

Growth, incomes and consumption

Economic expectations 2024

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 Banque **Nationale** Bank
DE BELGIQUE VAN BELGIË
Eurosystem

gondola

The world economy experienced less turbulence in 2023 ...

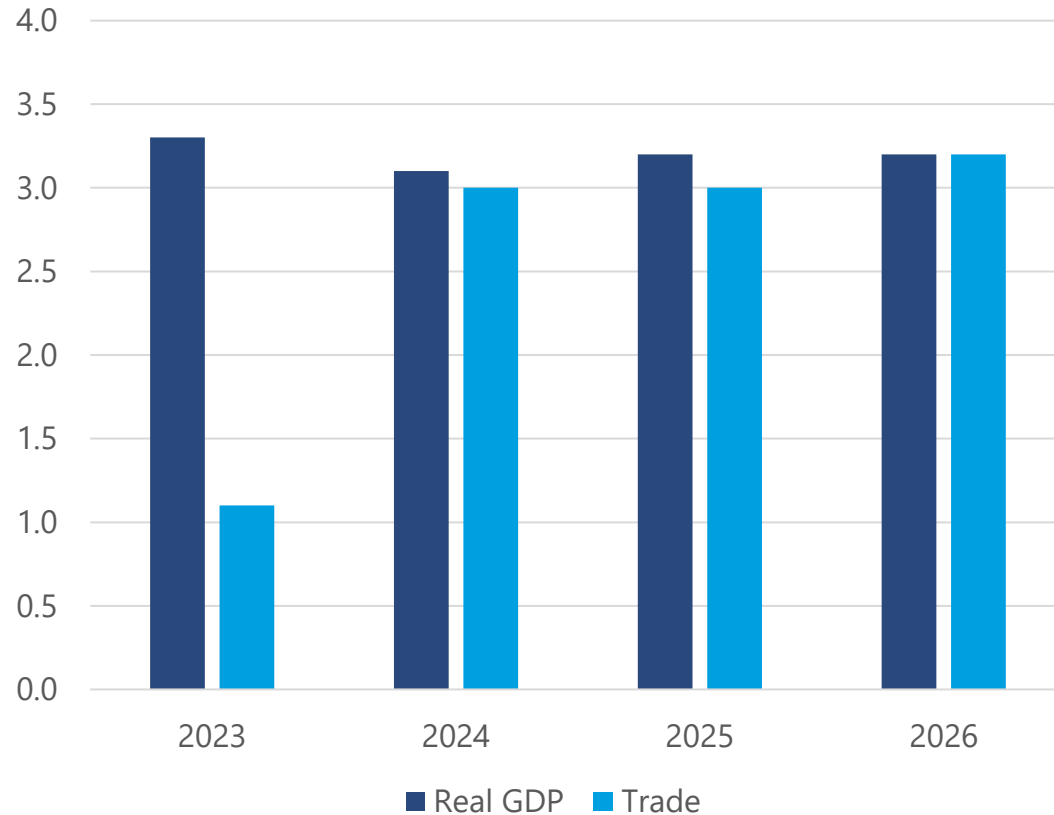
- ✓ Strong **services**-oriented consumption
- ✓ Robust labour markets
- ✓ Supply chains have normalized and price pressures (energy!) have eased



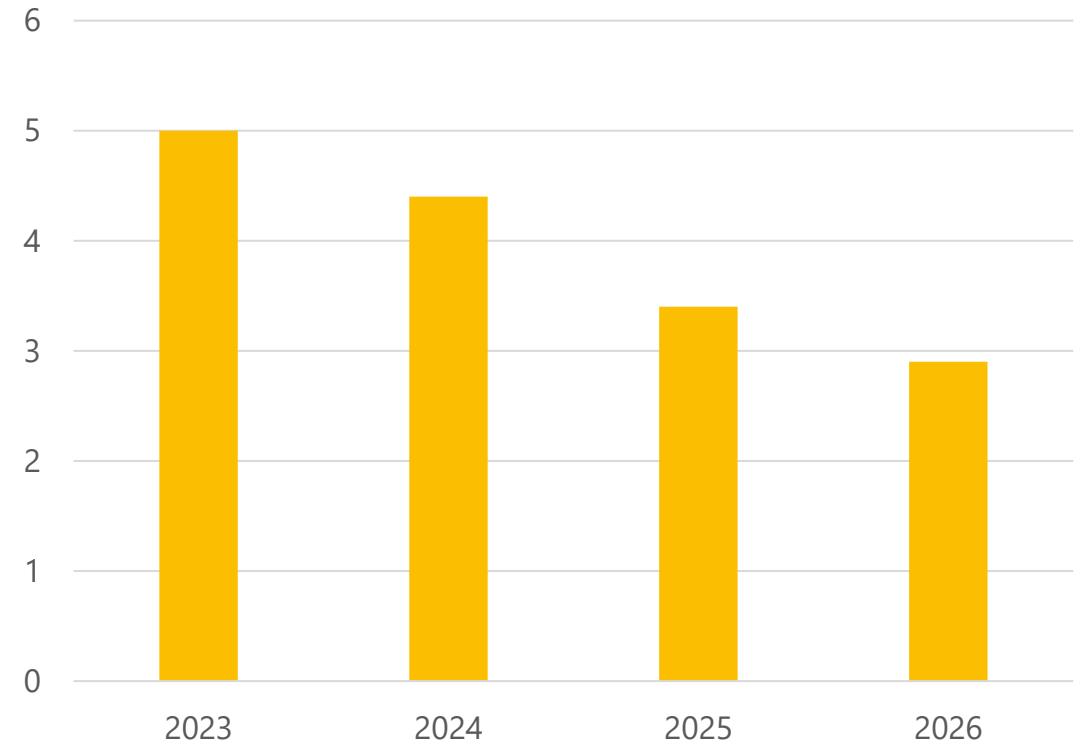
- ↓ Weak **industrial** activity
- ↓ Sluggish **global** trade
- ↓ Ongoing geopolitical uncertainty
- ↓ Tighter monetary policy

... and it is on course for a soft landing scenario

World real GDP and trade growth
(excl. the euro area)

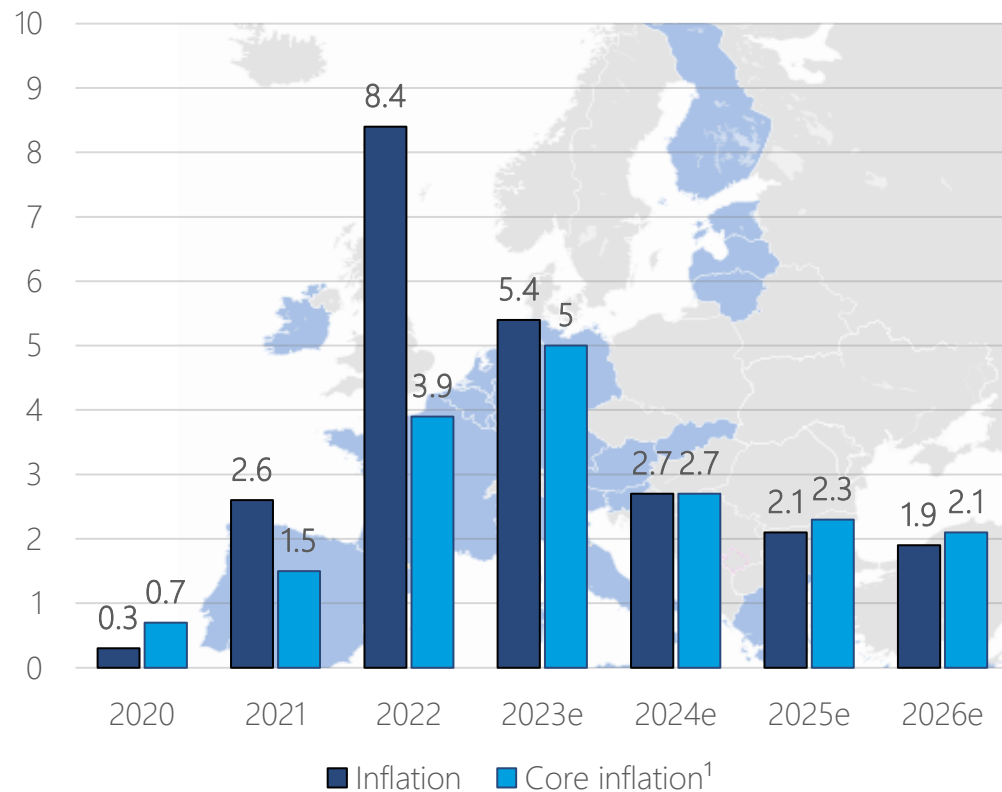


World inflation
(excl. the euro area)



According to Eurosystem projections, EA inflation should gradually fall further and the EA economy is expected to rebound in the course of 2024 ...

