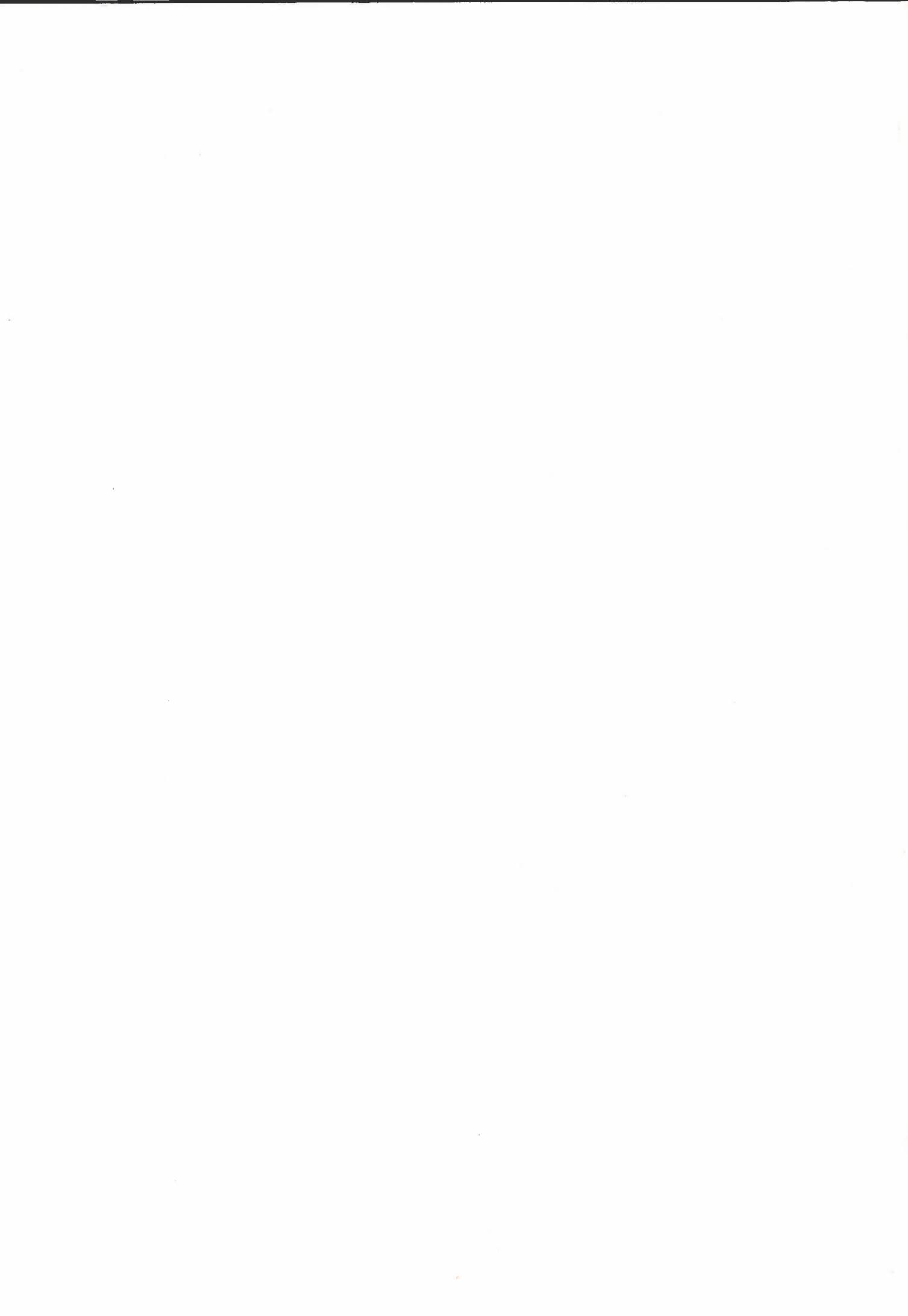




NATIONAL  
BANK  
OF BELGIUM

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REPORT 1992



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REPORT PRESENTED BY  
REGENCY

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# NATIONAL BANK OF BELGIUM

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## REPORT 1992

PRESENTED TO THE GENERAL MEETING  
ON 22nd FEBRUARY 1993



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# REPORT PRESENTED BY THE GOVERNOR IN THE NAME OF THE COUNCIL OF REGENCY

## INTERNATIONAL ENVIRONMENT

*The modest quickening — from 0.8 p.c. in 1991 to 1.5 p.c. in 1992 — of the growth rate of the economies of the member countries of the Organisation for Economic Co-operation and Development as a whole was not sufficient to fulfil the long-deferred expectations of a worldwide economic revival. Despite this encouraging turn, economic developments during the past year were regarded as disappointing, especially in Europe.*

*The revival in activity was in fact almost solely confined to the United States, where it did not actually become clearly apparent until the fourth quarter. The Japanese economy, which had generally remained fairly sheltered from the preceding cyclical slowdowns, experienced an appreciable slackening of its rate of expansion. In the Community as a whole, economic growth weakened further. The stimulating effects of the process of reunification of Germany wore off, especially during the second half of the year, affecting activity in several Member States whose economies are very dependent on that country. The United Kingdom was not yet able to climb out of its recession. The signs of recovery are therefore still sparse and inevitably give an impression of fragility.*

*In the course of the economic cycle, the acceleration of growth which had taken place during the second half of the preceding decade was bound to be followed by a reversal of trend. This turnaround was all the more abrupt because the collapse of demand from the Eastern European countries assumed unexpected proportions. The present context differs, however, from the two preceding cyclical lows with which it is naturally compared. The slowdowns in growth in the*

*mid-1970s and at the beginning of the 1980s had been, if not caused, at least aggravated by an external event over which the industrialised countries had little control. This time, the rise in the prices of energy products brought about by the Gulf War was of brief duration and had only a slight effect on the course of the business cycle. The causes of the present sluggishness of the world economy must be sought elsewhere. They appear to be largely due to certain developments specific to the preceding period of expansion.*

*Thus in the main Anglo-Saxon countries, Japan and several Scandinavian countries the desire of households and enterprises to reduce their high degree of indebtedness continued to produce deflationary effects. The debt which had piled up during the 1980s had helped to support economic activity. It had, however, also taken the form of — sometimes excessive — loans contracted for the purpose of acquiring financial assets or real estate. When the prices of these asset components fell sharply at the beginning of the present decade, the debtors found themselves saddled with assets whose market value and expected yield were no longer in proportion to the financial burdens which they had assumed in order to acquire them. Economic agents who had not contracted any debt, for their part, felt themselves impoverished by the fall in the value of their assets. In order to correct these imbalances, households increased their savings ratio and enterprises reduced their debt ratio, thereby respectively restricting consumption and deferring investment projects.*

*The worsening of the financial situation of the private sector was naturally not without*

consequences for the credit institutions. During the 1980s the large increase in the debt ratio of individuals and companies had been coupled with the development of new products facilitating direct financing between economic agents. While this had led to a reduction in the relative share of the credit institutions on the financial markets, these institutions had nevertheless succeeded, owing to the rapid expansion of these markets, in increasing their volume of activity. However, a large number of institutions had achieved this result only by carrying out riskier operations or taking advantage of the process of deparitioning and deregulation in order to gain access to new market segments with which they were much less familiar. The sometimes sudden corrections of the values of many financial assets therefore affected a banking sector which had already become vulnerable.

The difficulties encountered by some credit institutions, and even by groups of financial intermediaries, such as the savings banks in the United States, certainly increased the need to impose stricter rules of supervision. This need had in fact already become apparent under the pressure of other developments, especially the liberalisation of international capital movements and, within the EC, the free rendering of financial services. For all these reasons the imposition, on the international plane, of strict and uniform solvency criteria is nowadays hardly in dispute. It does nevertheless subject the financial intermediaries to fairly stringent obligations, even though the efforts which have to be made in order to fulfil them are greater in some countries than in others. In many cases, credit institutions are obliged to be more selective in granting loans and to widen their interest margins. This behaviour, combined with that of a private sector which was itself endeavouring to limit its indebtedness, had a depressing effect on economic activity.

The problems with which the financial services sector was confronted, forced it to undertake major restructurings; it was therefore not able, as during the previous recessions, to remain sheltered from the job losses inevitably resulting from slackenings of eco-

nomie activity. This phenomenon illustrates another important difference from the two previous cyclical turnrounds. In the mid-1970s and at the beginning of the 1980s the number of redundancies had been very high, sometimes even higher than at present. They had, however, been mainly concentrated on certain sections of the labour force, such as older or less skilled workers, and on industrial sectors obliged to make great rehabilitation efforts. During the recent period, on the other hand, unemployment also affected persons who might have thought themselves sheltered from it by the level of their qualifications or the actual type of position which they held in sometimes very specialised enterprises. The widening range of the job losses has greatly accentuated a latent feeling of insecurity. On top of this there has been, especially in Europe, a certain discouragement caused by the observed asymmetry of the movements on the labour market during the last two phases of the cycle. While the fall in the unemployment rate resulting from the fairly strong recovery which took place during the second half of the preceding decade was only very gradual, the rise caused by the recent decline of activity was much faster.

Apart from these individual factors of uncertainty there have also been many reasons of a more collective nature. The initial enthusiasm inspired by the changes of political regime in Eastern Europe has been greatly tempered by the enormous economic difficulties with which the various States in that part of the world are having to contend. The problems of the former East Germany, which, a priori, seemed justified in counting on strong support in its efforts to make a harmonious transition to a market economy, give a clear enough idea of the extent of the task which awaits several other, less privileged countries in this region.

The cyclical swing also led to an accentuation of certain protectionist reactions. This caused a hardening of attitudes, which slowed down the negotiations of the Uruguay Round aimed at reaching a new agreement on world trade. The early achievement of a compromise does, however, appear essential in order

to give economic agents some degree of reassurance concerning the prospects of an expansion in international trade.

In Europe the disillusionment due to the result of the Danish referendum on the Treaty of Maastricht gave rise to doubts about the possibility of quickly achieving Monetary Union. This scepticism developed into the most serious crisis with which the European Monetary System has been faced since its creation. The last-mentioned aspect, with the serious consequences which it implies, will be reverted to further on.

The causes of the stagnation of the world economy in 1992 can thus be seen to be numerous and closely interwoven. The slowdown of activity induced several countries to change the course of their economic policies. In the United States and Japan, in particular, the monetary authorities, after having already made their policies considerably more flexible in 1991, further accentuated the downward movement of their short-term interest rates. These fell below 4 p.c. in Japan and came close to 3 p.c. in the United States.

Recourse to the traditional instruments of economic policy was restricted, however, within narrow limits. In the budgetary field most of the industrialised countries gave free rein to the stabilising mechanisms which, when there is a cyclical downturn, bring about an automatic expansion in various categories of public expenditure and a contraction of tax revenues. Some of them even supplemented these mechanisms by discretionary measures, so that the possibilities offered by the arsenal of budgetary instruments have already been largely exploited. Alone among the major industrial economies, Japan appears to have a margin for manoeuvre, since it is one of the few members of the OECD still showing a budget surplus, combined, furthermore, with a substantial and growing current account surplus. The Japanese authorities did in fact, in August 1992, launch a major programme of public investment, which, however, was not approved until December and whose effects will therefore be felt only from 1993 onwards.

The public deficit of the OECD countries as a whole continued to expand, reaching 3.8 p.c. in 1992, whereas it had still amounted to only 1 p.c. in 1989. This faster worsening of the situation was a not unimportant factor of uncertainty, because economic agents are now convinced that the rehabilitation of the public finances cannot be indefinitely postponed and that it will, in the near future, necessitate cuts in government expenditure and an increase in the burden of taxation.

Certain specific characteristics of the present cyclical slowdown have also impeded the possibilities of using monetary restimulation measures. It is clear that the stimulating effects of a lowering of interest rates make themselves felt much more slowly when borrowers are spontaneously inclined to reduce their indebtedness and lenders tend to be more restrictive in granting credit. In several countries the relative rigidity of long-term interest rates and the weakness of stock exchange prices, conducive to share issues, have meant that the decline in short-term interest rates has not brought about anything like an equivalent easing of the financing conditions of enterprises. In such a situation, endeavours to make up for the inadequacy of private investment by public expenditure must inevitably induce economic agents to think that the public authorities themselves are liable, if it is not already the case, to find themselves in a position where the worsening of their financial situation forces them to curtail their own borrowing.

All these limitations have caused the authorities to be more selective in their interventions. Thus the new U.S. Government wishes to reorientate public expenditure with the specific aim of stimulating investment and research. The European growth initiative decided upon by the European Council at the Edinburgh summit takes a similar line. The aims of this plan include facilitating the financing of trans-European infrastructure works, thanks to the establishment of a European Investment Fund and the introduction of new temporary borrowing mechanisms. Such projects will be designed to achieve a

maximum leverage effect by shifting priorities towards the categories of expenditure which produce the highest economic or social yield while having only a limited effect on the public budgets.

These various measures for renewing and increasing physical capital must, especially in Europe, be supplemented by others aimed at better utilisation of human capital. With regard to unemployment, the reactions cannot be confined simply to guaranteeing financial support. What is needed is an active policy for increasing employment prospects for the unemployed and promoting the flexibility of the labour market. Furthermore, these efforts must be followed up by measures for im-

proving the quality of education and training, which will naturally produce their full fruits only if new jobs are actually created.

In the shorter term, it may be hoped that a reduction of inflationary strains in Germany, based on control of the public deficit and an easing of wage pressures, will enable that country's monetary authorities to impart greater flexibility to a monetary policy which was already somewhat eased towards the end of the year. In view of the close links between the major EC currencies, such a development could in any case only be beneficial, because any fall in German interest rates should be passed on fairly quickly to the money markets of most other European countries.

## CRISIS IN THE EUROPEAN MONETARY SYSTEM

As is quite obvious from the foregoing, the recent difficulties were often increased by factors which shook the confidence of economic agents and made them take a gloomier view of the prospects. During the year 1992 there was probably no situation where these psychological factors operated more strongly than during the events which led to the EMS crisis. It would be wrong, however, to confine the analysis to this single dimension, because the turmoil in the foreign exchange markets was due to much more fundamental causes.

Five long years of stability within the exchange rate mechanism of the EMS had perhaps caused it to be overlooked that the economic conditions necessary for the achievement of such firmness of exchange rates were less and less fulfilled. Actually, despite gradual convergence, the respective movements of the domestic prices and costs of the Member States were still far from having been brought into line. These annual divergences, although reduced, obviously went on adding to those from the preceding years. As they accumulated, albeit at a steadily slowing rate, they gradually widened the gaps between the competitive positions of the various countries.

During a first phase, however, these distortions still remained in the background. The temporary weakness of the exchange rate for the mark due to the reunification of Germany was perhaps interpreted by some as a sign of intrinsic weakness and may, by reaction, have led to an overestimation of the firmness of the currencies of other Member States.

The latter, admittedly, derived real advantages from this paradox. The strengthening of their exchange rates eased the pressure of high interest rates; more fundamentally, it enabled them, by reducing the cost of their purchases from the rest of the world, to tap a source of price stability to their own advantage. For many of them, the attractiveness of the EMS was thus singularly heightened. The formal undertaking to obey the rules of the system became easier and was reflected in resolute statements by the public authorities and great confidence in a harmonious transition to Economic and Monetary Union in accordance with the time-limits laid down by the Treaty of Maastricht. These factors impressed the financial markets themselves, leading to a further rise in the exchange rates for the traditionally weak EMS currencies and

*helping to further reinforce this spontaneous process of consolidation of the exchange rate mechanism. The behaviour of these markets could give the impression that the stability of parities was granted on credit, a credit which was all the more generous for being funded by the liberalisation of capital movements.*

*The position of Germany, on the other hand, was less easy. That country, which had often been able to use the appreciation of its currency as a preferred means for combating the rise in prices, was at that moment deprived of this instrument for curbing a domestic inflation which was made more virulent by wage pressures and a worsening of the public deficit.*

*That relative equilibrium began to be undermined by the cyclical reversal. The turnaround was not synchronous within the EC. In the countries which were at first hardest hit, voices were heard calling upon all the European partners to set in motion a concerted downward movement of interest rates. For the reasons just stated, these calls ran up against the determination of the German monetary authorities. The discipline became, for some, more arduous and the willingness to accept all the rules of operation of the EMS became less self-evident.*

*In this context, a single incident was sufficient at any time to provoke a sharp, sobering awakening. This fortuitous event was the Danish rejection of the Treaty of Maastricht. Suddenly, doubts piled up, and the very violent discussions which preceded the close-run acceptance of that Treaty by France did nothing to dispel them. The very date of the French referendum served as a catalyst, crystallising all the speculative pressures.*

*The movement of the exchange rate for the dollar only aggravated the pressures within the system. During the first half of the year that currency had shown only relatively limited and fairly erratic fluctuations. From the middle of the year onwards the dollar weakened appreciably against the mark and, by extension, against the strongest EMS currencies. As has become fairly traditional, this*

*variation in exchange rates was not as great in relation to the weaker currencies, which thus came under great additional pressure.*

*The mere recital of the episodes of the exchange rate crisis speaks for itself: three waves of realignments between the middle of September and the end of November; the withdrawal, at least temporarily, of the pound sterling and the Italian lira from the exchange rate mechanism; the abandonment by Sweden, Norway and Finland of their exchange rate objective, the pegging of their currencies to the ecu.*

*With hindsight, with the certainty imparted by the knowledge of past events, it is perhaps easy to unravel the chain of events which led to the EMS crisis. It is a much more delicate matter, on the other hand, to draw the lessons from it and to propose remedies.*

*A first point that has to be made is that prolonged stability of the parities within the exchange rate mechanism cannot, as such, be taken as proof that it is functioning properly. The use of the fluctuation margins, interventions on the foreign exchange market, variations in interest rates and realignments constitute an undissociable set of means of action, even though the fact remains that the last of these instruments cannot be equated with the other three, which are more regularly used. When excessively intensive utilisation of the three most usual instruments, or even a temporary euphoria of the markets, conceal the appearance of fundamental disequilibria, it is preferable to realign the currencies straight away rather than hang on to an indefensible position. While it is perhaps utopian to hope to be able to carry out rearrangements systematically in non-crisis situations, a change in parity will nevertheless have a greater chance of success the better the authorities have managed to keep the course of the operation under control.*

*More fundamentally, it emerges very clearly that the firmness of a currency is based on two essential conditions, neither of which, alone, can be regarded as sufficient. The com-*

mitment to defend a parity is not credible without solid macroeconomic foundations. A substantial deterioration in economic data in relation to the partner countries must be corrected without delay. Achievement of this result is absolutely essential. Conversely — and to realise this is undoubtedly more disillusioning — the most convincing economic performances are not sufficient if the market believes that it can detect a — real or assumed — crack in the consensus of the authorities to defend their currencies. Unity of views, beyond political oppositions, guaranteed by an institutional structure which entrusts the keys of monetary policy to an autonomous body, is a further guarantee of success.

Ideally, a national consensus regarding the budgetary and monetary policy required in order to ensure the stability of the exchange rate should also be followed up in the other Community countries and should be given concrete shape by mutual support.

## ECONOMIC ACTIVITY IN BELGIUM

In 1991, in a phase of cyclical slowdown affecting most of the industrialised countries, Belgium had still been able to derive considerable advantage from the continuance of growth in Germany, its main trading partner. This asset has since then disappeared. The cyclical reversal in Germany greatly slowed the rise in Belgium's exports of goods and services, which amounted to only 0.6 p.c. in 1992, compared with 3.1 p.c. the previous year.

Unlike foreign demand, domestic expenditure continued to increase at the same rate as in 1991. In particular, the reduction of interest rates on mortgage loans, further accentuated by the promotional activities of various financial intermediaries, stimulated demand for housing, which increased by nearly 10 p.c. The effects of this lowering of rates were all the more quickly felt because household indebtedness is still very low in Belgium

If such aid is given in a well-considered manner, it will succeed in proving to the markets that they themselves may be wrong in their anticipations and will thus strengthen the EMS exchange rate mechanism.

Finally, there remains another important lesson. The unprecedented volume of capital movements, freed by the liberalisation of the markets, further complicated the difficult coexistence of stable exchange rates and autonomous monetary policies. While this dilemma is to be overcome by the change-over to Economic and Monetary Union, the difficulties will in the meantime remain all the greater because the approach of the dates fixed for the realisation of the EMU might encourage speculative pressures. This should be a decisive argument for refraining from rediscussing the ways and means of carrying out this process and from postponing the time-limits for the currencies which are capable of quickly joining such a Union.

compared with the other industrialised countries and because the real estate market did not, during the preceding period of cyclical growth, experience speculative movements similar to those observed abroad. The very healthy asset position of households also sustained private consumption, albeit without stimulating it, as it increased by 2.2 p.c. in 1992 against 2.5 p.c. the previous year. In an uncertain economic climate, individuals did not try to compensate for the slackening of the rise in their disposable income by reducing their savings ratio, while investment by enterprises declined by 2 p.c., though still remaining at the level of the other EC-countries as a percentage of gross domestic product.

As the growth in activity had been supported more by demand from residents than by that from the rest of the world, imports rose more than exports. This divergence obviously affected the growth in GDP, which,

decreasing from 1.9 to 0.8 p.c., was insufficient to maintain employment, since, actually, a growth rate of a little over 2 p.c. appears to be necessary in order to keep it stable. That percentage even seems to apply only to the recent period, during which part-time working has increased and the moderation of labour costs has perhaps made it possible to prevent a deterioration in the relative cost of the labour factor compared with the capital factor from leading to more rationalisation investments, unfavourable to employment, as was the case to a greater extent at the bottom of the business cycle at the beginning of the 1980s.

Thus the steady increase in employment which had taken place since 1985 was interrupted in 1992 and the unemployment rate, defined in accordance with the harmonised European norms, rose again from 7.5 to 8.2 p.c. of the labour force.

It is true that this deterioration, of primarily cyclical origin, was common to the whole of the EC, where the average unemployment rate rose from 8.8 to 9.5 p.c. It is also true that the loss of 19,000 jobs in 1992 followed the creation, in the course of the seven preceding years, of about 233,000 jobs, corresponding to a little over 150,000 full-time jobs. The worsening of unemployment nevertheless reopened a wound which was not yet fully healed and is liable to impede the efforts still to be made in order to overcome the structural handicaps of the labour market; in particular, the number of long-term unemployed might increase rapidly again.

In view of the close link between activity and employment, the margin for manoeuvre is narrow, especially as general government does not possess the financial resources necessary for reducing the impact of the cyclical slowdown on demand. What it can do, on the other hand, is to attack the rigidities of the labour market. The recent creation of a structure designed to enable all unemployed persons aged under 46 and unemployed for more than nine months to have the benefit of an individual guidance plan should be viewed from this angle. At the same time,

several measures have been adopted with the object of curbing certain abuses of generous systems for the granting of replacement incomes. Furthermore, the early retirement age is going to be gradually raised, while the benefits paid to involuntary part-time workers and persons interrupting their career or unemployment have been reduced.

More fundamentally, in order to avoid the dangers of a resurgence of unemployment, it is necessary first of all to safeguard competitiveness, which is an essential condition for defending employment in a small, very open economy. Owing to the existence of generally applicable indexation measures, the movement of consumer prices is one of the factors which will directly govern the maintenance of this competitiveness. The success achieved in this field is indisputable. With a reduction of the annual rise from 3.2 to 2.4 p.c. in 1992, Belgium has kept well below the average not only of the Community but also of its three main neighbours and trading partners.

The reduction in the inflation rate was obviously aided by the fall in the prices of imported goods and services due to the appreciation of the franc. Without this appreciation, import costs would not have decreased by 1.5 p.c., as they actually did, but would on the contrary have increased by about 0.5 p.c. The strengthening of the franc also brought about a decline in the prices of exported products expressed in francs, in so far as exporters had to leave their prices in foreign currencies unchanged. In due course these price concessions on foreign markets will, however, be counterbalanced by a fall in costs, because the operation of the indexation mechanisms will have the effect of passing on the reduction in import prices due to the appreciation of the franc to all domestic costs. Provided that the latter display sufficient flexibility, these cost reductions should be passed on in full and should thus offset the initial repercussions of the rise in the exchange rate on the profitability of enterprises. This process does not, however, necessarily take place identically in all branches of activity. Some indications, which need to be

carefully checked, appear to suggest that in recent years the movements of domestic prices and costs have, on average, been less favourable for companies subject to keen international competition than for those which are more sheltered from it. This development may have increased the Belgian economy's losses of market shares. While these are to some extent inevitable when a number of countries, especially Asian countries, are gradually expanding their international trade, they appear to have been more pronounced in Belgium than in most of its European partners.

Domestic costs consist primarily of wages, the movement of which continued to be one of the main causes of concern in 1992. On the basis of the criterion taken into account by the law of 6th January 1989, the so-called law for safeguarding the country's competitiveness, it appears that the increase in labour costs, expressed in a common currency, was larger in Belgium, over the period from 1987 to 1992 as a whole, than in the group of the seven main trading partners, even though the difference is still small compared with the sub-group of the five European countries.

For the year 1992 alone, these costs rose to about the same extent as in the partner countries, so that the worsening recorded in 1990 and 1991 was obviously not compensated for. While, during these two years, the rate of the adjustments of compensation under collective agreements did not speed up, the salary increases and other financial benefits agreed upon by direct negotiation between employers and employees appear to have been greater than is usually the case. It would certainly be very useful to check this assumption and, if it is correct, to work out just how this increase in real wages negotiated outside the collective labour agreements was distributed between the sectors which are oriented towards foreign countries and those which produce more for the domestic market.

The difficulty of accurately measuring the course of labour costs is not new, and illustrates the problems encountered in collecting

statistical data and making international comparisons. It would be wrong to disregard the joint procedure for the assessment of labour costs by the National Economic Council on the pretext that a technical analysis which rightly refers to precise indicators apparently leads to sterile disputes. It is up to management and labour to assess, accurately and impartially, the margin for manoeuvre which they actually have. Furthermore, the analysis must not be confined to wages but must also pay due attention to the movement of the costs of directly or indirectly imported goods and services and to that of financial costs.

In December, management and labour did in fact sign a central agreement for 1993 and 1994 which should lead to a fairly moderate increase in labour costs. It is still essential, however, that both sectoral and enterprise negotiations should be imbued with the same moderation. This condition is all the more imperative because it was primarily at enterprise level that the worsening observed in 1991 seems to have originated.

The discussions in connection with the wage negotiations obviously tend to become more troublesome when the overall increase in incomes is slowed down by a low level of activity. This was the case for both companies and households. The former saw only a marginal rise in their disposable income, which, expressed as a percentage of GDP, continued to contract for the third year in succession. The latter no longer benefited from an increase in total wages and salaries comparable to that in the previous year, so that the growth in their disposable income slackened. Despite this slowdown, individuals increased their savings ratio slightly further, which enabled them to maintain the upward trend of their assets.

On the other hand, the changes in the composition of those assets, most of which had begun during the preceding two years, continued in 1992. The very close linking of the national currency to the strongest EMS currencies and the reduction of the rate of the withholding tax on income from financial

assets restored the attractiveness of assets in francs. The resultant portfolio readjustments had positive effects not only on the balance of payments, as will be shown further on, but also on the overall activity of the Belgian financial intermediaries, which naturally play a much greater part in the gathering and re-investment of funds in francs than in foreign currencies.

The widening of these institutions' potential market was, however, coupled with a pronounced narrowing of margins. In view of the impending entry into force of the Single Market, competition for collecting savings became appreciably keener, both on the part of small institutions or Belgian branches of foreign banks endeavouring to increase their market share and on that of the big national credit institutions, trying to safeguard theirs. The effect of these factors came on top of others, such as the lowering of the withholding tax or the establishment of a more active man-

agement of the public debt, which likewise affected the profitability of the financial intermediaries.

These institutions therefore have to meet the challenge presented by the many radical structural changes in the environment in which they operate. Admittedly, with but few exceptions, confined to the activities carried out in some foreign markets, the Belgian institutions have not been affected by a large number of defaults on the part of debtors or by sharp reductions in the value of stock exchange or real estate assets. They have nevertheless been exposed to a competition which can only be made keener by the liberalisation of financial services throughout the Community. The Belgian financial sector does, however, possess assets from which it is all the more capable of deriving benefit because it has been more successful than other countries in preserving its own soundness during the last few years.

## REHABILITATION OF THE PUBLIC FINANCES

As general government plays a central role in the country's economic life, it inevitably feels the full force of a slackening of activity. In Belgium, as elsewhere, the sensitivity of the public finances to the business cycle is obviously nothing new. But its influence was particularly powerful in 1992. It was also felt to be somewhat frustrating during a budget year when efforts had in fact been made to correct a worsening which had taken place during the previous year, in a better economic climate.

The effects of the measures taken during the year 1992 were almost entirely cancelled out by the decreases in revenue and the increases in unemployment benefit resulting from the cyclical reversal. If the economy had continued to grow at the average rate of the seven preceding years, the increases in indirect taxes and social contributions decided

upon during the year, together with various measures to reduce expenditure, excluding interest charges, would in fact have increased the budget surplus, excluding interest charges, by over 1 p.c. of GDP.

Interest charges, for their part, rose by a further 0.6 p.c. in 1992. During the first half of the year — the period during which the Government's financing requirements are greatest — short-term rates were above their 1991 average level. Nevertheless, pending a general downturn of interest rates, which did in fact begin to materialise from the third quarter onwards, the Treasury gave preference, at the beginning of the year, to financing by the issuing of Treasury certificates. It therefore did not resort to a lengthening of its maturity timetable comparable to that which had enabled it, in 1991, to postpone part of the interest payments to the

next financial year. Account being taken of the last-mentioned category of expenditure, the budget deficit increased slightly, from 6.7 p.c. in 1991 to 6.9 p.c. in 1992.

The effects of the government measures were also obscured by another factor. Statistical adjustments had the effect of changing the initial value of certain parameters used for assessing the state of the public finances. They consisted, on the one hand, of an upward revision of the public deficit by the National Statistical Institute and, on the other hand, of a reduction in GDP, the old national definition of GDP having been replaced by a harmonised European definition according to which the GDP amount is in fact smaller. This double adjustment led to a rise of nearly 3 p.c. in the ratio between the public debt and GDP and an increase of 0.4 p.c. of GDP in the 1991 budget deficit. It naturally led to a corresponding increase in the basic starting figure both for the assessment of the 1992 budget results and for the timing of the rehabilitation efforts to be made from now until 1996 within the framework of the multi-annual plan recently adopted by the Government. For the execution of this plan, the details of which will be discussed further on, it would therefore be logical to distribute the incidence of this statistical correction uniformly between the end of 1992 and the end of 1995.

The authorities did indeed succeed in limiting the increase in the deficit to 0.2 p.c. under roughly the same circumstances as those which induced a rise of 0.8 p.c. in the public deficit of the EC-countries as a whole. This result must not, however, be regarded as a reason for complacency. In better times the same authorities had in fact been given credit for successes partly attributable to a sustained economic growth, of which it had taken insufficient advantage for bringing about an in-depth improvement in the public finances. Similarly, just one year of weak economic activity cannot explain why the budget deficit is still at its 1988 level.

There are many reasons for action, and their number seems to be increasing to a disquieting extent.

Firstly, it is unthinkable that the Government should content itself for too long a period with permitting the operation of an automatic process of accumulation of the public debt through the swelling of interest charges. Of the three levers which determine that mechanism, namely the level of interest rates, the rate of growth of the economy and the budget surplus excluding interest charges, only the last can be operated completely autonomously by the authorities. Admittedly, observance of a very strict exchange rate aim allows the lowest possible interest rates, while the safeguarding of competitiveness enables the economy to benefit directly from the slightest recovery in foreign demand. But it is only by controlling the movement of the balance of the budget excluding interest charges that the Government can get a real grip on the course of events.

It is, furthermore, of crucial importance to meet the criteria required for inclusion in the group of countries which will be able to become full members of the EMU from the outset. Belgium more than fully satisfies most of these conditions, but it has not yet attained the dual target set for the public finances. By 1996 the deficit must have been reduced to 3 p.c. of GDP, while the outstanding amount of the public debt must come closer to 60 p.c. of GDP. These two conditions are not, however, both equally imperative. While the reduction of the deficit is an absolute requirement, it would on the other hand be utopian to hope to halve, in four years, a public debt which, calculated according to its harmonised definition in order to make it comparable with that of the other countries of the Community, amounted at the end of 1992 to 121 p.c. of GDP; the Community partners are aware of this, but it is important that a credible start should be made in this field.

On top of the need to eliminate the « snowball » effect and the imperative conditions for participation in the EMU, there has been added more recently the need to make provision for items of expenditure which, albeit not immediate, are nevertheless inevitable in the longer run. The gradual ageing of the population will subject the social security

system to pressures in comparison with which the present difficulties may perhaps appear easy to overcome. Furthermore, the country's infrastructure requirements, which have not always been allowed for when previously making decisions for limiting public investment, will also have to be met.

The reduction of the public deficit is an urgent matter. This necessity would make it derisory, in Belgium, to adopt any policy of restimulating demand by resorting to the budgetary instrument, or to delay the rehabilitation effort in any way. This is the spirit in which the multi-annual so-called « convergence » plan prepared by the Government during the summer of 1992 and since approved by the EC Council of Ministers must be examined.

By this ambitious plan the Government has set itself a target, assigned itself three rules of conduct and, lastly, provided itself with a number of means of action by deciding upon structural measures whose effects should spread over several years.

The target of limiting the public deficit to 3 p.c. of GDP is dictated not only by the requirements of the EMU but also by the imperative needs, specific to Belgium, which have just been recalled. The annual reduction which the Government has thus imposed upon itself is almost identical with the average result for the preceding ten years; this admittedly calls for a sustained, though feasible effort. Furthermore, by reducing its overall deficit to 3 p.c., general government will be able not only to interrupt but to reverse the « snowball » effect, which should make it possible to replace the interest charges by other types of expenditure directly serving the collective needs of all citizens.

The three rules of conduct, by marking out the course of all the activities of the national government and the social security system, constitute the foundation of an overall view of the problem of the public finances.

According to the first of these norms, the social security system is called upon to main-

tain its balance without any increase, in nominal terms, in the subsidy received from the Treasury. On the assumption that contributions will continue to increase at the same rate as GDP, this condition means that the growth in the volume of expenditure must be subject to a ceiling of 1.6 p.c. per year. This limit might appear very easy to comply with in view of the average annual increase of under 1 p.c. recorded between 1982 and 1990. It is in fact very strict, because it entails the interruption of the mechanisms which have brought about an annual growth in social expenditure of nearly 5 p.c. during the last two years.

The two other rules relate to the national government, which must both ensure that tax revenue rises at the same rate as gross national product and keep its expenditure, excluding interest charges, unchanged in real terms. The latter requirement is not, however, tantamount to an indiscriminate freezing. The imposition of a ceiling on the subsidies to be paid to the social security system, as well as a more severe rationing of various charges, especially the subsidies to certain public enterprises and the national defence budget, ought to make it possible to release the resources necessary for continuing to extend what are deemed to be essential interventions.

Lastly, several structural measures have already been introduced to implement the government plan. In addition to the specific expenditure cuts which have just been mentioned, a number of steps have been taken to keep transfers in respect of health care refunds and unemployment benefit payments under control. As regards revenue, the indexation of tax scales will be suspended for a few years and sales of assets held by general government should bring in Fr. 60 billion within four years.

In accordance with the recommendations of the Superior Finance Council, the convergence plan sets the communities and regions a target for the medium-term stabilisation of the debt ratio. These entities have agreed to conform with this orientation of budgetary

policy, which means that they will contribute, between 1993 and 1996, to the reduction in the public deficit to the extent of about 0.6 p.c. of GDP. Any additional resources which may be allocated to them must not serve to thwart the collective rehabilitation policy. This must be ensured by resorting, if necessary, to the mechanisms provided for by the finance law.

The government plan appears to be coherent. It is, however, very demanding and therefore does not allow of any slippage. The estimates made by the Bank indicate that the target will be achieved provided that, during the next four years, the surplus excluding interest charges increases, on average, by 0.5 p.c. of GDP per year, which corresponds to approximately twice the average for the last five years.

It goes without saying that the public authorities — both the national authorities and

those of the communities and regions — must obey the discipline they have imposed upon themselves, which will probably necessitate the adoption of additional measures. Furthermore, in order to avoid any uncontrolled development, it will probably be necessary to improve the procedures for detecting deviations from the pre-established line as quickly as possible, in order to enable them to be corrected without delay. The mandate which has been given to the Superior Finance Council in this field by the convergence plan is of the utmost importance.

Lastly, any improvement in the international environment, whether in the form of an expansion in economic growth or a reduction of interest rates, must be taken advantage of for speeding up the rehabilitation, and on no account for slowing it down. The experience of recent years is sufficient proof that any laxity quickly necessitates a redoubled effort.

## MONETARY AND FOREIGN EXCHANGE POLICY

While adapting itself promptly, in its means of implementation, to the changing circumstances of the international environment, monetary policy was characterised by the continuity of its main lines. In view of the extremely open nature of the Belgian economy, its conduct has for a long time been governed by an exchange rate aim. In June 1990 this was more specifically defined by the undertaking entered into by the authorities to peg the franc firmly to the EMS currencies regarded as stability anchors, under the present circumstances the German mark. It was faultlessly attained in 1992.

The choice of an exchange rate aim is necessary when the direct and indirect import content of final expenditure reaches around 40 p.c. and when there are many formal or informal mechanisms linking incomes to prices. It furthermore fits in quite naturally

with participation in the building of Europe. Admittedly, in a context of complete freedom of capital movements, it precludes the autonomous pursuit of domestic aims — for instance, of norms for the expansion of the national money supply — because the central bank's action influencing interest rates must be entirely reserved to exchange rate policy. It does, however, make it possible to aim at price stability, provided that it is sufficiently ambitious. Thus, owing to the exchange rate aim, the Bank now bases its policy primarily on German monetary policy, which has made price stability its main purpose and which is better able to set, pragmatically, norms for the growth of a monetary aggregate.

Although ambitious, the exchange rate policy is also based on solid foundations. In recent years the discipline observed with regard to prices and costs has permitted both

a rate of growth somewhat higher than the average for the EC member countries and, since 1985, the continuous accumulation of net claims of the Belgian-Luxembourg economy on the rest of the world.

The surplus in respect of the BLEU's current transactions with foreign countries remained substantial in 1992 : over 2 p.c. of the Union's GDP. The improvement in the terms of trade for goods counterbalanced the deterioration of foreign trade in volume, mainly due to the pronounced slackening of the growth in demand from Germany, a growth which had been particularly rapid the previous year. The surpluses in respect of services and incomes were also maintained at practically their previous year's level. The growing importance of the tertiary sector in the economy has already been reflected for several years by the fact that transactions in services with foreign countries have increased more rapidly than imports and exports of goods. Furthermore, the positive contribution of services to the balance of current transactions has shown a rising trend, thanks to the growth in the operating expenditure of the European institutions established in the BLEU and, more recently, to that in various financial or management services provided by, among other bodies, co-ordination centres and insurance companies. Capital incomes from the rest of the world feed the current surplus in proportion to the past current surpluses, which have enabled net foreign claims to be formed. These incomes include those which the Bank derives from its foreign exchange reserves, the volume of which can be increased by the replacement of assets in gold by assets in currencies. The Bank carried out such an arbitrage operation in the second quarter of 1992, in order to reduce the share of assets in gold in the exchange reserves to a level corresponding to the proportion observed in the neighbouring countries. In accordance with the law of 23rd December 1988, the surplus gain on gold was frozen in an unavailable reserve account on the liabilities side of the Bank's balance sheet, so that the operation did not give rise to any « monetary financing » of general government.

The BLEU's net claims on the rest of the world are the resultant of a large number of external assets and liabilities. Until 1989 the formation of long-term external assets by private sector residents, especially in the form of bonds denominated in foreign currencies, exceeded the current account surplus and acquisitions of long-term financial assets in the BLEU by non-residents : the net amount of the « basic balance » — that is, the sum of current transactions and of private long-term capital movements — was negative. This deficit had to be financed by net inflows of short-term private capital provoked by an interest rate differential vis-à-vis investments in German marks, the size of which sometimes reflected a lack of confidence in the maintenance of the parities. It was necessary, furthermore, for the Bank to intervene from time to time on the foreign exchange market by means of currencies taken from its reserves or borrowed by the Government. However, as the performance of the Belgian economy improved, the short-term interest rate differentials required in order to bring about the spontaneous balancing of the foreign exchange market became smaller. The growing confidence in the franc and the lowering of the rate of the withholding tax on income from financial assets led in 1990 to a spectacular reversal of the balance of transactions in securities. Since then, with the surplus on these transactions — increased thanks to the expansion of the market in Belgian Government linear bonds — coming on top of the positive outcome on current account, the basic balance resulted in a considerable net surplus.

Under these conditions, it was possible for the exchange rate policy announced in June 1990 to be pursued without any difficulty. What is more, this public commitment by the authorities strengthened the confidence of operators in the franc. The exchange rate for the latter remained constantly very close to the central rate against the German mark and the short-term interest rate differential in relation to investments in that currency was very rapidly eliminated. The surplus of the basic balance had as its counterpart net outflows of short-term private capital and,

to a considerably smaller extent, repayments of the foreign currency debt of general government and an accumulation of exchange reserves. In this respect the first eight months of 1992 were similar to the two preceding years. In order to ensure the continuance of the net outflows of short-term private capital intended to compensate for the growing surplus of the basic balance, the Bank even, from April onwards, permitted a certain widening of the slightly negative interest rate differential in relation to short-term investments in German marks which had already appeared in 1991. Knowing, however, that the markets, despite a temporary resurgence of inflation in Germany, hardly expected a depreciation of the German mark and that in the absence of such expectations the reaction of capital movements to interest rate differentials could be very sharp, the Bank displayed caution and tolerated only limited interest rate differentials. During this period its action on interest rates was based on the management of money market liquidity. In the summer, the Bank furthermore associated itself with the interest rate increases decided upon by the Bundesbank.

This caution was interpreted by the markets as a sign of firmness in the pursuit of the exchange rate policy. When the EMS crisis broke out, the credibility of this policy was confirmed. Unlike during the periods of strain in the 1980s, the franc, together with the German mark and the Dutch guilder, was among the strong currencies. The surplus of the basic balance was added to by substantial net inflows of short-term private capital. It would have been hazardous to attempt to discourage them by means of a unilateral lowering of interest rates, at the risk of jeopardising the medium-term credibility of the exchange rate policy. The Bank was therefore obliged to undertake substantial purchases in support of other currencies at their limit intervention rates.

The « balance of official settlements » — the sum of the basic balance and of private sector short-term capital transactions — resulted in a net surplus of Fr. 255 billion in 1992, which was used partly to reduce gen-

eral government's foreign currency debt and partly to add to the exchange reserves. Owing to considerations relating to the timetable of maturities, repayments of the public debt in foreign currencies were limited to Fr. 100 billion. The authorities are now in a diametrically opposite situation to that of the years 1978 to 1989, when the Government borrowed the foreign currencies necessary for the interventions which the Bank was obliged to undertake in support of the franc. The reduction in the share of foreign currencies in the public debt will undoubtedly continue in 1993, especially as the international reputation of bonds in francs is at present excellent, as is evidenced by the recent awarding, by one of the main rating agencies, of its best rating to Belgian Government loans denominated in the national currency.

By issuing more securities in Belgian francs on the market in order to obtain from the Bank the foreign currencies necessary for the repayment of debts expressed in these currencies, the Treasury helped to neutralise the repercussion, on the money market, of the interventions on the foreign exchange market. In the absence of « sterilisation » measures of this type, the massive purchases of foreign currencies by the Bank would have provided the financial intermediaries with abundant liquidity holdings in Belgian francs which they could have used for repaying their debts to the Bank or increasing their end-of-day deposits. Owing to the cashing of incomes from the foreign exchange reserves, a displacement effect, on the assets side of the Bank's balance sheet, of claims in francs by assets in foreign currencies had already taken place, account being taken of the stagnation of the note circulation and the non-existence of compulsory monetary reserves. In order to curb this movement the Minister of Finance and the Bank had agreed, before the exchange rate crisis, that the Government would allocate its share of the proceeds from the foreign exchange reserves for repaying the foreign currency debt. The interventions raised the problem on a much larger scale. Their effect on liquidity in Belgian francs had to be neutralised in such a way as to enable the Bank to retain its full control of interest rates.

*It was necessary for this purpose to keep the financial intermediaries « in the Bank » and to retain the possibility of acting on the money market daily by renewing claims in francs on these institutions. As the repayments of government foreign currency debts were not sufficient to counterbalance the effect of the interventions on the foreign exchange market, the Bank withdrew liquidity in Belgian francs from the money market by means of currency swap operations : foreign currencies were thus temporarily put into the market to the extent of Fr. 135 billion. The Bank also reduced the outstanding amount of its claims in francs with relatively long maturities, which are less important for the management of the money market, namely mobilised commercial paper and credits granted by tender.*

*This sterilisation of the liquidity injections connected with the interventions did not prevent the Bank from already easing its interest rate policy in mid-September. As in Germany and the Netherlands, money market interest rates declined rapidly by over 1 p.c., wiping out the slight rise which took place during the first eight months of 1992. A further downward movement took place at the end of the year and the beginning of 1993. On 25th January 1993 the rate for the Bank's allocations of credit by tender was 8.40 p.c., that is, 0.90 p.c. lower than at the beginning of 1992. The rates for the end-of-day facilities were reduced to the same extent. The discount rate and the rate for advances above the ceiling, which have a more symbolic significance, were lowered in several stages, from 8.50 to 7.50 p.c. and from 11.50 to 10 p.c. respectively. Long-term interest rates, for their part, remained below the short-term rates, as in Germany, where this reflects the confidence of the markets in the controlling of*

*inflation. Furthermore, the differential which, for various reasons, such as the fact that bonds in francs are less well known, had continued to exist in relation to the yield rates on long-term investments in German marks, narrowed substantially after the franc had, as has been seen, successfully overcome the foreign exchange crisis ; from December onwards it was less than 0.50 p.c.*

*Interest rates which are among the lowest in Europe are the fruit of the credibility of the exchange rate policy which manifested itself strikingly during the EMS crisis. That confidence is based on the soundness of the Belgian economy, and especially on the competitiveness of its enterprises, as well as on a monetary policy which has never allowed the slightest doubt with regard to the absolute priority of the exchange rate mechanism and which is the subject of a wide consensus. It will perhaps be further strengthened by the amendments to the Bank's Organic Law which the Government, anticipating the requirements of the Treaty on European Union, has submitted to Parliament. According to this bill, the independence of the Bank will be confirmed by the abolition of the right, at present given to the Minister of Finance and the Government Commissioner, to oppose the execution of decisions or operations of the Bank relating to monetary or exchange rate policy ; the financing facilities granted to the Government and the Securities Regulation Fund, which had already been strictly limited at the time of the reform of January 1991, will be abolished. More fundamentally, the maintenance of the credibility of the exchange rate policy requires a development of costs which does not jeopardise the competitive position of enterprises and a management of the public finances which does not disappoint the expectations of the markets.*

## PROSPECTS AND CHALLENGES

*The Belgian economy will have to face three major problems in 1993. It can hardly hope to benefit by any impulses from abroad, because growth is expected to remain very slow in most of the other countries, especially in the European Community. It will have to maintain its position on very slowly growing world markets, while certain data suggest that it is already handicapped by a rise in labour costs which, under the influence of adjustments negotiated outside the collective labour agreements, was faster in 1990 and 1991 than in Belgium's main trading partners. Lastly, it will continue to be subject to the compelling need for a radical rehabilitation of the public finances.*

*The course of the business cycle is a constraint over which a small country such as Belgium has all the less control because the precarious state of its public finances makes it impossible for it to resort to measures for restimulating demand. It is, on the other hand, possible and essential to strengthen the structure of the Belgian economy and safeguard the competitiveness of enterprises. On the one hand, the slackening of activity will inevitably make competition in the various markets even keener, and this will depress prices and make companies very vulnerable to any increase in production costs, especially labour costs. On the other hand, all the indications seem to confirm that the recovery will originate in the United States. That country is not, however, an important customer of the Belgian economy; it will therefore take several months before this revival of growth can have any repercussions, first on the main members of the Community and, somewhat later, on Belgium, which can scarcely hope to speed up this process except by strengthening its competitive position.*

*The last-mentioned condition thus appears vital for safeguarding employment. Financial intervention by the authorities in order to establish a specific framework for job creation or an increase in the staffs of public*

*departments would immediately run up against the budgetary constraints and would not in any way remove the need to defend competitiveness. The promotion of employment must first of all be ensured by moderation of incomes, as a reduction in other labour costs can be envisaged only if it has no repercussion on the public finances. As far as possible, a contribution should also be made by a better distribution of the volume of work available. Be that as it may, it is necessary that the efforts made by management and labour to reach the recent central agreement be continued in the sectors and in the individual enterprises.*

*The Government must, for its part, concentrate on reducing the deficit. The pursuit of this aim is undoubtedly an ungrateful task, but it is essential, because its achievement will determine the very conditions of the future development of the Belgian economy.*

*The Government's convergence plan shows clearly the course to be followed and indicates without the slightest doubt that the efforts must be balanced and must apply to both revenue and expenditure. For the former, measures designed to bring about a structural increase in tax revenue can be supplemented by the realisation of government assets and holdings. The latter is burdened by heavy interest charges, connected with the accumulated debt, which reach, as a percentage of GDP, a level twice as high as in the rest of the Community. This means that other expenditure must be reduced. In order to balance the finances of the social security system, that sector's expenditure must be brought under control without jeopardising the essential nature of a system which forms the basis of the socio-economic consensus in Belgium.*

*The extent of the task which awaits all the participants in economic life must not be allowed to obscure the genuine assets which this country possesses. In particular, thanks*

*to the pursuit of an ambitious exchange rate policy, the authorities have been able to limit the increase in the costs of enterprises as a whole and to achieve the lowest possible interest rates. This aim has in fact been attained in a very agitated international environment, but it remains largely dependent on the maintenance of the competitiveness of the econ-*

*omy and the continuance of the rehabilitation of the public finances. This success, therefore, while undoubtedly an encouragement, is also an incentive to economic stringency.*

*Brussels, 27th January 1993.*





**Board of Directors, from left to right :**

R. Reynders, Director ; JJ. Rey, Director ; W. Fraeys, Vice-Governor ; A. Verplaetse, Governor ;  
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**Regents and Government Commissioner :**

*Seated, from left to right :*

Regents : F. Janssens ; A. Frère ; R. Ramaekers ; A. Devogel ; R. Van Aerschot.

*Standing, from left to right :*

G. Brouhns, Government Commissioner. Regents : E. Wymeersch, Ph. Wilmès, W. Peirens, T. Vandeputte, N. Devisch.



## LIST OF ABBREVIATIONS

BBA	Belgian Bankers' Association
BELFOX	Belgian Futures and Options Exchange
BIBOR	Brussels Inter Bank Offered Rate
BIS	Bank for International Settlements
BLEU	Belgian-Luxembourg Economic Union
BNRC	Belgian National Railways Company
CIS	Commonwealth of Independent States
COMECON	Council for Mutual Economic Assistance
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECOFIN	Council of Ministers for Economic Affairs and Finance
EEA	European Economic Area
EFTA	European Free Trade Association
EMCF	European Monetary Co-operation Fund
EMS	European Monetary System
EMU	Economic and Monetary Union
ESA	European System of Integrated Economic Accounts
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNP	Gross national product
GSPF	General Savings and Pensions Fund
IMF	International Monetary Fund
MEA	Ministry of Economic Affairs
NBB	National Bank of Belgium
NEMO	National Employment Office
NICC	National Industrial Credit Company
NSDII	National Sickness and Disability Insurance Institute
NSI	National Statistical Institute
OECD	Organisation for Economic Co-operation and Development
OLO	Linear bonds
OPEC	Organisation of Petroleum Exporting Countries
PCI	Public credit institutions
PHARE	Poland-Hungary : Assistance for the reconstruction of Central and Eastern Europe
RGI	Rediscount and Guarantee Institute
SDR	Special Drawing Rights
SICAV	Société d'investissement à capital variable (variable-capital investment company)
TACIS	Technical Assistance to the Commonwealth of Independent States
UCITS	Undertakings for collective investment in securities
USSR	Union of Soviet Socialist Republics
VAT	Value added tax



# **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 1992 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 marked by the sign « e ». They represent mere orders of magnitude intended to demonstrate more clearly the major trends which already seem to be emerging.

The latest official national accounts published by the National Statistical Institute (NSI), which cover the period 1980-1991, are compiled in accordance with the definitions of the European System of Integrated Economic Accounts (ESA). The object of the use of harmonised concepts is to make it possible, among other things, to verify fulfilment of the convergence criteria laid down by the Treaty of Maastricht on statistical bases which are comparable for the various countries of the EC. The data of the Report therefore also comply with the ESA definitions. This change in methodology has very little effect on the year-to-year variations in the various items of the national accounts. On the other hand, the elimination of certain imputations involved in the formation of the gross domestic product (GDP) and the gross national product (GNP) compiled according to the old methodology had the effect of lowering the level of these by about 2.5 p.c., or, for 1991, about Fr. 175 billion.

In the Report certain economic magnitudes are traditionally published as percentages of GNP. This is the case for the year under review, too. As, however, in the Treaty of Maastricht, the budget deficit and the public debt which will be taken into account in order to verify whether the budgetary discipline has been respected are expressed as percentages of GDP, this same concept of GDP as the denominator for the calculation of the percentages was adopted in the chapter on public finance. In Belgium, GDP is greater than GNP, but the difference has decreased considerably during the last two years; in 1992 it amounted to only about Fr. 25 billion.

With the same aim of conforming with the methodology adopted for the application of the convergence criteria defined in the Treaty of Maastricht, but also in order to come into line with the concepts currently employed in several other countries, use was made in the present Report, for the first time, of the concept of « harmonised » debt instead of that of public debt which has been used hitherto. The main differences between these two concepts are mentioned in section 4.3 concerning public finance.

Since 1977 the Bank has published, every month, two indices of the average exchange rate for the Belgian franc, the one weighted by coefficients based on the structure of the BLEU's exports and the other by coefficients based on the structure of its imports. The only currencies individually taken into account for these calculations are those for which the Bank publishes indicative rates or which belong to countries whose trade with the BLEU represents at least 0.5 p.c. of the latter's imports or exports. Owing to the importance of products such as copper

and diamonds in the BLEU's imports, the currencies of Zaire, India and Israel are included in the calculation of the indices of the weighted average exchange rate for the Belgian franc. These currencies in fact sometimes fluctuate very considerably without these fluctuations having any effect at all on the price, in Belgian francs, of products imported from or exported to these countries. In 1992 these exchange rate variations reached unprecedented proportions in the case of one of these countries, Zaire, the Belgian franc having appreciated by about 4,250 p.c. against that country's currency. These developments prompted a revision of the basket of currencies involved in the calculation of the weighted average exchange rates and the elimination of the aforementioned three currencies from it not only for 1992 but also, in order to maintain the consistency of the statistical series, for the preceding years.

### 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
e	estimate by the Bank
Germany	data concerning West Germany until 1990 and the whole of Germany after that
Germany °	data concerning West Germany until 1991 and the whole of Germany after that. The percentage changes in 1992 are calculated on the basis of comparable data for the previous year
Germany °°	data concerning West Germany for the whole period.



## 1. INTERNATIONAL ENVIRONMENT

### 1.1 GROWTH, EMPLOYMENT AND PRICES

After having been very weak the previous year, the economic growth of the industrialised countries hardly recovered in 1992 : in the area of the OECD countries the rate of increase of GDP rose from 0.8 to 1.5 p.c. This slight recovery in activity was not sufficient to prevent a worsening of unemployment, but the slackening of the rise in costs and prices continued.

#### *Origins of growth*

In 1992 demand from the rest of the world for the goods and services of the OECD countries did not generate growth; in particular, the imports of the OPEC countries

showed hardly any further increase, and those of the dynamic Asian economies rose less fast than during the preceding years. As, at the same time, the imports of the OECD countries recovered, the balance of trade in goods and services made no contribution to the area's growth.

The primary characteristic of the past year was once more the lack of dynamism of domestic demand, the expansion in which fell short of its long-term trend. A distinction can, however, be made from this point of view between two groups of countries which remain cyclically out of phase with each other.

In the first, which consists of the United States, various other non-European countries and the United Kingdom, the cyclical slow-

TABLE 1 — EXPENDITURE

(Percentage contributions to the change in GDP at constant prices)

	GDP		External balance		Domestic demand		Of which :			
							Private consumption		Private investment	
	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992
United States .....	-1.2	1.8	0.6	-0.4	-1.8	2.2	-0.4	1.4	-1.6	0.9
Japan .....	4.4	1.8	1.4	0.6	2.9	1.2	1.5	1.2	0.8	-0.8
Germany ° .....	3.7	1.4	0.6	-1.0	3.1	2.1	2.1	0.8	0.9	0.7
France .....	1.2	1.9	0.1	0.9	1.0	1.1	0.9	1.0	-0.6	-0.4
United Kingdom .....	-2.2	-1.0	1.1	-1.0	-3.4	0.1	-1.4	-0.2	-2.3	-0.0
Italy .....	1.4	1.2	-1.0	-0.8	2.4	1.9	1.8	1.3	0.0	0.4
Netherlands .....	2.1	1.4	0.3	0.4	1.7	1.0	1.9	1.0	-0.3	0.1
Belgium .....	1.9	0.8	0.3	-1.0	1.6	1.8	1.7	1.5	-0.3	0.2
Other EC countries .....	2.1	1.5	-0.1	0.1	2.3	1.6	1.7	1.6	0.3	-0.4
Total EC .....	1.5	1.1	0.4	-0.4	1.3	1.5	1.1	0.9	-0.2	0.2
EFTA <sup>1</sup> .....	-0.5	...	1.0	1.4	-1.4	-1.3	0.4	-0.3	-2.2	-1.2
Other OECD countries <sup>2</sup> .....	-1.4	2.0	0.8	0.3	-1.8	1.8	-0.3	1.4	-2.0	...
Total OECD .....	0.8	1.5	0.9	...	-0.1	1.4	0.6	1.0	-1.0	0.3

Sources : OECD, NBB.

<sup>1</sup> Finland, Iceland, Norway, Austria, Sweden, Switzerland and Liechtenstein.

<sup>2</sup> Australia, Canada, New Zealand and Turkey.

down which started in 1989 or 1990 subsequently changed into a recession of which the bottom, in some cases not reached until the first half of 1992, was not followed by the clear-cut recovery expected by a fair number of observers. Over the year 1992 as a whole, the growth in domestic demand in this group remained weak, indeed close to zero in the United Kingdom.

In the second group, which consists of Japan, Germany and most of the countries of continental Europe, where growth had not generally begun to slacken until 1991, the cyclical slowdown became even more marked during the year under review.

In Germany it stemmed from the ending of the stimulating effect exerted by the process of reunification of the country, supported by a strongly expansionary budget policy. The slowing-down of the expansion in household expenditure coupled with losses of export market shares explains why growth was very modest in 1992 and why it weakened during the year, at least in the former West Germany.

In the other continental European countries, where external demand is greatly dependent on exports to Germany, the slackening of growth in 1992 was attributable both to these exports and to domestic expenditure. In the context of a rehabilitation of the public finances over a period of several years, necessary both for domestic economic reasons and in order to comply with the convergence criteria imposed by the Treaty of Maastricht, this slowdown was not countered by budgetary measures.

In some countries, including the United States, the United Kingdom and Japan, the severity of the cyclical decline and, in some cases, the slowness of the recovery are partly attributable to a rise in the savings ratio of the private sector as a reaction to the fall in the price of its assets and the increase in its debt burden.

The long period of expansion of the 1980s in those countries had in fact been coupled with an increase, varying in extent

from country to country, in the debt ratio and burden of both households and enterprises. It had also been accompanied, in some cases, by sharp rises in the prices of shares or real estate. These gains had far exceeded those generally observable during the upward phases of the business cycle; they are probably due to the ill-controlled effects of financial liberalisation, especially where the regulations previously in force preserved a segmentation of the financial markets.

When activity began to fall off, the movement of the prices of assets reversed, often suddenly. In conjunction with the slowdown in the expansion of incomes, this reduction in the value of assets caused the levels of indebtedness reached at the end of the preceding decade to appear excessive. The adjustments brought about by this realisation took the form of an increase in the savings ratio of households and a reduction in the debt ratio of enterprises. In turn they accentuated the curbing of expenditure on consumption — chiefly in the United Kingdom — and on capital investment — chiefly in Japan. Their effect on the debt ratio and burden already made itself felt in 1991 and became more marked during the year under review. In the United States, however, the adjustment process would appear to have almost come to an end.

The structural reforms undertaken in the countries of Central and Eastern Europe, as well as the collapse of trade between the ex-COMECON countries, continued to be reflected almost everywhere in a reduction in activity.

The latter would however appear to have almost stabilised in Hungary, where the transformation of the economic structures had already been gradually embarked upon a long time ago. In most of the other countries of that region the fall in production appears to have continued, but at a slower rate than in the previous year. It appears to have still been fairly rapid in Romania and Bulgaria, where the reforms were introduced more recently and under more difficult conditions, but seems to have been appreciably slower in Po-

land and in the Federation of the Czech and Slovak Republics.

The case of the ex-USSR is the most difficult. Most of the independent States which resulted from its break-up did not go far enough in the stabilisation of their economies and only partly carried out the structural reforms aimed at introducing a market economy. Furthermore, no new stable system of trading between the new States has yet been established, and the volume of their trade may have contracted considerably. Overall, the drop in production in the Commonwealth of Independent States (CIS) would appear to have been very considerable, greater even than in the previous year.

**Employment and unemployment**

Except for Japan, practically none of the OECD countries was able to avoid a worsening of unemployment, as economic growth

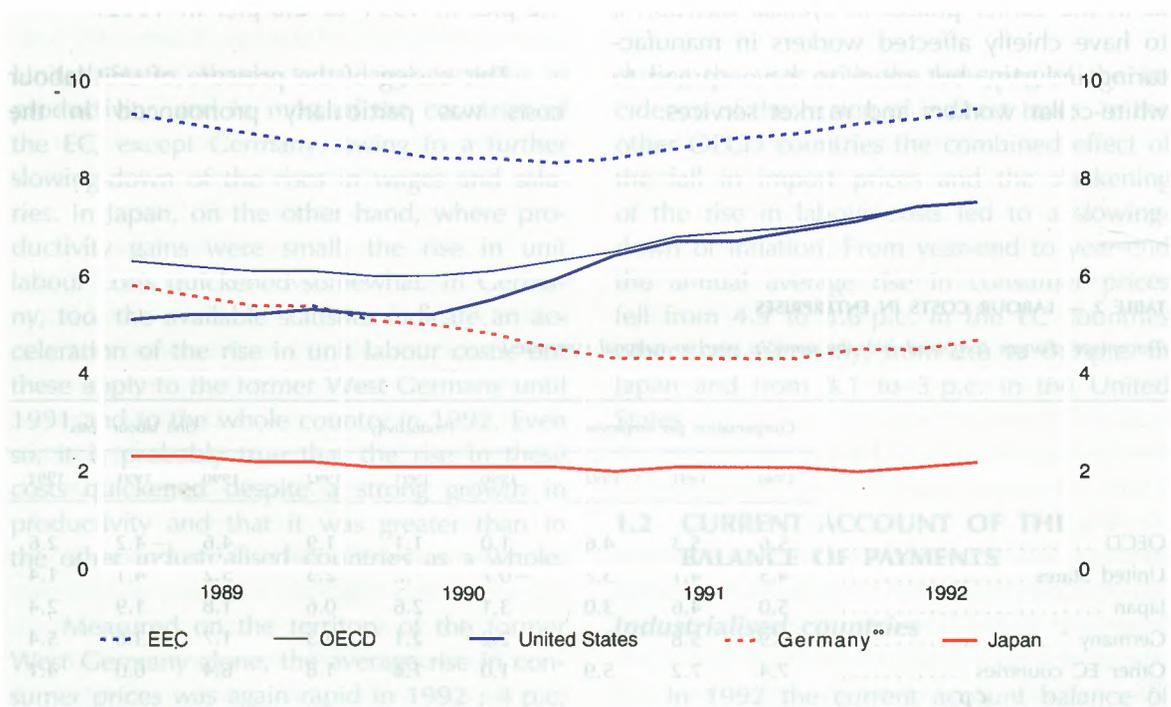
nowhere reached the threshold which would have made it possible, depending on the case in question, to create sufficient new jobs to absorb the increase in the labour force, or merely to keep the number of persons employed at the same level.

In the United States the increase in employment brought about by the recovery amounted to only 0.6 p.c., falling short of the very sharp expansion in the labour force, so that the unemployment rate rose from 6.7 p.c. in 1991 tot 7.4 p.c. in 1992.

In the European Community the situation deteriorated markedly. In most countries workforces had to be reduced and in the others, more often than not, they increased only very slightly. Thus, despite a slight decline in the labour force, unemployment rose substantially. There was a considerable reduction in the volume of employment in Germany, mainly owing to the restructuring of the production apparatus in the eastern Lander; its incidence on the number of unem-

CHART 1 — UNEMPLOYMENT RATES

(Percentages of the labour force)



Source : OECD.

ployed was, however, lessened by the pronounced contraction in the labour force, partly due to the large number of early retirements which accompanied that restructuring. But it was in the United Kingdom that unemployment increased most, thus accentuating a movement which had been in progress since the cyclical peak of 1989.

Japan's unemployment rate hardly increased at all, remaining, despite the slackening of economic growth, the lowest among the major OECD countries. The rise in activity remained sufficient to allow the volume of employment to expand by 1.1 p.c. and to stabilise unemployment in a context of great flexibility of the labour market, where the movement of the — especially female — labour force tends to be governed by the state of the labour market. Thus in 1992 the labour force increased by only 1.2 p.c., or hardly any more than employment, whereas it had risen by 1.9 p.c. the previous year.

According to incomplete indications, the cyclical worsenings of the labour market in the industrialised countries would appear to be affecting an ever-widening range of activities and categories of workers. Thus, during the recent period, job losses do not appear, as in the earlier phases of cyclical slowdown, to have chiefly affected workers in manufacturing industry, but seem to have spread to white-collar workers and market services.

### Costs and prices

The index of dollar prices of energy products rose somewhat during the year, especially in the second quarter. In December it reached a level slightly higher than the very low figure for December 1991. The rise in its annual average amounted to only 1 p.c. The prices of the other raw materials continued, as a whole, the slow downward movement which began at the end of 1990. The decline in the overall index of the prices of raw materials and basic products, expressed in dollars and calculated as an annual average, was slight.

For the second year in succession the import prices of the industrialised countries, expressed in national currencies, fell. For the OECD as a whole the decline amounted to 0.8 p.c. in 1992. It benefited practically all the countries, but was most pronounced in Japan, partly owing to the appreciation of the weighted average exchange rate for the yen.

This fall in import prices was accompanied by a smaller rise in labour costs, due both to a slowing-down of the increase in compensation per employee and to larger productivity gains. For the OECD as a whole the rise in unit labour costs thus slackened from 4.2 p.c. in 1991 to 2.6 p.c. in 1992.

This easing of the pressure of unit labour costs was particularly pronounced in the

TABLE 2 — LABOUR COSTS IN ENTERPRISES

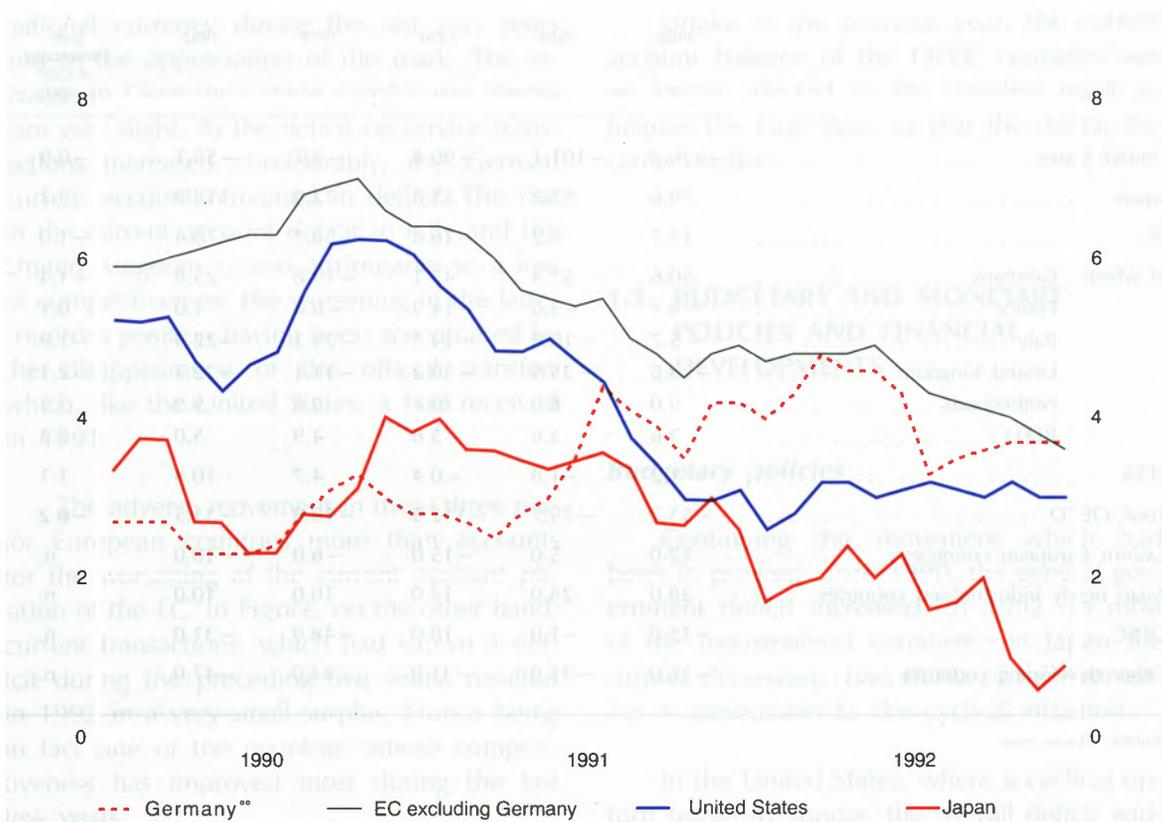
(Percentage changes compared with the previous year, in national currencies)

	Compensation per employee			Productivity			Unit labour costs		
	1990	1991	1992	1990	1991	1992	1990	1991	1992
OECD .....	5.6	5.3	4.6	1.0	1.1	1.9	4.6	4.2	2.6
United States .....	4.5	4.1	3.7	-0.7	...	2.3	5.2	4.1	1.4
Japan .....	5.0	4.6	3.0	3.1	2.6	0.6	1.8	1.9	2.4
Germany ° .....	3.9	5.8	8.9	2.2	2.1	3.3	1.7	3.6	5.4
Other EC countries .....	7.4	7.2	5.9	1.0	1.1	1.8	6.4	6.0	4.1

Sources : OECD, NBB.

