

Regional growth Belgium in 2016-2020

Flanders maintains growth lead in the short
but possibly not the long term

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Outlook real GDP growth

KBC versus other forecasters

2016	Belgium	Euro Area	Germany
IMF (April)	1.2	1.5	1.5
European Commission (May)	1.2	1.6	1.6
OECD (June)	1.2	1.6	1.6
Federal Planning Bureau (February)	1.2	-	-
NBB (June)	1.3	1.6	-
Bloomberg Consensus (June)	1.3	1.5	1.6
KBC (June)	1.4	1.6	1.7

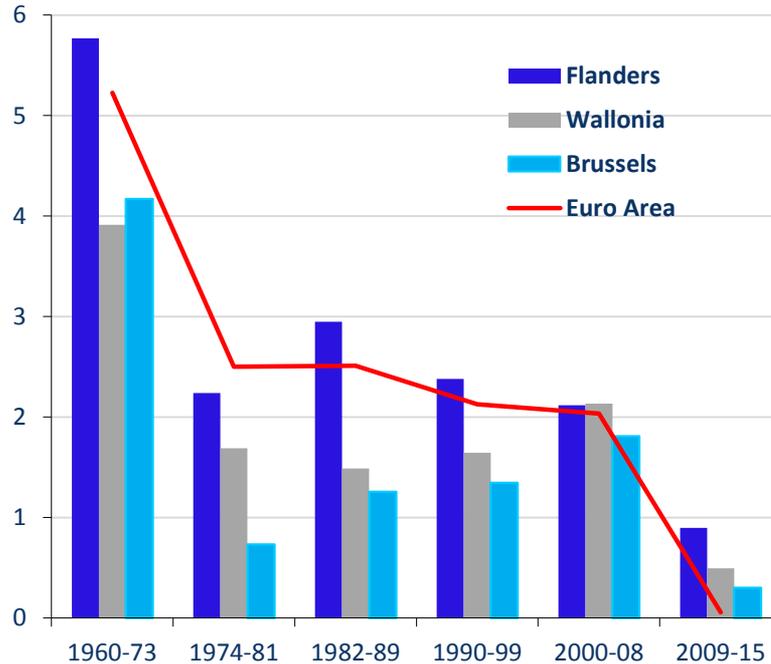
2017	Belgium	Euro Area	Germany
IMF (April)	1.4	1.6	1.6
European Commission (May)	1.6	1.8	1.6
OECD (June)	1.5	1.7	1.7
NBB (June)	1.5	1.7	-
Bloomberg Consensus (June)	1.6	1.6	1.6
KBC (June)	1.5	1.7	1.8

Regional growth 1960-2018

Flemish economy grew more rapidly during and after the crisis

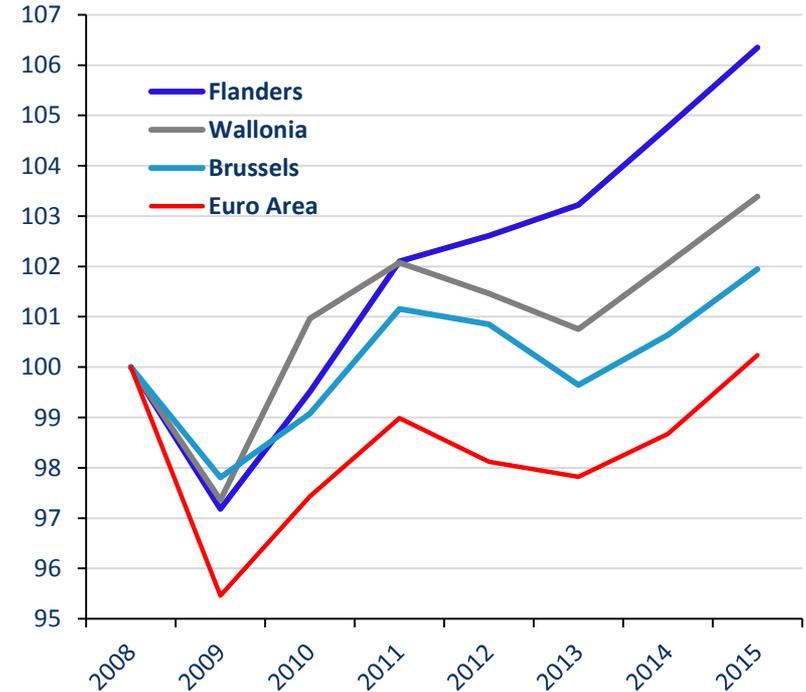
Real growth gross regional product

(in % per year, period averages)