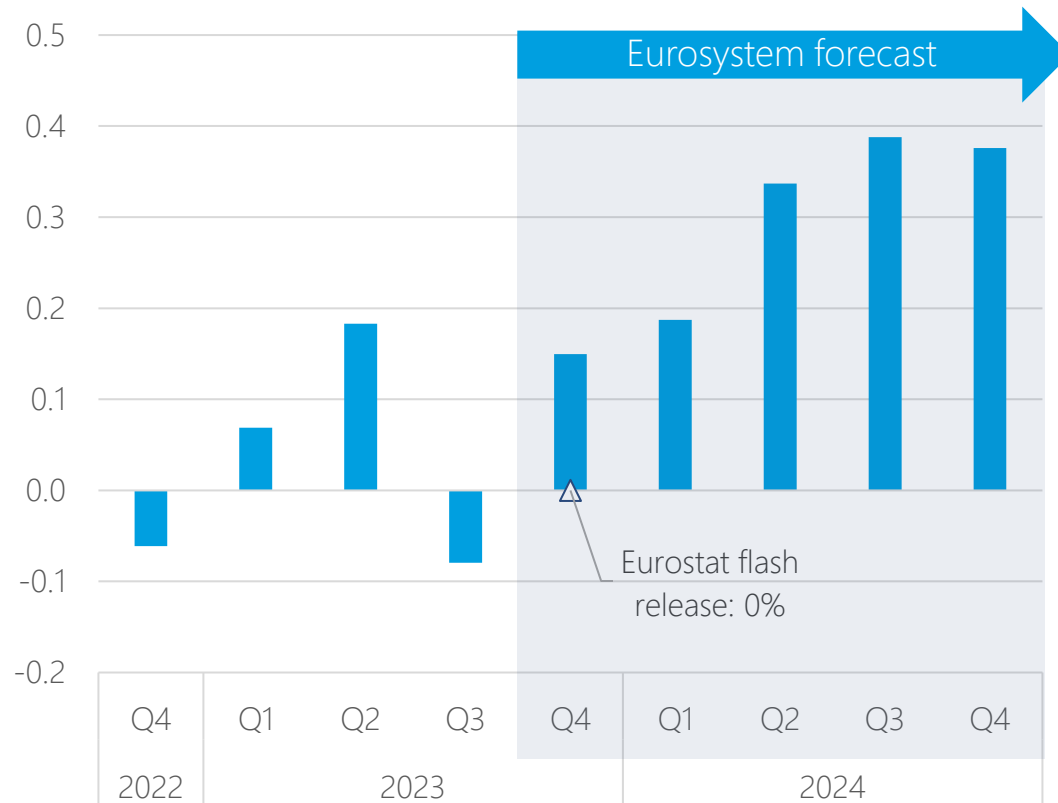
Euro area inflation



% change, unless otherwise stated	2022	2023e	2024e	2025e	2026e
Real GDP	3.4	0.6	0.8	1.5	1.5
Household consumption	4.2	0.5	1.4	1.6	1.4
Business investment	4.4	2.5	0.2	1.5	2.5
Net exports (contribution)	0.0	0.2	-0.2	0.0	0.1
Employment	2.5	1.4	0.4	0.4	0.4
Unemployment rate (% of the labour force)	6.7	6.5	6.6	6.5	6.4

... assuming growth rates pick up again in 2024, after more than a year of (near) stagnation

Quarterly real GDP growth in the euro area



PMI¹ composite index

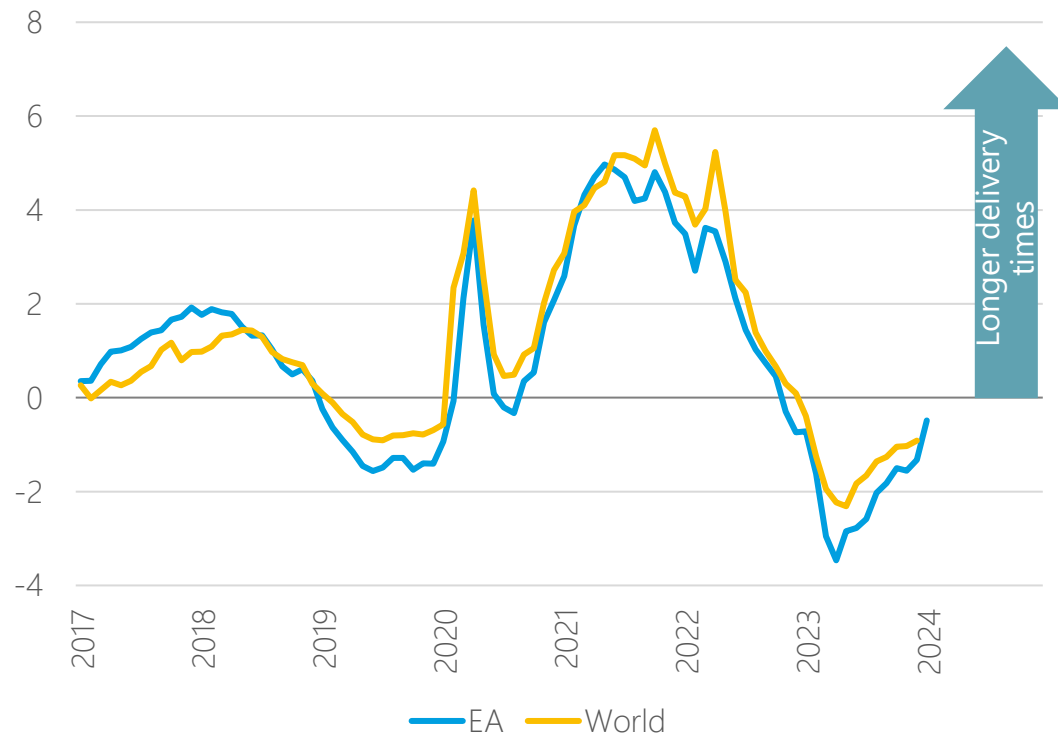
(monthly release, last observation: January)



Worries about Houthi attacks on ships in the Red Sea, but no major disruptions visible in PMI (yet?)

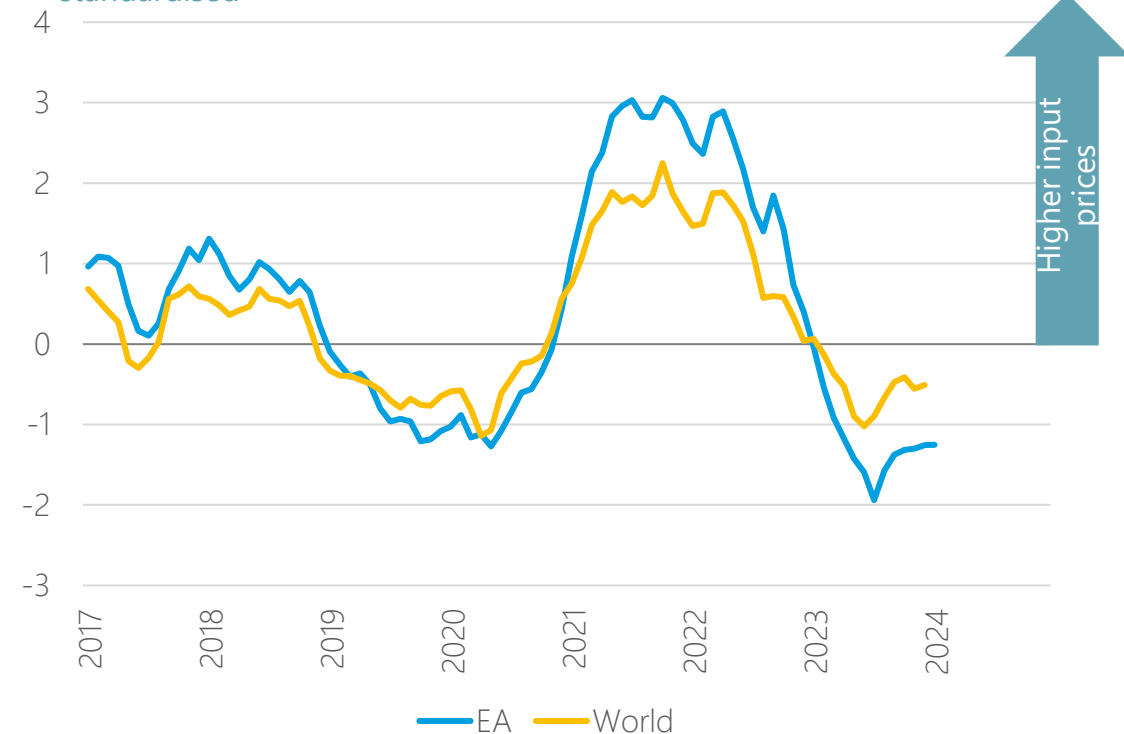
PMI manufacturing delivery times

(last observation: December/January; responses have been standardised¹)



