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Special topic :

The Financial Position of the Communities and Regions

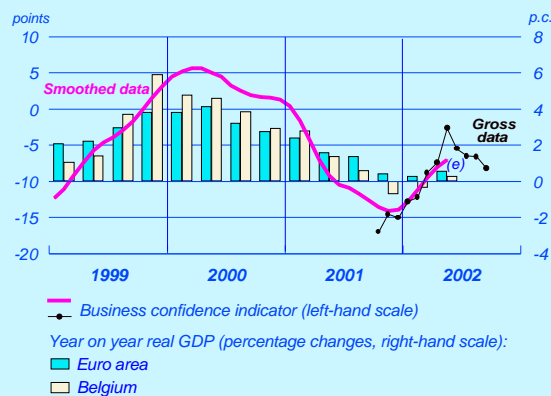
CONSENSUS FORECAST

	2001		2002 p			2003 p		
	Belgium	Euro area ³	Belgium Consensus	Belgium Previous consensus	Euro area ³	Belgium Consensus	Belgium Previous consensus	Euro area ³
Real GDP ¹	1.0	1.6	0.8	1.3	1.4	2.2	2.8	2.9
Employment ¹	1.2	1.3	0.2	0.4	0.3	0.7	1.2	1.1
Consumer prices ¹	2.4	2.5	1.6	1.7	2.2	1.3	1.5	2.0
Current account ²	4.7	0.8	4.7	4.4	1.1	5.1	4.8	1.0
General government balance ^{2*}	0.2	-1.3	-0.3	-0.2	-1.4	-0.1	0.2	-1.2
Primary balance ^{2*}	6.7	2.6	6.2	6.2	2.3	6.0	6.2	2.4
Public debt ²	107.6	69.1	104.6	104.6	68.6	99.7	99.8	67.2

¹ P.c. change. ² In p.c. of GDP. ³ European Commission (forecast available since April 2002; next publication in Autumn 2002).
* Excluding the proceeds of the auction of UMTS licences.

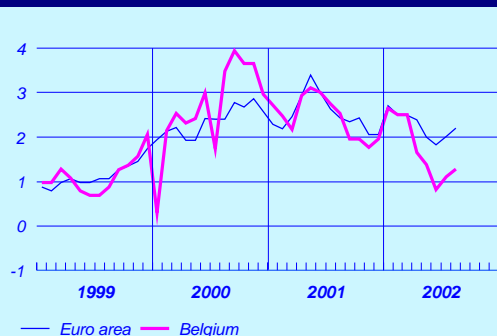
MACROECONOMIC DEVELOPMENTS

GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

HARMONISED CONSUMER PRICES (annual percentage changes)



Source: EC.

After a stronger than expected 0.4% q-o-q increase in the first quarter of 2002, GDP growth slowed down during the second quarter to a modest 0.2% (NAI flash estimate). The slow pace of recovery in Belgium seems to be mainly caused by a persistent weakness in investment spending, in a situation of severe overall uncertainty, offsetting slight improvements in private consumption and exports. Euro area real GDP grew by 0.3% in the two first quarters of 2002. Y-o-y growth rates accelerated in the second quarter, both in Belgium and the euro area, to respectively 0.3% and 0.6%.

Recent reports from the business and consumer surveys for Belgium suggest that the current recovery is losing some momentum. After strong rises in consumer and business confidence earlier this year, the NBB's composite business indicator as well as consumer confidence went down between May and July, and stabilised afterwards.

The rather disappointing economic growth in the second quarter and the less optimistic signs provided by the confidence indicators induced the participating primary dealers to reduce their forecasts for the GDP growth in Belgium from 1.3% in June to 0.8% in September for 2002, and from 2.8% to 2.2% for 2003.

