Participating Primary and Recognised Dealers:

Barclays, Belfius Bank, BNP Paribas Fortis, Citigroup, Crédit Agricole CIB, Deutsche Bank, HSBC, KBC Bank, Morgan Stanley, Natixis, NatWest (RBS), Nomura, Société Générale Corporate & Investment Banking

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- MACROECONOMIC DEVELOPMENTS: War in Ukraine adds to inflation pressures
- SPECIAL TOPIC: Belgium's trade exposure to the Russian Federation
- FINANCIAL MARKETS AND INTEREST RATES: Tighter financial conditions in an uncertain environment
- TREASURY HIGHLIGHTS: Nearly 30 % of the 2022 funding plan has been achieved

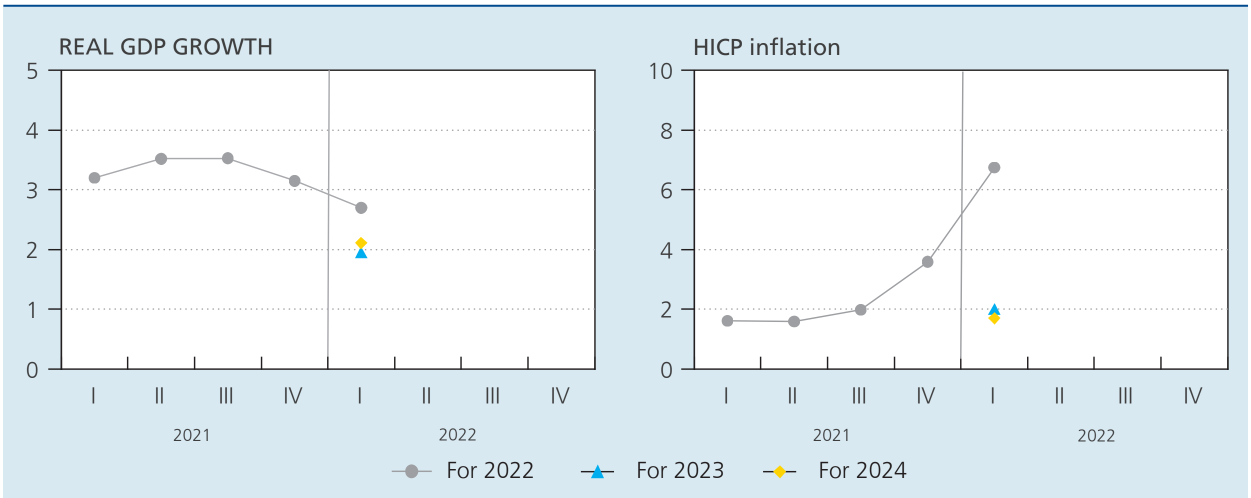
CONSENSUS **Average of participants' forecasts**

A spreadsheet gives more details on participants' individual forecasts.

	Belgium				Euro area			
	2021	2022p	2023p	2024p	2021	2022p	2023p	2024p
Real GDP[1]	6.1	2.7	2.0	2.2	5.3	3.2	2.4	2.0
Inflation (HICP)[1]	3.2	6.7	2.0	1.7	2.6	5.4	2.2	1.8
General government balance[2]	–6.0	–4.7	–4.1	–3.8	–5.5	–4.1	–2.7	–2.2
Public debt[2]	108.1	107.2	107.2	105.8	95.8	96.5	95.1	93.9

1 Percentage changes.
2 EDP definition; percentages of GDP.

SUCCESSIVE FORECASTS FOR BELGIUM



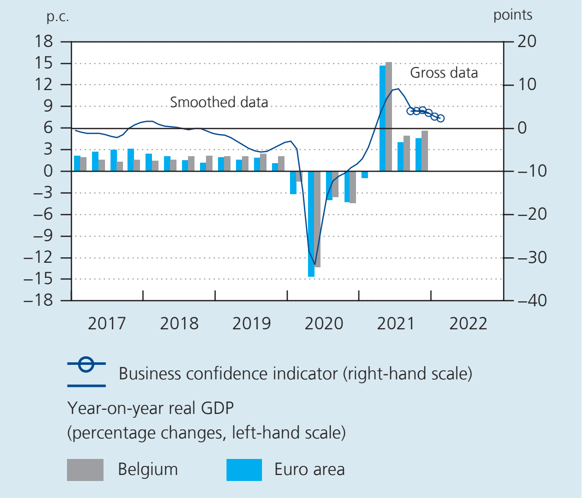
Source: Belgian Prime News.

MACROECONOMIC DEVELOPMENTS

War in ukraine adds to inflation pressures

Just as there were some signs of waning headwinds, with the global number of COVID-cases coming down from the Omicron peak and supply chain bottlenecks apparently easing, a war broke out with the Russian invasion of Ukraine on 24 February. The war in Ukraine and the Western financial and trade sanctions against Russia are likely to affect the global and especially the European economic outlook via (re)new(ed) bottlenecks in global supply chains and rising energy and commodity prices, as well as potential amplification effects via financial markets. In its March 2022 interim report, the OECD estimates that global economic growth could be more than 1 percentage point lower this year than was projected before the conflict.

