

NATIONAL  
BANK  
OF BELGIUM

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REPORT 1993



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IN MEMORIAM

REPORT PRESENTED  
BY THE AGENCY

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# NATIONAL BANK OF BELGIUM

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## REPORT 1993

PRESENTED TO THE GENERAL MEETING  
ON 28th FEBRUARY 1994



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## **In Memoriam**

*It was with deep consternation that the country learned of the sudden death of His Majesty King Baudouin, which took place on 31st July 1993.*

*The moving expressions of sympathy from tens of thousands of Belgians and the impressive tribute paid by many Heads of State confirmed the immense prestige enjoyed by our late Sovereign. His strong personality and high moral authority earned the respect of the whole country.*

*The Boards and staff of the Bank associated themselves with the tribute paid to the memory of King Baudouin and expressed their condolences to Her Majesty Queen Fabiola and the Royal Family.*

*King Baudouin had always been attentive to the role and operation of our Institution. The Bank therefore had the honour of receiving him on its premises on several occasions, during these last forty-three years. H.M. King Baudouin had also enhanced by his presence the celebration of the 100th and 125th anniversaries of our Institution.*

*On each occasion the late Sovereign was impressive by the concern which he showed for the general interest and by his kindness and his great ability to listen.*

*Our Institution wishes his successor, King Albert II, complete success in the accomplishment of his noble mission in the service of our country. Following the course outlined by the late King Baudouin, King Albert II is continuing to perform the wise work which marked the reign of his brother and which the entire Belgian people will always remember.*



# REPORT PRESENTED BY THE GOVERNOR ON BEHALF OF THE COUNCIL OF REGENCY<sup>1</sup>

## INTERNATIONAL ENVIRONMENT

### *Shifts in the world economy*

*An extensive redistribution of work and wealth has started on a worldwide scale in recent years. Several developing countries, chiefly in East-Asia but also in Latin America, have embarked on a process of radical economic reforms and industrialisation and are displaying a remarkable dynamism. Despite the immense political and structural problems with which they have to contend at the moment, it is also the ambition of the countries of Central and Eastern Europe and the former Soviet Union to acquire a proper place in the world economy.*

*These developments must be regarded as promising, since they open up the prospect that, in the long run, a greater proportion of the population of the world will succeed in lifting themselves to a higher level of prosperity. That could impart new growth impulses to the world economy, because, as countries become more prosperous, they also constitute larger markets for goods and services from other countries.*

*The post-war improvement in the standard of living in the West itself was largely attributable to the expansion of international trade and the opening up of markets. But now that more and more countries wish to*

*join this system, the traditional industrialised countries feel threatened, uncertainty is increasing and defensive or even protectionist tendencies are surfacing. The slow and laborious GATT negotiations within the framework of the Uruguay Round were revealing in this connection.*

*The industrialisation of less developed regions of the world, where production costs are often significantly lower than in the West, and the concomitant relocation of some activities, indisputably create serious problems of adjustment for the traditional industrialised countries. Defensive strategies, which are essentially based only on short-term considerations, cannot, however, be expected to do much good. Subsidising or otherwise protecting sectors exposed to competition may in the long run prove disadvantageous for economic growth, and the usefulness of this course of action is therefore rather dubious. Nor is it sensible to argue that wage reduction is the only way to prevent the relocation of industrial employment to low-wage countries. The gulf between the respective levels of labour costs is as yet far too great for this and, in addition, there is the risk that the effect of changes in labour costs may be cancelled out by freely fluctuating exchange rates. In this connection it would doubtless be preferable that, thanks to rapid economic development, wages in the newly industrialised countries should gradually approximate to the Western level. As these countries accumulate hardly any foreign assets but devote a large proportion of their newly acquired income to further expanding their production apparatus and improving their economic and social infrastructure, it may be expected that their*

<sup>1</sup> At its meeting held on 2nd February 1994 the Council of Regency unanimously reaffirmed its agreement with the Bank's monetary policy.

It also approved the text of the annual report. However, two regents were unable to concur with a number of views on economic and social policy expressed in the introduction.

higher standard of living and their integration in the world economy will ultimately offer more opportunities than threats for the traditional industrialised countries.

To enable full advantage to be derived from these opportunities, a strategic long-term approach — of which further liberalisation of world trade forms an essential part — is needed. Only in an open international economic context will the Western countries be able to benefit fully from the development of those regions of the world where there is still a great potential of unsatisfied demand and strong economic growth can be expected. These points also highlight the importance of the GATT agreement reached at the very last moment in December 1993, since the advantages of a more open and more balanced world trade system generally compensate for the adverse effects which it might have for some sectors.

A balanced liberalisation of international trade implies, however, that each country must increasingly adapt itself to changes in international competition and to shifts in economic specialisation. Consequently, supply must be better adapted to the growth markets of the future, both geographically and in terms of products. That will be far from easy: structural adjustments are often painful and provoke resistance, since concrete sacrifices have to be made in the short term, while the benefits appear uncertain or are not perceptible until later. This challenge will probably be harder to meet for the European Union, where enterprises often do not look beyond the European market, than, for instance, for Japan and even for the United States.

### **Recent economic developments in the industrialised countries**

Uncertainty was probably the most characteristic feature of the international economic environment in the year under review. In this context and for the third year in succession the growth of the world economy fell short of its potential: in all the major OECD

countries, including those where signs of a revival were already apparent, the domestic product remained below its trend value. While under-utilisation of production capacities was a general characteristic, cyclical movements in the main regions were not homogeneous. In the United States and, to a smaller extent, in most other Anglo-Saxon countries economic activity picked up. Continental Europe and Japan, on the other hand, entered into recession. As a result of that divergent course of activity and of sharp fluctuations in exchange rates, the balance of payments disequilibria between the main OECD areas also remained substantial. A striking point, on the other hand, was the convergence towards a lower rate of inflation within the OECD.

In the United States the recovery was sustained mainly by investment and, with a certain time-lag, by private consumption. But its progress was not unflinching. Particularly in the first half of 1993 the pace of growth slackened because the slow expansion of foreign markets hampered the growth of exports and persistent large budget deficits caused the authorities to exercise greater restraint in their expenditure on consumption. Over the year as a whole the growth in GDP, at 2.8 p.c., was therefore hardly any greater than in 1992. Owing to the relative cyclical position of the United States, the rate of growth of its imports substantially exceeded that of its exports. The small improvement in the terms of trade only partly counterbalanced the effect of this on the current account of the balance of payments, so that the deficit rose again sharply in 1993 to 1.7 p.c. of GDP.

The Japanese economy, for its part, has slid during the last two years towards a recession which, at least according to that country's standards, can be called exceptionally severe: GDP appears to have contracted by nearly 0.5 p.c. in 1993. Despite the lowerings of interest rates and a succession of expansionary budget stimuli, the ongoing process of reduction of the indebtedness of the private sector, a consequence of earlier excessive capital and portfolio investment and sharp falls in the prices of assets, put a damp-

er on private expenditure as a whole. In addition, household expenditure was restricted by the stagnation of employment and disposable income, while investment was affected by less favourable sales prospects and declining profits. In the meantime the Japanese economy had to cope with a new shock, in the form of a very pronounced appreciation of the yen. In effective terms its rise averaged over 20 p.c. in 1993. While Japan, being more oriented towards the new growth poles around the Pacific Ocean, suffered less than other countries from the slackening of the expansion of its foreign markets, this appreciation reduced the competitiveness of Japanese enterprises, thus considerably slowing down export growth. The effect of this development on the current account of the balance of payments was, however, entirely counterbalanced by the appreciable improvement of the terms of trade resulting from the rise of the yen : at 3.3 p.c. of GDP, the current account surplus was maintained at the high level reached in 1992.

Lastly, in the European Union the economic recession bottomed out in the first quarter of 1993. Over the year as a whole, GDP shrank by about a quarter of a percentage point, with Germany, Belgium, Spain and France, in particular, achieving lower than average results. Only in the United Kingdom, where the recession had in fact started much earlier than in the rest of Europe, did a clear recovery become evident. In nearly all the countries of continental Europe domestic demand declined, sometimes sharply. Contracting employment and the slower rise, or even fall, in real disposable incomes depressed households' expenditure on consumption, but it was business investment that fell most sharply as a reaction to the growing under-utilisation of production capacities, the narrowing of profit margins and the weakness of both domestic and foreign demand. Net exports of goods and services gave appreciable support to activity only in a few countries where the pronounced depreciation of the currency since the middle of the previous year offset earlier losses of competitiveness. Elsewhere, the contribution of net exports to economic growth was negligible, or even nega-

tive. For the European Union as a whole, the current account deficit shrank to 0.3 p.c. of GDP, mainly owing to the relative weakness of economic activity in most of the Member States and to the improved competitiveness of some countries thanks to the depreciation of their currencies and the accompanying measures taken to counteract the consequences of the rise in import prices. The fact that the European Union still incurred a deficit in a period characterised by relatively weak demand points, however, to the existence of more deep-rooted structural deficiencies.

The depressed cyclical situation and the resultant rise in unemployment, together with the more rapid fall in the prices of both energy and non-energy raw materials led, in the OECD area as a whole, to a moderate cost development and a slackening of inflation. In the European Union, where the average rate of rise of the deflator of private consumption fell off from 4.6 p.c. in 1992 to 3.8 p.c. in 1993, the improvement with regard to inflation would perhaps have been even greater if, in many countries, indirect taxes and charges for public services had not been increased and if import prices expressed in domestic currencies had risen less. In the countries whose currencies had depreciated substantially since the autumn of 1992, the repercussions of those depreciations on domestic prices have hitherto been kept in check, as domestic importers or foreign exporters have reduced their profit margins. Nevertheless, watchfulness is still called for with regard to inflation, because, as the economic recovery strengthens, there is the risk of a catching-up movement in wage demands and profit margins.

In Europe the link between economic growth and job creation appears to have been structurally impaired for quite a long time. Although international comparisons always have to be interpreted with caution, a comparison over a fairly long period between Europe and the United States is particularly revealing in this respect. Over the years 1970-1993 the average annual growth in GDP in the two regions was very similar, having

amounted to 2.5 p.c. in the United States and 2.4 p.c. in the European OECD countries as a whole. During the same period, employment increased on average by 1.8 p.c. per annum in the United States but by only 0.6 p.c. in Europe. These figures are abundant proof that the labour-intensiveness of economic growth in Europe is particularly low and that growth is therefore primarily sustained by rises in productivity.

This characteristic of the European growth model seems to be connected with a number of deficiencies in the operation of the labour market: lack of flexibility in the supply of labour, partly as a result of often insufficient financial incentives to acceptance of a job; labour costs which are both too high and not sufficiently differentiated, comprising, in addition to direct remuneration, also fiscal and parafiscal charges; rigidities inherent in regulations, etc. Now it is precisely the high level of labour costs and the lack of flexibility that impose demanding requirements with regard to the productivity of labour. Increasingly, activities which no longer meet this criterion are abandoned or relocated. It therefore looks as if the relatively stronger growth in productivity in Europe is primarily due to rationalisation measures and the elimination of less profitable activities and not so much the result of an advance in terms of efficiency or technological innovation.

The latest recession merely aggravated these tendencies. The recent upsurge of unemployment in the European Union, from 8.3 p.c. of the labour force in 1990 to 10.5 p.c. last year, was perhaps largely cyclical in nature, but the actual high level of unemployment points to structural handicaps owing to which unemployment rises sharply whenever activity slackens but never falls back to the old level when the situation improves. Both the countries of the European Union and the other OECD countries are thus faced with the challenge of having to make sure that the measures aimed at improving the operation of the labour market do in fact, without any social exclusion, lead to the creation of an adequate number of jobs.

### **Divergent budgetary policies**

Depending on the state of the public finances and the cyclical situation of the various economies, budgetary policies diverged considerably. A decisive feature was the fact that in most countries sufficient advantage had not been taken of the preceding period of economic expansion in order to put the public finances on a sound footing. The authorities were thus faced with the problem of whether it was reasonable to accept a temporary relaxation of budgetary discipline in order to encourage economic recovery or whether it was preferable to adhere strictly to a policy centred on structural rehabilitation while compensating for the effects of cyclical setbacks on the budget.

Initially they appear to have opted for a more flexible line of policy. Various countries allowed the so-called automatic stabilisers to perform their function and thus accepted the fact that the weakness of economic activity led to a decline in government revenue and entailed higher transfer expenditure. In other countries, which originally had somewhat more scope for the conduct of a counter-cyclical budgetary policy or where the recession was particularly severe, the authorities went a step further by adopting discretionary stimulation measures, on top of the worsening of the deficit due to cyclical factors. In a last group of countries, on the contrary, where the budget deficit and/or the public debt ratio had already reached levels which were difficult to sustain, the authorities deliberately endeavoured to adhere to their policy of structural rehabilitation and to wholly or partly counteract the effects of the automatic stabilisers by expenditure cuts and measures designed to increase revenue.

Gradually the conviction gained ground that further increases in budget deficits would ultimately do more harm than good. They are indeed liable to shake the confidence of consumers and the business community, if these think that they portend tax increases or expenditure cuts. It has furthermore been found that an imbalance of the public finances may lead to a rise in interest rates

and pressure on exchange rates. Moreover, the targeted stimuli to expenditure provided in some countries would have had only disappointing effects on economic activity, so that in the long run they would merely have led to a further worsening of the deficit. In addition, a growing number of countries are faced with the imminent danger of a financial disruption of their social security systems, as a result of the ageing of their populations, higher and longer-term unemployment and increasing health care costs. For the Member States of the European Union there was also the danger of deviating further from the targets set with a view to the creation of the Economic and Monetary Union. For the Union as a whole the public deficit in 1993 amounted to about 6.4 p.c. of GDP. A number of countries therefore adopted — or at least announced — medium-term consolidation programmes. Carrying these out will be no easy task, because, as the experience of the 1980s has shown, reversing a budgetary trend which has got out of hand is a long and painful process which provokes a great deal of political and social resistance.

### **The process of European unification back on the rails**

However much the present weakness of activity may affect the economic situation, that must not be used as a pretext for calling in question the convergence criteria laid down in the Treaty of Maastricht. It is, however, appropriate to put these criteria in their proper perspective: they should not be regarded as short-term commitments; they are in fact the basic conditions which must be fulfilled in order to give the Economic and Monetary Union, in its final stage, the necessary cohesion and soundness and thus the best chances of success. Even though it has to be admitted that the present economic difficulties make it doubtful whether a large number of countries will be able to move on quickly to the third stage, it would nevertheless be counter-productive to revise the convergence criteria; a political assessment of the budgetary criteria being in fact already provided for in the Treaty. Such an attitude would ultimately amount

to lowering the requirements for the final stage of the Union and might thus merely shake confidence in the success of the European Union project. What is actually needed in the present context is a co-ordinated and consistent approach to the economic crisis which will still offer the prospect of a realisation of the Economic and Monetary Union based on firm and fundamentally sound foundations.

The new treaty which, after the ups and downs of the last two years, came into force in November 1993, provides the instruments which are necessary for such a Community approach. At the instigation of the Belgian presidency and the European Commission, these were put to use without delay. In December the Commission presented to the European Summit in Brussels a White Paper on the strategy to be adopted in the medium term for promoting growth, competitiveness and employment. This document pinpoints the causes of the present economic malaise and shows that this is a European problem with important structural components which call for a joint approach. The policy recommendations made and the concrete lines of action proposed in the White Paper were incorporated by the Council of Heads of State and Government in a plan of action whose purpose is to contribute, in the short term, to the reversal of the economic trend and to bring about an appreciable reduction of the unacceptably high unemployment in the Union by the end of the century. For this purpose the plan outlines the general framework of the economic policy to be pursued in the Member States and contains a number of specific accompanying measures at European level.

The same main lines are incorporated in the recommendation concerning the broad guidelines of the economic policies of the Member States and of the Community, which was adopted by the Ecofin Council on 13th December. The aim of this new instrument, introduced by the Union Treaty, is to induce the national authorities to view their economic policies as a matter of common concern and to create the framework for co-

ordination during the second stage of Economic and Monetary Union. The recommendation also expressly calls upon the Member States to make every effort to reduce inflation as quickly as possible to not more than 2 to 3 p.c., to retain the objective of exchange rate stability and to avoid any deterioration of their budgetary situation in 1994, and then to bring it back to sustainable levels from 1995 onwards.

Both the Commission's White Paper and the Council's action plan and policy guidelines plot the course whereby it should in principle be possible to impart a new impetus to European co-operation. The Member States are nevertheless given a wide degree of autonomy for the implementation of the policy actions to be carried out. Their success will therefore largely depend on the political willingness of each individual Member State to make its efforts fit into this common reference framework.

### **The European monetary crisis**

The crisis which had broken out in 1992 in the European Monetary Union developed further in 1993.

In 1992 the problems surrounding the process of ratification of the Treaty on European Union had led to a change of attitude on the financial markets. Operators became less confident about the early realisation of Economic and Monetary Union and more conscious of the fundamental economic disequilibria. In a first phase the questioning of exchange rate relationships finally led to successive devaluations or to the suspension of the participation of certain currencies in the exchange rate mechanism: this applied to the currencies of countries where, despite a gradual convergence of inflation rates, the competitive position had deteriorated, or where activity had suffered much earlier from the cyclical reversal and where expenditure furthermore seemed particularly sensitive to rises in short-term interest rates. It would perhaps have been possible to avoid a crisis on such a scale if the authorities had adopted a

new, more credible parity grid without delay, rather than giving way to successive bouts of market pressure.

This crisis created doubts concerning the robustness of the exchange rate mechanism and the central banks' means of defence. As a result, speculative pressure continued in 1993 and in fact mainly affected the currencies of countries which had achieved better results than Germany with regard to inflation and the current account of the balance of payments. Some operators felt that there was a potential conflict of aims between Germany, where the central bank had to contend with the inflationary consequences of reunification, and those countries where, in their opinion, the upsurge of unemployment and the low level of inflation justified a greater easing of monetary policy and where speculative pressures were liable to exacerbate a dilemma of economic policy, namely whether to maintain the exchange rate at the cost of high interest rates or to abandon the exchange rate objective. Furthermore, some currencies were subject to pressures because of the depreciation of those of neighbouring countries.

After a calmer spell, due partly to the lowering of German interest rates, new tensions developed in July, following the downward revision of economic forecasts in France and owing to a certain scepticism with regard to the tempo of interest rate reductions in Germany. These strains spread and reached their culmination at the end of the month, when the predominant feeling on the markets was that the authorities' willingness to cooperate was not sufficient to withstand the pressures.

In reaction to the instability of the markets, it was decided on 2nd August 1993 to allow greater fluctuations in exchange rates by widening the span between the compulsory intervention limits, which offered too easy a target for one-way speculation. The fluctuation margins were widened from 2.25 or 6 p.c. to 15 p.c. on either side of the central rates. This alteration of the rules of the exchange rate mechanism meant that operators were faced with a more symmetrical

risk. Also, by deciding to leave the parities unchanged, the authorities once more reaffirmed their validity.

This last aspect was not sufficiently emphasised, and a number of observers therefore thought that the central banks would use the margin for manoeuvre which the new system theoretically gave them in order to pursue more differentiated interest rate policies. Nothing was less true : not one of the central banks involved opted for a strategy designed to cause interest rates to fall below the German level or requiring indifference to any depreciations.

The monetary authorities of the countries participating in the exchange rate mechanism are precisely concerned to avoid the risk of excessive exchange rate fluctuations and competitive depreciations, because these might jeopardise both the single market and the achievement of Economic and Monetary Union. They also wish, on the domestic plane, to retain the advantages of a counter-inflationary anchoring, considering that a policy reversal would in the end prove more expensive, in view of the rise in long-term interest rates to which it would lead.

Furthermore, the differences as regards inflation and cyclical situation between Germany and most of the other participants in the exchange rate mechanism are not such as to warrant a differentiation in monetary policy. After July 1993, short-term interest rates in the area as a whole in fact continued to show a downward trend.

Thanks to the policies pursued, exchange rates had returned by the end of the year to levels much closer to the central rates. It does not, however, appear to be possible at present to draw up a timetable for a return to the narrow fluctuation margins coupled with compulsory interventions by the central banks ; this could probably be envisaged only in a context of stronger growth and greater economic convergence.

The ratification of the Treaty on European Union did, however, smooth the way for con-

siderable progress on the institutional plane. Thus, the second stage for achieving Economic and Monetary Union began on 1st January 1994. On that date the European Monetary Institute replaced the Committee of Governors of Central Banks and the European Monetary Co-operation Fund. The Institute's main tasks are to strengthen the co-ordination of monetary policies with a view to ensuring price stability, to prepare for the transition to a single currency, specifically by specifying the regulatory, organisational and logistical framework which the European System of Central Banks will need in order to perform its tasks in the third stage, and to oversee the development of the ecu.

Since the exchange rate mechanism of the European Monetary System is no longer capable of maintaining such a strict collective discipline as before, economic convergence will henceforth have to be based more on voluntary co-ordination of policies. Exchange rate stability still remains an objective, since it should enable the greatest advantage to be derived from the single European market and allow progress to be made towards the Union. It does not, however, rule out, at least for the time being, the toleration of very-short-term fluctuations in order to ward off speculative pressures. Nor does it need to exclude corrections for fundamental disequilibria. In a context of complete freedom of capital movements, exchange rate stability cannot, as has become quite clear, be imposed from above. It can only be ensured by economic convergence and monetary co-operation.

Throughout the second stage the entire responsibility for monetary policy will continue to lie with the national authorities. It is up to the European Monetary Institute to promote the essential co-ordination. While it does not have any discretionary powers for this purpose, it can, together with the central banks, build up a competence in the field of analysis, initiative, stimulation and persuasion which must become the cornerstone of its authority.

The burden of stabilisation must not rest solely on monetary policy. The Treaty on

*European Union does in fact provide for multilateral surveillance designed to ensure continuing convergence of the economic performance of the Member States in accordance with the broad guidelines outlined at Community level. It is in this context that the European authorities will have to apply the procedure aimed at preventing excessive*

*government deficits. Public bodies no longer have privileged access to the financial institutions and are not allowed to resort to central bank credit. The European Monetary Institute, for its part, should endeavour to deepen its dialogue with the European political authorities and can use its power to give advice and make recommendations.*

## ECONOMIC DEVELOPMENTS IN BELGIUM

### ***The cyclical low appears to have been passed***

*Developments in recent years have shown once more how greatly the Belgian economy is dependent on the state of economic activity in its main neighbour countries, especially Germany. As Belgium was probably the country which benefited most directly from the strong expansion of demand connected with German reunification, the recession was postponed somewhat, but not finally avoided.*

*Once the effects of the expansion of expenditure due to the reunification dwindled and the consequences of an unbalanced policy mix caused the German economy to drift towards recession, economic activity fell off in Belgium, too. The weakening of the external demand component was gradually added to by a decline in domestic expenditure, especially private consumption and investment. Such a chain reaction is not unusual in Belgium: earlier business cycles have shown that, after a time, the weakening of exports affects investment by enterprises, consumption and, ultimately, economic activity as a whole. During the year under review this domino effect led to a decrease in gross domestic product in terms of volume of about 1.3 p.c., which is very close to the extent of the contraction of the German economy.*

*The end of the 1980s had been characterised by a high level of investment activity*

*which had formed the basis for a considerable expansion of production capacities. When, shortly afterwards, economic activity slackened, the rate of utilisation of capacity also fell sharply and the overheads relating to the existing capital stock imposed a growing burden on the profitability of enterprises. Partly owing to the keener international competition and with the prospect of the complete opening-up of the European internal market, the emphasis had already shifted, in 1991 and 1992, to rationalisation investment and the restructuring of enterprises. In 1993 the reaction of enterprises to the existing excess capacities was much sharper: it is estimated that their gross fixed capital formation decreased by more than 10 p.c. This overall figure does, however, conceal very different movements in the various sectors. Thus the fall in investment appears to have amounted to about 25 p.c. in manufacturing industry, whereas the carrying out of major infrastructure projects continued to sustain fixed capital formation in the energy, transport and communications sectors.*

*Expenditure by individuals, which is by far the most important component of domestic demand, was affected by the considerably slower increase in their real disposable income — from just over 3 p.c. in 1992 to 0.9 p.c. in 1993 — and by a feeling of uncertainty about the near future. While the latter was perhaps partly due to the unfavourable cyclical climate, it was also attributable to the dubious employment prospects — to*

some extent because of keener competition from low-income countries — and to doubts regarding the ability of the public authorities to safeguard the future of the social security system. Households' propensity to save thus accentuated the cyclical trend : although their savings ratio had already reached an exceptionally high level, they do not appear to have been inclined to counterbalance the effects of the stagnation of their purchasing power ; on the contrary, they actually saved more as a precaution. During the year under review their savings ratio reached a peak, of over 20 p.c. of their disposable income, while expenditure on consumption, which had continued to rise fairly markedly during the preceding years, decreased by about 1.2 p.c. in volume. Furthermore, unlike in 1992, the continued decline in mortgage interest rates did not prevent a decrease in investment in housing. The rise in the savings ratio of households was therefore completely reflected in their financial savings.

In the end, public expenditure made the only positive contribution, small though it was, to the growth in domestic demand, chiefly in the form of increased investment by the regions and local authorities. The level of public investment nevertheless remained particularly low, by both historical and international standards.

The balance, in terms of volume, in transactions in goods and services with foreign countries, which had made a negative contribution to growth in 1992, appears to have had a positive effect again in 1993. Although, owing to the shrinking of foreign markets and the weakening of the competitive position of Belgian exporting enterprises, the volume of exports contracted by nearly 3 p.c., the high import content of these exports and the decline in domestic demand led to an even greater fall in the volume of imports.

Annual figures often give a somewhat distorted picture of the actual course of events. This appears to have been the case for the year under review. The relatively gloomy picture presented by the developments outlined above does in fact to some extent reflect the

overspill of negative movements which had already taken place in 1992. Thus, the quarterly figures for real gross domestic product, which the Bank recently started to compile, show that the decline in economic activity occurred chiefly during the second half of 1992 and the first quarter of 1993, in which quarter the trough of the cyclical movement was reached. Since then there have been signs of a certain revival. Mainly owing to the reversal in foreign trade, there appears to have been a modest growth in the domestic product during the second and third quarters of 1993. Recent partial indications furthermore point to a revival of household consumption around the end of the year, while the investment plans of enterprises also seem to have taken a turn for the better. It is not quite clear, however, whether these developments can be regarded as an expression of renewed confidence on the part of consumers and entrepreneurs or whether they represent, rather, a technical reaction to the postponement of replacement investments and purchases of durable consumer goods. Be that as it may, more and more positive signals are also appearing in the neighbouring countries, and if these indications corroborate the latest forecasts made by the main international institutions, which record a significant recovery of the BLEU's export markets, there might be the prospect of a further growth in economic activity during the current year. But it is quite impossible, under the present circumstances, to predict how strong that will be.

### **Structural weaknesses in the operation of the labour market**

Nevertheless, it seems clear that the recovery now in prospect will not be sufficient to bring about a significant improvement in the state of the labour market. The recession has revealed in Belgium, as elsewhere in Europe, a number of structural weaknesses in the operation of this market. As regards both the supply of and the demand for labour, the market is apparently not flexible enough to be able to cope with fluctuations in activity at the lowest possible social cost. These rigidities explain why, over a relatively long

period, economic growth has not created sufficient employment to meet the growing demand for new jobs. Unemployment is therefore displaying an upward trend from one business cycle to the next.

In this context it is hardly surprising that the latest decline in activity took a heavy toll. From June 1991 to June 1993 around 70,000 jobs were lost, most of them — 52,000 — between June 1992 and June 1993. A new feature, however, was that since 1991 there have also been substantial reductions in personnel in the public sector, totalling just over 20,000 units, about three quarters of which have been in the national defence department. In enterprises the decrease in employment did not really start until the second half of 1992, entailing the loss of some 47,000 jobs between June 1992 and June 1993. No major branch of activity, even in the services sector, was able to maintain its level of employment, a feature which undoubtedly made the feeling of insecurity connected with actual or potential unemployment more widespread.

Another striking phenomenon was that the increase in temporary unemployment and, more generally, the slowing of the rise in productivity, which usually serve as a buffer against dismissals only at the beginning of a weakening of economic activity, now also gained in importance at the deepest point of the recession. That is perhaps connected with the fact that the recession gradually affected a steadily widening range of enterprises. There is therefore the danger that if no adequate revival of activity takes place in the near future, these forms of slumbering under-utilisation of available labour will ultimately lead to actual dismissals and thus to a further rise in unemployment.

While the number of jobs declined, the supply of labour, in other words the labour force, again increased fairly considerably in the year under review. A preponderant role in this connection was played by the decrease in the number of early or temporary withdrawals from the labour market. In order to combat unemployment, Belgium has in the

past, unlike many other countries, placed strong emphasis on measures designed to reduce the supply of labour: early retirement schemes, career interruption and unemployment interruption, lengthening the period of compulsory schooling. In addition to the indisputably high budgetary cost of these schemes, it has become apparent that this policy has also contributed to the creation of certain structural rigidities. These are partly reflected in the fact that in Belgium the supply of labour appears to react much less in the short term to fluctuations in economic activity than is the case elsewhere in Europe. The authorities have for some time been endeavouring to restrict these early or temporary withdrawal systems. However, by thus limiting the artificial reduction in the labour force, this brings about a temporary increase in the supply of labour, precisely at a time when demand for it is contracting markedly. The net result is a sharper rise in recorded unemployment than would otherwise have been the case.

According to the harmonised EC statistics, the unemployment rate rose from an average of 8.2 p.c. of the civilian labour force in 1992 to 9.4 p.c. in the year under review. This rise was only slightly greater than in the European Union as a whole, where it increased by about one percentage point to 10.5 p.c.

Although the upsurge in unemployment was probably chiefly cyclical in origin, it must be a cause for concern. In view of the length of the recession and the obvious under-utilisation of the existing workforces, there is in fact the risk of a major shift from short-term to long-term unemployment. Now experience has shown that the longer the period of inactivity is, the more the unemployed persons' skills and ability to work, and thus also their chances of reintegration in working life, decrease. The danger is, therefore, that cyclical unemployment will turn into structural unemployment.

For a lasting reduction in unemployment, what is needed, first of all, is an appreciable improvement in growth prospects. As stated,

it is to be feared, however, that this will be far from sufficient. It was recently estimated that, between 1985 and 1991, there would have had to be an average annual growth rate of at least 1.9 p.c. to bring about a rise in employment in the private sector. In view of the trend increase in the labour force — averaging about 0.7 p.c. per annum during the last five years — the rate of growth necessary to cause a decrease in unemployment is a good deal higher still.

To rely solely on an expansion in economic activity is therefore not sufficient. Measures need to be taken to increase the labour-intensiveness of growth. Efforts must also be made to distribute the available volume of labour among the largest possible number of persons. In addition, in order to break through the vicious mechanisms of structural unemployment, it is necessary to take steps to improve the chances of integration or re-integration in working life of the most vulnerable groups of the labour force, such as young people, low-skilled workers and the long-term unemployed.

In recent years the Belgian authorities have changed the direction of their labour market policy: whereas in the past they placed the emphasis more on reducing unemployment as such and on mitigating its financial consequences, they have gradually given preference to a more active policy, assigning priority to the expansion of employment and the removal of obstacles which impede access to the labour market. The global plan for employment, competitiveness and social security which the Government drew up in November 1993 reinforced these new policy orientations.

In order to promote the employment effect of economic growth, it is firstly necessary to reduce the relative cost of the labour factor and bring about a greater differentiation of wage and salary scales. This is because the relatively faster rise in labour costs compared with that of the costs of the other factors of production has led to a systematic substitution of capital for labour, via rationalisation investments, and has in recent years slowed

down the net creation of employment in the services sector. Furthermore, a number of activities, albeit useful to society and labour-intensive, have been excluded from the labour market or shifted to the black labour circuits, where social protection is inadequate and abuses are frequent, with, at the same time, a substantial loss of fiscal and para-fiscal revenue for government.

To counter these tendencies, the global plan provides on the one hand for a general moderation of wages, which will be discussed further on, and on the other hand for a targeted reduction of labour costs in the form of a lowering of employers' social contributions, to the benefit of certain priority groups such as the lowest income categories, unemployed young persons and the long-term unemployed. In order to finance these reliefs, indirect taxes have been raised. The financing of social security is thus dissociated from the use of the labour factor and placed on a broader basis. This should help to reduce the threat represented by the gradual worsening of the ratio between the working and non-working population and to maintain the viability of the system while making it more favourable for employment.

However necessary the moderation of wages and other cost-saving measures may be, it will generally be difficult to quantify their exact incidence on employment. The creation of new jobs depends just as much on sales expectations, the spirit of enterprise and the flexibility of the labour market. Thus, in addition to lowering labour costs, there is a need for complementary measures to eliminate a number of structural rigidities which impede the creation of jobs. Measures should also be taken to bring about a better distribution of the available work. However, a general reduction of working hours is not called for in this connection: activity is weak at present, but as soon as it picks up, a measure which is so general and so difficult to reverse could be detrimental to business activity. On the other hand, formulas which encourage part-time working on a voluntary basis and promote a more flexible organisation of work are worthy of consideration, particularly as

Belgium is lagging considerably behind some of its neighbours in this field. Lastly, efforts must be made to maintain the quality and availability of the reserve of labour by specific programmes of vocational training and re-training, integration of young people in working life, guidance to unemployed persons in how to find a job and repression of abuses of the various unemployment schemes. Important initiatives were taken during the past year in this field, too, such as enterprise plans for the redistribution of work, the plan for the recruitment of young people, the introduction of greater flexibility in labour regulations and the creation of local job centres.

In the somewhat longer run it should, however, be possible to advance beyond this basically defensive strategy, since it is also essential to strengthen and modernise our economic structure in order to be able to cope with the changes in the international environment. To this end, there is a need to develop the activities for which Belgium can exploit comparative advantages, such as the production of high-quality goods or the rendering of financial and commercial services. These are fields in which the competition from low-wage countries is less of a threat and, furthermore, the newly industrialised countries will probably direct a considerable proportion of the increase in their demand towards these sectors. But Belgium is not the only country that wants to win these new markets. That is why it is of crucial importance not to lose market shares to our direct competitors. Viewed from this angle, there is not necessarily any contradiction between encouraging investments which increase productivity and at the same time stimulating more labour-intensive activities in sectors which are to a certain extent protected against international competition.

### **Prices, costs and competitiveness**

With an average rise in consumer prices of 2.8 p.c. in 1993, Belgium remained among the industrialised countries which did best with regard to inflation. Nevertheless, inflation speeded up slightly compared with the pre-

vious year and the difference in its level compared with most other Member States of the European Union decreased: for the Union as a whole the average inflation rate fell to 3.8 p.c., while that of Belgium's three most important trading partners (Germany, France and the Netherlands) declined to 2.7 p.c.

The slight acceleration of inflation during the past year was largely attributable to the raising of indirect taxes and the movement of energy prices excluding taxes. Had it not been for these two factors, the slowing of inflation would have continued in 1993.

An examination of the cost components of the deflator of total final expenditure shows that the fall in import prices, partly due to the slight appreciation of the weighted average exchange rate for the franc, together with the narrowing of profit margins, had a moderating effect on inflation. On the other hand, unit labour costs and indirect taxes net of subsidies exerted an upward pressure. In enterprises, while the rise in labour costs per year of full-time work did in fact slow down from 6.8 p.c. to 4.4 p.c. in 1993, primarily because of the moderation of wage increases under collective agreements, the effect of this slackening on unit cost prices was cancelled out by a pronounced reduction in productivity gains. The rise in unit labour costs therefore quickened from 3.5 p.c. in 1992 to 4.2 p.c. in 1993. In view of the weak economic situation and keener competition, enterprises did not pass on the whole of the increase in costs to their selling prices, with the result that their profit margins contracted by over 5 p.c. during the year under review. As, at the same time, the volume of final sales on the domestic and foreign markets decreased, the gross operating surplus of companies actually fell by about 7.5 p.c.

It appears that the small productivity gains achieved last year were solely due to a greater reduction in employment than in production: they can therefore hardly be regarded as an increase in prosperity to be distributed. During a recession period a stabilisation and a fortiori any rise in real wage costs is tantamount to a redistribution of income to

*the benefit of those who have been able to keep their jobs and at the expense of those who have lost theirs, at the expense of the profits of enterprises and, via the operation of the automatic stabilisers, lastly also the detriment of government. There is a danger that, in the course of time, this mechanism will further accentuate the decline in activity and the job losses : firms are forced to undertake rationalisation measures, to postpone capital investment and, at worst, to close down, while the public authorities have no margin for manoeuvre in order to play a compensatory role but, on the contrary, have to make further consolidation efforts. The lack of flexibility of the labour market may therefore prove particularly costly during a period of recession. It should, however, be borne in mind that the labour market generally reacts with a certain time-lag to cyclical movements, whether they be upwards or downwards.*

*In 1993 the increase in wage costs per employee, expressed in francs, would again appear to have been somewhat greater in Belgium — 4.2 p.c. — than, on average, in the case of its seven main trading partners. Exchange rate fluctuations did not, on balance, play any role in this connection : the effect of the considerable depreciation of the franc against the dollar and the yen, and also of the slight fall in its weighted average rate vis-à-vis the currencies of the three main neighbouring countries, was in fact exactly counterbalanced by the influence of its sharp appreciation against the pound sterling and the lira. These very opposed movements of the exchange rate for the franc led, however, to divergent developments of the bilateral competitive relationships. The rise in wage costs in a common currency was appreciably smaller in Belgium than in Japan and the United States, and a slight gain in competitiveness was also recorded in relation to Germany and the Netherlands ; on the other hand, there was a considerable loss of competitiveness in relation to the United Kingdom and especially Italy, two countries which allowed their currencies to depreciate substantially after their withdrawal from the exchange rate mechanism of the European Monetary System.*

*A comparison of wage costs in national currency over a somewhat longer period shows that, particularly in 1990 and 1991, these costs increased much faster in Belgium than in the case of its three main trading partners, which together account for over 55 p.c. of the external markets of the Belgian-Luxembourg Economic Union. This handicap was, however, more than offset by the competitive advantage achieved since 1987 over Italy and the United Kingdom, where the rise in wage costs was much faster than in Belgium. Variations in exchange rates hardly changed this situation during that period. Moreover, the stability of exchange rates within the exchange rate mechanism was generally regarded as a permanent achievement. Thus, according to the criteria of the law for safeguarding competitiveness, which relate to, among other things, the course of wage costs in relation to Belgium's five or seven most important trading partners, there was no cause for concern.*

*That proved to be an illusion. After the EMS crisis in the autumn of 1992, both the United Kingdom and Italy suspended their participation in the European exchange rate mechanism and allowed their currencies to float. The depreciation of the pound sterling which then took place cancelled out the loss of competitiveness which the United Kingdom had accumulated since 1987, while the fall of the lira actually gave Italy a competitive advantage over Belgium. The underlying worsening of the competitiveness of Belgian enterprises only became apparent in the light of these two corrections of exchange rates. It was confirmed by the National Economic Council in the spring of 1993 in the annual opinion which that institution is required to draw up in accordance with the law for safeguarding competitiveness. The measures taken by the Government in this connection comprise, on the one hand, the freezing of real wages for the period 1995-1996 and, on the other hand, the slowing down of the automatic adjustment of incomes to inflation by the use of a so-called « health index », which excludes the movement of prices of certain products such as tobacco, alcohol, petrol and diesel. These general provisions were*

also supplemented by a specific reduction of labour costs, in the form of a lowering of social security contributions in favour of enterprises exposed to international competition.

With hindsight one could say that the reaction to the existing latent deterioration in competitiveness came rather late. Moreover, in the meantime the European monetary context was changed by the widening of the fluctuation margins of the exchange rate mechanism. In the light of these two elements it may be asked whether, in examining the competitive situation, attention should not be paid first of all to the development of Belgium's relative wage costs vis-à-vis its three main trading partners, without, however, disregarding other important markets. This type of comparison might prevent the assessment of competitiveness from being distorted by temporary divergences between the movement of exchange rates and the relative movement of costs in some of Belgium's partner countries. Nevertheless, owing to the widening of the fluctuation margins, short-term exchange rate variations also became possible vis-à-vis the currencies of the three neighbouring countries. In order to prevent such fluctuations — which are admittedly undesirable but which cannot be avoided under all circumstances — from falsifying the assessment of the competitive position and leading to wrong conclusions, the analysis ought to be based on the relative movement of labour costs in national currency. There is also a more fundamental reason for this procedure: exchange rate stability must be founded on, among other things, a sound competitive position; if both of these are jeopardised through costs getting out of hand, exchange rate stability should be restored by correcting the runaway movement of costs, not the reverse.

### **Fiscal consolidation**

The federal authorities' consolidation efforts enabled the general government borrowing requirement to be stabilised at around 7.2 p.c. of GDP, despite the cyclical move-

ment, the negative incidence of which can be estimated at 1.3 p.c. of GDP. As nominal growth was particularly weak, this deficit pushed up the ratio of the public debt to the gross domestic product from 122 to 127 p.c.

The rehabilitation measures adopted in 1992 and 1993 could have been expected to lead, despite the recession, to a reduction of the deficit, as their incidence on expenditure and on fiscal and parafiscal revenue ought to have been of the order of 0.7 and 1.4 p.c. of GDP, respectively, in 1993, while the sale of assets provided the Government with additional resources representing about 0.4 p.c. of GDP. The deficit did not contract, however, because certain expenditure elements such as the salaries and pensions of civil servants continued to grow fairly appreciably in real terms while the rise in revenue was slowed down as a result of previous measures. On balance the increase in expenditure expressed as a percentage of GDP broadly reflected the influence of the business cycle, while the increase in revenue only partly counterbalanced the reductions of the tax burden which took place in 1988 and 1989.

This outcome shows that the measures taken were proportionally more important than those adopted in the other countries of the European Union, where the general government deficit rose from 5 p.c. of GDP in 1992 to 6.4 p.c. in 1993.

It still falls short, however, of the objectives of the convergence plan. In April 1993 the Government revised the initial plan. On the basis of a net financing requirement for 1992 estimated at 6.9 p.c. of GDP, a target of 5.8 p.c. was set for 1993. In view of new data concerning the transactions of the communities and regions, it now appears that even the revised 1992 deficit was somewhat under-estimated. Furthermore, the improvement expected for 1993 did not take place, chiefly because economic activity was weaker than had been predicted. The Government had set three norms for itself. Two of them were complied with, namely a growth in the primary expenditure of the federal govern-

ment no greater than the rate of inflation and an increase in tax revenue at least equal to that in the nominal national product. However, the maintenance of the financial balance of the social security system, which represented the third norm, was not achieved, despite a smaller rise in social benefits than during the two preceding years. Furthermore, the communities and regions, whose revenues were not affected by the recession, did not comply with the recommendations of the Superior Finance Council with regard to their expenditure.

The measures adopted by the Government, most of which have a prolonged effect and some even a progressively stronger incidence — the expenditure cuts, in particular, should be more strongly felt in 1994 — are essential in order to bring the public deficit closer to the objectives of the convergence plan. It should indeed be stressed that a continued pursuit of a medium-term programme for reducing the deficit is absolutely indispensable, not only in order to be able to comply, at the proper time, with the criteria of the Treaty on European Union but above all in order to eliminate the « snowball effect » of self-fuelling of the interest burden on the public debt, to re-establish room for manoeuvre for budgetary policy and make it possible to cope with new expenditure, including that connected with the ageing of the population.

Moreover, the public deficit must be immediately and substantially reduced. Now that the financial markets have focused their attention on the high level of the public debt, any relaxation of the effort is liable to weaken the position of the franc on the foreign exchange markets and to bring about rises in interest rates, thus making the consolidation even more difficult. On the contrary, what budgetary policy needs is greater credibility.

It is certainly regrettable that, in better times, the efforts were postponed. At present the size of the public debt leaves no other choice than to neutralise the effect of the automatic stabilisers in a period of slackening economic activity. There is no reason to as-

sume, however, that such a restrictive budgetary policy will weigh heavily on domestic demand, because the fact that a start has been made on structural reforms can be expected to help restore the confidence of economic agents and thus bring their propensity to financial saving back to more normal levels.

In this connection the choice of rehabilitation measures is not unimportant. Increases in fiscal levies should provide a better yield and be less harmful to economic activity if they are applied within a European or even still wider framework. The desirable harmonisation of taxation of incomes from capital and the European proposal for the introduction of a levy on energy and on emissions of carbon dioxide are just two examples of this. Above all, however, the mechanisms of expenditure should be re-examined. In particular, social security expenditure must be brought under control in order to ensure the viability of a system which is essential for social justice and cohesion.

Nor does budgetary discipline need to be an obstacle to a reorganisation of expenditure and revenue based on the principles of fairness and effectiveness. Thus, the reduction of the parafiscal levies which push up labour costs, compensated for by a stepping up of indirect taxation, is conducive to the creation of jobs, at least provided that the increases in indirect taxation do not automatically lead to rises in labour costs. The restoration of a dynamism which is favourable for employment will in turn facilitate the consolidation of the public finances, which are at present burdened by the fact that the population's rate of participation in productive activity is lower than in many other countries.

Should it prove possible to bring the deficit down to a sufficiently low level along the lines marked out by the European Council — a task in which all policy levels must participate, the vicious circle whereby both the debt and the interest charges continue to grow will finally be able to be replaced by a gradual lightening of the burden of the public debt. Difficult though this course may be, it

is the only way in which the country's fundamental economic and social interests can be truly safeguarded.

### **Monetary and exchange rate policy**

When it was decided, on 2nd August 1993, to widen the fluctuation margins of the currencies belonging to the European exchange rate mechanism, at the same time a new policy environment was created. Although this did not entail any change in the strategy of Belgian monetary policy, the actual way in which the exchange objective rate is pursued had to be adjusted.

Till around the middle of 1993 it proved possible to maintain the close link between the franc and the German mark, while short-term interest rates were kept very close to those prevailing in Germany. For three years Belgium reaped the fruits of the foreign exchange policy announced in June 1990: inflation remained very moderate and the credibility of that policy enabled the lowest possible interest rates to be obtained.

During the first phase of the EMS crisis the franc remained one of the strong currencies. Operators on the financial markets appeared to be convinced that the Belgian-Luxembourg economy was not suffering from a loss of competitiveness such as could only be remedied by the shock of a devaluation nor from a deflation sufficient to warrant departure from a monetary policy modelled on that pursued by the Bundesbank.

In early February and late March 1993 the franc came under slight pressure owing to doubts as to whether the public finances could be kept under control. In both cases, however, the franc quickly recovered to a level slightly above its central rate vis-à-vis the German mark. At the end of July, on the other hand, the crisis — which this time affected the Belgian franc, too — was so acute that it led to a change in the European Monetary System, which from then on necessitated greater flexibility in the conduct of foreign exchange policy.

The widening of the fluctuation margins of the exchange rate mechanism did not, however, affect the basic guidelines of monetary policy. The Belgian authorities share the general desire to prevent excessive exchange rate fluctuations and competitive depreciations, which could only be damaging to European integration. The instability of exchange rates could be particularly harmful to small, open economies such as those of Belgium and Luxembourg. Furthermore, an exchange rate objective is the most appropriate intermediate aim for a monetary policy designed to ensure price stability, especially bearing in mind the fact that the import content of final expenditure is around 40 p.c. in Belgium and that the indexation mechanisms increase the incidence of any rise in import prices on all domestic costs and prices. Lastly, a policy reversal would also be liable to jeopardise the monetary association between Belgium and Luxembourg, whereas the authorities of the two countries have agreed — and reaffirmed — that the association should be maintained until the beginning of the third stage of Economic and Monetary Union.

Both the close link between the Belgian-Luxembourg and the German economy and the credibility achieved by the Bundesbank in its fight against inflation form the basis of an exchange rate objective based on keeping the franc as closely in line as possible with the German mark. The central rate vis-à-vis the German mark thus remains an equilibrium value. Admittedly, as has been seen, a worsening of the competitive position, measured by a comparison of the movements of labour costs per employee, must be corrected in order to safeguard employment. But such a correction, provided for by the terms of the global plan for employment, competitiveness and social security, does not require a depreciation, which would not in fact make it any less necessary to take steps to moderate labour costs.

As for the problem of the public debt, which was pointed to as one of the potential causes of a fall in the exchange rate for the franc, this would in no way be solved by a depreciation — on the contrary. The higher

*nominal growth which it would bring about, owing to a temporary improvement in competitiveness but, above all, a resurgence of inflation, would, it is true, lighten the burden of the existing debt, but interest rates would be rapidly pushed up by a worsening of inflationary expectations and a higher risk premium. With every operation of debt renewal and deficit financing, the budgetary situation would thus be further aggravated.*

*The emphasis placed on the high level of the Belgian public debt should not cause it to be overlooked that the net claims held by the resident private sector are even greater. Since the mid-1980s the domestic sectors as a whole have in fact achieved a net surplus of financial savings; in other words, Belgium lends more to the rest of the world than it borrows from it.*

*The current account surplus of the Belgian-Luxembourg Economic Union actually increased by over Fr. 140 billion in 1993, to 4.6 p.c. of GNP. This rise, contributed to by both Belgium and Luxembourg, was partly attributable to temporary, or even reversible, movements such as a further fall in the prices of raw materials, a relative weakness of domestic demand, a decline in interest rates which affects current expenditure more quickly than current receipts, or, again, a swelling of the proceeds obtained by Luxembourg financial institutions from portfolio investments made by German residents in the Grand Duchy. But the increase in the current account surplus is also evidence of a more lasting tendency, connected with the increase in transactions in services and the rise in income from the net foreign assets accumulated by the Belgian-Luxembourg economy. Furthermore, Belgium and Luxembourg continue to derive advantage from the presence on their territory of various European and international institutions, which generate receipts in respect of services and earned incomes which considerably exceed the derived imports of goods.*

*Despite this sound foundation, exchange rate policy may have to contend with problems caused by the instability of private cap-*

*ital movements. While it is true that the direct investments of non-residents in the BLEU regularly exceed those made by residents abroad, the balance of other capital transactions may undergo sudden reversals depending on interest rate movements and, above all, changes in exchange rate expectations. Prior to the EMS crisis, the stability of these expectations made it possible to achieve equilibrium on the foreign exchange market by means of very small interest-rate differentials vis-à-vis Germany: net short-term capital outflows counterbalanced the surplus on current transactions and long-term capital flows. The crisis upset this equilibrium, bringing about inflows of speculative funds in 1992 and outflows in 1993. The latter were generally due to transactions by non-residents and were chiefly in the form of forward sales of francs.*

*In 1993 the net outflows of private capital — which are recorded « ex post » and include speculative flows which were not discouraged either by the exchange rate fluctuations or by the changes in interest rates — were partly offset by transactions of public authorities: in agreement with the Bank, the government increased its foreign currency debt, thereby deriving advantage from lower interest rates and temporarily high exchange rates. Thanks also to the current account surplus, the contribution of the net foreign exchange reserves to the restoration of equilibrium in the balance of payments amounted to only Fr. 59 billion more than the accumulated addition to these reserves during the second half of 1992. That amount represents less than half the increase in the Bank's foreign currency reserves brought about by the sales of gold in 1989 and 1992.*

*From 2nd August 1992 onwards, capital flows appear to have been governed by fluctuating exchange rate expectations, partly dependent on the assessment of the strength or weakness of the German mark vis-à-vis a wider range of currencies and on the view taken of budgetary prospects in Belgium, plus the influence of various rumours. The Bank accepted the fact that these factors were reflected in greater volatility of the exchange rate; it therefore applied the new EMS-rules*

*in order to discourage speculation. In view of the extent of private capital flows, interventions on the foreign exchange market may not be sufficient to combat strong pressure, and rises in short-term interest rates may sometimes fail to bring about the desired reversal. When confidence in the currency has been shaken, it cannot be re-established by monetary policy alone, as is illustrated by the recent movements of the exchange rate for the franc. After the discount vis-à-vis its central rate with the German mark had reached a peak of 6.5 p.c. around the middle of October, it subsequently moved much closer again to that rate, partly owing to the adoption of the global plan for employment, competitiveness and social security.*

*This progress in the field of economic policy took longer than had been expected. In the meantime, the Bank endeavoured to limit the depreciation of the franc as far as possible, including by the maintenance of high interest rates. Revelation of a too precise immediate target with regard to the exchange rate would have fuelled speculation, while a substantial relaxation of interest rate policy would have jeopardised the medium-term objective.*

*The Bank's autonomy in the conduct of its policy was confirmed by a provision of the law of 22nd March 1993 concerning the status and supervision of credit institutions, which abolished the right of veto of the Minister of Finance with regard to monetary policy. Another article of that law forbids the financing by the central bank of public authorities and public undertakings other than credit institutions, which had in fact already been considerably limited by the monetary reform of January 1991. The abolition of the advances to the State and the agreement about the latter's deposit with the Bank, designed to avoid excessive fluctuations in the deposit, enable money market liquidity to be better managed. Through this management and the announcement of its own interest rates the Bank can directly influence very-short-term interest rates. Other money market rates depend more on the expectations of market operators because, owing to the limits*

*imposed by its balance sheet and the flexibility required by exchange rate policy, the Bank confines itself to very-short-term transactions. Because of the ever-keener competition in the financial sector, variations in money market rates are increasingly affecting the conditions offered by credit institutions to their customers for short-term transactions. In addition, the opening-up of the Belgian market to foreign credit institutions was confirmed by the transposition of the second European banking directive into Belgian law.*

*Long-term interest rates are influenced much more indirectly by the Bank's interest rate policy. During the first half of 1993 they followed the downward movement which the Bank imposed on short-term rates. The increases in money market rates during the third quarter were regarded as being temporary and therefore led to only marginal rises in long-term rates, which did not exceed the level reached in the first five months of the year. Even so, the widening of the differential vis-à-vis the yield of German bonds, which took place during the period of weakness of the franc, was revealing : if the depreciation had been greater or had lasted longer, it would have led to a much greater increase in the risk premium incorporated in long-term interest rates. In the last quarter of 1993 the appreciation of the franc, the lowering of the Bank's interest rates and the movement of interest rates abroad led to a further decline in long-term rates.*

*At the end of the year, short-term and long-term interest rates had fallen below 7 p.c. and the differentials in relation to German interest rates had narrowed again to less than 1 p.c., providing evidence of a revival of confidence in the franc. The resoluteness with which the interest-rate policy was pursued thus proved beneficial : while temporary increases in short-term interest rates may admittedly be disadvantageous for public budgets, they have only a slight effect on economic activity and, above all, the resultant damage is incomparably less serious than the harm which would have been caused by a rise in long-term rates. For it must not be*

*forgotten that the reaction of the financial markets to a relaxation of monetary policy would have caused such a rise and that it is*

*therefore wise to avoid giving way to immediate market pressures and to take a longer-term view.*

## RE-ESTABLISHING CONFIDENCE

*While signs of a recovery have already begun to appear in Europe, its consolidation will undoubtedly require a strengthening of the confidence of both entrepreneurs and consumers. A contribution to this can be made by concerted action by the public authorities, in accordance with the recommendations of the European Council, through the creation of a stable environment — requiring control over public deficits and inflation and the maintenance of exchange rate stability — and by means of judiciously chosen impulses in the form of public investment projects and measures for promoting employment. This should at least make it possible to avoid a further rise in unemployment, which is at one and the same time a waste of resources and a social tragedy. It is important to avoid the dangers of turning inward, as was successfully done in connection with the Uruguay Round, and the risk represented by policies aimed at solving internal problems at the expense of the partner countries.*

*Belgium is faced with a double challenge: not only the promotion of employment but also the rehabilitation of the public finances. The recession has made the problems of unemployment and the budget more acute. The authorities have rightly refrained from attempting to solve the former at the cost of aggravating the latter; the resultant rise in interest charges would in fact have entailed much more painful efforts later on. Similarly, an easing of monetary and exchange rate policy would, after a temporary favourable effect, very soon have taken a heavier*

*toll. Budgetary discipline and monetary orthodoxy must therefore remain the cornerstones of a coherent and durable policy designed to give support to economic dynamism and employment and to enable full advantage to be taken of the Belgian economy's not inconsiderable assets.*

*The incipient recovery will doubtless not eliminate the two major problems of the Belgian economy, but it can make them less acute. It would be irresponsible, however, to take this as a pretext for postponing the remedying of structural deficiencies.*

*It is therefore necessary to press on unflaggingly with a radical rehabilitation of the public finances, at all policy levels. Only by the implementation of a credible strategy centred on medium- and long-term objectives will it be possible to create a stable environment in which economic agents can regain confidence and to consolidate Belgium's relative position in the European Union.*

*Restoration of a firm basis for lasting growth calls for efforts from all citizens. The social debate which has already started on this subject ought to be continued and deepened in a serene atmosphere, so as to offer the prospect of a solution of the structural problems with which the Belgian economy is faced and give it a new impetus.*

*Brussels, 2nd February 1994.*





**Board of Directors :**

*seated, from left to right :*

W. Fraeys, Vice-Governor ; A. Verplaetse, Governor ; F. Junius, Director ;

*standing, from left to right :*

J. Poullet, Secretary ; JP. Pauwels, G. Quaden, R. Reynders, JJ. Rey, Directors.





**Regents and Government Commissioner :**

*seated, from left to right :*

F. Janssens, A. Frère, R. Ramaekers, R. Van Aerschot, W. Peirens ;

*standing, from left to right :*

G. Brouhns, Government Commissioner, E. Wymeersch, Ph. Wilmès, T. Vandeputte, N. Devisch,  
F. Martou.



## LIST OF ABBREVIATIONS

|        |   |
|--------|---|
| BBA    | Belgian Bankers' Association  |
| BELFOX | Belgian Futures and Options Exchange  |
| BIBOR  | Belgian Interbank Offered Rate  |
| BLEU   | Belgian-Luxembourg Economic Union   |
| BNRC   | Belgian National Railways Company   |
| CIS    | Commonwealth of Independent States  |
| EC     | European Community  |
| EFTA   | European Free Trade Association   |
| EMCF   | European Monetary Co-operation Fund   |
| EMI    | European Monetary Institute   |
| EMS    | European Monetary System  |
| EMU    | Economic and Monetary Union   |
| 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  |
| NAFTA  | North American Free Trade Association   |
| 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  |
| SICAV  | Société d'investissement à capital variable (variable-capital investment company) |
| STF    | Systemic Transformation Facility  |
| TACIS  | Technical Assistance to the Commonwealth of Independent States                    |
| 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 1993 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, which were arrived at in January 1994, 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.

For the years prior to 1993 the official national accounts data, which are published by the National Statistical Institute (NSI) generally within a period of eight to twelve months, have been included in the Report as they stand. However, in order to enable the trend of certain items to be more clearly seen, the statistical adjustments, which have the effect of reconciling the various approaches adopted in the national accounts, have not been applied to these items, as is done by the NSI, but have been isolated. It should be recalled that at current prices the national product calculated by the NSI corresponds to the average of the results independently obtained by means of the three approaches : production, income and expenditure. The divergences between the estimates for each approach and the average value, which constitute the statistical adjustments, are broken down between the major items in the expenditure and income approaches but are included in a specific item by the NSI in the value-added approach. In order to arrive at the movement of GNP at constant prices, the NSI calculates the average of the indices at constant prices obtained by only two approaches : production and expenditure. GNP at constant prices is then calculated by multiplying this average index number by GNP at its value in the base year (at present 1985). Thus the rate of change in GNP at constant prices is very nearly equivalent to the average of the rates of change estimated in the aforementioned two approaches.

The disappearance of the internal frontiers of the European Union on 1st January 1993 was accompanied by a change in the method employed for collecting the data on intra-Community trade. In view of the delay which occurred, in Belgium as in the other European countries, in the compilation of these statistics, the estimates of the movements in foreign trade in terms of volume and prices were made on the basis of very partial indicators and must therefore be interpreted with certain reservations.

The presentation of the balance of payments was changed in order to incorporate in it, as far as possible, the recommendations made in the fifth edition of the *Balance of Payments Manual* of the IMF, published in 1993, while, however, retaining certain items which are of special interest for the analysis of the BLEU's transactions with foreign countries. The changes which have to be made to comply with the IMF's recommendations will be completed in 1995, when the new regulations of the Belgian-Luxembourg Foreign Exchange Institute concerning the collection of the data necessary for the compilation of the balance of payments come into force. In January 1993 a new accounting layout was introduced for all credit

institutions. However, the resultant changes in statistics introduce breaks in series which, in most cases, make it impossible to calculate changes in outstanding amounts compared with 1992. The adoption of this new accounting document, which provides many new indications which have already been partly used in the Report, has had the effect of causing the statistics on financial flows to relate to nine months and not to ten months as in 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 for the whole period.                          |



## 1. INTERNATIONAL ENVIRONMENT

### 1.1 GROWTH, EMPLOYMENT AND PRICES

As during the preceding two years, growth was weak in 1993. After having recovered somewhat in 1992, the rate of increase in the GDP of the industrialised countries as a whole fell off again slightly, to 1.1 p.c.

This persistent sluggishness of activity was coupled with an asynchronous cyclical movement in the major areas, which had already been observable since the mid-1980s; in 1993 a number of countries of continental

Europe, as well as Japan, were in recession, while the recovery which had started slowly in most of the Anglo-Saxon countries was confirmed, mainly in the United States.

In this context of weak growth, the unemployment rate rose further in the OECD area, while inflation remained moderate.

#### *Origins of growth*

This further slackening of growth is primarily attributable to the decline in domestic demand in continental Europe, where it contracted in all countries apart from a few small

TABLE 1 — EXPENDITURE

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

|  | GDP  |        | External balance |       | Domestic demand |        | Of which :          |        |                    |        |
|--|------|--------|------------------|-------|-----------------|--------|---------------------|--------|--------------------|--------|
|  | 1992 | 1993   | 1992             | 1993  | 1992            | 1993   | Private consumption |        | Private investment |        |
|  |      |        |                  |       |                 |        | 1992                | 1993   | 1992               | 1993   |
| United States .....                    | 2.6  | 2.8    | -0.3             | -0.8  | 2.9             | 3.6    | 1.7                 | 2.2    | 1.2                | 1.6    |
| Japan .....                            | 1.3  | -0.5   | 0.7              | ...   | 0.6             | -0.5   | 1.0                 | 0.2    | -1.4               | -1.8   |
| European Union .....                   | 1.1  | -0.3   | -0.3             | 1.4   | 1.3             | -1.7   | 1.0                 | -0.1   | -0.1               | -1.8   |
| Of which : Germany .....               | 2.1  | -1.5   | -0.7             | ...   | 2.7             | -1.6   | 1.3                 | -0.5   | 0.7                | -1.0   |
| France .....                           | 1.4  | -0.9   | 0.9              | 0.3   | 0.4             | -1.1   | 1.0                 | 0.3    | -1.2               | -1.7   |
| Netherlands ....                       | 1.4  | -0.2   | 0.1              | 0.1   | 1.3             | -0.3   | 1.2                 | 0.4    | -0.2               | -0.7   |
| Belgium .....                          | 1.4  | -1.3 e | -1.1             | 0.6 e | 2.5             | -1.9 e | 1.9                 | -0.8 e | 0.2                | -1.5 e |
| Luxembourg ....                        | 1.8  | 1.0    | 1.3              | -1.4  | 0.6             | 2.5    | 1.0                 | 1.0    | -0.9               | 1.1    |
| United Kingdom                         | -0.6 | 2.0    | -1.1             | 1.4   | 0.5             | 0.8    | ...                 | 1.2    | 0.2                | -0.9   |
| Italy .....                            | 0.9  | -0.1   | -0.1             | 5.1   | 1.0             | -5.3   | 1.2                 | -1.0   | -0.4               | -4.4   |
| Spain .....                            | 0.8  | -1.0   | -0.4             | 2.6   | 1.2             | -3.7   | 1.3                 | -1.2   | -0.2               | -2.7   |
| EFTA <sup>1</sup> .....                | -0.3 | -1.1   | 1.4              | 1.5   | -1.6            | -2.6   | -0.3                | -1.0   | -1.6               | -1.4   |
| Of which : Sweden .....                | -1.7 | -2.7   | 0.3              | 2.7   | -2.0            | -5.4   | -1.0                | -2.7   | -1.2               | -2.2   |
| Finland .....                          | -4.0 | -2.0   | 2.2              | 5.6   | -6.9            | -7.6   | -3.0                | -3.1   | -3.6               | -2.8   |
| Other OECD countries <sup>2</sup> .... | 2.0  | 3.4    | -0.4             | -0.9  | 2.4             | 4.5    | 2.2                 | 3.0    | -0.1               | 1.0    |
| Total OECD .....                       | 1.7  | 1.1    | ...              | -0.1  | 1.7             | 1.2    | 1.3                 | 0.9    | 0.2                | 0.2    |

Sources : OECD, NBB.

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

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

economies, such as Luxembourg. The uncertainties concerning the movement of household expenditure, the compression of profit margins and under-utilisation of production capacities caused enterprises to curtail their investment. Furthermore, job losses and the moderation of, indeed reduction in, real disposable income adversely affected private consumption, which even decreased in some cases.

The decline in domestic demand was particularly severe in Italy and Spain, but also in two countries of the European Free Trade Association, namely Sweden and Finland. A process of reform was in progress in all these countries, and the repercussions of the recession were accentuated by a sharp depreciation of their currencies. As a result of this greater contraction in demand than in the case of their trading partners and owing to improvements in competitiveness, the contribution of the export balance was, on the other hand, markedly positive. Even so, this substantial contribution was not sufficient — except, to a great extent, in Italy — to counterbalance the effect of the slack domestic demand.

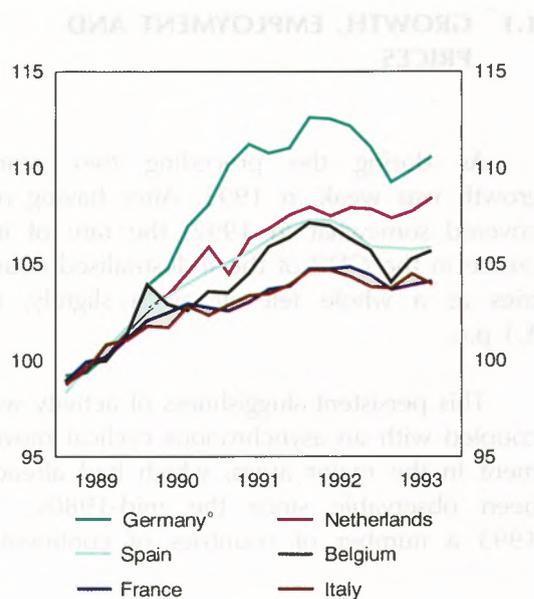
In the other countries of continental Europe the fall in domestic demand was more modest and the contribution of net exports small.

All in all, in continental Europe, the cyclical decline which had started at the end of 1991 and had become more pronounced in 1992 came to a halt in the first months of 1993 and was subsequently replaced by a slight recovery.

That does not appear to have been the case in Japan, where, despite the fall in interest rates, the slackening of economic activity quickened further. The downward adjustment of the prices of assets continued to have an adverse effect on capital formation by enterprises and, to a smaller extent, on the confidence of households, also weakened by the deterioration of the labour market situation. Households reacted by further increasing their savings ratio, so that private consumption hardly increased at all. The effects of a major

**CHART 1 BUSINESS CYCLES IN THE COUNTRIES OF CONTINENTAL EUROPE**

(Quarterly GDP at constant prices, indices 1989 = 100)



Sources : Central banks of the various countries.

programme of public investment were insufficient to counterbalance the incidence, on growth, of the slowing of the rate of rise of private expenditure. As the external contribution to growth was zero, GNP decreased slightly for the first time since 1974.

In the United States, on the other hand, the recovery was clearly confirmed : in 1993 both private consumption and investment by enterprises, stimulated by an increase in profits and the prospects of an expansion in demand, made a substantial contribution to growth, which was only very partially counterbalanced by the negative contribution of the external balance. In the United Kingdom the recovery in domestic demand, mainly supported by private consumption, was on the other hand accompanied by a pronounced increase in the trade surplus with foreign countries owing to the improvement in the competitiveness of the British economy.

As in the previous year, the export surplus of the OECD area as a whole made no contribution to growth. Furthermore, there

was hardly any increase in gross flows of exports and imports; within the area they even, very unusually, decreased.

### **Employment and unemployment**

As has been shown by developments since the beginning of the 1970s, neither the substantial and sudden rises in energy prices in 1973-1974, and again in 1979-1981, nor the subsequent problems connected with over-indebtedness and the sharp changes in the prices of assets prevented the industrialised countries from maintaining a fairly strong growth rate. Their total GDP for the year under review, at constant prices, was about 90 p.c. higher than in 1970. But they were unable to provide work for all the men and women who present themselves on the labour market. Thanks to the long and vigorous cyclical expansion which had started in 1982 and continued nearly everywhere until the end of the 1980s, the unemployment rate had been reduced, but the low of 6.3 p.c. recorded in 1990 for the OECD countries as a

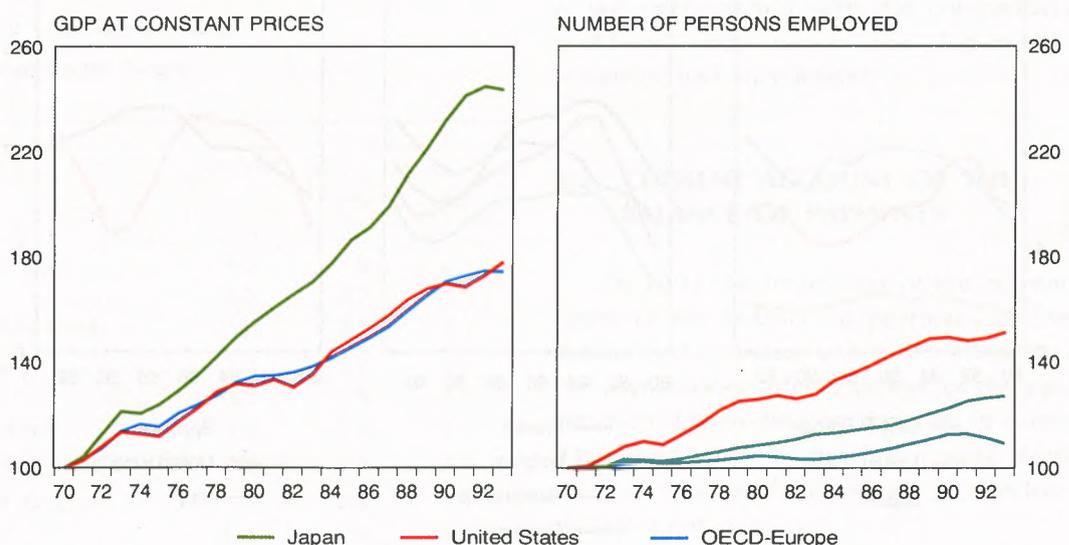
whole was still nearly twice as high as the level prior to the first oil shock. Since then the number of unemployed has risen sharply again.

While this imbalance in the labour market developed in a context of uninterrupted growth in the occupied population, it is primarily attributable to the difference between the increase in value added and that in the number of jobs created, in other words to a growth in the apparent productivity of labour which has been so great as to have become, for some industrialised countries, a factor of destruction of jobs, at least in the short and medium term.

This is the case in the European countries of the OECD, where the problem of structurally high unemployment has arisen in its most acute form. During the last two decades the number of jobs created in these countries has risen far less than in the other large economies. In 1993 total employment in this group of countries was only 15 p.c. greater than in 1970, whereas it increased during the same

**CHART 2 — GROWTH AND EMPLOYMENT**

(Indices 1970 = 100)



Source : OECD.

period by 27 p.c. in Japan and by 52 p.c. in the United States. The difference in job creation between Japan and Europe is chiefly due to a much stronger growth in activity in Japan. The corresponding difference between the United States and Europe is not due, on the other hand, to greater economic growth in the United States but is attributable to — on top of by no means negligible statistical divergences — greater productivity gains in the European economies as a whole, which thus offset, during the last two decades, a large proportion of the differences in the level of productivity compared with the United States.

During the past year the labour market situation in Europe worsened further : the volume of employment contracted for the second year running in nearly all the countries in that part of the world, while the labour force went on increasing or decreased only to an extent

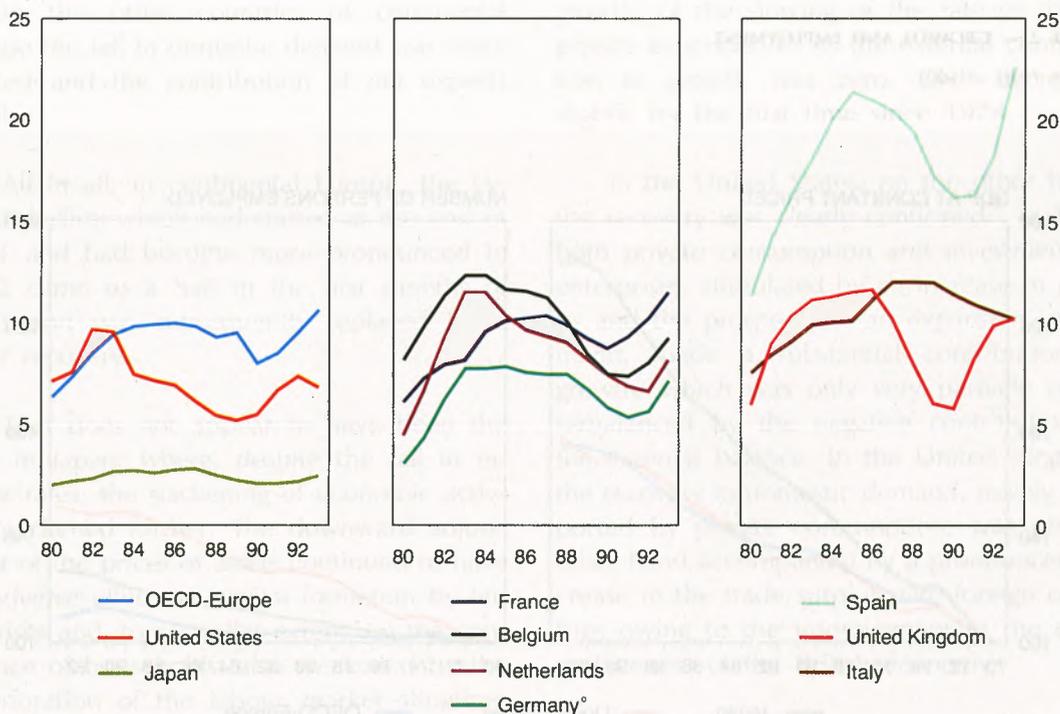
which was insufficient to counterbalance the job losses. For the European OECD countries as a whole, the resultant increase in unemployment raised its rate in 1993 to 10.7 p.c. of the labour force, a higher level than the previous peak of 10 p.c. reached in 1985 and 1986.

Even in Japan, where until recently the labour force tended to adjust itself to the state of the labour market, which was regarded as being flexible, a certain deterioration was observable during the past year.

The United States is an exception from this point of view. In 1993 the growth in activity there was sufficient to allow the volume of employment to increase more than the labour force. The unemployment rate there consequently declined somewhat compared with the previous year, from 7.4 to 6.9 p.c.

CHART 3 — UNEMPLOYMENT RATE

(Percentages of the labour force)



Source : OECD.

### Costs and prices

Against this background of a general increase in unemployment, the rate of growth of labour costs slackened for the second year in succession. But, unlike during the previous year, this movement was accompanied in the OECD area as a whole, by smaller productivity gains, so that the rise in unit labour costs slowed down only moderately. An exception to this general development is constituted by a number of European countries whose currencies depreciated and where the effects of the moderation of wages came on top of those of larger productivity gains than in the previous year. In the United States and France, on the other hand, the rise in unit labour costs quickened slightly.

Raw material prices, for their part, displayed a pronounced downward trend. The dollar prices of energy raw materials fell in 1993, on average over the year, by 10.6 p.c., and were in December at a level more than a half below that reached in October 1990, at the height of the Gulf crisis. The decline in the prices of non-energy raw materials was less marked, so that the price index for raw materials as a whole fell, on annual average, by 10.2 p.c., against 0.7 p.c. in 1992.

TABLE 2 — CONSUMER PRICES

(Annual percentage changes)

|                          | Average<br>1988-1991 | December |      |
|--------------------------|----------------------|----------|------|
|                          |                      | 1992     | 1993 |
| United States . . . . .  | 4.5                  | 3.0      | 2.7  |
| Japan . . . . .          | 2.5                  | 1.2      | 1.1  |
| European Union . . . . . | 5.0                  | 3.7      | 3.3  |
| Germany ° . . . . .      | 2.9                  | 3.7      | 3.7  |
| France . . . . .         | 3.3                  | 1.9      | 2.1  |
| Netherlands . . . . .    | 2.5                  | 2.9      | 1.7  |
| Belgium . . . . .        | 2.9                  | 2.4      | 2.7  |
| United Kingdom . . . . . | 7.0                  | 2.6      | 1.9  |
| Italy . . . . .          | 6.0                  | 4.6      | 4.4  |
| Spain . . . . .          | 6.2                  | 5.3      | 4.9  |

Sources : EC, Ministry of Economic Affairs.

This downturn was not reflected in a general movement in the same direction of the import prices of goods as a whole expressed in national currencies, which, unlike in the previous year, increased. This rise was particularly pronounced in the European countries whose currencies have been devalued — whether formally or not — since the exchange rate crisis of September 1992. It did not, however, revive inflation in those countries, owing to the appreciable slowing of the rise in unit labour costs and, in most cases, a narrowing of distribution margins. In the other European countries and even in the United States, despite the recovery, inflation rates stabilised. In Japan, where unit import values dropped sharply because of the strong appreciation of the yen, the increase in consumer prices remained extremely slow.

The increased convergence of the rises in consumer prices in the European countries in 1992 and 1993 contrasts with the movement observed during the preceding four years. Between 1987, the year of the last EMS realignment prior to the recent exchange rate crisis, and 1991, Germany, France, the Netherlands and Belgium had succeeded in keeping down their inflation, on average, at around 3 p.c., whereas in the United Kingdom, Italy and Spain the price rise reached twice that rate or even more. This discrepancy, coupled with the stability of exchange rates within the EMS, is not unconnected with the competitiveness problems with which the last-mentioned countries had to contend.

### 1.2 CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS

In 1993 the movement of the current account of the balance of payments of the industrialised countries was again influenced by the asynchronous development of the cyclical situation. Depending on the case in question, the repercussions of this factor were strengthened or weakened by changes in effective exchange rates.

The American balance of trade suffered chiefly from the very sharp growth in volumes

imported, which, in view of the relative cyclical position of the United States, was substantially greater than the rise in exports. Furthermore, the net portfolio and investment incomes disappeared. Despite a slight improvement in the terms of trade, the current account deficit thus increased appreciably, both in billions of dollars and as a percentage of GDP.

For the third year in succession the appreciation of the yen led to a very marked improvement in the terms of trade of the Japanese economy. The effect of this on the balance of trade was largely counterbalanced in 1993 by the worsening of the degree of coverage of imports by exports in terms of volume owing to substantial losses of export market shares. The current account balance benefited from a further swelling of the surplus in respect of income from capital and

portfolio investment, so that it again increased very slightly as a percentage of GDP.

The quite appreciable decrease in the current account deficit of the European Union, for its part, was largely attributable to the improvement of the current account balance of Italy and, to a smaller extent, to that of the balances of Spain and France.

In most of the European countries whose currencies have depreciated since September 1992, the balance of trade has benefited both from a relative deflation of domestic demand and from an improvement in competitiveness. This applies particularly to Italy, whose current account swung, despite the deterioration in the terms of trade, from a deficit of 2.2 p.c. of GDP to a surplus of 0.4 p.c. In the United Kingdom, on the other hand, the improvement in the balance of trade was small,

TABLE 3 — CURRENT ACCOUNT OF THE MAIN REGIONS OF THE WORLD

(Billions of US dollars)

|  | 1990   | 1991  | 1992  | 1993   | p.m.<br>Percentages of GDP |       |
|--|--------|-------|-------|--------|----------------------------|-------|
|  |        |       |       |        | 1992                       | 1993  |
| United States .....                                  | -91.9  | -8.3  | -66.4 | -105.7 | -1.1                       | -1.7  |
| Japan .....  | 35.8   | 72.9  | 117.6 | 140.6  | 3.2                        | 3.3   |
| European Union .....                                 | -20.5  | -64.6 | -64.7 | -19.9  | -0.9                       | -0.3  |
| of which : Germany .....                             | 47.3   | -20.0 | -25.3 | -20.2  | -1.3                       | -1.1  |
| France .....   | -15.1  | -6.8  | 4.0   | 9.8    | 0.3                        | 0.8   |
| Netherlands .....                                    | 10.1   | 7.5   | 6.8   | 6.0    | 2.1                        | 2.0   |
| BLEU .....   | 3.6    | 4.8   | 6.4   | 10.1 e | 2.8                        | 4.7 e |
| United Kingdom .....                                 | -32.5  | -13.5 | -15.1 | -17.1  | -1.4                       | -1.8  |
| Italy .....  | -14.8  | -21.4 | -26.6 | 4.2    | -2.2                       | 0.4   |
| Spain .....  | -16.9  | -16.7 | -18.9 | -11.3  | -3.3                       | -2.3  |
| EFTA .....   | 0.7    | 5.4   | 7.0   | 20.0   | 0.7                        | 2.3   |
| Total OECD .....                                     | -117.1 | -30.4 | -41.9 | -3.0   | -0.2                       | ...   |
| Eastern European countries <sup>1</sup> .....        | -21.0  | -1.0  | -4.0  | -9.0   | n.                         | n.    |
| Asian newly industrialised countries <sup>2</sup> .. | 14.0   | 9.0   | 8.0   | 8.0    | n.                         | n.    |
| OPEC .....   | 8.0    | -60.0 | -21.0 | -37.0  | n.                         | n.    |
| Other developing countries .....                     | -32.0  | -34.0 | -51.0 | -56.0  | n.                         | n.    |

Sources : OECD, NBB.

<sup>1</sup> Albania, Bulgaria, Hungary, Poland, Slovak Republic, Czech Republic, Romania, Commonwealth of Independent States and Baltic countries.

<sup>2</sup> South Korea, Hong Kong, Singapore, Taiwan.

because of the recovery of domestic demand ; as, furthermore, the surplus left by portfolio income fell sharply, the current account deficit again increased somewhat. In France and Germany the terms of trade improved and the degree of coverage of imports by exports in terms of volume benefited from the relative weakness of domestic demand, so that, despite losses of market shares, the current account balance improved.

### **Competitiveness**

The measure of competitiveness, even in the narrowest meaning of the term, namely the ability of the enterprises of a given economy as a whole to contend with foreign competition, is so complex that no synthetic indicator can give a clear picture of it. It therefore has to be assessed on the basis of a set of data comprising indicators of both determinants and results, each of which must always be interpreted in the light of the others.

Subject to these reservations it seems that, according to the information provided by, on the one hand, the movement of labour costs in a common currency and, on the other hand, export performance, the competitiveness of the European countries of the OECD deteriorated in comparison with 1987.

Within this area there is a divergence in movement between the group of countries whose currencies were devalued, *de facto* or *de jure*, in the second half of 1992 (United Kingdom, Italy, Spain) and the group of those whose currencies remained stable or appreciated in terms of the weighted average (Germany, France, Netherlands, Belgium).

Between 1987 and the second half of 1992, labour costs had increased faster than the European average in the countries of the first group. For one of them, Spain, this did not prevent the achievement, in 1990 and 1991, of appreciable gains of export market shares, doubtless attributable to the initially very low level of labour costs and to an expansion of supply due to substantial direct investments from abroad. In the other coun-

tries of this group, on the other hand, the development of relative export results was on average more correlated with that of costs.

The countries of the second group had succeeded, considered as a whole, in reducing their relative labour costs until 1991. This had enabled them to achieve a slight increase in their relative export performance, except in the case of Germany, where, from the second half of 1990 onwards, i.e. after the reunification, production was reoriented towards the East German market.

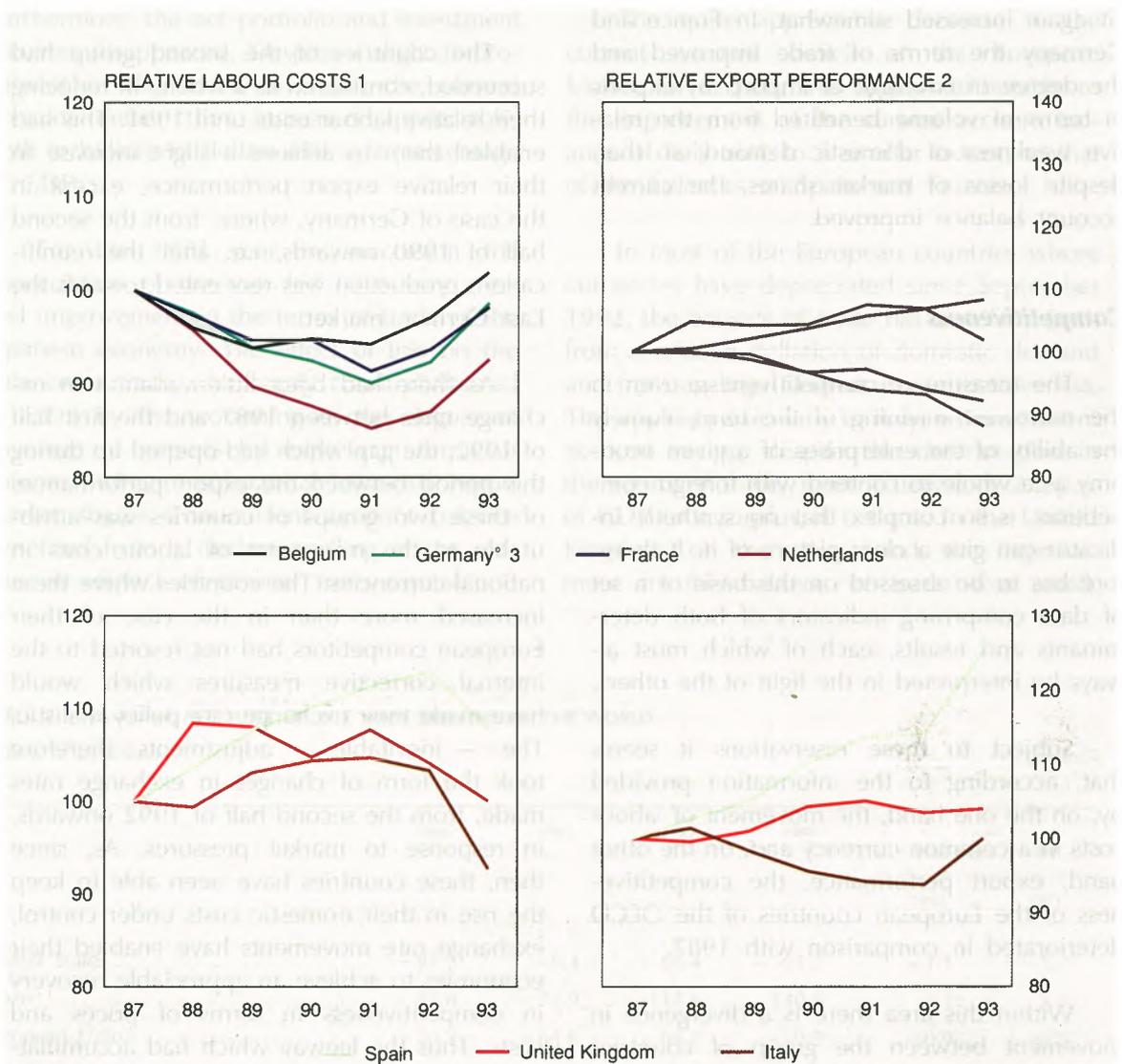
As there had been little variation in exchange rates between 1987 and the first half of 1992, the gap which had opened up during this period between the export performances of these two groups of countries was attributable to the movement of labour costs in national currencies. The countries where these increased more than in the case of their European competitors had not resorted to the internal corrective measures which would have made their exchange rate policy realistic. The — inevitable — adjustments therefore took the form of changes in exchange rates made, from the second half of 1992 onwards, in response to market pressures. As, since then, these countries have been able to keep the rise in their domestic costs under control, exchange rate movements have enabled their economies to achieve an appreciable recovery in competitiveness in terms of prices and costs. Thus the leeway which had accumulated since 1987 was caught up, partly in Spain and entirely in the United Kingdom, and was replaced, in the case of Italy, by a substantial lead. By 1993 the effects of this were reflected in the relative export performances.

On the other hand, the effective appreciation of the exchange rates led to a worsening of costs for the countries of the second group and also, in the case of Germany, France and Belgium, to a deterioration of the relative export results.

In the Netherlands, where these results have on the whole been the best since 1987, a policy of moderation of wages has been pursued since the second half of the 1980s.

CHART 4 — INDICATORS OF THE COMPETITIVENESS OF THE MAIN EUROPEAN COUNTRIES

(Indices 1987 = 100)



Sources : OECD, NBB.

<sup>1</sup> Ratio between the index of compensation per employee in the private sector of the country in question and the corresponding index for the European countries of the OECD as a whole. Compensation of employees is expressed in a common currency.

<sup>2</sup> Ratio between the index number for the gains or losses of export market shares by the country in question and the corresponding index number for the European countries of the OECD as a whole.

<sup>3</sup> For export performance, the whole of Germany since 1990.

This wage moderation forms part of a medium-term policy for supporting employment, which also includes specific measures for managing the labour market. It is based on the consensus which emerges from consultation between management and labour, with the public authorities primarily playing an advisory and moderating role. A law passed

in 1987 concerning the formation of wages does, however, authorise the Government to determine the level of labour costs if a situation requiring that they be corrected suddenly arises. Recourse has not yet been had to this law, but it does constitute a last resort in the event of failure of the normal negotiation procedures, for instance in order to cope with a

situation such as that created by the widening of the margins of fluctuation of the exchange rates of the EMS currencies in August 1993.

