

The background of the cover features three large, orange, cone-like structures that resemble traffic cones, arranged in a row. Overlaid on this are several yellow lines and dots, some forming a circular path and others as straight lines, creating a technical or scientific aesthetic. The overall color palette is dominated by blue, orange, and yellow.

BELGIUM'S ECONOMY IN A NUTSHELL

ECONOMIC OUTLOOK
OF JULY 2020



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

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Introduction

Belgium, a **small and open economy** of 11.5 million inhabitants, is located in the heart of Europe. In 2019, its GDP reached 473.1 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 69.9 % of Belgian exports are directed to the European Union market. 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 was still negative in 2019.

In 2019, the **products mainly exported** by Belgian companies concerned the chemical industries, as well as vehicles and transport equipment and finally machinery and equipment.

In 2018¹, the chemical industry was the **main value added creator among the manufacturing industry**, followed by food and beverages and the pharmaceutical industry.

Recent cyclical developments indicate that **GDP growth** was relatively good in 2019 (+1.4 % year-on-year, compared to +1.5 % in 2018), thanks to a strong domestic demand (excluding inventories changes). Although GDP growth is less vigorous in Belgium than in the European Union (+1.5 %), it is getting closer and closer to it. During the **first quarter of 2020**, the Belgian GDP strongly decreased (-2.5 % year-on-year). Such a downturn in economic activity has not been observed since the economic and financial crisis of 2009. This was mainly the consequence of a negative contribution of household consumption and investments to the GDP; in contrast these factors totalled a positive contribution of 1,3 % to the GDP in the fourth quarter of 2019.

Services are the main driver of economic growth since 2014.

The **production index** in the manufacturing industry (construction excluded) increased in 2019 for the fourth time in a row while the production index in the construction sector has stabilized. However, production in the manufacturing industry (construction excluded) declined in the first quarter of 2020, year-on-year, as did production in the construction sector.

Business demographics continued to be strong in 2019, with more business start-ups than closedowns and a net balance of 37,546 units, the highest net balance observed over the period 2015-2019. This entrepreneurial dynamism can also be observed in the first quarter of 2020, with a net balance of 4,743 new enterprises.

The **employment rate** (65.3 %) increased by 0.8 percentage points in 2019 compared to 2018, while the total unemployment rate (5.4 %) fell by 0.6 percentage points over this period. In the first quarter of 2020, the employment rate continues to rise while the unemployment rate continues to fall. However, despite this positive development in 2019, progress still needs to be made to reach the employment target of the Europe 2020 Strategy, set at 73.2 % for Belgium in 2020. This target amounts to 75 % for the European Union.

After a slowdown in **consumer prices** in 2019, prices started to rise again in the first quarter of 2020, particularly for services and processed food. The decline in energy prices was less pronounced in the first quarter of 2020.

Total **inflation** slowed down in the second quarter of 2020, driven by a decline in the prices of the main energy products and, to a lesser extent, by a deceleration of inflation in services.

As regards the **near-term growth prospects for Belgium**, the FPB is predicting a major economic recession in 2020 as a result of the global coronavirus crisis. Consequently, GDP would fall by 10.5 % in 2020 after having grown by 1.4 % in 2019. Nevertheless, the recovery is already expected to take place in 2021 with an economic growth of 8.2 %. Naturally, given the uncertainties that still surround the coronavirus and the way the situation will evolve in the coming months, these forecasts are still subject to revision in the coming months. Therefore, the most cautious interpretation of these figures should be used.

¹ Latest data available.

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.

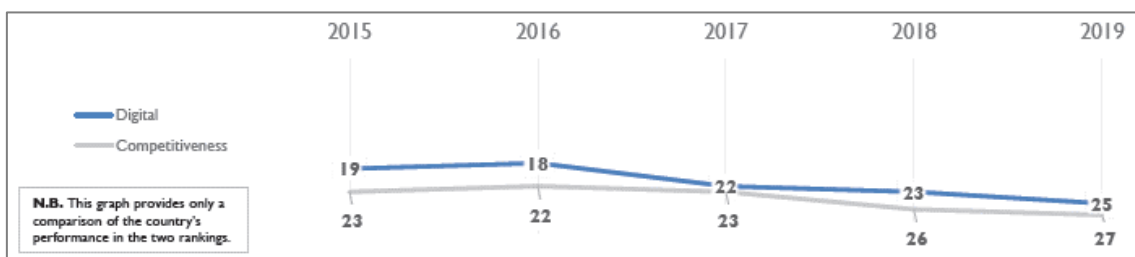


With a **surface** area of 31,000 km² and 11.5 million **inhabitants**, Belgium, along with the Netherlands, is one of the most densely populated countries in Europe.

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 has also 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 **25th most competitive nation** out of 63, according to the Institute for Management Development (IMD World Competitiveness Yearbook 2020 Results²) and is **ranked 22nd** (out of 141) according to the World Economic Forum (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.

² <https://www.imd.org/wcc/world-competitiveness-center-rankings/world-competitiveness-ranking-2020/>

³ <https://www.weforum.org/reports/how-to-end-a-decade-of-lost-productivity-growth>

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.

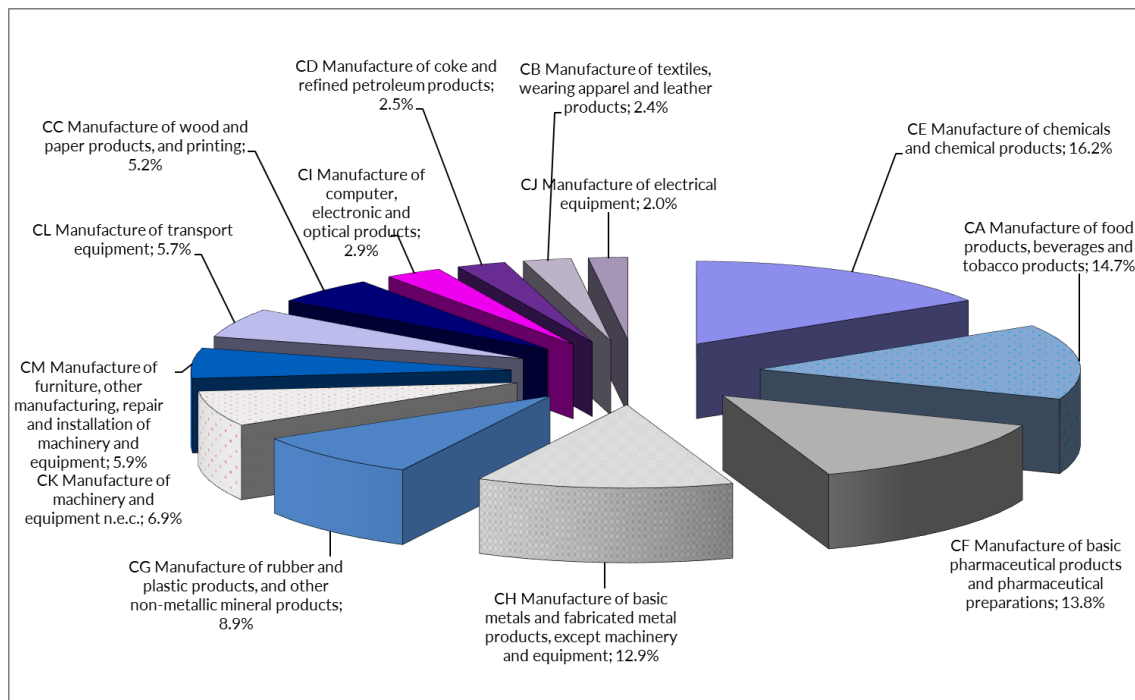
It is a quintessential “**small open economy**”: “small”, with a gross domestic product (GDP) of 473.1 billion euros in 2019, accounting for 2.9 % of the GDP of the European Union⁴ (4 % of the GDP of the euro area⁵) and “open” with a level of openness⁶ of 81.6 % (82.7 % in 2018).

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

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 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.

Graph 2. Breakdown of the Belgian industry in 2018

Gross value added as a % share of total industry.



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

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.

⁴ In 2019, the GDP of the European Union (28 countries) amounts to 16,464.2 billion euros (+3.4 % compared with 2018).

⁵ In 2019, the GDP of the euro area amounts to 11,920.2 billion euros (+3 % compared with 2018).

