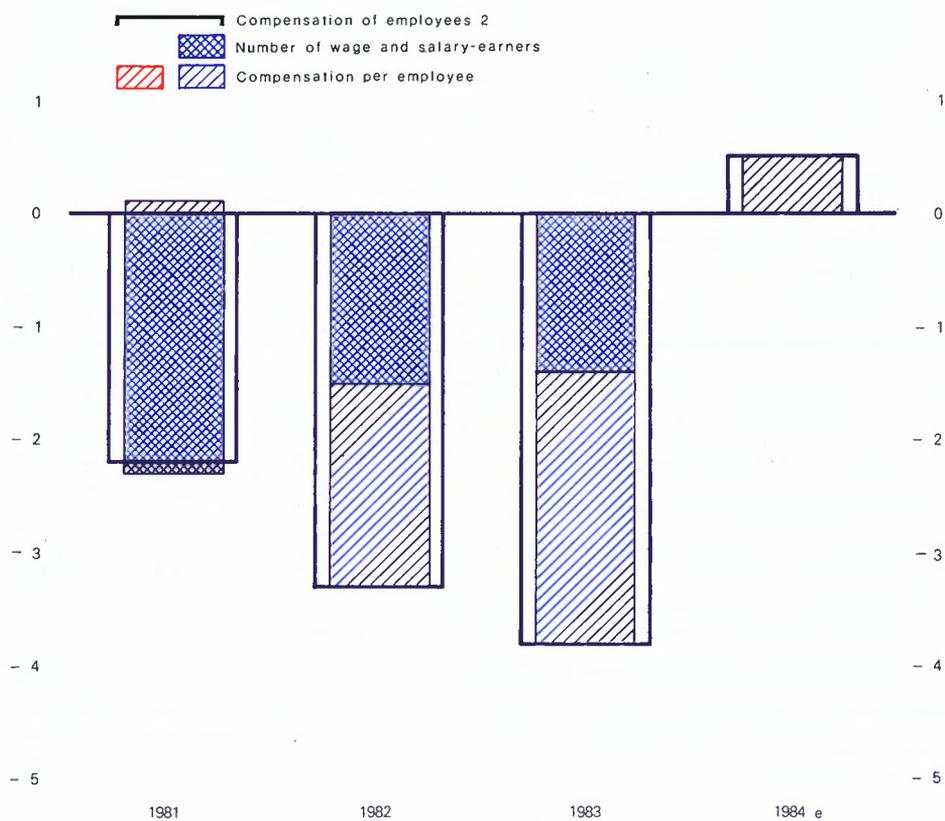
Sources : National Statistical Institute and Statistical Office of the European Communities. Calculations and estimates of the National Bank of Belgium.

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

Chart IV. 1.2

PRIMARY INCOME : COMPENSATION OF EMPLOYEES ¹

(Percentage changes compared with previous year)



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

¹ At constant prices. Data at current prices, before statistical adjustments, deflated with the index of consumer prices.

² Gross wages and salaries, including employers' social security contributions and, in 1984, the index portion paid by enterprises to the public authorities, and pensions and social charges of the public authorities and of certain public enterprises.

Table IV. 1.3

FACTORS CONTRIBUTING TO THE MOVEMENT OF THE GROSS
OPERATING SURPLUS OF COMPANIES BEFORE SUBSIDIES

(Percentage changes compared with previous year)

	1982	1983	1984 <i>e</i>
<i>A. Unit profit margin expressed in francs</i> ¹ :			
1. Selling prices excluding taxes :			
1.1 Exports of goods and services	+ 13.1	+ 7.4	+ 7.1
1.2 Domestic sales	+ 7.9	+ 7.1	+ 6.8
1.3 Total	+ 10.5	+ 7.3	+ 7.0
2. Cost price or cost per unit sold :			
2.1 Labour costs	+ 3.1	+ 5.1	+ 3.5
2.2 Imports of goods and services	+ 12.6	+ 5.1	+ 8.8
2.3 Other	+ 3.9	+ 7.7	+ 1.3
2.4 Total	+ 8.3	+ 5.3	+ 6.3
3. Unit profit margin expressed in francs	+ 44.0	+ 30.5	+ 14.1
<i>p.m. Unit profit margin as percentage of selling price during current year</i>	(7.9)	(9.6)	(10.2)
<i>B. Final sales at constant prices</i>	+ 1.4	- 1.1	+ 3.4
<i>C. Gross operating surplus before subsidies :</i>			
1. obtained by combining the unit profit margin and final sales at constant prices	+ 46.0	+ 29.1	+ 18.0
2. obtained by the National Statistical Institute by directly recording the incomes of companies ...	+ 21.5	+ 8.7	n.
3. estimated by the National Bank of Belgium ...	—	—	+ 20.7

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

¹ Before statistical adjustments.

Table IV. 1.4

INCOME ACCOUNT OF COMPANIES

	1981		1982		1983		1984 <i>e</i>	
	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs	Percentage changes	Billions of francs	
1. Gross operating surplus, before subsidies ¹	332	+ 21.5	404	+ 8.7	439	+ 20.7	530	
2. Subsidies received	55	- 4.0	53	+ 25.6	67	+ 6.0	71	
3. Gross operating surplus (1 + 2)	387	+ 17.9	457	+ 10.7	506	+ 18.8	601	
4. Net incomes from property paid to other sectors (-)	- 61	+ 2.4	- 63	+ 15.8	- 73	+ 23.3	- 90	
5. Gross primary income (3 + 4)	326	+ 20.8	394	+ 9.9	433	+ 18.0	511	
6. Current transfers to the public authorities (-)	- 88	+ 28.9	- 113	+ 0.9	- 114	+ 17.5	- 134	
7. Disposable income (5 + 6) ...	238	+ 17.8	281	+ 13.5	319	+ 18.2	377	

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

¹ See item C. 2 of Table IV. 1.3 for the years before 1984 and item C. 3 for 1984.

CHAPTER V

MAJOR SECTORS OF THE ECONOMY

COMMENTS ON TABLE V. 1 :

SUMMARY OF THE TRANSACTIONS OF INDIVIDUALS

A. Methodology

a) This table presents a summary of the expenditure of individuals — private consumption and gross capital formation — which also appears in Table III. 3 (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 national accounts, between their disposable income (item 1) and their consumption (item 2). Like Tables III. 2 and IV. 1.1, Table V. 1 shows, for each of the last three years, disposable income and private consumption, as well as the resultant gross savings, both after and before statistical adjustments. 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 and to companies 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 section f) of the methodology of Table III. 1 (item 6 of Table V. 1) one obtains the net financing capacity of individuals (item 7), that is, the net 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)

	1976	1977	1978	1979	1980	1981	1982 ¹		1983 ¹		1984 ^{1 e}	
1. Disposable income	2,038	2,178	2,331	2,487	2,708	2,934	3,122	(3,104)	3,388	(3,322)	3,580	(3,511)
2. Consumption	1,608	1,762	1,885	2,046	2,225	2,392	2,591	(2,595)	2,740	(2,778)	2,930	(2,970)
3. Gross savings (1 - 2)	430	416	446	441	483	542	531	(509)	648	(544)	650	(541)
<i>(As percentage of disposable income) .</i>	<i>(21.1)</i>	<i>(19.1)</i>	<i>(19.1)</i>	<i>(17.7)</i>	<i>(17.8)</i>	<i>(18.5)</i>	<i>(17.0)</i>	<i>(16.4)</i>	<i>(19.1)</i>	<i>(16.4)</i>	<i>(18.2)</i>	<i>(15.4)</i>
4. Net capital transfers	9	9	5	6	6	4	1	(1)	-1	(-1)	-1	(-1)
5. Capital resources (3 + 4)	439	425	451	447	489	546	532	(510)	647	(543)	649	(540)
6. Gross capital formation	229	251	283	265	277	185	182	(182)	187	(187)	205	(205)
7. Net financing capacity (5 - 6)	210	174	168	182	212	361	350	(328)	460	(356)	444	(335)
<i>(As percentage of disposable income) .</i>	<i>(10.3)</i>	<i>(8.0)</i>	<i>(7.2)</i>	<i>(7.3)</i>	<i>(7.8)</i>	<i>(12.3)</i>	<i>(11.2)</i>	<i>(10.6)</i>	<i>(13.6)</i>	<i>(10.7)</i>	<i>(12.4)</i>	<i>(9.5)</i>
<i>(As percentage of gross national product)</i>	<i>(7.9)</i>	<i>(6.1)</i>	<i>(5.5)</i>	<i>(5.6)</i>	<i>(6.1)</i>	<i>(10.0)</i>	<i>(9.0)</i>	<i>(8.4)</i>	<i>(11.1)</i>	<i>(8.6)</i>	<i>(9.9)</i>	<i>(7.5)</i>

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

¹ Left-hand column : data after statistical adjustments ; right-hand column : data before statistical adjustments.

B. Main developments

a) During the year under review the rate of saving of individuals — that is, their gross savings expressed as a percentage of their disposable income — would appear to have declined by about 0.9 p.c. At constant prices, private consumption appears to have increased despite a contraction in disposable income.

During the last few years this rate of saving, as calculated on the basis of the national accounts, has been strongly affected by the extent of the statistical adjustments made by the National Statistical Institute; its movement and the level reached must therefore be interpreted with caution. Thus, for instance, in 1983 the apparent propensity to save was inflated by these corrections, whereas the rate of saving before statistical adjustments had remained stable between 1982 and 1983. In any case, that rate is at a high level.

b) Individuals appear to have devoted a larger proportion of their disposable income to gross capital formation than in 1983; thus, the tendency towards a contraction of that proportion observed since 1979 appears to have been interrupted. The main component of gross capital formation by individuals, namely expenditure on housing, does in fact appear to have increased, at constant prices, for the first time since 1978.

c) Thus the net financing capacity of individuals, in relation to their disposable income, appears to have decreased more than their gross savings during the year under review. Even in absolute figures, the total financial resources provided by individuals to the money and capital markets appear to have declined slightly.

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COMMENTS ON TABLE V. 2 :

SUMMARY OF THE TRANSACTIONS OF COMPANIES

A. Methodology

a) As in the case of individuals, this table summarises 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 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 mainly 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 includes assistance to the « national » sectors (sectors in difficulties). Furthermore, companies receive transfers from the rest of the world, namely certain kinds of aid granted by the European Economic Community within the framework of the common agricultural policy. In the opposite direction, they make transfers to individuals by buying land and existing buildings from them.

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

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
<i>a. Billions of francs</i>									
1. Disposable income = gross savings	179	201	226	243	241	238	281	319	377
2. Net capital transfers received	58	53	64	67	104	129	134	137	132
3. Capital resources (1 + 2)	237	254	290	310	345	367	415	456	509
4. Gross capital formation	243	253	259	297	309	310	333	319	364
5. Net financing requirement (-) or capacity (+) (3 - 4)	- 6	+ 1	+ 31	+ 13	+ 36	+ 57	+ 82	+137	+145
<i>b. As percentage of gross national product</i>									
1. Disposable income = gross savings	6.8	7.0	7.4	7.4	6.9	6.6	7.2	7.7	8.4
2. Net capital transfers received	2.2	1.9	2.1	2.1	3.0	3.6	3.4	3.3	2.9
3. Capital resources (1 + 2)	9.0	8.9	9.5	9.5	9.9	10.2	10.6	11.0	11.3
4. Gross capital formation	9.2	8.9	8.5	9.1	8.9	8.6	8.5	7.7	8.1
5. Net financing requirement (-) or capacity (+) (3 - 4)	- 0.2	...	+ 1.0	+ 0.4	+ 1.0	+ 1.6	+ 2.1	+ 3.3	+ 3.2

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

B. Main developments

a) For the third year running the proportion of the gross national product represented by the disposable income of companies appears to have increased, having risen from 7.7 p.c. in 1983 to 8.4 p.c. for the year under review.

b) On the other hand, expressed as a percentage of the gross national product, net capital transfers received fell in 1984, partly because of a slowing-down of the new assistance from the public authorities to the national sectors.

c) Altogether, the extent of the changes observed in 1984 in the capital account of companies was small, especially when the magnitudes are related to the national product. Capital resources appear to have increased only slightly; gross capital formation appears to have risen by 0.4 p.c. of the national product, without reaching the level of the years prior to 1983. On balance, the net financing capacity of companies would rather appear to have stabilised, in the region of 3.2 p.c. of the national product in 1984, whereas this percentage had risen steadily since 1980.

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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, communities and regions, local authorities, social security and « other public authorities »). 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. 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 are the counterpart to the net transfers received by individuals (item 4 of Table V. 1), companies (item 2 of Table V. 2) and 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, item 5 expresses 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) 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 as such, as they are the subject of offsetting. Hence, a whole series of very diverse items of revenue and expenditure go to make up the disposable income of the public authorities, (item 1 of Table V. 3), as is indicated in section j) of the methodology of Table IV. 1.

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)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
1. Disposable income	409	449	482	501	493	402	458	403	479
2. Consumption	441	489	544	588	644	703	742	761	808
3. Gross savings (1 - 2)	- 32	- 40	- 62	- 87	- 151	- 301	- 284	- 358	- 329
<i>(As percentage of gross national product)</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>(- 7.3)</i>	<i>(- 8.6)</i>	<i>(- 7.3)</i>
4. Net capital transfers	- 72	- 67	- 76	- 82	- 116	- 141	- 146	- 149	- 147
5. Capital resources (3 + 4)	- 104	- 107	- 138	- 169	- 267	- 442	- 430	- 507	- 476
6. Gross capital formation	103	110	112	124	143	148	148	142	144
7. Net financing requirement (-) (5 - 6)	- 207	- 217	- 250	- 293	- 410	- 590	- 578	- 649	- 620
<i>(As percentage of gross national product)</i>	<i>(- 7.8)</i>	<i>(- 7.6)</i>	<i>(- 8.2)</i>	<i>(- 9.0)</i>	<i>(- 11.8)</i>	<i>(- 16.3)</i>	<i>(- 14.8)</i>	<i>(- 15.6)</i>	<i>(- 13.8)</i>

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

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COMMENTS ON TABLES 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 1976 to 1983, on the national accounts data compiled by the National Statistical Institute. These were supplemented, mainly with regard to capital transactions, 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 1984 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).

It also takes into account, for 1984, various payments to certain social security organisations made under Royal Decrees Nos 278 and 289 dated 30th and 31st March 1984 respectively. These two Royal Decrees govern certain procedures for the implementing of the multi-annual plan for the improvement of the public finances of March 1984, which is examined in detail in the part of this section devoted to the main developments. Royal Decree No. 278 of 30th March 1984 stipulates that, after levying of the social contributions in respect of the proceeds of the moderation of wages in the private sector and in the part of the public sector which is not directly financed by the Treasury, the balance of these proceeds shall be paid to the Fund for the Financial Balancing of the Social Security System and shall be used for financing the expenditure of the unemployment system; by virtue of Royal Decree No. 289,

the proceeds of the moderation of the incomes of self-employed persons are earmarked for financing the expenditure of the self-employed persons' pension scheme. Account being taken of the provisions of these two decrees, the proceeds of the moderation of wages in the private sector and in the part of the public sector which is not financed by the Treasury, as well as those of the moderation of the incomes of self-employed persons, were included in social security contributions.

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. Non-fiscal and non-parafiscal revenues are chiefly financial incomes derived, on the one hand, from the public authorities' participation in the profits of the public-sector financial intermediaries and, on the other hand, from the proceeds of portfolio investments of certain local authorities or social security organisations. 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 those of the special temporary staff and the third labour circuit — has been isolated in item 2.3 although in national accounting it forms part of public consumption.

With regard to the item « Net expenditure on goods and services », it should also be pointed out that the system of payment of civil service salaries was changed as follows in 1984 :

— until June 1984 the salaries were, as previously, paid in advance, the salaries for January 1984 having been entered in the accounts at the beginning of that month but, thanks to a Treasury advance, paid at the end of December 1983 ;

— since July 1984 salaries have been paid in arrears ; in other words, both the entering in the accounts and the payment of the salary for a given month take place at the end of that month ;

— by way of exception from the new rule stated above, the salary for December of each year is, from 1984 onwards, entered in the accounts and paid at the beginning of the month of January of the following year ;

— as the salary for June 1984 was paid at the end of May and that for July 1984 at the end of the latter month, it was decided to compensate for the absence of a salary payment during the month of June by the payment, in that same month, of the previously postponed 1983 end-of-year bonus and the 1984 end-of-year bonus and by the granting, in November 1984, of a special so-called « time-lag » bonus. Together, these bonuses correspond to about one month's salary.

Thus, in 1984, as a result of these various arrangements, the salaries for ten months were paid (the salary for January 1984 having been paid in December 1983 and that for December 1984 in January 1985), plus various bonuses representing the equivalent of an eleventh month. There was therefore a reduction in 1984 in the expenditure which the Treasury actually had to meet, and consequently a corresponding reduction in the increase in the public debt. These alleviations do not appear in the national accounts, since the accounting data which serve as the basis for the compiling of these accounts and of the net financing deficit of the public authorities contain eleven monthly salaries for 1984 (the salary for January 1984, paid in December 1983, having been entered in the accounts in January 1984) plus bonuses corresponding to a twelfth month.

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, the allocations of 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 and the third labour circuit (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 national 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 ».

The item « Gross fixed capital formation » corresponds to the item « Gross fixed capital formation of 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. The following have been added to this : assistance to the « national » sectors, some of the public authorities' operations for financing the National Housing Company and the National Land Company in implementation of the methods whereby the public authorities assist in the financial service of the loans issued by these two companies, and also 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 the items « Net acquisitions of land and intangible assets », « Investment aid » (less investment in harbours, which is included, in Table V. 4.A, in gross fixed capital formation) and « Other capital transfers (net) » of the accounts of the European System of Integrated Economic Accounts.

d) 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.

e) In Table V. 4.1 the public authorities' net financing requirement and the various categories of their 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.

The statistics of the European Economic Community do not include the public authorities' expenditure in the form of net credit-granting and acquisition of interests.

Two figures are therefore given for the net financing requirement of the public authorities in Belgium : one including and one excluding net credit-granting and acquisition of interests. Only the latter figure is in principle comparable with that of the other countries of the European Economic Community.

There are, however, 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.

Furthermore, in so far as, especially between 1981 and 1982, fortuitous shifts took place from one year to the other in the collection of direct taxes in Belgium, a comparison of the recent development of the respective public finances was liable to give a distorted picture. This difficulty was overcome by taking the average for the years 1981 and 1982.

Table V. 4.A

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

(Billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
<i>1. Revenue :</i>									
1.1 Direct taxes	416	483	553	608	632	655	768	783	861
1.2 Indirect taxes	325	355	385	413	435	457	500	537	560
1.3 Social security contributions	343	377	395	425	459	488	529	575	652
1.4 Capital taxes	8	10	11	13	12	13	12	13	13
1.5 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3 + 1.4) .	1,092	1,225	1,344	1,459	1,538	1,613	1,809	1,908	2,086
1.6 Non-fiscal and non-parafiscal revenue	36	39	37	45	61	78	96	88	92
1.7 Grand total (1.5 + 1.6)	1,128	1,264	1,381	1,504	1,599	1,691	1,905	1,996	2,178
<i>2. Expenditure :</i>									
2.1 Net expenditure on goods and services	415	456	502	535	582	638	681	696	734
2.2 Interest charges	97	116	137	165	211	289	367	397	440
2.3 Unemployment and job-creation expenditure	51	68	84	104	121	152	164	189	207
2.4 Current transfers to individuals	476	524	569	619	662	725	777	844	885
2.5 Subsidies to enterprises	85	95	102	111	115	125	130	152	163
2.6 Net current transfers to the rest of the world	28	35	38	44	46	50	58	63	65
2.7 Total current expenditure (2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6)	1,152	1,294	1,432	1,578	1,737	1,979	2,177	2,341	2,494
2.8 Gross fixed capital formation	103	110	112	124	143	148	148	142	144
2.9 Net capital transfers	80	77	87	95	129	154	158	162	160
2.91 Net credit-granting and acquisition of interests	(44)	(38)	(47)	(52)	(86)	(107)	(115)	(116)	(108)
2.92 Other net capital transfers	(36)	(39)	(40)	(43)	(43)	(47)	(43)	(46)	(52)
2.10 Total capital expenditure (2.8 + 2.9)	183	187	199	219	272	302	306	304	304
2.11 Grand total (2.7 + 2.10)	1,335	1,481	1,631	1,797	2,009	2,281	2,483	2,645	2,798
<i>3. Net financing requirement (1.7 - 2.11)</i>	- 207	- 217	- 250	- 293	- 410	- 590	- 578	- 649	- 620

Table V. 4.B

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

(As percentages of gross national product)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 e
1. Revenue :									
1.1 Direct taxes	15.7	17.0	18.1	18.7	18.2	18.1	19.7	18.9	19.2
1.2 Indirect taxes	12.3	12.5	12.6	12.7	12.5	12.6	12.8	12.9	12.5
1.3 Social security contributions	13.0	13.2	12.9	13.0	13.2	13.5	13.5	13.9	14.6
1.4 Capital taxes	0.3	0.3	0.3	0.4	0.3	0.4	0.3	0.3	0.3
1.5 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3 + 1.4) .	41.3	43.0	43.9	44.8	44.2	44.6	46.3	46.0	46.6
1.6 Non-fiscal and non-parafiscal revenue	1.4	1.4	1.2	1.4	1.8	2.1	2.5	2.1	2.0
1.7 Grand total (1.5 + 1.6)	42.7	44.4	45.1	46.2	46.0	46.7	48.8	48.1	48.6
2. Expenditure :									
2.1 Net expenditure on goods and services	15.7	16.0	16.4	16.4	16.7	17.6	17.5	16.8	16.4
2.2 Interest charges	3.7	4.1	4.5	5.1	6.1	8.0	9.4	9.6	9.8
2.3 Unemployment and job-creation expenditure	1.9	2.4	2.8	3.2	3.5	4.2	4.2	4.5	4.6
2.4 Current transfers to individuals	18.0	18.4	18.6	19.0	19.1	20.0	19.9	20.3	19.7
2.5 Subsidies to enterprises	3.2	3.4	3.3	3.4	3.3	3.5	3.3	3.7	3.6
2.6 Net current transfers to the rest of the world	1.1	1.2	1.2	1.4	1.3	1.4	1.5	1.5	1.5
2.7 Total current expenditure (2.1 + 2.2 + 2.3 + 2.4 + 2.5 + 2.6)	43.6	45.5	46.8	48.5	50.0	54.7	55.8	56.4	55.6
2.8 Gross fixed capital formation	3.9	3.8	3.7	3.8	4.1	4.1	3.8	3.4	3.2
2.9 Net capital transfers	3.0	2.7	2.8	2.9	3.7	4.2	4.0	3.9	3.6
2.91 Net credit-granting and acquisition of interests	(1.7)	(1.3)	(1.5)	(1.6)	(2.5)	(2.9)	(2.9)	(2.8)	(2.4)
2.92 Other net capital transfers	(1.3)	(1.4)	(1.3)	(1.3)	(1.2)	(1.3)	(1.1)	(1.1)	(1.2)
2.10 Total capital expenditure (2.8 + 2.9)	6.9	6.5	6.5	6.7	7.8	8.3	7.8	7.3	6.8
2.11 Grand total (2.7 + 2.10)	50.5	52.0	53.3	55.2	57.8	63.0	63.6	63.7	62.4
3. Net financing requirement (1.7 - 2.11)	- 7.8	- 7.6	- 8.2	- 9.0	-11.8	-16.3	-14.8	-15.6	-13.8

B. Main developments

a) The public authorities' net financing requirement appears to have decreased from 15.6 p.c. of the gross national product in 1983 to 13.8 p.c. in 1984 (item 3 of Table V. 4.B). Thus the decline which had started in 1982 and was then interrupted in 1983 continued during the year under review.

In order to bring about this reduction and, as far as possible, to prolong it in subsequent years, the Government presented, in March 1984, a multi-annual plan for the improvement of the public finances. This plan is based on two main lines.

The first is that the greater part of the proceeds of a general measure of moderation of incomes is to be paid to the public authorities. This moderation of incomes consists mainly of the non-application, with effect from 1st April 1984, of the first 2 p.c. index-linking which should normally take place during each of the years 1984, 1985 and 1986 in respect, on the one hand, of the wages and salaries of employees in the private sector and the public sector and, on the other hand, of the greater part of the social benefits; equivalent measures were introduced for the incomes of self-employed persons and for various other sources of income, such as rent and directors' profit shares. It is furthermore laid down, on the one hand, that the proceeds of the moderation of private-sector wages and salaries can be used for job creation, provided that this does not entail any supplementary burden for the Treasury or the social security system and, on the other hand, that the moderation measure need not be applied in 1986 if other structural reform measures or the movement of the rate of growth of economic activity enable the public authorities to achieve a similar result.

The second line of the improvement plan consists of a series of specific measures for the reduction of certain items of public expenditure, especially total gross remuneration, purchases of goods and services, interest charges, social security transfers and fiscal expenditure, that is, the tax reductions or deductions which the Government has previously granted to enterprises and individuals.

The decline, as a percentage of the gross national product, in the public authorities' financing requirement observed in 1984 is due to the

movement of both revenue and expenditure : the former appears to have increased from 48.1 to 48.6 p.c. of the national product (item 1.7), while the latter apparently declined from 63.7 to 62.4 p.c. of that product (item 2.11).

b) Direct taxes appear to have risen from 18.9 to 19.2 p.c. (item 1.1). The rise was more marked in the case of companies than in that of individuals. For the latter, the positive effect on the yield of direct taxes which should normally be produced by the combination of the increase in taxable income per taxpayer and the progressivity of the tax scales was attenuated by the negative effect produced on this income by the income-moderating measures adopted in particular, within the framework of the reform plan described above and by the raising, discussed below, of social security contributions. On the other hand, the tax base of companies increased sharply owing to the growth in their profits.

The development of direct taxes in 1984 received an upward impetus from a number of fiscal measures adopted by the public authorities. Among these, the main ones were the decision to increase the preliminary tax on financial assets from 20 to 25 p.c. with effect from 1st January 1984 while making it constitute full discharge of tax liability, the increasing, by a large number of local authorities, of both the additional municipal tax on personal income and the additional municipal tax on the preliminary tax on real estate and, to a smaller extent, the changing of the tax system applying to substitute incomes, especially unemployment benefits.

Indirect taxes, the rates of which were not changed, appear to have fallen from 12.9 to 12.5 p.c. (item 1.2). This development reflects the decrease, within the gross national product, of the share of individuals' purchases of goods, which account for the greater part of transactions subject to value added tax, and the concomitant increase in the share of exports and direct investments by enterprises, which are exempt from that tax.

Although the rate of growth of the primary earned income of employees and self-employed persons remained below that of the gross national product, social security contributions appear to have increased substantially, rising from 13.9 to 14.6 p.c. (item 1.3), thereby largely explaining the rise in fiscal and parafiscal revenue. This movement is

due both to various measures introduced at the end of 1983 and the beginning of 1984 in order to balance the finances of the social security system and to certain decisions made in implementation of the multi-annual plan for the improvement of the public finances, described above. Among the measures relating specifically to the social security system, mention may be made of the increases, which came into force on 1st October 1983 and remained applicable throughout 1984, in the contribution of employees for health care (from 1.80 to 2.55 p.c.) and for pensions (from 7 to 7.50 p.c.), the raising on 1st January 1984 of the special contribution on the double holiday allowance (from 11 to 12.07 p.c.) and the introduction, on the same date, of a special unemployment contribution of 1.60 p.c. payable by employers with over ten employees. Within the framework of the multi-annual improvement plan, the expansion in parafiscal revenue was likewise assisted by the payment to the social security system of the proceeds of the moderation both of wages and salaries in the private sector and the part of the public sector which is not directly financed by the Treasury and of the incomes of self-employed persons.

c) For the first time in many years, current expenditure would appear to have declined as a percentage of the national product, having gone down from 56.4 to 55.6 p.c. (item 2.7). The rise in interest charges and unemployment and job-creation expenditure appears to have been offset by the decrease in other current transfers to individuals and in net expenditure on goods and services.

The latter appear to have declined from 16.8 to 16.4 p.c. of the national product (item 2.1). This fall is attributable to various measures adopted within the framework of the multi-annual plan for the improvement of the public finances. Thus, for instance, the proceeds of the moderation of the wages and salaries of persons whose remuneration is payable from the national budget — civil servants and special bodies consisting of the armed forces, the teaching profession and public legal officials — had the effect of directly reducing the public authorities' net expenditure on services. The effect of the moderation of wages and salaries was reinforced by certain measures, also forming part of the improvement plan, for reducing expenditure in the civil service, entailing a cutting-down of administrative, rent and heating expenses and a reduction of total gross remuneration by the selective non-replacement of staff leaving the service in the normal way and by various forms

of reorganisation of working, such as the promotion of part-time employment, the granting of early retirement pensions and recruitment for half-time working in education.

The development of expenditure on wages and salaries during the year under review was also influenced by the introduction, in July 1984, of the payment of civil service salaries in arrears in place of the old system of advance payment. The technical procedures whereby the new system was introduced, which are described in detail in the part of the methodology relating to the item « Net expenditure on goods and services », made it possible in 1984 to limit labour expenditure in respect of persons paid directly from the government budget to the equivalent of twelve months' salaries. Hence, in comparison with the years prior to 1983, the public authorities were able to achieve in 1984 a saving approximately corresponding to the amount of an end-of-year bonus and thus comparable to the saving achieved in 1983 by the postponement of the above-mentioned bonus.

Interest charges appear to have risen from 9.6 to 9.8 p.c. of the national product (item 2.2). As had already been the case the previous year but for different reasons, the rate of growth of this category of expenditure would therefore appear to have remained relatively limited. While the movement of interest rates was less favourable than in 1983 and the portion of the public authorities' deficit that was financed by the issuing of long-term loans in Belgian francs — the repercussion of which on interest charges only makes itself felt in subsequent years — decreased as compared with the previous year, the Government nevertheless adopted in 1984 some measures in implementation of its improvement plan which enabled the due dates for the payment of interest on the loans contracted by the Treasury both in Belgian francs and in foreign currencies to be postponed to the next year. It was in this context that the financial intermediaries agreed to convert Treasury certificates in Belgian francs at up to one year held by them, to a total amount of Fr. 101 billion, into certificates at 1, 2 and 3 years.

