



BELGIUM'S ECONOMY IN A NUTSHELL

ECONOMIC OUTLOOK
OF AUGUST 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 507.2 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 62.3% 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 8.4 billion euros in 2021, compared to a surplus of 1.7 billion euros a year earlier.

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

Annual GDP growth recovered strongly in Belgium in 2021 (+6.2%) 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; +5.3%) and in the eurozone (+5.4%). In the **first quarter** of 2022, Belgium saw its GDP increase by 4.9% year-on-year, which is slower than in the previous quarter (+5.7% year-on-year). While **domestic demand excluding stocks**, especially private consumption, contributed to this favourable GDP growth, **net exports** weighed on the growth of economic activity in the first quarter.

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 the manufacturing industry fell sharply in 2020 to rise again in 2021. The production index for industry excluding construction and for the energy sector both exceeded their pre-crisis level in 2021, whereas the construction index did not. Data from the first quarter of 2022 shows a clear recovery in construction.

Business demography was 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. Entrepreneurial dynamism is still observed in the first quarter of 2022, with a positive net "creations-terminations" balance (22,146 units). This balance increased year-on-year by 13,247 units and represents the largest net balance observed since the first quarter of 2017.

Overall, 2021 proved to be an uneven 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. Indeed, the youth unemployment rate stood at 14.2% (against 18.6% a year earlier). As for the total unemployment rate, it improved slightly in the first quarter of 2022 and reached 5.3% (against 6.6% a year earlier). The employment rate increased as well in the first quarter of 2022, reaching 66.4% (compared to 63.6% a year earlier).

After a year 2020 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) rose in 2021 and during the first semester of 2022, where it reached 9.9% in the second quarter of 2022. All components of the HICP are rising, but it is the energy component that is driving prices upwards. With an inflation of 64.3% in the second quarter of 2022, the energy component accounts for more than two-thirds of total inflation. The estimated inflation increase in 2022 is 8.1%.

With regard to the **short-term growth prospects** for the Belgian economy, the Federal Planning Bureau indicates that the economic recovery has already started in 2021, with growth amounting to 6.2%. However, according to the Planning Bureau, Belgian growth will slow down to about 2.6% in 2022.

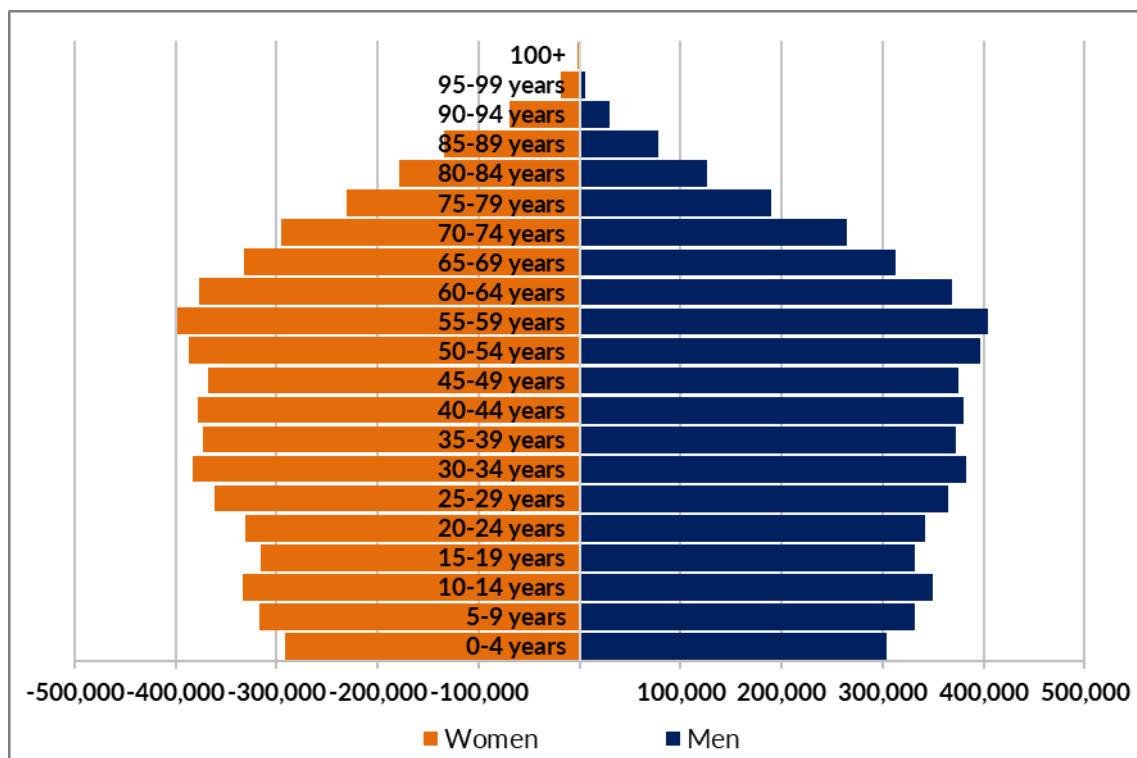
1. Belgium at a Glance

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. 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 whom 50.7% are women and 49.3% are men, is ageing, as the age pyramid chart below shows. However, the Covid 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

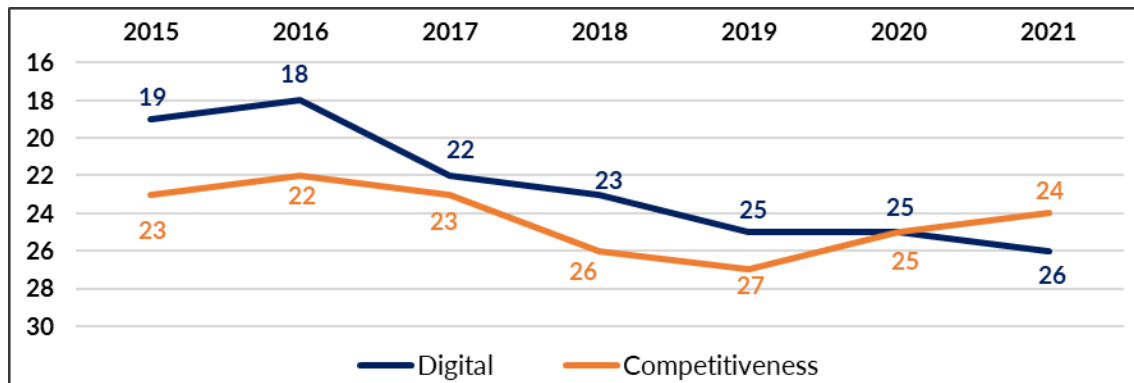


Source: Statbel.

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 507.2 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 84.7% (79.3% 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 14,448.3 billion euros.

⁵ In 2021, the GDP at current prices of the euro area amounts to 12,253.9 billion euros.

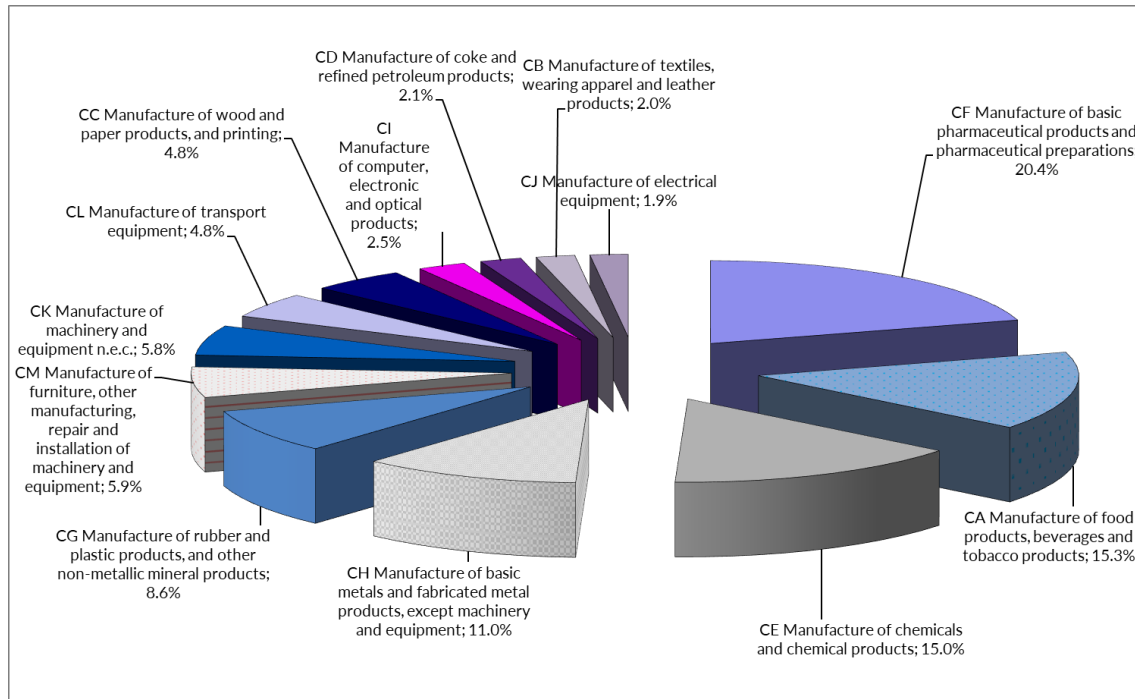
⁶ Average value of its imports and exports of goods and services divided by GDP, multiplied by 100.

