

Manufacturing sector leads Belgium's recovery

The Belgian economy grew better than expected in the first quarter of this year, driven by impressive growth in the industrial sector. Vaccinations should now provide a real breakthrough, allowing all sectors to recover



Belgium's King visiting an Audi production plant in 2019

Positive surprise

According to the first estimate of the national accounts, which should be taken with caution due to greater than usual uncertainty around the economic data, the Belgian economy grew by 0.6% in the first quarter of 2021 compared to the previous one. This is a real surprise, as most forecasts were for zero growth. Nevertheless, Belgium's GDP is still 4.5% below its pre-crisis level and even 1% below the level of the first quarter of 2020, which was marked by the start of the pandemic.

Sectoral divergence

But what is most interesting is the first estimate of sectoral growth in activity. According to the National Bank, activity in the construction and services sectors grew by only 0.1% and 0.2% respectively compared with the previous quarter. In fact, this is not far from the sluggish growth pace that had been forecast for the whole of the economy. Therefore, the largest share of GDP growth in the first quarter is attributable to the industrial sector (growth of 1.3% QoQ).

It was known that the industrial sector, more involved in world trade, was already benefiting from the better performance of many Asian economies along with the recovery in the US. But it seems that this phenomenon was stronger than expected. There were also fears that the implementation of the new trade agreement between the United Kingdom and Europe at the beginning of the year would have a temporary negative effect on Belgium's foreign trade, with the new procedures only gradually adopted by companies. But it seems that this was not the case, or at least that any negative effect was offset by other elements (such as weaker imports from the UK).

Looking ahead

With vaccination programmes progressing faster and the re-opening process of the economy starting, the second quarter should once again see positive growth. But this time, activity should be driven by all sectors of the economy. If everything goes according to plan in terms of health, it is, therefore, reasonable to expect that the Belgian economy is emerging from the pandemic tunnel. Given the better than expected economic growth in the first quarter, we will also have to raise our growth forecast for this year. It could now even exceed 4% in 2021.

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 <http://www.ing.com>.