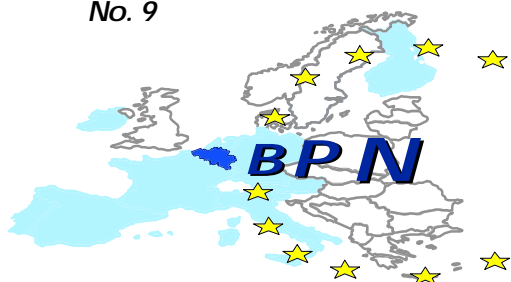


BELGIAN PRIME NEWS

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Next issue : December 2000
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Special topic :

Bonds market shifting towards new territory

CONSENSUS FORECAST

	1999		2000 p			2001 p		
	Belgium	Eur 11 ³	Belgium Consensus	Belgium Previous consensus	Eur 11 ³	Belgium Consensus	Belgium Previous consensus	Eur 11 ³
Real GDP¹	2.5	2.3	3.9	3.9	3.4	3.2	3.1	3.1
Employment¹	0.6	1.4	1.5	1.5	1.4	1.4	1.4	1.3
Consumer prices¹	1.1	1.1	2.4	2.0	1.8	1.9	1.6	1.8
Current account²	3.9	0.5	3.7	3.8	0.4	3.7	3.9	0.6
General government balance^{2*}	-0.7	-1.2	-0.1	-0.2	-0.9	0.3	0.2	-0.8
Primary balance^{2*}	6.5	3.1	6.6	6.6	3.1	6.6	6.5	3.1
Public debt^{2*}	116.1**	72.3	110.1**	109.2	70.5	104.7**	104.4	68.2

¹ P.c. change. ² In p.c. of GDP. ³ Forecast from the European Commission (available since March 2000; next publication in autumn 2000).

* Excluding the proceeds of the anticipated auction of UMTS licences. ** Revised figures including the amortization fund for the social housing debt.

MACROECONOMIC DEVELOPMENTS

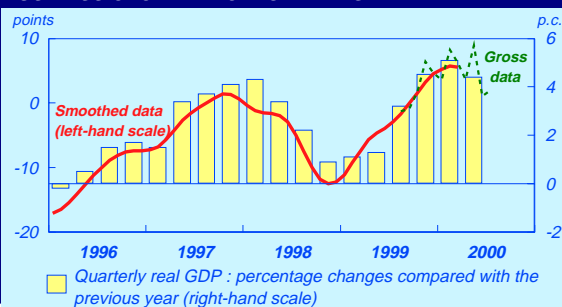
With a consensus forecast for GDP growth at +3.9 % for 2000 (the highest since 1988), Belgium should be among the fastest growing countries of the eurozone. In addition to a vigorous international environment, expectations that public debt is on a steady and rapid downward course may now foster growth. Indeed in highly-indebted countries that have successfully brought down their debt level, households' consumption usually picks up, as the anticipated future taxes decline along with the debt burden. With consumer confidence at a very high level, Belgium may now follow a similar path, implying a higher trend growth in the medium and long run.

A recent decline in business surveys shows that the economic growth should be more in line with a sustainable path, after a very fast growth rate during the first half of the year. However, the cumulated effects of the increases in oil prices have to be taken into account as they will slow down growth in the second half of the year and in early 2001. Beyond this temporary shock, growth prospects should remain favorable.

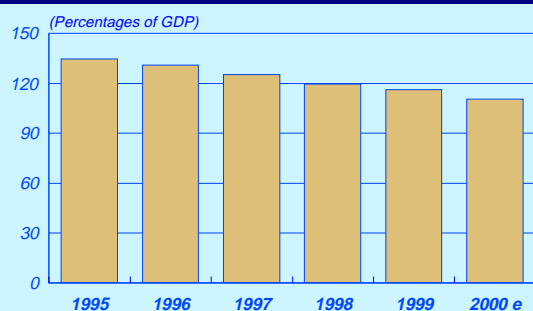
The persistent depreciation of the euro and increases in oil prices are expected to feed inflation in the near future. At +2.9% in August, Belgium experiences an inflation rate above what prevails in neighbouring countries. Nevertheless, excluding energy, inflation is still at +1.3 p.c.

Against the background of a buoyant economic growth and of a healthy primary budget surplus, the public debt will continue to contract. This downward trend might be reinforced by the proceeds of the auction of UMTS licences (which are not included in the forecast, given the highly uncertain nature of the outcome). Provided that it meets the budgetary norms, the personal income tax cut which has just been proposed by the Minister of Finance and which is scheduled to be gradually implemented from 2001 onwards, should not alter this trend, as it might enhance the medium-term growth potential.