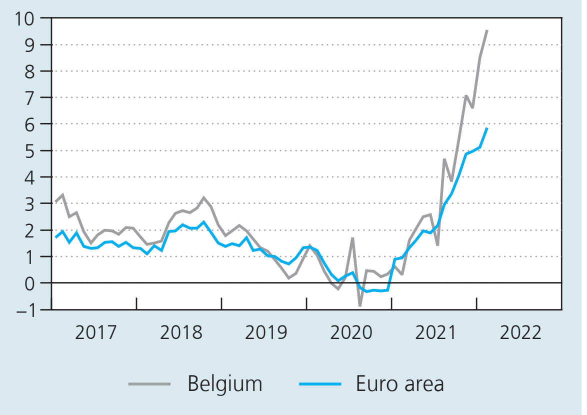
GDP GROWTH AND BUSINESS CYCLE INDICATOR



Sources: EC, NAI, NBB.

The euro area economy grew by 0.3% in the fourth quarter of last year, which brought annual growth in 2021 up to 5.3%. However, the outlook for euro area activity and inflation has become very uncertain due to the war. The ECB's most recent projections from early March pointed to a negative impact on euro area growth of some 0.5 of a percentage point, but more adverse scenarios have become increasingly likely since then. Belgian Prime News participants see the **euro area economy growing by 3.2% in 2022 and by at least 2% in the following years.** Compared to the December consensus, the growth outlook for 2022 has been adjusted downwards by almost one percentage point. On the other hand, Belgian Prime News participants' inflation forecasts have been further revised upwards, with **euro area inflation now expected to come in at well over 5% on average in 2022**, i.e. almost twice the December consensus. BPN participants still expect inflation to come down gradually, to 2.2% in 2023 and 1.8% in 2024.

INFLATION (HICP)
(annual percentage changes)



Source: EC.

In Belgium, economic activity expanded by 0.5% in the fourth quarter, i.e. somewhat stronger than euro area growth. Growth was also higher than envisaged in the NBB's previous Business Cycle Monitor (0.2%) because the direct impact of the new wave of coronavirus, along with the restrictions it brought with it, were less severe than anticipated. Growth is not yet expected to weaken in the first quarter of 2022, according to the latest Business Cycle Monitor, as the impact of the Ukraine war will only weigh on the end of the quarter, whereas growth at the start of the year was still pushed up by the improved health situation and supply chains. In annual terms, **BPN participants expect real GDP growth in Belgium to reach 2.7% this year and just over 2% in the next few years**. The downward revision for the consensus forecast in 2022 is 0.4 percentage point since December. The growth revision is more limited than for the euro area economy, but this may reflect the higher carry-over effect from a better-than-expected end of 2021.

The Belgian labour market continues to grow steadily. In the fourth quarter of 2021, domestic employment grew by 0.4% on a quarterly basis, adding another 21 500 people to the labour market. The unemployment rate had come down to 5.7% by the end of the year, which is quite similar to the lows reached just prior to the outbreak of the coronavirus crisis.

Inflation has surprised on the upside in recent months. The HICP rate for Belgium reached a spectacular level of 9.5% in February. The rise in headline inflation mostly stems from soaring energy prices, even though core inflation is on the rise too. **According to the consensus forecast, inflation in Belgium should work out at 6.7% for the year 2022, 2% in 2023 and 1.7% in 2024**. This implies a clear upward revision from the December BPN consensus, of 3 percentage points for 2022.

The budget deficit came down somewhat from its peak in 2020 and reached 6% of GDP in 2021. Last year was marked by a strong economic recovery and the partial unwinding of the temporary COVID-19-related support measures, which should continue in 2022. On the other hand, other exceptional expenditure (e.g. to accommodate the inflow of Ukrainian refugees) is likely to weigh on the budget. According to the consensus forecast, Belgium's **budget deficit should come to 4.7% of GDP in 2022, 4.1% in 2023 and 3.8% in 2024**. BPN participants expect the Belgian government debt to barely edge downwards in the coming years, from around 108% of GDP in 2021 to just below 106% in 2024.

SPECIAL TOPIC **Belgium's trade exposure to the Russian Federation**

Tensions between Ukraine and Russia have dramatically accelerated with the launch of a major Russian military offensive against its Western neighbour on 24 February 2022. This war in Ukraine is a major geopolitical event that will affect current and future macroeconomic developments in Belgium and Europe. Its repercussions will feed through to inflation, growth and trade relations, including through sanctions on Russia. The uncertainty surrounding future developments is very high. This analysis describes the importance of trade relations between Belgium and the countries at war in order to get an idea of the potential economic damage from the conflict on this commercial relationship. It goes without saying that this trade channel is most likely not the most important channel through which the war will affect the Belgian economy. Please refer to the NBB website for an update of our macro-economic projections that was made end March in order to assess the overall economic impact of the Russia-Ukraine war.

