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- **MACROECONOMIC DEVELOPMENTS:** The global economy remains resilient thanks to services
- **FINANCIAL MARKETS AND INTEREST RATES:** Long-term government bond yields rose in the US but remained broadly stable in the euro area
- **SPECIAL TOPIC:** Belgium has relatively rich households and moderate wealth inequality
- **TREASURY HIGHLIGHTS:** 2024 funding completed and 2025 funding plan announced

CONSENSUS **Average of participants' forecasts**

A spreadsheet available on the NBB's website provides more information on the individual forecasts.

	Belgium				Euro area			
	2024e	2025e	2026e	2027e	2024e	2025e	2026e	2027e
Real GDP ¹	1.0	1.0	1.2	1.4	0.7	1.0	1.2	1.3
Inflation (HICP) ¹	4.3	2.6	1.9	1.8	2.4	2.0	1.9	2.0
Government budget balance ²	-4.4	-4.7	-4.6	-4.8	-3.2	-3.0	-2.8	-2.5
Public debt ²	104.5	106.1	107.1	109.0	88.4	89.3	89.6	89.0

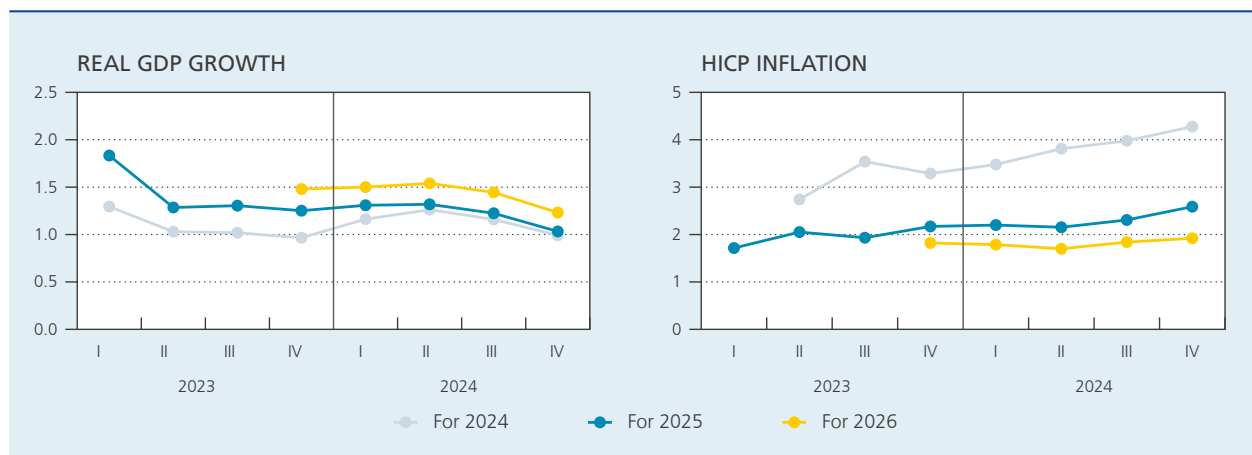
Source: Belgian Prime News.

1 Percentage changes.

2 EDP definition: percentages of GDP.

FORECASTS FOR BELGIUM

(the lines show the evolution since the start of 2023 of the growth and inflation forecasts for the calendar years 2024, 2025 and 2026)



Source: Belgian Prime News.

The global economy performed solidly in the first half of 2024, and inflation rates across the globe fell further. Global PMI indices show that this steady activity growth was mostly the result of sustained expansion in the services sector, while the manufacturing industry continued to struggle. In its December projections, the Eurosystem predicts global growth to remain comfortably over 3 % in the coming years, with a similar expansion of world trade. The trade outlook is, however, subject to significant uncertainty, mostly related to the future course of US policy.

Following five consecutive quarters of near stagnation, the euro area economy began to recover at the start of 2024, but the improvement was far from equal across member states. Forward-looking indicators signal a loss of momentum towards the end of 2024, and growth is expected to dip in the fourth quarter. However, the underlying fundamentals remain favourable and should enable activity, in particular domestic demand, to pick up pace in the course of 2025. In terms of the annual outlook, Belgian Prime News (BPN) participants expect the **euro area economy to grow by 0.7 % in 2024. Annual growth is expected to pick up to 1 % in 2025 and to 1.2 % in 2026.** Only a small number of participants submitted a growth forecast for 2027, the average of which was equal to 1.3 %. **Respondents currently expect euro area inflation to come in at 2.4 % for 2024,** down from the average rate of 5.4 % recorded in 2023, and to remain close to 2 % in the following years.

