



BELGIUM'S ECONOMY IN A NUTSHELL

ECONOMIC OUTLOOK
OF JULY 2021



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

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Séverine Waterbley

Chair of the Board of Directors

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Belgium's economy in a nutshell

Economic outlook

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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 451.2 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 62.9 % 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. Yet, despite an improvement in its balance, the trade balance remains negative 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 2019, the pharmaceutical industry was the **main value added creator within the manufacturing industry**, followed by the chemical industry and food and beverages.

Recent cyclical developments indicate that **annual GDP growth** collapsed in Belgium in 2020 (- 6.3 %) 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 1.8 % in 2019. While the decline in GDP was more pronounced in Belgium than in the European Union (27 countries; - 6.1 %), it was less pronounced than in the euro area (-6.6 %). In the **first quarter of 2021**, Belgium recorded a year-on-year decline in GDP of 0.5 %, a smaller decrease than the one recorded in the fourth quarter of 2020 (-4.9 %). Public consumption and investment spending drove economic activity in the first quarter of 2021, as did net exports. In contrast, private consumption and changes in inventories dampened economic growth in this first quarter of 2021.

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 quarter of 2021.

Business demographics continued to be strong in 2020, with more businesses starting than closing down and a net balance of 40,137 units was observed, the largest net balance noted since 2016. While this entrepreneurial dynamism continued in the first quarter of 2021 with a positive net balance of creations and terminations (of 8,899 units), it should be noted that this balance deteriorated year-on-year (1,040 fewer units) and that terminations increased compared with the corresponding period in 2020.

Overall, 2020 proved to be an unfavourable year for the **labour market**, with **employment rates** falling and **unemployment rates** rising, both overall and for those under 25. The deterioration continued in the first quarter of 2021 year-on-year as the employment rate fell to 63.6 % from 65.1 % compared to a year earlier, the youth unemployment rate rose to 20 % from 12.9 % in comparison with a year earlier and the total unemployment rate reached 6.8 % from 5.1 % compared to 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 two quarters of 2021. The most striking development here also concerns energy prices, which rose by more than 18 % in the second quarter of 2021, being in line with the rise in world oil prices. With regards to the **short-term growth prospects for Belgium**, the Federal Planning Bureau has indicated a decline in economic activity of 6.3 % in 2020 as a result of the global coronavirus crisis. However, an economic recovery is already expected in 2021, where economic growth is forecast to rise to 5.5 % as a result of the recovery of activities and the progress of the vaccination campaign. The Belgian growth is forecast to equal 2.9 % 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.

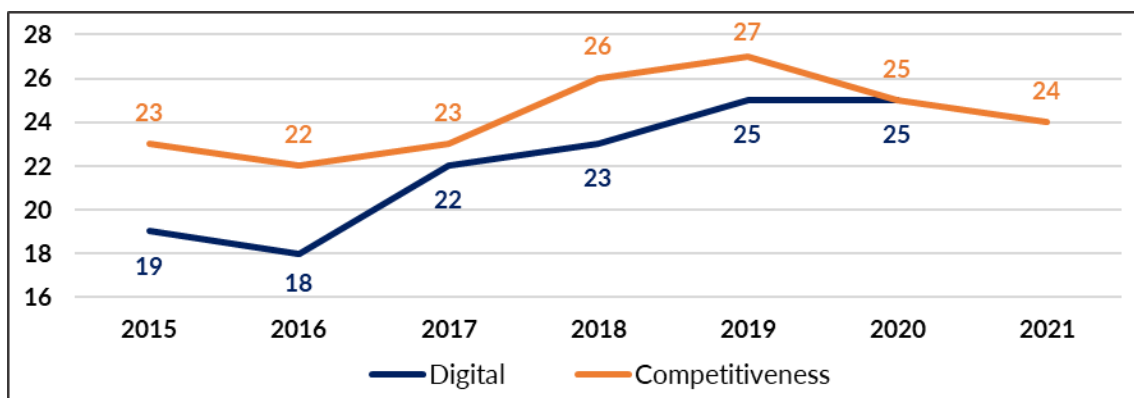


With a **surface area** of 31,000 km² and 11.5 million **inhabitants**, Belgium, along with the Netherlands, is one of the most densely populated countries in Europe.

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 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 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 451.2 billion euros in 2020, accounting for 3.4 % of the GDP of the European Union⁴ (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 56.5 % in 2018, 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.”

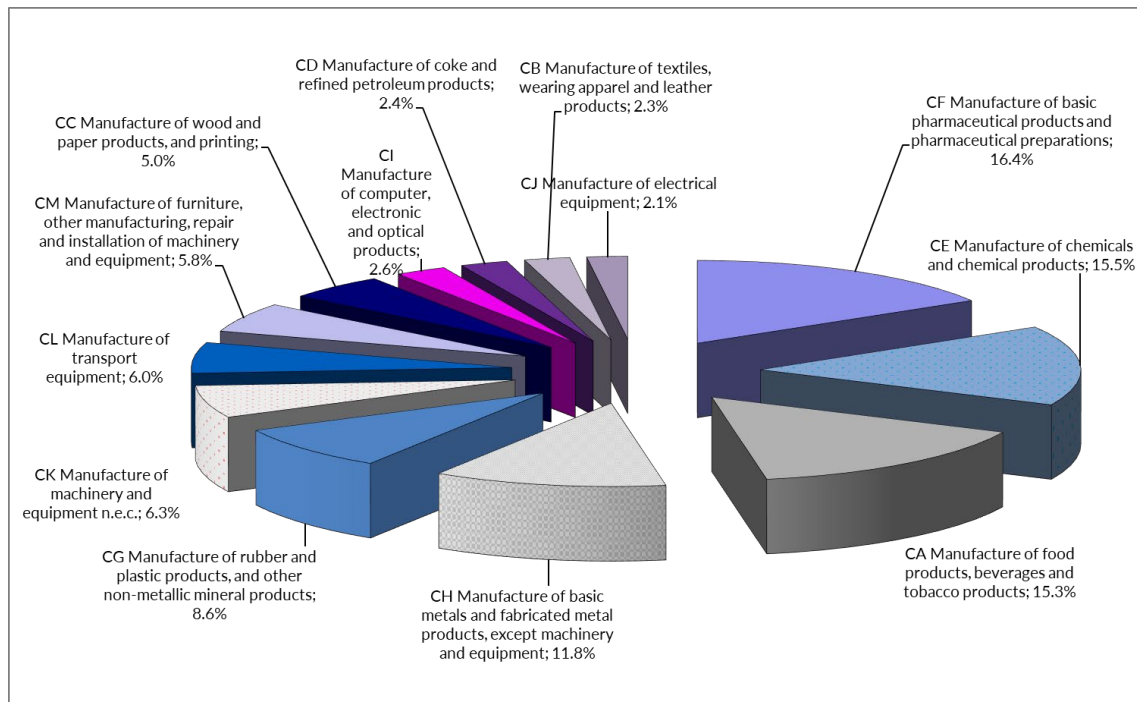
⁴ In 2020, the GDP at current prices of the European Union (27 countries) amounts to 13,305.8 billion euros (-4.7 % compared with 2019).

⁵ In 2020, the GDP at current prices of the euro area amounts to 11,322.8 billion euros (-5.1 % 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 2019

Gross value added as a % share of total value added of manufacturing industry.



