



BELGIUM'S ECONOMY IN A NUTSHELL

ECONOMIC OUTLOOK
OF NOVEMBER 2021



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

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Introduction

Belgium, a **small and open economy** of 11.5 million inhabitants, is located in the heart of Western Europe. In 2020, its GDP reached 456.9 billion euros. The economy benefits from a strong communication infrastructure and a highly qualified workforce. Nevertheless, foreign trade is essential for Belgium. It is also important to note that 62.8% 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 experiencing a deficit in 2019 (-6.4 billion euros), the trade balance has improved and now shows a surplus of 1.7 billion euros in 2020.

In 2020, the **products mainly exported** by Belgian companies concerned the chemical industries, as well as vehicles and transport equipment and finally machinery and electrical equipment.

In 2020, the pharmaceutical industry was the **main value added creator within the manufacturing industry**, followed by food and beverages and by the chemical industry.

Recent cyclical developments indicate that **annual GDP growth** collapsed in Belgium in 2020 (-5.7%) as a result of the global coronavirus pandemic that also broke out in our country in March. Previously, Belgian economic growth was rather strong and amounted to 2.1% in 2019. However, the decline in GDP was less pronounced in Belgium than in the European Union (27 countries; -5.9%) and in the euro area (-6.4%). In the **second quarter of 2021**, Belgium recorded a year-on-year increase in GDP of 15.1%. This is also the first increase in GDP since the start of the health crisis. Both domestic demand excluding inventories and net exports contributed to this recovery in GDP.

Services are usually the main growth driver for the Belgian economy. In 2020, they were the main contributors to the decline in economic activity.

The **production index** in the manufacturing industry taken as a whole fell sharply year-on-year in the first three quarters of 2020. It is mainly the downturn observed during the second quarter that pulls the results down under the effect, in particular, of the partial or total cessation of activity in certain industries following the containment measures taken by the government to combat the expansion of the COVID-19 pandemic. However, a recovery in production in the manufacturing industry was already observed during the last quarter of 2020 and was confirmed in the first three quarters of 2021. The construction sector, however, saw a decline in output in the third quarter of 2021.

Business demographics continued to be strong in 2020, with more business creations than terminations and a net balance of 40,137 units, the largest net balance observed over the 2016-2020 period. The entrepreneurial dynamism continued in the second quarter of 2021, with a positive net balance of "creations-terminations" (14,019 units), we observe, on the one hand, that this balance has increased strongly year-on-year (8,109 units less) and this, despite the deterioration of terminations compared to the corresponding period of 2020.

Overall, 2020 proved to be an unfavourable year for the **labour market**, with the **employment rate** falling and **unemployment rates** rising, both for total unemployment and for young people under 25. The deterioration in unemployment rates continued in the second quarter of 2021 (year-on-year). The youth unemployment rate rose to 20.5% (from 16.4% a year earlier) and the total unemployment rate reached 6.3% (from 5.0% a year earlier). The employment rate increased in the second quarter of 2021 to 65.0% (from 64.2% a year earlier),

After the year 2020, which was marked by a clear slowdown in **inflation** and the collapse of oil prices on world markets, amongst other things, consumer prices measured by the HICP accelerated in the first three quarters of 2021. The most striking development here also concerns energy prices, which rose by more than 24.6% in the third quarter of 2021, being in line with the rise in oil and gas prices on the world markets. As a result, natural gas, electricity and fuels rose sharply over the period.

With regards to the **short-term growth prospects for Belgium**, the European commission already expects an economic recovery in 2021, where economic growth is forecast to rise to 6.0% as a result of the recovery of activities and the progress of the vaccination campaign. The Belgian

growth is forecast to equal 2.6% in 2022. However, the appearance of new variants and the surge in coronavirus contaminations at the end of 2021 could again weigh on economic activity in 2022.

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 and its capital, Brussels, is home to a large number of European and international institutions.

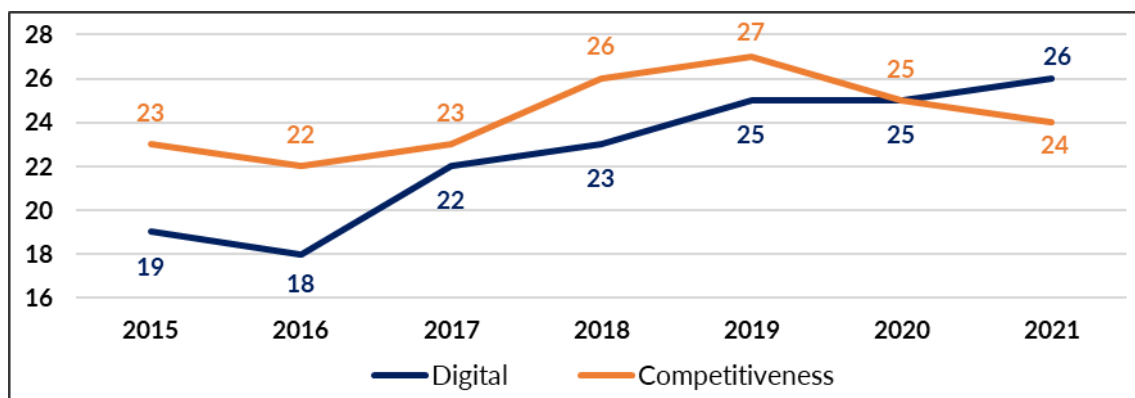


With a **surface area** of 31,000 km² and 11.5 million **inhabitants**, Belgium, along with the Netherlands, is one of the most densely populated countries in Europe.

Belgium is divided into **three regions**: the Brussels-Capital Region, Flanders and Wallonia. 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. For example, it has a network of main roads, railways and waterways. 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 Development¹ (IMD World Competitiveness Yearbook 2021 Results) and is **ranked 22nd** out of 141 according to the World Economic Forum² (Global Competitiveness Report 2019)³. 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 primary and higher education as well as training, business sophistication and innovation that are amongst the most competitive in the world.

It is a quintessential “**small open economy**”: “small”, with a gross domestic product (GDP at current prices) of 456.9 billion euros in 2020, accounting for 3.4% of the GDP of the European Union (EU27)⁴ or 4% of the GDP of the euro area⁵, and “open” with a level of openness⁶ of 80.4% (81.5% in 2019).

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). However, the latest figures seem to show a reversal of this trend due to a decline in energy prices in Belgium.

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 55.4% in 2020, while this share amounted to only 13.8% for industry and 5.3% for construction. The balance is distributed between non-market services (including healthcare), energy and agriculture.

¹ <https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2020/> and <https://worldcompetitiveness.imd.org/countryprofile/overview/BE>

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

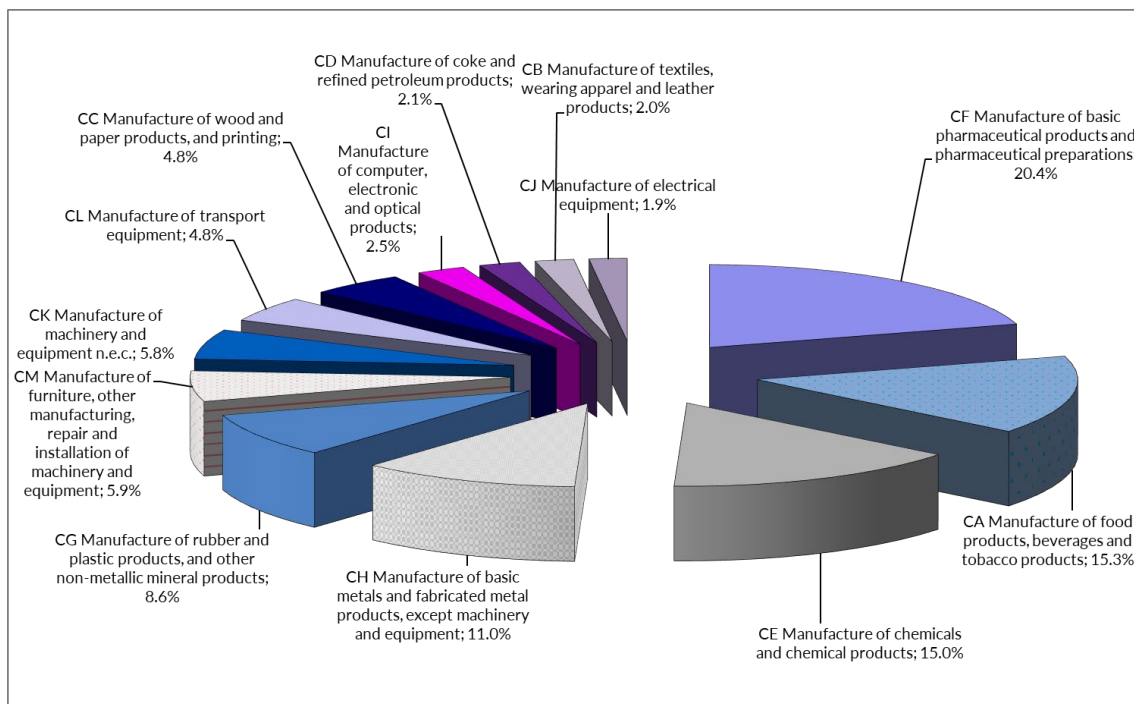
³ According to the WEF (2020 report): “In this Special Edition, at this turbulent time for the global economy, we pause comparative country rankings on the Global Competitiveness Index. Instead we take a fundamental look at how economies should think about revival and transformation as they recover and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

⁴ In 2020, the GDP at current prices of the European Union (27 countries) amounts to 13,393.7 billion euros (-4.4% compared with 2019).

⁵ In 2020, the GDP at current prices of the euro area amounts to 11,400.4 billion euros (-4.9% compared with 2019).

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

Graph 2. Breakdown of the Belgian manufacturing industry in 2020
Gross value added as a % share of total value added of manufacturing industry.



