

Participating Primary Dealers:

Bank of America, Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Crédit Agricole CIB, Deutsche Bank, HSBC, J.P. Morgan, KBC Bank, Morgan Stanley, Natixis, NatWest (RBS), Nomura, Société Générale Corporate & Investment Banking

No 108 June 2025

Last update: 30 June 2025

Next issue: September 2025

- **MACROECONOMIC DEVELOPMENTS:** Tariffs and trade policy uncertainty complicate the economic outlook
- **FINANCIAL MARKETS AND INTEREST RATES:** Heightened trade and geopolitical uncertainty reverberates across financial markets
- **SPECIAL TOPIC:** How to measure the fiscal stance in Belgium?
- **TREASURY HIGHLIGHTS:** The funding plan for 2025 was updated

CONSENSUS **Average of participants' forecasts**

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

	Belgium				Euro area			
	2024	2025e	2026e	2027e	2024	2025e	2026e	2027e
Real GDP ¹	1.0	0.9	1.0	1.2	0.8	0.9	1.1	1.4
Inflation (HICP) ¹	4.3	2.8	1.8	2.1	2.4	2.0	1.8	2.0
Government budget balance ²	-4.5	-5.1	-5.2	-5.1	-3.1	-3.1	-3.1	-3.4
Public debt ²	104.7	105.9	108.2	109.1	87.5	88.6	89.5	90.5

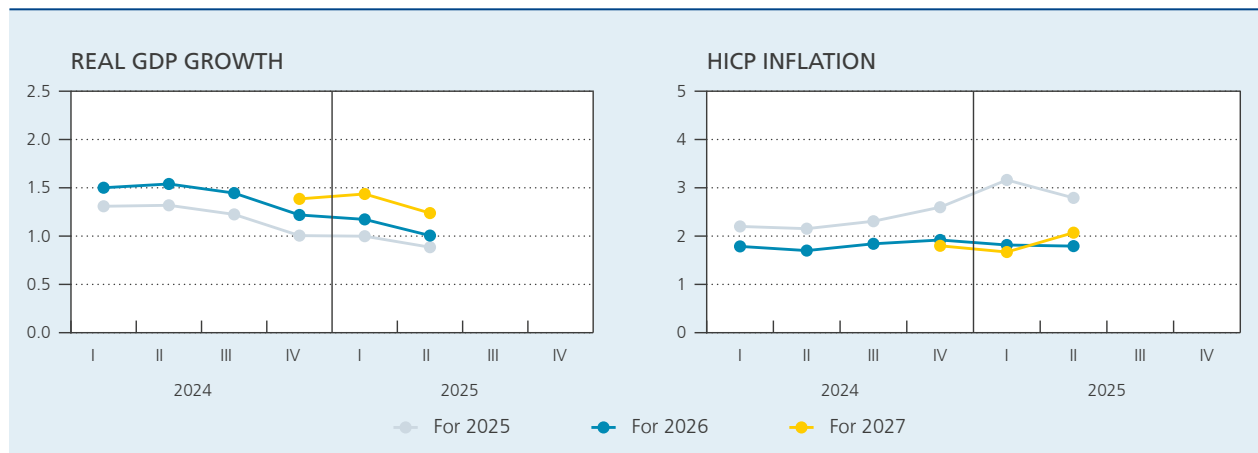
Source: Belgian Prime News.

1 Percentage changes.

2 EDP definition: percentages of GDP.

FORECASTS FOR BELGIUM

(the lines show the evolution since the start of 2024 of the growth and inflation forecasts for the calendar years 2025, 2026 and 2027)



Source: Belgian Prime News.

The announcement of sweeping protectionist measures in the US in the spring of 2025 sent shockwaves through the global economy and led to a spike in (trade) policy uncertainty. According to the Eurosystem's current assessments, global growth is expected to edge downwards somewhat in 2025 and 2026, yet remain fairly stable at close to 3%. Growth forecasts for global trade, however, have been more significantly downgraded for (the remainder of) 2025 and, via a carry-over effect, for 2026. The general outlook is more uncertain than usual and contingent on trade policy developments.

The euro area economy showed dazzling growth in the first quarter of 2025, expanding by 0.6% on a quarterly basis. However, about half of the rise was likely due to a surge in pharmaceutical exports from Ireland to pre-empt potential US tariffs.

GDP growth is expected to be more moderate over the next two quarters, as euro area exports in particular face headwinds from tariffs, trade policy uncertainty, and a stronger euro. However, with uncertainty expected to fade gradually and foreign demand to recover, euro area activity is forecast to pick up again in the medium term. With regard to the annual outlook, Belgian Prime News (BPN) respondents expect **euro area real GDP growth to remain almost constant at 0.9% in 2025**, and then climb slightly to 1.1% in 2026 and to 1.4% in 2027. The range of growth forecasts provided by individual respondents is, for 2026 in particular, quite wide but the average forecast is rather close to that from March. Euro area headline inflation reached 2.4% on average in 2024 and **respondents currently expect it to moderate further towards (and even temporarily drop below) 2% over the projection horizon.**

