

BELGIUM'S ECONOMY IN A NUTSHELL

ECONOMIC OUTLOOK
OF NOVEMBER 2022



FPS Economy, S.M.E.s, Self-employed and Energy

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Introduction

Belgium, a **small and open economy** of almost 11.6 million inhabitants, is located in the heart of Western Europe. In 2021, its GDP reached 502.3 billion euros. The economy benefits from a strong communication infrastructure and a highly qualified workforce. As an open economy, trade relations are essential for Belgium. It is also important to note that 62.7% of Belgian exports are directed to the European Union market (United Kingdom excluded). The most significant trade partners for Belgium are its neighbouring countries, namely Germany, France and the Netherlands. After a difficult year in 2020, foreign trade recovered particularly strongly in 2021. However, the trade balance has deteriorated and the deficit reached almost 6.3 billion euros in 2021, compared to a surplus of 642.3 million euros a year earlier.

In 2021, the **products mainly exported** by Belgian companies concerned the chemical industries, as well as vehicles and transport equipment, machinery and electrical equipment and finally mineral products.

In 2021, the pharmaceutical industry was the **main value added creator within the manufacturing industry**, followed by the chemical industry and by food and beverages.

Annual GDP growth recovered strongly in Belgium in 2021 (+6.1%) as a result of the global recovery in economic activity. The rebound of GDP in Belgium was more pronounced than the one in the European Union (27 countries; +5.4%) and in the eurozone (+5.3%). In the **second quarter** of 2022, Belgium saw its GDP increase by 4.1% year-on-year, which is slower than in the previous quarter (+5.3% year-on-year). While **domestic demand excluding inventories**, especially private consumption, contributed to this favourable GDP growth, the same goes for **net exports** and changes in inventories during the second quarter of 2022.

Services are usually the main growth driver for the Belgian economy. In 2021, they were also the main supporters of the recovery of economic activity.

The **production index** in manufacturing fell sharply in 2020, only to rise again in 2021. The production index for industry excluding construction and for the energy sector both exceeded their pre-crisis levels in 2021, unlike that for construction. In the second quarter of 2022, output in industry excluding construction and in energy stalled. Construction output is once again asynchronous, rising by one year.

Business demographics were strong again in 2021, with more business creations than terminations and a net balance of 43,839 units, the largest net balance observed over the 2017-2021 period. However, entrepreneurial dynamism weakened in the second quarter of 2022. In fact, despite a net balance of "creations and terminations" that is still positive (9,822 units), it has decreased year-on-year by 4,137 units.

Overall, 2021 proved to be a mixed year in the **labour market**, with the employment rate rising, but both the total and under-25 unemployment rates increasing. In the first quarter of 2022, the job market improved, with both the unemployment rate and the employment rate experiencing a favourable trend, compared to the year before. In the second quarter of 2022, the labour market improved, with both the unemployment and employment rates moving favourably year-on-year. The youth unemployment rate was 17.4% in the second quarter of 2022 (down from 19.4% a year earlier) and the total unemployment rate was 5.8% (down from 6.3% a year earlier). The employment rate was 66.0% in the second quarter of 2022 (up from 65.0% a year earlier).

2020 was marked by a clear slowdown in **inflation**, partly as a result of the collapse of oil prices on world markets. Inflation as measured by the Harmonized Index of Consumer Prices (HICP) increased during 2021 and the three first quarters of 2022.

All components of the HICP are up, but it is the energy component that is driving up prices. With inflation at 59.3% in the third quarter of 2022, this component explains more than half of total inflation. The latest estimates predict an inflation increase of 9.3% in 2022.

With regard to the **short-term growth prospects** for the Belgian economy, the economic recovery has already started in 2021, with growth amounting to 6.1%. However, according to the Federal Planning Bureau, Belgian growth will slow down to about 2.6% in 2022 and 0.5% in 2023.

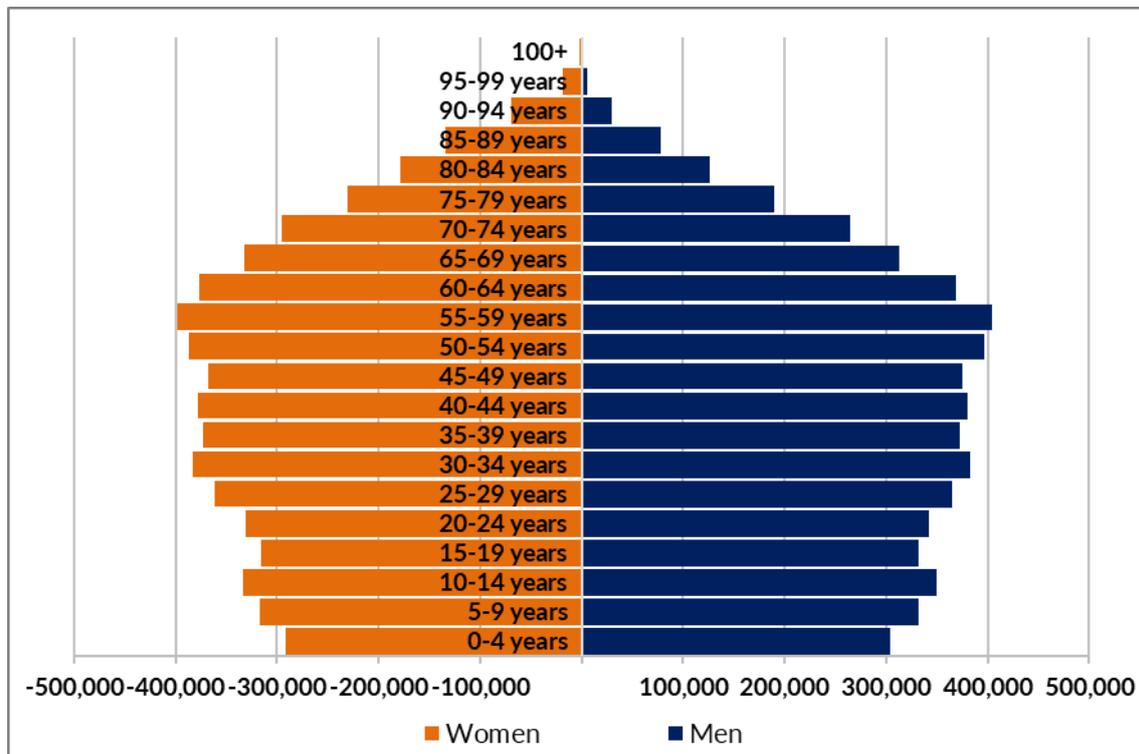
1. Belgium at a Glance

Belgium is one of the six founding countries of the European Union. Located in the heart of Western Europe, its position undoubtedly constitutes a key aspect of its economy. Its capital, Brussels, is home to a large number of European and international institutions.



With a surface area of 31,000 km² and almost 11.6 million inhabitants on 1 January 2022, Belgium, along with the Netherlands, is one of the most densely populated countries in Europe. The population in Belgium, of which 50.7% are women and 49.3% are men, is ageing, as the age pyramid chart below shows. However, the COVID-19 pandemic had a significant impact on the natural balance of the population, meaning that the difference between births and deaths is negative in Belgium for the first time since the 1940s.

Graph 0. Age pyramid in Belgium on 1 January 2022

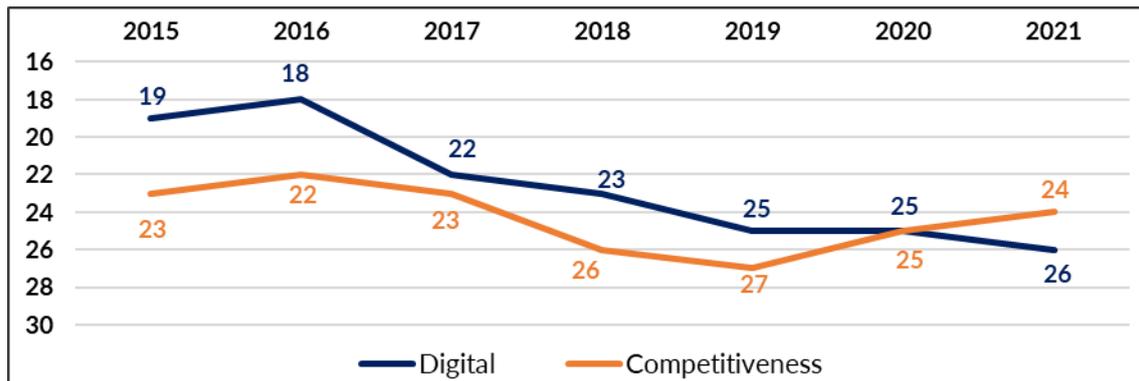


Source: Statbel.

Belgium is divided into **three regions**: the Brussels-Capital Region, the Flemish Region and the Walloon Region. Its population is also broken down into three language groups: Dutch, French and German and therefore Belgium also has three communities: the Flemish Community, the French Community and the German-speaking Community.

Belgium has a highly-developed **communication infrastructure** across the country and one of the most developed broadband telecommunications networks in Europe. Belgium therefore has a wide range of transport modes and infrastructures. It has a network of main roads, railways and waterways and there are also international airports (Brussels, Liege, Charleroi, Ostend, Antwerp and Kortrijk) and seaports (Antwerp, Zeebrugge, Ghent and Ostend).

Graph 1. Competitiveness & digital rankings



Source: IMD World Competitiveness Center.

Furthermore, Belgium is **ranked** as the **24th most competitive nation** out of 64, according to the Institute for Management Development (IMD World Competitiveness Yearbook 2021 Results¹) and is **ranked 22nd** out of 141 according to the World Economic Forum² (Global Competitiveness Report 2019³). The three most problematic factors for doing business in Belgium are the tax rates, the restrictive labour regulations and the tax regulations.

Belgium has a **highly-qualified workforce**.

Indeed, Belgium benefits from a strong secondary and higher education as well as training, business sophistication and innovation that are amongst the most competitive in the world.

Belgium is a quintessential **“small open economy”**: “small”, with a gross domestic product (GDP at current prices) of 502.3 billion euros in 2021, accounting for 3.5% of the GDP of the European Union⁴ (EU27) or 4.1% of the GDP of the euro area⁵, and “open” with a level of openness⁶ of 86.3% (78.6% in 2020).

The openness of the Belgian economy and its integration in the Economic and Monetary Union justify a generally moderate **inflation** rate. Nonetheless, in the last few years, consumer prices have risen at a faster rate in Belgium than in its main trade partners (France, Germany and the Netherlands). The recent surge in inflation in 2021 is mainly due to high energy prices, significant increases in transport costs and the rising costs of certain irreplaceable inputs such as

¹ <https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/> and [Competitiveness ranking : Belgium \(IMD\)](#)

² <https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth>

³ According to the WEF (2020 report) : “In this Special Edition, at this turbulent time for the global economy, we pause comparative country rankings on the Global Competitiveness Index. Instead we take a fundamental look at how economies should think about revival and transformation as they recover and redesign their economic systems to enhance human development and compatibility with the environment.”