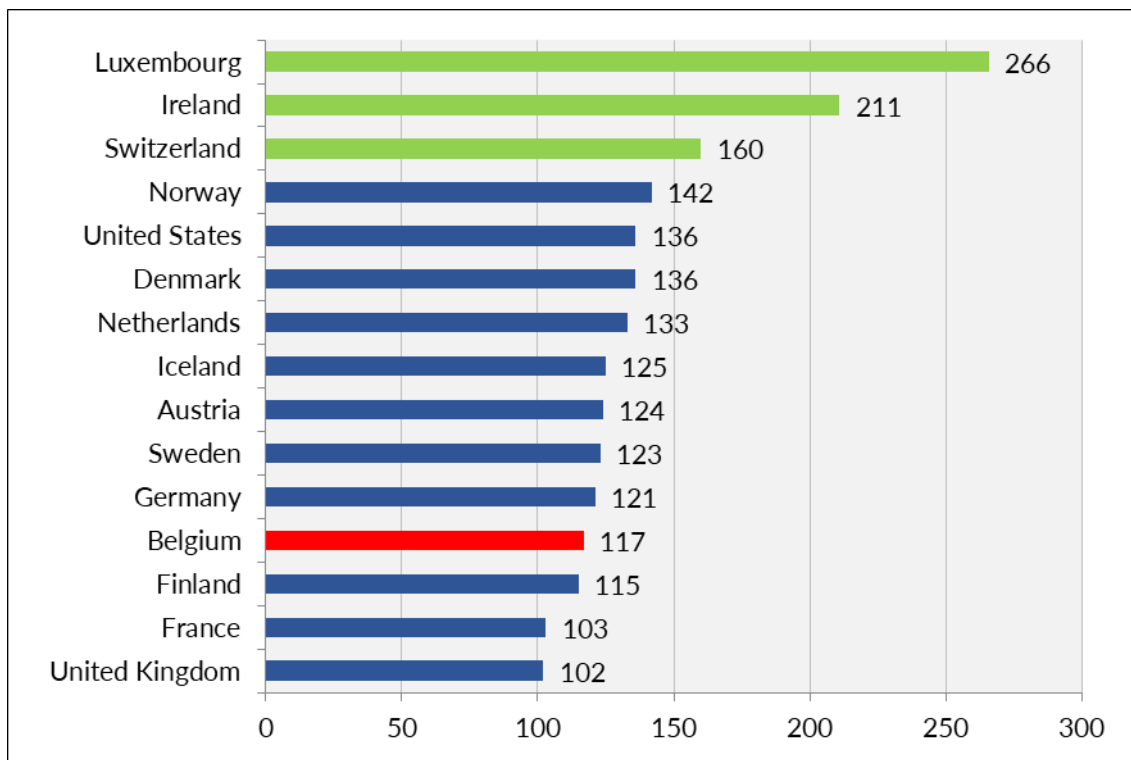
Source: National Accounts Institute (NAI) - Distribution per activity branches (A38).

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 (16.4 % of the total value added);
- the chemical industry (15.5 %);
- the food and beverage industry (15.3 %);
- the manufacture of basic metals and fabricated metal products (11.8 %).

Graph 3. GDP per capita in PPP in 2020
 UE27=100.



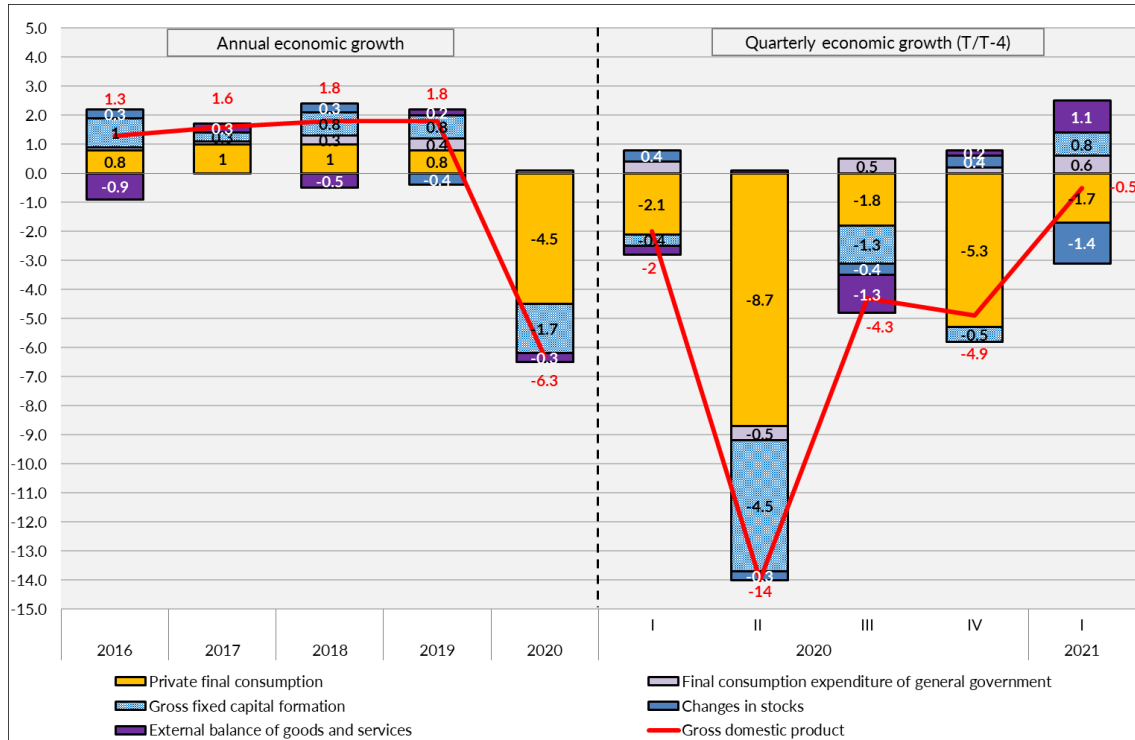
Source: Eurostat.

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 6.3% 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 6.1 percentage points. On the one hand, **private consumption expenditure** contributed strongly to the decline in GDP in 2020 (-4.5 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 1.7 percentage points to the decline in economic activity in 2020. Only **public consumption expenditure** slightly supported economic activity, contributing 0.1 percentage points to growth. Finally, as the pandemic has spread worldwide and some countries have closed their borders, Belgium's foreign trade has also weakened. The contribution of **net exports** to Belgian GDP growth was therefore negative in 2020 (-0.3 percentage points).

Year-on-year, GDP continued to fall in the **first quarter of 2021** (-0.5 %), but to a lesser degree than in the fourth quarter of 2020 (-4.9 %).

Domestic demand excluding stocks dragged down economic growth in the first quarter of 2021 by 0.3 percentage points. In the first quarter of 2021, private consumption was the only component of domestic demand excluding stocks that contributed to the decline in GDP, with 1.7 percentage points (compared with -5.3 percentage points in the previous quarter). Also, amongst the components of domestic demand excluding stocks, government consumption expenditure and

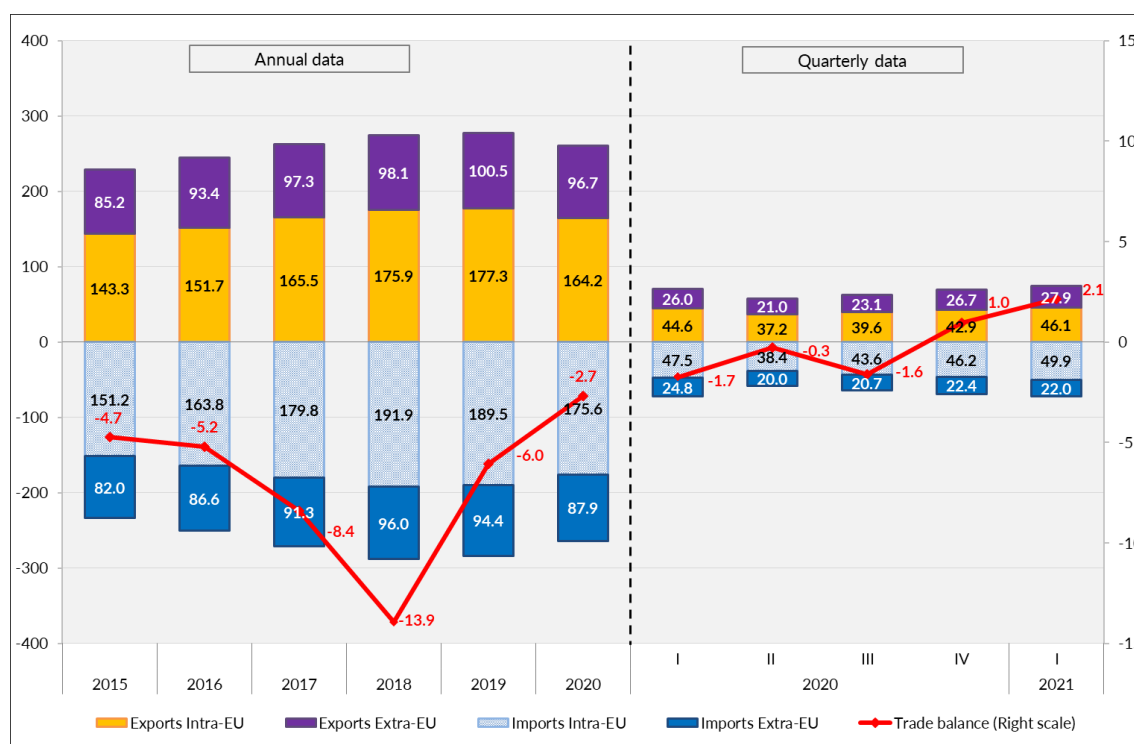
investments contributed positively to GDP growth in the first quarter of 2021, respectively by 0.6 and 0.8 percentage points (compared to +0.2 and -0.5 percentage points in the previous quarter). As a result, the government continues to play an important role in the economic recovery of Belgium in the first quarter of 2021, while investments make their first positive contribution to growth after four quarters of negative contribution.