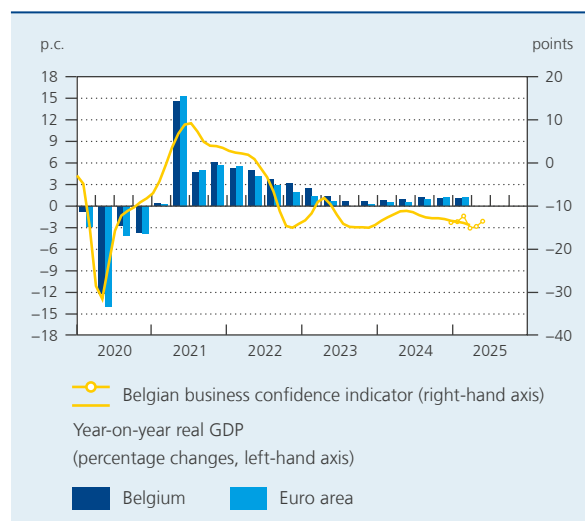
Belgian growth came in at a sound 0.4% in the first quarter of 2025, on the back of strong household consumption growth, among other factors. According to the June issue of the NBB's Business Cycle Monitor, growth is expected to be more moderate in the near term. **BPN respondents foresee annual real GDP growth in Belgium reaching 0.9% in 2025, and subsequently rising to 1% and 1.2%, in 2026 and 2027 respectively.** For the outer years of the projection horizon, in particular, the consensus forecasts for Belgian economic growth are weaker in June than they were in March.

The Belgian labour market also remained robust. As of 2026, job creation should gain momentum, in view of the measures announced by the new federal government that are specifically aimed at increasing the employment rate. The harmonised unemployment rate remains very low and is projected to stay near 6% in the coming years.

The headline inflation rate in Belgium remains more elevated than that of the euro area, primarily due to its greater sensitivity to wholesale market prices for energy, its higher food inflation, and the statistical treatment of (past) energy-related fiscal measures. **According to the latest BPN consensus forecast, the headline inflation rate in Belgium is expected to average 2.8% in 2025, down from an average 4.3% in 2024.** This is a downwards revision from the March consensus due to cheaper energy.¹ Respondents expect the inflation rate to decline further in 2026, to 1.8%, before edging back up to 2.1% on average in 2027.

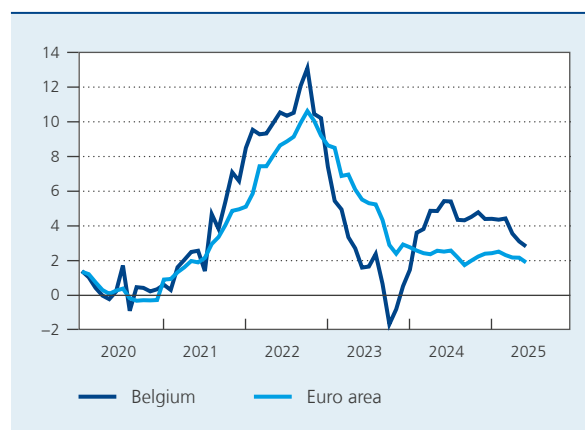
On 31 January 2025, a five-party coalition reached an agreement to form a federal government, following the June 2024 elections. The new federal government intends to make significant budget cuts in an effort to reduce the deficit. Nonetheless, BPN participants currently expect the budget deficit to remain elevated throughout the projection period, not falling below 5% of GDP. In addition, they see Belgian public debt creeping up further, from around 104% of GDP in 2024 to 109% of GDP by 2027.

GDP GROWTH AND BUSINESS CONFIDENCE



Sources: EC, NAI, NBB.

INFLATION (HICP) (annual percentage change)



Source: EC.

¹ Most individual forecasts were collected prior to the renewed uptick in energy prices following intensified geopolitical tensions in the Middle East.

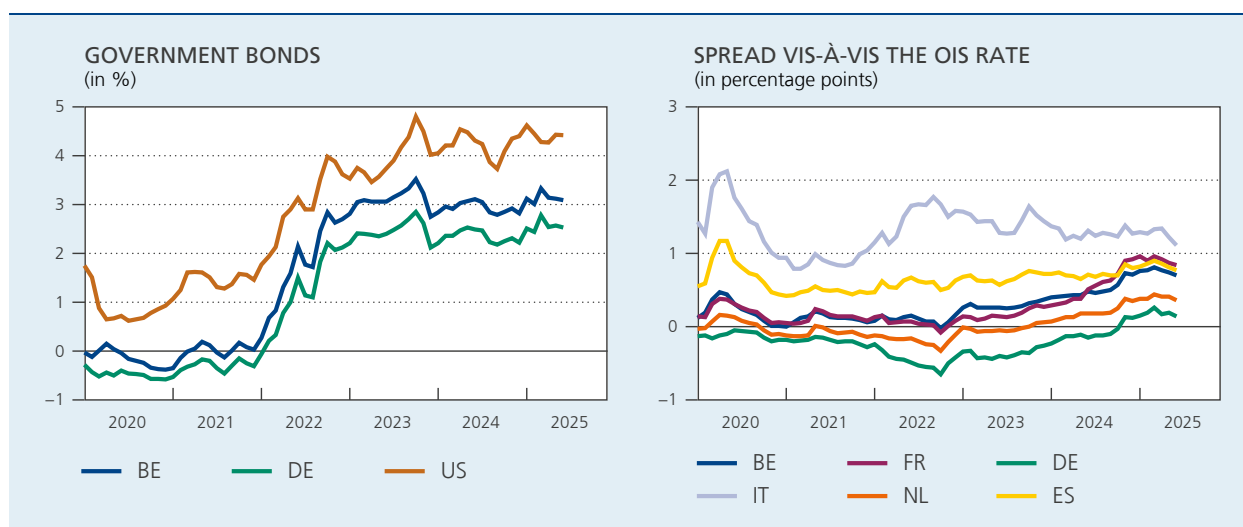
Movements on the financial markets in the second quarter of 2025 continued to be driven largely by developments in and concerns over the global economy. While the elevated uncertainty arising from geopolitical tensions and trade policies worldwide is expected to dampen investment and export activity, increased public spending on defence and infrastructure, together with more favourable financing conditions, should partially offset these effects in the medium-term. Headline and core inflation in the euro area are close to the ECB's 2% medium-term target, with the June Eurosystem staff projections anticipating sustainable stabilisation at that level in the medium term, in line with the smooth transmission of monetary policy. The ECB lowered interest rates by 25 basis points in April and again in June, bringing the deposit facility rate down to 2% and leaving monetary policy in a good position to navigate the uncertain global conditions. In the US, where the introduction of import tariffs could engender temporarily higher inflation, the Federal Reserve kept the target range for the federal funds rate unchanged, at between 4.25% and 4.50%, in both May and June.

