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Special topic :

Population ageing and the Silver Fund

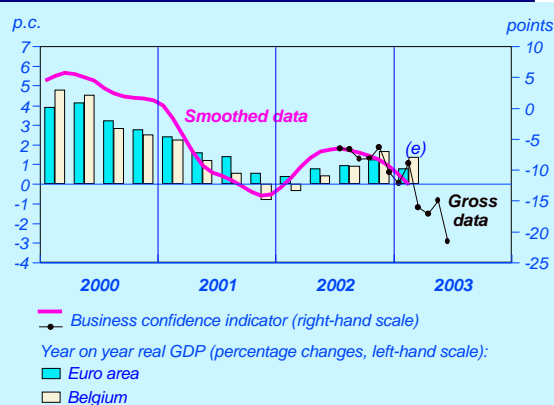
CONSENSUS FORECAST

	2002		2003 p			2004 p		
	Belgium	Euro area	Belgium		Euro area ³	Belgium		Euro area ³
			Consensus	Previous consensus		Consensus	Previous consensus	
Real GDP¹	0.7	0.8	0.9	1.3	1.0	1.7	2.3	2.3
Employment¹	-0.2	0.4	-0.3	-0.1	-0.1	0.4	0.8	0.6
Consumer prices¹	1.6	2.3	1.3	1.5	2.1	1.2	1.6	1.7
Current account²	4.7	0.9	5.0	5.5	1.0	5.1	5.4	1.0
General government balance²	0.0	-2.2	-0.3	-0.1	-2.5	-0.1	0.3	-2.4
Primary balance²	6.1	1.5	5.7	5.8	1.1	5.7	5.9	1.1
Public debt²	105.8	69.2	102.7	101.8	69.9	99.5	97.5	69.6

¹ P.c. change. ² In p.c. of GDP. ³ European Commission (forecast available since April 2003; next publication in November 2003).

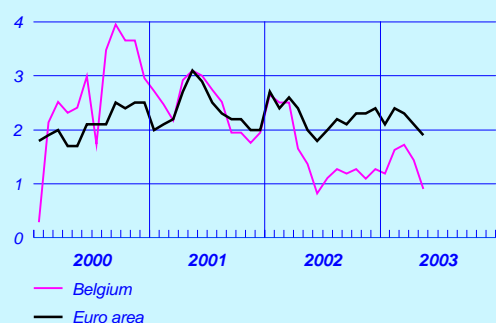
MACROECONOMIC DEVELOPMENTS

GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

HARMONISED CONSUMER PRICES (annual percentage changes)



Source: EC.

According to the NAI's flash estimate, real GDP in Belgium increased by 0.2% in the first quarter of 2003. Growth is still positive but continues to slow down. Year-on-year growth also decreased, from 1.7% to 1.4%. For the euro area as a whole, real GDP attained a zero quarter-on-quarter growth rate in the first quarter, with negative growth rates in Germany, Italy and the Netherlands.

After a slight recovery in May, the business climate sharply deteriorated in June according to the latest NBB business survey's results. The underlying trend already stands below its level of last year, and is likely to decrease further in the next few months, suggesting that growth over the first part of 2003 will be weak. Contrary to business climate, consumer confidence recovered slightly in the second quarter of 2003 from its drop early this year. Compared to the first quarter, consumers became a little more optimistic about the macroeconomic developments in Belgium but held on to their pessimistic assessment of the labour market situation. Still, consumer confidence stands below its average and below last year's level.

Given the sluggish economic growth pace in the first quarter and the signals provided by the business cycle indicators in conjunction with the appreciation of the effective exchange rate of the euro, the participating primary dealers reduced for the fourth consecutive time their forecasts for 2003, from 1.3% in March to 0.9% in June. Also for 2004, prospects were lowered compared to March, from 2.3% to 1.7%.

Regarding the expenditure components, primary dealers expect a stronger growth contribution of domestic demand compared to its contribution in 2002. Private consumption is expected to grow by 1.2% and business investment by 0.5%, after its drop last year. Growth will however be tempered due to a negative contribution of net exports, caused by an increase of only 0.1% in exports, while imports are expected to rise by 1.0%.