France, too, in its export results, had in recent years reaped the benefit of the wage policy pursued since 1982. In the sectors which are under government supervision, namely public departments and the national sectors, which together account for nearly 40 p.c. of employees, the increase in wages is defined according to the rise in prices as estimated by the public authorities, so as to break the automatic link between prices and wages. In the other sectors wage adjustments are made on the basis of free negotiations, but the result of these is influenced by the wages fixed in government-controlled enterprises. Furthermore, the Government may make recommendations, supplemented, where appropriate, by price-monitoring procedures.

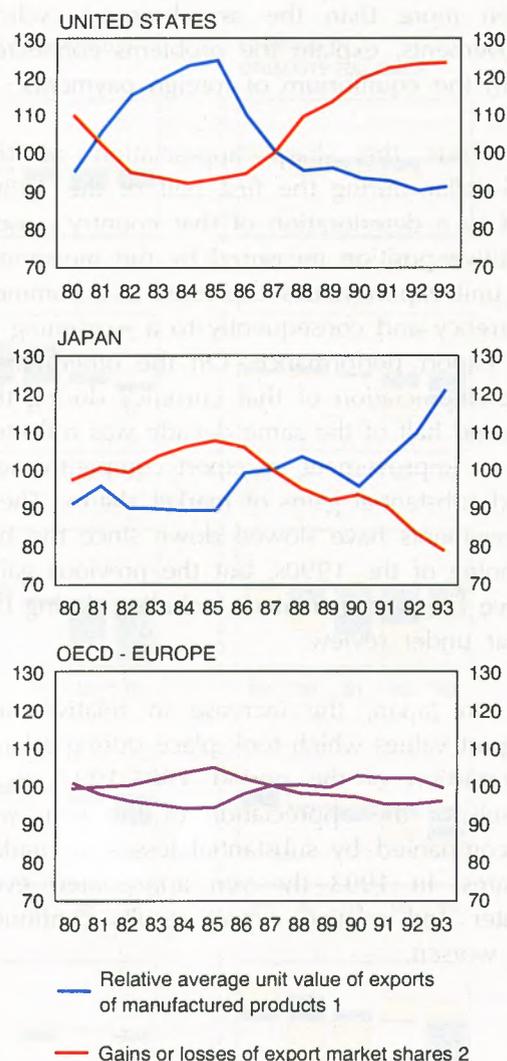
In Germany, in addition to the public authorities calls for moderation, the Government can influence wage formation directly or indirectly during the wage negotiations in the public sector.

If attention is paid no longer to the position of each country compared with the average for the European countries of the OECD but to the overall position of these countries, the worsening of competitiveness as illustrated in Chart 5 is uninterrupted but seems rather slow. This apparent slowness might, however, be due to the method of calculation employed. The competitiveness indices compiled for the European members of the OECD as a whole are weighted averages of the index numbers of the countries in question. As each of the last-mentioned index numbers is, in turn, an average of the results recorded in relation to the main trading partners, most of which are likewise European countries, the movements are less marked than those which would have been obtained by consolidating the comparisons between European countries and retaining only those with third countries.

This problem of statistical measurement does not, of course, arise for the indicators

CHART 5 — INDICATORS OF THE COMPETITIVENESS OF THE MAJOR AREAS

(Indices 1987 = 100)



Sources : OECD, NBB.

<sup>1</sup> Ratio between the index numbers for the average unit values of exports of manufactured products in the country or group of countries in question and the weighted average of the corresponding index numbers for the competing countries. The average unit values are expressed in a common currency.

<sup>2</sup> Ratio between the index number for the exports of goods in terms of volume of the country or group of countries in question and the weighted average index of the imports in terms of volume of their customers.

of the competitiveness of the other two major economies, the United States and Japan. Since the end of the 1970s the fluctuations in the exchange rates of their respective currencies, even measured as weighted averages, have been considerable and have not been coun-

terbalanced by opposite movements of their prices and costs expressed in the national currency. This period has therefore been characterised by substantial changes in the competitiveness of these economies, which in turn, even more than the asynchronous cyclical movements, explain the problems connected with the equilibrium of foreign payments.

Thus the sharp appreciation of the US dollar during the first half of the 1980s led to a deterioration of that country's competitive position measured by the movement of unit export values expressed in a common currency and consequently to a worsening of its export performance. On the other hand, the depreciation of that currency during the second half of the same decade was reflected in an improvement in export competitiveness and substantial gains of market shares. These movements have slowed down since the beginning of the 1990s, but the previous gains have been consolidated, including during the year under review.

In Japan, the increase in relative unit export values which took place during a large proportion of the period 1985-1992, as a result of the appreciation of the yen, was accompanied by substantial losses of market shares. In 1993 the yen appreciated even faster and relative export results continued to worsen.

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

#### ***RECENT BUDGETARY DEVELOPMENTS***

The government deficit of the OECD countries as a whole, which had fallen to 1.2 p.c. of GDP in 1989, subsequently increased year after year. Thus in 1993 it reached 4.6 p.c., almost equalling the previous peak recorded in 1983. This worsening was primarily due to the slackening of business activity, but the public authorities did

not react to it in the same way everywhere, partly because the situations differ structurally from country to country.

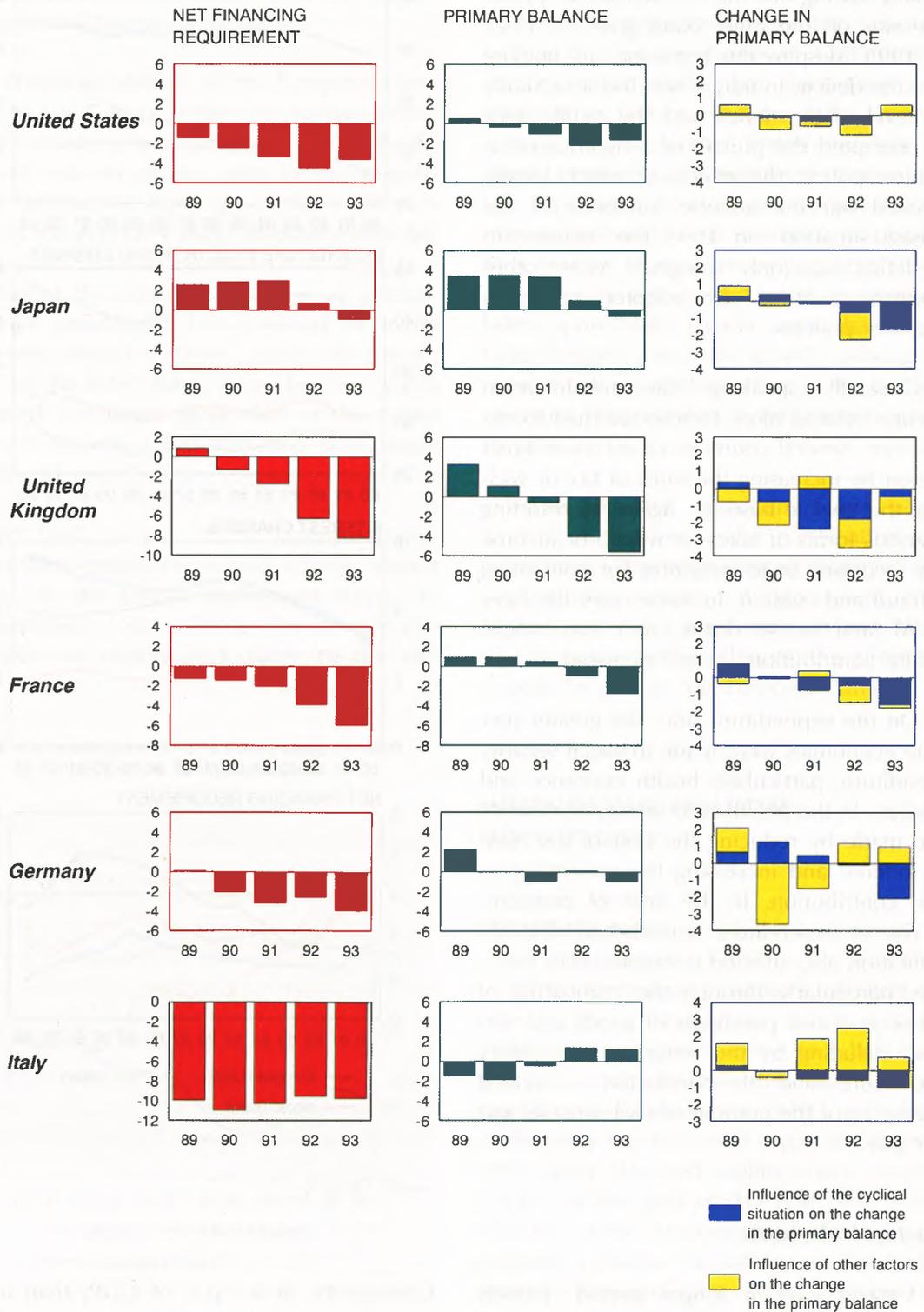
In the United States, budgetary policy on the whole took a clearly counter-cyclical line. During the recession period which came to an end in 1991, the public finances had, on balance, an expansionary effect on total demand. During the year under review, the effects of the recovery in activity which was in progress were reinforced by structural measures designed to limit the public deficit; the latter thus contracted, whereas the net balance to be financed worsened in most of the other industrialised countries.

In Japan the public finances had improved markedly between the 1970s and the beginning of the 1990s thanks to the increase in revenue, the level of which had, however, remained relatively low. The public deficit, which had reached its peak in 1978 and 1979 at 5 p.c. of GDP, -i.e. more than in the United States and in the European countries, decreased and was subsequently replaced by a surplus. In 1991 the surplus reached 3 p.c., while the net public debt was reduced to 6 p.c. of GDP, a mere fraction of the level reached in most of the other countries. In 1992 the public authorities took advantage of this scope for manoeuvre in order to stimulate flagging demand, particularly by means of a large-scale programme of public investment. In 1993, although that programme was continued, the expansionary effect of the public finances appears to have been only marginal.

In the United Kingdom, where the general government's transactions had yielded a surplus at the end of the 1980s, budgetary policy helped to sustain demand throughout the recession period which ended in 1992. The effects of this counter-cyclical policy thus came on top of those of the slackening of economic activity, with the result that in 1990 the surplus was replaced by a deficit, which gradually widened from then on. During the year under review this deterioration slowed down as a result of the revival in activity, and the deficit reached 8.2 p.c. of GDP. In France, too, budgetary policy has had a

CHART 6 — NET FINANCING REQUIREMENT AND INFLUENCE OF THE CYCLICAL SITUATION ON THE CHANGE IN THE PRIMARY BALANCE OF GENERAL GOVERNMENT

(Percentages of GDP)



Source : OECD.

slightly stimulating effect on the economy in recent years.

In Germany, where general government's net balance to be financed deteriorated substantially owing to the reunification, preference was on the other hand given in 1992 and 1993, despite the recession, to holding down the deficit. In Italy it was the structurally high level of the deficit and the public debt that prompted the pursuit of a rigorous rehabilitation policy, the effects of which largely cancelled out the adverse influence of the business situation; in 1993 the increase in the deficit was only marginal. Many other European countries also adopted restrictive budgetary policies.

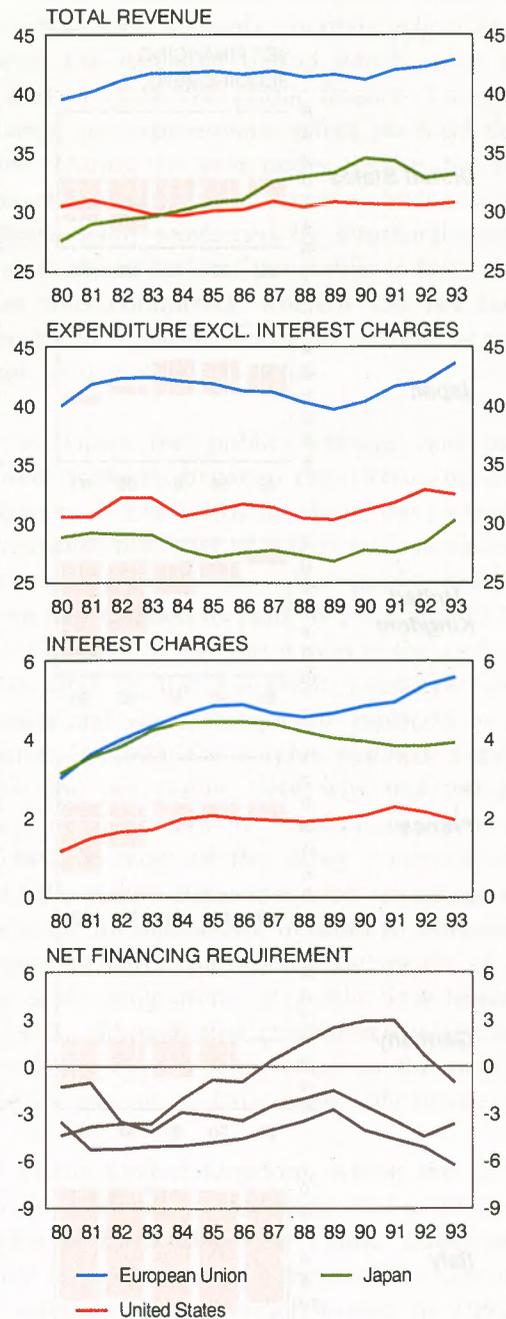
Generally speaking, the rehabilitation measures related more to revenue than to expenditure. Several countries raised their direct taxation by increasing the rates of tax or widening the taxable base, or, again, by resorting to various forms of taxes on wealth or income from securities or to measures for combating tax fraud and evasion. In some cases the rates of VAT and excise duties, and even social security contributions, were increased.

On the expenditure side, the greater part of the economies were made in social security expenditure, particularly health insurance and pensions. In the health-care sector, economies were made by reducing the cost of the benefits offered and increasing the patient's personal contribution. In the field of pensions, the rise in expenditure was curbed. The rehabilitation also affected unemployment insurance, particularly through the combating of abuses, and also purchases of goods and services, including by the reduction of military expenditure and the limitation — indeed freezing — of the number of civil servants and their pay.

**Structural elements**

Viewed over a longer period, namely from 1980 to 1993, the financing requirements of general government were on average higher in the countries of the European

**CHART 7 — PUBLIC REVENUE AND EXPENDITURE**  
(Percentages of GDP)



Sources : OECD, EC.

Community, at 4.5 p.c. of GDP, than in the United States, where they amounted to only 2.8 p.c., and — a fortiori — than in Japan, where, on average, the budget remained prac-

tically balanced. As fiscal and parafiscal pressure — both on earned incomes and on consumption — was greater in the European countries than in the United States and Japan, the differences are attributable to a higher level of expenditure, as regards both interest charges and primary expenditure.

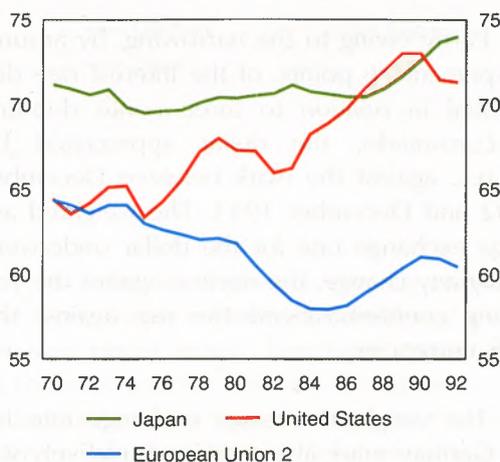
The larger deficits in the European Community are perhaps partly due to the demographic structure, but also and above all to the activity and occupation rates of the population. On the one hand, government intervention in the economy may, all other things being equal, be more expensive if a larger proportion of the population consists of persons who are unemployed but in receipt of unemployment benefit or other, similar allowances, and, on the other hand, it can be more easily financed if a larger proportion of the population is employed and thus pays direct taxes and social contributions.

In 1992, 52 p.c. of the Japanese population were engaged in a paid activity, against 47 p.c. in the United States and 40 p.c. in the European Union. These considerable differences are mainly attributable to the fact

that the number of persons who actually have a job, expressed as a proportion of the population of working age, is much greater in Japan and the United States (74 and 71 p.c. respectively) than in the European Union (60 p.c.). This has not always been so. In 1970 the occupation rate of the population was as high in the European Community as in the United States, but since then it has declined in Europe whereas it has increased strongly in the United States and has constantly remained at a high level in Japan. This less favourable trend in the European countries is attributable, as has been emphasised, to a smaller increase in employment than in Japan, where the upward trend of activity has been appreciably greater, and than in the United States, where the growth, although approximately equivalent to that in the European countries, has created a far greater number of jobs.

The fact that there are fewer persons working in Europe is also partly attributable to the lower degree of interest displayed there in part-time working: in Japan and in the United States this represents 20 and 17 p.c. of jobs respectively, whereas the proportion is only 14 p.c. in the European Union.

CHART 8 — EMPLOYMENT AS A PERCENTAGE OF THE POPULATION OF WORKING AGE<sup>1</sup>



Source : OECD.

<sup>1</sup> Total employment, whatever the age group of the persons employed.

<sup>2</sup> Excluding East Germany.

## INTERNATIONAL FINANCIAL DEVELOPMENTS

### Short-term rates

The downward movement of short-term rates in the United States, which started in 1989, appears to have come to a halt during the year under review: the rate for three-month Euro-dollar deposits, which was already at the fairly low level of 3.6 p.c. in December 1992, only declined slightly more, reaching 3.3 p.c. at the end of the year. The gradual recovery of the American economy no longer justified a further reduction of the Federal reserve's standard rates, while keeping inflationary pressures under control made it possible to avoid taking a stricter line in monetary policy.

In Japan, on the other hand, the decline in rates which began at the end of 1990 continued, the slackening of economic activity having induced the central bank to lower the discount rate again twice, in February and September. The rate for three-month deposits in Euro-yen thus fell from 3.7 p.c. in December 1992 to 2.1 p.c. in December 1993, a level even lower than that in the United States.

In Germany the reduction in interest rates, which had still remained relatively high until the middle of 1992, was much more pronounced. Various factors, such as the gradual improvement of the inflation prospects

connected in particular with the new wage agreements, the appreciation of the mark against the other EMS currencies and the agreement concluded in March concerning the medium-term rehabilitation of the German public finances, contributed, in a situation of marked economic recession, to a gradual easing of monetary policy. From year-end to year-end, the three-month rate in Euro-marks thus fell by 2.9 p.c., down to 6.1 p.c. in December 1993.

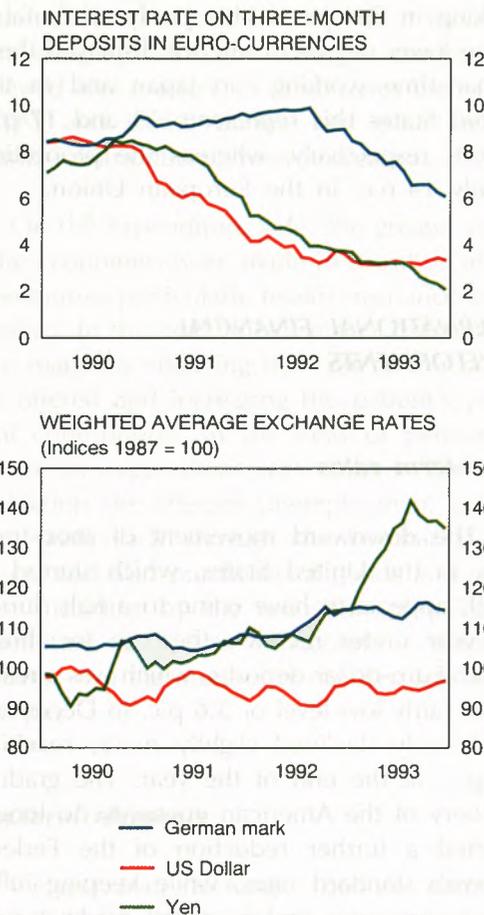
**Exchange rates**

Despite the unprecedentedly low level of Japanese interest rates, the yen appreciated strongly against the dollar during the first three quarters of the year under review, owing not only to the large surplus of the Japanese current account balance but also to the expectations of an increase in that surplus due to the asynchronous cyclical development in Japan and the United States. The massive interventions by the central banks of these two countries failed to prevent the yen from reaching an all-time high against the dollar in mid-August. From September onwards the lowering of the Bank of Japan's discount rate and the announcement of budgetary measures to restimulate activity somewhat slowed down the appreciation of the yen, so that its weighted average finally amounted to 18 p.c. during the year under review.

Partly owing to the narrowing, by around 2.5 percentage points, of the interest rate differential in relation to three-month deposits in Euro-marks, the dollar appreciated by 8.2 p.c. against the mark between December 1992 and December 1993. The weighted average exchange rate for the dollar underwent hardly any change, the decline against the yen having counterbalanced the rise against the EMS currencies.

The weighted average exchange rate for the German mark also remained relatively stable in 1993 : the depreciation of the mark against the yen and the dollar was counterbalanced by its appreciation against the other European currencies.

CHART 9 — SHORT-TERM INTEREST RATES AND EXCHANGE RATES

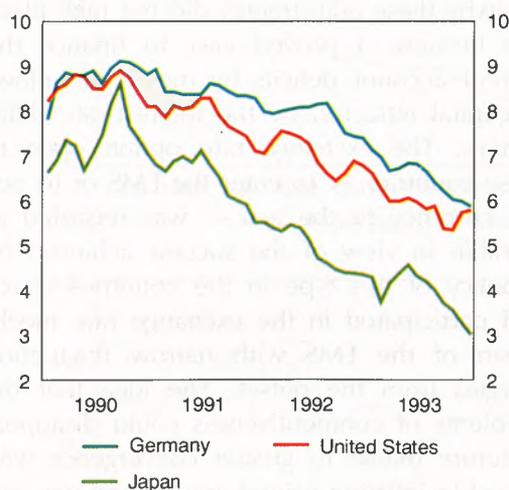


Sources : OECD, NBB.

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

The downward trend which started in 1990 in the long-term interest rate segment continued everywhere in 1993, more uniformly than for short-term rates. The fall was greatest in Germany, where it quickened compared with the previous year. In the United States, too, long-term rates fell more than in 1992 despite the ending of the downward movement of short-term rates, so that the yield curve became less steep. In Japan and Germany, on the other hand, the decline in long-term rates was smaller than that in short-term rates.

**CHART 10 — GROSS LONG-TERM YIELD RATES ON THE SECONDARY MARKET FOR PUBLIC SECTOR LOANS**



Source : OECD.

As inflation remained virtually stable in the three major economies considered during the year under review, long-term interest rates in those economies also fell in real terms. The reduction was particularly large in Germany, perhaps because the high level of inflation in that country is regarded as being temporary; calculated on the basis of the present rate of inflation, real German interest rates thus, in 1993, reached a level comparable to that of

the mid-1970s and close to that of the other major economies.

The downward trend of long-term interest rates stimulated share prices everywhere. They rose chiefly in Western Europe, where expectations of the imminent ending of the downward cyclical phase inspired hopes of an early improvement in the profitability of enterprises. In the United States, where the recovery of stock market prices had begun earlier, stock exchange indices recorded a more modest rise during the year under review. The prices of Japanese shares, which had risen sharply during the first three quarters, were under strong downward pressure during the last months owing to the persistent weakening of economic activity. At the end of the year they were almost back to the level at which they had stood at the beginning of 1993.

### **FINANCIAL DEVELOPMENTS IN THE EUROPEAN CONTEXT**

In the major economies which have just been discussed, monetary policy is pursued primarily in accordance with internal variables, as the exchange rate for the national currency is not an intermediate objective of that policy. In the smaller European economies, on the other hand, the exchange rate is an intermediate objective. That is why it is necessary to start by discussing the role of the exchange rate.

The exchange rate mechanism of the European Monetary System, in which the German mark, the Dutch guilder, the Belgian and Luxembourg francs, the Danish crown, the French franc, the Irish punt and the Italian lira (the latter with margins widened to 6 p.c. until January 1990) participated from its creation in 1979, was characterised at first by frequent and substantial realignments of the parities, which were all ultimately tantamount to de facto devaluations of the currencies participating in the exchange rate mechanism in relation to the German mark. This was because, at first, convergence of economic policies between the various countries was almost

non-existent, this having been reflected in marked differences in inflation, which undermined the competitive position of some countries.

Since the last general realignment of the exchange rate mechanism of the EMS on 12th January 1987, stability of exchange rates reigned on the European markets until the first Danish referendum on the Treaty of Maastricht at the beginning of June 1992. During that period, no realignment of parities in the traditional sense of the term took place. This stability facilitated the entry, within the exchange rate mechanism, with margins widened to 6 p.c. of the Spanish peseta on 19th June 1989, the pound sterling on 8th October 1990 and the Portuguese escudo on 6th April 1992. It also spread to currencies which did not participate in the exchange rate mechanism of the EMS: in the course of 1990 and 1991 the Nordic countries, one after one, pegged their currencies to the ecu rather than to a basket of the currencies of their main trading partners.

The improvement of convergence with regard to inflation, which was greatest for the Netherlands, Belgium, France and Denmark, may perhaps have contributed to this stability of exchange rates, which, conversely, facilitated the process of relative disinflation. The experience gained during the first years of operation of the EMS created an awareness of the fact that problems of employment and economic activity cannot be solved by exchange rate adjustments alone, because, in open economies, domestic costs adapt themselves quite quickly to imported inflation. Furthermore, by adopting a more ambitious exchange rate policy, some countries were in fact endeavouring to make their economic policy converge with the more orthodox policy pursued by the country of the anchor currency and thereby strengthened the credibility of that policy. This greater credibility, by reducing expectations of inflation, in turn speeded up the convergence process.

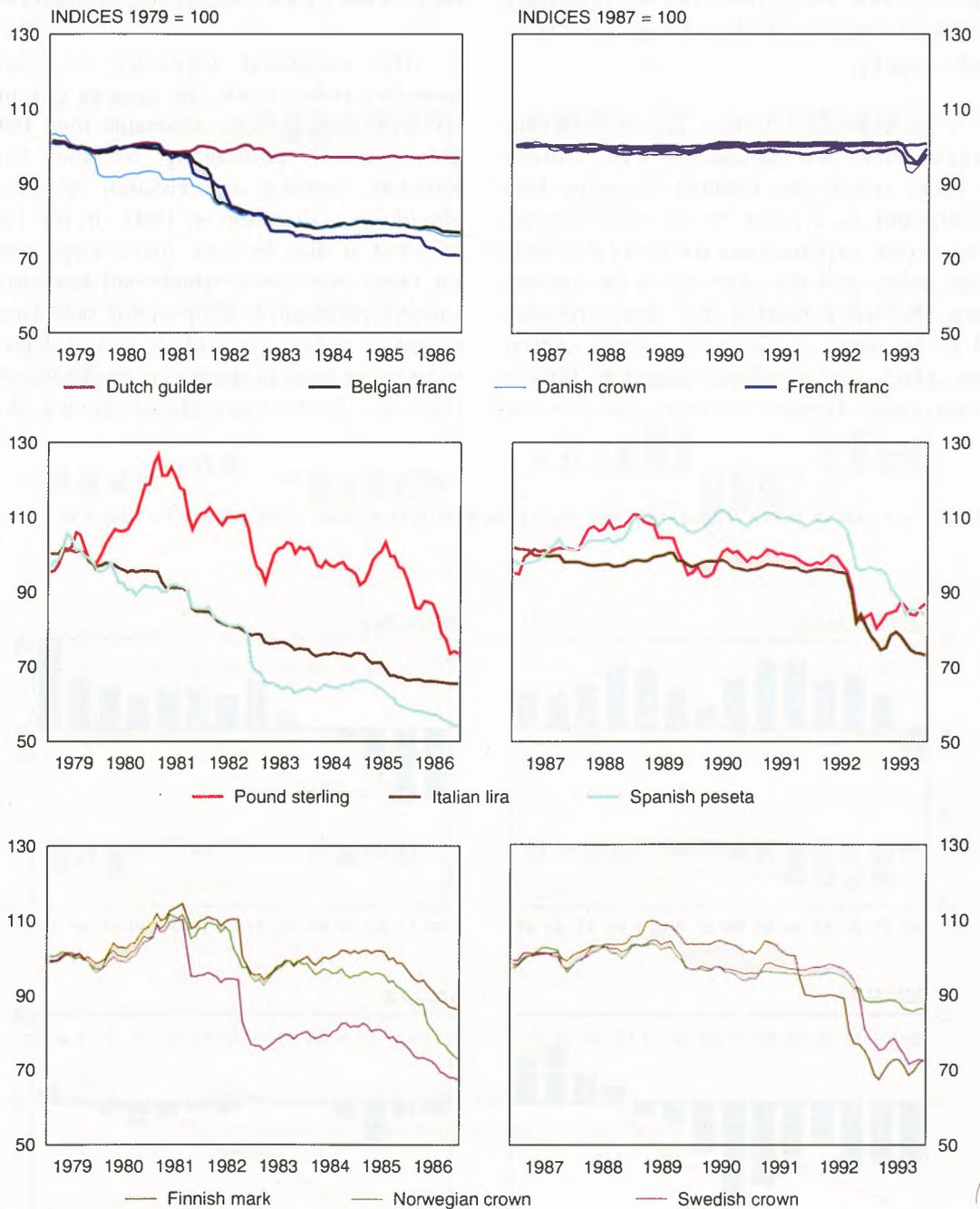
Despite the liberalisation of capital movements, confidence in the convergence-inducing power of this system made it possible

not only to achieve stability of exchange rates but also to reduce the short-term interest rate differentials in relation to Germany.

The fact remains that, despite a more favourable development of relative prices than during the period prior to 1987, the United Kingdom, Italy, Spain and the Nordic countries had since then accumulated large inflation differentials which, not having been counterbalanced by a depreciation of the currencies, had undermined their competitive position: with the exception of Norway, which had benefited from the revenues from its oil industry, all these countries incurred current account deficits for several years.

Normally, such current account deficits, which are liable to be made permanent by a loss of competitiveness, generate, on the foreign exchange markets, forces which bring about adjustments in exchange rates. The reason why these adjustments did not take place was because it proved easy to finance the current account deficits by means of inflows of capital attracted by the interest-rate differentials. The exchange rate option open to these countries — to enter the EMS or to peg the currency to the ecu — was regarded as credible in view of the success achieved by a policy of this type in the countries which had participated in the exchange rate mechanism of the EMS with narrow fluctuation margins from the outset. The idea that the problems of competitiveness could disappear in future thanks to greater convergence with regard to inflation gained ground and was further strengthened when it was given formal expression, at the beginning of 1992, in the Treaty of Maastricht. In view of the prospect of the EMU, less and less attention was paid to the current account deficits, since within a monetary union the regions with a surplus almost spontaneously meet the financing requirements of the regions with a deficit. Thus, more and more institutional investors, but also non-financial enterprises, accumulated uncovered claims in the currencies of the countries with a relatively higher rate of inflation, because these offered higher interest rates. The modernisation and rapid growth of the international capital markets during the pre-

CHART 11 — EXCHANGE RATES OF SOME EUROPEAN CURRENCIES IN RELATION TO THE GERMAN MARK



Source : NBB.

vious decade had created the appropriate conditions for this financial integration.

After the rejection of the Treaty of Maastricht in the first Danish referendum, on

2nd June 1992, and with the prospect of a difficult referendum in France in September 1992, doubts concerning the convergence of the European economies nevertheless arose and, very quickly, the fundamental data of

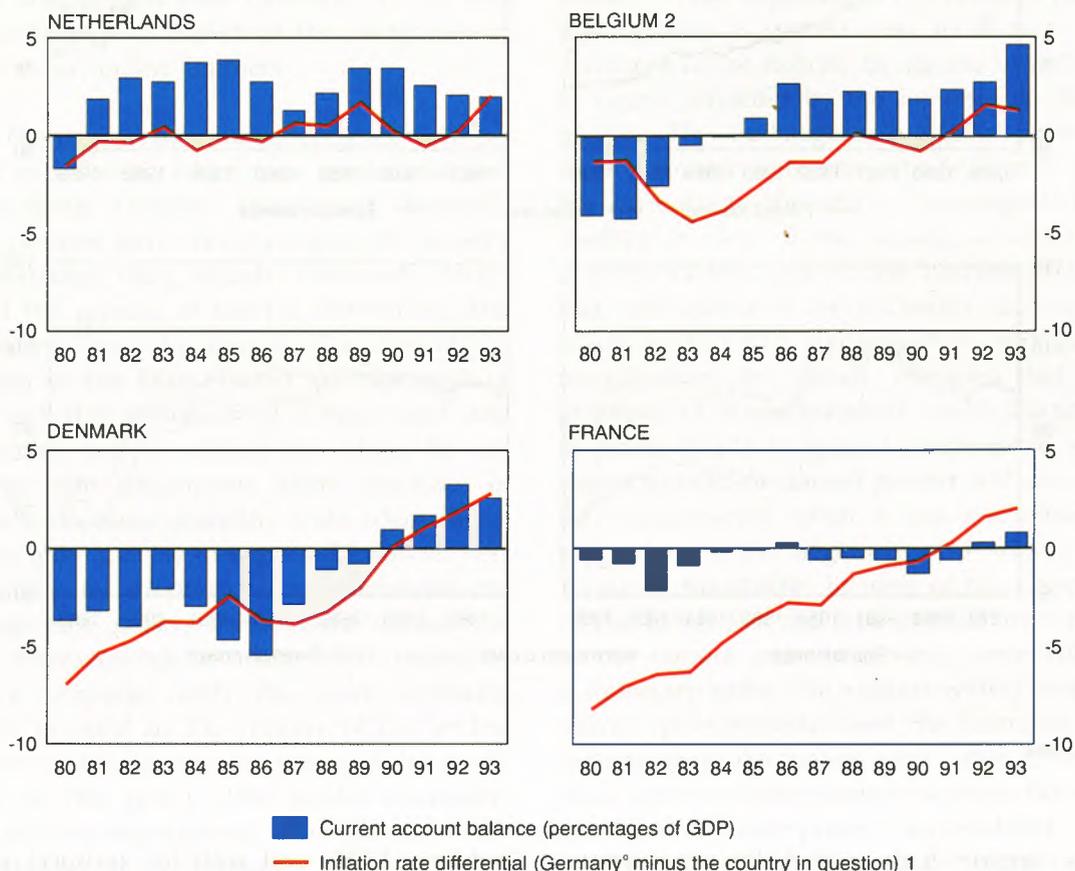
the various countries were approached again in a more traditional manner. The conviction that the external imbalances could not continue and that they could not be remedied without an adjustment of exchange rates then spread rapidly.

A second factor further accentuated the tensions within and outside the EMS, namely the shock which the German economy had to withstand as a result of the reunification. Owing to the expansionary nature of the budgetary policy and the absence of an income policy, the entire burden of curbing inflation had to be borne in Germany by the central bank, which was therefore obliged to pursue an even more stringent monetary policy in the

course of 1991 and for a good part of 1992, all the more so because that policy was not supported by an appreciation of the mark, which could have helped to curb inflation.

The continued tightening of German monetary policy made the existing disequilibria appear even more untenable than before. This applied particularly to the United Kingdom, Sweden and Finland, which were already in a recession in 1991. In the course of 1992 it also became increasingly difficult for other economies which had been sliding towards recession to keep in line with German monetary policy, particularly as the degree of inflation in most of them was moderate during that year. Furthermore, the slackening of eco-

CHART 12 — CURRENT ACCOUNT BALANCE AND INFLATION RATE DIFFERENTIAL COMPARED WITH GERMANY

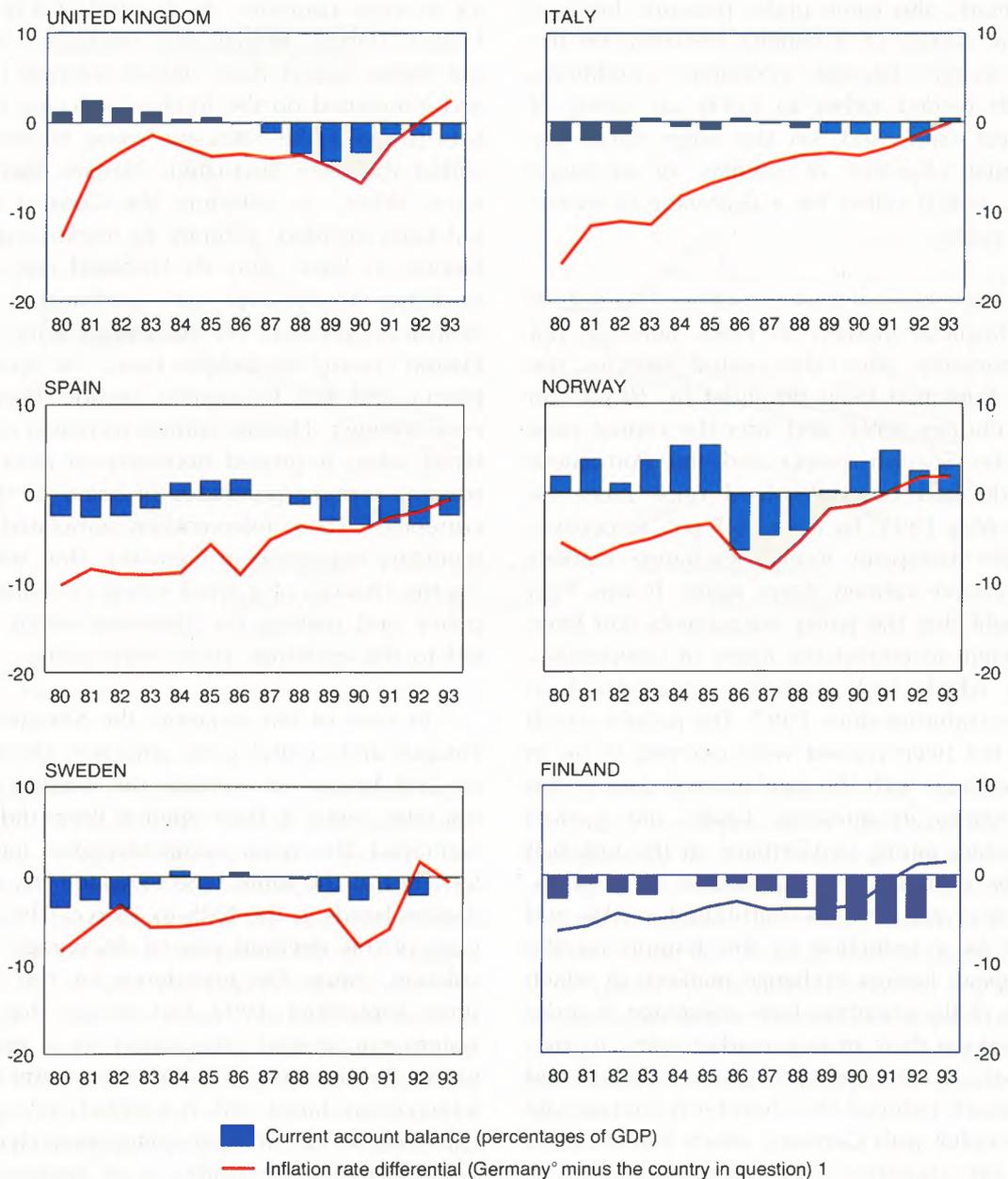


Sources : EC, OECD, NBB.

<sup>1</sup> A rise means a favourable development compared with Germany.

<sup>2</sup> BLEU for the current account balance.

CHART 13 — CURRENT ACCOUNT BALANCE AND INFLATION RATE DIFFERENTIAL COMPARED WITH GERMANY



Sources : EC, OECD, NBB.

<sup>1</sup> A rise means a favourable development compared with Germany.

conomic activity in Europe in 1992 caused the loss of competitiveness of some countries to be more keenly felt than in the past. Lastly, the expectations of a fall in the exchange rates for the currencies of some countries were encouraged by the depreciation of those of their

main trading partners, thus creating a kind of chain reaction.

The exchange rate corrections in 1992 related to the currencies of the countries which had accumulated hand:caps with regard

to competitiveness. But currencies of countries which did not have to contend with such a problem, such as France, Ireland and Denmark, also came under pressure, because of the danger of a conflict between, on the one hand, internal economic conditions, which tended rather to justify an easing of interest rates, and, on the other hand, the external objective of stability of exchange rates, which called for a tightening of monetary policy.

These considerations continued to disturb the financial markets in 1993, although not permanently. After the central rate for the Irish punt had been devalued by 10 p.c. on 1st February 1993, and after the central rates for the Spanish peseta and the Portuguese escudo had been devalued once more on 13th May 1993, by 8 and 6.5 p.c. respectively, the European foreign exchange markets temporarily calmed down again. It was then thought that the parity adjustments had been sufficient to correct the losses of competitiveness which had gradually accumulated in some countries since 1987. The parities which had not been revised were deemed to be in accordance with the fundamental data of the economies in question. Lastly, the gradual monetary easing in Germany in the first half of the year and the expectation of a continuance of that process contributed in May and June to a reduction of the tension on the European foreign exchange markets, of which most of the countries took advantage in order to reduce their money market rates. In particular, in the spring of 1993, France and Denmark reduced the short-term interest rate differential with Germany which had widened in both countries since mid-1992 owing to the state of the foreign exchange markets.

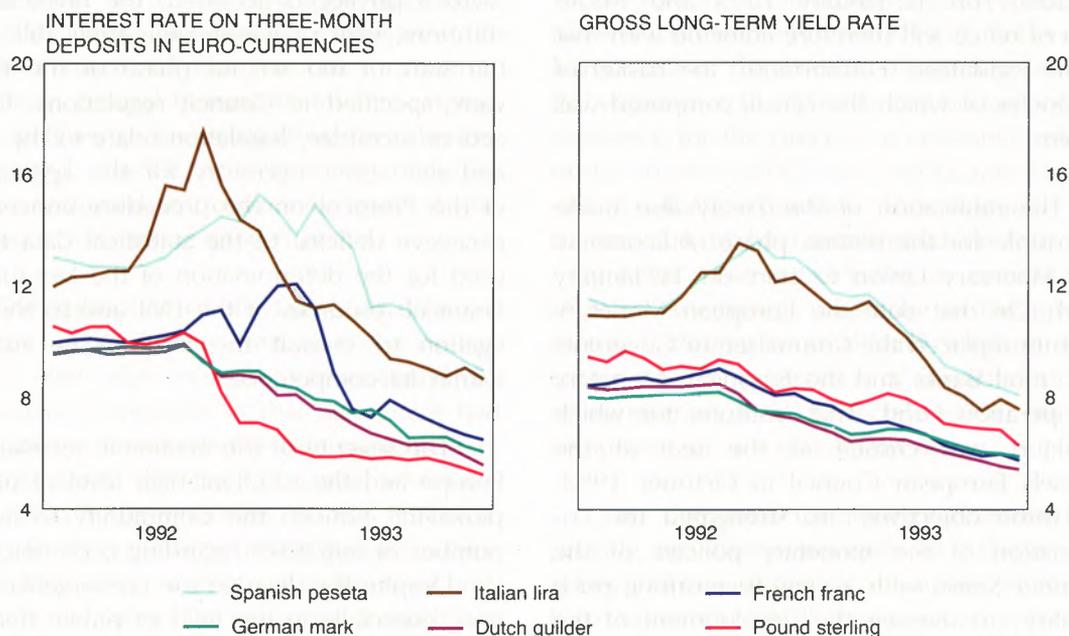
Faced with a still strong monetary expansion and a level of inflation which was regarded as unacceptable, the German central bank thought it prudent in June to slow down the tempo of the monetary easing slightly, thus taking the opposite line to what the financial markets expected — a development which very quickly brought about a revival of tension in the EMS during the second week of July. The impression that the recession on

the European continent had been underestimated strengthened the feeling that there was a conflict between the aims of monetary policy in some countries. At the end of July the French, Danish, Belgian and Portuguese central banks raised their official interest rates and intervened on the foreign exchange markets to keep the rates for some currencies within the EMS fluctuation margins then in force. When, on 29th July, the German central bank decided, contrary to market expectations, to lower only its Lombard rate and to leave its discount rate unchanged, the downward pressure on the French franc, the Danish crown, the Belgian franc, the Spanish peseta and the Portuguese escudo became even stronger. Despite further increases in interest rates, it proved necessary to resort to massive support purchases of some of these currencies. These interventions stimulated the monetary expansion in Germany, thus reducing the chances of a rapid easing of monetary policy and making the dilemma which had led to the exchange crisis more acute.

In view of this situation, the Ministers of Finance and central bank governors decided, on 2nd August, to maintain the existing central rates, since in their opinion these did not contradict the main competitiveness indicators, but at the same time to widen the fluctuation bands in the EMS to 15 p.c. The purpose of this decision was to discourage speculation, since the experience of the EMS since September 1992 had shown that the system encouraged speculation to a certain extent, because positions taken up within the intervention limits did not entail any great risks and in fact offered quite good chances of success. The probability of an appreciation of a currency under attack was in fact minimal in such a system. The widening of the fluctuation margins led to the disappearance of these precise aims and increased the uncertainty on the markets.

The guilder remained stable vis-à-vis the mark throughout the year. In addition to the strong points of the Dutch economy, the long tradition of pegging to the mark ruled out any doubt as to the guilder rate. On the other hand, the depreciation of the French franc,

CHART 14 — SHORT-TERM AND LONG-TERM INTEREST RATES



Sources : OECD, NBB.

the Danish crown and the Belgian franc vis-à-vis the German mark was at first quite substantial. Neither Belgium nor France nor Denmark relaxed their monetary policies, although the widening of the fluctuation margins offered them the possibility of doing so. In order to limit the depreciation of the exchange rates, the three countries adhered to a strict interest rate policy which, in Belgium and Denmark, led to appreciable rises in money market rates. In the long-term segment the increases were rather limited, French interest rates having even fallen below the German rates from August onwards. The downward trend of long-term interest rates which may be partly attributable to the weakness of demand for long-term funds, was thus hardly interrupted, indicating that market operators did not expect any substantial falls in exchange rates or a resurgence of inflation.

Towards the end of the year the Belgian franc, the Danish crown and the French franc did, however, regain the greater part of the ground lost, because the fundamental eco-

nomical data of these countries did not warrant the preceding depreciation. This recovery was facilitated by the continuance of the monetary easing in Germany and by the weakening of the mark against the dollar, which created further scope for interest rate reductions in these countries. Short-term rates fell appreciably again, so that at the end of the year under review interest rates were appreciably below their end-1992 level in all the countries in question.

## 1.4 INTERNATIONAL CO-OPERATION

### *European integration*

After the creation of the single market on 1st January 1993, the process of ratification of the Treaty of Maastricht on European Union by each of the twelve Member States was completed in the course of the year. Upon the entry into force of the Treaty on 1st November, the European Parliament's role

in legislative procedures was increased. The Parliament will have to approve the composition of the Commission, which will take up its duties on 1st January 1995 and whose term of office will therefore coincide with that of the legislature. Furthermore, the basket of currencies of which the ecu is composed was frozen.

The ratification of the Treaty also made it possible for the second phase of Economic and Monetary Union to start on 1st January 1994. On that date the European Monetary Institute replaced the Committee of Governors of Central Banks and the European Monetary Co-operation Fund. That Institute, for which Frankfurt was chosen as the seat at the Brussels European Council in October 1993, has three objectives: to strengthen the co-ordination of the monetary policies of the Member States with a view to ensuring price stability; to oversee the development of the ecu, and to make the preparations required for the conduct of a common monetary policy from the start of the third phase of the EMU and the subsequent introduction of a single currency.

To that end, the EMI must, among other things, draw up the regulatory, organisational and logistical framework necessary to enable the European System of Central Banks to perform its tasks. It also takes upon itself certain operational functions, particularly the issuing of official ecus, a function which was previously performed by the EMCF. It is also authorised to hold and manage foreign exchange reserves as an agent for and at the request of the central banks of the European Union. It will furthermore facilitate the use of the private ecu, partly by overseeing the smooth functioning of the ecu clearing system. Although it is the precursor of the future European Central Bank, the EMI cannot prejudice the responsibility of the competent national authorities for the conduct of their respective monetary policies.

The secondary legislation necessary for the implementation of the second phase of Economic and Monetary Union was passed before the end of the year. Thus, the defini-

tions necessary for the application of the prohibition against financing of the public sector by central banks and the prohibition of that sector's privileged access to the financial institutions, which have become applicable from the start of the second phase of the EMU, were specified in Council regulations. Other acts of secondary legislation relate to the rules and definitions necessary for the application of the Protocol on the procedure concerning excessive deficits, to the statistical data to be used for the determination of the key for the financial resources of the EMI and to the obligation to consult the Institute on matters within its competence.

The severity of the economic recession in Europe and the resultant high level of unemployment induced the Community to take a number of initiatives regarding economic policy. Despite the delay in the convergence process, especially in the field of public finance, the need to step up convergence was reaffirmed as part of the major guidelines for economic policy adopted by the Council in December. These guidelines provide, on the one hand, for the maintenance of a stable macroeconomic framework and the pursuit of the objectives of stability of prices and exchange rates and rehabilitation of the public finances and, on the other hand, for greater flexibility of the labour market and a moderation of wages as steps capable of leading to the creation of jobs.

Furthermore, the White Book on the strategy to be implemented in the medium term for promoting growth, competitiveness and employment, which the Copenhagen European Council of 21st and 22nd June had invited the Commission to draw up, was published and examined by the Brussels European Council of 10th and 11th December. It contains proposals for the creation of a considerable number of jobs and, in particular, an ambitious investment programme providing for infrastructure works over a period of six years at the cost of ECU 20 billion per year. This macroeconomic stimulus was to be supplemented by a series of employment policy measures, such as a selective lowering of labour costs and initiatives to promote the

recruiting of young people with a low level of skills. On the basis of the White Book the European Council decided to introduce an action plan for combating unemployment. This plan, whose purpose is to strengthen the competitiveness of the European economy, contains a general framework for the employment policies to be pursued by the Member States and specific accompanying measures to be conducted at Community level; it also defines a monitoring procedure.

The Agreement on the European Economic Area entered into force on 1st January 1994, after the measures necessitated by Switzerland's rejection of that agreement had been taken. It extends the free movement of persons, goods, services and capital which exists between the countries of the European Union to the countries of the European Free Trade Association, except for Switzerland and, for the time being, Liechtenstein. In addition, the negotiations concerning the accession of Austria, Finland, Norway and Sweden to the European Union officially started in 1993.

### ***Co-operation with the countries in transition of Eastern Europe and Asia***

The European Community and some countries of Central and Eastern Europe signed new association agreements, the so-called « Europe agreements » which provide, among other things, for the free movement of goods and which contain provisions concerning competition, liberalisation of payments, approximation of laws and political co-operation. After similar agreements had been signed the previous year with Poland and Hungary, agreements of this type were concluded in 1993 with Bulgaria and Romania, and that in force with the Czech and Slovak Federative Republic was replaced, in view of the partition of that republic, by two separate agreements with the Czech Republic and with the Slovak Republic. Pending approval of these agreements by the national parliaments of the twelve Member States, interim agreements on trade entered into force with each of the partner countries in order to give them better access to the market of the European Union

straight away. The latter also signed a trade and co-operation agreement with Slovenia.

In July the Commission approved the extension for the period 1993-1997, within the framework of the PHARE programme and at the expense of the Community budget, of the assistance for the process of economic reform of the countries of Central and Eastern Europe and the Baltic countries. The assistance was to continue to be concentrated on four priority fields : the restructuring or privatisation of State enterprises; assistance to the private sector, including to small and medium-sized enterprises, by promotion of investment; the modernisation of the financial system; the development of a social safety net.

The European Community continued to provide the Commonwealth of Independent States with assistance in a number of forms. It extended the TACIS programme for technical assistance to the States of the CIS for the period 1993-1995 and continued to negotiate partnership and co-operation agreements with five republics of the CIS : Russia, Ukraine, Belarus, Kazakhstan and Kyrgyzstan.

For its part, the European Bank for Reconstruction and Development defined its strategy towards many countries in course of transition and granted them credits totalling ECU 2.3 billion.

Several extraordinary meetings of the Group of Seven were held in the presence of a delegation from Russia in order to work out a common strategy for assistance to that country. In April it was decided to grant it a substantial amount of multilateral assistance, namely a \$ 15 billion official debt relief, export guarantees amounting to \$ 10 billion and aid totalling \$ 18.4 billion to be granted by the international financial institutions.

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

In April the IMF created a new credit instrument : the systemic transformation facility. The purpose of this temporary mechanism is to provide financial resources to Member

States which have balance of payments difficulties arising from disruptions of their traditional trade and payments arrangements, owing to a shift to a multilateral, market-based trade system. Countries which will be able to benefit from this facility are mainly the former members of Council of Economic Mutual Assistance which had important trading relations with the countries of that organisation. The aim of the STF is to facilitate the establishment of market-economy institutions and mechanisms in order to prepare the beneficiary States for the subsequent implementation of an adjustment programme subject to the normal conditionality. Access to the resources of this facility, which will remain in force until the end of 1994, depends on the extent of the beneficiary country's balance of payments difficulties, but cannot exceed 50 p.c. of its quota. This new facility has so far been granted to : Russia, Kyrgyzstan, Kazakhstan, the Slovak Republic, Belarus, Moldova, Estonia, Lithuania, Cambodia, VietNam and Latvia.

The enhanced structural adjustment facility, which had been created in 1987, expired at the end of the year. Owing to its usefulness for the poorest countries, the Interim Committee decided to continue the experiment and invited the Executive Board to examine the financial and operational modalities of a new facility to take its place.

The accession of three new countries — Croatia, Slovenia and the former Yugoslav Republic and Macedonia — and the admission of the Czech Republic and of the Slovak Republic as new members in place of the Czech and Slovak Federative Republics increased total membership in the IMF to 178.

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

Part of public development aid continued to be granted under debt-restructuring agreements, in the form of rescheduling or reduction of the debt service. This strategy, based on adjustment programmes designed to correct the macroeconomic and structural imbal-

ances, enabled a growing number of developing countries, mainly middle-income countries in the upper bracket, to regain access to the international capital markets. The situation deteriorated, on the other hand, for many other indebted countries. That is particularly the case in Africa, where the debt expressed as a percentage of exports of goods and services reached 242 p.c., a level close to the peak of 244 p.c. recorded in 1987 and 1988.

### ***Liberalisation of world trade and co-operation between industrialised countries***

The procedures for the ratification of the treaty establishing the North American Free Trade Association (NAFTA) were finally concluded at the end of the year. The treaty came into force on 1st January 1994. Its intention is to gradually remove, within a period of fifteen years, most of the obstacles to trade and investment between the participating countries, namely the United States, Canada and Mexico.

The eighth series of negotiations under the General Agreement on Tariffs and Trade (GATT), generally known as the Uruguay Round, which had started in 1986, finally led to the drawing up of the « Final Act Embodying the Results of the Uruguay Round Multilateral Trade Negotiations ». These results consist of various agreements concerning the deepening and extension of the liberalisation of trade. The Final Act provides for greater access to the market, through a lowering of customs duties and the reduction of non-tariff obstacles, and the extension of the GATT rules to new fields, such as the textile and clothing industries and agriculture. It also confirms the tightening of the rules and disciplines of GATT. The negotiations furthermore led to an agreement concerning trade in services, relating to, among other things, financial services. Lastly, on the institutional level, the Final Act clarifies the procedure for the settlement of disputes and provides for the creation of a multilateral trade organisation.

## 2. EXPENDITURE, PRODUCTION AND EMPLOYMENT

### 2.1 EXPENDITURE

In Belgium GDP contracted by about 1.3 p.c. during the year under review. Thus, after 1975 and 1981, 1993 is the third recession year in a period of twenty years. The two previous recessions were due to external shocks which had brought about a sudden and intense, but fairly brief, cyclical reversal. The decline which took place in 1993, on the other hand, represents rather the continuation of a long period of slackening of economic growth, which began in the middle of 1990.

The slowdown of activity during the year covered by the Report was due to sharp contraction both in exports of goods and services and in domestic expenditure.

The decline in demand in most of the countries of continental Europe was keenly

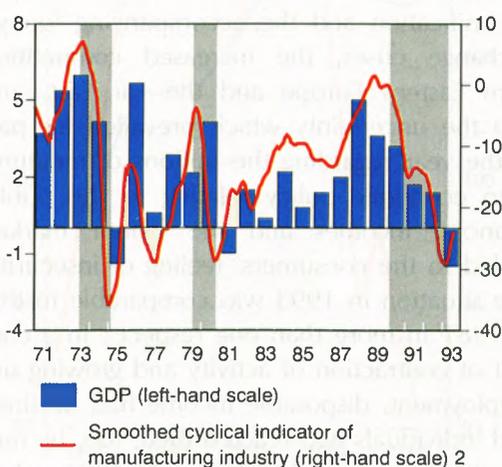
felt in Belgium. Owing to its high degree of openness and the orientation of its trade towards Western Europe, the Belgian economy displays a cyclical pattern which generally hardly differs from that of the neighbouring economies. It is, however, more dependent than others on the German economy. It was therefore one of the major beneficiaries of the boom in Germany during the period 1988-1990, but it was also, owing to the substantial reduction in exports to that country and its traditional suppliers, harder hit by the subsequent cyclical reversal.

Domestic expenditure fell in 1993, for the first time since 1983, by 1.9 p.c. This contraction was due to the behaviour of both individuals and enterprises. Individuals reduced both their consumption and their expenditure on housing, which had increased substantially in 1992. Investment by enterprises, which had already declined in 1991 and 1992 after several years of strong growth, fell again, and further, during the year under review. General government, for its part, increased its investment and also, slightly, its consumption.

Over the year as a whole, private consumption, which represents two thirds of domestic demand, appears to have fallen by 1.2 p.c. A breakdown by quarter shows that, after having reached a peak in the spring of 1992, expenditure on consumption decreased uninterruptedly during the next four quarters. It stabilised towards the middle of 1993 and would appear, according to still fragmentary information, to have recovered fairly appreciably towards the end of the year.

The movement of private consumption is the result of that of the disposable income of households and of the changes in their savings ratio. While the long-term movements of private consumption and disposable income do tend to run parallel with each other, their short-term movements may sometimes diverge considerably. Thus, a slow or negative growth

CHART 15 — CYCLICAL INDICATOR AND ANNUAL RATE OF GROWTH OF GDP AT CONSTANT PRICES<sup>1</sup>



Sources : NSI, NBB.

<sup>1</sup> The cross-hatched areas indicate the periods of pronounced cyclical slowdown.

<sup>2</sup> For a description of the method used to calculate the indicator, see the *Bulletin of the National Bank of Belgium*, LXV<sup>th</sup> year, Vol II, Nos 2-3, August-September 1990.

TABLE 4 — GDP AND MAIN CATEGORIES OF EXPENDITURE AT 1985 PRICES

(Percentage changes compared with the previous year)

|   | 1990    | 1991    | 1992    | 1993 e  |
|---|---------|---------|---------|---------|
| Private consumption <sup>1</sup> .....                        | 3.6     | 2.8     | 2.3     | -1.2    |
| Public expenditure .....                                      | 1.8     | 2.5     | 1.3     | 2.0     |
| Public consumption .....                                      | 1.0     | 1.8     | 1.3     | 1.3     |
| Public investment .....                                       | 8.4     | 7.9     | 1.6     | 8.0     |
| Housing <sup>2</sup> .....                                    | 8.5     | -0.8    | 12.5    | -3.0    |
| Gross fixed capital formation by enterprises .....            | 8.5     | -3.1    | -3.1    | -10.3   |
| p.m. Total gross fixed capital formation <sup>1,3</sup> ..... | 8.5     | -1.7    | 1.0     | -6.7    |
| Change in stocks <sup>1,4</sup> .....                         | -0.1    | -0.3    | ...     | ...     |
| Total domestic expenditure .....                              | 4.1     | 1.4     | 1.9     | -1.9    |
| Exports of goods and services .....                           | 4.2     | 2.5     | 1.6     | -2.2    |
| Total final expenditure .....                                 | 4.1     | 1.9     | 1.7     | -2.0    |
| Imports of goods and services .....                           | 4.1     | 2.4     | 2.7     | -2.8    |
| Net exports of goods and services <sup>4</sup> .....          | -0.1    | 0.1     | -1.1    | 0.6     |
| GDP before statistical adjustments .....                      | 4.1     | 1.5     | 0.8     | -1.3    |
| Statistical adjustments <sup>4</sup> .....                    | -0.9    | 0.3     | 0.6     | ...     |
| GDP after statistical adjustments .....                       | 3.2     | 1.8     | 1.4     | -1.3    |
| p.m. GDP at current prices (billions of francs) .....         | (6,414) | (6,705) | (7,032) | (7,137) |
| GDP at constant prices (billions of 1985 francs) ..           | (5,503) | (5,601) | (5,679) | (5,604) |

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.

in disposable income is often accompanied, in an initial phase, by a decline in the savings ratio, as individuals endeavour to maintain their level of consumption. But this was not the case in 1993 : although the rise in disposable income was modest, individuals increased their savings ratio to an all-time high, of over 20 p.c. of disposable income, whereas it averaged around 18 p.c. during the last twenty-five years. On the one hand, income from property, which is doubtless saved to a greater extent than labour incomes, increased faster than the other income components during the last few years. On the other hand, the worsening of the cyclical climate and the increase in unemployment probably shook the confidence of households and induced them to step up their precautionary saving. This confidence depends not only on the economic situation but also on how it is expected to develop. Now the growth and employment

forecasts were not very encouraging. Furthermore, the difficulties connected with European unification and the accompanying foreign exchange crises, the increased competition from Eastern Europe and the Far East, and also the uncertainty which prevailed for part of the year regarding the options of medium-term economic policy relating to the public finances, incomes and the labour market, added to the consumers' feeling of insecurity. The situation in 1993 was comparable to that in 1981 in more than one respect : in a context of contraction of activity and growing unemployment, disposable income had declined and individuals had reacted then, too, by raising their savings ratios. Not until 1982, when real disposable income declined considerably, did savings play their buffer role, despite a further increase in unemployment. In one year the savings ratio had fallen from 19.7 to 16.3 p.c.

The fluctuations in private consumption were, as usual, mainly reflected in purchases of durable consumer goods; in particular, purchases of cars fell by nearly 20 p.c. The rise in consumption of services, for its part, slowed down appreciably, chiefly owing to a much less rapid growth in expenditure on health care.

The smallness of the rise in disposable income in real terms and the cyclical climate also depressed expenditure on housing. This fell by around 3 p.c., despite a further lowering of interest rates on mortgage loans, due to, among other factors, the keen competition between financial intermediaries. After having peaked in the first half of 1992, this expenditure subsequently fell uninterruptedly. Even

so, its level at the end of 1993 was still well above those of the years 1990 and 1991.

After having declined by about 3 p.c. both in 1991 and in 1992, gross fixed capital formation by enterprises decreased even more during the year under review: enterprises, faced with a fall in demand and a worsening of profit prospects, curtailed their investment by over 10 p.c. Investment nevertheless still represents around 11 p.c. of GDP, which corresponds to the average recorded in the main trading partners belonging to the European Union.

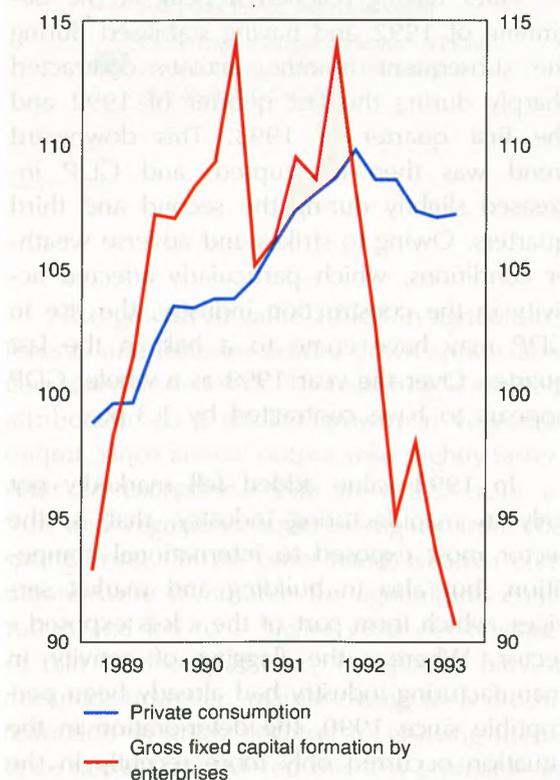
The quarterly data show that the decline in investment by enterprises was particularly pronounced from the second quarter of 1992 onwards.

Enterprises in manufacturing industry, which had greatly increased their expansion investments during the years prior to 1991, cut down their gross fixed capital formation by about 25 p.c. This contraction in investment, which affected virtually all branches of activity, has a dual origin. Firstly, many projects were postponed for cyclical reasons: the rate of utilisation of production capacities fell to a very low level in the first quarter and increased only slightly during the rest of the year, so that only a small number of expansion investments were carried out. Secondly, large projects in the chemical and motor vehicle assembly industries, which reflected a medium-term planning approach and consequently entailed restructurings spread out over several years, were completed before the beginning of the year under review. Thus in 1993, unlike in the preceding years, the motor industry did not moderate the decrease in gross capital formation in manufacturing industry. On the contrary, it was in that branch that the largest reduction, of over 45 p.c., was recorded.

Investment by enterprises specialising in market services, other than public enterprises, decreased by about 10 p.c. There was, however, a continuation of the recovery, in progress since 1989, in investment by enterprises in the « electricity, gas, water » branch of ac-

CHART 16 — QUARTERLY MOVEMENT OF PRIVATE CONSUMPTION AND OF GROSS FIXED CAPITAL FORMATION BY ENTERPRISES AT 1985 PRICES

(Indices 1989 = 100)



Sources: NSI, NBB.

tivity and by public enterprises which chiefly operate in the transport and communications sectors. This was probably connected with the infrastructure work — then proceeding apace — relating to the high-speed train project.

As during the three preceding years, public expenditure increased somewhat. Despite a fall in purchases of goods and services, public consumption rose by 1.3 p.c. owing to the increases in salaries and pensions of civil servants granted under the social programming scheme. Under the impulse of the expenditure incurred by the regions and local authorities, public investment, for its part, rose for the fourth year in succession, although it still remained at a modest level, representing only 1.8 p.c. of GDP, against 2.7 p.c. in the case of the main European trading partners.

Owing to the changing of the system for gathering data concerning part of international trade, attributable to the abolition of intra-Community customs statistics, it is temporarily very difficult for the various Member State of the European Union, and thus also for Belgium, to obtain an accurate picture of imports and exports of goods. According to estimates based on a set of indicators, net exports of goods and services, which had made a very negative contribution to economic growth in 1992, appear, on the contrary, to have had a positive effect on the movement of GDP in 1993. Flows of exports and imports shrank. The fall in exports of goods and services is primarily due to a reduction in demand on foreign markets. The even more pronounced decrease in imports is attributable to the sharp contraction in final demand, especially for the components with a very high import content : exports of goods, investment in equipment and consumption of durable goods.

## **2.2 VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY**

The annual data on activity do not make it possible to express any judgment on its movement during the year and hence to lo-

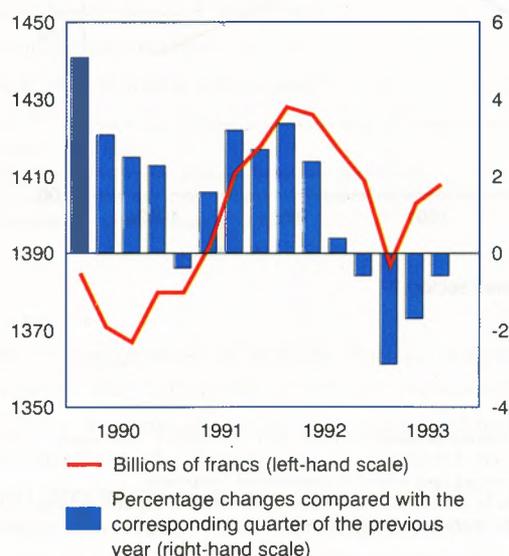
cate the turning points of the business cycle. In order to remedy this shortcoming the Bank has developed a method for estimating the quarterly GDP. It proved impossible to assess activity quarter by quarter on the basis of the various categories of expenditure. This was because, apart from information on private consumption and investment, the indicators concerning expenditure are sometimes erratic or subject to many revisions and sometimes simply non-existent (as for the movement of stocks and, since 1993, the volume of exports and imports of goods). On the other hand, an approach based on the « production » aspect of the national accounts proved more fruitful. The volume of the value added was estimated from indicators concerning some twenty branches of activity, mainly obtained from the VAT data (turnover figures), data on industrial production and indices of producer or consumer prices. Although the quarterly GDP figure thus calculated incorporates the information available at the time of the estimate as well as is possible, it is still provisional.

After having reached a peak at the beginning of 1992 and having stabilised during the subsequent months, activity contracted sharply during the last quarter of 1992 and the first quarter of 1993. This downward trend was then interrupted, and GDP increased slightly during the second and third quarters. Owing to strikes and adverse weather conditions, which particularly affected activity in the construction industry, the rise in GDP may have come to a halt in the last quarter. Over the year 1993 as a whole, GDP appears to have contracted by 1.3 p.c.

In 1993 value added fell markedly not only in manufacturing industry, that is, the sector most exposed to international competition, but also in building and market services, which form part of the « less exposed » sector. Whereas the flagging of activity in manufacturing industry had already been perceptible since 1990, the deterioration in the situation occurred only more recently in the less exposed sector, owing to the contraction of domestic expenditure during the year under review. The movement of activity was less

uniform in the other branches of the economy. While the « electricity, gas, water » branch also felt the effects of the recession in 1993, in agriculture and non-market services, which are less sensitive to cyclical developments, there was an increase in value added.

CHART 17 — QUARTERLY GDP AT 1985 PRICES



Source : NBB.

The growth in value added in agriculture, forestry and fisheries slowed down appreciably compared with 1992. This slowing is entirely attributable to a smaller growth in vegetable output, since animal output rose slightly faster. After an exceptional year in 1992, crops of fruit and vegetables suffered slightly from the spring frosts. On the other hand, weather conditions were favourable for agricultural cultivation and led to a higher yield per hectare, so that total output rose. The potato harvest declined, however, mainly owing to a drastic reduction in areas devoted to growing them, since farmers considered this less profitable in view of the previous year's particularly low prices. The increase in animal output was contributed to by all types of meat, especially

production of poultry, whose market share is growing year by year.

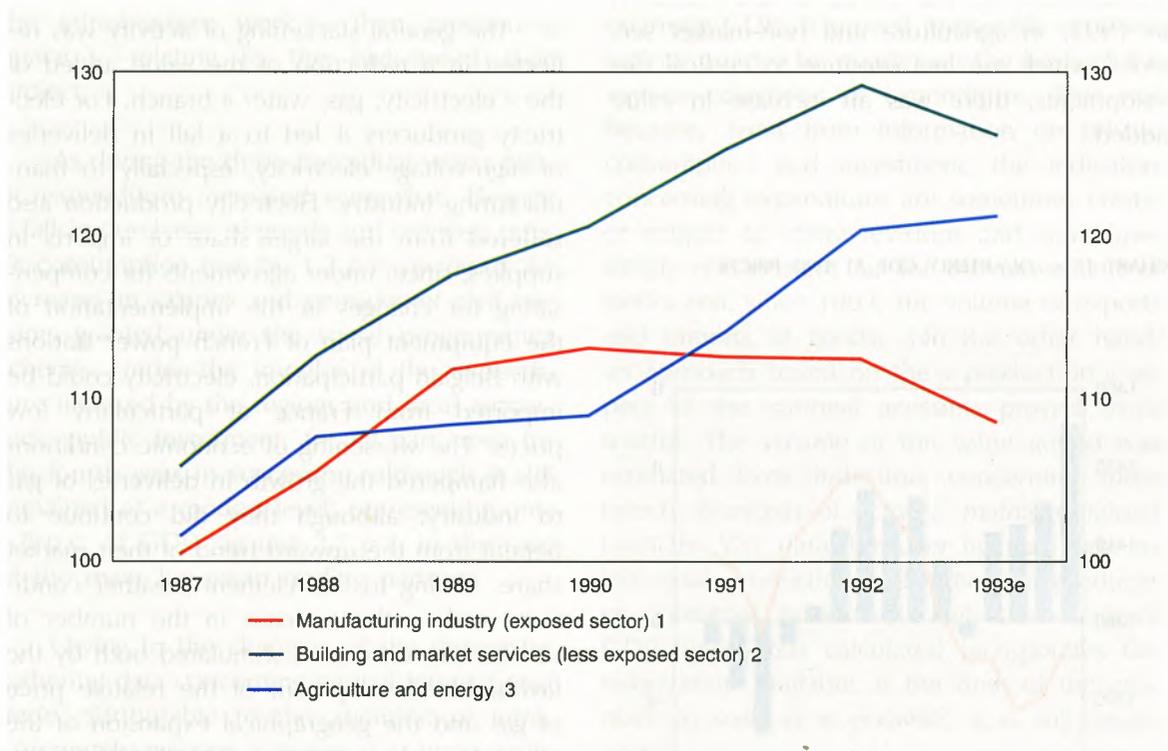
The general slackening of activity was reflected in a reduction of the value added of the « electricity, gas, water » branch. For electricity producers it led to a fall in deliveries of high-voltage electricity, especially to manufacturing industry. Electricity production also suffered from the larger share of imports in supplies, since, under agreements for compensating for changes in the implementation of the equipment plan of French power stations with Belgian participation, electricity could be imported from France at particularly low prices. The worsening of economic conditions also hampered the growth in deliveries of gas to industry, although they did continue to benefit from the upward trend of their market share. Owing to less clement weather conditions and to the increase in the number of service connections — stimulated both by the favourable development of the relative price of gas and the geographical expansion of the network — the increase in gas distribution to individuals was, however, greater than that recorded in 1992.

The breakdown of the value added in manufacturing industry by branch presents a homogeneous picture : the effects of the recession were felt in nearly all branches. The reduction in investment had an adverse effect on the course of activity in mechanical engineering and a number of other branches of the metal-working industry, and also in the chemical and wood industries. The fall in private consumption, for its part, had repercussions on nearly all types of activity.

Apart from these purely cyclical movements, more structural factors also contributed to the decline in activity in some branches of manufacturing industry. Thus, enterprises in the textile, clothing, wood, iron and steel, non-ferrous-metals and chemical industries are having to contend with the increasingly keen competition from the countries of Eastern Europe and South-East Asia. The adverse development of competitiveness in terms of wages has led some Belgian enterprises in the textile industry to relocate their highly labour-

CHART 18 — VALUE ADDED OF ENTERPRISES AT 1985 PRICES

(Indices 1985-1986 = 100)



Sources : NSI, NBB.

<sup>1</sup> A branch of activity which, according to the two criteria of the share of exports in national production and the share of imports in total supply, is greatly exposed to international competition.

<sup>2</sup> Branches of activity which, according to the two criteria mentioned in footnote 1, are not very subject to international competition.

<sup>3</sup> Branches of activity which are to be classified in the exposed sector according to one of the two criteria adopted and in the less exposed sector according to the other. Furthermore, prices in these branches are not determined on the basis of pure market mechanisms.

intensive production establishments. Furthermore, some branches, including the iron and steel industry and the wood, paper and textile industries, suffered more than others, on both the domestic and foreign markets, from the competition from the European countries whose currencies have been devalued. Lastly, in the pharmaceutical industry, the measures adopted in the health sector with a view to restraining consumption of medicinal products began to make themselves felt in the second half of 1993.

In some branches of manufacturing industry, however, the effects of the slackening of activity were alleviated by special circumstances. Thus, in view of the weakening of demand in Western Europe, the Belgian motor industry appears to have held its own rather well, but this comparison with the previous year gives an unjustifiably favourable impres-

sion because of the delay of several months which took place in 1992 in starting up a new assembly line. In the chemical industry the investment in expansion undertaken in recent years enabled the product range to be extended, which played a part in slowing down the decrease in the value added in that branch.

In the building industry the situation deteriorated markedly in the year under review. The worsening was most pronounced in the non-residential sector, although the residential sector was also affected.

According to the scanty statistical information available, the reduction of activity in market services appears to have been general: only financial services showed strong growth. The « transport and communications » and « services to enterprises » branches felt

TABLE 5 — VALUE ADDED OF THE VARIOUS BRANCHES OF ACTIVITY AT 1985 PRICES

(Percentage changes compared with the previous year)

|   | 1990 | 1991 | 1992 | 1993 e | p.m.<br>Percentage of<br>1992 GDP |
|---|------|------|------|--------|-----------------------------------|
| Agriculture, forestry and fisheries .....             | -3.3 | 6.8  | 12.0 | 3.4    | (2.3)                             |
| Industry .....  | 1.4  | ...  | 0.2  | -3.2   | (25.5)                            |
| of which : Manufacturing industry .....               | 1.1  | -0.4 | -0.1 | -3.5   | (22.0)                            |
| Electricity, gas, water .....                         | 3.1  | 3.4  | 1.3  | -1.3   | (3.2)                             |
| Building industry .....                               | 6.8  | 2.8  | 3.2  | -7.0   | (5.9)                             |
| Market services <sup>1</sup> .....                    | 2.2  | 3.6  | 2.9  | -1.1   | (50.1)                            |
| Non-market services .....                             | 1.6  | 1.3  | 2.9  | 2.0    | (12.2)                            |
| GDP before statistical adjustments <sup>2</sup> ..... | 2.4  | 2.1  | 2.0  | -1.3   |                                   |
| Statistical adjustments <sup>3</sup> .....            | 0.9  | -0.3 | -0.6 | ...    |                                   |
| GDP after statistical adjustments <sup>2</sup> .....  | 3.2  | 1.8  | 1.4  | -1.3   | (100.0)                           |

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.<sup>3</sup> Contribution to the change in GDP.

the repercussions of the decline in industrial activity. The falling-off in private consumption led to a contraction in the value added in wholesale and retail trade. In contrast to the two preceding recession years, i.e. 1975 and 1981, the hotel and catering industry and « other services to households » were unable to escape the slowdown of activity.

In non-market services the value added consists mainly of the wages and pensions directly payable by general government. The increase in these in 1993, which was reflected in a slight rise in the value added, is the combined effect, on the one hand, of the raising of wages and pensions, in implementation of the social programming, and, on the other hand, of the slight increase in the number of beneficiaries, particularly the number of pensioners.

### 2.3 LABOUR MARKET

#### *Trend of employment*

The contraction in employment which had been in progress since 1992 quickened appreciably during the year under review. Be-

tween June 1992 and June 1993 the number of persons employed appears to have decreased by about 52,000 units or 1.4 p.c., against a fall of a little under 18,000 units or 0.5 p.c. during the preceding twelve months.

All major branches of activity were affected. While the structural decline in the number of persons engaged in farming continued and 34,000 jobs were lost in industry, building and market services now also suffered from the slackening of activity. In the building industry, where employment had increased by 20 p.c. between 1987 and 1992, the number of employees shrank by 3,000 units. In market services, where additional jobs had been created uninterruptedly for several decades, the number of jobs fell by 7,000 units. Rationalisation measures in banking and insurance and the transport sector contributed to this. The number of persons employed by general government, for its part, decreased for the third year in succession.

The recruiting policy pursued by general government in recent years contrasts with that of the two preceding periods of contraction in employment : in the second half of the 1970s and, to a smaller extent, at the begin-

TABLE 6 — EMPLOYMENT BY BRANCH OF ACTIVITY

|   | 1990 | 1991 | 1992 | 1993 e |
|---|------|------|------|--------|
| <i>Annual changes in thousands of units (data as at 30<sup>th</sup> June)</i> |      |      |      |        |
| Enterprises .....   | 48   | 18   | -15  | -47    |
| Agriculture .....   | -1   | -2   | -3   | -3     |
| Industry .....  | ...  | -13  | -20  | -34    |
| Building .....  | 10   | 7    | 3    | -3     |
| Market services .....   | 39   | 26   | 7    | -7     |
| General government .....  | 4    | -13  | -2   | -5     |
| Traditional jobs .....  | 4    | -9   | -6   | -5     |
| Special programmes .....  | ...  | -4   | 4    | ...    |
| Frontier workers (net) .....  | 2    | -1   | -1   | -1     |
| Total .....   | 54   | 5    | -18  | -52    |
| <i>Percentage changes compared with the previous year</i>                     |      |      |      |        |
| Number of persons employed in enterprises .....                               | 1.2  | 0.6  | -0.5 | -1.2   |
| Number of years of full-time work in enterprises .....                        | 0.9  | -0.3 | -0.9 | -1.7   |

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

ning of the 1980s, the cutting-down of workforces in enterprises had been partly counterbalanced by additional recruitment in the civil service. Since 1991, on the other hand, the number of persons employed by this sector has steadily decreased. Employment has declined chiefly in the armed forces, as a result of a reduction both in the number of regular members of the forces and in the number of persons doing military service. In the other public services, the number of persons employed has stabilised in recent years.

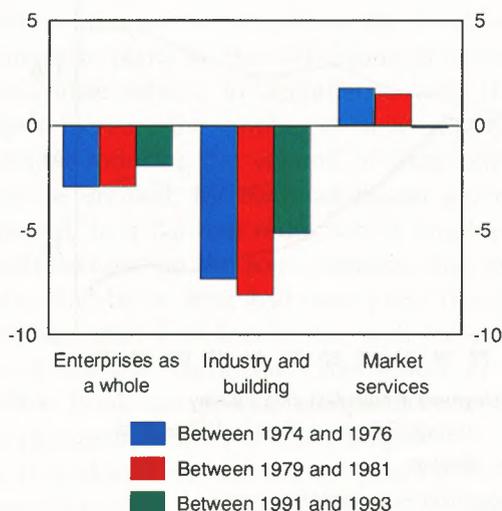
In enterprises, too, the recent movement of employment differs from that in the two preceding recession periods. During the years 1975-1976 and 1980-1981, cumulative job losses had amounted to about 96,000 and 90,000 units respectively, representing a reduction in the number of persons employed of 3 p.c. compared with 1974 and 2.9 p.c. compared with 1979. The decrease between 1991 and 1993 was smaller : it amounted to 2 p.c. or 61,000 units.

The recent period also differs from the two preceding cyclical troughs by a different

distribution of the job losses among the branches of activity. In the past the decrease in the number of persons employed in enterprises had chiefly reflected destructions of jobs in industry and building, whereas market services had continued to set on labour uninterruptedly owing to the growing tertiarisation of the economy. Thus, between 1974 and 1976, when the period of disindustrialisation which started in the mid-1960s had been accentuated by the effects of the oil shock, employment in industry and building had fallen by 7.4 p.c., whereas in market services the number of jobs had risen further by 1.8 p.c. Similarly, between 1979 and 1981, the decrease of 8.1 p.c. in the number of persons employed in industry and building had again been partly counterbalanced by a rise of 1.5 p.c. in employment in market services. On the other hand, during the most recent period, the fall of 5.2 p.c. in the number of employees in industry and building was relatively small, but there was no longer any contribution to job creation from market services. The liberalisation of services, partly connected with the establishment of the single European market, is in fact impairing the profitability of

**CHART 19 — MOVEMENT OF EMPLOYMENT IN ENTERPRISES DURING THE SLUMP PERIODS : BREAKDOWN BY BRANCH OF ACTIVITY**

(Percentage changes)



Sources : Ministry of Employment and Labour, NBB.

enterprises which had hardly had to contend previously with international competition. Furthermore, during the preceding recessions, a substantial proportion of the growth in the

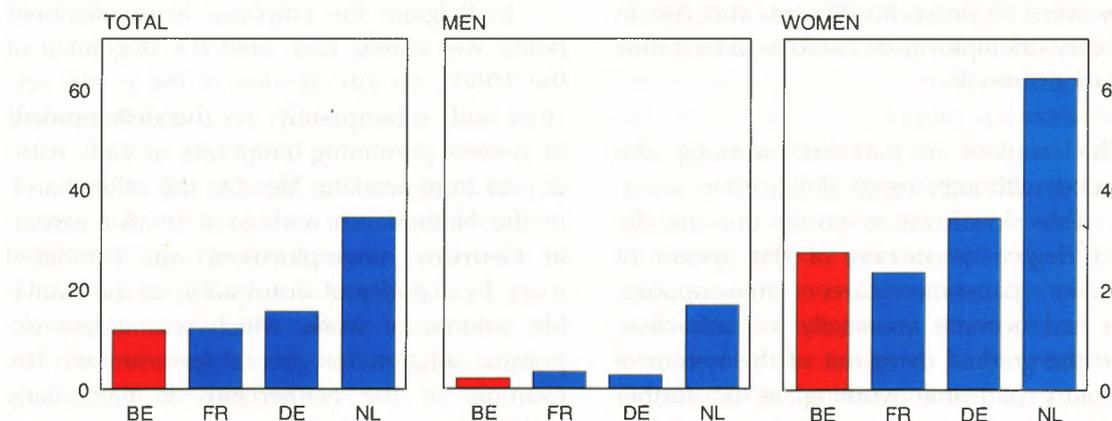
number of employees in market services had been due to a high level of creation of jobs in public enterprises. Now for several years the number of employees in these enterprises has remained practically unchanged.

During the year under review the reduction in the volume of labour in enterprises, expressed in years of full-time work, was again greater than the reduction in the number of persons employed. Both the increase in temporary unemployment and that in part-time working contributed to this movement.

During a period of slackening of economic activity, the system of temporary unemployment gives enterprises the possibility of adapting the work done by their employees to the fluctuations in demand without being obliged to make a permanent reduction in their workforce. In the course of 1991, when economic growth became insufficient to allow the level of employment to be maintained, many enterprises had initially resorted to this system and had thus contributed to keeping up employment. Subsequently, as the slackening of economic activity became more pronounced, many of these enterprises were obliged to dismiss employees, thus abandoning recourse to temporary unemployment. At the same time

**CHART 20 — EXTENT OF PART-TIME WORKING IN 1991 : INTERNATIONAL COMPARISON**

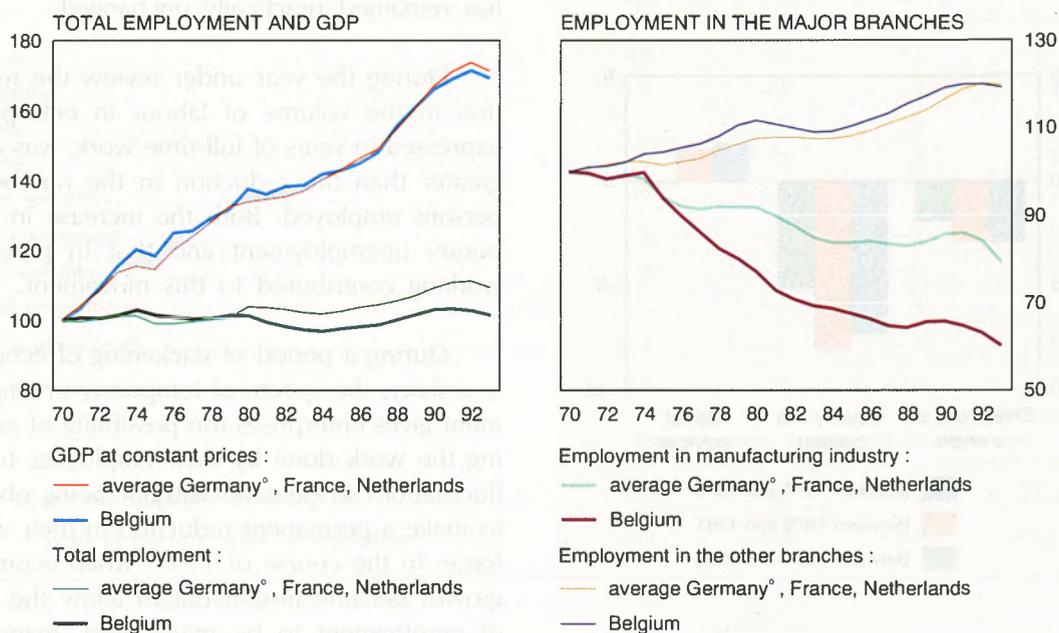
(Percentages of total employment)



Source : EC.

CHART 21 — NUMBER OF EMPLOYEES AND GDP AT CONSTANT PRICES

(Indices 1970 = 100)



Sources : OECD, EC, Ministry of Employment and Labour, NBB.

a greater number of other enterprises were in turn hit by the recession and decided to resort to this system. On balance, temporary unemployment increased further, from an average of 53,000 units in 1992 to one of 61,000 units in 1993, although, in order to discourage abuses, a portion of the financing costs of this system henceforth have to be borne by the employers. If the economic recovery were to prove insufficient, this rise in temporary unemployment could lead to a new wave of dismissals.

The increase in part-time working also continued, although more slowly than previously. This slowdown is partly due to the smaller degree of success of the system of temporary part-time career interruptions, which had become financially less attractive, and to the gradual dying-out of the system of involuntary part-time working, as no further application had been accepted since mid-May 1993. If part-time working is looked at in an international perspective, it becomes evident

that this form of redistribution of work has not been developed much in Belgium. Part-time working represents scarcely 12 p.c. of total employment in Belgium, against 34 p.c. in the Netherlands and 16 p.c. in Germany. The smaller degree of recourse to part-time working relates to both male and female employees.

In Belgium the emphasis in employment policy was chiefly laid, until the beginning of the 1980s, on job creation in the public services and, subsequently, on the development of systems permitting temporary or early withdrawal from working life. On the other hand, in the Netherlands and, to a smaller extent, in Germany, unemployment was combated more by a policy of distribution of the available volume of work, which was a less expensive solution for general government. The example of the Netherlands is particularly striking because the increase in employment has been greater there than elsewhere in Europe.