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

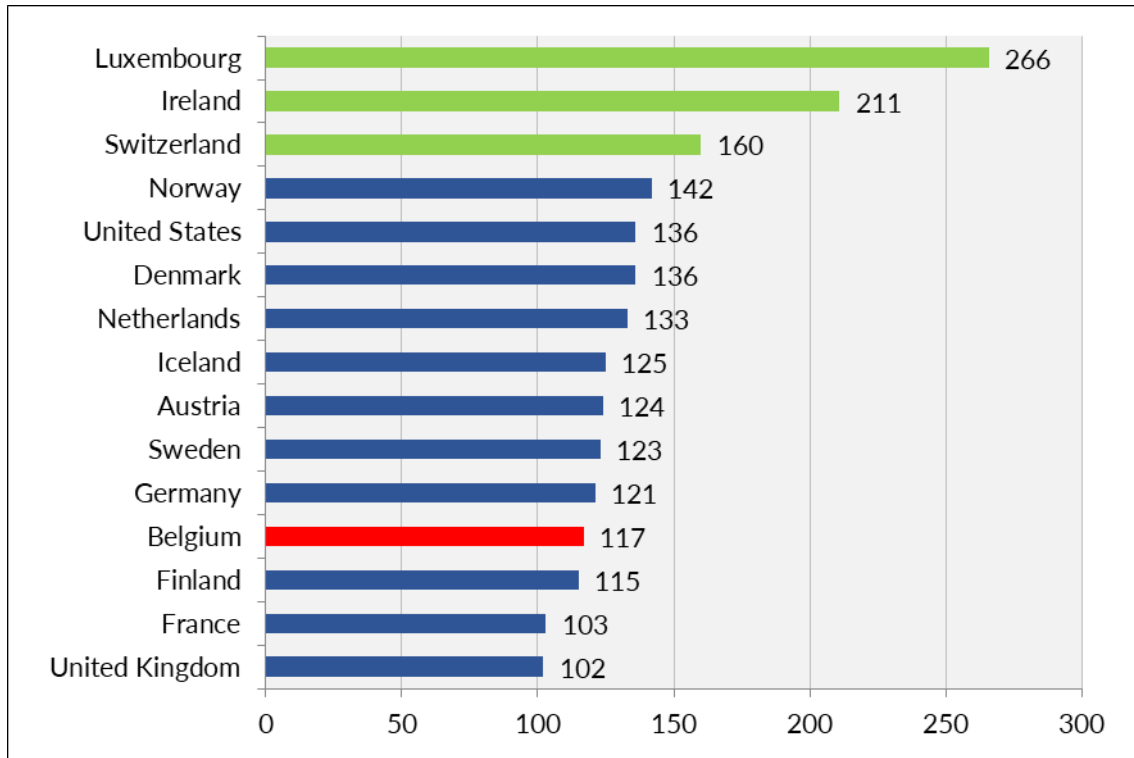
Despite its more limited share, the **manufacturing industry** is still key to the Belgian economy because, in addition to the fact that it generates a large share of market services, it also generates strong value added by satisfying foreign demand thanks to Belgian exports.

The strong sectors of the Belgian industry are:

- the pharmaceutical industry (20.4% of the total value added);
- the food and beverage industry (15.3%);
- the chemical industry (15%);
- the manufacture of basic metals and fabricated metal products (11%).

Graph 3. GDP per capita in PPP in 2020

UE27=100.



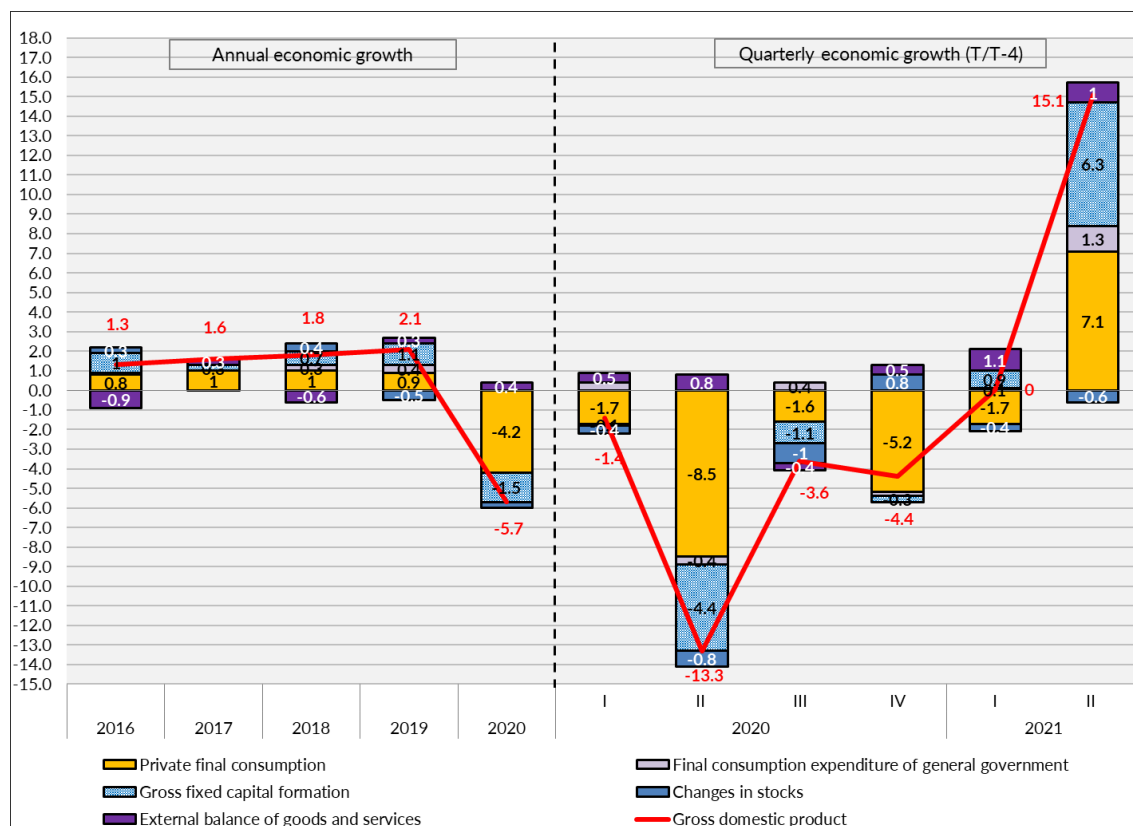
Source: Eurostat.

According to the European structural indicators from Eurostat, **Belgium's GDP per capita**, expressed in purchasing power parity, amounted to 117 in 2020, compared to the EU-27 average set equal to 100, which is one point lower than the result observed in 2019 and 4 points lower than its best performance over the last 10 years. Nevertheless, Belgium remains one of the richest countries in the European Union, ranking eighth, just behind Germany.

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 2020, annual GDP growth in Belgium fell by 5.7% compared to 2019 as a result of the COVID-19 pandemic, which caused the temporary shutdown of several economic activities. In order to tackle the spread of the coronavirus, the Belgian government had to take containment measures involving, for instance, the lockdown of several economic activities, mainly related to contact professions, the hotel and catering industry and the cultural sector as a whole. Temporary unemployment measures specific to the coronavirus were also put in place to try to preserve as many jobs as possible. In addition, several moratoria have been introduced to protect companies with a healthy financial situation before the crisis. As a result, **domestic demand excluding stocks** fell in 2020, contributing to the decline in Belgian economic activity by 5.7 percentage points. On the one hand, **private consumption expenditure** contributed strongly to the decline in GDP in 2020 (-4.2 percentage points), as households increased their precautionary savings during the crisis and as possibilities to spend their income were also limited. On the other hand, the decline in activity and the temporary closure of certain sectors has weighed on the confidence of entrepreneurs, and consequently also on their investment decisions. As a result, **investment** contributed 1.5 percentage points to the decline in economic activity in 2020. **Public consumption expenditure** did not contribute to growth in 2020. Finally, as the pandemic has spread worldwide and some countries have closed their borders, Belgium's foreign trade has also weakened. As the decline was more pronounced for imports than for exports, the contribution of **net exports** to Belgian GDP growth was therefore positive in 2020 (+0.4 percentage points), making trade the only component supporting Belgian economic activity in 2020.

Year-on-year, GDP in the **second quarter** of 2021 grew for the first time since the beginning of the health crisis, increasing by 15.1%, while in the first quarter of 2021 it was flat. Note that this two-digit increase in GDP in the second quarter of 2021 is not surprising given the drop in

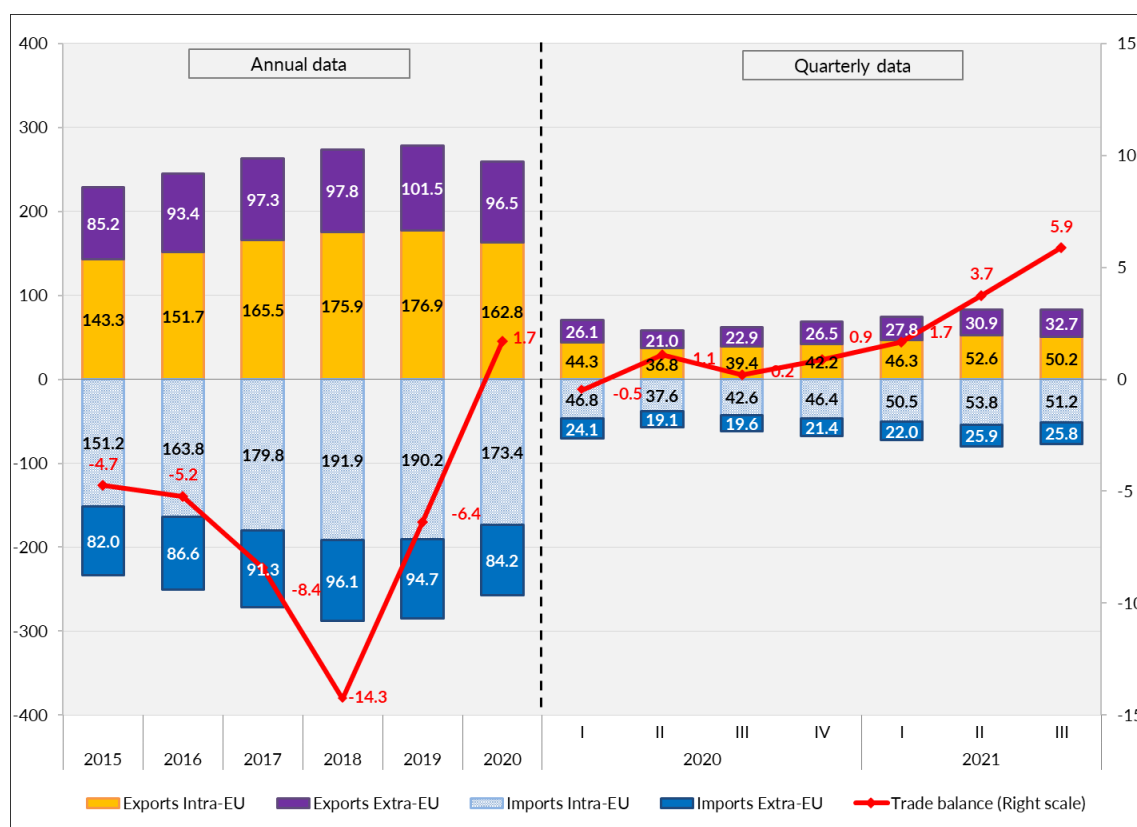
economic activity in the second quarter of 2020, at the peak of the health crisis, when many restrictive measures were in place.