The HICP inflation rate slowed down both in Belgium and in the euro area. In Belgium it decreased from 1.4% to 0.9% in May, while the

MACROECONOMIC DEVELOPMENTS (continuation)

HICP inflation rate for the euro area is estimated at 1.9%, which corresponds with the ECB's strategy of keeping inflation close to and beneath 2%. The current fall in inflation is caused by decreasing energy prices and by the appreciation of the effective exchange rate of the euro. Also the fact that the economy is still running below its potential continues to temper the inflation outlook.

The primary dealers lowered their forecasts for inflation in both 2003 and 2004. They expect an average annual HICP inflation rate of 1.3% in 2003 and 1.2% in 2004, compared to previous estimates of 1.5% and 1.6% respectively.

PUBLIC FINANCE

PUBLIC FINANCE OUTLOOK (in p.c. of GDP)

	1999	2000	2001	2002	2003	2004	2005
Targets¹:							
Overall balance	-	-	-	0.0	0.0	0.3	0.5
Public debt	-	-	-	106.1	102.3	97.9	93.6
Actual figures:							
Overall balance	-0.4	0.1	0.5	0.0	-0.3e	-0.1e	-
Public debt	114.9	109.6	108.5	105.8	102.7e	99.5e	-

Sources: NAI, NBB, Ministry of Finance and Prime News Consensus estimates.
¹ According to the November 2002 Stability Programme.

Due to the protracted sluggishness of economic activity and the difficult labour market situation, the 2003 general government budget is expected to exhibit a deficit. On May 18 elections resulted in victory for the liberal-socialist coalition. Meanwhile, the resigning and likely future prime minister altered his view for the 2003 budget from a balanced budget to a slight deficit. However, he emphasised that the budget will stay structurally in balance. To accomplish that, further decisions will need to be taken, since in an unchanged environment a small structural deficit is likely to occur. For the 2004-2007 period, the budget should gradually evolve to a surplus again. As for now, these objectives are below those that were set out in the latest Stability Programme, as is the 2003 projection. The reduction of government debt to a level below 100% of GDP is likely to occur next year, unless further one-off measures are taken in addition to the sale of a portfolio of mortgage loans to the private sector, which could speed up the debt reduction process.

According to the consensus forecast, primary dealers expect that the deficit will be limited to 0.3% of GDP for the year 2003 and that the public debt ratio will be reduced to 102.7% of GDP by the end of 2003 of GDP.

SPECIAL TOPIC: Population ageing and the Silver Fund

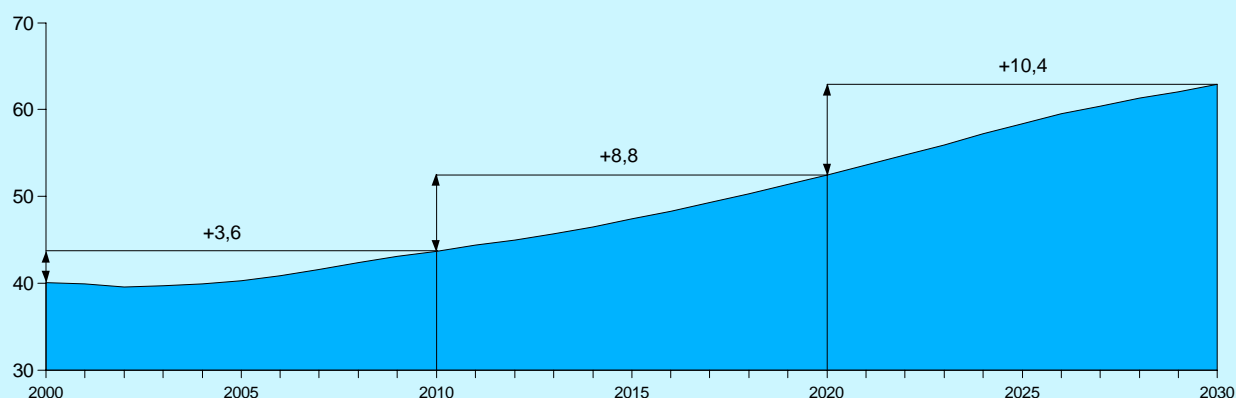
As in most other industrialised countries, the population in Belgium is gradually ageing. In the coming years, especially when the baby boom generation start to retire, government budgets will come under increasing pressure. The most recent projections point out that pension expenditure will soar by more than 2.5% of GDP between 2002 and 2030, while health-care spending is expected to grow by more than 2% of GDP over the same period. Taking into account ageing-related declines in other social spending (e.g. on unemployment) the net additional cost for the budget due to ageing would be just above 3% of GDP.

