Country Insight Snapshot
Belgium
January 2018

Written 05 January 2018

OVERVIEW

OVERALL COUNTRY RISK RATING: DB2d

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.

G

Rating Outlook: Stable

CORE OUTLOOK

+ Belgium enjoys a strong net creditor position, has reliable institutions, a diversified economic base and high income per capita.

+ Excellently located in the regional supply chain, between Germany, France, the Netherlands and the UK, the Port of Antwerp is the second busiest in Europe.

- The ageing population has important market implications, especially for public finances.

- Belgium has one of the highest general government gross debts in Europe, which could lead to further unpopular austerity reforms.

KEY DEVELOPMENT

The new free-trade deal between the EU and Japan has the potential to open new business opportunities for Belgium, thanks to its privileged geographic location.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Trend: Stable

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

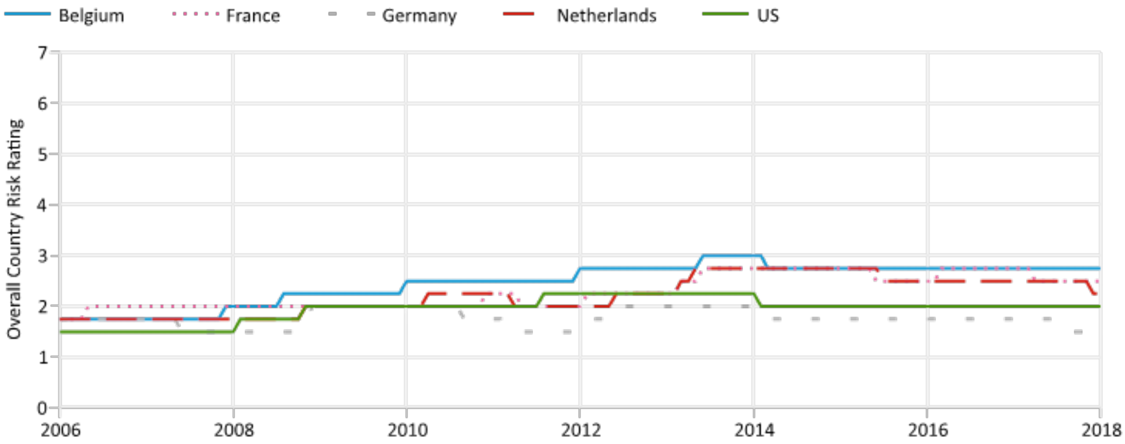
G

Trend: Stable

Key Development has had a neutral impact on the outlook.