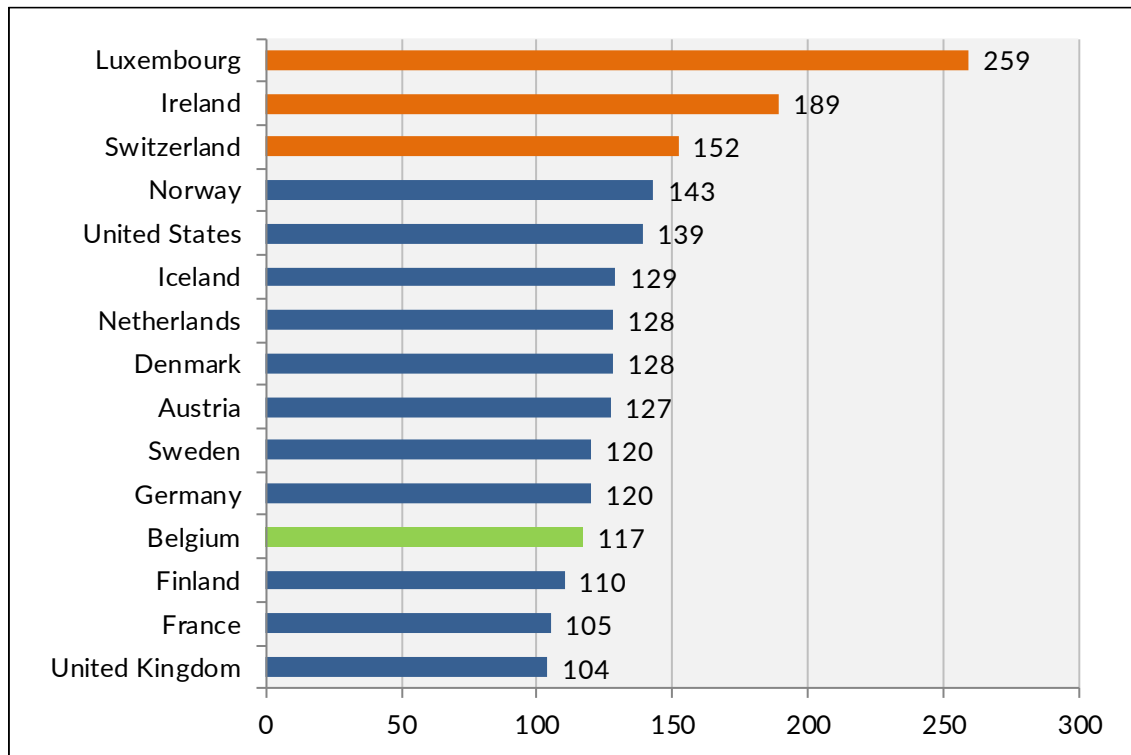
⁶ Average value of its imports and exports of goods and services divided by GDP, multiplied by 100.

The strong sectors of the Belgian industry are:

- the chemical industry (16.2 % of the total manufacturing value added);
- the food industries and beverages (14.7 %);
- the pharmaceutical industry (13.8 %);
- the manufacture of basic metals and fabricated metal products (12.9 %).

Graph 3. GDP per capita in PPS in 2019

UE28=100.



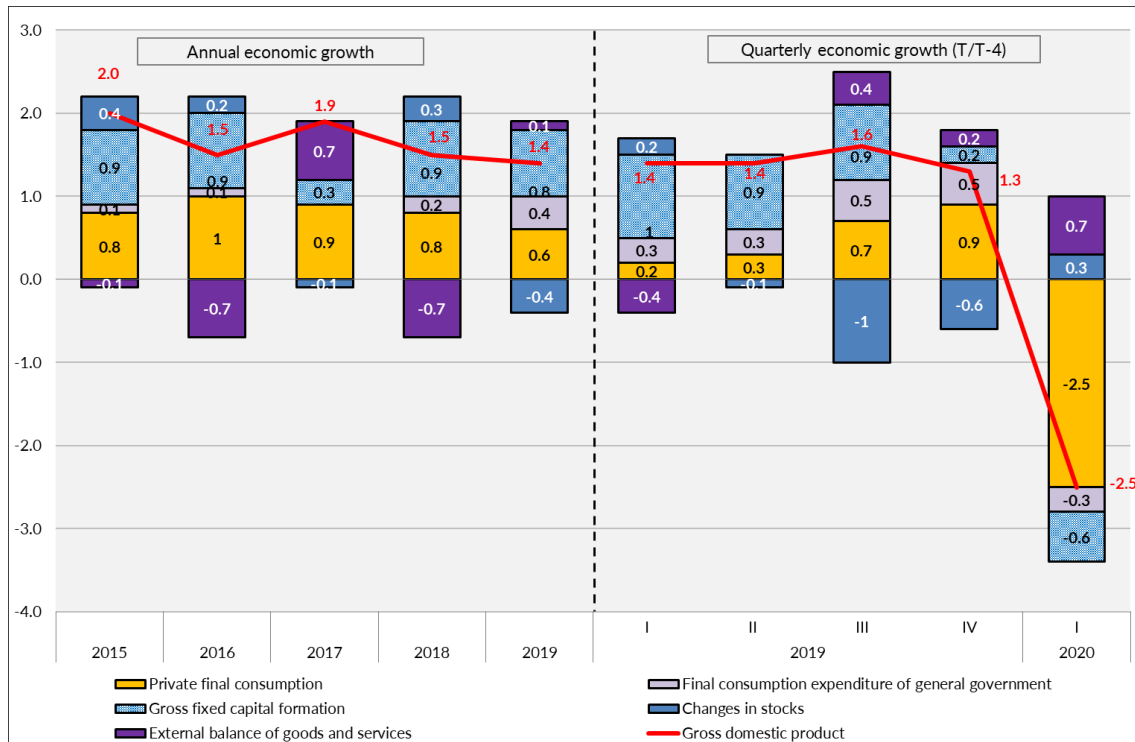
Source: Eurostat.

According to the European structural indicators from Eurostat, **Belgium's GDP per capita**, expressed in purchasing power standards, amounted to 117 in 2019 compared to the EU-28 average set equal to 100, which is equal to the result observed in 2017 and 2018, and 3 points lower than its best performance over the last 10 years (where it reached 120 several times during this period). Nevertheless, Belgium is 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 “expenditures concept”

Percentage points, year-on-year.



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

In **2019**, the annual GDP growth in Belgium amounted to 1.4 %, while a 1.5 % GDP growth was observed in 2018, with 2019 being the second year of economic slowdown in a row. This growth is completely driven by **domestic demand (excluding stocks)**, which contributed by 1.8 percentage points to GDP growth. **Net exports** have positively affected economic growth in 2019 (+0.1 percentage points compared to -0.7 percentage points in 2018). The change in stocks fuelled economic growth in 2019 by 0.4 percentage points.

The GDP strongly decreased during the **first quarter of 2020** (-2.5 % year-on-year) while it increased by 1.3 % during the fourth quarter of 2019. Such a decrease has not been observed since the economic and financial crisis of 2009. This decline of the GDP in the first quarter of 2020 reflects the drop in activity linked to the measures taken by the Belgian government to prevent the spread of the coronavirus.

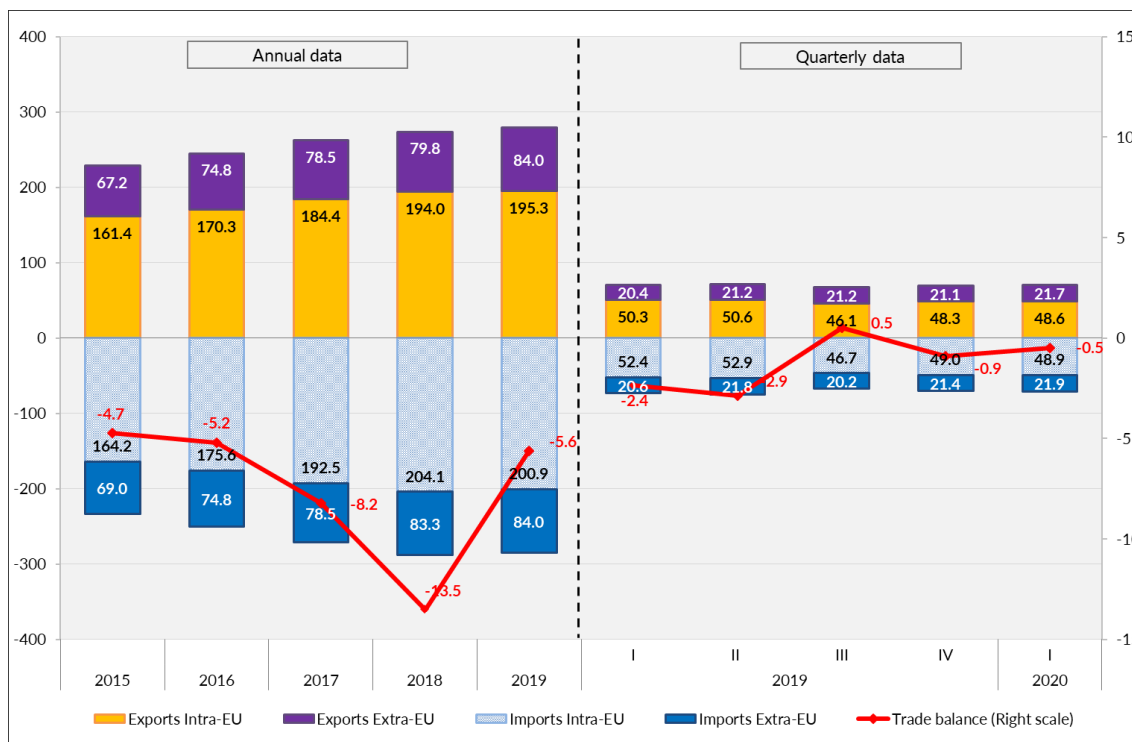
The **domestic demand (excluding stocks)** has reduced economic growth by 3.4 percentage points during the first quarter of 2020. Consumption was the key element explaining this negative contribution to GDP growth, especially private consumption. During the first quarter of 2020, the contribution to economic growth for private consumption was negative (-2.5 percentage points compared to +0.9 percentage points in the previous quarter) as for public expenditures (-0.3 percentage points compared to +0.5 percentage points previously). The same goes for the contribution of investments to economic growth, which reached -0.6 percentage points in the first quarter of 2020 compared to +0.2 percentage points in the previous quarter, reflecting a postponement of investment decisions from investors in a context of general uncertainty related to the development of the coronavirus in Belgium, but also in several other European and non-European countries.