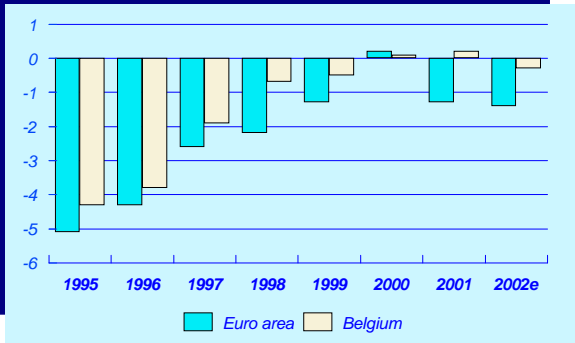
Following a decrease from 2.6% in January 2002 to 0.8% in June, HICP inflation edged a little higher in August, at a level of 1.3%, due to energy price movements

The underlying profile for inflation in Belgium largely matches the development in the euro area. However, the abolishment of radio and television license fees in the Flemish Region and the Brussels-Capital Region has brought about a downward adjustment of the price index by some 0.3% point in April, and a second correction of the same magnitude will follow in October, i.e. the months the fee used to be paid. As a result, the level of inflation in Belgium is expected to stay beneath the level in the euro area in the coming months.

For the whole of 2002, the consensus forecast expects an increase of 1.6% in Belgian consumer prices, against an increase of 2.4% in 2001. For the year 2003, average inflation is forecasted to drop further to 1.3%.

PUBLIC FINANCE

GENERAL GOVERNMENT BALANCE * (in p.c. of GDP)



Sources: EC, NAI and Belgian Prime News Consensus.
* Excluding the proceeds of the auctions of UMTS licences.

TARGETS ACCORDING TO THE NOVEMBER 2001 STABILITY PROGRAMME (in p.c. of GDP)

	1999	2000	2001	2002	2003	2004	2005
Overall balance	-0.6	0.1	0.0	0.0	0.5	0.6	0.7
Public debt	115.0	109.3	107.0	103.3	97.7	93.0	88.6
p.m. Actual figures							
Overall balance	-0.6	0.0	0.4	-0.3e	-0.1e	-	-
Public debt	115.0	109.3	107.6	104.6e	99.7e	-	-

Sources: NAI, NBB, Ministry of Finance and Prime News Consensus estimates.

The general government balance for 2001 has been revised upwards from +0.2% to +0.4% of GDP (from 0.0% to +0.2% excluding the proceeds of UMTS auctions) by the National Accounts Institute.

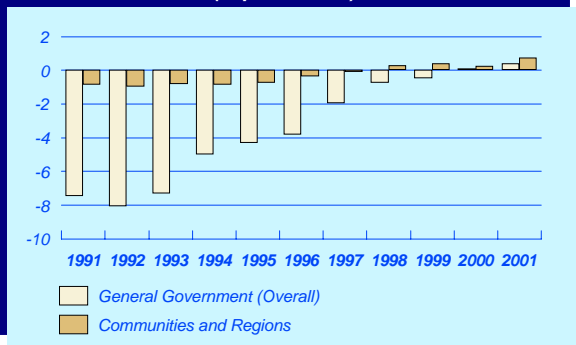
According to the consensus forecast of the primary dealers, the overall balance for this year will show a slight deficit of 0.3% of GDP. However, the government expressed again its strong commitment to achieve a balanced budget for the year 2002. Given these prospects, Belgian public finances succeeded to offset the subdued economic growth, certainly compared to the euro area which is likely to post a deficit of 1.4% for the year 2002.

For its 2003 budget, the government has announced its intention to attain, for the fourth year in row, a balanced budget. In view of the weak macro-economic situation the government hereby allows a limited deviation from the target of a 0.5% surplus announced in the November 2001 Stability Programme. In order to achieve its objective, the government has announced it will take a more cautious growth hypothesis into account than the 2.6% GDP increase forecasted by the Federal Planning Bureau.

According to the consensus forecast, primary dealers expect a 0,1% deficit for the year 2003 and a further reduction of the public debt ratio to a level below 100% of GDP by the end of 2003.

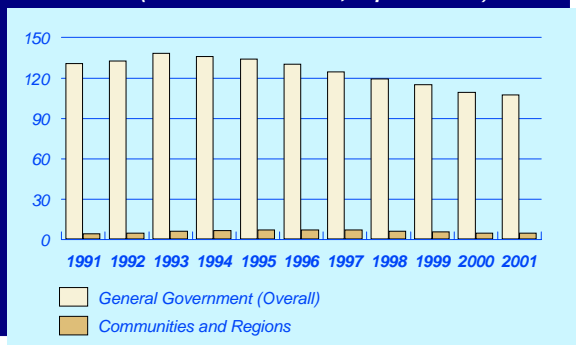
SPECIAL TOPIC: The Financial Position of the Communities and Regions

BUDGET BALANCES (in p.c. of GDP)



Source: NAI.

