2.1. BELGIUM

Real GDP growth bounced back to 1% q-o-q in the first quarter of this year after public health restrictions introduced in autumn 2020 were partially eased. At the end of March, the Belgian government reintroduced measures for a few weeks, in order to fight a third wave of Covid-19 infections. However their impact on the economy is expected to have been limited. During the second quarter, the accelerating pace of the vaccination campaign and an improvement in the public health situation allowed a gradual relaxation of restrictions affecting close-contact service businesses. As more Belgian residents are vaccinated over the coming months, a further easing of restrictions is expected.

Continued improvement in business and consumer sentiment, including in hard-hit services and retail trade sectors, suggests that economic activity has moved onto a solid recovery path and will continue expanding in the coming months, with the consumption of services rebounding strongly. This is supporting an increase in employment, which should further underpin the rebound in consumption during the second and third quarters. Private and public investment staged a strong recovery between the third quarter of 2020 and the first quarter of 2021 and the implementation of the Recovery and Resilience Plan is expected to strengthen it further over the forecast horizon.

Consequently, real GDP growth is forecast to rise to 1.2% q-o-q in the second quarter and 1.9% q-o-q in the third. On an annual basis, real GDP growth is projected to reach 5.4% in 2021 and 3.7% in 2022.

HICP inflation is projected to increase to 2.1% in 2021 due to rising oil prices and price pressures related to the rebound in consumption. However, these pressures are expected to be temporary and to ease in 2022. Consequently, HICP inflation is expected to decline to 1.7% in 2022, mainly driven by oil prices and more in line with core inflation.

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