The measures for the promotion of employment which are contained in the overall plan for employment, competitiveness and social security encourage the sharing of the volume of work. To this end it is intended that legislative measures shall be taken and regulations introduced to facilitate the creation of enterprise plans for the redistribution of work. Enterprises which, in accordance with these plans, increase the number of their employees without reducing the volume of work offered will be entitled, for each additional job thus created, to a flat-rate reduction in employers' contributions, on the sole condition that these jobs shall be at least half-time jobs. The government plan is in fact in line with the points made by the European Commission in the White Book on growth, competitiveness and employment, since the main emphasis is laid in that document on the disquieting rise in unemployment in Europe, which is mainly due to the low labour-intensiveness of economic growth. The situation both in Belgium and in the neighbouring countries strikingly illustrates this problem: although the value added there is at present nearly twice what it was twenty years ago, the number of jobs is hardly any greater than at the beginning of the 1970s. The virtual stability of employment is the resultant of a reduction in the number of persons employed in manufacturing industry and a structural increase in the other branches, especially the services sector. As the number of jobs lost in manufacturing industry was greater in Belgium, the development of total employment there was less favourable than in the case of its three main trading partners.

### **Labour force**

While the supply of employment decreased in 1993, demand for employment, expressed by the labour force, increased by 23,000 units. This rise is attributable both to demographic factors, which determine the number of persons of working age, and to changes in the activity rate.

During the year under review, the population of working age increased further: the

negative incidence of natural demographic movements was more than counterbalanced by positive net migration, which chiefly reflects intra-Community flows connected with the creation of the single European market.

In 1993 the change in the activity rate contributed to the growth in the labour force to the extent of around 14,000 persons, a lower figure than in the preceding years. The elements which influence the activity rate, particularly socio-cultural factors and the extent to which recourse is had to possibilities of temporary or early withdrawal from the labour market, developed in a manner which differs somewhat from the movement previously recorded.

The degree of structural participation, the rise in which was already showing signs of flagging the previous year, declined slightly in 1993. The negative effect of this fall on the movement of the labour force can be estimated at about 10,000 units. The slackening of economic activity and the resultant reduced possibilities of obtaining employment doubtless discouraged some non-working people from entering the labour market. Furthermore, the spontaneous lengthening of the schooling of young people and the exclusion of a larger number of unemployed persons due to more stringent rules and stricter application of them may have played a certain role.

The decrease in the number of persons withdrawing temporarily or early from working life, which had already been in progress in 1992, quickened further in 1993. During the year under review the number of early retirements and complete career interruptions fell by 6,000 and 2,000 units respectively. The dwindling success of the withdrawal schemes was even more striking in the figures for withdrawals from unemployment, which were down by 16,000 units compared with 1992. This movement is almost entirely due to the reduction in temporary interruptions of unemployment for social or family reasons; the number of older unemployed persons, for its part, remained practically unchanged. This appreciable decrease in the number of persons taking advantage of the various withdrawal

TABLE 7 — DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Data as at 30<sup>th</sup> June)

|   | 1990  | 1991 | 1992 | 1993 e |
|---|---|------|------|--------|
|   | <i>Annual changes in thousands of units</i> |      |      |        |
| <b>Labour force</b> (demand for employment) ..... | 35  | 31   | 27   | 23     |
| Effects of :                                      |   |      |      |        |
| Population of working age <sup>1</sup> .....      | ...   | 1    | 5    | 9      |
| Natural movements .....                           | -7  | -7   | -5   | -4     |
| Net migration .....                               | 7   | 8    | 10   | 13     |
| Activity rate .....                               | 35  | 30   | 22   | 14     |
| Degree of structural participation .....          | 55  | 37   | 17   | -10    |
| Early or temporary withdrawal .....               | -21   | -7   | 5    | 24     |
| from working life .....                           | -7  | 4    | 1    | 8      |
| from unemployment .....                           | -14   | -10  | 3    | 16     |
| <b>Employment</b> (supply of employment) .....    | 54  | 5    | -18  | -52    |
| <b>Unemployment</b>                               |   |      |      |        |
| Recorded unemployment (NEMO) .....                | -19   | 26   | 45   | 76     |
| Job-seekers without a trade (EC) .....            | -35   | 2    | 33   | 53     |
|   | <i>Percentage of the labour force</i>       |      |      |        |
| <b>Unemployment rate</b> <sup>2</sup>             |   |      |      |        |
| Belgium .....                                     | 7.5   | 7.4  | 8.2  | 9.5    |
| European Union .....                              | 8.3   | 8.7  | 9.4  | 10.5   |

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

<sup>1</sup> Men and women aged between 15 and 64.<sup>2</sup> Harmonised EC definition.

schemes is connected with the dismantling of the early retirement system and with measures decided upon by the public authorities in the course of 1992, especially the raising of the minimum age for early retirement and the reduction in the duration and amount of the allowance made in the case of career or unemployment interruptions.

### Unemployment

Owing to the sharp fall in employment and the further increase in the labour force, the rise in unemployment speeded up : the number of unemployed job-seekers rose by 76,000 units between June 1992 and June 1993, against a rise of 26,000 and 45,000 units respectively during the two preceding years. This quickening is also apparent

from the harmonised EC data compiled on the basis of surveys measuring the actual availability of unemployed persons. According to these data, the unemployment rate in Belgium rose from 8.2 p.c. in June 1992 to 9.5 p.c. in June 1993.

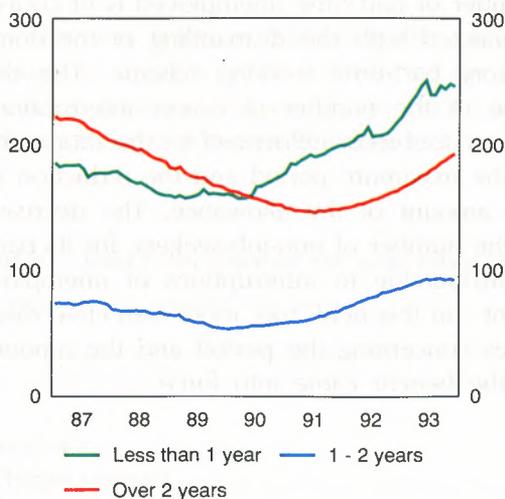
This movement is comparable to that recorded in most of the countries of the European Union, the unemployment rate in these countries having risen on average by 1.1 percentage point during the same period to 10.5 p.c. of the civilian labour force, so that the unemployment rate in Belgium is still below the European average. These data do, however, conceal divergences between the male and female labour forces. The male unemployment rate, which was already at a distinctly lower level than the average EC rate, rose less fast than the latter between June

1992 and June 1993, whereas the female unemployment rate increased faster than the European average.

The present phase of growth in unemployment in Belgium began in the third quarter of 1990. Until the last quarter of 1993, inclusive, the increase in unemployment — calculated on the basis of seasonally adjusted quarterly averages — amounted to a little over 151,000 units. This figure is still lower than the increases recorded during comparable cyclical periods in the past: between the first quarter of 1974 and the third quarter of 1977 the total rise in unemployment was 176,000 units, and between the first quarter of 1980 and the third quarter of 1983 it amounted to 216,000 units.

**CHART 22 — UNEMPLOYED JOB-SEEKERS : BREAKDOWN BY DURATION OF UNEMPLOYMENT<sup>1</sup>**

(Thousands of units, seasonally adjusted data)



Source : NEMO.

<sup>1</sup> Only wholly unemployed persons receiving unemployment benefit and young people during the waiting period.

Although the rise in unemployment during the present cycle was initially fairly small compared with that recorded during the two preceding cycles, it gradually quickened. This development is closely connected with the cyclical pattern. The cyclical reversals of the

mid-1970s and the beginning of the 1980s were sudden and the recessions were short. On the other hand, the recent slackening of economic activity, while it began more gradually, has lasted much longer.

The length of the recent phase of low economic activity is disquieting, because it increases the risk of a further growth in structural unemployment. This danger is already clearly revealed by the data broken down by duration of unemployment: the rise in unemployment has now reached the category of the long-term unemployed. For this growing group of long-term unemployed there is a danger that they will be almost permanently excluded from the labour market, as reintegration becomes more and more difficult as the period of unemployment lengthens.

Examination of the age structure of unemployment shows that the increase in unemployment had a comparable effect on all the age groups. However, according to the harmonised EC surveys, unemployment of young people aged under 25 has risen faster in Belgium than in the European Community. The growing concern caused by this type of unemployment led, during the year under review, to the drawing up of the « youth recruitment plan ».

This plan, which came into force in October 1993 and whose effects will not make themselves fully felt until 1994, provides for a temporary reduction of employers' social security contributions if certain categories of young job-seekers are given employment. Special attention has also been paid to young people in the overall plan for employment, competitiveness and social security: a special « first job » scheme, which should come into force in 1994, has been created to encourage the employment of young school-leavers. This plan also includes various measures designed to facilitate the integration of unemployed persons generally. Thus, the « plus one » plan, which provides for exemption from employers' contributions for self-employed persons or companies setting on a fully unemployed person in receipt of benefit as the first employee, has been stepped up. Furthermore, local job

TABLE 8 — BENEFICIARIES OF UNEMPLOYMENT INSURANCE IN THE BROAD SENSE

(Annual averages, thousands of units)

|  | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|--------|
| Wholly unemployed persons receiving benefit .....  | 348  | 369  | 411  | 476    |
| Other beneficiaries .....                          | 528  | 554  | 550  | 519    |
| Early retirement under collective agreements ..... | 141  | 141  | 138  | 137    |
| Temporarily unemployed persons .....               | 38   | 52   | 53   | 61     |
| Part-time unemployed persons <sup>1</sup> .....    | 179  | 178  | 170  | 145    |
| Career interruptions .....                         | 46   | 49   | 58   | 58     |
| Unemployed persons not seeking employment .....    | 113  | 122  | 119  | 102    |
| Unemployed persons receiving training .....        | 12   | 12   | 12   | 16     |

Sources : NEMO, NBB.

<sup>1</sup> The total number of part-time unemployed persons registered with the NEMO is 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 76 p.c. in 1992.

centres will play an essential role in the assignment to non-commercial social tasks of unemployed persons who, partly owing to insufficient or unsuitable qualifications, have difficulty in finding a job.

While the number of fully unemployed persons receiving benefit increased in 1993, the decrease in the number of other persons entitled to benefit quickened. The set of restrictive measures created by general government in 1992, which applied to various categories of these other persons entitled to unemployment insurance, was further added to by a set of new provisions in 1993. As a result of these initiatives, only temporarily unemployed persons and those receiving vocational training showed a further appreciable

increase in number during the year under review. For the last-mentioned category of unemployed, the explanation is to be found in the individual guidance plan which started in 1993 and is designed to increase the supply of skilled labour. The downward trend in the number of part-time unemployed is of course connected with the dismantling of the compulsory part-time working scheme. The decline in the number of career interruptions was undoubtedly influenced by the shortening of the maximum period and the reduction of the amount of the allowance. The decrease in the number of non-job-seekers, for its part, is attributable to interruptions of unemployment : in this field, too, more restrictive measures concerning the period and the amount of the benefit came into force.

### 3. PRICES AND COSTS

#### 3.1 PRICES

The rise in the overall index of consumer prices increased from 2.4 p.c. in 1992 to 2.8 p.c. in 1993. However, if energy prices are excluded and the effects of the changes in indirect taxation are disregarded, inflation slowed down, having fallen from 3 p.c. in 1992 to 2.7 p.c. in 1993, a fairly normal development in a recession period.

In 1992 the prices of energy products, excluding the effect of taxation, had fallen by 4 p.c. and made a substantial contribution to the slackening of the general price rise; in 1993, on the other hand, they rose by 0.4 p.c. Furthermore, the overall effect, on prices, of the changes in the systems of indirect taxation was more pronounced than in the previous year.

This was because, following the radical changes in taxation which had pushed up the prices of services and energy products and reduced those of other products in 1992, new

measures were introduced in 1993. These applied almost exclusively to energy products, the fiscal levies on which were raised successively in January (control levy on heating fuel oil), in August (contribution on private consumption of electricity, gas, fuel oil and petrol), and in December (increase in the excise duties charged on fuels).

On the other hand, the tax changes had only a marginal effect on the index of prices excluding energy products.

The prices of food products, which have helped to slow down inflation since the second half of 1990, contracted further by nearly 1 p.c. compared with 1992. This decline applied to most products and extended over the greater part of the year. Only cereal-based products, especially bread, the price of which, still controlled, was adjusted in January and August, fresh vegetables, the prices of which fluctuate depending on weather conditions, soft drinks and, to a smaller extent, sugar and dairy products became more expensive compared with the previous year.

TABLE 9 — DIRECT INFLUENCE OF THE MAIN CHANGES IN EXCISE DUTIES AND VAT RATES ON THE RATE OF INFLATION

(Percentage changes compared with the previous year)

|   | 1990 | 1991 | 1992 | 1993 |
|---|------|------|------|------|
| Overall index                                     |      |      |      |      |
| Changes observed .....                            | 3.5  | 3.2  | 2.4  | 2.8  |
| Effects of changes in taxation <sup>1</sup> ..... | 0.3  | 0.1  | 0.1  | 0.3  |
| Changes with unchanged taxation .....             | 3.1  | 3.1  | 2.3  | 2.5  |
| Energy products                                   |      |      |      |      |
| Changes observed .....                            | 6.8  | 2.6  | -1.1 | 3.6  |
| Effects of changes in taxation <sup>1</sup> ..... | 2.5  | 1.0  | 2.9  | 3.1  |
| Changes with unchanged taxation .....             | 4.3  | 1.6  | -4.0 | 0.4  |
| Index excluding energy products                   |      |      |      |      |
| Changes observed .....                            | 3.1  | 3.3  | 2.8  | 2.7  |
| Effects of changes in taxation <sup>1</sup> ..... | 0.1  | ...  | -0.2 | ...  |
| Changes with unchanged taxation .....             | 3.0  | 3.3  | 3.0  | 2.7  |

Sources : Ministry of Economic Affairs, NBB.

<sup>1</sup> Contribution to the change compared with the previous year.

The prices of services and rents continued to rise rapidly in 1993, although not quite as fast as in 1992. Rents went up on average by 5.3 p.c. in 1993 against nearly 6 p.c. in 1992 and services rose by 3.8 p.c. against 4.2 p.c. The latter slowdown was, however, partly due to the revision of the value added tax which came into force on 1st April 1992, causing prices to rise by 0.3 p.c. more in that year and by only 0.1 p.c. more in 1993. Thus, apart from the effect of the changes in indirect taxation, the reduction of the price rise remained fairly small. Public transport and medical and hospital care, in particular, became more expensive. Among services provided by private enterprises, the increases were most marked in the case of maintenance and repair

of housing and motor vehicles, and in the hotel and catering branch.

The rise in the prices of non-energy and non-food products, which had been slowed down in April 1992 by the mechanical incidence of the lowering of VAT on that date, became appreciably quicker again from April 1993 onwards, reaching 2.8 p.c. on average in 1993 against 2.4 p.c. the previous year. Furthermore, the prices of these products were also pushed up by the increase in the VAT on tobacco from 12 to 19.5 p.c. which came into force in January 1993.

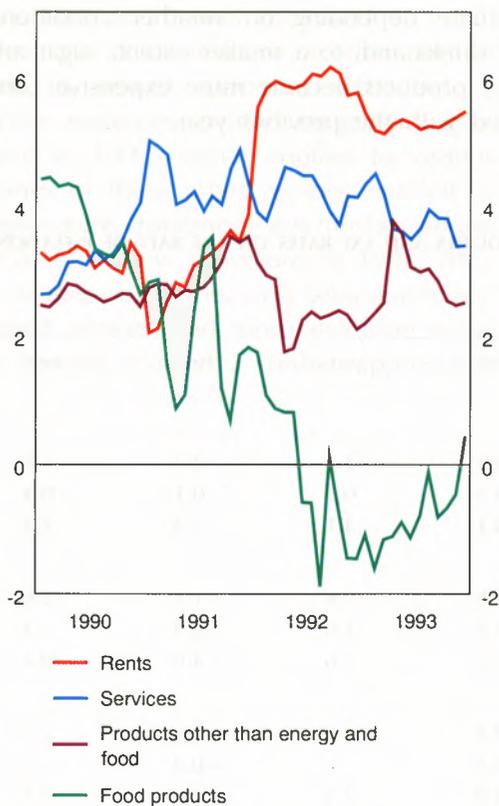
In response to the European requirements for the opening up of markets and free competition, the ministerial decree of 20th April 1993 put an end to the general system of price control which had been in force since 1945. While the very flexible system of prior announcement of price increases entailed only a purely formal check, Belgium, together with Luxembourg, was the only country in the European Community which still had such regulation.

Since 1st May price setting has been completely free, except in some fields of activity which remain subject to specific provisions (including nursing homes, water distribution, cable television, waste treatment, medicinal products, compulsory insurance, petroleum products, gas and electricity, transport by taxis, certain types of bread and certain motor vehicles). For all other goods and services, prices are fixed without any prior formalities; enterprises with a turnover of more than Fr. 300 million must, however, report their price increases for the Minister for Economic Affairs.

While inflation quickened slightly in Belgium in 1993, it stabilised at a level close to 2 p.c. in France and continued to slow down in the Netherlands, where the rate fell from 2.6 to 1.7 p.c. between January and December 1993. The rate of rise of the Belgian index of consumer prices thus became faster again than that of the French and Dutch indices in 1993. It did, however, remain slower than in Germany, where inflation continued

CHART 23 — CONSUMER PRICES : NON-ENERGY COMPONENTS

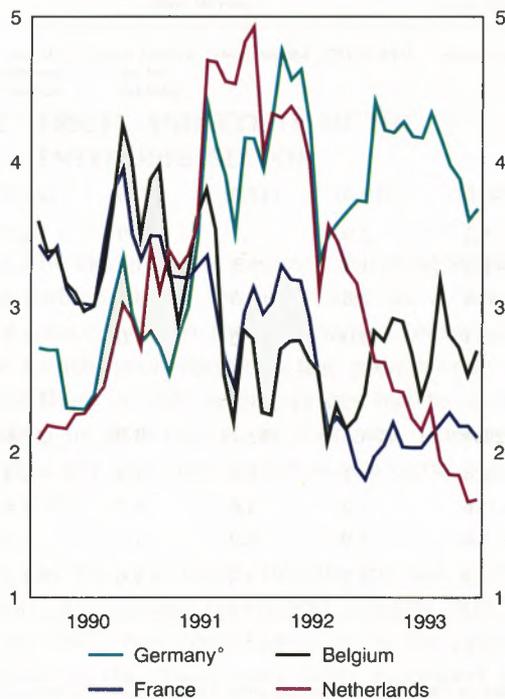
(Percentage changes compared with the corresponding month of the previous year)



Sources : Ministry of Economic Affairs, NBB.

CHART 24 — CONSUMER PRICES : INTERNATIONAL COMPARISON

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



Sources : EC, Ministry of Economic Affairs.

to be high : in that country the rate was over 4 p.c. for the greater part of the year and was still 3.7 p.c. in December.

In assessing the results with regard to inflation in Belgium and its main European partners, account must be taken of the influence of the changes in indirect taxation, which, as in Belgium, affected the course of consumer prices. In 1993 this influence also exerted an upward pressure in the three neighbouring countries, particularly in Germany, where the standard VAT rate was raised from 14 to 15 p.c. in January, but also, albeit to a smaller extent, in France, where excise duties on fuels, tobacco and alcohol were raised, and in the Netherlands, where the Government recast the categories of products taxed at the

reduced and standard VAT rates and introduced an upward adjustment of certain excise duties.

While, as is traditionally done, the sources of inflation can be analysed in terms of components (energy products, food products, other products, services and rents), another approach is to study the development of the basic cost elements of the production of goods or the rendering of services, whether they be external costs (import prices) or of internal origin (labour costs, indirect taxation, gross operating surplus).

The data necessary for studying the influence of each of these costs are not, however, available for the index of consumer prices, but only for the deflator of final expenditure. Owing to the differences in their composition, these two statistical data often show movements which differ in extent or even in direction. This is because the weighting of the goods and services which is employed for the index of consumer prices is not exactly identical to that used for private consumption as a whole and, a fortiori, for final expenditure as a whole, which also includes public consumption, investment by individuals, companies and general government, and exports.

The fluctuations of the deflator of final expenditure are partly dependent on the changes in import prices. In recent years these had developed more favourably in Belgium than in the case of its three main trading partners. That was no longer the case in 1993, as the decline in the prices of imported products remained of the same order of magnitude as that recorded in the neighbouring countries. Despite this change of trend, the moderating effect exercised by these external costs on inflation nevertheless remained systematically greater in Belgium, where the share of imported products in final expenditure amounts to 41 p.c., than in the other three countries, where the share averages only 21 p.c.

Over the period 1987-1993 as a whole, domestic costs — expressed per unit of value added — grew at annual average rates fairly

TABLE 10 — BREAKDOWN OF THE DEFLATOR OF FINAL EXPENDITURE BY COST CATEGORY : INTERNATIONAL COMPARISON

(Annual percentage changes)

|   | Deflator of final expenditure | Breakdown by cost category |                |                           |  |                                      |
|---|-------------------------------|----------------------------|----------------|---------------------------|--|--------------------------------------|
|   |                               | External costs             | Internal costs |                           |  |                                      |
|   |                               | Import prices              | Total (GDP)    | Labour costs <sup>1</sup> | Indirect taxes net of subsidies <sup>1</sup> | Gross operating surplus <sup>1</sup> |
| <b>Belgium<sup>2</sup></b>                      |                               |                            |                |                           |  |                                      |
| p.m. Weighting <sup>3</sup> .....               | (100.0)                       | (40.6)                     | (59.4)         | (32.0)                    | (5.5)  | (21.9)                               |
| 1987-1989 .....                                 | 2.1                           | 1.5                        | 2.9            | ...                       | 7.9  | 6.1                                  |
| 1990-1992 .....                                 | 1.2                           | -1.3                       | 3.1            | 5.1                       | 3.2  | 0.2                                  |
| 1993 e .....                                    | 1.5                           | -0.9                       | 2.8            | 4.5                       | 8.9  | -1.3                                 |
| 1987-1993 .....                                 | 1.6                           | -0.1                       | 3.0            | 2.8                       | 6.0  | 2.5                                  |
| <b>Three main European partners<sup>4</sup></b> |                               |                            |                |                           |  |                                      |
| p.m. Weighting <sup>3</sup> .....               | (100.0)                       | (21.4)                     | (78.6)         | (42.1)                    | (8.9)  | (27.6)                               |
| 1987-1989 .....                                 | 1.8                           | 1.4                        | 2.1            | 1.2                       | 3.1  | 3.2                                  |
| 1990-1992 .....                                 | 2.2                           | -0.6                       | 3.2            | 3.6                       | 4.7  | 2.4                                  |
| 1993 .....                                      | 2.4                           | -1.0                       | 2.9            | 3.2                       | 3.7  | 2.3                                  |
| 1987-1993 .....                                 | 2.1                           | 0.2                        | 2.7            | 2.5                       | 3.9  | 2.7                                  |

Sources : EC, NSI, NBB.

<sup>1</sup> Expressed per unit of value added.

<sup>2</sup> For the purposes of international comparison, the data relating to Belgium are compiled on the basis of harmonised series. Unlike in Table 11, the possible influence of statistical adjustments is not eliminated.

<sup>3</sup> Average share, over the period 1987-1993, of each of the components in the total of final expenditure at current prices.

<sup>4</sup> Weighted average for West Germany, France and the Netherlands. The coefficients used are those of the competitiveness norm, converted to cover these three countries as a whole, namely, respectively, in the aforementioned order : 47.7 ; 35.9 ; 16.4 p.c.

close to 3 p.c. in Belgium and to 2.7 p.c. in the case of the three trading partners. This synchronism is also observable in the two main components of domestic costs, namely wages and the gross operating surplus of companies and one-man businesses. Indirect taxation net of subsidies — although of rather slight relative importance — nevertheless also influenced the movement of domestic costs through the extent of its changes resulting from the various tax reforms. It became heavier in all the countries during the period in question, but to a more moderate extent abroad than in Belgium.

The parallelism observable in the changes in domestic costs in Belgium and abroad, except for indirect taxes, over the years 1987 to 1993 as a whole does, however, conceal the fairly marked break which took place be-

tween the years 1987-1989 and the subsequent years. During the first of these two sub-periods, labour costs remained unchanged in Belgium whereas they rose in the other countries, and consequently the gross operating surplus, which is obtained as a balance, rose much faster in Belgium. This situation has reversed since 1990. The rate of increase of Belgian labour costs exceeded 5 p.c. between 1990 and 1992, while these costs rose to a more moderate extent in Germany, France and the Netherlands. In 1993 the rise in labour costs slowed down, but was still appreciably faster in Belgium than in the other countries. Consequently, the gross operating surplus, which often acts as a buffer making it possible to cope with foreign competition in periods when labour costs are rising faster than in the trading partners, hardly grew at all in Belgium at the beginning of the decade

and actually contracted in 1993. In the other three countries, on the other hand, the gross operating surplus continued to rise at a rate not much lower than that at the end of the 1980s, or than the rates observed for the other components of domestic costs.

### 3.2 PRICES AND COSTS IN THE ENTERPRISE SECTOR

The decline in the gross operating surplus per unit sold for the economy as a whole took place only in the companies sector. For the fourth year running, the greater rise in costs than in unit selling prices led to a decrease, in that sector, in the gross operating surplus per unit sold, which was around 5 p.c. in 1993.

On the one hand, despite the fall in the prices of imported goods and services, which, as in 1992, was contributed to by the appreciation of the franc, unit costs increased on

average by nearly 2 p.c. in 1993. This rise is primarily due — owing to their preponderant share in the structure of production costs — to the increase in labour costs, which was no longer moderated, as it had been in the previous years, by substantial productivity gains. It is also explained by the increase in the burden of indirect taxes and by the reduction in subsidies granted to enterprises.

On the other hand, enterprises were not able, especially in the sombre economic climate, to pass on the whole of the rise in production costs to selling prices. That applied particularly to enterprises in sectors greatly exposed to international competition, among which a number of branches, such as the iron and steel and basic chemicals industries, even had to contend with sharp falls in prices in their markets. Because of this contrasting movement of costs and prices, the gross operating surplus shrank and its share in the gross value added decreased further in 1993.

The development of the structure of the value added since the beginning of the 1980s

TABLE 11 — UNIT PRICES AND COSTS IN THE ENTERPRISE SECTOR<sup>1,2</sup>

(Percentage changes compared with the previous year)

|  | 1990   | 1991   | 1992 e | 1993 e |
|--|--------|--------|--------|--------|
| Unit selling prices .....                                | 0.9    | 1.0    | 0.5    | 1.1    |
| On the domestic market .....                             | 3.3    | 2.9    | 2.7    | 2.5    |
| Export .....   | -1.7   | -0.3   | -1.0   | -0.4   |
| Costs per unit sold .....                                | 1.5    | 1.9    | 0.7    | 1.9    |
| Imported goods and services                              |        |        |        |        |
| Costs in foreign currencies <sup>3</sup> .....           | (4.4)  | (-0.5) | (-0.5) | (-0.4) |
| Exchange rates <sup>4</sup> .....                        | (-5.7) | (0.1)  | (-2.0) | (-0.5) |
| Costs in francs .....                                    | -1.2   | -0.4   | -2.4   | -0.9   |
| Costs of domestic origin per unit of output .....        | 4.4    | 3.6    | 3.7    | 4.6    |
| Indirect taxes net of subsidies .....                    | 2.8    | -0.5   | 7.0    | 9.7    |
| Labour costs .....                                       | 5.2    | 5.0    | 3.5    | 4.2    |
| Gross operating surplus of one-man businesses .....      | 2.9    | 2.0    | 2.3    | 2.3    |
| Gross operating surplus of companies per unit sold ..... | -3.5   | -5.8   | -1.1   | -5.3   |

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, selling prices, unit 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 obtained by dividing the movement of costs in francs by the change in exchange rates.

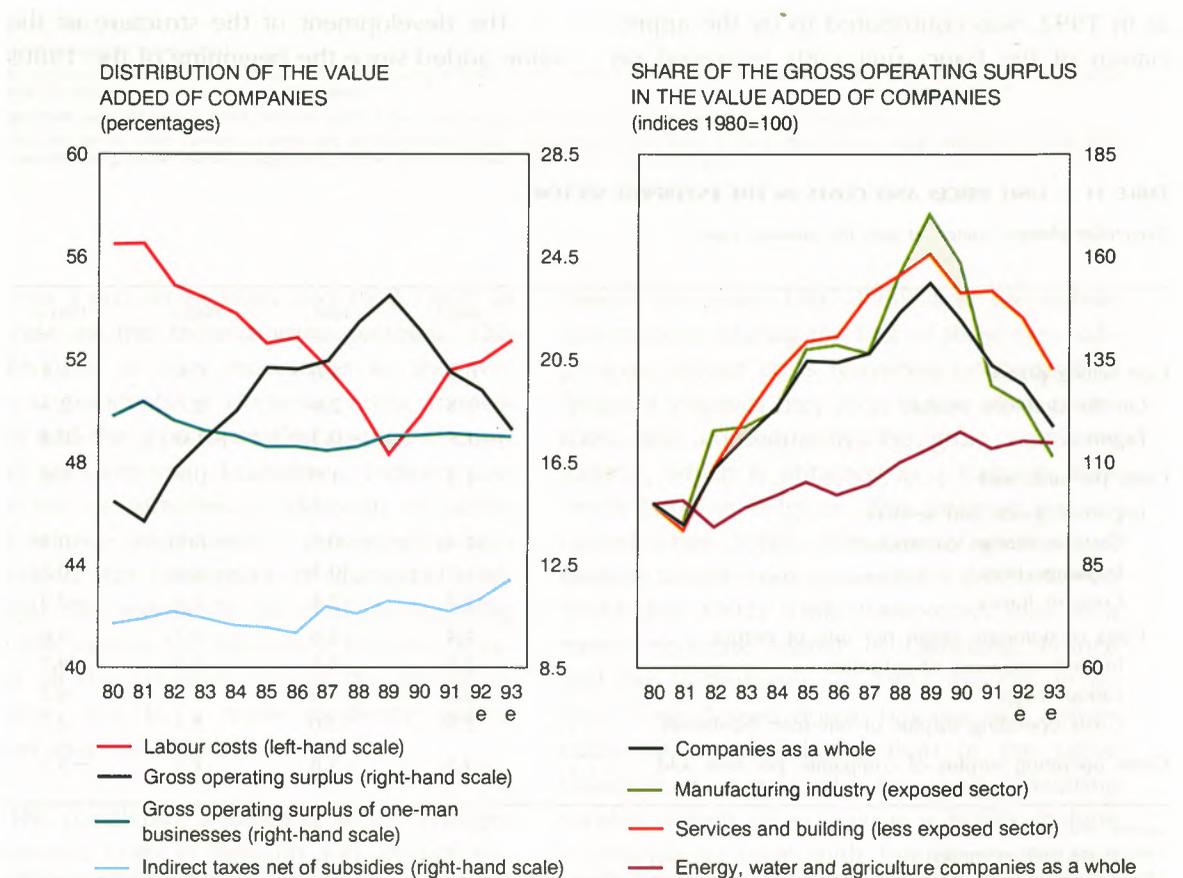
<sup>4</sup> Average exchange rate weighted by imports of goods and services. A minus sign indicates an appreciation of the franc.

is a good illustration of the buffer function performed by the gross operating surplus. The share of the latter and that of labour costs, the two main components of the gross value added of enterprises, were characterised by movements which were symmetrical but in opposite directions from the one period to the other. From 1981 to 1989 the successive and combined effects of the moderation of wages, of the fall in the prices of energy products and of the growth in activity had led to a strong recovery of the gross operating surplus, whose share in the value added had risen from 14 to 23 p.c. Since 1990 the slackening of economic activity and the substantial wage increases granted by enterprises, partly because of the improvement in their profitability during the preceding years, had once more led to a contraction of the share of the

gross operating surplus, which thus fell back to around 18 p.c., a level which nevertheless remains higher than that recorded at the beginning of the 1980s. The share of the gross operating surplus of one-man businesses in the gross value added of enterprises, which hardly appears to be sensitive to economic conditions, fell slightly over the period as a whole; on the other hand, that of indirect taxes net of subsidies increased somewhat.

A classification of the branches of activity according to their degree of exposure to international competition shows that the decline in the share of the gross operating surplus in the value added did not take place uniformly. Thus the worsening observable since 1990 was much more pronounced for enterprises belonging to manufacturing industry, which

CHART 25 — STRUCTURE OF THE GROSS VALUE ADDED OF COMPANIES AND SECTORAL MOVEMENT OF THE SHARE OF THE GROSS OPERATING SURPLUS



Sources : NSI, NBB.

are among those most exposed to international competition, than for service and building enterprises. The divergent movements in the exposed sector and the less exposed sector are chiefly attributable to the different ability of these sectors to pass on changes in production costs to selling prices. On the other hand, the share of the gross operating surplus in the value added of the intermediate sector, i.e. mainly the energy and water sectors, whose selling prices are largely regulated, increased almost uninterruptedly throughout the period.

Enterprises reacted to the further narrowing of unit margins, which was coupled with a decrease in the volume of sales, by reducing their workforces considerably more than in the previous year. Despite these job losses, productivity gains were far below those of 1992, and actually also those of the last ten years, so that the rise in unit labour costs was sharper than in 1992, although the increase in costs per employee was smaller.

This was because the slowing of the rise in labour costs per employee which began in 1992 continued during the year under review. Compensation per employee per year of full-time work went up by 4.4 p.c. in 1993, against 8.1 p.c. in 1991 and 6.8 p.c. in 1992.

As the effect of indexation was almost the same in 1992 and 1993, this slowing is mainly attributable to the moderation of the adjustments under collective agreements which were accepted by management and labour during the negotiations for the years 1993 and 1994. While the implementation of the previous central agreement and the sectoral agreements for the period 1991-1992 had led to a total increase in labour costs of about 5 p.c., the total cost of the present central agreement, concluded in December 1992, and of the sectoral agreements negotiated at the beginning of the year under review appears to have amounted to only about 2.5 p.c. It should furthermore be noted that the greater part of these agreed wage increases will come into force in 1994. Owing to the large number of enterprise agreements, it was not possible to take account, in the aforementioned figures, of the advantages granted under them; they are therefore included among the other factors which determine the movement of labour costs. In the present economic context they are unlikely to have exerted any significant pressure on wage increases; on the contrary, some enterprises negotiated wage reductions with their employees in return for maintaining the level of their workforces or reducing working hours.

TABLE 12 — LABOUR COSTS IN ENTERPRISES<sup>1</sup>

(Percentage changes compared with the previous year)

|  | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|--------|
| Compensation per employee per year of full-time work . . . . . | 7.2  | 8.1  | 6.8  | 4.4    |
| Increase resulting from :                                      |      |      |      |        |
| Employers' social security contributions . . . . .             | ...  | -0.1 | ...  | 0.3    |
| Indexations . . . . .  | 3.3  | 3.5  | 2.7  | 2.6    |
| Wage increases under collective agreements . . . . .           | 2.0  | 2.3  | 2.3  | 0.9    |
| Wage drift . . . . .   | 0.5  | 0.5  | 0.5  | 0.5    |
| Other factors <sup>2</sup> . . . . .                           | 1.3  | 1.7  | 1.1  | 0.2    |
| Productivity per employee per year of full-time work . . . . . | 1.9  | 2.9  | 3.2  | 0.2    |
| Unit labour costs <sup>3</sup> . . . . .                       | 5.2  | 5.0  | 3.5  | 4.2    |

Sources : NSI, NBB.

<sup>1</sup> Private and public enterprises. All the data are calculated without taking account of the possible influence of statistical adjustments, whereby the three approaches of the national accounts are reconciled.

<sup>2</sup> Chiefly increases negotiated at enterprise level, the discrepancy between estimated and actual indexations of wages, and errors and omissions.

<sup>3</sup> Per unit of value added in enterprises, at constant prices.

Employers' social security contributions were appreciably raised in 1993 owing to the adoption of a set of new measures relating to, among other things, the financing of temporary unemployment, part-time workers receiving unemployment benefit and the conditions for carrying out the Maribel operation. The effect of the last-mentioned measure was partly counterbalanced by a further rearrangement of the system in favour of manual workers employed in enterprises belonging to a sector exposed to international competition, in other words — according to the royal decree of 14th June 1993 introducing these additional reductions in employers' social security contributions — the industries engaged in extracting non-energy products and manufacturing industry, except for those belonging to the branches of oil refining, coking and the processing of nuclear fuel.

A comparison of the movement of labour costs per employee in Belgium with that in the seven most important trading partners as a whole is one of the assessment elements

stipulated in the law of 6th January 1989 for safeguarding the country's competitiveness. As emphasised by the National Economic Council in its report of March 1993, the reunification of Germany creates a problem for the assessment of Belgium's competitive position which is required by that law. This is because the sharp rise in labour costs in the eastern Länder led to greater growth for Germany as a whole than for enterprises situated in West Germany. These increases form part of a catching-up process of wages in East Germany, which were particularly low before the reunification. It is difficult to incorporate them in an assessment of the competitive position of Belgium. Consequently, the series on labour costs in Germany included in the following table concerns only West Germany.

In 1993 the growth, expressed in a common currency, in labour costs per employee in the private sector was again faster in Belgium than in its seven main trading partners. Thus, with regard to competitiveness, the handicap accumulated by Belgium since 1987

**TABLE 13 — LABOUR COSTS PER EMPLOYEE IN ENTERPRISES : INTERNATIONAL COMPARISON IN A COMMON CURRENCY**

(Percentage changes compared with the previous year)

|                                     | 1990              | 1991 | 1992 | 1993 e                    |                  |                      | p.m.<br>Weightings <sup>1</sup> |
|-------------------------------------|-------------------|------|------|---------------------------|------------------|----------------------|---------------------------------|
|                                     | In Belgian francs |      |      | In national<br>currencies | Exchange<br>rate | In Belgian<br>francs |                                 |
| Belgium <sup>2</sup> .....          | 5.5               | 6.3  | 5.3  | 4.2                       | —                | 4.2                  | —                               |
| Three neighbouring countries .....  | 3.2               | 3.9  | 4.4  | 3.7                       | 1.2              | 4.9                  | (65.0)                          |
| Five main European trading partners | 3.2               | 5.1  | 3.2  | 3.7                       | -2.1             | 1.6                  | (84.6)                          |
| Seven main trading partners .....   | 0.7               | 5.6  | 2.8  | 3.6                       | ...              | 3.6                  | (100.0)                         |
| Germany <sup>o</sup> .....          | 2.8               | 4.3  | 4.8  | 4.0                       | 1.5              | 5.6                  | (31.0)                          |
| France .....                        | 4.4               | 3.3  | 3.7  | 3.4                       | 0.5              | 3.9                  | (23.3)                          |
| Netherlands .....                   | 1.9               | 4.0  | 4.5  | 3.4                       | 1.8              | 5.2                  | (10.7)                          |
| United Kingdom .....                | 1.3               | 9.6  | -0.6 | 3.4                       | -8.4             | -5.3                 | (11.4)                          |
| Italy .....                         | 5.7               | 7.3  | 0.8  | 4.3                       | -15.9            | -12.3                | (8.2)                           |
| United States .....                 | -11.2             | 6.3  | -0.9 | 3.9                       | 7.6              | 11.9                 | (10.4)                          |
| Japan .....                         | -14.9             | 14.6 | 2.2  | 0.5                       | 23.2             | 23.8                 | (5.0)                           |

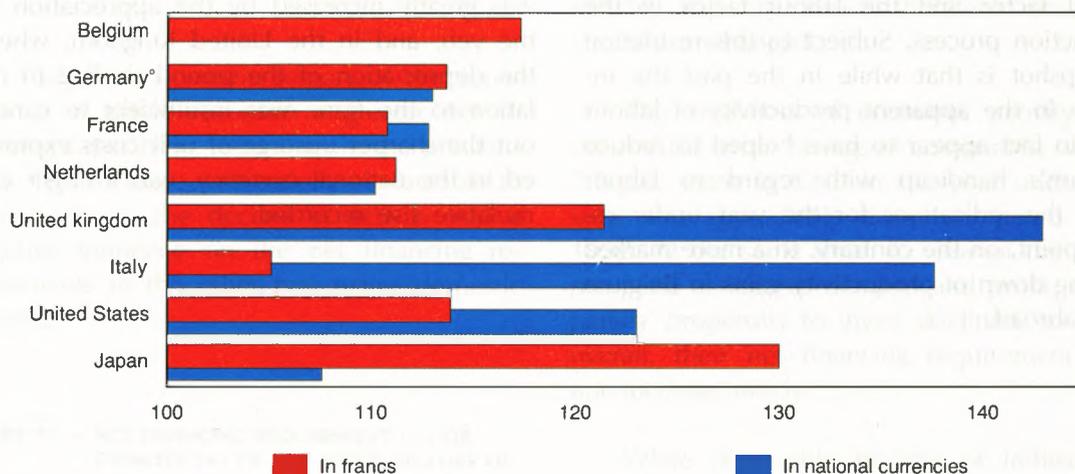
Sources : OECD, NBB.

<sup>1</sup> These weightings, based on the IMF model for competitiveness, take account of the relative share of seventeen industrialised countries in Belgium's exports and imports and of the weight of each of these countries as a competitor of Belgium on third markets. The seven main partners account for 89 p.c. of the total for the seventeen industrialised countries adopted by the IMF.

<sup>2</sup> The estimates for Belgium differ from those shown in table 12. Firstly, they are not converted into years of full-time work; secondly, they resort, for purposes of international comparison, to different sources.

CHART 26 — CUMULATIVE MOVEMENT, FROM 1987 TO 1993, OF UNIT LABOUR COSTS IN ENTERPRISES :  
INTERNATIONAL COMPARISON

(Indices 1987 = 100)



Sources : OECD, NBB.

was further increased. The changes in the exchange rates of currencies which are now floating in fact made important corrections in 1993, to the persistent drift of costs in certain countries. Thus, the depreciation of the pound sterling eliminated the competitive disadvantage accumulated by the United Kingdom since 1987 and that of the lira gave Italy a definite advantage vis-à-vis Belgium. On the other hand, unlike in the preceding years, the rise in wages was more moderate in Belgium than in the neighbouring countries as a whole.

The simultaneous worsening of the relative position with regard to labour costs and of export performance indicates that, according to the criteria defined by the law of 6th January 1989, the competitive position of the Belgian economy has weakened. This situation was noted by the National Economic Council, which reported it to the Government and Parliament. The safeguarding measures adopted in accordance with the law were incorporated in the overall plan drawn up by the Government after the failure of the negotiations concerning the social pact. Their effect will be, on the one hand, to moderate the growth of all wages and, on the other

hand, to reduce the labour costs for certain categories of workers straight away in 1994. Concretely, the social contributions paid by employers on the lowest wages are to be reduced and a chronologically degressive exemption from social charges upon the recruitment of unemployed young persons is to be established. The wage moderation measures consist, firstly, of the freezing of real wages for the period 1995-1996, except for increases resulting from wage drift. Secondly, from January 1994 onwards, for calculating the automatic indexation of wages, the overall index of consumer prices has been corrected so as to exclude the changes in the prices of certain categories of products, more specifically tobacco, alcohol, petrol and diesel, as well as the influence of the levy on energy consumption introduced in 1993. On the basis of the current methods of calculation used for wage indexation and present expectations concerning price rises, this correction will have the effect of slowing down the rise in wages by a little over 1 p.c. in 1994.

The competitive position with regard to labour costs can also be assessed in terms of costs per unit of output, which are the resul-

tant of the ratio between the above-mentioned movement of labour costs per employee and that of the apparent productivity of labour. The last-mentioned yardstick is, however, influenced by any substitution between the capital factor and the labour factor in the production process. Subject to this restriction the upshot is that while in the past the increase in the apparent productivity of labour does in fact appear to have helped to reduce Belgium's handicap with regard to labour costs, the indications for the year under review point, on the contrary, to a more marked slowing down of productivity gains in Belgium than abroad.

All in all, unit labour costs expressed in a common currency increased more in Belgium than in most of the major trading partners between 1987 and 1993. Only in Japan, where the moderate rise in labour costs was greatly increased by the appreciation of the yen, and in the United Kingdom, where the depreciation of the pound sterling in relation to the franc was insufficient to cancel out the sharper upsurge of unit costs expressed in the national currency, was a larger cumulative rise recorded.

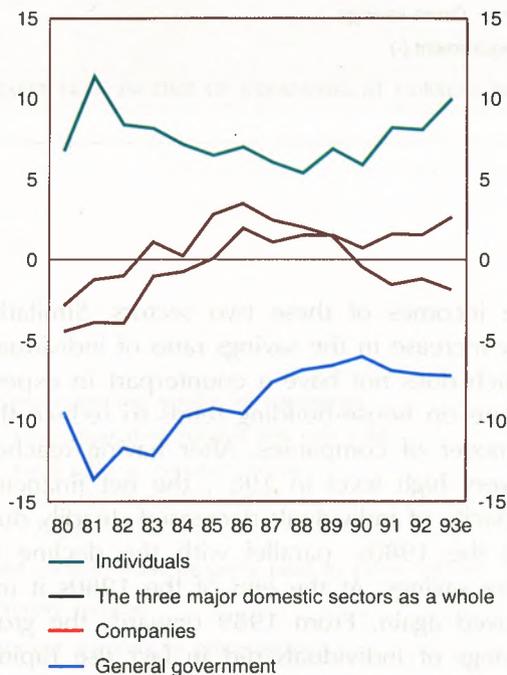
## 4. TRANSACTIONS OF THE MAJOR DOMESTIC SECTORS

### 4.1 OVERALL VIEW

The major domestic sectors of the economy as a whole recorded a greater net financing capacity in 1993 than in the previous year. This increase was entirely attributable to individuals, as the decline in activity had a negative influence on the net financing requirements of the other two major domestic sectors.

CHART 27 — 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.

The rehabilitation measures taken by the public authorities had the effect of largely neutralising the repercussions of the worsening

of the economic situation on their net financing capacity, which therefore remained virtually unchanged.

The weakness of economic activity depressed the gross savings of companies, whose 7.5 p.c. share in GNP in the year under review was appreciably down compared with 1992. At the same time, in view of the poor prospects as regards demand and profit, companies' propensity to invest declined, so that, overall, their net financing requirement did not increase much.

While disposable income of individuals showed a slight rise in 1993, their propensity to consume decreased further. Unlike during the previous year, the resultant rise in gross savings — up to a peak of over 16 p.c. of GNP — was no longer absorbed to any great extent by an increase in expenditure on housing. Therefore, as during the preceding recession period, the net financing capacity of individuals rose substantially, reaching 10 p.c. of GNP.

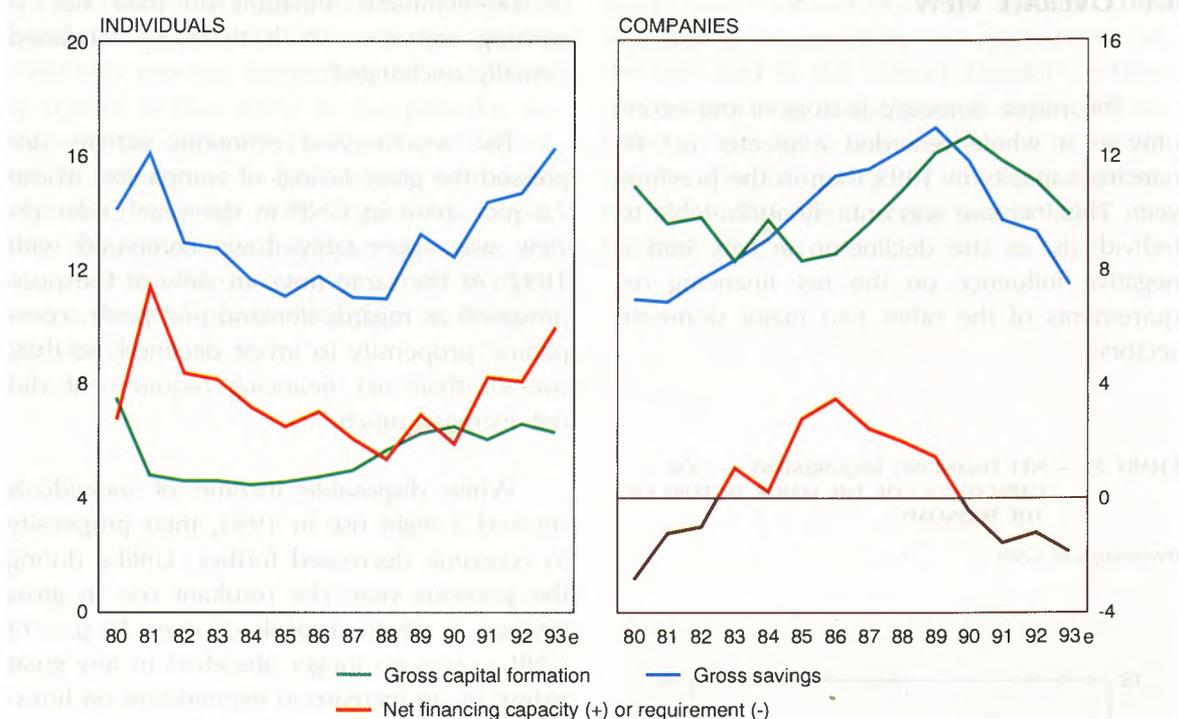
To enable the fundamental movements of the transactions of the various sectors to be better understood, it is necessary to consider several years.

Contrary to the situation which prevailed during the first half of the 1980s, the domestic sectors as a whole have, since 1986, uninterruptedly recorded a financing capacity of at least 1 p.c. of GNP. This development has been facilitated by the structural improvement in the public finances since 1982. During the last three years, however, this rehabilitation has been insufficient, especially because of the worsening of the economic situation, to reduce the financing requirement of general government.

At the beginning of the 1980s, companies were faced with relatively large financing requirements. The policy pursued from 1982 onwards in order to strengthen their financial

CHART 28 — SUMMARY OF TRANSACTIONS OF INDIVIDUALS AND COMPANIES<sup>1</sup>

(Percentages of GNP)



Sources : NSI, NBB.

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

position, partly via wage moderation measures, led at first to a substantial increase in their gross savings, which, in turn, prompted a wave of investment during the second half of the 1980s. At the end of the decade, however, the financial situation of companies deteriorated again : the share of their gross savings in GNP has declined uninterruptedly since 1989. The reduction in investment did not entirely counterbalance this decrease, with the result that in 1993 companies had a financing requirement for the fourth year in succession.

During the last fifteen years the accounts of the individuals sector have to a certain extent developed in an opposite manner to those of the companies sector, which is not surprising in view of the fact that the movement of wages has an opposite influence on

the incomes of these two sectors. Similarly, any increase in the savings ratio of individuals which does not have a counterpart in expenditure on house-building tends to reduce the turnover of companies. After having reached a very high level in 1981, the net financing capacity of individuals decreased steadily during the 1980s, parallel with the decline in gross savings. At the end of the 1980s it improved again. From 1989 onwards the gross savings of individuals did in fact rise rapidly owing to a sharp increase in disposable income combined with a virtual stabilisation of the share of consumption in GNP. The rise in disposable income, which amounted to nearly 5 percentage points of GNP between 1988 and 1993, was due both to a rapid increase in wages, whose share in the value added of companies grew, and to a rise in income from property.

## 4.2 COMPANIES AND INDIVIDUALS

### 4.21 INCOME OF COMPANIES

The accentuation of the cyclical slackening of activity affected the course of the gross operating surplus of companies, which appears to have decreased by 7.6 p.c. in 1993. The extent of this fall is attributable to the reduction in the profit margin, commented on in section 3.2, and in the volume of final sales, on both the domestic and export markets.

Sales on the domestic market decreased by 2.7 p.c. at constant prices, owing to the fall in private consumption and the pronounced decline in investment by enterprises and, to a smaller extent, house-building. This movement accentuated the effects of the narrowing of the profit margin per unit sold. Thus, unlike in the preceding years, the gross

operating surplus achieved by companies on their sales to the domestic market appears to have decreased in 1993. The cyclical decline in domestic expenditure is not peculiar to Belgium: it also affected the majority of its trading partners and reduced export markets, with the result that exports of goods and services shrank by 2.2 p.c. at constant prices.

The fall in primary income due to the deterioration of the operating result was accentuated by the rise in net income from property paid by companies to general government. With unchanged policy, the total of these incomes paid by companies to other sectors appears to have decreased in 1993.

In addition, net transfers by companies rose appreciably, mainly owing to the increase in taxes paid. The proceeds of various measures of a fiscal nature, which are discussed in section 4.3, more than counterbalanced the effect of the fall in profits. With unchanged

TABLE 14 — INCOME OF COMPANIES AT CURRENT PRICES

|  | 1992                      | 1991  |   | 1992            |   | 1993 e           |   |
|--|---------------------------|---|---|-----------------|---|------------------|---|
|  |                           | Actual movement   | Movement with unchanged policy <sup>1</sup> | Actual movement | Movement with unchanged policy <sup>1</sup> | Actual movement  | Movement with unchanged policy <sup>1</sup> |
|  | <i>Billions of francs</i> | <i>Percentage changes compared with the previous year</i> |   |                 |   |                  |   |
| Gross operating surplus of companies .....     | 1,128                     | -3.7  |   | 0.9             |   | -7.6             |   |
| Gross operating surplus per unit sold .....    |                           | -5.8  |   | -1.1            |   | -5.3             |   |
| Final sales at constant prices .....           |                           | 2.2   |   | 2.0             |   | -2.4             |   |
| On the domestic market .....                   |                           | 1.8   |   | 2.5             |   | -2.7             |   |
| Export .....                                   |                           | 2.5   |   | 1.6             |   | -2.2             |   |
| Net income from property paid to other sectors | 342                       | 16.2  | 16.2  | 10.2            | 10.2  | 5.2 <sup>2</sup> | -4.2  |
| Primary income .....                           | 786                       | -9.7  | -9.7  | -2.7            | -2.7  | -13.2            | -9.1  |
| Current transfers to other sectors .....       | 115                       | 8.6   | -3.7  | -19.1           | -30.5                                       | 14.6             | -11.5                                       |
| Disposable income .....                        | 671                       | -12.8   | -10.7                                       | 0.8             | 3.3   | -18.0            | -8.7  |
|  |                           | <i>Percentages of GNP</i>                                 |   |                 |   |                  |   |
| Primary income .....                           |                           | 12.1  | 12.1  | 11.2            | 11.2  | 9.5              | 10.0  |
| Disposable income .....                        |                           | 10.0  | 10.2  | 9.6             | 9.8   | 7.7              | 8.6   |

Sources: NSI, NBB.

<sup>1</sup> This scenario takes account only of a budget estimate of the direct effects of the political decisions. When the latter produce their effects over several years, only the additional effect compared with the previous period is estimated.

<sup>2</sup> This figure includes the payment to general government of the proceeds of the privatisation of the GSPF (Fr. 32 billion, or 0.5 p.c. of GNP).

policy, current transfers by companies appear to have decreased by nearly 12 p.c. compared with those made in 1992, whereas they actually rose by about 14.6 p.c.

Altogether, the disposal income of companies — that is, the sum of profits placed to reserve and depreciation — decreased by 18 p.c. in 1993. Adjusted to eliminate the influence of the new measures, the decrease appears to have amounted to only about 9 p.c. in 1993. Thus, after having been temporarily interrupted in 1992, solely owing to the decrease in taxes paid to general government, the downward movement which started in 1990 continued at a rapid rate. The share of the disposable income of companies in the national income fell from a peak of 13.2 p.c. in 1989 to 7.7 p.c. in 1993, i.e. half a percentage point above the low reached at the beginning of the 1980s. With unchanged policy it would have fallen from 9.6 p.c. in 1992 to 8.6 p.c.

#### **4.22 INCOME OF INDIVIDUALS**

The decrease, between 1989 and 1993, in the share of the disposable income of companies in the national income had as its chief counterpart the increase in that of individuals, which rose from 75.7 p.c. in 1989 to 79.8 p.c. in 1993.

This redistribution is largely attributable to a time-lag between the movement of the results of companies and that of total wages and salaries. On the one hand, the extent of the increases granted to employees seems to have been based more on the past development of companies' results than on their growth prospects. The importance of this factor is probably increased by the way in which wage negotiations are organised in Belgium, with three successive negotiation levels: the national level (in the National Labour Council), the branch of activity (in the joint committees) and the enterprise level. On the other hand, in a period of declining activity, the adjustment of employment is at first insufficient to maintain the rate of growth of pro-

ductivity, probably because enterprises are reluctant to deprive themselves of skilled employees whom they may need when activity recovers.

This shift between the income of companies and that of individuals is taking place at low points in the business cycle when, theoretically, redistributions of income between individuals and general government are also occurring through the action of the automatic stabilisers, namely transfers between these two sectors. Furthermore, the structural increase in the number of pensioners is an element of growth of the income of individuals which is unaffected by the cyclical movement. The effect of these two factors supporting the income of individuals has, however, been partly offset in recent years by the introduction of new measures largely designed with a view to gaining better control over social expenditure and by the increase in direct taxation and social contributions.

In 1993 wages and salaries, which are the main component of the primary income of individuals, increased by 3.1 p.c. This rise conceals a contrasting movement of the compensation paid by enterprises, on the one hand, and by general government, on the other. In the enterprise sector total wages and salaries rose by 2.1 p.c., against 5.5 p.c. in 1992. This slowdown is due to a slower increase in wages and a more marked decline in employment. In the general government sector, on the other hand, the growth in salaries and pensions quickened from 5.6 p.c. in 1992 to 6.9 p.c., chiefly owing to the continuation of the general revision of civil service pay scales. The resultant marked rise in the wage and salary level represents a correction of the differential which had gradually developed in the past between pay in the private sector and that in the general government sector. Via the equalisation mechanisms which create an automatic link between the movement of real wages and of the pensions paid to civil service pensioners, this catching-up movement led to a pronounced increase in the pension burden in the public sector. As, furthermore, the number of beneficiaries rose, this burden grew by 9.4 p.c. in 1993.

The entrepreneurial income of one-man businesses does not appear to have increased further in 1993. This stabilisation is the result of a growth, albeit slower than previously, in the income of members of the liberal professions and of a fall in the income of farmers and traders. The latter were faced with the decline in the volume of demand and an accentuation of competitive pressures, which particularly affected their profit margins. There was in fact an appreciable rise in the number of bankruptcies in this category of one-man businesses.

Income from property, which amounted to Fr. 1,506 billion in 1992, is the second most important component of the primary income of individuals. This very heterogeneous income category cannot be measured anything like as accurately as wages and salaries. Over 70 p.c. of income from property comes from financial investments. It consists of dividends and interest, which is also deemed to include the imputed interest on claims resulting from insurance contracts. Rents, too, are an important part of income from property. However, in the valuation of these made in the national

TABLE 15 — INCOME OF INDIVIDUALS AT CURRENT PRICES<sup>1</sup>

|  | 1992               | 1991   |   | 1992            |   | 1993 e          |   |
|--|--------------------|--|---|-----------------|---|-----------------|---|
|  |                    | Actual movement                                    | Movement with unchanged policy <sup>2</sup> | Actual movement | Movement with unchanged policy <sup>2</sup> | Actual movement | Movement with unchanged policy <sup>2</sup> |
|  |                    | Percentage changes compared with the previous year |   |                 |   |                 |   |
|  | Billions of francs |  |   |                 |   |                 |   |
| Primary income .....                         | 6,155              | 7.0  |   | 6.2             |   | 2.9             |   |
| Wages and salaries .....                     | 3,855              | 7.4  |   | 5.5             |   | 3.1             |   |
| Enterprises .....                            | 3,040              | 7.4  |   | 5.5             |   | 2.1             |   |
| General government .....                     | 816                | 7.2  |   | 5.6             |   | 6.9             |   |
| Income of one-man businesses .....           | 794                | 2.8  |   | 3.3             |   | 0.1             |   |
| Income from property .....                   | 1,506              | 8.7  |   | 9.7             |   | 3.6             |   |
| Current transfers .....                      | -648               | -5.0   |   | 12.2            |   | -4.1            |   |
| of which : From and to general government .. | -610               | -4.1   | 2.1   | 11.4            | 9.1   | -4.7            | -16.4                                       |
| Transfers received .....                     | 1,726              | 8.4  | 7.7   | 6.4             | 6.6   | 5.3             | 6.8   |
| Social benefits .....                        | 1,367              | 8.8  | 8.0   | 7.5             | 7.9   | 4.2             | 6.1   |
| Other transfers .....                        | 359                | 6.7  | 6.7   | 2.1             | 2.1   | 9.4             | 9.4   |
| Transfers paid .....                         | 2,336              | 4.9  | 6.2   | 7.6             | 7.3   | 2.7             | 0.7   |
| Social contributions .....                   | 1,151              | 7.5  | 7.5   | 8.1             | 6.7   | 3.4             | 1.2   |
| Direct taxes .....                           | 1,022              | 1.7  | 4.5   | 7.6             | 8.3   | 1.4             | -0.6  |
| Other transfers .....                        | 163                | 7.9  | 7.9   | 5.1             | 5.1   | 5.4             | 5.4   |
| Disposable income .....                      | 5,507              | 8.6  | 7.8   | 5.6             | 5.8   | 3.7             | 5.0   |
| p.m. At constant prices <sup>3</sup> .....   |                    | 5.5  | 4.8   | 3.0             | 3.3   | 0.9             | 2.1   |
|  |                    | Percentages of GNP                                 |   |                 |   |                 |   |
| Primary income .....                         |                    | 86.7   | 86.7  | 87.9            | 87.9  | 88.5            | 88.5  |
| Disposable income .....                      |                    | 78.1   | 77.6  | 78.6            | 78.8  | 79.8            | 80.8  |

Sources : NSI, NBB.

<sup>1</sup> Without taking account of the possible effect of the statistical adjustments which reconcile the three angles of approach in the national accounts.<sup>2</sup> This scenario takes account only of a budget estimate of the direct effects of the political decisions. When the latter produce their effects over several years, only the additional effect compared with the previous period is estimated.<sup>3</sup> Deflated with the deflator of private consumption.

accounts, more than two thirds are imputed incomes, that is, notional rents of owner-occupied properties. They do not, therefore, constitute a cash income received by individuals, but are nevertheless necessary for estimating the national income.

Income from property, thus defined, appears to have risen by 3.6 p.c. in 1993, whereas the average annual increase during the five preceding years was of the order of 10 p.c. This slackening is primarily due to the fall in interest rates, which largely counterbalanced the effect of the increase in the savings of individuals.

During the year under review, investors displayed a preference for short-term and medium-term assets. This behaviour is largely attributable to the pattern of the yield curve during the year. While the structure of this curve had returned to normal from the end of April onwards, the tensions which developed on the foreign exchange market between July and October led to a sharp rise in short-term interest rates, contributing to a fresh reversal of the term structure of yields. The continued existence of a substantial differential between short-term and long-term rates made short- and medium-term investments more attractive, especially as the level of long-term rates, which had already fallen appreciably, may have appeared less attractive. Over the year as a whole, the support given to the growth in interest income as a result of this behaviour by investors was largely counterbalanced by the opposite effect mainly produced by the decline, in terms of annual averages, of the interest rates on short-term investments.

The smaller increase in income from property is also attributable to the slower rise in dividends, even though the worsening of the results of enterprises has so far only been very partially reflected in the movement of the incomes which they distribute among their shareholders. This is because the dividend distribution policy pursued by most companies depends on a set of factors among which the level of the current result is not necessarily of decisive importance. Lastly, the rise in in-

come from real estate was slower than in 1992.

The primary income of individuals — which is the sum, before all fiscal and parafiscal retentions, of earned incomes and property incomes — rose by 2.9 p.c. in 1993. As the net current transfers of individuals to the other sectors decreased at the same time by 4.1 p.c., the net growth in their disposable income was stronger than that in their primary income.

The net transfers of individuals to general government, the main component of total net transfers of individuals, played their role as automatic stabilisers. They ought in fact to have decreased by around 16 p.c. had it not been for the fact that the authorities adopted a set of fiscal and social measures which limited the actual decrease to 4.7 p.c. The additional net contribution retained from the incomes of individuals in 1993 appears to have been of the order of Fr. 70 billion, or just over 1 p.c. of their disposable income. About a third of this amount is due to the economy measures adopted in the social security sector, especially relating to health care and unemployment insurance; without these cuts, social benefits would have risen in 1993 by 6.1 p.c., whereas they actually only went up by 4.2 p.c. Two thirds, or about Fr. 45 billion, was obtained by the raising of social contributions and direct taxes. The details of these measures are given in section 4.3 of the Report. Their influence on the growth in direct taxes was largely counterbalanced by, among other things, the decrease in payments in respect of the withholding tax on income from financial assets and by the very small growth in the total taxable amount of wages and salaries, partly attributable to the raising, in July 1992, of the rate of social security contributions. Had it not been for these various measures, social contributions would have increased by 1.2 p.c. and direct taxes would have declined by 0.6 p.c. Actually they rose by 3.4 p.c. and 1.4 p.c. respectively.

Altogether, the rise in the disposable income of individuals slackened from 5.6 p.c. in 1992 to 3.7 p.c. during the year under

review. This increase corresponds to a rise of 0.9 p.c. in purchasing power, following five years of appreciably faster growth. Between 1987 and 1993, the purchasing power of individuals increased by 24 p.c.

#### 4.23 FINANCIAL ACCOUNTS OF INDIVIDUALS AND COMPANIES

The net financial surplus of individuals and companies reached Fr. 743 billion in the first nine months of the year, representing an increase of 16 p.c. compared with 1992. The reduction in new liabilities was much greater than the simultaneous decrease in the formation of financial assets.

The respective changes in incomes, transfers and expenditures of individuals and companies led, on balance, to a divergent movement, to which attention has been drawn in section 4.1, of the financing capacity of individuals and the financing requirement of companies. It is not possible, however, to establish how the movement of these balances was reflected in the financial assets formed and liabilities contracted by each of these sectors. The partial indications available on this subject, thanks to the new information provided by credit institutions since January 1993, seem

to indicate that the decline in the formation of financial assets was due to companies, which appear to have largely met their financing requirement by reducing their liquidity investments. On the other hand, individuals, whose financing capacity increased, apparently formed more financial assets than in 1992, while reducing their recourse to further borrowing.

#### Formation of financial assets

Investments in francs, which constitute the greater part of the portfolio of individuals and companies, were directed mainly towards assets at up to one year. The general decline in interest rates on the capital market, which had started at the beginning of the second half of 1992 and continued in 1993, ought however, a priori, to have stimulated the buying of longer-term securities. Admittedly, purchases of bonds in francs through collective investment undertakings were appreciably greater than in 1992. At the same time, however, individuals reduced their portfolios of notes at over one year and greatly curtailed their direct participation in the new issues of classical government loans.

At first sight these portfolio choices would seem to indicate that investors did not behave in a homogeneous manner. A first group, more concerned with the effective yield of their assets, would appear to have turned to the SICAVs which specialise in bonds and which have in fact centred their promotion campaigns on the yield prospects offered by the decline in interest rates. A second group, more concerned with the absolute level of interest rates, would appear to have reduced its traditional investments in notes, especially because, in the absence of an organised secondary market, assets of this kind offer little chance of making capital gains. This loss of interest in notes at over one year can be compared with a similar development observed in 1986, when the interest rates on these securities had also fallen sharply, to below 6 p.c. The fairly close link which exists between the level of interest rates and the rate of growth of investments in notes is also confirmed by

TABLE 16 — FINANCIAL ACCOUNT OF INDIVIDUALS AND COMPANIES

(Billions of francs)

|                   | Formation of financial assets | New liabilities | Net financial surplus <sup>1</sup> |
|-------------------|-------------------------------|-----------------|------------------------------------|
| 1989 .....        | 1,491                         | 1,051           | 440                                |
| 1990 .....        | 1,085                         | 673             | 412                                |
| 1991 .....        | 1,378                         | 811             | 567                                |
| 1992 .....        | 1,326                         | 711             | 615                                |
| First nine months |                               |                 |                                    |
| 1992 .....        | 1,197                         | 557             | 640                                |
| 1993 e .....      | 1,019                         | 276             | 743                                |

Source : NBB.

<sup>1</sup> This corresponds, except for the statistical adjustment, to the net financing capacity.

TABLE 17 — FORMATION OF FINANCIAL ASSETS BY INDIVIDUALS AND COMPANIES

(Billions of francs)

|   | 1989  | 1990  | 1991  | 1992  | First nine months |        |
|---|-------|-------|-------|-------|-------------------|--------|
|   |       |       |       |       | 1992              | 1993 e |
| <b>Assets in Belgian francs</b> .....     | 760   | 996   | 997   | 943   | 722               | 563    |
| At up to one year .....                   | 614   | 369   | 463   | 432   | 371               | 442    |
| of which : Cash holdings .....            | 99    | 18    | 14    | -20   | 4                 | 19     |
| Ordinary savings deposits .....           | 190   | -258  | -88   | -73   | -147              | -77    |
| Other deposits .....                      | 242   | 519   | 259   | 408   | 379               | 306    |
| Notes .....                               | 83    | 90    | 114   | 91    | 75                | 176    |
| At over one year .....                    | 146   | 627   | 534   | 511   | 351               | 121    |
| of which : bonds and notes .....          | 99    | 643   | 514   | 510   | 347               | 151    |
| <b>Assets in foreign currencies</b> ..... | 352   | 17    | 97    | 137   | 158               | 160    |
| At up to one year .....                   | 109   | 70    | 51    | 164   | 230               | 86     |
| At over one year .....                    | 244   | -54   | 46    | -27   | -73               | 74     |
| <b>Other assets</b> .....                 | 378   | 72    | 284   | 246   | 317               | 296    |
| <b>Total</b> .....                        | 1,491 | 1,085 | 1,378 | 1,326 | 1,197             | 1,019  |

Source : NBB.

the success achieved by this product between the second quarter of 1990 and the last quarter of 1992. It would appear that, since then, the decline in the rates induced many individuals to turn away from these assets, the conditions of which were no longer considered sufficiently attractive, and to give preference to short-term investments.

Some qualifications must be made, however, about these differences of attitude regarding investment, because a more detailed analysis of the portfolio choices of individuals reveals a fairly general preference for medium-term assets which is not apparent from a mere breakdown between assets at up to one year and assets at over one year.

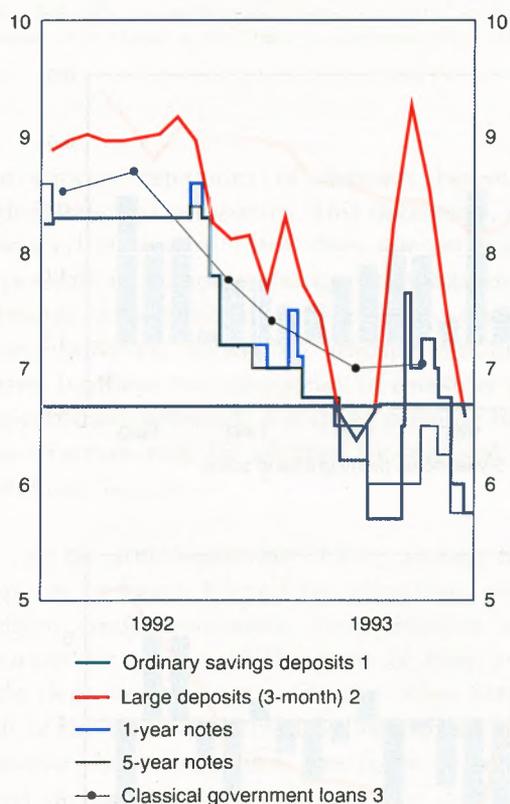
Thus, an examination of purchases of units of collective investment undertakings indicates that liquidity SICAVs have become less attractive, but that this has applied only to SICAVs whose assets are at very short term. On the other hand, SICAVs whose investments mainly cover maturities of six months to two years have been very successful.

Among traditional investments, one-year notes showed an appreciable increase. On the one hand, the reversal of the interest rate structure, combined with the fall in yields on issue on the capital market, caused individuals to anticipate a decline in the rates on the shortest maturities; many investors who regarded the conditions offered for long-term investments as being too low then looked for assets offering a better compromise between term and interest rate. On the other hand, the reversal of the hierarchy of interest rates on notes, observed for the first time in 1992, operated fully to the advantage of this type of investment in 1993, particularly during the periods of tensions on the foreign exchange market. This unprecedented structure is evidence of the gradual deregulation of the manner in which interest rates are fixed, the rates on one-year notes having now become much more sensitive to fluctuations in the rates on large deposits.

The overall outstanding amount of notes at over one year and bonds issued by credit institutions decreased by Fr. 42 billion during

the first nine months of the year, whereas it had increased by Fr. 153 billion in 1992. This trend reversal actually conceals an appreciable reduction in purchases of three-year and five-year bonds and a marked increase in purchases of special bonds, such as those offering early redemption options. Several financial intermediaries have also endeavoured to increase the flexibility of their products by offering notes at interest rates which can be revised depending on the state of the market.

CHART 29 — MAIN CREDITOR INTEREST RATES IN FRANCS



Source : NBB.

<sup>1</sup> Maximum fictitious gross rate, including the fidelity bonus.

<sup>2</sup> Bank deposits from 5 to 20 million.

<sup>3</sup> Yield on issue.

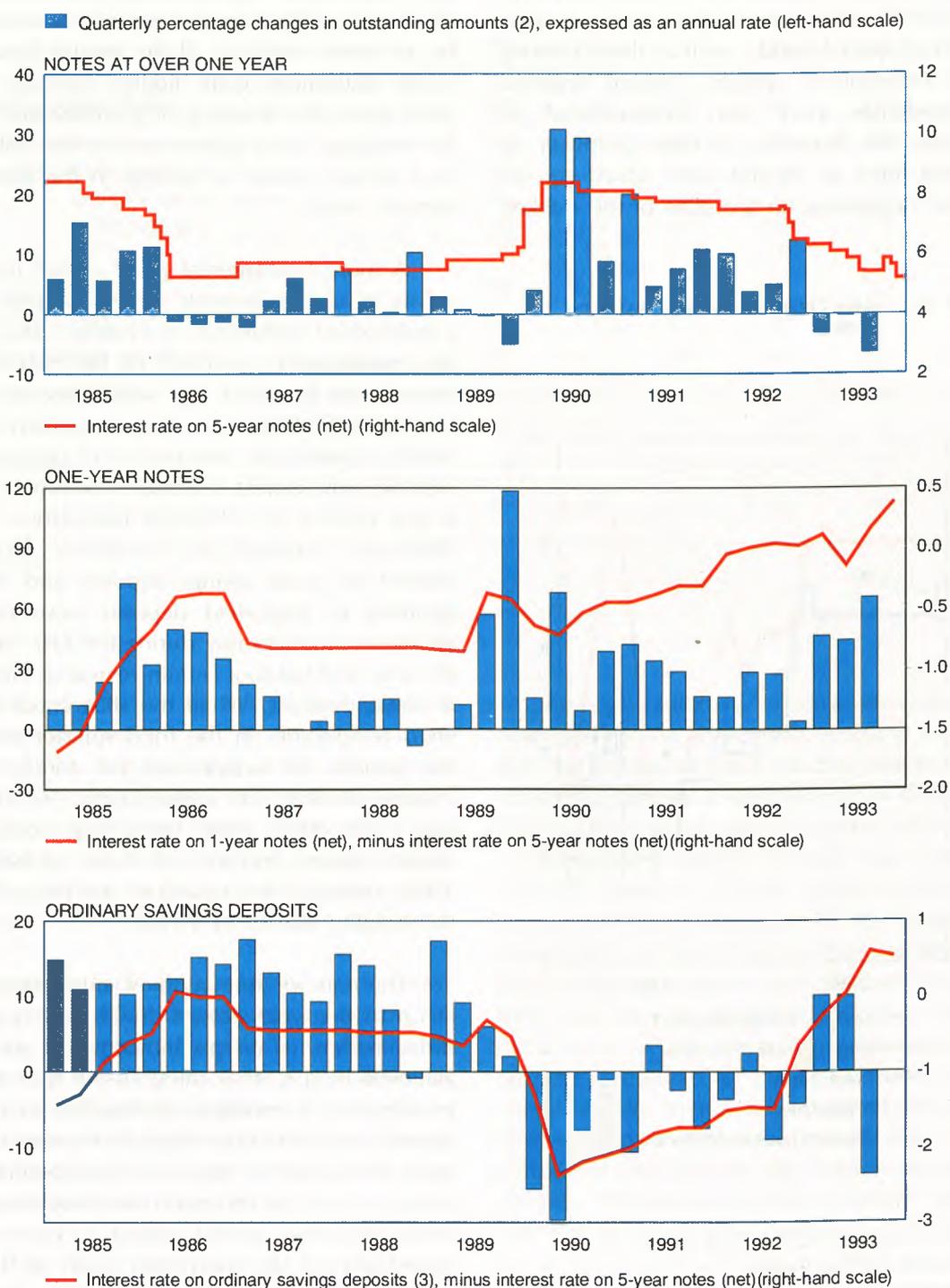
The dwindling interest in savings deposits was appreciably less pronounced than in 1992. This shift in the investment choices of individuals does not necessarily contradict the

preference displayed for medium-term assets or at least for « wait-and-see » investments. While deposit books are admittedly akin to sight deposits or deposits subject to extremely short notice, this type of asset is characterised by an inertia which is all the greater because credit institutions grant fidelity bonuses and often make the obtaining of a preferential rate for mortgage loans dependent on the holding of a certain volume of savings in the form of deposit books.

A more fundamental point is that investments in savings deposits were stimulated, in a context of reduction of creditor rates, by the maintenance at 6 p.c. of the maximum interest rate for which the beneficiary can obtain exemption from tax. This maximum rate, which includes any bonuses, is of course accessible only subject to certain conditions and is not offered by all credit institutions. The difference between the conditions actually offered for most savings deposits and those applying to high-yield deposits nevertheless decreased considerably during the first half of the year and led to a certain revival of interest in these deposits. While the differential widened temporarily in the third quarter during the periods of tensions on the foreign exchange market, it subsequently narrowed again. All other things remaining equal, it should narrow further still from 1st January 1994, owing to the raising of the rate of the withholding tax to 13.39 p.c.

The rate of formation of other deposits at up to one year slowed down. This relative disinclination, in sharp contrast to the success achieved by the other categories of short-term investments, is probably attributable to companies for which time deposits represent the main instrument of liquidity management. In order to meet an increased financing requirement this sector would appear to have converted part of the short-term assets in francs held by it with credit institutions into cash, while, on the contrary, individuals appear to have increased the balances of their high-yield deposits and other time deposits.

The new accounting layout for credit institutions henceforth shows the breakdown of

CHART 30 — NOTES<sup>1</sup> AND ORDINARY SAVINGS DEPOSITS HELD BY INDIVIDUALS AND COMPANIES

Source : NBB.

<sup>1</sup> Including bonds issued by credit institutions.<sup>2</sup> Seasonally adjusted data.<sup>3</sup> Maximum rates, including the fidelity bonus. Up till March 1986 the fidelity bonus was fixed freely by credit institutions. A maximum bonus was estimated for the previous period by applying a fixed percentage (35 p.c.) of the base rate, corresponding to the legal maximum imposed by the provisions of the royal decree of 13th March 1986.

**TABLE 18 — BREAKDOWN OF DEPOSITS IN FRANCS OF INDIVIDUALS AND COMPANIES WITH BELGIAN CREDIT INSTITUTIONS AS AT 30th SEPTEMBER 1993***(Percentages of total)*

|  | Individuals <sup>1</sup> | Companies | Total  |
|--|--------------------------|-----------|--------|
| Sight deposits .....                                 | 14.1                     | 34.1      | 18.6   |
| Ordinary savings deposits .....                      | 49.9                     | 1.4       | 39.0   |
| Special deposits <sup>2</sup> .....                  | 5.5                      | 0.5       | 4.4    |
| Time deposits at up to one year .....                | 27.3                     | 63.3      | 35.4   |
| of which : large deposits <sup>3</sup> .....         | (10.0)                   | (50.7)    | (19.2) |
| Time deposits at over one year .....                 | 3.1                      | 0.8       | 2.6    |
| <b>Total</b> .....                                   | 100.0                    | 100.0     | 100.0  |
| p.m. As a percentage of the total outstanding amount | 77.5                     | 22.5      | 100.0  |

Source : NBB.

<sup>1</sup> Including one-man businesses.<sup>2</sup> These are mainly accounts of notaries, trustees or liquidators and lawyers.<sup>3</sup> Deposits of Fr. 5 million or above enjoying a preferential interest rate.

the various categories of deposits between individuals and companies. This document, introduced in January 1993, does not yet make it possible to compare changes in outstanding amounts with those of the previous year. It does, however, show the investments preferred by these two categories of investors on a given date, although it is quite possible that this structure may be affected by seasonal or fortuitous factors.

As at 30th September 1993, among the deposits in francs formed by companies with Belgian credit institutions, time deposits accounted for 64 p.c. in the form of time and sight deposits for 34 p.c. On the other hand, half of the deposits formed by individuals and one-man businesses took the form of regulated savings deposits, although time deposits at under one year and special deposits represented nearly 33 p.c. of their short-term assets held with credit institutions. While the very great majority of companies' time deposits consist of amounts of over Fr. 5 million, these large deposits also constitute a not inconsiderable proportion of the financial assets of individuals and one-man businesses.

Individuals and companies invested about the same amount as in 1992 in assets in for-

eign currencies. While they somewhat reduced their formation of deposits in foreign currencies, they also — unlike during the previous year — bought foreign currency securities. This arbitrage between short-term and long-term investments appears to have taken place chiefly during the third quarter.

This desire for diversification of investments in foreign currencies is in fact associated with an effort to find new investment channels. For instance, deposits both in francs and in foreign currencies can be formed with credit institutions situated either in Belgium or abroad. On a larger scale, many financial assets are no longer bought directly from the final debtor but via insurance companies, pension funds and, above all, collective investment undertakings. The choices made between these various channels inevitably affect the currency structure of investments and the relationships between lenders and borrowers.

Individuals and companies have for several years formed a substantial proportion of their assets outside Belgium, both in the form of deposits and securities and in that of lending and equity investment abroad. Parallel with this, both sectors have had greater recourse to intermediaries other than credit

institutions for the formation of their savings. Recent data enabling the extent of the last-mentioned development to be assessed are available only for collective investment undertakings. These have seen a substantial expansion in their activity, which has taken place in two successive waves.

A first growth phase started at the beginning of the 1980s. Encouraged by the measures adopted by the Government to promote the purchase of shares in Belgian companies, individuals and companies gradually became familiar with the formula of collective investment. When these measures were terminated, they continued to purchase units of capitalisation SICAVs in order to benefit from the other tax advantages which they offered.

The lowering of the rate of the withholding tax reduced the attractiveness of these SICAVs, which were all the less successful in 1990 because the rise in long-term rates depressed the yields of the assets held with collective investment undertakings specialising in bonds. The growth in the activity of SICAVs revived, however, in 1992 and strengthened

in 1993. This further increase was undoubtedly stimulated by the financial intermediaries themselves, which diversified the range of collective investment products offered and launched many promotion campaigns for assets of this type.

The increasingly rapid development of collective investment undertakings may have far-reaching effects on the operation of the financial markets, but it is too difficult as yet to assess these effects.

The process of institutionalisation of savings is not confined to Belgium, but extends to other countries. In so far as it grows into an international process which takes place partly at the expense of direct financing operations of a more permanent nature, it could increase the instability of the markets, because a small number of large institutions managing substantial volumes of funds is more capable than a multitude of individual investors of bringing about rapid and far-reaching changes in the distribution of the portfolios according to currencies, debtors or even maturities.

TABLE 19 — CHANNELS OF FORMATION OF THE FINANCIAL ASSETS OF INDIVIDUALS AND COMPANIES<sup>1</sup>

(Percentages of total)

|   | 1988   | 1989   | 1990   | 1991   | 1992   | First six months |        |
|---|--------|--------|--------|--------|--------|------------------|--------|
|   |        |        |        |        |        | 1992             | 1993 e |
| Investments with Belgian credit institutions . . . . .  | 39.2   | 42.4   | 53.8   | 49.5   | 33.6   | 45.1             | 45.9   |
| Investments with collective investment undertakings making public issues in Belgium . . . . . | 17.7   | 10.3   | -7.9   | 5.4    | 15.9   | 10.8             | 29.1   |
| Direct financing of general government . . . . .  | 11.9   | 2.8    | 18.6   | 14.0   | 6.7    | 7.9              | -1.2   |
| Direct financing of other residents . . . . .   | 1.8    | 6.0    | -0.4   | 0.6    | 0.1    | 1.7              | -2.8   |
| Direct financing of non-residents and direct investments abroad . . . . .                     | 29.4   | 38.4   | 35.9   | 30.6   | 43.7   | 34.6             | 29.0   |
| Fixed-interest assets in francs . . . . .   | (0.7)  | (8.6)  | (16.8) | (11.4) | (16.2) | (8.8)            | (10.2) |
| Fixed-interest assets in foreign currencies . . . . .   | (17.3) | (9.1)  | (5.2)  | (3.8)  | (10.1) | (8.6)            | (9.7)  |
| Other assets . . . . .  | (11.5) | (20.7) | (13.9) | (15.4) | (17.4) | (17.2)           | (9.1)  |
| Total <sup>2</sup> . . . . .  | 100.0  | 100.0  | 100.0  | 100.0  | 100.0  | 100.0            | 100.0  |

Sources : Belgian Association of Collective Investment Undertakings, NBB.

<sup>1</sup> The data which make it possible to record the investments made by insurance companies and pension funds are incomplete and only available after a fairly long delay. These two investment channels have therefore not been investigated separately and are treated according to the principle of transparency, the assets formed via insurance companies and pension funds being regarded as direct investments of individuals and companies.

<sup>2</sup> Excluding investments which cannot be broken down, namely financial gold, the net changes in the claims and debts of the financial intermediaries and errors and omissions in the balance of payments of Belgium.

Furthermore, the conditions under which the undertakings which make issues in Belgium operate will be affected by the raising of the taxes on stock market transactions applied to SICAVs, which will be discussed in section 6.2. This may cause the investments made via capitalisation SICAVs to grow more slowly and become more rigid in future, and that is likely to contrast with the flexibility which these assets will probably retain in other countries.

### **New liabilities**

The new liabilities contracted by individuals and companies increased by Fr. 276 billion during the first nine months of 1993, thus rising appreciably more slowly than in the previous year. This slackening was observed in the case of all categories of liabilities except securities.

Recourse to the capital market nevertheless remained modest, amounting to Fr. 18 billion during the first nine months of 1993. Companies made net issues of shares and short-term securities, the latter having taken the form both of commercial paper complying with the criteria of the law of 22nd July 1991 and of promissory notes outside that legal framework. On the other hand, the outstanding amount of bonds issued by companies went on declining.

New liabilities to foreign countries amounted to only Fr. 186 billion at the end of the first nine months of 1993, against Fr. 261 billion the previous year, thus interrupting the upward trend observed during the preceding years. Direct investment, particularly, contracted considerably, owing to a sharp decrease in the volume of new loans granted by associated enterprises and a more moderate fall in investments in the form of the establishment or expansion of companies or of equity investment.

The breakdown of direct investment by country of origin, which is available only for the BLEU as a whole, confirms the close commercial links between Belgium and its three main European trading partners, since, during the period from January 1987 to June 1993, nearly 65 p.c. of the direct investment undertaken by the rest of the world in the BLEU was made by France, Germany and the Netherlands. The other countries which granted substantial credits or acquired significant interests in Belgian or Luxembourg companies were the United States, the United Kingdom, Japan and Italy.

The outstanding amount of credits granted by credit institutions to individuals and companies appears to have increased by only Fr. 83 billion during the first nine months of 1993, against Fr. 278 billion the previous year. This development appears to be attrib-

**TABLE 20 — NEW LIABILITIES OF INDIVIDUALS AND COMPANIES**

(Billions of francs)

|   | 1989  | 1990 | 1991 | 1992 | First nine months |        |
|---|-------|------|------|------|-------------------|--------|
|   |       |      |      |      | 1992              | 1993 e |
| Securities <sup>1</sup> .....                       | 86    | -43  | 27   | 31   | 15                | 18     |
| Liabilities to foreign countries <sup>2</sup> ..... | 271   | 259  | 307  | 343  | 261               | 186    |
| Liabilities to credit institutions .....            | 626   | 374  | 363  | 300  | 278               | 83     |
| Other .....   | 68    | 83   | 114  | 37   | 2                 | -10    |
| Total .....   | 1,051 | 673  | 811  | 711  | 557               | 276    |

Source : NBB.

<sup>1</sup> Including issues of commercial paper and an estimate of issues of promissory notes.

<sup>2</sup> Liabilities other than publicly issued shares and bonds.

**TABLE 21 — GEOGRAPHICAL BREAKDOWN OF DIRECT FOREIGN INVESTMENTS IN THE BLEU<sup>1</sup>***(Percentages of total)*

|                      | January 1987-June 1993 |
|----------------------|------------------------|
| France .....         | 26.5                   |
| Germany .....        | 21.4                   |
| Netherlands .....    | 16.3                   |
| United States .....  | 11.6                   |
| United Kingdom ..... | 6.5                    |
| Japan .....          | 4.8                    |
| Italy .....          | 3.3                    |
| Other .....          | 9.6                    |
| Total .....          | 100.0                  |

Source : NBB.

<sup>1</sup> Including publicly issued shares.

unable to a contraction of the new liabilities of both individuals and companies and seems to have affected most forms of lending. However, mortgage loans appear to have risen sharply again, owing to the downward movement of long-term interest rates, which was accentuated by the competition between in-

stitutions engaging in this kind of lending with a view to increasing their market share.