While the number of wholly and partly unemployed persons receiving unemployment pay appears to have undergone, on average, hardly any change in 1984 as compared with 1983, unemployment and job-creation expenditure appears to have increased somewhat further, from 4.5 to 4.6 p.c. (item 2.3). This development seems to have been due both to a further increase in the number of persons taking early

retirement and a rise in the number of persons benefiting by the programmes for the direct re-employment of unemployed persons, especially within the framework of the third labour circuit.

Current transfers to individuals — other than unemployment and job-promotion expenditure — would appear to have fallen quite appreciably in 1984, from 20.3 to 19.7 p.c. of the gross national product (item 2.4). This reduction is primarily due to the measures for the partial exclusion of social security allowances from index-linking decided upon in accordance with the improvement plan. Thus in 1984 a 2 p.c. index portion was neutralised for all these allowances, except for the minimum subsistence allowances and family allowances for the third child onwards. On the other hand, the other specific measures for cutting down social payments provided for in the improvement plan would appear to have had only a limited impact in 1984.

The reduction in capital expenditure recorded in 1982 and 1983 would appear to have continued in 1984 (item 2.10).

Gross fixed capital formation appears to have declined from 3.4 to 3.2 p.c. (item 2.8). This reduction appears to have been mainly attributable to a cutting-down of capital investment of local authorities.

Net capital transfers appear to have decreased from 3.9 to 3.6 p.c. (item 2.9). In particular, net credit-granting and acquisitions of interests (item 2.91), which are the main component of these transfers, changed in line with the assistance granted to the five « national » industrial sectors.

d) If, for the purpose of the international comparison presented in Table V. 4.1, net credit-granting and acquisition of interests are deducted from the expenditure of the Belgian public authorities, the estimate of their net financing requirement falls, in 1984, to 11.4 p.c. of the gross national product against 12.8 p.c. the preceding year and 12.6 p.c. for the period 1981-1982. In this respect there is an improvement in Belgium; in the other countries of the European Economic Community the public authorities' net financing requirement appears to have stabilised, albeit at a much lower level, namely less than 5 p.c. of the national product.

Both the fiscal and parafiscal pressure and the relative extent of public expenditure remain appreciably higher in our country than in our

Community partners. The former would appear to have reached 46.6 p.c. of the national product in 1984, representing a further rise of 1.2 percentage points compared with the average for the years 1981-1982; in the other countries of the Community as a whole, the fiscal and parafiscal pressure, although displaying an almost identical rise of 1.1 points since 1981-1982, appears to have represented only 42.1 p.c. in 1984. Total public expenditure appears to have amounted in 1984 in Belgium to 60 p.c. of the national product, or a level 0.3 point below that for the period 1981-1982; for the other countries of the Community the percentage would appear to be only 48.9 p.c., but has apparently risen as compared with the same period by 1.2 points.

Since 1981-1982 the development of public expenditure has therefore been somewhat more favourable in Belgium than in the rest of the Community. This is because the Belgian public authorities, although they had to contend with a somewhat more marked rise in their interest charges, which are structurally higher than in the other countries, succeeded in reducing their capital expenditure and their consumption as a percentage of the national product. With regard to fiscal and parafiscal revenue, mention should be made of the relative extent of direct taxes, which is much greater than in the other countries of the Community; since 1981-1982 the taxes in question, and also — above all — social security contributions, have risen faster in relation to the national product in Belgium than in the rest of the Community, whereas on the other hand indirect taxes have decreased in Belgium and increased elsewhere.

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 ¹		
	Average 1981-1982	1983	1984 <i>e</i>	Average 1981-1982	1983	1984
1. Revenue :						
1.1 Direct taxes and capital taxes ..	19.4	19.5	19.8	12.9	13.2	13.2
1.2 Indirect taxes	12.5	12.6	12.2	14.2	14.4	14.5
1.3 Social security contributions	13.5	13.9	14.6	13.9	14.3	14.4
1.4 Total fiscal and parafiscal revenue (1.1 + 1.2 + 1.3)	45.4	46.0	46.6	41.0	41.9	42.1
1.5 Non-fiscal and non-parafiscal revenue	2.3	2.1	2.0	1.9	2.0	2.0
1.6 Grand total (1.4 + 1.5)	47.7	48.1	48.6	42.9	43.9	44.1
2. Expenditure :						
2.1 Public consumption	17.8	17.0	16.6	16.5	16.7	16.5
2.2 Interest charges	8.7	9.6	9.8	4.0	4.6	4.9
2.3 Current transfers	28.7	29.8	29.2	22.8	23.3	23.3
2.4 Total current expenditure (2.1 + 2.2 + 2.3)	55.2	56.4	55.6	43.3	44.6	44.7
2.5 Gross fixed capital formation ..	3.6	3.1	2.9	2.9	2.7	2.7
2.6 Net capital transfers excluding net credit-granting and acquisition of interests	1.5	1.4	1.5	1.5	1.5	1.5
2.7 Total capital expenditure, excluding net credit-granting and acquisition of interests (2.5 + 2.6)	5.1	4.5	4.4	4.4	4.2	4.2
2.8 Grand total (2.4 + 2.7)	60.3	60.9	60.0	47.7	48.8	48.9
3. Net financing requirement, excluding net credit-granting and acquisition of interests (1.6 - 2.8)	- 12.6	- 12.8	- 11.4	- 4.8	- 4.9	- 4.8
4. Net credit-granting and acquisition of interests	2.9	2.8	2.4	n.	n.	n.
5. Net financing requirement, including net credit-granting and acquisition of interests (3 - 4)	- 15.5	- 15.6	- 13.8	n.	n.	n.

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

¹ 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 incomes paid to Belgium (item 2) were taken from Table III. 3 (item 5 - item 6 + item 9). By analogy with private consumption by individuals, the payment for these net imports and these net factor incomes (if their sum is positive) is equated with current expenditure by the rest of the world, which is deducted from its disposable income in order to obtain the gross savings. A minus sign in item 2 represents net receipts from the rest of the world, which means that exports of goods and services to Belgium and factor incomes received from Belgium were greater than the corresponding expenditure items.
- c) By subtracting net imports of goods and services from Belgium and net factor incomes paid to Belgium from the rest of the world's disposable income we obtain the gross savings which the rest of the world makes available to Belgium (item 3). A minus 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, conversely, it counts as services certain other transactions which 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)*

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
1. Disposable income (= net current transfers from Belgium)	17	20	20	22	34	44	45	44	44
2. Net imports of goods and services from Belgium and net factor incomes paid to Belgium	19	- 17	- 24	- 67	-122	-120	- 90	5	29
3. Gross savings made available to Belgium (1 - 2)	- 2	+ 37	+ 44	+ 89	+156	+164	+135	+ 39	+ 15
4. Net capital transfers from Belgium	5	5	7	9	6	8	11	13	16
5. Net financing capacity made available to Belgium (3 + 4) <i>(percentages of gross national product)</i>	+ 3 (+0.1)	+ 42 (+1.5)	+ 51 (+1.7)	+ 98 (+3.0)	+162 (+4.7)	+172 (+4.7)	+146 (+3.7)	+ 52 (+1.2)	+ 31 (+0.7)

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

CHAPTER VI

TRANSACTIONS
OF THE BELGIAN-LUXEMBOURG
ECONOMIC UNION WITH
FOREIGN COUNTRIES

COMMENTS ON TABLE VI. 1 :

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

A. Methodology

a) The balance of current transactions (item 1 of Table VI. 1), that is, of transactions in goods and services and of transfers, is, in principle, estimated on a « transactions basis » — in other words, the payments during a period in respect of these transactions are supplemented by adding to them, in particular, the exports and imports which have taken place in the course of this period without being paid for during it, thus giving rise to commercial claims. For the period subsequent to the first quarter of 1984, however, 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, from the second quarter of 1984 onwards, not to make any estimate for the change in this part of commercial claims (item 2.1); consequently, current transactions no longer appear in item 1 on a transactions basis. For the sake of continuity of the statistical series, item 1.1 therefore shows the balance of current transactions on the same basis, i.e. that of payments, 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 in so far 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 external 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 foreign countries which result in such a change 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 Table VI. 4). This is equivalent to treating the public sector's

foreign-currency loans in the accounts as if they had been contracted direct with foreign lenders. This presentation in the accounts obviously does not cause any change in the total of item 2, « Capital transactions ».

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.

Table VI. 1

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

(Balances in billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 p	1983				1984 p				First ten months	
										1 st quarter	2 nd quarter	July-October	Nov.-Dec.	1 st quarter	2 nd quarter	July-October	Nov.-Dec.	1983	1984 p
1. Current transactions on transactions basis ¹	+15	-20	-26	-89	-145	-156	-110	-28	-91 ⁷	-54	+29	+12	-15	-23	n.	n.	+2 ⁷	-13	n.
1.1 Current transactions on payments basis ^{1 2}	(-13)	(-2)	(-46)	(-91)	(-165)	(-200)	(-113)	(-41)		(-72)	(+27)	(+12)	(-8)	(-23)	(-5)	(+33)		(-33)	(+5)
2. Capital transactions :																			
2.1 Commercial claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks ³	-28	+18	-20	-2	-20	-44	-3	-13		-18	-2	...	+7	...	n.	n.		-20	n.
2.2 Other spot and forward transactions of the private sector ³	-28	-19	+18	-8	+21	-157	-162	-84		-15	+44	-66	-47	-96	+12	-13		-37	-97
2.3 Spot transactions of the public sector ⁴	+8	...	+8	+72	+154	+258	+255	+114	+158	+87	+12	+1	+14	+83	+47	+37	-9	+100	+167
Total 2... ..	-48	-1	+6	+62	+155	+57	+90	+17	n.	+54	+54	-65	-26	-13	n.	n.		+43	n.
3. Errors and omissions	+8	+12	+4	-4	+17	+3	-18	-11	n.	-41	+16	+8	+6	-1	-4	+4	n.	-17	-1
4. Total corresponding to the movement in the National Bank of Belgium's net foreign exchange (1 + 2 + 3 = 1.1 + 2.2 + 2.3 + 3) ⁵	-25	-9	-16	-31	+27	-96	-38	-22	+67	-41	+99	-45	-35	-37	+50	+61	-7	+13	+74
p.m. Foreign currencies to be delivered at forward dates by the National Bank of Belgium to the public sector ⁶	(...)	(...)	(-12)	(-8)	(+17)	(+2)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(...)	(-13)	(+13)	(...)	(-13)

¹ Plus sign : surplus; minus sign : deficit. For details : see Table VI. 2.² Item 1 less the current transactions which represent the counterpart of the capital transactions shown in item 2.1. The figures of item 1.1 thus correspond to the sum of those of items 1 and 2.1.³ Plus sign : capital inflows; minus sign : capital outflows. For details : see Table VI. 3.⁴ Plus sign : capital inflows; minus sign : capital outflows. For details : see Table VI. 4.⁵ Plus sign : increase in reserves; minus sign : decrease in reserves. For details, see Table VI. 5.⁶ Plus sign : decrease; minus sign : increase.⁷ Including errors and omissions.

B. Main developments

a) The improvement in the balance of current transactions on a payments basis, which had been particularly marked in 1983, continued during the first ten months of the year under review : a surplus of Fr. 5 billion was achieved in 1984 against a deficit of Fr. 33 billion the previous year (item 1.1 of Table VI. 1). This recovery is mainly attributable to the better results recorded in the first quarter of the year ; during that period the deficit on a transactions basis (item 1) was over Fr. 30 billion smaller than that in 1983. For the year as a whole it would also appear to have decreased by around Fr. 30 billion ; on the basis of provisional and very fragmentary information, including with regard to the movement of net commercial claims on foreign countries not mobilised at banks (item 2.1), it can in fact be estimated that this deficit disappeared in 1984, whereas it had reached Fr. 28 billion the previous year.

b) Recordable private-sector capital outflows were appreciably larger than in 1983 during the first ten months : Fr. 97 billion against Fr. 37 billion (item 2.2); they expanded only during the first quarter of the year.

c) Altogether, the transactions described above — current transactions and private-sector capital transactions — resulted for the first ten months in a larger deficit than in 1983 : Fr. 92 billion against Fr. 70 billion.

In November and December, on the other hand, the balance of the above-mentioned transactions, including errors and omissions, would appear to have been much more favourable than in 1983, having consisted of a surplus of Fr. 2 billion instead of a deficit of Fr. 49 billion. It would appear that current transactions on a payments basis produced a surplus and that private-sector capital outflows remained fairly small. In 1983, on the other hand, current transactions on a payments basis had shown a deficit of Fr. 8 billion, while private-sector capital outflows had reached Fr. 47 billion.

d) As a result of these movements the total of the current account and the private sector's capital transactions, including item 3 « Errors and omissions », left, for the year as a whole, a smaller deficit than that for 1983 : Fr. 91 billion against Fr. 136 billion. As the public sector

increased its borrowing abroad more than in 1983, namely by Fr. 158 billion against Fr. 114 billion (item 2.3), the foreign exchange reserves showed an increase of Fr. 67 billion, against a fall of Fr. 22 billion in 1983 (item 4).

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 item 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 1984.

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 the movements of the volume and prices of exports and imports to be calculated is the foreign trade statistics compiled by the National Statistical Institute on the basis of customs documents. The movement of foreign trade measured on this basis — which includes movements of goods for commission processing but not third-country trade — corresponds in principle to the movements of items 1.13 and 1.2 of the balance of payments in Table VI. 2. 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 development 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).

Since for 1984 the unit export values for the Belgian-Luxembourg Economic Union, like in fact those for many of its competitors, were not yet available for a sufficiently long period, it was necessary to base the estimate shown in Chart VI. 2.2 for the year under review on a different source. For the Union the estimate was made by the method described in section h) of the methodology of Table III. 2, while the forecasts of the Organisation for Economic Co-operation and Development were used for the movement of the unit export values of the other Member States concerned.

This means that the disparity index for 1984 is not fully comparable with the measured index numbers for the preceding years and that its movement must be interpreted with caution.

As the changes in the disparity 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). For the year under review the basic material was, however, insufficient for the making of such a calculation.

— 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)¹. The index for Belgium, which forms the numerator of this disparity index, is an average, weighted by coefficients taken from input-output tables, of three indices : that of imported inputs, that of purchases from the other branches of the domestic economy estimated at factor cost and that of labour costs per unit of output in manufacturing industry. The index which constitutes the denominator is a weighted average of indices similar to that of Belgium calculated for its seven main competitors (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 output², one of the three components used in calculating the cost price.

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

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

Table VI. 2

CURRENT TRANSACTIONS

(Balances in billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1983				1984 <i>p</i>			First ten months	
									1 st quarter	2 nd quarter	July-October	Nov.-Dec.	1 st quarter	2 nd quarter	July-October	1983	1984 <i>p</i>
1. Transactions in goods :																	
1.1 Exports and imports :																	
1.11 Transactions which gave rise to commercial claims which were not mobilised at Belgian and Luxembourg banks	+ 28	- 18	+ 20	+ 2	+ 20	+ 44	+ 3	+ 13	+ 18	+ 2	...	- 7	...	n.	n.	+ 20	n.
1.12 Other transactions	- 79	- 92	-107	-142	-175	-220	-159	-117	- 66	- 2	- 31	- 18	- 31	- 20	+ 10	- 99	- 41
1.13 Total	- 51	-110	- 87	-140	-155	-176	-156	-104	- 48	...	- 31	- 25	- 31	n.	n.	- 79	n.
1.2 Commission processing ¹	+ 21	+ 41	+ 45	+ 48	+ 38	+ 41	+ 54	+ 59	+ 13	+ 17	+ 21	+ 8	+ 15	+ 21	+ 27	+ 51	+ 63
1.3 Third-country trade ^{1 2}	+ 22	+ 26	+ 9	+ 18	+ 8	+ 25	+ 24	+ 32	- 1	+ 17	+ 10	+ 6	+ 1	+ 7	- 2	+ 26	+ 6
Total 1 (1.13 + 1.2 + 1.3)	- 8	- 43	- 33	- 74	-109	-110	- 78	- 13	- 36	+ 34	...	- 11	- 15	n.	n.	- 2	n.
Total 1bis (1.12 + 1.2 + 1.3)	- 36	- 25	- 53	- 76	-129	-154	- 81	- 26	- 54	+ 32	...	- 4	- 15	+ 8	+ 35	- 22	+ 28
2. Transactions in services ³	+ 45	+ 48	+ 32	+ 13	+ 2	+ 2	+ 24	+ 41	- 3	+ 14	+ 22	+ 8	+ 6	+ 1	+ 15	+ 33	+ 22
3. Transfers :																	
3.1 Private transfers ⁴	- 8	- 6	- 9	- 10	- 11	- 15	- 11	- 9	- 2	- 2	- 3	- 2	- 2	- 4	- 4	- 7	- 10
3.2 Public transfers ⁵	- 14	- 19	- 16	- 18	- 27	- 33	- 45	- 47	- 13	- 17	- 7	- 10	- 12	- 10	- 13	- 37	- 35
Total 3 (3.1 + 3.2)	- 22	- 25	- 25	- 28	- 38	- 48	- 56	- 56	- 15	- 19	- 10	- 12	- 14	- 14	- 17	- 44	- 45
4. Total of current transactions on transactions basis (1 to 3)	+ 15	- 20	- 26	- 89	-145	-156	-110	- 28	- 54	+ 29	+ 12	- 15	- 23	n.	n.	- 13	n.
4bis. Total of current transactions on payments basis (1bis + 2 + 3)	- 13	- 2	- 46	- 91	-165	-200	-113	- 41	- 72	+ 27	+ 12	- 8	- 23	- 5	+ 33	- 33	+ 5

¹ On transactions basis.² Goods bought and resold abroad by residents.³ For details : see Table VI. 2.3.⁴ 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.⁵ 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) During the first ten months of the year under review, current transactions on a payments basis (item 4bis of Table VI. 2) resulted in a surplus of Fr. 5 billion against a deficit of Fr. 33 billion in 1983. This improvement took place despite the reduction in the surplus on transactions in services (item 2) and thanks to the reversal of the balance — negative in 1983 — of transactions in goods (item 1bis).

b) The favourable development of transactions in goods, on a payments basis was achieved despite the appreciable decrease, from Fr. 26 to 6 billion, in the surplus in respect of third-country trade (item 1.3), which was affected by accidental and temporary factors. On the other hand, the surplus shown by commission processing (item 1.2) increased and the reduction observable since 1982 in the deficit in respect of import and export transactions in the strict sense (item 1.12) continued during the year under review. According to the data on a payments basis this deficit was reduced from Fr. 99 billion for the first ten months of 1983 to Fr. 41 billion in 1984. The data on a transactions basis, which are available only for the first quarter, also show an improvement : the deficit during this period of the year declined from Fr. 48 billion in 1983 to Fr. 31 billion (item 1.13).

c) The improvement in the balance of imports and exports in the strict sense was achieved despite a worsening of the terms of trade. According to the data shown in Table III. 2, the rise in the deflator of imports of goods and services (+ 8.2 p.c.) would appear to have exceeded that in the deflator of exports (+ 7.1 p.c.). Although these figures are for 1984 as a whole, and although they relate to both goods and services and concern Belgium only, they can nevertheless be regarded as representative of the movement, during the first ten months of 1984, of the import and export prices of goods in the Belgian-Luxembourg Economic Union. Consequently the improvement between 1983 and 1984 in the balance of imports and exports is solely attributable to the development in terms of volume. These movements — the worsening of the terms of trade and the improvement in volumes — are to be found for the most part in the available foreign trade statistics for the first six months (last column of items 2.3 and 3.3 of Table VI. 2.1).

The reduction in the net volumes imported during the year under review appears to be due to the relative movement of demand in the

Belgian-Luxembourg Economic Union and abroad. Unlike what happened in 1983, it would thus appear that there were no gains of market shares either on the domestic market or on foreign markets. Thus the expansion in the Union's markets and that in its exports both appear to have amounted to about 6.5 p.c. in 1984, while the volumes imported appear to have moved parallel with the various components of the final demand, in accordance with the import content of these components.

It is interesting to compare this stabilisation of market shares in 1984 with the indicators of the development of the competitiveness of manufacturing industry contained in Chart VI. 2.2. It should be noted, however, that there is no rigid or immediate link between the movement of market shares and competitiveness in terms of prices and in terms of costs; prices are only one of the criteria — though an important one — involved in the choice of a supplier, together with, among others, the quality of the products, the delivery periods and the payment conditions, and it has furthermore been found in practice that fluctuations in relative prices and costs affect foreign trade only with a time-lag. It nevertheless emerges from the second and third levels of Chart VI. 2.2 that the stabilisation of market shares coincides with the almost complete cessation, during the year under review, of the favourable movement recorded since 1978-1979 in the disparity of cost prices and especially of labour costs. In particular, the increase in labour costs per person employed would appear to have been, in 1984, of the same order of magnitude as in the competing countries, which is in accordance with the aims set by the Government in this connection but contrasts with the improvement during the five preceding years.

d) Between the first ten months of 1983 and 1984 the surplus in respect of transactions in services (Table VI. 2.3) decreased by Fr. 11 billion. This deterioration took place in several categories of transactions :

— the deficit in respect of portfolio and investment income (item 3) was larger, mainly owing to the reduction in the net incomes of Belgian and Luxembourg banks from their transactions on the Euro-currency market ;

— item 1 « Transport » and item 6 « Other services », the surplus in respect of which had already declined in 1983, deteriorated during the year under review.

On the other hand, the gradual dwindling of the deficit shown by item 2 « Foreign travel » since 1982 appears to have continued in 1984.

e) With regard to transfers (item 3 of Table VI. 2), the deficit for the first ten months of 1984 was virtually identical to that in 1983; the worsening of the balance of private transfers (item 3.1) was practically offset by the reduction in the deficit in respect of public transfers (item 3.2). In connection with the latter it will be noted that the agricultural levies paid by the Belgian-Luxembourg Economic Union to the European institutions were smaller than in the previous year and that the payments made for the benefit of farmers by the European Agricultural Guidance and Guarantee Fund increased again, mainly in respect of sugar and dairy products.

Table VI. 2.1

FOREIGN TRADE

	Indices 1975 = 100						Percentage changes compared with previous year	
	1981	1982	1983	First six months			First six months	
				1982	1983	1984 p	1983	1984 p
<i>1. Values :</i>								
1.1 Exports	195.1	226.4	250.8	220.1	247.6	284.9	+ 12.5	+ 15.1
1.2 Imports	204.2	234.6	249.1	239.2	249.3	287.2	+ 4.2	+ 15.2
1.3 Coverage ratio ¹	95.5	96.5	100.7	92.0	99.3	99.2	+ 7.9	- 0.1
<i>2. Average unit values :</i>								
2.1 Exports	146.0	166.5	177.3	162.2	173.7	189.7	+ 7.1	+ 9.3
2.2 Imports	162.0	184.3	198.4	178.7	192.7	213.0	+ 7.8	+ 10.5
2.3 Terms of trade ²	90.1	90.3	89.4	90.8	90.1	89.1	- 0.8	- 1.1
<i>3. Volumes :</i>								
3.1 Exports	133.8	136.0	141.5	135.5	142.6	150.2	+ 5.2	+ 5.3
3.2 Imports	126.0	127.3	125.5	133.7	129.4	134.8	- 3.2	+ 4.2
3.3 Coverage ratio ³	106.2	106.8	112.7	101.3	110.2	111.4	+ 8.8	+ 1.1

Source : National Statistical Institute, customs statistics.

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

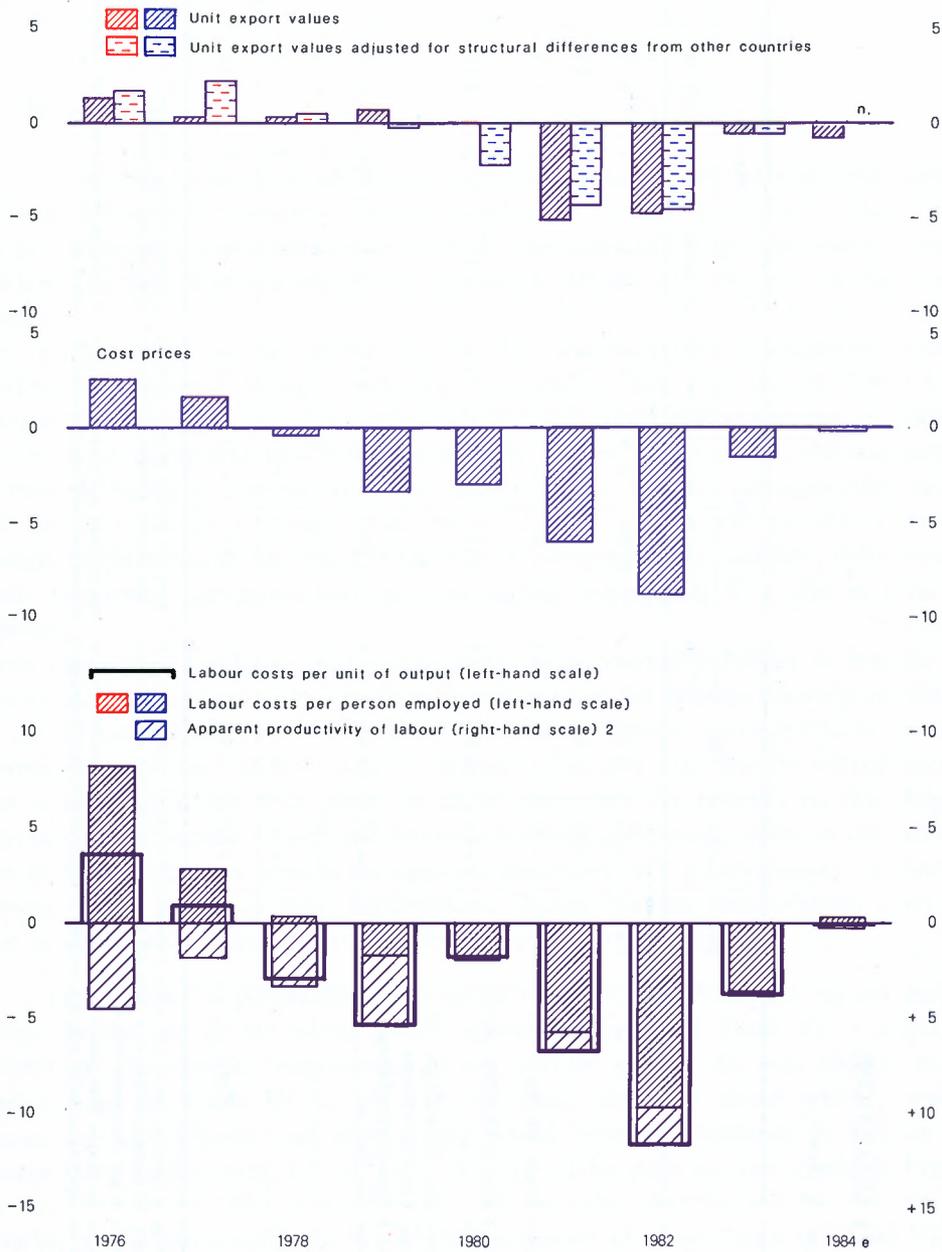
$$^2 \frac{\text{Index of average unit export values}}{\text{Index of average unit import values}} \times 100.$$

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

Chart VI. 2.2

DISPARITY INDICES OF THE PRICES AND COSTS OF MANUFACTURING INDUSTRY COMPARED WITH FOREIGN COUNTRIES¹

(Percentage changes compared with previous year)



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

¹ 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.

² 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 AND TRANSACTIONS

(Balances in billions of francs)

	1981	1982	1983	1983				1984 <i>p</i>			First ten months	
				1 st quarter	2 nd quarter	July-Oct.	Nov.-Dec.	1 st quarter	2 nd quarter	July-Oct.	1983	1984 <i>p</i>
1. Transport ¹	+15	+23	+24	+ 4	+ 9	+ 8	+3	+ 5	+ 5	+ 5	+21	+15
2. Foreign travel	-47	-28	-19	- 6	- 3	-11	+1	- 4	- 3	-11	-20	-18
3. Portfolio and investment income	- 3	-10	- 8	-11	- 4	+ 7	...	- 4	-11	+ 3	- 8	-12
4. Transactions of public authorities not included elsewhere	+37	+43	+49	+11	+12	+17	+9	+13	+13	+19	+40	+45
of which : operating expenditure of European institutions in the Belgian-Luxembourg Economic Union	(+31)	(+37)	(+40)	(+10)	(+10)	(+13)	(+7)	(+11)	(+10)	(+14)	(+33)	(+35)
5. Technology ²	- 9	- 8	- 6	- 2	...	- 2	-2	- 2	- 1	- 3	- 4	- 6
6. Other services ³	+ 9	+ 4	+ 1	+ 1	...	+ 3	-3	- 2	- 2	+ 2	+ 4	- 2
Total ...	+ 2	+24	+41	- 3	+14	+22	+8	+ 6	+ 1	+15	+33	+22

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

² Contracting, technical assistance and management services, fees for patents.

³ 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 insurance, credit and capital-accumulation insurance, included in capital transactions), brokerage, commission and miscellaneous commercial expenses, etc.

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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 — understood to mean enterprises other than banks — 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 net spot assets 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 were not mobilised at Belgian and Luxembourg banks (item 1.1 of Table VI. 3) — the data are not available beyond the first quarter of 1984. Consequently, for the other months and for the first ten 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.

c) The net spot and forward assets in Belgian and Luxembourg francs held by non-residents with Belgian and Luxembourg banks (item 2 of Table VI. 3) do not

include the liabilities resulting from the mobilisation at these banks, by resident exporters, of commercial claims in francs on the rest of the world, which are included in item 1.2. These figures also do not include the assets which banks in the rest of the world have built up at resident banks as the counterpart to the deposits in francs which resident enterprises and individuals hold with the said banks abroad; these are, in a way, spurious capital outflows or inflows, because the banks abroad have scarcely any other way of re-employing these resources which they have received in francs from residents than to use them, in turn, to form deposits in francs with resident banks. These « spurious » capital outflows, often prompted by the desire to avoid the imposition of the withholding tax on the interest on deposits in francs and, for smaller deposits, by the possibility of obtaining a higher gross interest rate than in Belgium, are not included in the other transactions covered by item 6 either.

d) The net spot and forward assets in foreign currencies held by resident non-bank enterprises and individuals (item 3) comprise their deposits abroad and their net assets held with Belgian and Luxembourg banks. These figures do not include the net assets of some resident organisations through which funds from or to foreign countries merely pass in transit; these funds are not included in the other transactions recorded in item 6 either.

e) The net spot and forward assets in foreign currencies held by Belgian and Luxembourg banks (item 4) comprise their claims on the Belgian-Luxembourg Economic Union and those on the rest of the world. The assets — fixed assets, interests held — and the liabilities — capital — which the banks have in their capacity as enterprises rather than as financial intermediaries are not included in item 4, but are recorded with other direct investments in item 6. Item 4 also does not include the commercial claims in foreign currencies which are recorded in item 1.2.