PMI manufacturing input prices

(last observation: December/January; responses have been standardised¹)





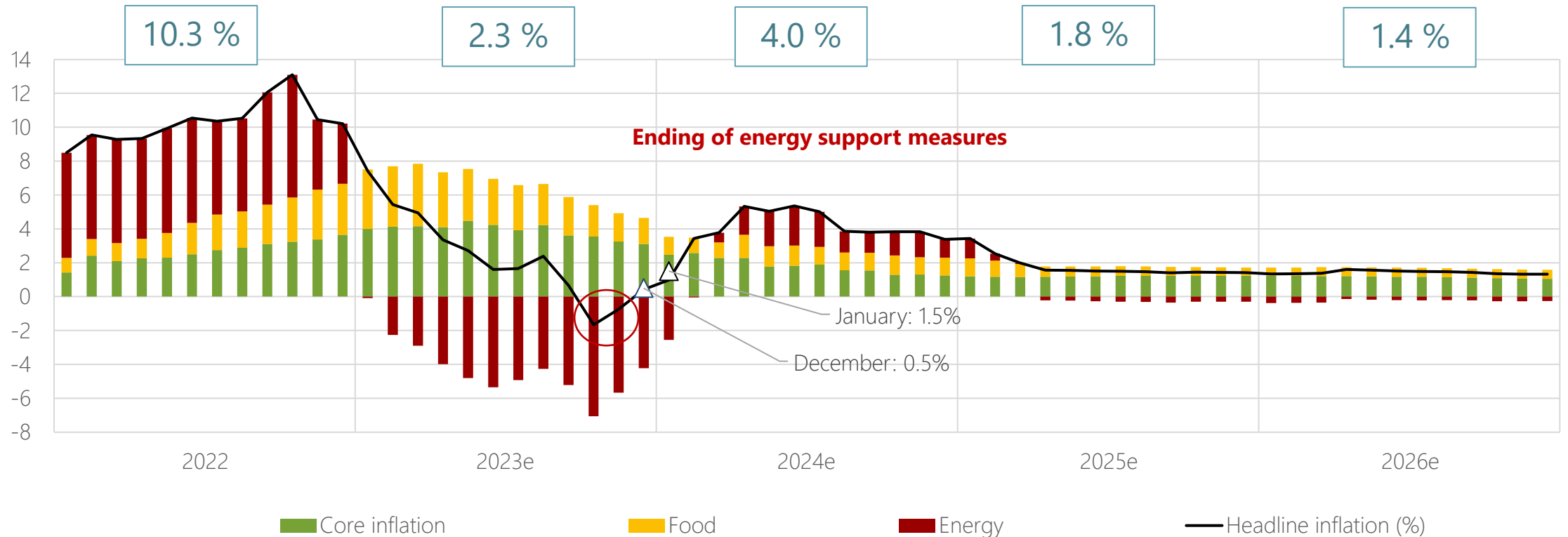
The Belgian economy

Recent developments and outlook

Headline inflation has clearly fallen in the course of 2023 (energy!) and is set to temporarily edge back up due to technical factors

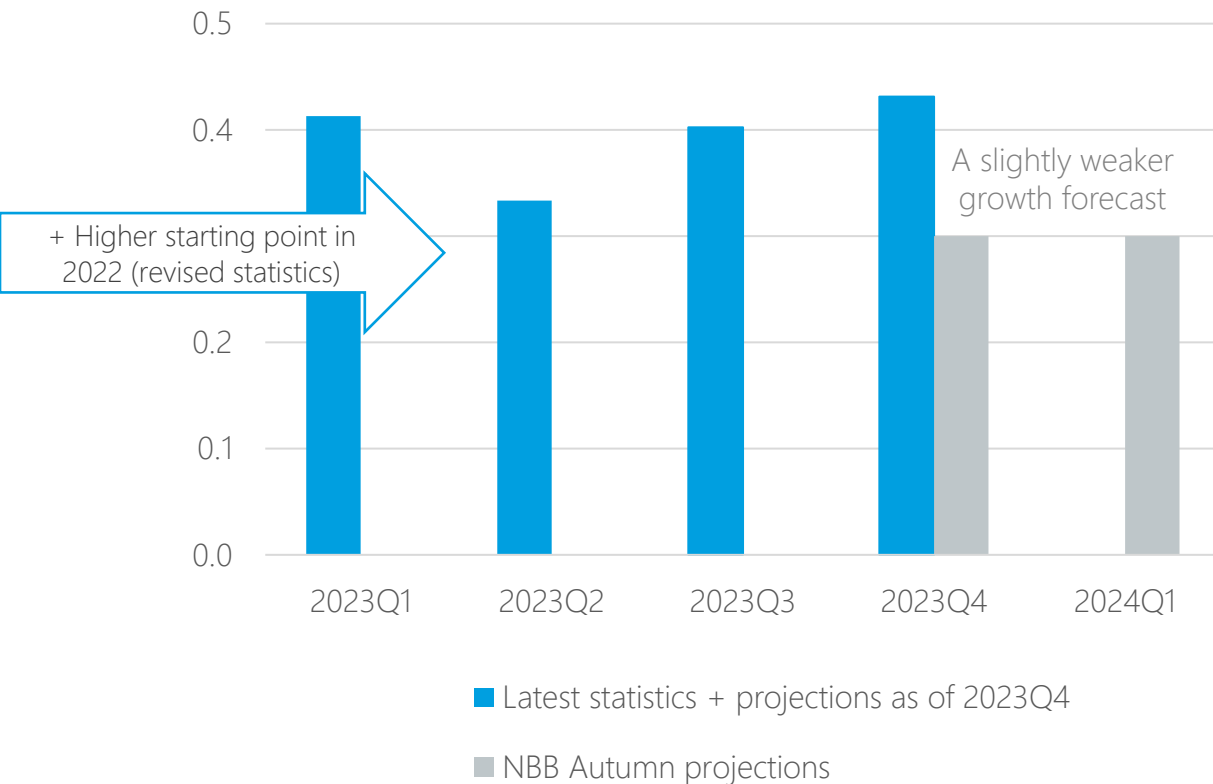
Headline inflation

(contribution in percentage points to headline inflation (%))

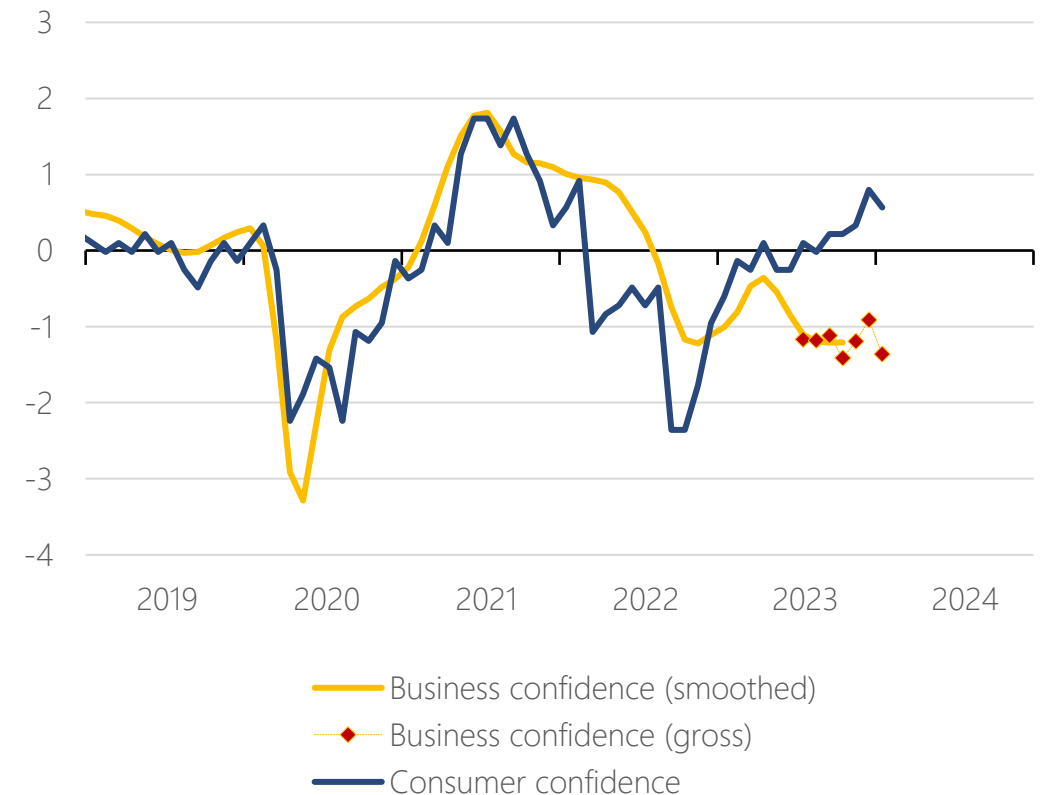


The Belgian economy has remained very resilient thus far (more than that of the euro area); confidence indicators are giving mixed signals

