

**NATIONAL
BANK
OF BELGIUM**

**REPORT
1990**



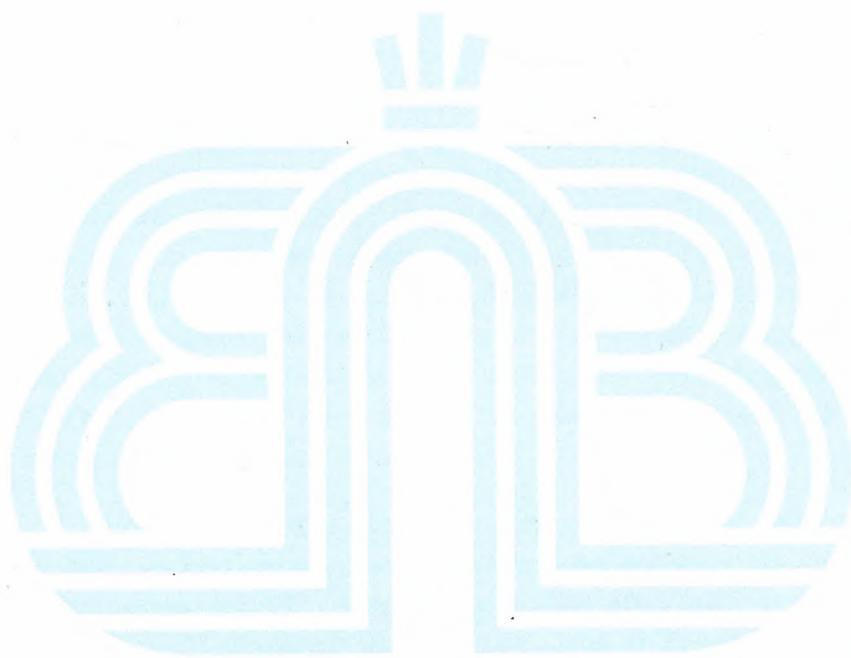
NATIONAL BANK OF BELGIUM

Limited Company

Brussels Trade Register No. 22,300

Head Office :

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REPORT 1990

presented to the General Meeting on 25th February 1991

Report
presented by the Governor
in the name
of the Board of Directors

**Report
presented by the Governor
in the name
of the Council of Regency**

International Environment

Industrialised countries

The expansion of economic activity still continued in 1990. For the member countries of the Organisation for Economic Co-operation and Development as a whole, the growth thus appears to have amounted to about 2.8 p.c., a slight decline compared with the previous year's figure of 3.4 p.c.

In many respects, however, the general economic climate became less favourable during the past year. The trend of economic activity showed clear signs of weakening in the greater part of the industrialised world; the Gulf crisis heightened inflationary pressures and increased the uncertainties, with all their possible effects on the behaviour of economic agents; the financial systems were put to the test everywhere — in certain major countries the financial institutions even displayed disquieting weaknesses — while the problems of the developing countries became more acute and the difficulties encountered by the countries of Central and Eastern Europe in making the transition to a market economy became increasingly evident.

In this context the overall slowdown of activity was, all in all, relatively limited. Indeed, appreciable growth was achieved in certain parts of the industrialised world. There was a revival of activity in Japan thanks to the dynamism of domestic expenditure, and in Europe the growth was sustained by the impulse which emanated from the accelerated reunification of Germany. These developments had a braking effect on the incipient recession in the countries where the authorities had already for some time been vigorously endeavouring to counter the dangers of overheating, namely Canada, the United Kingdom and the United States. The expansion in employment slowed down, but still remained sufficiently strong to absorb the growth in the labour force; the unemployment rate declined slightly further in continental Europe — though still remaining high — and in Japan, but began to rise again in the United States and the United Kingdom.

The divergence in business conditions in the leading countries thus widened further and therefore helped to reduce the major international disequilibria in balances of payments. The current account deficit of the United States contracted, partly owing to the favourable trend of the volume of foreign trade, while Germany's current account surplus decreased for the first time in over ten years and that of Japan — which

furthermore had to contend with a sharp deterioration in its terms of trade — continued its downward trend and, expressed in dollars, reached only half the record figure achieved in 1987.

The fluctuations in foreign exchange rates did not, however, run parallel to these movements in the balances of current transactions, reflecting, rather, the orientations of monetary policy in the countries in question. The dollar declined throughout the year against the German mark and, in the wake of the latter, against most European currencies; from May onwards it also fell against the yen.

The gradual easing of American monetary policy was continued in 1990, at first cautiously and then with greater determination in the last quarter of the year, when the signs of recession became more numerous; in Japan, on the other hand, monetary policy was tightened in a number of stages; in Germany the degree of monetary restriction reached at the end of 1989 was maintained throughout the greater part of the year and even heightened from November onwards. As a result, the differential between short-term interest rates, which had been favourable to the US dollar in 1989, disappeared from the beginning of the year in relation to the German mark and during the second half of the year in relation to the yen; in the last quarter it actually became substantially negative against these two currencies.

The divergent trends of both business activity and exchange rates increased the disparity of the results with regard to inflation. Everywhere the pressure of the internal causes of inflation became greater, partly owing to the speeding-up of wage increases. In the United States the resultant heavier burden of domestic costs was further added to by the decline in productivity due to the sudden slackening of economic growth; in Germany, on the other hand, the increase in productivity remained substantial, while in Japan it actually quickened. In the countries whose currencies appreciated most, the rise in the exchange rate furthermore, through the favourable movement of import prices, partly counterbalanced the domestic inflation; in particular, it had a pronounced moderating effect on the impact on domestic prices of the rise in oil prices after the outbreak of the Gulf crisis.

The outbreak of this crisis in August 1990 caused a resurgence of the problems inherent in the occurrence of an « oil shock », which, like the two previous shocks, was liable to lead to an erosion of the disposable income of the energy-importing countries — an inescapable corollary of the worsening of their terms of trade — and to a slackening of growth and a revival of inflation. Gulf crisis

Up till now, the mechanical repercussions of the rise in the prices of petroleum products have been reflected only in the movement of consumer prices in the industrialised countries during the last months of the year. The crisis is, however, still too recent to have revealed its more diffuse and more slowly propagated effects on growth and on the induced

formation of prices and costs. These will not make themselves fully felt until 1991, but they will in all probability be much less pronounced than at the time of the two previous shocks, because the western economies have become less vulnerable since then : their energy consumption per unit of output has decreased markedly and their degree of dependence on imported gas and oil has also lessened. Furthermore, according to the hypotheses which appeared to be suggested by the balance reached on the oil markets at the end of the year, the rise in oil prices is likely to be much less marked than in 1973-1974 or 1979-1981, particularly as in a number of industrialised countries, especially those of the European Economic Community and Japan, it will be tempered by the depreciation of the dollar. On the assumption that a price of \$ 27 per barrel will prevail during 1991, the oil shock would only represent, for the European economies, a drain of around 0.3 p.c. of the national product, ten times smaller than that in each of the two preceding crises.

The deterioration in the conditions of operation of the western economies should therefore prove far less serious than at the time of the two preceding oil shocks.

On the other hand the Gulf crisis, through the greater uncertainties which it has created, is still a threat for the immediate future. The erratic, mainly speculative, fluctuations of prices on the oil markets from August onwards are sufficient proof of this. For the future, the dangers of still wider fluctuations in oil prices cannot be completely ruled out, and these may be either upwards – should part of the currently operating production apparatus be put out of action owing to the armed conflict – as downwards – in the event of a satisfactory solution to the conflict. These uncertainties, if they persist, are obviously liable to cause a great increase in the general macro-economic effects of the actual rise in energy prices, if only through their adverse influence on the confidence of the main economic agents.

These uncertainties will also, in this event, increase the need for those responsible for economic policy to adjust it in the light of the lessons learnt from the two preceding oil shocks. They must make it clear beyond doubt that the consequences of the rise in energy prices must be confined to its temporary « mechanical » impact. Any further spread would impair the structural conditions of operation of the economies. Apart from momentary jumps, the reality of prices must be faced up to and the rise in energy costs must be fully and quickly passed on to the final consumers; this means, among other things, that general government must refrain from any measures which pass on the consequences of the price rise to their budgets, which would thus be burdened by them.

Economic policy as a whole will above all have to be designed to exclude any possibility of triggering a cost/price spiral. Experience has shown the extent to which such chain reactions, with their adverse effect on the profitability and competitiveness of enterprises, damage the supply

conditions of the economy and lead to heavy social costs in terms of investment, growth and jobs.

The success of this policy will undoubtedly depend largely on the maintenance of a relatively restrictive monetary policy. But the burden thus imposed on monetary policy will be much less heavy where an adequate social consensus and an effective incomes policy make it possible to ensure the optimum spreading, among economic agents, of the impoverishment entailed by the worsening of the terms of trade.

The pursuit of such a policy, centred on stability and on the medium-term safeguarding of the fundamental conditions necessary for the proper operation of the western economies, is all the more essential, but also more delicate, because the Gulf crisis has been an additional factor tending to make the financial systems of some of these countries more vulnerable.

*Financial
equilibria
in the world*

As soon as the crisis broke out, share prices moved down on all stock exchanges. In Japan, where this movement came on top of an already-started correction to stock-market prices which had probably been excessively boosted before that, the fall was substantial; it also considerably increased the fragility of the financial sector by substantially reducing the unrealised capital gains which Japanese banks partly include in their equity. In most of the western countries, too, the situation of the financial institutions was somewhat uncomfortable, partly because of the ever-keener competition which had prevailed for several years. But in the countries where the slowing-down of economic growth had been most pronounced, especially the United States, the structural problems were greatly accentuated by the deterioration of the financial situation of important debtors or of the quality of certain assets, particularly mortgage claims. The situation of American savings banks, which had already been in a state of crisis since 1988, was further impaired, while the profitability of banks became questionable.

The Gulf crisis also had the effect of slightly worsening the position of the developing countries, and especially of the poorest among them; after having remained stable for two years, the outstanding amount of their debt, measured, admittedly, in greatly depreciated dollars, began to rise again. The Brady Plan for lightening this debt was concretely implemented for the first time in 1990 in a number of heavily indebted countries (Mexico, the Philippines, Venezuela). In order to organise the financing of the specific requirements of the « front-line countries » hardest hit by the events in the Middle East, the United States, together with other countries, including Arab Gulf countries and all the members of the European Economic Community, set up a « Gulf Crisis Financial Co-ordination Group ».

On top of these requirements there came, in 1990, the more recent but not less important needs of the countries of Central and Eastern Europe. Not only the costs but also the difficulties of the transition of

these formerly planned economies to a market economy system became more evident and the experience gained in connection with the accelerated reunification of Germany showed clearly that these burdens would be heavy.

The monetary, economic and social union achieved as early as 1st July 1990 – even before the political unification on 3rd October – staked out the course for the fundamental restructuring of the economy in the former GDR by extending to it the application of the main laws which govern economic life in the FRG, by introducing the Deutsche Mark there and by extending the Bundesbank's field of competence to include that territory, as well as by providing for the social corrections, especially with regard to unemployment, whereby the repercussions of the transition to a market economy can be reduced. The cost of these measures is the main explanation of the reversal, amounting to over 3 p.c. of the gross national product, in the balance of the German budget in 1990, and that although the basic restructuring of the production apparatus and the infrastructures had only just begun.

The other countries of Central and Eastern Europe do not have the advantage of being able to take over, just as it is, an existing legislative and monetary model and they cannot fall back on a very extensive social and budgetary solidarity. Less progress was therefore made in those countries than had been hoped, especially as the economic climate there was strongly affected by the complete disruption of foreign trade within the framework of Comecon. An important customer, namely the former GDR, practically disappeared because of the attraction exerted by western products. Moreover, the oil deliveries from the USSR, where the economic situation likewise appears to have greatly deteriorated, can henceforth no longer be paid for on the favourable terms previously in force, but have to be bought at market prices, pushed up by the effects of the Gulf crisis.

The efforts to be made are therefore enormous : they must of necessity be largely made within the countries concerned. But their success would be jeopardised without a very substantial mobilisation of foreign capital and a decisive contribution through co-ordinated international assistance. This was not lacking in 1990 : concrete and immediate assistance was offered, including by the European Economic Community. In May the European Bank for Reconstruction and Development was formed, and this will be operational from the spring of 1991, pursuing the purpose of encouraging, by lending and equity investment, the transition of these countries to a market economy.

Financing requirements will therefore increase substantially in the world and the mobilisation of the savings available via all channels – both private and public – will undoubtedly be one of the chief challenges in the near future. These savings must furthermore be sufficient. In 1990, however, the worries about the extent of the surplus resulting from the financial transactions of enterprises and individuals, partly due to the

inadequacy of household savings in a large number of industrialised countries, were added to by the interruption, and even reversal, of the efforts to reduce government deficits in the member countries of the Organisation for Economic Co-operation and Development as a whole.

This phenomenon is very largely due to the turnround of the budget situation in Germany and the repercussions of the recession on the American budget. A resumption of the policy aimed at consolidating public budgets would, however, be the most appropriate way of improving the general level of savings. In the new context created by the Gulf crisis this would furthermore make a useful contribution to the fight against inflation – a task which, as the example of Germany appears to prove, may otherwise have to be performed by monetary policy alone.

The mark was very firm against third currencies, especially the dollar, but that was not the case with its position within the exchange rate mechanism of the European Monetary System. After the realignment of 8th January – confined to a lowering of the central rates for the lira by 3.7 p.c. and the inclusion of the Italian currency in the narrow fluctuation margin of 2.25 p.c. – the strains within the System disappeared and the mark weakened owing to a certain anxiety about the financial consequences of German unification.

*European
integration*

The greater part of the past year was thus characterised by a virtually general regrouping of the exchange rates within the narrow deviation margin of the exchange rate mechanism of the European Monetary System. This mainly benefited the currencies, such as the Belgian franc, of the countries whose exchange rate policy appeared particularly credible. The lira was temporarily an exception to this regrouping; after the realignment it was supported by the high interest rate in Italy and it did not join the other currencies until after the outbreak of the Gulf crisis, the repercussions of which appeared likely to be particularly damaging for the Italian economy.

On 8th October the pound sterling joined the EMS exchange rate mechanism with fluctuation margins of 6 p.c.

In the course of November the tightening of German monetary policy led to a certain strengthening of the mark and a smaller degree of convergence of the currencies. Even so, the year ended without any acute strains within the system, the widening of which to embrace the British currency was a step forward in the first phase of the process which is to lead to European Economic and Monetary Union.

In accordance with the decisions reached by the Council in Madrid in June 1989, the first phase started on 1st July 1990, together with the entry into force of the complete liberalisation of capital movements in eight of the twelve EEC countries. It was preceded in March by two acts of the Council of the Communities, consisting, on the one hand, of the establishment by the Council of procedures for the multilateral surveillance

of economic policy in the respective countries with a view to ensuring their gradual convergence and, on the other hand, of the organisation of closer co-operation between the central banks and closer co-ordination of monetary policy in the various countries. In this connection the Committee of Governors of Central Banks completed in June the revision of its structures and working methods. It drew up its new internal regulations, which stipulate that the Committee of Governors shall be assisted by a Committee of Alternates and three sub-committees responsible, respectively, for foreign exchange policy, monetary policy and bank supervision. An Economic Unit was also established to provide analytical information to assist the Governors in their work.

During the first phase, the plan for Economic and Monetary Union acquired a new significance when the Council in Dublin decided to convene, parallel with the Intergovernmental Conference concerning this Union, a Conference on Political Union. The two conferences were formally opened in Rome on 15th December. Their purpose was to submit to the Member States, for ratification, a revision of the Treaty of Rome designed to strengthen the political, economic and monetary dimensions of the Community.

The preparatory activities for these conferences furthermore gave a new incentive to the plan for Economic and Monetary Union and enabled it to be more clearly outlined. This work was actively pursued by the competent bodies of the Community, especially the Monetary Committee and the Committee of Governors. The latter thus adopted in November a draft for the Statutes of the « European System of Central Banks and of the European Central Bank », designed to regulate the Community's future monetary institution; this draft was submitted to the President of the Council of the European Communities and forms part of the basic documents of the Intergovernmental Conference.

This preparatory work also made it possible to define more precisely the principles and conditions of Economic and Monetary Union. The European Council which met in Rome fixed 1st January 1994 as the date for the beginning of the second phase, provided that the programme for the Single Market had been completed, that the amendments to the Treaty of Rome had been adopted and ratified and that the implementation of some of the new provisions, especially those concerning the independence of the members of the new monetary institution and the prohibition against monetary financing of budget deficits, had taken place or started. It also stated that the main objective of this second phase would be the creation of the new monetary institution of the Community.

Lastly, in October, the Council also outlined the procedure which would have to be followed for the transition to the third – most important – phase of Economic and Monetary Union. It is clear in this connection that the aspects relating to Economic Union will have to be worked out more fully and that the criteria which absolutely have to be

complied with before the move onwards to this last stage will have to be defined. This third phase will of course require far-reaching convergence of the main economic parameters, especially with regard to inflation. For the economies which have abandoned alterations to exchange rates as an instrument of adjustment, the remedying of structural distortions will require a high degree of flexibility of the markets, particularly for the factors of production, and also wide margins of manoeuvre in budgetary policy. The institutional arrangements for the actual implementation of the third phase will thus have to be specific and stringent. In so far as they represent the embodiment of the Community's highest ambitions, they ought to receive the support of all the Member States, even if this includes the acceptance of terms which will allow each of them to determine its degree of participation itself in accordance with its progress on the road towards convergence.

Economic developments in Belgium

Despite the fact that the international environment was less favourable than during the two preceding years, the Belgian economy largely confirmed its previous good macro-economic performance in 1990.

The growth in activity was still substantial, at about 3.7 p.c., a percentage hardly any lower than the 1989 figure and again a good deal higher than that recorded in the European Economic Community as a whole.

*Economic growth
and employment*

The slackening of economic activity which already affected most of the European countries in 1989 was nevertheless also felt in the Belgian economy, especially through the concomitant slowdown of the rate of expansion of exports. But it appeared there later and was perhaps also less pronounced. This divergent development was mainly attributable to the support given to the trend of activity by the still very vigorous expansion, particularly during the first half of the year, in the main categories of domestic demand.

Private consumption, sustained by a still vigorous growth in disposable income and by a reduction in the savings ratio of households, grew even more — by nearly 4 p.c. — than in 1989: purchases of goods, especially, expanded considerably, particularly during the first half of the year. Investment by enterprises also continued to grow strongly — by about 9 p.c. — albeit without reattaining the exceptional tempo of the two preceding years, so that, with regard to productive investment, Belgium succeeded in getting back to about the same level as that of its main European partners. Demand for housing, on the other hand, fell off appreciably in 1990, but activity, which follows demand with a certain

time-lag owing to the period taken to complete building work, continued to rise. The differential in the cyclical movement which thus appeared at the beginning of the year in comparison with most of the other industrialised countries exerted an influence, as is quite normal, on the movement of imports : these grew much faster than exports during this period. At the end of the year, however, a marked downturn became apparent : the gradual slowdown of domestic expenditure curbed the expansion of imports, while deliveries abroad began to benefit from the knock-on effect of German reunification. Altogether, net exports appear to have had little influence on the rate of growth of the national product in 1990.

Reflecting the general level of activity, job creation remained substantial in 1990 : about 36,000 units in enterprises, including 9,000 in industry, in which workforces were thus expanded for the second year in succession, after a long period of contraction. Accordingly, unemployment went on declining, but at an appreciably slower rate ; according to the standardised European data the annual average of the unemployment rate fell from 8.5 to 8.1 p.c., a percentage which is slightly below the Community average. This improvement in the annual data was, however, largely achieved at the beginning of the year, as the movement during the rest of the year was in fact characterised by a stabilisation of the unemployment rate. Indeed, it probably reached a cyclical low in the second quarter, subsequently rising again slightly, as the number of persons unemployed for less than one year — especially young people in search of their first job — began to grow again.

Prices

While the Gulf crisis did not have any significant repercussions on the movement of activity or employment in 1990, the development of prices was more clearly marked by the sharp fluctuations in oil prices.

Inflation was nevertheless kept under control, mainly because it was moderated to a great extent by the steady appreciation of the national currency during the year : despite the rise in the price of petroleum products, import prices declined by about 0.7 p.c. During the first half of the year the firmness of the franc thus added to the effects of the decrease in energy prices, and between December 1989 and July 1990 the annual inflation rate was brought down from 3.6 to 3 p.c. From August onwards the weakness of the dollar limited the effects of the rise in international oil prices, passed on in the index of consumer prices in accordance with the terms of the « programme contract » concluded between the Government and the Belgian Petroleum Federation ; the inflation rate then speeded up, reaching a peak of 4.3 p.c. in October before falling back again, in December, to 3.5 p.c., a slightly lower level than in December 1989. On annual average the rise amounted to 3.5 p.c., representing only a very slight quickening compared with 1989. The price movement was thus parallel with that in the European low-inflation countries. It was appreciably more favourable than in the European Economic Community as a whole, despite greater sensitivity, in Belgium, to changes in energy prices.

The firmness of the franc also made it possible largely to offset the deterioration in the terms of trade which would otherwise have been caused by the movement of oil prices. The Belgian-Luxembourg Economic Union's surplus on current transactions with foreign countries stabilised at around Fr. 145 billion, confirming the Union's enviable position among those few European countries — Germany, the Netherlands, Ireland — which have already for several years been in a comfortable situation vis-à-vis the rest of the world.

Current transactions with foreign countries

The stabilisation of the current account surplus is partly attributable to the — perhaps exceptional — positive surplus left by arbitrage transactions in goods, largely owing to the widening of the profit margin in francs of resident operators. It chiefly shows that national producers have succeeded in retaining their strong position on the foreign and domestic markets, thus mitigating the adverse effects produced on the balance of foreign trade by the cyclical time-lag in favour of the Belgian economy and by the increase of the burden of the oil bill by about Fr. 25 billion at the end of the year.

This positive development furthermore took place despite the fact that one of the most important, and also most easily quantifiable, of the various factors — prices, costs, range of products,... — which play a part in determining the competitive position of national enterprises, namely the disparity in labour costs, no longer moved in a direction advantageous to Belgian enterprises. Wage increases in fact rose in Belgium to 5.7 p.c.; in the seven most important trading partners the rise expressed in the national currency was admittedly greater, at about 5.9 p.c., but measured in a common currency — which is the correct term of comparison for assessing the competitive position — it appears to have been only 1.3 p.c. The resultant discrepancy is mainly due to the depreciation, against the franc, of floating currencies — the dollar, the yen and, until October, the pound sterling.

Disparity in labour costs

It is often quite a long time before such movements affect the development of market shares, and national producers perhaps continued to reap the benefits of the progress which had been made in 1988 and, to a smaller extent, in 1989. Viewed more fundamentally, the considerably faster rise in labour costs than in the main competing countries probably had to be absorbed by a narrowing of exporters' profit margins. The available information, albeit still fragmentary, suggests that this was the case, as export prices fell by 1.1 p.c. in 1990 while import prices decreased less and labour costs per unit of output rose.

This development is a matter of serious concern for the future, all the more so because the Gulf crisis gives rise to a number of additional uncertainties, especially about the future movements of the prices of imported energy and their repercussions on the formation of prices and costs in an economy in which indexation mechanisms are very widely applied. Because it is essential that the country shall continue to be spared

the destructive chain reactions which took place in the 1970s at the time of the two previous oil shocks, by which rises in wages or other incomes, admittedly justified by the desire to safeguard purchasing power but questionable from the point of view of developments abroad, gradually affect activity — and hence employment — in enterprises. Under these circumstances, the latter have to contend with a contraction of their markets and a decline in their profitability, with its effects on the investment effort; in short, the very pillars on which longer-term growth is based are undermined.

The safeguarding of the competitiveness of the economy must therefore be ensured at all costs; otherwise the foundations on which the remarkable recovery of the national economy in recent years has been based will be radically impaired. As is shown by the law of 6th January 1989, it is in fact one of the cornerstones of the economic policy of the Government, which has repeatedly expressed its concern about this matter.

Management and labour responded to this concern and took account of the developments which had occurred during the year when, on 27th November 1990, they concluded a new Collective Agreement for the period 1991-1992.

The increase in costs entailed by the social advantages under this agreement was limited for the period as a whole to 0.6 p.c. of total wages and salaries, most of the burden in fact falling in 1992. Management and labour furthermore indicated the factors which will have to be borne in mind in connection with the conclusion of sectoral or enterprise agreements; these include « ... the development of competitiveness in 1990 and the uncertainty regarding the outcome of the Gulf crisis ». The margin for manoeuvre is limited and the possible jumps in oil prices call for the utmost vigilance. It is in the enlightened self-interest of all parties that each of these agreements now being negotiated should result in a fair sharing of the fruits of economic growth, without jeopardising the competitive balance of the economy, which is the safeguard of its harmonious development in the future.

Public finances

The figures concerning the development of the public finances in 1990 show a further improvement in various respects. In absolute terms the balance to be financed by general government as a whole contracted, partly because the aim of stabilisation of the Treasury deficit was achieved, the reduction as a percentage of the gross national product having amounted to about 1 p.c. Thus the difference between the net financing requirement of Belgian general government — which decreased to 5.6 p.c. — and those recorded on average in the European Economic Community contracted to only 1.8 p.c. Lastly, the conditions necessary for halting the « snowball effect » of self-fuelling of public deficits, which already existed in 1989, were again fulfilled last year, despite the rise in interest rates and the falling-off in the nominal growth of the gross

national product, and the ratio between the public debt and the latter was stabilised.

These results were achieved despite the heavier interest charges. They were largely due to the continued efforts to hold down expenditure, excluding interest charges, which enabled it to be reduced from 50 p.c. of the national product at the beginning of the 1980s to 40 p.c., that is, a level which in 1990 became lower than that recorded in the countries of the European Economic Community as a whole. They are also partly attributable to the improvement in fiscal and parafiscal revenue, which, after having fallen substantially in relative terms in 1988 and 1989, rose parallel with the gross national product.

This movement partly reflects the fact that, unlike during the preceding years, the distribution of the growth in incomes in 1990 no longer involved any significant shift in favour of entrepreneurial profits and at the expense of wage- and salary-earners, who are subject to higher rates of tax. It is also due to the tax increases — affecting excise duties and direct taxes on companies — decided upon in order to finance the cost of the tax reform of 1989 in favour of individuals, while the normal repercussions of that reform to be expected in 1990 were postponed owing to the delay of the tax authorities in making the final assessments and to an only partial indexation of the scales of the withholding tax on earned income, and also because of the measures adopted in order to exclude the possibility of improper use of certain provisions concerning taxes on enterprises. Lastly, the movement was strengthened by the rise in revenue from the withholding tax on income from financial assets, primarily due to the massive drawing by individuals, subject to a withholding tax rate of 25 p.c., of incomes accumulated over a period of several years from capitalisation bonds and the coupons of certain medium-term notes.

Although the progress made during the past year was substantial, it was not sufficient to remedy all the structural deficiencies which still impair the state of the country's public finances and therefore, a fortiori, it must not be regarded as a signal for any slackening of the tempo of the rehabilitation efforts which have been made for many years now.

The halting of the « snowball effect » for the last two years is undoubtedly an important and welcome step in the process of rehabilitation of the public finances. The public debt therefore stopped growing in relation to the gross national product, but its level — at around 120 p.c. — is clearly too high in the light of the situation in the other industrialised, and especially European, countries. Furthermore, the process of reducing that debt has only just started, so that the public finances have not yet been able to benefit by the virtuous circle — the « snowball » rolling backwards — which, as far as interest charges are concerned, would automatically result from such a reduction, thus capitalising the achievements of the rehabilitation efforts and, in the long run, reducing the excessive sensitivity of budgets to the movements of interest rates.

The stopping of the « snowball effect » furthermore still appears to be rather fragile. On the one hand, the basic parameters on which it is conditional will most probably develop adversely in 1991 : the growth in the national product is expected to slow down and the level of interest rates might be higher, as is suggested by the rise in short-term interest rates at the end of 1990. On the other hand, the budgetary efforts necessary in order to counteract these developments by improving the financial balance excluding interest charges will have to be made in a more difficult economic environment.

During the last few years the progress made towards rehabilitation has not been as substantial as some might have hoped, because priority has been given to another essential aim of general government, namely the reduction of the burden, regarded as excessive especially in the European context, of personal income tax. This development has also been accentuated by the growing use, during the recent boom period, of a number of tax provisions which were introduced at a time when it was advisable to stimulate activity, investment and the profitability of enterprises.

Had it not been for these tax developments, general government's net financing requirement as a percentage of gross national product would already have fallen again to the average level of the European Economic Community.

This observation in fact points to one of the essential prerequisites which will have to be borne in mind in order to ensure the success of the rehabilitation of the public finances in the future, namely the need to keep the movement of public revenue and that of the national product fairly closely in step with each other and, in order to achieve this, to persevere with the efforts already made with a view to remedying as far as possible certain characteristics of the tax system which heighten the uncertainty about the tax yield. This necessity is all the more compelling because, as already mentioned, the macro-economic context will worsen in 1991 in terms of growth and perhaps also of inflation and interest rates, and because it looks as if it will be more difficult to make any further cutbacks in certain budget items. Where the largest cuts were made in the past, as was the case, for instance, with public investment, the continuance of these is impeded by the low level to which expenditure has fallen. Furthermore, the repercussions of a less favourable labour market situation will be felt in unemployment expenditure, the decline in which in recent years has already been appreciably smaller than that in unemployment. This reflects the growth in the cost of financing the measures for promoting temporary or final withdrawal from working life — especially the early retirement schemes — or the temporary interruption of unemployment.

More fundamentally still, the need to restructure public expenditure in order to modernise the machinery of government and make it more efficient presents a new challenge which will have to be met in the years

to come. Public expenditure is perhaps still too greatly conditioned by options chosen in the past and under different circumstances, especially with regard to the number, qualifications and remuneration of civil servants.

The rehabilitation must therefore be pursued unflinchingly, because otherwise the results achieved, not without difficulty, in the past will be lost and it will not be possible to meet the demands of the future. In the context of the separation between the Treasury of the central government and those of the communities and regions it is not superfluous to recall that, more than ever, there will be a need for co-operation from public authorities at all levels.

Monetary and foreign exchange policy

The authorities stepped up their efforts to modernise the money and capital markets in Belgium and to increase their attractiveness for both non-residents and national investors.

*Institutional
context*

It had long been evident that the burden imposed on income from financial savings by the withholding tax had been largely responsible for the disinclination of national investors to make long-term investments in francs and, accordingly, for the considerable expansion in recent years in their purchases of securities denominated in foreign currencies. By their extent, these purchases structurally impaired the proper balance of payments with foreign countries. In the absence of any progress, at European level, in the harmonisation of taxes on income from savings, the Belgian authorities decided to remedy the situation, with effect from 1st March, by lowering the withholding tax imposed on income from new fixed-interest financial assets from 25 to 10 p.c.

Furthermore, on 5th March 1990 the Belgian and Luxembourg authorities abolished the two-tier foreign exchange market, thus fulfilling in advance the undertaking entered into in accordance with the European directive of 24th June 1988, because the differential in the quotation for the franc between the free and regulated markets had virtually disappeared and the balance between the advantages and drawbacks of the system had for some time been tending towards the latter, thus perhaps damaging the image of the franc.

In the context which had been structurally improved by these measures, the Belgian monetary authorities officially announced in June the new, more ambitious orientation of their foreign exchange policy, the Government having formally committed itself to peg the franc firmly to the EMS currencies which are regarded as stability anchors, in present circumstances the German mark.

*Exchange
rate policy*

This linking means, firstly, that the rate for the franc against the mark will not be changed in the event of a general realignment of the central rates for the EMS currencies. Secondly, the Bank will ensure, in the day-to-day practice of the foreign exchange market, that the fluctuations of the franc around its central rate will be consistent with the new orientation, thereby, of course, complying with the provisions of the Basle-Nyborg agreements.

This announcement represented a great qualitative step forward in the pursuit of Belgium's foreign exchange policy, traditionally centred on the stability of the exchange rate within the EMS. It is in line with the European movement of monetary unification in which, in the final stage, alterations in exchange rates would be forbidden as an instrument for internal adjustment. The new orientation furthermore had the immediate effect of increasing the effectiveness of the fight against inflation — that is, one of the essential aims pursued in the implementation of the co-ordination of monetary policies at European level — by assigning to the foreign exchange rate the key role of ensuring coherence between the national monetary policy and that of the countries which achieve the best results with regard to inflation.

It is also, as it were, a concrete embodiment of Belgium's good macro-economic performance in recent years in the pursuit of the final aims of economic policy — growth, employment, balance of current transactions with foreign countries and inflation. It is on the basis of these achievements that the soundness of an economy and hence the exchange rate for its currency can be assessed. Lastly, it strengthens the effects of the other measures designed to improve the status of the franc, by removing the last uncertainty about the exchange rate policy. It thereby increases the attractiveness of the national currency for Belgian and foreign investors and reduces the exchange risk premium which was incorporated in short-term interest rates.

The announcement of the new orientation of exchange rate policy was particularly well received by the markets; it considerably strengthened the favourable trend of the BLEU's capital transactions with foreign countries which had begun in connection with the lowering of the rate of the withholding tax on income from financial assets and which, over the year as a whole, led to a considerable reduction — of about Fr. 100 billion according to the still fragmentary data available — in the deficit on these transactions. This reduction is due to the reversal of the balance on transactions in securities, the 1989 deficit of over Fr. 200 billion on which appears to have been transformed, mainly thanks to the changed behaviour of resident investors, into a surplus of about Fr. 55 billion.

The financing constraints which had weighed on the balance of external payments therefore eased during the year and the fundamental improvement in the position of the national currency enabled the immediate aims of the new foreign exchange policy to be fully achieved. These

were, firstly, to ensure the credibility of that policy by causing exchange rates very close to the parity against the reference currency to prevail on the market. Secondly, it was necessary, in view of the improved conditions on the foreign exchange market, to ensure balance on that market, primarily by reducing the interest rate differential from the German rate and only subordinately by interventions on the foreign exchange market.

The results actually achieved were particularly good.

The moderate and gradual strengthening of the exchange rate for the franc against the mark, which had already begun following the realignment of the rate for the lira in January 1990 but which was partly due to a certain weakness of the German currency connected with the uncertainties regarding the reunification process, was considerably accentuated by the announcement of the new orientation of exchange rate policy. The franc then strengthened against all the currencies : from September onwards, when the Italian lira weakened, it occupied the highest position among the currencies which participate in the EMS with the narrow fluctuation margin.

This position was maintained until mid-November, when the tightening of German monetary policy was reflected in a general strengthening of the mark, including against the franc. In December the Belgian monetary authorities took the measures necessary for keeping the exchange rate for the franc in the wake of the German currency, in accordance with the new orientation of exchange rate policy. The strain was only temporary, however, and from the beginning of January 1991 onwards the franc returned to the position which it had held in the EMS at the beginning of November.

As in the past, the Bank pursued in 1990 its policy with regard to short-term interest rates, by means of changes, in consultation with the Minister of Finance, in the interest rates on Treasury certificates. Throughout the greater part of the year the rates on these certificates were repeatedly reduced; they had been raised to 10.40 p.c. for one-, two- and three-month certificates at the very beginning of the year because of the strains which preceded the realignment of 8th January, and were gradually lowered, between March and October, to 8.85 p.c. for two- and three-month certificates and 8.80 p.c. for one-month certificates. As there were no pronounced movements in German interest rates, these lowerings represented an equivalent reduction of the differential between Belgian and German interest rates. The differential narrowed further in the course of November, but this time owing to the rather sharp raising of German interest rates. At the end of November these rates thus rose above the Belgian and Dutch rates, especially for the shortest terms, and induced the Bank to raise its rates in stages to 10.05 p.c. As soon as the franc had reattained a more comfortable position, right at the beginning of January 1991, it was possible to start again on a cautious downward movement.

Finally, neither the strengthening of the exchange rate for the franc, nor the reduction, substantial though it was, in the interest rate differential, nor even the ad hoc interventions undertaken in December were able to prevent the considerable improvement in payments with foreign countries from leading to a surplus of around Fr. 40 billion in the balance of official settlements. This surplus was mainly devoted to redeeming the Treasury's foreign debt and, to a smaller extent, to strengthening the Bank's foreign exchange reserves.

By present appearances, the overall outcome of the new orientation of foreign exchange policy is thus extremely positive. The period is, however, still too short to allow any final conclusions to be drawn. In any case, the results achieved are not established once and for all; they will have to be sustained by credibility, and that is clearly the intention of the country's monetary authorities. For the success of the strategy to be permanently ensured, it must remain possible to rely on the determination of all national economic agents to co-operate in the development of a truly healthy economy, capable of holding its own against its most able competitors.

Reform of the money market and of the instruments of monetary policy

The efforts which the Belgian authorities had been making for several years in order to modernise the country's financial structure and adapt the capital market to a new — more open and competitive — European context were stepped up in 1990. They were embodied in, among other things, the law of 4th December 1990 concerning financial transactions and the financial markets.

As far back as March 1990 the authorities had announced their intention to extend the reform of the financial market to its short-term segment, and particularly to its most important component, the market for Treasury certificates. At the same time they decided to adjust the instruments and method of exercise of monetary policy in order, in connection with the advance towards Monetary Union, to bring them more into line with the rules which have been worked out at European level, and in order to improve the possibilities of co-ordination with the monetary policies of the respective Member States.

The gradual execution of this large-scale reform was resolutely pursued during the past year. The necessary legal adjustments were introduced by the law of 2nd January 1991 concerning the market for public debt securities and the instruments of monetary policy; in accordance with the planned time-table, the reform started on 29th January 1991.

The aim of the first main line of the reform is to change the market for Treasury certificates, and more specifically to widen access to it, especially for foreign investors, by methods which are customary in most industrialised countries and which can reduce the cost of the Treasury's short-term financing while at the same time promoting the development of an active and liquid secondary market.

To this end, the method of issuing Treasury certificates was altered : the continuous issuing, on tap, of certificates exclusively accessible to Belgian and Luxembourg financial intermediaries has now been replaced by periodical allocations by tender — weekly for three-month certificates and every four weeks for one-year certificates — which are accessible in principle to all resident and non-resident investors, with the sole exception of residents for whom the withholding tax on income from financial assets is a definitive tax.

The certificates are completely dematerialised ; the securities allocated are paid for and made available via the clearing system established by the Bank, which also enables the widest variety of transactions, on both the primary and the secondary market, to be completed.

The development of an effective secondary market was furthermore stimulated by a set of measures, most of which were extended to the market for linear government bonds. Thus, the Minister of Finance chose fourteen financial intermediaries established in Belgium and Luxembourg, which have undertaken to create, as market-makers, a properly operating secondary market for linear bonds and Treasury certificates. These constitute a body of primary dealers which participate regularly and for substantial amounts in the tendering on the primary market and continuously publish quotations for these securities on the secondary market, these quotations constituting, within certain limits, binding purchase or sale prices ; they will contribute effectively to the promotion of Belgian public short- and long-term securities among domestic and foreign investors. In return for this, the primary dealers enjoy a number of specific advantages.

Lastly, the efficient operation of the secondary market could not be ensured without adequate legal security and an appropriate system of taxation. To this end the law of 2nd January 1991 establishes a definite system for repurchase agreements, abolishes the tax on stock-market dealings for transactions in Treasury certificates and linear bonds and provides for appropriate treatment, with regard to income tax, of lending of and repurchase agreements in respect of these securities.

The changes in the instruments of monetary policy constitute the second main line of the reform. They do not in any way change the primary aims of that policy, which, since the announcement of the new orientation of foreign exchange policy, has been designed, even more clearly than in the past, to ensure stability of prices and exchange rates. Nor do they reduce the need for the Bank to be able to take effective action to guide short-term interest rates in order to influence the capital

flows with foreign countries which are most sensitive to these rates and thus to promote the desired overall balance between supply and demand on the foreign exchange market.

But the operational conduct of interest rate policy will be fundamentally altered. As a result of the reform of the method of issuing Treasury certificates, the rate for these certificates will henceforth be fixed according to market procedures : it will no longer, therefore, be the instrument whereby, as a result of discretionary decisions, the authorities used to guide all money market rates. Like most of the central banks of the industrialised countries, the Bank will, from now on, influence interest rates indirectly, by determining the nature, volume and price of its transactions with the operators in the money market.

In this respect, the reform of 29th January 1991 dissociates the respective responsibilities of monetary policy and budgetary policy much more clearly; previously, one and the same instrument, the Treasury certificate, was involved in both aspects of general economic policy.

It is essential, in order to ensure that the Bank's interventions shall remain fully effective, that no economic agent shall in future have unlimited access to its credit on preferential terms.

Thus, one of the conditions which the European Council imposed for the move to the second phase of Economic and Monetary Union, namely the prohibition against any monetary financing of budget deficits, has been fulfilled. In the new system the Government has, with the Bank, only a single credit line, which is subject to a ceiling of Fr. 15 billion and is solely designed to facilitate the Treasury's day-to-day cash management. Furthermore, it will not contract new foreign currency loans unless these operations are compatible with monetary and exchange rate policy; in this connection a new convention has been concluded between the Minister of Finance and the Bank.

Lastly, the reform makes it possible to adapt the method by which monetary policy is pursued in Belgium to the procedures employed by the trend-setting European central banks and thus to make an important step forward towards the Bank's future integration in the European System of Central Banks.

Technically, the new instruments of monetary policy are situated at three levels.

The general orientation of interest rate policy and the structural financing base provided to the financial intermediaries will be fixed by the Bank through its periodical allocations of credit; the system which came into force in March 1989 is therefore maintained, subject to a few technical adjustments (the allocations by tender for a fortnight will be replaced by allocations for one week), but its significance is considerably strengthened.

Between two allocations by tender the Bank will be able to intervene in the various compartments of the money market by means of the very

wide range of techniques, in accordance with market mechanisms, which it can henceforth employ, by virtue of the amendments made to Article 11 of the Organic Law by the law of 2nd January 1991. These operations enable the Bank either to influence the general liquidity of the market so as to neutralise the effect on it of fortuitous or seasonal factors connected, for instance, with the note circulation, or to intervene more actively in order to bring about or maintain temporary market imbalances which can push interest rates in the desired direction.

These two categories of instruments should, in principle, be sufficient to permit the pursuit of an effective interest rate policy which will enable the Bank to bring the money market, day by day, into an overall state of balance at the desired level of interest rates. However, the overall balance of the market does not mean that the position of all the participants individually is in balance. Therefore a system, replacing the former guaranteed call money market, has been introduced in order to enable the financial intermediaries to invest their cash surpluses or finance their deficits on conditions which are close to the market interest rate.

The reform as a whole may be described as substantial, and it presents a threefold challenge.

The Treasury must henceforth, in order to meet its financing requirements, subject itself strictly to the constraints of a free and competitive market.

The financial intermediaries, in their cash management, will no longer be able to rely to such a great extent on adjusting their portfolios of Treasury certificates.

Lastly, the Bank is in duty bound to ensure the continuity and effectiveness of monetary policy in a fundamentally changed context.

But the reform is soundly based and the Bank is convinced that, in the best interest of all parties, it is absolutely essential that its success shall be ensured.

Brussels, 30th January 1991.

**Economic
and financial developments**

Preliminary remarks

Unless otherwise indicated, when data are compared from year to year, they all relate to the same period of each of the years in question.

In the tables the totals shown may differ from the sum of the items owing to rounding.

In order to make it possible to describe the development of various important economic data relating to Belgium in the year 1990 as a whole, it was necessary to make estimates, as the statistical material for that year is inevitably still very fragmentary. In the tables and charts these estimates are followed by the sign « e ». They represent mere orders of magnitude intended to demonstrate more clearly the major trends which already seem to be emerging.

For 1990 the data concerning Germany do not always cover the same entity. In the tables and charts these divergences are recalled by the indication given by the conventional signs.

Conventional signs

—	the datum does not exist or is meaningless
...	zero or negligible quantity
n.	not available
p.c.	per cent
p.m.	pro memoria
*	provisional
e	estimate by the Bank
Germany	data concerning the whole of Germany for the year 1990 as a whole
Germany [°]	data relating to the FRG for the year 1990 as a whole
Germany ^{°°}	data relating to the FRG until the end of the first half of 1990 and to the whole of Germany for the second half.

1. INTERNATIONAL ENVIRONMENT

1.1 GROWTH, EMPLOYMENT, PRICES

Disparities in economic activity between industrialised countries

In the industrialised countries the slackening of growth continued in 1990 : the rate of growth of the GNP of the OECD area as a whole declined gradually from 4.4 p.c. in 1988 to 3.4 p.c. in 1989 and 2.8 p.c. in 1990.

This slowing-down of expansion was not in any way more general or more synchronous than the start of the recovery had been. In the United States, where economic activity had picked up first, the falling-off was earlier and more marked, partly owing to the more restrictive line of monetary policy in 1988 and in the first half of 1989. In Japan, on the other hand, after a brief pause in 1989, activity surged ahead again, and in Germany the pace of economic growth quickened.

Origins of growth

These disparities were reflected in domestic expenditures, particularly those categories whose cyclical character is most pronounced, namely capital investment by enterprises; by their effect on the external component, on the other hand, they helped to lessen the major disequilibria of the current balances.

In the United States the expansion of investment by enterprises slowed down considerably. This movement came on top of a further decline in investment in housing, so that the contribution of gross fixed capital formation to the growth

TABLE 1 — EXPENDITURE

(Percentage contributions to the growth in GNP or GDP¹ at constant prices)

	OECD		United States		Japan		OECD Europe		Germany ^o	
	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990
Private consumption	1.7	1.6	1.3	0.6	1.9	2.2	1.7	2.1	1.0	2.9
Public expenditure	0.3	0.4	0.4	0.6	0.1	0.4	0.2	0.4	-0.1	0.6
Private investment	1.3	0.5	0.3	-0.5	3.8	3.7	1.4	0.5	1.8	0.7
of which fixed capital formation :										
— residential	n.	n.	-0.2	-0.2	0.2	0.3	n.	n.	0.3	0.3
— non residential	n.	n.	0.5	0.2	3.7	3.4	n.	n.	1.1	1.2
Total domestic expenditure ...	3.3	2.5	1.9	0.7	5.8	6.3	3.3	3.0	2.7	4.2
Exports	2.0	1.5	1.5	0.8	2.8	2.5	2.5	1.8	3.9	3.2
Imports	-1.9	-1.3	-0.9	-0.5	-3.7	-2.7	-2.4	-2.0	-2.7	-3.3
External balance	0.1	0.2	0.6	0.3	-0.9	-0.2	0.1	-0.2	1.2	-0.1
GNP	3.4	2.8	2.5	1.0	4.9	6.1	3.5	2.9	3.9	4.2

Source : OECD.

¹ The figures relate to GNP for the United States, Japan, Germany, Turkey and Ireland and to GDP for the rest of the OECD.

in GNP became nil. As at the same time the rate of growth of private consumption slackened appreciably, the result was a marked slowing of the growth in both domestic demand and GNP.

In Japan, on the other hand, it was precisely the firmness of domestic demand that was responsible for the acceleration of growth. The high level of rates of utilisation of production capacities and the need to have greater recourse to the capital factor in order to compensate for the labour shortages stimulated investment by enterprises, while the more rapid increase in the disposable income of households was reflected in a stepping-up of their purchases of goods and services. As the contribution of net exports declined less than in the preceding two years, the revival of the growth in GNP was particularly marked.

In the European OECD countries, domestic demand was less lively and the contribution of the external balance to growth became negative. But, as in the previous year, these overall results conceal very heterogeneous situations. In the United Kingdom the slowdown of expansion, due partly to the more restrictive economic policy pursued since 1988, was particularly pronounced, affecting practically all categories of domestic expenditure. In most of the other European countries, the growth in that expenditure was slightly less vigorous. That was not the case in Germany, where, on the contrary, domestic expenditure, especially household consumption, grew faster, under the influence of the reductions in direct taxes which came into force at the beginning of the year and of the prospect, followed by the implementation, of reunification, the details of which will be commented on in greater detail in Chapter 1.3.

TABLE 2 — NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT

(Percentages of GNP or GDP)

	1986	1987	1988	1989	1990
United States	-3.4	-2.4	-2.0	-1.7	-2.4
Japan	-0.9	0.7	2.1	2.7	3.1
Germany	-1.3	-1.9	-2.1	0.2	-3.1
Other EEC countries ¹	-5.6	-4.7	-4.1	-3.9	-4.0
Other OECD countries ²	-2.6	-1.2	-0.4	-0.2	...
Total for the above countries	-3.2	-2.2	-1.6	-1.1	-1.6

Source : OECD.

¹ France, Italy, United Kingdom, Belgium, Denmark, Greece, Ireland, Netherlands, Spain.

² Canada, Australia, Austria, Finland, Norway, Sweden.

This reunification led to, among other things, a sharp increase in the volume of public investment and a rise in social security transfers which, combined with the implementation of the last phase of the tax reform, brought about a turnaround of general government's net financial balance : from a very slight surplus in 1989 it swang to a deficit of about 3 p.c. of GNP in 1990.

This movement in Germany largely explains the halting in 1990 of the process of budgetary adjustment in the countries of the OECD, general government's deficit having risen, for this area as a whole, from 1.1 to 1.6 p.c. of GNP. The cyclical movements probably had little influence on this overall deficit, as the positive effects on it of the sharp expansion in Japan and Germany were

counterbalanced by the negative effects connected with the slackening of economic growth in other countries, especially the United Kingdom and the United States. In the latter country the effects of the budgetary measures approved by Congress at the end of October will only gradually become apparent.

Similarly, the Gulf crisis, which broke out in August, has not yet had any appreciable effect on the annual key figures for the industrialised countries; but the uncertainties to which it has given rise have undoubtedly had an influence — albeit not yet measurable — on the behaviour of economic agents.

The oil crisis will probably not affect the growth of the industrialised countries to anything like the same extent as the oil shocks of 1973-1974 and 1978-1981, at least if it is assumed that the price of crude oil will remain at a level of around 27 dollars per barrel — which corresponds approximately to the average observed in the second half of 1990 — and on the technical assumption of stable exchange rates. Firstly, the economies of the OECD have since then succeeded in reducing their energy consumption per unit of output, their degree of energy dependence on foreign countries and the share of oil in imported energy — developments which have had the effect of reducing their sensitivity to the price of imported oil. Secondly, on the assumptions adopted, the rise in this price is much smaller than in the case of the two preceding shocks.

TABLE 3 — INCIDENCE OF THE THREE RISES IN THE PRICE OF OIL
ON THE INCOME OF THE 12 EEC COUNTRIES AS A WHOLE

	1973-1974	1978-1981	1989-1991
INITIAL SITUATION¹			
a. Energy consumption per unit of output ² (tonnes oil equivalent per million 1980 ecus)	529	488	414
b. Degree of energy dependence ³ (percentages)	67	58	50
c. Share of oil and natural gas in imported energy ⁴ (percentages)	97	95	88
d. Consumption of imported oil and imported natural gas per unit of output (a × b × c) (tonnes oil equivalent per million 1980 ecus)	344	270	181
e. Price per tonne oil equivalent in 1980 ecus ⁵	53	101	64
f. Consumption of imported oil and imported natural gas per unit of output (d × e : 1,000,000) (percentages)	1.8	2.7	1.2
PRICE-INCREASING EFFECT			
g. Percentage rise in the price of imported oil ⁶	187	180	26 ⁷
h. Loss of income attributable to the rise in the price of imported oil and natural gas ⁸ (f × g) (percentages)	3.4	4.9	0.3

Sources : International Energy Agency, EEC, NBB.

¹ Data for the initial year of each period, that is 1973, 1978 and 1989 respectively.

² Ratio between energy consumption and GDP at 1980 prices and exchange rates.

³ Ratio between net energy imports and energy consumption.

⁴ Ratio between net imports of oil and natural gas and total net energy imports, both expressed in tonnes oil equivalent. Natural gas is included in the calculation because the price of that form of energy is generally index-linked, with a time-lag of a few months, to the price of oil.

⁵ Ratio between the actual price per tonne oil equivalent and the price index number for GDP (base 1980). This line makes it possible, on the one hand, to convert the volumes used for the calculation of lines a and d into monetary units and, on the other hand, to express these figures as percentages of GDP at 1980 prices. This line also gives an idea of the relative movement of oil prices.

⁶ Average increase in the price of oil between the initial and final years of each period.

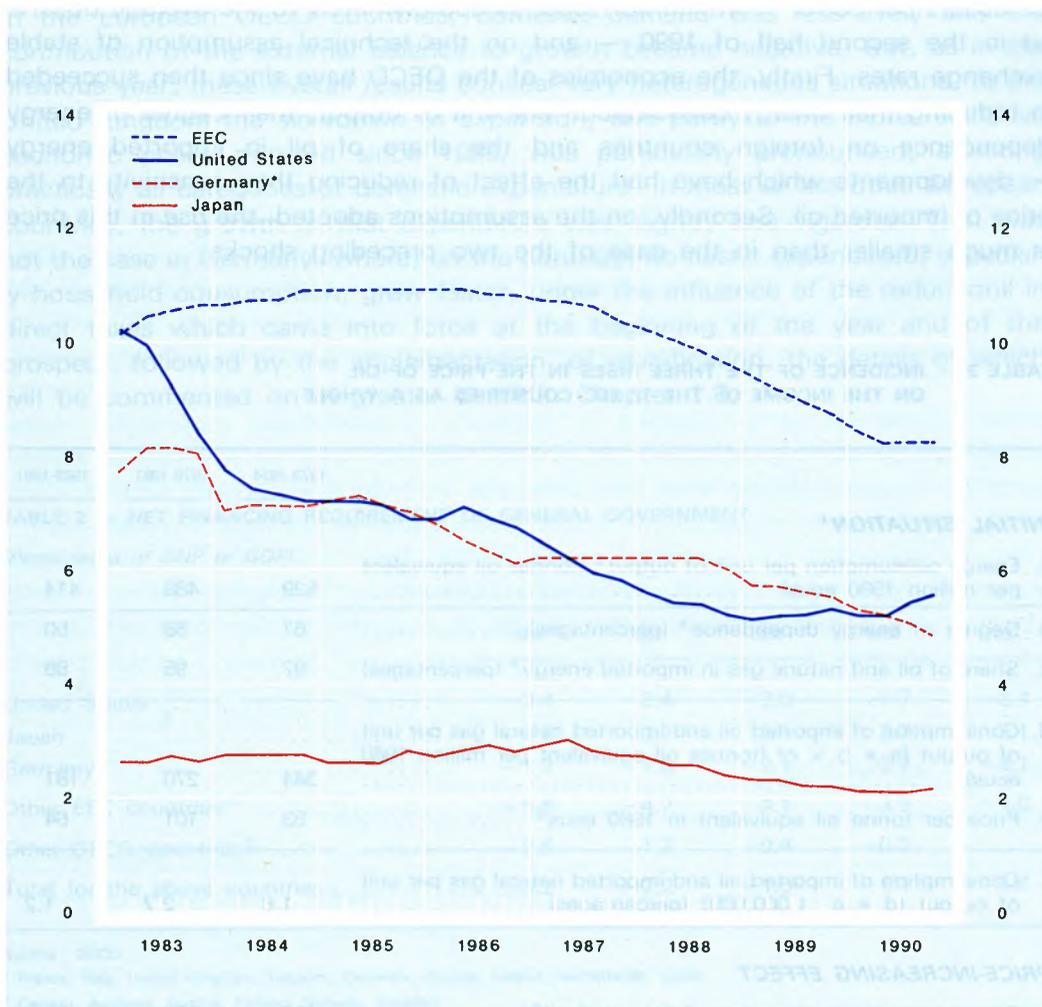
⁷ The calculation is based for 1989 on the prices and exchange rates observed and for 1991 on a hypothetical price of \$ 27 per barrel of crude oil and a hypothetical exchange rate of \$ 1.33 per ecu.

⁸ Statistically, this line represents the — negative — effect of the rise in the price of oil on the deflator of GDP. If the other GDP prices remain unchanged, it provides a measure of the loss of purchasing power of the value added of the EEC countries attributable to that factor.

On the basis of the simplifying assumption that export prices remain stable, the real loss of income attributable to the rise in the price of imported oil and imported natural gas, that is, the deterioration of the terms of trade which that implies, works out, for the group of the twelve EEC countries, at 0.3 p.c., i.e. less than a tenth of the loss caused by each of the two preceding oil shocks. These calculations would, of course, have to be revised if the Gulf crisis took a turn which pushed the price of crude oil up or down to such an extent as to bring about an oil price level much higher or lower than that assumed here.

CHART 1 – UNEMPLOYMENT RATE

(Percentages of the civilian labour force)



Source : OECD.

Although the worsening of the terms of trade due to the rise in the oil price means an immediate loss of real income per unit of output, its final incidence on total demand and on the real overall income of the OECD countries will depend on, among other things, the extent to which the oil-exporting countries use their extra income for imports from the industrialised countries. From this point of view the present situation is rather different from that which prevailed at the beginning of the 1980s : nearly all the OPEC countries are today in the position of the oil countries which used to be classified in the « high absorption capacity » category, that is, whose propensity to spend any additional income is high.

Employment and unemployment

The effect of the rise in the oil price on employment has likewise remained very moderate up to the present. It does, however, come on top of a development of the labour market which has on the whole been less favourable than in the preceding years. Employment within the OECD in fact rose by only 1.3 p.c., against 1.8 p.c. in 1989 and 1.9 p.c. in 1988. Its pattern chiefly reflected that of growth; in Japan and Germany, where growth quickened, the same applied to job creation; in the United States, the United Kingdom and Canada, where activity slowed down, the increase in employment was appreciably smaller than in 1989.

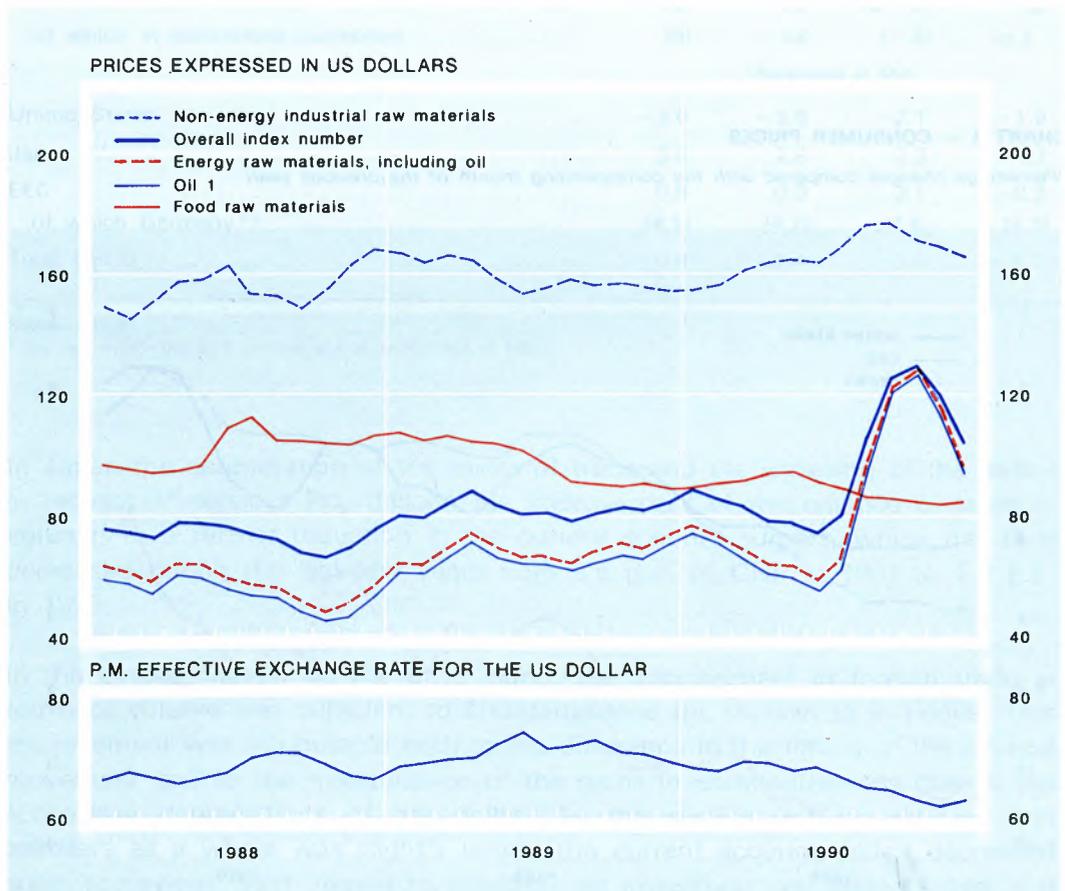
The growth in the labour force was slightly smaller than the increase in employment, so that the unemployment rate fell again very slightly, except, among the major countries, in the United States and Canada.

Cost of labour

The persistence of strains on the labour market and the high level of profits in most countries caused a practically universal speeding-up of the rise in compensation per employee. Furthermore, as is often the case at the beginning of a cyclical downturn, the productivity gains decreased and even became negative in the United States. This led to a greater increase in the labour cost per unit of output. The only notable exception was Japan, where the productivity gains increased further and the rise in the labour cost per unit of output remained just as moderate as in the previous year.

CHART 2 — RAW MATERIAL PRICES

(Indices 1985 = 100)



Sources : HWWA, OECD, IMF.

¹ The energy index figure was corrected in order to reflect, with regard to oil prices, the prices ruling on the free market.

Before the Gulf crisis broke out, the inflationary pressures due to the rise in domestic costs had been kept in check to a fair extent by the fall in energy prices expressed in dollars, while the increase in the dollar prices of the other basic products — the weight of which in the overall index of raw material prices is only a little over a third — remained moderate. These movements had a braking effect on the import prices of most of the industrialised countries which was all the greater because quotations are expressed in dollars and the dollar depreciated during the period under review.

Prices of raw materials and basic products

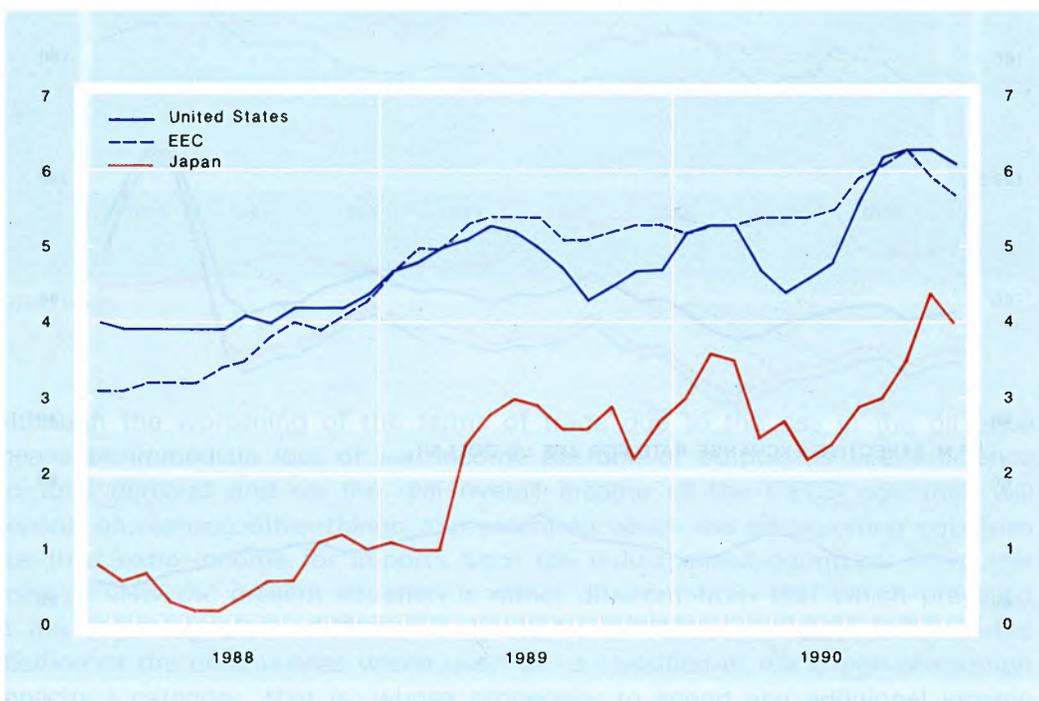
But the sudden upsurge of oil prices in August and the subsequent rise in the prices of all forms of energy led to a sharp increase in raw material prices, which was only partly wiped out during the last two months of the year. The effects of this price increase were far greater than those of a further and more marked depreciation of the dollar.

This price rise was quickly passed on to consumer prices, causing these to increase more rapidly until the beginning of the fourth quarter. In the United States the effects of the increase in oil prices came on top of those of the depreciation of the dollar, and the rise in consumer prices quickened appreciably. In Japan and in Europe too, the rise in the price of oil led to an accentuation of the price rise. However, the countries whose currencies participate fully in the exchange rate mechanism of the EMS benefited in 1990 from the effect produced on the prices of imported products by the appreciation of the effective exchange rate for their currencies. Furthermore, in this group of countries, price movements were fairly synchronous; in Germany, the feared inflationary effects of unification did not take place. In the United Kingdom, on the other hand, inflation speeded up, even though the British economy is less dependent on imported energy.

Consumer prices

CHART 3 — CONSUMER PRICES

(Percentage changes compared with the corresponding month of the previous year)



Sources : US Bureau of Labor (United States), EEC, Prime Minister's Office (Japan).

1.2 BALANCES OF PAYMENTS

Current
transactions

Because of the successive ups and downs of the price of energy in 1990, its ultimate effect on the terms of trade of the industrialised countries was not very great over the year as a whole. On average, the relative foreign trade prices of these countries remained stable.

This overall stability does, however, conceal divergent movements between the major countries, primarily due to the variations in effective exchange rates : thus, relative prices worsened in the United States and Japan and improved in Europe.

TABLE 4 — BALANCE OF CURRENT TRANSACTIONS OF THE MAIN REGIONS OF THE WORLD

	1987	1988	1989	1990
	<i>Billions of US dollars</i>			
United States	-162	-129	-110	-104
Japan	87	80	57	38
EEC	36	16	6	-10
of which Germany ^{oo}	(46)	(50)	(55)	(49)
Total OECD	-56	-50	-79	-111
OPEC	-6	-15	-2	14
Asian newly industrialised countries	32	29	24	14
Other developing countries	-20	-26	-33	-27
Eastern European countries ¹	19	14	6	-2
of which in convertible currencies	(5)	(4)	(-4)	(n.)
	<i>Percentages of GNP</i>			
United States	-3.6	-2.6	-2.1	-1.9
Japan	3.6	2.8	2.0	1.3
EEC	0.8	0.3	0.1	-0.2
of which Germany ^{oo}	(4.1)	(4.2)	(4.6)	(3.3)
Total OECD	-0.4	-0.4	-0.5	-0.7

Source : OECD.