⁴ In 2021, the GDP at current prices of the European Union (27 countries) amounts to 14,522.3 billion euros.

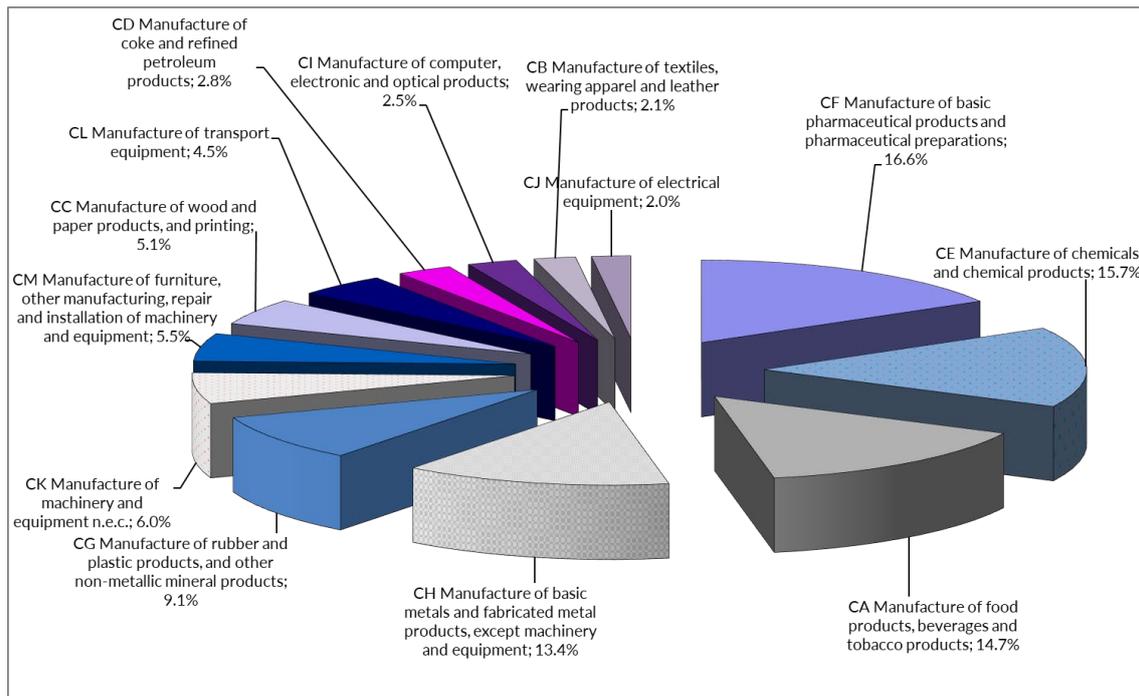
⁵ In 2021, the GDP at current prices of the euro area amounts to 12,313.1 billion euros.

⁶ Average value of its imports and exports of goods and services divided by GDP, multiplied by 100.

semiconductors. Inflation rises further in 2022, especially following the Russian-Ukrainian conflict and its impact on prices of energy products and raw materials.

The Belgian economy, just like any modern industrialised economy, is characterised by the **growing importance of services**. The share of market services (including wholesale and retail, financial activities and insurance) in the total gross value added represented 55.8% in 2021, while this share amounted to only 13.8% for industry and 5.4% for construction. The balance is distributed between non-market services (including healthcare), energy, mining and quarrying, and agriculture.

Graph 2. Breakdown of the Belgian manufacturing industry in 2021
Gross value added as a % share of total value added of manufacturing industry.



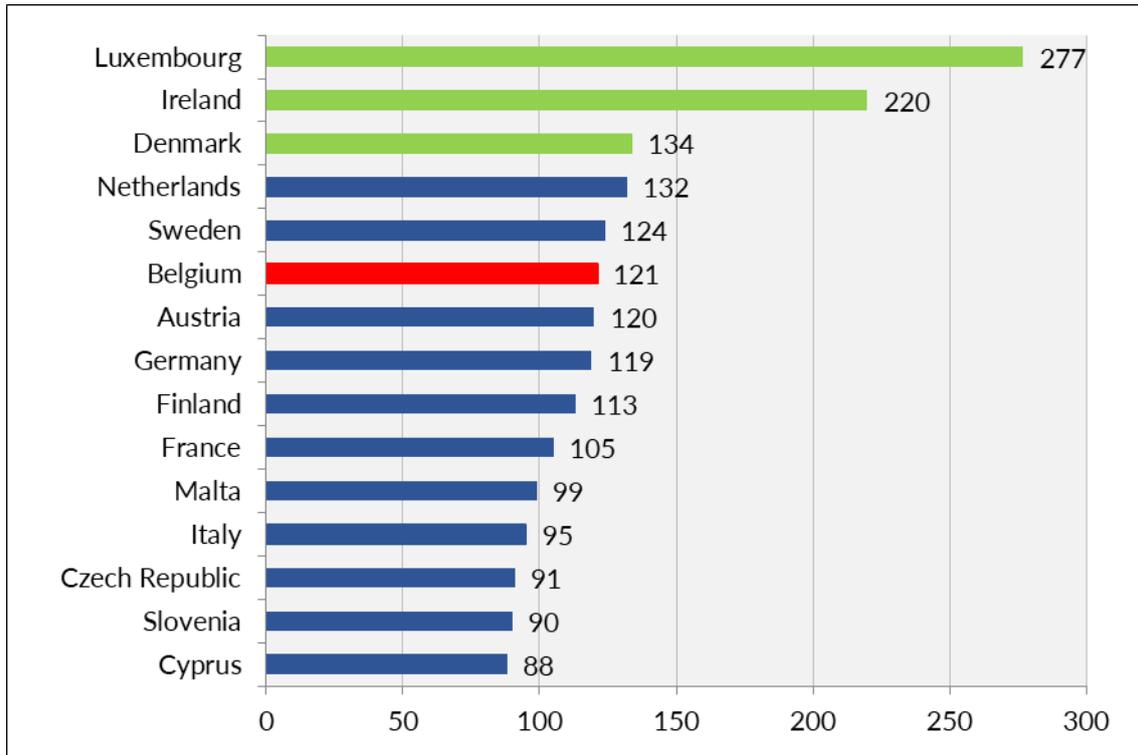
Source: National Accounts Institute (NAI) - Distribution per activity branches (A38).

Despite its more limited share, the **manufacturing industry** is still key to the Belgian economy because, in addition to the fact that it generates a large share of market services, it also generates strong value added by satisfying foreign demand thanks to Belgian exports.

The core sectors of the Belgian industry are:

- the pharmaceutical industry (16.6% of the total value added);
- the chemical industry (15.7%);
- the food and beverage industry (14.7%);
- the manufacture of basic metals and fabricated metal products (13.4%).

Graph 3. GDP per capita, expressed in purchasing power parity, in 2021
 UE27=100.



Source: Eurostat.

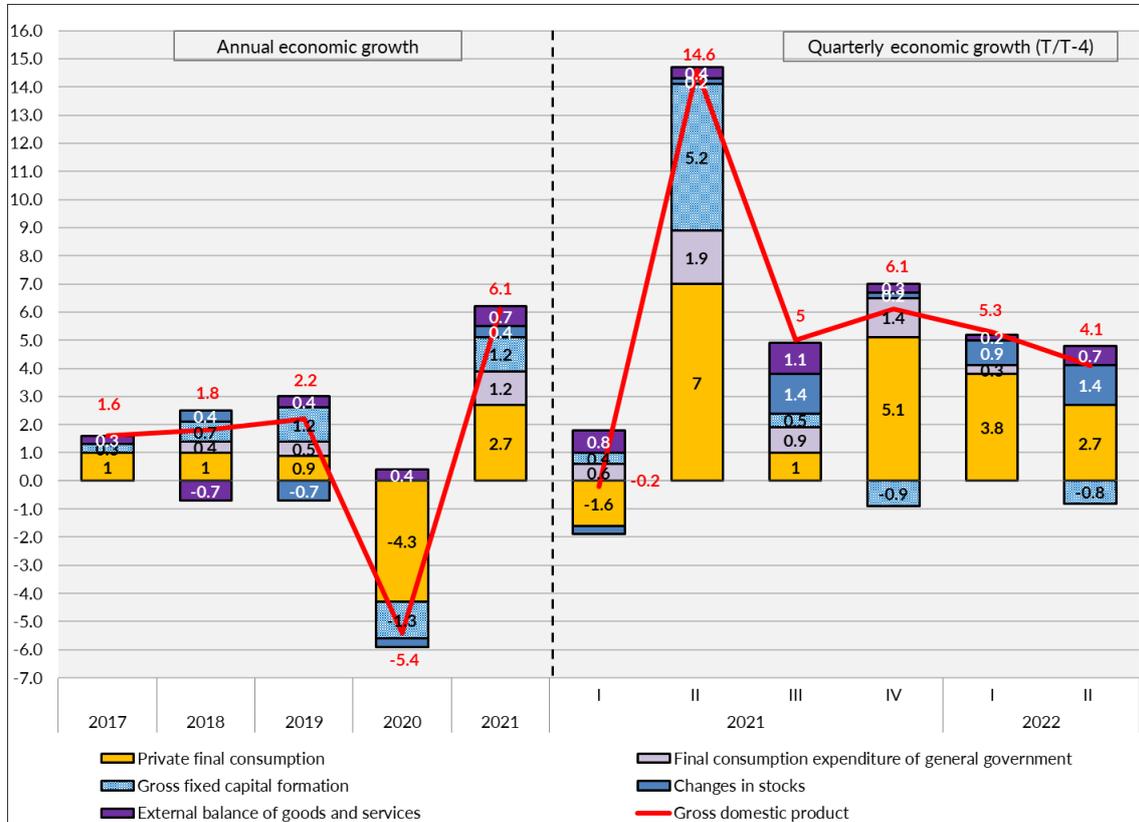
According to the European structural indicators from Eurostat, **Belgium's GDP per capita**, expressed in purchasing power parity⁷, amounted to 121 in 2021, compared to the average of the European Union (EU27) set equal to 100. This is also the best result for Belgium since 2015. Belgian GDP per capita is three percentage points higher than in 2020. Belgium remains one of the richest countries in the European Union, ranking sixth, just behind Sweden.

⁷ Purchasing power parity (PPP) is a way of comparing purchasing power between different countries.

2. Cyclical Developments in the Economy

Graph 4. GDP evolution in % and contribution of the different components from an expenditure point of view

Percentage points, year-on-year.



Source: National Accounts Institute (NAI) and National Bank of Belgium (NBB).