KEY INDICATORS

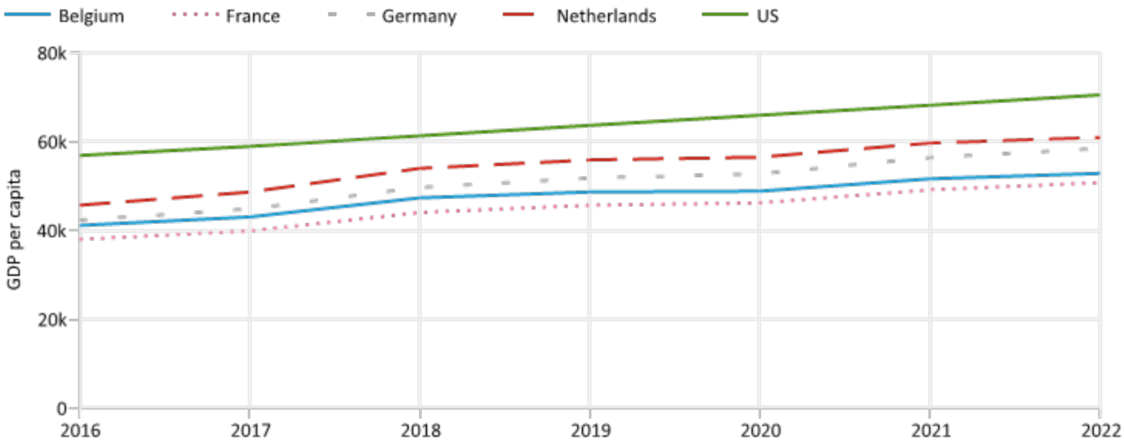
Rating History and Comparison



Source : Dun & Bradstreet

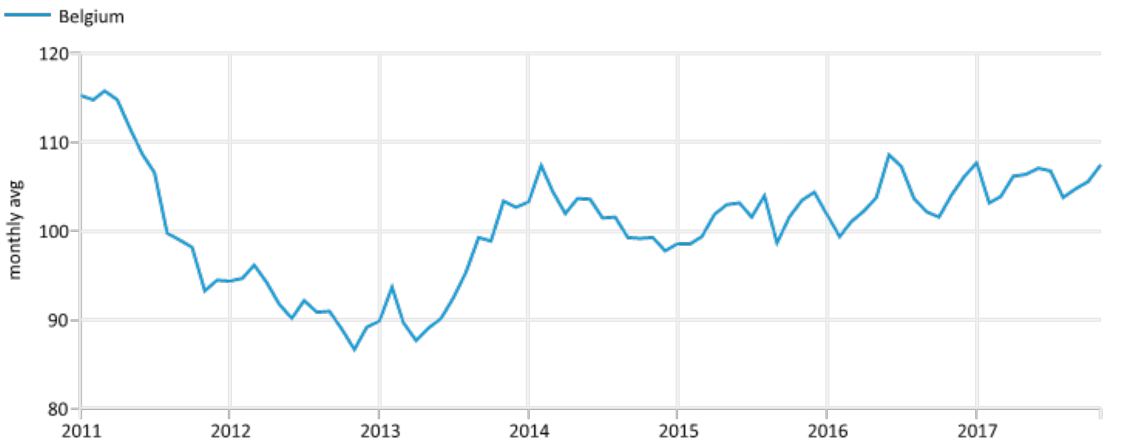
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

Economic Sentiment Indicator



Source : National Statistical Offices / Haver Analytics

Economic Indicators

Indicator	2015	2016	2017e	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1
Govt balance, % GDP	-2.5	-2.5	-2.8	-2.6	-2.5	-2.0	-2.0	-2.0
Inflation, annual avge %	0.6	1.8	1.7	1.9	2.0	2.0	2.1	2.2
Real GDP Growth, %	1.4	1.5	1.5	1.6	1.8	1.9	2.2	2.4
Unemployment, %	8.5	7.9	7.0	6.9	6.5	6.3	6.0	5.5

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The World Bank's *Doing Business 2018* report ranks Belgium 52nd out of 190 countries for the ease of doing business. It scores particularly well for the efficiency of its legal system and for protecting investors. Notably, the report ranks Belgium top for the ease of trading across borders, and for reliability of supply and the transparency of tariffs. The number of documents required for import and export, and the time taken to process these, are in line with OECD and Western European averages. However, the tax burden remains one of the highest in the EU, even though the total tax rate was last reported as 57.1% of profits, lower than the previous year's 58.7%, thanks to reduced labour taxes and mandatory contributions. However, the government has been taking steps to gradually reduce the administrative burden of paying taxes in the next couple of years, and separate tax incentives are available at the federal and state level.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: OA

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: OA

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-90 days

Normal period of credit associated with transactions with companies in the stated country.