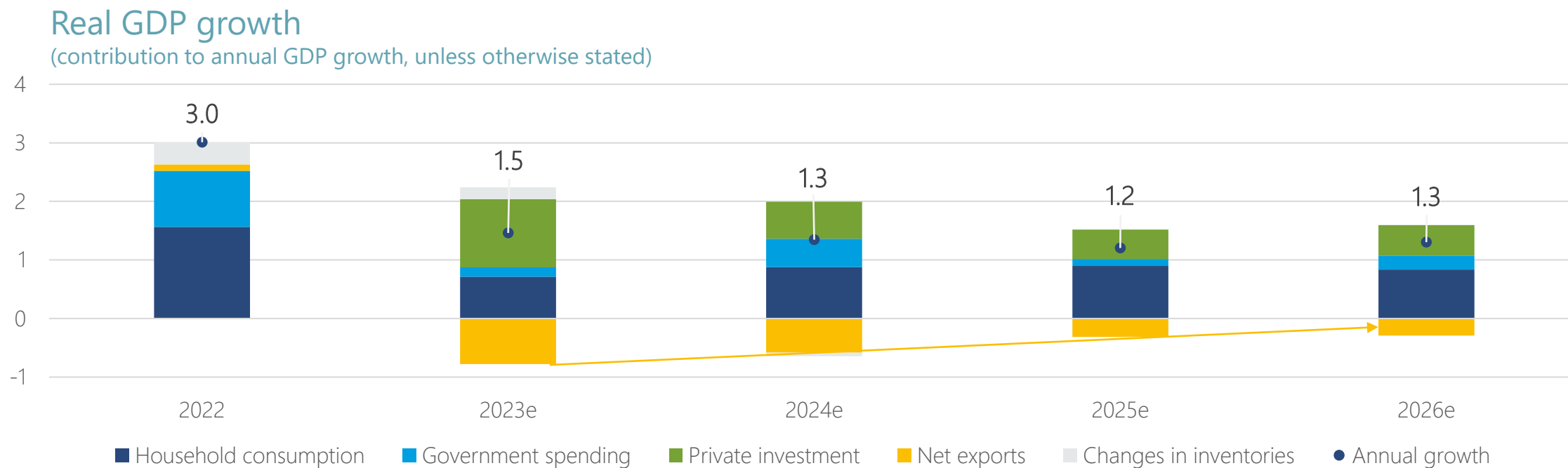
Real GDP growth (quarterly percentage growth)



Confidence indicators (last observation: January; standardised¹ responses)



GDP growth should remain fairly stable, around 1.3%, in the coming years: domestic demand should moderate and net exports become somewhat less negative



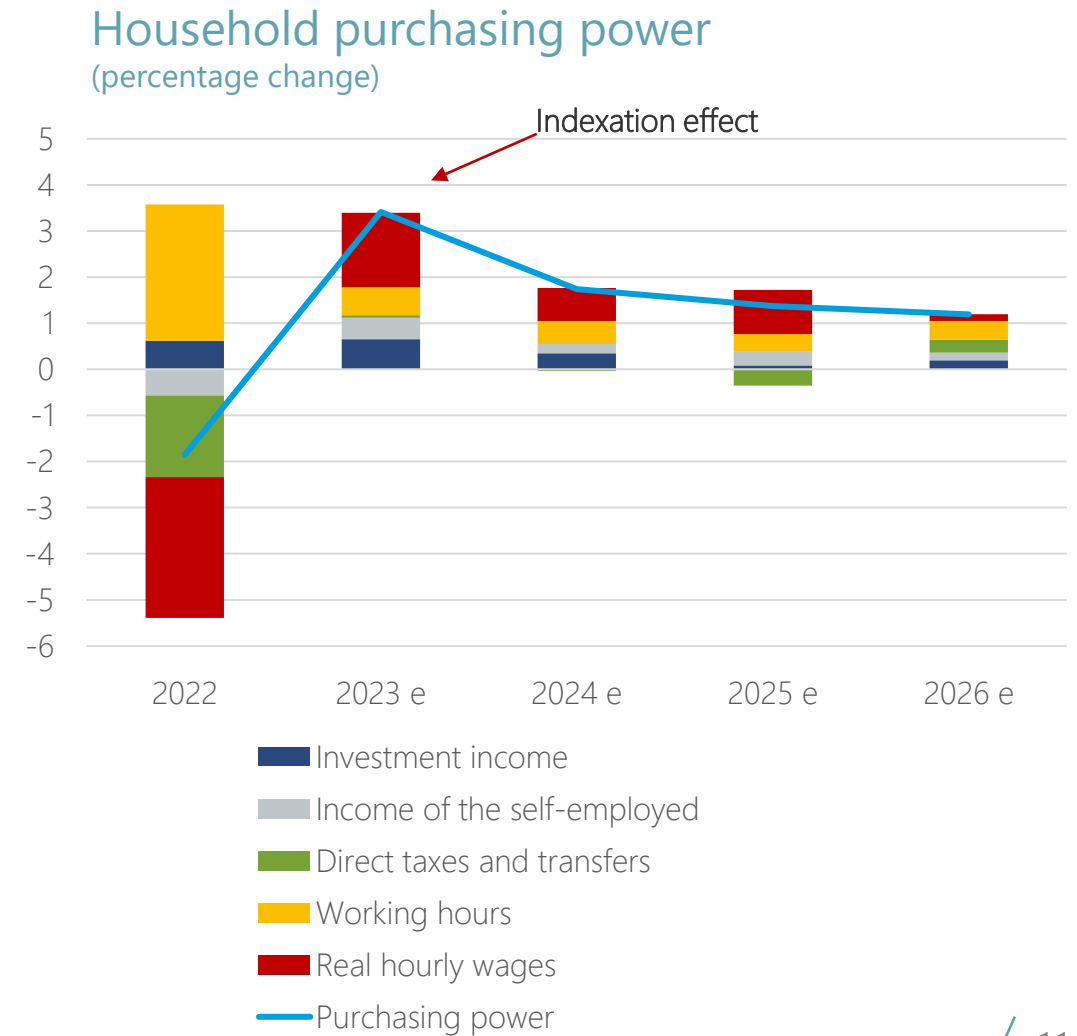
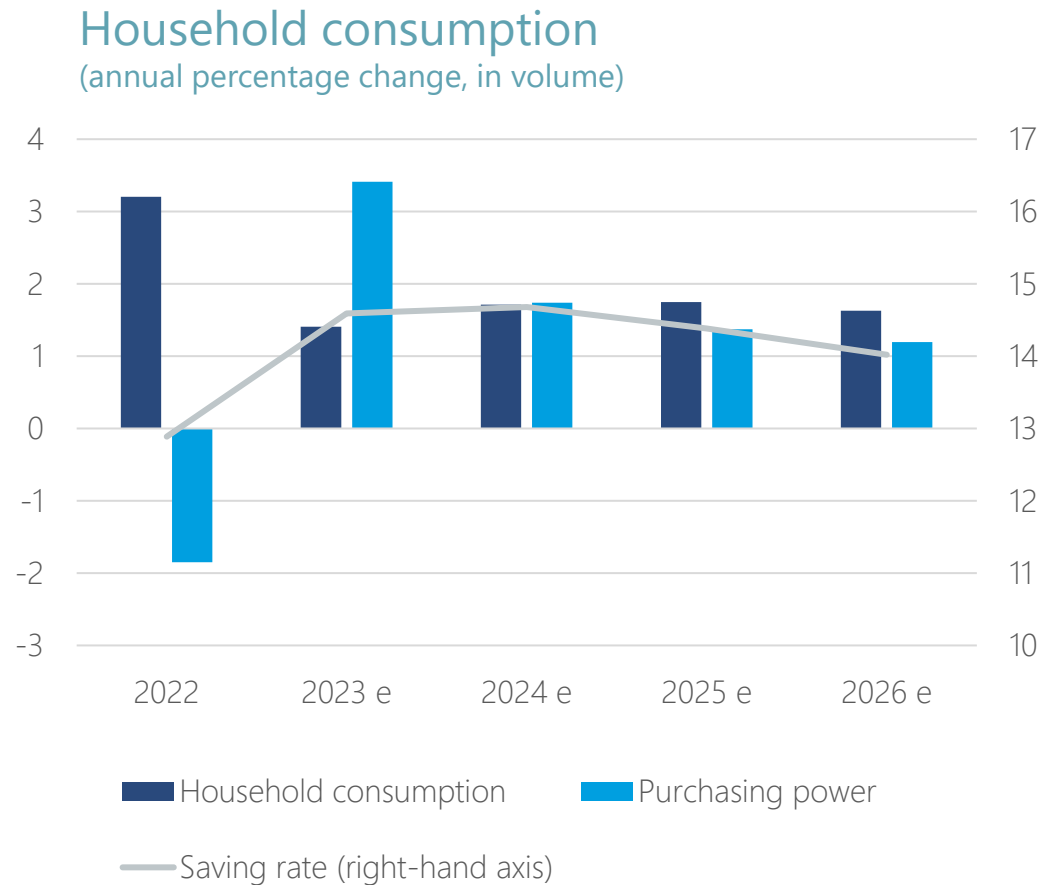
Robust purchasing power
(with boost in 2023 but
consumption smoothing)