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 55.4% 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.

Graph 2. Breakdown of the Belgian Manufacturing Industry in 2020

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



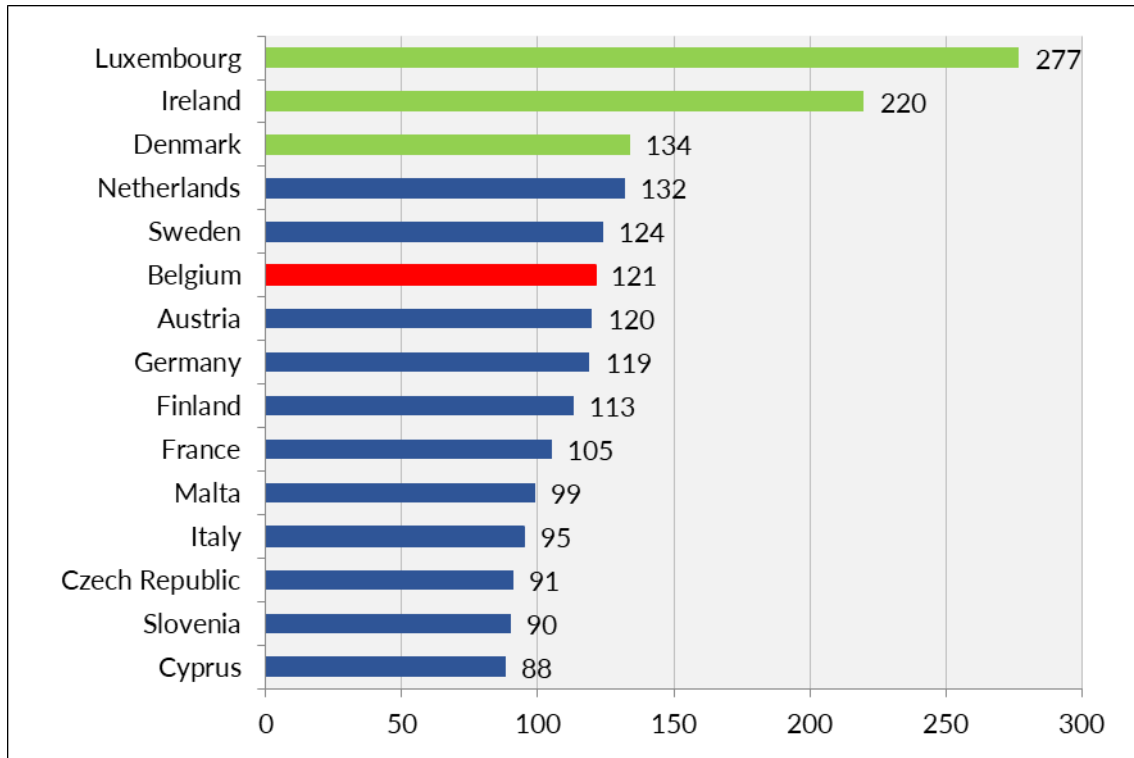
Source: National Accounts Institute (NAI) - Distribution per activity branches (A38).

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 core 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, Expressed in Purchasing Power Parity, in 2021
UE27=100.



Source: Eurostat.

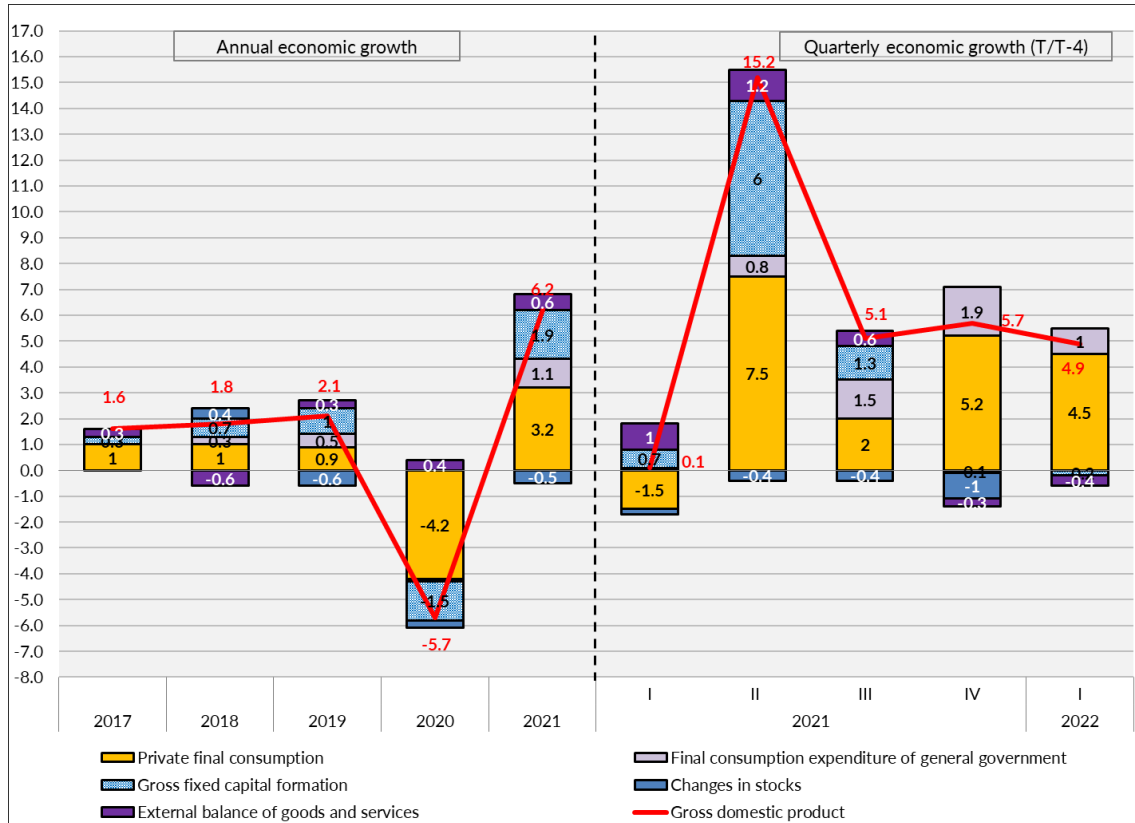
According to the European structural indicators from Eurostat, **Belgium's GDP per capita**, expressed in purchasing power parity⁷, amounted to 121 in 2021, compared to the EU-27 average set equal to 100. This is also the best result for Belgium since 2015. Belgian GDP per capita is three percentage 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 6.2% 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 6.2 percentage points to the rebound in Belgian economic activity. **Private consumption expenditure** made a strong contribution to the increase in GDP in 2021 (+3.2 percentage points), while **investment** contributed 1.9 percentage points and **public consumption expenditure** 1.1 percentage points. Finally, the contribution to Belgian GDP growth of **net exports** was also positive in 2021 (+0.6 percentage points). Only the **change in stocks** reduced Belgian economic growth in 2021 by 0.5 percentage points.

Year-on-year, GDP in the **first quarter** of 2022 grew by 4.9%, after a 5.7% growth in the fourth quarter of 2021. This is not surprising given the plunge in economic activity, particularly from the second quarter of 2020 onwards, at the height of the health crisis, when many restrictive measures were in place.

Domestic demand excluding stocks boosted economic growth in the first quarter of 2022 by 5.3 percentage points. This shift in domestic demand excluding stocks is attributable to positive developments in private and public consumption. Indeed, in the first quarter of 2022, private consumption contributed 4.5 percentage points to GDP growth (compared with 5.2 percentage points in the previous quarter) and public consumption expenditure 1 percentage point (compared with 1.9 percentage points in the previous quarter). In contrast, investment contributed negatively for the second time, by 0.2 percentage points.