Finally, only **net exports** and **changes in stock** supported the economic activity in the first quarter of 2020, by 0.7 and 0.3 percentage points respectively.

While the figures provided for the first quarter of 2020 are still provisional at the time of writing, the decline in economic activity is real. Moreover, since the containment measures have continued for a part of the second quarter of 2020, a decline in the growth of economic activity is also expected for that quarter.

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, the trade balance increased in **2019** compared to 2018, due to a greater dynamism of exports (+2 %) and a decrease of imports (-0.9 %) of goods. Thus, in 2019, the decreasing trend of the trade balance was halted. However, the trade balance is still negative and the deficit amounted to 5.6 billion euros in 2019 compared to 13.5 billion euros in 2018.

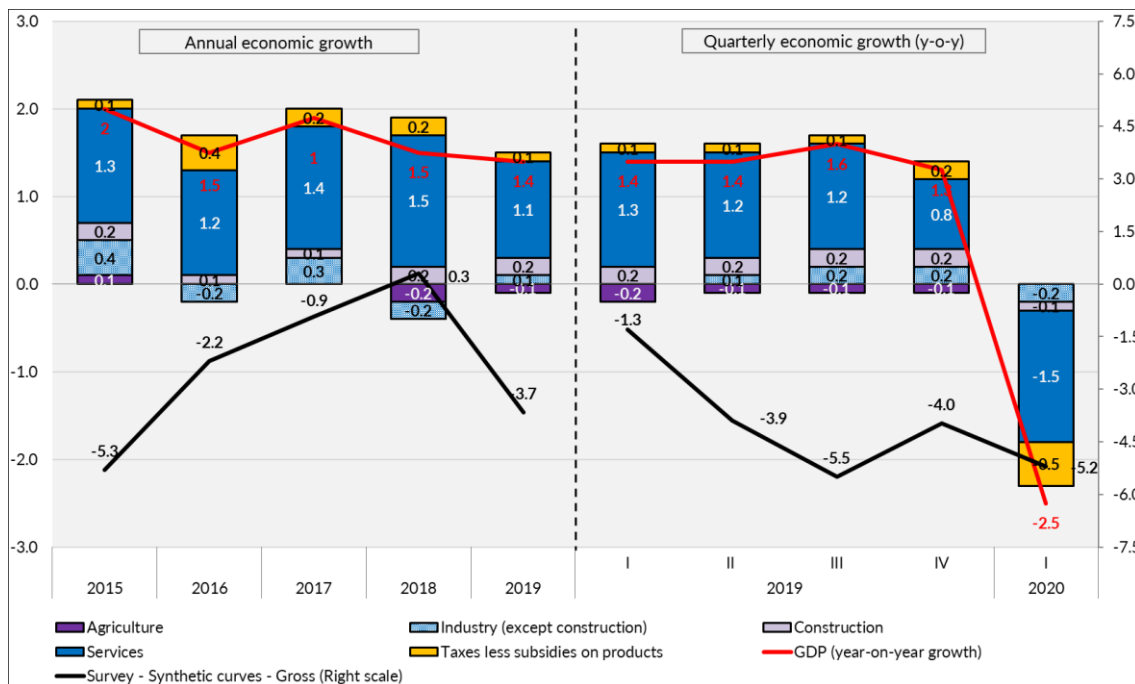
Belgian **exports** declined in value by 0.4 % during the **first quarter of 2020**, compared to the same period of 2019, reaching 70.4 billion euros (against 70.7 billion euros a year earlier). This result is exclusively due to intra-EU exports, which declined by 3.3 % year-on-year, while the extra-EU exports grew by 6.6 % over the same period.

Belgian **imports** decreased by 3.0 % in the **first quarter of 2020** year-on-year, reaching 70.9 billion euros, due to weaker intra-EU imports (-6.6 %). The extra-EU imports increased (+6.4 %) over the same period.

These results translated into a **negative trade balance** in the first quarter of 2020 (-491 million euros). However, the net trade balance improved when compared to the previous quarter (-910.1 million euros) and when compared to the corresponding quarter of 2019 (-2.4 billion euros).

⁷ 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).

The economic activity slowed down in **2019** compared to 2018, reaching 1.4 % growth compared to 1.5 % in 2018. Services were again the main driver of the economic growth in Belgium in 2019, supporting it by 1.1 percentage point (against 1.5 percentage points in 2018). After having reduced total economic growth by 0.2 percentage point in 2018, the activity in the manufacturing industry improved in 2019, thus contributing to total economic growth by 0.1 percentage points. Only agriculture negatively affected economic growth in 2019 by 0.1 percentage points.

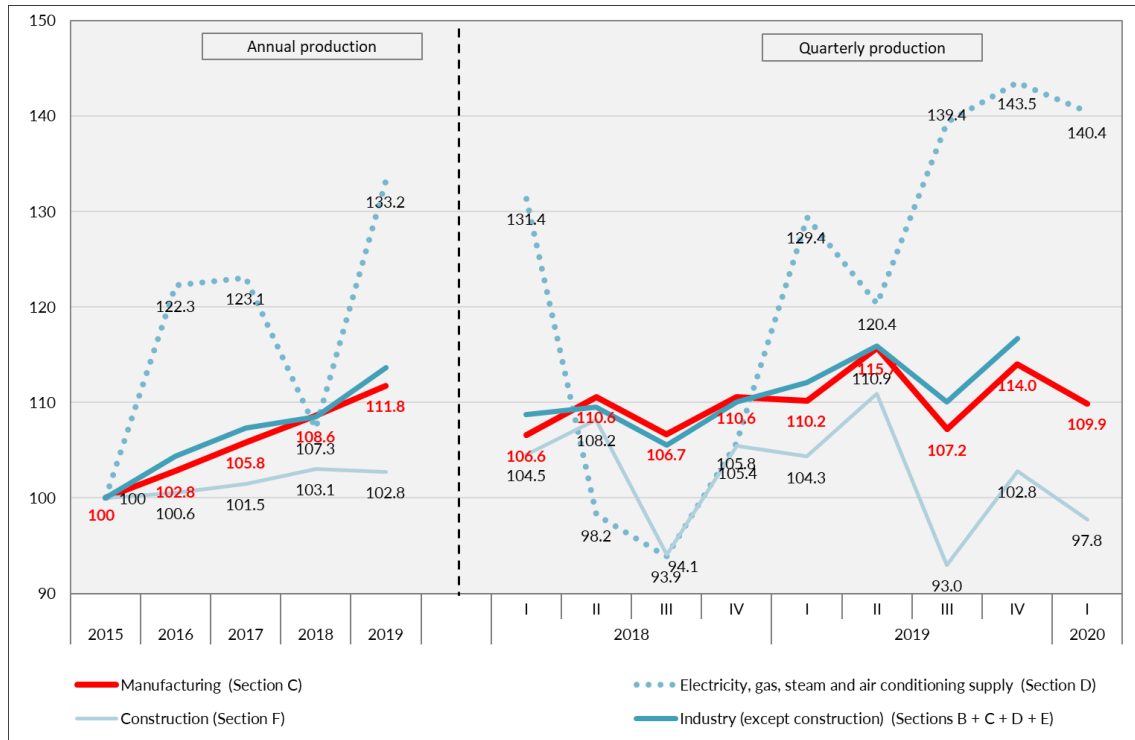
During the **first quarter of 2020**, most of the economic sectors have observed a decline in their economic activity (year-on-year) and showed a negative contribution to the growth of the GDP. Thus the contribution of the **industry** (excluding construction) to GDP growth reached -0.2 percentage points, a decrease compared to the previous quarter (+0.2 percentage points).

The contribution of **services** to GDP growth strongly decreased, from a positive contribution of 0.8 percentage points in the fourth quarter of 2019 to a negative contribution of 1.5 percentage points in the first quarter of 2020.

Finally, the contribution of the **construction sector** to economic growth amounted to -0.1 percentage points in the first quarter of 2020, compared to a positive contribution of 0.2 percentage points the previous quarter.

While **business confidence** recovered in the fourth quarter of 2019, it deteriorated sharply in the first quarter of 2020, as a result of the uncertainty caused by the coronavirus pandemic. In addition, monthly data show that business confidence deteriorated sharply in March 2020 before deteriorating even further thereafter.

Graph 7. Industrial production indices
2015 = 100.



