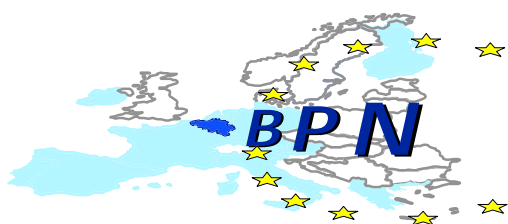


BELGIAN PRIME NEWS

June 2004
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Sources: NBB, unless stated

Special topic :
Public debt below 100% and new long-term OLO

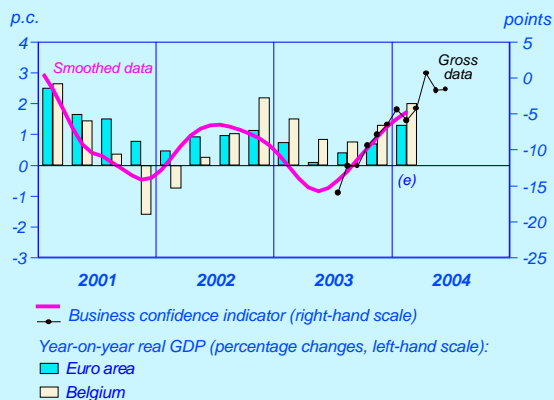
CONSENSUS: Average of participants' forecasts

	2003 e		2004 p			2005 p		
	Belgium	Euro area	Belgium Consensus	Belgium Previous consensus	Euro area ³	Belgium Consensus	Belgium Previous consensus	Euro area ³
Real GDP¹	1.1	0.5	2.3	2.1	1.7	2.4	2.3	2.3
Employment¹	-0.4	0.0	0.4	0.4	0.3	0.8	0.8	0.9
Consumer prices¹	1.5	2.1	1.8	1.5	1.8	1.7	1.6	1.6
Current account²	3.1	1.0	3.6	4.0	0.7	3.9	4.7	0.6
General government balance²	0.3	-2.7	-0.2	-0.2	-2.7	-0.4	-0.2	-2.6
Primary balance²	5.8	0.8	5.1	5.2	0.7	4.7	4.9	0.8
Public debt²	100.7	70.4	97.5	97.6	70.9	95.4	95.1	70.9

¹ P.c. change. ² In p.c. of GDP. ³ European Commission (forecast available since April 2004).

MACROECONOMIC DEVELOPMENTS

GDP GROWTH AND BUSINESS CYCLE INDICATOR

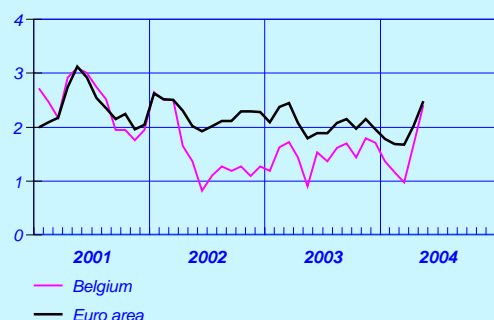


Sources: EC, NAI, NBB.

Activity in Belgium recovered by mid-2003 and since then has been more dynamic than in the euro area, with a quarter-on-quarter GDP growth of around 0.6-0.7% for three consecutive quarters. Having shown some volatility recently, the high level of the NBB's business indicator points to a similar growth pace in the short run. **For the third time in a row, the average of the participating institutions forecast for real GDP growth for 2004 was revised upwards, from 2.1% in March to 2.3% in June. Growth is expected to consolidate slightly further at 2.4% in 2005.**

While private consumption proved to be more robust than expected recently, the gradual strengthening of business investment and employment in the euro area and in Belgium is a key element of the various participants' forecasts. At the current juncture, foreign demand still plays a highly supportive role. However, prospects may weaken at some time, in view of possibly diminishing policy impulses in the world economy and the negative impact from high oil prices on activity.

HARMONISED CONSUMER PRICES (annual percentage changes)



Source: EC.

At the beginning of 2004, oil price movements generated major volatility in HICP inflation. Due to a favourable base effect, inflation in Belgium temporarily fell to 1% in March. It bounced back to 2.4% in May, close to the 2.5% inflation for the euro area. The downward adjustment resulting from the abolishment of the radio and television license fees, which helped keeping the Belgian inflation below the euro area inflation rate since two years, has come to an end.

