



Belgium's economy in a nutshell

Economic outlook of April 2019

Contents

Introduction	3
1. Belgium at a glance.....	3
2. Cyclical developments in the economy.....	8
3. Foreign Trade – Overview of Trade Flows	16
4. The place of Belgium compared to the European Union	19
5. Macroeconomic forecasts.....	23

List of tables

Table 1. Belgian share in EU exports and imports	5
Table 2. Share of national exports in world exports.....	16
Table 3. The share of Belgian exports going to the main geographical areas of the world.....	16
Table 4. GDP growth forecasts in the international environment	23
Table 5. GDP growth forecasts in Belgium.....	23

List of graphs

2 Graph 1. Competitiveness & digital rankings.....	4
Graph 2. Breakdown of the Belgian industry in 2017	6
Graph 3. GDP per capita in PPS in 2017	7
Graph 4. GDP evolution in % and contribution of the different components “expenditures concept”	8
Graph 5. Foreign trade according to the national concept	9
Graph 6. GDP in % and contribution of the different components “production concept”	10
Graph 7. Industrial production indices	11
Graph 8. Business demography in Belgium.....	12
Graph 9. Employment rate and harmonized unemployment.....	13
Graph 10. Number of unemployed jobseekers (UJS).....	14
Graph 11. Harmonized consumer price index (HICP) evolution (in %) and contribution to inflation of the 5 major product groups.....	15
Graph 12. Most important export partners in 2017	17
Graph 13. Most important import partners in 2017.....	17
Graph 14. Breakdown of Belgian exports in 2017.....	18
Graph 15. GDP in Belgium, the European Union and the euro area	19
Graph 16. Production index in the industry and in the construction	20
Graph 17. Population and employment rate.....	20
Graph 18. Unemployment rate	21
Graph 19. Inflation.....	22

“Creating the conditions for a competitive, sustainable and balanced operation of the goods and services market in Belgium.”

Introduction

Belgium, a **small and open economy** of 11.4 million inhabitants, is located in the heart of Europe. The economy benefits from a strong communication infrastructure and a highly qualified workforce. Nevertheless, foreign trade is essential for Belgium. Moreover, the share of Belgian exports in the European Union exports to other European members amount to 8.2 %, and to 5.5 % for countries outside the European Union. It is also important to note that approximately 70 % of Belgian exports are intended for the European Union market. The most significant trade partners for Belgium are its neighboring countries, namely Germany, France and the Netherlands. Yet, its trade balance was negative in 2018.

In 2018, the **products mainly exported** by Belgian companies concerned the chemical industries, as well as vehicles and transport equipment and finally machinery and equipment.

In 2017¹, the chemical industry was the main **value-added creator**, followed by food and beverages and the pharmaceutical industry.

Recent cyclical developments indicate that **GDP growth** was relatively good in 2018 (+1.4 % year-on-year, compared to +1.7 % in 2017), thanks to a strong domestic demand (excluding inventories changes) and more precisely, investments. However, GDP growth was less robust in Belgium than in the European Union (+2 %) or even in the Euro area (+1.9 %).

Services are the main driver of economic growth since 2014 and they sustained almost all of it in 2018.

The **production index** in the manufacturing industry increased in 2018 for the fourth time in a row. The same trend is observed in the construction sector, albeit at a slower pace.

Business demography was also vigorous in 2018, with more creations than deletions, even though the entrepreneurial dynamism was less pronounced than in 2017.

Therefore, the **employment rate** rose up in 2018 while the **unemployment rate** decreased. Despite this favourable development, progress is still needed to reach Belgian Europe 2020 employment rate target of 73.2 % in 2020. This target amounts to 75 % in 2020 for the European Union.

Finally, since many years, **consumer prices** have risen at a faster rate in Belgium than in its main trading partners.

As regards the **near-term growth prospects for Belgium**, the National Accounts Institute (NAI) forecasts a deceleration in GDP growth to 1.4 % in 2018 and 1.3 % in 2019, after 1.7 % in 2017, according to the economic budget published in February 2019.

¹ Latest available data.

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.



4

With a **surface** area of 31,000 km² and 11.4 million **inhabitants**, Belgium, along with the Netherlands, has the highest population density 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 has also three communities: the Flemish Community, the French Community and the German-speaking Community.

The **communication infrastructure** is highly developed across the country in terms of major roads, railways, waterways, international airports (Brussels, Liege, Charleroi, Ostend, Antwerp and Kortrijk) and sea ports (Antwerp, Zeebrugge, Ghent and Ostend). Belgium has one of the most developed “broadband” telecommunication networks in Europe.

Graph 1. Competitiveness & digital rankings



Source: IMD World Competitiveness Center.

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Furthermore, Belgium is ranked as the 26th most competitive nation out of 63, according to the Institute for Management Development (IMD World Competitiveness Yearbook 2018 Results²) and is ranked 20th (out of 137) according to the World Economic Forum (Global Competitiveness Report 2018³). 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) of 450.6 billion euros in 2018, accounting for 2.8 % of the GDP of the European Union (3.9 % of the GDP of the euro area) and “open” with a level of openness⁴ of 87.5 % (85.2 % in 2017).

Table 1. Belgian share in EU exports and imports

		(in %)										
Area / Year		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Share of exports (Belgium in EU-28)	Intra EU-28	9.0	9.1	8.8	8.7	8.6	8.7	8.5	8.4	8.3	8.2	8.2
	Extra EU-28	5.6	5.9	6.1	6.2	6.2	6.1	6.1	5.7	5.8	5.7	5.5
Share of imports (Belgium in EU-28)	Intra EU-28	8.3	8.3	8.2	8.2	8.3	8.2	7.8	7.1	7.2	7.1	7.1
	Extra EU-28	6.0	6.1	5.9	6.3	6.2	6.8	7.1	7.3	7.3	6.9	6.8

Source: Eurostat.

The Belgian economy’s openness is reflected through its integration into the European Union as well as through its growing focus on the markets outside the European Union. From 2008 to 2012, the Belgian share of international trade has increased with countries outside the European Union at the expense of the internal market trade, for both exports and imports. This has been an ongoing trend for imports since then while for exports, this share has decreased both inside and outside the EU.

The openness of the Belgian economy and its membership to a single monetary zone justify a generally moderate inflation rate. Nonetheless, consumer prices have risen at a faster rate in Belgium than in its main trade partners (France, Germany and the Netherlands) since many years.

The Belgian economy, just like any modern industrialized economy, is characterized by the growing importance of services: the share of market services (including wholesale and retail, financial activities, insurance and energy) in the total gross value added represented 57,3 % in 2017, while this share amounted to only 14.4 % for industry and 5.2 % for construction. The balance is distributed between non-market services (including healthcare) and agriculture.

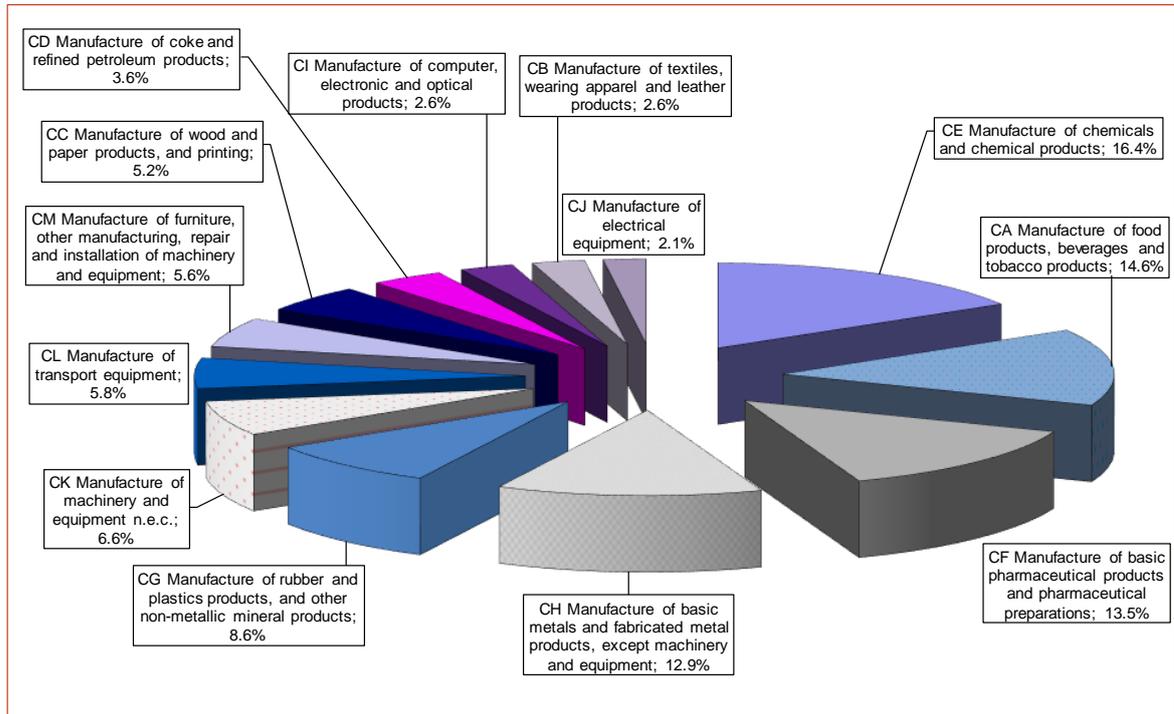
² <https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2018/>

³ <https://www.weforum.org/reports/the-global-competitiveness-report-2018>

⁴ Average value of its imports and exports of goods and services divided by GDP, multiplied by 100.

