

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 109 September 2025

Last update: 30 September 2025

Next issue: January 2026

- **MACROECONOMIC DEVELOPMENTS:** Economic resilience in the face of tariffs
- **FINANCIAL MARKETS AND INTEREST RATES:** Financial markets settle after EU-US trade deal
- **SPECIAL TOPIC:** What's driving the recent movements in risk-free and sovereign yields?
- **TREASURY HIGHLIGHTS:** 85.1% of the 2025 funding plan has been raised

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	1.3	0.9	1.2	1.1	1.5
Inflation (HICP) ¹	4.3	2.9	1.8	1.9	2.4	2.1	1.8	2.0
Government budget balance ²	-4.5	-5.2	-5.3	-5.1	-3.1	-3.2	-3.3	-3.4
Public debt ²	104.7	106.7	109.1	110.5	87.5	88.9	90.0	90.7

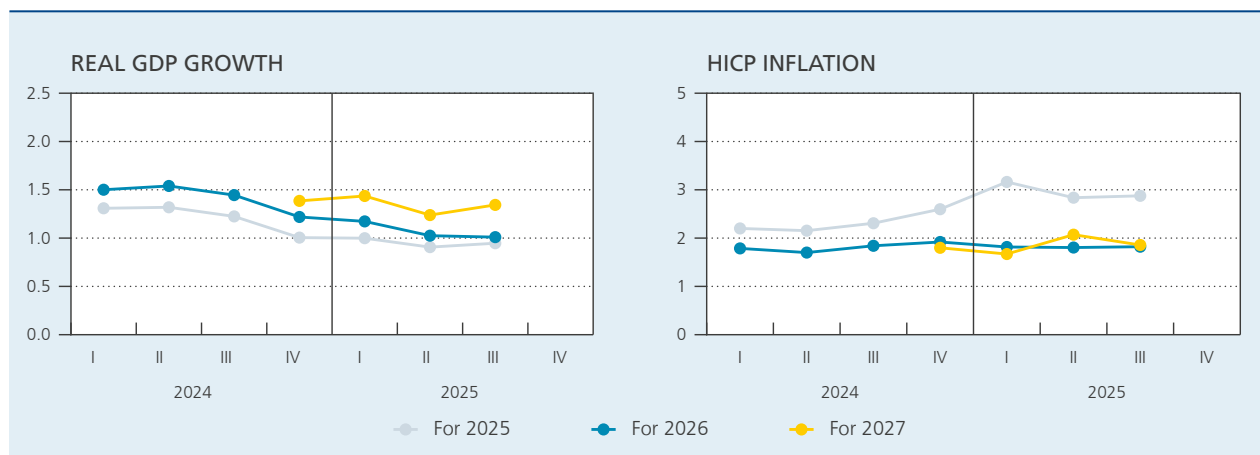
Source: Belgian Prime News.

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.

Drastic protectionist measures announced by the US in the spring of 2025, with the potential to derail the global economy, led to a spike in (trade) policy uncertainty. However, the worst case scenario did not materialise, and the economic fallout has proven moderate thus far thanks to the conclusion of a number of trade deals which led to a decline in trade policy uncertainty. According to the Eurosystem's current assessments, global growth in 2025 and 2026 is expected to edge downwards somewhat yet remain fairly stable and exceed 3%. The outlook for global trade, however, has been further downgraded for the remainder of 2025 and for 2026.

The euro area economy grew by a mere 0.1% in the second quarter, following a 0.6% expansion in the first quarter partly due to frontloading of (mostly Irish) exports to the US. On average over those two quarters, GDP growth was close to potential. The continued unwinding of the frontloading effect is expected to weigh on growth in the third quarter, but a recovery is expected in the last quarter of the year. With regard to the annual outlook, Belgian Prime News (BPN) respondents expect **euro area real GDP growth to reach 1.2% on average in 2025**. It should be noted that the upward revision of the annual figure compared to the June consensus is mostly due to statistical revisions and factors implying a larger carry-over effect. Euro area GDP growth is expected to amount to 1.1% in 2026 and to 1.5% in 2027, according to BPN participants. Euro area headline inflation has been close to 2% since the start of the year. **Respondents currently expect the inflation rate to moderate somewhat further towards 2% (and even to temporarily drop below) over the projection horizon.**

