

# Country Insight Snapshot

## Belgium

June 2017



Written 02 June 2017

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## 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.



**Rating Outlook:** Deteriorating

## CORE OUTLOOK

- + Belgium enjoys a strong net creditor position, has reliable institutions, a diversified economic base and high income per capita.
- + Opportunities will arise in healthcare, home care and other services catering for an ageing population.
- 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 pace of growth in bankruptcies has peaked, and we expect a slowing trend in 2017 before the number of failed businesses falls in 2018.

### CREDIT ENVIRONMENT OUTLOOK



**Trend:** Deteriorating

Key Development has had a positive impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK



**Trend:** Stable

Key Development has had a positive impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK



**Trend:** Deteriorating

Key Development has had a positive impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK



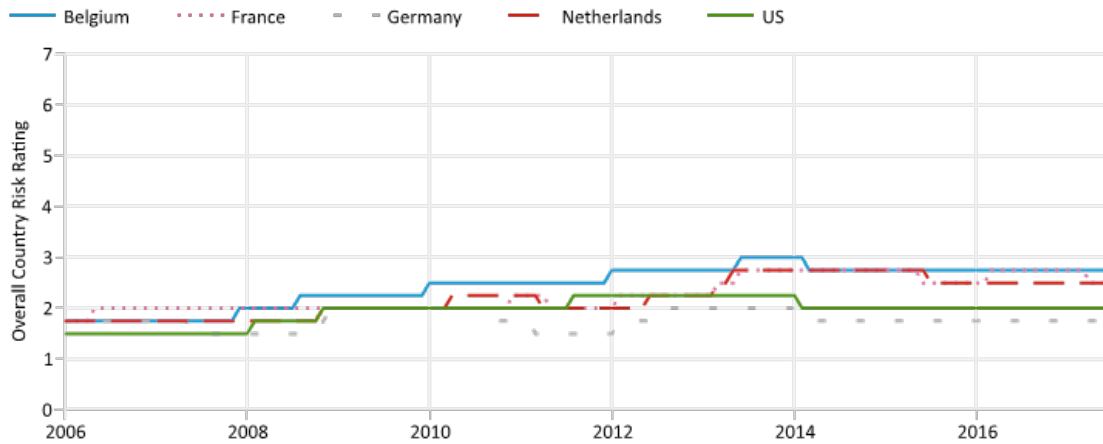
**Trend:** Stable

Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

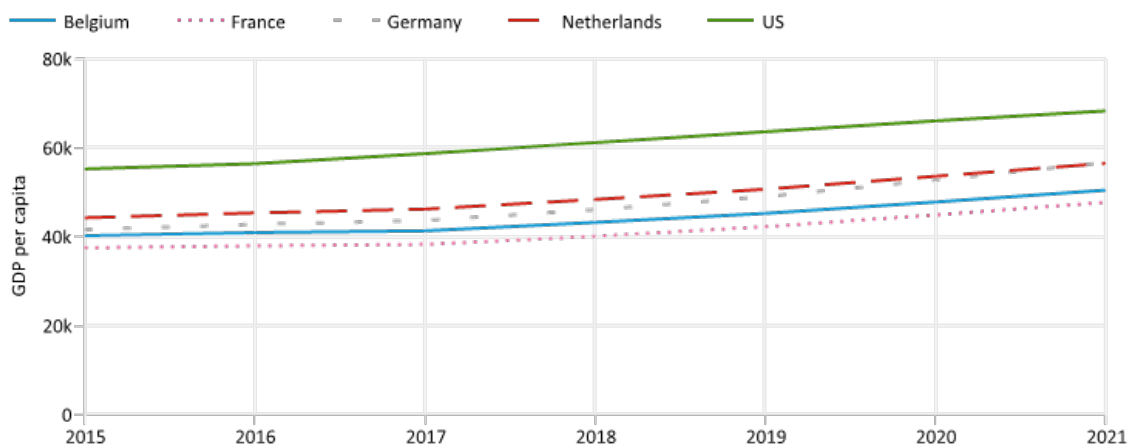
### Rating History and Comparison



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	2014	2015	2016	2017f	2018f	2019f	2020f	2021f
C/A balance % GDP	-0.7	0.5	-0.4	0.3	0.2	0.2	0.2	0.2
Govt balance, % GDP	-3.1	-2.5	-2.6	-2.6	-2.6	-2.6	-2.6	-2.6
Inflation, annual avge %	0.5	0.6	1.8	1.7	1.9	2.0	2.0	2.0
Real GDP Growth, %	1.6	1.4	1.1	1.3	1.4	1.8	1.9	2.9
Unemployment, %	8.6	8.5	7.9	8.5	8.0	7.0	7.0	7.0

