



Decide with Confidence

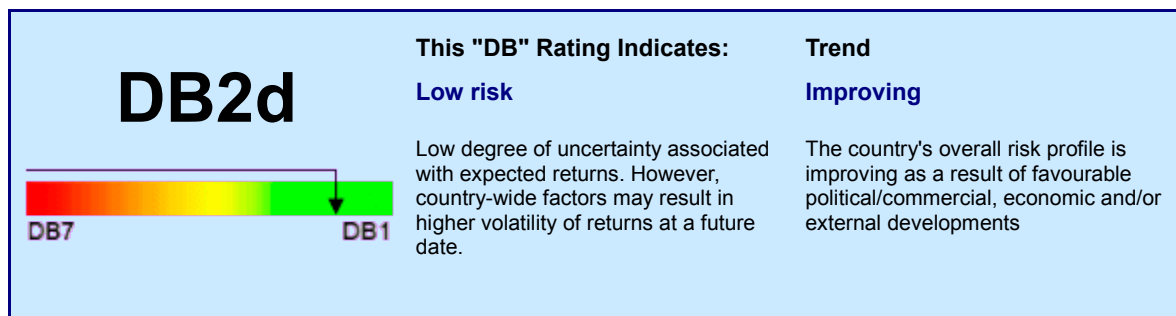
## D&B Country RiskLine Report

# BELGIUM

Region : Western Europe

Edition : February 2014

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	10.7m
<b>Surface area (sq km):</b>	30,528
<b>Capital:</b>	Brussels
<b>Timezone:</b>	GMT +01:00
<b>Main languages:</b>	Dutch, French, German
<b>Head of government:</b>	Prime Minister Elio DI RUPO
<b>GDP (USD):</b>	473.0bn
<b>GDP per capita (USD):</b>	43,849
<b>Life expectancy (years):</b>	79
<b>Literacy (% of adult pop.):</b>	99.9

### Country 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 Flemish-speaking Flanders 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 devolution to the regions of decision-making powers ongoing. At the federal level, both linguistic communities must be represented in the government; as Flanders and Wallonia each have their own political parties, this can lead to uneasy ruling coalitions. Disagreements over further devolution have exacerbated government instability.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	SD
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D&B'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.

<b>Usual Terms:</b>	30-90 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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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.

**Trade & Commercial Environment**

Against a positive European background, Belgium managed to close 2013 with 0.2% economic growth, following a 0.1 contraction in 2012. With the outstanding economic expansions of the UK and Germany (the latter is one of Belgium's main trading partners) and positive household-consumption sentiment in the region, the Belgian economy is likely to progress further. Belgium is ranked 36th (out of 189 countries) in the World Bank's *Doing Business 2014* report, down four positions compared with last year. The regional average (OECD high income) is 29th; Germany is ranked 21st and France 38th. According to the report, Belgium's strengths include resolving insolvency (6th), enforcing contracts (16th) and protecting investors (16th).

**Export Credit Agencies**

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

**Economic Indicators**

	2011	2012	2013	2014f	2015f
<b>Real GDP growth, %</b>	1.8	-0.3	0.2	0.8	1.5
<b>Inflation, annual ave, %</b>	3.4	2.6	1.9	2.0	2.2
<b>Govt balance, % GDP</b>	-3.7	-4.0	-2.5	-2.0	-1.2
<b>Unemployment, %</b>	7.3	7.6	8.6	8.9	8.2
<b>C/A balance, % GDP</b>	-1.1	-2.0	-1.0	-0.6	-0.5

Inflation and unemployment are based on EU-harmonised data.

## Currency Information

### Exchange Rates

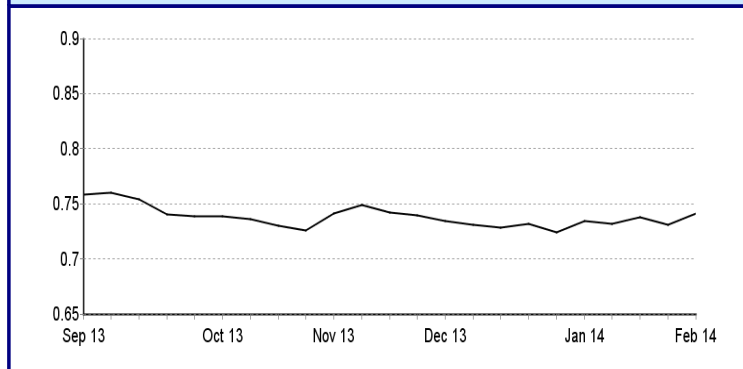
(London, 03 Feb 14)

GBP	1.2187
JPY*	0.7271
USD	0.7415

\*(x 100)

### Local Currency

(Euro [EUR]: USD)