Stimulus and electoral
cycle heading into 2024

Automation, digitalisation
and greener business
investment
but weak residential
(housing) investment

Weak trade and poor cost
competitiveness (at the
start of the projection
period)

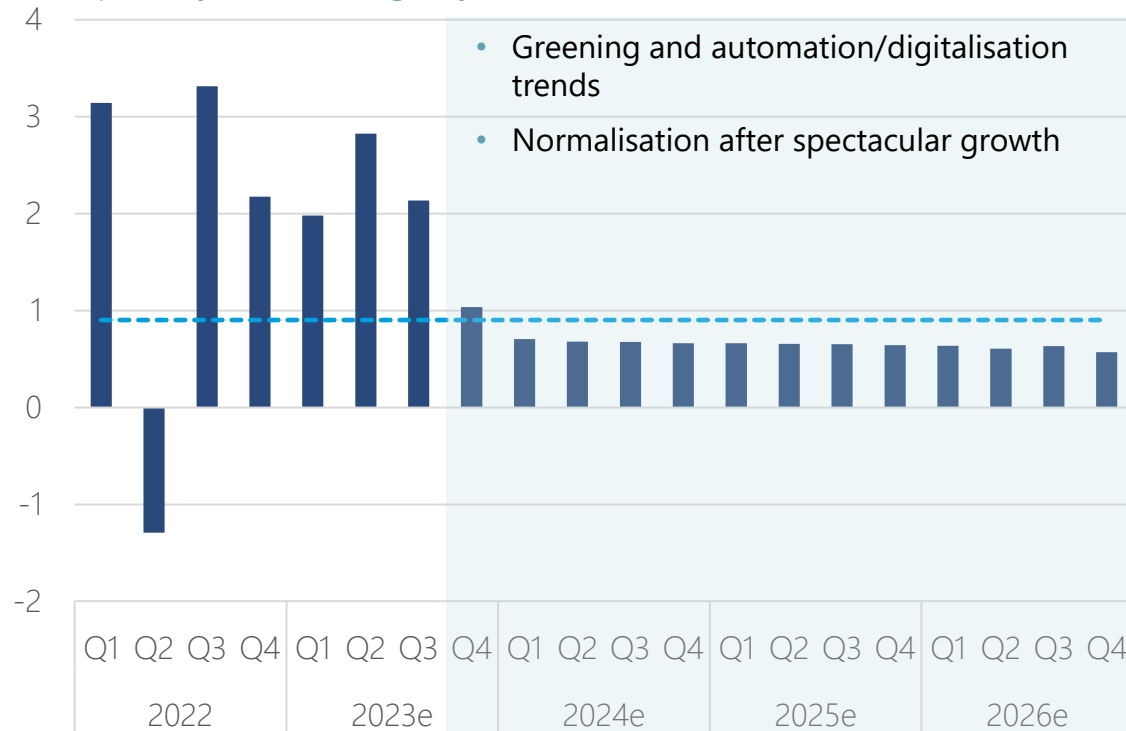
The saving rate rises temporarily due to consumption smoothing and should then drop somewhat to 14% (i.e. slightly above its pre-2020 level)



Business investment surged, but its growth should moderate

Business investment

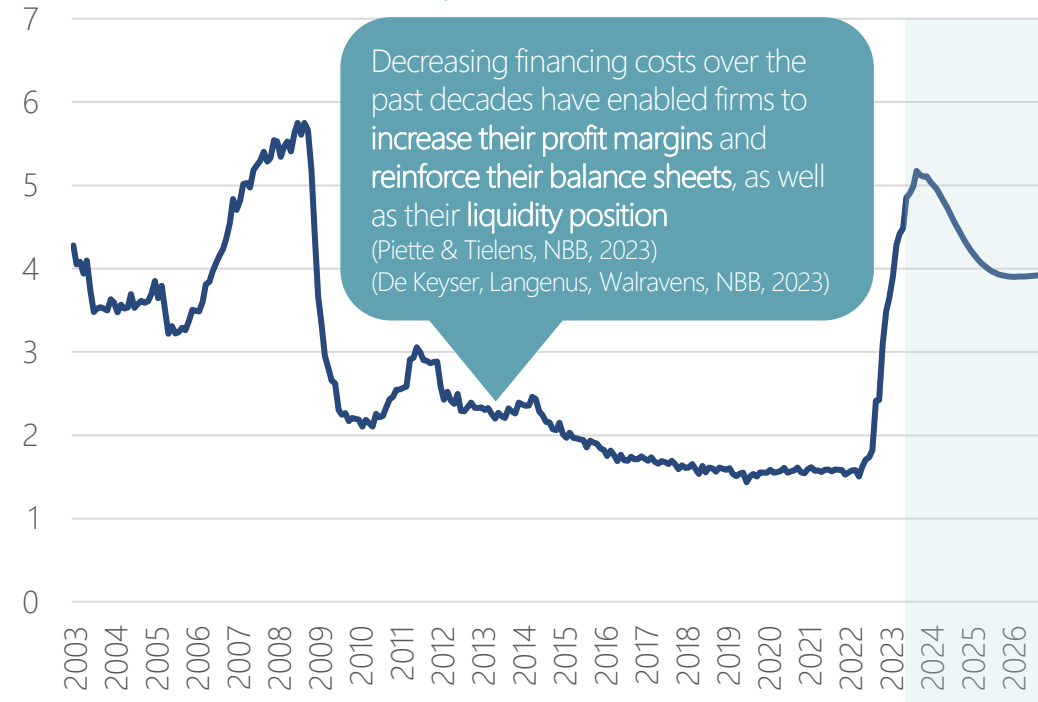
(quarterly rate of change, by volume)



