

BELGIAN PRIME NEWS

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Next issue: June 2006
Sources: NBB, unless otherwise stated

Special topic :

Recent economic developments in Belgium

CONSENSUS: Average of participants' forecasts

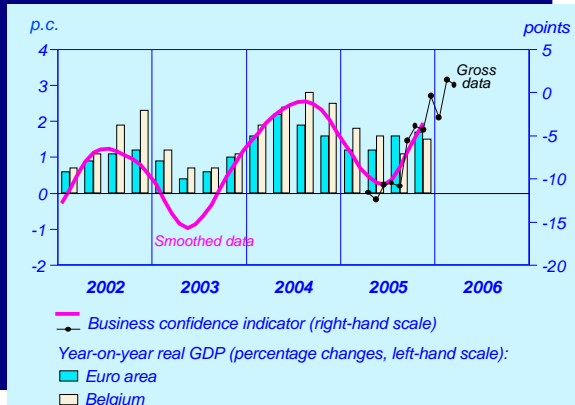
	2005 e		2006 p			2007 p		
	Belgium	Euro area	Belgium Consensus	Previous consensus	Euro area ⁴	Belgium Consensus	Previous consensus	Euro area ⁴
Real GDP¹	1.5	1.4	2.2	2.1	1.9	1.9	2.0	2.1
Employment¹	0.9	1.0	0.8	0.6	1.2	0.7	0.6	1.1
Consumer prices¹	2.5	2.2	2.1	2.1	2.2	1.6	1.8	1.8
Current account²	1.9	0.0	2.0	2.9	-0.1	1.9	3.1	-0.1
General government balance^{2 3}	0.0	-2.9	-0.5	-0.4	-2.8	-0.4	-0.3	-2.8
Primary balance²	4.5	0.3	3.8	3.8	0.2	3.6	3.7	0.2
Public debt²	94.3	71.7	91.6	91.3	71.7	88.9	88.7	71.8

¹ P.c. change. ² In p.c. of GDP. ³ EDP definition. The statistical treatment of some operations is still being examined by Eurostat.

⁴ European Commission (forecast available since November 2005).

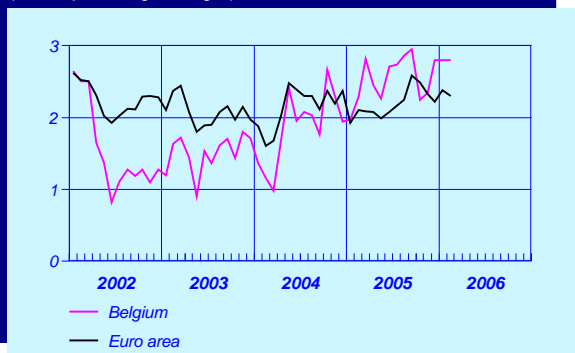
MACROECONOMIC DEVELOPMENTS

GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

HARMONISED INDEX OF CONSUMER PRICES (annual percentage changes)



Source: EC.

In Belgium, the upswing of economic activity that started in mid-2005 has remained on track up to now. According to the initial NAI estimate, quarter-on-quarter GDP growth amounted to 0.6% in the last quarter of 2005. In line with the pick-up in growth rates, the NBB business survey indicator began rising rapidly in June 2005 and reached a positive value in February 2006. In March, the indicator was almost stable at that high level, pointing again to strong GDP growth in the first part of 2006.

This combined with the improving economic conditions in the euro area prompted the primary dealers, on average, to **upgrade their GDP growth forecast for 2006, from 2.1% in January to 2.2%. A slight deceleration, to 1.9%, is expected for 2007, in view of somewhat less supportive economic conditions both globally and in the euro area.**