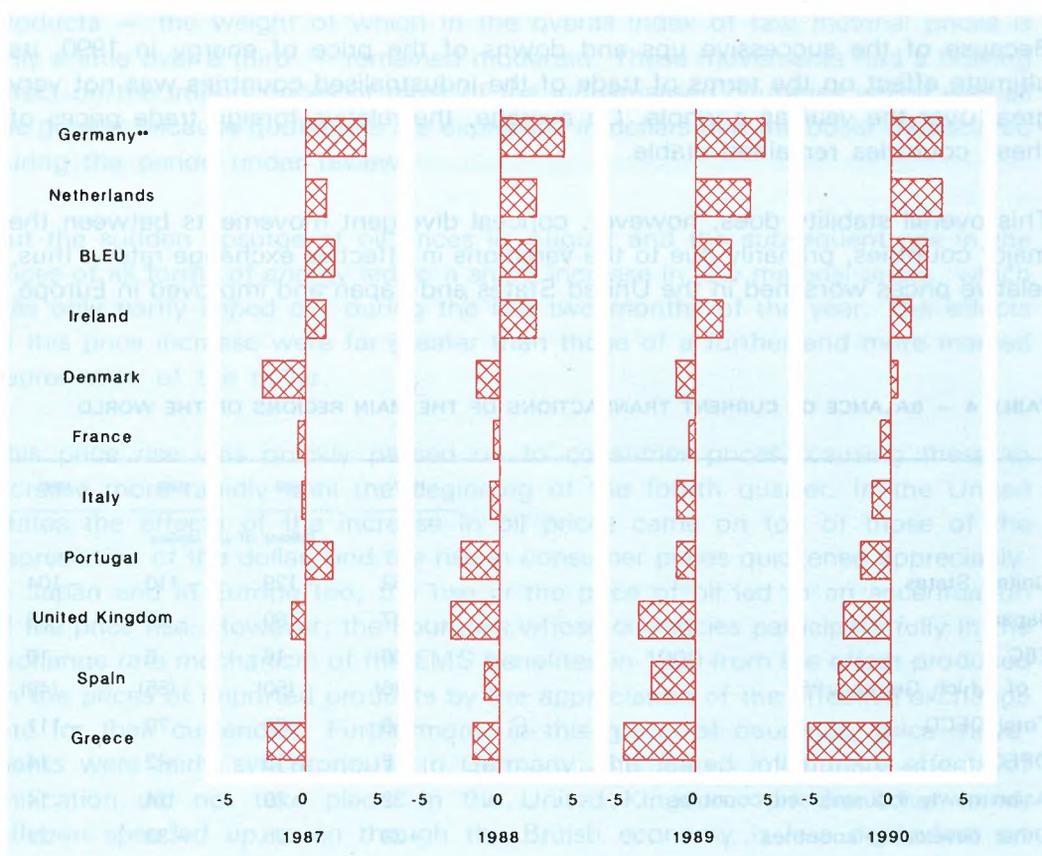
¹ The data include the GDR until the end of the first half of 1990.

In Japan the deterioration of the terms of trade and the widening of the deficit in respect of services led, despite the improvement of the balance of trade in volume, to a further reduction in the current account surplus, which has thus decreased during the last few years from 3.6 p.c. of GNP in 1987 to 1.3 p.c. in 1990.

In the United States, on the other hand, the improvement in foreign trade in terms of volume was sufficient to counterbalance the worsening in prices. This improvement was attributable both to the difference in the timing of the cyclical movement and to the maintenance of the gains in competitiveness due to the successive depreciations of the dollar. As the surplus left by services and transfers as a whole was slightly larger, the current account deficit decreased again somewhat. With regard to services, net investment incomes resulted in a small surplus, against a slight deficit in 1989. This reversal, which is rather paradoxical in an economy whose net indebtedness is increasing year by year,

CHART 4 — BALANCE OF CURRENT TRANSACTIONS OF THE EEC COUNTRIES

(Percentages of GNP)



Sources : NBB, OECD.

is perhaps due to the different structure of its assets and liabilities vis-à-vis foreign countries and thus to the different movement of the associated yields in terms of dollars.

In Germany the expansion in domestic demand led to a very substantial increase in the volume of imports of goods and services. Thus, despite the improvement in the terms of trade and the continuance of the increase in net earnings from portfolio incomes, the current account surplus decreased : expressed as a percentage of GNP it fell from 4.6 p.c. in 1989 to 3.3 p.c.

Among the other EEC countries, the Netherlands, the BLEU and Ireland maintained a substantial current account surplus and the external position of France, Italy and Denmark remained more or less balanced. But the deficits of Portugal and the two countries already heavily in deficit, Greece and Spain, increased further. The adverse balance of the United Kingdom, for its part, decreased slightly as a percentage of GNP thanks to the improvement, in both volume and prices, in the balance of trade.

For the Community as a whole the current account position, which showed a very slight surplus, turned into a deficit of some \$ 10 billion.

All in all, the balance of current transactions of the OECD countries as a whole, expressed as a percentage of GNP, underwent little change in 1990, namely from - 0.5 to - 0.7 p.c., while the main balance of payments disequilibria decreased further.

*Organisation
of Petroleum
Exporting Countries*

The repercussions of the rise in the price of oil on the current account balance of the OPEC countries from July onwards more than counterbalanced the worsening which took place in the first half of the year, when energy prices were falling : these countries' current account position thus became positive again.

*Asian newly
industrialised
countries*

The erosion of the current account surpluses of the Asian newly industrialised countries is attributable to the combination of a high degree of dependence on imported oil, a deterioration in their competitiveness in terms of labour costs and, in the case of South Korea, a sharp increase in domestic demand.

*Eastern European
countries*

On the basis of the available statistical data, the current account surplus of the countries of Eastern Europe appears to have become negative. This overall deficit is, however, probably smaller than that shown in 1989 in respect of transactions in convertible currencies.

1.3 FINANCIAL DEVELOPMENTS AND MONETARY POLICY

Exchange rates

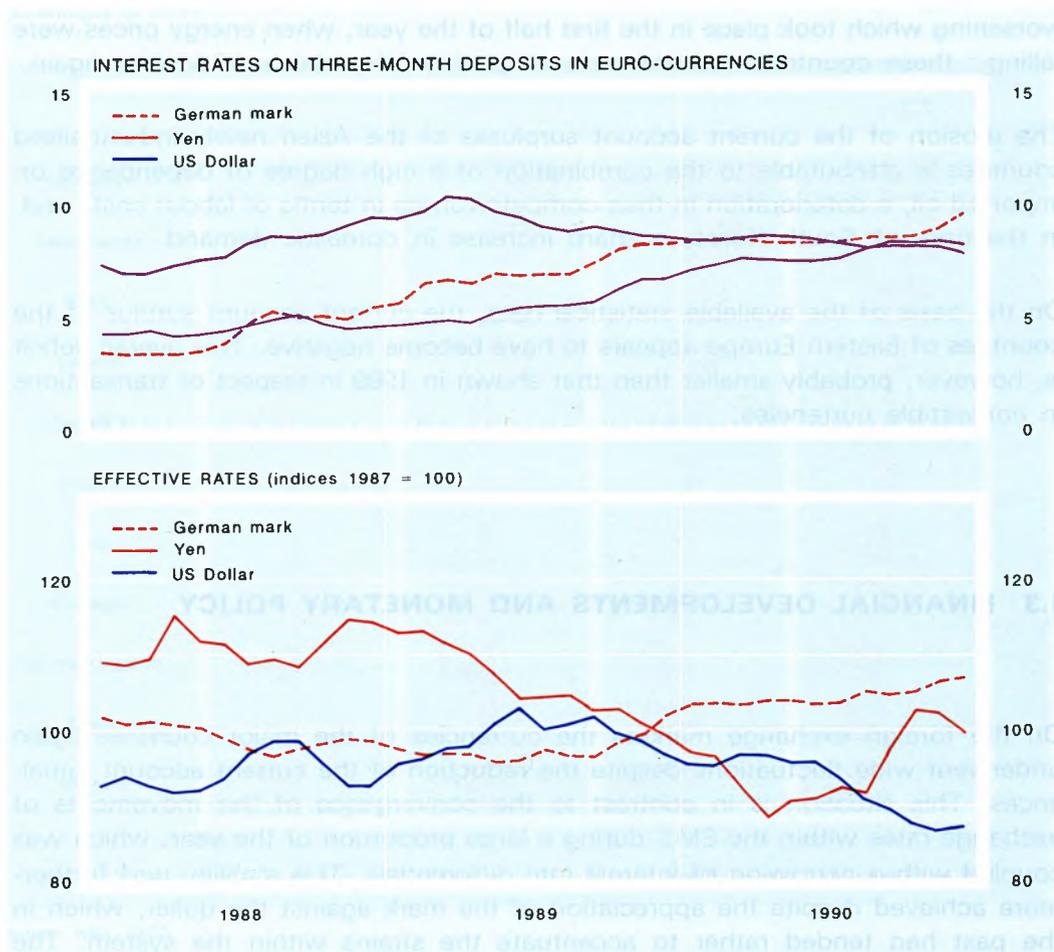
On the foreign exchange markets the currencies of the major countries again underwent wide fluctuations despite the reduction of the current account imbalances. This situation is in contrast to the convergence of the movements of exchange rates within the EMS during a large proportion of the year, which was coupled with a narrowing of interest rate differentials. This stability was furthermore achieved despite the appreciation of the mark against the dollar, which in the past had tended rather to accentuate the strains within the system. The attractiveness of the mark was, it is true, lessened somewhat by the context of uncertainty connected with the reunification of Germany, but the stability of the EMS probably also reflects greater confidence on the part of the markets in the determination of the authorities of the countries which have embarked on the process leading towards economic and monetary union to resort less and less to exchange rate adjustments as an instrument for correcting imbalances.

During the first months the dollar strengthened further against the yen and remained relatively stable against the mark. From May onwards it depreciated sharply against most currencies. In the past the dollar had served as a hedge during periods of international strain. In 1990 it apparently failed to benefit from the Gulf crisis. That crisis admittedly coincided with an easing of East-West relations and came at a time when growth prospects appeared better in Europe and Japan than in the United States. Furthermore, the positive interest rate differential between the dollar and the two other leading currencies narrowed and was then replaced by a differential in favour, first, of the mark and then of the yen.

The effective rate for the yen continued to slide until about half-way through the second quarter, and then recovered strongly as interest rates on investments in yens came closer to the corresponding rates for the other major currencies.

The effective rate for the German mark, on the other hand, did not fluctuate much. That currency appreciated against the dollar throughout the year and especially from the summer onwards, but in relation to the yen the appreciation which took place until May was afterwards partly wiped out.

CHART 5 — INTEREST RATES AND EXCHANGE RATES



Sources : NBB, IMF.

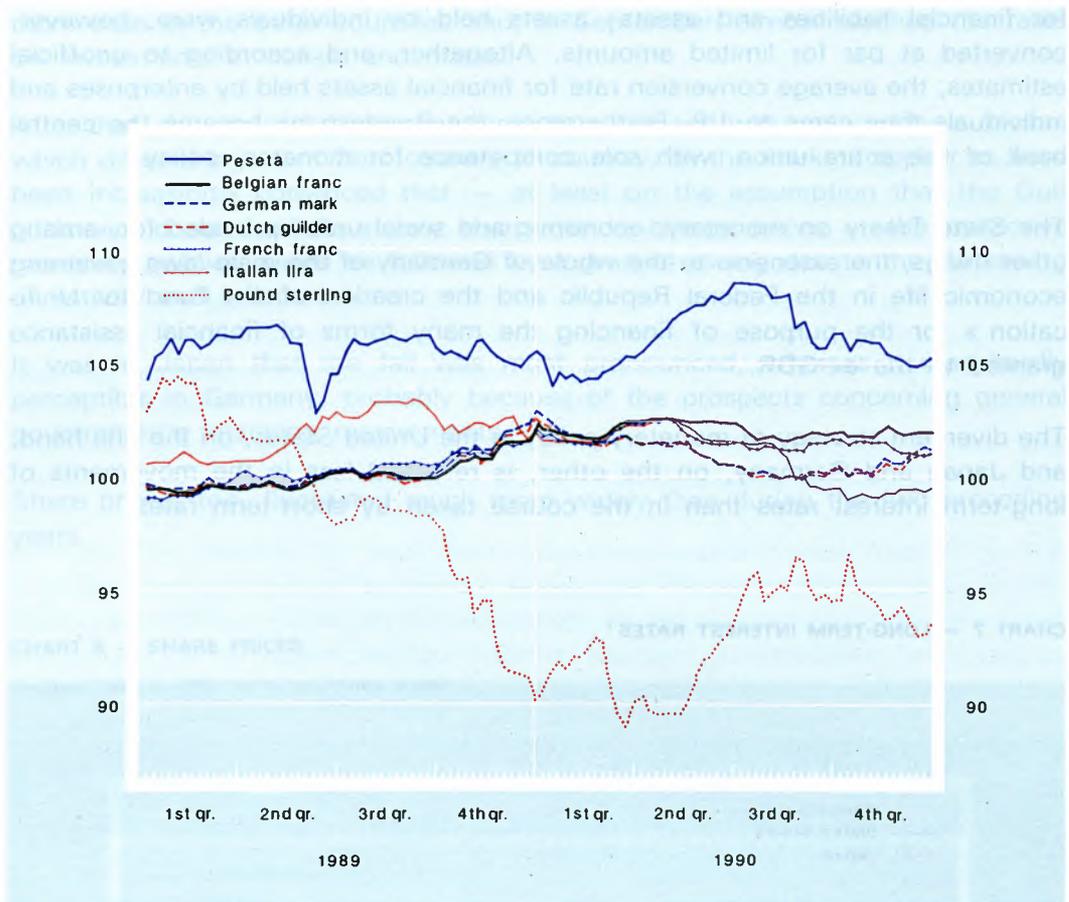
Within the exchange rate mechanism of the European Monetary System, the course taken by the mark was less homogeneous than in the past. After the lowering of the central rate for the Italian lira by 3.7 p.c. on 8th January, the mark gradually weakened owing to the anxieties about German monetary, economic and social union. The disappearance of the uncertainties about exchange rates strengthened the lira and the peseta, which offered appreciably higher yields than the other currencies participating in the exchange rate mechanism, especially because, in the case of the lira, the permitted margins of fluctuation of exchange rates in relation to the EMS currencies were reduced on 8th January from 6 to 2.25 p.c. From the summer onwards this exchange rate constellation was reversed, the relative position of the mark having improved, as did also that of the Belgian franc, the French franc and the guilder. On the other hand, the lira and the peseta tended to depreciate, perhaps partly because the Italian and Spanish economies may have appeared more vulnerable after the Gulf crisis, in view of their already high inflation rates and their current account deficits.

European Monetary System

On 8th October the pound sterling joined the exchange rate mechanism, with fluctuation margins of 6 p.c. Since May the rumours about this decision had brought about a rise in the rate for the pound against the EMS currencies, a movement which was furthermore accentuated from August onwards by the rise in the price of oil. After 8th October the position of that currency in the grid

CHART 6 — RATES OF EXCHANGE IN ECUS

(Daily averages, per week, indices 1988 = 100)



Source : NBB.

of exchange rates for the EMS currencies depreciated rapidly, however, owing to the uncertainties regarding the economy of the United Kingdom.

Monetary policies

The movements of the exchange rates for the leading currencies reflected, among other things, the divergences in monetary policies due to the non-parallel course of business conditions.

The Japanese monetary authorities were forced to speed up the rise in interest rates in order to curb the inflationary pressures due to the strength of demand and perhaps, in the first months of the year, in order to support the yen. In the United States, despite a quickening of inflation, short-term rates, which had been markedly reduced since the second quarter of 1989, remained at their end-1989 level for a large proportion of the year; in December, however, they were considerably reduced parallel to the decline in economic activity. In Germany the specific anxieties about a possible resurgence of inflation connected with the unification of the country and, more recently, the rise in the price of oil induced the central bank to maintain the rather high level of short-term interest rates reached at the end of 1989; during the last weeks of the year this stability of rates was replaced by a fairly rapid rise.

German monetary, economic and social union

The monetary, economic and social union became a reality on 1st July 1990, that is, even before the unification of the two States on the political plane, which did not come into effect until 3rd October.

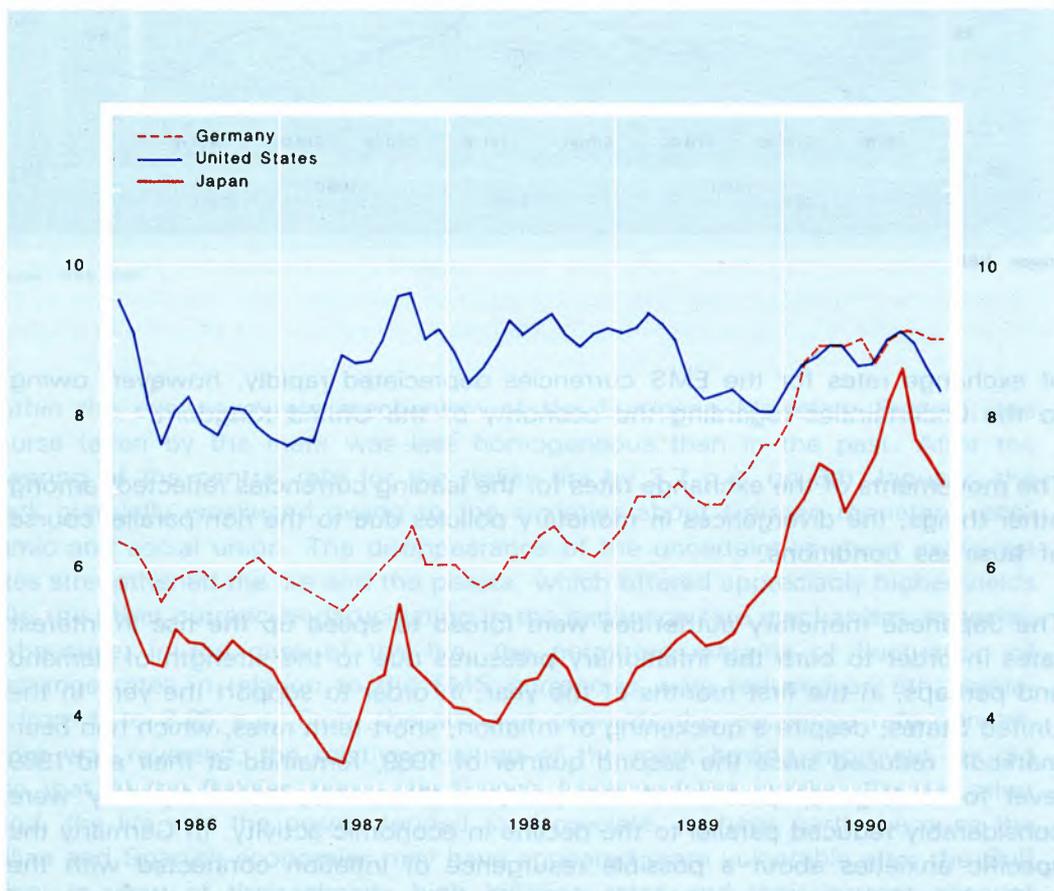
The monetary union was concretely implemented, in particular, by the adoption of the mark as the sole currency. The conversion rate for the Ostmark was fixed at parity with the Deutsche mark for incomes and a rate of two to one was fixed for financial liabilities and assets; assets held by individuals were, however, converted at par for limited amounts. Altogether, and according to unofficial estimates, the average conversion rate for financial assets held by enterprises and individuals thus came to 1.8. Furthermore, the Bundesbank became the central bank of the entire union, with sole competence for monetary policy.

The State Treaty on monetary, economic and social union provided for, among other things, the extension to the whole of Germany of the main laws governing economic life in the Federal Republic and the creation of a « Fund for Unification » for the purpose of financing the many forms of financial assistance granted to the ex-GDR.

The divergent strategy of monetary policy in the United States, on the one hand, and Japan and Germany, on the other, is reflected less in the movements of long-term interest rates than in the course taken by short-term rates.

*Long-term
interest rates*

CHART 7 — LONG-TERM INTEREST RATES ¹



Source : OECD.

¹ Long-term yield rates of public sector loans on the secondary market.

Until the end of the third quarter these rates were all showing an upward trend, so that by then they had all become higher than short-term rates. This rise is connected with the more pessimistic view taken of inflation prospects, a tenden-

cy which was already observable before the Gulf crisis and became more pronounced as soon as it occurred, and with the increase in uncertainty, which caused investors to show preference to the short term. In Japan these rates rose more than in the other countries and, in September, almost reached the rates on investments in dollars and marks.

After that, the upward movement came to a halt and was replaced by a decline which differed in extent from country to country, as the markets appear to have been increasingly convinced that — at least on the assumption that the Gulf crisis would not lead to a very sharp rise in energy prices — the restrictive monetary policies would be followed by a gradual easing due to the slackening of activity and inflation.

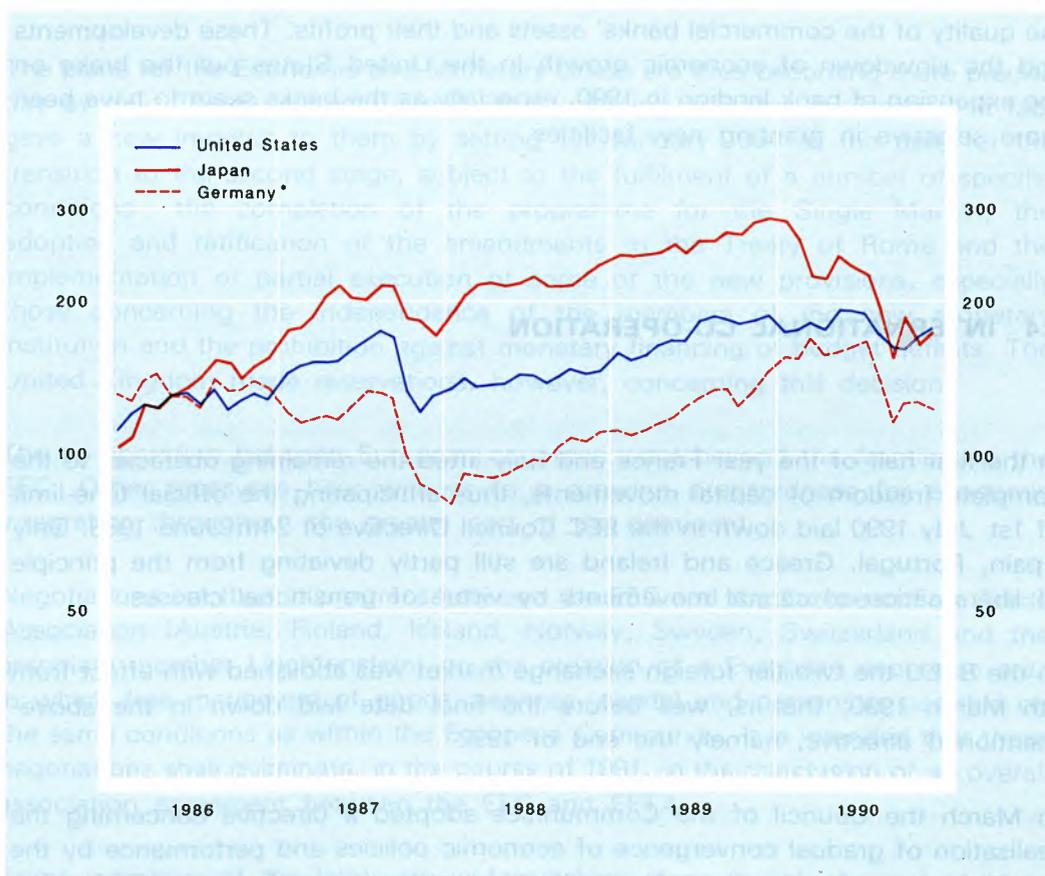
It was in Japan that the fall was most pronounced, whereas it was hardly perceptible in Germany, probably because of the prospects concerning general government's financing requirements.

Financial markets

Share prices, too, fluctuated much more widely than during the two preceding years.

CHART 8 — SHARE PRICES

(Indices 1985 = 100, semi-logarithmic scale)



Sources : Standard and Poor's (composite 500), Frankfurter Allgemeine Zeitung, Tokyo Stock Exchange.

The most marked movement was the fall which followed the outbreak of the Gulf crisis, which was all the sharper because it took place at a time when long-term interest rates were still showing an upward trend.

In Germany this downward movement followed a very substantial rise which took place between November 1989 — the time when the Berlin wall was opened up — and the middle of the first half of 1990, the period when the expectations regarding the growth of the German economy and the profits of enterprises had greatly improved.

In Japan, on the other hand, the recent decline came on top of a pronounced downward movement which had been in progress since the first quarter. This tendency may be interpreted as the counterpart to the raising of interest rates, but also as the start of a correction necessitated by a previous, perhaps excessive rise. This downward movement of share prices exposed a fragile aspect of the financial sector, because the movement of the capital markets had made considerable inroads into the unrealised gains which banks partly include in their own funds. Another cause of fragility lies in the loans which the banks had granted for the purchase of real estate, which explains the more stringent control exercised by the authorities since the beginning of the year over the rate of expansion of this type of lending.

In the United States the savings banks have had to contend with serious difficulties since 1988, doubtless because of a high-risk management strategy but also as a result of the collapse of the prices for residential real estate. More recently, the slackness of business in the non-residential real estate sector coupled with the strains which have been apparent for the last year on the market for bonds with a high debtor risk (« junk bonds ») has had the effect of lowering the quality of the commercial banks' assets and their profits. These developments and the slowdown of economic growth in the United States put the brake on the expansion of bank lending in 1990, especially as the banks seem to have been more selective in granting new facilities.

1.4 INTERNATIONAL CO-OPERATION

In the first half of the year France and Italy lifted the remaining obstacles to the complete freedom of capital movements, thus anticipating the official time-limit of 1st July 1990 laid down in the EEC Council Directive of 24th June 1988. Only Spain, Portugal, Greece and Ireland are still partly deviating from the principle of liberalisation of capital movements by virtue of transitional clauses.

*European
integration*

In the BLEU the two-tier foreign exchange market was abolished with effect from 5th March 1990, that is, well before the final date laid down in the above-mentioned directive, namely the end of 1992.

In March the Council of the Communities adopted a directive concerning the realisation of gradual convergence of economic policies and performance by the establishment of procedures for multilateral supervision of national economic policies. On the same date the Council also adopted a decision concerning co-operation between the central banks of the Member States by the organisation of stricter co-ordination of national monetary policies. It was against this background that, in June, the Committee of Central Bank Governors of the Member States completed the revision of its working structures and procedures and adopted its new internal regulations.

In accordance with the latter, the Committee of Governors is assisted by the Committee of Alternates and by three Sub-Committees responsible, respectively, for foreign exchange policy, monetary policy and banking supervision. An Economic Unit was established and placed under the authority of the Secretary-General of the Committee of Governors. Its task is to carry out research activities to assist the Governors in their work.

The European Council, at its meeting in Dublin in June, decided to convene, parallel with the Intergovernmental Conference on Economic and Monetary Union, a Conference on Political Union. The purpose of these two conferences, which were formally opened on 15th December in Rome, is to propose for ratification by the national parliaments, in principle before the end of 1992, a revision of the Treaty of Rome designed to strengthen the Community in its political, economic and monetary dimensions.

The preparatory work for the organisation of the Conference on Economic and Monetary Union was actively pursued by the competent Community bodies, especially the Monetary Committee and the Committee of Governors. The latter, in November, approved a detailed set of statutory provisions which are to govern the Community's future monetary institution. These draft Statutes of the « European System of Central Banks and the European Central Bank » were submitted to the President of the Council of the European Communities and form part of the basic documents for the Intergovernmental Conference on Economic and Monetary Union.

The plans for the Economic and Monetary Union are thus becoming more precise day by day. The European Council, at its meeting in Rome in October, in fact gave a new impetus to them by setting 1st January 1994 as the date for the transition to the second stage, subject to the fulfilment of a number of specific conditions: the completion of the programme for the Single Market, the adoption and ratification of the amendments to the Treaty of Rome and the implementation or partial execution of some of the new provisions, especially those concerning the independence of the members of the new monetary institution and the prohibition against monetary financing of budget deficits. The United Kingdom made reservations, however, concerning this decision.

*Extension
of co-operation
in Europe*

The co-operation between European countries went beyond the frontiers of the EEC. Other measures bear witness to a growing preparedness for economic integration throughout the greater part of the continent.

Negotiations are thus in progress between the EEC and the European Free Trade Association (Austria, Finland, Iceland, Norway, Sweden, Switzerland and the associate member Liechtenstein) on the creation of a European economic area in which free movement of goods, services, capital and persons is possible on the same conditions as within the European Community. It is intended that these negotiations shall culminate, in the course of 1991, in the conclusion of an overall association agreement between the EEC and EFTA.

Some members of the latter are in fact taking steps to link themselves more closely with the Europe of the Twelve.

The Norwegian authorities, for instance, decided to peg the crown to the ecu by giving their currency a central rate expressed in ecus and a range of fluctuation of 2.25 p.c. on either side of this central rate. Parallel with this change in the orientation of foreign exchange policy, Norges Bank and the central banks

of the Community decided to extend their co-operation by the conclusion of bilateral swaps for the purpose of supporting Norway's stabilisation policy and of thus contributing to the extension of the European area of economic and monetary stability.

Sweden, for its part, intends to apply shortly to join the EEC. It is thereby following the example of Austria and Turkey, which have already applied for membership.

Some decisions have also been taken by the international community with a view to the in-depth restructuring of the economies of Eastern Europe. The most important to date is the creation of a European Bank for Reconstruction and Development, whose instrument of incorporation was signed in May of the year under review and whose purpose is to encourage, especially by lending and equity investment, the transition of the economies of the countries of Central and Eastern Europe towards a market economy system. This bank, more than half of whose capital is held by the countries and institutions of the Community, will soon become operational, as its Articles of Association have to be ratified not later than 31st March 1991.

More concrete and more immediate forms of assistance have already been given to some countries of this region of Europe. Thus, the EEC granted Hungary financial assistance for a period of five years and to the amount of 870 million ecus, the first tranche of which was paid in April 1990.

On several occasions during the past year, namely at their meetings in April, May and September, the Ministers of Finance and Central Bank Governors of the Group of Seven confirmed their commitment to maintaining co-ordination of economic policies, including co-operation on the foreign exchange markets. In April and May they stated that the level of the exchange rate for the yen was liable to disturb the process of overall adjustment of balances of payments. In September they reached a consensus on the desirability of a monetary policy based on stability and the need for a sound budgetary policy, in response to the dual danger of a resurgence of inflation and a slackening of growth due to the oil crisis.

*Co-ordination
between
the leading
industrialised
countries*

This conclusion was restated by the Ministers of Finance and Central Bank Governors of the Group of Ten at their meeting in September, the agenda for which included two other important questions: the trade negotiations in the Uruguay Round and the strategy to be adopted concerning the indebtedness of the developing countries.

The negotiations in the Uruguay Round, which relate not only to international merchandise trade but also to services, including financial services, were not completed as had been planned in December in Brussels and will continue in 1991.

While it had shown hardly any further rise during the two preceding years, the foreign debt of the developing countries, expressed in dollars, increased again in absolute terms in the year under review. Owing, however, to the strong growth in these countries' exports, the ratio of their debt to the value of their exports of goods and services declined further, thus continuing the downward trend recorded since 1986.

*Indebtedness
of the developing
countries*

The year 1990 saw a continuance of the gradual reorientation of the policies of the official creditors, based on a case-by-case approach, with a view to coping

with the chronic debt problems of some low income and medium income countries and with the worsening of the payment imbalances of the countries seriously affected by the events in the Middle East. To this end the United States, together with other countries, and especially Arab countries in the Gulf area and all the members of the EEC, formed a « Gulf Crisis Financial Co-ordination Group », the purpose of which is to organise the financing of the special requirements created by this crisis in the countries most directly affected. Furthermore Belgium, like other official bilateral creditors, waived claims totalling Fr. 2.5 billion resulting from loans granted by it, as public development aid, to certain low income and heavily indebted countries in Subsaharan Africa.

The first specific agreement negotiated along the lines of the new approach defined in the Brady plan approved in the spring of 1990 concerns Mexico. This agreement, signed in March 1990, allows the creditor banks to choose between three solutions : exchanging their claims for bonds with a lower nominal value but bearing interest at the current market rate ; exchanging the claims for bonds to the same amount but with a lower interest rate ; or providing medium-term supplementary financing for part of the outstanding amount of the existing claims. The great majority of the banks concerned opted for one of the first two possibilities, while the amount of new loans granted for the duration of the agreement is relatively small. Altogether, its implementation leads to a substantial reduction in Mexico's debt, the effects of which come on top of the conversion or redemption operations carried out the previous year in favour of that country. Other agreements for official support for the reduction of the debt burden were negotiated during the year under review. Definitive arrangements have already been concluded with the Philippines, Costa Rica and Venezuela.

The IMF and the World Bank continued to give their financial support to debt reduction agreements negotiated between creditor banks and debtor countries, provided that the latter undertook to introduce medium-term adjustment programmes.

Apart from their participation in the implementation of the new debt management strategy for the developing countries, the multilateral institutions took various initiatives for adapting their intervention techniques.

The Board of Governors of the IMF adopted, in June, a resolution concerning the ninth revision of quotas, whereby these will be increased as a whole by 50 p.c. (cf. Table II in the Statistical Annex). At the same time an agreement

TABLE 5 — COMPOSITION OF THE SPECIAL DRAWING RIGHT

	1986-1990		1991-1995	
	Amounts	Weights ¹	Amounts	Weights ¹
US dollar	0.452	42	0.572	40
German mark	0.527	19	0.453	21
Yen	33.4	15	31.8	17
French franc	1.02	12	0.8	11
Pound sterling	0.0893	12	0.0812	11

Source : IMF.

¹ As percentages of the total at the beginning of the period, since these weights vary depending on the fluctuations in the exchange rates for the currencies in question.

was reached on the third amendment to the Fund's Articles of Agreement, which widens the range of the sanctions which the Fund can apply to member countries which fail to fulfil their obligations under the Articles, including those with long-standing arrears in their payments to the Fund. The entry into force of the quota revision is subject to the approval of this amendment, which was to take place in the spring of 1991.

In September the five-yearly revision of the basket of currencies which compose the SDR led to a change in their weighting, with effect from 1st January 1991.

Owing to the Gulf crisis the IMF decided to make various adjustments to its instruments for balance of payments financing, the main change being the introduction of an « oil import » facility in addition to other financing sources already available under the compensatory financing facility and the contingency financing arrangements.

2. EXPENDITURE, PRODUCTION AND EMPLOYMENT

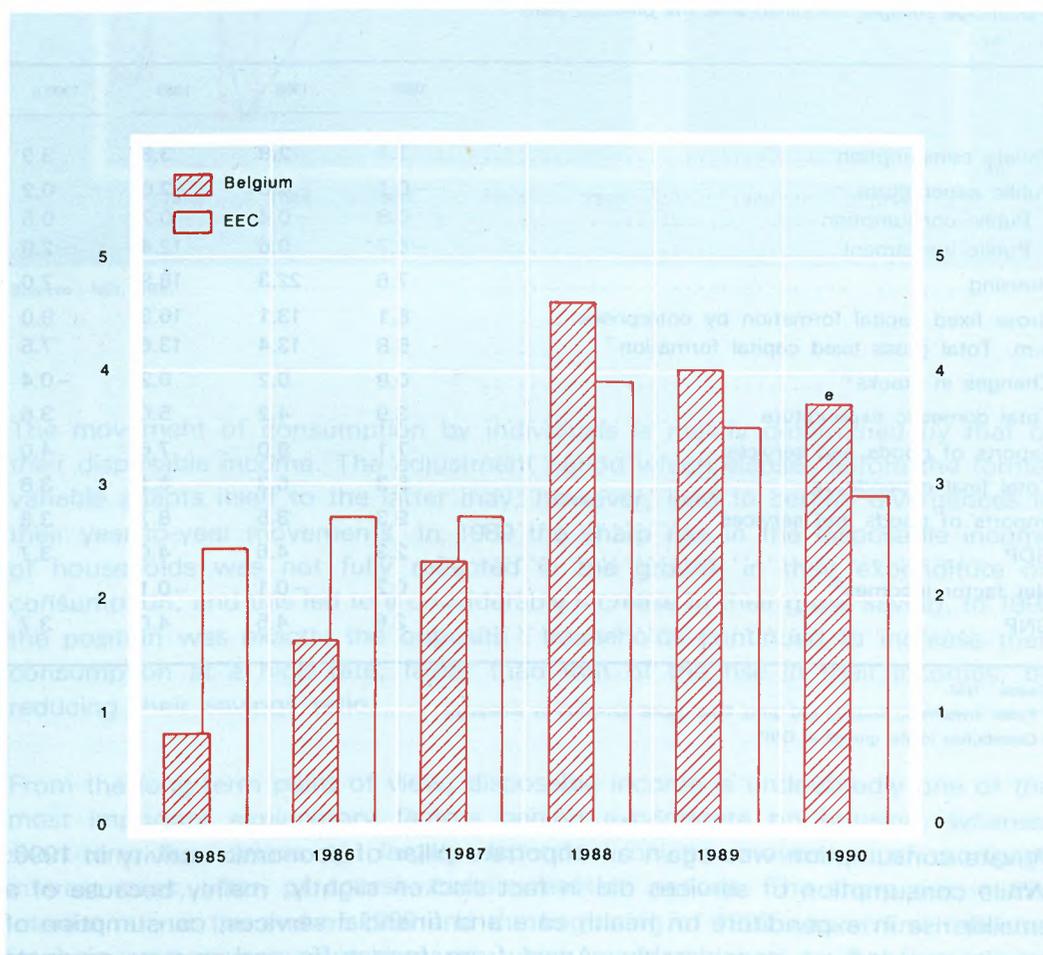
2.1 EXPENDITURE

Summary

Despite a slight slackening compared with the previous year, the expansion of the Belgian economy remained strong : the rate of growth of GDP still reached 3.7 p.c., exceeding the EEC average for the third year in succession. This

CHART 9 — GROWTH IN GDP : INTERNATIONAL COMPARISON

(Percentage changes compared with the previous year)



Sources : OECD, NSI.

divergence partly reflects a difference in the development of the business cycle between Belgium, where the signs of a turnround became evident in 1990, and the EEC as a whole, where they were already clear in 1989. These signs of

slowing down were already perceptible before the big rises in the price of oil, the effects of which on the real economy were apparently only marginal during the year under review.

Belgian exports, and particularly those to the United Kingdom, were affected by the slackening of European economic activity. The slowing down of the increase in foreign demand was followed only gradually by a weakening of domestic demand, the expansion in the latter having declined from 5 to 3.6 p.c. Investment in housing by individuals and in fixed assets by companies was responsible for this smaller increase. The growth in private consumption, on the other hand, was maintained. Expenditure by general government, for its part, stabilised, after having contracted for three years in succession.

As the increase in imports of goods and services was of the same order of magnitude as that in exports, net exports hardly influenced the growth in GDP.

As there was little change in net factor incomes, either, the growth in GNP was the same as that in GDP.

TABLE 6 — GNP AND MAIN CATEGORIES OF EXPENDITURE AT 1985 PRICES

(Percentage changes compared with the previous year)

	1987	1988	1989	1990 e
Private consumption	3.1	2.8	3.8	3.9
Public expenditure	-0.1	-0.3	-2.0	0.2
Public consumption	0.8	-0.4	-0.7	0.5
Public investment	-6.7	0.6	-12.4	-2.0
Housing	7.6	22.3	18.9	7.0
Gross fixed capital formation by enterprises	8.1	13.1	16.3	9.0
p.m. Total gross fixed capital formation ¹	5.8	13.4	13.6	7.5
Changes in stocks ²	0.8	0.2	0.2	-0.4
Total domestic expenditure	3.9	4.2	5.0	3.6
Exports of goods and services	7.1	9.0	7.6	4.0
Total final expenditure	5.3	6.3	6.1	3.8
Imports of goods and services	9.3	8.5	8.7	3.8
GDP	2.3	4.6	4.0	3.7
Net factor incomes ²	0.2	-0.1	-0.1	...
GNP	2.6	4.5	4.0	3.7

Source : NSI.

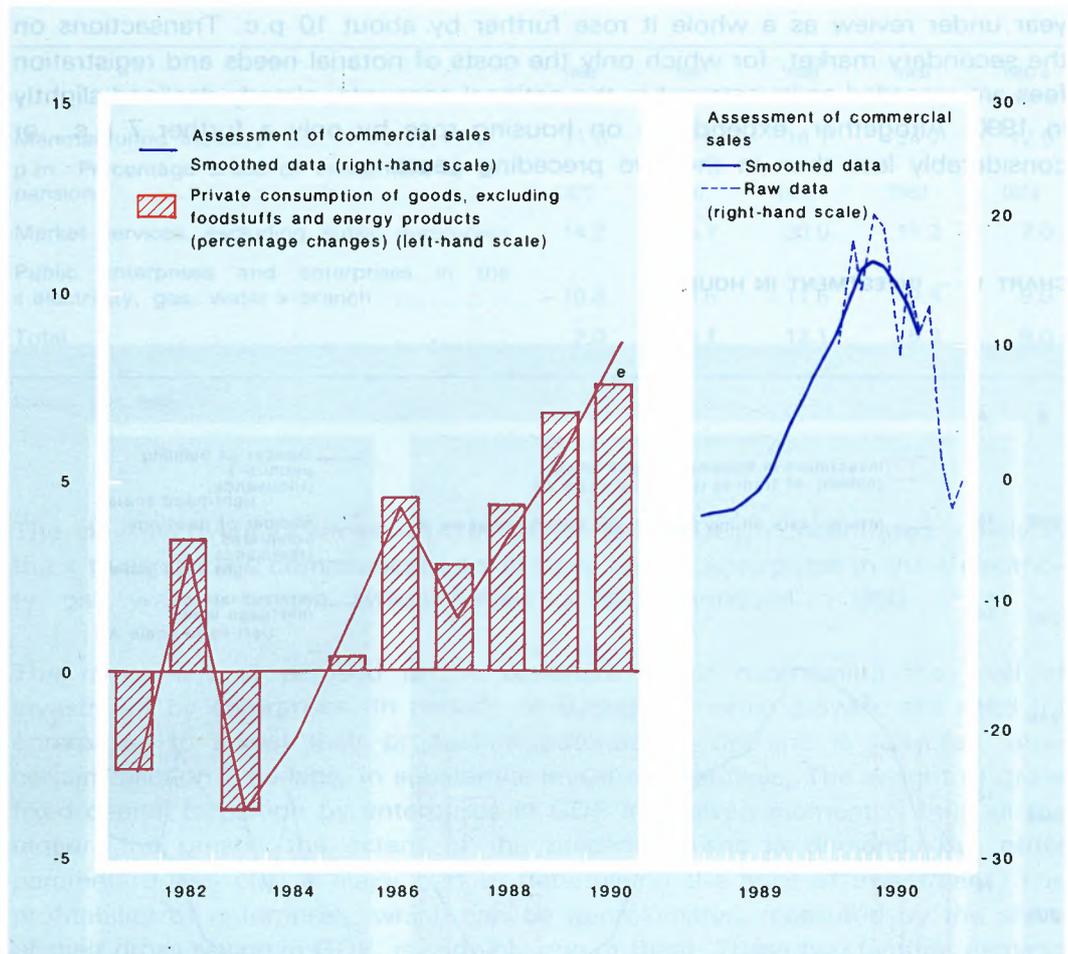
¹ Public investment, housing and gross fixed capital formation by enterprises.

² Contribution to the growth in GNP.

Private consumption was again an important pillar of economic activity in 1990. While consumption of services did in fact slacken slightly, mainly because of a smaller rise in expenditure on health care and financial services, consumption of goods speeded up considerably. Apart from foodstuffs and energy products — consumption of which is either a matter of trend or predominantly determined by weather conditions — consumption of goods rose in 1990 by nearly 8 p.c., against 6.8 p.c. in 1989. This quickening does, however, conceal the actual pattern of developments during the year. After having reached a peak in the first half of the year, the growth in consumption of goods declined during the second half of the year under review, although it still remained very strong.

*Private
consumption*

CHART 10 — PRIVATE CONSUMPTION OF GOODS, EXCEPT FOODSTUFFS AND ENERGY PRODUCTS



Sources : NSI, NBB.

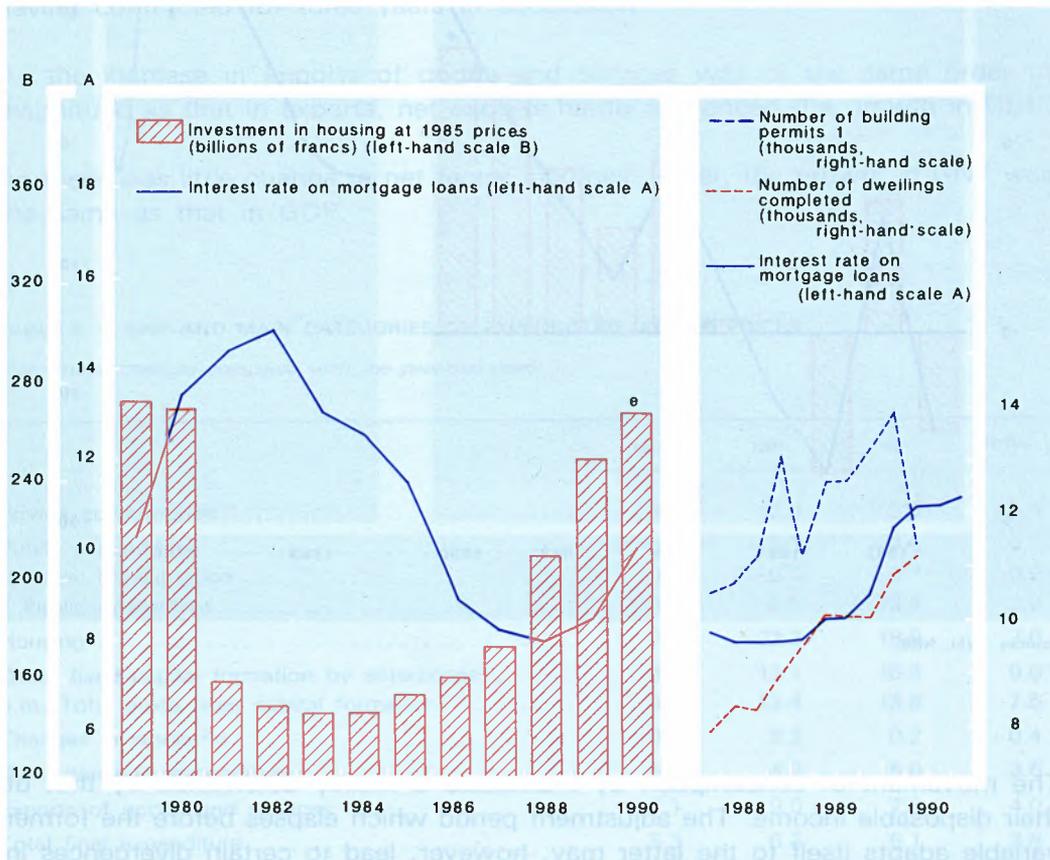
The movement of consumption by individuals is mainly determined by that of their disposable income. The adjustment period which elapses before the former variable adapts itself to the latter may, however, lead to certain divergences in their year-to-year movements. In 1989 the sharp rise in the disposable income of households was not fully reflected in the growth in their expenditure on consumption, and this led to a considerable increase in their gross saving. In 1990 the position was exactly the opposite : households continued to increase their consumption at a high rate, faster than that of the rise in their incomes, by reducing their savings ratio.

Housing

From the long-term point of view, disposable income is undoubtedly one of the most important explanatory factors behind expenditure on housing, whereas short-term fluctuations are largely dependent on the movement of mortgage interest rates, after, of course, certain reaction periods. The sharp rise in this interest rate at the end of 1989 and the beginning of 1990 was at first reflected in a vigorous expansion in demand, which reached a peak in the first quarter of the year under review. This movement can be explained by the fact that investors were expecting further interest rate increases and by the need to make rapid use of the loans which had been granted to them earlier on more advantageous terms. After that, demand slackened appreciably, returning to a level comparable to that observed in 1988. Expenditure on house-building, and on conversion of existing dwellings reacts to fluctuations in demand with a time-lag,

owing to the time taken to carry out the work. It therefore went on growing strongly during the first half of the year, before gradually turning down. In the year under review as a whole it rose further by about 10 p.c. Transactions on the secondary market, for which only the costs of notarial needs and registration fees are recorded as investment in the national accounts, already declined slightly in 1990. Altogether, expenditure on housing rose by only a further 7 p.c., or considerably less than in the two preceding years.

CHART 11 — INVESTMENT IN HOUSING



Sources : NSI, GSPF.
 1 Seasonally adjusted data.

The expansion in investment in fixed assets by enterprises was also less rapid than in the two preceding years. It nevertheless remained strong, reaching 9 p.c.

Investment by enterprises

In manufacturing industry, where the cyclical peak was reached in 1989, investment grew further by about 12 p.c. It remained very strong in the chemical, metal-working and paper industries. In response to sharply rising rates of utilisation of production capacities, connected with the strength of demand during the last few years, enterprises, according to the business surveys, chiefly stepped up their investment in expansion.

The growth in investment by enterprises providing market services, other than public enterprises, continued in 1990. However, as in 1989, it was smaller than that in manufacturing industry and appreciably below the peaks reached in 1986-1988. In 1990 investment remained dynamic in the trade sector. It fell off considerably, on the other hand, in the branch of services to enterprises.

TABLE 7 — INVESTMENT BY ENTERPRISES AT 1985 PRICES

(Percentage changes compared with previous year)

	1986	1987	1988	1989	1990 e
Manufacturing industry	11.6	7.5	16.1	24.7	12.0
p.m. Percentage share of investment in expansion	(37)	(45)	(47)	(56)	(61)
Market services, excluding public enterprises	14.2	15.7	20.0	11.2	7.0
Public enterprises and enterprises in the « electricity, gas, water » branch	-10.8	-6.5	-11.6	9.5	8.0
Total	7.0	8.1	13.1	16.3	9.0

Sources : NSI, NBB.

The slow recovery of investment by public enterprises, concentrated mainly in the « transport and communication » branch, and by enterprises in the « electricity, gas, water » branch, which started in 1989, continued in 1990.

The movement of demand is the dominant factor determining the level of investment by enterprises. In periods of strong economic growth, the need for enterprises to adjust their production potential to demand is reflected, after certain reaction time-lags, in substantial investment outlays. The weight of gross fixed capital formation by enterprises in GDP at a given moment is thus all the higher, the greater the extent of the preceding rises in demand. But other parameters also play a major part in determining the level of investment. The profitability of enterprises, which can be approximately measured by the share of their gross saving in GDP, is certainly one of them. These two factors, demand and profitability, largely explain the very pronounced recovery of investment by enterprises, the weight of which in GDP rose from 9.4 p.c. in 1983 to 13 p.c. in 1990.

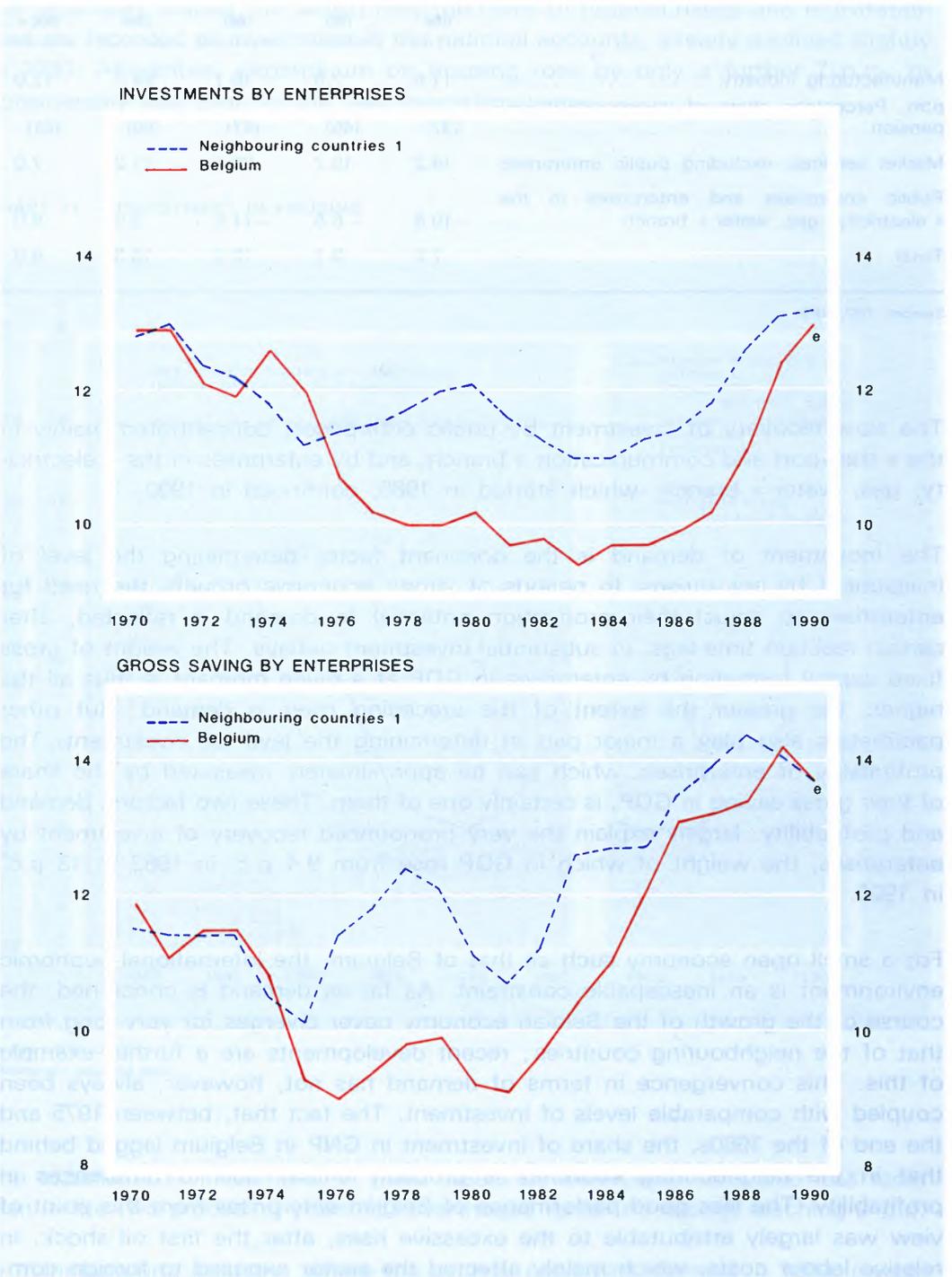
For a small open economy such as that of Belgium, the international economic environment is an inescapable constraint. As far as demand is concerned, the course of the growth of the Belgian economy never diverges for very long from that of the neighbouring countries; recent developments are a further example of this. This convergence in terms of demand has not, however, always been coupled with comparable levels of investment. The fact that, between 1975 and the end of the 1980s, the share of investment in GNP in Belgium lagged behind that in the neighbouring countries is probably chiefly due to differences in profitability. The less good performance of Belgian enterprises from this point of view was largely attributable to the excessive rises, after the first oil shock, in relative labour costs, which mainly affected the sector exposed to foreign competition. Thanks to the moderation with regard to wages which prevailed during the 1980s, the profitability of enterprises gradually recovered, making possible, after a certain time-lag, a revival in investment, which has now reached the European average. If Belgium is to possess a production apparatus comparable to that of the neighbouring countries, it will have to make equivalent investment efforts, which requires a parallel movement of the profitability of enterprises.

Changes in stocks

The marked cyclical reversal at the end of the year appears to have led to a smaller increase in stocks of semi-finished products, while stocks of finished products underwent hardly any change, according to the Bank's business surveys. Furthermore, livestock was reduced by swine fever.

CHART 12 — INVESTMENT AND GROSS SAVING BY ENTERPRISES : INTERNATIONAL COMPARISON

(Percentages of GDP)



Sources : SNI, OECD.
 1 Germany, France, United Kingdom, Netherlands.

2.2 VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY

The slight slowing down of the growth in GDP is attributable to all branches of activity, with the sole exception of non-market services, the increase in whose value added, while still far below that in the other branches, speeded up somewhat.

Summary

TABLE 8 — VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY AT 1985 PRICES

(Percentage changes compared with the previous year)

	1986	1987	1988	1989	1990 e	p.m. Percentages of 1989 GDP
Agriculture, forestry and fisheries .	4.7	-7.9	6.6	0.4	-6.4	(2.1)
Industry	-1.4	2.8	5.2	4.3	3.3	(24.5)
of which : Manufacturing industry	-1.0	2.0	6.2	4.5	3.4	(20.6)
Electricity, gas, water	-1.8	7.8	1.6	4.2	3.7	(3.6)
Building industry	3.4	2.9	10.4	7.4	6.3	(5.8)
Market services	3.2	3.8	5.0	5.0	4.4	(59.2)
Non-market services	1.5	0.1	0.7	0.7	1.6	(12.8)
GDP ¹	1.6	2.3	4.6	4.0	3.7	(100.0)

Source : NSI.

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

*Agriculture,
forestry
and fisheries*

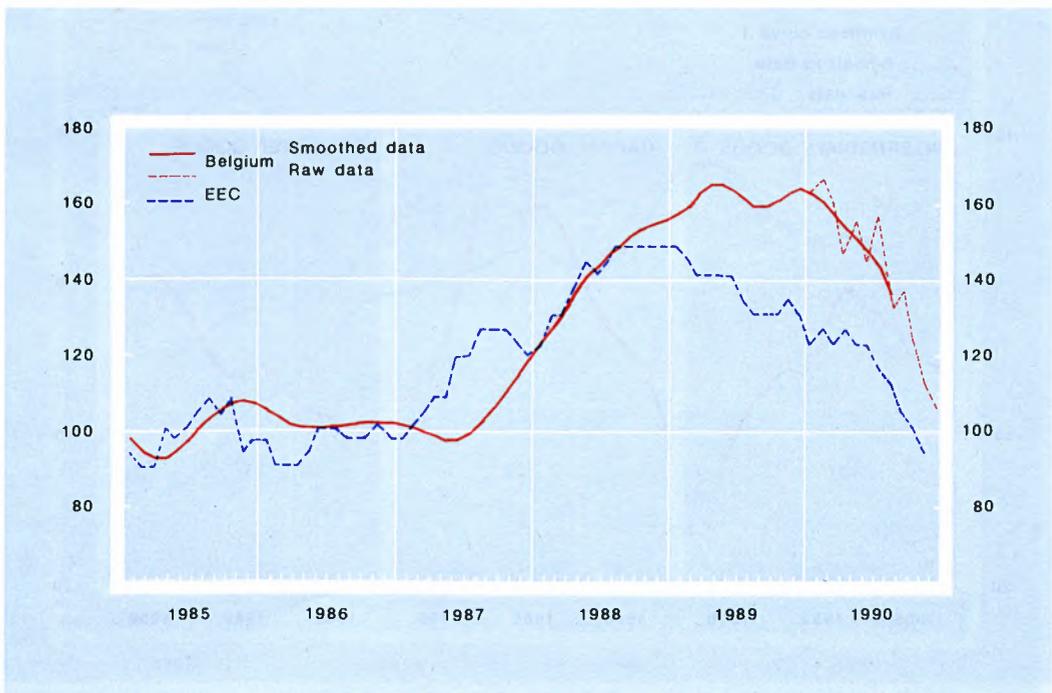
The contraction in the value added in agriculture, forestry and fisheries in 1990 is due to the fall in animal production. Owing to the swine fever, production of pork for consumption fell by nearly 10 p.c. Production of beef, on the other hand, increased, because the lowering of the milk quotas had led in recent years to a certain degree of substitution of slaughter cows for dairy cows.

Industry

The growth recorded in manufacturing industry was smaller than in the previous year. It was higher, however, than that in the other countries of the EEC, where the business cycle had already reached its peak in 1989.

CHART 13 — CONFIDENCE INDICATORS¹ IN MANUFACTURING INDUSTRY

(Indices 1985 = 100)

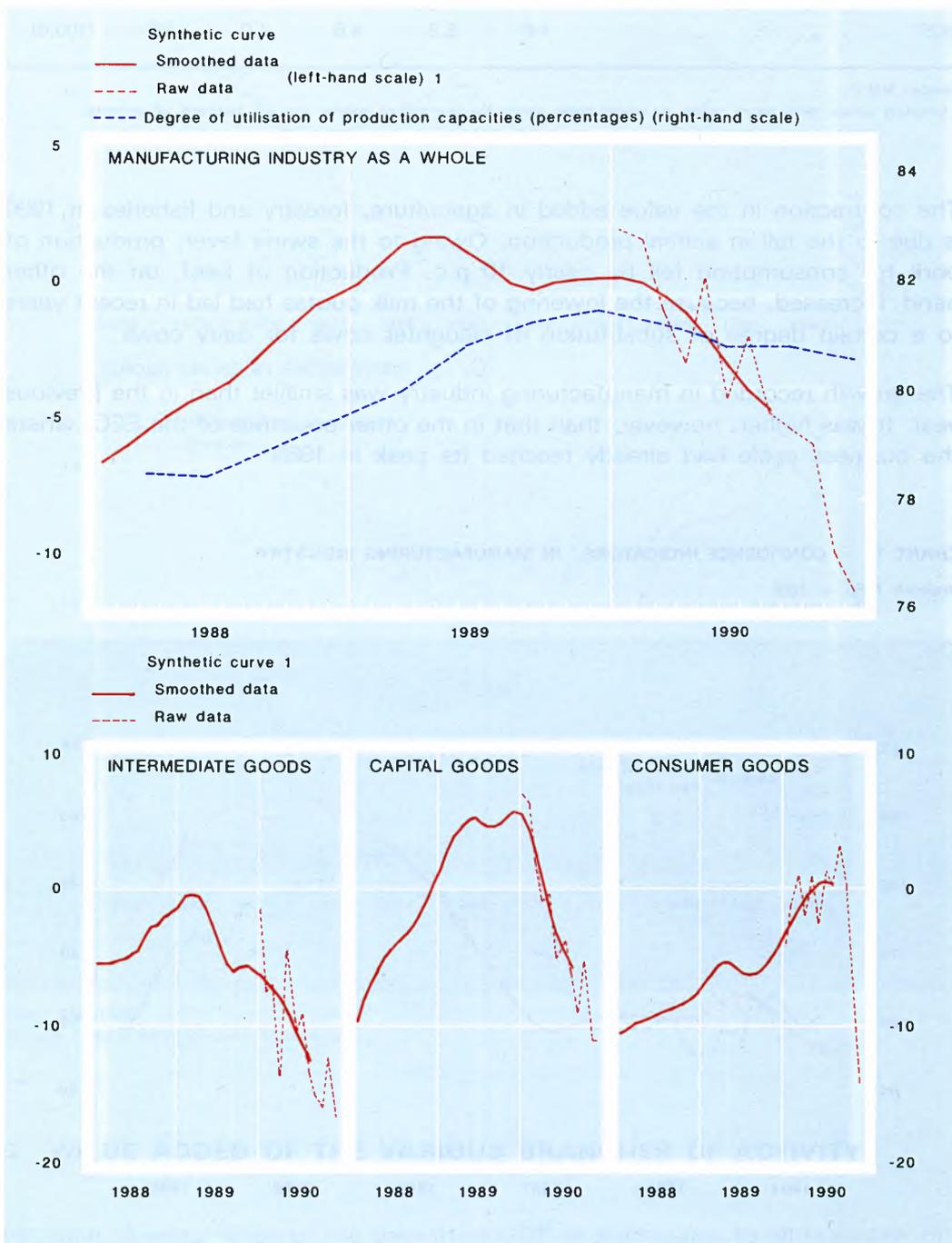


Sources : EEC, NBB.

¹ The indicator is an arithmetic mean of the differences between the percentages of positive and negative answers to the questions about demand prospects, the assessment of order books and the assessment of stocks in the monthly business survey.

The slackening of the business cycle in 1990 as reflected in the Bank's monthly surveys did not yet have any appreciable effect on overall industrial activity, as is evidenced by, in particular, the movement of industrial production (+ 4.8 p.c. for the first ten months of 1990 against + 5 p.c. in 1989). It was not reflected, either, in any decline in the rate of utilisation of production capacities, since this, after having reached a peak of 81.4 p.c. in 1989, stabilised throughout 1990 at around 81 p.c.

CHART 14 — CYCLICAL MOVEMENT IN MANUFACTURING INDUSTRY



Source : NBB.

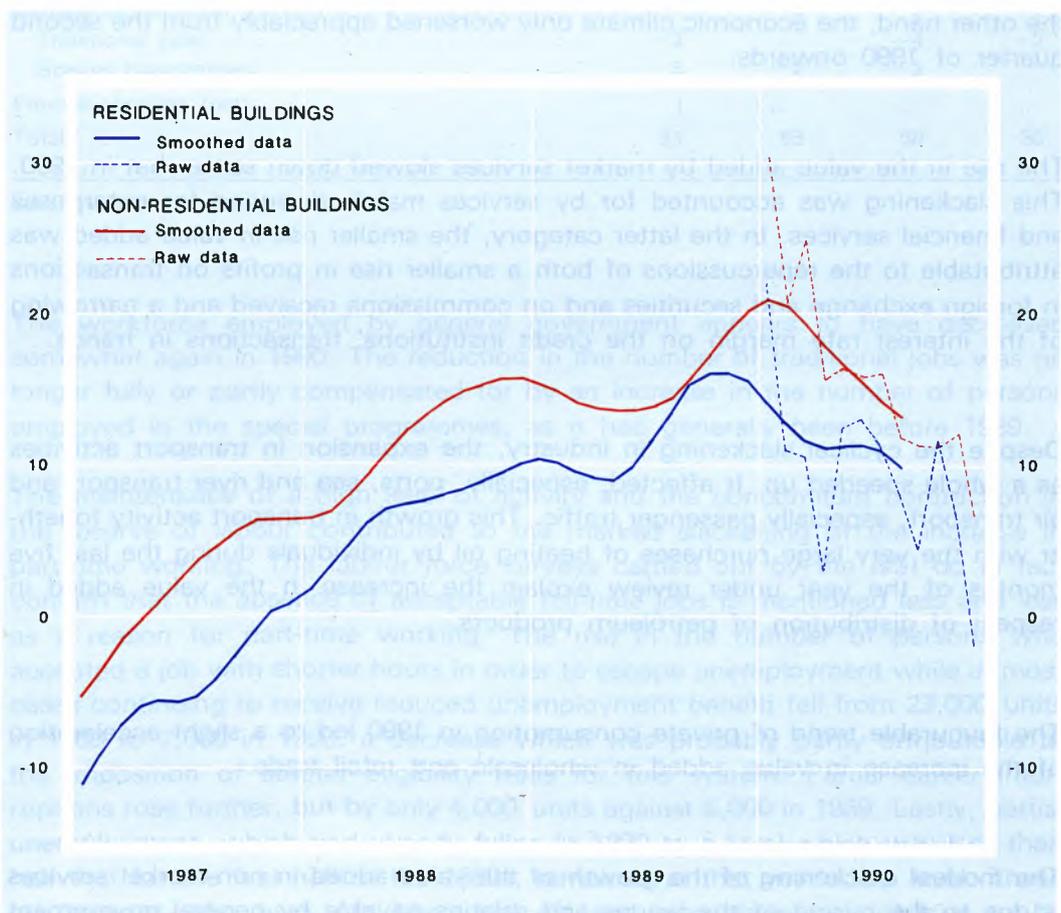
¹ Arithmetic mean of the differences between the percentages of positive and negative answers to eight questions in the monthly business survey. For further details, see the article *Révision de la courbe synthétique de conjoncture*, *Bulletin de la Banque Nationale de Belgique*, LXVth year, Vol. II, Nos 2-3, August-September 1990, pp. 53-64.

Among the various enterprises of which manufacturing activity is composed, the activity profile diverged considerably depending on their specialisation. In the branches which produce intermediate goods, the slackening of activity was already perceptible in 1989. In those which produce capital goods it did not take place until 1990, parallel with the slower increase in gross fixed capital formation. On the other hand, the still very vigorous expansion in private consumption once more sustained activity in the branches which produce consumer goods. The increase in the value added of these branches was, however, impeded by fortuitous factors such as the sharp reduction in the output of slaughterhouses owing to swine fever and the stoppage of some motor vehicle assembly lines because of strike movements.