Real gross regional product

(2008 = 100)

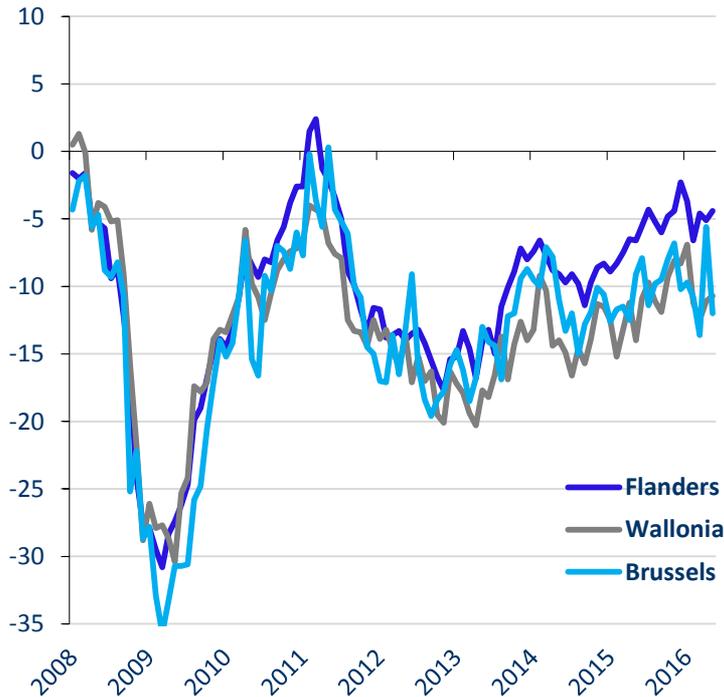


Source: NBB (INR); 2015: KBC estimate

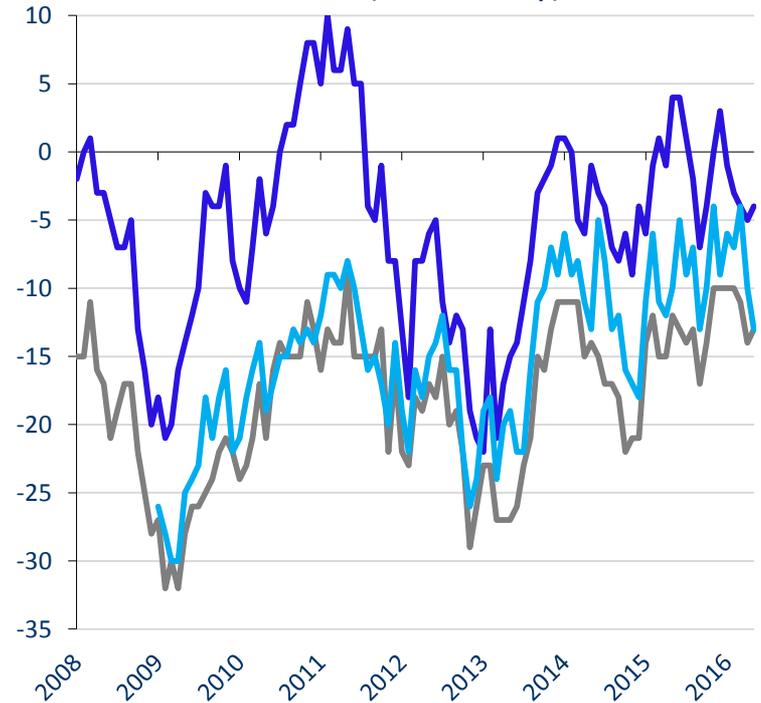
Regional business cycle

(slight) improvement in sentiment again in Flanders and Wallonia

Producer confidence
(NBB indicator)



Consumer confidence
(NBB survey)