Besides, the inflationary pressures should remain subdued, due to the appreciation of the euro, resulting in attenuating the rise in commodity prices, and to moderate increase in labour costs as the current level of spare capacity and of unemployment is expected to recede only gradually. Owing to the recent oil price movements, **the participating institutions increased the average 2004 inflation forecast for Belgium from 1.5% in March to 1.8% in June. For 2005, inflation is expected to stabilise at 1.7% on average.**

PUBLIC FINANCE

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

	2001	2002	2003	2004	2005	2006	2007
Stability programme targets							
December 2000	0.2	0.3	0.5	0.6	0.7		
November 2001	0.0	0.0	0.5	0.6	0.7		
November 2002		0.0	0.0	0.3	0.5		
November 2003			0.2	0.0	0.0	0.0	0.3
Outcome	0.6	0.1	0.3	-0.2e	-0.4e		

Sources: Ministry of Finance, NAI, NBB and Prime News Consensus estimates.
*Beyond 2002: projections of the November 2003 stability programme.

Despite a persistent cyclical downturn, the Belgian government for the fourth year in a row succeeded in avoiding a budgetary deficit in 2003. According to revised official NAI data, the general government account showed a surplus of around 0.3% of GDP.

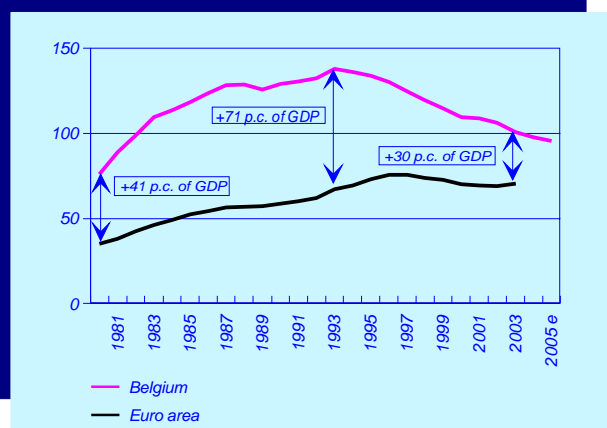
In 2004 and 2005, public finances will benefit from a more favourable macroeconomic environment. However, the impact of non-recurring operations is estimated to decrease compared to 2003, by a larger amount than the cyclical improvement.

Among the BPN participants, some incorporate only well-defined additional discretionary measures in their public finance projections. Others take into account the government commitment to attain budgetary position close to balance, as announced in the November 2003 stability programme. **By averaging the participants' forecasts, some of them implicitly including additional measures to bring the outcome closer to the target, the Consensus shows a deficit for the general government of 0.2% of GDP in 2004 and 0.4% in 2005.**

SPECIAL TOPIC: Public debt below 100% and new long-term OLO

By issuing the Belgian Prime News (BPN), the Ministry of Finance, through its Debt Agency, and the participating financial institutions aim to provide the national and international financial community regularly with general information on activity, inflation and, mainly, public finance in Belgium. The BPN also provides updated statistics about the government securities market and, under the Treasury Highlights section, the latest news from the Debt Agency. In that respect, it complements the detailed technical information presented on the Debt Agency's website (www.debtagency.be). In the first months of 2004, two important events deserve special attention regarding the public debt and its funding.

PUBLIC DEBT (percentages of GDP)



Sources: EC, NBB, Prime News Consensus estimates.

1. Debt level below 100% of GDP

After having reached 100.7% of GDP in 2003, general government debt is estimated to drop below GDP this year; according to consensus forecasts, it would attain 97.5% by the end of 2004 and at 95.4% by the end of 2005. The Belgian government debt reached a record high of some 138% of GDP in 1993 but, since then, it has declined steadily by an average of 3.6 percentage points per annum. The last time the consolidated gross debt was below the 100% mark was in 1982.

Over 80% of the debt reduction is endogenous and results from the high primary surplus, largely offsetting the debt-increasing effect from the positive difference between the implicit interest rate and the nominal economic growth. The residual fall in the debt ratio is attributable to factors which do not affect the overall balance of public finances, such as the transfer of surplus gains on gold sales, privatisations, or the reduction in financial assets held outside general government.