In **2021**, annual GDP growth in Belgium rebounded by 6.1% compared to 2020 as a result of the recovery of economic activity after a year marked by numerous restrictions resulting from the COVID-19 pandemic. As a result, **domestic demand excluding stocks** increased in 2021, contributing 5.1 percentage points to the rebound in Belgian economic activity. **Private consumption expenditure** made a strong contribution to the increase in GDP in 2021 (+2.7 percentage points), while **investment** contributed 1.2 percentage points and **public consumption expenditure** 1.2 percentage points. Finally, the contribution to Belgian GDP growth of **net exports** was also positive in 2021 (+0.7 percentage points). **Change in inventories** supported Belgian economic growth in 2021 by 0.4 percentage points.

Year-on-year, GDP in the **second quarter** of 2022 grew by 4.1%, after a 5.3% growth in the first quarter of 2022.

Domestic demand excluding stocks boosted economic growth in the second quarter of 2022 by 1.9 percentage points. This movement in domestic demand excluding inventories is entirely attributable to positive developments in private consumption. Indeed, in the second quarter of 2022, private consumption contributed 2.7 percentage points to GDP growth (compared with 3.8 percentage points in the previous quarter). Conversely, investments reduced economic growth by 0.8 percentage points (compared with a zero contribution in the previous quarter). Public consumption made no contribution to GDP growth in the second quarter of 2022 (compared with a contribution of 0.3 percentage points in the previous quarter).

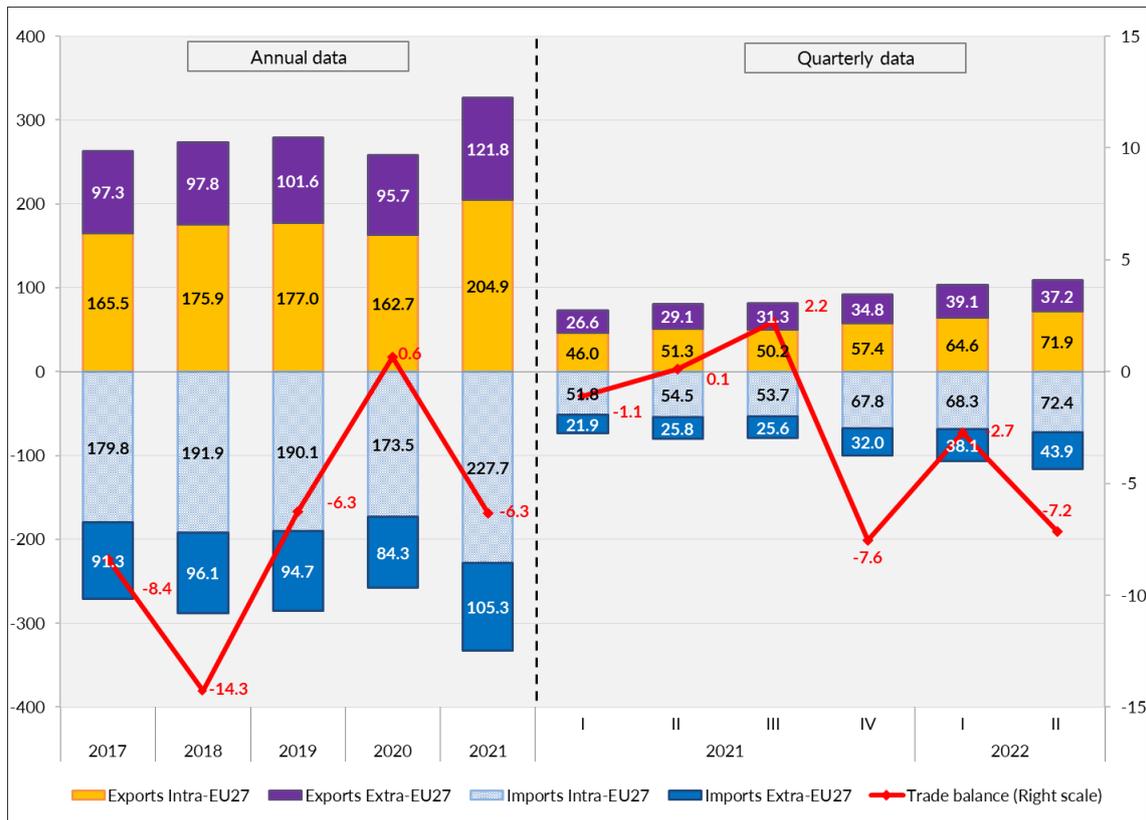
Net exports contributed to the growth of economic activity by making a positive contribution to GDP growth in the second quarter of 2022, amounting to 0.7 percentage points, after a contribution of 0.2 percentage points in the first quarter of 2022. The contribution to growth from

the **change in inventories** was 1.4 percentage points in the second quarter of 2022 (compared with 0.9 percentage points in the previous quarter).

In **conclusion**, the Belgian economy continued its economic growth in the second quarter of 2022, despite a slowdown for the second time in a row. It should be noted that the year 2022 faces many challenges, including the problems of particularly high inflation and the economic consequences of the war in Ukraine and the resurgence of the COVID-19 epidemic in China.

Graph 5. Foreign trade according to the national concept

In billion euros.



Source: National Accounts Institute (NAI) and National Bank of Belgium (NBB, overview table).

Applying the national concept⁸, foreign trade recovered particularly strongly in **2021**, after slowing sharply in 2020 as a result of the COVID-19 pandemic-related downturn in the global economy. Exports of goods rose by 26.4% and imports by 29.2%, reaching record levels of 326.7 billion euros and 333 billion euros respectively, while the trade balance decreased in 2021. Thus, while the trade balance showed a surplus of 642.3 million euros in 2020, it is now in deficit and amounts to nearly 6.3 billion euros in 2021⁹.

Total Belgian **exports** of goods in value increased by 35.7% during the **second quarter of 2022**, compared to the same period in 2021, reaching 109.1 billion euros, compared with 80.4 billion euros in the second quarter of 2021. This increase in total exports is attributable to both intra-EU27 exports, which rose by 40% year-on-year in the second quarter of 2022, and extra-EU27 exports, which increased by 28% over the same period.

Total Belgian **imports** of goods in value also strongly rose, with a year-on-year increase of 44.8% in the second quarter of 2022. They amount to 116.3 billion euros, against 80.3 billion euros a year earlier, due to an increase in intra-EU27 imports (+32.9%) and extra-EU27 imports (+70.2%).

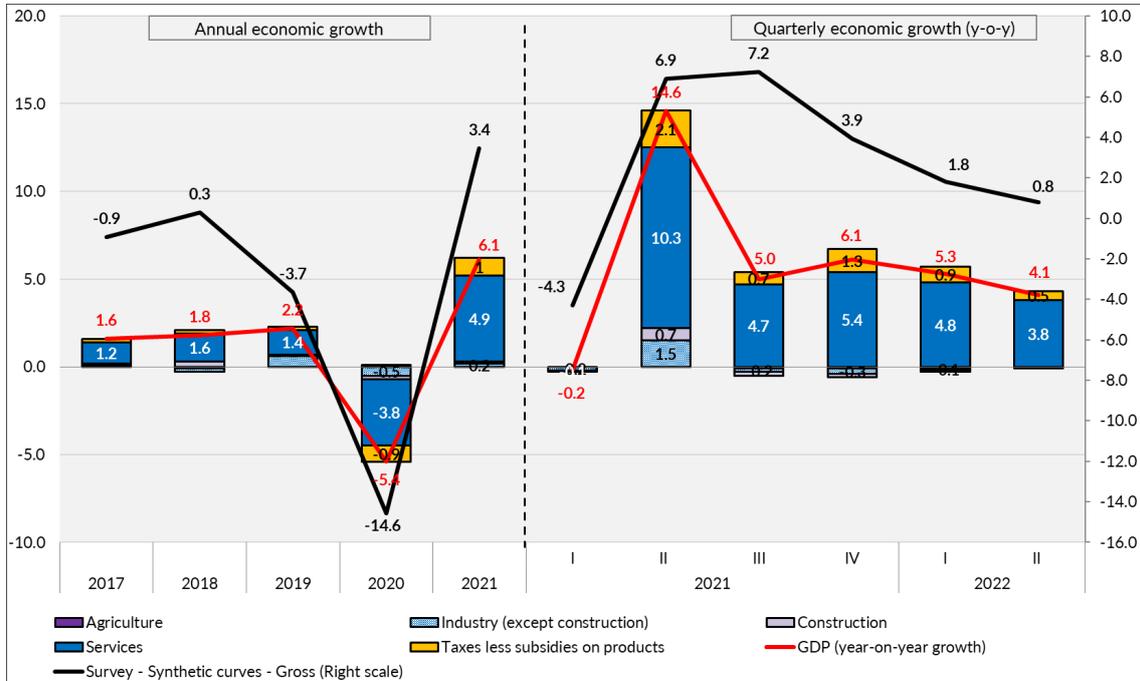
⁸ The national concept refers solely to cross-border movements of goods involving a resident business counterparty (Source: NBB).

⁹ Without altering trends, the figures for 2021 have been revised.

These results translated into a **negative trade balance** in the second quarter of 2022 (-7.2 billion euros). The net trade balance deteriorated compared to the previous quarter (-2.7 billion euros) and compared to the corresponding quarter of 2021, which was still positive (+127.5 million euros).

Graph 6. Evolution of the GDP in % and contribution of the different components from a production point of view

Percentage points, year-on-year.



Source: National Accounts Institute (NAI) and National Bank of Belgium (NBB).

In **2021**, economic activity grew by 6.1%, compared with a decline of 5.4% in 2020.

After taking the biggest hit to GDP growth in 2020, contributing 3.8 percentage points to the decline, **services** were the main driver of growth in 2021, supporting it by 4.9 percentage points. **Manufacturing industry** also declined in 2020, contributing 0.5 percentage points to the decline in economic growth. Nevertheless, activity in industry has recovered in 2021, contributing 0.2 percentage points to GDP growth. Like the manufacturing industry, the **construction sector** also supported GDP growth in 2021, contributing 0.1 percentage points, whereas its support to economic activity was negative in 2020, at around -0.2 percentage points. **Agriculture's** contribution to growth was neutral in 2021 while it was 0.1 percentage points in 2020.

