

# Country Insight Snapshot

## Belgium

September 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.



**Rating Outlook:**

Stable



## CORE OUTLOOK

- + Belgium has reliable institutions, a diversified economic base, and high levels of education and income per capita.
- + The country's transport network and strategic location, sitting between Germany, France, the Netherlands and the UK, support significant flows of international trade.
- There are political and economic divergences between the Flanders and Wallonia regions, which, among other things, complicate decision-making.
- High government debt, the saturated transport infrastructure and the ageing population all present obstacles to longer-term economic growth.

## KEY DEVELOPMENT

Growing uncertainty is clouding the outlook for Belgian businesses, as the EU's economic trajectory softens and fears rise about the prospect of a disruptive Brexit.

### CREDIT ENVIRONMENT OUTLOOK



**Trend:**

Improving



Key Development has had a neutral impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK



**Trend:**

Stable



Key Development has had a neutral impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK



**Trend:**

Stable



Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK



**Trend:**

Stable

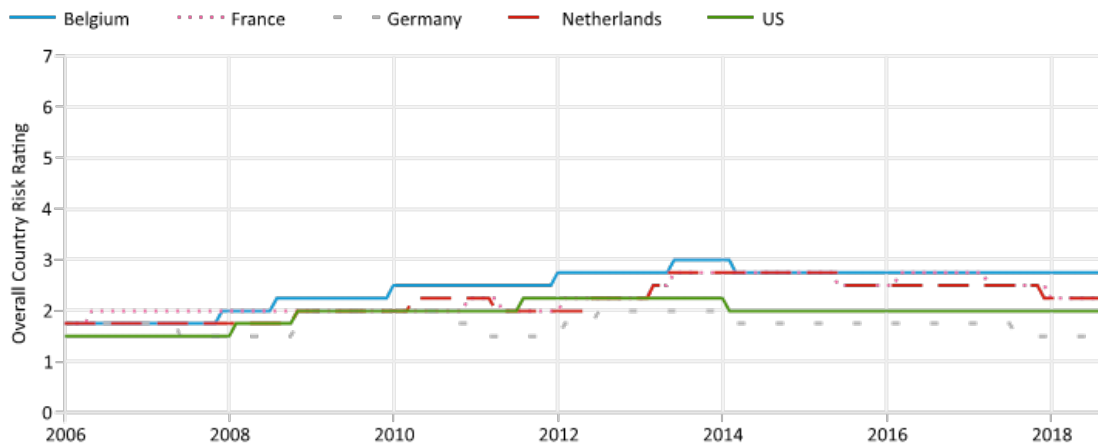


Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

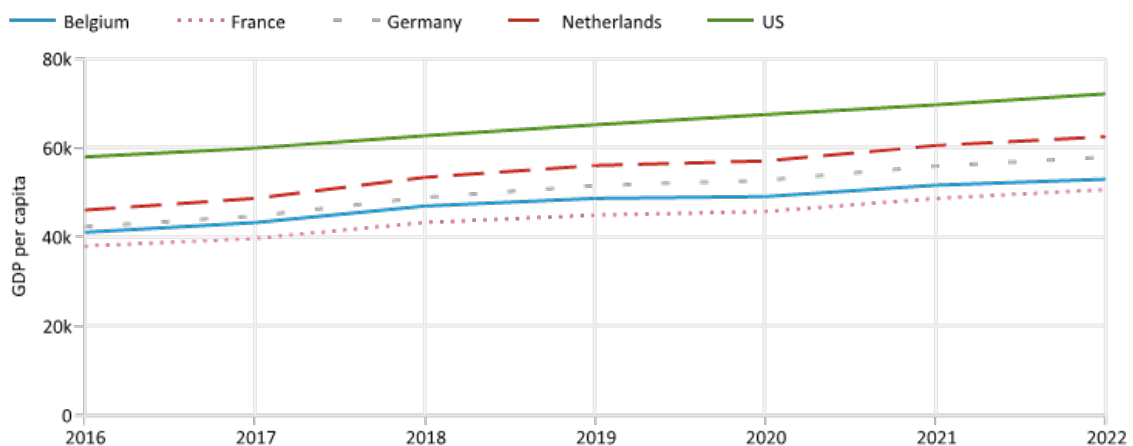
### Rating History and Comparison



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	2015	2016	2017	2018f	2019f	2020f	2021f	2022f
C/A balance % GDP	-0.2	0.1	-0.2	0.1	-0.1	-0.1	-0.1	-0.2
Govt balance, % GDP	-2.5	-2.5	-1.0	-1.2	-1.5	-1.8	-1.6	-1.7
Inflation, annual avge %	0.6	1.8	2.2	2.1	1.9	1.7	1.7	1.7
Real GDP Growth, %	1.4	1.5	1.8	1.4	1.4	1.3	1.3	1.3
Unemployment, %	8.5	7.9	7.2	6.5	6.5	6.6	6.6	6.5