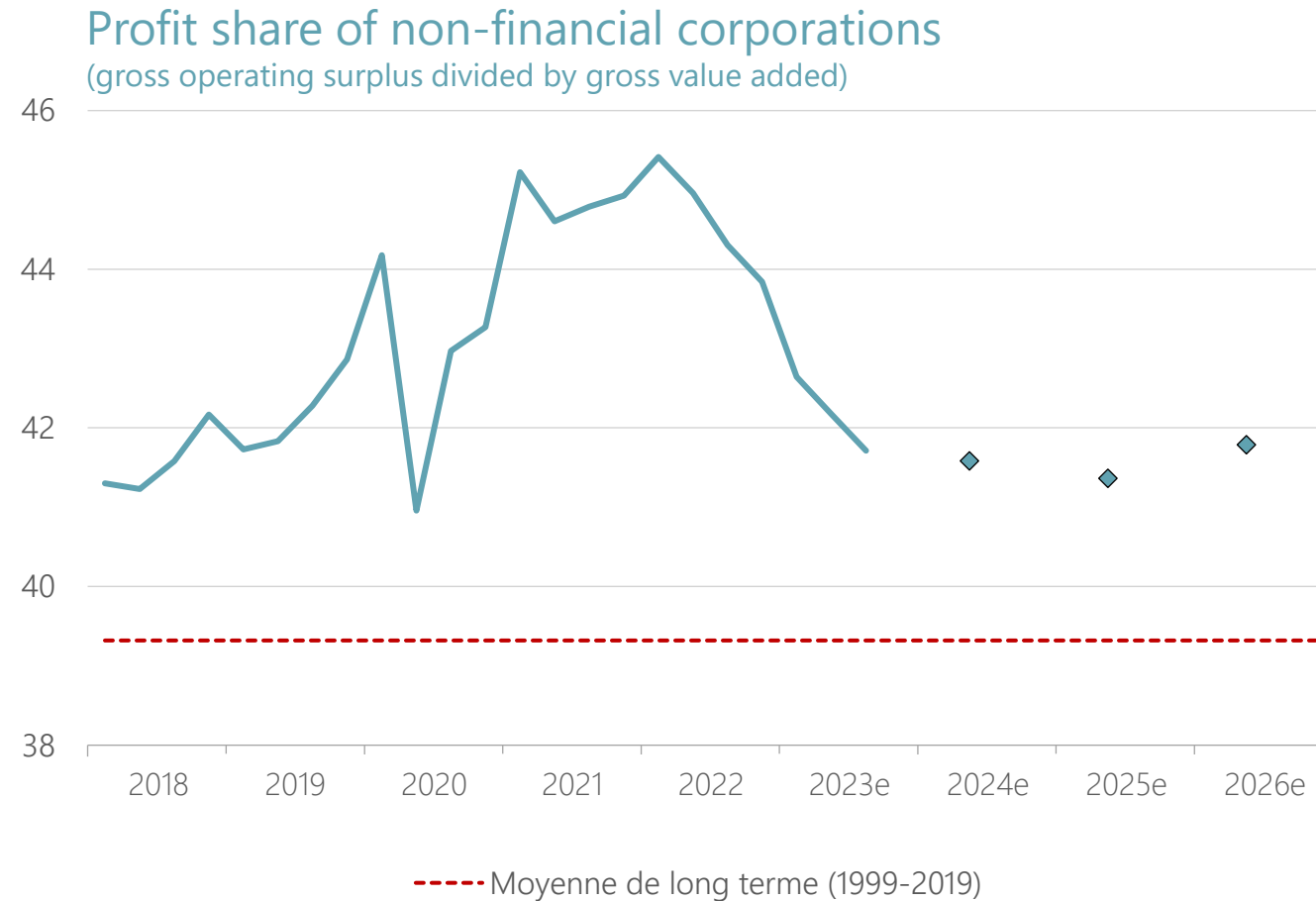
----- p.m. 2010-2019 average

Business loan interest rate

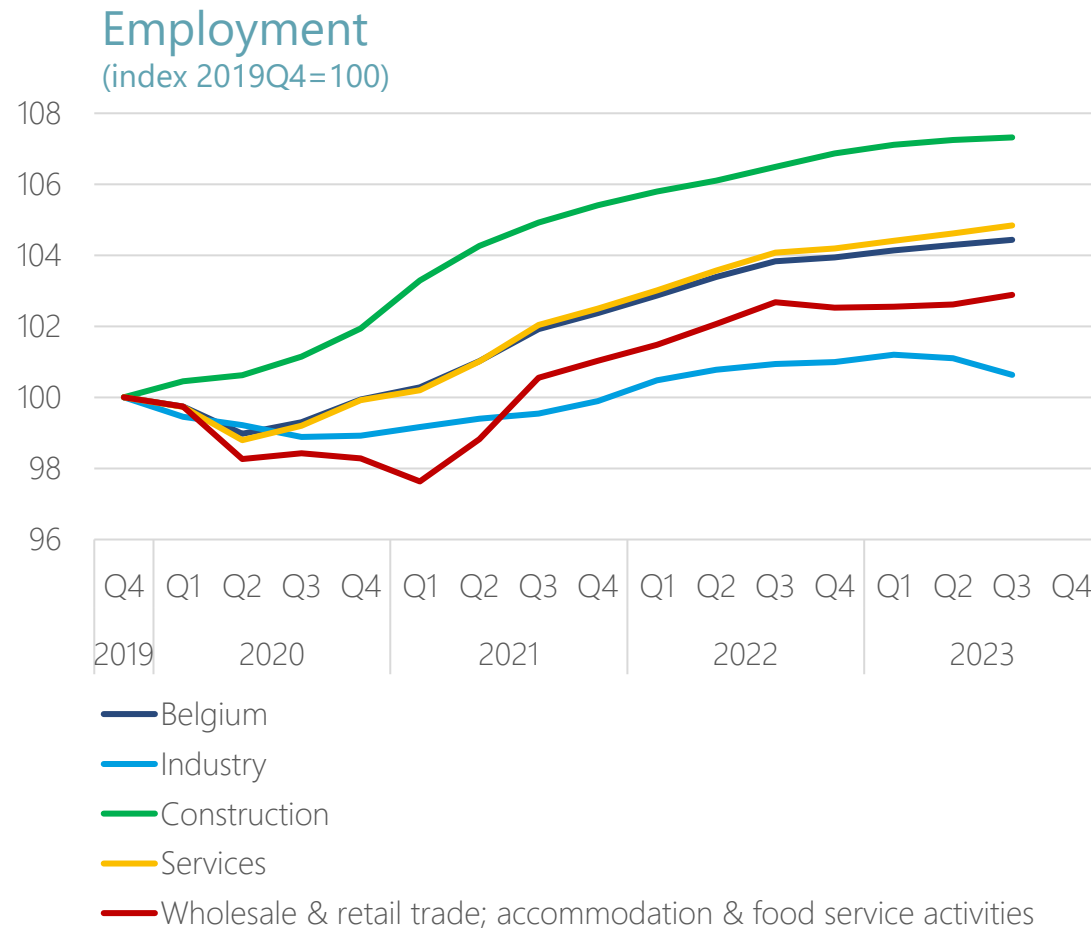
(in %, based on market expectations at the end of November)



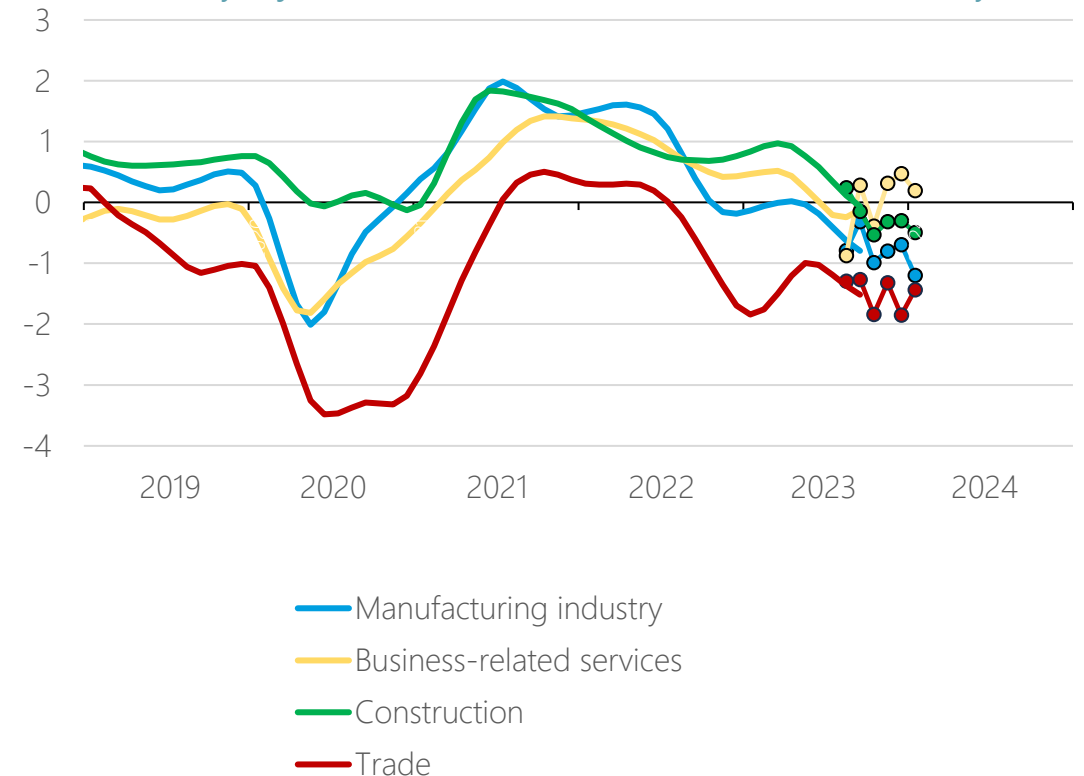
Corporate profit margins acted as a buffer and absorbed (a portion of) the rise in costs