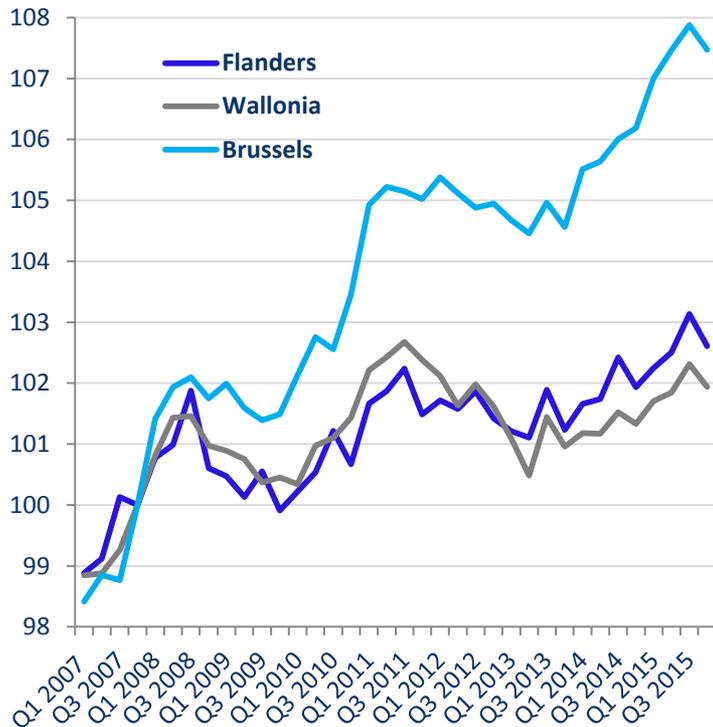
Source: NBB

Regional labour markets

Marked increase in the number of Brussels residents in employment...

Number of wage-earners

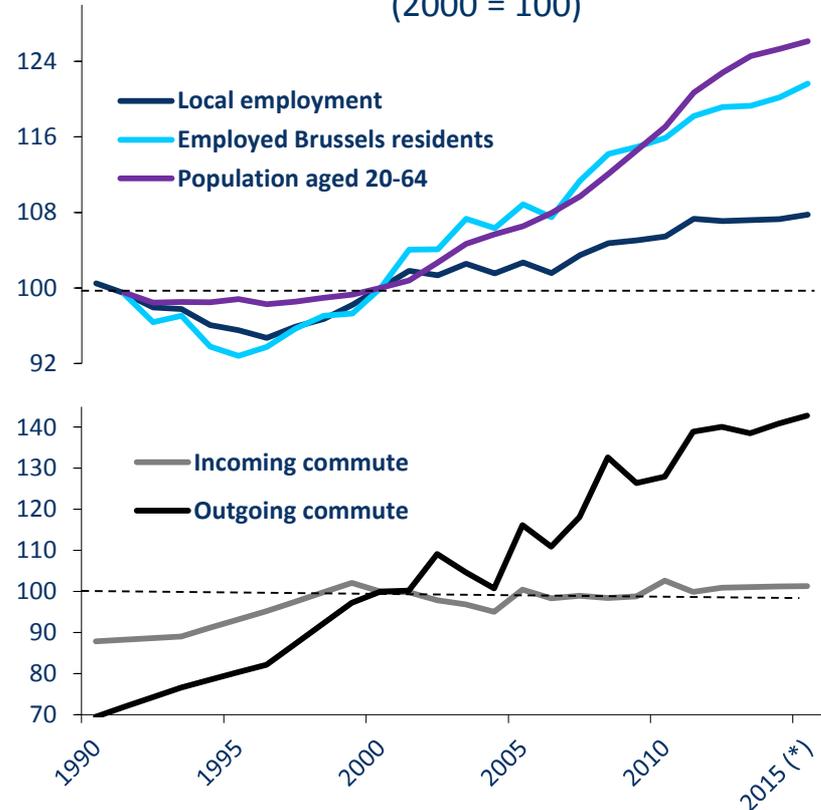
(according to place of residence, Q4 2007 = 100)



Source: RSZ

Demographics and Brussels' labour market

(2000 = 100)

