

## Belgium: A pleasant surprise

With an economic growth of 0.4% in the third quarter, the Belgian economy is performing better than expected. This is enough to raise our growth forecast for 2019 and 2020, but not enough to believe that we are close to a strong recovery



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### Better than expected

According to the first estimate of the national accounts, GDP grew by 0.4% in the third quarter compared to the previous quarter. Considering the upward revision of growth in the second quarter (0.3% instead of 0.2%), economic activity increased by 1.6% year-on-year. This figure is a real surprise. Economic indicators suggested that growth would be much lower. Similarly, the national bank's nowcasting models predicted growth of 0.2%.

### Consumption in the lead

In the absence of data on the components of GDP, it is not known yet what is driving this rather robust growth. However, the details of the household and business surveys give some possible explanations:

- While on the supply side, the industrial sector seems to be suffering from international trade tensions, the services sector remained more resilient, at least until the third quarter.

- Similarly, retail trade seems to have maintained a good pace of activity in the third quarter. This is also confirmed by the fact that despite a deterioration in consumers confidence, their purchases of durable goods remained at a good level. On the demand side, it would therefore not be surprising to see a robust growth figure for household consumption.
- Finally, stock building may also have driven economic growth up in the third quarter.

## Scenario unchanged

The important question is obviously whether this robust growth can be maintained in the coming quarters. We do not think so. First, several confidence indicators declined again in October. Second, given the importance of foreign trade for the Belgian economy, it would be very surprising to maintain dynamic domestic demand in a global economic context marked by subdued trade growth and protectionist tensions. The sharp deterioration in industrial activity is expected to eventually affect other sectors of the economy.

In conclusion, although the good figure published today makes it possible to raise the growth forecasts for this year and next (1.3% this year, 0.8% in 2020), it is not likely to radically change our scenario: we still expect an economic bottom at the beginning of 2020 and, more generally, weak economic growth.

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