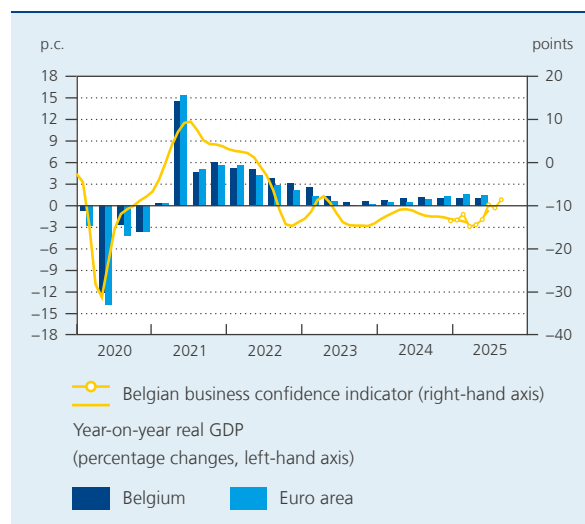
Belgian growth in the second quarter of 2025 came in at 0.2%, on the back of solid household consumption growth, among other factors. According to the estimate set out in the September issue of the NBB's Business Cycle Monitor, growth is expected to edge up somewhat in the near term, following improved confidence indicator readings and a resilient labour market. **BPN respondents foresee annual real GDP growth in Belgium of 0.9% for 2025, 1% for 2026 and 1.3% for 2027.**

The Belgian labour market surprised on the upside in the first half of the year, with domestic employment growing by an average of 0.2% quarter-on-quarter. Starting in 2026, job creation is expected to gain further momentum, in view of the measures announced by the new federal government specifically aimed at raising the employment rate. The harmonised unemployment rate remains historically low and is projected to stay near 6% in the coming years.

Based on the most recent readings, the headline inflation rate in Belgium remains slightly higher than that of the euro area, but the opposite is true for core inflation. **According to the latest BPN consensus forecast, the headline inflation rate in Belgium is expected to average 2.9% in 2025 and to fall further towards 1.8% in 2026 and 1.9% in 2027.**

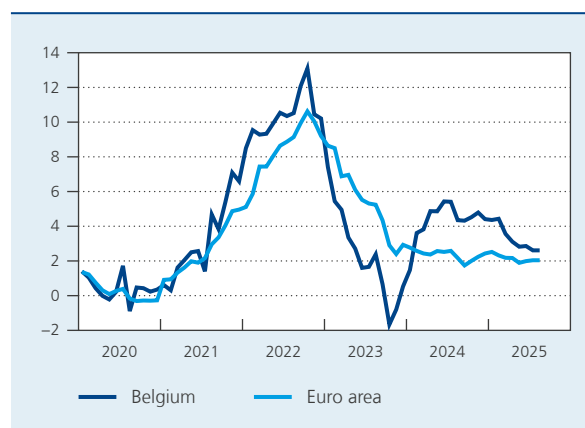
The new federal government has announced several measures to reduce the deficit. Nonetheless, BPN participants currently expect the budget deficit to remain above 5% of GDP throughout the projection period. In addition, they expect Belgian public debt to creep up further, from around 104% of GDP in 2024 to 111% of GDP by 2027.

GDP GROWTH AND BUSINESS CONFIDENCE



Sources: EC, NAI, NBB.

INFLATION (HICP) (annual percentage change)



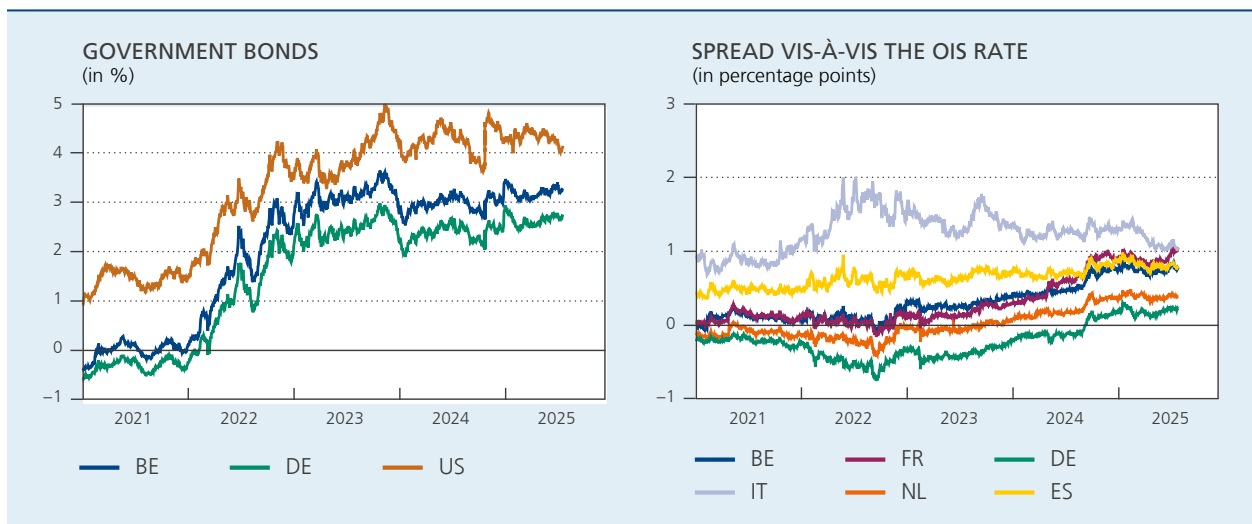
Source: EC.

