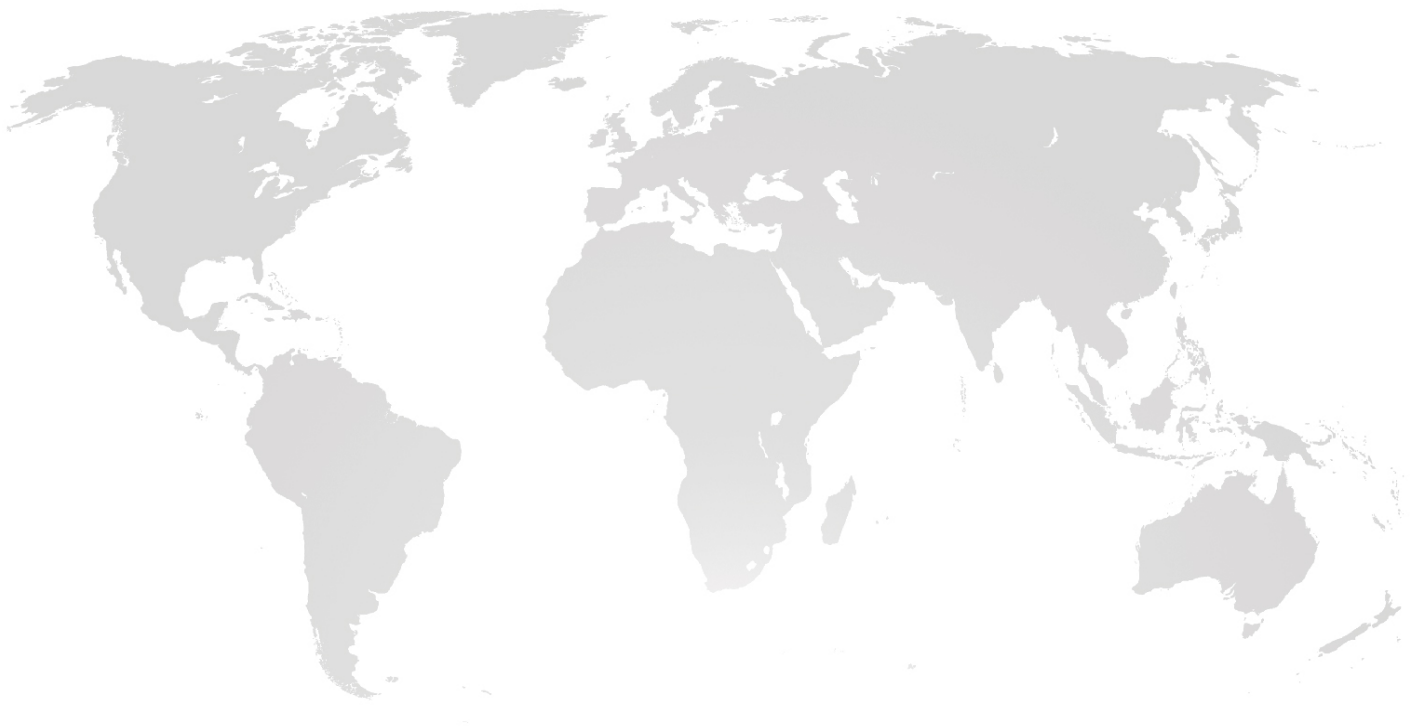


Country Insight Snapshot

Belgium

April 2016






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: 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, homecare and other services catering for an ageing population.
- An ageing population has important market implications, especially on public finances.
- Belgium has one of the highest general government gross debts in Europe, which could lead to further unpopular austerity reforms.

KEY DEVELOPMENT

Domestic and regional political risk, including increased activity from far-right movements, increases in the aftermath of the March terror attacks.