Graph 2. Breakdown of the Belgian industry in 2017

(gross value added as a % share of total industry)



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

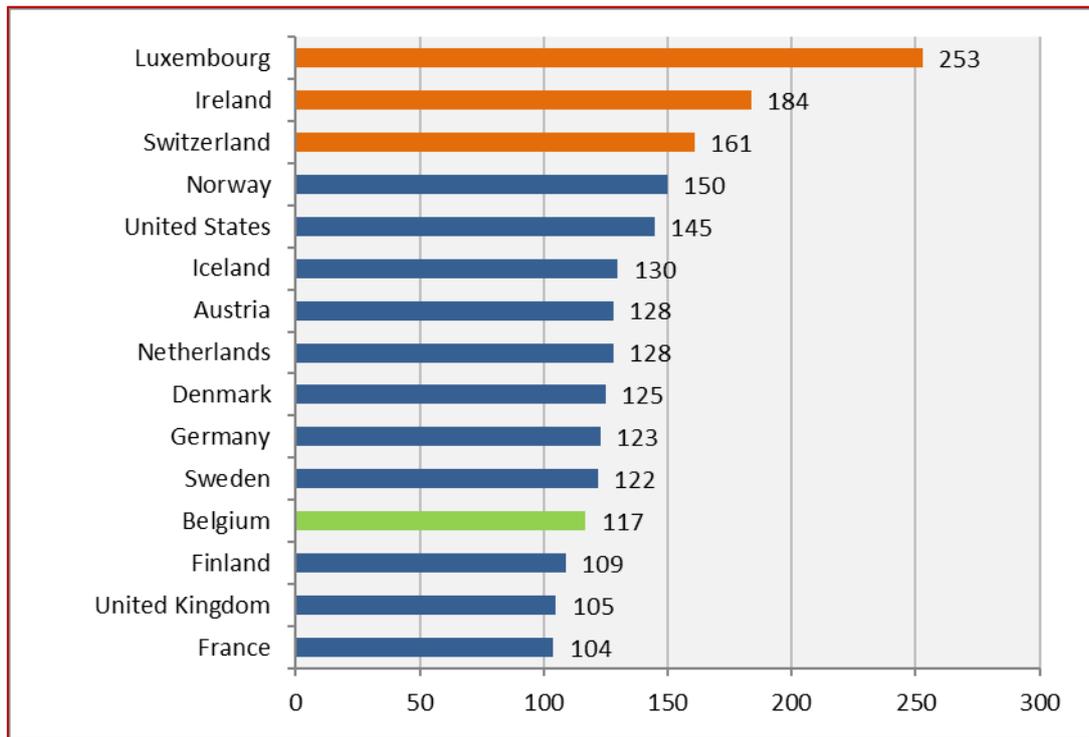
6 Despite its more limited size than before, the **manufacturing industry** is still key to the Belgian economy because, in addition to the fact that it generates a large share of market services, it also generates strong domestic value added by satisfying foreign demand thanks to Belgian exports.

The strong sectors of the Belgian industry are:

- the chemical industry (16.4 % of the total manufacturing value added);
- the food industries and beverages (14.6 %);
- the pharmaceutical industry (13.5 %);
- the manufacture of basic metals and fabricated metal products (12.9 %).

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Graph 3. GDP per capita in PPS in 2017

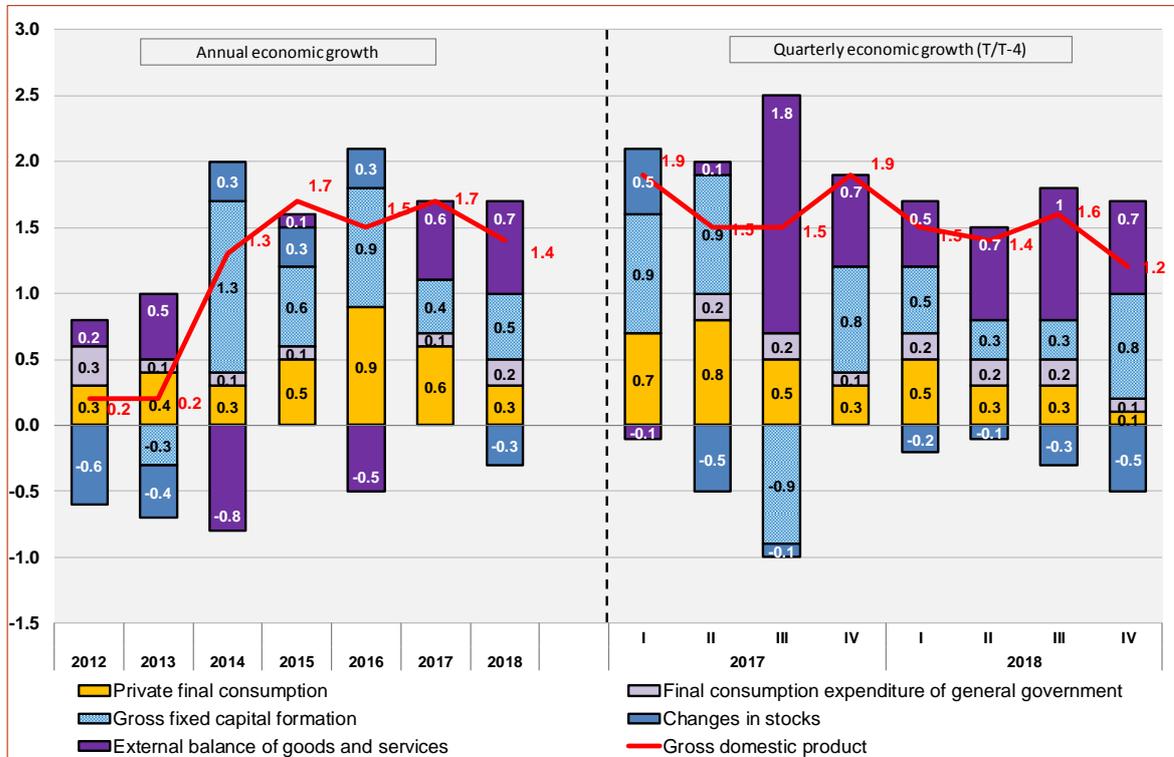


Source: Eurostat.

According to the European structural indicators from Eurostat, **Belgium's GDP per capita**, expressed in purchasing power standards, amounted to 117 in 2017 compared to the EU-28 average set equal to 100, and was not far from 121 (recorded in 2012), its best performance over the last 10 years, even though this score is decreasing since then. Nevertheless, Belgium is one of the richest countries in the European Union, ranking eighth, just behind Sweden.

2. Cyclical developments in the economy

Graph 4. GDP evolution in % and contribution of the different components “expenditures concept” (percentage points, year-on-year)



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

In 2018, the annual GDP growth in Belgium amounted to 1.4 %, against 1.7 % observed in 2017. This growth is completely driven by **domestic demand (excluding inventories)**, which contributed by 1 percentage point to GDP growth. As in 2017, **net exports** contributed positively to economic growth in 2018 (+0.7 percentage points). The change in inventories reduced economic growth in 2018 by 0.3 percentage points.

The GDP grew by 1.2 % during the fourth quarter of 2018 (year-on-year), a slowdown compared to the growth observed in the previous quarter (1.6 %).