After a deal was reached on an EU-US trade agreement over the summer, economic policy uncertainty indices receded measurably, and implied stock market volatility fell back to more controlled levels. Against this background, euro area stock market prices – which essentially moved sideways in Q3 – underperformed their US counterparts, and the euro arrested its appreciation against the US dollar. As euro area inflation is projected to remain close to the medium-term target of 2%, ECB President Lagarde indicated at the July and September Governing Council press conferences that monetary policy was “in a good place”, while reaffirming that a data-dependent and meeting-by-meeting approach would be used to shape the monetary policy stance. In June, President Lagarde had described the ECB’s monetary policy strategy as also being in a good place. This was in the wake of the latest strategy assessment that, inter alia, underlined the need for a more symmetric reaction function .

Long-term sovereign bond yields increased in the euro area, while they dropped in the US. Over Q3, yields on ten-year Belgian and German bonds rose by 14 and 16 basis points respectively, to 3.28% and 2.75%,¹ while markets priced out policy rate cuts by the ECB. Conversely, increased expectations that the Fed would lower its policy rate – and the subsequent 25-basis-point cut to the target range (to 4.00%-4.25%) in September – implied a drop by nine basis points in the ten-year US Treasury yield to 4.14%. As long-term inflation expectations have remained broadly stable even amid announcements of increased fiscal stimulus and tariffs, the Fed’s rate cut reflected the balanced approach that was emphasised in its 2025 statement on longer-run goals and monetary policy strategy issued in August: this approach is essentially focused on promoting employment and stabilising inflation around the inflation target. A more detailed analysis of euro area and US sovereign yields is included in the special feature.

Long-term sovereign spreads vis-à-vis risk-free rates widened somewhat in various euro area Member States, and substantially so in France. The ten-year spread vis-à-vis the OIS rate widened in Belgium and Germany by seven and nine basis points respectively, to 76 and 23 basis points; remained broadly stable in Italy (103 basis points) and Spain (78 basis points); and widened by 20 basis points in France, to 103 basis points. The French sovereign spread remains at risk of widening further due to pressure from domestic political uncertainty and a fragile fiscal outlook. Globally, an (expected) increase in bond issuances and persistent geopolitical tensions continue to sustain risk premia.

10-YEAR INTEREST RATES



Source: Haver Analytics. Daily data up to 19 September.

¹ Data pertains to the period of end-June up to 19 September.

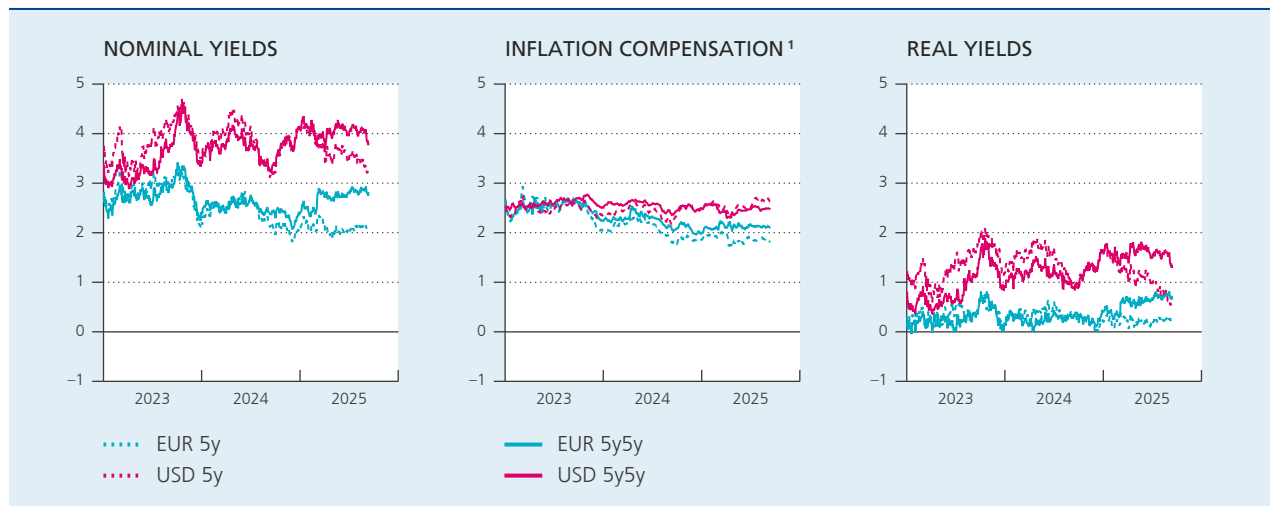
Amidst heightened geopolitical tensions, a protectionist US trade policy, fiscal stimulus announcements in the US and Germany, and domestic political instability across the globe, we are clearly living in uncertain times. And this uncertainty is, naturally, being reflected in prices on the bond markets. This special feature takes stock of developments in risk-free¹ and sovereign bond yields in the US and the euro area (EA), focusing on benchmark ten-year maturities while acknowledging that trends with longer-dated securities also merit attention: thirty-year yields, for instance, have been rising steadily over recent months, in several countries.