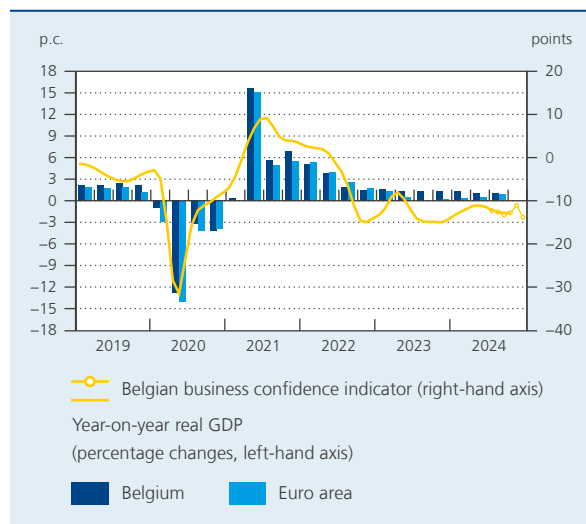
In quarterly terms, Belgian economic growth has been quite close to that of the euro area since the start of 2024. Growth came in at 0.3 % in the third quarter and, according to the December issue of the NBB's Business Cycle Monitor, a similar pace can reasonably be forecast for the last quarter of the year. **BPN respondents expect real GDP growth in Belgium to reach 1 % in 2024 and in 2025. For 2026 and 2027, they foresee real GDP growth of 1.2 % and 1.4 %, respectively.** For both Belgium and the euro area, the December consensus forecasts are slightly more pessimistic than those expressed in September.

Economic growth has been less labour-intensive of late: the Belgian labour market has moderated, and job creation has been rather weak overall since the end of 2022. The market sectors have even shed jobs for several quarters. While the labour market is projected to pick up somewhat, job creation is expected to be limited. Still, the harmonised unemployment rate remains extremely low and is projected to stay below 6 % in the coming years, with the labour market continuing to be quite tight.

The headline inflation rate in Belgium is currently nearly twice that of the euro area. Higher sensitivity to market prices for energy, the statistical treatment of energy-related fiscal measures and higher food inflation are the main factors behind this. **According to the latest BPN consensus forecast, the headline inflation rate in Belgium is expected to average 4.3 % in 2024, before falling to 2.6 % in 2025, 1.9 % in 2026 and 1.8 % in 2027.**

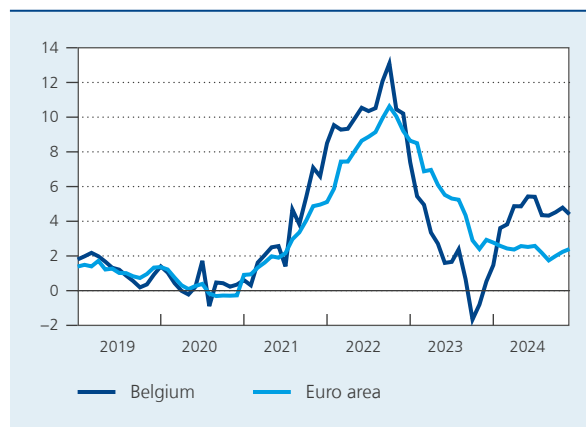
Turning to public finances, as highlighted in the previous issue of Belgian Prime News, the European Commission opened an excessive deficit procedure (EDP) against Belgium in June 2024. Due to the protracted process of forming a federal government, the required medium-term fiscal structural plan was not submitted in 2024. BPN participants currently expect the budget balance to remain high after 2023, at 4.7 % of GDP on average over the period 2024-2027. Furthermore, they still see Belgian public debt edging upwards in the coming years, rising from around 105 % of GDP in 2024 to 109 % of GDP by 2027.

GDP GROWTH AND BUSINESS CONFIDENCE



Sources: EC, NAI, NBB.

INFLATION (HICP) (annual percentage changes)



Source: EC.

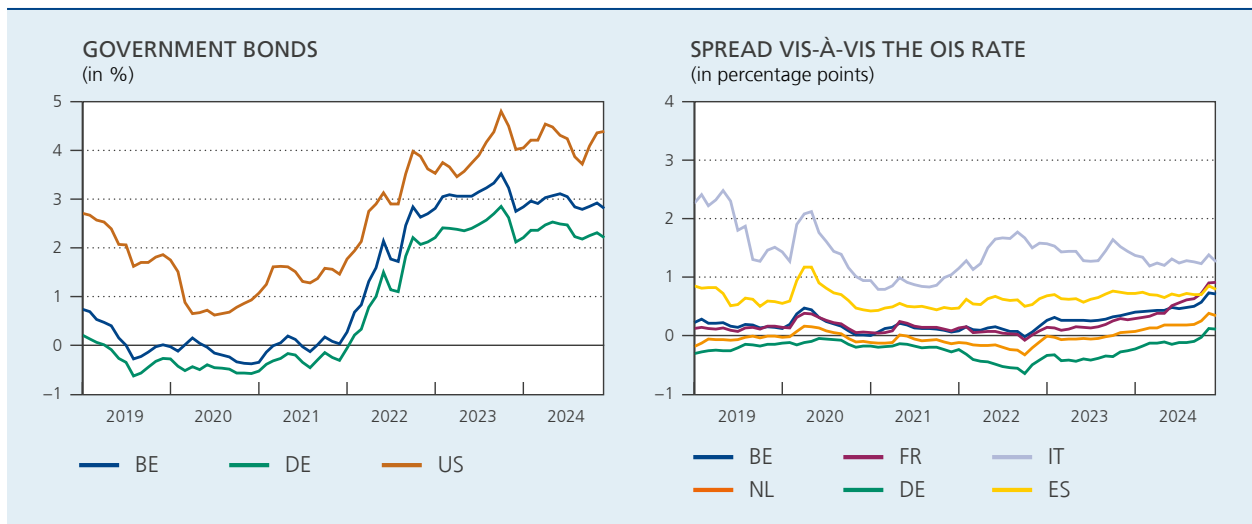
Over the course of the fourth quarter of 2024, the disinflation process continued in the euro area. Hence, the ECB cut interest rates by 25 basis points in October and again in December, bringing the deposit facility rate down to 3 %. In the US, the Federal Reserve also lowered its key interest rate in November and December. The federal funds target range is now between 4.25 % and 4.50 %. However, the Fed signalled that rate cuts would be more gradual next year amid concerns of lingering inflation in the US.