TOTAL DEBT (Maastricht definition, in p.c. of GDP)



Source: NBB.

Over the past decades, Belgium has reorganized its institutional framework on a federal basis. In the course of this peaceful process, rules and procedures have been agreed on to insure co-ordination between the entities. In the case of public finances, the general objectives set forth in the stability programme are shared among the entities according to a "cooperation agreement" concluded by the federal government and the Communities and Regions (C&R) in December 2000. Those goals have been confirmed in the agreement of March 2002, which also provided an enhanced control of expenditure. Moreover, the High Council of Finance sets norms in terms of overall balances for each of the C&R, and reviews their implementation in its annual report, thus exerting an additional pressure to comply with the agreed decisions.

The C&R influence Belgium's public finances in a substantial way. In 1989, the federalization process sped up after a constitutional revision which transferred a number of activities from the central State to the C&R. Since then, the C&R have been in charge of education, public works, housing, regional economy, etc. The weight of the expenses of the C&R in GDP thus increased from 2.6% in 1988 to 10.6% in 1990 and to 11.7% in 2001. At present they account for 30% of the primary expenses (i.e. exclusive of interest charges relating to public debt) of public authorities as a whole.

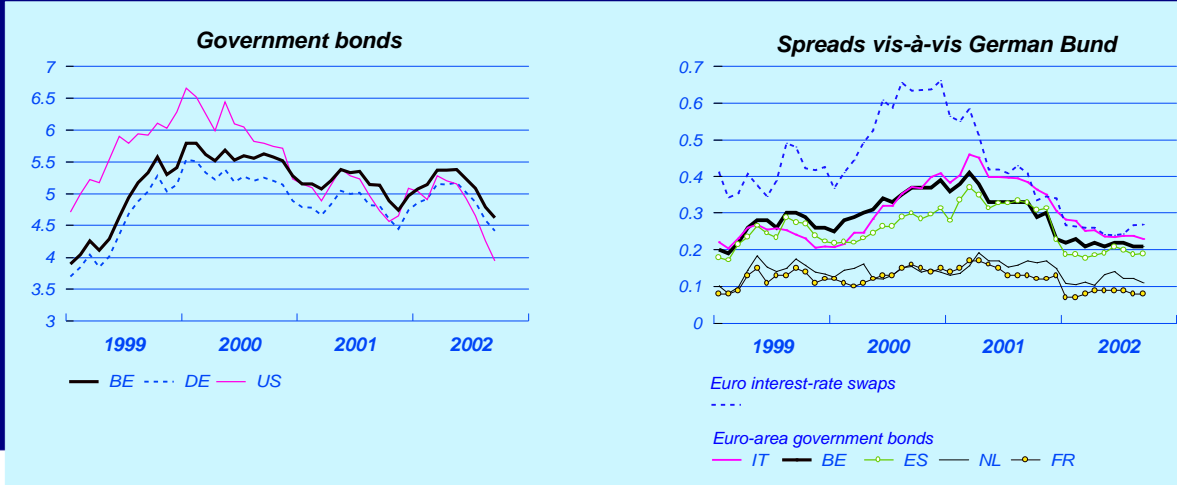
The income of the C&R, favoured by the provisions of the finances acts, has been growing rapidly (3.9% a year on an average and in real terms since 1993). Fortunately, the C&R did not use this considerable growth in income to increase their expenses accordingly: expenditure went up by only 2.3% a year during the same period (in real terms).

Consequently, the financial position of all C&R, taken together is sound. Their deficit, which amounted to 1% of GDP in 1992, gradually turned into a surplus, which reached 0.8% of GDP in 2001. Moreover, their indebtedness decreased from 8,641 million EUR in 1996 (4.2% of GDP) to 8,250 million EUR in 2001 (3.2% of GDP). The C&R thus contributed to the consolidation of the public finances.