Growing anxiety over trade tensions and their potential impact on the US economy prompted investors to gravitate towards euro-denominated assets, particularly following the announcement on 2 April of sweeping reciprocal tariffs on almost all US imports. This contributed to a decline in euro area long-term sovereign bond yields: the yield on both Belgian and German ten-year government bonds, for instance, fell by 25 basis points from March to June, reaching 3.09% and 2.53%, respectively. At the same time, the yield on US ten-year Treasuries rose to its highest level since January (4.42%), driven by investor concerns over the US fiscal outlook and Moody's recent downgrading of the US sovereign credit rating from AAA to Aa1.

Euro area sovereign-OIS spreads tightened in a broadly similar fashion across jurisdictions, reflecting the resilience of euro area sovereign bond markets to fragmentation risks amid high uncertainty. The German spread decreased by 12 basis points, reaching 0.14% at the end of June. Over the same period, Belgian and French spreads declined by 11 and 12 basis points, respectively, stabilising at 0.70% and 0.84%. In the meantime, Italian and Spanish spreads narrowed by 22 and 13 basis points, respectively.

10-YEAR INTEREST RATES

(monthly averages)

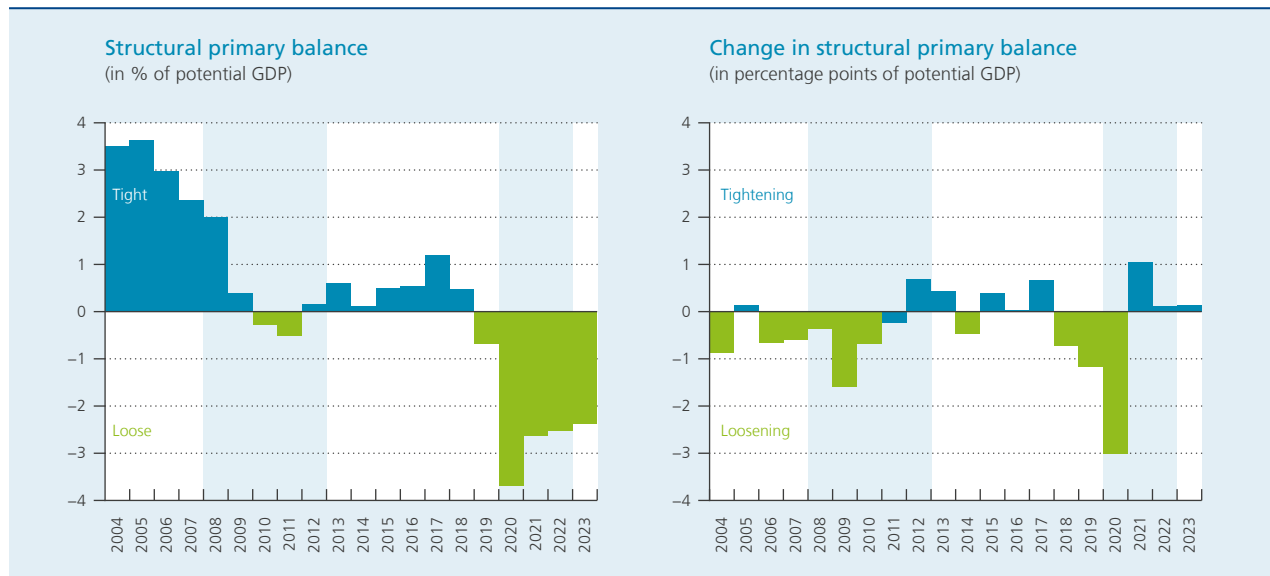


Sources: LSEG Data & Analytics. Average over the first 23 days for June 2025.

Tariff uncertainty contributed to high (implied) volatility on the stock and bond markets. For instance, the VIX and VSTOXX peaked at 52 and 46, respectively, in early April, reflecting a sharp repricing of risk across global financial markets. The MOVE index, which tracks volatility in the US Treasuries market, also spiked. As volatility gradually eased – helped by a 90-day pause on US reciprocal tariffs and news of ongoing trade talks – both the S&P 500 and Euro Stoxx 600 indices recouped the losses incurred after 2 April. In FX markets, the euro strengthened against the dollar – an unexpected reaction to the US tariff announcements, reflecting heightened concerns over the US economic outlook and fundamentals. At the end of June, the euro stood at \$ 1.15, compared with \$ 1.08 at the end of March. The weakness of the US dollar was broad-based, as its effective exchange rate declined by 3.7% over the same period.

The term fiscal stance, which refers to the degree and orientation of fiscal support provided to the economy, is widely used, yet there is no generally accepted definition. International institutions tend to consider the change in discretionary fiscal policy (e.g. measured by the change in the structural primary balance) as the fiscal stance. However, an accurate assessment of the support being given by fiscal policy should not only consider the change in that support but also its level (e.g. measured by the level of the structural primary balance). For instance, in reaction to the Covid-19 pandemic, the Belgian government took exceptional policy measures amounting to over 3% of GDP in 2020 which resulted in an unseen loosening of the fiscal stance. While these crisis-related fiscal measures were removed over subsequent years, implying a tightening of the fiscal stance, the level of support remained loose (with significant primary deficits being observed).