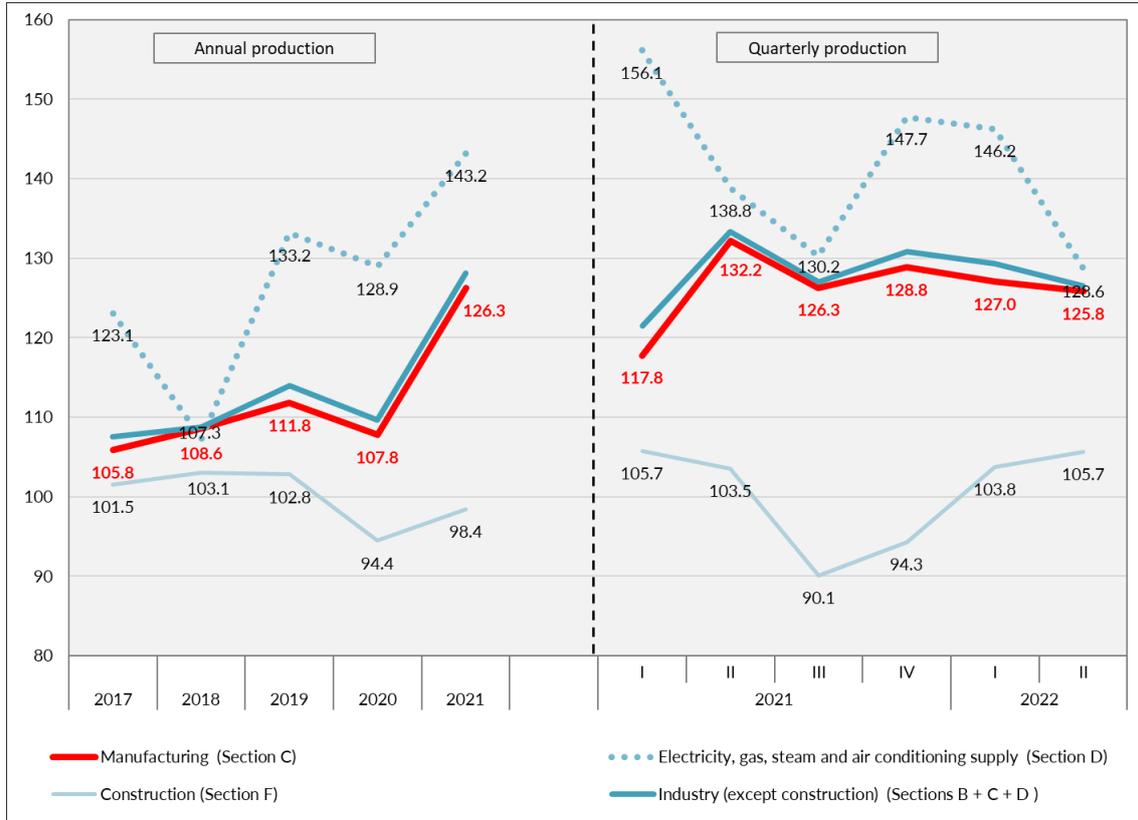
In the **second quarter of 2022**, the contribution to growth in economic activity from **manufacturing industry** (excluding construction) was neutral, following a negative contribution of 0.1 percentage points recorded the previous quarter.

Services contributed 3.8 percentage points to GDP growth in the second quarter of 2022, compared with 4.8 percentage points in the previous quarter. Services continue to drive GDP growth in the second quarter of 2022.

Finally, the contribution to the growth of economic activity from the **construction sector** was neutral in the second quarter of 2022, following a negative contribution of 0.1 percentage points the previous quarter. **Agriculture's** contribution to growth was negative in the second quarter of 2022 (-0.1 percentage points), as in the previous three quarters.

While **business confidence** had gradually recovered in 2021 and exceeded its pre-pandemic level, it has been declining since the fourth quarter of 2021. In the third quarter of 2022, business confidence fell sharply, reflecting among others concerns about particularly high inflation.

Graph 7. Evolution of the industrial production indices
2015 = 100.



Source: Statbel, Working-day adjusted indices.

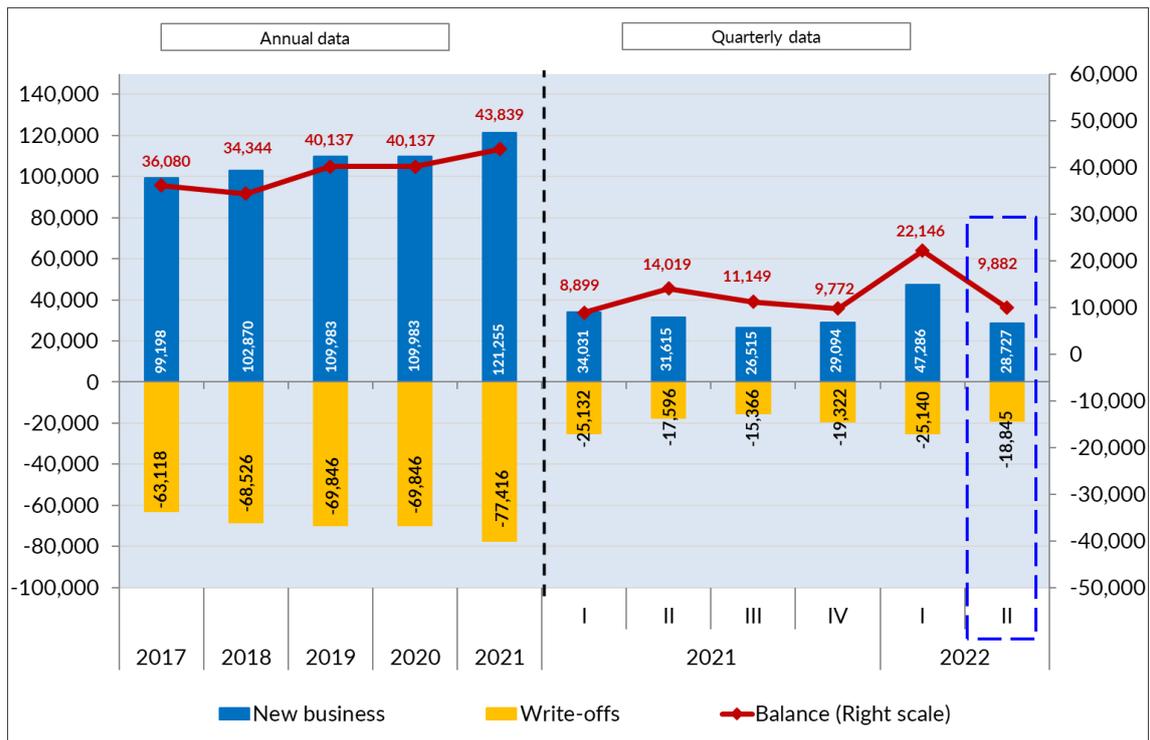
After rebounding sharply in 2021, **manufacturing output excluding construction (sections B + C + D)** fell by 5.1% in the second quarter of 2022 compared with the corresponding quarter of 2021. This is the first decline recorded after six positive developments.

Output in **manufacturing (section C)** returned to positive growth in 2021 (+17.2% year-on-year). However, since the second quarter of 2021, when growth stood at 31% due to a base effect, the pace of output growth has slowed quarter after quarter. Compared to the second quarter of 2021, output fell by 4.8%. Again, this is the first decline observed after the fourth quarter of 2020.

Electricity, gas, steam, and air conditioning production (Section D) in 2021 reached its highest level in the last five years. The quarterly profile shows some volatility, and production in this sector fell by 6.3% in the first quarter of 2022 and continued to decline in the following quarter (- 7.3%).

Finally, activity in the **construction sector (Section F)** also rebounded in 2021, albeit more mildly than that seen in other sectors. After three quarters of decline, output in this sector recovered by 2.1% in the second quarter of 2022 on a year-over-year basis.

Graph 8. Number of business creations and terminations



Source: Statbel.

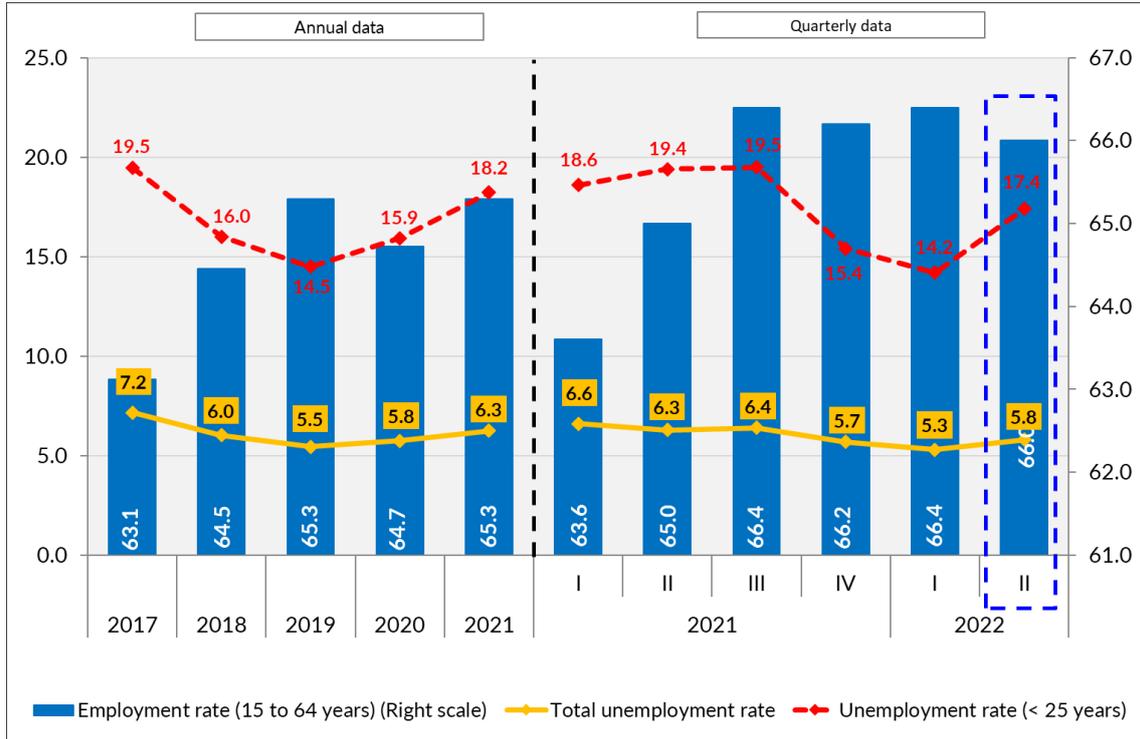
In 2021, the entrepreneurial demography recorded a favorable evolution compared to 2020 only in terms of business creations. Thus, while business creations increased by 10.2%, business terminations increased by 10.8%. With a net balance of 43,839 businesses in 2021, i.e. 3,702 businesses more than in 2020, the net balance of "creations-terminations" remains positive.

In the second quarter of 2022, 28,727 new businesses were created, 2,888 less than in the corresponding quarter of 2021. Of these new companies, 89.4% were first-time investors (45.7% natural persons and 43.7% legal persons) and 10.6% were reinvestments (9.2% natural persons and 1.4% legal persons).

In addition, 18,845 **companies ceased trading** in the second quarter of 2022 (68.5% of which were natural persons and 31.5% legal persons), 1,249 more than in the second quarter of 2021.