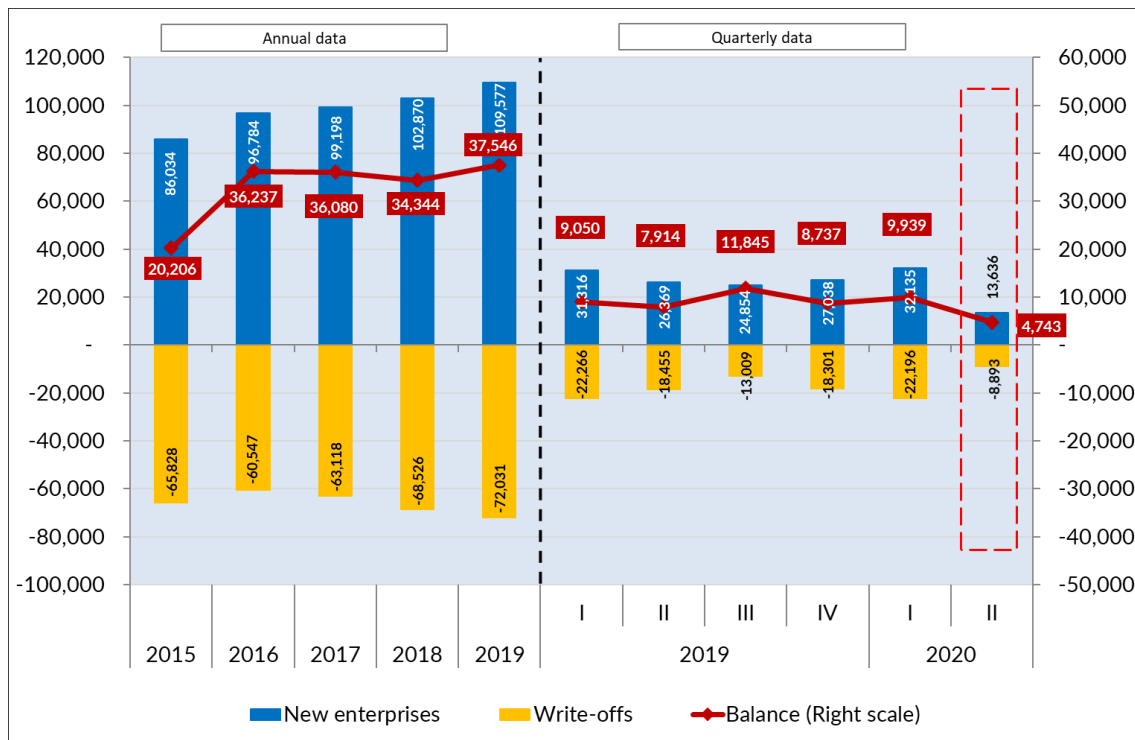
Source: Statbel, Working-day adjusted indices.

The output in the **manufacturing** sector declined by 0.3 % in the first quarter of 2020 compared with the same quarter of 2019.

Electricity, gas, steam and air conditioning supply continued to increase in the first quarter of 2020 (+8.5 %) but less sharply than in the previous three quarters. Indeed, in 2019, the situation had normalized in terms of production capacities in the Belgian nuclear fleet.

Finally, activity in the **construction sector** also declined during the first quarter of 2020 (-6.3 % year-on-year). However, the contraction recorded in the first quarter of 2020 was much more pronounced than the one observed in the previous quarters.

Graph 8. Business demography in Belgium



Source: Statbel.

In **2019**, entrepreneurial demographics showed a favourable trend compared with 2018 in terms of new enterprises, but an unfavourable trend in terms of write-offs. Thus, business creation rose by 6.5 % and write-offs by 5.1 %. However, with 37,546 enterprises, the net balance of "creations-closures" is positive and counts 3,202 more enterprises than in 2018.

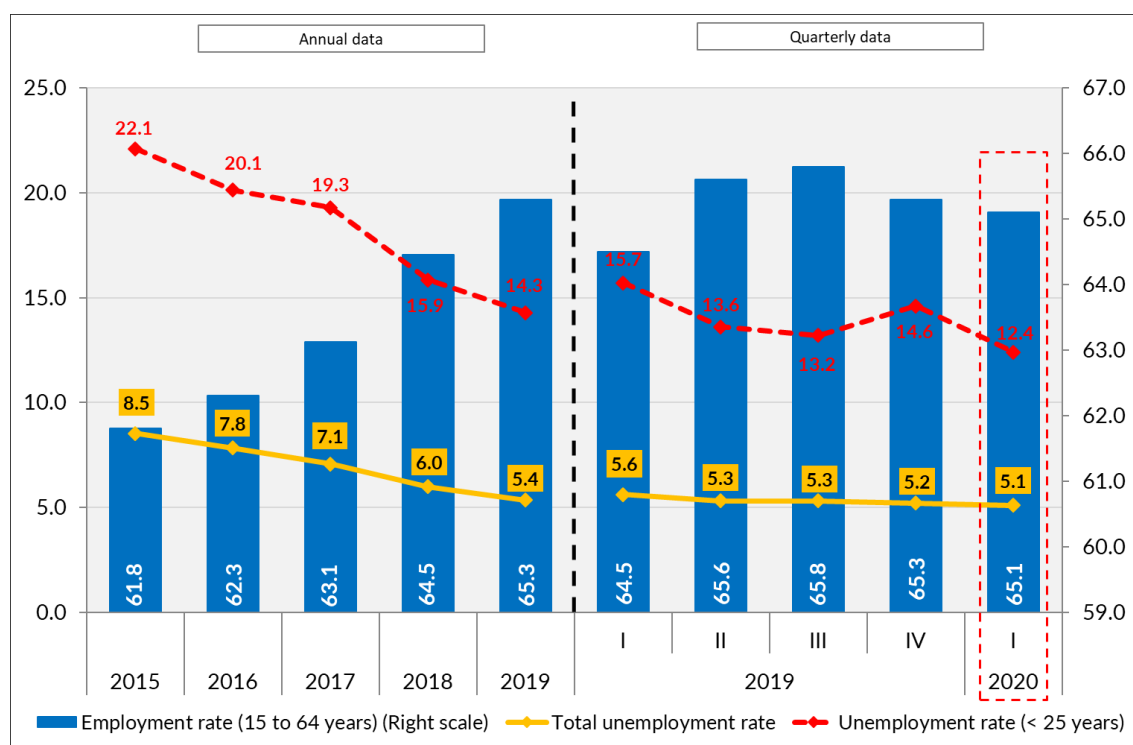
In the **second quarter of 2020**, **13,636 new companies** were created, thus 12,733 less enterprises than in the corresponding quarter of 2019.

Those new companies represent 86.7 % of first tax registration (47.3 % individuals and 39.4 % legal entities) and 13.3 % of renewed tax registrations (10.9 % individuals and 2.4 % legal entities).

On the other hand, 8,893 companies **stopped their activity** in the second quarter of 2020 (66.2 % individuals and 33.8 % legal entities), thus 9,562 less closures than in the second quarter of 2019.

In the second quarter of 2020, the **balance between "business creations" and "business closures"** was positive and amounted to 4,743 companies, 43.2 % of which were individuals and 56.8 % legal entities. This net balance "creations-closures" has strongly decreased compared to the one of the corresponding quarter of 2019 (-50.1 %).

Graph 9. Employment rate and harmonized unemployment
In %.



Source: Eurostat.

2019, as a whole, proved to be a favourable year on the **labour market**.

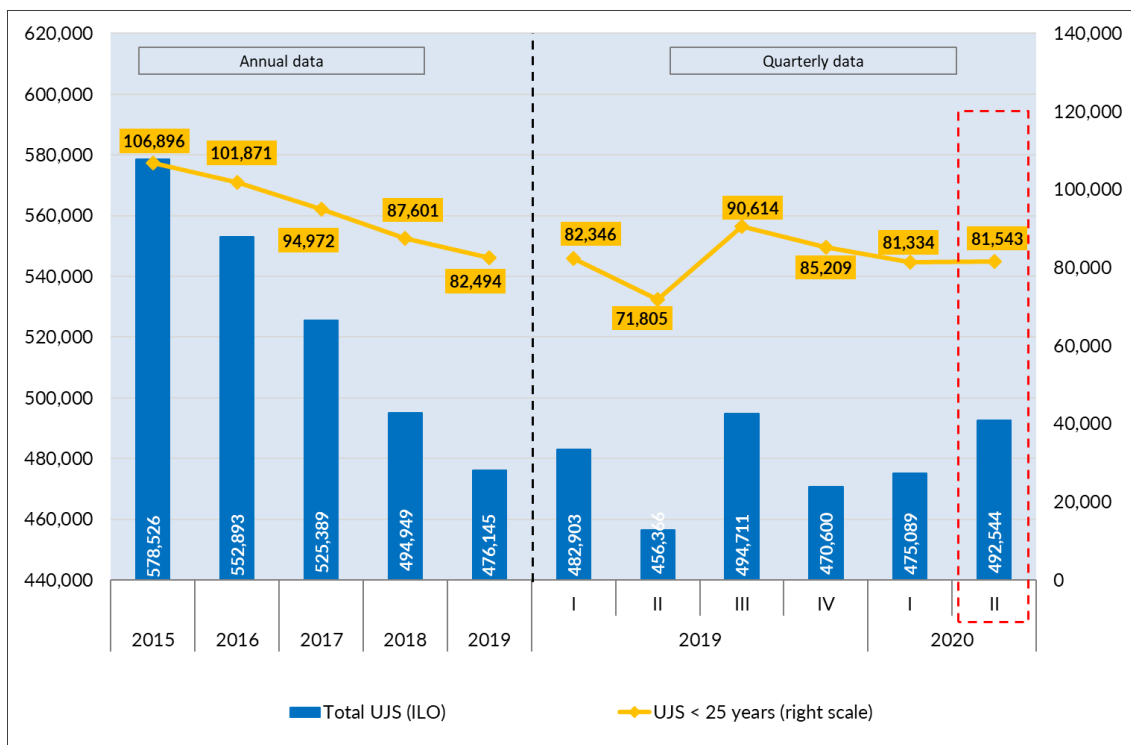
In the first quarter of 2020, the monitored indicators also show favourable movements year-on-year.