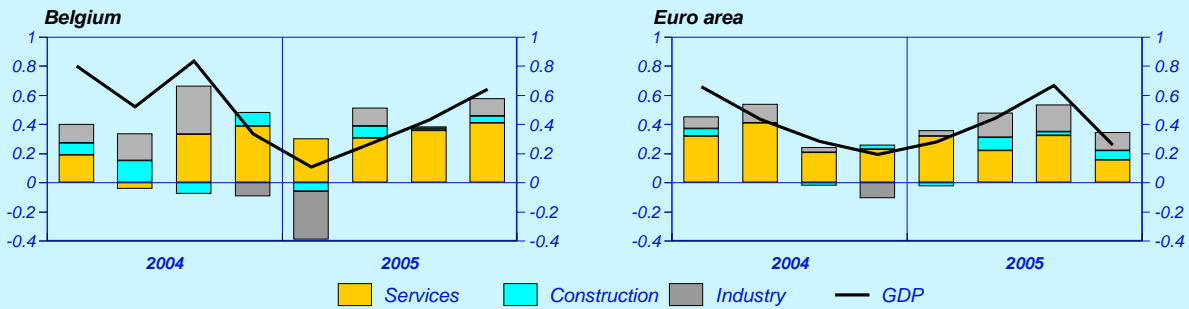
HICP inflation accelerated from 1.9% on average in 2004 to 2.5% in 2005, primarily as a result of energy price increases. This factor also explains most of the positive differential with the euro area, as inflation in Belgium is more sensitive to direct effects of energy price movements. A gradual normalisation of non-energy industrial goods inflation in the course of the year, from an unusual negative inflation observed at the beginning of the year, has also contributed to a limited acceleration in the underlying inflation trend during recent months.

However, overall domestic inflationary pressures are still expected to remain contained during the coming two years. Although there is considerable uncertainty surrounding oil prices and exchange rate prospects, the participants on average expect energy prices expressed in euro to ease somewhat. Therefore, the **inflation forecast has been left unchanged at 2.1% in 2006 and 1.8% in 2007.**

For the sixth year in a row, the Belgian government succeeded in closing its accounts with a small surplus or a balanced budget, as in 2005. At the current juncture, primary dealers expect a **slight deterioration, forecasting on average a 0.5 and 0.4% GDP public deficit in 2006 and 2007, respectively. Public debt should drop below 90% of GDP in 2007.** These forecasts don't take account of the measures adopted during the Spring budgetary control with a view to keeping the budget balanced.

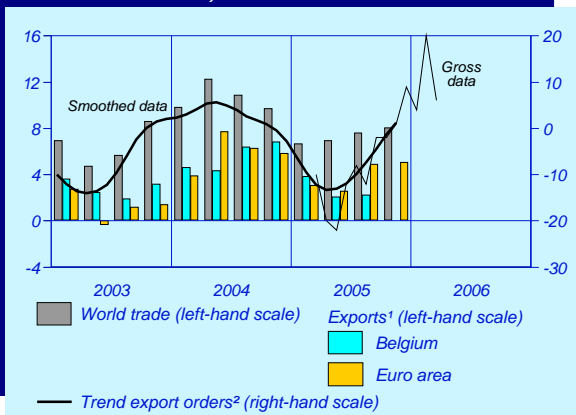
SPECIAL TOPIC: Recent economic developments in Belgium

CONTRIBUTIONS TO REAL GDP GROWTH (with respect to the previous quarter, adjusted for seasonal and calendar effects)



Sources: EC, NAI.

WORLD TRADE, EXPORTS AND EXPORT ORDERS (annual percentage changes, seasonally adjusted data, unless otherwise stated)

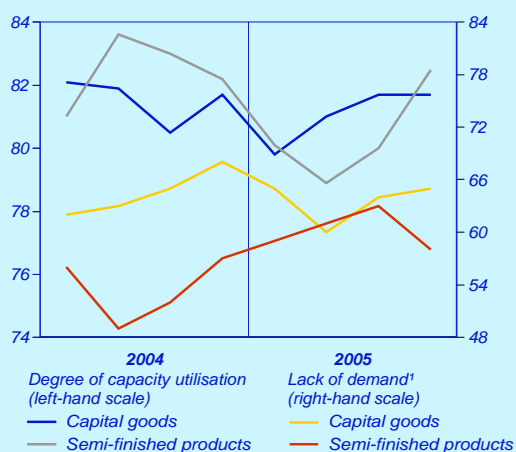


Sources: CPB, EC, NAI.