The introduction, in January 1993, of the new accounting layout of credit institutions caused inevitable breaks in series which make it difficult to assess the recent lending activity of the financial intermediaries. On the other hand, certain structural data from this new layout, which provides, in particular, a much more detailed breakdown of credits by debtor and by nature, can already be used.

It is also possible to make use, as the basis for analysing the debt structure, of the information provided by a number of credit institutions in response to a monthly survey conducted by the Bank since January 1993. The interest rates reported are those in force on the last working day of the month and applicable to typical contracts complying with clearly defined conditions as regards term and amount. In the present situation of complete deregulation of debtor rates, this information enables the keenness of the competition in lending between the financial intermediaries to be assessed. This rivalry is reflected in the

**TABLE 22 — BREAKDOWN OF THE OUTSTANDING LIABILITIES OF INDIVIDUALS AND COMPANIES TO BELGIAN CREDIT INSTITUTIONS AS AT 30th SEPTEMBER 1993***(Percentages of total)*

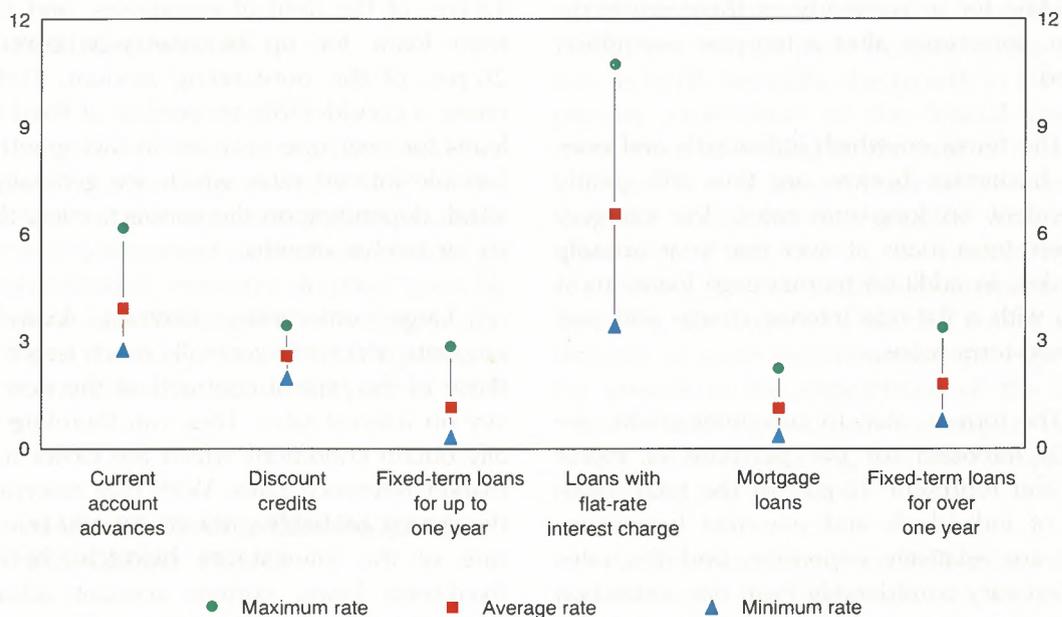
|  | Individuals <sup>1</sup> | Companies | Total |
|--|--------------------------|-----------|-------|
| Mortgage loans .....                                       | 56.6                     | 3.6       | 28.1  |
| Loans with flat-rate interest charges .....                | 12.4                     | 1.6       | 6.6   |
| Fixed-rate loans for over one year .....                   | 7.1                      | 18.8      | 13.4  |
| Variable-rate loans for over one year .....                | 13.6                     | 34.7      | 25.0  |
| Loans for up to one year .....                             | 3.2                      | 26.2      | 15.6  |
| Discount and acceptance credits .....                      | 0.2                      | 1.9       | 1.1   |
| Current-account advances .....                             | 6.0                      | 11.9      | 9.2   |
| Other credits <sup>2</sup> .....                           | 0.8                      | 1.3       | 1.1   |
| Total .....  | 100.0                    | 100.0     | 100.0 |
| of which : in Belgian francs .....                         | 99.4                     | 83.7      | 90.9  |
| in foreign currencies .....                                | 0.6                      | 16.3      | 9.1   |
| p.m. As a percentage of the total outstanding amount ..... | 46.2                     | 53.8      | 100.0 |

Source : NBB.

<sup>1</sup> Including one-man businesses.<sup>2</sup> Including credits for leasing.

**CHART 31 — DIFFERENTIALS BETWEEN VARIOUS DEBTOR INTEREST RATES AND THE REFERENCE RATES<sup>1</sup> OF THE MONEY AND CAPITAL MARKETS**

(Averages, in percentages, of the differentials recorded on the last working day of each month of 1993)



Source : NBB.

<sup>1</sup> The reference rates are those of the Treasury certificates or linear bonds on the secondary market. The maturities were chosen so as to conform as closely as possible to those of the six categories of lending covered by the survey. The typical contracts are defined as follows : for current account advances, the base rate for an ordinary overdraft; for discount credits, the charge for a bill of exchange which has been accepted and domiciled with the credit institution, for an amount of Fr. 200,000 and with a residual period to maturity of 60 days; for fixed-term loans for up to one year, the rate for 6-month fixed-term advances for an amount of Fr. 10 to 15 million; for loans with a flat-rate interest charge, the rate for a credit for an amount of Fr. 250,000 to 300,000 for a period of 36 months; for mortgage loans, the rate for a 20-year loan with a 5-year revision clause granted to a good customer; for fixed-term loans for over one year, the rate for an investment credit of Fr. 3 to 5 million, not coupled with government subsidies, granted for a period of 5 years.

development of the span between the average minimum and maximum rates quoted by the various participants in the survey or, again, in the differentials between these rates and those which the Treasury, as a first-class borrower, can obtain for loans for equivalent terms on the money or capital market.

These data on debtor rates, combined with those on the structure of liabilities, throw light especially on the predominant role played by mortgage lending both as a source of financing for households and as an instrument employed by credit institutions to tie their customers to them. Mortgage loans account for nearly 57 p.c. of the outstanding amount of the liabilities of individuals and one-man businesses. This percentage actually amounts

to 67 p.c. for individuals alone, as the purchase of a dwelling is their main reason for borrowing.

The very competitive terms offered by the financial intermediaries for housing loans have played a part in considerably reducing the intermediation margins for transactions of this type. These promotional rates are, however, usually coupled with requirements such as the domiciliation of the wage or salary or the building up of a parallel savings account balance for the purpose of strengthening the link between the borrower and the lender.

Although credit institutions have been allowed, since 1st January 1993, to grant mortgage loans at interest rates subject to period-

ical revision on the basis of a specified index number, they have not yet taken advantage of this possibility. Contracts for mortgage loans are therefore still concluded at a fixed interest rate, even though they often contain a clause providing for a five-yearly or three-yearly revision, sometimes after a ten-year exemption period.

The terms on which individuals and one-man businesses borrow are thus still greatly dependent on long-term rates. The category of fixed-term loans at over one year actually includes, in addition to mortgage loans, most loans with a flat-rate interest charge and part of fixed-term loans.

The former, akin to consumer credit, are chiefly intended for the purchase of motor cars and represent 12 p.c. of the total liabilities of individuals and one-man businesses. They are relatively expensive, and the rates applied vary considerably from one institution to another. Loans with a flat-rate interest charge are the subject of a new set of regulations introduced pursuant to the law of 12th June 1991 on consumer credit and in force since 1st January 1993. These regulations stipulate that there must be greater transparency of publicity and offers of credit. It imposes, among other things, the obligation to state the actual annual total rate of charge on the consumer credit, which must include, in addition to the interest as such, all expenses connected with the opening of the credit file.

The fairly high cost of credits with a flat-rate charge might be one of the reasons for the success achieved by fixed-term loans with individuals and particularly one-man businesses, for which such loans are the preferred form of borrowing. The conditions of these operations are generally fixed individually according to the situation of each debtor. The rates emerging from the Bank's survey apply, however, to loans for fairly modest amounts — Fr. 3 to 5 million for fixed-rate advances for over one year and Fr. 10 to 15 million for advances for less than one year — and are therefore already being offered to many one-man businesses.

While short-term loans account for only a small proportion of the total borrowing of individuals and one-man businesses, that cannot be said of the credits contracted by companies. Current account advances represent 12 p.c. of the debt of enterprises, and fixed-term loans for up to one year constitute 26 p.c. of the outstanding amount. Furthermore, a considerable proportion of fixed-term loans for over one year are in fact granted at variable interest rates which are generally revised, depending on the contract, every three, six or twelve months.

Large enterprises contract loans for amounts which are generally much larger than those of the typical contracts of the new survey on interest rates. They can therefore usually obtain conditions which are closer to the market reference rates. With that reservation, the survey probably presents a fairly true picture of the interest-rate hierarchy between fixed-term loans, current account advances and discount credits. The proportionally higher cost of the last-mentioned two categories of credit is one of the main reasons for the relative decline in popularity of these forms of financing.

This factor operates particularly for discount and acceptance credits, which currently represent less than 2 p.c. of the total of loans granted to enterprises by the financial intermediaries. Various administrative expenses push up the cost of discount and acceptance operations, and these are therefore chiefly offered to less well-known borrowers, because they enable the credit institutions to cover themselves by guarantees.

Although enterprises resort more to current account advances, which offer a high degree of flexibility, this form of financing, too, is less used than fixed-term loans, which at present constitute over three quarters of the loans contracted by companies from credit institutions. These fixed-term advances, granted for standardised periods and sometimes considerable amounts, enable enterprises to obtain very favourable financing terms which, in the case of the most solvent borrowers, actually hardly differ from those obtained by

general government or, again, from the rates in force for transactions between credit institutions.

### 4.3 PUBLIC FINANCES

The recession had a negative incidence of about 1.3 percentage point of GDP on the movement of the net financing requirement of general government as a whole. Thanks to the rehabilitation measures decided upon by the federal government, the worsening of the deficit was, however, limited to 0.1 point, so that it amounted to about 7.2 p.c. of GDP in 1993.

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

In June 1992 the Government had presented a convergence plan, not only in order to achieve the targets for the public finances set in the Treaty of Maastricht but also in order to eliminate permanently the « snowball » effect and to create, in the longest run, room for manoeuvre for budgetary policy,

TABLE 23 — SUMMARY OF THE INCIDENCE OF THE REHABILITATION MEASURES DECIDED UPON BY THE GOVERNMENT<sup>1</sup>

(Billions of francs)

|  | 1993  | 1994  |
|--|-------|-------|
| Fiscal and para-fiscal revenue . . . .           | 101.2 | 69.8  |
| Personal income tax . . . . .                    | 25.3  | 50.9  |
| Corporation tax . . . . .                        | 30.1  | 7.3   |
| Indirect taxes . . . . .                         | 20.6  | 35.2  |
| Social contributions . . . . .                   | 25.2  | -23.6 |
| Non-fiscal and non-para-fiscal revenue . . . . . | 30.2  | 20.5  |
| Expenditure excluding interest charges . . . . . | 48.2  | 66.1  |
| Total . . . . .                                  | 179.6 | 156.4 |

Sources : Budget documents, NBB.

<sup>1</sup> This table only includes, for each of the years, the expected additional effect of the measures, that is, excluding the effect already produced by these during the previous year.

partly so as to enable it to cope with the gradual ageing of the population.

In order to achieve these aims, the federal government laid down for itself 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 federal government must be limited to the rate of inflation. Lastly, a norm of annual financial balance was fixed for social security, coupled with a requirement of stabilisation, in nominal terms, of subsidies from the federal government. Furthermore, the Superior Finance Council is authorised to issue recommendations regarding the growth in the expenditure of the communities and regions, with the object, in the longer term, of ensuring that their respective debt ratios are stabilised.

As the international cyclical environment was distinctly less favourable in 1992 and 1993 than had been assumed in the original forecasts, the Government found it necessary to reformulate the intermediate annual targets for the period 1993-1996, while maintaining the final target of reducing the deficit to 3 p.c. of GDP. In this context it supplemented the important measures already adopted in 1992, some of which did not produce their full effect until 1993, by a set of new decisions. These were adopted on three occasions : when the budgetary control was carried out in April 1993, when the 1994 budget was drawn up and, lastly, upon the adoption of the overall plan for employment, competitiveness and social security in November 1993.

In order to safeguard competitiveness and promote employment, the overall plan provides for a sharp reduction in employers' contributions. This reduction, chiefly concentrated on the lowest wages and also benefiting the sectors most exposed to international competition and enterprises organising a better distribution of work, will be counterbalanced by an equivalent rise in indirect taxes : to this end, the standard VAT rate was raised from 19.5 to 20.5 p.c. on 1st January 1994 and the excise duties on certain products were increased. In order to re-establish the financial

balance of the social security system in 1994, the overall plan also includes a multi-annual plan for the rehabilitation of that sector. The Government thus decided to bring about a gradual reduction in social security expenditure, so that the economies achieved in 1996 shall amount to Fr. 70 billion. Moreover, the resources made available to the system will be increased, mainly thanks to a raising of the tax on incomes from movable and immovable property and the introduction of a new social security contribution payable by individuals. This increase in resources should reach about Fr. 40 billion in 1996.

Even though some of them will not enter into force or will not produce their full effects until after 1994, the measures decided upon since April 1992 are important: according to the Government's forecasts, their effect on the development of the 1993 and 1994 accounts of the federal government and the social security system can be estimated at around Fr. 180 billion or 2.5 percentage points of GDP in 1993 and about Fr. 160 billion or 2.1 points of GDP in 1994. For 1993, more than half the package of measures consists of an increase in tax burdens and social contributions, while the remainder is made up of an increase in non-fiscal revenue and a reduction in expenditure. In 1994 the share of the reduction of expenditure in the total rehabilitation effort will increase considerably.

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

##### **Revenue**

After having increased during the first half of the 1980s, fiscal and parafiscal revenue reached a peak of 48.1 p.c. of GDP in 1985. It subsequently decreased by 3 percentage points by 1990-1991, before resuming its rise in 1992 and 1993. However, the heightening of the fiscal and parafiscal pressure during the last two years counterbalanced only half the reliefs granted during the second part of the 1980s, since the present level of revenue is still 1.5 percentage point below that of 1985. The difference is even greater for direct taxes,

as indirect taxes and social contributions are now higher than in 1985.

Despite the larger share in GDP of total wages and salaries — the most important component of the taxable amount — and despite the measures taken, the proceeds of personal income tax hardly changed as a percentage of GDP in 1993.

On the one hand, the yield of this type of tax was reduced by the negative incidence on the taxable base of the increase of 1 percentage point in the rate of personal social security contributions, which came into force in July 1992 but did not make itself felt for a full year until 1993.

On the other hand, it was influenced downwards by the large increase in the tax repayments which the Treasury had to make to individuals at the time of the assessments. This development might be the result of a change in the timing of assessments in the last two years. Furthermore, the development over a longer period shows that since 1991 the Treasury has had to repay a substantial amount to individuals, whereas previously the assessments used to provide the State with considerable amounts of revenue. This reversal is connected with the ending of the combination of the earned incomes of husband and wife as a result of the tax reform which came into force in 1989. It is also due to several recent changes in tax legislation which have caused the withholding tax on earned income to exceed the amount finally due.

The tax revenue collected from individuals has also been negatively affected by the reduction in the withholding tax on income from financial assets, although the rates of the withholding tax were slightly raised in July, from 10 to 10.3 p.c. on interest income and from 25 to 25.75 p.c. on dividends. The yield of the withholding tax on dividends did in fact suffer from the contraction in profits distributed. Furthermore, the decline in revenue from the withholding tax on interest continued at about the same rate as in the previous year, owing to the increase in purchases of units of capitalisation SICAVs and the continu-

TABLE 24 — REVENUE OF GENERAL GOVERNMENT

*(Percentages of GDP)*

|                                     | 1980 | 1985 | 1990 | 1991 | 1992 | 1993 e |
|-------------------------------------|------|------|------|------|------|--------|
| Direct taxes .....                  | 18.5 | 19.8 | 17.1 | 16.8 | 16.6 | 16.8   |
| Individuals .....                   | 15.9 | 17.1 | 14.6 | 14.2 | 14.5 | 14.5   |
| Companies .....                     | 2.6  | 2.7  | 2.6  | 2.6  | 2.1  | 2.3    |
| Indirect taxes .....                | 12.4 | 12.3 | 12.3 | 12.3 | 12.3 | 12.6   |
| Social contributions .....          | 13.5 | 15.8 | 15.5 | 15.9 | 16.4 | 16.7   |
| Capital taxes .....                 | 0.4  | 0.3  | 0.3  | 0.3  | 0.3  | 0.3    |
| Fiscal and parafiscal revenue ..... | 44.8 | 48.1 | 45.2 | 45.2 | 45.7 | 46.5   |
| Other revenue .....                 | 1.7  | 1.9  | 1.4  | 1.5  | 1.4  | 1.8    |
| Total revenue .....                 | 46.5 | 50.0 | 46.6 | 46.7 | 47.1 | 48.3   |

Sources : NSI, NBB.

ing mechanical negative effect of the reduction from 25 to 10 p.c., at the beginning of 1990, in the rate of the withholding tax on interest on new assets. The latter influence should, however, soon dwindle, because the outstanding amount of the assets the income from which is still subject to the 25 p.c. rate now represents only a small fraction of the total of the financial assets of individuals and companies.

Lastly, unlike in the two preceding years, the direct taxes intended for the local authorities, both in the form of additional centimes on personal income tax and in the form of additional centimes on the withholding tax on income from real estate, fell sharply. This contrasting movement is mainly due to changes in the timing of assessments.

The negative incidence of these movements was counterbalanced by discretionary measures adopted by the Government, the most important of which were the abolition of the indexation of tax scales, the introduction of an additional crisis contribution and the limitation of tax deductions in connection with long-term savings.

The automatic indexation of tax scales, which had been the regular practice since 1986, was suspended for at least two years and at most four years from 1993 onwards, as part of the multi-annual convergence plan

for the rehabilitation of the public finances. In order, however, to reduce the negative effect of this measure on the lowest income groups and households with children, certain amounts, including particularly the minimum non-taxable amount and the increase in this for dependent children, remain index-linked. As the indexation of these minimum amounts was not incorporated in the scale of the withholding tax on earned income, the Treasury received corresponding amounts of additional temporary revenue which it will have to refund later when the assessments are made.

In order to ensure the participation of the various income categories in the rehabilitation of the public finances, the authorities introduced a complementary crisis contribution based both on personal income tax and on corporation tax, including the withholding tax on income from financial assets. For individuals this contribution took the form of a levy of three additional centimes on personal income tax. As this measure applied to the whole year and the scale of the withholding tax on earned income was not adjusted until July, part of the tax payable for 1993 will not be received by the Treasury until later, at the time of the assessments.

The deductibility at the marginal rate of premiums for life insurance and pension insurance policies, pensions savings and shares issued by the employer, was replaced by de-

ductibility at the average rate, corrected in order to avoid penalising tax payers with family dependants. This measure was, however, accompanied by a reduction in the rate of taxation of the principal amounts insured at the time when they are actually paid out.

Although the profits of enterprises were more adversely affected by the economic situation than in 1992, corporation tax as a percentage of GDP rose, unlike in the previous year, owing to a whole series of measures: the additional crisis contribution of 3 p.c. in the form of additional centimes on the tax paid by companies, the suspension for one year of the tax exemption of dividends on shares enjoying tax advantages, the limitation of the amount of the flat rate proportion of imputable foreign tax relating to interest of foreign origin, the abolition of the partial imputation, on the tax due, of the withholding tax on real estate, the additional incidence of the suspension of the investment deduction decided upon in 1992, the increase in the tax on electricity producers and the introduction into tax legislation of the principle of « economic reality » in order to combat legal

constructions whose sole purpose is to evade tax.

In addition, the rise in corporation tax was also due to the reduction of the refunds made by the Treasury in connection with assessments relating to the tax payments due for previous years. This reduction is mainly due to a change in the chronological pattern of revenue, because the abolition of the withholding tax on dividends paid by subsidiaries to their parent companies resulting from the transposition into Belgian law, in October 1991, of a European directive, greatly reduced the revenue from the withholding tax in 1991 and 1992. As this measure does not affect the tax payable by companies, this temporary loss of revenue for the Treasury was offset by smaller net refunds to companies in 1993.

The share of indirect taxes in GDP, which had remained almost stable for several years, increased as a result of various measures taken.

The greatest contribution to this rise was made by revenue from excise duties, benefit-

TABLE 25 — TOTAL FISCAL AND PARAFISCAL REVENUE

(Percentage changes compared with the previous year)

|   | 1990              | 1991    | 1992    | 1993 e  |
|---|-------------------|---------|---------|---------|
| Direct taxes .....  | 7.5               | 2.2     | 4.2     | 2.7     |
| of which : Withholding tax on earned income .....         | 10.9 <sup>1</sup> | 10.6    | 8.2     | 4.5     |
| Advance payments .....                                    | -5.6 <sup>1</sup> | -0.8    | 0.1     | 5.0     |
| Additional local authority income tax .....               | 1.1               | 17.2    | 8.8     | -7.4    |
| Assessments, individuals <sup>2</sup> .....               | (+3.9)            | (-28.8) | (-17.6) | (-31.8) |
| Assessments, companies <sup>2</sup> .....                 | (-25.1)           | (-14.6) | (-29.7) | (-13.1) |
| Indirect taxes .....                                      | 7.2               | 4.1     | 5.5     | 3.8     |
| of which : VAT .....                                      | 5.8               | 4.2     | 3.7     | 2.9     |
| Excise duties .....                                       | 10.9              | 6.8     | 10.7    | 5.4     |
| Total tax revenue .....                                   | 7.5               | 3.1     | 4.7     | 3.1     |
| Social contributions .....                                | 7.3               | 7.5     | 8.1     | 3.4     |
| of which : Employers' social security contributions ..... | 7.9               | 7.0     | 5.9     | 2.9     |
| Employees' social security contributions .....            | 8.9               | 6.1     | 10.9    | 5.8     |
| p.m. Nominal GDP .....                                    | 6.4               | 4.5     | 4.9     | 1.5     |

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.

<sup>2</sup> The year's assessments, in billions of francs.

ing not only from the full-year effect of the increases in excise duties on fuels which came into force during the previous year but also from the introduction of a control levy on heating oil with effect from 1st January 1993 and the introduction of a levy on energy consumption with effect from 1st August 1993.

VAT revenue was influenced by the sluggishness of private consumption. Furthermore, owing to the creation of the single European market, the abolition of frontier checks for intra-Community transactions led to technical changes in the ways in which VAT is collected. These changes radically altered the pattern of the collection of this revenue during the year, and it is quite possible that this may have affected the actual amount of the revenue collected during the year.

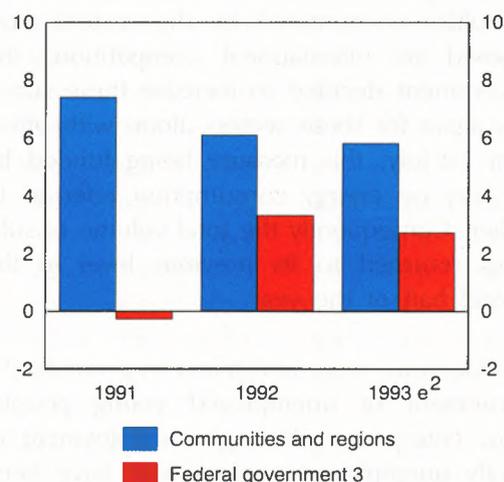
Various other provisions also made it possible to increase the yield of indirect taxation : these include the extension of the tax on putting vehicles on the road to second-hand vehicles, the introduction of measures to combat fraud in the field of life insurance and the increase in the taxation in respect of the monopoly rent on the sales of Belgacom.

Altogether, total tax revenue rose much faster in 1993 than GDP, thus complying with the norm of an elasticity of 1 laid down in the convergence plan. The rate of growth of this revenue was not, however, the same for all levels of authorities, the revenues of the communities and regions having increased much faster than those of the federal government. That has actually been the case regularly since the reform of the financing of the federated entities in 1989. As a result of the special law of 16th July 1993 for the completion of the federal structure of the State, the resources of the communities and regions were further increased in 1993 by around Fr. 10 billion, or about 1.5 p.c. As the greater part of the revenues of these entities are completely unconnected with economic growth, it was the federal government that suffered the negative effect of the poor state of economic activity on public revenue. Had no measures been taken, the federal government's revenue would in fact have contracted in 1993 and

the discrepancy between the rates of growth of the revenue of the different levels of authorities would have been much greater.

CHART 32 — GROWTH IN TAX REVENUE<sup>1</sup> : FEDERAL GOVERNMENT AND COMMUNITIES AND REGIONS

(Percentage changes compared with the previous year)



Sources : NSI, NBB.

<sup>1</sup> Plus the proceeds of the radio and television fee and excluding other non-fiscal revenue.

<sup>2</sup> The additional resources made available to the communities to compensate for the fact that the end-of-year bonuses paid by these entities are henceforth taxed, were counted in with the revenue of the federal government in order to make the data comparable with those for the preceding years.

Federal resources and revenues transferred to the EC and the social security system.

Expressed as a percentage of GDP, social security contributions increased by 0.3 percentage point because total wages and salaries grew faster than GDP, but also owing to the measures taken by the Government. The most important of these is the increase of 1 percentage point in the personal contributions to the health care scheme, which came into force in 1992. This measure was, however, accompanied by the abolition of two deductions which had been introduced previously : that of Fr. 375 per month on family allowances and, as its corollary, the deduction of Fr. 675 per month from the incomes of single persons and childless families.

Furthermore, certain rates of employers' contributions were increased, including that for the purpose of financing temporary unemployment and part-time unemployment. Lastly, the reductions in employers' contributions granted in respect of certain categories of jobs within the framework of the Maribel operation were a little lower than in 1992, the subsidies granted to enterprises through this scheme having been almost halved during the first half of the year. Nevertheless, in view of the worsening of the economic situation and the difficulties encountered by the sectors most exposed to international competition, the Government decided to increase these subsidies again for these sectors alone with effect from 1st July, this measure being funded by the levy on energy consumption referred to earlier. Consequently the total volume of subsidies returned to its previous level in the second half of the year.

Measures were also taken to promote the recruitment of unemployed young people. Thus, enterprises which give employment to wholly unemployed persons who have been receiving unemployment benefit for at least six months and are under 26 years of age have, since 1st October 1993, enjoyed complete exemption for the first year and partial exemption for the next two years from the employers' contributions in respect of these workers.

Lastly, the increase as a percentage of GDP in non-fiscal and non-parafiscal revenue is mainly attributable to the additional resources which the Treasury obtained from the partial privatisation of the General Savings and Pensions Fund. This operation provided the Treasury in 1993 with Fr. 32 billion of non-recurrent revenue.

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

Expressed as a percentage of GDP, primary expenditure, i.e. expenditure excluding interest charges, which still amounted to around 50 p.c. at the beginning of the 1980s, reached a low of about 41 p.c. in 1990. Since

then it has gradually increased and now amounts, following a further rise of 1.4 point in 1993, to nearly 45 p.c.

This large increase in the share of primary expenditure in GDP during the year under review is chiefly due to the smallness of the nominal growth in the latter and the sharp rise in the number of unemployed.

Expressed at constant prices the growth in primary expenditure, excluding unemployment benefits, in fact amounted to 1.6 p.c., a figure which, although higher than the average for the period 1982-1992, is close to the trend of the rise in real GDP, which is the chief determinant of general government's financing sources.

The rate of growth of social benefits, which represent a little over half of primary expenditure, slackened to 2.8 p.c., after having reached about 4 to 5 p.c. in 1991 and 1992, mainly owing to a smaller increase in expenditure on health care and pensions.

Among social benefits, general government and private sector pensions are the most important category, representing some 9 p.c. of GDP. From 1982 to 1993, statutory private sector pensions increased on average appreciably less than those of public departments. This different movement in the private sector is attributable both to a less pronounced increase in the number of beneficiaries and to a less favourable system for adjusting benefits to the movement of real wages. Whereas general government pensions are automatically tied each year, by the equalisation system, to the movement of real wages in the civil service, the readjustment of pensions in the private sector does not in fact take place systematically but depends on political decisions. During the period in question there were only two real revisions, in October 1990 and October 1991, of 2 p.c. each. Private pension expenditure, which had thus increased more in 1991 and 1992 than in the other years, resumed, in 1993, a growth rate close to the average observed between 1982 and 1992. In the civil service, on the other hand, pensions increased in 1993 by 6.5 p.c., chiefly

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

|   | Percentages of GDP |      |      |        | Percentage changes at constant prices <sup>2</sup> |                   |      |        |
|---|--------------------|------|------|--------|--|-------------------|------|--------|
|   | 1990               | 1991 | 1992 | 1993 e | Average<br>1982-1992                               | 1991 <sup>1</sup> | 1992 | 1993 e |
| Total primary expenditure .....                                     | 41.5               | 42.9 | 43.1 | 44.5   | 0.4  | 4.6               | 2.9  | 2.0    |
| Social benefits .....   | 22.9               | 23.9 | 24.2 | 25.2   | 1.7  | 4.8               | 3.9  | 2.8    |
| Pensions .....  | 8.2                | 8.4  | 8.5  | 8.8    | 1.8  | 4.5               | 3.2  | 2.8    |
| Pensions excluding general government                               | 6.3                | 6.5  | 6.5  | 6.7    | 1.5  | 3.4               | 3.3  | 1.7    |
| Pensions of general government .....                                | 1.8                | 2.0  | 2.0  | 2.1    | 2.7  | 8.1               | 2.7  | 6.5    |
| Health care .....   | 4.8                | 5.2  | 5.4  | 5.6    | 4.2  | 7.0               | 7.7  | 2.4    |
| Unemployment benefits .....   | 2.0                | 2.1  | 2.2  | 2.4    | 0.2  | 10.1              | 4.5  | 8.3    |
| Early retirement and career interruptions                           | 0.8                | 0.8  | 0.8  | 0.8    | 4.9  | 2.2               | 3.3  | -4.0   |
| Family allowances .....   | 1.9                | 1.9  | 1.9  | 1.9    | -1.0   | 0.4               | 0.5  | 1.4    |
| Other <sup>4</sup> .....  | 5.3                | 5.4  | 5.4  | 5.6    | 0.8  | 3.3               | 2.3  | 2.3    |
| Other primary expenditure .....                                     | 18.5               | 19.0 | 18.9 | 19.3   | -0.9   | 4.3               | 1.8  | 1.0    |
| Compensation of employees .....                                     | 9.4                | 9.6  | 9.6  | 10.1   | ...  | 3.1               | 3.2  | 3.5    |
| Purchases of goods and services .....                               | 2.9                | 2.9  | 2.8  | 2.8    | -0.4   | 3.3               | -1.6 | -1.0   |
| Subsidies to enterprises .....                                      | 2.4                | 2.3  | 2.2  | 2.0    | -1.5   | 2.0               | -3.0 | -8.6   |
| Net current transfers to the rest of the world                      | 1.4                | 1.6  | 1.5  | 1.4    | 2.5  | 15.6              | -4.7 | -5.9   |
| Gross fixed capital formation .....                                 | 1.6                | 1.7  | 1.7  | 1.8    | -4.1   | 5.9               | 2.5  | 6.9    |
| Net capital transfers .....   | 0.9                | 0.9  | 1.1  | 1.1    | -2.8   | 6.5               | 19.5 | 3.1    |
| p.m. Primary expenditure excluding unem-<br>ployment benefits ..... | 39.5               | 40.7 | 40.9 | 42.1   | 0.5  | 4.3               | 2.9  | 1.6    |
| GDP .....   |                    |      |      |        | 2.1  | 1.8               | 1.4  | -1.3   |

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 Belgian National Railways Company 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, as well as transfers to individuals to be made by central government and local authorities.

because of the appreciable rise in the real remuneration of civil servants.

Deflated by the index of consumer prices, the rise in health expenditure would appear, according to provisional data, to have amounted to only 2.4 p.c. in 1993, whereas it had still averaged over 7 p.c. in the two preceding years and 4.2 p.c. during the period 1982-1992. This lower growth rate therefore seems to link up with that of the beginning of the 1980s. The measures taken by the Government, which led particularly to a reduction in the degree of recourse to clinical biology, medicinal products, nursing homes and radiology, contributed to this slowdown.

Transfers to individuals in the form of unemployment benefits increased in 1993 by 8.3 p.c. in real terms. As has already been mentioned in section 2.3, there was a very marked increase in the number of wholly unemployed persons receiving benefit, and also in that of temporarily unemployed persons and unemployed persons receiving training. On the other hand, the number of part-time unemployed and of non-job-seekers interrupting unemployment, which had increased greatly in the past, declined as a result of the measures taken.

Expenditure on early retirement pensions and career interruptions, which had risen on

average by 4.9 p.c. during the period 1982-1992, decreased by 4 p.c. during the year under review. This decline is mainly attributable to the decrease in the number of beneficiaries under these schemes.

The rise in compensation of employees which, in 1991 and 1992, already contrasted with the stability recorded on average since 1982, quickened further during the year under review, reaching 3.5 p.c. The strong growth in compensation of employees which has been taking place for several years is due to the general revision of civil service pay scales. This revision consisted initially of the granting of instalments on several occasions and was only completed at sectoral level, at least to a great extent, in the course of 1993.

The decrease, in real terms, in purchases of goods and services continued in 1993. While the federal government's operating costs fell sharply, partly owing to the economies made in the national defence department, they increased in the case of the other sub-sectors of general government.

The decision to freeze subsidies to certain public enterprises in nominal terms for several years from 1993 onwards, together with a readjustment of the timetable of those paid to the Belgian National Railways Company, are the main causes of the very pronounced reduction in subsidies to enterprises.

Net current transfers to the rest of the world decreased by 5.9 p.c. in 1993. This decline is chiefly due to the movement of transfers other than those to the European Community. The resources made available to the latter in fact almost stabilised in nominal terms, the contraction in the revenue, mainly from VAT and customs duties, transferred to the European institutions having been counterbalanced by the increase in Belgium's contribution in respect of the « fourth resource ».

Lastly, gross fixed capital formation, which had declined at constant prices until 1989, increased again by around 7 p.c. during the year under review, mainly owing to strong growth in the investments made by the communities and regions and by local authorities.

The respective growth rates of expenditure excluding interest charges expressed at constant prices differ appreciably among the sub-sectors of general government. Thus, the movement of the primary expenditure of the federal government was kept under control during the last three years and was even negative in 1991 and 1993. It would therefore appear that the norm which the federal government set for itself, namely that the rise in primary expenditure must not exceed the inflation rate, has been complied with. On the other hand, the increase in the primary expenditure of the communities and regions, as it can be determined on the basis of the

TABLE 27 — PRIMARY EXPENDITURE<sup>1</sup> OF GENERAL GOVERNMENT BY SUB-SECTOR

(Percentage changes compared with the previous year at constant prices)<sup>2</sup>

|                               | 1991 <sup>3</sup> | 1992 | 1993 <sup>e</sup> |
|-------------------------------|-------------------|------|-------------------|
| Federal government .....      | -0.9              | 0.7  | -0.5              |
| Communities and regions ..... | 6.5               | 4.4  | 4.0 <sup>4</sup>  |
| Social security .....         | 4.7               | 4.1  | 2.4               |
| Local authorities .....       | 1.8               | 3.3  | 3.7               |

Sources : NSI, NBB.

<sup>1</sup> Expenditure excluding interest charges.

<sup>2</sup> Data deflated by the index of consumer prices.

<sup>3</sup> See footnote<sup>3</sup> to table 26.

<sup>4</sup> The additional expenditure due to the fact that the end-of-year bonuses paid by the communities are henceforth taxed were eliminated in order to make the data comparable to those for the preceding years.

fragmentary information available to the NSI, appears to have been much faster. From 1991 to 1993 it seems to have averaged about 5 p.c., a rate similar to that of the rise in revenue, so that the recommendation on this subject made by the Superior Finance Council (about 1 p.c.) does not appear to have been complied with.

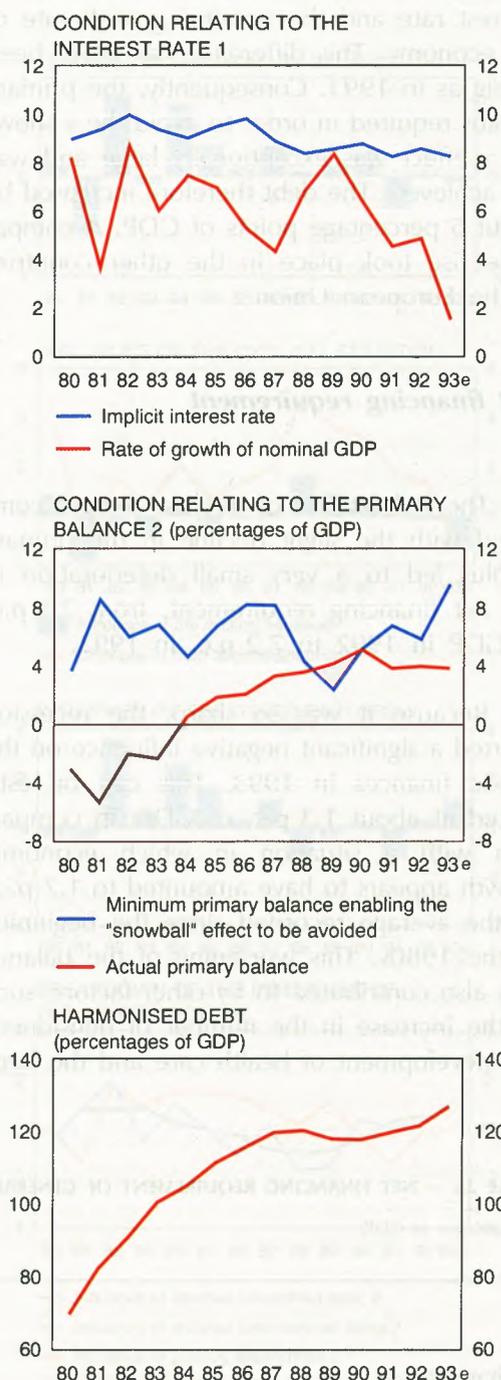
After the exceptionally large rises recorded in 1991 and 1992, chiefly owing to the big increase in health care expenditure and the upward readjustment of private sector pensions, the growth in social security expenditure was reduced to 2.4 p.c. in 1993. The expenditure of the local authorities, for its part, rose on average by 2.9 p.c. during the last three years.

### Interest charges

Compared with the previous year, the interest charges of general government as a whole — of which over 90 p.c. are payable by the federal government — rose slightly. As a percentage of GDP they stabilised at 11 p.c. The effect of the increase in the public debt was counterbalanced by that of the fall in the implicit interest rate. Long-term loans which matured in 1992 were in fact renewed at lower rates. Furthermore, short-term rates gradually eased until the foreign exchange crisis in the summer. This crisis, which led to a very sharp rise in short-term rates, ultimately had only a slight effect on interest charges in 1993. This is because, as these charges are not recorded in the public accounts until the time when they are actually paid, only a small proportion of the rise in rates affects the 1993 accounts.

The slight decline in the implicit interest rate on the debt of general government as a whole was accompanied by a much more marked fall in the rate of growth of nominal GDP, which, for the first time since the beginning of the 1960s, was less than 2 p.c. A positive difference between the implicit interest rate and the growth in nominal GDP characterises the situation which allows the emergence of the « snowball » effect of interest

CHART 33 — CONDITIONS FOR THE EMERGENCE OF THE « SNOWBALL » EFFECT OF INTEREST CHARGES



Sources : NSI, NBB.

<sup>1</sup> There is no danger of emergence of the « snowball » effect if the rate of growth of nominal GDP is higher than the implicit interest rate.

<sup>2</sup> If the implicit interest rate is higher than the rate of growth of nominal GDP, the « snowball » effect does actually take place if the primary balance achieved does not reach the minimum level shown in the chart. This minimum level depends, on the one hand, on the difference between the implicit interest rate and the nominal growth rate of the economy and, on the other hand, on the level of the debt as a percentage of GDP.

charges. In such a context, the only way to avoid the self-fuelling of the public debt by interest charges is to achieve a sufficient primary surplus, which has to be all the larger the greater the difference between the implicit interest rate and the nominal growth rate of the economy. This difference has never been as big as in 1993. Consequently, the primary surplus required in order to avoid the « snowball » effect was exceptionally large and was not achieved. The debt therefore increased by about 5 percentage points of GDP. A comparable rise took place in the other countries of the European Union.

### **Net financing requirement**

The stabilisation of interest charges combined with the slight decline in the primary surplus led to a very small deterioration in the net financing requirement, from 7.1 p.c. of GDP in 1992 to 7.2 p.c. in 1993.

Because it was so sharp, the recession exerted a significant negative influence on the public finances in 1993. This can be estimated at about 1.3 p.c. of GDP, in comparison with a situation in which economic growth appears to have amounted to 1.7 p.c., or the average recorded since the beginning of the 1980s. This worsening of the balance was also contributed to by other factors, such as the increase in the number of pensioners, the development of health care and the large

rise, in real terms, in the pay and pensions of civil servants. Thanks, however, to the effect of the rehabilitation measures, the deterioration of the primary surplus was limited to 0.2 point. This development contrasts with that which took place in 1981, when GDP had also decreased in real terms, but when, in the absence of rehabilitation measures, the primary balance worsened by 2.3 percentage points of GDP.

If the influence of the business cycle on the movement of the balance excluding interest charges is disregarded, it is possible to gain a better idea of when and how budgetary policy contributed to the substantial improvement of the trend of the public finances : the primary deficit of around 3 p.c. at the beginning of the 1980s was in fact transformed into a surplus of nearly 4 p.c. ten years later. The influence of the rehabilitation policy was considerable during the years 1982 to 1987 and, more recently, in 1992 and 1993, periods during which the state of economic activity was either mediocre or very unfavourable. On the other hand, it is striking that at the end of the 1980s, when economic growth was exceptionally strong, budgetary policy was not at all restrictive but in fact likely to increase the structural deficit. This development during the last six years is not peculiar to Belgium. It is also observable in the European Union as a whole. According to the OECD, the rehabilitation measures taken during the last two years were, however, much more radical in Belgium.

**TABLE 28 — NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT**

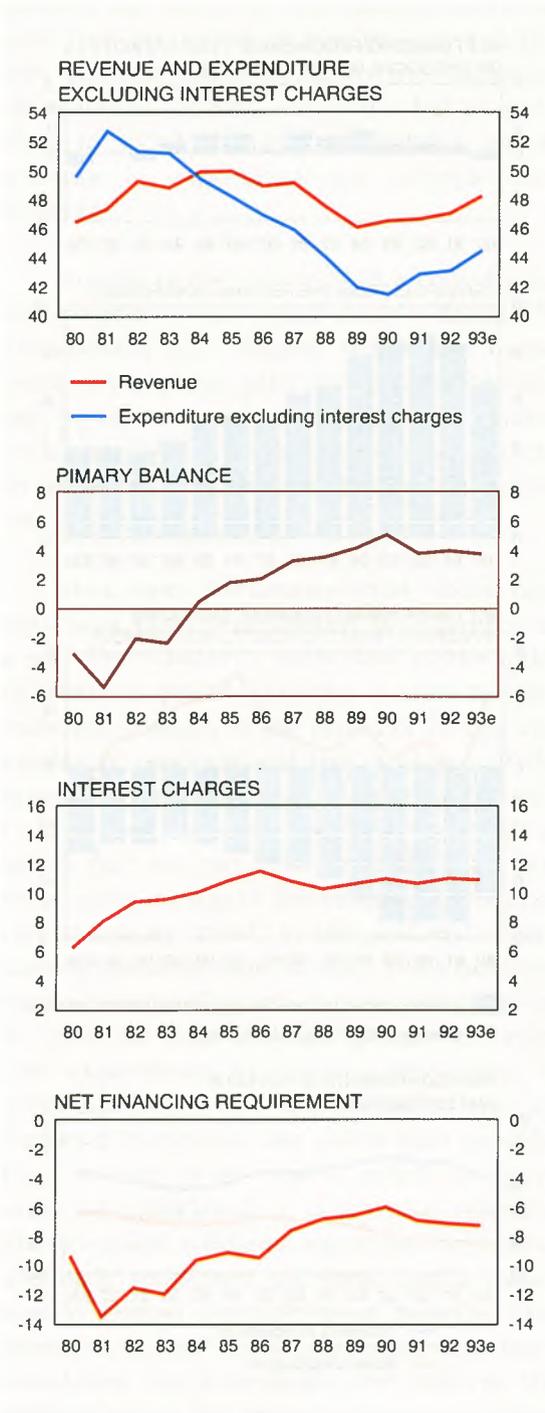
(Percentages of GDP)

|  | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|--------|
| 1. Revenue .....   | 46.6 | 46.7 | 47.1 | 48.3   |
| 2. Expenditure excluding interest charges .....                    | 41.5 | 42.9 | 43.1 | 44.5   |
| 3. Net financing capacity excluding interest charges (1 - 2) ..... | 5.1  | 3.8  | 4.0  | 3.8    |
| 4. Interest charges .....  | 11.0 | 10.7 | 11.0 | 11.0   |
| 5. Net financing requirement (3 - 4) .....                         | -5.9 | -6.8 | -7.1 | -7.2   |

Sources : NSI, NBB.

CHART 34 — NET FINANCING REQUIREMENT OF GENERAL GOVERNMENT

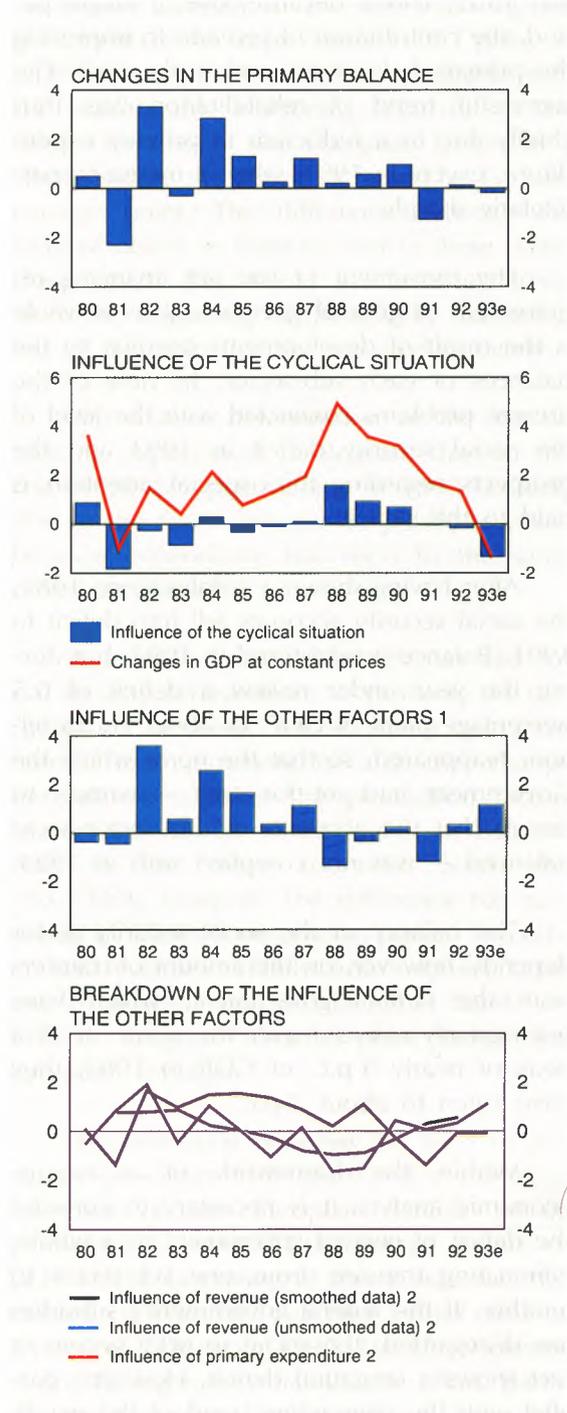
(Percentages of GDP)



Sources : NSI, NBB.

CHART 35 — INFLUENCE OF THE STATE OF ECONOMIC ACTIVITY AND OTHER FACTORS ON THE CHANGE IN THE PRIMARY BALANCE

(Percentages of GDP)



Sources : NSI, NBB.

<sup>1</sup> This is in fact the influence of the discretionary measures and of more structural factors, such as the effect of the increase in the number of pensioners, the effect of technical progress on expenditure on health care or, again, the influence of changes in the structure of incomes on revenue.

<sup>2</sup> A positive influence corresponds to an increase in revenue and a decrease in expenditure.

In 1993 the restrictive nature of budgetary policy was centred on increasing revenue, but this orientation only partly offset the substantial decrease which took place in 1988 and 1989. This is because, over a longer period, the contribution of revenue to improving the primary balance was relatively small. The successful trend of rehabilitation was thus chiefly due to a reduction in primary expenditure, except in 1991, when it increased particularly sharply.

The movement of the net financing requirement of general government as a whole is the result of developments peculiar to the balances of each sub-sector. In view of the present problems connected with the level of the social security deficit in 1993 and the prospects regarding this, special attention is paid to this deficit.

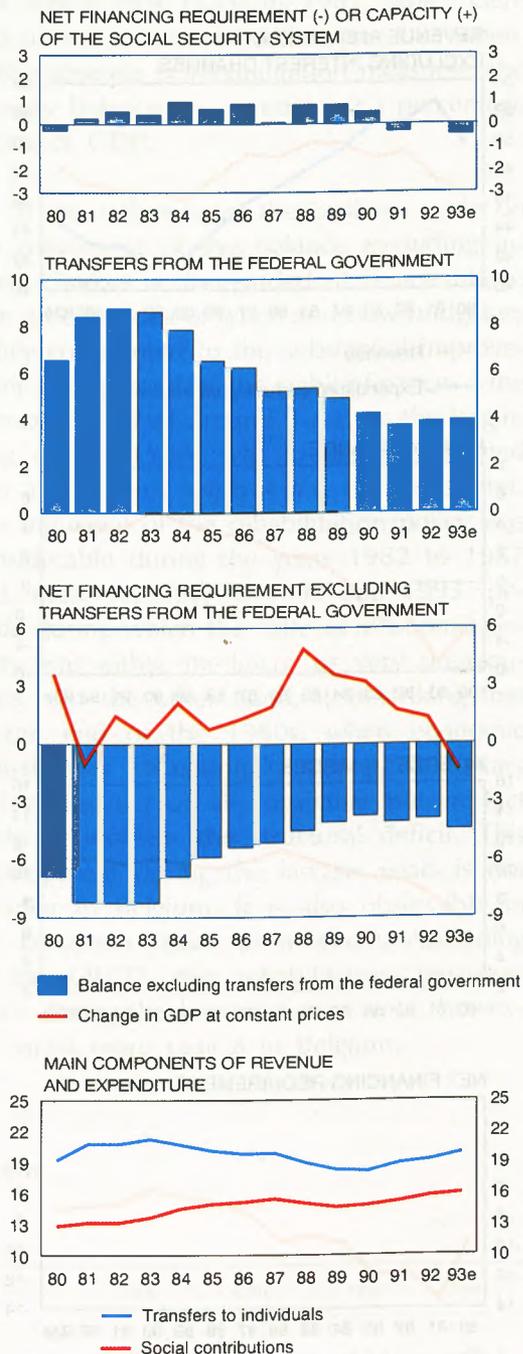
After having shown a surplus since 1981, the social security accounts fell into deficit in 1991. Balance was restored in 1992, but during the year under review a deficit of 0.5 percentage point of GDP, or about Fr. 35 billion, reappeared, so that the norm which the Government had set for itself — namely to ensure that the accounts of this sector were balanced — was not complied with in 1993.

The balance of the social security sector depends, however, on the amount of transfers from the federal government, which have been greatly reduced over the years : from a peak of nearly 9 p.c. of GDP in 1982, they have fallen to about 4 p.c.

Within the framework of a macro-economic analysis it is necessary to consider the deficit of general government as a whole, eliminating transfers from one sub-sector to another. If the federal government's subsidies are disregarded, the social security system in fact shows a structural deficit. However, parallel with the contracting trend of the net financing requirement of general government, this structural deficit of the social security system, excluding transfers from the federal government, has decreased substantially over the years : from about 8 p.c. at the beginning of the 1980s, it has fallen to around 4 p.c. dur-

CHART 36 — NET FINANCING REQUIREMENT OR CAPACITY OF SOCIAL SECURITY

(Percentages of GDP)



Sources : NSI, NBB.

ing the last few years. This long-term improvement is chiefly the result of an increase in parafiscal pressure.

The business cycle is obviously not without influence on the movement of the balance of the sector. Thus, whereas at the end of the 1980s, during a period of strong economic growth, the deficit of the social security system had decreased, it has increased during the last few years owing to the slackening of economic activity, which has led to a decline in social security contributions and an increase in expenditure on unemployment benefits.

In view of the prospects of a considerable deterioration of the social security deficit, the Government was obliged, within the framework of the global plan drawn up in November, to take a set of measures, mainly centred on a reduction of social expenditure, in order to re-establish the financial balance of the system and ensure its long-term viability.

Thus, since 1st January 1994, social benefits have been index-linked by reference to a so-called « health » index, that is, the index of consumer prices corrected in order to eliminate the changes in the prices of certain categories of products and the incidence of the energy consumption levy introduced in 1993. Furthermore, several measures relating to health care are provided for in the plan, and these come on top of the increase, introduced on 1st January 1994, in the patients' contributions decided upon in April 1993 (selective increase depending on income). In addition, in order to limit the real growth in health care expenditure to 1.5 p.c. per annum in 1995 and 1996, structural measures were introduced. Moreover, the global plan provides for a revision of the way in which new pensions are calculated, a progressive retention (the so-called solidarity retention) on normal and early retirement pensions, and a reduction in certain unemployment benefits. Furthermore, a new social contribution has been introduced for individuals, the rate of the withholding tax on interest income was raised from 10.3 to 13.39 p.c. with effect from 1st January 1994, investments in SICAVs are more heavily taxed, as are also housing as a contribution to the capital of companies, second residences and dwellings rented to individuals for their private use.

### ***International comparison***

The measures for the rehabilitation of the public finances taken in Belgium in 1993 enabled the increase in the net financing requirement to be kept down to 0.1 point of GDP. This virtual stabilisation contrasts with the considerable worsening observed in the other countries of the European Union as a whole, where the deficit increased by 1.4 percentage point. The difference between the level of deficit in Belgium and in these countries, which has shown a narrowing trend since the beginning of the 1980s, reached a low of 0.8 point in the year under review.

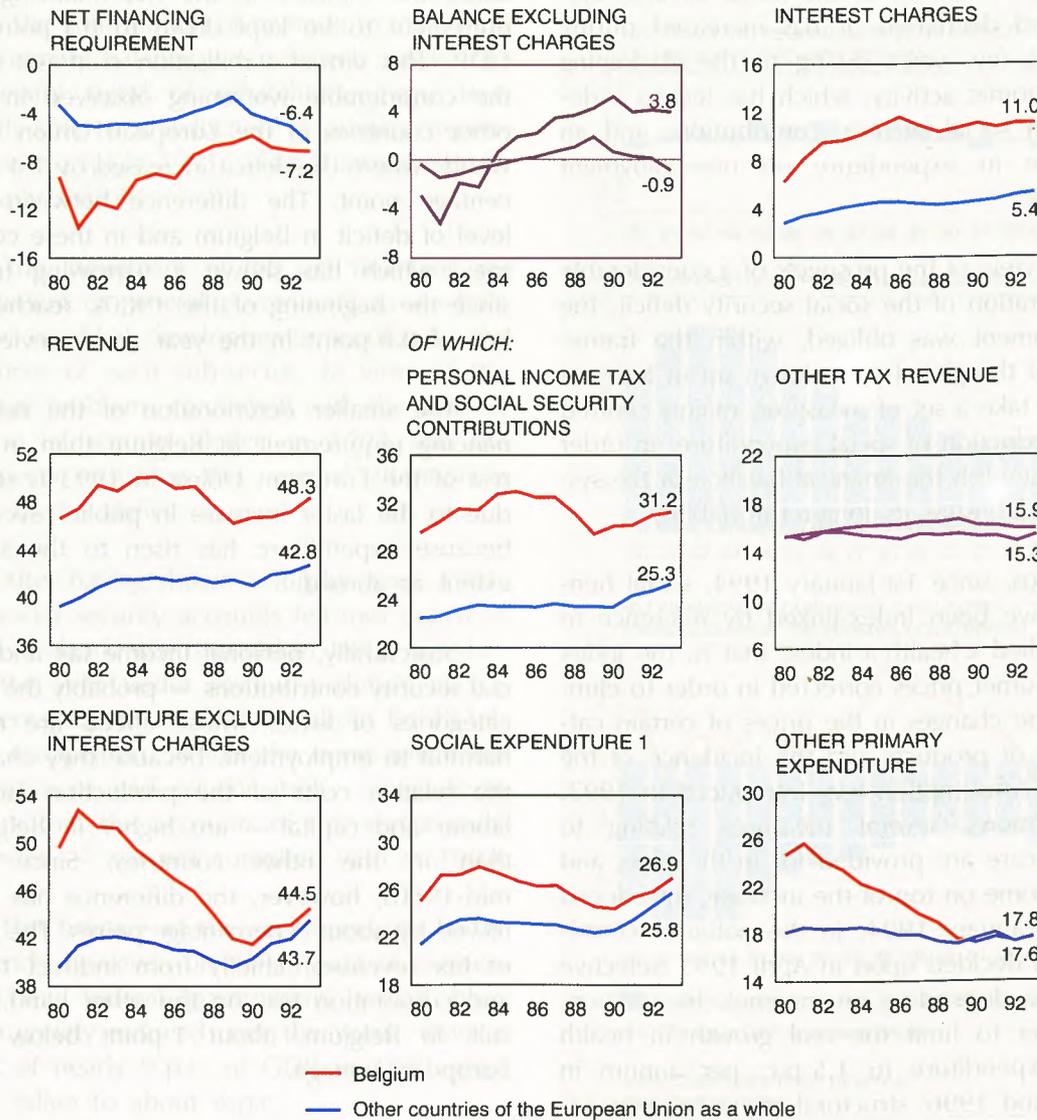
The smaller deterioration of the net financing requirement in Belgium than in the rest of the European Union in 1993 is solely due to the faster increase in public revenue, because expenditure has risen to the same extent as abroad.

Structurally, personal income tax and social security contributions — probably the two categories of levies whose effects are most harmful to employment, because they change the relative costs of the production factors labour and capital — are higher in Belgium than in the other countries. Since the mid-1980s, however, the difference has narrowed by about 3 percentage points. The other tax revenues, chiefly from indirect taxes and corporation tax, on the other hand, are still, in Belgium, about 1 point below the European average.

The difference between the level of primary expenditure in Belgium and in the other countries of the European Union, which amounted to over 11 percentage points of GDP at the beginning of the 1980s, has decreased considerably, reaching a level close to 1 point of GDP since 1990. This development is due to a greater rehabilitation effort, partly directed towards social expenditure, for which the difference from the average decreased from about 4 percentage points of GDP ten years ago to about 1 point at the end of the period. The greater part of the rehabilitation effort has, however, been directed towards other expenditure : the difference, which was

CHART 37 — PUBLIC FINANCES : INTERNATIONAL COMPARISON

(Percentages of GDP)



Sources : NSI, EC, NBB.

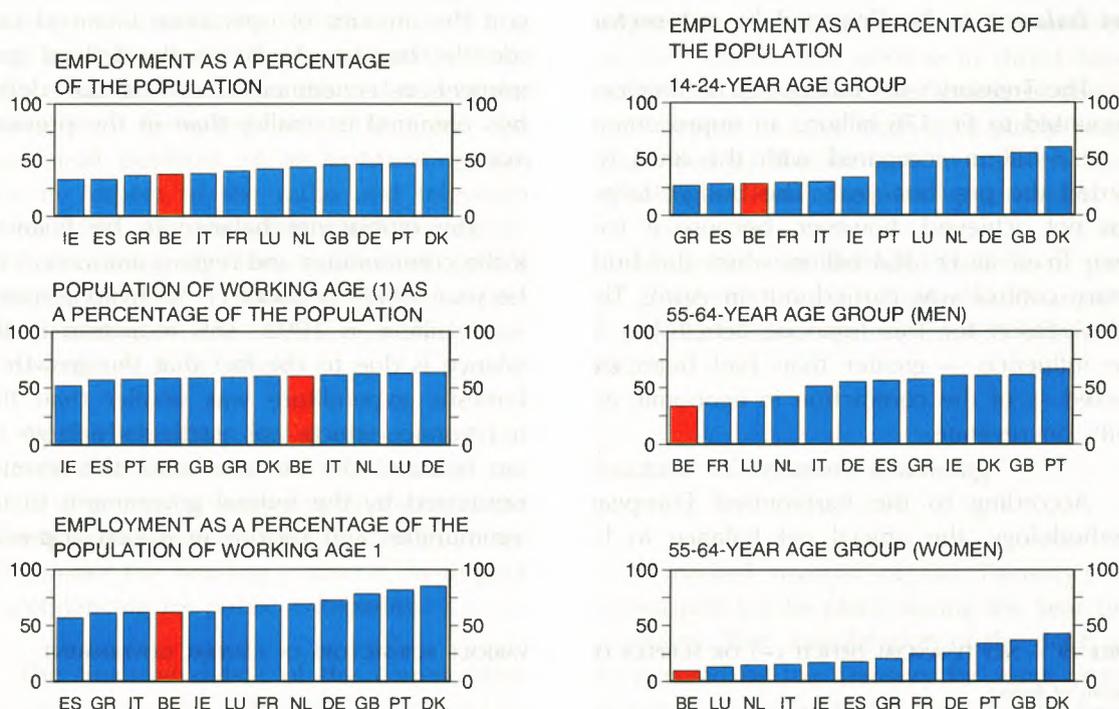
<sup>1</sup> The concept of social expenditure used here differs slightly from the concept of social benefits in Table 26 for methodological reasons connected with the international comparison.

as much as 7 percentage points of GDP in 1981, has now been entirely eliminated.

Keeping the public finances under control appears to be more difficult in Belgium than in many other countries owing to the high level of the public debt. This debt, the inevitable result of the budget choices made in the past, entails interest charges which are

double those of the other countries of the European Union. Furthermore, the socio-economic structure is an additional structural handicap. Its extent can be judged from the ratio between the number of employees (who pay direct taxes and social contributions) and the total population. The higher this ratio, the more easily public intervention can be financed.

CHART 38 — RATIO, IN 1991, BETWEEN EMPLOYMENT AND POPULATION IN THE COUNTRIES OF THE EUROPEAN UNION



Source : EC.

<sup>1</sup> Population aged 20 to 64 years.

In 1991 this ratio in Belgium was 37.5 p.c., and thus very close to that of Italy. It was slightly lower than that of France (40 p.c.), considerably lower than in the Netherlands, the United Kingdom and Germany (44 to 46 p.c.) and, particularly, than in Denmark, where 51.4 p.c. of the population had a job.

The relatively low occupation rate (employment as a percentage of the total population) in Belgium, which is a burden on the public finances, is not due to any significant demographic differences : the ratio between the population of working age and the total population in Belgium is hardly any different from that observed elsewhere. It is primarily attributable therefore, to the fact that the number of jobs as a percentage of the population of working age is considerably below the European average.

This is particularly true of men aged 55 to 64 years (34 p.c., against 52 p.c. for the EC), women in the same age group (10 p.c., against 25 p.c.) and young people aged 14 to 24 (29 p.c., against 41 p.c.), this being doubtless partly due to more extensive recourse to the early retirement system, the tendency to retire at an earlier age and a higher degree of schooling in Belgium.

The reasons for this low level of employment as a percentage of the population in Belgium are not clearly discernible. Part of the answer lies in the fact that part-time working is less widespread in Belgium than in most of the other European countries. In other words, the available volume of work in terms of hours of work is more concentrated on a relatively smaller number of persons. On the other hand, a larger number of persons are inactive and, in some cases, are receiving social benefit.

### 4.33 FINANCIAL ACCOUNTS

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

The Treasury's net balance to be financed amounted to Fr. 376 billion, an improvement of Fr. 6 billion compared with the level recorded the previous year. The budget target was not achieved, however, because it had been fixed at Fr. 364 billion when the budgetary control was carried out in April. The main reason for this financial deficit lies in the influence — greater than had been expected — of the contraction in economic activity on revenue.

According to the harmonised European methodology, the official net balance to be

financed must be corrected by excluding net lending and equity investment and adding to it the amount of operations financed outside the budget. As far as the federal government is concerned, the financial deficit thus obtained is smaller than in the previous year.

The official net balance to be financed of the communities and regions amounted, for the year 1993, to about Fr. 52 billion, against Fr. 61 billion in 1992. This reduction in the balance is due to the fact that the growth in domestic expenditure was smaller than that in revenue, which was particularly large for two reasons. On the one hand, the revenue transferred by the federal government to the communities and regions increased apprecia-

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

(Billions of francs)

|   | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 e |
|---|------|------|------|------|------|------|--------|
| 1. Federal government, communities and regions <sup>1</sup> ..... | -424 | -433 | -430 | -421 | -400 | -461 | -456   |
| 1.1 Federal government  |      |      |      |      |      |      |        |
| 1.11 Net balance to be financed by the Treasury .....             | -451 | -416 | -442 | -366 | -368 | -382 | -376   |
| 1.12 Budgetary lending and equity investment .....                | n.   | n.   | n.   | -18  | -13  | -15  | -18    |
| 1.13 Other <sup>2</sup> .....                                     | n.   | n.   | n.   | -48  | -13  | -36  | -36    |
| 1.14 Total deficit (1.11 – 1.12 + 1.13)                           | n.   | n.   | n.   | -396 | -367 | -404 | -395   |
| 1.2 Communities and regions                                       |      |      |      |      |      |      |        |
| 1.21 Official net balance to be financed <sup>3</sup>             | 21   | -17  | 45   | -28  | -34  | -61  | -52    |
| 1.22 Budgetary lending and equity investment .....                | n.   | n.   | n.   | -10  | -10  | -9   | -9     |
| 1.23 Other <sup>2</sup> .....                                     | n.   | n.   | n.   | -7   | -9   | -5   | -18    |
| 1.24 Total deficit (1.21 – 1.22 + 1.23)                           | n.   | n.   | n.   | -25  | -33  | -57  | -61    |
| 2. Local government .....   | -1   | -5   | -31  | -14  | -38  | -21  | -27    |
| 3. Social security <sup>4</sup> .....                             | 20   | 24   | 51   | 42   | -18  | -13  | -40    |
| 4. Total net financial deficit (1 + 2 + 3) .....                  | -405 | -414 | -411 | -394 | -455 | -495 | -522   |
| 5. Statistical deviation .....                                    | 14   | 38   | 19   | 15   | -3   | -1   | 9      |
| 6. Net financing requirement (4 + 5) <sup>5</sup> .....           | -391 | -376 | -392 | -379 | -458 | -496 | -513   |

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 and 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 and from the net financing requirement which appears in the national accounts.

<sup>5</sup> The net financing requirement differs from the total net financial deficit owing to, among other things, differences in the dating of the recording of the transactions between the two approaches, differences in the treatment of variations in exchange rates and imperfections in the compilation of the data.

bly as a result of the special law of 16th July 1993, which stipulates that an additional amount of around Fr. 10 billion is to be made available to the federated entities from 1993 onwards. Moreover, the revenue of the communities benefited in 1993 from the once-for-all payment of an outstanding balance in respect of the radio and television fee for 1992. On the other hand, the agreement providing for the transfer of school buildings to public companies exerted a positive influence on the revenue of the federalised entities as a whole.

As the operation in question must be neutralised at the level of the financial accounts of general government as a whole, the same amount has been taken into account for 1993 under the heading « other », in respect of prefinancing by public companies.

The financial deficit of the communities and regions, i.e. the official net balance to be financed, less budgetary lending and equity investment and plus debudgetisations and pre-financings, would appear to be of the same order of magnitude as in 1992.

The financial deficit of local government appears to have increased. The sharp rise in compensation of employees and investment and the considerable decline in direct taxes due to the changes in the timing of assessments appear to have been only partly counterbalanced by the increase in transfers from the other sections of general government.

Altogether, the financial balance of general government as a whole should amount to Fr. 522 billion, against Fr. 495 billion in 1992.

### *Structure of Treasury financing*

A marked reversal of the Treasury's financing policy took place during the year under review. The consolidation of the debt, an aim pursued by the Treasury for some years, did not continue in 1993, there having been a pronounced decline in the proportion of the deficit financed at long term in Belgian francs, which had exceeded 100 p.c. in 1991 and 1992. The reason was that, despite the

**TABLE 30 — THE TREASURY'S FINANCING STRUCTURE**

(Billions of francs)

|  | 1989 | 1990 | 1991 | 1992 | 1993  |
|--|------|------|------|------|-------|
| Financing in Belgian francs at over one year ..... | 179  | 324  | 534  | 539  | 262   |
| Linear bonds <sup>1</sup> .....                    | 82   | 273  | 935  | 938  | 1,085 |
| Other loans <sup>2</sup> .....                     | 97   | 51   | -401 | -399 | -823  |
| Financing at short-term rates <sup>3</sup> .....   | 218  | 70   | -167 | -156 | 114   |
| In Belgian francs .....                            | 150  | 90   | -159 | -49  | -340  |
| At the NBB .....                                   | -40  | -30  | -73  | -1   | ...   |
| Change in other debts .....                        | 189  | 119  | 38   | -23  | -223  |
| Change in portfolio investments <sup>4</sup> ..... | ...  | ...  | -124 | -26  | -117  |
| In foreign currencies <sup>3</sup> .....           | 69   | -20  | -8   | -108 | 455   |
| Net balance to be financed <sup>5</sup> .....      | 397  | 394  | 367  | 382  | 376   |

Sources : Ministry of Finance, NBB.

<sup>1</sup> Excluding capitalised interest and tax refunds made in the form of linear bonds, which do not influence the net balance to be financed by the Treasury.

<sup>2</sup> Including the change in the consolidated debt with the NBB.

<sup>3</sup> Including the change in the consolidated debt in foreign currencies, which is recorded under this heading in view of the fact that the greater part of this debt is either at a variable rate or at a rate which is subject to revision.

<sup>4</sup> Minus signe : increase in portfolio investments.

<sup>5</sup> Including, until 1990 (1991 for the German-speaking community), the financial balance of the communities and regions, whose funds had previously been managed by the Treasury.

fact that continuation of the consolidation would have lightened the interest charges for the current year, the Treasury preferred to postpone it in a period of expectations of a fall in long-term rates. Issues of linear bonds nevertheless exceeded the levels reached during the preceding years, but a large proportion of these issues were made in order to exchange loans so as to improve the maturity pattern of the debt. In addition, the Treasury exercised its early redemption option for several loans in order to refinance itself on more favourable terms.

Unlike during the preceding two years, a substantial proportion of the deficit was financed at short-term interest rates. Short-term financing in Belgian francs contracted, however. While the short-term debt in Belgian francs did in fact increase at the beginning of

the year, when a fall in interest rates was expected, this rise was completely cancelled out and actually replaced by a reduction when the interest-rate differential between instruments in Belgian francs and instruments denominated in the other strong currencies of the European Monetary System widened appreciably in the second half of the year, inducing the Treasury to borrow in foreign currencies. Thus, while the foreign currency debt had decreased during the preceding three years, and especially in 1992, it increased during the year under review.

Furthermore, financing of the Treasury by the Bank was terminated with effect from 1st July, in order to bring Belgian legislation into line with the European provisions, which forbid financing of general government by the central bank.

## 5. BALANCE OF PAYMENTS OF THE BLEU AND EXCHANGE RATES

### 5.1 SUMMARY

The current transactions of the BLEU with foreign countries, on a transactions basis, produced a surplus estimated at Fr. 350 billion, or 4.6 p.c. of GNP. The current account has shown a surplus uninterruptedly since 1985. From 1991 onwards that surplus has increased year by year, both in absolute amount and as a percentage of GNP.

The increase in 1993 is attributable to a growth both in the surplus in respect of transactions in goods and services and in that in respect of factor incomes. It was accompanied by larger net capital inflows in the form of direct investments.

The balance of these transactions as a whole, which had already been substantially positive since 1990, therefore increased further, reaching over Fr. 500 billion. In 1993, however, unlike during the preceding years, it was smaller than the deficit resulting from the private sector's other capital transactions,

which was mainly the result of speculative forward sales of francs by non-residents during the second half of the year.

The data on capital movements for the year as a whole do in fact conceal divergent movements in the first and the second half of the year. During the first half, outflows of short-term capital tended to play a compensatory role. These outflows, which were brought about by the fact that short-term rates were on average slightly below the corresponding German rates, and which were partly the counterpart of the inflows of speculative capital in the second half of 1992, enabled balance to be achieved in the foreign exchange market. The structure of the balance of payments was therefore similar again during this period to that observed during the period from the beginning of 1990 to the middle of 1992.

In the second half of 1993, as in the second half of 1992, short-term capital transactions were largely influenced by the turbulences on the foreign exchange markets. As,

TABLE 31 — BALANCE OF PAYMENTS OF THE BLEU ON A TRANSACTIONS BASIS<sup>1,2</sup>

(Balances in billions of francs)

|  | 1989 | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|------|--------|
| Current transactions .....   | 140  | 120  | 164  | 206  | 350    |
| Direct investment .....  | 43   | 75   | 82   | 68   | 163    |
| Portfolio investment .....   | -207 | 51   | 120  | 35   | -2     |
| Other capital transactions .....   | 69   | -176 | -320 | -217 | -705   |
| of which foreign currency loans of general government ..                                       | 73   | -23  | -6   | -103 | 441    |
| Errors and omissions .....   | -26  | -54  | -23  | 64   | -20    |
| Movement of the net foreign exchange reserves, spot and forward, of the NBB <sup>3</sup> ..... | -19  | -17  | -23  | -155 | 214    |

Source : NBB.

<sup>1</sup> The presentation of the balance of payments differs from that in preceding years : as far as possible, the standard components of the fifth edition of the IMF *Balance of Payments Manual*, published in 1993, have been used.

<sup>2</sup> Minus sign : increase in the net claims of residents on foreign countries, or decrease in the net assets of non-residents on the BtEJ.

<sup>3</sup> Minus sign : increase in the foreign exchange reserves.

in 1992, the expectations concerning depreciation had related to EMS currencies other than the franc, for reasons which have been stated in section 1.3, the BLEU had recorded net inflows of short-term capital. These had come on top of the overall surplus produced by current transactions and direct investments, so that equilibrium on the foreign exchange market had been achieved by the redemption of foreign currency loans of general government and by a rise in the net foreign exchange reserves. During the second half of 1993, on the other hand, although the fundamentals of the Belgian economy remained good, the new European monetary environment caused the markets to take a less favourable view of the prospects for the franc, and substantial outflows of short-term capital were therefore recorded. As had already occurred during the foreign exchange crises at the beginning of the 1980s, these speculative capital outflows were not completely curbed by the rise in interest rates. The supply of foreign currencies on the exchange market

was therefore supplemented by foreign currency loans contracted by general government and a reduction in the net exchange reserves.

## 5.2 CURRENT TRANSACTIONS

The current account surplus of the BLEU increased by around Fr. 140 billion during the year under review.

This development is partly due, on the one hand, to the increase in the surplus in respect of transactions in goods, which is the result of a slight improvement in the terms of trade and a slower growth in domestic demand in Belgium than in its trading partners as a whole and, on the other hand, to an increase in the surplus in respect of services and income. The sharp rise in the activity of the financial sector in Luxembourg produced a very substantial surplus in respect of ser-

TABLE 32 — CURRENT TRANSACTIONS ON A TRANSACTIONS BASIS<sup>1</sup>

(Balances in billions of francs)

|   | 1989 | 1990 | 1991 | 1992 | 1993 e |
|---|------|------|------|------|--------|
| Current transactions .....                                | 140  | 120  | 164  | 206  | 350    |
| Goods .....   | 92   | 55   | 66   | 112  | 167    |
| Services .....  | 18   | 56   | 52   | 74   | 104    |
| Transport .....   | 41   | 43   | 38   | 50   | 54     |
| Travel .....  | -49  | -58  | -67  | -82  | -77    |
| Third-country trade .....                                 | 18   | 36   | 26   | 43   | 27     |
| Transactions of general government not included elsewhere | 38   | 37   | 46   | 52   | 54     |
| Other services .....                                      | -29  | -3   | 9    | 11   | 46     |
| of which financial services .....                         | 32   | 36   | 40   | 46   | 79     |
| Income .....  | 106  | 81   | 115  | 99   | 167    |
| Investment income .....                                   | 50   | 25   | 52   | 34   | 101    |
| Compensation of employees .....                           | 56   | 56   | 63   | 65   | 65     |
| Transfers .....   | -76  | -72  | -69  | -79  | -88    |
| of which : Resources paid to the European Union .....     | -86  | -82  | -103 | -101 | -105   |
| Subsidies from the European Union .....                   | 26   | 52   | 65   | 62   | 58     |

Source : NBB.

<sup>1</sup> The presentation of current account transactions differs from that in preceding years : as far as possible, the standard components of the fifth edition of the IMF *Balance of Payments Manual*, published in 1993, have been used. Third-country trade is no longer counted among transactions in goods but is included in services. Compensation of employees paid to members of staff of international institutions resident in the BLEU, like the wages of cross-frontier workers, is included in « compensation of employees » and no longer under the heading « Transactions of general government not included elsewhere ».

vices, while the accumulation of current account surpluses and the decline in interest rates, which was more marked for the BLEU's liabilities than for its assets, favourably affected the surplus in respect of investment income.

### Transactions in goods

The trade balance on a transactions basis left a surplus of Fr. 167 billion, against Fr. 112 billion in 1992.

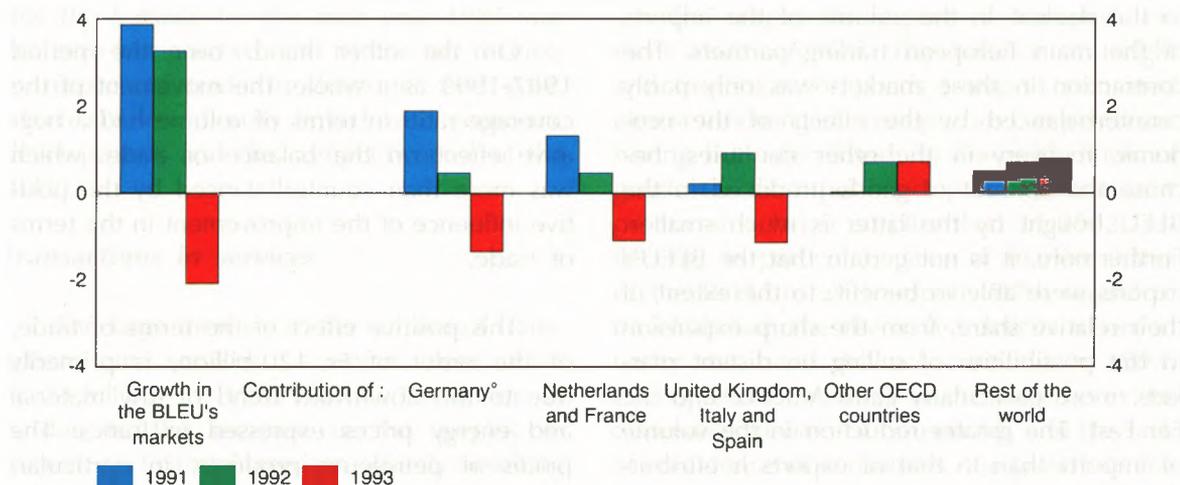
The delay which took place, as in most of the European countries, in the compilation of the statistics on international trade, owing to the change in the method of collecting information due to the disappearance of the internal frontiers of the European Union on 1st January 1993, complicated the analysis of the movement of imports and exports of goods during the year under review. That is because these statistics are the only source enabling the flows of goods recorded in the balance of payments to be broken down into a volume component and a price component. This drawback was partly remedied by esti-

imating the movement of prices on the basis of the relationships observed in the past between, on the one hand, unit import and export values and, on the other hand, the fluctuations of exchange rates and of certain prices on the national market and the world market.

Although these estimates have to be viewed with a certain degree of caution, both import and export prices appear to have fallen in 1993, albeit to a smaller extent than in 1992. The prices of raw materials and energy continued to decline during the year under review: the fall in the prices of crude oil, non-ferrous metals and basic vegetable materials, expressed in dollars, was greater than the appreciation of the dollar. The prices of manufactured goods also fell, but to a smaller extent. In view of the preponderance of manufactured goods in the BLEU's exports and the fact that the prices of these are as a rule less sensitive to cyclical movements than those for raw materials and basic products, export prices fell less than import prices, leading to a slight improvement in the terms of trade. For the year 1993 as a whole, the positive effect of this improvement is responsible for

CHART 39 — DEVELOPMENT OF EXPORT MARKETS

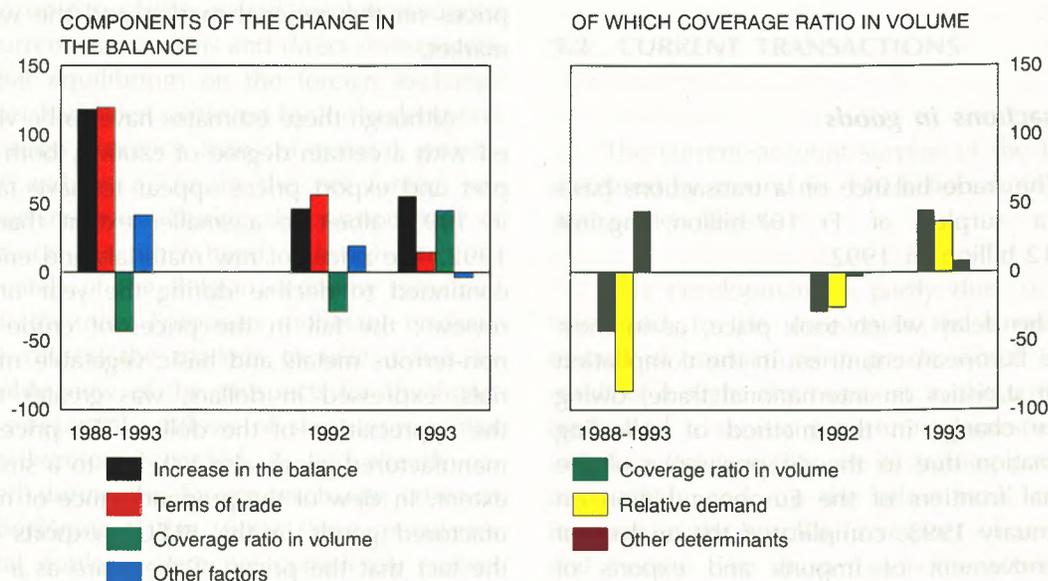
(Annual percentage changes)



Sources : OECD, NBB.

CHART 40 — INCREASE IN THE SURPLUS IN RESPECT OF GOODS TRANSACTIONS BETWEEN 1987 AND 1993 : COMPONENTS

(Billions of francs)



Source : NBB.

about a quarter of the growth in the surplus in respect of transactions in goods, the rest being due to an improvement in the coverage ratio of imports by exports in terms of volume.

The fall in exports is mainly attributable to the contraction of the BLEU's markets, which, according to OECD estimates, was due to the decline in the volume of the imports of the main European trading partners. The contraction in these markets was only partly counterbalanced by the effects of the economic recovery in the other countries, because the amount of goods produced in the BLEU bought by the latter is much smaller. Furthermore, it is not certain that the BLEU's exports were able to benefit, to the extent of their relative share, from the sharp expansion in the possibilities of selling on distant markets, more particularly Latin America and the Far East. The greater reduction in the volume of imports than in that of exports is attributable, for its part, to the decline in total demand in the BLEU. This decline was moreover most marked in the categories of expenditure

which traditionally have a high import content, such as durable consumer goods, capital goods and goods for export. As the contraction in domestic demand was more pronounced in the BLEU than in the case of its trading partners, it is normal that the volume of imports has decreased more than the volume of exports.

On the other hand, over the period 1987-1993 as a whole, the movement of the coverage ratio in terms of volume had a negative effect on the balance of trade, which was more than counterbalanced by the positive influence of the improvement in the terms of trade.

This positive effect of the terms of trade, of the order of Fr. 120 billion, is primarily due to the downward trend of raw material and energy prices expressed in francs. The prices of petroleum products, in particular, fell sharply in 1988 and 1992, so that the improvement in the terms of trade took place chiefly during these two years.

The possibility cannot be ruled out, however, that the improvement in the terms of trade partly reflects a deterioration in Belgium's competitiveness, meaning, in other words, that, for comparable products, the BLEU's export prices have risen faster than import prices, which are themselves none other than the competitors' export prices. Such an improvement in the terms of trade should therefore be interpreted with caution. Initially it leads — all other things remaining equal — to an enrichment for the domestic sectors, but this is probably counterbalanced after a certain length of time by the resultant negative movements in volume. This slower reaction in terms of volume probably explains why the influence of the crumbling of competitiveness on the balance of trade has remained limited up to the present.

The deterioration of the coverage ratio in terms of volume, observable since 1987, is chiefly attributable to a difference in growth, since, unlike the situation which prevailed at the beginning of the 1980s, domestic demand grew faster in the BLEU than in its trading partners. The effect of this difference in growth was partly offset by the positive influence of a number of other determinants, including the differences in the structure of domestic demand and production.

Lastly, the trade surplus has been fed to an appreciable extent by other factors, such as the « level effect » resulting from the fact that the balance for the base year 1987 was not zero but positive, and by the net receipts in respect of trade in diamonds and gold, which are less directly linked with economic developments and the competitiveness of the BLEU.

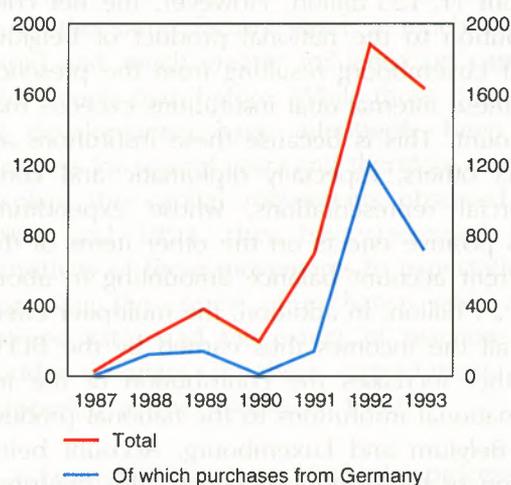
### **Transactions in services**

The large increase in the surplus of transactions in services — which rose from Fr. 74 billion in 1992 to Fr. 104 billion — is due to the increase in the surplus in respect of financial services, chiefly resulting from the expansion of financial activities in Luxembourg. In particular, the commissions charged by Luxembourg banks and collective

investment undertakings on transactions carried out with non-residents rose very sharply. This movement is primarily attributable to the lively interest displayed by non-residents, especially Germans, in the units of collective investment undertakings from mid-1992 onwards.

CHART 41 — NET PURCHASES OF UNITS OF LUXEMBOURG COLLECTIVE INVESTMENT UNDERTAKINGS BY NON-RESIDENTS

(Billions of francs)



Source : NBB.

The surplus in respect of transport services also increased. The balance of freight and insurance for goods transport remained almost unchanged, receipts and expenditure having both decreased, in line with flows of goods. On the other hand, passenger transport produced a larger surplus than in 1992, reflecting, in particular, gains of market shares of the BLEU in air transport. With regard to travel abroad, the rise in the deficits recorded under this head did not continue in 1993. Owing to the smallness of the increase in the disposable income of households and the lack of confidence of consumers, the growth in the expenditure of residents on travel abroad was, for the first time for years, smaller than the increase in receipts from non-residents, so that

the negative balance under this head contracted.

The surplus in respect of transactions of general government not included elsewhere expanded very slightly. On the receipts side this item consists mainly of purchases of goods and services in the BLEU by the international institutions situated on its territory, especially the European institutions. Account being taken of the wages and salaries paid by these institutions to their staff resident in the BLEU, which are recorded as factor income, the total of the operating costs of the international institutions which benefit the BLEU amounts to about Fr. 125 billion. However, the net contribution to the national product of Belgium and Luxembourg resulting from the presence of these international institutions exceeds that amount. This is because these institutions attract others, especially diplomatic and commercial representations, whose expenditure has positive effects on the other items of the current account balance amounting to about Fr. 25 billion. In addition, the multiplier effect of all the incomes thus earned by the BLEU further increases the contribution of the international institutions to the national product of Belgium and Luxembourg. Account being taken of these induced effects, this contribution can be estimated at about Fr. 215 billion for 1993. This creation of income obviously leads to a rise in imports, so that the net contribution of the international institutions to the BLEU's current balance appears to finally work out at about Fr. 85 billion, i.e., on the one hand, Fr. 55 billion of net receipts in respect of services and Fr. 75 billion of earned income and, on the other hand, Fr. 45 billion of net expenditure on imports of goods.

### **Factor incomes**

The surplus in respect of investment income rose from Fr. 34 billion in 1992 to Fr. 101 billion. This movement is partly attributable to the increase in the BLEU's net external assets resulting from the surpluses on the balance of current transactions. It is, however, due even more to the fall in interest rates on the international markets: as the average duration of external assets is longer than

that of liabilities, this fall affected interest income less quickly than interest expenditure, especially as the fall in interest rates was greater in the short-term segment. This point applies to the BLEU as a whole, but particularly to credit institutions, which account for a very substantial proportion of the BLEU's external assets and liabilities. The credit institutions' interest income from abroad was also supported by other factors. On the one hand, the margin between creditor and debtor rates widened, primarily because of the growing uncertainty about the movement of interest rates due to the tensions on the foreign exchange markets. On the other hand, the volumes lent and borrowed increased substantially.