THE LEVEL OF AND THE CHANGE IN FISCAL STANCE SHOULD BOTH BE CONSIDERED



Source: NBB.

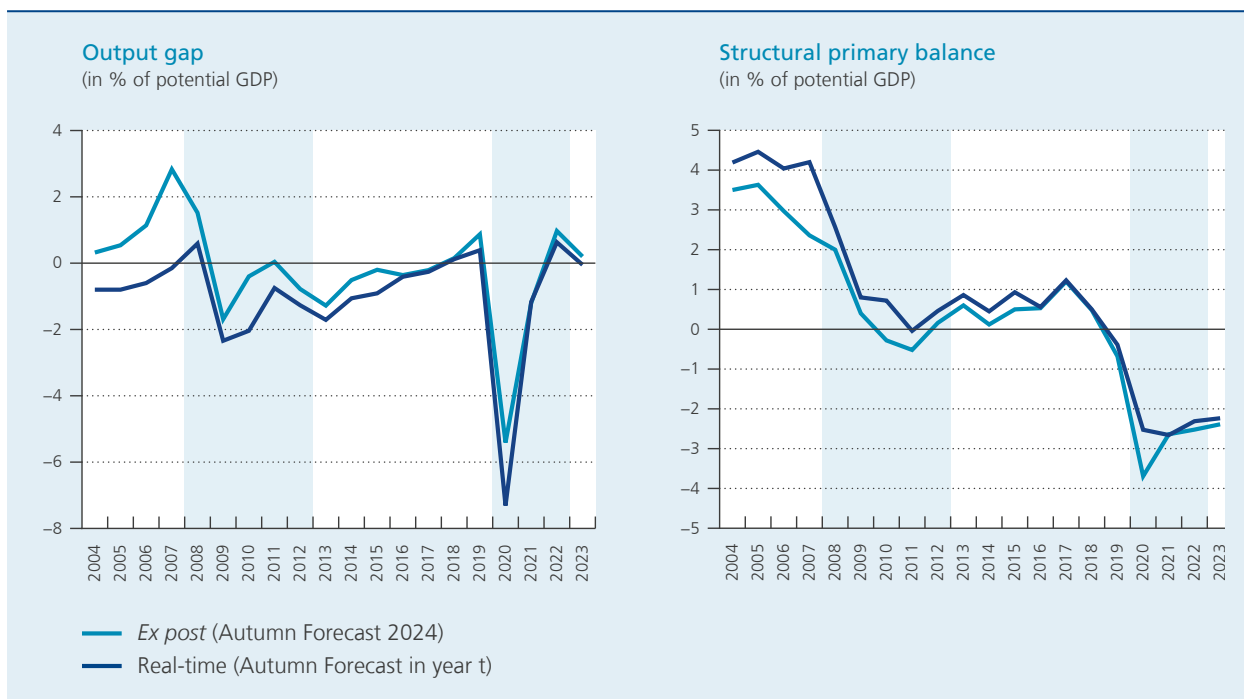
In addition to discretionary fiscal policy support (e.g. measured by the structural primary balance as a percentage of GDP), it is also valuable to consider a broader indicator of fiscal support, such as the primary balance as a percentage of GDP (or the change therein), that also incorporates the effects of automatic stabilisers. For instance, in 2020 the overall fiscal stance was exceptionally loose as the Belgian primary deficit amounted to 7% of GDP, with the automatic stabilisers accounting for around half of overall fiscal support.

The structural primary balance is obtained via a top-down method whereby transitory budgetary developments, such as the impact of the business cycle, are removed from the primary balance. The impact of automatic stabilisers is calculated by multiplying the budgetary semi-elasticity (which captures the average response of the budget balance to fluctuations in economic activity) by the output gap. It is important to note that estimates of the output gap are subject to significant revisions which renders the estimates of the structural balance unstable. In the case of Belgium, over the past twenty years, real-time estimates of the output gap consistently turned out to be too negative. As a result, the cyclical component has been systematically overestimated in real time and the structural balance underestimated. While revisions of the change in the structural balance are more limited, they add up over time, meaning that the underlying fiscal policy orientation in Belgium has tended to be assessed *ex post* as looser than real-time estimates suggested.

To overcome the weaknesses of the top-down method, the change in discretionary fiscal support can also be calculated directly. A bottom-up method can be used to aggregate the budgetary impact of individual revenue and expenditure measures, derived from government documents or other verifiable sources. However, in the case of Belgium, this bottom-up method appears to have underestimated structural spending (at least up to the Covid-19 pandemic) as it does not capture structural developments that occur (automatically) on top of discretionary expenditure measures, such as increased costs related to population ageing. Therefore, a hybrid method – which combines a bottom-up approach on the revenue side with a top-down approach on the spending side – appears to be a more accurate means of assessing the change in discretionary fiscal policy in Belgium.

¹ This is an abridged version of a recent article: Deroose M. and S. Van Parys, (2025), 'How to measure fiscal stance? An illustration for Belgium', NBB Economic Review, 2025 (3).

THE UNDERLYING FISCAL POLICY ORIENTATION OF BELGIUM HAS TENDED TO BE LOOSER EX POST



Source: Eurostat.

As this hybrid indicator yields a more robust estimate of the underlying budgetary position than the structural primary balance, it is more useful for fiscal surveillance. Therefore, in the new European fiscal framework, the European Commission replaced the structural balance indicator with an expenditure growth benchmark (which corresponds to a hybrid indicator). For Belgium, our analysis finds, however, that the difference between the structural indicators derived from the hybrid and the top-down methods is, on average, relatively small.