In the second quarter of 2022, the **balance of "creations and terminations"** is however positive and amounts to 9,822 businesses. This "creation-termination" balance is made up of 35.6% of natural persons and 64.4% of legal persons. It decreased by 4,137 units compared to the corresponding quarter of 2021 (-29.5%).

Graph 9. Employment rate and harmonised unemployment rate
In %.



Source: Eurostat.

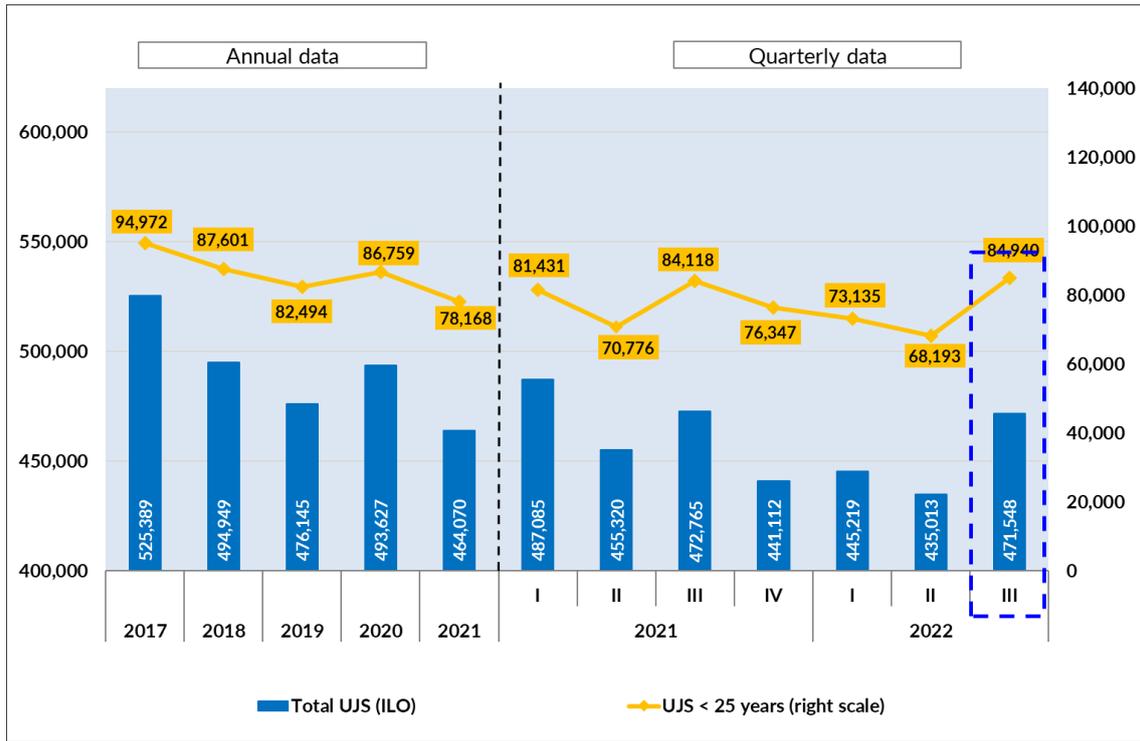
While in 2021 all **unemployment indicators** show an unfavorable trend with an interval of one year, the **employment rate** has increased. As such, the employment rate has returned to 65.3%, its pre-crisis level, i.e. 2019, with an increase of 0.6 percentage points compared to the level of 2020. The **youth unemployment rate** was 18.2% in 2021, an increase of 2.3 percentage points compared to 2020. The **total unemployment rate** (raw data) increased by 0.5 percentage points to 6.3% in 2021.

The improvement in unemployment rates, which was observed at one-year intervals in the first quarter of 2022, was confirmed in the **second quarter of 2022** compared to the same period of 2021.

The **total unemployment rate** was 5.8% in the second quarter of 2022, compared to 6.3% for the same period of 2021 (-0.5 percentage points), while the **unemployment rate for people under 25** fell from 19.4% in the second quarter of 2021 to 17.4% in the second quarter of 2022 (-2.0 percentage points).

The **employment rate** rose to 66.0% in the second quarter of 2022 from 65.0% in the same period of 2021, or 1.0 percentage points more.

Graph 10. Number of unemployed jobseekers (UJS)

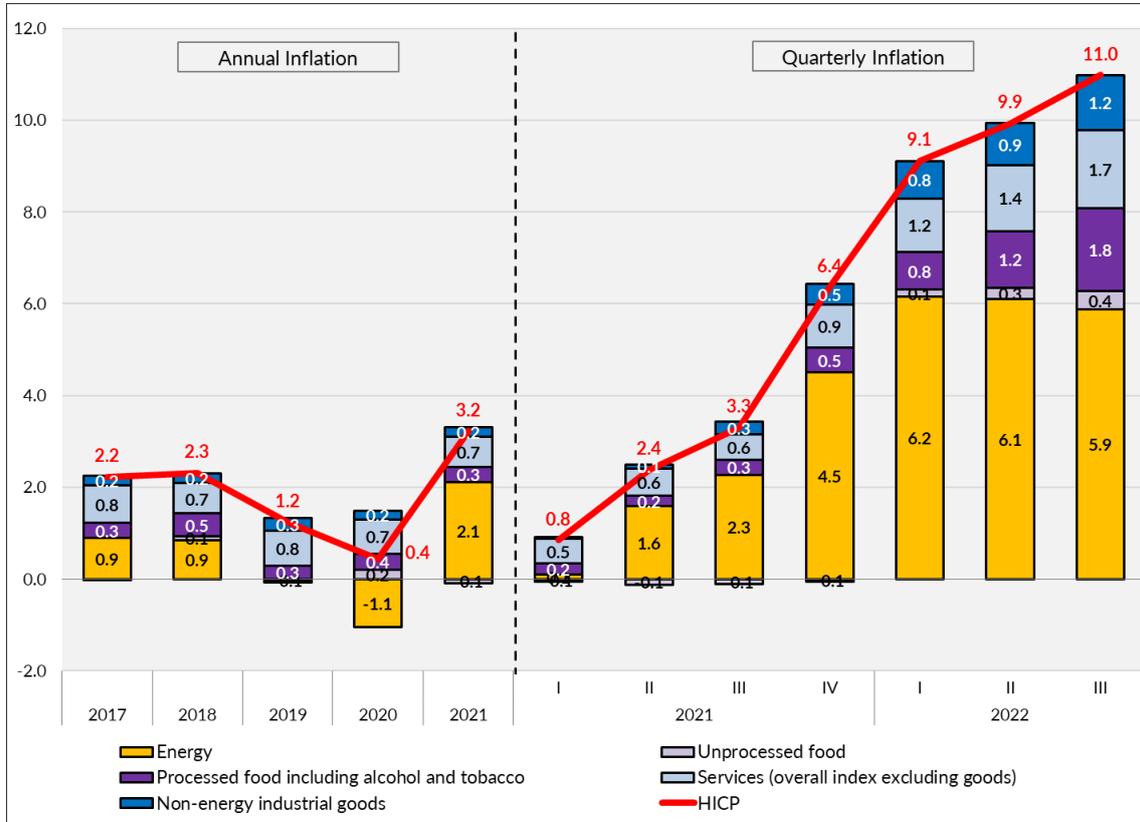


Source: NEO.

In 2021, the number of **unemployed jobseekers (UJS)** developed favorably compared to 2020, with a decrease of 6% to 464,070 units. The same applies to the number of **UJS under 25 years of age**, which fell by 9.9% to 78,168 units.

The downward trend in the number of **unemployed jobseekers (UJS)** observed since the second quarter of 2021 (one year later) continued in the third quarter of 2022, when the number of UJS fell by 0.3% to 471,548. The number of **UJS under 25 years of age** increased by 1.0% in the third quarter of 2022 to 84,940 units.

Graph 11. Evolution of the harmonised consumer price index (HICP) and contribution to inflation of the five major product groups
 HICP in % and contribution in percentage points.



Source: Statbel.

The Harmonized Index of Consumer Prices (HICP) continues to rise, reaching 11% in the third quarter of 2022. All product groups contributed positively to inflation. Although the contribution of energy has decreased slightly, all other groups have seen their prices accelerate over this period.

Consumer prices for **unprocessed food**, for example, rose 8.6% in the third quarter of 2022, following a 5.6% increase in the previous quarter. Although they have a moderate weight in the consumer basket, their contribution to total inflation in the third quarter rose to 0.4 percentage points.

After rising 6.7% in the second quarter of 2022, **consumer prices for processed food** accelerated in the third quarter of 2022 to 9.8%, contributing 1.2 percentage points to total inflation.

Services saw a further acceleration in inflation from 3.6% in the second quarter of 2022 to 4.2% in the following quarter, contributing 1.7 percentage points to total inflation in the third quarter of 2022.

The fourth product group, **non-energy industrial products**, saw a further acceleration in the pace of price increases, from 3.4% in the second quarter of 2022 to 4.5% in the third quarter of 2022. As a result, the contribution of this product group to total inflation increased from 0.9 percentage points in the second quarter of 2022 to 1.2 percentage points in the third quarter of 2022.

Finally, **the energy products category**, which was heavily influenced by the collapse of oil prices in world markets in 2020 due to the economic and health crisis, recorded a sharp rebound in its inflation during 2021 and 2022, from 0.4% in the first quarter of 2021 to 59.3% in the third quarter of 2022. However, this is a further slowdown from the previous two quarters. The contribution of this product category to total inflation thus increased from 0.1 percentage points in the first quarter of 2021 to 5.9 percentage points in the third quarter of 2022.

3. Foreign Trade – Overview of Trade Flows

Table 1. Share of national exports in world exports

	2010	2015	2016	2017	2018	2019	2020	2021
EU27	15.7%	15.7%	16.3%	16.1%	15.8%	15.9%	16.0%	14.6%
Russia	3.3%	2.6%	2.4%	2.7%	2.9%	2.8%	2.5%	2.8%
USA	10.6%	11.3%	11.5%	11.1%	10.8%	11.0%	10.4%	9.9%
China	13.1%	17.1%	16.6%	16.2%	16.1%	16.7%	18.8%	19.1%
Japan	6.4%	4.7%	5.1%	5.0%	4.8%	4.7%	4.7%	4.3%
India	1.8%	2.0%	2.1%	2.1%	2.1%	2.2%	2.0%	2.2%

Source: Eurostat.