CREDIT ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Key Development has had a negative impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

G

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

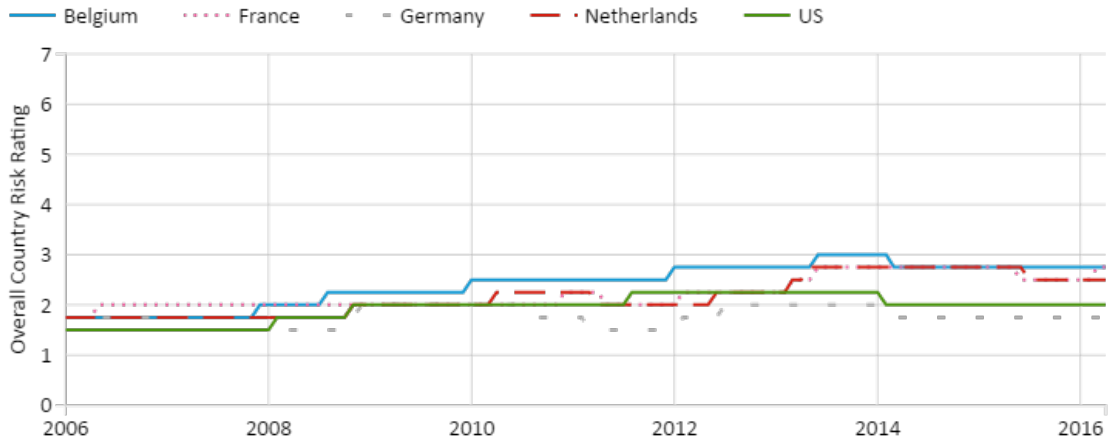
A

Key Development has had a negative impact on the outlook.



KEY INDICATORS

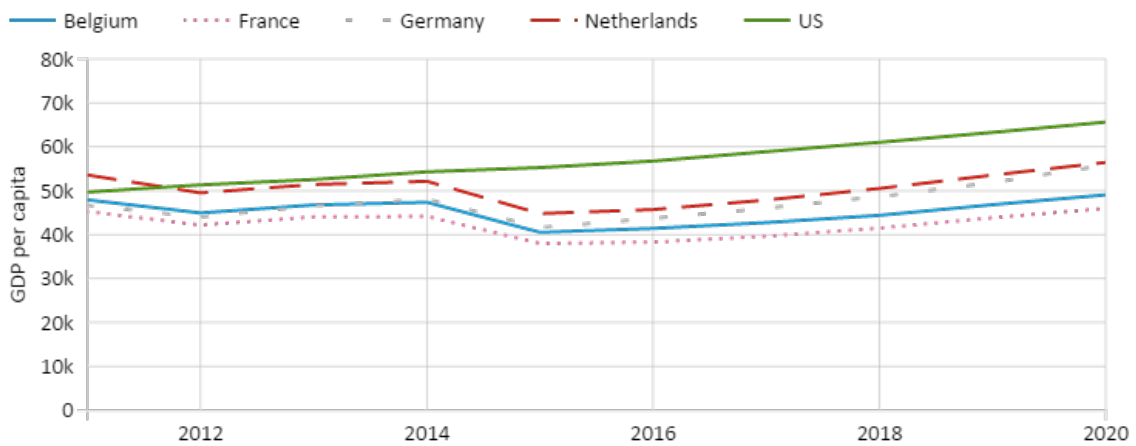
Rating History and Comparison



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	2013	2014	2015e	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	-0.3	-0.3	0.3	0.3	-0.3	-0.3	-0.3	-0.3
Govt balance, % GDP	-2.9	-3.1	-2.9	-2.9	-2.5	-1.8	-1.2	-1.2
Inflation, annual avge %	1.2	0.5	0.6	1.4	1.3	1.9	2.5	2.5
Real GDP Growth, %	0.0	1.3	1.4	1.4	1.6	1.8	1.8	1.9
Unemployment, %	8.4	8.5	8.3	8.0	7.7	7.4	7.0	7.0

Source : Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The EU recently concluded negotiations on a free-trade agreement (FTA) with Singapore that will grant EU exporters duty-free access to the Singaporean market; in return, the EU will eliminate all tariffs for a five-year period. By the end of 2016, the agreement should be ratified, but it might be delayed if the UK votes to leave the EU in June. Also, the European Commission has published details about the Transatlantic Trade and Investment Partnership (TTIP) with the US. This is currently being negotiated and aims to achieve better market access between the two (including labour market) and improve export/import terms. In early March, the EU also started negotiations for a free-trade agreement with New Zealand. The World Bank's *Doing Business 2016* report ranks Belgium 43rd out of 189 countries for the ease of doing business, where it scores particularly well for the efficiency of the legal system, protecting investors and trading across borders.