Below, we breakdown ten-year nominal yields across a few key dimensions:

- the five-year maturity versus the five-year in five-year nominal overnight indexed swap (OIS) – demonstrating cyclical versus more long-term developments – further broken down into its inflation component (for which inflation swaps are used) and real component (see the first figure below);
- and the spread that sovereign issuers pay on top of the risk-free rate in their respective jurisdictions.

As 2023 marked the end of a period of sharp rises in yields following the post-COVID inflation surge and cycle of monetary policy tightening, focus is placed on developments after that point.

BREAKDOWN OF TEN-YEAR NOMINAL YIELDS INTO AN INFLATION AND REAL COMPONENT



Source: Haver Analytics.

(1) Inflation compensation is measured using inflation-linked swap rates.

Risk-free yields diverged in the US and the EA, and across tenors. Reflecting market expectations of further rate cuts by the US Fed and stable policy rates in the EA, the five-year OIS yield dropped markedly in the US but remained flat in the EA. The gap between the two jurisdictions that had opened in mid-2023 narrowed. The five-year in five-year EA yield rose more than its US counterpart in the aftermath of the 2 April announcement by US President Trump of widespread import tariffs. The US yield climbed in autumn 2024 and fell in late summer 2025.

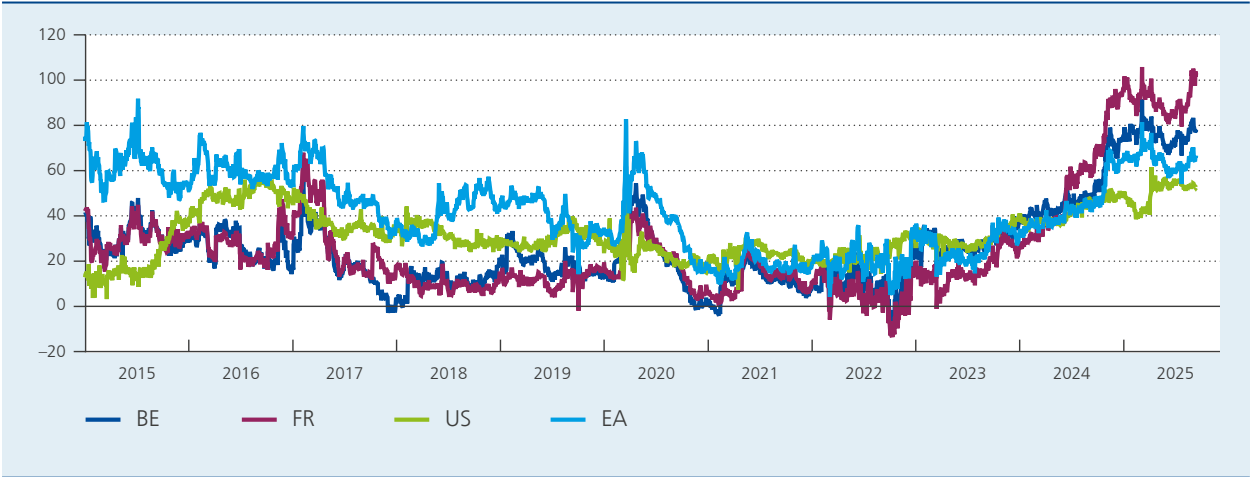
Inflation compensation is a primary component of nominal yields. Investors have, since autumn 2023, been demanding lower compensation for EA inflation than US inflation at all horizons. Reflecting the expected inflationary effect of tariffs and fiscal stimulus in the US, the inflation swap curves have also been shaped differently in the US and the EA since April 2025, with the short end of the US inflation curve rising and moving above the long end. Despite concerns regarding the political pressure to which the Federal Reserve has recently been subjected, investors do not seem overly concerned about longer-term developments in US inflation: longer-term inflation compensation is sitting at 2.5%, in line with earlier levels. In the EA, the inflation swap curve is sloping upwards: inflation is expected to come in below 2% on average in the years ahead and then hover at around a few basis points above 2% beyond the five-year horizon.