The share of the **European Union** as a whole (EU27) in the world trade exports has slightly increased between **2010 and 2020**, before falling sharply in 2021. The share of **India** follows an upward trend over the analysed period although it has fluctuated between 2% and 2.2% in recent years. **Japan** has followed the opposite path, with its relative share in world exports declining from 6.4% in 2010 to 4.3% in 2021. The share of the United States also decreased from 10.6% in 2010 to 9.9% in 2021. **Russia's** share also declined between 2010 and 2020, but it has started to rise again in 2021. **China's** share in world exports increased sharply between 2010 and 2021. The rise in China's export share was particularly strong in 2020, where China played an important commercial role in the supply of goods during the COVID-19 pandemic. China appears to continue to play an important role in the global supply of goods in 2021.

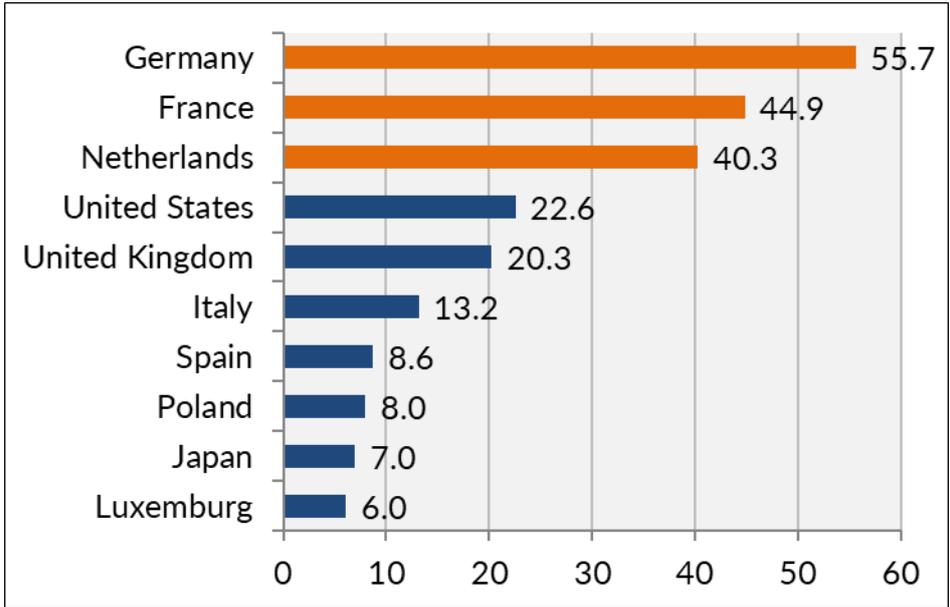
Table 2. The share of Belgian exports going to the main geographical areas of the world

	2016	2017	2018	2019	2020	2021
World (all entities)	100%	100%	100%	100%	100%	100%
European Union (27 countries)	61.9%	63.0%	64.3%	63.5%	63.0%	62.7%
Other European countries	12.3%	12.0%	11.2%	10.9%	10.9%	10.9%
<i>United Kingdom</i>	7.6%	7.2%	6.6%	6.1%	6.0%	6.2%
<i>Russia</i>	0.9%	1.0%	0.9%	1.0%	1.1%	1.0%
<i>Turkey</i>	1.2%	1.3%	1.2%	1.1%	1.4%	1.3%
<i>Ukraine</i>	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Africa	2.7%	2.7%	2.7%	2.8%	2.9%	3.4%
America	8.9%	8.1%	8.5%	10.3%	11.3%	9.6%
<i>United States</i>	6.7%	5.7%	5.8%	7.5%	8.7%	6.9%
Asia	12.8%	12.5%	11.1%	10.7%	10.6%	11.9%
<i>China</i>	2.2%	2.4%	1.9%	2.0%	2.5%	1.8%
<i>India</i>	3.2%	2.9%	2.7%	2.2%	1.6%	1.8%
<i>Japan</i>	1.1%	1.0%	0.9%	1.1%	1.0%	2.1%
Australia and Oceania	0.6%	0.6%	0.9%	0.6%	0.6%	0.7%
Other	0.8%	1.1%	1.4%	1.2%	0.7%	0.7%

Source: National Accounts Institute (NAI), national concept.

The **European Union** (United Kingdom excluded) is the **leading destination for Belgian exports of goods** with a share of 62.7% of total Belgian exports of goods in 2021. This share decreased by 0.3 percentage points in 2021 compared to 2020. The share of **other European countries** remained stable in 2021. The **United Kingdom's** share of Belgian exports of goods has decreased every year since 2016, making the increase of 0.2 percentage point in 2021 compared to 2020 striking. The same applies to **Asia**, which may be due to the strong increase in exports to Japan, whose share of Belgian exports increased from 1.0% to 2.1%, hence more than doubling. On the other hand, **America's** share in Belgian exports fell in 2021. This is mainly due to the **United States** (-1.8 percentage points in 2021). Furthermore, trade flows with **Africa** are increasing (+0.5 percentage points in 2021), while they have been stable in previous years. Finally, a certain stability of exports is observed in trade relations with **Australia and Oceania**.

Graph 12. Most important export partners for the Belgian exports of goods in 2021
In billion euros.

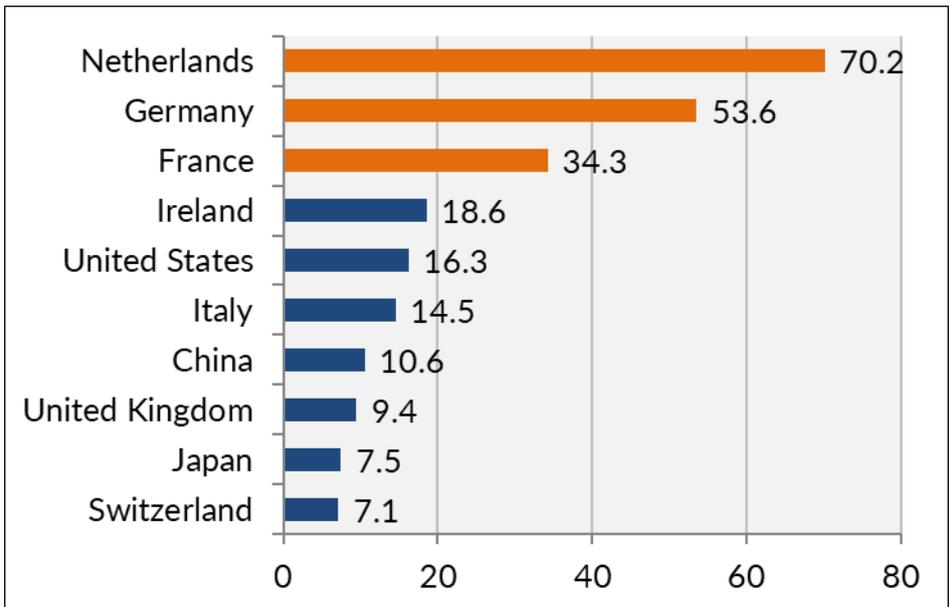


Source: National Accounts Institute (NAI), national concept.

In 2021, **Germany** is Belgium's largest trading partner in terms of exports, with 55.7 billion euros, followed by **France** with 44.9 billion euros and the **Netherlands** with 40.3 billion euros. Together, these three countries accounted for 43.1% of Belgian exports.

The **United Kingdom** is in 5th place, with about 20.3 billion euros of Belgian exports to that country, which also represents 6.2% of total Belgian exports.

Graph 13. Most important import partners for the Belgian imports of goods in 2021
In billion euros.



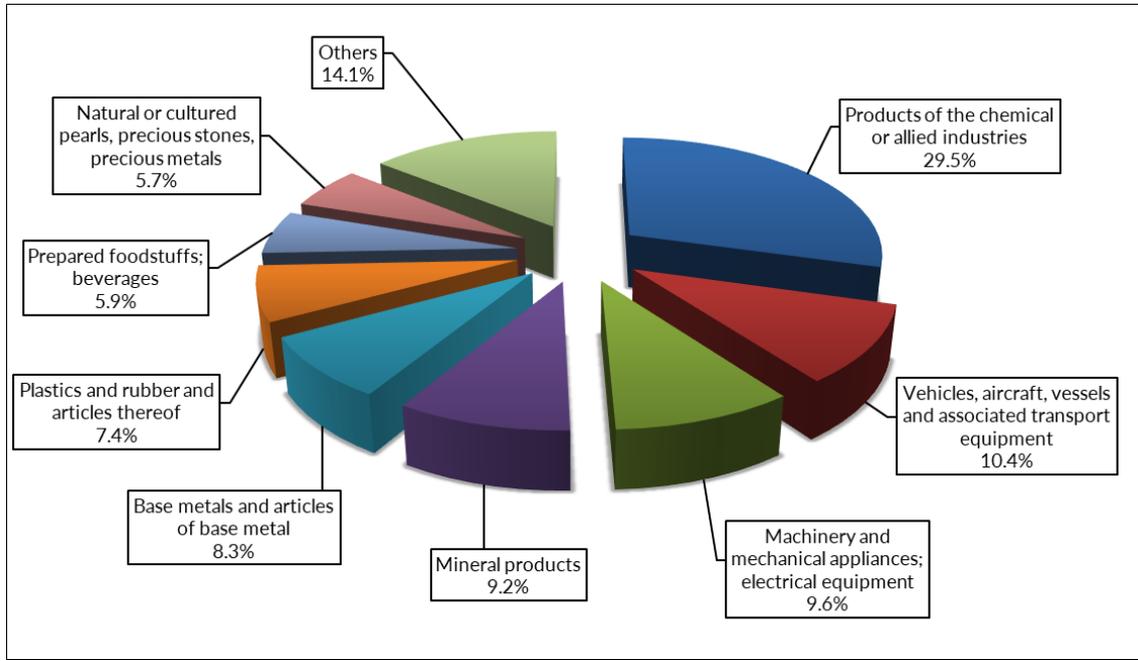
Source: National Accounts Institute (NAI), national concept.

In 2021, Belgium's three main trading partners are the same, both for imports of goods and for exports, although their order is different. The largest supplier to the Belgian market is the **Netherlands**, with 70.2 billion euros, followed by **Germany** with 53.6 billion euros and **France** with

34.3 billion euros. Together, these countries accounted for 47.5% of Belgian goods imports in 2021.

The **United Kingdom** ranks 8th in Belgium in terms of Belgian imports from this country in 2021. The United Kingdom supplied goods to Belgium in 2021 for an amount of 9.4 billion euros, which represents 2.8% of Belgian goods imports.

Graph 14. Breakdown by sector of Belgian exports in 2021



Source: National Accounts Institute (NAI), national concept.