The slowing down of production of capital goods was observable in most branches, especially mechanical engineering. In shipbuilding, which had fared very badly for several years, activity picked up again thanks to several export orders and in the electricity sector output increased substantially because of the rapid expansion of professional electronics and of the production of telecommunication equipment.

In most of the industries which chiefly produce intermediate goods, the falling-off in activity became more marked. The paper industry, for instance, felt the repercussions of the slower growth in printing and publishing. The tempo of

CHART 15 — CYCLICAL MOVEMENT IN THE BUILDING INDUSTRY : SYNTHETIC CURVES ¹



Source : NBB.

¹ Arithmetic averages of the differences between the percentages of positive and negative answers to seven questions in the monthly business survey.

activity in the non-metallic minerals industries — terra cotta, ceramics, glass and cement — which are mainly inputs of the building industry slowed down owing to the smaller expansion of investment in buildings. On the other hand, activity in the chemical and steel industries expanded after the contraction which took place in 1989. Despite the falling-off of international demand for steel and the virtual stoppage of sales to the USSR, the Belgian iron and steel industry succeeded, unlike that in the neighbouring countries, in stepping up its output considerably in 1990. It was thus able to recover the market shares which it had lost in 1989 because of labour disputes and the lengthy stoppage of a blast furnace for major overhaul. Belgium may quite possibly have benefited from its specialisation in the production of flat products (87 p.c. of deliveries) and more particularly of cladded steel plate.

The revival of the growth in the iron and steel industry is one of the factors responsible for the increase in demand for electricity. Owing to the smaller increase in gas consumption, the value added in the « electricity, gas, water » branch rose less fast than in 1989.

The slowing down of the rate of increase in the value added in the building industry remained limited : it reflected less vigorous — albeit still strong — activity in housing and stabilisation in non-residential building. The Bank's surveys of the state of business in the building industry, which provide indications concerning the movement of demand in this sector, already predicted the cyclical reversal in residential building for the fourth quarter of 1989, when the prospects with regard to interest rates became unfavourable. In non-residential building, on the other hand, the economic climate only worsened appreciably from the second quarter of 1990 onwards.

Building

The rise in the value added by market services slowed down somewhat in 1990. This slackening was accounted for by services mainly designed for enterprises and financial services. In the latter category, the smaller rise in value added was attributable to the repercussions of both a smaller rise in profits on transactions in foreign exchange and securities and on commissions received and a narrowing of the interest rate margin on the credit institutions' transactions in francs.

Market services

Despite the cyclical slackening in industry, the expansion in transport activities as a whole speeded up. It affected, especially, ports, sea and river transport and air transport, especially passenger traffic. This growth in transport activity together with the very large purchases of heating oil by individuals during the last five months of the year under review explain the increase in the value added in respect of distribution of petroleum products.

The favourable trend of private consumption in 1990 led to a slight acceleration of the increase in value added in wholesale and retail trade.

The modest quickening of the growth of the value added in non-market services is due to the raising of the wages and salaries payable by general government and of the pensions payable by the Treasury and the local authorities. The rise in the number of pensioners also contributed to this acceleration.

Non-market services

2.3 LABOUR MARKET

Trend of employment

The recovery in employment which began in 1985 continued, although more slowly than in the preceding years. The number of persons employed appears to have risen between June 1989 and June 1990 by about 36,000 units, or about two thirds of the average job creation recorded during the two preceding years.

The slackening was more marked in market services, which are nevertheless still the main providers of new jobs (+ 24,000). It was less pronounced in building and in industry. In the last-mentioned branch, however, the increase in the workforce during the last two years contrasted with the constant destruction of jobs since 1975. Lastly, in agriculture the structural but slow decline in employment continued.

TABLE 9 — EMPLOYMENT BY BRANCH OF ACTIVITY

(Changes in thousands of units on 30th June)

	Average 1985-1987	1988	1989	1990 e
Agriculture	-2	-2	-1	-2
Industry	-17	-13	12	9
Building .....	...	8	13	8
Market services	35	58	37	24
General government	4	3	-2	-2
Traditional jobs	-2	...	-4	-2
Special programmes	6	2	2	...
Frontier workers (net)	1	...	...	...
Total	21	53	58	36

Source : Ministry of Employment and Labour.

The workforce employed by general government appears to have decreased somewhat again in 1990. The reduction in the number of traditional jobs was no longer fully or partly compensated for by an increase in the number of persons employed in the special programmes, as it had generally been before 1989.

The maintenance of a high level of activity and the concomitant contraction in the reserve of labour contributed to the marked slackening of the increase in part-time working. The labour force surveys carried out by the NSI do in fact confirm that the absence of acceptable full-time jobs is mentioned less and less as a reason for part-time working. The rise in the number of persons who accepted a job with shorter hours in order to escape unemployment while in most cases continuing to receive reduced unemployment benefit fell from 23,000 units in 1989 to 7,000 in 1990, a decrease which was probably partly attributable to the imposition of stricter eligibility rules for this system. Partial career interruptions rose further, but by only 4,000 units against 6,000 in 1989. Lastly, partial unemployment, which had already fallen in 1989 to a level which was less than half that for the first half of the 1980s, remained at that year's low level. These are persons who have not been laid off and who therefore continue to be included in the employment statistics but whose activity has been temporarily suspended or reduced for economic, technical or climatic reasons.

Altogether, therefore, the redistribution of working hours appears to have had only a marginal effect on the supply of jobs : the increase of 1.1 p.c. in the volume of employment expressed in years of full-time work is in fact hardly any smaller than that in the number of persons employed (+ 1.2 p.c.).

TABLE 10 — VALUE ADDED, EMPLOYMENT AND PRODUCTIVITY IN ENTERPRISES

(Annual percentage changes)

	1984-1987	1988	1989	1990 e
Value added	2.0	5.4	4.6	3.9
Number of persons employed	0.3	1.6	1.7	1.2
Number of years of full-time work	-0.1	1.7	1.7	1.1
Value added per person employed	1.7	3.8	2.9	2.7
Value added per year of full-time work	2.1	3.7	2.9	2.8

Sources : Ministry of Employment and Labour, NSI, National Sickness and Disablement Insurance Institute.

The continuance of growth was not coupled, contrary to what might have been expected, with a marked decrease in productivity gains. At the beginning of a phase of economic expansion the effect of growth on employment usually remains relatively limited owing to more intensive use of the available workforces, in other words, owing to a rise in productivity ; but, as the high level of activity continues, this rise slackens and the impact of activity on employment strengthens.

Although perceptible, however, this lessening of productivity gains remained limited in 1990. The annual increase in the value added per person employed or per year of full-time work did in fact remain substantial. It is probably due first of all to the fact that the expansion in activity took place, more than in the past, in industry and building, where it is possible to achieve greater productivity gains than in the tertiary sector. Secondly, the shortages of skilled labour on the labour market forced enterprises faced with increasing recruitment difficulties to improve the performance of the existing workforce.

A brief look back over the decade shows that the economic expansion from 1985 onwards led to the creation of more jobs than had been lost in the first half of the 1980s.

Structural developments

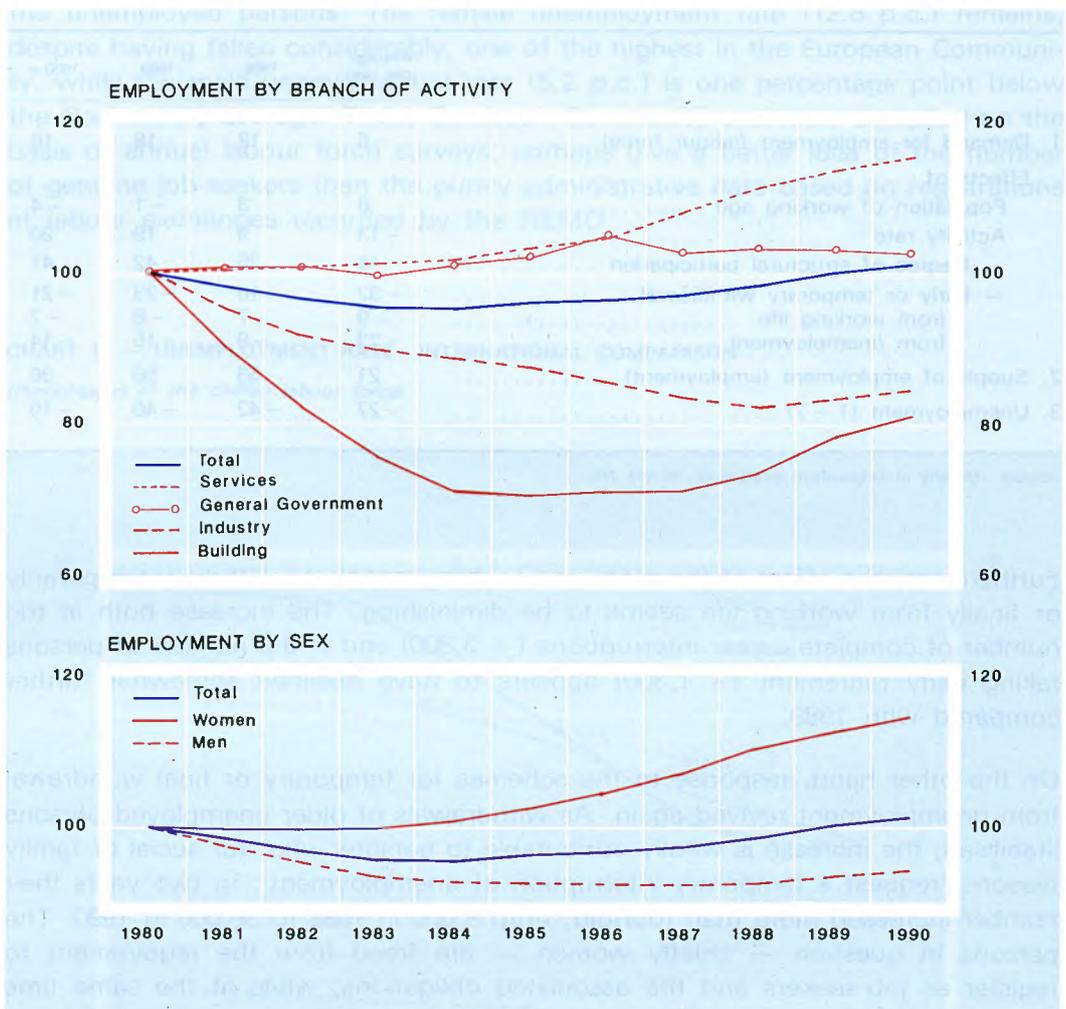
Up to 1984-1985 the modest increase in the labour recruited in both market and non-market services (+ 3 p.c.) had not counterbalanced the considerable loss of jobs in industry (- 15 p.c.) and building (- 30 p.c.). During the second half of the decade the rise in the number of persons employed in the market tertiary sector, perhaps partly due to the increase in part-time working, was very substantial, having reached around 200,000 units ; it was accompanied after that by a gradual reduction in job losses and then by the creation of new jobs in building and industry.

This tertiarisation of the economy, combined with the advance in part-time working, induced more women to enter the labour market. On the other hand, male employment tended to decline during the past decade, largely because

many men took advantage of the various early retirement schemes : in 1990 these numbered about 190,000. The share of women in total employment thus rose from just under 35 p.c. in 1980 to about 40 p.c. in 1990.

CHART 16 — EMPLOYMENT BY BRANCH OF ACTIVITY AND BY SEX

(Indices 1980 = 100)



Source : Ministry of Employment and Labour.

Demand for jobs

The falling-off in the supply of jobs in 1990 having been accompanied by an increase in the labour force of the same order as in 1989, the reduction in unemployment was only half as great : 19,000 units from June 1989 to June 1990 against 40,000 during the preceding twelve months.

The determinants of the movement of the labour force operated in the same direction as in the previous year.

The population of working age decreased further, the negative effect of the decline in the birth rate recorded since the beginning of the 1970s having been greater than the positive effect resulting from a resurgence of net immigration.

On the other hand, the change in the activity rate contributed, as in 1989, to a sharp increase in the labour force of around 20,000 persons. This development is explained by various factors.

As is traditionally found in boom phases, the degree of participation by the population of working age has tended to increase, as more non-working persons, especially women, attracted by the greater possibilities of obtaining work, are induced to enter the labour market.

TABLE 11 — DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Changes in thousands of units on 30th June)

	Average 1985-1987	1988	1989	1990 e
1. Demand for employment (labour force)	-6	12	18	16
Effects of :				
Population of working age	8	3	-1	-4
Activity rate	-13	9	19	20
- Degree of structural participation	19	25	42	41
- Early or temporary withdrawal	-32	-16	-23	-21
from working life	-9	-7	-8	-7
from unemployment	-23	-9	-15	-14
2. Supply of employment (employment)	21	53	58	36
3. Unemployment (1 - 2)	-27	-42	-40	-19

Sources : Ministry of Employment and Labour, NEMO, NSI.

Furthermore, the effect of the measures enabling people to withdraw temporarily or finally from working life seems to be diminishing. The increase both in the number of complete career interruptions (+ 3,800) and in the number of persons taking early retirement (+ 1,300) appears to have declined somewhat further compared with 1989.

On the other hand, response to the schemes for temporary or final withdrawal from unemployment revived again. As withdrawals of older unemployed persons stabilised, the increase is wholly attributable to persons who, for social or family reasons, request a temporary interruption of unemployment : in two years their number increased more than fourfold, from 8,000 in 1988 to 36,000 in 1990. The persons in question — chiefly women — are freed from the requirement to register as job-seekers and the associated obligations, while at the same time continuing to receive benefit corresponding to that of an employee who has interrupted his or her career.

The extent of the early retirement schemes probably largely explains the fact that the male activity rate in Belgium (72.5 p.c. of the population of working age in 1988) is lower than in any other country of the OECD (average 83.6 p.c.). In the long run this may be a rigidity factor for the labour market by reducing the actually available reserve of labour. The extent of these systems is also illustrated by the fact that Belgium is one of the OECD countries which devote the largest proportion of public resources to early withdrawal schemes : expenditure on early retirement schemes alone represents 0.8 p.c. of GNP. It also explains why public expenditure connected with employment policy remained at a high level despite the marked decrease in unemployment and the small amount of resources devoted to vocational training (a little over 0.1 p.c. of GNP).

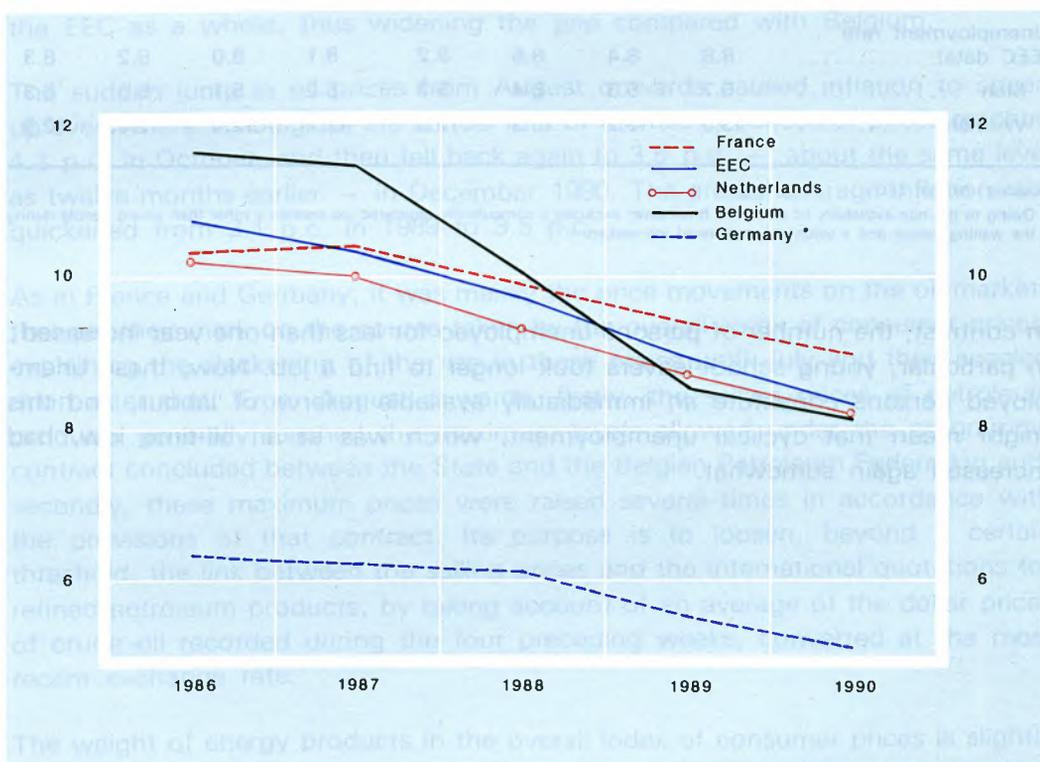
Because of the lower rate of job creation, the reduction in unemployment was not as great as in the two preceding years. The number of unemployed job-seekers amounted on average, in 1990, to 403,000 units, or 17,000 persons fewer than in 1989.

*Development
of unemployment*

A similar movement of unemployment was observable in most of the countries of the European Community. According to the harmonised EEC data, the average annual unemployment rate in Belgium fell from 8.5 p.c. of the civilian labour force in 1989 to 8.1 p.c. in 1990. In the Community as a whole the corresponding rates were 8.9 and 8.3 p.c. respectively. In 1987 the Belgian unemployment rate was still 1.1 percentage point above the European average, but in 1989 it was 0.4 point below it. In 1990 this difference decreased somewhat again. These comparisons do, however; conceal different situations depending on the sex of the unemployed persons. The female unemployment rate (12.8 p.c.) remains, despite having fallen considerably, one of the highest in the European Community, while the male unemployment rate (5.2 p.c.) is one percentage point below the Community average. These European Community statistics, compiled on the basis of annual labour force surveys, perhaps give a better idea of the number of genuine job-seekers than the purely administrative data based on registrations at labour exchanges recorded by the NEMO.

CHART 17 — UNEMPLOYMENT RATE : INTERNATIONAL COMPARISON

(Percentages of the civilian labour force)



Source : EEC.

Looking particularly at the pattern during the year, it can be seen that the decline in the number of unemployed job-seekers had slowed down in 1989 and that this tendency was accentuated in 1990. The seasonally adjusted monthly data show that unemployment remained virtually stable between December 1989 and June 1990 and increased slightly after that.

Long-term unemployment, which is the largest category, decreased further. This development is, however, largely attributable to the — mainly female — unemployed persons who take advantage of the system of interruption of unemployment for social or family reasons.

TABLE 12 — RECENT LABOUR MARKET DEVELOPMENTS

	1989				1990			
	I	II	III	IV	I	II	III	IV
<i>(Changes compared with the corresponding period of the previous year, in thousands of units)</i>								
Unemployed job-seekers	-44.7	-41.5	-39.1	-35.2	-31.9	-23.2	-13.0	2.0
Men	-25.5	-21.7	-18.8	-15.1	-13.2	-8.8	-4.5	1.6
Women	-19.2	-19.8	-20.3	-20.1	-18.7	-14.4	-8.4	0.4
Breakdown according to duration of unemployment ¹								
Less than 1 year ...	-17.8	-10.5	-6.2	-1.1	0.5	0.6	5.6	12.5
More than 1 year ..	-24.8	-29.0	-30.3	-32.4	-30.2	-22.2	-18.5	-11.3
Early and temporary withdrawals	21.8	23.1	22.7	23.1	23.4	20.5	18.8	14.0
of which interruption of unemployment ..	(10.2)	(12.4)	(13.9)	(14.8)	(15.1)	(15.2)	(14.5)	(13.2)
<i>(Percentages of civilian labour force, seasonally adjusted figures)</i>								
Unemployment rate (EEC data)	8.8	8.4	8.5	8.2	8.1	8.0	8.2	8.3
Men	5.7	5.3	5.4	5.3	5.2	5.1	5.3	5.3
Women	13.8	13.2	13.3	12.9	12.7	12.6	12.9	12.9

Sources : NEMO, EEC.

¹ Owing to the non-availability of data, this breakdown excludes « compulsorily registered job-seekers » other than young people during the waiting period and « voluntarily registered job-seekers ».

In contrast, the number of persons unemployed for less than one year increased; in particular, young school-leavers took longer to find a job. Now, these unemployed persons constitute an immediately available reserve of labour, and this might mean that cyclical unemployment, which was at an all-time low, had increased again somewhat.

3. PRICES AND COSTS

3.1. PRICES

Consumer prices

Measured by the movement of the index of consumer prices, the rate of inflation in Belgium, which, after having quickened for twelve months, had stabilised in the last quarter of 1989 at 3.6 p.c., declined during the first half of 1990, to 3 p.c. A similar slowing of the inflation rate took place in Germany and France, too. In the Netherlands, on the other hand, the rise in prices accelerated again slightly, albeit from a particularly low level due partly to the reduction in indirect taxes in 1989. Owing to the quickening which took place in the United Kingdom, the Netherlands, Greece and Portugal, the inflation rate rose again somewhat in the EEC as a whole, thus widening the gap compared with Belgium.

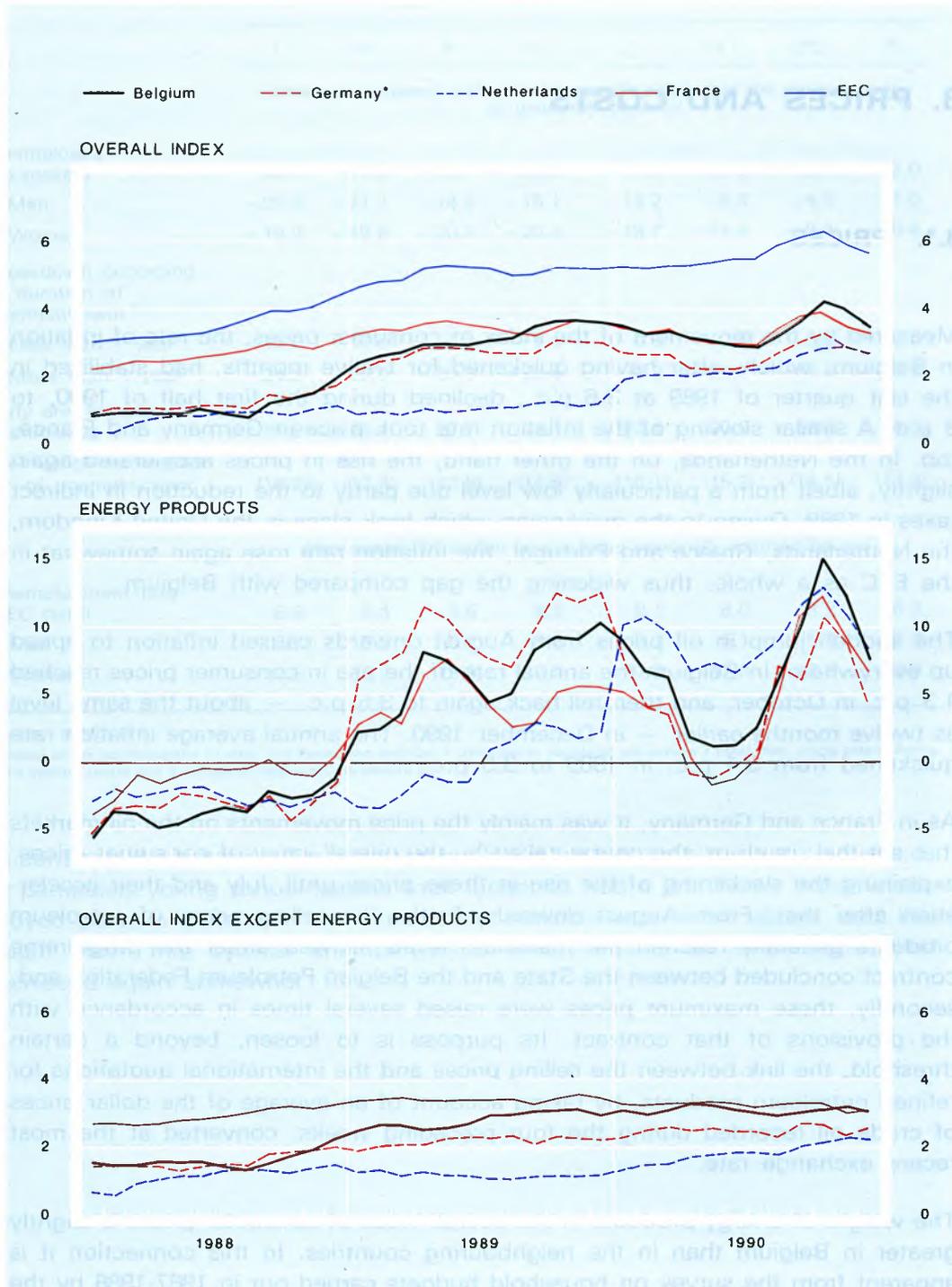
The sudden jump in oil prices from August onwards caused inflation to speed up everywhere. In Belgium the annual rate of the rise in consumer prices reached 4.3 p.c. in October, and then fell back again to 3.5 p.c. — about the same level as twelve months earlier — in December 1990. The annual average inflation rate quickened from 3.1 p.c. in 1989 to 3.5 p.c.

As in France and Germany, it was mainly the price movements on the oil markets that set their mark on the course taken by the overall index of consumer prices, explaining the slackening of the rise in these prices until July and their acceleration after that. From August onwards, firstly, the selling prices of petroleum products generally reached the maximum levels allowed under the programme contract concluded between the State and the Belgian Petroleum Federation and, secondly, these maximum prices were raised several times in accordance with the provisions of that contract. Its purpose is to loosen, beyond a certain threshold, the link between the selling prices and the international quotations for refined petroleum products, by taking account of an average of the dollar prices of crude oil recorded during the four preceding weeks, converted at the most recent exchange rate.

The weight of energy products in the overall index of consumer prices is slightly greater in Belgium than in the neighbouring countries. In this connection it is apparent from the survey on household budgets carried out in 1987-1988 by the National Statistical Institute that, while the share of petroleum products and other energy products in expenditure on consumption decreased compared with the beginning of the decade, this was only because of the fall in the relative price of these products and not because of changes in volume. The weight of energy products in the new consumer price index, which has 1988 as its base year and came into effect at the beginning of 1991, is about 9.3 p.c. : it is thus lower than the 1981 weight (12.6 p.c.) because of the decline in energy prices, but slightly greater than the implicit weight of these products in the former index (9 p.c. in 1988), which means that the effect of future rises in the prices of energy products on the overall index will be somewhat greater still than it used to be.

CHART 18 — CONSUMER PRICES : INTERNATIONAL COMPARISON

(Percentage changes compared with the corresponding month of the previous year)



Sources : MEA, EEC.

Excluding energy prices, the rise in consumer prices fluctuated around the level reached in the middle of 1989. This rate of increase remained only slightly above that recorded in Germany.

The rise in the prices of food products, which had speeded up in the course of 1989, slowed down gradually in 1990, partly owing to the decline in import prices. This slackening was particularly pronounced for meat and fish, edible oils and

fats and coffee, while the prices of alcoholic beverages — which had already gone up in April as a result of the raising of excise duties — and the prices of fresh fruit and vegetables rose fairly markedly at the end of the year. The prices of products other than energy and food went up at the same rate as in the previous year. On the other hand, the acceleration of inflation in the service sector continued in 1990. It applied to most services, except for public transport and newspapers and periodicals, and was particularly pronounced in the case of postal and telecommunication services, hotels, restaurants and cafes and maintenance work on dwellings. Lastly, the law of 22nd December 1989, extending non-commercial rent contracts expiring before 1st January 1991 by one year, probably helped to keep down the rise in rents.

TABLE 13 — CONSUMER PRICES : MAIN CATEGORIES

(Percentage changes compared with the corresponding period of the previous year)

	Overall index	Energy products	Overall index excluding energy products	Food products	Other products	Services	Rents
1988	1.2	-3.4	1.6	...	2.5	1.5	3.6
1989	3.1	6.5	2.8	3.1	2.5	2.6	3.7
1990	3.5	6.8	3.1	3.7	2.6	3.2	3.2
1989 1st quarter	2.6	2.9	2.5	1.8	2.8	2.5	4.1
2nd quarter	3.0	7.5	2.5	2.4	2.5	2.4	3.6
3rd quarter	3.2	6.0	3.0	3.7	2.4	2.8	3.7
4th quarter	3.6	9.7	3.0	4.5	2.4	2.5	3.4
1990 1st quarter	3.5	7.4	3.1	4.4	2.5	2.7	3.2
2nd quarter	3.1	1.5	3.2	4.2	2.7	3.1	3.3
3rd quarter	3.3	6.4	3.0	3.3	2.6	3.3	3.1
4th quarter	3.9	11.7	3.1	3.0	2.6	3.8	3.2

Source : MEA.

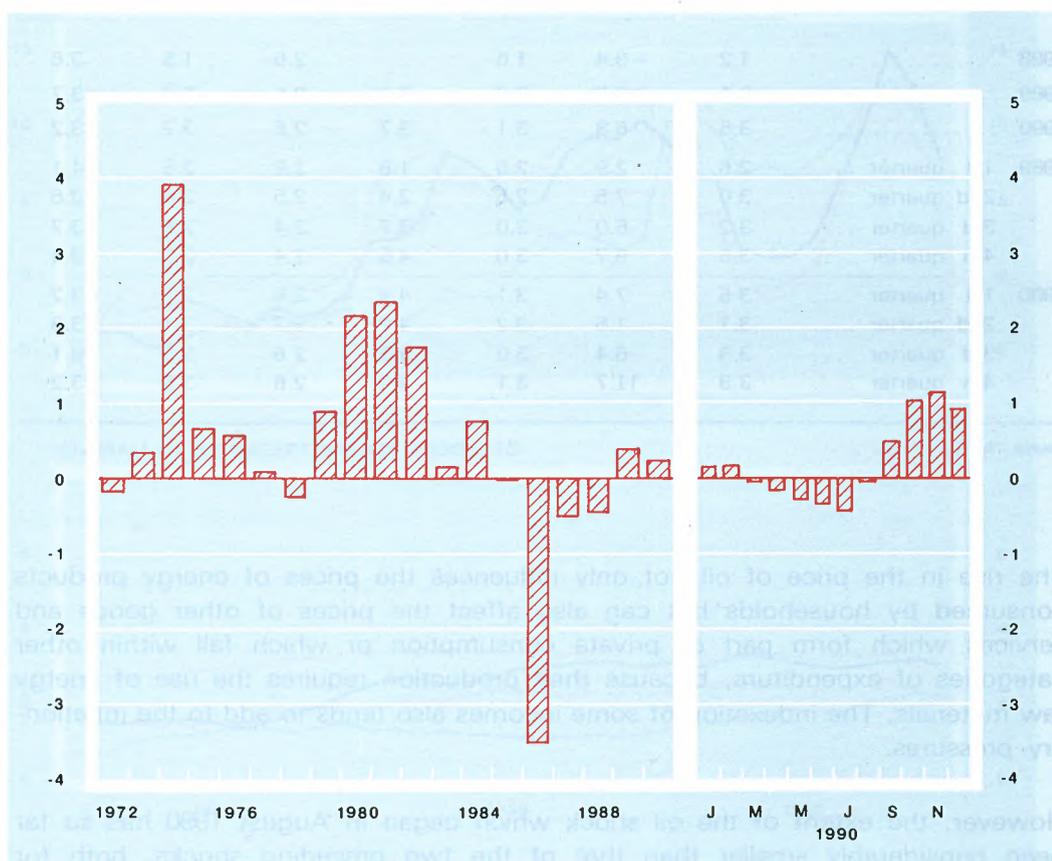
Sources of inflation The rise in the price of oil not only influences the prices of energy products consumed by households but can also affect the prices of other goods and services which form part of private consumption or which fall within other categories of expenditure, because their production requires the use of energy raw materials. The indexation of some incomes also tends to add to the inflationary pressures.

However, the extent of the oil shock which began in August 1990 has so far been considerably smaller than that of the two preceding shocks, both for Belgium and for the other European countries. Firstly, dependence on imported oil and natural gas, measured by the ratio between net imports of these fuels and GNP at constant prices, has decreased, even though there has been no reduction in the share of petroleum products and natural gas in private consumption at constant prices. Secondly, the rise in prices in 1990 was considerably smaller than the previous rises, partly because of the depreciation of the dollar. Consequently, whereas the increase in the prices, expressed in Belgian francs, of imported energy products represented a shock of the order of 4 p.c. of GNP in 1974 and a cumulative shock of the order of 7 p.c. from 1979 to 1982, the rise between the average prices in 1989 and December 1990 is equivalent to less than 1 p.c. of GNP.

Actually, the depreciation of the dollar not only moderated the rise in the prices of imported petroleum products but also kept down the import prices of other goods. In general, the appreciation of the franc, despite the rise in the oil price, made possible a decline in the average unit value of imports in 1990. Consequently, foreign trade, unlike in the previous year, made a by no means negligible contribution towards moderating inflation, especially during the first half of the year. The movement of the index of consumer prices during the year confirms this influence of import prices. On annual average, however, the rate of increase of consumer prices did not fall in 1990, whereas the average cost of imports declined after having gone up in 1989. This divergence appears to indicate that the rise in the domestic costs passed on in consumer prices speeded up, perhaps partly because of the time-lag with which these prices — except for the selling prices of energy products — adapt themselves to changes in the cost of imports, this adaptation being to some extent cushioned by profit margins.

CHART 19 — RELATIVE EXTENT OF CHANGES IN THE PRICES OF IMPORTED ENERGY PRODUCTS

(Percentages of GNP)¹



Sources : NSI, NBB.

¹ Percentage change compared with the average for the previous year in the price in Belgian francs of imports of energy products, multiplied by the ratio of net imports of energy products to the previous year's GNP.

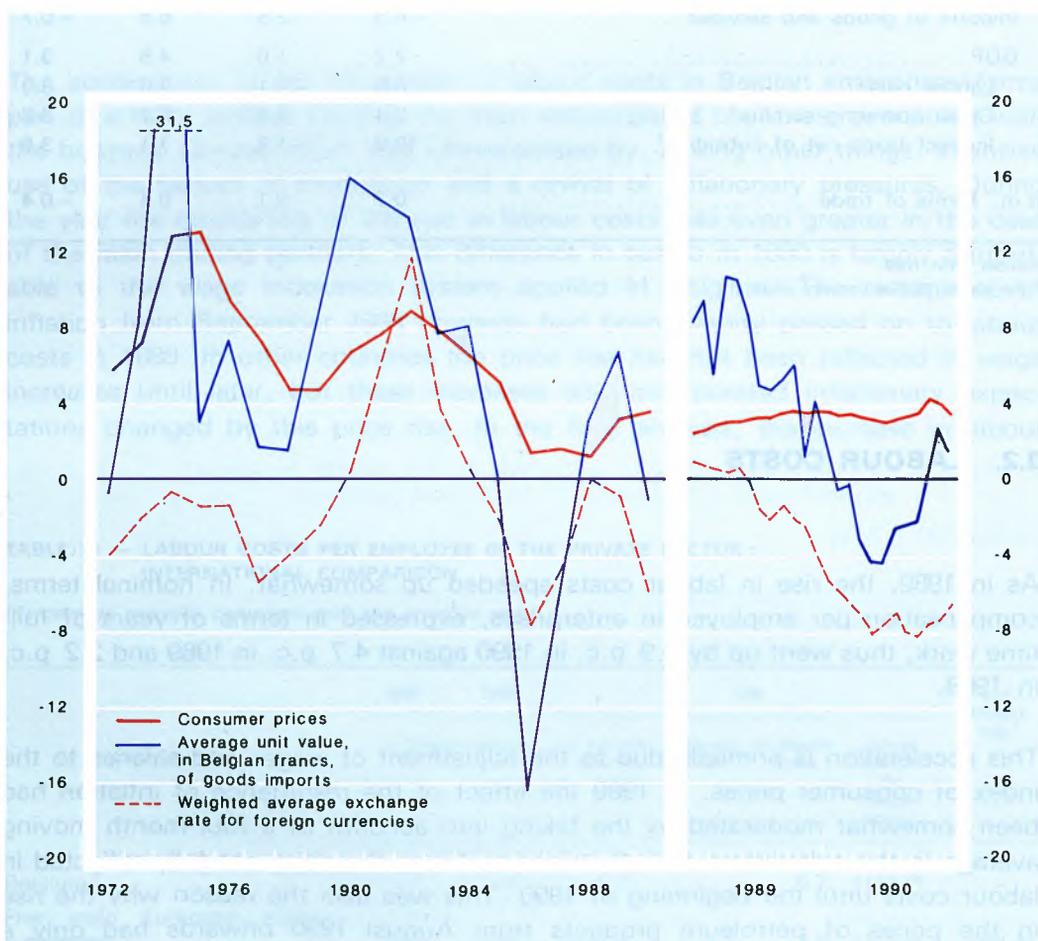
However, the deflator of GDP, which reflects the movement of the domestic costs incorporated in production of goods and services as a whole, increased less than in 1989. This slackening of the rise in total domestic costs is not attributable to wages, which, per unit of GDP, rose by 3 p.c. against 2 p.c. in 1989. It is only marginally due to indirect taxes, the increase in which was smaller than that in 1989 despite a further raising of excise duties. It was in fact caused by the

movement of the gross operating surplus per unit of output : this increased further in 1990, but appreciably more slowly than the previous year's particularly rapid rate.

The gross operating surplus — which comprises the remuneration of all domestic factors except labour — probably underwent divergent changes depending on the categories of final expenditure. Consumer prices are in fact generally fixed according to the movement of costs, because private consumption includes a very large proportion of services, whereas export prices — like most industrial producer prices — depend more on the prices ruling abroad, the share devoted to remuneration of the domestic factors being determined as a residual item.

CHART 20 — PRICES AND EXCHANGE RATES

(Percentage changes compared with the corresponding period of the previous year)



Sources : MEA, NSI, NBB.

Now, export prices declined in 1990 after having gone up the previous year. This fall must have caused a contraction in the margins of the export sector, as the cost of its purchases abroad probably decreased less than its selling prices and as unit labour costs increased. More generally, the worsening of the terms of trade — by about 0.4 p.c. after six years of improvement — is the main cause of the slackening of the rate of increase of the gross operating surplus per unit of output for the economy as a whole, this slackening having probably been particularly marked in the case of enterprises exposed to international compe-

tition. There was therefore hardly any further change in the distribution of the value added, unlike during the preceding years, when it changed considerably at the expense of wages and salaries.

TABLE 14 — DEFLATORS

(Percentage changes compared with the previous year)

	1987	1988	1989	1990 e
Final expenditure	-0.7	1.9	5.2	1.5
Domestic expenditure	1.5	1.4	3.9	3.5
of which private consumption	(1.7)	(1.3)	(3.4)	(3.5)
Exports of goods and services	-3.6	2.9	7.2	-1.1
Costs	-0.7	1.9	5.2	1.5
Imports of goods and services	-4.3	2.8	6.8	-0.7
GDP	2.2	1.6	4.5	3.1
Labour costs ¹	0.6	-1.1	2.0	3.0
Gross operating surplus ¹	3.4	5.5	8.7	3.2
Indirect taxes net of subsidies ¹	10.9	-1.8	7.1	3.6
p.m. Terms of trade	0.7	0.1	0.4	-0.4

Sources : NSI, NBB.

¹ Per unit of GDP at constant prices.

3.2. LABOUR COSTS

As in 1989, the rise in labour costs speeded up somewhat. In nominal terms, compensation per employee in enterprises, expressed in terms of years of full-time work, thus went up by 5.9 p.c. in 1990 against 4.7 p.c. in 1989 and 2.2 p.c. in 1988.

*Compensation
per employee*

This acceleration is primarily due to the adjustment of wages and salaries to the index of consumer prices. In 1989 the effect of the resurgence of inflation had been somewhat moderated by the taking into account of a four-month moving average in the calculation of indexations and was therefore not fully reflected in labour costs until the beginning of 1990. This was also the reason why the rise in the prices of petroleum products from August 1990 onwards had only a marginal effect on the movement of labour costs during the year under review.

In real terms the collectively agreed wage adjustments resulting from the Central Agreement and the sectoral agreements concluded for the period 1989-1990 led, as in 1989, to a rise of 2 p.c. Employers' contributions were affected by the introduction, by the programme law of 22nd December 1989, of an additional contribution for the purpose of financing the guaranteed wage during maternity leave, which had previously had to be paid directly by the employer. Lastly, the factors which had helped, during the two preceding years, to bring the effect of wage drift below the level previously regarded as normal, and especially the recruiting of young unemployed persons, no longer appear to have played the same role in 1990.

TABLE 15 — LABOUR COSTS IN ENTERPRISES¹

(Percentage changes compared with the previous year)

	1988	1989	1990 e
Compensation per employee per year of full-time work	2.2	4.7	5.9
Increase resulting from :			
Indexations	1.1	2.7	3.4
Wage increases under collective agreements	1.0	2.0	2.0
Employers' social security contributions .....	...	0.2	0.2
Other factors ²	0.1	-0.3	0.2
Productivity per employee per year of full-time work	3.4	2.7	2.8
Labour costs per unit of output	-1.2	1.9	3.0

Sources : NSI, NBB.

¹ Private and public enterprises.

² Including wage drift, the divergence between estimated and actual indexations of wages and errors and omissions.

International
comparison

The acceleration of the movement of labour costs in Belgian enterprises forms part of a fairly general trend in the main industrialised countries, connected with the business climate which was characterised by, among other things, intensive use of the factors of production and a revival of inflationary pressures. During the year the quickening of the rise in labour costs was even greater in the case of the main trading partners. This difference in tempo in 1990 is largely attributable to the wage indexation system applied in Belgium. The resurgence of inflation from September 1988 onwards had been already passed on to labour costs in 1989. In other countries the price rise had not been reflected in wage increases until later, but these increases also incorporated inflationary expectations changed by this price rise. In the final analysis, the increase in labour

TABLE 16 — LABOUR COSTS PER EMPLOYEE IN THE PRIVATE SECTOR :
INTERNATIONAL COMPARISON

(Percentage changes compared with the previous year)

	1988	1989	1990			Indices 1987 = 100 (Belgian francs)	p.m. Weight- ings ¹
	In Belgian francs	In national currency	Exchange rate	In Belgian francs			
Belgium ²	2.6	4.8	5.7	...	5.7	(113.7)	—
Five main European trading partners	5.5	4.4	6.2	-2.2	3.9	(114.5)	(84.6)
Seven main trading partners .	5.8	5.0	5.9	-4.4	1.3	(112.3)	(100.0)
Germany ^o	4.0	3.1	5.3	-1.3	3.9	(111.4)	(31.0)
Netherlands	2.8	0.2	4.5	-1.2	3.2	(106.3)	(10.7)
France	3.4	4.5	5.4	-0.6	4.7	(113.2)	(23.3)
United Kingdom	15.6	6.8	10.9	-7.9	2.2	(126.2)	(11.4)
Italy	6.8	11.3	8.0	-2.9	4.8	(124.7)	(8.2)
United States	3.3	10.1	3.7	-15.3	-12.1	(100.0)	(10.4)
Japan	14.9	3.8	5.2	-19.2	-15.0	(101.3)	(5.0)

Source : OECD.

¹ The weightings, based on the IMF model for competitiveness, take account of each country's share in Belgium's exports and imports and of the importance of each of these countries as a competitor of Belgium in third markets.

² The estimates for Belgium differ from those shown in Table 15. Firstly, they are not converted into years of full-time work; secondly, they resort, for purposes of international comparison, to different sources.

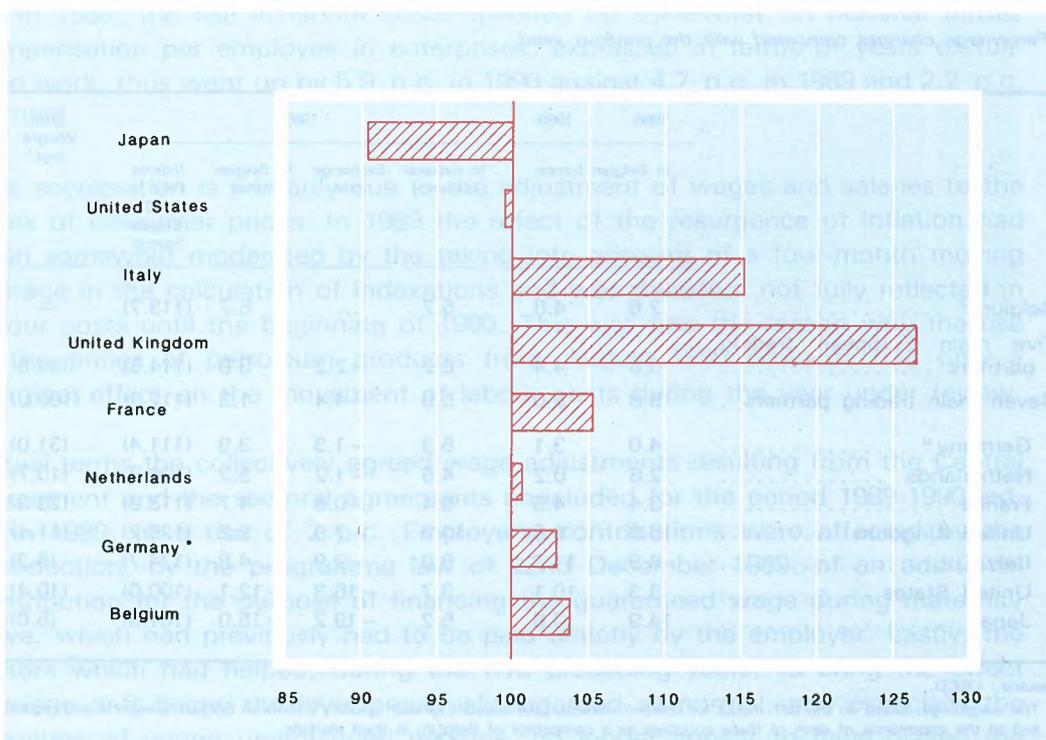
costs in Belgium, expressed in the national currency, remained below the average increase in its five main European trading partners, and kept in step with that in its seven main trading partners.

In order to assess the movement of the Belgian economy's competitiveness it is, however, necessary to make the comparison in a common currency. This is moreover stipulated by the law of 6th January 1989. That law also prescribes that 1987 shall be taken as the base year and mentions the seven main trading partners and their respective weights. This comparison shows that the increase in labour costs amounted to 1.3 p.c. in the seven main competing countries against 5.7 p.c. in Belgium. The franc in fact appreciated against the currencies of each of the countries in question. It strengthened particularly in relation to the floating currencies — the dollar, the yen and, until 8th October, the pound sterling — and against the Italian lira, the central rates for which were adjusted on 8th January. Within the EMS the appreciation of the franc against the German mark, the Dutch guilder and, to a smaller extent, the French franc was much more limited and took place chiefly during the first four months of 1990, that is, before the official announcement of the orientation of the exchange rate policy. Consequently, the repercussions of the recovery of the franc due to its official linking with the EMS currencies which are regarded as stabilising anchors were negligible from the point of view of competitiveness.

Compared with 1987, Belgium lost ground as regards competitiveness vis-à-vis the Netherlands and above all vis-à-vis the United States and Japan. The Netherlands succeeded in keeping wage increases down, while the United States and Japan benefited chiefly from the depreciation of their currencies. On the other hand, the wage increases in Belgium were of the same order of magnitude

CHART 21 — LABOUR COSTS PER UNIT OF OUTPUT IN THE PRIVATE SECTOR :
INTERNATIONAL COMPARISON IN A COMMON CURRENCY

(Indices 1987 = 100)



Source : OECD.

as in the two most important competitor countries, Germany and France, both in the national currency and in a common currency. Belgium also strengthened its competitive position in relation to the United Kingdom and Italy during the same period. In these two countries wage increases in national currency were much greater than in Belgium, and this movement was only very partially counterbalanced by the depreciation of their currencies against the Belgian franc.

When concluding a new Central Agreement for the period 1991-1992, management and trade unions took account of this situation. They thus heeded the warnings given by the Government, which, during the negotiations, repeatedly expressed its concern about safeguarding competitiveness.

Firstly, the increase in costs due to the social advantages resulting from the agreement signed on 27th November 1990 is limited to 0.6 p.c. of total wages and salaries; it is mainly due to an increase in the holiday allowance, which will be paid in 1992 on a temporary basis in order to avoid creating difficulties for the future. Secondly, management and labour undertook to take account of the following factors when concluding sectoral and company agreements: « the position of Belgium in the Single European Market at the end of 1992, the monetary policy which pegs the Belgian franc to the strong currencies of the European Community, the development of competitiveness in 1990 (...) and the uncertainty with regard to the outcome of the Gulf crisis ».

*Labour costs per
unit of output*

If account is taken of the productivity gains, the conclusions which have just been drawn from the comparison of labour costs per employee expressed in a common currency are not fundamentally altered. A comparison of labour costs per unit of output does, however, generally become somewhat more favourable for Belgium, because the productivity gains in the private sector were greater there than in most of the competing countries.

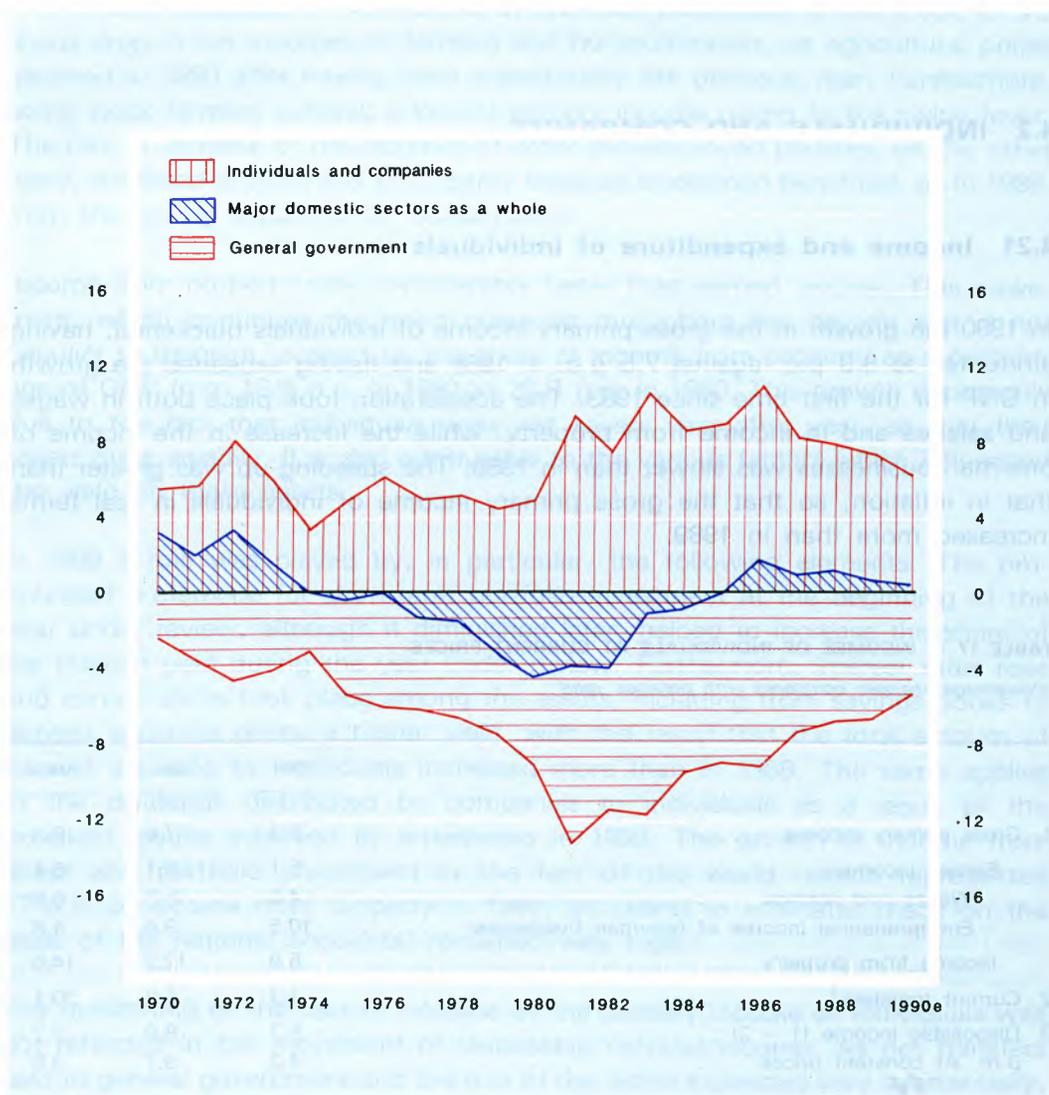
4. SUMMARY OF THE TRANSACTIONS OF THE MAJOR DOMESTIC SECTORS

4.1 OVERALL VIEW

The reduction in the net financing requirement of general government expressed as a percentage of GNP, which began in 1982, continued in 1990. Between 1982 and 1986 the net financing capacity of individuals and companies — which, apart

CHART 22 — NET FINANCING REQUIREMENT (-) OR CAPACITY (+) OF THE MAJOR SECTORS OF THE ECONOMY¹

(Percentages of GNP)



Source : NSI.

¹ Excluding lending and equity investment by general government.

from capital transfers, is by definition equal to the difference between their gross savings and their gross capital formation — had remained relatively stable. There had therefore been a reversal in the financial balance of the domestic sectors as a whole : Belgium had changed from being a net borrower from the rest of the world to a net lender. Since 1987 the brisk investment activity on the part of both individuals and enterprises had led to a reduction in the net financing capacity of the private sector. Thanks, however, to the further contraction of the net financing requirement of general government, Belgium remained a net lender to the rest of the world.

The further decline in the net financing capacity of Belgian individuals and enterprises in 1990 is attributable to the continued very strong growth in their expenditure on investment and furthermore, unlike during the two preceding years, to the decrease in their gross saving. These movements are observable in the case of both individuals and enterprises.

Under the influence of these developments, the situation of the major domestic sectors in Belgium came more into line with that of the EEC as a whole in 1990. Thus, as far as the net financing requirement of general government is concerned, the difference between Belgium and the Community average narrowed considerably. At the same time, gross capital formation by the Belgian private sector, expressed as a percentage of GNP, returned to the average EEC level.

4.2 INDIVIDUALS AND COMPANIES

4.21 Income and expenditure of individuals

In 1990 the growth in the gross primary income of individuals quickened, having amounted to 8.3 p.c. against 7.5 p.c. in 1989 and having exceeded the growth in GNP for the first time since 1983. The acceleration took place both in wages and salaries and in income from property, while the increase in the income of one-man businesses was slower than in 1989. The speeding-up was greater than that in inflation, so that the gross primary income of individuals in real terms increased more than in 1989.

TABLE 17 — INCOMES OF INDIVIDUALS AT CURRENT PRICES

(Percentage changes compared with previous year)

	1988	1989	1990 e
1. Gross primary income	5.3	7.5	8.3
Earned income	5.1	6.1	6.4
Wages and salaries	4.0	5.3	6.8
Entrepreneurial income of one-man businesses	10.5	9.6	4.8
Income from property	5.9	12.2	14.6
2. Current transfers ¹	2.3	-5.9	20.1
3. Disposable income (1 - 2)	5.7	8.9	7.2
p.m. At constant prices	4.2	5.7	3.5

Sources : NSI, NBB.

¹ These are net transfers, that is, the difference between the amounts paid and the amounts received.

With regard to wages and salaries in particular, the faster growth is entirely attributable to the movement of average compensation per year of full-time work, which in turn is chiefly due to indexation. The implications of this development for the enterprise sector were analysed in section 3.2. They are much the same for general government, because the indexation systems in that sector are similar. The social programming in that sector in favour of the recipients of wages and pensions likewise contributed to the rise in these incomes, to the extent of 1.6 p.c. in 1989 and 2.2 p.c. in 1990, bringing about, for the two years, an increase of the same order of magnitude as that resulting from the wage increases under the collective agreements in the private sector.

The effect of job creation on the expansion of total wages and salaries was smaller than in 1989. The increase in employment in enterprises, expressed in years of full-time work, amounted to 1.1 p.c. against 1.9 p.c. in 1989. On the other hand, employment in the general government sector again declined slightly; nevertheless, the resultant downward pressure on total wages and salaries was almost entirely neutralised by a virtually equivalent rise in the number of recipients of pensions paid by general government. Account being taken of all these factors, total wages and salaries went up by 6.8 p.c. The share of total wages and salaries in GNP thus practically stabilised in 1990 at 51.4 p.c., after having declined steadily during the period 1981-1989.

The smaller expansion in the income of one-man businesses is solely due to the sharp drop in the incomes of farmers and horticulturalists, as agricultural prices declined in 1990 after having risen substantially the previous year. Furthermore, some stock farmers suffered a loss of primary income owing to the swine fever. The rate of increase of the incomes of other self-employed persons, on the other hand, stabilised at around 8 p.c., partly because tradesmen benefited, as in 1989, from the strong expansion in consumption.

Income from property rose considerably faster than earned income. This movement, which continues the trend observed throughout the decade and is not peculiar to Belgium, pushed up the share of income from property as a percentage of GNP from 13.9 p.c. in 1980 to 20.8 p.c. in 1990. This growth is primarily due to the fact that individuals were net savers year after year, so that their assets grew steadily. It is also attributable to the various factors which influenced the yield on these assets.

In 1990 a role was played by, in particular, the following elements. The pronounced preference for short-term portfolio investment at the beginning of the year under review, although it diminished later, helped to increase the share of the interest paid during the year under review. Furthermore, interest rates rose and certain shifts took place among the assets, including from savings books to deposit accounts giving a higher yield, with the result that the total amount of interest accruing to individuals increased more than in 1989. The same applies to the dividends distributed by companies to individuals as a result of the excellent results achieved by enterprises in 1989. The growth in income from direct and portfolio investment in the rest of the world, which represented 17 p.c. of income from property in 1989, according to estimates made on the basis of the national accounts, remained very high.

The quickening of the rate of increase of the primary income of individuals was not reflected in the movement of disposable nominal income. As net transfers paid to general government and the rest of the world expanded very substantially, the rise in the disposable income of individuals was some 1 p.c. smaller than that in gross primary income, the reverse of what had happened in 1989.

Direct taxes and social contributions moved parallel with gross primary income and wages and salaries, so that there was no easing of the total fiscal and parafiscal burden, as might have been expected as a result of the relaxations introduced by the law of 7th December 1988. This stabilisation is attributable — as will be seen further on in the section on public finance — firstly to a delay in assessment, which means that a number of tax reductions due in particular to the separation of the incomes of households with two incomes did not yet produce their full effect in 1990. Other factors also contributed to an increase in tax revenue, especially the withholding tax on earned income and the withholding tax on income from financial assets. With regard to the former, the tax scales were only partly index-linked and a budget measure required the social secretariats to pay it earlier than they had previously done. The withholding tax on income from financial assets, for its part, produced an unexpectedly high yield despite the lowering of the rate. Apart from the greater attractiveness of investments in francs and at short term, revenue from the withholding tax benefited from the redemption of a much higher number of capitalisation bonds than previously and from the fact that investors displayed less propensity than in the past to capitalise the coupons of medium-term notes. This revenue thus also included a catching-up movement, so that in 1990 its increase exceeded the growth in interest income during the year.

TABLE 18 — SUMMARY OF TRANSACTIONS OF INDIVIDUALS

(Percentages of GNP)

	1988	1989	1990 e
Disposable income	75.9	76.1	76.3
Consumption	64.0	63.3	63.6
Gross savings	11.9	12.9	12.7
p.m. Gross savings as a percentage of disposable income	(15.7)	(16.9)	(16.6)
Capital transfers .....	...	...	...
Gross capital formation	5.5	6.1	6.2
Net financing capacity	6.4	6.8	6.5

Source : NSI.

The stabilisation of the total tax burden on the income of individuals is therefore entirely attributable to the time-lags between the period during which the incomes were earned, on the one hand, and the moment when the taxes on these incomes were actually paid, on the other. Apart from this, the year under review shows a continuance of the trend, which started in 1986, towards an easing of the tax pressure on the incomes of individuals.

Transfers by general government received by individuals, for their part, increased only very moderately : unemployment decreased, interventions in respect of health care benefits rose appreciably less than in 1989 and the development of the demographic structure slowed down the growth in family allowances ; only pension payments increased faster.

Altogether, net transfers paid to general government rose by nearly 16 p.c. Furthermore, transfers to the rest of the world, which will be examined in greater detail in the chapter on the balance of payments, likewise helped to slow down

the rise in disposable income, so that this amounted to only 7.2 p.c. ; calculated in real terms, that is, by deflating it by the rise in private consumer prices, it was 3.5 p.c., so that the increase in purchasing power, though smaller than in 1988 and 1989, was still among the largest in the past decade.

Expressed as a percentage of GNP, the disposable income of individuals did in fact increase slightly in 1990. As this sector's consumption rose still more, its gross savings rate declined somewhat, from 12.9 p.c. of GNP in 1989 to 12.7 p.c. in 1990. The expansion in gross capital formation which started in 1985 continued during the year under review, this investment having amounted to 6.2 p.c. of GNP in 1990 against 4.3 p.c. in 1984. On balance, the contraction in the gross rate of saving of individuals and the increase in their propensity to invest reduced their net financing capacity from 6.8 p.c. of GNP in 1989 to 6.5 p.c. in 1990.

4.22 Income and expenditure of companies

Despite the slackening of international economic activity, companies were able to achieve a slight further increase in their gross primary income — which corresponds, in terms of company accounting, to the sum of profits placed to reserve, taxes paid and depreciation. The increase was smaller, however, than that in GNP, so that the growth in the share of GNP represented by the gross primary income of companies, uninterrupted since 1982, came to an end, that share having in fact declined from 15.1 to 14.3 p.c. during the year under review.

TABLE 19 — INCOMES OF COMPANIES AT CURRENT PRICES

(Percentage changes compared with previous year)

	1988	1989	1990 e
1. Gross operating surplus before subsidies	10.4	18.1	10.2
Unit profit margins	3.1	10.6	6.0
Final sales at constant prices	7.1	6.8	4.0
2. Subsidies received	22.3	-4.1	12.3
3. Gross operating surplus (1 + 2)	11.2	16.6	10.3
4. Net income from property paid to other sectors	19.2	27.8	36.3
5. Gross primary income (3 - 4)	9.0	13.2	1.4
6. Tax	8.1	2.4	0.5
7. Disposable income (5 - 6)	9.2	16.2	1.6

Sources : NSI, NBB.

The rise of about 10 p.c. in the gross operating surplus of companies before subsidies was due both to a widening of unit profit margins and to an increase in final sales of goods and services at constant prices. The growth in the latter was, however, smaller than in 1989, mainly because Belgian exporters were faced with a slackening of the expansion of their markets. The growth in the volume of sales was the same on both the domestic and foreign markets.

Selling prices, on the other hand, displayed a divergent movement : they rose by 3.8 p.c. on the domestic market but fell by 1.1 p.c. on the foreign market.

Despite the reduction in export prices, the average increase in the prices on the two markets combined amounted to 1.3 p.c. It was greater than that in average unit cost prices, so that, altogether, profit margins widened. It was chiefly labour costs that contributed to the rise in cost prices, while the decline in import prices had the opposite effect. This overall picture of the profit margin of companies as a whole probably conceals, as mentioned in the section on prices, a less favourable movement of exporters' margins. This might be explained by the fact that most Belgian exporters are price-takers: in a situation where prices are imposed by the world market, the loss of competitiveness observed in 1990 with regard to labour costs would appear to have been recovered at the expense of profit margins, exporters having endeavoured, in this way, to preserve their market share in terms of volume as far as possible. Exporters' profit margins thus to a certain extent serve as a buffer, so that, at least in the short term, the movement of competitiveness in terms of costs is not fully reflected in that of export volumes and of market shares abroad.

TABLE 20 — SUMMARY OF TRANSACTIONS OF COMPANIES

(Percentages of GNP)

	1988	1989	1990 e
Disposable income	11.3	12.1	11.5
Capital transfers ¹	0.4	0.4	0.3
Gross capital formation	10.2	11.8	12.0
Net financing requirement (–) or capacity	1.5	0.7	–0.2

Source: NSI.

¹ Excluding general government's lending and equity investment.

Whereas, owing to differences in the timing of their payment, subsidies received had increased markedly in 1988 and declined slightly in 1989, they rose in 1990 by 12.3 p.c.; this rise had hardly any effect on the movement of the gross operating surplus, which increased by 10.3 p.c.

The growth of only 1.4 p.c. in the gross primary income of companies fell short of that in the gross operating surplus. The discrepancy between these two movements is due to net incomes from property paid to the other sectors, which again increased sharply, mainly reflecting, as in recent years, the movement of dividends distributed. This item is in fact largely responsible for the redistribution of primary incomes in favour of individuals observed in 1990.

Corporation tax, which will be analysed in greater detail in the section on public finance, underwent little change in 1990, so that, on balance, the disposable income of companies reached a slightly higher level than in 1989.

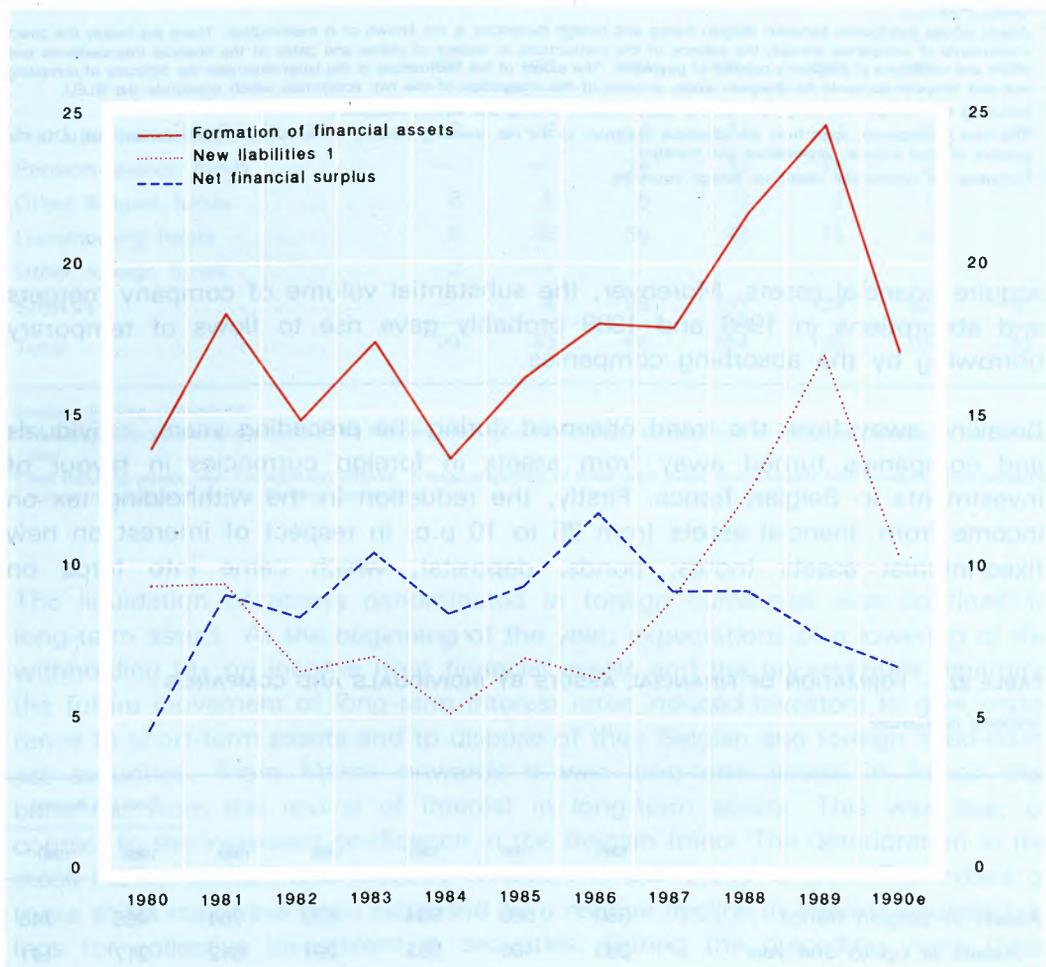
Despite this increase in absolute terms, the share of the disposable income of companies in GNP shrank somewhat for the first time since 1981, while still remaining at a high level. Gross capital formation expressed as a percentage of GNP, for its part, continued to increase strongly. Thus, unlike during the preceding years, companies did not generate a net financing capacity in 1990.