Lastly, it should be pointed out that investment income is recorded in the balance of payments of the BLEU only when it leads to a flow of funds between the BLEU and foreign countries, and not when it is acquired or becomes payable. This element may also have contributed to the growth in the surplus. The outflows of short-term capital recorded in 1993 led almost immediately to an increase in the interest received, whereas the foreign currency loans contracted by the general government add to interest payments only after a certain period of time. Furthermore, profits which are re-invested by BLEU residents abroad and by non-residents in the BLEU, respectively, are not recorded; thus, the increase in the profits placed to reserve by resident branches of foreign banks, due to the aforementioned developments in the field of services and of the interest income of banks, was not able to play a compensatory role in the balance of payments.

The stability of the surplus in respect of compensation of employees, for its part, is due to a slight increase in the wages and salaries paid by the international institutions to their personnel resident in the BLEU and, on the other hand, to a moderate rise in the net payments made to cross-frontier workers. This rise reflects the increased recourse by Luxembourg, and especially by its financial sector, to foreign employees resident in Germany or France.

### **Transfers**

The deficit in respect of transfers increased in 1993, chiefly owing to transfers between the BLEU and the European Union.

With regard to the resources paid, both the contribution calculated from the VAT basis and the agricultural levies and customs duties decreased. This reduction was more than counterbalanced by a rise in the contribution based on GNP, since this represents a buffer designed to enable the European budget to be financed when the other three sources of financing are insufficient to cover the estimated expenditure.

The subsidies received in implementation of the common agricultural policy of the European Union decreased in 1993 owing to a change in the conditions for supporting the oilseeds sector introduced in the course of 1992, processing subsidies having been replaced by direct aid to producers from the middle of that year onwards. As the processing of oilseeds is a relatively important activity in Belgium compared with production of oilseeds, these changes led to a further fall in the subsidies received in 1993. The effect of this change on the current account as a whole is, however, likely to be limited, because the processing sector should be able to import oilseeds more cheaply henceforth. The subsidies received by the BLEU within the framework of the structural funds, for their part, increased somewhat.

### **5.3 CAPITAL TRANSACTIONS**

In 1993, as during the second half of 1992, substantial destabilising capital movements disturbed the European financial markets, including those of the BLEU. The extent of these movements and the suddenness of their swings were contributed to by institutional and structural developments which strengthened the links between the markets and increased the liquidity of the instruments traded on them.

The liberalisation of the capital markets, through the removal of the legal impediments to transfers between countries, together with the development of information processing and transmission techniques, have assisted the de facto integration of the various national financial markets. Furthermore, asset management is increasingly entrusted to institutional investors, which develop sophisticated investment strategies. More than in the past, the determinants of these strategies include expectations regarding exchange rates and interest rates for all maturities. In so far as the — implicit or explicit — economic models which market operators take as the basis for reaching their decisions are of a similar nature, the same factors exert a much more rapid and much greater influence on capital movements than before. While these structural developments have admittedly been in progress for several years and therefore cannot explain the capital movements observed in 1992 and 1993, they have increased the sensitivity of these movements to expectations regarding the course of exchange rates and interest rates and the extent of reactions to sudden changes in these expectations, as happened in the middle of 1992.

From 1987 to June 1992, the process of monetary convergence in Europe, which opened up the prospect of the adoption of a common currency, had both gradually strengthened the conviction of financial operators that the grid of central rates of the exchange rate mechanism of the EMS would not be changed and brought interest-rate levels within the EMS closer together. Subsequently, the results of the Danish referendum on the Treaty of Maastricht gave rise to doubts about the possibility of making rapid further progress towards monetary unification and altered exchange rate expectations by causing greater importance to be attached again to the fundamentals of the economies.

These changes of attitude initially led to pressures on the currencies of the countries whose economic situation was relatively less favourable, particularly in terms of competitiveness and inflation. No doubt had arisen, however, regarding the position of the franc

TABLE 33 — CAPITAL TRANSACTIONS<sup>1</sup>

(Balances in billions of francs)

|  | 1989 | 1990 | 1991 | 1992<br>1st half. | 1992<br>2nd half. | 1993<br>1st half. | 1993<br>2nd half | July 1992<br>to<br>December<br>1993 |
|--|------|------|------|-------------------|-------------------|-------------------|------------------|-------------------------------------|
| Portfolio investment .....   | -207 | 51   | 120  | 111               | -76               | -12               | 10               | -79                                 |
| Residents .....  | -264 | 9    | -103 | 37                | -94               | -20               | -156             | -270                                |
| Non-residents .....  | 57   | 42   | 223  | 74                | 18                | 8                 | 166              | 191                                 |
| Net short-term assets .....  | -57  | 55   | -58  | -88               | 101               | -218              | -298             | -415                                |
| Residents .....  | -114 | 36   | 128  | -82               | 11                | -225              | -87              | -302                                |
| Non-residents .....  | 57   | 18   | -186 | -6                | 91                | 8                 | -211             | -113                                |
| Forward transactions .....   | 74   | -202 | -155 | -95               | 64                | -38               | -578             | -552                                |
| Residents .....  | 77   | -272 | 3    | -20               | -18               | -4                | -190             | -212                                |
| Non-residents .....  | -3   | 70   | -158 | -76               | 82                | -34               | -388             | -340                                |
| Direct investment .....  | 43   | 75   | 82   | 59                | 9                 | 75                | 88               | 173                                 |
| Foreign currency loans of general government .....                                       | 73   | -23  | -6   | -19               | -84               | -3                | 444              | 356                                 |
| Capital transactions not included elsewhere <sup>2</sup> .....                           | -47  | -59  | -124 | -41               | 8                 | -35               | 1                | -25                                 |
| Movement of the net foreign exchange reserves, spot and forward, of the NBB <sup>3</sup> | -19  | -17  | -23  | 1                 | -155              | 72                | 143              | 59                                  |

Source : NBB.

<sup>1</sup> Minus sign : increase in the net assets of residents or decrease in the net assets of non-residents.<sup>2</sup> Trade credits, the spot and forward capital transactions in foreign currencies of resident credit institutions with the BLEU and with foreign countries, general government's capital transactions in francs, the capital transactions of non-financial public enterprises and errors and omissions.<sup>3</sup> Minus sign : increase in reserves.

and its pegging to the mark, so that substantial speculative inflows of capital into the BLEU had taken place during the second half of 1992. They had mainly consisted of the formation of deposits in francs by non-residents and of forward sales of foreign currencies. This capital inflow had put an end to the compensatory role which had been played by short-term outflows since 1990, in view of the surpluses produced by current transactions and direct investment. These inflows as a whole had had as their counterpart purchases by residents of foreign bonds denominated in francs, an increase in the foreign exchange reserves and the repayment of foreign currency loans by general government.

During the first months of 1993 the tensions on the foreign exchange markets temporarily eased. Some outflows of capital from the BLEU then took place again, owing to the settlement of the forward transactions and the rebuilding of net assets in foreign currencies

by residents. The Bank's net exchange reserves also decreased during the same period, because of the repayment in francs of loans contracted via the EMCF by certain central banks of the EMS for the purpose of supporting their currencies.

From July 1993 onwards, as mentioned in section 1.3, some foreign exchange dealers thought that they could detect a contradiction between the internal and external aims of monetary policy. The Belgian franc, like the French and Danish currencies, then became the subject of speculative attacks, with the result that unprecedented capital outflows took place during the second half of the year under review.

These outflows mainly took the form of forward transactions concluded between the banks and their customers, especially non-residents. It is not surprising that the volume of these transactions was large, since they are

the quickest means of protecting existing assets when these cannot be immediately liquidated, as in the case of time deposits and trade credits. These transactions also enable a substantial profit to be made by the purchase, for a predetermined forward date, at a price fixed in advance, of currencies which will subsequently be resold at a higher price. This technique is particularly attractive because it does not require the possession of any capital and because the gain, if the expectations are fairly soon fulfilled, greatly exceeds the cost represented by the interest-rate differential between the currency bought and the currency sold during the period of the contract. Forward transactions as such do not lead to capital movements because those who conclude them do not mobilise any funds. On the other hand, banks which undertake to sell currencies forward cover themselves against the exchange risk when the contract is concluded, and this leads to capital outflows.

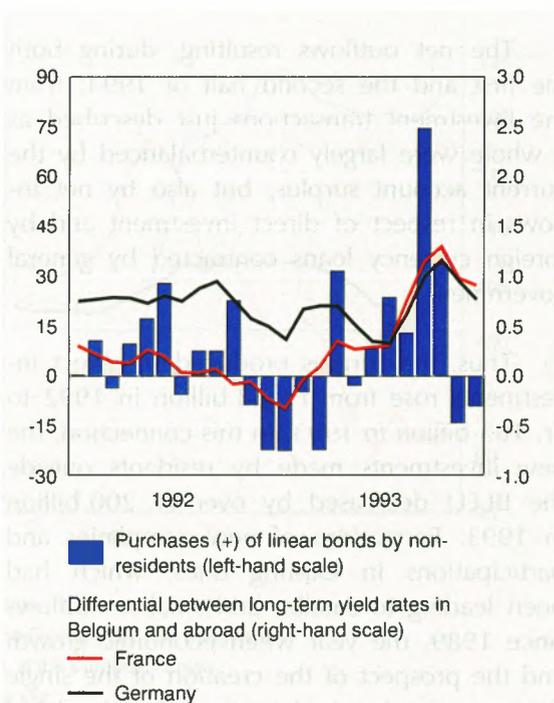
Spot transactions also led to outflows. Thus, non-residents reduced their net assets in francs held with resident credit institutions, whereas they had increased them between July 1992 and June 1993. This reduction is due not to a decrease in deposits of non-residents, which, as mentioned above, cannot generally be quickly realised, but to an increase in their liabilities. This increase may result from the conversion into foreign currencies of the proceeds of loans in francs which non-residents hoped to repay at a depreciated exchange rate. It may also be attributable to loans obtained by foreign banks from their correspondents in the BLEU for the purpose of covering contracts for forward purchases of francs which they have concluded with their customers.

On the other hand, portfolio investment gave rise to net inflows of Fr. 10 billion during the second half of the year under review, even though residents increased their holdings of foreign securities, since, in a context of declining interest rates, the rise in stock market prices induced residents to expand their portfolio of foreign shares again, whereas they had reduced it in 1992 and the first half of 1993. They also made larger net purchases

of fixed-interest securities, especially in American and Canadian dollars, than in the first half of the year, when the purchases had mainly been of securities denominated in marks. These transactions largely reflect the foreign investments of the SICAVs, which had great success with individuals, as is shown by the data presented in section 6.22.

Non-residents for their part displayed marked interest in BLEU securities in the second half of 1993. Their purchases reached Fr. 166 billion, consisting of Fr. 43 billion of shares and Fr. 123 billion of fixed-interest securities. The interest shown in these securities, even during the period when the exchange rate for the franc was weakening, was sustained by the increase in the long-term differential vis-à-vis the mark and the French franc. The attractiveness of linear bonds was furthermore enhanced in September by prospects of capital gain due to expectations of a decline in interest rates. The volatility of transactions in assets of this type was in-

CHART 42 — NET PURCHASES OF LINEAR BONDS BY NON-RESIDENTS



Source : NBB.

TABLE 34 — MOVEMENTS OF THE NET SPOT AND FORWARD GOLD AND FOREIGN EXCHANGE RESERVES OF THE NBB<sup>1</sup>

(Changes in billions of francs)

|  | 1989 | 1990 | 1991 | 1992 | 1993 | July<br>1992 to<br>December<br>1993 |
|--|------|------|------|------|------|-------------------------------------|
| Net foreign exchange reserves of the NBB ..... | -19  | -17  | -23  | -155 | 214  | 59                                  |
| Gold holdings .....                            | 65   | ...  | ...  | 73   | ...  | ...                                 |
| Assets with the IMF .....                      | -2   | 2    | -3   | 3    | 1    | 4                                   |
| Ecus .....                                     | ...  | ...  | ...  | -18  | -15  | -33                                 |
| Foreign currencies .....                       | -76  | -22  | -10  | -102 | 108  | 89                                  |
| Assets with the EMCF .....                     | ...  | ...  | -13  | -108 | 116  | -4                                  |
| Belgian francs .....                           | -6   | 3    | 3    | -3   | 4    | 4                                   |

Source : NBB.

<sup>1</sup> Minus sign : increase in reserves, i.e. a rise in net assets or a fall in net liabilities.

creased by the extension of the possibilities of arbitrage with comparable financial assets abroad. Thus, non-residents first of all liquidated part of their portfolios of linear bonds between November 1992 and March 1993, when the differential between the yield offered by those securities and that of comparable assets in France narrowed, and then reconstituted and even increased them between April and October 1993.

The net outflows resulting, during both the first and the second half of 1993, from the investment transactions just described as a whole were largely counterbalanced by the current account surplus, but also by net inflows in respect of direct investment and by foreign currency loans contracted by general government.

Thus, the surplus produced by direct investments rose from Fr. 68 billion in 1992 to Fr. 163 billion in 1993. In this connection, the new investments made by residents outside the BLEU decreased by over Fr. 200 billion in 1993. Formations of new companies and participations in existing ones, which had been leading to smaller and smaller outflows since 1989, the year when economic growth and the prospect of the creation of the single European market had particularly stimulated the internationalisation of enterprises, reached an even lower level than in 1992. But the

reduction is chiefly accounted for by loans granted by resident companies, especially the co-ordination centres, to the foreign members of the same group : these loans totalled only Fr. 60 billion in 1993, whereas they had reached about Fr. 291 billion in 1992. This reduction is, however, due to large transactions by a small number of companies.

Furthermore, since August 1993, the Treasury, in agreement with the Bank, has contracted foreign currency loans, mainly in German marks. It has thus profited from the interest-rate differential between that currency and the franc.

Looking at the entire period from July 1992 to the end of 1993, which was characterised by unprecedented instability on the European financial markets, it is seen that the BLEU recorded capital outflows of Fr. 552 billion in respect of forward transactions and of Fr. 415 billion in respect of movements of net short-term assets. Furthermore, portfolio investment led to a deficit of Fr. 79 billion. These outflows, mainly speculative in nature, were cancelled out by the surplus in respect of current transactions, amounting to about Fr. 480 billion, by net inflows in respect of direct investments of Fr. 173 billion, by general government's foreign currency loans totalling Fr. 356 billion and by a decrease in the Bank's net foreign exchange reserves of

Fr. 59 billion. This contraction in the reserves represents less than half of the increase in foreign currency assets resulting from the sale of gold in 1989 and 1992.

#### 5.4 EXCHANGE RATES

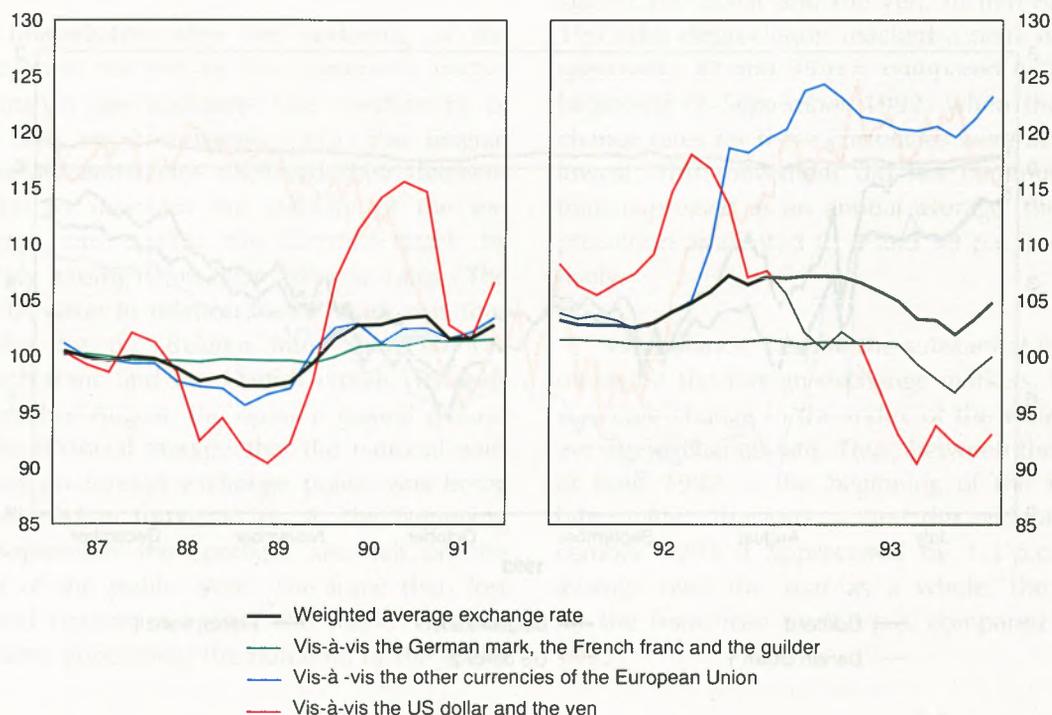
The effect produced on the exchange rate for the franc by current and capital transactions as a whole can be summarily represented by the movement of the index number for its weighted average exchange rate. The index number commented upon below was obtained by calculating the geometrical average of the exchange rates of the currencies of the OECD countries, except Iceland and Turkey, weighted by the importance of these countries as competitors of resident producers of man-

ufactured goods on the markets as a whole, including the domestic market. It therefore shows how the competitive position of producers has changed as a result of the variations in the exchange rates for the main currencies. In this calculation the three most important currencies for the BLEU are, in decreasing order, the German mark, the French franc and the guilder, which have a total weighting of 57 p.c. The other currencies of the European Union represent 22 p.c., the US dollar 8.5 p.c. and the yen 5.5 p.c., the remainder being spread among the currencies of the EFTA countries and the Canadian, Australian and New Zealand dollars.

The considerable capital movements recorded in the BLEU, as in the other European countries, from July 1992 onwards, led to substantial variations in the exchange rates in francs for the various European currencies.

CHART 43 — WEIGHTED AVERAGE EXCHANGE RATE FOR THE BELGIAN FRANC

(indices 1987 = 100)



Source : NBB.

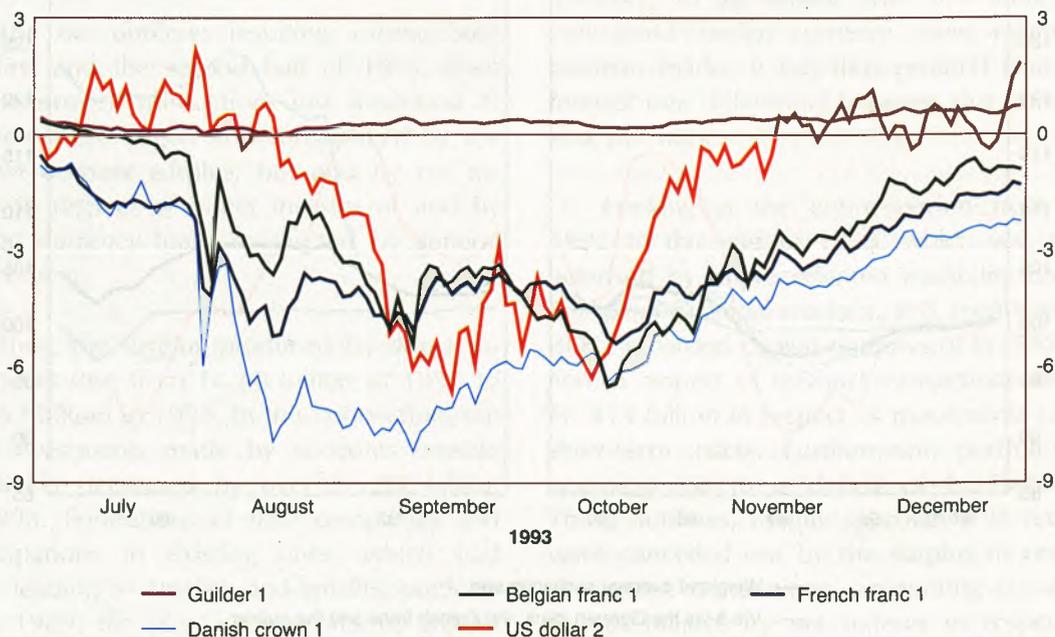
In the second half of 1992 the currencies of the European economies which had fallen behind in terms of competitiveness or inflation were subject to downward pressures. The pound sterling and subsequently the lira left the system, while the Spanish peseta and the Portuguese escudo were devalued. The franc, for its part, maintained its position, which it had held since 1990, vis-à-vis the German mark. It thus appreciated by about 10 p.c. against the Spanish and Portuguese currencies and by nearly 20 p.c. against the British, Italian, Swedish and Finnish currencies. At the beginning of 1993 the franc appreciated further, by 5 to 10 p.c., against this second group of currencies, but also against the Irish punt, which was devalued by 10 p.c. on 1st February.

At the beginning of February the outflow of the speculative capital which had flowed into the BLEU during the last months of 1992, together with a more uncertain general cli-

mate, slightly weakened the franc, which lost a little ground vis-à-vis the German mark. The same occurred at the end of March, after the Government had offered to resign. In both cases the franc quickly regained its previous position, above its central rate against the German mark.

From March 1993 onwards, the corrections of exchange rates for the pound sterling, the lira and the currencies of the Nordic countries were apparently regarded as sufficient to offset the imbalances with regard to competitiveness and inflation which had given rise to them. The resultant capital movements then strengthened these currencies, so that the franc lost 6 to 8 p.c. of its value in relation to them. On the other hand, Spain and Portugal had to resort to a further devaluation on 13th May 1993, of 8 p.c. for the peseta and 6.5 p.c. for the escudo. After these parity readjustments, and in a climate of easing monetary policy in Germany, the European

CHART 44 — EXCHANGE RATES VIS-À-VIS THE GERMAN MARK



Source : NBB.

<sup>1</sup> Percentage differential compared with the central rate.

<sup>2</sup> Percentage differential compared with the rate on 1st July 1993.

exchange markets temporarily became calmer again in May and June. From mid-1992 to mid-1993, the appreciation of the franc amounted to 4.5 p.c. in relation to the currencies of the European Union as a whole. It was, however, largely counterbalanced by an opposite movement vis-à-vis the US dollar and the yen. As is shown in section 1.3, these currencies in fact appreciated against all the European currencies from September 1992 onwards. The depreciation of the franc reached 9.5 p.c. against the dollar and 24.1 p.c. against the yen. Altogether, these opposite movements resulted in a rise in the weighted average exchange rate of 1.7 p.c. between mid-1992 and mid-1993.

The period of relative calm on the European exchange markets came to an end at the beginning of July. At that time comments began to be made about the slowness of the downward movement of interest rates in Germany and about whether this policy was appropriate to the economic conditions prevailing in the other countries belonging to the EMS. Thus, in succession, the French franc, the Danish crown and then the Belgian franc came under pressure.

Immediately after the widening of the fluctuation margins of the currencies participating in the exchange rate mechanism of the EMS on 2nd August 1993, the Belgian monetary authorities displayed their determination to maintain the stability of the exchange rate against the German mark by sharply raising short-term interest rates. The loss of value in relation to the mark was thus smaller for the Belgian franc than for the French franc and the Danish crown. Towards the end of August, the opinion gained ground in the financial markets that the national consensus on foreign exchange policy was being questioned in some circles. At the beginning of September the spotlight also fell on the level of the public debt. The franc then lost ground oncemore against the mark. The uncertainty concerning the outcome of the social

pact and — after the failure of the negotiations — of the government plan for employment, competitiveness and social security led once more, in the course of October, to an increase in the expectations of depreciation of the Belgian franc: on 14th October the franc reached a maximum differential, namely 6.5 p.c., in relation to its central rate against the mark.

After that, the franc, like the Danish crown and the French franc, largely made up for the losses suffered since the end of July, the good fundamentals of the respective economies making them appear, if anything, to be undervalued. Their appreciation was facilitated by the weakness of the mark against the US dollar. Subsequently, the good reception given abroad to the government plan for employment, competitiveness and social security and the pursuit of a cautious monetary policy further improved the position of the franc, which, by the end of the year, had returned to 0.9 p.c. below its central rate against the mark.

Furthermore, the franc, like the other European currencies, continued to depreciate against the dollar and the yen. In mid-August 1993 this depreciation reached a peak of, respectively, 22 and 35 p.c. compared with the beginning of September 1992, when the exchange rates for these currencies were at their lowest. This movement did not continue, so that, expressed as an annual average, the depreciation amounted to 7 and 19 p.c. respectively.

On balance, despite the substantial movements on the foreign exchange markets, there was little change in the index of the weighted average exchange rate. Thus, between the end of June 1992 — the beginning of the instability within the EMS — and the end of December 1993 it appreciated by 1.3 p.c. On average over the year as a whole, the rate for the franc rose by 0.8 p.c. compared with 1992.



## 6. MONETARY POLICY AND MONEY AND CAPITAL MARKETS

### 6.1 MONETARY AND EXCHANGE RATE POLICY

#### 6.11 INSTITUTIONAL FRAMEWORK

The law of 22nd March 1993 on the status and supervision of credit institutions contains a chapter devoted to the amendment of the organic law of the Bank whereby that law is adapted, in advance, to certain requirements of the Treaty on European Union. It thus increases the Bank's autonomy in the conduct of monetary policy, which had already been strengthened by the reform of 29th January 1991.

On the one hand, the Minister of Finance and the Government Commissioner can no longer oppose the execution of decisions or transactions of the Bank when they relate to monetary policy, the carrying out of foreign exchange transactions, the management of the foreign exchange reserves or the operation of the payment systems. This provision entered into force on 19th April 1993.

On the other hand, the Bank is henceforth forbidden to grant overdrafts or any other type of credit to the institutions or organs of the European Community, to central, regional, local or public authorities, to other public bodies or enterprises of the Member States of the European Community; direct purchasing of their debt instruments from them by the Bank is also forbidden. These prohibitions entered into force on 1st July 1993.

The abolition of the Bank's advances to the Belgian State was coupled with the possibility for the Treasury of forming an interest-bearing deposit with the Bank. This deposit is governed by certain conditions, laid down in an agreement between the Minister of Finance and the Bank. This is because unexpected fluctuations in this deposit can hamper

the conduct of monetary policy by making the liquidity position of the financial intermediaries unpredictable. The Government must therefore announce in advance the expected changes in its deposit, the amount of which cannot exceed Fr. 15 billion, and must reduce any difference between the predicted and actual movements as much as possible.

The Luxembourg State, for its part, has the possibility of forming an interest-bearing deposit with the Bank to the amount of Fr. 507 million.

The interest rate applicable to the deposits of the Belgian State and the Luxembourg State is the Bank's central rate. However, a retention is applied to the interest paid to the Belgian State if the absolute difference between the actual outstanding amount of the deposit and the predicted amount, as communicated to the Bank not later than 9 a.m. on the same day, exceeds Fr. 2 million. The rate of this retention is 2 p.c. per annum.

The Belgian State had only limited recourse to this new facility, which enables it to invest its liquidity surpluses with the Bank at the end of the day: during the second half of 1993 the average amount of the deposit formed by the Treasury with the Bank was Fr. 0.8 billion. The Luxembourg State uninterruptedly maintained a deposit of the maximum amount of Fr. 0.5 billion.

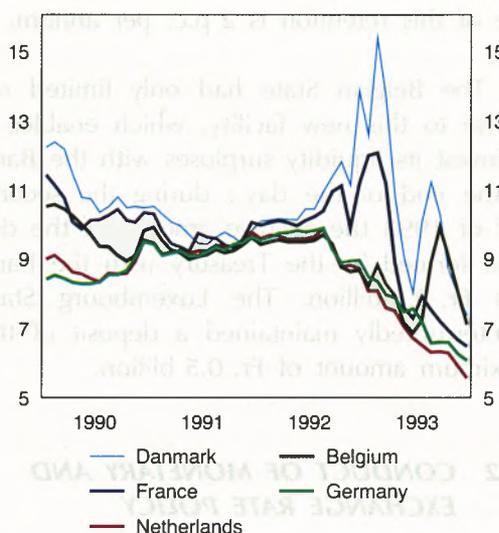
#### 6.12 CONDUCT OF MONETARY AND EXCHANGE RATE POLICY

In 1993, Belgian monetary policy was mainly influenced by two factors: the continued easing of the interest rate policy pursued in Germany and the turbulent state of the foreign exchange markets.

The decline in interest rates which began to take place in September 1992 in response

to an impulse imparted by the German central bank continued during the first half of 1993. On a number of occasions the Bank reduced its main guideline rates in consultation with the Nederlandsche Bank. Thus, after having reached a peak of 9.70 p.c. in August 1992, the central rate — which, because it can be changed daily, replaced the rate of the periodical allocations of credit as the indicator of the orientation of interest-rate policy — declined from 8.60 p.c. at the beginning of the year to 6.70 p.c. on 2nd July 1993. The discount rate and the rate for advances « above the ceiling », which both have a symbolic value, were reduced respectively from 7.75 to 6 p.c. and from 10.25 to 8.50 p.c. The money market rates followed these movements. Thus the rate for three-month deposits in Belgian francs fell from 8.7 p.c. in December 1992 to 6.9 p.c. in June 1993.

CHART 45 — INTEREST RATES ON THREE-MONTH EURO-DEPOSITS



Source : NBB.

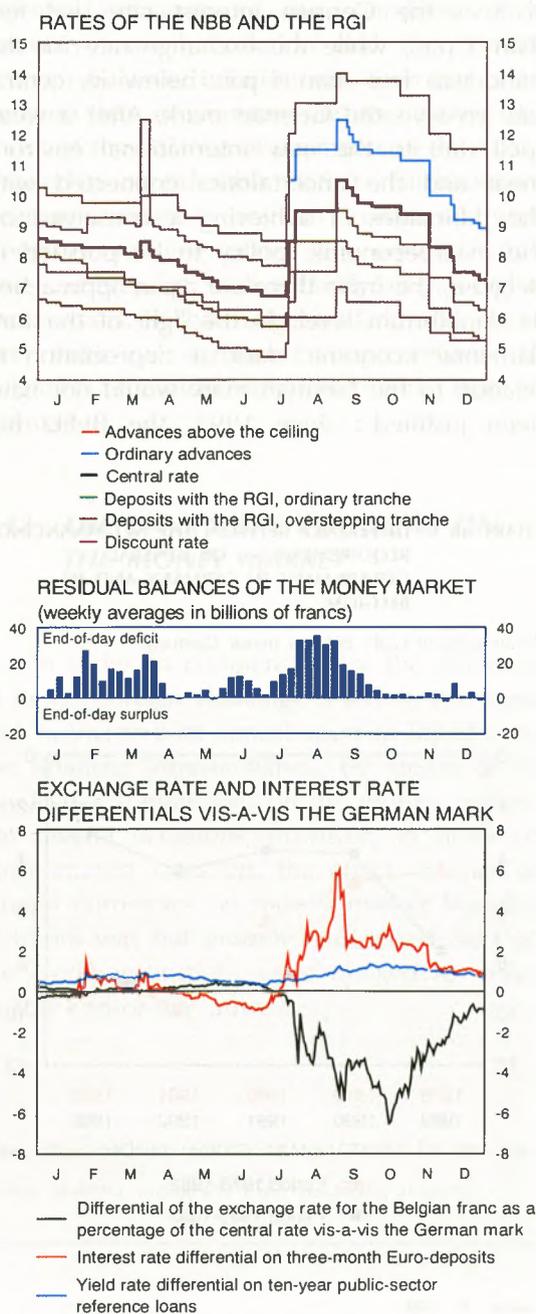
During this period the market rate for the Belgian franc was generally above its central rate vis-à-vis the German mark. It did, however, come under slight pressure on two oc-

casions, commented on in section 5.4. In both cases the Bank reacted quickly and vigorously by using the weapon of interest rates. At the beginning of February it pushed up short-term rates, chiefly by restricting the liquidity granted to the financial intermediaries. While leaving its central rate unchanged, it also widened the differential between the rate for ordinary current account advances and that for ordinary deposits with the RGI, which were fixed on 10th February at 9.30 and 7.30 p.c. respectively. This differential of 1 p.c. on either side of the central rate, which gives greater scope to the market in the determination of very-short-term rates while at the same time making the Bank's liquidity-management role more important, was not reduced after that. At the end of March the Bank deemed it appropriate to react more openly to the pressures on the franc caused by the Government's offer to resign. On 24th March it raised the central rate from 8 to 8.50 p.c., the rate for ordinary advances from 9 to 10 p.c. and the rate for advances above the ceiling from 9.75 to 12.50 p.c. These measures allowed the exchange rate for the franc to return to above the central rate vis-à-vis the German mark, and they could thus be quickly reversed. In the second quarter the exchange rate for the franc remained above its parity vis-à-vis the mark, while short-term interest rates were below the German rates.

The growing tensions within the EMS at the end of July induced the Bank to raise its guideline rates on 23rd, 26th and 30th July : the central rate thus rose from 6.70 to 9.50 p.c., the rate for ordinary advances from 7.70 to 11.50 p.c. — the differential from the central rate reaching 2 p.c. — and the rate for advances above the ceiling from 8.50 to 13 p.c.

After the widening, on 2nd August, of the fluctuation margins of the currencies participating in the exchange rate mechanism of the EMS, the Bank was confronted with a new environment in which the pursuit of the exchange rate aim was less easy. In the course of August it displayed its determination to pursue a strict policy by maintaining an upward pressure on short-term interest rates. It

CHART 46 — CONDUCT OF MONETARY POLICY IN 1993



Source : NBB.

exerted this pressure without changing its guideline rates but by granting the financial intermediaries, within the framework of its day-to-day transactions on the money market, considerably less liquidity than they needed,

thus forcing them to resort to the ordinary end-of-day advances.

At first, this policy of relatively high short-term interest rates bore fruit and the franc twice reattained its old fluctuation margin against the mark. At the end of August, however, the franc's image received a severe blow, for the reasons stated in section 5.4. Under these circumstances, the raising of all the Bank's rates by 1 p.c., announced on 2nd September, was unable to prevent the franc from continuing to depreciate — partly, it is true, owing to a brief strengthening of the German mark against most of the currencies.

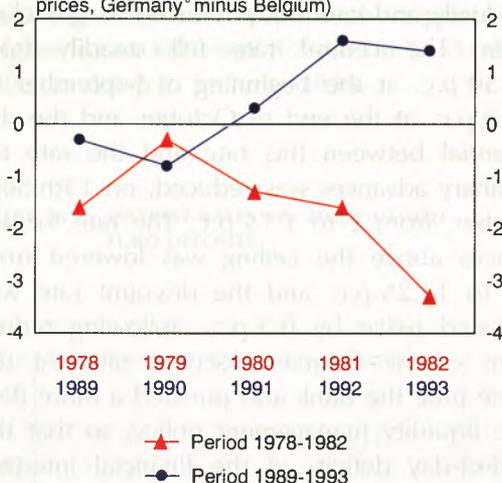
From 10th September onwards the Bank gradually and cautiously reduced its guideline rates. The central rate fell steadily from 10.50 p.c. at the beginning of September to 9.40 p.c. at the end of October and the differential between this rate and the rate for ordinary advances was reduced, on 13th September, from 2 to 1.75 p.c. The rate for advances above the ceiling was lowered from 14 to 13.25 p.c. and the discount rate was reduced twice by 0.5 p.c., following reductions of the German discount rate. At the same time the Bank also pursued a more flexible liquidity management policy, so that the end-of-day deficits of the financial intermediaries decreased.

The adoption by the Government, on 17th November, of the global plan for employment, competitiveness and social security greatly contributed to increasing the credibility, especially in the international financial centres, of the economic policy pursued in Belgium. The Bank was thus able to lower its official interest rates further without this decision having any adverse effect on the exchange rate for the franc. The central interest rate was fixed at 8.30 p.c., the rate for ordinary advances at 10 p.c., the rate for advances above the ceiling at 12 p.c. and the discount rate at 5.50 p.c. This reduction immediately affected the market rates and the three-month interest rate differential in relation to Germany, which had fluctuated between 2 and 3 p.c. since mid-September, fell below 1.5 p.c.

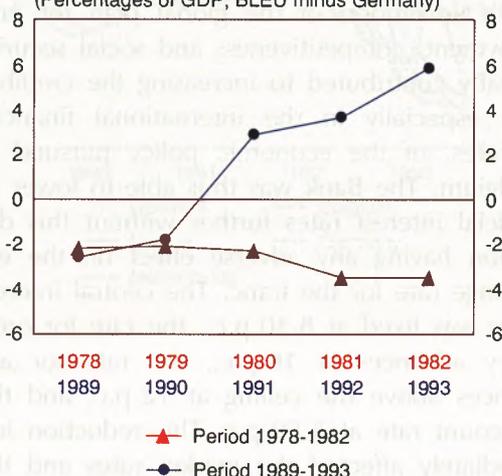
The appreciation of the franc and the falls in interest rates in Germany and the Netherlands enabled the Bank to lower its rates further in December: the central rate and the rate for ordinary advances were reduced respectively to 7.25 and 8.95 p.c., the rate for advances above the ceiling to 11.50 p.c. and the discount rate to 5.25 p.c.

CHART 47 — DIFFERENCES BETWEEN INFLATION RATES AND CURRENT ACCOUNT SURPLUSES BETWEEN GERMANY AND BELGIUM<sup>1</sup>

DIFFERENCE IN INFLATION RATE  
(Percentage change in the index of consumer prices, Germany<sup>1</sup> minus Belgium)



DIFFERENCE IN CURRENT ACCOUNT BALANCE  
(Percentages of GDP, BLEU minus Germany)



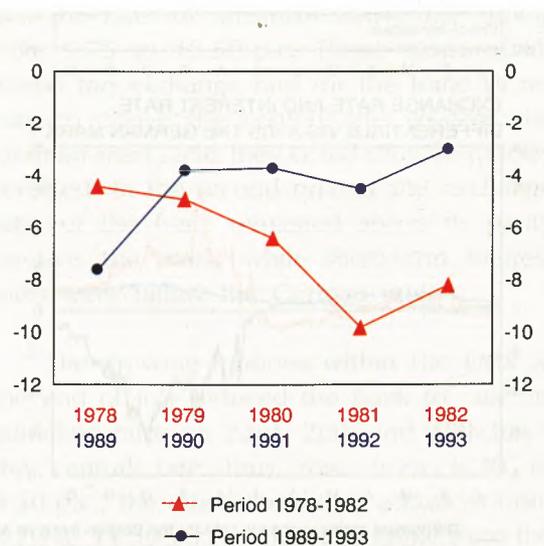
Sources: EC, NBB.

<sup>1</sup> A positive value indicates better performances by Belgium than by Germany.

At the end of the year, the interest rate on three-month deposits in Belgian francs had returned to its June level and the differential vis-à-vis the German interest rate was less than 1 p.c., while the exchange rate for the franc was less than 1 p.c. below its central rate vis-à-vis the German mark. After a weak spell due to the new international environment and the uncertainties connected with the difficulties of achieving a consensus on the macroeconomic policy to be pursued in Belgium, the franc therefore again approached its equilibrium level. In the light of the fundamental economic data, a depreciation in relation to the German mark would not have been justified: since 1991, the BLEU has

CHART 48 — DIFFERENCE BETWEEN THE NET FINANCING REQUIREMENT (-) OF GENERAL GOVERNMENT IN GERMANY AND IN BELGIUM<sup>1</sup>

(Percentages of GDP, Belgium minus Germany)



Sources: EC, NBB.

<sup>1</sup> A negative value means that the net financing requirement of Belgian general government is greater than that of German general government.

achieved a current account surplus in excess of 2 p.c. of GDP, and as much as 4.7 p.c. in 1993, whereas the German current account showed deficits of over 1 p.c. of GDP; in 1992 and 1993 the inflation rate was about 2.5 p.c. in Belgium, whereas it reached 4 p.c. in Germany.

The present situation therefore differs radically from that which revealed at the beginning of the 1980s as regards the two essential indicators of the soundness of a currency, namely inflation and the current account balance. Inflation was then higher in Belgium than in Germany and the current account of the balance of payments of the BLEU showed a considerable deficit. Furthermore, Belgium's relative position compared with Germany had deteriorated very rapidly at that time, whereas it has distinctly improved in recent years. In the budgetary field, too, there has been a significant improvement in Belgium's situation compared with that of Germany.

### 6.13 THE BANK'S TRANSACTIONS ON THE MONEY MARKET

In order to compensate for the decrease in its net foreign exchange reserves, the Bank had to increase its contribution of liquidity to the financial intermediaries, by means of its day-to-day transactions on the money market. On several occasions, however, in order to push interest rates up, the effect of sales of foreign currencies on money market liquidity in francs was not entirely neutralised, so that the credit institutions were obliged to resort to the end-of-day advances.

The Bank increased the outstanding amount of its claims due to very-short-term repurchase agreements and also its portfolio of public debt securities bought on the secondary market. On the other hand, the outstanding amount of the credits granted by tender, the frequency of which had been halved at the end of 1992, decreased further during the year under review; it increased, however, at the end of December. All the credit allocations took place at a single interest rate and for a period of one week. During the months of February to April and from July to September, the Bank limited the amounts which could be requested by tenderers from their credit lines, at the time of the allocations, in order to avoid excessive requests. The small amount of the liquidity granted by the Bank in October and November at the weekly credit auctions is attributable, on the other hand, to the drying-up of requests for funds from the financial intermediaries, who expected a fall in interest rates.

### 6.14 FORMATION OF INTEREST RATES ON THE MONEY AND CAPITAL MARKETS

Since the reform of January 1991, the formation of interest rates in the two compartments of the money market, namely the interbank market and the market for Treasury

TABLE 35 — MONEY MARKET TRANSACTIONS OF THE NATIONAL BANK OF BELGIUM IN 1993

(Billions of francs, averages of daily outstanding amounts)

|  | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|--|-------------|-------------|-------------|-------------|
| <b>Regulation of the money market</b> .....                    | 71          | 99          | 116         | 172         |
| Commercial bills mobilised .....                               | 4           | 4           | 4           | 4           |
| Credits granted by tender .....                                | 15          | 23          | 15          | 11          |
| Claims resulting from direct interventions on the money market | 51          | 72          | 97          | 157         |
| Public debt securities purchased on the secondary market ..... | 9           | 21          | 21          | 33          |
| Other <sup>1</sup> .....                                       | 42          | 51          | 76          | 123         |
| <b>Covering of the end-of-day deficit</b> .....                | 13          | 7           | 20          | 2           |
| of the Treasury and the Securities Regulation Fund .....       | 7           | 5           | —           | —           |
| of the financial intermediaries .....                          | 6           | 2           | 20          | 2           |

<sup>1</sup> These are mainly claims resulting from very-short-term repurchase agreements.

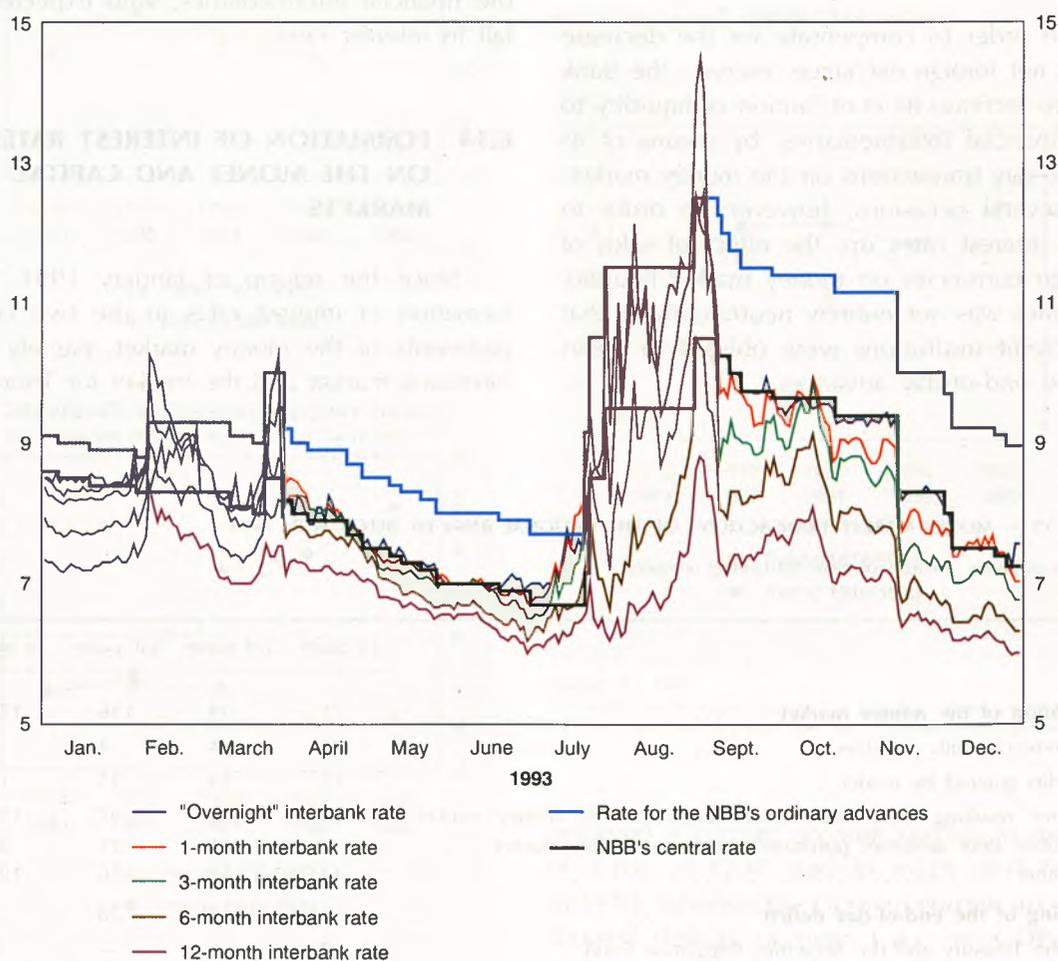
certificates, has been affected to a greater extent by market mechanisms and the interest rates in these compartments are at the same time influenced by the Bank's monetary policy measures.

The Bank exerts a very direct influence on the overnight rate via the fixing of the rates for its end-of-day facilities and by its management of money market liquidity, because it is able in this way to influence the credit institutions' marginal financing cost, which corresponds to the central rate when the residual deficit or surplus of the money market is small, but which may rise to the rate for ordinary advances when liquidity be-

comes tight. The elimination of the element of uncertainty constituted by the line of advances to the Treasury and the latter's compliance with the agreements concerning its deposit have increased the effectiveness of the management of money market liquidity by enabling the Bank to foresee the credit institutions' end-of-day balances more accurately.

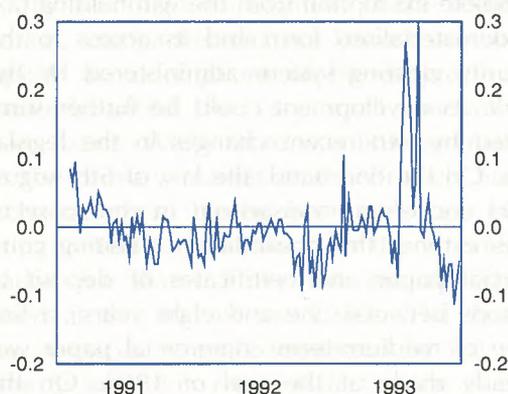
The longer the term of interbank transactions, the more the interest rates for them are dependent on the expectations of market operators and on their interpretation of the signals given by monetary policy. They are thus influenced by the movement of German interest rates and by that of the exchange rate

CHART 49 — INTEREST RATES OF THE NBB AND INTERBANK RATES



Source : NBB.

CHART 50 — DIFFERENCE BETWEEN THE ISSUE RATE OF THREE-MONTH TREASURY CERTIFICATES<sup>1</sup> AND THE AVERAGE THREE-MONTH INTERBANK RATE<sup>2</sup>



Source : NBB.

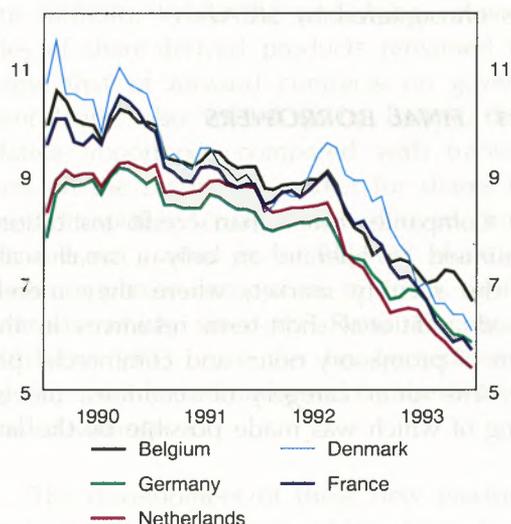
<sup>1</sup> Average rate of allocations by tender.

<sup>2</sup> Average of bid and offered rates at the time of the allocations of Treasury certificates.

for the franc, these being variables which market operators take into account in predicting the Bank's reactions. Yield rates for periods from one to twelve months declined throughout the year, meaning that a general downward trend of money market rates was expected. In particular, the rises in very-short-term interest rates in the third quarter were regarded as temporary, and therefore were only reflected to a limited extent in the rates for longer-term transactions.

On the primary market for Treasury certificates, rates continued to be generally slightly below the average of bid and offered interbank rates for transactions for the same term. During the periods of tension, however, the issue rates of Treasury certificates rose above the average interbank rates, despite the Treasury's restrictive attitude when making the allocations : for the first time since the middle of 1991, the difference was positive in the case of two twelve-month allocations and one six-month allocation ; for three months the difference rose six times above 0.1 p.c., an unprecedented differential. This situation, which was coupled with a widening of the margin between bid and offered interbank rates due

CHART 51 — LONG-TERM YIELD RATES ON THE SECONDARY MARKET



Source : NBB.

to the greater volatility of rates, reflects particular caution on the part of the tendering financial institutions, which could run the risk of losses at very short term if interest rates were to rise.

In the same way as money market interest rates, yield rates on the bond market were also caught up in the downward movement which began in 1992 and was temporarily interrupted in the third quarter of 1993. The changes in these interest rates at the time of the tensions on the foreign exchange markets were, however, much smaller. Over the year as a whole the decline in the yield rate of government loans for six years and over, from 7.9 p.c. in December 1992 to 6.4 p.c. at the end of 1993, was slightly smaller than that of three-month rates.

## 6.2 SECURITY MARKET

During the first nine months of 1993 the net amount of the security issues made directly by the final borrowers was distinctly smaller than the 1992 figure. On the other

hand, total net issues by borrowers acting as intermediaries, i.e. credit institutions and collective investment undertakings, were higher than in the previous year, owing to the success encountered by SICAVs.

## 6.21 FINAL BORROWERS

Companies other than credit institutions continued to operate on only a small scale on the security market, where they merely raised additional short-term resources in the form of promissory notes and commercial paper. The latter category of securities, the issuing of which was made possible by the law

of 22nd July 1991, is of more recent date and has developed more slowly than promissory notes, which are issued outside this legal framework. Commercial paper does, however, enjoy certain specific advantages, such as complete exemption from the withholding tax, its dematerialised form and its access to the security clearing system administered by the Bank. Its development could be further stimulated by two recent changes in the legislation. On the one hand, the law of 6th August 1993 concerning transactions in certain securities extends the possibilities of issuing commercial paper and certificates of deposit to periods between one and eight years; a first issue of medium-term commercial paper was already made at the end of 1993. On the

TABLE 36 — NET ISSUES OF SECURITIES IN BELGIAN FRANCS<sup>1</sup>

(Billions of francs)

|  | 1989 | 1990 | 1991 | 1992 | First nine months |                  |
|--|------|------|------|------|-------------------|------------------|
|  |      |      |      |      | 1992              | 1993             |
| <b>1. Final borrowers</b>  | 493  | 568  | 630  | 745  | 577               | 230              |
| Companies (excluding credit institutions)                          | 113  | -32  | 36   | 26   | 7                 | 13               |
| Shares <sup>2</sup>  | 110  | 18   | 41   | 16   | 11                | 15               |
| Bonds  | 3    | -51  | -10  | -15  | -20               | -14              |
| Commercial paper and promissory notes                              | -    | 1    | 5    | 25   | 16                | 12               |
| General government   | 339  | 502  | 497  | 602  | 512               | 154              |
| Bonds  | 193  | 393  | 510  | 637  | 304               | 163              |
| Linear bonds   | 82   | 273  | 935  | 963  | 475               | 943              |
| Loans subject to the 10,3 p.c. withholding tax <sup>3</sup>        | -    | 244  | 227  | 140  | 119               | 280              |
| Loans subject to the 25,75 p.c. withholding tax <sup>4</sup>       | 111  | -124 | -652 | -466 | -290              | -1,060           |
| Treasury certificates <sup>5</sup>                                 | 146  | 109  | -13  | -35  | 208               | -9               |
| Rest of the world  | 41   | 98   | 97   | 117  | 58                | 63               |
| <b>2. Other borrowers</b>  | 182  | 338  | 444  | 539  | n.                | n.               |
| Credit institutions <sup>6</sup>                                   | 47   | 431  | 374  | 329  | 262               | 144              |
| Collective investment undertakings making public issues in Belgium | 135  | -93  | 70   | 210  | 89 <sup>7</sup>   | 231 <sup>7</sup> |
| Belgian undertakings   | -3   | -15  | 42   | 94   | 33 <sup>7</sup>   | 61 <sup>7</sup>  |
| Foreign undertakings   | 138  | -78  | 28   | 116  | 56 <sup>7</sup>   | 170 <sup>7</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, and shares issued by financial intermediaries.

<sup>3</sup> Raised to 13,39 p.c. on 1st January 1994.

<sup>4</sup> Including loans subject to withholding tax at rates other than 10,3 or 25,75 p.c. or exempt from withholding tax.

<sup>5</sup> Including commercial paper issued by the communities and regions.

<sup>6</sup> These amounts include notes, bonds and promissory notes issued by credit institutions.

<sup>7</sup> Data for the first six months.

other hand, the Royal Decree of 29th November 1993 made the conditions to be complied with by issuers of commercial paper and certificates of deposit more flexible.

In the long-term segment of the security market, companies did not attract any new capital, as redemptions of bonds practically counterbalanced the very small amount of share issues. While there was little animation on the primary market of the Brussels Stock Exchange, there having been only one new listing in 1993, transactions on the secondary market for shares broke the records established at the end of the 1980s. The steady rise in prices, strongly supported by the decline in long-term rates, in fact made investment in shares more attractive.

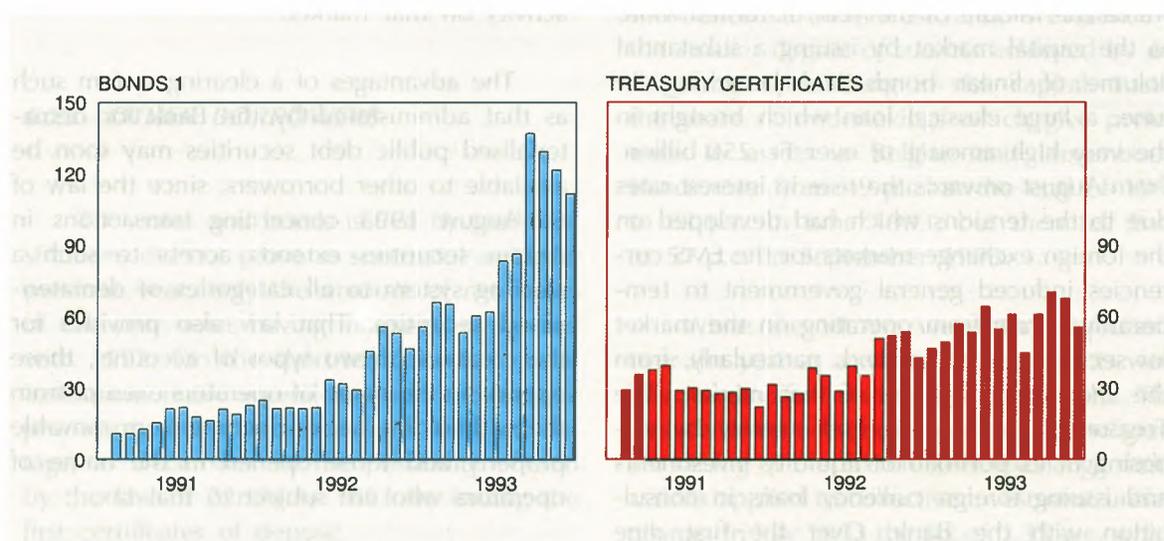
Activity also increased on the market for products derived from shares. The Belgian Futures and Options Exchange (BELFOX) further widened its range of options on individual shares. In April it began to negotiate options on the stock exchange index of the twenty most important Belgian shares which are listed on the Brussels Stock Exchange and in Octo-

ber it introduced forward contracts on this BEL-20 Index. At the same time, BELFOX added several further terms to its range of forward contracts on the interbank interest rate (BIBOR). While the underlying value of sales of share-derived products remained far below that of forward contracts on government loans, also traded in by Belfox, their relative importance compared with transactions on the secondary market for shares increased rapidly. Actually, such derived products are not traded in by BELFOX alone, as some companies introduced, in 1993, similar contracts which, since the Royal Decree of 14th May 1993, can also be quoted on a regulated market administered by the Brussels Stock Exchange.

The development of these new products reinforces the measures which have been taken, step by step, since 1990 in order to modernise the stock market. Further measures will have to be adopted in order to transpose into Belgian legislation the European directive of 10th May 1993 concerning investment services in the field of securities and that of 15th March 1993 concerning the capital ade-

CHART 52 — VOLUME OF TRANSACTIONS ON THE SECONDARY MARKET FOR PUBLIC DEBT SECURITIES DEALT WITH BY THE SECURITIES CLEARING SYSTEM ADMINISTERED BY THE NBB

(Daily averages per month, in billions of francs)



Source : NBB.

<sup>1</sup> The majority of the transactions in government bonds on the secondary market are settled via the securities clearing system administered by the Bank. At the same time, stock exchange transactions in non-dematerialised government loans and certain dealings in these securities outside the stock exchange are settled through other channels; however, they represent only a few billion francs per day.

TABLE 37 — RELATIVE IMPORTANCE OF THE MARKET FOR BONDS IN LUXEMBOURG FRANCS IN 1993<sup>1</sup>

(Monthly averages)

|   | Amount of issues or allocations<br>(Billions of francs)<br>(1) | Number of issues or allocations<br>(2) | Average amount per issue or allocation<br>(Billions of francs)<br>(1) : (2) |
|---|--|--|---|
| Euro-bonds and international bonds                |  |  |   |
| Issues in Luxembourg francs .....                 | 13   | 12                                     | 1   |
| Issues in all currencies on all markets .....     | 1,257  | 211                                    | 6   |
| Linear bonds                                      |  |  |   |
| Allocations in Luxembourg francs .....            | 2  | 1                                      | 2   |
| Allocations in Belgian and Luxembourg francs .... | 100  | 7                                      | 14  |

Sources : Euromoney, NBB.

<sup>1</sup> The annual averages of issues of Euro-bonds and international bonds were calculated for the period from the beginning of January to the end of November. For linear bonds in Luxembourg francs, for which the allocation procedure did not start until October 1993, the monthly average was calculated for the last quarter of the year.

quacy of investment undertakings and credit institutions. These measures will apply to, among other things, direct access by credit institutions to the stock exchange, the types of intermediaries and their function, and also surveillance of the solvency of stock exchange companies.

In 1993 general government's new issues did not take place at regular intervals throughout the year. During the first months the Treasury, expecting a further fall in long-term rates, chiefly increased its liabilities in the form of Treasury certificates. Subsequently, towards the middle of the year, it turned more to the capital market by issuing a substantial volume of linear bonds and launching, in June, a large classical loan which brought in the very high amount of over Fr. 250 billion. From August onwards the rises in interest rates due to the tensions which had developed on the foreign exchange markets for the EMS currencies induced general government to temporarily refrain from operating on the market for securities in francs and, particularly, from the short-term segment of that market. The Treasury then financed itself mainly by disposing of its portfolio of liquidity investments and issuing foreign currency loans in consultation with the Bank. Over the first nine months as a whole, general government's new issues in francs therefore amounted to only Fr. 154 billion and were made exclusively on

the capital market. On the short-term market the Treasury made net repayment of Treasury certificates, while the Flemish community made its first issue of commercial paper in January 1993.

On the secondary market for public debt securities, the volume of transactions increased further in 1993. The rise was particularly marked in the case of transactions in bonds, which actually reached a daily average of Fr. 137 billion in September. The high degree of volatility of interest rates during the second half of the year indisputably stimulated activity on that market.

The advantages of a clearing system such as that administered by the Bank for dematerialised public debt securities may soon be available to other borrowers, since the law of 6th August 1993 concerning transactions in certain securities extends access to such a clearing system to all categories of dematerialised securities. That law also provides for the creation of two types of accounts, those opened in the name of operators exempt from the withholding tax on income from movable property and those opened in the name of operators who are subject to that tax.

The stabilisation of the volume of net issues of bonds in francs by non-residents would appear to be solely due to the decrease

in redemptions of old loans, since gross issues decreased markedly, activity having contracted particularly on the market for bonds in Luxembourg francs. Traditionally the number of Euro-issues or international issues in Luxembourg francs is very high, but the amount of each operation remains rather small. The liquidity of the securities is therefore restricted, and that is reflected in an increase in the rates which often comes on top of the surcharge normally applied for issues of subordinated loans, which account for a substantial proportion of the activity of the market. By creating, in October 1993, linear bonds, i.e. securities of the same loan which are issued in successive tranches, the Luxembourg Government endeavoured to develop a more liquid market. In comparison with the market for private-sector bonds in Luxembourg francs, the possibilities of growth of this new market are obviously much more limited, owing to the modest extent of the financing requirements of general government in Luxembourg. Thanks to this scarcity factor, linear bonds can be issued on terms which are particularly favourable to the borrower. The very different situations in the two segments of the market for bonds in Luxembourg francs therefore played a part in creating, between the private-sector and public-sector issues, an interest rate differential of about 1 p.c., which is much greater than that between issues of the same type in other currencies.

## 6.22 OTHER BORROWERS

The notes and bonds issued by credit institutions did not prove as successful as in the previous year, only the amount of net issues of one-year notes having increased compared with 1992. On the short-term market, credit institutions made several issues in the form of promissory notes and one bank took advantage, in December, of the possibility offered by the law of 22nd July 1991 by issuing the first certificates of deposit.

Net issues of units of collective investment undertakings reached Fr. 231 billion

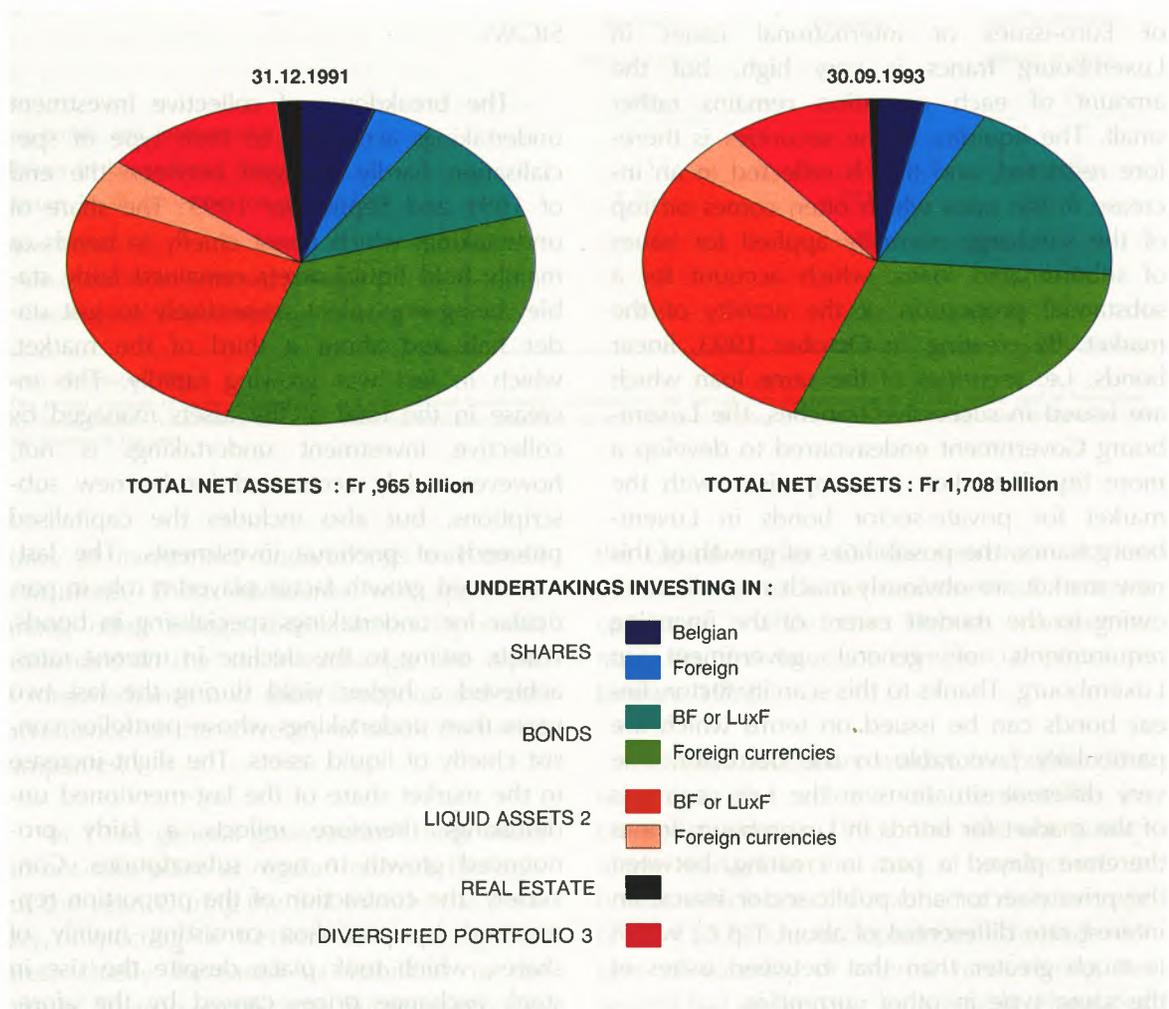
during the first half of 1993 alone, thus exceeding the total amount of net issues in 1992. There was a substantial expansion in the activity of both Belgian and Luxembourg SICAVs.

The breakdown of collective investment undertakings according to their type of specialisation hardly changed between the end of 1991 and September 1993. The share of undertakings which invest chiefly in bonds or mainly hold liquid assets remained fairly stable, being equivalent respectively to just under half and about a third of the market, which in fact was growing rapidly. This increase in the total of the assets managed by collective investment undertakings is not, however, solely accounted for by new subscriptions, but also includes the capitalised proceeds of previous investments. The last-mentioned growth factor played a role in particular for undertakings specialising in bonds, which, owing to the decline in interest rates, achieved a higher yield during the last two years than undertakings whose portfolios consist chiefly of liquid assets. The slight increase in the market share of the last-mentioned undertakings therefore reflects a fairly pronounced growth in new subscriptions. Conversely, the contraction of the proportion represented by portfolios consisting mainly of shares, which took place despite the rise in stock exchange prices caused by the aforementioned fall in interest rates, is evidence of the smaller degree of success achieved by undertakings specialising in risk capital. Lastly, the share of undertakings which give preference to assets in Belgian and Luxembourg francs rose from 49 p.c. at the end of 1991 to 61 p.c. in June 1993, but then fell back to 57 p.c. in September 1993.

While the SICAVs were again successful over the year as a whole, their products were less sought after during the last months. This was certainly not unconnected with the gradual raising of the tax on stock exchange transactions applied to collective investment undertakings. In July 1993 the tax of 0.35 p.c. which had up till then been levied only upon the purchase of units of investment companies or investment trusts, was extended to changes of

**CHART 53 — BREAKDOWN BY SPECIALISATION OF COLLECTIVE INVESTMENT UNDERTAKINGS MAKING PUBLIC ISSUES IN BELGIUM<sup>1</sup>**

(Net assets in billions of francs)



Source : Belgian Association of Collective Investment Undertakings.

<sup>1</sup> Units issued by undertakings which are members of the Belgian Association of Collective Investment Undertakings. These account for about 95 p.c. of the total market.

<sup>2</sup> Time deposits and securities with a remaining period to maturity of less than 18 months.

<sup>3</sup> Mixed collective investment undertakings and pension-savings funds.

compartment within the same SICAV and to sales of units of SICAVs. The overall plan for employment, competitiveness and social security subsequently introduced an increase in that tax, which was raised, for capitalisation SICAVs alone and with effect from 1st January 1994, to 1 p.c. upon purchase or the changing of compartments and to 0.50 p.c. for sales. On the other hand, for distribution SICAVs this tax was reduced from 0.35 p.c. to 0.14 p.c. for purchases and was abolished in respect of sales and changes of compartment.

These tax retentions come on top of the entry or leaving fees charged by the collective investment undertakings themselves, so that purchases of units issued in Belgium by these undertakings and, more specifically, purchases of shares of capitalisation SICAVs must be primarily regarded as long-term investments. In order to be able to offer assets more specifically designed for the building up of long-term savings, some undertakings widened their product range by offering investments in shares and bonds with a guaranteed minimum

yield. Some insurance companies also marketed new products, such as life insurance linked with investment funds and also insurance bonds. The development of such instruments might counterbalance the loss of attractiveness of pension-savings funds, which have become less advantageous from the tax point of view.

### 6.3 CREDIT INSTITUTIONS

The legal provisions governing banking activity were radically changed by the law of 22nd March 1993 concerning the status and supervision of credit institutions. This law transposes into Belgian legislation the European Directive of 15th December 1989 for the co-ordination of legislative, regulatory and administrative provisions concerning access to and exercise of the activity of credit institutions and the Directive of 6th April 1992 concerning the supervision of credit institutions on a consolidated basis. Henceforth, any credit institution which is approved in one of the countries of the European Union can offer its financial services in Belgium, the principle of mutual recognition of the status and approvals granted in the country of origin of the credit institutions being now applicable under Belgian law. According to this principle, the supervision of branches established in Belgium and of the services rendered there by credit institutions of other members of the European Union is the responsibility of the authorities of the country of origin. As the host country, the Belgian authorities nevertheless retained certain powers, especially with regard to the supervision of liquidity. The supervision of the activity of credit institutions has been based since 1st January 1993 on a new periodical information document concerning financial data, called Layout A, which these credit institutions have to submit to the Bank and the Banking and Financial Commission. The law also introduces two other important innovations. It gives credit institutions the possibility of holding, up to 35 p.c. of their own funds, participations in industrial and commercial enterprises. It also makes it possible to make the agreed clearing of interbank claims enforceable against third parties, subject to certain conditions.

This radical reform of the whole of Belgian legislation concerning credit institutions is applicable to all categories of institutions, which are henceforth subject to the same rules regarding status and supervision. The law of 22nd March 1993 is thus the legal enshrinement of a tendency which had already manifested itself for many years in the financial sector. While credit institutions were for a long time divided into three major groups — banks, savings banks and public credit institutions — which concentrated their respective activities on specific segments of the market, this structure has been changed by the progressive despecialisation of each of these categories of institutions. In 1993 this departmenting was further accentuated by some important institutional changes concerning public credit institutions. At the end of the year, 49.9 p.c. of the shares of GSPF Bank and GSPF Insurance Funds, previously held by GSPF Holding, were sold to the private sector. In order to prepare for the privatisation of the National Industrial Credit Company, that company was authorised to engage in all banking functions. Lastly, the National Fund for Credit to Trade and Industry and the National Institute for Agricultural Credit were recapitalised and the structure of the latter company was also changed. As the legal and institutional differences between categories of institutions have thus been largely blurred, it seemed interesting to compare the structure of the balance sheets of credit institutions no longer on the basis of the classical subdivision between banks, savings banks and public credit institutions but according to the size of the institutions and the currencies in which they conduct the greater part of their activity.

The claims on general government which the various categories of institutions have built up by granting credits or purchasing securities represent by far the most important item on the assets side of their balance sheet in francs. With regard to credits granted to other domestic sectors, the various types of institutions appear to be more specialised. Those whose activity is carried out predominantly in foreign currencies grant hardly any loans in francs to individuals and one-man businesses. In the

TABLE 38 — THE CREDIT INSTITUTIONS' BALANCE SHEET STRUCTURE IN BELGIAN FRANCS AS AT 30TH SEPTEMBER 1993

(Percentages of total assets in Belgian francs)

|  | Seven major credit institutions <sup>1</sup> | Other credit institutions carrying out the majority of their transactions in Belgian francs <sup>2</sup> | Credit institutions carrying out the majority of their transactions in foreign currencies <sup>3</sup> | Total   |
|--|--|--|--|---------|
| <b>Assets</b>  |  |  |  |         |
| Credits .....  | 54.6   | 50.1   | 34.3   | 52.1    |
| companies .....  | 21.0   | 20.0   | 25.9   | 21.1    |
| individuals and one-man businesses .....   | 21.9   | 24.2   | 1.0  | 21.0    |
| general government .....   | 10.4   | 4.8  | 4.1  | 8.6     |
| foreign countries .....  | 1.3  | 1.2  | 3.2  | 1.4     |
| Treasury certificates .....  | 8.0  | 8.3  | 20.3   | 8.9     |
| Long-term government securities .....  | 28.5   | 30.6   | 25.7   | 28.8    |
| Other .....  | 8.9  | 11.0   | 19.7   | 10.2    |
| Total .....  | 100.0  | 100.0  | 100.0  | 100.0   |
| <b>Liabilities</b>   |  |  |  |         |
| Time deposits of one million and over at up to one year .....                        | 18.4   | 10.4   | 16.0   | 16.3    |
| companies .....  | 5.7  | 3.3  | 10.3   | 5.4     |
| individuals and one-man businesses .....   | 7.0  | 5.4  | 1.9  | 6.2     |
| general government .....   | 1.4  | 1.1  | 0.8  | 1.3     |
| foreign countries .....  | 4.3  | 0.7  | 3.0  | 3.3     |
| Sight deposits, ordinary savings deposits and other deposits at up to one year ..... | 32.3   | 32.7   | 10.2   | 30.9    |
| companies .....  | 3.9  | 3.1  | 5.6  | 3.9     |
| individuals and one-man businesses .....   | 26.1   | 27.9   | 2.8  | 25.0    |
| general government .....   | 1.1  | 1.0  | 0.1  | 1.0     |
| foreign countries .....  | 1.2  | 0.7  | 1.7  | 1.1     |
| Notes and time deposits at over one year ..  | 35.6   | 36.9   | 0.7  | 33.6    |
| Net interbank loans .....  | 0.1  | 1.1  | 45.6   | 3.4     |
| Other <sup>4</sup> .....   | 13.6   | 18.9   | 27.5   | 15.8    |
| Total .....  | 100.0  | 100.0  | 100.0  | 100.0   |
| p.m. Percentage of the total for all credit institutions .....                       | (68.6)                                       | (24.7)   | (6.7)  | (100.0) |

Source : NBB.

<sup>1</sup> These are credit institutions whose balance sheet total in Belgian francs is greater than Fr. 600 billion, i.e. at present the three main banks, the two major public credit institutions and the two main savings banks.<sup>2</sup> These are credit institutions governed by Belgian law whose balance sheet total in Belgian francs is below Fr. 600 billion and more than a half of whose total liabilities are expressed in Belgian francs.<sup>3</sup> These are credit institutions governed by Belgian law whose balance sheet total in Belgian francs is below Fr. 600 billion and more than a half of whose total liabilities are expressed in foreign currencies, and also credit institutions governed by foreign law.<sup>4</sup> Including net spot liabilities in foreign currencies.

group of credit institutions whose transactions take place essentially in francs, individuals and one-man businesses constitute the preferred market of small institutions, which turn to this sector more than the seven largest institutions. On the liabilities side of the balance sheet, another segmentation is beginning to emerge for the collection of short-term resources, with the seven largest banking institutions collecting more large deposits than the other institutions which operate chiefly in francs. Credit insti-

tutions more than a half of whose liabilities are expressed in foreign currencies raise, for their part, the bulk of their resources in francs on the interbank market.

The actual importance of the last-mentioned market does not become at all clear from a consolidated balance sheet of resident credit institutions, in which interbank claims and debts have been offset against each other, so that all that remains is the net lia-

bilities in francs vis-à-vis foreign credit institutions, particularly Luxembourg establishments. Transactions on the interbank market do, however, involve very large sums. The gross debts in francs of all Belgian credit institutions vis-à-vis Belgian and foreign institutions in fact amounted to Fr. 2,037 billion at the end of September 1993, including Fr. 380 billion in respect of repurchase agreements relating to securities. The last-mentioned type of transactions continued to grow, the average daily volume of repurchase agreements concluded having, according to data from the securities clearing system administered by the Bank, almost trebled between the fourth quarter of 1992 and the fourth quarter of 1993.

Actually, interbank transactions in Belgian francs are not confined to those which lead to the recording of claims and debts in the balance sheets of credit institutions. Thus, the amount of the loans underlying contracts concluded by Belgian credit institutions for the purpose of covering the interest-rate risk in Belgian francs and recorded outside the balance sheet — swaps, forward contracts and interest rate options — was Fr. 4,006 billion at the end of September 1993.

Transactions of this type are not in fact performed only on interest rates but also on foreign currencies or securities. Apart from such transactions, the off-balance-sheet activities of credit institutions also include the granting of guarantees and the placing or receiving on deposit of valuables and claims. The total amount of off-balance-sheet items has grown greatly and at present represents a multiple of the total of the assets of credit institutions. This development is chiefly attributable to the desire to reduce capital requirements. In September 1993 nearly all credit institutions were complying with the European norm regarding solvency, which requires the maintenance of a ratio of 8 p.c. between, on the one hand, assets and off-balance-sheet items, weighted with the risk, and, on the other hand, own funds.

Among the decisions adopted in order to complete the European internal market, mention should also be made of the common position adopted on 25th October 1993 by the Council of the European Union on the proposal for a directive concerning the harmonisation of deposit guarantee systems. The system in force in Belgium, which guarantees to each depositor a repayment of up to Fr. 500,000 in the event of default by a credit institution will have to be adapted so as to guarantee a minimum repayment of ECU 15,000 from 1995 onwards. This amount will have to be increased to ECU 20,000 by the year 2000. Likewise in accordance with the European norms on the subject, the law of 11th January 1993 concerning prevention of the use of the financial system for the purpose of laundering funds lays down the measures to be taken by financial undertakings to detect and report to the authorities any transactions which might be carried out for such purposes.

All these amendments to the legislative, regulatory and administrative provisions which govern the conditions of activity of credit institutions demand great efforts of adaptation on the part of a sector which, at the same time, has to contend with strong international competition. Credit institutions were nevertheless able, however, to derive advantage in 1993 from several developments on the financial market which helped to improve their profitability. Thus, the fall in long-term interest rates enabled them to obtain considerable capital gains on their security portfolios. Commissions also represented an abundant source of income, more particularly those charged on the sales of units of collective investment undertakings, which were particularly high in 1993. The instability of exchange rates and interest rates furthermore helped to increase the number of transactions concluded with customers desirous of covering themselves against such fluctuations. These various receipts came on top of the results achieved thanks to the efforts made in recent years to reduce overheads.



# Statistical Annex

TABLE I — SUMMARY OF MACROECONOMIC DEVELOPMENTS IN SOME EC COUNTRIES

|   | Belgium   |                   | Germany |       | France |      | Italy |      | United Kingdom |      | Spain |      | Netherlands |      |
|---|---|-------------------|---------|-------|--------|------|-------|------|----------------|------|-------|------|-------------|------|
|   | 1992  | 1993 e            | 1992    | 1993  | 1992   | 1993 | 1992  | 1993 | 1992           | 1993 | 1992  | 1993 | 1992        | 1993 |
| <b>Expenditure at constant prices</b>                     | <i>(percentage contributions to the change in GDP)</i>      |                   |         |       |        |      |       |      |                |      |       |      |             |      |
| Private consumption .....                                 | 1.9 <sup>1</sup>  | -0.8 <sup>1</sup> | 1.3     | -0.5  | 1.0    | 0.3  | 1.2   | -1.0 | ...            | 1.2  | 1.3   | -1.2 | 1.2         | 0.4  |
| Public expenditure .....                                  | 0.2   | 0.3               | 0.7     | -0.1  | 0.6    | 0.3  | 0.2   | 0.1  | 0.3            | 0.3  | 0.1   | 0.2  | 0.3         | ...  |
| Private investment .....                                  | 0.2   | -1.5              | 0.7     | -1.0  | -1.2   | -1.7 | -0.4  | -4.4 | 0.2            | -0.9 | -0.2  | -2.7 | -0.2        | -0.7 |
| of which formation of non-residential fixed capital ..... | -0.4  | -1.4              | -0.5    | -1.5  | -1.2   | -1.5 | -0.4  | -4.3 | 0.2            | -0.9 | ...   | -2.3 | -0.4        | -0.7 |
| Total domestic expenditure .....                          | 2.5 <sup>1</sup>  | -1.9 <sup>1</sup> | 2.7     | -1.6  | 0.4    | -1.1 | 1.0   | -5.3 | 0.5            | 0.8  | 1.2   | -3.7 | 1.3         | -0.3 |
| Exports .....   | 1.4   | -2.0              | ...     | -2.5  | 1.8    | -1.1 | 1.2   | 2.4  | 0.8            | 0.6  | 1.4   | 1.7  | 1.4         | -0.2 |
| Imports .....   | -2.5  | 2.6               | -0.7    | 2.5   | -0.9   | 1.4  | -1.3  | 2.7  | -1.9           | 0.8  | -1.8  | 0.9  | -1.3        | 0.3  |
| External balance .....                                    | -1.1  | 0.6               | -0.7    | ...   | 0.9    | 0.3  | -0.1  | 5.1  | -1.1           | 1.4  | -0.4  | 2.6  | 0.1         | 0.1  |
| GDP .....   | 1.4   | -1.3              | 2.1     | -1.5  | 1.4    | -0.9 | 0.9   | -0.1 | -0.6           | 2.0  | 0.8   | -1.0 | 1.4         | -0.2 |
| <b>Inflation</b>  | <i>(percentage changes compared with the previous year)</i> |                   |         |       |        |      |       |      |                |      |       |      |             |      |
| Index of consumer prices .....                            | 2.4   | 2.8               | 4.0 °   | 4.1 ° | 2.4    | 2.1  | 5.4   | 4.2  | 3.8            | 1.6  | 5.9   | 4.6  | 3.8         | 2.1  |
| <b>Unemployment</b>                                       | <i>(percentages of the labour force)</i>                    |                   |         |       |        |      |       |      |                |      |       |      |             |      |
| Number of unemployed (EC data) .....                      | 8.2   | 9.4               | 4.5 °   | 5.6 ° | 10.0   | 10.8 | 10.3  | 11.2 | 10.0           | 10.5 | 18.0  | 21.6 | 6.7         | 8.2  |
| <b>Public finance</b>                                     | <i>(percentages of GDP)</i>                                 |                   |         |       |        |      |       |      |                |      |       |      |             |      |
| Net financing requirement (-) of general government ..... | -7.1  | -7.2              | -2.6    | -4.0  | -3.9   | -6.0 | -9.5  | -9.7 | -6.2           | -8.2 | -4.5  | -7.2 | -3.5        | -4.1 |
| <b>Balance of payments</b>                                | <i>(percentages of GDP)</i>                                 |                   |         |       |        |      |       |      |                |      |       |      |             |      |
| Balance of current transactions .....                     | 2.8 <sup>2</sup>  | 4.7 <sup>2</sup>  | -1.3    | -1.1  | 0.3    | 0.8  | -2.2  | 0.4  | -1.4           | -1.8 | -3.3  | -2.3 | 2.1         | 2.0  |

Sources : NSI, MEA, NBB for Belgium ; OECD and EC for other countries.

<sup>1</sup> Data excluding statistical adjustments.<sup>2</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   | 1993 e |
|---|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Private consumption <sup>1</sup> .....                        | 0.9    | 1.6   | 2.0    | 3.0    | 3.2    | 3.1    | 3.6    | 2.8    | 2.3    | -1.2   |
| Public expenditure .....                                      | -1.6   | 0.7   | 1.0    | -0.4   | -0.4   | -1.3   | 1.8    | 2.5    | 1.3    | 2.0    |
| Public consumption .....                                      | 0.2    | 2.4   | 1.7    | 0.3    | -1.0   | ...    | 1.0    | 1.8    | 1.3    | 1.3    |
| Public investment .....                                       | -11.8  | -10.7 | -4.6   | -6.4   | 5.0    | -11.5  | 8.4    | 7.9    | 1.6    | 8.0    |
| Housing <sup>2</sup> .....                                    | -0.4   | 4.6   | 4.6    | 7.6    | 22.3   | 19.1   | 8.5    | -0.8   | 12.5   | -3.0   |
| Gross fixed capital formation by enterprises .....            | 6.6    | 2.4   | 6.3    | 7.3    | 15.0   | 15.5   | 8.5    | -3.1   | -3.1   | -10.3  |
| p.m. Total gross fixed capital formation <sup>1,3</sup> ..... | (1.7)  | (0.7) | (4.4)  | (5.6)  | (15.4) | (13.4) | (8.5)  | (-1.7) | (1.0)  | (-6.7) |
| Changes in stocks <sup>1,4</sup> .....                        | 1.1    | -1.3  | 0.2    | 0.8    | 0.2    | ...    | -0.1   | -0.3   | ...    | ...    |
| Total domestic expenditure .....                              | 2.1    | 0.2   | 2.5    | 3.7    | 4.8    | 4.5    | 4.1    | 1.4    | 1.9    | -1.9   |
| Exports of goods and services .....                           | 5.5    | 1.1   | 5.5    | 6.5    | 8.5    | 7.3    | 4.2    | 2.5    | 1.6    | -2.2   |
| Total final expenditure .....                                 | 3.5    | 0.6   | 3.8    | 5.0    | 6.5    | 5.8    | 4.1    | 1.9    | 1.7    | -2.0   |
| Imports of goods and services .....                           | 5.8    | 0.7   | 7.6    | 8.8    | 8.0    | 8.8    | 4.1    | 2.4    | 2.7    | -2.8   |
| p.m. Net exports of goods and services <sup>4</sup> .....     | (-0.1) | (0.3) | (-1.4) | (-1.8) | (0.4)  | (-1.3) | (-0.1) | (0.1)  | (-1.1) | (0.6)  |
| GDP before statistical adjustments .....                      | 1.9    | 0.5   | 1.1    | 1.9    | 5.2    | 3.2    | 4.1    | 1.5    | 0.8    | -1.3   |
| Statistical adjustments <sup>4</sup> .....                    | 0.2    | 0.3   | 0.3    | 0.1    | -0.2   | 0.4    | -0.9   | 0.3    | 0.6    | ...    |
| GDP after statistical adjustments .....                       | 2.2    | 0.8   | 1.4    | 2.0    | 5.0    | 3.6    | 3.2    | 1.8    | 1.4    | -1.3   |
| Net factor incomes <sup>4</sup> .....                         | 0.2    | -0.3  | 0.4    | 0.2    | -0.1   | 0.3    | -0.4   | 0.6    | ...    | 0.6    |
| GNP .....   | 2.4    | 0.6   | 1.8    | 2.2    | 4.9    | 3.9    | 2.8    | 2.4    | 1.4    | -0.7   |

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  | 1993 e |
|---|-------|-------|-------|-------|-------|-------|--------|-------|-------|--------|
| Private consumption <sup>1</sup> .....                        | 6.2   | 4.9   | 1.5   | 1.5   | 1.7   | 3.2   | 3.5    | 3.2   | 2.9   | 2.8    |
| Public expenditure .....                                      | 4.4   | 4.6   | 1.7   | 0.3   | 1.1   | 4.3   | 4.2    | 4.7   | 3.3   | 4.1    |
| Public consumption .....                                      | 4.4   | 4.6   | 2.0   | 0.3   | 1.0   | 4.2   | 4.4    | 5.2   | 3.3   | 4.5    |
| Public investment .....                                       | 4.3   | 4.0   | -1.0  | -0.4  | 2.2   | 4.8   | 2.7    | 1.2   | 3.3   | 1.8    |
| Housing <sup>2</sup> .....                                    | 4.6   | 5.3   | 2.9   | 4.1   | 2.7   | 5.1   | 3.1    | 1.6   | 3.6   | 2.0    |
| Gross fixed capital formation by enterprises .....            | 3.9   | 3.3   | 1.0   | ...   | 1.8   | 3.9   | 2.6    | 2.4   | 2.1   | 1.2    |
| p.m. Total gross fixed capital formation <sup>1 3</sup> ..... | (4.2) | (3.8) | (1.1) | (0.9) | (2.1) | (4.4) | (2.7)  | (2.1) | (2.9) | (1.6)  |
| Total domestic expenditure .....                              | 5.5   | 4.7   | 1.5   | 1.2   | 1.7   | 3.6   | 3.4    | 3.3   | 2.9   | 2.8    |
| Exports of goods and services .....                           | 7.9   | 2.8   | -8.4  | -3.8  | 2.9   | 7.1   | -1.7   | -0.3  | -1.0  | -0.4   |
| Total final expenditure .....                                 | 6.6   | 3.9   | -2.9  | -1.0  | 2.0   | 5.0   | 1.1    | 1.7   | 1.3   | 1.5    |
| Imports of goods and services .....                           | 7.9   | 2.1   | -12.3 | -4.6  | 2.7   | 6.6   | -1.2   | -0.4  | -2.4  | -0.9   |
| p.m. Terms of trade .....                                     | (...) | (0.7) | (4.4) | (0.8) | (0.2) | (0.5) | (-0.5) | (0.1) | (1.5) | (0.5)  |
| GDP before statistical adjustments .....                      | 5.6   | 5.2   | 4.5   | 2.0   | 1.9   | 4.4   | 2.9    | 3.3   | 4.1   | 2.8    |
| Statistical adjustments <sup>4</sup> .....                    | -0.4  | 0.9   | -0.7  | 0.3   | -0.1  | 0.2   | 0.1    | -0.6  | -0.7  | ...    |
| GDP = GNP after statistical adjustments .....                 | 5.2   | 6.1   | 3.8   | 2.3   | 1.8   | 4.6   | 3.1    | 2.7   | 3.4   | 2.8    |

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 change in the deflator of GNP.