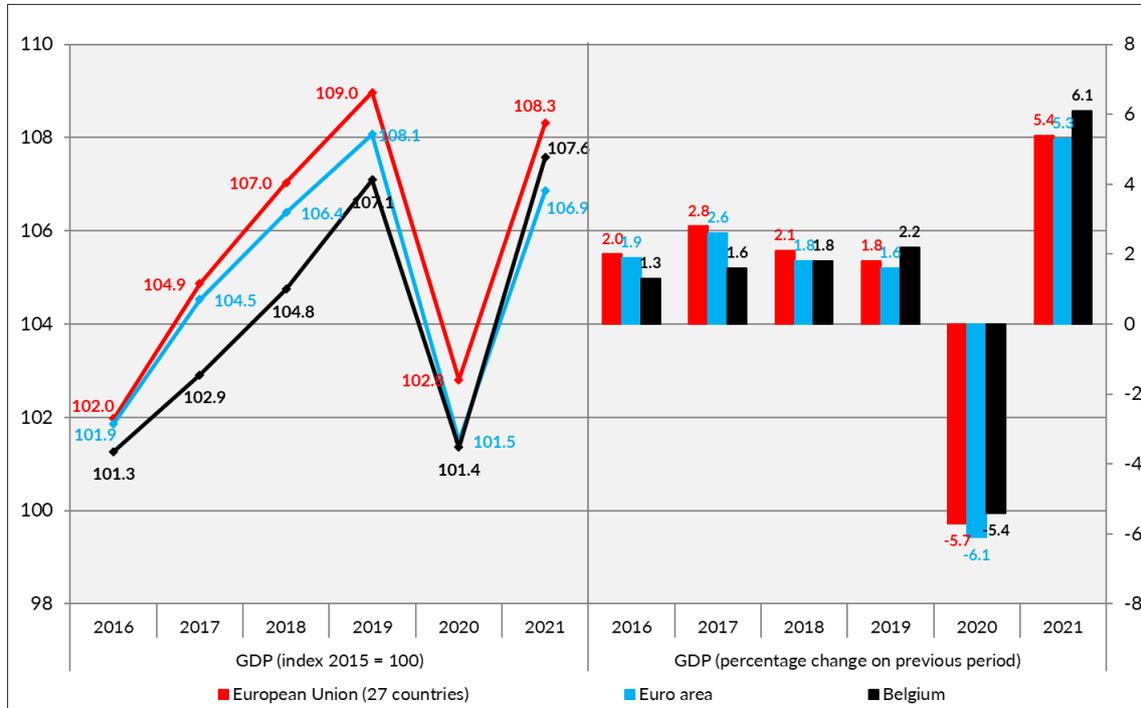
In 2021, four sectors mainly dominated Belgian exports, namely:

- **chemical products** (29.5%; 96.2 billion euros),
- **vehicles and transport equipment** (10.4%; 34.1 billion euros),
- **machines and electrical appliances** (9.6%; 31.3 billion euros),
- **mineral products** (9.2%; 30.4 billion euros).

Together, these four sectors accounted for more than half of total Belgian exports (58.7%).

4. Belgium’s Performance Compared to That of the European Union (27 Countries)

Graph 15. GDP in Belgium, the European Union and the euro area



Source: Eurostat.

Although the **COVID-19 pandemic** had a severe impact on GDP, leading to an economic recession of 5.7% for the European Union¹⁰ in 2020, 6.1% for the euro area and 5.4% for Belgium, the economy already recovered in 2021. Indeed, GDP growth reached 5.4% for the European Union, 5.3% for the euro area, and 6.1% for Belgium. While the downturn in economic activity was less pronounced in Belgium than in the other two areas analysed, the recovery was more vigorous in Belgium.

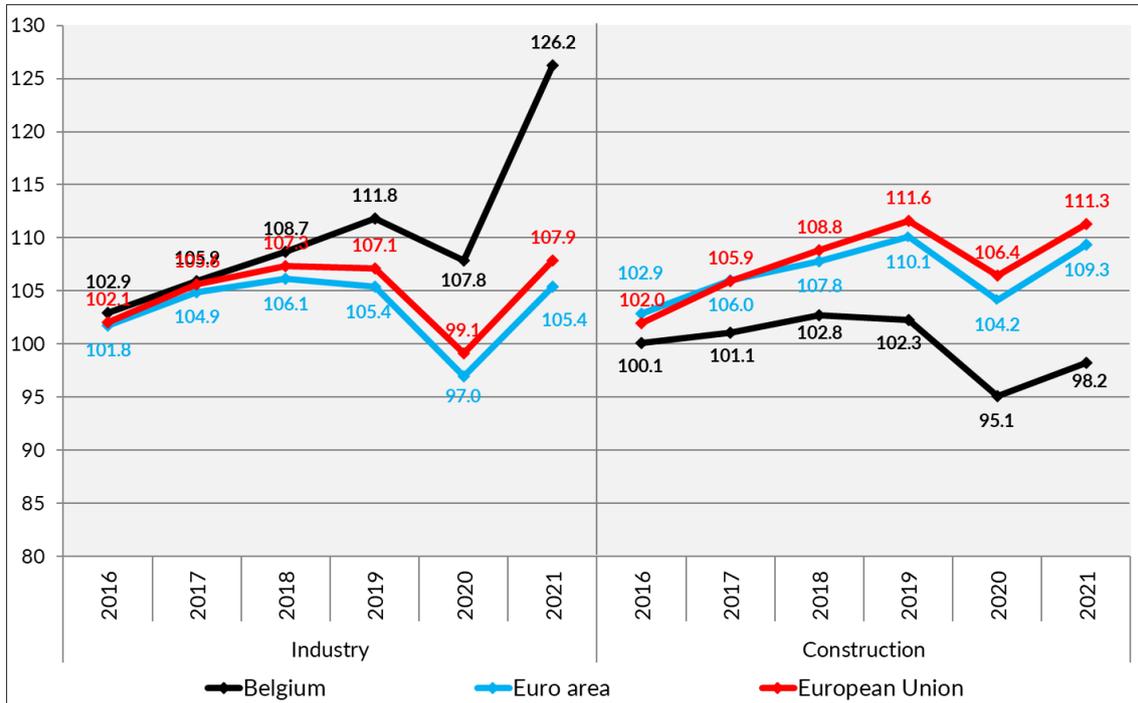
As a result, Belgium's GDP has recovered to its pre-pandemic level, while the GDP of the European Union and the euro area is approaching, but has not yet returned to that level.

Finally, in 2021, GDP was 502.3 billion euros for **Belgium** (compared to 459.8 billion euros in 2020), 12,313.1 billion euros for the **euro area** (compared to 11,456.4 billion euros in 2020) and 14,522.3 billion euros for the **European Union** (compared to 13,460.8 billion euros in 2020).

¹⁰ Where the European Union is mentioned, this refers to the European Union of 27 countries, excluding the United Kingdom as a result of Brexit. Therefore, the United Kingdom has been excluded for the entire observation period to avoid a series break.

Graph 16. Production index in the industry and in the construction

Index 2015 = 100.

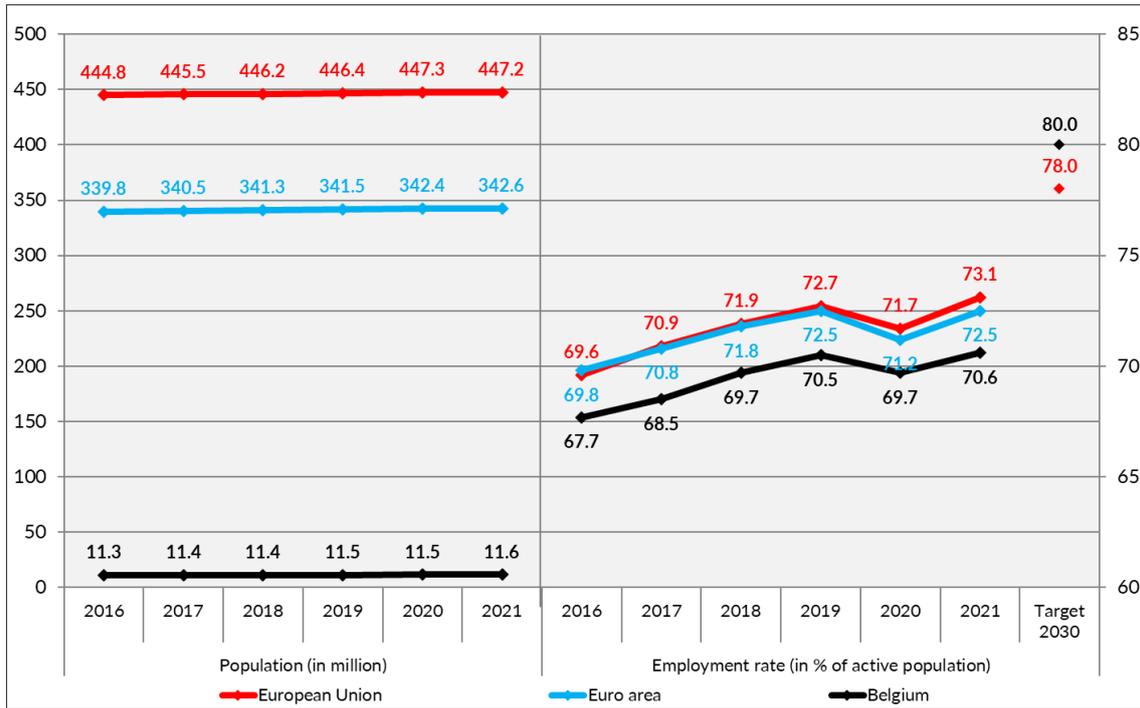


Source: Eurostat.

The upward trend in **production in manufacturing industry** was interrupted in Belgium in 2020, which is one year later than for the euro area and the European Union. In 2021, output grew in all three examined areas, but Belgium saw the strongest increase in output.

Construction output contracted significantly in all three areas examined in 2020, although the decline was more pronounced in Belgium. While the production levels observed in the euro area and the European Union in 2021 are in line with pre-crisis levels, the recovery of this sector in Belgium in 2021 is much less pronounced.