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

Trade flows in H1 2018 were up from a year earlier, with imports rising by 3.8% y/y to EUR146.3bn, and exports up 6.5% to EUR146.7bn. Trade with other EU countries grew at a slightly slower pace than overall trade (with imports and exports up 3.0% and 5.0% respectively), indicating an expansion of trade with countries outside the EU. However, trade with other EU members still accounted for 69% of Belgium's overall exports and imports. The geographical concentration of Belgian trade has both positive and negative ramifications: intra-EU trade is relatively efficient, and Belgium's membership of the euro zone eliminates exchange rate risk when trading with euro-zone partners. However, Belgium's export performance is also highly dependent on demand and economic activity in the EU. In addition, Belgian trade flows could be vulnerable to a disorderly Brexit: as well as potentially damaging transit trade through Belgium, the UK is an important direct market for Belgian exports and a key supplier. Therefore, the risks regarding the outlook for trade in 2019 are rising.

## 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

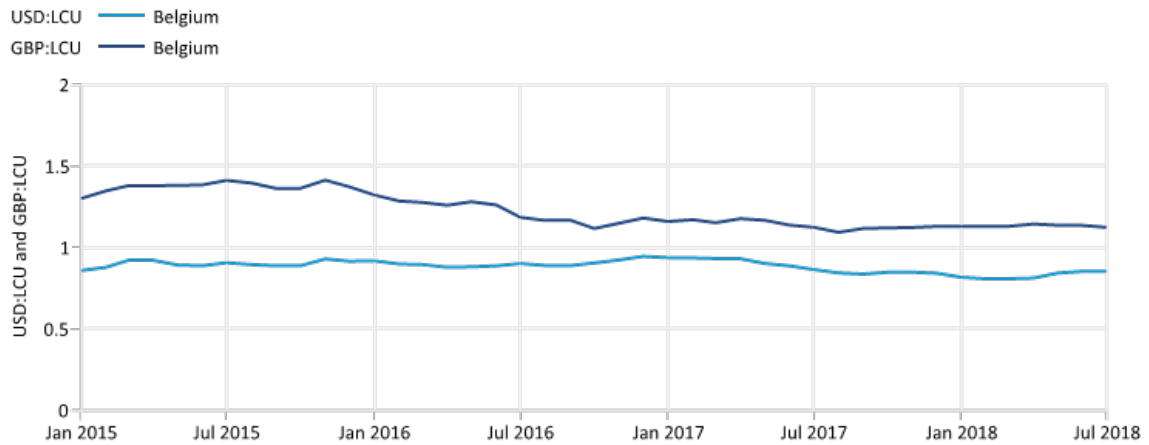
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