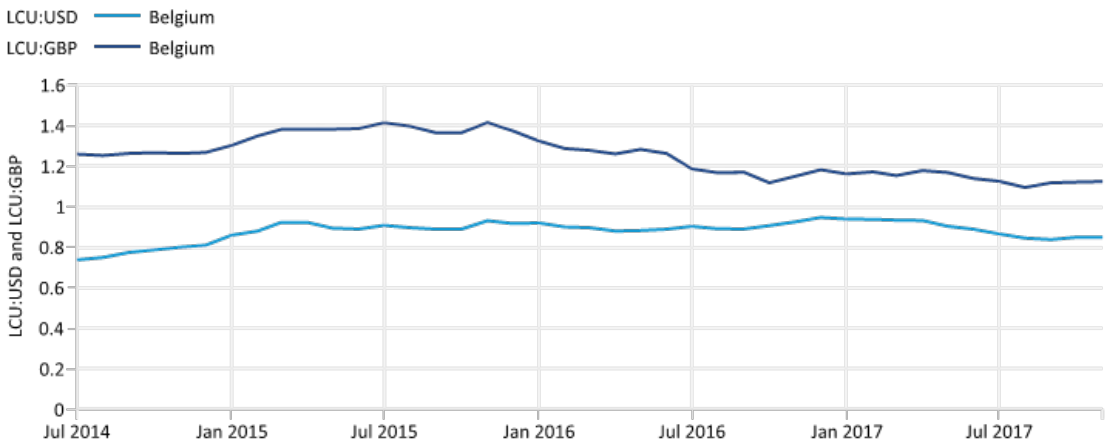
Local Delays: 0-1 month

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: 0-1 month

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

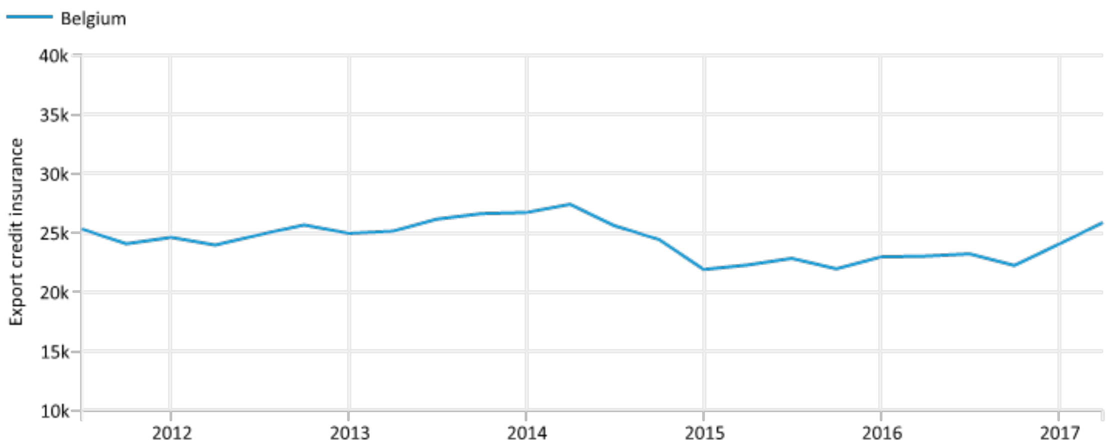
Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Credit Conditions



Source : Export Credit Agencies

Insured export credit exposures, USDm

RISKS AND OPPORTUNITIES

Market Potential

EU-Japan free-trade agreement signed

The EU and Japan (the third largest economy in the world) recently concluded the legalities for a free-trade agreement (FTA) that opens up trade for what accounts for 30% of global GDP. The FTA covers (among other aspects) tariff cuts, co-operation on standards and regulations, and access to public procurement contracts. For instance, the deal removes EU tariffs of 10% on Japanese cars and the 3% rate typically applied to car parts, and erases Japanese duties of approximately 30% on EU dairy products and 15% on wines. At the same time, the agreement will boost demand for beef and pork, as EU producers will gain access to large public tenders in Japan.

Aside from the intrinsic gains of the current agreement, we also expect Belgium to benefit in its capacity as a major logistics hub, thanks to its ideal geographic location at the crossroads of Latin, Germanic and Anglo-Saxon commercial routes. Furthermore, the Belgian sea port of Antwerp is the second busiest in Europe after Rotterdam. In addition, agreeing on compatible product standards will open up entirely new markets and direct investment from Japan towards Belgium (such investment was worth approximately EUR1bn in 2016 and will likely increase over the coming years).

However, bear in mind that in many cases, the tariff changes will not be applied immediately but rather over the course of several years, as there is a phasing-out period of up to 15 years. Looking ahead, the next step for the EU is to conclude FTAs with Mexico and the Mercosur bloc of Argentina, Brazil, Paraguay and Uruguay.

Short-Term Economic Outlook

Credit environment outlook remains stable

Despite losing some steam in H2 2017, the medium-term outlook for the Belgian economy is largely positive, thanks to its diverse economic base and net international creditor position, which limit macroeconomic imbalances. Moreover, Belgium's workforce is well qualified and multilingual thanks to high-quality vocational training, adding value to the labour market. Indeed, we expect improved labour regulations to help private consumption by moderately increasing purchasing power, while the more positive global market conditions will increase external demand.