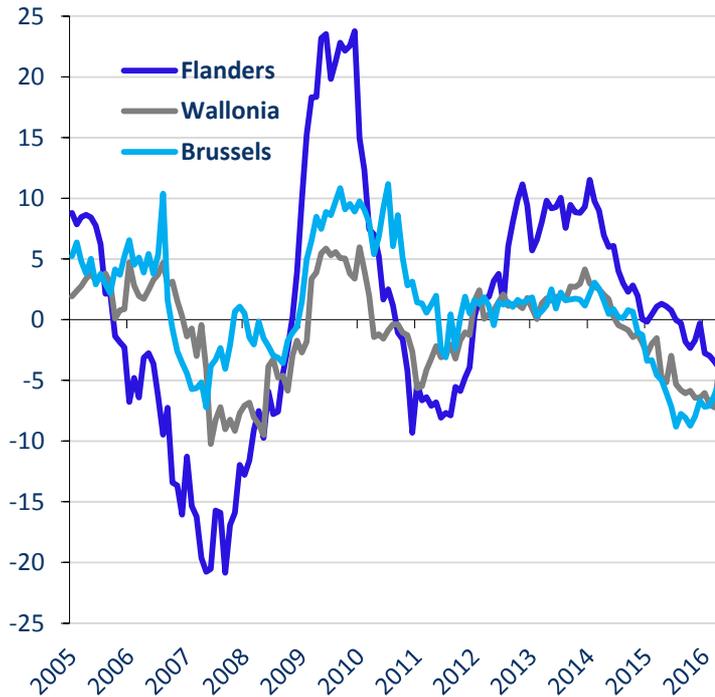


Source: Eurostat; (*) Estimate Federal Planning Bureau

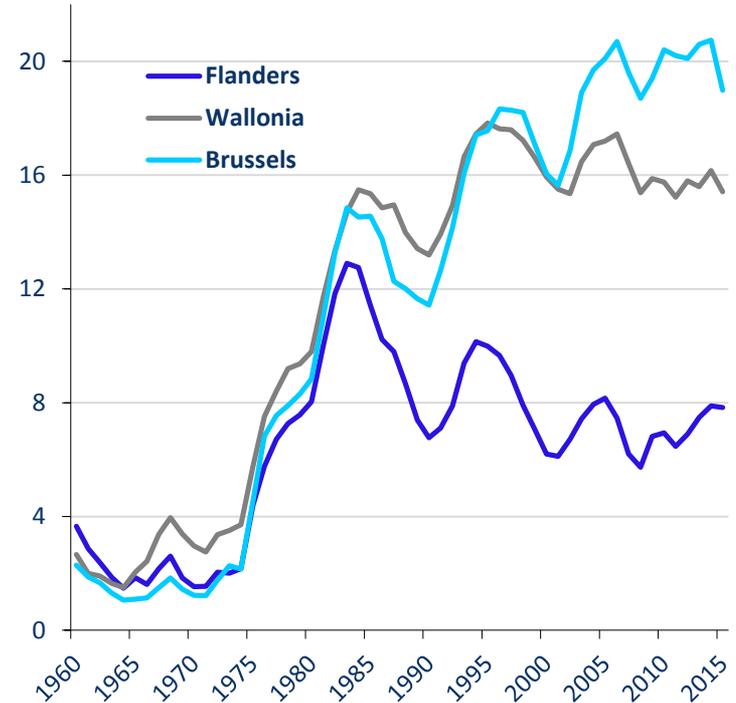
Regional labour markets

Unemployment figures also point to a relative improvement in Brussels

Number of unemployed persons
(annual change in non-working job-seekers, in %)



Unemployment rate
(in % of the labour force)