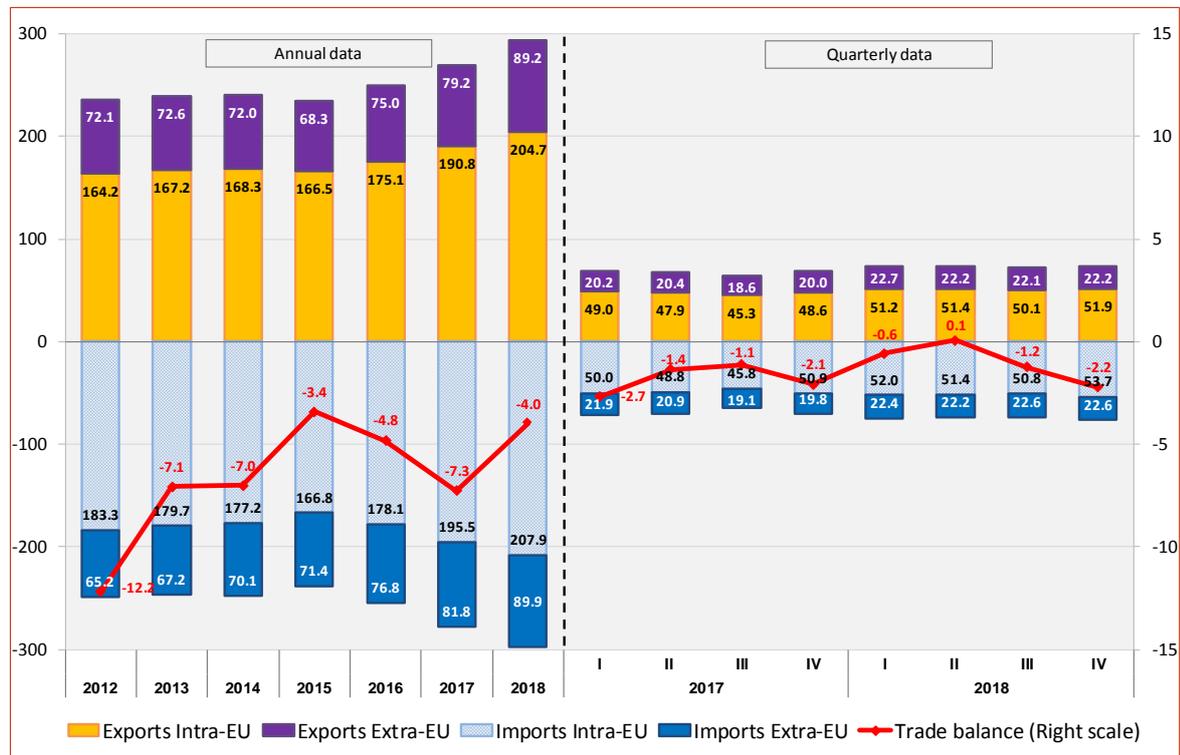
The **domestic demand (excluding inventories)** has improved economic growth by 1 percentage point during the fourth quarter of 2018. This positive contribution to GDP growth can be mainly explained by investments (0.8 percentage points). The support to economic growth declined for both private consumption and public expenditures, amounting to 0.1 percentage points for both of them in the last quarter of 2018.

Finally, during the fourth quarter of 2018, **net exports** have boosted economic activity for the seventh time in a row. Their contribution to GDP growth was 0.7 percentage points during the fourth quarter of 2018, compared to a contribution of 1 percentage point during the third quarter of 2018.

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Graph 5. Foreign trade according to the national concept⁵

(in billion euros)



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

9

According to the national concept, the trade balance increased in 2018 compared to 2017, due to a greater dynamism of exports (+8.8 %) than imports (+7.4 %) of goods. Despite this improvement, however, the trade balance remains negative.

Belgian exports in value grew by 8 % during the fourth quarter of 2018, compared to the same period of the previous year, reaching 74.1 billion euros (against 68.6 billion euros a year earlier). This result is due to both intra-EU exports, which rose by 6.9 % year-on-year, and extra-EU exports, which grew by 10.8 % over the same period of time.

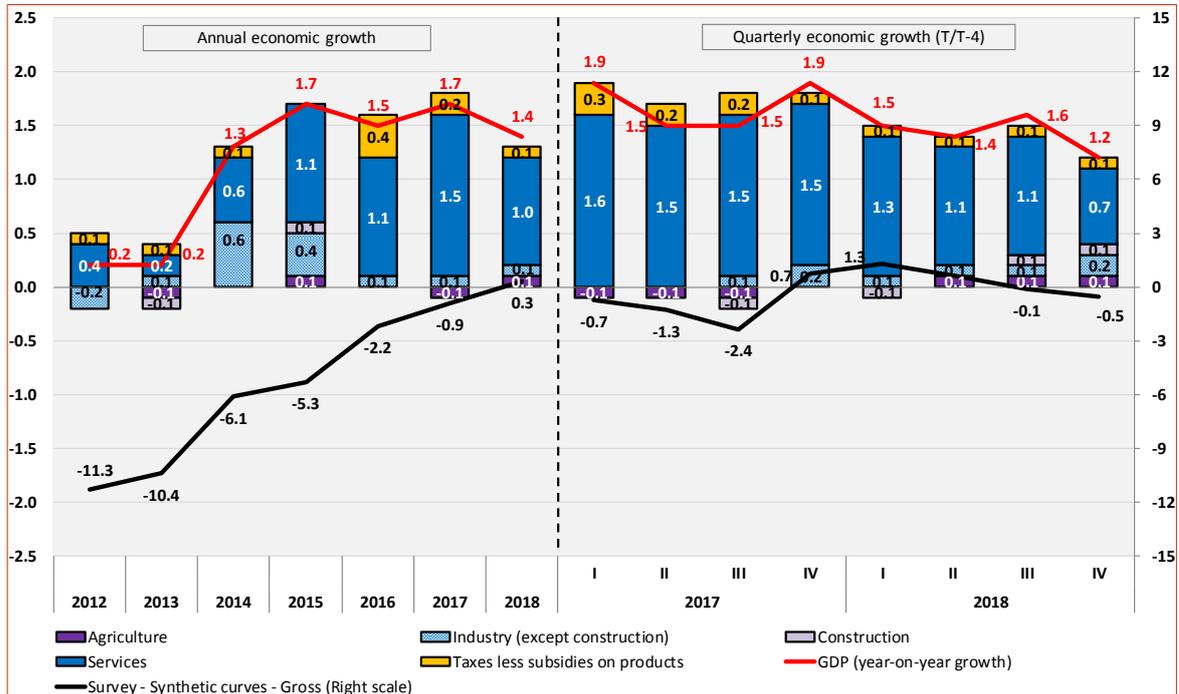
Belgian imports also increased by 8 % in the fourth quarter of 2018 year-on-year, reaching 76.4 billion euros, due to both stronger intra-EU imports (+5.6 %) and extra-EU imports (+14.2 %).

These results translate into a **negative trade balance** in the fourth quarter of 2018 (-2.2 billion euros). In addition, the net trade balance deteriorated compared to the previous quarter (-1.2 billion euros) but only slightly compared to the corresponding quarter of the previous year (-2.1 billion euros).

⁵ The national concept refers solely to cross-border movements of goods involving a resident business counterparty (Source: NBB).

Graph 6. GDP in % and contribution of the different components “production concept”

(percentage points, year-on-year)



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

10

The economic activity slowed down in 2018 compared to 2017, reaching 1.4 % growth. Despite a slowdown of their growth rate in 2018 compared to 2017, services were again the main driver of the economic growth in Belgium, supporting it by 1 percentage point (against 1.5 percentage points in 2017). Even if the activity in the industry accelerated in 2018, its contribution to the economic growth remained at the same level as in 2017 (0.1 percentage points). Agriculture supported the economic growth by 0.1 percentage points in 2018.

During the fourth quarter of 2018, the activity in the industry (excluding construction) contributed to GDP growth by 0.2 percentage points, as in the fourth quarter of 2017, but at a higher rate than in the third quarter of 2018 (0.1 percentage points).

The contribution of services to GDP growth decreased from 1.1 percentage points in the third quarter of 2018 to 0.7 percentage points in the fourth quarter of the same year, which is half of the contribution observed during the fourth quarter of 2017. However, as usual, services have almost entirely supported the growth of economic activity.

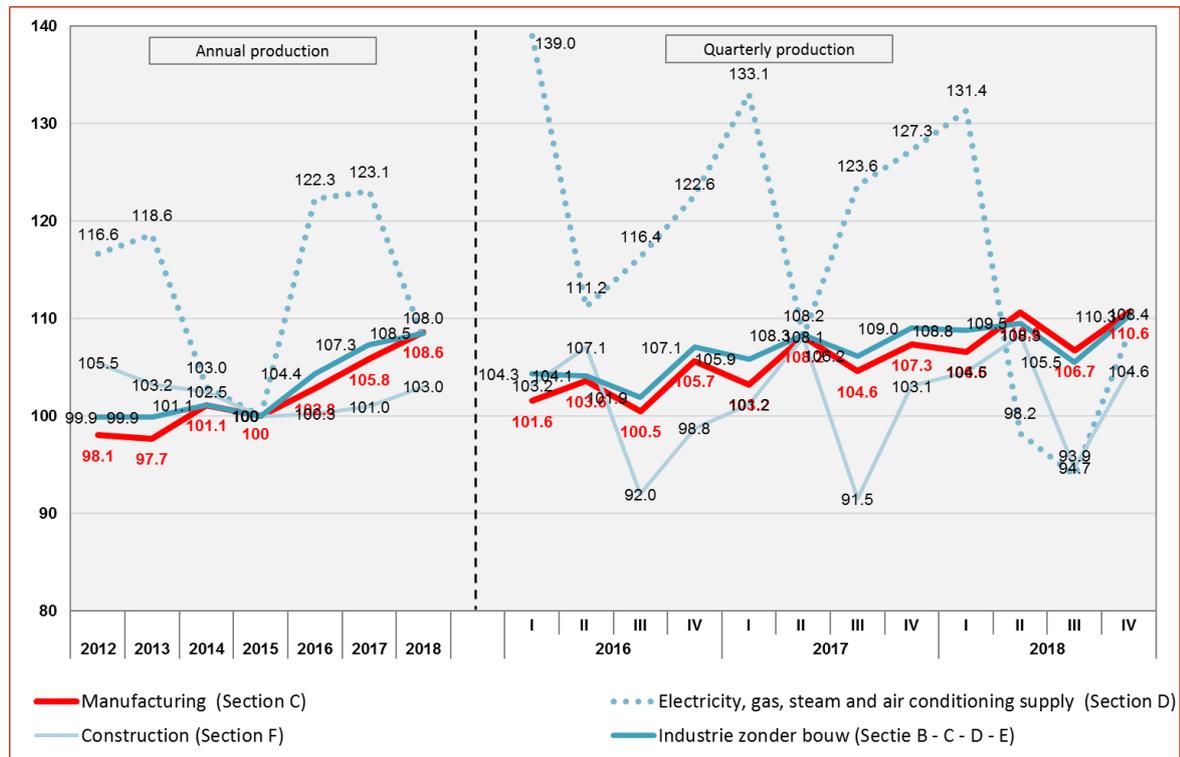
Finally, the activity in the construction sector improved during the fourth quarter of 2018. Nevertheless, as in the previous quarter, the contribution of this sector to economic growth stabilized to 0.1 percentage points in the fourth quarter of 2018. This is however a slight improvement compared to the neutral contribution observed during the fourth quarter of 2017.