As for the future, the recent modification of the finances acts will result in a more moderate increase in income (2.3% a year on average during the next 10 years, according to the forecasts of the National Bank of Belgium) which will nevertheless match the increase in expenses if its pace remains unchanged.

GOVERNMENT SECURITIES MARKET

10-YEAR INTEREST RATES (percentage points, monthly averages¹)



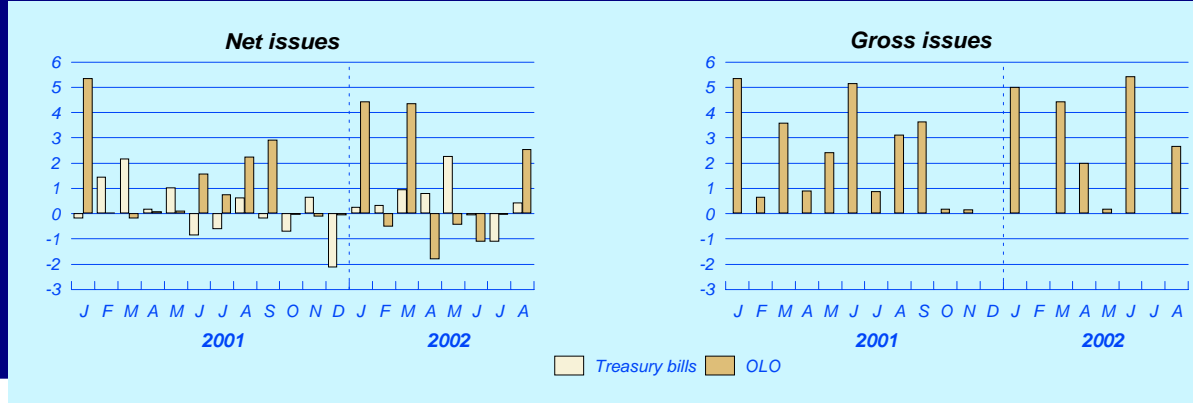
¹ September 2002 = average until 19 September.

Since EMU, the evolution of euro-area government spreads can be split into three phases. Their tendency to increase during the major part of 1999 was followed by a second, clearly rising trend from the beginning of 2000 until spring 2001. They then decreased in 2001 to reach their level of begin 1999, around which they have been fluctuating in 2002. It thus seems that after an initial increase in the aftermath of EMU, due to the change of focus from exchange rate risk to credit and liquidity considerations, spreads have now been revaluated downwards due to a general reassessment of the risk differentials between German Bunds and other euro-area government bonds.

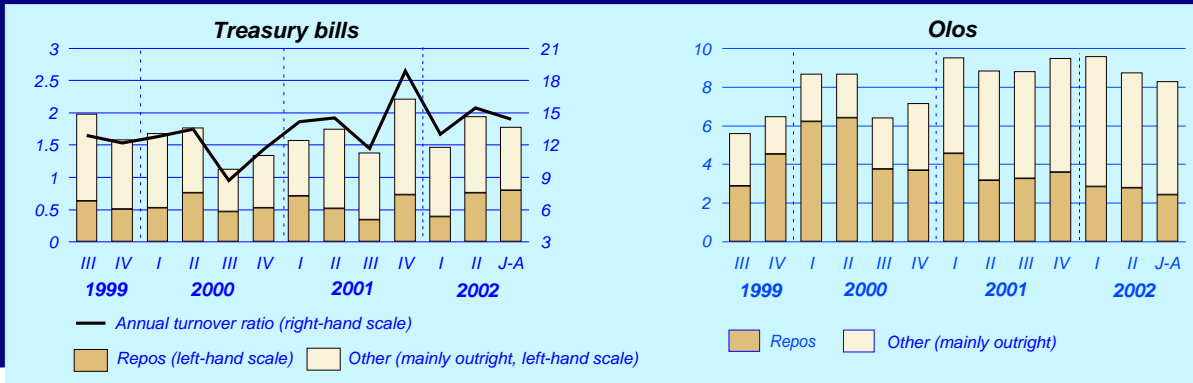
Though all countries have registered these movements, swings have been more pronounced for countries that already had the higher spreads in January 1999 (among them Belgium) than for the Netherlands and France whose spreads stayed under 20 bp.