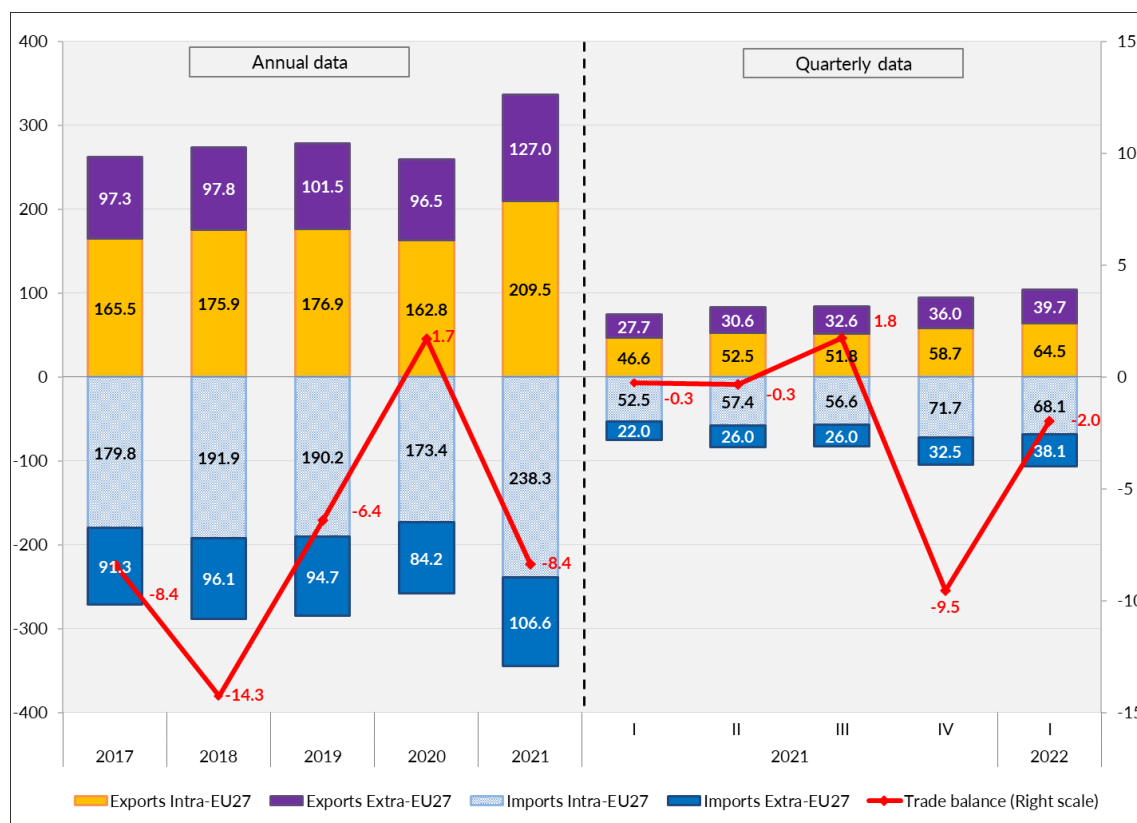
Net exports also weighed on the growth of economic activity, making a negative contribution to GDP growth in the first quarter of 2022 of 0.4 percentage points, after a negative contribution of

0.4 percentage points in the fourth quarter of 2021. The contribution to growth of the change in inventories was neutral in the first quarter of 2022 while it was negative in the fourth quarter of 2021 (-0.4 percentage points).

In **conclusion**, the Belgian economy continued its economic recovery process in the first quarter of 2022, despite a slowdown compared to the previous three quarters. It should be noted that the year 2022 faces new challenges, including the problems of particularly high inflation and the economic consequences of the war in Ukraine.

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 29.8% and imports by 33.9 %, reaching record levels of 336.5 billion euros and 344.9 billion euros respectively, so that the trade balance decreased in 2021. Thus, while the trade balance showed a surplus of 1.7 billion euros in 2020, it is now in deficit and amounts to nearly 8.4 billion euros in 2021⁹.

Total Belgian **exports** of goods in value increased by 40.4% during the **first quarter of 2022**, compared to the same period in 2021, reaching 104.3 billion euros, compared with 74.3 billion euros in the first quarter of 2021. This increase in total exports is attributable to both intra-EU27 exports, which rose by 37.3% year-on-year in the first quarter of 2022, and extra-EU27 exports, which increased by 45.5% over the same period.

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

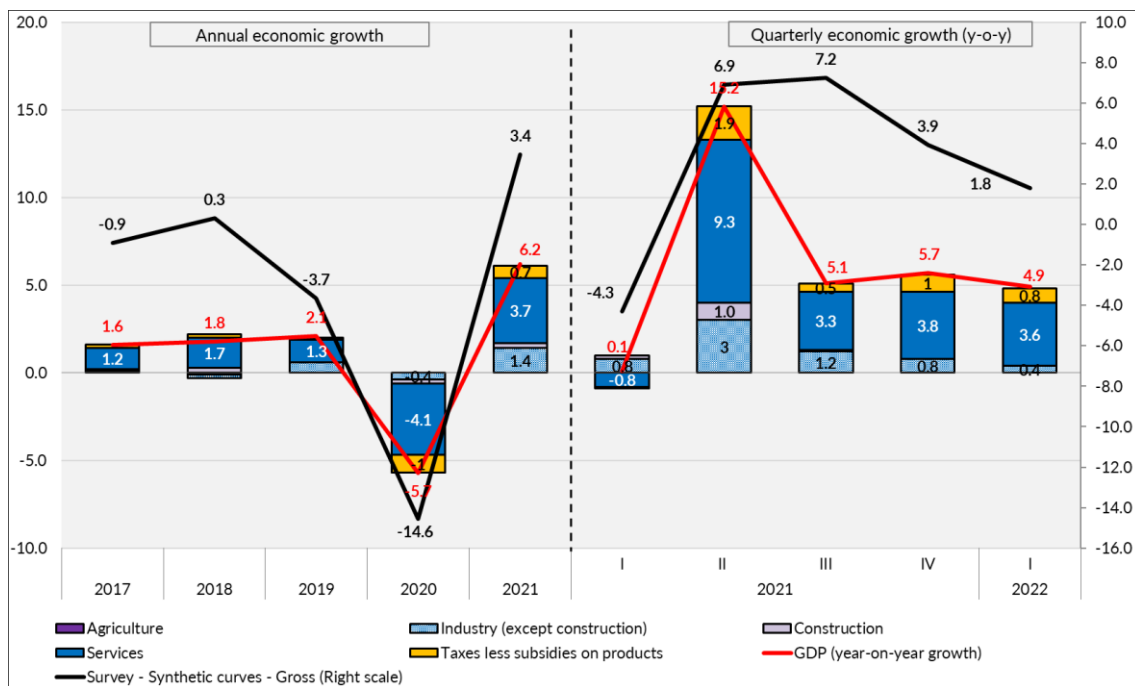
⁹ The data for the year 2021 have been slightly revised. Therefore, while the trade balance showed a trade surplus for 2021 with the old data, it now shows a trade deficit with the updated data.

Total Belgian **imports** of goods in value also strongly rose, with a year-on-year increase of 43.7% in the first quarter of 2022. They amount to 107.2 billion euros, against 74.6 billion euros a year earlier, due to an increase in intra-EU27 imports (+31.2%) and extra-EU27 imports (+73.4%).

These results translated into a **negative trade balance in the first quarter of 2022** (-2.9 billion euros). The net trade balance improved compared to the previous quarter (-9.5 billion euros) but deteriorated compared to the corresponding quarter of 2021 (-0.3 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 **2021**, economic activity grew by 6.2%, compared with a decline of 5.7% in 2020.

After taking the biggest hit to GDP growth in 2020, contributing 4.1 percentage points to the decline, **services** were the main driver of growth in 2021, supporting it by 3.7 percentage points. **Manufacturing industry** also declined in 2020, contributing 0.4 percentage points to the decline in economic growth. Nevertheless, activity in industry has recovered in 2021, contributing 1.4 percentage points to GDP growth. Like manufacturing industry, the **construction sector** also supported GDP growth in 2021, contributing 0.3 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 as in 2020.

In the **first quarter of 2022**, the **manufacturing industry (excluding construction)** contributed 0.4 percentage points to the economic growth, after a positive contribution of 0.8 percentage points recorded the previous quarter.

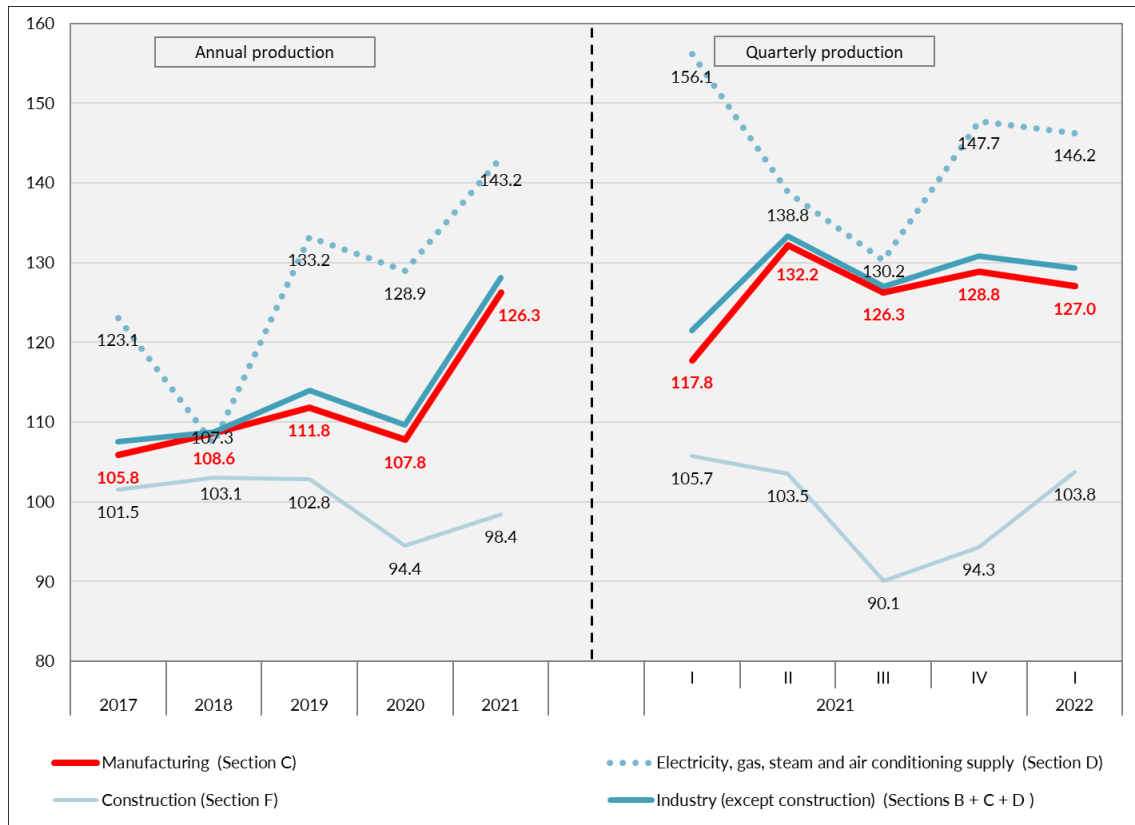
Services contributed 3.6 percentage points to GDP growth in the first quarter of 2022, compared with 3.8 percentage points in the previous quarter. Services continue to drive GDP growth in the first quarter of 2022.