Domestic demand excluding stocks dragged up economic growth in the second quarter of 2021 by 14.7 percentage points. In addition, all components of domestic demand excluding inventories actively contributed to the positive development of GDP. In the second quarter of 2021, private consumption contributed by 7.1 percentage points to GDP growth, whereas it had reduced it by 1.7 percentage points in the previous quarter. Moreover, while their contribution was already positive in the first quarter of 2021, public consumption expenditure and investment also contributed positively to GDP growth in the second quarter of 2021, by 1.3 and 6.3 percentage points respectively (compared with +0.1 and +0.9 percentage points respectively in the previous quarter).

Net exports also contributed to the growth of economic activity by making a positive contribution to GDP growth in the second quarter of 2021, amounting to 1 percentage point, following a higher contribution in the first quarter of 2021 (+1.1 percentage points). Only the contribution to growth of the **change in inventories** was negative in the second quarter of 2021 (-0.6 percentage points, compared with a contribution of -0.4 percentage points in the first quarter of 2021).

While the figures provided for the first two quarter of 2021 are still provisional at the time of writing this note, the Belgian economy seems to be on the road to recovery. Indeed, several components of GDP are showing positive signs, especially as the various restrictions in force are gradually being lifted. The use of the Covid Safe Ticket also allows some additional restrictions to be dropped, in addition to allowing a large number of participants in the events. In addition, the vaccination campaign is continuing, which could make it possible to lift the last restrictions in the short term. According to the [COVID Vaccinations Dashboard](#), about 76.7% of the Belgian population (8,832,155 people) received a first dose of a COVID-19 vaccine on 30 November 2021, while almost 75.4% (8,689,751 people) have already received two doses of a vaccine, meaning that they are fully vaccinated. It should be noted that the vaccination campaign continues and that a third dose of vaccine, serving as an immunity booster, is now also being offered to the population. Naturally, even if the situation improves, it will still take some time for the economy to recover its pre-crisis level. Moreover, the increase in the number of infections observed in November could once again weigh on Belgian economic activity in the short term.

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 concept⁷, in 2020, foreign trade deteriorated significantly compared to 2019 due to the global economic recession, with exports of goods decreasing by 6.9% and imports by 9.6%. Nevertheless, the trade balance improved in 2020 compared to 2019, due to a sharper decline of imports than exports of goods. This is the second year in which the trade balance has improved. However, the trade balance remains in deficit, amounting to 1.7 billion euros in 2020 compared to a deficit of 6.4 billion euros in 2019.

Total Belgian **exports** of goods in value increased by 32.9% during the **third quarter of 2021**, compared to the same period in 2020, reaching 82.9 billion euros, compared with 62.4 billion euros in the third quarter of 2020. In addition, the amounts of exports in the second and third quarters of 2021 are particularly high. With the recovery in world trade, exports have recovered after falling sharply in the second and third quarters of 2020. This increase in total exports is attributable to both intra-EU exports, which rose by 27.4% year-on-year in the third quarter, and extra-EU exports, which increased by 42.3% over the same period.

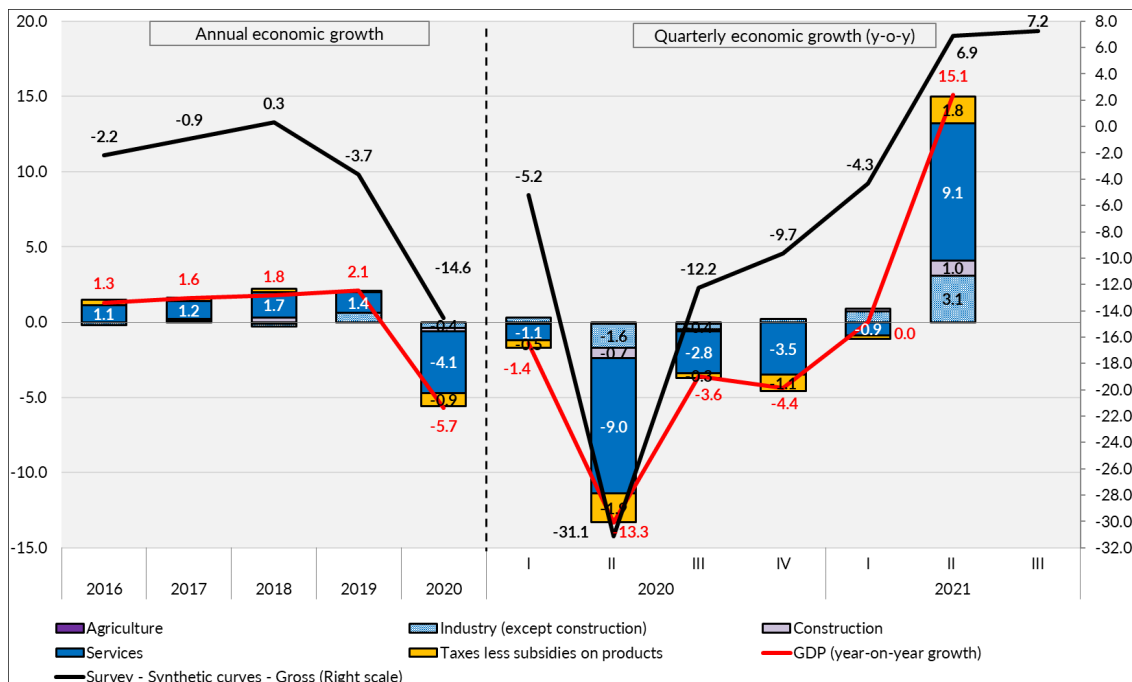
Total Belgian **imports** of goods in value also strongly rose, with a year-on-year increase of 23.9% in the third quarter of 2021. They amount to 77 billion euros, against 62.2 billion euros a year earlier, due to an increase in intra-EU imports (+20.2%) and extra-EU imports (+31.9%).

These results translated into a **positive trade balance** in the third quarter of 2021 (+5.9 billion euros). The net trade balance improved compared to the previous quarter (+3.7 billion euros) and compared to the corresponding quarter of 2020 (+0.2 billion euros).

⁷ The national concept refers solely to cross-border movements of goods involving a resident business counterparty (Source: NBB).

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 **2020**, the economic activity fell by 5.7% in 2020, compared with an increase of 2.1% in 2019.

While **services** were the main driver of the economic growth in previous years, they were hit the hardest by the containment measures, which resulted in the biggest drag on GDP growth in 2020, contributing 4.1 percentage points to the decline (compared to a support of 1.4 percentage points in 2019). While it supported economic activity in 2019 (with a contribution of +0.6 percentage points), the activity in the **manufacturing industry** declined in 2020, contributing 0.4 percentage points to the decline in the economic growth. The construction sector also contributed to the decline in GDP growth in 2020, contributing 0.2 percentage points, whereas its support to economic activity in 2019 was neutral. The contribution to growth from **agriculture** was neutral in 2020, as in 2019.

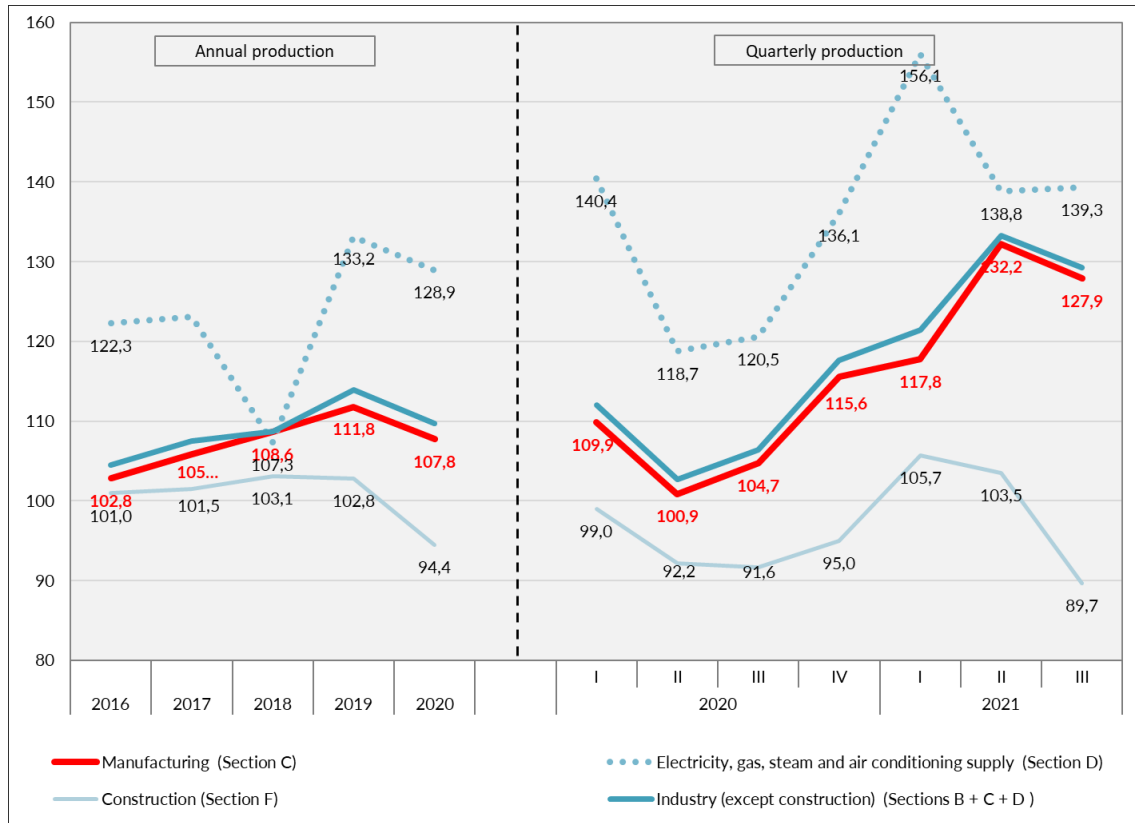
In the **second quarter of 2021**, the **manufacturing industry (excluding construction)** contributed 3.1 percentage points to the economic activity, after a positive contribution of 0.7 percentage points recorded the previous quarter.