Graph 17. Population and employment rate

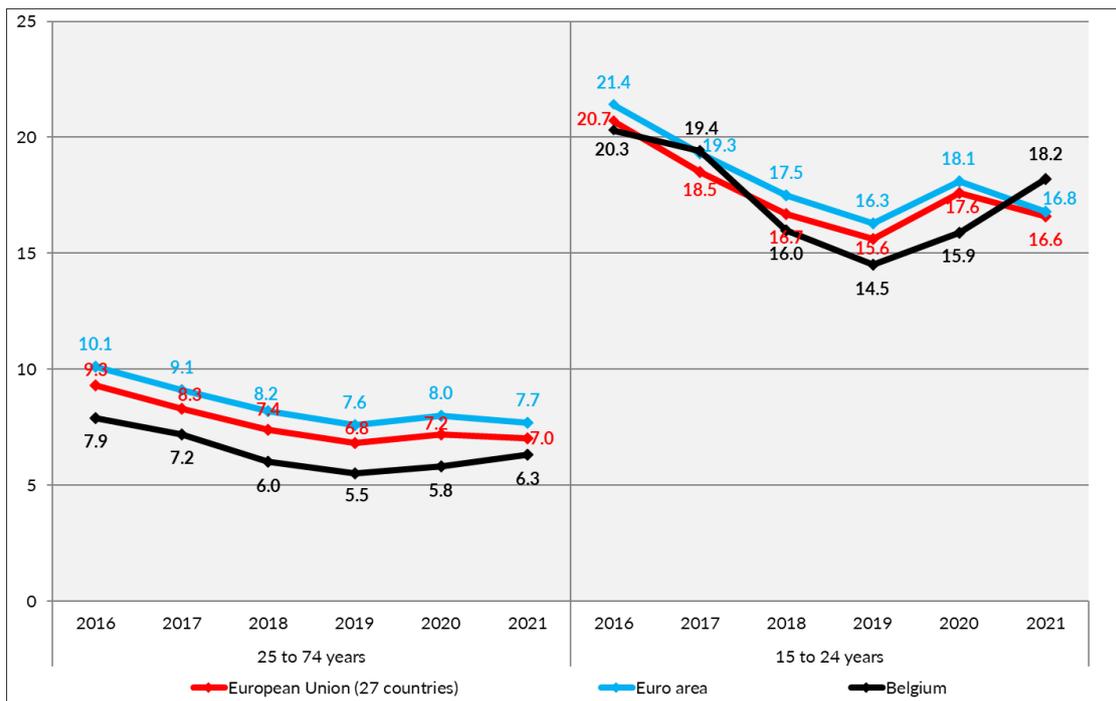


Source: Eurostat.

With nearly 11.6 million inhabitants on 1 January 2021, the **Belgian population** represents 3.4% of the population of the euro area (342.6 million inhabitants) and 2.6% of that of the European Union (447.2 million inhabitants).

With an **employment rate** of 70.6% in 2021, Belgium remains below the average rates recorded in the euro area (72.5%) and in the European Union (73.1%). The employment target it set for itself was not achieved within the framework of the Europe 2020 strategy. The new employment rate target for 2030 has been set at 78% for the EU and 80% for Belgium.

Graph 18. Unemployment rate

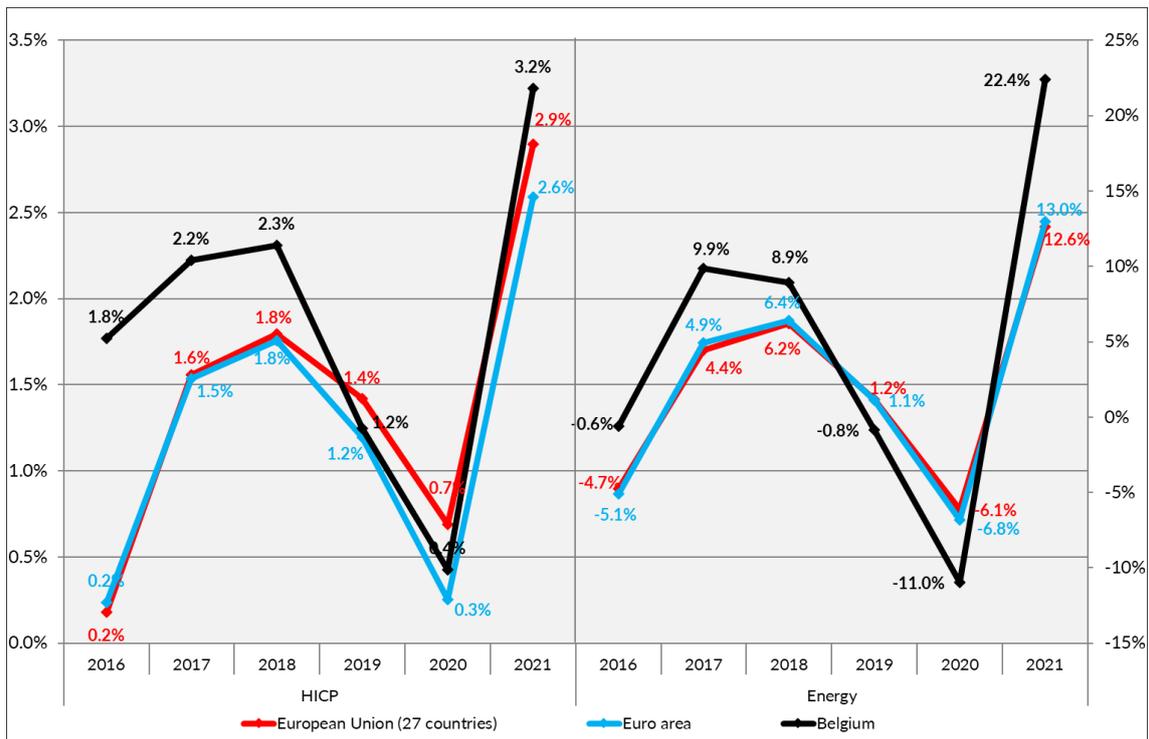


Source: Eurostat.

In 2021, the **unemployment rate for 25-74-year-olds** in Belgium increased for the second year in a row and reached 6.3 %, while it declined in the European Union (7.0%) and in the euro area (7.7%). Compared to 2020, the unemployment rate increased by 0.5 percentage points in Belgium in 2021, while it decreased by 0.2 percentage points in the European Union and by 0.3 percentage points in the euro area.

The **unemployment rate for young people (15-24 years old)** also showed a reverse trend in 2020 for the three observed areas, although a different pattern was observed in 2021 for Belgium. Indeed, while the youth unemployment rate increased in Belgium in 2021 (+2.3 percentage points compared to 2020), it decreased in the European Union (-1 percentage point) and in the euro area (-1.3 percentage points). As a result, for the first time in several years, the youth unemployment rate is higher in Belgium (18.2%) than in the European Union (16.6%) and the euro area (16.8%).

Graph 19. Inflation



Source: Eurostat.

In 2020, **inflation** slowed down for the second year in a row in Belgium, the euro area and the European Union, mainly as a result of lower energy prices. In 2021, due to a recovery in economic activity and higher energy prices, the HICP has risen sharply. The largest increase in **energy prices** in 2021 took place in Belgium, with a rise of 22.4%.

Graph 21 shows that, over the past five years, Belgium has experienced greater volatility in inflation for both the HICP and energy prices.

Although the data are not shown in the chart, which contains only yearly data, it is worth mentioning that inflation is particularly high at the beginning of 2022, especially in terms of energy prices, which is a major challenge for Belgium, but also for the European Union and the euro area.

5. Macroeconomic Forecasts

The decline in global economic activity in 2020, as a result of the COVID-19 pandemic, was followed by a strong rebound in 2021.

According to the IMF's latest growth forecasts published in October 2022, **global GDP growth** would slow from 6% in 2021 to 3.2% in 2022 and continue to slow to 2.7% in 2023. This is a downward revision of the growth expected for 2023. The **United States** is expected to experience a similar, though more pronounced, slowdown. Growth in the **euro area** is also expected to slow from 5.2% in 2021 to 3.1% in 2022 and 0.5% in 2023. However, there are disparities between countries. Indeed, while GDP growth is expected to slow in **Belgium, France and the Netherlands** in 2022 and 2023, **Germany** is even expected to experience an economic recession (-0.3% GDP growth) in 2023. The growth forecast for Germany has been revised downwards significantly for 2023 compared to the forecast of July 2022.

China's economic growth is expected to slow from 8.1% in 2021 to 3.2% in 2022. China's GDP growth is nevertheless expected to pick up in 2023 (+4.4%), although this growth has been revised downwards compared to the July 2022 forecast.

Among the explanations for these slowdowns and downward revisions of growth, the IMF highlights the following elements in particular

- **inflation**, which is reaching levels not seen for several decades,
- the **tightening of financial conditions** in most regions,
- **Russia's invasion of Ukraine**,
- the persistence of the **COVID-19 pandemic**.

Furthermore, as far as the health situation in Belgium is concerned, the **COVID-19 vaccination campaign** is still ongoing. According to the Covid Vaccinations Dashboard, 79.1% of the Belgian population has received two doses of the COVID-19 vaccine by 10 October 2022, while almost 62.3% of the population (7.2 million people) has already received a first booster dose, serving as an immunity booster. The current health situation is showing positive signs, although one should remain vigilant for a resurgence of the virus in the upcoming autumn and winter. That is why, on 30 June, an advice was approved by the Belgian Superior Health Council in which people over 65 and risk groups were urged to get their second booster dose¹¹. This second booster dose is now offered to the whole population. As of 10 October 2022, 24.1% of the Belgian population (2.8 million people) have already received a second booster dose and therefore have full immunity to make it through the next few months.

¹¹ Health.Belgium (2022) [COVID-19 vaccination: Fall-/Winterseason 2022 - 2023 -Intermediary Recommendations-](#)

Table 3. GDP growth forecasts in the international environment
In %.

	GDP growth forecasts (in %)		GDP growth forecast, October (IMF)		Difference from July (IMF)	
	2020	2021	2022 (e)	2023 (e)	2022 (e)	2023 (e)
International environment						
World	-3.0	6.0	3.2	2.7	0.0	-0.2
United States	-3.4	5.7	1.6	1.0	-0.7	0.0
Emerging and developing countries	-2.0	6.8	3.8	4.4	-1.0	-0.3
China	2.2	8.1	3.2	4.4	-0.1	-0.2
Euro area	-6.1	5.2	3.1	0.5	0.5	-0.7
Belgium	-5.4	6.1	2.4	0.4	n.a.	n.a.
Germany	-3.7	2.6	1.5	-0.3	0.3	-1.1
France	-7.9	6.8	2.5	0.7	0.2	-0.3
The Netherlands	-3.9	4.9	4.5	0.8	n.a.	n.a.
United Kingdom	-9.3	7.4	3.6	0.3	0.4	-0.2
Japan	-4.6	1.7	1.7	1.6	0.0	-0.1

(e) = estimate.

Source: IMF ([World Economic Outlook](#), October 2022).

Table 4. GDP growth forecasts in Belgium
In %, unless otherwise indicated.

Belgium	2020	2021	2022 (e)	2023 (e)
GDP	-5.4	6.1	2.6	0.5
Final consumption expenditure of households and NPI	-8.3	5.5	4.2	0.8
Final consumption expenditure of general government	0	4.8	2.9	-0.3
Gross fixed capital formation	-5.1	4.9	-0.3	1.8
Exports (goods and services)	-5	11.3	4.0	1.1
Imports (goods and services)	-5.6	10.7	4.5	1.4
Net exports (contribution in percentage points)	0.4	0.6	-0.2	-0.3
Total inflation (CPI)	0.7	2.4	9.3	6.7

(e) = estimate.

Source: Federal Planning Bureau ([Economic outlook 2022-2023](#), September 8th, 2022 and [inflation forecasts](#), October 4th, 2022).



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