In view of this significant budgetary challenge, a continued fast reduction in public debt is imperative and, in this respect, the government has accepted the recommendations of the High Council of Finance to attain a small structural surplus over the medium term. In order to clearly visualise the link between debt reduction and the financing of the ageing crisis and in order to consolidate public support for this budgetary strategy, a special fund, the so-called Silver Fund, was created within the government sector in 2001. The reserves accumulated in the Fund will later be used to (partly) cover the budgetary costs of population ageing. Funding comes from both government surpluses and exceptional receipts (e.g. the proceeds of the sale of UMTS licences).

According to present regulations, the Silver Fund can only invest in government bonds. Hence, accumulation of assets within the Silver Fund does not affect general government gross consolidated debt. As long as public debt exceeds 60% of GDP, the reserves of the Fund cannot be spent. In order not to interfere with the operation of financial markets, the Fund only acquires specially-issued Treasury bonds.

Apart from the fact that the Fund can serve as a catalyst for continued budgetary discipline, it also contributes to a closer monitoring of ageing-related cost pressures as its funding is legally embedded in a special institutional process, in which the newly-created Committee on Ageing provides the Government with yearly updates of the estimated budgetary costs of ageing and recommendations on the size of the budgetary resources which have to be allocated to the Fund. Its latest report is available on the website www.docufin.fgov.be.

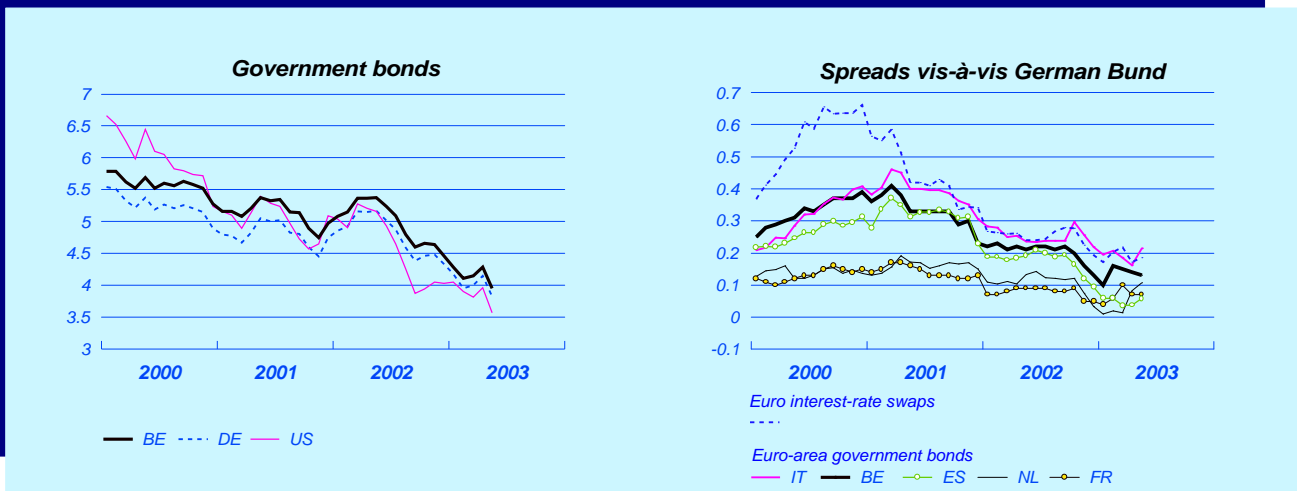
DEMOGRAPHIC OLD-AGE DEPENDENCY RATIO¹ (in p.c.)



Sources: Committee on Ageing and Federal Planning Bureau.
¹ Ratio of people older than 60 to those of working age (20-59).