TREASURY HIGHLIGHTS **The funding plan for 2025 was updated**

Updated funding plan for 2025

On 27 June, the Belgian Debt Agency published a revised 2025 Borrowing Requirements and Funding Plan.

Gross borrowing requirements have been revised upwards by €7.83 billion as a result of a higher net financing requirement (+ €8.0 billion). The latter is expected to rise due to growing defence spending, among other factors.

The Belgian Debt Agency increased its **OLO**-funding target by €5.0 billion to **€47.0 billion**. As of 27 June, €31.47 billion worth of OLOs had been issued, corresponding to 67% of this new target.

Short term debt is expected to rise, in net terms, by €3.17 billion, as compared with the €0.34 billion foreseen in the original funding plan. The outstanding amount of **Treasury Certificates** is anticipated to increase by **€3.98 billion** in 2025.

(in € billion)	2025 funding plan (original)	2025 updated plan (27 June 2025)
1. Gross financing requirement	44.65	52.52
• Net financing requirement	19.43	27.43
• Debt maturing in 2025	22.62	22.47
• Planned pre-funding (bonds maturing in 2025 and later)	2.50	2.51
• Other financing requirements ¹	0.10	0.10
2. Funding resources (long- and medium-term)	44.31	49.35
• OLOs	42.00	47.00
• Euro Medium Term Notes (EMTNs)/ <i>Schuldscheine</i>	2.00	2.00
• Medium- and long-term State Notes	0.25	0.25
• Other (RRF)	0.06	0.10
3. Change in short-term debt	0.34	3.17
• Treasury Certificates	0.00	3.98
• One-year State Notes	0.00	- 0.81
• Other ²	0.34	0.00

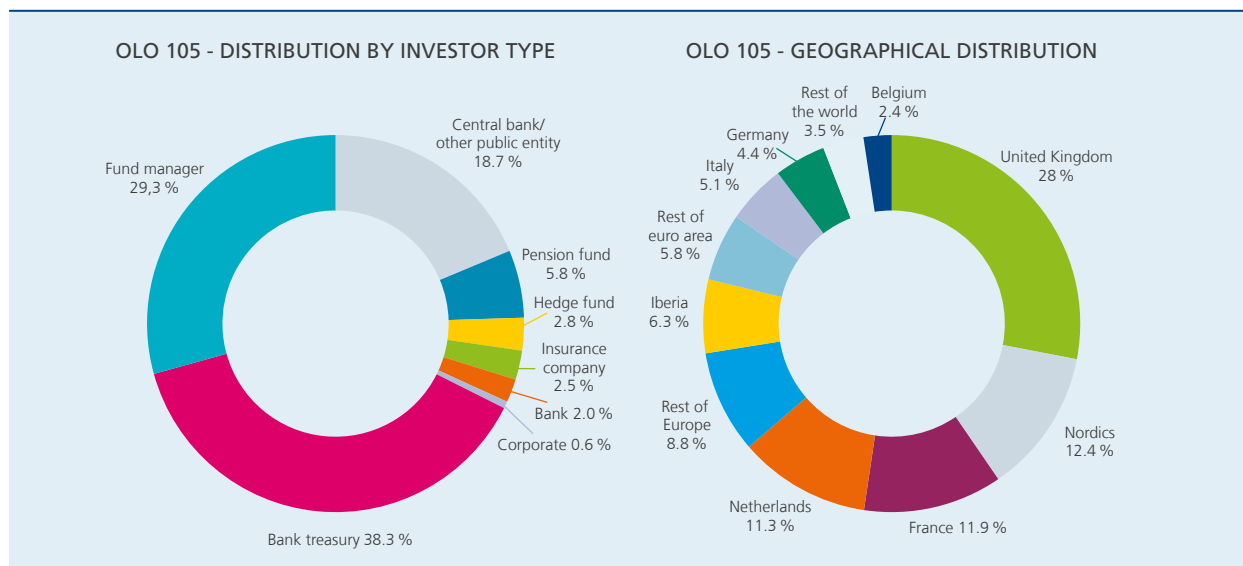
1 Including put/call options exercised on bonds or loans and net redemptions of the Treasury bonds representing Belgium's participation in international organisations.

2 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.

Since the end of March 2025, the Belgian Debt Agency has carried out the following funding transactions.

OLO syndication (€7.0 billion five-year benchmark)

On 14 May 2025, Belgium issued its third new 2025 OLO benchmark, with a maturity of five years. The €7.0 billion 2.60% OLO 105 22/10/2030 was priced at a spread of +28 bps over the mid-swap reference rate, implying a reoffer yield of 2.623%. The joint lead managers were Barclays, BNP Paribas Fortis, Citi, Natixis and Société Générale.



OLO auctions (€7.241 billion)

On 28 April and 23 June, the Belgian Debt Agency raised €7.241 billion through two OLO auctions.

Date	OLO		Issued (€ billion)	Yield	Bid-to-cover
28 April	OLO 2.85% 22/10/2034	OLO 102	0.970	2.991%	1.90
	OLO 3.10% 22/06/2035	OLO 103	1.128	3.076%	1.94
	OLO 2.75% 22/04/2039	OLO 96	1.110	3.389%	1.92
	<i>Non-competitive subscriptions</i>		0.567		
April total			3.775		
23 June	OLO 0.10% 22/06/2030	OLO 89	0.902	2.444%	2.13
	OLO 3.10% 22/06/2035	OLO 103	1.075	3.085%	2.00
	OLO 0.40% 22/06/2040	OLO 90	1.325	3.515%	2.08
	<i>Non-competitive subscriptions</i>		0.164		
June total			3.466		

ORI (€0.510 billion)

In addition, the Belgian Debt Agency issued a further €0.510 billion through an ORI auction on 2 May.