In this context, long-term government bond yields remained broadly stable in the euro area in the final quarter of the year. Belgian and German ten-year government bond yields ended the year at 2.21 % and 2.81 %, respectively. In contrast, the US ten-year sovereign bond yield increased by 67 basis points, from 3.72 % in September to 4.39 % in December, as market participants factored in fewer policy rate cuts in 2025.

The contrasting growth, inflation and interest rate outlooks in the US and the euro area were reflected in financial market performance as well. US equities outperformed their European counterparts, with the S&P500 up 2 % and the Stoxx 600 Europe down 3 % in the last quarter of 2024. While the euro area seems on track to avoid a new energy crisis this winter, persistently higher gas prices in European markets continue to undermine the competitiveness of European firms. Market-based measures of inflation compensation derived from inflation-linked swaps have also started to diverge, reflecting higher inflation risks in the US. Higher interest rates and a resilient economy in the US, coupled with fears of tariffs, contributed to the dollar's appreciation. The euro was trading at \$1.03 at year's end, compared with \$1.11 on 30 September.

Sovereign spreads – defined as the difference between sovereign yields and the overnight indexed swap rate – continued to diverge somewhat across euro area economies in the final quarter of 2024. The French spread widened by 28 basis points amid political uncertainty, concerns about high public deficits and a credit-rating downgrade. By the end of the year, the French spread stood at 91 basis points, considerably above the 71 and 79 basis points observed in Belgium and Spain, respectively. The German spread also widened to 11 basis points – its highest level since 2015 when the ECB's Public Sector Purchase Programme (PSPP) was launched. In contrast, the Italian spread remained stable at 1.26 %.

10-YEAR INTEREST RATES (monthly averages)



Sources : LSEG Data & Analytics.

Wealth is important: with it, individuals have more choices regarding consumption and human and capital investment, and are also better protected against the consequences of adverse shocks. Wealth is therefore an important determinant of the welfare of families. In this sense, the distribution of wealth in a country may indicate how evenly these benefits are distributed across its population. In addition, high wealth inequality may weaken social cohesion, interpersonal trust, and cooperation among citizens.

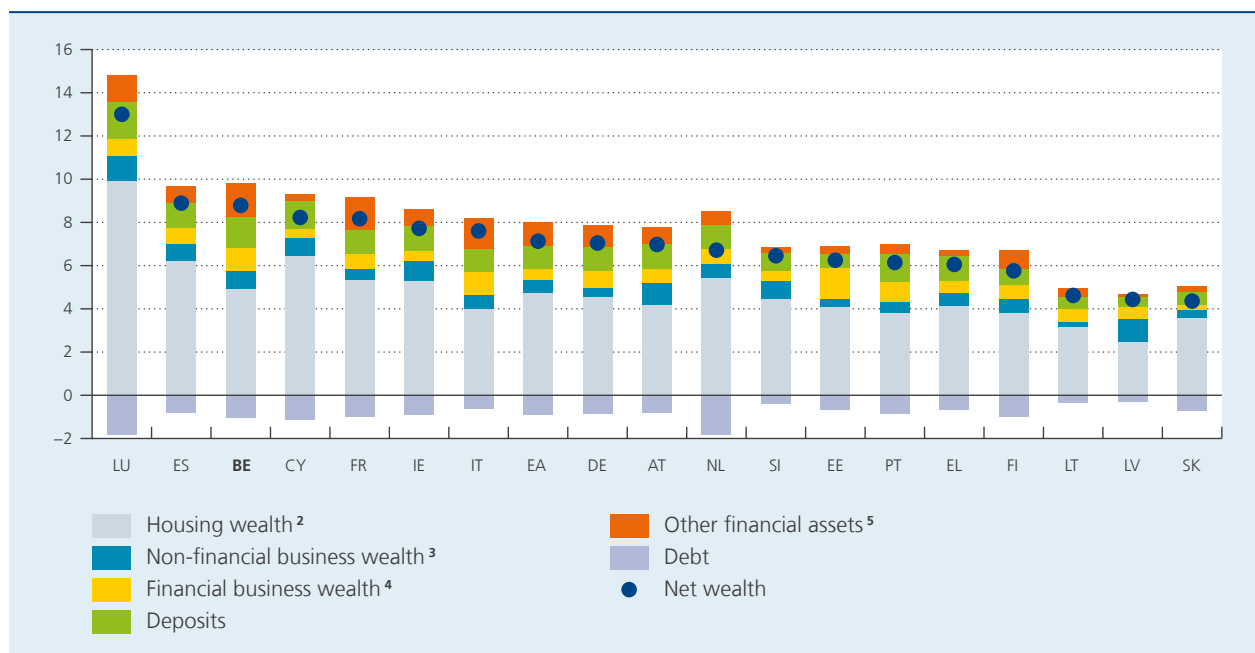
New data sources and cross-country initiatives have been instrumental in the development and study of novel wealth inequality statistics. In this regard, the ECB coordinates two important data projects: (1) the Household Finance and Consumption Survey (HFCS) and (2) the Distributional Wealth Accounts (DWA). This special topic article provides an overview of a recent NBB study which uses these data sources to shed light on the distribution of household net wealth in Belgium, in comparison with other euro area countries.¹ Net wealth refers here to the assets minus the liabilities that households have accumulated over time, as measured at a specific point in time. This definition covers a wide range of financial assets (e.g. bank deposits, stocks, bonds, shares in companies or investment funds) and real assets (e.g. the main household residence, other real estate, vehicles). Household liabilities include, for example, mortgage debt, consumer credit or other loans.