The **employment rate** increased to 65.1 % during the first quarter of 2020, which is 0.6 percentage points higher than the corresponding quarter of 2019.

In the first quarter of 2020, **unemployment rate** (raw data) reached 5.1 %, 0.5 percentage points less than in the corresponding quarter of 2019.

Youth unemployment rate amounted to 12.4 % in the first quarter of 2020, 3.3 percentage points less than in the corresponding quarter of 2019.

Graph 10. Number of unemployed jobseekers (UJS)



Source: NEO.

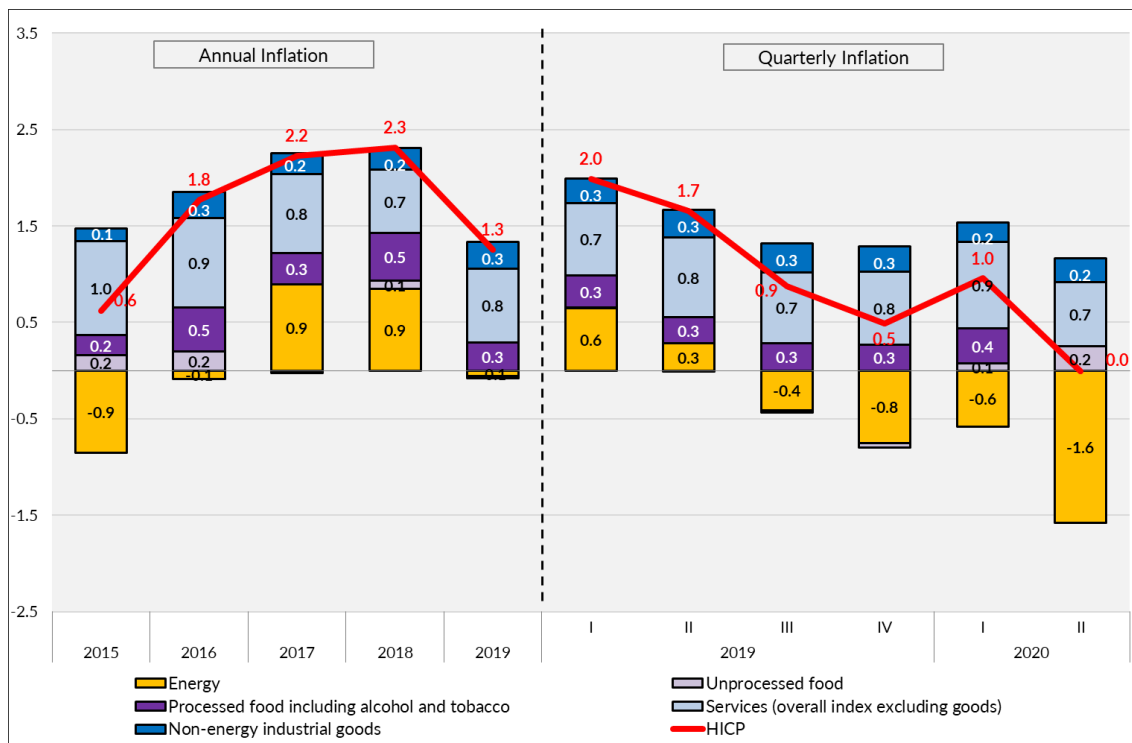
In **2019**, the number of **unoccupied job seekers (UJS)** evolved favourably compared to 2018 (down by 3.8 %), as did the youth UJS, which decreased by 5.8 %.

The number of **unemployed jobseekers (UJS)** kept decreasing during the four quarters of 2019 (year-on-year). The second quarter of 2020, however, marks a halt in this downward trend. It recorded 492,544 DEI, which represents an increase of almost 7.9 % year-on-year.

Like the UJS, the second quarter of 2020 also marks a break in the year-on-year downward trend in the number of **youth unoccupied job seekers (less than 25 years old)**. With 81,543 youth UJS recorded in the **second quarter of 2020**, there has been a year-on-year increase of 13.6 % of them.

Graph 11. Harmonized consumer price index (HICP) and contribution to inflation of the five major product groups

HICP in % and contribution in percentage points.



Source: Statbel.

After an acceleration in inflation in the first quarter of 2020, **inflation** slowed in the **second quarter of 2020**, driven by a decline in the prices of the main energy products and to a lesser extent by a deceleration in the prices of services.

Consumer prices of **processed food** rose by 2.4 % in the second quarter of 2020 (a slight acceleration compared with the previous quarter +2.1 %), contributing 0.4 percentage point to overall inflation.

Consumer prices of **unprocessed food** products rose by 6.1 %, but due to their moderate weight in the consumer basket, their contribution to inflation was limited to 0.2 percentage points.

Due to its high weight in the consumption basket (over 40 %), while decelerating, the **services** inflation (1.6 % in the second quarter of 2020 compared with 2.1 % in the previous quarter) made a significant contribution to overall inflation (0.7 percentage points), but however less important than in the previous quarter (0.9 percentage points).

The fifth product group, **non-energy industrial goods**, recorded a very slight acceleration in inflation in the second quarter of 2020 (+0.9 %, compared with +0.8 % in the previous quarter), pushing up overall inflation by 0.2 percentage points.

Finally, the **energy products** category was strongly influenced by the collapse of oil prices on world markets due to the economic and health crisis. As a result, prices in this category fell by 16.3 % in the second quarter of 2020, negatively impacting overall inflation by 1.6 percentage points.

3. Foreign trade – Overview of trade flows

Table 1. Share of national exports in world exports

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU28	16.2%	16.7%	15.5%	15.5%	15.1%	15.8%	15.5%	15.6%	15.9%	15.8%	15.6%
Russia	3.9%	3.3%	3.4%	3.7%	3.7%	3.6%	3.4%	2.7%	2.5%	2.8%	3.0%
USA	10.9%	11.6%	11.0%	10.6%	10.8%	10.8%	11.1%	11.8%	12.0%	11.5%	11.2%
China	12.0%	13.2%	13.6%	13.6%	14.3%	15.1%	16.0%	17.9%	17.3%	16.9%	16.8%
Japan	6.6%	6.4%	6.7%	5.9%	5.6%	4.9%	4.7%	4.9%	5.3%	5.2%	5.0%
India	1.5%	1.9%	1.9%	2.2%	2.0%	2.3%	2.2%	2.1%	2.1%	2.2%	2.2%

Source: Eurostat, latest available data.

The share of the **European Union** as a whole (EU28) in the world trade exports has slightly decreased between 2008 and 2018, in contrast to the growing importance of **China**. Indeed, its export share in world exports has grown by more than one third, rising from 12 % in 2008 to 16.8 % in 2018, 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 from 3.9 % in 2008 to 3 % in 2018. It is the same for **Japan** with a share that reduced from 6.6 % in 2008 to 5 % in 2018. The share of **India** has increased over the years, reaching 2.2 % in 2018.

Between 2017 and 2018, the share of the EU28, the USA, China and Japan exports in world trade exports decreased.

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

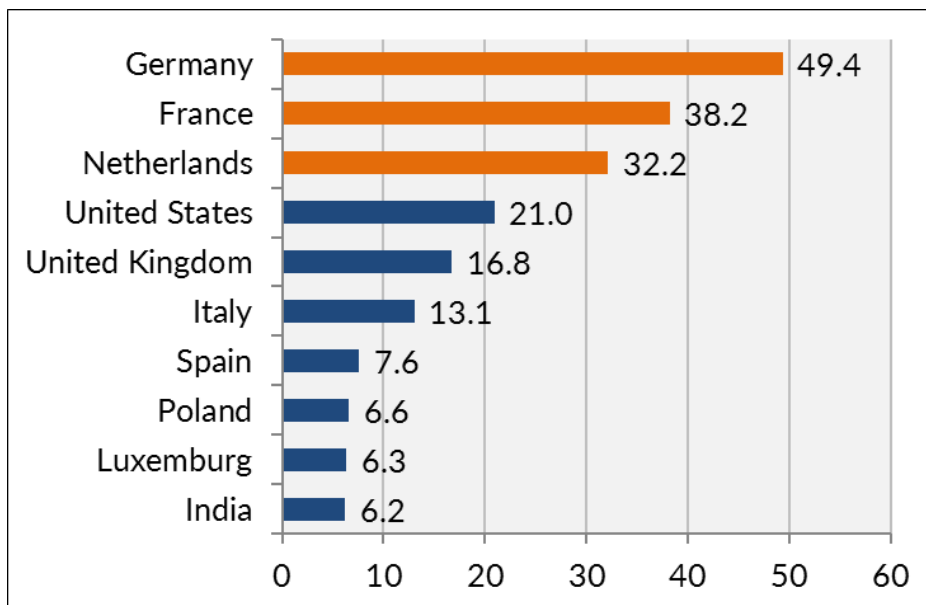
	2015	2016	2017	2018	2019
World (all entities)	100%	100%	100%	100%	100%
European Union	70.6%	69.5%	70.1%	70.9%	69.9%
Other European countries	4.3%	4.7%	4.7%	4.4%	4.8%
Turkey	1.2%	1.2%	1.3%	1.2%	1.1%
Africa	2.8%	2.7%	2.8%	2.7%	2.8%
America	8.1%	8.9%	8.1%	8.5%	10.2%
United States	5.5%	6.8%	6.2%	6.7%	7.5%
Asia	12.3%	12.8%	12.5%	11.1%	10.5%
China	2.0%	2.2%	2.4%	1.9%	1.8%
India	3.2%	3.2%	2.9%	2.7%	2.2%
Japan	0.8%	1.1%	1.0%	1.0%	1.1%
Australia and Oceania	0.6%	0.6%	0.6%	0.9%	0.5%
Other	1.3%	0.9%	1.2%	1.5%	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 69.9 % of total Belgian exports of goods in 2019. Although this share remained quite stable compared with 2015, it reduced by 1 percentage point in 2019 compared to 2018 and benefited to other European countries (+0.4 percentage points) and America (+1.7 percentage points). This stability with 2015 is also observed in the trade relations with Africa and Australia. However, in 2019, Asia's share of the Belgian exports of goods keeps decreasing compared with 2015 (-1.8 percentage points). The share of Belgian exports to Turkey has remained quite stable in recent years, coming from 1.2 % in 2015 to 1.1 % in 2019.