CHART 2 — CONSUMER PRICES

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



Source : EC.

United States, thanks to a large increase in productivity, and in most of the countries of the EC, except Germany, owing to a further slowing-down of the rises in wages and salaries. In Japan, on the other hand, where productivity gains were small, the rise in unit labour costs quickened somewhat. In Germany, too, the available statistics indicate an acceleration of the rise in unit labour costs, but these apply to the former West Germany until 1991 and to the whole country in 1992. Even so, it is probably true that the rise in these costs quickened despite a strong growth in productivity and that it was greater than in the other industrialised countries as a whole.

Measured on the territory of the former West Germany alone, the average rise in consumer prices was again rapid in 1992 : 4 p.c. against 3.5 p.c. in 1991, but it slowed down

during the year with the lessening of the incidence of the raising of indirect taxes. In the other OECD countries the combined effect of the fall in import prices and the slackening of the rise in labour costs led to a slowing-down of inflation. From year-end to year-end the annual average rise in consumer prices fell from 4.9 to 3.6 p.c. in the EC countries other than Germany, from 2.6 to 0.9 p.c. in Japan and from 3.1 to 3 p.c. in the United States.

## 1.2 CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS

### *Industrialised countries*

In 1992 the current account balance of the OECD countries as a whole remained very

TABLE 3 — BALANCE OF CURRENT TRANSACTIONS OF THE MAIN REGIONS OF THE WORLD

(Billions of US dollars)

	1988	1989	1990	1991	1992	p.m. Percentages of GDP in 1992
United States .....	-126.7	-101.1	-90.4	-3.7	-56.1	-0.9
Japan .....	79.6	57.2	35.8	72.9	118.9	3.2
EC .....	13.7	3.2	-16.8	-58.7	-70.4	-1.0
of which : Germany .....	50.6	57.4	47.1	-19.8	-25.8	-1.4
France .....	-4.7	-5.6	-14.9	-6.6	1.0	0.1
Italy .....	-5.7	-10.8	-14.7	-21.1	-22.9	-1.9
United Kingdom .....	-28.8	-35.5	-30.2	-11.1	-22.3	-2.1
Netherlands .....	5.0	8.0	10.4	9.6	9.9	3.1
BLEU .....	3.6	3.6	3.6	4.9	5.0	2.3
EFTA .....	1.2	-1.8	-0.4	4.7	10.8	1.1
Total OECD .....	-53.7	-79.7	-112.5	-19.9	-31.5	-0.2
Eastern European countries .....	12.0	5.0	-15.0	-6.0	-10.0	n.
Asian newly industrialised countries .....	28.0	24.0	14.0	10.0	10.0	n.
OPEC .....	-15.0	-1.0	18.0	-48.0	-31.0	n.
Other developing countries .....	-26.0	-35.0	-31.0	-44.0	-47.0	n.

Sources : OECD, NBB.

slightly in deficit, but the disequilibria within the area increased : the American deficit reappeared and Japan's surplus expanded; the EC's current account deficit rose a little further.

The fact that the equilibrium of the current account of the United States had been practically restored in 1991 was largely attributable to the payments made by some allied countries in order to finance the cost of the Gulf War. The disappearance of these exceptional receipts was coupled in 1992 with a larger deficit in respect of transactions in goods. This deficit was solely a reflection of movements in volume, since the terms of trade improved, as in all the industrialised countries. Thanks to the depreciation of the dollar in the course of 1990 and 1991, the international competitiveness of the United States did in fact improve, but the repercussion of this on the balance of trade was more than counterbalanced by the influence of a faster increase in domestic demand than else-

where, causing the volume of imports to grow much more than that of exports. The American current account deficit therefore reappeared; although substantial, it was still, both in billions of dollars and as a percentage of GDP, much smaller than in 1990 — that is, just before the outbreak of the Gulf War — and, a fortiori, than in the preceding years.

The expansion in the Japanese current account surplus was due not only to the decrease in the deficit in respect of official transfers — the counterpart to the movement observed in the United States — but also and above all to a further rise in the trade surplus. The degree of coverage of imports by exports in terms of volume hardly increased at all, but Japan's terms of trade improved very substantially owing to the fall in import prices expressed in yens.

The terms of trade improved in Germany, too, in the year under review, albeit to a smaller extent than in Japan. The effect of

this on the balance of trade was, however, partly neutralised by a loss of competitiveness due both to the rise in unit labour costs in national currency during the last two years and to the appreciation of the mark. The increase in Germany's trade surplus was therefore very slight. As the deficit on service transactions increased considerably, the German current account remained in deficit. The rise in the current account deficit in Italy and the United Kingdom is also attributable to a loss of competitiveness, the worsening in the latter country's position having been accentuated by the disappearance of the official transfers which, like the United States, it had received in 1991.

The adverse movement in these three major European countries more than accounts for the worsening of the current account position of the EC. In France, on the other hand, current transactions, which had shown a deficit during the preceding five years, resulted in 1992 in a very small surplus, France being in fact one of the countries whose competitiveness has improved most during the last few years.

### ***Other countries***

The deficit in respect of the current transactions of the Central and Eastern European countries increased further in 1992 owing to the combined influence of their heavier interest burdens and a worsening of their balance of trade. The exports of these countries to the ex-COMECON market in fact continued to contract, although more slowly than in the previous year. That loss was however partly offset, at least if the former Soviet Union is disregarded, by further gains on the markets of the OECD, especially in the case of those Eastern European countries where the process of reform has made the most progress.

The decline in the surplus on current transactions achieved by the Asian newly industrialised countries did not continue in 1992. The increase in their imports slowed down at the same time as their economic growth, and more than that in their exports,

which continued to benefit from the vigorous expansion of the Chinese economy.

Unlike in the previous year, the current account balance of the OPEC countries was no longer affected by the transfers made to finance the Gulf War, so that the deficit became smaller.

## **1.3 BUDGETARY AND MONETARY POLICIES AND FINANCIAL DEVELOPMENTS**

### ***Budgetary policies***

Continuing the movement which had been in progress since 1990, the general government deficit increased, in 1992, in most of the industrialised countries; in Japan the surplus decreased. Two thirds of this worsening is attributable to the cyclical situation.

In the United States, where a cyclical upturn began to appear, the overall deficit widened despite the reduction in interest burdens. The influence exerted on that deficit by the reduction in military expenditure and the suspension of payments due to the difficulties encountered by savings and loan institutions was more than counterbalanced by that of the increase in expenditure on health care and the reductions in revenue from capital gains.

Among the major European countries, the United Kingdom saw the greatest deterioration in the public finances : this was due not only to cyclical influences but also to tax reliefs.

In Germany, on the other hand, budgetary policy was aimed at restoring a sounder situation after the swelling of the deficit which took place in 1990 and 1991 in order to finance reunification. A similar policy was pursued in most of the other Community countries which do not yet satisfy the criterion of the Treaty of Maastricht with regard to public finances. Often, however, the effects of the discretionary policy were not sufficient to

TABLE 4 — NET FINANCING CAPACITY OR REQUIREMENT OF GENERAL GOVERNMENT

(Percentages of GDP)

	1987	1988	1989	1990	1991	1992
United States .....	-2.5	-2.0	-1.5	-2.5	-3.4	-4.7
Japan .....	0.5	1.5	2.5	3.0	2.4	1.3
Germany .....	-1.9	-2.2	0.2	-2.0	-3.2	-3.2
France .....	-1.9	-1.7	-1.1	-1.4	-2.2	-2.8
Italy .....	-11.0	-10.7	-9.8	-10.9	-10.2	-11.1
United Kingdom .....	-1.3	1.0	0.9	-1.3	-2.8	-6.6
Netherlands .....	-6.5	-5.1	-5.1	-5.3	-2.6	-3.8
Belgium .....	-7.5	-6.8	-6.7	-5.8	-6.7	-6.9
Other EC countries <sup>1</sup> .....	-3.4	-3.6	-3.5	-4.7	-5.2	-4.9
EC .....	-4.0	-3.5	-2.6	-3.9	-4.5	-5.3
EFTA <sup>2</sup> .....	1.0	1.2	2.1	1.6	-2.3	-5.6
Other OECD countries <sup>3</sup> .....	-2.5	-1.2	-1.5	-2.4	-4.9	-5.5
Total OECD .....	-2.3	-1.7	-1.0	-1.8	-2.7	-3.8

Sources : OECD, NBB.

<sup>1</sup> Denmark, Greece, Ireland, Portugal, Spain and Luxembourg.<sup>2</sup> Austria, Finland, Norway and Sweden. The data for the other EFTA countries, including Switzerland, are insufficient.<sup>3</sup> Canada and Australia.

counterbalance those of the slackening of growth and the heavier interest burden.

### **Monetary and exchange rate policies**

In the United States the deterioration of the public finances did not prevent the monetary authorities from further lowering short-term interest rates. In view of the continuing easing of inflationary pressures and the slowness of the recovery, the Federal Reserve's main aim was to support the latter. The interest rate on three-month Euro-dollar investments was thus reduced to 3.6 p.c. in December, against 4.6 p.c. at the end of 1991 and a peak of 10.4 p.c. reached in March 1989.

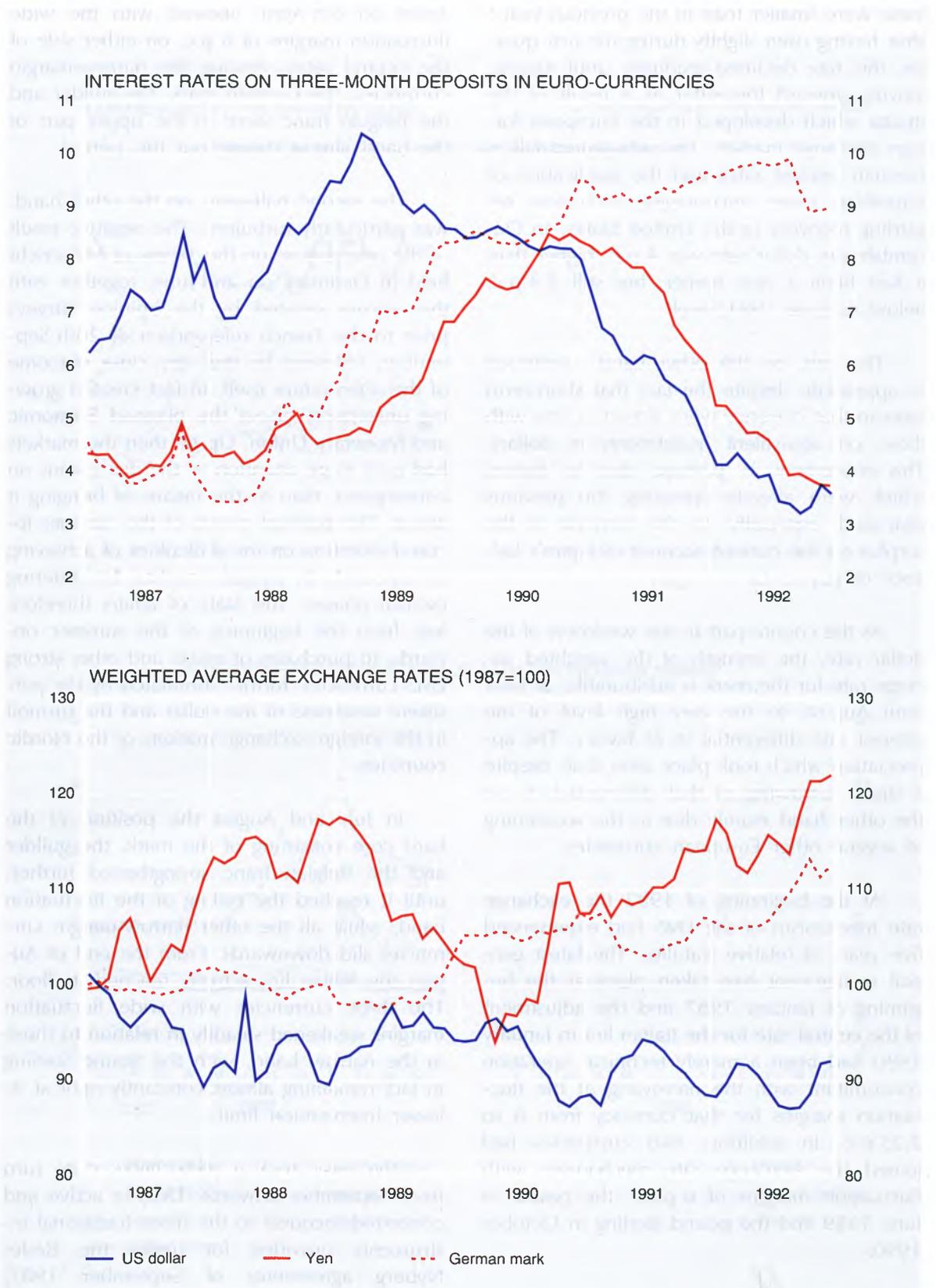
The economic and monetary context in which Japanese monetary policy was pursued is fairly similar to that in the United States, because it was the slowdown of activity, together with the low inflation, that induced the authorities to continue lowering short-term

rates. The interest rate on three-month deposits in Euro-yens thus fell from 6.1 p.c. in December 1991 to 3.7 p.c. in December 1992.

In Germany, wage claims had been encouraged by the strong demand stimulated by the widening of the budget deficit due to the unification process. In view of the inflationary pressures, the Bundesbank's policy had been to maintain high interest rates on the money market. This orientation was confirmed and even accentuated during the first eight months of last year. Money market interest rates only began to decline towards mid-September, after the first realignments of exchange rates in the European Monetary System. From year-end to year-end the rates on three-month investments in Euro-marks fell from 9.7 to 9 p.c.

The large short-term differential between the interest rate on investments in marks, on the one hand, and in dollars, on the other, led to a continuance of the weakness of the dollar on the foreign exchange market. The

CHART 3 — SHORT-TERM INTEREST RATES AND EXCHANGE RATES



Sources : NBB, OECD.

weighted average exchange rate for that currency continued to show fluctuations, but these were smaller than in the previous year : after having risen slightly during the first quarter, this rate declined gradually until August, moving upward thereafter as a result of the strains which developed in the European foreign exchange markets, the subsequent fall in German interest rates and the publication of somewhat more encouraging indicators regarding recovery in the United States. In December the dollar rate was 4 p.c. higher than it had been a year earlier, but still 2.4 p.c. below its June 1991 level.

The yen, on the other hand, continued to appreciate despite the fact that short-term rates in that currency were almost in line with those on equivalent investments in dollars. This movement is perhaps due to factors which were already operating the previous year and, especially, to the increase in the surplus on the current account of Japan's balance of payments.

As the counterpart to the weakness of the dollar rate, the strength of the weighted average rate for the mark is attributable, at least until August, to the very high level of the interest rate differential in its favour. The appreciation which took place after that, despite a slight narrowing of that differential, is on the other hand mainly due to the weakening of several other European currencies.

At the beginning of 1992 the exchange rate mechanism of the EMS had experienced five years of relative stability. The latest general realignment had taken place at the beginning of January 1987 and the adjustment of the central rate for the Italian lira in January 1990 had been a merely technical operation concomitant with the narrowing of the fluctuation margins for that currency from 6 to 2.25 p.c. In addition, two currencies had joined the exchange rate mechanism, with fluctuation margins of 6 p.c. : the peseta in June 1989 and the pound sterling in October 1990.

During the first half of the year under review this tendency continued : it was a rel-

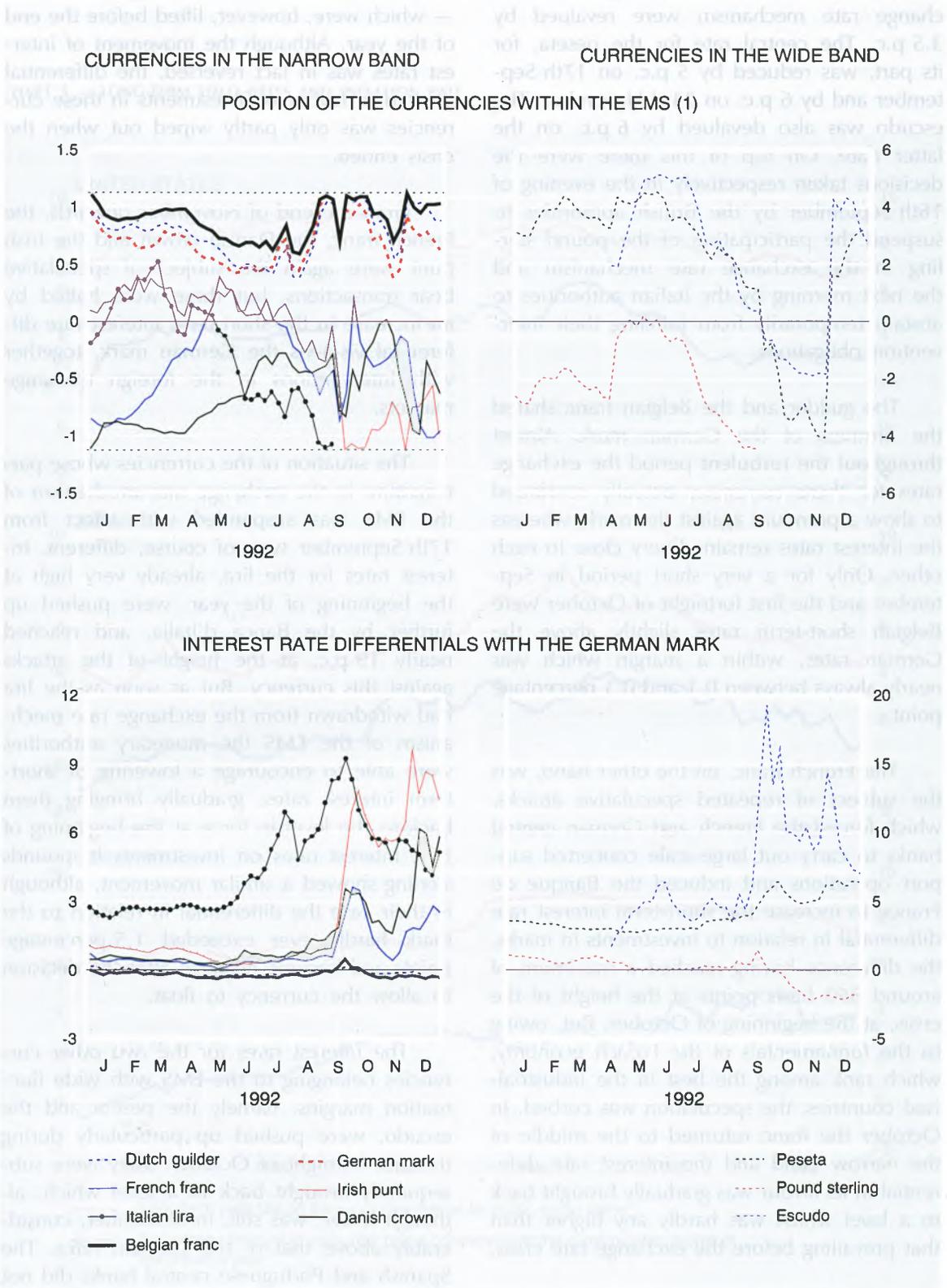
atively calm period, and a further currency, the escudo, joined the exchange rate mechanism on 6th April, likewise with the wide fluctuation margins of 6 p.c. on either side of the central rates. Among the narrow-margin currencies, the German mark, the guilder and the Belgian franc were in the upper part of the band almost throughout this period.

The second half-year, on the other hand, was particularly turbulent. The negative result of the referendum on the Treaty of Maastricht held in Denmark on 2nd June, together with the worries created by the opinion surveys prior to the French referendum of 20th September, followed by the very close outcome of the referendum itself, in fact created growing uncertainty about the planned Economic and Monetary Union. Up till then the markets had paid more attention to the discussions on convergence than to the means of bringing it about. The political events of the summer focused attention on the difficulties of achieving it, especially in periods marked by differing cyclical phases. This state of affairs therefore led, from the beginning of the summer onwards, to purchases of marks and other strong EMS currencies, further stimulated by the persistent weakness of the dollar and the turmoil in the foreign exchange markets of the Nordic countries.

In July and August the position of the hard core consisting of the mark, the guilder and the Belgian franc strengthened further, until it reached the ceiling of the fluctuation band, while all the other narrow-margin currencies slid downwards. From the end of August the Italian lira actually reached its floor. The three currencies with wide fluctuation margins weakened steadily in relation to those in the narrow band, with the pound sterling in fact remaining almost constantly right at its lower intervention limit.

The crisis took a particularly acute turn from September onwards. Despite active and concerted recourse to the three traditional instruments provided for under the Basle-Nyborg agreements of September 1987, namely fluctuations of exchange rates within the margins, the changing of interest rates and

CHART 4 — POSITIONS OF THE CURRENCIES WITHIN THE EMS EXCHANGE RATE MECHANISM AND THREE-MONTH INTEREST RATE DIFFERENTIAL WITH THE EURO-GERMAN MARK



Sources : BIS, NBB.

<sup>1</sup> Differential between two currencies = |(exchange rate/central rate) - 1| × 100.

interventions, it was not possible to avoid several realignments. On 14th September the Italian lira was devalued by 3.5 p.c., while the other currencies participating in the exchange rate mechanism were revalued by 3.5 p.c. The central rate for the peseta, for its part, was reduced by 5 p.c. on 17th September and by 6 p.c. on 23rd November. The escudo was also devalued by 6 p.c. on the latter date. On top of this there were the decisions taken respectively in the evening of 16th September by the British authorities to suspend the participation of the pound sterling in the exchange rate mechanism and the next morning by the Italian authorities to abstain temporarily from fulfilling their intervention obligations.

The guilder and the Belgian franc shared the firmness of the German mark. Almost throughout the turbulent period the exchange rates for these currencies actually continued to show a premium against the mark, whereas the interest rates remained very close to each other. Only for a very short period in September and the first fortnight of October were Belgian short-term rates slightly above the German rates, within a margin which was nearly always between 0.1 and 0.3 percentage point.

The French franc, on the other hand, was the subject of repeated speculative attacks, which forced the French and German central banks to carry out large-scale concerted support operations and induced the Banque de France to increase the short-term interest rate differential in relation to investments in marks, the difference having reached a maximum of around 350 basis points at the height of the crisis, at the beginning of October. But, owing to the fundamentals of the French economy, which rank among the best in the industrialised countries, the speculation was curbed. In October the franc returned to the middle of the narrow band and the interest rate differential in its favour was gradually brought back to a level which was hardly any higher than that prevailing before the exchange rate crisis.

Similarly, the Danish crown and the Irish punt were not only held within their fluctua-

tion limits but also approached the middle of the narrow band, chiefly owing to the interventions, a raising of their interest rates and, in the case of Ireland, exchange restrictions — which were, however, lifted before the end of the year. Although the movement of interest rates was in fact reversed, the differential created in favour of investments in these currencies was only partly wiped out when the crisis ended.

From the end of November onwards, the French franc, the Danish crown and the Irish punt were again the subject of speculative bear transactions, but these were halted by an increase in the short-term interest rate differential vis-à-vis the German mark, together with interventions in the foreign exchange markets.

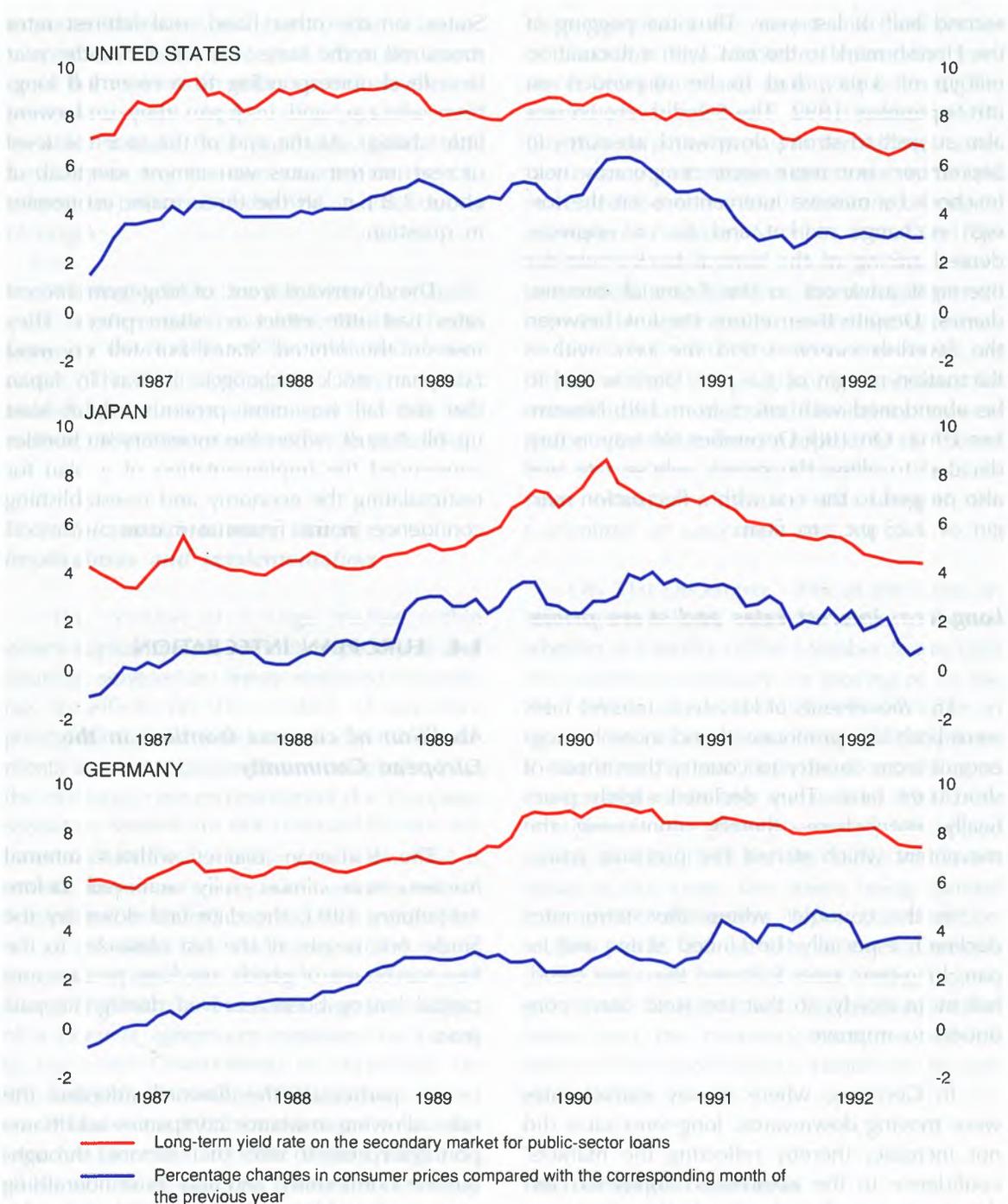
The situation of the currencies whose participation in the exchange rate mechanism of the EMS was suspended with effect from 17th September was, of course, different. Interest rates for the lira, already very high at the beginning of the year, were pushed up further by the Banca d'Italia, and reached nearly 19 p.c. at the height of the attacks against this currency. But as soon as the lira had withdrawn from the exchange rate mechanism of the EMS the monetary authorities were able to encourage a lowering of short-term interest rates, gradually bringing them back to the level in force at the beginning of July. Interest rates on investments in pounds sterling showed a similar movement, although in their case the differential in relation to the mark hardly ever exceeded 1.5 percentage points and became negative after the decision to allow the currency to float.

The interest rates for the two other currencies belonging to the EMS with wide fluctuation margins, namely the peseta and the escudo, were pushed up particularly during the first fortnight of October. They were subsequently brought back to a level which, although lower, was still, in November, considerably above that of the German rates. The Spanish and Portuguese central banks did not in fact confine themselves to the arsenal of traditional instruments but also resorted to

measures aimed at restricting capital movements. On 23rd September the Banco de España, among other measures, modified, for this purpose, the existing system of compul-

sory reserves and introduced, for all credit institutions, a rule requiring them to form with it a non-interest-bearing deposit equivalent to the whole of the increase in their foreign cur-

CHART 5 — LONG-TERM YIELD RATES AND INFLATION RATE



Sources : NBB, EC.

rency position. The next day the Banco de Portugal lowered the ceilings for borrowings on the Euro-escudo market. All these restrictions were, however, lifted before the end of the year.

Some currencies of non-EC countries, unilaterally pegged to the ecu, were also the subject of intense bear speculation during the second half of last year. Thus the pegging of the Finnish mark to the ecu, with a fluctuation margin of 3 p.c., had to be suspended on 8th September 1992. The Swedish crown was also subject to strong downward pressures in September, but these were temporarily held in check by massive interventions on the foreign exchange market and by an unprecedented raising of the central bank's rate for overnight advances to the financial intermediaries. Despite these efforts the link between the Swedish currency and the ecu, with a fluctuation margin of 1.5 p.c., likewise had to be abandoned with effect from 19th November 1992. On 10th December Norway in turn decided to allow the crown, whose rate was also pegged to the ecu with a fluctuation margin of 2.25 p.c., to float.

### ***Long-term interest rates and share prices***

The movements of long-term interest rates were both less pronounced and more homogeneous from country to country than those of short-term rates. They declined slightly practically everywhere, thereby continuing the movement which started the previous year.

In the countries where short-term rates declined, especially the United States and Japan, long-term rates followed the same trend, but more slowly, so that the yield curve continued to improve.

In Germany, where money market rates were moving downwards, long-term rates did not increase, thereby reflecting the markets' confidence in the authorities' ability to curb the price rise. But the level of real interest rates in Germany, an approximate idea of which is given by the differential between the

nominal interest rate and the current inflation rate, remained high, at least if account is taken of the general economic situation in Germany. This is even more true in the other European countries forming part of the exchange rate mechanism of the EMS, because their long-term rates remained somewhat above the German rates, whereas their inflation was in some cases lower. In the United States, on the other hand, real interest rates measured in the same way fell during the year to a level corresponding to a recorded long-term average, and in Japan they underwent little change. At the end of the year the level of real interest rates was almost identical, at about 3.8 p.c., in the three major economies in question.

The downward trend of long-term interest rates had little effect on share prices. They rose in the United States but fell on most European stock exchanges. It was in Japan that the fall was most pronounced, at least up till August, when the monetary authorities announced the implementation of a plan for restimulating the economy and re-establishing confidence in the financial markets.

## **1.4 EUROPEAN INTEGRATION**

### ***Abolition of customs frontiers in the European Community***

The European market without internal frontiers was almost fully achieved before 1st January 1993, the date laid down by the Single Act, nearly all the last obstacles to the free movement of goods, services, persons and capital having been removed during the past year.

In particular, the Council adopted the rules allowing insurance companies and transport enterprises to offer their services throughout the Community, and also those liberalising access to public calls for tenders. It also adopted a directive concerning security investment services.

Considerable progress was also made in the harmonisation of indirect taxes. A new method of levying VAT was introduced on a temporary basis at the beginning of 1993. Its general principle is that, when the goods taxed are the subject of a commercial transaction between two member countries of the Community, VAT must be levied when they are purchased in the destination country. The importer therefore still has to pay this tax, even if it is no longer levied when the goods cross the customs frontier; as before, the exporter is exempt. As for individuals, they will be able to make their purchases without any formality in any member country of the EC, subject to payment of the VAT in the country of origin.

Although these tax provisions are applicable in all member countries, frontier checks between them will not be abolished everywhere. The United Kingdom, Denmark and Ireland have already announced that they will maintain them for reasons other than taxation.

### ***Economic and Monetary Union : implications and implementation***

The creation of a large market within which capital moves without impediment and financial services are freely rendered naturally has its effects on the conduct of monetary policy. Complete freedom of capital movements and the maintenance of stability within the exchange rate mechanism of the European Monetary System are not compatible with autonomous national monetary policies. That is one of the reasons why the countries of the European Community worked out a draft plan for an Economic and Monetary Union which forms an integral part of the draft « Treaty on European Union ». The latter was the subject of a political agreement between the Heads of State and Government, in Maastricht, on 9th and 10th December 1991 and was signed on 7th February 1992 in the same town. Except for Denmark and the United Kingdom, all the countries gave the Treaty the necessary approval. At the European Council of 11th and 12th December in Edinburgh, the Heads of State and Government took a decision

which, in accordance with the Protocol on Denmark, stipulates that that country will not participate in the single currency and will not be bound by the rules concerning economic policy which apply solely to the Member States participating in the third phase of Economic and Monetary Union.

The Treaty specifies, in particular, the characteristics of the second and third phases of Economic and Monetary Union, the transition procedures and certain time-limits. The second phase will begin on 1st January 1994. On that date the provision forbidding monetary financing of budget deficits will enter into force and the remaining restrictions on capital movements between Member States and between them and third countries must have been abolished; however, the derogations still enjoyed by some countries on that date may be extended until 31st December 1995. At the same time the programmes necessary for increasing economic and monetary convergence must have been adopted in the countries in question. During this phase the European Monetary Institute will succeed the Committee of Governors and the EMCF.

On 31st December 1996 at the latest an assessment will be made in order to verify whether a majority of the Member States fulfil the conditions necessary for moving on to the third phase; if so, the Council will have to fix the date of entry into force of that phase. If that date has not been fixed according to this procedure before the end of 1997, the transition to the final phase will take place on 1st January 1999 for the States which are ready at that time, the others being granted a temporary derogation. Upon the transition to this phase, the parities of the currencies of the countries which do not enjoy a derogation will be irrevocably fixed among themselves, and the necessary measures will be taken to introduce the ecu rapidly as the single currency.

### ***The convergence criteria***

Among the factors which will be taken into account by the Community as the basis

for the decisions which it will take upon the transition to the final phase there will be the independence of central banks — which will be discussed in section 6.1 concerning monetary and foreign exchange policy in Belgium — and four criteria for the convergence of the economies :

— the first relates to inflation measured by means of the index of consumer prices. It specifies that the inflation rate of the country in question, measured over a period of one year preceding the assessment, must not have been more than 1.50 percentage points above the inflation level of the countries — at most three in number — where it was lowest ;

— the second criterion relates to the state of the public finances. It is a dual criterion which stipulates, firstly, that the public deficit must not exceed 3 p.c. of GDP or, failing this, must be declining and coming close to this reference value and, secondly, that the public debt must not exceed 60 p.c. of GDP or must at least be diminishing so as to approach this reference value at a sufficient pace ;

— the third criterion relates to the stability of the exchange rate of the country in question. This must, for at least two years, have observed the narrow fluctuation margins of the exchange rate mechanism of the European Monetary System without the occurrence of serious strains and, especially, without the country's having devalued its currency ;

— the fourth criterion relates to the movements of long-term nominal interest rates, regarded as the reflection of the durability of the convergence achieved by a Member State and of its participation in the exchange rate mechanism. During the one-year period before the assessment, the average nominal long-term interest rate in the Member State must not have been more than 2 percentage points above that observed in the countries — at most three in number — with the lowest inflation rates.

By the yardstick of these criteria, the countries of the Community have already gone a long way towards convergence since

the beginning of the 1980s, although convergence is still far from being complete.

### ***From 1981 to 1991 : progress towards greater convergence within the Community***

At the beginning of the 1980s the economies of the EC countries, which had reacted very differently to the oil shocks, displayed major divergences.

That was certainly true of inflation rates, which, furthermore, were at high levels everywhere. In 1981 the lowest, those of Germany and the Netherlands, were around 6.5 p.c., while in most of the countries of the Community they were over 10 p.c. In Ireland and Greece the price rises actually amounted to 20 and 25 p.c. respectively.

At the same time the foreign exchange markets were characterised by a high degree of instability, with many realignments of the currencies participating in the exchange rate mechanism of the European Monetary System.

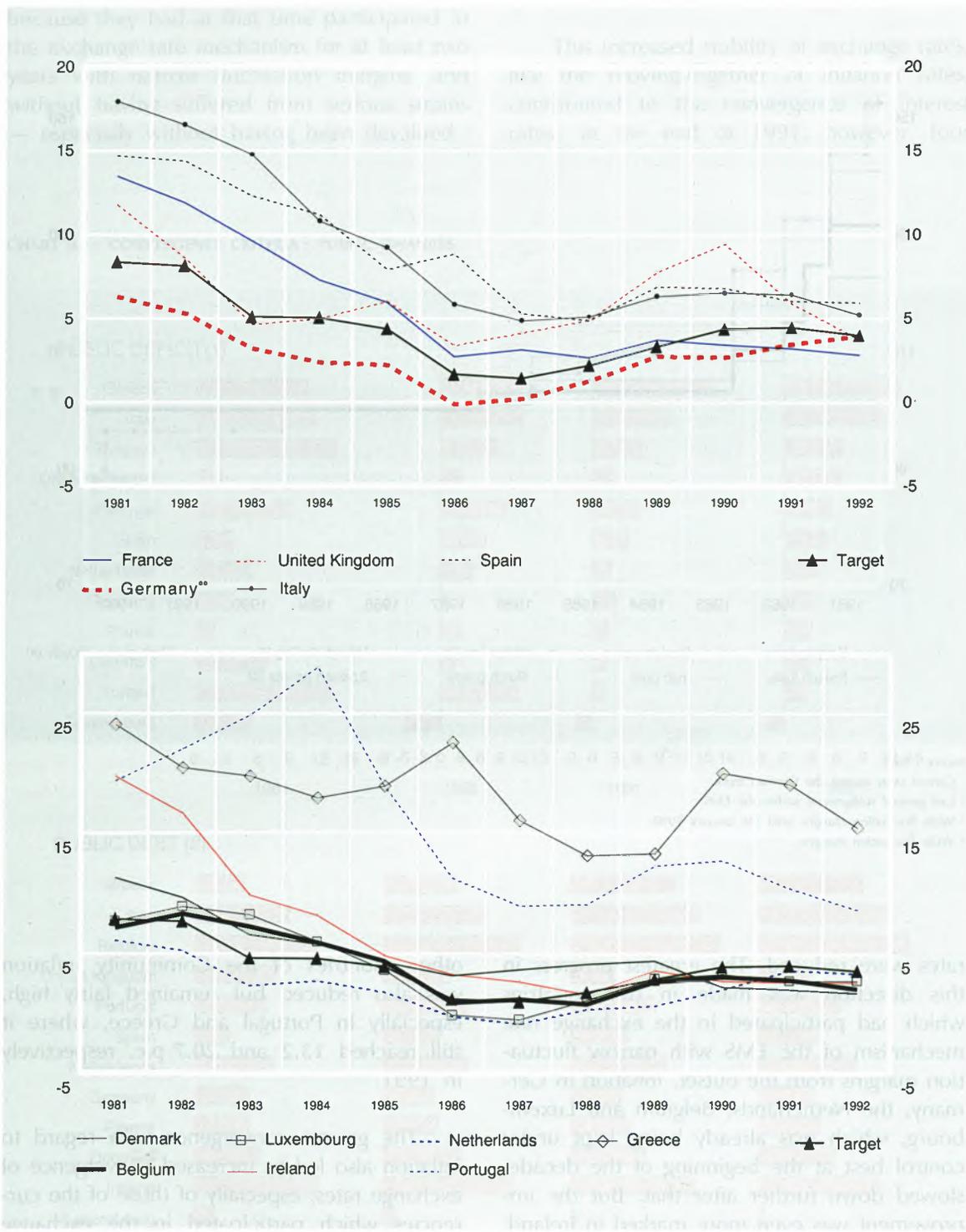
As a result of the divergences in inflation rates and exchange rates, the interest rate differentials between the European currencies were very large. In 1981 the annual average long-term interest rate in Germany was 10.5 p.c. Elsewhere this rate was below 15 p.c. only in the Benelux countries ; it was highest in Denmark and Italy, where it was over 19 p.c.

The state of the public finances was hardly more satisfactory. In 1981 only three countries — France, the United Kingdom and Luxembourg — would have met the criterion limiting the public deficit to 3 p.c. of GDP. In four countries, namely Belgium, Italy, Greece and Portugal, this deficit even exceeded 10 p.c. The ratio between the public debt and GDP, though almost everywhere below the 60 p.c. threshold, was growing fast in nearly all the Community countries.

During the 1980s the convergence between the European economies, as defined by

CHART 6 — CONVERGENCE CRITERIA : INFLATION<sup>1</sup>

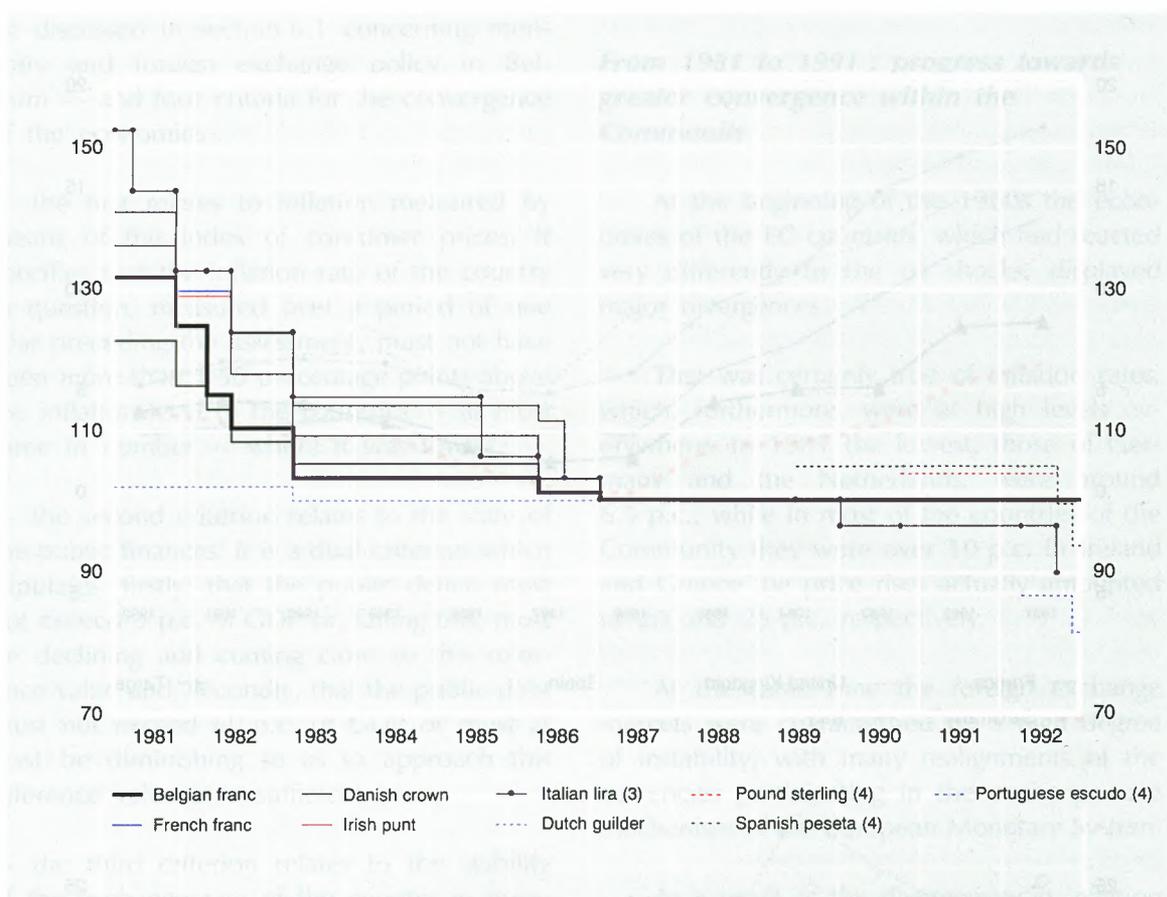
(Annual averages)



Source : EC.  
<sup>1</sup> Percentage changes in consumer prices.

the aforementioned criteria, did however improve considerably.

This applied first of all to inflation : both the average and the dispersion of inflation

CHART 7 — CONVERGENCE CRITERIA : EXCHANGE RATES<sup>1</sup>(12th January 1987<sup>2</sup> = 100)

Source : NBB.

<sup>1</sup> Central rates against the German mark.<sup>2</sup> Last general realignment within the EMS.<sup>3</sup> Wide fluctuation margins until 5th January 1990.<sup>4</sup> Wide fluctuation margins.

rates were reduced. The greatest progress in this direction was made in the countries which had participated in the exchange rate mechanism of the EMS with narrow fluctuation margins from the outset. Inflation in Germany, the Netherlands, Belgium and Luxembourg, which was already being kept under control best at the beginning of the decade, slowed down further after that. But the improvement was even more marked in Ireland, Denmark and France, where the inflation rate fell, between 1981 and 1991, from 20.3 to 3.1 p.c., from 11.7 to 2.4 p.c. and from 13.4 to 3.2 p.c. respectively. At the end of 1991 these seven countries practically complied with the first convergence criterion. In the

other countries of the Community inflation was also reduced but remained fairly high, especially in Portugal and Greece, where it still reached 13.2 and 20.7 p.c. respectively in 1991.

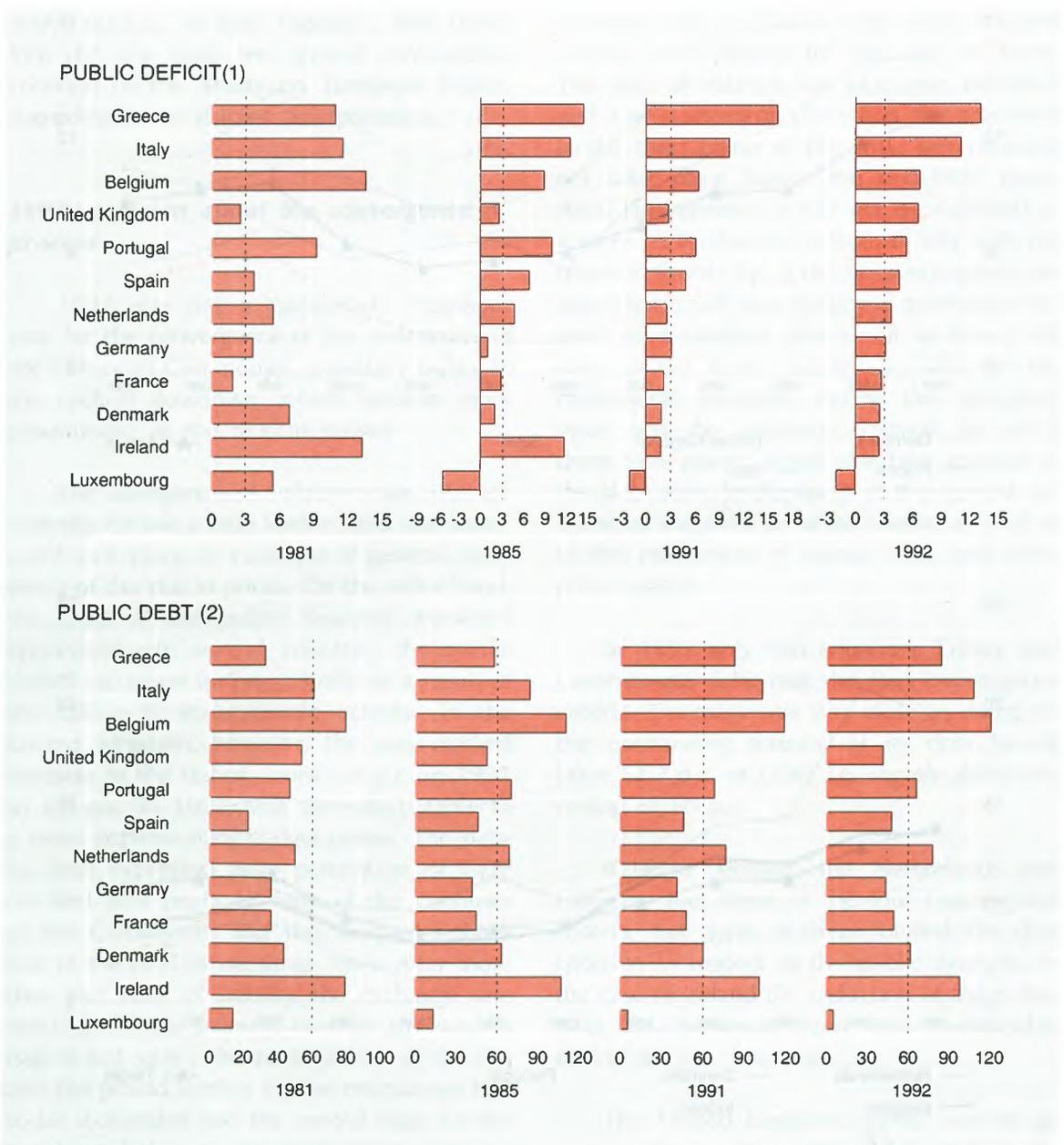
The greater convergence with regard to inflation also led to increased convergence of exchange rates, especially of those of the currencies which participated in the exchange rate mechanism of the European Monetary System from the outset. Realignment thus became less and less frequent. There was no genuine realignment between 1987 and 1991. If meeting of the convergence criterion of the Treaty on European Union in respect of ex-

change rates had been assessed at the end of the period in question, eight Community currencies would have fulfilled the requirement, because they had at that time participated in the exchange rate mechanism for at least two years with narrow fluctuation margins, and without having suffered from serious strains — especially without having been devalued :

the mark, the guilder, the Belgian and Luxembourg francs, the French franc, the Danish crown, the Irish punt and the lira.

This increased stability of exchange rates, like the moving-together of inflation rates, contributed to the convergence of interest rates; at the end of 1991, however, four

CHART 8 — CONVERGENCE CRITERIA : PUBLIC FINANCES



Sources : OECD, except for Belgium (NBB), Luxembourg and Portugal (EC).

<sup>1</sup> Net financing requirement of general government as a percentage of GDP.

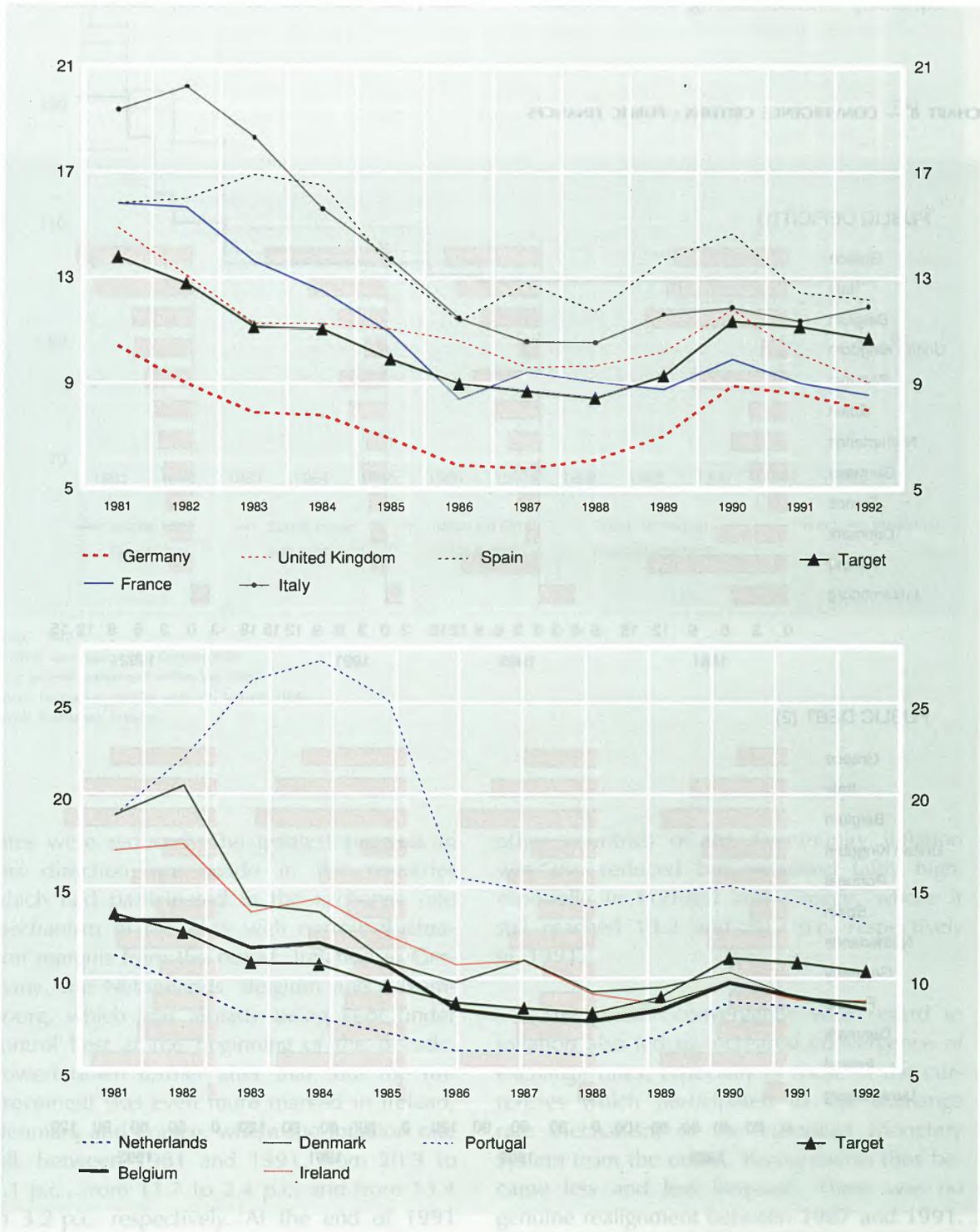
<sup>2</sup> Harmonised public debt as a percentage of GDP.

Community countries, namely Greece, Portugal, Spain and Italy, still had interest rate dif-

ferentials above the level which was adopted as the criterion.

CHART 9 — CONVERGENCE CRITERIA : INTEREST RATES<sup>1</sup>

(Annual averages)



Sources : OECD and national statistics (Belgium, France, Ireland and Portugal).

<sup>1</sup> Yield of long-term public sector bonds on the secondary market.

In the field of public finance the progress made is less clear. From 1981 to 1991 the public deficit expressed as a percentage of GDP decreased in most of the Community countries, but this reduction was not great enough also to bring down the ratio of debt to GDP. This ratio was reduced significantly, for the period in question, only in the United Kingdom and Luxembourg; it increased in all the other countries. In 1991 all the countries except the United Kingdom, France, Denmark and Luxembourg had a public deficit greater than 3 p.c. or a public debt appreciably above 60 p.c., or both together; they therefore did not meet the second convergence criterion of the Treaty on European Union, according to its strictest interpretation.

### ***1992 : concern about the convergence process***

1992 was not a particularly propitious year for the convergence of the economies of the European Community, especially owing to the cyclical slowdown, which became more pronounced as the months passed.

The divergence of inflation rates did admittedly narrow a little further, and this movement took place in a context of general slackening of the rise in prices. On the other hand, the state of the public finances worsened appreciably. In several countries the public deficit increased further, usually as a result of the falling-off in economic activity. In the United Kingdom, however, the very marked increase in the deficit, from 2.8 p.c. in 1991 to 6.6 p.c. in 1992, was also attributable to a more expansionary budget policy. The public debt expressed as a percentage of GDP reached new peaks in most of the countries of the Community. But the sharpest setback was in the field of exchange rates. After more than five years of stability the exchange rate mechanism was severely tried in the second half of last year : the participation of the lira and the pound sterling in that mechanism had to be suspended and the central rates for the peseta and the escudo were adjusted downwards. The movement of the divergences of long-term interest rates was affected by the

strains in the foreign exchange markets. As early as the end of August 1992, when these strains became apparent, interest rates started to diverge again.

### ***Positions of the various countries***

If a table of the positions of the various member countries of the European Community in terms of the convergence criteria is drawn up for the year 1992, great differences become apparent : the economies of some countries fully or almost fully meet all these criteria, while others fall far short of them. This state of affairs is not, of course, definitive and the assessment preceding the transition to the third phase of the EMU will probably not take place before the end-1996 target date. Furthermore, it will not be confined to a mere comparison of statistical data with the required thresholds. If the reference values are exceeded it will also include a qualitative element of assessment which will be based not only on the levels reached but also on the movements recorded during the preceding years and the economic context in which these took place; it will also take account of the state and development of the current account of the balance of payments, as well as of the movement of labour costs and other price indices.

In 1992 only two countries, France and Luxembourg, fully met the four convergence criteria. Denmark was very close to doing so, the outstanding amount of its debt having been 62.2 p.c. of GDP, i.e. slightly above the ceiling of 60 p.c.

Belgium, Ireland, the Netherlands and Germany met three of the four convergence criteria, but none of them fulfilled the dual criterion in respect of the public finances. In the case of Ireland the reduction of the public debt has, however, been very considerable during the last few years.

The United Kingdom, alone, was in an intermediate position : it met the criteria for inflation and interest rates but not the other two, owing to the sharp increase in the public

TABLE 5 — THE CONVERGENCE PICTURE IN 1992 : POSITION OF THE VARIOUS COUNTRIES

	Inflation <sup>1</sup>	Public finances		Interest rates <sup>4</sup>	Exchange rates <sup>5</sup>	Number of criteria met
		Deficit <sup>2</sup>	Debt <sup>3</sup>			
France .....	2.8	2.8	50.1	8.6	Yes	4
Luxembourg .....	3.1	-2.0	5.9	7.9	Yes	4
Denmark .....	2.1	2.6	62.2	9.0	Yes	3
Belgium .....	2.4	6.9	121.0	8.7	Yes	3
Ireland .....	3.1	2.5	98.1	9.1	Yes	3
Netherlands .....	3.8	3.8	78.3	8.1	Yes	3
Germany .....	4.0	3.2	44.0	8.0	Yes	3
United Kingdom .....	3.8	6.6	41.9	9.1	No	2
Italy .....	5.1	11.1	108.4	11.9	No	0
Spain .....	5.9	4.7	48.4	12.1	No	0
Portugal .....	9.1	5.4	66.7	13.2	No	0
Greece .....	15.9	13.2	84.3	—	No	0
EC .....	4.3	5.3	62.3	9.6 <sup>6</sup>		
Convergence criterion ....	4.0	3.0	60.0	10.7		

<sup>1</sup> Percentage rate of increase in consumer prices. Source : EC.

<sup>2</sup> Net financing requirement of general government as a percentage of GDP. Source : OECD, except for Belgium (NBB), Portugal, Luxembourg and the EC (EC).

<sup>3</sup> Harmonised public debt as a percentage of GDP. Source : OECD, except for Belgium (NBB), Portugal, Luxembourg and the EC (EC).

<sup>4</sup> Average of long-term yield rates. Source : OECD, except for Belgium, France, Ireland and Portugal (national statistics).

<sup>5</sup> Position as at 31st December 1992.

<sup>6</sup> Except Greece.

deficit and to the status of the pound sterling, which participated in the exchange rate mechanism of the EMS only with wide margins and withdrew from it in September.

The other countries, namely Italy, Spain, Portugal and Greece, did not meet any of the four convergence criteria.

### **Convergence programmes**

In order to support and stimulate the convergence process, the Member States which did not yet fulfil the conditions necessary for entering the third phase of Economic and Monetary Union have to present, before the beginning of the second phase of the Union, on 1st January 1994, programmes setting out their aims and the appropriate strategies for achieving them.

At the end of 1992, Italy, Portugal, Ireland, Germany, Spain, the Netherlands and Belgium had submitted a convergence plan to

the Community authorities. The contents of these plans obviously reflect the specific adjustment requirements of the individual economies. Thus the plans presented by Germany, the Netherlands and Belgium are aimed at attaining the norm concerning the public deficit. Spain and Portugal, on the other hand, are concentrating their efforts on curbing inflation. The strategies and the measures to be employed also differ greatly. The time-limits of the programmes thus range from 1993 to 1996.

The convergence plans drawn up by the countries have to be discussed in the Monetary Committee and approved by the Council of Ministers for Economic Affairs and Finance (Ecofin); when they have been approved, their implementation must also be monitored by these bodies.

All the plans presented have already been approved. Furthermore, the Council of Ministers already carried out, in May, an initial

examination of the implementation of the Italian plan.

### ***Co-ordination of economic policies between the EC and EFTA***

The process of economic integration of the countries of the European Community and those of the European Free Trade Association which had been in progress since 1990 did not continue without difficulties during the past year. True, the political agreement concluded the previous year between the EC and EFTA on the creation of a European Economic Area (EEA) in which goods, services, capital and persons would be able to move freely was signed on 2nd May. It will enter into force when the 19 signatory countries have ratified it, as some of them have already done. Switzerland's accession to the EEA was, however, rejected by the referendum carried out in that country on 6th December.

Furthermore, the lines of action with regard to foreign exchange previously adopted in some EFTA countries in order to move closer to the Europe of the Twelve were thwarted by the effect of the upheavals which took place on the foreign exchange markets in the second half of the year. Thus the monetary authorities of the Nordic countries whose currencies were pegged to the ecu were obliged to suspend that link, respectively, in September for the Finnish mark, in November for the Swedish crown and in December for the Norwegian crown.

The list of countries which have officially applied to join the EC, which already included Sweden and Austria, was, however, extended by the applications submitted by Finland, Switzerland and Norway on 18th March, 26th May and 25th November of last year, respectively.

## **1.5 INTERNATIONAL CO-OPERATION**

The achievement of satisfactory and non-inflationary growth requires a strengthening of economic co-operation going far beyond the

framework of the integration of the economies of Western Europe. As was emphasised on a number of occasions at the end of the meetings of the Group of Seven, this co-operation must also lead to support for the process of transition to a market economy in Eastern Europe and in Asia, to the continuance of the efforts made to liberalise trade at world level and to assistance to the developing countries.

### ***Co-operation with the countries of Eastern Europe and Asia which are in a transitional phase***

In order to create, in the long run, a free trade area covering the whole of the European continent, negotiations were carried out for a number of agreements between the European Community and the Central and Eastern European countries which are in transitional phase. Thus, interim commercial agreements with Hungary, the Federation of the Czech and Slovak Republics and Poland have entered into force and similar agreements should soon be signed with Romania and Bulgaria. These are the precursors of so-called European association agreements and provide, in particular, for free trade in goods. They also contain provisions concerning competition and the liberalisation of payments. The Community also concluded arrangements with Albania, with regard to trade and economic co-operation, and with the Baltic republics and Slovenia. Lastly, it started negotiations with the Russian Federation for the establishment, with that Republic, of a co-operation and a partnership which are also open to other new Independent States.

The EC furthermore continued to give financial and material assistance to the Central and Eastern European countries in many forms. Thus, the European Investment Bank continued its lending, with a Community guarantee, to certain Central and Eastern European countries. The PHARE programme for assistance for the reconstruction of Central and Eastern Europe was extended to the Baltic countries, while aid to the Commonwealth of Independent States (CIS) assumed a number of forms, including those of humanitarian aid

and technical assistance under the TACIS programme. The countries of the group of twenty-four OECD countries, together with the EC, launched a programme for providing medium-term loans to several States. Some tranches of these have already been granted.

For its part, the European Bank for Reconstruction and Development (EBRD) approved, in 1992, the granting of credits totalling ECU 1.6 billion for financing privatisation and restructuring programmes.

The International Monetary Fund continued its policy of financing adjustment programmes and its technical assistance missions, especially for the fifteen republics of the ex-Soviet Union which have become members of that institution. The main partners of the new Independent States of the former Soviet Union have in fact paid particular attention to the problems which they are encountering in their transition to a market economy.

### ***Continuing efforts to liberalise world trade***

In August, the United States, Canada and Mexico signed a treaty creating a North American Free Trade Association, representing a market of 360 million consumers. The aim is to halve customs duties between the three countries in question upon the entry into force of this treaty at the beginning of 1994, and to abolish them completely within fifteen years.

The eighth series of negotiations within the framework of the General Agreement on Tariffs and Trade (GATT), better known as the Uruguay Round, which started in 1986 and was originally scheduled to be completed in 1990, continued. These discussions led in 1992 to virtual agreement on many points. Certain general principles were established, including that of a reduction of 30 p.c. in the rates of all import duties and the reduction of non-tariff obstacles, which had gained in importance in recent years. The negotiations were furthermore extended to include trade in services and the problems of anti-dumping regulations; proposals were made concerning

the creation of an authority which would enable disputes between GATT countries to be settled promptly and effectively.

At the end of 1992, however, the negotiations came to a standstill owing to a major dispute between the United States and the EC, namely the question of the liberalisation of markets for agricultural products. The negotiators' proposals provide for, among other things, a reduction of 36 p.c. in the EC's import duties and export subsidies, and a reduction of 21 p.c. in the volume of subsidised exports, during the next six years. Although these negotiating points are in line with the EC's new common agricultural policy, they, together with the proposed further reduction of production of oilseeds, met with strong opposition in some countries of the Community.

### ***Aid to developing countries***

The international community endeavoured to maintain the flows of development aid and to continue to pursue the strategy of reduction of indebtedness on the basis of a case-by-case approach, especially in Africa, where growth remained very weak, and in Latin America.

Thus the Paris Club, consisting of these countries' main official creditors, took a number of steps to reduce the debt burden of the poorest countries. The indebtedness of most of the medium-income developing countries, expressed as a percentage of their exports of goods and services, did in fact become less disquieting.

Together with other international organisations, the IMF further increased its assistance to low-income countries. Eleven of these were added to the list of countries which can make use of the structural adjustment facility and the enhanced structural adjustment facility.

### ***International Monetary Fund***

In addition to the fifteen republics of the former USSR, Switzerland, the Marshall

Islands, Micronesia and San Marino became members of the IMF in 1992. The Fund now has one hundred and seventy-four members, in other words nearly all the countries of the world. Following the admission of these new members, the Board of Governors of the Fund was enlarged from twenty-two to twenty-four members. The constituency to which Belgium belongs both at the IMF and at the World Bank was extended to include Kazakhstan and Belarus.

The ninth revision of quotas, decided upon in 1990, came into force during the year under review. It entails a general increase in quotas of 50 p.c., bringing their

total amount, account being also taken of the accession of nineteen new members, to SDR 146 billion. Furthermore, the limits on access to the Fund's resources were changed to enable each member to retain, in absolute figures, at least the same access as that to which it was entitled under the eighth revision.

Simultaneously with the ninth revision, the third amendment to the Fund's Articles of Agreement came into force. It makes it possible to suspend the voting rights — and all rights associated therewith — of member countries which do not fulfil their financial obligations to the Fund.



## 2. EXPENDITURE, PRODUCTION AND EMPLOYMENT

### 2.1 EXPENDITURE

In 1992 the external component of demand brought about a slowdown in the growth of GDP, from 1.9 p.c. in 1991 to 0.8 p.c. The beneficial effects of the reunification of Germany on Belgium's sales to that country gradually lessened from mid-1991 onwards, while the expected cyclical recovery of the economies of other trading partners failed to materialise or was disappointing. Thus, exports of goods and services, which had still increased by around 3 p.c. in 1991, rose by only 0.6 p.c. in 1992 : practically the whole of this slackening is accounted for by sales to Germany.

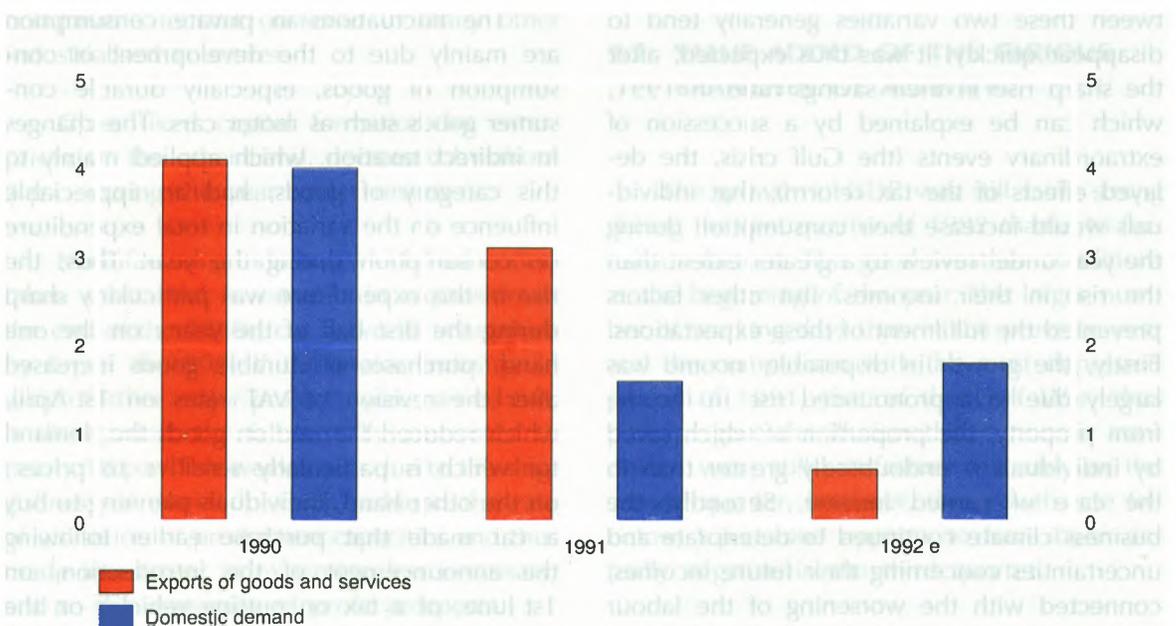
The expansion in domestic demand, on the other hand, was of the same order of

magnitude as in 1991, thanks to expenditure by individuals. The rate of growth of private consumption remained fairly high, without reaching the level of the preceding years, and expenditure on housing, which had fallen off slightly in 1991, recovered appreciably. On the other hand, investment by enterprises, the expansion of which had come to a halt in 1991 after several years of strong growth, contracted. Public expenditure, for its part, underwent little change. Overall, the growth in domestic demand appears to have been about 1.8 p.c. in 1992 against 1.6 p.c. in 1991.