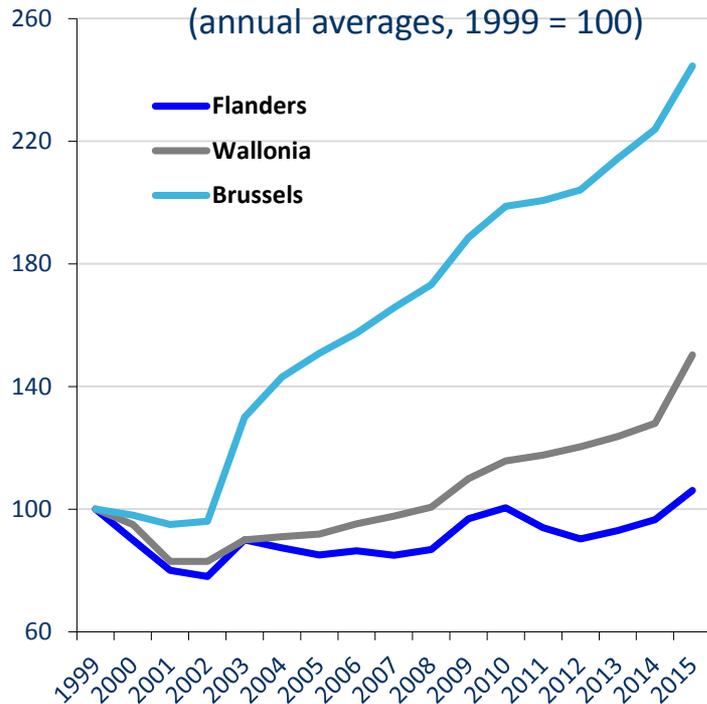


Regional labour markets

...also increasing number of people that have had to turn to assistance

Number of minimum subsistence allowance claimants

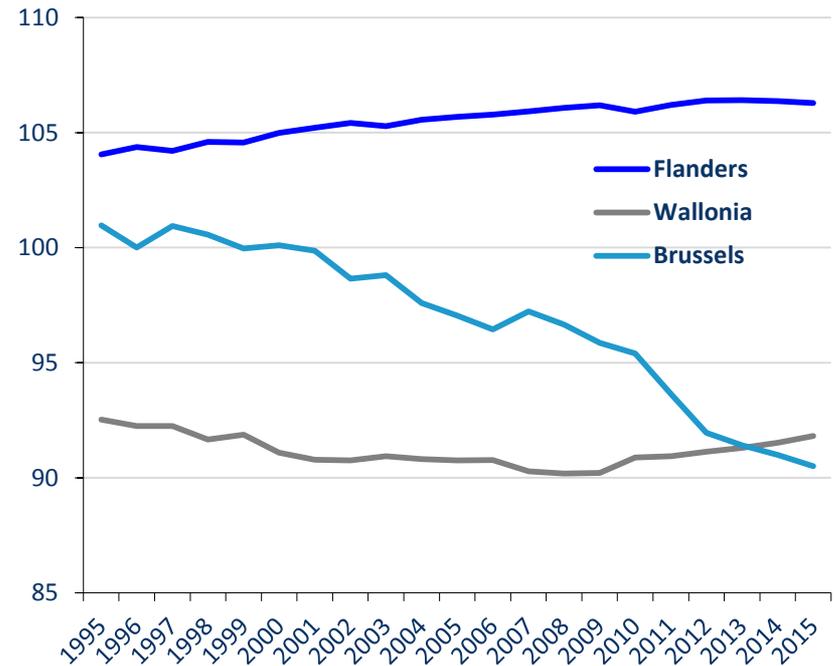
(annual averages, 1999 = 100)



Source: POD Maatschappelijke Integratie

Disposable income per inhabitant

(Belgium = 100)

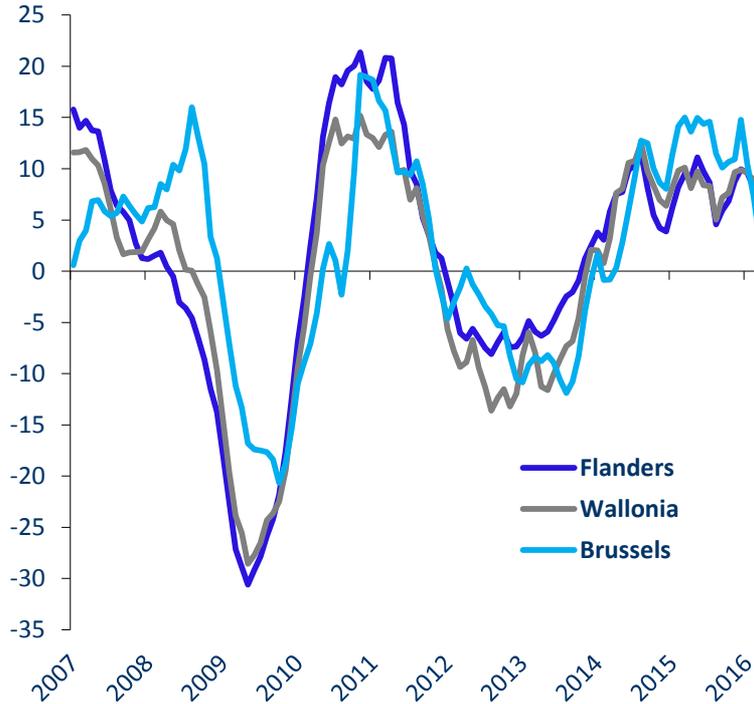


Source: Federal Planning Bureau (2014-2015 estimate)