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

(Billions of francs)

|   | 1984  | 1985  | 1986  | 1987  | 1988  | 1989    | 1990    | 1991    | 1992    | 1993 e  |
|---|-------|-------|-------|-------|-------|---------|---------|---------|---------|---------|
| Private consumption <sup>1</sup> .....                        | 2,914 | 3,104 | 3,214 | 3,360 | 3,527 | 3,754   | 4,026   | 4,270   | 4,493   | 4,561   |
| Public expenditure .....                                      | 869   | 915   | 939   | 938   | 945   | 973     | 1,031   | 1,107   | 1,159   | 1,231   |
| Public consumption .....                                      | 755   | 809   | 839   | 845   | 845   | 880     | 928     | 994     | 1,040   | 1,100   |
| Public investment .....                                       | 114   | 106   | 100   | 93    | 100   | 93      | 103     | 113     | 119     | 130     |
| Housing <sup>2</sup> .....                                    | 138   | 152   | 164   | 184   | 230   | 288     | 322     | 325     | 379     | 375     |
| Gross fixed capital formation by enterprises .....            | 457   | 483   | 519   | 557   | 652   | 783     | 872     | 865     | 856     | 777     |
| p.m. Total gross fixed capital formation <sup>1,3</sup> ..... | (709) | (741) | (783) | (834) | (983) | (1,165) | (1,298) | (1,303) | (1,354) | (1,283) |
| Changes in stocks <sup>1</sup> .....                          | 25    | -35   | -27   | 11    | 24    | 26      | 23      | 4       | 4       | 7       |
| Total domestic expenditure .....                              | 4,403 | 4,620 | 4,809 | 5,049 | 5,379 | 5,825   | 6,275   | 6,571   | 6,891   | 6,951   |
| Exports of goods and services .....                           | 3,505 | 3,645 | 3,523 | 3,609 | 4,029 | 4,630   | 4,739   | 4,847   | 4,873   | 4,747   |
| Total final expenditure .....                                 | 7,909 | 8,265 | 8,332 | 8,658 | 9,408 | 10,455  | 11,014  | 11,417  | 11,764  | 11,697  |
| Imports of goods and services .....                           | 3,429 | 3,526 | 3,327 | 3,452 | 3,826 | 4,436   | 4,565   | 4,657   | 4,668   | 4,497   |
| p.m. Net exports of goods and services .....                  | (76)  | (119) | (196) | (157) | (203) | (193)   | (174)   | (189)   | (205)   | (250)   |
| GDP before statistical adjustments .....                      | 4,480 | 4,739 | 5,005 | 5,206 | 5,582 | 6,019   | 6,449   | 6,760   | 7,096   | 7,201   |
| Statistical adjustments .....                                 | -47   | 2     | -14   | 2     | -18   | 10      | -35     | -54     | -64     | -64     |
| GDP after statistical adjustments .....                       | 4,433 | 4,741 | 4,991 | 5,208 | 5,564 | 6,028   | 6,414   | 6,705   | 7,032   | 7,137   |
| Net factor incomes .....                                      | -60   | -76   | -60   | -50   | -53   | -39     | -67     | -27     | -27     | 16      |
| GNP .....   | 4,373 | 4,664 | 4,931 | 5,158 | 5,510 | 5,990   | 6,347   | 6,678   | 7,006   | 7,153   |

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.

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 | 1993 e | p.m.<br>Percentages<br>of 1992<br>GDP |
|--|------|-------|-------|------|------|------|------|------|------|--------|---------------------------------------|
| Agriculture, forestry and fisheries .....                    | 9.1  | -1.3  | 4.7   | -7.5 | 6.0  | 1.2  | -3.3 | 6.8  | 12.0 | 3.4    | (2.3)                                 |
| Industry .....   | 2.9  | 1.6   | -0.3  | 1.2  | 4.9  | 5.3  | 1.4  | ...  | 0.2  | -3.2   | (25.5)                                |
| Mineral-extracting industry .....                            | -4.6 | -6.2  | -14.1 | -0.4 | -9.3 | 3.0  | 3.2  | -3.0 | 7.9  | -6.5   | (0.3)                                 |
| Electricity, gas, water .....                                | 0.7  | 1.4   | -0.8  | 7.2  | 6.1  | 0.4  | 3.1  | 3.4  | 1.3  | -1.3   | (3.2)                                 |
| Manufacturing industry .....                                 | 3.4  | 1.7   | ...   | 0.4  | 5.0  | 6.0  | 1.1  | -0.4 | -0.1 | -3.5   | (22.0)                                |
| of which :   |      |       |       |      |      |      |      |      |      |        |                                       |
| Non-metallic minerals .....                                  | -3.6 | -11.8 | 9.7   | 6.5  | 15.4 | 8.6  | -1.2 | -7.3 | 10.0 | n.     | (1.0)                                 |
| Wood and furniture .....                                     | 10.5 | 2.9   | -5.5  | 2.2  | 4.0  | 20.5 | 1.6  | 6.6  | -6.1 | n.     | (1.0)                                 |
| Iron and steel .....   | 1.3  | 2.6   | 0.3   | 2.9  | 10.9 | -1.1 | -3.5 | -0.9 | -8.7 | n.     | (1.0)                                 |
| Non-ferrous metals .....                                     | 13.0 | 24.3  | 4.8   | -3.8 | 11.3 | 7.3  | 3.0  | -7.8 | -1.3 | n.     | (0.5)                                 |
| Metal-working industry .....                                 | 1.9  | 6.4   | -6.7  | -9.7 | 1.5  | 7.2  | 0.8  | -2.7 | -4.2 | n.     | (5.0)                                 |
| Paper, printing, publishing .....                            | 3.0  | -4.8  | 3.3   | 9.7  | 13.2 | 8.5  | 2.1  | -2.8 | 2.0  | n.     | (1.5)                                 |
| Chemicals and rubber .....                                   | 14.1 | 2.0   | 1.8   | 6.9  | 7.5  | 5.7  | 1.0  | 1.1  | 5.0  | n.     | (4.3)                                 |
| Textiles, clothing and footwear .....                        | -4.1 | -2.2  | 7.0   | 4.2  | -3.6 | 13.3 | 5.7  | -3.4 | 3.1  | n.     | (1.8)                                 |
| Food, beverages, tobacco .....                               | 1.8  | -0.5  | 1.3   | 1.2  | 1.4  | 2.8  | -1.5 | 2.3  | -2.1 | n.     | (4.2)                                 |
| Building industry .....                                      | -3.6 | -0.1  | 3.4   | 1.3  | 12.5 | 6.5  | 6.8  | 2.8  | 3.2  | -7.0   | (5.9)                                 |
| Market services <sup>1</sup> .....                           | 2.9  | 0.9   | 2.9   | 3.9  | 5.1  | 4.0  | 2.2  | 3.6  | 2.9  | -1.1   | (50.1)                                |
| of which :   |      |       |       |      |      |      |      |      |      |        |                                       |
| Wholesale and retail trade .....                             | -3.0 | -3.9  | 2.4   | -1.5 | 3.1  | -4.0 | 2.9  | 6.3  | 4.3  | n.     | (7.8)                                 |
| Distribution of petroleum products .....                     | -5.6 | 7.9   | 9.5   | 2.7  | 2.0  | -1.7 | -0.1 | 4.9  | 5.9  | n.     | (2.6)                                 |
| Financial services .....                                     | 8.4  | 2.1   | 11.9  | 13.5 | 6.2  | 5.3  | -4.0 | 5.3  | 7.8  | n.     | (5.9)                                 |
| Rents .....  | 2.1  | 2.1   | 2.2   | 2.2  | 2.4  | 2.5  | 2.4  | 2.5  | 2.5  | n.     | (5.8)                                 |
| Transport and communications .....                           | 6.9  | 2.5   | -6.0  | 4.3  | 7.8  | 6.1  | 5.9  | 2.4  | 0.4  | n.     | (7.8)                                 |
| Other services to enterprises .....                          | 16.4 | -1.5  | 8.6   | 4.1  | 10.4 | 14.8 | 4.4  | 2.2  | 4.2  | n.     | (5.8)                                 |
| Medical professions .....                                    | 3.2  | 4.6   | 0.3   | 3.2  | 6.2  | 7.3  | 4.5  | 0.5  | 2.8  | n.     | (2.9)                                 |
| Hotels and catering and various services to households ..... | 1.0  | -0.4  | 1.6   | 5.9  | 5.6  | 5.3  | 3.3  | 1.4  | -0.1 | n.     | (7.5)                                 |
| Non-market services .....                                    | 0.9  | 1.7   | 1.4   | -0.3 | -0.1 | 0.7  | 1.6  | 1.3  | 2.9  | 2.0    | (12.2)                                |
| GDP before statistical adjustments <sup>2</sup> .....        | 2.4  | 1.1   | 1.7   | 2.1  | 4.7  | 4.0  | 2.4  | 2.1  | 2.0  | -1.3   |                                       |
| Statistical adjustments <sup>3</sup> .....                   | -0.2 | -0.3  | -0.3  | -0.1 | 0.2  | -0.4 | 0.9  | -0.3 | -0.6 | ...    |                                       |
| GDP after statistical adjustments <sup>2</sup> .....         | 2.2  | 0.8   | 1.4   | 2.0  | 5.0  | 3.6  | 3.2  | 1.8  | 1.4  | -1.3   | (100.0)                               |

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.<sup>3</sup> Contribution to the change in GDP.

TABLE VI — DEMAND FOR AND SUPPLY OF EMPLOYMENT

(Thousands of units on 30th June)

|   | 1984   | 1985   | 1986   | 1987   | 1988   | 1989   | 1990   | 1991   | 1992   | 1993 e |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1. Demand for employment (net labour force)                             |        |        |        |        |        |        |        |        |        |        |
| 1.1 Population of working age <sup>1</sup>                              | 6,642  | 6,663  | 6,670  | 6,677  | 6,678  | 6,674  | 6,674  | 6,675  | 6,682  | 6,696  |
| Men   | 3,332  | 3,344  | 3,349  | 3,355  | 3,357  | 3,357  | 3,358  | 3,360  | 3,365  | 3,374  |
| Women   | 3,310  | 3,320  | 3,321  | 3,323  | 3,322  | 3,318  | 3,316  | 3,315  | 3,316  | 3,322  |
| 1.2 Gross labour force <sup>2</sup>                                     | 4,269  | 4,292  | 4,323  | 4,349  | 4,376  | 4,417  | 4,473  | 4,510  | 4,533  | 4,532  |
| Men   | 2,627  | 2,626  | 2,625  | 2,619  | 2,611  | 2,624  | 2,635  | 2,640  | 2,633  | 2,627  |
| Women   | 1,642  | 1,666  | 1,698  | 1,730  | 1,765  | 1,793  | 1,837  | 1,871  | 1,899  | 1,905  |
| 1.3 Beneficiaries of early or temporary withdrawal schemes <sup>3</sup> | 137    | 180    | 215    | 234    | 250    | 273    | 293    | 300    | 295    | 272    |
| Men   | 112    | 145    | 169    | 180    | 186    | 192    | 195    | 193    | 189    | 185    |
| Women   | 25     | 35     | 46     | 54     | 64     | 81     | 99     | 107    | 106    | 87     |
| 1.4 Net labour force (1.2 - 1.3) <sup>4</sup>                           | 4,132  | 4,112  | 4,108  | 4,115  | 4,126  | 4,144  | 4,179  | 4,210  | 4,237  | 4,261  |
| Men   | 2,515  | 2,481  | 2,457  | 2,439  | 2,425  | 2,432  | 2,440  | 2,447  | 2,444  | 2,442  |
| Women   | 1,617  | 1,631  | 1,652  | 1,676  | 1,701  | 1,712  | 1,739  | 1,763  | 1,793  | 1,819  |
| 1.5 Net activity rate (1.4 as percentage of 1.1)                        | (62.2) | (61.7) | (61.6) | (61.6) | (61.8) | (62.1) | (62.6) | (63.1) | (63.4) | (63.6) |
| Men   | (75.5) | (74.2) | (73.4) | (72.7) | (72.2) | (72.5) | (72.7) | (72.8) | (72.6) | (72.4) |
| Women   | (48.8) | (49.1) | (49.7) | (50.5) | (51.2) | (51.6) | (52.4) | (53.2) | (54.1) | (54.7) |
| 2. Supply of employment (employment)                                    |        |        |        |        |        |        |        |        |        |        |
| 2.1 Enterprises   |        |        |        |        |        |        |        |        |        |        |
| Private enterprises   | 2,583  | 2,596  | 2,607  | 2,631  | 2,683  | 2,743  | 2,793  | 2,802  | 2,789  | 2,745  |
| Employees   | 1,954  | 1,962  | 1,967  | 1,984  | 2,028  | 2,078  | 2,118  | 2,118  | 2,103  | 2,061  |
| Self-employed persons   | 629    | 634    | 640    | 647    | 655    | 666    | 675    | 684    | 685    | 684    |
| Public enterprises  | 317    | 317    | 311    | 318    | 316    | 316    | 314    | 323    | 322    | 320    |
| Total   | 2,900  | 2,913  | 2,918  | 2,948  | 2,999  | 3,059  | 3,107  | 3,125  | 3,111  | 3,064  |
| of which : Agriculture, forestry and fisheries                          | 110    | 109    | 107    | 104    | 102    | 101    | 100    | 98     | 95     | 92     |
| Industry  | 873    | 858    | 844    | 823    | 809    | 821    | 820    | 808    | 788    | 754    |
| Building  | 204    | 203    | 204    | 204    | 212    | 225    | 236    | 243    | 245    | 242    |
| Market services   | 1,713  | 1,743  | 1,763  | 1,817  | 1,875  | 1,912  | 1,951  | 1,977  | 1,983  | 1,977  |
| 2.2 General government <sup>5</sup>                                     |        |        |        |        |        |        |        |        |        |        |
| Traditional jobs  | 577    | 574    | 579    | 571    | 572    | 568    | 572    | 563    | 557    | 552    |
| Special programmes  | 63     | 74     | 87     | 81     | 83     | 85     | 85     | 81     | 85     | 85     |
| Total   | 640    | 648    | 666    | 652    | 654    | 653    | 657    | 644    | 642    | 637    |
| 2.3 Frontier workers (balance)  | 46     | 45     | 47     | 49     | 49     | 48     | 50     | 50     | 48     | 47     |
| 2.4 Grand total   | 3,586  | 3,606  | 3,631  | 3,649  | 3,702  | 3,760  | 3,815  | 3,819  | 3,802  | 3,749  |
| Men   | 2,265  | 2,262  | 2,259  | 2,248  | 2,256  | 2,283  | 2,298  | 2,288  | 2,263  | 2,225  |
| Women   | 1,321  | 1,344  | 1,371  | 1,401  | 1,446  | 1,478  | 1,517  | 1,531  | 1,538  | 1,524  |
| 3. Unemployment (1 - 2) <sup>6</sup>                                    | 546    | 506    | 478    | 466    | 424    | 384    | 365    | 391    | 436    | 511    |
| Men   | 250    | 218    | 198    | 191    | 170    | 149    | 143    | 159    | 181    | 217    |
| Women   | 296    | 288    | 280    | 275    | 255    | 235    | 222    | 232    | 255    | 294    |

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   |
| 1993 ..... | 2.8           | 3.6                     | 2.7                                     | -0.8          | 2.8            | 3.8      | 5.3   |

Sources : MEA, NBB.

**TABLE VIII — INCOMES OF THE VARIOUS SECTORS AT CURRENT PRICES**
*(Billions of francs)*

|   | 1984  | 1985   | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993 e |
|---|-------|--------|-------|-------|-------|-------|-------|-------|-------|--------|
| <b>1. Individuals</b>   |       |        |       |       |       |       |       |       |       |        |
| Primary income <sup>1,2</sup>   | 3,823 | 4,083  | 4,278 | 4,422 | 4,637 | 5,036 | 5,412 | 5,793 | 6,155 | 6,331  |
| Wages and salaries <sup>1</sup>   | 2,540 | 2,684  | 2,811 | 2,884 | 2,980 | 3,162 | 3,402 | 3,653 | 3,855 | 3,976  |
| Income from one-man businesses <sup>1,2</sup>   | 514   | 542    | 574   | 602   | 649   | 719   | 747   | 768   | 794   | 795    |
| Income from property <sup>2</sup>   | 769   | 857    | 893   | 936   | 1,009 | 1,155 | 1,263 | 1,372 | 1,506 | 1,560  |
| Current transfers <sup>3</sup>  | -407  | -470   | -492  | -502  | -518  | -503  | -608  | -577  | -648  | -621   |
| From and to (-) general government  | -387  | -452   | -472  | -487  | -504  | -486  | -571  | -547  | -610  | -581   |
| Transfers received  | 1,162 | 1,215  | 1,257 | 1,317 | 1,350 | 1,419 | 1,498 | 1,623 | 1,726 | 1,817  |
| Social benefits   | 920   | 959    | 993   | 1,040 | 1,057 | 1,103 | 1,168 | 1,271 | 1,367 | 1,424  |
| Other transfers   | 242   | 256    | 264   | 277   | 293   | 315   | 330   | 352   | 359   | 393    |
| Transfers paid  | 1,549 | 1,666  | 1,729 | 1,804 | 1,854 | 1,905 | 2,069 | 2,170 | 2,336 | 2,398  |
| Social contributions  | 681   | 747    | 794   | 842   | 875   | 924   | 991   | 1,065 | 1,151 | 1,190  |
| Direct taxes  | 768   | 813    | 824   | 846   | 853   | 847   | 933   | 950   | 1,022 | 1,036  |
| Other transfers   | 101   | 106    | 111   | 116   | 126   | 134   | 144   | 155   | 163   | 172    |
| To (-) other sectors <sup>3</sup>   | -20   | -19    | -20   | -15   | -14   | -17   | -37   | -30   | -38   | -41    |
| Disposable income <sup>1,2</sup>  | 3,416 | 3,612  | 3,786 | 3,920 | 4,120 | 4,533 | 4,804 | 5,216 | 5,507 | 5,710  |
| p.m. At constant prices (percentage changes compared with the previous year) <sup>4</sup> | (0.1) | (-0.2) | (4.1) | (1.5) | (3.5) | (6.3) | (2.8) | (5.5) | (3.0) | (0.9)  |
| <b>2. Companies</b>   |       |        |       |       |       |       |       |       |       |        |
| Primary income <sup>2</sup>   | 505   | 596    | 692   | 733   | 829   | 941   | 894   | 808   | 786   | 682    |
| Current transfers to (-) other sectors <sup>3</sup>                                       | -100  | -112   | -126  | -127  | -141  | -148  | -131  | -143  | -115  | -132   |
| Disposable income <sup>2</sup>  | 405   | 484    | 566   | 606   | 687   | 793   | 763   | 665   | 671   | 550    |
| <b>3. General government</b>  |       |        |       |       |       |       |       |       |       |        |
| Primary income <sup>2</sup>   | 24    | -18    | -74   | -8    | 7     | 22    | -3    | 10    | 4     | 78     |
| Current transfers from other sectors <sup>3</sup>   | 466   | 553    | 585   | 589   | 604   | 596   | 693   | 679   | 712   | 696    |
| Disposable income <sup>2</sup>  | 489   | 535    | 511   | 581   | 611   | 618   | 689   | 690   | 716   | 775    |
| <b>4. Rest of the world</b>   |       |        |       |       |       |       |       |       |       |        |
| Disposable income   | 41    | 29     | 33    | 41    | 55    | 54    | 46    | 40    | 51    | 57     |
| <b>5. GDP before statistical adjustments</b>  | 4,351 | 4,661  | 4,897 | 5,148 | 5,473 | 5,998 | 6,303 | 6,611 | 6,945 | 7,092  |
| <b>6. Statistical adjustments</b>   | 21    | 4      | 34    | 10    | 37    | -9    | 44    | 67    | 60    | 61     |
| <b>7. GNP after statistical adjustments</b>   | 4,373 | 4,664  | 4,931 | 5,158 | 5,510 | 5,990 | 6,347 | 6,678 | 7,006 | 7,153  |

Sources : NSI, NBB.

<sup>1</sup> Data excluding statistical adjustments. The latter are recorded as a separate item.

<sup>2</sup> Including depreciation.

<sup>3</sup> These are net amounts, i.e. the difference between transfers received from other sectors and transfers paid to other sectors.

<sup>4</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

(Billions of francs)

|  | 1984   | 1985   | 1986   | 1987   | 1988   | 1989   | 1990   | 1991   | 1992   | 1993 e |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>1. Individuals</b>  |        |        |        |        |        |        |        |        |        |        |
| 1.1 Disposable income .....  | 3,416  | 3,612  | 3,786  | 3,920  | 4,120  | 4,533  | 4,804  | 5,216  | 5,507  | 5,709  |
| 1.2 Change in mathematical retirement pension reserves .....                 | 8      | 9      | 9      | 9      | 13     | 15     | 13     | 15     | 16     | 16     |
| 1.3 Consumption .....  | 2,914  | 3,104  | 3,214  | 3,360  | 3,527  | 3,754  | 4,026  | 4,270  | 4,493  | 4,561  |
| 1.4 Gross savings (1.1 + 1.2 - 1.3) .....                                    | 510    | 517    | 581    | 569    | 605    | 794    | 792    | 961    | 1,030  | 1,165  |
| p.m. Percentage of disposable income .....                                   | (14.9) | (14.3) | (15.3) | (14.5) | (14.7) | (17.5) | (16.5) | (18.4) | (18.7) | (20.4) |
| 1.5 Capital transfers <sup>1</sup> .....                                     | -1     | -1     | -2     | -1     | 2      | -6     | -5     | -8     | -2     | ...    |
| 1.6 Gross capital formation .....  | 195    | 212    | 234    | 255    | 312    | 374    | 412    | 404    | 461    | 450    |
| 1.7 Net financing capacity (1.4 + 1.5 - 1.6) .....                           | 314    | 304    | 346    | 314    | 296    | 414    | 375    | 549    | 568    | 715    |
| <b>2. Companies</b>  |        |        |        |        |        |        |        |        |        |        |
| 2.1 Disposable income .....  | 405    | 484    | 566    | 606    | 687    | 793    | 763    | 665    | 671    | 550    |
| 2.2 Change in mathematical retirement pension reserves .....                 | -8     | -9     | -9     | -9     | -13    | -15    | -13    | -15    | -16    | -16    |
| 2.3 Gross savings (2.1 + 2.2) .....  | 397    | 476    | 557    | 596    | 674    | 778    | 750    | 650    | 655    | 534    |
| 2.4 Capital transfers <sup>1</sup> .....                                     | 39     | 42     | 37     | 26     | 31     | 33     | 27     | 34     | 39     | 39     |
| 2.5 Gross capital formation .....  | 426    | 389    | 422    | 497    | 595    | 724    | 806    | 790    | 779    | 709    |
| 2.6 Net financing requirement (-) or capacity<br>(2.3 + 2.4 - 2.5) .....     | 10     | 130    | 171    | 126    | 110    | 86     | -29    | -106   | -85    | -135   |
| <b>3. General government</b>   |        |        |        |        |        |        |        |        |        |        |
| 3.1 Disposable income .....  | 489    | 535    | 511    | 581    | 611    | 618    | 689    | 690    | 716    | 775    |
| 3.2 Consumption .....  | 755    | 809    | 839    | 845    | 845    | 880    | 928    | 994    | 1,040  | 1,100  |
| 3.3 Gross savings (3.1 - 3.2) .....  | -266   | -274   | -328   | -263   | -234   | -262   | -238   | -304   | -324   | -326   |
| 3.4 Capital transfers <sup>1</sup> .....                                     | -44    | -50    | -43    | -35    | -43    | -37    | -37    | -40    | -53    | -57    |
| 3.5 Gross capital formation .....  | 114    | 106    | 100    | 93     | 100    | 93     | 103    | 113    | 119    | 130    |
| 3.6 Net financing requirement (-) (3.3 + 3.4 - 3.5) .....                    | -424   | -430   | -471   | -391   | -376   | -392   | -379   | -458   | -496   | -513   |
| <b>4. Statistical adjustments</b> .....                                      | 68     | 2      | 49     | 9      | 55     | -18    | 79     | 122    | 124    | 125    |
| <b>5. Total of domestic sectors</b>  |        |        |        |        |        |        |        |        |        |        |
| 5.1 Net financing requirement (-) or capacity<br>(1.7 + 2.6 + 3.6 + 4) ..... | -31    | 5      | 95     | 57     | 84     | 91     | 46     | 108    | 110    | 191    |

Sources : NSI, NBB.

N.B. Excluding general government's lending and equity investment. 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>1</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)

|  | 1984  | 1985  | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993 e |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| 1. Revenue .....   | 2,213 | 2,371 | 2,446 | 2,563 | 2,648 | 2,781 | 2,989 | 3,133 | 3,312 | 3,447  |
| Fiscal and para-fiscal revenue .....                     | 2,128 | 2,282 | 2,367 | 2,492 | 2,579 | 2,699 | 2,899 | 3,033 | 3,212 | 3,316  |
| Direct taxes .....                                       | 879   | 939   | 964   | 990   | 1,012 | 1,022 | 1,099 | 1,123 | 1,170 | 1,202  |
| Indirect taxes .....                                     | 555   | 582   | 595   | 645   | 675   | 737   | 790   | 822   | 867   | 900    |
| Social security contributions .....                      | 681   | 747   | 794   | 842   | 875   | 924   | 991   | 1,065 | 1,151 | 1,190  |
| Capital taxes .....                                      | 13    | 13    | 14    | 15    | 16    | 17    | 20    | 23    | 23    | 24     |
| Non-fiscal and non-para-fiscal revenue .....             | 85    | 90    | 79    | 70    | 69    | 81    | 89    | 99    | 100   | 130    |
| 2. Expenditure excluding interest charges .....          | 2,190 | 2,285 | 2,342 | 2,390 | 2,451 | 2,531 | 2,661 | 2,875 | 3,032 | 3,177  |
| Social benefits .....                                    | 1,145 | 1,197 | 1,240 | 1,297 | 1,327 | 1,394 | 1,472 | 1,599 | 1,701 | 1,796  |
| Pensions .....   | 397   | 418   | 438   | 449   | 470   | 493   | 524   | 565   | 597   | 631    |
| Pensions (excluding general government) .....            | 314   | 330   | 345   | 353   | 367   | 384   | 406   | 434   | 459   | 480    |
| Pensions (general government) .....                      | 84    | 88    | 93    | 97    | 103   | 110   | 118   | 131   | 138   | 151    |
| Health care .....  | 202   | 214   | 228   | 258   | 262   | 282   | 307   | 346   | 382   | 402    |
| Unemployment benefits .....                              | 124   | 125   | 127   | 130   | 125   | 123   | 126   | 144   | 154   | 171    |
| Early retirement pensions and career interruptions ..... | 41    | 41    | 43    | 43    | 48    | 49    | 54    | 56    | 60    | 59     |
| Family allowances .....                                  | 105   | 107   | 109   | 114   | 116   | 123   | 123   | 128   | 131   | 137    |
| Other <sup>1</sup> .....                                 | 276   | 291   | 295   | 303   | 306   | 324   | 338   | 360   | 377   | 397    |
| Other primary expenditure .....                          | 1,045 | 1,089 | 1,103 | 1,092 | 1,123 | 1,136 | 1,189 | 1,276 | 1,331 | 1,381  |
| Compensation of employees .....                          | 499   | 532   | 551   | 544   | 543   | 567   | 602   | 641   | 677   | 721    |
| Purchases of goods and services .....                    | 156   | 172   | 178   | 184   | 178   | 181   | 185   | 197   | 199   | 202    |
| Subsidies to enterprises .....                           | 153   | 148   | 146   | 135   | 152   | 150   | 153   | 156   | 155   | 146    |
| Net current transfers to the rest of the world .....     | 66    | 67    | 71    | 85    | 91    | 92    | 89    | 107   | 104   | 101    |
| Gross fixed capital formation .....                      | 114   | 106   | 100   | 93    | 100   | 93    | 103   | 113   | 119   | 130    |
| Net capital transfers .....                              | 57    | 63    | 57    | 50    | 59    | 53    | 57    | 63    | 77    | 81     |
| 3. Net amount excluding interest charges .....           | 23    | 86    | 104   | 173   | 198   | 250   | 327   | 257   | 280   | 270    |
| 4. Interest charges .....                                | 447   | 516   | 575   | 564   | 574   | 642   | 706   | 715   | 777   | 783    |
| 5. Net financing requirement (-) .....                   | -424  | -430  | -471  | -391  | -376  | -392  | -379  | -458  | -496  | -513   |

Sources : NSI, NBB.

<sup>1</sup> Mainly sickness and disability insurance benefits, benefits connected with occupational diseases, industrial accidents, the guaranteed wage, the subsistence allowance and also transfers to individuals payable by general government and local authorities.

TABLE XI — EXPENDITURE OF GENERAL GOVERNMENT

(Percentages of GDP)

|  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|------|------|------|------|------|------|--------|
| 1. Expenditure excluding interest charges .....          | 49.4 | 48.2 | 46.9 | 45.9 | 44.0 | 42.0 | 41.5 | 42.9 | 43.1 | 44.5   |
| Social benefits .....                                    | 25.8 | 25.2 | 24.8 | 24.9 | 23.9 | 23.1 | 22.9 | 23.9 | 24.2 | 25.2   |
| Pensions .....   | 9.0  | 8.8  | 8.8  | 8.6  | 8.4  | 8.2  | 8.2  | 8.4  | 8.5  | 8.8    |
| Pensions (excluding general government) .....            | 7.1  | 7.0  | 6.9  | 6.8  | 6.6  | 6.4  | 6.3  | 6.5  | 6.5  | 6.7    |
| Pensions (general government) .....                      | 1.9  | 1.9  | 1.9  | 1.9  | 1.8  | 1.8  | 1.8  | 2.0  | 2.0  | 2.1    |
| Health care .....  | 4.6  | 4.5  | 4.6  | 4.9  | 4.7  | 4.7  | 4.8  | 5.2  | 5.4  | 5.6    |
| Unemployment benefits .....                              | 2.8  | 2.6  | 2.5  | 2.5  | 2.3  | 2.0  | 2.0  | 2.1  | 2.2  | 2.4    |
| Early retirement pensions and career interruptions ..... | 0.9  | 0.9  | 0.9  | 0.8  | 0.9  | 0.8  | 0.8  | 0.8  | 0.8  | 0.8    |
| Family allowances .....                                  | 2.4  | 2.3  | 2.2  | 2.2  | 2.1  | 2.0  | 1.9  | 1.9  | 1.9  | 1.9    |
| Other <sup>1</sup> .....                                 | 6.2  | 6.1  | 5.9  | 5.8  | 5.5  | 5.4  | 5.3  | 5.4  | 5.4  | 5.6    |
| Other primary expenditure .....                          | 23.6 | 23.0 | 22.1 | 21.0 | 20.2 | 18.8 | 18.5 | 19.0 | 18.9 | 19.3   |
| Compensation of employees .....                          | 11.3 | 11.2 | 11.0 | 10.5 | 9.8  | 9.4  | 9.4  | 9.6  | 9.6  | 10.1   |
| Purchases of goods and services .....                    | 3.5  | 3.6  | 3.6  | 3.5  | 3.2  | 3.0  | 2.9  | 2.9  | 2.8  | 2.8    |
| Subsidies to enterprises .....                           | 3.5  | 3.1  | 2.9  | 2.6  | 2.7  | 2.5  | 2.4  | 2.3  | 2.2  | 2.0    |
| Net current transfers to the rest of the world .....     | 1.5  | 1.4  | 1.4  | 1.6  | 1.6  | 1.5  | 1.4  | 1.6  | 1.5  | 1.4    |
| Gross fixed capital formation .....                      | 2.6  | 2.2  | 2.0  | 1.8  | 1.8  | 1.5  | 1.6  | 1.7  | 1.7  | 1.8    |
| Net capital transfers .....                              | 1.3  | 1.3  | 1.1  | 1.0  | 1.1  | 0.9  | 0.9  | 0.9  | 1.1  | 1.1    |
| 2. Interest charges .....                                | 10.1 | 10.9 | 11.5 | 10.8 | 10.3 | 10.6 | 11.0 | 10.7 | 11.0 | 11.0   |
| 3. Total expenditure .....                               | 59.5 | 59.1 | 58.5 | 56.7 | 54.4 | 52.6 | 52.5 | 53.5 | 54.2 | 55.5   |

Sources : NSI, NBB.

<sup>1</sup> Mainly sickness and disability insurance benefits, benefits connected with occupational diseases, industrial accidents, the guaranteed wage, the subsistence allowance and transfers to individuals payable by general government and local authorities.

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

(Billions of francs)

|              | Federal 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 : |  |   |                    |                    |                   |                              |                    |                             |
|              | (a)   | federal    | communities and regions until 1990 <sup>1</sup>  | (d)                                     | (e)                | (f)                |                   |                              |                    | (g) = (a) + (d) + (e) + (f) |
| 1984 .....   | -504  | -501       | -3   | —                                       | 69                 | 4                  | -432              | -11                          | 50                 | -393                        |
| 1985 .....   | -571  | -552       | -19  | —                                       | 83                 | -6                 | -495              | -10                          | 50                 | -455                        |
| 1986 .....   | -556  | -552       | -3   | —                                       | 68                 | -16                | -504              | -15                          | 28                 | -492                        |
| 1987 .....   | -430  | -451       | 21   | —                                       | 43                 | -36                | -424              | -1                           | 20                 | -405                        |
| 1988 .....   | -434  | -416       | -17  | —                                       | 40                 | -39                | -433              | -5                           | 24                 | -414                        |
| 1989 .....   | -397  | -442       | 45   | —                                       | 36                 | -69                | -430              | -31                          | 51                 | -411                        |
| 1990 .....   | -394  | -366       | -28  | —                                       | 28                 | -55                | -421              | -14                          | 42                 | -394                        |
| 1991 .....   | -367  | -368       | 1  | -35                                     | 23                 | -22                | -400              | -38                          | -18                | -455                        |
| 1992 .....   | -382  | -382       | —  | -61                                     | 24                 | -41                | -461              | -21                          | -13                | -495                        |
| 1993 e ..... | -376  | -376       | —  | -52                                     | 27                 | -54                | -456              | -27                          | -40                | -522                        |

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 by the Treasury | Balance <sup>3</sup> |                       |
|-------------------|-----------------------|-----------------------|-------------------|------------------|-----------------------|-----------------|--|--------------------------|----------------------|-----------------------|
|                   | In foreign currencies | In Belgian francs     |                   |                  |                       | Grand total     |  |                          |                      |                       |
|                   |                       | with NBB <sup>1</sup> | Others            |                  | 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)      |                       |
| 1984 .....        | 155                   | 12                    | 66                | 329              | (-)                   | 406             | 562  | 169                      | (-)                  | 393                   |
| 1985 .....        | 34                    | -18                   | 52                | 562              | (-)                   | 596             | 631  | 176                      | (-)                  | 455                   |
| 1986 .....        | 63                    | 27                    | 297               | 225              | (-)                   | 549             | 612  | 121                      | (-)                  | 492                   |
| 1987 .....        | 33                    | -82                   | 220               | 381              | (-)                   | 520             | 553  | 148                      | (-)                  | 405                   |
| 1988 .....        | 20                    | -21                   | 25                | 497              | (-)                   | 501             | 521  | 107                      | (-)                  | 414                   |
| 1989 .....        | 69                    | -40                   | 271               | 204              | (82)                  | 434             | 503  | 92                       | (-)                  | 411                   |
| 1990 .....        | -22                   | -30                   | 144               | 448              | (273)                 | 562             | 540  | 146                      | (-)                  | 394                   |
| 1991 .....        | -13                   | -107                  | 126               | 667              | (935)                 | 685             | 673  | 217                      | (124)                | 455                   |
| 1992 .....        | -112                  | ...                   | -45               | 747              | (963)                 | 701             | 588  | 93                       | (26)                 | 495                   |
| First nine months |                       |                       |                   |                  |                       |                 |  |                          |                      |                       |
| 1992 .....        | -42                   | -1                    | 203               | 357              | (475)                 | 560             | 518  | -84                      | (-70)                | 603                   |
| 1993 .....        | 194                   | ...                   | 101               | 206              | (943)                 | 306             | 501  | -127                     | (-117)               | 627                   |

Source : NBB.

<sup>1</sup> Changes in the portfolio of Belgian public securities with the National Bank of Belgium, in the outstanding amount of Treasury certificates which the Securities Regulation Fund finances with the special advances from the latter and the Bank's consolidated claim on the Government. From 1991 onwards this column contains only the advances granted by the Bank to the Government, within the framework of a special overdraft facility limited to Fr. 15 billion. On 1st July 1993, this facility was abolished in implementation of the law of 22nd March 1993 on the status and supervision of credit institutions.

<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 |         |
|----------------------|-----------------------|-------------------|------------------|-----------------|---|-----------------|---|----------------------|---------|
|                      | 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) | (h)   | (i)                  |         |
| 1984 .....           | 1,060                 | 1,265             | 3,073            | 4,338           | 5,398   | 452             | 4,947   | (4,856)              | (4,648) |
| 1985 .....           | 1,028                 | 1,307             | 3,635            | 4,943           | 5,971   | 511             | 5,460   | (5,361)              | (5,278) |
| 1986 .....           | 1,046                 | 1,617             | 3,861            | 5,477           | 6,524   | 531             | 5,993   | (5,908)              | (5,770) |
| 1987 .....           | 1,069                 | 1,752             | 4,246            | 5,998           | 7,066   | 573             | 6,493   | (6,412)              | (6,233) |
| 1988 .....           | 1,107                 | 1,758             | 4,743            | 6,501           | 7,608   | 617             | 6,991   | (6,907)              | (6,687) |
| 1989 .....           | 1,150                 | 1,994             | 4,946            | 6,940           | 8,090   | 655             | 7,435   | (7,346)              | (7,110) |
| 1990 .....           | 1,128                 | 2,099             | 5,394            | 7,493           | 8,621   | 714             | 7,907   | (7,828)              | (7,550) |
| 1991 .....           | 1,118                 | 2,141             | 5,968            | 8,109           | 9,227   | 828             | 8,399   | (8,317)              | (8,029) |
| 1992 .....           | 1,017                 | 2,129             | 6,714            | 8,842           | 9,859   | 871             | 8,987   | (8,872)              | (8,539) |
| 1993 September ..... | 1,271                 | 2,230             | 6,919            | 9,150           | 10,421  | 718             | 9,703   | (9,587)              | (9,126) |

Source : NBB.

Bibliographical references : *Bulletin of the National Bank of Belgium*, LXIIIrd year, Vol. 1, No. 5, May 1988 : *Modifications apportées au chapitre XI « Finances publiques » de la partie « Statistiques » du Bulletin* and LXVIIIth year, Nos 7-8, July-August 1993 : *Révision du 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.

TABLE XV — BALANCE OF PAYMENTS OF THE BLEU

(Balances in billions of francs)

|  | 1984 | 1985 | 1986  | 1987  | 1988  | 1989  | 1990  | 1991  | 1992  | 1993 e |
|--|------|------|-------|-------|-------|-------|-------|-------|-------|--------|
| A. Current transactions .....  | -3   | 41   | 139   | 103   | 134   | 140   | 120   | 164   | 206   | 350    |
| p.m. Current transactions on a payments basis .....  | (-2) | (23) | (144) | (104) | (122) | (147) | (152) | (156) | (198) | (378)  |
| B. Capital transactions <sup>1</sup> .....   | 3    | -41  | -139  | -103  | -134  | -140  | -120  | -164  | -206  | -350   |
| 1. Direct investment .....   | 17   | 50   | -41   | -12   | 51    | 43    | 75    | 82    | 68    | 163    |
| Assets of residents .....  | -17  | -19  | -81   | -108  | -138  | -259  | -207  | -209  | -340  | -134   |
| Assets of non-residents .....  | 34   | 69   | 40    | 96    | 190   | 303   | 282   | 291   | 409   | 297    |
| 2. Portfolio investment .....  | -96  | -94  | -94   | -60   | -138  | -207  | 51    | 120   | 35    | -2     |
| Assets of residents .....  | -107 | -119 | -138  | -112  | -196  | -264  | 9     | -103  | -57   | -176   |
| Shares .....   | 4    | -5   | -31   | -1    | 19    | -78   | 19    | -6    | 3     | -56    |
| Fixed-interest securities .....  | -111 | -114 | -107  | -111  | -215  | -186  | -10   | -97   | -60   | -120   |
| Assets of non-residents .....  | 11   | 25   | 44    | 52    | 59    | 57    | 42    | 223   | 92    | 174    |
| Shares .....   | -4   | 13   | 30    | 24    | 19    | 31    | 28    | 19    | 15    | 66     |
| Fixed-interest securities .....  | 15   | 12   | 14    | 28    | 40    | 27    | 14    | 204   | 77    | 108    |
| 3. Other capital transactions .....  | 148  | -9   | 7     | 55    | -27   | 69    | -176  | -320  | -217  | -705   |
| 3.1 Commercial credits .....   | 1    | -18  | 6     | 1     | -12   | 8     | 33    | -8    | -8    | 28     |
| 3.2 Net assets of resident enterprises and individuals .....   | 28   | 28   | 61    | 54    | -72   | -37   | -236  | 132   | -109  | -506   |
| In francs abroad .....   | -17  | -5   | -24   | 16    | 8     | -21   | -21   | 19    | -29   | -90    |
| In foreign currencies .....  | 45   | 33   | 85    | 38    | -80   | -16   | -215  | 112   | -80   | -417   |
| Spot .....   | 19   | 8    | 53    | -41   | -111  | -93   | 57    | 109   | -42   | -223   |
| Forward .....  | 26   | 25   | 32    | 79    | 31    | 77    | -272  | 3     | -38   | -194   |
| 3.3 Net assets in francs of non-residents with resident credit institutions .....                        | 34   | 2    | -35   | 30    | 74    | 54    | 88    | -344  | 91    | -626   |
| Spot .....   | 34   | 21   | -8    | 26    | 58    | 57    | 18    | -186  | 84    | -203   |
| Forward .....  | ...  | -19  | -27   | 4     | 17    | -3    | 70    | -158  | 7     | -422   |
| 3.4 Capital transactions in foreign currencies of resident credit institutions .....                     | -65  | -52  | -71   | -61   | -12   | -25   | -24   | -77   | -83   | -31    |
| Spot .....   | -39  | -46  | -65   | 22    | 35    | 48    | -226  | -237  | -250  | -508   |
| Forward .....  | -26  | -6   | -6    | -83   | -47   | -74   | 202   | 160   | 166   | 476    |
| 3.5 Capital transactions of non-financial public enterprises .....                                       | 6    | 1    | -7    | -6    | -3    | -10   | -7    | -5    | 10    | 14     |
| 3.6 Capital transactions of general government .....   | 144  | 30   | 52    | 38    | -2    | 80    | -30   | -17   | -118  | 416    |
| In francs .....  | -10  | -2   | -6    | 3     | -14   | 7     | -7    | -11   | -15   | -24    |
| In foreign currencies .....  | 154  | 32   | 58    | 35    | 12    | 73    | -23   | -6    | -103  | 441    |
| 4. Errors and omissions .....  | 2    | 4    | -4    | -5    | -1    | -26   | -54   | -23   | 64    | -20    |
| 5. Movement of the net spot and forward gold and foreign exchange reserves of the NBB <sup>2</sup> ..... | -67  | 8    | -7    | -81   | -19   | -19   | -17   | -23   | -155  | 214    |

Source : NBB.

Bibliographical references : Eurostat, 1984 : La méthodologie de la balance des paiements de l'Union Economique Belgo-Luxembourgeoise.

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.

N.B. The presentation of the balance of payments differs from that in the preceding years : as far as possible, the standard layout of the fifth edition of the Balance of Payments Manual of the IMF, published in 1993, has been used.

<sup>1</sup> Minus sign : capital outflows.<sup>2</sup> Minus sign : increase in reserves.

TABLE XVI — CURRENT TRANSACTIONS ON A TRANSACTIONS BASIS

(Balances in billions of francs)

|  | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 e |
|--|------|------|------|------|------|------|------|------|------|--------|
| <b>1. Transactions in goods</b> .....  | -15  | 32   | 103  | 48   | 106  | 92   | 55   | 66   | 112  | 167    |
| <b>2. Transactions in services</b> .....   | 28   | 17   | 26   | 48   | 34   | 18   | 56   | 52   | 74   | 104    |
| Freight and insurance for transport of goods and other transport expenses ....     | 17   | 21   | 20   | 34   | 42   | 41   | 43   | 38   | 50   | 54     |
| Foreign travel .....   | -17  | -23  | -32  | -35  | -44  | -49  | -58  | -67  | -82  | -77    |
| Third-country trade .....  | 26   | 13   | 26   | 36   | 21   | 18   | 36   | 26   | 43   | 27     |
| Transactions of general government not included elsewhere .....                    | 22   | 25   | 30   | 35   | 35   | 38   | 37   | 46   | 52   | 54     |
| Other services .....   | -19  | -19  | -18  | -22  | -21  | -29  | -3   | 9    | 11   | 46     |
| <b>3. Income</b> .....   | 35   | 34   | 53   | 62   | 64   | 106  | 81   | 115  | 99   | 167    |
| Compensation of employees .....  | 38   | 42   | 48   | 49   | 52   | 56   | 56   | 63   | 65   | 65     |
| Cross-frontier workers .....   | 5    | 5    | 6    | 3    | 3    | 2    | 0    | -2   | -5   | -8     |
| International institutions .....   | 33   | 37   | 42   | 46   | 49   | 55   | 56   | 65   | 70   | 73     |
| Investment income .....  | -4   | -8   | 5    | 13   | 12   | 50   | 25   | 52   | 34   | 101    |
| <b>4. Transfers</b> .....  | -51  | -42  | -43  | -56  | -70  | -76  | -72  | -69  | -79  | -88    |
| Private .....  | -10  | -8   | -9   | -4   | 2    | 2    | -20  | -10  | -16  | -19    |
| Public .....   | -41  | -34  | -34  | -52  | -72  | -78  | -52  | -59  | -63  | -69    |
| <b>5. Total current transactions on a transactions basis (1 + 2 + 3 + 4)</b> ..... | -3   | 41   | 139  | 103  | 134  | 140  | 120  | 164  | 206  | 350    |

Source : NBB.

N.B. The presentation of the balance of payments differs from that in the preceding years : as far as possible, use has been made of the standard layout of the fifth edition of the Balance of Payments Manual of the IMF, published in 1993. Third-country trade is no longer counted among transactions in goods but appears among services. Incomes are grouped under a new heading, whereas they previously appeared among services ; cross-frontier working, which was recorded under the heading covering other services and the compensation of employees paid by international institutions, which were recorded among transactions of general government not included elsewhere, are now recorded under separate headings. Income from direct and portfolio investment also formed part of services.

TABLE XVII — INDICATIVE EXCHANGE RATES

(Quotations in Belgian francs, annual averages)

|   | 1984   | 1985    | 1986    | 1987    | 1988    | 1989    | 1990    | 1991    | 1992    | 1993    |
|---|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| German mark .....   | 20.31  | 20.18   | 20.58   | 20.78   | 20.94   | 20.96   | 20.68   | 20.59   | 20.59   | 20.90   |
| French franc .....  | 6.61   | 6.61    | 6.44    | 6.21    | 6.17    | 6.18    | 6.14    | 6.06    | 6.07    | 6.10    |
| Pound sterling .....  | 76.98  | 76.33   | 65.48   | 61.11   | 65.37   | 64.55   | 59.47   | 60.23   | 56.64   | 51.90   |
| Italian lira (100) .....  | 3.29   | 3.11    | 3.00    | 2.88    | 2.83    | 2.87    | 2.79    | 2.75    | 2.62    | 2.20    |
| Dutch guilder .....   | 18.01  | 17.89   | 18.25   | 18.44   | 18.60   | 18.58   | 18.35   | 18.27   | 18.28   | 18.60   |
| Peseta (100) .....  | 35.93  | 34.87   | 31.88   | 30.28   | 31.57   | 33.27   | 32.79   | 32.87   | 31.46   | 27.22   |
| Danish crown .....  | 5.58   | 5.60    | 5.52    | 5.46    | 5.46    | 5.39    | 5.40    | 5.34    | 5.33    | 5.33    |
| Escudo (100) .....  | 39.62  | 34.58   | 29.88   | 26.49   | 25.52   | 25.02   | 23.44   | 23.64   | 23.81   | 21.53   |
| Irish punt .....  | 62.60  | 62.80   | 59.80   | 55.50   | 55.99   | 55.85   | 55.26   | 54.99   | 54.67   | 50.62   |
| Greek drachma (100) <sup>1</sup> .....  | —      | —       | —       | —       | 25.94   | 24.29   | 21.11   | 18.76   | 16.87   | 15.07   |
| US dollar .....   | 57.79  | 59.36   | 44.66   | 37.34   | 36.81   | 39.43   | 33.41   | 34.18   | 32.12   | 34.57   |
| Yen (100) .....   | 24.32  | 24.91   | 26.57   | 25.85   | 28.70   | 28.63   | 23.14   | 25.40   | 25.36   | 31.24   |
| Canadian dollar .....   | 44.63  | 43.50   | 32.13   | 28.17   | 29.95   | 33.30   | 28.63   | 29.84   | 26.60   | 26.79   |
| Swedish crown .....   | 6.98   | 6.89    | 6.26    | 5.89    | 6.00    | 6.11    | 5.64    | 5.65    | 5.53    | 4.44    |
| Swiss franc .....   | 24.61  | 24.21   | 24.89   | 25.06   | 25.14   | 24.11   | 24.09   | 23.83   | 22.89   | 23.41   |
| Austrian schilling .....  | 2.89   | 2.87    | 2.93    | 2.95    | 2.98    | 2.98    | 2.94    | 2.93    | 2.93    | 2.97    |
| Norwegian crown .....   | 7.08   | 6.90    | 6.04    | 5.54    | 5.64    | 5.71    | 5.34    | 5.27    | 5.17    | 4.87    |
| Finnish mark .....  | 9.61   | 9.56    | 8.80    | 8.50    | 8.78    | 9.18    | 8.73    | 8.45    | 7.19    | 6.05    |
| Australian dollar .....   | —      | —       | —       | —       | —       | —       | —       | 26.61   | 23.62   | 23.48   |
| New Zealand dollar .....  | —      | —       | —       | —       | —       | —       | —       | 19.76   | 17.28   | 18.72   |
| Ecu <sup>2</sup> .....  | 45.06  | 44.91   | 43.79   | 43.03   | 43.42   | 43.35   | 42.50   | 42.26   | 41.54   | 40.40   |
| p.m. Effective exchange rate for the Belgian franc <sup>3</sup><br>(1985 = 100) ..... | (99.2) | (100.0) | (104.4) | (108.1) | (106.6) | (105.8) | (110.9) | (110.6) | (112.8) | (113.6) |

Source : NBB.

N.B. Until 31st December 1990 : official exchange rates fixed by the bankers meeting at the Brussels Clearing House. Since 1991 : indicative exchange rates.

<sup>1</sup> The Greek drachma has been quoted on the Brussels Stock Exchange since 4th January 1988.<sup>2</sup> The Ecu has been quoted on the Brussels Stock Exchange since 3rd September 1984.<sup>3</sup> Weighted by the importance of the OECD countries, except Iceland and Turkey, as competitors of resident producers of manufactured goods on all markets combined.

**TABLE XVIII — FINANCIAL ACCOUNTS BY SECTOR**
*(Billions of francs)*

|  | 1984 | 1985 | 1986 | 1987 | 1988  | 1989             | 1990             | 1991  | 1992  | 1993 e | First nine months |        |
|--|------|------|------|------|-------|------------------|------------------|-------|-------|--------|-------------------|--------|
|  |      |      |      |      |       |                  |                  |       |       |        | 1992              | 1993 e |
| <b>1. Individuals and companies</b>                            |      |      |      |      |       |                  |                  |       |       |        |                   |        |
| 1.1 Net financing capacity or requirement (–) ...              | 324  | 434  | 517  | 440  | 406   | 500              | 346              | 443   | 483   | 580    | n,                | n,     |
| Individuals <sup>1</sup> .....                                 | 314  | 304  | 346  | 314  | 296   | 414              | 375              | 549   | 568   | 715    | n,                | n,     |
| Companies <sup>1</sup> .....                                   | 10   | 130  | 171  | 126  | 110   | 86               | –29              | –106  | –85   | –135   | n,                | n,     |
| 1.2 Net financial surplus .....                                | 359  | 441  | 585  | 458  | 503   | 440              | 412              | 567   | 615   | n,     | 640               | 743    |
| Formation of financial assets <sup>2</sup> .....               | 601  | 751  | 883  | 893  | 1,174 | 1,491            | 1,085            | 1,378 | 1,326 | n,     | 1,197             | 1,019  |
| New liabilities (–) .....                                      | 242  | 310  | 298  | 435  | 671   | 1,051            | 673              | 811   | 711   | n,     | 557               | 276    |
| 1.3 Statistical deviation (1.1 – 1.2) .....                    | –35  | –7   | –68  | –18  | –97   | 60               | –66              | –124  | –132  | n,     | n,                | n,     |
| <b>2. General government</b>                                   |      |      |      |      |       |                  |                  |       |       |        |                   |        |
| 2.1 Net financing requirement <sup>1</sup> (–) .....           | –424 | –430 | –471 | –391 | –376  | –392             | –379             | –458  | –496  | –513   | n,                | n,     |
| 2.2 Net financial deficit <sup>3</sup> (–) .....               | –393 | –455 | –492 | –405 | –414  | –411             | –394             | –455  | –495  | –522   | –603              | –627   |
| Formation of financial assets <sup>4</sup> .....               | 169  | 176  | 121  | 148  | 107   | 92               | 146              | 217   | 93    | n,     | –84               | –127   |
| New liabilities <sup>4</sup> (–) .....                         | 562  | 631  | 612  | 553  | 521   | 503              | 540              | 673   | 588   | n,     | 518               | 501    |
| 2.3 Statistical deviation (2.1 – 2.2) .....                    | –31  | 25   | 21   | 14   | 38    | 19               | 15               | –3    | –1    | 9      | n,                | n,     |
| <b>3. Rest of the world</b>                                    |      |      |      |      |       |                  |                  |       |       |        |                   |        |
| 3.1 Net financial capacity or requirement <sup>1</sup> (–) ... | 31   | –5   | –95  | –57  | –84   | –91              | –46              | –108  | –110  | –191   | n,                | n,     |
| 3.2 Net financial surplus or deficit (–) .....                 | 31   | –5   | –95  | –57  | –83   | –33              | –31              | –106  | –130  | n,     | –56               | –135   |
| 3.3 Statistical deviation (3.1 – 3.2) .....                    | ...  | ...  | ...  | ...  | –1    | –58 <sup>5</sup> | –16 <sup>5</sup> | –2    | 20    | n,     | n,                | n,     |
| <b>4. Statistical adjustments</b>                              |      |      |      |      |       |                  |                  |       |       |        |                   |        |
| 4.1 Real accounts <sup>1</sup> .....                           | 68   | 2    | 49   | 9    | 55    | –18              | 79               | 122   | 124   | 125    | n,                | n,     |
| 4.2 Financial accounts .....                                   | 3    | 19   | 2    | 3    | –6    | 4                | 13               | –6    | 11    | n,     | 19                | 19     |

Source : NBB.

<sup>1</sup> Data taken from Table IX.

<sup>2</sup> See Table XIX.

<sup>3</sup> See Table XII.

<sup>4</sup> See Table XIII.

<sup>5</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  | 1992  | First nine months |        |
|--|------|------|------|------|-------|-------|-------|-------|-------|-------------------|--------|
|  |      |      |      |      |       |       |       |       |       | 1992              | 1993 e |
| <b>Assets in Belgian francs</b> .....              | 417  | 559  | 571  | 515  | 574   | 760   | 996   | 997   | 943   | 722               | 563    |
| At up to one year .....                            | 205  | 278  | 488  | 388  | 305   | 614   | 369   | 463   | 432   | 371               | 442    |
| Notes and coin .....                               | -5   | -2   | 20   | 8    | 4     | 6     | -8    | 4     | -4    | -14               | -5     |
| Sight deposits .....                               | -20  | 54   | 63   | 31   | 70    | 92    | 26    | 11    | -16   | 18                | 24     |
| Ordinary savings deposits .....                    | 114  | 162  | 207  | 224  | 185   | 190   | -258  | -88   | -73   | -147              | -77    |
| Other deposits <sup>1</sup> .....                  | 110  | 44   | 144  | 110  | 33    | 242   | 519   | 259   | 408   | 379               | 306    |
| Treasury certificates and bills <sup>2</sup> ..... | -1   | -7   | 4    | -3   | ...   | ...   | 1     | 165   | 26    | 61                | 18     |
| Notes .....  | 7    | 27   | 51   | 18   | 13    | 83    | 90    | 114   | 91    | 75                | 176    |
| At over one year .....                             | 212  | 281  | 83   | 127  | 269   | 146   | 627   | 534   | 511   | 351               | 121    |
| Bonds and notes <sup>3</sup> .....                 | 182  | 268  | 76   | 133  | 269   | 99    | 643   | 514   | 510   | 347               | 151    |
| Shares <sup>4</sup> .....                          | 20   | 3    | 9    | -14  | 3     | 56    | -19   | 4     | -6    | -1                | -32    |
| Deposits .....                                     | 2    | 7    | ...  | 7    | -11   | -14   | ...   | 9     | 4     | 2                 | 1      |
| Miscellaneous .....                                | 7    | 3    | -1   | 2    | 9     | 5     | 3     | 7     | 3     | 2                 | 1      |
| <b>Assets in foreign currencies</b> .....          | 95   | 85   | 143  | 138  | 226   | 352   | 17    | 97    | 137   | 158               | 160    |
| At up to one year .....                            | -9   | -6   | 30   | 49   | 33    | 109   | 70    | 51    | 164   | 230               | 86     |
| At over one year .....                             | 105  | 90   | 113  | 89   | 193   | 244   | -54   | 46    | -27   | -73               | 74     |
| Bonds .....  | 109  | 85   | 82   | 88   | 211   | 166   | -35   | 40    | -24   | -68               | 71     |
| Shares .....                                       | -4   | 5    | 31   | 1    | -19   | 78    | -19   | 6     | -3    | -4                | 3      |
| <b>Other assets</b> <sup>5</sup> .....             | 89   | 107  | 169  | 240  | 374   | 378   | 72    | 284   | 246   | 317               | 296    |
| Commercial claims on foreign countries .....       | -2   | 18   | -6   | -1   | 12    | -8    | -33   | 8     | 8     | 26                | -12    |
| Financial gold .....                               | 10   | 9    | 7    | 20   | 6     | -4    | 5     | 4     | 4     | 4                 | -4     |
| Other claims on foreign countries .....            | 15   | 5    | 70   | 90   | 127   | 208   | 196   | 185   | 226   | 148               | 81     |
| Miscellaneous <sup>6</sup> .....                   | 66   | 75   | 99   | 131  | 228   | 182   | -96   | 88    | 8     | 139               | 231    |
| <b>Grand total</b> .....                           | 601  | 751  | 883  | 893  | 1,174 | 1,491 | 1,085 | 1,378 | 1,326 | 1,197             | 1,019  |

Source : NBB.

Bibliographical reference : *Bulletin of the National Bank of Belgium*, LXIIIrd year, Vol. II, Nos 1-2, July-August 1988 : *Modifications apportées au chapitre XV « Actifs financiers » de la partie « Statistiques » du Bulletin* and LXVIIIth year, No. 10, October 1993 : *Modifications du traitement des sociétés de logement dans la partie « Statistiques » du Bulletin*..

<sup>1</sup> Including, in so far as it has been possible to record them, deposits built up via collective investment undertakings.

<sup>2</sup> Including purchases of Treasury certificates and bills via collective investment undertakings. Including promissory notes.

<sup>3</sup> Including, in so far as it has been possible to record them, bonds in Luxembourg francs.

<sup>4</sup> Public share issues, less net purchases of Belgian shares by non-residents.

<sup>5</sup> Assets whose distribution between Belgian francs and foreign currencies is not known or is meaningless.

<sup>6</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 — 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 Fr. 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          |
| 1993 ..... | 8.15  | 8.21              | 7.22   | 5.42                          | 7.58  | 6.43                          | 11.97           | 8.31                                     | 8.40                             | 8.85           |

Sources : BBA, Belgian Real Estate Credit Association, PCIs, NBB.

Bibliographical reference : *Bulletin of the National Bank of Belgium*, 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> 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 XXI — INTEREST RATES OF THE NATIONAL BANK OF BELGIUM AND THE REDISCOUNT AND GUARANTEE INSTITUTE

(Percentages)

| Dates of application of change | Discount rate | The Bank's central rate <sup>1</sup> | Rate for granting of one-week credits by tender <sup>2</sup> | Rate for current account advances |                     | RGI's rate for daily closing surpluses |                                   |
|--------------------------------|---------------|--------------------------------------|--|-----------------------------------|---------------------|--|-----------------------------------|
|                                |               |                                      |  | Within credit lines               | Beyond credit lines | Ordinary tranche                       | Overstepping tranche <sup>3</sup> |
| p.m. 1993 1st January .....    | 7.75          | 8.60                                 | 8.60   | 9.10                              | 10.25               | 8.10                                   | 6.60                              |
| 1993 8th January .....         | 7.50          | 8.50                                 | —  | 9.00                              | 10.00               | 8.00                                   | 6.50                              |
| 11th January .....             | "             | "                                    | 8.50   | "                                 | "                   | "                                      | "                                 |
| 20th January .....             | "             | 8.40                                 | —  | 8.90                              | "                   | 7.90                                   | 6.40                              |
| 25th January .....             | "             | "                                    | 8.40   | "                                 | "                   | "                                      | "                                 |
| 5th February .....             | "             | 8.30                                 | —  | 8.80                              | 9.75                | 7.80                                   | 6.30                              |
| 8th February .....             | "             | "                                    | 8.30   | "                                 | "                   | "                                      | "                                 |
| 10th February .....            | "             | "                                    | —  | 9.30                              | "                   | 7.30                                   | "                                 |
| 11th March .....               | 7.25          | 8.10                                 | —  | 9.10                              | "                   | 7.10                                   | 6.10                              |
| 15th March .....               | "             | "                                    | 8.10   | "                                 | "                   | "                                      | "                                 |
| 19th March .....               | 7.00          | 8.00                                 | —  | 9.00                              | "                   | 7.00                                   | 6.00                              |
| 22nd March .....               | "             | "                                    | 8.00   | "                                 | "                   | "                                      | "                                 |
| 24th March .....               | "             | 8.50                                 | —  | 10.00                             | 12.50               | "                                      | "                                 |
| 29th March .....               | "             | "                                    | 8.50   | "                                 | "                   | "                                      | "                                 |
| 31st March .....               | "             | 8.20                                 | —  | 9.20                              | 10.00               | "                                      | "                                 |
| 2nd April .....                | "             | 8.00                                 | —  | 9.00                              | "                   | "                                      | "                                 |
| 5th April .....                | "             | "                                    | 8.00   | "                                 | "                   | "                                      | "                                 |
| 8th April .....                | "             | 7.90                                 | —  | 8.90                              | "                   | 6.90                                   | 5.90                              |
| 9th April .....                | "             | "                                    | 7.90   | "                                 | "                   | "                                      | "                                 |
| 23rd April .....               | "             | 7.70                                 | —  | 8.70                              | 9.50                | 6.70                                   | 5.70                              |
| 26th April .....               | "             | "                                    | 7.70   | "                                 | "                   | "                                      | "                                 |
| 29th April .....               | 6.75          | 7.50                                 | —  | 8.50                              | 9.25                | 6.50                                   | 5.50                              |
| 3rd May .....                  | "             | "                                    | 7.50   | "                                 | "                   | "                                      | "                                 |
| 10th May .....                 | "             | 7.40                                 | 7.40   | 8.40                              | "                   | 6.40                                   | 5.40                              |
| 13th May .....                 | 6.50          | 7.30                                 | —  | 8.30                              | 9.00                | 6.30                                   | 5.30                              |
| 17th May .....                 | "             | "                                    | 7.30   | "                                 | "                   | "                                      | "                                 |
| 24th May .....                 | "             | 7.20                                 | 7.20   | 8.20                              | "                   | 6.20                                   | 5.20                              |
| 28th May .....                 | 6.25          | 7.00                                 | 7.00   | 8.00                              | 8.75                | 6.00                                   | 5.00                              |

Source : NBB.

Bibliographical reference : *Bulletin of the National Bank of Belgium*, 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 RGI, within individual lines, the total of which amounted, for all the primary dealers, to Fr. 5.7 billion at the end of 1993.<sup>2</sup> 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 XXI — INTEREST RATES OF THE NATIONAL BANK OF BELGIUM AND THE REDISCOUNT AND GUARANTEE INSTITUTE (CONTINUATION)

(Percentages)

| Dates of application of change | Discount rate | The Bank's central rate <sup>1</sup> | Rate for granting of one-week credits by tender <sup>2</sup> | Rate for current account advances |                     | RGI's rate for daily closing surpluses |                                   |
|--------------------------------|---------------|--------------------------------------|--|-----------------------------------|---------------------|--|-----------------------------------|
|                                |               |                                      |  | Within credit lines               | Beyond credit lines | Ordinary tranche                       | Overstepping tranche <sup>3</sup> |
| 1993 22nd June .....           | 6.25          | 6.90                                 | —  | 7.90                              | 8.75                | 5.90                                   | 4.90                              |
| 28th June .....                | "             | "                                    | 6.90   | "                                 | "                   | "                                      | "                                 |
| 2nd July .....                 | 6.00          | 6.70                                 | —  | 7.70                              | 8.50                | 5.70                                   | 4.70                              |
| 5th July .....                 | "             | "                                    | 6.70   | "                                 | "                   | "                                      | "                                 |
| 23rd July .....                | "             | 7.15                                 | —  | 9.15                              | 10.00               | 6.15                                   | 5.15                              |
| 26th July .....                | "             | 8.50                                 | 8.50   | 10.50                             | 12.00               | 7.50                                   | 6.50                              |
| 30th July .....                | "             | 9.50                                 | —  | 11.50                             | 13.00               | 8.50                                   | 7.50                              |
| 4th August .....               | "             | "                                    | 9.50   | "                                 | "                   | "                                      | "                                 |
| 2nd September .....            | 7.00          | 10.50                                | —  | 12.50                             | 14.00               | 9.50                                   | 8.50                              |
| 8th September .....            | "             | "                                    | 10.50  | "                                 | "                   | "                                      | "                                 |
| 10th September .....           | 6.50          | 10.25                                | —  | 12.25                             | 13.75               | 9.25                                   | 8.25                              |
| 13th September .....           | "             | "                                    | —  | 12.00                             | "                   | "                                      | "                                 |
| 15th September .....           | "             | 10.00                                | 10.00  | 11.75                             | "                   | 9.00                                   | 8.00                              |
| 20th September .....           | "             | 9.75                                 | —  | 11.50                             | "                   | 8.75                                   | 7.75                              |
| 22nd September .....           | "             | "                                    | 9.75   | "                                 | "                   | "                                      | "                                 |
| 30th September .....           | "             | 9.65                                 | —  | 11.40                             | "                   | 8.65                                   | 7.65                              |
| 6th October .....              | "             | "                                    | 9.65   | "                                 | "                   | "                                      | "                                 |
| 22nd October .....             | 6.00          | 9.40                                 | —  | 11.15                             | 13.25               | 8.40                                   | 7.40                              |
| 25th October .....             | "             | "                                    | 9.40   | "                                 | "                   | "                                      | "                                 |
| 17th November .....            | "             | 8.30                                 | —  | 10.00                             | 12.00               | 7.30                                   | 6.30                              |
| 18th November .....            | 5.50          | "                                    | —  | "                                 | "                   | "                                      | "                                 |
| 22nd November .....            | "             | "                                    | 8.30   | "                                 | "                   | "                                      | "                                 |
| 3rd December .....             | 5.25          | 8.00                                 | —  | 9.70                              | 11.50               | 7.00                                   | 6.00                              |
| 6th December .....             | "             | "                                    | 8.00   | "                                 | "                   | "                                      | "                                 |
| 7th December .....             | "             | 7.50                                 | —  | 9.20                              | "                   | 6.50                                   | 5.50                              |
| 13th December .....            | "             | "                                    | 7.50   | "                                 | "                   | "                                      | "                                 |
| 22nd December .....            | "             | 7.40                                 | —  | 9.10                              | "                   | 6.40                                   | 5.40                              |
| 28th December .....            | "             | 7.25                                 | 7.25   | 8.95                              | "                   | 6.25                                   | 5.25                              |

Source : NBB.

Bibliographical reference : *Bulletin of the National Bank of Belgium*, 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> Rate applicable to the primary dealers for current account advances by and deposits with the RGI, within individual lines, the total of which amounted, for all the primary dealers, to Fr. 5.7 billion at the end of 1993.

<sup>2</sup> 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 XXII — TRANSACTIONS OF THE NATIONAL BANK OF BELGIUM

*(Changes in billions of francs)*

|  | 1991 <sup>1</sup> | 1992  | 1993  |
|--|-------------------|-------|-------|
| <b>1. Transactions apart from regulation of the money market</b> .....                           | -3.0              | 22.5  | -86.0 |
| 1.1 Increase (-) or decrease in the note circulation <sup>2</sup> .....                          | -23.0             | 1.8   | -10.0 |
| 1.2 Increase or decrease (-) in the foreign exchange reserves <sup>3</sup> .....                 | 21.0              | 19.9  | -74.5 |
| 1.3 Increase (-) or decrease in the deposit of the Belgian State .....                           | -                 | -     | -0.8  |
| 1.4 Increase (-) or decrease in the deposit of the Luxembourg State .....                        | -                 | -     | -0.5  |
| 1.5 Miscellaneous net items .....  | -1.0              | 0.8   | -0.2  |
| <b>2. Regulation of the money market</b> .....   | 4.6               | -22.6 | 87.7  |
| 2.1 Mobilisation of commercial bills .....   | 0.3               | -6.9  | 0.3   |
| 2.2 Granting of credits by tender .....  | -10.9             | -25.2 | 5.1   |
| 2.3 Direct interventions on the money market .....   | 15.2              | 9.5   | 82.3  |
| 2.3.1 Purchases or sales (-) of securities on the market .....                                   | -16.3             | -0.3  | 15.0  |
| 2.3.2 Repurchases agreements .....   | 32.0              | 12.8  | 65.3  |
| 2.3.3 Interbank deposits or loans (-) .....  | -0.5              | -3.0  | 2.0   |
| <b>3. Coverage or absorption (-) of residual money market balances</b> .....                     | -1.6              | 0.1   | -1.7  |
| 3.1 Advances to the State .....  | ...               | 0.2   | -0.2  |
| 3.2 Advances to the Securities Regulation Fund .....   | ...               | ...   | ...   |
| 3.3 Absorption of the Treasury's surplus (-) .....   | 0.1               | ...   | ...   |
| 3.4 Changes in the net daily closing surpluses or deficits of the financial intermediaries ..... | -1.7              | -0.1  | -1.5  |
| 3.4.1 Current account advances to the financial intermediaries .....                             | -11.2             | -0.1  | 0.2   |
| 3.4.2 Daily closing surpluses deposited with the NBB by the RGI (-) .....                        | 9.5               | ...   | -1.7  |

Source : NBB.

<sup>1</sup> February to December 1991.<sup>2</sup> Including reductions due to the return flow of bank notes which are no longer legal tender.<sup>3</sup> At market exchange rates and on the value date.

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The National Bank of Belgium  
as an Enterprise



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

**INTRODUCTION**

*Since 1989 a number of data have been published in the Bank's Annual Report concerning the functional aspects of the activities which the National Bank of Belgium carried out not only as the monetary authority but also as an enterprise which produces services to the general public. These business reports also contain information on the Bank's staff and organisation.*

## 1. SPECIFIC ACTIVITIES AS THE CENTRAL BANK

### 1.1 PRINTING AND ISSUING OF BANK NOTES, PUTTING COINS INTO CIRCULATION

#### 1.11 ISSUING POLICY AND COMPOSITION OF THE NOTE CIRCULATION

The issuing of bank notes is the Bank's most traditional activity, which explains why in the past the term « issuing institution » was very widely used, in the same way as the term « central bank » nowadays. Unlike certain foreign central banks, the National Bank of Belgium prints its bank notes itself. That is the Bank's only activity which has a definitely industrial aspect.

After very thorough studies from both the economic and the technical angle, the Bank put into circulation, on 11th December 1992, the Fr. 10,000 « Baudouin-Fabiola » note. This denomination supplemented the existing series of notes to the value of Fr. 100, Fr. 500, Fr. 1,000 and Fr. 5,000.

#### DEVELOPMENT OF DEMAND FOR FR. 10,000 BANK NOTES FROM THEIR PUTTING INTO CIRCULATION ON 11TH DECEMBER 1992

(end-of-month amounts, in billions of francs)

|      |                     |      |
|------|---------------------|------|
| 1992 | December (11) ..... | 1    |
|      | December .....      | 15.3 |
| 1993 | January .....       | 23.9 |
|      | February .....      | 30.5 |
|      | March .....         | 40.5 |
|      | April .....         | 48.3 |
|      | May .....           | 54.5 |
|      | June .....          | 63.4 |
|      | July .....          | 64.1 |
|      | August .....        | 64.5 |
|      | September .....     | 65.2 |
|      | October .....       | 71.4 |
|      | November .....      | 75.5 |
|      | December .....      | 80.5 |

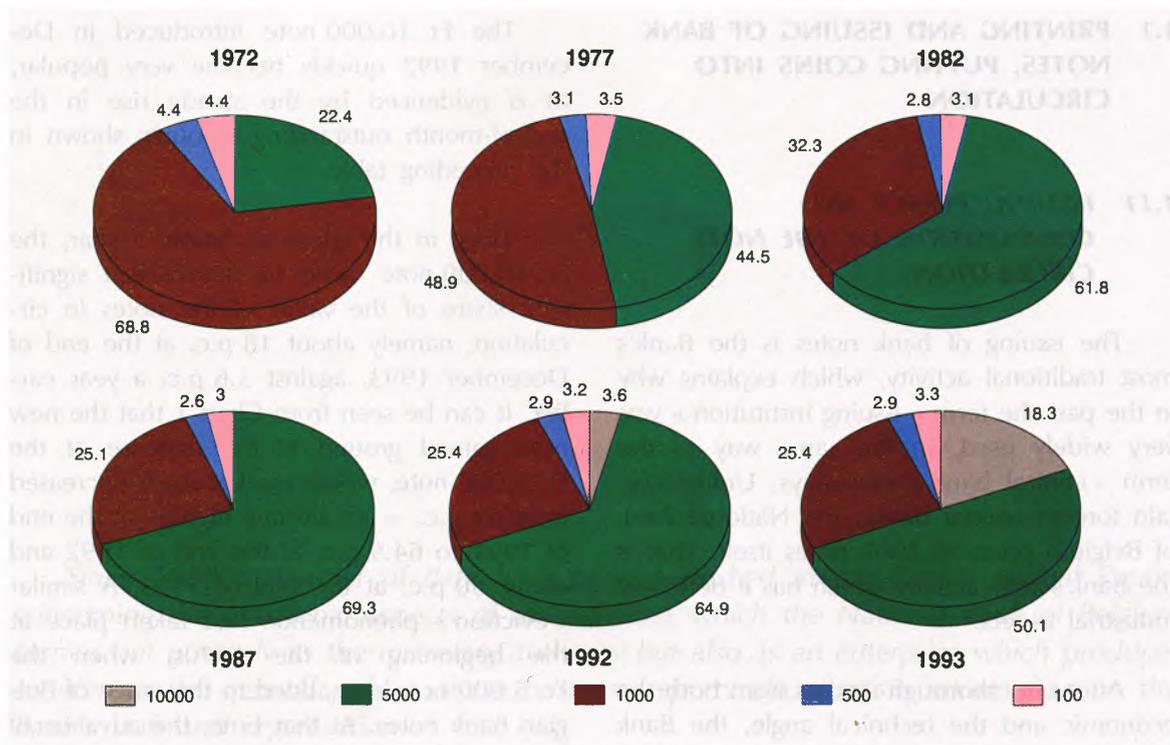
The Fr. 10,000 note introduced in December 1992 quickly became very popular, as is evidenced by the steady rise in the end-of-month outstanding amounts shown in the preceding table.

Thus, in the space of barely a year, the Fr. 10,000 note came to represent a significant share of the value of the notes in circulation, namely about 18 p.c. at the end of December 1993, against 3.6 p.c. a year earlier. It can be seen from Chart 1 that the new note gained ground at the expense of the Fr. 5,000 note, whose market share decreased from 69 p.c. — an all-time high — at the end of 1991 to 64.9 p.c. at the end of 1992 and about 50 p.c. at the end of 1993. A similar « eviction » phenomenon had taken place at the beginning of the 1970s, when the Fr. 5,000 note was added to the range of Belgian bank notes. At that time, the advance of the new denomination took place at the expense of the dominant position then occupied by the Fr. 1,000 note. All this shows that, partly owing to inflation, the need for denominations with a higher nominal value becomes evident as time goes by. The share of the Fr. 1,000, Fr. 500 and Fr. 100 notes in the total value of the notes in circulation remained more or less unchanged compared with the previous year: it remained at the level of about 25 p.c. for the Fr. 1,000 note and 3 p.c. for the two smallest notes.

In the course of 1994 the Bank will put into circulation the first denomination of a completely new series of bank notes. This is a note with a nominal value of Fr. 2,000. This will be the first time, in Belgium's history, that a note with this nominal value has been put into circulation. It is mainly the banks and other credit institutions that have pressed for the issuing of this bank note, more particularly in order to be able to appreciably increase the capacity of cashpoints. By widening its range of notes the Bank is furthermore aiming at improving the structure of the note circulation in terms of denominations,

CHART 1 — COMPOSITION OF THE NOTE CIRCULATION BY DENOMINATION  
PERCENTAGE OF THE CIRCULATION VALUE

(end-of-year figures)



thereby enabling cash payments to be made more efficiently because the number of notes required will be smaller. The second note of the new series, a Fr. 100 note, is now being prepared, but its issue date has not yet been fixed. The present Fr. 100 note was put into circulation in 1978. It was then the first denomination of the series of bank notes which is still in circulation at present, and it is logical, after 16 years, to renew it.

### 1.12 OUTSTANDING AMOUNT

Notes are issued and received every day by the offices of the National Bank of Belgium, so that the number of notes in circulation is constantly changing. That is natural because, in practice, the note circulation is governed by the public's requirements. Large fluctuations in the circulation may occur during the year owing to seasonal factors. Thus

the note circulation reached a low of Fr. 407.9 billion on 27th January 1993 and a peak of Fr. 450.5 billion on 5th July 1993 (the holiday period) — a range of fluctuation of no less than Fr. 42.6 billion, in the form of a change of 17.3 million in the number of notes in circulation. The note circulation also reaches a seasonal peak at the end of the year. At the end of 1993 the public held notes for a total amount of Fr. 440.6 billion, or Fr. 10.4 billion (2.4 p.c.) more than a year earlier. That value represented 333.8 million notes. The number of notes in circulation on 31st December 1992 was 332.6 million. This tiny increase in the number of notes, whereas their total value increased by 2.4 p.c., is attributable to the aforementioned successful introduction of the new Fr. 10,000 note, which largely replaced the Fr. 5,000 note.

The daily averages shown below reflect the basic movements which took place during the period under review.

**NOTE CIRCULATION<sup>1</sup>***(end-of-year figures)*

|                  | Value in billions of francs |       | Number in millions of notes |       |
|------------------|-----------------------------|-------|-----------------------------|-------|
|                  | 1992                        | 1993  | 1992                        | 1993  |
| Fr. 10,000 ..... | 15.3                        | 80.5  | 1.5                         | 8.1   |
| Fr. 5,000 .....  | 279.1                       | 220.9 | 55.8                        | 44.2  |
| Fr. 1,000 .....  | 109.1                       | 111.9 | 109.1                       | 111.9 |
| Fr. 500 .....    | 12.6                        | 12.9  | 25.2                        | 25.8  |
| Fr. 100 .....    | 14.1                        | 14.4  | 141.0                       | 143.8 |
| Total .....      | 430.2                       | 440.6 | 332.6                       | 333.8 |

<sup>1</sup> Including the notes in the financial intermediaries' cash holdings but excluding the « Vesalius » type notes not yet presented to the Bank for exchange.

**DAILY AVERAGES OF THE NOTE CIRCULATION**

|                   | in billions of francs |       |       | Percentage changes compared with the corresponding period of the previous year |       |
|-------------------|-----------------------|-------|-------|--|-------|
|                   | 1991                  | 1992  | 1993  | 1992   | 1993  |
| 1st quarter ..... | 413.7                 | 413.4 | 416.4 | -0.07  | +0.73 |
| 2nd quarter ..... | 426.0                 | 429.0 | 434.1 | +0.70  | +1.19 |
| 3rd quarter ..... | 429.1                 | 427.7 | 434.6 | -0.33  | +1.61 |
| 4th quarter ..... | 424.8                 | 420.6 | 430.5 | -0.99  | +2.35 |
| Year .....        | 423.5                 | 422.7 | 428.9 | -0.19  | +1.47 |

**1.13 SORTING**

The Bank not only designs and prints the notes, but it also keeps a close watch on the quality and authenticity of the notes in circulation. For this purpose it has technologically advanced sorting machines which every day examine over 3 million notes withdrawn from circulation. About 18 p.c. of these are rejected because they are worn or dirty and are destroyed and replaced by new ones. In 1993 a much higher number of forged notes were discovered, mainly of the Fr. 5,000 and Fr. 500 denominations (around 8,000 notes, against 800 in 1992). However, these forged notes represent only 0.0025 p.c. of the average number of notes in circulation.

Unlike the notes, the coins are not produced by the Bank. They are made by the Belgian Royal Mint on behalf of the Government. But it is the Bank that puts them into circulation. Furthermore, the Bank checks and sorts the coins presented to it and sends those which have been damaged or withdrawn from circulation to the Belgian Royal Mint. At the end of December 1993, coins to the value of Fr. 18.7 billion were in circulation, against Fr. 17.8 billion at the end of 1992.

The number of notes received for sorting at the Bank's counters amounted to 915.2 million in 1993, representing an increase of 3.8 p.c., while the number of coins for processing fell from 969 million in 1992 to 942.9 million, a decline of 2.7 p.c.

### 1.14 RETURN FREQUENCY AND LENGTH OF LIFE OF NOTES

As in the preceding years, the average return frequency of bank notes rose again, from 2.7 in 1992 to 2.8 for the year under review. This overall indication does, however, conceal appreciable differences depending on the denomination. For instance, as a result of a modest increase in the number of notes in circulation combined with a sharper rise in the number of payments made with notes, the Fr. 1,000 note returns to the Bank more than five times per year. The Fr. 10,000 note, too, at least in its initial phase, showed a high return frequency: in 1993 it returned to the Bank, on average, four times. On the other hand, the return frequency of the Fr. 5,000 note declined from 2 to 1.7 through the aforementioned substitution effect. The return frequency of the two smallest denominations remained almost unchanged compared with a year earlier.

The general spread of the system of currency centres (see point 1.21) in the Bank's establishments and its introduction at the head office during the year under review have undoubtedly brought about a rise in the overall return frequency. This is because this service makes it possible for the financial institutions to dispose more quickly of their excess cash holdings and to replenish their supply each day from the Bank in accordance with their requirements.

The quickening of returns of notes furthermore enables the Bank to detect forged notes rapidly.

Although the notes in circulation become dirty and worn, a relatively large proportion of them, ranging from about 66 p.c. for the Fr. 100 note to around 99 p.c. for the Fr. 10,000 note, can be put into circulation again. For all notes combined this proportion reached about 82 p.c. in 1993. The proportion represented by rejected notes was therefore 18 p.c. As the return frequency of notes continues to increase, the Bank has to constantly improve the sorting procedures in order to prevent good-quality notes from being unnecessarily withdrawn from circulation.

On the basis of the number of rejected notes it is possible to calculate the life of a note. This depends on the note's velocity of circulation in the payment circuit, the care taken of it by the public and the sorting criteria which the Bank applies to used notes. According to the results of the sorting operations, the average life of a Fr. 100 note is 26 months, while the larger denominations, such as the Fr. 5,000 note — which are less frequently passed from hand to hand, are also hoarded and are treated with greater care — have an average life of 66 months.

Significant figures are not yet available for the Fr. 10,000 note, as it has only been in circulation for a year.

#### RETURN FREQUENCY<sup>1</sup> OF NOTES

|                              | 1975 | 1980 | 1985 | 1990 | 1991 | 1992 | 1993 |
|------------------------------|------|------|------|------|------|------|------|
| Fr. 10,000 .....             | —    | —    | —    | —    | —    | —    | 4.1  |
| Fr. 5,000 .....              | 1.1  | 1.3  | 1.5  | 1.9  | 1.9  | 2.0  | 1.7  |
| Fr. 1,000 .....              | 1.2  | 1.8  | 2.9  | 4.1  | 4.5  | 4.9  | 5.2  |
| Fr. 500 .....                | 1.3  | 1.3  | 1.5  | 1.6  | 1.8  | 1.8  | 1.9  |
| Fr. 100 .....                | 1.0  | 1.1  | 1.2  | 1.4  | 1.5  | 1.5  | 1.5  |
| All notes <sup>2</sup> ..... | 1.2  | 1.4  | 1.9  | 2.4  | 2.5  | 2.7  | 2.8  |

<sup>1</sup> The return frequency, defined as the quotient of the number of notes received per year by the Bank and the average outstanding amount of notes, is equivalent to the number of times that a note of a given denomination returns on average per year to the Bank.

<sup>2</sup> Excluding the notes formerly issued by the Treasury (Fr. 20 and Fr. 50 notes).

**AVERAGE LIFE BY DENOMINATION<sup>1</sup>***(in months)*

|                  | End-1991 | End-1992 | End-1993 |
|------------------|----------|----------|----------|
| Fr. 100 .....    | 26       | 26       | 26       |
| Fr. 500 .....    | 25       | 25       | 25       |
| Fr. 1,000 .....  | 34       | 34       | 34       |
| Fr. 5,000 .....  | 57       | 61       | 66       |
| Fr. 10,000 ..... | —        | —        | —        |

<sup>1</sup> In the calculation of the average life of a note, it is assumed that the first notes issued are the first destroyed (FIFO method). The average life is defined as follows :

sum of the products obtained by multiplying the number of notes rejected per month by their respective life

sum of all cancellations from the time when a given denomination was put into circulation for the first time

## 1.2 ACTIVITIES OF THE BANK AS THE BANK OF THE CREDIT INSTITUTIONS

### 1.2.1 PROVISION OF NOTES AND COINS

Bank notes are put into circulation when credit institutions or the Post Office « buy » them from the Bank in response to increased demand from the public. The Bank then debits the current account which the banks hold with it. The converse takes place when a bank, considering that it has more notes than necessary in its cash holdings, pays back the surplus and has the amount credited to it at the Bank.

#### a) Classical withdrawal and payment system

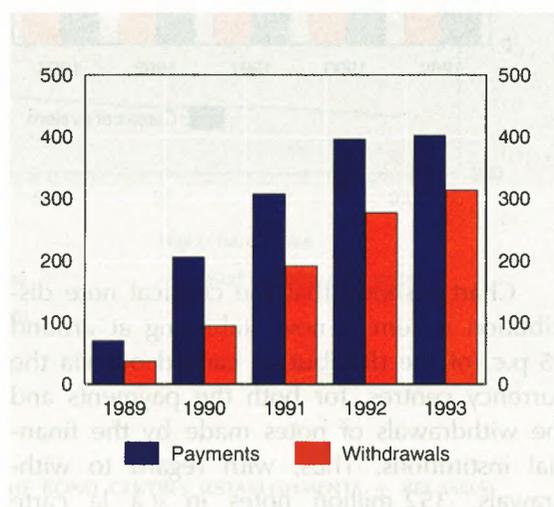
In the classical distribution system the notes are delivered in the form of completely standardised packets of 500 notes for all denominations or in cassettes of 12,000 notes. Coins are paid or withdrawn in complete bags. These transactions are free of charge.

#### b) Currency Centres

In addition to the classical system of drawings and payments of notes and coins,

there is also that of the currency centres, which credit institutions can also use. Under this system the local agencies of credit institutions are given a tailor-made service. This arrangement had already been generally adopted in the branches and agencies and was introduced in Brussels<sup>1</sup> at the end of 1993. This service, for which a commission has to be paid, is therefore offered at present by all the Bank's establishments except the representation offices.

**CHART 2 — NUMBER OF PACKAGES OF NOTES PROCESSED IN THE CURRENCY CENTRES**

*(thousands)*

The rate of growth of the number of packages of notes — payments and withdrawals combined — processed by this system, which had been particularly high in the two preceding years, slowed down in 1993 because the majority of the large financial institutions had already joined it. It amounted to about 6.5 p.c., whereas it has been around 65 p.c. in 1991 and 35 p.c. in 1992.

<sup>1</sup> The statistics mentioned do not take account of the activity of the Brussels currency centre, which started up in 1993. Readers will find a description of the currency centres in the Annual Report for 1991, page 141.