Negatively, the moderation in H2 2017, which was mainly due to weaker-than-usual domestic demand and a contraction in government spending, is expected to continue into 2018, as the government has committed to reduce its high public debt-to-GDP ratio (105%). Positively, however, industrial production data show that private businesses have increased their investments, and in the next couple of quarters we expect private investment to be one of the main growth pillars, thanks to the high capacity-utilisation rate and easy access to credit. The positive growth in major EU economies is another factor brightening business environment perspectives for the region.

COUNTRY PROFILE AND STATISTICS

Overview

Belgium is situated on the North Sea coast between the Netherlands and France, and also borders Germany and Luxembourg. Internally, it is divided along linguistic lines, mainly between the Flemish-speaking Flanders region in the north and French-speaking Wallonia in the south; there is also a small German-speaking minority in the east. Apart from Flanders and Wallonia, Brussels, the officially bilingual capital of Belgium (and seat of most EU institutions), is the third administrative region.

The linguistic division is the defining factor in Belgian politics, not least because it is mirrored by an economic disparity: while both regions are prosperous by international standards, Flanders boasts higher average income levels and lower unemployment than Wallonia.

The country has a federal structure, with ongoing devolution of decision-making powers to the regions. At the federal level, both linguistic communities must be represented in the government; Flanders and Wallonia each have their own political parties, which can lead to uneasy ruling coalitions. Disagreements over further devolution have exacerbated government instability.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Charles MICHEL
Capital	Brussels
Timezone	GMT +01-00
Main languages	Dutch, French, German
Population (millions)	11.4
GDP (USD billions)	492.9
GDP per capita (USD)	43,126
Life expectancy (years)	80.9
Literacy (% of adult pop.)	99.9
Surface area (sq km)	30,528

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2013	2014	2015	2016	2017e
Real GDP growth (%)	0.2	1.4	1.4	1.5	1.5
Nominal GDP in USDbn	521	531	455	468	493
Nominal GDP in local currency (bn)	392	400	410	423	436
GDP per Capita in USD	46,717	47,344	40,342	41,204	43,126
Population (year-end, m)	11.2	11.2	11.3	11.4	11.4
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.9	0.9	0.9
Current Account in USDbn	-1.9	-5.0	-0.6	0.5	1.2
Current Account (% of GDP)	-0.4	-0.9	-0.1	0.1	0.2
FX reserves (year-end, USDbn)	222.1	232.4	250.3	265.1	270.8
Import Cover (months)	0.9	0.9	1.1	1.2	1.1
Inflation (annual avge, %)	1.2	0.5	0.6	1.8	1.7
Govt Balance (% GDP)	-3.1	-3.1	-2.5	-2.5	-2.8

Source : Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	1.6	1.8	1.9	2.2	2.4
Nominal GDP in USDbn	545	564	568	603	620
Nominal GDP in local currency (bn)	451	466	482	499	517
GDP per Capita in USD	47,413	48,752	48,918	51,698	52,926
Population (year-end, m)	11.5	11.6	11.6	11.7	11.7
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.8	0.8
Current Account in USDbn	1.1	1.1	1.0	1.0	0.9
Current Account (% of GDP)	0.2	0.2	0.2	0.2	0.1
FX reserves (year-end, USDbn)	284.6	299.1	314.3	327.1	340.4
Import Cover (months)	1.0	1.0	1.0	1.0	0.9
Inflation (annual avge, %)	1.9	2.0	2.0	2.1	2.2
Govt Balance (% GDP)	-2.6	-2.5	-2.0	-2.0	-2.0

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Belgium	France	Germany	Netherlands	US
Income per Capita (USD)	47,413	44,124	49,773	54,058	61,387
Country Population (m)	11.5	65.2	82.3	17.1	326.8
Internet users (% of population)	86.5	85.6	89.6	90.4	76.2
Real GDP Growth (% p.a., 2018 - 2027)	1.5 - 2.5	1.3 - 2.5	1.8 - 3.0	1.2 - 2.4	1.8 - 2.5

Source : Various sources/Dun & Bradstreet

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