Summary for non-specialists
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Macroeconomic Imbalances

Belgium 2014

On 13 November 2013, the European Commission presented its third Alert Mechanism Report (AMR) in accordance with the Regulation (EU) No. 1176/2011 on the prevention and correction of macroeconomic imbalances. The AMR serves as an initial screening device to identify Member States that warrant further in depth analysis into whether imbalances exist or risk emerging. According to Article 5 of Regulation No. 1176/2011, these country-specific "in-depth reviews" should examine the nature, origin and severity of macroeconomic developments in the Member State concerned, which constitute, or could lead to, imbalances. On the basis of this analysis, presented on 5 March 2014, the Commission will conclude whether it considers that an imbalance exists or not, and if so whether it is excessive or not, and what type of follow-up it will recommend to the Council to address to the Member State.

The 2014 in-depth reviews (for Belgium, Bulgaria, Germany, Denmark, Ireland, Spain, France, Croatia, Italy, Luxembourg, Hungary, Malta, Netherlands, Slovenia, Sweden, Finland and the United Kingdom) were published on 5 March 2014 together with a Commission communication summarising the results. On the basis of the analysis in the In-depth review the Commission concluded that:

Belgium continues to experience *macroeconomic imbalances, which require monitoring and policy action*. In particular, developments with regard to the external competitiveness of goods continue to deserve attention as a persistent deterioration would threaten macroeconomic stability.

More specifically, a continuing worsening of competitiveness, including its non-cost dimension, may engender negative consequences for the economy. The ability of manufacturing to compete internationally has been hampered, which is reflected in eroding producers' margins and in job destruction. Squaring high labour costs with sustainable job creation and high standards of living requires a push towards products higher up in the global value chains. At the same time, a further decoupling between fast wage and slow productivity growth needs to be prevented. In this respect, Belgium has taken steps that are expected to produce effects in upcoming years. Yet, preserving the manufacturing basis requires more ambitious action, all the more so with reforms unfolding in competitor countries. This is related to labour taxes and making wage formation more responsive to economic and sectorial realities, and addressing persistent problems with regard to labour market functioning. Belgium's high public debt remains a concern for the sustainability of public finances. On the positive side, however, Belgium has managed to stabilize its public debt ratio, is estimated to have met the recommended deficit target in 2013, and is projected to keep the deficit below 3 per cent of GDP. Moreover, long average maturities, relatively reduced interlinkages with the domestic financial sector and a relatively healthy private sector temper risks for the wider economy.