Job creation since end-2019 was strongest in services and construction, but employment prospects have now moderated



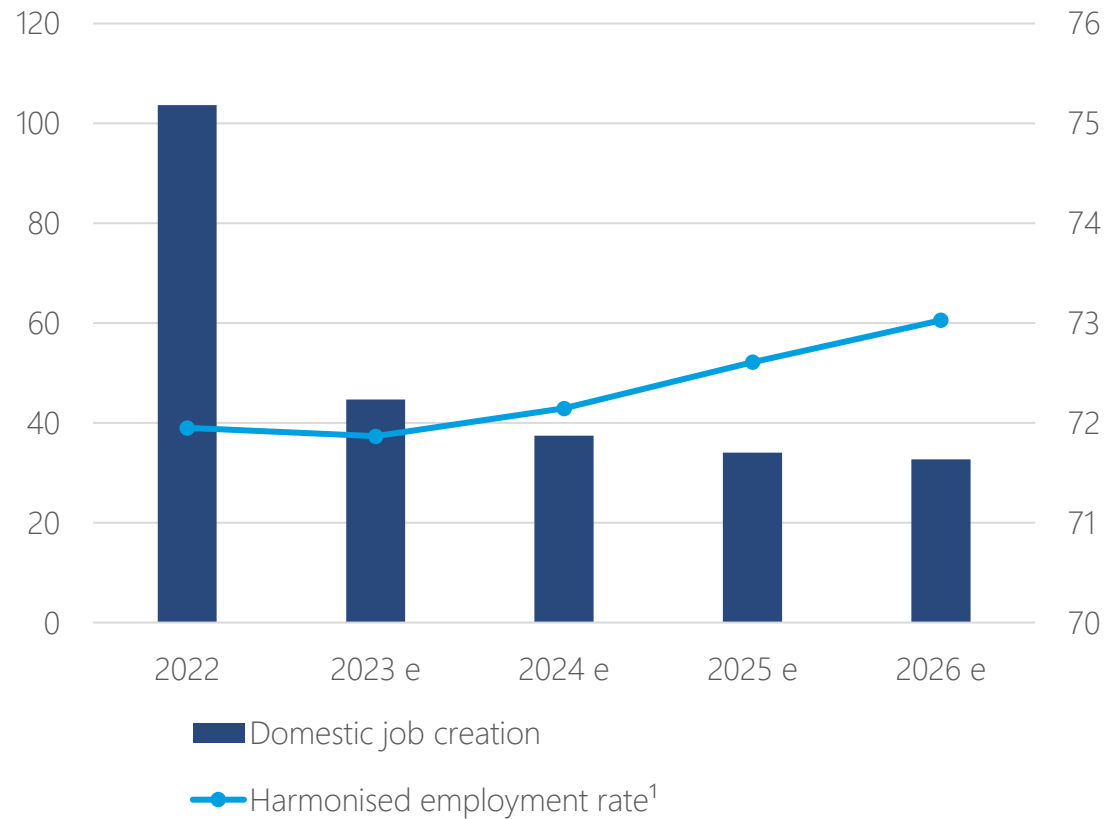
NBB producer survey – employment prospects (seasonally adjusted and normalised¹, last observation is January)



Stable GDP growth is expected to be accompanied by steady job creation over 2024 – 2026; the unemployment rate should remain historically low

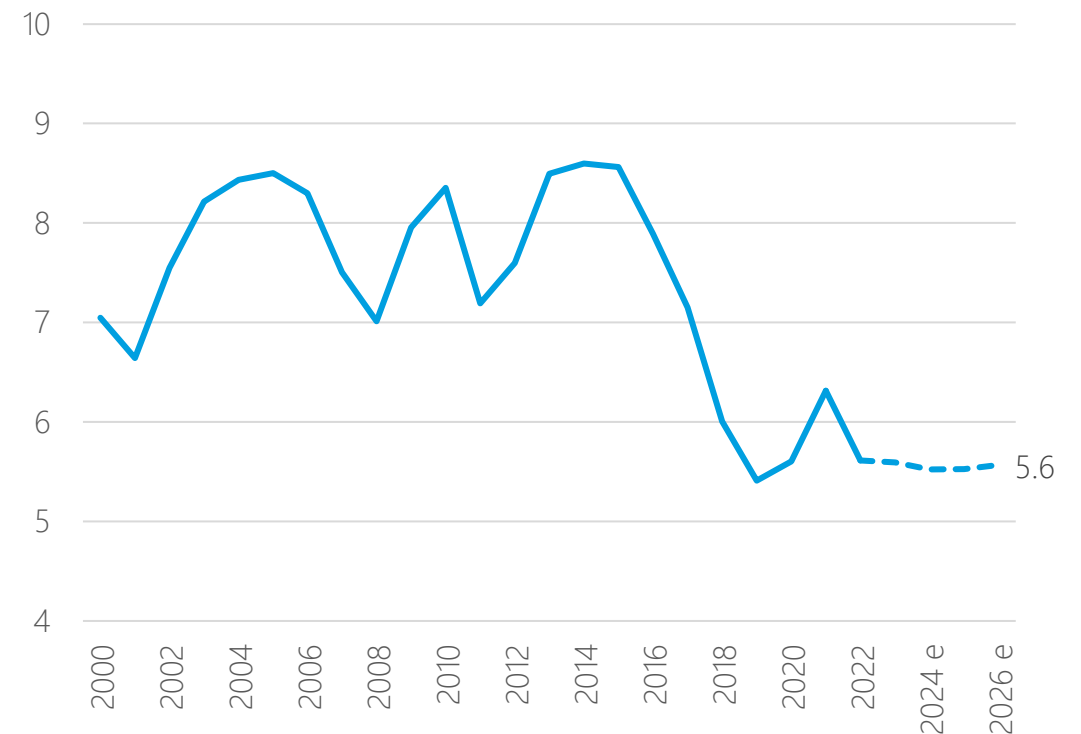
Job creation

(annual change in thousands of people, unless otherwise stated)



Harmonised unemployment rate

(jobseekers as a percentage of the active population aged 15 to 64)



Zoom on retail

Pre-pandemic shopping patterns have (nearly) come back

Expenditures as % of household budget

	2018	2020	2022
Food & beverages	14%	16%	14%
Alcohol & tobacco	2%	2%	2%
Clothing & footwear	5%	3%	4%
Housing, water, electricity, gas, ...	30%	32%	31%
Furniture & appliances	5%	7%	6%
Transportation	11%	10%	11%
Culture & leisure	7%	6%	8%
Restaurants & hospitality	7%	4%	7%
Other expenditure	19%	20%	18%

(Food) retail is currently facing numerous challenges

Les jeunes de moins en moins tentés par les supermarchés

L'Echo, 12 December 2023

'Verrassende' kortingen bij discounters tonen hoe hard concurrentie tussen supermarkten woedt: 'Niemand wil wijken'

De Morgen, 4 May 2023

Les écarts de prix entre les magasins belges et ceux des pays voisins se réduisent

7sur7, 25 January 2024

Na Zwan en Knorr, nu ook Mars uit de rekken bij Colruyt door moeilijke prijsonderhandelingen.



