



Belgium



Did you know...?

Geography Belgium is a flat country divided into three regions: Brussels, Wallonia in the south, and Flanders in the north.

History The country formally gained independence from the Netherlands in 1830 through a revolution. The year after, King Leopold I was installed on the throne.

Languages French is spoken in the southern region of Wallonia, whereas the northern part speaks Flemish. In Brussels both languages are widely spoken.

European Union Brussels is home to the European Commission, the European Council and many other European bodies.

Fun Fact Belgium is home to the diamond industry's main commercial center: In the city of Antwerp, the most beautiful diamonds are cut, polished and sold.

An overview of Belgium's economy

Belgium's open economy and financial sector made it especially vulnerable to the economic downturn, and the country faces several structural challenges on the road to recovery.

Geographically, economically and historically, Belgium is at the core of the European Union. In 1951, it was one of the founding members of the European Coal and Steel Community, the precursor to today's EU. More than fifty years later, Belgium was among the first countries to start using the euro, the EU's single currency, in January 1999.

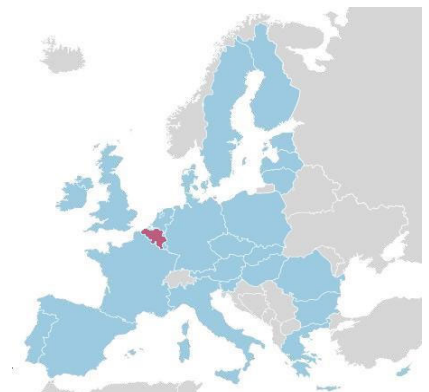
Belgium was the first country after the United Kingdom to experience the industrial revolution in the 19th century. Its geography, the presence of natural canals, and resources like coal and iron, made Belgium a fast growing and wealthy country. Over time, the economy has transformed as certain industries have faded into obscurity or transformed themselves to adapt to new economic realities. The political relationship between the Flemish-speaking north and the French-speaking south of Belgium is complex, which can sometimes complicate the management of the country's economy.

Belgium enjoys a highly developed infrastructure network and is home to one of the biggest ports in Europe, Antwerp. Belgium's international banking sector also makes the economy extremely open to the global economy. However, in 2009, the Belgian economy contracted by 3.1% and unemployment rose as the world economy took a nosedive.

Due to the composition of the Belgian economy, it was heavily impacted by the global financial and economic crisis. The financial sector required support from the government and was not as solid as previously thought. Belgian exports were hard-hit, since the majority of them are destined to other EU Member States, which were experiencing the fallout from the crisis in diverse ways.

After several years of balanced budgets, Belgium's government began running budget deficits as it grappled with the effects of the financial and economic crisis. In 2011, Belgium ran a deficit of 5.1% of GDP. Public debt reached 97.3% of GDP in 2011.

Structural reforms remain crucial to improve competitiveness and boost growth. Given the situation of public finances, it is likely that the Belgian government will have to implement a credible plan to put finances back on a sustainable track.





Belgium's Economy – Key Facts

- Belgium's GDP per capita is above the euro area average. However, there is a notable difference between GDP per capita in the more affluent northern region of Flanders, and the southern region of Wallonia.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Belgium 15th out of 142 countries, and it was ranked 1st in terms of health and primary education.
- The World Bank's Doing Business Report ranked Belgium 25th out of 183 countries in 2011.
- According to the European Commission's Spring 2011 forecast, expanded by 2.2% in 2010, and is expected to continue expanding through 2011 at a 2.4% rate and a 2.2% rate for 2012. The deficit is projected at 3.7% in both 2011 and 4.2% in 2012. Therefore, the government's public debt will climb to 100.9% of GDP in 2011.
- Government formation in Belgium can sometimes be difficult given the regional differences. Delays in government formation can complicate the management of the economy and inject a certain amount of uncertainty into economic actors' decision making. However, Belgium has an impressive record of sound management of its public finances in the past decade. This will need to be continued to counter the legacy of the crisis.

References

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Exports The Belgian economy is heavily export oriented. The majority of its exports go to other EU member states. The health of Belgium's export sectors is directly tied to the economic health of other countries in the EU.

Wages In Belgium wages increase automatically on the basis of a complex welfare system. During the financial crisis, various stimulus packages were approved to sustain wages. The combination of the two measures increased the country's deficit.

Inflation is above the European average of 1.6% and is projected to stay as high as 3.6% overall through the end of 2011, due to rising energy prices and automatic wage increases.

Education The Belgian labor force is known to be highly trained and skilled. Income inequality is also very low in Belgium.

Regional Economies

Belgium encompasses two distinct regions with differing economies. Industrial and service activities in the north include chemicals, telecommunications, and the first diamond market in the world. The south produces steel, glasswork and electrical engineering products.