

Belgium: Limited damage from the second coronavirus wave

Contrary to expectations, GDP increased in the fourth quarter of 2020, showing the growing resilience of some key sectors in facing virus containment measures.



Positive surprise

The flash estimate of economic growth in the fourth quarter shows a 0.2% quarter-on-quarter increase in GDP. This is a rather positive surprise given the shock endured in Belgium with the second wave of the pandemic. The figure for the third quarter has been revised upwards (to +11.6% from +11.4%). Taking these figures into account, the decline for the whole of 2020 is -6.2%, slightly better than our estimate (-6.8%).

The positive number for Q4 is clearly good news. With the second wave of the pandemic starting at the end of October major restrictions were introduced, including the closure of all non-essential shops for three weeks and the closure of bars and restaurants, as well as hairdressers and other "contact" activities. It is also apparent that, as a result of national accounting rules, activity measured as GDP in the health care sector (paradoxically) declines during a peak in the pandemic. Indeed, the need to keep beds available for Covid patients has forced hospitals to sharply reduce their "regular" activities.

GDP growing by 0.2% therefore seems to indicate that, aside from the reduction in activity in these sectors, activity has continued to recover in other sectors, and in particular in industry and construction. It therefore seems that, compared to the first lockdown, many enterprises have succeeded in adapting their working conditions to the containment measures imposed. Probably 4Q was also boosted by stronger exports due to inventory building in the UK in the run-up to the end of the Brexit transition period.

What to expect?

The containment measures taken in the fourth quarter are, for the most part, still in force. As a result, economic growth is expected to be almost nil in the first quarter and could be slightly negative as containment measures might not be loosened before the second quarter, with the more contagious strains of Covid-19 now also increasing. From 2Q we expect growth to return, with the vaccination campaign gaining traction. We now expect 3.7% GDP growth 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>.