In view of the extent of the banks' outstanding assets and liabilities in foreign currencies and the extent of the transactions which affect these outstanding amounts, slight discrepancies in the exchange rates used in order to convert the foreign currencies into francs or minor time-lags in the dates of recording of these transactions are liable to lead to sometimes substantial errors in the calculation of the movements covered by item 4; these must therefore be viewed with caution.

f) In item 6 « Other transactions », a distinction has been made between those of non-residents (item 6.1) and those of residents (item 6.2); the former chiefly comprise the direct investments of non-residents in the Belgian-Luxembourg Economic Union (including the endowment funds transferred by foreign banks to their branches and subsidiaries in Belgium and Luxembourg) as well as the loans contracted abroad by resident enterprises, and the latter the direct investments of residents abroad.

Table VI. 3

SPOT AND FORWARD CAPITAL TRANSACTIONS OF THE PRIVATE SECTOR

(Billions of francs)

	1980	1981	1982	1983	1983				1984 p			First ten months		
					1 st quarter	2 nd quarter	July-October	Nov.-December	1 st quarter	2 nd quarter	July-October	1983	1984 p	
1. Net commercial claims on the rest of the world ¹ :														
1.1 Claims arising in connection with exports and imports and not mobilised at Belgian and Luxembourg banks	- 20	- 44	- 3	-13	-18	- 2	...	+ 7	...	n.	n.	-20	n.	
1.2 Other claims .....	...	- 17	- 1	- 9	- 8	+ 1	+ 3	- 5	- 2	- 2	- 7	- 4	- 11
1.3 Total	-20	- 61	- 4	-22	-26	- 1	+ 3	+ 2	- 2	n.	n.	-24	n.	
2. Net spot and forward assets in Belgian and Luxembourg francs held by non-residents with Belgian and Luxembourg banks ²	+13	- 76	- 33	-26	-38	+69	-11	-46	-42	+50	+19	+20	+ 27	
3. Net spot and forward assets in foreign currencies held by resident enterprises and individuals ³	- 1	- 71	- 66	+39	+30	+17	-19	+11	-12	+37	+16	+28	+ 41	
4. Net spot and forward assets in foreign currencies held by Belgian and Luxembourg banks ⁴	-20	- 26	- 92	-62	+ 4	-26	-19	-21	- 8	-36	-15	-41	- 59	
5. Resident enterprises' and individuals' holdings of foreign securities ⁵	-23	- 41	- 58	-84	-24	-13	-34	-13	-36	-28	-33	-71	- 97	
6. Other transactions	+52	+ 74	+ 88	+58	+21	- 4	+14	+27	+ 4	- 9	+ 7	+31	+ 2	
6.1 Transactions of non-residents	(+59)	(+ 80)	(+ 86)	(+78)	(+19)	(+ 3)	(+27)	(+29)	(+ 1)	(- 1)	(+13)	(+49)	(+ 13)	
6.2 Transactions of residents	(- 7)	(- 6)	(+ 2)	(-20)	(+ 2)	(- 7)	(-13)	(- 2)	(+ 3)	(- 8)	(- 6)	(-18)	(- 11)	
7. Grand total (1 to 6)	+ 1	-201	-165	-97	-33	+42	-66	-40	-96	n.	n.	-57	n.	
7bis. 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 to 6)	+21	-157	-162	-84	-15	+44	-66	-47	-96	+12	-13	-37	- 97	

¹ Plus sign : decrease in claims ; minus sign : increase.² Plus sign : increase in net assets of non-residents ; minus sign : decrease.³ Plus sign : decrease in net assets of resident enterprises and individuals ; minus sign : increase.⁴ Plus sign : decrease in net assets of banks ; minus sign : increase.⁵ Plus sign : decrease in assets ; minus sign : increase.

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

B. Main developments

a) For the first ten months as a whole, the deficit in respect of the private sector's transactions was appreciably larger in 1984 — Fr. 97 billion — than in 1983 — Fr. 37 billion — (item 7bis of Table VI. 3, which does not include the claims recorded in item 1.1).

b) Among the various capital transactions of the private sector, those recorded in items 1 to 3 have the common feature of being the ones most sensitive to the changes which take place in short-term expectations with regard to the movement of the central rates in the European Monetary System. In the first quarter of 1984 the expectation of a realignment within that system had an adverse effect for the Belgian franc, which explains both the decrease in the net assets in francs held by non-residents with Belgian and Luxembourg banks (item 2) and the increase in the net assets in foreign currencies held by residents (item 3); the simultaneous widening of the interest rate differential in favour of the franc in comparison with foreign currencies (Table VI. 3.1) probably did scarcely anything to limit the effects of the worsening of expectations, especially as economic agents speculated more on an appreciation of the strong currencies of the System than on a depreciation of the franc. In the second quarter the expectations were reversed, while the interest rate differentials remained in favour of the Belgian franc; on the one hand non-residents replenished their net assets in francs with resident banks; on the other hand, residents appreciably reduced their net assets in foreign currencies. These movements continued, albeit to a smaller extent, from July to October: the greater part of the return flow after the reversal of expectations had probably already taken place and the interest rate differentials had changed slightly to the disadvantage of the Belgian franc.

Altogether, the transactions described (items 2 and 3 combined) thus left, for the first ten months as a whole, a surplus of Fr. 68 billion in 1984 against Fr. 48 billion in 1983.

c) The net assets in foreign currencies of Belgian and Luxembourg banks rose by Fr. 59 billion in 1984, against Fr. 41 billion in 1983 (item 4).

The rise, since 1982, in the banks' net assets in foreign currencies was attributable to the fact that the banks which operate mainly on the

international foreign exchange market used a large proportion of their operating results to build up assets in foreign currencies which were intended to take the place, if necessary, of any other claims in foreign currencies which might prove unrecoverable, and also to the fact that branches of foreign banks used allocations of funds received from their parent banks either during the period or during previous periods — which give or have given rise to inflows in item 6 — likewise for the purpose of building up assets in foreign currencies. Furthermore, during the recent period, the banks appreciably increased their net holdings of Ecus, which are covered by liabilities in foreign currencies only to the extent of the relative weight of these currencies in the Ecu, thus swelling their net assets in item 4.

d) Resident enterprises' and individuals' holdings of foreign securities (item 5) consist of the Belgian-franc bonds issued by international organisations of which Belgium is a member, the outstanding amount of which increased by Fr. 8 billion during the first ten months of the year under review, and of foreign-currency securities, the outstanding amount of which went up by Fr. 89 billion, solely as a result of purchases of bonds. The reasons why these purchases, which were already very considerable in 1983, showed a further substantial increase in 1984 will be explained in the comments on Table VII. 2 « Formation of financial assets by individuals and companies ».

e) Other transactions (item 6) left an appreciably smaller surplus in 1984 than in 1983, owing to a marked reduction in direct investment in the Belgian-Luxembourg Economic Union by the rest of the world.

f) For the year under review as a whole, on the assumption of equilibrium in respect of current transactions on a transactions basis (see the comments on Table VI. 1) and on the basis of the surplus in respect of the capital transactions of the public sector and the movement of the foreign exchange reserves, which are more accurately known, it can be estimated that the total deficit in respect of private-sector capital transactions — including errors and omissions — reached about Fr. 90 billion in 1984 against Fr. 108 billion the previous year.

Table VI. 3.1

INTEREST RATES ON THREE-MONTH DEPOSITS IN EURO-CURRENCIES¹*(Per cent)*

	Euro-dollar	Euro-Ger- man 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-Ger- man mark	Euro-Dutch guilder
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
1984	10.82	5.78	6.16	11.35	+ 0.53	+ 5.57	+ 5.19
1983 1 st quarter	9.19	5.41	4.77	12.68	+ 3.49	+ 7.27	+ 7.91
2 nd quarter	9.38	5.13	5.61	10.23	+ 0.85	+ 5.10	+ 4.62
July-October	9.98	5.55	6.03	9.24	- 0.74	+ 3.69	+ 3.21
November-December ..	10.01	6.19	6.28	10.39	+ 0.38	+ 4.20	+ 4.11
1984 1 st quarter	10.10	5.84	6.08	11.54	+ 1.44	+ 5.70	+ 5.46
2 nd quarter	11.43	5.82	6.14	11.72	+ 0.29	+ 5.90	+ 5.58
July-October	11.63	5.73	6.35	11.23	- 0.40	+ 5.50	+ 4.88
November-December ..	9.27	5.71	5.91	10.70	+ 1.43	+ 4.99	+ 4.79

¹ Averages, per period, 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 operating enterprises and the public-sector financial intermediaries.

Table VI. 4

SPOT CAPITAL TRANSACTIONS OF THE PUBLIC SECTOR

(Billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 p	1983				1984				First ten months	
										1 st quarter	2 nd quarter	July-Oct.	Nov.-Dec.	1 st quarter	2 nd quarter	July-Oct.	Nov.-Dec. p	1983	1984
1. Transactions of public authorities :																			
1.1 with the rest of the world .	- 3	...	+12	+ 4	+ 26	+107	+129	+ 29	}	+51	- 1	-23	+ 2	+56	+32	+35	}	+ 27	+123
1.2 in foreign currencies with Belgian and Luxembourg banks ¹	+ 1	- 2	...	+36	+ 65	+100	+104	+ 92		+37	+12	+25	+18	+26	+17	- 4		+ 74	+ 39
Total 1 ..	- 2	- 2	+12	+40	+ 91	+207	+233	+121		+88	+11	+ 2	+20	+82	+49	+31		+101	+162
2. Transactions of public enterprises ² :									}								}		
2.1 with the rest of the world.	+ 9	+ 3	- 4	+32	+ 63	+ 31	+ 15	- 7		- 1	+ 1	- 1	- 6	+ 1	- 2	+ 6		- 1	+ 5
2.2 in foreign currencies with Belgian and Luxembourg banks ¹	+ 1	- 1	...	...	...	+ 20	+ 7	...		...	...	...	...	...	...	...		...	...
Total 2 ..	+10	+ 2	- 4	+32	+ 63	+ 51	+ 22	- 7	- 1	+ 1	- 1	- 6	+ 1	- 2	+ 6	- 1	+ 5		
3. Grand total	+ 8	...	+ 8	+72	+154	+258	+255	+114	+158	+87	+12	+ 1	+14	+83	+47	+37	-9	+100	+167

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

B. Main developments

a) During the first quarter of the year under review, which was marked by a large deficit in respect of other transactions, the public sector was induced to obtain substantial loans; the resultant capital inflows were not, however, sufficient to prevent a fall in the foreign exchange reserves. Subsequently, on the other hand, until October, further substantial loans helped to replenish the reserves, so that, over the ten months as a whole, the public sector's capital imports rose from Fr. 100 billion in 1983 to Fr. 167 billion.

b) According to still provisional data, the public sector's capital transactions resulted in a net deficit of about Fr. 9 billion in November and December of the year under review, partly because of the repayment of a foreign-currency loan by the Government. Altogether, for the year as a whole, public sector capital inflows appear to have reached Fr. 158 billion, against Fr. 114 billion in 1983.

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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 allocation of special drawing rights to Belgium in 1979, 1980 and 1981 or of 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. It should also be mentioned that the assets held at the International Monetary Fund (item 2 of Table VI. 5) comprise the rights which are held by the Belgian Government as a member of the Fund and which the Bank 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 the advances granted by the Bank for its own account to the Fund, under the « oil facility », the « supplementary credit facility » and the « extended access policy », by virtue of agreements concluded with the Fund and approved by the Government. The Belgian francs shown in item 5 represent the 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) 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 certain assets (chiefly the Bank's gross 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 hand. The balance of the Bank's forward assets and liabilities — mainly resulting from the swap credits with the European Monetary Co-operation Fund — appears on the indebtedness side when it is negative (item 1.15) and on the assets side when it is positive (item 2.2). 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 claims of the banks and the public-sector non-monetary financial intermediaries were considered to be easily mobilisable claims and 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 private non-bank 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)

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1983				1984				First ten months		
										1 st quarter	2 nd quarter	July-Oct.	Nov.-Dec.	1 st quarter	2 nd quarter	July-Oct.	Nov.-Dec.	1983	1984	
1. Gold holding .....	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
2. Assets held at the International Monetary Fund	+ 1	- 1	- 7	- 4	- 4	- 2	- 1	- 4	+ 3	- 2	- 1	...	- 1	- 1	...	+ 1	+ 3	- 3	...	...
3. Net claims on or liabilities to the European Monetary Co-operation Fund ¹ :																				
3.1 Ecus	—	—	—	-25	-27	-79	+48	+34	+26	+20	+16	- 1	- 1	-33	-38	+76	+21	+35	+ 5	...
3.2 Other .....	...	-24	- 5	- 1	+28	- 3	-14	-33	+49	-65	+81	-19	-30	-31	+68	+12	...	- 3	+49	...
4. Foreign currencies	-26	+16	- 2	- 1	+30	-10	-74	-19	-11	+ 6	+ 6	-28	- 3	+28	+20	-29	-30	-16	+19	...
5. Belgian francs .....	...	...	- 2	...	...	- 2	+ 3	...	...	...	- 3	+ 3	...	...	...	+ 1	- 1	...	+ 1	...
Total ...	-25	- 9	-16	-31	+27	-96	-38	-22	+67	-41	+99	-45	-35	-37	+50	+61	- 7	+13	+74	...

¹ 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.

B. Main developments

a) After having fallen by Fr. 37 billion in the first quarter of the year under review, the foreign exchange reserves rose by Fr. 50 billion in the second quarter. This increase took the form of a rise in holdings of foreign currencies (item 4 of Table VI. 5) and a reduction in liabilities to the European Monetary Co-operation Fund resulting from the very short-term financing of intra-Community interventions (item 3.2); the above-mentioned liabilities were furthermore reduced by the sale of Ecus (item 3.1). From July to October the foreign exchange reserves went up again, by Fr. 61 billion; this increase was used to repay the balance of the afore-mentioned liabilities and to replenish the holdings of Ecus; the latter were furthermore supplemented by sales of foreign currencies. In November and December the foreign exchange reserves declined slightly owing to a drawing on the holdings of foreign currencies for the purpose of redeeming a government loan; these holdings were also used for a further purchase of Ecus.

Altogether, over the year as a whole, the foreign exchange reserves rose by Fr. 67 billion, against a fall of Fr. 22 billion in 1983.

b) Although calculated at current exchange rates and prices, account thus being taken of the market price of gold, the Bank's assets shown in item 2 of Table VI. 5.1 were, at the end of September 1984, appreciably lower than the indebtedness of various resident sectors as recorded in item 1 of the same table, both for the Belgian-Luxembourg Economic Union and for Belgium alone; in both cases this indebtedness increased more, in comparison with the end of 1983, than the afore-mentioned assets.

For the reasons stated in the methodology, account was not taken, in this comparison between assets and indebtedness, of the net external holdings of individuals and private non-bank enterprises. There are, however, various indications suggesting that these holdings probably represent a larger amount than the foreign exchange reserves. All in all, the Belgian economy would appear to be a substantial creditor in relation to the rest of the world. Nevertheless, the debts of the public sector and the banks still — and increasingly — exceed the corresponding assets.

Table VI. 5.1

FOREIGN INDEBTEDNESS OF THE BANKS, THE PUBLIC SECTOR AND THE NATIONAL BANK OF BELGIUM AND THE LATTER'S FOREIGN ASSETS

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

	End December 1983		End September 1984 <i>p</i>	
	Belgian-Luxembourg Economic Union	Belgium	Belgian-Luxembourg Economic Union	Belgium
1. <i>Indebtedness (-) to the rest of the world and in foreign currencies to resident sectors :</i>				
1.1 at sight and at specific term :				
1.11 Net indebtedness of banks ¹	+ 101	- 114	+ 113	- 60
1.12 Net indebtedness of non-monetary financial intermediaries of the public sector	- 159	- 162	- 160	- 176
1.13 Gross indebtedness of the public authorities ² and the public operating enterprises	-1,093	-1,152	-1,277	-1,341
1.14 Gross spot indebtedness of the National Bank of Belgium	- 56	- 56	- 7	- 7
1.15 Net forward indebtedness of the National Bank of Belgium	- 6	- 6	...	...
1.16 Total (1.11 to 1.15)	-1,213	-1,490	-1,331	-1,584
1.2 at non-specific term :				
Countervalue of the allocations of Special Drawing Rights	- 28	- 28	- 30	- 30
Total indebtedness (1.1 + 1.2)	-1,241	-1,518	-1,361	-1,614
2. <i>Assets (+) :</i>				
2.1 Gross foreign exchange reserves of the National Bank of Belgium	+ 989	+ 989	+1,005	+1,005
2.2 Net forward assets of the National Bank of Belgium .....	...	...	+ 4	+ 4
Total assets (2.1 + 2.2)	+ 989	+ 989	+1,009	+1,009
<i>p.m.</i> Commercial claims on the rest of the world mobilised at the banks	+ 158	+ 157	+ 155	+ 154

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

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COMMENTS ON CHART 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, LIInd year, Volume I, No. 5, May 1977, pp. 45-49.

b) The lower part of Chart VI shows the premium on the foreign currencies on the free market as a percentage of their exchange rates on the regulated market.

Since the beginning of the 1980s, the operation of the two-tier foreign exchange market has undergone far-reaching changes. As is well known, the free market is reserved in principle for the settlement of capital transactions. The regulations do, however, provide for exceptions. These mainly apply to, on the one hand, foreign travel, which, except for the transfers of travel agencies, is paid for on the free market, and, on the other hand, portfolio and investment income, for which the regulations allow a choice between the two markets when the beneficiary or the debtor is not an authorised bank. Consequently, as soon as the free market rates reach a level slightly above that of the regulated market, expenditure in respect of portfolio and investment income takes place on the regulated market, whereas the receipts in respect of these incomes are normally collected on the free market, at the most advantageous rates. Until the end of the 1970s these receipts tended to offset net tourist expenditure, while the inflows of non-residents' capital also offset the outflows of residents' capital on the free market; thus equilibrium was maintained on the latter market without the exchange rates for foreign currencies and, consequently, the premium becoming subject to strong and persistent strains. At the beginning of the 1980s, however, when resident enterprises and individuals had gradually raised their claims on the rest of the world to a high level and interest rates had risen, there was a substantial expansion in the receipts repatriated in respect of portfolio and investment income; the rise in these receipts was not coupled on the free market with an increase in net expenditure in respect of other current transactions — the traditional deficit on tourism having, on the contrary, decreased from 1982 onwards while export earnings paid in notes (purchases made in Belgian stores by residents of adjacent countries, etc.) rose substantially — so that the free market was fed by a substantial net supply of foreign currency derived from current transactions.

Such a supply could, all other things remaining equal, have caused the exchange rates for the currencies — which fluctuate on the free market depending on supply

and demand — to decline, possibly below those on the regulated market — which, for their part, must remain within the limits laid down by the European Monetary System. But no systematic movement in this direction took place. That was because, simultaneously, net private-sector capital outflows expanded considerably, so that the exchange rates of the foreign currencies on the free market remained higher than those on the regulated market and the differential was in fact very appreciable during many months in 1981 and 1982. During this period, substantial private-sector capital outflows were therefore financed with receipts from current transactions and to the detriment of the supply of funds to the regulated market — which increased the Bank's intervention on that market accordingly.

From March 1983 onwards the premium of the currencies on the free market declined appreciably when the speculations which had taken place to the disadvantage of the Belgian franc at the beginning of that year were reversed and the Belgian-Luxembourg Foreign Exchange Institute even adopted, in May 1983, a measure allowing the banks to sell on the regulated market foreign currencies acquired on the free market, with the result that a floor at the level of the rates on the regulated market was established for the exchange rates on the free market. One of the aims of this measure was to enable the net supply of foreign currencies derived from current transactions to be used by the banks for expenditure on the regulated market or, otherwise, for increasing the Bank's foreign exchange reserves.

While there is thus henceforth a limit to how far rates on the free market can fall, there is in theory no such limit to how far they can rise. Actually, however, the existence on that market of a substantial supply of foreign currencies derived from current transactions has caused the premium on the currencies to be very small during the recent period, except when the demand for currencies with a view to private-sector capital exports has been so great that the supply in question has not been sufficient, *ex ante*, to meet it.

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.

During the year under review — specifically on 17th September — the standard basket which determines the composition of the Ecu was changed. The Greek drachma was added to the currencies which compose it and the relative weights of the other currencies were revised: those of the German mark, the pound sterling and the guilder were reduced and those of the other currencies were increased. This revision did not, however, affect the exchange rate for the Ecu expressed in any one of the currencies composing it. Nor was the maximum divergence of the Belgian and Luxembourg francs influenced, in practice, by the revision.

Chart VI. 6

EXCHANGE RATES¹



¹ 1976 to 1982 : averages, per quarter, of daily rates. 1983 and 1984 : averages, per month, of daily rates.

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

B. Main developments

a) During the year under review the movement of the weighted average rate for the Belgian franc on the regulated market was strongly influenced by that of the dollar exchange rate. After a decline in January, continuing the tendency observed during the previous year, the weighted average rate for the franc appreciated until March owing to the depreciation of the dollar and, to a smaller extent, of the pound sterling. After that, it fluctuated around the level thus reached, the effect of the rise of the dollar having been counterbalanced by the appreciation of the franc within the margins of the European Monetary System and by the spectacular depreciation of the Israeli shekel. Thus in December the index weighted by imports stood at 92.6 (basis 1975 = 100) against 91.5 a year earlier, which represented an appreciation of 1.2 p.c.

On the annual average, however, the movement of the weighted average rate for the Belgian franc appears to have remained virtually stable.

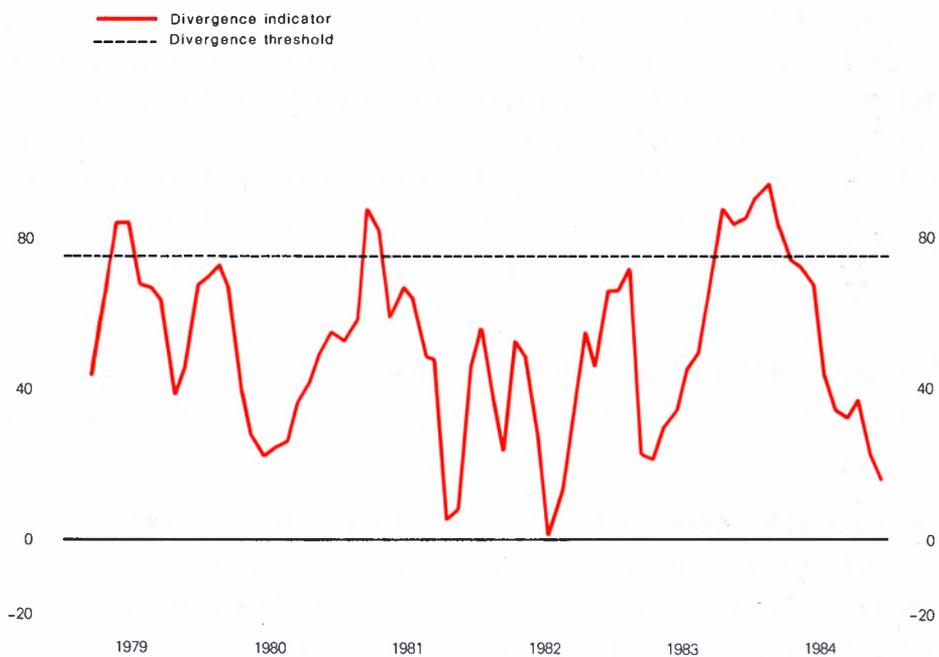
b) During the first quarter of the year under review, when expectations of a realignment within the European Monetary System gave rise to speculative outflows of private capital, the premium of the currencies on the free market increased again; in view of the extent of these outflows, however, the rise was limited — from 1.4 p.c. in December of the previous year the premium went up to 3.4 p.c. in March — owing to the fact that the free market was fed by a substantial net supply of foreign currencies derived from current transactions, including receipts of portfolio and investment income.

When the speculative expectations had been reversed, the premium of the currencies on the free market declined; it did not disappear, however, despite the supply of foreign exchange derived from current transactions. After March the exchange rates for the free-market currencies in fact continued to be influenced by those capital outflows which are of a structural nature; they were furthermore influenced by regulating interventions undertaken by the Bank and by forward purchases of foreign currencies by non-residents, probably speculating on a widening of the exchange rate differential between the free market and the regulated market. Nevertheless, the premium became almost negligible (less than 0.50 p.c.) in December.

c) The deficit in respect of current transactions on the regulated market and large capital outflows on that market kept the divergence indicator of the Belgian franc above the divergence threshold during the first quarter of the year under review (Chart VI. 6.1). Subsequently, partly under the influence of return capital inflows on the regulated market, the divergence indicator declined continuously, except in October; it fell back to a monthly average of 16 in December.

Chart VI. 6.1

DIVERGENCE INDICATOR OF THE BELGIAN FRANC IN THE EUROPEAN MONETARY SYSTEM¹



¹ 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. It should be pointed out that the net financing capacity of individuals and that of companies have been added together so as to enable them to be compared with the net financial surplus of these sectors, which cannot be broken down between them [see e) below]. It will furthermore be noted that this net financing capacity — of individuals and companies combined — is not affected by the way in which the capacities of each of the two sectors are measured. Whether one takes — as in Table VII. 1 — the data after statistical adjustments, that is, as they appear in the national accounts, or the data before these adjustments, does not have any influence on the total, because the elimination of the statistical adjustments in the account of individuals (see right-hand columns of Table V. 1) is equivalent to attributing these adjustments to companies, as the incomes and expenditure of the former have repercussions on the costs and receipts of the latter. In Table VII. 1.1 the net financing capacities and requirements 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, 2.23 and 3.2 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 expenditure items are in a number of cases entered in the books at a date different from that of their 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 to an even greater extent, to errors and omissions in the collection of the data. That is the case with, among others, the deviations appearing in item 3.3, which consist of the errors and omissions in the balance of payments of Belgium, since they represent the difference between the balance of the rest of the world's transactions with Belgium in respect of goods, services, incomes and transfers,

shown in item 3.1, and that of the recordable financial transactions between Belgian residents and non-residents, shown in item 3.2. These deviations — which were equated in previous reports with changes in financial claims of individuals and companies on the rest of the world, these being, however, assets whose nature and even existence can only be a matter of conjecture — are chiefly due to the difficulty of accurately and fully recording both the real and the financial transactions of Belgium with the Grand Duchy of Luxembourg and those of the latter with third countries.

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

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

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

— for the reasons stated in Chapter VI, the data for the first ten months of 1984 do not take into account the net commercial claims on foreign countries arising in connection with exports and imports and not mobilised at banks ; those for the corresponding period of 1983 were compiled on a comparable basis ;

— 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 resident sectors, in Tables VII. 2 to VII. 4.

Table VII. 1

FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>	First ten months	
										1983	1984 <i>p</i>
<i>1. Individuals and companies :</i>											
1.1 Net financing capacity (+) or requirement (-) :											
1.11 Individuals	+ 210	+ 174	+ 168	+ 182	+ 212	+ 361	+ 350	+ 460	+ 444	n.	n.
1.12 Companies	- 6	+ 1	+ 31	+ 13	+ 36	+ 57	+ 82	+ 137	+ 145	n.	n.
1.13 Total (1.11 + 1.12)	+ 204	+ 175	+ 199	+ 195	+ 248	+ 418	+ 432	+ 597	+ 589	n.	n.
<i>1.2 Net financial surplus :</i>											
1.21 Formation of financial assets (+)	+ 480	+ 481	+ 473	+ 485	+ 490	+ 586	+ 569	+ 671	n.	+ 480 ¹	+ 504 ¹
1.22 New liabilities (-)	- 268	- 283	- 279	- 310	- 252	- 218	- 153	- 215	n.	- 94	- 24
1.23 Total (1.21 + 1.22)	+ 212	+ 198	+ 194	+ 175	+ 238	+ 368	+ 416	+ 456	n.	+ 386	+ 480
1.3 Statistical deviation (1.13 - 1.23)	- 8	- 23	+ 5	+ 20	+ 10	+ 50	+ 16	+ 141	n.	n.	n.
<i>2. Public authorities :</i>											
2.1 Net financing requirement (-)	- 207	- 217	- 250	- 293	- 410	- 590	- 578	- 649	- 620	n.	n.
<i>2.2 Net financial deficit :</i>											
2.21 Formation of financial assets (+)	+ 8	+ 16	+ 24	+ 20	- 1	+ 3	+ 7	+ 3	n.	- 5	+ 27
2.22 New liabilities (-)	- 205	- 223	- 250	- 295	- 395	- 565	- 615	- 624	n.	- 553	- 566
2.23 Total (2.21 + 2.22)	- 197	- 207	- 226	- 275	- 396	- 562	- 608	- 621	- 565	- 558	- 539
2.3 Statistical deviation (2.1 - 2.23)	- 10	- 10	- 24	- 18	- 14	- 28	+ 30	- 28	- 55	n.	n.
<i>3. Rest of the world :</i>											
3.1 Net financing capacity made available to Belgium (+)	+ 3	+ 42	+ 51	+ 98	+ 162	+ 172	+ 146	+ 52	+ 31	n.	n.
3.2 Net financial surplus (+) or deficit (-) ...	- 12	+ 9	+ 34	+ 114	+ 157	+ 192	+ 211	+ 156	n.	+ 163 ¹	+ 68 ¹
3.3 Statistical deviation (3.1 - 3.2)	+ 15	+ 33	+ 17	- 16	+ 5	- 20	- 65	- 104	n.	n.	n.
<i>4. Balance of financial surpluses and deficits (1.23 + 2.23 + 3.2)</i>											
	+ 3	...	+ 2	+ 14	- 1	- 2	+ 19	- 9	n.	- 9	+ 9

¹ Excluding the change in Belgium's net commercial claims on foreign countries arising in connection with Belgium's imports and exports and not mobilised at Belgian banks.