Finally, the contribution to the growth of economic activity from the **construction sector** was neutral for the second time in the first quarter of 2022. **Agriculture** did not contribute to the economic growth in the first quarter of 2022, as in the five previous quarters.

While **business confidence** collapsed in 2020, following the climate of uncertainty generated by the coronavirus pandemic, it has since gradually recovered and exceeded its pre-pandemic level in

the first quarter of 2021. It even turned positive again from the second quarter of 2021. Since the fourth quarter of 2021, business confidence declines, although it remains positive.

Graph 7. Evolution of the Industrial Production Indices
2015 = 100.



Source: Statbel, Working-day adjusted indices.

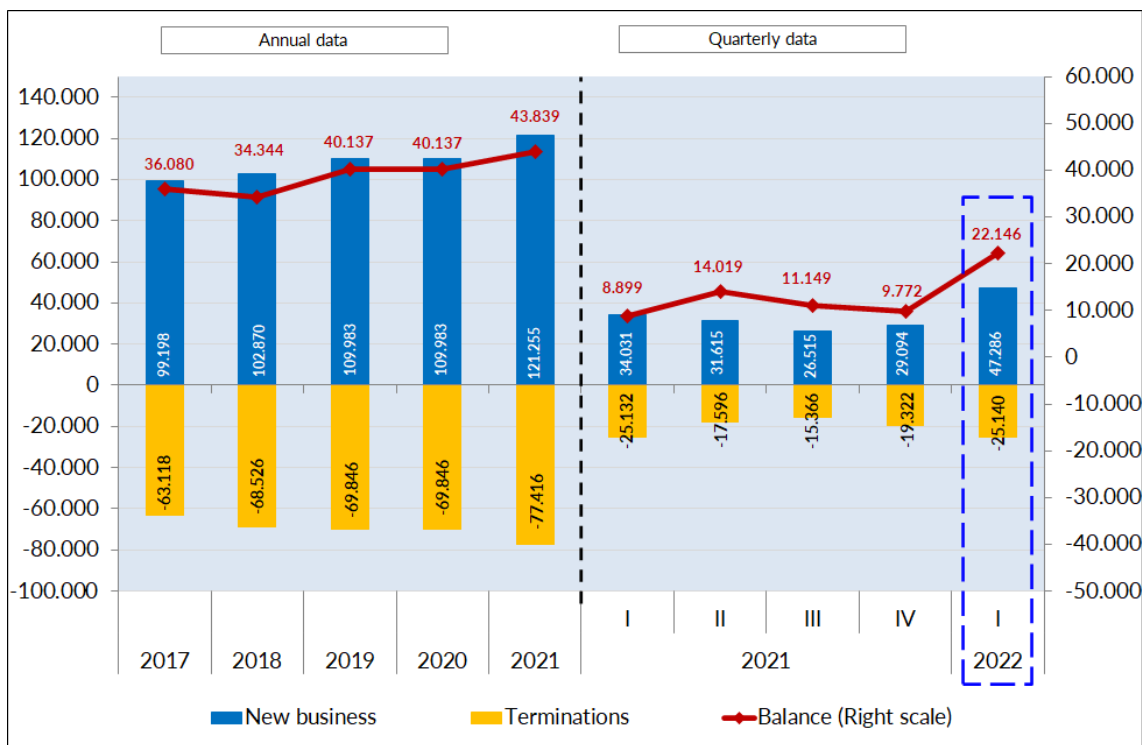
After a sharp rebound in 2021 to the highest level of output over the observation period, **industry excluding construction** continues its upward trend on a year-on-year basis in the first quarter of 2022.

Output in the **manufacturing industry** (section C) returned to positive growth in 2021 (+17.2% year-on-year). However, since the second quarter of 2021, when growth was 31% due to a base effect, the pace of output growth has slowed quarter by quarter to a 6.5% increase in the first quarter of 2022.

Electricity, gas, steam, and air conditioning (Section D) generation in 2021 reached its highest level in the last five years. The quarterly profile shows some volatility, and production in this sector declined by 5.5% in the first quarter of 2022 compared to the same quarter a year earlier.

Finally, activity in the **construction sector** (Section F) also rebounded in 2021, although more modestly than in other sectors. However, this rebound is attributable to the results of the first and second quarters, with output declining year-on-year since then.

Graph 8. Number of Business Creations and Terminations



Source: Statbel.

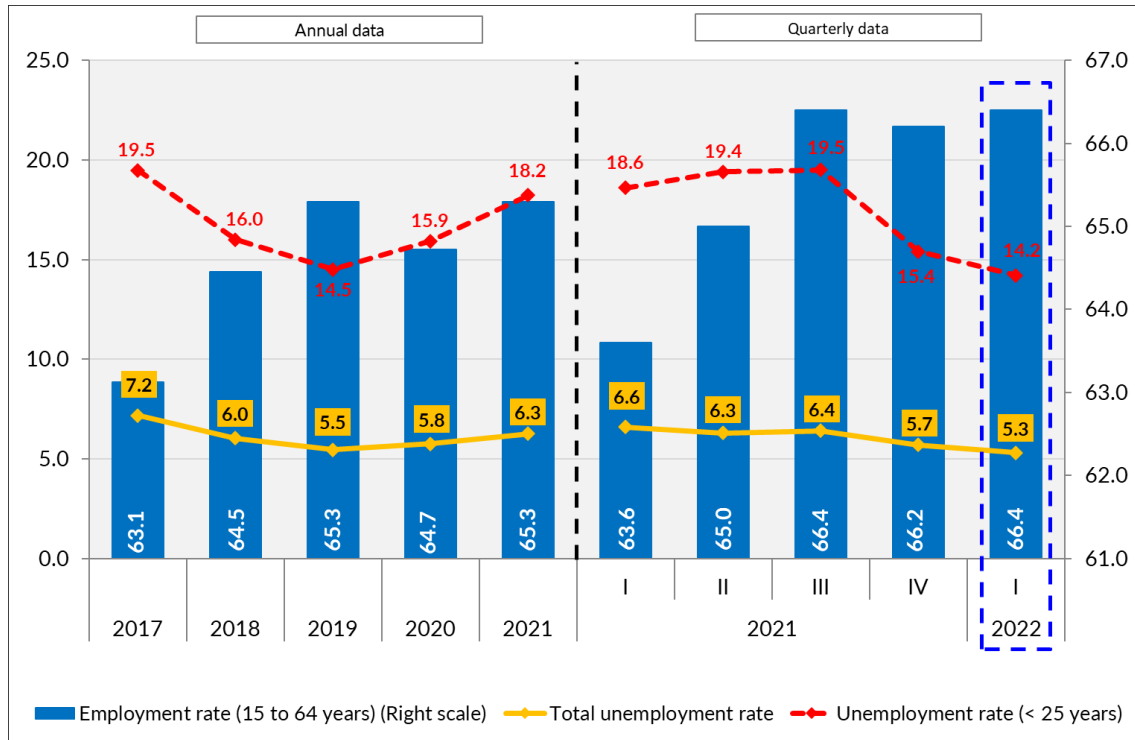
In 2021, the entrepreneurial demography recorded a favorable evolution compared to 2020 only in terms of business creations. Thus, while business creations increased by 10.2%, business terminations increased by 10.8%. With a net balance of 43,839 businesses in 2021, i.e. 3,702 businesses more than in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

In the first quarter of 2022, 47,286 new businesses were created, 13,255 more than in the corresponding quarter of 2021. This is a record high, the highest number of start-ups recorded since 2007. Of these new companies, 91.7% were first-time investors (41.8% natural persons and 49.9% legal persons) and 8.3% were re-investments (6.6% natural persons and 1.7% legal persons).

In addition, 25,140 companies ceased trading in the first quarter of 2022 (69.3% of which were natural persons and 30.7% legal persons), 8 more than in the first quarter of 2021.

In the first quarter of 2022, the balance of "creations and terminations" is therefore positive and amounts to 22,146 businesses, also the largest net balance observed since 2007. This "creation-transfer" balance is made up of 24.5% of natural persons and 75.5% of legal persons. It increased by 13,247 units compared to the corresponding quarter of 2021 (+148.9%).

