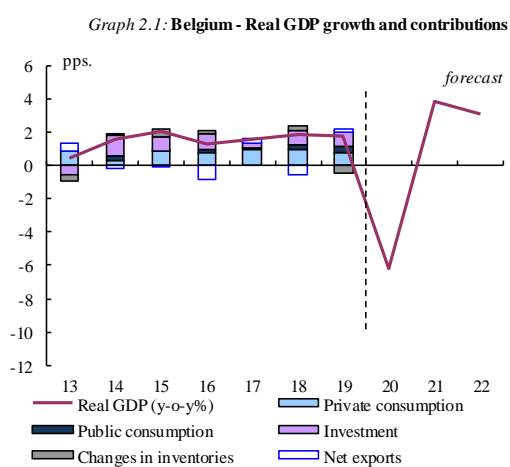


## 2.1. BELGIUM

The economy of Belgium was severely hit by the COVID-19 outbreak in 2020, as domestic demand suffered from restrictive measures and a large drop in confidence. Consequently, GDP fell dramatically. After a steep decline in the first two quarters and a stronger-than-expected rebound in the third quarter, renewed restrictions linked to a second wave of infections brought the recovery to a halt in the fourth quarter. GDP growth is estimated to have reached 0.2% in the fourth quarter. All in all GDP is expected to contract by 6.2% in 2020.

The current level of restrictions is set to remain in place in early 2021, weighing especially on the consumption of services, before a gradual easing, linked to the rollout of vaccinations. Support measures, still ongoing at the beginning of 2021, should limit job losses and bankruptcies in the most affected sectors such as leisure, restaurants, hotels and transport, at least in the short term. Future spending related to the Recovery and Resilience Facility is not included in this forecast and constitutes an upside risk.

Growth is forecast to be roughly flat in the first quarter, with GDP then rebounding in the second and third quarters of 2021. Private consumption is projected to be the main driver as households spend some of their forced savings. In a context of continued uncertainty, investment is expected to recover only gradually over the forecast horizon. After a deep contraction in the first half of 2020, exports and imports are projected to recover quickly as global trade recovers and reflecting Belgium's position as a trade hub. Mirroring consumption developments, the quarterly growth rate of GDP is then set to gradually return to its long-term trend once pent-up demand is exhausted. All in all, annual GDP growth is forecast to reach 3.9% in 2021 and 3.1% in 2022. GDP is set to return to its pre-crisis level in the second half of 2022.



The fall in economic activity and energy prices depressed annual HICP inflation from 1.2% in 2019 to 0.4% in 2020. In line with the oil price assumptions and the expected rebound of economic activity, annual HICP inflation is forecast to rise to 1.8% in 2021 and 2022.