B. Main developments

a) The sectoral accounts bring out some results of the government policy which, after having been centred on restoring the profitability of enterprises and remedying the balance of current transactions with foreign countries, made it the Government's next aim to improve the public finances. The fall of about Fr. 29 billion in the net financing requirement of the public authorities (item 2.1 of Table VII. 1) would appear to have been coupled with a reduction in the net financing capacity of individuals, only partly counterbalanced by an increase in the capacity of companies (item 1.13) and with a further reduction in the net financing capacity made available to Belgium by the rest of the world or the current deficit of Belgium with foreign countries (item 3.1). In relation to the gross national product (Table VII. 1.1), the net financing requirement of the public authorities appears to have decreased from 15.6 to 13.8 p.c., while the net financing capacity of individuals and companies appears to have declined from 14.4 to 13.1 p.c. and that made available to Belgium by the rest of the world from 1.2 to 0.7 p.c.

b) The provisional data concerning financial transactions in the first ten months of the year (Table VII. 1) reveal a reduction in the net financial deficit of the public authorities (item 2.23) which seems to confirm the estimated change in their net financing requirement for the year as a whole. On the other hand, the movement of the financial balances of individuals and companies and of the rest of the world — as they can be measured at present — appears to deviate from that estimated for the net financing capacity of these sectors : during the first ten months of 1984 the net financial surplus of individuals and companies (item 1.23) apparently increased appreciably, whereas, for the year as a whole, their net financing capacity appears to have decreased ; in correlation with this, the reduction in the net financial surplus of the rest of the world (item 3.2) appears to have been appreciably greater than that in the net financing capacity made available to Belgium. These divergencies are probably chiefly due to the difficulty of accurately recording the total of the financial transactions of the sectors concerned.

Table VII. 1.1

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

(Percentages of gross national product)

	1976	1977	1978	1979	1980	1981	1982	1983	1984 <i>e</i>
1. Individuals and companies :									
1.1 Individuals	+ 7.9	+ 6.1	+ 5.5	+ 5.6	+ 6.1	+10.0	+ 9.0	+11.1	+ 9.9
1.2 Companies	- 0.2	...	+ 1.0	+ 0.4	+ 1.0	+ 1.6	+ 2.1	+ 3.3	+ 3.2
1.3 Total (1.1 + 1.2)	+ 7.7	+ 6.1	+ 6.5	+ 6.0	+ 7.1	+11.6	+11.1	+14.4	+13.1
2. Public authorities	- 7.8	- 7.6	- 8.2	- 9.0	-11.8	-16.3	-14.8	-15.6	-13.8
3. Rest of the world ...	+ 0.1	+ 1.5	+ 1.7	+ 3.0	+ 4.7	+ 4.7	+ 3.7	+ 1.2	+ 0.7

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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 term, of items 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 to various other claims on the financial intermediaries, which have been calculated as balances, and on foreign countries.

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. Private issues, which represented over Fr. 190 billion in 1983, against about Fr. 51 billion for public issues, are not included in Table VII. 2.1 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 some 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 shareholder, 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).

d) The formation of financial assets in Belgian francs in the form of bonds and notes at over one year which appears in column (a) of Table VII. 2.1 is placed in a wider context in Tables VII. 2.2 to VII. 2.4. Table VII. 2.2 gives the breakdown, according to purchasers — who include individuals and companies [column (e)] — of the total of net issues of these bonds and notes and Table VII. 2.3 gives the breakdown of the same total according to issuers. Table VII. 2.4 combines the data of the two preceding tables, breaking down, for the first ten months of 1983 and 1984, the net issues of each issuer among the various purchasers.

e) Chart VII. 2.5 (upper part) shows net purchases of foreign-currency bonds as a percentage of total net purchases of foreign currency and Belgian-franc bonds; the data are taken from Tables VII. 2, column (e) and VII. 2.1, column (a). The lower part of the chart compares the long-term yields in Belgian francs and in some other currencies after any deduction of tax at source : for Belgium this is a withholding tax

on income from financial assets of 20 p.c. until the end of 1983 and 25 p.c. since then; on the other hand, no tax at source is levied on the incomes on the other bonds included in that chart. The chart therefore applies to the Belgian investor who, in comparing long-term rates of yield, only takes into account the tax, if any, deducted at source.

Table VII. 2

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

	In Belgian francs			In foreign currencies ²				Other		Grand total	Grand total excluding commercial claims
	At over one year	At up to one year	Total ³	At over one year		At up to one year	Total	Com-mercial claims ⁴	Miscella-neous		
				Total	of which : bonds						
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
1976	+ 154	+ 230	+ 384	+ 14	(+ 13)	+ 20	+ 34	+ 27	+ 35	+ 480	+ 453
1977	+ 224	+ 188	+ 412	+ 17	(+ 18)	+ 18	+ 35	- 17	+ 51	+ 481	+ 498
1978	+ 171	+ 225	+ 396	+ 20	(+ 19)	...	+ 20	+ 19	+ 38	+ 473	+ 454
1979	+ 208	+ 178	+ 386	+ 11	(+ 15)	+ 17	+ 28	+ 3	+ 68	+ 485	+ 482
1980	+ 261	+ 116	+ 377	+ 21	(+ 28)	+ 46	+ 67	+ 22	+ 24	+ 490	+ 468
1981	+ 208	+ 141	+ 349	+ 42	(+ 46)	+ 115	+ 157	+ 44	+ 36	+ 586	+ 542
1982	+ 299	+ 177	+ 476	+ 48	(+ 56)	+ 30	+ 78	+ 3	+ 12	+ 569	+ 566
1983	+ 350	+ 218	+ 568	+ 64	(+ 63)	- 14	+ 50	+ 13	+ 40	+ 671	+ 658
1983 First 10 months ...	+ 309	+ 122	+ 431	+ 52	(+ 51)	- 18	+ 34	+ 20	+ 15	+ 500	+ 480
1984 First 10 months . p	+ 193	+ 152	+ 345	+ 89	(+ 90)	+ 7	+ 96	n.	+ 63	n.	+ 504

¹ Companies other than financial intermediaries, public enterprises, life insurance and employers' liability insurance companies and pension funds.

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

³ For details : see Table VII. 2.1.

⁴ 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 reached Fr. 504 billion during the first ten months of 1984, or Fr. 24 billion more than in 1983 [column (k) of Table VII. 2]. The modest increase thus recorded is due not to the formation of financial assets in Belgian francs [column (c)], which decreased appreciably, but to the greater interest shown by individuals and companies in the other categories of financial assets and more particularly in those denominated in foreign currencies [column (g)].

b) The decline in the formation of assets in Belgian francs is solely due to that in assets at over one year [column (a) of Table VII. 2] and mainly to net purchases of bonds and notes [column (a) of Table VII. 2.1], which reached only Fr. 182 billion during the first ten months of 1984, against Fr. 276 billion in 1983.

The hesitancy displayed by the final lenders — individuals and companies — with regard to these securities was also evident — albeit less so — on the part of the financial intermediaries, well-supplied though they were with short-term funds. Consequently the total of net issues of bonds and notes decreased sharply during the first ten months of 1984 from Fr. 542 to 412 billion [Table VII. 2.2, column (f)].

Among the various issuers, only the public authorities were able to escape this movement; their issues actually reached Fr. 311 billion, or Fr. 38 billion more than during the first ten months of 1983 [Table VII. 2.3, column (a)].

On the other hand, the net issues of bonds and notes of the financial intermediaries [columns (b), (d) and (e)] fell markedly, having reached only half the amounts recorded during the first ten months of 1983.

These contrasting movements are due, as is shown by Table VII. 2.4, to various phenomena. On the one hand, while individuals and companies purchased less bonds and notes, it was not the public authorities' security issues that suffered from this loss of interest; this therefore only affected the other categories of issuers and particularly the financial intermediaries. On the other hand, the latter's holdings

of these securities underwent a further substantial increase; at the Government's request (see the comments on Tables VII. 4 and VIII. 1), a larger amount than in 1983 of Treasury certificates at up to one year was converted into special certificates at longer term, including certificates at over one year. Lastly, it should be pointed out that in 1984 the end-of-year government loan was issued in October — thus swelling the ten-month figures — whereas in 1983 it had not been issued until November.

c) The fact that individuals and companies reduced their purchases of notes and bonds in Belgian francs was not due to a greater preference for shares. Actually, during the first ten months of 1984, public issues of shares decreased [Table VII. 2.1, column (b)], probably owing to the expiry at the end of 1983, of the so-called « Cooreman » section of Royal Decree N° 15 of 9th March 1982 (amended by Royal Decree N° 150 of 30th December 1982). These issues nevertheless remained substantial, if their present level is compared with that which they reached during the years 1979-1981; this success is explainable by, among other things, the maintenance in 1984 of the so-called « De Clercq » section of the above-mentioned Royal Decrees and by the sharp rise — partly due to this — in stock exchange prices, which probably facilitated this form of recourse to the capital market.

The fall in purchases of notes and bonds by the final lenders is explained, on the other hand, by a certain shift in financial savings in favour of assets in Belgian francs at up to one year, the formation of which increased substantially during the first ten months of 1984 [Table VII. 2 column (b)]. At the beginning of the year the fear of a further rise in long-term interest rates, after that which took place during the last months of 1983, may well have encouraged this shift. Subsequently it was probably due to the attraction of high short-term interest rates, since it can be seen that the increased formation of financial assets at up to one year applies to all categories except for those which bring in little or no interest: thus, cash holdings fell by Fr. 16 billion, against a rise of Fr. 47 billion during the first ten months of 1983 [Table VII. 2.1, column (e)]. Lastly, it should be noted that the raising of the withholding tax on income from financial assets at the beginning of 1984 probably gave a fillip, among financial assets in Belgian francs, to the formation of those on which the withholding tax is not levied, namely deposits on ordinary deposit or

savings books (the maximum exempt income on which was raised) and deposits abroad [columns (f) and (h)].

The growth in investments in financial assets at up to one year in Belgian francs, which were increased by Fr. 30 billion in 1984 compared with 1983, is not large enough to provide a full explanation of the sharp reduction in the formation of financial assets at over one year in Belgian francs, which fell during the same period by Fr. 116 billion. This fall is also partly attributable to the greater preference for financial assets in foreign currencies.

d) The formation of financial assets in foreign currencies by individuals and companies did in fact increase considerably during the first ten months of 1984 and this increase benefited assets both at over one year and at up to one year [Table VII. 2, columns (d) and (f)].

The rise in the former is solely attributable to an expansion in purchases of bonds [Table VII. 2, column (e)], whereas no interest at all was shown in foreign shares. Individuals and companies thus purchased Fr. 90 billion's worth of foreign-currency bonds, against Fr. 51 billion during the first ten months of 1983. This rise did not, however, form part of any general trend towards an increase in investments in bonds and notes at over one year, these having declined from Fr. 327 to 272 billion during the first ten months of 1984 [total of column (a) of Table VII. 2.1 — already commented on in section (b) — and column (e) of Table VII. 2]; it was, on the contrary, due to a preference for investments in foreign currencies at the expense of those in Belgian francs. This phenomenon is illustrated in the upper part of Chart VII. 2.5, which shows that the share of foreign currencies in the total of net purchases of bonds increased greatly in 1984, after having already been substantial during the preceding three years.

The relative yields of investments in Belgian francs and in other currencies (Chart VII. 2.5, lower part) and their movement are undoubtedly not unconnected with this phenomenon. For several years the yields on Euro-bonds in dollars and in Ecus have been distinctly higher than those on government bonds in Belgian francs, particularly when account is taken of the withholding tax on income from financial assets which is levied on the latter; in 1984 the differential in favour of long-term investments in dollars increased appreciably during the

second and third quarters ; that in favour of bonds denominated in Ecus widened somewhat at almost the same time ; the two differentials remained substantial during the last months of the year, even though they decreased appreciably. The influence of the positive yield differentials was further strengthened by the concern about the size of the public debt burden and the persistence of a certain lack of confidence in the national currency on the part of Belgian investors ; this lack of confidence can also explain why investments in German marks and in guilders, traditionally strong currencies whose adverse yield differentials in relation to the Belgian franc decreased somewhat until the third quarter, likewise had more success. Lastly, the movement during recent years would furthermore appear to have been accentuated by the desire on the part of Belgian savers to diversify their investment in bonds ; the growing internationalisation of the financial system doubtless enabled this desire to be satisfied. Thus, for instance, it will be noted that there has been an increase during the last few years, including in 1984, in issues in Ecus, which seem to be very attractive to Belgian investors, probably because they may feel that monetary unit to be just as sound as the franc and less subject to speculation than the dollar. Hence the share of bonds in Ecus in total purchases of foreign-currency securities rose from 8 p.c. in 1981 to 57 p.c. during the first ten months of 1984 ; Belgian investors played an important part in subscriptions for international bond issues in Ecus, having purchased 40 p.c. of those which were made during these ten months.

e) It has already been mentioned that individuals and companies formed financial assets in foreign currencies at up to one year in 1984 [Table VII. 2, column (f)], whereas they had disposed of such assets during the first ten months of 1983 ; this formation took place entirely during the first quarter of the year, when there were widespread expectations of a change in the central rates within the European Monetary System.

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 ⁶
	Bonds and notes	Shares ¹	Miscellaneous ²	Total ³	Cash holdings	Deposits on ordinary deposit or savings books	Time deposits		Notes	Miscellaneous ⁴	Total ⁵	
							in Belgium	abroad				
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	
1976	+ 149	+ 2	+ 3	+154	+ 37	+106	+ 70	+ 17	+ 4	- 4	+230	+ 384
1977	+ 207	+ 10	+ 7	+224	+ 73	+103	- 1	+ 6	+ 5	+ 2	+188	+ 412
1978	+160	+ 10	+ 1	+171	+ 48	+106	+ 35	+ 16	+ 15	+ 5	+225	+ 396
1979	+203	+ 4	+ 1	+208	+ 26	+ 73	+ 38	+ 47	- 4	- 2	+178	+ 386
1980	+258	+ 2	+ 1	+261	+ 4	+ 2	+ 51	+ 72	- 11	- 2	+116	+ 377
1981	+204	+ 1	+ 3	+208	+ 32	+ 46	+ 12	+ 45	- 5	+ 11	+141	+ 349
1982	+280	+ 20	- 1	+299	+ 39	+ 21	+ 72	+ 52	- 4	- 3	+177	+ 476
1983	+286	+ 51	+ 13	+350	+ 68	+112	+ 35	- 12	+ 11	+ 4	+218	+ 568
1983 First 10 months	+276	+ 23	+ 10	+309	+ 47	+ 34	+ 28	- 10	+ 8	+ 15	+122	+ 431
1984 First 10 months p	+182	+ 9	+ 2	+193	- 16	+ 42	+ 78	+ 44	+ 5	- 1	+152	+ 345

¹ Public issues only; see, on this subject, paragraph c) of the methodology.² Consists mainly of deposits at over one year formed with resident financial intermediaries.³ See column (a) of Table VII. 2.⁴ Other assets formed with resident financial intermediaries and assets formed with resident non-financial sectors.⁵ See column (b) of Table VII. 2.⁶ See column (c) of Table VII. 2.

Table VII. 2.2

NET ISSUES OF BONDS¹ AND NOTES AT OVER ONE YEAR IN BELGIAN FRANCS

Classified according to purchasers

(Billions of francs)

	Mainly monetary institutions (a)	Other financial interme- diaries ^e (b)	Public authorities (c)	Foreign countries ^e (d)	Others ³ (e)	Total (f)
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	+ 258	+ 278
1981 .....	...	+ 1	+ 1	- 2	+ 204	+ 204
1982	+ 41	+ 69	+ 5	- 14	+ 280	+ 381
1983	+144	+183	- 1	+ 3	+ 286	+ 615
1983 First 10 months	+113	+152	- 2	+ 3	+ 276	+ 542
1984 First 10 months <i>p</i>	+ 59	+164	+ 3	+ 4	+ 182	+ 412
<i>p.m. Outstanding amounts on 31st October 1984 p</i>	<i>(926)</i>	<i>(1,077)</i>	<i>(37)</i>	<i>(25)</i>	<i>(2,918)</i>	<i>(4,983)</i>

¹ Including Treasury certificates at over one year.² Excluding the net acquisitions of certain financial intermediaries the amount of which is not known for 1984, namely those of life and employers' liability insurance companies and those of pension funds.³ The figures in this column have been calculated as a difference and mainly represent the net acquisitions of individuals and companies. See column (a) of Table VII. 2.1.

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 author- ities ¹	Public financial interme- diaries ²	Public enterprises	Banks	Private savings banks, mortgage and capital accumu- lation companies ²	Others	Total ³
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
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	+ 12	+ 278
1981	+ 16	+ 94	+ 4	+ 44	+ 34	+ 12	+ 204
1982	+ 79	+ 179	+ 11	+ 55	+ 46	+ 11	+ 381
1983	+ 338	+ 112	+ 18	+ 57	+ 38	+ 52	+ 615
1983 First 10 months	+ 273	+ 111	+ 19	+ 53	+ 38	+ 48	+ 542
1984 First 10 months ... p	+ 311	+ 56	- 14	+ 26	+ 19	+ 14	+ 412
<i>p.m. Outstanding amounts on 31st October 1984 . p</i>	(2,439)	(1,352)	(176)	(384)	(324)	(308)	(4,983)

¹ Including Treasury certificates at over one year.² Including savings bonds or certificates.³ This column is identical with column (f) of Table VII. 2.2.

Table VII. 2.4

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

Classified according to issuers and according to purchasers

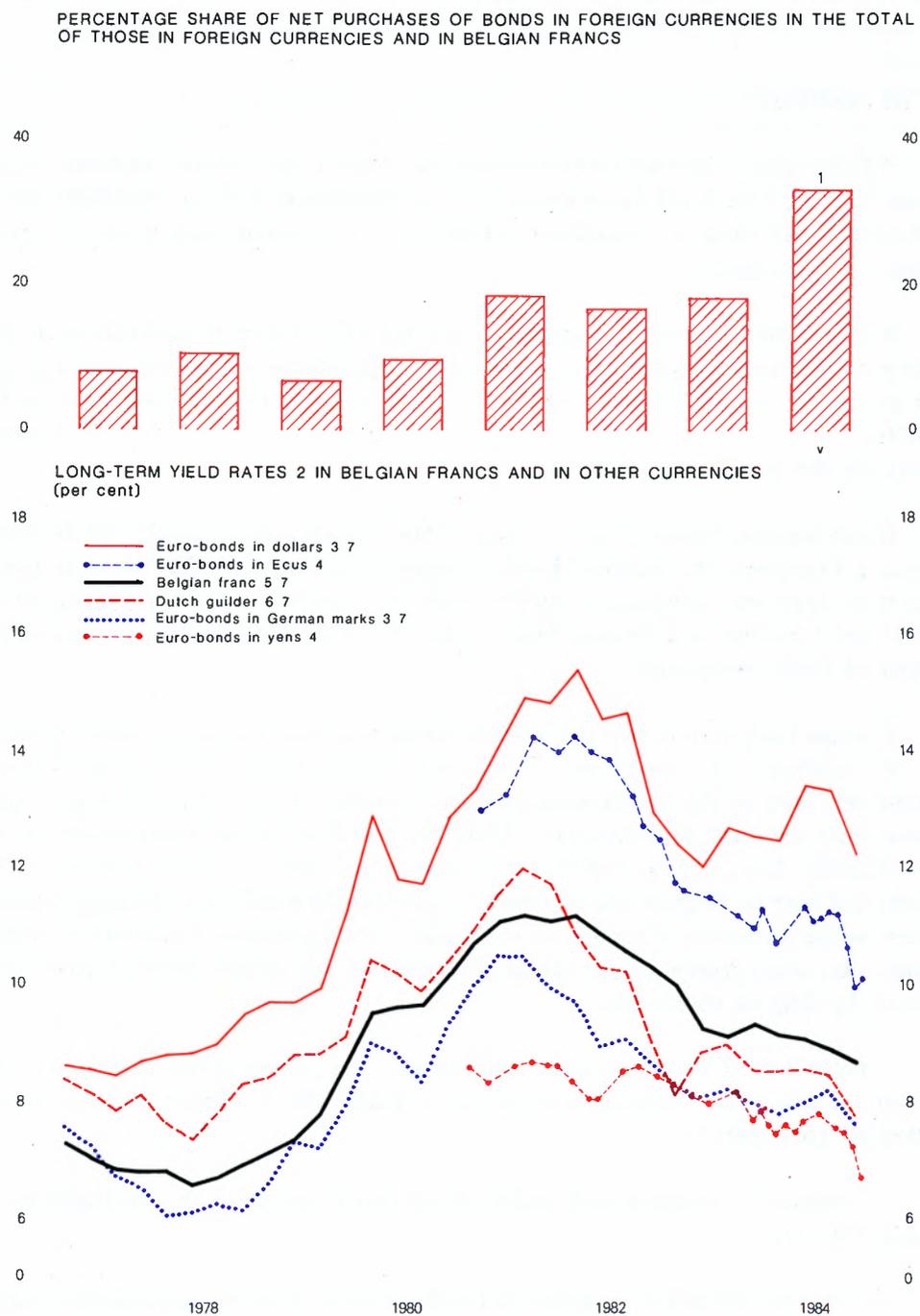
(Billions of francs)

Issuers	Public authorities ¹	Public financial intermediaries ²	Public enterprises	Banks	Private savings banks, mortgage and capital accumulation companies ²	Others	Total
Purchasers	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Mainly monetary organisations :							
1983 First 10 months	+ 96	+ 3	+ 2	...	- 1	+13	+113
1984 First 10 months ... <i>p</i>	+ 61	- 3	- 2	...	...	+ 3	+ 59
Other financial intermediaries ³ :							
1983 First 10 months	+124	+ 13	+ 4	+ 1	...	+10	+152
1984 First 10 months ... <i>p</i>	+152	+ 4	+ 1	...	...	+ 7	+164
Public authorities :							
1983 First 10 months	- 1	- 1	...	...	...	...	- 2
1984 First 10 months ... <i>p</i>	+ 3	...	...	...	...	...	+ 3
Foreign countries <i>e</i> :							
1983 First 10 months	+ 5	- 2	...	...	...	...	+ 3
1984 First 10 months ... <i>p</i>	+ 4	...	...	...	...	...	+ 4
Others (individuals and companies) :							
1983 First 10 months	+ 49	+ 98	+13	+52	+39	+25	+276
1984 First 10 months ... <i>p</i>	+ 91	+ 55	-13	+26	+19	+ 4	+182
Total :							
1983 First 10 months	+273	+111	+19	+53	+38	+48	+542
1984 First 10 months ... <i>p</i>	+311	+ 56	-14	+26	+19	+14	+412

¹ Including Treasury certificates at over one year.² Including savings bonds or certificates.³ Excluding the net purchases of certain financial intermediaries the amount of which is not known for 1984, namely those of life and employers' liability insurance companies and those of pension funds.

Chart VII. 2.5

NET PURCHASES OF BONDS IN FOREIGN CURRENCIES AND LONG-TERM YIELD RATES IN BELGIAN FRANCS AND IN OTHER CURRENCIES



Sources : Euro-bonds in dollars and in German 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 in yens : recording by the National Bank of Belgium. Calculations of the National Bank of Belgium.

¹ First ten months.
² Rates of yield on the secondary market, except in the case of Euro-bonds in Ecus and in yens, for which it is the yield on issue.
³ With a term of 7 to 15 years, issued by the foreign public sector.
⁴ With a minimum term of 8 years, issued by first-rate borrowers.
⁵ Government bonds at over 5 years.
⁶ Last three long-term government loans.
⁷ Averages, per quarter, of monthly data.

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. This breakdown endeavours to distinguish between the liabilities of individuals and those of companies. However, the criterion used leaves a certain margin of inaccuracy.

It seems almost certain, in any case, that the greater part of personal loans and hire-purchase credits [(column (a))] and also mortgage loans for housing [column (b)] are granted to individuals. The amounts shown in these columns are those of the credits of this kind granted by Belgian financial intermediaries and also, for housing loans, by the social security institutions.

Social housing credits [column (c)] are those which are granted by the National Housing Company, the National Land Company, the Large Families Housing Funds and their approved companies, together with the social housing credits financed by the General Savings and Pension Fund within the framework of its advances to the approved credit companies.

It seems fairly certain that the other liabilities [columns (e) to (g)] consist primarily of liabilities of companies — including public enterprises — and one-man businesses; but, in the breakdowns given in Chapters II to V, the latter have been consistently regarded as individuals. There are therefore certain overlappings in the classification here. These liabilities of companies and one-man businesses 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 shows more particularly the liabilities of companies and one-man businesses to Belgium [column (e) 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 subscribers;

— for investment credits [column (d)] the reductions resulting from the taking over by the public authorities, at their expense, of the outstanding amounts of credits

used by steel enterprises were disregarded ; furthermore, in order to obtain a series which would be homogeneous and consistent in time, the increases which had resulted during the preceding years from the granting of these credits were eliminated ;

— 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, or to the National Social Security Office, by certain private or public enterprises of sums owed by them in respect of the pay-as-you-earn income tax or social security contributions deducted from the wages and salaries of their employees.

Table VII. 3

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

	Liabilities contracted mainly by individuals			Liabilities of companies and one-man businesses ²			Grand total	
	Personal loans and hire-purchase credits	Mortgage loans for housing		Total	To Belgium ³	To foreign countries		Total
		Total	of which : social housing credits					
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
1976	+ 26	+ 75	(+ 21)	+ 101	+ 131	+ 36	+ 167	+ 268
1977	+ 23	+ 80	(+ 27)	+ 103	+ 134	+ 46	+ 180	+ 283
1978	+ 16	+ 98	(+ 33)	+ 114	+ 122	+ 43	+ 165	+ 279
1979	+ 21	+ 111	(+ 29)	+ 132	+ 142	+ 36	+ 178	+ 310
1980	+ 6	+ 82	(+ 38)	+ 88	+ 100	+ 64	+ 164	+ 252
1981	- 10	+ 42	(+ 26)	+ 32	+ 89	+ 97	+ 186	+ 218
1982	+ 3	+ 26	(+ 27)	+ 29	+ 41	+ 83	+ 124	+ 153
1983	+ 7	+ 33	(+ 23)	+ 40	+ 124	+ 51	+ 175	+ 215
1983 First 10 months	+ 4	+ 15	(+ 19)	+ 19	+ 47	+ 28	+ 75	+ 94
1984 First 10 months .. p	+ 11	+ 11	(+ 5)	+ 22	- 13	+ 15	+ 2	+ 24

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

B. Main developments

a) The movement which started in 1983 when the total new liabilities of individuals and companies had shown an increase over the previous year for the first time since 1979 did not continue in 1984 : during the first ten months, new liabilities reached only Fr. 24 billion, against Fr. 94 billion in 1983 [column (h) of Table VII. 3].

b) This decrease in new liabilities is solely due to the movement of the liabilities of companies and one-man businesses [column (g)]; on the other hand, the liabilities contracted chiefly by individuals [column (d)] grew somewhat more than in 1983.

c) The last-mentioned increase is entirely due to the movement of personal loans and hire-purchase credits, which went up by Fr. 11 billion, against Fr. 4 billion in the previous year [column (a)]. This development is probably connected with the less depressed behaviour of private consumption of goods during the first months of the year, which has already been mentioned in the comments on Table III. 1; more particularly, purchases of cars, the main category of goods bought with the aid of consumer credit, would appear to have risen appreciably.

On the other hand, new liabilities in the form of mortgage loans for housing fell to Fr. 11 billion, against Fr. 15 billion in 1983 [column (b)]. The revival in demand for credit for private house-building, which had begun in the fourth quarter of 1983, continued — albeit at a moderate rate — in connection with the increase, already referred to, in this category of investment in housing; it was not, however, sufficient to counterbalance the decrease in the granting of credits for social housing [column (c)], which suffered a further pronounced reduction in activity for the reasons mentioned in Chapter III.

d) During the first ten months the liabilities of companies and one-man businesses increased by only Fr. 2 billion; in 1983 an increase of Fr. 75 billion had been recorded [column (g)]. This fall was probably due to a further improvement in the profit situation and perhaps also to the realisation of some financial assets which had previously been built up.

Both new liabilities to foreign countries [column (f)] and those to Belgium [column (e)] declined. A more detailed examination of the

latter (Table VII. 3.1), for which there was a net repayment of Fr. 13 billion [column (g)], shows that enterprises continued, even more than in 1983, to pay off their short-term debts, which decreased by Fr. 33 billion against only Fr. 17 billion the previous year [column (e)]. Direct recourse to the capital market by the issuing of shares or bonds likewise showed a distinct falling off. The tax advantages granted by the « Cooreman » section of Royal Decree N° 15 of 9th March 1982 (amended by Royal Decree N° 150 of 30th December 1982) having expired at the end of 1983, share issues represented only Fr. 4 billion [column (a)]. As for bond issues, the new liabilities which private enterprises, mainly the electricity-generating companies, contracted in this form fell from Fr. 21 billion in 1983 to Fr. 3 billion in 1984 [column (b)], while the public enterprises carried out net redemptions [column (c)]. These are mainly due to the increase in redemptions by the Telegraphs and Telephones Board, which were primarily financed by the realisation of part of the short-term portfolio investments which the Board had built up with the proceeds of the bond loan issued in October 1983; in 1984, on the other hand, it did not place its new bond loan until November. The reduction in direct recourse to the market for long-term capital was only partly offset by the increase, large though it was, in new investment credits [column (d)].