Net exports somewhat counterbalanced the decline in economic activity by making a positive contribution to GDP growth in the first quarter of 2021, amounting to 1.1 percentage points, following a lower contribution in the fourth quarter of 2020 (+0.2 percentage points). The contribution to growth from the change in stocks was negative in the first quarter of 2021 (-1.4 percentage points compared with a positive contribution of 0.4 percentage points in the fourth quarter of 2020).

While the figures provided for the fourth quarter of 2020 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. 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 70 % of the Belgian population received a first dose of a COVID-19 vaccine at the beginning of August 2021, while almost 60 % have already received two doses of a vaccine, meaning that they are fully vaccinated. Evidently, it will still take some time for the economy to recover to its pre-crisis level.

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 6.1% and imports by 7.1%. Nevertheless, the trade balance improved in 2020 compared to 2019, due to a sharper decline of imports (-7.1 %) than exports (-6.1 %) of goods. This is the second year in which the trade balance has improved. However, the trade balance remains in deficit, amounting to 2.7 billion euros in 2020 compared to a deficit of 6 billion euros in 2019.

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

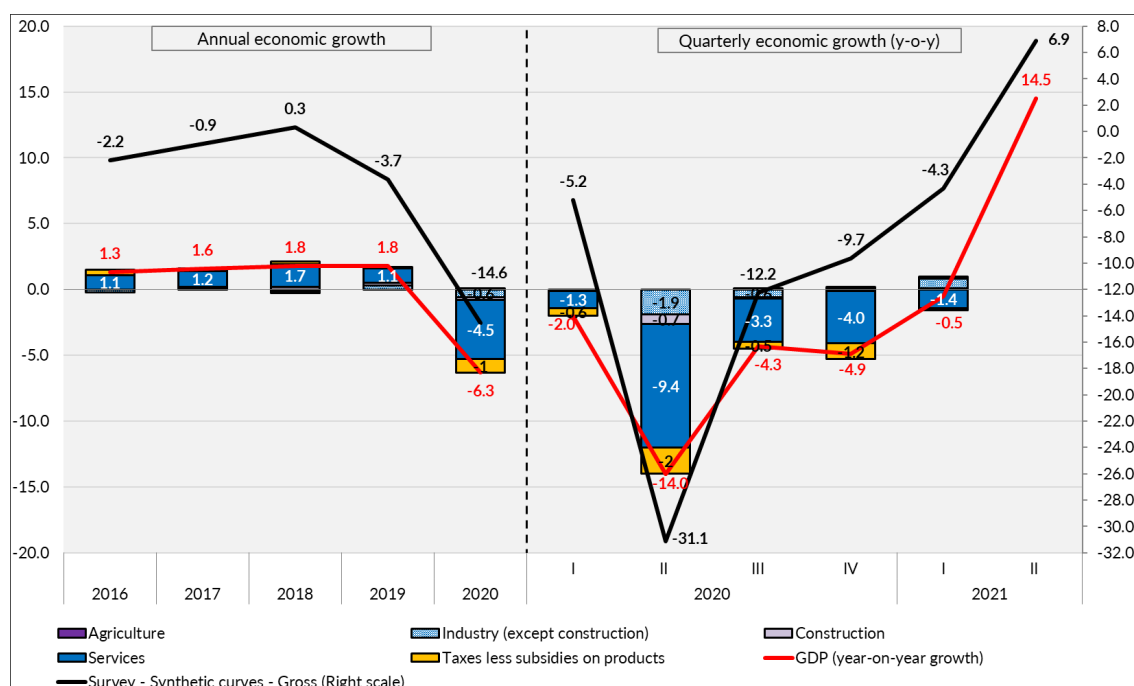
Total Belgian **exports** of goods in value increased by 4.9 % during the **first quarter of 2021**, compared to the same period in 2020, reaching 74 billion euros, compared with 70.5 billion euros in the first quarter of 2020. This increase in total exports is attributable to both intra-EU exports, which rose by 3.3 % year-on-year, and extra-EU exports, which increased by 7.6 % over the same period.

In contrast, total Belgian **imports** of goods in value continued their downward trend, with a year-on-year decline of 0.6 % in the first quarter of 2021. They amount to 71.9 billion euros, due to a decrease in extra-EU imports (-11.6 %). The increase in intra-EU imports (+5.1 %) over the same period was not sufficient to compensate the fall in extra-EU imports.

These results translated into a **positive trade balance** in the first quarter of 2021 (+2.1 billion euros). The net trade balance improved compared to the previous quarter (1 billion euros) and compared to the corresponding quarter of 2020 (-1.7 billion 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 **2020**, the economic activity fell by 6.3 % in 2020, compared with an increase of 1.8 % 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 4.5 percentage points to the decline (compared to a support of 1.1 percentage points in 2019). While it supported economic activity in 2019 (with a contribution of +0.3 percentage points), the activity in the **manufacturing industry** declined in 2020, contributing 0.6 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 it supported economic activity in 2019 (+0.2 percentage points). The contribution to growth from **agriculture** was slightly positive in 2020 (+0.1 percentage points), while it was neutral in 2019.

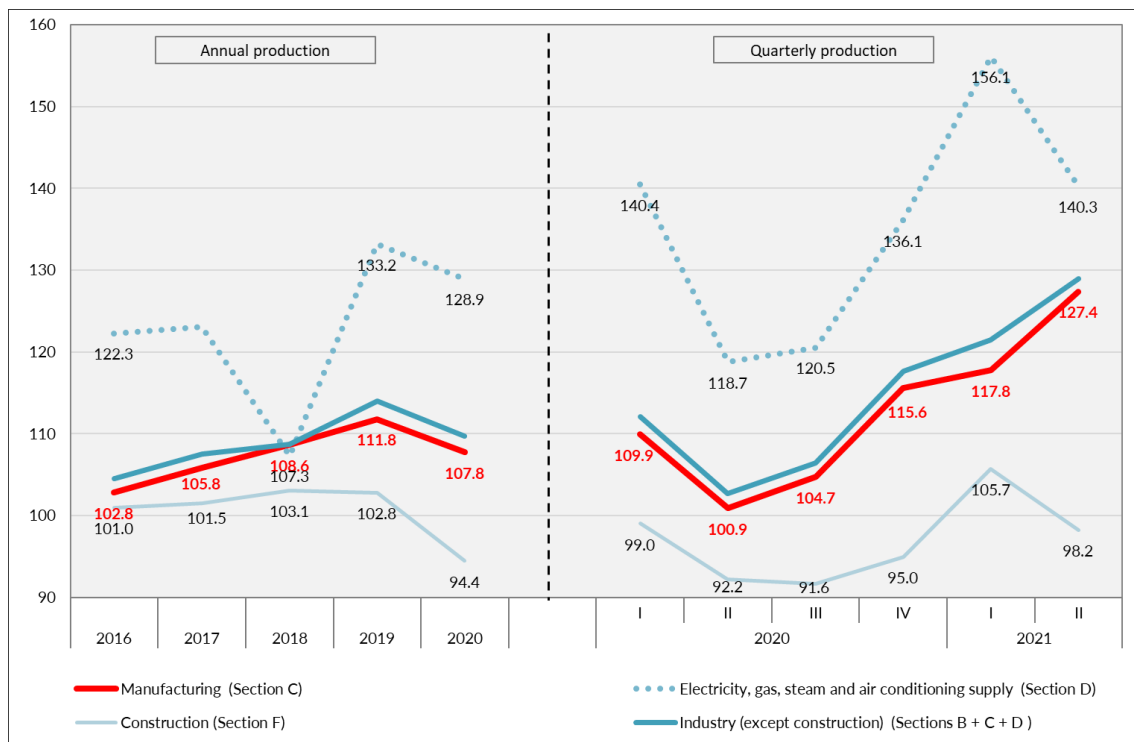
In the **first quarter of 2021**, the **manufacturing industry (excluding construction)** contributed 0.7 percentage points to the economic activity, after a smaller contribution of 0.1 percentage points was recorded the previous quarter.

For the fifth consecutive quarter, **services** contributed to the decline in GDP, moving from a contribution of -4 percentage points in the fourth quarter of 2020 to a contribution of -1.4 percentage points in the first quarter of 2021. Services are also the main drag on GDP growth.

Finally, the contribution of the **construction** sector to the growth of economic activity was slightly positive in the first quarter of 2021 (+0.2 percentage points), after four quarters of negative contribution (-0.1 percentage points in the fourth quarter of 2020). **Agriculture** contributed to the economic activity by 0.1 percentage points in the first quarter of 2021, as it did in the 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. Moreover, business confidence continued to improve during the second quarter of 2021 and even exceeded its pre-pandemic level.