How rich are Belgian households?

The total net wealth of Belgian households was estimated at €2 800 billion at the end of 2022, implying an average net wealth of €555 000 per household. Calculating the ratio of net wealth to gross disposable income allows us to compare the situation in Belgium with that of other euro area countries. With Belgian households owning about nine times their income, they are relatively rich in comparison with their counterparts in most other euro area countries (see Figure 1). This is, however, only slightly higher than the levels observed in neighbouring countries, with the notable exception of Luxembourg. Household net wealth in Luxembourg is equivalent to thirteen times household gross disposable income. Housing wealth makes up half of the portfolio of households in Belgium – thus, less than the euro area average (59 %) – and 20 % is business wealth, more than half of which takes the form of equity.² The remaining assets of Belgian households are deposits (14 % of total assets) and a range of other instruments, predominantly shares in investment funds.

1 The NBB study can be accessed at <https://www.nbb.be/en/articles/household-wealth-and-wealth-inequality-belgium-and-euro-area-overview>
 2 Business wealth consists of assets used by households for production purposes when running unincorporated businesses.

HOUSEHOLD NET WEALTH AND ITS MAIN COMPONENTS
 (ratio to gross disposable income,¹ data for 2022)



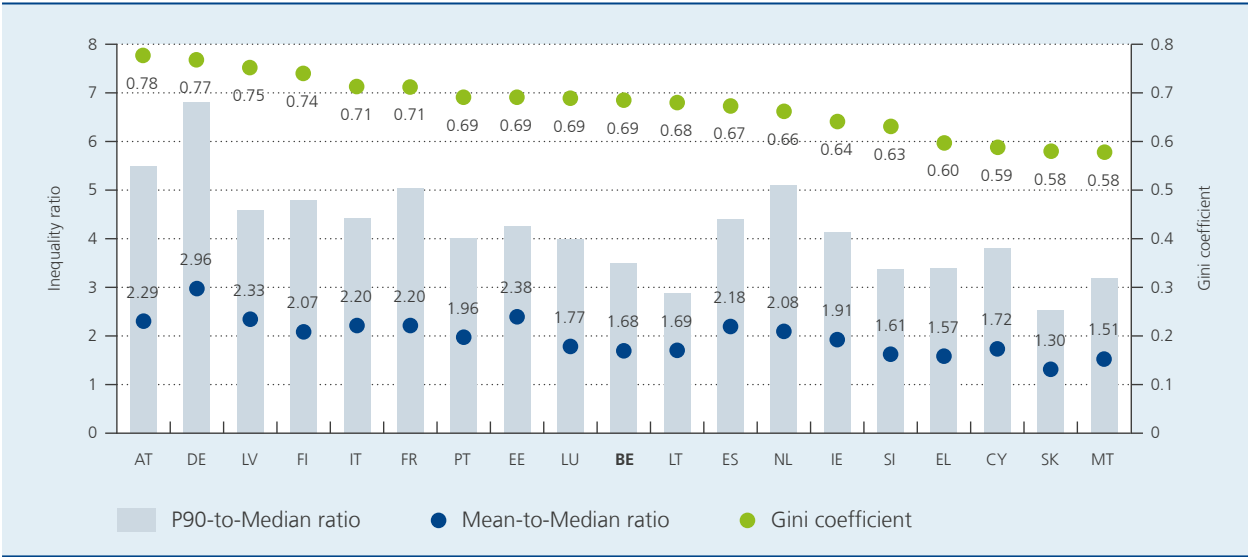
Sources: ECB, Eurostat.
 1 The amount of gross disposable income in the denominator also includes that of non-profit institutions serving households.
 2 Dwellings and land underlying dwellings.
 3 Non-financial assets used by households to run unincorporated enterprises.
 4 This category corresponds to unlisted shares and other types of equity (excluding listed shares and investment fund shares).
 5 This category includes all other financial assets, except bank notes and coins.

The distribution of wealth

The Gini coefficient is a standard indicator used to measure the degree of inequality of an economic variable. It ranges from 0 to 1, with 0 indicating perfect equality and 1 the most extreme level of inequality (wherein a single household would own all economic resources). With a Gini coefficient of 0.69, Belgium has a moderate level of wealth inequality when compared to other euro area countries.