Table VII. 3.1

NEW LIABILITIES OF COMPANIES¹ AND ONE-MAN BUSINESSES TO BELGIUM²*(Billions of francs)*

	Shares (a)	Bonds issued by		Investment credits (d)	Other discount credits, advances and acceptances (e)	Miscellaneous (f)	Total (g)
		private companies (b)	public enterprises (c)				
1976 .....	...	+ 15	+ 9	+ 49	+ 57	+ 1	+ 131
1977	+ 9	+ 8	+ 14	+ 32	+ 67	+ 4	+ 134
1978	+ 10	+ 7	+ 23	+ 43	+ 38	+ 1	+ 122
1979	+ 5	+ 6	- 2	+ 48	+ 83	+ 2	+ 142
1980	+ 1	+ 11	- 5	+ 40	+ 46	+ 7	+ 100
1981 .....	...	+ 11	+ 5	+ 7	+ 57	+ 9	+ 89
1982	+ 17	+ 5	+ 12	+ 14	- 13	+ 6	+ 41
1983	+ 45	+ 24	+ 19	+ 27	+ 6	+ 3	+ 124
1983 First 10 months	+ 19	+ 21	+ 19	+ 3	- 17	+ 2	+ 47
1984 First 10 months <i>p</i>	+ 4	+ 3	- 18	+ 30	- 33	+ 1	- 13

¹ Companies which are not financial intermediaries.² After elimination of the purely accounting effects of alterations in exchange rates.*
**

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. 4.1. This table was compiled on the basis of the official public debt statement, from which the transactions which did not give rise to movements of funds were eliminated. These transactions consist of :

— the changes in the portfolio of Treasury certificates held by the International Monetary Fund. The giving of Treasury certificates to the 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 Bank and not for the Treasury;

— the taking-over, in 1982 and 1983, by the Road Fund of the debt of the Associations of Local Authorities for Motorways (Law of 2nd July 1981 and Royal Decrees of 10th December 1981 and 7th March 1983).

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

c) The financial deficit of the public authorities other than the Treasury [column (g) of Table VII. 4] corresponds to the balance of their new liabilities and their formation of financial assets, a breakdown of which is given in Table VII. 4.2.

The new liabilities in Belgian francs at over one year of the public authorities other than the Treasury [column (b) of Table VII. 4.2] were corrected in order to eliminate the effects of the above-mentioned taking-over of the debt of the Associations

of Local Authorities for Motorways by the Road Fund, while the changes in their liabilities in foreign currencies [column (f)] are calculated after elimination of the purely accounting effects of alterations in exchange rates.

The financial assets formed by the public authorities other than the Treasury [column (j)] consist of :

— bonds, notes, Treasury certificates and deposits acquired or made as an investment. A large proportion of the bonds as well as the Treasury certificates acquired by some public authorities have as their counterpart liabilities contracted by other public authorities, especially the Treasury. These data were not consolidated. Thus, for instance, a bond issued by the Treasury or by a local authority and subscribed for as an investment by a social security organisation is contained both in the new liabilities contracted and in the financial assets formed by the public authorities ;

— mortgage loans granted to individuals by the social security organisations ;

— claims which the public authorities have established on private and public enterprises which, faced with cash-flow problems, have postponed payment of the pay-as-you-earn tax on the wages and salaries of their employees or of the social security contributions payable by the employers or the employees.

d) Columns (c) to (f) of Table VII. 4 give a breakdown, by sub-sectors, of the net financial deficit of the public authorities other than the Treasury.

e) The financial deficit of the communities and regions is for the most part included in that of the Treasury. The communities and regions have in fact, up to the present, been mainly financed by means of the credit line which they enjoy with the Treasury (a line which amounts, for each of the afore-mentioned institutions to one-sixth of its annual appropriation in the government budget). They therefore made hardly any use of the possibility, which had been granted to them under the Law of 9th August 1980 on institutional reforms, of resorting to borrowing in order to meet their financing requirements. The amounts shown in column (c) of Table VII. 4 thus relate only to the loans contracted directly by the communities and regions from financial intermediaries.

f) The local authorities consist of the provinces, municipalities and conurbations, the public social aid funds, the associations of local authorities which are not in the form of enterprises and the Assistance Fund for the Financial Recovery of Municipalities. Their financial deficit [column (d)] corresponds to the change in the liabilities to the Belgian Municipal Credit Institution and the other financial intermediaries, plus the net issues of loans in Belgian francs and in foreign currencies and less the deposits built up with the Belgian Municipal Credit Institution.

g) The financial surplus or deficit, as the case may be, of the social security system, as recorded in column (e), is that of the main bodies which administer the system

for wage- and salary-earners and the system for self-employed persons, together with the Overseas Social Security Office and the subsistence funds. It corresponds to the formation of financial assets by these organisations (including, as mentioned above, the mortgage loans granted to individuals and the claims of the National Social Security Office resulting from the delays in payment of social security contributions by private and public enterprises), less the debts contracted by the National Sickness and Disablement Insurance Institute and the National Social Security Institute for the Self-employed.

h) The item « Other public authorities » [column (f)] corresponds to the part of the financial deficit of the national, community or regional authority which, mainly owing to recourse to debudgetisation and prefinancing, did not give rise to a change in the debt of the Treasury or the communities or regions. In view of the diversity of the debudgetisation and prefinancing techniques employed by these sub-sectors of the public authorities, this item is very heterogeneous. It can, however, be subdivided into three main components :

— the changes in the financial liabilities of the autonomous funds and organisations which are responsible for incurring certain items of expenditure on behalf of the national, community or regional authorities ;

— the changes in the prefinancing operations carried out by the financial intermediaries on behalf of certain public institutions. These prefinancings were mainly granted within the framework of the « government portion » loans to the local authorities, the granting of building premiums, the contribution of the Treasury or of the regions to the financial service of the loans issued by the National Housing Company and the National Land Company as well as the assistance to the « national » industrial sectors. With regard to the latter, the new liabilities resulting from the taking-over by the public authorities of debts of the steel industry were not recorded in the years during which the public authorities formally took them over but were attributed to the years in which they were originally contracted by the sectors in question ;

— the changes in the financial assets held as temporary investments by certain autonomous organisations and funds of the national, community or regional authorities, as well as the changes in the Treasury's claims corresponding to the delays in the payment of the pay-as-you-earn tax deducted from the wages and salaries of the employees of private and public enterprises. This component is deducted from the two preceding ones in order to calculate the net financial deficit of the sub-sector « Other public authorities ».

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 deficit	Financial deficit or surplus of the sub-sectors						Grand total	Statistical deviation
		Treasury	Public authorities other than the Treasury				Total		
			Communities and regions	Local authorities	Social Security	Other public authorities			
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (b) + (g)	(i) = (a) - (h)	
1976	-207	-133	—	-28	- 4	-32	- 64	-197	-10
1977	-217	-168	—	-18	+ 2	-23	- 39	-207	-10
1978	-250	-183	—	-24	+ 1	-20	- 43	-226	-24
1979	-293	-212	—	-26	- 5	-32	- 63	-275	-18
1980	-410	-297	—	-59	- 2	-38	- 99	-396	-14
1981	-590	-455	—	-63	+15	-59	-107	-562	-28
1982	-578	-509	- 2	-28	- 4	-65	- 99	-608	+30
1983	-649	-525	+ 1	-35	- 5	-57	- 96	-621	-28
1984	-620 ^e	-504	+ 1 ^e	-20 ^e	+ 8 ^e	-50 ^e	- 61 ^e	-565 ^e	-55 ^e
1983 First 10 months	n.	-494	+ 1	-16	+ 3	-52	- 64	-558	n.
1984 First 10 months	n.	-525	+ 1	+10	+16 ^p	-41 ^p	- 14 ^p	-539 ^p	n.

B. Main developments

a) In 1984 the financial deficit of the public authorities appears to have amounted to Fr. 565 billion, or Fr. 56 billion less than in 1983 [column (h) of Table VII. 4]. The decrease in the financial deficit would thus appear to have been appreciably larger than that in the net financial requirement, which appears to have decreased by only Fr. 29 billion, from Fr. 649 billion in 1983 to Fr. 620 billion in 1984 [column (a)]. The different movement of the public authorities' financial deficit and their net financing requirement, which explains the expansion, in absolute value, of the statistical deviation between these two data [column (i)] is, however, almost without significance; it is solely due to a timelag between the entering in the accounts and the payment of civil service salaries as a result of the introduction of the system of payment in arrears. As a result of the procedures for the introduction of the new system, which were described in detail in the methodology of Tables V. 4, the equivalent of twelve months' salaries was entered in the accounts in 1984 but only the equivalent of eleven months was paid during that year.

b) For the first time since 1973 the financial deficit of the Treasury, which accounts for the greater part of the deficit of the public authorities as a whole, decreased, falling from Fr. 525 billion in 1983 to Fr. 504 billion in 1984.

The portion of this deficit which is financed by net issues of consolidated loans in Belgian francs, which had grown considerably in 1983, declined again in 1984, from Fr. 275 to 161 billion [column (g) of Table VII. 4.1]. The smaller increase in the consolidated debt in 1984, primarily due to the falling-off in subscriptions by the financial intermediaries (see the comments on Table VII. 2), was hardly compensated for by the slightly faster rise in the short-term debt; the latter increased by Fr. 78 billion against Fr. 67 billion in 1983 [column (e)]. Two factors severely limited the growth in 1984. On the one hand, for the reasons which will be examined in section g) of the comments on the main developments in respect of Table VIII. 1, the banks subscribed for less Treasury certificates in order to reduce the outstanding amount of their rediscounted bills. On the other hand, at the request of the Government, which was concerned in 1984 to curb expenditure in respect of interest charges, the financial intermediaries

agreed to convert Fr. 101 billion's worth of Treasury certificates at up to one year into special certificates at one to three years. This operation led to a large increase in the medium-term debt [column (f)].

As the reduction in the resources which the Treasury was thus able to collect without their leading to a creation of liquidity by the Bank was greater than the decrease in the financial deficit, the Treasury's new liabilities which led to that creation rose slightly, on balance, from Fr. 141 billion in 1983 to Fr. 168 billion in 1984 [column (d)]. The increase in the foreign-currency debt reached Fr. 156 billion compared with Fr. 134 billion in 1983, while the portfolio of Treasury certificates held by the Securities Regulation Fund and financed by the Bank increased by Fr. 12 billion against Fr. 7 billion in 1983. The ceiling on the Bank's special assistance to the Securities Regulation Fund, which amounted to Fr. 210 billion at the end of 1983, was not changed in 1984. Thus, from year-end to year-end, the available margin under this ceiling decreased from Fr. 21 to 9 billion.

c) The financial deficit of the local authorities [column (d) of Table VII.4] appears to have decreased from Fr. 35 billion in 1983 to Fr. 20 billion in 1984. This movement is the result of various measures taken by these authorities to cut down their deficit and, in particular, of the substantial growth in tax revenue resulting from the increasing, by a large number of them, of the municipal tax imposed on top of the personal income tax and of the additional municipal tax on real estate. The improvement in the financial situation of the local authorities as revealed by Table VII. 4 would have been even more marked if some of these authorities, after having run into arrears during the two preceding years in the payment to the Treasury of the pay-as-you-earn withholding tax on the wages and salaries of their employees, had not partly caught up these arrears in 1984.

d) The various measures for increasing social security contributions and limiting benefits which are described in the comments on Tables V. 4 appear to have enabled the sub-sector « Social security » [column (e)] to achieve a financial surplus in 1984.

e) The financial deficit of the sub-sector « Other public authorities » [column (f)] appears to have reached Fr. 50 billion against Fr. 57 billion in 1983. This deficit is again mainly due to the aid given to the five « national » sectors, especially the iron and steel industry.

f) The total deficit of the public authorities other than the Treasury appears to have fallen from Fr. 96 billion in 1983 to Fr. 61 billion in 1984 [column (g)]. During the first ten months of 1984, the last period for which data concerning the financing structure of this part of the public authorities are available, this deficit was confined to Fr. 14 billion against Fr. 64 billion in 1983. This improvement was chiefly reflected in a substantial formation of financial assets, which reached Fr. 27 billion [column (j) of Table VII. 4.2]. New liabilities, for their part, amounted to only Fr. 41 billion against Fr. 59 billion in 1983 [column (g)]. This decline was accompanied by a change in the terms of the liabilities in Belgian francs : the increase in the debt at over one year was much greater in 1984 than during the previous year, while the debt at up to one year decreased considerably. This change is mainly due to the issuing by the Municipal Financial Recovery Fund in the second half of 1984 of two loans at over one year for a total amount of Fr. 45 billion, which enabled this Fund to repay the advances at up to one year obtained from the Belgian Municipal Credit Institution.

Table VII. 4.1

NEW TREASURY LIABILITIES

(Billions of francs)

	Changes in debts entailing creation of liquidity by the National Bank of Belgium				Changes of the other debts in Belgian francs				Grand total
	Treasury certificates held by the Bank (margin)	Treasury certificates held by the Securities Regulation Fund and financed by advances from the Bank	Debt in foreign currencies ¹	Total	Short-term debt	Medium-term debt	Consolidated debt	Total	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1976	+ 16	+ 1	- 1	+ 16	+ 39	- 4	+ 82	+ 117	+ 133
1977	+ 16	- 1	...	+ 15	+ 25	- 7	+ 135	+ 153	+ 168
1978	+ 13	+ 12	+ 25	+ 15	- 1	+ 144	+ 158	+ 183
1979	+ 37	+ 42	+ 79	+ 7	...	+ 126	+ 133	+ 212
1980	+ 25	+ 92	+ 117	+ 110	...	+ 70	+ 180	+ 297
1981	+ 73	+ 214	+ 287	+ 141	...	+ 27	+ 168	+ 455
1982	+ 32	+ 220	+ 252	+ 194	- 2	+ 65	+ 257	+ 509
1983	+ 7	+ 134	+ 141	+ 67	+ 42	+ 275	+ 384	+ 525
1984	+ 12	+ 156	+ 168	+ 78	+ 97	+ 161	+ 336	+ 504
1983 First 10 months	+ 6	+ 110	+ 116	+ 122	+ 42	+ 214	+ 378	+ 494
1984 First 10 months	- 16	+ 170	+ 154	+ 100	+ 99	+ 172	+ 371	+ 525

¹ 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.

Table VII. 4.2

NEW LIABILITIES AND FORMATION OF FINANCIAL ASSETS BY PUBLIC AUTHORITIES OTHER THAN THE TREASURY

(Billions of francs)

	New liabilities						Formation of financial assets in Belgian francs			Balance	
	in Belgian francs			in foreign currencies			Grand total	at up to one year	at over one year		Total
	at up to one year (a)	at over one year (b)	Total (c)	at up to one year (d)	at over one year (e)	Total (f)		(g)	(h)	(i)	(j)	(k) = (g) - (j)
1976	+ 9	+ 63	+ 72	...	...	...	+ 72	+ 5	+ 3	+ 8	+ 64
1977	- 22	+ 77	+ 55	...	...	...	+ 55	+ 15	+ 1	+ 16	+ 39
1978	+ 7	+ 60	+ 67	...	...	...	+ 67	+ 23	+ 1	+ 24	+ 43
1979	+ 13	+ 70	+ 83	...	...	...	+ 83	+ 16	+ 4	+ 20	+ 63
1980	+ 33	+ 63	+ 96	+ 2	...	+ 2	+ 98	- 5	+ 4	- 1	+ 99
1981	+ 21	+ 80	+101	- 1	+ 10	+ 9	+110	...	+ 3	+ 3	+107
1982	- 4	+ 87	+ 83	...	+ 23	+ 23	+106	+ 3	+ 4	+ 7	+ 99
1983	+ 22	+ 77	+ 99	- 1	+ 1	...	+ 99	+ 3	...	+ 3	+ 96
1983 First 10 months	- 1	+ 59	+ 58	...	+ 1	+ 1	+ 59	- 4	- 1	- 5	+ 64
1984 First 10 months p	- 56	+ 98	+ 42	- 2	+ 1	- 1	+ 41	+ 23	+ 4	+ 27	+ 14

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) Table 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 public authorities (item 2.22 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 outside the central bank and, on the other hand, the creation of liquidity, measured *ex post*, which the central bank had to undertake because these funds were inadequate ; this creation of liquidity, as finally recorded, reflects the shortage of funds in the domestic markets for the period as a whole.

b) The first group includes, among other resources, the funds in Belgian francs which residents — individuals, companies and public authorities — 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 made starting from the total formation of financial assets (item 2.11) by adding together that of the public authorities (item 2.21 of Table VII. 1) and that of 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 [column (k) of Table VII.2]. These claims were disregarded for purely pragmatic reasons ; as was mentioned in the comments on 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 1984. In any case this amount, whether included or not, has no influence on the net amount of funds available in the domestic markets, because, if it is included, it must also be added in item 2.12 of Table 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 other than in Belgian francs (item 2.12 of

Table VIII. 1), namely that of assets in foreign currencies, taken from column (g) of Table VII. 2, and that of claims on the rest of the world in the form of direct investments or purchases of buildings, which forms part of column (i) of Table VII. 2. Also subtracted was the formation of assets in the form of bank notes held by individuals and companies (item 2.13) and of assets which were used by the financial intermediaries to build up balances with the Bank (item 2.14). 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 as « lender of last resort » (item 2.6); as has already been emphasised, 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 exactly meet, subject to a statistical adjustment, the total gross requirement of funds, and this is so by definition 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 of 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 : here, the « Treasury », as a sub-sector of the public authorities, is considered separately; the « Public sector not included elsewhere » comprises the public authorities other than the Treasury, and also here, some companies namely the public enterprises; the « Financial intermediaries », which are likewise companies, were also extracted from their group here. 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 (item 3 of Table VIII. 1.1), three categories were segregated, namely the public credit institutions, the banks and the private savings banks; it should, however, be pointed out that the transactions of the financial intermediaries as a whole (items 3.1, 3.2, 3.3 and 3.4) also include those of the Securities Regulation Fund and the Rediscount and Guarantee Institute. Moreover, Luxembourg banks were grouped with Belgian banks because, when they have a surplus of funds in Belgian francs, they can 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 a 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. It should be pointed out that the net issues of bonds by the Treasury

and, as the counterpart to these, the net purchases by the other sectors, include those of Treasury certificates at over one year. In 1984, as in 1983, these items were swollen by the conversion of Treasury certificates at up to one year into special 1-to-3-year certificates; during the year under review, out of the Fr. 101 billion of certificates converted, Fr. 72 billion were converted into certificates at over one year. 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; it links together these tables and Table VIII. 1.3, which gives the same information but for the whole year. The main developments in 1984 are therefore commented upon on the basis of the latter table, which covers a longer 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. In addition column (g) covers « 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 the data for the first ten months of 1984 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 2.111 and 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, together form the counterpart to those of its transactions which are recorded here in item 2.2.

f) Table VIII. 1.5 « 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 Belgian and Luxembourg banks, 3) of the private savings banks and 4) of these three categories of financial intermediaries combined. The movement of these two components is influenced by the surpluses and shortages of funds of the intermediaries in question, but also, as far as the second component is concerned, by the changes in the rediscount ceilings.

The change, between 1983 and 1984, 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. 1.5 does not include the portion of the rediscounted « Creditexport » bills which was counted against the ceiling specially granted for this purpose by the Bank to the Rediscount and Guarantee Institute and which therefore did not affect the available margins under the banks' ceilings. 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 1984 for a further period of one year.

Table VIII. 1.5 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 also shown in Chart VIII. 1.4, 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 1984 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)*

	1976	1977	1978	1979	1980	1981	1982	1983	First 10 months	
									1983	1984 p
1. <i>Gross requirement of funds</i>	473	506	529	605	647	783	768	839	647	590
2. <i>Cover items</i> :										
Funds available on the domestic markets (outside the National Bank of Belgium) :										
2.11 Formation of financial assets by individuals, companies and public authorities	461	514	478	502	467	545	573	661	475	531
<i>less</i> :										
2.12 Formation of financial assets other than in Belgian francs	-(47)	-(62)	-(37)	-(75)	-(69)	-(164)	-(75)	-(54)	-(54)	-(121)
2.13 Increase in bank notes held by individuals and companies	-(17)	-(28)	-(21)	-(9)	-(5)	-(3)	-(-1)	-(12)	-(13)	-(-5)
2.14 Increase in balances of financial intermediaries with the National Bank of Belgium	-(2)	-(...)	-(4)	-(3)	-(...)	-(3)	-(1)	-(1)	-(-4)	-(...)
2.1 Available balance (2.11 + 2.12 + 2.13 + 2.14)	395	424	416	415	393	375	498	594	412	415
2.2 Capital inflows other than those mentioned under 2.5	31	46	66	84	131	26	- 25	80	119	79
2.3 Statistical adjustment	5	- 5	- 7	- 11	1	- 12	- 7	8	25	8
2.4 Total (2.1 + 2.2 + 2.3)	431	465	475	488	525	389	466	682	556	502
Other :										
2.5 Increase in foreign-currency liabilities of the public sector ¹ :										
2.51 Treasury	- 1	- 1	12	42	92	214	220	134	110	170
2.52 Rest of the public sector ²	2	4	...	30	52	79	52	4	3	8
2.53 Total (2.51 + 2.52)	1	3	12	72	144	293	272	138	113	178
2.6 Increase in domestic recourse to the National Bank of Belgium	41	38	42	45	- 22	101	30	19	- 22	- 90
3. <i>Shortage of funds on the domestic markets</i> (1 - 2.4 = 2.53 + 2.6)	42	41	54	117	122	394	302	157	91	88

¹ Contracted both directly abroad and via financial intermediaries.² All public authorities other than the Treasury, public enterprises and public credit institutions.

B. Main developments

a) The shortage of funds on the domestic markets reached Fr. 88 billion during the first ten months of 1984, against Fr. 91 billion in 1983 (item 3 of Table VIII. 1).

This decrease is small in comparison with the appreciable reduction in the domestic sectors' gross requirements of funds (item 1) and the increase in their formation of financial assets (item 2.11). It was limited by the greater preference shown by these sectors for investments in foreign currencies, which reduced the part of their formation of financial assets which they made available to the domestic markets (item 2.1), and by the decrease in « spontaneous » capital inflows (item 2.2).

b) The reduction of the shortage was reflected in that of domestic recourse to the Bank, which was greater than in 1983 (item 2.1); the increase in the public sector's foreign-currency liabilities, on the other hand, was more marked than in the preceding year (item 2.53).

c) The very small reduction, during the first ten months of 1984, in the shortage of funds on the domestic markets conceals widely diverging movements among the sectors distinguished in Table VIII. 1.1 : the surplus of funds of the financial intermediaries (item 3) and the overall shortage of the Treasury and the public sector not included elsewhere (total of items 1 and 2) both increased sharply.

d) The Treasury's shortage reached Fr. 267 billion during the first ten months of 1984, against Fr. 247 billion in 1983 (item 1.3). This rise was solely due to the movement of the budget deficit, which declined over the year as a whole (see the comments on Table VII. 4) but increased further during the first ten months ; during that period the Treasury was moreover able to issue a larger amount of bonds than in 1983 (item 1.1).

e) The surplus of funds of the financial intermediaries amounted to Fr. 192 billion during the first ten months of the year under review, against Fr. 144 billion in 1983 (item 3.4). This increase took place despite the fact that the financial intermediaries, owing to the public's lack of interest in their long-term securities in Belgian francs, were unable to issue as large an amount of notes and bonds (item 3.1) as

in the previous year. It is attributable to a reduction in net purchases of these assets by the financial intermediaries (item 3.2) — a reduction which was, however, smaller than that in their issues — and, above all, to the substantial rise in the positive balance of their other transactions outside the money market (item 3.3), connected with, among other things, a faster growth in their short-term resources. This rise was particularly pronounced in the case of the public credit institutions (item 31.3) and to a smaller extent in that of the private savings banks (item 33.3).

f) The shortage of funds on the domestic markets, which reached Fr. 88 billion during the first ten months, amounted to Fr. 93 billion for the year as a whole. The shortage of the Treasury and the public sector not included elsewhere — Fr. 278 billion and Fr. 5 billion respectively during this period — was only partly met by the surplus of the financial intermediaries, which amounted to Fr. 190 billion (item 1 of Table VIII. 1.3).

g) The financial intermediaries used the greater part of their surplus to buy Treasury certificates at up to one year. They thus provided the Treasury with Fr. 108 billion (item 2.11). Furthermore, the financial intermediaries, and especially the banks, appreciably reduced the outstanding amount of their rediscounted bills, namely by Fr. 73 billion (item 2.221). Reductions took place mainly in April and May, when the differential between the interest rate on Treasury certificates and the rediscount rate contracted for the first time, and in August, September and October, when this rate differential narrowed further still and even became negative (Chart VIII. 1.4). The gradual disappearance of this differential, which was still positive to the extent of nearly 1 p.c. in March, in fact made it no longer advantageous for the financial intermediaries to resort to rediscounting with a view to using the proceeds to purchase Treasury certificates. This development is clearly reflected in the degree of utilisation of the banks' rediscount ceilings : this, after having amounted to 75 p.c. at the end of 1983, rose further during the first quarter to reach 82 p.c. at the end of March, but subsequently fell again steadily to 12 p.c. at the end of 1984. The use of these ceilings by the public credit institutions and the private savings banks actually became negligible [column (e) of Table VIII. 1.5]. The counterpart of this movement, namely the increase in the available margins under the rediscount ceilings — which

were themselves raised by the normal quarterly adjustments — consequently made a fairly large contribution to the expansion of the liquidity of the financial intermediaries [column (d)], although this expansion was attributable to an even greater extent to the further growth in the portfolio of Treasury and Securities Regulation Fund certificates [column (a)]. Altogether, it is found that the total of the liquidity components recorded in Table VIII. 1.5 increased more than sixfold over a relatively short period extending from 1979 to 1984.

h) The public sector not included elsewhere was able to meet the deficit in respect of its transactions outside the money market and an increase in its portfolio of certificates (item 2.11 of Table VIII. 1.3) by the sale of borrowed foreign currencies on the foreign exchange market (item 2.14).

i) As a result of the movement, described above, of the differential between the interest rate on Treasury certificates and the rediscount rate, the Treasury's deficit in its transactions outside the money market, amounting to Fr. 278 billion, was financed only to the extent of Fr. 110 billion by the placing of Treasury certificates (item 2.11), so that the Bank had to fill the breach for the remaining Fr. 168 billion : Fr. 12 billion by the special assistance to the Securities Regulation Fund (item 2.212) and Fr. 156 billion by the purchase of foreign currencies borrowed by the Treasury (item 2.213).

j) As a result of these movements, the public sector's additional recourse to the lender of last resort, in the forms recorded in item 2.21 of Table VIII. 1.3, was greater than in the preceding year (level 1.2 of Chart VIII. 1.6), while on the other hand that of the financial intermediaries — which can help to finance the public sector — decreased (level 1.1). On balance, the increase in the total recourse of the domestic sectors to the Bank was smaller than that of the preceding year for the third year in succession, since the interventions on the foreign exchange market (level 2.1), which constitute its main counterpart in the Bank's balance sheet, were again reduced.