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



Source: Statbel, Working-day adjusted indices.

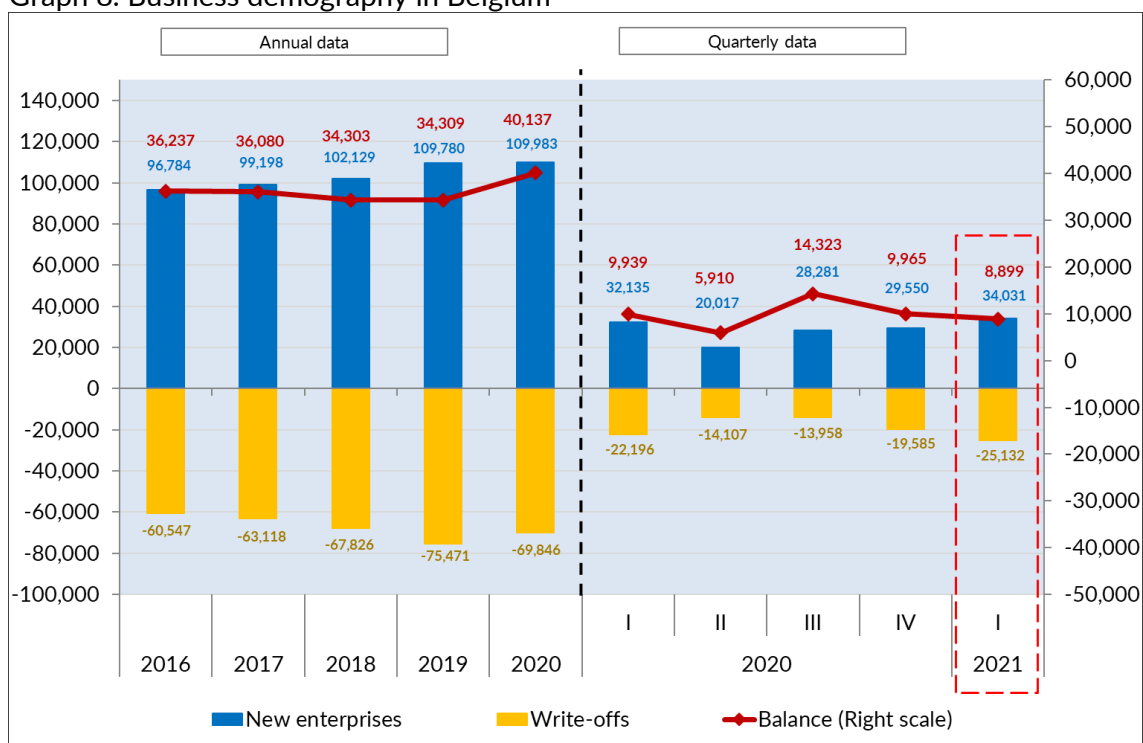
As a result of the health crisis, all the sectors examined here experienced an unfavourable year in **2020** and saw their production decline year-on-year. The sharpest decline in the production was observed in the construction sector.

The manufacturing industry, excluding construction, returned to positive output growth in the last quarter of 2020 (+0.6 percent year-on-year). This positive trend also continued in the first quarter of 2021, when output grew by 3.3 % compared to the same quarter of the previous year.

After several quarters of substantial declines, **electricity, gas, steam, and air conditioning production** increased again in the first quarter of 2021, year-on-year, rising 7.6 %, in contrast with a 5.2 % decline in the last quarter of 2020.

Finally, **construction** activity strengthened in the first quarter of 2021 (+6.6 % year-on-year), following a 7.7 % decline in the last quarter of 2020.

Graph 8. Business demography in Belgium



Source: Statbel.

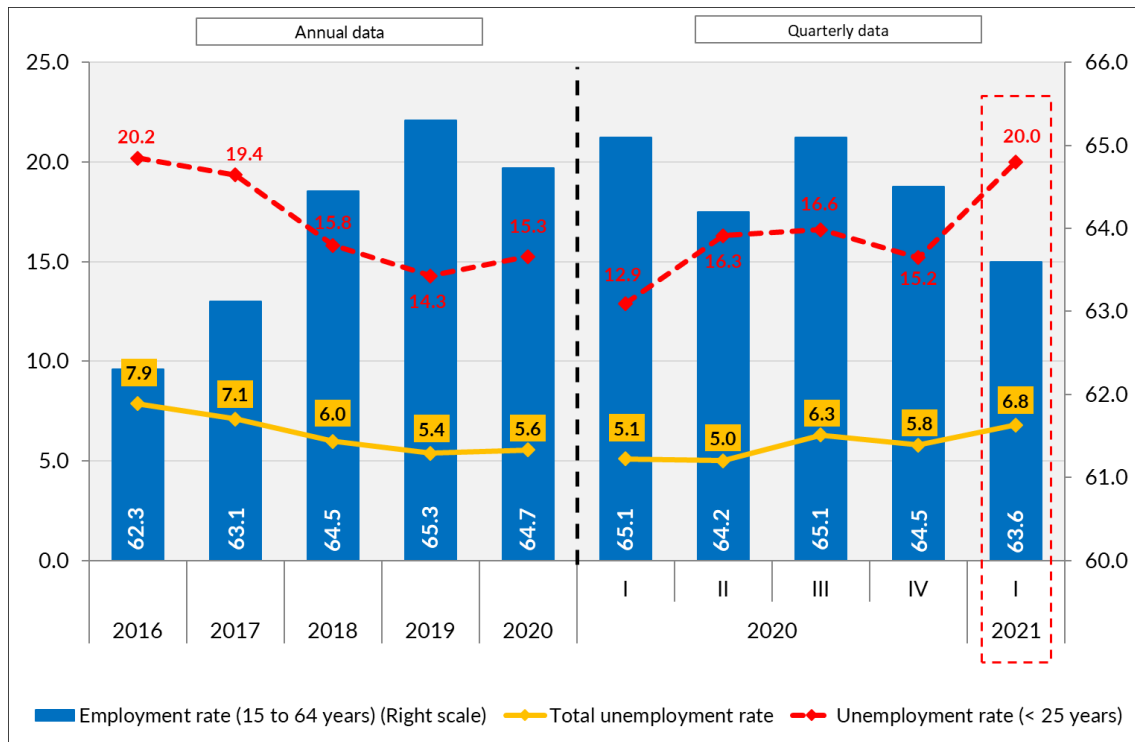
In 2020, entrepreneurial demographics showed a favourable development compared to 2019 in terms of new enterprises as well as write-offs. Thus, business creations increased slightly by 0.2 % while write-offs decreased by 7.5 %. However, with 40,137 companies, the net balance between "creations and closures" of businesses is positive and totals 5.828 more companies than in 2019.

In the first quarter of 2021, 34,031 new companies were created, 1,896 more than in the corresponding quarter of 2020. Of these new enterprises, 89.1% were first-time registrations (46.8 % of which were natural persons and 42.3 % legal entities) and 10.9 % were re-registrations (9.2 % natural persons and 1.7 % legal entities).

In addition, 25,132 companies stopped their activity in the first quarter of 2021 (64.1 % of which were natural persons and 35.9 % legal persons), 2,936 more than in the first quarter of 2020.

In the first quarter of 2021, the balance between "business creations" and "business closures" was therefore positive and amounts to 8,899 businesses, of which 33.1 % were natural persons and 66.9 % were legal entities. This net "creations-closures" balance increased by 1,040 units compared to the corresponding quarter of 2020 (-10.5 %).

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



Source: Eurostat.