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

The World Bank's *Doing Business 2017* report ranks Belgium 42nd out of 180 countries for the ease of doing business. It scores particularly well for the efficiency of the legal system and for protecting investors. Notably, the report ranks Belgium top for the ease of trading across borders, viewed from a cost and time perspective. 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. As part of the EU, Belgium has entered into numerous regional trade pacts, and negotiations for various inter-regional, free-trade and partnership agreements are ongoing. However, the tax burden is one of the highest in the EU, and the total tax rate was last reported as 58.7% of profits, placing the country among the top five in the EU. Nevertheless, successive governments have taken steps to ease the administrative burden of paying taxes, 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**

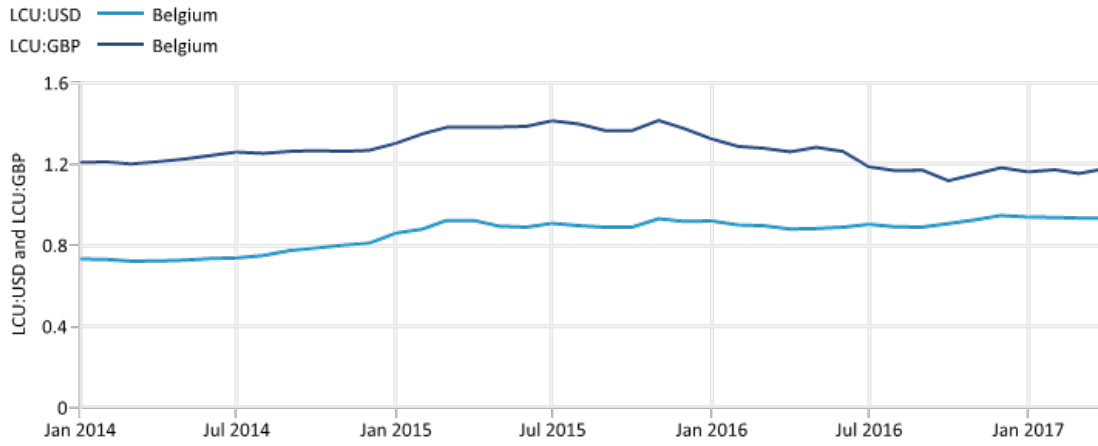
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### **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.*



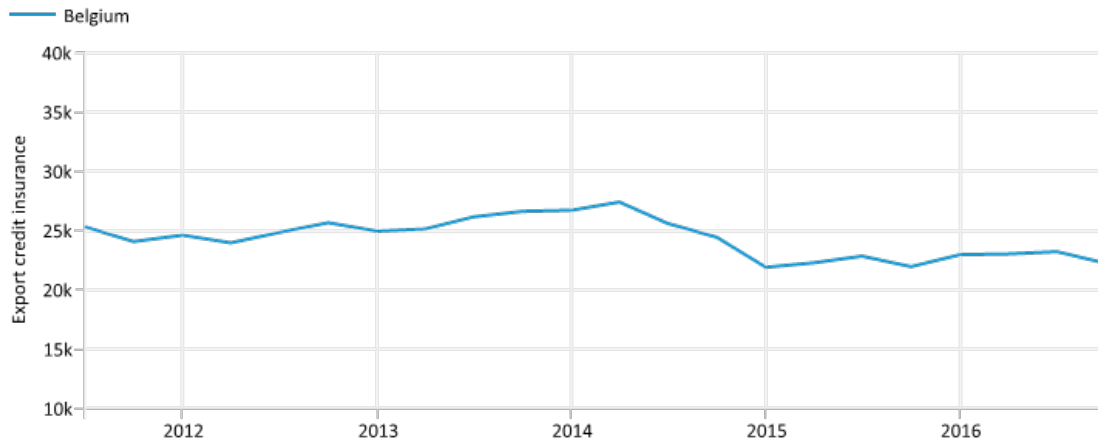
## Exchange Rate



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

### Business Continuity

#### ***Growth rate of bankruptcies slows***

We forecast that the number of failed businesses will have increased by 3% y/y at the end of 2017, a decelerating trend compared with the 6% y/y increase seen in 2016. While bankruptcies were expected to fall this year, given the steady recovery after the financial crisis, the high level of terror attack alerts maintained over the past 15 months has hindered the tourism sector and associated businesses. Indeed, in the past year the biggest share of bankruptcies was seen in the hotels and catering industry, followed by transportation and other related services. However, the rate of increase in insolvencies in these critical sectors has started to decelerate, and for 2018 we anticipate that the overall number of bankruptcies will decrease in y/y terms. The latest data provided by Statistics Belgium reveals that the number of bankruptcies in the six months to April increased by 2.6% compared with the same period last year. A breakdown by industry shows that during that period the number of failed businesses in the manufacturing sector fell by 16.2%, while in construction it increased by 7.2%. At the same time, insolvencies in the hotels and catering industry rose by just 4.2%.