Graph 9. Employment Rate and Harmonised Unemployment Rate
In %.



Source: Eurostat.

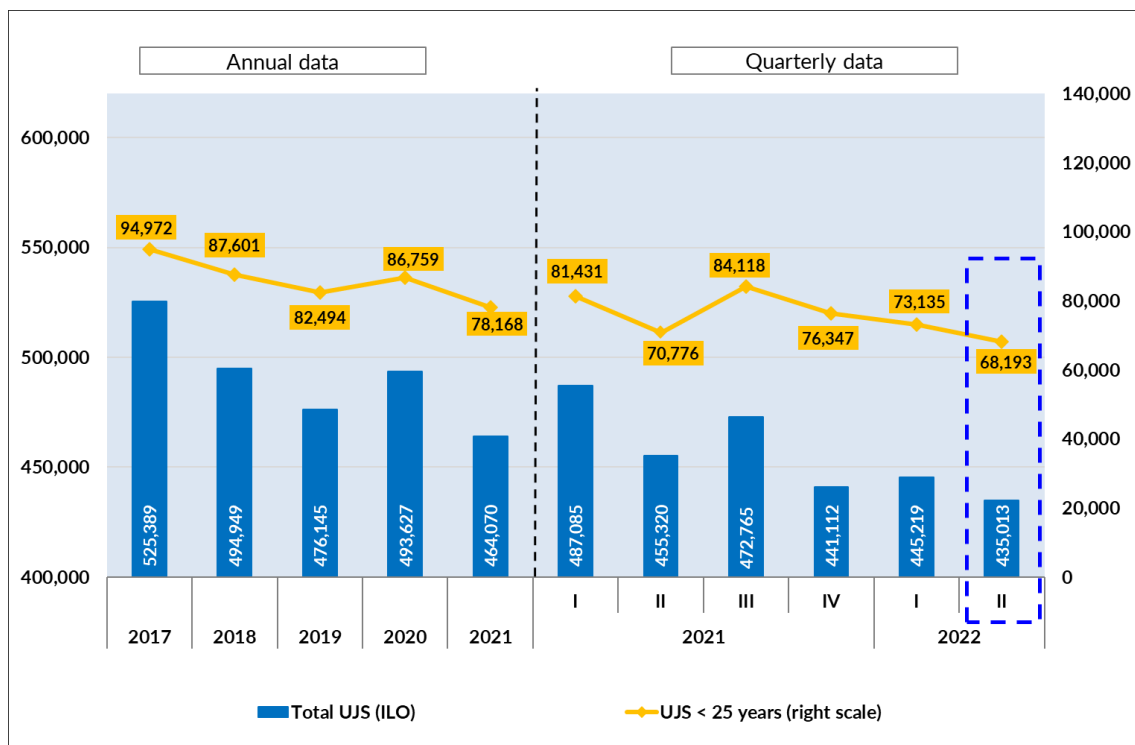
While in 2021 all unemployment indicators show an unfavorable trend with an interval of one year, the **employment rate** has increased. As such, the employment rate has returned to 65.3%, its pre-crisis level, i.e. 2019, with an increase of 0.6 percentage points compared to the level of 2020. The **youth 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 fourth quarter of 2021, was confirmed in the **first quarter of 2022** compared to the same period of 2021.

The **total unemployment rate** was 5.3% in the first quarter of 2022, compared to 6.6% for the same period of 2021 (-1.3 percentage points), while the **unemployment rate for people under 25** fell from 18.6% in the first quarter of 2021 to 14.2% in the first quarter of 2022 (-4.4 percentage points).

The **employment rate** rose to 66.4% in the first quarter of 2022 from 63.6% in the same period of 2021, or 2.8 percentage points more.

Graph 10. Number of Unemployed Jobseekers (UJS)



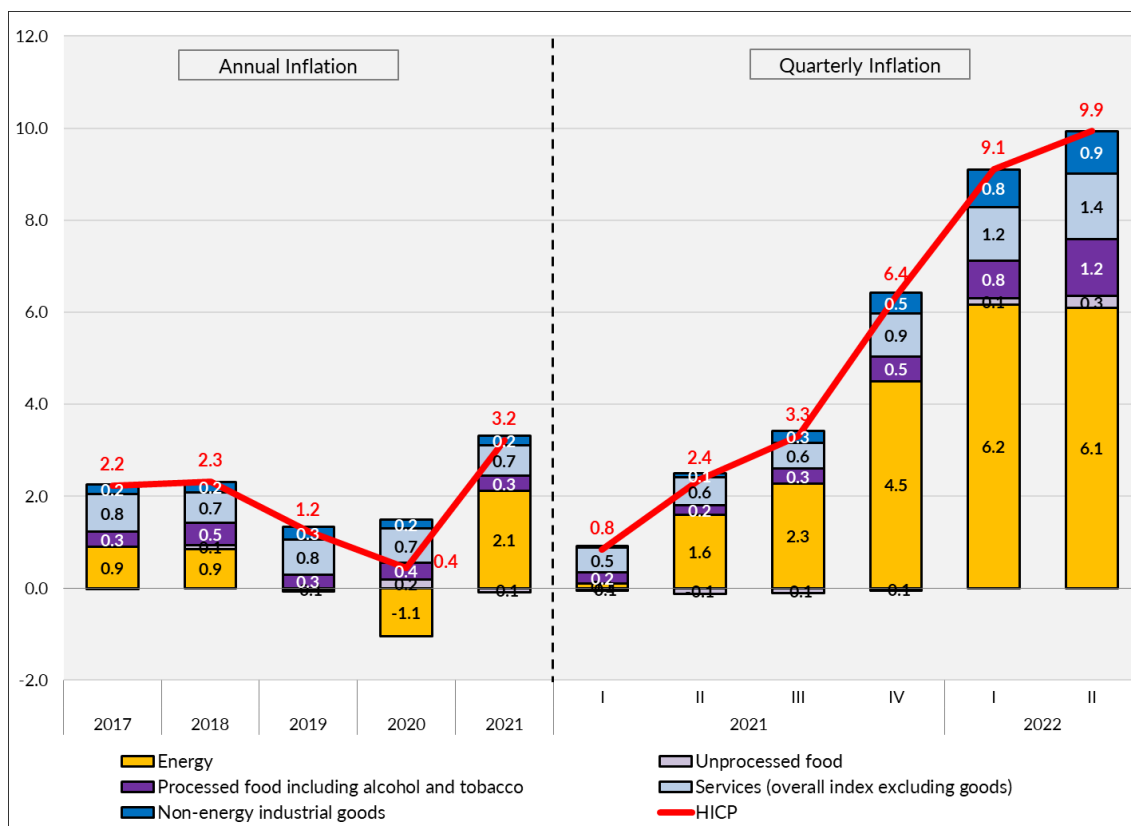
Source: NEO.

In 2021, the number of **unemployed jobseekers (UJS)** has shifted 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 second quarter of 2022, when the number of UJS fell by 4.5% to 435,013. The same is true for **UJS under 25 years of age**, which fell by 3.6% in the second quarter of 2022 to 68,193 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.

Due to a further acceleration in energy prices, **inflation** as measured by the Harmonized Index of Consumer Prices (HICP) **rose sharply throughout 2021 and 2022**, from 0.8% in the first quarter of 2021 to 9.9% in the second quarter of 2022.

Consumer prices for **unprocessed food** rose by 5.6% in the second quarter of 2022. Although they have a moderate weight in the consumer basket, their contribution to total inflation rose to 0.3 percentage points.

After rising 4.2% in the first quarter of 2022, consumer prices for **processed food** accelerated in the second quarter of 2022 to 6.5%, contributing 1.2 percentage points to total inflation.

Services saw a further acceleration in inflation from 2.9% in the first quarter of 2022 to 3.6% in the following quarter, contributing 1.4 percentage points to total inflation.