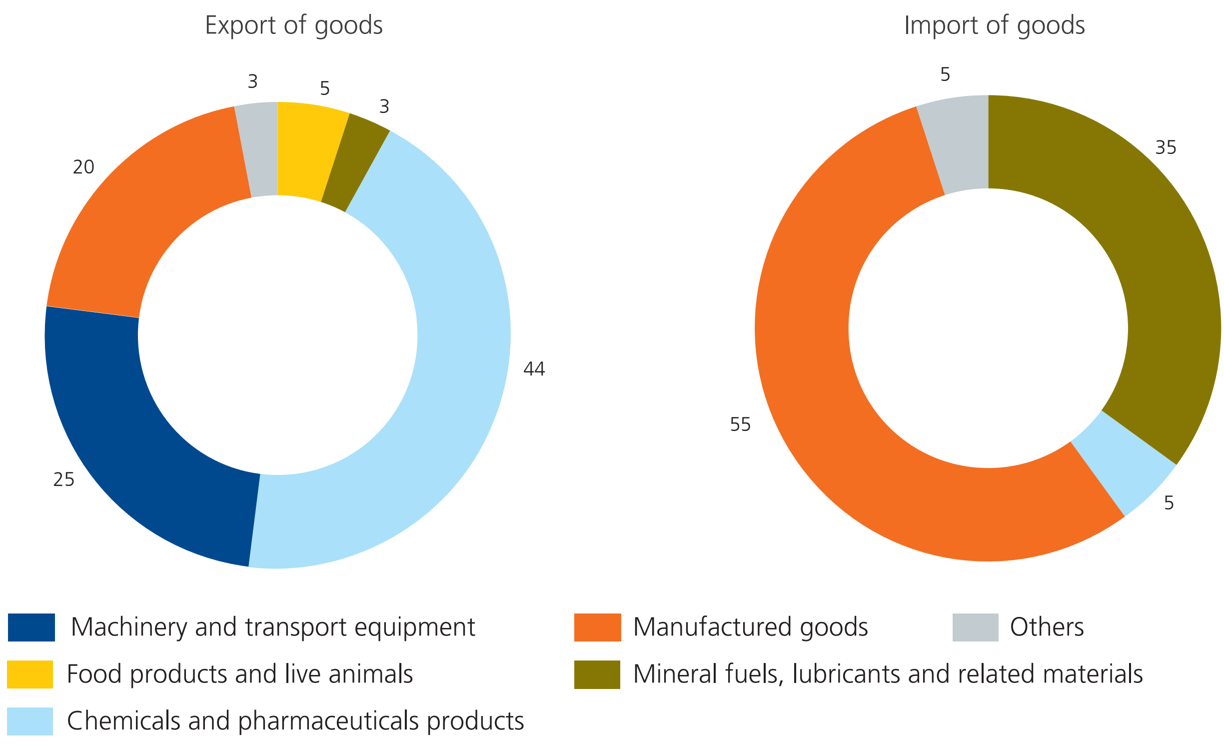
Limited trade flows with Belgium

Direct trade relations between Belgium and the Russian Federation are limited and accounted for respectively some 0.9 % and 1.8 % of total Belgian exports and imports, or 0.7 % and 1.5 % of Belgian GDP, on average over the period 2017-2019[1].

In terms of trade in goods in these years, Russia was Belgium's seventeenth-largest partner country in terms of exports (worth € 2.6 billion, or about 1.0 % of total Belgian exports of goods) and the tenth in terms of imports (€ 6.7 billion on average, or 2.4 % of Belgium's total imports of goods). Exports of "chemical and pharmaceutical products" account for more than 40 % of total goods exported, and more than half of them concern "medicinal and pharmaceutical products".

1 Average over the period 2017-2019 to exclude the two exceptional years of 2020 and 2021.

TRADE IN GOODS BETWEEN BELGIUM AND RUSSIA, BY PRODUCT CATEGORY[1]
(as % of total goods traded, average 2017-2019, national concept, unless otherwise stated)



Source: NAI (NBB calculation).
1 According to the SITC trade nomenclature.

Besides these products, exports of “machinery and transport equipment” represent a quarter of all exports and mainly concern “industrial machinery and equipment” and “road vehicles”. As for imports of goods from Russia, more than a half of them concern “manufactured articles”, mainly “manufactured non-metallic mineral articles” as well as “iron and steel products”, and more than a third “fuels and minerals, lubricants and related products”, a category which includes imports of “petroleum products” as well as “natural and manufactured gas”. Belgium seems to have a relatively little direct dependence on Russian gas, which only accounts for between 3 % and 6 % of Belgian consumption. But the importance of European imports of Russian gas could also have a bigger impact on the Belgian economy.

Although trade flows between Belgium and Russia are only small, some specific goods exported and imported with this trading partner could nevertheless make up a significant weight in the total of these goods traded by Belgium with the rest of the world. This aspect is important in the sense that it may reveal a certain dependence of Belgium on Russia for several specific products. While in terms of exports, only a few categories of goods account for a little more than 2 %, i.e. a relatively limited level, in terms of imports into Belgium, certain types of products indicate greater dependence on Russia. This is particularly the case for imports of some particular raw materials such as coal and also iron and steel. It should be noted, however, that these goods have little weight in Belgium's total trade.

