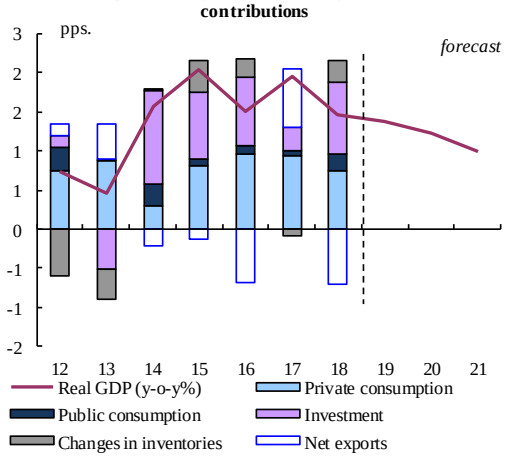
2.1. BELGIUM

GDP growth is expected to have eased in 2019 to 1.4%, from 1.5% in 2018. A slowdown in private consumption and private investment growth was compounded by a drag from net exports and inventories. Economic sentiment deteriorated in all sectors in 2019, with survey data pointing to weaker order books and expectations of slower employment growth. However, some confidence indicators such as the Commission's Economic Sentiment Indicator and those published by the National Bank of Belgium have shown some positive developments in January 2020.

Graph 2.1: **Belgium - Real GDP growth and contributions**



Domestic demand is forecast to continue driving economic growth in Belgium in 2020 and 2021. Private consumption growth is expected to strengthen in 2020, as disposable income growth is supported by sound labour market conditions and personal income tax cuts, and decelerate slightly in 2021. After several years of robust growth, investment is set to slow down gradually. Household investment growth is projected to weaken following a marked increase in 2019. Business investment growth is expected to decelerate further, reflecting lower confidence and reduced order books. Public investment is forecast to pick up slightly in 2020 and 2021, in line with the electoral cycle at local and regional levels.

GDP growth is projected to ease to 1.2% in 2020 and 1.0% in 2021. The contribution of net exports to GDP growth is expected to remain negative in both years. While the only gradual pick-up of world trade growth is likely to keep weighing on exports, imports should find support from the strength of domestic demand.

Headline inflation decreased from 2.3% in 2018 to 1.2% in 2019, mainly due to lower fossil fuel and wholesale electricity prices and lower unprocessed food prices. Headline inflation is forecast to edge up to 1.4% in 2020 and 1.5% in 2021, reflecting slightly higher food and service prices. Wage increases are expected to pass through partially to service prices, contributing to rising core inflation in 2020 and 2021.