CHART 3 — PAYMENTS AND WITHDRAWALS OF NOTES AT ESTABLISHMENTS OTHER THAN THE BRUSSELS HEAD OFFICE

(Millions of notes)

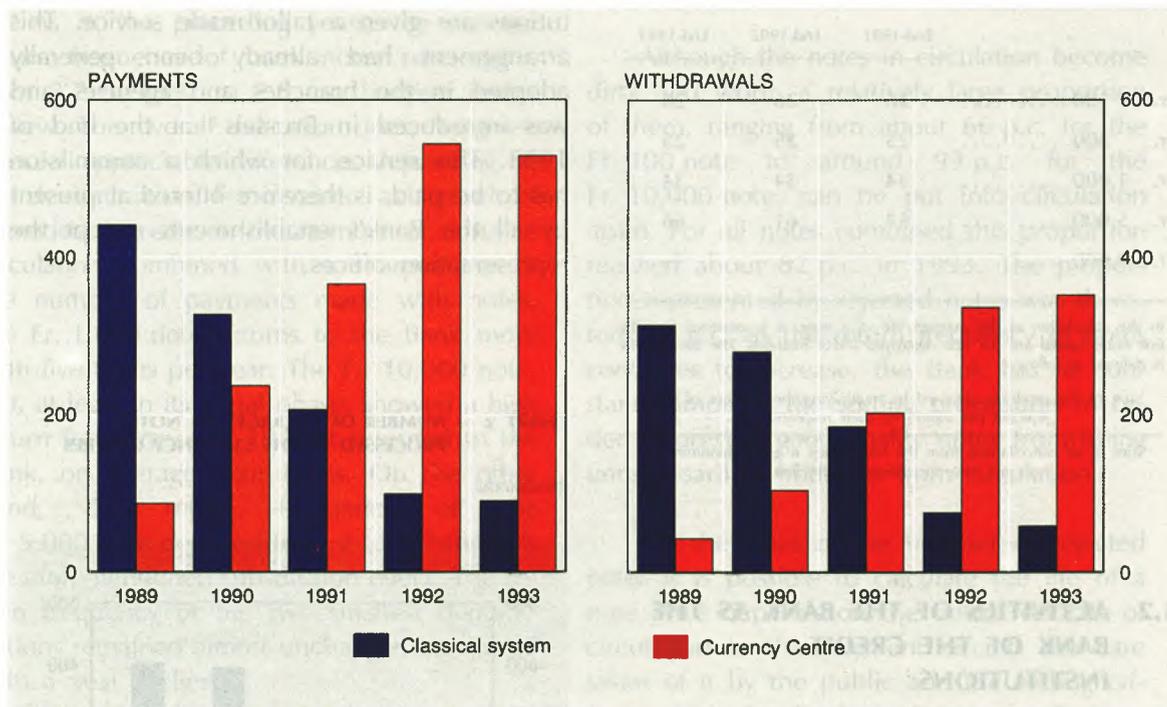


Chart 3 shows that the classical note distribution system is now stabilising at around 15 p.c. of the distribution carried out via the currency centres, for both the payments and the withdrawals of notes made by the financial institutions. Thus, with regard to withdrawals, 352 million notes in « à la carte packages » passed over the counters of the Bank's establishments in 1993, against 58 million notes via the classical system of standardised packages. The activity of the currency centres is showing a similar trend with regard to coins.

Lastly, Chart 4 gives an idea of the overall activity carried out at the Bank's counters both in Brussels and at the branches and agencies, for the classical system and the currency centres combined. « Overall activity » means the number of notes and coins received and the number of persons engaged in these activities on a full-time or part-time basis. A gradual reduction in the staff employed at the counters combined with a rising trend of activity has resulted in a net increase in productivity.

The number of notes received at the counters reached 915.2 million in 1993, representing a rise of 3.8 p.c. compared with 1992 and of 65 p.c. compared with 1983. The number of coins fell to 942.9 million units in 1993, a decline of 2.7 p.c.; over a period of ten years, however, it increased by about 80 p.c.

In addition to the above-mentioned transactions on the receipts side, the Bank issued 916.2 million notes over its counters. In order to meet the demand, to replace rejected notes and keep up the stocks of notes to be issued, 157.2 million notes — a number comparable to the 1992 figure (159.8 million) — were delivered to the Central Cash Office service.

## 1.22 BOND CENTRES

This service gives the financial intermediaries' agencies the possibility of presenting to the Bank securities and coupons which are redeemable or payable within forty calendar days without having to sort them by loan in advance.

CHART 4 — ACTIVITY AT THE BANK'S COUNTERS

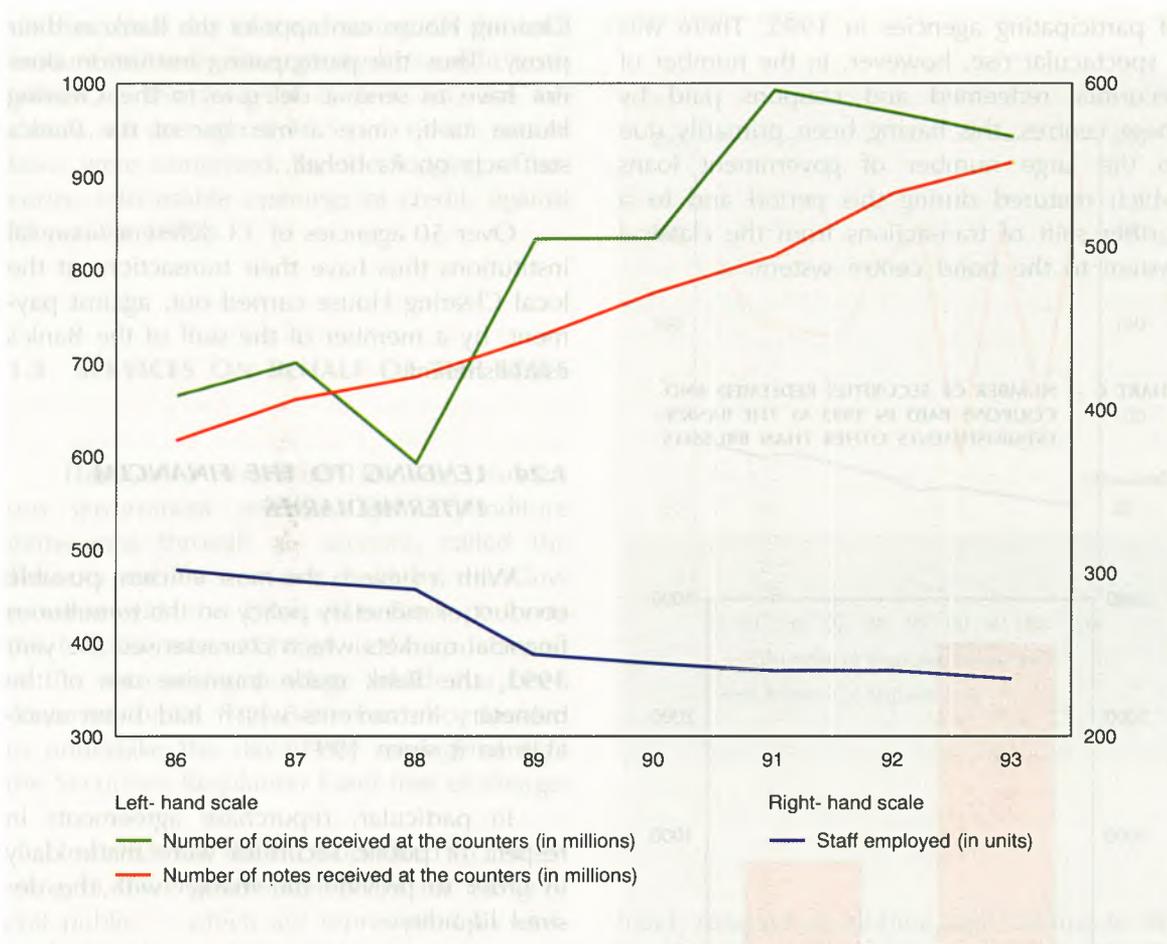
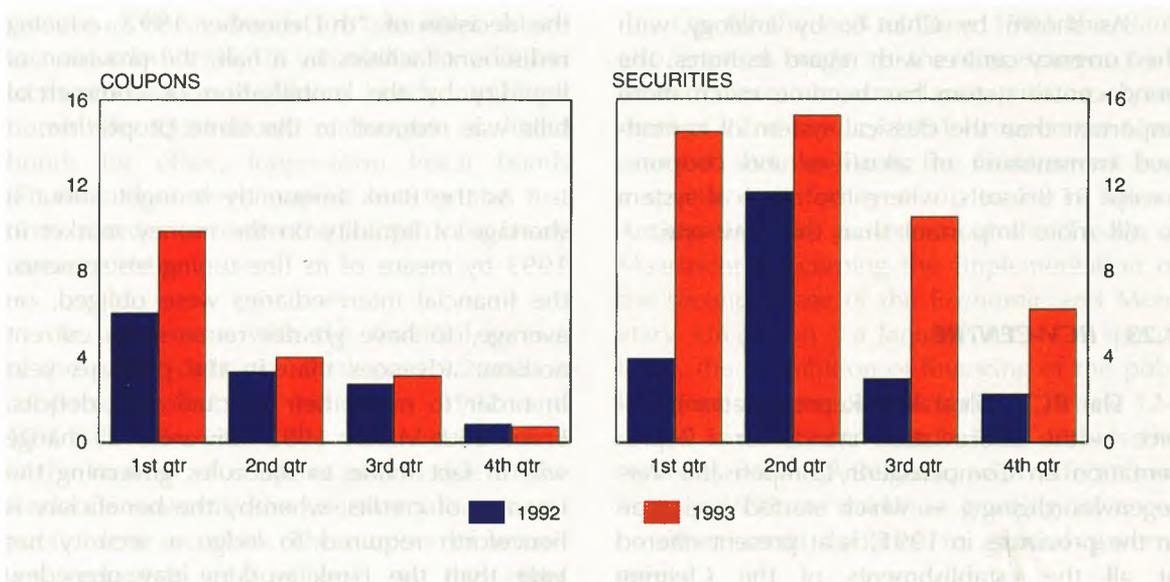


CHART 5 — SECURITIES REDEEMED AND COUPONS PAID VIA THE BOND CENTRES (ESTABLISHMENTS + BRUSSELS)

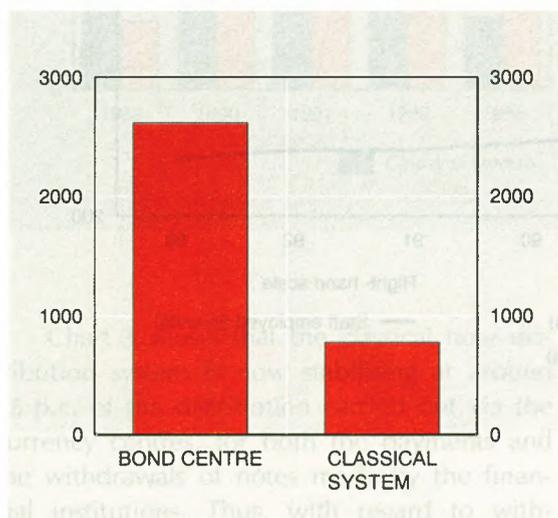
(Billions of francs)



As in the case of the currency centres, there was a certain stabilisation of the number of participating agencies in 1993. There was a spectacular rise, however, in the number of securities redeemed and coupons paid by these centres, this having been primarily due to the large number of government loans which matured during this period and to a further shift of transactions from the classical system to the bond centre system.

**CHART 6 — NUMBER OF SECURITIES REDEEMED AND COUPONS PAID IN 1993 AT THE BANK'S ESTABLISHMENTS OTHER THAN BRUSSELS**

(Thousands)



As shown by Chart 6, by analogy with the currency centres with regard to notes, the bond centre system has become much more important than the classical system of centralised transmission of securities and coupons, except in Brussels, where the classical system is still more important than the new one.

### 1.23 RCV-CENTRE

The RCV (Clearance Representation) Service — the abbreviation stands for « Représentation en Compensation/Compensatie Vergegenwoordiging » — which started operation in the provinces in 1991, is at present offered at all the establishments of the Clearing

House, except the central office in Brussels. Credit institutions which are members of the Clearing House can appoint the Bank as their proxy. Thus the participating institution does not have to send a delegate to the Clearing House itself, since a member of the Bank's staff acts on its behalf.

Over 50 agencies of 33 different financial institutions thus have their transactions at the local Clearing House carried out, against payment, by a member of the staff of the Bank's establishment.

### 1.24 LENDING TO THE FINANCIAL INTERMEDIARIES

With a view to the most efficient possible conduct of monetary policy on the tumultuous financial markets which characterised the year 1993, the Bank made intensive use of the monetary instruments which had been available to it since 1991.

In particular, repurchase agreements in respect of public securities were made daily in order to provide the market with the desired liquidity.

The volume of the structural provision of liquidity via the tender system was smaller than the previous year : thus, only 52 allocations by tender were organised in 1993, against 97 in 1992. Similarly, as a result of the decision of 7th December 1992 reducing rediscount facilities by a half, the provision of liquidity by the mobilisation of commercial bills was reduced in the same proportion.

As the Bank frequently brought about a shortage of liquidity on the money market in 1993 by means of its fine-tuning instruments, the financial intermediaries were obliged, on average, to have greater recourse to current account advances than in the previous year in order to meet their residual cash deficits. From 25th March 1993 onwards, a change was in fact made to the rules governing the opening of credits, whereby the beneficiary is henceforth required to lodge a security not later than the bank working day preceding

the day of the advance, whereas previously this condition could, if necessary, be fulfilled on the actual day of the drawing. Of the total amount of credit lines granted to credit institutions in the form of current account advances, an average of 36.5 p.c. on an annual basis were converted, by the lodging of security, into usable openings of credit, against 30 p.c. in 1992.

### 1.3 SERVICES ON BEHALF OF THE STATE

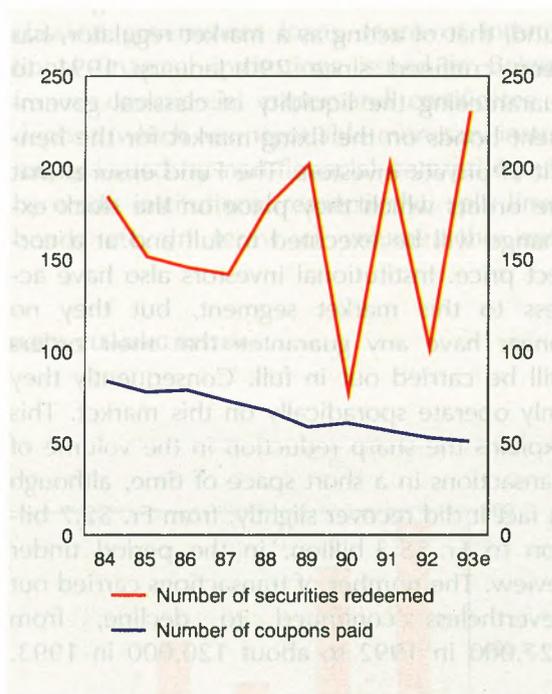
The Bank is the State Treasurer. Numerous government revenue and expenditure items pass through an account, called the Treasury current account, held by the Government with the Bank. The Bank performs this function free of charge as the counterpart to the note-issuing privilege which has been conferred on it. The Bank has also decided to undertake the day-to-day management of the Securities Regulation Fund free of charge.

In 1993 the Bank co-operated in the issuing of three government loans for the general public — which are represented by classical bonds — for a total amount of Fr. 345 billion, and in the payment of the weekly and monthly allocations of Treasury certificates and linear bonds by tender, for a total amount of Fr. 6,279 billion and Fr. 584 billion respectively; Treasury certificates and linear bonds are securities which are recorded solely in accounts. In addition to the conversion of classical bonds into linear bonds (Fr. 535 billion), exchanges of linear bonds for other, longer-term linear bonds (Fr. 65 billion) were carried out for the first time in order to lessen the burden of a heavy maturity date.

In connection with the financial service of the public debt, the Bank paid 9.2 million coupons, against 9.5 million in 1992 and 10.4 million in 1991. The continuous decline in the number of coupons paid is due to the tendency towards the dematerialisation of public debt securities. The number of securities redeemed (2.2 million), on the other

CHART 7 — FINANCIAL SERVICE OF THE PUBLIC DEBT IN BELGIAN FRANCS

(Index 1980 = 100)



hand, reached an all-time high. Owing to the low level of interest rates it became worthwhile, for general government, to exercise its right of early redemption of some loans. A nominal amount of Fr. 240 billion was therefore repaid in that way.

Up till the end of June 1993 the Bank also granted credit to the Government to a limited extent. In accordance with an agreement of 22nd January 1991 between the Government and the Bank, the Government had a special cash facility of up to Fr. 15 billion. Anticipating the provisions of the Treaty of Maastricht concerning the implementation of the second phase of the Economic and Monetary Union on 1st January 1994 — specifically, the prohibition of financing of the public sector by the central bank — Article 124 of the Law of 22nd March 1993 forbids the National Bank of Belgium, with effect from 1st July 1993, to continue granting advances or other credit facilities to general government.

### **1.31 FUNCTIONS OF THE SECURITIES REGULATION FUND**

The initial role of the Securities Regulation Fund, that of acting as a market regulator, has been confined since 29th January 1991 to guaranteeing the liquidity of classical government bonds on the fixing market for the benefit of private investors. The Fund ensures that the orders which they place on the stock exchange will be executed in full and at a correct price. Institutional investors also have access to this market segment, but they no longer have any guarantee that their orders will be carried out in full. Consequently they only operate sporadically on this market. This explains the sharp reduction in the volume of transactions in a short space of time, although in fact it did recover slightly, from Fr. 52.7 billion to Fr. 55.3 billion, in the period under review. The number of transactions carried out nevertheless continued to decline, from 127,000 in 1992 to about 120,000 in 1993.

The Minister of Finance is responsible for the regulation and supervision of the market outside the stock exchange for linear bonds and of the secondary market for Treasury certificates. This function was delegated to the Securities Regulation Fund under the ministerial decree of 25th July 1991. Only the monitoring of compliance with the undertakings entered into by the primary dealers when they are granted permission to operate is still the direct responsibility of the Minister. In performance of this functions, the Securities Regulation Fund supplemented the market regulations under a decree of 28th June 1993 in order to regulate cases of late settlement in a more precise manner.

The Fund established a closer co-operation and an appropriate information exchange system with the authorities responsible for the general prudential supervision of institutions which manage accounts concerning dematerialised securities. Furthermore, the Fund continued to develop its set of monitoring instruments, enabling it to exercise more accurate supervision.

### **1.32 TRANSACTIONS CONNECTED WITH DEVELOPMENT AID**

Co-operation in connection with development is a third field in which the Bank acts as the financial intermediary of the Government. As an agent appointed by the State, the Bank plays a part in the implementation of bilateral agreements under which Belgium makes funds available to developing countries.

It opens the accounts necessary for this purpose and must ensure that, when each payment is made, all the conditions provided for in the agreements or consented to by the Bank in consultation with the competent authorities of the beneficiary country are fulfilled. It gives advice to the interested parties in this connection.

The number of payments actually made has shown the following movements :

|            |     |
|------------|-----|
| 1987 ..... | 362 |
| 1988 ..... | 142 |
| 1989 ..... | 360 |
| 1990 ..... | 200 |
| 1991 ..... | 479 |
| 1992 ..... | 340 |
| 1993 ..... | 343 |

## 2. SERVICES TO THIRD PARTIES

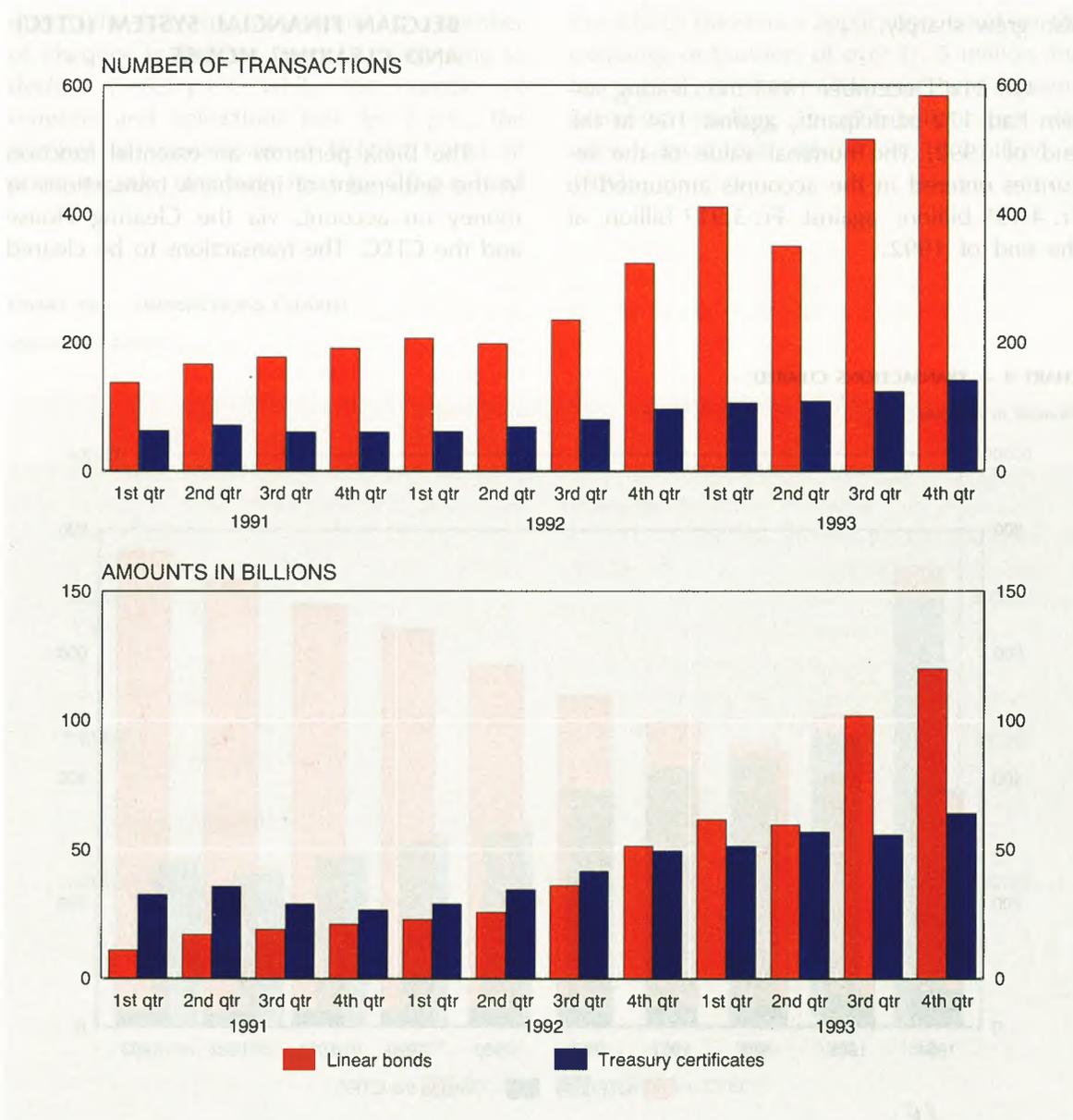
### 2.1 CLEARING

In 1991 the Bank introduced a securities clearing system whereby a wide range of security transactions can be settled : transactions in linear bonds, Treasury certificates, dealings outside the stock exchange in securities of

classical government loans, loans of international financial institutions issued in Belgian francs, commercial paper and certificates of deposit (which are negotiable monetary instruments issued by non-financial enterprises and by credit institutions, respectively), split linear bonds etc. In terms of volume, the most

CHART 8 — TRANSACTIONS SETTLED ON THE SECONDARY MARKET'S CLEARING SYSTEM<sup>1</sup>

(Daily averages)



<sup>1</sup> Purchases, sales, repurchase agreements — except for those carried out by the National Bank as part of its monetary policy — and free transfers.

important are transactions in linear bonds and Treasury certificates.

In the course of 1993 there was an absolute explosion in the number of transactions settled which amounted to 444,464, or 80 p.c. compared with the previous year, in which an increase of 50 p.c. had already been recorded. The growth in the number of transactions is particularly striking for linear bonds, but less pronounced for Treasury certificates. This movement is partly due to the growing number of repurchase agreements between credit institutions, which have to some extent replaced interbank loans. Bilateral loans of securities, which are not included in the chart, also grew sharply.

On 31st December 1993 the clearing system had 172 participants, against 164 at the end of 1992. The nominal value of the securities entered in the accounts amounted to Fr. 4,195 billion, against Fr. 3,917 billion at the end of 1992.

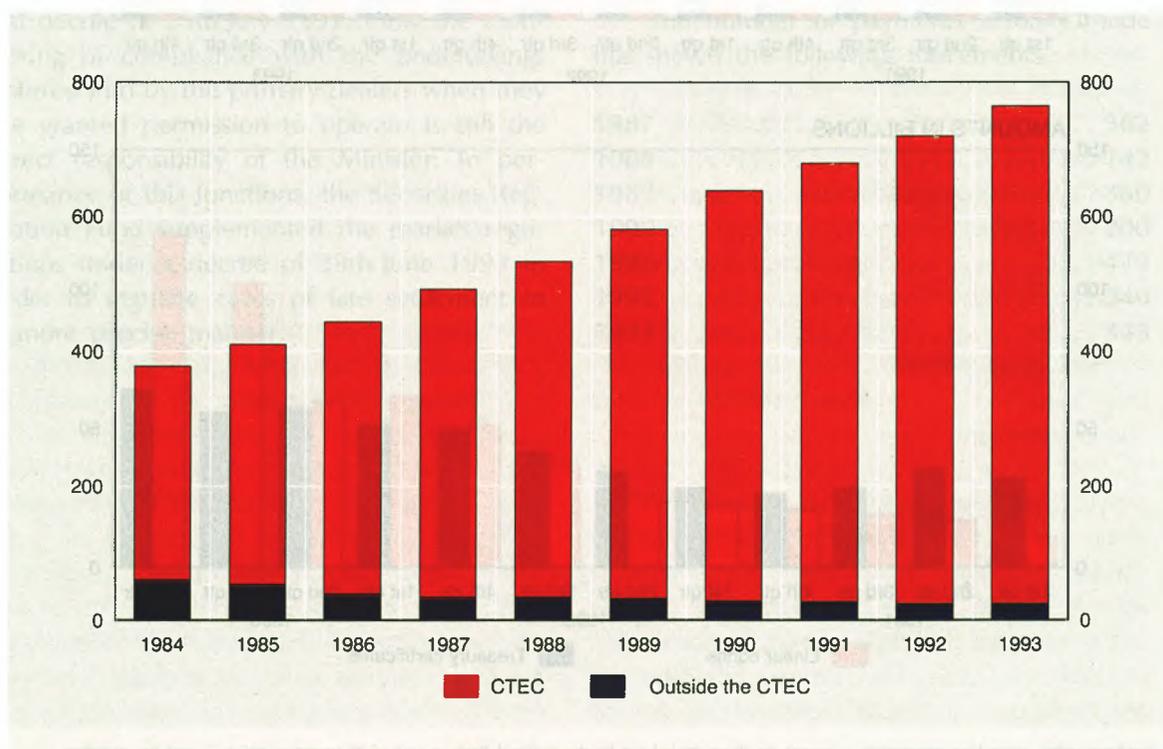
In the course of 1994 the Bank will bring into service a new data-processing system in order to be able to continue to ensure the settlement of the growing volume of transactions. Thanks to the law of 6th August 1993, it will be possible for transfers from and to the Euroclear and Cedel international clearing systems to be carried out much more quickly. The new « bridge » with these institutions will probably become operational during the first quarter of 1994.

## 2.2 CLEARING TRANSACTION EXCHANGE CENTRE OF THE BELGIAN FINANCIAL SYSTEM (CTEC) AND CLEARING HOUSE

The Bank performs an essential function in the settlement of interbank transactions in money on account, via the Clearing House and the CTEC. The transactions to be cleared

CHART 9 — TRANSACTIONS CLEARED

(Number in millions)



— cheques, transfers, domiciliations and other payment instruments — can be exchanged between credit institutions either in the Clearing House or via the CTEC. In the Clearing House the payments are presented in the form of paper (cheques...), whereas in the CTEC their processing is automated. The Bank administers both these clearing circuits.

In 1993 the CTEC dealt with 97 p.c. of the total number of transactions to be cleared, but this represents only 6 p.c. of the total amount cleared. On average, 2.9 million operations are exchanged in this system daily, representing an increase of 6.4 p.c. compared with the previous year. This development is due to the following movements : the number of cheques in Belgian francs is continuing to decline (−8.5 p.c.), while the number of transfers and collections rose by 7 p.c., the number of transactions in Belgian francs at point of sale terminals rose by 20 p.c. and

that of transactions in Belgian francs at cash-points went up by 2.4 p.c. It is evident from the foregoing that the trend towards increased use of the new forms of payments is continuing. Several factors are contributing to this shift : the charges made for cheques, changes in the behaviour of private accountholders with regard to payment owing to their being better informed, the increased efficiency of new paperless means of payment, such as the use of point-of-sale terminals.

The daily average amount of funds exchanged via the CTEC reached Fr. 87 billion, against Fr. 63.5 billion in 1992 (an increase of 37 p.c.). This rise is chiefly attributable to the « large transfers » application, used for the exchange of transfers of over Fr. 5 million and for urgent transfers, whatever their amount. Transfers totalling Fr. 39.6 billion per day were carried out, against Fr. 18.2 billion in 1992.

CHART 10 — TRANSACTIONS CLEARED

(Amounts in billions)

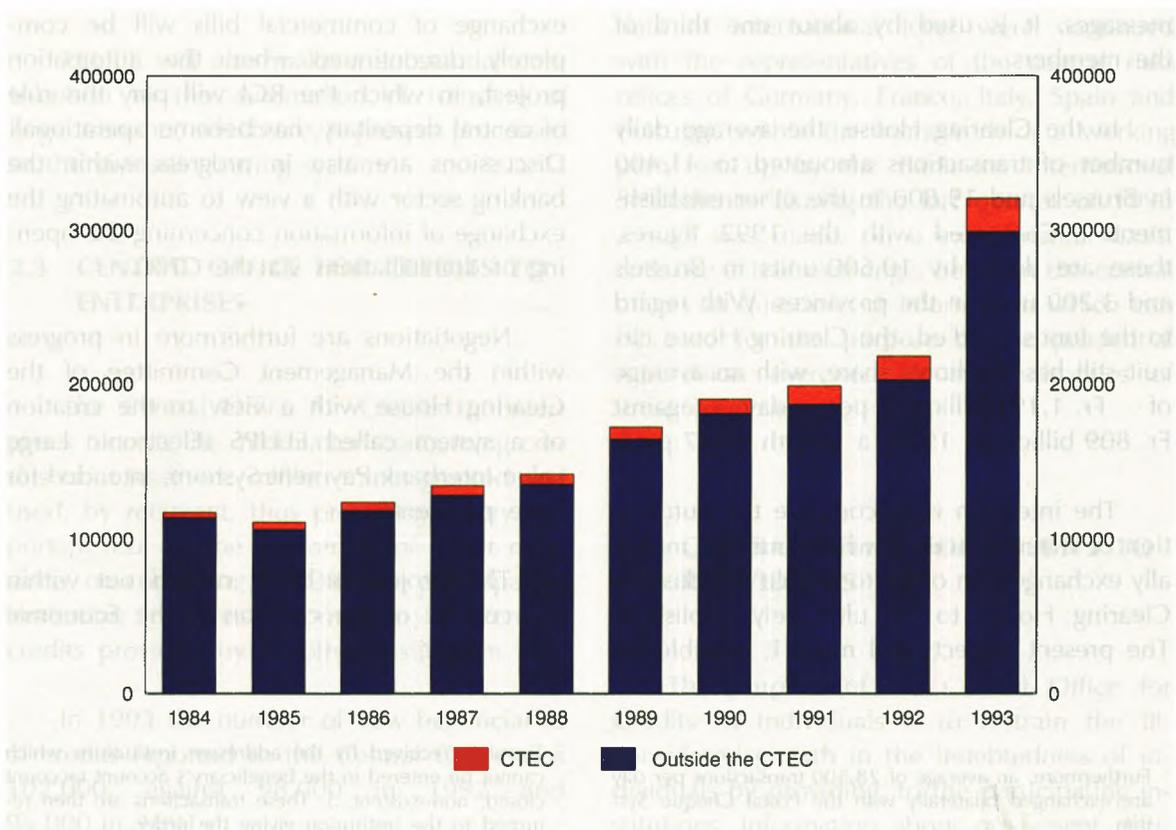
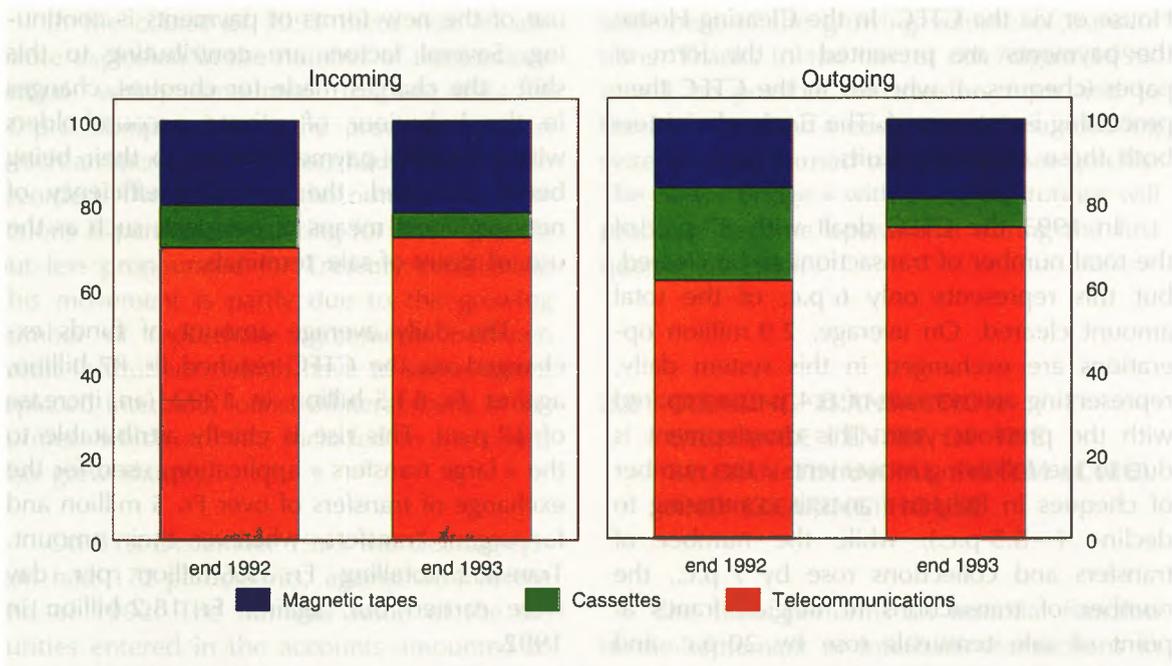


CHART 11 — BREAKDOWN OF THE NUMBER OF TRANSACTIONS BY EXCHANGE MEDIUM

(Percentage of the total number of transactions)



Telecommunications remain the most important means of transmission, with 72 p.c. of incoming messages and 74 p.c. of outgoing messages. It is used by about one third of the members.

In the Clearing House, the average daily number of transactions amounted to 41,400 in Brussels and 19,800 in the other establishments<sup>1</sup>. Compared with the 1992 figures, these are down by 10,600 units in Brussels and 3,200 units in the provinces. With regard to the funds handled, the Clearing House circuit still has the lion's share, with an average of Fr. 1,191 billion per day (against Fr. 809 billion in 1992, a growth of 47 p.c.).

The intention is to continue the automation of the transactions which are still manually exchanged, in order to enable the classical Clearing House to be ultimately abolished. The present projects will make it possible for

the CTEC to process transactions in Belgian francs coming from abroad, inexecutable transfers<sup>2</sup> and commercial bills. The manual exchange of commercial bills will be completely discontinued when the automation project, in which the RGI will play the role of central depository, has become operational. Discussions are also in progress within the banking sector with a view to automating the exchange of information concerning the opening of domiciliations via the CTEC.

Negotiations are furthermore in progress within the Management Committee of the Clearing House with a view to the creation of a system called ELLIPS (Electronic Large value Interbank Payment System), intended for large payments.

This project is being carried out within the context of the creation of the Economic

<sup>1</sup> Furthermore, an average of 28,500 transactions per day are exchanged bilaterally with the Postal Cheque System.

<sup>2</sup> Transfers received by the addressee institutions which cannot be entered in the beneficiary's account (account closed, non-existent...). These transactions are then returned to the institution giving the order.

and Monetary Union. It was inspired by, among other things, the report of the Committee of Governors of the central banks of the Member States of the European Union, entitled « Issues of common concern to EC central banks in the field of payment systems ». This report contains a number of recommendations about payment systems. It pays special attention to systems for large payments, the efficiency and stability of which are extremely important for the proper carrying out of payments.

ELLIPS is a gross — sometimes called hard — settlement system in which each individual payment immediately becomes definitive by being entered in the Bank's current accounts; in this system, therefore, all payments are irrevocably executed item by item. Payment instructions will be dealt with under this system only in so far as sufficient funds to meet them are available in the form of a credit balance on a current account with the Bank or of credits guaranteed by pledged security. This special feature will make it possible to eliminate certain risks which are inherent in the present clearing system, in which a net settlement of payments takes place.

ELLIPS will also make a substantial contribution to the automation of transfers of large amounts, which are at present processed in the manual clearing system.

### **2.3 CENTRAL OFFICE FOR CREDITS TO ENTERPRISES**

The Central Office for Credits to Enterprises records the information concerning credits of at least one million francs granted and used, by recipient, thus providing a very important tool for the assessment of credit risks, since, on consulting the Office, a participating institution receives information concerning credits provided by all other institutions.

In 1993 the number of new beneficiaries of credits reported to the Central Office was 102,000, against 98,000 in 1992 and 95,000 in 1991.

All the legal provisions concerning the centralisation of information about credit risks were revised in consultation and close co-operation with the financial sector and the Banking and Financial Commission, and incorporated in the law of 22nd March 1993 concerning the status and supervision of credit institutions. In this connection the scope of the Central Office was modified in order to achieve a better adaptation of the data collected to the needs of credit institutions and to reduce the operating costs of the system. To this end, credits to the State, interbank credits and mortgage loans for purely private purposes were excluded from the scope of the Central Office. Simplified reporting procedures were established for credits granted to non-residents.

During the year under review further consultation took place with the participants concerning the modernisation of the Central Office from the point of view of information technology. The new reporting procedures in this connection will normally come into effect on 1st November 1995.

Negotiations concerning the exchange of data at international level were continued with the representatives of the central risks offices of Germany, France, Italy, Spain and Portugal, within the framework of a working party set up by the Bank for International Settlements. During the last quarter of 1993 a start was made, on an experimental basis, with the actual exchange, between the central offices in question, of information which can be used for the purpose of the prudential supervision exercised by the authorities of those countries.

### **2.4 CENTRAL OFFICE FOR CREDITS TO INDIVIDUALS**

The purpose of the Central Office for Credits to Individuals is to restrain the ill-considered growth in the indebtedness of individuals by providing, to the participating institutions, information about repayment diffi-

culties relating to consumer credit and mortgage loans. Unlike the Central Office for Credits to Enterprises, this is a so-called « negative central office », as only payment arrears have to be reported.

The year under review was characterised by an important widening of the scope of the Central Office owing to the entry into force, on 1st January, of the provisions of the new law on consumer credit (the law of 12th June 1991) and the law concerning mortgage credit (the law of 4th August 1992). The application of the new law on consumer credit extended the scope of recording to all forms of consumer credit, including leasing transactions and openings of credit. The new law on mortgage credit also includes in the file payment arrears in connection with mortgage loans arranged with physical persons for a private purpose. This extension of the field of action of the Central Office gives a more accurate picture of payment difficulties encountered by the consumer, enabling the providers of credit to make a better assessment of applications for credit.

At the end of 1993 about 355,000 contracts and about 306,000 persons were recorded in the Central Office's file. As in previous years it was found that the number of contracts recorded rises faster than the number of persons, which means that the number of persons for whom more than one contract has been reported to the Central Office is still increasing. At the end of 1993, about 32 p.c. of the number of persons recorded in the file were mentioned in connection with at least two contracts. The total outstanding amount of payment arrears in respect of contracts, recorded at the end of 1993 and still not paid off was Fr. 28.3 billion, equivalent to an average of nearly Fr. 102,000 per contract.

In view of the fact that participants are required to consult the Central Office's file before granting or changing a consumer credit, the extension of the field of application to all forms of credit of this type led to a substantial increase in the volume of consultations. The average number of consultations per working day was 10,000 in 1993 against 6,600 in 1992. As a result both of the increase in the

CHART 12 — NUMBER OF CONSULTATIONS OF THE CENTRAL OFFICE FOR CREDIT TO INDIVIDUALS

(Averages per working day)

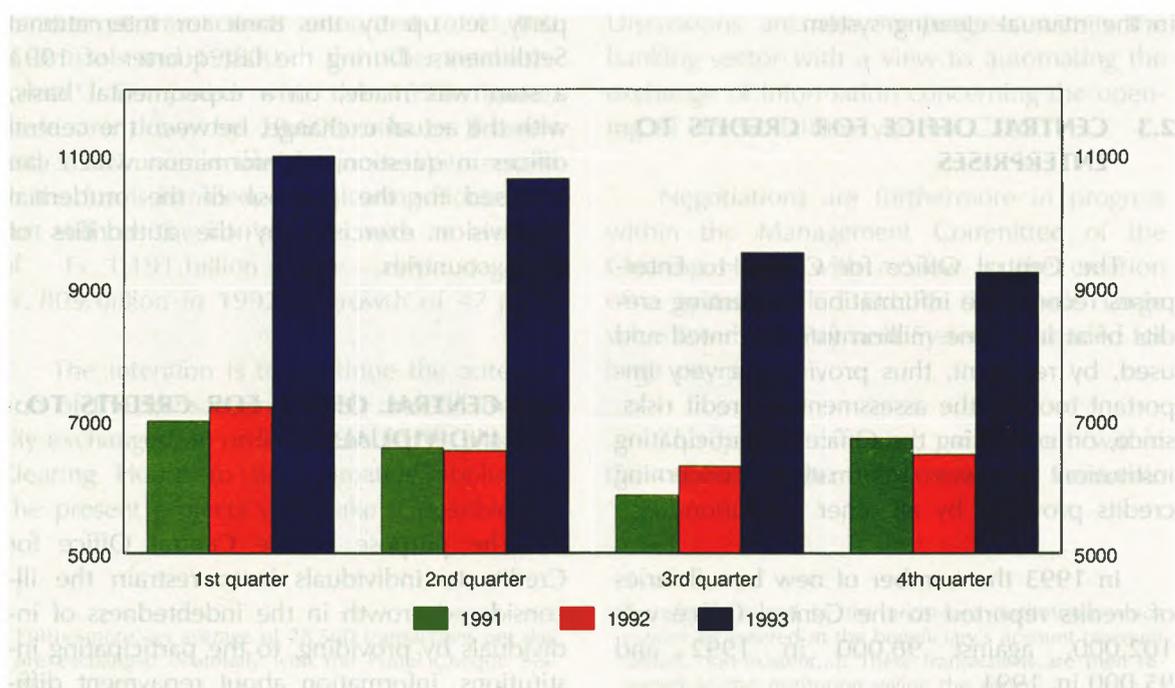
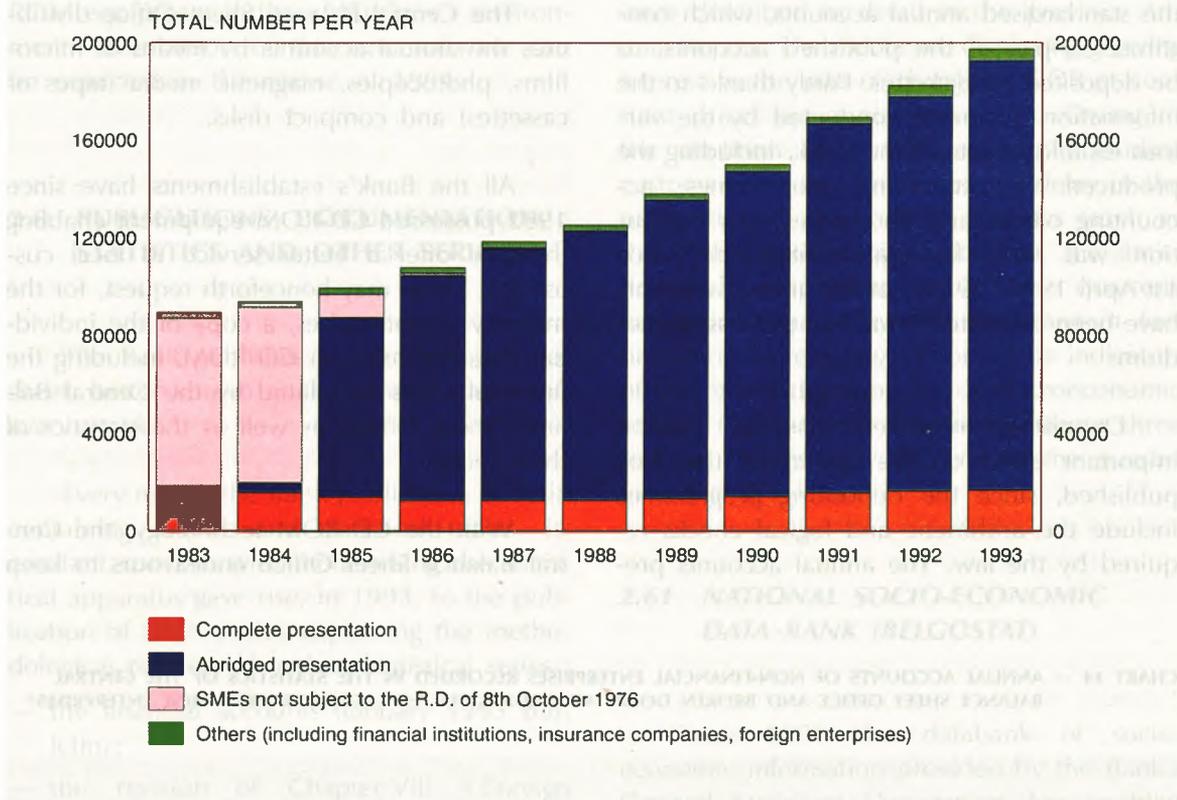


CHART 13 — ANNUAL ACCOUNTS RECEIVED BY THE CENTRAL BALANCE SHEET OFFICE AND BROKEN DOWN BY TYPE OF PRESENTATION



number of consultations and the application of measures adopted to reduce operating costs, the consultation fees were substantially reduced with effect from 1st October 1993.

During the past year the Bank, as the holder of the data file, took the necessary measures under the law for the protection of private life with regard to the processing of personal data (law of 8th December 1992), some of which were in fact already included in the regulations governing the operation of the Central Office. Thus, since 1st January 1993, the consumer has been informed in writing when he is recorded for the first time in the Central Office's file. During the year under review some 300 letters were sent per working day in this context. It was also found that more and more consumers make use of their consultation right. This enables them, at all times, to examine the data recorded in their name. In 1993 the average number of

requests recorded per day in this connection was 60, against 25 in 1992.

## 2.5 CENTRAL BALANCE SHEET OFFICE

The Central Balance Sheet Office was established under the law of 24th March 1978 concerning the disclosure of the records and annual accounts of trading companies. It has a dual purpose: the distribution of annual accounts and the compilation, from the annual accounts thus obtained, of sectoral statistics concerning the assets and liabilities and also the costs and profits of the enterprises concerned.

Since 2nd January 1992, enterprises required to disclose their annual accounts have deposited these at the Central Balance Sheet

Office and no longer with the Registry of the Commercial Court. Up till 31st March 1993 this depositing could only be done on paper. Since 1st April 1993 it has been possible for the standardised annual accounts, which constitute 99 p.c. of the published accounts, to be deposited on diskettes. Partly thanks to the information campaign conducted by the various establishments of the Bank, including the producers of accounting programmes, accounting offices and enterprises, this innovation was very favourably received. Since 1st April 1993, 39 p.c. of the annual accounts have been deposited on a data-processing medium.

Depositing on diskette has also had an important effect on the quality of the data published, since the depositing programmes include the arithmetic and logical checks required by the law. The annual accounts pre-

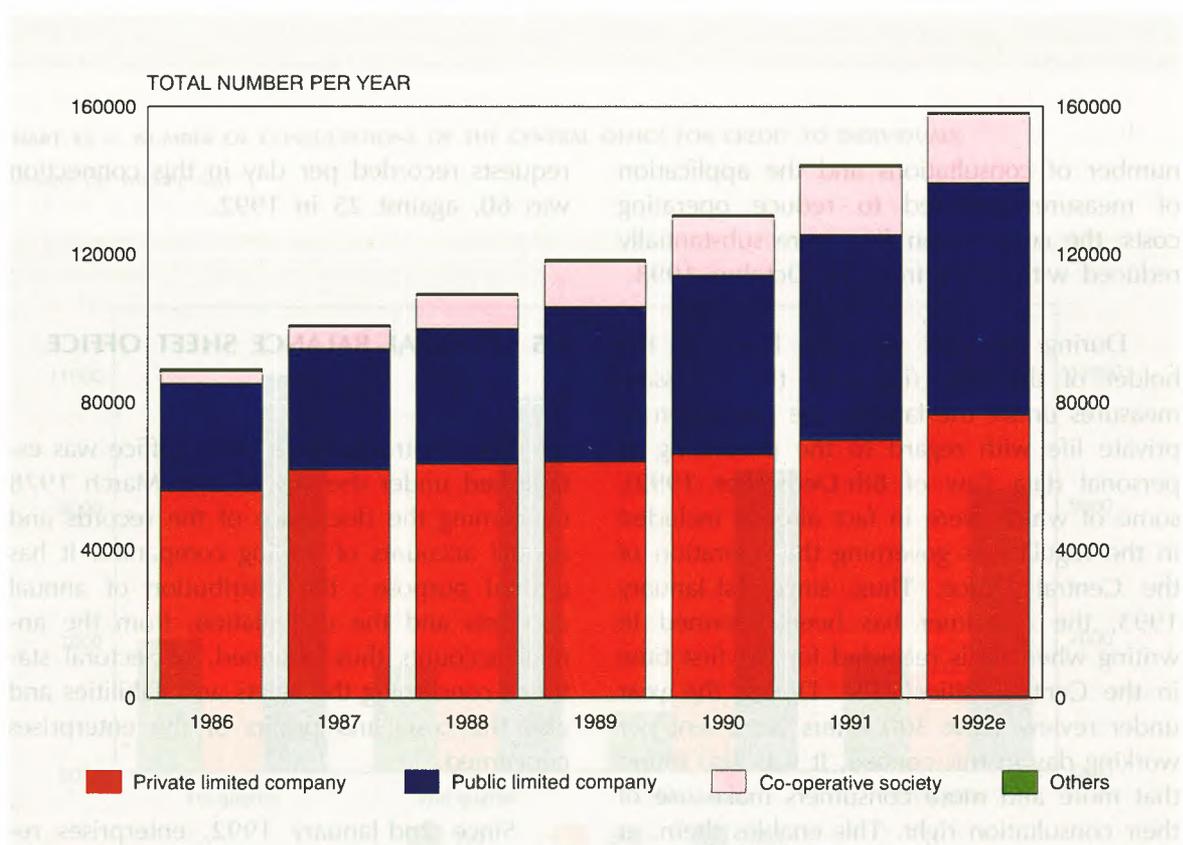
sented on a data-processing medium thus necessarily meet the required quality criteria when they are accepted.

The Central Balance Sheet Office distributes the annual accounts by means of microfilms, photocopies, magnetic media (tapes or cassettes) and compact disks.

All the Bank's establishments have since 1992 possessed CD-ROM equipment enabling them to offer a better service to local customers. These may henceforth request, for the majority of enterprises, a copy of the individual data recorded on CD-ROM, including the financial ratios calculated by the Central Balance Sheet Office, as well as the statistics of their sector.

With the CD-ROM technology, the Central Balance Sheet Office endeavours to keep

CHART 14 — ANNUAL ACCOUNTS OF NON-FINANCIAL ENTERPRISES RECORDED IN THE STATISTICS OF THE CENTRAL BALANCE SHEET OFFICE AND BROKEN DOWN ACCORDING TO THE LEGAL FORM OF THESE ENTERPRISES<sup>1</sup>



<sup>1</sup> Confined to the annual accounts, closed at the end of the year in question, of companies engaging in an activity for which the Central Balance Sheets Office compiles sectoral statistics (excluding companies in the financial sector and some services).

closely in line with technical progress. In 1993 it distributed an approved version of its CD-ROM disk and worked on the development of software for the exploitation of the CD-ROM equipment in the « Windows » environment. Distribution of this new software can be expected in the course of 1994.

## **2.6 PUBLICATIONS, DOCUMENTATION, STATISTICS AND OTHER SERVICES**

The Bank publishes an abridged balance sheet, better known as the weekly statement, every week.

Every month the Bank publishes a Bulletin containing articles and statistical tables. Its constant concern with modernising the statistical apparatus gave rise, in 1993, to the publication of four articles explaining the methodological revision of various statistical series :

- the financial accounts (January 1993 Bulletin);
- the revision of Chapter VIII « Foreign trade » (July-August 1993 Bulletin);
- the revision of Chapter XI « Public finance » (July-August 1993 Bulletin);
- changing of the treatment of housing companies (October 1993 Bulletin).

As previously, each issue of the Bulletin which appeared during the year under review contained a summary of Belgian and European economic legislation, in addition to a bibliography of new books and articles concerning economic and financial questions of interest to Belgium.

Some analyses and studies carried out in the Bank are not published in its monthly Bulletin or in its Annual Report but are distributed in so-called Study Notes. Study Note No. 11, which appeared in 1993, contained an analysis of the volume and structure of the foreign exchange market in Belgium.

For some time now the Central Bank has been calculating, on an experimental basis,

quarterly data on the gross domestic product at constant prices. Since 1993 these quarterly indicators have been published in the « Economic indicators », the contents of which were described in detail in the previous Annual Report. The media are displaying growing interest in the rate of change of GDP at constant prices on a quarterly basis. Owing to the abolition of certain statistics (including customs data) and the increasing delay in the publication of many other statistics (such as the annual national accounts data, the statistics on housing starts, etc...), these quarterly calculations made by the Bank are in fact becoming increasingly important as indicators of the recent development of macroeconomic activity (the estimate is available about three to four months after the end of the quarter to which it relates).

### **2.61 NATIONAL SOCIO-ECONOMIC DATA BANK (BELGOSTAT)**

Since 1990 the databank of socio-economic information provided by the Bank's General Statistical Department has enabled users to obtain on-line access to statistical data concerning various fields, the most important of which are : national accounts, prices, turnover and production by economic sector, the labour market, the money and capital markets, public finance, the business surveys, foreign trade and the balance of payments.

In 1993 the number of participants continued to grow : 55 external users being connected, against 42 in 1992, while the number of internal users also rose thanks to the extension of the local area network (LAN).

### **2.62 BUSINESS SURVEYS**

A number of innovations have been introduced into the Bank's business surveys in recent years. They related mainly to the methodology and to the extension of the field of the survey to the services sector.

In 1993, sub-regional business activity curves were compiled. These are unweighted synthetic curves calculated by province, for manufacturing industry, trade and building. This information meets a need which has been strongly felt by sub-regional policy bodies and groups of enterprises. The sub-regional curves which meet certain quality requirements are published by the Chambers of Commerce and Industry.

Lastly, in 1993, a booklet on the continuing training of university graduates was published. It analyses the results of an ad hoc survey conducted the previous year in co-operation with the Industry-University Foundation.

### **2.63 REPORTING BY CREDIT INSTITUTIONS**

A new method of reporting by credit institutions on their financial position (« Presentation A ») was introduced in January 1993, after years of preparation. The far-reaching integration of the various types of information (accounting statement, statistical annexes, report on own funds) ensures the consistency of the data and therefore improves their quality, both for information regarding management and for the statistical series resulting therefrom. Nearly 70 p.c. of the volume of information to be reported is provided on magnetic media.

The situation of free setting of prices for financial instruments induced the Bank to carry out a monthly survey on the interest rates applied by credit institutions. This survey covers specific banking products, mainly in the retail market.

### **2.64 BALANCE OF PAYMENTS**

The Balance of Payments Service, which, in addition to its own specific tasks, also performs the statistical function entrusted to the Belgian-Luxembourg Foreign Exchange Insti-

tute, concentrated mainly in 1993 on establishing a new system for the collection of the data necessary for compiling the balance of payments of the Belgian-Luxembourg Economic Union and the current accounts of Belgium and Luxembourg. On 23rd November 1993 the Board of that Institute approved the amendments which are to be made to the organic law, a preliminary draft of a royal decree and a new draft set of regulations containing the lists of the new codes.

The new regulations and the resultant new data-processing application will be introduced on 1st January 1995.

### **2.65 LIBRARY AND DOCUMENTATION**

The Bank's scientific library acquires every year around 3,000 new books and monographs in the field of economics, monetary matters, credit, financial transactions, new financial products, the stock exchange, foreign exchange markets, statistics, legislation and the building of the European Economic and Monetary Union. The 3,000 acquisitions in 1993 were added to the stock of 115,000 works already held at the end of 1992. The scientific library systematically analyses the majority of the approximately 1,300 periodicals to which it subscribes and adds computer-recorded bibliographical cards to its data-processed file (74,000 at the end of 1993). New articles recorded are notified to users within barely three days from the reception of the journal in question.

The change-over to a new computerised library management system was continued and practically completed in 1993, and the reading room was equipped with terminals adapted to the new software.

The scientific library regularly co-operates with other documentation centres. It thus participates in the Antilope inter-library periodical lending system. The Documentation Service, which manages the library, received several documentalists from central banks on study visits. One member of staff stayed as a con-

sultant at the central bank of the Czech Republic to assist it in establishing its scientific library.

## **2.7 DEPOSIT SERVICE**

In the course of 1993 the Bank's Board of Directors decided to discontinue the safe custody service for depositors other than credit institutions, such as individuals, customers of public credit institutions and subordinate authorities (municipalities, church maintenance boards, municipal public welfare centres, etc.), notaries, institutions, foundations and investment trusts. This service is not a typical central bank activity.

The safe custody of the Bank's shares continues, of course, to be provided free of charge for its shareholders.

## **2.8 THE BANK'S MUSEUM**

The exhibition entitled « From the cocoa bean to the new peso. Numismatics in Mexico » (held from 5th October until 12th December) was undoubtedly the high point of the year 1993 for the Bank's museum. This exhibition formed part of the Europalia 93 festival and presented the collection of means of payment of the Banco de México, the Mexican central bank. No fewer than 17,500 persons attended the exhibition, including 5,400 individual visitors and 86 groups.

By lending items from its collections, the Bank contributed to several exhibitions, such as « The BBL, a bank in history » (Brussels, 9th February - 13th March), the retrospective exhibition of the works of Louis Titz, painter and designer of bank notes (Ypres, 1st April - 30th June) and the Frankfurt Book Fair.



### 3. THE BANK'S PARTICIPATION IN THE WORK OF INTERNATIONAL INSTITUTIONS

The nature and tempo of the activities of the Community institutions with which the bank co-operates were partly determined by the ups and downs which characterised the year 1993 in the field of monetary co-operation in the Community.

After a long period of uncertainty, the Treaty on European Union finally entered into force on 1st January, of that year. Despite the delays in the ratification of the Treaty, these institutions anticipated the successful outcome and started to prepare for the second phase of Economic and Monetary Union. These activities had to be speeded up after the summer, however, partly at the instigation of the Belgian Presidency of the Council, to ensure that all the time limits laid down in the Treaty could be met.

An important aspect of this work was the drawing up of the secondary legislation<sup>1</sup> necessary for the implementation of the second stage.

All the legislation was approved in time, partly thanks to the intensive co-operation of the Monetary Committee, the Committee of Governors and the Working Party of the Council. The Bank contributed actively to all this work and its delegate at the office of the Belgian Permanent Representative at the European communities chaired most of the Council's meetings of experts in this field.

Other important activities were required for the implementation of the Treaty.

The Council had to assess, before 1st January 1994, the progress made with regard to convergence and in the implementation of the Community Legislation concerning the internal

market. The Monetary Committee examined the report drawn up by the Commission on this subject. It also gave its opinion on the Commission's recommendation for the major orientations of the economic policies of the Community and the Member States provided for in the Treaty on European Union.

For its part, the Committee of Governors continued, throughout the year, the work which it had embarked upon in view of the prospect of the transition to the second and third stages of the Economic and Monetary Union. During the last month of the year the emphasis was, of course, placed on the decisions to be taken in order to permit a smooth transition, on 1st January 1994, from the Committee of Governors, which was to be dissolved, to the European Monetary Institute, which assumed its functions on that date.

The crisis of the European Monetary System also occupied an important place in the work of the Monetary Committee and the Committee of Governors in 1993. In the spring, the two committees completed the examination of the lessons to be learnt from the monetary crisis which took place during the last months of 1992. Their reports were submitted to the Council of Ministers in May 1993. The Bank participated actively in this work, and also in the study made by the Group of Ten on international capital movements and their impact on the foreign exchange markets. This study was presented to the Interim Committee of the International Monetary Fund in April.

The turbulences on the foreign exchange markets continued, however, until the decision made on 2nd August to widen the fluctuation margins of the currencies participating in the exchange rate mechanism of the European Monetary System restored calmer conditions. This new context does not make it any the less essential — on the contrary, in-

<sup>1</sup> In Community law, the expression « secondary legislation » means a set of legal provisions based on the European treaties and designed to supplement those treaties and make them more specific.

deed — to supervise the foreign exchange markets and co-ordinate monetary policies within the Monetary Committee and European Monetary Institute.

The Bank also continued to co-operate in the work of redefining the legal framework for the establishment of the single European market for financial services, while at the same time giving thought to the repercussions of this on its activity as the monetary authority.

Furthermore, the Bank continued to participate in working parties of the Financial Action Group (Groupe d'action financière internationale) entrusted with the task of studying

prevention of the use of the financial system for the purpose of money laundering.

The measures in favour of the countries which are in course of transition to a market economy are being further extended and are receiving a great deal of attention from the international organisations, which are also taking care to ensure that these measures are not taken at the expense of the other developing countries. In this connection the Bank co-operated, in particular, with the work of the International Monetary Fund which led to the creation of the Systemic Transformation Facility and in the work for the creation of a mechanism to replace the Enhanced Structural Adjustment Facility.

## 4. THE MEANS EMPLOYED

### 4.1 HUMAN RESOURCES

#### 4.11 PERSONNEL

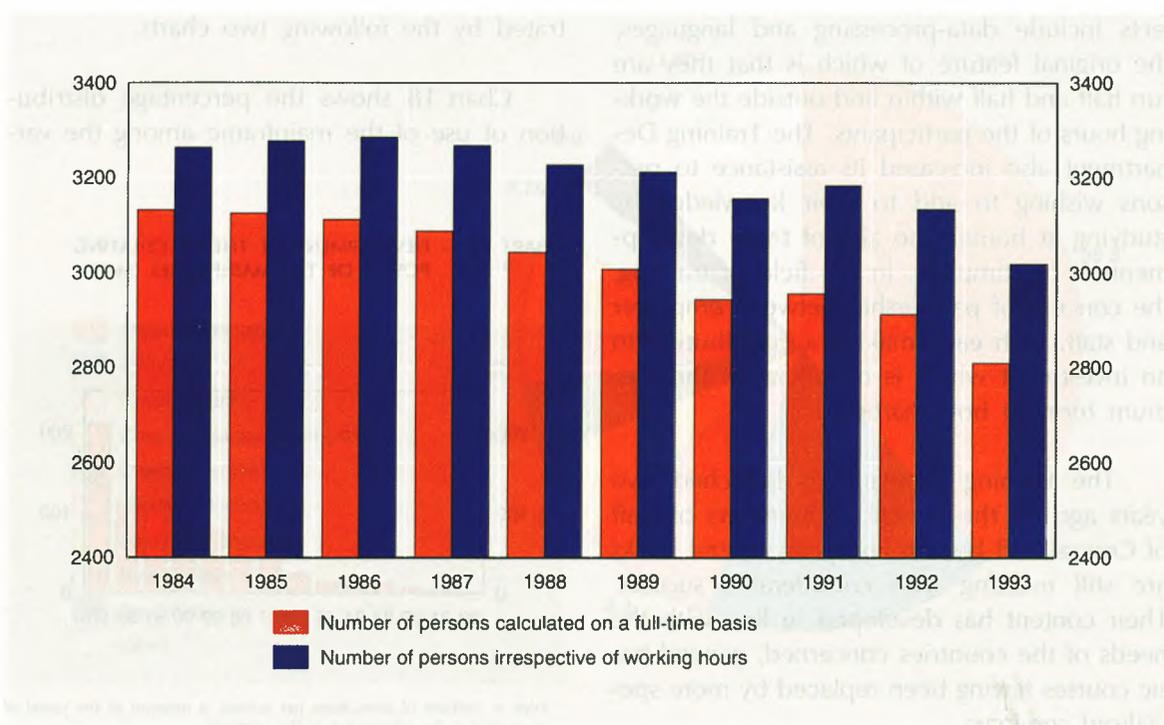
Developments in the field of personnel were all in connection with the reduction in staff advocated by the management of the Bank. The proposed staff reductions, all of which are in fact effected by natural departures, will be spread over a period of five years. On 31st December 1993 the Bank's permanent work force totalled 3,019 persons (this being a nominal figure which does not include National Employment Office trainees and other members of staff with a temporary employment contract). That corresponds to a fall of 107 units. Converted into full-time jobs, this number represents a real workforce of 2,808 persons, or 100 units fewer than at the end of 1992. The difference between the nominal workforce and the real workforce is

primarily due to the fact that one sixth of the staff are working part-time.

The staff cuts are made possible by reorganisations and rationalisations which have led to an appreciable increase in productivity. The most important restructuring measure in 1993 was connected with the compilation of the balance of payments.

As a result of natural departures and a large number of reorganisations, many persons had to be assigned to new functions. The Social Affairs Department plays an important guidance role in this connection, first of all examining their abilities and wishes and then organising, if necessary, retraining and additional training courses. There is in fact a general need for better training, with a view to greater mobility and flexibility of the staff. The Bank organises the necessary training schemes for this purpose. In addition — see

CHART 15 — STAFF NUMBERS AT THE END OF THE YEAR



point 4.12 — it introduced a system of open training facilities during the year under review, allowing the members of staff to decide for themselves to follow a specific course of training. This system is proving very successful.

On 5th April 1993 a new collective labour agreement was concluded in the public credit institutions sector. This agreement, which covers the years 1993 and 1994, for the most part continues the measures contained in the previous sectoral agreement.

On 23rd November 1993 elections were held for renewing the periods of office of the members of the trade union delegation. Consultation between management and labour will continue to play an important part during the years to come. The Bank's labour relations are in fact always characterised by the desire to maintain a permanent dialogue and to develop constructive co-operation.

**4.12 TRAINING**

In order to encourage continuous medium-term training of its staff, the Bank developed in 1993, a series of basic training courses open to all members of staff. The subjects include data-processing and languages, the original feature of which is that they are run half and half within and outside the working hours of the participants. The Training Department also increased its assistance to persons wishing to add to their knowledge by studying at home. The aim of these developments is to stimulate, in the field of training, the concept of partnership between employer and staff, with each making a contribution to an investment which is beneficial in the medium term to both parties.

The training programmes launched two years ago for the benefit of members of staff of Central and Eastern European central banks are still meeting with considerable success. Their content has developed in line with the needs of the countries concerned, general basic courses having been replaced by more specialised seminars.

The following figures give an idea of the development of the number of days of training organised for members of staff of other central banks :

|        |       |       |
|--------|-------|-------|
| 1990 : | ..... | 560   |
| 1991 : | ..... | 1,060 |
| 1992 : | ..... | 2,190 |
| 1993 : | ..... | 1,600 |

In 1993 the geographical breakdown of these training schemes was as follows :

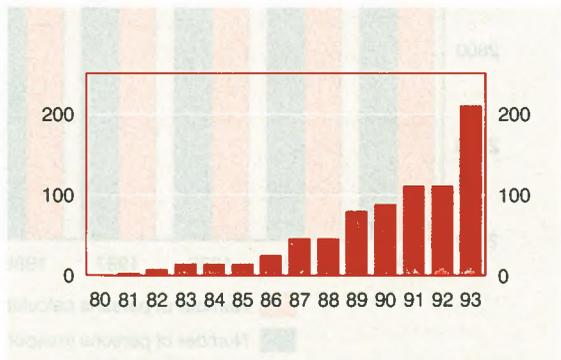
|                     |               |
|---------------------|---------------|
| Eastern Europe      |               |
| and the former USSR | ..... 68 p.c. |
| Western Europe      | ..... 26 p.c. |
| Other               | ..... 6 p.c.  |

**4.2 ORGANISATION AND DATA-PROCESSING ACTIVITIES**

The year 1993 was marked by important changes in hardware. Thus, at the level of the central processing units, a new technology (the use of optical-fibre channels) was introduced. The capacity of the central units was furthermore doubled in order to cope with the growth in data-processing requirements. The development, both of the calculating power of the mainframes and the direct storage capacity of the virtual memory disks are illustrated by the following two charts.

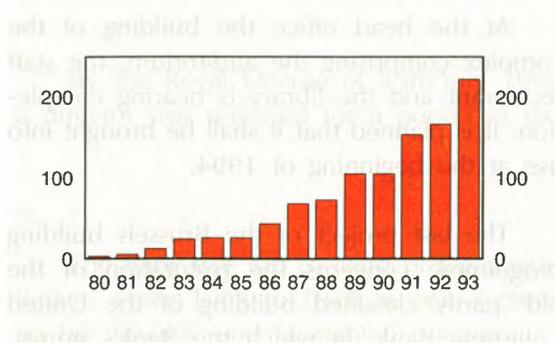
Chart 18 shows the percentage distribution of use of the mainframe among the var-

**CHART 16 — DEVELOPMENT OF THE CALCULATING POWER OF THE MAINFRAMES (MIPS)<sup>1</sup>**



<sup>1</sup> Mips = millions of instructions per second, a measure of the speed of processing of the information in the computer.

CHART 17 — DEVELOPMENT OF THE STORAGE CAPACITY OF THE MEMORY DISKS (GIGABYTES)<sup>1</sup>



<sup>1</sup> Gigabyte = 1 billion bytes (characters).

ious applications. As can be seen, the processing of statistical data accounts for the lion's share of the data-processing applications.

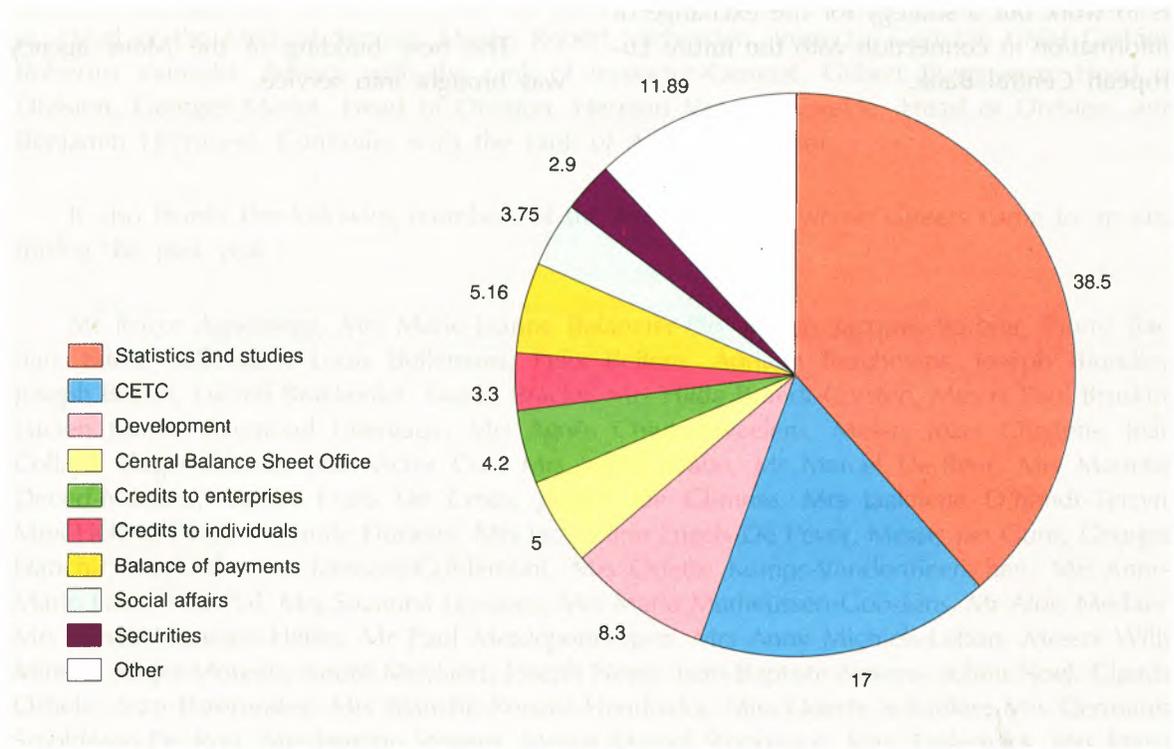
Thanks to the implementation of the project for the automation of the consoles, it was possible to discontinue the night shift for Friday night with effect from 1st July 1993. Furthermore, a robot was installed for handling magnetic cassettes, thereby achieving

maximum automation of the work of the EDP Centre.

The extension of the Local Area Network (LAN) continued in 1993. Some 700 PCs, or about 60 p.c. of the total number of the Bank's computers, are connected to the network. For the exchange of data with branches and agencies the Bank will make use, from the beginning of 1994 onwards, of the services of a value added network of a private firm.

With regard to the development of data-processing applications, reference is made to the previous chapters, in which most of the applications have already been discussed. There are, however, several important achievements which are worthy of special attention: the completion of the extensive project of the Social Affairs Department (salaries, pensions, leave, absences, training,...), the implementation of the « Current Accounts » project, which is particularly complex owing to the many interfaces, the considerable developments for the statistical applications, including the operational starting of the « Pre-

CHART 18 — SHARE OF APPLICATIONS IN THE USE OF THE MAINFRAME (CPU)



sentation A » application at the beginning of 1993 and the taking into use of a completely new version of the integrated data management system for the socio-economic data bank, (Belgostat).

Whenever a new application is developed, the emphasis is laid chiefly on obtaining the information on a magnetic medium (tapes, diskettes, cassettes) or by telecommunication, which has already enabled significant cuts to be made in the number of staff engaged in data acquisition.

Internal invoicing of data-processing costs was refined and supplemented, chiefly in the fields of the scales of charges for network services and development costs. The organisational studies centred on rationalisation and improving productivity were continued. During the year under review they related chiefly to the « Credit » and « Accounting-Budgetary Control » departments, and also to the Foreign Exchange, Documentation and EDP Centre services.

Lastly, the Planning, Organisation and EDP Department participated in 1993 in the work of a technical group composed of representatives of European central banks. Its task is to work out a strategy for the exchange of information in connection with the future European Central Bank.

### 4.3 BUILDING WORK

At the head office the building of the complex comprising the auditorium, the staff restaurant and the library is nearing completion. It is planned that it shall be brought into use at the beginning of 1994.

The last project of the Brussels building programme concerns the restoration of the old, partly classified building of the United California Bank, in which the Bank's numismatic and historical museum will be installed. The preliminary plan will be submitted in the near future for the approval of the authorities responsible for the protection of monuments and sites.

In the provinces, the new premises of the representative offices at Sint-Niklaas and La Louvière were brought into service. The Malmedy representation office was installed in the premises of the former agency. The Marche-en-Famenne representation office, established in the building bought for that purpose, and the Ostend office, for which part of the present agency is undergoing renovation, will become operational in the course of the year 1994.

The new building of the Mons agency was brought into service.

## 5. ADMINISTRATION

By the Royal Decree of 15th July 1993, the term of office of Mr Jean-Pierre Pauwels as a director was renewed for a period of six years beginning on 1st September 1993.

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The Bank was sad to learn of the death, on 5th July 1993 of Baron De Staercke, Honorary Regent. From 1961 to 1970 he was a member of the Boards, which were always able to rely on his valuable and far-sighted opinions.

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The Bank was sad to learn of the death in 1993 of five members of its staff : Messrs Orël Beerens, Cornelius Belet, Guido Gibens, Henri Lacroix and Guy Roussieau.

The Bank 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 Robert Van Steenkiste, Advisor to the Board of Directors, Head of Personnel, Head of the Social Affairs Department, André Michel, Assistant Director, Head of Department, Jacques Despiegelaere, Advisor, Xavier Duquenne, Deputy Head of the Research Department, Lucien Dussaiwoir, Inspector-General, Head of the Statistics Service, Dr Jacques Bary, Inspector-General, Head of the Medical Service, Messrs Robert Verheyden, Inspector-General, Chief Cashier, Robertus Vanhulst, Advisor with the rank of Inspector-General, Gilbert Burggraeve, Head of Division, Georges Marlet, Head of Division, Herman Van Mossevelde, Head of Division, and Benjamin Herrezeel, Controller with the rank of Assistant Advisor.

It also thanks the following members of the executive staff whose careers came to an end during the past year :

Mr Roger Agneesens, Mrs Marie-Jeanne Balancier-Ple, Messrs Jacques Barbier, Pierre Bastian, Eddie Bellemans, Louis Bellemans, Felix Bellens, Adriaan Berghmans, Joseph Biondini, Joseph Bossin, Lucien Brackenier, Evarist Brackx, Mrs Hilda Brandt-Corsten, Messrs Paul Bruskin, Lucien Caron, Raymond Cheniaux, Mrs Agnès Chiuta-Swaelens, Messrs Jozef Cluytens, Jean Collard, Roger Cousin, Jean-Victor Cox, Mrs Janine Dabe, Mr Marcel De Beer, Mrs Mariette Decerf-Mertens, Messrs Frans De Croes, Joseph De Glimme, Mrs Jaakliene D'hondt-Terryn, Miss Hélène Dieu, Mr Emile Durieux, Mrs Jacqueline Engels-De Pever, Messrs Jan Guns, Georges Hanchir, Mrs Adrienne Janssens-Guldemont, Mrs Odette Kumps-Vandermeersch, Mrs Anne-Marie Labar-Marchal, Mrs Suzanna Leysens, Mrs Maria Matheussen-Goossens, Mr Aloïs Medaer, Mrs Agnès Messiaen-Hellin, Mr Paul Metdepenningen, Mrs Anny Michiels-Lebon, Messrs Willy Minten, Roger Moreels, André Muylaert, Joseph Neefs, Jean-Baptiste Nevens, Julien Noel, Claude Ornelis, Jean Paternoster, Mrs Blanche Renard-Hendrickx, Miss Odette Schailleé, Mrs Germania Smolderen-De Rop, Mrs Jeanine Stevens, Messrs Marcel Stockmans, Jean Taelemans, Mrs Maria

Thomas-Lobelle, Mr Robert Van Buekenhout, Mrs Mariette Vanden Abeele-Franck, Mrs Hilda Vanden Branden-Lamair, Messrs Roger Van der Biest, Henricus Vander Elst, Mrs Marie-Rose Vander Elst-Lebon, Mr Maurice Van der Elst, Mrs Roberte Vandermeiren-Friand, Miss Elisabeth Van Elder, Messrs Jacques Van Havermaet, Pierre Vanhenden, Jozef Van Nieuwenhove, Mrs Lina Vannieuwenhuize-Blockmans, Messrs Marcel Van Praet, Marcel Van Ransbeeck, Pierre Van Sighem, Josse Vermeren, Georges Weckhuysen, François Willems, Frank Willems.

\*  
\*\*

An Extraordinary General Meeting of Shareholders was called on 8th January 1993 in order to elect three regents in place of Messrs Luc Aerts, Alfred Rampen and Jan Hinnekens.

As mentioned in the 1992 annual report, Messrs. Aerts and Rampen had presented their resignation as regents with effect from 1st October 1992, as the mandates of the two regents chosen from among the directing officers of public financial institutions had been abolished. Henceforth the regents elected to perform these two functions will be presented by the Minister of Finance.

Furthermore, Mr Hinnekens, who had reached the age limit in May 1992, in his capacity as president of the Belgische Boerenbond, also presented his resignation as a regent. This resignation became effective at the end of the Extraordinary General Meeting.

In order to fill the vacancies left by Messrs Aerts and Rampen, the above mentioned meeting elected, respectively, Messrs Philippe Wilmès and Eddy Wymeersch, both proposed by the Minister of Finance, as regents. Mr Noël Devisch, proposed by the most representative organisation of agriculture, was elected regent to succeed Mr Hinnekens.

In accordance with Article 53, paragraph 8, of the Statutes, the elected regents complete the terms of office of their predecessors who have resigned. Consequently, Messrs Wilmès and Wymeersch performed their functions until the end of the Ordinary General Meeting held on 22nd February 1993. The mandate of Mr Devisch, on the other hand, will terminate at the end of the February 1994 general meeting.

The Governor paid tribute to Messrs Aerts, Rampen and Hinnekens, who, thanks to their specific knowledge and the wide experience which they acquired in their respective fields, devoted themselves for many years to ensuring the successful performance of the functions for which the Bank is responsible. As a token of appreciation and gratitude, the General Meeting conferred upon them the title of Honorary Regent.

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In accordance with Article 83 of the Statutes, the Ordinary General Meeting of Shareholders was held on 22nd February 1993.

In application of Article 41 of the Statutes, the report on the operations of the financial year 1992 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 1992 and answered the questions put to him by the shareholders. He also announced the names of the candidates for the functions of regent and censor, finally calling on the meeting to vote on the motion.

The terms of office of regent of Messrs Philippe Wilmès and Eddy Wymeersch, proposed by the Minister of Finance, and of Mr Roger Ramaekers, elected on the proposal of one of the most representative trade organisations, were renewed for a period of three years. The meeting elected, as regent, Mr François Martou, presented by the Minister of Finance to replace Mr André Devogel, who resigned.

The meeting also re-elected, for a term of three years, Messrs Jacques Delruelle, Hubert Detremmerie, Willy Danckaert and Christian D'Hoogh, as censors.

All these periods of office terminate at the end of the Ordinary General Meeting of February 1996, except for M. Martou. In accordance with Article 53, paragraph 8, of the Statutes, the latter finishes the office of Mr. Devogel, which terminates in February 1995.

The Governor paid tribute to Mr Devogel, who had participated in the deliberations of the Boards for twelve years. As a token of appreciation and gratitude, the meeting conferred the honorary title of his function on the outgoing regent.

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The « Belgisch Staatsblad - Moniteur Belge » of 19th April 1993 published the law of 22nd March 1993 concerning the status and supervision of credit institutions, which, by its Articles 122 to 131, amends Royal Decree No. 29 of 24th August 1939 concerning the activity, organisation and powers of the National Bank of Belgium.

This royal decree, with the amendments inserted in it, constitutes the Organic Law of our Institution and, by virtue of the aforementioned law, is henceforth entitled : « Law of 24th August 1939 concerning the National Bank of Belgium ».

The law of 22nd March 1993 formally confirms the independence of the Bank, which is consequently no longer allowed to grant overdrafts or other credit facilities to national, regional or local authorities or to institutions of the European Community. The Government Commissioner's right of veto regarding monetary policy is also abolished. The law likewise lays down new rules concerning incompatibilities for members of the Bank's decision-making organs and also makes its managers and staff subject to a secrecy obligation governed by penal law.

Article 131 of the same law amends Article 35 of the organic law, thus introducing a new procedure for amendment of the Bank's Statutes and revising the limitation on voting rights in the general meeting.

The General Council of our institution is henceforth authorised to amend the Statutes in order to make them comply with the provisions of its Organic Law and the international obligations by which Belgium is bound.

Other amendments to the Statutes must be adopted, on a proposal from the General Council, by the calling of an extraordinary meeting of shareholders, with a majority of three quarters of the votes attaching to the shares present or represented.

As previously, the approval of the King is required for any amendment to the Statutes.

In accordance with Article 151 of the said law concerning the status and supervision of credit institutions, the new provisions of Article 35 of the Organic Law of the National Bank are not applicable until they have been incorporated in its Statutes. In the presence of a notary the General Board, at its meeting on 28th April 1993, therefore first of all brought Article 92 of the Statutes into line with the aforementioned Article 35 in order subsequently to be able to validly adapt the other articles. These amendments to the Statutes were subsequently approved by the Royal Decree of 17th May 1993, published in the « Belgisch Staatsblad - Moniteur Belge » of 5th June 1993 (see Annex No 7).

\*  
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At the beginning of 1994 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 :**

Messrs Roger RAMAEKERS,  
Albert FRERE,  
Rik VAN AERSCHOT,  
Willy PEIRENS,  
François JANSSENS,  
Tony VANDEPUTTE,  
Philippe WILMES,  
Eddy WYMEERSCH,  
Noël DEVISCH.  
François MARTOU.<sup>1</sup>

**Censors :**

Messrs Jacques DELRUELLE, Chairman,  
Hubert DETREMMERIE, Secretary,  
Roger MENE,  
Willy DANCKAERT,  
Carlo VAN GESTEL,  
Maurice CHARLOTEAUX,  
Christian D'HOOGH,  
Jacques FOREST,  
Philippe GRULOIS.

**Secretary :** Mr Jean POULLET.

**Treasurer :** Mr Serge BERTHOLOME.

**Government Commissioner :** Mr Grégoire BROUHNS.

## ADVISORS TO THE BOARD OF DIRECTORS

Miss M.-H. LAMBERT,  
Mr J.-V. LOUIS,  
Mr J. MICHELSEN.

<sup>1</sup> Elected by the Ordinary General Meeting of 22nd February 1993 to replace Mr. André Devogel, who resigned.

## DEPARTMENTS AND SERVICES

**Social Affairs Department** — Mr J. LEEMANS, Assistant Director,  
Personnel Manager.

Deputy Personnel  
Manager                      Mr G. PARLONGUE, Inspector-General.

## Wages and Social Affairs Administration

Head                      Mr A. REITER, Head of Division.

## Training

Head                      Mr G. DE RIDDER, Head of Division,  
Head of Division              Mr J.-L. LION.

## Personnel Policy

Head                      Mr R. VAN KEYMEULEN, Head of Division,  
Heads of Division              Messrs M. DRION, D. LOZET, G. VAN CAMP.

## Medical Service

Head Doctor              Mr A. DE LANDTSHEER,  
Doctors                      Messrs V. DONS, C. VAN LAETHEM.

**Data Exchange Department** — Mr P. TELLIER, Assistant Director.

Advisor                      Mr J. MAKART.

## Central Balance Sheet Office

Head                      Mr A. LENAERT, Head of Division,  
Heads of Division              Mrs E. BARDET-DE GROOTE, Mr P. QUINTIN.

## Central Credit Offices

Head                      Mr R. TROGH, Head of Division,  
Advisor                      Mr R. THIRION,  
Head of Division              Mrs G. DALL'AGLIO-TIMMERMANS.

## Cashless Payments

Head                      Mr A. VAES, Head of Division,  
Advisor                      Mr K. DE GEEST,  
Heads of Division              Messrs V. DECONINCK, B. BOURTEMBOURG.

**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.

**Credit Department** — Mr C. DE NYS, Assistant Director.

Financial Market Instruments Unit

Department Advisor Mr P. MERCIER,  
Advisor Mr P. LEFEVRE.

Discount-Advances

Head Mr J.-M. WULLUS, Inspector-General,  
Head of Division Mr F. WITHOFS.

Money Market

Head Mr F. DEPUYDT, Inspector-General,  
Heads of Division Messrs E. DE KOKER, G. TEMMERMAN.

**Foreign Department** — Mr J. MICHELSEN, Advisor to the Board of Directors.

Department 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,  
Messrs D. DACO, J. MONT.

Foreign Exchange

Head Mrs A. VAN DEN BERGE, Head of Division,  
Advisors Messrs N. VANDECAN, E. LAVIGNE,  
Head of Division Mr J.-L. GERARDY.

**Research Department** — Miss M.-H. LAMBERT, Advisor to the Board of Directors.

Deputy Head  
of Department

Mr R. BEUTELS, Inspector-General,  
Advisors Mr A. NYSENS, Mrs A.-M. JOURDE-PEETERS,  
Messrs J.-J. VANHAELEN, E. JACOBS, J. CLAEYS,  
Mrs F. JACOBS-DONKERS, Mr V. PERILLEUX,

Economists Messrs M. DOMBRECHT, T. TIMMERMANS, M. MARECHAL.

Documentation

Head Mr W. VERTONGEN, Inspector-General,  
Inspector-General Mr R. BEUTELS.

**Equipment and General Services Department** — Mr K. VANDENEDEE, Assistant Director.

Equipment and Technical Services

Head Mr P. LAUWERS, Inspector-General,  
Architects Messrs J.-C. NAVEZ, J.-M. DE VOS.

General Services

Head Mr A. KOZYNS, Head of Division,  
Head of Division Mr J.-M. BRAET.

**Public Securities Department** — Mr W. BRUMAGNE, Assistant Director.

Clearing Unit

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,  
Head of Division Mr M. RUBENS.

Securities

Head Mr W. STEPPE, Head of Division,  
Heads of Division Messrs R. ROOTHANS, Y. PIRLET.

**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 J.-C. GILLES, Head of Division.

Production and Engineering

Head Mr L. DUFRESNE, Inspector-General.