While business confidence peaked in the first quarter of 2018, it has steadily deteriorated since then. However, the business confidence level is still higher than usual.

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Graph 7. Industrial production indices

(2015 = 100)



Source: Statbel, Working-day adjusted indices.

In 2018, production in the **industry (excluding construction)** increased by 1.1 % year-on-year, a decelerating rate growth compared to the one registered in 2017 (2.9 %), due to a decline in energy production observed in 2018 (-12.2 % y-o-y).

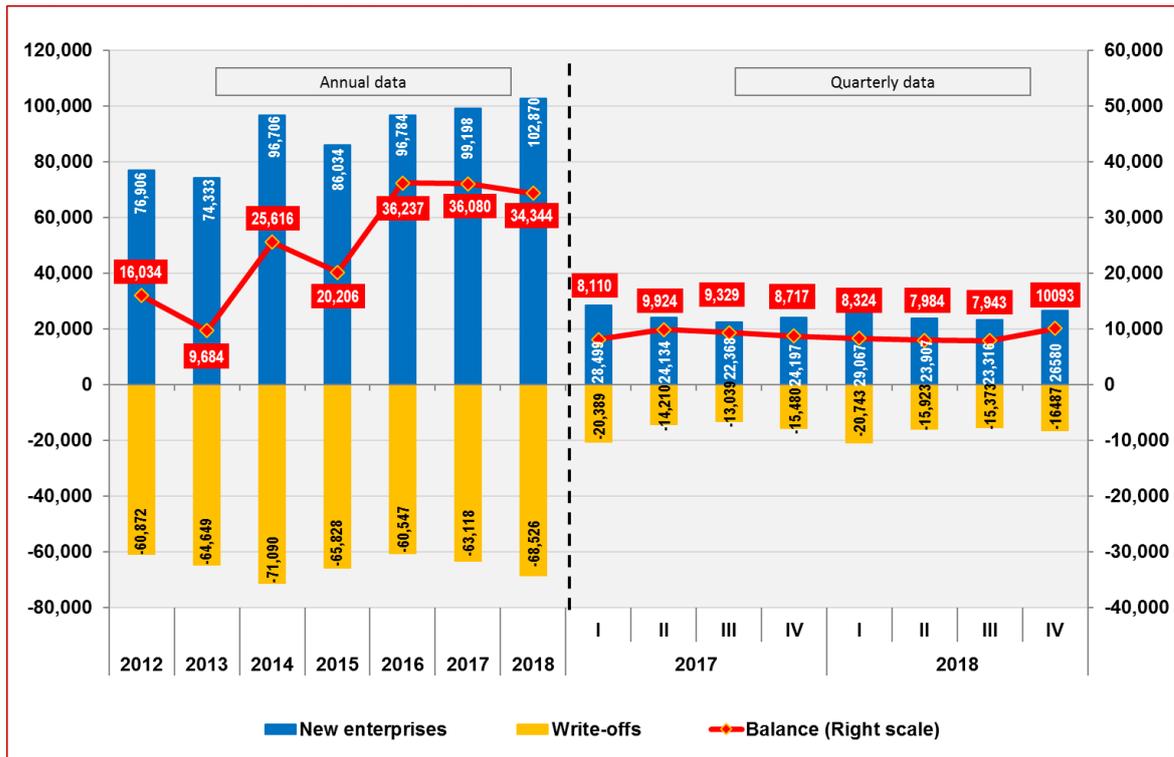
The pace of output growth in **manufacturing** slowed slightly from 2.9 % in 2017 to 2.6 % in 2018.

With 2.0 % growth year-on-year in 2018, activity in the **construction sector** has continued its slow recovery initiated in 2016.

Lastly, the production of **electricity, gas, steam and air conditioning supply** declined by 12.2 % y-o-y in 2018. According to Elia⁶, the increase in renewable energy production could not compensate the decrease in nuclear energy production, leading to an increase in energy imports.

⁶ Belgium’s electricity transmission system operator.

Graph 8. Business demography in Belgium



Source: Statbel.

12

Entrepreneurial demographics showed a positive trend in 2018 compared to 2017 in terms of new companies created, unlike the number of deletions. The number of new enterprises increased by 3.7 % and the write-offs by 8.6 %. With 34,344 companies, the net creation balance registered 1,736 companies less than in 2017.

26,580 new companies were set up in the fourth quarter of 2018, thus 2,383 enterprises more than those registered in the third quarter of 2017 (+9.8 %).

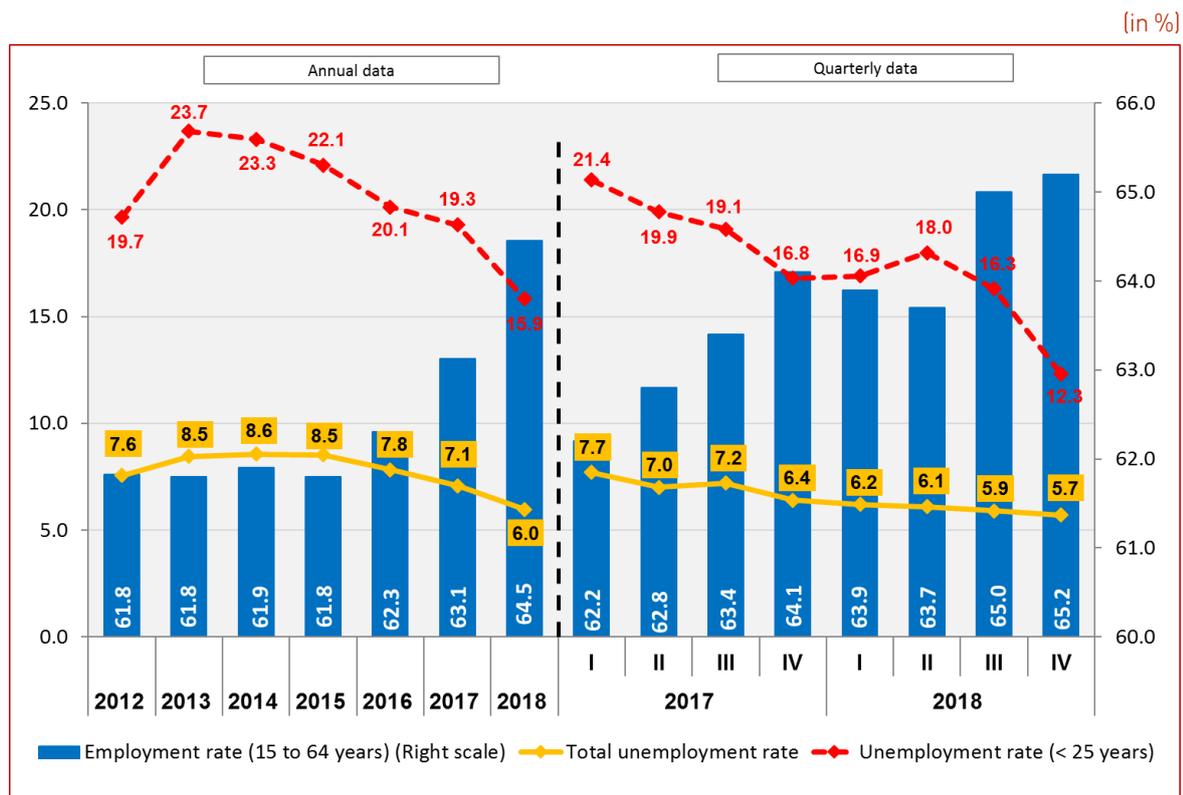
These new companies account for 87.4 % of first tax registrations (53.0 % individuals and 34.4 % legal entities) and for 12.6 % of renewed tax registrations (10.7 % individuals and 1.9 % legal entities).

Conversely, 16,487 companies stopped their activity in the fourth quarter of 2018 (66.9 % individuals and 33.1 % legal entities), thus 1,007 closures more than those observed in the fourth quarter of 2017.

The balance between “Business Creations” and “Business Closures” remained positive in the fourth quarter of 2018, accounting for 10,093 companies (individuals: 58.4 % - legal entities: 41.6 %). This balance represents an increase of 15.8 % (+1,376 units) compared to the same quarter of 2017, reflecting entrepreneurial dynamism.

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Graph 9. Employment rate and harmonized unemployment



Source: Eurostat.