BUSINESS CYCLE INDICATOR AND GDP



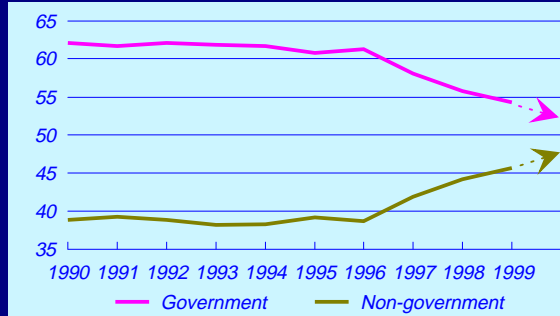
GROSS CONSOLIDATED DEBT OF GENERAL GOVERNMENT



BONDS MARKET SHIFTING TOWARDS NEW TERRITORY

Peter Van Dijke - Artesia Banking Corporation

THE WORLD BOND MARKET CAPITALIZATION (p.c.)

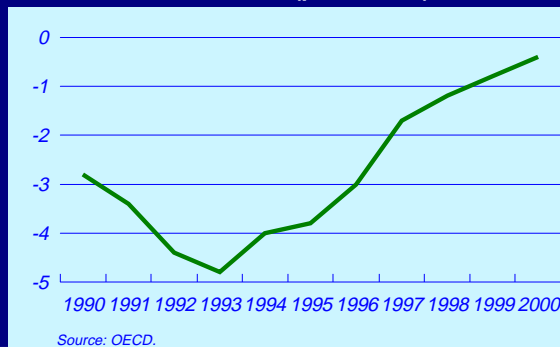


budget surplus and UMTS-auction revenues for reducing public debt, buyback programmes, the emergence of a high-yield segment, the search for diversification by investors, the search for large and liquid benchmarks, the conversion of the UMTS-licence fees into corporate bonds,....According to BIS-data, 1999 already proved to be a record year for international debt securities issuances, despite the high credit premia. Recent data show that 2000 is pursuing this record-breaking pace. Some important developments can be observed in all this issuance upheaval : corporate issues exceeding public sector issues, strong funding operations of financial institutions and the emergence of a dual currency primary market (EUR/USD). Competition between corporate bonds and government bonds is slowly growing as the high-yielding segment is increasing rapidly. Still corporate bonds remain less liquid, more sophisticated and provide (for the time being) insufficient diversification possibilities. In view of the status of the corporate bond market in the US, this competition may become a reality as new corporate issues and liquidity continue to increase at the present pace.

Governments bond issuances : further downwards in the future

Recent surveys suggest that, as expected, the net issuance of government bonds will be significantly lower this year compared to previous years. As a result, also the outstanding volume of government bond is moving downwards and is gradually replaced by strong growing corporate and financial bond issuances (graph 1). Nevertheless, worldwide government bonds still account for some 17 trillion USD or more than twice the corporate bond market and almost four times the Eurobond market (the fastest growing segment of non-government bonds). It therefore seems too early to refer to risk-free assets as 'endangered species', but the tone is set for the years to come : continuing lower net issuance of government bonds, use of the

OECD BUDGET BALANCE (p.c. of GDP)



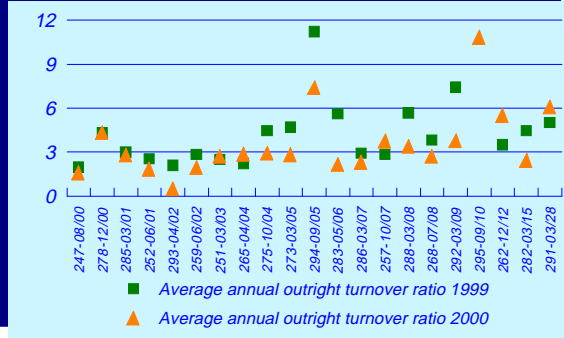
Budget surpluses and public debt management : a difficult combination ?

The main driving force behind the slowdown in government bond issues is of course the improved fiscal balance (graph 2). The OECD countries have been showing an impressive improvement in their budget balances in the second half of the 90s (highlighting that Japan remains the 'odd man out'). Forecasts of budget surpluses have initiated the recent debt repaying steps but have also induced the attractiveness of cutting taxes. However, the Ecofin council has recently stated that cutting taxes must not jeopardise the stability and growth pact commitments, printing out that they should be accompanied by matching spending cuts.

Further spreading of bond scarcity and the search for liquidity.