Private consumption, the main component of domestic demand, remained fairly dynamic during the year under review : its growth still reached 2.2 p.c., whereas it had fluctuated around 3 p.c. since 1987. The movement of private consumption is deter-

CHART 10 -- MOVEMENT OF DOMESTIC AND EXTERNAL DEMAND AT 1985 PRICES

(Percentage changes compared with the previous year)



Sources : NSI, NBB.

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

(Percentage changes compared with the previous year)

	1989	1990	1991	1992 e
Private consumption <sup>1</sup> .....	3.2	3.5	2.5	2.2
Public expenditure .....	-0.7	1.1	1.7	0.1
Public consumption .....	0.2	1.1	0.9	0.1
Public investment .....	-8.2	1.3	8.3	-0.5
Housing <sup>2</sup> .....	19.1	8.5	-0.9	9.0
Gross fixed capital formation by enterprises .....	15.4	9.2	-0.3	-2.0
p.m. Total gross fixed capital formation <sup>2,3</sup> .....	13.7	8.4	0.3	0.7
Change in stocks <sup>3,4</sup> .....	...	-0.1	-0.3	0.1
Total domestic expenditure .....	4.6	4.0	1.6	1.8
Exports of goods and services .....	7.3	4.1	3.1	0.6
Total final expenditure .....	5.9	4.1	2.3	1.2
Imports of goods and services .....	8.8	4.2	2.7	1.7
Net exports of goods and services <sup>4</sup> .....	-1.3	-0.1	0.3	-1.0
Statistical adjustments <sup>4</sup> .....	0.4	-0.6	...	...
GDP .....	3.8	3.4	1.9	0.8

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are shown as a separate item.<sup>2</sup> Including registration fees.<sup>3</sup> Public investment, housing and gross fixed capital formation by enterprises.<sup>4</sup> Contribution to the growth in GDP.

mined principally by the development of the gross disposable income of individuals. Any short-term divergences which may appear between these two variables generally tend to disappear quickly. It was thus expected, after the sharp rise in their savings ratio in 1991, which can be explained by a succession of extraordinary events (the Gulf crisis, the delayed effects of the tax reform), that individuals would increase their consumption during the year under review to a greater extent than the rise in their incomes. But other factors prevented the fulfilment of these expectations. Firstly, the growth in disposable income was largely due to a pronounced rise in income from property, the proportion of which saved by individuals is undoubtedly greater than in the case of earned income. Secondly, the business climate continued to deteriorate and uncertainties concerning their future incomes, connected with the worsening of the labour market situation, probably induced many households to reduce their purchases. The savings ratio of individuals therefore increased

further, reaching the high level of the beginning of the 1980s.

The fluctuations in private consumption are mainly due to the development of consumption of goods, especially durable consumer goods such as motor cars. The changes in indirect taxation, which applied mainly to this category of goods, had an appreciable influence on the variation in total expenditure on consumption during the year. Thus, the rise in this expenditure was particularly sharp during the first half of the year : on the one hand, purchases of durable goods increased after the revision of VAT rates on 1st April, which reduced the rate on goods the demand for which is particularly sensitive to prices ; on the other hand, individuals planning to buy a car made that purchase earlier following the announcement of the introduction, on 1st June, of a tax on putting vehicles on the road. Subsequently, consumption of goods fell off appreciably. Over the year as a whole it rose by only 1.5 p.c., whereas it had increased

by nearly 3 p.c. in 1991. Consumption of services, which is less irregular, remained fairly steady throughout the year. Expenditure on health care, especially, rose markedly.

After having declined slightly in 1991, expenditure on housing increased again by 9 p.c. during the year under review. The recovery in demand, which was already noticeable at the end of 1991, quickened at the beginning of 1992, when competition between financial intermediaries in connection with the Building Exhibition led to a reduction in interest rates on mortgage loans. From the middle of the year onwards, however, demand fell off again appreciably. Owing to the length of time necessary for the completion of buildings, the brief recovery in demand between the end of 1991 and the middle of 1992 chiefly affected activity in 1992, which was in fact also favourably influenced by the good weather conditions at the beginning of the year. The number of dwellings built in 1992 was thus over 45,000 units. Transactions on the secondary market, only the document charges and registration fees on which are regarded as investment in the national accounts, also rose, thanks to the fall in interest rates. It should be pointed out that the Belgian real estate market has not in recent years been subject to speculative movements on a scale comparable to that observed in many other industrialised countries.

Gross fixed capital formation by enterprises, on the other hand, decreased by about 2 p.c. during the year under review.

Manufacturing industry, which had undertaken substantial investment in expansion at the end of the 1980s, cut down its investment by 5 p.c. in 1992. If the motor industry, in which further major projects were carried out, is disregarded, the fall actually amounted to nearly 10 p.c. This weakness is due to the sluggishness of demand, which reduced the rate of utilisation of production capacities and thus made investment in expansion less necessary, and to the worsening of profit prospects.

Investment by enterprises specialising in market services, other than public enterprises,

remained at about the same level as in 1991. The recovery, in progress since 1989, in investment by public enterprises, which operate chiefly in the transport and communication sector, and by enterprises in the « electricity, gas, water » branch, continued in 1992.

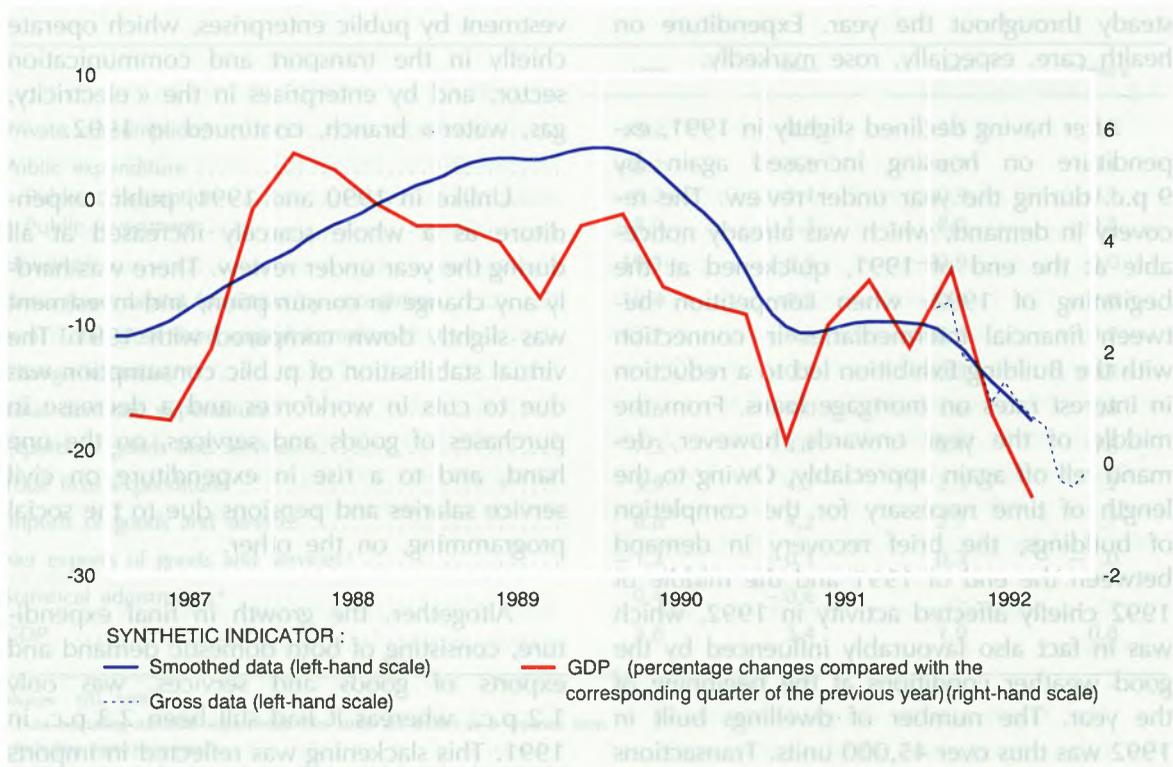
Unlike in 1990 and 1991, public expenditure as a whole scarcely increased at all during the year under review. There was hardly any change in consumption, and investment was slightly down compared with 1991. The virtual stabilisation of public consumption was due to cuts in workforces and a decrease in purchases of goods and services, on the one hand, and to a rise in expenditure on civil service salaries and pensions due to the social programming, on the other.

Altogether, the growth in final expenditure, consisting of both domestic demand and exports of goods and services, was only 1.2 p.c., whereas it had still been 2.3 p.c. in 1991. This slackening was reflected in imports of goods and services, the increase in which fell back from 2.7 to 1.7 p.c. The contribution of net exports to growth was thus negative to the extent of 1 p.c., whereas it had been slightly positive in 1991.

## 2.2 VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY

The growth in GDP was still fairly strong during the first quarter of 1992 thanks to fortuitous factors. The good weather conditions at the beginning of the year, the larger number of working days than in the previous year and the comparison with the most depressed period of 1991, that of the Gulf War, thus perhaps gave the illusion that economic conditions were still satisfactory. As early as the second quarter, however, the growth rate fell below 1 p.c., and appears to have been actually negative in the third quarter.

The accumulation of false hopes of a recovery in international business activity and of disappointing economic results adversely af-

CHART 11 — GDP AT 1985 PRICES AND SYNTHETIC BUSINESS INDICATORS<sup>1</sup>

Sources : NSI, NBB.

<sup>1</sup> Weighted average of the synthetic indicators of manufacturing industry, the building industry and trade. 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.

affected the confidence of entrepreneurs. This steadily crumbled throughout the year, as is shown by the Bank's synthetic curve, which reached its lowest level since 1981 at the end of 1992.

The value added of industry contracted slightly, as in 1991. The sector most strongly affected by the deterioration of activity was, however, market services. Building activity, although increasing more slowly than in the previous year, still continued to grow fairly strongly. In the « agriculture, forestry and fisheries » and « non-market services » branches, which are not greatly affected by business conditions, the growth in the value added speeded up somewhat.

The further substantial increase in the value added in agriculture, forestry and fisheries is entirely attributable to vegetable production. The expansion which had been taking

place for several years in the growing of fruit and vegetables and the mild weather in the spring actually led to overproduction of certain varieties. Producers of tomatoes and apples, among others, were thus obliged to refrain from marketing part of their harvests in order to hold up prices. Animal production, on the other hand, underwent hardly any change. This stagnation conceals divergent movements. Production of beef had increased sharply in 1991 as a result of temporarily inadequate supervision of imports of calves from Eastern Europe into the EC. In 1992 production fell back to a more normal level. On the other hand, production of pork, which had increased considerably in 1991 after the 1990 swine fever epidemic, rose slightly further.

In manufacturing industry the value added declined slightly, by 0.5 p.c. The decline was fairly general. The breakdown of the degree of utilisation of production capacities

TABLE 7 — VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY AT 1985 PRICES

(Percentage changes compared with the previous year)

	1987	1988	1989	1990	1991	1992 e	p.m. Percentages of 1991 GDP
Agriculture, forestry and fisheries .....	-7.5	6.0	1.2	-4.0	6.3	7.3	2.1
Industry .....	1.1	4.9	5.3	3.5	-0.2	-0.2	26.2
of which : Manufacturing industry .....	0.3	5.0	6.1	3.7	-0.6	-0.5	22.7
Electricity, gas, water .....	7.2	6.1	0.4	3.5	3.0	1.2	3.2
Building industry .....	2.7	11.8	7.5	6.6	3.7	2.4	5.9
Market services <sup>1</sup> .....	4.0	5.3	4.3	2.2	3.6	1.4	49.2
Non-market services .....	-0.3	-0.1	1.3	1.4	0.4	0.9	11.9
GDP <sup>2</sup> .....	2.0	5.0	3.8	3.4	1.9	0.8	

Sources : NSI, NBB.

<sup>1</sup> Services which are not provided by general government.<sup>2</sup> Including various items which cannot be broken down among the branches of activity, and also statistical adjustments.

according to whether the branches of activity in question are oriented towards the domestic market or the export market shows that the former withstood the worsening of activity better than the latter.

The strong activity in the building sector had its repercussions on the allied industrial branches : the value added of the building materials and metal products industries thus increased substantially. Furthermore, the branch entitled « transport equipment other than motor vehicles » benefited from major contracts for the building of the channel tunnel. The food industries, which are fairly insensitive to fluctuations in economic activity, slightly reduced their output.

The branches of activity which are traditionally more export-oriented were the most strongly affected by the sluggishness of economic activity. Several of them, such as the steel industry, certain metal-working branches (including metal sheeting and foundries), the textile industry and the non-ferrous metal industry, furthermore encountered growing competition from Central and Eastern Europe, which was reflected in strong downward pressures on prices. These difficulties were accentuated in some cases by exceptional events :

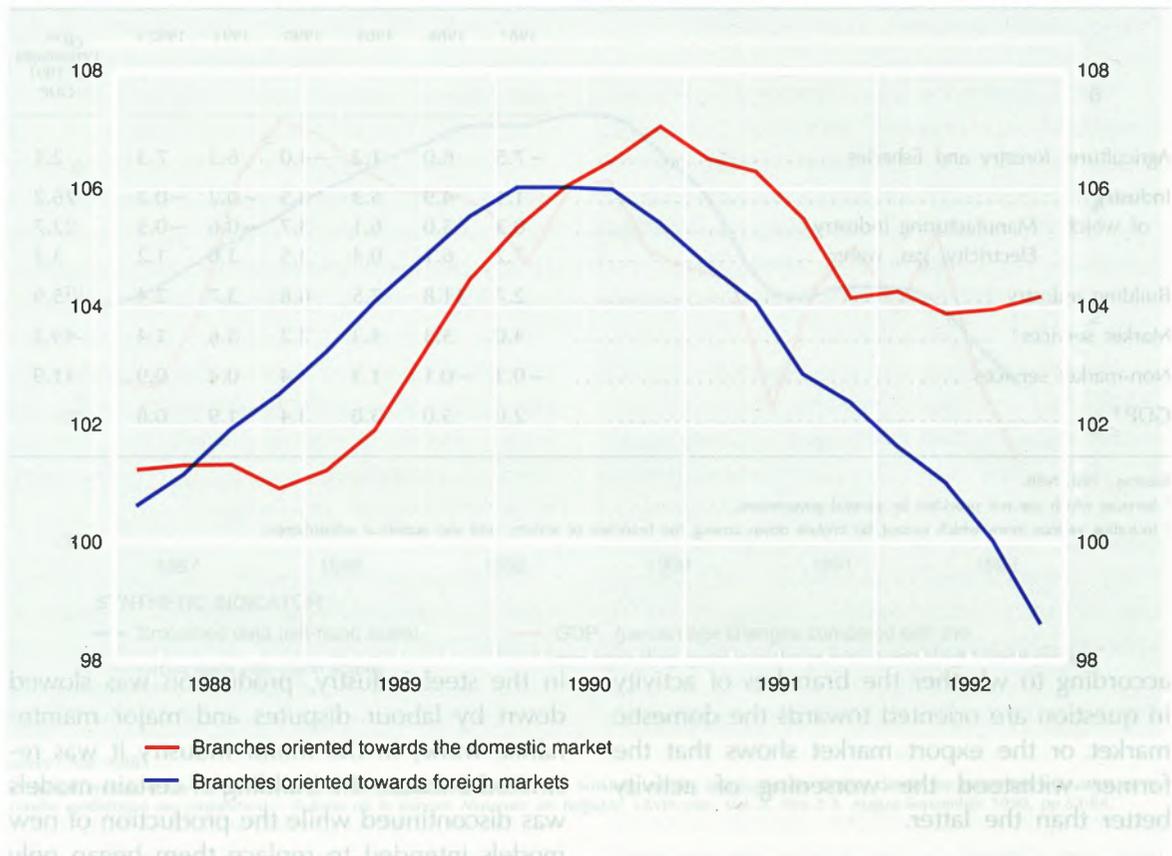
in the steel industry, production was slowed down by labour disputes and major maintenance work ; in the motor industry it was restricted because the building of certain models was discontinued while the production of new models intended to replace them began only gradually ; furthermore, road transport strikes in France impeded the supplies of some Belgian enterprises.

The chemical industry, and particularly the basic chemicals industry, also had to contend with keener competition from, among other sources, the countries of Eastern Europe. Its output nevertheless increased strongly in 1992 thanks to the bringing into use of major production capacities installed during the preceding years.

In the « electricity, gas, water » branch the movements which took place were exactly the opposite of those during the previous year. Owing to the mild weather, demand for low-voltage electricity showed hardly any increase and supplies of gas to individuals actually declined, despite a rise in the number of connections to the gas network. On the other hand, production of high-voltage electricity and deliveries of gas to industry increased appreciably. With regard to the latter,

CHART 12 — DEGREE OF UTILISATION OF PRODUCTION CAPACITIES IN MANUFACTURING INDUSTRY<sup>1</sup>

(Indices 1987 = 100)



Source : NBB.

<sup>1</sup> Four-quarter moving average of the results of the quarterly survey on production capacities.

the adverse effect of the contraction in industrial production was more than counterbalanced by that of the growth in the market share of that energy source.

The rise in activity in building was solely due to the recovery in residential building. On the other hand, activity in non-residential building was slack throughout the year under review : this was not unconnected with the ending of the investment cycle which had been in progress since the second half of the 1980s.

Nearly all the branches of activity producing market services were affected by the slowdown of growth in 1992. Wholesale and retail trade were hit by the appreciably slower rise in private consumption of goods. In the hotel and catering industry and other services

to households, the contraction in activity observable during the previous year continued.

In the « transport and communication » sector the increase in the value added was very modest owing to the decline in industrial activity. Furthermore, international transport was affected by strikes in France. The growth in the value added of the « distribution of petroleum products » branch was appreciably smaller than during the previous year : this was attributable to the weather conditions and the less advantageous movement of the relative prices of crude oil.

The increase in the value added in non-market services was due to the raising of wages and pensions directly payable by general government, in implementation of the social programming.

## 2.3 LABOUR MARKET

### *Trend of employment*

In 1992 growth was clearly insufficient to keep up the level of employment. For the first time since 1984 the number of persons employed decreased. Between June 1991 and June 1992 the reduction amounted to about 20,000 units, or 0.5 p.c., whereas employment had still increased slightly, by 5,000 units, during the preceding twelve months.

Unlike what had happened in 1991, the large decrease in the number of jobs in industry was not counterbalanced, during the year under review, by the rise in the number of persons employed in building and market services. Altogether, some 12,000 jobs were lost in enterprises.

The decline in the number of persons employed in industry is not a new phenomenon and is connected with major restructurings, especially in metalworking. Except in 1989 and 1990, industrial employment has fallen steadily since 1975. In 1992 it represented only 20 p.c. of total employment, against nearly a third in 1974. Thus, altogether, 450,000 jobs disappeared. In building, the

very slight increase in employment in 1992 followed four years in succession with an average growth of 10,000 units. In market services, which are traditionally big job creators, the rise in the number of persons employed slowed down appreciably in 1992: banks and insurance companies, among other enterprises, would appear to have completely stopped net recruitment after several years of expansion of their workforces. Lastly, the slow but persistent decline in the number of persons engaged in farming continued.

The decrease in the number of persons employed in enterprises conceals divergent trends between the self-employed and employees. The number of self-employed rose further in 1992 by about 4,000 units, or barely half the average annual increase recorded during the four preceding years. The number of employees, on the other hand, fell by nearly 16,000 units.

In 1992, unlike during the previous year, the movement of the volume of work in enterprises expressed in years of full-time work — a concept which makes it possible to cancel out the incidence of part-time working and temporary unemployment in order to arrive at a more accurate assessment of the change in activity — hardly diverged at all from the movement of the number of persons

**TABLE 8 — EMPLOYMENT BY BRANCH OF ACTIVITY**

*(Changes in thousands of units on 30th June)*

	1988	1989	1990	1991	1992 e
Enterprises .....	51	60	48	18	-12
Agriculture .....	-2	-1	-1	-2	-2
Industry .....	-13	12	...	-13	-20
Building .....	8	13	10	7	2
Market services .....	58	37	39	26	9
General government .....	3	-2	4	-13	-7
Traditional jobs .....	...	-4	4	-9	-8
Special programmes .....	2	2	...	-4	2
Frontier workers (net) .....	...	...	2	-1	-1
Total .....	53	58	54	5	-19

Sources : Ministry of Employment and Labour, NBB.

**TABLE 9 — VALUE ADDED, EMPLOYMENT AND PRODUCTIVITY OF ENTERPRISES***(Annual percentage changes)*

	1988	1989	1990	1991	1992 e
Value added .....	5.9	4.9	2.8	2.4	0.9
Number of persons employed .....	1.7	1.9	1.3	0.6	-0.3
Number of years of full-time work .....	2.0	2.1	0.9	-0.3	-0.6
Value added per person employed .....	4.2	3.0	1.5	1.8	1.2
Value added per year of full-time work .....	3.8	2.8	1.9	2.6	1.5

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

working. In 1991 the slackening of economic activity had not yet led to a fall in workforces but had been reflected rather in a sharp rise in the number of persons temporarily unemployed and the number of part-time workers, leading to a decline in the number of years of full-time work. Many enterprises had in fact taken advantage in 1991 of the system of temporary unemployment, which enables them to adapt flexibly to fluctuations in activity, whether these be due to the state of business or to weather conditions, by temporarily reducing the working hours of their workforces without actually having to change their size. But in 1992, in the absence of any recovery in business activity, many enterprises finally decided to cut down their workforces. Consequently the increase in the number of persons temporarily unemployed for economic reasons slowed down markedly. Temporary unemployment connected with weather conditions (which mainly affects the building sector) also decreased, thanks to the mild weather at the beginning of the year under review. The number of persons temporarily unemployed therefore stabilised at around 52,000 units. Part-time working, on the other hand, continued to increase, although more slowly, after having risen rapidly for two years. Thus, part-time career interruptions went up again by 5,000 units. However, the number of involuntary part-time workers — that is, persons who accept a job with shorter hours in order to escape unemployment — contracted sharply during the second half of the year under review. This development was

probably not unconnected with the government measures which made this system financially less attractive both for the employee and for the employer.

In 1992 the number of persons employed by general government fell further, but less rapidly than during the previous year. In 1991 the sharp decrease in traditional jobs in the public services, chiefly due to a reduction in the number of persons in the armed forces, had in fact been accentuated by a decline in the number of persons employed in the special programmes. In 1992, on the other hand, the decrease in the number of persons employed applied only to traditional jobs.

### **Labour force**

Over against this decrease in the number of jobs, demand for employment, expressed by the labour force, continued to increase. The growth in the labour force, though down to about 25,000 units, still remained high. It depends on the demographic trend, which determines the number of persons of working age, and on a set of factors which govern the activity rate, including in particular socio-cultural factors and the degree of success achieved by the programmes permitting temporary or early withdrawal from the labour market.

As in the preceding two years, the population of working age underwent hardly any

TABLE 10 — DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Changes in thousands of units on 30th June)

	1988	1989	1990	1991	1992 e
<b>Labour force</b> (demand for employment) .....	12	18	35	31	25
Effects of :					
Population of working age <sup>1</sup> .....	1	-2	...	1	1
— Demographic factors .....	...	-3	-7	-7	-5
— Net migration .....	...	1	7	8	7
Activity rate .....	11	20	35	30	24
— Degree of structural participation .....	26	43	55	37	20
— Early or temporary withdrawal .....	-16	-23	-21	-7	4
from working life .....	-7	-8	-7	4	2
from unemployment .....	-9	-15	-14	-10	3
<b>Employment</b> (supply of employment) .....	53	58	54	5	-19
<b>Unemployment</b>					
Recorded unemployment (NEMO) .....	-40	-40	-19	26	45
Job-seekers without a trade (EC) .....	-55	-66	-26	-4	32

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

<sup>1</sup> Men and women aged between 15 and 64.

change : net immigration offset the decrease due to demographic factors. It was thus again the increase in the activity rate that was responsible for the growth in the labour force. This increase has, however, tended to slow down during the last two years for various reasons.

Thus the structural participation rate of the population of working age again rose less than in the previous year ; its contribution to the increase in the labour force can be estimated at 20,000 units, against 37,000 in 1991 and 55,000 in 1990. The cyclical downturn may have discouraged persons who were not working from entering the labour market.

In 1991 the success of the measures allowing persons to withdraw temporarily or finally from the labour market had already begun to dwindle. This tendency became more marked in 1992 : for the first time since the creation of these withdrawal schemes, the number of persons resorting to them fell. Firstly, there were fewer withdrawals from working life : the number of complete career interrup-

tions rose further by an annual average of 4,000 units, but that of persons taking early retirement fell by over 6,000 units owing to the ending of the early retirement system and, to a smaller extent, the decreasing success of the system of early pensioning under collective agreements, the conditions of access to which were made stricter. Furthermore, the number of persons taking advantage of the schemes for withdrawal from unemployment, the rise in which had been slowing down since 1990, fell in 1992. This decrease is entirely due to the fall of 4,000 units in the number of persons who applied for a temporary interruption of unemployment for social or family reasons. It was mainly in the second half of the year that the number of persons taking advantage of this system decreased markedly, because of the reduction in and shortening of the period of payment of the financial compensation.

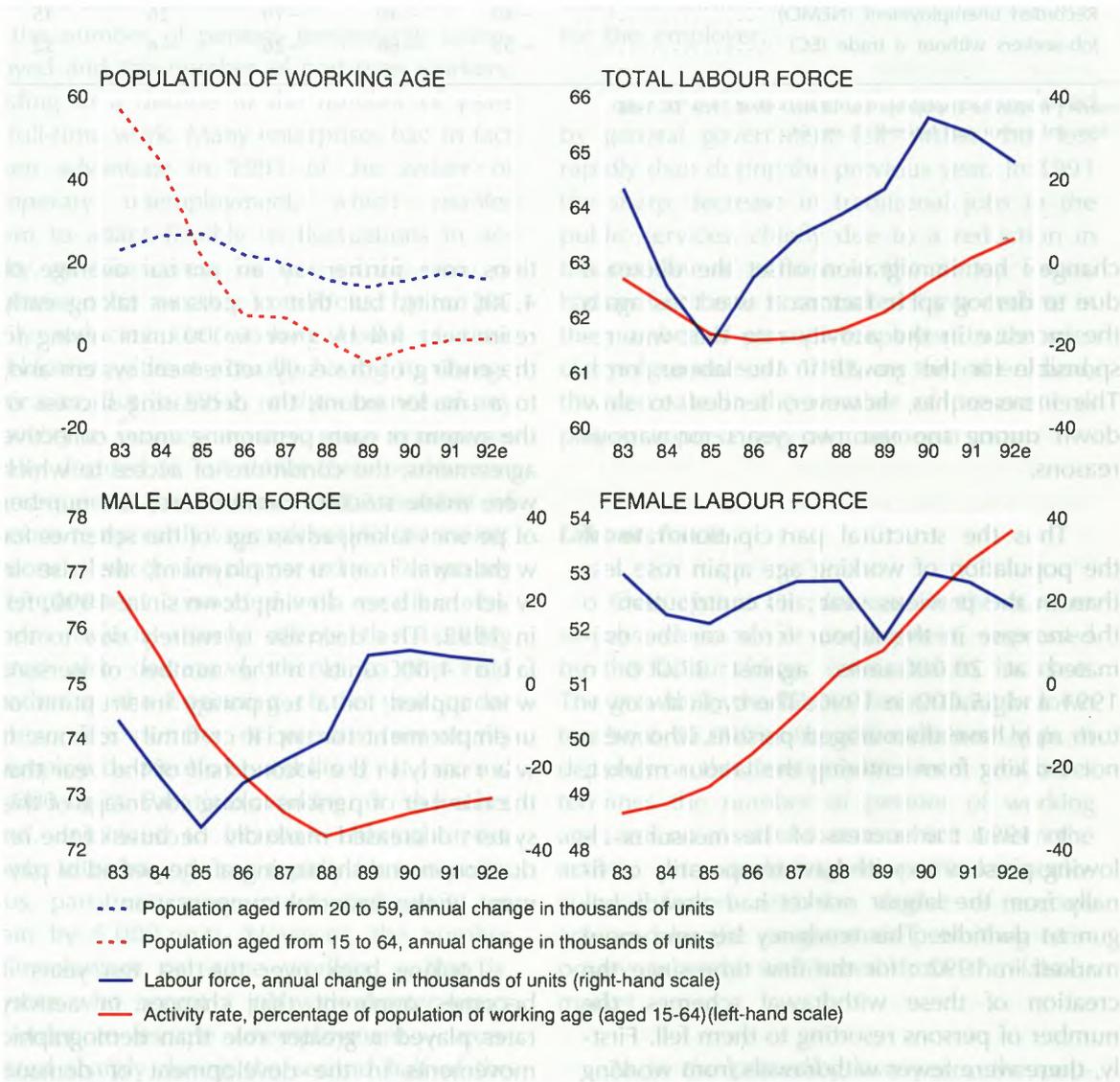
Looking back over the last ten years it becomes apparent that changes in activity rates played a greater role than demographic movements in the development of demand for employment. In the mid-1980s the labour

force decreased, despite a pronounced increase in the population of working age. The decline in the male participation rate, chiefly due to the success of the withdrawal schemes, then greatly exceeded the structural increase in the female activity rate. During the period 1986-1992, on the other hand, the labour force grew by nearly 130,000 units, while the population of working age remained virtually stable.

Various factors combined to reverse the trend of the population potentially available

for the pursuit of a gainful activity. The large rise in departures of persons who reached the age of 65 during the period 1984-1986, due to the wave of births after the First World War, initially limited the increase in the population of working age. Furthermore, from 1987 onwards, the decrease in the number of persons reaching the age of 15 accentuated this trend. Since 1990 the negative effect of demographic factors on the population of working age has, however, been counterbalanced by the positive influence of net migratory movements.

CHART 13 — THE DETERMINANTS OF THE MOVEMENT OF DEMAND FOR EMPLOYMENT



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

In view of the pronounced decline in the participation rate in both the 15-19 and 60-64 age groups, one may wonder to what extent the current definition of the population of working age, namely the population aged from 15 to 64, is still representative. If the population potentially available for the pursuit of a gainful activity is defined as all persons aged from 20 to 59, it becomes apparent that the demographic trend has not been without influence during the past five years, since this group has grown on average by 17,000 units per year.

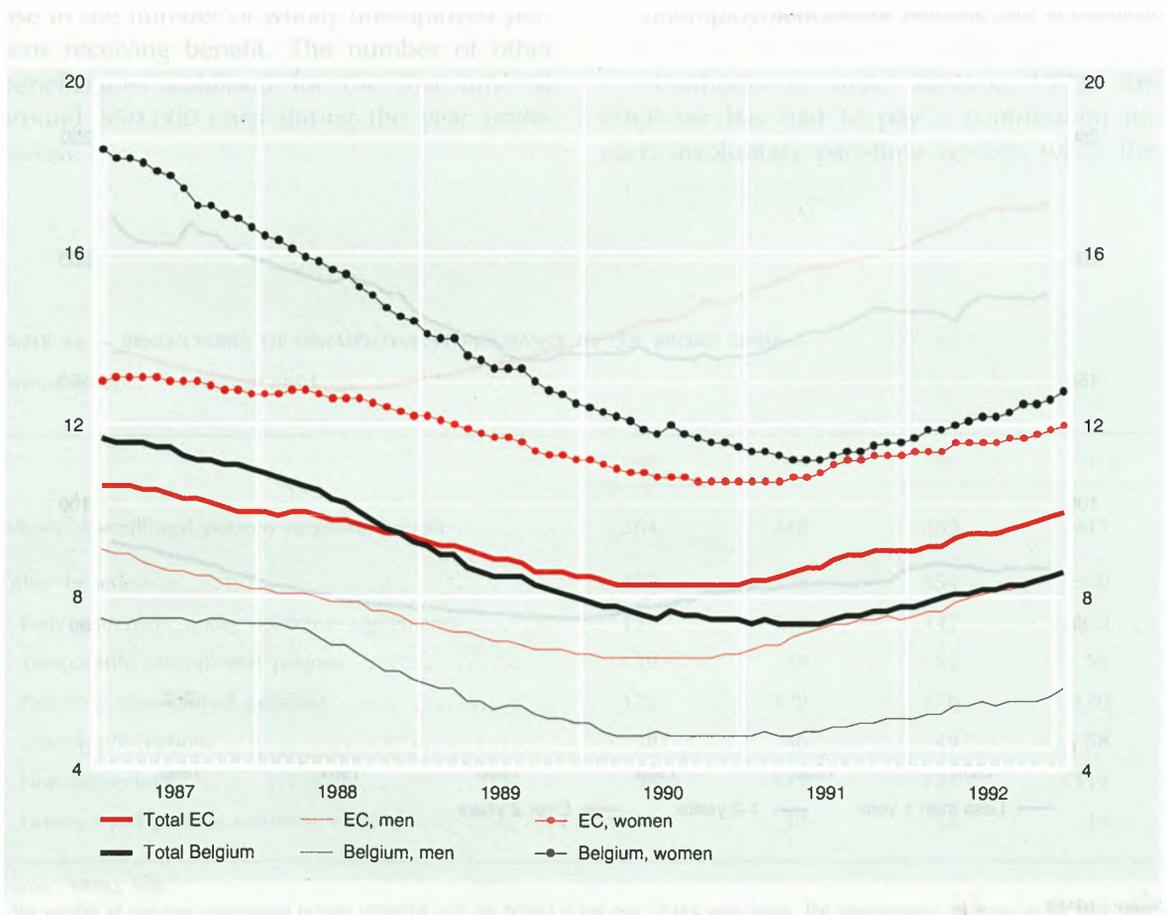
The substantial growth in the labour force in recent years is largely attributable to the reversal, in 1988, of the trend of the male activity rate expressed as a percentage of the

population aged 15 to 64, the slow decline in which has been replaced by a slight increase. This change is attributable to the good state of economic activity, at least until 1990, to the stabilisation of the number of withdrawals from working life and to the increase, within the population of working age, in the share of the 30 to 45 age group, which has the highest activity rate.

**Unemployment**

The increase of 25,000 units in the labour force and the reduction of some 20,000 units in employment speeded up the rise in unemployment, which had begun in

**CHART 14 — UNEMPLOYMENT RATES IN BELGIUM AND THE EC**  
(Percentages of the civilian labour force)



Source : EC.

the course of 1991. The number of unemployed persons registered with the NEMO rose by 45,000 units between June 1991 and June 1992; during the preceding twelve months it had gone up by only 26,000 units. This worsening of unemployment continued during the second half of 1992, so that the number of unemployed persons registered with the NEMO rose by 56,000 units between the end of 1991 and the end of 1992.

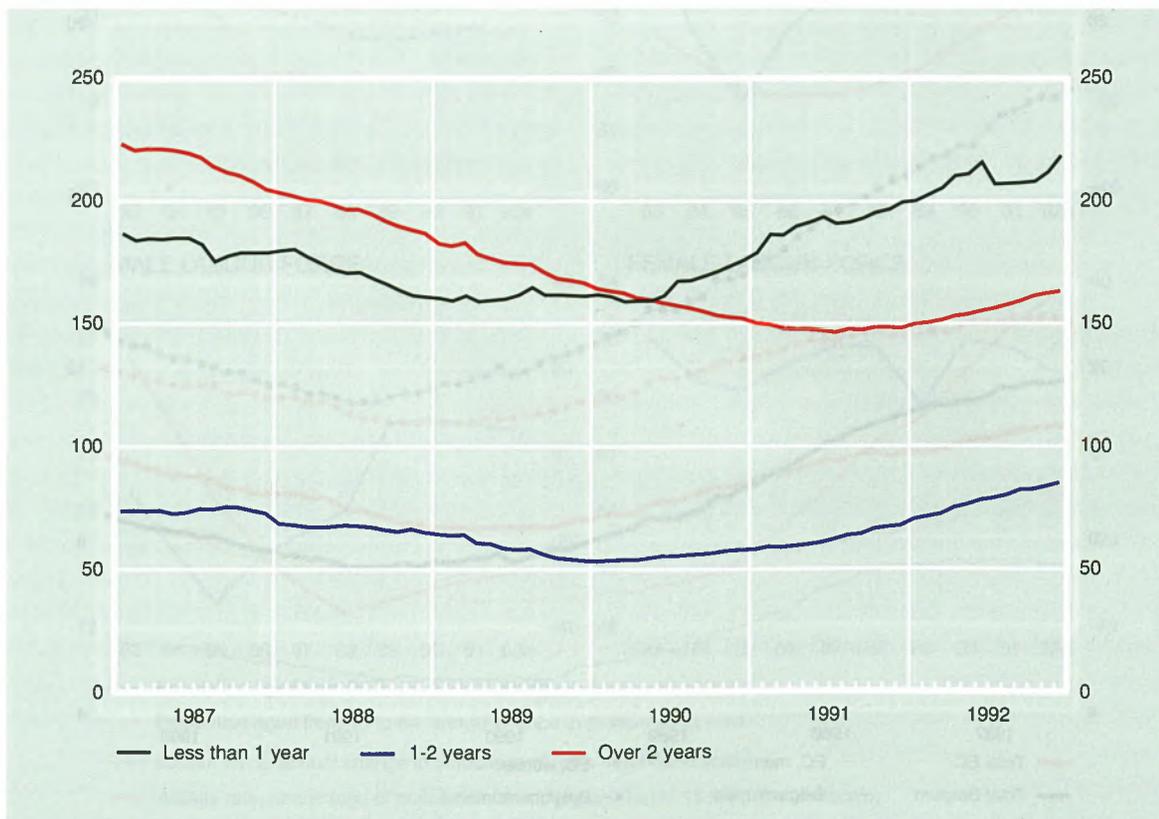
According to the harmonised data of the European Community, which are based on surveys measuring the real availability of unemployed persons and which therefore give a better picture of the number of job-seekers than the purely administrative data provided by the NEMO, the number of job-seekers began to increase in the second half of 1991: according to these statistics the increase

amounted to 32,000 units in 1992, against a decrease of 4,000 units the previous year. The unemployment rate therefore rose from 7.5 p.c. of the average civilian labour force in 1991 to 8.2 p.c. in 1992.

This movement is comparable to that recorded in most of the EC countries, where the average unemployment rate rose from 8.8 p.c. in 1991 to 9.5 p.c. in 1992. During the year under review the unemployment rate in Belgium still remained lower than the Community average, but this situation conceals a fairly sharp contrast between the female and male labour forces. The male unemployment rate (5.5 p.c.) was in fact more than 2 percentage points below the Community average (8.1 p.c.), while the female unemployment rate (12.2 p.c.) remained higher than that average (11.6 p.c.).

CHART 15 — UNEMPLOYED JOB-SEEKERS : BREAKDOWN BY DURATION OF UNEMPLOYMENT<sup>1</sup>

(Thousands of units, seasonally adjusted data)



Source : NEMO.

<sup>1</sup> 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 ».

The harmonised EC statistics do not permit an in-depth analysis of the trend of unemployment, because they do not provide any detailed information by category of unemployed persons (age, duration of unemployment and trade). It is therefore necessary to resort to the NEMO data for a more detailed analysis. An examination of the seasonally adjusted unemployment data according to duration of unemployment reveals the gradual effect of the slackening of economic activity on the number of long-term unemployed. Stricter application of the legal provisions whereby these unemployed persons can be excluded on certain conditions has, admittedly, somewhat slowed down the rise in their number, but the danger of the appearance of a new hard core of structural unemployment cannot be ruled out.

The increase in 1992 in the number of persons receiving unemployment benefit under the unemployment insurance system in the broad sense is entirely attributable to the rise in the number of wholly unemployed persons receiving benefit. The number of other beneficiaries stabilised for the first time at around 550,000 units during the year under review.

This stabilisation is probably due to the measures taken in the course of 1992, most of which have already come into force. Among these measures the following, in particular, may be mentioned :

- better monitoring of the availability of unemployed persons ;
- the drawing-up of a timetable for gradually raising the early retirement age from 55 to 58. The first phase in this timetable, i.e. the change-over to the age of 56, has been applicable since 1st January 1992 ;
- participation by employers in meeting the cost of financing temporary unemployment ;
- stricter regulation of abnormally long periods of unemployment ;
- a reduction in the benefit paid to persons interrupting their careers or interrupting unemployment.

Furthermore, since 1st June 1992, the employer has had to pay a contribution for each involuntary part-time worker, while the

**TABLE 11 — BENEFICIARIES OF UNEMPLOYMENT INSURANCE IN THE BROAD SENSE**

(Annual averages, thousands of units)

	1989	1990	1991	1992 e
Wholly unemployed persons receiving benefit .....	364	348	369	411
Other beneficiaries .....	497	528	554	550
Early retirement under collective agreements .....	137	141	141	139
Temporarily unemployed persons .....	39	38	52	52
Part-time unemployed persons <sup>1</sup> .....	173	179	178	170
Career interruptions .....	38	46	49	58
Non-job-seekers .....	98	113	122	119
Unemployed persons receiving training .....	12	12	12	12

Sources : NEMO, NBB.

<sup>1</sup> The number of part-time unemployed persons registered with the NEMO is just over 50,000 units larger. The approximation presented in the table takes account only of the group of part-time unemployed persons who are actually entitled to supplementary unemployment benefit. Their share amounted to about 78 p.c. in 1991.

latter has only been able to combine a limited number of days per month of unemployment benefit with his part-time job.

This set of measures will be supplemented, from 1993 onwards, by an individual guidance plan designed for all unemployed

persons aged under 46 who have been unemployed for over nine months. The aim of this plan — which, unlike the measures adopted previously, forms part of an active policy designed to eliminate the rigidities of the labour market — is to increase the supply of skilled labour.

### 3. PRICES AND COSTS

#### 3.1 PRICES

After having slackened from 3.5 p.c. in 1990 to 3.2 p.c. in 1991, the decline in consumer prices slowed down more substantially in 1992, to 2.4 p.c.

The recent movement of consumer prices has been influenced by the measures adopted by Belgium, like other European countries, to harmonise indirect taxation within the Community. This harmonisation, on which a political agreement was reached as far back as June 1991, took shape in October 1992 by the adoption of eight directives defining the transitional arrangement concerning indirect taxation for the period from January 1993 to the end of 1996. The Community texts provide for the adoption of a standard VAT rate equal to or higher than 15 p.c. However, for a limited number of goods and services of which an exhaustive list has been drawn up, one or two reduced rates equal to or greater than 5 p.c. can be used. Furthermore, the countries which, on 1st January 1991, were

applying a zero rate or a preferential rate to one or more products appearing in this list or a rate lower than 15 p.c. for catering services, children's footwear and clothing and housing were permitted to retain these systems. With regard to the system of excise duties, only minimum rates designed to serve as reference levels were specified, the Member States retaining the possibility of departing from them in order to cope with domestic budgetary requirements.

In Belgium the transposition of the European directives into national rules and regulations led to the replacement, on 1st April 1992, of the five-rate VAT system by a new system consisting of a normal VAT rate of 19.5 p.c. and a reduced rate of 6 p.c. for essential commodities. An intermediate rate of 12 p.c., levied on a limited number of products (tobacco, coal, social housing) was also introduced. Furthermore, excise duties on fuels were raised at the beginning of April and an additional increase in the excise duties on all grades of petrol also came into force on 1st September 1992.

TABLE 12 — MOVEMENT OF THE MAIN CATEGORIES OF CONSUMER PRICES AND INCIDENCE OF THE CHANGES IN INDIRECT TAXATION INTRODUCED IN 1992

(Percentage changes compared with the previous year)

	Overall index	Energy products	Index excluding energy products	Food products	Other products	Services	Rents
Weighting coefficients .....	100	9.330	90.670	18.985	30.345	34.165	7.175
1989 .....	3.11	6.53	2.77	3.13	2.52	2.56	3.70
1990 .....	3.45	6.80	3.11	3.70	2.59	3.20	3.20
1991 .....	3.21	2.65	3.28	1.98	2.96	4.41	3.01
1992 Changes observed .....	(a) 2.43	-1.07	2.81	-0.12	2.36	4.17	5.88
Changes with unchanged VAT rates and excise duties .....	(b) 2.31	-3.99	3.00	0.14	3.10	3.87	5.88
Incidence of changes in indirect taxation .....	(a - b) 0.12	2.92	-0.19	-0.26	-0.74	0.30	...

Sources : Ministry of Economic Affairs, NBB.

It might have been feared that the extent of the changes in the VAT rates on some products might have led to more than proportional price increases or that, conversely, the reductions in rates might not all have been fully reflected in falls in prices. However, in the light of the movement of prices during the months directly following the reform of VAT rates and excise duties, it looks as if these derived effects were small.

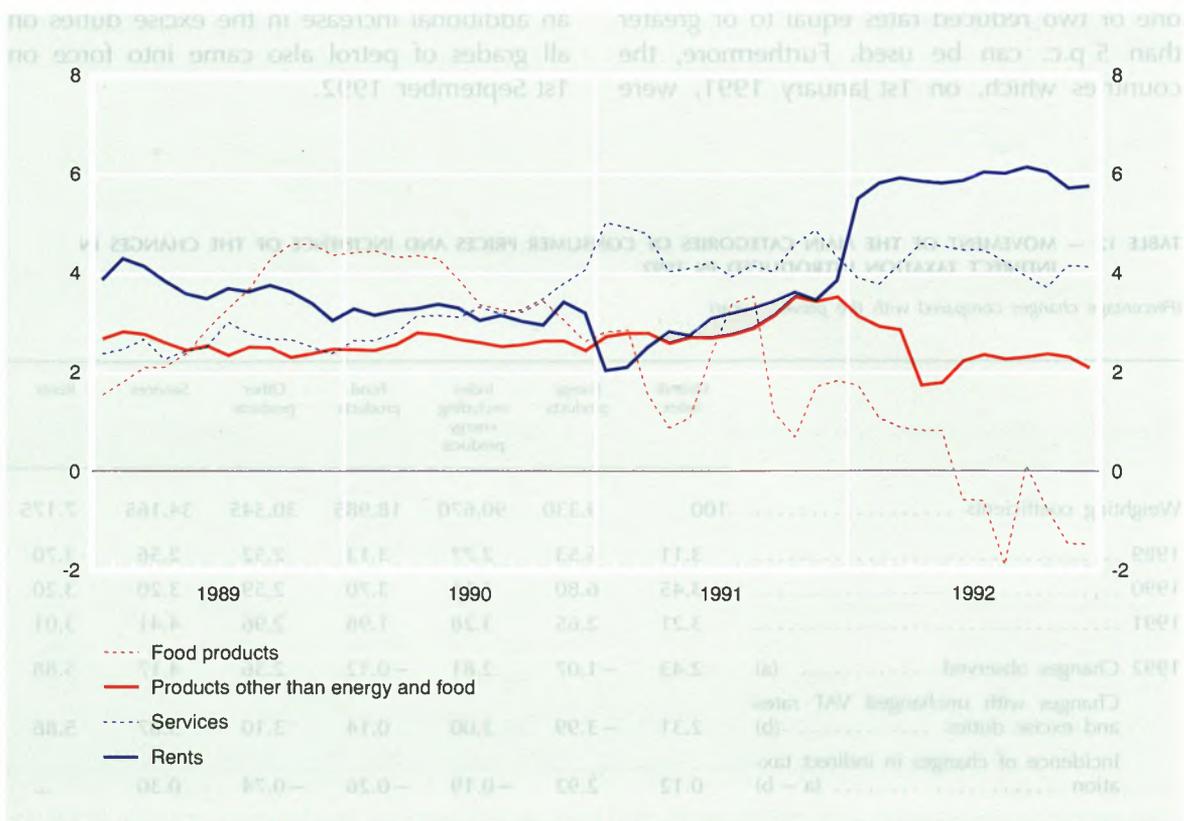
The incidence of the revision of indirect taxes was in fact largely confined to the purely mechanical effects. On the whole, these remained negligible, because they led to a rise in the overall index number of only about 0.1 point, even though they sometimes had a relatively strong effect on certain categories of goods and services. For example, the increases in the indirect taxes on services and, above

all, on energy products, whose incidence on these two components of the price index is estimated at 0.30 and 2.92 index points respectively, were largely counterbalanced by the reduction in the VAT charged on other categories of products. This reduction was particularly large for products other than energy and food, such as luxury goods, cars and electric domestic appliances, whereas among food products it applied only to margarine and alcoholic beverages.

One of the ultimate results of the change in indirect taxation will be to counterbalance the greater part of the downward effects exerted on the prices of energy products by the depreciation of the dollar and the weakness of the price of crude oil, since the increases in excise duties which came into force on 1st April and 1st September 1992 respectively

CHART 16 — CONSUMER PRICES : NON-ENERGY COMPONENTS

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



Source : Ministry of Economic Affairs.

were only very partially counterbalanced by a reduction in the average rate of VAT applied to energy products.

The difference which appeared in 1991 between the rates of change of the other four major components of the index of consumer prices tended to widen in 1992, in contrast to the more synchronised movements observed during the preceding years. The divergences from the average rate of change were most marked, upwards, for rents and, downwards, for food products, whereas the rise in the prices of products other than energy and food and, to a smaller extent, of services tended rather to slacken.

The rate of rise of rents, which had already speeded up considerably in the course of 1991, reached around 6 p.c. owing to a sharp increase in January and February 1992. Under the law of 22nd December 1989 concerning the protection of family housing, contracts expiring during the year 1990 had in fact been extended by one year, during which period only indexation was permitted as a method of revision of rents. After this period had elapsed and pending the introduction of the definitive system, which did not come into force until 28th February 1991, the suspension of contractual freedom had been extended to include the first two months of 1991. Consequently, many rent contracts for which the movement of rents had been restricted to indexation in 1990 and 1991

were renewed at the beginning of 1992 on distinctly more expensive terms.

The falls in the prices of certain food raw materials and the good weather conditions were responsible for the almost universal slackening of the rise in commodity prices. For very many products — including fresh fruit and vegetables and, to a smaller extent, fish, coffee and edible oils and fats — price levels became appreciably lower than they had been in 1991. Overall, the rate of change of the prices of food products slowed down from an increase of 1.8 p.c. in December 1991 to -1.5 p.c. in December 1992, reaching a low of -1.9 p.c. in August.

The rise in the prices of products other than energy and food slowed down considerably in the first half of 1992. This slackening was temporarily accentuated by the effects of the reductions in the VAT rates on certain goods such as cars, electric domestic appliances, hi-fi equipment and beauty products, and these effects were hardly counterbalanced by the raising from 6 to 12 p.c. of the rates of tax on maintenance products and those of the tobacco industry. During the second half of the year the rise in the prices of this category of products stabilised at 2.3 p.c.

The downward trend of the rate of rise of prices for services, for its part, was less pronounced and was temporarily interrupted by the raising of some VAT rates, the increase

**TABLE 13 — DEFLATORS**

(Percentage changes compared with the previous year)

	1989	1990	1991	1992 e
Domestic expenditure .....	3.6	3.4	3.3	2.7
Exports of goods and services .....	7.1	-1.7	-0.5	-0.2
Total final expenditure .....	5.0	1.2	1.6	1.5
Imports of goods and services .....	6.6	-1.2	-0.2	-1.5
Statistical adjustments .....	0.2	-0.2	-0.3	...
GDP .....	4.7	2.7	2.7	3.8
p.m. Terms of trade .....	0.5	-0.5	-0.3	1.3

Sources : NSI, NBB.

from 17 to 19.5 p.c. having been particularly keenly felt in the catering sector.

The slowing of the rise in consumer prices during the year under review was reflected in the movement of the deflator of domestic expenditure, which also rose less than in 1991. The deflator of export prices, for its part, declined slightly, but less than that of import prices, so that the terms of trade improved and the deflator of GDP rose faster than that of domestic expenditure.

### 3.2 PRICES AND COSTS IN THE ENTERPRISE SECTOR

The slight decline in export prices and the moderate rise in selling prices on the domestic market were again reflected in a very small increase, of around 1 p.c., in the unit selling prices of enterprises as a whole.

The rise in unit costs remained moderate thanks to the fall of 1.5 p.c. in the prices of imported goods and services. This fall was due to the appreciation of the Belgian franc : while the weighted average exchange rate for

the franc remained unchanged compared with 1991, the prices of imported goods and services appear to have risen by about 0.5 p.c. in 1992. The decline in import prices in turn had a moderating effect, mainly via the operation of indexations, on labour costs, which are the main component of domestic costs. Unit labour costs rose by 4.5 p.c. in 1992 compared with 4.7 p.c. in 1991. On the other hand, indirect taxes net of subsidies, which had decreased somewhat in 1991, increased sharply. While the raising of indirect taxes had relatively little effect on the movement of the index of consumer prices, owing to the nature of the taxes which were increased, it had a more marked effect on other categories of prices and on the domestic costs of enterprises as a whole.

As, altogether, unit costs rose a little more than prices per unit sold, the gross operating surplus of companies as a whole, likewise expressed per unit sold, decreased. The share of the gross operating surplus in the value added of enterprises therefore contracted again in 1992.

The slackening of the rise in unit labour costs, which took place despite a reduction

TABLE 14 — FORMATION OF UNIT PRICES IN THE ENTERPRISE SECTOR<sup>1,2</sup>

(Percentage changes compared with the previous year)

	1989	1990	1991	1992 e
Unit selling prices .....	5.4	0.6	1.0	1.1
On the domestic market .....	3.5	3.3	2.9	2.1
Export .....	7.1	-1.7	-0.5	-0.2
Unit costs .....	4.8	1.1	1.2	1.5
Costs of imported goods and services .....	6.6	-1.2	-0.2	-1.5
Costs of domestic origin <sup>3</sup> .....	3.6	3.1	3.2	4.8
of which : Indirect taxes net of subsidies .....	8.4	2.0	-0.7	8.7
Unit labour costs .....	1.7	4.3	4.7	4.5
Income of one-man businesses .....	6.7	-0.2	0.9	3.0
Gross operating surplus of companies per unit sold .....	9.7	-2.6	-0.6	-2.2

Sources : NSI, NBB.

<sup>1</sup> Private and public enterprises.

<sup>2</sup> The determinants of the formation of prices and costs are calculated without taking account of the possible effect of the statistical adjustments whereby the three angles of approach of the national accounts are reconciled. On the other hand, the deflators of selling prices, costs and the gross operating surplus per unit sold do incorporate them, without their appearing explicitly in the table among the determinants.

<sup>3</sup> Costs of domestic origin and their components are expressed per unit of output, i.e. they have all been related to the value added of enterprises at constant prices.



On average, indexations appear to have contributed 2.6 percentage points to the rise in wages in 1992. This figure is slightly higher than the inflation rate, this being attributable to the time lags in the adjustment of compensations to the movement of the index of consumer prices. Wages are in fact index-linked by law not to the monthly movement of the overall index of consumer prices but to a four-month moving average of that index number. The wage adjustments under collective agreements, following the central agreement and the subsequent sectoral and/or enterprise agreements for the period 1991-1992, led, as in 1991, to an increase in wages which remained within a margin of 2 to 2.5 p.c. In addition, in 1991 as in 1990, the financial advantages granted by employers other than these adjustments under collective agreements appear to have led to a fairly sharp rise in real wages; in 1992 these non-collectively-agreed wage increases appear to have decreased, owing to the economic climate. Lastly, employers' social security contributions, the last component of labour costs, were in-

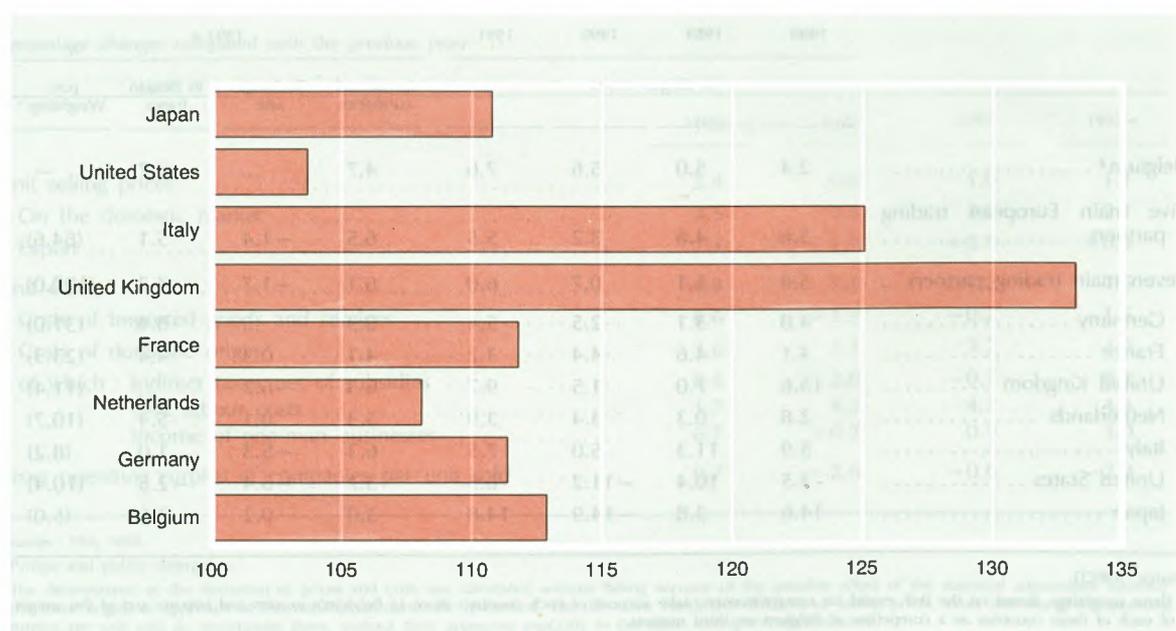
creased in connection with the decisions made during the April budget examination, and thus, as in 1991, appear to have contributed to the growth in the labour cost per employee to the extent of 0.2 p.c.

Except in Germany, and to a smaller extent in the Netherlands, the rise in labour costs per employee expressed in national currency slackened in 1992 in the reference countries considered by the law of 6th January 1989 for safeguarding the country's competitiveness. Overall, however, it was faster in the main trading partners than in Belgium.

After translation into a common currency, the increase in labour costs per employee in Belgium remains smaller than that in the average for the European partners. With regard to the comparison with the seven trading partners, the fall in the exchange rate for the US dollar and, to a smaller extent, for the Japanese yen in relation to the franc in 1992 more than counterbalanced the advantage acquired by Belgium in terms of the national currency.

CHART 17 — UNIT LABOUR COSTS IN ENTERPRISES : INTERNATIONAL COMPARISON IN A COMMON CURRENCY

(1987 = 100)



Source : OECD.

If account is taken of productivity gains, i.e. if labour costs are calculated not per employee but per unit of output, and if the comparison is made over a longer period, it is seen that from 1987 to 1992 unit labour costs increased somewhat more than in the neighbouring countries — which, accounting for nearly sixty per cent of the BLEU's trade, are both its main customers and its main suppliers — but appreciably less than in the United Kingdom and Italy, which have suffered substantial losses of competitiveness in recent years.

On 9th December 1992, management and labour concluded a central agreement for the period 1993-1994. This agreement, which takes account of the particularly difficult eco-

nomic context and of the increase in the social charges of enterprises decided upon by the Government, should lead to a fairly moderate increase in labour costs for enterprises, because, on the one hand, this agreement merely confirms the continuance of certain, originally temporary, benefits acquired under the previous agreement and, on the other hand, it uses some surpluses of funds run jointly by management and labour to finance the granting of new social advantages. In this context of wage moderation, the negotiators of the central agreement expressly called upon workers and employees, at all levels, to follow the example of the agreement by bearing in mind, during their sectoral or enterprise negotiations, the repercussions of labour costs on competitiveness and employment.



## 4. SUMMARY OF THE TRANSACTIONS OF THE MAJOR DOMESTIC SECTORS

### 4.1 OVERALL VIEW

The weakness of economic activity appreciably influenced the net financing requirements or capacities of the main sectors of the economy.

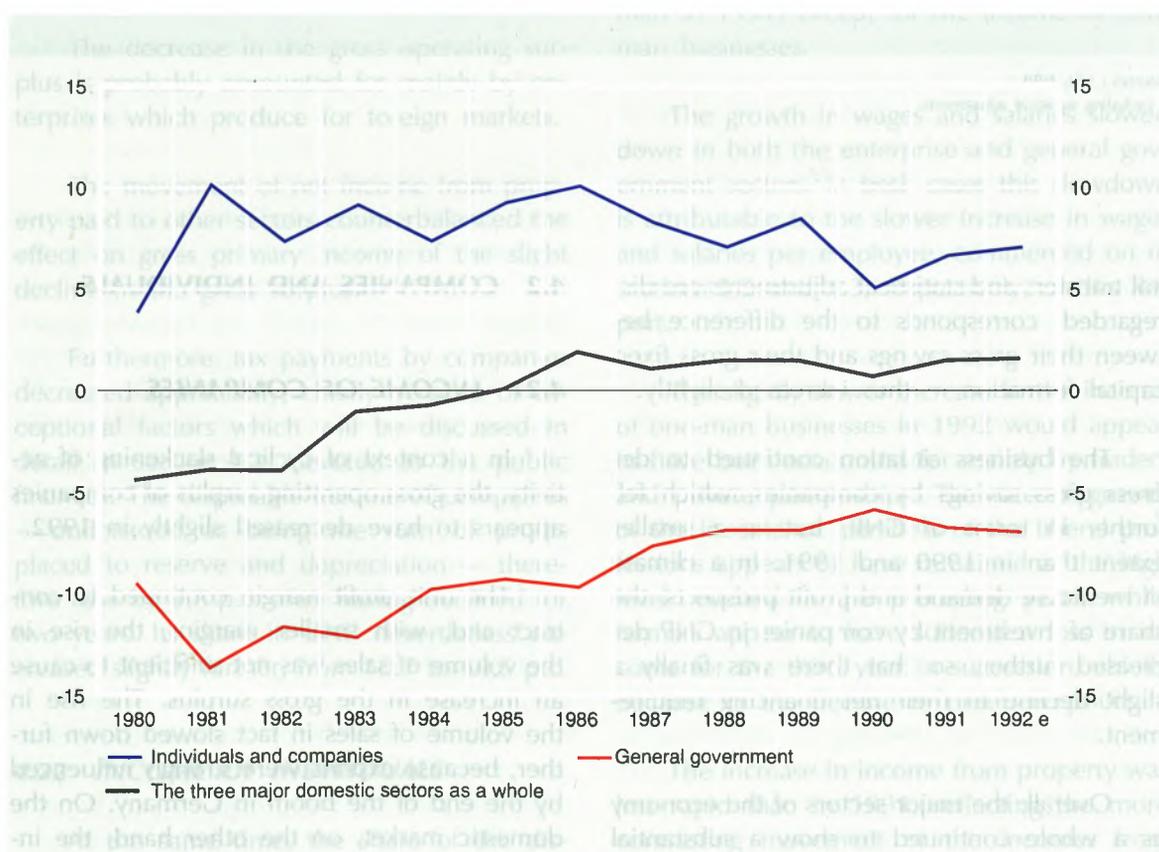
Thus, during the year under review, the budgetary rehabilitation measures did not succeed in bringing about any improvement in

general government's net financing requirement, which actually increased slightly, from 6.7 to 6.9 p.c. of GNP.

Contrary to what might have been expected after the sharp rise in their savings ratio in 1991, the propensity to consume of individuals declined further. Their resultant additional gross savings were largely absorbed by the revival in their expenditure on housing. Their net financing capacity — which, if cap-

CHART 18 — NET FINANCING REQUIREMENT (–) OR CAPACITY (+) OF THE MAJOR SECTORS OF THE ECONOMY<sup>1</sup>

(Percentages of GNP)

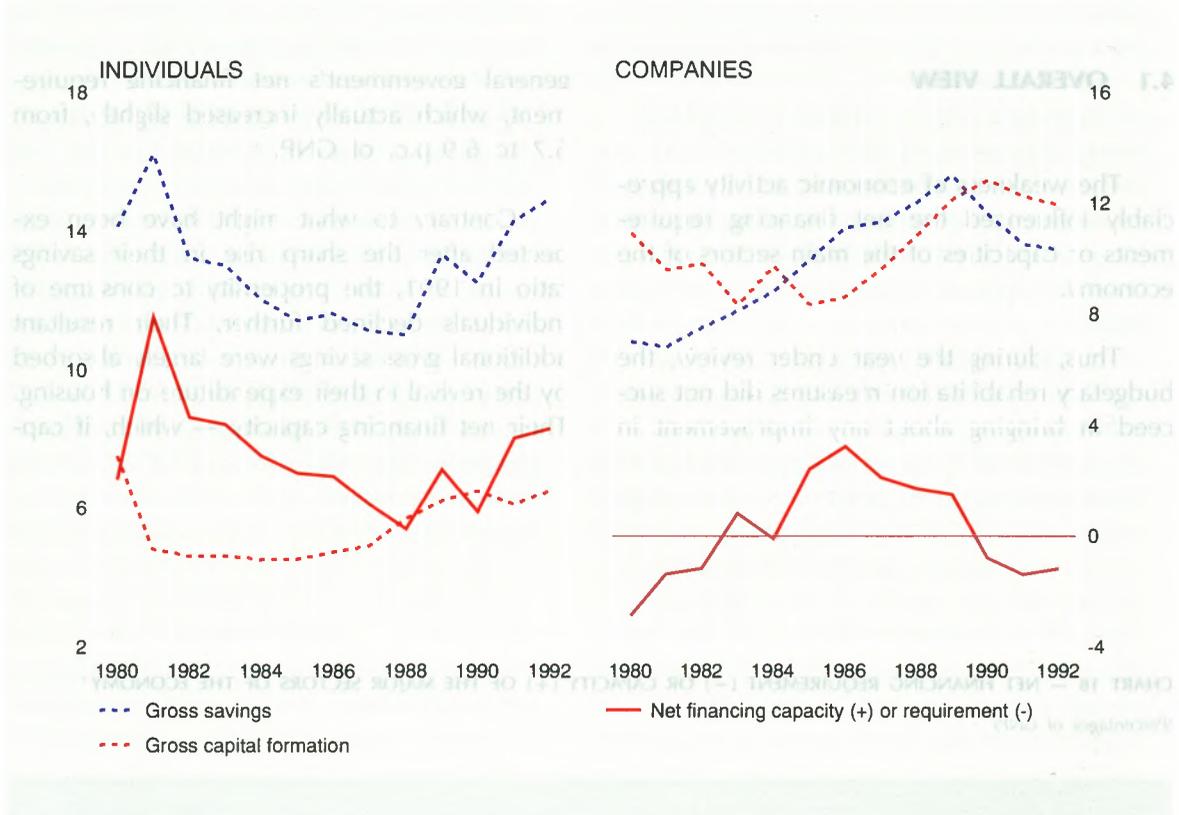


Sources : NSI, NBB.

<sup>1</sup> Excluding statistical adjustments.

CHART 19 — SUMMARY OF TRANSACTIONS OF INDIVIDUALS AND COMPANIES<sup>1</sup>

(Percentages of GNP)



Sources : NSI, NBB.

<sup>1</sup> Excluding statistical adjustments.

ital transfers and statistical adjustments are disregarded, corresponds to the difference between their gross savings and their gross fixed capital formation — thus increased slightly.

The business situation continued to depress gross savings by companies, which fell further in terms of GNP, but to a smaller extent than in 1990 and 1991. In a climate of mediocre demand and profit prospects, the share of investment by companies in GNP decreased further, so that there was finally a slight decline in their net financing requirement.

Overall, the major sectors of the economy as a whole continued to show a substantial net financing capacity of about 1.6 p.c. of GNP.

## 4.2 COMPANIES AND INDIVIDUALS

### 4.2.1 INCOME OF COMPANIES

In a context of cyclical slackening of activity, the gross operating surplus of companies appears to have decreased slightly in 1992.

The unit profit margin continued to contract and, with smaller margins, the rise in the volume of sales was not sufficient to cause an increase in the gross surplus. The rise in the volume of sales in fact slowed down further, because exports were strongly influenced by the end of the boom in Germany. On the domestic market, on the other hand, the increase in sales continued at about the same rate as in 1991, parallel with that in domestic

TABLE 17 — INCOME OF COMPANIES AT CURRENT PRICES

	1989	1990	1991	1992 e
	<i>Percentage changes compared with the previous year</i>			
Gross operating surplus of enterprises .....	16.9	1.2	1.8	-1.0
Gross operating surplus per unit sold .....	9.7	-2.6	-0.6	-2.2
Final sales at constant prices .....	6.6	4.0	2.4	1.2
On the domestic market .....	5.8	3.8	1.7	2.0
Export .....	7.3	4.1	3.1	0.6
Net income from property paid to other sectors .....	30.8	29.4	20.5	-2.9
Gross primary income .....	14.1	-5.3	-4.1	-0.2
Current transfers to other sectors .....	-3.1	-0.6	-1.9	-14.5
Disposable income .....	18.2	-6.2	-4.5	2.8
	<i>Percentages of GNP</i>			
Gross primary income .....	15.8	14.2	12.9	12.3
Disposable income .....	13.3	11.8	10.7	10.5

Sources : NSI, NBB.

expenditure, commented upon in section 2.1 of this Report.

The decrease in the gross operating surplus is probably accounted for mainly by enterprises which produce for foreign markets.

The movement of net income from property paid to other sectors counterbalanced the effect on gross primary income of the slight decline in the gross surplus.

Furthermore, tax payments by companies decreased appreciably, chiefly because of exceptional factors which will be discussed in detail in section 4.3, devoted to the public finances. The disposable income of companies — understood as being the sum of profits placed to reserve and depreciation — therefore rose by 2.8 p.c. after having declined for two years. Its share in GNP nevertheless decreased slightly further, from 10.7 to 10.5 p.c.