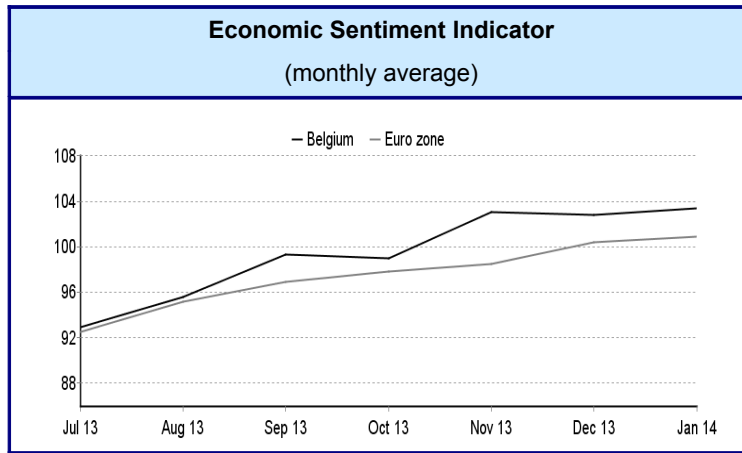


### Local Currency

(Euro [EUR]: USD)

	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14
<b>Week 1</b>	0.758	0.738	0.741	0.734	0.735	0.742
<b>Week 2</b>	0.760	0.736	0.749	0.731	0.731	
<b>Week 3</b>	0.754	0.730	0.742	0.728	0.738	
<b>Week 4</b>	0.740	0.725	0.739	0.732	0.731	
<b>Week 5</b>	0.738			0.724		

## Economic Sentiment Indicator



Data Table						
Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14
92.9	95.6	99.3	99.0	103.1	102.8	103.4
92.5	95.2	96.9	97.8	98.5	100.4	100.9

## Risk Factor

D&B is upgrading the country risk rating for Belgium by one quartile (from DB3a to DB2d) as the country's economy continues to expand. Preliminary data for Q4 2013 demonstrate that Belgium's GDP grew by 0.4% quarter on quarter (q/q) and 0.9% year on year (y/y). Moreover, the official data released for Q3 confirm the 0.3% q/q expansion, with the construction sector revealing a positive movement (a 0.8% q/q increase) for the first time in two years. Furthermore, industrial output and the services sectors both recorded q/q growth (of 0.3% and 0.2%, respectively). The central bank will release the report showing the breakdown of GDP components in March. Even though the increases are only fractional, they are an important barometer for the local and regional recovery, bearing in mind that Belgium lingered in a two-year period of stagnation until H2 2013. The latest data for Q3 show that both exports and imports improved in Q3 (by 0.2% and 0.7%, respectively) compared with the corresponding period in the previous year. We expect an acceleration both in demand and supply sides, based mostly on positive local and regional consumer sentiment.

The unemployment rate also eased after reaching an all-time high of 9.0% in October 2013. Data published for both November and December showed the index declining to 8.4%. At the same time, the number of companies going bankrupt increased by 9.4% y/y in the six months ending November, lower than October's 9.7%. Moreover, the *Business Confidence Index* picked up from a reading of -6.4 points in December to -5.6 in January, but it remains below the three-year high of -4.3 registered in November. In addition, the *Consumer Confidence Index* continued to climb (by one point from one month before) to -4 in January. Belgians seem to be optimistic regarding the overall economic situation and also see an improvement in their disposable income. Their opinions about unemployment are flat.

Amid concerns that the elections in May could re-ignite old political problems and impact on the country's economy, the government approved draft legislation that implements the federal fiscal measures meant to improve the country's competitiveness. By 2019, the government aims to lower labour costs by EUR 4.7bn, mainly by gradually reducing employers' social contributions. Among other measures, starting 1 April, the VAT levied on households' electricity bills will be lowered from 21.0% to 6.0%. This aside, Belgium will have to sell more assets this year in order to decrease its total debt (which is disturbingly close to 100% of GDP) and to reduce its budget deficit from 2.7% in 2013 to 2.15% in this election year. Belgacom and the postal service are the most likely candidates for privatisation.

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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

#### Recommended Terms:

D&B'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:

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

#### Local Delays:

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

#### F/X Bank Delays:

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.

#### C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

## Customer Service & Support

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For information relating to D&B's Country Risk Services.

#### UK

Telephone: 01628 492700

Fax: 01628 492929

Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

#### USA Inquiry

Telephone: 1-800 234-3867 option 1, 1 and then 2

Email: [CountryRiskServices@dnb.com](mailto:CountryRiskServices@dnb.com)

#### Rest of World

Telephone: +44 1628 492700

Email: [CountryRisk@dnb.com](mailto:CountryRisk@dnb.com)

### D&B Customer Services

For all other information or queries relating to D&B products and services.

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Telephone: 0870 243 2344 (UK) / 1 890 923296 (IR)

Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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Email: [CustomerService@dnb.com](mailto:CustomerService@dnb.com)

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