The bond supply reduction has also sparked the debate on possible alternative benchmarks. IRSwaps, Pfandbriefe and US federal agencies bonds are often referred to as alternatives. To a large extent, this debate seems a little premature, considering the still large outstanding volume of governments bonds and their impact on the functioning of financial markets and monetary policy operations. But the financial market sentiment is changing rapidly. Meanwhile, European and US Treasuries try to focus on larger issues while redeeming illiquid bonds and maturities. Including electronic trading, this should counter the spreading and perception of bond scarcity. Nevertheless, the reduced government bond supply has contributed to the inverted yield curves in the US and UK. Recently the expected reduced bond supply in Euroland has also had an impact on the yield curve. Inversion is often accompanied with a widening of the credit premia. At present, corporate credit premia and interest rate swap spreads are higher or close to the October 98 financial crisis level. The present credit premia are however recorded without a major credit event explaining the widening but may be attributed to constraints, together with the monetary tightening cycle, equity and bond market volatility and credit concerns.

ANNUAL OUTRIGHT TURNOVER RATIO OF THE OLO-LINES



OLO market towards a two-tiered market ?

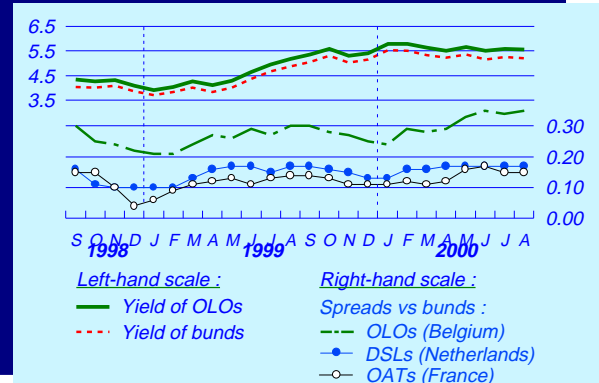
The flattening of the yield curve has put liquidity high on the investors agenda. The outright turnover ratio for the OLO market clearly shows the shift towards a so-called two-tiered market, where newly launched and liquid bonds are highly preferred on the financial markets. As noted in graph 3, these OLOs seem to have had the largest impact on the turnover ratio ranking (note that the OLO 294 was launched in September 1999). The start of EuroMTS and MTS Belgium and the internationalisation of the OLO market (see previous Belgian Prime News) have contributed to this development as well. Combined with the attractiveness of the yield spread of OLOs over euro-government bond markets, the scarcity perception and the search for Euroland benchmarks, this two-tiered market evolution might continue for a while. Smaller volume bonds, illiquid bonds but also less attractive maturities, remain mainly in the interest field of 'buy-and-hold' investors.

GOVERNMENT SECURITIES MARKET

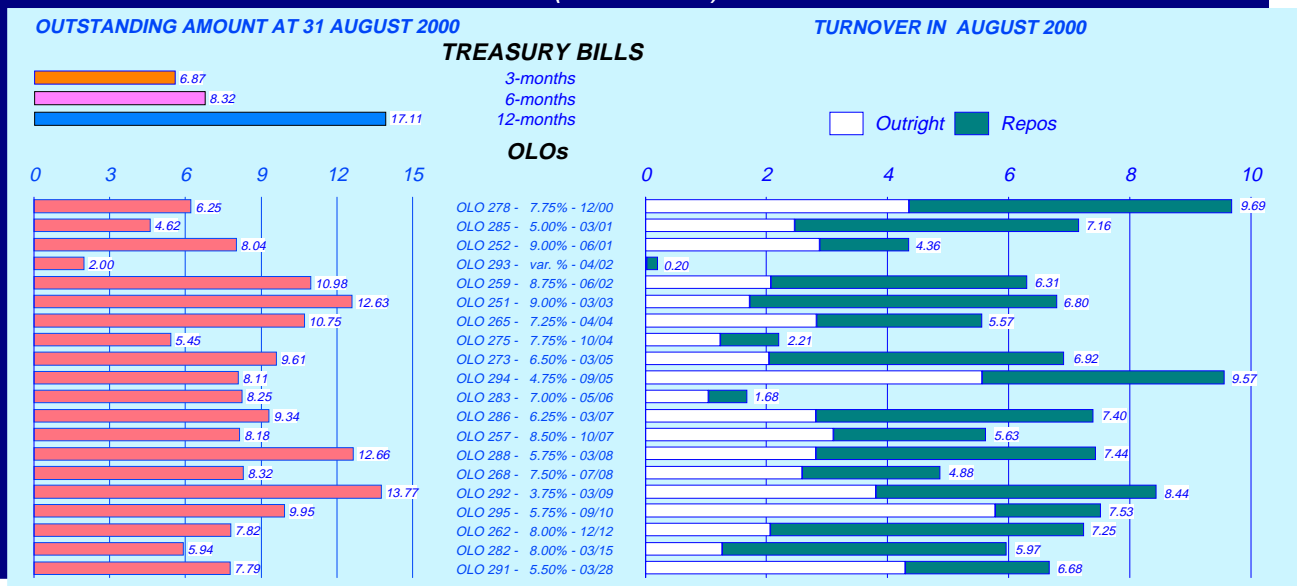
PRIMARY MARKET (billions of euros)