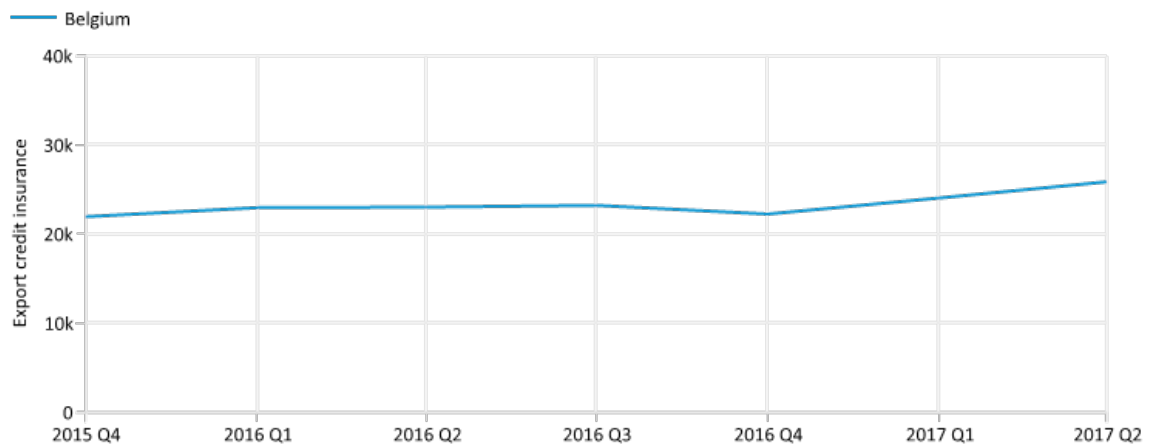
## Exchange Rate



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

### Short-Term Economic Outlook

#### ***Business uncertainty builds***

While business performance was relatively positive in H1, growing uncertainty is clouding the outlook. In H1, 4,725 firms failed, down 4.7% y/y, with the industrial, commercial and hospitality sectors experiencing declines in bankruptcies, against small rises in the construction and transportation sectors. Moreover, Dun & Bradstreet's World Wide Network partner Informa's *Study on Payment Behaviour of Companies in Europe* showed that Belgian firms delayed payments by 11.74 days on average in Q2 2018 - down 0.64 days from a year earlier - which compares favourably with the average European delay of 13.26 days. Industrial production data was also generally positive in the year to May, with the index rising by, on average, 2.5% a month.

However, the production index fell by 2.3% y/y in June, and the central bank's monthly survey shows businesses are becoming more pessimistic about the economy. In particular, concerns are growing about the external environment, with the economic outlook for the EU softening and fears rising about the prospect of a no-deal and/or chaotic Brexit, both of which could harm Belgium's trading prospects in 2019-20.

### Business Regulatory Environment

#### ***Making it easier to do business***

A new Belgian Company Code (BCC), which is expected to be enacted imminently and to come into effect in January 2019, will greatly change the existing business landscape in Belgium. Applying to any company whose registered office is located in Belgium, the BCC will streamline the existing 17 entity forms into seven: public limited company, private limited company, co-operative company, partnership, limited partnership, European company and European co-operative company (the last two being governed mainly by European law); the BCC will also apply to non-profit organisations and associations. Under the BCC, the private limited company (BV/SRL) is expected to become the default entity form, offering substantial flexibility in terms of governance, funding and distribution of proceeds. For instance, only one shareholder will be needed to set up such a company, and there will be no minimum capital requirement. Overall, the BCC should help to make it easier to set up and run a business in Belgium, potentially making the country more attractive to domestic and foreign investors.

### Business Continuity

#### ***Energy risk remains pressing***

The final turbine has been installed at the Rentel offshore wind farm and work has begun on the Norther wind farm; together with four existing and two other planned farms, these will bring Belgium's wind generation capacity up to 2,267MW, delivered through 149 turbines. These developments help to mitigate the relatively high level of energy risk in Belgium by diversifying the country's sources of energy and lessening its high level of dependency on imported energy. However, without further investment in energy production and energy efficient technology, this effect may be temporary as the country's nuclear plants (accounting for over half of Belgium's energy production) are due to be phased out by 2025. While the energy risk facing Belgium is not acute, businesses are advised to have contingency plans in place to withstand power disruptions.



## 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, the third administrative region is Brussels - the officially bilingual capital of Belgium (and seat of most EU institutions).

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)	495.4
GDP per capita (USD)	43,343
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	2017
Real GDP growth (%)	0.2	1.3	1.4	1.5	1.8
Nominal GDP in USDbn	521	531	455	468	495
Nominal GDP in local currency (bn)	392	400	410	423	439
GDP per Capita in USD	46,717	47,317	40,328	41,168	43,343
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	-1.6	-4.7	-0.7	0.5	-0.8
Current Account (% of GDP)	-0.3	-0.9	-0.2	0.1	-0.2
FX reserves (year-end, USDbn)	331.0	327.6	333.9	344.4	353.2
Import Cover (months)	1.3	1.3	1.5	1.5	1.4
Inflation (annual avge, %)	1.2	0.5	0.6	1.8	2.2
Govt Balance (% GDP)	-3.1	-3.1	-2.5	-2.5	-1.0

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2018f	2019f	2020f	2021f	2022f
Real GDP growth (%)	1.4	1.4	1.3	1.3	1.3
Nominal GDP in USDbn	541	564	571	604	621
Nominal GDP in local currency (bn)	455	470	484	499	514
GDP per Capita in USD	47,048	48,767	49,171	51,725	53,064
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	0.4	-0.3	-0.3	-0.8	-1.4
Current Account (% of GDP)	0.1	-0.1	-0.1	-0.1	-0.2
FX reserves (year-end, USDbn)	380.0	399.4	419.7	436.7	454.5
Import Cover (months)	1.4	1.3	1.4	1.3	1.3
Inflation (annual avge, %)	2.1	1.9	1.7	1.7	1.7
Govt Balance (% GDP)	-1.2	-1.5	-1.8	-1.6	-1.7

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Belgium	France	Germany	Netherlands	US
Income per Capita (USD)	47,048	43,370	49,033	53,495	62,824
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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