#### 4.22 INCOME OF INDIVIDUALS

At the same time, the share of the disposable income of individuals in GNP rose from 78 to 78.5 p.c.

All the major components of the gross primary income of individuals increased less than in 1991, except for the income of one-man businesses.

The growth in wages and salaries slowed down in both the enterprise and general government sectors. In both cases this slowdown is attributable to the slower increase in wages and salaries per employee, commented on in sections 3.2 and 4.3, respectively, of this Report.

The slightly slower increase in the income of one-man businesses in 1992 would appear to have been accounted for mainly by traders and private partnerships. The rate of growth of the income of members of the liberal professions appears to have remained at the high level reached in the preceding years, while farmers appear to have suffered a loss in income for the third year in succession, chiefly because of the decline in producer prices.

The increase in income from property was less rapid than in 1991, reflecting the more contrasting movement of the incomes from the various financial and real assets of which it is composed. With regard to interest in-

TABLE 18 — INCOME OF INDIVIDUALS AT CURRENT PRICES<sup>1</sup>

	1989	1990	1991	1992 e
	<i>Percentage changes compared with the previous year</i>			
Gross primary income .....	9.0	7.1	6.9	5.8
Wages and salaries .....	6.6	7.3	6.7	5.2
Income of one-man businesses .....	11.8	2.9	3.1	3.8
Income from property .....	14.5	9.6	9.8	8.7
Current transfers .....	-0.7	19.1	-4.4	7.8
of which : From and to general government .....	-1.3	15.4	-3.2	6.9
Transfers received .....	4.9	5.4	8.3	6.5
Social benefits .....	4.5	5.7	9.0	6.7
Other transfers .....	7.3	4.2	4.4	5.3
Transfers paid .....	3.2	8.1	5.0	6.6
Social contributions .....	5.7	7.9	7.0	6.6
Direct taxes .....	0.5	8.4	3.1	6.6
Other transfers .....	1.6	7.2	-2.7	4.5
Disposable income .....	10.2	5.8	8.3	5.6
p.m. At constant prices <sup>2</sup> .....	6.7	2.3	4.8	3.1
	<i>Percentages of GNP</i>			
Gross primary income .....	84.0	85.1	86.4	87.2
Disposable income .....	75.7	75.8	78.0	78.5

Sources : NSI, NBB.

<sup>1</sup> Excluding statistical adjustments, which, in the national accounts, compiled from the income angle, are assigned to wages and salaries and to the incomes of one-man businesses.<sup>2</sup> Deflated with the deflator of private consumption.

come, while short-term rates rose slightly at the beginning of the year, long-term rates continued to decline. In this context, individuals displayed a certain preference for short-term investments. Among these, the redistribution in favour of higher-yield assets which had started in 1990 continued. Overall, this allocation of household financial savings helped to push up the amount of interest received during the year. From the end of the third quarter, however, the general downward movement of interest rates and the expectation of continuance of that movement appear to have led to a shift in investments of individuals towards longer-term assets. This might have the effect of deferring the receipt of incomes from notes and bonds until 1993. For all maturities combined, the growth in interest income slowed down slightly in 1992. Income from real estate, on the other hand, increased substantially, parallel with the sharp rise in

rents in 1992. The trend of income from investments abroad was chiefly marked by the lack of interest of individuals in investment in foreign currencies which first became apparent in 1990. Overall, the expansion in income from property slowed down, while still remaining greater than that in the other components of the primary income of individuals.

In 1992 net current transfers of individuals to other sectors increased by 7.8 p.c., thus returning to a less unusual rate of growth after the pronounced fluctuations of the preceding two years.

Net transfers by individuals to general government increased by about 7 p.c. Among transfers paid to individuals, social benefits rose less fast than in 1991, the increase in unemployment benefits having slowed down owing to changes made in the legislation re-

lating to, among other things, part-time unemployment and the financial conditions of interruption of unemployment. Transfers made under the sickness and disability insurance system — which had increased to a quite extraordinary extent in 1991 — continued to grow rapidly, albeit at a slightly slower rate because of the implementation of measures aimed at achieving better control of this type of expenditure. Among transfers made by individuals to general government, the social contributions of employees and self-employed persons rose less than in 1991 but more than their incomes, chiefly owing to the rise of 1 percentage point in personal contributions with effect from 1st July. The effect of this measure on social contributions as a whole was, however, partly offset by the abolition of the flat-rate deductions at source from family allowances and the incomes of single persons and childless families. Despite this adjustment of the social security levies, which are deducted from taxable incomes, the rise in the direct taxes payable by individuals remained faster than that in earned incomes; this difference in tempo is chiefly due to the movement of payments in respect of the withholding tax on earned income, which will be discussed in section 4.3.

On balance, the growth in the disposable income of individuals decreased from 8.3 p.c. in 1991 to 5.6 p.c.; in real terms this

amounts to an increase in purchasing power of 3.1 p.c., against 4.8 p.c. in 1991.

#### 4.23 FINANCIAL ACCOUNTS OF INDIVIDUALS AND COMPANIES

During the first ten months of 1992, individuals and companies, for which category the available statistics do not enable separate financial accounts to be compiled, increased their formation of assets and slightly reduced their new liabilities. As a result, their financial surplus increased to Fr. 632 billion, against Fr. 546 billion in 1991.

The new financial assets formed by individuals and companies added to the portfolio of gross assets accumulated during the preceding years. Since the end of the 1970s this portfolio has grown particularly strongly, having represented 261 p.c. of GNP in 1992, against 161 p.c. in 1980.

Until 1987 this growth was accompanied by a small increase in the liabilities of individuals and companies as a percentage of GNP, so that the sharp rise in the outstanding amount of gross assets was reflected in an expansion in net financial assets. The last-mentioned movement was related to the swelling, during the same period, of the public

TABLE 19 — FINANCIAL ACCOUNT OF INDIVIDUALS AND COMPANIES

(Billions of francs)

	1989	1990	1991	First ten months	
				1991	1992
1. Formation of financial assets .....	1,478	1,052	1,339	1,163	1,232
2. New liabilities .....	1,037	643	767	617	600
Individuals .....	180	135	104	86	102
Companies and one-man businesses <sup>1</sup> ....	857	508	662	531	498
3. Net financial surplus (1 - 2) <sup>2</sup> .....	441	409	572	546	632

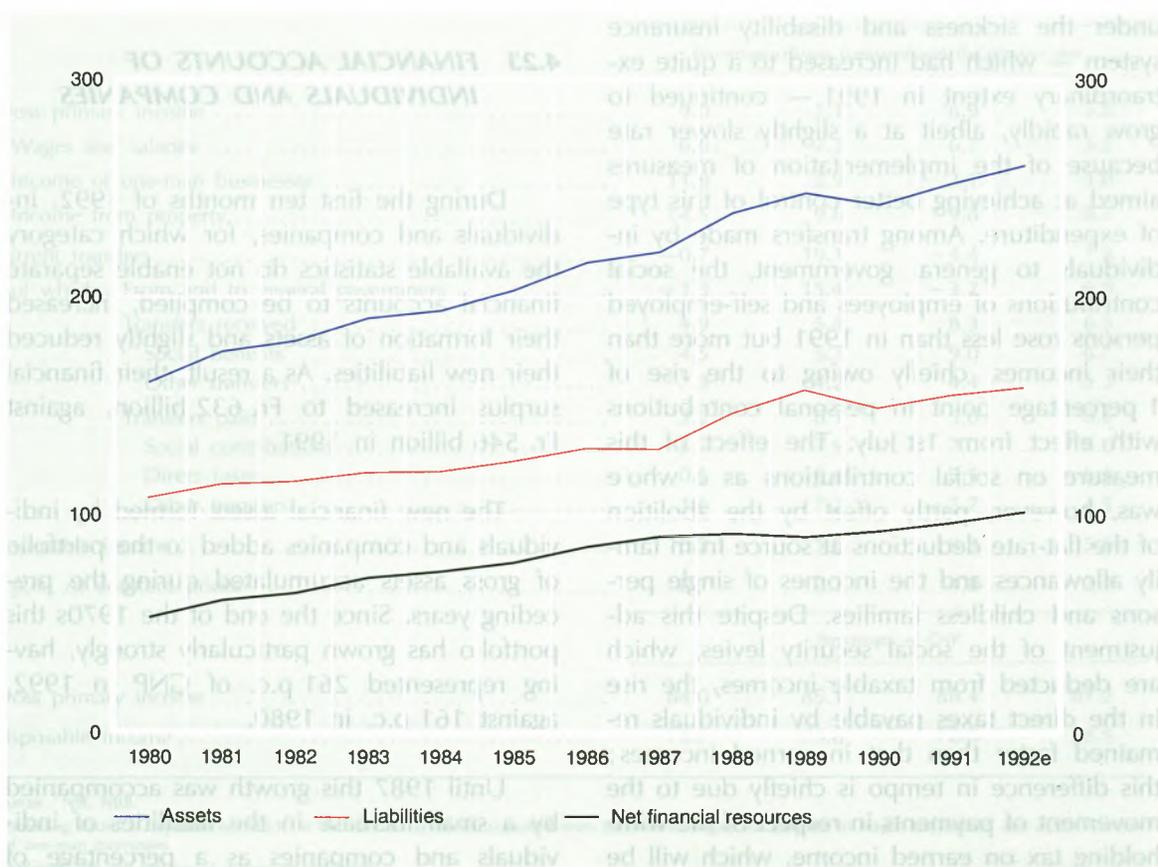
Source : NBB.

<sup>1</sup> Including liabilities resulting from general government's lending and equity investment.

<sup>2</sup> This corresponds, apart from the statistical adjustment, to the net financing capacity of individuals and companies, i.e. to the balance of their incomes, expenditure and transfers.

CHART 20 — FINANCIAL ASSETS AND LIABILITIES OF INDIVIDUALS AND COMPANIES<sup>1</sup>

(Percentages of GNP)



Source : NBB.

<sup>1</sup> Excluding shares which were not the subject of a public issue.

debt, which represents the main counterpart to the net financial resources made available to the money and capital markets by individuals and companies.

During the next two years, financial liabilities increased fairly rapidly, from 131 p.c. of GNP in 1987 to 158 p.c. in 1989. The cyclical expansion at the end of the 1980s and the accompanying rise in investment may have been partly responsible for additional borrowing by companies. This factor is not, however, sufficient to explain a movement which was in fact characterised by a simultaneous increase in claims and debts, which led to the temporary stabilisation, in 1988 and 1989, of the net financial resources of individuals and companies as percentages of GNP.

This kind of movement, which has actually been observed on an even larger scale in many other industrialised countries, is probably connected with the great increase in purely financial transactions unconnected with the real economy.

The growth in the net financial resources of individuals and companies reattained its cruising speed in 1991 and 1992. It now reflects both the increase in the public debt as a percentage of GNP and the accumulation of net claims on foreign countries, which are the other counterpart of the net financial resources of the private sector and are the result of the current surpluses which have been achieved by the Belgian economy for several years.

**Financial assets**

The portfolio choices made by individuals and companies since 1990 display a marked preference for assets in the national currency, even though, during the first ten months of 1992, there was a certain revival of interest in investments in foreign currencies compared with the preceding two years, during which they had been very small. A change took place in the structure of these foreign currency investments. Whereas in 1991 they had consisted of both short- and long-term components, in 1992 they were directed solely towards assets at up to one year, individuals and companies having reduced their portfolios of foreign currency securities.

This marked preference, among foreign currency investments, for the short term, is primarily due to the interest rate structure which prevailed in 1992 in most industrialised countries. With the very important exception of the United States and, to a smaller extent, Japan, money market rates generally remained above capital market rates. This rate hierarchy enhanced the attractiveness of short-term investments throughout the greater part of the year, although this does not exclude the possibility that the sharp fall in long-term rates which took place during the last months of 1992 may have led again, at the end of the period, to some purchases of securities.

Individuals and companies did not undertake any readjustment of their portfolios

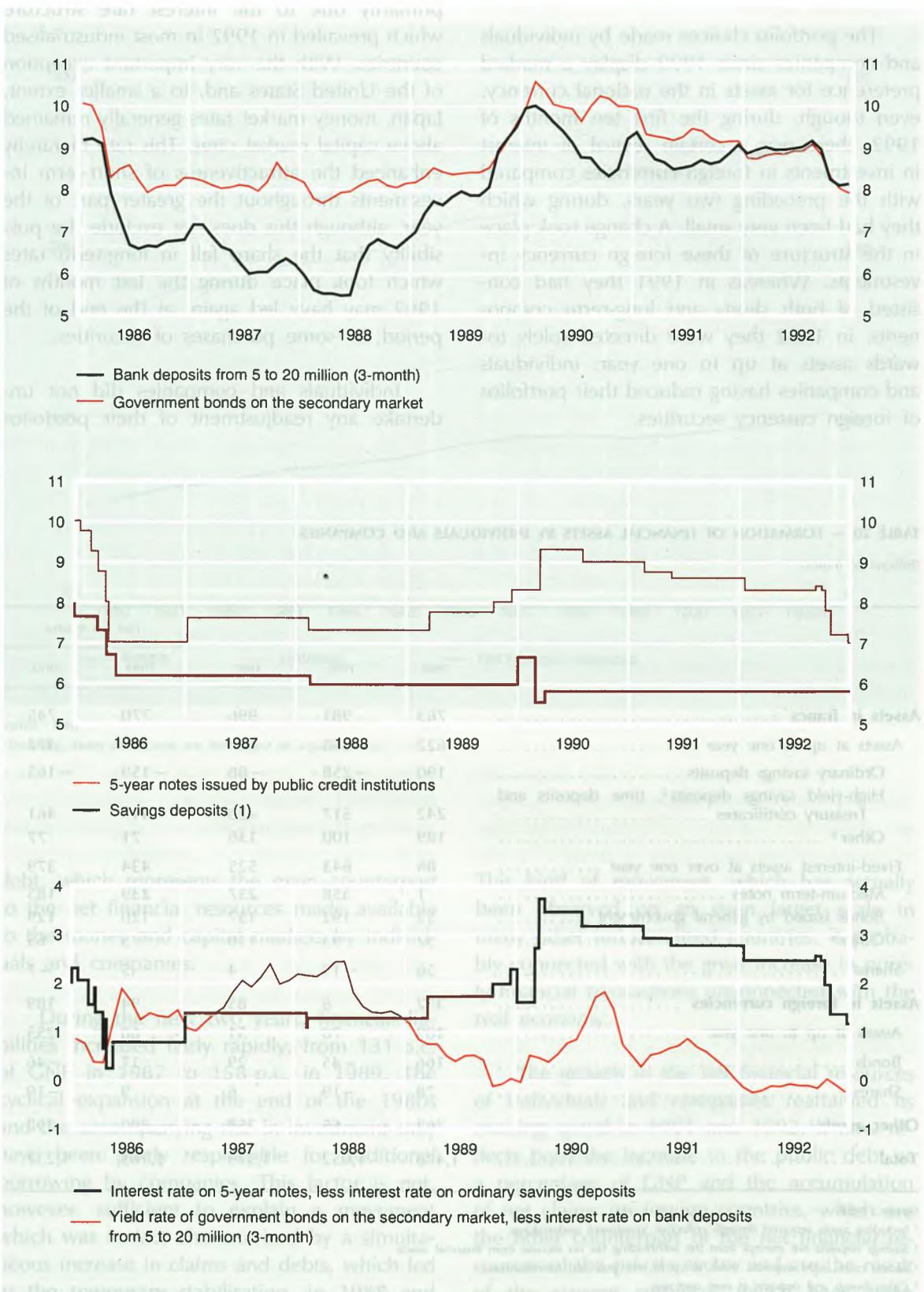
**TABLE 20 — FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES<sup>1</sup>***(Billions of francs)*

	1989	1990	1991	First ten months	
				1991	1992
<b>Assets in francs</b> .....	763	981	996	770	745
Assets at up to one year .....	622	358	467	330	373
Ordinary savings deposits .....	190	-258	-88	-159	-165
High-yield savings deposits <sup>2</sup> , time deposits and Treasury certificates .....	242	517	420	419	461
Other <sup>3</sup> .....	189	100	136	71	77
Fixed-interest assets at over one year .....	86	643	525	434	379
Medium-term notes .....	1	358	257	239	185
Bonds issued by general government .....	53	192	157	120	129
Other <sup>4</sup> .....	32	93	110	75	65
Shares .....	56	-19	4	5	-7
<b>Assets in foreign currencies</b> .....	352	6	85	94	189
Assets at up to one year .....	109	70	51	68	255
Bonds .....	166	-45	29	17	-46
Shares .....	78	-19	6	9	-19
<b>Other assets<sup>5</sup></b> .....	362	65	258	300	298
<b>Total</b> .....	1,478	1,052	1,339	1,163	1,232

Source : NBB.

<sup>1</sup> Including assets acquired through collective investment undertakings.<sup>2</sup> Savings deposits not exempt from the withholding tax on income from financial assets.<sup>3</sup> Notes, coins, sight deposits, notes at up to one year and miscellaneous.<sup>4</sup> Other bonds and deposits at over one year.<sup>5</sup> 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.

CHART 21 — MAIN CREDITOR INTEREST RATES



Source : NBB.

<sup>1</sup> Fictitious gross rate, including the fidelity bonus, for deposits on ordinary deposit or savings books. This rate is calculated on the basis of the net rate, so as to make it comparable to the gross yield on assets which are not exempt from the withholding tax.

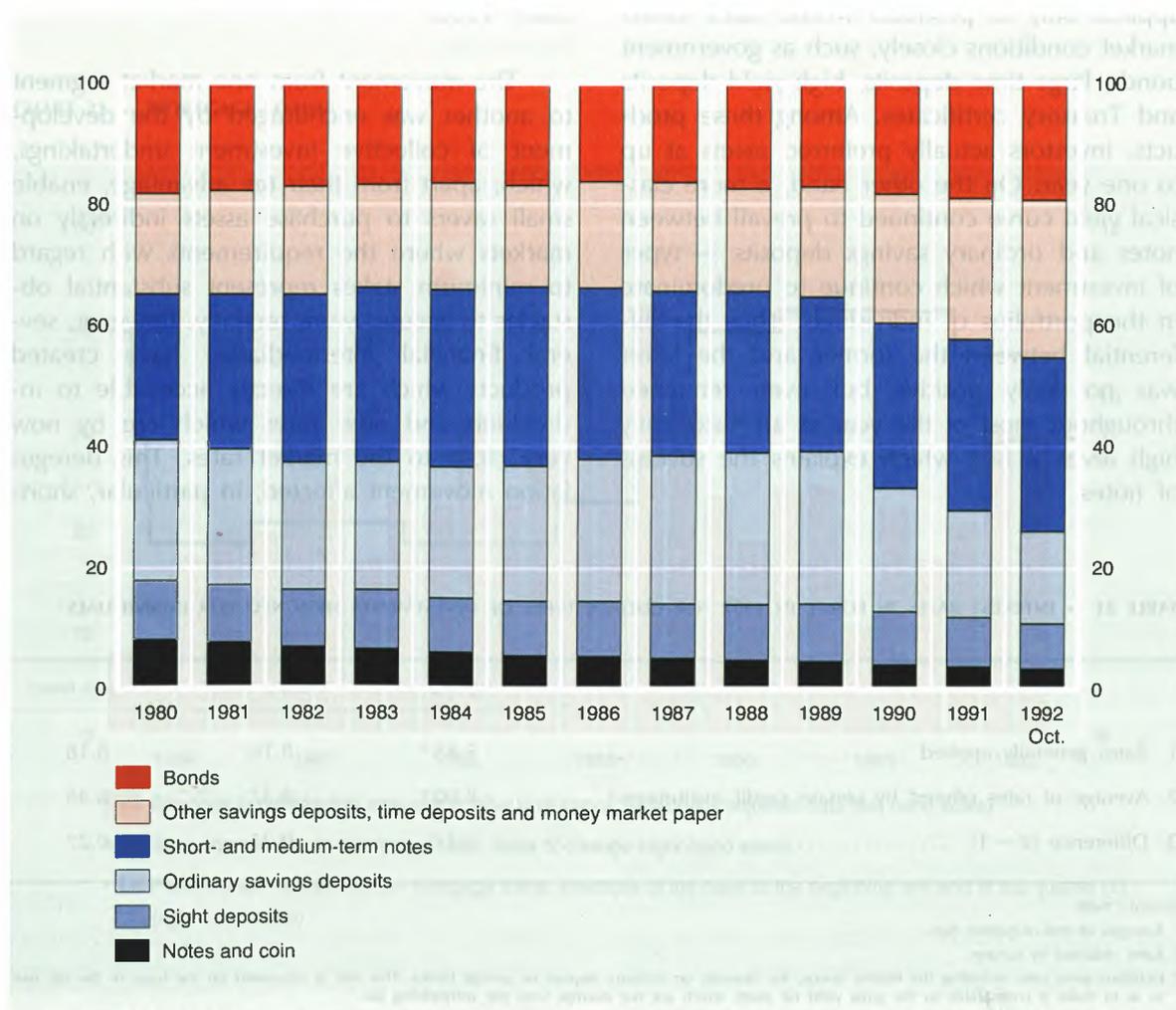
in Belgian francs comparable to that observed in the case of foreign currency assets, but distributed their investments evenly between the short and the long term. The formation of assets at up to one year was slowed down mainly by the continued disinclination of individuals and companies to invest in ordinary savings deposits. The lowering of the withholding tax in March 1990 reduced the advantage represented for this type of investment by the exemption from the withholding tax on interest all the more because it was not accompanied by any major revision of the maximum interest rate applicable to them.

On the other hand, the categories of short-term investments in francs which enjoy interest rate conditions very much closer to those of the money market again achieved great success with individuals and companies. Together, high-yield savings deposits, time deposits and Treasury certificates increased by Fr. 461 billion during the first ten months of 1992, against Fr. 419 billion in 1991.

Whereas the growth in short-term assets was accounted for mainly by investments enjoying the most advantageous interest rate conditions, the opposite situation was predominant for the formation of long-term as-

**CHART 22 — STRUCTURE OF THE PORTFOLIO OF FIXED-INTEREST ASSETS IN FRANCS OF INDIVIDUALS AND COMPANIES**

(Percentage of the total outstanding amount at the end of the period)



Source : NBB.

sets. Individuals continued to prefer medium-term notes to general government bonds despite a yield differential in favour of the latter. This predilection was, however, less pronounced than during the previous year, owing to the revival of interest in investments made via collective investment undertakings, which prefer the types of investment which are most remunerative and for which there is a liquid secondary market, such as linear bonds. In the segment comprising traditional loans, on the other hand, subscriptions by individuals for government loans fell short of the previous year's figure.

The contrasting distribution of the direct investments of individuals in francs is attributable to the rather peculiar interest rate structures which characterised the Belgian market in 1992. The reversal of the yield curve, which is favourable to short-term investments, applied only to products whose rates follow market conditions closely, such as government bonds, large time deposits, high-yield deposits and Treasury certificates. Among these products, investors actually preferred assets at up to one year. On the other hand, a more classical yield curve continued to prevail between notes and ordinary savings deposits — types of investment which continue to predominate in the portfolios of individuals. Thus the differential between the former and the latter was not only positive but even remained throughout most of the year at an historically high level, a fact which explains the success of notes.

This dissymmetry in the choice of investments would suggest a certain segmentation between the two markets. During the 1980s the relative share, in fixed-interest assets in francs as a whole, of notes and coin, sight deposits, ordinary savings deposits and notes did in fact remain extremely stable even though substitutions took place between these categories of assets depending on the preferences displayed for short-term or long-term investments and the structural reduction in cash holdings. During the last three years the combined effects of the reduction in the withholding tax and the increasingly keen competition between financial intermediaries in attracting the savings of individuals have led, however, to a progressive departitioning of the markets. Thus the share of products other than bonds and high-yield deposits and securities in total assets in francs contracted, from 65 p.c. in 1989 to 55 p.c. at the end of October 1992.

The movement from one market segment to another was encouraged by the development of collective investment undertakings, which, apart from their tax advantage, enable small savers to purchase assets indirectly on markets where the requirements with regard to minimum stakes represent substantial obstacles to access. More recently, however, several financial intermediaries have created products which are directly accessible to individuals and offer rates which are by now very close to the market rates. This deregulation movement affected, in particular, short-

TABLE 21 — INTEREST RATES IN FORCE IN 1992 FOR CERTAIN TYPES OF INVESTMENTS DESIGNED FOR INDIVIDUALS<sup>1</sup>

	Savings deposits	One-year notes	Five-year notes <sup>5</sup>
1. Rates generally applied .....	5.83 <sup>3</sup>	8.16	8.18
2. Average of rates offered by certain credit institutions <sup>2</sup> ...	8.00 <sup>4</sup>	8.37	8.45
3. Difference (2 - 1) .....	2.17	0.21	0.27

Source : NBB.

<sup>1</sup> Averages of end-of-quarter data.

<sup>2</sup> Rates obtained by surveys.

<sup>3</sup> Fictitious gross rate, including the fidelity bonus, for deposits on ordinary deposit or savings books. This rate is calculated on the basis of the net rate, so as to make it comparable to the gross yield on assets which are not exempt from the withholding tax.

<sup>4</sup> Rate on high-yield savings deposits subject to the withholding tax.

<sup>5</sup> Including subordinated notes and bonds.

term assets, with the appearance of high-yield savings deposits in 1990. The movement has, however, gradually spread to longer-term assets. Some financial intermediaries have thus brought the rates for their notes close to those applying on the capital market, especially in the context of the issuing of subordinated notes.

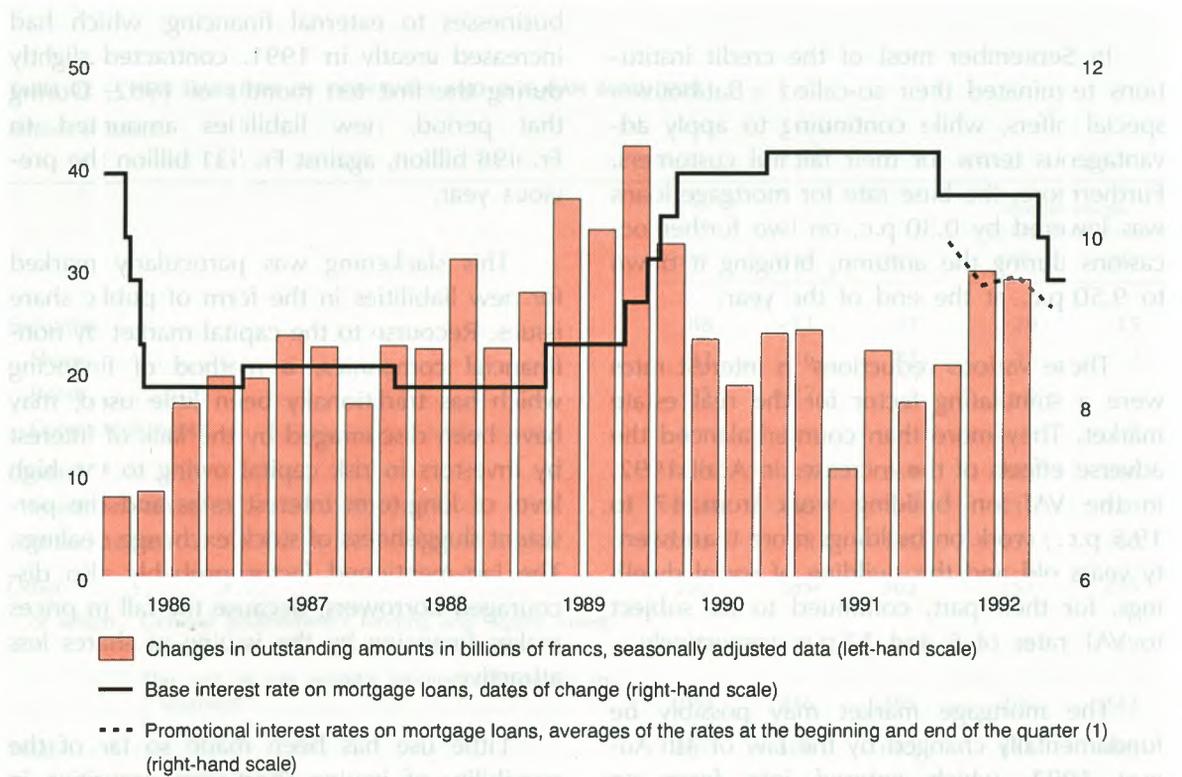
**Liabilities of individuals**

During the first ten months of 1992 the increase in the total outstanding amount of the liabilities of individuals amounted to Fr. 102 billion, some Fr. 16 billion greater than that recorded in 1991. This expansion is attributable both to a divergent movement of mortgage loans, which rose more, and consumer credit, the growth in which slowed down.

Consumer credit in fact increased by only Fr. 22 billion during the first ten months of 1992, against Fr. 28 billion the previous year. This type of credit was stimulated simultaneously by purchases due to the holding of the biennial motor exhibition in January 1992, the lowering of the VAT rates on vehicles from 25 to 19.5 p.c. with effect from 1st April and the abolition of the 8 p.c. luxury tax on the same date. Purchases of cars were concentrated mainly at the beginning of the second quarter, because a tax applied when a vehicle is first put on the road was introduced in June, causing the growth in the outstanding amount of hire-purchase loans to slow down from the third quarter onwards.

The decrease in new mortgage liabilities observed since 1990 was suddenly interrupted in 1992. The growth in the outstanding amount of loans for the purchase, building or

CHART 23 — MORTGAGE LOANS<sup>1</sup>



Sources : NBB, Belgian Real Estate Credit Association.

<sup>1</sup> Rates obtained by surveys.

conversion of a dwelling in fact amounted, during the first ten months of the year, to Fr. 80 billion against Fr. 57 billion in 1991.

The easing of borrowing rates, already appreciable in December 1991, led to a lowering of the base rate for mortgage loans by 0.50 p.c. in January 1992. Parallel with this, the deregulation of the financial conditions governing banking services to individuals subjected the mortgage market to competitive pressures comparable to those existing for creditor rates. In connection with the holding, in March, of the « Batibouw » building exhibition, several credit institutions offered particularly attractive interest rate terms for mortgage loans. These promotional measures, which were in most cases initially intended to apply for the period of the exhibition, were generally extended. Wishing to use mortgage credit as an inducement designed to retain their customers, most credit institutions coupled their offers with conditions which were sufficiently restrictive to make them easily accessible only to good customers or those agreeing to become so.

In September most of the credit institutions terminated their so-called « Batibouw » special offers, while continuing to apply advantageous terms for their faithful customers. Furthermore, the base rate for mortgage loans was lowered by 0.50 p.c. on two further occasions during the autumn, bringing it down to 9.50 p.c. at the end of the year.

These various reductions in interest rates were a stimulating factor for the real estate market. They more than counterbalanced the adverse effects of the increase, in April 1992, in the VAT on building work from 17 to 19.5 p.c.; work on buildings more than twenty years old and the building of social dwellings, for their part, continued to be subject to VAT rates of 6 and 12 p.c. respectively.

The mortgage market may possibly be fundamentally changed by the law of 4th August 1992, which entered into force on 1st January 1993, since from that date onwards borrowers will have a choice between fixed-rate or variable-rate mortgage loans, the

latter generally being less expensive because part of the interest rate risk is transferred to the borrower. This measure will bring Belgium into line with the other European countries in this respect by permitting methods of interest-rate fixing which are much more diversified than the present fixed-rate system, possibly coupled with a five-yearly — or, since 20th February 1992, three-yearly — revision. It introduces greater freedom of management for credit institutions, while at the same time providing safeguards such as the prior fixing of maximum margins of variation in the interest rate, a revision frequency of not less than one year and a reference index representing the movement of the market rate in relation to which the mortgage rate may be allowed to vary proportionally.

#### ***Liabilities of companies and one-man businesses***

Recourse by companies and one-man businesses to external financing, which had increased greatly in 1991, contracted slightly during the first ten months of 1992. During that period, new liabilities amounted to Fr. 498 billion, against Fr. 531 billion the previous year.

This slackening was particularly marked for new liabilities in the form of public share issues. Recourse to the capital market by non-financial companies, a method of financing which has traditionally been little used, may have been discouraged by the lack of interest by investors in risk capital owing to the high level of long-term interest rates and the persistent sluggishness of stock exchange dealings. The last-mentioned factor probably also discouraged borrowers, because the fall in prices makes financing by the issuing of shares less attractive.

Little use has been made so far of the possibility of issuing short-term securities in the form of commercial paper which was introduced by the law of 22nd July 1991. The outstanding amount of such paper at the end

of October, namely Fr. 8 billion, falls far short of the volume of short-term issues of promissory notes, which take place outside the legal framework and are therefore not subject to the same administrative restrictions as commercial paper.

The slowdown of the rise in liabilities contracted with resident credit institutions is due to the divergent movement of, on the one hand, recourse to investment credits, which increased, and, on the other hand, financing by other credits, which contracted considerably despite the temporary interest in advances in Belgian francs displayed during the second quarter.

The increase in investment credits, which was greater than in 1991, cannot be explained by any recovery, in 1992, in gross fixed capital formation by enterprises. The link

between investment expenditure and investment credits may perhaps have loosened in recent years owing, in particular, to the role played by the co-ordination centres in the financing channels for investment by non-financial companies.

These centres, which at present finance a large proportion of the investment undertaken in manufacturing industry, absorb only a minimal proportion, of from 10 to 20 p.c. depending on the years considered, of the investment credits granted by credit institutions. The slightness of the co-ordination centres' recourse to this method of financing is indicative of the specific nature of the financing structure of these institutions compared with other companies.

As the co-ordination centres act as financial agents for multinational groups, the

TABLE 22 — NEW LIABILITIES OF COMPANIES AND ONE-MAN BUSINESSES

(Billions of francs)

	1989	1990	1991	First ten months	
				1991	1992
Securities .....	88	-11	37	29	15
Shares <sup>1</sup> .....	93	16	37	35	7
Bonds .....	-5	-27	...	-6	...
Commercial paper .....	—	—	...	...	8
Credits <sup>2</sup> .....	449	237	264	245	208
Investment credits .....	156	169	119	111	120
Other credits .....	293	68	145	133	88
Other <sup>3</sup> .....	320	281	362	257	275
of which : General government's lending and equity investment .....	29	21	43	33	19
The rest of the world's lending and equity investment .....	270	236	285	206	242
Total .....	857	508	662	531	498

Source : NBB.

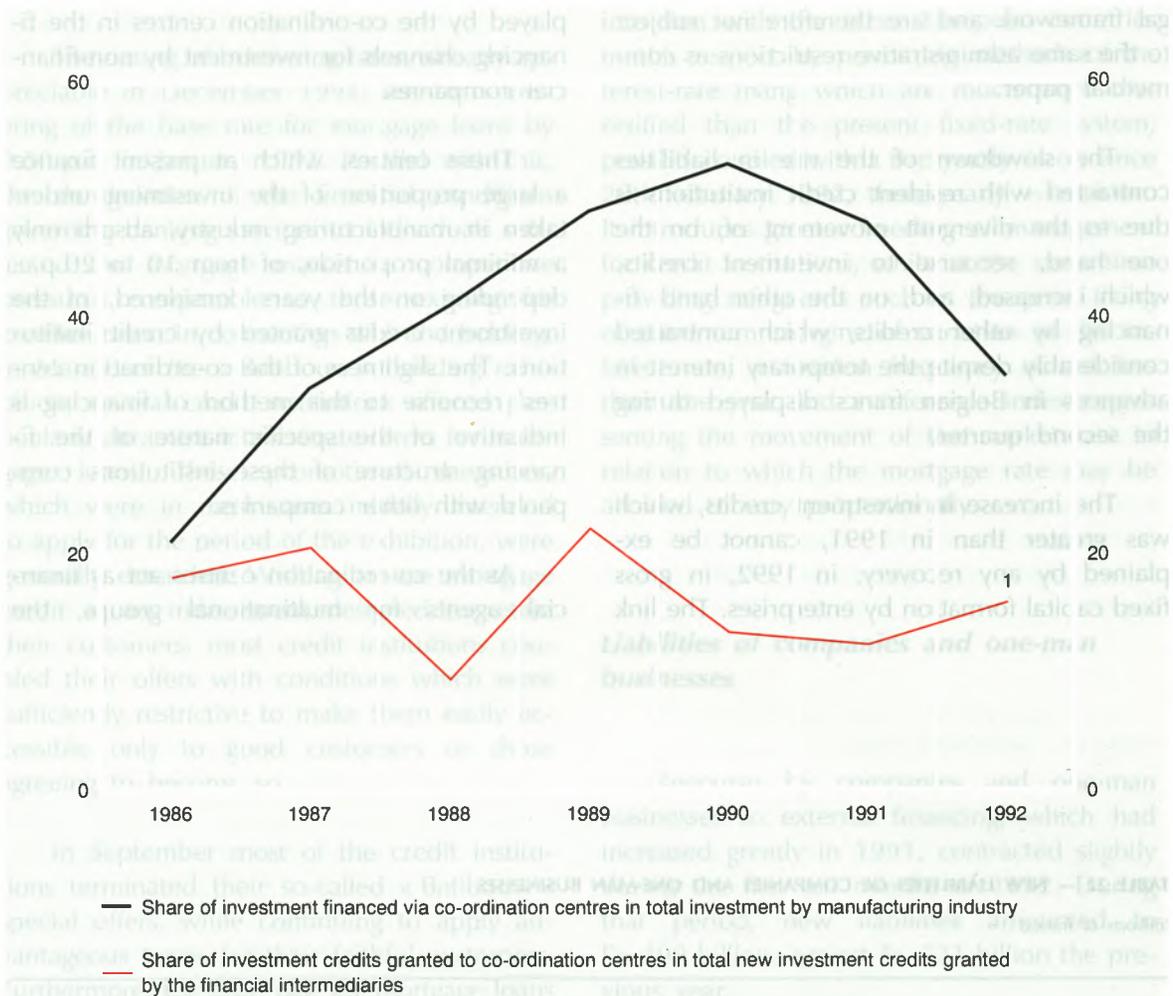
<sup>1</sup> Public issues. Including, the exercise of warrants.

<sup>2</sup> Granted by resident credit institutions.

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

CHART 24 — FINANCING OF INVESTMENT BY THE CO-ORDINATION CENTRES

(Percentages)



Source : NBB.

<sup>1</sup> First nine months.

growth in their activity has led to a considerable increase in cross-frontier capital movements. In 1991 and 1992 the co-ordination centres were net importers of foreign capital, which might explain why the rest of the world's lending and equity investment has in recent years gradually displaced loans granted by resident credit institutions as the main channel for the financing of companies.

This lending and equity investment increased by Fr. 242 billion during the first ten months of the year, against Fr. 206 billion the previous year.

### 4.3 PUBLIC FINANCES

#### 4.31 MAIN LINES OF MEDIUM-TERM BUDGETARY POLICY

The expansion of the deficit of general government as a whole in 1991 showed once more how necessary it is to persevere with and step up the process of budgetary rehabilitation. The Government adopted a set of measures in order to restrict the net financing requirement in 1992 and 1993. Furthermore, from the longer-term point of view, it set itself targets for the reduction of the deficits by

1996 which should, at one and the same time, enable the danger of the appearance of a « snowball » effect to be permanently dispelled and the extent of interest charges to be reduced, in order to leave more room for manoeuvre in budgetary policy and thus, among other things, make it possible to cope with the gradual ageing of the Belgian population. Attainment of these targets should also place Belgium among the European countries whose economies will have reached what is considered to be a sufficient degree of convergence by the start of the third phase of the EMU. These targets were stated in the convergence plan approved by the EC Council (Ecofin) and the measures which will be employed to achieve them were described in the 1993-1996 multi-annual programme decided upon when the 1993 budget was adopted.

The convergence plan presented by the Government in June is based on an assumption of medium-term economic growth of 2.5 p.c., which is if anything less optimistic than those made in most of the convergence plans submitted by the other Member States. Similarly, the assumption adopted for the movement of the implicit interest rate on the public debt, namely a decline of 0.1 percentage point per year, also seems very cautious. However, this plan is based on an assessment of general government's net financing requirement in 1992 which must be revised upwards for two reasons. Firstly, the 1991 balance was increased by 0.4 point because the statistics recently published by the NSI revealed a less favourable development of the public finances than had been estimated and because the national accounts methodology has been adapted to that of the European System of Integrated Economic Accounts (ESA). Secondly, the cyclical slowdown in 1992 led to a widening of the deficit, as was also the case in the other countries.

The Government set itself the target of reducing the net financing requirement of general government as a whole to 3 p.c. of GDP in 1996. The annual stages of the plan which it drew up for this purpose will probably have to be adjusted in order to gradually incorporate the additional efforts required by

the aforementioned statistical changes : the 1993 target could perhaps be increased by 0.3 point, the 1994 target by 0.2 point and the 1995 target by 0.1 point. For the implementation of this programme a joint effort by all the sub-sectors of general government is essential.

In this context the national government laid down three norms applicable to matters within its competence. Firstly, tax revenue must increase at the same rate as GNP. Secondly, the growth in the total primary expenditure of the national government must be limited to the rate of inflation, i.e. there must be no increase in real terms. As the Government decided to keep some items of this expenditure — expenditure on national defence, transfers to the social security system and to some public enterprises — constant in nominal terms, other primary expenditure can grow in volume by 1.9 p.c. per year.

Lastly, a norm of annual financial balance was fixed for social security. This norm is coupled with a requirement of stabilisation, in nominal terms, of transfers made by the national government. Attainment of balance under this condition means that, account being taken of the assumed growth of GDP and the same movement of social contributions, social security expenditure must not increase in volume by more than 1.6 p.c. per year, i.e. at a rate lower than the growth in GDP.

In line with the recommendations of the Superior Finance Council, the communities and regions must carry out measures designed to stabilise their respective debt ratios from the year 2000 onwards. According to this scenario, the real growth in their expenditure excluding interest charges would have to be limited to a total of 0.9 p.c. per year.

The rehabilitation achieved by the improvement in the primary surplus due to compliance with these norms and recommendations will be reinforced by a contraction in interest charges resulting from the gradual reduction of the deficit, and thus of the debt as a percentage of GDP, and from the expected decrease in the implicit interest rate.

In addition to the norms laying down the main lines of budgetary policy in the coming years, a set of concrete measures for 1992 and 1993 — which will be discussed in greater detail further on — and also various other measures, whose favourable effect on general government's accounts will continue to be felt until 1996, were taken by the Government.

With regard to the accounts of the national government, the main measure with an effect extending over several years is the suspension, for at least two and at most four years, of the indexation of the scales of personal income tax, except for the tax-exempt minimum, and the increase in the minimum for dependent children. Furthermore, the Government decided to sell, over a four-year period, assets to a total value of Fr. 60 billion.

The re-establishment of the financial balance of the social security system requires the introduction of structural measures to enable the growth in expenditure in the health care, unemployment and early retirement sectors to be kept under control.

The measures envisaged in the health care sector are aimed at increasing the degree of responsibility of the insurance institutions, the providers of health care and the patients.

In the unemployment sector, it was decided to propose to each unemployed person who is aged under 46 and has been unemployed for nine months a guidance plan designed to increase the supply of skilled workers through better vocational training. The policy of checking whether unemployed persons are genuinely available in the labour market will be tightened up and the penalties in the event of abandonment or refusal of a job will be made more severe. Furthermore, in order to limit the number of early retirements, the early retirement age will be gradually raised from 55 to 58 — except for certain categories of workers — and new persons taking early retirement will be forbidden to do paid work.

An estimate can be made of the expected effect of the set of measures decided upon by the Government on the 1992 and 1993 accounts of the national government and the social security system. Altogether, these mea-

TABLE 23 — SUMMARY OF THE INCIDENCE OF THE MEASURES DECIDED UPON BY THE GOVERNMENT

(Billions of francs)

	National government		Social security		Total	
	1992	1993	1992	1993	1992	1993
Fiscal and para-fiscal revenue .....	32.1	67.1	14.1	46.5	46.2	113.6
Personal income tax .....	-2.1	5.2	—	—	-2.1	5.2
Corporation tax .....	14.8	29.4	—	—	14.8	29.4
Indirect taxes .....	19.4	32.6	—	—	19.4	32.6
Social contributions .....	—	—	14.1	46.5	14.1	46.5
Non-fiscal and non-para-fiscal revenue .....	6.6	34.1	7.2	3.1	13.8	37.2
Expenditure excluding interest charges <sup>1</sup> .....	7.8	12.9	8.7	31.6	16.5	44.5
Total excluding interest charges .....	46.5	114.1	30.0	81.2	76.5	195.3
Interest charges .....	17.0	19.0	—	—	17.0	19.0
Total .....	63.5	133.1	30.0	81.2	93.5	214.3

Sources : « Budget 1993 et programme pluriannuel 1993-1996 », NBB.

<sup>1</sup> Economy measures less new expenditure, mainly that connected with the general revision of civil service salary scales and with new social needs.

asures, some of which have not yet been implemented, may be expected to reduce the net financing requirement by Fr. 94 billion (or 1.3 points of GDP) in 1992 and by Fr. 214 billion (or 3 points of GDP) in 1993. In 1993, when the structural effect of certain measures will make itself felt for the whole year, more than half of the total package of measures is expected to take the form of social contributions and fiscal levies, mainly in the form of indirect taxes and limitations of tax expenditure in respect of corporation tax. The measures relating to other public revenue and to expenditure excluding interest charges are both expected to contribute about 20 p.c. to the rehabilitation effort. The remaining 9 p.c. or so is expected to be obtained thanks to various measures adopted to lighten the burden of interest charges.

On the basis of the Bank's estimates of general government's accounts in 1992, it should be possible for the target of the reduction of the net financing requirement to 3 p.c. in 1996 to be achieved, provided that the surplus excluding interest charges of general government as a whole increases at an average rate of about 0.5 p.c. per year. This entails a stepping-up of the effort compared with the last five years, during which the improvement in this balance amounted to only 0.2 p.c. per year. It is also important to emphasise that, in this medium-term scenario, an automatic mechanism reducing interest charges and the debt ratio as a percentage of GDP begins to operate fairly quickly.

#### **4.32 REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT IN 1992**

##### **Revenue**

During the year under review the rise in total revenue was greater than that in GDP. Revenue, which has represented around 47 percentage points of GDP since 1990, reached a level comparable to that at the beginning of the 1980s, when the net financing requirement amounted to over 10 p.c.

of GDP. The improvement in the latter was therefore solely due to the reduction in expenditure.

The movements of the various types of revenue differed, however, in 1992. Thus, there was an increase in the share of both social security contributions and indirect taxes in GDP. On the other hand, direct taxes continued the decline which started in the second half of the 1980s, thus reaching the lowest level since 1975. These taxes are currently at about the same level as social contributions. The other, smaller categories of revenue remained stable.

The fall in direct taxes was due to that in corporation tax. It might appear surprising in view of the measures decided upon during the verification of the 1992 budget. The most important decisions related to the suspension of the deduction for investment, the taxing of withdrawals from certain reserves and the limitation of the rate of degressive depreciation.

The decline in the direct taxes paid by companies expressed as a percentage of GDP is connected, however, with the adverse effect of the slackening of economic activity on profits.

Another important factor exerted an influence in the same direction: this was the abolition of the withholding tax on dividends paid by subsidiaries to their parent companies, resulting from the conversion, in October 1991, of a European directive into Belgian legislation. As this entails only the abolition of a withholding tax, this measure has no effect on the tax payable by companies, except for dividends paid to foreign companies. On the other hand, the abolition of the withholding tax on income from financial assets did affect the timing of revenue inflows, leading to a temporary loss of tax revenue, because the considerable drop in revenue from the withholding tax was probably only counterbalanced to a small extent in 1992 by greater advance payments; a substantial amount will still have to be recovered by the Treasury when the assessments are made, in 1993 and 1994.

TABLE 24 — REVENUE OF GENERAL GOVERNMENT

(Percentages of GDP)

	1987	1988	1989	1990	1991	1992 e
Direct taxes and contributions .....	35.1	33.9	32.2	32.6	32.6	32.7
Direct taxes .....	19.0	18.2	16.9	17.1	16.7	16.5
Social security contributions .....	16.2	15.7	15.3	15.5	15.9	16.2
Indirect taxes .....	12.4	12.1	12.2	12.2	12.2	12.4
Capital taxes .....	0.3	0.3	0.3	0.3	0.3	0.3
Non-fiscal and non-parafiscal revenue .....	1.3	1.2	1.3	1.4	1.5	1.5
Total revenue .....	49.2	47.5	45.9	46.6	46.6	47.0

Sources : NSI, NBB.

The relative decline in direct taxes paid by companies in 1992 is also attributable to the increase in the repayments made by the Treasury at the time of the assessments, which, by their nature, are unconnected with the 1992 results but relate to previous years. Part of these repayments was due to the transactions connected with the liquidation surpluses obtained a few years ago.

Lastly, there is the possibility that certain measures did not produce their full effect in 1992, or that this was smaller than had been expected. On the one hand, while the suspension of the investment deduction does mechanically lead to an increase in revenue, the deductions made in 1992 may have been influenced by the bringing-forward of deductions made during the preceding years by companies whose taxable base was zero. It is also possible that companies distributed their tax-exempt reserves — a line of action which had been encouraged by a preferential rate of tax — only to a slight extent.

As in the previous year, revenue from the withholding tax on interest was adversely influenced by the effect of the reduction to 10 p.c., at the beginning of 1990, of the rate of the withholding tax on income from new assets. This rate reduction continues to exert a negative mechanical effect on revenue as assets which are still subject to a withholding tax of 25 p.c. are renewed. However, the positive effect of the measure on investments in

Belgian francs subject to the withholding tax very largely counterbalanced the negative mechanical incidence of the reduction of 60 p.c. in the rate of the withholding tax — resulting from the lowering of the rate from 25 to 10 points — on the revenue from it, so that this revenue fell by only 25 p.c. compared with 1989.

With regard to personal income tax, some measures were taken to increase its yield in 1992; these included, in particular, the bringing-forward of the payment of the withholding tax for the fourth quarter and measures designed to make the change-over to company form less attractive. However, the increase of 1 point in the rate of social contributions had a negative effect on the basic taxable amount.

As in the preceding years — except 1990, which was influenced by exceptional factors — the rate of growth of direct taxes as a whole was lower than the rate of growth of GDP. In 1991 and 1992 this difference reflects the effect of measures adopted previously relating to the withholding tax on income from financial assets and that of a shift in the timing of assessments of individuals and companies. During each of the last two years the amounts relating to these various types of tax decreased substantially, both owing to the measures mentioned and because the tax refunds connected with the tax reliefs on 1989 incomes were not made until 1991. If the

TABLE 25 — TOTAL TAX REVENUE

(Percentage changes compared with the previous year)

	1987	1988	1989	1990	1991	1992 e	1992 e	
							1st half	2nd half
Direct taxes .....	2.7	2.3	0.9	7.4	2.3	3.6	3.8	3.4
Withholding tax and assessments .....	6.3	0.6	-10.4	13.7	-39.3	-28.8	-36.4	-23.7
Other direct taxes .....	2.1	2.5	2.7	6.5	8.7	6.4	6.7	6.1
of which : Advance payments .....	3.1	4.4	7.8	-5.6 <sup>1</sup>	-0.8	0.1	7.5	-5.7
Withholding tax on earned income .....	0.9	2.7	2.1	10.9 <sup>1</sup>	10.6	8.2	6.7	9.7
Indirect taxes .....	8.5	4.7	8.9	6.9	4.1	6.2	10.0	2.9
of which : VAT .....	6.8	6.8	7.6	5.8	4.2	3.7	7.9	0.4
Excise duties .....	3.5	2.2	9.2	10.9	6.8	10.7	13.2	8.3
Registration fees .....	20.7	12.7	29.3	-0.9	-6.6	7.3	9.4	5.4
Total tax revenue .....	4.9	3.2	4.1	7.2	3.1	4.7	6.4	3.2
p.m. Nominal GDP .....	4.5	6.9	8.6	6.2	4.6	4.6	n.	n.

Sources : Ministry of Finance, NSI, NBB.

<sup>1</sup> Figures influenced by the fact that active partners of private partnerships were made subject to the withholding tax on earned income.

withholding tax and assessments are excluded, the rate of growth of direct taxes was considerably higher and exceeded the rate of growth of nominal GDP in 1990 and 1991 and also in 1992.

The rate of growth of indirect taxes exceeded the growth in GDP during the year under review. The increase in indirect taxation was due to various measures : the raising, on 1st April and 1st September, of excise duties on motor vehicle fuels, the revision of VAT rates, the introduction of a tax payable when new cars are first put on the road, pleasure vessels and aircraft and the introduction of a single tax on sums received in respect of, particularly, life insurance and pension funds by enterprises managing long-term savings.

VAT rates were readjusted in accordance with the agreements on the European harmonisation of indirect taxation concluded in June 1991. Thus, since April 1992, there have been only three rates : the normal tax was fixed at 19.5 p.c., replacing the former rates of 17, 19 and 25 p.c.; the reduced rate of

6 p.c. for essential commodities was maintained; lastly, a rate of 12 p.c. was introduced for cigarettes and tobacco and for the building of social dwellings, which had previously been taxed at 6 and 17 p.c. respectively, and for a limited number of products which were previously subject to the 19 p.c. rate. The new tax on putting vehicles on the road was in fact introduced to offset the negative effect on revenue of the abolition of the 8 p.c. luxury tax which was applicable to luxury cars, hi-fi and video equipment and radio and television receivers.

Whereas they had decreased during the two preceding years, registration fees showed positive growth again in 1992 owing to the revival of demand for dwellings on the part of households.

Compared with the same period of the previous year, indirect taxes increased by 10 p.c. in the first half of 1992 and by only 2.9 p.c. in the second half. The origin of this slowdown does not lie in the year under review — the seasonally adjusted and smoothed

figures indicate, rather, a stabilisation — but instead reflects the sharp rise which had taken place in the middle of 1991 as a result of the improvement which took place in house-building and, to a smaller extent, trade.

Altogether, in 1992, tax revenue rose at the same rate as GDP. The unit elasticity norm for this revenue adopted in the convergence plan was thus complied with.

As a result of the measures taken by the Government, social security contributions expressed as a percentage of GDP increased by 0.3 point. The rate of personal contributions to the health care scheme was raised by one percentage point on 1st July for employees and self-employed persons and on 1st October for pensioners whose pension is above a certain threshold. The effect of this measure was partly offset by the abolition of two retentions previously introduced, that of Fr. 375 per month on family allowances and its corollary, the retention of Fr. 675 per month for single persons and childless families.

Certain employers' contributions were also increased, including, but only in the third quarter, a rise of 0.8 point in the rate of contribution for financing temporary unemployment. New contributions were also introduced for companies, including a flat-rate contribution of Fr. 7,000 per year for social security for self-employed persons and a quarterly flat-rate contribution per part-time worker receiving unemployment benefit.

Lastly, general government received additional non-fiscal and non-parafiscal revenue, chiefly due to payments made by the Bank to the Treasury in connection with interest income generated by an arbitrage of gold against foreign currencies.

### ***Expenditure excluding interest charges***

At the beginning of the 1980s, primary expenditure, i.e. expenditure excluding interest charges, still amounted to around 50 p.c. of GDP. After having decreased steadily,

reaching 41.4 p.c. in 1990, it rose in 1991 to 42.6 p.c., and remained practically stable at that level during the year under review. The growth of 2.2 p.c. in primary income at constant prices during the year, while admittedly smaller than the previous year's exceptionally large rise, was still above the average rate of 1.2 p.c. observed since 1985.

This larger rise is mainly attributable to social security expenditure, since the movement of other primary expenditure as a whole was fairly close to the trend increase. The large growth in social expenditure — of 4.1 p.c. at constant prices, a distinctly larger rise than that in GDP — despite the economy measures adopted in 1992 is attributable to the still particularly rapid rise in expenditure on health care, to the increase in the number of job-seekers due to the slackening of economic activity and, lastly, to the effect of the previously adopted measures concerning pensions other than those of general government employees.

Expenditure on these pensions increased by 4 p.c. in 1992, against an average of 2 p.c. since 1985. This rise, of the same order as that recorded in 1991, is partly attributable to the full-year effect of the increase of 2 p.c. which came into force in October 1991, after a first rise of between 1 and 3 p.c. which took place in October 1990.

In 1992 the increase in expenditure on health care amounted to 6.7 p.c. in volume. It remained rapid despite the measures adopted by the Government, including the application of a new system of flat-rate intervention in favour of persons living in nursing homes or receiving home care, the changing of the system of price fixing for medicaments and better control over technical services.

Pensions payable by the social security and health care systems together account for some 62 p.c. of total social security expenditure. The importance of these two branches can be illustrated by the fact that an increase of 1 p.c. in one of them has, on average, the same budgetary effect as a rise of around 17,000 persons in the number of unemployed.

TABLE 26 — PRIMARY EXPENDITURE<sup>1</sup> OF GENERAL GOVERNMENT

	Percentages of GDP				Percentage changes at constant prices <sup>2</sup>			
	Average 1985-1991	1990	1991	1992 e	Average 1985-1991	1990	1991 <sup>3</sup>	1992 e
Total primary expenditure .....	44.4	41.4	42.6	42.6	1.2	1.0	4.4	2.2
Social security transfers to individuals ...	19.2	18.2	18.9	19.3	2.0	2.2	5.1	4.1
of which : Pensions (excluding general government) .....	6.6	6.3	6.4	6.6	2.0	2.2	3.4	4.0
Health care .....	4.8	4.8	5.2	5.4	5.1	5.0	8.3	6.7
Unemployment benefits ...	2.3	2.0	2.1	2.2	-0.5	-1.2	10.1	3.8
Early retirement and career interruptions .....	0.8	0.8	0.8	0.8	2.1	5.4	2.2	2.8
Family allowances .....	2.1	1.9	1.9	1.9	0.1	-3.1	0.4	1.3
Other <sup>4</sup> .....	2.6	2.4	2.4	2.4	0.1	2.7	3.5	1.7
Other primary expenditure .....	25.2	23.2	23.7	23.3	0.7	0.2	3.8	0.6
of which : Compensation .....	10.1	9.4	9.5	9.5	0.9	2.5	1.9	1.8
Pensions (general govern- ment) .....	1.9	1.8	2.0	2.0	3.9	3.4	8.0	4.5
Purchases of goods and ser- vices .....	3.2	2.9	2.9	2.7	0.6	-0.4	2.4	-4.1
Subsidies to enterprises ...	2.7	2.4	2.3	2.3	-1.6	-2.2	2.6	-1.3
Current net transfers to the rest of the world .....	1.5	1.4	1.6	1.5	4.8	-5.4	15.8	-2.8
Gross fixed capital forma- tion .....	1.8	1.6	1.6	1.6	-2.9	0.7	6.2	0.1
p.m. GDP .....					2.6	3.4	1.9	0.8

Sources : NSI, NBB.

<sup>1</sup> Expenditure excluding interest charges.<sup>2</sup> The data, except for GDP, are deflated here with the index number of consumer prices, and there may therefore be certain divergences from the data given in the chapter « Expenditure, production and employment ».<sup>3</sup> For 1991, the effect of the integration of the health care fund of the BNRC in the social security accounts, was eliminated in calculating the percentage changes at constant prices, but not in calculating the percentages of GDP. This change does not affect the net figure for general government as a whole.<sup>4</sup> Mainly sickness and disability insurance benefits, payments relating to occupational diseases, industrial accidents, guaranteed income and subsistence allowances.

Transfers to individuals in the form of unemployment benefits increased in 1992 by 3.8 p.c. in real terms. This rise, which contrasts with the slight decline recorded between 1985 and 1991, was however considerably less pronounced than in the previous year. This smaller rise, which took place despite the larger increase in the number of wholly unemployed persons receiving benefit, is attributable on the one hand to the fact that the number of other beneficiaries (including temporarily unemployed persons, part-time unemployed persons and non-job-seekers) declined, after having increased strongly in the preceding years, and on the other hand to the measures taken. These relate to the schemes for

part-time unemployment, interruption of unemployment and resumption of education and also to the rules governing exclusion for long-term unemployment.

The increase in compensation, of 1.8 p.c. at constant prices, was close to the previous year's figure. This stability is the net result of a smaller unit increase brought about by the social programming measures, offset by a smaller decrease in employment in general government.

The rate of growth of general government pensions expressed in constant francs, which amounted to 4.5 p.c. in 1992, was on the

other hand smaller than the exceptional rise in 1991, when the very large real increase in civil service pensions had been contributed to by the payment of arrears connected with equalisation payments due in 1990. As in the preceding years, the rise in expenditure recorded in 1992 is partly attributable to the increase, of some 2.5 p.c., in the number of pensioners.

The decision to reduce the operating costs of general government, including in the national defence department, contributed to the large fall, in real terms, in expenditure on purchases of goods and services. Consequently, this expenditure expressed as a percentage of GDP, which had already displayed a marked downward trend, continued to decrease.

In application of the law of 21st March 1991 reforming certain public enterprises — the Airways Board, the BNRC, the Post Board and Belgacom — management contracts were concluded or are still being negotiated. These contracts govern, among other

things, the granting of possible government subsidies to compensate for the burdens resulting, for the enterprise, from its public service functions. In this connection the overall amount of certain subsidies to these enterprises will be kept constant in nominal terms for five years. Although this freezing will produce its effects only from 1993 onwards, the subsidies granted to enterprises as a whole already declined by 1.3 p.c. in constant prices during the year under review.

After having increased sharply in 1991 owing to the rise in Belgium's contribution to the European Communities in respect of the « fourth resource », current net transfers to the rest of the world decreased by 2.8 p.c.

Lastly, gross fixed capital formation, which had increased in 1991, after having fallen rapidly for years, stabilised.

### **Interest charges**

Compared with the previous year, the interest charges of general government as a

TABLE 27 — MAIN DETERMINANTS OF INTEREST CHARGES

	1990	1991	1992
Interest rate in Belgian francs (p.c.)			
Short-term rate <sup>1</sup> .....	9.6	9.4	9.6
Implicit long-term rate <sup>2</sup> .....	9.5	9.5	9.3
Change in the Treasury's debt in Belgian francs (billions of francs) .....	452	535	634
Debt at over one year .....	356	549	623
Debt at up to one year .....	96	-14	11
of which : Treasury certificates, over 3 months .....	-23	623	-207
3-month Treasury certificates .....	-20	599	171
1- and 2-month Treasury certificates .....	207	-909	-
Special certificates .....	-56	-288	-
Interest charges of general government as a whole			
Billions of francs .....	705	711	788
Percentages of GDP .....	11.0	10.6	11.2

Source : NBB.

<sup>1</sup> Average interest rate on 3-month Treasury certificates from September to September.

<sup>2</sup> Average nominal rate on long-term loans in Belgian francs as at 31st December of the previous year.

whole rose by Fr. 77 billion, or 0.6 p.c. of GDP, cancelling out the decline in 1991. While the debt of general government did in fact increase, the overall movement of interest charges was favourable, as the effect of the decline in the long-term implicit rate more than counterbalanced that of the slackening of the rise in short-term rates, which apply to a far smaller outstanding amount of debt. The rise in interest charges as a percentage of GDP is therefore chiefly attributable to a change in the financing structure of the deficit during the past two years, a factor which also explains the sharp fall in 1991.

In 1991 there was a considerable change in the financing structure of the Treasury deficit. The share of financing at over one year in the total financing of the deficit had been greater than 100 p.c., which had not been the case the previous year. Furthermore, within the short-term debt, owing to the reform of the market for public debt securities in January 1991, Treasury certificates with a maturity of less than three months had disappeared. Lastly, large numbers of 6- and 12-month certificates had been issued during the second half of 1991. The changes in the financing structure of the deficit had had the

effect of substantially reducing the 1991 charges and shifting interest payments to the subsequent years.

In 1992 the share of long-term borrowing in the financing of the deficit remained large, but was smaller than in 1991. Furthermore, the outstanding amount of 6-month and 12-month certificates contracted to the benefit of 3-month certificates, so that interest charges increased compared with their exceptionally low level in 1991.

Moreover, interest charges increased in 1992 owing to the conversion, in the fourth quarter, of classical loans into linear bonds, as the former had already given rise to interest payments at the beginning of the year. The interest for the period between the date of these payments and the conversion date, which would normally have been paid in 1993, came on top of the charges for the year under review.

In recent years (except in 1989, a year of strong growth in nominal GDP), the real implicit interest rate was appreciably above the rate of growth in GDP, a situation which allows the emergence of a « snowball » effect

TABLE 28 — « SNOWBALL » EFFECT OF INTEREST CHARGES ON THE PUBLIC DEBT<sup>1</sup>

(Percentages)

	1986	1987	1988	1989	1990	1991	1992 e
Ratio between the harmonised debt and GDP	115.0	118.9	119.6	117.1	116.9	119.0	121.0
Factors explaining the movement of this ratio :							
Difference between the interest rate and the rate of growth of GDP .....	4.5	4.4	1.5	-0.1	2.6	3.6	4.0
Implicit interest rate <sup>2</sup> .....	9.8	8.9	8.4	8.6	8.8	8.2	8.6
Rate of growth of nominal GDP .....	5.3	4.5	6.9	8.6	6.2	4.6	4.6
Rate of growth of real GDP .....	1.5	2.0	5.0	3.8	3.4	1.9	0.8
Deflator of GDP .....	3.8	2.4	1.8	4.7	2.7	2.7	3.8
Real implicit interest rate (p.m.) .....	6.0	6.5	6.6	3.9	6.1	5.5	4.8
Financing capacity excluding interest charges	2.1	3.3	3.5	3.9	5.2	3.9	4.3

Sources : NSI, NBB.

<sup>1</sup> 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* No. 4, *L'effet « boule de neige » des charges d'intérêts de la dette publique*, November 1989.

<sup>2</sup> Ratio between the interest charges paid and the debt as at 31st December of the previous year.

and which does in fact produce it when the primary surplus does not reach an adequate level. The slackening of economic activity in 1992, accompanied by the persistence of high interest rates, made this risk rather more acute than in the preceding years. As the financing capacity excluding interest charges — though admittedly tending to improve — is still not high enough to preclude the appearance of such a process of self-fuelling of the public debt, the debt as a percentage of GDP inevitably increased again.

Thus the ratio between the « harmonised » debt and GDP, which had declined in 1989 and 1990, rose again from then onwards, reaching 121 p.c. — or a level slightly higher than the 1988 figure — in 1992. This concept of harmonised debt differs from that of the public debt hitherto used by the Bank through the fact that certain corrections have been made to it in order to comply with the methodology laid down for the application of the convergence criteria defined in the Treaty of Maastricht and also in order to fall into line with the concepts used in other countries. The main differences compared with the gross debt concern the consolidation of claims and debts between the various sub-sectors of general government, the exclusion of the debt to the IMF and the exclusion of debts contracted for the purpose of financing public enterprises. This is because, as the partitioning between government departments and public enterprises has hitherto been less clear-cut in

Belgium than in other countries, the financial transactions of public enterprises have had greater repercussions on the public finances. In the other countries, public enterprises have had a greater degree of autonomy and have themselves raised funds on the capital markets. In this connection it may be mentioned that, according to the OECD, Germany's budget deficit would be 2.1 points higher if it included the transactions of public enterprises and public financial institutions such as the Treuhandanstalt.

### **Net financing requirement**

After having increased by 0.9 point of GDP in 1991, the net financing requirement rose by 0.2 point during the year under review. In order to distinguish the more fundamental movement of public finances during the recent period, it is preferable to exclude the sawtooth movement of interest charges during the last two years, because in 1992 these charges returned to a level close to that observed in 1990. It thus becomes apparent that, after a long uninterrupted period of significant improvement in the net balance excluding interest charges, the public finances had got appreciably out of control in 1991. This worsening had been partly due to the disappearance of fortuitous elements which had made the net balance excluding interest charges in 1990 look too favourable : these were, in particular, a delay in assessments and

**TABLE 29 — NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT**

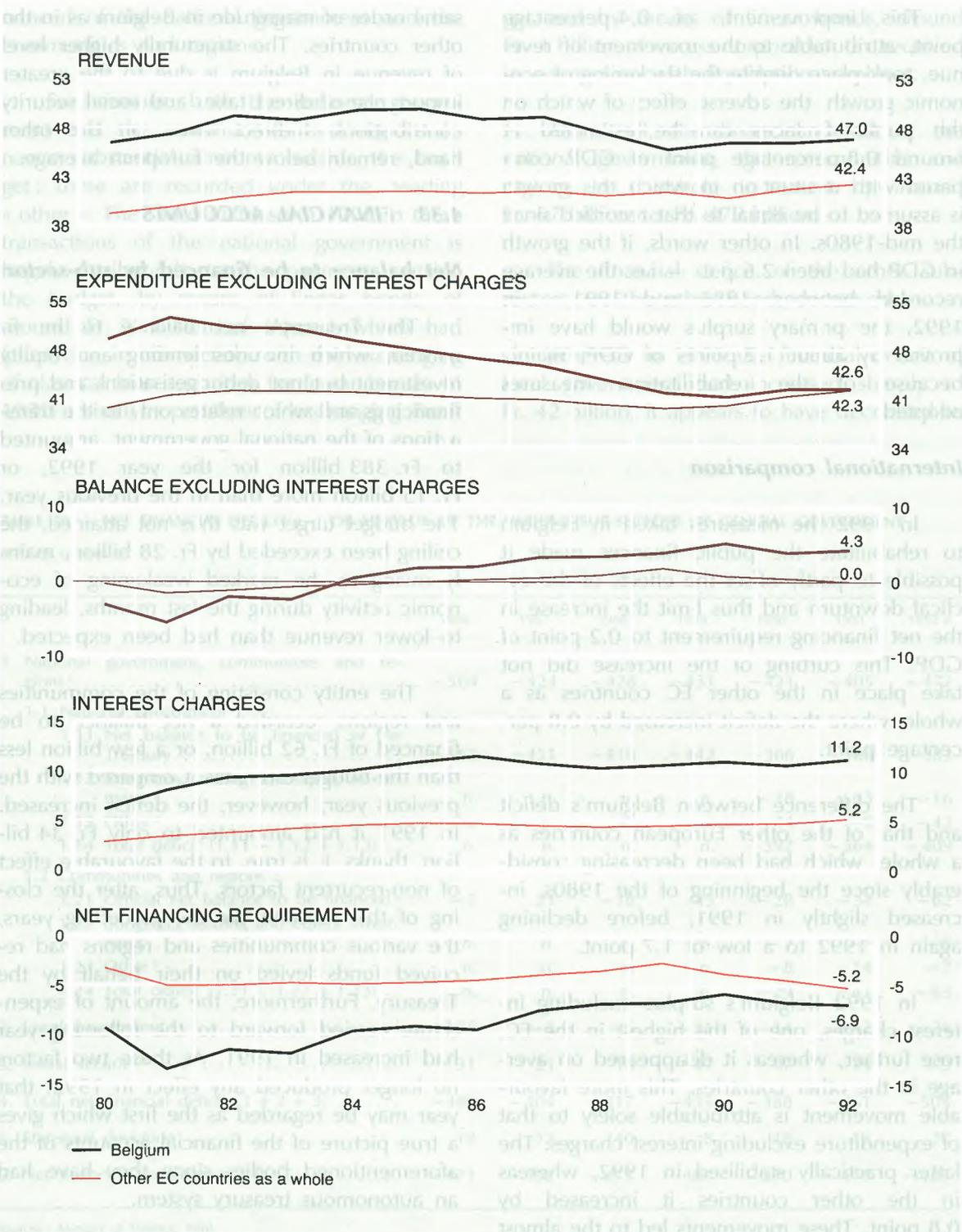
(Percentages of GDP)

	1987	1988	1989	1990	1991	1992 e
1. Revenue .....	49.2	47.5	45.9	46.6	46.6	47.0
2. Expenditure excluding interest charges .....	45.9	44.0	42.0	41.4	42.6	42.6
3. Net financing capacity excluding interest charges (= 1 - 2) .....	3.3	3.5	3.9	5.2	3.9	4.3
4. Interest charges .....	10.8	10.3	10.6	11.0	10.6	11.2
5. Net financing requirement (= 3 - 4) .....	-7.5	-6.8	-6.7	-5.8	-6.7	-6.9

Sources : NSI, NBB.