GOVERNMENT SECURITIES MARKET

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

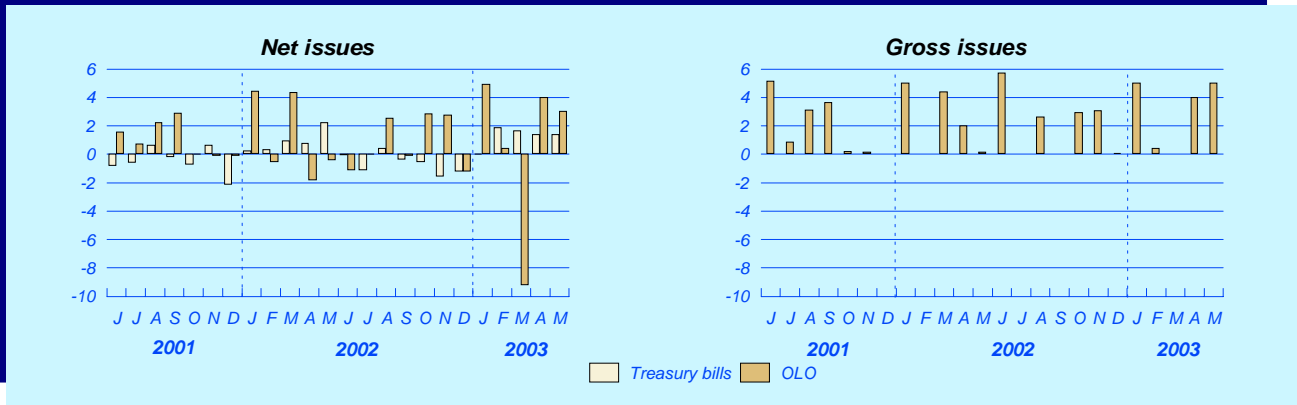


Sources: BIS, Datastream.

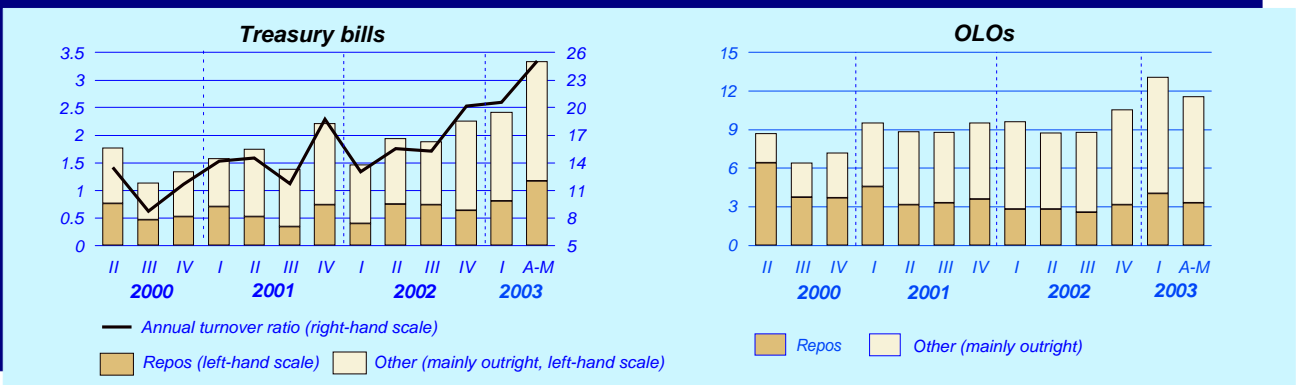
After a rebound in March, bond yields in the euro area and the US remained relatively stable in April and declined further in May to very low levels by historical standards. A comparison of indexed and nominal bond yields reveals a lower decline in real rates and a steeper decline in inflation expectations in the euro area than in the US. Euro-area government-bond spreads reached a minimum in January 2003, rebounded somewhat in February and narrowed further afterwards, confirming the process of reassessment of risk differentials between German Bunds and other euro-area government bonds. In this process, Belgian spreads also shrank vis-à-vis French and Dutch government bond yields. The fiscal performance of the Belgian Government, which managed to maintain a balanced budget in 2002 despite a sluggish growth, was positively assessed in the market.

The euro interest-rate swap spread vis-à-vis the German Bund continued its downward path, reflecting the weak fiscal performance of Germany.