¹ Calendar adjusted data.

² Survey results (balances).

DEGREE OF CAPACITY UTILISATION AND LACK OF DEMAND IN INDUSTRY (percentages, seasonally adjusted data)



Source: NBB.

¹ Survey results (proportion of companies reporting demand as impeding their production).

Having passed through a short dip at the beginning of 2005, economic activity gradually regained strength in the course of last year. Quarter-on-quarter GDP growth rate accelerated from a mere 0.1% in the first quarter to 0.6% in the fourth quarter. As in the euro area as a whole, where the weakness in the fourth quarter is judged to be temporary, there is growing evidence that the recovery in Belgium has been maintained in the first months of 2006. In particular, survey indicators, such as the degree of capacity utilisation in manufacturing industry, or business and consumer confidence, have improved significantly since mid-2005, reaching levels close to or above their long-term averages.

Sharing the features of the successive acceleration and slowdown phases since 2002, the last downward episode proved to be of limited duration and mild amplitude. These characteristics raise the question whether growth will maintain its current steady pace. Looking into the causes of the recent business cycle developments could help in assessing the medium-term prospects for the Belgian economy.

The past cyclical downturn was largely determined by industry. Since Belgium's industrial production is closely integrated with that of neighbouring countries, the activity of the industrial sector - and hence exports - felt the full impact of the weakened external environment at the beginning of the year, in a context of soaring prices of commodities and the substantial appreciation of the euro. As exports represent a higher proportion of final demand in Belgium, this movement had a more marked effect on GDP than in the other euro area countries. Initially, the recovery which set in during the subsequent quarters in the euro area, on the back of a pick-up in world trade and the weakening of the euro from the December 2004 peak, was less vigorous in Belgium. Belgian exporters suffered a decline in market shares, partly because Belgium's exports are mainly directed to neighbouring countries and consist largely of medium-technology products; Belgium was thus prevented from taking full advantage of the emergence of new economic centres in Asia and the new EU Member States, while facing heightened competition on its traditional markets.

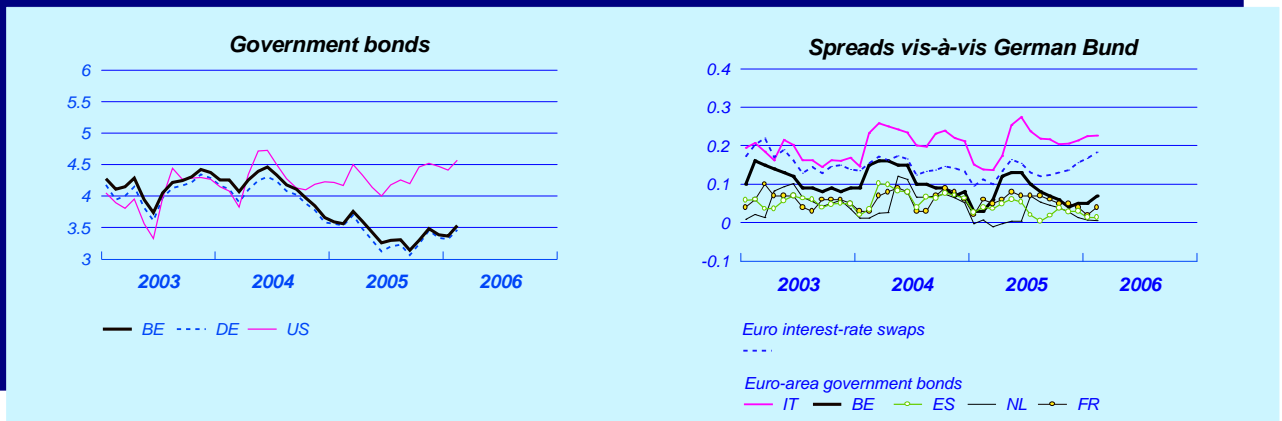
However, there are signs that the export situation might improve, stimulated by higher growth in the neighbouring economies and a more favourable composition of external demand. In particular, while foreign demand in 2005 seemed to be more buoyant for capital goods relative to semi-finished products, the situation changed in the latter half of 2005 with a clear pick-up of capacity utilisation in the sector of semi-finished products. A similar picture is provided by the proportion of companies which reported demand as a factor impeding their production. Supported by the broadening of external demand, industrial activity succeeded in delivering a substantial contribution to GDP growth in the last quarter of 2005, similar to that in the euro area.