Regional labour markets

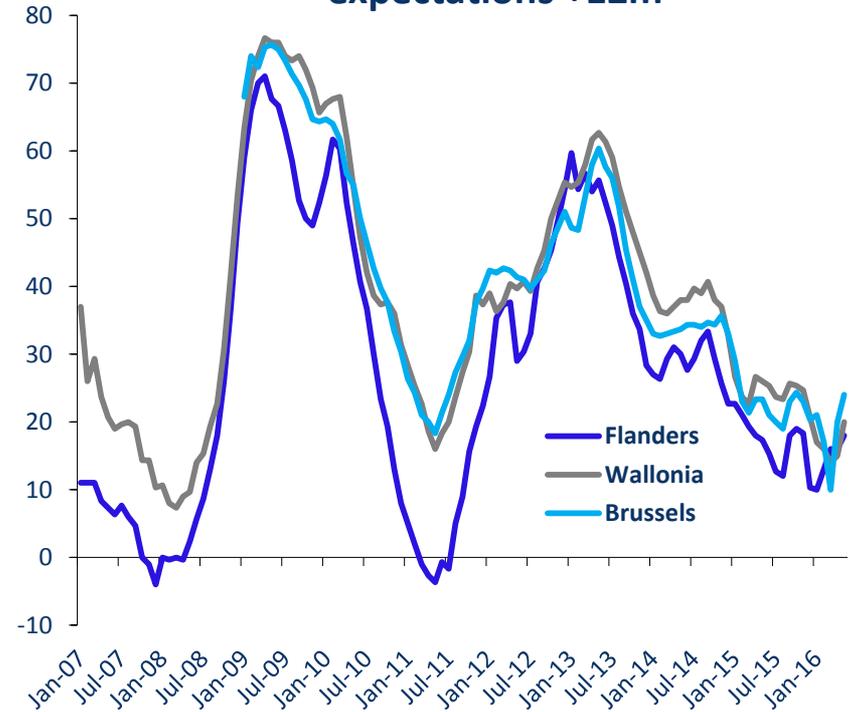
Leading indicators remain at a reasonably favourable level

Temporary employment activity (hours worked, annual change in %)



Source: Federgon

Consumers' unemployment expectations +12m

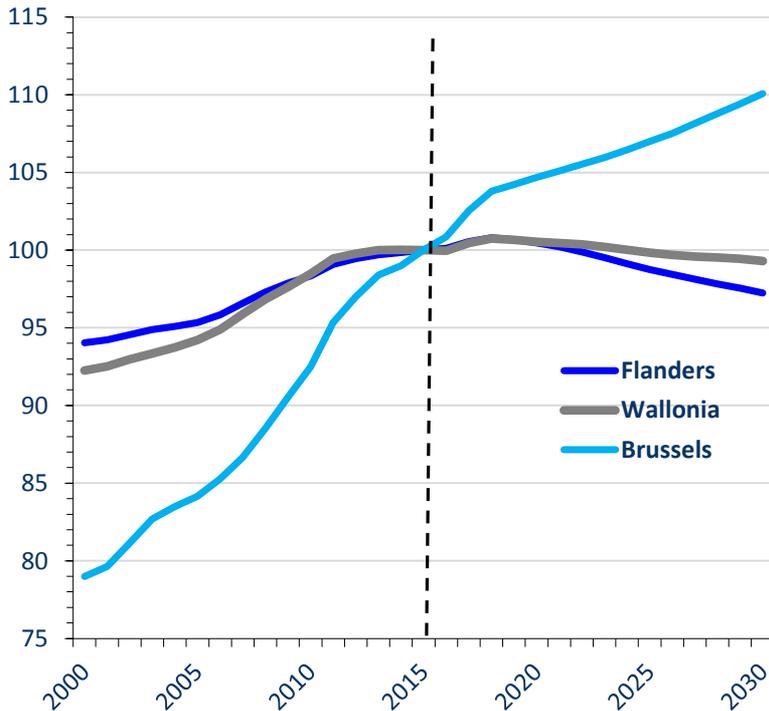


Source: NBB

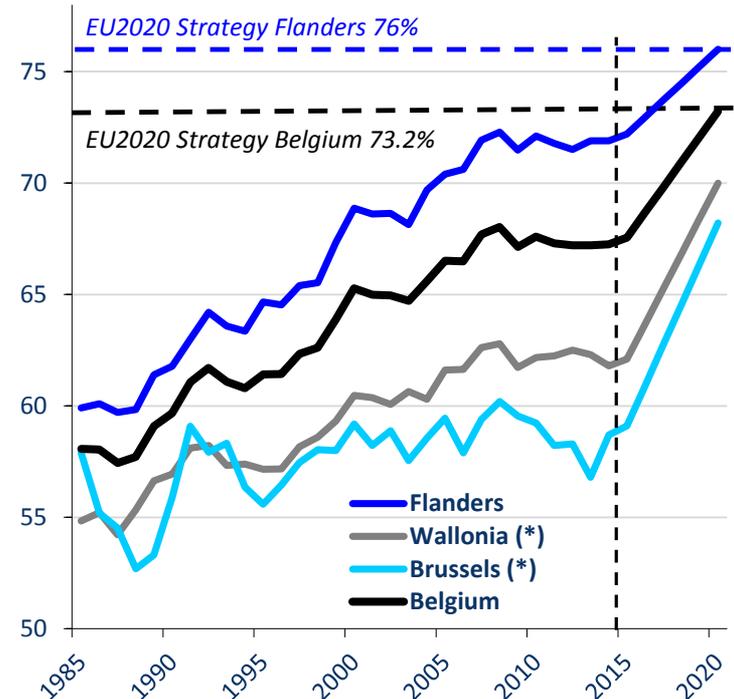
Regional growth perspective 2016-2020

Working-age population will contract in Flanders and Wallonia

Working-age population
(population aged 20-64, 2015 = 100)