In view of the fact that the primary surplus is forecast to remain at a high level, the endogenous debt reduction will continue in the years to come. The exogenous elements are expected to slow

down debt reduction in 2005, however, as the planned restructuring of the Belgian national railway company and, more specifically, the incorporation of the new entity managing the railway infrastructure and the bulk of the company's liabilities could increase public debt by 2.6% of GDP in 2005. This element has however been taken into account in different ways by the participating institutions.

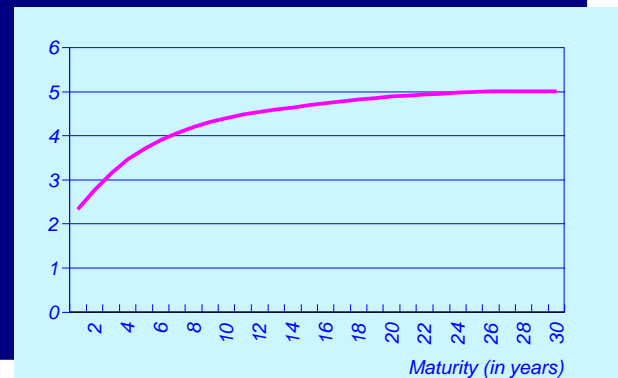
2. New OLO 30-years issued

In May 2004, the Debt Agency issued by syndication a new 30-year benchmark bond. The new 5 billion euros issuance was supported by strong demand from investors for long-term assets. It was mainly placed with bank investment portfolios, insurance companies and fund managers, particularly in euro countries and in Europe non-euro countries (for details, see the Treasury Highlights section).

The issue adds a new benchmark point on the yield curve, next to the 5-, 10- and 15-year benchmark maturities and to the previous long-term OLO, maturing on 28/03/2028. Moreover it is beneficial for the further development of the strip market.

Due to the success of the new 30-year benchmark, some changes have been implemented in the funding strategy for the remainder of the year. It was decided not to issue a new 5-year benchmark in 2004, the OLO 32 (03/2009) receiving the benchmark status throughout the year. The three OLO auctions scheduled up to the end of the year should provide most of the remaining funding required.

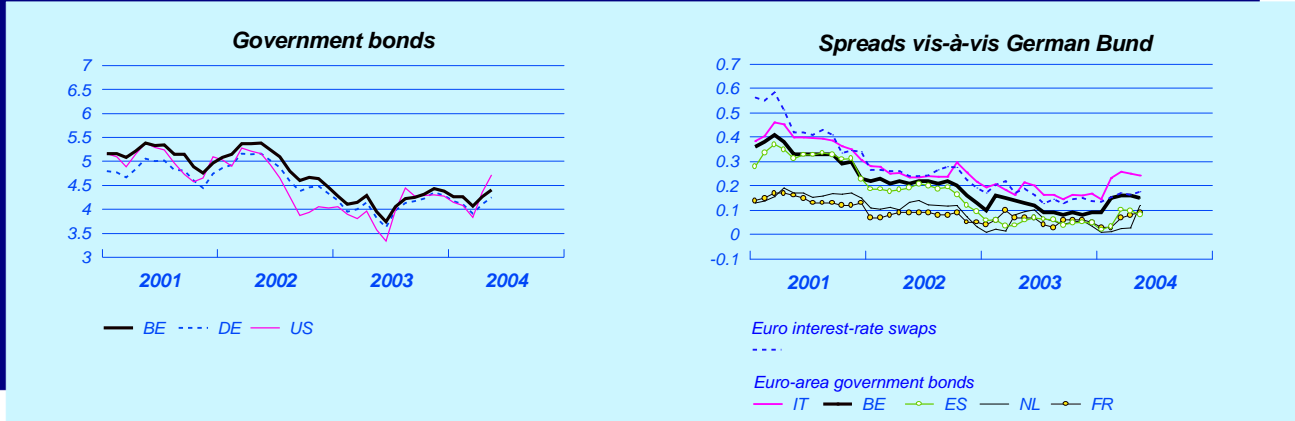
OLO - YIELD CURVE (percentages)



Source: Securities Regulation Fund.