Other indicators of wealth distribution confirm the finding that wealth inequality in Belgium is moderate to low in comparison with the rest of the euro area. The mean-to-median ratio (M/P50) indicates how much wealth the average household owns relative to that held by a household in the middle of the distribution. Similarly, the ratio of the 90th percentile to the median (P90/P50) indicates the level of wealth held by a household in the 90th percentile compared with that owned by a household in the middle of the distribution. In both cases, a higher value indicates that wealth is more concentrated among richer households. Germany (2.96) and Slovakia (1.30) report the highest and lowest M/P50 values in the euro area, respectively, while Belgium’s ratio (1.68) places it as the fifth least unequal country. Furthermore, Germany (6.81) and Slovakia (2.53) also have the highest and lowest P90/P50 levels in the euro area, respectively, with Belgium’s ratio (3.50) meaning it is the sixth least unequal by this measure.

NET WEALTH INEQUALITY INDICES BY EURO AREA COUNTRY



Source: NBB estimates, using the fourth wave of the HFCS (2021) to calculate the M/P50 and P90/P50 measures, and the DWA (2023) to calculate the Gini coefficients.

While various inequality indicators place Belgium in the middle of the euro area countries, relative net wealth is lower for certain vulnerable groups (such as households headed by single mothers, those that do not own a home, and low-income households) than in other euro area countries. Furthermore, as a component of wealth, the household’s main residence (HMR) has a key role in reducing the level of wealth inequality in all countries. This finding is particularly clear in Belgium, where home ownership is widespread, and with the country exhibiting the second most equal distribution of HMR wealth in the euro area.

TREASURY HIGHLIGHTS **2024 funding completed and 2025 funding plan announced**

2024 funding completed

The Belgian Debt Agency has concluded its 2024 funding plan, issuing a total of €43.44 billion in medium- and long-term debt, corresponding to 106 % of its €41.0 billion funding target.

There were two auctions during the fourth quarter of 2024, with the following result.

OLO auctions (€5.073 billion)

Date	OLO		Issued (€ billion)	Yield	Bid-to-cover
21 October	OLO 2.70 % 22/10/2029 OLO 2.85 % 22/10/2034 OLO 2.25 % 22/06/2057	OLO102 OLO100 OLO83	0.933 0.858 0.721	2.338 % 2.792 % 3.422 %	1.80 2.43 2.36
Non-competitive subscriptions			0.000		
October total			2.512		
18 November	OLO 2.85 % 22/10/2034 OLO 3.45 % 22/06/2043	OLO 100 OLO 99	1.305 0.700	2.994 % 3.321 %	1.64 1.80
Non-competitive subscriptions	OLO 2.85 % 22/10/2034 OLO 3.45 % 22/06/2043	OLO 100 OLO 99	0.334 0.222		
November total			2.561		

Moreover, two Optional Reverse Inquiries were held.

ORI (€1.004 billion)

Date	OLO		Issued (€ billion)	Yield
8 November	OLO 3.00 % 22/06/2033 OLO 0.65 % 22/06/2071	OLO 97 OLO 93	0.326 0.178	2.875 % 3.312 %
November total			0.504	
13 December	OLO 3.00 % 22/06/2034 OLO 1.45 % 22/06/2037	OLO 73 OLO 84	0.275 0.225	2.747 % 2.969 %
December total			0.500	

Lastly, on 30 October, a new 10-year **USD 1 billion** bond was issued within the framework of the EMTN programme. This new benchmark matures on 6 November 2034 and was issued at a spread of mid-swap plus 64 basis points, with a coupon of 4.35 %. The Belgian Debt Agency thus raised €926.18 million, realising an arbitrage profit, after swap costs, of more than 5 basis points against the OLO curve.

2025 funding plan announced

The Belgian Debt Agency expects the federal government's 2025 gross borrowing requirement to amount to €44.65 billion. This represents a decrease of €7.11 billion compared with the 2024 borrowing requirement which amounted to €51.76 billion (€1.05 billion more than assumed in the revised funding plan of 27 June 2024).

The Agency expects the 2025 net financing requirement to amount to €19.43 billion, with the assumption that the Kingdom will comply with the new European fiscal framework. It should be noted, however, that Belgium has – at the time of writing – not submitted its Medium-Term Fiscal-Structural Plan to the European Commission, and that the incumbent government has only presented a provisional budget for the first quarter of 2025 to parliament. Therefore, this figure is likely to be adjusted over the course of 2025.

Redemptions of medium- and long-term debt will amount to €22.62 billion. Furthermore, the Belgian Debt Agency plans to buy back €2.50 billion of bonds maturing in 2026. In addition, the execution of put and call options on certain instruments could result in the need to borrow an additional €0.10 billion.

In 2025, the Belgian Debt Agency plans to issue €42.00 billion worth of OLOs, which is a decrease of €1.19 billion compared with the €43.19 billion issued in 2024, and expects to launch three new OLO fixed-rate benchmarks.

The Debt Agency also intends to issue €2.00 billion via its EMTN programme or other alternative funding instruments such as *Schuldscheine*, as well as €0.25 billion of State Notes with maturities of three, five, eight or ten years.