Table VIII. 1.1

SHORTAGE (-) OR SURPLUS (+) OF FUNDS OF THE VARIOUS SECTORS

(Billions of francs)

	1981	1982	1983	First 10 months	
				1983	1984 p
1. Treasury :					
1.1 Net issues (+) of bonds	+ 27	+ 63	+ 306	+ 246	+ 252
1.2 Other transactions outside the money market ¹	- 451	- 512	- 527	- 493	- 519
1.3 Shortage (-) or surplus (+) of funds (1.1 + 1.2) ..	- 424	- 449	- 221	- 247	- 267
2. Public sector not included elsewhere :					
2.1 Net issues (+) of bonds	- 16	+ 39	+ 44	+ 37	+ 40
2.2 Net purchases (-) of bonds and notes	- 1	- 5	+ 1	+ 2	- 4
2.3 Other transactions outside the money market ¹	- 11	- 85	- 44	- 27	- 49
2.4 Shortage (-) or surplus (+) of funds (2.1 + 2.2 + 2.3)	- 28	- 51	+ 1	+ 12	- 13
3. Financial intermediaries :					
3.1 Net issues (+) of bonds and notes	+ 167	+ 276	+ 219	+ 210	+ 106
3.2 Net purchases (-) of bonds and notes	+ 13	- 120	- 320	- 254	- 217
3.3 Other transactions outside the money market ¹	- 122	+ 42	+ 164	+ 188	+ 303
3.4 Shortage (-) or surplus (+) of funds (3.1 + 3.2 + 3.3)	+ 58	+ 198	+ 63	+ 144	+ 192
<i>of which : Public credit institutions</i>					
31.1 Net issues (+) of bonds and notes	+ 90	+ 175	+ 121	+ 117	+ 59
31.2 Net purchases (-) of bonds and notes	+ 24	- 14	- 112	- 93	- 105
31.3 Other transactions outside the money market ¹ ..	- 97	- 42	- 49	- 41	+ 72
31.4 Shortage (-) or surplus (+) of funds (31.1 + 31.2 + 31.3)	+ 17	+ 119	- 40	- 17	+ 26
<i>Belgian and Luxembourg banks</i>					
32.1 Net issues (+) of bonds and notes	+ 44	+ 55	+ 57	+ 53	+ 26
32.2 Net purchases (-) of bonds and notes	+ 9	- 48	- 124	- 95	- 70
32.3 Other transactions outside the money market ¹ ..	- 37	+ 77	+ 180	+ 188	+ 185
32.4 Shortage (-) or surplus (+) of funds (32.1 + 32.2 + 32.3)	+ 16	+ 84	+ 113	+ 146	+ 141
<i>Private savings banks</i>					
33.1 Net issues (+) of bonds and notes	+ 33	+ 46	+ 42	+ 40	+ 20
33.2 Net purchases (-) of bonds and notes	- 23	- 65	- 74	- 63	- 42
33.3 Other transactions outside the money market ¹ ..	+ 12	+ 11	+ 30	+ 31	+ 40
33.4 Shortage (-) or surplus (+) of funds (33.1 + 33.2 + 33.3)	+ 22	- 8	- 2	+ 8	+ 18
4. Shortage (-) or surplus (+) of funds on the domestic markets (1.3 + 2.4 + 3.4)	- 394	- 302	- 157	- 91	- 88

¹ 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 1984 in billions of francs)

	Treasury (a)	Public sector not included elsewhere (b)	Financial intermediaries				Other sectors and indeterminate sectors (g)	Total corresponding to change in the items of the National Bank of Belgium's statement of account (h)
			Total (c)	of which :				
				Public credit institutions (d)	Belgian and Luxembourg banks (e)	Private savings banks (f)		
1. Shortage (-) or surplus (+) of funds (= transactions outside the money market)	-267	- 13	+192	(+ 26)	(+141)	(+ 18)	+ 88	—
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 ¹	+113	+ 6	-119	(- 27)	(- 80)	(- 19)	—	—
2.12 Call money : — against security (net amounts)	—	—	—	(+ 1)	(+ 7)	(...)	—	—
— outside the protocol .....	—	...	...	( ... )	( ... )	( ... )	...	—
2.13 Interbank market	—	—	—	(+ 1)	(- 6)	(+ 5)	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange market .....	...	+ 7	+ 1	(+ 1)	(—)	(—)	- 8	—
2.15 Total	+113	+ 13	-118	(- 24)	(- 79)	(- 14)	- 8	—
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	- 16	—	—	(—)	(—)	(—)	—	- 16
2.213 Foreign currencies borrowed by the public sector and sold by it to the Bank	+170	...	...	( ... )	( — )	( — )	—	+170
2.214 Total	+154	...	...	( ... )	( — )	( — )	—	+154
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted	—	—	- 63	(- 2)	(- 65)	(- 4)	—	- 63
2.222 Advances obtained	—	—	- 11	(...)	(+ 3)	(...)	—	- 11
2.223 Total	—	—	- 74	(- 2)	(- 62)	(- 4)	—	- 74
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market ²	n.	n.	n.	(n.)	(n.)	(n.)	-102	-102
3.2 Notes ³	n.	n.	n.	(n.)	(n.)	(n.)	+ 4	+ 4
3.3 Other	n.	n.	n.	(n.)	(n.)	(n.)	+ 18	+ 18
3.4 Total	n.	n.	n.	(n.)	(n.)	(n.)	- 80	- 80

¹ 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.² Plus sign : net purchases of foreign currencies by the National Bank of Belgium; minus sign : net sales.³ 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 1984 in billions of francs)

	Treasury (a)	Public sector not included elsewhere (b)	Financial intermediaries				Other sectors and indeterminate sectors (g)	Total corresponding to change in the items of the National Bank of Belgium's statement of account (h)
			Total (c)	of which :				
				Public credit institutions (d)	Belgian and Luxembourg banks (e)	Private savings banks (f)		
1. Shortage (-) or surplus (+) of funds (= transactions outside the money market)	-278	- 5	+190	(+ 25) <i>p</i>	(+140) <i>p</i>	(+ 23) <i>p</i>	+ 93	—
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 ¹	+110	- 2	-108	(- 54)	(- 38)	(- 23)	—	—
2.12 Call money : — against security (net amounts)	—	—	—	(...)	(+ 2)	(- 2)	—	—
— outside the protocol .....	—	...	...	( ... )	( ... )	( ... )	...	—
2.13 Interbank market	—	—	—	(+ 31) <i>p</i>	(- 38) <i>p</i>	(+ 6) <i>p</i>	—	—
2.14 Foreign currencies borrowed by the public sector and sold by it on the foreign exchange .....	...	+ 7	+ 2	(+ 2)	(-)	(-)	- 9	—
2.15 Total	+110	+ 5	-106	(- 21) <i>p</i>	(- 74) <i>p</i>	(- 19) <i>p</i>	- 9	—
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	+ 12	—	—	(-)	(-)	(-)	—	+ 12
2.213 Foreign currencies borrowed by the public sector and sold by it to the Bank	+156	...	...	( ... )	( - )	( - )	—	+156
2.214 Total	+168	...	...	( ... )	( - )	( - )	—	+168
2.22 Recourse by the financial intermediaries to the National Bank of Belgium :								
2.221 Bills rediscounted	—	—	- 73	(- 4)	(- 68)	(- 4)	—	- 73
2.222 Advances obtained	—	—	- 11	(...)	(+ 2)	(...)	—	- 11
2.223 Total	—	—	- 84	(- 4)	(- 66)	(- 4)	—	- 84
3. Other transactions of the National Bank of Belgium :								
3.1 Interventions on the foreign exchange market ²	n.	n.	n.	(n.)	(n.)	(n.)	- 98	- 98
3.2 Notes ³	n.	n.	n.	(n.)	(n.)	(n.)	- 2	- 2
3.3 Other	n.	n.	n.	(n.)	(n.)	(n.)	+ 16	+ 16
3.4 Total	n.	n.	n.	(n.)	(n.)	(n.)	- 84	- 84

¹ 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.

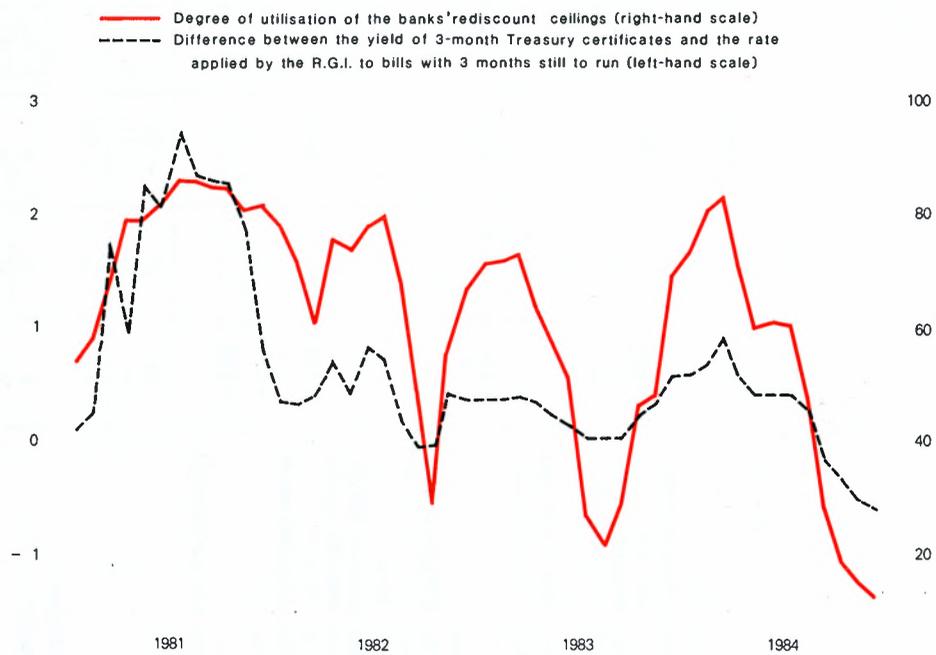
² Plus sign : net purchases of foreign currencies by the National Bank of Belgium; Minus sign : net sales.

³ Plus sign : decrease in the outstanding amount of notes; minus sign : increase.

Chart VIII. 1.4

DEGREE OF UTILISATION OF THE BANKS' REDISCOUNT CEILINGS
AND DIFFERENCE BETWEEN THE YIELD ON TREASURY CERTIFICATES
AND THE COST OF REDISCOUNTING ¹

(Per cent)



¹ Averages, per month, of daily data.

Table VIII. 1.5

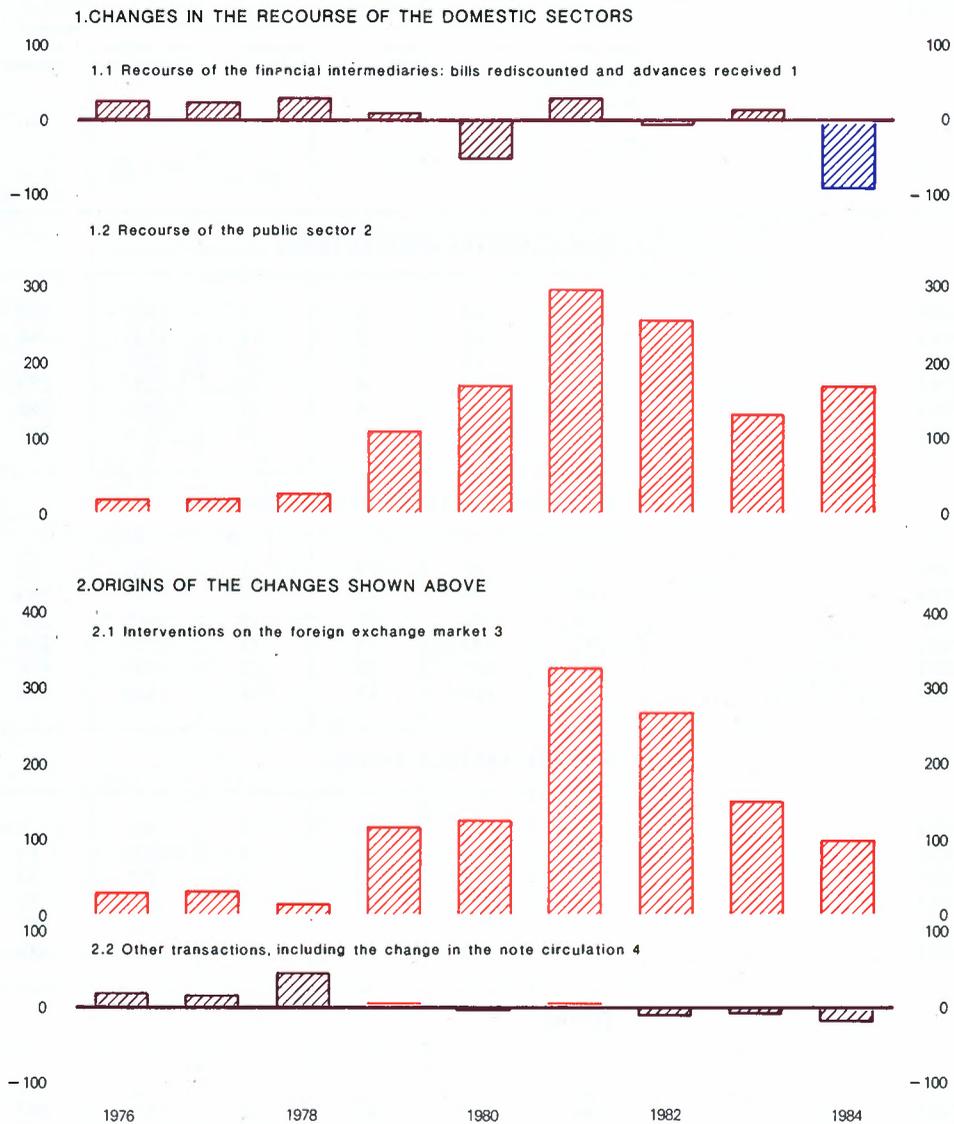
MAIN COMPONENTS OF THE LIQUIDITY OF THE FINANCIAL INTERMEDIARIES
(Billions of francs)

At end of	Treasury and Securities Regulation Fund certificates in Belgian francs at up to one year (a)	Rediscount ceilings at the National Bank of Belgium				Total of recorded liquidity components (f) = (a) + (d)
		Total (b)	Bills rediscounted (c)	Available margins (d) = (b) - (c)	p.m. Degree of utilisation (e) = $\frac{(c)}{(b)}$ (per cent)	
1. PUBLIC CREDIT INSTITUTIONS						
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	238	15	4	11	(27)	249
1984	292	19	...	19	(...)	311
2. BELGIAN AND LUXEMBOURG BANKS						
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	374	107	80	27	(75)	401
1984	412	114	13	101	(12)	513
3. PRIVATE SAVINGS BANKS						
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
1984	60	10	...	10	(...)	70
4. TOTAL						
1979	124	98	80	18	(82)	142
1980	244	108	55	53	(51)	297
1981	381	117	86	31	(74)	412
1982	576	126	82	44	(65)	620
1983	649	130	88	42	(68)	691
1984	764	143	13	130	(9)	894

Chart VIII. 1.6

CHANGES IN THE RECOURSE OF THE DOMESTIC SECTORS
TO THE NATIONAL BANK OF BELGIUM AND THEIR ORIGINS

(Billions of francs)



¹ This level corresponds to item 2.223 of Table VIII. 1.3.

² In other forms than those included in 1.1; this level corresponds to item 2.214 of Table VIII. 1.3.

³ 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).

⁴ 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 interest rate developments in Belgium and abroad.

Foreign rates are represented by 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 of those of the Road Fund is representative of long-term rates in Belgium.

The rate for three-month interbank deposits may be regarded as an indicator of Belgian money market rates. The rate for three-month Treasury certificates could have served equally well for this purpose, since the movement of both rates is quite similar, as is shown by Table VIII. 2.1. This is because, owing to its size and the wide spread of its maturities, the financial intermediaries' portfolio of Treasury certificates is a particularly liquid form of investment. When these intermediaries are confronted with a tightening of their cash positions — which is the case especially when the Bank sells foreign currencies on the exchange market — they will only borrow on the interbank market if their demand for funds does not push up that market's interest rate above that for Treasury certificates. Once this rate has been exceeded they can in fact obtain finance more cheaply by cashing Treasury certificates, so that the upward pressure on money market rates is largely eliminated, unless the Bank has simultaneously raised the rate for certificates. Conversely, when their cash holdings increase, the financial intermediaries will not have any reason for markedly reducing the rate on the interbank market by increasing their supply of funds to it as long as they have the possibility of using these funds to acquire Treasury certificates at a more advantageous rate.

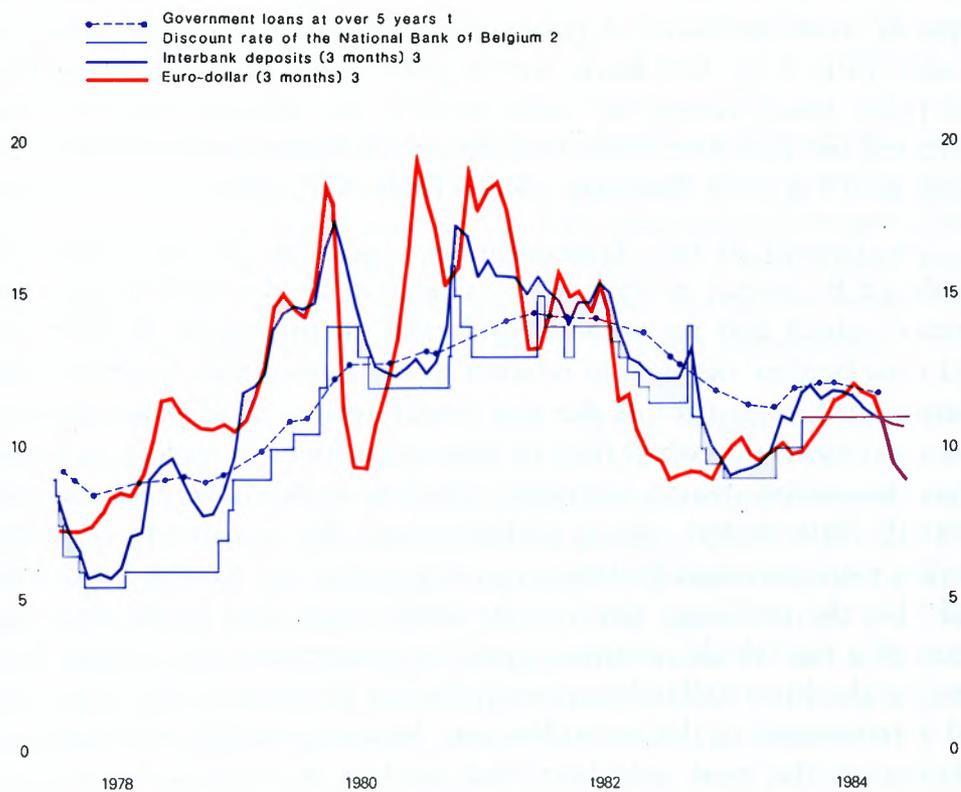
b) Chart VIII. 2.3 gives a picture of short-term creditor rates. As far as deposits on ordinary savings books at the General Savings and Pensions Fund are concerned, the rate shown is a gross fictitious rate, namely the interest rate which, after deduction of a fictitious withholding tax on income from financial assets of 20 p.c. (until 1983) or 25 p.c. (from 1984 onwards), would bring in a net rate equivalent to the actual interest rate (basic rate plus fidelity bonus). As income from these savings deposits is exempt from tax up to a certain annual amount, which was Fr. 50,000 in 1984, their actual rate is not in fact comparable with the other rates. On the other hand, 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 — which in fact has become the normal system since the introduction, at the beginning of 1984, of the withholding tax on income from financial assets constituting full discharge from tax liability.

c) Chart VIII. 2.4 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)



¹ Yield on issue to final maturity, before deduction of tax at source. Including the loans of the Road Fund and, in 1981, the Belgian Municipal Credit Institution Loan 1981-85-89 and the Telegraphs and Telephones Board Loan 1981-88. These last two loans were included owing to the small number of loans issued by the Government in 1981 and to the fact that the rate of yield on the special loan issued in June 1981 is not comparable with those on the other issues.

² Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.

³ Averages, per month, of daily data.

B. Main developments

a) The general decline in interest rates in Belgium — broken though it was by temporary interruptions — which had started in the middle of 1982 came to an end in the autumn of 1983 (Chart VIII. 2). Substantial outflows of foreign currencies, concentrated towards the end of that year and in the early months of 1984, led to a tightening of the money market, so that an appreciable rise in the rates, supported by the Bank's interest rate policy, took place on that market. Thus in the course of only a few months the rate for three-month interbank deposits rose by over 2 points to over 12 p.c. in March 1984 (Table VIII. 2.1). The Bank, for its part, raised its official rates by a full point twice during the same period; the discount rate was thus increased the first time from 9 to 10 p.c. in November 1983 and then again to 11 p.c. in February 1984 (Table VIII. 2.2).

As a result of the above-mentioned rise, the positive differential displayed by money market rates in relation to the main foreign currencies, which had narrowed considerably in the course of 1983 and had even become negative in relation to the Euro-dollar, widened again during the first quarter of the year under review. Had it not been for this movement, the return flow of short-term funds in foreign currencies from the second quarter onwards would probably have been less substantial. Nevertheless, the available margin for a lowering of money market rates remained limited, especially as the rate for the Euro-dollar and also the exchange rate for the dollar itself had in the meantime resumed a rise which continued until the summer months. Not until the rate for the Euro-dollar began to decline in the second half of the year did a movement in the same direction become possible in Belgium. In relation to the peak which it had reached in March, the rate for three-month interbank deposits fell by 1.30 points down to 10.73 p.c. in December, a level slightly below that at which it stood at the end of the previous year.

The Bank allowed this downward movement not by adjusting its official rates, which remained unchanged from February onwards, but by reducing the rates for Treasury certificates, which, as mentioned in the methodology, serve as the principal yardstick for the movement of the other money market rates.

b) Generally, short-term creditor interest rates (Chart VIII. 2.3) developed in the same way as money market rates. Whereas in the last

quarter of 1983 and during the early months of 1984 the banks had raised the rates which they apply to three-month deposits of Fr. 1 million and above fairly sharply, these rates fell steadily throughout the remainder of the year. The rate for ordinary three-month deposits, which had already been raised by half a point to 6.75 p.c. in December 1983, was increased to 7.50 p.c. in February. On the other hand, the rate for deposits on ordinary savings books remained unchanged at 6 p.c. (basic rate plus fidelity premium). However, owing to the raising of the withholding tax on income from financial assets applied to other investments, the gross fictitious yield, for funds left on deposit for one year, rose at the beginning of the year from 7.50 to 8 p.c.

Debtor interest rates on short-term credits also followed the course of money market rates. The base rate for discounts and current-account advances was raised by 2 and 2.25 points respectively between October 1983 and February 1984, but, as in the case of most other short-term rates, these rises were partly cancelled out during the second half of the year by reductions of 0.50 and 0.75 point respectively.

c) The downward movement of rates on the Belgian capital market which started in mid-1982 was reversed at the end of 1983. Between November 1983 and May 1984 the yield on issue of government bonds rose by nearly 1 point, from 11.28 to 12.10 p.c. (Chart VIII. 2). This rise was, however, much smaller than that in money market rates, so that the positive differential in relation to the latter, which had been fairly large during 1983, virtually disappeared. In the second half of the year, however, owing to a more pronounced decline in money market rates, the differential widened again. The yield on issue of the last government loan of the year, issued in October, was 11.76 p.c., that is, still half a point above that of the last loan of 1983.

It should also be pointed out that Belgian long-term rates, after the deduction of withholding tax, were throughout the year appreciably lower than the rates for Euro-bonds in dollars and in Ecus and for most of the year were scarcely higher than the German and Dutch rates; nevertheless, in relation to these rates, the differential in favour of the franc widened towards the end of 1984 (Chart VII. 2.5).

d) Following the increase in the yield on issue of government loans, the public credit institutions in turn, in February, raised the interest

rates on their notes and bonds by 0.50 to 0.75 point, depending on their term. At almost the same time they increased their debtor rates for long-term credits, namely investment credits and mortgage loans, by 0.60 and 0.50 point respectively. In the autumn, however, parallel with the movement of the yield on government loans, these two rates were lowered again by 0.25 and 0.50 point respectively; towards the end of the year the rates for notes and bonds with a term of three years and above were likewise reduced by 0.25 point (Chart VIII. 2.4).

Table VIII. 2.1

INTEREST RATES ON THREE-MONTH INTERBANK DEPOSITS AND TREASURY CERTIFICATES

(Per cent)

Daily averages	Interbank deposits (a)	Treasury certificates	
		Adjusted rate ¹ (b)	Standard rate (c)
1978	7.39	7.24	7.14
1979	10.91	10.91	10.76
1980	14.23	14.28	14.08
1981	15.29	15.46	15.25
1982	14.07	14.29	14.09
1983	10.54	10.69	10.54
1984	11.38	11.58	11.42
1983 November	9.80	9.91	9.77
December	11.02	10.99	10.84
1984 January	10.95	11.00	10.85
February	11.80	11.58	11.42
March	12.03	12.42	12.25
April	11.56	12.07	11.90
May	11.85	11.91	11.75
June	11.82	11.91	11.75
July	11.73	11.91	11.75
August	11.33	11.76	11.60
September	11.05	11.33	11.17
October	10.97	11.15	11.00
November	10.77	10.97	10.82
December	10.73	10.90	10.75

¹ The standard rate on Treasury certificates [column (c)] has been adjusted in order to make it comparable with the rate on interbank 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)

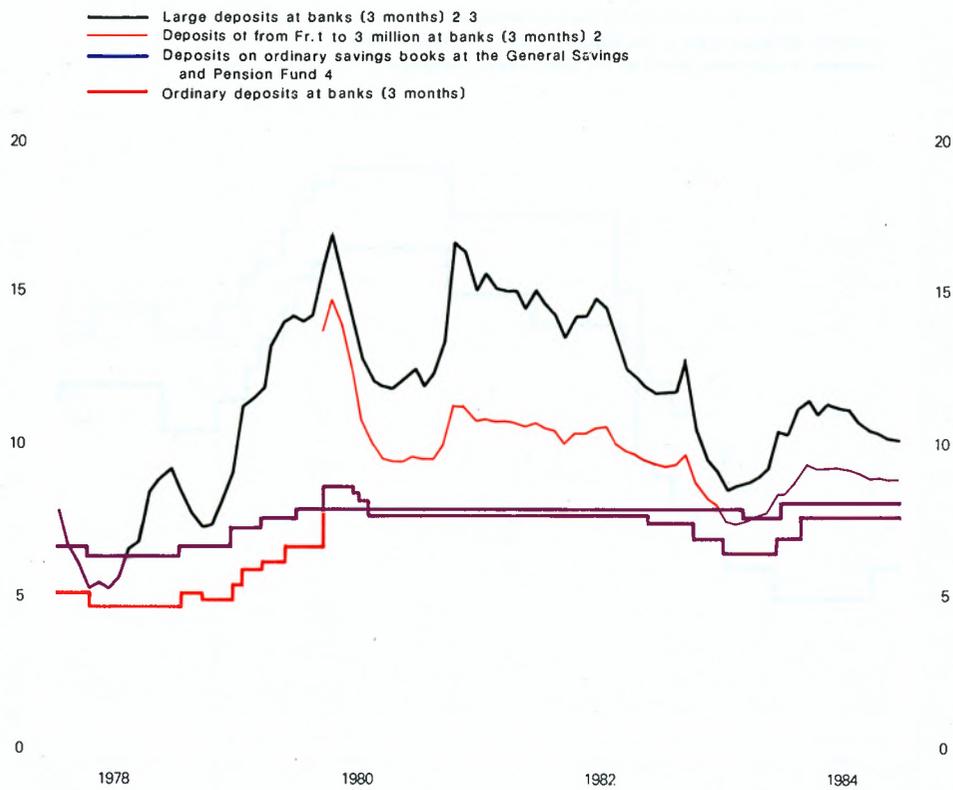
OFFICIAL SCALE OF DISCOUNT AND ADVANCE RATES			
	Discount ¹	Current-account advances against public securities ²	
At end of :			
1978	6.00	8.50	
1979	10.50	12.50	
1980	12.00	12.00	
1981	15.00	17.00	
1982	11.50	12.50	
1983	10.00	11.00	
1984 1st January - 15th February	10.00	11.00	
16th February - 31st December ...	11.00	12.00	
SPECIAL RATES			
	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
At end of :			
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
1984 1st January - 15th February	—	11.00	11.00
16th February - 31st December ...	—	12.00	12.00

¹ Rate for bills counted against the overall rediscount ceiling or against rediscount sub-ceiling A.² Maximum proportion advanced : 95 p.c. on Treasury certificates, Securities Regulation Fund certificates and medium-term notes of the parastatal organisations issued at up to 374 days and 80 p.c. on other public securities.

Chart VIII. 2.3

SHORT-TERM CREDITOR INTEREST RATES ¹

(Per cent)



¹ Rates before deduction of tax at source.

² Averages, per month, of daily rates.

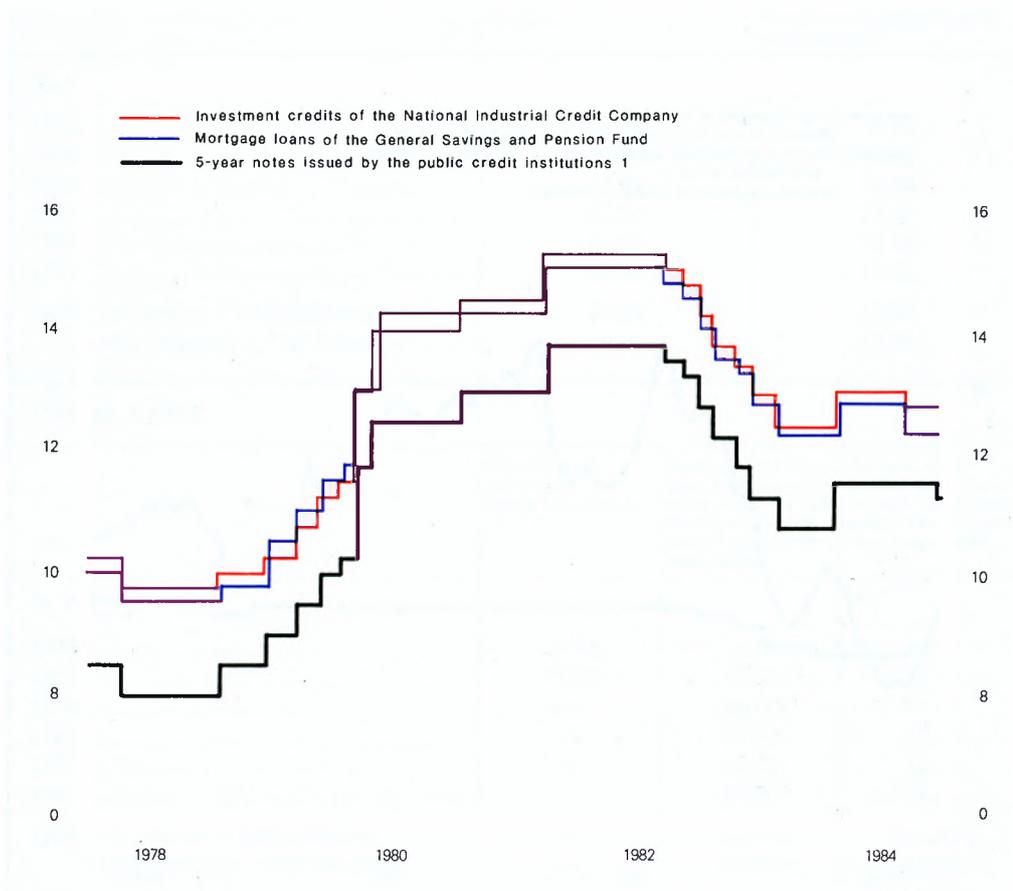
³ Indicative rates for deposits of from Fr. 5 to 20 million.

⁴ Including the fidelity premium but not including the premiums on increases in deposits granted from 1st April 1980 until 31st December 1981. Gross fictitious rate.

Chart VIII. 2.4

THE PUBLIC CREDIT INSTITUTIONS' LONG-TERM RATES

(Per cent)



¹ Yield on issue before deduction of tax at source.