While **services** have contributed negatively to GDP growth for 5 consecutive quarters, they have returned to a positive contribution in the second quarter of 2021, rising from a contribution of -0.9 percentage points in the first quarter of 2021 to a contribution of 9.1 percentage points in the second quarter of 2021. Moreover, services are the main growth driver of the GDP in the second quarter of 2021.

Finally, the contribution of the **construction** sector to the growth of economic activity was positive in the second quarter of 2021 (+1 percentage point), after a contribution of 0.2 percentage points registered in the first quarter of 2021. **Agriculture** did not contribute to the economic activity in the second quarter of 2021, as in the three previous quarter.

Since **business confidence** collapsed in the second quarter of 2020, following the climate of uncertainty generated by the coronavirus pandemic, it has since gradually recovered. It even became positive again in the second and third quarters of 2021, exceeding its pre-pandemic level.

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



Source: Statbel, Working-day adjusted indices.

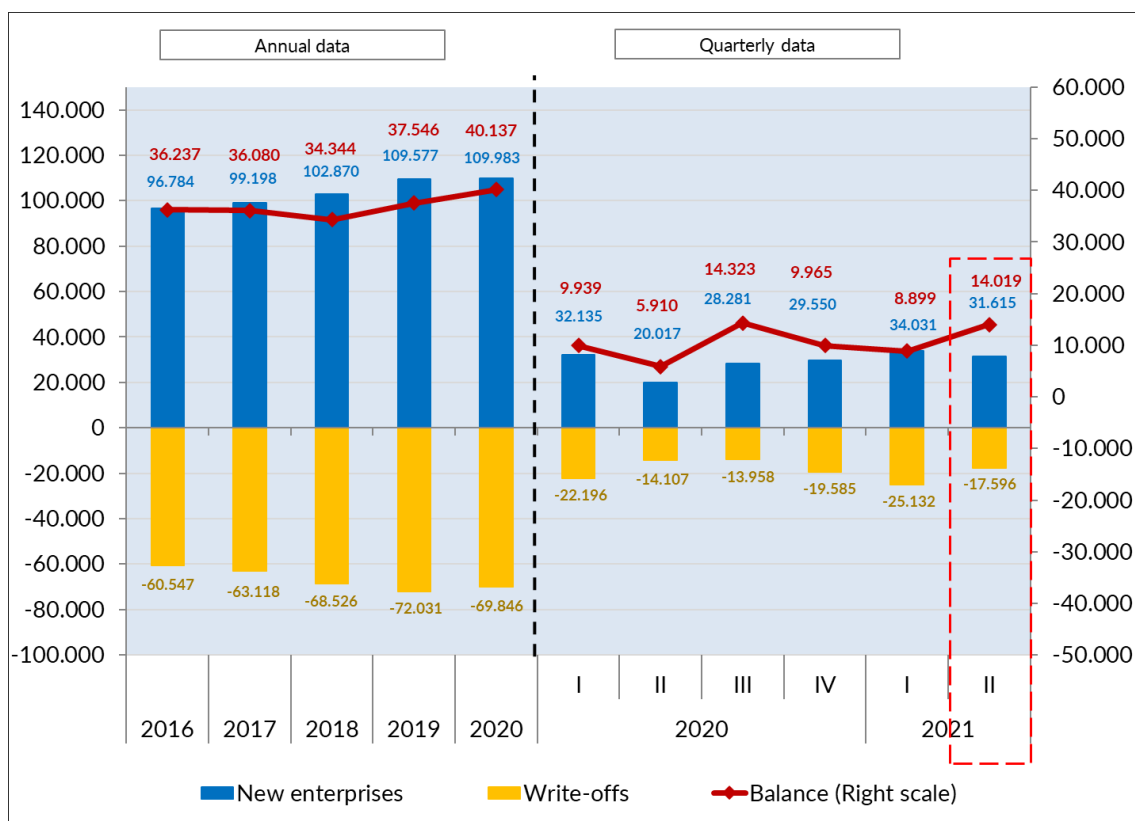
As a result of the health crisis, all the sectors examined here experienced an unfavourable year in **2020** and saw their production decline year-on-year. The sharpest decline in the production was observed in the construction sector.

Output in **manufacturing** (Section C) returned to positive growth in the last quarter of 2020 (+1.4% year-on-year), thus recovering its pre-crisis level. This growth accelerated thereafter, rising by 31% year-on-year in the second quarter of 2021. This strong increase in production in the second quarter of 2021 is not surprising given the low level of comparison following the very sharp decline observed a year earlier, in the midst of the first containment and the introduction of strict government measures, including the shutdown of several activities deemed to be non-essential. In the third quarter of 2021, this output growth slowed to 22.2%.

After several quarters of declines, the production of **electricity, gas, steam and air conditioning** (Section D) began to grow in 2021. In the first quarter of 2021, output growth was 11.2% year-on-year, rising to 16.9% in the second quarter of 2021 and 15.6% in the third quarter of 2021. While output has largely passed its pre-crisis level in 2021, the gap narrows in the third quarter of 2021, where the same level as in the third quarter of 2019 is observed.

Finally, activity in the **construction** sector (Section F) strengthened in the first quarter of 2021 (+6.8% year-on-year), interrupting six quarters of successive declines. In the second quarter of 2021, output in this sector rose again (+12.3% year-on-year), only to fall in the third quarter of 2021. However, while construction output appeared to recover its pre-crisis level in the first quarter of 2021 (+1.5% compared to the first quarter of 2019), successive quarters were marked by lower levels. Recent weather-related events are expected to put upward pressure on the sector in the coming quarters.

Graph 8. Business demography in Belgium



Source: Statbel.

In 2020, business demographics showed a favourable development compared to 2019 in terms of business start-ups but also in terms of terminations. Thus, business creations increased slightly with 0.4% while terminations decreased by 3.0%. With a net balance of 40,137 businesses in 2020, 2,591 more than in 2019, the net balance of "creations and terminations" is positive.

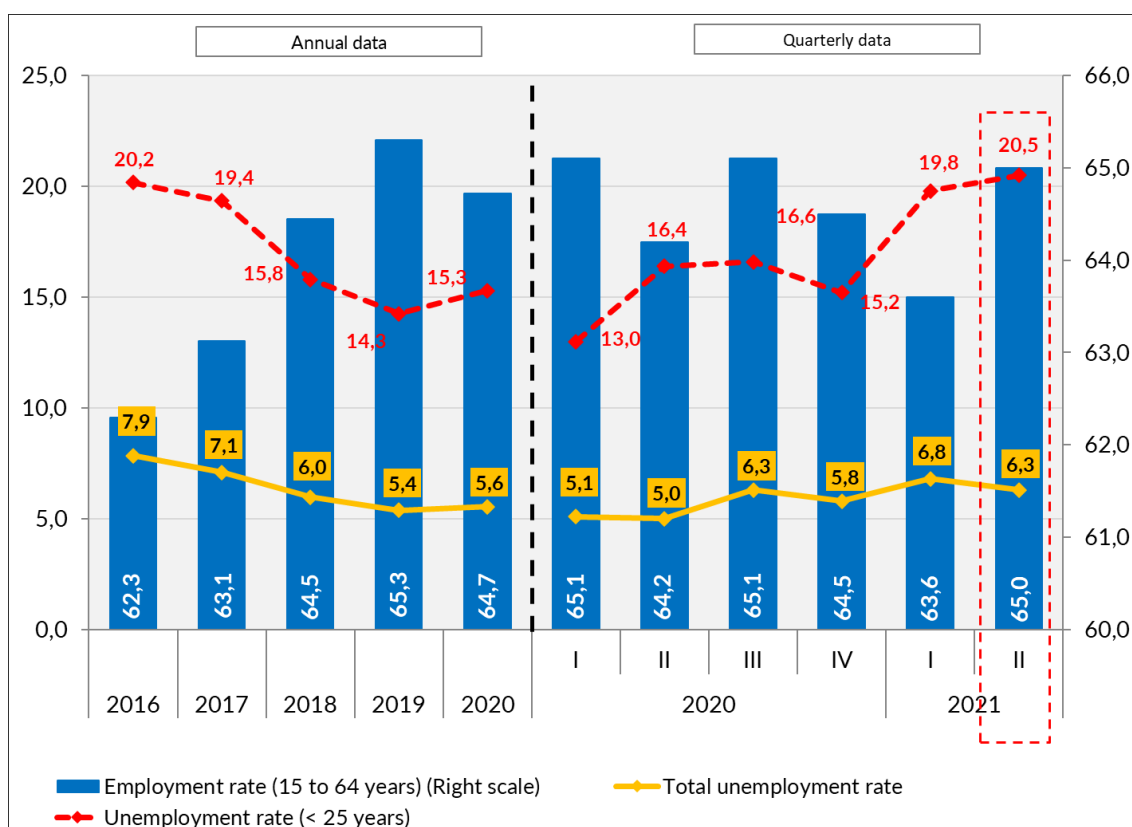
In the second quarter of 2021, 31,615 new businesses were created, 11,598 more than in the corresponding quarter of 2020.

Of these new companies, 88.6% were new investments (48.5% of which were natural persons and 40.1% legal entities) and 11.4% were re-investments (9.8% natural persons and 1.6% legal entities).

In addition, 17,596 companies ceased trading in the second quarter of 2021 (63.5% of which were natural persons and 36.5% legal entities), 3,489 more than in the second quarter of 2020.

In the second quarter of 2021, the balance of "creations and terminations" is therefore positive and amounts to 14,019 enterprises, of which 51.5% are natural persons and 48.5% are legal entities. This "creation-transfer" balance increased by 8,109 units compared to the corresponding quarter of 2020 (+137.2%).

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



Source: Eurostat.

The coronavirus pandemic that hit the global economy in 2020 has not been without consequences for employment. However, the government has put in place various measures, such as temporary unemployment and the right of transition for the self-employed, to try to preserve employment as much as possible.