¹ Defined here as overnight indexed swap rates (OIS). For the euro we use the euro short-term rate (€STR), and for the US dollar we use the unsecured effective federal funds rate (EFFR) up to 2021, and the secured overnight financing rate (SOFR) thereafter.

Real yields can be derived by subtracting inflation compensation from nominal yields. At the five-year horizon, real US yields have fallen substantially as both lower nominal yields and higher inflation compensation have contributed to their decline. The five-year real yield is now about 0.5% in the US and about 0.2% in the EA, with the gap narrowing rapidly. Real yields at the five-year in five-year horizon are clearly higher in both the EA and the US. In the EA, they are now close to levels last seen prior to 2011, aside from two short-lived spikes in 2022 and 2023. In the US, despite recent declines, they remain close to peaks not seen since before the Great Financial Crisis. These rising yields have not gone hand in hand with upgraded outlooks for potential or longer-term US or EU growth.

Lastly, sovereigns don't borrow at the risk-free rate but issue bonds that may carry a premium or a discount compared to the OIS rate. That premium has risen further in both the US and in the EA in recent weeks, adding to the increases that began in late 2022 (after risk-free yields had also started to climb). The potential drivers behind this uptick include mounting uncertainty, the deteriorating fiscal outlook, shrinking central bank sovereign holdings and technical factors (e.g. Dutch pension reforms). The most pronounced movements have been seen in France, with ten-year yields now hovering some 100 basis points above the corresponding OIS rate. Belgium's spread has moved broadly sideways since the start of the year, as has been the case for the euro area average. However, since 2023, Belgium has lost the funding cost advantage it held over the euro area average. The US Treasury currently pays some 50 basis points above risk-free rates when issuing ten-year bonds, a premium that has risen from about 20 basis points in the 2020-2022 period. President Trump's 2 April tariff announcements coincided with a spike in the premium that the US government pays when raising funds on financial markets, even though this remains below the average euro area premium that stands at high levels in historical perspective.

SOVEREIGN YIELD SPREAD
(spread vis-à-vis the OIS rate, in basis points)



Source: Haver Analytics.

TREASURY HIGHLIGHTS **85.1% of the 2025 funding plan has been raised**

Three OLO auctions were held, raising a total of €8.549 billion.

OLO auctions (€8.549 billion)

Date	OLO		Issued (€ billion)	Yield	Bid-to-cover
28 July	OLO 2.60% 22/10/2030 OLO 3.10% 22/06/2035 OLO 3.50% 22/06/2055	OLO 105 OLO 103 OLO 101	1.065 1.208 0.735	2.570% 3.185% 4.061%	2.03 2.19 2.14
<i>Non-competitive subscriptions</i>			0.057		
July total			3.065		
25 August	OLO 3.00% 22/06/2033 OLO 2.85% 22/10/2034 OLO 3.50% 22/06/2055	OLO 97 OLO 100 OLO 101	1.021 0.933 0.769	2.982% 3.177% 4.237%	1.80 1.58 1.70
<i>Non-competitive subscriptions</i>			0.150		
August total			2.873		
22 September	OLO 0.10% 22/06/2030 OLO 3.10% 22/06/2035 OLO 2.75% 22/04/2039	OLO 89 OLO 103 OLO 96	0.933 0.952 0.726	2.525% 3.248% 3.595%	2.23 2.20 2.03
<i>Non-competitive subscriptions</i>			0.000		
September total			2.611		

In addition, the Belgian Debt Agency issued an additional €1.504 billion through its fourth, fifth and sixth ORI facilities.

ORI (€1.504 billion)

Date	OLO		Issued (€ billion)	Yield
4 July	OLO 4.00% 22/03/2032 OLO 2.25% 22/04/2057	OLO 66 OLO 84	0.186 0.315	2.698% 4.002%
July Total			0.501	
1 August	OLO 3.00% 22/04/2033 OLO 5.00% 22/06/2035	OLO 97 OLO 44	0.322 0.180	2.966% 3.154%
August Total			0.502	
5 September	OLO 3.00% 22/04/2034 OLO 2.25% 22/06/2057	OLO 73 OLO 83	0.250 0.251	3.109% 4.268%
September Total			0.501	

The three OLO auctions and two ORI facilities raised a total of €10.09 billion.