Annual Accounts

BALANCE SHEET AS AT 31st DECEMBER 1984

(in thousands of francs)

ASSETS

Gold Holding		58,213,919
International Monetary Fund :		
Quota		25,025,609
Loans		—
Special Drawing Rights		22,102,045
Ecus		165,398,889
Foreign Currencies		40,026,790
Foreign Currencies and Gold Receivable :		
European Monetary Co-operation Fund		30,228,225
Other		—
International Agreements		1,570,725
Advances to the I.M.F.		772,931
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		10,675,554
Advances against Pledged Security :		
Private-sector Financial Intermediaries	2,175,313	
Public-sector Financial Intermediaries	636	
Other Public-sector Institutions	—	
Public and Private Enterprises, and Individuals	114,546	2,290,495
Public Securities :		
Belgian Public Securities		37,000,000
Luxembourg Public Securities		—
Special Assistance to the Securities Regulation Fund		200,610,000
Treasury Notes and Coin		709,326
Balances at the Postal Cheque Office :		
A Account		1,658
B Account		4,340,683
Consolidated Claim on the Government		34,000,000
Provisional Adjustment resulting from the Law of 3rd July 1972		3,450,350
Items Receivable		8,573,947
Public Long-term Securities		12,823,284
Premises, Furniture and Equipment		3,420,627
Securities of the Staff Pensions Fund		18,035,451
Transitory Assets		19,101,693
	Total Assets	698,372,201

(in thousands of francs)

LIABILITIES

Bank Notes in Circulation		398,183,246
Current and Sundry Accounts :		
Public Treasury, Ordinary Account	12,603	
Private-sector Financial Intermediaries	372,886	
Public-sector Financial Intermediaries	31,426	
Other Public-sector Institutions	785,998	
Public and Private Enterprises, and Individuals.	254,416	
Banks in Foreign Countries and Inter- national Institutions, Ordinary Ac- counts.	2,075,005	
Items Payable	<u>26,890,210</u>	30,422,544
International Agreements :		
Financial Assistance Agreements		4,340,683
Other Agreements		36,838
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation		23,610,731
European Monetary Co-operation Fund		—
Ecus to be delivered to the European Monetary Co-operation Fund		197,861,748
Monetary Reserve :		
Belgium		—
Grand Duchy of Luxembourg		—
Foreign Currencies and Gold to be delivered		19,223
Staff Pensions Fund		18,035,451
Transitory Liabilities		10,702,430
Capital		400,000
Reserve Fund :		
Statutory Reserve.		1,773,437
Extraordinary Reserve		9,026,631
Account for Depreciation of Premises, Furniture and Equipment.		2,979,682
Net Profit for Distribution		<u>979,557</u>
Total Liabilities		698,372,201

PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1984

(in thousands of francs)

DEBIT

Government's Share :		
Discounts and Advances	25,444,982	
Transactions with Foreign Countries . .	3,601,973	29,046,955
General Expenses :		
Remunerations and Social Charges . . .	5,764,151	
Other Expenses	702,887	
	6,467,038	
<i>less :</i>		
Expenses to be borne by Others . . .	1,207,571	5,259,467
Taxes and Dues		2,452,804
Other Payments to the Public Treasury imposed by Law . .		125,320
Depreciation of Premises, Furniture and Equipment		914,629
Transfers to Reserves and Provisions as :		
Extraordinary Reserve	768,000	
Provision for Premises, Furniture and Equipment.	500,000	
Provision against Sundry Contingencies. .	500,000	1,768,000
Net Profit for Distribution		979,557
		40,546,732

CREDIT

Proceeds of Discount and Advance Operations	33,912,812
Proceeds of Transactions with Foreign Countries	4,589,002
Proceeds of Public Long-term Securities	1,459,386
Fees for Safe Custody, Commissions and Allowances	227,984
Sundry Receipts	15,548
Drawings on Transitory Liabilities Items	342,000
	40,546,732

MEMORANDUM ACCOUNTS AS AT 31st DECEMBER 1984

(in thousands of francs)

Ministers of National Education :			
Balance for their account at the Postal Cheque Office (Education legislation)			12,135,574
Documentary Credits Opened			2,157
« Visa » of Acceptances relating to Exports and Imports			34,743
Guarantees given by the Bank			915,381
Securities received by way of Guarantee :			
Cover for advance limits against pledged security	65,673,346		
Guarantees given by persons lodging bills for discount	1,748		
Securities provided by borrowers of call money	17,962,053		
Sundry security commitments	45,793		
Other guarantees	1,332,889		85,015,829
Guarantee Certificates received from the Public Treasury			1,850,000
Items for Collection			529,821
Assets administered for account of the European Monetary Co-operation Fund			30,228,225
Deposits of Securities and Sundry Items :			
International Monetary Fund	90,468,500		
International Development Association	5,719,730		
Asian Development Bank	1,177,334		
Inter American Development Bank	580,807		
African Development Fund	952,789		
Other Deposits	1,060,382,486		1,159,281,646
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		
Sundry Items :			
— Earmarked for the Monetary Fund	546,738		
— Others	5,428,850	15,315,535	
Sundry Items for which the Government is the Depositary :			
Items lodged by outside parties	115,467,671		
Service of the Registered Debt	1,069,993,752		
Deposit and Consignment Office	11,636,146		
Items lodged by way of guarantee	12,497,245	1,209,594,814	
Items to be delivered		1,769,832,921	2,994,743,270
Securities Regulation Fund			245,957,476

DIVIDEND DECLARED FOR THE YEAR 1984

First Dividend, Total	24,000
Second Dividend, Total	<u>626,668</u>
Total	650,668
on 400,000 shares, that is per share a dividend of Fr.	
	1,626.67

Coupon No. 183 will be payable with effect from 1st March 1985, at the rate of Fr. 1,220 free of withholding tax on income from financial assets¹.

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.

¹ Withholding tax on income from financial assets :

$$\frac{1,220 \times 1}{3} \dots \dots \text{Fr. } 406.67.$$

The tax relief which can be included in the base for income tax amounts to :

$$\frac{1,220 \times 54.5}{100} \dots \dots \text{Fr. } 664.90.$$

Administration and supervision

Departments and services

Branches and agencies

ADMINISTRATION AND SUPERVISION

Governor	Mr Jean GODEAUX.
Vice-Governor	Mr Marcel D'HAENZE.
Directors	Messrs Roland BEAUVOIS, Georges JANSON, William FRAEYS, Frans JUNIUS, Jean-Pierre PAUWELS.
Regents	Messrs Roger RAMAEKERS, Raymond PULINCKX, Jozef HOUTHUYS, Jan HINNEKENS, Luc AERTS, Albert FRERE, André DEVOGEL, Alfred RAMPEN, Rik VAN AERSCHOT, André VANDEN BROUCKE.
Censors	Messrs Gaston VANDEWALLE, <i>Chairman</i> , Jacques DELRUELLE, <i>Secretary</i> , Hubert DETREMMERIE, André LEYSEN, Lucien ROEGIERS, Théo VANDERVORST, Joseph VAN LANDSCHOOT, Roger MENE, Willy DANCKAERT, Christian D'HOOGH.
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Treasurer	Mr Georges LAKIERE.

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Mr René LAUWERIJNS.

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Advisers to the Board of Directors — Mr J. POULLET, Head of Personnel,
Miss M.- H. LAMBERT.

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Head of Personnel,

Training

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Head of Division Mr L. VAN DER VEKEN.

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Doctor Mr A. DE LANDTSHEER.

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Heads of Division Messrs C. DEKEYSER, A. MICHEL.

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Head of Division Mr F. HEYMANS.

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Controllers Messrs P. BLAISE, E. VAN DER JEUGHT,
D. VERMEIREN.

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Inspectors Messrs L. LEEMAN, J. HELFGOTT,
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Goods Transactions Control

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Adviser Mr J. TAVERNIER.

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Miss M.-H. LAMBERT, Adviser to the Board of Directors.

Deputy Head of
Department

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J. SMETS.

Economists

Messrs R. REYNDERS, B. MEGANCK,
Mrs A.-M. JOURDE-PEETERS.

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* The Foreign Payments Statistics section has been headed since 1st January 1985 by Mr. J. HEYVAERT.

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Securities

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Head of Division Mr L. DUFRESNE.

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Electronics Centre

Head Mr J. MOERMAN, Head of Division,
Head of Division Mr J. RENDERS.

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,
Head of Division Mr Y. LEBLANC,
Consultant Analyst Mr R. THIRION.

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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.

General Treasury Department — Mr G. LAKIERE, Treasurer,

Central Cash Office

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

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Adviser Mr G. BOEYKENS,
Head of Division Mr J.-F. KERVYN DE MARCKE TEN DRIESSCHE.

Branches and Agencies Department — Mr. W. VAN DER PERRE, Inspector-General,

Head of Division Mr P. TELLIER.

Antwerp

Branch Manager Mr H. ALLAER,
Heads of Division Messrs P. VERPOEST, E. RENTMEESTERS,
J. BRIL, F. SERCKX, L. JACOBS.

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 J. BOUDOU.
Ghent	
Agency Manager	Mr K. MORTIER,
Head of Division	Mr A. MAENHAUT.
Hasselt	
Agency Manager	Mr M. THIJS,
Head of Division	Mr L. MESOTTEN.
La Louvière	
Agency Manager	Mr P. VAN NIEUWENHUYSE.
Leuven	
Agency Manager	Mr P. PEETROONS,
Head of Division	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 Mr P. NYS.
Head of Division Mr R. DENDAL.

Namur

Agency Manager Mr J. DELPEREE.

Ostend

Agency Manager Mr G. ONGENA.

Roeselaere

Agency Manager Agency temporarily managed by an official of the
Inspection Department.

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.

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Head Miss C. LOGIE, Inspector-General,

Legal Department,

Head Mr J.-V. LOUIS, Inspector-General,

Advisers Messrs P. LOHEST, J.-P. BRISE.

Safety, Hygiene and Embellishment of Working Environment,

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 G. MARLET, Adviser.

Federal and Islamic Republic of the Comores : Mr. G. PARLONGUE, Economist.

Officials on Mission at the Bank of Zaire,

Messrs J. DUREUIL, Controller,

R. VANHULST, Head of Division.

R. BEERENS, Head of Division.

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.

Official temporarily attached to the Prime Minister's Office,

Mr A. VERPLAETSE, Adviser.

Official temporarily attached to the Office of Mr Gol, Deputy Prime Minister,

Mr A. NYSENS, Economist.

Annexes

Annex	Description	Page
Annex 1
Annex 2
Annex 3
Annex 4
Annex 5
Annex 6
Annex 7
Annex 8
Annex 9
Annex 10
Annex 11
Annex 12
Annex 13
Annex 14
Annex 15
Annex 16
Annex 17
Annex 18
Annex 19
Annex 20
Annex 21
Annex 22
Annex 23
Annex 24
Annex 25
Annex 26
Annex 27
Annex 28
Annex 29
Annex 30
Annex 31
Annex 32
Annex 33
Annex 34
Annex 35
Annex 36
Annex 37
Annex 38
Annex 39
Annex 40
Annex 41
Annex 42
Annex 43
Annex 44
Annex 45
Annex 46
Annex 47
Annex 48
Annex 49
Annex 50
Annex 51
Annex 52
Annex 53
Annex 54
Annex 55
Annex 56
Annex 57
Annex 58
Annex 59
Annex 60
Annex 61
Annex 62
Annex 63
Annex 64
Annex 65
Annex 66
Annex 67
Annex 68
Annex 69
Annex 70
Annex 71
Annex 72
Annex 73
Annex 74
Annex 75
Annex 76
Annex 77
Annex 78
Annex 79
Annex 80
Annex 81
Annex 82
Annex 83
Annex 84
Annex 85
Annex 86
Annex 87
Annex 88
Annex 89
Annex 90
Annex 91
Annex 92
Annex 93
Annex 94
Annex 95
Annex 96
Annex 97
Annex 98
Annex 99
Annex 100

BALANCE SHEETS COMPARED

ASSETS	1980	1981	1982	1983	1984
Gold Holding	58,214.0	58,214.0	58,214.0	58,214.0	58,213.9
International Monetary Fund :					
Quota	18,108.2	15,342.7	14,601.3	23,671.0	25,025.6
Loans	—	—	—	—	—
Special Drawing Rights	24,166.7	30,553.4	32,695.6	19,413.9	22,102.0
Ecus	110,675.1	33,640.4	72,953.3	139,230.9	165,398.9
Foreign Currencies	114,751.0	112,004.9	49,416.0	47,536.6	40,026.8
Foreign Currencies and Gold Receivable :					
European Monetary Co-operation Fund	40,126.2	39,609.9	35,657.2	26,694.9	30,228.2
Other	—	—	—	—	—
International Agreements	841.5	968.0	1,086.8	1,316.5	1,570.7
Advances to the I.M.F.	5,706.4	4,475.8	2,282.1	2,402.2	772.9
European Monetary Co-operation Fund	—	—	—	—	—
E.E.C. : Medium-term Financial Assistance	—	—	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates	2,989.8	—	—	—	—
Commercial Bills	47,080.3	85,559.4	84,422.7	83,181.3	10,675.6
Advances against Pledged Security :					
Private-sector Financial Intermediaries	} 10,424.0	479.3	155.2	0.7	2,175.3
Public-sector Financial Intermediaries		0.7	0.1	13,671.1	0.6
Other Public-sector Institutions		—	—	—	—
Public and Private Enterprises, and Individuals		94.4	460.2	370.8	114.6
	10,424.0	574.4	615.5	14,042.6	2,290.5
Public Securities :					
Belgian Public Securities	37,000.0	37,000.0	37,000.0	37,000.0	37,000.0
Luxembourg Public Securities	—	—	—	—	—
Special Assistance to the Securities Regulation Fund	77,125.0	149,540.0	181,059.0	188,400.0	200,610.0
Treasury Notes and Coin	577.3	673.5	859.4	907.9	709.3
Balances at the Postal Cheque Office :					
A Account	1.8	2.0	1.5	1.8	1.7
B Account	4,276.4	4,469.0	4,410.4	4,583.8	4,340.7
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	22,289.1	3,401.7	8,978.0	1,625.4	8,573.9
Public Long-term Securities	8,005.7	8,861.4	10,128.1	11,598.5	12,823.3
Premises, Furniture and Equipment	2,240.1	2,253.5	2,384.5	2,853.3	3,420.6
Securities of the Staff Pensions Fund	13,130.2	14,254.0	15,334.4	16,675.5	18,035.5
Transitory Assets	2,053.1	2,899.2	13,422.7	14,292.9	19,101.7
	637,232.3	641,747.6	662,972.9	731,093.4	698,372.2

LIABILITIES	1980	1981	1982	1983	1984
Bank Notes in Circulation	376,087.1	382,224.6	382,193.3	395,916.1	398,183.2
Current and Sundry Accounts :					
Public Treasury, Ordinary Account	4.2	23.4	16.3	9.6	12.6
Private-sector Financial Intermediaries	4,013.5	358.7	380.6	269.6	372.9
Public-sector Financial Intermediaries		24.2	20.1	33.5	31.5
Other Public-sector Institutions		612.1	867.8	815.9	786.0
Public and Private Enterprises, and Individuals Banks in Foreign Countries and International Institutions, Ordinary Accounts		770.0	149.8	153.0	254.4
Items Payable	4,831.8	4,133.8	27,983.2	16,391.1	26,890.2
	8,849.5	10,909.7	31,667.0	19,948.6	30,422.6
International Agreements :					
Financial Assistance Agreements	4,276.4	4,469.0	4,410.4	4,583.8	4,340.7
Other Agreements	59.9	34.0	28.1	31.0	36.8
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Allocation	19,193.6	23,610.7	23,610.7	23,610.7	23,610.7
European Monetary Co-operation Fund	—	2,752.5	18,078.1	48,237.3	—
Ecus to be delivered to the European Monetary Co-operation Fund	162,357.3	163,460.5	166,552.3	198,574.2	197,861.8
Monetary Reserve :					
Belgium	—	—	—	—	—
Grand Duchy of Luxembourg	—	—	—	—	—
Foreign Currencies and Gold to be delivered	3,146.2	18.2	14.7	35.5	19.2
Staff Pensions Fund	13,130.2	14,254.0	15,334.4	16,675.5	18,035.5
Transitory Liabilities	40,561.8	29,139.8	8,694.4	9,813.0	10,702.4
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	1,440.5	1,516.5	1,596.8	1,682.2	1,773.4
Extraordinary Reserve	4,896.7	6,073.7	7,357.6	8,089.6	9,026.6
Account for Depreciation of Premises, Furni- ture and Equipment	2,049.2	2,058.5	2,159.3	2,561.1	2,979.7
Net Profit for Distribution	783.9	825.9	875.8	934.8	979.6
	637,232.3	641,747.6	662,972.9	731,093.4	698,372.2

PROFIT AND LOSS ACCOUNTS COMPARED

DEBIT	1980	1981	1982	1983	1984
Government's Share :					
Discounts and Advances	17,002.0	24,271.2	29,586.4	21,809.6	25,445.0
Transactions with Foreign Countries	1,929.6	8,482.6	3,513.6	1,666.1	3,602.0
	18,931.6	32,753.8	33,100.0	23,475.7	29,047.0
General Expenses :					
Remunerations and Social Charges	3,958.3	4,405.7	4,941.9	5,322.6	5,764.1
Other Expenses	403.6	440.2	510.4	602.4	702.9
	4,361.9	4,845.9	5,452.3	5,925.0	6,467.0
<i>less :</i>					
Expenses to be borne by Others	- 659.9	- 717.0	- 853.7	- 973.2	- 1,207.6
	3,702.0	4,128.9	4,598.6	4,951.8	5,259.4
Taxes and Dues	2,623.7	2,830.8	2,864.0	2,789.4	2,452.8
Other Payments to the Public Treasury imposed by Law	27.4	456.6	36.6	36.6	125.3
Depreciation of Premises, Furniture and Equipment	245.5	335.3	563.5	929.4	914.6
Additional Grant to the Staff Pensions Fund	400.0	500.0			
Transfers to Reserves and Provisions :					
— Extraordinary Reserve	780.3	1,177.0	1,284.0	732.0	768.0
— Provision for Premises, Furniture and Equipment	290.0	260.0	234.0	500.0	500.0
— Provision against Sundry Contingencies	500.0	500.0	700.0	600.0	500.0
— Provision for Tax	250.0	300.0			
— Tax Saving effected by virtue of R.D. No. 16 of 9th March 1982			173.0		
— Centenary Fund				25.0	
Net Profit for Distribution	783.9	825.9	875.8	934.8	979.6
	28,534.4	44,068.3	44,429.5	34,974.7	40,546.7

CREDIT	1980	1981	1982	1983	1984
Proceeds of Discount and Advance Operations .	22,231.0	30,929.8	37,981.4	30,337.5	33,912.8
Proceeds of Transactions with Foreign Countries	5,131.5	11,353.0	4,846.8	2,984.1	4,589.0
Proceeds of Public Long-term Securities . . .	712.9	867.6	1,056.1	1,289.4	1,459.4
Fees for Safe Custody, Commissions and Allowances	215.0	226.8	221.4	221.0	228.0
Sundry Receipts.	4.7	0.5	23.8	13.7	15.5
Transfer of Reserves from the Staff Pensions Fund (Art. 240 of the Law of 8th August 1980 concerning the 1979-1980 Budget Proposals) .		429.2			
Drawings on Transitory Liabilities Items . . .	239.3	261.4	300.0	129.0	342.0
	28,534.4	44,068.3	44,429.5	34,974.7	40,546.7

Year	1900	1910	1920	1930	1940	1950	1960	1970	1980	1990	2000
Population	1,000,000	1,500,000	2,000,000	2,500,000	3,000,000	3,500,000	4,000,000	4,500,000	5,000,000	5,500,000	6,000,000
Area (sq. mi.)	695,621	695,621	695,621	695,621	695,621	695,621	695,621	695,621	695,621	695,621	695,621
Density (per sq. mi.)	1.44	2.17	2.89	3.61	4.32	5.03	5.74	6.46	7.18	7.89	8.61
Urban population	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000
Rural population	900,000	1,300,000	1,700,000	2,100,000	2,500,000	2,900,000	3,300,000	3,700,000	4,100,000	4,500,000	4,900,000
Population in largest city	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000	550,000
Population in largest metropolitan area	100,000	200,000	300,000	400,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,100,000
Population in largest non-metropolitan area	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000	550,000
Population in largest county	50,000	100,000	150,000	200,000	250,000	300,000	350,000	400,000	450,000	500,000	550,000
Population in largest city per sq. mi.	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
Population in largest metropolitan area per sq. mi.	1.44	2.88	4.32	5.76	7.20	8.64	10.08	11.52	12.96	14.40	15.84
Population in largest non-metropolitan area per sq. mi.	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
Population in largest county per sq. mi.	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
Population in largest city per sq. mi. (1990-2000)	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
Population in largest metropolitan area per sq. mi. (1990-2000)	1.44	2.88	4.32	5.76	7.20	8.64	10.08	11.52	12.96	14.40	15.84
Population in largest non-metropolitan area per sq. mi. (1990-2000)	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92
Population in largest county per sq. mi. (1990-2000)	0.72	1.44	2.16	2.88	3.60	4.32	5.04	5.76	6.48	7.20	7.92

MISCELLANEOUS INFORMATION

	1980	1981	1982	1983	1984
Net dividend declared per share	1,045.00	1,100.00	1,165.00	1,165.00	1,220.00
Withholding tax on income from financial assets per share	261.25	275.00	291.25	388.33	406.67
Gross dividend declared per share	1,306.25	1,375.00	1,456.25	1,553.33	1,626.67
Tax credit	600.88	632.50	594.15	634.93	664.90

MISCELLANEOUS INFORMATION

DATE	TIME	NAME	ADDRESS	PHONE	REMARKS
1951	11:30	...	...	...	...
1951	11:30	...	...	...	...
1951	11:30	...	...	...	...
1951	11:30	...	...	...	...

ANNEX 4

**WEEKLY RETURNS PUBLISHED IN
THE « BELGISCH STAATSBLAD - MONITEUR BELGE »
DURING 1984**

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE » DURING 1984

(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
		Quota	Loans	Special drawing rights			European Monetary Co-operation Fund	Other								Belgian public securities	Luxembourg public securities			A Account	B Account			
2 January 1984	58,214	23,671	...	19,414	139,231	47,688	26,695	...	1,316	2,402	...	...	85,616	14,123	37,000	...	179,625	905	2	4,584	34,000	3,450	11,599
9 "	58,214	23,671	...	19,414	133,162	52,650	26,211	...	1,299	2,402	...	...	89,248	12,801	37,000	...	166,025	944	2	4,584	34,000	3,450	11,599
16 "	58,214	23,671	...	19,414	132,797	53,470	26,211	...	1,286	2,402	...	...	81,893	13,120	37,000	...	170,725	1,001	2	4,530	34,000	3,450	11,599
23 "	58,214	23,671	...	19,414	132,797	48,653	26,211	...	1,339	2,402	...	...	83,617	8,168	37,000	...	181,650	1,054	2	4,518	34,000	3,450	11,463
30 "	58,214	23,671	...	19,219	132,797	50,082	26,211	...	1,308	2,402	...	...	78,244	6,080	37,000	...	178,700	1,115	1	4,485	34,000	3,450	12,683
6 February	58,214	23,671	...	18,882	132,417	44,595	26,211	...	1,308	2,402	...	...	79,196	2,850	37,000	...	193,900	1,147	2	4,400	34,000	3,450	12,683
13 "	58,214	23,671	...	19,104	132,417	46,556	26,211	...	1,323	2,402	...	...	87,798	261	37,000	...	195,421	1,187	1	4,563	34,000	3,450	12,824
20 "	58,214	23,671	...	19,104	132,317	46,564	26,211	...	1,271	2,402	...	...	94,078	4,947	37,000	...	207,050	1,189	2	4,520	34,000	3,450	12,824
27 "	58,214	23,403	...	19,104	130,441	62,515	26,211	...	1,259	2,402	...	...	96,442	4,075	37,000	...	197,925	1,200	2	4,502	34,000	3,450	12,824
5 March	58,214	23,403	...	19,113	121,646	57,363	26,211	...	1,260	2,402	...	...	102,540	6,874	37,000	...	195,975	1,183	2	4,953	34,000	3,450	12,824
12 "	58,214	23,403	...	19,113	110,552	57,562	26,211	...	1,233	2,402	...	...	104,233	6,042	37,000	...	197,025	1,178	1	4,936	34,000	3,450	12,824
19 "	58,214	23,403	...	19,113	102,978	68,044	26,211	...	1,281	2,402	...	...	102,033	472	37,000	...	199,286	1,148	2	4,919	34,000	3,450	12,824
26 "	58,214	23,403	...	19,107	102,978	70,052	26,211	...	1,306	2,402	...	...	101,753	221	37,000	...	203,842	1,141	2	4,880	34,000	3,450	12,824
2 April	58,214	23,403	...	19,107	101,523	67,801	26,211	...	1,262	2,367	...	...	90,411	649	37,000	...	209,595	1,129	2	4,853	34,000	3,450	12,824
9 "	58,214	23,403	...	19,107	92,348	65,895	30,269	...	1,290	2,367	...	...	94,236	18	37,000	...	208,594	1,120	1	4,799	34,000	3,450	12,824
16 "	58,214	23,403	...	18,606	91,851	66,493	30,269	...	1,303	2,367	...	...	87,843	345	37,000	...	205,082	1,100	2	4,722	34,000	3,450	12,824
20 "	58,214	23,403	...	18,606	91,851	66,618	30,269	...	1,276	2,367	...	...	84,518	11,212	37,000	...	196,504	1,078	2	4,717	34,000	3,450	12,824
27 "	58,214	23,403	...	18,216	91,851	67,092	30,269	...	1,172	2,367	...	...	79,092	6,061	37,000	...	208,299	1,031	1	4,698	34,000	3,450	12,824
7 May	58,214	23,403	...	17,705	78,985	78,535	30,269	...	1,282	2,367	...	...	62,263	438	37,000	...	209,009	966	2	5,092	34,000	3,450	12,824
14 "	58,214	23,403	...	18,114	74,186	78,159	30,269	...	1,234	2,367	...	...	74,396	4	37,000	...	197,213	967	1	5,368	34,000	3,450	12,824
21 "	58,214	23,227	...	18,114	73,706	78,146	30,269	...	1,227	2,367	...	...	72,880	35	37,000	...	202,809	957	1	5,214	34,000	3,450	12,824
28 "	58,214	23,227	...	18,114	68,343	78,486	30,269	...	1,211	2,367	...	...	68,641	5	37,000	...	197,922	964	1	5,134	34,000	3,450	12,824
4 June	58,214	23,227	...	18,844	67,613	77,913	30,269	...	1,210	2,367	...	...	67,063	484	37,000	...	206,086	946	2	5,371	34,000	3,450	12,824
8 "	58,214	23,227	...	18,844	66,879	78,475	30,269	...	1,205	2,327	...	...	74,863	306	37,000	...	195,275	930	2	5,304	34,000	3,450	12,824
18 "	58,214	23,957	...	18,990	66,008	78,522	30,269	...	1,203	2,327	...	...	64,664	497	37,000	...	204,276	908	1	5,109	34,000	3,450	12,823
25 "	58,214	23,957	...	19,020	65,814	78,655	30,269	...	1,190	2,327	...	...	76,288	189	37,000	...	193,589	892	1	4,961	34,000	3,450	12,823
2 July	58,214	23,957	...	18,777	65,082	79,910	30,269	...	1,229	2,327	...	...	72,087	485	37,000	...	209,532	863	2	4,856	34,000	3,450	12,823
9 "	58,214	23,957	...	17,852	70,828	76,195	33,068	...	1,225	2,327	...	...	72,864	269	37,000	...	205,746	858	2	4,782	34,000	3,450	12,823
16 "	58,214	23,957	...	17,852	70,471	76,754	33,068	...	1,206	2,327	...	...	68,133	459	37,000	...	206,552	854	2	4,746	34,000	3,450	12,823
20 "	58,214	23,957	...	17,852	70,471	77,056	33,068	...	1,210	2,327	...	...	75,781	4	37,000	...	195,797	862	1	4,786	34,000	3,450	12,823
30 "	58,214	23,957	...	17,852	69,879	77,308	33,068	...	1,119	2,327	...	...	73,891	6	37,000	...	188,986	869	2	4,731	34,000	3,450	12,823
6 August	58,214	23,957	...	17,852	69,016	77,494	33,068	...	1,025	2,327	...	...	64,847	389	37,000	...	200,972	855	2	4,572	34,000	3,450	12,817
13 "	58,214	23,957	...	18,051	68,327	77,709	33,068	...	1,010	2,327	...	...	60,357	489	37,000	...	199,188	853	1	4,612	34,000	3,450	12,817
20 "	58,214	23,957	...	18,051	70,069	77,361	33,068	...	1,137	2,327	...	...	60,005	2,084	37,000	...	199,023	833	1	4,611	34,000	3,450	12,817
27 "	58,214	23,941	...	18,051	71,392	77,598	33,068	...	1,071	2,327	...	...	52,451	4	37,000	...	201,242	821	2	4,585	34,000	3,450	12,817
3 September	58,214	23,941	...	19,268	79,240	76,782	33,068	...	1,064	2,327	...	...	47,646	2,721	37,000	...	202,131	808	2	4,536	34,000	3,450	12,817
10 "	58,214	23,941	...	19,268	88,277	76,979	33,068	...	1,055	2,327	...	...	36,954	6	37,000	...	201,559	789	2	4,484	34,000	3,450	12,817
17 "	58,214	23,941	...	19,268	110,098	73,252	33,068	...	1,308	2,327	...	...	30,838	5	37,000	...	198,008	778	2	4,476	34,000	3,450	12,817
24 "	58,214	23,941	...	19,268	123,457	64,372	33,068	...	1,150	2,327	...	...	35,286	3,862	37,000	...	181,110	787	1	4,399	34,000	3,450	12,817
1 October	58,214	23,711	...	19,268	131,785	60,441	33,068	...	1,676	2,292	...	...	23,023	101	37,000	...	189,135	784	2	4,365	34,000	3,450	12,817
8 "	58,214	23,711	...	19,268	128,339	63,060	30,228	...	1,615	2,292	...	...	26,898	5,349	37,000	...	180,372	795	2	4,314	34,000	3,450	12,817
15 "	58,214	23,711	...	19,268	130,782	69,526	30,228	...	1,563	2,438	...	...	15,968	4	37,000	...	182,416	813	1	4,223	34,000	3,450	12,817
22 "	58,214	23,711	...	19,268	145,466	60,441	30,228	...	1,512	2,438	...	...	11,266	14	37,000	...	184,488	828	1	4,174	34,000	3,450	12,817
29 "	58,214	23,711	...	19,268	145,466	60,679	30,228	...	1,726	2,438	12,601	20,869	3,907	37,000	...	165,172	831	1	4,059	34,000	3,450	12,824
5 November	58,214	23,712	...	19,268	144,980	60,526	30,228	...	1,689	2,438	...	...	18,475	25	37,000	...	178,733	810	1	4,209	34,000	3,450	12,824
12 "	58,214	23,712	...	19,268	144,980	52,371	30,228	...	1,693	2,438	...	...	18,413	1,402	37,000	...	173,026	799	1	4,176	34,000	3,450	12,824
19 "	58,214	23,468	...	19,268	152,555	47,102	30,228	...	1,680	2,438	...	...	11,122	11	37,000	...	195,772	822	2	4,153	34,000	3,450	12,824
26 "	58,214	24,198	...	19,489	153,822	45,765	30,228	...	1,677	2,438	...	...	14,484	11	37,000	...	189,808	839	2	4,131	34,000	3,450	12,824
3 December	58,214	24,198	...	21,615	164,625	40,506	30,228	...	1,605	735	...	...	10,809	10	37,000	...	195,791	832	2	4,053	34,000	3,450	12,823
10 "	58,214	24,198	...	22,102	165,630	40,074	30,228	...	1,546	695	...	...	11,164	7	37,000	...	192,223	837	2	4,035	34,000	3,450	12,823
17 "	58,214	24,198	...	22,102	165,630	40,238	30,228	...	1,425	987	...	...	10,911	5	37,000	...	193,558	823	1	4,010	34,000	3,450	12,823
21 "	58,214	24,198	...	22,102	165,630	40,399	30,228	...	1,461	987	...	...	15,328	1,410	37,000	...	198,574	786	1	3,989	34,000	3,450	12,823
28 "	58,214	25,025	...	22,102	165,630	39,998	30,228	...	1,553	773	...	...	14,650	6	37,000	...	196,291	725	1	4,219	34,000	3,450	12,823

