

Belgium: Those care-free days are over

Belgium's economy has proven resilient over the last few years, but with new austerity measures and waning purchasing power, the country is bracing for a challenging time. It's the price to pay for making public finances more sustainable to ensure growth can reach its true potential



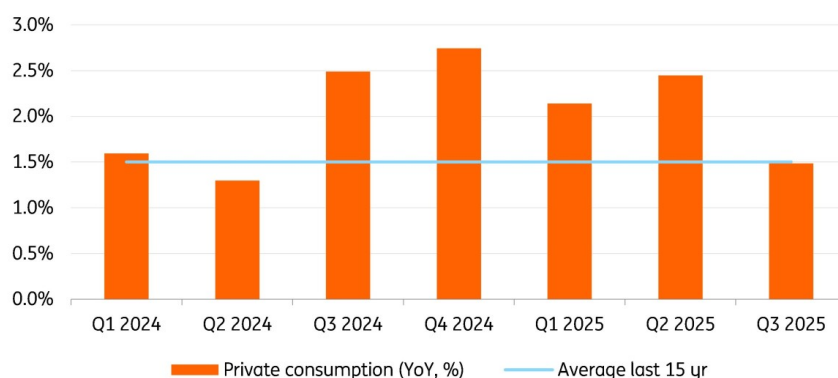
Belgium's Prime Minister Bart De Wever at a new year party rally

Resilience in 2025

In 2025, Belgium's economic growth reached 1.1%, slightly below its potential rate of around 1.3%, yet surpassing initial forecasts. This resilience suggests the economy weathered last year's shocks better than anticipated. The anticipated US tariffs, factored in early, had only a limited effect on annual trade. Most notably, household consumption proved robust, rising by 1.8% over the year. In contrast, household investment in new construction contracted further, declining by 9% in 2025. Since early 2023, this contraction has exceeded 19%, significantly dampening activity in the construction sector.

Private consumption has been particularly dynamic

Private consumption growth (YoY, %) compared to 15 yr average. It was particularly dynamic between 3Q 2024 and 2Q 2025



Source: National Bank of Belgium; Computation: ING

Pressure on purchasing power

Two main factors sustained household consumption in 2025. First, the increase in job volume (+0.4%) and automatic income indexation resulted in a 0.8% increase in household purchasing power. Second, unlike trends elsewhere in the eurozone, Belgium's household savings rate dropped by nearly one percentage point.

However, this momentum is unlikely to continue into 2026. The savings rate has little room to fall further, and new government reforms, prompted by deteriorating public finances and the need for labour market reforms, will affect household incomes, reducing their purchasing power. Key measures include limiting unemployment benefits to two years (impacting nearly 200,000 people), temporarily capping automatic salary indexation above €4,000 and social benefits above €2,000, adjusting VAT rates on certain goods and services, introducing a tax on financial capital gains, and doubling the tax on financial assets above 1 million euro. These changes are expected to slow household consumption, probably keeping Belgian economic growth below the eurozone average.

A new era of austerity

Although the term "austerity" remains sensitive, Belgium has unmistakably entered a period of fiscal restraint. Prime Minister Bart de Wever openly acknowledges the challenge, warning of a difficult decade ahead. With the deficit projected to exceed 5% of GDP in 2025, alternatives were limited. While these reforms will gradually benefit public finances and potential growth, the deficit is unlikely to drop below 5% this year and may only stabilise at 4.5% by 2027. The efforts to date are insufficient, leaving Belgium vulnerable to a sovereign rating downgrade, especially as political tensions rise among coalition partners, complicating future negotiations.

Inflation normalizes

Inflation in Belgium steadily declined throughout 2025, dropping from 4.1% in January to 2.1% by December, primarily driven by falling energy prices. However, food prices temporarily pushed inflation upward, and service costs continued to climb, registering more than 4% year-on-year increase in December. Policy changes affecting VAT rates, along with rising higher-education

expenses, may contribute to inflation in the coming year. Despite the persistent challenges in certain sectors, overall inflation is expected to remain close to 2% for the year ahead.

The Belgian economy in a nutshell

	2024	2025F	2026F	2027F
GDP	1.1	1.0	0.9	1.3
Private consumption	2.0	1.8	1.1	1.5
Investment	2.0	-0.6	1.6	1.0
Government consumption	1.8	1.1	1.2	1.2
Net trade contribution	0.1	-0.2	0.0	0.0
Headline CPI	3.1	2.7	2.0	2.1
Unemployment rate (%)	5.7	6.3	6.4	5.6
Budget balance as % of GDP	-4.5	-5.2	-5.0	-4.8
Government debt as % of GDP	104.4	106.6	108.6	110.0

Source: NBB, Refinitiv Workspace Datastream, computation and forecasts : ING

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