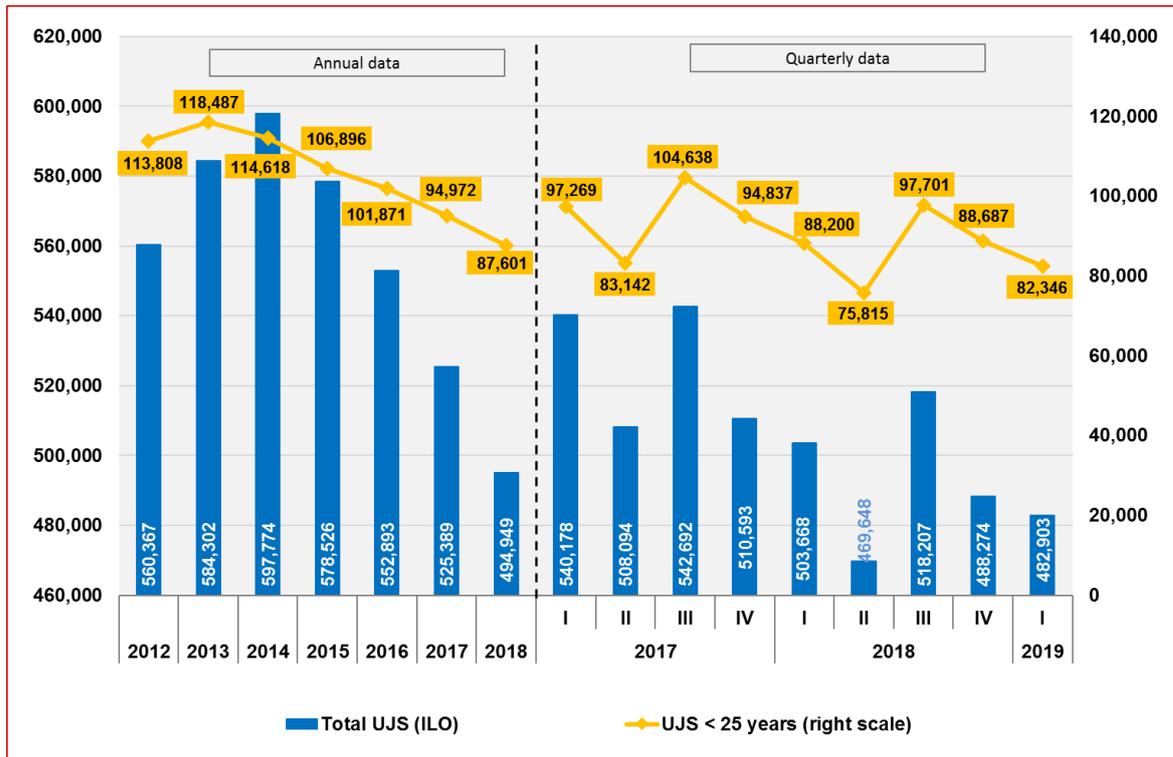
In 2018, the three selected labour market indicators showed a very favourable evolution in 2018 compared to 2017. Thus, the employment rate increased by 1.4 percentage points, from 63.1 % to 64.5 %, while the overall unemployment rate and the unemployment rate for young people under 25 years-old fell respectively by 1.1 and 3.4 percentage points, to attain 6.0 % and 15.9 %.

Employment rate reached 65.2 % in the fourth quarter of 2018 (+1.1 percentage points compared to the same quarter of 2017).

Unemployment rate (raw data) reached 5.7 % and declined by 0.7 percentage points on a year-on-year basis in the fourth quarter of 2018.

Youth unemployment rate (raw data) amounted to 12.3 % in the fourth quarter of 2018 and has also decreased by 4.5 percentage points compared to the rate registered in the same quarter of 2017 (16.8 %).

Graph 10. Number of unemployed jobseekers (UJS)



Source: NEO.

14

In 2018, the number of unoccupied job seekers (UJS) evolved favourably compared to 2017 (down by 5.8 %) as did the youth UJS which decreased by 7.8 %.

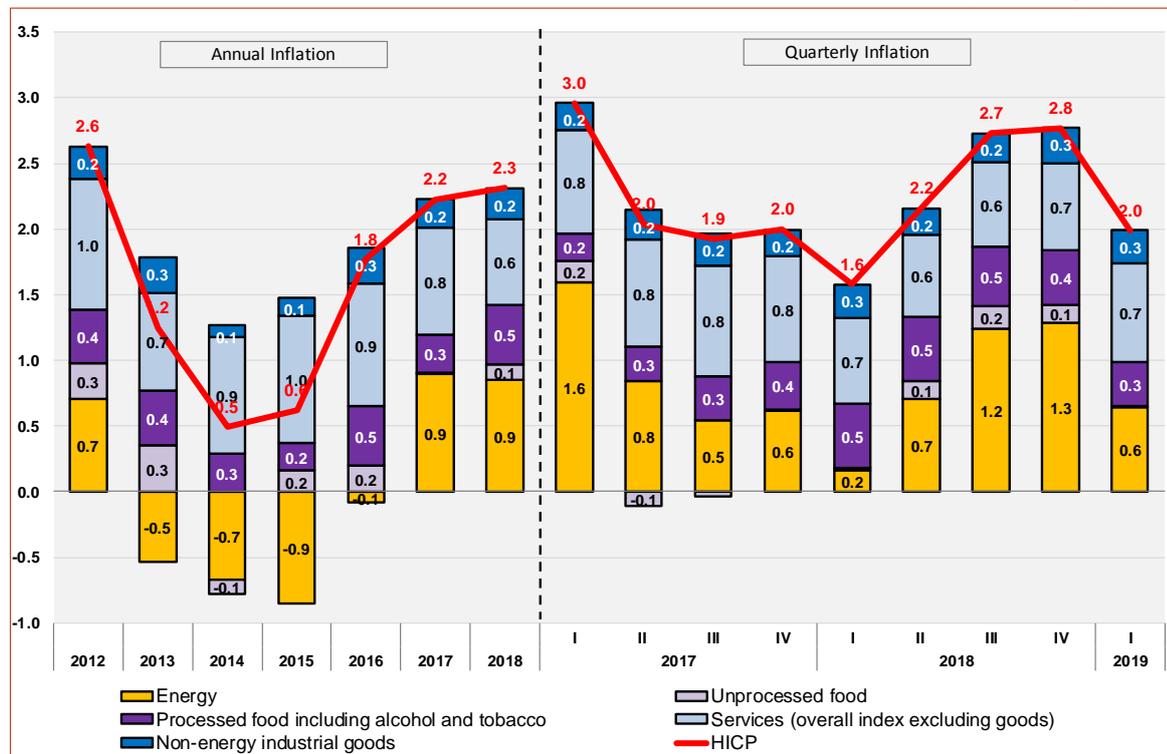
The number of unemployed jobseekers (UJS) kept decreasing during the first four quarters of 2018 (year-on-year). 485,903 UJS were registered in the first quarter of 2019, which means 4.1 % UJS less than those observed in the same period of 2018.

The number of youth unoccupied job seekers (less than 25 years-old) (UJS) also declined during the fourth quarters of 2018 (year-on-year). With 82,346 youth UJS recorded in the first quarter of 2019, there has been a year-on-year reduction of 6.6 % of youth UJS.

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Graph 11. Harmonized consumer price index (HICP) evolution (in %) and contribution to inflation of the 5 major product groups

(in percentage points)



Source: Statbel.

Headline inflation in Belgium, measured on the basis of the Harmonized Index of Consumer Price (HICP), slightly accelerated in 2018 compared to 2017, from 2.2 % to 2.3 %. In the first quarter of 2019, inflation declined to 2 % (from 2.8 % registered in the previous quarter).

The inflation slowdown observed in the first quarter of 2019 (compared to the previous quarter) can be explained by the main energy products, which experienced a sharp drop in inflation from 13.0 % to 6.3 %.

Processed food prices rose by 2 % in the first quarter of 2019, a deceleration compared to their evolution in the previous quarter, contributing by 0.3 percentage points to headline inflation.

Due to its important weight in the consumer basket (over 40 %), the prices increase for **services** in the first quarter of 2019 (1.8 % after 1.6 % observed in the previous quarter) pushed total inflation upwards by 0.7 percentage points.

The fifth group of products, **non-energy industrial products**, recorded a slight inflation deceleration in the first quarter of 2019 (from 1 % in the fourth quarter of 2018 to 0.9 %), thereby fuelling total inflation by 0.3 percentage points.

3. Foreign Trade – Overview of Trade Flows

Table 2. Share of national exports in world exports

(in %)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EU28	16.3%	16.9%	15.6%	15.6%	15.1%	15.8%	15.5%	15.6%	15.9%	15.8%
Russia	4.0%	3.3%	3.5%	3.7%	3.7%	3.6%	3.4%	2.7%	2.4%	2.7%
USA	11.0%	11.7%	11.1%	10.7%	10.8%	10.8%	11.1%	11.8%	12.0%	11.5%
China	12.1%	13.3%	13.7%	13.7%	14.3%	15.1%	16.0%	17.9%	17.3%	16.9%
Japan	6.6%	6.4%	6.7%	5.9%	5.6%	4.9%	4.7%	4.9%	5.3%	5.2%
India	1.5%	2.0%	1.9%	2.2%	2.0%	2.3%	2.2%	2.1%	2.1%	2.2%

Source: Eurostat.