This turnaround, combined with activity in the service sector and domestic demand, which maintained solid expansion throughout the year, is supporting the ongoing recovery. Consumption proved resilient, and will be stimulated in 2006 by the effect of the final stage in the multi-year personal income tax reform, while the cyclical downturn appears to have had hardly any effect on employment. Furthermore, following three years of protracted sluggishness, investment showed a marked recovery.

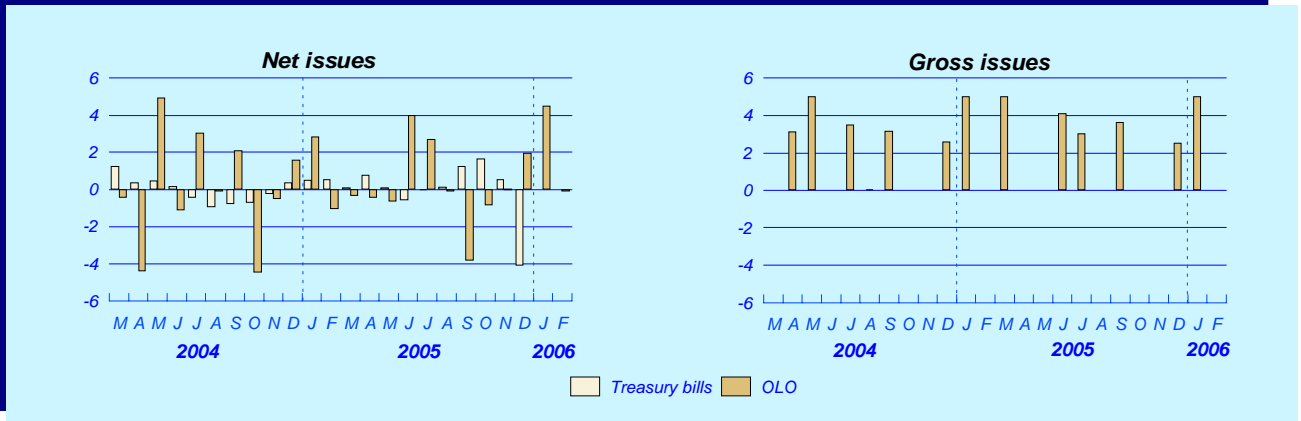
A favourable global economic situation should further support the recovery of the Belgian economy in 2006. However, in the face of globalisation and population ageing, the ability to enhance the production potential also needs to be improved.

GOVERNMENT SECURITIES MARKET

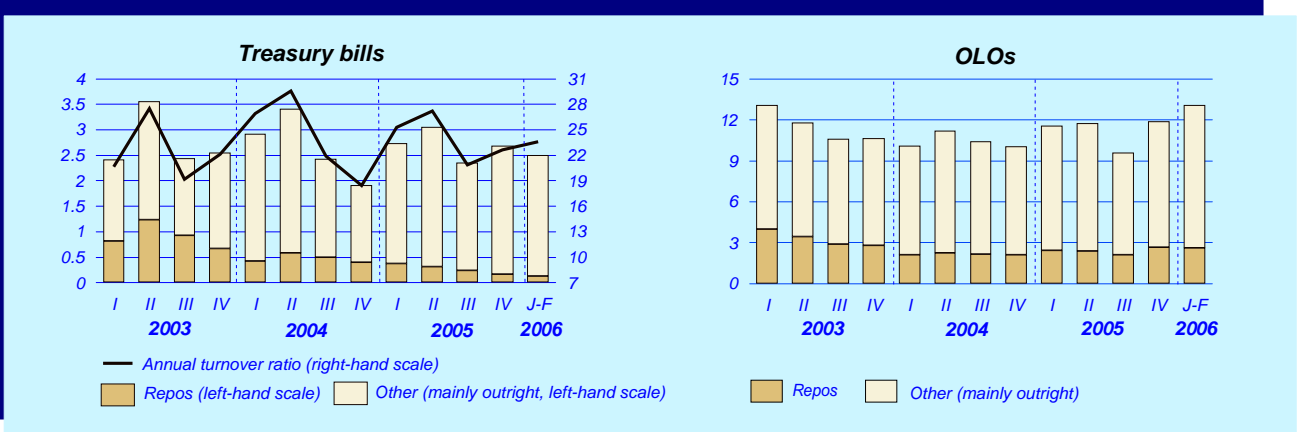
10-YEAR INTEREST RATES (percentage points, monthly averages)