EMTN (€1.967 billion)

From the end of August to mid-September 2025, a series of EMTN transactions took place. A new EMTN (EMTN75) was issued as a private placement for USD 300 million (€257 million). This was followed by one tap of EMTN74 and six taps of EMTN75, for a total tapped amount of USD 2 billion (€1.710 billion).

No *Schuldscheine* were issued in the third quarter of 2025.

Total medium- and long-term issuances now amount to €41.979 billion, corresponding to 85.1% of the €49.351 billion updated funding target.

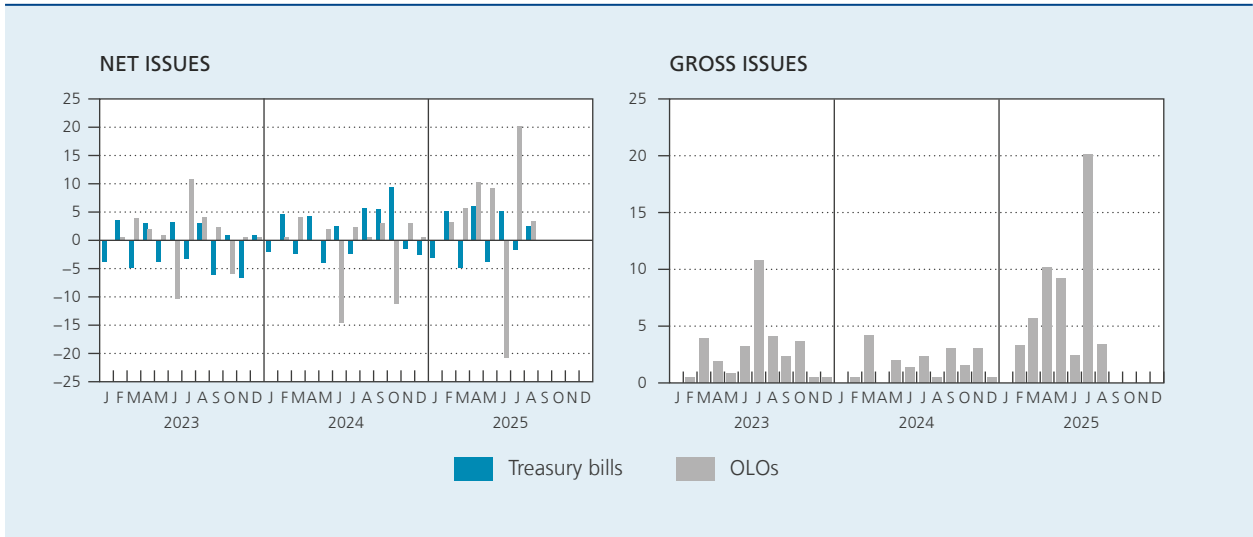
In terms of portfolio structure, the average life of the portfolio was 10.32 years (at the end of August). The implicit yield of the portfolio has increased slightly, to 2.01% (at the end of August).

State Notes

A new campaign was held from 26 August to 4 September, during which a one-year State Note and a ten-year State Note were put forward, with coupons of 1.90% and 3.20%, respectively. The campaign raised €441.1 million in total: €358.8 million from the one-year note and €82.3 million from the ten-year Note.

GOVERNMENT SECURITIES STATISTICS

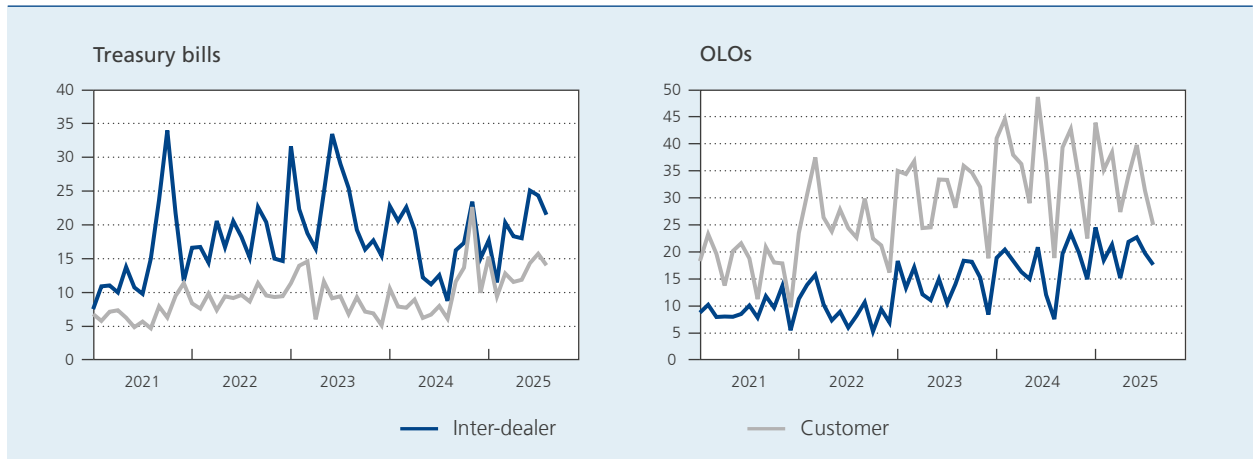
PRIMARY MARKET (€ billion)



Source: Belgian Debt Agency.