### Short-Term Economic Outlook

#### ***Faster-than-expected economic growth***

We have revised upwards our GDP forecast for 2017 to 1.3% after the economy grew faster than had been expected in Q1 and as positive regional economic data will support slow and steady growth for the rest of 2017. The latest revised data released by Belgium's central bank show the economy grew 0.6% q/q in Q1 (the fastest quarterly growth since Q2 2015) and by 1.6% in y/y terms. The construction sector seems to have contributed the most to the quarter's GDP growth (rising 2.4%), followed by positive net exports. The increase in the construction sector is attributed to some extent to an increase in public infrastructure investments. The data also shows a 1% fall in business investment, but this is explained by the high comparison base from Q4 2016, when a pharmaceutical company made a large R&D acquisition.

Higher-frequency indicators are also supportive, with the inflation rate dropping below 2% in May as energy prices increased at a slower rate; excluding energy prices, the annual inflation rate edged down to 1.2%, from 1.3% in April. The unemployment rate is also slowly decreasing, while private consumption remains supportive, albeit the dynamics are weakening. Looking ahead to the next couple of quarters, we expect business investment to remain weak against the backdrop of the EU's changing political context: Brexit terms and a worsening relationship with the US. Positively, however, the result of the recent election in France, as well as positive growth in major EU economies, is brightening business environment prospects for the region. Moreover, by the end of 2017 - and even more so into 2018 - positive trade and business negotiations with China are expected to result in a boost in investment in both Belgium and the wider 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)	466.4
GDP per capita (USD)	41,015
Life expectancy (years)	80.7
Literacy (% of adult pop.)	99.9
Surface area (sq km)	30,528

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2012	2013	2014	2015	2016
Real GDP growth (%)	0.1	-0.1	1.6	1.4	1.1
Nominal GDP in USDbn	498	520	532	455	466
Nominal GDP in local currency (bn)	388	392	401	410	422
GDP per Capita in USD	44,950	46,637	47,374	40,284	41,015
Population (year-end, m)	11.1	11.2	11.2	11.3	11.4
Exchange rate (yr avge, USD-LCU)	0.8	0.8	0.8	0.9	0.9
Current Account in USDbn	-1.0	-2.0	-3.8	2.1	-1.9
Current Account (% of GDP)	-0.2	-0.4	-0.7	0.5	-0.4
FX reserves (year-end, USDbn)	332.5	331.0	327.6	333.9	344.4
Import Cover (months)	1.3	1.3	1.3	1.5	1.5
Inflation (annual avge, %)	2.6	1.2	0.5	0.6	1.8
Govt Balance (% GDP)	-4.2	-3.1	-3.1	-2.5	-2.6

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2017f	2018f	2019f	2020f	2021f
Real GDP growth (%)	1.3	1.4	1.8	1.9	2.9
Nominal GDP in USDbn	474	498	525	557	591
Nominal GDP in local currency (bn)	435	449	464	480	496
GDP per Capita in USD	41,399	43,292	45,318	47,866	50,558
Population (year-end, m)	11.4	11.5	11.6	11.6	11.7
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.8
Current Account in USDbn	1.2	1.1	1.1	1.0	1.0
Current Account (% of GDP)	0.3	0.2	0.2	0.2	0.2
FX reserves (year-end, USDbn)	358.4	376.7	395.9	416.0	432.9
Import Cover (months)	1.5	1.5	1.5	1.4	1.3
Inflation (annual avge, %)	1.7	1.9	2.0	2.0	2.0
Govt Balance (% GDP)	-2.6	-2.6	-2.6	-2.6	-2.6

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Belgium	France	Germany	Netherlands	US
Income per Capita (USD)	40,284	37,580	41,666	44,350	55,326
Country Population (m)	11.3	64.4	80.7	16.9	321.8
Internet users (% of population)	85.1	84.7	87.6	93.1	74.6
Real GDP Growth (% p.a., 2017 - 2026)	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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