PRIMARY MARKET (billions of euros)



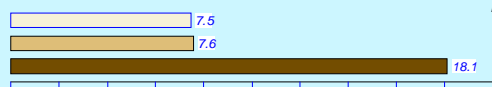
SECONDARY MARKET (billions of euros unless otherwise mentioned, daily averages)



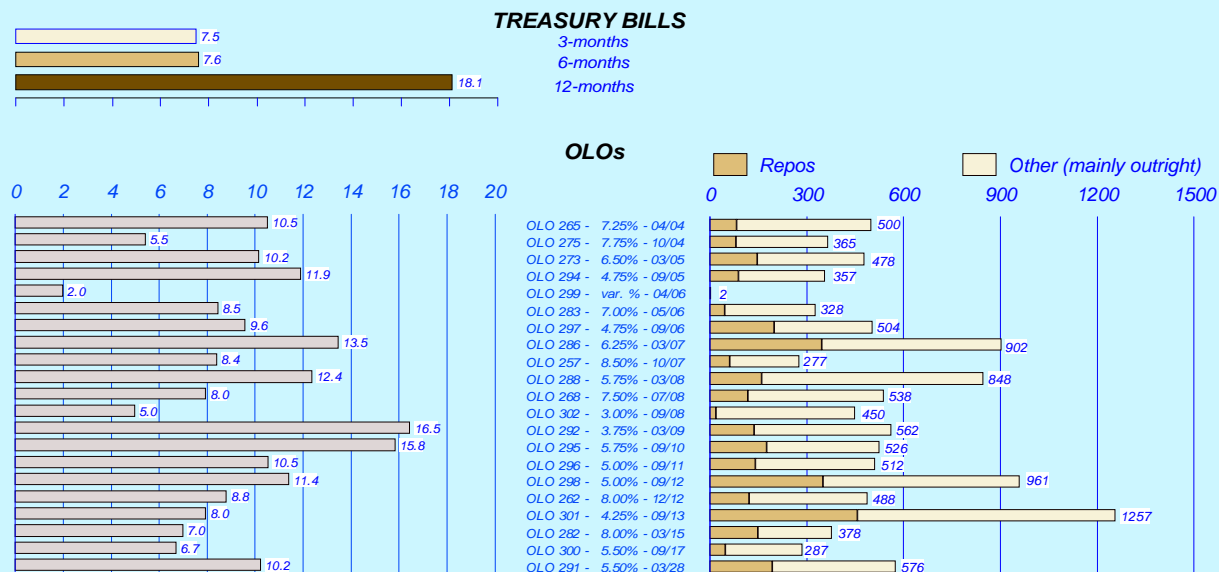
GOVERNMENT SECURITIES MARKET (continuation)

OUTSTANDING AMOUNT AND TURNOVER

Outstanding amounts at 31 May 2003
(billions of euros)



Turnover in May 2003
(millions of euros, daily averages)



TREASURY HIGHLIGHTS

- The Kingdom syndicated 5 billion euros of its new 5-year benchmark bond (3.00 p.c. OLO 42, due 28.09.2008) at the lowest absolute level ever with a yield spread of 13 basis points vis-à-vis the German OBL 142.

The allocation of the bonds was the following:

• Belgium	13.3%	• US & Canada	5.8%
• Euro non-Belgium	43.8 %	• Non-Japan	20.2%
• Europe non-Euro	9.4 %	• Other	7.4%

The total book amounted to approximately 11.5 billion euros. Demand was enhanced by the simultaneous but separate buyback of the OLO 28 and the OLO 16, during which an amount of around 1.8 billion euros was bought back. The buyback enabled investors to reduce their holdings in a transparent way. The good fundamentals for Belgium combined with high demand for euro denominated bonds in this maturity contributed to this success, which is particularly reflected in the increased participation of central banks (31%) and Asian accounts.

- The Treasury has published an update of its borrowing requirements (22.56 billion euros) as of 31 May 2003, which are in line with expectations given the seasonal nature of the Federal State's net financial balance, which now stands at 6.11 billion euros (compared to 5.73 billion last year). More information can be found on the Treasury's website, mentioned at the bottom of this page.

OLO AUCTION DATES

Month	Date	Settlement
July 2003	28	31
September 2003	29	2 October
November 2003	24	27

LIST OF CONTACT PERSONS

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BNP Paribas
Dexia Bank
Fortis Bank
Indosuez
ING
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/interdetde.

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