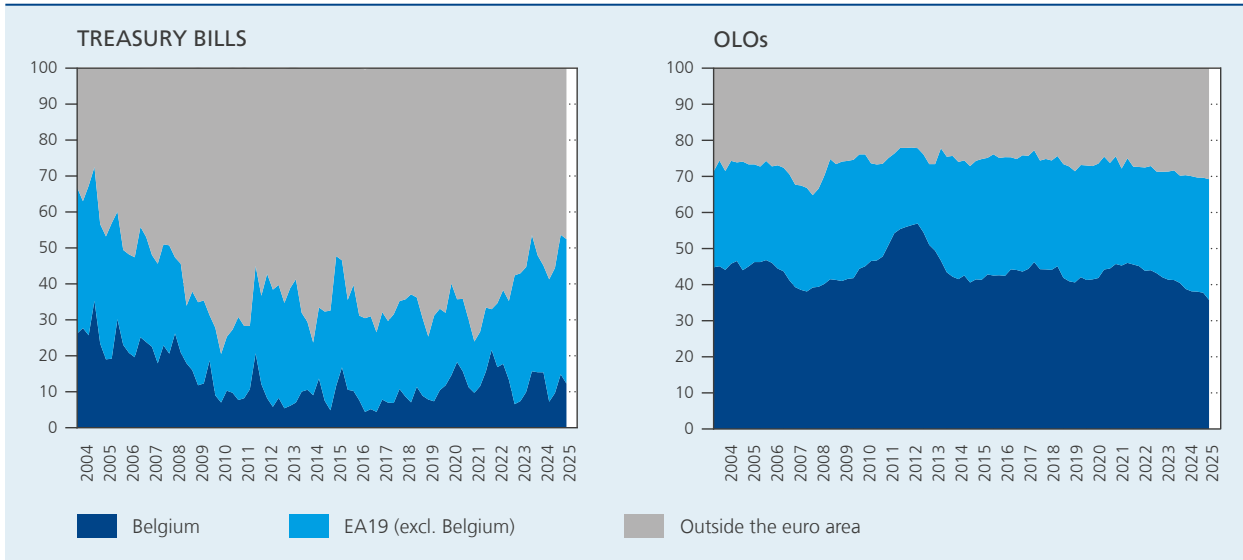
SECONDARY MARKET TURNOVER

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



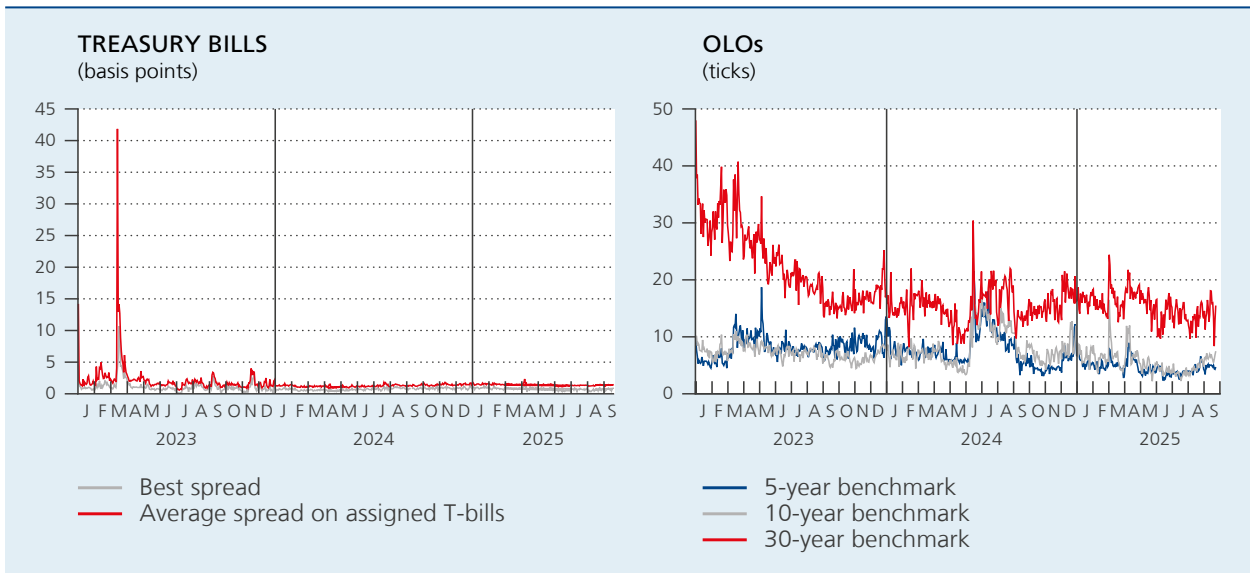
Source: Belgian Debt Agency.