GOVERNMENT SECURITIES MARKET

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

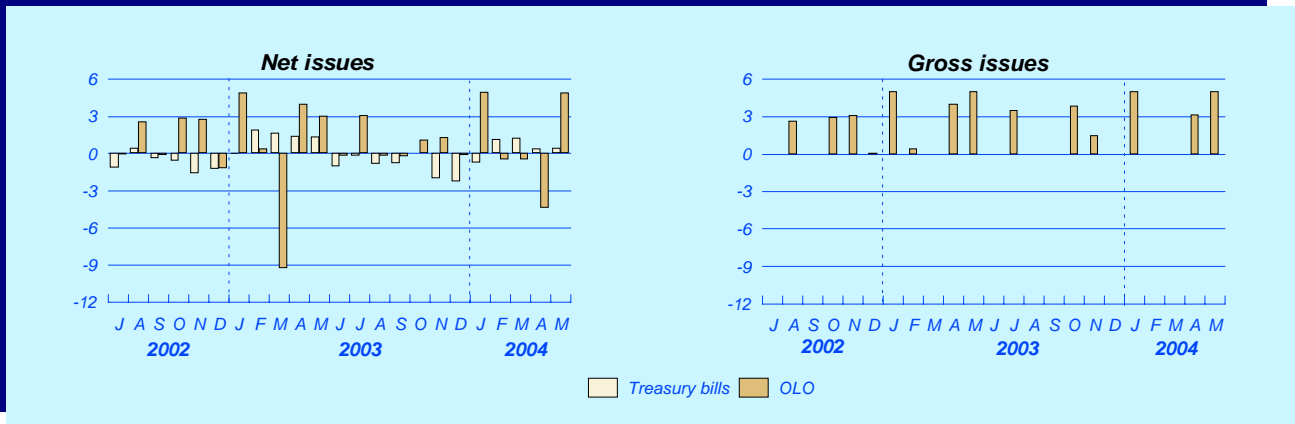


Sources: BIS, Datastream.

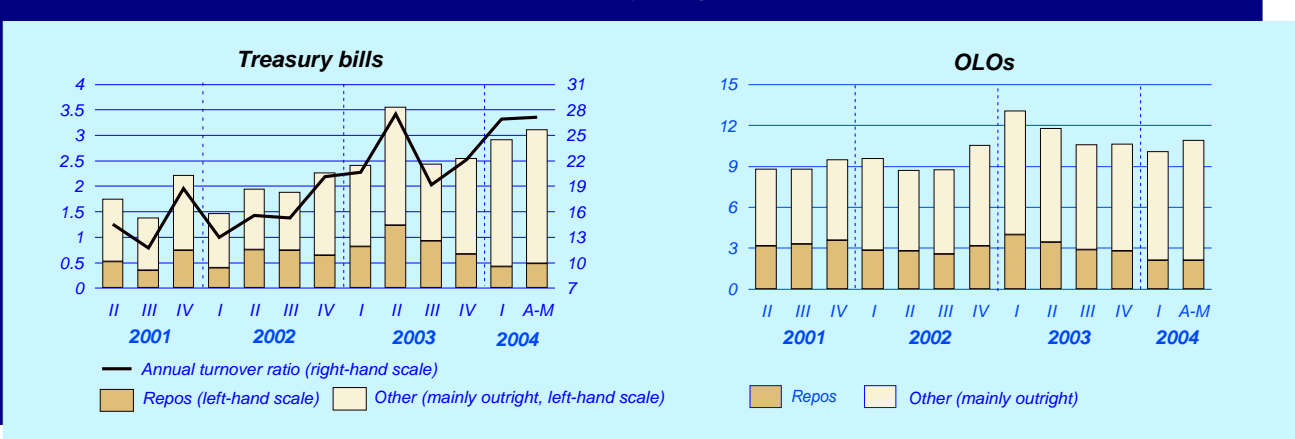
The decline in the long-term interest rates which started at the end of last year, came to an end in March. The subsequent rise was most pronounced in the United States; consequently American long-term interest rates are now again higher than the European ones. According to the respective movements in inflation-indexed and fixed-income bonds, the rise of the long term interest rates was in the first place due to higher real interest rates, but later on, in May, reflected some worsening of inflation prospects.