Graph 12. Most important export partners in 2019

In billion euros.



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

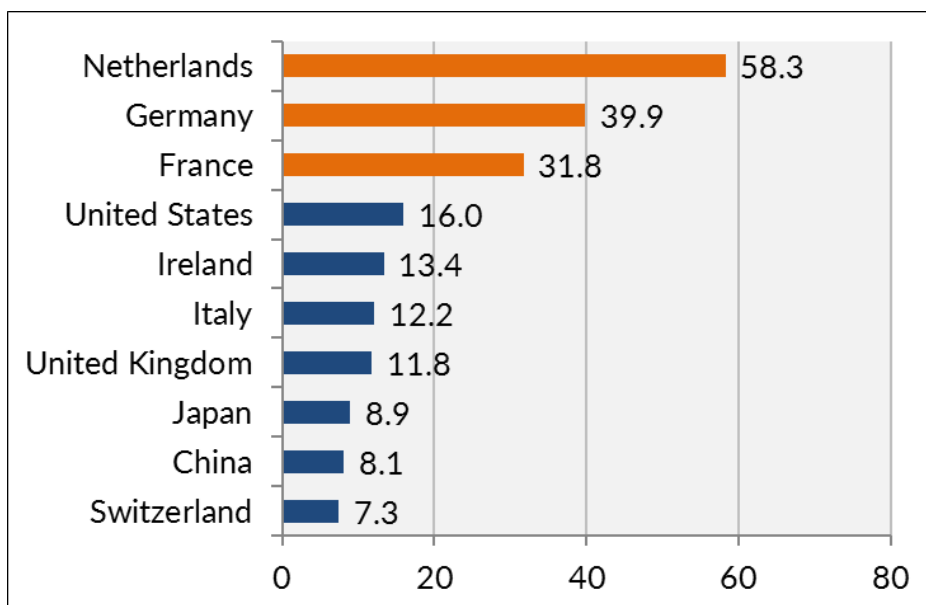
In 2019, Belgian exports of goods went mainly to nearby countries. The first destination was **Germany**, accounting for 49.4 billion euros, followed by **France** with 38.2 billion euros and **the Netherlands** with 32.2 billion euros. Together, those three countries received 42.9 % of total Belgian exports of goods.

The **United Kingdom** comes in 5th place with approximately 16.8 billion euros of Belgian exported goods to this country, which represents 6 % of total Belgian exports.

Turkey is the 15th largest export market for Belgium in 2019, with 3.2 billion euros of goods exported to this country.

Graph 13. Most important import partners in 2019

In billion euros.



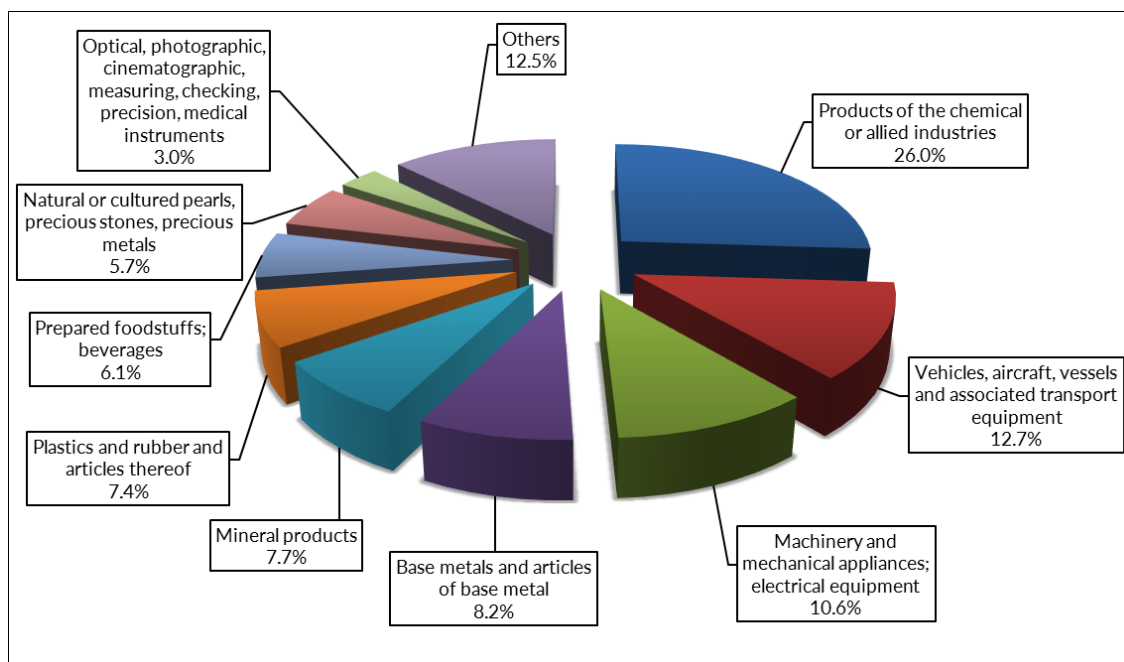
Source: National Accounts Institute (NAI), national concept.

The three main partners for Belgian imports of goods in 2019 were the same ones as those for its exports, although the ranking is somewhat different. The first provider was **the Netherlands**, accounting for 58.3 billion euros, followed by **Germany** with 39.9 billion euros and **France** with 31.8 billion euros. Together, those three countries supplied 45.6 % of total Belgian imports of goods.

Although the **United Kingdom** lost one place in the ranking compared to 2018, it still appears in the top 10 (7th) of Belgian partners for its imports of goods (it was still 5th in 2017). Indeed, the United Kingdom delivered goods for an amount of 11.8 billion euros in 2019, which is equivalent to a share of 4.2 % of total Belgian imports.

Turkey ranks 17th among the suppliers of the Belgian market in terms of imports. Belgium imported goods from Turkey for 2.7 billion euros in 2019.

Graph 14. Breakdown of Belgian exports in 2019

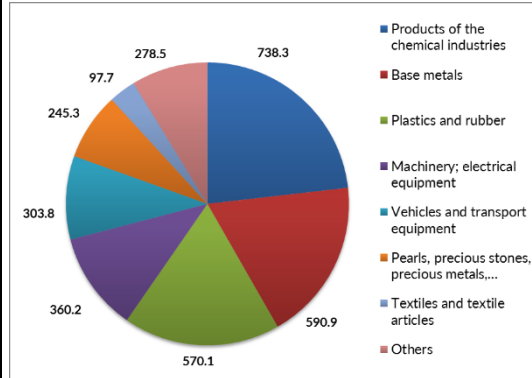


Source: National Accounts Institute (NAI), national concept.

In 2019, mainly four sectors dominated total Belgian exports of goods. These were **chemical products** (26 % - 72.7 billion euros), **vehicles and transport equipment** (12.7 % - 35.4 billion euros), **machinery and electrical equipment** (10.6 % - 29.5 billion euros) and **base metals** (8.2 % - 23 billion euros). Together, those four sectors represented more than half of total Belgian exports (57.5 %).

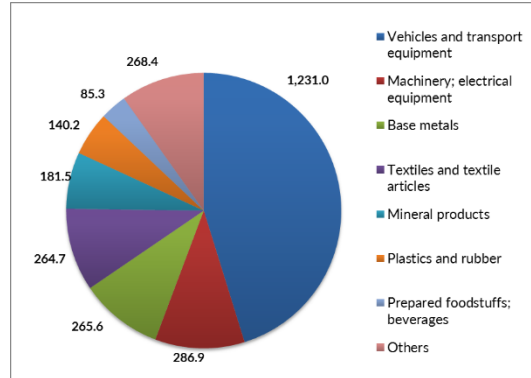
Focus: Trade flow between Belgium and Turkey in 2019.

Graph 15. Exports to Turkey in 2019
In million euros.



Source: NBB (national concept).

Graph 16. Imports from Turkey in 2019
In million euros.



Source: NBB (national concept).

The main exported products to Turkey by Belgium in 2019 were **chemical products** and accounted for 738.3 million euros, representing 23.2 % of total Belgian exports to Turkey.

The main imported products from Turkey by Belgium in 2019 were **vehicles and transport equipment** and amounted to almost 1.2 billion euros (45.2 % of total Belgian imports from Turkey in 2019).