4.23 Financial account of individuals and companies

In 1990 individuals and companies, the available statistics for which do not allow their respective financial behaviour to be analysed separately, very substantially reduced both their acquisitions of assets and their new financial liabilities. According to the provisional data for the first ten months of the year, formation of assets fell from Fr. 1,226 to 952 billion and formation of liabilities from Fr. 729 to 539 billion. On balance, the financial surplus of individuals and companies declined in 1990 to Fr. 413 billion.

CHART 23 — FINANCIAL ACCOUNT OF INDIVIDUALS AND COMPANIES

(Percentages of GNP)



Source : NBB.

¹ Including liabilities resulting from lending and equity investment by general government.

In 1988 and 1989 the parallel expansion in financial flows had reflected to some extent an unlinking between the financial sphere and the real economy, the sharp increase in the flows having been largely due to the growing number of financial devices resorted to by companies, especially with a view to deriving advantage from the tax legislation. However, the reform of the corporation tax introduced in December 1989 reduced the advantages conferred by certain tax provisions (the flat-rate portion of foreign tax and the system of definitively assessed incomes) which were perhaps the underlying reasons for borrowing in order to

TABLE 21 — FINANCIAL ACCOUNT OF INDIVIDUALS AND COMPANIES

(Billions of francs)

	1987	1988	1989	First ten months	
				1989	1990 *
1. Formation of financial assets	946	1,222	1,505	1,226 ⁴	952 ⁴
Belgian francs	534	570	764	465	746
Foreign currencies	139	228	333	339	5
Other assets ¹	274	424	408	421 ⁴	202 ⁴
2. New liabilities	458	701	1,034	729	539
Individuals	131	136	184	149	112
Companies and one-man businesses ²	327	565	850	580	427
3. Net financial surplus (1 - 2) ³	488	521	471	497 ⁴	413 ⁴

Source : NBB.

¹ Assets whose distribution between Belgian francs and foreign currencies is not known or is meaningless. These are mainly the direct investments of companies abroad, the balance of the transactions in respect of claims and debts of the financial intermediaries and errors and omissions in Belgium's balance of payments. The extent of the fluctuations in the latter illustrates the difficulty of compiling real and financial accounts for Belgium alone, in view of the integration of the two economies which constitute the BLEU.

² Including the liabilities resulting from general government's lending and equity investment.

³ This item corresponds, apart from the statistical deviation, to the net financing capacity of individuals and companies, that is, to the balance of their income, expenditure and transfers.

⁴ Excluding net commercial claims on foreign countries.

acquire financial assets. Moreover, the substantial volume of company mergers and absorptions in 1988 and 1989 probably gave rise to flows of temporary borrowing by the absorbing companies.

Breaking away from the trend observed during the preceding years, individuals and companies turned away from assets in foreign currencies in favour of investments in Belgian francs. Firstly, the reduction in the withholding tax on income from financial assets from 25 to 10 p.c. in respect of interest on new fixed-interest assets (notes, bonds, deposits), which came into force on

Financial assets

TABLE 22 — FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

(Billions of francs)

	1985	1986	1987	1988	1989	First ten months	
						1989	1990 *
Assets in Belgian francs	550	569	534	570	764	465	746
Assets at up to one year	260	490	393	291	612	317	141
of which savings deposits ..	(163)	(210)	(226)	(187)	(191)	(76)	(-349)
Bonds, medium-term notes and deposits at over one year ..	287	70	155	277	97	98	617
Shares	3	9	-14	3	56	50	-12
Assets in foreign currencies	85	143	139	228	333	339	5
Assets at up to one year	-6	30	49	34	86	79	75
Bonds	85	82	89	213	169	205	-44
Shares	5	31	1	-19	78	55	-26
Other assets ¹	142	200	274	424	408	421 ²	202 ²
Total	777	911	946	1,222	1,505	1,226 ²	952 ²

Source : NBB.

¹ Assets whose distribution between Belgian francs and foreign currencies is not known or is meaningless. See note¹ in Table 21.

² Excluding net commercial claims on foreign countries.

1st March (with retroactive effect from 1st January for interest on deposits at less than six months), due to the desire to increase the attractiveness of assets in Belgian francs, was largely responsible for this turnaround. Secondly, investments in the national currency were also encouraged by the greater confidence in the franc when the rumours of a general realignment of the central rates for the EMS currencies had been disproved at the beginning of the year and, subsequently, when the markets became convinced that all the conditions required for linking the Belgian franc closely to the strongest EMS currencies had been fulfilled.

TABLE 23 — FORMATION OF FINANCIAL ASSETS VIA COLLECTIVE INVESTMENT UNDERTAKINGS MAKING PUBLIC ISSUES IN BELGIUM

(Billions of francs)

	1985	1986	1987	1988	1989	First six months	
						1989	1990
Fund pursuant to RD No. 15 ...	19	-3	-4	-11	-17	-9	-19
Pension-savings funds	—	—	24 ¹	12	13	3	4
Other Belgian funds	3	5	5	3	2	1	...
Luxembourg funds	9	38	35	43	15	6	...
Other foreign funds	-2	-1	...	...	...	...	...
SICAVs ²	—	4	28	117	123	82	-47
Total	29	43	88	164	135	83	-62

Source : Banking Commission.

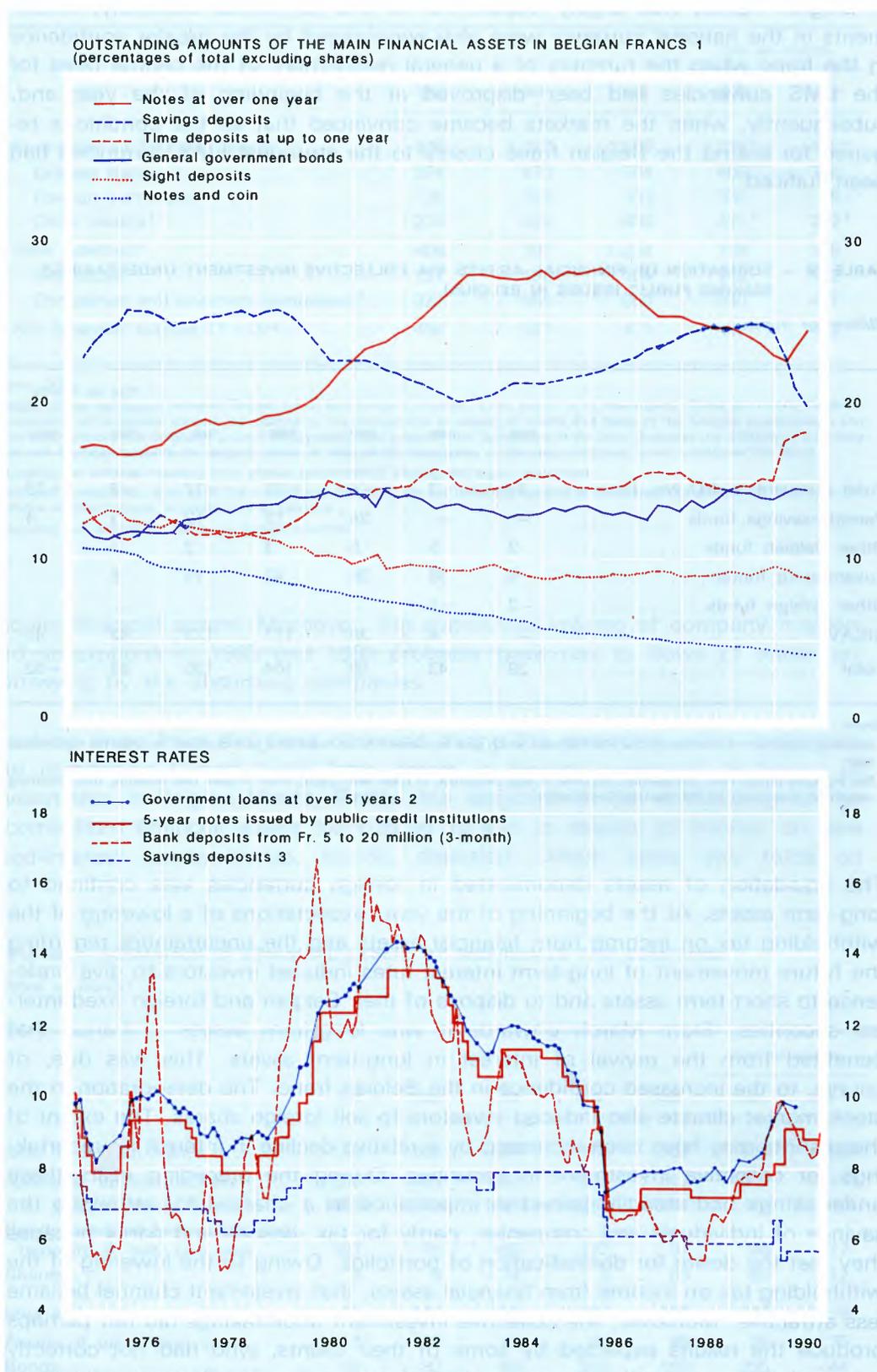
¹ Including subscriptions obtained before 14th February which gave entitlement to tax reductions on individuals' incomes for the previous year.

² Not including private cash management SICAVs. A large proportion of these went public from October 1990 onwards, thus becoming subject to supervision by the Banking Commission.

The liquidation of assets denominated in foreign currencies was confined to long-term assets. At the beginning of the year, expectations of a lowering of the withholding tax on income from financial assets and the uncertainties regarding the future movement of long-term interest rates induced investors to give preference to short-term assets and to dispose of their Belgian and foreign fixed-interest securities. From March onwards it was long-term assets in francs that benefited from the revival of interest in long-term assets. This was due, of course, to the increased confidence in the Belgian franc. The deterioration in the stock market climate also induced investors to sell foreign shares. The extent of these shifts may have been increased by a relative decline in interest in undertakings for collective investment in securities. During the preceding years these undertakings had steadily gained in importance as a channel for attracting the savings of individuals and companies, partly for tax reasons and partly because they met the desire for diversification of portfolios. Owing to the lowering of the withholding tax on income from financial assets, that investment channel became less attractive. Moreover, the collective investment undertakings did not perhaps produce the results expected by some of their clients, who had not correctly assessed the capital risk inherent in their shares and units. Consequently these undertakings, faced with substantial withdrawals of funds, became net sellers of foreign securities in 1990.

From March onwards, long-term rates turned downwards in Belgium, and short-term rates fell even faster, so that the preferences of individuals and companies shifted to notes and bonds denominated in francs.

CHART 24 — FINANCIAL ASSETS IN BELGIAN FRANCS HELD BY INDIVIDUALS AND COMPANIES AND INTEREST RATES



Sources : NBB, BBA, PCIs.

¹ Seasonally adjusted data compiled from Table XX in the Statistical Annex.

² Yield on issue.

³ Gross fictitious rate, including the fidelity premium, offered by the main financial intermediaries.

The formation of other assets the breakdown of which by currencies is not known or is meaningless slowed down very markedly. As direct investments by non-financial Belgian companies abroad increased, this movement is due to that in residual items. On the one hand, the balance of transactions in respect of the financial intermediaries' claims and debts contracted, partly because of the decline in their profitability and the speeding-up of the interest payments made by them, this having been largely due to the presentation of capitalisation bonds by their holders for redemption with a view to purchasing new assets the interest on which would be subject to a withholding tax of only 10 p.c. On the other hand, net errors and omissions in Belgium's balance of payments, traditionally equated with unrecorded capital movements between Belgium and Luxembourg, reversed, which might mean that substantial volumes of funds which were not statistically recorded flowed back to Belgium.

The reduction in the withholding tax on income from financial assets had a particularly strong effect on the structure of financial assets in Belgian francs. The tax advantage in respect of savings deposits was substantially reduced by that measure. Furthermore, interest rates on notes and ordinary time deposits were increased in the middle of March. Consequently the outstanding amount of deposits in savings books and ordinary deposit books had decreased by nearly 15 p.c. since the end of February, the greater part of this fall having taken place in March. The share of these deposits in individuals' and companies' portfolios of fixed-interest assets in Belgian francs decreased by 5 p.c. At first the share of time deposits rose. In a second phase the notes issued by credit institutions, which had been doubly penalised by the anticipation of the lowering of the withholding tax on income from financial assets and by the expectations of higher long-term interest rates at the end of 1989, benefited from a catching-up effect. Furthermore, the share of the bonds issued by general government in individuals' and companies' portfolios of fixed-interest assets in Belgian francs expanded by nearly 1 p.c. owing to the success of the two government loans designed especially for individuals. Subscriptions to these two issues contrast sharply with those to the previous issue, which had been mainly subscribed to by credit institutions for their own portfolios.

The very great sensitivity of the asset structure to interest rate differentials is not a new phenomenon : a substantial shift in the financial assets of individuals and companies had already taken place at the beginning of 1980, when the interest-rate differential had increased substantially in favour of large deposits and long-term assets and at the expense of savings deposits.

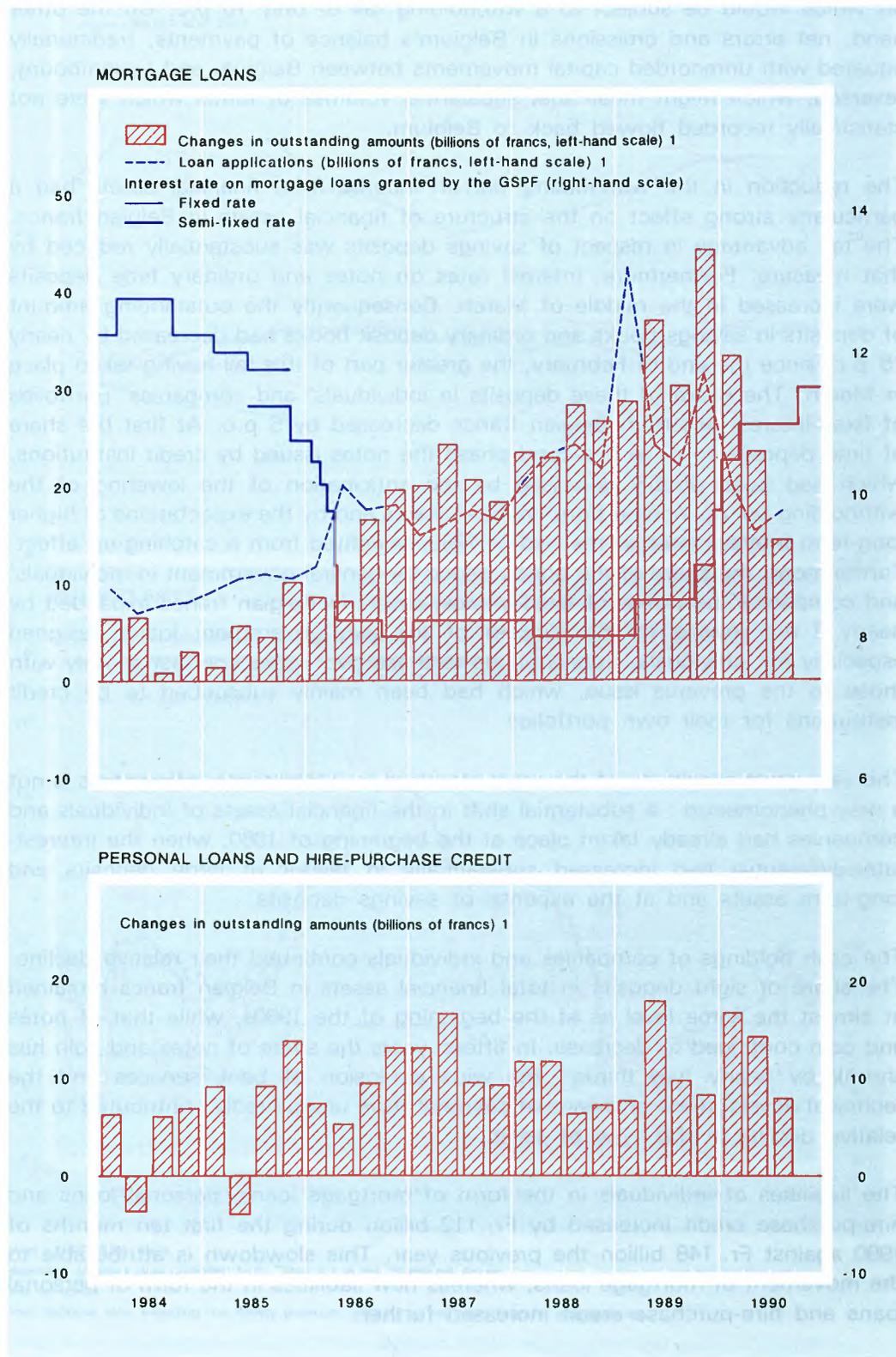
The cash holdings of companies and individuals continued their relative decline. The share of sight deposits in total financial assets in Belgian francs remained at almost the same level as at the beginning of the 1980s, while that of notes and coin continued to decrease. In fifteen years the share of notes and coin has shrunk by nearly two thirds : the wide extension of bank services and the technical development of means of payment have undoubtedly contributed to the relative decline in this type of asset.

The liabilities of individuals in the form of mortgage loans, personal loans and hire-purchase credit increased by Fr. 112 billion during the first ten months of 1990 against Fr. 148 billion the previous year. This slowdown is attributable to the movement of mortgage loans, whereas new liabilities in the form of personal loans and hire-purchase credit increased further.

The successive raisings of the rates for mortgage loans from September 1989 onwards finally halted the expansion in new liabilities in the form of loans for

the purchase and building of dwellings. This type of borrowing contributed Fr. 65 billion to the increase in the total indebtedness of households during the first ten months of 1990, against Fr. 104 billion in 1989. Recourse to mortgage loans was greatest in the last quarter of 1989, individuals probably having been

CHART 25 — LIABILITIES OF INDIVIDUALS



Source : NBB.
 1 Seasonally adjusted data.

quicker to submit their loan applications because of the prospects of further rises in interest rates. The increase in the outstanding amount of mortgage loans remained at a high level at the beginning of 1990; individuals may have used the loans granted to them faster than usual, as the rates are generally guaranteed only for a period of a few months after the approval of the loan. New mortgage liabilities declined markedly after that, while still remaining above their pre-1986 level.

The increase in the indebtedness of individuals was therefore accounted for, more than in 1989, by overdrafts for financing the purchase of new cars and other durable consumer goods and for financing advance payments of tax. Recourse to consumer credit was probably stimulated by sales made during the motor show; during the first half of 1990 nearly 60 p.c. of new hire-purchase credit was granted for the purchase of new cars.

*Liabilities of
companies and
one-man businesses*

The liabilities of companies and one-man businesses were characterised by a marked slowing of their rate of growth, whereas it had been very strong during the previous years. They increased by Fr. 427 billion during the first ten months of 1990, compared with Fr. 580 billion in 1989. This movement, while reflecting the slackening of economic activity, is attributable to an even greater extent to the ending of a period of exceptional growth in short-term liabilities due to tax, financial or strategic considerations, i.e. factors which are unconnected with the developments observed in the real sphere of the economy.

The short-term credit transactions of companies gave rise to net repayments of discount and acceptance credits and an increase in the outstanding amount of advances which is very small in comparison with the growth which took place during the two preceding years. Several factors contributed to the contraction in short-term credit. The change in the method of application of the flat-rate

TABLE 24 — NEW LIABILITIES OF COMPANIES AND ONE-MAN BUSINESSES

(Billions of francs)

	1987	1988	1989	First ten months	
				1989	1990 *
Shares ¹	30	46	90	78	10
Bonds	-38	6	-17	-6	-33
Credits ²	149	311	444	278	134
Investment credits	130	145	153	124	146
Discount and acceptance credits	-61	-	-3	-14	-40
Advances in Belgian francs	68	103	240	137	25
Advances in foreign currencies	12	63	54	31	3
Other ³	186	203	334	229	316
of which : General government's lending and equity investment	98	63	46	45	72
Establishments, acquisitions and expansions of companies by non-residents ⁴	58	116	129	113	121
Loans from associated foreign enterprises	11	40	96	70	82
Financial loans	15	10	46	27	58
Total	327	565	850	580	427

Source : NBB.

¹ Public issues.

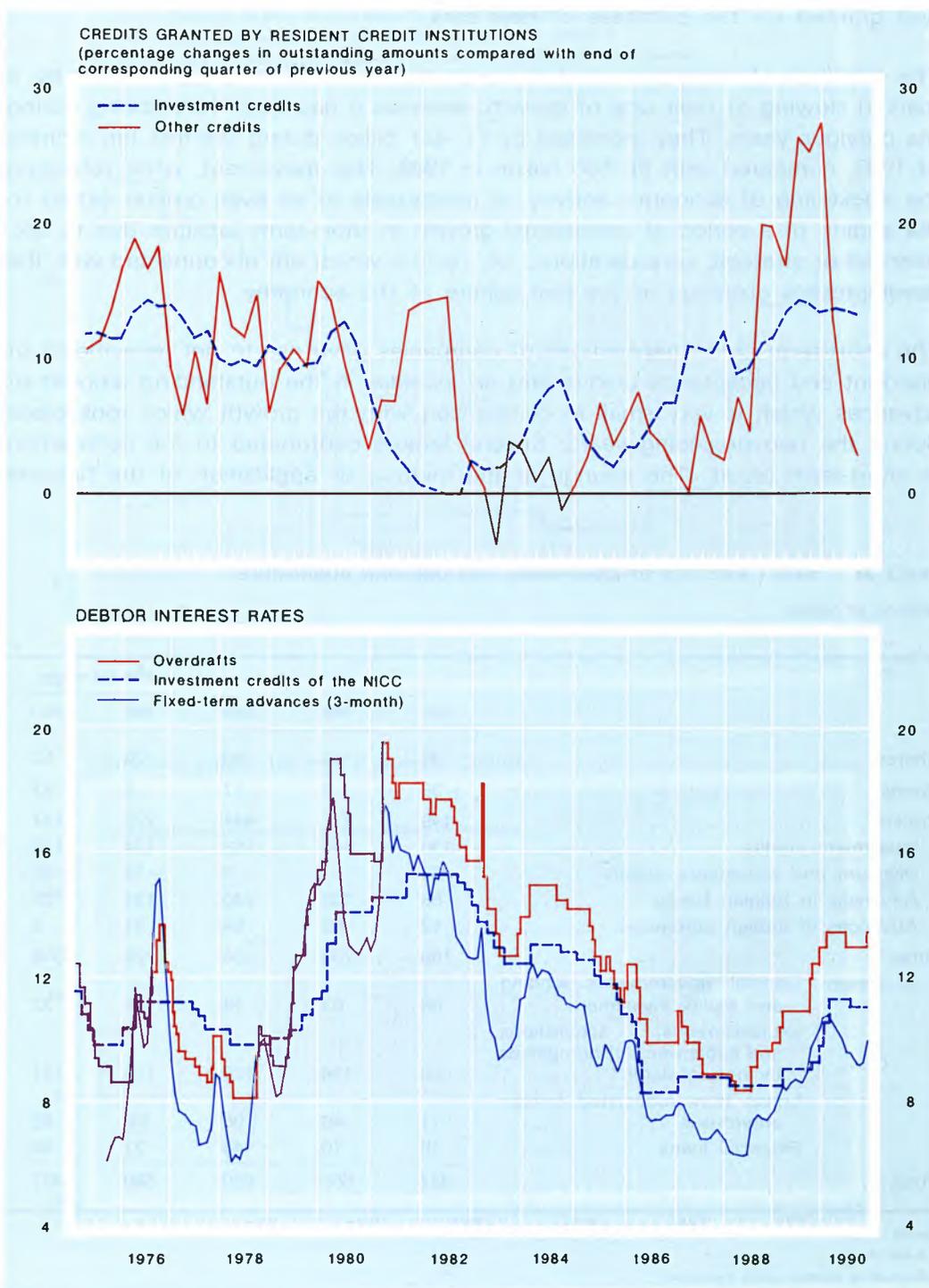
² Granted by resident credit institutions.

³ Liabilities to the rest of the world (other than publicly issued shares and bonds) and to general government.

⁴ Excluding transactions in respect of publicly issued shares.

foreign tax, henceforth connected with the period for which the bonds are held, made borrowing for tax purposes less attractive. Furthermore, acquisitions, expansions and mergers of companies, which had brought about massive borrowing flows from 1988 onwards, slowed down, partly owing to the movement of interest rates and the considerable indebtedness already accumulated during 1988 and 1989.

CHART 26 — CREDITS GRANTED TO COMPANIES AND ONE-MAN BUSINESSES AND DEBTOR INTEREST RATES



Sources : NBB, BBA, NICC.

On the other hand, investment credits increased at a rate similar to that observed in 1989, despite the rises in interest rates, because of the persistent strength of investment.

An examination of past developments shows that the rate of growth of investment credits responds to the movement of long-term interest rates only after a certain time-lag, which may be interpreted either as a reaction time or as the effect of an anticipation of the continuance of the movements of interest rates at the beginning of their upward or downward phases. The relationship between the changes in short-term lending and the movements of interest rates is much looser still : thus, demand for credits for the purpose of financing investments in foreign currencies during periods of strain on the foreign exchange markets is not necessarily discouraged by a rise in short-term interest rates ; similarly, the use of credits with a view to building up financial assets for tax reasons is fairly insensitive to the level of interest rates.

Among the other financing methods employed by companies, recourse to the bond market resulted on balance in net redemptions of bonds — due to the transactions of public enterprises — and public issues of shares shrank sharply owing to the depressed stock exchange climate.

Lastly, the new liabilities of companies to general government and the rest of the world increased, mainly as a result of government assistance in the financing of public housing companies and the growth in loans granted by non-resident credit institutions.

4.3 PUBLIC FINANCE

4.31 Revenue, expenditure and net financing requirement

Revenue

The total revenue of general government, which ten years ago represented 46 p.c. of GNP, rose to a peak of 49.2 p.c. in 1985 ; subsequently it fell by about 4 percentage points, returning to a level one point lower than that of the years 1979-1981.

The increase, in various forms, in the parafiscal burden and the non-indexation of the tax scales up to the end of 1985 largely explain the upward movement during the first half of the 1980s.

The subsequent decline is attributable to a number of factors. Firstly, the tax burden on earned incomes decreased owing to the tax reductions granted from 1986 onwards under the law of 1st August 1985 (which, furthermore, by indexing the scales, put an end to the automatic increase in tax) and from 1989 onwards under the law of 7th December 1988. Furthermore, the more extensive use made of a number of deductions and tax exemptions introduced for the most part at the beginning of the 1980s led to a decrease in corporation tax expressed as a percentage of the primary income of companies. Lastly, the distribution of the national income changed : the share of earned incomes — which constitute the basis for the social contributions and the greater part of personal income tax — declined during the past decade to the benefit of categories of incomes assessed at lower average rates, namely company profits and incomes from financial assets.

The incidence of these various institutional or structural changes is purely mechanical and thus does not reflect positive feedback effects : for instance, the rise in the profitability of companies is obviously, through its influence on investment and employment, also a source of increased revenue for general government.

As a result of these various factors, the growth in fiscal and parafiscal revenue was smaller than that in GNP : the ratio between the two, which still averaged 1.2 until 1985, fell to an average of 0.75 between 1986 and 1990 ; it furthermore fluctuated widely from year to year, from around 0.55 in 1986, 1988 and 1989 to about 1.05 in 1987 and 1990.

In 1990 various non-recurrent factors had a positive effect on tax revenue. After having declined in 1988 and 1989, total general government revenue remained at the same level in 1990.

TABLE 25 — REVENUE OF GENERAL GOVERNMENT

(Percentages of GNP)

	1979-1981	1985	1986	1987	1988	1989	1990 e
Direct taxes and contributions	31.4	34.6	34.1	33.9	32.9	31.0	31.0
Direct taxes on individuals	15.6	16.2	15.6	15.2	14.5	13.4	13.6
Direct taxes on companies	2.6	3.1	3.1	3.1	3.2	3.0	2.8
Social security contributions	13.2	15.3	15.4	15.6	15.2	14.6	14.7
Indirect taxes	12.6	12.4	12.0	12.4	12.3	12.3	12.2
Capital taxes	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Non-fiscal and non-parafiscal revenue	1.7	1.9	1.6	1.4	1.3	1.4	1.5
Total revenue	46.0	49.2	48.0	48.0	46.7	45.0	45.0
	1979-1985						
p.m. Ratio between growth in fiscal and parafiscal revenue and growth in GNP	(1.18)		(0.65)	(1.10)	(0.56)	(0.48)	(0.98)

Sources : NSI, NBB.

The direct taxes paid by individuals, which had declined by 1.1 percentage point of GNP in 1989 — mainly because of the application, from 1st March onwards, of the new rates of the withholding tax on earned income resulting from the reform of 7th December 1988 — increased slightly in 1990, the reductions in tax revenue due to the fact that these new rates applied for the whole year having been more than counterbalanced by additional receipts of a temporary nature. The decision to index only half of the scales of the withholding tax on earned income — which does not, however, affect the tax finally payable — together with the requirement imposed on the social secretariats from 1990 onwards to pay the withholding tax on earned income in respect of the month of November in December and no longer in January appear to have given rise to temporary revenue inflows of around Fr. 13 billion. Similarly, the authorities' delay in making the final assessments had the effect of postponing until 1991 the adverse repercussions — estimated at about Fr. 20 billion — of the tax reductions granted in 1989. Lastly, the movement of the withholding tax on income from financial assets also had a by no means negligible effect on the increase in the direct taxes paid by individuals.

Actually, the proceeds of the last-mentioned tax, after having increased by only about 2 p.c. in each of the years 1988 and 1989, suddenly shot up by about 14 p.c. in 1990 : the withholding tax on dividends brought in 6 p.c. more and that on interest 18 p.c. more, whereas its proceeds had decreased by 4 p.c. the previous year. In the absence of adequate statistical information, a flat-rate, fixed distribution key is used to break down these overall figures between individuals and companies, and therefore the movements must be interpreted with caution and regarded mainly as orders of magnitude.

As has been seen in the preceding section, the reduction from 25 to 10 p.c. in the rate of the withholding tax on income from financial assets applied to new interest-bearing assets caused a fundamental change in the behaviour of savers in favour of investments whose proceeds are subject to the reduced rate. However, subscriptions to long-term assets in Belgian francs, which were much higher during the year under review, will not produce their positive effect on the revenue from this tax until 1991, and therefore cannot explain the recent increase in this revenue. The exceptional expansion in balances on time deposit accounts with the Belgian financial intermediaries and the rise in interest rates led, as has been seen, to an increase in the interest paid to companies and individuals ; this increase cannot explain the rise in revenue from the withholding tax on income from financial assets because its positive effect on this revenue was counterbalanced by the negative effect of the lowering of the rate of this tax. The increase in revenue from this tax is therefore probably chiefly attributable to the redemption of capitalization bonds taxed at the rate of 25 p.c. on the cumulative interest for several years ; another factor which operated in the same direction is that more of the holders of notes, when they had the choice between cashing or capitalizing the coupon, chose the former option in 1990. These decisions concerning investments in notes are mainly due to the desire of savers to move their funds quickly into assets subject to the reduced rate of tax.

With regard to the tax burden on the profits of enterprises, mention should be made first of all of a series of measures which had the effect of increasing it. Thus, in 1990, the improper use of a number of tax provisions (mainly connected with distribution SICAVs, the use of the flat-rate system in respect of foreign tax for very-short-term capital transactions and the possibilities of deduction of earlier losses on mergers) was made impossible, capital gains were assessed at a higher rate, the electricity companies, which benefited by a tax regime favourable to them, were required to pay a special contribution, the basic percentage for the deduction for investment was lowered and the tax exemption on dividends benefiting by tax reliefs was reduced, but also extended by two years. On the other hand, some movements or measures had the effect of reducing the tax burden ; thus, the importance of companies with a privileged tax status — co-ordination centres, reconversion and innovation companies — continued to increase significantly, the basic rate of corporation tax was lowered from 43 to 41 p.c. and companies were probably able to reduce their tax base substantially by making deductions for investments made in previous years. Altogether it would appear that the relative decrease in the corporation tax paid by companies was mainly due to the fall in their incomes.

Expressed as a percentage of GNP, social security contributions underwent little change, the movement of earned incomes having been approximately parallel to that in GNP, while the parafiscal pressure on these incomes changed only marginally.

As in the preceding years, indirect taxes remained virtually unchanged. This was true in particular of the value added tax ; the rates applied were hardly changed

at all and the movement of the overall amount subject to tax was more or less the same as that in GNP. Excise duties, for their part, which had risen only slightly in recent years, went up by 9 p.c. in 1989 and 11 p.c. in 1990 : this increase was due in 1989, and more still in 1990, because the effect operated for a whole year, to the raising of the duties — mainly on fuels and tobacco — decided upon in order to compensate partly for the tax relief granted to individuals. Registration fees, less important quantitatively, after having increased on average by 20 p.c. for several years, declined by 1 p.c. ; this reflects the end of the sharp expansion in transactions in real estate.

The slight increase in non-fiscal and non-parafiscal revenue was due in particular to the larger payments by the Bank to the Treasury owing to, among other things, the rise in the level of interest rates.

The expenditure of general government excluding interest charges, which had still represented nearly 50 p.c. of GNP at the beginning of the 1980s, fell back to 40 p.c. in 1990. Although, except for pensions to civil servants, the reduction in expenditure was general, its extent differed according to the components.

Expenditure

The most marked contraction was in capital expenditure, the share of which shrank from 5.3 to 2.3 p.c., representing a relative decrease of nearly 60 p.c.

TABLE 26 — EXPENDITURE OF GENERAL GOVERNMENT

(Percentages of GNP)

	1979-1981	1985	1986	1987	1988	1989	1990 e	p.m. Index 1979-1981 = 100
1. Expenditure excluding interest charges ¹	49.7	47.5	45.9	44.6	43.3	41.2	40.0	(80.4)
Net expenditure on goods and services	17.4	16.7	16.3	15.7	14.8	13.9	13.6	(78.1)
of which : Compensation	11.8	11.1	10.8	10.2	9.6	9.1	9.0	(76.5)
Pensions	1.8	1.8	1.8	1.9	1.9	1.9	1.9	(108.8)
Purchases of goods and services	3.8	3.6	3.5	3.5	3.2	2.8	2.6	(68.6)
Current transfers to individuals ...	22.2	22.8	22.3	22.3	21.4	20.8	20.4	(91.8)
of which : Pensions (excluding general government)	6.7	6.9	6.8	6.6	6.5	6.2	6.2	(92.5)
Health and disability insurance	5.8	6.0	5.9	6.1	5.8	5.7	5.7	(98.9)
Unemployment and early retirement	2.8	3.4	3.3	3.2	3.0	2.9	2.7	(99.6)
Family allowances ..	2.6	2.2	2.1	2.1	2.0	1.9	1.8	(70.9)
Subsidies to enterprises	3.4	3.1	2.9	2.6	2.7	2.5	2.3	(68.8)
Current transfers to the rest of the world	1.4	1.3	1.3	1.4	1.5	1.4	1.3	(95.9)
Gross fixed capital formation	4.0	2.5	2.2	2.0	1.9	1.6	1.5	(38.3)
Net capital transfers	1.3	1.1	0.9	0.8	1.0	0.9	0.8	(58.2)
2. Interest charges	6.3	10.7	11.2	10.6	10.2	10.4	10.6	(168.7)
3. Total expenditure ¹	56.0	58.1	57.2	55.2	53.4	51.6	50.6	(90.3)
p.m. Lending and equity investment ..	2.2	2.6	2.0	1.9	1.2	0.9	1.3	(61.0)

Sources : NSI, NBB.

¹ Excluding lending and equity investment.

Conversely, expenditure on health and disability insurance, unemployment and early retirement did not decrease, while the decline in the burden of pensions other than those to civil servants was relatively slight. Thus, despite the downward trend of expenditure on family allowances, the share of current transfers to individuals as a whole was reduced only from 22.2 to 20.4 p.c. of GNP; consequently, expressed in relation to total expenditure excluding interest charges, it has continued to grow steadily, having exceeded 50 p.c. since 1989.

The movement of net expenditure on goods and services conceals a pronounced decrease in the share of compensation and, more still, in that of purchases of goods and services, together with an increase in the burden of pensions payable by general government.

The movements observed during the past decade continued in 1990. Overall, the decline in expenditure as a percentage of GNP was smaller than in the previous year, but, over the two years 1989 and 1990 as a whole, it was greater than the average decline since 1985 and, above all, than that recorded during the last ten years.

Net expenditure on goods and services decreased by 0.3 p.c. of GNP against 0.9 p.c. in 1989. This slowing of the decrease is attributable to larger real increases in wages, salaries and pensions and a smaller reduction in employment in the traditional circuits; furthermore, purchases of goods and services, which represented only 2.6 p.c. of GNP, shrank less.

Thanks to the growth in GNP, the contraction in unemployment and the movement of the number of children giving entitlement to family allowances, current transfers to individuals, expressed as a percentage of GNP, decreased further. The amount of transfers to the underprivileged social categories increased, as in 1989. The law of 20th July 1990 re-established the link, suspended since 1981, between the pensions of wage- and salary-earners and the development of the standard of living; as a result of this measure, the budgetary repercussion of which was only partly felt in 1990, pensioners received an initial increase of between 1 and 3 p.c. from October onwards. Furthermore, this law introduced a flexible pension age of between 60 and 65 for male and female wage- and salary-earners; future male pensioners aged under 65 will therefore no longer be penalised if they take early retirement. This reform did not, however, affect the budget during the year under review, because it did not come into force until 1st January 1991.

As the contribution to the European Communities in respect of the « fourth resource » was very small in 1990, current transfers to the rest of the world declined.

The tendency towards a slackening of gross fixed capital formation which began in 1981 continued, albeit at a slower rate than in 1989.

After having declined in 1987 and 1988, interest charges, which had gone up again in 1989, increased further in 1990 owing to the rise in interest rates. The adverse effect of this factor on the cost of the public debt was, however, moderated by the contraction of this debt as a percentage of GNP, by the average appreciation of the franc against the foreign currencies in which part of the debts were contracted and by greater recourse than in 1989 to long-term commitments in order to meet the deficit in the year under review, as the last-mentioned commitments generally do not entail any interest payments until the following year. The « snowball effect », which consists of the self-fuelling growth in the public debt as a percentage of GNP due to the weight of interest

charges and which had existed since the end of the 1970s, had been halted in 1989. Despite the weakening of the nominal growth in GNP, it did not reappear in 1990. Only a further and substantial increase in the surplus of transactions excluding interest charges enabled the burden of the debt to be reduced. As a percentage of GNP, this amounted to 119.8 p.c. in 1990, having undergone no fundamental change since 1987.

TABLE 27 — « SNOWBALL EFFECT » OF THE INTEREST CHARGES ON THE NET PUBLIC DEBT¹

	1983	1984	1985	1986	1987	1988	1989	1990 e
Implicit interest rate (a)	9.6	9.1	9.5	9.8	8.9	8.3	8.6	8.7
Rate of growth of nominal GNP (b)	5.9	7.7	6.7	5.7	4.8	6.1	8.6	7.0
CONDITION 1 (a - b)	3.7	1.4	2.8	4.1	4.1	2.2	...	1.7
<i>If the result of condition 1 is positive, there is a danger of emergence of the « snowball effect »; for it to be avoided, the financial balance excluding net interest charges of general government must be greater than the theoretical value calculated below.</i>								
Financial balance excluding net interest charges ² (percentages of GNP) :								
Theoretical value to avoid the snowball effect ³ (c)	3.2	1.3	2.8	4.3	4.5	2.5	-0.1	2.0
Observed value (d)	-6.1	-2.8	-2.3	-1.2	0.2	0.9	1.6	2.4
CONDITION 2 (d - c)	-9.3	-4.1	-5.1	-5.6	-4.3	-1.6	1.7	0.5
<i>If the result of condition 2 is positive, there is no « snowball effect ».</i>								
p.m.								
Ratio between the debt and GNP	102.8	107.8	111.5	116.2	120.4	122.3	120.2	119.8

Sources : NSI, NBB.

¹ A detailed explanation of the method of calculation of the incidence of the « snowball effect » on the public debt is to be found in the Bank's Cahier nr. 4, *L'effet « boule de neige » des charges d'intérêts de la dette publique*, November 1989.

² Including lending and equity investment.

³ This is equal to the ratio $(a - b)/(1 + b)$, multiplied by the previous year's ratio between the debt and GNP.

Altogether, the net financing requirement of general government as a whole, which still amounted to 10 p.c. about ten years ago, declined from 6.6 p.c. in 1989 to 5.6 p.c. in 1990. If interest charges are disregarded, it is found that, thanks to the reduction in expenditure, the financing capacity rose by 1.2 percentage-point of GNP in 1990, reaching 5 p.c., compared with a financing requirement of 3.7 p.c. between 1979 and 1981.

Net financing requirement

TABLE 28 — NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT

(Percentages of GNP)

	1979-1981	1985	1986	1987	1988	1989	1990 e
Net financing capacity (+) or requirement (-) excluding interest charges ¹	-3.7	1.8	2.1	3.4	3.5	3.8	5.0
Interest charges	6.3	10.7	11.2	10.6	10.2	10.4	10.6
Net financing requirement ¹	-10.0	-8.9	-9.1	-7.2	-6.7	-6.6	-5.6
p.m. Lending and equity investment .	2.2	2.6	2.0	1.9	1.2	0.9	1.3

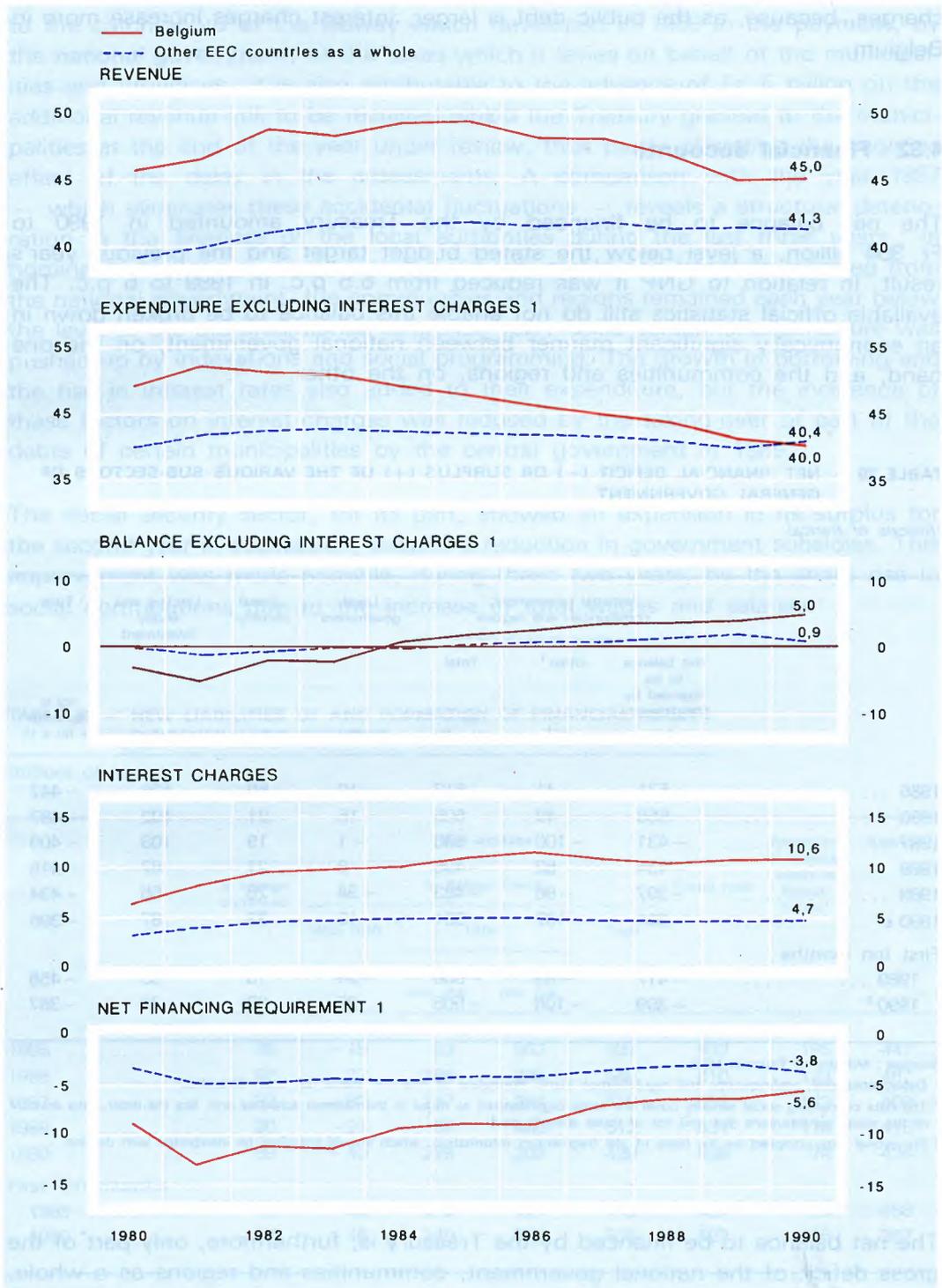
Sources : NSI, NBB.

¹ Excluding lending and equity investment.

After reaching a peak in 1985, revenue expressed as a percentage of GNP decreased by about 4 points in Belgium, whereas it had remained relatively stable in the other Community countries. At the same time, expenditure excluding interest charges, the trend of which had remained unchanged abroad, was sharply reduced in Belgium throughout the decade. The difference between this expenditure and the European average, which had been substantially positive at

CHART 27 — PUBLIC FINANCES : INTERNATIONAL COMPARISON

(Percentages of GNP)



Sources : NSI, EEC, NBB.

¹ Excluding lending and equity investment.

the beginning of the decade, thus narrowed steadily and became negative in 1990. During the year under review, current expenditure excluding interest charges in Belgium remained 1.2 points above the European average, but capital expenditure amounted to only 58 p.c. of the average European level.

While the surplus excluding interest charges has for several years been larger in Belgium, the net financing requirement in Belgium is still, because of the extent of these charges, greater than that observed in the other countries; on the other hand, it has tended to decrease more.

Thus, in 1990, it continued to decline in Belgium, whereas it increased elsewhere. This divergence is solely due to the movement of the balance excluding interest charges, because, as the public debt is larger, interest charges increase more in Belgium.

4.32 Financial accounts

The net balance to be financed by the Treasury amounted in 1990 to Fr. 394 billion, a level below the stated budget target and the previous year's result. In relation to GNP it was reduced from 6.5 p.c. in 1989 to 6 p.c. The available official statistics still do not enable this balance to be broken down in an economically significant manner between national government, on the one hand, and the communities and regions, on the other.

*Financial balance
by sector*

TABLE 29 — NET FINANCIAL DEFICIT (–) OR SURPLUS (+) OF THE VARIOUS SUB-SECTORS OF GENERAL GOVERNMENT

(Billions of francs)

	National government, communities and regions			Local government	Social security ²	Lending and equity investment	Total (g) = (c) + (d) + (e) + (f)
	Net balance to be financed by the Treasury	Other ¹	Total				
	(a)	(b)	(c) = (a) + (b)				
1985	–571	–41	–613	–10	50	126	–447
1986	–556	–49	–605	–15	31	102	–487
1987	–431	–100	–530	–1	19	103	–409
1988	–434	–62	–495	–8	21	67	–415
1989	–397	–86	–483	–34	28	55	–434
1990 e	–394	–107	–501	–15	33	87	–396
First ten months							
1989	–417	–83	–500	–24	13	53	–458
1990 ³	–399	–106	–505	25	37	76	–367

Sources : Ministry of Finance, NBB.

¹ Debudgetisations, prefinancings and regularisation loans. Formation of financial assets has been deducted.

² The data concerning social security cover the same organisations as those in the national accounts and, like the latter, take account of the social contributions due and not of those actually paid.

³ Provisional data compiled on the basis of still fragmentary information, which should therefore be interpreted with caution.

The net balance to be financed by the Treasury is, furthermore, only part of the gross deficit of the national government, communities and regions as a whole, since that also includes the item « other », which showed a deficit of Fr. 107 billion, or Fr. 21 billion more than the previous year. This increase is

chiefly due to general government's interventions to help the public housing companies meet their liabilities from the past; these, which were relatively small in 1989, increased considerably during the year under review. It is also attributable to the increase in the prefinancing of the burdens resulting from the taking-over by the national government of part of the unrecoverable claims of the Assistance Fund for the Financial Recovery of Municipalities. On the other hand, issues of regularisation loans, which are also part of the deficit under the head « other », were smaller; furthermore, the Treasury's current account commitments to the EEC, which had expanded substantially the previous year, decreased slightly.

The improvement in 1990 in the local authorities' financial deficit is mainly due to the catching-up of the leeway which developed in 1989 in the payment, by the national government, of the taxes which it levies on behalf of the municipalities and provinces; it is also attributable to the advance of Fr. 5 billion on the additional revenue still to be received which the Treasury granted to the municipalities at the end of the year under review, thus partly offsetting the negative effect of the delay in the assessments. A comparison with the year 1987 — which eliminates these accidental fluctuations — reveals a structural deterioration in the finances of the local authorities during the last three years: in nominal terms, tax revenue remained virtually stable and transfers received from the national government, the communities and regions remained each year below the level of the aforementioned reference year, while personnel expenditure was pushed up by indexations and social programming. The growth in borrowing and the rise in interest rates also added to their expenditure, but the incidence of these factors on interest charges was reduced by the taking-over of part of the debts of certain municipalities by the central government in 1989.

The social security sector, for its part, showed an expansion in its surplus for the second year in succession, despite a reduction in government subsidies. This improvement was made possible, during these two years, by the sharp rise in social contributions due to the increase in total wages and salaries.

TABLE 30 — NEW LIABILITIES OF AND FORMATION OF FINANCIAL ASSETS BY GENERAL GOVERNMENT

(Billions of francs)

	New liabilities						Formation of financial assets in Belgian francs ¹	Balance ²
	In foreign currencies	In Belgian francs				Grand total		
		With NBB	Other		Total			
			At up to one year	At over one year				
1985	35	- 18	53	562	597	632	185	447
1986	62	27	286	235	548	610	123	487
1987	32	- 82	217	384	519	552	143	409
1988	20	- 21	37	495	512	531	116	415
1989	69	- 40	278	202	439	508	74	434
First ten months .								
1989	40	- 58	379	125	446	487	29	458
1990 *	- 47	- 46	249	336	539	492	125	367

Source : NBB.

¹ Including lending and equity investment.

² Tallies with column (g) of Table 29.

As shifts — which are sometimes large — may take place between the financial accounts of the various sub-sectors of general government, it is to the total deficit of general government that attention should be paid. This deficit, which is calculated net, i.e. after deduction of the new claims including lending and equity investment, decreased from Fr. 434 billion in 1989 to Fr. 396 billion in 1990.

During the first ten months of 1990, the last period for which data are available concerning the financing structure of general government, the latter as a whole showed a net financial deficit about Fr. 90 billion smaller than in the previous year.

Financing structure

Long-term financing in Belgian francs, the extent of which had been exceptionally small in 1989, recovered markedly in 1990 after the lowering of the withholding tax on income from financial assets. On the other hand, new liabilities in Belgian francs at up to one year — other than those contracted with the Bank — were Fr. 130 billion lower than in 1989.

As in the previous year, the total amount of the resources in Belgian francs thus gathered was more than sufficient to meet general government's financing requirements. It was possible once more to devote the surplus to reducing the outstanding amount of the Treasury certificates held by the Securities Regulation Fund and financed with the special advances from the Bank : thus, by the end of October 1990, this outstanding amount had decreased to Fr. 20 billion. Furthermore, for the first time for years, the foreign currency debt was also reduced — by Fr. 47 billion.

TABLE 31 — STRUCTURE OF THE GROSS DEBT OF GENERAL GOVERNMENT

(End of period, percentages of total)

	Debts in foreign currencies	Debts in Belgian francs		
		With NBB ¹	Other	
			At up to one year	At over one year
1979	2.5	5.2	11.9	80.4
1980	5.7	5.3	15.5	73.5
1981	12.0	6.5	17.7	63.8
1982	17.0	6.3	19.5	57.2
1983	18.5	5.5	18.8	57.2
1984	20.1	5.1	17.6	57.2
1985	17.6	4.3	16.8	61.3
1986	16.3	4.4	19.8	59.5
1987	15.4	2.9	21.3	60.4
1988	14.7	2.4	20.3	62.6
1989	14.4	1.7	22.5	61.4
1990 October *	13.1	1.1	24.1	61.7

Source : NBB.

¹ This item consists of the portfolio of Belgian public securities (fixed at Fr. 37 billion since 15/7/1977), the outstanding amount of the Treasury certificates which the Securities Regulation Fund finances by the special advances from the Bank (subject to a ceiling of Fr. 110 billion since 4/12/1989), and the consolidated claim of the Bank on the State (which remained unchanged at Fr. 34 billion throughout the period in question).

The structure of the public debt changed somewhat during the 1980s : the share of liabilities in Belgian francs at over one year decreased fairly rapidly from 80 p.c. at the end of 1979 to just over 60 p.c. two years later, and remained at approximately that level from then on. Financing in Belgian francs from the Bank, which represented 5 to 6 p.c. of the total in the first half of the decade, decreased considerably during the last years : at the end of October 1990 it amounted to only about 1 p.c. of the total gross debt.

On the other hand, short-term liabilities in Belgian francs — other than those contracted with the Bank — showed an upward trend, finally reaching about a quarter of the total. The relative weight of the foreign currency debt, which was very small at the end of 1979, increased markedly until 1984, when it represented 20 p.c. of the gross debt ; after that, its share contracted steadily, reaching about 13 p.c. at the end of the period in question.

5. BALANCE OF PAYMENTS OF THE BLEU AND FOREIGN EXCHANGE MARKET

5.1 SUMMARY

The transactions of the BLEU with foreign countries were marked in 1990 by the maintenance of a substantial current account surplus and by the marked reduction of the deficit in respect of capital transactions.

TABLE 32 — BALANCE OF PAYMENTS OF THE BLEU

(Balances in billions of francs)

	On a transactions basis			On a payments basis			
	1988	1989	1990 e	1988	1989	First ten months	
						1989	1990
Current transactions	134	141	145	122	147	115	138
of which transactions in goods	(127)	(104)	(135)	(115)	(118)	(94)	(120)
Capital transactions ¹	-126	-172	-65	-114	-179	-104	-19
of which : Commercial credits	-12	7	...	-	-	-	-
Securities	-138	-210	55	-138	-210	-238	68
Errors and omissions ²	-1	-23	-40	-1	-23	-42	-55
Balance of official settlements ...	7	-54	40	7	-54	-31	65
Foreign currency transactions of general government ³	-19	-66	23	-19	-66	-41	50
Movement of the net gold and foreign exchange reserves of the NBB ⁴	25	12	17	25	12	11	15

Source : NBB.

¹ Minus sign : capital outflows.

² Including the counterpart of the demonetisation of gold.

³ Minus sign : increase in general government's foreign currency debt.

⁴ Minus sign : decrease in reserves.

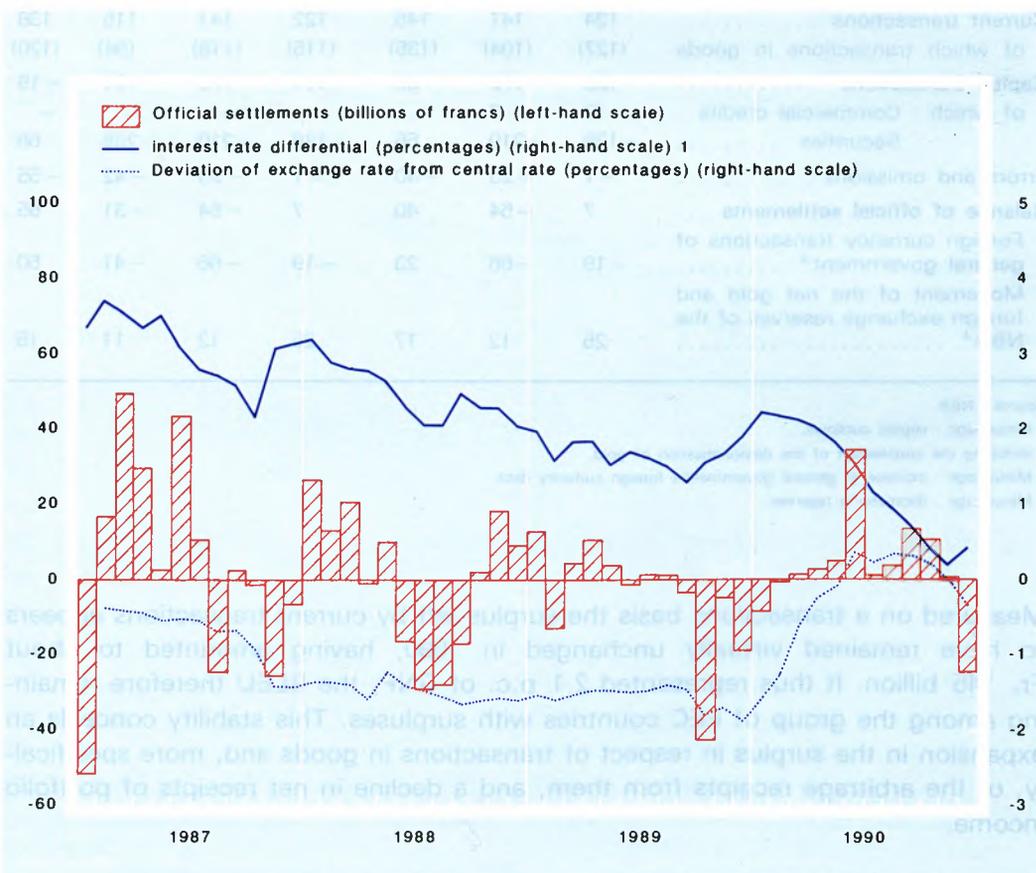
Measured on a transactions basis the surplus left by current transactions appears to have remained virtually unchanged in 1990, having amounted to about Fr. 145 billion. It thus represented 2.1 p.c. of GNP, the BLEU therefore remaining among the group of EEC countries with surpluses. This stability conceals an expansion in the surplus in respect of transactions in goods and, more specifically, of the arbitrage receipts from them, and a decline in net receipts of portfolio income.

The decline in net capital outflows in 1990 was moreover accompanied by a fundamental change in their nature, long-term capital outflows having been

replaced by inflows, while the converse took place in the case of short-term funds. The reversal of long-term capital movements was primarily due to the interruption of the previous tendency displayed by transactions in securities, which had regularly shown a deficit in the past. This turnround was decisively influenced by the easing of the tax burden on income from savings and also by the improvement in the image of the franc as a result of the abolition of the two-tier foreign exchange market and, above all, of the undertaking given by the authorities to peg its exchange rate firmly to that of the strongest EMS currencies.

These developments had various consequences. Previously the financing of outflows of long-term capital by imports of short-term capital had been an almost inescapable constraint. The reversal of the balance of long-term capital transactions removed this constraint and made it possible to narrow the short-term interest differential compared with foreign countries, and particularly compared with Germany, while at the same time allowing the franc to go on strengthening and permitting the achievement of a surplus in the balance of official settlements. Whereas between September 1989 and January 1990 this balance had always been negative owing to the strains brought about within the EMS by the expectation of a general realignment of parities, it swung into surplus from March onwards. In the middle of the year, the favourable reception given by the markets

CHART 28 — BALANCE OF OFFICIAL SETTLEMENTS AND INTEREST RATE AND EXCHANGE RATE DIFFERENTIALS OF THE FRANC IN RELATION TO THE GERMAN MARK



Source : NBB.

¹ Differential calculated on the basis of the daily averages, per month, of the three-month Euro-market interest rates.

to the official announcement of the orientation of the exchange rate policy helped to boost this recovery. In December, however, a deficit reappeared when the rise in interest rates quickened in Germany, but it did not last long. Altogether, the surplus in respect of official settlements amounted to Fr. 40 billion, compared with a deficit of Fr. 54 billion in 1989. The greater part of it was used to redeem foreign currency loans contracted by general government.

5.2 CURRENT TRANSACTIONS

During the first ten months of 1990, current transactions on a payments basis resulted in a net surplus of Fr. 138 billion, appreciably greater than the 1989 figure. This increase conceals divergent movements among the various categories of transactions; thus, while the surplus in respect of transactions in goods became substantially larger, the surplus on services remained practically unchanged and the deficit on transfers widened.

The surplus on current transactions declined somewhat, however, at the end of 1990, so that, estimated on a transactions basis, it amounted to about Fr. 145 billion for the year as a whole, against Fr. 141 billion in 1989.

5.21 Transactions in goods

The increase in the surplus on transactions in goods is mainly due to the sharp rise in the surplus in respect of arbitrage transactions, which, in turn, was chiefly attributable to the widening of the profit margin in francs of resident operators.

TABLE 33 — CURRENT TRANSACTIONS ON A PAYMENTS BASIS

(Balances in billions of francs)

	1988	1989	First ten months	
			1989	1990
Transactions in goods	115	118	94	120
Exports, imports and commission processing	94	95	77	80
Arbitrage	20	23	17	40
Transactions in services	77	106	85	88
Freight and insurance for goods transport and other transport costs	42	41	32	36
Travel abroad	-44	-50	-47	-55
Income from direct and portfolio investment	12	50	41	38
Transactions of general government not included elsewhere	85	92	76	78
Other services	-18	-28	-17	-9
Transfers	-70	-76	-64	-70
Private	2	2	-2	-18
Public	-72	-78	-62	-52
of which transactions with the EEC	(-56)	(-63)	(-48)	(-37)
Total	122	147	115	138

Source : NBB.

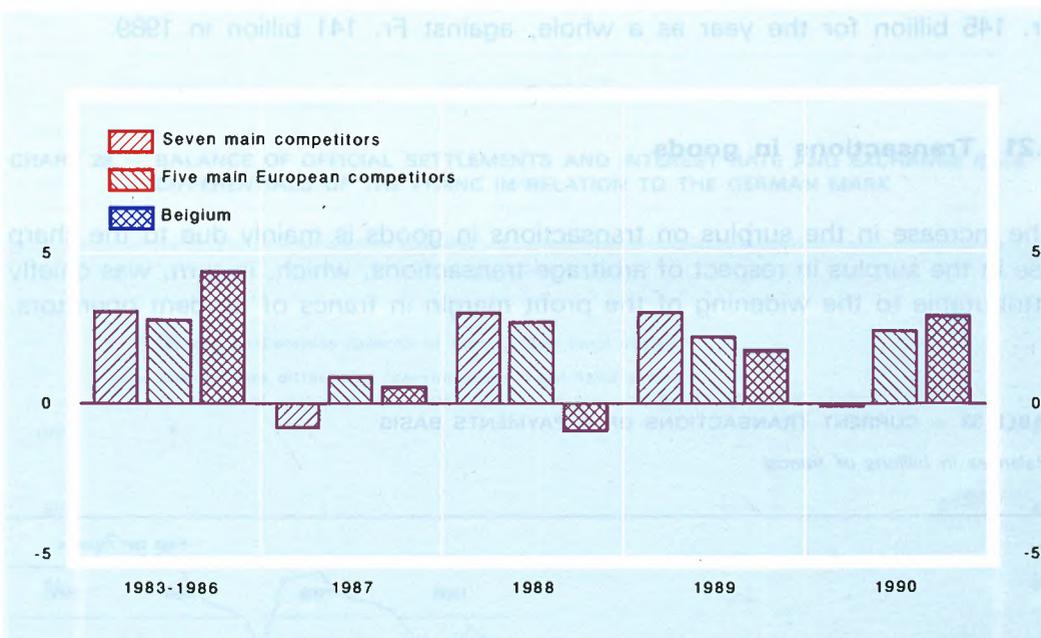
During the first ten months of 1990, if arbitrage transactions are disregarded, the surplus on transactions in goods was of the same order of magnitude as in 1989. This stability conceals a slight worsening of the terms of trade and an improvement in the coverage ratio in terms of volume. These movements were not, however, homogeneous throughout the year. The coverage ratio in volume deteriorated markedly at the beginning of the year, mainly owing to the lack of parallelism of the business cycles in the BLEU and in its trading partners. From the summer onwards, on the other hand, the coverage ratio recovered.

During the first half of the year, the rate of growth of the volume of the BLEU's exports slackened against the background of a slower expansion in trade at both world and Community level. Subsequently, a recovery in demand and in imports which took place in Germany and the Netherlands — two of the main export markets of resident producers — at the beginning of the second half of the year, perhaps due to the impulses given to economic activity by the unification of Germany, sustained the rate of growth of the BLEU's exports.

Volumes

CHART 29 — LABOUR COSTS PER UNIT OF OUTPUT IN THE PRIVATE SECTOR : INTERNATIONAL COMPARISON ¹

(Annual percentage changes, in a common currency)



Source : OECD.

¹ The competitors and their weightings are shown in Tabel 16.

The composition by products of the BLEU's foreign trade also influenced the balance of trade. Thus, the relative specialisation in the diamond trade, the volume of whose exports decreased considerably in 1990, had an adverse effect on the results. It should be emphasised, however, that the volume movement of trade in diamonds should be interpreted with the greatest caution owing to the difficulties of calculating average unit values for this category of products, for which there is no linear relationship between the price and the unit of weight, the carat. Among other exports, those of non-ferrous-metal products, which had risen substantially in 1989, fell off, while those of motor vehicles stabilised. Sales of food products abroad were slowed down by the epidemic of swine fever, which depleted pig stocks in Belgium.

Belgian, and Luxembourg exporters also perhaps had to contend with keener competition on international markets, especially from producers in countries whose currencies depreciated substantially against the franc in 1990, namely the dollar and the yen. This situation should, however, have had little effect on the development of the BLEU's export market shares in 1990, because, initially anyhow, such losses of competitiveness are generally at least partly offset by a narrowing of profit margins. With regard to competitiveness, the relative movement of labour costs in the BLEU is an important factor for resident producers. During the year under review, labour costs per unit of output in the private sector (which take into account the movement of the apparent productivity of labour), expressed in a common currency, increased relatively faster than in the case of our seven main trading partners. As resident producers are still benefiting from the more favourable movements which took place during the two preceding years, it is unlikely that this deterioration of Belgium's relative position had any great adverse effect on the growth in exports in 1990.

Although the increase in the volume of the BLEU's imports was slower than in 1989, it continued to expand strongly, as did domestic demand, during the first half of the year. Most categories of products participated in this expansion, especially certain manufactured products such as motor cars and energy and food products. From the summer onwards, however, the rate of expansion of imports slowed down, parallel with that of domestic demand in the BLEU.