With regard to short-term funding, the outstanding amount of Treasury Certificates is scheduled to stabilise at an expected volume of €36.74 billion, while that of one-year State Notes should also hold steady (implying that the Debt Agency will issue approximately €1.30 billion worth of State Notes in 2025). The net change in other short-term debt and financial assets should amount to €0.34 billion.

In 2024, as in previous years, the limits for 12-month refinancing and refixing risks were maintained at a maximum of 17.50 %. In practice, the risks came in considerably lower than their ceilings. In December 2024, the 12-month refinancing risk amounted to 15.28 %, while the 12-month refixing risk stood at 15.72 %. The 60-month refinancing and refixing risks also remained below their maximum levels of 42.50 %, standing respectively at 39.66 % and 40.11 % in December 2024.

These risk limits will remain unchanged in 2025, meaning a maximum of 17.50 % for 12-month refinancing and refixing risks, and a maximum of 42.50 % for 60-month refinancing and refixing risks.

(in € billion)	2025 financing plan	2024 realisations
1. Gross financing requirement	44.65	51.76
• Net financing requirement	19.43	22.14
• Debt maturing in 2025/2024	22.62	29.27
• Planned pre-funding (bonds maturing in 2026/2025)	2.50	0.36
• Other financing requirements ¹	0.10	0.00
2. Funding resources (long- and medium-term)	44.31	45.68
• OLOs	42.00	43.44
• Euro Medium Term Notes (EMTNs)/ <i>Schuldscheine</i>	2.00	2.13
• Medium- and long-term State Notes	0.25	0.06
• Other (RRF)	0.06	0.04
3. Change in short-term debt	0.34	6.08
• Treasury Certificates ²	0.00	17.28
• One-year State Notes	0.00	-20.58
• Other ³	0.34	9.38

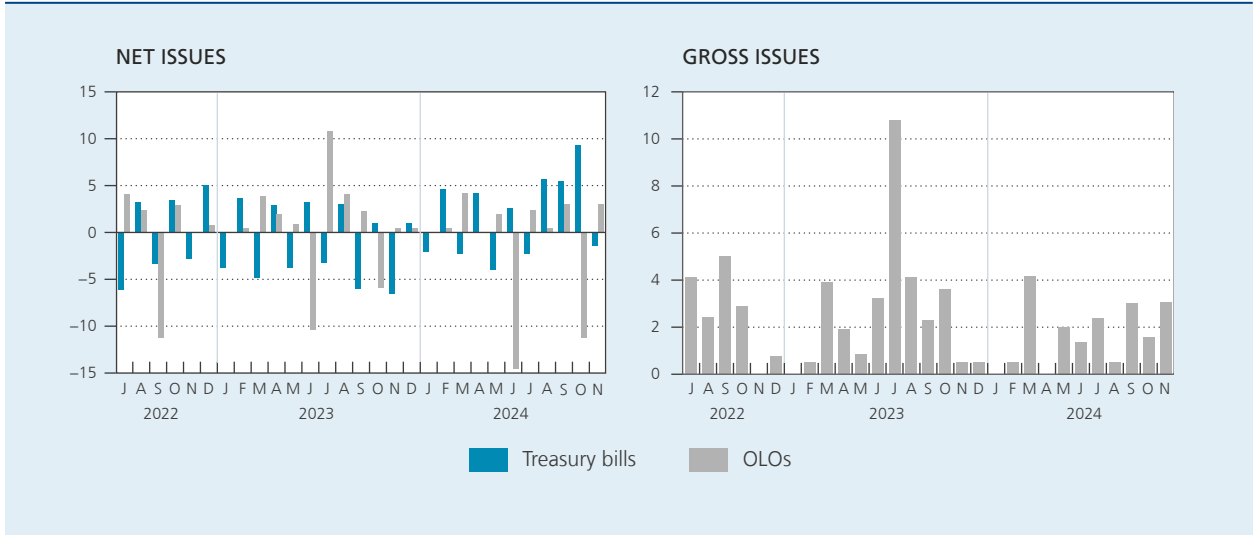
1 Including put/call options exercised on bonds or loans and net redemptions of the Treasury bonds representing Belgium's participation in international organisations.

2 Expected outstanding stock of Treasury Certificates on 01 January 2025: €36.74 billion.

3 This section includes residual financing instruments complementing the reference instruments mentioned in the previous section, including collateral margin changes. A positive figure represents an increase in the stock of residual financing and/or a reduction in financial assets.

