



# MARKETBEAT

## BELGIUM ECONOMIC SNAPSHOT

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



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### ECONOMY CONTRACTS IN Q408 and Q109

The Belgian economy has continued its sharp slowdown and is 'officially' in recession now after 2 quarters of negative growth (Q408 -1.7%, Q109 -1.6%); further falls are expected during the first half of 2009 at least. Predictably, given the nature of the Belgian economy, the decline in exports volumes has been a key reason for the recent slowdown.

### INDUSTRIAL PRODUCTION FALLS SHARPLY

As has been the case elsewhere in Europe, industrial production has been badly hit in recent months, falling by 16% in January 2009 compared to January 2008. Furthermore, business sentiment has weakened noticeably across all sectors of the economy, and reached a series low in February and March; in April the business barometer was slightly on the up again.

### CONSUMER PESSIMISM RISING

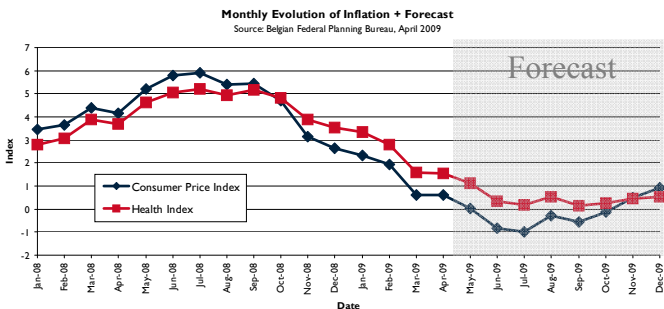
Mirroring the business sector, consumers have become more pessimistic in recent months, largely as a result of rising labour market worries. Unemployment has only been increasing for a few months, but had already reached 7.4% in March.

### INFLATION FINALLY STARTS TO FALL

Inflation had risen to 5.5% in September – high even relative to similar countries – but by February, the rate was down to 1.9%. In Belgium, salaries and rents are automatically adapted to a rising Health index; this may have been one of the factors behind comparative strength of retail sales in the first few months of the year, which proved more resilient than in a number of other economies in Europe.

### OUTLOOK

Although the Belgian economy initially appeared more resilient than many in Europe, its importance as a trade hub means that it has been unable to avoid the export-led slowdown that has engulfed the region. A recovery in 2010 is still the central scenario for the majority of forecasting houses, but the downturn in 2009 is now expected to be deeper than anticipated, and the recovery thereafter slower. Overall inflation is forecast to go through a few months of deflation mid 2009; the Health Index is expected to be at a virtually 0% level mid 2009, see graph by the Federal Planning Bureau Belgium underneath:



### MARKET OUTLOOK

GDP:	Sharper contraction for 2009 now expected	↘
INFLATION:	Still comparatively high, but set to fall further	↘
INTEREST RATE:	There is little scope for the ECB to lower interest rates further	→
EMPLOYMENT:	Unemployment is expected to rise further	↘

### ECONOMIC SUMMARY

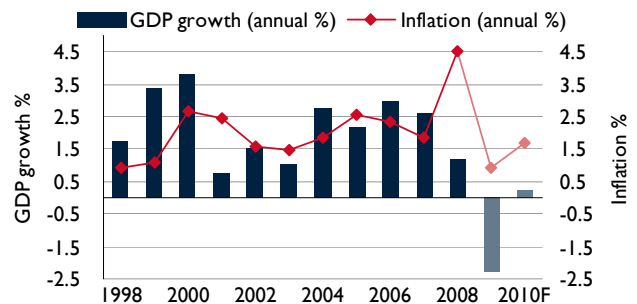
Economic Indicators*	2006	2007	2008 <sup>E</sup>	2009 <sup>F</sup>	2010 <sup>F</sup>
GDP growth	3.0	2.8	1.1	-2.3	0.2
Consumer spending	2.1	2.1	0.9	-0.9	0.5
Investment	4.2	5.7	3.8	-6.1	1.3
Inflation	1.8	1.8	4.5	0.9	1.7
Unemployment rate (%)	8.3	7.5	7.1	7.9	7.8
Industrial production	5.2	2.5	-4.2	-4.9	0.0
US\$/€ (average)	1.26	1.37	1.47	1.32	1.39
US\$/€ (end-period)	1.32	1.46	1.54	1.36	1.40
Interest rates: 3-month (%)	3.1	4.3	4.8	1.9	1.9
Interest rates: 10-year (%)	3.8	4.3	4.0	2.8	3.2

\*annual % growth rate unless otherwise indicated. <sup>E</sup> estimate <sup>F</sup> forecast  
Source: Consensus Economics Inc., Economist Intelligence Unit

### ECONOMIC & POLITICAL BREAKDOWN

Population	10.6 million
GDP	US\$522.2 billion (2008)
Public sector balance	-0.9% of GDP (2008)
Parliament	Five party coalition
President	King Albert II
Prime Minister	Herman Van Rompuy
Election dates	June 2009 (EU/reg.) – 2011 Fed.

### ECONOMIC ACTIVITY



Source: Cushman & Wakefield LLP, 2009

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