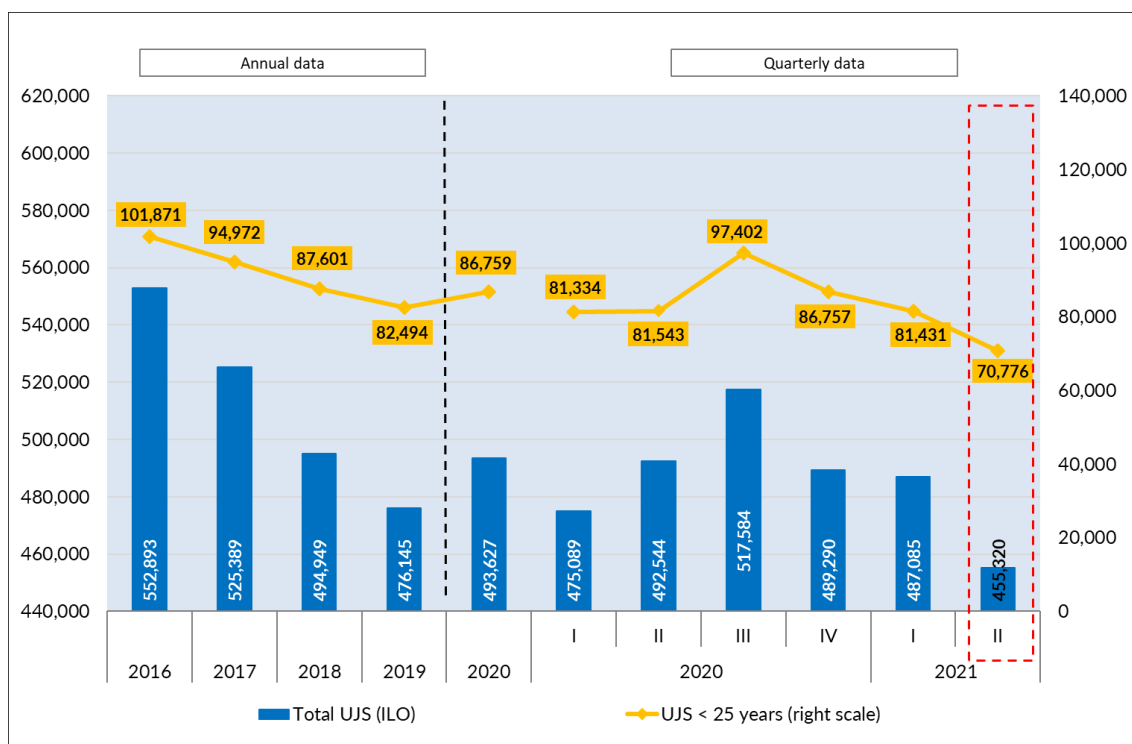
Overall, **2020** proved to be an unfavourable year for the labour market in the context of the COVID-19 pandemic.

As the situation worsened in 2020, all monitored employment indicators showed unfavourable developments. 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 5.8 % in 2020.

The deterioration observed for the year as a whole is also observed in the **first quarter of 2021**, exemplified by an **employment rate** decrease of 1.5 percentage points year-on-year, from 65.1 % to 63.6 %, in the first quarter of 2021.

Also, both the **under-25 unemployment rate** and the **total unemployment rate** change unfavourably compared to the same period in 2020, with rates of 20.0 % (+7.1 percentage points year-on-year) and 6.8 % (+1.7 percentage points year-on-year) respectively.

Graph 10. Number of unemployed jobseekers (UJS)



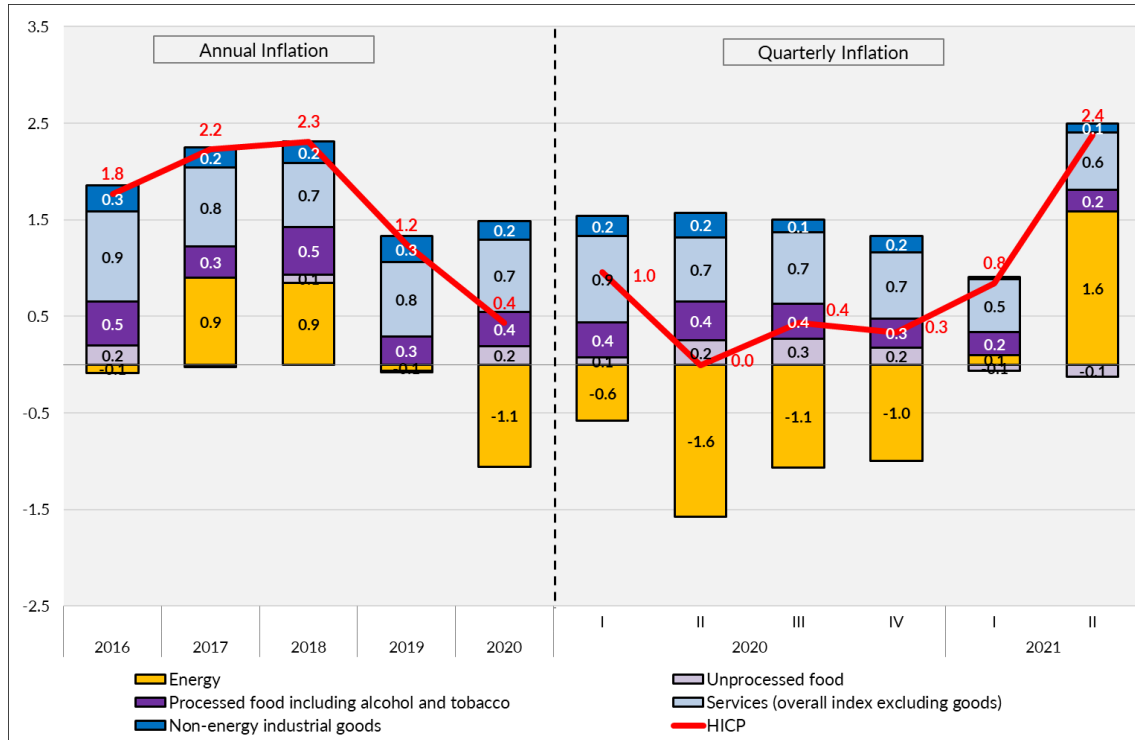
Source: NEO.

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 applied to the number of **UJS under 25 years of age**, which increased by 5.2 % to 86,759 units.

However, the second quarter of 2021 did not confirm the upward trend in the **number of unemployed jobseekers (UJS)** and the number of **unemployed jobseekers under 25 years of age**, year-on-year. In the **second quarter of 2021**, there were 455,320 UJS, a decrease of almost 7.6 % year-on-year and 70,776 unemployed people under 25 years of age, 13.2 % 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 an increase in energy prices, **HICP inflation** accelerated in the **second quarter of 2021** from 0.8 % in the first quarter of 2021 to 2.4 % in the second quarter of 2021.

Consumer prices for **unprocessed food** fell by 3.1 % in the second quarter of 2021 (after -1.4% in the previous quarter, but due to their moderate weight in the consumer basket, their contribution to total inflation was limited to -0.1 percentage points. This is the only product group that contributed negatively to total inflation during this period.

Consumer prices for **processed food** continued to decelerate in the second quarter of 2021 and now stand at 1.1 % compared to 1.3 % in the previous quarter, contributing 0.2 percentage points to total inflation in the second quarter of 2021.

Conversely, **services**, which experienced an inflation of 1.4 % in the second quarter of 2021 after an inflation of 1.3 % in the previous quarter, contributed 0.6 percentage points to total inflation due to their considerable weight in the consumption basket (over 40 %).

As with services, inflation for the fourth product group, **non-energy industrial products**, also experienced an acceleration in the pace of price increases in the second quarter of 2021, rising from 0.1 % in the first quarter of 2021 to 0.4 % in the second quarter of 2021. As a result, the contribution of this product group to total inflation in the second quarter of 2021 was therefore 0.1 percentage points.

Finally, the **energy products** 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, in the course of 2021, experiencing a clear price recovery. Therefore, after experiencing a negative inflation in 2020 and recording an initial increase of 0.4 % in the first quarter of 2021, the prices of this product category rose by 18.3 % in the following quarter. This acceleration contributed 1.6 percentage points to total inflation in the second quarter of 2021 and accounted for two thirds of total inflation.