Date	OLO		Issued (€ billion)	Yield
2 May	OLO 1.45% 22/06/2037	OLO 84	0.300	3.266%
	OLO 3.45% 22/06/2043	OLO 99	0.210	2.581%
Total			0.510	

EMTN (€0.924 billion)

On 2 April, Belgium issued a new ten-year USD 1.00 billion bond within the framework of its EMTN programme, at a spread of +24 bps over the ten-year US Government Bond maturing on 15 February 2035 (CT10). The new Belgian bond matures on 2 April 2035 with a coupon of 4.500%.

This issuance was swapped into euro in order to remove any exchange-rate risk. Belgium raised €0.924 billion through the issuance, and will pay an interest rate, after swap, of 3.281%.

Date	EMTN		Issued (€ billion)	Yield
2 April	EMTN 4.500% 02/04/2035	EMTN 74	0.924	3.281%
Total			0.924	

To date, there have been no Schuldscheine issues this year.

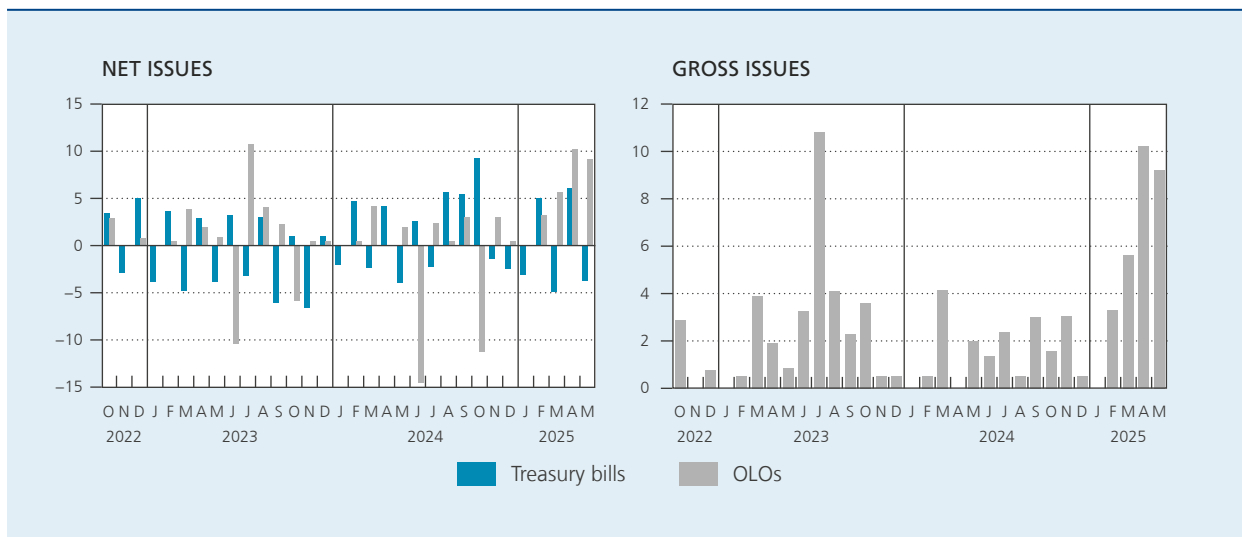
On 4 June, retail notes (State Notes) were offered for the second time in 2025. During its June campaign, the Debt Agency put forward another one-year State Note, together with a ten-year State Note. The campaign raised €132.5 million: €98.5 million from the one-year note and €34.0 million from the ten-year note.

Belgium has therefore already issued **€32.65 billion**, corresponding to 66.2% of its revised funding target.

In terms of portfolio structure, the average life of the portfolio is now 10.51 years (as of the end of May) and the implicit yield is 1.93%.

GOVERNMENT SECURITIES STATISTICS

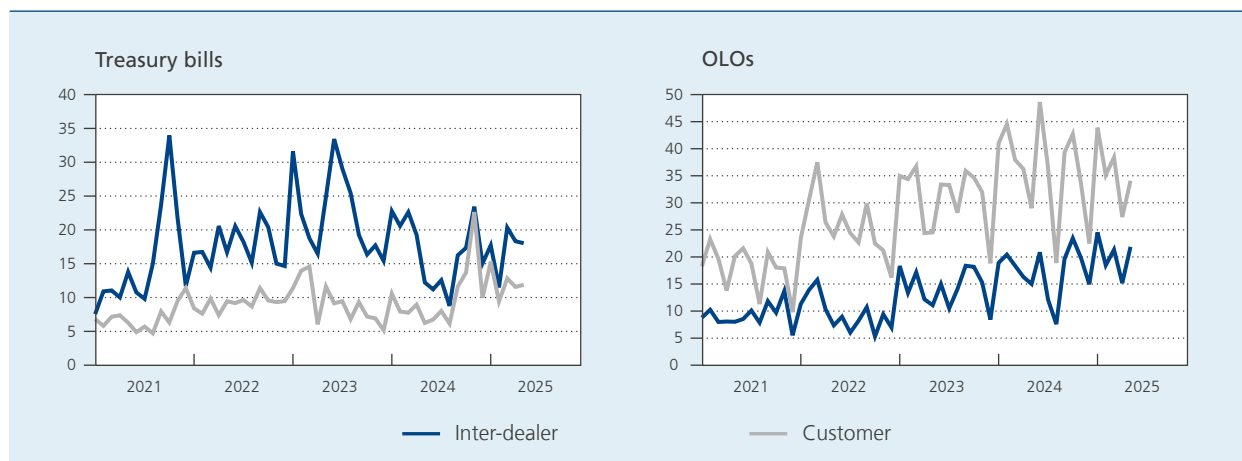
PRIMARY MARKET (€ billion)



Source: Belgian Debt Agency.