HOLDERSHIP OF BELGIAN SECURITIES (in %)



Source: NBB.

BEST BID/OFFER SPREADS ¹

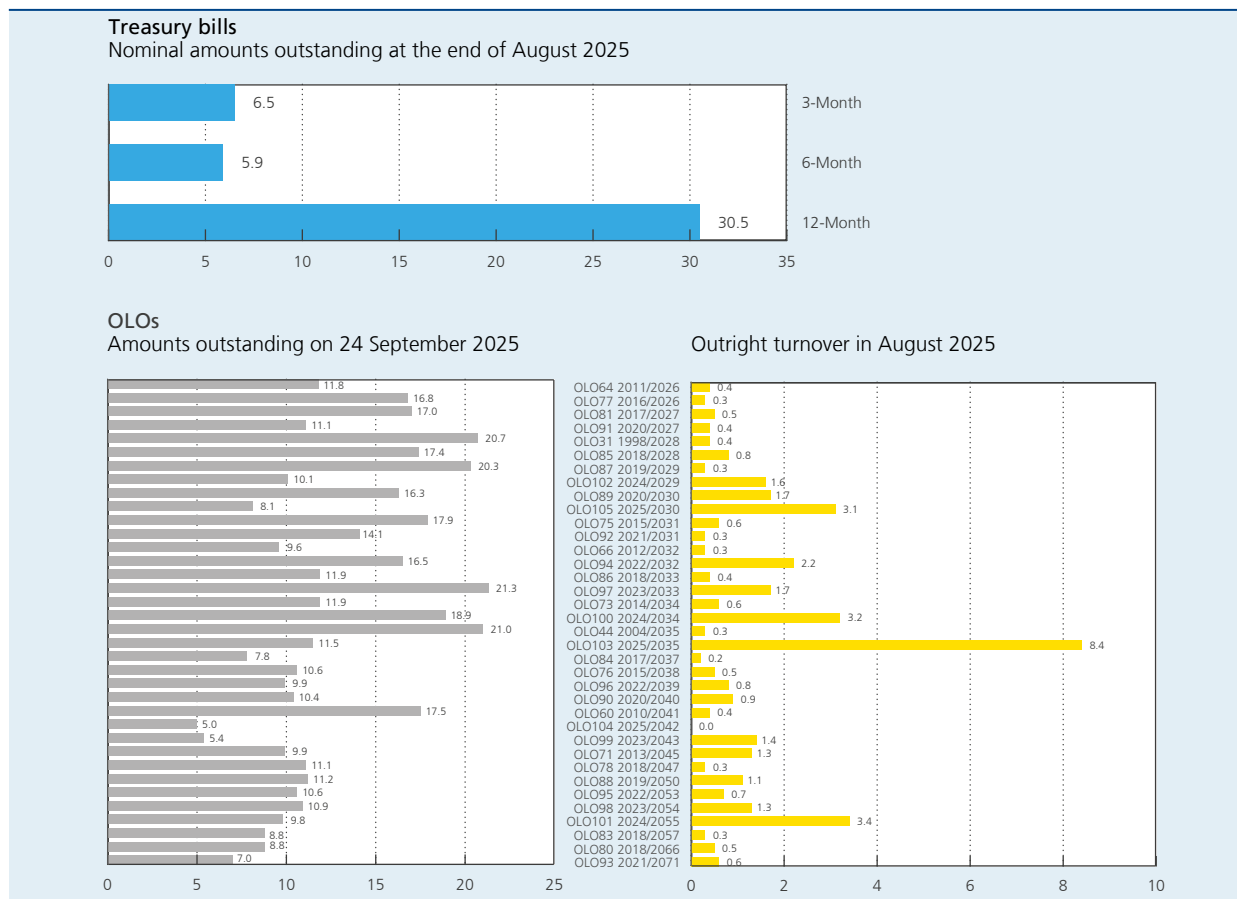


Source: Belgian Debt Agency.

(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 Michel Nies
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
michel.nies@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.