The share of the **European Union** as a whole (EU28) in the world trade exports has slightly decreased between 2008 and 2017, in contrast to the growing importance of **China**. Indeed, its export share in world exports has grown by more than one third over the same period of time, rising from 12.1 % in 2008 to 16.9 % in 2017, even though it is decreasing since 2016. **Russia** has followed an opposite path compared to China, with a **share of its national exports** in world exports **decreasing** between 2008 and 2017, from 4 % in 2008 to 2.7 % in 2017.

Between 2016 and 2017, the share of the EU28, the USA, China and Japan exports in world trade exports decreased.

16

Table 3. The share of Belgian exports going to the main geographical areas of the world

	2014	2015	2016	2017	2018
World (all entities)	100%	100%	100%	100%	100%
European Union	70.0%	70.9%	70.0%	70.7%	69.7%
Other European countries	5.0%	4.3%	4.7%	4.8%	4.9%
<i>Norway</i>	0.5%	0.5%	0.5%	0.4%	0.5%
Africa	2.9%	2.9%	2.6%	2.7%	3.2%
America	7.1%	7.9%	8.8%	8.0%	8.7%
<i>United States</i>	4.8%	5.7%	6.5%	5.5%	5.9%
Asia	12.7%	12.2%	12.5%	12.2%	11.4%
<i>China</i>	2.3%	2.0%	2.1%	2.4%	2.1%
<i>India</i>	3.4%	3.2%	3.1%	2.8%	2.6%
<i>Japan</i>	0.8%	0.8%	1.1%	0.9%	0.9%
Australia and Oceania	0.5%	0.6%	0.6%	0.5%	0.8%
Other	1.7%	1.3%	0.8%	1.1%	1.2%

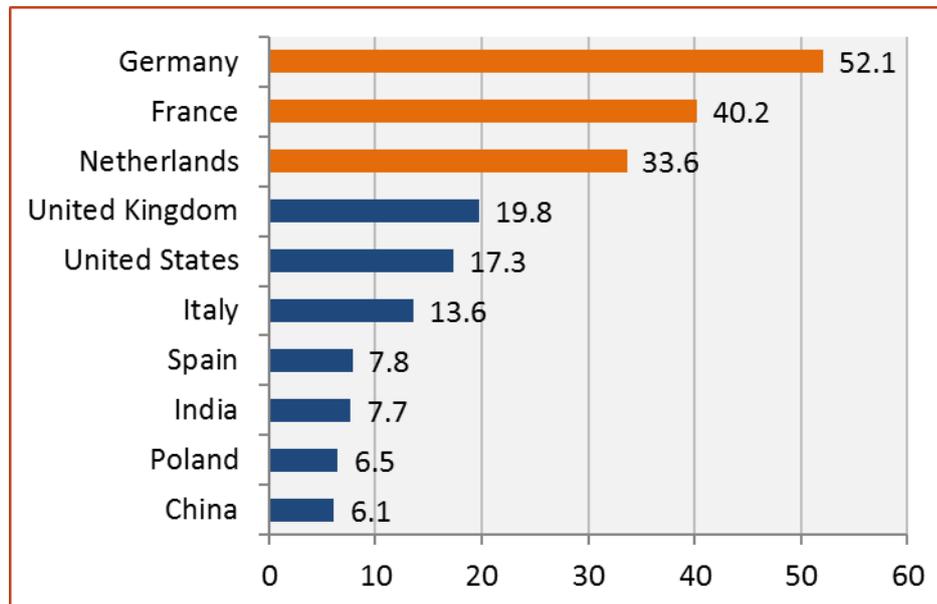
Source: National Accounts Institute (NAI), national concept.

The **European Union** is the **leading destination for Belgian exports of goods** with a share of 69.7 % of total Belgian exports of goods in 2018. This share remained relatively stable since 2014. This stability is also observed in the trade relations with other European countries, Africa and Australia. In 2018, Asia's share of the Belgian exports of goods decreased, while America's share rose.

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Graph 12. Most important export partners in 2018

(in billion euros)



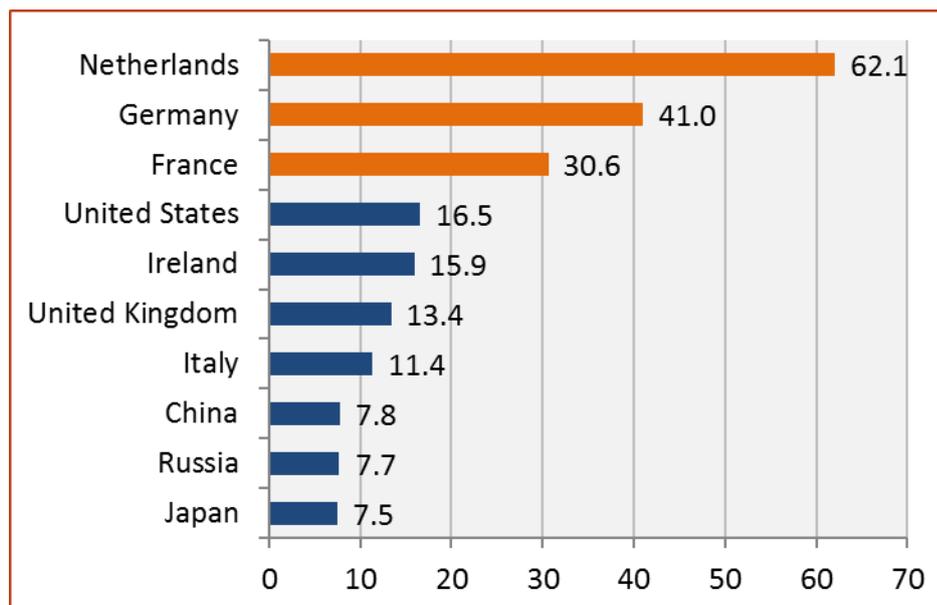
Source: National Accounts Institute (NAI), national concept.

In 2018, Belgian exports of goods went mainly to nearby countries. The first destination was **Germany**, accounting for 52.1 billion euros, followed by **France** with 40.2 billion euros and **the Netherlands** with 33.6 billion euros. Together, those three countries received 42.9 % of total Belgian exports of goods.

The **United Kingdom** comes in 4th place with approximately 19.8 billion euros of Belgian exported goods to this country, which represents 6.7 % of total Belgian exports.

Graph 13. Most important import partners in 2018

(in billion euros)



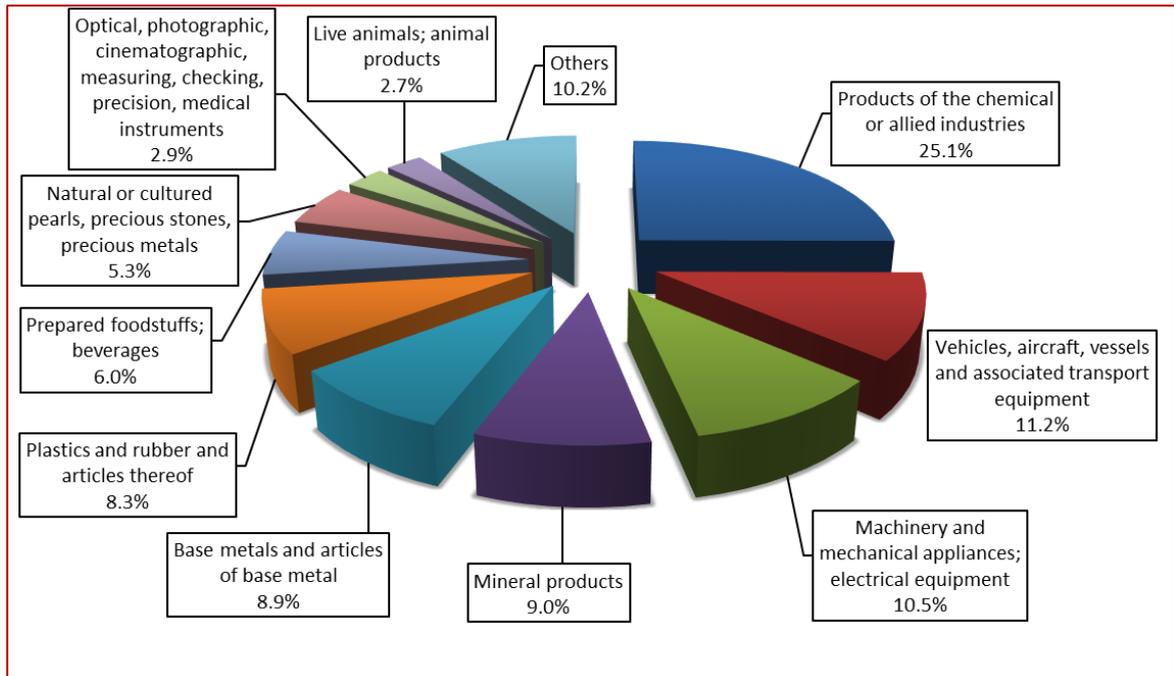
Source: National Accounts Institute (NAI), national concept.