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

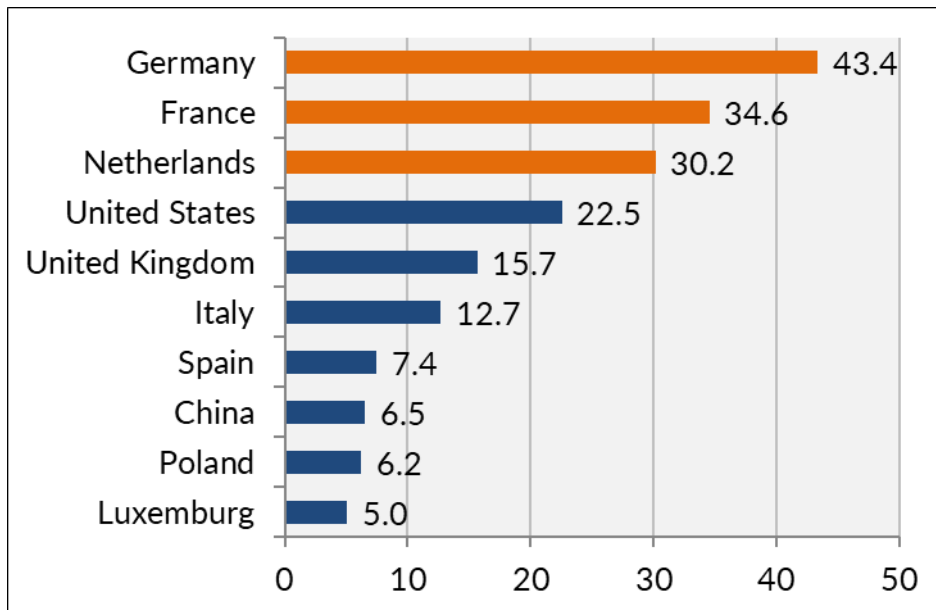
	2015	2016	2017	2018	2019	2020
World (all entities)	100%	100%	100%	100%	100%	100%
European Union (27 countries)	62.7%	61.9%	63.0%	64.2%	63.8%	62.9%
Other European countries	12.2%	12.3%	12.0%	11.2%	10.8%	11.0%
<i>United Kingdom</i>	7.9%	7.6%	7.2%	6.6%	6.0%	6.0%
Africa	2.8%	2.7%	2.7%	2.7%	2.8%	2.9%
America	8.1%	8.9%	8.1%	8.5%	10.3%	11.2%
<i>United States</i>	5.8%	6.7%	5.7%	5.9%	7.5%	8.6%
Asia	12.3%	12.8%	12.5%	11.1%	10.6%	10.6%
<i>China</i>	2.0%	2.2%	2.4%	1.9%	1.9%	2.5%
<i>India</i>	3.2%	3.2%	2.9%	2.7%	2.2%	1.6%
<i>Japan</i>	0.8%	1.1%	1.0%	1.0%	1.1%	1.0%
<i>South Korea</i>	0.5%	0.4%	0.4%	0.4%	0.4%	0.5%
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%	0.8%

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 62.9 % of total Belgian exports of goods in 2020. This share decreased by 0.9 percentage points in 2020 compared to 2019. In contrast, the share of **other European countries** increased slightly in 2020 (+0.2 percentage points in 2020) after having reached its lowest result over the observation period in 2019. The share of the **United Kingdom** in Belgian exports of goods has been steadily declining since 2015 but remained stable 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. The share of Belgian exports to **South Korea** has remained relatively stable over the observation period, at around 0.5 % in 2020. In contrast, with the exception of 2017, **America's** share increased over the foreseen period (+0.9 percentage points in 2020 compared to 2019), driven mainly by the **United States** (+1.1 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.

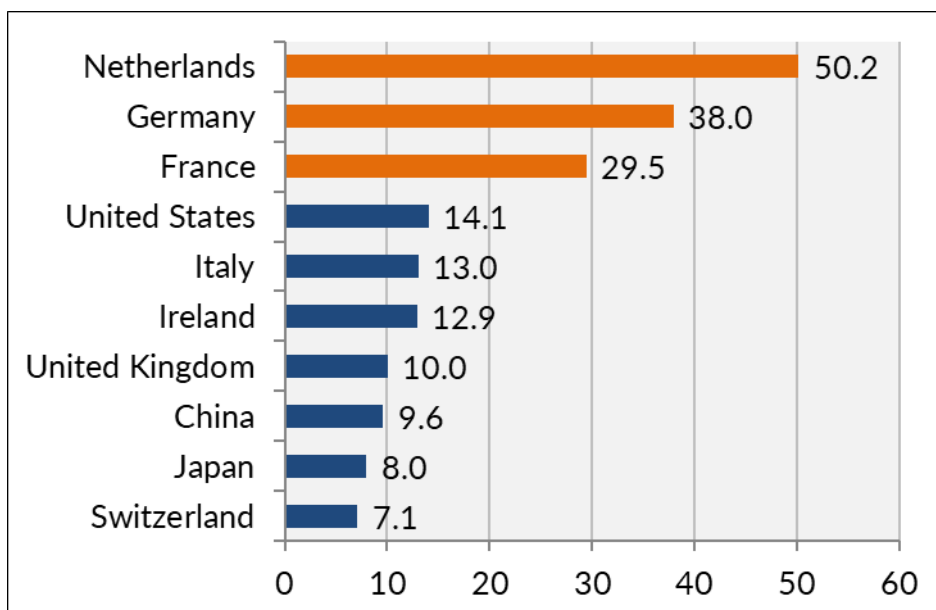
In 2020, Belgian exports of goods went mainly to nearby countries. The first destination was **Germany**, accounting for 43.4 billion euros, followed by **France** with 34.6 billion euros and **the Netherlands** with 30.2 billion euros. Together, those three countries received 41.5 % of total Belgian exports of goods.

The **United Kingdom** comes in 5th place with approximately 15.7 billion euros of goods exported by Belgium to this country, which represents 6 % of total Belgian exports.

South Korea is the 28th largest export market for Belgium in 2020, with 1.4 billion euros of goods exported to this country.

Graph 13. Most important import partners in 2020

In billion euros.



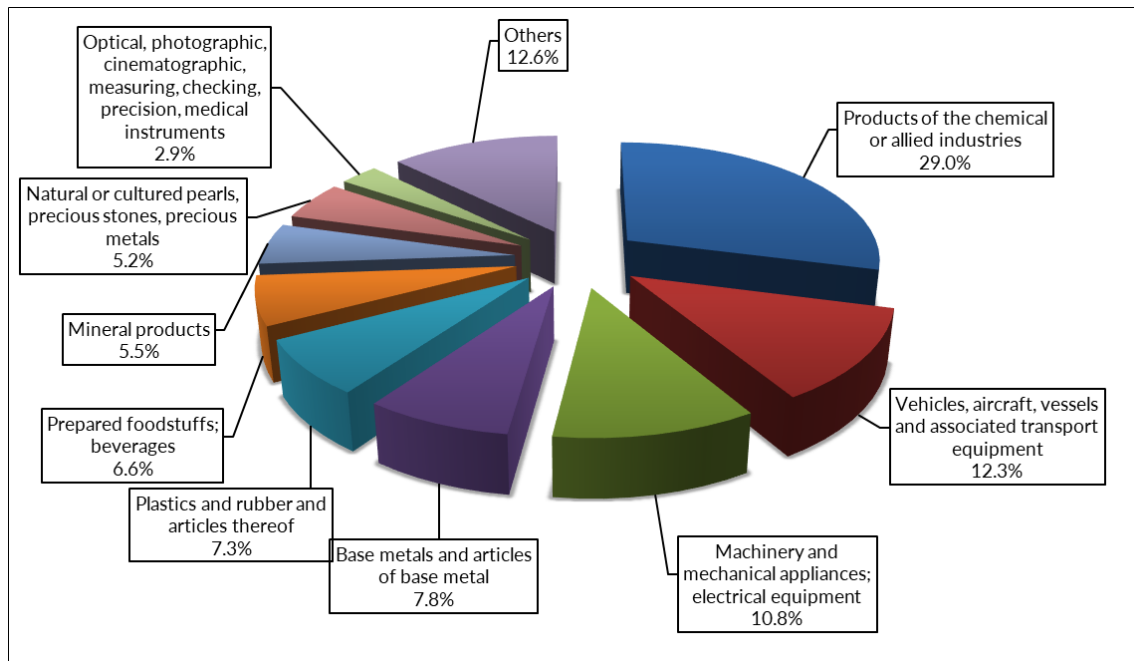
Source: National Accounts Institute (NAI), national concept.

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 50.2 billion euros, followed by **Germany** with 38 billion euros and **France** with 29.5 billion euros. Together, those three countries supplied 44.6 % 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 10 billion euros in 2020, which is equivalent to a share of 3.8 % of total Belgian imports.

South Korea ranks 25th among the suppliers of the Belgian market in terms of imports. Belgium's imported goods from South Korea totalled 1.6 billion euros in 2020.

Graph 14. Breakdown of Belgian exports in 2020



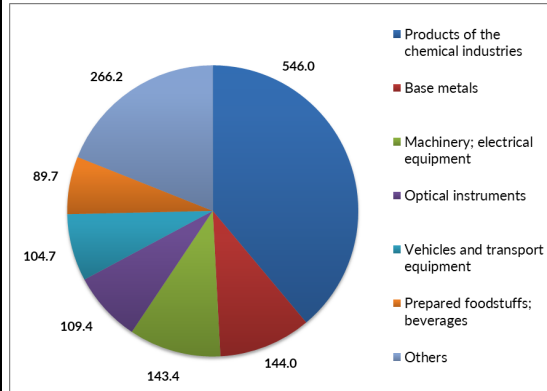
Source: National Accounts Institute (NAI), national concept.