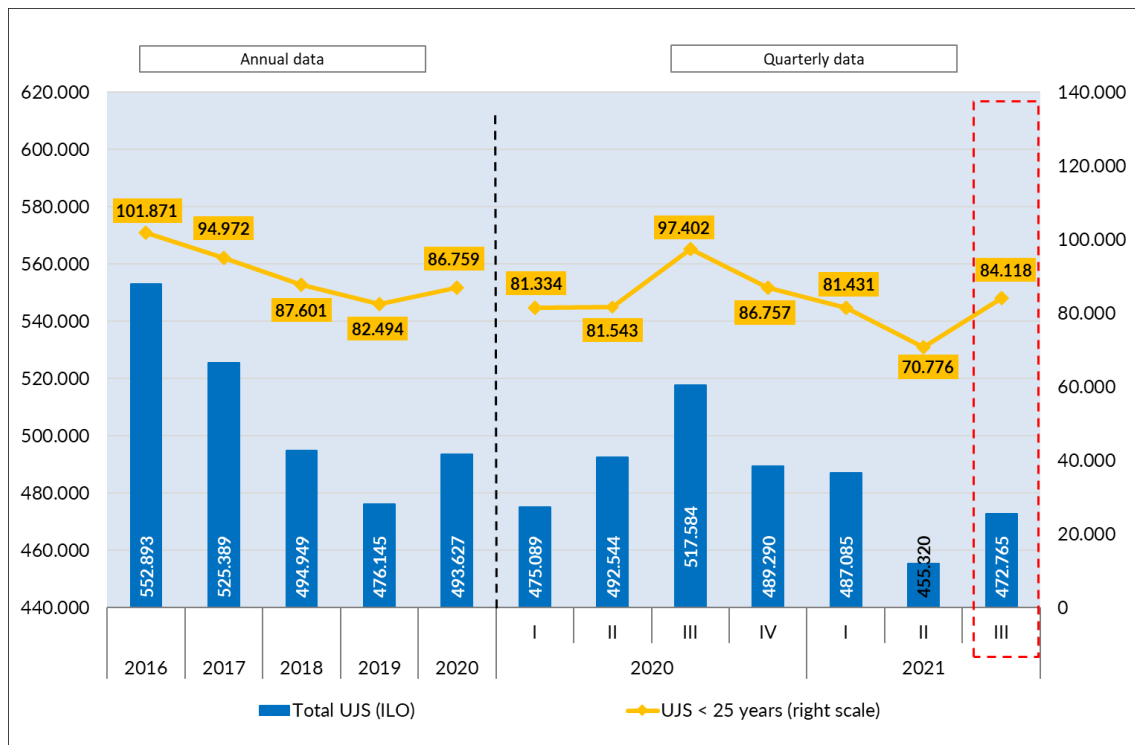
Nevertheless, all the indicators monitored show unfavourable developments in 2020 within one year. Thus, **the employment rate** reached 64.7% in 2020, 0.6 percentage points lower than in 2019. **The youth unemployment rate** rose to 15.3% in 2020, up 1 percentage point from 2019, and the **total unemployment rate** (gross data) increased by 0.2 percentage points to 5.6% in 2020.

The deterioration in unemployment rates observed for the whole of 2020 also continued in **the second quarter** of 2021 compared to the same period in 2020.

Thus, **the unemployment rate for under-25s** increased from 16.4% in the second quarter of 2020 to 20.5% in the second quarter of 2021 (+4.1 percentage points) and the **total unemployment rate** from 5% to 6.3% for the same reference period (+1.3 percentage points).

Conversely, the **employment rate** improved in the second quarter of 2021 to 65% from 64.2% in the second quarter of 2020, an increase of 0.8 percentage points.

Graph 10. Number of unemployed jobseekers (UJS)



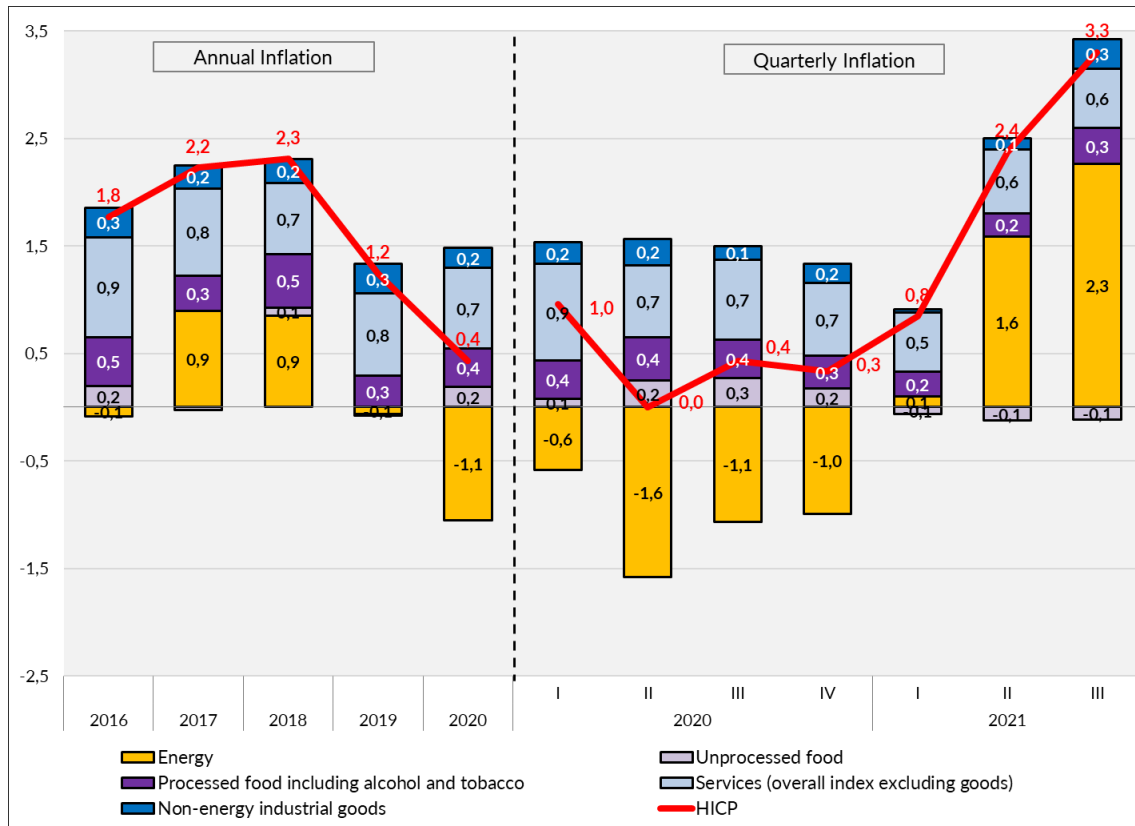
Source: NEO.

In 2020, the number of **unemployed jobseekers (UJS)** developed unfavourably compared to 2019, with an increase of 3.7% to 493,627 units. The same applies to **the number of UJS under 25 years of age**, which increased by 5.2% to 86,759 units.

In contrast, the third quarter of 2021 confirms the downward trend observed in the first quarter of 2021 for the number of **unemployed jobseekers (UJS)** and the number of **unemployed people under 25 years of age** year-on-year. Thus, there were 472,765 IWDs in the **third quarter of 2021**, a decrease of almost 8.7% year-on-year, and 84,118 unemployed under 25, 13.6% fewer than a year earlier.

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.

Due to a further acceleration in energy prices, **HICP inflation** rose sharply in the second and third quarters of 2021, from 0.8% in the first quarter of 2021 to 2.4% in the second quarter of 2021 and 3.3% in the third quarter.

Consumer prices for **unprocessed food** fell by 3.1% in Q2 2021 and by 2.8% in Q3. However, due to their moderate weight in the consumer basket, their contribution to overall inflation was limited to -0.1 percentage points in both quarters under review. This is the only product group that has a negative influence on inflation over these two quarters.

After slowing in Q2 2021 to 1.1%, consumer prices for **processed food** accelerated in Q3 2021 to 1.7%, contributing 0.3 percentage points to overall inflation in Q3 2021 (compared to a contribution of 0.2 percentage points to overall inflation in Q2 2021).

Conversely, **services**, which experienced inflation of 1.4% in both Q2 and Q3 2021, contributed 0.6 percentage points to total inflation in both quarters due to their high weight in the consumer basket (over 40%).

The fourth product group, **non-energy industrial products**, saw a further acceleration in the pace of price increases in the third quarter of 2021, rising from 0.1% in the first quarter of 2021 to 0.4% in the second quarter of 2021 and 1% in the third quarter of 2021. As a result, the contribution of this product group to total inflation in the second quarter of 2021 is 0.1 percentage points and 0.3 percentage points in the third quarter of 2021.

Finally, the **energy product** category, which was strongly influenced by the collapse of oil prices on the world markets in 2020 due to the economic and health crisis, is now experiencing a clear price recovery during 2021. Thus, after experiencing negative inflation throughout 2020 and recording an initial rise of 0.4% in the first quarter of 2021, this product category saw its prices rise by 18.3% in the second quarter of 2021 and reach 24.6% in the third quarter of 2021. This acceleration contributes 1.6 percentage points to total inflation in Q2 2021 and 2.3 percentage

points in Q3 2021. This acceleration alone accounts for two-thirds of the overall inflation in each quarter analysed.

3. Foreign trade – Overview of trade flows

Table 1. Share of national exports in world exports

	2010	2015	2016	2017	2018	2019
EU28	15.5%	15.6%	15.9%	15.8%	15.7%	15.9%
Russia	3.4%	2.7%	2.5%	2.8%	3.1%	n.a.
USA	11.0%	11.8%	12.0%	11.5%	11.3%	11.4%
China	13.6%	17.9%	17.3%	16.9%	16.9%	17.4%
Japan	6.7%	4.9%	5.3%	5.2%	5.0%	4.9%
India	1.9%	2.1%	2.1%	2.2%	2.2%	2.2%

Source: Eurostat.

The share of the **European Union** as a whole (EU28) in the world trade exports has slightly increased between **2010 and 2019**, as well as that of the **United States** and **India**. **Japan** has followed the opposite path, with its relative share in world exports declining from 6.7% in 2010 to 4.9% in 2019. Over the long term, while **China's** share in world exports increased sharply, **Russia's** share declined.

Between 2018 and 2019, the European Union, the United States and China recorded a very slight increase in the share of their exports in world exports, while Japan experienced a very slight decline. The data for Russia in 2019 are not available yet.