Prices

During the first ten months of 1990 as a whole, foreign trade prices declined, by 2.4 p.c. for exports and 1.9 p.c. for imports, thus continuing the downward movement which began in October 1989. This decline was, however, moderated by the increase in diamond prices, the importance of which for the BLEU's foreign trade is well known. The fall was due, on the one hand, to that in world prices of raw materials — especially food and non-ferrous-metal products, as well as oil, at least until July — which was also accentuated by the depreciation of the dollar. On the other hand, the prices of manufactured products also weakened, perhaps partly owing to the fall in raw material prices, but also because of the effective appreciation of the exchange rate for the franc. Owing, however, to the different product structure of imports and exports of manufactured goods, export prices fell more than import prices.

The sharp upward movement of crude oil prices from August onwards — the effect of which on prices in Belgian francs was partly counterbalanced by the depreciation of the dollar — furthermore probably played a part in causing the fall in import prices to slow down more than that in export prices, so that, for the year as a whole, the BLEU appears to have suffered a worsening of the terms of trade of about 0.6 p.c. The effect of this rise in the price of petroleum products on the balance of trade is estimated for 1990 at about Fr. 25 billion. As the foreign trade figures are available for the first ten months of the year, only those for November and December had to be estimated. This estimate was based on the recorded oil prices and dollar exchange rates and on the assumption that the quantity imported remained unchanged compared with the corresponding period of 1989.

5.22 Transactions in services

Throughout the greater part of the 1980s the surplus in respect of transactions in services increased, largely owing to their growing importance in international trade. In 1990 this trend appears to have been interrupted, mainly because of

the appreciable decline in the BLEU's net income from direct and portfolio investment abroad; for the first ten months of the year, however, the surplus on transactions in services remained stable in comparison with 1989.

The increase in the positive balance of services during the last decade conceals fairly widely divergent movements among the various categories of transactions. Thus, the deficit in respect of travel abroad worsened uninterruptedly, mainly because of the increase in stays abroad, partly attributable to the movement of the disposable income of households. Belgian and Luxembourg residents displayed great consistency in their choice of destinations, which are still mainly France, the United States, Spain, Germany and Italy.

The item « other services » was also characterised by growing deficits during the 1980s; its movement is, however, much more difficult to explain because of its heterogeneous nature. Payments of bank commission, brokerage, royalties, copyright fees and assembly and maintenance costs are among the items included in it. The improvement in the balance of this category in 1990 is due to the fact that it had been adversely influenced in 1989 by the settlement of a dispute with Algeria concerning the supplying of natural gas to Belgium.

On the other hand, the other categories of transactions produced more or less substantial surpluses. This was the case with transport transactions, which benefited from the dynamism of the sector and the growth in international trade, but also with the transactions of general government not included elsewhere, which mainly reflect receipts connected with the operating expenses of the international, especially European, institutions established in the BLEU.

Lastly, portfolio incomes have risen steadily since 1983, chiefly because of the movement of the balance of current transactions. In 1990, however, their growth was interrupted. Unlike what had happened in 1989, the different structure of the BLEU's external liabilities and assets by currency and duration had an adverse effect on the movement of this category of income. The growth in receipts was in fact slowed down by the appreciation of the exchange rate for the franc against all the currencies — especially the dollar — in which residents had made substantial portfolio investments during the last few years. Furthermore, liabilities to foreign countries are characterised by greater sensitivity to changes in interest rates than assets, this being due on the one hand to the greater relative importance of short-term foreign liabilities and, on the other hand, to the existence, among government loans other than at short term, of a by no means negligible portion consisting of loans contracted at variable rates. As the trend of interest rates was generally upward, this sensitivity was reflected, from the beginning of the year onwards, in a swelling of net interest payments to the rest of the world by general government and by the resident banking system.

5.23 Transfers

Transfers left a deficit of Fr. 70 billion, an increase of Fr. 6 billion compared with the corresponding period of 1989. This rise was solely due to the sharp increase in private transfers to the rest of the world, which is mainly attributable to the growth in the amounts of funds transferred by residents going to live outside the BLEU and in the wages, salaries and pensions paid by the BLEU to foreign countries. It may also be mentioned that a change in the implementation of the subsidising procedure of the EAGGF with regard to butter processing led to a shift from private transfers to public transfers.

The movement of public transfers mainly reflects the financial relations of Belgium and Luxembourg with the EEC. For the first ten months of 1990, net payments to the European institutions fell by Fr. 11 billion compared with the same period of 1989, chiefly because of the increase in the transfers received from the EAGGF. This increase was due on the one hand to the greater interventions to compensate for the growing difference between world prices of oleaginous plants and milk — the fall in which was accentuated by that of the exchange rate for the dollar — and the guaranteed prices payable to European farmers, and on the other hand to subsidies granted owing to the appearance of sources of swine fever which led to the slaughtering of livestock in Belgium.

For the year as a whole the deficit appears to have contracted by about Fr. 3 billion, the increase in private transfers to foreign countries having been more than counterbalanced by the decrease in the BLEU's net transfers to the European Communities, mainly because of the very substantial reduction in 1990 in the payment to the EEC in respect of the « fourth resource ».

5.3 CAPITAL TRANSACTIONS

*Transactions
in securities*

For the first ten months, the deficit in respect of capital transactions fell from Fr. 104 billion in 1989 to Fr. 19 billion in 1990. This contraction in net outflows is almost exclusively attributable to transactions in securities, the balance of which swung from a deficit of Fr. 238 billion in 1989 to a surplus of Fr. 68 billion in 1990. This movement is a clear break with the past trend, because, since the beginning of the 1960s — relevant data are only available since then — this is the first time that they have produced a net surplus for such a long period. This was chiefly attributable to a portfolio reallocation by residents, who sold both foreign shares and bonds. On the other hand, the balance of transactions by non-residents underwent hardly any change.

TABLE 34 — CAPITAL TRANSACTIONS¹

(Balances in billions of francs)

	1988	1989	First ten months	
			1989	1990
Transactions of the non-financial private sector ²	- 73	- 152	- 87	3
Long-term	- 87	- 166	- 180	141
Securities	- 138	- 210	- 238	68
Direct and other investments	51	43	57	73
Short-term	13	14	93	- 138
Cover for forward transactions ³	58	72	145	- 113
Other transactions	- 45	- 58	- 51	- 25
Capital transactions of other sectors	- 41	- 26	- 16	- 22
Total	- 114	- 179	- 104	- 19

Source : NBB.

¹ Minus sign : capital outflows.

² Excluding commercial credits, which are not available for the first ten months of 1990.

³ Spot transactions of resident credit institutions made as the counterpart to forward transactions with their clients.

The fall in stock exchange prices, especially in the United States and Japan, caused residents and, above all, collective investment undertakings, to which these had increasingly entrusted the management of their assets in recent years, to sell a large proportion of their foreign shares. On the other hand, the interest displayed by non-residents in Belgian shares remained strong, although slightly less so than in the previous year. Owing to the central position of Belgium in Europe and the relatively small size of resident companies, the prospects of continuance of the movement of regrouping of enterprises on a European scale probably helped to make some of these stocks attractive. It is also quite possible that some of the foreign purchases actually conceal equity investments by non-resident enterprises which were too small to be identified as such in the balance of payments statistics.

Shares

TABLE 35 — TRANSACTIONS IN SECURITIES

(Balances in billions of francs)

	1988	1989	First ten months	
			1989	1990
Shares	38	-48	-25	44
Assets of residents ¹	19	-78	-55	26
Assets of non-residents ²	19	31	29	18
Bonds	-175	-162	-213	24
Assets of residents ¹	-215	-185	-210	23
of which in foreign currencies	(-213)	(-169)	(-205)	(44)
Assets of non-residents ²	40	23	-3	1
Total	-138	-210	-238	68

Source : NBB.

¹ Minus sign : increase in net assets of residents.

² Minus sign : decrease in net assets of non-residents.

The disinclination of residents to invest in foreign currency bonds was mainly due to the reduction, announced and then implemented, in the rate of the withholding tax on income from financial assets in Belgium applying to new fixed-interest securities, as well as to the uncertainties which prevailed for a large proportion of the year under review concerning the movement of long-term yield rates. These two factors not only had a direct effect on the decision of residents as to whether to invest in foreign bonds, but also exerted an indirect influence because of their repercussions on the activity of collective investment undertakings. The latter had to dispose of a portion of their portfolios, partly because they had to meet withdrawals of funds by residents. Account being taken of the expenses which these undertakings charge, the reduction of the tax on income from financial assets made it much less attractive for residents to invest through these intermediaries; furthermore, it is quite possible that investors who were not well-informed about the problems of valuation of financial assets were disappointed by the low yield of the units or shares issued by these intermediaries, being unaware of the fact that other, more conventional long-term portfolio investments also suffered a comparable loss in value during the same period.

Bonds

The lessening of the interest of residents in foreign currency bonds was also contributed to during the year under review by the undertaking given by the authorities to peg the franc firmly to the strongest EMS currencies. Furthermore,

residents were induced to make a more cautious reassessment of the exchange rate risks inherent in foreign currency investments by the considerable losses suffered on this account since 1989, especially in the case of the US dollar and other floating currencies.

In comparing the first ten months of 1989 and 1990 it should furthermore be noted that purchases by residents of foreign bonds, mainly in Italian lire, had been swollen by about Fr. 60 billion by transactions at very short term carried out in order to take advantage of the system, which was very generous at the time, of the flat-rate refund of foreign tax. These purchases, which had as their counterpart inflows of short-term funds with reversed sign owing to the forward cover transactions coupled with them, were, however, entirely completed by the end of 1989, because the changes made in the meantime to Belgian tax legislation made such financial stratagems pointless beyond that date.

Provided that all the transactions carried out by non-residents in bonds in Belgian francs have been recorded, their volume appears still to have been relatively modest in 1990, although their balance was slightly more favourable than in 1989. While the efforts made to improve the franc's image and to promote the spread abroad of domestic financial instruments, including linear bonds, proved successful in the middle of the year, they were thwarted for the remainder of the year by the emergence of expectations of rises in long-term interest rates.

*Direct investment
and allied
transactions*

For the first ten months of 1990, direct investments and allied capital transactions resulted in net capital inflows slightly greater than in the preceding year. The extent of the gross movements of funds on this account was reduced in the case of both residents and non-residents, this turndown having been slightly more marked for the former than for the latter. With regard to residents, this movement was influenced, at the beginning of 1990, by substantial capital gains obtained by a large chemical enterprise in connection with the reorganisation of the financial structure of its interests in Germany. Furthermore, BLEU banks substantially reduced their equity investment abroad, which had been stimulated in recent years by, in particular, the creation in Ireland of an international financial centre enjoying an extra-territorial status. The movement of investments by non-residents was chiefly determined by transactions with co-ordination centres of multinational companies established in Belgium, as the contributions to their capital increased less rapidly.

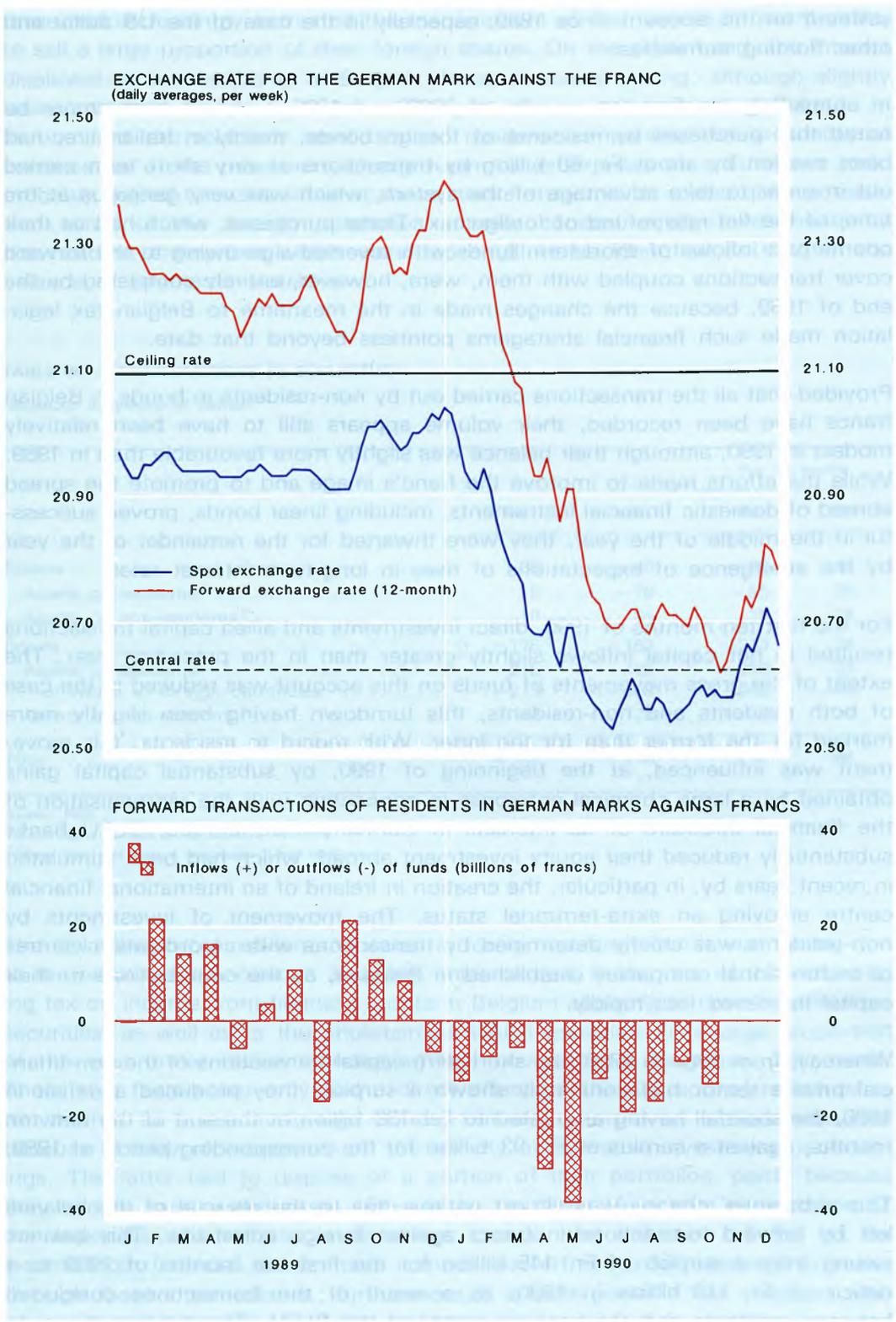
*Short-term
transactions of the
non-financial
private sector*

Whereas, from 1984 to 1989, the short-term capital transactions of the non-financial private sector had constantly shown a surplus, they produced a deficit in 1990, the shortfall having amounted to Fr. 138 billion at the end of the first ten months, against a surplus of Fr. 93 billion for the corresponding period of 1989.

This substantial change was almost entirely due to the reversal of the balance left by forward transactions in francs against foreign currencies. This balance swung from a surplus of Fr. 145 billion for the first ten months of 1989 to a deficit of Fr. 113 billion in 1990, as a result of the transactions concluded between residents and the banking sector of the BLEU. These transactions do not, as such, constitute capital movements with foreign countries, but the flows of funds which they cause in the case of banks are included under this head because the banks, as a precaution, cover their forward positions by spot transactions.

The fact that substantial surpluses in respect of these transactions appeared in the mid-1980s is directly connected with the recovery of the balance of current transactions and consequently with the covering of growing net export proceeds.

CHART 30 — FORWARD TRANSACTIONS AND EXCHANGE RATES



Source : NBB.

Nevertheless, one of the most decisive factors was the positive interest rate differential between the franc and the German mark in recent years.

Thus, especially in 1987 and 1989, the prospect of making not inconsiderable profits induced resident enterprises to sell German marks against francs, some-

times for relatively long terms ranging from a year to 18 months. These sales were prompted by the combination of two factors : firstly, these enterprises did not expect any realignment between the franc and the mark and, secondly, the interest rate differential was more than sufficient to offset the effect of a possible rise by the mark up to its ceiling. These circumstances offered enterprises the opportunity of selling their expected export proceeds for the coming months forward for periods of about the length stated above, and that at a previously agreed price — the forward exchange rate — which was above the ceiling rate for the permitted margin of fluctuation of the mark against the franc, so that they were almost certain of making a profit.

Towards the end of 1989 forward transactions in marks led to outflows of funds when residents preferred, owing to fears about a realignment of the central rates of the EMS currencies, not to renew the forward sales of German marks concluded in the past. When these fears had been dispelled, other factors, namely the weakening of the exchange rate for the mark and then the narrowing of the interest rate differential between the franc and that currency, sustained this tendency towards non-renewal of forward sales. The capital outflows brought about by the non-extension of the forward sales of marks were furthermore swollen by purchases of that currency due to the fact that the exchange rate for it was considered to be relatively low. That was probably also the reason why residents did not renew their forward sales of dollars in 1990.

It should moreover be recalled that the inflows of funds connected with the forward transactions in the first ten months of 1989 had been substantially expanded by very-short-term transactions in lire undertaken with a view to covering temporary purchases of bonds for purely tax purposes.

The spot capital transactions of the non-financial private sector included under the heading « other transactions » in Table 34 closed with a smaller deficit than in 1989. This movement was accompanied by a shift between transactions by residents and those by non-residents, the deficit in respect of the former having decreased very substantially and the surplus on the latter having disappeared.

The development of spot transactions by residents was dominated in 1990 by the effect of the disappearance at the beginning of the year of the fears of a general realignment of parities within the EMS. These fears had caused substantial outflows of residents' short-term funds from September 1989 to January 1990. The return flows which followed were probably expanded by the reduction in the withholding tax on income from financial assets. It should be noted that from June onwards outflows of funds were brought about by transactions designed to take advantage of the favourable tax regime resulting from the convention signed between Belgium and certain countries, including South Korea, to prevent international double taxation. Had it not been for these transactions, the balance of the spot transactions of residents for the first ten months of 1990 as a whole would in fact have shown a slight surplus.

The net spot assets in francs of non-residents underwent hardly any change in 1990, whereas in 1989 they had increased by about Fr. 70 billion. The first ten months of 1990 were not, however, a homogeneous period. At the beginning of the year the relative weakening of the German mark might have appeared temporary to market operators and might have induced non-residents to reduce their net liquid assets in francs. On the other hand, as the image of the franc improved in the middle of the year, these assets generally increased from then on.

5.4 OFFICIAL SETTLEMENTS

The surplus in respect of official settlements, that is, the result of all the transactions, both current and capital, which have just been discussed, reached Fr. 65 billion for the first ten months of 1990. For the year as a whole it was Fr. 40 billion, as compared with a deficit of Fr. 54 billion in 1989.

While these settlements showed a surplus almost continuously from March onwards, the bulk of this surplus was built up at the end of May and in June owing to capital inflows brought about by the official announcement of the orientation of exchange rate policy. During December the foreign exchange markets were affected by a certain nervousness when the Bundesbank tightened its monetary policy; the positive balance of official settlements therefore shrank somewhat at the end of the period.

TABLE 36 — NET GOLD AND FOREIGN EXCHANGE RESERVES OF THE NATIONAL BANK OF BELGIUM¹

(Changes in billions of francs)

	1988	1989	1990	p.m. Outstanding amount at end of 1990 ²
Gold holding .....	...	-65	...	366
Assets with IMF	-8	2	-2	15
Ecus .....	...	...	...	109
Foreign currencies	38	69	22	233
Belgian francs	-5	6	-3	-5
Total	25	12	17	717

Source : NBB.

¹ The minus sign indicates a decrease in net assets or an increase in net liabilities and, for the outstanding amounts, net liabilities.

² At market prices and exchange rates.

The surplus of official settlements over the year as a whole enabled general government to reduce its foreign currency debt by Fr. 23 billion. The Bank's gold and foreign exchange reserves therefore increased by Fr. 17 billion. This growth in the reserves took place entirely in the holdings in foreign currencies.

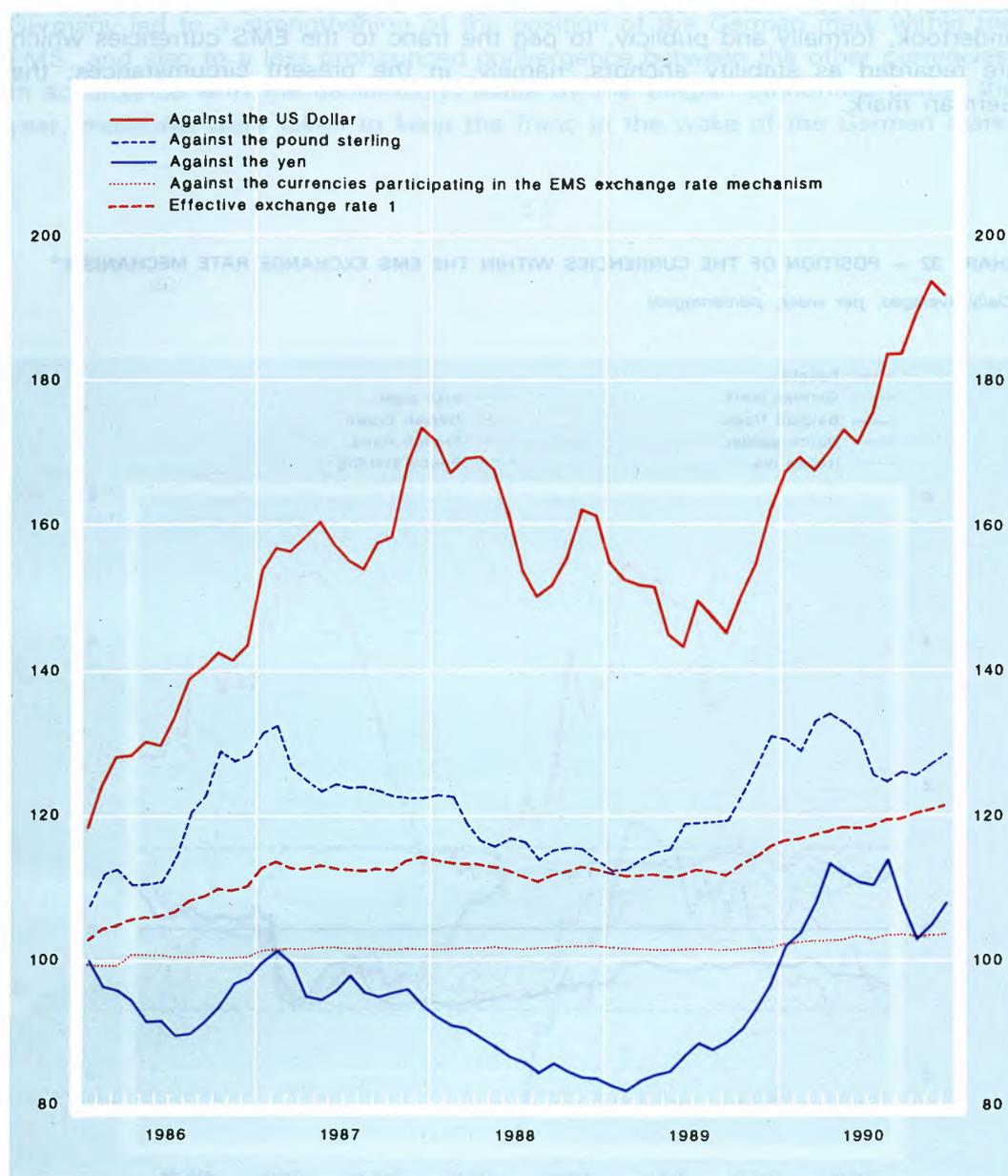
5.5 FOREIGN EXCHANGE MARKET

The effective exchange rate for the Belgian franc, which had remained relatively stable since 1987, appreciated almost continuously from October 1989 onwards, the total rise by the end of 1990 having been about 8 p.c. The average appreciation compared with 1989 was 5.7 p.c. This movement chiefly reflected the depreciation of the US dollar, and also, to a smaller extent, the average depreciations of the pound sterling and the yen. The effect of the slide of the dollar was all the greater because other currencies of countries to which the BLEU

exports are more or less tightly tied to it. On the other hand, the appreciation of the franc against the currencies which participate in the EMS exchange rate mechanism as a whole remained relatively moderate and had only a minimal influence on its effective exchange rate.

CHART 31 — EXCHANGE RATE FOR THE BELGIAN FRANC¹

(Indices 1981 = 100)



Source : NBB.

¹ Weighted by exports.

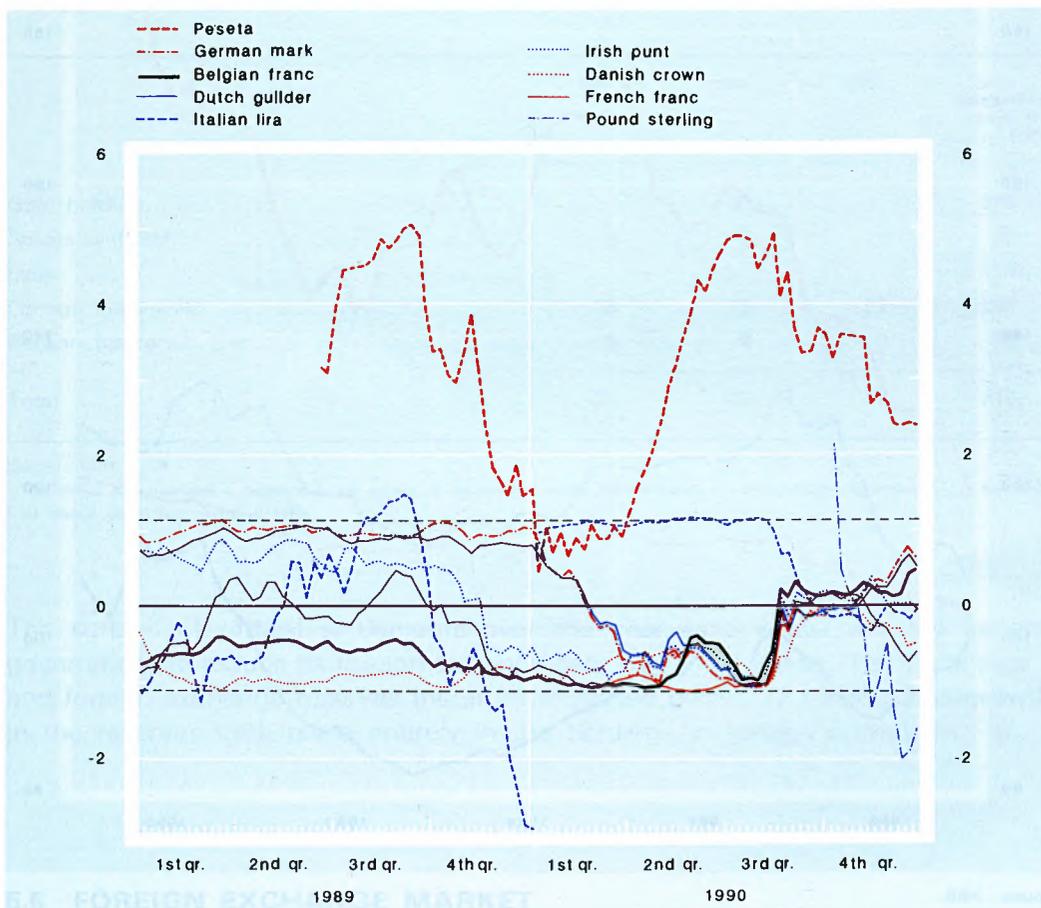
After the adjustment of the central rates for the lira in January, the strains which had appeared in the EMS towards the end of September 1989 eased. This easing initially benefited the currencies for which the interest rates were relatively highest, namely the Italian lira and the Spanish peseta. The attraction exerted by investments in these two currencies contributed to the weakening of the German mark in the EMS at the beginning of the period. The relative weakness

of the mark was accentuated by fears which developed in the markets that the process of monetary union between the two Germany's might lead to an upsurge of inflation in Germany. This caused a bunching-together of the mark and the other EMS currencies, including the Belgian franc.

The strength displayed by the Belgian franc, coupled with Belgium's good macro-economic performance and the virtual disappearance of the differential between the quotation for the franc on the free and regulated markets, induced the authorities to abolish the two-tier foreign exchange market earlier than necessary, on 5th March 1990. Furthermore, the Belgian authorities subsequently undertook, formally and publicly, to peg the franc to the EMS currencies which are regarded as stability anchors, namely, in the present circumstances, the German mark.

CHART 32 – POSITION OF THE CURRENCIES WITHIN THE EMS EXCHANGE RATE MECHANISM¹

(Daily averages, per week, percentages)



Source : BIS.

¹ Difference between two currencies = $\frac{\text{exchange rate}}{\text{central rate}} \times 100$.

The markets' favourable reaction to these adjustments to the exchange rate policy as a whole was reflected in the strengthening of the Belgian franc against nearly all the EMS currencies, especially the mark, the guilder and, above all, the French franc.

From August onwards the position of the lira, which had been very firm up till then, deteriorated markedly, partly because of the anxieties about the repercussions of the Gulf crisis on the Italian economy. This decline caused the regrouping within the EMS to spread from September onwards to all the currencies which have a narrow fluctuation margin, with the franc occupying the highest position among these. The accession of the pound sterling to the EMS exchange rate mechanism on 8th October 1990 did not have any destabilising effect on the operation of the system.

During the last weeks of the year the gradual tightening of monetary policy in Germany led to a strengthening of the position of the German mark within the EMS, and also to a less pronounced convergence between the other currencies. In accordance with the declarations made by the Belgian authorities during the year, measures were taken to keep the franc in the wake of the German mark.

6. MONETARY POLICY AND MONEY AND CAPITAL MARKETS

6.1 MONETARY AND EXCHANGE RATE POLICY

6.11 Aims

In the pursuit of their economic and monetary policy, most of the countries of the European Community continued to place the emphasis more on internal measures than on adjustments in exchange rates. This orientation was confirmed, in particular, at the beginning of the year, when acute strains on the foreign exchange market were withstood without any general realignment but merely by adjusting the central rate for the Italian lira while at the same time including that currency in the narrow fluctuation range of the EMS exchange rate mechanism.

Against this background the Belgian monetary authorities gave a more ambitious formulation to their intermediate objective in terms of stability of exchange rates. In June the Government in fact gave a formal undertaking to peg the Belgian franc firmly to the EMS currencies which are regarded as stability anchors, that is, under present circumstances, the German mark.

This new orientation of exchange rate policy has two aspects. In the event of a general realignment of the central rates of the EMS currencies, the central rate for the Belgian franc against the mark will not be changed. Furthermore, the Bank will see to it that the use of the existing fluctuation margin is consistent with this new orientation, while at the same time fully complying with the provisions of the Basle-Nyborg agreement.

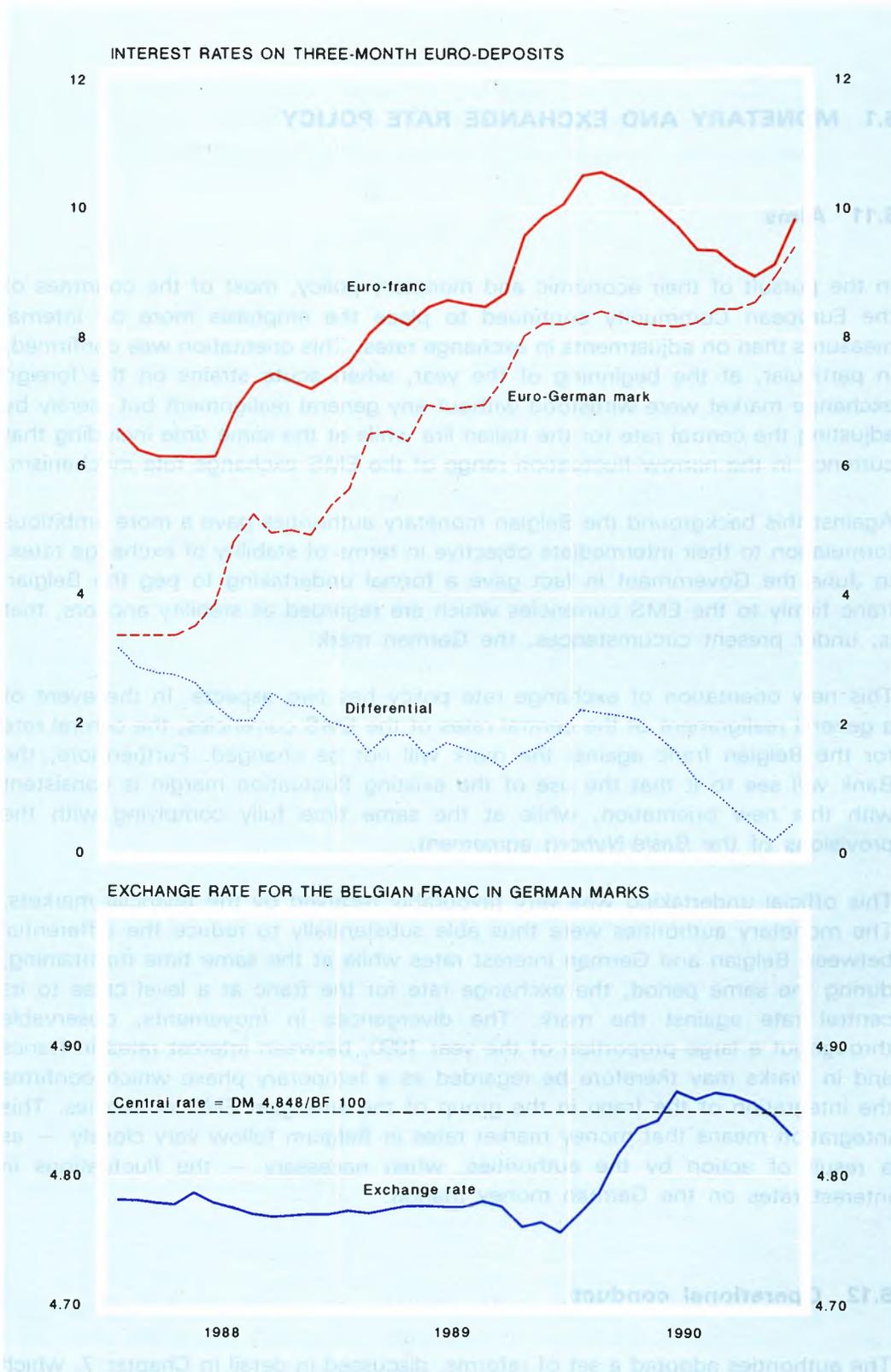
This official undertaking was very favourably received by the financial markets. The monetary authorities were thus able substantially to reduce the differential between Belgian and German interest rates while at the same time maintaining, during the same period, the exchange rate for the franc at a level close to its central rate against the mark. The divergences in movements, observable throughout a large proportion of the year 1990, between interest rates in francs and in marks may therefore be regarded as a temporary phase which confirms the integration of the franc in the group of the strongest EMS currencies. This integration means that money market rates in Belgium follow very closely — as a result of action by the authorities, when necessary — the fluctuations in interest rates on the German money market.

6.12 Operational conduct

The authorities adopted a set of reforms, discussed in detail in Chapter 7, which had the effect of bringing about a fundamental change, with effect from

29th January 1991, in the manner in which monetary policy is pursued. 1990 was therefore the last year in which the Bank relied on its traditional intervention technique, employed since the end of the 1970s. It had been via changes in the interest rates on Treasury certificates decided upon in consultation with the

CHART 33 — INTEREST RATES IN FRANCS AND MARKS AND EXCHANGE RATES ¹



Source : NBB.

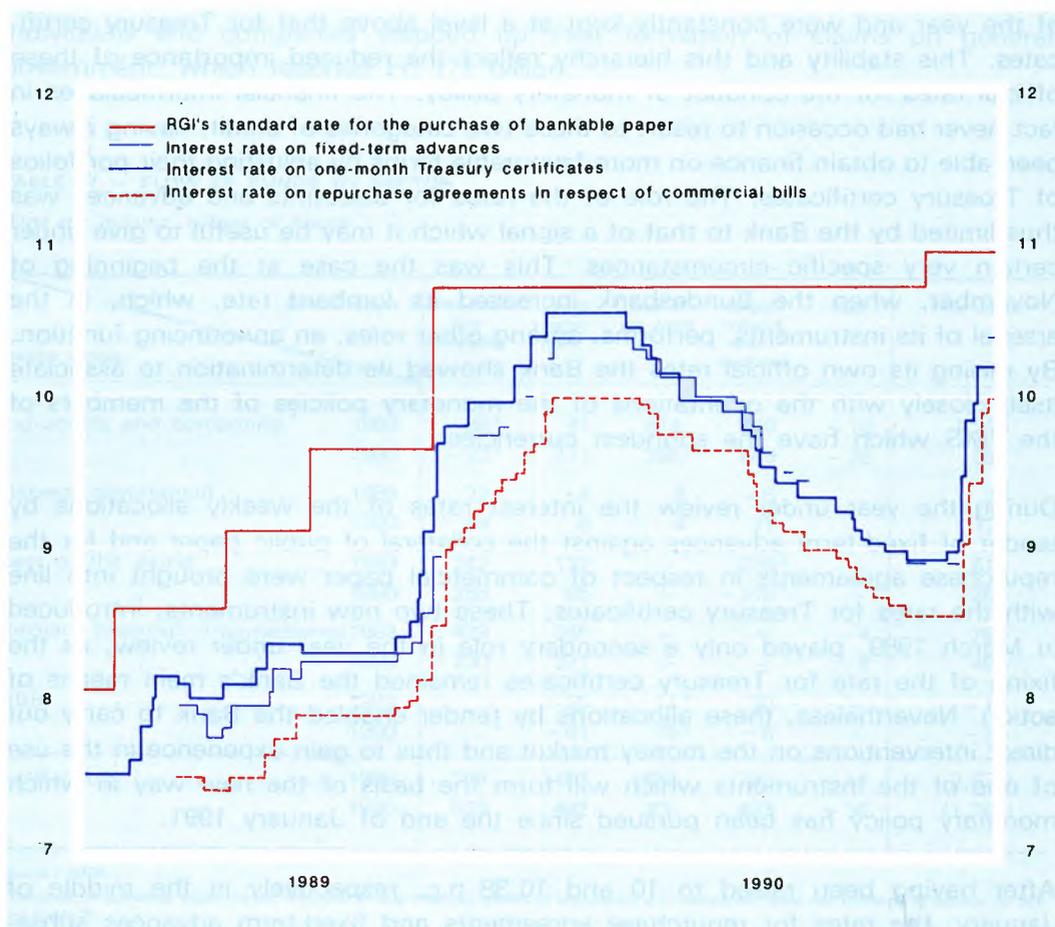
Minister of Finance that the Bank had influenced the conditions prevailing on the money market.

At the very beginning of January 1990 the persistence of the strains on the foreign exchange market induced the Bank to raise the interest rates on Treasury certificates, following upon the increases already introduced at the end of 1989, and thus to widen the differential compared with interest rates in marks. After having been raised to 10.40 p.c., the rates on one-, two- and three-month Treasury certificates subsequently remained unchanged until the beginning of March. The maintenance during this period of a substantial differential between Belgian and German interest rates enabled the position of the franc against the mark to be appreciably improved.

From March onwards the Bank gradually reduced the interest rates on certificates. These successive lowerings, undertaken in the absence of any significant changes in German monetary policy, did not prevent a further appreciation of the franc. This movement was assisted by the lowering of the rate of the withholding tax on income from financial assets and by the abolition of the two-tier foreign exchange market; it was also facilitated by a certain weakening of the mark connected with uncertainties about the reunification of Germany; but it was strengthened most of all by the very positive incidence of the Government's declaration in June concerning the orientation of foreign exchange policy.

CHART 34 — INTEREST RATES ON THE MONEY MARKET

(Rates in arrears on the basis of 365 days)



Source : NBB.

The Bank was able to take advantage of the positive reaction of the markets in order to carry on, during the subsequent months, with the downward movement of the rates on certificates. As the differential with German interest rates narrowed, this decline in interest rates slowed down, however, coming to a halt, at the end of October, at the level of 8.80 p.c. for one-month certificates and 8.85 p.c. for two- and three-month certificates.

The greater part of November was still characterised by a further narrowing of the differential between interest rates in francs and in marks. This narrowing was no longer due, however, to an autonomous decrease in Belgium but was attributable to a first upward impetus to interest rates in Germany.

During the last days of November conditions on the German money market became very strained, especially on the shortest-term segment of the market. German interest rates rose above the Belgian and Dutch rates and came close to the rates of most of the other Community countries. This pronounced rise was accompanied by a strengthening of the mark and even a revival of the strains within the EMS. In order to safeguard the franc's consolidated position against the mark, the Bank raised its own leading rates in stages while at the same time undertaking ad hoc intra-marginal interventions on the foreign exchange market. Thus the rates for one-, two- and three-month Treasury certificates rose to 10.05 p.c., thereby re-establishing, over the month of December as a whole, an average differential for these three maturities of about 0.40 p.c. in relation to the mark, that is, a level more or less comparable with that at the end of October.

The Bank did not adjust the discount rate and the rate for ordinary advances in line with the successive movements of the rates for Treasury certificates. On the contrary, these two rates remained unchanged throughout the greater part of the year and were constantly kept at a level above that for Treasury certificates. This stability and this hierarchy reflect the reduced importance of these official rates for the conduct of monetary policy. The financial intermediaries in fact never had occasion to resort to these two categories of credit, having always been able to obtain finance on more favourable terms by adjusting their portfolios of Treasury certificates. The role of the rates for discounts and advances was thus limited by the Bank to that of a signal which it may be useful to give under certain very specific circumstances. This was the case at the beginning of November, when the Bundesbank increased its lombard rate, which, in the arsenal of its instruments, performs, among other roles, an announcing function. By raising its own official rates the Bank showed its determination to associate itself closely with the orientations of the monetary policies of the members of the EMS which have the soundest currencies.

During the year under review the interest rates of the weekly allocations by tender of fixed-term advances against the collateral of public paper and for the repurchase agreements in respect of commercial paper were brought into line with the rates for Treasury certificates. These two new instruments, introduced in March 1989, played only a secondary role in the year under review, as the fixing of the rate for Treasury certificates remained the Bank's main means of action. Nevertheless, these allocations by tender enabled the Bank to carry out direct interventions on the money market and thus to gain experience in the use of one of the instruments which will form the basis of the new way in which monetary policy has been pursued since the end of January 1991.

After having been raised to 10 and 10.38 p.c. respectively in the middle of January, the rates for repurchase agreements and fixed-term advances subsequently followed the gradual decline of the rates on Treasury certificates and

were down, by the end of October, to 8.56 and 8.88 p.c. The substantial rise in the rate for Treasury certificates after that induced the Bank to make the conditions for its allocations more stringent. During December the interest rate on repurchase agreements was thus raised, in four stages, to 10 p.c., while fixed-term advances were granted only in the last allocation of the month, at 10.38 p.c.

Over the year as a whole the amounts allocated by tender for the repurchase agreements in respect of commercial bills remained fairly stable, reflecting the permanent character which the Bank wishes to give to this category of operations. On the other hand, the Bank was more restrictive in the case of fixed-term advances against the collateral of public paper. The tenders submitted for such advances were accepted to a smaller extent and a large proportion of those submitted in the second half of the year were actually rejected.

6.2 MONEY AND CAPITAL MARKETS

Financing channels

During the first ten months of 1990 the financing flows between the major sectors of the economy were marked by substantial changes in the financial behaviour of individuals and companies. As already mentioned in Chapter 4, these sharply reduced both their new liabilities and their formation of financial assets. But, while the decrease in the former was due to the movement of credits obtained from the financial intermediaries, the smaller growth in the latter is mainly attributable to the formation of assets abroad. On the other hand, individuals and companies stepped up their formation of claims on general government, which reached Fr. 171 billion.

TABLE 37 — FLOW OF FUNDS BY SECTOR

(First ten months, billions of francs)

Debtor sectors		Creditor sectors					Total claims
		Individuals and companies	General government	Rest of the world	Belgian financial intermediaries	NBB	
Individuals and companies ¹	1989	36 ²	41	614	529	-10	1,210 ¹
	1990	-23 ²	171	286	549	-26	957 ¹
General government	1989	22	4	8	-5	...	29
	1990	44	6	4	71	...	125
Rest of the world	1989	242	132	-	236 ³	-	610
	1990	288	85	-	-119 ³	-	254
Belgian financial intermediaries	1989	429	365	-	-	-4	790
	1990	230	271	-	-	-8	493
NBB	1989	...	-55	11 ³	30	-	-14
	1990	...	-41	15 ³	-8	-	-34
Total debts	1989	729	487	633	790	-14	(2,625)
	1990	539	492	305	493	-34	(1,795)

Source : NBB.

¹ Because of statistical adjustments, the total of the financial assets of individuals and companies does not correspond exactly to that of Table 21.

² Publicly issued shares and bonds.

³ Balance of the change in claims and debts.

Direct purchases of public debt securities by individuals and companies, encouraged by the lowering of the withholding tax on income from financial assets and the confidence in the Belgian franc, enabled general government to restrict its recourse to the rest of the world and to the financial intermediaries.

The resources which the latter gather from their resident non-bank customers increased more than in the previous year, while the expansion in their lending to the domestic sectors slowed down markedly, so that their net claims on the domestic sectors were reduced, unlike during the previous year. As a counterpart to this, the financial intermediaries' net foreign indebtedness, including that which they contract in order to cover forward transactions with residents, declined.

Lastly, the financial intermediaries reduced their recourse to credit from the Bank, partly owing to a marked decrease in the demand for bank notes. The Bank accumulated foreign exchange reserves and reduced its special assistance to the Securities Regulation Fund, as in 1989.

The changes in the behaviour of individuals and companies affected the balance sheet structure of the financial intermediaries, making resources more expensive. Thus the share of savings deposits in the total Belgian franc liabilities of the credit institutions as a whole decreased by 3.8 p.c. between October 1989 and October 1990, to the advantage of other, more expensive resources, namely, time deposits of Fr. 1 million and above, the remuneration of which is linked in various ways to money market interest rates, and medium-term notes. The success of cash management SICAVs undoubtedly helped to increase the proportion of large

*Financial
intermediaries*

TABLE 38 — BALANCE SHEET STRUCTURE IN BELGIAN FRANCS OF THE VARIOUS CATEGORIES OF CREDIT INSTITUTIONS

(Percentages of total assets in Belgian francs as at 31st October)

	Public credit institutions ¹		Banks		Savings banks		Total	
	1989	1990	1989	1990	1989	1990	1989	1990
Assets								
Lending	35.3	38.8	50.4	51.6	40.8	44.5	43.3	45.9
Treasury certificates	14.0	14.4	18.1	18.5	6.1	5.1	14.7	14.8
Long-term public securities.....	49.1	45.6	29.7	28.3	47.1	45.1	39.6	37.2
Other	1.6	1.3	1.8	1.7	6.0	5.4	2.4	2.2
Total	100	100	100	100	100	100	100	100
Liabilities								
Ordinary sight and time deposits	8.7	9.3	18.2	17.7	10.9	11.6	13.5	13.7
Large deposits ²	5.2	7.2	19.8	25.2	4.5	7.1	12.0	15.8
Ordinary savings deposits	26.3	23.7	21.8	18.0	41.3	34.9	26.6	22.8
Medium-term notes	48.1	52.4	13.7	15.9	31.8	36.6	29.3	32.3
Other ³	11.8	7.3	26.4	23.3	11.4	9.8	18.7	15.4
Total	100	100	100	100	100	100	100	100

Source : NBB.

¹ Belgian Municipal Credit Institution, General Savings and Pensions Fund, National Industrial Credit Company, Central Office for Mortgage Credit, National Institute for Agricultural Credit, National Fund for Credit to Trade and Industry and deposit and credit associations and funds approved by the two last-mentioned institutions.

² Deposits of Fr. 1 million and over.

³ Including net interbank borrowings in Belgian francs and net spot liabilities in foreign currencies.

deposits in the liabilities of credit institutions. The decline in savings deposits took place mainly in the savings banks, which traditionally specialise in this type of product : the contraction in these deposits represented 6.4 p.c. of these institutions' resources.

With regard to assets in Belgian francs, the credit institutions reduced the share of their portfolio of public securities in favour of that of lending to the private sector, which increased by 2.6 p.c.

The change in the structure of the credit institutions' liabilities led to a contraction in their profitability, which was also contributed to by the reversed structure of interest rates at the beginning of the year, which penalises financial institutions which engage in the most far-reaching transformation of maturities, the almost complete disappearance of the capital gains on fixed-interest securities obtained during the preceding years and the increased recourse to the issuing of government loans by tender, which makes these issues more competitive. Some institutions tried to compensate for the loss of interest margin due to the falling-off of savings deposits by increasing their market shares. They achieved this partly by creating new savings products which, although subject to the withholding tax on income from financial assets, are much better remunerated than deposits on ordinary deposit or savings books, which are exempt from that tax. This movement applied particularly to savings banks and small banks, which had already taken the initiative of increasing the remuneration of sight deposits in 1989. Other institutions reacted to the loss of profitability by announcing or carrying out restructuring programmes. Lastly, applications to be allowed to introduce charges for certain financial services were submitted to the Minister of Economic Affairs.

Long-term capital market

The reform of the Belgian financial markets continued. The law of 4th December 1990 concerning financial transactions and the financial markets came into force on 1st January 1991. The most important part of this law is designed to increase the efficiency and transparency of the stock market in order to enhance its competitiveness compared with foreign countries, improve the productivity of the services which it renders to the community and ensure that investors are protected. As part of this reform, the BELFOX company was formed in January 1990, with the aim of establishing and administering an option and futures market in the Brussels Stock Exchange. This market should open in the course of 1991. In addition, a royal decree of 8th May 1990 increased the banks' possibility of holding shares issued by non-financial companies. With regard to the secondary bond market, a continuous computerised market, called OBLICATS, was created in May 1990.

Furthermore, various measures which came into effect on 29th January 1991 were taken in the context of the reform of the money market which will be discussed in Chapter 7 and which applied also to the secondary market for linear bonds, with a view to increasing its volume and efficiency. These were : the establishment of a system of clearing and of payment against delivery administered by the Bank, the formation of a body of financial institutions (primary dealers) specially entrusted with the function of providing a permanent quotation for securities and participating in their promotion, the abolition of the tax on stock exchange dealings and the adoption of provisions allowing the extension of bond lending.

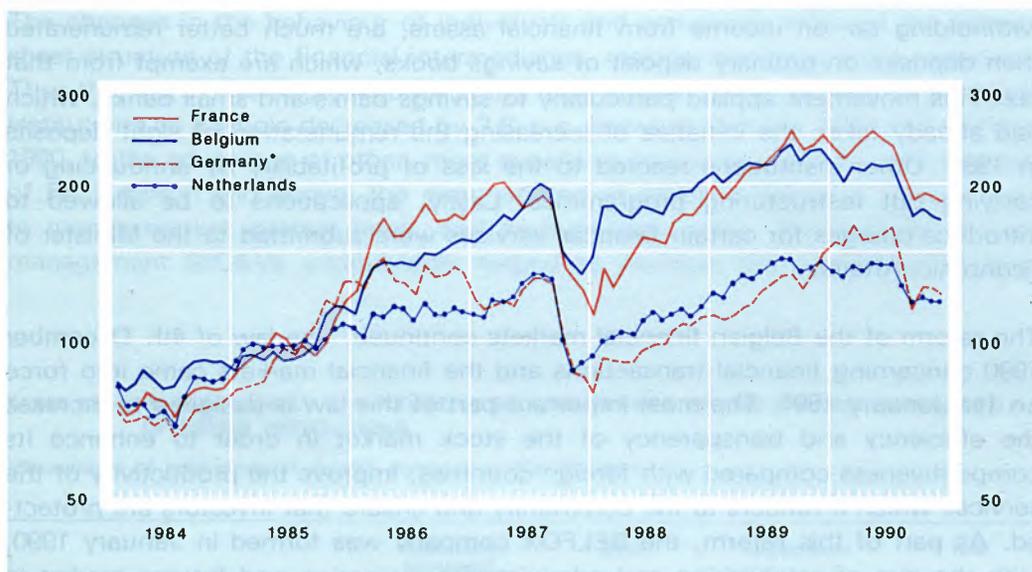
As in the other European countries with the exception of Germany, where share prices were still held up at the beginning of the year by the prospects of the reunification of the country, the upward trend of share prices came to a halt at

the beginning of 1990. The rise in long-term interest rates which began in September 1989 put a damper on the movement of prices, the decline in which was particularly marked in February. A further, much larger, fall took place in the summer following the invasion of Kuwait by Iraq; it coincided with a cyclical reversal in the results published by enterprises for the first half of 1990. At the end of the year the index of the prices of Belgian shares was 26 p.c. below its end-1989 level. This being so, public share issues were very small.

On the other hand, issues of medium-term notes and Belgian franc bonds recovered markedly in 1990. The reduction in the withholding tax on income from financial assets levied on interest, the relative easing of long-term interest rates from March to July and the increased confidence in the Belgian franc created a climate conducive to these issues.

CHART 35 — SHARE PRICES : INTERNATIONAL COMPARISON

(Indices 1985 = 100, semi-logarithmic scale)



Sources : Stock Exchange Commission, Frankfurter Allgemeine Zeitung, Compagnie des Agents de Change, Centraal Bureau voor de Statistiek.

The market for bonds issued by general government tends to be divided into two segments. On the one hand there are the linear bonds issued by tender and mainly intended for institutional investors : these enabled the Treasury to gather Fr. 273 billion in 1990 as a whole. Secondly there are the loans which are issued in the traditional manner, which, unlike during the preceding years, were directed towards individual investors : out of a total of Fr. 243 billion brought in by the two tranches of the Government Loan 1990-1997, about half was accounted for by direct subscriptions by individuals, whereas this proportion had been only about 10 p.c. for the public issues made in 1989. Altogether, the volume of net issues was much greater, having reached Fr. 319 billion during the first ten months of 1990 against Fr. 138 billion in 1989.

The revival in investments in medium-term notes took place at the expense of, among other things, SICAVs, the Belgian franc portfolio of which consists chiefly of government bonds : the reduction in the withholding tax on income from financial assets and the relative disappointment of some of the subscribers to

shares of these SICAVs, who may have been put off by the absence of guaranteed prices at maturity, caused individuals to give preference again to medium-term notes.

Lastly, issues of bonds in Luxembourg francs by non-residents were particularly substantial in 1990. The opening of the market for loans in Luxembourg francs to small investors with effect from 1st July certainly contributed to the success of these issues.

TABLE 39 — BONDS AND NOTES AT OVER ONE YEAR IN FRANCS¹

(Changes in billions of francs)

Issuers	Holders	First ten months						
		1985	1986	1987	1988	1989	1989	1990*
General government	Total	548	226	377	465	192	139	319
	Individuals and companies ²	94	36	93	176	59	41	172
Financial intermediaries	Total	168	7	10	82	-27	22	311
	Individuals and companies ²	161	18	44	96	7	42	394
Other residents	Total	-12	-8	-32	-2	3	...	-28
	Individuals and companies ²	-6	-11	-15	15	5	5	-9
Non-residents	Total	46	62	58	10	40	19	70
	Individuals and companies ²	32	28	26	1	40	24	59
Total	Total	750	287	413	555	209	180	672
	Individuals and companies ²	280	71	148	288	111	111	616

Source : NBB.

¹ Including, insofar as it has been possible to record them, bonds in Luxembourg francs.

² Including insurance companies, pension funds and collective investment undertakings.

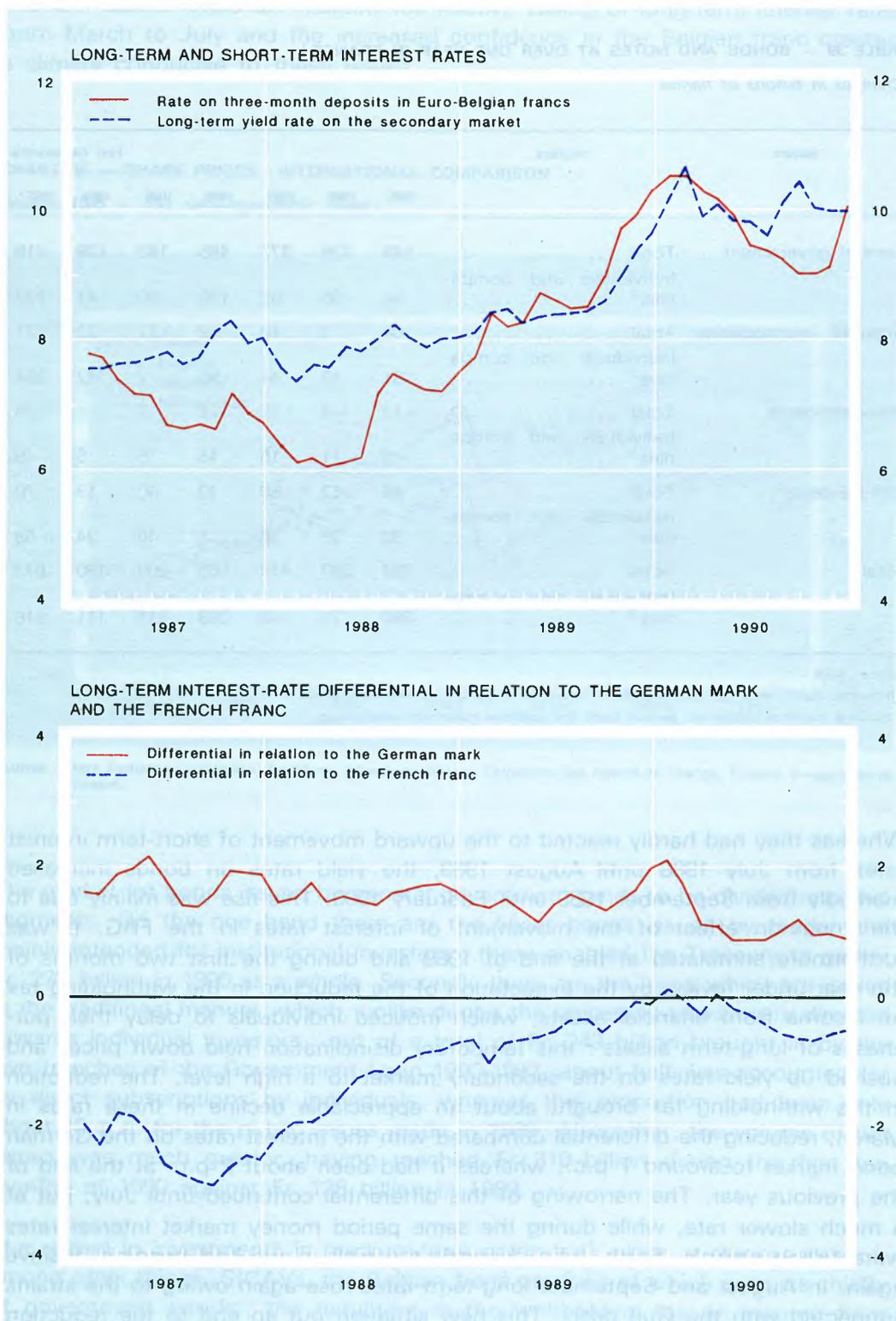
Long-term interest rates

Whereas they had hardly reacted to the upward movement of short-term interest rates from July 1988 until August 1989, the yield rates on bonds increased markedly from September 1989 until February 1990. This rise was mainly due to the knock-on effect of the movement of interest rates in the FRG. It was furthermore stimulated at the end of 1989 and during the first two months of the year under review by the expectation of the reduction in the withholding tax on income from financial assets, which induced individuals to delay their purchases of long-term assets : this temporary disinclination held down prices and pushed up yield rates on the secondary market to a high level. The reduction in the withholding tax brought about an appreciable decline in these rates in March, reducing the differential compared with the interest rates on the German bond market to around 1 p.c., whereas it had been about 2 p.c. at the end of the previous year. The narrowing of this differential continued until July, but at a much slower rate, while during the same period money market interest rates were falling sharply. From June onwards the yield curve had become positive again. In August and September long-term rates rose again owing to the strains connected with the Gulf crisis. This new situation put an end to the reduction in the long-term interest-rate differential in relation to the German mark.

After having come close to 10.5 p.c. at the end of September, long-term rates declined again in October to around 10 p.c. and remained at this level until the end of the year. The rise in interest rates abroad and the resurgence of strains on the foreign exchange market having forced the authorities to raise short-term rates in December, the yield curve flattened out again at the end of the year.

CHART 36 – INTEREST RATE STRUCTURE AND DIFFERENTIAL

(End of month)



Source : NBB.

During the first ten months of the year, recourse to the money market outside the central bank increased by Fr. 363 billion, which is about Fr. 60 billion more than the previous year's figure.

The amount of issues of public short-term securities — Treasury certificates and Securities Regulation Fund certificates — decreased, however, from Fr. 303 to 236 billion, this reduction in the Treasury's short-term financing having been due to the success of the government loans in March and June and of the issue of linear bonds. In anticipation of the reform of the money market at the beginning of 1991, the issuing of six-, nine- and twelve-month Treasury certificates was discontinued and they completely disappeared from circulation in 1990. The maturities of the other certificates were adjusted to make them coincide with the dates on which the new certificates issued by tender are to be paid.

TABLE 40 — RECOURSE TO THE MONEY MARKET OUTSIDE THE CENTRAL BANK

(Changes in gross liabilities, in billions of francs)

	1988	1989	First ten months		p.m. Outstanding amounts at the end of October 1990
			1989	1990	
Interbank loans	-14	85	24	134	(911)
Loans on the call money market	-1	-5	-16	-12	(9)
Mobilisations of commercial bills	-7	...	-5	5	(56)
Issuing of short-term public paper	54	204	303	236	(1,830)
Treasury certificates	51	191	287	243	(1,774)
Securities Regulation Fund certificates	3	13	16	-8	(56)
Total	32	284	306	363	(2,806)

Source : NBB.

Unlike general government, the financial intermediaries raised a much greater amount of additional resources on the money market, especially on the interbank market, which was constantly fuelled by the contributions of Luxembourg banks. The recourse of the financial intermediaries to the two less important segments of the money market — the mobilisation of commercial bills outside the central bank and the call money market — underwent hardly any overall change.

As the « lender of last resort », the Bank covers the deficits or absorbs the surpluses which remain on the money market.

Over the year as a whole the money market expanded by about Fr. 60 billion. The greater part of this amount comes from the surplus left by the transactions of enterprises and individuals with the rest of the world. This surplus enabled the Bank to increase its net foreign exchange reserves by Fr. 17 billion and allowed general government to redeem Fr. 23 billion of its foreign currency debt.

The movement of the note circulation also had an expansive effect on the money market; the decrease of Fr. 16 billion in the note circulation over the year as a whole does, however, conceal substantial seasonal changes from quarter to quarter.

The Bank's « other » transactions, which result mainly from its activity as an enterprise, led to a net creation of liquidity for the money market of about Fr. 4 billion. This creation took place only during the first quarter and was due to the payment of the State's share of the Bank's portfolio income and to the purchase of public long-term securities by the Bank as the counterpart to its reserve accounts.

The credits which the Bank grants by tender to the financial intermediaries decreased by Fr. 3 billion during the year as a whole. Fixed-term advances disappeared in the middle of the year, when the interest rate applied to these credits became the same as that at which the financial intermediaries were able to reinvest in the money market the resources obtained from the Bank. They were only resumed – and then for a very small amount – in response to the last call for tenders in the year. On the other hand, the day-to-day fluctuations which characterised the operations in the form of repurchase agreements in respect of commercial bills mainly reflect the way in which the Rediscount and Guarantee Institute, to which the Bank sells the commercial bills to which these

TABLE 41 – TRANSACTIONS OF THE NATIONAL BANK OF BELGIUM ON THE MONEY MARKET

(Changes in billions of francs)

	1988	1989	1990	1990			
				I	II	III	IV
1. Factors expanding (+) or contracting (-) the money market	2	-65	60	32	24	37	-33
1.1 Net demand for (-) or supply of (+) foreign currencies on the foreign exchange market ¹	7	-54	40	-7	42	19	-14
1.2 Increase (-) or decrease (+) in the note circulation ²	-5	-18	16	26	-18	20	-13
1.3 Other .....	...	7	4	12	-1	-2	-6
2. The Bank's discretionary interventions on the money market : credit-granting via calls for tenders	-	29	-3	-12	18	-8	-2
2.1 Repurchase agreements in respect of commercial bills	-	28	-6	-18	21	-3	-6
2.2 Fixed-term advances against the collateral of public securities	-	1	2	6	-3	-4	3
3. Financing (+) or absorption (-) of the residual balance on the money market	-2	36	-57	-20	-42	-29	34
3.1 Credit to the financial intermediaries : rediscounting and advances .....	...	10	-3	6	-2	7	-14
3.2 Financing of general government	-2	26	-53	-26	-40	-37	49
3.21 Special advances to the Securities Regulation Fund	-21	-40	-29	-36	-26	1	31
3.22 Purchases (+) or sales (-) of foreign currencies connected with general government's spot capital transactions	19	66	-23	10	-14	-38	18
Total granting of liquidity to the money market (2 + 3)	-2	65	-60	-32	-24	-37	33
Changes in gold and foreign exchange reserves (1.1 + 3.22)	25	12	17	3	28	-19	4
p.m. Outstanding end-of-period amount of the special advances provided to the Securities Regulation Fund	(107)	(66)	(37)	(31)	(5)	(5)	(37)

Source : NBB.

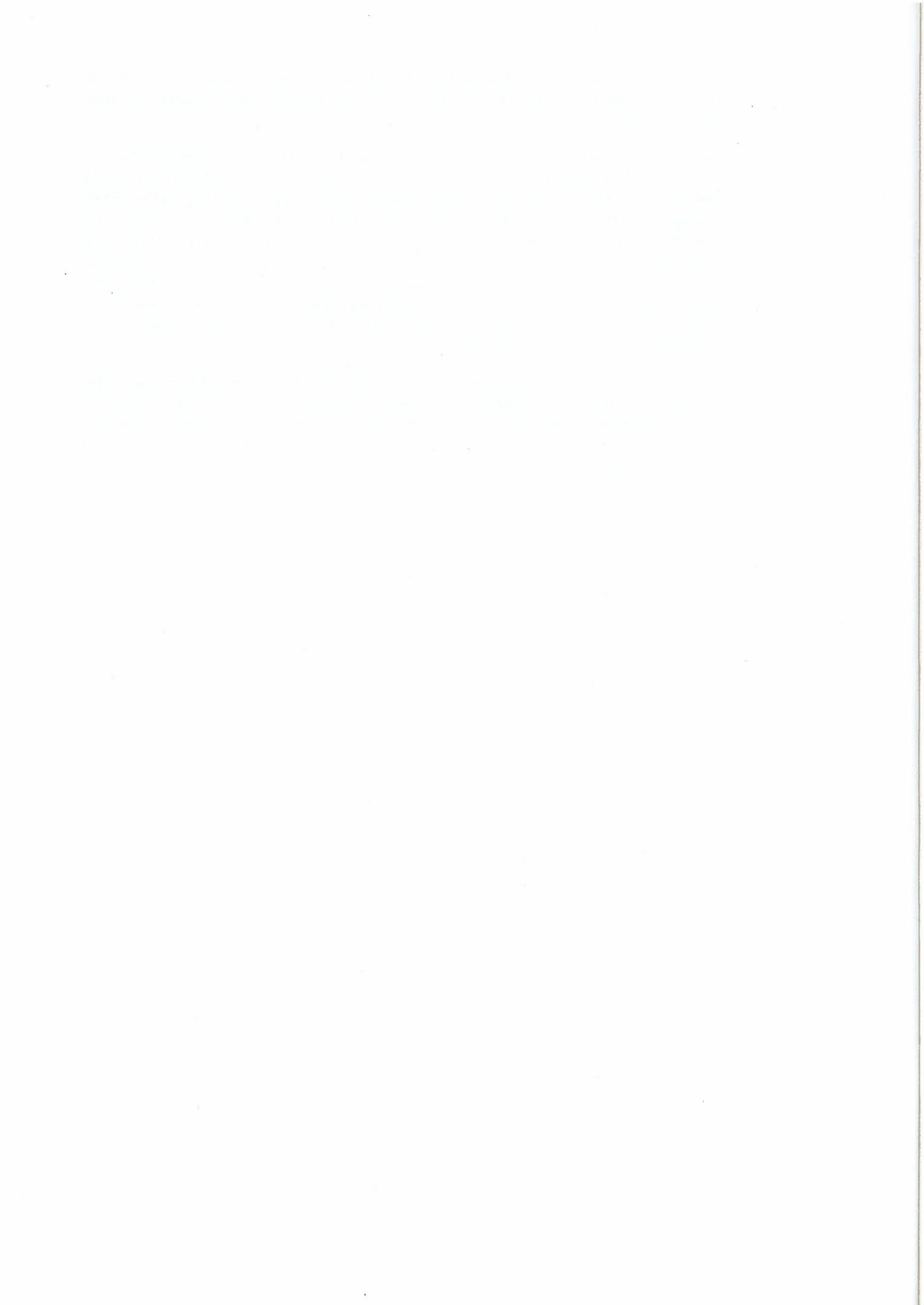
¹ Corresponds to the net balance of official settlements as shown in Table 32.