Base metals were the second main exported products to Turkey, accounting for 590.9 million euros, equivalent to 18.6 % of all Belgian goods exported to Turkey.

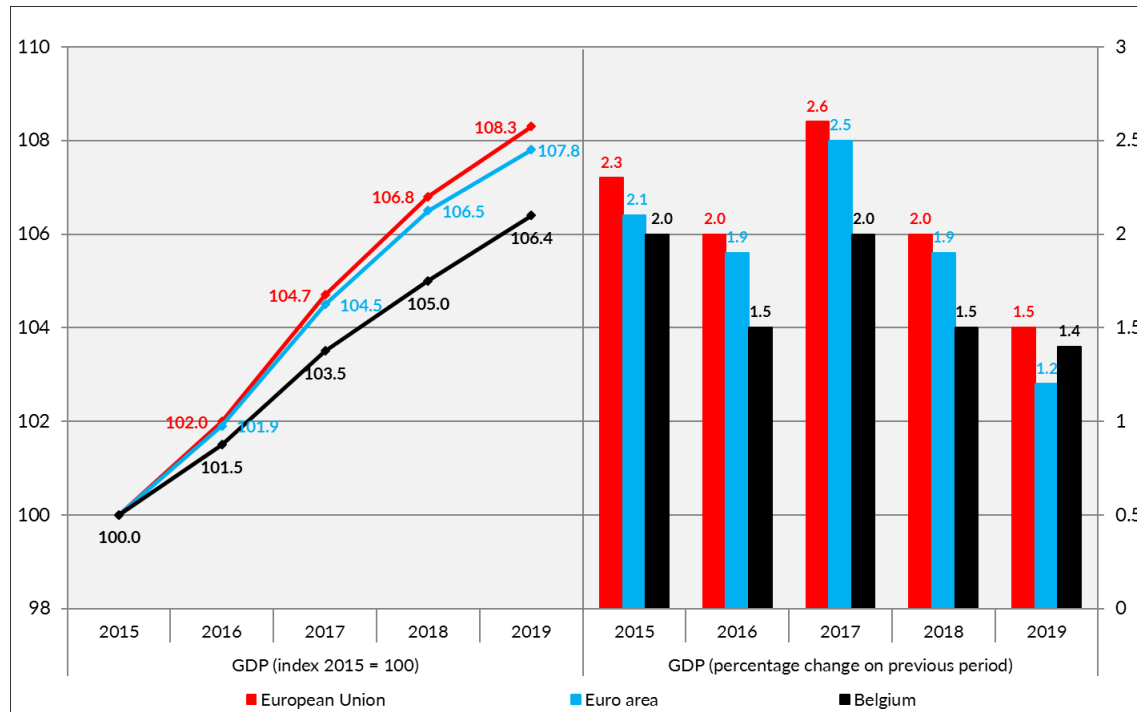
The second most imported products from Turkey by Belgium in 2019 were **machinery and electrical equipment**, and they accounted for 286.9 million euros, which means a share of 10.5 % of Belgian imports coming from this country.

Belgian exports of **chemical products** added to exports of **base metals** and **plastic and rubber** represented together more than half of total Belgian exports of goods going to Turkey in 2019 (59.6 %).

Finally, imports of these two categories of products (**vehicles and machinery and electrical equipment**) represented more than half of Belgian imports coming from Turkey in 2019 (55.7 %).

4. The place of Belgium compared to the European Union

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



Source: Eurostat.

Increase in the **GDP** since 2010 in Belgium, since 2013 in the European Union, and since 2014 in the euro area.

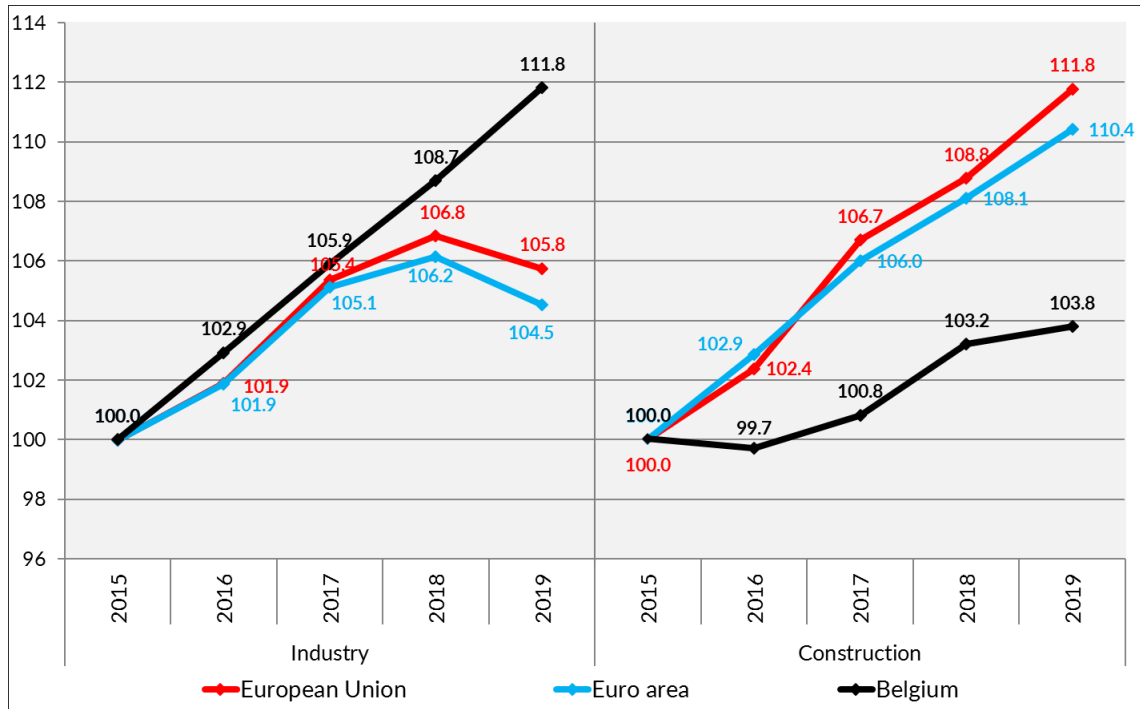
Between 2015 and 2018, GDP grew at a **slower pace in Belgium** than in the two other areas.

In 2018 and 2019, GDP growth slowed in the three analysed areas. Moreover, in 2019, Belgian economic growth was higher than the economic growth of the euro area and almost similar to the one of the European Union.

Finally, in 2019, GDP reached 473.6 billion euro for Belgium, 11,905.4 billion euro for the euro area and 16,441.5 billion euro for the European Union.

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

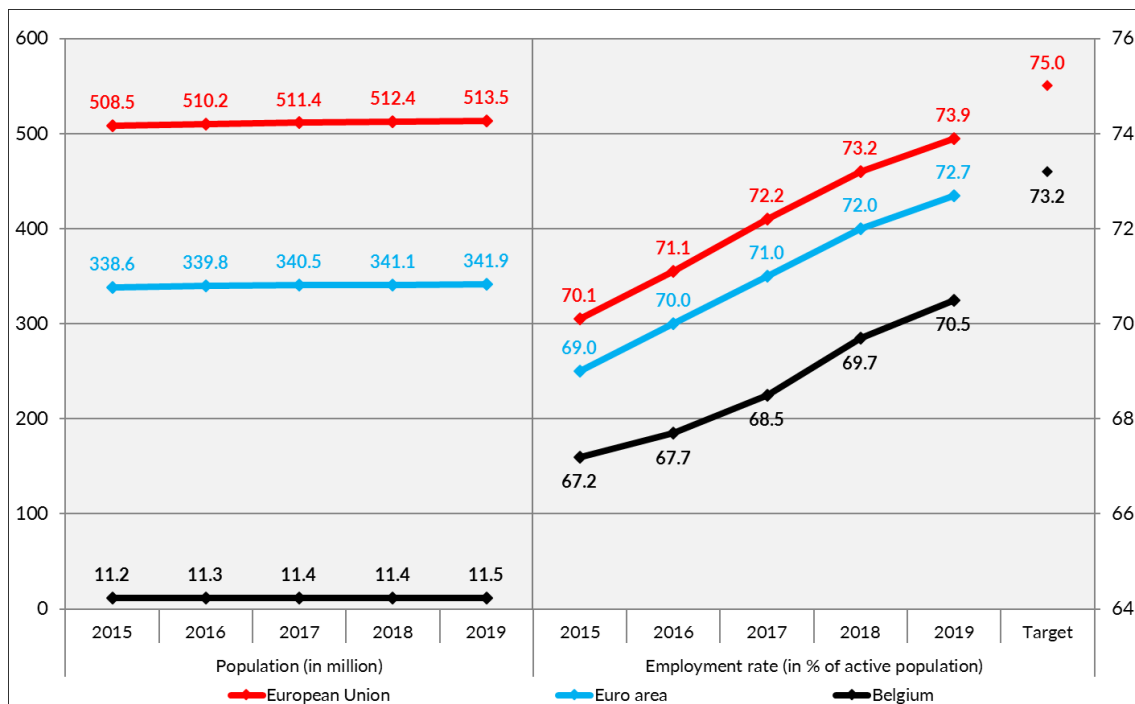
Index 2015 = 100.



Source: Eurostat.