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

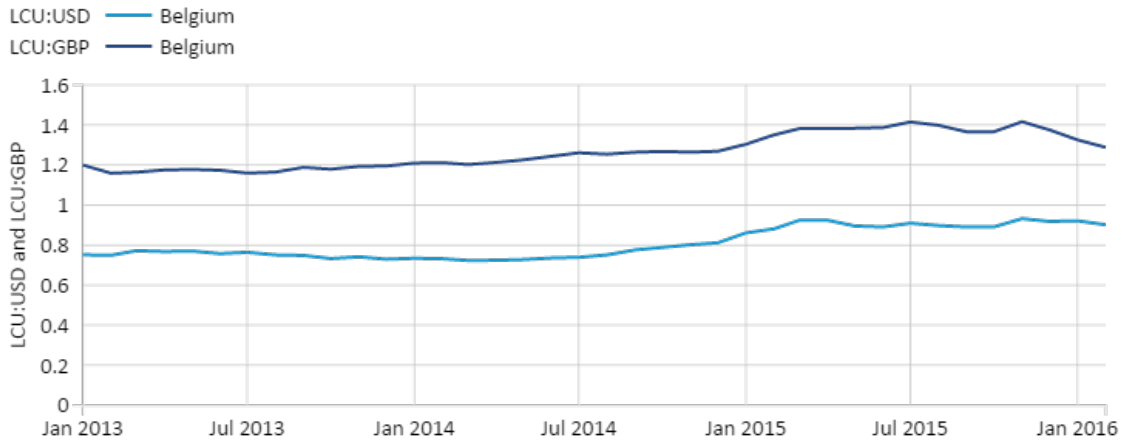
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

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.



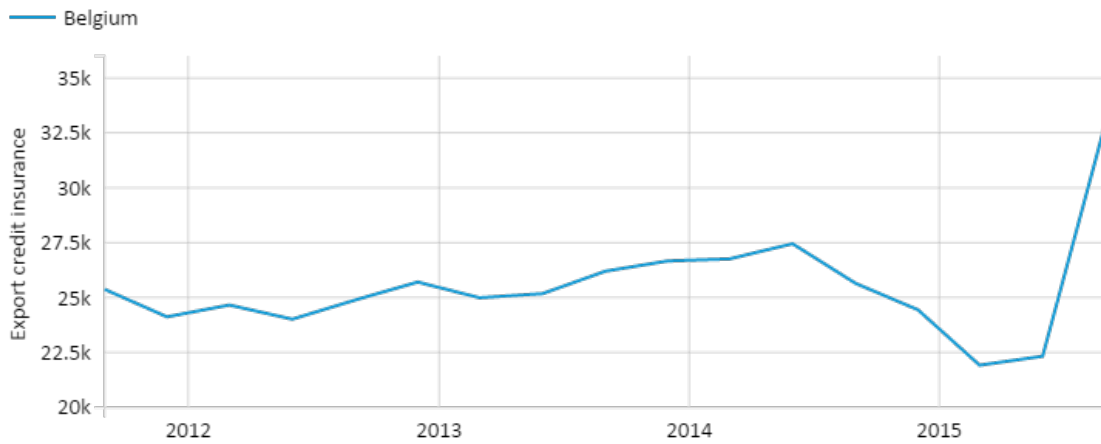
Exchange Rate



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

Political/Insecurity Risk

Terrorism attacks trigger political risks

The terror deadly attacks in Belgium at the end of March, only four months after the Paris attacks, have increased political risk; this may have fallouts across the broader economy at both local and regional levels. A key domestic risk is a higher probability of the country splitting between Flemish and Wallonia communities. At the same time, fears of more terrorist attacks will likely lead to far-right movements both in Belgium and across the European Union aiming at strict anti-Muslim immigration regulations. It may also result in closing the borders between all European Union countries which will weigh heavily on cross-border commerce. Meanwhile, the chances that British citizens will vote for their country's exit from the European Union on June 23rd have increased amid terrorism-attack fears. In the longer term, the probabilities of the EU being reshaped or even dissolved have increased.

As a response to the attacks in Brussels, the government has increased the armed military presence throughout the country. The security levels at nuclear plants across the country have also been drastically increased as secretly-filmed video footage of a senior Belgian nuclear official was seen at the property of a key suspect in the November's Paris attacks. In addition, the UN atomic watchdog agency warned against an increased risk of 'nuclear terrorism' and advised increased safeguarding of radioactive material. We recommend closely monitoring the policy response taken at both national and EU level within the next few months.