In terms of services categories, exports of 'telecommunications, computer and information services' account for almost half of all the services exported by Belgium to Russia, while half of its imports are 'other business services', which include “research and development services”. Consistent with goods trade, the importance of exported and imported services vis-à-vis Russia in Belgium’s total trade with the rest of the world shows that Belgium's dependence on Russia is extremely low.

In view of these statistics, it appears that Belgium has little exposure through its direct trade flows with the Russian Federation and does not seem to be dependent on Russia. However, these data concern direct trade flows. Indirect flows via other countries could also mean that Russia is the final recipient of Belgian exports, or conversely the origin of its imports. An analysis of these indirect trade flows shows a similar picture with relatively weak connections. The number of Belgian companies as well as jobs exposed to this trade is also relatively small: in 2021, some 1 500 Belgian companies exported goods to Russia, while 1 000 imported goods from Russia to Belgium.

Direct trade relations with Ukraine also appear to be extremely limited: Belgian exports and imports to and from Ukraine represent € 444 and € 389 million, or respectively 0.2 % and 0.1 % of Belgium's total trade. It should be noted, however, that while there is no real dependence on Ukraine in terms of exports, in terms of imports just over 10 % of 'seeds and miscellaneous fruit' products come from Ukraine and about 5 % for cereals. The number of companies and employment linked to Ukraine is also small with around 1400 Belgian companies exporting goods to Ukraine in 2021 and just under 700 importing from this country.

Other indirect channels affect the Belgian economy

Beyond these trade relations, Belgium could also be affected by the war in Ukraine through the repercussions on its European trade partners that may be more closely linked to Russia. In this context, over the period 2017-2019, the Russian Federation was the fifth-largest partner for EU exports of goods (accounting for 4.5 % of extra-EU exports, equivalent to

EU DEPENDENCE ON ENERGY PRODUCTS FROM RUSSIA

Source: Eurostat.

€ 84 billion) and the third largest partner for EU imports of goods (7.9 % of extra-EU imports, worth € 148 billion). While extra EU exports are distributed between several product categories, almost two-thirds of the goods imported from Russia are energy products. The EU's dependence on Russia for this type of product is relatively high : over the period under consideration, almost a third of extra-EU energy imports came from Russia, 40 % of which was gas and gas products and 25 % petroleum products. This energy dependence may even be higher for some countries, especially Germany, Belgium's biggest trading partner, which is dependent on Russia for about 60 % for its gas and 40 % for its petroleum products.

In conclusion, even if direct and indirect trade relations between Belgium and the Russian Federation are quite limited, any reduction or complete halting of commercial relations with Russia would obviously have significant consequences for the Belgian economy, especially in a transition period when alternative suppliers or customers would have to be found. In addition, significant price reactions are to be expected in the event of wider restrictions on international trade with Russia, particularly on the energy markets, but also for certain specific raw materials of which Russia is a leading producer. Moreover, beyond these trade flows, some Belgian companies and sectors may have direct and indirect links with Russia, particularly in terms of investment, even if these also seem relatively concentrated. The major impact on the economy therefore seems to be linked to the European Union's energy dependence on Russia, which may act as a drag on the supply side of the economy.

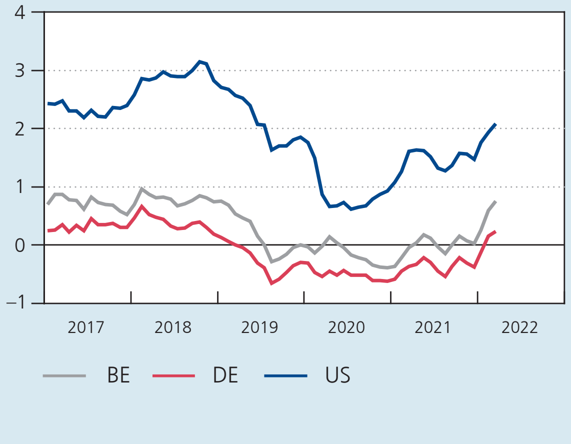
FINANCIAL MARKETS AND INTEREST RATES

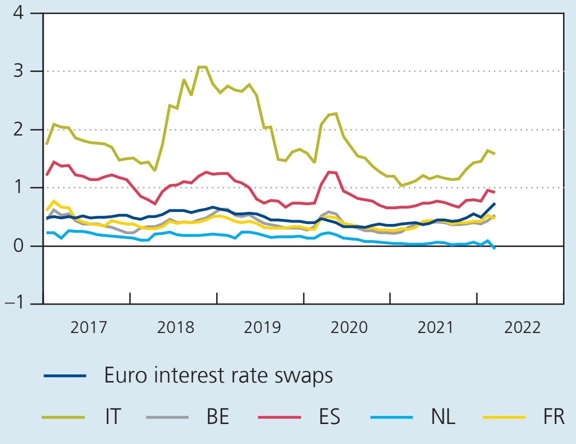
Tighter financial conditions in an uncertain environment

In March, the ECB announced a faster reduction of its net asset purchases from April onwards. Meanwhile, given the highly uncertain environment, any adjustments to the key ECB interest rates will take place some time after the end of its net asset purchases and will be gradual and based on the incoming data. Compared to December 2021, euro area yields edged upwards, with Belgian and German 10-year government bond yields rising by, 73 and 62 basis points respectively, to reach 0.76 and 0.24 %. In the US, the Federal Reserve announced its first interest rate increase since 2018, raising the federal funds rate by 0.25 %. Over the first quarter of the year, the US 10-year government bond yield was up by 63 basis points, from 1.47 % in December 2021 to 2.09 % in March 2022.