² Not including the movement resulting from the Fr. 5,000 notes of the « Vesalius » type withdrawn from circulation but not presented for exchange.

operations relate, obtains finance from the Bank ; the outstanding amount of the credits originally granted by the Bank remained almost stable during the year under review.

Account being taken of its discretionary interventions, the Bank's residual financing finally decreased by Fr. 57 billion. As the Bank kept its official rates at a penalty level, higher than the current money market rates, the financial intermediaries other than the Securities Regulation Fund and the RGI again made little use, this year, of the rediscount ceilings and advance quotas which they have with the Bank. The RGI did, however, make use of its possibility of mobilising Creditexport bills with the Bank. Thanks to the success of the issue of its own certificates, the Securities Regulation Fund was able, from October onwards, to finance its portfolio of public securities itself and no longer had to resort to its ordinary credit line with the Bank.

The greater part of the residual surplus on the money market enabled the Treasury to reduce its liabilities in foreign currencies by Fr. 23 billion and its debtor position in Belgian francs with the Bank by Fr. 29 billion. Thus the outstanding amount of the special advances to the Securities Regulation Fund — which was still Fr. 66 billion at the end of 1989 — was down to only Fr. 37 billion at the end of 1990.



7. REFORM OF THE MONEY MARKET AND OF THE INSTRUMENTS OF MONETARY POLICY

The law of 2nd January 1991 introduced new provisions concerning the market for public debt securities and the instruments of monetary policy. The considerations which constitute the background to this reform and its significance for the functioning of the Belgian financial markets have been explained in the introductions to this Annual Report of the Bank and to the preceding one. The main purpose of this chapter is to summarise the very large number of measures which have been adopted in order to give shape to this reform. Most of them came into force on 29th January 1991.

The reform as a whole rests on two indissoluble pillars. The first comprises a set of measures designed to create an up-to-date, autonomous and efficient market for public securities accessible to the widest possible range of investors. The second concerns the adaptation of the operational techniques regarding monetary policy. Indeed, owing to the altered method of issuing Treasury certificates, the Bank will no longer be in a position to fix the leading money market rates at its own discretion. In order to influence the formation of prices on this market it will henceforth make use, like most other western central banks, of more market-oriented intervention techniques.

It is to be expected that the adjustment to this new way of conducting monetary policy will be all the smoother if investors and market operators are able to gain a more accurate idea of the course of monetary policy and if there is the least possible doubt about the reactions to be expected from the authorities. It is therefore important that the monetary authorities should establish clear signposts to guide the behaviour of the participants in the market. From this point of view the formal and public commitment which the Belgian Government made in June 1990 to peg the exchange rate for the franc to that for the strong EMS currencies is of capital importance, constituting, as it does, a clear frame of reference which should facilitate an efficient and rapid propagation of the impulses imparted by monetary policy.

7.1 REFORM OF THE MARKET FOR TREASURY CERTIFICATES

The innovation which the Government had already introduced with regard to the operation of the capital market and of stock exchanges have been supplemented and extended, especially by a set of provisions relating to the market for Treasury certificates, which is by far the most important segment of the Belgian money market.

Hitherto there had not in fact been any genuine market for Treasury certificates. Most short-term public securities had been issued on tap at the request of

investors and without any quantitative limit, while the price, in other words the interest rate, was fixed in an entirely discretionary manner by the Bank, in consultation with the Minister of Finance. There was thus no competition between potential investors in Treasury certificates. Furthermore, only Belgian and Luxembourg financial intermediaries and some semi-governmental and international institutions had direct access to Treasury certificates. In view of the specific way in which these certificates were issued, the wide spread of their maturities and the substantial amounts held by the financial intermediaries (over Fr. 1,600 billion at the end of 1990), the latter were always able to adjust their daily liquidity positions by appropriately adapting the size of their portfolios of Treasury paper without having to resort to a secondary market.

These characteristics undeniably promoted the effectiveness of monetary policy, inasmuch as any change in the interest rates on Treasury certificates immediately spread to the entire range of money market rates. But they also meant that any easing or tightening of the money market was automatically and almost fully passed on to the Treasury, which, in turn, had to adjust its position by changing its recourse to the Bank's credit facilities. The very existence of these privileged channels for financing of the Treasury was thus inherent in the former mode of conduct of monetary policy.

In order to make the market for short-term public securities more accessible, more competitive, more liquid and thus generally more efficient, two sets of measures were adopted.

Firstly, the procedure and conditions for the issuing of Treasury certificates were changed.

*New method
of issue*

From now onwards, Treasury certificates are issued only in a dematerialised form, that is, by entries in a security account which the holders can arrange to have opened with a financial intermediary which is approved by the Minister of Finance and which is a participant or sub-participant in the Bank's security clearing system. All deliveries of and payments for securities have to be made via these establishments.

Furthermore, the issuing of Treasury certificates on tap has been replaced by periodical allocations by tender which are, in principle, accessible to all resident and non-resident investors, except residents for whom the withholding tax on income from financial assets is a definitive tax (that is chiefly individuals).

Corporate bodies and certain collective investment undertakings can submit tenders either directly, provided they have been entered in the Treasury's « subscriber file » or via the financial intermediary which manages their securities account. Non-resident physical persons, however, can only indirectly participate in the tendering via the institution which holds their account.

From now on, only three-month and twelve-month Treasury certificates will as a rule be issued by the tender system, the former weekly and the latter every four weeks, on Tuesday in both cases. The Treasury will continue to issue one-month certificates only for a transitional period of nine weeks. The issuing of two-, six- and nine-month Treasury certificates and also of so-called « special » tailor-made certificates has therefore been abolished, as well as the issuing of four-month Securities Regulation Fund certificates. Henceforth, in order to finance its portfolio of long-term public securities, the Securities Regulation Fund will obtain resources directly from the Treasury and may, if necessary, resort to a special Fr. 5 billion overdraft facility opened with the Bank.

Subscribers who so desire may submit tenders at different interest rates, provided that a tender of at least Fr. 25 million is made at each proposed interest rate and that this tender is a multiple of Fr. 5 billion.

When it has received the tenders, the Treasury fixes a maximum interest rate. All tenders submitted at rates below this maximum interest rate are allocated in full at the rate proposed by the tenderer. Tenders at the maximum rate can be reduced proportionally. This multiple-rate system is also known as the « American-style » tender.

Payment for and delivery of the allocated certificates take place via the Bank's security clearing system on the second working day following the allocation. In all cases the payment will coincide with the redemption of an earlier allocation.

*Creation of a
secondary market*

Owing to the periodical nature of the issues of Treasury certificates and the standardisation of their terms, it is to be expected that investors will endeavour to deal in these certificates to a greater extent on the secondary market. The existence of a liquid and transparent secondary market on which Treasury certificates can be traded easily and at prices reflecting market conditions is, furthermore, a primary condition for attracting new categories of investors.

That is why the authorities have adopted a set of measures designed to develop an effective secondary market. Most of these measures also apply to the market for government bonds, especially that for linear bonds.

Firstly, a body of primary dealers has been established. For this purpose the Minister of Finance has selected fourteen financial intermediaries established in Belgium or Luxembourg, which have undertaken to promote, as market makers, the secondary markets for linear bonds and Treasury certificates. The prerequisites for this are (i) that they shall participate regularly and for significant amounts in the tendering for Treasury certificates and linear bonds on the primary market, (ii) that they shall permanently display quotations for these securities on the secondary market, these quotations constituting, within certain limits, binding purchase or sale prices, and (iii) that they shall contribute effectively to the promotion of Belgian public short-term and long-term securities among domestic and foreign investors.

In return for this, the primary dealers enjoy a number of specific advantages. For instance, they have the sole right to submit, after each of the periodical allocations of Treasury certificates and linear bonds, supplementary non-competitive tenders which are subject to the weighted average interest rate or issue price which has emerged from the competitive tenders. For Treasury certificates these non-competitive allocations are limited, for each of the primary dealers, to, at most, 30 p.c. of the average of the amounts actually allocated to it in response to the preceding competitive tenders, this average being calculated on the basis of the last ten allocations of three-month certificates and the last four allocations of twelve-month certificates. For linear bonds the non-competitive subscriptions may not exceed 100 p.c. of the average amount which each primary dealer actually subscribed in the competitive tenderings during the last four months, the Minister of Finance having the possibility, however, if he deems fit, of reducing this maximum amount to 30 p.c. Thanks to these non-competitive tenders, the primary dealers are better able to foresee the amounts of public securities they will have at their disposal.

Furthermore, the primary dealers have the possibility, for an overall amount of Fr. 5 billion, of clearing their daily closing balances with the Bank on market terms. The Bank has moreover undertaken to deal usually with the primary

dealers in its interventions on the secondary market for Treasury certificates and linear bonds. Lastly, the Treasury and the Bank will regularly arrange consultation meetings with the primary dealers in order to discuss market developments and the Treasury's issuing policy.

Credit or stock exchange institutions which have not been approved as primary dealers may apply to the Ministry of Finance for the status of « candidate primary dealer ». For a probation period of one year they will have to prove their ability to participate actively in the primary and secondary markets for public short-term and long-term securities. Up to the present, this provisional status has been granted to three institutions.

The dematerialisation of public securities and the creation of a smoothly operating security clearing system administered by the Bank are intended to facilitate the rapid, reliable and inexpensive settlement of security transactions on both the primary and the secondary market. This is of decisive importance for markets where a large number of transactions take place in rapid succession and where the margins tend to be small.

All credit and stock exchange institutions established in Belgium or Luxembourg, the Securities Deposit and Clearing Office of the Financial Sector and the international clearing houses, Cedel and Euroclear, may join the new central securities clearing system, either directly or as sub-participants. The three last-mentioned bodies can only participate, however, on behalf of those of their members who are not residents of the BLEU.

The operation of the securities clearing procedure is thus based on a system of accounts which is decentralised but hierarchical in structure, permitting the exchange of securities by means of book entries and the carrying out of the widest variety of transactions in securities, since, apart from the traditional buying and selling transactions, the clearing system is capable of dealing with free transfers, repurchase agreements, security swaps and also the lending, borrowing and pledging of securities. Furthermore, the system can process transactions with any value date, from the actual transaction date up to 365 days.

The clearing system operates according to two principles : delivery against payment and double notification. The former gives the participants a guarantee that the movement of securities and the associated cash settlement will take place simultaneously. The latter requires each party involved in a transaction to give separate notification of its characteristics to the clearing system. The system concludes the transaction only if this information as notified by the two parties tallies exactly.

In order to increase the safety of the market and limit the risks to which the market operators and especially the primary dealers are exposed, the clearing system also offers the participants the possibility of resorting to a system of automatic security lending. This system operates according to the « pool principle », securities being made collectively available to participants who need them in order to settle their transactions. The loans therefore do not require any direct intervention by the lenders and borrowers, but are generated automatically and anonymously by the system when the settlement for the day's transactions is made. In order to participate in this collective lending system, the participants have to conclude a special agreement ; to be able to borrow securities they must also provide collateral in advance.

Lastly, for the secondary market to operate efficiently, it must also have the benefit of adequate legal protection and of a system of taxation suited to the

various transactions which take place on it. To this end, the new law concerning the market for public debt securities and the instruments of monetary policy regulates the legal system applying to repurchase agreements, abolishes the tax on stock market dealings for transactions in Treasury certificates and linear bonds and provides for appropriate treatment, with regard to income tax, of loans of and repurchase agreements in respect of these securities.

7.2 REFORM OF THE INSTRUMENTS OF MONETARY POLICY

The reform of the money market does not in any way detract from the final and intermediate objectives of monetary policy. On the contrary, even more than in the past, price and exchange rate stability is the main aim of the Bank's policy. In the newly created environment the Bank will furthermore enjoy a greater degree of autonomy in pursuing its policy, because the responsibility for monetary policy on the one hand and for budgetary policy on the other hand will be more clearly distinguishable.

The authorities will continue to ensure both the short-term and the medium-term stability of the franc by guiding the flows of funds to and from the rest of the world which are most sensitive to interest rates, in order to preserve an overall balance between demand and supply on the foreign exchange market. For this, the Bank must remain able to pursue an interest rate policy which is sufficiently flexible to ensure appropriate adjustment of domestic interest rates both to interest rate developments abroad and to possible changes in relative exchange rate expectations.

The implementation of this interest rate policy by the Bank, however, has been fundamentally changed. Instead of fixing the leading money market rates — namely those on Treasury certificates — in a discretionary manner, in consultation with the Minister of Finance, the Bank will henceforth influence market interest rates indirectly, either by determining on what terms and in what volume money market participants may have recourse to the lender of last resort or by intervening directly on the market itself.

For these new intervention techniques to be effective, it is essential that no participant shall be able to escape the discipline imposed by the market by obtaining finance from the Bank without restriction and on preferential terms. Therefore the Government will henceforth only have a limited credit line with the Bank subject to a ceiling of Fr. 15 billion and serving the sole purpose of facilitating the Treasury's day-to-day cash management. In line with the same thinking, a new convention between the Minister of Finance and the Bank lays down the procedure whereby the Bank must be kept informed of all foreign exchange loans envisaged by the Government and the Bank may call for consultation with the Minister of Finance if it considers that such loans are liable to jeopardise the effectiveness of the monetary or exchange rate policy.

This whole set of reforms attunes Belgian monetary policy to the practice followed by the trendsetting central banks of the European Community and of the major western industrialised countries. An important step has thus been taken towards the future integration of the Bank in the European System of Central Banks. Furthermore, the strict limitation of monetary financing of central government required under the new system is in line with the course mapped out by the European Council for the transition to the second stage of the process

designed to lead to the European Economic and Monetary Union, which entails the absolute prohibition of this type of financing.

The new instruments of monetary policy can be subdivided into three categories.

The system of periodical allocations of credits by tender, introduced in March 1989, is maintained with just a few technical adjustments. It is, however, intended that this system shall play a much more important role in the new environment of monetary policy, because, under normal circumstances, the Bank will use it to indicate the general orientation of its interest rate policy. It is also the instrument whereby the Bank will provide the financial intermediaries with a basic liquidity contribution in a more structural manner.

Between two allocations the Bank may adopt corrective measures — if necessary, on a daily basis — by resorting to a whole range of intervention techniques which have the common characteristic of giving preference to the market mechanisms, since they all take the form of direct operations applying to segments of the financial markets which function completely autonomously, independently of the central bank. This is why these interventions are usually called « open-market operations ».

In principle these two types of instruments ought to suffice for the pursuit of interest rate policy. Under normal circumstances the Bank will also contribute, through its daily interventions, to the attainment of an overall equilibrium on the money market at the desired interest rate level. In practice, however, the net overall balance of the market operators will only rarely be exactly nil. Moreover, even if this overall equilibrium were achieved, there will always be some financial intermediaries that will be faced with individual cash deficits or surpluses at the end of the day. Specific mechanisms have been devised for ensuring that these individual daily closing balances are covered or used.

The weekly credit allocations by tender organised by the Bank constitute, as has been stated, the linchpin of the new set of instruments of monetary policy.

*Weekly allocations
of credits
by tender*

These invitations to tender are open to all resident credit institutions. As a rule, they are issued every Monday, and the credits allocated are made available two days later, i.e. on Wednesday.

A first series of allocations by tender is intended to provide credits at interest rates in accordance with market conditions, secured by guarantees taking the form of pledgings of public securities or of repurchase agreements in respect of commercial bills, at the choice of the participants. A second series of allocations by tender is reserved exclusively for cessions-retrocessions of commercial bills (repurchase agreements) made at rates designed to allow for the specific costs connected with the use of bills of this kind.

While the duration of these two types of operations is at present limited to one week, the Bank can also decide to grant credits for longer periods.

In principle the Bank allocates these credits by the so-called « Dutch auction » method. The credit institutions have to inform the Bank both of the amounts of the credits they wish to obtain and of the rates they are willing to pay. The Bank then fixes a lower interest rate limit on the basis of the tenders submitted. Tenders submitted at lower rates are rejected, while the allocations for the tenders accepted are made at the limit rate fixed by the Bank, irrespective of the rates proposed by the participants. The Bank may, however, if appropriate, decide to scale down the tenders which were submitted at the limit rate.

The Bank has opted for this procedure because it wants the interest rate at which it makes its allocations to be as clear and unambiguous a signal as possible for the market operators. Allocations at multiple rates similar to those for Treasury certificates seem at first sight less appropriate for the attainment of this aim. Nevertheless the Bank reserves the right to change over to other allocation methods at any time.

It could, for instance, envisage the use of the so-called « volume tender » method. In this case the Bank announces in advance the interest rate at which it wishes to grant its credits and the financial intermediaries' tenders thus only have to state the amount of the desired credit. If the total amount of the tenders is greater than that which the Bank considers desirable on the basis of its own money market forecasts, it may proportionally scale down the credits allocated.

*Open-market
operations*

In order to enable the Bank to exert an effective influence on the various market segments, the necessary adjustments were made, under Article 14 of the law of 2nd January, to Article 11 of the organic law of the National Bank; which describes the financial transactions the Bank may carry out in order to implement its monetary and exchange rate policy. Under these new provisions the Bank may use a wide range of intervention techniques : purchases and sales of securities on the market, both spot and forward, repurchase agreements in respect of all kinds of securities, lending and borrowing operations on the interbank market, foreign currency swaps, etc.

The Bank will use these instruments primarily for the daily fine-tuning of its monetary policy, a process which may serve two different purposes and may act in two directions.

Firstly, direct « steering » interventions on the money market may be made in order to adjust interest rate developments. In this case, by intervening on the market, the Bank will try to influence the existing relationship between supply and demand in order to produce a specific effect on interest rates. To push up money market rates the Bank may, for instance, sell securities from its own portfolio against cash payment, causing a contraction of the volume of available liquidity. Such a tightening will induce operators in this market to offer higher rates in order to attract the funds they need from elsewhere, for example from abroad. If these operations suffice to make up for the initial contraction, the balance of the money market will be restored spontaneously, but at a higher interest rate level. If the financial intermediaries' operations do not make up, or only partly make up, for this initial contraction, some operators will be forced, at the end of the day, to resort to credit from the Bank. This additional liquidity will, however, be granted only at a rate higher than the market rate, and this may yet induce the financial intermediaries to turn to the money market in order to obtain less expensive financing.

Conversely, the Bank may seek to impart a downward trend to interest rates by carrying out transactions which have the effect of expanding the volume of liquidity on the money market.

A second — equally important — reason which may warrant direct intervention in the market by the Bank is the need to correct, as far as possible, certain autonomous, disturbing influences emanating from the money market itself. The main purpose of these « neutralising » operations is not to influence the trend of interest rates but to ensure a more or less steady movement of the financial intermediaries' cash positions. To this end the Bank will endeavour to counteract fortuitous or seasonal imbalances on the money market in order to minimise their disruptive influence on interest rates. For example, the Bank will in principle try

to counteract the contracting or expanding effect on liquidity due to a sudden increase or decrease in the demand for banknotes or to a purely fortuitous fluctuation in the demand for and supply of foreign currencies.

The Bank has various intervention techniques at its disposal both for influencing the trend of interest rates and for correcting disturbances on the money market. Experience alone will show which techniques produce the best results, in which market segments and under what conditions.

Judging by the experience of other central banks, preference might be given to repurchase agreements, « repos » for short. A repo is a spot purchase or sale of securities coupled with a forward operation in the opposite direction concluded simultaneously with the same party. Although the type of operation is technically the same, these repos must be distinguished from the cessions-retrocessions undertaken by the Bank in connection with its periodical allocations of credits by tender. Unlike classical open-market operations, which take the form of a mere sale or purchase of securities, repos have no direct influence on the prices or the yield of the underlying securities. They may in fact be likened to the granting of fixed-term advances, the maturities of the securities serving as collateral being immaterial from this point of view.

Outright transactions, such as direct purchases or sales of securities, have the same effect on liquidity as the « spot » part of security repos, but, unlike the latter, they are not automatically reversed and they exert a direct influence on the prices and interest rates of the securities traded. In specific cases, however, this direct effect on rates may be exactly what the Bank is trying to achieve, for instance if it wants to influence the structure of interest rates rather than their general level.

Foreign currency swaps are another possible intervention technique. They are in fact equivalent to repos in respect of foreign currencies. Foreign currency swaps furthermore enable the Bank to use its foreign exchange reserves to regulate the domestic money market without these operations interfering with its exchange rate policy, because, like repurchase agreements, foreign exchange swaps do not directly influence the prices of the underlying assets, in this case the exchange rate for the Belgian franc.

To be able to engage in open-market operations, the Bank must of course have the necessary means available on the assets side of its balance sheet. To this end, its assets in Belgian francs that previously used to take the form of direct or indirect advances to the Government have been transformed either into negotiable securities bearing interest at market rates or into claims on the financial intermediaries. Under the new article 11 of the organic law, the Bank may henceforth acquire, as it deems fit, all kinds of certificates of indebtedness, irrespective of the issuer or term, provided these securities are listed on a stock exchange or are actually dealt in on the money or capital market. The securities which can be used by the Bank to carry out its open-market operations may therefore be purely financial securities, such as Treasury certificates or bonds, or commercial paper, certificates of deposit and other money market instruments, provided these assets can be traded on a sufficiently liquid market.

The authorisation given to the Bank under this same article 11 to form deposits with credit institutions and the Rediscount and Guarantee Institute or to attract interest-bearing deposits itself furthermore enables the Bank to operate actively on the interbank market.

Lastly, it should be emphasised that the limitations imposed by Article 13 of the organic law on the granting of credit to the Belgian and Luxembourg Govern-

ments do not apply to the public securities acquired by the Bank through its interventions on the money and capital markets. Although these securities do constitute a claim on the State, the Bank's purchases of such securities which are already in circulation do not involve any granting of credit to the Government but create liquidity for the benefit of the Bank's direct counterpart in the money or capital market. Operations of this type cannot, therefore, be regarded as monetary financing of the State.

In the new environment of monetary policy, some traditional forms of credit-granting by the Bank, such as the direct rediscounting of commercial bills counted against individual rediscount ceilings and the granting of current account advances within quotas have fallen out of use. Actually, in recent years these credits had already lost much of their importance. Their disappearance therefore had hardly any repercussions on the financial sector. Moreover, a number of specific credit facilities for which special interest rates were in force, such as the rediscounting of Creditexport paper and of certified commercial bills in respect of exports to countries outside the EEC, will only disappear gradually as these bills reach maturity.

*Covering or use of
daily closing
balances*

In the new system the instruments for regulating the liquidity of the money market are supplemented by a new arrangement for covering or using any deficits or surpluses the various market operators may be left with at the end of the day. This mechanism replaces the former guaranteed call money market, which used to enable the financial intermediaries, thanks to the regulatory activity of the RGI and the Securities Regulation Fund, to exchange their daily closing balances after the Clearing House had closed.

To cover their residual deficits, Belgian and Luxembourg financial intermediaries can henceforth have recourse to the Bank's current account advances, for which they have been granted generous individual credit lines.

The overall amount of these credit lines, which has been fixed at Fr. 200 billion, has been divided among the financial intermediaries according to a provisional arrangement valid for a period of about one year. The distribution scale adopted takes account of two parameters, i.e. firstly, the share held by each intermediary in the outstanding amount of the resources in francs collected from non-bank clients, including the net amount of the interbank deposits of non-residents of the BLEU, and, secondly, its share in the total of money market assets in francs, composed of the portfolio of public securities, claims on the call money market, claims on bankers and straight loans. This second parameter serves as a provisional indication of the liquidity risk run by the financial intermediaries in their trading activities on the market for Treasury certificates.

In view of the important role played by the primary dealers in the reform of the money market, 40 p.c., or Fr. 80 billion, of the total amount has been reserved for them. Half of this Fr. 80 billion is equally divided, the other half being distributed according to the aforementioned distribution scale. The remainder, namely Fr. 120 billion, is allocated according to the same scale among all credit institutions, including the primary dealers.

Within its credit line thus determined, each financial intermediary may fix the usable amount of its available credit as it wishes, by providing collateral. This collateral, which can in fact be increased or reduced at any time, must consist of securities in Belgian or Luxembourg francs which are tradable on the stock exchange or on the money and capital markets and are issued or guaranteed by the Belgian or Luxembourg Government or issued by international financial institutions of which Belgium or Luxembourg are members. The possibility of using other categories of securities as collateral is being studied.

These daily closing credits can be used in the form of current account advances, with interest payable daily. The interest rate on these advances is announced by the Bank in advance and can be adjusted every day if necessary. It is fixed at a level above the current market rate, the latter being related in principle to the interest rate of the Bank's last weekly allocation by tender regarding different types of credit. In view of the specific liquidity risks connected with the activities of the primary dealers, this higher interest rate is not applicable to part of their daily closing deficits, which they can meet at the reference market rate used by the Bank. This privilege is subject to an overall ceiling of Fr. 5 billion, which has been distributed equally between the primary dealers and is not counted against their credit lines under the general system.

In the new system, the financial intermediaries can also use the individual cash surpluses they are left with after the closing of the Clearing House to form interest bearing deposits remunerated at a rate below the current market rate. These deposits cannot, however, be made directly with the Bank but are accepted by the RGI, which will reinvest the whole of them with the Bank. Here again, the primary dealers can deposit part of their residual cash surpluses on market terms. This facility is subject to the same individual ceilings as those which are applicable for financing part of their daily closing deficits at the market rate.

Such a system for the settlement of daily closing balances offers various advantages.

The upper and lower rates applied to the closing balances mark out, as it were, a band within which the other market rates can fluctuate freely. These two administered interest rates thus acquire a very precise significance for monetary policy.

This system also enables the Bank to give due consideration to the difficulties the financial intermediaries may encounter in their cash management. They have the opportunity to invest their residual surpluses profitably or to finance their residual deficits on terms which do not differ too greatly from market conditions, or which are even identical with these rates in the case of part of the primary dealers' closing balances.

Lastly, the fact that market conditions are departed from both in order to remunerate the residual surpluses and to finance the residual deficits ought to encourage all operators on the money market to trade their expected balances among themselves during the day. This way, the system should increase the efficiency and volume of activities in the various market segments, and especially on the secondary market for Treasury certificates, while at the same time constituting a necessary complement which enhances the effectiveness of the other instruments of monetary policy.

TABLE I — SUMMARY OF DEVELOPMENTS IN SOME EEC COUNTRIES

	Belgium		Germany		France		Italy		United Kingdom		Spain		Netherlands	
	1989	1990 e	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990	1989	1990
Expenditure at current prices	<i>(percentage contributions to growth in GNP or GDP¹)</i>													
Private consumption	2.5	2.6	1.0	2.9°	1.9	1.9	2.4	1.9	2.5	1.6	3.5	2.4	1.8	2.3
Public expenditure	-0.4	...	-0.1	0.6°	0.5	0.6	0.2	0.4	0.5	0.4	0.8	0.6	0.1	0.1
Private investment	2.9	1.1	1.8	0.7°	0.8	0.3	0.8	0.9	0.2	-1.0	3.7	2.3	1.8	0.9
of which formation of non-residential fixed capital	1.9	1.2	1.1	1.2°	0.9	0.6	0.9	0.6	0.8	0.1	n.	n.	n.	n.
Total domestic expenditure	5.1	3.7	2.7	4.2°	3.2	2.8	3.4	3.2	3.2	1.0	8.0	5.3	3.7	3.3
Exports of goods and services	6.2	3.4	3.9	3.2°	2.6	1.2	2.3	1.4	1.2	1.9	1.1	0.8	3.9	3.1
Imports of goods and services	-7.2	-3.3	-2.7	-3.3°	-2.1	-1.5	-2.6	-1.8	-2.2	-1.3	-4.1	-2.5	-3.5	-3.5
External balance	-1.1	0.1	1.2	-0.1°	0.5	-0.3	-0.3	-0.4	-1.0	0.6	-3.0	-1.7	0.4	-0.4
GNP	4.0	3.7	3.9	4.2°	3.6	2.5	3.2	2.6	2.2	1.6	5.1	3.5	4.1	3.0
Inflation	<i>(percentage changes compared with previous year)</i>													
Index of consumer prices	3.1	3.5	2.8	2.7°	3.5	3.4	6.3	6.5	7.8	9.4	6.8	6.7	1.1	2.5
Unemployment	<i>(percentages of civilian labour force)</i>													
Number of unemployed (EEC data)	8.5	8.1	5.5	5.1°	9.4	9.0	10.7	9.7	7.0	6.4	17.1	16.1	8.7	8.2
Public finance	<i>(percentages of GNP or GDP¹)</i>													
Net financing requirement (-) or capacity (+) of general government	-6.6 ²	-5.6 ²	0.2	-3.1	-1.5	-1.2	-10.2	-10.0	0.9	0.1	-2.6	-3.2	-5.2	-5.5
Balance of payments	<i>(percentages of GNP or GDP¹)</i>													
Balance of current transactions	2.2 ³	2.1 ³	4.6	3.3°°	-0.4	-0.7	-1.2	-1.2	-3.7	-3.1	-2.9	-3.4	3.6	3.4

Sources : NSI, MEA, NBB (Belgium); OECD, EEC (other countries).

¹ The figures relate to GNP for Germany and Belgium and GDP for other countries.

² Excluding lending and equity investment.

³ Data for the BLEU.

TABLE II — IMF QUOTAS

	Eighth revision ¹		Ninth revision ²	
	Millions of SDR	Percentages of total	Millions of SDR	Percentages of total
Germany	5,403.7	5.93	8,241.5	6.03
France	4,482.8	4.92	7,414.6	5.43
United Kingdom	6,194.0	6.80	7,414.6	5.43
Italy	2,909.1	3.19	4,590.7	3.36
Netherlands	2,264.8	2.49	3,444.2	2.52
Belgium	2,080.4	2.28	3,102.3	2.27
Spain	1,286.0	1.41	1,935.4	1.42
Denmark	711.0	0.78	1,069.9	0.78
Greece	399.9	0.44	587.6	0.43
Portugal	376.6	0.41	557.6	0.41
Ireland	343.4	0.38	525.0	0.38
Luxembourg	77.0	0.08	135.5	0.10
Total EEC	26,528.7	29.12	39,018.9	28.56
United States	17,918.3	19.67	26,526.8	19.42
Japan	4,223.3	4.64	8,241.5	6.03
Canada	2,941.0	3.23	4,320.3	3.16
Other OECD countries	5,108.4	5.60	7,617.5	5.58
Total OECD	56,719.7	62.26	85,725.0	62.75
OPEC	9,912.5	10.88	15,443.7	11.30
Eastern European Countries	3,247.1	3.56	4,727.6	3.46
Other countries	21,223.3	23.30	30,729.9	22.49
Grand total	91,102.6	100.00	136,626.2	100.00
p.m. Group of which Belgium is a member (Belgium, Austria, Czechoslovakia, Hungary, Turkey, Luxembourg)	4,482.8	4.92	6,669.9	4.88

¹ Came into force in 1983. As there have been changes since then in the list of IMF member countries, the distribution of quotas has not remained unchanged during the past years. The figures shown in the first two columns are those which were in force on 31st December 1990.

² Will probably come into force at the same time as the third amendment to the IMF's Articles of Agreement, in the spring of 1991.

TABLE III — GNP AND MAIN CATEGORIES OF EXPENDITURE AT 1985 PRICES

(Percentage changes compared with previous year)

	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
Private consumption	1.4	-1.6	1.1	2.0	2.6	3.1	2.8	3.8	3.9
Public expenditure	-2.9	-1.4	-1.5	0.4	0.9	-0.1	-0.3	-2.0	0.2
Public consumption	-1.6	...	0.1	2.4	1.8	0.8	-0.4	-0.7	0.5
Public investment	-9.1	-8.1	-10.5	-11.9	-5.3	-6.7	0.6	-12.4	-2.0
Housing	-5.8	-1.6	-0.4	4.6	4.6	7.6	22.3	18.9	7.0
Gross fixed capital formation by enterprises	2.4	-4.2	7.0	3.3	7.0	8.1	13.1	16.3	9.0
One-man businesses	-5.9	-1.0	1.4	4.6	13.9	7.7	5.4	2.3	8.1
Companies	3.7	-4.6	7.8	3.1	6.0	8.1	14.2	18.3	9.1
p.m. Total gross fixed capital formation ¹	-2.0	-4.5	1.8	0.7	4.5	5.8	13.4	13.6	7.5
Changes in stocks ²	0.4	-0.7	1.1	-1.3	0.2	0.8	0.2	0.2	-0.4
Total domestic expenditure	0.7	-2.4	2.2	0.6	3.0	3.9	4.2	5.0	3.6
Exports of goods and services	2.1	3.2	5.7	1.3	5.4	7.1	9.0	7.6	4.0
Total final expenditure	1.2	-0.2	3.6	0.9	4.0	5.3	6.3	6.1	3.8
Imports of goods and services	0.9	-1.1	6.0	1.0	7.4	9.3	8.5	8.7	3.8
p.m. Net exports of goods and services ²	0.8	2.9	-0.1	0.3	-1.3	-1.6	0.4	-1.0	0.1
GDP	1.5	0.4	2.0	0.8	1.6	2.3	4.6	4.0	3.7
Net factor incomes ²	-0.7	-0.1	0.2	-0.2	0.3	0.2	-0.1	-0.1	...
GNP	0.8	0.4	2.3	0.6	2.0	2.6	4.5	4.0	3.7

Source : NSI.

¹ Public investment, housing and gross fixed capital formation by enterprises.

² Contribution to the growth in GNP.

TABLE IV — DEFLATORS OF GNP AND OF THE MAIN CATEGORIES OF EXPENDITURE

(Percentage changes compared with previous year)

	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
Private consumption	7.9	7.0	6.0	6.0	0.7	1.7	1.3	3.4	3.5
Public expenditure	7.6	3.0	4.5	4.5	1.7	0.4	1.3	4.3	4.5
Public consumption	7.1	3.1	4.6	4.6	2.0	0.5	1.2	4.1	4.6
Public investment	10.3	2.7	4.3	3.9	-1.1	-0.4	2.2	5.3	3.0
Housing	0.3	2.6	4.6	5.3	2.9	4.1	2.6	5.8	3.2
Gross fixed capital formation by enterprises	7.2	5.2	4.0	3.3	1.1	0.0	1.8	4.3	2.8
p.m. Total gross fixed capital formation ¹	6.4	4.1	4.2	3.8	1.1	0.9	2.2	4.9	2.9
Total domestic expenditure	7.4	5.6	5.4	5.6	0.8	1.5	1.4	3.9	3.5
Exports of goods and services	13.1	7.3	8.0	2.9	-8.2	-3.6	2.9	7.2	-1.1
Total final expenditure	9.5	6.3	6.5	4.4	-3.0	-0.7	1.9	5.2	1.5
Imports of goods and services	13.2	7.5	7.9	2.1	-12.2	-4.3	2.8	6.8	-0.7
p.m. Terms of trade	(-0.2)	(-0.1)	(...)	(0.8)	(4.5)	(0.7)	(0.1)	(0.4)	(-0.4)
GDP = GNP	7.1	5.5	5.4	6.1	3.7	2.2	1.6	4.5	3.1

Source : NSI.

¹ Public investment, housing and gross fixed capital formation by enterprises.

TABLE V — GNP AND MAIN CATEGORIES OF EXPENDITURE AT CURRENT PRICES

(Billions of francs)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
Private consumption	2,398	2,623	2,761	2,959	3,198	3,303	3,464	3,609	3,875	4,164
Public expenditure	845	883	897	924	969	994	998	1,007	1,029	1,078
Public consumption	697	734	757	792	849	881	893	900	930	977
Public investment	149	149	141	131	120	113	105	108	99	100
Housing	139	131	133	138	152	164	184	230	290	320
Gross fixed capital formation by enterprises	357	392	395	439	469	507	548	631	765	857
One-man businesses	50	50	52	55	60	69	74	79	85	94
Companies	307	342	343	384	409	439	474	552	681	763
p.m. Total gross fixed capital formation ¹	645	672	668	709	741	784	836	969	1,154	1,277
Changes in stocks	-4	8	-26	19	-33	-31	15	26	44	18
Total domestic expenditure	3,735	4,037	4,161	4,479	4,756	4,937	5,208	5,504	6,003	6,437
Exports of goods and services	2,286	2,640	2,924	3,337	3,479	3,367	3,477	3,900	4,498	4,626
Total final expenditure	6,021	6,677	7,084	7,816	8,235	8,304	8,685	9,404	10,501	11,063
Imports of goods and services	2,357	2,694	2,864	3,277	3,379	3,187	3,334	3,719	4,320	4,454
p.m. Net exports of goods and services	-71	-54	60	60	100	180	143	181	178	172
GDP	3,664	3,983	4,221	4,539	4,856	5,117	5,351	5,685	6,180	6,609
Net factor incomes	-21	-48	-53	-49	-63	-49	-40	-47	-58	-59
GNP	3,643	3,935	4,168	4,490	4,793	5,068	5,311	5,637	6,122	6,550

Source : NSI.

¹ Public investment, housing and gross fixed capital formation by enterprises.

TABLE VI — VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY AT 1985 PRICES

(Percentage changes compared with previous year)

	1982	1983	1984	1985	1986	1987	1988	1989	1990 e	p. m. Percentages of 1989 GDP
Agriculture, forestry and fisheries	5.9	-2.5	9.4	-1.4	4.7	-7.9	6.6	0.4	-6.4	(2.1)
Industry	2.8	4.7	1.7	0.8	-1.4	2.8	5.2	4.3	3.3	(24.5)
Mineral-extracting industry	4.8	-6.3	-8.6	-7.7	-14.3	2.1	-7.0	-4.8	-8.3	(0.3)
Electricity, gas, water	-5.3	5.1	0.7	3.2	-1.8	7.8	1.6	4.2	3.7	(3.6)
Manufacturing industry	4.3	5.0	2.2	0.6	-1.0	2.0	6.2	4.5	3.4	(20.6)
of which :										
Non-metallic minerals	2.0	1.8	-4.4	-11.5	7.9	8.6	13.8	10.8	1.9	(1.1)
Wood and furniture	-0.3	-8.3	11.1	2.9	-6.0	2.1	4.0	13.2	3.9	(0.9)
Iron and steel	-18.1	11.4	-0.6	3.5	1.2	2.4	13.8	-2.8	6.9	(1.1)
Non-ferrous metals	-17.5	-5.5	12.2	32.5	4.1	2.5	12.2	8.2	3.8	(0.5)
Metal-working industry	8.0	5.7	2.2	5.4	-7.8	-2.6	8.2	4.2	4.6	(5.4)
Paper, printing, publishing	3.1	5.9	2.3	-6.6	3.5	9.5	9.2	10.9	4.5	(1.5)
Chemicals and rubber	16.2	10.3	9.6	0.6	-2.7	4.6	4.9	-0.5	2.4	(2.5)
Textiles, clothing and footwear	-6.1	5.8	-5.0	-2.6	7.3	3.9	0.5	10.2	6.3	(1.7)
Food, beverages, tobacco	4.5	1.5	1.3	-1.0	1.1	0.8	-0.4	-1.0	-2.5	(4.0)
Building industry	-4.8	-5.1	-3.6	-0.1	3.4	2.9	10.4	7.4	6.3	(5.8)
Market services	2.3	-0.7	3.4	1.2	3.2	3.8	5.0	5.0	4.4	(59.2)
of which :										
Wholesale and retail trade	3.3	-2.5	0.1	0.7	1.7	1.8	1.1	3.5	3.9	(14.4)
Distribution of petroleum products	0.6	-0.7	1.5	0.5	13.4	0.3	6.5	-4.4	8.5	(4.7)
Financial services	7.9	-6.7	8.5	2.1	11.8	14.0	11.1	9.9	3.0	(6.2)
Rents	2.0	2.0	2.1	2.1	2.2	2.2	2.4	2.5	2.4	(5.5)
Transports and communications	-1.4	-0.2	6.6	2.5	-6.0	3.9	5.4	2.6	5.3	(7.5)
Others services to enterprises	2.7	6.0	16.6	-2.3	8.7	3.7	10.0	17.3	4.9	(5.6)
Medical professions	4.0	4.4	3.1	4.6	0.3	3.2	8.4	5.7	4.1	(2.8)
Hotels and catering and various services to households	3.7	-0.6	1.4	-0.3	1.6	5.7	6.5	7.6	5.2	(7.8)
Non-market services	-0.8	-0.1	0.7	1.8	1.5	0.1	0.7	0.7	1.6	(12.8)
GDP ¹	1.5	0.4	2.0	0.8	1.6	2.3	4.6	4.0	3.7	(100.0)

Source : NSI.

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

TABLE VII — INCOMES OF THE VARIOUS SECTORS AT CURRENT PRICES

(Billions of francs)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
1. Individuals										
Gross primary income	3,181	3,422	3,629	3,904	4,154	4,384	4,516	4,756	5,110	5,535
Earned income	2,601	2,755	2,896	3,075	3,234	3,421	3,513	3,694	3,919	4,169
Wages and salaries	2,158	2,288	2,395	2,543	2,672	2,814	2,881	2,995	3,153	3,367
Entrepreneurial income of self-employed persons	442	467	500	533	562	607	633	699	766	802
Income from property	580	668	733	829	921	963	1,002	1,061	1,191	1,365
Current transfers	-223	-282	-275	-368	-428	-458	-466	-477	-449	-539
From and to (-) general government	-207	-271	-266	-358	-421	-448	-462	-478	-450	-520
Transfers received	825	889	959	1,010	1,054	1,088	1,140	1,164	1,231	1,291
Social benefits	735	798	867	907	943	977	1,022	1,038	1,093	1,147
Other transfers	90	92	93	103	111	111	118	126	137	144
Transfers paid	-1,032	-1,161	-1,225	-1,368	-1,475	-1,536	-1,602	-1,642	-1,681	-1,811
Social contributions	-465	-505	-558	-635	-699	-744	-792	-824	-859	-922
Direct taxes	-568	-655	-668	-733	-776	-792	-810	-818	-822	-889
From and to (-) the rest of the world ¹	-15	-11	-9	-10	-8	-10	-4	2	2	-18
Disposable income	2,958	3,140	3,354	3,537	3,726	3,927	4,050	4,279	4,661	4,996
p.m. At constant prices (percentage changes compared with previous year) ²	(0.4)	(-1.8)	(-1.1)	(-0.9)	(0.4)	(3.9)	(1.8)	(4.2)	(5.7)	(3.5)
2. Companies										
Gross primary income	326	397	445	517	608	705	749	816	924	936
Current transfers to (-) other sectors	-88	-113	-115	-133	-148	-157	-164	-178	-182	-183
Disposable income	239	284	330	384	459	548	584	638	742	754
3. General government										
Gross primary income	136	116	94	69	31	-21	46	66	89	79
Current transfers from other sectors ¹	266	350	347	463	550	584	594	602	573	664
Disposable income	402	466	440	532	581	563	640	668	662	743
4. Rest of the world										
Disposable income	44	45	44	37	26	30	37	53	58	57
5. GNP	3,643	3,935	4,168	4,490	4,793	5,068	5,311	5,637	6,122	6,550

Sources : NSI, NBB.

¹ These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

² Data deflated by the deflator of private consumption, calculated without taking account of the statistical adjustment.

TABLE VIII — SUMMARY OF THE TRANSACTIONS OF THE MAJOR SECTORS OF THE ECONOMY AT CURRENT PRICES¹

(Billions of francs)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
1. Individuals										
1.1 Disposable income	2,958	3,140	3,354	3,537	3,726	3,927	4,050	4,279	4,661	4,996
1.2 Consumption	2,398	2,623	2,762	2,959	3,198	3,303	3,464	3,609	3,875	4,164
1.3 Gross savings (1.1 - 1.2)	560	517	592	578	528	624	586	670	787	832
p.m. Percentages of disposable income	(18.9)	(16.5)	(17.7)	(16.3)	(14.2)	(15.9)	(14.5)	(15.7)	(16.9)	(16.7)
1.4 Capital transfers ²	6	1	,,	2	4	2	2	3	1	-3
1.5 Gross capital formation	187	182	187	195	211	233	256	311	373	406
1.6 Net financing capacity (1.3 + 1.4 - 1.5)	379	337	406	385	321	392	331	363	415	423
p.m. Percentages of disposable income	(12.8)	(10.7)	(12.1)	(10.9)	(8.6)	(10.0)	(8.2)	(8.5)	(8.9)	(8.5)
2. Companies										
2.1 Disposable income = gross savings	239	284	330	384	459	548	584	638	742	754
2.2 Capital transfers ²	32	25	26	21	25	23	14	25	26	20
2.3 Gross capital formation	305	349	315	402	377	407	490	577	725	789
2.4 Net financing requirement (-) or capacity (2.1 + 2.2 - 2.3)	-34	-40	41	4	107	164	108	86	42	-15
3. General government										
3.1 Disposable income	402	466	440	532	581	563	640	668	662	743
3.2 Consumption	697	734	757	792	849	881	893	900	930	977
3.3 Gross savings (3.1 - 3.2)	-294	-268	-317	-260	-268	-318	-253	-232	-268	-234
3.4 Capital transfers ²	-41	-31	-33	-30	-38	-32	-25	-38	-37	-31
3.5 Gross capital formation	149	149	141	131	120	113	105	108	99	100
3.6 Net financing requirement (-) (3.3 + 3.4 - 3.5) ..	-484	-448	-490	-422	-426	-463	-383	-378	-405	-365
4. Total of domestic sectors										
4.1 Net financing requirement (-) or capacity (1.6 + 2.4 + 3.6)	-139	-152	-43	-33	3	93	57	71	52	42

Source : NSI.

¹ Excluding general government's lending and equity investment.² These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

TABLE IX — DEMAND FOR AND SUPPLY OF EMPLOYMENT
(Thousands of units on 30th June)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
1. Demand for employment (net labour force)										
1.1 Population of working age ¹	6,273	6,290	6,321	6,345	6,360	6,369	6,378	6,382	6,380	6,374
Men	3,260	3,281	3,310	3,332	3,344	3,349	3,355	3,357	3,357	3,355
Women	3,013	3,009	3,011	3,013	3,016	3,020	3,024	3,025	3,024	3,019
1.2 Gross labour force ²	4,184	4,228	4,263	4,269	4,292	4,323	4,349	4,376	4,417	4,454
Men	2,618	2,629	2,637	2,627	2,626	2,625	2,619	2,611	2,624	2,634
Women	1,566	1,599	1,626	1,642	1,666	1,698	1,730	1,765	1,793	1,820
1.3 Beneficiaries of early or temporary withdrawal schemes ³	90	108	126	137	180	215	234	250	273	293
Men	68	83	99	112	145	169	180	186	192	195
Women	23	25	27	25	35	46	54	64	81	99
1.4 Net labour force (1.2 - 1.3) ⁴	4,094	4,120	4,137	4,132	4,112	4,108	4,115	4,126	4,144	4,161
Men	2,550	2,546	2,538	2,515	2,481	2,457	2,439	2,425	2,432	2,440
Women	1,543	1,573	1,600	1,617	1,631	1,652	1,676	1,701	1,712	1,721
1.5 Net activity rate (1.4 as percentage of 1.1)	(65.3)	(65.5)	(65.5)	(65.1)	(64.7)	(64.5)	(64.5)	(64.7)	(65.0)	(65.3)
Men	(78.2)	(77.6)	(76.7)	(75.5)	(74.2)	(73.4)	(72.7)	(72.3)	(72.5)	(72.7)
Women	(51.2)	(52.3)	(53.1)	(53.7)	(54.1)	(54.7)	(55.4)	(56.2)	(56.6)	(57.0)
2. Supply of employment (employment)										
2.1 Enterprises										
Private enterprises	2,671	2,618	2,592	2,583	2,596	2,607	2,631	2,683	2,743	2,781
Employees	2,063	2,006	1,970	1,954	1,962	1,967	1,984	2,028	2,078	2,107
Self-employed persons	609	613	623	629	634	640	647	655	666	674
Public enterprises	323	326	321	317	317	311	318	316	316	316
Total	2,995	2,944	2,913	2,900	2,913	2,918	2,948	2,999	3,059	3,097
of which : Agriculture, forestry and fisheries	113	111	111	110	109	107	104	102	101	99
Industry	934	902	882	873	858	844	823	809	821	830
Building	259	236	218	204	203	204	204	212	225	233
Market services	1,689	1,694	1,702	1,713	1,743	1,763	1,817	1,875	1,912	1,936
2.2 General government ⁵										
Traditional jobs	576	585	582	577	574	579	571	572	568	566
Special schemes	61	54	51	63	73	87	81	83	85	85
Total	637	639	633	640	648	666	652	654	653	651
2.3 Frontier workers (balance)	47	46	46	46	45	47	49	49	48	48
2.4 Grand total	3,678	3,629	3,592	3,586	3,606	3,631	3,649	3,702	3,760	3,796
Men	2,373	2,325	2,285	2,265	2,262	2,259	2,248	2,256	2,283	2,297
Women	1,306	1,305	1,308	1,321	1,344	1,371	1,401	1,446	1,478	1,499
3. Unemployment (1 - 2) ⁶	416	490	545	546	506	478	466	424	384	365
Men	178	222	253	250	218	198	191	170	149	143
Women	238	268	292	296	288	280	275	255	235	222

Sources: Ministry of Employment and Labour, NEMO, NSI.

¹ Men aged 15 to 64, women aged 15 to 59.

² Persons holding a job, unemployed job-seekers and persons benefiting by early or temporary withdrawal schemes.

³ Persons who have retired early, older unemployed persons not seeking jobs, persons who have completely interrupted their occupational careers and persons who have interrupted their unemployment for social or family reasons.

⁴ Persons holding a job and unemployed job-seekers.

⁵ Persons employed in government departments, teaching, the armed forces and persons doing national service, including persons given employment under the special job-creation schemes (unemployed persons given work by general government, special temporary staff, third labour circuit, subsidised persons under contract and unemployed persons given work in replacement of career interruptions).

⁶ Excluding older unemployed persons who are no longer regarded as job-seekers in accordance with the royal decree of 29th December 1984.

TABLE X — CONSUMER PRICES

(Percentage changes compared with previous year)

	Overall index	Breakdown by categories					
		Energy products	Overall index excluding energy products	Food products	Other products	Services	Rents
1982	8.7	14.8	7.8	9.5	7.0	7.1	8.1
1983	7.7	3.3	8.4	8.4	8.6	7.9	9.0
1984	6.3	5.3	6.5	7.9	6.4	5.3	7.3
1985	4.9	5.4	4.8	3.4	5.9	4.7	5.0
1986	1.3	-19.6	4.4	1.9	5.6	5.2	3.7
1987	1.6	-6.9	2.5	-0.4	3.7	3.1	4.3
1988	1.2	-3.4	1.6	...	2.5	1.5	3.6
1989	3.1	6.5	2.8	3.1	2.5	2.6	3.7
1990	3.5	6.8	3.1	3.7	2.6	3.2	3.2

Source : MEA.

TABLE XI — REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT¹

(Billions of francs)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990 e
1. Revenue	1,689	1,912	2,009	2,204	2,359	2,435	2,551	2,635	2,754	2,946
Fiscal and parafiscal revenue	1,616	1,820	1,926	2,117	2,268	2,353	2,477	2,562	2,667	2,849
Direct taxes	655	768	783	866	925	949	974	996	1,004	1,072
Indirect taxes	459	506	543	569	597	610	660	691	751	797
Social security contributions	488	533	588	670	733	780	827	858	896	961
Capital taxes	13	12	13	13	13	14	16	16	17	20
Non-fiscal and non-parafiscal revenue	73	93	83	87	92	82	74	73	87	97
2. Expenditure	2,173	2,361	2,498	2,626	2,785	2,898	2,933	3,012	3,159	3,312
Current expenditure	1,970	2,168	2,313	2,452	2,614	2,739	2,788	2,850	3,006	3,161
Net expenditure on goods and services	655	692	713	746	799	827	833	833	854	891
Interest charges	285	362	391	442	511	570	562	573	639	695
Current transfers to individuals	854	922	995	1,050	1,095	1,131	1,182	1,206	1,275	1,337
Subsidies to enterprises	125	129	149	153	149	146	136	152	150	152
Current transfers to the rest of the world ²	50	62	64	60	61	65	75	87	87	86
Capital expenditure	203	192	186	174	171	158	145	162	153	151
Gross fixed capital formation	149	149	141	131	120	113	105	108	99	100
Capital transfers ^{2,3}	54	43	45	43	51	46	40	54	54	51
3. Net financing requirement (-)	-484	-448	-490	-422	-426	-463	-383	-378	-405	-365
p.m. Lending and equity investment	104	113	127	100	126	102	103	67	55	87

Sources : NSI, NBB.

¹ Excluding lending and equity investment.

² These are net amounts, i.e. the difference between transfers paid by general government to other sectors and transfers received from other sectors.

³ The capital transfers received from other sectors, which are deducted from this item, include the capital gains obtained by the sale of gold ecus.

TABLE XII — NET FINANCIAL DEFICIT (–) OR SURPLUS (+) OF THE SUB-SECTORS AND OF GENERAL GOVERNMENT AS A WHOLE

(Billions of francs)

	National government, communities and regions			Local authorities	Social security	Lending and equity investment	Total ¹
	Net balance to be financed by the Treasury ²	Other ³	Total				
			(c) = (a) + (b)				
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (c) + (d) + (e) + (f)	
1982	- 509	- 73	- 582	- 27	29	113	- 466
1983	- 524	- 64	- 588	- 27	13	127	- 475
1984	- 504	- 37	- 540	- 12	37	100	- 415
1985	- 571	- 41	- 613	- 10	50	126	- 447
1986	- 556	- 49	- 605	- 15	31	102	- 487
1987	- 431	- 100	- 530	- 1	19	103	- 409
1988	- 434	- 62	- 495	- 8	21	67	- 415
1989	- 397	- 86	- 483	- 34	28	55	- 434
1990 e	- 394	- 107	- 501	- 15	33	87	- 396

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. 1, No. 5, May 1988.

¹ The total financial deficit differs from the net financing requirement — the concept used in Table XI — partly owing to time-lags in the dating of the recording of the transactions between the two approaches. Differences are also due to imperfections in the compiling of the data.

² Calculated by the Ministry of Finance and published in the *Moniteur Belge*.

³ The amount of the financial resources which the national government, the communities and the regions obtain in order to meet the part of their deficit which is not recorded in column (a). This consists, in particular, of the liabilities resulting from debudgetisations and prefinancings or taking the form of regularisation loans.

TABLE XIII — NEW LIABILITIES OF AND FORMATION OF FINANCIAL ASSETS BY GENERAL GOVERNMENT

(Billions of francs)

	New liabilities					Grand total	Formation of financial assets in Belgian francs ¹	Balance ²
	In foreign currencies	In Belgian francs			Total			
		With NBB ³	Other					
			At up to one year	At over one year				
(a)	(b)	(c)	(d)	(e) = (b) + (c) + (d)	(f) = (a) + (e)	(g)	(h) = (f) - (g)	
1982	243	32	189	150	370	614	147	466
1983	134	7	98	386	491	625	150	475
1984	155	12	66	339	417	573	158	415
1985	35	-18	53	562	597	632	185	447
1986	62	27	286	235	548	610	123	487
1987	32	-82	217	384	519	552	143	409
1988	20	-21	37	495	512	531	116	415
1989	69	-40	278	202	439	508	74	434
First ten months								
1989	40	-58	379	125	446	487	29	458
1990 ⁴	-47	-46	249	336	539	492	125	367

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. 1, No. 5, May 1988.

¹ Including lending and equity investment.

² This column corresponds to general government's net financial deficit (cf. column (f) of Table XII, with reversed sign).

³ Changes in the National Bank of Belgium's portfolio of Belgian public securities, in the outstanding amount of Treasury certificates which the Securities Regulation Fund finances with special advances from the Bank and in the Bank's consolidated claim on the State.

⁴ Provisional data compiled on the basis of still fragmentary information, which should therefore be interpreted with caution.

TABLE XIV — OUTSTANDING AMOUNT OF GENERAL GOVERNMENT'S NET DEBTS

(End of period, billions of francs)

	Debts					Financial assets in Belgian francs ¹	Net debts	
	In foreign currencies	In Belgian francs			Grand total		Grand total	p.m. Total excluding debt to IMF ³
		At up to one year ²	At over one year	Total				
		(a)	(b)	(c)					(d) = (b) + (c)	(e) = (a) + (d)	(f)	(g) = (e) - (f)
1981	404	827	2,184	3,011	3,415	355	3,059	3,015
1982	683	1,055	2,334	3,389	4,072	390	3,682	3,631
1983	868	1,193	2,719	3,912	4,780	413	4,368	4,284
1984 Old series ⁴ ...	1,063	1,278	3,058	4,336	5,399	470	4,929	4,838
New series ⁴ ...	1,063	1,259	3,061	4,320	5,382	452	4,930	4,840
1985	1,031	1,303	3,623	4,926	5,957	511	5,445	5,346
1986	1,048	1,601	3,858	5,459	6,507	533	5,974	5,889
1987	1,070	1,734	4,246	5,979	7,049	573	6,476	6,394
1988	1,108	1,752	4,741	6,493	7,600	622	6,979	6,895
1989	1,150	1,994	4,942	6,937	8,087	640	7,446	7,358
1990 Oktober *	1,109	2,188	5,279	7,467	8,576	689	7,887	7,807

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. 1, No. 5, May 1988.

¹ Excluding lending and equity investment.

² Including the portfolio of Belgian public securities held at the National Bank of Belgium and the outstanding amount of Treasury certificates financed by the Securities Regulation Fund with special advances from the Bank.

³ Excluding the Treasury certificates held by the IMF. This is because the transfer to the Fund of these certificates, which do not bear interest, does not lead to any cash revenue for general government.

⁴ The method of calculation of the series relating to the local authorities and social security has been slightly changed from 1984 onwards; in the case of the former it is mainly a matter of an accounting change in the balance sheet series of the Belgian Municipal Credit Institution, while in the case of the latter the change is due to an increase in the number of industrial accident funds whose transactions are recorded.

TABLE XV — BALANCE OF PAYMENTS OF THE BLEU

(Balances in billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	First ten months	
									1989	1990
1. Current transactions	-110	-22	-3	41	139	103	134	141	120	n.
p.m. Current transactions on a payments basis	-125	-46	-2	23	144	104	122	147	115	138
2. Capital transactions¹	-162	-98	-86	-85	-185	-52	-126	-172	-108	n.
2.1. Capital transactions of the non-financial private sector	-104	-93	-13	-40	-98	8	-86	-146	-92	n.
Commercial credits	-15	-24	1	-18	5	1	-12	7	-5	n.
Net assets in Belgian and Luxembourg francs of non-residents with resident credit institutions	-37	-36	23	-16	-59	50	89	22	54	75
Spot	-11	-25	16	16	-32	42	66	36	69	-5
Forward	-26	-11	7	-32	-27	8	23	-13	-15	80
Net assets in foreign currencies of resident enterprises and individuals ..	-79	-1	42	38	90	29	-76	-9	39	-213
Spot	-71	-17	19	8	53	-41	-111	-94	-120	-20
Forward	-8	16	23	30	36	70	36	85	159	-193
Securities	-59	-79	-96	-94	-94	-60	-138	-210	-238	68
Shares	14	1	...	8	-1	23	38	-48	-25	44
Assets of residents	9	...	4	-5	-31	-1	19	-78	-55	26
Assets of non-residents	5	1	-4	13	30	24	19	31	29	18
Bonds	-73	-80	-96	-102	-93	-84	-175	-162	-213	24
Assets of residents	-67	-89	-111	-114	-107	-111	-215	-185	-210	23
Assets of non-residents	-6	9	15	12	14	28	40	23	-3	1
Direct investments and allied capital transactions	86	47	17	50	-41	-12	51	43	57	73
Assets of residents	2	-20	-17	-19	-81	-108	-138	-259	-182	-162
Assets of non-residents	84	67	34	69	40	96	190	303	239	235
p.m. Capital transactions of the non-financial private sector excluding commercial claims	-89	-69	-14	-22	-104	7	-73	-152	-87	3
2.2. Other capital transactions	-58	-5	-73	-45	-87	-60	-41	-26	-16	-22
Capital transactions in foreign currencies of resident credit institutions ..	-74	...	-69	-44	-75	-56	-23	-24	-15	-10
Spot	-108	5	-39	-46	-65	22	35	48	130	-123
Forward	34	-5	-30	2	-10	-78	-58	-72	-145	113
Transactions of non-financial public enterprises	18	1	6	1	-7	-6	-3	-9	-6	-5
Transactions in francs of general government	-2	-6	-10	-2	-6	3	-14	7	4	-7
3. Errors and omissions	-9	-33	2	4	-4	6	-1	-20	-40	-55
4. Counterpart of monetisation/demonetisation of gold .....	...	...	...	...	...	-11	...	-3	-2	...
5. Balance of official settlements (1 to 4 = 6 + 7)	-281	-153	-87	-40	-51	46	7	-54	-31	65
6. Spot capital transactions in foreign currencies of general government²	-243	-131	-154	-32	-58	-35	-19	-66	-41	50
7. Movement of the net gold and foreign exchange reserves of the NBB³	-38	-22	67	-8	7	81	25	12	11	15

Source : NBB. For a general summary of the balance of payments methodology, see Eurostat, 1984 : *La méthodologie de la balance des paiements de l'Union Economique Belgo-Luxembourgeoise*. For further details, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. II, No. 4, October 1988 : *Modifications apportées au tableau IX-5 « Opérations avec l'étranger, opérations en monnaies étrangères des résidents avec les banques belges et luxembourgeoises et opérations de change à terme » de la partie « Statistiques » du Bulletin*, LXIVth year, Vol. II, Nos 2-3, August-September 1989 : *Modifications de l'enregistrement des opérations sur la base de caisse et du traitement des effets commerciaux*.

¹ Minus sign : capital outflows.

² Minus sign : increase in general government's liabilities in foreign currencies.

³ Minus sign : decrease in reserves.

TABLE XVI — CURRENT TRANSACTIONS ON A TRANSACTIONS BASIS

(Balances in billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	First ten months	
									1989	1990
1. Transactions in goods										
1.1 Transactions on a payments basis	-93	-28	11	27	134	86	115	118	94	120
Exports, imports and commission processing	-110	-60	-12	20	106	57	94	95	77	80
Arbitrage	17	32	23	7	28	29	20	23	17	40
1.2 Transactions which gave rise to commercial claims	15	24	-1	18	-5	-1	12	-7	5	n.
1.3 Transactions on a transactions basis (1.1 + 1.2)	-78	-4	10	45	129	85	127	111	99	n.
2. Transactions in services	24	41	38	38	53	74	77	106	85	88
Freight and insurance for transport of goods and other transport expenses	23	24	18	21	20	34	42	41	32	36
Foreign travel	-28	-19	-17	-23	-32	-35	-44	-50	-47	-55
Net income from direct and portfolio investment	-10	-9	-4	-8	5	13	12	50	41	38
Transactions of general government not included elsewhere ¹	43	50	55	62	71	81	85	92	76	78
Other services	-4	-5	-14	-14	-11	-19	-18	-28	-17	-9
3. Transfers	-56	-59	-51	-42	-43	-56	-70	-76	-64	-70
Private	-11	-9	-10	-8	-9	-4	2	2	-2	-18
Public	-45	-50	-41	-34	-34	-52	-72	-78	-62	-52
of which transactions with the EEC	(-32)	(-33)	(-26)	(-20)	(-19)	(-34)	(-56)	(-63)	(-48)	(-37)
4. Total current transactions on a transactions basis (1.3 + 2 + 3)	-110	-22	-3	41	139	103	134	141	120	n.
p.m. Total current transactions on a payments basis (1.1 + 2 + 3)	-125	-46	-2	23	144	104	122	147	115	138

Source : NBB. For a general summary of the balance of payments methodology, see Eurostat, 1984 : *La méthodologie de la balance des paiements de l'Union Economique Belgo-Luxembourgeoise*. For further details, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. I, No. 3, March 1988 : *Modifications apportées à l'établissement des données de la rubrique 1.1 « Transactions sur marchandises » des tableaux IX-1 à 4 de la partie « Statistiques » du Bulletin*, LXIVth year, Vol. II, Nos 2-3, August-September 1989 : *Modifications de l'enregistrement des opérations sur la base de caisse et du traitement des effets commerciaux*.

¹ This item consists mainly of the BLEU's receipts in respect of the operating expenses of the international institutions established in Belgium and the Grand Duchy of Luxembourg.

TABLE XVII — OFFICIAL EXCHANGE RATES FIXED BY THE BANKERS MEETING AT THE BRUSSELS CLEARING HOUSE

(Quotations in Belgian francs, daily averages)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
US dollar	37.13	45.76	51.18	57.79	59.36	44.66	37.34	36.81	39.43	33.41
German mark	16.43	18.83	20.01	20.31	20.18	20.58	20.78	20.94	20.96	20.68
Yen (100)	16.85	18.38	21.55	24.32	24.91	26.57	25.85	28.70	28.63	23.14
French franc	6.84	6.96	6.72	6.61	6.61	6.44	6.21	6.17	6.18	6.14
Pound sterling	74.84	79.80	77.50	76.98	76.33	65.48	61.11	65.37	64.55	59.47
Irish punt	59.75	64.84	63.58	62.60	62.80	59.80	55.50	55.99	55.85	55.26
Italian lira (100)	3.27	3.38	3.37	3.29	3.11	3.00	2.88	2.83	2.87	2.79
Canadian dollar	30.98	37.08	41.52	44.63	43.50	32.13	28.17	29.95	33.30	28.63
Netherlands guilder	14.89	17.11	17.91	18.01	17.89	18.25	18.44	18.60	18.58	18.35
Swedish crown	7.35	7.31	6.66	6.98	6.89	6.26	5.89	6.00	6.11	5.64
Swiss franc	18.94	22.52	24.34	24.61	24.21	24.89	25.06	25.14	24.11	24.09
Peseta (100)	40.26	41.63	35.68	35.93	34.87	31.88	30.28	31.57	33.27	32.79
Danish crown	5.21	5.48	5.59	5.58	5.60	5.52	5.46	5.46	5.39	5.40
Austrian schilling (100)	233.25	267.88	284.50	288.81	287.18	292.79	295.41	297.76	297.79	293.87
Norwegian crown	6.47	7.09	7.00	7.08	6.90	6.04	5.54	5.64	5.71	5.34
Finnish mark	8.61	9.50	9.18	9.61	9.56	8.80	8.50	8.78	9.18	8.73
Escudo (100)	60.65	57.99	46.77	39.62	34.58	29.88	26.49	25.52	25.02	23.44
Zaire	8.99	7.94	6.36	1.61	1.21	0.76	0.35	0.21	0.11	0.06
Greek drachma (100) ¹	—	—	—	—	—	—	—	25.94	24.29	21.11
Ecu ²	—	—	—	45.06	44.91	43.79	43.03	43.42	43.35	42.50
p.m. Effective exchange rate for the Belgian franc ³ (indices 1980 = 100) ...	(95.4)	(86.3)	(84.7)	(84.8)	(86.4)	(93.7)	(98.6)	(98.4)	(98.1)	(103.7)

Source : NBB. For further details concerning the effective exchange rate for the Belgian franc, see *Bulletin de la Banque Nationale de Belgique*, LIIInd year, Vol. 1, No. 5, May 1977 : *Les indices du cours moyen pondéré ou cours de change effectif du franc belge*.