**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,  
Head of Division Mr J. WIELEMANS,  
Senior Systems Engineer Mr M. CHARLIER.

EDP Projects Development

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. LANCKSWERT-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 Engineer Messrs G. DUMAY, U. MOMMEN, Mrs M. GROGNARD-HUART.

Organisation and Management Supervision

Head Mr L. JANSSENS, Head of Division,  
Head of Division Mrs C. SAPART-BUYDENS.

**General Secretariat Department** — Mr W. PLUYM, Assistant Director.

|                                       |                                     |
|---------------------------------------|-------------------------------------|
| Department 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, Assistant Director.

|                     |                                  |
|---------------------|----------------------------------|
| Inspector-General   | Mr D. VERMEIREN.                 |
| Data Bank Unit      |                                  |
| Inspector-General   | Mr A. WOUTERS,                   |
| Advisor             | Mr G. POULLET.                   |
| Balance of Payments |                                  |
| Head                | Mr G. MELIS, Inspector-General,  |
| Heads of Division   | Messrs M. EECKHOUT, R. DE BOECK, |
| Controller          | Mr P. SARLET.                    |
| Statistics          |                                  |
| Head                | Mr R. ACX, Head of Division.     |

**Services subordinate to the Treasurer :** — Mr S. BERTHOLOME.

|  |   |
|--|---|
| Central Cash Office                                      |   |
| Chief Cashier  | Mr M. VAN BAELEN, Head of Division,                       |
| Heads of Division  | Messrs J.-F. KERVYN de MARCKE ten DRIESSCHE,<br>G. PIROT. |
| Security Supervision                                     |   |
| Head   | Mr J.-P. DE JONGE, Head of Division.                      |
| Safety, Hygiene and Embellishment of Working Environment |   |
| Head   | Mr D. DENEË, Head of Division.                            |

**Services not attached to a department**

|                               |   |
|-------------------------------|---|
| Internal Audit                |   |
| Head                          | Mr J. HELFGOTT, Inspector-General,                            |
| Inspector-General             | Mr J.-C. PAUWELS,   |
| Inspector                     | Mrs J. MAESSEN-SIMAR.   |
| Legal Service                 |   |
| Head                          | Mr J.-V. LOUIS, Advisor to the Board of Directors,            |
| Chief Advisor                 | Mr J.-P. BRISE,   |
| Department Advisor            | Mr W. KIEKENS,  |
| Advisors                      | Mr J. DE WOLF,<br>Mrs A. de KERCHOVE d'OUSSELGHEM-del MARMOL. |
| Collections and Staff Library |   |
| Head                          | Miss C. LOGIE, Inspector-General.                             |

**Branches and Agencies Department** — Mr W. VAN DER PERRE, Assistant Director.

Heads of Division            Messrs P. BOBYR, P. BISSOT.

**Branches**

Antwerp  
 Administrator            Mr L. VAN DER VEKEN,  
 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                      Mr J. TASSIER,  
 Head of Division         Mr R. HAENECOUR.

Ghent  
 Agent                      Mr J. VICTOR,

Hasselt  
 Agent                      Mr T. DE ROOVER.

Kortrijk  
 Agent                      Mr P. TACK.

Leuven  
 Agent                      Mr L. GHEKIERE,  
 Head of Division         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. MUYLEAERT.  
Verviers  
Agent Mr R. COLSON.

**Representation Offices**

La Louvière  
Acting manager Mr R. DENACHTERGAEL.  
Malmedy  
Acting manager Mr J.-Y. BOULANGER.  
Marche-en-Famenne  
Acting manager Mr P. LAMBERT.  
Ostend  
Acting manager Mr J. BUSSCHE.  
Sint-Niklaas  
Acting manager Mr G. MINNAERT.

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\*\*

Office of Mr Dehaene, Prime Minister,  
Mr J. SMETS, Chief Advisor.

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 Mr Van Rompuy, 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 Executive Director at the International Monetary Fund,  
Mr F. MOSS, Advisor.

On mission, on behalf of the International Monetary Fund,  
— at the National Bank of Rwanda,  
Mr R. BEERENS, Head of Division,  
— with the Islamic Federal Republic of Comoros,  
Mr E. VERREYDT, Economist.



## **COMPOSITION OF THE EXECUTIVE BOARD OF THE INTERNATIONAL MONETARY FUND AND OF THE CONSTITUENCY OF WHICH BELGIUM IS A MEMBER**

The Executive Board of the International Monetary Fund is composed of 24 Executive Directors, 5 of whom are nominated respectively by the United States, Germany, Japan, France and the United Kingdom; the 173 other countries of the Fund elect 19 Directors and are grouped for this purpose in constituencies according to community of interest.

The Belgian Director at the IMF is thus elected by Belgium, Austria, Belarus, the Czech Republic, Hungary, Kazakhstan, Luxembourg, the Slovak Republic and Turkey. From 1st January 1994 the Belgian Director will also represent the interests of Slovenia, which has hitherto been unable to participate in the election of a Director.

The Belgian Director at present expresses about 5 p.c. of the votes allocated, or the largest number of votes among all the elected Directors. Only the appointed Directors have a greater voting power.



# Annual Accounts



# Annual Accounts

Annual Accounts 2019/2020

2019/2020

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Annual Accounts 2019/2020

## BALANCE SHEET AS AT 31st DECEMBER 1993

## ASSETS

(In thousands of francs)

|  | 1993                 | 1992        |
|--|----------------------|-------------|
| Gold . . . . .   | <b>330,255,559</b>   | 260,228,942 |
| Foreign currencies . . . . .                                       | <b>244,220,978</b>   | 193,384,437 |
| Special Drawing Rights (SDRs) . . . . .                            | <b>6,160,760</b>     | 5,662,380   |
| Participation in the IMF . . . . .                                 | <b>27,673,064</b>    | 26,730,588  |
| Loans to the IMF . . . . .   | —                    | —           |
| Deposit with the IMF within the framework of the<br>ESAF . . . . . | <b>4,940,280</b>     | 4,562,250   |
| Ecus . . . . .   | <b>148,023,178</b>   | 106,438,686 |
| EMCF : Financing at very short and at short term                   | —                    | 116,568,863 |
| EEC : Medium-term financial assistance . . . . .                   | —                    | —           |
| International agreements . . . . .                                 | <b>3,303,551</b>     | 3,269,187   |
| Advances against pledged security . . . . .                        | <b>30,101,387</b>    | 20,041,647  |
| Commercial bills . . . . .   | <b>5,578,276</b>     | 10,050,978  |
| Securities purchased in the market . . . . .                       | <b>32,436,483</b>    | 17,447,971  |
| Claims due to other interventions in the money<br>market . . . . . | <b>119,669,272</b>   | 52,354,947  |
| Advances to the Securities Regulation Fund . . . . .               |                      | —           |
| Advances to the Belgian State . . . . .                            |                      | 220,923     |
| Advances to the Luxembourg State . . . . .                         |                      | —           |
| Coin . . . . .   | <b>1,202,781</b>     | 915,418     |
| Balances at the Postal Cheque Office :                             |                      |             |
| A Account . . . . .  | <b>489</b>           | 1,384       |
| B Account . . . . .  | <b>3,067,553</b>     | 3,498,781   |
| Statutory investments (Art. 21) . . . . .                          | <b>40,365,819</b>    | 37,235,942  |
| Premises, equipment and furniture . . . . .                        | <b>13,205,289</b>    | 12,262,429  |
| Other assets . . . . .   | <b>4,446,062</b>     | 6,478,058   |
| Regularisation accounts . . . . .                                  | <b>5,758,997</b>     | 7,750,881   |
| <b>TOTAL ASSETS</b>  | <b>1,020,409,778</b> | 885,104,692 |

## LIABILITIES

(In thousands of francs)

|  | 1993                 | 1992        |
|--|----------------------|-------------|
| Notes in circulation . . . . .   | <b>440,603,136</b>   | 430,248,887 |
| Current accounts in francs : . . . . .   | <b>9,589,380</b>     | 4,569,258   |
| Deposit of the Belgian State . . . . .   | <b>763,404</b>       |             |
| Deposit of the Luxembourg State . . . . .                                      | <b>503,860</b>       |             |
| Liabilities due to interventions in the money market                           | <b>6,045,848</b>     | 4,449,108   |
| Current accounts in foreign currencies . . . . .                               | <b>7,454</b>         | 6,849       |
| Financial assistance agreements . . . . .                                      | <b>3,067,553</b>     | 3,498,781   |
| Counterpart of allocations of SDRs . . . . .                                   | <b>23,972,511</b>    | 22,138,136  |
| EMCF : Financing at very short and at short term                               | —                    | —           |
| Unavailable reserve of surplus gains on gold . . . . .                         | <b>116,310,864</b>   | 116,310,864 |
| Other liabilities . . . . .  | <b>2,339,605</b>     | 2,383,538   |
| Regularisation accounts . . . . .  | <b>456,693</b>       | 425,181     |
| Valuation differences on gold and foreign exchange                             | <b>361,965,356</b>   | 250,005,845 |
| Provision for premises, equipment and furniture . . . . .                      | <b>777,981</b>       | 938,981     |
| Provision against Sundry Contingencies . . . . .                               | <b>10,050,000</b>    | 9,750,000   |
| Capital . . . . .  | <b>400,000</b>       | 400,000     |
| Reserve Fund :   | <b>43,556,133</b>    | 39,979,264  |
| <i>Statutory Reserve</i> . . . . .   | <b>2,915,282</b>     | 2,783,885   |
| <i>Extraordinary Reserve</i> . . . . .   | <b>27,992,631</b>    | 25,489,631  |
| <i>Account for depreciation of premises, equipment and furniture</i> . . . . . | <b>12,648,220</b>    | 11,705,748  |
| <b>TOTAL LIABILITIES</b>   | <b>1,020,409,778</b> | 885,104,692 |

## PROFIT AND LOSS ACCOUNT AS AT 31st DECEMBER 1993

(In thousands of francs)

|   | 1993              | 1992       |
|---|-------------------|------------|
| <b>RECEIPTS</b>                                       |                   |            |
| Proceeds of transactions with foreign countries . . . | <b>22,508,487</b> | 23,251,679 |
| Proceeds of credit transactions . . . . .             | <b>10,820,076</b> | 9,750,950  |
| Proceeds of statutory investments . . . . .           | <b>3,846,256</b>  | 3,535,570  |
| Commission . . . . .                                  | <b>169,541</b>    | 160,078    |
| Amounts recovered from third parties . . . . .        | <b>1,859,833</b>  | 1,883,595  |
| Drawings on provisions . . . . .                      | <b>471,000</b>    | 519,000    |
| Other proceeds . . . . .                              | <b>94,372</b>     | 27,590     |
|   | <b>39,769,565</b> | 39,128,462 |
| <b>EXPENDITURE</b>                                    |                   |            |
| State Share :   | <b>22,437,143</b> | 22,028,347 |
| <i>Transactions with foreign countries</i> . . . . .  | <b>14,363,379</b> | 14,430,117 |
| <i>Credit transactions</i> . . . . .                  | <b>8,073,764</b>  | 7,598,230  |
| General expenses :                                    | <b>8,095,711</b>  | 8,186,268  |
| <i>Remuneration and social charges</i> . . . . .      | <b>6,781,434</b>  | 6,848,195  |
| <i>Other expenses</i> . . . . .                       | <b>1,314,277</b>  | 1,338,073  |
| Depreciation of premises, equipment and furniture     | <b>1,560,521</b>  | 1,617,473  |
| Provision for Premises, Equipment and Furniture . .   | <b>310,000</b>    | 50,000     |
| Provision against Sundry Contingencies . . . . .      | <b>300,000</b>    | 1,100,000  |
| Taxes and dues . . . . .                              | <b>3,228,480</b>  | 2,902,614  |
| Net profit for distribution . . . . .                 | <b>3,837,710</b>  | 3,243,760  |
|   | <b>39,769,565</b> | 39,128,462 |

**DISTRIBUTION OF PROFIT***(in thousands of francs)*

|   | 1993             | 1992      |
|---|------------------|-----------|
| Profit to be appropriated . . . . .   | <b>3,837,710</b> | 3,243,760 |
| The profit is distributed as follows :  |                  |           |
| Appropriation to the Extraordinary Reserve . . .                                | <b>2,503,000</b> | 1,947,000 |
| Distribution of the balance in accordance with Article 38 of the Statutes :     |                  |           |
| 1. To the shareholders a first dividend of 6 % of the nominal capital . . . . . | <b>24,000</b>    | 24,000    |
| 2. Of the amount in excess of this :  |                  |           |
| a) 10 % to the Statutory Reserve . . . . .                                      | <b>131,071</b>   | 127,276   |
| b) 8 % to the staff . . . . .   | <b>104,857</b>   | 101,821   |
| 3. Of the amount in excess of this :  |                  |           |
| a) to the State, one fifth . . . . .  | <b>214,956</b>   | 208,733   |
| b) to the shareholders, a second dividend . .                                   | <b>859,500</b>   | 834,668   |
| c) the balance to the Statutory Reserve . . .                                   | <b>326</b>       | 262       |

As the distribution of the profit was approved by the General Council on 26th January 1994, coupon n° 192 will be payable with effect from 1st March 1994 in the following manner :

|                                 | Gross amount for share | 25,75 p.c. withholding tax on income from financial assets | Net amount per share |
|---------------------------------|------------------------|--|----------------------|
| On the 400,000 shares . . . . . | Fr. 2,208.75           | Fr. 568.75   | Fr. 1,640            |

## OFF-BALANCE SHEET ITEMS AS AT 31st DECEMBER 1993

*(In thousands of francs)*

|  | 1993                 | 1992          |
|--|----------------------|---------------|
| <b>Contingent liabilities</b>                            |                      |               |
| Guarantees as substitute for credit . . . . .            | <b>1,019,366</b>     | 1,083,105     |
| <b>Liabilities which could lead to a credit risk</b>     |                      |               |
| Firm undertakings to provide funds . . . . .             | <b>57,787,945</b>    | 14,844,186    |
| <b>Valuables and claims entrusted to the Institution</b> |                      |               |
| For encashment . . . . .                                 | <b>3,964</b>         | 17,161        |
| Safe custody deposits . . . . .                          | <b>6,873,280,377</b> | 6,554,816,056 |

**Explanatory notes  
to the annual accounts**

## INTRODUCTION

The balance sheet as at 31st December 1993 reflects the changes in the methods of financing of general government decided upon by the law of 22nd March 1993 implementing the provisions of the Treaty of Maastricht concerning the second stage of Economic and Monetary Union which came into force on 1st January 1994.

Article 124 of the said law prohibited the Bank from granting overdrafts or any other type of credit to general government with effect from 1st July 1993. As a result of this change the headings « Advances to the Belgian State », « Advances to the Luxembourg State », and « Advances to the Securities Regulation Fund » have been deleted from the assets side of the balance sheet. On the liabilities side, the item « Current accounts in francs », previously subdivided into the sub-items « Treasury » and « Other », has been replaced by the items « Current accounts in francs », « Deposit of the Belgian State » and « Deposit of the Luxembourg State ».

Lastly, the annual accounts have been compiled after profit allocation. In order to enable them to be compared with the previous financial year, the corresponding figures for 1992 have been adjusted accordingly.

**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 applied 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. 423,992.2476 per fine kilogram on 31st December 1993, against Fr. 334,089.9216 on 31st December 1992. The difference between the book value and the purchase value of gold is shown on the liabilities side of the balance sheet under the heading « Valuation differences on gold and foreign exchange ».

The gold contributed to the EMCF, the management of which is still entrusted to the Bank, represented on 31st December 1993 the equivalent of Fr. 82.6 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 as published by the Bank. The translation differences, i.e., respectively, the differences between the purchase price of these assets and the exchange rate on the balance sheet date, are recorded under the heading « Valuation differences on gold and foreign exchange ».

In 1993 the foreign currency holdings increased, on balance, by Fr. 50.8 billion. During the year the Bank benefited from inflows of foreign exchange derived from the Treasury's foreign loans, from the settlement of very-short-term claims on the EMCF resulting from support purchases within the framework of the EMS in 1992 and at the beginning of 1993 and from the collection of the proceeds of portfolio investments abroad and various transactions with the IMF. Inflows were lower than the outflows resulting from the net sales of foreign currencies on the foreign exchange market and the larger contribution of dollars to the EMCF. The net outflow of foreign exchange was more than counterbalanced by an inflow of foreign exchange due to the non-renewal of currency swaps against Belgian francs. Valued at market rates, these transactions amounted to Fr. 139.9 billion at the end of the previous financial year.

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. These dollars, the management of which is entrusted to the Bank, are not included under this heading.

On the balance sheet date the assets consisted almost entirely of currencies covered by the guarantee of the Belgian State. These are invested in time deposits and easily negotiable foreign securities, account being taken of the criteria of safety liquidity and yield.

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 residual term 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. 49.4028 for one SDR (Fr. 45.6225 at the end of 1992).

The holding of SDRs amounted to SDR 124.7 million on 31st December 1993, against SDR 124.1 million a year earlier. The Bank received SDRs 0.9 million in interest on the net positions with the IMF and sold SDR 0.3 million against a foreign currency to another participant in the SDR Department.

As the indeterminate liability in SDRs 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 amounted to SDR 360.5 million on 31st December 1993.

### **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 State in its capacity as a member of the IMF in respect of the part of its quota in the Fund (SDR 3,102.3 million) in excess of the latter's holdings in francs. The reserve tranche is translated into francs at the same rate as that used for holdings of SDRs. It amounted on the balance sheet date to SDR 560.2 million, against SDR 585.9 million a year earlier.

The change in the item corresponds to the balance of purchases of francs by various member countries of the Fund and of uses of francs by the Fund (SDR 27.1 million), on the one hand, and purchases of francs by various member countries of the Fund (SDR 52.8 million), on the other.

**DEPOSIT WITH THE IMF WITHIN THE FRAMEWORK OF THE ESAF**

The amount shown under this heading 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 transactions with central banks of other EC-countries 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. 40.2869 for 1 ecu on 31st December 1993 and Fr. 40.1777 for 1 ecu on 31st December 1992.

Compared with the previous year, the holding of ecus increased by ECU 1,025 million to ECU 3,674.2 million on 31st December 1993. This increase was due to the rise in the number of ecus received in respect on the renewal of swap transactions with the EMCF (ECU 653.5 million) and to the acquisition of ECU 312.7 million in settlement of very-short-term claims on the EMCF together with interest on the net holding of ecus (ECU 58.8 million).

The increase in the ecus made available to the Bank by the EMCF reflects the larger contribution of dollars by the Bank due to an increase in the Bank's reserves in that currency, and also the rise in the price of gold and the exchange rate for the dollar which were applied when the said swaps were renewed.

On 31st December 1993 the Bank had a net holding of ecus amounting to ECU 827.6 million.

**EMCF : FINANCING AT VERY SHORT AND AT SHORT TERM**

The figures shown under this heading represent, where appropriate, the Bank's claim on the EMCF in respect of very-short-term financing of Community interventions on the foreign exchange market.

The interventions carried out by the Bank during the year in support of the currency of a partner country in the EMS and financed via the EMCF amounted to ECU 960.6 million. The claim on the EMCF resulting from these interventions, as well as that existing on 31st December 1992, which amounted to ECU 2,901.3 million, were repaid in full, so that the Bank no longer had any claim on that Institution on the end of the year.

**INTERNATIONAL AGREEMENTS**

This item is reserved for recording the claims in francs on non EC-countries 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 State and the Bank.

**ADVANCES AGAINST PLEDGED SECURITY**

The following are included under this heading :

|  | 31-12-1993        | 31-12-1992 |
|--|-------------------|------------|
| — Fixed-term advances against the pledging of public securities granted through the periodical allocation of credits by tender ..... | <b>28,775,000</b> | 18,925,000 |
| — Daily closing credits granted to the financial intermediaries in the form of current account advances .....                        | <b>1,324,060</b>  | 1,001,870  |
| — Other current account advances .....   | <b>2,327</b>      | 114,777    |
| Total  | <b>30,101,387</b> | 20,041,647 |

**COMMERCIAL BILLS**

The item consists of :

|  | 31-12-1993       | 31-12-1992 |
|--|------------------|------------|
| — Commercial bills purchased under repurchase agreements in connection with the periodical granting of credits by tender .....                 | <b>1,275,117</b> | 6,067,190  |
| — Commercial bills mobilised at the official discount rate and counted against the credit institutions' individual mobilisation ceilings ..... | <b>4,303,159</b> | 3,983,788  |
| Total  | <b>5,578,276</b> | 10,050,978 |

**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 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 residual life of the securities.

On the balance sheet date the Bank's portfolio contained only Treasury certificates, the market value of which was Fr. 32,459 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 inter bank 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 repurchase agreements amounted to Fr. 117,669 million and loans on the interbank market to Fr. 2,000 million.

### **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. 1,873 million for the year 1993.

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 1993.

### **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 State to foreign 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 State, of shares of the BIS in Basle, and all other security necessary or useful for the performance of its functions.

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 residual life of the securities.

Shares are recorded in the balance sheet at their purchase price. The shares of the BIS are valued in francs on the basis of the exchange rate on the day of their purchase.

### **PREMISES, EQUIPMENT AND FURNITURE**

Land, buildings, plant and tools, furniture and vehicles are shown in the accounts at their purchase value.

In 1993 the Bank's capital investments totalled Fr. 1,561 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 exchange losses incurred in 1992 on transactions which entailed changes in the assets or liabilities held by the Bank under international agreements which it implements on behalf of the State or for which the latter gives its guarantee. On 31st December 1993 this claim was partly settled by means of the exchange profits obtained in 1993 on the same balance sheet items.

### **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 amount of notes in circulation, expressed as a daily average, amounted to Fr. 428.9 billion in 1993, against Fr. 422.7 billion in 1992, corresponding to a rise of 1.47 p.c.

#### DEPOSIT OF THE BELGIAN STATE

On 31st December 1993 the deposit of the Belgian State amounted to Fr. 763 million. By virtue of an agreement dated 17th June 1993 between the Belgian State and the Bank, the state deposit bears interest on the part which does not exceed Fr. 15 billion.

#### DEPOSIT OF THE LUXEMBOURG STATE

On 31st December 1993 the deposit of the Luxembourg State amounted to Fr. 504 million. By virtue of an agreement dated 24th June 1993 between the Luxembourg State and the Bank, the deposit of the Luxembourg State bears interest on the part which does not exceed Fr. 507 million.

#### 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 latter are the only amounts appearing under this heading on the balance sheet date.

#### 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 State 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 and, in the event of liquidation of the Bank, the balance of this special account would be assigned to the State.

**OTHER LIABILITIES**

The amounts recorded under this heading are debts in respect of taxes, wages and salaries and social contributions, and also the sums payable in respect of distribution of the profit in accordance with Article 38 of the Statutes.

**REGULARISATION ACCOUNTS**

This item comprises, in addition to amounts to be charged in respect of interest and tax payable, an amount of Fr. 290 million resulting from the inclusion in the result of the exceptional gains, spread over a period, obtained on statutory portfolio investments.

**VALUATION DIFFERENCES ON GOLD AND FOREIGN EXCHANGE**

This account is credited or debited with the translation differences resulting from the valuation of assets and liabilities not expressed in francs at, respectively, the purchase price and at the accounting exchange rate on the balance sheet date.

|  |            |                    |
|--|------------|--------------------|
| Balance at the end of 1992 .....                 |            | 250,005,845        |
| Movements :                                      |            |                    |
| — Valuation differences in respect of gold ..... | 87,533,537 |                    |
| — Other valuation differences .....              | 24,425,974 |                    |
|  |            | <u>111,959,511</u> |
| Balance at the end of 1993 .....                 |            | 361,965,356        |

**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.

|                                  |          |                 |
|----------------------------------|----------|-----------------|
| Balance at the end of 1992 ..... |          | 938,981         |
| Movements :                      |          |                 |
| — Write-back .....               | —471,000 |                 |
| — Increase .....                 | 310,000  |                 |
|                                  |          | <u>—161,000</u> |
| Balance at the end of 1993 ..... |          | 777,981         |

**PROVISION FOR 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.

|                                  |                |
|----------------------------------|----------------|
| Balance at the end of 1992 ..... | 9,750,000      |
| Increase .....                   | <u>300,000</u> |
| Balance at the end of 1993 ..... | 10,050,000     |

**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 State.

**RESERVE FUND**

The Reserve Fund, provided for in Article 14 of the Bank's Statutes, consists of the Statutory Reserve, the Extraordinary Reserve and the Account for Depreciation of Premises, Equipment and Furniture.

The increase in the Statutory Reserve and the Extraordinary Reserve is the result of the distribution of the appropriated profit for the year just closed. The Account for Depreciation of Premises, Equipment and Furniture shows an increase of Fr. 942 million, corresponding to the amount of the investments made in 1993, less the book value of assets sold or no longer used.

The tax-exempt part of the Extraordinary Reserve amounts to Fr. 553.2 million.

**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 ..... 1,019,366

**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 ..... 57,787,945

**VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION**

*For encashment* ..... 3,964  
*Safe custody deposits* ..... 6,873,280,377

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. 4,915 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**

The proceeds of transactions with foreign countries decreased by Fr. 743 million compared with the previous year. On 31st December 1993 they amounted to Fr. 22,508 million.

The average yield of portfolio investments abroad was lower than in the previous year, chiefly owing to the pronounced fall in the interest rates of the foreign currencies in which the Bank's foreign assets are invested. The effect of this fall was, however, moderated by the increase in the volume of investments abroad following the sale of gold against foreign currencies in 1992, the full effect of which was felt in 1993, and by the rise in the exchange rates for the American, Japanese and German currencies.

**PROCEEDS OF CREDIT TRANSACTIONS**

The proceeds of credit transactions show a rise of Fr. 1,069 million and amount, for 1993, to Fr. 10,820 million.

The proceeds of lending to the Belgian Treasury came to Fr. 250 million, an increase of Fr. 107 million compared with 1992. The Securities Regulation Fund did not have recourse to credit from the Bank during the year. The Bank terminated its lending to general government with effect from 1st July 1993, in implementation of Article 124 of the law of 22nd March 1993. The interest charges on the deposit of the Belgian State and the Luxembourg State amount to Fr. 54 million.

The proceeds of lending to the financial intermediaries increased by Fr. 955 million; they amounted to Fr. 10,779 million in 1993, against Fr. 9,824 million in 1992.

Interest charges connected with the investment with the Bank, via the RGI, of the financial intermediaries' closing surpluses amounted to Fr. 155 million. They show a decrease of Fr. 61 million compared with the previous year.

**PROCEEDS OF STATUTORY INVESTMENTS**

The increase in the income from the statutory investments acquired by the Bank under Article 21 of its Statutes is due to the growth in the portfolio as a result of the transfers made to the Reserve Fund at the close of the preceding financial year and of the gains obtained on sales of securities.

The exceptional gains obtained during the year owing to the conversion of classical bonds into linear bonds are included in the results on the basis of the constant real annual

yield of the securities purchased, over a period extending until the nearest maturity of the securities sold or purchased. In the event of subsequent sale of the securities purchased, the result for the year is increased by the residual capital gain. The amount of these capital gains, which are to be spread over a period, is recorded under the heading « Regularisation Accounts » on the liabilities side of the balance sheet.

### **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 in respect of delivery 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 the year 1993 consist chiefly of the proceeds of the sale of used equipment and furniture and the writing back of a provision.

## PROFIT AND LOSS ACCOUNT

(In thousands of francs)

### EXPENDITURE

#### STATE SHARE

The Bank's receipts which accrue to the State 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 gains obtained through arbitrage transactions of assets in gold against other reserve elements, entered in a special unavailable reserve account, is assigned to the State. The distribution between the latter and the Bank of the other net proceeds from the Bank's profit-earning external assets for the year 1993 is, as for the preceding years, based on a distribution system which is the subject of an agreement with the Government.

In this context it was agreed to assign to the State the proceeds of external assets, less the costs relating to 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 other 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 State.

In addition to what accrues to the State under the above-mentioned provision, the Bank pays annually to the State, 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 State's consolidated debt to the Bank into freely negotiable securities.

**GENERAL EXPENSES**

|                                     | As at 31-12-1993 | As at 31-12-1992 |
|-------------------------------------|------------------|------------------|
| Remuneration and social costs ..... | <b>6,781,434</b> | 6,848,195        |
| Other expenses .....                | <b>1,314,277</b> | 1,338,073        |
| Total                               | <b>8,095,711</b> | 8,186,268        |

Expenses in respect of wages, salaries and social costs are down by 1 p.c. They comprise, furthermore, the remuneration of the management, the supervisory bodies, National Employment Office trainees, interim staff and students, and also the pensions of former members of the management. Other expenses show a decrease of 1.8 p.c. From 1993 onwards, expenses in respect of interim staff are shown under the latter heading. The corresponding figure for the previous year has been adjusted accordingly.

In 1993 the average real workforce, including National Employment Office trainees and interim staff, expressed in terms of full-time employment units, amounted to 3,023 units, against 3,141 units in 1992.

**DEPRECIATION OF PREMISES, EQUIPMENT AND FURNITURE**

The depreciation applied as at 31st December 1993 covers the following expenses :

|  |                  |
|--|------------------|
| — Building work under the Bank's investment programme .....                          | 451,089          |
| — Renovation of premises and technical installations .....                           | 146,703          |
| — Purchase of software and data-processing equipment .....                           | 453,557          |
| — Purchase of equipment for the Printing Works, technical services and offices ..... | 458,540          |
| — Purchase of office furniture .....   | 50,632           |
| Total  | <b>1,560,521</b> |

**TAXES AND DUES**

This heading covers, in addition to corporation tax, the withholding tax on income from financial assets and the withholding tax on income from immovable assets, the non-deductible part of VAT and regional, provincial and municipal taxes.

The Bank shows in its accounts as costs relating to the year all taxes whatever their nature payable by it, less any tax repayments received during the same year. If, at the close of the year, the estimated amount of corporation tax shown under this heading exceeds imputable advance payments and withholding taxes, the additional amount due

is recorded under the balance sheet heading « Other liabilities »; in the opposite case, the surplus is shown under the heading « Other assets ».

Brussels, 26th January 1994.

*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>        |
| Albert FRERE,        | <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,     | <i>Regent</i>        |
| Eddy WYMEERSCH,      | <i>Regent</i>        |
| Noël DEVISCH,        | <i>Regent</i>        |
| François MARTOU,     | <i>Regent</i>        |



## REPORT OF THE BOARD OF CENSORS FOR 1993

The Ordinary General Meeting of Shareholders of the Bank, which was held on Monday 22nd February 1993, renewed the term of office of the Chairman of the Board, Mr Jacques Delruelle, that of his secretary, Mr Hubert Detremmerie, and that of its members, Messrs Willy Danckaert and Christian d'Hoogh.

\*  
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In accordance with the Statutes and internal rules, the Board performs a monitoring and supervisory function. In practice, the censors perform this task in a number of fields, namely :

- verification of the Bank's accounting statements, Profit and Loss Account and budget;
- verification of the records of assets, both tangible (stocks of notes, securities, ...) and intangible (positions in foreign currencies, securities clearing, ...);
- monitoring of carrying out internal checks concerning the various banking activities; in the latter case it is a matter of ensuring both operational and physical safety.

Every quarter, in accordance with a customary practice which has now been followed for several years, the Board made a detailed study of the Bank's accounting statement and of its Profit and Loss Account and analysed the factors responsible for the movement of various balance sheet items and for that of the Profit and Loss Account in relation to the corresponding periods of earlier years. More or less parallel with the quarterly examination of the Balance Sheet and Profit and Loss Account, which takes place during the actual meeting of the Board, it checks 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 neces-

sary supporting documents — they were able to establish that the Bank's books are kept in accordance with the rules.

The Bank's annual accounts as at 31st December 1993 were submitted, by the Council of Regency, to the Board of Censors, in accordance with Article 35, paragraph 1, of the Statutes. After examination this document was unanimously approved, thereby giving the administration discharge in accordance with Article 35, paragraph 2, of the Statutes. The Board had previously carried out its own checks and its members had taken cognisance of the results of the checks carried out on this subject by the Internal Audit Service.

Examination of the Bank's budget is a second aspect of the censors' functions. This is a dual check : on the one hand, the actual expenditure for the current year is regularly compared, in principle every quarter, with the corresponding budget estimates and, on the other hand, the Board approves the draft budget for the following financial year, in this case 1994. By an in-depth analysis of the budget, the Board ascertained that the development of expenditure had in fact been kept under control in 1993.

During the year 1993 the censors also performed their monitoring and supervisory task by keeping check on the tasks entrusted to the Internal Audit Service. At the beginning of the year they asked to be given the time table of the audits and inspections planned for 1993. They were thus able to see that priority would be given to the examination of activities which are sensitive to the risk factor. In recent years, when the annual programme has been drawn up, the emphasis has in fact, at their instigation, been shifted gradually towards the carrying out of audits, rather than on ad hoc checks. Every quarter, they took cognisance of what had been done by the Internal Audit Service and were at the same time able to judge whether the implementation of the programme had been kept up to

schedule. Every quarterly report furthermore contained a summary, by department and service, of the inspections and enquiries carried out, the audits satisfactorily completed and the main comments and observations to which these tasks gave rise.

The Board regularly asked to be given explanatory talks, by members of the Internal Audit Service, on the audits and inspections carried out. The following subjects were dealt with in 1993 :

- the security of the PC-LAN (Local Area Network) environment, the network connecting the personal computers with each other ;
- the use of an automatic note-processing machine ;
- the accounting checks on cash transactions at the establishments and the Central Cash Office ;
- the use of the proceeds of the transfer of files by the « Network Datamover (NDM) » system, a software item designed for the automatic sending of data files ;
- the overall security of a typical agency ;
- the checks made on items of the Balance Sheet and the Profit and Loss Account.

During these talks and the subsequent discussions, the censors were able to gain a clear idea of the operation of the internal audit function and to assess the security of the various activities performed at the Bank. The Board paid special attention to the action taken by the services which had been audited in response to the remarks and recommendations made by the Internal Audit Service, and also to the way in which the latter organises the following-up of these points.

Monitoring of the safeguards against risks is not done only through the talks regularly organised for the censors ; in addition, the Board periodically appoints one of its members to accompany the Internal Audit Service in the actual performance of its various verification functions. During the past year the censors were thus present at eleven inspections at the head office and ten inspections at the provinces.

Very few divergences were found by the Internal Audit Service in 1993 ; appropriate steps were always taken without delay to correct them and to ensure that they do not occur again.

Thanks to the aforementioned talks and the regular participation of its members in various inspection tasks, the Board was able to make a precise assessment of the way in which the internal checking of a great variety of procedures is organised at the Bank. In conclusion, the censors consider that, generally speaking, this checking system works well and that the risks are adequately covered.

*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.





## COMPARISON OF BALANCE SHEETS

### ASSETS

|  | 1993               | 1992      | 1991      | 1990      |
|--|--------------------|-----------|-----------|-----------|
| Gold . . . . .   | <b>330,255.6</b>   | 260,228.9 | 333,781.3 | 363,703.6 |
| Foreign currencies . . . . .   | <b>244,221.0</b>   | 193,384.4 | 230,801.7 | 231,662.3 |
| Special Drawing Rights (SDRs) . . . . .                              | <b>6,160.8</b>     | 5,662.4   | 18,383.0  | 17,299.7  |
| Participation in the IMF . . . . .                                   | <b>27,673.1</b>    | 26,730.6  | 16,396.6  | 14,383.4  |
| Loans to the IMF . . . . .   | —                  | —         | —         | —         |
| Deposit with the IMF within the frame-<br>work of the ESAF . . . . . | <b>4,940.3</b>     | 4,562.3   | 4,473.0   | 4,407.8   |
| Ecus . . . . .   | <b>148,023.2</b>   | 106,438.7 | 110,620.8 | 108,508.2 |
| EMCF : Financing at very short and at<br>short term . . . . .        | —                  | 116,568.9 | 12,648.9  | —         |
| EEC : Medium-term financial assistance .                             | —                  | —         | —         | —         |
| International agreements . . . . .                                   | <b>3,303.6</b>     | 3,269.2   | 3,145.6   | 3,438.6   |
| Advances against pledged security . . .                              | <b>30,101.4</b>    | 20,041.6  | 43,930.7  | 3,274.6   |
| Commercial bills . . . . .   | <b>5,578.3</b>     | 10,051.0  | 18,404.3  | 30,252.5  |
| Securities purchased in the market . . .                             | <b>32,436.5</b>    | 17,448.0  | 17,727.5  | —         |
| Claims due to other interventions in the<br>money market . . . . .   | <b>119,669.3</b>   | 52,354.9  | 42,550.3  | —         |
| Advances to the Securities Regulation<br>Fund . . . . .              | —                  | —         | —         | —         |
| Advances to the Belgian State . . . . .                              | —                  | 221.0     | 2.6       | 107,684.0 |
| Advances to the Luxembourg State . . .                               | —                  | —         | —         | —         |
| Coin . . . . .   | <b>1,202.8</b>     | 915.4     | 716.7     | 923.2     |
| Balances at the Postal Cheque Office :                               |                    |           |           |           |
| A Account . . . . .  | <b>0.5</b>         | 1.4       | 1.6       | 1.4       |
| B Account . . . . .  | <b>3,067.6</b>     | 3,498.8   | 3,847.5   | 2,647.4   |
| Statutory investments (Art. 21) . . . . .                            | <b>40,365.8</b>    | 37,235.9  | 34,195.5  | 30,637.3  |
| Premises, equipment and furniture . . .                              | <b>13,205.3</b>    | 12,262.4  | 11,165.5  | 10,667.5  |
| Other assets . . . . .   | <b>4,446.1</b>     | 6,478.0   | 530.9     | 219.6     |
| Regularisation accounts . . . . .                                    | <b>5,758.6</b>     | 7,750.9   | 6,897.6   | 7,017.0   |
| TOTAL ASSETS   | <b>1,020,409.8</b> | 885,104.7 | 910,221.6 | 936,728.1 |

## AS AT 31st DECEMBER (In millions of francs)

## LIABILITIES

|  | 1993               | 1992      | 1991      | 1990      |
|--|--------------------|-----------|-----------|-----------|
| Notes in circulation . . . . .   | <b>440,603.1</b>   | 430,248.9 | 431,513.6 | 428,502.5 |
| Current accounts in francs . . . . .   | <b>9,589.4</b>     | 4,569.3   | 7,146.6   | 6,410.7   |
| Deposit of the Belgian State . . . . .   | <b>763.4</b>       |           |           |           |
| Deposit of the Luxembourg State . . . . .                                      | <b>503.9</b>       |           |           |           |
| Liabilities due to interventions in the money market . . . . .                 | <b>6,045.8</b>     | 4,449.1   | 4,240.7   | —         |
| Current accounts in foreign currencies . . . . .                               | <b>7.5</b>         | 6.8       | 6.7       | 38.3      |
| Financial assistance agreements . . . . .                                      | <b>3,067.6</b>     | 3,498.8   | 3,847.5   | 2,647.4   |
| Counterpart of allocations of SDRs . . . . .                                   | <b>23,972.5</b>    | 22,138.1  | 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>   | 116,310.9 | 54,807.3  | 54,807.3  |
| Other liabilities . . . . .  | <b>2,339.6</b>     | 2,383.5   | 3,536.2   | 9,683.6   |
| Regularisation accounts . . . . .  | <b>456.6</b>       | 425.3     | 122.4     | 348.6     |
| Valuation differences on gold and foreign exchange . . . . .                   | <b>361,965.4</b>   | 250,005.8 | 336,024.0 | 368,698.2 |
| Provision for premises, equipment and furniture . . . . .                      | <b>778.0</b>       | 939.0     | 1,408.0   | 1,883.0   |
| Provision against Sundry Contingencies . . . . .                               | <b>10,050.0</b>    | 9,750.0   | 8,650.0   | 8,450.0   |
| Capital . . . . .  | <b>400.0</b>       | 400.0     | 400.0     | 400.0     |
| Reserve Fund :   | <b>43,556.1</b>    | 39,979.2  | 36,813.8  | 33,470.0  |
| <i>Statutory Reserve</i> . . . . .   | <b>2,915.3</b>     | 2,783.9   | 2,656.4   | 2,531.4   |
| <i>Extraordinary Reserve</i> . . . . .   | <b>27,992.6</b>    | 25,489.6  | 23,542.6  | 20,821.6  |
| <i>Account for depreciation of premises, equipment and furniture</i> . . . . . | <b>12,648.2</b>    | 11,705.7  | 10,614.8  | 10,117.0  |
| <b>TOTAL LIABILITIES</b>   | <b>1,020,409.8</b> | 885,104.7 | 910,221.6 | 936,728.1 |

## COMPARISON OF PROFIT AND LOSS ACCOUNTS AS AT 31st DECEMBER

(In millions of francs)

|   | 1993            | 1992     | 1991     | 1990     |
|---|-----------------|----------|----------|----------|
| <b>RECEIPTS</b>   |                 |          |          |          |
| Proceeds of transactions with foreign countries . . . . .   | <b>22,508.5</b> | 23,251.7 | 21,889.5 | 21,318.1 |
| Proceeds of credit transactions . . . . .                   | <b>10,820.1</b> | 9,751.0  | 11,656.6 | 10,299.2 |
| Proceeds of statutory investments . . . . .                 | <b>3,846.3</b>  | 3,535.6  | 3,395.0  | 2,898.5  |
| Commission . . . . .  | <b>169.5</b>    | 160.1    | 202.6    | 228.2    |
| Amounts recovered from third parties . . . . .              | <b>1,859.8</b>  | 1,883.6  | 1,676.3  | 1,660.0  |
| Drawings on provisions . . . . .                            | <b>471.0</b>    | 519.0    | 535.0    | 336.0    |
| Other proceeds . . . . .                                    | <b>94.4</b>     | 27.5     | 95.5     | 4.6      |
|   | <b>39,769.6</b> | 39,128.5 | 39,450.5 | 36,744.6 |
| <b>EXPENDITURE</b>  |                 |          |          |          |
| State Share :   | <b>22,437.1</b> | 22,028.3 | 23,529.4 | 21,464.3 |
| <i>Transactions with foreign countries . . . . .</i>        | <b>14,363.4</b> | 14,430.1 | 14,699.2 | 14,220.6 |
| <i>Credit transactions . . . . .</i>                        | <b>8,073.7</b>  | 7,598.2  | 8,830.2  | 7,243.7  |
| General expenses :  | <b>8,095.7</b>  | 8,186.3  | 7,879.3  | 7,387.3  |
| <i>Remuneration and social charges . . . . .</i>            | <b>6,781.4</b>  | 6,848.2  | 6,600.9  | 6,300.7  |
| <i>Other expenses . . . . .</i>                             | <b>1,314.3</b>  | 1,338.1  | 1,278.4  | 1,086.6  |
| Depreciation of premises, equipment and furniture . . . . . | <b>1,560.5</b>  | 1,617.5  | 1,519.6  | 1,075.0  |
| Provision for Premises, Equipment and Furniture . . . . .   | <b>310.0</b>    | 50.0     | 60.0     | 283.0    |
| Provision against Sundry Contingencies . . . . .            | <b>300.0</b>    | 1,100.0  | 200.0    | 200.0    |
| Taxes and dues . . . . .                                    | <b>3,228.5</b>  | 2,902.6  | 2,272.5  | 2,615.4  |
| Net profit for distribution . . . . .                       | <b>3,837.8</b>  | 3,243.8  | 3,989.7  | 3,719.6  |
|   | <b>39,769.6</b> | 39,128.5 | 39,450.5 | 36,744.6 |

## DIVIDEND

|  | 1993            | 1992     | 1991     | 1990     |
|--|-----------------|----------|----------|----------|
| Net dividend allocated per share . . . | <b>1,640.00</b> | 1,610.00 | 1,575.00 | 1,525.00 |
| Withholding tax deducted per share *   | <b>568.75</b>   | 536.67   | 525.00   | 508.33   |
| Gross dividend allocated per share . . | <b>2,208.75</b> | 2,146.67 | 2,100.00 | 2,033.33 |

\* Financial year 1993 : 25.75 p.c. in respect of withholding tax and supplementary crisis contribution.



**WEEKLY RETURNS PUBLISHED  
IN THE « BELGISCH STAATSBLAD — MONITEUR BELGE »  
DURING 1993**

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLED - MONITEUR BELGE »  
DURING 1993 (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 |
|----------|---------|--------------------|-------------------------------|--------------------------|------------------|---|---------|--|--|--------------------------|-----------------------------------|------------------|
| 04-01-93 | 260,229 | 192,929            | 5,662                         | 26,959                   | —                | 4,562   | 106,439 | 116,569  | —                                      | 3,269                    | 20,086                            | 11,331           |
| 11-01-93 | 260,229 | 183,752            | 5,662                         | 26,959                   | —                | 4,562   | 109,462 | 131,749  | —                                      | 3,269                    | 17,741                            | 10,196           |
| 18-01-93 | 260,229 | 178,382            | 5,662                         | 26,959                   | —                | 4,562   | 109,462 | 134,721  | —                                      | 3,269                    | 23,917                            | 8,740            |
| 25-01-93 | 260,229 | 181,755            | 5,662                         | 26,959                   | —                | 4,562   | 109,462 | 130,504  | —                                      | 3,275                    | 16,749                            | 9,533            |
| 01-02-93 | 260,229 | 180,381            | 5,662                         | 26,959                   | —                | 4,562   | 109,611 | 126,805  | —                                      | 3,275                    | 24,790                            | 7,704            |
| 08-02-93 | 260,229 | 185,256            | 5,666                         | 26,959                   | —                | 4,562   | 109,788 | 138,668  | —                                      | 3,275                    | 38,623                            | 8,492            |
| 15-02-93 | 260,229 | 186,220            | 5,666                         | 26,609                   | —                | 4,562   | 109,788 | 138,668  | —                                      | 3,275                    | 23,645                            | 5,470            |
| 22-02-93 | 260,229 | 187,780            | 5,653                         | 26,609                   | —                | 4,562   | 109,788 | 137,168  | —                                      | 3,372                    | 16,888                            | 6,143            |
| 01-03-93 | 260,229 | 188,353            | 5,658                         | 26,610                   | —                | 4,562   | 109,927 | 137,168  | —                                      | 3,372                    | 13,189                            | 6,311            |
| 08-03-93 | 260,229 | 189,251            | 5,658                         | 26,610                   | —                | 4,562   | 109,927 | 137,168  | —                                      | 3,372                    | 17,578                            | 6,736            |
| 15-03-93 | 260,229 | 258,191            | 5,658                         | 26,610                   | —                | 4,562   | 122,314 | 36,443   | —                                      | 3,372                    | 17,144                            | 4,244            |
| 22-03-93 | 260,229 | 258,865            | 5,658                         | 26,610                   | —                | 4,562   | 122,314 | 36,443   | —                                      | 3,370                    | 16,580                            | 6,695            |
| 29-03-93 | 260,229 | 259,381            | 5,658                         | 25,896                   | —                | 4,562   | 122,314 | 36,443   | —                                      | 3,370                    | 25,504                            | 6,695            |
| 05-04-93 | 260,229 | 274,911            | 5,658                         | 25,896                   | —                | 4,562   | 122,527 | 20,710   | —                                      | 3,395                    | 16,261                            | 6,152            |
| 09-04-93 | 260,229 | 268,560            | 5,658                         | 25,896                   | —                | 4,562   | 131,719 | 20,710   | —                                      | 3,393                    | 28,041                            | 7,228            |
| 19-04-93 | 260,229 | 267,497            | 5,658                         | 25,896                   | —                | 4,562   | 131,719 | 20,710   | —                                      | 3,390                    | 14,708                            | 8,230            |
| 26-04-93 | 260,229 | 275,346            | 5,658                         | 25,896                   | —                | 4,562   | 131,719 | 12,858   | —                                      | 3,382                    | 17,227                            | 8,526            |
| 03-05-93 | 260,229 | 281,633            | 5,658                         | 25,897                   | —                | 4,562   | 131,958 | 6,744  | —                                      | 3,382                    | 18,936                            | 6,922            |
| 10-05-93 | 260,229 | 288,293            | 5,658                         | 25,897                   | —                | 4,562   | 131,958 | —  | —                                      | 3,382                    | 21,133                            | 5,298            |
| 17-05-93 | 260,229 | 288,804            | 5,658                         | 25,897                   | —                | 4,562   | 131,958 | —  | —                                      | 3,342                    | 21,862                            | 6,860            |
| 24-05-93 | 260,229 | 289,333            | 5,658                         | 25,897                   | —                | 4,562   | 131,958 | —  | —                                      | 3,390                    | 28,318                            | 6,782            |
| 28-05-93 | 260,229 | 289,514            | 5,691                         | 25,897                   | —                | 4,562   | 132,164 | —  | —                                      | 3,390                    | 28,253                            | 7,860            |
| 07-06-93 | 260,229 | 290,070            | 5,691                         | 25,897                   | —                | 4,562   | 132,164 | —  | —                                      | 3,389                    | 28,424                            | 7,485            |
| 14-06-93 | 260,229 | 290,199            | 5,691                         | 25,897                   | —                | 4,562   | 132,164 | —  | —                                      | 3,364                    | 26,778                            | 10,470           |
| 21-06-93 | 260,229 | 290,891            | 5,691                         | 25,897                   | —                | 4,562   | 132,164 | —  | —                                      | 3,361                    | 31,357                            | 10,333           |
| 28-06-93 | 260,229 | 291,858            | 5,691                         | 25,318                   | —                | 4,562   | 132,164 | —  | —                                      | 3,361                    | 28,339                            | 8,465            |
| 05-07-93 | 260,229 | 292,275            | 5,699                         | 25,774                   | —                | 4,562   | 132,389 | —  | —                                      | 3,384                    | 27,989                            | 9,208            |
| 12-07-93 | 260,229 | 289,647            | 5,699                         | 25,774                   | —                | 4,562   | 142,176 | —  | —                                      | 3,384                    | 31,539                            | 8,082            |
| 19-07-93 | 260,229 | 290,855            | 5,699                         | 25,774                   | —                | 4,562   | 142,176 | —  | —                                      | 3,382                    | 31,218                            | 9,830            |
| 26-07-93 | 260,229 | 290,940            | 5,699                         | 25,774                   | —                | 4,562   | 142,176 | —  | —                                      | 3,382                    | 22,326                            | 6,595            |
| 02-08-93 | 260,229 | 282,327            | 5,699                         | 26,003                   | —                | 4,562   | 142,373 | —  | —                                      | 3,382                    | 43,886                            | 6,399            |
| 09-08-93 | 260,229 | 258,374            | 5,703                         | 26,003                   | —                | 4,562   | 142,373 | —  | —                                      | 3,382                    | 45,734                            | 7,953            |
| 13-08-93 | 260,229 | 258,993            | 5,703                         | 26,003                   | —                | 4,562   | 142,373 | —  | —                                      | 3,382                    | 43,433                            | 6,528            |
| 23-08-93 | 260,229 | 259,752            | 5,703                         | 26,003                   | —                | 4,562   | 142,373 | —  | —                                      | 3,379                    | 39,531                            | 6,146            |
| 30-08-93 | 260,229 | 259,773            | 5,690                         | 26,003                   | —                | 4,562   | 142,373 | —  | —                                      | 3,379                    | 46,675                            | 6,269            |
| 06-09-93 | 260,229 | 260,438            | 5,690                         | 26,003                   | —                | 4,562   | 142,586 | —  | —                                      | 3,379                    | 32,545                            | 5,993            |
| 13-09-93 | 260,229 | 243,393            | 5,690                         | 26,003                   | —                | 4,562   | 142,586 | —  | —                                      | 3,324                    | 32,551                            | 6,164            |
| 20-09-93 | 260,229 | 243,460            | 5,690                         | 26,003                   | —                | 4,562   | 142,586 | —  | —                                      | 3,322                    | 22,383                            | 6,818            |
| 27-09-93 | 260,229 | 243,690            | 5,690                         | 26,323                   | —                | 4,562   | 142,586 | —  | —                                      | 3,322                    | 21,263                            | 8,523            |
| 04-10-93 | 260,229 | 244,688            | 5,690                         | 26,323                   | —                | 4,562   | 142,786 | —  | —                                      | 3,348                    | 19,906                            | 6,507            |
| 11-10-93 | 260,229 | 242,913            | 5,690                         | 25,694                   | —                | 4,562   | 147,042 | —  | —                                      | 3,305                    | 7,627                             | 4,229            |
| 18-10-93 | 260,229 | 223,554            | 5,690                         | 25,694                   | —                | 4,562   | 147,042 | —  | —                                      | 3,305                    | 8,820                             | 4,225            |
| 25-10-93 | 260,229 | 214,934            | 5,690                         | 25,694                   | —                | 4,562   | 147,042 | —  | —                                      | 3,302                    | 10,050                            | 8,216            |
| 29-10-93 | 260,229 | 217,433            | 5,690                         | 25,694                   | —                | 4,562   | 147,230 | —  | —                                      | 3,302                    | 16,842                            | 7,573            |
| 08-11-93 | 260,229 | 218,865            | 5,690                         | 25,694                   | —                | 4,562   | 147,230 | —  | —                                      | 3,301                    | 19,225                            | 7,308            |
| 15-11-93 | 260,229 | 219,286            | 5,690                         | 25,694                   | —                | 4,562   | 147,230 | —  | —                                      | 3,301                    | 997                               | 4,320            |
| 22-11-93 | 260,229 | 220,425            | 5,690                         | 25,694                   | —                | 4,562   | 147,230 | —  | —                                      | 3,298                    | 3,234                             | 4,317            |
| 29-11-93 | 260,229 | 220,551            | 5,681                         | 25,694                   | —                | 4,562   | 147,230 | —  | —                                      | 3,298                    | 16,186                            | 8,667            |
| 06-12-93 | 260,229 | 222,044            | 5,681                         | 25,555                   | —                | 4,562   | 147,432 | —  | —                                      | 3,298                    | 1,088                             | 4,313            |
| 13-12-93 | 260,229 | 222,420            | 5,681                         | 25,555                   | —                | 4,562   | 147,432 | —  | —                                      | 3,285                    | 6,332                             | 6,686            |
| 20-12-93 | 260,229 | 222,942            | 5,681                         | 25,555                   | —                | 4,562   | 147,432 | —  | —                                      | 3,285                    | 8,819                             | 9,121            |
| 24-12-93 | 260,229 | 223,401            | 5,681                         | 25,555                   | —                | 4,562   | 147,432 | —  | —                                      | 3,278                    | 29,209                            | 7,300            |

**WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE »  
DURING 1993** (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 <sup>1</sup> | Advances to the Belgian State <sup>1</sup> | Advances to the Luxembourg State <sup>1</sup> | Coin  | Balances at the Postal Cheque Office : |           | Statutory investments (Art. 21) | Miscellaneous accounts <sup>2</sup> | TOTAL ASSETS |
|--------------|------------------------------------|---|---|--|---|-------|--|-----------|---------------------------------|-------------------------------------|--------------|
|              |                                    |   |   |  |   |       | A Account                              | B Account |                                 |                                     |              |
| 04 - 01 - 93 | 19,435                             | 52,347  | —   | 70   | —   | 938   | 2                                      | 3,499     | 37,212                          | 24,803                              | 886,341      |
| 11 - 01 - 93 | 15,788                             | 44,529  | —   | 385  | —   | 1,055 | 2                                      | 3,479     | 37,213                          | 25,382                              | 881,414      |
| 18 - 01 - 93 | 7,865                              | 40,383  | —   | 9,568                                      | —   | 1,156 | 2                                      | 3,452     | 37,213                          | 25,339                              | 880,881      |
| 25 - 01 - 93 | 5,887                              | 51,520  | —   | 3,365                                      | —   | 1,156 | 2                                      | 3,380     | 37,213                          | 25,457                              | 876,670      |
| 01 - 02 - 93 | 7,852                              | 50,904  | —   | —  | —   | 1,159 | 2                                      | 3,364     | 40,377                          | 20,076                              | 873,712      |
| 08 - 02 - 93 | —                                  | 23,939  | —   | 4,442                                      | —   | 1,163 | 1                                      | 3,424     | 40,375                          | 20,290                              | 875,152      |
| 15 - 02 - 93 | —                                  | 27,438  | —   | 14,944                                     | —   | 1,153 | 1                                      | 3,415     | 40,375                          | 20,359                              | 871,817      |
| 22 - 02 - 93 | 5,892                              | 43,601  | —   | —  | —   | 1,085 | 1                                      | 3,524     | 40,375                          | 20,565                              | 873,235      |
| 01 - 03 - 93 | 7,854                              | 31,920  | —   | 14,931                                     | —   | 1,018 | 1                                      | 3,524     | 40,375                          | 21,052                              | 876,054      |
| 08 - 03 - 93 | 9,814                              | 39,452  | —   | 8,025                                      | —   | 981   | 1                                      | 3,448     | 40,375                          | 21,482                              | 884,669      |
| 15 - 03 - 93 | 10,641                             | 57,007  | —   | 7,982                                      | —   | 929   | —                                      | 3,470     | 40,377                          | 21,564                              | 880,737      |
| 22 - 03 - 93 | 10,641                             | 51,490  | —   | 14,602                                     | —   | 917   | —                                      | 3,466     | 40,377                          | 21,578                              | 884,397      |
| 29 - 03 - 93 | 10,641                             | 41,411  | —   | 14,890                                     | —   | 913   | —                                      | 3,435     | 40,379                          | 21,697                              | 883,418      |
| 05 - 04 - 93 | 15,543                             | 51,150  | —   | 14,631                                     | —   | 876   | 1                                      | 3,411     | 40,379                          | 21,584                              | 887,876      |
| 09 - 04 - 93 | 17,504                             | 32,841  | —   | 14,889                                     | —   | 895   | 1                                      | 3,394     | 40,379                          | 22,632                              | 888,531      |
| 19 - 04 - 93 | 17,645                             | 60,090  | —   | —  | —   | 943   | 1                                      | 3,370     | 40,379                          | 22,654                              | 887,681      |
| 26 - 04 - 93 | 22,552                             | 49,124  | —   | 23   | —   | 927   | 1                                      | 3,351     | 40,378                          | 23,162                              | 884,921      |
| 03 - 05 - 93 | 23,538                             | 52,292  | —   | 1  | —   | 932   | 1                                      | 3,332     | 40,378                          | 23,413                              | 889,808      |
| 10 - 05 - 93 | 23,541                             | 51,295  | —   | 3,230                                      | —   | 911   | 1                                      | 3,271     | 40,378                          | 23,705                              | 892,742      |
| 17 - 05 - 93 | 23,547                             | 55,460  | —   | 3,079                                      | —   | 876   | 1                                      | 3,247     | 40,371                          | 23,806                              | 899,559      |
| 24 - 05 - 93 | 23,547                             | 61,101  | —   | —  | —   | 789   | —                                      | 3,237     | 40,371                          | 24,226                              | 909,398      |
| 28 - 05 - 93 | 23,560                             | 58,735  | —   | —  | —   | 849   | 1                                      | 3,237     | 40,379                          | 24,347                              | 908,668      |
| 07 - 06 - 93 | 23,564                             | 42,809  | —   | 14,229                                     | —   | 825   | —                                      | 3,183     | 40,379                          | 24,628                              | 907,528      |
| 14 - 06 - 93 | 21,607                             | 55,803  | —   | —  | —   | 844   | —                                      | 3,180     | 40,379                          | 24,785                              | 905,952      |
| 21 - 06 - 93 | 21,613                             | 40,514  | —   | 14,983                                     | —   | 902   | 1                                      | 3,136     | 40,379                          | 24,808                              | 910,821      |
| 28 - 06 - 93 | 21,619                             | 53,822  | —   | 5,514                                      | —   | 999   | —                                      | 3,633     | 40,379                          | 24,943                              | 910,896      |
| 05 - 07 - 93 | 21,629                             | 69,831  | —   | —  | —   | 1,031 | 1                                      | 3,550     | 40,373                          | 24,706                              | 922,630      |
| 12 - 07 - 93 | 21,646                             | 59,613  | —   | —  | —   | 1,078 | 1                                      | 3,548     | 40,376                          | 26,006                              | 923,360      |
| 19 - 07 - 93 | 18,695                             | 58,768  | —   | —  | —   | 1,148 | 1                                      | 3,444     | 40,378                          | 26,141                              | 922,300      |
| 26 - 07 - 93 | 19,676                             | 61,969  | —   | —  | —   | 1,178 | 1                                      | 3,394     | 40,378                          | 26,210                              | 914,489      |
| 02 - 08 - 93 | 19,676                             | 55,621  | —   | —  | —   | 1,267 | 1                                      | 3,393     | 40,378                          | 26,302                              | 921,498      |
| 09 - 08 - 93 | 17,711                             | 69,413  | —   | —  | —   | 1,316 | 1                                      | 3,393     | 40,378                          | 26,779                              | 913,304      |
| 13 - 08 - 93 | 18,933                             | 73,758  | —   | —  | —   | 1,280 | 1                                      | 3,393     | 40,378                          | 26,758                              | 915,707      |
| 23 - 08 - 93 | 21,864                             | 70,582  | —   | —  | —   | 1,267 | 1                                      | 3,393     | 40,378                          | 26,921                              | 912,084      |
| 30 - 08 - 93 | 21,849                             | 63,492  | —   | —  | —   | 1,307 | —                                      | 3,375     | 40,378                          | 26,970                              | 912,324      |
| 06 - 09 - 93 | 23,782                             | 75,209  | —   | —  | —   | 1,300 | 1                                      | 3,346     | 40,378                          | 27,113                              | 912,554      |
| 13 - 09 - 93 | 23,763                             | 88,286  | —   | —  | —   | 1,306 | 1                                      | 3,341     | 40,378                          | 27,634                              | 909,211      |
| 20 - 09 - 93 | 24,723                             | 97,125  | —   | —  | —   | 1,251 | —                                      | 3,311     | 40,378                          | 27,790                              | 909,631      |
| 27 - 09 - 93 | 25,685                             | 91,040  | —   | —  | —   | 1,256 | 1                                      | 3,310     | 40,378                          | 27,887                              | 905,745      |
| 04 - 10 - 93 | 27,619                             | 93,052  | —   | —  | —   | 1,134 | —                                      | 3,140     | 40,378                          | 27,771                              | 907,133      |
| 11 - 10 - 93 | 29,575                             | 101,295   | —   | —  | —   | 1,140 | 1                                      | 3,140     | 40,378                          | 29,268                              | 906,088      |
| 18 - 10 - 93 | 31,279                             | 121,721   | —   | —  | —   | 1,138 | —                                      | 3,125     | 40,378                          | 29,488                              | 910,250      |
| 25 - 10 - 93 | 33,235                             | 123,645   | —   | —  | —   | 1,118 | 1                                      | 3,118     | 40,378                          | 29,435                              | 910,649      |
| 29 - 10 - 93 | 35,193                             | 121,775   | —   | —  | —   | 1,118 | 1                                      | 3,110     | 40,378                          | 29,651                              | 919,781      |
| 08 - 11 - 93 | 35,193                             | 116,664   | —   | —  | —   | 1,157 | 1                                      | 3,110     | 40,376                          | 30,274                              | 918,879      |
| 15 - 11 - 93 | 35,196                             | 142,322   | —   | —  | —   | 1,117 | 1                                      | 3,174     | 40,376                          | 30,323                              | 923,818      |
| 22 - 11 - 93 | 37,171                             | 133,759   | —   | —  | —   | 1,080 | —                                      | 3,174     | 40,378                          | 30,483                              | 920,724      |
| 29 - 11 - 93 | 35,711                             | 118,737   | —   | —  | —   | 1,047 | —                                      | 3,165     | 40,379                          | 30,557                              | 921,694      |
| 06 - 12 - 93 | 35,744                             | 146,766   | —   | —  | —   | 1,068 | 1                                      | 3,161     | 40,377                          | 30,661                              | 931,980      |
| 13 - 12 - 93 | 33,802                             | 139,769   | —   | —  | —   | 1,153 | 1                                      | 3,161     | 40,377                          | 31,211                              | 931,656      |
| 20 - 12 - 93 | 33,819                             | 148,308   | —   | —  | —   | 1,167 | —                                      | 3,159     | 40,377                          | 31,841                              | 946,297      |
| 24 - 12 - 93 | 30,883                             | 136,534   | —   | —  | —   | 1,129 | —                                      | 3,156     | 40,377                          | 32,085                              | 950,811      |

<sup>1</sup> Items deleted following the entry into force of Article 124 of the law of 22nd March 1993 concerning the status and supervision of credit institutions.

<sup>2</sup> Including premises, equipment and furniture.

WEEKLY RETURNS PUBLISHED IN THE « BELGISCH STAATSBLAD - MONITEUR BELGE »  
DURING 1993 (Millions of francs)

LIABILITIES

| DATES    | Notes in circulation | Current accounts in francs | Deposit of the Belgian State | Deposit of the Luxembourg State | 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 |
|----------|----------------------|----------------------------|------------------------------|---------------------------------|--|--|---------------------------------|------------------------------------|--|--|--|--|------------------------|-------------------|
| 04-01-93 | 427,857              | 8,190                      |                              |                                 | 6,189  | 7                                      | 3,499                           | 22,138                             | —  | 116,311                                      | 250,097  | 37,214   | 14,839                 | 886,341           |
| 11-01-93 | 420,173              | 7,956                      |                              |                                 | 2,257  | 7                                      | 3,479                           | 22,138                             | —  | 116,311                                      | 256,644  | 37,214   | 15,235                 | 881,414           |
| 18-01-93 | 420,013              | 7,189                      |                              |                                 | 2,083  | 7                                      | 3,452                           | 22,138                             | —  | 116,311                                      | 256,869  | 37,214   | 15,605                 | 880,881           |
| 25-01-93 | 414,615              | 6,789                      |                              |                                 | 2,321  | 7                                      | 3,380                           | 22,138                             | —  | 116,311                                      | 257,378  | 37,214   | 16,517                 | 876,670           |
| 01-02-93 | 412,945              | 9,998                      |                              |                                 | 2,168  | 7                                      | 3,364                           | 22,138                             | —  | 116,311                                      | 257,658  | 40,379   | 8,744                  | 873,712           |
| 08-02-93 | 412,809              | 9,698                      |                              |                                 | 3,871  | 7                                      | 3,424                           | 22,138                             | —  | 116,311                                      | 258,067  | 40,379   | 8,448                  | 875,152           |
| 15-02-93 | 413,522              | 7,135                      |                              |                                 | 1,301  | 7                                      | 3,415                           | 22,138                             | —  | 116,311                                      | 258,566  | 40,379   | 9,043                  | 871,817           |
| 22-02-93 | 413,611              | 6,921                      |                              |                                 | 969  | 7                                      | 3,524                           | 22,138                             | —  | 116,311                                      | 259,212  | 40,379   | 10,163                 | 873,235           |
| 01-03-93 | 414,607              | 6,627                      |                              |                                 | 2,347  | 7                                      | 3,524                           | 22,138                             | —  | 116,311                                      | 259,359  | 40,379   | 10,755                 | 876,054           |
| 08-03-93 | 416,734              | 13,598                     |                              |                                 | 1,064  | 7                                      | 3,448                           | 22,138                             | —  | 116,311                                      | 260,307  | 40,379   | 10,683                 | 884,669           |
| 15-03-93 | 418,755              | 6,328                      |                              |                                 | 1,327  | 7                                      | 3,470                           | 22,138                             | —  | 116,311                                      | 258,656  | 40,379   | 13,366                 | 880,737           |
| 22-03-93 | 421,081              | 5,709                      |                              |                                 | 2,351  | 7                                      | 3,466                           | 22,138                             | —  | 116,311                                      | 258,870  | 40,379   | 14,085                 | 884,397           |
| 29-03-93 | 415,901              | 6,546                      |                              |                                 | 4,609  | 7                                      | 3,435                           | 22,138                             | —  | 116,311                                      | 260,533  | 40,379   | 13,559                 | 883,418           |
| 05-04-93 | 424,707              | 10,130                     |                              |                                 | 2,684  | 7                                      | 3,411                           | 22,138                             | —  | 116,311                                      | 259,627  | 40,379   | 8,482                  | 887,876           |
| 09-04-93 | 427,797              | 6,168                      |                              |                                 | 1,084  | 7                                      | 3,394                           | 22,138                             | —  | 116,311                                      | 262,555  | 40,379   | 8,698                  | 888,531           |
| 19-04-93 | 425,963              | 5,697                      |                              |                                 | 3,256  | 7                                      | 3,370                           | 22,138                             | —  | 116,311                                      | 261,321  | 40,379   | 9,239                  | 887,681           |
| 26-04-93 | 422,858              | 5,232                      |                              |                                 | 3,606  | 7                                      | 3,351                           | 22,138                             | —  | 116,311                                      | 261,021  | 40,379   | 10,018                 | 884,921           |
| 03-05-93 | 426,802              | 6,239                      |                              |                                 | 3,189  | 7                                      | 3,332                           | 22,138                             | —  | 116,311                                      | 260,841  | 40,379   | 10,570                 | 889,808           |
| 10-05-93 | 430,658              | 6,231                      |                              |                                 | 1,751  | 7                                      | 3,271                           | 22,138                             | —  | 116,311                                      | 260,633  | 40,379   | 11,363                 | 892,742           |
| 17-05-93 | 436,771              | 6,331                      |                              |                                 | 1,473  | 7                                      | 3,247                           | 22,138                             | —  | 116,311                                      | 260,731  | 40,379   | 12,171                 | 899,559           |
| 24-05-93 | 445,574              | 6,034                      |                              |                                 | 1,890  | 7                                      | 3,237                           | 22,138                             | —  | 116,311                                      | 260,774  | 40,379   | 13,054                 | 909,398           |
| 28-05-93 | 442,723              | 5,827                      |                              |                                 | 2,591  | 7                                      | 3,237                           | 22,138                             | —  | 116,311                                      | 260,919  | 40,379   | 14,536                 | 908,668           |
| 07-06-93 | 441,602              | 6,849                      |                              |                                 | 1,268  | 7                                      | 3,183                           | 22,138                             | —  | 116,311                                      | 261,015  | 40,379   | 14,776                 | 907,528           |
| 14-06-93 | 440,534              | 5,977                      |                              |                                 | 1,169  | 7                                      | 3,180                           | 22,138                             | —  | 116,311                                      | 261,058  | 40,379   | 15,199                 | 905,952           |
| 21-06-93 | 444,605              | 5,943                      |                              |                                 | 1,146  | 7                                      | 3,136                           | 22,138                             | —  | 116,311                                      | 261,430  | 40,379   | 15,726                 | 910,821           |
| 28-06-93 | 442,404              | 6,012                      |                              |                                 | 1,921  | 7                                      | 3,633                           | 22,138                             | —  | 116,311                                      | 261,412  | 40,379   | 16,679                 | 910,896           |
| 05-07-93 | 450,474              | 8,317                      | 4,194                        | —                               | 1,613  | 7                                      | 3,550                           | 22,138                             | —  | 116,311                                      | 261,540  | 40,379   | 14,107                 | 922,630           |
| 12-07-93 | 445,487              | 6,168                      | 1,843                        | 508                             | 3,705  | 7                                      | 3,548                           | 22,138                             | —  | 116,311                                      | 268,601  | 40,379   | 14,665                 | 923,360           |
| 19-07-93 | 445,558              | 5,368                      | 3,045                        | 508                             | 1,009  | 7                                      | 3,444                           | 22,138                             | —  | 116,311                                      | 269,556  | 40,379   | 14,977                 | 922,300           |
| 26-07-93 | 438,196              | 5,977                      | 1,194                        | 509                             | 1,555  | 7                                      | 3,394                           | 22,138                             | —  | 116,311                                      | 269,182  | 40,379   | 15,647                 | 914,489           |
| 02-08-93 | 435,020              | 5,692                      | 17                           | 510                             | 12,234   | 7                                      | 3,393                           | 22,138                             | —  | 116,311                                      | 268,863  | 40,379   | 16,934                 | 921,498           |
| 09-08-93 | 434,524              | 6,689                      | 5                            | 511                             | 2,136  | 7                                      | 3,393                           | 22,138                             | —  | 116,311                                      | 269,903  | 40,379   | 17,308                 | 913,304           |
| 13-08-93 | 437,577              | 6,366                      | 98                           | 511                             | 1,174  | 7                                      | 3,393                           | 22,138                             | —  | 116,311                                      | 268,318  | 40,379   | 19,435                 | 915,707           |
| 23-08-93 | 433,373              | 5,777                      | 5                            | 513                             | 1,158  | 7                                      | 3,393                           | 22,138                             | —  | 116,311                                      | 268,523  | 40,379   | 20,507                 | 912,084           |
| 30-08-93 | 428,555              | 7,083                      | 45                           | 513                             | 4,349  | 7                                      | 3,375                           | 22,138                             | —  | 116,311                                      | 268,185  | 40,379   | 21,384                 | 912,324           |
| 06-09-93 | 433,073              | 4,873                      | 16                           | 514                             | 1,647  | 7                                      | 3,346                           | 22,138                             | —  | 116,311                                      | 268,317  | 40,379   | 21,933                 | 912,554           |
| 13-09-93 | 427,734              | 5,943                      | 71                           | 515                             | 1,193  | 7                                      | 3,341                           | 22,138                             | —  | 116,311                                      | 268,527  | 40,379   | 23,052                 | 909,211           |
| 20-09-93 | 427,509              | 5,696                      | 51                           | 516                             | 1,751  | 7                                      | 3,311                           | 22,138                             | —  | 116,311                                      | 268,168  | 40,379   | 23,794                 | 909,631           |
| 27-09-93 | 422,887              | 5,482                      | 17                           | 517                             | 1,783  | 7                                      | 3,310                           | 22,138                             | —  | 116,311                                      | 268,329  | 40,379   | 24,585                 | 905,745           |
| 04-10-93 | 425,517              | 7,554                      | 19                           | 518                             | 2,039  | 7                                      | 3,140                           | 22,138                             | —  | 116,311                                      | 268,355  | 40,379   | 21,156                 | 907,133           |
| 11-10-93 | 424,482              | 6,212                      | 39                           | 519                             | 1,207  | 7                                      | 3,140                           | 22,138                             | —  | 116,311                                      | 269,819  | 40,379   | 21,835                 | 906,088           |
| 18-10-93 | 426,966              | 5,912                      | 404                          | 520                             | 1,884  | 7                                      | 3,125                           | 22,138                             | —  | 116,311                                      | 269,668  | 40,379   | 22,936                 | 910,250           |
| 25-10-93 | 425,697              | 5,179                      | 18                           | 521                             | 2,998  | 7                                      | 3,118                           | 22,138                             | —  | 116,311                                      | 270,485  | 40,379   | 23,798                 | 910,649           |
| 29-10-93 | 428,328              | 5,224                      | 9                            | 522                             | 6,579  | 7                                      | 3,110                           | 22,138                             | —  | 116,311                                      | 272,435  | 40,379   | 24,739                 | 919,781           |
| 08-11-93 | 427,624              | 5,641                      | 1,983                        | 523                             | 2,134  | 7                                      | 3,110                           | 22,138                             | —  | 116,311                                      | 273,140  | 40,379   | 25,889                 | 918,879           |
| 15-11-93 | 430,385              | 5,277                      | 781                          | 524                             | 5,021  | 7                                      | 3,174                           | 22,138                             | —  | 116,311                                      | 272,504  | 40,379   | 27,317                 | 923,818           |
| 22-11-93 | 429,577              | 4,596                      | 1,469                        | 525                             | 1,202  | 7                                      | 3,174                           | 22,138                             | —  | 116,311                                      | 273,136  | 40,379   | 28,210                 | 920,724           |
| 29-11-93 | 428,145              | 4,741                      | 740                          | 525                             | 3,601  | 7                                      | 3,165                           | 22,138                             | —  | 116,311                                      | 273,123  | 40,379   | 28,819                 | 921,694           |
| 06-12-93 | 431,779              | 8,189                      | 1,332                        | 508                             | 4,273  | 7                                      | 3,161                           | 22,138                             | —  | 116,311                                      | 273,294  | 40,379   | 30,609                 | 931,980           |
| 13-12-93 | 432,593              | 6,714                      | 3,080                        | 502                             | 2,350  | 7                                      | 3,161                           | 22,138                             | —  | 116,311                                      | 273,116  | 40,379   | 31,305                 | 931,656           |
| 20-12-93 | 441,332              | 10,915                     | 1,960                        | 503                             | 4,311  | 7                                      | 3,159                           | 22,138                             | —  | 116,311                                      | 273,206  | 40,379   | 32,076                 | 946,297           |
| 24-12-93 | 448,113              | 10,081                     | 1,099                        | 503                             | 2,693  | 7                                      | 3,156                           | 22,138                             | —  | 116,311                                      | 273,325  | 40,379   | 33,006                 | 950,811           |

<sup>1</sup> Of which capital : Fr. 400 million.

**STATEMENT OF THE PUBLIC LONG-TERM SECURITIES CONSTITUTING,  
ON 31st DECEMBER 1993, 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. |
| 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.    |
| 232  | 8 p.c.     | Belgian Loan 1988 / 96.      |
| 233  | 7,75 p.c.  | Belgian Loan 1988 / 96 I.    |
| 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.       |
| 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.    |
| 245  | 10 p.c.    | Linear Bond 1990 / 96.       |
| 248  | 9,25 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.     |
| 258  | 8,75 p.c.  | Linear Bond 1992 / 99.       |
| 259  | 8,75 p.c.  | Linear Bond 1992 / 2002.     |
| 260  | 9 p.c.     | Linear Bond 1992 / 98.       |
| 262  | 8 p.c.     | Linear Bond 1992 / 2012.     |
| 263  | 7,50 p.c.  | Belgian Loan 1992 / 2001.    |

|       |           |  |
|-------|-----------|--|
| 265   | 7,25 p.c. | Linear Bond 1993 / 2004.   |
| 266   | 6,75 p.c. | Linear Bond 1993 / 97.   |
| 267   | 7 p.c.    | Belgian Loan 1993 / 2000.  |
| 269   | 7 p.c.    | Belgian Loan 1993 / 2001.  |
| 378   | 4 p.c.    | Lottery Loan 1941.   |
| 401   | 4 p.c.    | War Damage 1922.   |
| 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.  |
| 599   | 2 p.c.    | National Foundation for Financing Scientific Research 1964 / 1994<br>— 5th tranche.  |
| 600   | 2 p.c.    | National Foundation for Financing Scientific Research 1965 / 1995<br>— 6th tranche.  |
| 601   | 2 p.c.    | National Foundation for Financing Scientific Research 1966 / 1996<br>— 7th tranche.  |
| 602   | 2 p.c.    | National Foundation for Financing Scientific Research 1967 / 1997<br>— 8th tranche.  |
| 603   | 2 p.c.    | National Foundation for Financing Scientific Research 1968 / 1998<br>— 9th tranche.  |
| 604   | 2 p.c.    | National Foundation for Financing Scientific Research 1969 / 1999<br>— 10th tranche. |
| 652   | 7,25 p.c. | Telegraphs and Telephones Board 1986 / 94.   |
| 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<br>shares.            |
| —     | —         | Bank for International Settlements shares.   |
| —     | —         | Belgian National Railway Company Dividend Right Certificates.                        |

**SHAREHOLDER STRUCTURE  
OF THE NATIONAL BANK OF BELGIUM AS AT 31.12.1993**

*(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 State represented<br>by the Minister of Finance |
| Number of securities representing the capital : | 200,000   |
| Proportion of the capital :                     | 50 p.c.   |



**Royal Decree of 17th May 1993  
approving the amendments to the Statutes  
of the National Bank of Belgium**

*(« Belgisch Staatsblad - Moniteur Belge » of 5th June 1993)*

BAUDOUIN, King of the Belgians,

To all, present and to come, Greetings.

Considering the Law of 24th August 1939 on the National Bank of Belgium, amended by the Laws of 16th June 1947, 28th July 1948, 12th April 1957 and 19th June 1959, by Royal Decree No. 42 of 4th October 1967 issued pursuant to the Law of 31st March 1967 and by the Laws of 9th June 1969, 11th April 1975, 23rd December 1988, 2nd January 1991, 17th June 1991 and 22nd March 1993, in particular Article 35 ;

Considering the Law of 22nd March 1993 concerning the status and supervision of credit institutions, in particular Article 151 ;

Considering the issuing of an authentic record dated 28th April 1993, drawn up by Jacques Possoz, Notary, of the deliberations and decisions of the General Council, in Brussels, of the National Bank of Belgium, limited company, making amendments to the Statutes of the company ;

On the proposal of Our Minister of Finance,

We have ordered and do order the following :

**Article 1.** The following amendments to the Statutes of the National Bank of Belgium, adopted by the General Council of the Bank held on 28th April 1993, are approved :

1. In Article 1 of the Statutes the words « the provisions of Royal Decree No. 29 of 24th August 1939 concerning the activity, organisation and functions of the National Bank of Belgium » are replaced by the words « the provisions of the Law of 24th August 1939 on the National Bank of Belgium ».
2. The following amendments are made to Article 20 of the Statutes :
  - 1° paragraphs 1 and 2 are replaced by the following paragraphs :
 

« The Bank is forbidden to grant overdraft facilities or any other type of credit facility in favour of institutions or bodies of the European Community, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States of the European Community, as well as to purchase, directly from them, instruments of their debt.

Paragraph 1 shall not apply to publicly owned credit institutions which, in the context of the supply of reserves by the central bank, enjoy the same treatment by the Bank as private credit institutions. »
  - 2° paragraph 3 is repealed.

3. Article 21 of the Statutes is replaced by the following provision :

« Art. 21. The Bank may acquire, in an amount corresponding to its capital, reserves and depreciation funds, bills and securities as referred to in Article 17, 1° and, with the permission of the Minister of Finance, securities representing the capital of financial institutions governed by special legal provisions or placed under the guarantee or control of the Government, shares of the Bank for International Settlements and any other securities necessary or useful for the performance of its functions. »

4. Article 46 of the Statutes is replaced by the following provision :

« Art. 46. The Governor may not, during his period of office, receive any pension payable by the Government. »

5. Article 51 of the Statutes is replaced by the following provision :

« Art. 51. § 1. The Governor, the Vice-Governor and the directors may not perform any other function in a commercial company or a company in commercial form or in a public body engaging in an industrial, commercial or financial activity. They may, however, subject to the approval of the Minister of Finance, perform functions in :

1° international financial organisations established in accordance with agreements to which Belgium is a party ;

2° financial organisations which are governed by special legal provisions ;

3° the National Del Credere Office.

The organisations referred to in paragraph 1, 2°, cannot be credit institutions, insurance enterprises or holding or portfolio companies.

The prohibitions stated in paragraph 1 shall continue to apply for one year after the cessation of the term of office of the Governor, the Vice-Governor and the directors.

§ 2. The regents may not perform the functions of general manager, director or manager in a credit institution. »

6. Article 57 of the Statutes is replaced by the following provision :

« Art. 57. Members of the Legislative Chambers, the European Parliament, the Councils of the communities and regions, persons who have the position of Minister or Secretary of State or of members of an executive of a community or region and members of the office of a member of the Government or of an executive of a community or region cannot perform the functions of Governor, Vice-Governor, director, regent or censor. The last-mentioned functions shall automatically cease when their holder is sworn in for the exercise of the first-mentioned functions or performs such functions. »

7. Article 62 of the Statutes is replaced by the following provision :

« § 1. The Governor shall suspend and report to the Government any decision which is contrary either to the laws or to the Statutes or to the interests of the State.

If the Government has not given a ruling within fifteen days from the making of the report, the decision may be implemented.

The first two paragraphs shall not be applicable to decisions taken by the Bank in accordance with the provisions of the law and the Statutes, concerning :

- 1° the definition and implementation of the country's monetary policy ;
- 2° the conduct of foreign-exchange operations consistent with the foreign-exchange provisions applicable to the franc ;
- 3° the holding and management of the official foreign exchange reserves ;
- 4° the promotion of the smooth operation of the payment systems.

§ 2. The Governor may suspend the implementation of the decisions referred to in § 1, paragraph 3, and of any decision of the Council of Regency, in order to submit them to the General Council, which shall be convened urgently for that purpose. »

8. Section VIII of Chapter III and Article 73 of the Statutes, repealed by the decision of the General Meeting of 23rd December 1988, shall be reinstated with the following wording :

« Section VIII - Professional secrecy and exchange of information

Art. 73. Except where they are called upon to give evidence in legal proceedings in a criminal case, the members of the Bank's administrative, managing and supervisory organs and the members of its staff must not disclose :

- 1° to any person or authority whatsoever not entitled to have knowledge thereof, the confidential information which has to be communicated to the Bank pursuant to legal or regulatory provisions, or similar information received from foreign authorities ;
- 2° to any person or authority whatsoever, the confidential information communicated to the Bank pursuant to Article 99, § 2, of the Law of 22nd March 1993 concerning the status and supervision of credit institutions or similar information received from foreign authorities.

Paragraph 1 shall be without prejudice to the communication of such information to other central banks or monetary institutions when this communication is necessary to them as monetary authorities and provided that the recipients of the information are subject to an equivalent professional secrecy requirement.

Contraventions of this Article shall be punished by the penalties prescribed by Article 458 of the Penal Code.

The provisions of Book I of the Penal Code, not excepting Chapter VII and Article 85, shall be applicable to contraventions of this Article. »

9. An Article 76bis, worded as follows, shall be inserted in the Statutes :

« Art. 76bis. By derogation from Articles 75 and 76, the Minister of Finance and the Government Commissioner may not oppose the implementation of decisions taken or operations carried out by the Bank in accordance with the provisions of the law and the Statutes, concerning :

- 1° the definition and implementation of the country's monetary policy ;
- 2° the conduct of foreign-exchange operations consistent with the foreign-exchange provisions applicable to the franc ;
- 3° the holding and management of the official foreign exchange reserves ;
- 4° the promotion of the smooth operation of the payment systems. »

10. Article 82, paragraph 2, of the Statutes is repealed.

11. Article 92 of the Statutes is replaced by the following provision :

« Art. 92. The General Council shall amend the Statutes to bring them into conformity with the Law of 24th August 1939 on the National Bank of Belgium and with the international obligations by which Belgium is bound.

Other amendments to the Statutes shall be adopted, on the proposal of the General Council, by three quarters of the votes attaching to all the shares present or represented at the General Meeting of Shareholders.

The General Meeting of Shareholders referred to in paragraph 2 must be specially convened and may validly deliberate on amendments to the Statutes only if the purpose of the proposed amendments has been specially stated in the convening notice and if those who attend the meeting represent at least three fifths of the capital of the company.

If a first meeting does not represent the portion of capital prescribed above, a new meeting shall be convened, and this will deliberate validly whatever may be the portion of the capital present or represented.

The amendments to the Statutes provided for in paragraphs 1 and 2 shall be subject to approval by the King. »

**Art. 2.** The above-mentioned amendments to the Statutes of the National Bank of Belgium shall become effective on 19th April 1993, except for the amendments to Articles 20 and 21, which shall enter into force at the time of the entry into force of the corresponding amendments to Articles 13 and 14 of the Law of 24th August 1939 on the National Bank of Belgium.

**Art. 3.** This decree shall become effective on 19th April 1993.

**Art. 4.** Our Minister of Finance is charged with the execution of this decree.

Given in Brussels, 17th May 1993.

BAUDOUIN

By the King :  
The Minister of Finance,  
Ph. MAYSTADT





## 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<br>of Municipalities          | Fonds d'aide au redressement financier des<br>communes                                   |
| Association of Flemish Chambers of<br>Commerce and Industry              | Association des Chambres flamandes de<br>commerce et d'industrie                         |
| Association of Local Authorities for the<br>Building of Motorways        | Association intercommunale pour la<br>construction d'Autoroutes                          |
| Autonomous Funds   | Fonds autonomes  |
| Autonomous War Damage Fund   | Caisse Autonome des Dommages de Guerre   |
| Banking and Financial Commission (formerly<br>Banking Commission)        | Commission bancaire et financière<br>(précédemment Commission bancaire)                  |
| Belgian Air Navigation Company (Sabena)                                  | Société Anonyme Belge d'Exploitation de la<br>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<br>Belges   |
| Belgian-Congolese Amortisation and<br>Management Fund                    | Fonds Belgo-Congolais d'Amortissement et de<br>Gestion                                   |
| Belgian-Luxembourg Economic Union (BLEU)                                 | Union Economique Belgo-Luxembourgeoise<br>(UEBL)   |
| Belgian-Luxembourg Foreign Exchange<br>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<br>(SNCB)                                    |
| Belgian Office for Increasing Productivity                               | Office Belge pour l'Accroissement de la<br>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<br>Distributors of Electricity | Fédération Professionnelle des Producteurs et<br>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<br>(formerly Information Bulletin of the<br>National Bank of Belgium) | Bulletin de la Banque Nationale de Belgique<br>(précédemment Bulletin d'Information et<br>de Documentation de la Banque Nationale<br>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<br>Belgian Financial System (CTEC)                                 | Centre d'Echange d'Opérations à compenser<br>du Système financier belge (CEC)   |
| Code of taxes payable by stamp or in<br>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<br>Rates  | Comité de concertation des taux d'intérêt<br>crédeurs   |
| Consultative Committee for Co-ordinating<br>Medium-Term Export Financing<br>(« Cofinex »)                      | Comité Consultatif de Coordination du<br>Financement à Moyen Terme des<br>Exportations (Cofinex)  |
| Consultative Council for External Trade  | Conseil Consultatif pour le Commerce<br>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<br>Free University of Brussels  | Département d'Economie appliquée de<br>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<br>Reconversion Fund   | Fonds d'Expansion Economique et de<br>Reconversion Régionale  |

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| 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'Epargne 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   |

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| National Committee for Economic Expansion                       | Comité National d'Expansion Economique  |
| National Del Credere Office                                     | Office National du Du croire  |
| 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)   |

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| 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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