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

	2015	2016	2017	2018	2019	2020
World (all entities)	100%	100%	100%	100%	100%	100%
European Union (27 countries)	62.7%	61.9%	63.0%	64.3%	63.5%	62.8%
Other European countries	12.2%	12.3%	12.0%	11.2%	10.9%	10.9%
<i>United Kingdom</i>	7.9%	7.6%	7.2%	6.6%	6.1%	6.0%
<i>Turkey</i>	1.2%	1.2%	1.3%	1.2%	1.1%	1.4%
Africa	2.8%	2.7%	2.7%	2.7%	2.8%	2.9%
America	8.1%	8.9%	8.1%	8.5%	10.3%	11.4%
<i>United States</i>	5.8%	6.7%	5.7%	5.8%	7.5%	8.8%
Asia	12.3%	12.8%	12.5%	11.1%	10.7%	10.7%
<i>China</i>	2.0%	2.2%	2.4%	1.9%	2.0%	2.6%
<i>India</i>	3.2%	3.2%	2.9%	2.7%	2.2%	1.6%
<i>Japan</i>	0.8%	1.1%	1.0%	0.9%	1.1%	1.0%
Australia and Oceania	0.6%	0.6%	0.6%	0.9%	0.6%	0.6%
Other	1.4%	0.8%	1.1%	1.4%	1.2%	0.7%

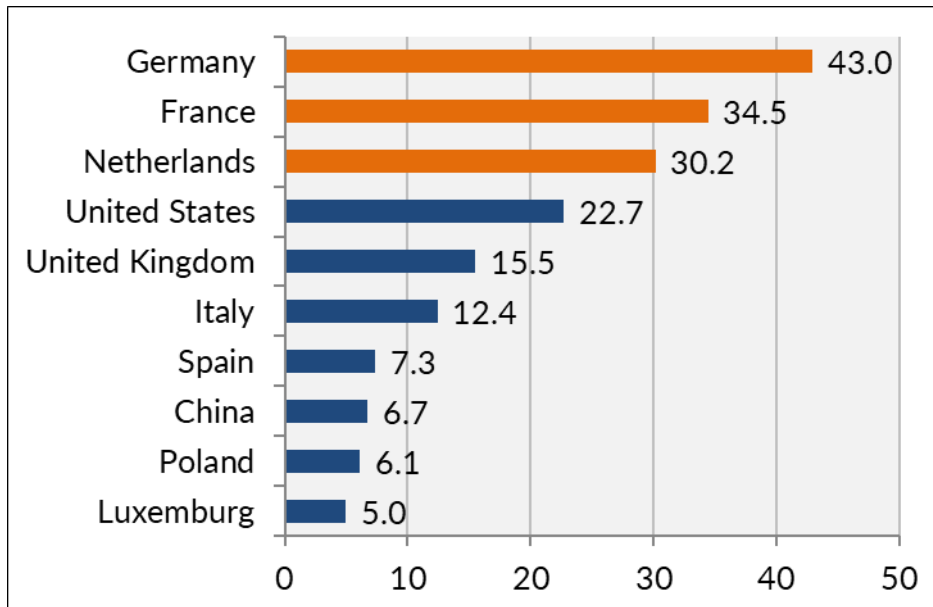
Source: National Accounts Institute (NAI), national concept.

The **European Union** (United Kingdom excluded) is the **leading destination for Belgian exports of goods** with a share of 62.8% of total Belgian exports of goods in 2020. This share decreased by 0.7 percentage points in 2020 compared to 2019. In contrast, the share of **other European countries** remained stable in 2020, with its lowest result over the observation period as in 2019. The share of the **United Kingdom** in Belgian exports of goods has been steadily declining since 2015, and decreased by 0.1 percentage points in 2020. After an improvement in 2016, the share of **Asia** in Belgian exports of goods also weakened, but remained stable in 2020. The share of **India** in Belgian exports halved between 2015 and 2020, reaching 1.6% in 2020, which could explain

the weakening of the weight of Asia in Belgian exports between 2015 and 2020. In contrast, with the exception of 2017, **America's** share increased over the foreseen period (+1.1 percentage points in 2020 compared to 2019), driven mainly by the **United States** (+1.3 percentage points in 2020). Finally, compared to 2015, a stability of exports is observed in trade relations with **Africa** and **Australia**.

Graph 12. Most important export partners in 2020

In billion euros.



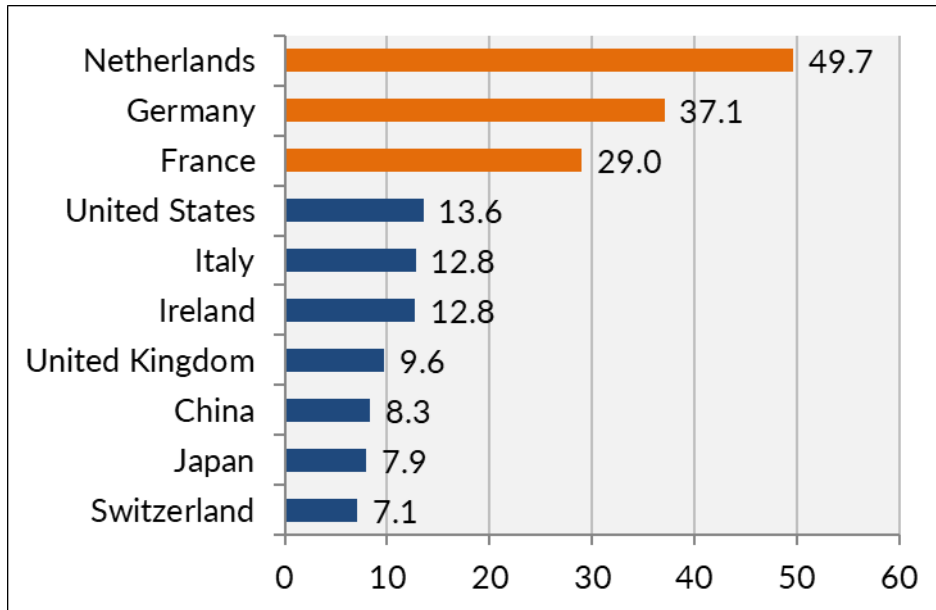
Source: National Accounts Institute (NAI), national concept.

In 2020, Belgian exports of goods went mainly to nearby countries. The first destination was **Germany**, accounting for 43 billion euros, followed by **France** with 34.5 billion euros and **the Netherlands** with 30.2 billion euros. Together, those three countries received 41.5% of total Belgian exports of goods.

The **United Kingdom** comes in 5th place with approximately 15.5 billion euros of goods exported by Belgium to this country, which represents 6% of total Belgian exports.

Graph 13. Most important import partners in 2020

In billion euros.

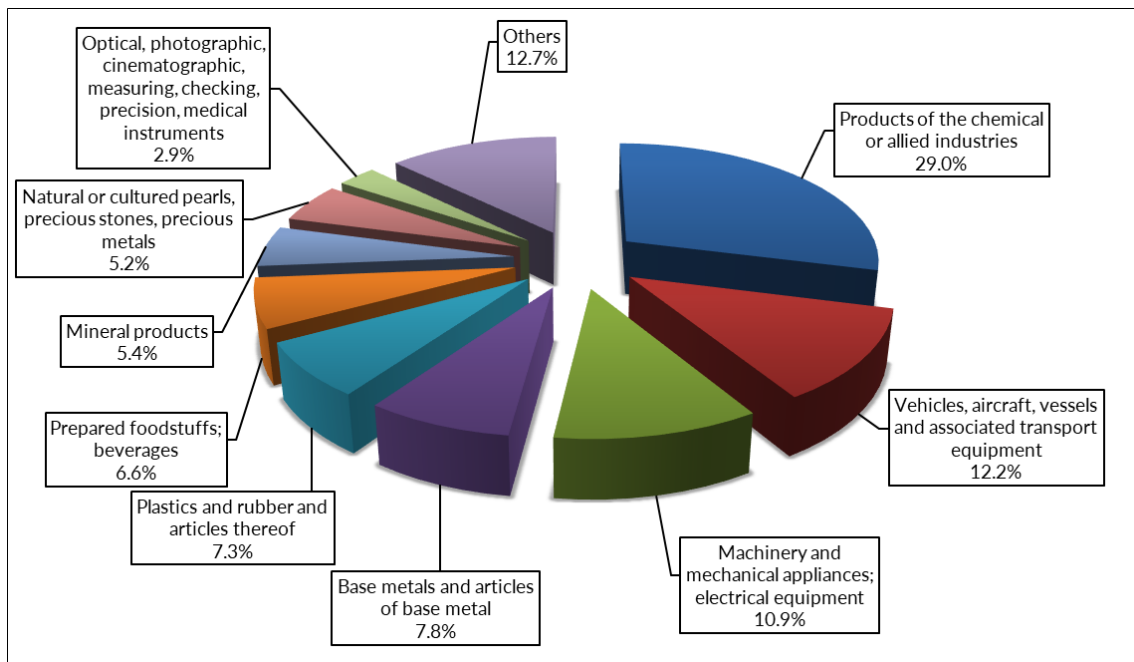


Source: National Accounts Institute (NAI), national concept.

The three main partners for Belgian imports of goods in 2020 were the same ones as those for its exports, although the ranking is somewhat different. The first provider was **the Netherlands**, accounting for 49.7 billion euros, followed by **Germany** with 37.1 billion euros and **France** with 29 billion euros. Together, those three countries supplied 45% of total Belgian imports of goods.

The **United Kingdom** appears as the 7th Belgian partners for its imports of goods. It was still 5th in 2017. The United Kingdom delivered goods for an amount of 9.6 billion euros in 2020, which is equivalent to a share of 3.7% of total Belgian imports.

Graph 14. Breakdown of Belgian exports in 2020



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

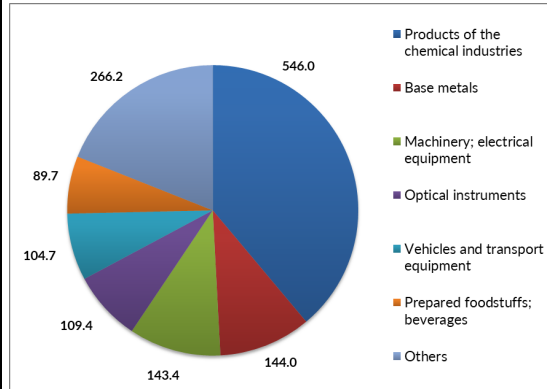
In 2020, four sectors mainly dominated total Belgian exports of goods. These were **chemical products** (29% - 75.2 billion euros), **vehicles and transport equipment** (12.2% - 31.7 billion euros),

machinery and electrical equipment (10.9% - 28.2 billion euros) and **base metals** (7.8% - 20.2 billion euros). Together, those four sectors represented more than half of total Belgian exports (59.8%).