CHART 25 — PUBLIC FINANCES : INTERNATIONAL COMPARISON

(Percentages of GDP)



Sources : NSI, EC, NBB.

a very large increase in revenue from the withholding tax due to the cashing of interest

capitalised over several years. In 1992, on the other hand, the net financing capacity exclud-

ing interest charges increased, partly counterbalancing the preceding year's decline.

This improvement, of 0.4 percentage point, attributable to the movement of revenue, took place despite the slackening of economic growth, the adverse effect of which on the public finances can be estimated at around 0.8 percentage point of GDP compared with a situation in which this growth is assumed to be equal to that recorded since the mid-1980s. In other words, if the growth in GDP had been 2.6 p.c. — i.e. the average recorded between 1985 and 1991 — in 1992, the primary surplus would have improved by about 1.2 points of GDP, mainly because of the rehabilitation measures adopted.

### ***International comparison***

In 1992 the measures taken in Belgium to rehabilitate the public finances made it possible to partly offset the effects of the cyclical downturn and thus limit the increase in the net financing requirement to 0.2 point of GDP. This curbing of the increase did not take place in the other EC countries as a whole, where the deficit increased by 0.8 percentage point.

The difference between Belgium's deficit and that of the other European countries as a whole, which had been decreasing considerably since the beginning of the 1980s, increased slightly in 1991, before declining again in 1992 to a low of 1.7 point.

In 1992 Belgium's surplus excluding interest charges, one of the highest in the EC, rose further, whereas it disappeared on average in the other countries. This more favourable movement is attributable solely to that of expenditure excluding interest charges. The latter practically stabilised in 1992, whereas in the other countries it increased by 0.8 point. These movements led to the almost total disappearance of the difference between primary expenditure in Belgium and in the other European countries, a difference which had already decreased considerably during the preceding years.

During the year under review, the increase in general government revenue, expressed as a percentage of GDP, was of the same order of magnitude in Belgium as in the other countries. The structurally higher level of revenue in Belgium is due to the greater importance of direct taxes and social security contributions. Indirect taxes, on the other hand, remain below the European average.

### **4.33 FINANCIAL ACCOUNTS**

#### ***Net balance to be financed by sub-sector***

The Treasury's net balance to be financed, which includes lending and equity investment but not debudgetisations and pre-financings and which relates only to the transactions of the national government, amounted to Fr. 383 billion for the year 1992, or Fr. 15 billion more than in the previous year. The budget target was thus not attained, the ceiling been exceeded by Fr. 28 billion, mainly owing to the marked weakening of economic activity during the last months, leading to lower revenue than had been expected.

The entity consisting of the communities and regions recorded a net balance to be financed of Fr. 62 billion, or a few billion less than the budget estimates. Compared with the previous year, however, the deficit increased. In 1991 it had amounted to only Fr. 34 billion, thanks, it is true, to the favourable effect of non-recurrent factors. Thus, after the closing of the accounts for the preceding years, the various communities and regions had received funds levied on their behalf by the Treasury. Furthermore, the amount of expenditure carried forward to the following year had increased in 1991. As these two factors no longer produced any effect in 1992, that year may be regarded as the first which gives a true picture of the financial accounts of the aforementioned bodies since they have had an autonomous treasury system.

In accordance with the national accounts of the other countries and the EC's harmonised methodology, the calculation of the net financing requirement in the real accounts (section 4.32) does not take account of lend-

ing and equity investment. That is why the amount of these transactions is deducted, in Table 30, from the net balances to be financed of the national government and the communities and regions.

Furthermore, both the national government and the communities and regions finance substantial amounts outside the budget; these are recorded under the heading « other ». The sharp increase in 1992 in these transactions of the national government is largely attributable to the payment, outside the budget, by means of linear bonds, of around Fr. 21 billion of interest which had fallen due in connection with the exchanging of classical loan securities for linear bonds. In 1991 a similar operation of exchanging Treas-

ury bills for linear bonds had related to an amount of Fr. 5 billion. Furthermore, general government repaid, likewise outside the budget and by means of linear bonds, around Fr. 4 billion of excess corporation tax received in connection with liquidation surpluses.

All in all, the financial deficit of the national government, the communities and regions as a whole increased by around Fr. 67 billion to Fr. 472 billion.

The financial deficit of the other sub-sectors, on the other hand, decreased.

Whereas in 1991 the financial deficit of local government had increased sharply to Fr. 42 billion, it appears to have decreased to

TABLE 30 — NET FINANCIAL DEFICIT (—) OR SURPLUS OF THE VARIOUS SUB-SECTORS OF GENERAL GOVERNMENT

(Billions of francs)

	1986	1987	1988	1989	1990	1991	1992 e
1. National government, communities and regions <sup>1</sup> .....	-504	-424	-428	-431	-421	-405	-472
1.1 National government :							
1.11 Net balance to be financed of the Treasury .....	-552	-451	-416	-442	-366	-368	-383
1.12 Budgetary lending and equity investment .....	n.	n.	n.	n.	-18	-13	-16
1.13 Other <sup>2</sup> .....	n.	n.	n.	n.	-44	-9	-42
1.14 Total deficit (1.11 - 1.12 + 1.13) ..	n.	n.	n.	n.	-392	-364	-409
1.2 Communities and regions :							
1.21 Official net balance to be financed <sup>3</sup> ..	-3	21	-18	45	-28	-34	-62
1.22 Budgetary lending and equity investment .....	n.	n.	n.	n.	-7	-7	-6
1.23 Other <sup>2</sup> .....	n.	n.	n.	n.	-8	-14	-7
1.24 Total deficit (1.21 - 1.22 + 1.23) ..	n.	n.	n.	n.	-29	-41	-63
2. Local government .....	-15	-1	-5	-31	-14	-42	-24
3. Social security <sup>4</sup> .....	31	21	16	47	47	-14	-9
4. Total net financial deficit (1 + 2 + 3) .....	-489	-404	-417	-415	-388	-461	-505
5. Statistical deviation .....	18	12	40	8	18	16	20
6. Net financing requirement (4 + 5) <sup>5</sup> .....	-471	-392	-377	-407	-370	-445	-485

Sources : Ministry of Finance, NBB.

<sup>1</sup> Excluding the financing of lending and equity investment.

<sup>2</sup> Debudgetisations and prefinancings of transactions other than lending or equity investment.

<sup>3</sup> Until the end of 1990 the funds of the communities and regions were administered by the Treasury. Since the beginning of 1991 these entities have had autonomous treasury systems (this provision applies to the German-speaking community only from 1992 onwards).

<sup>4</sup> 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. The concept of financial balance is different from the budgetary balance used in the official documents.

<sup>5</sup> The net financing requirement differs from the total net financial deficit owing to differences in the dating of the recording of the transactions between the two approaches and to imperfections in the compilation of the data.

Fr. 24 billion during the year under review. This movement is mainly attributable to the shift in the timing of the passing-on by the national government of taxes which it collects on behalf of local government. Thus the 1991 deficit was negatively influenced to the extent of nearly Fr. 12 billion by the arrears in the tax payments to the municipalities; this amount was received at the beginning of 1992, but a new carry-forward of comparable size took place at the end of the year. Furthermore, the bringing-forward of the collections for the tax year 1992 had a positive effect on the financial balance of local government.

If these rather accidental movements are disregarded, the deficit of the latter in fact increased slightly, the effect of the social pro-

gramming and the expansion in investment having been greater than the increase in taxes and in the funds made available by the supervisory authorities.

The social security sub-sector would appear to have recorded a deficit for the second year in succession, albeit a few billion smaller than the previous year's figure. Although the social security system's transfers to individuals again rose faster than employees' and employers' contributions, the effect of this development was limited by the fact that the Government increased its intervention in favour of the employees' social security system by Fr. 21 billion. The « health care » and « unemployment » branches are still, however, faced with structural deficits despite the measures taken in recent years.

TABLE 31 — 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 <sup>2</sup>	of which : short-term investments by the Treasury	Balance <sup>3</sup>
	In foreign currencies	In Belgian francs								
		With the NBB <sup>1</sup>	Other			Total				
			At up to one year	At over one year	of which : linear bonds					
(a)	(b)	(c)	(d)	(d')	(e) = (b) + (c) + (d)	(f) = (a) + (e)	(g)	(h)	(i) = (f) - (g)	
1985 .....	34	-18	53	562	(—)	597	632	176	(—)	456
1986 .....	63	27	294	225	(—)	546	609	121	(—)	489
1987 .....	33	-82	219	381	(—)	518	551	148	(—)	404
1988 .....	20	-21	34	497	(—)	510	529	112	(—)	417
1989 .....	69	-40	274	204	(82)	438	507	91	(—)	415
1990 .....	-22	-30	137	448	(273)	555	533	145	(—)	388
1991 .....	-13	-107	108	670	(935)	671	658	197	(124)	461
First ten months										
1991 .....	-13	-108	217	539	(887)	648	635	160	(77)	475
1992 .....	-70	-1	154	465	(689)	618	548	-20	(1)	568

Source : NBB.

<sup>1</sup> Changes in the outstanding amount of Treasury certificates which the Securities Regulation Fund finances via the special advances from the National Bank of Belgium, in the Bank's portfolio of Belgian public securities and in the Bank's consolidated claim on the government. In 1991 the aforementioned credits were repaid in full. Since that year, all that remains is the advances granted by the Bank within the framework of a special overdraft facility limited to Fr. 15 billion.

<sup>2</sup> Including lending and equity investment.

<sup>3</sup> This column corresponds to general government's net financial deficit (cf. line 4, Table 30), with reversed sign.

The financial balance of general government as a whole — the only concept which gives a true picture of the state of the public finances, owing to the possible shifts between the various sub-sectors — should amount to Fr. 505 billion at the end of 1992, or Fr. 44 billion more than in 1991. This rise is comparable to that observed in the real accounts, in which the net financing requirement is estimated at Fr. 485 billion.

### ***Financing structure***

During the first ten months of the year, the last period for which data are available concerning the financing structure of general government, the latter's total deficit amounted to Fr. 568 billion, or Fr. 93 billion more than during the corresponding period of the previous year.

A major shift took place in the formation of financial assets : whereas the Treasury had invested Fr. 77 billion of funds on the money

market in 1991, it did not increase its assets during the first ten months of the year under review. Furthermore, other sub-sectors liquidated financial assets.

As a result of these movements, the total of general government's new liabilities increased appreciably less than in the previous year, despite the expansion of the deficit.

In accordance with the aims pursued by the Treasury, new long-term liabilities in Belgian francs were, as in 1991, much greater than those at up to one year. The share of linear bonds in the long-term debt increased further.

Altogether, net borrowings in Belgian francs were more than sufficient to finance the deficit, the surplus resources having been used to bring about a substantial reduction in the foreign currency debt. Thus the process of repayment of the latter, which started in 1990, was stepped up considerably during the year under review.



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

### 5.1 SUMMARY

The current transactions of the BLEU with foreign countries again produced a substantial surplus on a transactions basis in 1992.

This surplus, which reflects the existence of a net financing capacity vis-à-vis foreign countries, necessarily has as its counterpart net capital outflows from enterprises and individuals or official settlements. But, as the BLEU actually continued to receive substantial net inflows of long-term capital — amounting to around Fr. 80 billion in the year as a whole — the equilibrium was reached, until the strains developed in the foreign exchange market, through outflows of short-term capital, encouraged by the interest rate policy. From September onwards, however, the balance could only be maintained by means of purchases of currencies by the Bank.

It should be noted that the circumstances in which the balance of the foreign exchange market has to be maintained have been completely different, since 1990, from those which prevailed during the preceding decade.

During the years 1981-1983 both current transactions and long-term capital transactions showed a deficit. The resultant deficit in the basic balance was not offset by short-term capital transactions: despite a very large short-term interest rate differential between investments in francs and those in German marks, short-term capital movements led, on balance, to outflows. This configuration of the balance of payments forced the Bank to undertake substantial interventions on the foreign exchange market in favour of the franc, without succeeding thereby in preventing a sharp fall in the external value of the currency. These interventions were chiefly financed

TABLE 32 — BALANCE OF PAYMENTS OF THE BLEU ON A TRANSACTIONS BASIS

(Balances in billions of francs)

	1989	1990	1991	1992 e	First ten months	
					1991	1992 e
<b>Current transactions</b> .....	140	120	168	160	132	128
of which goods .....	110	91	95	113	80	89
<b>Long-term capital transactions</b> .....	-191	99	48	81	70	154
of which securities .....	-206	62	59	59	74	139
<b>Basic balance</b> .....	-51	219	215	241	202	282
Commercial credits .....	8	33	-11	37	-19	...
Short-term capital transactions .....	16	-158	-152	-60	-153	-141
Errors and omissions .....	-26	-54	-23	37	-14	19
<b>Balance of official settlements</b> .....	-54	39	29	255	16	161
Foreign currency loans of general government <sup>1</sup>	-73	23	6	100	7	65
Movements of the net exchange reserves of the NBB <sup>2</sup> .....	19	17	23	155	9	96

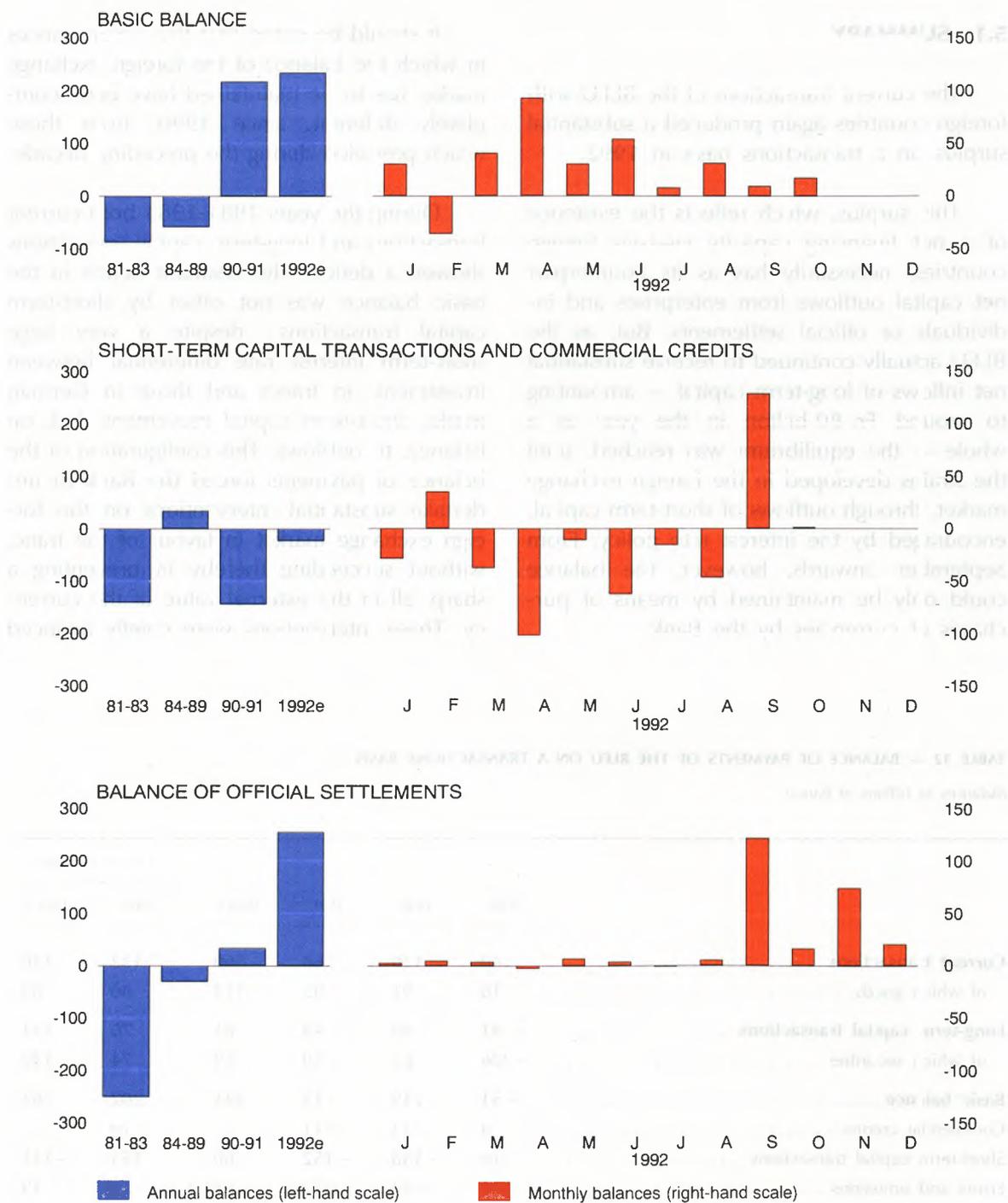
Source : NBB.

<sup>1</sup> Minus sign : increase in general government's foreign currency debt.

<sup>2</sup> Minus sign : decrease in reserves.

CHART 26 — STRUCTURE OF THE BALANCE OF PAYMENTS OF THE BLEU ON A TRANSACTIONS BASIS

(Balances in billions of francs<sup>1</sup>)



Source : NBB.

<sup>1</sup> For the periods 1981-1983, 1984-1989 and 1990-1991 : averages of annual balances; for 1992 : annual balances, in the left-hand part of the chart; monthly balances in the right-hand part.

by foreign currency loans contracted by general government.

From 1984 onwards, current transactions continued to show surpluses, but until 1989 these were more than counterbalanced by net outflows of long-term capital. The continuing deficit in the basic balance was mainly financed by a surplus in respect of short-term capital transactions maintained by the — albeit decreasing — interest rate differential between short-term investments in francs and in marks. Official settlements were thus resorted to less than during the preceding period and there was little depreciation of the franc against the mark.

Since 1990 the reversal of the balance on transactions in securities has brought about a concomitant turnaround of the net basic balance. The net demand for francs which thus developed on the foreign exchange market enabled the Bank to reduce, and then eliminate, the short-term interest rate differential vis-à-vis Germany while at the same time consolidating the position of the franc. The very slight negative differential which already appeared in 1991 actually widened slightly from April 1992 onwards. Thus, as in 1990 and 1991, the surplus of the basic balance was, until the end of August 1992, almost totally absorbed by short-term capital transactions.

From the beginning of September onwards, on the other hand, the lack of confidence in the weakest EMS currencies put an end to the regulatory role previously played by short-term capital transactions: they even gave rise to net inflows and consequently to an appreciation of the franc which induced the Bank, like the Deutsche Bundesbank and the Nederlandsche Bank, to intervene in favour of EMS currencies. The factors which had been responsible for the change in market expectations continued to exert their influence, and purely speculative capital movements added to the strains on the foreign markets. Balance in these markets was achieved only through a series of interventions and the devaluation or floating of certain currencies. The strains on the foreign exchange markets did not completely disappear in October and

even revived in November, before fading away in December, with the result that the Bank went on intervening during this period. The characteristics of the last foreign exchange crisis were therefore very different, in terms of the structure of the balance of payments of the BLEU, from those of the preceding crises of this type during the period 1981-1983 and 1984-1989.

Over the year as a whole the balance of official settlements showed a surplus of Fr. 255 billion. In 1991 and 1990 the surpluses had been Fr. 29 and 39 billion respectively, while in 1989 the result had been a net deficit of Fr. 54 billion. The surplus of around Fr. 233 billion recorded since the beginning of September reflects the extent of the Bank's interventions. As general government reduced its foreign currency debt by Fr. 100 billion, the Bank's net spot and forward gold and foreign exchange reserves increased, on balance, by Fr. 155 billion.

## 5.2 CURRENT TRANSACTIONS

During the first ten months of 1992 the current surplus on a transactions basis reached Fr. 128 billion. The reduction of Fr. 4 billion compared with 1991 was due to the increase in the deficit in respect of transfers. On the other hand, the positive balance in respect of transactions in goods increased.

Transactions in goods produced a surplus of Fr. 89 billion for the first ten months of 1992, against Fr. 80 billion in 1991.

This increase is entirely attributable to export, import and commission processing transactions. It is due to an improvement in the terms of trade, estimated at 1.9 p.c. Owing to their greater sensitivity to the business cycle, world prices of raw materials and intermediate goods in fact fell more than the prices of manufactured goods. As the latter represent a larger proportion of the BLEU's exports than of its imports, this led to an improvement in the terms of trade. On the other hand, the coverage ratio in terms of volume worsened.

TABLE 33 — CURRENT TRANSACTIONS ON A TRANSACTIONS BASIS

(Balances in billions of francs)

	1988	1989	1990	1991	First ten months	
					1991	1992 e
<b>Current transactions</b> .....	134	140	120	168	132	128
<b>Goods</b> .....	127	110	91	95	80	89
Exports, imports and commission processing ....	106	92	55	70	57	66
Arbitrage .....	21	18	36	26	23	23
<b>Services</b> .....	62	55	75	92	65	65
Transport .....	42	41	43	38	30	40
Travel abroad .....	-44	-49	-58	-67	-62	-77
Transactions of general government not included elsewhere .....	85	92	93	111	90	101
Other services .....	-21	-29	-3	9	7	2
of which : Financial services .....	19	32	36	40	33	33
Management .....	24	25	34	33	26	19
<b>Income</b> .....	15	51	25	50	47	45
<b>Transfers</b> .....	-70	-76	-72	-69	-59	-71
of which : Resources paid to the EC .....	-87	-86	-82	-103	-84	-87
Subsidies from the EC .....	33	26	52	65	51	46

Source : NBB.

On the export side, the gradual slowing-down of the growth in the BLEU's markets observed since 1989 continued in 1992. During that year it was attributable to Germany, whose imports increased in volume by only 0.5 p.c., against 11 p.c. in 1991. Otherwise, the BLEU's losses of market shares in 1992 appear to have been smaller than those of Germany, but, unlike in 1991, greater than those of its main European partners as a whole.

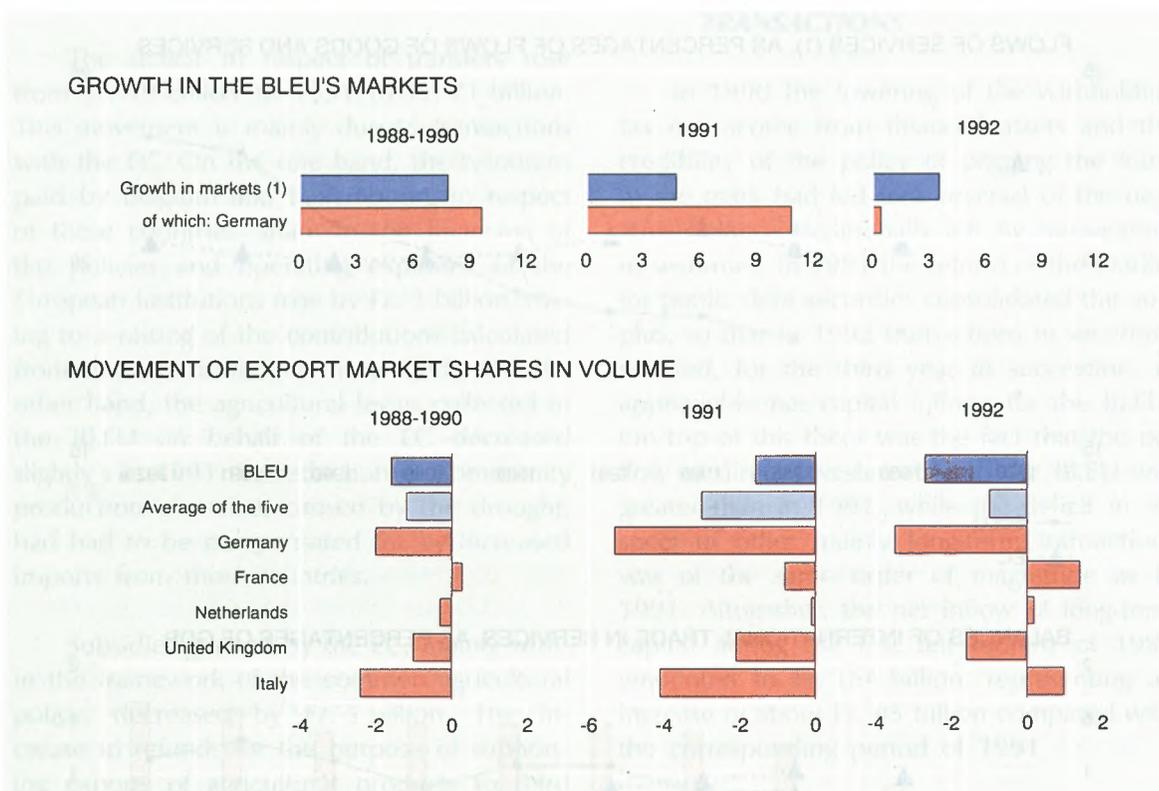
While exports had been weakening since the second half of 1991, the growth in the volume of imports remained relatively strong during the first months of 1992 owing to the increased purchases of durable goods — which have a high import content — partly attributable to the motor exhibition and the change in VAT rates. This increase subsequently slowed down markedly, owing to the slackening of demand in Belgium. Over the year as a whole, however, the increase in the vol-

ume of imports was still faster than that in the volume of exports.

During the first ten months of 1992, the surplus in respect of transactions in services amounted to Fr. 65 billion, as in 1991. On the one hand, the deficit on travel widened again, by Fr. 15 billion, as expenditure on travel abroad is particularly sensitive to the growth in the disposable income of households, while the travelling expenditure of foreigners in the BLEU underwent hardly any change. On the other hand, the surplus resulting from transport services and transactions of general government rose. The decrease in expenditure on the hiring of aircraft, resulting from the closing-down of resident enterprises in the air transport sector, contributed to the expansion of Fr. 10 billion in the surplus of that sector, while the rise in the operating costs of the European and international institutions situated in the BLEU brought in about Fr. 9 billion of additional net receipts.

CHART 27 — EXPORT MARKETS AND MARKET SHARES

(Annual percentage changes)



Sources : OECD, NBB.

<sup>1</sup> Sum of the rates of change in volume of the partners' imports, weighted by the share of these in the BLEU's exports.

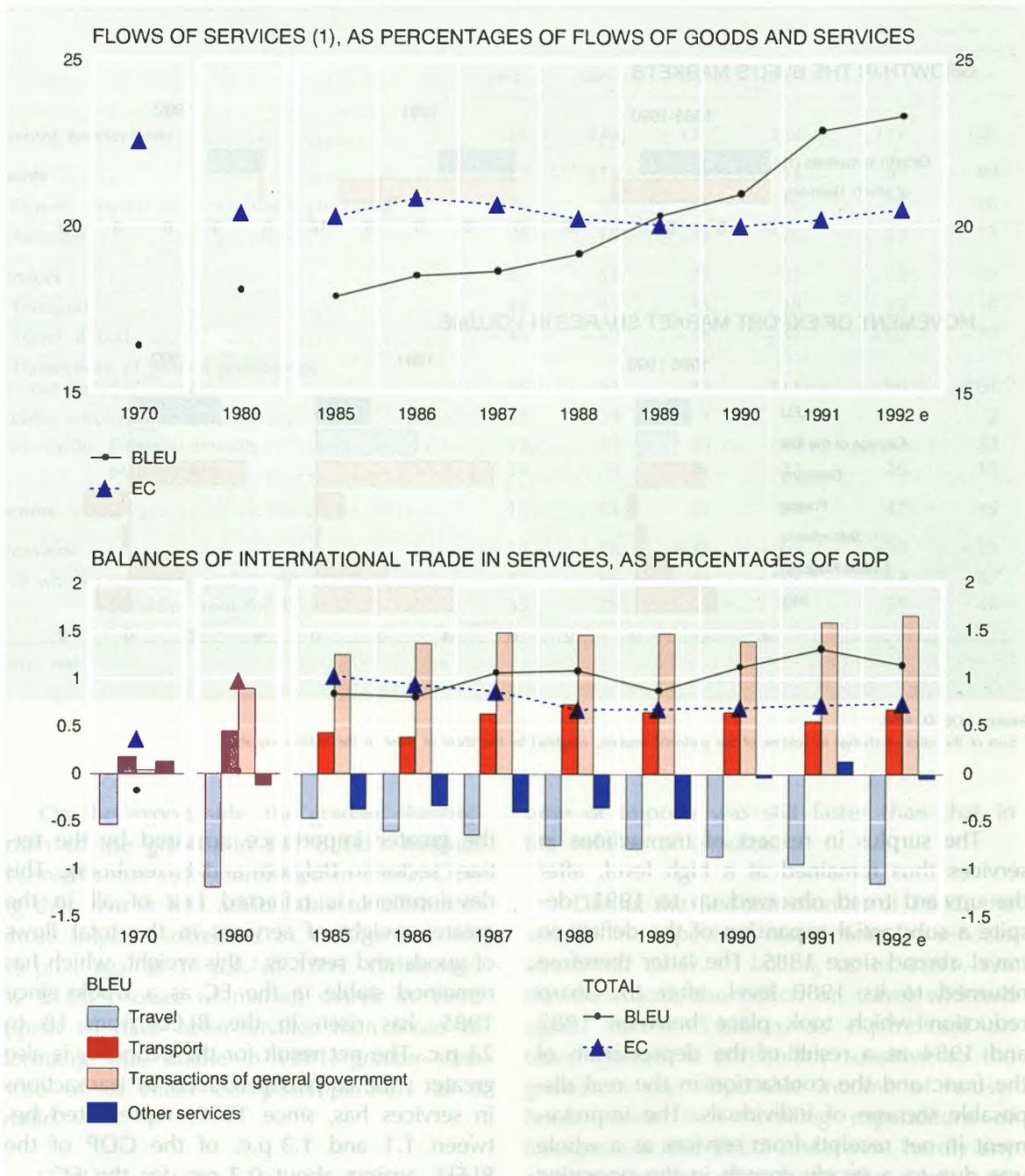
The surplus in respect of transactions in services thus remained at a high level, after the upward trend observed up to 1991, despite a substantial expansion of the deficit on travel abroad since 1985. The latter therefore returned to its 1980 level, after the sharp reduction which took place between 1982 and 1984 as a result of the depreciation of the franc and the contraction in the real disposable income of individuals. The improvement in net receipts from services as a whole was due to a steady growth in the operating expenditures of the European institutions, but also to the development, in Belgium and Luxembourg, of new activities specifically oriented towards foreign countries, such as the financial or management services provided by the co-ordination centres, financial companies and insurance and reinsurance companies.

International trade in services grew more rapidly in the BLEU than in the EC, confirming

the greater importance acquired by the tertiary sector in Belgium and Luxembourg. This development is reflected first of all in the greater weight of services in the total flows of goods and services : this weight, which has remained stable in the EC as a whole since 1985, has risen in the BLEU from 18 to 23 p.c. The net result for the economy is also greater : the surplus produced by transactions in services has, since 1990, represented between 1.1 and 1.3 p.c. of the GDP of the BLEU, against about 0.7 p.c. for the EC.

During the first ten months of 1992 the surplus in respect of factor incomes amounted to Fr. 45 billion. The rise in the outstanding amount of the Union's net foreign assets, resulting from the current account surpluses achieved in recent years, and the arbitrage of gold against foreign currencies by the Bank, broadened the basis from which the economy derives investment income. The movement of

CHART 28 — TRANSACTIONS IN SERVICES



Sources : OECD, NBB.  
 1 Average of receipts and expenditure.

interest rates, on the other hand, exerted an influence in the opposite direction : as the average maturity of foreign assets is longer than that of liabilities, the increase in the short-term interest rates on investments in Bel-

gian francs and in most of the other Euro-currencies had a greater effect on interest payments than on interest receipts. The net interest payments of banks and general government therefore increased. Altogether, the net

income from portfolio investments abroad nevertheless rose slightly, unlike earned incomes.

The deficit in respect of transfers rose from Fr. 59 billion in 1991 to Fr. 71 billion. This movement is mainly due to transactions with the EC. On the one hand, the resources paid by Belgium and Luxembourg in respect of these countries' share in the financing of the policies and operating expenses of the European institutions rose by Fr. 3 billion, owing to a raising of the contributions calculated from the VAT basis and from GNP. On the other hand, the agricultural levies collected in the BLEU on behalf of the EC decreased slightly : in 1991 the reduction in Community production of maize, caused by the drought, had had to be compensated for by increased imports from third countries.

Subsidies granted by the EC, mainly within the framework of the common agricultural policy, decreased by Fr. 5 billion. The increase in refunds for the purpose of supporting exports of agricultural products to third countries was more than counterbalanced by the decrease in direct interventions in the dairy products and oilseeds sector. In the latter sector, where processing activity in Belgium is fairly substantial in relation to production, processing subsidies were replaced by direct aid to producers from the second half of the year onwards.

### 5.3 CAPITAL TRANSACTIONS

#### 5.31 MAINLY LONG-TERM TRANSACTIONS

In 1990 the lowering of the withholding tax on income from financial assets and the credibility of the policy of pegging the franc to the mark had led to a reversal of the negative balance traditionally left by transactions in securities. In 1991 the reform of the market for public debt securities consolidated this surplus, so that in 1992 transactions in securities resulted, for the third year in succession, in appreciable net capital inflows for the BLEU. On top of this there was the fact that the net flow of direct investments into the BLEU was greater than in 1991, while the deficit in respect of other mainly long-term transactions was of the same order of magnitude as in 1991. Altogether, the net inflow of long-term capital during the first ten months of 1992 amounted to Fr. 154 billion, representing an increase of about Fr. 85 billion compared with the corresponding period of 1991.

The surplus in respect of transactions in securities in the first ten months of 1992 is due, on the one hand, to a portfolio adjustment by residents, who sold foreign securities to a net total amount of Fr. 27 billion, and, on the other hand, to transactions by non-residents, whose net purchases of BLEU securities reached Fr. 112 billion.

TABLE 34 — MAINLY LONG-TERM CAPITAL TRANSACTIONS<sup>1</sup>

(Balances in billions of francs)

	1989	1990	1991	First ten months	
				1991	1992
Transactions in securities .....	-206	62	59	74	139
Direct investments .....	43	75	82	60	81
Other mainly long-term transactions <sup>2</sup> .....	-28	-38	-94	-65	-66
<b>Total</b> .....	<b>-191</b>	<b>99</b>	<b>48</b>	<b>70</b>	<b>154</b>

Source : NBB.

<sup>1</sup> Minus sign : Capital exports.

<sup>2</sup> Capital transactions of non-financial enterprises, spot and forward capital transactions in foreign currencies of credit institutions, and general government's capital transactions in francs.

Residents reduced their portfolios of fixed-interest securities in foreign currencies by Fr. 46 billion during the first ten months of 1992, whereas they had purchased Fr. 17 billion's worth during the corresponding period of 1991. They mainly sold bonds denominated in Australian and New Zealand dollars, as well as in the weakest EMS currencies and in Japanese yen. The unfortunate experience in 1990 of savers who had made investments in Australian and New Zealand dollars was repeated in 1992 owing to a further depreciation of these currencies, and probably increased their aversion to the exchange risk inherent in investments in currencies offering a high nominal interest rate. Among the EMS currencies, the exchange risks connected with investments in the weakest of these were also more severely assessed than before, parallel with the increase in the tensions which appeared from August onwards. Furthermore, the reversed structure of interest rates on assets in these currencies may have induced residents to convert their long-term assets into short-term investments. Lastly, the

lessening of interest in bonds in Japanese yen is perhaps attributable to the low remuneration offered by that currency in 1992.

These considerations led to a marked preference for bonds denominated in the strongest EMS currencies, which simultaneously offer what is considered to be adequate remuneration and give the investor the feeling of being safeguarded against exchange risks. This movement of resident investors towards the strong EMS currencies gave rise not only to purchases of bonds in German marks, Dutch guilders and, to a smaller extent, French francs but also, and above all, to investments in francs. The net purchases by residents of foreign bonds in Luxembourg francs, which are in line with this preference for strong currencies, were perhaps prompted by tax considerations; they amounted to Fr. 39 billion, against Fr. 44 billion in 1991.

Altogether, residents reduced their portfolios of foreign fixed-interest securities by Fr. 8 billion during the first ten months of

TABLE 35 — TRANSACTIONS IN SECURITIES

(Balances in billions of francs)

	1989	1990	1991	First ten months	
				1991	1992
<b>Fixed-interest securities</b> .....	-158	15	46	67	99
Holdings of residents <sup>1</sup> .....	-185	1	-85	-61	8
securities in foreign currencies .....	-166	45	-29	-17	46
securities in francs .....	-19	-45	-57	-44	-39
Holdings of non-residents <sup>2</sup> .....	27	14	131	128	91
of which securities issued by general government	39	26	131	126	97
<b>Shares</b> .....	-48	47	13	7	40
Holdings of residents <sup>1</sup> .....	-78	19	-6	-9	19
Holdings of non-residents <sup>2</sup> .....	31	28	19	16	21
<b>Total</b> .....	-206	62	59	74	139
of which : holdings of residents <sup>1</sup> .....	-263	20	-91	-70	27
holdings of non-residents <sup>2</sup> .....	57	42	150	144	112

Source : NBB.

<sup>1</sup> Minus sign : increase in net holdings of residents.<sup>2</sup> Minus sign : decrease in net holdings of non-residents.

1992, whereas they had purchased foreign securities to a net amount of Fr. 61 billion during the corresponding period of 1991.

Non-residents' net purchases of BLEU fixed-interest securities — mainly linear bonds — during the first ten months of 1992 amounted to Fr. 91 billion. This amount shows a decrease compared with the Fr. 128 billion recorded during the corresponding period of 1991, because the reform of the market for public debt securities had at that time led to substantial portfolio readjustments. In relation, however, to the average amounts purchased prior to the reform, it can be seen that there has been a growth in the interest displayed by non-residents in fixed-interest BLEU securities. Net purchases of linear bonds by non-residents during the first ten months thus represented just over 15 p.c. of new issues of bonds of this type.

This inflow of foreign capital was connected not only with the modernisation of the Belgian market for public debt securities but also with the general interest displayed in the bond markets for the strong EMS currencies and the premium of around 75 basis points offered on average by Belgian bonds compared with the corresponding rates for securities in marks. This long-term interest rate differential, which reached a peak of around 100 basis points during September, subsequently narrowed, especially after the announcement by a major international rating agency that it had assigned its best rating to Belgian Government loans in Belgian francs. Towards the end of the year the long-term interest rate differential between the franc and the German mark had decreased to less than 50 basis points.

As the differential between the German mark and certain other currencies did not decrease to the same extent, bonds in these currencies became relatively more attractive, which might explain why, during the last two months of the year, residents purchased bonds in foreign currencies and non-residents sold linear bonds in Belgian francs.

The surplus in respect of transactions in fixed-interest securities was added to by a sur-

plus on transactions in shares, which amounted to Fr. 40 billion during the first ten months against Fr. 7 billion in 1991. The increase in this surplus is mainly due to the net sales of foreign shares by residents, totalling Fr. 19 billion, as against their net purchases of Fr. 9 billion in 1991. This was probably not unconnected with the price movements in the main stock exchange centres, attributable to the sluggishness of economic activity. On the other hand, the continued interest displayed by non-residents in Belgian shares is perhaps attributable to the fact that the Brussels Stock Exchange was regarded in 1992 as one of the most interesting in terms of the price/earnings ratio. Furthermore, it is quite possible that certain stock exchange transactions were connected with dealings for the purpose of acquiring a controlling interest in some Belgian enterprises.

It should be noted that the surplus in respect of transactions in securities was hardly affected by the exceptional movements of German capital connected with the announcement in Germany of a withholding tax on incomes from financial assets above a certain level. These capital flows did admittedly bring about a large increase in purchases of units of Luxembourg undertakings for collective investment in transferable securities (UCITS) by German investors. It can in fact be estimated that about 60 p.c. of non-residents' purchases of these units, which altogether represented around Fr. 1,500 billion during the first ten months of 1992, were of German origin. But, as these savers were solely concerned with escaping the tax on their investments in marks, the Luxembourg UCITS probably reinvested the funds thus gathered in the same currency. The surplus in respect of transactions in securities is therefore attributable to the other considerations which have been mentioned.

The stability of the deficit in respect of other long-term capital transactions is due to two opposite movements. On the one hand, the substantial loans, amounting to over Fr. 20 billion, contracted by the Belgian National Railways Company abroad, owing to the advantageous terms obtained through Eurofi-

ma, of which it is a shareholder, led to capital inflows. Thus, the capital transactions of public non-financial enterprises as a whole gave rise to an inflow of Fr. 11 billion during the first ten months of 1992, whereas these transactions had led to outflows during the last few years as a result of net redemptions of foreign loans. On the other hand, the deficit in respect of the spot and forward capital transactions in foreign currencies of resident credit institutions expanded; during the first ten months of 1992 Belgian banks transformed the net liabilities in ecus which they had at the end of 1991 into net assets in ecus. These are entirely shown in the accounts as net assets in foreign currencies, and are covered by liabilities in foreign currencies only to the extent of the share of these currencies in the ecu's basket. On balance, the change in the bank's net position in ecus gave rise to a net capital outflow, which corresponds to the franc's share in the change in the position in ecus.

### 5.32 MAINLY SHORT-TERM TRANSACTIONS

The surplus displayed by the basic balance, resulting from the surplus in respect of

current transactions and the increase in the surplus in respect of mainly long-term capital transactions, amounted to Fr. 282 billion during the first ten months of 1992, against Fr. 202 billion during the corresponding period of 1991. The Bank allowed the substantial inflow of liquidity resulting from this surplus to exert, in relative terms, i.e. in relation to the other strong currencies, a downward pressure on Belgian money market rates. From April onwards the very small negative differential of short-term interest rates vis-à-vis Germany widened, parallel with the Dutch rates; until August, the resultant outflows of short-term capital maintained equilibrium in the foreign exchange market without the Bank's being obliged to purchase currencies.

During the crisis on the foreign exchange market by which the EMS was affected from the end of August onwards, the compensatory action of short-term transactions was, however, suddenly interrupted, because the interest-rate premium offered on investments in the weakest EMS currencies, compared with investments of the same type in francs, was no longer sufficient to counteract the expectations of a depreciation of these currencies. In September international capital movements

TABLE 36 — MAINLY SHORT-TERM TRANSACTIONS

(Balances in billions of francs)

	1989	1990	1991	First ten months		of which : September
				1991	1992	
<b>Spot</b> .....	-58	44	3	-31	-122	(51)
Assets of residents <sup>1</sup> .....	-115	25	117	68	-208	(-9)
of which in francs .....	-21	-21	19	11	-37	(-2)
Assets of non-residents <sup>2</sup> .....	57	18	-113	-99	86	(60)
of which Treasury certificates .....	—	—	73	76	26	(-1)
<b>Cover of the forward transactions</b> .....	74	-202	-155	-123	-18	(84)
Assets of residents <sup>1</sup> .....	77	-272	3	-12	-15	(7)
Assets of non-residents <sup>2</sup> .....	-3	70	-158	-110	-3	(77)
<b>Total</b> .....	16	-158	-152	-153	-141	(135)

Source : NBB.

<sup>1</sup> Minus sign : increase in net assets of residents.

<sup>2</sup> Minus sign : decrease in net assets of non-residents.

were therefore characterised by a flight into the strong EMS currencies, including the franc, and brought about, in the case of the BLEU, inflows of short-term capital totalling Fr. 135 billion.

During that month both spot and forward transactions gave rise to substantial capital inflows. On the one hand, some non-resident importers preferred to hedge against the expected appreciation of the franc, which was likely to increase the cost of their imports from the BLEU, by forming deposits in francs or by buying the francs which they would need for their future import payments on the forward market. The cost of these two types of cover, which corresponds to the interest rate differential between investments in their national currencies and investments in francs, was judged to be appreciably lower than the assumed cost of non-coverage, corresponding to the expectations of an appreciation of the franc. On the other hand, deposits in francs or forward sales of foreign currencies were perhaps made for purely speculative reasons, in the hope of being able to repurchase these currencies later at a depreciated rate.

### **5.33 BALANCE OF OFFICIAL SETTLEMENTS**

The balance of official settlements, which is the resultant of the current transactions and capital transactions commented upon above, resulted, account being taken of a net receipt of Fr. 19 billion in respect of errors and omissions, in a surplus of Fr. 161 billion for the first ten months of 1992, against Fr. 16 billion for the corresponding period of 1991.

Until the end of August 1992 this surplus amounted to only Fr. 22 billion; it largely corresponds to the income derived by the Bank from the productive part of its reserves. From September onwards, as the net movements of short-term funds no longer counterbalanced the surplus of the basic balance but, on the contrary, added to that surplus, the entire burden of the compensatory financing of the balance of payments was borne by the Bank, which, like the Deutsche Bundesbank and the

Nederlandsche Bank, had to intervene on the foreign exchange market in order to support EMS currencies. Consequently the balance of official settlements showed a surplus of Fr. 122 billion in September and Fr. 16 billion in October. During the last two months of the year the Bank continued to intervene in the foreign exchange market, because a decrease in commercial claims on foreign countries and other inflows of short-term funds would have added to the surplus in respect of current transactions. Thus, over the year as a whole, the surplus of the balance of official settlements reached Fr. 255 billion.

General government used the equivalent of Fr. 100 billion of the foreign currencies which flowed into the Bank to repay part of its foreign currency debt. Altogether, the Bank's net spot and forward foreign exchange reserves increased by Fr. 155 billion during that period.

The composition of these reserves also changed greatly.

First of all, the Bank carried out arbitrage transactions of gold against foreign currencies in June in order to make the relative share of gold assets in total reserves correspond better to the existing structure in the most important neighbouring countries and in order to obtain a better yield from its foreign assets. In accordance with the provisions of Article 20bis of the Bank's Organic Law, the capital gains then made were paid into a special unavailable reserve account. An operation of the same kind had already taken place in March 1989. Subsequently, as the Bank's interventions on the foreign exchange market were leading to a swelling of the exchange reserves which threatened to bring about a dangerous reduction, in the Bank's balance sheet, in the assets in Belgian francs necessary for the conduct of monetary policy, the Bank used its exchange reserves to carry out currency swaps. These, which consisted of spot sales of currencies by the Bank coupled with forward repurchases, led to an increase of Fr. 135 billion in the Bank's forward portfolio. It should be emphasised that interventions on the foreign exchange market for the purpose

TABLE 37 — BALANCE OF OFFICIAL SETTLEMENTS

(Changes in billions of francs)

	1989	1990	1991	1992
<b>Foreign currency loans of general government</b> <sup>1</sup> .....	-73	23	6	100
<b>The movements of the net gold and foreign exchange reserves of the NBB</b> <sup>2</sup> .....	19	17	23	155
Spot .....	12	17	18	20
Gold holding .....	-65	...	...	-73
Balances with the IMF .....	2	-2	3	-3
Ecus .....	...	...	...	18
Foreign currencies .....	69	22	5	-33
Balances with the EMCF .....	...	...	13	108
Belgian francs .....	6	-3	-3	3
Forward .....	7	...	5	135
<b>Total</b> .....	-54	39	29	255

Source : NBB.

<sup>1</sup> Minus sign : increase in general government's foreign currency debt.<sup>2</sup> Minus sign : decrease in reserves, i.e. a fall in net assets or a rise in net liabilities.

of supporting EMS currencies do not immediately increase foreign currency assets but give rise to the formation of assets with the EMCF. The increase of Fr. 108 billion in the net claim on that fund represents the Belgian

franc loans which central banks of the EMS contracted as a result of the support given to their currencies and which have not yet been repaid.

TABLE 38 — STRUCTURE OF THE NATIONAL BANK'S NET GOLD AND FOREIGN EXCHANGE RESERVES<sup>1</sup>

(Percentages of the total, end of period)

	1991	1992
Spot .....	99	84
Gold holding .....	60	41
Assets with the IMF .....	3	2
Ecus .....	...	2
Foreign currencies .....	36	26
Assets with the EMCF .....	2	14
Belgian francs .....	-1	-1
Forward .....	1	16
p.m. Outstanding amount in billions of francs .....	694	853

<sup>1</sup> Outstanding amounts at the end of the period, valued at market prices and exchange rates, disregarding gold and foreign currency swaps against ecus with the EMCF.

Minus sign : net liabilities.

## 5.4 FOREIGN EXCHANGE MARKET

The strong demand for francs on the foreign exchange market led not only to the purchases of foreign currencies by the Bank which have just been discussed but also to an appreciation of the weighted average exchange rate for the franc. This was brought about both by the depreciation of a number of currencies whose exchange rates traditionally fluctuate freely vis-à-vis the European Monetary System, by major realignments within the system itself and by the floating of some currencies which previously participated in the exchange rate mechanism of the EMS or had been pegged to the ecu.

In December 1991 interest rates had risen in Germany and tensions had developed between some currencies which participated in the exchange rate mechanism of the EMS.

The tensions gradually lessened during the first five months of the year under review, facilitating the entry of the escudo, which participates in the System with wide fluctuation margins, from 6th April. During this period the franc occupied the highest position in the narrow EMS band and remained very close to its central rate against the mark.

June saw the beginning of a period of unrest resulting from the expected or final outcomes of the various referendums concerning the ratification of the Treaty on European Union by some Member States. These results in fact created doubts about the implementation of the convergence process required by the Treaty of Maastricht, thus focusing attention on the fundamental disequilibria between the European economies and the difficulty of overcoming them without changes of parities. This climate of uncertainty was further accen-

TABLE 39 — EXCHANGE RATE FOR THE BELGIAN FRANC

	Weightings <sup>1</sup>	Percentage changes <sup>2</sup>		
		from the end of 1991 to the end of August 1992	from the end of August to the end of 1992	1992 average
1. German mark, guilder and French franc .....	59.3	-0.2	0.3	-0.1
2. Other currencies of the exchange rate mechanism of the EMS .....	20.5	1.2	14.2	5.2
of which : Pound sterling .....	9.8	1.7	14.4	6.3
Italian lira .....	6.2	0.7	20.1	5.3
Peseta .....	2.6	1.8	9.6	4.5
Escudo .....	0.7	-1.1	4.3	-0.7
Other .....	1.2	-0.4	0.6	0.3
3. Total : Currencies of the exchange rate mechanism of the EMS (1 + 2) .....	79.7	0.2	3.7	1.2
4. US-dollar .....	11.4	7.6	-12.4	6.4
5. Yen .....	1.2	6.3	-11.4	0.2
6. Total : Currencies of the exchange rate mechanism of the EMS, US dollar and yen (3, 4 and 5) .....	92.3	1.1	1.3	1.8
7. Other currencies <sup>3</sup> .....	7.7	2.2	4.0	4.8
Total : weighted average exchange rate for the franc	100.0	1.2	1.5	2.1

Source : NBB.

<sup>1</sup> Percentage shares in the BLEU's exports.

<sup>2</sup> Minus sign : depreciation.

<sup>3</sup> Excluding the currencies for which the Bank does not publish indicative exchange rates, unless the countries of these currencies account for at least 0.5 p.c. of the BLEU's exports - except, however, for the zaire, the rupee and the shekel.

tuated by the weakness of the dollar and the difficulties encountered by the Finnish mark and the Swedish crown.

The expectations of a depreciation of some European currencies therefore increased, bringing about capital movements of unprecedented size, which finally led, in mid-September, to the devaluation of the Italian lira and then of the peseta, followed by the suspension of the participation of the pound sterling and the lira in the European exchange rate mechanism. The Irish punt and the French franc then came under strong downward pressures, despite the absence of any clear deterioration of these two countries' macroeconomic data; market expectations were influenced by the loss of competitiveness which Irish exports would undergo on their main market, the United Kingdom, while the French franc perhaps suffered from the absence of any formal and official commitment to peg its rate to that of the German currency.

The strains did not ease until the German and French monetary authorities took joint action to temper the fears of a realignment, and until the central bank of Ireland, but also those of Spain and Portugal, succeeded in curbing the capital movements by interventions, interest rate increases and exchange control measures. The anxieties persisted, however, so that a decision relating to a currency outside the EMS, namely the abandonment by the Swedish authorities of their aim of holding the crown stable against the ecu, was sufficient to revive the speculative capital movements in favour of the German mark, the Dutch guilder and the Belgian franc. A third realignment took place on 23rd November, entailing a further devaluation of the peseta, accompanied by an equivalent revision of the central rate for the escudo.

During this unsettled times, the Belgian franc maintained its position at the top of the narrow band of the EMS. Whereas during the previous periods of strain within the system the Bank had, as will be emphasised in section 6.1 of this Report, generally increased the interest rate differential against the mark and

carried out operations to support the franc, this time it had to undertake massive interventions on the market by purchasing Italian lire, pounds sterling, Irish punts and Danish crowns.

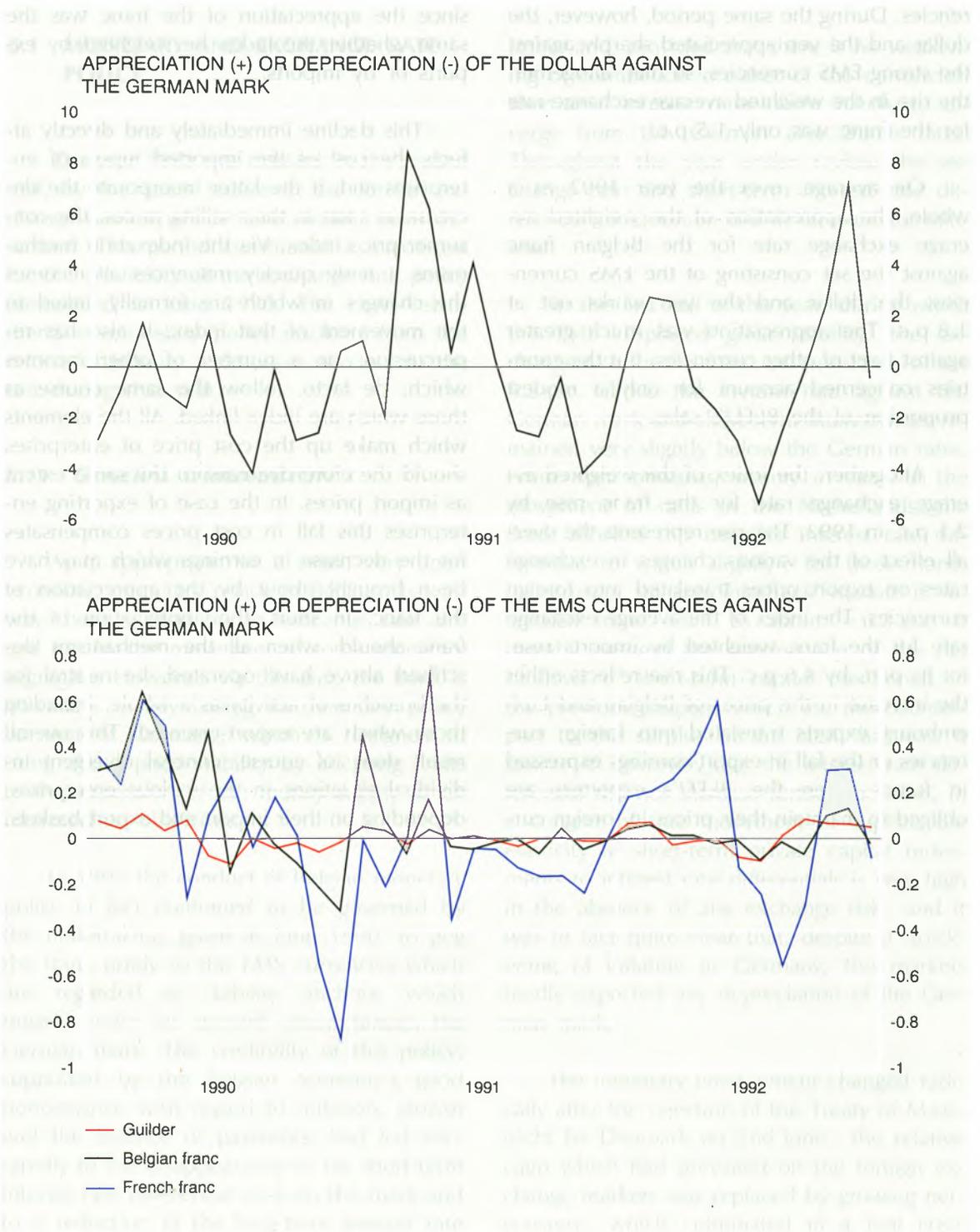
Between the end of August and the end of December 1992, the exchange rate for the franc therefore remained unchanged against the mark, the guilder and the French franc and appreciated strongly against the other EMS currencies.

If the changes in the exchange rate for the Belgian franc against the various currencies are weighted by the value of the BLEU's exports to the countries of these currencies, it becomes apparent that the appreciation of the, thus calculated, weighted average exchange rate for the franc is due to very different reasons during the first eight months of the year, on the one hand, and during the remaining four months, on the other hand.

From the end of December 1991 to the end of August 1992 the weighted average exchange rate for the franc against the currencies which form part of the exchange rate mechanism of the EMS remained practically unchanged. During the same period the franc, however, like the other strong EMS currencies, was affected by the fluctuations of the two main floating currencies, the yen and above all the US dollar, against which it appreciated by 6.3 and 7.6 p.c. respectively. It should be noted in this connection that the position of the franc in the EMS no longer appears to be affected by the variations in the exchange rate for the mark against the dollar, as had been the case in the past: up till the beginning of 1991 a strengthening of the mark against the dollar generally led to an almost simultaneous depreciation of the franc and other EMS currencies against the mark. From mid-1991 onwards, on the other hand, the position of the franc in relation to the mark has appeared to be insensitive, like that of the guilder, to the fluctuations of the dollar rate. During the first eight months of the year the franc appreciated by a little over 1 p.c. against the set consisting of the EMS currencies, the dollar and the yen.

**CHART 29 — INFLUENCE OF THE EXCHANGE RATE FOR THE DOLLAR ON THE POSITION OF THE BELGIAN FRANC, THE DUTCH GUILDER AND THE FRENCH FRANC IN THE EMS**

(Percentage changes compared with the previous month)



Source : NBB.

From the end of August to the end of December 1992 the situation changed radi-

cally. As the franc continued to move in the wake of the mark, it underwent hardly any

change in relation to the strong currencies of the European Monetary System, but appreciated by 14.2 p.c. against the other EMS currencies. During the same period, however, the dollar and the yen appreciated sharply against the strong EMS currencies, so that, altogether, the rise in the weighted average exchange rate for the franc was only 1.5 p.c.

On average, over the year 1992 as a whole, the appreciation of the weighted average exchange rate for the Belgian franc against the set consisting of the EMS currencies, the dollar and the yen works out at 1.8 p.c. The appreciation was much greater against a set of other currencies, but the countries concerned account for only a modest proportion of the BLEU's sales.

Altogether, the index of the weighted average exchange rate for the franc rose by 2.1 p.c. in 1992. This rise represents the overall effect of the various changes in exchange rates on export prices translated into foreign currencies. The index of the average exchange rate for the franc weighted by imports rose, for its part, by 4.6 p.c. This rise reflects either the increase in the prices of Belgian and Luxembourg exports translated into foreign currencies or the fall in export earnings expressed in francs when the BLEU's exporters are obliged to maintain their prices in foreign cur-

rencies. It also makes it possible to assess the extent to which the prices for imported goods and services were influenced downwards, since the appreciation of the franc was the same whether the index be weighted by exports or by imports.

This decline immediately and directly affects the cost of the imported inputs of enterprises and, if the latter incorporate the decrease in costs in their selling prices, the consumer price index. Via the indexation mechanisms it fairly quickly influences all incomes the changes in which are formally linked to the movement of that index. It also has repercussions on a number of other incomes which, de facto, follow the same course as those which are index-linked. All the elements which make up the cost price of enterprises should therefore decrease to the same extent as import prices. In the case of exporting enterprises this fall in cost prices compensates for the decrease in earnings which may have been brought about by the appreciation of the franc. In short, the appreciation of the franc should, when all the mechanisms described above have operated, be neutral for the branches of activity as a whole, including those which are export-oriented. This overall result does, of course, conceal divergent individual situations in the various enterprises, depending on their import and export baskets.

## 6. MONETARY POLICY AND MONEY AND CAPITAL MARKETS

### 6.1 MONETARY AND EXCHANGE RATE POLICY

The year 1992 was marked, in the second half, by the acute strains in the foreign exchange market which have already been described. This period constituted a major test for the credibility of the exchange rate policy announced in June 1990. The new instruments of monetary policy resulting from the reform of January 1991 were also put to the test during that year.

#### 6.11 GENERAL ORIENTATION

As is appropriate for a small, very open economy, monetary policy in Belgium has always been guided by an exchange rate aim and not by the movement of some monetary aggregate. However, via this aim, the Bank is nowadays mainly basing its monetary policy on that of Germany, which is designed to bring about price stability by adopting limits to the expansion of the money supply as an intermediate objective.

In 1992 the conduct of Belgian monetary policy in fact continued to be governed by the undertaking, given in June 1990, to peg the franc firmly to the EMS currencies which are regarded as stability anchors, which meant, under the present circumstances, the German mark. The credibility of this policy, supported by the Belgian economy's good performance with regard to inflation, growth and the balance of payments, had led very rapidly to the disappearance of the short-term interest rate differential vis-à-vis the mark and to a reduction in the long-term interest rate differential, while the exchange rate for the franc remained very close to its central rate against the mark. Since then, this policy has given the markets two guidelines: the exchange rate for the franc against the German mark and the Dutch guilder should remain

stable and, provided that there is no weakening of confidence in either of the currencies, short-term interest rates ought hardly to diverge from the German and Dutch rates. Throughout the year under review the exchange rate and short-term interest rate differentials in question did in fact remain minimal.

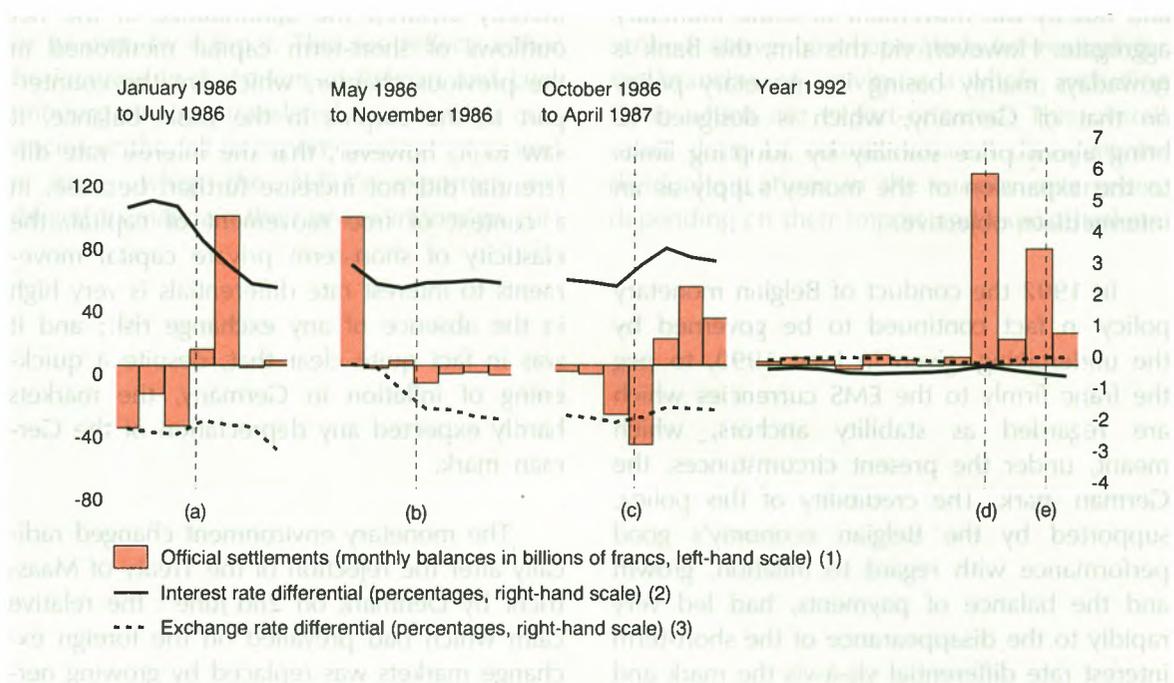
In the first half of the year, during which the EMS displayed great stability, the exchange rate for the franc was constantly about 0.2 p.c. above the central rate against the German mark and short-term interest rates remained very slightly below the German rates. From April onwards, mainly in view of the movement of rates in the Netherlands, the Bank allowed this negative interest rate differential to widen slightly: for three-month investments on the interbank market it increased from  $-0.1$  to about  $-0.3$  p.c. It thereby ensured the continuance of the net outflows of short-term capital mentioned in the previous chapter, which are the counterpart to the surplus in the basic balance. It saw to it, however, that the interest rate differential did not increase further, because, in a context of free movement of capital, the elasticity of short-term private capital movements to interest rate differentials is very high in the absence of any exchange risk; and it was in fact quite clear that, despite a quickening of inflation in Germany, the markets hardly expected any depreciation of the German mark.

The monetary environment changed radically after the rejection of the Treaty of Maastricht by Denmark on 2nd June: the relative calm which had prevailed on the foreign exchange markets was replaced by growing nervousness, which culminated in a real crisis with the approach of the French referendum to be held on 20th September. The quietening which succeeded the decisions of mid-September was only short-lived. The strains reappeared and led to a new realignment on 23rd November.

During this period the franc kept very close to its central rate against the mark, and this in fact induced the Bank to participate, with substantial amounts, in the interventions to support other currencies on the foreign exchange market. Short-term interest rates generally remained below the corresponding rates on the interbank market in Germany. They reached the same level only for a few days in September. The rates on Euro-deposits in Belgian francs were then above those on Euro-deposits in German marks, which were depressed owing to the massive formation of such deposits, but which already returned to the level of the rates on the German domestic market at the end of September, as a result of the neutralisation operations carried out by the Bundesbank.

The second half of 1992 contrasts with the previous periods of strains within the EMS, for example those which preceded the realignments of April 1986 and January 1987. Under such circumstances the Bank had often had to support the franc by increases in interest rates and substantial sales of foreign currencies — of which the net amount of the balance of official settlements gives an approximate picture — without being able to prevent a weakening of the exchange rate and even, in some cases, a lowering of the central rate for the franc against the German mark. In 1992, on the other hand, neither the exchange rate for the franc against the mark nor the interest rate differential were changed, and the purpose of the Bank's interventions in the foreign exchange market was to support

CHART 30 — INTEREST RATE AND EXCHANGE RATE DIFFERENTIALS OF THE FRANC AGAINST THE GERMAN MARK AND BALANCE OF OFFICIAL SETTLEMENTS



Source : NBB.

<sup>1</sup> Plus sign : increase in exchange reserves or decrease in general government's foreign currency debt.

<sup>2</sup> Three-month interbank rate in francs minus three-month interbank rate in marks (monthly averages).

<sup>3</sup> Differential of the exchange rate for the franc against the mark in relation to the central rate before realignment (monthly averages).

(a) Realignment of 7th April 1986; central rate of the franc against the mark : -1.9 p.c.

(b) Realignment of 4th August 1986; central rate of the franc against the mark : unchanged.

(c) Realignment of 12th January 1987; central rate of the franc against the mark : -1.0 p.c.

(d) Realignments of 14th and 17th September 1992; central rate of the franc against the mark : unchanged.

(e) Realignment of 23th November 1992; central rate of the franc against the mark : unchanged.

CHART 31 — CREDIBILITY BANDS VIS-A-VIS THE GERMAN MARK

(Twelve-month rate)



Source : NBB.  
<sup>1</sup> The upper (lower) limit is equal to the interest rate of the Euro-German mark plus (minus) the maximum percentage depreciation (appreciation) of the currency in question against the mark permitted by the EMS bilateral limits, on the basis of the actual position of that currency.

other currencies. Thus, the surplus of Fr. 255 billion in respect of official settlements in 1992, including Fr. 233 billion for the last four months of the year alone, contrasts with deficits which reached Fr. 83 billion in two

months at the turn of the year 1986/87, Fr. 115 billion from December 1985 to March 1986, Fr. 173 billion from December 1982 to March 1983 and even Fr. 319 billion for the year 1981 as a whole.