Business Regulatory Environment

Expect delays in the supply chain

Expect a slowdown in business activity in Belgium, with delays and disruptions in the supply chain due to the imposition of border controls and reduced transportation activity. We expect business activity in Brussels and other Belgian major cities at least to be reduced in the short term, especially business related to tourism, restaurants and events. However, we expect a boost in e-commerce and e-services in Belgium, amid authorities' advice for the population to avoid public places.

Short-Term Economic Outlook

Subdued growth amid political distress

In light of the recent terrorist attacks, economic activity will be subdued in H1 2016 due to an anticipated decrease in consumer spending. Businesses and services related to tourism, restaurants and accommodation, and events-organizing (Belgium is one of the major centres for international conferences) account for about 8% of the GDP and will likely see a notable decrease within the next few quarters. Therefore, we are lowering our GDP expectations for 2016 to 1.3%. In addition, repeated and continuous terror threats usually bear a reputation risk and negatively influence consumer and investment appetite in the short term. However, we expect the economy to pick up towards the end of year, provided that the domestic and regional political structures remain intact.



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 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.

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)	11.3
GDP (USD billions)	457.7
GDP per capita (USD)	40,512
Life expectancy (years)	81
Literacy (% of adult pop.)	99.9
Surface area (sq km)	30,528

Source : Various sources/Dun & Bradstreet

Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	1.8	0.2	0.0	1.3	1.4
Nominal GDP in USDbn	527	498	521	532	458
Nominal GDP in local currency (bn)	379	387	393	401	409
GDP per Capita in USD	47,910	44,938	46,754	47,357	40,512
Population (year-end, m)	11.0	11.1	11.2	11.2	11.3
Exchange rate (yr avge, USD-LCU)	0.72	0.78	0.75	0.75	0.89
Current Account in USDbn	-6.1	-0.8	-1.4	-1.4	1.4
Current Account (% of GDP)	-1.2	-0.2	-0.3	-0.3	0.3
FX reserves (year-end, USDbn)	316.7	332.5	331.0	327.6	338.9
Import Cover (months)	1.2	1.3	1.3	1.3	1.5
Inflation (annual avge, %)	3.4	2.6	1.2	0.5	0.6
Govt Balance (% GDP)	-4.1	-4.1	-2.9	-3.1	-2.9

Source : Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2016	2017	2018	2019	2020
Real GDP growth (%)	1.4	1.6	1.8	1.8	1.9
Nominal GDP in USDbn	471	489	511	542	571
Nominal GDP in local currency (bn)	421	433	447	465	483
GDP per Capita in USD	41,406	42,736	44,386	46,808	49,047
Population (year-end, m)	11.4	11.4	11.5	11.6	11.6
Exchange rate (yr avge, USD-LCU)	0.9	0.88	0.87	0.86	0.85
Current Account in USDbn	1.5	-1.7	-1.6	-1.5	-1.5
Current Account (% of GDP)	0.3	-0.3	-0.3	-0.3	-0.3
FX reserves (year-end, USDbn)	381.4	421.0	455.7	488.5	518.5
Import Cover (months)	1.6	1.7	1.7	1.7	1.6
Inflation (annual avge, %)	1.4	1.3	1.9	2.5	2.5
Govt Balance (% GDP)	-2.9	-2.5	-1.8	-1.2	-1.2

Source : Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Belgium	France	Germany	Netherlands	US
Income per Capita (USD)	40,512	37,972	41,567	44,791	55,262
Country Population (m)	11.3	64.4	80.7	16.9	321.8
Internet users (% of population)	85	83.8	86.2	93.2	87.4
Real GDP Growth (% p.a., 2016 - 2025)	1.5 - 2.5	1.3 - 2.5	1.8 - 3	1.2 - 2.8	1.8 - 2.5

Source : Various sources/Dun & Bradstreet



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Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com

Telephone

UK: +44 (0)1628 492700

US: +1 800 234 3867

Rest of World

contact your local office
or call +44 1628 492700

Publisher

Dun & Bradstreet

Marlow International

Parkway

Marlow

Bucks SL7 1AJ

United Kingdom

Tel: 01628 492000

Fax: 01628 492929

Email: countryinsight@dnb.com

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