The main partners for Belgian imports of goods in 2018 were the same ones as those for its exports. Thereby, the first provider was **the Netherlands**, accounting for 62.1 billion euros,

followed by **Germany** with 41 billion euros and **France** with 30.6 billion euros. Together, those three countries supplied 44.9 % of total Belgian imports of goods.

Although the **United Kingdom** lost ground in the ranking compared to 2017, it still appears in the top 10 (6th) of Belgian partners for its imports of goods (it was still 5th in 2017). Indeed, the United Kingdom delivered goods for an amount of 13.4 billion euros in 2018, which is equivalent to a share of 4.5 % of total Belgian imports.

Graph 14. Breakdown of Belgian exports in 2018



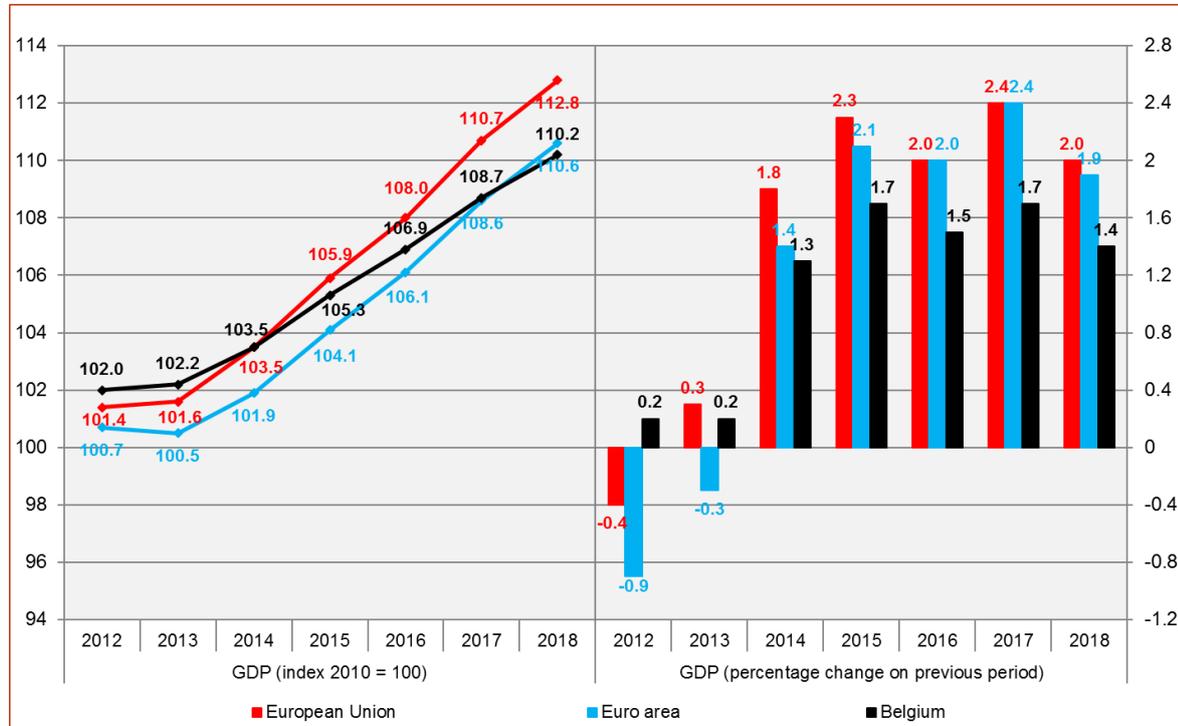
Source: National Accounts Institute (NAI), national concept.

In 2018, mainly four sectors dominated total Belgian exports of goods. These were **chemical products** (25.1 % - 73.7 billion euros), **vehicles and transport equipment** (11.2 % - 33 billion euros), **machinery and equipment** (10.5 % - 30.7 billion euros) and **mineral products** (9 % - 26.5 billion euros). Together, those four sectors represented more than half of total Belgian exports.

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4. The place of Belgium compared to the European Union

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



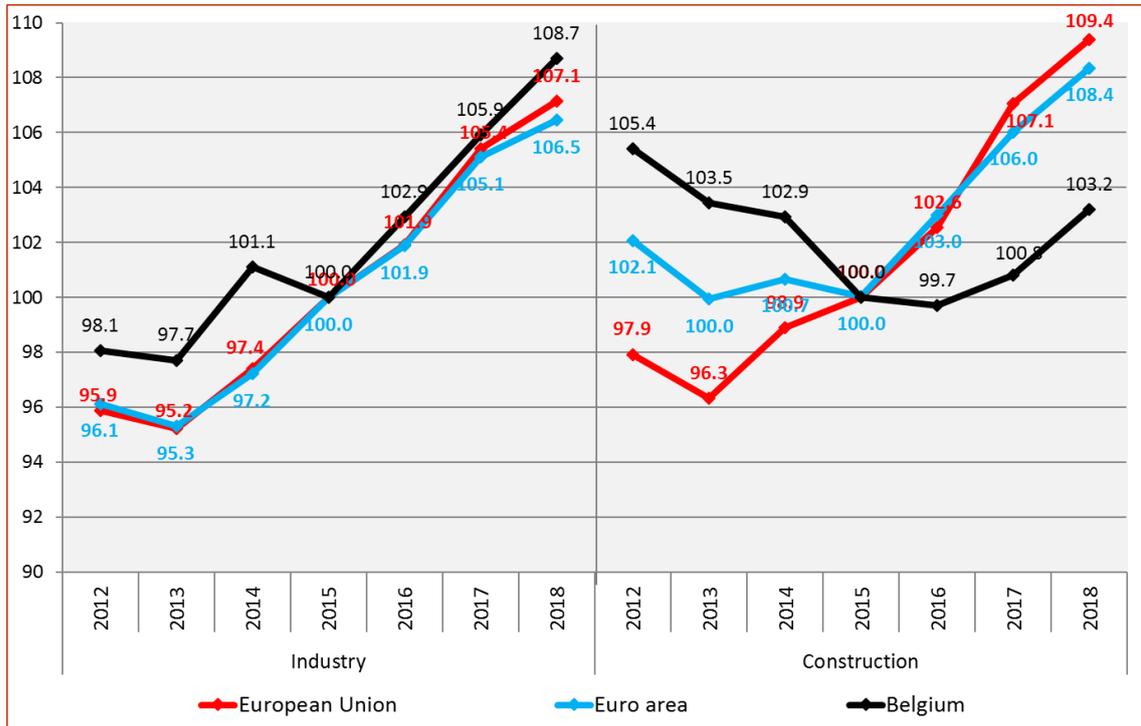
Source: Eurostat.

Increase in the GDP since 2012 in Belgium, since 2013 in the European Union, and since 2014 in the euro area.

Since 2014, GDP grows at a slower pace in Belgium than in in the two other areas.

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

(index 2015 = 100)



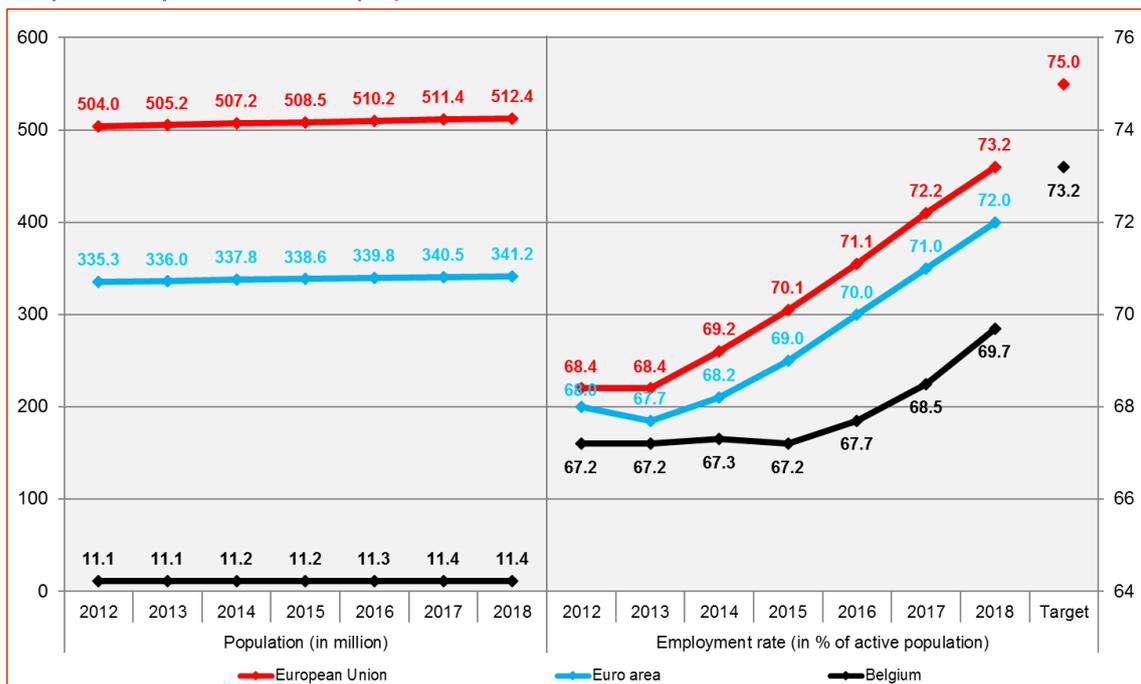
Source : Eurostat.