PRIMARY MARKET (billions of euros)



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



GOVERNMENT SECURITIES MARKET (continued)

OUTSTANDING AMOUNTS AND TURNOVER

Outstanding amounts at 28 February 2006

(billions of euros)

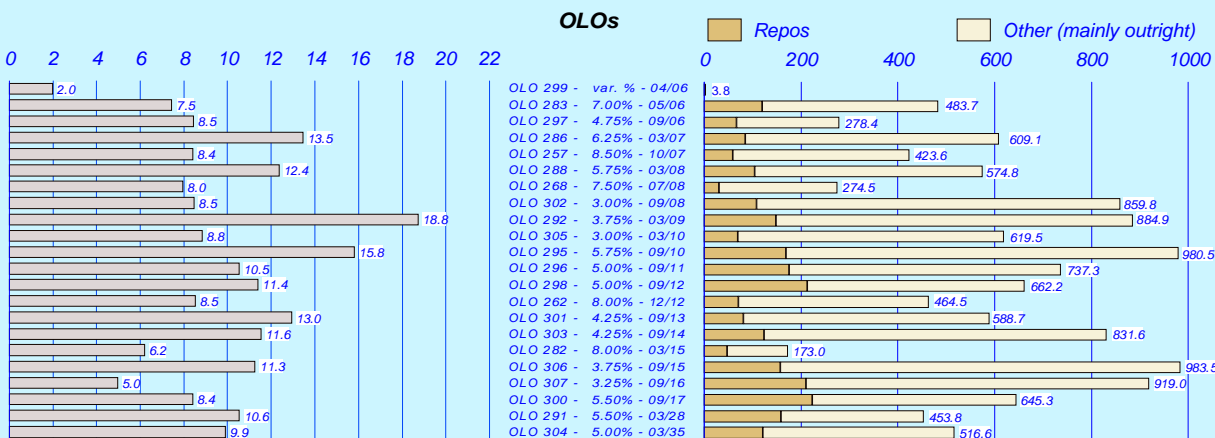


TREASURY BILLS

3-month
6-month
12-month

Turnover in February 2006

(millions of euros, daily averages)



TREASURY HIGHLIGHTS

On January 17th, the Kingdom of Belgium initiated its 2006 issuance program with a **5 bn 10-year** syndicated OLO (3.25% **OLO 47**, due 28.09.2016), priced at a spread of 6.5 bp over the Bund January 2016 and 4.5 bp over the OAT October 2016.

The total order book comprised over 206 orders and was slightly over EUR 10 bn. The immediate interest from high-quality investors speeded up the bookbuilding process and books closed after only one full day of marketing.

The geographical breakdown was as follows:

Belgium	16.5%
Rest of the euro area	55.7%
Europe (non-euro area)	20.2%
USA & Canada	1.0%
Asia	6.6%

The participation of Asian investors (mainly Central Banks) is noteworthy given the maturity of this OLO.

Fund managers (40.4%) and Banks (37.7%) accounted for the largest part of the bonds, followed by the Insurance and Pension Fund industry (14.0%).

LIST OF CONTACT PERSONS

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Barclays Capital
BNP Paribas
Dexia Bank
Fortis Bank
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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 Treasury website: www.debtagency.be.

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