The war in Ukraine, and the subsequent sanctions levied against Russia, have contributed to a strong acceleration of commodity prices. Since December 2021, oil prices have risen by 50 % and currently stand at $ 104 a barrel. Natural gas prices have reached record highs in Europe and some industrial metals, such as nickel, also witnessed large price swings. Apart from energy and metals, commodity price increases have spread to agricultural products. The huge uncertainty surrounding the war in Ukraine has fed through to higher volatility on the financial markets, especially in Europe. After spiking above 36 and 49 respectively, the VIX and the VSTOXX fell back, but remain above their historical averages. The current economic and monetary outlook has caused the euro to depreciate against the dollar and it is now worth $ 1.11. The conflict in Ukraine has affected the currencies of some Eastern European countries, prompting foreign exchange market interventions aimed at halting depreciation. Following coordinated international sanctions on Russia, the rouble fell heavily, losing, at some point,

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





Sources : BIS, Thomson Reuters. Average over the first 29 days for March 2022.

almost half of its value against the dollar. To counter the decline, the Russian central bank doubled interest rates, resulting in the rouble partially offsetting its losses.

Over the course of the first quarter of 2022, euro area sovereign spreads vis-à-vis Germany widened, reflecting exposures to Russian gas and trade links, and the anticipation of gradual monetary policy normalisation that would raise funding costs for the most indebted countries. Italian and Spanish sovereign spreads increased by, respectively, 15 and 14 basis points to reach 1.58 and 0.93 %. At the same time, Belgium and France's sovereign spreads widened by, respectively, 12 and 3 basis points. By historical standards, spreads remain low on the back of the ECB's announcement to act in the event of renewed market fragmentation. After a period of sustained increases, spreads in emerging and high-yield corporate bond markets have dropped back.

TREASURY HIGHLIGHTS

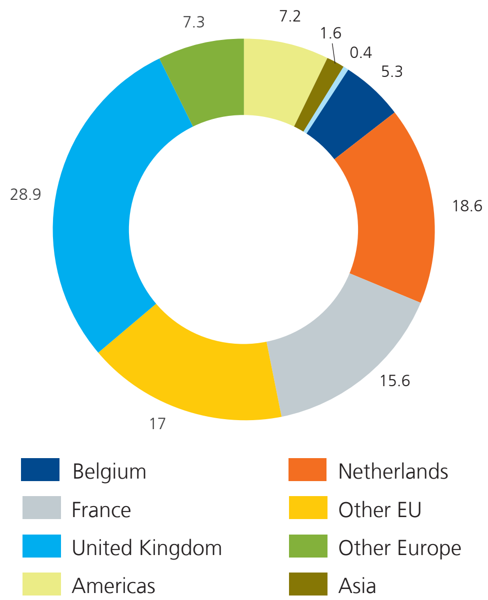
Nearly 30 % of the 2022 funding plan has been achieved

The Belgian Debt Agency plans to issue **€ 44.20 billion** worth of medium- and long-term instruments in 2022, **€ 41.20 billion** of which will be **OLOs**. The remainder of the funding would be raised through EMTN and Schuldscheine (€ 3.00 billion).

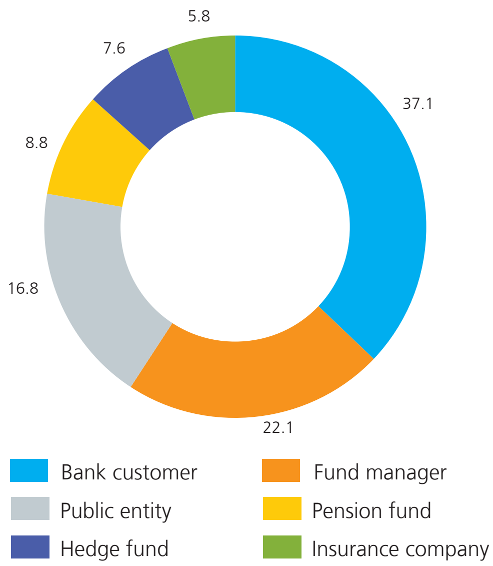
OLO syndication (€ 5.0 billion 10-year benchmark)

On 18 January 2022, the Kingdom of Belgium issued its first new OLO benchmark of the year, opting for a 10-year OLO, in line with tradition. The new € 5 billion 0.35 % OLO 94 22/06/2032 was priced at a spread of –6 bps over the interpolated mid-swap reference rate, implying a re-offering yield of 0.363 %. The joint lead managers were BNP Paribas Fortis, Citi, J.P. Morgan, Natixis and Nomura.