GOVERNMENT SECURITIES STATISTICS

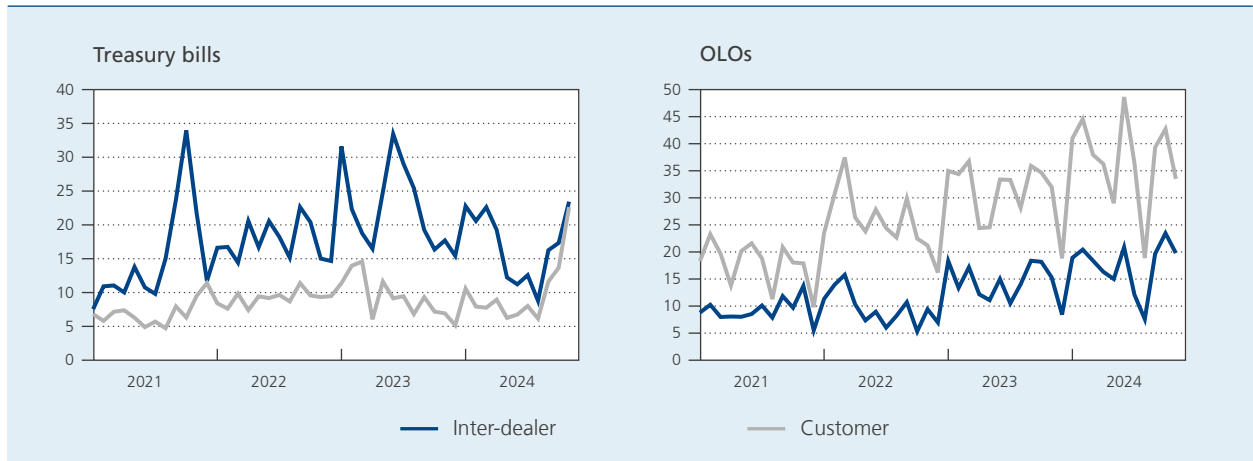
PRIMARY MARKET (€ billion)



Source: Belgian Debt Agency.

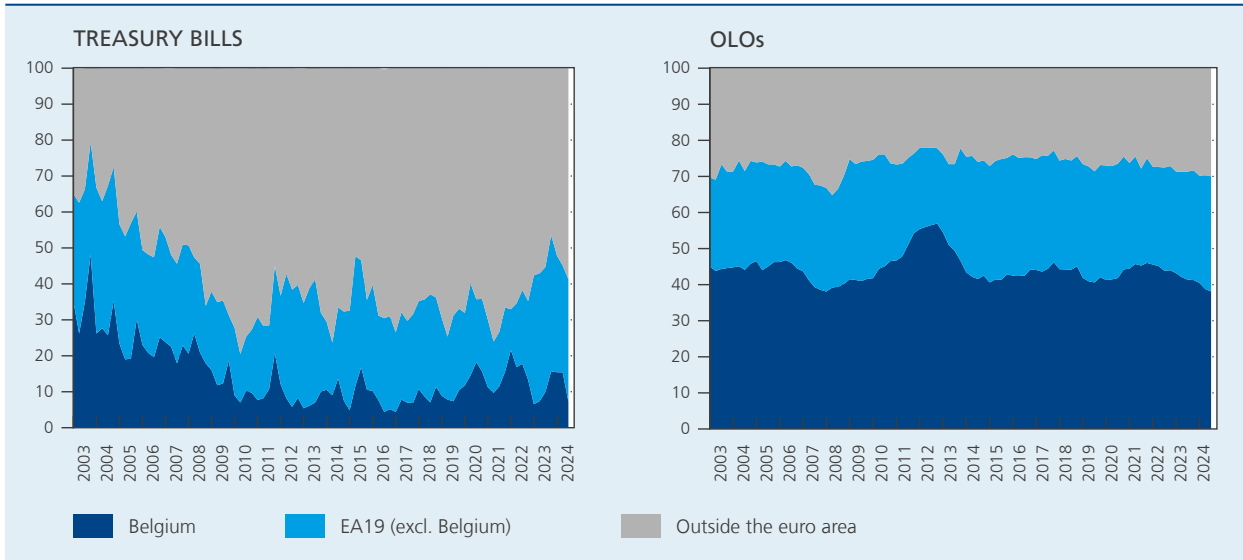
SECONDARY MARKET TURNOVER

(as reported by primary and recognised dealers to the Debt Agency, € billion)



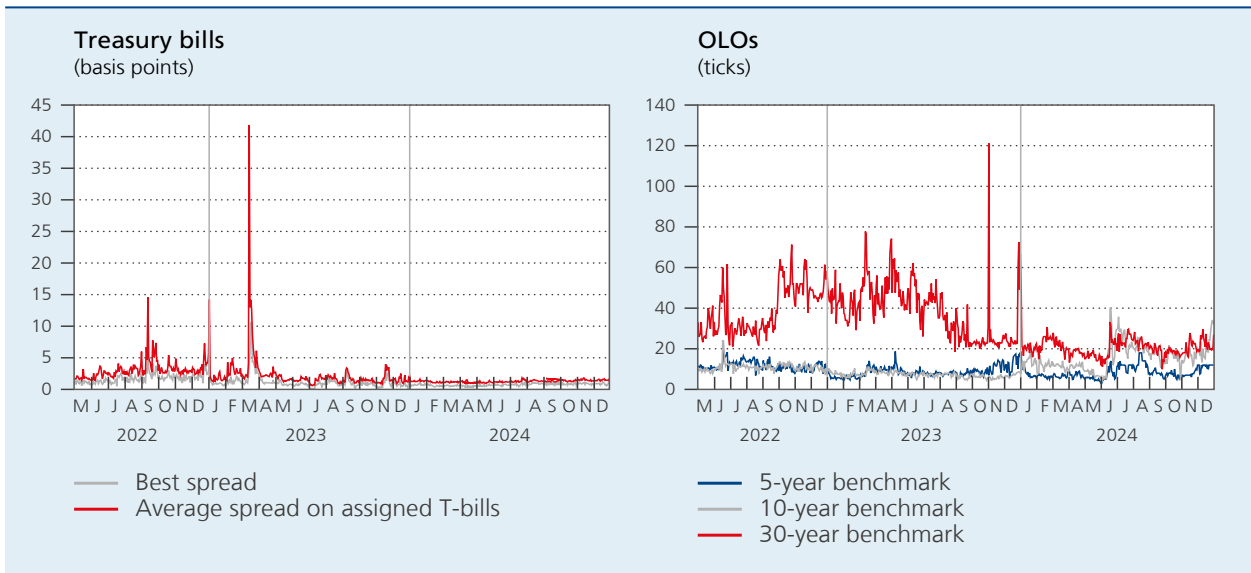
Source: Belgian Debt Agency.