Employment rate
(employed persons in % population aged 20-64)



(*) Wallonia and Brussels do not have separate EU2020 targets of their own. The assumption of an employment rate of 70% (Wallonia) and 68.2% (Brussels) is consistent with the EU2020 targets for Flanders (76%) and Belgium (73.2%)

Regional growth perspective 2016-2020

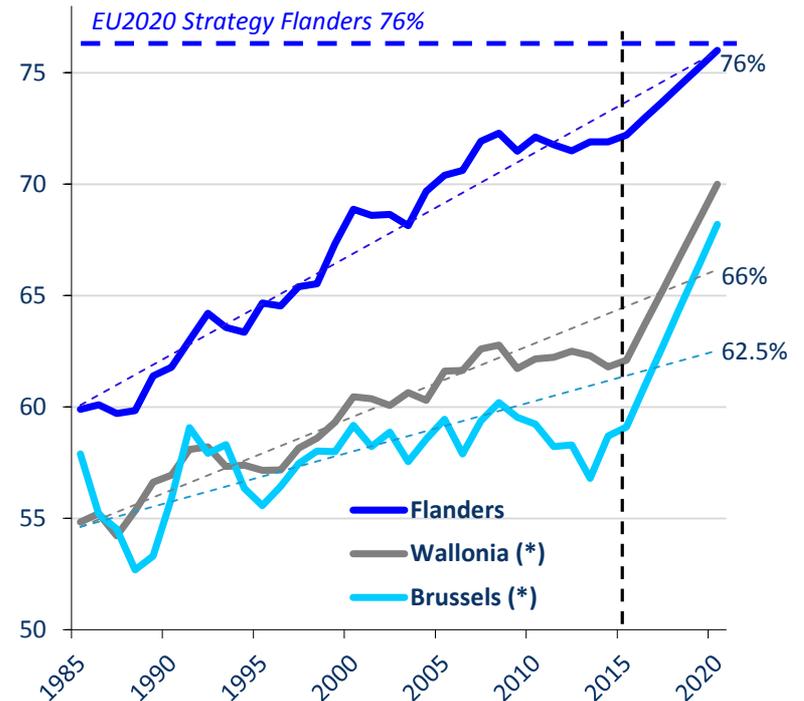
Higher potential employment growth in Wallonia and Brussels

Scenarios for employment rate and persons employed

	Scenario EU2020 2016-20	Scenario KBC (*) 2016-20
Flanders		
Employment rate 20-64 (end of period)	76.0	76.0
Change in persons employed per year (in '000)	31.6	31.6
Change in persons employed per year (in %)	1.1	1.1
Wallonia		
Employment rate 20-64 (end of period)	70.0	66.0
Change in persons employed per year (in '000)	35.0	18.0
Change in persons employed per year (in %)	2.5	1.3
Brussels		
Employment rate 20-64 (end of period)	68.2	62.5
Change in persons employed per year (in '000)	17.9	9.2
Change in persons employed per year (in %)	3.9	2.1

(*) On the assumption that the regional employment rates will develop on a trend basis, i.e. in 2020 76% in Flanders, 66% in Wallonia and 62.5% in Brussels

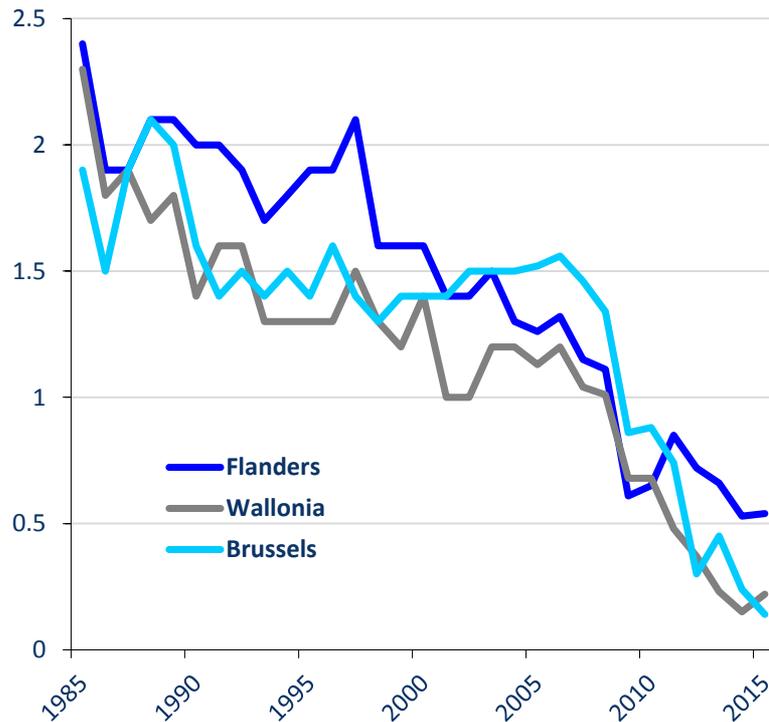
Employment rate (employed persons in % population aged 20-64)