OLO94 – Geographical distribution
(in %)



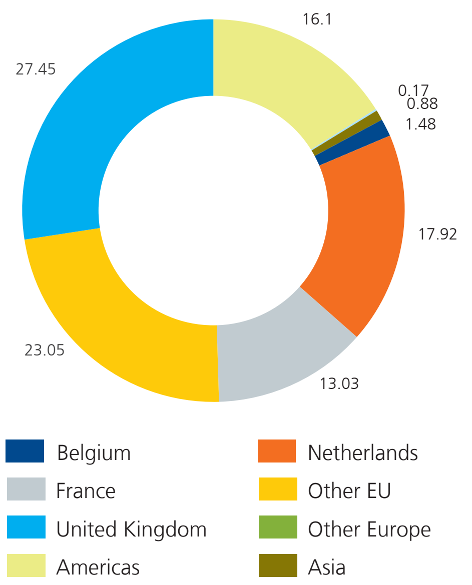
OLO94 – Distribution by type
(in %)



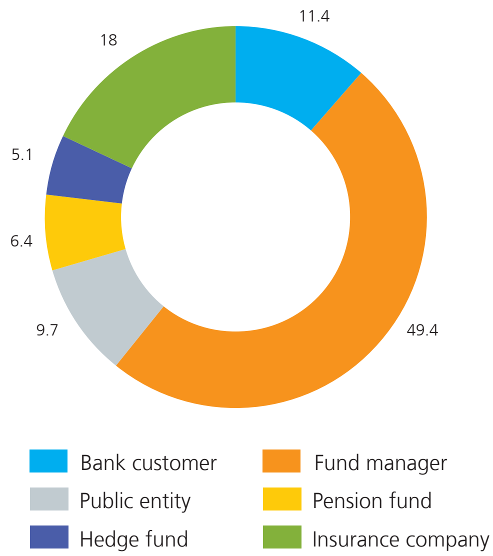
OLO syndication (€ 5 billion 30-year benchmark)

On 15 February 2022, the Kingdom of Belgium launched its second OLO benchmark of the year, the new € 5 billion 1.40 % OLO 95 22/06/2053. The transaction was priced at 12 bps above OLO 88 (June 2050) for a re-offering yield of 1.424 %. Joint lead managers were Barclays, BNP Paribas Fortis, Deutsche Bank, Morgan Stanley and Nomura.

OLO95 – Geographical distribution
(in %)



OLO95 – Distribution by type
(in %)



On 21 March, the Belgian Debt Agency issued € 3.122 billion through its first annual auction, tapping on the OLO 87 (2029), OLO 94 (2032) and OLO 90 (2040).

OLO auctions (€ 3.122 billion)

Date	OLO	NR	Issued (€ billion)	Yield	Bid-to-cover
March 21	OLO 0.90 % 22/06/2029	OLO 87	0.805	0.496 %	3.07
	OLO 0.35 % 22/06/2032	OLO 94	1.516	0.880 %	2.10
	OLO 0.40 % 22/06/2040	OLO 90	0.801	1.238 %	2.25
Non-competitive subscriptions			0.000		
Total March			3.122		

The ORI facility from 4 February hasn't been exercised.

So far, there have been no EMTN or *Schuldscheine* issues.

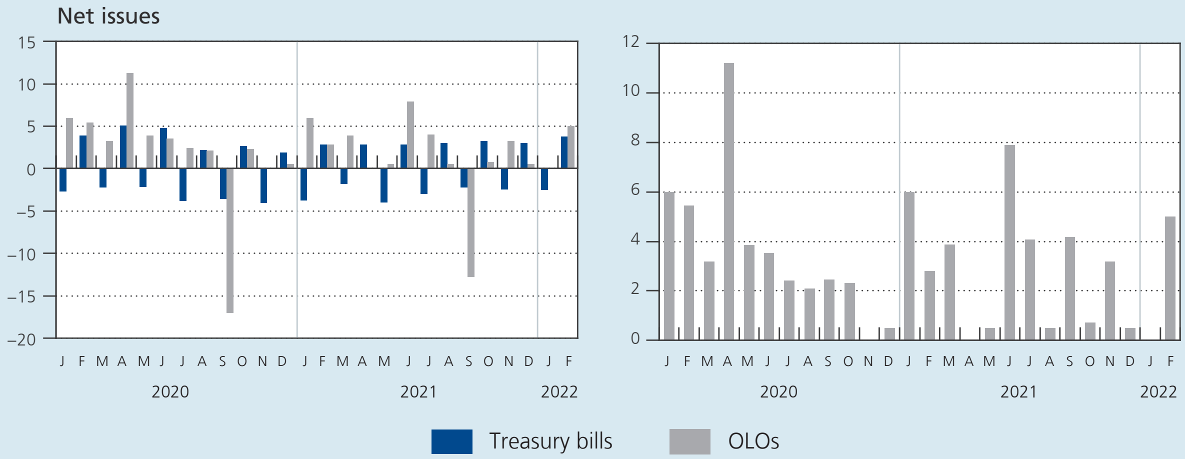
Belgium has therefore already issued **€ 13.12 billion**, corresponding to 29.7 % of its funding target.