The fourth product group, **non-energy industrial products**, saw a further acceleration in the pace of price increases, from 3% in the last quarter of 2021 to 3.4% in the second quarter of 2022. As a result, the contribution of this product group to total inflation increased from 0.8 percentage points in the first quarter of 2022 to 1.4 percentage points in the second 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 64.3% in the second quarter of 2022. However, this is a slight slowdown from the first quarter of 2022, which had inflation of 65.9%). The contribution of this product category to total inflation thus increased from 0.1 percentage points in the first quarter of 2021 to 6.1 percentage points in the second quarter of 2022, it explains 61% of total inflation in the second 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%	-
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 over the long term although recent data for this country are not available yet. **China's** share in world exports increased sharply between 2010 and 2021. The rise in China's export share is 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 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%	62.8%	62.3%
Other European countries	12.3%	12.0%	11.2%	10.9%	10.9%	11.0%
<i>United Kingdom</i>	7.6%	7.2%	6.6%	6.1%	6.0%	6.3%
<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%	1.4%
<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%	3.8%
America	8.9%	8.1%	8.5%	10.3%	11.4%	9.7%
<i>United States</i>	6.7%	5.7%	5.8%	7.5%	8.8%	7.1%
Asia	12.8%	12.5%	11.1%	10.7%	10.7%	11.7%
<i>China</i>	2.2%	2.4%	1.9%	2.0%	2.6%	1.8%
<i>India</i>	3.2%	2.9%	2.7%	2.2%	1.6%	1.7%
<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%

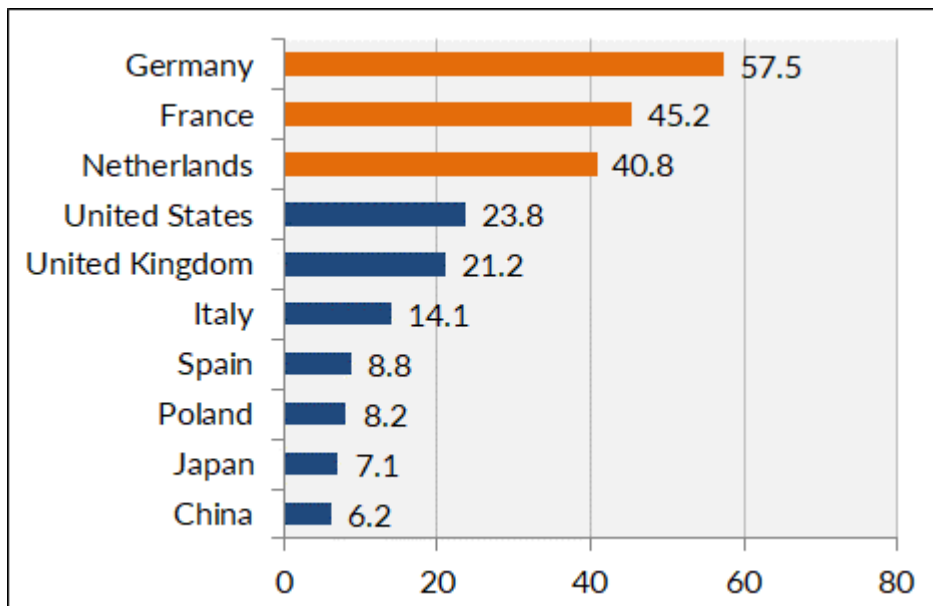
Source: National Accounts Institute (NAI), national concept.

The **European Union** (United Kingdom excluded) is the **leading destination for Belgian exports of goods** with a share of 62.3% of total Belgian exports of goods in 2021. This share decreased by 0.5 percentage points in 2021 compared to 2020. The share of **other European countries** remained almost stable in 2021, with an increase of 0.1 percentage points. The **United Kingdom's** share of Belgian exports of goods has decreased every year since 2016, making the increase of 0.3 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 fell in 2021. This is mainly due to the **United States** (-1.7 percentage points in 2021). Finally, trade flows with **Africa**

are increasing (+0.9 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.



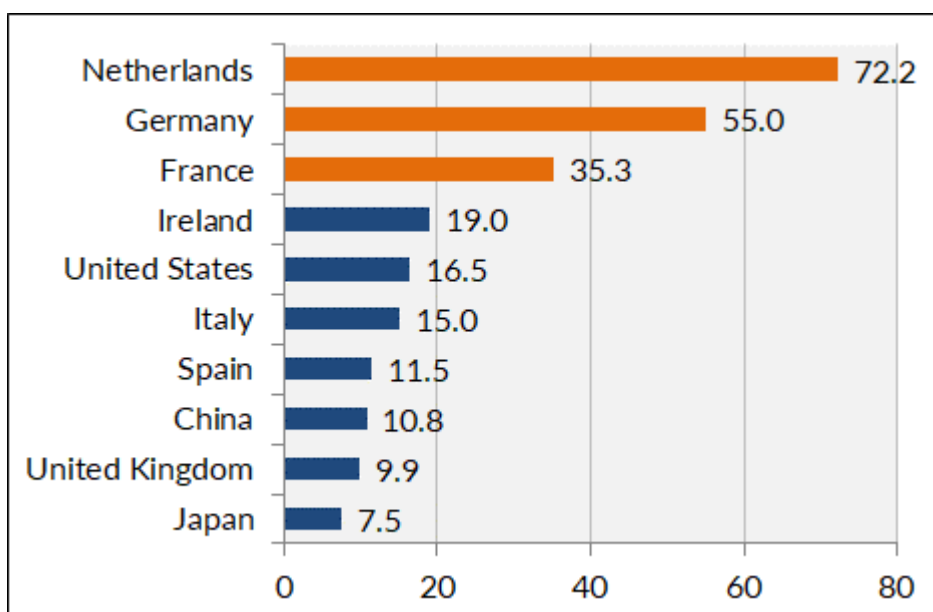
Source: National Accounts Institute (NAI), national concept.

In 2021, **Germany** is Belgium's largest trading partner in terms of exports, with 57.5 billion euros, followed by **France** with 45.2 billion euros and the **Netherlands** with 40.8 billion euros. Together, these three countries accounted for 42.7% of Belgian exports.

The **United Kingdom** is in 5th place, with about 21.2 billion euros of Belgian exports to that country, which also represents 6.3% of total Belgian exports.

Graph 13. Most Important Import Partners for the Belgian Imports of Goods in 2021

In billion euros.

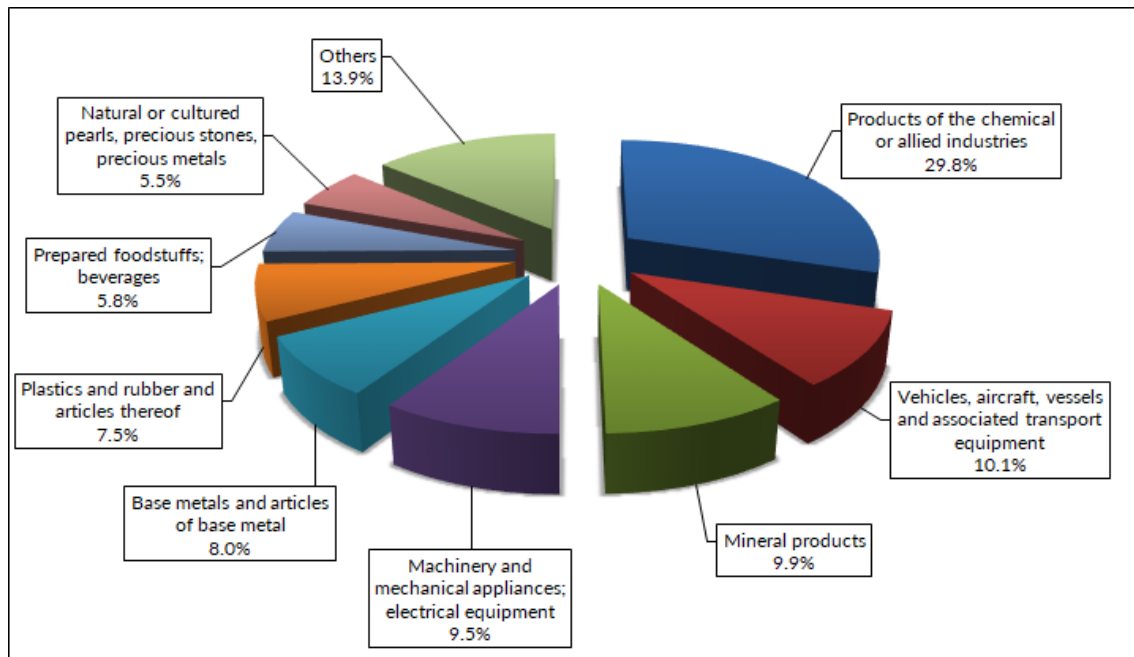


Source: National Accounts Institute (NAI), national concept.

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 72.2 billion euros, followed by **Germany** with 55 billion euros and **France** with 35.3 billion euros. Together, these countries accounted for 47.1% of Belgian goods imports in 2021.

The **United Kingdom** ranks 9th in Belgium in terms of Belgian imports from this country in 2021. However, the United Kingdom was still in 5th place in 2017 and 7th in 2020. The United Kingdom supplied goods to Belgium in 2021 for an amount of 9.9 billion euros, which represents 2.9% of Belgian goods imports.