¹ The Greek drachma has been quoted on the Bourse since 4th January 1988.

² The ecu has been quoted on the Bourse since 3rd September 1984.

³ Weighted by exports.

TABLE XVIII — FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	1990 e	First ten months	
										1989	1990 ⁶
1. Individuals and companies											
1.1 Net financing capacity (+) or requirement ¹ (-)	297	447	389	428	556	439	449	457	408	n.	n.
Individuals	337	406	385	321	392	331	363	415	423	n.	n.
Companies	-40	41	4	107	164	108	86	42	-15	n.	n.
1.2 Net financial surplus	328	436	379	448	595	488	521	471	n.	497	413
Formation of financial assets ²	581	724	607	777	911	946	1,222	1,505	n.	1,226 ⁷	952 ⁷
New liabilities ^{3,4} (-)	253	288	228	329	316	458	701	1,034	n.	729	539
1.3 Statistical deviation (1.1 - 1.2)	-31	11	10	-20	-39	-49	-72	-14	n.	n.	n.
2. General government											
2.1 Net financing requirement ¹ (-)	-449	-490	-422	-426	-463	-383	-378	-405	-365	n.	n.
2.2 Net financial deficit ⁵ (-)	-466	-475	-415	-447	-487	-409	-415	-434	-396	-458	-367
Formation of financial assets ⁴	147	150	158	185	123	143	116	74	n.	29	125
New liabilities (-)	614	625	573	632	610	552	531	508	n.	487	492
2.3 Statistical deviation (2.1 - 2.2)	17	-15	-7	21	24	26	37	29	31	n.	n.
3. Rest of the world											
3.1 Net financing capacity (+) or requirement ¹ (-)	152	43	33	-3	-93	-57	-71	-52	-42	n.	n.
3.2 Net financial surplus (+) or deficit ⁴ (-)	152	43	33	-3	-93	-57	-80	-24	n.	-23 ⁷	-51 ⁷
3.3 Statistical deviation (3.1 - 3.2)	...	...	...	...	...	...	9	-28	n.	n.	n.
4. Balance of financial surpluses and deficits (1.2 + 2.2 + 3.2)	14	4	-3	-2	15	22	26	13	n.	16	-5

Source : NBB.

¹ Data taken from Table VIII.² See Table XIX.³ See Table XXI.⁴ Including general government's lending and equity investment.⁵ See Table XIII.⁶ Provisional data compiled on the basis of still fragmentary information, which should therefore be interpreted with caution.⁷ Not including the change in Belgium's net commercial claims on foreign countries.

TABLE XIX — FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

(Billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	First ten months	
									1989	1990*
Assets in Belgian francs	457	557	424	550	569	534	570	764	465	746
At up to one year	161	228	207	260	490	393	291	612	317	141
Notes and coin	-1	16	-5	-2	20	8	4	8	-6	-20
Sight deposits	32	67	-16	56	63	33	67	98	10	-35
Deposits on ordinary deposit or savings books	21	112	115	163	210	226	187	191	76	-349
Time deposits	112	19	111	37	133	102	-14	169	155	447
Notes	-4	11	6	14	54	16	16	76	37	49
Miscellaneous .....	...	4	-4	-8	10	9	31	71	46	49
At over one year	296	329	217	290	79	141	279	153	148	604
Bonds and notes ¹	275	267	194	280	71	148	288	111	111	616
Shares ²	12	44	20	3	9	-14	3	56	50	-12
Deposits	9	18	2	7	-1	7	-11	-14	-13	1
Assets in foreign currencies	83	69	95	85	143	139	228	333	339	5
At up to one year	32	-15	-9	-6	30	49	34	86	79	75
At over one year	51	84	105	90	113	90	194	247	260	-71
Bonds	60	84	109	85	82	89	213	169	205	-44
Shares	-9	...	-4	5	31	1	-19	78	55	-26
Other assets ³	41	98	89	142	200	274	424	408	426	n.
Commercial claims on foreign countries	15	24	-2	18	-6	-1	12	-7	5	n.
Financial gold	-10	2	10	9	7	20	6	-4	1	5
Other claims on foreign countries	-3	13	15	5	70	90	127	208	138	163
Miscellaneous ⁴	39	60	66	111	129	165	279	210	283	35
Grand total	581	724	607	777	911	946	1,222	1,505	1,230	n.
p.m. Grand total excluding commercial claims on foreign countries	566	700	609	758	917	947	1,210	1,512	1,226	952

Sources : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. II, Nos 1-2, July-August 1988.¹ Including, in so far as it has been possible to record them, bonds in Luxembourg francs.² Public share issues, less net purchases of Belgian shares by non-residents.³ Assets whose distribution between Belgian francs and foreign currencies is not known or is meaningless.⁴ Balance of transactions in respect of claims and debts of the financial intermediaries as well as errors and omissions in Belgium's balance of payments. The extent of the fluctuations in the latter illustrates the difficulty of compiling real and financial accounts for Belgium alone, in view of the integration of the two economies which constitute the BLEU.

TABLE XX — FINANCIAL ASSETS IN BELGIAN FRANCS HELD BY INDIVIDUALS AND COMPANIES¹*(End of period, billions of francs)*

	1981	1982	1983	1984	1985	1986	1987	1988	1989	October	
										1989	1990 *
Assets at up to one year	2,769	2,934	3,162	3,373	3,633	4,123	4,515	4,806	5,418	5,123	5,559
Notes and coin	375	374	390	385	384	404	412	416	423	410	404
Sight deposits	470	502	569	557	613	676	709	776	873	785	839
Deposits on ordinary deposit or savings books ..	1,114	1,135	1,247	1,362	1,525	1,735	1,961	2,148	2,338	2,224	1,990
Time deposits	713	827	846	957	993	1,126	1,228	1,214	1,383	1,369	1,829
Notes	74	73	84	90	104	158	174	189	265	226	314
Miscellaneous	22	22	26	22	14	25	33	64	135	110	183
Assets at over one year	2,185	2,475	2,760	2,949	3,236	3,307	3,463	3,739	3,836	3,837	4,453
Bonds issued by general government	688	715	766	812	906	942	1,035	1,212	1,271	1,252	1,442
Notes and bonds issued by financial intermediaries	1,200	1,442	1,640	1,773	1,933	1,951	1,996	2,092	2,099	2,133	2,493
Other bonds ²	195	205	223	231	256	273	284	300	344	328	395
Deposits	102	114	131	133	141	140	147	137	123	124	124
Total	4,953	5,408	5,922	6,322	6,869	7,430	7,978	8,545	9,254	8,960	10,012

Source : NBB.

¹ Outstanding amounts of assets in Belgian francs shown in Table XIX, excluding shares. A slight break in the series took place the end of 1982 and 1984 owing to improvements in the recording of some outstanding amounts.² Including, insofar as it has been possible to record them, bonds in Luxembourg francs.

TABLE XXI — NEW LIABILITIES OF INDIVIDUALS AND COMPANIES

(Billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	First ten months	
									1989	1990*
1. Liabilities contracted primarily by individuals ¹	24	21	32	50	88	131	136	184	149	112
Personal loans and hire-purchase credits	-1	8	15	27	34	48	36	43	44	48
Mortgage loans	25	13	17	23	53	84	100	141	104	65
2. Liabilities contracted primarily by companies and one-man businesses ¹	228	268	196	280	229	327	565	850	580	427
Shares ²	17	44	17	13	22	30	46	90	78	10
Bonds	21	28	9	-18	-12	-38	6	-17	-6	-33
Investment credits ³	12	15	45	45	72	130	145	153	124	146
Other credits ³	-11	12	-19	43	21	19	165	291	155	-12
Miscellaneous ⁴	188	168	145	196	126	186	203	334	229	316
p.m. Total										
— in Belgian francs	161	223	151	213	193	252	386	530	345	186
— in foreign currencies	5	5	29	15	14	9	57	69	44	11
— other ⁵	63	40	16	52	22	66	123	252	192	231
3. Grand total	253	288	228	329	316	458	701	1.034	729	539

Source: NBB.

¹ Personal loans, hire-purchase credits and mortgage loans are also, to a small extent, contracted by companies and one-man businesses, while the liabilities of individuals are not necessarily confined to these forms of credit.

² Solely public share issues.

³ Granted by resident credit institutions.

⁴ Liabilities to foreign countries (other than public share issues and bonds) and to general government (including lending and equity investment).

⁵ Includes liabilities to foreign countries for which the distribution between Belgian francs and foreign currencies is not known or is meaningless.

TABLE XXII — MAIN INTEREST RATES

(Daily averages)

	Three-month money market rates ¹			Rate for government loans at over 5 years ²	Creditor rates ³			Debtor rates			
	Treasury certificates	Interbank loans	Standard rate of RGI for purchase of bankable paper ⁴		Savings deposits ⁵	Deposits of from 5 to 20 million at banks (3-month)	Notes issued by PCIs (5-year)	Bank overdrafts	Fixed-term advances from banks (3-month)	Investment credits from the NICC	Mortgage loans from the GSPF ⁶
1981	15.46	15.29	13.83	13.78	7.81	14.65	13.15	17.59	15.74	14.65	14.43
1982	14.29	14.07	13.89	13.45	7.81	13.45	13.65	16.91	14.37	15.16	14.91
1983	10.69	10.54	10.43	11.80	7.71	9.92	11.49	13.82	10.79	13.15	12.99
1984	11.58	11.38	11.35	11.96	8.00	10.76	11.40	14.40	11.73	12.84	12.52
1985	9.71	9.58	10.36	10.61	8.00	8.97	10.74	12.61	9.83	11.97	11.81
1986	8.21	8.11	8.86	7.93	6.64	7.48	7.72	10.47	8.21	8.92	8.79
1987	7.19	7.10	7.91	7.83	6.20	6.47	7.59	9.34	7.20	8.73	8.24
1988	6.81	6.77	7.17	7.85	6.03	6.14	7.33	8.86	6.87	8.53	8.05
1989	8.80	8.73	9.40	8.64	6.00	8.11	7.73	10.98	8.83	8.98	8.52
1990	9.80	9.82	10.72	10.06	5.94	9.19	8.97	12.99	9.92	10.98	10.99

Sources : NBB, RGI, BBA, PCIs.

¹ Rates calculated on the basis of 365 days.² Yield on the secondary market, before deduction of tax at source.³ Before deduction of tax at source.⁴ Rates converted into rates in arrears for bills which still have three months to run.⁵ Gross fictitious rate, including the fidelity bonus, for deposits on ordinary savings books with the main credit institutions.⁶ Rate for ordinary mortgage loans at over 15 years with insurance of the balance remaining payable; fixed rate until 1985, semi-fixed rate from 1986 onwards.

TABLE XXIII — INTEREST RATES OF THE NATIONAL BANK OF BELGIUM

(Percentages)

	Discount ¹	Current account advances against public securities ²	Rediscount facility of the RGI for the mobilisation of paper not counted against the rediscount ceilings
End of :			
1981	15.00	17.00	17.50
1982	11.50	12.50	12.50
1983	10.00	11.00	11.00
1984	11.00	12.00	12.00
1985	9.75	10.25	10.25
1986	8.00	8.25	8.25
1987	7.00	7.25	7.25
1988	7.75	8.00	8.00
1989 1st January - 19th January	7.75	8.00	8.00
20th January - 22nd January	7.75	8.50	8.00
23rd January - 20th April	8.25	8.50	8.50
21st April - 23rd April	8.25	9.00	8.50
24th April - 28th June	8.75	9.00	9.00
29th June	8.75	9.50	9.00
30th June - 4th October	9.25	9.50	9.50
5th October	9.25	10.75	9.50
6th October - 31st December	10.25	10.75	10.75
1990 1st January - 1st November	10.25	10.75	10.75
2nd November - 4th November	10.25	11.00	10.75
5th November - 31st December	10.50	11.00	11.00

¹ Since 12th August 1985 the National Bank of Belgium has applied a preferential discount rate, one point lower than the official rate, for the mobilisation — via the RGI — of commercial bills certified by it and representing exports to countries outside the EEC; this measure which replaces a similar system which the RGI was previously able to apply without the Bank's intervention, will be abolished with effect from 29th January 1991. The Bank also applies, for the rediscounting of "Creditexport" bills with up to one year still to run and representing exports to countries which are not members of the EEC, a special interest rate identical to the rate for these bills; this system, which came into force on 1st December 1981, was extended on 1st December 1990 until 28th January 1991 inclusive.

² Since 3rd September 1982 this rate has also applied to advances above the monthly quota allotted to public-sector credit institutions, banks and savings banks.

TABLE XXIV — CREDITS GRANTED BY TENDER BY THE NATIONAL BANK OF BELGIUM

	Repurchase agreements in respect of commercial bills			Fixed-term advances against the collateral of public securities			Total outstanding amounts ¹
	Rates	Amounts granted	Existing outstanding amounts ¹	Rates	Amounts granted	Existing outstanding amounts ¹	
	<i>(Millions of francs)</i>			<i>(Millions of francs)</i>			
1990 3rd January ...	9.88	11,225	27,375	10.25	1,100	1,100	28,475
10th January ...	10.00	15,475	26,700	10.38	1,950	3,050	29,750
17th January ...	10.00	12,300	27,775	10.38	2,450	4,400	32,175
24th January ...	10.00	14,875	27,175	10.38	2,725	5,175	32,350
31st January ...	10.00	12,425	27,300	10.38	2,700	5,425	32,725
7th February ...	10.00	13,900	26,325	10.38	2,000	4,700	31,025
14th February ...	10.00	12,550	26,450	10.38	1,950	3,950	30,400
21st February ...	10.00	13,950	26,500	10.38	2,000	3,950	30,450
28th February ...	10.00	12,325	26,275	10.38	1,000	3,000	29,275
7th March ...	10.00	13,025	25,350	10.38	1,500	2,500	27,850
14th March ...	10.00	12,600	25,625	10.31	1,200	2,700	28,325
21st March ...	9.94	12,675	25,275	10.31	1,500	2,700	27,975
28th March ...	9.88	12,650	25,325	10.25	5,700	7,200	32,525
4th April ...	9.75	14,275	26,925	10.13	3,600	9,300	36,225
11th April ...	9.75	12,050	26,325	10.13	1,700	5,300	31,625
18th April ...	9.75	10,325	22,375	10.13	1,250	2,950	25,325
25th April ...	9.75	19,350	29,675	10.13	1,350	2,600	32,275
2nd May ...	9.63	8,750	28,100	10.00	1,250	2,600	30,700
9th May ...	9.63	20,550	29,300	10.00	2,150	3,400	32,700
16th May ...	9.63	11,125	31,675	10.00	3,250	5,400	37,075
21st May ...	9.63	18,600	29,725	10.00	3,650	6,900	36,625
30th May ...	9.63	12,050	30,650	10.00	8,125	11,775	42,425
6th June ...	9.63	17,575	29,625	9.94	1,650	9,775	39,400
13th June ...	9.50	11,825	29,400	9.88	3,125	4,775	34,175
20th June ...	9.44	18,725	30,550	9.81	1,800	4,925	35,475
27th June ...	9.25	11,975	30,700	9.63	2,500	4,300	35,000
4th July ...	9.19	18,550	30,525	—	—	2,500	33,025
11th July ...	9.13	10,925	29,475	9.50	1,750	1,750	31,225
18th July ...	9.13	18,325	29,250	—	—	1,750	31,000
25th July ...	9.13	10,725	29,050	9.44	3,000	3,000	32,050
1st August ...	9.00	16,825	27,550	—	—	3,000	30,550
8th August ...	9.00	10,250	27,075	—	—	—	27,075
14th August ...	9.00	16,500	26,750	—	—	—	26,750
22nd August ...	9.00	11,050	27,550	—	—	—	27,550
29th August ...	8.94	16,125	27,175	—	—	—	27,175
5th September ...	8.88	10,525	26,650	—	—	—	26,650
12th September ...	8.81	15,625	26,150	—	—	—	26,150
19th September ...	8.75	10,900	26,525	—	—	—	26,525
26th September ...	8.69	16,625	27,525	—	—	—	27,525
3rd October ...	8.69	10,800	27,425	—	—	—	27,425
10th October ...	8.63	15,400	26,200	—	—	—	26,200
17th October ...	8.63	11,525	26,925	—	—	—	26,925
24th October ...	8.56	15,675	27,200	8.88	3,000	3,000	30,200
30th October ...	8.56	10,500	26,175	8.88	150	3,150	29,325
7th November ...	8.56	15,225	25,725	8.88	100	250	25,975
14th November ...	8.56	10,800	26,025	—	—	100	26,125
21st November ...	8.56	16,550	27,350	—	—	—	27,350
28th November ...	8.56	10,550	27,100	8.88	100	100	27,200
5th December ...	9.06	12,750	23,300	—	—	100	23,400
12th December ...	9.44	9,325	22,075	—	—	—	22,075
19th December ...	9.88	10,825	20,150	—	—	—	20,150
24th December ...	10.00	12,625	23,450	10.38	3,250	3,250	26,700

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIVth year, Vol II, No. 1, July 1989.

¹ As payment of the credits granted is made through the clearing system two working days after the conclusion of the transaction, this figure is the outstanding amount on the date of payment (value date) and not on the date of granting of the credit, shown in the first column (transaction date).

TABLE XXV — TRANSACTIONS OF THE NATIONAL BANK OF BELGIUM ON THE MONEY MARKET

(Changes in billions of francs)

	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. Factors expanding (+) or contracting (-) the money market	-274	-151	-83	-26	-61	+49	+2	-65	+60
1.1 Net demand for (-) or supply of (+) foreign currencies on the foreign exchange market	-281	-153	-87	-40	-51	+46	+7	-54	+40
1.2 Increase (-) or decrease (+) in the note circulation .....	...	-14	-2	+4	-20	-11	-5	-18	+16
1.3 Other	+7	+16	+7	+11	+10	+13	...	+7	+4
2. Discretionary interventions by the Bank on the money market : credit granting via calls for tenders	-	-	-	-	-	-	-	+29	-3
2.1 Repurchase agreements in respect of commercial bills	-	-	-	-	-	-	-	+28	-6
2.2 Fixed-term advances against the collateral of public securities	-	-	-	-	-	-	-	+1	+2
3. Financing (+) or absorption (-) of the residual balance on the money market	+274	+151	+83	+26	+61	-49	-2	+36	-57
3.1 Credits to financial intermediaries : rediscounting and advances	-1	+12	-84	+13	-24	-2	...	+10	-3
3.2 Financing of general government	+275	+138	+167	+13	+85	-47	-2	+26	-53
3.21 Special advances to the Securities Regulation Fund	+32	+7	+12	-18	+27	-82	-21	-40	-29
3.22 Purchases (+) or sales (-) of foreign currencies connected with general government's spot capital transactions	+243	+131	+154	+32	+58	+35	+19	+66	-23
Total granting of liquidity to the money market (2 + 3)	+274	+151	+83	+26	+61	-49	-2	+65	-60
Changes in gold and foreign exchange reserves (1.1 + 3.22)	-38	-22	+67	-8	+7	+81	+25	+12	+17
p.m. — Outstanding end-of-period amount of the special advances granted to the Securities Regulation Fund	(181)	(188)	(201)	(182)	(209)	(128)	(107)	(66)	(37)
— End-of-period ceiling on special advances	(190)	(210)	(210)	(210)	(210)	(180)	(160)	(110)	(110)

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**The National Bank of Belgium
as an Enterprise**

An innovation introduced in the Report for 1989 was the publication of data concerning the functional aspects of the activities which the National Bank of Belgium carries out not only as the monetary authority but also as an enterprise which produces and administers services to the general public. That Report also discussed the development of the Bank's staff and organisation.

Some of the following information updates these data. Other items relate to new developments which took place in 1990.

SPECIFIC ACTIVITIES AS THE CENTRAL BANK

NOTES AND COIN

The total number of notes in circulation at the end of 1990 was 1.6 p.c. lower than it had been a year earlier. This decrease is partly due to an exceptional factor, namely the threats of strikes in the banking sector at the end of 1989, which undoubtedly prompted the formation of precautionary cash holdings.

	Millions of units		Percentage of total number of notes in circulation		Percentage of total amount of notes in circulation	
	1989	1990	1989	1990	1989	1990
F 5,000	60.994	59.151	18.3	18.1	68.9	69.0
F 1,000	111.853	106.820	33.6	32.6	25.3	24.9
F 500	24.262	24.414	7.3	7.4	2.7	2.9
F 100	135.871	137.186	40.8	41.9	3.1	3.2
	332.980	327.571				

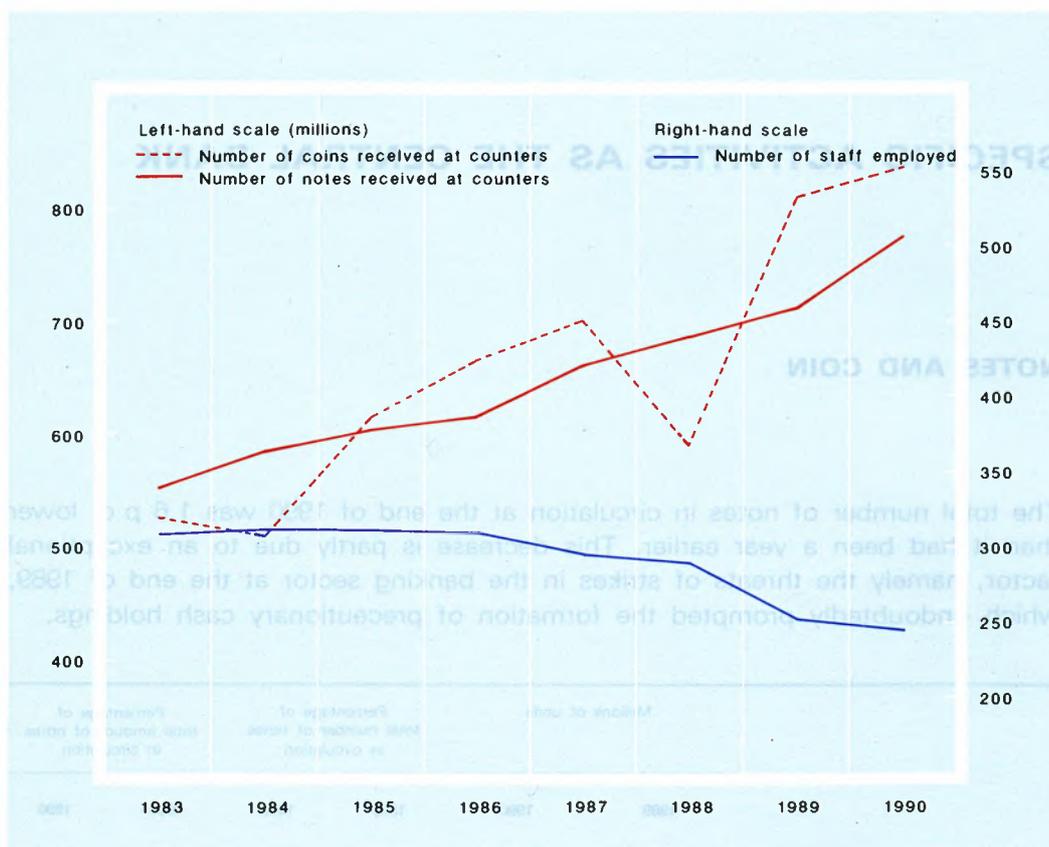
In 1990 the Bank began to make use, for transporting bundles of bank notes, of new polycarbonate cassettes for which the model, the method of sealing and the sealing clips themselves had been specially designed in accordance with its plans. This brought about an improvement in productivity both in the transportation of the notes and in the checking operations.

Furthermore, a new integrated system for the finishing of the notes produced by the Bank's Printing Works was brought into service in 1990. It makes it possible, in a single process, to count the notes, to make a qualitative check of the authenticity criteria of the notes, to sort them into wrongly printed notes and notes to be issued and to destroy the former and bundle up and pack the latter.

The technical research to devise means of preventing forgery is also continuing.

The number of notes and coins received at the counters in 1990 reached an absolute peak for the period 1980-1990. The rise compared with 1989 amounts to 9 p.c. for notes and 3.2 p.c. for coins. This rise continues a basic trend; it is, however, not unconnected with the development of the activity of the currency centres.

ACTIVITY AT THE COUNTERS



At the Bank's head office and at its establishments in the provinces, 252 full-time or part-time employees were engaged in 1989 in receiving bank notes and coins and in carrying out related activities. This number was reduced to 245 in 1990, despite the increase in the quantities processed. This decline is attributable to the use of advanced equipment, which had already enabled appreciable productivity gains to be achieved previously. It may be mentioned in this connection that, while this staff was reduced by about 21 p.c. from 1985 to 1990, activity, measured by the total number of notes and coins processed, increased by around 32 p.c.

ACTIVITIES OF THE BANK AS THE BANK OF THE FINANCIAL INTER-MEDIARIES

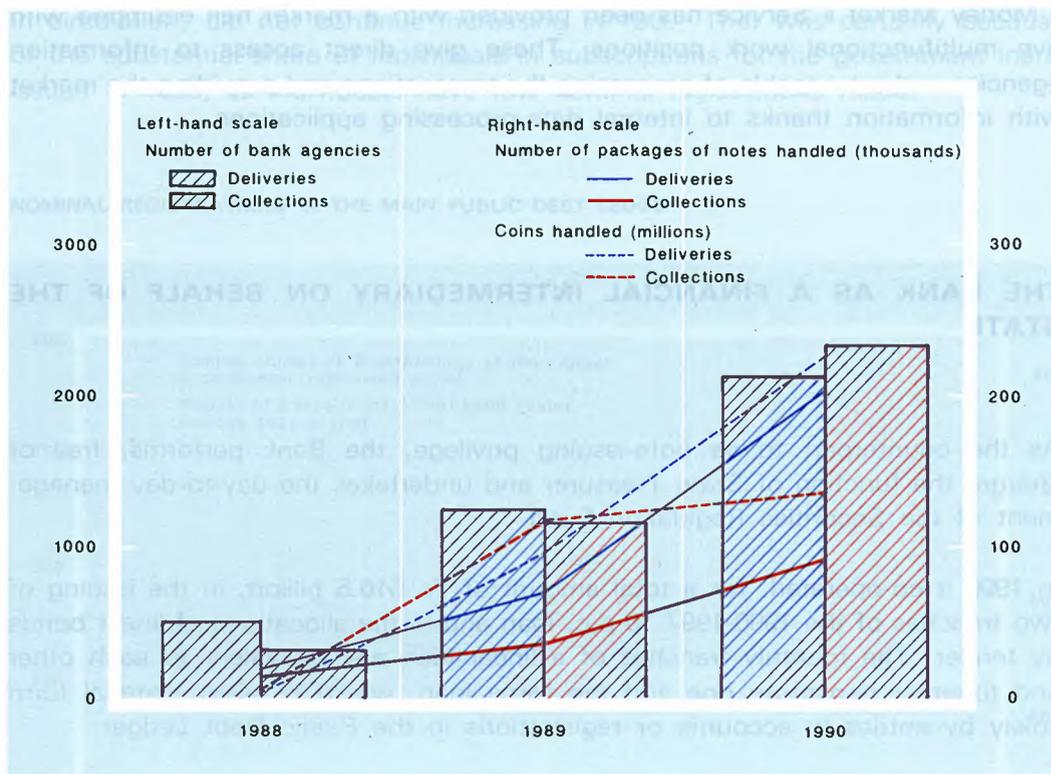
Currency and bond centres

The *currency centres* which the Bank introduced in its provincial establishments in 1988 make it possible to carry out transfers of funds directly between these establishments and the local agencies of the financial institutions which participate in the system.

The success of this initiative is evident from the increase from year to year in the number of bank agencies which take part in the system and by the concomi-

tant growth in the volume of activity of the currency centres. The number of packages of notes handled – deliveries and collections combined – was almost trebled from 1989 to 1990 and the quantity of coins processed increased by nearly 70 p.c.

ACTIVITY OF THE CURRENCY CENTRES



During the second half of 1990 the Bank introduced, as an experiment, a system of *bond centres* in its Charleroi, Roulers and Brussels establishments. As the result of the experiment was conclusive, the system was introduced on a permanent basis on 1st January 1991. It gives the financial intermediaries the possibility of offering to the Bank, without any prior centralisation, securities and coupons which are redeemable or payable within 40 calendar days. The circuits established for the currency centres are used in the provinces for the actual transmission of the envelopes containing the securities and coupons.

Credits to the financial institutions

A system of credit-granting by tender relating to, on the one hand, repurchase agreements in respect of commercial bills and, on the other hand, fixed-term advances against the collateral of public securities was introduced in March 1989. The quantitative effect which these discretionary operations of the Bank have since produced on the liquidity of the money market is shown in Table 41 in the Chapter of the economic report entitled « Monetary policy and the money and capital markets ».

The new money market constellation which came into effect on 29th January 1991 and which is described in the economic part of the Report brings about

important changes in the practical execution of monetary policy decisions. A « Money Market » Service was set up within the Credit Department for the use of all the new instruments of that policy.

Henceforth the Bank will in fact intervene very actively in the money market, resorting to a range of widely diversified instruments. This reform means, among other things, that the Bank possesses efficient technical resources comparable to those used by the credit institutions with which it deals. That is why the « Money Market » Service has been provided with a market hall equipped with five multifunctional work positions. These give direct access to information agencies and are capable of processing the transactions and providing the market with information thanks to internal data-processing applications.

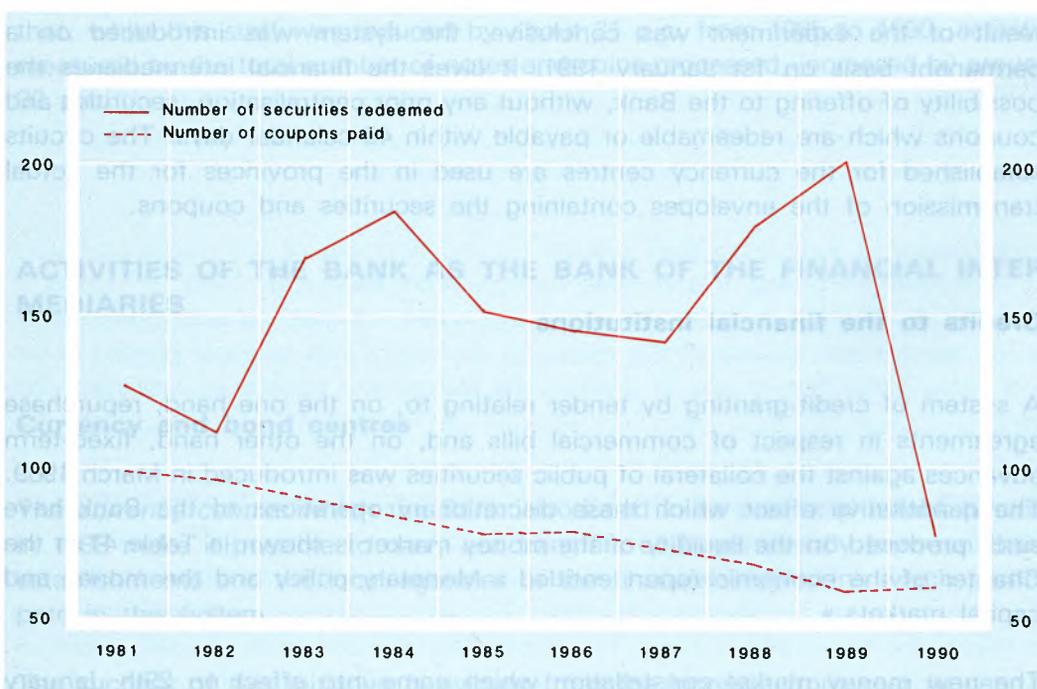
THE BANK AS A FINANCIAL INTERMEDIARY ON BEHALF OF THE STATE

As the counterpart to its note-issuing privilege, the Bank performs, free of charge, the function of State Treasurer and undertakes the day-to-day management of the Securities Regulation Fund.

In 1990 it co-operated, for a total amount of Fr. 516.5 billion, in the issuing of two tranches of the 1990-1997 10 p.c. loan and in the allocations of linear bonds by tender. The monthly tranches of a linear loan are equivalent to each other and together constitute one and the same loan, which is given material form solely by entries in accounts or registrations in the Public Debt Ledger.

FINANCIAL SERVICE OF THE PUBLIC DEBT IN BELGIAN FRANCS¹

(Indices 1980 = 100)

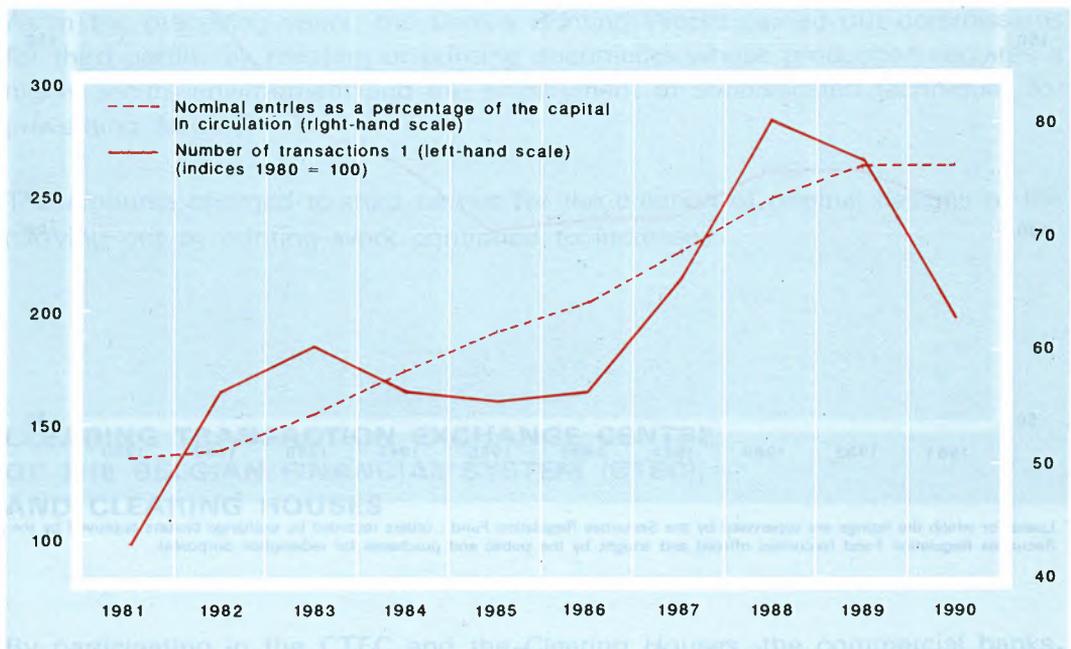


¹ Direct, indirect and guaranteed debt.

In connection with the financial service of the public debt, the Bank redeemed Fr. 0.7 million of securities and paid Fr. 11 million of coupons in 1990. The number of securities redeemed is considerably smaller than it was in the preceding years, owing to the limited number of loans which matured in 1990. The number of coupons paid in 1990 remained more or less unchanged compared with the 1989 figure.

The percentage of nominal registrations, calculated on the basis of the capital in circulation, did not continue increasing in 1990. That was certainly because of the substantial share of individuals in subscriptions for the government loans issued in 1990, as individuals have few nominal registrations made.

NOMINAL REGISTRATIONS IN THE MAIN PUBLIC DEBT LEDGER



¹ Number of applications for nominal registration and for conversion to bearer.

The secondary market for public securities consists of two compartments : on the one hand, the so-called « block » or « out of the market » part, in which dealings between participants take place mainly by telephone, and, on the other hand, the centralised stock exchange market.

The latter underwent important changes in 1990. On 18th May a continuous market was opened, on which the securities of the most important loans, especially the linear bonds, can be traded for a minimum amount of Fr. 5 million or a multiple of that sum.

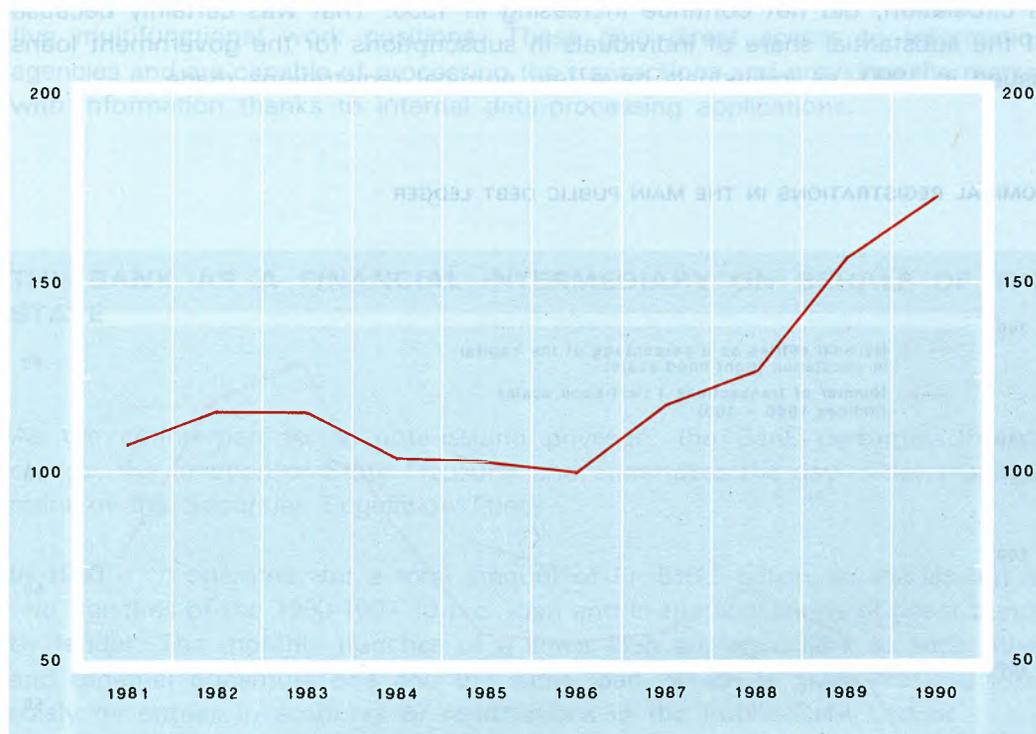
The Securities Regulation Fund does not regulate the continuous market. It confines its action to the fixing, at which, among other transactions, the smaller deals are concluded. Linear bonds have no longer been quoted on this market since 18th May. Even so, the volume of transactions on this market increased in 1990 for the fourth year in succession.

The role of the Securities Regulation Fund in the bond market has been adjusted. Since 29th January 1991 it has no longer been regulating the fixing market as

it did in the past, but now confines itself to ensuring that small investors, in carrying out their transactions, can count upon a price which reflects the interest rates in force on the market.

STOCK EXCHANGE DEALINGS IN PUBLIC SECURITIES¹

(Total volume — indices 1980 = 100)



¹ Loans for which the listings are supervised by the Securities Regulation Fund ; orders recorded by exchange brokers approved by the Securities Regulation Fund (securities offered and sought by the public and purchases for redemption purposes).

As an agent appointed by the State, the Bank also plays a part in the implementation of bilateral agreements under which Belgium makes funds available to developing countries. It opens accounts in the name of the beneficiaries, into which the Ministry of Finance pays the amount of the aids, it makes the necessary contacts with the agents of the recipient countries and takes it upon itself to effect the payments after having checked that they are due.

The number of transactions has shown the following movements :

1985	199
1986	112
1987	362
1988	142
1989	360
1990	200

SERVICES TO THIRD PARTIES

PRINTING WORK

As in the preceding years, the Bank's Printing Works carried out commissions for third parties by creating or printing documents whose production requires a highly secure environment and the employment of sophisticated techniques for preventing forgery.

The amounts charged to third parties for the creation of original designs or the carrying out of printing work continued to increase.

CLEARING TRANSACTION EXCHANGE CENTRE OF THE BELGIAN FINANCIAL SYSTEM (CTEC), AND CLEARING HOUSES

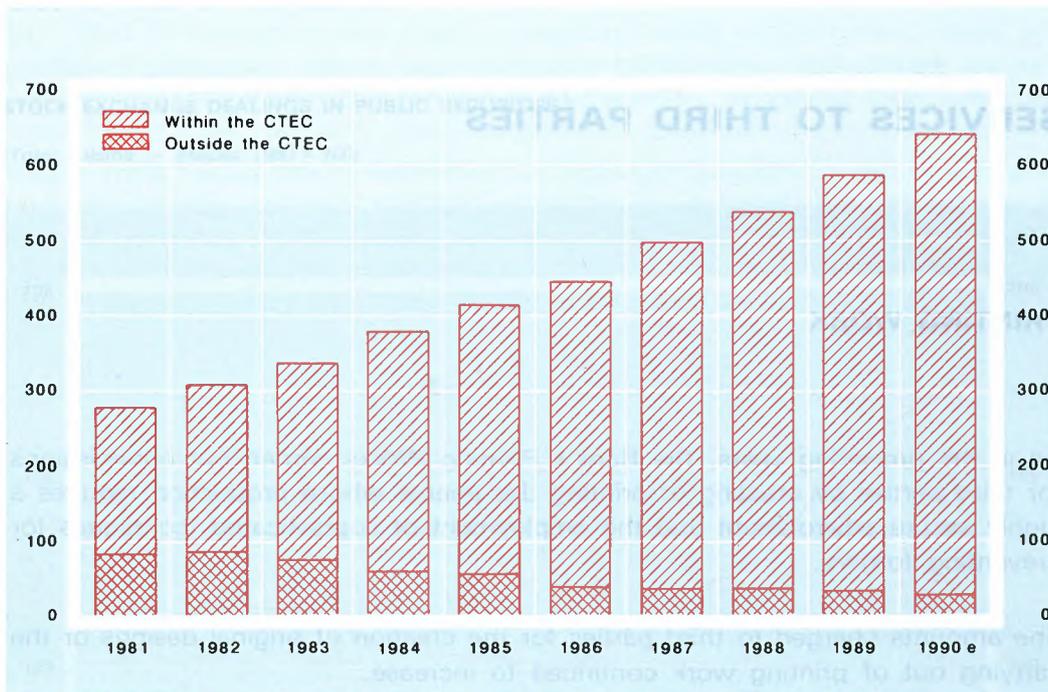
By participating in the CTEC and the Clearing Houses, the commercial banks, savings banks and public credit institutions are able to transfer funds among themselves rapidly, correctly and easily.

These transfer procedures and the facilities for temporary borrowing or lending enable the financial intermediaries to manage their cash holdings more efficiently and appreciably reduce their balances at the Bank in non-interest-bearing accounts.

In 1990, on average, 2.4 million clearing transactions per day, i.e. 11 p.c. more than in 1989, were automatically processed via the CTEC. Manual transactions, on the other hand, decreased, thus following the trend which has been evident for several years. Their average daily number was about 57,000 in the Brussels Clearing House and 34,000 for the other clearing houses combined, against 60,000 and 37,000 respectively in 1989. Manual exchanges still predominate in volume, in terms of the funds handled : they averaged Fr. 728 billion per day in the Compensation Chambers, against Fr. 38 billion in the CTEC. The predominance of the Clearing Houses in terms of funds handled is due to the fact that the transactions carried out in them are often for larger amounts. That is the case, for instance, with the transactions connected with the call money market, Treasury certificates, redeemable securities and the counterparts of foreign exchange transactions.

TRANSACTIONS CLEARED

Number (millions)

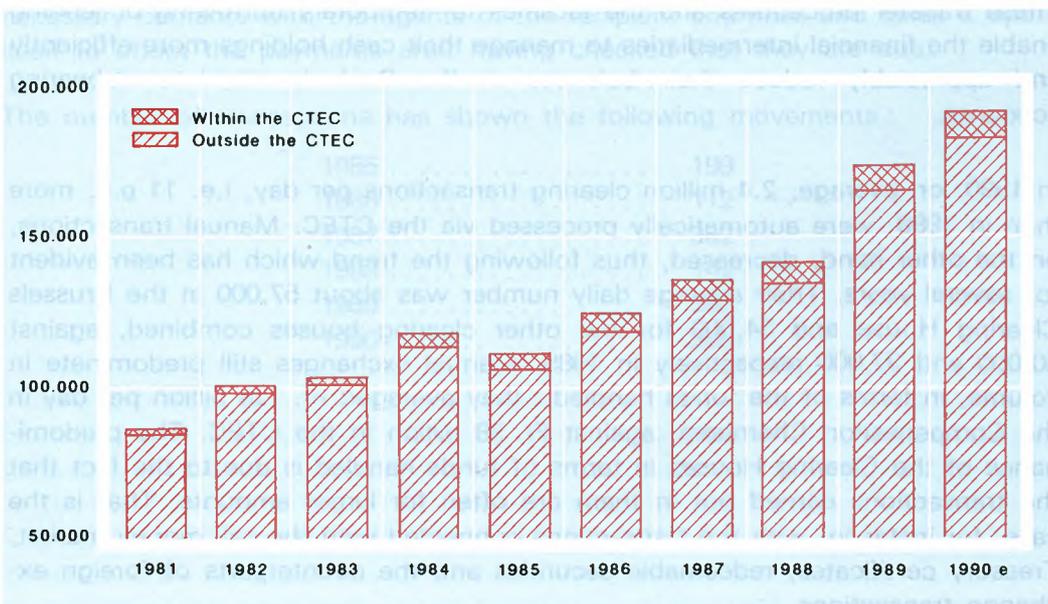


The legal merging of all the country's Clearing Houses was decided upon in 1990. Since 3rd December there has been only one Clearing House, which has its head office in Brussels and several subsidiary offices in the provinces. The main purpose of this merger was to simplify administrative procedures and make the operation of the Clearing House more efficient.

A new application developed by the CTEC, called « large transfers », became operational on 5th June. It makes it possible to entrust to the CTEC, solely by

TRANSACTIONS CLEARED

Amounts (billions)



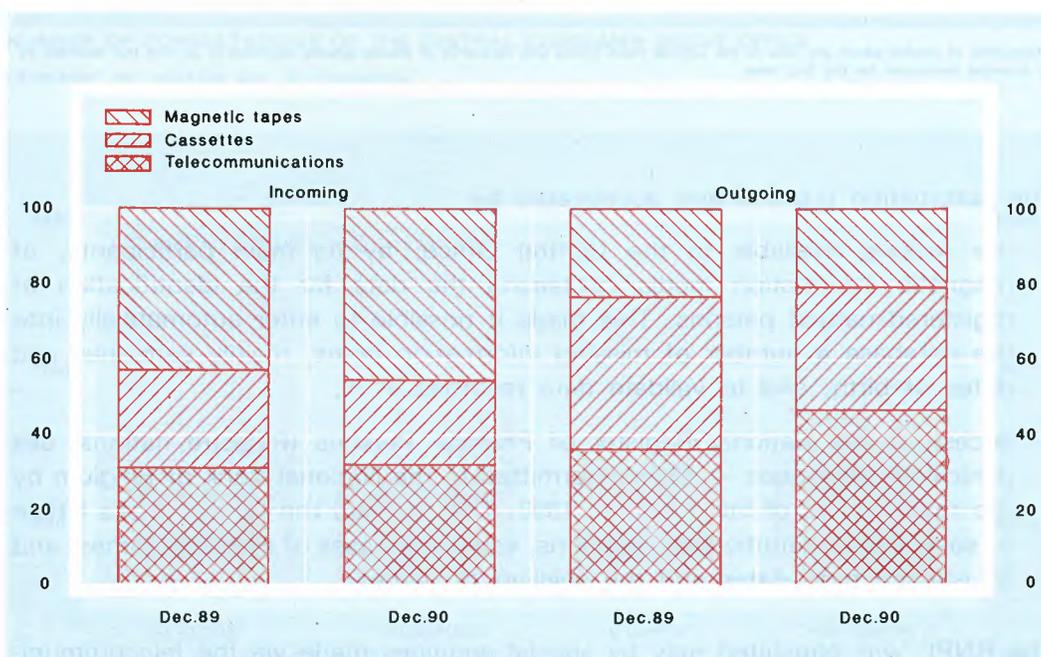
telecommunication and within time limits which are more generous than those entailed by the « transfer » application, payment transactions for amounts greater than Fr. 5 million.

With regard to the means of transmission, the following chart shows that about 45 p.c. of incoming messages and 20 p.c. of outgoing messages are still exchanged on magnetic tape. It should be mentioned, however, that telecommunications account for the largest proportion of the outflow of transactions from the CTEC to its members, namely over 45 p.c.

At the end of 1990, 30 members were using telecommunications for their transactions with the CTEC, against 22 a year earlier.

BREAKDOWN OF NUMBER OF TRANSACTIONS BY EXCHANGE MEDIUM

(Percentages of total number of transactions)



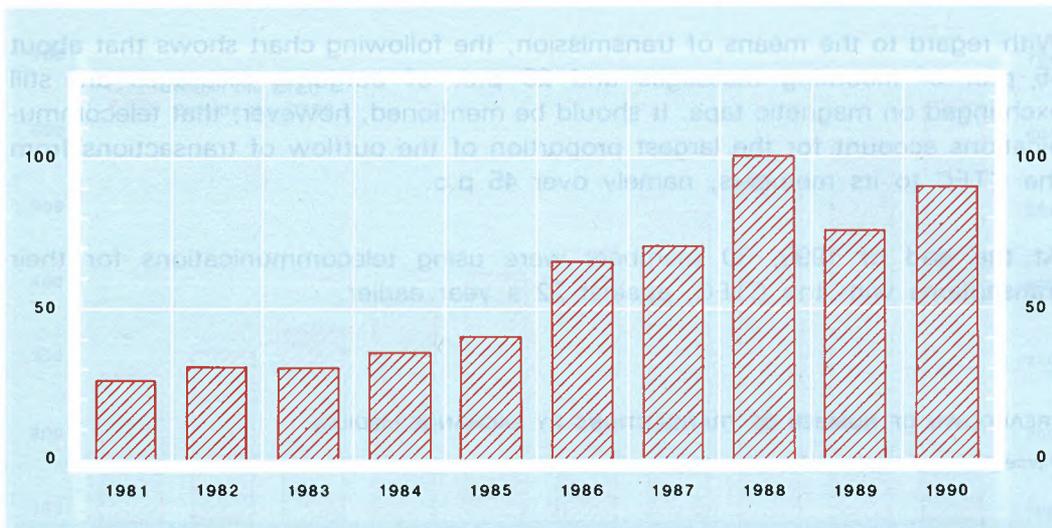
CENTRALISATION AND DISSEMINATION OF INFORMATION CONCERNING CREDITS AMOUNTING TO AT LEAST ONE MILLION FRANCS, BROKEN DOWN BY RECIPIENT (CENTRAL RISKS OFFICE)

The number of new recipients of credits reported to the Central Risks Office during the year 1990 is estimated at 90,300, against 75,000 in 1989.

The automation of the file of recipients of credits was continued; it consists, in its present phase, of entering into the database created in 1989 all the identification data in respect of these recipients, as well as the links between the various co-debtors reported in the case of « joint credits ».

NEW RECIPIENTS OF CREDITS OF AT LEAST 1 MILLION FRANCS REPORTED TO THE CENTRAL RISKS OFFICE¹

(Thousands)^o



¹ Recipients of credits which are new to the Central Risks Office and recipients of credits already recorded in its files but reported by a financial institution for the first time.

The automation process was accelerated by :

- the making available to the Central Office, by its main participants, of magnetic information media containing the data for the identification of registered natural persons. This made it possible to enter automatically into the database a number of missing information items, mainly surnames and dates of birth, and to validate data recorded in it ;
- access to the National Register of Physical Persons (Registre national des personnes physiques – RNPP) permitted to the National Bank of Belgium by the royal decree of 5th February 1990. This enabled the Central Risks Office to solve many identification problems, especially cases of identical names, and to validate birth dates and the spelling of names.

The RNPP was consulted only by special enquiries made via the telecommunication network. It is the Central Office's intention, when a sufficiently large proportion of birth dates has been incorporated in its database, systematically to test the quality of the data contained in it by carrying out exchanges of magnetic tapes with the RNPP.

Furthermore, exchanges of views between representatives of the Central Office, the Banking Commission and the participants concerning the modernisation of the Central Office continued in four fields :

- the redefinition of the content and field of operation of the Central Office ;
- the revision of its financing method ;
- the working out of a protocol for the computerised exchange of data ;
- adaptation of the legal texts governing the Central Office's activity.

The negotiations about the first point were completed in March 1990. The « updating » of the protocol concerning the computerised exchange of data was approved in December 1990.

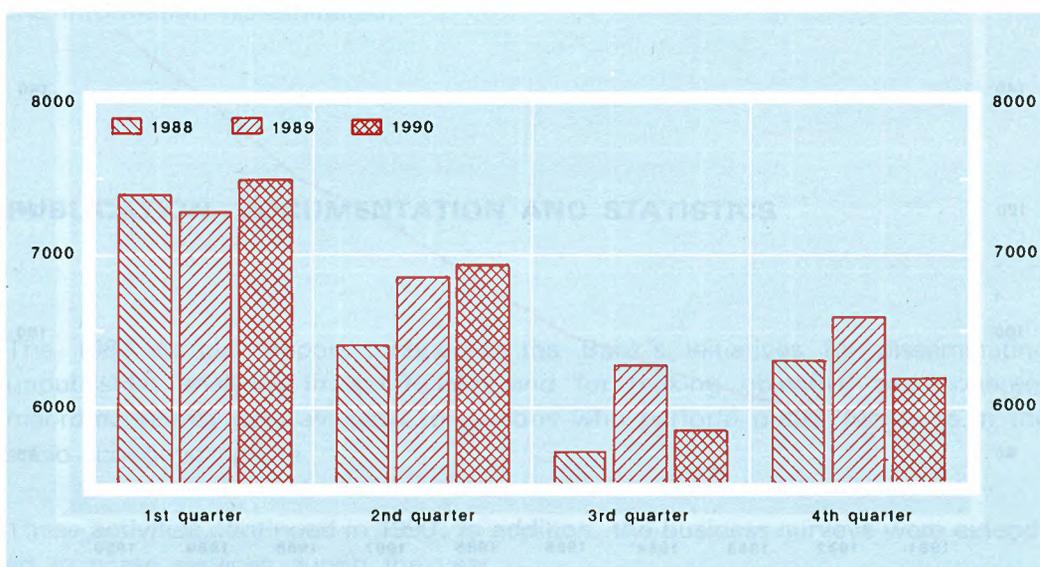
CENTRAL CONSUMER CREDIT OFFICE

About 225,000 contracts were recorded in the file of the Central Consumer Credit Office at the end of 1990, against 180,000 at the end of 1989 and 130,000 a year earlier. On the same dates, 230,000, 190,000 and 150,000 persons, respectively, were recorded in the file.

The number of contracts recorded is rising faster than the number of persons : an average of 3,750 contracts per month in 1990, whereas the corresponding figure for persons is around 3,300. This difference in the movement reflects an increase in the number of persons recorded in the Central Office's file for more than one contract. At the end of 1990, about 30 p.c. of the total number of persons recorded in it were mentioned in connection with at least two contracts, against about 27 p.c. at the end of 1989, and the total amount of payment arrears per contract was nearly Fr. 90,000.

NUMBER OF CONSULTATIONS OF THE CENTRAL CONSUMER CREDIT OFFICE

(Averages per working day, in thousands)



Since 1st September 1990, on the basis of the aforementioned royal decree of 5th February 1990, the information in the National Register of Physical Persons has been actually resorted to by the Central Consumer Credit Office. As in the case of the Central Risks Office, the purpose of this consultation is to check the accuracy of the data identifying the persons recorded in the file of the Central Consumer Credit Office and to solve any identification problems, thus improving the quality of the file.

A bill concerning consumer credit has as its purpose a complete recasting of the law of 9th July 1957 regulating hire-purchase sales and their financing. The concept of consumer credit contained in it covers all arrangements whereby a provider of credit grants credit to a consumer or undertakes to grant him credit, in the form of a postponement of payment, a loan or any other similar payment arrangement. The passing of the bill by Parliament would greatly widen the range of the Central Consumer Credit Office's database.

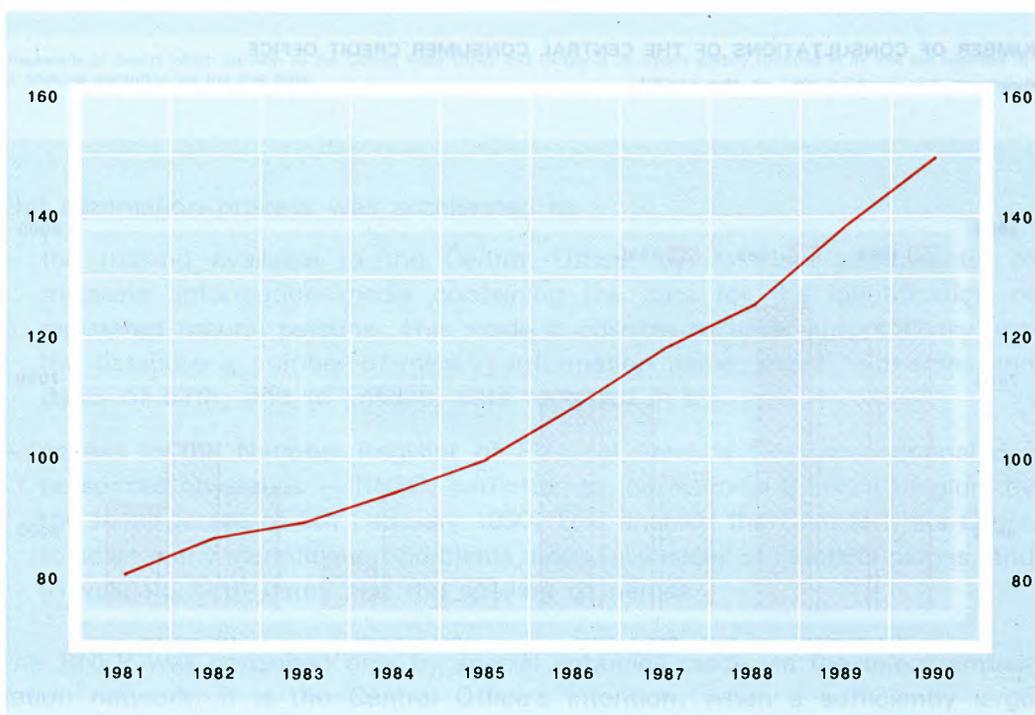
CENTRAL BALANCE SHEET OFFICE

The Bank centralises the annual accounts deposited at the registries of the commercial courts by enterprises required to make such disclosure.

The following chart shows the steady increase in the number of accounts deposited. It is due to the increase in the number of enterprises subject to this deposit requirement, as the number created each year is more than the number that disappear. About 98 p.c. of the accounts received are presented in accordance with the standard lay-outs which are to be used by companies which do not belong to the financial sector.

ANNUAL ACCOUNTS RECEIVED BY THE CENTRAL BALANCE SHEET OFFICE

(Total number by year, in thousands)



The standardised accounts are not only distributed as such via the information media, namely microfilms and photocopies, prescribed by the royal decree, but the data, classified by a numerical code, are stored in a computer and made available on magnetic tapes and compact discs (CD-ROM). The CD-ROM is achieving growing success as a new information medium : the number of discs supplied rose from 498 in 1988 to 691 in 1989 and 867 in 1990. Six successive issues are planned for 1991, against five in 1990 and four in 1989. The Central Balance Sheet Office furthermore combines the annual account data in sectoral statistics which can be obtained at any of the Bank's establishments. It also participates in the exploitation of these annual account data on a regional and European basis.

On the regional plane it co-operated in 1990 in a study made by the Association of Flemish Chambers of Commerce and Industry and in the production of

« Cahiers de micro-économie régionale » published by the « Centre interuniversitaire de formation permanente » in Charleroi.

On the European plane the Central Balance Sheet Office contributed to the expansion of the European databank of harmonised data (« Banque de comptes harmonisés — BACH »), which was created at the instigation of the Commission of the European Communities and whose purpose is to make available comparative statistics on various countries of the Community. It also participated actively in the work of the « European Committee for Consultation among Central Balance Sheet Offices », which consists of representatives of relevant authorities of nine EEC countries and of the Commission.

The data-processing application of the Central Balance Sheet Office is undergoing a fundamental revision which will take several years. This revision was stepped up in 1990 in view of the expected passing of the bill whereby enterprises will be required to deposit their annual accounts directly with the Bank instead of at the registries of the commercial courts.

The proposed changes in the rules for disclosure of accounts have a threefold purpose : to make the system simpler and more flexible for enterprises, to reduce the administrative burden on the court registries and to improve the quality of the information disseminated.

PUBLICATION, DOCUMENTATION AND STATISTICS

The 1989 Annual Report mentioned the Bank's initiatives for disseminating unpublished analyses in its Bulletin and for making objective and coherent macro-economic data available to persons who perform public functions in the socio-economic sphere.

These activities continued in 1990 ; in addition, the business surveys were extended to some services during the year.

The Study Notes

The Study Notes which appeared in 1990 are entitled (French version) :

- Volume et structure des marchés de change en Belgique et à l'étranger (Cahier n° 6) (The volume and structure of foreign exchange markets in Belgium and abroad) ;
- Parts de marché des producteurs de l'UEBL sur les marchés extérieurs et intérieur (Cahier n° 7) (The market shares of BLEU producers in foreign and domestic markets) ;
- Evolution des résultats et de la structure financière des entreprises en 1989 (Cahier n° 8) (Development of the results and financial structure of enterprises in 1989).

National socio-economic databank (BELGOSTAT)

Belgostat has been operational since 22nd January 1990 with regard to the macro-economic data provided by the Bank's Statistical Service. The preparation and actual implementation of the informatics project (hardware, software, tele-communications) were undertaken entirely by the Bank, enabling quick results to be achieved. There is a variety of flexible modes of access to this database; the Prime Minister's Bistel system, in particular, is connected to Belgostat.

The contents of the databank were added to throughout 1990. At the end of the year it contained 15,000 data series; 25 institutions or enterprises were making use of this information potential offered by the Bank; ten others were preparing to join the system.

Wishing to facilitate access to this information, for which a steadily increasing demand is observable, the Bank developed a programme for the production of tables with predetermined lay-outs. Since July these have been disseminated monthly via Videotex by the Ministry of Economic Affairs. Belgostat has also been accessible to the Bank's departments since then.

The programme decided upon for 1991 in co-operation with the Computerisation Project Development Service includes the extension of the contents of the database, the establishment of a more flexible and less expensive liaison system and the diversification of the means of access to the information.

Business Surveys

In the field of business surveys, the emphasis was placed in 1990 on extending and improving the sample of respondents belonging to the metal-working, building and printing sectors.

The necessary contacts were also made for extending the business surveys to the service sector. This has already made it possible to start surveys on two new types of activity : leasing enterprises and temporary staff agencies. During the first months of the year, surveys will also be started among publicity agencies, coach transport enterprises and consultancy bureaus.

With regard to methodology, the method of calculating the synthetic curve was adjusted.

Documentation and library

The gradual inclusion of the old card system in the database was continued. In 1990 the references of 8,800 new books and articles were also entered in it; for the last three years as a whole the total number of such entries is nearly 30,000.

The number of visitors to the Scientific Library increased further in 1990 and the total number of books and periodicals made available for consultation by or lent

to persons not belonging to the Bank was over 9,000, or about 4,000 more than the previous year. Lastly, the « Reader's Guide » was revised, chiefly in order to facilitate consultation of the database.

PARTICIPATION IN THE WORK OF INTERNATIONAL INSTITUTIONS

In anticipation of the Intergovernmental Conference on Economic and Monetary Union, the Committee of Governors of Central Banks of the European Community drew up draft statutes for the European System of Central Banks and the European Central Bank.

The Bank contributed actively to this work, including through the co-operation of the various departments concerned in a think tank set up for this purpose.

The Bank was also called upon in connection with the increase, as 1992 approaches, in the legislative work which has to be done in the European Community for the creation of the single market in financial services and also in connection with the negotiations between the EEC and the EFTA countries concerning a European economic area, which includes a financial aspect. It also played a part in the preparation of the European Community's position with regard to financial matters relating to the Uruguay Round.

Lastly, the Bank participated actively in the studying of cross-frontier and multi-currency interbank clearing systems which the Committee of Governors of Central Banks of the countries of the Group of Ten had entrusted to an ad hoc committee, whose report was published by the governors on 15th November 1990.

The Bank's position with regard to all these questions, which relate to the structure of the markets in which the central bank operates and which have implications for, among other things, the overall prudential control of the financial sector, were co-ordinated in an interdepartmental study group for prudential control problems.

SPONSORSHIP

The General Council, of which the Governor, directors, regents, censors and Government Commissioner are members, set up, in 1971, a Special Fund whose purpose is to subsidise worth-while initiatives in the scientific, educational, cultural and humanitarian fields.

Since that year the Bank has granted subsidies to Belgian universities in order to assist scientific research. As the socio-economic context in which this research takes place has changed since then, it was decided in 1990 to adapt the criteria taken into account in granting these subsidies. By this adaptation, and as far as its resources permit, the Bank's main concern was to give its action sufficient continuity to ensure that the universities would not have to worry about a possible short-term change in the aid which it gives them.

The donations made from this fund in 1990 were distributed as follows : 62.1 p.c. for scientific research in Belgian universities, 15.8 p.c. for educational activities, 9.8 p.c. for increasing the resources of funds and foundations for the encouragement of inter-university scientific research, 7 p.c. for cultural projects and 5.3 p.c. for humanitarian activities.

The Bank furthermore made a donation to the King Baudouin Foundation. It thus complied with the King's wish that the resources of the foundation which bears his name should be strengthened on the occasion of his 60th birthday and the 40th anniversary of his reign.

The permanent sponsorship of contemporary Belgian plastic arts took the form, in 1990, of the purchase of some works by young Belgian artists.

An exhibition of contemporary Belgian medals, sculpture and jewellery aroused great interest. The new museum policy, which consists of displaying a specific aspect of the Bank's collections, took the form of the presentation of a collection of rare numismatic documents relating to the United Belgian States 1789-1790. Lastly, in connection with the royal 60-40 anniversaries, an exhibition on the subject of royal portraits on coins and notes is planned for 1991.

In 1990 the number of visitors to the Bank's Museum increased by 60 p.c. compared with the previous year.

USE OF RESOURCES

ACTIVITIES CONNECTED WITH THE ORGANISATION OF AND CHANGES TO THE ORGANISATIONAL STRUCTURE

The rationalisation studies centred on increasing productivity were continued. In 1990 they were devoted to the structure and functions of the Secretariat and the Central Balance Sheet Office. The system of operating tables was supplemented and extended in order to cope even better with changing circumstances and the resultant increases in the work load.