HOLDERSHIP OF BELGIAN SECURITIES
(in %)



Source: NBB.

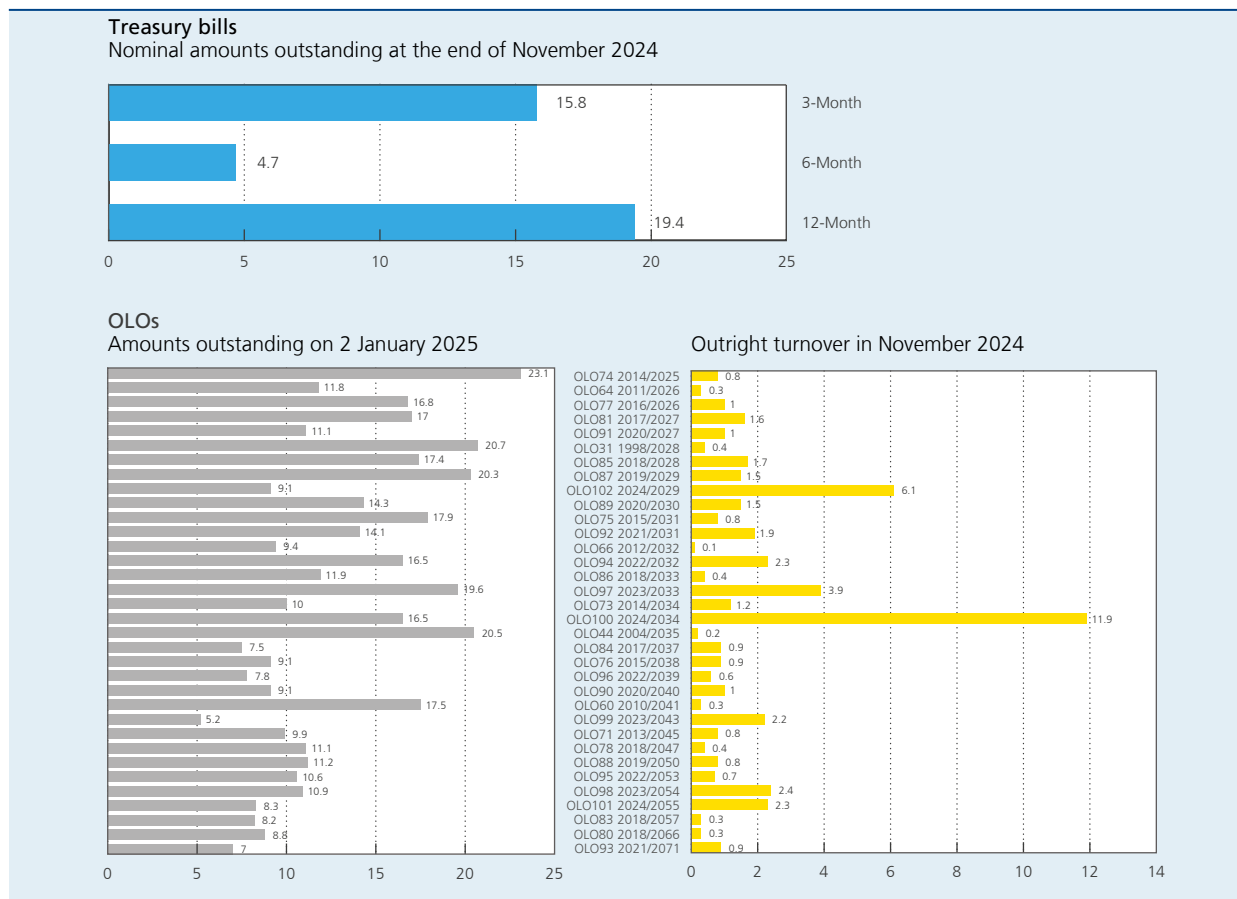
BEST BID/OFFER SPREADS ¹



Source: Belgian Debt Agency.
¹ As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

OUTSTANDING AMOUNTS AND TURNOVER

(€ billion)



Source: Belgian Debt Agency.

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Barclays
Belfius Bank

BNP Paribas Fortis

Citigroup
Crédit Agricole CIB

Deutsche Bank
HSBC
J.P. Morgan
KBC Bank

Morgan Stanley
Natixis
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