Since spring 2001, the spread between the 10-year leg of euro interest-rate swaps and the German Bund has moved closer to euro-area governments spreads. It even reached the level of the Italian government spread, only a few basis points above the level of the Belgian spread. This not only reflected the perception of a decreasing credit risk for financial institutions but also the increasing role played by interest-rate swaps yields as a market benchmark, together with government bonds yields.

PRIMARY MARKET (billions of euros)



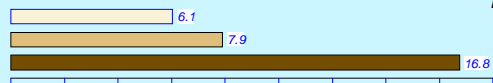
SECONDARY MARKET (billions of euros, daily averages)



GOVERNMENT SECURITIES MARKET (continuation)

OUTSTANDING AMOUNT AND TURNOVER

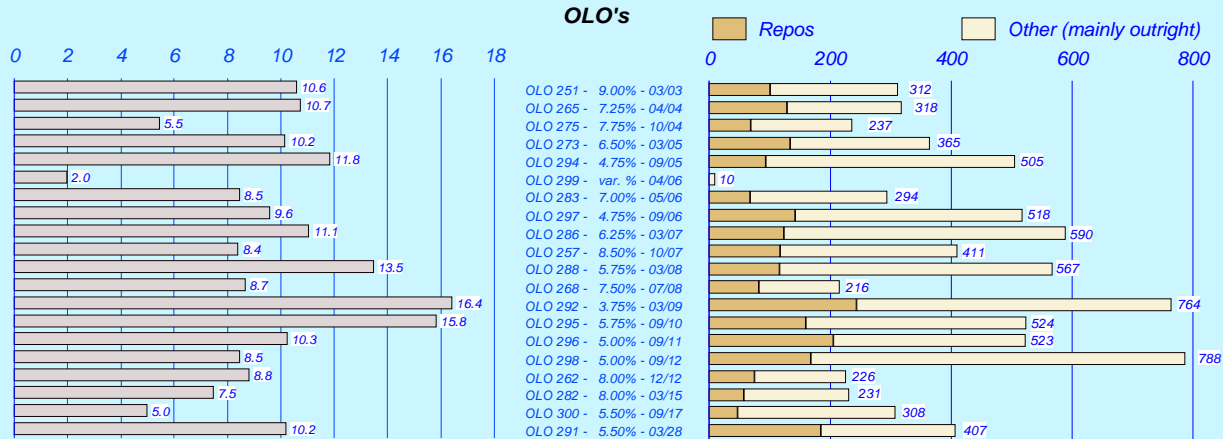
Outstanding amount at 31 August 2002
(billions of euros)



TREASURY BILLS

3-months
6-months
12-months

Turnover in August 2002
(millions of euros, daily averages)



TREASURY HIGHLIGHTS

- The English version of the annual Public Debt Report 2001 is available and can be obtained either from D. Deletrain, tel. 32 2 233 73 96, fax 32 2 233 71 14, e-mail: Didier.deletrain@minfin.fed.be, or via the website www.treasury.fgov.be/interdette.
- The proceeds of the July 29th OLO-auction amounted to 2.623 billion EUR (OLO 26: 1.318 bn; OLO 38: 1.305 bn).
- Belgium is ranked fourth (+1, +5 since 1990) in the United Nations' annual Human Development Report published on July 24.

OLO AUCTION AND EXCHANGE OFFER DATES

Month	Date	Settlement	Auction	Exchange Offers		
September 2002	30	03 Oct.	Auction			
October 2002	28	31		Code 271	Philippe XII	6.5% 15 March 2003
November 2002	25	28	Auction			
December 2002	02	05		Code 271	Philippe XII	6.5% 15 March 2003

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Barclays Capital
BNP Paribas
Commerzbank
Dexia Bank
Fortis Bank
KBC Bank
UBS Warburg

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This publication is also available on the internet site www.nbb.be.

Information on the Belgian government debt can be found on the site of the Treasury: www.treasury.fgov.be/interdette.

General information on the Belgian government's action can be found on the site www.fgov.be.