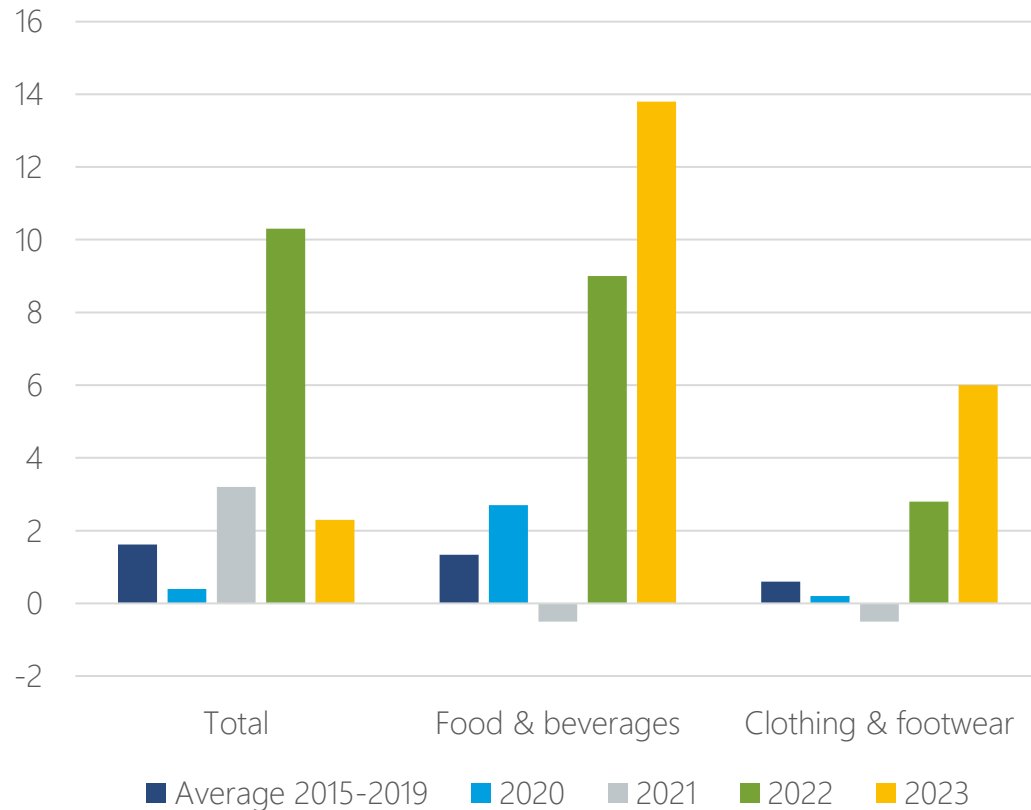
HLN, 11 December 2023

Boerenblokkades proberen supermarkten te versmachten

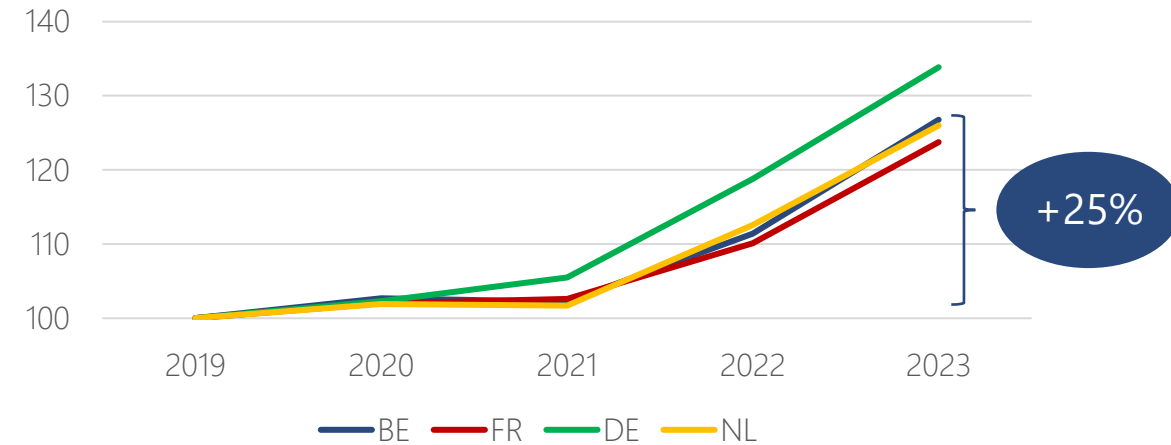
De Tijd, 1 February 2024

Food inflation has peaked (only) in 2023; price levels have not declined (↔ energy)

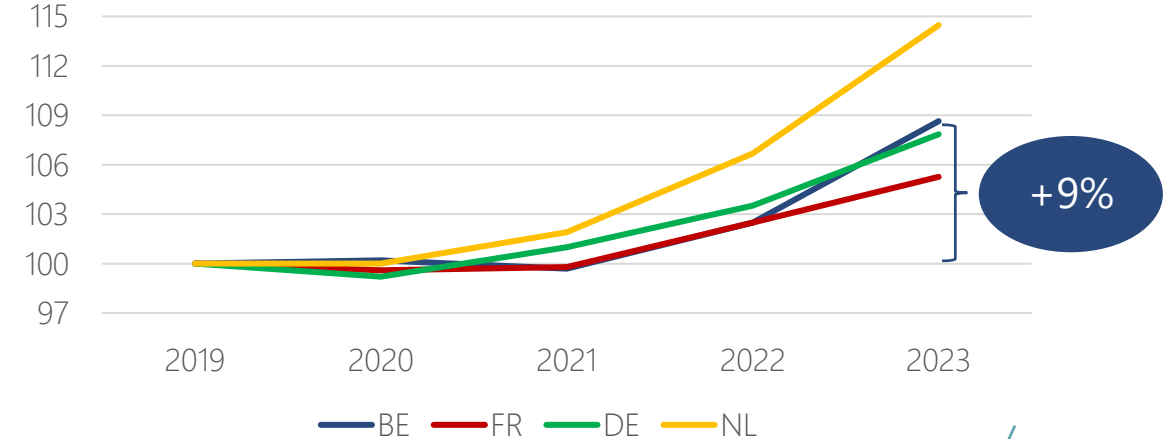
Inflation in Belgium (%)



Price index for food and beverages (index 2019=100)



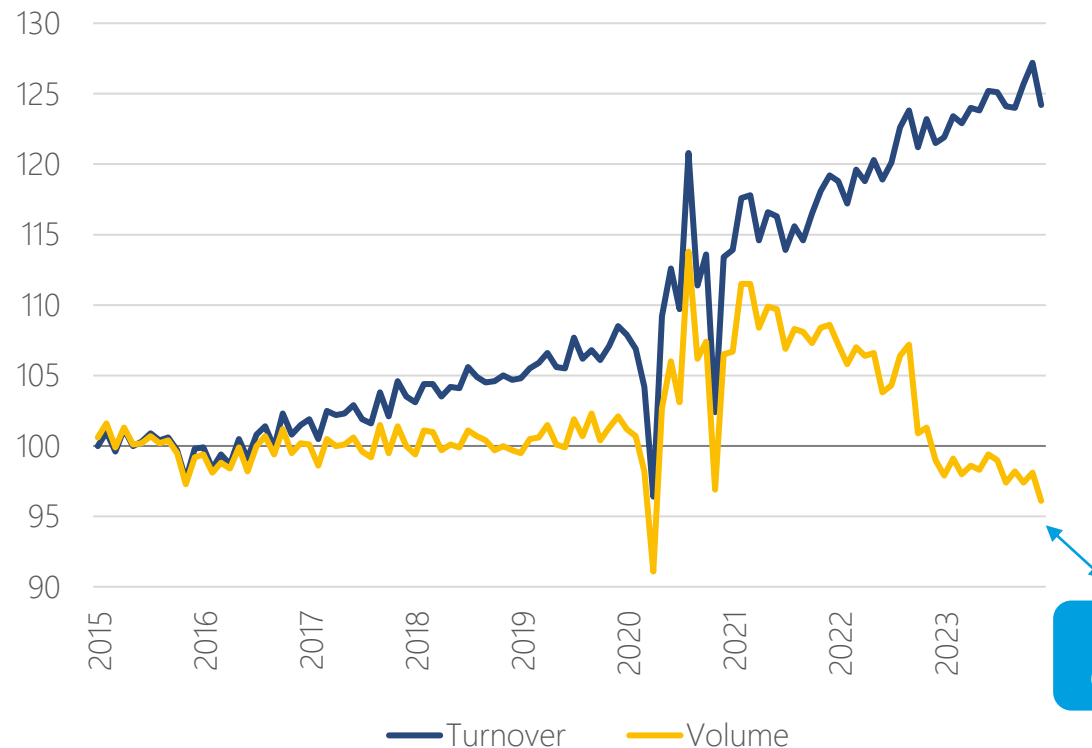
Price index for clothing and footwear (index 2019=100)



Divergence between retail trade turnover and volume: no volume growth compared to 2015




Retail trade index Belgium

(level, 2015=100, monthly data, seasonally and calendar adjusted)



Volume growth of retail trade turnover since 2015

(%)

	BE	EA
 Total retail trade	-2	+12
 Food, drinks, tobacco	-12	+4
 Non-food products	+0.2	+20

EA: +12% volume growth since 2015

Let's conclude

- ⚡ The Belgian economy remained resilient and headline inflation has dropped considerably (energy)
- 🛍 Moving forward, private consumption is expected to remain an important driver of growth
- 🌐 International/EA outlook remains key (with no obvious signs of a pick-up in the EA economy yet)
- 🔄 Disinflation process is still ongoing for core and food inflation; profit margins have come down as anticipated



Stay tuned / get in touch!

- Business Cycle Monitor with first estimate of growth in 2024 Q1 → around 11 March
- Annual report 2023 → 13 March
- [We're talking to CEO's](#) → Next CEO Breakfast on 24 April
→ Get in touch! ceomeetings@nbb.be
- Updated medium-term projections up to 2026 → 7 June