In terms of portfolio structure, the average life of the portfolio is now 10.34 years (as of end of February) and it has an implicit yield of 1.42 %.

GOVERNMENT SECURITIES STATISTICS

PRIMARY MARKET

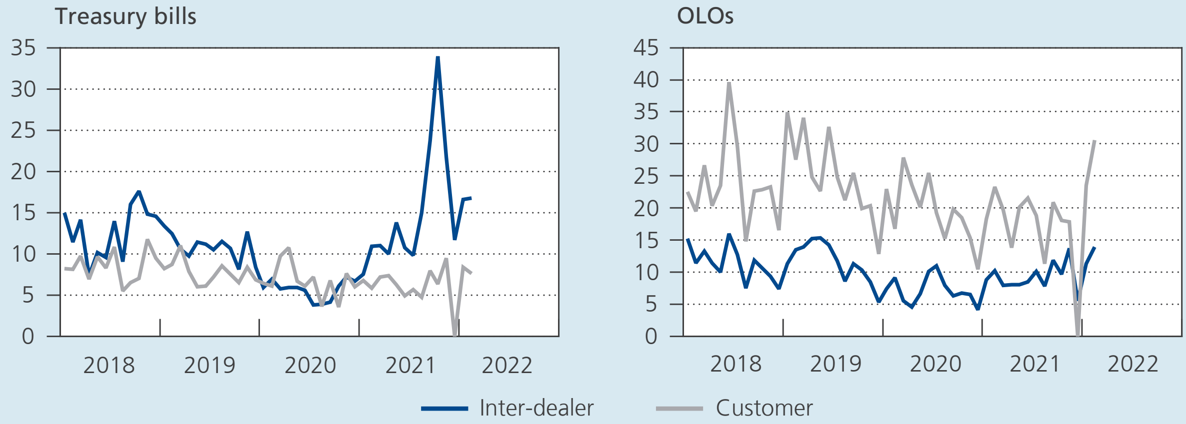
(€ billion)



Source: Belgian Debt Agency.

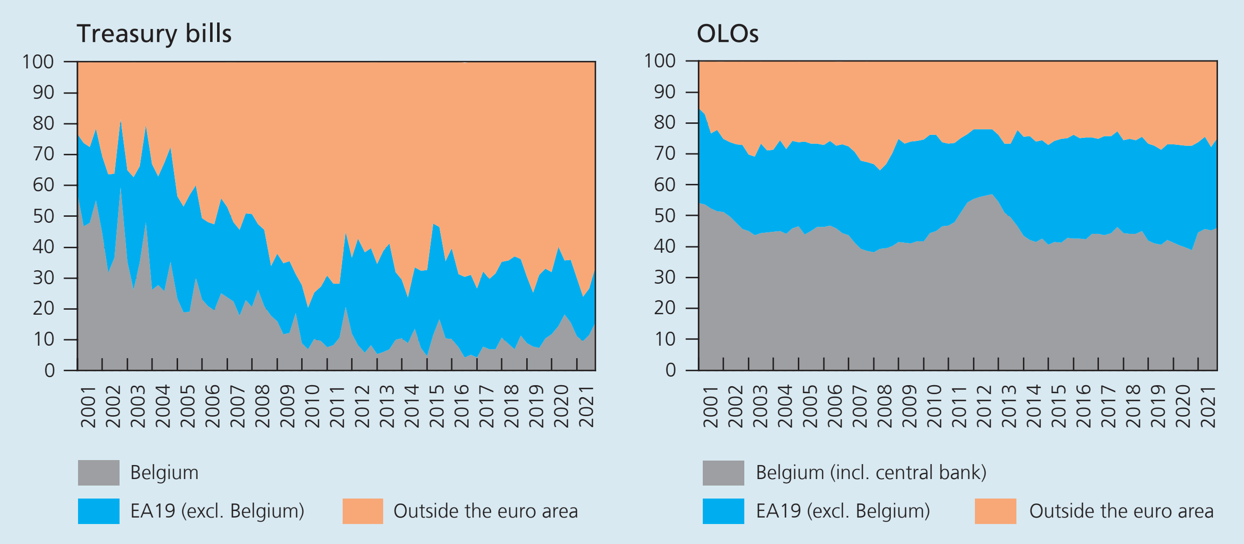
SECONDARY MARKET TURNOVER

(as reported by primary and recognised dealers to the Treasury, € billion)