Euro area government bond spreads vis-à-vis the German Bund were rather stable but were influenced by the introduction of new benchmarks. Finally, the euro area interest-rate swap vis-à-vis the German Bund remained close to the low levels already attained during the second half year of 2003.

PRIMARY MARKET (billions of euros)

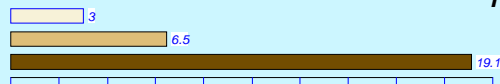


SECONDARY MARKET (billions of euros unless stated, daily averages)



OUTSTANDING AMOUNTS AND TURNOVER

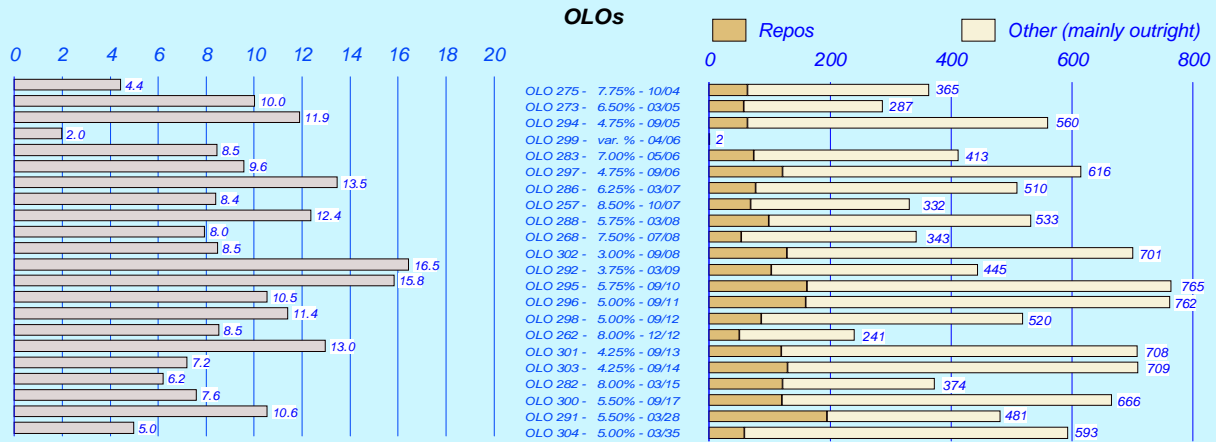
Outstanding amounts at 31 May 2004 (billions of euros)



TREASURY BILLS

3-month
6-month
12-month

Turnover in May 2004 (millions of euros, daily averages)



TREASURY HIGHLIGHTS

I. Issuance of a 30-year OLO

The Kingdom syndicated 5 billion euros of its new 30-year benchmark bond (5% OLO 44, due 28.03.2035) with a yield spread of 8 basis points vis-à-vis the Bund maturing July 2034 and 5 basis points over the OAT April 2035. The deal was more than 2 times oversubscribed.

The geographical allocation of the bonds was as follows:

- Belgium 7%
- Other Euro 58%
- Europe non-Euro 26%
- US & Canada 4%
- Asia 3%
- Other 2%

The bonds were mainly placed with bank investment portfolios, insurance companies and fund managers.

For the rationale of a 30-year issue and related changes in the 2004 borrowing requirements and funding plan: see special topic.

II. Strips market

The MTSB market Committee has decided to add the strips as a standard bond type for trading on MTSB. Quoting strips however will remain optional for the primary dealers. During the test period for quoting on MTSB, the total volume of strips traded in the secondary market in May (limited to data available to the NBB clearing) amounted to 1.7 billion euros as a result of the increased pricing transparency due to the quotation on MTSB.

III. Annual report

The Dutch and French versions of the annual report 2003 are available on the website (www.debtagency.be). The English version will be available soon.

OLO AUCTIONS AND SYNDICATIONS

Month	Date	Settlement
July:	Auction	26
September:	Auction	27
November	Auction	29
		2 December

LIST OF CONTACT PERSONS

PARTICIPATING INSTITUTIONS:

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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.debtagency.be.

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