Graph 14. Breakdown by Sector of Belgian Exports in 2021



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

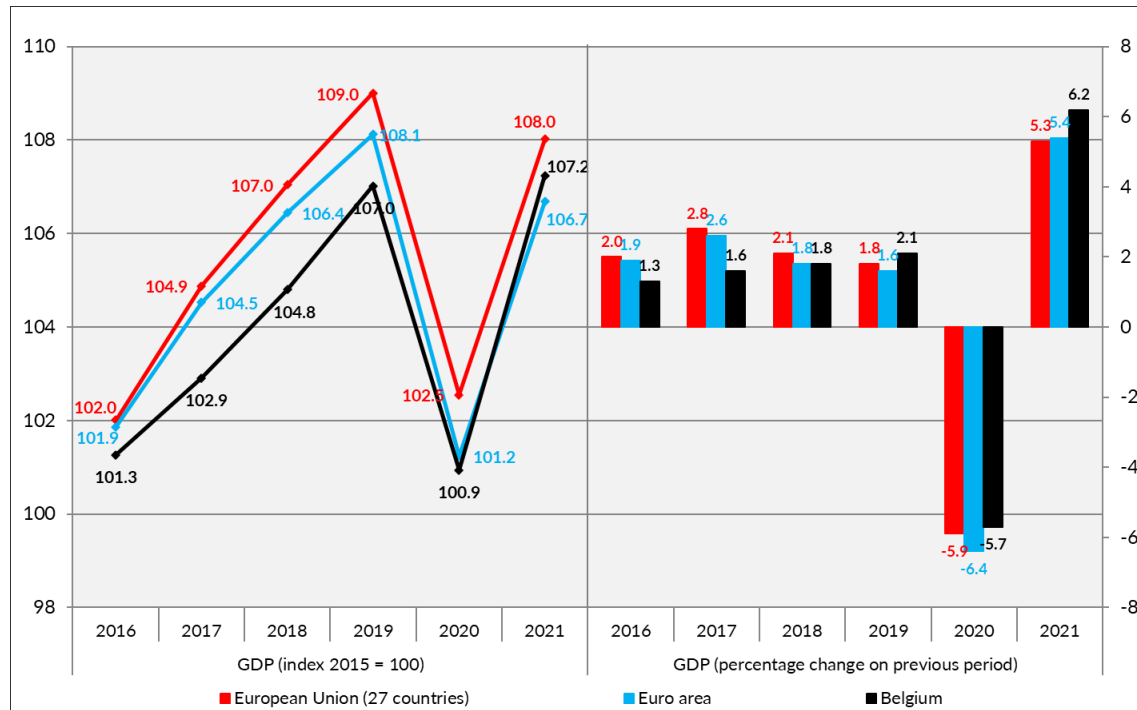
In 2021, four sectors mainly dominated Belgian exports, namely:

- **chemical products** (29.8%; 100.2 billion euros),
- **vehicles and transport equipment** (10.1%; 34.1 billion euros),
- **mineral products** (9.9%; 33.4 billion euros),
- **machines and electrical appliances** (9.5%; 31.9 billion euros).

Together, these four sectors accounted for more than half of total Belgian exports (59.3%).

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.

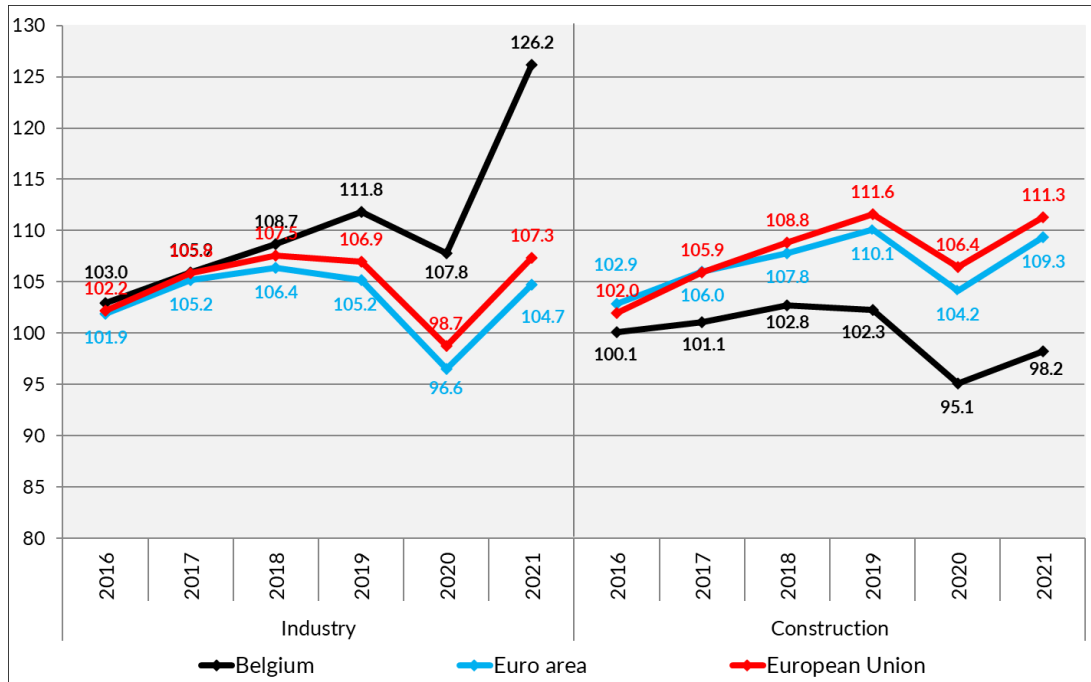
Although the **COVID-19 pandemic** had a severe impact on GDP, leading to an economic recession of 5.9% for the European Union¹⁰ in 2020, 6.4% for the euro area and 5.7% for Belgium, the economy already recovered in 2021. Indeed, GDP growth reached 5.3% for the European Union, 5.4% for the euro area, and 6.2% 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 507.2 billion euros for **Belgium** (compared to 456.7 billion euros in 2020), 12,253.9 billion euros for the **euro area** (compared to 11,405.4 billion euros in 2020) and 14,448.3 billion euros for the **European Union** (compared to 13,403.1 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.

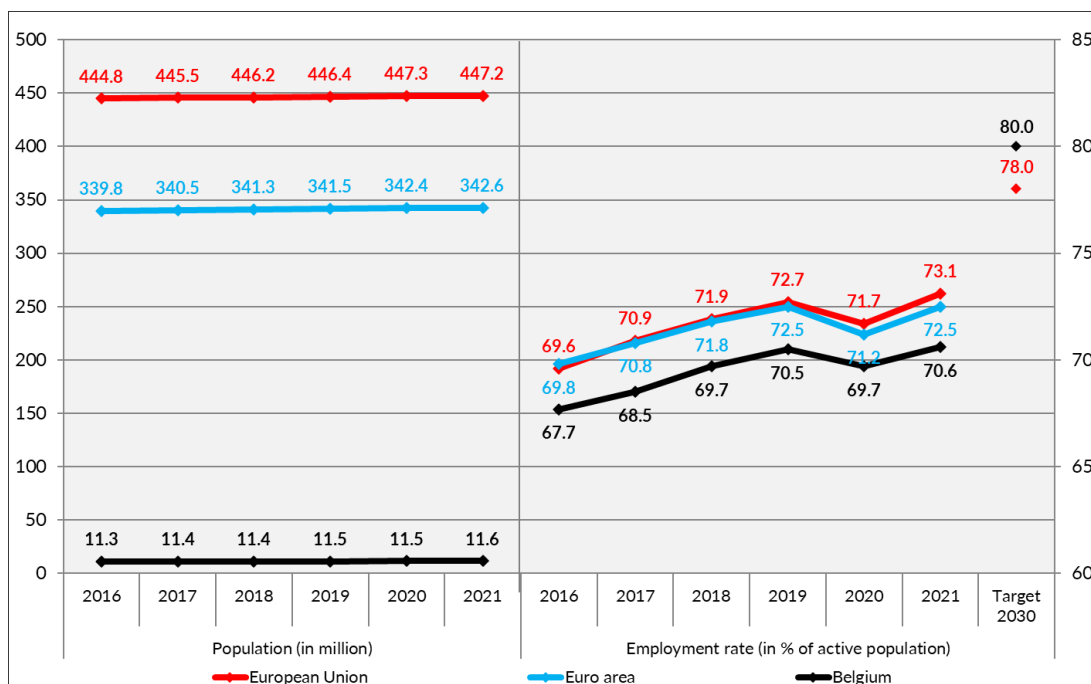


Source: Eurostat.

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 2020 in all three areas examined, 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

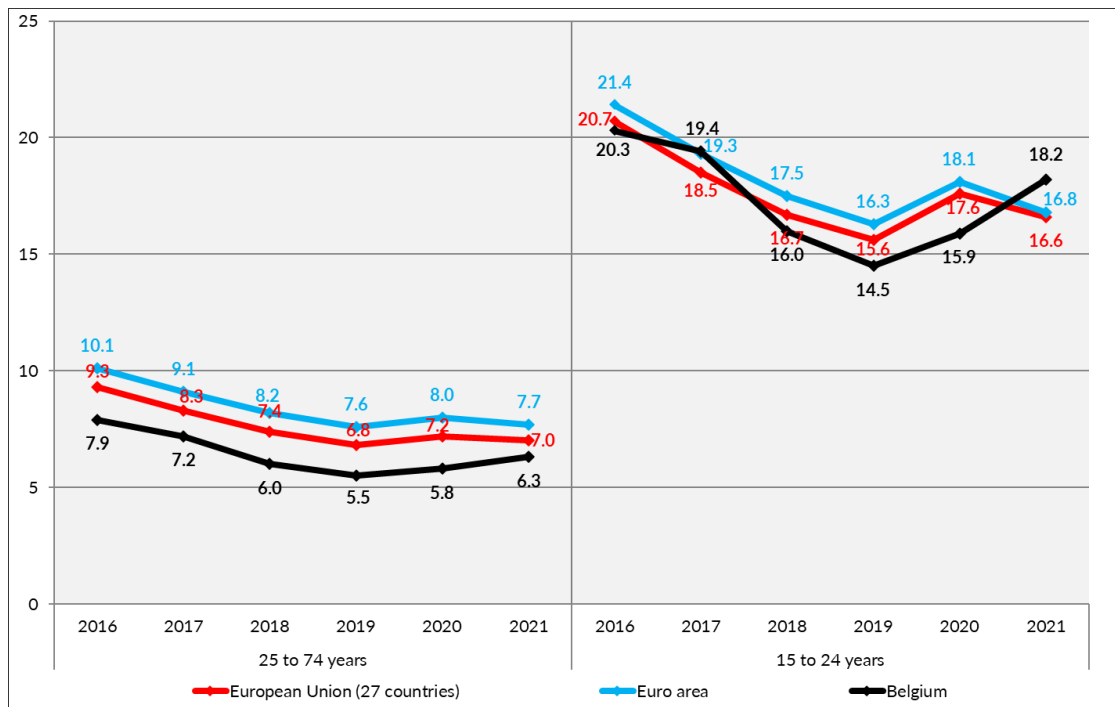


Source: Eurostat.