Regional growth perspective 2016-2020

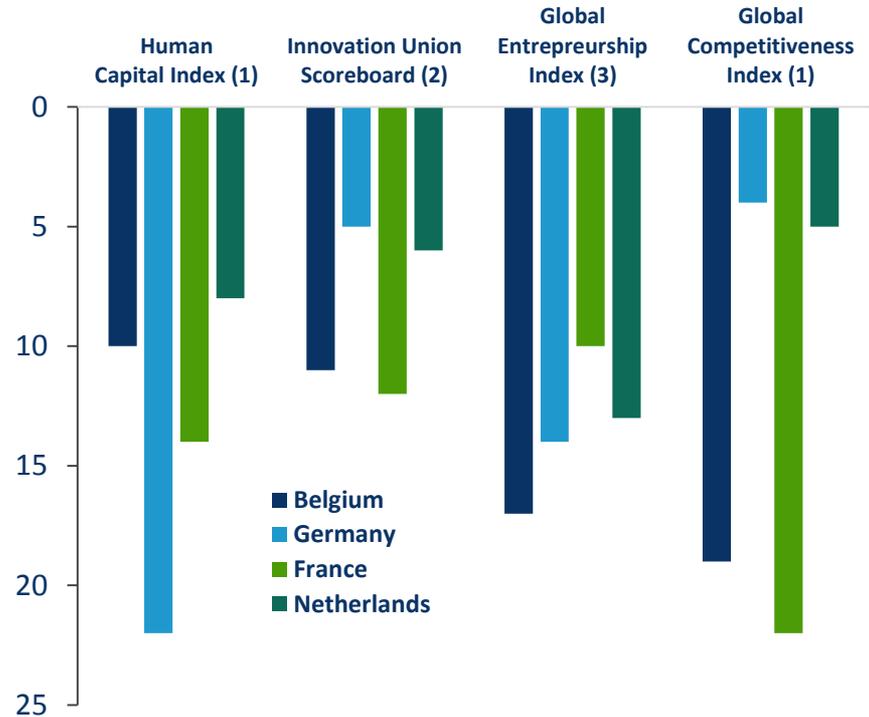
But labour productivity growth has been in a secular decline

Real growth of labour productivity
(10-year moving average, in %)



Source: NBB (INR)

Levers of productivity growth
(rank order position, 2015)



Source: (1) World Economic Forum; (2) European Commission; (3) Global Entrepreneurship and Development Institute

Regional growth perspective 2016-2020

Potential growth rate in Wallonia and Brussels could slightly exceed that in Flanders

	2015	2016	2009-2015 (*)	Potential growth 2016-2020 (*)		
				Employment growth	Productivity growth	
Flanders	1.5	1.5	0.9	1.5	1.1	0.4
Wallonia	1.3	1.4	0.5	1.6	1.3	0.3
Brussels	1.3	1.2	0.3	1.6	1.3	0.3
Belgium	1.4	1.4	0.7	1.5	1.2	0.3

(*) Per year, period averages

Summing up

- After the regional growth differences had virtually disappeared in 2000-2008, Flanders' growth lead on the two other regions came back to the fore in 2008-2015
- The improvement in the economic climate has also ensured that the regional labour markets are picking up, with a remarkable increase in the number of Brussels residents in employment
- On account of its greater openness, the Flemish economy will also benefit more than the other regions from the further European recovery in 2016
- The economic consequences of the March attacks will largely die out during the year, so the negative growth impact in Brussels for 2016 as a whole will probably remain limited
- In the longer term the low productivity growth will cut across the potential growth of regional output, especially in Wallonia and Brussels
- If Wallonia and Brussels take full advantage of the labour market reforms that are currently under way and as needed to lift the employment rate to a structurally higher level, the potential growth rate could however even slightly exceed that in Flanders



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