

Belgium: 10.7% third quarter growth, so what?

Unsurprisingly, the Belgian economy rebounded in the third quarter. But it remains well below its pre-crisis level, while a new negative shock is already looming



Source: Shutterstock

3Q was not bad

According to the first estimate made by the National Bank, Belgium's gross domestic product grew by 10.7% in the third quarter (quarter-on-quarter, non-annualised). The figure for the second quarter has been revised upwards. There is now talk of a contraction of 11.8% (previously 12.1%). All in all, it means that Belgium's GDP level in the third quarter was still 6% below its pre-crisis level. This provides a better understanding of the distress of the economy. No details of the third-quarter figure are yet available. Nevertheless, it can be assumed that all sectors of the economy have regained strength.

4Q to be negative

This being said, the Belgian economy is now facing a new (very strong) wave of the pandemic. The number of hospitalisations already exceeds the peak reached during the first wave, and the number of people having to be hospitalised does not yet seem to be slowing down. In response, the federal and regional governments have in recent weeks been taking further restrictions and closures to reduce social contacts – without success. As a result, new measures are expected to be announced soon. They could go as far as a complete lockdown.

As a result, even without a further tightening of lockdown measures, the Belgian economy will suffer another negative shock in the fourth quarter. Thereafter, depending on the evolution of the pandemic, it could return to growth in the first quarter of next year. However, we will have to wait for the arrival and wide diffusion of a vaccine to see the situation really improve. During this period, consumers and businesses will continue to be petrified by fear of the future, while governments will this time be very cautious in the relaxation measures that will be taken.

In conclusion, the recovery path of the Belgian economy is heavily affected and our growth forecast for the year 2021 will most likely have to be revised down, depending on the severity of new containment measures.

Author

Philippe Ledent

Senior Economist, Belgium, Luxembourg

philippe.ledent@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user’s investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.