In 2020, four sectors mainly dominated total Belgian exports of goods. These were **chemical products** (29 % - 75.8 billion euros), **vehicles and transport equipment** (12.3 % - 32.1 billion euros), **machinery and electrical equipment** (10.8 % - 28.1 billion euros) and **base metals** (7.8 % - 20.3 billion euros). Together, those four sectors represented more than half of total Belgian exports (59.9 %).

Focus: Trade flow between Belgium and South Korea in 2020.

Graph 15. Exports to South Korea in 2020

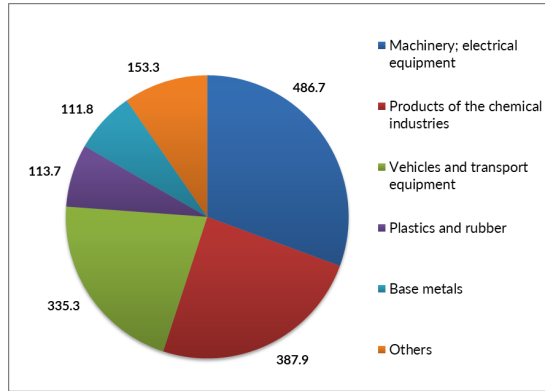
In million euros.



Source: NBB (national concept).

Graph 16. Imports from 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.

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.

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.

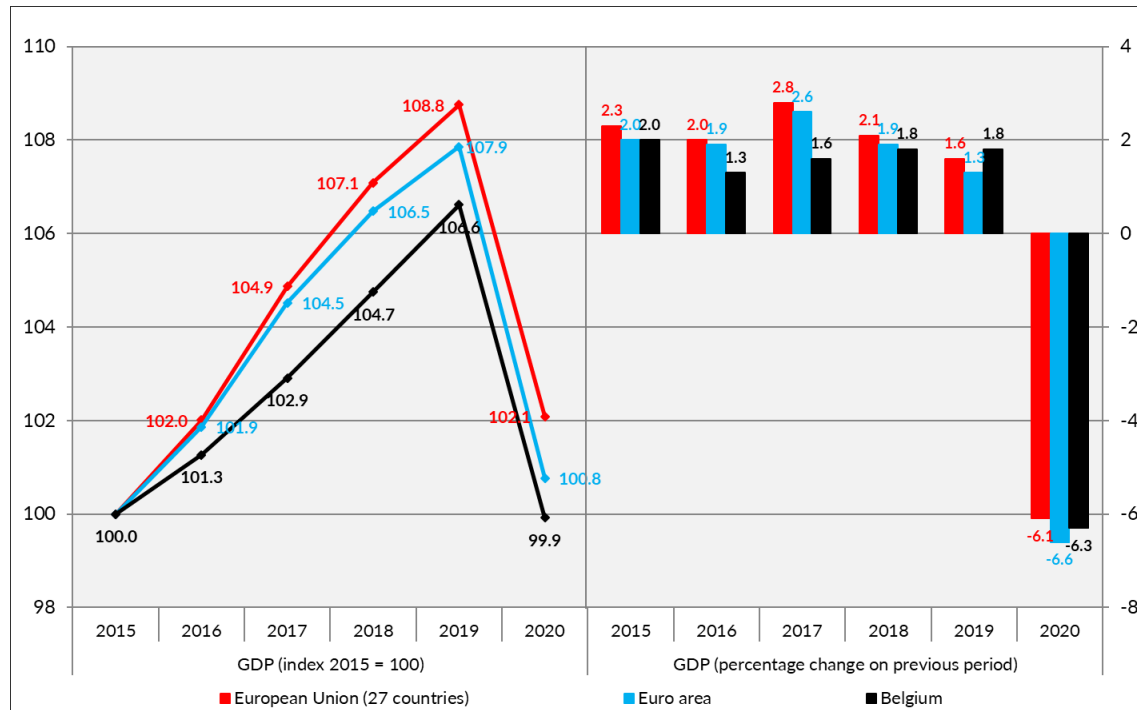
The second most imported products from South Korea by Belgium in 2020 were **chemical products**, which accounted for 387.9 million euros, equalling a share of 24.4 % of Belgian imports coming from this country. Belgian imports of **transport equipment** were also significant, valuing 335.3 million euros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

Together, Belgian 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 %).

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

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 was stable in Belgium. Moreover, Belgian economic growth was bigger than that of the euro area and the European Union, reaching 1.8 %.

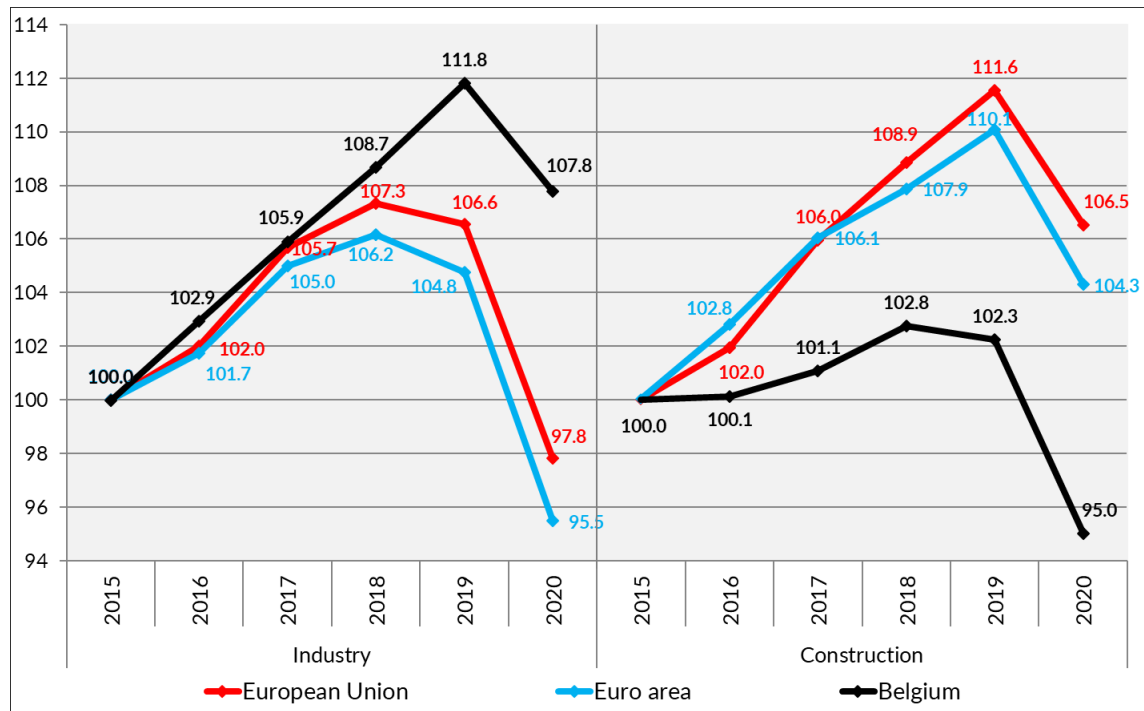
However, in 2020, the **COVID-19 pandemic** has caused GDP to fall sharply in the three analysed areas, by around 6.1% for the European Union, 6.6% for the euro area and 6.3% for Belgium.

Finally, in 2020, GDP was 451.2 billion euros for Belgium (compared to 476.3 billion euros in 2019), 11,322.8 billion euros for the euro area (compared to 11,937.3 billion euros in 2019) and 13,305.8 billion euros for the European Union (compared to 13,965.4 billion euros 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.