20

Continuation of the upward trend of the **production index in the manufacturing industry** in Belgium but also in the other two areas, although at a slower pace in 2018.

In Belgium, the **production index in the construction sector** grew for the second year in a row in 2018, after a downward trend observed until 2016. The production continued to grow dynamically in the two other areas.

Graph 17. Population and employment rate



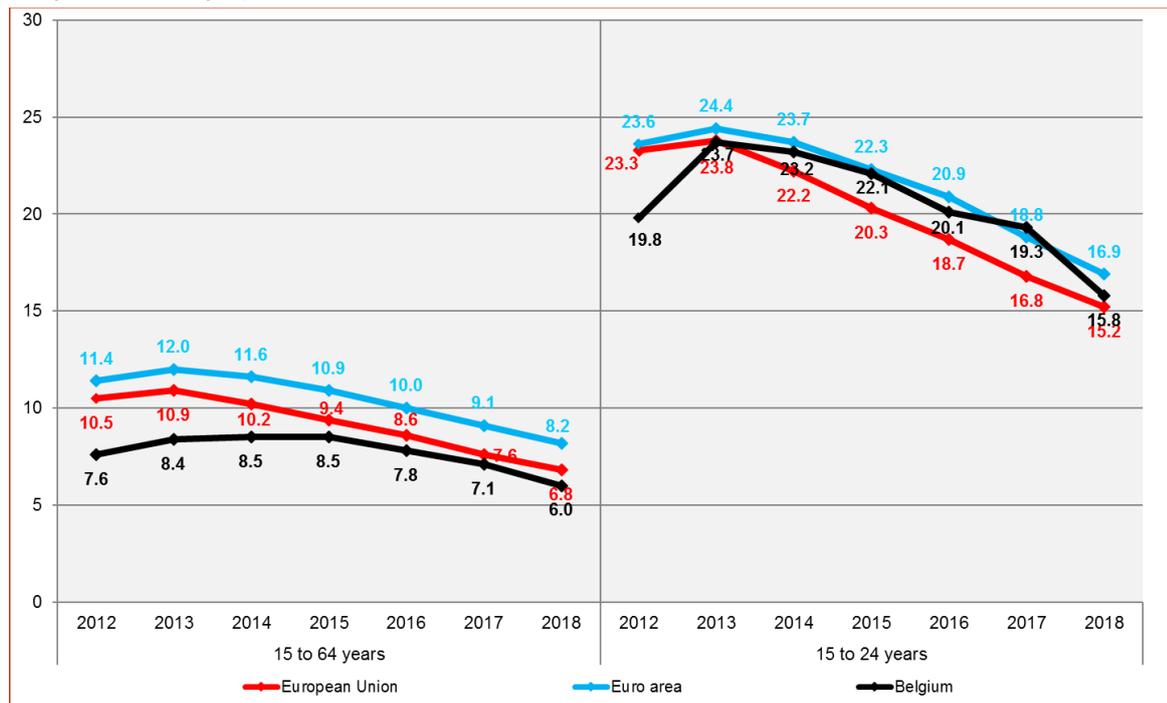
“Creating the conditions for a competitive, sustainable and balanced operation of the goods and services market in Belgium.”

Source: Eurostat.

With 11.4 million **inhabitants** on 1st January 2018, Belgium’s population accounted for 3.3 % of the one in the euro area (341.2 million inhabitants) and for 2.2 % of the European Union’s population as a whole (512.4 million inhabitants).

With 69.7 %, Belgium’s **employment rate** in 2018 is close to the average rates registered in the euro area (72 %) and in the European Union (73.2 %).

Graph 18. Unemployment rate



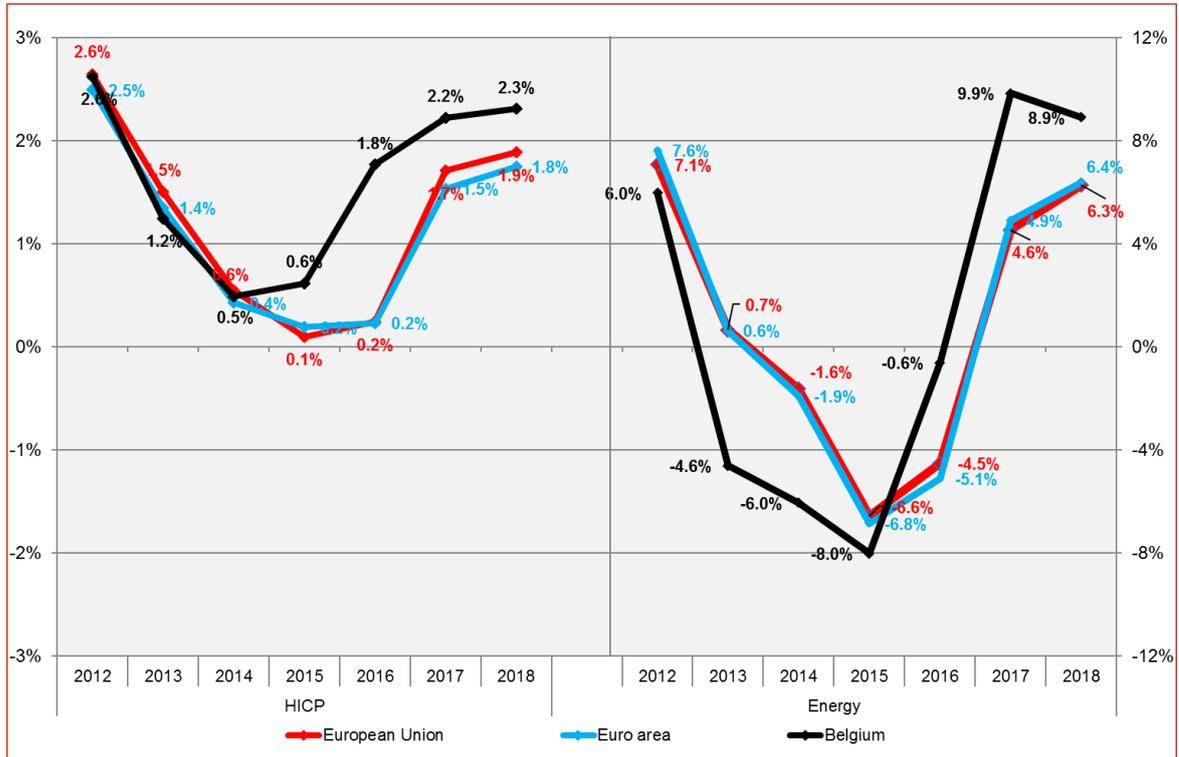
Source: Eurostat.

In 2018, Belgium’s **unemployment rate** (15-64 year-olds) pursued its downward path and reached its lowest level on the analysed period. This is also true for the euro area and the European Union, but the decline has been more pronounced in Belgium than in the two other zones. Compared with 2017, this rate is down by 1.1 percentage points in Belgium, by 0.9 percentage points in the euro area and by 0.8 percentage points in the European Union.

The downward trend in the **youth unemployment rate** (15-24 year-olds) initiated in 2014 has continued in 2018: -3.5 percentage points in Belgium compared to 2017 (euro area: -1.9 pp; EU: -1.6 pp). For many years, the youth unemployment rate in Belgium has been higher than in the European Union but lower than in the euro area, with the exception of 2017 as far as the euro area is concerned.

In 2018, the gap between Belgium and the European Union is narrowing regarding the youth unemployment rate, while widening with the euro area.

Graph 19. Inflation



Source: Eurostat.

22

Inflation has risen faster in Belgium than in its main trade partners (France, Germany and the Netherlands) and in the euro area since various years.

A widening of the gap in **energy prices** has been observed between Belgium and the euro area since 2016, although it has narrowed somewhat in 2018.

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5. Macroeconomic forecasts

Table 4. GDP growth forecasts in the international environment

(in %)

International environment	2017	2018	2019 (e)	2020 (e)
World	3.8	3.6	3.3	3.6
United States	2.2	2.9	2.3	1.9
China	6.9	6.6	6.3	6.1
Euro area	2.4	1.8	1.3	1.5
Germany	2.5	1.5	0.8	1.4
France	2.3	1.5	1.3	1.4
The Netherlands	2.9	2.5	1.8	1.7
United Kingdom	1.8	1.4	1.2	1.4

(e) = estimate.

Source: IMF (World Economic Outlook, April 2019).

Table 5. GDP growth forecasts in Belgium

(in %, unless otherwise indicated)

Belgium	2017	2018 (e)	2019 (e)
GDP	1.7	1.4	1.3
Final consumption expenditure of households and NPI	1.1	0.8	1.6
Final consumption expenditure of general government	0.6	1	1.1
Gross fixed capital formation	1.8	2.1	2.3
<i>Net exports (goods and services) (contribution to growth, in p.p.)</i>	<i>0.6</i>	<i>0.7</i>	<i>-0.2</i>
Total inflation (HICP)	2.1	2.1	1.6

(e) = estimate.

Source: NAI (economic budget, February 2019).