With nearly 11.6 million inhabitants on 1 of 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

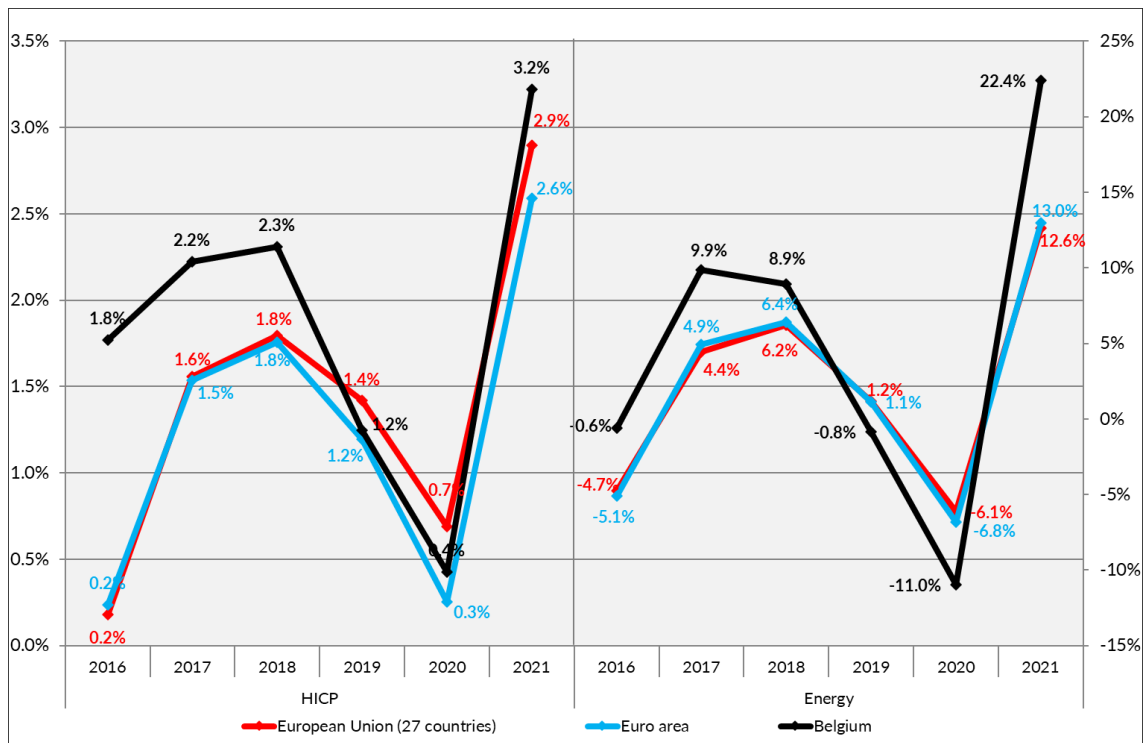


Source: Eurostat.

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 is due to the COVID-19 pandemic. In 2021, however, the economy has shown signs of recovery.

The use of the Covid Safe Ticket lifted some additional restrictions and allowed a large number of participants in various events. In addition, the vaccination campaign continued, thanks to which the last restrictions were lifted. According to the [Covid Vaccination Dashboard](#), about 80.3% of the Belgian population (around 9.3 million people) received a first dose of the COVID-19 vaccine on 25 July 2022 while almost 79.5% (around 9.2 million people) already received two doses of the vaccine. The Belgian government has decided to continue the vaccination campaign by offering a third dose, which serves as an immunity booster for the population. 62.4% of the Belgian population (7,189,065 people) had received the booster dose on 25 July 2022. 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. For example, on 30 June the Belgian Superior Health Council approved an advisory report in which people over 65 and risk groups were urged to get their second booster dose¹¹.

Less positive, however, is the war between Ukraine and Russia. As a result, the IMF revised its 2022 GDP forecast downwards in July from its forecast in April. While April's downward correction versus January was strongest for the eurozone (-1.1 percentage points), July's downward correction versus April was strongest for the United States (-1.4 percentage points). In its July forecast, the IMF states¹²:

"A tentative recovery in 2021 has been followed by increasingly gloomy developments in 2022 as risks began to materialize. Global output contracted in the second quarter of this year, owing to downturns in China and Russia, while US consumer spending undershot expectations. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide--especially in the United States and major European economies--triggering tighter financial conditions; a worse-than-anticipated slowdown in China, reflecting COVID-19 outbreaks and lockdowns; and further negative spillovers from the war in Ukraine.

The risks to the outlook are overwhelmingly tilted to the downside. The war in Ukraine could lead to a sudden stop of European gas imports from Russia; inflation could be harder to bring down than anticipated either if labor markets are tighter than expected or inflation expectations unanchor; tighter global financial conditions could induce debt distress in emerging market and developing economies; renewed COVID-19 outbreaks and lockdowns as well as a further escalation of the property sector crisis might further suppress Chinese growth; and geopolitical fragmentation could impede global trade and cooperation. A plausible alternative scenario in which risks materialize, inflation rises further, and global growth declines to about 2.6 percent and 2.0 percent in 2022 and 2023, respectively, would put growth in the bottom 10 percent of outcomes since 1970.

With increasing prices continuing to squeeze living standards worldwide, taming inflation should be the first priority for policymakers. Tighter monetary policy will inevitably have real economic costs, but delay will only exacerbate them.

Policies to address specific impacts on energy and food prices should focus on those most affected without distorting prices. And as the pandemic continues, vaccination rates must rise to guard against future variants. Finally, mitigating climate change continues to require urgent multilateral action to limit emissions and raise investments to hasten the green transition."

The following tables provide an overview of the forecasts of the IMF and the Federal Planning Bureau. It is striking that the forecast of GDP growth in the United States for 2022 is only 2.3%, compared to 2.6% in the eurozone. Of the countries analysed below, the growth outlook for 2022 for Germany is the most grim, standing at 1.2%. In Germany, the downward correction of the growth forecast in July, compared to April, was the largest in the eurozone (-0.9 percentage points).

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

¹² IMF (26 July 2022) [Gloomy and More Uncertain](#)

Table 3. GDP Growth Forecasts in the International Environment
In %.

GDP growth forecasts (in %)			GDP growth forecast, July (IMF)		Difference from April (IMF)	
International environment	2020	2021	2022 (e)	2023 (e)	2022 (e)	2023 (e)
World	-3.1	6.1	3.2	2.9	-0.4	-0.7
United States	-3.4	5.7	2.3	1.0	-1.4	-1.3
Emerging and developing countries	-2.0	6.8	3.8	4.4	-1.0	-0.3
China	2.2	8.1	3.3	4.6	-1.1	-0.5
Euro area	-6.3	5.4	2.6	1.2	-0.2	-1.1
Belgium*	-5.7	6.3	2.1	1.4	n.a.	n.a.
Germany	-4.6	2.9	1.2	0.8	-0.9	-1.9
France	-7.9	6.8	2.3	1.0	-0.6	-0.4
The Netherlands*	-3.8	5.0	3.0	2.0	n.a.	n.a.
United Kingdom	-9.3	7.4	3.2	0.5	-0.5	-0.7
Japan	-4.5	1.7	1.7	1.7	-0.7	-0.6

(e) = estimate.

* Data for these countries were last updated in April

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

Table 4. GDP Growth Forecasts in Belgium
In %, unless otherwise indicated.

Belgium	2020	2021	2022 (e)	2023 (e)	2024-27 (e)
GDP	-5.7	6.2	2.6	1.3	1.4
Final consumption expenditure of households and NPI	-8.2	6.4	3.9	2.0	1.4
Final consumption expenditure of general government	0.2	4.4	3.0	-0.4	1.0
Gross fixed capital formation	-6.2	7.8	1.3	2.9	1.3
Exports (goods and services)	-5.5	9.6	2.9	3.5	3
Imports (goods and services)	-5.9	9.1	3.7	3.9	2.9
Net exports (contribution in percentage points)	0.3	0.4	0.6	-0.2	-0.3
Total inflation (CPI)	0.7	2.4	8.1	3.5	1.7

(e) = estimate.

Source: Federal Planning Bureau ([Economic forecasts 2022-2027](#), June 17th, 2022).



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

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