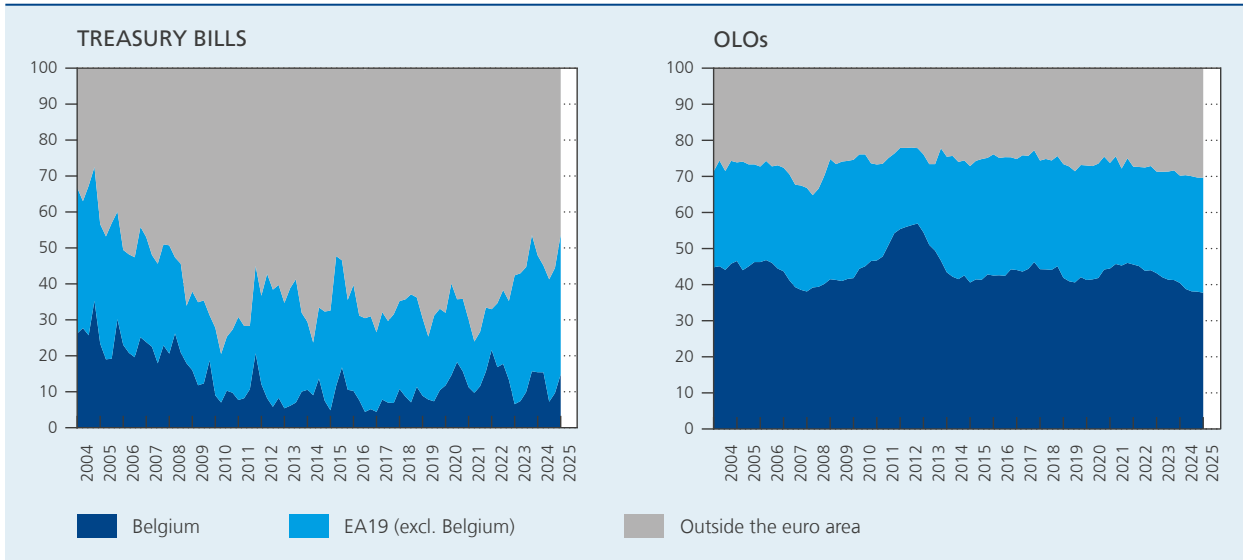
SECONDARY MARKET TURNOVER

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



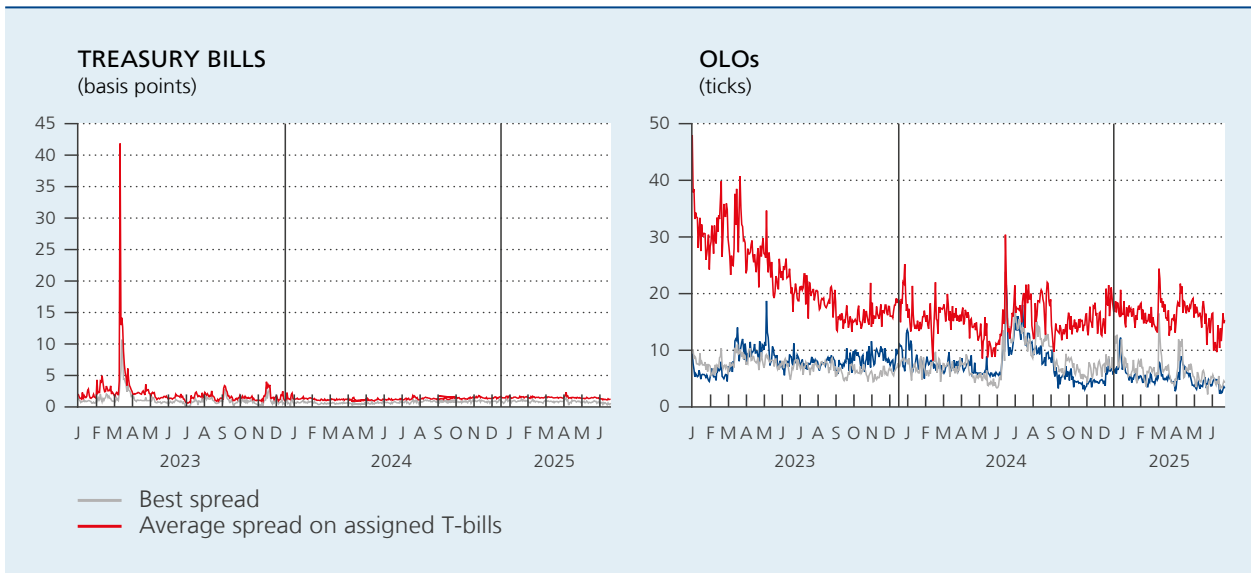
Source: Belgian Debt Agency.

HOLDERSHIP OF BELGIAN SECURITIES
(in %)



Source: NBB.