The Bank also co-operated in the first phase of CEBAMAIL, an electronic postal service between the eleven central banks of the EEC, the Luxembourg Monetary Institute and the Committee of Governors of Central Banks of the Member States of the Community. This service makes it possible to send and receive messages, texts, spread sheets and data presented in graphic form via PC work stations.

A wiring system was installed in order to prepare for the installation of a local area network of interconnected PCs. Furthermore, the capacity of the PC stock was more than doubled by the installation of over 180 new units.

A security audit in the data-processing field is nearing completion. It includes a critical study of the consistency of the general security concept and of what has actually been achieved.

The provisional conclusions indicate that the existing level of security is good, indeed very good. A few less strong points were revealed; these will be improved in 1991.

In 1990, the Bank

- changed the function of the Goods Transaction Control Service following the abolition of the two-tier foreign exchange market and of the checking activities which it involved. It is now responsible, under the name of *Foreign Payments Non-banking Statistics Service*, for collecting together the statistical data provided directly to the Belgian-Luxembourg Foreign Exchange Institute by enterprises which carry out transactions with foreign countries without having recourse to credit institutions situated in the Belgian-Luxembourg Economic Union. It also has the task of processing this information to enable it to be incorporated in the Union's balance of payments;
- established a *Money Market Service* in the Credit Department in connection with the reform of the Bank's instruments of monetary policy and the reorganisation of the market for Treasury certificates. At the same time the activities of the Discounting Service and the Advances and Portfolio Service, which were not transferred to the new service, were entrusted to a new unit, the *Discount-Advances Service*;

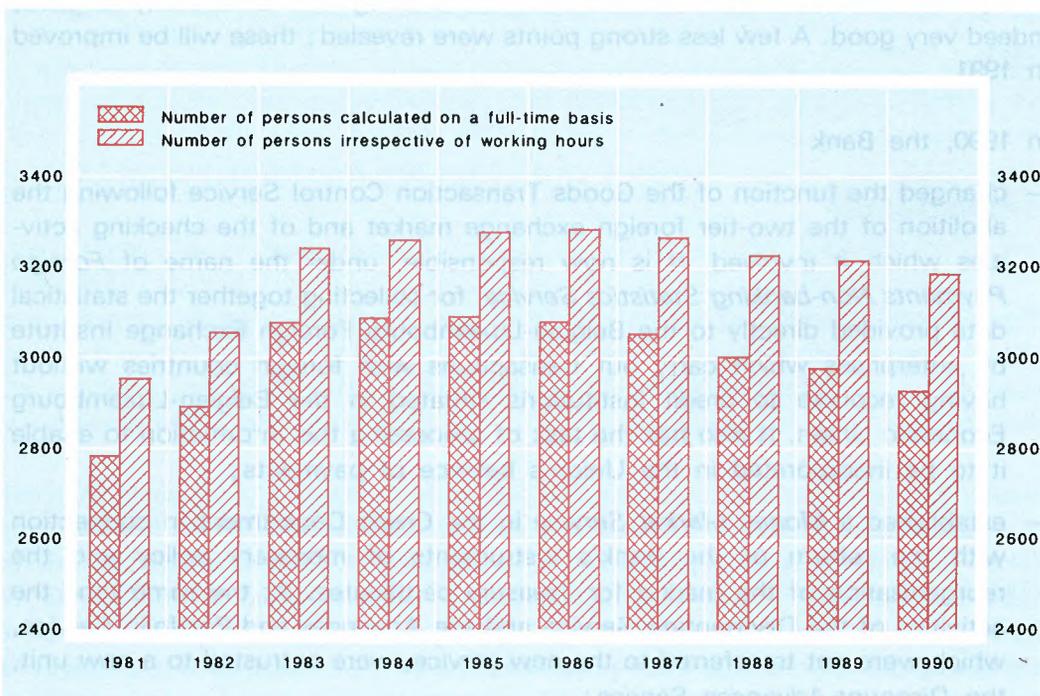
— decided to reorganise the distribution of the activities between various establishments in its network. After a transition period, which is to end at the latest on 31st December 1992, financial transactions between certain establishments and the financial intermediaries will be carried out by other establishments, while the former will maintain their relationships with individuals, enterprises and other non-financial economic agents. In the course of this reorganisation the Bank will ultimately transform its agencies in *La Louvière, Sint-Niklaas, Ostend, Marche-en-Famenne and Malmedy* into « *representative offices of the National Bank of Belgium* ».

PERSONNEL AND TRAINING

The nominal workforce and that calculated on the basis of full-time working were reduced again during the year under review, when many members of staff retired. Continuous rationalisation and automation efforts, together with the transfer of staff between administrative units, made it possible to comply with further requests for part-time working and not to compensate for the entire number of retirements by recruitments. The staff appointed by the Bank in 1990 will enable it to continue carrying out the existing activities, some of which are still growing, and to prepare for the performance of new tasks.

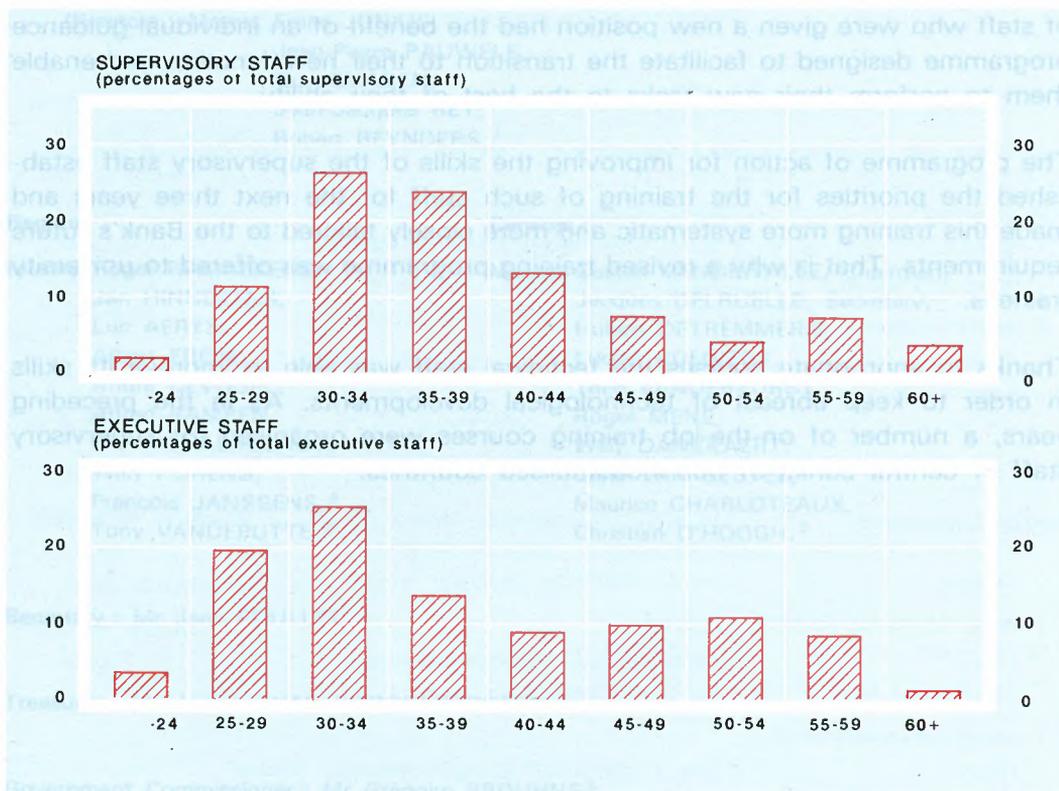
On 31st December 1990 the nominal workforce amounted to 3,158 persons. Account being taken of the members of staff who work part-time at their own request, this nominal workforce corresponds to a full-time staff of 2,904.8 units. The proportion of female personnel in the total continues to increase. At the end of last year it was 36 p.c.

PERSONNEL



More than half of the staff are aged between 25 and 39. This group includes 62 p.c. of the supervisory staff and 58.3 p.c. of the executive staff. This structure explains why 67.1 p.c. of the supervisory staff and 62.2 p.c. of the executive staff have less than 15 years' service.

DISTRIBUTION OF PERSONNEL BY AGE CLASS



In 1990 a report on personnel matters was distributed to the staff for the first time. Its publication, which was favourably received, is prompted by the desire to improve communication and fulfil one of the Bank's aims : in this case, that of promoting the interchange of information with the staff.

The Bank decided to introduce a new procedure for the selection of university graduates which, being more flexible, will make it possible to meet the requirements of the departments and services more quickly and to establish more direct and closer contacts with the candidates.

During the past year the members of the trade union delegation co-operated actively with work carried out both at European level and at sector and enterprise level. The frankness and mutual understanding which characterise relations between the Management and the trade union delegation make an effective contribution to rapid processing of the various matters requiring attention.

Restructurings and reorganisations can only be successful if they are the subject of consultation between employers and representatives of the employees. The challenges for the future are great. They can therefore only be met by action directed towards the common interest.

In 1990 the Bank concentrated its training efforts mainly in the following fields : data processing, languages, management, finance, accounting and balance sheet analysis.

The number of days of training financed represented, in 1990, an average of three and a half days per member of staff. In this connection it must not be forgotten that certain very technical functions require more training than others and that, in addition, a large number of information meetings were offered to executive staff in order to prepare them for the professional examinations. The members of staff who were given a new position had the benefit of an individual guidance programme designed to facilitate the transition to their new function and enable them to perform their new tasks to the best of their ability.

The programme of action for improving the skills of the supervisory staff established the priorities for the training of such staff for the next three years and made this training more systematic and more closely tailored to the Bank's future requirements. That is why a revised training programme was offered to university trainees.

Thanks to appropriate courses the technical staff was able to improve its skills in order to keep abreast of technological developments. As in the preceding years, a number of on-the-job training courses were organised for supervisory staff of central banks of non-industrialised countries.

ADMINISTRATION AND SUPERVISION

Governor : Mr Alfons VERPLAETSE

Vice-Governor : Mr William FRAEYS

Directors : Messrs Frans JUNIUS,
Jean-Pierre PAUWELS,
Guy QUADEN,
Jean-Jacques REY,
Robert REYNDERS.¹

Regents :

Messrs Roger RAMAEKERS,
Jan HINNEKENS,
Luc AERTS,
Albert FRERE,
André DEVOGEL,
Alfred RAMPEN,
Rik VAN AERSCHOT,
Willy PEIRENS,
François JANSSENS,²
Tony VANDEPUTTE.²

Censors :

Messrs Gaston VANDEWALLE, Chairman,
Jacques DELRUELLE, Secretary,
Hubert DETREMMERIE,
Lucien ROEGIERS,
Théo VANDERVORST,
Roger MENE,
Willy DANCKAERT,
Carlo VAN GESTEL,
Maurice CHARLOTEAUX,
Christian D'HOOGH.²

Secretary : Mr Jean POULLET

Treasurer : Mr Jacques VAN DROOGENBROECK

Government Commissioner : Mr Grégoire BROUHNS³

ADVISERS TO THE BOARD OF DIRECTORS

Mr R. VAN STEENKISTE, Personnel Manager,
Miss M.H. LAMBERT,
Mr J.V. LOUIS.

DEPARTMENTS AND SERVICES

General Secretariat Department – Mr F. TOURNEUR, Assistant Director,

Adviser Mrs M. STEENBERGEN-DE WACHTER.

Secretariat

Head Mr M. VAN CAMPEN, Head of Division,

Secretariat of the Board of Directors

Head Mr J. DOLO, Inspector-General,

Adviser Miss J. RONDEUX.

¹ Since 12th December 1990.

² Elected by the Ordinary General Meeting on 26th February 1990.

³ Since 1st November 1990.

General Supervision Department — Mr A. MICHEL, Inspector-General,

External Supervision

Head Mr D. VERMEIREN, Head of Division,
Comptroller Mr P. SARLET.

Inspection

Head Mr J. HELFGOTT, Inspector-General,
Senior Inspector Mr J. PAPLEUX,
Inspectors Messrs R. THIRION, P. BOBYR,
Mrs J. MAESSEN-SIMAR, Mr J. DEVELDER.

Accounting and Budgetary Control Department — Mr H. DE SAEDELEER, Inspector-General,

Accounting

Head Mr C. DEKEYSER, Inspector-General,
Head of Division Mr J. TAVERNIER.

Budgetary Control

Head Mr J. VANDEUREN, Inspector-General,
Head of Division Mr F. HEYMANS.

Foreign Department — Mr J. MICHELESEN, Inspector-General,

Adviser Mr G. NOPPEN.

Foreign Payments Banking Statistics

Head Mr G. MELIS, Inspector-General,
Head of Division Mr R. DE BOECK.

International Agreements

Head Mrs F. LEPOIVRE-MASAI, Inspector-General,
Adviser Mr M. JAMAR,
Head of Division Mr M. EECKHOUT,
Advisers Messrs P. VIGNERON, P. VAN DER HAEGEN,
Mrs G. DURAY-BIRON, Mr D. DACO.

Foreign Payments Non-Banking Statistics

Head Mr L. DUSSAIWOIR, Inspector-General,
Head of Division Mr G. MARLET.

Foreign Exchange

Head Mr H. BUSSERS, Inspector-General,
Heads of Division Mrs A. VAN DEN BERGE, Mr J.L. LION,
Advisers Messrs N. VANDECAN, E. LAVIGNE.

Printing Works and Central Cash Office — Mr J. VAN DROOGENBROECK, Treasurer,

Technical Adviser of
the Head of Depart-
ment

Mr W. VAN NIEUWENHUYSE, Inspector-General.

Administrative Service of the Printing Works

Head Mr J. RENDERS, Head of Division.

Central Cash Office

Chief Cashier Mr R. VERHEYDEN, Inspector-General,
Heads of Division Messrs J.F. KERVYN de MARCKE ten DRIESSCHE,
M. VAN BAELEN, G. PIROT.

Prepress and Studies
 Head Mr M. SALADE, Head of Division.

Production and Engineering
 Head Mr L. DUFRESNE, Head of Division.

Security-Supervision
 Head Mr R. LOISEAU, Inspector-General.

Data Exchange Department — Mr M. ASSEAU, Assistant Director,

Current Accounts
 Head Mr A. VAES, Head of Division,
 Head of Division Mr V. DECONINCK.

Central Risks Office
 Head Mr P. TELLIER, Inspector-General,
 Adviser Mr J. MAKART,
 Heads of Division Messrs A. LENAERT, R. TROGH,
 Advisers Mr P. HAINAUT, Mrs E. DE GROOTE.

Credit Department — Mr C. DE NYS, Assistant Director,

Adviser Mr P. MERCIER.

Discounts-Advances
 Head Mr J.M. WULLUS, Inspector-General,
 Head of Division Mr F. WITHOFS.

Money Market
 Head Mr F. DEPUYDT, Inspector-General,
 Head of Division Mr E. DE KOKER.

Public Securities Department — Mr W. BRUMAGNE, Assistant Director,

Securities
 Head Mr C. VAN POPPEL, Inspector-General,
 Heads of Division Messrs W. STEPPE, L. EICHER, Y. PIRLET.

Securities Regulation
 Head Mr H. SMISSAERT, Head of Division.

Government Cashier's Service
 Head Mr C. LOTS, Inspector-General,
 Head of Division Mr R. VAN HEMELRIJCK.

Planning, Organisation and EDP Department — Mr H. BARBE, Assistant Director,

Data Security Officer Mr A. HUET.
 Planning Unit Mrs A.M. QUINTART-LEJEUNE.

EDP Centre
 Head Mr E. COLMAN, Head of Division,
 Consultant Analyst Mr J. WIELEMANS.

EDP Projects
 Head Mr J.P. HOYOS, Inspector-General,
 Consultant Analysts Messrs P. LAUWERS, B. GROETEMBRIL,
 Mrs H. VAN DOORNE-VANHECKE,
 Messrs J. FRANÇOIS, J.M. PLISNIER.
 Head of Division Mr P. SAPART.

Organisation and Management Supervision

Head Mr L. JANSSENS, Head of Division.

EDP Research

Head Mr J. MOERMAN, Inspector-General,

Consultant Analyst Mr G. VANGHELUWE,

System engineer Mr G. DUMAY.

Social Affairs Department — Mr R. VAN STEENKISTE, Adviser to the Board of Directors,
Personnel Manager,

Deputy Personnel

Manager Mr D. MUS, Chief Adviser.

Wages and Social Affairs Administration

Head Mr R. VAN KEYMEULEN, Head of Division,

Head of Division Mr A. REITER.

Medical Service

Head Doctor Mr J. BARY,

Doctors Messrs A. DE LANDTSHEER, V. DONS.

Training

Head Mr G. DE RIDDER, Head of Division.

Personnel Policy

Head Mr J. LEEMANS, Inspector-General.

Research Department — Ms M.H. LAMBERT, Adviser to the Board of Directors,

Deputy Head of
Department

Mr W. PLUYM, Inspector-General,

Chief Adviser Mr S. BERTHOLOME,

Advisers Mr J. DESPIEGELAERE, Mrs A.M. JOURDE-PEETERS,
Mr A. NYSENS,

Economists Messrs J.J. VANHAELEN, E. JACOBS, J. CLAEYS,
Mrs F. JACOBS-DONKERS, Messrs V. PERILLEUX,
M. DOMBRECHT, E. VERREYDT, T. TIMMERMANS.

Documentation

Head Mr X. DUQUENNE, Inspector-General,

Head of Division Mr R. BEUTELS.

Statistics

Head Mr B. MEGANCK, Inspector-General,

Advisers Messrs A. WOUTERS, G. POULLET.

Equipment and General Services — Mr K. VANDENEDE, Inspector-General,

Equipment and Techniques

Head Mr J. VICTOIR, Inspector-General,

Head of Division Mr P. LAUWERS,

Architect Mr J.C. NAVEZ.

General Services

Head Mr J. TEIRLINCK, Inspector-General,

Heads of Division Messrs S. VAN RILLAER, G. SCHAMPAERT, A. KOZYNS,
J.M. BRAET.

Services not attached to a department

Legal Service

Head Mr J.V. LOUIS, Adviser to the Board of Directors,
Chief Adviser Mr J.P. BRISE,
Advisers Messrs W. KIEKENS, J. DE WOLF.

Safety, Hygiene and Embellishment of Working Environment

Head Mr D. DENEË, Assistant Adviser.

Collections and Staff Library

Head Ms C. LOGIE, Inspector-General.

Branches and Agencies Department — Mr W. VAN DER PERRE, Assistant Director,

Inspector general Mr G. PARLONGUE.

*

**

Officials attached to the Office of Mr Dehaene, Deputy Prime Minister,
Mr J. SMETS, Adviser.

Official attached to the Office of Mr Maystadt, Minister of Finance,
Mr L. HUBLOUE, Adviser.

Official attached to the Office of Mr De Batselier, Vice-Chairman of the Flemish Executive,
Mr G. MAES, Economist.

Official attached to the Bank of Zaïre,
Mr R. VANHULST, Head of Division.

Official on mission at the Belgian Permanent Representation with the OECD in Paris,
Mr W. VERTONGEN, Adviser.

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

— at the Ministry of Finance of the Republic of Niger,
Mr J.C. PAUWELS, Head of Division,

— at the Bank of Rwanda,
Mr R. BEERENS, Head of Division.

Annual Accounts

BALANCE SHEET AS AT 31st DECEMBER 1990

ASSETS

(in thousands of francs)

	1989	1990
Gold Holding	51,478,171	51,477,017
International Monetary Fund :		
Quota	16,634,635	15,877,863
Loans	—	—
Special Drawing Rights	20,592,744	19,097,141
Ecus	118,660,135	109,072,271
Foreign Currencies	221,885,893	236,051,258
Foreign Currencies and Gold Receivable :		
European Monetary Co-operation Fund	27,368,235	31,875,846
Other	—	—
Ecus Receivable :		
European Monetary Co-operation Fund	—	—
Other	2,972,074	848,064
International Agreements	2,454,610	3,438,622
Advances to the IMF	—	—
Deposits with the IMF within the framework of the Enhanced Structural Adjustment Facility	4,865,724	4,865,724
European Monetary Co-operation Fund : Financing at very short term	—	—
EEC : Medium-term Financial Assistance	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates :		
European Monetary Co-operation Fund	—	—
Other	—	—
Commercial Bills	33,181,184	30,252,494
Advances against Pledged Security	6,304,270	3,274,539
Public Securities :		
Belgian Public Securities	37,000,000	37,000,000
Luxembourg Public Securities	—	—
Special Assistance to the Securities Regulation Fund	66,475,000	36,684,000
Coin	662,034	923,230
Balances at the Postal Cheque Office :		
A Account	1,491	1,420
B Account	2,955,677	2,647,412
Consolidated Claim on the Government	34,000,000	34,000,000
Provisional Adjustment resulting from the law of 3rd July 1972	3,225,516	3,223,919
Items Receivable	6,010,129	836,597
Public Long-term Securities	26,166,245	30,637,325
Premises, Furniture and Equipment	10,049,597	10,667,449
Transitory Assets	19,090,464	19,957,879
Total Assets	712,033,828	682,710,070

LIABILITIES
(in thousands of francs)

	1989	1990
Bank Notes in Circulation	442,541,261	428,502,517
Current Accounts :	3,119,252	6,410,668
Public Treasury, Ordinary Account	3,043	14,807
Financial Intermediaries, Enterprises and Individuals	983,402	464,611
Banks in Foreign Countries and International Institutions	2,132,807	5,931,250
Items Payable	17,539,390	9,576,067
Financial Assistance Agreements	2,955,677	2,647,412
International Monetary Fund :		
Special Drawing Rights, Net Cumulative Allocation	23,610,731	23,610,731
European Monetary Co-operation Fund : Financing at very short term	—	—
Ecus to be delivered :		
European Monetary Co-operation Fund	121,632,209	109,920,335
Other	—	—
Monetary Reserve :		
Belgium	—	—
Grand Duchy of Luxembourg	—	—
Foreign Currencies and Gold to be delivered :		
European Monetary Co-operation Fund	—	—
Other	3,394,034	1,124,995
Transitory Liabilities	10,723,882	11,132,984
Unavailable Reserve of Capital Gains on Gold	54,807,348	54,807,348
Capital	400,000	400,000
Reserve Fund :		
Statutory Reserve	2,294,088	2,410,786
Extraordinary Reserve	18,329,631	20,821,631
Account for Depreciation of Premises, Furniture and Equipment	9,499,143	10,116,997
Net Profit for Distribution	1,187,182	1,227,599
Total Liabilities	712,033,828	682,710,070

PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1990

(in thousands of francs)

	1989	1990
DEBIT		
Government's Share :	19,741,914	21,464,281
Discounts and Advances	7,445,209	7,243,721
Transactions with Foreign Countries	12,296,705	14,220,560
General Expenses :	5,314,836	5,727,333
Remunerations and Social Charges	6,133,667	6,337,400
Other Expenses	874,825	1,049,936
less :		
Sums recoverable from Others	1,693,656	1,660,003
Taxes and Dues	2,933,661	2,615,383
Depreciation of Premises, Furniture and Equipment	2,297,966	1,075,008
Transfers to Reserves and Provisions :	2,748,000	2,975,000
Extraordinary Reserve	2,448,000	2,492,000
Provision for Premises, Furniture and Equipment	—	283,000
Provision against Sundry Contingencies	300,000	200,000
Net Profit for Distribution	<u>1,187,182</u>	<u>1,227,599</u>
	34,223,559	35,084,604
CREDIT		
Proceeds of Discount and Advance Operations	11,120,449	10,299,191
Proceeds of Transactions with Foreign Countries	19,184,298	21,318,117
Proceeds of Public Long-term Securities	2,545,540	2,898,521
Fees for Safe Custody, Commissions and Allowances	240,105	228,185
Sundry Receipts	43,167	4,590
Drawings on Transitory Liabilities Items	<u>1,090,000</u>	<u>336,000</u>
	34,223,559	35,084,604

MEMORANDUM ACCOUNTS AS AT 31st DECEMBER 1990

(in thousands of francs)

	1989	1990
Ministers of National Education of the Communities :		
Balance for their account at the Postal Cheque Office (Education legislation)	4,237,003	1,462,121
Documentary Credits opened	831	—
Guarantees given by the Bank	1,141,935	1,147,742
International institution, beneficiary of liabilities of the Bank	332,440	—
Securities received by way of Guarantee :	96,181,969	97,974,944
Cover for advance limits against pledged security	76,081,194	77,397,476
Securities provided by borrowers of call money	19,486,278	20,114,815
Sundry security commitments	51,285	36,718
Other guarantees	563,212	425,935
Guarantee Certificates received from the Public Treasury	3,000,000	3,500,000
Items for Collection	5,788	1,434
Assets administered for account of the European Monetary Co-operation Fund	27,368,235	31,875,846
Deposits of Securities and Sundry Items :	2,145,417,260	2,386,237,817
International Monetary Fund	88,365,500	79,009,000
International Development Association	9,389,396	10,789,529
African Development Fund	2,602,422	2,775,375
Asian Development Bank	2,013,784	2,085,784
Inter American Development Bank	131,914	105,000
International Fund for Agricultural Development	462,903	621,904
Other Deposits	2,042,451,341	2,290,851,225
Public Treasury :	3,850,665,333	4,407,156,508
Sundry Securities owned by the Government	14,815,045	12,048,838
<i>Preference Shares of the Belgian National Railways Co</i>	5,000,000	5,000,000
<i>Ordinary Shares of the Belgian National Railways Co</i>	1,000,000	1,000,000
<i>4.50 p.c. Certificates of the National Housing Co</i>	—	3,068,772
<i>Sundry Items : earmarked for the Monetary Fund</i>	294,506	285,876
<i>Others</i>	8,520,539	2,694,190
Sundry Items for which the Government is the Depository	2,603,152,361	2,671,850,209
<i>Items lodged by outside parties</i>	123,361,360	67,618,181
<i>Service of the registered Debt</i>	2,465,282,325	2,589,416,392
<i>Deposit and Consignment Office</i>	530,253	485,897
<i>Items lodged by way of guarantee</i>	13,978,423	14,329,739
Items to be Delivered	1,232,697,927	1,723,257,461
Securities Regulation Fund	137,369,366	96,193,654

DIVIDEND DECLARED FOR THE YEAR 1990

First Dividend, Total	24,000
Second Dividend, Total	<u>789,332</u>
Total	813,332

on 400,000 shares, that is per share a dividend of Fr. 2,033.33

Coupon No. 189 will be payable with effect from 1st March 1991, at the rate of Fr. 1,525 free of withholding tax on income from financial assets¹.

The Council of Regency :

Alfons VERPLAETSE,	<i>Governor</i>
William FRAEYS,	<i>Vice-Governor</i>
Frans JUNIUS,	<i>Director</i>
Jean-Pierre PAUWELS,	<i>Director</i>
Guy QUADEN,	<i>Director</i>
Jean-Jacques REY,	<i>Director</i>
Robert REYNDERS,	<i>Director</i>
Roger RAMAEKERS,	<i>Regent</i>
Jan HINNEKENS,	<i>Regent</i>
Luc AERTS,	<i>Regent</i>
Albert FRERE,	<i>Regent</i>
André DEVOGEL,	<i>Regent</i>
Alfred RAMPEN,	<i>Regent</i>
Rik VAN AERSCHOT,	<i>Regent</i>
Willy PEIRENS,	<i>Regent</i>
François JANSSENS,	<i>Regent</i>
Tony VANDEPUTTE,	<i>Regent</i>

¹ Withholding tax on income from financial assets : $\frac{1,525 \times 1}{3} = \text{Fr. } 508.33.$

BALANCE SHEETS COMPARED

ASSETS	1986	1987	1988	1989	1990
Gold Holding	58,213.9	57,266.9	57,337.7	51,478.2	51,477.0
International Monetary Fund :					
Quota	22,456.7	19,094.5	16,776.9	16,634.6	15,877.9
Loans	—	—	—	—	—
Special Drawing Rights	13,612.4	24,021.6	20,339.8	20,592.7	19,097.1
Ecus	138,867.9	152,887.4	137,955.4	118,660.1	109,072.3
Foreign Currencies	34,717.1	110,962.1	156,767.4	221,885.9	236,051.3
Foreign Currencies and Gold Receivable :					
European Monetary Co-operation Fund	18,369.9	24,908.5	23,619.7	27,368.2	31,875.9
Other	—	—	—	—	—
Ecus Receivable :					
European Monetary Co-operation Fund	—	—	—	—	—
Other	—	—	—	2,972.1	848.1
International Agreements	2,396.7	2,335.5	2,473.0	2,454.6	3,438.6
Advances to the IMF	5,873.7	4,376.7	—	—	—
Deposit with the IMF within the framework of the Enhanced Structural Adjustment Facility			3,162.7	4,865.7	4,865.7
European Monetary Co-operation Fund : Financing at very short term	—	—	—	—	—
EEC : Medium-term Financial Assistance	—	—	—	—	—
Debtors in respect of Foreign Exchange and Gold at Forward Dates :					
European Monetary Co-operation Fund	—	—	—	—	—
Other	—	—	6,534.1	—	—
Commercial Bills	1,996.1	368.9	730.5	33,181.2	30,252.5
Advances against Pledged Security	24.8	3.7	5.1	6,304.3	3,274.5
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	209,360.0	127,568.0	106,585.0	66,475.0	36,684.0
Coin	1,005.9	1,481.4	699.6	662.0	923.2
Balances at the Postal Cheque Office :					
A Account	1.3	1.6	1.7	1.5	1.4
B Account	4,408.2	3,747.0	3,601.9	2,955.7	2,647.4
Consolidated Claim on the Government	34,000.0	34,000.0	34,000.0	34,000.0	34,000.0
Provisional Adjustment resulting from the Law of 3rd July 1972	3,450.4	3,420.9	3,420.9	3,225.5	3,223.9
Items Receivable	2,343.1	6,498.1	2,460.2	6,010.1	836.6
Public Long-term Securities	16,165.2	19,239.6	22,798.8	26,166.2	30,637.3
Premises, Furniture and Equipment	5,408.2	6,772.8	8,136.9	10,049.6	10,667.5
Securities of the Staff Pension Fund					
Transitory Assets	14,848.1	16,222.1	13,454.5	19,090.6	19,957.9
	624,519.6	652,177.3	657,861.8	712,033.8	682,710.1

AS AT 31st DECEMBER (in millions of francs)

LIABILITIES	1986	1987	1988	1989	1990
Bank Notes in Circulation	415,082.6	425,630.1	430,442.2	442,541.3	428,502.5
Current Accounts :					
Public Treasury, Ordinary Account	23.0	15.5	13.7	3.1	14.8
Financial Intermediaries, Enterprises and Individuals	532.7	1,285.2	808.0	983.4	464.6
Banks in Foreign Countries and International Institutions	1,720.0	1,555.0	6,896.6	2,132.8	5,931.3
	2,275.7	2,855.7	7,718.3	3,119.3	6,410.7
Items Payable	9,187.7	8,490.5	9,232.4	17,539.4	9,576.1
Financial Assistance Agreements	4,408.2	3,747.0	3,601.9	2,955.7	2,647.4
International Monetary Fund :					
Special Drawing Rights, Net Cumulative Allocation	23,610.7	23,610.7	23,610.7	23,610.7	23,610.7
European Monetary Co-operation Fund : Financing at very short term	—	—	—	—	—
Ecus to be delivered :					
European Monetary Co-operation Fund	138,867.9	152,887.4	137,955.4	121,632.2	109,920.3
Other	—	—	—	—	—
Monetary Reserve :					
Belgium	—	—	—	—	—
Grand Duchy of Luxembourg	—	—	—	—	—
Foreign Currencies and Gold to be delivered :					
European Monetary Co-operation Fund	—	—	—	—	—
Other	24.8	17.6	6,796.3	3,394.0	1,125.0
Staff Pension Fund					
Transitory Liabilities	10,863.2	11,145.2	11,306.9	10,723.9	11,133.1
Unavailable Account of Capital Gains on Gold				54,807.3	54,807.3
Capital	400.0	400.0	400.0	400.0	400.0
Reserve Fund :					
Statutory Reserve	1,970.0	2,073.9	2,181.9	2,294.1	2,410.8
Extraordinary Reserve	11,908.6	13,993.7	15,881.6	18,329.6	20,821.6
Account for Depreciation of Premises, Furniture and Equipment	4,859.3	6,223.9	7,591.8	9,499.1	10,117.0
Net Profit for Distribution	1,060.9	1,101.6	1,142.4	1,187.2	1,227.6
	624,519.6	652,177.3	657,861.8	712,033.8	682,710.1

PROFIT AND LOSS ACCOUNTS COMPARED AS AT 31st DECEMBER (in millions of francs)

	1986	1987	1988	1989	1990
DEBIT					
Government's Share :					
Discounts and Advances	13,318.2	9,587.4	6,027.1	7,445.2	7,243.7
Transactions with Foreign Countries	1,515.0	1,948.4	4,529.6	12,296.7	14,220.6
	14,833.2	11,535.8	10,556.7	19,741.9	21,464.3
General Expenses :					
Remuneration and Social Charges	5,806.9	5,946.3	5,984.1	6,133.7	6,337.4
Other Expenses	699.1	798.0	793.5	874.8	1,049.9
	6,506.0	6,744.3	6,777.6	7,008.5	7,387.3
<i>less :</i>					
Expenses to be borne by Others	-1,551.5	-1,556.1	-1,593.8	-1,693.7	-1,660.0
	4,954.5	5,188.2	5,183.8	5,314.8	5,727.3
Taxes and Dues	3,179.8	3,097.7	3,198.4	2,933.7	2,615.4
Other Payments to the Public Treasury imposed by law	130.5	130.5	88.7		
Depreciation of Premises, Furniture and Equipment	1,008.8	1,402.6	1,697.4	2,298.0	1,075.0
Transfers to Reserves and Provisions :					
– Extraordinary Reserve	2,001.0	2,085.0	1,888.0	2,448.0	2,492.0
– Provision for Premises, Furniture and Equipment	1,000.0	300.0	650.0	–	283.0
– Provision against Sundry Contingencies	–	700.0	300.0	300.0	200.0
Net Profit for Distribution	1,060.9	1,101.6	1,142.4	1,187.2	1,227.6
	28,168.7	25,541.4	24,705.4	34,223.6	35,084.6
CREDIT					
Proceeds of Discount and Advance Operations	19,856.9	15,181.9	10,229.0	11,120.4	10,299.2
Proceeds of Transactions with Foreign Countries	5,741.4	7,281.4	10,935.2	19,184.3	21,318.1
Proceeds of Public Long-term Securities	1,865.1	2,144.5	2,418.0	2,545.5	2,898.5
Fees for Safe Custody, Commissions and Allowances	215.9	221.8	217.1	240.1	228.2
Sundry Receipts	21.4	8.8	66.1	43.3	4.6
Drawings on Transitory Liabilities Items	468.0	703.0	840.0	1,090.0	336.0
	28,168.7	25,541.4	24,705.4	34,223.6	35,084.6

DIVIDEND

	1986	1987	1988	1989	1990
Net dividend declared per share	1,320.00	1,370.00	1,420.00	1,475.00	1,525.00
Withholding tax on income from financial assets per share	440.00	456.67	473.33	491.67	508.33
Gross dividend declared per share	1,760.00	1,826.67	1,893.33	1,966.67	2,033.33
Tax credit	719.40	685.00	710.00	737.50	701.50

ANNEX 4

WEEKLY RETURNS PUBLISHED IN
THE « BELGISCH STAATSBLAD - MONITEUR BELGE »
DURING 1990

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1990

(millions of francs)

ASSETS

DATE	Gold holding	International Monetary Fund :			Ecus	Foreign currencies	Foreign currencies and gold receivable :		Ecus receivable :		International agreements	Advances to the IMF	Deposit with the IMF - Enhanced Structural Adjustment Facility	European Monetary Co-operation Fund : Financing at very short term	EEC : 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	Coin	Balances at the Postal Cheque Office :		Consolidated claim on the Government	Provisional adjustment resulting from the law of 3rd July 1972	Public long-term securities	Premises, furniture and equipment	Sundries	TOTAL ASSETS
		Quota	Loans	Special Drawing Rights			European Monetary Co-operation Fund	Other	European Monetary Co-operation Fund	Other						European Monetary Co-operation Fund	Other			Belgian public securities	Luxembourg public securities			A Account	B Account						
8 January 1990	51,525	15,964	...	20,558	116,056	222,689	27,854	...	2,952	2,865	...	4,866	...	...	...	242	31,231	5,600	37,000	...	52,250	704	2	2,956	34,000	3,226	26,166	8,137	26,752	693,595
15 »	51,525	15,964	...	20,314	116,056	222,907	27,854	...	2,952	2,868	...	4,866	...	...	...	...	33,667	17,050	37,000	...	30,200	817	2	2,942	34,000	3,226	26,167	8,137	26,186	684,700
22 »	51,525	15,964	...	19,560	116,056	224,285	27,854	...	2,952	2,918	...	4,866	...	...	...	...	32,715	15,446	37,000	...	28,725	846	1	2,923	34,000	3,226	26,167	8,137	26,899	682,065
29 »	51,525	15,964	...	18,952	116,056	225,291	27,854	...	2,952	2,916	...	4,866	...	...	...	...	32,919	15,421	37,000	...	18,925	884	2	2,996	34,000	3,226	26,167	8,137	26,320	672,373
5 February	51,525	16,306	...	19,442	116,056	224,902	27,854	...	2,952	2,922	...	4,866	...	...	...	...	32,702	16,508	37,000	...	18,400	861	2	2,974	34,000	3,226	30,637	10,050	15,821	669,006
12 »	51,525	16,306	...	20,775	116,056	224,144	27,854	...	2,952	2,914	...	4,866	...	...	...	...	31,948	4,704	37,000	...	30,919	884	2	3,194	34,000	3,226	30,637	10,050	16,678	670,634
19 »	51,525	16,306	...	20,775	116,056	222,929	27,854	...	2,952	2,916	...	4,866	...	...	...	...	32,205	18,793	37,000	...	24,025	898	2	3,048	34,000	3,226	30,637	10,050	16,861	676,924
26 »	51,525	16,306	...	19,558	116,056	225,567	27,854	...	2,952	2,956	...	4,866	...	...	...	...	34,974	23,041	37,000	...	14,175	860	1	3,048	34,000	3,226	30,637	10,050	19,933	678,585
5 March	51,525	16,306	...	19,558	116,056	226,525	27,854	...	2,952	2,955	...	4,866	...	...	...	...	33,276	28,146	37,000	...	15,000	839	2	3,045	34,000	3,226	30,636	10,050	14,876	678,693
12 »	51,525	16,306	...	19,558	116,056	226,880	27,854	...	2,952	2,957	...	4,866	...	...	...	...	34,823	32,005	37,000	...	5,400	796	2	3,025	34,000	3,226	30,637	10,050	21,711	681,629
19 »	51,525	16,306	...	19,558	116,056	228,018	27,854	...	2,952	2,963	...	4,866	...	...	...	...	34,910	18,595	37,000	...	20,350	754	1	3,025	34,000	3,226	30,638	10,050	23,792	686,439
26 »	51,525	15,587	...	20,045	116,056	228,447	27,854	...	2,952	2,953	...	4,866	...	...	...	...	34,676	14,643	37,000	...	18,150	714	2	2,950	34,000	3,226	30,639	10,050	18,629	674,964
2 April	51,525	15,587	...	20,970	116,056	228,541	27,854	...	2,952	2,944	...	4,866	...	...	...	...	32,877	13,751	37,000	...	18,750	757	2	2,938	34,000	3,226	30,639	10,050	14,380	669,665
9 »	51,526	15,587	...	20,970	109,463	227,739	28,910	...	2,952	2,897	...	4,866	...	...	...	...	32,670	11,359	37,000	...	22,800	746	1	2,931	34,000	3,226	30,639	10,050	16,123	666,455
13 »	51,526	15,587	...	20,970	109,463	227,936	28,910	...	2,952	2,924	...	4,866	...	...	...	...	35,236	15,756	37,000	...	17,075	783	1	2,873	34,000	3,226	30,639	10,050	18,239	670,012
23 »	51,526	15,587	...	20,970	109,463	229,443	28,910	...	2,952	2,947	...	4,866	...	...	...	1,036	29,067	8,626	37,000	...	26,175	679	2	2,754	34,000	3,226	30,639	10,050	16,717	666,635
27 »	51,526	15,587	...	20,471	109,463	228,382	28,910	...	2,952	2,916	...	4,866	...	...	...	220	36,636	10,290	37,000	...	15,825	645	2	2,754	34,000	3,226	30,639	10,050	21,111	667,471
7 May	51,518	15,588	...	19,644	109,463	229,358	28,910	...	2,952	2,906	...	4,866	...	...	...	220	37,892	21,073	37,000	...	13,000	607	2	2,747	34,000	3,225	30,639	10,050	15,588	671,248
14 »	51,495	15,588	...	19,644	109,463	230,163	28,910	...	2,952	2,936	...	4,866	...	...	...	220	34,993	3,410	37,000	...	33,139	657	2	2,747	34,000	3,225	30,639	10,050	17,944	674,043
21 »	51,495	15,831	...	19,631	109,463	231,060	28,910	...	2,952	2,939	...	4,866	...	...	...	1,018	37,418	5,408	37,000	...	33,478	628	2	2,747	34,000	3,225	30,638	10,050	19,122	681,881
28 »	51,495	15,831	...	19,631	109,463	233,585	28,910	...	2,952	2,945	...	4,866	...	...	...	3,090	39,632	22,387	37,000	...	14,164	627	2	2,747	34,000	3,225	30,638	10,050	25,123	692,363
1 June	51,480	15,831	...	19,631	109,463	231,526	28,910	...	2,952	2,945	...	4,866	...	...	...	...	36,472	11,787	37,000	...	29,736	600	2	2,461	34,000	3,224	30,638	10,050	17,566	681,140
11 »	51,480	15,831	...	19,047	109,463	234,814	28,910	...	2,952	2,944	...	4,866	...	...	...	2,138	39,032	11,467	37,000	...	30,841	592	2	2,444	34,000	3,224	30,638	10,050	29,460	701,195
18 »	51,480	15,831	...	19,387	109,463	235,068	28,910	...	2,952	2,943	...	4,866	...	...	...	2,179	35,078	4,778	37,000	...	37,373	612	1	2,444	34,000	3,224	30,638	10,050	24,389	692,666
25 »	51,470	15,831	...	19,387	109,463	254,973	28,910	...	2,952	2,897	...	4,866	...	...	...	21,398	41,053	20,061	37,000	...	9,938	630	2	2,444	34,000	3,224	30,638	10,050	17,828	719,015
2 July	51,470	16,014	...	19,020	109,463	258,502	28,910	...	2,952	2,450	...	4,866	...	...	...	23,884	37,380	4,311	37,000	...	16,348	634	2	2,433	34,000	3,224	30,638	10,050	16,205	709,756
9 »	51,480	16,014	...	19,028	104,308	248,569	32,787	...	2,952	2,420	...	4,866	...	...	...	17,739	41,064	4,774	37,000	...	17,909	698	1	2,430	34,000	3,224	30,638	10,050	22,729	704,680
16 »	51,480	16,014	...	19,004	104,308	240,005	32,787	...	2,952	2,795	...	4,866	...	...	...	9,595	38,579	1,776	37,000	...	22,873	689	2	2,523	34,000	3,224	30,638	10,050	21,587	686,747
20 »	51,480	16,014	...	19,977	104,308	233,185	32,787	...	2,952	2,769	...	4,866	...	...	...	1,726	38,044	1,777	37,000	...	26,195	751	2	2,523	34,000	3,224	30,638	10,050	25,470	679,738
30 »	51,480	16,014	...	19,154	104,308	232,611	32,787	...	2,952	2,801	...	4,866	...	...	...	...	35,447	3,012	37,000	...	26,675	751	1	2,523	34,000	3,224	30,638	10,050	18,737	669,031
6 August	51,480	16,014	...	19,158	104,308	233,099	32,787	...	2,952	2,767	...	4,866	...	...	...	...	33,821	3,017	37,000	...	29,106	770	2	2,510	34,000	3,224	30,638	10,050	17,797	669,366
13 »	51,480	16,014	...	19,158	104,308	233,351	32,787	...	2,952	2,766	...	4,866	...	...	...	...	33,198	3	37,000	...	29,754	733	2	2,489	34,000	3,224	30,638	10,050	22,829	671,602
20 »	51,480	16,014	...	19,158	104,308	233,946	32,787	...	2,952	2,994	...	4,866	...	...	...	...	32,735	15	37,000	...	30,729	715	2	2,563	34,000	3,224	30,638	10,050	18,732	668,908
27 »	51,480	16,014	...	19,232	104,308	234,287	32,787	...	2,952	3,186	...	4,866	...	...	...	...	34,780	4,656	37,000	...	17,250	801	2	2,663	34,000	3,224	30,638	10,050	16,910	661,086
3 September	51,480	16,015	...	19,719	104,308	234,500	32,787	...	2,952	3,340	...	4,866	...	...	...	...	33,011	7,621	37,000	...	18,300	841	2	2,663	34,000	3,224	30,638	10,050	16,852	664,169
10 »	51,480	16,015	...	19,719	104,308	240,223	32,787	...	2,952	3,368	...	4,866	...	...	...	5,139	32,163	10,092	37,000	...	14,425	909	1	2,622	34,000	3,224	30,638	10,050	16,730	672,711
17 »	51,480	15,315	...	19,719	104,308	236,426	32,787	...	2,952	3,378	...	4,866	...	...	...	...	31,604	16,530	37,000	...	8,575	904	2	2,586	34,000	3,224	30,638	10,050	22,037	668,381
24 »	51,480	15,315	...	19,719	104,308	236,903	32,787	89	2,952	3,373	...	4,866	...	...	...	...	31,905	14,301	37,000	...	13,450	953	1	2,586	34,000	3,224	30,638	10,050	18,668	668,568
1 October	51,480	15,315	...	19,622	104,308	237,976	32,787	...	2,952	3,396	...	4,866	...	...	...	...	32,626	10,252	37,000	...	13,575	979	1	2,538	34,000	3,224	30,638	10,050	15,981	663,566
8 »	51,480	15,315	...	19,573	104,890	231,382	32,787	...	2,968	3,411	...	4,866	...	...	...	...	32,557	6,642	37,000	...	16,675	981	2	2,499	34,000	3,224	30,638	10,050	24,204	665,144
15 »	51,477	15,315	...	20,056	106,952	232,757	31,876	...	2,968	3,415	...	4,866	...	...	...	...	34,832	116	37,000	...	20,000</									

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE » DURING 1990

(millions of francs)

LIABILITIES

Memorandum Account : Postal Cheque Office : Balance for account of the Ministers of Education of the Communities (law of 11.7.1973 - education legislation)	Bank notes in circulation	Current accounts :			Financial assistance agreements	International Monetary Fund : Special Drawing Rights, net cumulative allocation	European Monetary Co-operation Fund : Financing at very short term	Ecus to be delivered :		Monetary reserve :		Foreign currencies and gold to be delivered :		Sundries	Unavailable reserve of capital gains on gold	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				European Monetary Co-operation Fund	Other	Belgium	Grand Duchy of Luxembourg	European Monetary Co-operation Fund	Other					
4,272	430,635	3	4,505	9,006	2,956	23,611	...	119,007	...	...	...	3,671	19,226	54,807	26,168	693,595	8 January 1990
4,256	425,466	14	2,921	6,482	2,942	23,611	...	119,007	...	...	...	3,400	19,882	54,807	26,168	684,700	15 »
4,190	422,538	6	2,547	6,416	2,923	23,611	...	119,007	...	...	...	3,394	20,648	54,807	26,168	682,065	22 »
4,162	412,996	21	2,487	5,739	2,996	23,611	...	119,007	...	...	...	3,393	21,148	54,807	26,168	672,373	29 »
4,098	418,331	3	2,307	6,487	2,974	23,611	...	119,007	...	...	...	3,448	7,391	54,807	30,640	669,006	5 February
4,065	415,630	8	5,020	7,211	3,194	23,611	...	119,007	...	...	...	3,448	8,058	54,807	30,640	670,634	12 »
3,943	419,859	14	5,034	7,610	3,048	23,611	...	119,007	...	...	...	3,457	9,837	54,807	30,640	676,924	19 »
3,931	416,710	4	5,283	11,715	3,048	23,611	...	119,007	...	...	...	3,448	10,312	54,807	30,640	678,585	26 »
4,843	422,715	6	4,197	5,601	3,045	23,611	...	119,007	...	...	...	3,444	11,620	54,807	30,640	678,693	5 March
4,804	419,127	17	3,719	12,281	3,025	23,611	...	119,007	...	...	...	3,441	11,954	54,807	30,640	681,629	12 »
4,708	421,180	15	3,521	13,918	3,025	23,611	...	119,007	...	...	...	3,444	13,271	54,807	30,640	686,439	19 »
4,471	414,741	6	3,708	8,770	2,950	23,611	...	119,007	...	...	...	3,443	13,281	54,807	30,640	674,964	26 »
4,414	417,320	19	4,075	4,610	2,938	23,611	...	119,007	...	...	...	3,386	9,252	54,807	30,640	669,665	2 April
4,753	418,971	18	3,296	6,498	2,931	23,611	...	112,414	...	...	...	3,388	9,881	54,807	30,640	666,455	9 »
4,321	421,979	17	2,999	7,262	2,873	23,611	...	112,414	...	...	...	3,392	10,018	54,807	30,640	670,012	13 »
4,289	417,183	22	2,697	7,494	2,754	23,611	...	112,414	...	...	...	4,104	10,909	54,807	30,640	666,635	23 »
2,808	417,981	14	2,589	8,166	2,754	23,611	...	112,414	...	...	...	3,549	10,946	54,807	30,640	667,471	27 »
2,808	421,798	16	4,845	5,265	2,747	23,611	...	112,414	...	...	...	3,623	11,482	54,807	30,640	671,248	7 May
2,455	424,186	10	2,938	6,924	2,747	23,611	...	112,414	...	...	...	3,616	12,150	54,807	30,640	674,043	14 »
2,479	429,286	2	3,011	8,430	2,747	23,611	...	112,414	...	...	...	3,955	12,978	54,807	30,640	681,881	21 »
2,500	428,230	...	2,819	17,632	2,747	23,611	...	112,414	...	...	...	6,183	13,280	54,807	30,640	692,363	28 »
2,499	431,095	8	3,465	5,088	2,461	23,611	...	112,414	...	...	...	3,493	14,058	54,807	30,640	681,140	1 June
2,405	429,172	16	4,743	23,005	2,444	23,611	...	112,414	...	...	...	5,638	14,705	54,807	30,640	701,195	11 »
2,405	431,252	20	4,348	12,007	2,444	23,611	...	112,414	...	...	...	5,707	15,416	54,807	30,640	692,666	18 »
2,342	433,264	8	3,546	17,091	2,444	23,611	...	112,414	...	...	...	25,260	15,930	54,807	30,640	719,015	25 »
2,337	435,959	13	3,911	4,404	2,433	23,611	...	112,414	...	...	...	27,686	13,878	54,807	30,640	709,756	2 July
2,330	435,898	11	4,308	10,081	2,430	23,611	...	107,260	...	...	...	21,148	14,486	54,807	30,640	704,680	9 »
2,329	432,183	17	4,065	4,635	2,523	23,611	...	107,260	...	...	...	12,063	14,943	54,807	30,640	686,747	16 »
2,329	430,450	16	3,468	5,870	2,523	23,611	...	107,260	...	...	...	5,532	15,561	54,807	30,640	679,738	20 »
2,327	418,365	2	4,874	7,395	2,523	23,611	...	107,260	...	...	...	3,514	16,040	54,807	30,640	669,031	30 »
2,279	419,624	21	4,132	6,467	2,510	23,611	...	107,260	...	...	...	3,618	16,676	54,807	30,640	669,366	6 August
2,279	417,433	23	3,192	11,623	2,489	23,611	...	107,260	...	...	...	3,618	16,906	54,807	30,640	671,602	13 »
2,279	418,966	14	3,201	6,802	2,563	23,611	...	107,260	...	...	...	3,611	17,433	54,807	30,640	668,908	20 »
2,328	412,504	18	3,101	5,094	2,663	23,611	...	107,260	...	...	...	3,610	17,778	54,807	30,640	661,086	27 »
2,327	414,342	17	3,597	5,092	2,663	23,611	...	107,260	...	...	...	3,777	18,363	54,807	30,640	664,169	3 September
2,764	414,228	11	3,325	8,133	2,622	23,611	...	107,260	...	...	...	8,933	19,141	54,807	30,640	672,711	10 »
2,360	415,817	22	3,665	6,584	2,586	23,611	...	107,260	...	...	...	3,777	19,612	54,807	30,640	668,381	17 »
836	414,632	12	3,598	7,590	2,586	23,611	...	107,260	...	...	...	3,848	19,984	54,807	30,640	668,568	24 »
792	415,553	10	5,368	4,341	2,538	23,611	...	107,260	...	...	...	3,715	15,723	54,807	30,640	663,566	1 October
778	416,051	7	3,739	5,837	2,499	23,611	...	107,858	...	...	...	3,782	16,313	54,807	30,640	665,144	8 »
777	416,854	5	5,407	5,764	2,485	23,611	...	109,920	...	...	...	3,713	16,902	54,807	30,640	670,108	15 »
883	415,719	5	5,359	7,109	2,482	23,611	...	109,920	...	...	...	4,067	17,463	54,807	30,640	671,182	22 »
1,577	411,150	14	4,316	4,795	2,347	23,611	...	109,920	...	...	...	3,719	17,658	54,807	30,640	662,977	29 »
1,638	415,398	5	4,233	3,941	2,347	23,611	...	109,920	...	...	...	1,116	18,382	54,807	30,640	664,400	5 November
1,596	413,182	21	3,760	8,325	2,343	23,611	...	109,920	...	...	...	1,116	18,548	54,807	30,640	666,273	12 »
1,507	417,623	23	4,643	5,507	2,337	23,611	...	109,920	...	...	...	1,114	19,165	54,807	30,640	669,390	19 »
1,472	413,520	16	3,911	3,971	2,335	23,611	...	109,920	...	...	...	1,117	19,549	54,807	30,640	663,397	26 »
1,241	415,928	7	5,668	4,796	2,335	23,611	...	109,920	...	...	...	1,149	20,219	54,807	30,640	669,080	3 December
1,204	416,754	19	4,127	13,436	2,532	23,611	...	109,920	...	...	...	1,137	20,712	54,807	30,640	677,695	10 »
1,486	420,612	1	3,933	3,759	2,441	23,611	...	109,920	...	...	...	1,136	20,756	54,807	30,640	671,616	17 »
1,445	435,278	7	4,761	4,714	2,635	23,611	...	109,920	...	...	...	1,162	21,323	54,807	30,640	688,858	21 »
	431,978	25	6,940	5,009	2,649	23,611	...	109,920	...	...	...	1,170	21,498	54,807	30,640	688,247	28 »

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES
CONSTITUTING, ON 31st DECEMBER 1990, THE BANK'S HOLDINGS**

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

10.11 p.c.	Treasury bills 1986/94.
7.39 p.c.	Treasury bills 1987/95 I.
7.16 p.c.	Treasury bills 1987/95 II.
7.52 p.c.	Treasury bills 1988/96 I.
7.35 p.c.	Treasury bills 1988/96 II.
7.86 p.c.	Treasury bills 1989/97 I.
7.67 p.c.	Treasury bills 1989/97 II.
8.18 p.c.	Treasury bills 1989/97 III.
8.01 p.c.	Treasury bills 1989/97 IV.
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 1985/92.
11.50 p.c.	Belgian Loan 1985/93.
11.50 p.c.	Belgian Loan 1985/93 II.
11.25 p.c.	Belgian Loan 1985/94.
11.75 p.c.	Belgian Loan 1984/94.
9.75 p.c.	Belgian Loan 1986/94.
8 p.c.	Belgian Loan 1987/95.
8 p.c.	Belgian Loan 1988/96.
7.75 p.c.	Belgian Loan 1988/96 II.
8 p.c.	Belgian Loan 1988/95.
7.75 p.c.	Belgian Loan 1988/95.
8 p.c.	Belgian Loan 1989/97.
8.25 p.c.	Belgian Loan 1989/97.
8.25 p.c.	Linear Bond 1989/99.
8.25 p.c.	Belgian Loan 1989/96.
9.25 p.c.	Treasury bills 1990/96.
10 p.c.	Linear Bond 1990/96.
10 p.c.	Belgian Loan 1990/96 II.
4 p.c.	Belgian Premium Bonds 1941.
4 p.c.	War Damage 1923.
13 p.c.	Road Fund Loan 1983/91.
11.50 p.c.	Road Fund Loan 1983/91.
11.50 p.c.	Road Fund Loan 1985/93.
9.50 p.c.	Road Fund Loan 1986/94.
8 p.c.	Road Fund Loan 1987/95.
7.75 p.c.	Road Fund Loan 1988/96.
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.
8 p.c.	National Industrial Credit Company 1971/91.
12 p.c.	Assistance Fund for the Financial Recovery of Municipalities 1984/91.
11 p.c.	Assistance Fund for the Financial Recovery of Municipalities 1985/93.
	Belgian International Investment Company shares.
	National Industrial Credit Company shares.
	National Investment Company shares.
	Securities Deposit and Clearing Office of the Financial Sector shares.
	Bank for International Settlements shares.
	Belgian National Railway Company Dividend Right Certificates.

**SHAREHOLDER STRUCTURE
OF THE NATIONAL BANK OF BELGIUM AS AT 31.12.1990**

(Pursuant to Article 4, § 2, paragraph 2 of the law of 2nd March 1989 concerning the disclosure of major shareholdings in companies listed on the Stock Exchange.)

Holder of the voting rights :	Belgian Government represented by the Minister of Finance
Number of securities representing the capital :	200,000
Proportion of the capital :	50 p.c.

LIST OF ABBREVIATIONS

BBA	Belgian Bankers' Association
BIS	Bank for International Settlements
BLEU	Belgian-Luxembourg Economic Union
COMC	Central Office for Mortgage Credit
CTEC	Clearing Transaction Exchange Centre of the Belgian Financial System
EAGGF	European Agricultural Guidance and Guarantee Fund
EEC	European Economic Community
EFTA	European Free Trade Association
EMCF	European Monetary Co-operation Fund
EMS	European Monetary System
ESAF	Enhanced structural adjustment facility
FRG	Federal Republic of Germany
GDP	Gross domestic product
GDR	German Democratic Republic
GNP	Gross national product
GSPF	General Savings and Pensions Fund
HWWA	Hamburgisches Welt-Wirtschafts-Archiv
IMF	International Monetary Fund
MEA	Ministry of Economic Affairs
NBB	National Bank of Belgium
NEMO	National Employment Office
NFCTI	National Fund for Credit to Trade and Industry
NIAC	National Institute for Agricultural Credit
NICC	National Industrial Credit Company
NSDII	National Sickness and Disablement Insurance Institute
NSI	National Statistical Institute
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PCI	Public credit institution
RD	Royal Decree
RGI	Rediscount and Guarantee Institute
SDR	Special Drawing Rights
SICAV	Société d'investissement à capital variable (variable-capital investment company)
USSR	Union of Soviet Socialist Republics
VAT	Value added tax

**LIST 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
African Development Bank	Banque Africaine de Développement
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 Flemish Chambers of Commerce and Industry	Association des Chambres flamandes de commerce et d'industrie
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
Banking Commission	Commission Bancaire
Bank of Issue	Banque d'Emission
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 (BLEU)	Union Economique Belgo-Luxembourgeoise (UEBL)
Belgian-Luxembourg Foreign Exchange Institute	Institut Belgo-Luxembourgeois du Change
Belgian Municipal Credit Institution	Crédit Communal de Belgique
Belgian National Railways Company (BNRC)	Société Nationale des Chemins de fer belges (SNCFB ou SNCB)
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

Belgian Trade Federation of Producers and Distributors of Electricity	Fédération Professionnelle des Producteurs et Distributeurs d'Electricité de Belgique
Benelux Economic Union	Union Economique Benelux
Benelux Intergovernmental Conference	Conférence intergouvernementale du Benelux
Board of Directors (of NBB)	Comité de Direction (de la BNB)
Board of Executive Directors (of IMF)	Conseil d'Administration (du FMI)
Board of Governors (of IMF)	Conseil des Gouverneurs (du FMI)
Board of Management (of EMA)	Comité directeur (de l'AME)
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 Balance Sheet Office	Centrale des Bilans
Central Consumer Credit Office	Centrale des crédits à la consommation
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)
Clearing Transaction Exchange Centre of the Belgian Financial System (CTEC)	Centre d'Echange d'Opérations à compenser du Système financier belge (CEC)
Code of taxes payable by stamp or in similar ways	Code des taxes assimilées au timbre
Commercial Food Supply Office	Office Commercial du Ravitaillement (OCRA)

Commission of the European Communities	Commission des Communautés Européennes
Committee for Consultation among Central Balance Sheet Offices	Comité européen de concertation des Centrales des Bilans
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
Computerisation Project Development Service	Service Développement de projets d'informatisation
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 (DULBEA)
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
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 Bank for Reconstruction and Development	Banque Européenne pour la Reconstruction et le Développement
European Central Bank	Banque centrale européenne
European Coal and Steel Community (ECSC)	Communauté Européenne du Charbon et de l'Acier (CECA)
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 (EEC)	Communauté Economique Européenne (CEE)
European Free Trade Association (EFTA)	Association Européenne de Libre-Echange (AELE)
European Fund	Fonds Européen = Fonds de l'AME
European Investment Bank	Banque Européenne d'Investissement
European Monetary Agreement (EMA)	Accord Monétaire Européen (AME)
European Monetary Co-operation Fund (EMCF)	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 (EPU)	Union Européenne de Paiement (UEP)
European Regional Development Fund	Fonds européen de développement régional
European Social Fund (of the European Communities)	Fonds social européen (des Communautés Européennes)

European System of Central Banks	Système européen de banques centrales
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'Énergie 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 (GATT)	Accord Général sur les Tarifs douaniers et le Commerce (GATT)
General Arrangements to Borrow (IMF)	Accords Généraux d'Emprunt (FMI)
General Budget Statement	Exposé Général du Budget
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
General Savings and Pensions Fund (GSPF)	Caisse Générale d'Épargne et de Retraite (CGER)
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 ECSC)	Haute Autorité (de la CECA)
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 IMF)	Comité intérimaire (du FMI)
International Bank for Reconstruction and Development (IBRD)	Banque Internationale pour la Reconstruction et le Développement (BIRD)
International Energy Agency	Agence internationale de l'énergie
International Development Association	Association Internationale de Développement
International Finance Corporation	Société Financière Internationale
International Fund for Agricultural Development	Fonds International de Développement agricole

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 (IMF)	Fonds Monétaire International (FMI)
International Sugar Agreement	Accord International du Sucre
International Sugar Conference	Conférence Internationale des Sucres
International Tin Council	Conseil International de l'Etain
International Wheat Agreement	Accord International du Blé
Joint Committee of Banks and Bank Employees	Commission paritaire des banques
London Metal Exchange	Bourse des Métaux de Londres
Luxembourg Monetary Institute	Institut Monétaire Luxembourgeois
Medium-term Economic Policy Committee (of the European Communities)	Comité de politique économique à moyen terme (des Communautés Européennes)
Minister of National Education	Ministre de l'Education Nationale
Ministry of Economic Affairs	Ministère des Affaires Economiques
Ministry of Agriculture	Ministère de l'Agriculture
Ministry of Employment and Labour	Ministère de l'Emploi et du Travail
Ministry of Finance	Ministère des Finances
Ministry of National Defence	Ministère de la Défense Nationale
Ministry of the Civil Service	Ministère de la Fonction Publique
Ministry of Public Works, Town Planning Board	Ministère des Travaux Publics, Administration de l'Urbanisme
Ministry of Social Security	Ministère de la Prévoyance Sociale
Monetary Committee (of the European Communities)	Comité Monétaire (des Communautés Européennes)
Monetary Fund	Fonds Monétaire
National Coal Mines Council	Conseil National des Charbonnages
National Committee for Economic Expansion	Comité National d'Expansion Economique
National Del Credere Office	Office National du Ducreire
National Employment Office (formerly National Employment and Unemployment Office)	Office National de l'Emploi (précédemment Office National du Placement et du Chômage)
National Foundation for Financing Scientific Research	Fondation Nationale pour le Financement de la Recherche Scientifique
National Fund for Credit to Trade and Industry	Caisse Nationale de Crédit Professionnel
National Fund for the Rehabilitation of Handicapped Persons	Fonds National pour le Reclassement des Handicapés
National Housing Company (formerly National Cheap Dwellings Company)	Société Nationale du Logement (précédemment Société Nationale des Habitations et Logements à Bon Marché)
National Housing Fund	Fonds National du Logement
National Industrial Credit Company (NICC)	Société Nationale de Crédit à l'Industrie (SNCI)

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 Register of Physical Persons	Registre national des personnes physiques
National Sickness and Disablement Insurance Institute	Institut National d'Assurance Maladie-Invalidité
National Social Insurance Office	Office National de Sécurité Sociale
National Statistical Institute (NSI)	Institut National de Statistique (INS)
National Water Distribution Company	Société Nationale des Distributions d'Eau
North Atlantic Treaty Organisation (NATO)	Organisation du Traité de l'Atlantique-Nord (OTAN)
Nuclear Energy Research Centre	Centre d'Etudes de l'Energie Nucléaire
Oil facility (of IMF)	Mécanisme pétrolier (du FMI)
Oil import facility (of IMF)	Volet « importations de pétrole » (du FMI)
Organisation for Economic Co-operation and Development (OECD) [formerly Organisation for European Economic Co-operation (OEEC)]	Organisation de Coopération et de Développement Economiques (OCDE) [précédemment Organisation Européenne de Coopération Economique (OECE)]
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 (PCA)	Compte de Chèques Postaux (CCP)
Postal Cheque Office (PCO)	Office des Chèques Postaux (OCP)
Public Debt Ledger	Grand-Livre de la dette publique
Public Social Assistance Centres	Centres publics d'aide sociale
Rediscount and Guarantee Institute (RGI)	Institut de Réescompte et de Garantie (IRG)
Regional Policy Committee	Comité de politique régionale
Research Department (of the National Bank of Belgium)	Département des Etudes (de la Banque Nationale de Belgique)
Road Fund	Fonds des Routes
Royal Society for Political Economy	Société Royale d'Economie Politique

Sabena (see Belgian Air Navigation Company)	Sabena (cf. Société Anonyme Belge d'Exploitation de la Navigation Aérienne)
Savings Bank of the Grand Duchy of Luxembourg	Caisse d'Epargne du Grand-Duché de Luxembourg
Savings Bank Section of the General Savings and Pensions Fund	Caisse d'Epargne de la Caisse Générale d'Epargne et de Retraite
Sea Transport Administration	Administration des transports maritimes
Sea Transport Board	Régie des transports maritimes
Securities Deposit and Clearing Office of the Financial Sector	Caisse interprofessionnelle de Dépôts et de Virements de Titres
Securities Regulation Fund	Fonds des Rentes
Short-term Economic Policy Committee (of the European Communities)	Comité de politique conjoncturelle (des Communautés Européennes)
Sinking Fund	Caisse d'Amortissement
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 ECSC)	Comité Spécial des Ministres (de la CECA)
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 IMF)	Fonds fiduciaire (du FMI)
Union of Non-Ferrous Metal Industries	Union des Industries des Métaux Non Ferreux
United Nations (Organisation of the)	Organisation des Nations Unies
Veterans' Endowment	Dotation des Combattants
Washington Monetary Conference	Conférence monétaire de Washington

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