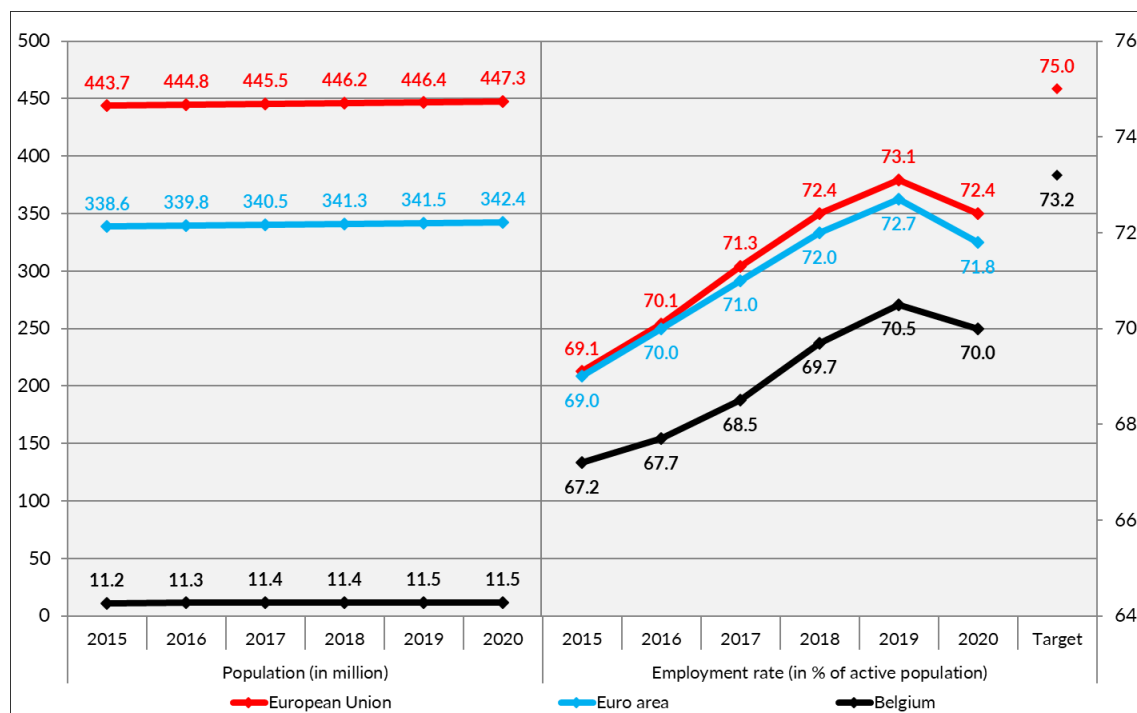


Source: Eurostat.

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 all three examined areas, although the fall was more pronounced in Belgium.

Graph 19. Population and employment rate

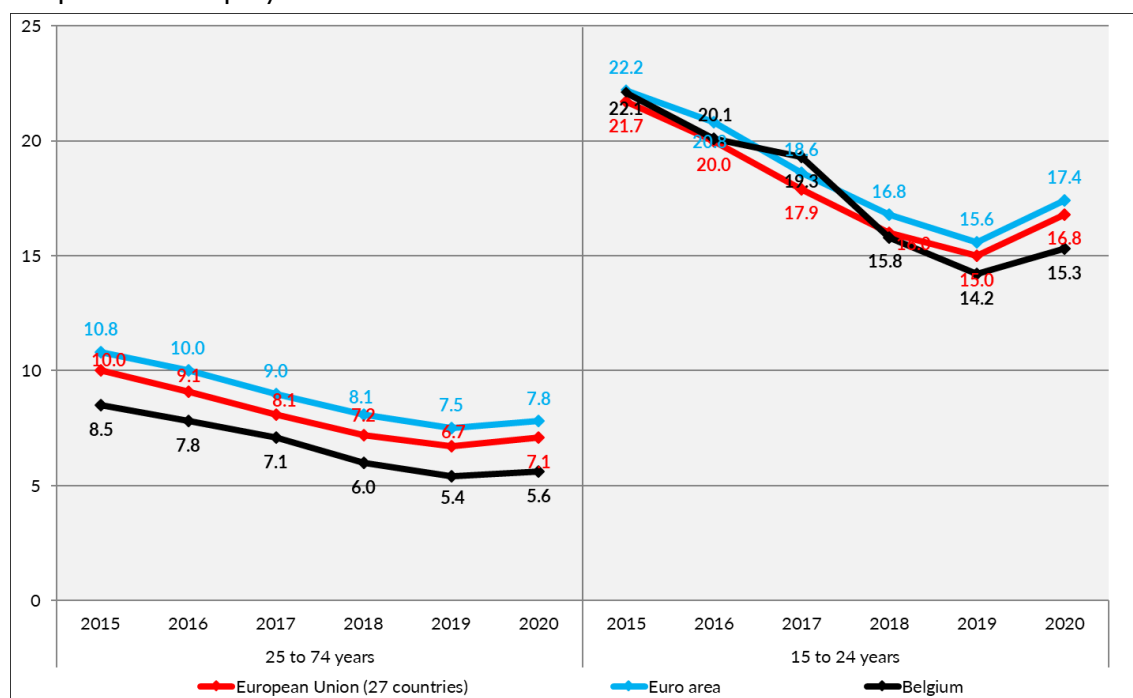


Source: Eurostat.

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 (72.4 %), but also remains far from its target set for 2020 in the Europe 2020 strategy (73.2 %).

Graph 20. Unemployment rate



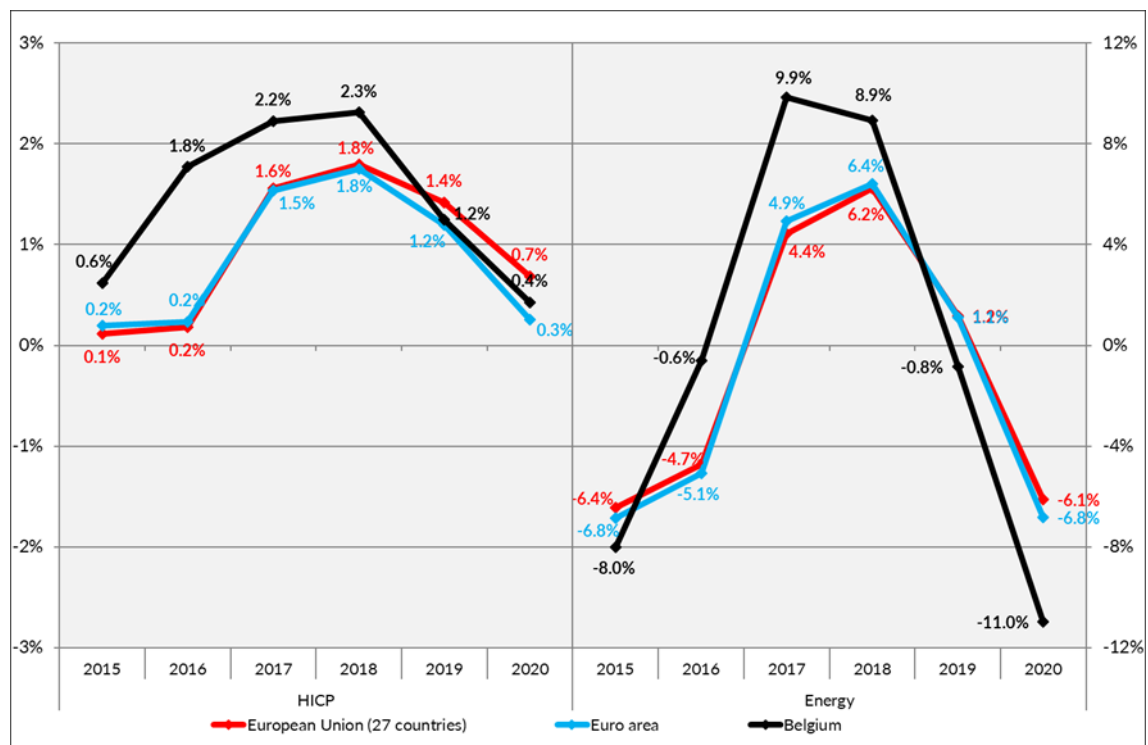
Source: Eurostat.

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

It should be recalled that the decline in global economic activity in 2020 is due to the COVID-19 pandemic. As vaccination campaigns progress and containment measures are progressively phased out, a recovery of activity is expected in 2021.

Table 3. GDP growth forecasts in the international environment

In %.

International environnement	2018	2019	2020	2021 (e)	2022 (e)
World	3.6	2.8	-3.2	6.0	4.9
United States	3.0	2.2	-3.5	7.0	4.9
China	6.7	6.0	2.3	8.1	5.7
Euro area	1.9	1.3	-6.5	4.6	4.3
Germany	1.3	0.6	-4.8	3.6	4.1
France	1.9	1.8	-8.0	5.8	4.2
The Netherlands	2.4	1.7	-3.8	3.3	3.2
United Kingdom	1.3	1.4	-9.8	7.0	4.8
South Korea	2.9	2.0	-1.0	3.6	2.8

(e) = estimate.

Source: IMF ([World Economic Outlook](#), July 2021).

Table 4. GDP growth forecasts in Belgium

In %, unless otherwise indicated.

Belgium	2018	2019	2020	2021 (e)	2022 (e)
GDP	1.8	1.8	-6.3	5.5	2.9
Final consumption expenditure of households and NPI	1.9	1.5	-8.7	4.5	6.4
Final consumption expenditure of general government	1.2	1.7	0.6	5.5	-0.7
Gross fixed capital formation	3.4	3.4	-6.8	10.0	1.2
Net exports (goods and services) (contribution to growth, in p.p.)	-0.5	0.2	-0.3	0.5	-0.4
Total inflation (ICP)	2.1	1.4	0.7	1.5	1.7

(e) = estimate.

Source: Federal Planning Bureau ([economic outlook 2021-2026](#), June 2021).