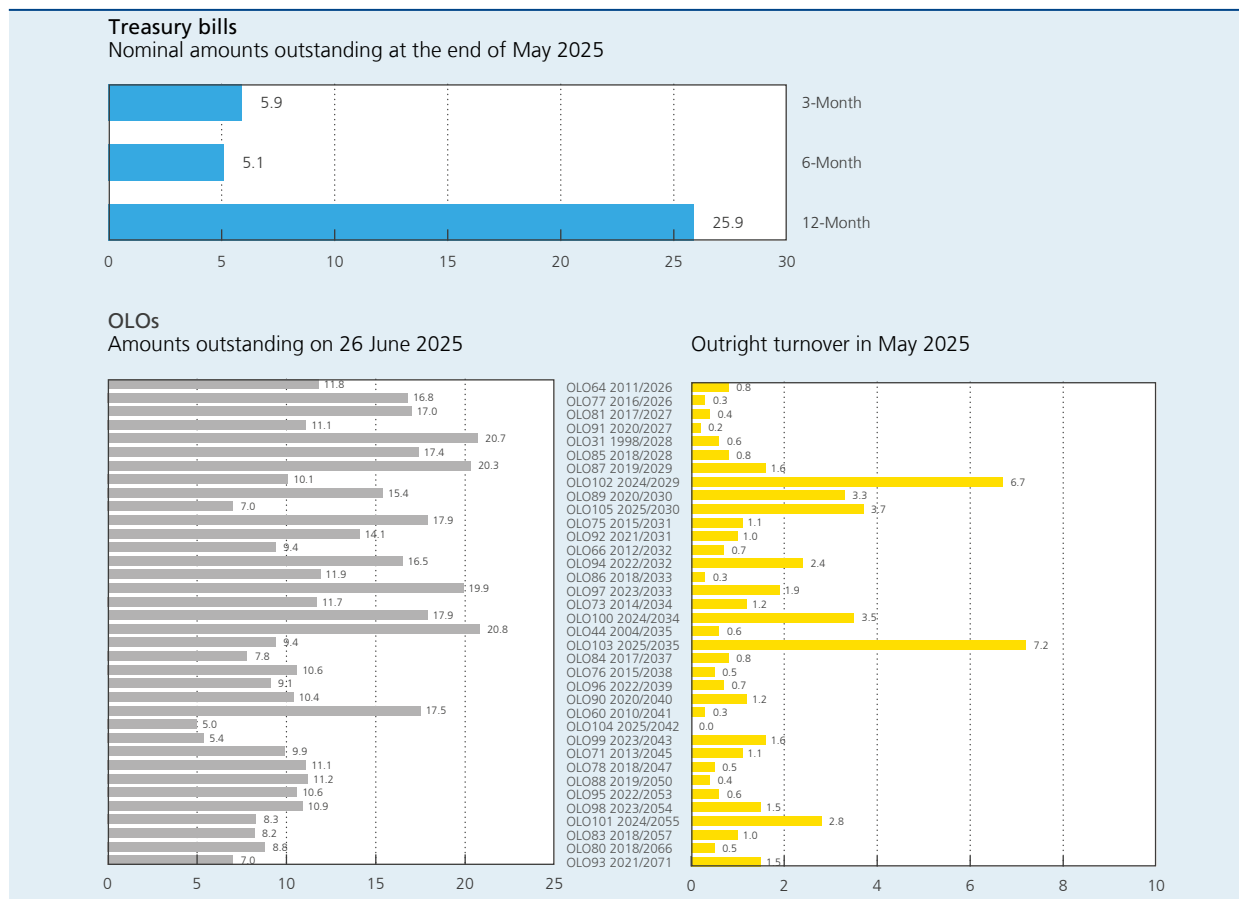
BEST BID/OFFER SPREADS ¹



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.

LIST OF CONTACT PERSONS

PARTICIPATING INSTITUTIONS

Belgian Debt Agency
Bank of America
Barclays
Belfius Bank

BNP Paribas Fortis

Citigroup
Crédit Agricole CIB

Deutsche Bank
HSBC
J.P. Morgan
KBC Bank

Morgan Stanley
Natixis
NatWest (RBS)
Nomura
Société Générale Corp. & Inv. Banking

CONTACT PERSONS

Mr Jean Deboutte
Mr Alessandro Infelise Zhou
Ms Silvia Ardagna
Ms Catherine Danse
Ms Annelore Van Hecke
Mr Philippe Gijssels
Mr Arne Maes
Mr Christian Schulz
Mr Louis Harreau
Mr Alberto Aledo
Mr Mark Wall
Mr Chantana Sam
Mr Aditya Chordia
Mr Peter Wuyts
Mr Hans Dewachter
Mr Jean-Francois Ouvrard
Mr Cyril Regnat
Mr Giovanni Zanni
Mr Andrzej Szczepaniak
Mr Michel Martinez

E-MAIL

jean.deboutte@debtagency.be
alessandro.infelise_zhou@bofa.com
silvia.ardagna@barclays.com
catherine.cd.danse@belfius.be
annelore.vanhecke@belfius.be
philippe.gijssels@bnpparibasfortis.com
arne.maes@bnpparibasfortis.com
christian.schulz@citi.com
louis.harreau@ca-cib.com
alberto.aledo@credit-agricole-sa.fr
mark.wall@db.com
chantana.sam@hsbc.fr
aditya.x.chordia@jpmorgan.com
peter.wuyts@kbc.be
hans.dewachter@kbc.be
jean-francois.ouvrard@morganstanley.com
cyril.regnat@natixis.com
giovanni.zanni@natwestmarkets.com
andrzej.szczepaniak@nomura.com
michel.martinez@sgcib.com

GENERAL INFORMATION

National Bank of Belgium

Mr Jef Boeckx

jef.boeckx@nbb.be

Published by: National Bank of Belgium (NBB).

Sources: NBB, unless stated otherwise.

This publication is also available at www.nbb.be.

Information on the Belgian government debt can be found on the Debt Agency's website, www.debtagency.be.

General information on the Belgian government can be found at www.belgium.be.