Continuation of the upward trend of the **production index** in the **manufacturing industry** in Belgium in 2019. Conversely, in the two other areas, the manufacturing industry experienced a decline of the production in 2019 after having already observed a slowdown in 2018. In Belgium, the **production index** in the **construction sector** grew for the third year in a row in 2019, after a downward trend until 2016. The production in the construction sector continued to grow dynamically in the two other areas.

Graph 19. Population and employment rate

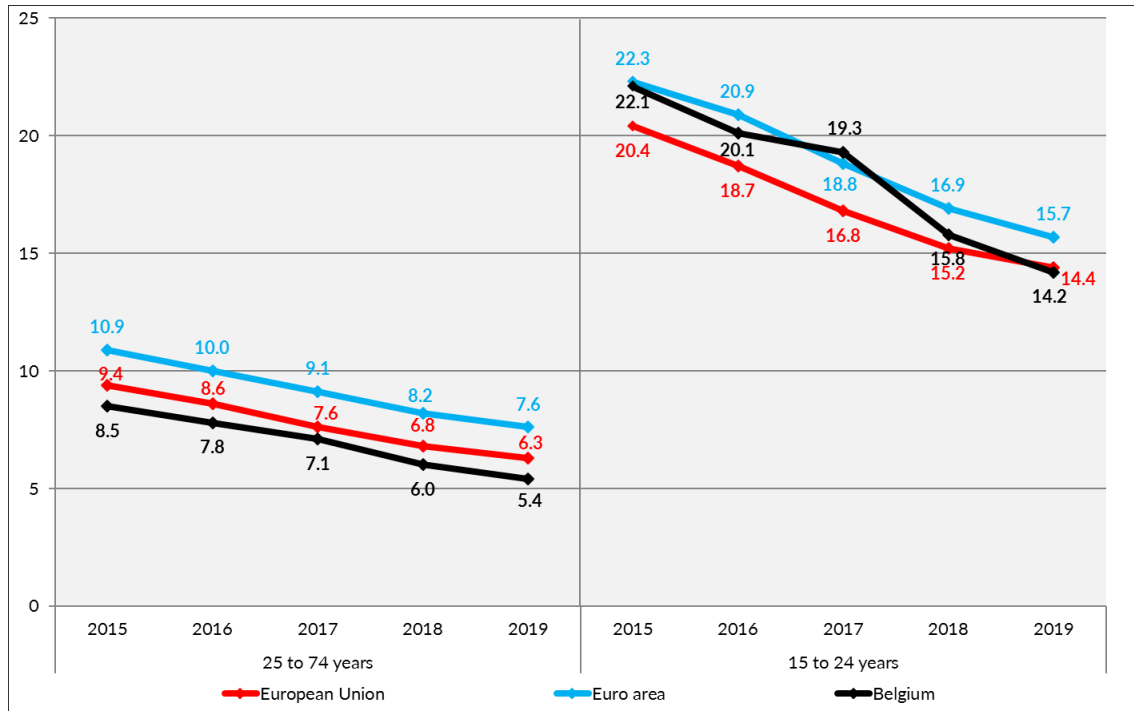


Source: Eurostat.

With 11.5 million **inhabitants** on 1 January 2019, the Belgian population represents 3.4 % of the population of the euro zone (341.9 million inhabitants) and 2.2 % of that of the European Union (513.5 million inhabitants).

With an **employment rate** of 70.5 % in 2019, Belgium remains below the average rates recorded in the euro zone (72.7 %) and in the European Union (73.9 %), but also still far from the target set for 2020 in the framework of the Europe 2020 strategy (73.2 %).

Graph 20. Unemployment rate

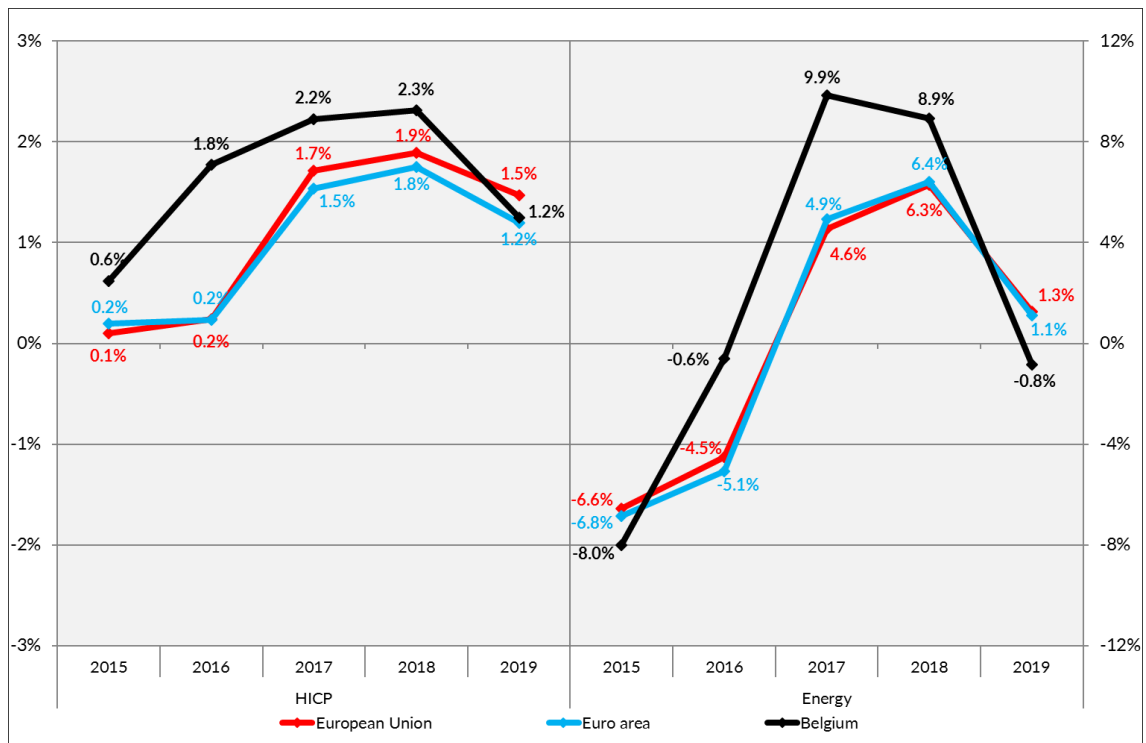


Source: Eurostat.

In 2019, the **unemployment rate for 25-74-year-olds** continued to fall in Belgium and reached its lowest level over the observation period. This is also true for the euro area and the European Union, but the decline was slightly more pronounced in Belgium and the euro area than in the European Union. Compared to 2018, the unemployment rate declined by 0.6 percentage point in Belgium and the euro area, compared to 0.5 percentage point in the European Union.

The downward trend in the **unemployment rate for young people (15-24 years)**, which began in 2014, also continued in 2019. Thus, the youth unemployment rate is down by 1.6 percentage points in Belgium compared to 2018, compared to a decline of 1.2 percentage points for the euro area and 0.8 percentage points for the European Union. For several years now, the youth unemployment rate in Belgium has been lower than in the euro area, with the exception of 2017, but higher than in the European Union. However, in 2019 it also falls below that of the European Union for the first time.

Graph 21. Inflation



Source: Eurostat.

Inflation has slowed in Belgium, the euro zone and the European Union in 2019. In contrast to previous years, inflation is lower in Belgium than in the European Union as a whole.

While the growth of **energy prices** slowed significantly in 2019 in the European Union and the euro area, energy prices even declined in Belgium. Belgium therefore experienced negative energy inflation in 2019.

5. Macroeconomic forecasts

Following the measures taken by the various governments (such as the containment or the cessation of non-essential economic activities) to struggle against the "Covid-19" coronavirus pandemic, the International Monetary Fund, the NBB and the Federal Planning Bureau have drastically revised down their growth forecasts for 2020, indicating a strong recession in global economic activity. Of course, in the heart of the global health crisis and without knowing to what extent this still could evolve, these forecasts could be soon revised again.

Table 3. GDP growth forecasts in the international environment

In %.

International environnement	2018	2019	2020 (e)	2021 (e)
World	3.6	2.9	-4.9	5.4
United States	2.9	2.3	-8.0	4.5
China	6.7	6.1	1.0	8.2
Euro area	1.9	1.3	-10.2	6.0
Germany	1.5	0.6	-7.8	5.4
France	1.8	1.5	-12.5	7.3
The Netherlands	2.6	1.8	-7.7	5.0
United Kingdom	1.3	1.4	-10.2	6.3
Turkey	2.8	0.9	-5.0	5.0

(e) = estimate.

Source: IMF ([World Economic Outlook](#), June 2020).

Table 4. GDP growth forecasts in Belgium

In %, unless otherwise indicated.

Belgium	2018	2019	2020 (e)	2021 (e)
GDP	1.5	1.4	-10.5	8.2
Final consumption expenditure of households and NPI	1.5	1.1	-8.8	7.5
Final consumption expenditure of general government	0.9	1.8	3.2	-0.1
Gross fixed capital formation	4.0	3.2	-18.0	17.2
<i>Net exports (goods and services) (contribution to growth, in p.p.)</i>	-0.7	0.1	-1.7	0.6
Total inflation (ICP)	2.1	1.4	0.8	1.3

(e) = estimate.

Source: Federal Planning Bureau ([Economic outlook 2020-2025](#), June 2020)