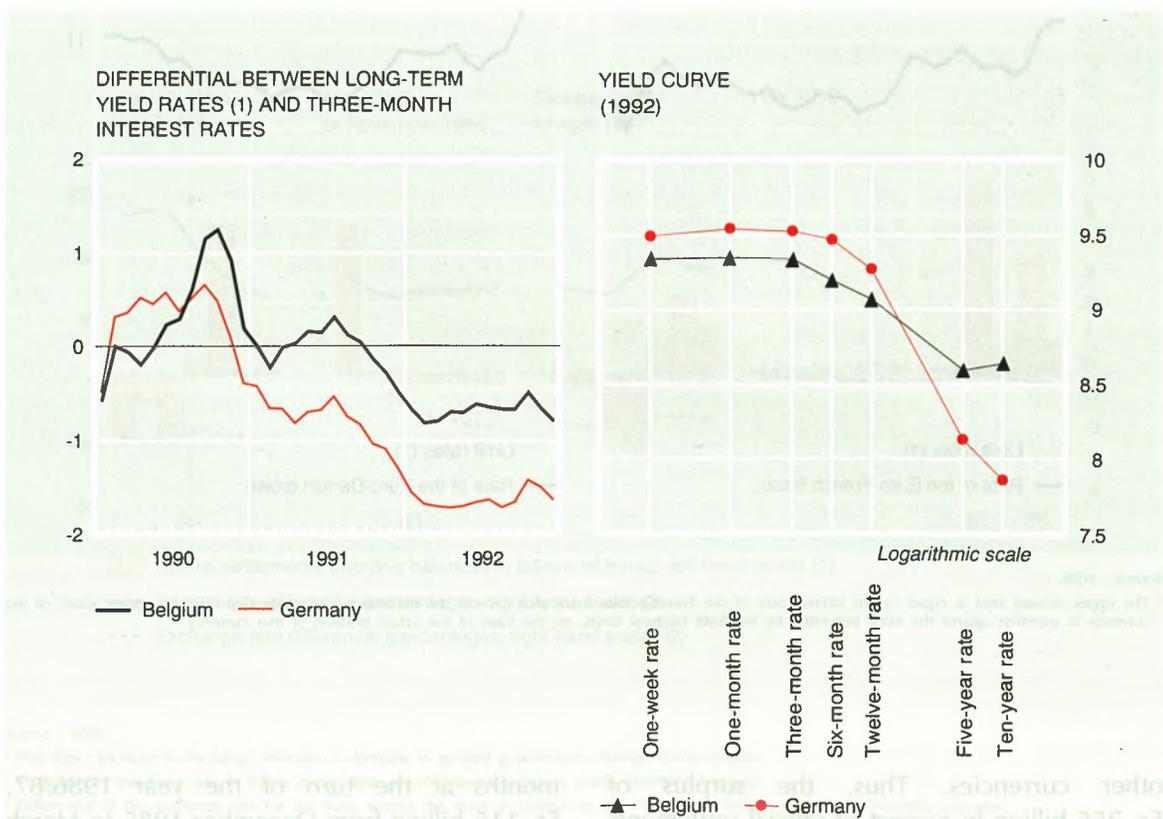
From mid-September onwards interest rates actually moved downwards, parallel with the German and Dutch rates. They remained constantly in the middle of their « credibility band » against the German mark. A position below the upper limit of that band, as calculated in Chart 31, indicates that the markets are inclined to make one-year investments in the currency which occupies that position without requiring that the risk of a devaluation in relation to the reference currency, in this case the German mark, be covered by an interest rate premium.

On the long-term capital market there continued to be a positive interest rate differential throughout the year in relation to investments in German marks. This was perhaps not unconnected with certain basic characteristics of the Belgian bond market, such

as its more modest volume, the fact that the Belgian franc is less well known internationally as an investment currency and the existence, for resident individuals, of a withholding tax. After having fluctuated around 0.75 p.c., this long-term differential widened somewhat in August and at the beginning of September. From mid-September onwards, however, it narrowed and by the end of the year it was less than 0.50 p.c., the decline in rates having been more marked in Belgium than in Germany.

Since October 1991 the interest rate structure has remained reversed. Unlike what had happened sometimes during the 1980s, this was not a specifically Belgian situation connected with the need to attract or retain short-term funds for the sake of equilibrium of the balance of payments, but a situation

CHART 32 — STRUCTURE OF INTEREST RATES IN BELGIUM AND GERMANY



Sources : NBB, BIS.

<sup>1</sup> For Belgium, public sector loans, of 6 years and above; for Germany, public sector loans, of 7 to 15 years.

imported from Germany. German monetary policy apparently convinced the markets of its effectiveness in combating inflation : thanks to this market confidence, German long-term rates did not follow the upward movements shown by short-term rates from mid-1990 to August 1992.

## 6.12 OPERATIONAL CONDUCT

The new instruments of monetary policy, which had been introduced by the reform of 29th January 1991, influenced money market rates in two ways.

On the one hand, the Bank gives clear indications of the desired movement of short-term interest rates by announcing its own rates. The changes in the official rates — the discount rate and the rate for advances above the ceiling — thus perform a signal function. It is, however, mainly through the conditions applicable to the end-of-day facilities and by the rate of the periodical allocations of credit by tender that the Bank makes known the orientation of its interest rate policy.

On the other hand, the Bank influences the volume of liquidity at the disposal of the participants in the money market. Depending on whether the Bank's operations lead to a residual money market surplus or deficit at the end of the day, these operators are faced with the need to invest funds with or borrow funds from the Bank at rates which are less advantageous than the market rates. By creating end-of-day deficits, through a volume of credit which is smaller than the requirements, the Bank therefore induces the various financial intermediaries to raise their interest rates somewhat in order to attract capital. End-of-day surpluses, on the other hand, exert a downward pressure on market rates.

During the first half of the year the Bank's interest rates hardly had to be altered. The discount rate and the rate for advances above the ceiling remained unchanged. The rate for the credits granted in the allocations by quantity rose by 0.10 p.c. and was fixed at 9.40 p.c. on 22nd January. This raising took

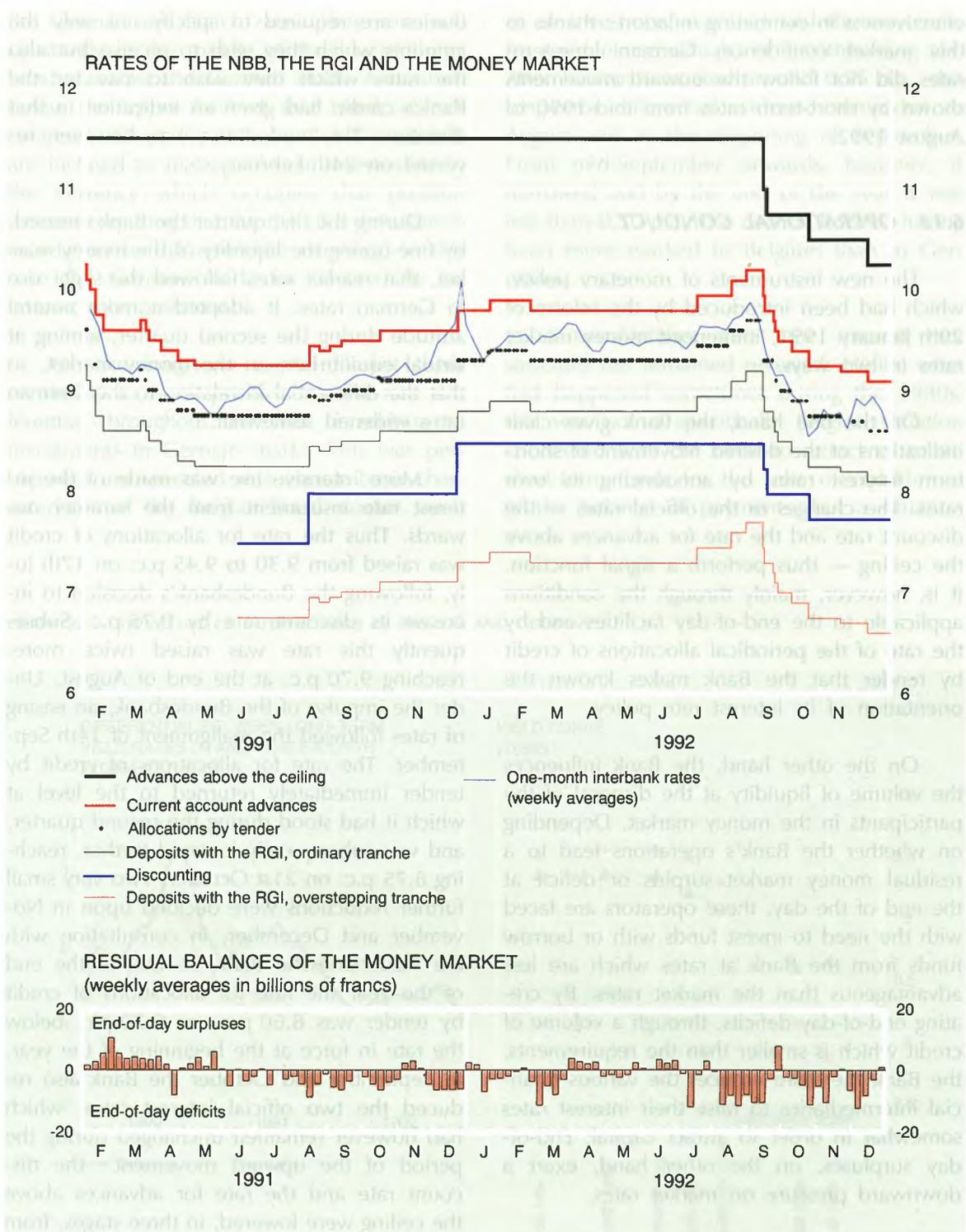
place after a call for tenders at multiple rates, in response to which the financial intermediaries are required to specify not only the amounts which they wish to receive but also the rates which they wish to pay for the Bank's credit, had given an indication in that direction. This modest rise was, however, reversed on 24th February.

During the first quarter the Bank ensured, by fine-tuning the liquidity of the money market, that market rates followed the slight rise in German rates. It adopted a more neutral attitude during the second quarter, aiming at virtual equilibrium on the money market, so that the differential in relation to the German rates widened somewhat.

More intensive use was made of the interest rate instrument from the summer onwards. Thus the rate for allocations of credit was raised from 9.30 to 9.45 p.c. on 17th July, following the Bundesbank's decision to increase its discount rate by 0.75 p.c. Subsequently this rate was raised twice more, reaching 9.70 p.c. at the end of August. Under the impulse of the Bundesbank, an easing of rates followed the realignment of 14th September. The rate for allocations of credit by tender immediately returned to the level at which it had stood during the second quarter, and was subsequently lowered further, reaching 8.75 p.c. on 21st October. Two very small further reductions were decided upon in November and December, in consultation with the Nederlandsche Bank, so that at the end of the year the rate for allocations of credit by tender was 8.60 p.c., or 0.70 p.c. below the rate in force at the beginning of the year. In September and October the Bank also reduced the two official interest rates, which had however remained unchanged during the period of the upward movement : the discount rate and the rate for advances above the ceiling were lowered, in three stages, from 8.50 to 7.75 p.c. and from 11.50 to 10.50 p.c. respectively. The rate for advances above the ceiling was further reduced to 10.25 p.c. on 11th December.

During the summer months the increasingly agitated state of the foreign exchange

CHART 33 — OPERATIONAL CONDUCT OF MONETARY POLICY



Source : NBB.

markets caused the Bank to take a prudent line in its policy of management of money market liquidity : end-of-day deficits helped

to reduce the negative interest rate differential vis-à-vis the German mark. At the end of September, as this differential had disappeared,

the Bank made its liquidity policy more flexible and temporarily created end-of-day surpluses. After that, it brought about deficits again, in order to keep the negative interest rate differential which had reappeared under control.

In its management of money market liquidity, the Bank had to take account of the effect of the interventions in support of other currencies. As has already been pointed out, the BLEU's surplus in respect of official settlements, which includes, apart from these interventions, the levying of interest on the foreign exchange reserves and the change in the Bank's net external liabilities in francs, reached Fr. 255 billion in 1992. The massive purchases of foreign currencies against the franc might have enabled the financial intermediaries to repay the whole of their debts in francs to the Bank and to accumulate end-of-day deposits with the Bank. The effect of the interventions on money market liquidity therefore had to be neutralised, to enable the Bank to retain its full control over interest rates and prevent the financial intermediaries from being put « outside the Bank ». Three options were open, and were resorted to in varying degrees : repayment by the Treasury of part of its foreign currency debt, specific operations to tighten liquidity and a well-ordered reduction of the Bank's claims in francs on the financial intermediaries.

First of all, foreign currencies can be sold to the Treasury to enable it to repay part of its foreign currency debt. It is normal that this debt, which was accumulated during a period of current account deficits and outflows of private capital, should now be paid off. Even before the interventions on the foreign exchange market, the Minister of Finance and the Bank had agreed that the Treasury would use its share of the proceeds of the Bank's foreign exchange reserves to repay its foreign currency debt. The purpose of this agreement was to prevent claims in francs from being supplanted by claims in foreign currencies on the assets side of the Bank's balance sheet. Such a phenomenon takes place when, in a context of stagnation of the note circulation and absence of compulsory monetary reserves,

there is an accumulation of incomes from the foreign exchange reserves whose counterpart is distributed in francs. The interventions on the foreign exchange market, in turn, brought to the Bank — and to a considerably greater extent — foreign assets which were threatening to take the place of its claims in francs. The selling of foreign currencies to the Treasury, enabling the latter to change the composition of its debt, was a welcome solution to this problem. However, as redemptions of the public foreign currency debt are made taking account of the maturities of the loans, they did not fully counterbalance the effect of the interventions in 1992 : they amounted to Fr. 100 billion. The gold and foreign exchange reserves consequently increased by Fr. 155 billion, or more than the total amount of the Bank's outstanding claims in francs at the beginning of the year.

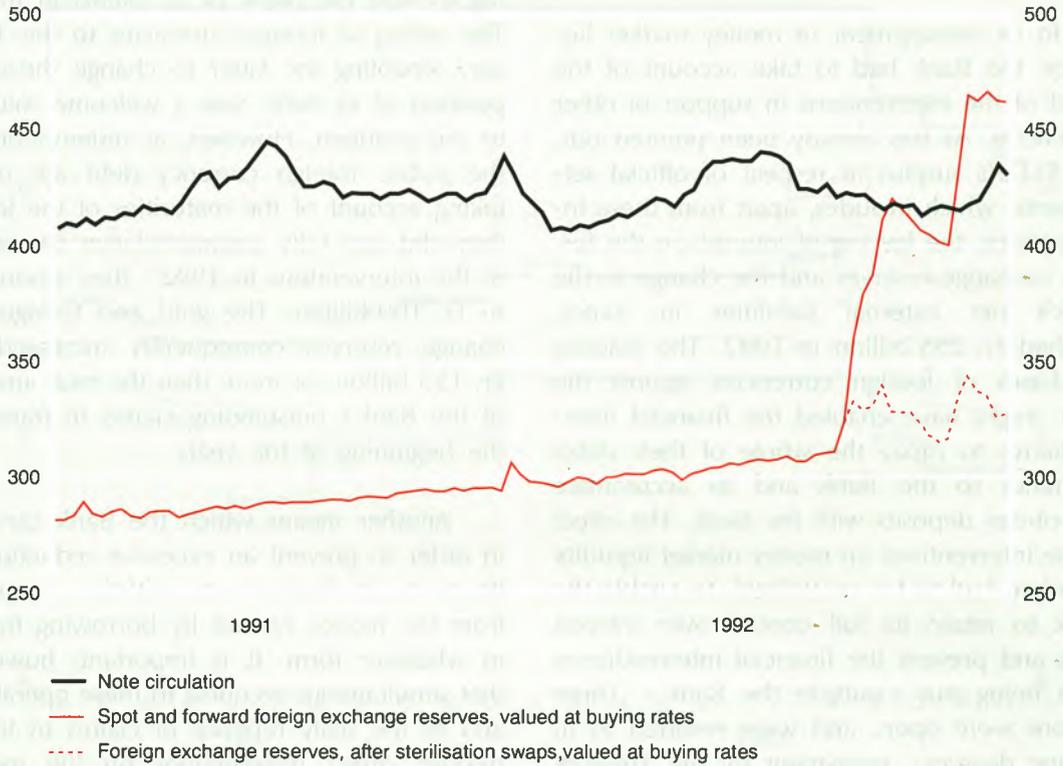
Another means which the Bank can use in order to prevent an excessive reduction in its assets in francs is to withdraw liquidity from the money market by borrowing francs, in whatever form. It is important, however, that simultaneous recourse to these operations and to the daily renewal of claims in francs through direct interventions on the money market shall not create any confusion regarding the Bank's intentions. That is why preference was given to a specific form of neutralisation operations for interventions, namely tightening currency swaps : foreign currencies are sold spot and repurchased forward against Belgian francs by the Bank. Currency swap operations amounting to Fr. 135 billion thus enabled the growth in the spot foreign exchange reserves — and its effect on money market liquidity — to be reduced to Fr. 20 billion.

Lastly, claims in francs on the financial intermediaries can be reduced, provided that the extent of the reduction does not detract from the effectiveness of monetary policy. The outstanding amount of these claims — about Fr. 120 billion at the end of 1991 — does not, however, permit any substantial reduction, because the Bank must retain sufficient resources to be able to take action quickly in the money market. Concern about this point

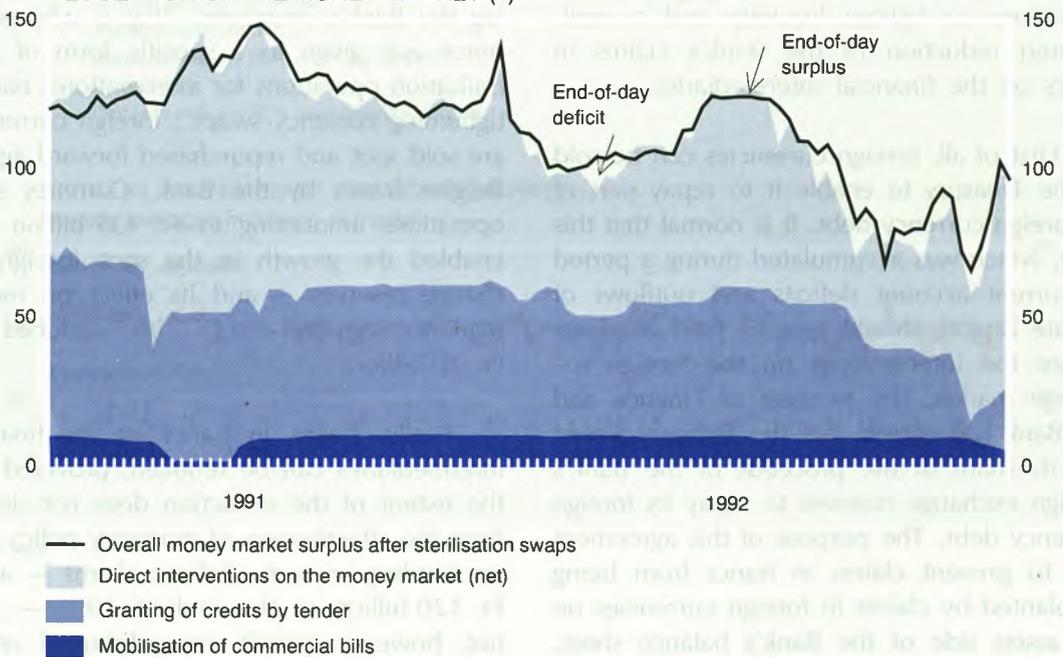
CHART 34 — TRANSACTIONS OF THE NATIONAL BANK OF BELGIUM

(Outstanding amounts in billions of francs ; weekly averages)

NOTES AND FOREIGN EXCHANGE RESERVES



REGULATION OF THE MONEY MARKET (1)



Source : NBB.

<sup>1</sup> Excluding sterilisation swaps.

TABLE 40 — ANALYTICAL BALANCE SHEET OF THE NATIONAL BANK OF BELGIUM

(+ : asset; - : liability; billions of francs)

	31-12-1991	31-12-1992	Change
<b>Transactions other than regulation of the money market</b> .....	-113.8	43.6	157.4
Note circulation (-) .....	-431.5	-430.2	1.3
Spot and forward foreign exchange reserves <sup>1</sup> .....	308.7	463.5	154.8
p.m. Balance of official settlements .....			255.2
Change in general government's foreign currency debt .....			-100.4
Miscellaneous (net) .....	9.0	10.3	1.3
<b>Tightening currency swaps (-)</b> .....	-5.0	-139.9	-134.9
<b>Regulation of the money market<sup>2</sup></b> .....	121.4	98.8	-22.6
Mobilisation of commercial bills .....	10.9	4.0	-6.9
Granting of credits by tender .....	50.2	25.0	-25.2
Direct interventions on the money market .....	60.3	69.8	9.5
<b>Covering of deficits or absorption (-) of end-of-day surpluses</b>	-2.6	-2.5	0.1
of the Treasury and the Securities Regulation Fund .....	...	0.2	0.2
of the financial intermediaries .....	-2.6	-2.7	-0.1

<sup>1</sup> Valued at buying exchange rates.<sup>2</sup> Excluding tightening currency swaps.

induced the Bank to shorten the average term of its claims in francs by curtailing the outstanding amount of the longest-term assets, the volume of which is actually less important in terms of monetary policy: it reduced the granting of credits by tender and, in December, cut down the mobilisation facilities for commercial paper by a half.

Only very minor changes were made to the other instruments of monetary policy.

Thus, in the case of allocations of credit in terms of quantity, the Bank sometimes limited the amounts which could be requested by the tenderers to the credit line which is applied to them for current account advances. The object was to ensure that, when the difference between the interest rate of the allocations and the market rate for transactions for the same term became larger, excessive requests did not lead to an unfair distribution of the Bank's assistance.

Actually, there was hardly any differentiation in the use of credit-granting by tender

in 1992. No tendering procedure for over seven days was organised. Multiple-rate tendering procedures were rare: the Bank resorted to them only twice, on 20th January and 14th August; in both cases it sounded out operators' expectations in order to fix the reference rates at the appropriate level during the subsequent days.

As had already been announced at the time of the monetary reform, the credit lines of the financial intermediaries were adjusted, on 1st June, in order to take account of their activity on the new, rapidly expanding secondary markets for Treasury certificates and linear bonds. The Bank wished to show thereby, once more, the importance which it attaches to this activity, on which the effectiveness of its monetary policy largely depends.

Finally, direct interventions on the money market continued to take the form mainly of very-short-term repurchase agreements and, now and then, of interbank transactions and purchases and sales of Treasury certificates. Twice, in May and in June, very-short-term

repurchase agreements were made at a rate previously announced by the Bank, in order to give the market a clearer interest rate signal.

The Government passed a bill abolishing, before 1st January 1994, the date fixed in the Treaty on European Union, the monetary financing of public administrations and strengthening the independence of the Bank, in anticipation of the establishment of the European System of Central Banks. Firstly the credit facilities of the Treasury and the Securities Regulation Fund with the Bank will be abolished. The Treasury will still be able to deal with end-of-day deficits or surpluses by changing the amount of an interest-bearing deposit with the Bank. However, the improvement, already in progress, of the Treasury's forecasts should enable it to make use of this possibility only exceptionally. Furthermore, an agreement between the Government and the Bank will regulate the technical conditions of this deposit. Secondly, the Minister of Finance and the Government Commissioner may no longer oppose the implementation of the Banks' decisions or operations when they relate to monetary policy, the conduct of foreign exchange transactions, the management of the foreign exchange reserves or the operation of the payments systems. It should be emphasised that this is already the practice.

## 6.2 MONEY AND CAPITAL MARKETS

### 6.21 RECENT MONEY MARKET DEVELOPMENTS

The market for Treasury certificates and the interbank market remained the two most important segments of the money market in Belgian francs. Judging by the outstanding amount at the end of October 1992, namely Fr. 1,887 billion and Fr. 2,010 billion respectively, they were of more or less the same order of magnitude.

During the first ten months of 1992 the outstanding amount of Treasury certificates rose by Fr. 169 billion. Purchases and sales of certificates on the secondary market increased in 1992, reaching a daily average of Fr. 50 billion in the fourth quarter. This secondary market, like that for linear bonds, is stimulated by primary dealers, the number of which was raised from fourteen to sixteen.

The outstanding amount of interbank claims and debts in Belgian francs increased by Fr. 290 billion during the first ten months of 1992. A characteristic feature of the interbank market in 1992 was the development of a private market for repurchase agreements in respect of public debt securities. The

TABLE 41 — VOLUME OF TRANSACTIONS ON THE SECONDARY MARKET FOR TREASURY CERTIFICATES AND FOR REPURCHASE AGREEMENTS IN RESPECT OF PUBLIC DEBT SECURITIES<sup>1</sup>

(Daily averages, in billions of francs)

	Treasury certificates	Repurchase agreements in respect of public debt securities
1991 February-March .....	33	...
2nd quarter .....	36	1
3rd quarter .....	29	1
4th quarter .....	27	2
1992 1st quarter .....	29	4
2nd quarter .....	34	5
3rd quarter .....	42	8
4th quarter .....	50	12

Source : NBB.

<sup>1</sup> Not including transactions with the NBB.

CHART 35 — DIFFERENCE BETWEEN THE ISSUE RATE OF TREASURY CERTIFICATES<sup>1</sup> AND THE INTERBANK MARKET RATE<sup>2</sup>



Source : NBB.

<sup>1</sup> Average rate of allocations by tender.

<sup>2</sup> Average of bid and offered rates at the time of the allocations of Treasury certificates.

amount of the transactions of this nature recorded by the securities clearing and settlement system administered by the Bank in fact increased substantially : the daily average volume of transactions rose from Fr. 2 billion in the fourth quarter of 1991 to Fr. 12 billion in the fourth quarter of 1992. These transactions relate both to Treasury certificates and to linear bonds.

During the year under review the rates on issue of Treasury certificates generally remained a few basis points below the average interbank rates. The competition between subscribers introduced by the monetary reform of January 1991 perhaps enabled the rate structure on the money market to be a better reflection of the negotiability of Treasury certificates and of the Treasury's position as the sovereign issuer, an element which is in fact taken into account in the regulations concerning the capital adequacy of credit institutions. The fact that the Treasury was able to obtain relatively more favourable conditions for six-month and twelve-month certificates is mainly attributable to the more limited volume of the issues and therefore to its being less dependent on the Government with regard to this source of financing ; there is appreciably more recourse to the market for the issuing of three-month certificates.

## 6.22 SECURITY MARKET

The efforts to modernise and diversify the Belgian financial markets — already largely started upon during the two preceding years — were continued in 1992. In most segments of the security market the total volume of net issues was comparable to that in 1991.

The long-term issues of non-financial companies were, however, in net terms, much smaller than in 1992, redemptions of bonds having practically offset the very small amount of share issues.

The latter were adversely affected by the fall in stock exchange prices, which contributed to making capital increases more expensive. The rise in prices which took place at

the beginning of the year was in fact cancelled out by the end of June and the downward trend was subsequently accentuated following the announcement by many companies of a worsening of their interim results compared with the preceding years. These developments also influenced the secondary market, where the level of activity reached at the end of the 1980s was not reattained and no new stock exchange listing took place in 1992. The number of stock exchange companies operating on this market, which was radically reorganised by the law of 4th December 1990 on financial transactions and financial markets, continued to decline.

It was thus in a difficult environment that the Belgian Futures and Options Exchange (BELFOX) introduced the quotation of share options in June. BELFOX also continued the development of its other activities by introducing, in August, quotations for forward contracts on the three-month interbank market rate (BIBOR). During the same month, some BELFOX members agreed, in order to increase their turnover, to ensure the negotiation of at least 1,250 contracts per day on the market for forward contracts on government loans. This target was achieved and even substantially exceeded, the market having, admittedly, been greatly stimulated by the decline in long-term rates during the last months of the year and the expectations of a possible continuance of this downward movement.

Since the end of 1990 companies have also been issuing short-term securities in the form of promissory notes (commercial paper). They continued to resort to this market in 1992 and also, from June onwards, took advantage of the legal conditions offered by the law of 22nd July 1991 concerning commercial paper and certificates of deposit to issue their first commercial paper. Unlike the promissory-note type, this new type of short-term security is completely exempt from the withholding tax and can be issued in a dematerialised form, which enables it to be traded via the securities clearing system administered by the Bank. Despite these advantages, the success of this type of paper is still much more limited than that of the promissory-note type, which is not sub-

TABLE 42 — NET ISSUES OF SECURITIES IN BELGIAN FRANCS<sup>1</sup>

(Billions of francs)

	1988	1989	1990	1991	First ten months	
					1991	1992
<b>Non-financial companies</b> .....	35	115	...	46	42	12
Shares <sup>2</sup> .....	47	110	18	41	39	11
Bonds .....	-12	5	-18	5	3	-7
Commercial paper .....	...	...	...	...	...	8
<b>Financial intermediaries</b> .....	82	-32	310	236	223	211
<b>General government</b> .....	500	339	502	497	489	597
Bonds .....	468	193	393	510	428	428
Linear bonds .....	...	82	273	935	887	689
Loans subject to the 10 p.c. withholding tax ..	...	...	244	228	187	121
Loans subject to the 25 p.c. withholding tax <sup>3</sup>	468	111	-124	-653	-645	-382
Treasury certificates .....	32	146	109	-13	61	169
<b>Rest of the world</b> .....	10	41	98	97	63	67
<b>Units of collective investment undertakings making public issues in Belgium</b> .....	164	135	-93	70	2 <sup>4</sup>	89 <sup>4</sup>
Belgian undertakings .....	4	-3	-15	42	9 <sup>4</sup>	33 <sup>4</sup>
Foreign undertakings .....	160	138	-78	28	-7 <sup>4</sup>	56 <sup>4</sup>

Sources : NBB, Banking and Financial Commission.

<sup>1</sup> Including, in so far as they could be recorded, bonds in Luxembourg francs.<sup>2</sup> Public share issues, including the exercise of warrants. Including shares issued by financial intermediaries.<sup>3</sup> Including loans subject to withholding tax at rates other 10 or 25 p.c. or exempt from withholding tax.<sup>4</sup> Data for the first six months.

ject to the same administrative restrictions and, particularly, to the obligation to publish an issue prospectus which has to be submitted in advance to the Banking and Financial Commission for examination and approval. At the end of October the outstanding amount of commercial paper was Fr. 8 billion, while that of promissory notes represented several tens of billions. The future expansion of the market for commercial paper might, however, be stimulated by the presence of borrowers other than companies, as the Flemish community, in particular, has announced its decision to resort to this market for its short-term financing.

By creating certificates of deposit, the law of 22nd July 1991 also organised issues of short-term securities by the financial intermediaries. While the latter have not yet taken advantage of this possibility, towards the end

of the year a major bank made a first issue of promissory notes for its own account outside the framework of this law. Apart from this operation, the financial intermediaries confined their public issues to notes and bonds. These issues continued to be made at a fairly rapid rate, benefiting by a revival of interest in this type of investment from the end of the third quarter onwards, in a period of declining long-term interest rates.

The volume of general government's net issues of securities denominated in francs increased in 1992. The Treasury in fact used part of the foreign currencies which the Bank had acquired by its operations in support of certain EMS currencies to make repayments on its foreign currency debt. As the counterpart to this, it increased its liabilities in francs. Over the first ten months as a whole, the rise in net issues in francs was accounted for by

short-term instruments. On the other hand, net long-term issues, although high, remained stable; both new issues and repayments were below their 1991 level.

On the capital market the Treasury continued to pursue its segmentation policy by simultaneously issuing loans subject to a 10 p.c. withholding tax and linear bonds. These issues brought in Fr. 121 and 689 billion respectively during the first ten months of 1992. In March 1992 the conditions for direct access to the primary market for linear bonds were brought into line with those applying to Treasury certificates. Except for non-resident individuals, who can still subscribe only via an account-holder, all investors for whom the withholding tax does not constitute a definitive tax can henceforth participate directly in the issues. This possibility was pre-

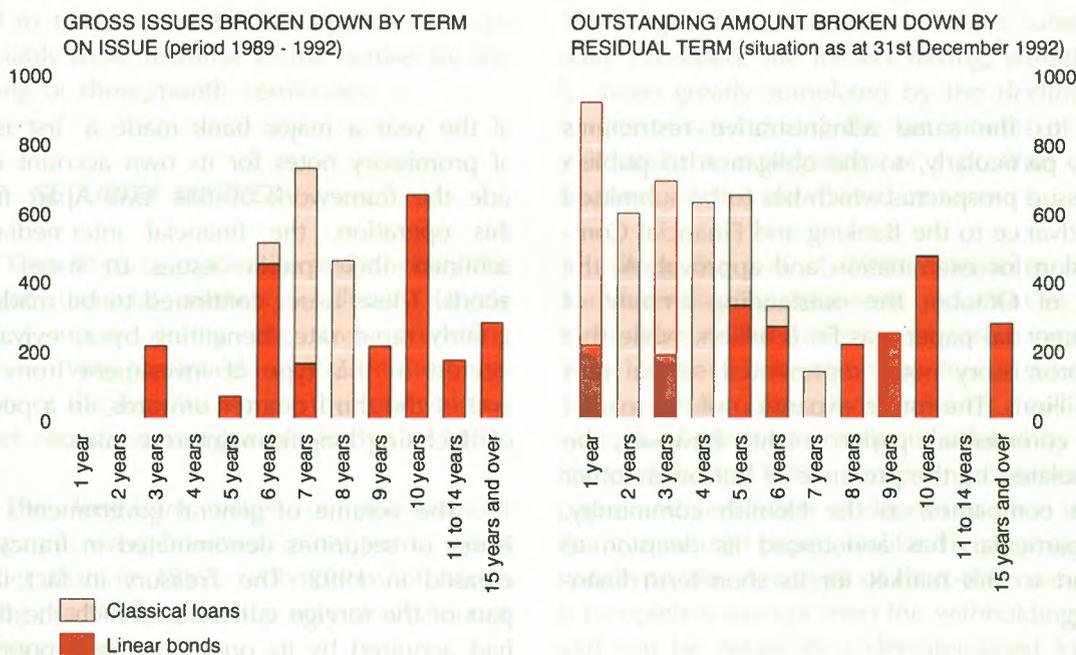
viously confined to Belgian and Luxembourg credit institutions and Belgian stock exchange companies.

The segmentation of the market enabled the Treasury to make issues at very long term and thus to considerably lengthen the average term on issue of its loans.

The diversification of the Treasury's issues also proved beneficial for the secondary bond market. The timetable of public debt maturities now spreads over a very wide range, offering investors an almost complete set of residual maturities. In order to make this market still more attractive, the royal decree of 8th October 1992 introduced the possibility of separately negotiating the interest and principal of linear bonds by separating the coupons from the bond document (bond strip-

CHART 36 — MATURITY TIMETABLE OF LINEAR BONDS AND OTHER GOVERNMENT LOANS<sup>1,2</sup>

(Billions of francs)



Sources : NBB, Securities Regulation Fund.

<sup>1</sup> The one-year timetable corresponds to loans whose initial or residual terms, as the case may be, are shorter than one and a half years, the two-year timetable corresponds to loans for which these terms are between one and a half and two and a half years and so on.

<sup>2</sup> Classical government loans and public issues of other public sector bodies (Road Fund, Telegraphs and Telephones Board, etc.) which have been the subject of an order published in the *Moniteur belge*.

ping). An initial stripping was undertaken in respect of part of the line of linear bonds maturing in 2007. Judging by the transactions taking place on the market, this new product has proved very successful. It does in fact provide institutional investors with a very useful instrument for balancing their own maturity timetables. It also offers the possibility of taking full advantage of the interest rate movements which may take place on each segment of the yield curve.

The volume of net issues of bonds by non-residents remained very large. In particular, the market for Euro-bonds in Luxembourg francs continued to grow, benefiting from the strength of the franc, but also from the keener competition between potential borrowers. This competitive pressure, combined with a certain decline in the quality of the securities issued, which to a greater extent took the form of subordinated bonds, led to a rise in rates, which thus reached the level of the rates for bonds in Belgian francs.

Lastly, there was a substantial expansion in the market for the units of collective investment undertakings. Net issues in the first half of 1992 alone, at Fr. 89 billion, exceeded the corresponding total for the whole of 1991. Among the undertakings formed under Belgian law, pension-saving funds had to contend, at the beginning of the year, with some withdrawals, as the preparation of the budgetary rehabilitation measures may have prompted fears of a radical revision of the tax status of this investment instrument. These withdrawals were, however, largely counterbalanced by the gradually growing success of SICAVs formed under Belgian law since their creation at the beginning of 1991. The increase in the activity of foreign collective investment undertakings is likewise attributable to the purchases of units of SICAVs, in this case formed under Luxembourg law.

### **6.23 CREDIT INSTITUTIONS**

The still high level of activity on most segments of the security market in 1992 was

coupled with a further structural decline in the degree of intermediation by Belgian credit institutions in respect of claims and liabilities in the economy.

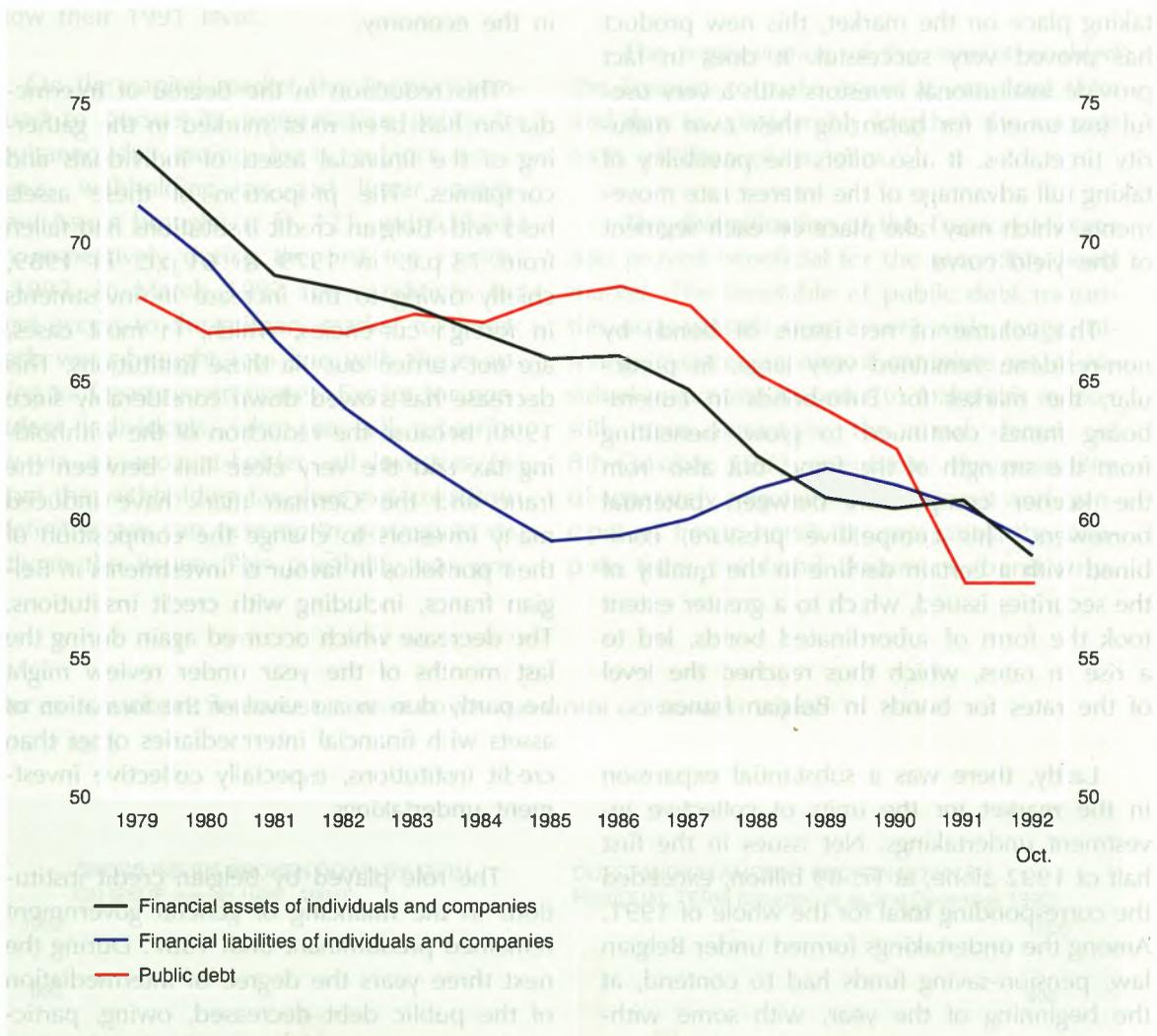
This reduction in the degree of intermediation had been most marked in the gathering of the financial assets of individuals and companies. The proportion of these assets held with Belgian credit institutions had fallen from 73 p.c. in 1979 to 61 p.c. in 1989, chiefly owing to the increase in investments in foreign currencies, which, in most cases, are not carried out via these institutions. This decrease has slowed down considerably since 1990, because the reduction of the withholding tax and the very close link between the franc and the German mark have induced many investors to change the composition of their portfolios in favour of investments in Belgian francs, including with credit institutions. The decrease which occurred again during the last months of the year under review might be partly due to a revival of the formation of assets with financial intermediaries other than credit institutions, especially collective investment undertakings.

The role played by Belgian credit institutions in the financing of general government remained predominant until 1987. During the next three years the degree of intermediation of the public debt decreased, owing, particularly, to the growth in purchases of public short- and long-term securities by collective investment undertakings. A much greater reduction had been recorded in 1991, the reform of the public debt market in January of that year having stimulated the interest of non-residents and Belgian non-financial companies in public debt securities. As the influence of the last-mentioned factor was much less strong in 1992, the proportion of the public debt placed with Belgian credit institutions stabilised.

Lastly, the share of Belgian credit institutions in the financing of individuals and companies has decreased, from 71 p.c. in 1979 to 59 p.c. in October 1992. This movement is connected with the method of financing of companies, which have resorted more to for-

CHART 37 — DEGREE OF INTERMEDIATION BY BELGIAN CREDIT INSTITUTIONS<sup>1</sup>

(Percentages of outstanding amounts)



Source : NBB.

<sup>1</sup> The degree of intermediation of financial assets represents the proportion of the outstanding amount of the financial assets of individuals and companies (excluding shares) which is held with Belgian credit institutions. The degree of intermediation of the financial liabilities and that of the public debt represent, respectively, the proportion of the outstanding amount of the financial liabilities of individuals and companies (excluding shares) and the proportion of the total outstanding amount of the public debt which are financed by Belgian credit institutions.

eign countries, either directly or via the coordination centres.

The reform of the money market continued to influence the structure of the credit institutions' balance sheets in francs. By opening the market for Treasury certificates to all non-residents, this reform induced foreign banks to reduce their net investments on the interbank market.

Similarly, the shifts between the various items on the liabilities side of the balance

sheets of credit institutions which had been brought about by the lowering of the rate of the withholding tax in March 1990 continued in 1992, albeit at a slower rate than during the preceding two years. Individuals again reduced the outstanding amount of their ordinary savings deposits, the income from which is exempt from the withholding tax. The share of these deposits in the total of the credit institutions' liabilities in Belgian francs fell from 27.1 p.c. at the end of 1989 to 15.7 p.c. at the end of October 1992. To make up for this, these institutions had to raise more ex-

pensive resources, mainly in the form either of high-yield short-term products, such as large deposits and savings deposits not exempt from the withholding tax, or of notes, as the rates offered on this traditional instrument for long-term investment by individuals were appreciably higher in 1992 than those on ordinary savings deposits. Furthermore, the fairly marked increase in ordinary time deposits might itself be due to a raising of the yield offered by certain credit institutions on this type of investment.

This rise in the average cost of their liabilities obviously narrowed the intermediation margin of credit institutions. They endeavoured to compensate for the resultant loss of profitability by the general application of charges for a number of services, by generating alternative incomes from off-balance-sheet activities and by cutting down their general expenses. Credit institutions would also appear to have restricted the indirect subsidising of large enterprises — in the form of lending on very favourable terms — that they were previously able to achieve by obtaining funds at low interest rates from individuals.

The continued existence, throughout the year 1992, of a reversed interest rate structure may also have affected the profitability of credit institutions in so far as the terms at which they borrow are generally shorter than those at which they lend. This traditional term-transformation activity has, however, changed in recent years.

On the liabilities side of the balance sheets of the credit institutions, the proportion represented by notes, which account for the lion's share of long-term resources, increased, while interest in ordinary savings deposits declined. At the same time the share of assets held in government securities, the main long-term investment of these institutions, decreased gradually.

As a result of this dual movement, less use was made, overall, of funds at up to one year for financing lending at over one year, even though there are still fairly large disparities between credit institutions.

On the other hand, within the long-term segment itself, the maturities of the assets have gradually become longer, while those of the liabilities have shortened. The portfolio of public securities in fact includes a growing proportion of very-long-term linear bonds, while the average term on issue of notes has shortened considerably, as subscribers have recently given preference to notes with shorter terms. Consequently, any change in interest rates on the capital market will henceforth be passed on much more quickly to the cost of long-term resources than to that of long-term investments.

Credit institutions generally pay great attention to new techniques of management of assets and liabilities and therefore take account, even more than in the past, of the whole yield curve. Furthermore, the supervisory authorities concern themselves, on both the national and the international level, with the assessment and limitation of interest rate risks. For this purpose, new products or instruments have been developed for facilitating the management of maturity timetables. The possibilities offered by bond stripping have already been mentioned earlier on. The law of 4th August 1992 concerning mortgage credit, by introducing variable-rate loans, makes it easier for credit institutions to bring the yield of their assets into line with that of their liabilities. Lastly, the law of 5th August 1992, which creates undertakings for investment in claims, allows financial intermediaries to make their credits negotiable by resorting to « securitisation ».

The conditions of the credit institutions' activity were also influenced by various measures adopted in order to create the Single Market. For instance, the European norms regarding solvency induced some credit institutions to continue issuing subordinated loans in order to improve their financial structure.

Furthermore, the completion of the programme for the European internal market made it necessary to convert the second Guideline of the Council of the European Communities of 15th December 1989 concerning the co-ordination of the legislative

TABLE 43 — THE CREDIT INSTITUTIONS' BALANCE-SHEET STRUCTURE IN BELGIAN FRANCS

(Percentages of total assets in Belgian francs)

	1989	1990	1991	as at 31st October	
				1991	1992
<b>Assets</b>					
Credits .....	52.6	53.5	54.5	54.9	54.0
Treasury certificates .....	11.1	12.0	9.6	9.8	10.5
Long-term public securities .....	31.4	30.1	30.4	30.2	30.2
Other .....	4.9	4.4	5.5	5.1	5.3
Total .....	100.0	100.0	100.0	100.0	100.0
<b>Liabilities</b>					
Low-interest resources .....	40.1	35.5	34.3	33.2	30.6
Sight deposits .....	11.2	10.8	11.0	10.6	9.8
Ordinary time deposits .....	1.8	2.2	3.7	3.7	5.1
Ordinary savings deposits .....	27.1	22.5	19.6	18.9	15.7
High-interest resources .....	41.0	46.9	50.7	50.3	52.4
Other savings deposits .....	0.2	0.6	1.5	1.4	2.2
Large deposits <sup>1</sup> .....	12.2	15.1	15.7	15.7	15.9
Notes .....	28.6	31.2	33.5	33.2	34.3
Net interbank loans .....	6.6	6.7	3.7	4.5	4.0
Other <sup>2</sup> .....	12.3	10.9	11.3	12.0	13.0
Total .....	100.0	100.0	100.0	100.0	100.0

Source : NBB.

<sup>1</sup> Deposits of Fr. 1 million and above.<sup>2</sup> Including net spot liabilities in foreign currencies.

provisions and administrative regulations governing access to the exercise of the activities of credit institutions into Belgian law. This conversion was the subject of a draft law concerning the status and supervision of credit institutions.

Likewise in accordance with the new European norms on the subject, two important sets of measures were adopted in 1992 concerning the financial and accounting data to be reported by credit institutions. The layout of the periodical information return, referred to as « Layout A », which these institutions have to submit to the Bank and to the Banking and Financial Commission was adapted by a decision of the latter body dated 28th April 1992. By three royal decrees of 23rd September 1992, new presentation rules were laid

down, respectively, for the annual accounts of credit institutions, their consolidated accounts and the accounting information concerning the branches of credit institutions governed by foreign law established in Belgium.

Lastly, the need to prepare the whole financial sector for the new conditions of competition which will be established within the Community induced the authorities to continue the restructuring of the public credit institutions. Thus a royal decree of 21st May 1992 established the first Statutes of the General Savings and Pensions Fund-Holding, of the GSPF Bank and of the GSPF Insurance Funds. Two royal decrees of 16th September 1992 transforming the National Institute for Agricultural Credit and the National Fund for

Credit to Trade and Industry, respectively, subsequently authorised the new holding company to take over 50 p.c. of the capital of these two institutions. These implementing decrees made it possible to create one of the two poles for the regrouping of the public sector financial institutions which had been provided for by the law of 17th June 1991

for the organisation of the public credit sector and the harmonisation of the supervision and conditions of operation of credit institutions. The creation of the second pole has not yet been given concrete form owing to a decision made by the Board of Directors of the Belgian Municipal Credit Institution.



## Statistical Annex



TABLE I — SUMMARY OF MACROECONOMIC DEVELOPMENTS IN SOME EC COUNTRIES

	Belgium		Germany <sup>1</sup>		France		Italy		United Kingdom		Spain		Netherlands	
	1991	1992 e	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992
<b>Expenditure at constant prices</b>	<i>(percentage contributions to the change in GDP)</i>													
Private consumption .....	1.7	1.5	2.1°	0.8°	0.9	1.0	1.8	1.3	-1.4	-0.2	1.9	1.8	1.9	1.0
Public expenditure <sup>2</sup> .....	0.3	...	0.1°	0.6°	0.7	0.5	0.6	0.2	0.3	0.3	0.7	0.6	0.1	-0.1
Private investment <sup>3</sup> .....	-0.3	0.2	0.9°	0.7°	-0.6	-0.4	...	0.4	-2.3	...	0.5	-0.1	-0.3	0.1
of which formation of non-residential fixed capital .....	0.0	-0.3	1.2°	0.1°	-0.3	-0.4	-0.2	-0.1	-1.3	-0.4	n.	n.	n.	n.
Total domestic expenditure .....	1.6 <sup>4</sup>	1.8 <sup>4</sup>	3.1°	2.1°	1.0	1.1	2.4	1.9	-3.4	0.1	3.1	2.3	1.7	1.0
Exports .....	2.8	0.6	5.1°	-0.3°	0.9	1.5	-0.2	1.1	0.1	1.0	1.6	1.5	2.9	1.7
Imports .....	-2.5	-1.6	-4.5°	-0.7°	-0.8	-0.6	-0.8	-1.9	1.0	-2.0	-2.4	-2.3	-2.6	-1.3
External balance .....	0.3	-1.0	0.6°	-1.0°	0.1	0.9	-1.0	-0.8	1.1	-1.0	-0.8	-0.8	0.3	0.4
GDP .....	1.9	0.8	3.7°	1.4°	1.2	1.9	1.4	1.2	-2.2	-1.0	2.4	1.4	2.1	1.4
<b>Inflation</b>	<i>(percentage changes compared with the previous year)</i>													
Index of consumer prices .....	3.2	2.4	3.5°°	4.0°°	3.2	2.8	6.4	5.1	5.9	3.8	6.0	5.9	4.0	3.8
<b>Unemployment</b>	<i>(percentages of the civilian labour force)</i>													
Number of unemployed (EC data) .....	7.5	8.2	4.3°°	4.5°°	9.5	10.0	10.2	10.2	9.1	10.8	16.3	18.0	7.0	6.6
<b>Public finance</b>	<i>(percentages of GDP)</i>													
Net financing requirement(-) of general government .....	-6.7 <sup>5</sup>	-6.9 <sup>5</sup>	-3.2	-3.2	-2.2	-2.8	-10.2	-11.1	-2.8	-6.6	-4.9	-4.7	-2.6	-3.8
<b>Balance of payments</b>	<i>(percentages of GDP)</i>													
Balance of current transactions .....	2.4 <sup>6</sup>	2.3 <sup>6</sup>	-1.2	-1.4	-0.6	0.1	-1.8	-1.9	-1.1	-2.1	-3.0	-3.4	3.3	3.1

Sources : NSI, MEA, NBB for Belgium; OECD and EC for other countries.

<sup>1</sup> For the entity covered by the data for Germany, see the definitions of the conventional signs used in the Report.

<sup>2</sup> Public consumption for Italy, Spain and the Netherlands; public consumption and investment for the other countries.

<sup>3</sup> Including public investment in Italy, Spain and the Netherlands.

<sup>4</sup> Data excluding statistical adjustments.

<sup>5</sup> Excluding lending and equity investment.

<sup>6</sup> Data for the BLEU.

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

*(Percentage changes compared with the previous year)*

	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
Private consumption <sup>1</sup> .....	0.9	1.6	2.2	2.9	3.2	3.2	3.5	2.5	2.2
Public expenditure .....	-1.6	0.7	1.0	-0.4	-0.4	-0.7	1.1	1.7	0.1
Public consumption .....	0.2	2.4	1.7	0.3	-1.0	0.2	1.1	0.9	0.1
Public investment .....	-11.8	-10.7	-4.6	-6.4	5.0	-8.2	1.3	8.3	-0.5
Housing <sup>2</sup> .....	-0.4	4.6	4.6	7.6	22.3	19.1	8.5	-0.9	9.0
Gross fixed capital formation by enterprises .....	6.6	2.4	6.3	7.3	15.0	15.4	9.2	-0.3	-2.0
p.m. Total gross fixed capital formation <sup>1,3</sup> .....	1.7	0.7	4.4	5.6	15.4	13.7	8.4	0.3	0.7
Changes in stocks <sup>1,4</sup> .....	1.1	-1.3	0.2	0.8	0.2	...	-0.1	-0.3	0.1
Total domestic expenditure .....	2.1	0.2	2.7	3.7	4.7	4.6	4.0	1.6	1.8
Exports of goods and services .....	5.3	1.1	5.6	6.6	8.6	7.3	4.1	3.1	0.6
Total final expenditure .....	3.5	0.6	4.0	5.0	6.5	5.9	4.1	2.3	1.2
Imports of goods and services .....	5.6	0.7	7.6	8.8	8.0	8.8	4.2	2.7	1.7
p.m. Net exports of goods and services <sup>4</sup> .....	-0.1	0.3	-1.3	-1.7	0.5	-1.3	-0.1	0.3	-1.0
Statistical adjustments <sup>4</sup> .....	0.2	0.3	0.2	0.1	-0.2	0.4	-0.6	...	...
GDP .....	2.2	0.8	1.5	2.0	5.0	3.8	3.4	1.9	0.8
Net factor incomes <sup>4</sup> .....	0.2	-0.3	0.3	0.2	-0.1	0.3	-0.5	0.6	0.3
GNP .....	2.4	0.6	1.8	2.3	4.9	4.1	3.0	2.5	1.1

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are shown as a separate item.<sup>2</sup> Including registration fees.<sup>3</sup> Public investment, housing and gross fixed capital formation by enterprises.<sup>4</sup> Contribution to the change in GNP.

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

(Percentage changes compared with the previous year)

	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
Private consumption <sup>1</sup> .....	6.2	4.9	1.6	1.6	1.7	3.2	3.5	3.3	2.4
Public expenditure .....	4.4	4.6	1.7	0.3	1.1	4.3	4.2	4.7	3.4
Public consumption .....	4.4	4.6	2.0	0.3	1.0	4.2	4.4	5.2	3.4
Public investment .....	4.3	4.0	-1.0	-0.4	2.2	4.8	2.8	1.2	3.1
Housing .....	4.6	5.3	2.9	4.1	2.7	5.1	3.1	1.9	3.4
Gross fixed capital formation by enterprises .....	3.9	3.3	1.0	...	1.8	4.0	2.6	2.5	2.8
p.m. Total gross fixed capital formation <sup>1,2</sup> .....	4.2	3.8	1.1	0.9	2.1	4.5	2.8	2.2	3.1
Total domestic expenditure .....	5.5	4.7	1.5	1.2	1.7	3.6	3.4	3.3	2.7
Exports of goods and services .....	8.1	2.9	-8.4	-3.8	2.9	7.1	-1.7	-0.5	-0.2
Total final expenditure .....	6.7	3.9	-2.9	-1.0	2.1	5.0	1.2	1.6	1.5
Imports of goods and services .....	8.1	2.1	-12.3	-4.6	2.7	6.6	-1.2	-0.2	-1.5
p.m. Terms of trade .....	...	0.8	4.5	0.9	0.2	0.5	-0.5	-0.3	1.3
Statistical adjustments <sup>3</sup> .....	-0.4	0.9	-0.7	0.3	-0.1	0.2	-0.3	-0.3	...
GDP = GNP .....	5.2	6.1	3.8	2.4	1.8	4.7	2.7	2.7	3.8

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are shown as a separate item.

<sup>2</sup> Public investment, housing and gross fixed capital formation by enterprises.

<sup>3</sup> Contribution to the change in the deflator of GNP.

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

(Billions of francs)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
Private consumption <sup>1</sup> .....	2,720	2,914	3,104	3,221	3,367	3,534	3,764	4,030	4,268	4,469
Public expenditure .....	846	869	915	939	938	945	978	1,031	1,098	1,135
Public consumption .....	722	755	809	839	845	845	882	930	988	1,023
Public investment .....	124	114	106	100	93	100	96	100	110	113
Housing .....	133	138	152	164	184	230	288	322	326	367
Gross fixed capital formation by enterprises .....	412	457	483	519	557	652	783	877	897	903
p.m. Total gross fixed capital formation <sup>1,2</sup> .....	669	709	741	783	834	983	1,168	1,300	1,333	1,383
Changes in stocks <sup>1</sup> .....	-22	25	-35	-27	11	24	26	23	6	16
Total domestic expenditure .....	4,088	4,403	4,620	4,816	5,056	5,386	5,840	6,284	6,594	6,891
Exports of goods and services .....	3,079	3,505	3,645	3,528	3,616	4,039	4,641	4,751	4,874	4,894
Total final expenditure .....	7,167	7,909	8,265	8,344	8,672	9,425	10,481	11,035	11,469	11,785
Imports of goods and services .....	3,004	3,429	3,526	3,327	3,452	3,826	4,436	4,565	4,680	4,689
p.m. Net exports of goods and services .....	75	76	119	201	164	213	205	186	195	205
Statistical adjustments .....	-39	-47	2	-26	-7	-28	8	-44	-66	-66
GDP .....	4,124	4,433	4,741	4,991	5,213	5,571	6,053	6,426	6,723	7,030
Net factor incomes .....	-63	-60	-76	-65	-57	-64	-50	-79	-42	-25
GNP .....	4,061	4,373	4,664	4,926	5,156	5,507	6,003	6,347	6,680	7,005

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are shown as a separate item.<sup>2</sup> Public investment, housing and gross fixed capital formation by enterprises.

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

(Percentage changes compared with the previous year)

	1984	1985	1986	1987	1988	1989	1990	1991	1992 e	p.m. Percentages of 1991 GDP
Agriculture, forestry and fisheries .....	9.1	-1.3	4.7	-7.5	6.0	1.2	-4.0	6.3	7.3	(2.1)
Industry .....	2.9	1.6	-0.3	1.1	4.9	5.3	3.5	-0.2	-0.2	(26.2)
Mineral-extracting industry .....	-4.6	-6.2	-14.1	-0.4	-9.3	3.0	-10.9	-2.6	3.8	(0.3)
Electricity, gas, water .....	0.7	1.4	-0.8	7.2	6.1	0.4	3.5	3.0	1.2	(3.2)
Manufacturing industry .....	3.4	1.7	0.1	0.3	5.0	6.1	3.7	-0.6	-0.5	(22.7)
of which :										
Non-metallic minerals .....	-3.6	-11.8	9.7	6.5	15.4	9.3	0.9	-7.4	6.4	(1.0)
Wood and furniture .....	10.5	2.9	-5.5	2.2	4.0	20.5	-0.2	6.7	-7.5	(1.0)
Iron and steel .....	1.3	2.6	0.3	2.9	10.9	-1.1	5.4	-0.9	-8.0	(1.2)
Non-ferrous metals .....	13.0	24.3	4.8	-3.8	11.3	7.3	3.0	-7.8	-2.2	(0.5)
Metal-working industry .....	1.9	6.4	-6.7	-9.7	1.5	7.2	5.1	-4.4	-2.1	(5.4)
Paper, printing, publishing .....	3.0	-4.8	3.3	9.7	13.2	4.5	5.4	-8.5	-1.2	(1.5)
Chemicals and rubber .....	14.1	2.0	1.8	6.9	7.5	4.0	1.7	1.7	3.5	(4.1)
Textiles, clothing and footwear .....	-4.1	-2.2	7.6	3.7	-3.5	4.4	9.2	-3.4	1.4	(1.7)
Food, beverages, tobacco .....	1.8	-0.5	1.3	1.2	1.4	1.2	1.4	2.3	-1.4	(4.4)
Building industry .....	-3.6	-0.1	3.4	2.7	11.8	7.5	6.6	3.7	2.4	(5.9)
Market services <sup>1</sup> .....	2.9	0.9	2.8	4.0	5.3	4.3	2.2	3.6	1.4	(49.2)
of which :										
Wholesale and retail trade .....	-3.0	-3.9	1.4	-1.5	3.0	-4.4	2.4	9.8	1.4	(7.6)
Distribution of petroleum products .....	-5.6	7.9	9.5	2.7	2.0	-1.7	,,,	5.0	2.2	(2.5)
Financial services .....	8.4	2.1	11.9	13.5	6.2	5.2	-2.5	4.5	2.2	(5.5)
Rents .....	2.1	2.1	2.2	2.2	2.4	2.5	2.4	2.4	2.3	(5.7)
Transport and communications .....	6.9	2.5	-6.0	4.3	7.8	6.1	6.1	3.2	0.4	(7.9)
Other services to enterprises .....	16.4	-1.5	8.6	4.1	10.4	14.8	4.3	1.5	2.7	(5.5)
Medical professions .....	3.2	4.6	0.3	3.2	6.2	7.3	4.6	0.7	5.4	(2.9)
Hotels and catering and various services to households .....	1.0	-0.4	1.6	5.9	6.7	7.4	2.8	-0.7	-1.1	(7.6)
Non-market services .....	0.9	1.7	1.4	-0.3	-0.1	1.3	1.4	0.4	0.9	(11.9)
GDP <sup>2</sup> .....	2.2	0.8	1.5	2.0	5.0	3.8	3.4	1.9	0.8	

Sources : NSI, NBB.

<sup>1</sup> Services which are not provided by general government.

<sup>2</sup> Including various items which cannot be broken down among the branches of activity, and also statistical adjustments.

TABLE VI — DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Thousands of units on 30th June)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
1. Demand for employment (net labour force)										
1.1 Population of working age <sup>1</sup>	6,598	6,642	6,663	6,670	6,677	6,678	6,674	6,674	6,675	6,676
Men	3,310	3,332	3,344	3,349	3,355	3,357	3,357	3,358	3,360	3,362
Women	3,288	3,310	3,320	3,321	3,323	3,322	3,318	3,316	3,315	3,314
1.2 Gross labour force <sup>2</sup>	4,263	4,269	4,292	4,323	4,349	4,376	4,417	4,473	4,510	4,532
Men	2,637	2,627	2,626	2,625	2,619	2,611	2,624	2,635	2,640	2,641
Women	1,626	1,642	1,666	1,698	1,730	1,765	1,793	1,837	1,871	1,891
1.3 Beneficiaries of early or temporary withdrawal schemes <sup>3</sup>	126	137	180	215	234	250	273	293	300	296
Men	99	112	145	169	180	186	192	195	193	188
Women	27	25	35	46	54	64	81	99	107	108
1.4 Net labour force (1.2 - 1.3) <sup>4</sup>	4,137	4,132	4,112	4,108	4,115	4,126	4,144	4,179	4,210	4,236
Men	2,538	2,515	2,481	2,457	2,439	2,425	2,432	2,440	2,447	2,453
Women	1,600	1,617	1,631	1,652	1,676	1,701	1,712	1,739	1,763	1,783
1.5 Net activity rate (1.4 as percentage of 1.1)	(62.7)	(62.2)	(61.7)	(61.6)	(61.6)	(61.8)	(62.1)	(62.6)	(63.1)	(63.4)
Men	(76.7)	(75.5)	(74.2)	(73.4)	(72.7)	(72.2)	(72.5)	(72.7)	(72.8)	(72.9)
Women	(48.7)	(48.8)	(49.1)	(49.7)	(50.5)	(51.2)	(51.6)	(52.4)	(53.2)	(53.8)
2. Supply of employment (employment)										
2.1 Enterprises										
Private enterprises	2,592	2,583	2,596	2,607	2,631	2,683	2,743	2,793	2,802	2,792
Employees	1,970	1,954	1,962	1,967	1,984	2,028	2,078	2,118	2,118	2,103
Self-employed persons	623	629	634	640	647	655	666	675	684	689
Public enterprises	321	317	317	311	318	316	316	314	323	322
Total	2,913	2,900	2,913	2,918	2,948	2,999	3,059	3,107	3,125	3,114
of which : Agriculture, forestry and fisheries	111	110	109	107	104	102	101	100	98	96
Industry	882	873	858	844	823	809	821	820	808	788
Building	218	204	203	204	204	212	225	236	243	245
Market services	1,702	1,713	1,743	1,763	1,817	1,875	1,912	1,951	1,977	1,986
2.2 General government <sup>5</sup>										
Traditional jobs	582	577	574	579	571	572	568	572	563	555
Special programmes	51	63	74	87	81	83	85	85	81	83
Total	633	640	648	666	652	654	653	657	644	638
2.3 Frontier workers (balance)	46	46	45	47	49	49	48	50	50	49
2.4 Grand total	3,592	3,586	3,606	3,631	3,649	3,702	3,760	3,815	3,819	3,800
Men	2,285	2,265	2,262	2,259	2,248	2,256	2,283	2,298	2,288	2,272
Women	1,308	1,321	1,344	1,371	1,401	1,446	1,478	1,517	1,531	1,528
3. Unemployment (1 - 2) <sup>6</sup>	545	546	506	478	466	424	384	365	391	436
Men	253	250	218	198	191	170	149	143	159	181
Women	292	296	288	280	275	255	235	222	232	255

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

<sup>1</sup> Men and women aged 15 to 64.<sup>2</sup> Persons holding a job, unemployed job-seekers and persons benefiting by early or temporary withdrawal schemes.<sup>3</sup> Persons who have retired early, older unemployed persons not seeking jobs, persons who have completely interrupted their occupational careers and persons who have interrupted unemployment for social or family reasons.<sup>4</sup> Persons holding a job and unemployed job-seekers.<sup>5</sup> Persons employed in government departments, teaching, the armed forces and persons doing national service, including persons given employment under all special job-creation schemes : unemployed persons given work by general government, special temporary staff, third labour circuit, subsidised persons under contract, PRIME employment programme (regional projects for insertion in the labour market) of the Walloon region and unemployed persons given full-time work in replacement of career interruptions.<sup>6</sup> Excluding older unemployed persons who are no longer regarded as job-seekers by virtue of the royal decree of 29th December 1984.

**TABLE VII — CONSUMER PRICES**

*(Percentage changes compared with the previous year)*

	Overall index	Breakdown by categories					
		Energy products	Overall index excluding energy products	Food products	Other products	Services	Rents
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
1991 .....	3.2	2.6	3.3	2.0	3.0	4.4	3.0
1992 .....	2.4	-1.1	2.8	-0.1	2.4	4.2	5.9

Source : MEA.

TABLE VIII — INCOMES OF THE VARIOUS SECTORS AT CURRENT PRICES

(Billions of francs)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
<b>1. Individuals</b>										
Gross primary income <sup>1</sup>	3,530	3,815	4,076	4,260	4,412	4,625	5,041	5,401	5,772	6,107
Wages and salaries <sup>1</sup>	2,376	2,540	2,684	2,797	2,880	2,973	3,168	3,399	3,627	3,816
Entrepreneurial income of self-employed persons <sup>1</sup>	496	532	564	603	634	685	766	788	813	843
Income from property	658	744	829	860	898	967	1,107	1,214	1,332	1,448
Current transfers <sup>2</sup>	-293	-386	-448	-476	-482	-499	-496	-590	-564	-608
From and to (-) general government	-273	-366	-430	-455	-467	-485	-479	-553	-536	-572
Transfers received	1,023	1,081	1,128	1,168	1,223	1,250	1,311	1,383	1,498	1,594
Social benefits	878	920	959	993	1,040	1,057	1,104	1,166	1,272	1,357
Other transfers	145	161	170	175	183	193	207	216	226	238
Transfers paid	1,296	1,446	1,558	1,623	1,689	1,736	1,790	1,936	2,033	2,167
Social contributions	597	681	747	794	842	875	925	998	1,069	1,140
Direct taxes	681	747	791	807	826	835	839	909	937	999
Other transfers	18	19	20	21	22	26	26	28	27	29
To (-) other sectors	-20	-20	-19	-20	-15	-14	-17	-37	-29	-36
Disposable income <sup>1</sup>	3,237	3,429	3,628	3,785	3,930	4,126	4,545	4,810	5,207	5,499
p.m. At constant prices (percentage changes compared with the previous year) <sup>3</sup>	(-1.9)	(-0.2)	(0.9)	(2.7)	(2.3)	(3.2)	(6.7)	(2.3)	(4.8)	(3.1)
<b>2. Companies</b>										
Gross primary income	442	512	602	696	738	833	950	900	863	861
Current transfers to (-) other sectors	-101	-121	-134	-143	-148	-160	-155	-154	-151	-129
Disposable income	340	392	468	553	590	673	796	747	713	733
<b>3. General government</b>										
Gross primary income	51	24	-18	-74	-9	6	17	-4	8	-2
Current transfers from other sectors <sup>2</sup>	348	466	553	585	589	604	596	697	679	687
Disposable income	399	489	535	511	580	610	613	694	687	685
<b>4. Rest of the world</b>										
Disposable income	46	41	29	33	41	55	54	47	36	50
<b>5. Statistical adjustments</b>										
Disposable income	39	21	4	44	15	43	-5	50	37	39
<b>6. GNP</b>										
	4,061	4,373	4,664	4,926	5,156	5,507	6,003	6,347	6,680	7,005

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are recorded as a separate item.<sup>2</sup> These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.<sup>3</sup> Data deflated by the deflator of private consumption.