Focus: Trade flow between Belgium and South Korea in 2020

Graph 15. Exports to South Korea in 2020

In million euros.



Source: NBB (national concept).

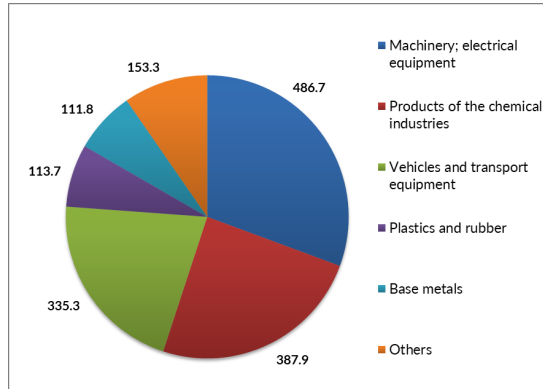
The main exported products in value to South Korea by Belgium in 2020 were **chemical products**. These accounted for 546 million euros, representing 38.9% of total Belgian exports to South Korea.

Base metals are the second most important Belgian exports to South Korea, followed by **machinery and electrical equipment**, accounting for 144 and 143.4 million euros respectively, or 10.3% and 10.2% of Belgian exports to South Korea.

Together, Belgian exports of **chemical products, base metals and machinery and electrical equipment** represented almost two-thirds of total Belgian exports of goods to South Korea in 2020 (59.4%).

Graph 16. Imports from South Korea in 2020

In million euros.



Source: NBB (national concept).

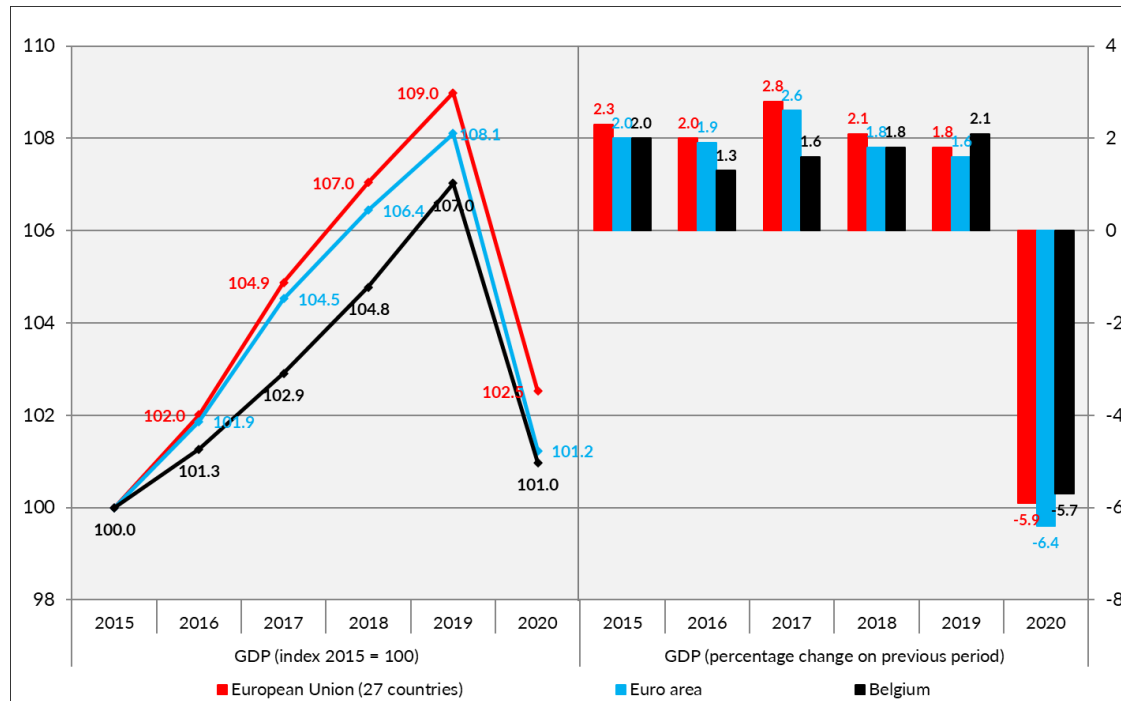
The main imported products from South Korea by Belgium in 2020 were **machinery and electrical equipment**, accounting for almost 486.7 million euros, or 30.6% of total Belgian imports from South Korea for this year.

The second most imported products from South Korea by Belgium in 2020 were **chemical products**, which accounted for 387.9 million euros, equalling a share of 24.4% of Belgian imports coming from this country. Belgian imports of **transport equipment** were also significant, valuing 335.3 million euros and representing 21.1% of Belgian imports coming from South Korea.

Together, Belgian imports of **machinery and electrical equipment, chemical products and transport equipment** accounted for more than three quarters of total Belgian imports from South Korea in 2020 (76.2%).

4. Belgium performance compared to that of the European Union (27 countries)

Graph 17. GDP in Belgium, the European Union and the euro area



Source: Eurostat.

Between 2015 and 2018, GDP grew at a slower pace in Belgium than in the European Union⁸ and the euro area.

In 2019, GDP growth slowed down in the European Union and the euro area, while it accelerated in Belgium. Moreover, Belgian economic growth was bigger than that of the euro area and the European Union, reaching 2.1%.

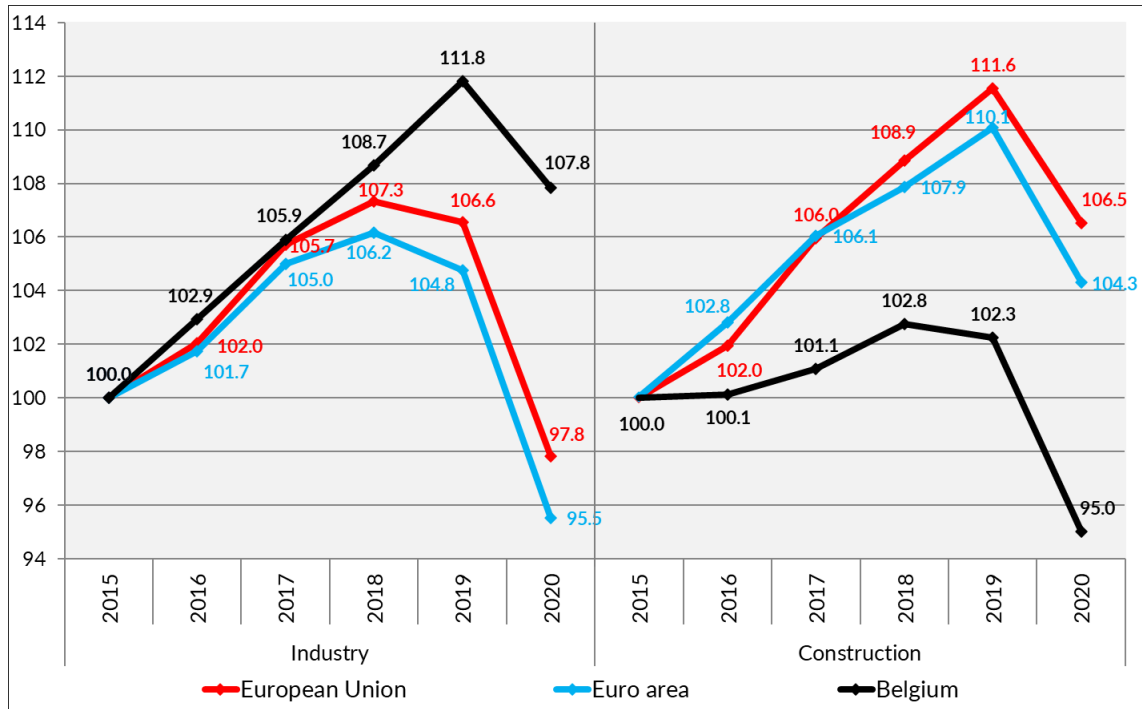
However, in 2020, the **COVID-19 pandemic** has caused GDP to fall sharply in the three analysed areas, by around 5.9% for the European Union, 6.4% for the euro area and 5.7% for Belgium.

Finally, in 2020, GDP was 456.9 billion euros for Belgium (compared to 478.2 billion euros in 2019), 11,400.4 billion euros for the euro area (compared to 11,982.7 billion euros in 2019) and 13,393.7 billion euros for the European Union (compared to 14,015.6 euros billion in 2019).

⁸ 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 18. Production index in the industry and in the construction

Index 2015 = 100.

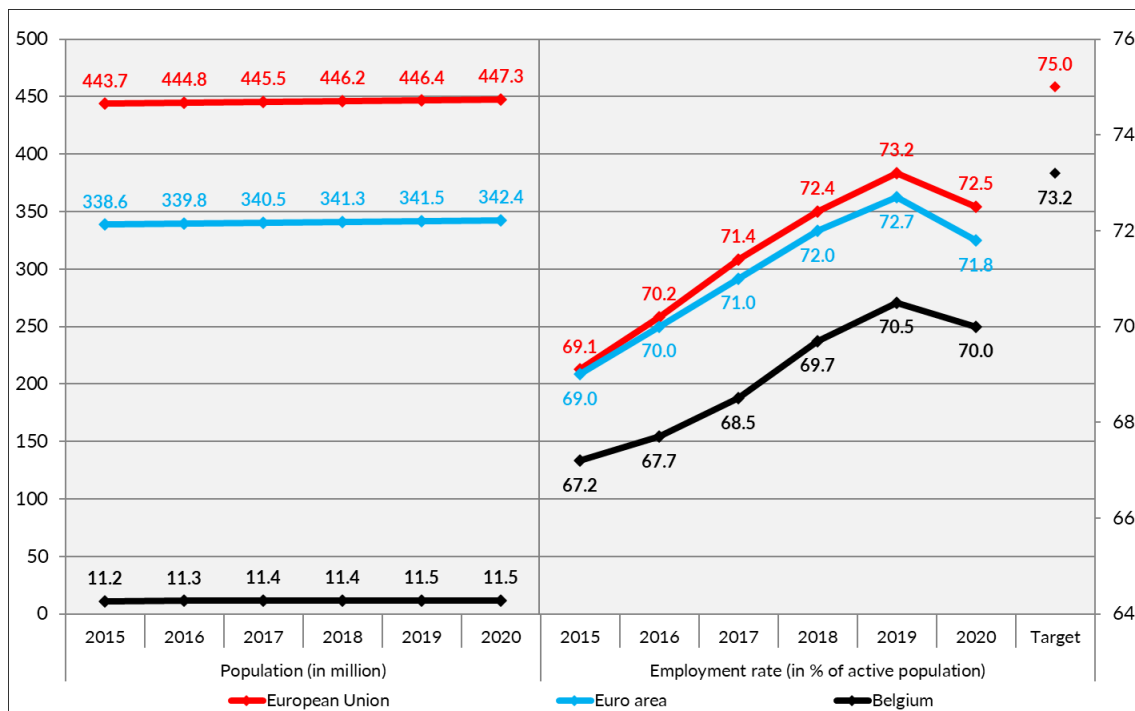


Source: Eurostat.