OLOs				TREASURY BILLS	
Gross issues		Net issues		Net issues	
1999	2000	1999	2000	1999	2000
J	3.811	4.986	J	3.035	4.506
F	8.154	0.199	F	6.706	-0.009
M	1.147	4.752	M	-1.722	3.884
A	5.427	1.571	A	1.203	0.583
M	0.686	0.031	M	-0.043	0.003
J	1.879	3.774	J	0.334	2.927
J	2.876	1.185	J	2.697	0.137
A	0.441	4.925	A	0.000	0.349
S	3.905	S	3.773	S	-2.533
O	1.636	O	0.818	O	-1.986
N	0.889	N	-0.059	N	-1.992
D	1.449	D	0.819	D	-3.486

BENCHMARK 10-YEAR BOND YIELDS (p.c.)

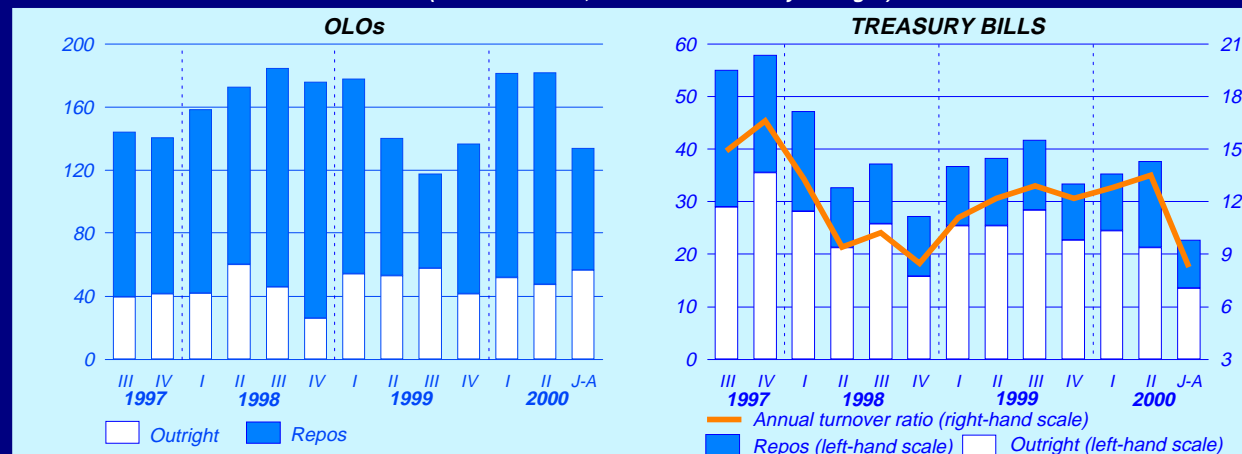


OUTSTANDING AMOUNT AND TURNOVER (billions of euros)



GOVERNMENT SECURITIES MARKET (continuation)

SECONDARY MARKET ACTIVITY (billions of euros, standardised monthly averages)



TREASURY HIGHLIGHTS

On September 15th, the Council of Ministers adopted the lawful framework for the auction for the UMTS licences :

4 equivalent licences will be granted, according to a "multiple round ascending auction" principle, the starting-price being set at EUR 150 million.

The considered schedule for the procedure is as follows:

- opinion of the Council of State within one month.
- in the course of the month of October : publication in the official journal.
- at the beginning of October : publication of a detailed information memorandum permitting the finalisation by the candidates of their application files.
- end November : filing of the candidates applications.
- end November – begin December : decision on the admissibility of the candidatures.
- mid – December : auction.

Some technical details of the considered procedure will be available on the Internet site of the IBPT (www.ibpt.be) in the coming days.

OLO AUCTION AND EXCHANGE OFFER DATES

Month	Date	Settlement	Auction	Exchange Offers			
September	4	7		Code 278	OLO 21	7.75 %	22 Dec. 2000
	25	28	Auction				
October	2	5		Code 285	OLO 25	5.00 %	28 March 2001
	30	2 Nov.		Code 252	OLO 7	9.00 %	27 June 2001
November	6	9		Code 278	OLO 21	7.75 %	22 Dec. 2000
	27	30	Auction				
December	4	7		Code 285	OLO 25	5.00 %	28 March 2001
	18	21		Code 252	OLO 7	9.00 %	27 June 2001

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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