TABLE IX — SUMMARY OF THE TRANSACTIONS OF THE MAJOR SECTORS OF THE ECONOMY AT CURRENT PRICES<sup>1,2</sup>

(Billions of francs)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
<b>1. Individuals</b>										
1.1 Disposable income .....	3,237	3,429	3,628	3,785	3,930	4,126	4,545	4,810	5,207	5,499
1.2 Change in mathematical retirement pension reserves ....	9	8	9	9	9	13	15	13	14	14
1.3 Consumption .....	2,720	2,914	3,104	3,221	3,367	3,534	3,764	4,030	4,268	4,469
1.4 Gross savings (1.1 + 1.2 - 1.3) .....	527	524	532	573	573	605	797	794	954	1,043
p.m. Percentage of disposable income .....	(16.3)	(15.3)	(14.7)	(15.1)	(14.6)	(14.7)	(17.5)	(16.5)	(18.3)	(19.0)
1.5 Capital transfers <sup>3</sup> .....	-1	-1	3	-1	-1	2	1	-7	-8	-10
1.6 Gross capital formation .....	186	195	212	234	255	312	374	412	410	452
1.7 Net financing capacity (1.4 + 1.5 - 1.6) .....	340	328	323	338	317	295	424	375	535	581
<b>2. Companies</b>										
2.1 Disposable income .....	340	392	468	553	590	673	796	747	713	733
2.2 Change in mathematical retirement pension reserves ....	-9	-8	-9	-9	-9	-13	-15	-13	-14	-14
2.3 Gross savings (2.1 + 2.2) .....	331	384	460	544	581	660	780	734	699	719
2.4 Capital transfers <sup>3</sup> .....	41	38	39	36	26	31	31	24	29	29
2.5 Gross capital formation .....	337	426	389	422	497	595	724	811	818	834
2.6 Net financing requirement (-) or capacity (2.3 + 2.4 - 2.5) .....	35	-4	110	158	110	96	87	-53	-90	-86
<b>3. General government</b>										
3.1 Disposable income .....	399	489	535	511	580	610	613	694	687	685
3.2 Consumption .....	722	755	809	839	845	845	882	930	988	1,023
3.3 Gross savings (3.1 - 3.2) .....	-322	-266	-274	-328	-265	-235	-269	-237	-300	-338
3.4 Capital transfers <sup>3</sup> .....	-46	-44	-50	-43	-34	-42	-42	-33	-35	-35
3.5 Gross capital formation .....	124	114	106	100	93	100	96	100	110	113
3.6 Net financing requirement (-) (3.3 + 3.4 - 3.5) .....	-493	-424	-430	-471	-392	-377	-407	-370	-445	-485
<b>4. Statistical adjustments</b> .....	77	68	2	70	22	70	-14	93	103	105
<b>5. Total of domestic sectors</b>										
5.1 Net financing requirement (-) or capacity (1.7 + 2.6 + 3.6 + 4) .....	-40	-31	5	95	56	84	90	45	102	114

Sources: NSI, NBB.

<sup>1</sup> Excluding general government's lending and equity investment.

<sup>2</sup> The data relating to the transactions of individuals and companies are considered excluding any statistical adjustments. The total of these various adjustments is recorded in item 4.

<sup>3</sup> These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

TABLE X — REVENUE, EXPENDITURE AND NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT

(Billions of francs)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
1. Revenue .....	2,015	2,213	2,371	2,446	2,563	2,648	2,777	2,993	3,130	3,301
Fiscal and parafiscal revenue .....	1,936	2,128	2,282	2,367	2,492	2,579	2,698	2,901	3,032	3,194
Direct taxes .....	796	879	939	964	990	1,012	1,021	1,097	1,122	1,163
Indirect taxes .....	530	555	582	595	645	675	735	786	818	869
Social security contributions .....	597	681	747	794	842	875	925	998	1,069	1,140
Capital taxes .....	13	13	13	14	15	16	17	20	23	23
Non-fiscal and non-parafiscal revenue .....	79	85	90	79	70	69	79	92	98	107
2. Expenditure excluding interest charges .....	2,112	2,190	2,285	2,342	2,391	2,451	2,542	2,657	2,865	2,998
Social security transfers to individuals .....	878	920	959	993	1,040	1,057	1,104	1,166	1,272	1,357
of which : Pensions (excluding general government) .....	297	314	330	345	353	367	384	406	433	462
Health care .....	189	202	214	228	258	262	282	307	350	382
Unemployment benefits .....	121	124	125	127	130	125	123	126	143	153
Early retirement pensions and career interruptions .....	40	41	41	43	43	48	49	54	56	59
Family allowances .....	104	105	107	109	114	116	123	123	128	132
Other <sup>1</sup> .....	129	134	141	141	142	139	142	151	161	168
Other primary expenditure .....	1,234	1,270	1,327	1,349	1,351	1,395	1,438	1,491	1,593	1,641
of which : Compensation .....	476	499	532	551	544	543	571	606	638	665
Pensions (general government) .....	80	84	88	93	97	103	110	118	131	140
Purchases of goods and services .....	150	156	172	178	184	178	178	183	194	190
Subsidies to enterprises .....	149	153	148	146	136	153	151	153	157	159
Net current transfers to the rest of the world ...	69	66	67	71	85	91	92	90	107	107
Gross fixed capital formation .....	124	114	106	100	93	100	96	100	110	113
3. Net amount excluding interest charges .....	-97	23	86	104	172	197	235	336	265	303
4. Interest charges .....	396	447	516	575	564	574	642	705	711	788
5. Net financing requirement (-) .....	-493	-424	-430	-471	-392	-377	-407	-370	-445	-485

Sources : NSI, NBB.

<sup>1</sup> Mainly sickness and disability insurance benefits, benefits connected with occupational diseases, industrial accidents, the guaranteed wage and the subsistence allowance.

**TABLE XI — EXPENDITURE OF GENERAL GOVERNMENT**

(Percentages of GDP)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 e
1. Expenditure excluding interest charges .....	51.2	49.4	48.2	46.9	45.9	44.0	42.0	41.4	42.6	42.6
Social security transfers to individuals .....	21.3	20.8	20.2	19.9	19.9	19.0	18.2	18.2	18.9	19.3
of which : Pensions (excluding general government) .....	7.2	7.1	7.0	6.9	6.8	6.6	6.3	6.3	6.4	6.6
Health care .....	4.6	4.6	4.5	4.6	4.9	4.7	4.7	4.8	5.2	5.4
Unemployment benefits .....	2.9	2.8	2.6	2.5	2.5	2.2	2.0	2.0	2.1	2.2
Early retirement pensions and career interruptions .	1.0	0.9	0.9	0.9	0.8	0.9	0.8	0.8	0.8	0.8
Family allowances .....	2.5	2.4	2.3	2.2	2.2	2.1	2.0	1.9	1.9	1.9
Other <sup>1</sup> .....	3.1	3.0	3.0	2.8	2.7	2.5	2.4	2.4	2.4	2.4
Other primary expenditure .....	29.9	28.6	28.0	27.0	25.9	25.0	23.8	23.2	23.7	23.3
of which : Compensation .....	11.5	11.3	11.2	11.0	10.4	9.7	9.4	9.4	9.5	9.5
Pensions (general government) .....	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.8	2.0	2.0
Purchases of goods and services .....	3.6	3.5	3.6	3.6	3.5	3.2	2.9	2.9	2.9	2.7
Subsidies to enterprises .....	3.6	3.5	3.1	2.9	2.6	2.7	2.5	2.4	2.3	2.3
Net current transfers to the rest of the world .....	1.7	1.5	1.4	1.4	1.6	1.6	1.5	1.4	1.6	1.5
Gross fixed capital formation .....	3.0	2.6	2.2	2.0	1.8	1.8	1.6	1.6	1.6	1.6
2. Interest charges .....	9.6	10.1	10.9	11.5	10.8	10.3	10.6	11.0	10.6	11.2
3. Total expenditure .....	60.8	59.5	59.1	58.4	56.7	54.3	52.6	52.3	53.2	53.9

Sources : NSI, NBB.

<sup>1</sup> Mainly sickness and disability insurance benefits, benefits connected with occupational diseases, industrial accidents, the guaranteed wage and the subsistence allowance.

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 <sup>4</sup>	Total <sup>5</sup>	
	Net balance to be financed of the Treasury			Net balance to be financed of the communities and regions from 1991 onwards <sup>1</sup>	Budgetary lending and equity investment	Other <sup>2</sup>				Total <sup>3</sup>
	Total	of which :								
		national	communities and regions until 1990 <sup>1</sup>							
(a)	(b)	(c)	(d)	(e)	(f)	(g) = (a) + (d) + (e) + (f)	(h)	(i)	(j) = (g) + (h) + (i)	
1982 .....	-509	n,	n,	—	50	-7	-466	-28	27	-466
1983 .....	-524	(-516)	(-8)	—	70	-9	-463	-27	11	-478
1984 .....	-504	(-501)	(-3)	—	69	-4	-431	-11	45	-398
1985 .....	-571	(-552)	(-19)	—	83	-6	-495	-10	49	-456
1986 .....	-556	(-552)	(-3)	—	68	-16	-504	-15	31	-489
1987 .....	-431	(-451)	(21)	—	43	-36	-424	-1	21	-404
1988 .....	-434	(-416)	(-18)	—	44	-39	-428	-5	16	-417
1989 .....	-397	(-442)	(45)	—	34	-67	-431	-31	47	-415
1990 .....	-394	(-366)	(-28)	—	25	-52	-421	-14	47	-388
1991 .....	-367	(-368)	(1)	-35	20	-23	-405	-42	-14	-461
1992 e .....	-383	(-383)	(-)	-62	22	-49	-472	-24	-9	-505

Sources : Ministry of Finance, NBB.

<sup>1</sup> Until the end of 1990 the cash holdings of the communities and regions were held by the Treasury. The financial balance of these entities [column (c)] therefore formed part of the total net balance to be financed of the Treasury. Since the beginning of 1991 these entities have had treasury systems of their own (this provision applies to the German-speaking community only from 1992 onwards); their net balance to be financed is therefore included in column (d).

<sup>2</sup> Debudgetisations and prefinancings for transactions other than those in the form of lending and equity investment.

<sup>3</sup> Excluding the financing of lending and equity investment.

<sup>4</sup> 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 those which have actually been paid. This concept of financial balance is different from the budgetary balance used in the official documents.

<sup>5</sup> The total financial deficit differs from the net financing requirement — the concept used in Table X — partly owing to time-lags in the dating of the recording of the transactions between the two approaches. These statistical deviations, which appear in table XVIII, are also due to imperfections in the compiling of the data.

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

(Billions of francs)

	New liabilities						Formation of financial assets in Belgian francs <sup>2</sup>	of which short-term investments by the Treasury	Balance <sup>3</sup>	
	In foreign currencies	In Belgian francs				Grand total				
		with NBB <sup>1</sup>	Other		Total					
			At up to one year	At over one year						of which linear bonds
(a)	(b)	(c)	(d)	(e)	(f) = (b) + (c) + (d)	(g) = (a) + (f)	(h)	(i)	(j) = (g) - (h)	
1982 .....	242	32	180	157	(-)	369	611	145	(-)	466
1983 .....	134	7	90	391	(-)	489	622	144	(-)	478
1984 .....	155	12	71	329	(-)	411	567	169	(-)	398
1985 .....	34	-18	53	562	(-)	597	632	176	(-)	456
1986 .....	63	27	294	225	(-)	546	609	121	(-)	489
1987 .....	33	-82	219	381	(-)	518	551	148	(-)	404
1988 .....	20	-21	34	497	(-)	510	529	112	(-)	417
1989 .....	69	-40	274	204	(82)	438	507	91	(-)	415
1990 .....	-22	-30	137	448	(273)	555	533	145	(-)	388
1991 .....	-13	-107	108	670	(935)	671	658	197	(124)	461
First ten months										
1991 .....	-13	-108	217	539	(887)	648	635	160	(77)	475
1992 .....	-70	-1	154	465	(689)	618	548	-20	1	568

Source : NBB.

<sup>1</sup> Changes in the outstanding amount of Treasury certificates which the Securities Regulation Fund finances with the special advances from the National Bank of Belgium, the Bank's portfolio of Belgian public securities and the Bank's consolidated claim on the Government. In 1991 the aforementioned credits were repaid in full. Since 1992, all that remains is the advances granted by the Bank within the framework of a special overdraft facility limited to Fr. 15 billion.

<sup>2</sup> Including lending and equity investment.

<sup>3</sup> This column corresponds to general government's net financial deficit [cf. column (j) of Table XII] with reversed sign.

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

(End of period, billions of francs)

	Debts					Financial assets in Belgian francs <sup>1</sup>	Net debts		p.m. Harmonised debt <sup>3</sup>
	In foreign currencies	In Belgian francs			Grand total		Total	p.m. Total excluding debt to IMF <sup>2</sup>	
		At up to one year	At over one year	Total					
(a)	(b)	(c)	(d) = (b) + (c)	(e) = (a) + (d)	(f)	(g) = (e) - (f)			
1981 .....	403	816	2,194	3,010	3,413	356	3,057	3,013	2,913
1982 .....	681	1,035	2,351	3,387	4,067	390	3,678	3,626	3,503
1983 .....	866	1,165	2,743	3,908	4,774	411	4,363	4,278	4,112
1984 Old series <sup>4</sup> .....	1,060	1,255	3,070	4,325	5,385	474	4,911	4,820	4,635
New series <sup>4</sup> .....	1,060	1,236	3,073	4,309	5,369	452	4,918	4,827	4,619
1985 .....	1,028	1,279	3,635	4,915	5,943	511	5,433	5,334	5,250
1986 .....	1,046	1,586	3,861	5,447	6,493	531	5,962	5,877	5,739
1987 .....	1,069	1,720	4,246	5,965	7,034	573	6,462	6,380	6,201
1988 .....	1,107	1,734	4,743	6,477	7,584	617	6,967	6,884	6,662
1989 .....	1,150	1,974	4,946	6,920	8,070	655	7,415	7,327	7,081
1990 .....	1,128	2,071	5,394	7,466	8,594	713	7,880	7,801	7,509
1991 .....	1,118	2,095	5,997	8,092	9,210	810	8,401	8,319	8,004
1992 October .....	1,054	2,247	6,494	8,742	9,796	755	9,041	8,961	8,557

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXIIIrd year, Vol. 1, No. 5, May 1988 : *Modifications apportées au chapitre XI « Finances publiques » de la partie « Statistiques » du Bulletin*.

<sup>1</sup> Excluding lending and equity investment.

<sup>2</sup> 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.

<sup>3</sup> New concept of debt, used and explained in Chapter 4 (see p. 76).

<sup>4</sup> 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)*

	1984	1985	1986	1987	1988	1989	1990	1991	First ten months	
									1991	1992
<b>1. Current transactions</b>	-3	41	139	103	134	140	120	168	132	128
p.m. Current transactions on a payments basis	-2	23	144	104	122	147	152	156	113	128
<b>2. Capital transactions<sup>1</sup></b>	-86	-85	-185	-52	-126	-167	-26	-115	-103	13
2.1 Commercial credits	1	-18	5	1	-12	8	33	-11	-19	...
2.2 Net assets in francs of non-residents with resident credit institutions	34	2	-35	30	74	54	88	-272	-209	83
Spot	34	21	-8	26	58	57	18	-113	-99	86
Forward	...	-19	-27	4	17	-3	70	-158	-110	-3
2.3 Net assets of resident enterprises and individuals	27	28	61	54	-72	-38	-247	120	56	-223
In francs abroad	-17	-5	-24	16	8	-21	-21	19	11	-37
In foreign currencies	45	33	85	38	-80	-17	-226	101	45	-187
Spot	19	8	53	-41	-111	-94	46	97	57	-172
Forward	26	25	32	79	31	77	-272	3	-12	-15
2.4 Securities	-96	-94	-94	-60	-138	-206	62	59	74	139
Shares	...	8	-1	23	38	-48	47	13	7	40
Assets of residents	4	-5	-31	-1	19	-78	19	-6	-9	19
Assets of non-residents	-4	13	30	24	19	31	28	19	16	21
Fixed-interest securities	-96	-102	-93	-84	-175	-158	15	46	67	99
Assets of residents	-111	-114	-107	-111	-215	-185	1	-85	-61	8
Assets of non-residents	15	12	14	28	40	27	14	131	128	91
2.5 Direct investments and allied capital transactions	17	50	-41	-12	51	43	75	82	60	81
Assets of residents	-17	-19	-81	-108	-138	-259	-207	-209	-125	-228
Assets of non-residents	34	69	40	96	190	303	282	291	185	309
2.6 Capital transactions in foreign currencies of resident credit institutions	-65	-52	-71	-61	-12	-25	-24	-77	-56	-71
Spot	-39	-46	-65	22	35	48	-226	-237	-179	-170
Forward	-26	-6	-6	-83	-47	-74	202	160	123	99
2.7 Transactions of non-financial public enterprises	6	1	-7	-6	-3	-10	-7	-5	-3	11
2.8 Transactions in francs of general government	-10	-2	-6	3	-14	7	-7	-11	-6	-6
<b>3. Errors and omissions</b>	2	4	-4	6	-1	-24	-53	-23	-14	19
<b>4. Counterpart of monetisation/demonetisation of gold</b>	...	...	...	-11	...	-3	...	...	...	...
<b>5. Balance of official settlements (1 to 4 = 6 + 7)</b>	-87	-40	-51	46	7	-54	39	29	16	161
<b>6. Foreign currency loans of general government<sup>2</sup></b>	-154	-32	-58	-35	-12	-73	23	6	7	65
<b>7. Movement of the net spot and forward gold and foreign exchange reserves of the NBB<sup>3</sup></b>	67	-8	7	81	19	19	17	23	9	96

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*, and LXIVth year, Vol. II, Nos 2-3, August-September 1989 : *Modifications de l'enregistrement des exportations sur la base de caisse et du traitement des effets commerciaux dans la partie « Statistiques » du Bulletin*.

<sup>1</sup> Minus sign : capital outflows.

<sup>2</sup> Minus sign : increase in general government's liabilities in foreign currencies.

<sup>3</sup> Minus sign : decrease in reserves.

TABLE XVI — CURRENT TRANSACTIONS ON A TRANSACTIONS BASIS

(Balances in billions of francs)

	1984	1985	1986	1987	1988	1989	1990	1991	First ten months	
									1991	1992
<b>1. Transactions in goods</b>										
1.1 Transactions on a payments basis .....	11	27	134	86	115	118	124	84	61	89
Exports, imports and commission processing .....	-12	20	106	57	94	95	86	71	49	57
Arbitrage .....	23	7	28	29	20	23	38	13	12	33
1.2 Transactions which gave rise to commercial claims .....	-1	18	-5	-1	12	-8	-33	11	19	...
1.3 Transactions on a transactions basis (1.1 + 1.2) .....	10	45	129	85	127	110	91	95	80	89
<b>2. Transactions in services</b> .....	38	38	53	74	77	106	100	141	111	110
Freight and insurance for transport of goods and other transport expenses ....	18	21	20	34	42	41	43	38	30	40
Foreign travel .....	-17	-23	-32	-35	-44	-49	-58	-67	-62	-77
Income from direct and portfolio investment .....	-4	-8	5	13	12	50	25	52	48	49
Transactions of general government not included elsewhere <sup>1</sup> .....	55	62	71	81	85	92	93	111	90	101
Other services .....	-14	-14	-11	-19	-18	-28	-3	6	6	-1
<b>3. Transfers</b> .....	-51	-42	-43	-56	-70	-76	-72	-69	-59	-71
Private .....	-10	-8	-9	-4	2	2	-20	-10	-8	-12
Public .....	-41	-34	-34	-52	-72	-78	-52	-59	-51	-59
of which transactions with the EC .....	(-26)	(-20)	(-19)	(-34)	(-56)	(-63)	(-32)	(-40)	(-36)	(-44)
<b>4. Total current transactions on a transactions basis (1.3 + 2 + 3) .....</b>	-3	41	139	103	134	140	120	168	132	128
<b>p.m. Total current transactions on a payments basis (1.1 + 2 + 3) .....</b>	-2	23	144	104	122	147	152	156	113	128

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*, and LXIVth year, Vol. II, Nos 2-3, August-September 1989 : *Modifications de l'enregistrement des exportations sur la base de caisse et du traitement des effets commerciaux dans la partie « Statistiques » du Bulletin*.

<sup>1</sup> 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 — INDICATIVE EXCHANGE RATES<sup>1</sup>**

(Quotations in Belgian francs, annual averages)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992
US dollar .....	51.18	57.79	59.36	44.66	37.34	36.81	39.43	33.41	34.18	32.12
German mark .....	20.01	20.31	20.18	20.58	20.78	20.94	20.96	20.68	20.59	20.59
Yen (100) .....	21.55	24.32	24.91	26.57	25.85	28.70	28.63	23.14	25.40	25.36
French franc .....	6.72	6.61	6.61	6.44	6.21	6.17	6.18	6.14	6.06	6.07
Pound sterling .....	77.50	76.98	76.33	65.48	61.11	65.37	64.55	59.47	60.23	56.64
Irish punt .....	63.58	62.60	62.80	59.80	55.50	55.99	55.85	55.26	54.99	54.67
Italian lira (100) .....	3.37	3.29	3.11	3.00	2.88	2.83	2.87	2.79	2.75	2.62
Canadian dollar .....	41.52	44.63	43.50	32.13	28.17	29.95	33.30	28.63	29.84	26.60
Netherlands guilder .....	17.91	18.01	17.89	18.25	18.44	18.60	18.58	18.35	18.27	18.28
Swedish crown .....	6.66	6.98	6.89	6.26	5.89	6.00	6.11	5.64	5.65	5.53
Swiss franc .....	24.34	24.61	24.21	24.89	25.06	25.14	24.11	24.09	23.83	22.89
Peseta (100) .....	35.68	35.93	34.87	31.88	30.28	31.57	33.27	32.79	32.87	31.46
Danish crown .....	5.59	5.58	5.60	5.52	5.46	5.46	5.39	5.40	5.34	5.33
Austrian schilling (100) .....	2.85	2.89	2.87	2.93	2.95	2.98	2.98	2.94	2.93	2.93
Norwegian crown .....	7.00	7.08	6.90	6.04	5.54	5.64	5.71	5.34	5.27	5.17
Finnish mark .....	9.18	9.61	9.56	8.80	8.50	8.78	9.18	8.73	8.45	7.19
Escudo (100) .....	46.77	39.62	34.58	29.88	26.49	25.52	25.02	23.44	23.64	23.81
Zaire (100) .....	636.02	160.90	121.19	75.98	35.04	20.80	10.65	5.72	0.69	0.02
Greek drachma (100) <sup>2</sup> .....	—	—	—	—	—	25.94	24.29	21.11	18.76	16.87
Australian dollar .....	—	—	—	—	—	—	—	—	26.61	23.62
New Zealand dollar .....	—	—	—	—	—	—	—	—	19.76	17.28
Ecu <sup>3</sup> .....	—	45.06	44.91	43.79	43.03	43.42	43.35	42.50	42.26	41.54
p.m. Effective exchange rate for the Belgian franc <sup>4</sup> (1980 = 100) .....	(83.9)	(82.5)	(82.9)	(89.0)	(92.9)	(92.4)	(91.6)	(96.1)	(96.2)	(98.2)

Source : NBB.

<sup>1</sup> Until 31st December 1990 : official exchange rates fixed by the bankers meeting at the Brussels Clearing House. Since 1991 : indicative exchange rates.

<sup>2</sup> The Greek drachma has been quoted on the Bourse since 4th January 1988.

<sup>3</sup> The ecu has been quoted on the Bourse since 3rd September 1984.

<sup>4</sup> Weighted by exports. For the currencies taken into account, see preliminary remarks, pages 2 and 3.

TABLE XVIII — FINANCIAL ACCOUNTS BY SECTOR

(Billions of francs)

	1984	1985	1986	1987	1988	1989	1990	1991	1992 e	First ten months	
										1991	1992
1. Individuals and companies											
1.1 Net financing capacity or requirement (-) . . . .	324	433	496	427	391	511	322	445	495	n.	n.
Individuals <sup>1</sup> . . . . .	328	323	338	317	295	424	375	535	581	n.	n.
Companies <sup>1</sup> . . . . .	-4	110	158	110	96	87	-53	-90	-86	n.	n.
1.2 Net financial surplus . . . . .	362	441	572	466	501	441	409	572	n.	546	632
Formation of financial assets <sup>2</sup> . . . . .	605	771	870	886	1,161	1,478	1,052	1,339	n.	1,163	1,232
New liabilities <sup>3</sup> (-) . . . . .	243	330	298	420	660	1,037	643	767	n.	617	600
1.3 Statistical deviation (1.1 - 1.2) . . . . .	-38	-8	-76	-39	-110	70	-87	-127	n.	n.	n.
2. General government											
2.1 Net financing requirement <sup>1</sup> (-) . . . . .	-424	-430	-471	-392	-377	-407	-370	-445	-485	n.	n.
2.2 Net financial deficit <sup>4</sup> (-) . . . . .	-398	-456	-489	-404	-417	-415	-388	-461	-505	-475	-568
Formation of financial assets <sup>5</sup> . . . . .	169	176	121	148	112	91	145	197	n.	160	-20
New liabilities <sup>5</sup> (-) . . . . .	567	632	609	551	529	507	533	658	n.	635	548
2.3 Statistical deviation (2.1 - 2.2) . . . . .	-26	26	18	12	40	8	18	16	20	n.	n.
3. Rest of the world											
3.1 Net financing capacity or requirement <sup>1</sup> (-)	31	-5	-95	-56	-84	-90	-45	-102	-114	n.	n.
3.2 Net financial surplus or deficit (-) . . . . .	31	-5	-95	-56	-83	-33	-31	-110	n.	-84	-81
3.3 Statistical deviation (3.1 - 3.2) . . . . .	...	...	...	...	-1	-57 <sup>6</sup>	-14 <sup>6</sup>	8	n.	n.	n.
4. Statistical adjustments											
4.1 Real accounts <sup>1</sup> . . . . .	68	2	70	22	70	-14	93	103	105	n.	n.
4.2 Financial accounts . . . . .	5	20	12	-6	-1	7	10	-1	n.	13	17

Source : NBB.

<sup>1</sup> Data taken from Table IX.<sup>2</sup> See Table XIX.<sup>3</sup> See Table XXI.<sup>4</sup> See Table XII.<sup>5</sup> See Table XIII.

<sup>6</sup> The net financing capacity or deficit of the rest of the world are calculated by the NSI normally taking as the source, for imports and exports, the balance of payments data and not the customs statistics. In 1989 and 1990, however, the data taken into account by the NSI were an arithmetic average of the recorded movements in the above-mentioned two sources. That is why, for these two years, there is a fairly large statistical deviation between the net financing requirement and the net financial deficit of the rest of the world.

TABLE XIX — FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

(Billions of francs)

	1984	1985	1986	1987	1988	1989	1990	1991	First ten months	
									1991	1992
<b>Assets in Belgian francs</b> .....	417	557	580	522	562	763	981	996	770	745
At up to one year .....	205	279	496	398	301	622	358	467	330	373
Notes and coin .....	-5	-2	20	8	4	6	-8	4	-1	-12
Sight deposits .....	-20	56	63	32	69	97	29	12	-27	-17
Ordinary savings deposits .....	114	162	207	224	185	190	-258	-88	-159	-165
Other savings deposits <sup>1</sup> .....	1	1	4	3	2	...	53	108	94	64
Time deposits <sup>2</sup> .....	111	42	140	107	31	242	464	150	158	360
Treasury certificates <sup>3</sup> .....	-1	-7	4	-3	...	...	...	162	167	37
Notes .....	7	27	51	18	13	83	90	114	91	86
Miscellaneous .....	-3	-1	7	9	-3	3	-11	6	8	20
At over one year .....	212	278	84	125	260	142	624	529	440	372
Bonds and notes <sup>4</sup> .....	190	268	76	132	269	100	643	517	428	376
Shares <sup>5</sup> .....	20	3	9	-14	3	56	-19	4	5	-7
Deposits .....	2	7	0	7	-11	-14	...	9	7	3
<b>Assets in foreign currencies</b> .....	95	85	143	139	227	352	6	85	94	189
At up to one year .....	-9	-6	30	49	33	109	70	51	68	255
At over one year .....	105	90	113	90	194	244	-65	35	26	-65
Bonds .....	109	85	82	89	213	166	-45	29	17	-46
Shares .....	-4	5	31	1	-19	78	-19	6	9	-19
<b>Other assets</b> <sup>6</sup> .....	93	130	148	225	371	362	65	258	300	298
Commercial claims on foreign countries .....	-2	18	-5	-1	12	-8	-33	11	19	0
Financial gold .....	10	9	7	20	6	-4	5	4	2	4
Other claims on foreign countries .....	15	5	70	90	127	208	196	185	119	175
Miscellaneous <sup>7</sup> .....	70	98	78	116	226	166	-104	59	159	120
<b>Grand total</b> .....	605	771	870	886	1,161	1,478	1,052	1,339	1,163	1,232

Source : 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 : *Modifications apportées au chapitre XV « Actifs financiers » de la partie « Statistiques » du Bulletin.*

<sup>1</sup> Subject to the withholding tax on income from financial assets.

<sup>2</sup> Including, in so far as it has been possible to record them, deposits built up via collective investment undertakings.

<sup>3</sup> Including purchases of Treasury certificates via collective investment undertakings.

<sup>4</sup> Including, in so far as it has been possible to record them, bonds in Luxembourg francs.

<sup>5</sup> Public share issues, less net purchases of Belgian shares by non-residents.

<sup>6</sup> Assets whose distribution between Belgian francs and foreign currencies is not known or is meaningless.

<sup>7</sup> 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 COMPANIES<sup>1</sup>

(End-of-period outstanding amounts in billions of francs)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	Oct. 1992
Assets at up to one year .....	3,175	3,384	3,663	4,158	4,556	4,857	5,479	5,837	6,304	6,677
Notes and coin .....	390	385	384	404	412	416	422	413	417	405
Sight deposits .....	574	559	616	679	711	780	877	906	918	901
Ordinary savings deposits .....	1,247	1,361	1,523	1,730	1,954	2,139	2,329	2,071	1,982	1,817
Other savings deposits .....	1	2	4	8	11	13	13	66	174	238
Time deposits .....	845	955	997	1,137	1,244	1,275	1,517	1,980	2,131	2,491
Treasury certificates .....	8	7	...	4	...	...	...	...	162	199
Notes .....	92	99	125	177	195	208	292	382	496	582
Miscellaneous .....	18	15	14	21	30	27	30	19	24	44
Assets at over one year .....	2,747	2,935	3,210	3,285	3,423	3,681	3,767	4,410	4,935	5,314
Bonds issued by general government .....	759	806	899	937	1,031	1,209	1,262	1,454	1,611	1,740
Notes and bonds issued by financial intermediaries .....	1,625	1,756	1,906	1,928	1,961	2,051	2,052	2,410	2,667	2,852
Other bonds <sup>2</sup> .....	232	239	264	280	284	285	330	423	525	587
Deposits .....	131	133	141	140	147	136	123	123	131	134
Total .....	5,922	6,319	6,873	7,443	7,979	8,538	9,246	10,246	11,238	11,990

Source : NBB

<sup>1</sup> Outstanding amounts of assets in Belgian francs shown in Table XIX, excluding shares. Slight breaks in the series took place at the end of 1982 and 1984 owing to improvements in the recording of some outstanding amounts.<sup>2</sup> Including, in so far as it has been possible to record them, bonds in Luxembourg francs.

TABLE XXI — NEW LIABILITIES OF INDIVIDUALS AND COMPANIES

(Billions of francs)

	1984	1985	1986	1987	1988	1989	1990	1991	First ten months	
									1991	1992
1. Liabilities contracted primarily by individuals <sup>1</sup> .....	30	49	83	120	130	180	135	104	86	102
Mortgage loans .....	17	23	54	84	99	142	100	75	57	80
Personal loans, hire-purchase credits and other liabilities <sup>2</sup> .....	13	26	29	36	31	38	36	29	28	22
2. Liabilities contracted primarily by companies and one-man businesses <sup>1</sup> .....	213	281	215	301	530	857	508	662	531	498
Shares <sup>3</sup> .....	17	13	22	30	46	93	16	37	35	7
Bonds .....	10	-18	-16	-36	-16	-5	-27	...	-6	...
Commercial paper <sup>4</sup> .....	—	—	—	—	—	—	—	...	...	8
Investment credits <sup>5</sup> .....	45	47	73	132	148	156	169	119	111	120
Other credits <sup>5</sup> .....	-13	44	26	31	168	293	68	145	133	88
Miscellaneous <sup>6</sup> .....	154	195	111	143	185	320	281	362	257	275
p.m. Total										
— in Belgian francs .....	170	212	176	231	339	548	260	339	237	168
— in foreign currencies .....	29	16	14	8	57	66	6	46	63	47
— other <sup>7</sup> .....	15	52	25	62	134	244	242	277	231	283
3. Grand total .....	243	330	298	420	660	1,037	643	767	617	600

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXVIth year, Nos 7-8, July-August 1991 : *Description du nouveau chapitre XVI « Engagements des particuliers des sociétés et des entreprises de la partie « Statistiques » du Bulletin.*

<sup>1</sup> Mortgage loans, personal loans and hire-purchase credits 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.

<sup>2</sup> These are mainly short-term credits (especially advances against pledged security).

<sup>3</sup> Public share issues, including the exercise of warrants.

<sup>4</sup> Securities issued within the framework of the law of 22nd July 1991, therefore excluding issues of promissory notes outside the framework of that law.

<sup>5</sup> Granted by resident credit institutions.

<sup>6</sup> Liabilities to foreign countries and to general government (other than public share issues and bonds).

<sup>7</sup> Includes liabilities to foreign countries for which the distribution between Belgian francs and foreign currencies is not known or is meaningless.

TABLE XXII — FLOW OF FUNDS BY SECTOR

(Billions of francs)

	Change in claims	Change in debts								First ten months	
		1984	1985	1986	1987	1988	1989	1990	1991	1991	1992
Individuals and companies	Individuals and companies .....	23	-10	-21	-36	2	45	-17	-10	-8	-16
	General government .....	43	83	41	95	173	52	192	331	303	156
	Rest of the world .....	222	281	296	357	491	720	282	165	165	670
	Belgian financial intermediaries .....	333	447	554	467	487	662	616	849	719	449
	NBB .....	-11	-9	12	-3	7	7	-10	2	-4	-11
	Total <sup>1</sup> .....	610	791	882	880	1,160	1,485	1,062	1,338	1,175	1,249
General government	Individuals and companies .....	121	141	88	69	35	49	22	54	33	-8
	General government .....	10	-2	9	4	16	13	15	15	11	5
	Rest of the world .....	7	5	5	6	8	10	6	15	2	1
	Belgian financial intermediaries .....	31	31	19	68	53	20	102	112	115	-18
	NBB .....	...	...	-1	1	...	...	...	...	...	...
	Total .....	169	176	121	148	112	91	145	197	160	-20
Rest of the world	Individuals and companies .....	38	69	54	116	194	315	289	351	256	326
	General government .....	122	90	154	126	159	229	115	316	372	83
	Rest of the world .....	—	—	—	—	—	—	—	—	—	—
	Belgian financial intermediaries .....	775	901	850	829	219	912	562	-366	336	1,153
	NBB .....	-49	1	-1	-1	5	-6	4	2	-1	-3
	Total .....	886	1,061	1,057	1,070	577	1,450	970	303	963	1,560
Belgian financial intermediaries	Individuals and companies .....	61	130	177	271	430	628	350	371	336	297
	General government .....	378	477	377	404	198	250	236	84	43	318
	Rest of the world .....	607	788	845	684	130	747	692	191	835	967
	Belgian financial intermediaries .....	—	—	—	—	—	—	—	—	—	—
	NBB .....	8	-3	1	2	2	7	-4	...	-4	-4
	Total .....	1,054	1,392	1,400	1,362	759	1,632	1,274	647	1,210	1,578
NBB	Individuals and companies .....	...	...	...	...	...	...	...	...	...	...
	General government .....	13	-17	29	-79	-17	-37	-25	-88	-94	-14
	Rest of the world .....	18	-8	6	80	30	7	20	41	45	4
	Belgian financial intermediaries .....	-84	13	-24	-2	...	38	-6	51	40	-6
	NBB .....	—	—	—	—	—	—	—	—	—	—
	Total .....	-53	-12	12	-1	13	8	-11	4	-9	-17
Total	Individuals and companies .....	243	330	298	420	660	1,037	643	767	617	600
	General government .....	567	632	609	551	529	507	533	658	635	548
	Rest of the world .....	854	1,066	1,152	1,127	659	1,483	1,000	413	1,046	1,641
	Belgian financial intermediaries .....	1,054	1,392	1,400	1,362	759	1,632	1,274	647	1,210	1,578
	NBB .....	-53	-12	12	-1	13	8	-11	4	-9	-17
	Total .....	2,666	3,407	3,472	3,459	2,621	4,666	3,440	2,489	3,499	4,350

Source : NBB.

<sup>1</sup> The total of the financial assets of individuals and companies does not correspond exactly to that in Table XIX owing to statistical adjustments.

TABLE XXIII — MAIN INTEREST RATES

(Yearly averages)

	Three-month money market rates <sup>1</sup>		Rate for government loans at 6 years and over <sup>2</sup>	Creditor rates <sup>3</sup>			Debtor rates			
	Treasury certificates	Interbank market		Savings deposits <sup>4</sup>	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
1984 .....	11.58	11.38	12.24	8.00	10.76	11.40	14.40	11.73	12.84	12.90
1985 .....	9.71	9.58	10.97	8.00	8.97	10.74	12.61	9.83	11.97	11.73
1986 .....	8.21	8.11	8.63	6.64	7.48	7.72	10.47	8.21	8.92	8.85
1987 .....	7.19	7.10	8.18	6.20	6.47	7.59	9.34	7.20	8.73	8.49
1988 .....	6.81	6.77	8.01	6.03	6.14	7.33	8.86	6.87	8.53	8.28
1989 .....	8.80	8.73	8.59	6.00	8.11	7.73	10.98	8.83	8.98	8.77
1990 .....	9.80	9.82	10.06	5.94	9.19	8.97	12.99	9.92	10.98	10.69
1991 .....	9.37 <sup>5</sup>	9.39 <sup>6</sup>	9.31	5.83	8.80	8.69	12.86	9.48	10.74	11.00
1992 .....	9.36	9.39	8.66	5.83	8.80	8.09	13.05	9.46	10.10	10.33

Sources : NBB, BBA, PCIs, Belgian Real Estate Credit Association. For further details about the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXVIth year, No. 5, May 1991 : Révision du chapitre XIX « Taux d'escompte d'intérêt et de rendement » de la partie « Statistiques » du *Bulletin*.

<sup>1</sup> Rates calculated on the basis of 365 days.

<sup>2</sup> Yield on the secondary market, before deduction of tax at source.

<sup>3</sup> Before deduction of tax at source.

<sup>4</sup> Gross fictitious rate, including the fidelity bonus, for deposits on ordinary savings books with the GSPF.

<sup>5</sup> From 29th January 1991, reference rate for Treasury certificates on the secondary market.

<sup>6</sup> From 29th January 1991, new series about 1/16th percentage point below the old series.

TABLE XXIV — INTEREST RATES OF THE NATIONAL BANK OF BELGIUM AND THE REDISCOUNT AND GUARANTEE INSTITUTE

(Percentages)

Dates of change	Discount rate	Rate for current account advances		The Bank's central rate <sup>1</sup>	Rate for granting of one-week credits by tender <sup>2</sup>	RCI's rate for daily closing surpluses	
		Within credit lines	Beyond credit lines			Ordinary tranche	Overstepping tranche <sup>3</sup>
p.m. 1992 1st January .....	8.50	9.80	11.50	9.30	9.30	8.80	7.30
1992 20th January .....	"	"	"	"	9.375	"	"
21st January .....	"	9.90	"	9.40	—	8.90	7.40
22nd January .....	"	"	"	"	9.40	"	"
24th February .....	"	9.80	"	9.30	9.30	8.80	7.30
17th July .....	"	9.95	"	9.45	9.45	8.95	7.45
14th August .....	"	"	"	"	9.60	"	"
18th August .....	"	10.10	"	9.60	—	9.10	7.60
31st August .....	"	10.20	"	9.70	9.70	9.20	7.70
14th September .....	"	9.95	11.00	9.45	—	8.95	7.45
15th September .....	8.25	9.80	"	9.30	9.30	8.80	7.30
16th September .....	"	"	10.75	"	"	"	"
17th September .....	8.00	"	"	"	—	"	"
22nd September .....	"	9.70	"	9.20	—	8.70	7.20
23rd September .....	"	9.60	"	9.10	9.10	8.60	7.10
25th September .....	"	9.50	"	9.00	—	8.50	7.00
28th September .....	"	"	"	"	9.00	"	"
7th October .....	"	9.40	"	8.90	8.90	8.40	6.90
21st October .....	"	9.25	10.50	8.75	8.75	8.25	6.75
22nd October .....	7.75	"	"	"	—	"	"
19th November .....	"	9.20	"	8.70	—	8.20	6.70
30th November .....	"	"	"	"	8.70	"	"
11th December .....	"	9.10	10.25	8.60	—	8.10	6.60
14th December .....	"	"	"	"	8.60	"	"

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXVth year, No. 5, May 1991 : *Révision du chapitre XIX « Taux d'escompte, d'intérêt et de rendement » de la partie « Statistiques » du Bulletin.*

<sup>1</sup> Rate applicable to the primary dealers for current account advances by and deposits with the RCI, within individual lines, the total of which amounted, for all the primary dealers, to Fr. 5.6 billion at the end of 1992.

<sup>2</sup> These are the rates announced in advance for allocations by tender in volume and the minimum rates adopted by the Bank for multiple-rate tenders. The dates shown correspond to the dates of the tenders (or transaction dates) and not to the settlement dates at the Clearing House (or value dates), which, save in exceptional cases, are two days after the tender dates. If there are no data, this means that there was no tender on that date.

<sup>3</sup> This rate applies to the amounts whereby the 5 p.c. of the credit lines allocated individually to the financial intermediaries is overstepped.

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

(Billions of francs)

	1992			
	1st quarter	2nd quarter	3rd quarter	4th quarter
<b>1. Transactions apart from regulation of the money market</b> .....	+13.5	-20.9	+131.1	+33.7
1.1 Increase (-) or decrease (+) in the note circulation <sup>1</sup> .....	+19.2	-26.1	+25.1	-16.4
1.2 Increase (+) or decrease (-) in spot and forward foreign exchange reserves <sup>2</sup> ...	+9.1	+1.1	+100.4	+44.1
1.3 Miscellaneous net items .....	-14.8	+4.1	+5.6	+6.0
<b>2. Tightening currency swaps</b> .....				
Increase (-) or decrease (+) in Belgian francs to be delivered .....	...	+5.0	-78.5	-61.4
<b>3. Regulation of the money market<sup>3</sup></b> .....	-11.2	+13.6	-50.3	+25.3
3.1 Mobilisation of commercial bills .....	-0.2	-0.8	-0.3	-5.6
3.2 Granting of credits by tender .....	-5.2	+5.0	-19.9	-5.1
3.3 Direct interventions on the money market .....	-5.8	+9.4	-30.1	+36.0
3.3.1 Purchases or sales of securities on the market .....	-4.9	+3.8	-8.8	+9.6
3.3.2 Repurchase agreements .....	+0.1	+7.6	-8.7	+13.8
3.3.3 Interbank deposits (+) or loans (-) .....	-1.0	-2.0	-12.6	+12.6
<b>4. Coverage (+) or absorption (-) of residual money market balances</b> .....	-2.3	+2.3	-2.3	+2.4
4.1 Advances to the Government .....	...	...	...	+0.2
4.2 Advances to the Securities Regulation Fund .....	...	...	...	...
4.3 Absorption (-) of the Treasury's surplus .....	...	...	...	...
4.4 Changes in the net daily closing surpluses or deficits of the financial intermediaries	-2.3	+2.3	-2.3	+2.2
4.4.1 Current account advances to the financial intermediaries (+) .....	-0.5	+1.2	-1.3	+0.5
4.4.2 Daily closing surpluses deposited with the NBB by the RGI (-) .....	-1.8	+1.1	-1.0	+1.7

Source : NBB. For further details concerning the methodology, see *Bulletin de la Banque Nationale de Belgique*, LXVth year, No. 6, June 1991 : *Révision du chapitre XVIII « Marché monétaire » de la partie « Statistiques » du Bulletin*.

<sup>1</sup> Excluding movements resulting from notes withdrawn from circulation but not presented for exchange.

<sup>2</sup> At the market rates on the value date; excluding the cashing of the proceeds of portfolio investments abroad, which has no effect on the money market in francs.

<sup>3</sup> Excluding tightening currency swaps.



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## ADMINISTRATION

By the royal decree of 11th March 1992, the term of office of Mr William Fraeys was renewed for a period of six years beginning on 1st May 1992. This decree furthermore confirmed his appointment as Vice-Governor.

By virtue of the royal decree of 20th October 1992, the term of office of Mr Frans Junius was also extended for a further six-year period, from 16th October 1992 onwards.

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The Bank was sad to learn of the death, on 28th June 1992, of Miss Elisabeth Malaise, Honorary Director.

She joined the Bank's staff in 1934. In 1943 she was already Acting Secretary of the Board of Directors and of both Councils, and five years later she was promoted Secretary of the Board of Directors. Miss Malaise was subsequently appointed Secretary of the Bank, in 1952, and Director on 12th September 1968. In 1980, after a brilliant career of over forty-six years, she asked to be released from the last-mentioned function.

Miss Malaise always performed her successive tasks with great perseverance and an acute sense of responsibility. Her great professional conscientiousness and limitless devotion won her universal esteem.

During the past year the Bank was also saddened to learn of the loss of Jean Baron de Cooman d'Herlinckhove and of Hendrik Baron Cappuyns, honorary regents and former censors. Thanks to their deep knowledge of economic life and the rich experience which they had gained in it, their participation in the management of the Bank was most valuable.

The Boards will always remember these two eminent former members.

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The Bank was sad to learn of the death in 1992 of seven members of its staff : Mrs Nadine Barbier, Mr Roger Blauwaert, Mrs Gilberte De Fraine-Roeland, Messrs Xavier Govaerts, Philippe Hainaut, Michel Mouton and Julien Van der Spiegel.

It will always remember them.

\*  
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The Bank wishes to express its gratitude to the members of the managerial and supervisory staff who reached the end of their careers :

Messrs Marcel Asseau, Assistant Director, Head of the Data Exchange Department, Herman De Saedeleer, Assistant Director, Head of the Accounting and Budgetary Control Department, Jozef Victoir, Inspector-General, Head of the Equipment and Techniques Service, Jacques Dolo, Inspector-General, Head of the Secretariat of the Board of Directors, William Van Nieuwenhuyse, Technical Adviser with the rank of Inspector General, Karel Mortier, Agent in Ghent, Michel Jamar, Adviser with the rank of Inspector-General, Jean Teirlinck, Inspector-General, Head of General Services and Jean Papeux, Senior Inspector with the rank of Inspector-General.

It also thanks the following members of the executive staff whose careers came to an end during the past year :

Mrs Jeannine Adriaensen-Van Dingenen, Mrs Christiane Angely-Hardy, Messrs Joannes Bally, Marcel Belgrado, René Bideloo, Marcel Blockx, Mrs Jeannine Boon-Nagels, Messrs Lodewijk Ceulemans, Henri Cludts, André Cornelis, Omerus De Cauwer, Mrs Liliana De Graeve-Celen, Mr Gilbert De Jonghe, Miss Thérèse Delcourt, Messrs Raymond De Mesmaeker, Adolphe De Meyer, Mrs Marie-Thérèse De Meyer-Van Daele, Messrs Jean De Mulder, Simon De Nauw, Lambert Denoel, Gilbertus De Saveur, Gustave Devuyt, Henri De Waele, Marcel Dumont, Armand Foulon, Jozef Gabriels, Léon Geerts, Félix Geraerts, Jozef Gesquiere, Mrs Gisèle Giele-Marchant, Messrs Antoine Heirebaudt, Charles Hernette, Edouard Hoevenaeghel, Emile Holbrechts, Willem Janssens, Lodewijk Keymolen, Marcel Leemans, Michel Libioul, Etienne Maenhout, Willem Maes, Oscar Martens, Roger Merckaert, Mrs Maria Milde-Verhoeven, Mrs Rosalie Moeys, Messrs Robert Nissen, Roger Pirard, Lodewijk Popleu, Emile Ramelot, Gaston Rombauts, Jean Sax, André Schümmer, Jozef Smets, Felix Sommerijns, Louis Stremes, Miss Gabrielle Struijs, Mrs Clémentine Suys-Massin, Messrs Roger Vandenberghe, Marcel Vandermeeren, Mrs Jeannine Vankerkhoven-Poels, Mrs Irène Van Loo, Messrs Leo Van Ruyskensvelde, Jean Waegeman, Lambert Waseige and Mrs Anna Weyckmans.

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The General Board appointed Mr Serge Bertholomé, Chief Adviser in the Research Department, to the post of Treasurer, with effect from 1st March 1992, to succeed Mr Jacques Van Droogenbroeck, who resigned at the end of February.

\*  
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In accordance with Article 83 of the Statutes, the Ordinary General Meeting of Shareholders was held on Monday 24th February 1992.

In application of Article 41 of the Statutes, the report on the operations of the financial year 1991 had been sent, at least five days before that meeting, to the holders of shares which were the subject of a nominal entry or which had been deposited at the Bank.

The scrutineers established that the provisions of the Statutes concerning the publication of and participation in the meeting had been complied with.

The Governor then presented a report on the operations of the year 1991 and answered the questions put to him by the shareholders.

Lastly, after the Governor had announced the names of the candidates for the functions of regent and censor, the meeting voted on the motion.

The meeting renewed the terms of office as regent of Messrs Albert Frère and André Devogel, proposed by the Minister of Finance, and of Mr François Janssens, proposed by one of the most representative workers' organisations. It re-elected Messrs Carlo Van Gestel and Maurice Charlotaux as censors.

In accordance with Articles 53 and 55 of the Statutes, all these periods of office terminate at the end of the Ordinary General Meeting of February 1995.

\*  
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The Governor paid tribute to Mr Gaston Vandewalle, Chairman of the Board of Censors, who, having reached the age-limit of 67 years on 25th June 1990, was no longer eligible for re-election. On the basis of Article 56 of the Statutes, the Minister of Finance had, however, given him permission to complete his current term of office. This terminated at the end of the general meeting of 24th February 1992.

As a token of gratitude and appreciation for the outstanding services which he has rendered to our Institution, the general meeting conferred the title of Honorary Chairman of the Board on Mr Vandewalle.

\*  
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In accordance with a royal decree of 14th September 1992, published in the « Belgisch Staatsblad - Moniteur Belge » of 23rd September 1992, various provisions, including those of Article 269 of the law of 17th June 1991 on the organisation of the public credit sector and the harmonisation of the supervision and conditions of operation of credit institutions, entered into force on 1st October 1992. Article 269 amends the fifth and sixth paragraphs of Article 24 of the Organic Law of the Bank, governing the composition of the Council of Regency : five regents are henceforth presented by the Minister of Finance. Consequently the mandates of the two regents chosen from among the directing officers of public financial institutions were abolished. Owing to the entry into force of the above-mentioned article, Messrs Aerts and Rampen presented their resignation as regents with effect from 1st October 1992.

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Regent Frère will have reached the age-limit on 4th February 1993. In implementation of Article 56 of the Statutes, the Minister of Finance gave him permission to complete his current term of office. This will normally terminate at the end of the Ordinary General Meeting of February 1995.

\*  
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At the beginning of 1993 the structure and composition of the Bank's administrative and supervisory bodies were as follows :

## 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.

**Regents<sup>1</sup> :**

Messrs Roger RAMAEKERS,  
Albert FRERE,  
André DEVOGEL,  
Rik VAN AERSCHOT,  
Willy PEIRENS,  
François JANSSENS,  
Tony VANDEPUTTE,  
Philippe WILMES,<sup>2</sup>  
Eddy WYMEERSCH,<sup>2</sup>  
Noël DEVISCH.<sup>2</sup>

**Censors :**

Messrs Jacques DELRUELLE, Chairman,<sup>3</sup>  
Hubert DETREMMERIE, Secretary,<sup>4</sup>  
Roger MENE,  
Willy DANCKAERT,  
Carlo VAN GESTEL,  
Maurice CHARLOTEAUX,  
Christian D'HOOGH,  
Jacques FOREST,  
Philippe GRULOIS.

**Secretary :** Mr Jean POULLET.

**Treasurer :** Mr Serge BERTHOLOME.<sup>5</sup>

**Government Commissioner :** Mr Grégoire BROUHNS.

## ADVISORS TO THE BOARD OF DIRECTORS

Mr R. VAN STEENKISTE, Personnel Manager,  
Miss M.H. LAMBERT,  
Mr J.-V. LOUIS,  
Mr J. MICHIELSEN.

<sup>1</sup> Mr Jan Hinnekens submitted his resignation at the end of the Extraordinary General Meeting on 8th January 1993. For their part, Messrs Luc Aerts and Alfred Rampen resigned on 1st October 1992.

<sup>2</sup> Elected by the Extraordinary General Meeting on 8th January 1993.

<sup>3</sup> Elected as Chairman of the Board of Censors at its meeting on 25th March 1992, to replace Mr Gaston Vandewalle whose term of office had terminated at the end of the Ordinary General Meeting on 24th February 1992.

<sup>4</sup> Elected as Secretary by the Board of Censors at its meeting on 25th March 1992, to replace Mr Jacques Delruelle.

<sup>5</sup> With effect from 1st March 1992 to replace Mr Jacques Van Droogenbroeck, who resigned.

**DEPARTMENTS AND SERVICES**

**Accounting and Budgetary Control Department** — Mr C. DEKEYSER, Inspector-General.

Accounting

Head Mr J. TAVERNIER, Head of Division,  
 Heads of Division Messrs M. REDANT, L. HENRY.

Budgetary Control

Head Mr J. VANDEUREN, Inspector-General,  
 Head of Division Mr F. HEYMANS.

**Data Exchange Department** — Mr P. TELLIER, Inspector-General.

Advisor Mr J. MAKART.

Central Balance Sheet Office

Head Mr A. LENAERT, Head of Division,  
 Advisor Mrs E. BARDET-DE GROOTE,  
 Head of Division Mr P. QUINTIN.

Central Credit Offices

Head Mr R. TROGH, Head of Division,  
 Heads of Division Mr R. THIRION, Mrs G. DALL'AGLIO-TIMMERMANS.

Cashless Payments

Head Mr A. VAES, Head of Division,  
 Head of Division Mr V. DECONINCK,  
 Advisor Mr K. DE GEEST.

**Credit Department** — Mr C. DE NYS, Assistant Director.

Advisor Mr P. MERCIER.

Discount-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.

**Equipment and General Services Department** — Mr K. VANDENEDE, Assistant Director.

Equipment and Technical Services

Head Mr P. LAUWERS, Head of Division,  
 Architect Mr J.-C. NAVEZ.

General Services

Head Mr A. KOZYNS, Head of Division,  
 Head of Division Mr J.-M. BRAET.

**Foreign Department** — Mr J. MICHELSEN, Advisor to the Board of Directors.

Advisors	Messrs H. BUSSERS, L. COENE.
International Agreements	
Head	Mrs F. LEPOIVRE-MASAI, Inspector-General,
Advisors	Messrs P. VAN DER HAEGEN, P. VIGNERON, Mrs G. DURAY-BIRON, Mr D. DACO.
Foreign Exchange	
Head	Mrs A. VAN DEN BERGE, Head of Division,
Advisors	Messrs N. VANDECAN, E. LAVIGNE, M. VANDOORNE.

**General Secretariat Department** — Mr W. PLUYM, Assistant Director.

Advisor	Mrs M. STEENBERGEN-DE WACHTER.
Secretariat	
Head	Mr M. VAN CAMPEN, Head of Division.
Secretariat of the Board of Directors	
Head	Miss J. RONDEUX, Inspector-General.

**General Statistics Department** — Mr B. MEGANCK, Inspector-General.

Inspectors-General	Messrs D. VERMEIREN, A. WOUTERS,
Advisor	Mr G. POULLET.
Balance of Payments	
Head	Mr G. MELIS, Inspector-General,
Heads of Division	Messrs G. MARLET, M. EECKHOUT, R. DE BOECK,
Controller	Mr P. SARLET.
Statistics	
Head	Mr L. DUSSAIWOIR, Inspector-General,
Advisor	Mr R. ACX.

**Planning, Organisation and EDP Department** — Mr H. BARBE, Assistant Director.

Inspector-General	Mr A. HUET,
Senior Analyst	Mrs A.-M. QUINTART-LEJEUNE.
EDP Centre	
Head	Mr E. COLMAN, Head of Division,
Heads of Division	Messrs J. WIELEMANS, J.-C. GILLES,
Senior Systems Engineer	Mr M. CHARLIER.
EDP Projects	
Head	Mr J.-P. HOYOS, Inspector-General,
Senior Analysts	Messrs P. LAUWERS, B. GROETEMBRIL, Mrs H. VANDOORNE-VAN HECKE, Messrs J. FRANCOIS, J.-M. PLISNIER, Mrs S. LANCKSWEERT-MASKENS, Mr E. DE SMET,
Head of Division	Mr P. SAPART.

EDP Research

Head Mr J. MOERMAN, Inspector-General,  
 Senior Analyst Mr G. VANGHELUWE,  
 Senior Systems Engineers Messrs G. DUMAY, U. MOMMEN, J.-L. GERARDY,  
 Mrs M. GROGNARD-HUART.

Organisation and Management Supervision

Head Mr L. JANSSENS, Head of Division,  
 Head of Division Mrs C. SAPART-BUYDENS.

**Printing Department** — Mr M. SALADE, Inspector-General.

Administrative Service

Head Mr J. RENDERS, Head of Division,  
 Head of Division Mr Y. TIMMERMANS.

Prepress and Studies

Head Mr M. SALADE, Inspector-General.

Production and Engineering

Head Mr L. DUFRESNE, Inspector-General.

**Services subordinate to the Treasurer** — Mr S. BERTHOLOME.

Central Cash Office

Chief Cashier Mr R. VERHEYDEN, Inspector-General,  
 Heads of Division Messrs J.-F. KERVYN de MARCKE ten DRIESSCHE,  
 P. BOBYR, M. VAN BAELEN, G. PIROT.

Security Supervision

Head Mr J.-P. DE JONGE, Head of Division.

Safety, Hygiene and Embellishment of Working Environment

Head Mr D. DENEE, Head of Division.

**Public Securities Department** — Mr W. BRUMAGNE, Assistant Director.

Head of Division Mr L. EICHER.

Government Cashier's Service

Head Mr C. LOTS, Inspector-General,  
 Heads of Division Messrs R. VAN HEMELRIJCK, M. HINCK.

Securities Regulation

Head Mr H. SMISSAERT, Head of Division.

Securities

Head Mr W. STEPPE, Head of Division,  
 Heads of Division Messrs R. ROOTHANS, Y. PIRLET.

**Research Department** — Miss M.-H. LAMBERT, Advisor to the Board of Directors.

Deputy Head  
 of Department

Mr X. DUQUENNE, Inspector-General,

Advisors

Messrs J. DESPIEGELAERE, A. NYSENS, Mrs A.-M. JOURDE-PEETERS,  
 Messrs J.-J. VANHAELEN, E. JACOBS, J. CLAEYS,  
 Mrs F. JACOBS-DONKERS,

Economists

Messrs V. PERILLEUX, M. DOMBRECHT, T. TIMMERMANS.

## Documentation

Head Mr W. VERTONGEN, Inspector-General,  
 Head of Division Mr R. BEUTELS.

**Social Affairs Department** — Mr R. VAN STEENKISTE, Advisor to the Board of Directors,  
 Personnel Manager.

Deputy Personnel  
 Manager Mr G. PARLONGUE, Inspector-General.

## Medical Service

Head Doctor Mr J. BARY,  
 Doctors Messrs A. DE LANDTSHEER, V. DONS.

## Personnel Policy

Head Mr J. LEEMANS, Inspector-General,  
 Head of Division Mr D. LOZET.

## Training

Head Mr G. DE RIDDER, Head of Division,  
 Head of Division Mr J.-L. LION.

## Wages and Social Affairs Administration

Head Mr R. VAN KEYMEULEN, Head of Division,  
 Heads of Division Messrs A. REITER, M. DRION.

**Services not attached to a department**

## Internal Audit

Assistant Director Mr A. MICHEL,  
 Head Mr J. HELFGOTT, Inspector-General,  
 Inspector Mrs J. MAESSEN-SIMAR.

## Legal Service

Head Mr J.-V. LOUIS, Advisor to the Board of Directors,  
 Chief Advisor Mr J.-P. BRISE,  
 Advisors Messrs W. KIEKENS, J. DE WOLF.

## Collections and Staff Library

Head Miss C. LOGIE, Inspector-General.

**Branches and Agencies Departments** — Mr W. VAN DER PERRE, Assistant Director.

Heads of Division Messrs P. TACK, P. BISSOT.

**Branches**

## Antwerp

Administrator Mr L. VAN DER VEKEN,  
 Inspector-General Mr P. VERPOEST,  
 Heads of Division Messrs F. SERCKX, F. VAN NIEUWENHOVE, D. VANDEN BROECK.

## Liège

Administrator Mr M. SIMAL,  
 Head of Division Mrs J. SOUVEREYNS-ROUMA.

## Luxembourg

Administrator Mr E. de LHONEUX.

**Agencies**

Aalst Agent	Mr A. VERHELST.
Arlon Agent	Mr D. BRISBOIS.
Brugge Agent	Mr W. SMOUT.
Charleroi Agent Head of Division	Mr J. TASSIER, Mr R. HAENECOUR.
Ghent Agent Head of Division	Mr J. VICTOR, Mr H. VAN MOSSEVELDE.
Hasselt Agent	Mr T. DE ROOVER.
Kortrijk Agent	Mr M. VANVOOREN.
Leuven Agent Head of Division	Mr L. GHEKIERE, Mr L. LAGAE.
Mechelen Agent	Mr M. DE GEYTER.
Mons Agent	Mr Y. LEBLANC.
Namur Agent	Mr J. DELPEREE.
Roeselare Agent	Mr P. BOGAERT.
Tournai Agent	Mrs J. DAUCHOT-DE BEER.
Turnhout Agent	Mr L. MUYLAERT.
Verviers Agent	Mr R. COLSON.

**Representation Offices**<sup>1</sup>

La Louvière	
Acting Manager	Mr R. DENACHTERGAEL.
Malmedy	
Acting Manager	Mr J.-Y. BOULANGER.
Marche-en-Famenne	
Acting Manager	Mr R. COUSIN.
Ostend	
Acting Manager	Mr E. BRACKX.
Sint-Niklaas	
Acting Manager	Mr G. MINNAERT.

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\*\*

Office of Mr Dehaene, Prime Minister,  
Mr J. SMETS, Chief Adviser.

Office of Mr De Batselier, Vice-Chairman of the Flemish Executive,  
Mr G. MAES, Economist.

Office of Mr Maystadt, Minister of Finance,  
Mr L. HUBLOUE, Advisor.

Office of Mrs Offeciers-Van De Wiele, Minister for the Budget,  
Mr H. FAMEREE, Economist.

Belgian Permanent Representation with the European Communities,  
Mr D. SERVAIS, Advisor.

Belgian Permanent Representation with the Organisation for Economic Co-operation and Development,  
Mr D. SLAATS, Advisor.

Office of the Belgian Director at the International Monetary Fund,  
Mr F. MOSS, Advisor.

International Monetary Fund,  
Mr E. VERREYDT, Economist.

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 National Bank of Rwanda,  
Mr R. BEERENS, Head of Division.

Bank of Zaïre,  
Mr R. VANHULST, Advisor.

<sup>1</sup> From 1st January 1993.





# Annual Accounts

**BALANCE SHEET AS AT 31st DECEMBER 1992****ASSETS***(In thousands of francs)*

	1992	1991
Gold . . . . .	<b>260,228,942</b>	333,781,357
Foreign currencies . . . . .	<b>193,384,437</b>	230,801,720
Special Drawing Rights (SDRs) . . . . .	<b>5,662,380</b>	18,383,064
Participation in the IMF . . . . .	<b>26,730,588</b>	16,396,583
Loans to the IMF . . . . .	—	—
Deposit with the IMF within the framework of the ESAF	<b>4,562,250</b>	4,472,950
Ecus . . . . .	<b>106,438,686</b>	110,620,755
EMCF : Financing at very short and at short term . . .	<b>116,568,863</b>	12,648,922
EEC : Medium-term financial assistance . . . . .	—	—
International agreements . . . . .	<b>3,269,187</b>	3,145,622
Advances against pledged security . . . . .	<b>20,041,647</b>	43,930,677
Commercial bills . . . . .	<b>10,050,978</b>	18,404,253
Securities purchased in the market . . . . .	<b>17,447,971</b>	17,727,546
Claims due to other interventions in the money market	<b>52,354,947</b>	42,550,250
Advances to the Securities Regulation Fund . . . . .	—	—
Advances to the Belgian Government . . . . .	<b>220,923</b>	2,648
Advances to the Luxembourg Government . . . . .	—	—
Coin . . . . .	<b>915,418</b>	716,697
Balances at the Postal Cheque Office :		
A Account . . . . .	<b>1,384</b>	1,604
B Account . . . . .	<b>3,498,781</b>	3,847,483
Statutory investments (Art. 21) . . . . .	<b>37,235,942</b>	34,195,460
Premises, equipment and furniture . . . . .	<b>12,262,429</b>	11,165,474
Other assets . . . . .	<b>6,478,058</b>	530,907
Regularisation accounts . . . . .	<b>7,750,881</b>	6,897,629
<b>TOTAL ASSETS</b>	<b>885,104,692</b>	910,221,601

## LIABILITIES

(In thousands of francs)

	1992	1991
Notes in circulation . . . . .	<b>430,248,887</b>	431,513,633
Current accounts in francs :	<b>4,569,258</b>	7,146,623
<i>Treasury</i> . . . . .	—	—
<i>Other</i> . . . . .	<b>4,569,258</b>	7,146,623
Liabilities due to interventions in the money market . .	<b>4,449,108</b>	4,240,690
Current accounts in foreign currencies . . . . .	<b>6,849</b>	6,655
Financial assistance agreements . . . . .	<b>3,498,781</b>	3,847,483
Counterpart of allocations of SDRs . . . . .	<b>22,138,136</b>	21,704,811
EMCF : Financing at very short and at short term . . .	—	—
Unavailable reserve of surplus gains on gold . . . . .	<b>116,310,864</b>	54,807,348
Other liabilities . . . . .	<b>1,214,316</b>	2,392,512
Regularisation accounts . . . . .	<b>425,181</b>	122,427
Valuation differences on gold and foreign exchange	<b>250,005,845</b>	336,023,970
Provision for premises, equipment and furniture . . . .	<b>938,981</b>	1,407,981
Provision against Sundry Contingencies . . . . .	<b>9,750,000</b>	8,650,000
Capital . . . . .	<b>400,000</b>	400,000
Reserve Fund :	<b>39,851,726</b>	36,688,795
<i>Statutory Reserve</i> . . . . .	<b>2,656,347</b>	2,531,374
<i>Extraordinary Reserve</i> . . . . .	<b>25,489,631</b>	23,542,631
<i>Account for depreciation of premises, equipment and     furniture</i> . . . . .	<b>11,705,748</b>	10,614,790
Net profit for distribution . . . . .	<b>1,296,760</b>	1,268,673
TOTAL LIABILITIES	<b>885,104,692</b>	910,221,601

## PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1992

(In thousands of francs)

	1992	1991
<b>RECEIPTS</b>		
Proceeds of transactions with foreign countries . . . . .	<b>23,251,679</b>	21,889,529
Proceeds of credit transactions . . . . .	<b>9,750,950</b>	11,656,641
Proceeds of statutory investments . . . . .	<b>3,535,570</b>	3,394,986
Commission . . . . .	<b>160,078</b>	202,596
Amounts recovered from third parties . . . . .	<b>1,883,595</b>	1,676,260
Drawings on provisions . . . . .	<b>519,000</b>	535,000
Other proceeds . . . . .	<b>27,590</b>	95,512
	<b>39,128,462</b>	39,450,524
<b>EXPENDITURE</b>		
Government Share :	<b>22,028,347</b>	23,529,456
<i>Transactions with foreign countries</i> . . . . .	<b>14,430,117</b>	14,699,196
<i>Credit transactions</i> . . . . .	<b>7,598,230</b>	8,830,260
General expenses :	<b>8,186,268</b>	7,879,304
<i>Remuneration and social charges</i> . . . . .	<b>6,892,763</b>	6,646,336
<i>Other expenses</i> . . . . .	<b>1,293,505</b>	1,232,968
Taxes and dues . . . . .	<b>2,902,614</b>	2,272,508
Depreciation of premises, equipment and furniture . . . . .	<b>1,617,473</b>	1,519,583
Transfers to reserves and provisions :	<b>3,097,000</b>	2,981,000
<i>Provision for Premises, Equipment and Furniture</i> . . . . .	<b>50,000</b>	60,000
<i>Provision against Sundry Contingencies</i> . . . . .	<b>1,100,000</b>	200,000
<i>Extraordinary Reserve</i> . . . . .	<b>1,947,000</b>	2,721,000
Net profit for distribution . . . . .	<b>1,296,760</b>	1,268,673
	<b>39,128,462</b>	39,450,524

**OFF-BALANCE SHEET ITEMS AS AT 31st DECEMBER 1992***(In thousands of francs)*

	1992	1991
<b>Contingent liabilities</b>		
Guarantees as substitute for credit . . . . .	<b>1,083,105</b>	1,574,384
<b>Liabilities which could lead to a credit risk</b>		
Firm undertakings to provide funds . . . . .	<b>14,844,186</b>	19,818,509
<b>Valuables and claims entrusted to the Institution</b>		
For encashment . . . . .	<b>17,161</b>	1,353
Safe custody deposits . . . . .	<b>6,554,816,056</b>	5,721,518,120



**Explanatory notes  
to the annual accounts**



**BALANCE SHEET***(In thousands of francs)***ASSETS****GOLD**

Gold is valued at the price derived from market quotations in accordance with the method used by the European Monetary Co-operation Fund (EMCF) for swaps of gold against ecus. The price adopted is either the average of the prices, translated into ecus, established at the two daily fixings of the London market during the second half of the year or the average of the two fixings on the penultimate working day of the year, if the last-mentioned average is lower than the former. The translation of the ecus into francs is carried out on the basis of the exchange rate for the ecu on the last working day of the year, as published by the European Commission.