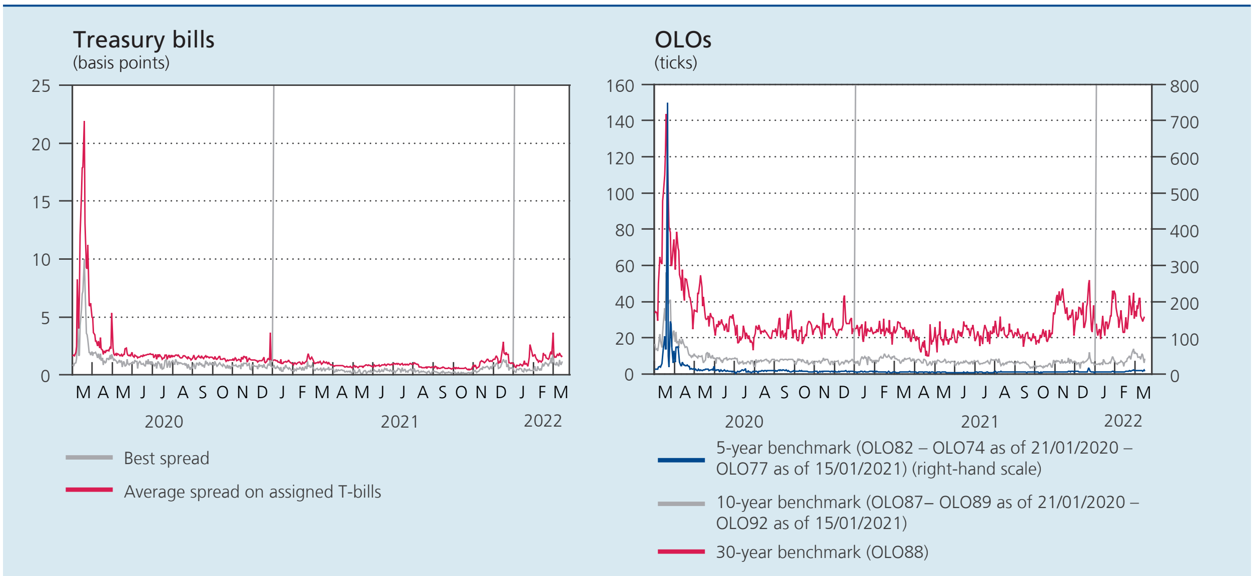
Source: Belgian Debt Agency.

HOLDERSHIP BELGIAN SECURITIES
(in %)



Source : NBB.

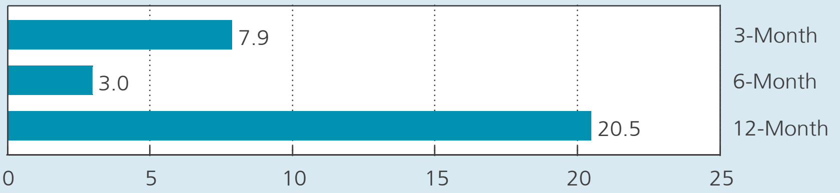
BEST BID/OFFER SPREADS [1]



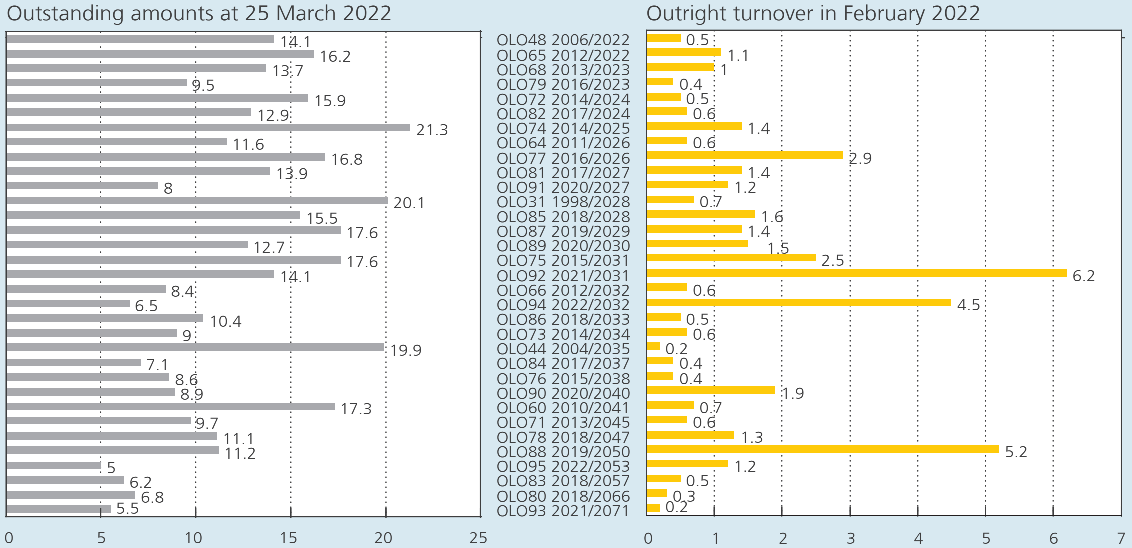
Source : Treasury.
(1) As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed).

OUTSTANDING AMOUNTS AND TURNOVER
(€ billion)

Treasury bills
Nominal outstanding amounts at the end of February 2022



OLOs



Source: Belgian Debt Agency.

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