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1984

(millions of francs)

LIABILITIES

Premises, furniture and equipment	Securities of the Staff Pensions Fund	Sundries	TOTAL ASSETS	Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of National Education (Law of 11.7.1973 - Education legislation)	Bank notes in circulation	Current accounts :			International agreements :		International Monetary Fund : Special drawing rights, net cumulative allocation	European Monetary Co-operation Fund	Ecus to be delivered to the E.M.C.F.	Monetary reserve :		Foreign currencies and gold to be delivered	Staff Pensions Fund	Sundries	Capital, reserves and depreciation accounts ¹	TOTAL LIABILITIES	DATE
						Public Treasury : Ordinary account	Banks in foreign countries and international institutions, ordinary accounts	Sundry current accounts and items payable	Financial assistance agreements	Other agreements				Belgium	Grand Duchy of Luxembourg						
2,384	16,676	22,111	730,706	25,317	395,516	13	2,223	13,239	4,584	47	23,611	48,862	198,574	...	...	15	16,676	15,747	11,599	730,706	2 January 1984
2,384	17,201	27,596	723,857	25,269	390,796	13	2,591	14,379	4,584	49	23,611	48,862	192,912	...	...	40	17,201	17,220	11,599	723,857	9 "
2,384	17,201	24,125	718,495	25,043	386,970	23	2,232	13,143	4,530	35	23,611	48,862	192,912	...	...	8	17,202	17,368	11,599	718,495	16 "
2,384	17,220	22,863	720,090	25,044	384,703	13	2,070	16,011	4,518	47	23,611	48,862	192,912	...	...	6	17,220	18,518	11,599	720,090	23 "
2,853	17,327	19,007	708,849	24,663	380,688	5	2,000	12,773	4,485	157	23,611	50,072	192,912	...	...	18	17,327	11,977	12,824	708,849	30 "
2,853	17,640	24,549	721,370	24,388	384,982	20	3,006	12,770	4,400	19	23,611	55,160	192,912	...	...	21	17,640	14,005	12,824	721,370	6 February
2,853	17,911	26,493	733,660	24,060	382,919	6	2,454	12,684	4,563	35	23,611	68,369	192,912	...	...	16	17,911	15,356	12,824	733,660	13 "
2,853	18,249	31,697	761,613	23,616	384,525	3	5,469	13,173	4,520	29	23,611	90,759	192,912	...	...	19	18,249	15,520	12,824	761,613	20 "
2,853	18,268	29,934	766,024	23,498	378,565	...	2,204	25,438	4,502	25	23,611	97,529	192,912	...	...	15	18,268	10,131	12,824	766,024	27 "
2,853	18,231	35,882	765,379	23,259	385,791	24	2,235	12,716	4,953	20	23,611	96,517	192,912	...	...	20	18,231	15,525	12,824	765,379	5 March
2,853	18,284	30,379	750,895	22,532	381,243	11	2,157	13,160	4,936	37	23,611	85,340	192,912	...	...	14	18,284	16,366	12,824	750,895	12 "
2,853	18,468	31,434	749,535	22,488	384,102	17	2,174	13,141	4,919	41	23,611	80,668	192,912	...	...	16	18,468	16,642	12,824	749,535	19 "
2,853	18,529	25,476	749,644	22,154	380,490	7	2,038	16,588	4,880	224	23,611	80,668	192,912	...	...	19	18,529	16,854	12,824	749,644	26 "
2,853	18,558	30,211	745,423	21,820	386,517	17	2,032	13,743	4,853	29	23,611	80,544	192,912	...	...	23	18,558	9,760	12,824	745,423	2 April
2,853	18,526	26,463	736,777	21,675	388,084	21	2,235	21,990	4,799	19	23,611	60,297	193,861	...	...	17	18,526	10,493	12,824	736,777	9 "
2,853	18,528	26,211	726,466	21,603	386,960	12	2,152	13,002	4,722	81	23,611	60,297	193,861	...	...	20	18,528	10,396	12,824	726,466	16 "
2,853	18,548	27,168	726,478	21,423	387,159	16	1,969	12,798	4,717	29	23,611	60,297	193,861	...	...	11	18,548	10,638	12,824	726,478	20 "
2,853	18,553	26,759	727,205	21,291	386,883	6	2,725	12,787	4,698	28	23,611	60,297	193,861	...	...	13	18,553	10,919	12,824	727,205	27 "
2,853	18,532	31,539	708,728	21,066	392,902	9	2,655	12,220	5,092	39	23,611	35,823	193,861	...	...	20	18,532	11,140	12,824	708,728	7 May
2,853	18,500	31,945	704,467	20,500	395,732	7	2,804	13,330	5,368	39	23,611	26,225	193,861	...	...	392	18,500	11,774	12,824	704,467	14 "
2,853	18,580	32,168	708,041	20,197	401,101	21	2,204	12,850	5,214	46	23,611	26,225	193,861	...	...	17	18,580	11,487	12,824	708,041	21 "
2,853	18,598	33,154	694,777	19,797	396,554	14	2,247	13,818	5,134	31	23,611	15,500	193,861	...	...	110	18,598	12,475	12,824	694,777	28 "
2,853	18,601	32,714	701,051	19,726	404,205	5	2,401	12,618	5,371	33	23,611	15,500	193,861	...	...	27	18,601	11,994	12,824	701,051	4 June
2,853	18,533	33,603	698,383	19,601	400,678	13	2,059	14,375	5,304	24	23,611	14,031	193,861	...	...	32	18,533	13,038	12,824	698,383	8 "
2,853	18,614	33,048	696,733	19,276	401,189	24	2,157	12,557	5,109	37	23,611	12,341	193,861	...	...	12	18,614	14,397	12,824	696,733	18 "
2,853	18,615	32,923	697,030	19,294	401,875	9	1,723	12,736	4,961	99	23,611	11,955	193,861	...	...	33	18,615	14,728	12,824	697,030	25 "
2,853	18,673	33,654	710,043	18,772	410,394	8	2,470	12,731	4,856	70	23,611	11,955	193,861	...	...	31	18,673	18,559	12,824	710,043	2 July
2,853	18,569	34,572	711,454	18,148	407,719	19	1,855	13,577	4,782	36	23,611	5,931	202,618	...	...	39	18,569	19,874	12,824	711,454	9 "
2,853	18,579	34,274	707,574	18,071	404,263	8	1,796	12,909	4,746	34	23,611	5,217	202,618	...	...	13	18,579	20,956	12,824	707,574	16 "
2,853	18,579	35,166	705,257	17,999	401,324	9	2,295	14,130	4,786	46	23,611	3,510	202,618	...	...	13	18,579	21,512	12,824	705,257	20 "
2,853	18,581	34,279	695,195	17,455	394,355	8	1,623	12,139	4,731	321	23,611	2,328	202,618	...	...	14	18,581	22,042	12,824	695,195	30 "
2,853	18,546	34,658	697,914	17,259	397,563	6	1,815	12,049	4,572	33	23,611	2,328	202,618	...	...	23	18,546	21,926	12,824	697,914	6 August
2,853	18,493	36,978	693,754	16,798	393,183	24	1,810	14,094	4,612	40	23,611	...	202,618	...	...	22	18,493	22,423	12,824	693,754	13 "
2,853	18,496	35,417	694,774	16,717	394,840	5	2,628	12,315	4,611	217	23,611	...	202,618	...	...	20	18,496	22,589	12,824	694,774	20 "
2,853	18,496	35,438	688,821	16,666	386,908	20	2,544	14,097	4,585	26	23,611	...	202,618	...	...	27	18,496	23,065	12,824	688,821	27 "
2,853	18,497	35,323	695,688	16,214	391,624	10	2,680	17,188	4,536	30	23,611	...	202,618	...	...	28	18,497	22,042	12,824	695,688	3 September
2,853	18,423	35,754	691,220	16,198	390,384	2	2,391	13,873	4,484	123	23,611	...	202,618	...	...	20	18,423	22,467	12,824	691,220	10 "
2,853	18,423	34,357	698,483	16,019	389,731	5	2,621	20,867	4,476	42	23,611	...	202,618	...	...	13	18,423	23,252	12,824	698,483	17 "
2,853	18,441	34,710	694,513	15,353	389,674	10	2,597	12,480	4,399	256	23,611	...	202,618	...	...	14	18,441	27,589	12,824	694,513	24 "
2,853	18,441	31,341	687,767	15,127	393,072	11	2,693	13,130	4,365	29	23,611	...	202,618	...	...	14	18,441	16,959	12,824	687,767	1 October
2,853	18,343	32,451	685,371	14,638	393,012	16	3,414	14,352	4,314	73	23,611	...	197,862	...	...	19	18,343	17,531	12,824	685,371	8 "
2,853	18,343	30,851	690,800	14,396	391,602	15	3,095	12,890	4,223	26	23,611	...	197,862	...	...	8,016	18,343	18,293	12,824	690,800	15 "
2,853	18,343	27,587	690,700	14,112	389,035	...	1,742	14,190	4,174	28	23,611	...	197,862	...	...	8,433	18,343	20,458	12,824	690,700	22 "
2,853	18,311	28,173	685,781	14,113	384,802	14	1,702	13,328	4,059	112	23,611	...	197,862	...	...	8,600	18,311	20,556	12,824	685,781	29 "
2,853	18,311	28,303	692,650	13,914	393,095	3	1,506	12,328	4,209	35	23,611	...	197,862	...	...	8,428	18,311	20,438	12,824	692,650	5 November
2,853	18,237	40,668	679,914	13,435	386,695	24	2,676	13,023	4,176	41	23,611	...	197,862	...	...	271	18,237	20,474	12,824	679,914	12 "
2,853	18,237	27,546	682,745	13,300	389,250	21	1,887	12,160	4,153	35	23,611	...	197,862	...	...	36	18,237	22,669	12,824	682,745	19 "
2,853	18,237	25,868	679,338	13,129	384,351	11	3,411	12,689	4,131	29	23,611	...	197,862	...	...	16	18,237	22,166	12,824	679,338	26 "
2,853	18,244	24,797	686,390	12,525	389,027	18	2,749	14,817	4,053	38	23,611	...	197,862	...	...	143	18,244	23,004	12,824	686,390	3 December
2,853	18,161	25,958	685,200	13,123	388,487	8	2,176	14,623	4,035	21	23,611	...	197,862	...	...	20	18,161	23,372	12,824	685,200	10 "
2,853	18,161	25,624	686,241	12,481	390,258	22	2,021	13,486	4,010	65	23,611	...	197,862	...	...	21	18,161	23,900	12,824	686,241	17 "
2,853	18,161	26,987	698,581	12,137	401,774	17	1,990	14,292	3,989	43	23,611	...	197,862	...	...	36	18,161	23,982	12,824	698,581	21 "
2,853	18,179	26,614	694,334	12,136	398,219	15	1,904	13,428	4,219	37	23,611	...	197,862	...	...	21	18,179	24,015	12,824	694,334	28 "

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER 1984
THE BANK'S HOLDINGS**

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

8.25 p.c.	Belgian Loan 1974/88.
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.
11.75 p.c.	Belgian Loan 1984/92.
12 p.c.	Belgian Loan 1984/92.
11.75 p.c.	Belgian Loan 1984/93.
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.
11.50 p.c.	Road Fund Loan 1983/91.
2 p.c.	National Foundation for Financing Scientific Research 1960/90 - 1st tranche.

- 2 p.c. National Foundation for Financing Scientific Research 1961/91 - 2nd tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1962/92 - 3rd tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1963/93 - 4th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1964/94 - 5th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1965/95 - 6th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1966/96 - 7th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1967/97 - 8th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1968/98 - 9th tranche.
- 2 p.c. National Foundation for Financing Scientific Research 1969/99 - 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.
- 12 p.c. Assistance Fund for Financial Recovery of Municipalities 1984/91.
- 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.
- Belgian National Railways Company Dividend Right Certificates.

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

(Daily quotations in Belgian francs)

1984	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
January									
Highest	57.90	20.43	24.80	6.68	81.21	63.27	3.37	46.31	18.18
Lowest	55.77	20.37	24.13	6.66	80.22	63.12	3.35	44.80	18.13
Mean	57.26	20.40	24.51	6.67	80.73	63.22	3.36	45.87	18.15
February									
Highest	57.27	20.48	24.42	6.68	80.58	63.25	3.36	45.92	18.18
Lowest	53.30	20.44	22.87	6.63	78.99	62.90	3.29	42.56	18.13
Mean	55.38	20.48	23.71	6.65	79.68	63.09	3.32	44.38	18.15
March									
Highest	54.34	20.48	23.99	6.65	79.22	62.99	3.31	42.67	18.17
Lowest	52.00	20.43	22.73	6.63	76.49	62.39	3.27	40.94	18.10
Mean	53.13	20.47	23.58	6.64	77.38	62.67	3.29	41.86	18.13
April									
Highest	55.40	20.47	24.44	6.66	77.35	62.67	3.31	43.21	18.15
Lowest	52.94	20.38	23.61	6.63	76.20	62.40	3.29	41.47	18.08
Mean	53.97	20.43	23.99	6.64	76.79	62.57	3.30	42.19	18.12
May									
Highest	56.68	20.40	24.65	6.64	78.36	62.67	3.31	43.69	18.13
Lowest	55.20	20.30	23.93	6.61	76.91	62.40	3.29	42.84	18.05
Mean	55.98	20.35	24.27	6.62	77.74	62.49	3.30	43.25	18.09
June									
Highest	57.06	20.44	24.16	6.65	77.30	62.50	3.31	43.61	18.11
Lowest	54.52	20.33	23.75	6.63	76.35	62.25	3.28	42.03	18.05
Mean	55.89	20.38	23.93	6.63	76.87	62.36	3.29	42.84	18.09
July									
Highest	58.57	20.35	23.94	6.63	76.77	62.32	3.31	44.55	18.05
Lowest	56.91	20.20	23.54	6.58	75.13	62.00	3.27	43.08	17.89
Mean	57.70	20.27	23.78	6.60	76.19	62.16	3.30	43.63	17.96
August									
Highest	59.00	20.25	24.21	6.60	77.08	62.38	3.30	45.18	17.95
Lowest	57.79	20.16	23.89	6.57	75.72	62.16	3.25	44.32	17.88
Mean	58.33	20.20	24.06	6.58	76.54	62.26	3.27	44.73	17.91
September									
Highest	63.93	20.28	25.77	6.61	77.52	62.89	3.28	48.30	18.00
Lowest	58.54	20.11	24.14	6.55	76.19	62.19	3.25	45.15	17.84
Mean	61.00	20.17	24.88	6.57	76.74	62.48	3.27	46.45	17.89
September (1st to 14th)									
Highest	60.90	20.16	24.78	6.57	77.34	62.42	3.27	46.34	17.87
Lowest	58.54	20.12	24.14	6.55	76.23	62.19	3.26	45.15	17.84
Mean	59.87	20.14	24.48	6.56	76.70	62.30	3.27	45.75	17.85
September (17th to 30th)									
Highest	63.93	20.28	25.77	6.61	77.52	62.89	3.28	48.30	18.00
Lowest	61.25	20.11	25.00	6.56	76.19	62.39	3.25	46.55	17.85
Mean	62.12	20.20	25.28	6.58	76.78	62.67	3.26	47.15	17.92
October									
Highest	63.43	20.30	25.48	6.62	76.94	62.86	3.28	48.03	18.01
Lowest	61.16	20.18	24.92	6.58	74.20	62.25	3.25	46.47	17.90
Mean	62.06	20.23	25.16	6.59	75.70	62.61	3.27	47.08	17.94
November									
Highest	62.26	20.23	25.25	6.59	75.65	62.75	3.25	47.10	17.98
Lowest	58.98	20.11	24.52	6.57	74.04	62.20	3.24	45.05	17.83
Mean	60.37	20.18	24.82	6.58	74.97	62.54	3.25	45.86	17.89
December									
Highest	63.08	20.14	25.35	6.58	74.91	62.76	3.27	47.75	17.86
Lowest	61.74	20.05	25.05	6.55	72.64	62.46	3.25	46.77	17.76
Mean	62.34	20.09	25.17	6.56	73.98	62.65	3.26	47.21	17.81
Year									
Highest	63.93	20.48	25.77	6.68	81.21	63.27	3.37	48.30	18.18
Lowest	52.00	20.05	22.73	6.55	72.64	62.00	3.24	40.94	17.76
Mean	57.79	20.31	24.32	6.61	76.98	62.60	3.29	44.63	18.01
Year (1st January to 14th September)									
Highest	60.90	20.48	24.80	6.68	81.21	63.27	3.37	46.34	18.18
Lowest	52.00	20.12	22.73	6.55	75.13	62.00	3.25	40.94	17.84
Mean	56.20	20.36	24.01	6.63	77.71	62.59	3.30	43.75	18.06
Year (17th September to 31st December)									
Highest	63.93	20.30	25.77	6.62	77.52	62.89	3.28	48.30	18.01
Lowest	58.98	20.05	24.52	6.55	72.64	62.20	3.24	45.05	17.76
Mean	61.67	20.17	25.08	6.58	75.19	62.61	3.26	46.79	17.89

¹ The Ecu has been quoted on the Stock Exchange since 3rd September 1984.

1 Swedish crown	1 Swiss franc	100 pesetas	1 Danish crown	100 Austrian schillings	1 Norwegian crown	1 Finnish mark	100 escudos	1 zaire	*1 Ecu ¹	1984
7.06	25.74	36.23	5.64	290.00	7.31	9.70	43.00	1.87		January
6.95	25.45	35.50	5.63	288.60	7.23	9.59	41.00	1.80		Highest
7.01	25.63	35.86	5.63	289.43	7.28	9.65	42.55	1.82		Lowest
										Mean
										February
7.02	25.56	36.18	5.64	290.75	7.29	9.66	42.50	1.80		Highest
6.85	24.64	35.40	5.58	290.20	7.10	9.47	40.70	1.67		Lowest
6.91	25.09	35.90	5.61	290.50	7.19	9.56	41.61	1.74		Mean
										March
6.92	24.95	35.75	5.60	292.00	7.13	9.54	42.00	1.67		Highest
6.82	24.49	35.30	5.57	289.50	7.04	9.40	39.50	1.50		Lowest
6.87	24.75	35.54	5.58	290.67	7.08	9.46	41.17	1.57		Mean
										April
6.94	24.76	36.29	5.57	290.95	7.17	9.62	42.00	1.57		Highest
6.87	24.64	35.67	5.54	289.50	7.07	9.52	39.90	1.51		Lowest
6.89	24.68	35.95	5.56	290.41	7.11	9.56	40.62	1.54		Mean
										May
6.95	24.76	36.45	5.57	290.50	7.21	9.66	43.00	1.59		Highest
6.90	24.60	36.29	5.53	288.00	7.14	9.58	39.50	1.57		Lowest
6.92	24.68	36.37	5.56	289.53	7.16	9.62	40.46	1.58		Mean
										June
6.95	24.56	36.23	5.56	291.00	7.20	9.64	41.50	1.59		Highest
6.84	24.29	35.89	5.54	289.20	7.08	9.54	38.00	1.55		Lowest
6.89	24.46	36.06	5.56	290.27	7.14	9.59	39.62	1.57		Mean
										July
6.98	24.29	35.90	5.55	290.10	7.10	9.62	39.10	1.59		Highest
6.92	23.70	35.69	5.53	287.80	6.99	9.57	37.20	1.56		Lowest
6.95	23.99	35.80	5.54	288.91	7.03	9.59	38.56	1.57		Mean
										August
7.00	24.27	35.77	5.55	288.30	7.08	9.65	40.00	1.60		Highest
6.95	23.83	35.25	5.53	286.95	7.00	9.57	38.05	1.57		Lowest
6.98	24.11	35.49	5.54	287.63	7.02	9.61	38.94	1.58		Mean
										September
7.25	24.74	36.38	5.62	288.75	7.28	9.84	39.75	1.67	45.59	Highest
7.01	24.12	35.42	5.53	286.25	7.00	9.62	37.00	1.58	45.09	Lowest
7.11	24.40	35.92	5.57	287.19	7.09	9.71	38.45	1.62	45.21	Mean
										September
										(1st to 14th)
7.11	24.34	35.89	5.56	286.90	7.11	9.71	39.00	1.62	45.23	Highest
7.01	24.12	35.42	5.54	286.25	7.03	9.62	38.40	1.58	45.09	Lowest
7.06	24.21	35.66	5.55	286.60	7.08	9.66	38.65	1.60	45.15	Mean
										September
										(17th to 30th)
7.25	24.74	36.38	5.62	288.75	7.28	9.84	39.75	1.67	45.59	Highest
7.13	24.44	35.95	5.53	286.50	7.00	9.70	37.00	1.62	45.12	Lowest
7.16	24.59	36.18	5.58	287.79	7.10	9.75	38.25	1.64	45.27	Mean
										October
7.21	24.67	36.25	5.62	290.20	7.05	9.80	39.20	1.64	45.40	Highest
7.07	24.48	35.88	5.58	286.50	6.91	9.63	36.90	1.58	45.00	Lowest
7.14	24.59	36.09	5.60	287.89	6.99	9.73	38.19	1.61	45.18	Mean
										November
7.06	24.68	36.08	5.60	287.65	6.96	9.68	38.00	1.57	45.12	Highest
7.00	24.28	35.86	5.57	286.10	6.90	9.60	36.35	1.51	44.85	Lowest
7.03	24.49	35.97	5.59	286.97	6.93	9.64	37.29	1.53	44.99	Mean
										December
7.09	24.42	36.56	5.63	287.00	6.98	9.69	39.00	1.56	44.97	Highest
7.00	24.28	36.14	5.59	285.65	6.90	9.60	37.00	1.54	44.66	Lowest
7.04	24.36	36.31	5.61	286.23	6.94	9.65	37.75	1.55	44.84	Mean
										Year
7.25	25.74	36.56	5.64	292.00	7.31	9.84	43.00	1.87	45.59	Highest
6.82	23.70	35.25	5.53	285.65	6.90	9.40	36.35	1.50	44.66	Lowest
6.98	24.61	35.93	5.58	288.81	7.08	9.61	39.62	1.61	45.06	Mean
										Year
										(1st January to 14th September)
7.11	25.74	36.45	5.64	292.00	7.31	9.71	43.00	1.87	45.23	Highest
6.82	23.70	35.25	5.53	286.25	6.99	9.40	37.20	1.50	45.09	Lowest
6.94	24.65	35.85	5.57	289.47	7.13	9.58	40.36	1.62	45.15	Mean
										Year
										(17th September to 31st December)
7.25	24.74	36.56	5.63	290.20	7.28	9.84	39.75	1.67	45.59	Highest
7.00	24.28	35.86	5.53	285.65	6.90	9.60	36.35	1.51	44.66	Lowest
7.08	24.50	36.13	5.59	287.18	6.98	9.69	37.83	1.58	45.05	Mean

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
Assistance Fund for the Financial Recovery of Municipalities	Fonds d'aide au redressement financier des communes
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
Fund for the Financial Balancing of the Social Security System	Fonds pour l'équilibre financier de la Sécurité Sociale
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'Étain
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'Éducation 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 Dueroire
National Employment Office (formerly National Employment and Unemployment Office)	Office National de l'Emploi (précédemment Office National du Placement et du Chômage)
National Foundation for Financing Scientific Research	Fondation Nationale pour le Financement de la Recherche Scientifique

National Fund for Credit to Trade and Industry	Caisse Nationale de Crédit Professionnel
National Fund for the Rehabilitation of Handicapped Persons	Fonds National pour le Reclassement des Handicapés
National Housing Company (formerly National Cheap Dwellings Company)	Société Nationale du Logement (précédemment Société Nationale des Habitations et Logements à Bon Marché)
National Housing Fund	Fonds National du Logement
National Industrial Credit Company (N.I.C.C.)	Société Nationale de Crédit à l'Industrie (S.N.C.I.)
National Institute for Agricultural Credit	Institut National de Crédit Agricole
National Investment Company	Société Nationale d'Investissement
National Labour Council	Conseil National du Travail
National Land Company (formerly National Smallholders' Company)	Société Nationale Terrienne (précédemment Société Nationale de la Petite Propriété Terrienne)
National Local Railways Company	Société Nationale des Chemins de fer Vicinaux
National Mixed Mines Commission	Commission Nationale Mixte des Mines
National Sickness and Disablement Insurance Institute	Institut National d'Assurance Maladie-Invalidité
National Social Insurance Office	Office National de Sécurité Sociale
National Statistical Institute (N.S.I.)	Institut National de Statistique (I.N.S.)
National Water Distribution Company	Société Nationale des Distributions d'Eau
North Atlantic Treaty Organisation (N.A.T.O.)	Organisation du Traité de l'Atlantique-Nord (O.T.A.N.)
Nuclear Energy Research Centre	Centre d'Etudes de l'Energie Nucléaire
Oil facility (of I.M.F.)	Mécanisme pétrolier (du F.M.I.)
Organisation for Economic Cooperation and Development (O.E.C.D.) [formerly Organisation for European Economic Cooperation (O.E.E.C.)]	Organisation de Coopération et de Développement Economiques (O.C.D.E.) [précédemment Organisation Européenne de Coopération Economique (O.E.C.E.)]
Organisation of Petroleum Exporting Countries	Organisation des pays exportateurs de pétrole
Overseas Social Security Office	Office de Sécurité Sociale d'Outre-Mer
Permanent Budget Equalisation Fund	Fonds Permanent d'Egalisation des Budgets
Planning Bureau	Bureau du Plan
Post Administration	Administration des Postes
Post Board	Régie des Postes
Postal Cheque Account (P.C.A.)	Compte de Chèques Postaux (C.C.P.)
Postal Cheque Office (P.C.O.)	Office des Chèques Postaux (O.C.P.)
Public Debt Sinking Fund	Fonds d'Amortissement de la Dette Publique
Public Social Assistance Centres	Centres publics d'aide sociale
Rediscount and Guarantee Institute (R.G.I.)	Institut de Réescompte et de Garantie (I.R.G.)
Regional Policy Committee	Comité de politique régionale
Research Department (of the National Bank of Belgium)	Département des Etudes (de la Banque Nationale de Belgique)
Road Fund	Fonds des Routes

Royal Society for Political Economy	Société Royale d'Economie Politique
Sabena (see Belgian Air Navigation Company)	Sabena (cf. Société Anonyme Belge d'Exploitation de la Navigation Aérienne)
Savings Bank of the Grand Duchy of Luxembourg	Caisse d'Épargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Épargne de la Caisse Générale d'Épargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Regulation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Social Programming Agreement	Accord de programmation sociale
Solidarity Fund for Financing Early-Retirement Pensions	Fonds de solidarité de financement de la prépension
Special Agricultural Committee (of the European Communities)	Comité Spécial Agricole (des Communautés Européennes)
Special Council of Ministers (of E.C.S.C.)	Comité Spécial des Ministres (de la C.E.C.A.)
Special Municipalities Fund	Fonds spécial des communes
Staff Pensions Fund	Caisse de Pensions du Personnel
Statistical Office of the European Communities	Office statistique des Communautés européennes
Subsistence Funds	Fonds de sécurité d'existence
Superior Finance Council	Conseil Supérieur des Finances
Telegraphs and Telephones Board	Régie des Télégraphes et des Téléphones
Textile Industry Federation	Fédération de l'Industrie Textile
Town Planning Board	Administration de l'Urbanisme
Treasury and Public Debt Administration	Administration de la Trésorerie et de la Dette Publique
Trust Fund (of I.M.F.)	Fonds fiduciaire (du F.M.I.)
Union of Non-Ferrous Metal Industries	Union des Industries des Métaux Non Ferreux
United Nations (Organisation of the)	Organisation des Nations Unies
Veterans' Endowment	Dotation des Combattants
Washington Monetary Conference	Conférence monétaire de Washington

CONTENTS

	Pages
Report presented by the Governor in the name of the Council of Regency	V
Economic and financial developments	1
Introduction : Presentation - List of tables and charts	3
Periods - Conventional signs	6
Main developments abroad	7
Chapter I : International developments	9
Main developments in Belgium	39
Chapter II : Production and employment	41
Chapter III : Expenditure and prices	63
Chapter IV : Incomes	93
Chapter V : Major sectors of the economy	109
Chapter VI : Transactions of the Belgian-Luxembourg Econo- mic Union with foreign countries	137
Chapter VII : Financial assets and liabilities	173
Chapter VIII : Financial markets and interest rates	207

	Pages
Annual Accounts	235
Balance Sheet – Profit and Loss Account – Memorandum Accounts – Dividend declared for the year 1984	236
Administration and supervision – Departments and services – Branches and agencies	241
Annexes	253
1. Balance Sheets compared as at 31st December 1980 to 1984 .	254
2. Profit and Loss Accounts compared as at 31st December 1980 to 1984	256
3. Miscellaneous information	259
4. Weekly returns published in the « Belgisch Staatsblad - Moniteur belge » during 1984	—
5. Statement of the public long-term securities constituting, on 31st December 1984, the Bank's holdings	261
6. Official rates of exchange fixed by the bankers meeting at the Brussels Clearing House	264
Glossary of names as used in this and previous reports of the National Bank	269

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