The price of gold was thus fixed at Fr. 334,089.9216 per fine kilogram on 31st December 1992, against Fr. 355,017.0677 on 31st December 1991.

During the year 1992 the gold holding decreased as a result of arbitrage transactions of 201.6 tonnes of gold against foreign currencies. The surplus gains on these transactions amount to Fr. 61.5 billion. They correspond to the difference between the market price at which the gold was arbitrated and the historical purchase price of the gold sold (Fr. 56,225.0046 per fine kilogram). In accordance with Article 20bis of the Organic Law of the National Bank of Belgium, the surplus gains made by the Bank in connection with transactions of arbitrage of gold assets against other external reserve elements are entered in a special unavailable reserve account. These surplus gains appear on the liabilities side of the balance sheet under a separate heading.

The decrease in the gold holding led to a fall in the contribution of gold to the EMCF on the quarterly renewal of the swap transactions by means of which 20 p.c. of the Bank's gold holdings were contributed to that institution against ecus. The metal contributed to the EMCF, the management of which continues to be entrusted to the Bank, represented, on 31st December 1992, the equivalent of Fr. 65.1 billion and is not included under this heading.

**FOREIGN CURRENCIES**

Holdings in foreign currencies appear in the balance sheet at their equivalent in francs calculated at the indicative market rates on the last working day of the year, published by the Bank. The translation differences resulting from the changing of the accounting exchange rates on the balance sheet date and also the accounting difference between the purchase price of the foreign currencies and the rate at which they are shown in

the accounts are recorded in the balance sheet under the liabilities heading « Valuation differences on gold and foreign exchange ». The change in the accounting exchange rates on the balance sheet date led to positive translation differences of Fr. 5,053 million.

In 1992 the foreign currency holdings decreased, on balance, by Fr. 37,417 million, chiefly owing to a larger contribution of dollars to the EMCF, the redemption of foreign loans of the Treasury and transfers of currencies in respect of swaps against Belgian francs. Valued at market exchange rates, these swaps amounted on 31st December 1992 to Fr. 139.9 billion, against Fr. 5 billion at the end of the previous year. The currency swaps and loan redemptions enabled the Bank partly to offset the expansion in money market liquidity resulting from its intervention on the foreign exchange market. These outflows exceeded the inflows resulting from the settlement in foreign currencies of the very-short-term claims on the EMCF, the sales of gold against foreign currencies, the collection of the proceeds of portfolio investments abroad and various transactions with the IMF.

Except for small balances kept on sight accounts with foreign correspondents in order to permit the making of current payments, foreign currencies are placed at forward dates.

The holdings entered in the name of the Bank abroad comprise, in addition to its own holdings as mentioned above, the dollars sold spot to the EMCF and repurchased forward from it, the management of which is entrusted to the Bank. On the balance sheet date these holdings consisted almost exclusively of the currencies covered by the guarantee of the Belgian Government.

Securities purchased in foreign currencies are recorded at purchase price. The difference between the latter and the maturity value is recorded in the profit and loss account pro rata of the remaining life of the securities, as a constituent element of the interest produced by these securities. In the balance sheet the securities are valued at their purchase price plus or minus the portion of that difference which is recorded in the profit and loss account.

### **SPECIAL DRAWING RIGHTS (SDRs)**

Special Drawing Rights are shown in the balance sheet at the market rate as published by the IMF on the last working day of the year. On the balance sheet date this rate was Fr. 45.6225 for one SDR (Fr. 44.7295 at the end of 1991).

The holding of SDRs amounted to SDR 124.1 million on 31st December 1992, against SDR 411 million a year earlier. The Bank settled in SDRs the ninth increase in Belgium's quota in the participation in the IMF (SDR 255.5 million). Furthermore, it made a net sale of SDR 37.6 million against foreign currencies to other participants in the SDR Department and to prescribed holders of SDRs. These outflows were partly counterbalanced by the receipt of SDR 6.2 million in respect of interest on the net positions with the IMF.

As the liability in SDRs for an indeterminate term, shown on the liabilities side under the heading « Counterpart of allocations of SDRs », amounted to SDR 485.2 million, the net use of the holding of SDRs reached SDR 361.1 million on 31st December 1992.

**PARTICIPATION IN THE IMF**

The amount shown against this heading represents the equivalent of the SDR value of Belgium's reserve tranche, that is, the rights possessed by the Belgian Government in its capacity as a member of the IMF in respect of the part of its quota in the Fund in excess of the latter's holdings in francs. The reserve tranche is converted into francs at the same rate as that used for holdings of SDRs.

On the balance sheet date the reserve tranche amounted to SDR 585.9 million, against SDR 366.6 million a year earlier. The year-to-year increase of SDR 219.3 million was mainly due to the payment by the Bank, in discharge of the Belgian Government, of SDR 255.5 million, or 25 p.c. of the increase in Belgium's quota proposed in resolution No. 45.2 of 28th June 1990 of the Board of Governors of the Fund and approved by the law of 17th June 1991. The said quota is thus increased from SDR 2,080.4 million to SDR 3,102.3 million. The other portion, i.e. 75 p.c., was settled with the Fund by the transfer of non-interest-bearing Treasury bills in Belgian francs and earmarked for the Fund at the Bank.

The residual change in the item corresponds to the balance of purchases in francs by various member countries of the Fund and uses of francs by the Fund (SDR 43.6 million), on the one hand, and to repurchases and the use of francs by various member countries of the Fund (SDR 79.8 million), on the other.

**DEPOSIT WITH THE IMF WITHIN THE FRAMEWORK OF THE ESAF**

The amount shown under this head is the equivalent of the SDRs which the Bank had paid into a special deposit account with the IMF in respect of Belgium's participation in the Enhanced Structural Adjustment Facility (ESAF).

The claim, unchanged at SDR 100 million, is valued at the same rate as that applied to holdings of SDRs.

**ECUS**

These are the ecus which the Bank received in connection with the swap transactions whereby it contributed to the EMCF 20 p.c. of its gold and of its gross holdings in dollars, plus or minus the ecus acquired or transferred in connection with operations with other central banks of the European Communities or with non-member countries holding ecus.

The ecus are valued in the balance sheet at the market exchange rate ruling on the last working day of the year, as published by the European Commission, namely Fr. 40.1777 for 1 ecu on 31st December 1992 and Fr. 41.9308 for 1 ecu on 31st December 1991.

Compared with the previous year, the holding of ecus increased by ECU 11 million to ECU 2,649.2 million on 31st December 1992. This increase was due, on the one hand, to the acquisition of ECU 456.1 million in respect of the settlement of very-short-term claims on the EMCF together with interest thereon and, on the other hand, to a refund of ECU 445.1 million corresponding to the contraction in the volume of the ecus obtained within the framework of the swaps with the EMCF. The decrease in this volume is

attributable to the smaller gold contribution and to the fall in the price of gold and in the exchange rate for the American currency used in these swaps, the effects of which were, however, partly counterbalanced by the increase in the dollar contribution.

### EMCF : FINANCING AT VERY SHORT AND AT SHORT TERM

The amount as at 31st December 1992 represents the Bank's claim on the EMCF in respect of very-short-term financing of Community interventions on the foreign exchange market.

The interventions on the foreign exchange market carried out by the Bank during the year via the EMCF related to an amount of ECU 5,464.2 million (at the market exchange rate Fr. 224.1 billion). Of the claims on the EMCF resulting from these interventions, an amount of ECU 2,562.8 million has already been repaid. These repayments come on top of that made at the beginning of 1992 in settlement of the claim of ECU 301.7 million which existed on 31st December 1991.

### INTERNATIONAL AGREEMENTS

This item is reserved for recording the claims in francs on the countries which are not members of the European Communities with which Belgium has concluded payment agreements. The balances appearing under it represent the outstanding amount of the advances granted under these agreements, the execution of which is governed by the Agreement of 15th June 1972 between the Government and the Bank.

### ADVANCES AGAINST PLEDGED SECURITY

The following are included under this heading :

	31-12-1992	31-12-1991
— Fixed-term advances against the pledging of public securities granted through the periodical allocation of credits by tender .....	<b>18,925,000</b>	42,700,000
— Daily closing credits granted to the financial intermediaries in the form of current account advances .....	<b>1,001,870</b>	1,228,571
— Other current account advances .....	<b>114,777</b>	2,106
Total	<b>20,041,647</b>	43,930,677

### COMMERCIAL BILLS

These are claims resulting from repurchase agreements. The item consists of :

	31-12-1992	31-12-1991
— Commercial bills purchased under repurchase agreements in connection with the periodical granting of credits by tender .....	<b>6,067,190</b>	7,513,445
— Commercial bills mobilised at the official discount rate and counted against the credit institutions' individual mobilisation ceilings .....	<b>3,983,788</b>	8,522,474
— Other bills mobilised by the RGI on a day-to-day basis at the rate of the periodical grantings of credit by tender .....	—	2,368,334
Total	<b>10,050,978</b>	18,404,253

### SECURITIES PURCHASED IN THE MARKET

This item records the Treasury certificates, bonds and other securities traded in the money or capital markets which the Bank acquired directly in the market in the pursuit of its open market policy.

When purchased, the securities are recorded in the accounts at the purchase price; in the balance sheet they are valued on the basis of their actuarial yield on purchase, account being taken of their maturity value. The difference between the purchase price and the latter value is carried to the profit and loss account pro rata of the remaining life of the securities.

On the balance sheet date the Bank's portfolio contained only Treasury certificates, the market value of which was Fr. 17,455 million.

### CLAIMS DUE TO OTHER INTERVENTIONS IN THE MONEY MARKET

These are the claims which the Bank holds as a result of repurchase agreements in respect of various types of private or public securities concluded within the framework of its open market interventions or as a result of loans on the interbank market.

The amounts recorded in respect of the claims are those of the funds made available to the financial intermediaries.

On the balance sheet date the item consisted only of claims in respect of repurchase agreements.

### ADVANCES TO THE SECURITIES REGULATION FUND

The Agreement of 22nd January 1991 between the Government and the Bank sets the ceiling on and establishes the terms and conditions for the granting of credit by the Bank to the Belgian Government, the Luxembourg Government and the Securities Regulation Fund. The overdraft facility of the Securities Regulation Fund is limited to Fr. 5 billion.

**ADVANCES TO THE BELGIAN GOVERNMENT**

The overdraft facility which the Government has with the Bank under the above-mentioned agreement is limited to Fr. 15 billion.

**ADVANCES TO THE LUXEMBOURG GOVERNMENT**

The Luxembourg Government has an overdraft facility of Fr. 507 million with the Bank.

**COIN**

Under an agreement concluded between the Minister of Finance and the Bank, the ceiling on the Bank's holding of coins is fixed at 10 p.c. of the coins in circulation on 31st December of the preceding year; it amounted to Fr. 1,932 million for the year 1992.

The terms and conditions of repayment in the event of overstepping of the contractual limit are governed by special provisions; these provisions did not have to be applied in 1992.

**BALANCES AT THE POSTAL CHEQUE OFFICE : B ACCOUNT**

At the request of the Treasury, the Bank holds on a special postal current account, called the B Account, the counterpart of the unused balances of the loans granted by the Belgian Government to third countries under financial assistance agreements; these balances are shown in the Bank's books in the name of the central banks or governments of the countries which receive these loans.

**STATUTORY INVESTMENTS (ART. 21)**

The securities which the Bank may acquire under Article 21 of its Statutes, up to an amount corresponding to its capital, reserves and depreciation accounts, are recorded under this heading. They consist of national public debt securities and, subject to permission from the Minister of Finance, of securities representing the capital of financial institutions governed by special legal provisions or placed under the guarantee or supervision of the Government, as well as shares in the BIS in Basle.

On purchase, public securities are entered in the books at their purchase price; in the balance sheet they are recorded on the basis of their actuarial yield, calculated on purchase, account being taken of their redemption value at maturity. The difference between the purchase price and the redemption value is carried to the profit and loss account pro rata of the remaining life of the securities.

Shares are recorded in the balance sheet at their purchase price.

## **PREMISES, EQUIPMENT AND FURNITURE**

Land, buildings, plant and tools, furniture and vehicles are shown in the accounts at their purchase value.

In 1992 the Bank's capital investments totalled Fr. 1,630 million, including incidental expenses; with the exception of land, they are written off in full in the year of purchase. An amount corresponding to the book value of the assets which were sold or whose use was discontinued was deducted from the « Premises, equipment and furniture » account.

## **OTHER ASSETS**

The amounts recorded under this heading are commercial and other claims, supplies and work in progress.

The item consists mainly of a claim on the Treasury in respect of the exchange losses on transactions which entailed changes in the assets or liabilities held by the Bank under international agreements which it carries out on behalf of the Government or for which the latter gives its guarantee. These losses will be settled by drawings from the exchange profits made subsequently on the same balance sheet elements.

## **REGULARISATION ACCOUNTS**

This item records, in so far as they are large enough to have an appreciable influence on the result for the current year, incomes earned and expenses to be carried forward.

**BALANCE SHEET***(In thousands of francs)***LIABILITIES****NOTES IN CIRCULATION**

The volume of notes in circulation, expressed as a daily average, amounted to Fr. 422.7 billion in 1992, against Fr. 423.5 billion in 1991, corresponding to a rate of decrease of 0.19 p.c.

**LIABILITIES DUE TO INTERVENTIONS IN THE MONEY MARKET**

The amounts recorded under this heading are commitments to repurchase public or private securities sold under so-called « reverse repurchase agreements », loans contracted by the Bank on the interbank market and daily closing surpluses of the financial intermediaries placed with the Bank via the RGI. The figures shown on the balance sheet date relate only to the last-mentioned category.

**FINANCIAL ASSISTANCE AGREEMENTS**

The amounts recorded under this heading are those entered in the accounts opened in the name of the central banks or governments of the countries which receive financial assistance under bilateral loan agreements which are concluded and financed by the Government and the counterpart of which is paid to a postal account opened in the name of the Bank.

**COUNTERPART OF ALLOCATIONS OF SDRs**

The balance represents the equivalent of the SDRs, recorded at the market rate applied to holdings of SDRs, which would have to be returned to the IMF if that institution abolished its SDR Department or if Belgium decided to withdraw from it.

**UNAVAILABLE RESERVE OF SURPLUS GAINS ON GOLD**

These are the gains made by the Bank in connection with arbitrage operations of gold against other external reserve elements. Under Article 20bis of the Organic Law of the Bank, these realised gains are recorded in a special unavailable reserve account; they are exempt from all taxes. In the event of liquidation of the Bank, the balance of this special account would be assigned to the Government.

The increase in this unavailable reserve in 1992 was due to the sales of gold discussed under the relevant heading on the assets side of the balance sheet.

**OTHER LIABILITIES**

The amounts recorded under this heading are debts in respect of taxes, wages and salaries and social contributions.

**REGULARISATION ACCOUNTS**

This item consists only of amounts to be charged in respect of interest and tax payable.

**VALUATION DIFFERENCES ON GOLD AND FOREIGN EXCHANGE**

This account is credited or debited with the translation differences resulting from the adjustment, on the balance sheet date, of the exchange rates used for recording assets and liabilities not expressed in francs, and also with the accounting differences which appear in respect of transactions in foreign currencies.

Balance at the end of 1991 .....		336,023,970
Movements :		
— Valuation differences in respect of gold .....	— 80,606,682	
— Other valuation differences .....	— 5,411,443	
		<u>— 86,018,125</u>
Balance at the end of 1992 .....		250,005,845

**PROVISION FOR PREMISES, EQUIPMENT AND FURNITURE**

The purpose of this provision is to enable the Bank to meet the expenses entailed by the execution of its programme of investment in new premises.

**PROVISION AGAINST SUNDRY CONTINGENCIES**

This item consists of the Provident Fund which was created at the end of 1957 in view of the risks inherent in the Bank's activity and of the fluctuations to which its results are subject.

**CAPITAL**

The capital of Fr. 400 million is divided into 400,000 registered or bearer shares of Fr. 1,000 each, of which 200,000 registered and untransferable shares are recorded in the name of the Government.

**RESERVE FUND**

The Reserve Fund, provided for in Article 14 of the Bank's Statutes, consists of the following items :

	31-12-1992	31-12-1991
Statutory Reserve .....	<b>2,656,347</b>	2,531,374
Extraordinary Reserve .....	<b>25,489,631</b>	23,542,631
Account for Depreciation of Premises, Equipment and Furniture .....	<b>11,705,748</b>	10,614,790
Total	<b>39,851,726</b>	36,688,795

The increase in the Reserve Fund represents the part of the distribution of profits for 1991 relating to the Statutory Reserve, the transfer to the Extraordinary Reserve of Fr. 1,947 million by debiting of the Profit and Loss Account for 1992 and the depreciation of the investment in premises, equipment and furniture carried out in 1992, less an amount corresponding to the book value of assets sold or no longer used.

The tax-exempt part of the Extraordinary Reserve, amounting to Fr. 540.3 million, remains unchanged.

**NET PROFIT FOR DISTRIBUTION**

The favourable balance of the Profit and Loss Account, to be distributed in accordance with the provisions of Article 38 of the Statutes, amounts to Fr. 1,296.8 million, against Fr. 1,268.7 million on 31st December 1991.

**OFF-BALANCE-SHEET ITEMS***(In thousands of francs)***CONTINGENT LIABILITIES***Guarantees given in place of credit.*

This item comprises the guarantees given by the Bank in connection with loans granted by the GSPF to members of staff to enable them to build or purchase their dwellings ..... 1,083,105

**LIABILITIES WHICH MAY GIVE RISE TO A CREDIT RISK***Firm undertakings to make funds available.*

These are undertakings to make funds available in respect of repurchase agreements with a value date later than the balance sheet date ..... 14,844,186

**VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION**

*For encashment* ..... 17,161  
*Safe custody deposits* ..... 6,554,816,056

The dematerialised securities (Treasury certificates, linear bonds, securities resulting from the stripping of linear bonds, Treasury bills and certificates of deposit) recorded under the securities clearing system appear under this heading at an amount of Fr. 3,917 billion; these securities are recorded at their value at maturity or at their nominal value.

# PROFIT AND LOSS ACCOUNT

*(In thousands of francs)*

## RECEIPTS

### PROCEEDS OF TRANSACTIONS WITH FOREIGN COUNTRIES

From one financial year to the other, the proceeds of transactions with foreign countries increased by Fr. 1,362 million, reaching Fr. 23,252 million on 31st December 1992. This increase was due to the growth in the average volume of investments. However, the result for the year was adversely affected by a fall in the value of the American currency and by the decline in the average yield on these investments compared with the previous year.

### PROCEEDS OF CREDIT TRANSACTIONS

The proceeds of credit transactions fell by Fr. 1,906 million and amounted, for 1992, to Fr. 9,751 million.

The proceeds of lending to the Belgian Treasury amounted to Fr. 143 million, down by Fr. 537 million compared with 1991. The Securities Regulation Fund did not resort to the Bank's credit during the year. The income from lending to credit institutions fell by Fr. 1,529 million, from Fr. 11,353 million in 1991 to Fr. 9,824 million in 1992.

Interest charges connected with the investment with the Bank, via the RGI, of the financial intermediaries' daily closing surpluses amounted to Fr. 216 million. This represents a decrease of Fr. 160 million compared with the previous year.

### PROCEEDS OF STATUTORY INVESTMENTS

The increase in the income from the statutory investments earned by the Bank under Article 21 of its Statutes is due to the increase in the portfolio as a result of the transfers made to the Reserve Fund at the close of the preceding financial year.

### COMMISSION

The commission received as remuneration for the Bank's services as financial intermediary and of its services of safe custody and management of valuables are recorded under this heading.

### **AMOUNTS RECOVERED FROM THIRD PARTIES**

These are amounts recovered from third parties in respect of the supplying of goods and rendering of commercial services to third parties. These receipts relate mainly to the activities of the Central Balance Sheet Office, the currency centres and the bond centres, work done by the Printing Works and services rendered to the Clearing Transaction Exchange Centre of the Belgian Financial System. They also include the authorities' share in the financing of the operating costs of the Belgian-Luxembourg Foreign Exchange Institute.

### **DRAWINGS ON PROVISIONS**

This item records the writing-back of the « Provision for Premises, Equipment and Furniture » to the extent of the expenses incurred during the year under the programme of investment in new premises.

### **OTHER PROCEEDS**

Other proceeds for 1992 consist mainly of the proceeds of the sale of a building in one of the provinces and the disposal of used equipment and furniture.

## PROFIT AND LOSS ACCOUNT

(In thousands of francs)

### EXPENDITURE

#### GOVERNMENT SHARE

The Bank's receipts which accrue to the Government before any imputation of costs (general expenses, depreciation and taxes) do not include the other funds which go to the Treasury in the distribution of the net profit.

#### *Transactions with foreign countries*

The net income from the investments in foreign currencies which form the counterpart of the surplus gains obtained through arbitrage transactions of assets in gold against other reserve elements, entered in a special unavailable reserve account, is assigned to the Government. The distribution between the latter and the Bank of the other net proceeds from the Bank's profit-earning external assets for the year 1992 is, as for the preceding years, based on a distribution system which is the subject of an agreement with the Government.

In this spirit it was agreed to assign to the Government the proceeds of the external assets, less the costs relating to the external liabilities, in excess of 3 p.c. of the difference between, on the one hand, the average daily amount of these net profit-earning external assets and, on the other hand, that, calculated on an identical basis, of the unavailable reserve of surplus gains on gold, and also the foreign exchange differences and the surplus value obtained on sales of gold assigned to the Treasury but not paid to it.

#### *Credit transactions*

By virtue of Article 37 of the Bank's Statutes, the proceeds of the Bank's profit-earning assets in francs and of its financial management operations, less the costs in respect of remunerated liabilities in francs and financial management operations, in excess of 3 p.c. of the difference between the average amount, calculated on an annual basis, of these assets and these liabilities, are assigned to the Government.

In addition to what accrues to the Government under the above-mentioned provision, the Bank pays annually to the Government, in accordance with the law of 2nd January 1991, a sum of Fr. 986 million in order to compensate for the additional expenses resulting for the latter from the conversion of the Government's consolidated debt to the Bank into freely negotiable securities. For the year 1991 this compensation was calculated pro rata and amounted to Fr. 910.4 million.

**GENERAL EXPENSES**

	As at 31-12-1992	As at 31-12-1991
Remuneration and social costs .....	<b>6,892,763</b>	6,646,336
Other expenses .....	<b>1,293,505</b>	1,232,968
Total	<b>8,186,268</b>	7,879,304

Expenses in respect of wages, salaries and social costs, including the cost of National Employment Office trainees, students, temporary staff and persons from temping agencies whose services are resorted to by the Bank, are up by 3.7 p.c. They represent 84.2 p.c. of the total amount of the Bank's operating expenses in 1992. Other expenses show an increase of 4.9 p.c.

In 1992 the average real workforce (not including National Employment Office trainees and temporary staff), expressed in units of full-time employment, amounted to 3,009 units, against 3,026 units in 1991.

**TAXES AND DUES**

The Bank shows in its accounts as costs relating to the year all taxes of any kind which it has to pay, less any tax refunds received during the same year.

Thus this item includes, in addition to corporation tax, the withholding taxes on income from financial assets and on real estate, the non-deductible part of VAT and regional, provincial and municipal taxes.

**DEPRECIATION OF PREMISES, EQUIPMENT AND FURNITURE**

The depreciation applied as at 31st December 1992 covers the following expenses :

a) Building work under the Bank's investment programme and design costs connected with new structures .....	511,255
b) Renovation of premises and technical installations .....	269,841
c) Purchase of data-processing equipment .....	198,978
d) Purchase of equipment for the Printing Works, technical services and offices .....	595,147
e) Purchase of office furniture .....	42,252

**TRANSFERS TO RESERVES AND PROVISIONS**

The following transfers were made :

— to the Provision for Premises, Equipment and Furniture .....	50,000
— to the Provision against Sundry Contingencies .....	1,100,000
— to the Extraordinary Reserve .....	1,947,000

Details of the Provision Accounts and the Extraordinary Reserve are given below :

a) Provision for Premises, Equipment and Furniture	
As at 31st December 1991 .....	1,407,981
Drawing as at 31st December 1992 .....	-519,000
Transfer by debiting of the Profit and Loss Account .....	50,000
	<hr/>
Balance as at 31st December 1992 .....	938,981
b) Provision against Sundry Contingencies	
As at 31st December 1991 .....	8,650,000
Transfer by debiting of the Profit and Loss Account .....	1,100,000
	<hr/>
Balance as at 31st December 1992 .....	9,750,000
c) Extraordinary Reserve	
As at 31st December 1991 .....	23,542,631
Transfer by debiting of the Profit and Loss Account .....	1,947,000
	<hr/>
Balance as at 31st December 1992 .....	25,489,631

#### NET PROFIT FOR DISTRIBUTION

In accordance with Article 38 of the Statutes, the net profit is distributed as follows :

1. To the shareholders, a first dividend of 6 p.c. of the nominal capital	24,000
2. Of the amount in excess of this, namely Fr. 1,272,760 :	
a) 10 p.c. to the reserve .....	127,276
b) 8 p.c. to the staff .....	101,821
3. Of the surplus, namely Fr. 1,043,663 :	
a) to the Government, one fifth .....	208,733
b) to the shareholders, a second dividend .....	834,668
c) the balance to the reserve .....	262
	<hr/>
Total	1,296,760

## DIVIDEND DECLARED FOR THE YEAR 1992

Total first dividend .....	24,000
Total second dividend .....	834,668
	858,668
Total	858,668
on 400,000 shares, that is per share a dividend of .....	Fr. 2,146.67

Coupon No. 191 will be payable with effect from 1st March 1993, at the rate of Fr. 1,610 free of withholding tax on income from financial assets<sup>1</sup>.

### *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, <sup>2</sup>	<i>Regent</i>
Luc AERTS, <sup>3</sup>	<i>Regent</i>
Albert FRERE,	<i>Regent</i>
André DEVOGEL,	<i>Regent</i>
Alfred RAMPEN, <sup>3</sup>	<i>Regent</i>
Rik VAN AERSCHOT,	<i>Regent</i>
Willy PEIRENS,	<i>Regent</i>
François JANSSENS,	<i>Regent</i>
Tony VANDEPUTTE,	<i>Regent</i>
Philippe WILMES, <sup>4</sup>	<i>Regent</i>
Eddy WYMEERSCH, <sup>4</sup>	<i>Regent</i>
Noël DEVISCH, <sup>4</sup>	<i>Regent</i>

<sup>1</sup> Withholding tax on income from financial assets :  $\frac{1,610 \times 1}{3} = \text{Fr. } 536.67.$

<sup>2</sup> Resigned at the end of the Extraordinary General Meeting of 8th January 1993.

<sup>3</sup> Resigned with effect from 1st October 1992.

<sup>4</sup> Elected by the Extraordinary General Meeting of 8th January 1993.



## REPORT OF THE BOARD OF CENSORS FOR 1992

It was with great sadness that the Board learned of the death of two of its former members, Baron Jean de Cooman d'Herlinckhove and Baron Hendrik Cappuyns. Baron de Cooman d'Herlinckhove, a former censor who died on 18th February 1992, sat on the Board from 1957 to 1966 and was a regent of the Bank from 1966 to 1969; he also participated for many years in the activities of the former Brussels Discount Committee. Ex-censor Cappuyns, who died on 15th August 1992, was, like his colleague, successively a member of the Board of Censors and a regent, from 1962 to 1967 and from 1967 to 1982 respectively.

The censors will always remember their ex-colleagues. Thanks to their deep knowledge of economic life, in which they both played an important role, they made a highly appreciated contribution to the Board's work.

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After the General Meeting the Board said farewell to their Chairman, Mr Gaston Vandewalle, who had reached the age-limit of 67 years on 25th June 1990. Mr Vandewalle sat on the Board as well as on the General Council for an uninterrupted period of 26 years; from 1984 onwards he was Chairman of the Board. We would like to express here the gratitude of the censors for his great devotion, his expert advice and his skill in guiding the discussions in his capacity as Chairman.

The General Meeting renewed the terms of office of Messrs Carlo Van Gestel and Maurice Charlotteaux.

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The Board of Censors performs a monitoring and supervisory function in a number of fields, namely the Bank's accounting statements, its Profit and Loss Account and its

budget, the verification of various inventories, its stocks of valuables and notes, supervision of compliance with the security procedures, etc.

As usual, the censors made a quarterly detailed study of the Bank's accounting statement and of its Profit and Loss Account. In this connection they obtained information from the management concerning the factors responsible for the movement of various balance sheet items. Virtually parallel with this quarterly examination, which takes place during the Board's meeting, the Board carries out a check of the Bank's book-keeping. Two members are assigned, in turn, for this purpose. Through the checks which these censors carried out by sampling — these checks being backed by the necessary supporting documents and the explanations obtained in response to the questions asked —, they were able to establish that the Bank's books are kept in accordance with the rules.

The Board of Censors examined and unanimously approved the Bank's Balance Sheet as at 31st December 1992, which the Council of Regency had submitted to it in accordance with Article 35, paragraph 1, of the Statutes. The censors' approval gives the Board of Directors discharge in accordance with Article 35, paragraph 2, of the Statutes. They had previously taken cognisance of the results of the checks and verifications carried out on this subject by the Internal Audit Service, which is responsible for this monitoring function.

After a detailed analysis of the various items, an examination of the corresponding supporting documents and an in-depth exchange of views with the responsible departments, the censors approved the Bank's expenditure budget for the year 1993. They particularly appreciated the fact that total expenditure is being kept well under control, thanks to, among other things, a very small growth in expenditure on staff.

The context in which the Board, as the supervisory body, performs its other tasks as laid down in the Statutes has been constantly changing for several years, partly owing to the development of the Bank's activities and the automation of a growing number of operational tasks. In addition to the checking of existing assets, such as the cash inspections, which are of course essential in an institution such as the Bank, the censors consider that they should pay more and more attention to the manner in which the internal control and audit are organised and to the analysis and assessment of the risks entailed by the Bank's operations. It is in this context that the Board requested a few years ago that, in addition to receiving the reports on the cash inspections, it be presented with dossiers showing the sequence of the operations and the checks carried out, for various operational units of the Bank.

The changes which took place in 1992 in the organisation and working methods of the Internal Audit Service meet the wishes expressed by the censors. For its part, the Board appreciated the fact that, at the same time as it receives the annual report on the Bank's activity, it will henceforth also be provided with a programme listing the inspections and audits planned for the following year. Furthermore, with a view to efficiency, the censors requested that the systematic submission of the reports on the cash inspections, which they will always be able to consult, be replaced by the presentation of a quarterly report; this records the progress of the activities in relation to the programme laid down and lists, by department and service, the inspections and surveys carried out and the audits satisfactorily completed, as well as the main comments and recommendations to which they have given rise. The Board also considered that it would be useful to replace the explanatory statements on the dossiers drawn up by the presentation of certain audit reports.

In 1992 the censors participated, in turn, in 24 cash inspections, including 12 at the branches and agencies. These inspections, for which they themselves lay down the timetable, together with a close examination of the annexes to the quarterly reports devoted to the inspections and surveys, enabled them to see that the number of errors remained very small and that appropriate steps were taken without delay to correct them and prevent their repetition. The Board also took cognisance of the changes planned in order to improve the end-of-year checks and verifications of the balance sheet items, and also of the new methodology applied for audits. It furthermore had various audit reports presented to it, including with regard to the clearing system introduced at the beginning of 1991 for public debt securities and the Swift communication system, chiefly used for international payments.

Account being taken of its own observations, the various items presented to it and the replies given to its many questions, the Board was able to conclude that the internal control, as organised by the Bank, is operating well.

*The Board of Censors :*

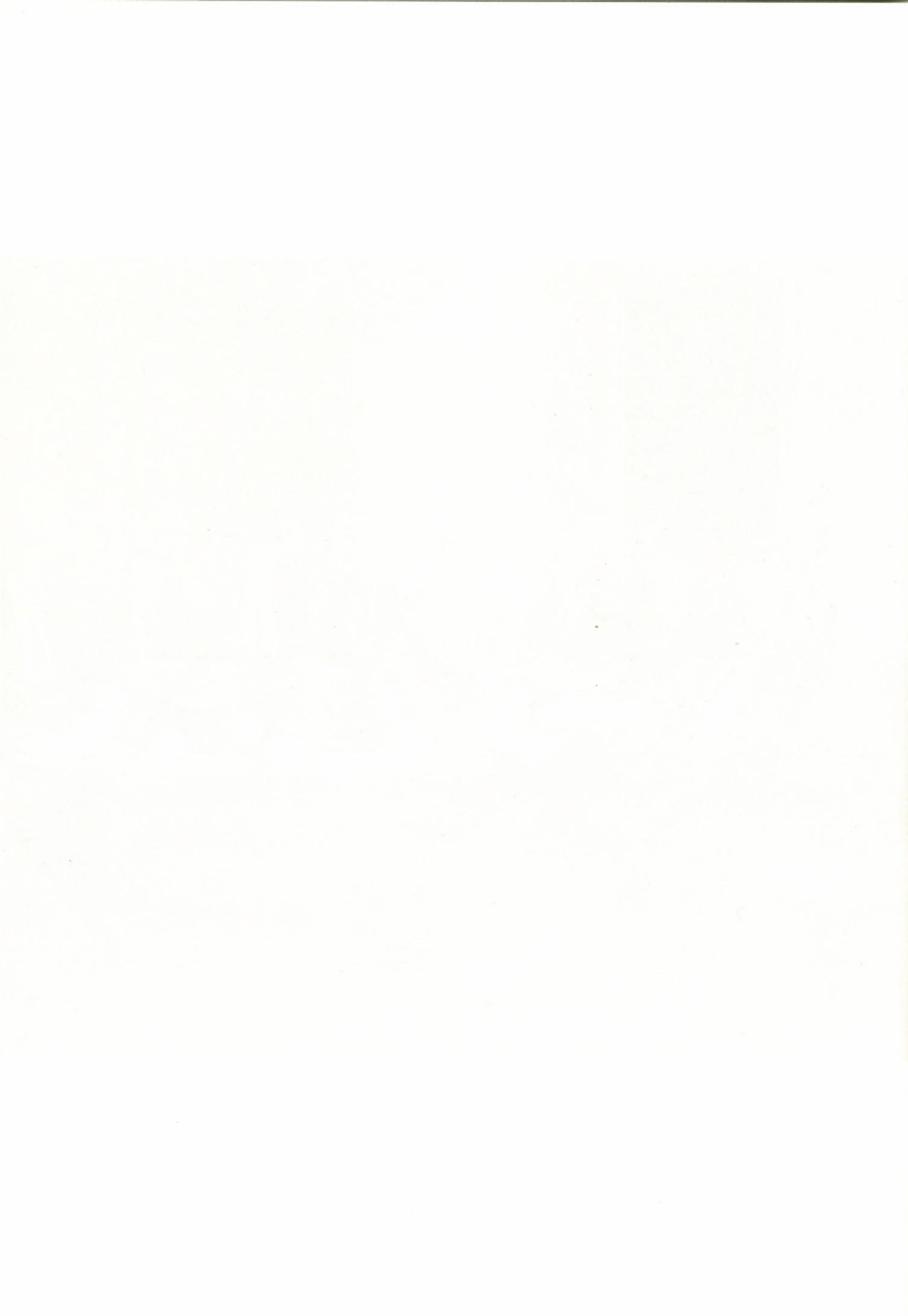
*The Chairman,*  
Jacques DELRUELLE.

Hubert DETREMMERIE, *Secretary,*  
Roger MENE,  
Willy DANCKAERT,  
Carlo VAN GESTEL,  
Maurice CHARLOTEAUX,  
Christian D'HOOGH,  
Jacques FOREST,  
Philippe GRULOIS.



**Board of Censors, from left to right :**

R. Mené; H. Detremmerie, Secretary; J. Delruelle, Chairman; W. Danckaert; Ph. Grulois;  
Ch. D'Hoogh; J. Forest; M. Charloteaux; C. Van Gestel.



## **Annexes**

## COMPARISON OF BALANCE SHEETS

### ASSETS

	1992	1991	1990
Gold . . . . .	<b>260,228.9</b>	333,781.3	363,703.6
Foreign currencies . . . . .	<b>193,384.4</b>	230,801.7	231,662.3
Special Drawing Rights (SDRs) . . . . .	<b>5,662.4</b>	18,383.0	17,299.7
Participation in the IMF . . . . .	<b>26,730.6</b>	16,396.6	14,383.4
Loans to the IMF . . . . .	—	—	—
Deposit with the IMF within the framework of the ESAF	<b>4,562.3</b>	4,473.0	4,407.8
Ecus . . . . .	<b>106,438.7</b>	110,620.8	108,508.2
EMCF : Financing at very short and at short term . . . . .	<b>116,568.9</b>	12,648.9	—
EEC : Medium-term financial assistance . . . . .	—	—	—
International agreements . . . . .	<b>3,269.2</b>	3,145.6	3,438.6
Advances against pledged security . . . . .	<b>20,041.6</b>	43,930.7	3,274.6
Commercial bills . . . . .	<b>10,051.0</b>	18,404.3	30,252.5
Securities purchased in the market . . . . .	<b>17,448.0</b>	17,727.5	—
Claims due to other interventions in the money market	<b>52,354.9</b>	42,550.3	—
Advances to the Securities Regulation Fund . . . . .	—	—	—
Advances to the Belgian Government . . . . .	<b>221.0</b>	2.6	107,684.0
Advances to the Luxembourg Government . . . . .	—	—	—
Coin . . . . .	<b>915.4</b>	716.7	923.2
Balances at the Postal Cheque Office :			
A Account . . . . .	<b>1.4</b>	1.6	1.4
B Account . . . . .	<b>3,498.8</b>	3,847.5	2,647.4
Statutory investments (Art. 21) . . . . .	<b>37,235.9</b>	34,195.5	30,637.3
Premises, equipment and furniture . . . . .	<b>12,262.4</b>	11,165.5	10,667.5
Other assets . . . . .	<b>6,478.0</b>	530.9	219.6
Regularisation accounts . . . . .	<b>7,750.9</b>	6,897.6	7,017.0
TOTAL ASSETS	<b>885,104.7</b>	910,221.6	936,728.1

## AS AT 31st DECEMBER (In millions of francs)

## LIABILITIES

	1992	1991	1990
Notes in circulation . . . . .	<b>430,248.9</b>	431,513.6	428,502.5
Current accounts in francs :	<b>4,569.3</b>	7,146.6	6,410.7
<i>Treasury</i> . . . . .	—	—	14.8
<i>Other</i> . . . . .	<b>4,569.3</b>	7,146.6	6,395.9
Liabilities due to interventions in the money market . . .	<b>4,449.1</b>	4,240.7	—
Current accounts in foreign currencies . . . . .	<b>6.8</b>	6.7	38.3
Financial assistance agreements . . . . .	<b>3,498.8</b>	3,847.5	2,647.4
Counterpart of allocations of SDRs . . . . .	<b>22,138.1</b>	21,704.8	21,388.5
EMCF : Financing at very short and at short term . . . .	—	—	—
Unavailable reserve of surplus gains on gold . . . . .	<b>116,310.9</b>	54,807.3	54,807.3
Other liabilities . . . . .	<b>1,214.3</b>	2,392.5	8,576.6
Regularisation accounts . . . . .	<b>425.3</b>	122.4	348.6
Valuation differences on gold and foreign exchange . . .	<b>250,005.8</b>	336,024.0	368,698.2
Provision for premises, equipment and furniture . . . . .	<b>939.0</b>	1,408.0	1,883.0
Provision against Sundry Contingencies . . . . .	<b>9,750.0</b>	8,650.0	8,450.0
Capital . . . . .	<b>400.0</b>	400.0	400.0
Reserve Fund :	<b>39,851.6</b>	36,688.8	33,349.4
<i>Statutory Reserve</i> . . . . .	<b>2,656.3</b>	2,531.4	2,410.8
<i>Extraordinary Reserve</i> . . . . .	<b>25,489.6</b>	23,542.6	20,821.6
<i>Account for depreciation of premises, equipment and furniture</i> . . . . .	<b>11,705.7</b>	10,614.8	10,117.0
Net profit for distribution . . . . .	<b>1,296.8</b>	1,268.7	1,227.6
TOTAL LIABILITIES	<b>885,104.7</b>	910,221.6	936,728.1

## COMPARISON OF PROFIT AND LOSS ACCOUNTS AS AT 31st DECEMBER

(In millions of francs)

	1992	1991	1990
<b>RECEIPTS</b>			
Proceeds of transactions with foreign countries . . . . .	<b>23,251.7</b>	21,889.5	21,318.1
Proceeds of credit transactions . . . . .	<b>9,751.0</b>	11,656.6	10,299.2
Proceeds of statutory investments . . . . .	<b>3,535.6</b>	3,395.0	2,898.5
Commission . . . . .	<b>160.1</b>	202.6	228.2
Amounts recovered from third parties . . . . .	<b>1,883.6</b>	1,676.3	1,660.0
Drawings on provisions . . . . .	<b>519.0</b>	535.0	336.0
Other proceeds . . . . .	<b>27.5</b>	95.5	4.6
	<b>39,128.5</b>	39,450.5	36,744.6
<b>EXPENDITURE</b>			
Government Share :	<b>22,028.3</b>	23,529.4	21,464.3
<i>Transactions with foreign countries</i> . . . . .	<b>14,430.1</b>	14,699.2	14,220.6
<i>Credit transactions</i> . . . . .	<b>7,598.2</b>	8,830.2	7,243.7
General expenses :	<b>8,186.3</b>	7,879.3	7,387.3
<i>Remuneration and social charges</i> . . . . .	<b>6,892.8</b>	6,646.3	6,337.4
<i>Other expenses</i> . . . . .	<b>1,293.5</b>	1,233.0	1,049.9
Taxes and dues . . . . .	<b>2,902.6</b>	2,272.5	2,615.4
Depreciation of premises, equipment and furniture . . . . .	<b>1,617.5</b>	1,519.6	1,075.0
Transfers to reserves and provisions :	<b>3,097.0</b>	2,981.0	2,975.0
<i>Provision for Premises, Equipment and Furniture</i> . . . . .	<b>50.0</b>	60.0	283.0
<i>Provision against Sundry Contingencies</i> . . . . .	<b>1,100.0</b>	200.0	200.0
<i>Extraordinary Reserve</i> . . . . .	<b>1,947.0</b>	2,721.0	2,492.0
Net profit for distribution . . . . .	<b>1,296.8</b>	1,268.7	1,227.6
	<b>39,128.5</b>	39,450.5	36,744.6

## DIVIDEND

	1992	1991	1990
Net dividend allocated per share . . . . .	<b>1,610.00</b>	1,575.00	1,525.00
Withholding tax deducted per share . . . . .	<b>536.67</b>	525.00	508.33
Gross dividend allocated per share . . . . .	<b>2,146.67</b>	2,100.00	2,033.33



**WEEKLY RETURNS PUBLISHED  
IN THE « BELGISCH STAATSBAD — MONITEUR BELGE »  
DURING 1992**

**WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE »  
DURING 1992** (Millions of francs)

**ASSETS**

DATES	Gold	Foreign currencies	Special Drawing Rights (SDRs)	Participation in the IMF	Loans to the IMF	Deposit with the IMF within the framework of the ESAF	Ecus	EMCF : Financing at very short and at short term	EEC : Medium term financial assistance	International agreements	Advances against pledged security	Commercial bills
06-01-92	333,781	232,630	18,092	16,397	—	4,473	110,621	12,649	—	3,136	38,714	18,068
13-01-92	333,781	222,345	18,920	16,397	—	4,473	102,159	12,649	—	3,139	35,492	22,189
20-01-92	333,781	216,708	18,920	16,397	—	4,473	102,159	12,649	—	3,123	37,622	21,735
27-01-92	333,781	217,448	18,383	16,397	—	4,473	102,159	12,649	—	3,126	34,931	26,754
03-02-92	333,781	230,205	18,181	16,754	—	4,473	102,159	—	—	3,096	41,916	26,164
10-02-92	333,781	231,126	18,181	16,016	—	4,473	102,159	—	—	3,091	37,070	20,920
17-02-92	333,781	231,409	18,249	16,016	—	4,473	102,159	—	—	3,094	33,741	18,322
24-02-92	333,781	237,114	18,249	16,016	—	4,473	102,159	—	—	3,092	32,756	20,977
02-03-92	333,781	237,454	18,249	16,017	—	4,473	102,159	—	—	3,092	43,477	17,256
09-03-92	333,781	232,920	18,249	16,017	—	4,473	102,159	—	—	3,100	38,485	15,443
16-03-92	333,781	233,338	18,192	16,017	—	4,473	102,159	—	—	3,100	37,391	14,694
23-03-92	333,781	234,133	18,192	15,426	—	4,473	102,159	—	—	3,098	40,729	16,298
30-03-92	333,781	234,369	18,192	15,426	—	4,473	102,159	—	—	3,098	39,325	17,697
06-04-92	333,781	238,950	18,192	16,142	—	4,473	102,159	—	—	3,120	39,898	16,902
13-04-92	333,781	237,118	18,192	16,142	—	4,473	109,849	—	—	3,110	38,066	19,455
17-04-92	333,781	237,397	18,190	16,142	—	4,473	109,849	—	—	3,060	36,782	19,479
27-04-92	333,781	238,092	18,190	16,142	—	4,473	109,849	—	—	3,060	33,992	22,784
04-05-92	333,781	238,652	17,962	16,142	—	4,473	109,849	—	—	3,058	38,013	21,133
11-05-92	333,781	238,870	17,962	16,142	—	4,473	109,849	—	—	3,058	36,372	20,534
18-05-92	333,781	239,323	17,962	16,142	—	4,473	109,849	—	—	3,048	40,325	19,632
25-05-92	333,781	239,922	18,031	16,142	—	4,473	109,849	—	—	3,043	40,691	16,556
01-06-92	333,781	240,492	18,031	16,142	—	4,473	109,849	—	—	3,042	43,810	19,778
05-06-92	333,781	240,579	18,031	16,142	—	4,473	109,849	—	—	3,042	46,592	16,719
15-06-92	333,781	240,243	18,031	16,880	—	4,473	109,849	—	—	3,118	45,679	15,643
22-06-92	262,217	309,821	18,031	16,880	—	4,473	109,849	—	—	3,116	45,279	15,609
29-06-92	262,217	310,577	18,031	16,375	—	4,473	109,849	—	—	3,116	46,011	14,348
06-07-92	262,217	311,425	18,039	16,376	—	4,473	109,849	—	—	3,160	44,535	16,430
13-07-92	276,529	298,879	18,039	16,376	—	4,473	99,779	—	—	3,156	50,210	17,778
17-07-92	276,529	294,042	18,039	16,513	—	4,473	99,779	—	—	3,195	48,326	15,725
27-07-92	276,529	299,694	18,039	16,513	—	4,473	99,779	—	—	3,394	40,228	16,277
03-08-92	276,529	295,025	18,039	16,514	—	4,473	99,779	—	—	3,394	41,426	15,606
10-08-92	276,529	295,274	18,043	16,514	—	4,473	99,779	—	—	3,375	52,979	15,498
14-08-92	276,529	295,634	18,043	16,274	—	4,473	99,779	—	—	3,377	47,260	15,598
24-08-92	276,529	296,483	18,109	16,274	—	4,473	99,779	—	—	3,376	46,973	17,790
31-08-92	276,529	296,839	18,109	16,275	—	4,473	99,779	—	—	3,376	48,634	17,360
07-09-92	276,529	294,946	17,661	16,275	—	4,473	99,779	16,333	—	3,375	37,261	14,944
14-09-92	276,529	246,449	17,661	16,275	—	4,473	99,779	64,364	—	3,325	34,037	17,203
21-09-92	276,529	217,455	17,661	16,275	—	4,473	99,779	95,189	—	3,325	29,194	16,113
28-09-92	276,529	211,833	17,661	15,613	—	4,473	99,779	113,078	—	3,325	28,216	11,986
05-10-92	276,529	221,453	17,661	15,539	—	4,473	99,779	96,184	—	3,347	27,545	12,754
12-10-92	276,529	221,037	17,661	15,539	—	4,473	91,957	99,668	—	3,347	34,636	13,332
19-10-92	276,529	219,133	17,661	15,539	—	4,473	91,957	102,017	—	3,347	29,345	13,665
26-10-92	276,529	217,042	17,661	15,539	—	4,473	91,957	99,478	—	3,346	40,714	11,759
30-10-92	276,529	234,288	17,661	15,540	—	4,473	91,957	82,506	—	3,346	32,039	12,079
09-11-92	276,529	228,027	16,919	15,540	—	4,473	91,957	82,506	—	3,343	29,941	12,939
16-11-92	276,529	230,060	16,919	15,540	—	4,473	91,957	82,506	—	3,343	28,754	13,329
23-11-92	276,529	231,273	5,544	26,967	—	4,473	91,957	82,506	—	3,340	28,613	14,885
30-11-92	276,529	194,828	5,544	26,967	—	4,473	91,957	153,081	—	3,340	5,051	9,977
07-12-92	276,529	180,795	5,544	26,207	—	4,473	91,957	159,701	—	3,340	13,197	11,266
14-12-92	276,529	178,754	5,544	26,207	—	4,473	91,957	159,701	—	3,319	22,279	10,166
21-12-92	276,529	187,819	5,544	26,207	—	4,473	111,002	123,560	—	3,244	16,702	9,176
28-12-92	276,529	187,942	5,544	26,207	—	4,473	111,002	121,655	—	3,244	17,594	11,642

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE »  
DURING 1992 (Millions of francs)

ASSETS (continuation and end)

DATES	Securities purchased in the market	Claims due to other interventions in the money market	Advances to the Securities Regulation Fund	Advances to the Belgian Government	Advances to the Luxembourg Government	Coin	Balances at the Postal Cheque Office :		Statutory investments (Art. 21)	Miscellaneous accounts <sup>1</sup>	TOTAL ASSETS
							A Account	B Account			
06-01-92	20,703	40,797	—	10	—	742	2	3,847	33,869	21,613	910,144
13-01-92	18,718	34,821	—	3,080	—	805	1	3,847	33,866	22,149	888,831
20-01-92	9,826	43,192	—	7,199	—	846	1	3,847	33,863	22,249	888,590
27-01-92	9,826	38,493	—	—	—	899	2	3,837	33,863	22,308	879,329
03-02-92	5,875	34,954	—	—	—	939	2	3,826	37,212	12,917	872,454
10-02-92	8,809	42,505	—	298	—	947	2	3,826	37,211	13,366	873,781
17-02-92	10,762	45,265	—	6	—	955	1	3,889	37,212	13,372	872,706
24-02-92	11,734	39,667	—	—	—	935	2	4,085	37,212	13,416	875,668
02-03-92	5,863	31,999	—	7,523	—	935	2	4,081	37,212	13,923	877,496
09-03-92	7,814	48,417	—	1,200	—	904	2	4,045	37,212	14,324	878,545
16-03-92	11,722	39,822	—	8,849	—	846	2	4,045	37,212	14,406	880,049
23-03-92	5,866	45,375	—	3,686	—	843	1	3,965	37,211	14,613	879,849
30-03-92	12,442	44,888	—	1	—	854	1	3,957	37,211	14,826	882,700
06-04-92	12,736	40,393	—	1	—	851	1	3,644	37,213	14,831	883,287
13-04-92	10,754	39,395	—	—	—	871	1	3,524	37,213	15,878	887,822
17-04-92	11,727	45,903	—	1	—	822	2	3,500	37,213	15,912	894,233
27-04-92	11,727	35,634	—	—	—	782	2	3,495	37,213	16,041	885,257
04-05-92	9,775	45,459	—	—	—	785	2	3,441	37,213	16,265	896,003
11-05-92	12,709	44,471	—	5,130	—	772	1	3,441	37,213	16,824	901,602
18-05-92	10,755	48,261	—	—	—	774	2	3,436	37,213	16,807	901,783
25-05-92	14,666	55,379	—	1	—	717	2	3,436	37,213	17,400	911,302
01-06-92	15,645	50,373	—	—	—	709	1	3,236	37,213	17,530	914,105
05-06-92	15,643	49,344	—	3	—	682	1	3,364	37,213	18,014	913,472
15-06-92	16,620	51,222	—	—	—	743	2	3,331	37,212	18,092	914,919
22-06-92	17,599	50,373	—	1	—	692	2	3,481	37,212	18,081	912,716
29-06-92	18,581	52,234	—	—	—	648	1	3,480	37,212	18,348	915,501
06-07-92	16,622	51,828	—	—	—	618	1	3,319	37,212	18,271	914,375
13-07-92	10,757	38,696	—	5,256	—	640	2	3,290	37,212	19,154	900,226
17-07-92	10,757	53,284	—	229	—	767	2	3,289	37,211	19,215	901,375
27-07-92	12,708	44,164	—	1	—	790	2	3,191	37,211	19,234	892,227
03-08-92	12,733	47,500	—	460	—	838	1	3,191	37,211	19,410	892,129
10-08-92	12,150	33,541	—	1	—	884	1	3,251	37,211	19,859	889,362
14-08-92	6,287	43,552	—	2,025	—	862	1	3,205	37,211	19,958	890,068
24-08-92	6,287	38,687	—	1,506	—	868	2	3,203	37,210	20,042	887,591
31-08-92	8,242	35,678	—	—	—	905	1	3,203	37,210	20,190	886,803
07-09-92	8,238	31,625	—	7,039	—	961	2	3,453	37,210	20,672	890,776
14-09-92	3,906	29,862	—	8,960	—	944	2	3,453	37,210	20,737	885,169
21-09-92	3,906	42,694	—	7,754	—	955	2	3,653	37,210	20,748	892,915
28-09-92	7,822	49,505	—	—	—	945	2	3,653	37,210	20,816	902,446
05-10-92	11,744	42,775	—	4	—	935	1	3,646	37,210	21,077	892,656
12-10-92	9,790	30,289	—	1	—	971	2	3,599	37,211	22,055	882,097
19-10-92	9,063	40,642	—	1,953	—	946	2	3,587	37,213	22,126	889,198
26-10-92	—	34,561	—	—	—	942	2	3,587	37,213	22,224	877,027
30-10-92	—	45,415	—	1	—	943	1	3,587	37,213	22,537	880,115
09-11-92	9,590	37,708	—	10,810	—	987	2	3,586	37,213	22,928	884,998
16-11-92	5,426	45,490	—	5,341	—	945	2	3,583	37,213	23,160	884,570
23-11-92	9,368	46,341	—	1	—	1,006	1	3,583	37,213	23,259	886,859
30-11-92	9,368	44,282	—	1	—	1,044	2	3,567	37,211	23,348	890,570
07-12-92	9,368	42,513	—	4,240	—	1,055	2	3,567	37,211	23,839	894,804
14-12-92	3,917	44,624	—	2,829	—	1,073	1	3,565	37,211	23,928	896,077
21-12-92	11,772	63,129	—	4,338	—	1,009	1	3,522	37,211	24,747	909,985
28-12-92	15,716	61,472	—	1	—	929	1	3,511	37,212	25,098	909,772

<sup>1</sup> Including premises, equipment and furniture.

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBAD - MONITEUR BELGE »  
DURING 1992 (Millions of francs)

LIABILITIES

DATES	Notes in circulation	Current accounts in francs	Liabilities due to interventions in the money market	Current accounts in foreign currencies	Financial assistance agreements	Counterpart of allocations of SDRs	EMCF : Financing at very short and at short term	Unavailable reserve of surplus gains on gold	Valuation differences on gold and foreign exchange	Capital, reserves and depreciation accounts <sup>1</sup>	Miscellaneous accounts	TOTAL LIABILITIES
06-01-92	427,900	7,147	5,281	7	3,847	21,705	—	54,807	335,676	33,870	19,904	910,144
13-01-92	420,702	4,798	1,572	7	3,847	21,705	—	54,807	326,613	33,870	20,910	888,831
20-01-92	419,239	4,743	1,921	7	3,847	21,705	—	54,807	327,069	33,870	21,382	888,590
27-01-92	409,739	4,345	2,265	12	3,837	21,705	—	54,807	327,022	33,870	21,727	879,329
03-02-92	408,480	8,061	2,363	7	3,826	21,705	—	54,807	326,342	37,214	9,649	872,454
10-02-92	408,309	9,424	1,763	7	3,826	21,705	—	54,807	326,316	37,214	10,410	873,781
17-02-92	409,298	6,222	1,832	7	3,889	21,705	—	54,807	326,337	37,214	11,395	872,706
24-02-92	410,529	7,458	1,296	7	4,085	21,705	—	54,807	326,035	37,214	12,532	875,668
02-03-92	410,290	8,684	1,811	7	4,081	21,705	—	54,807	325,872	37,214	13,025	877,496
09-03-92	412,565	7,717	997	7	4,045	21,705	—	54,807	326,180	37,214	13,308	878,545
16-03-92	414,191	5,556	2,385	7	4,045	21,705	—	54,807	326,272	37,214	13,867	880,049
23-03-92	415,209	4,658	1,583	7	3,965	21,705	—	54,807	326,203	37,214	14,498	879,849
30-03-92	412,861	4,401	6,201	7	3,957	21,705	—	54,807	326,208	37,214	15,339	882,700
06-04-92	419,906	6,093	3,201	7	3,644	21,705	—	54,807	325,775	37,214	10,935	883,287
13-04-92	419,019	3,665	4,846	7	3,524	21,705	—	54,807	331,350	37,214	11,685	887,822
17-04-92	426,085	4,496	3,440	7	3,500	21,705	—	54,807	331,397	37,214	11,582	894,233
27-04-92	416,300	5,840	1,934	7	3,495	21,705	—	54,807	331,414	37,214	12,541	885,257
04-05-92	422,140	10,774	1,606	7	3,441	21,705	—	54,807	331,367	37,214	12,942	896,003
11-05-92	423,576	11,468	4,330	7	3,441	21,705	—	54,807	331,402	37,214	13,652	901,602
18-05-92	430,792	7,417	583	7	3,436	21,705	—	54,807	331,297	37,214	14,525	901,783
25-05-92	434,630	8,761	3,755	7	3,436	21,705	—	54,807	331,277	37,214	15,710	911,302
01-06-92	438,162	7,237	3,641	7	3,236	21,705	—	54,807	331,396	37,214	16,700	914,105
05-06-92	440,400	6,148	1,654	7	3,364	21,705	—	54,807	331,439	37,214	16,734	913,472
15-06-92	438,229	6,590	3,833	7	3,331	21,705	—	54,807	331,504	37,214	17,699	914,919
22-06-92	438,166	5,856	4,082	7	3,481	21,705	—	116,311	267,473	37,214	18,421	912,716
29-06-92	439,512	5,515	4,655	7	3,480	21,705	—	116,311	267,468	37,214	19,634	915,501
06-07-92	444,116	5,461	3,511	7	3,319	21,705	—	116,311	267,576	37,214	15,155	914,375
13-07-92	439,862	5,897	1,156	7	3,290	21,705	—	116,311	259,153	37,214	15,631	900,226
17-07-92	441,336	5,008	1,404	7	3,289	21,705	—	116,311	259,120	37,214	15,981	901,375
27-07-92	428,519	6,708	2,469	7	3,191	21,705	—	116,311	259,178	37,214	16,925	892,227
03-08-92	426,282	8,445	2,250	7	3,191	21,705	—	116,311	259,145	37,214	17,579	892,129
10-08-92	424,065	8,512	991	7	3,251	21,705	—	116,311	259,250	37,214	18,056	889,362
14-08-92	427,810	4,872	1,493	7	3,205	21,705	—	116,311	259,290	37,214	18,161	890,068
24-08-92	424,722	4,895	979	7	3,203	21,705	—	116,311	259,408	37,214	19,147	887,591
31-08-92	422,701	5,150	1,159	7	3,203	21,705	—	116,311	259,222	37,214	20,131	886,803
07-09-92	424,701	4,498	3,069	7	3,453	21,705	—	116,311	259,324	37,214	20,494	890,776
14-09-92	423,286	4,532	1,067	7	3,453	21,705	—	116,311	256,714	37,214	20,880	885,169
21-09-92	423,145	5,105	6,713	7	3,653	21,705	—	116,311	257,612	37,214	21,450	892,915
28-09-92	416,092	5,279	21,242	7	3,653	21,705	—	116,311	259,887	37,214	21,056	902,446
05-10-92	420,591	5,107	12,441	7	3,646	21,705	—	116,311	258,502	37,214	17,132	892,656
12-10-92	417,816	5,437	5,212	6	3,599	21,705	—	116,311	257,748	37,214	17,049	882,097
19-10-92	420,580	5,314	7,998	6	3,587	21,705	—	116,311	259,252	37,214	17,231	889,198
26-10-92	415,530	5,012	631	6	3,587	21,705	—	116,311	259,979	37,214	17,052	877,027
30-10-92	417,121	4,878	1,279	6	3,587	21,705	—	116,311	260,986	37,214	17,028	880,115
09-11-92	416,773	8,902	1,025	6	3,586	21,705	—	116,311	262,574	37,214	16,902	884,998
16-11-92	418,090	4,347	1,596	6	3,583	21,705	—	116,311	264,047	37,214	17,671	884,570
23-11-92	418,102	5,740	2,312	6	3,583	21,705	—	116,311	264,087	37,214	17,799	886,859
30-11-92	417,280	4,329	2,354	6	3,567	21,705	—	116,311	269,346	37,214	18,458	890,570
07-12-92	421,065	5,629	1,053	6	3,567	21,705	—	116,311	270,008	37,214	18,246	894,804
14-12-92	424,252	3,962	916	6	3,565	21,705	—	116,311	269,959	37,214	18,187	896,077
21-12-92	433,945	6,698	1,503	6	3,522	21,705	—	116,311	268,586	37,214	20,495	909,985
28-12-92	433,724	5,428	1,857	6	3,511	21,705	—	116,311	270,631	37,214	19,385	909,772

<sup>1</sup> Of which capital : Fr. 400 million.

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES CONSTITUTING,  
ON 31st DECEMBER 1992, THE BANK'S HOLDINGS**

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

Code	Name	
216	11.50 p.c.	Belgian Loan 1983 / 90 / 94.
221	11.50 p.c.	Belgian Loan 1985 / 93 I.
223	11.50 p.c.	Belgian Loan 1985 / 93 II.
224	11.25 p.c.	Belgian Loan 1985 / 94.
225	10.75 p.c.	Belgian Loan 1985 / 94.
226	9.75 p.c.	Belgian Loan 1986 / 94.
227	7.60 p.c.	Belgian Loan 1986 / 94.
228	7.75 p.c.	Belgian Loan 1987 / 93 / 97.
230	8 p.c.	Belgian Loan 1987 / 95 I.
231	8 p.c.	Belgian Loan 1987 / 95 II.
232	8 p.c.	Belgian Loan 1988 / 96.
233	7.75 p.c.	Belgian Loan 1988 / 96 I.
234	7.75 p.c.	Belgian Loan 1988 / 96 II.
235	8 p.c.	Belgian Loan 1988 / 95.
236	7.75 p.c.	Belgian Loan 1988 / 95.
237	8 p.c.	Belgian Loan 1989 / 97.
238	8.25 p.c.	Belgian Loan 1989 / 97 I.
239	8.25 p.c.	Linear Bond 1989 / 99.
240	8.25 p.c.	Belgian Loan 1989 / 97 II.
241	8.25 p.c.	Belgian Loan 1989 / 96.
242	9.50 p.c.	Belgian Loan 1989 / 98.
243	9.95 p.c.	Treasury bills 1990 / 96.
244	10 p.c.	Combined loans 1990 / 97.
248	10 p.c.	Linear Bond 1991 / 98.
250	9.25 p.c.	Belgian Loan 1991 / 98.
251	9 p.c.	Linear Bond 1991 / 2003.
252	9 p.c.	Linear Bond 1991 / 2001.
253	9 p.c.	Belgian Loan 1991 / 99 I.
255	9 p.c.	Belgian Loan 1991 / 99 II.
256	8.75 p.c.	Belgian Loan 1992 / 98.

257	8.50 p.c.	Linear Bond 1992 / 2007.
259	8.75 p.c.	Linear Bond 1992 / 2002.
260	9 p.c.	Linear Bond 1992 / 98.
437	10 p.c.	Road Fund 1985 / 94.
439	8 p.c.	Road Fund 1987 / 95.
440	7.75 p.c.	Road Fund 1988 / 96.
598	2 p.c.	National Foundation for Financing Scientific Research 1963 / 1993 — 4th tranche.
599	2 p.c.	National Foundation for Financing Scientific Research 1964 / 1994 — 5th tranche.
600	2 p.c.	National Foundation for Financing Scientific Research 1965 / 1995 — 6th tranche.
601	2 p.c.	National Foundation for Financing Scientific Research 1966 / 1996 — 7th tranche.
602	2 p.c.	National Foundation for Financing Scientific Research 1967 / 1997 — 8th tranche.
603	2 p.c.	National Foundation for Financing Scientific Research 1968 / 1998 — 9th tranche.
604	2 p.c.	National Foundation for Financing Scientific Research 1969 / 1999 — 10th tranche.
652	7.25 p.c.	Telegraphs and Telephones Board 1986 / 94.
851	11 p.c.	Assistance Fund for the Financial Recovery of Municipalities 1985 / 93.
3,009	—	National Industrial Credit Company shares.
—	—	Belgian International Investment 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 31.12.1992**

*(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 NAMES AS USED IN THIS AND PREVIOUS REPORTS OF THE NATIONAL BANK

Agricultural Fund	Fonds Agricole
Agricultural Investment Fund	Fonds d'investissement agricole
Airways Board	Régie des voies aériennes
Antwerp Port Administration	Administration du Port d'Anvers
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
Banking and Financial Commission (formerly Banking Commission)	Commission bancaire et financière (précédemment Commission bancaire)
Belgian Air Navigation Company (Sabena)	Société Anonyme Belge d'Exploitation de la Navigation Aérienne (Sabena)
Belgian Aluminium Syndicate	Syndicat Belge de l'Aluminium
Belgian Bankers' Association	Association Belge des Banques
Belgian Coal Mines Re-equipment Fund	Fonds de Rééquipement des Charbonnages Belges
Belgian-Congolese Amortisation and Management Fund	Fonds Belgo-Congolais d'Amortissement et de Gestion
Belgian-Luxembourg Economic Union (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 (SNCB)
Belgian Office for Increasing Productivity	Office Belge pour l'Accroissement de la productivité
Belgian Petroleum Federation	Fédération pétrolière belge
Belgian Real Estate Credit Association	Association Belge du Crédit immobilier
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
Board of Censors (of NBB)	Collège des censeurs (de la BNB)
Board of Directors (of NBB)	Comité de direction (de la BNB)
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 Office for Mortgage Credit	Office Central de Crédit Hypothécaire
Central Office for Small Savings	Office Central de la Petite Epargne
Central Credit Office	Centrales des Crédits
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
Committee of Control for Electricity	Comité de Contrôle de l'Electricité
Committee of Management for Electricity	Comité de Gestion de l'Electricité
Committee of the Brussels Stock Exchange	Commission de la Bourse de Bruxelles
Consultation Committee for Creditor Interest Rates	Comité de concertation des taux d'intérêt crédeurs
Consultative Committee for Co-ordinating Medium-Term Export Financing (« 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 Public Credit Institutions	Conseil des Institutions Publiques de Crédit
Council of Regency (of NBB)	Conseil de régence (de la BNB)
Council of State	Conseil d'Etat
Creditexport Association	Association Creditexport
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
Economic Expansion and Regional Reconversion Fund	Fonds d'Expansion Economique et de Reconversion Régionale

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
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
Fund for the Financial Balancing of the Social Security System	Fonds pour l'équilibre financier de la Sécurité Sociale
General Budget Statement	Exposé Général du Budget
General Savings and Pensions Fund (GSPF)	Caisse Générale d'Épargne et de retraite (CGER)
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
Joint Committee of Banks and Bank Employees	Commission paritaire des banques
Ministry of Economic Affairs (MEA)	Ministère des Affaires Economiques (MAE)
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 National Education	Ministère de l'Education Nationale
Ministry of the Civil Service	Ministère de la Fonction Publique
Ministry of Public Works	Ministère des Travaux Publics
Ministry of Social Security	Ministère de la Prévoyance Sociale
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 Economic Council	Conseil Central de l'Economie
National Employment Office (NEMO)	Office National de l'Emploi (ONEM)
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	Société Nationale du Logement
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 Joint Mines Commission	Commission Nationale Mixte des Mines
National Register of Physical Persons	Registre national des personnes physiques
National Sickness and Disability 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
Nuclear Energy Research Centre	Centre d'Etudes de l'Energie Nucléaire
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)

Research Department (of the NBB)	Département des Etudes (de la BNB)
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 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
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 Municipalities Fund	Fonds spécial des communes
Staff Pensions Fund	Caisse de Pensions du Personnel
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
Union of Non-Ferrous Metal Industries	Union des Industries des Métaux Non Ferreux



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