The upward trend of **production** in the **manufacturing industry** came to a halt in Belgium in 2020, one year later than for the euro area and the European Union. However, the decline is slightly less pronounced in Belgium than in the other two areas.

Production in the **construction sector** declined sharply in 2020 in all three examined areas, although the fall was more pronounced in Belgium.

Graph 19. Population and employment rate

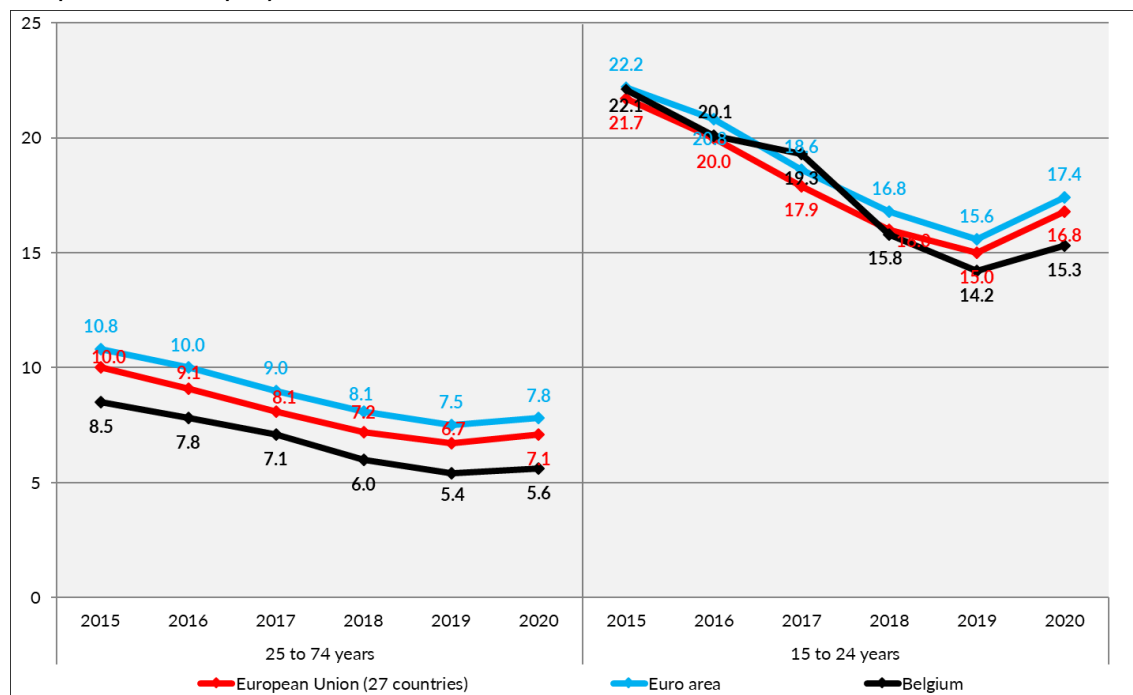


Source: Eurostat.

With 11.5 million **inhabitants** on the 1st of January 2020, the Belgian population represents 3.4 % of the population of the euro zone (342.4 million inhabitants) and 2.6 % of that of the European Union (447.3 million inhabitants).

With an **employment rate** of 70% in 2020, Belgium not only remains below the average rates recorded in the euro zone (71.8%) and in the European Union (72.5%), but also remains far from its target set for 2020 in the Europe 2020 strategy (73.2%).

Graph 20. Unemployment rate



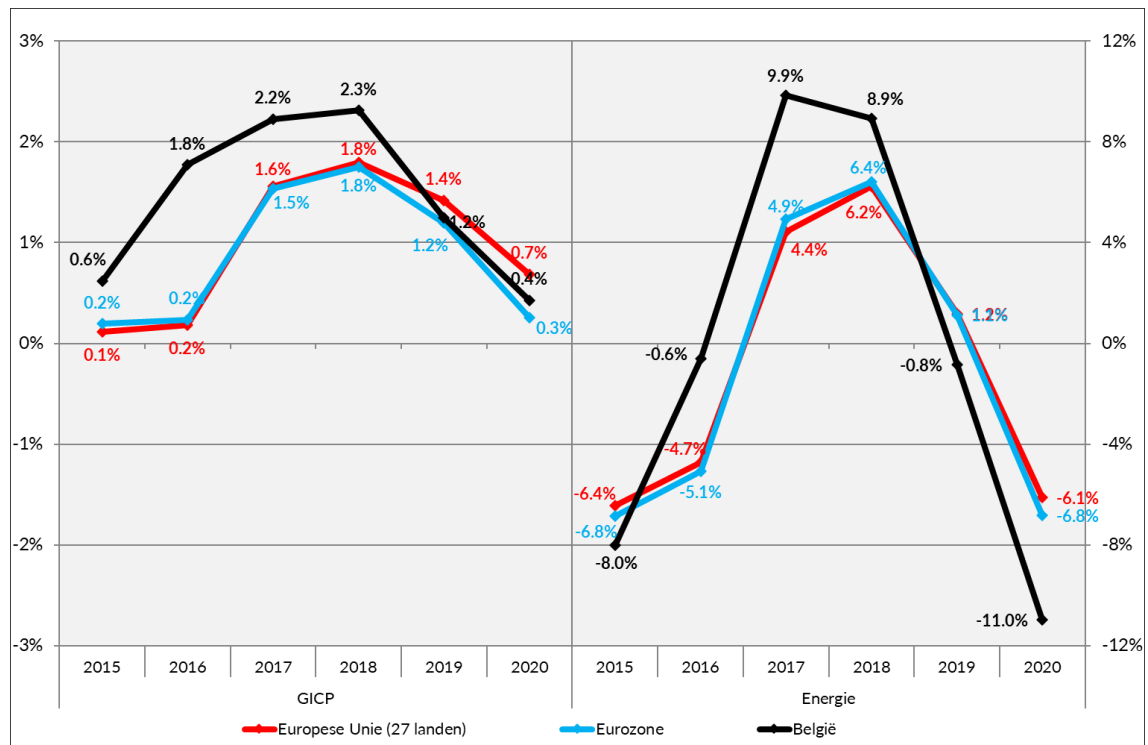
Source: Eurostat.

In 2020, the **unemployment rate for 25-74-year-olds** in Belgium increased for the first time, after four consecutive decreases during the observation period and reached 5.6%. This is also true for the euro area and the European Union, but the increase was slightly more pronounced in the euro area and in the European Union than in Belgium. Compared to 2019, the unemployment rate increased by 0.4 percentage points in the European Union, by 0.3 percentage points in the euro area and by 0.2 percentage points in Belgium.

As for the unemployment rate for the 25-74-year-olds, there is also a change in the trend for the **unemployment rate for young people (15-24 years)** in 2020. Thus, youth unemployment in Belgium increased by 1.1 percentage points to 15.3% in 2020 compared to 2019. For the third consecutive year, youth unemployment in Belgium is lower than in the European Union.

This change in trend also applies to the euro area and the European Union, which recorded an the unemployment rate for young people (15-24 years) of 17.4% and 16.8% respectively in 2020. Compared to 2019, the deterioration in the youth unemployment rate was greater in the euro area and the European Union than in Belgium: in 2020, it increased by 1.8 percentage points in both the euro area and the European Union and by 1.1 percentage points in Belgium.

Graph 21. Inflation



Source: Eurostat.

In 2020, inflation slowed down for the second year in a row in Belgium, as well as in the euro area and the European Union. Inflation in Belgium (0.4%) was lower than in the European Union (0.7%) but slightly higher than in the euro area (0.3%).

Even though energy prices decreased in all three examined regions in 2020, the decline was more pronounced in Belgium.

5. Macroeconomic forecasts

The decline in global economic activity in 2020 is due to the COVID-19 pandemic. Although the economy shows signs of recovery in 2021, in particular thanks to the progress in vaccination campaigns and the lifting of containment measures, the appearance of variants could once again slow down economic activity. For this reason, a third dose of vaccine is now being offered to the Belgian population to boost their immunity.

Table 3. GDP growth forecasts in the international environment

In %.

International environnement		2018	2019	2020	2021 (e)	2022 (e)
World		3.6	2.8	-3.4	5.7	4.5
United States		2.9	2.3	-3.4	5.8	4.5
China		6.7	6.0	2.3	7.9	5.3
Euro area		1.8	1.6	-6.4	5.0	4.3
	Germany	1.1	1.1	-4.6	2.7	4.6
	France	1.9	1.8	-7.9	6.5	3.8
	The Netherlands	2.4	2.0	-3.8	4.0	3.3
United Kingdom		1.7	1.7	-9.7	6.9	4.8
Japan		0.6	0.3	-4.8	2.4	2.3

(e) = estimate.

Source: European Commission ([European Economic Forecast](#), November 2021).

Table 4. GDP growth forecasts in Belgium

In %, unless otherwise indicated.

Belgium	2018	2019	2020	2021 (e)	2022 (e)
GDP	1.8	2.1	-5.7	6.0	2.6
Final consumption expenditure of households and NPI	1.9	1.8	-8.2	5.1	5.3
Final consumption expenditure of general government	1.3	1.7	0.2	3.0	0.1
Gross fixed capital formation	3.0	4.5	-6.2	10.5	2.0
Net exports (goods and services) (contribution to growth, in p.p.)	-0.6	0.3	0.4	0.4	-0.6
Total inflation (ICP)	2.1	1.4	0.7	2.3	3.3

(e) = estimate.

Source: European Commission ([European Economic Forecast](#), November 2021) and Federal Planning Bureau ([consumer price index - Inflation forecasts](#), November 2021).