

Belgium: One more lockdown, one too many?

The Belgian authorities have announced, as in many other countries, new containment measures to deal with the sharp increase in the number of Covid cases. The economic recovery will suffer, but the political damage should not be forgotten



New measures

After three months of stability (but at too high a level), the number of new Covid cases is accelerating again in Belgium, as in other European countries. The authorities had to take new measures:

- Schools will be closed as of next week. They will remain closed for 3 weeks as the Easter holidays start on 3 April.
- Shops can continue to operate, but only by appointment or to deliver orders, and this for 4 weeks. Only food shops, DIY shops, florists and bookshops will be able to remain open to the public.
- Non-medical contact professions (e.g. hairdressers) must close their doors for 4 weeks.
- Outdoor gatherings of people are limited to 4 people (previously 10).

As a reminder, restaurants, bars, amusement parks, theatres, cinemas and concert halls are still closed since November 2020.

Economic damage

The new measures decided should therefore mainly have a negative effect on the activity of the second quarter of this year. However, if the closures are indeed limited to the next 4 weeks and if they allow a wider opening of the economic sectors from May onwards (thanks also to the increase in vaccinations), this should lead to a slightly weaker growth in 2Q, but not to a complete U-turn of our scenario: we had already forecasted a very gradual deconfinement of activity in the second quarter, and for many businesses, purchases will be postponed, but not cancelled. Finally, it should be remembered that for the most affected sectors, particularly during the upcoming Easter holidays, nothing will fundamentally change: restaurants and leisure parks were not expected to reopen before the end of April or even early May. The economic damage is therefore likely to be felt above all in the non-medical contact professions, which were able to resume their activity barely 4 weeks ago, after having invested in ventilation and sanitary protection equipment. A new period of loss of activity is therefore occurring in these sectors.

All in all, a further downward revision of our growth forecast for 2021 is once again necessary. Assuming that these are the last measures and that a deconfinement can indeed take place gradually from May onwards, GDP growth in Belgium would be limited to 3% this year (from a previous forecast of 3.6%).

Political damage

Beyond a new delay in the economic recovery, imposing new restrictions was a necessary decision, but politically very difficult to take. For several weeks now, the population has been losing support for the measures in force, and there have been increasing demonstrations by citizens and corporations against them. The new measures will therefore probably be perceived by some as a new attack on their freedoms or their activity, and the popularity of governments may suffer. Moreover, the fact that only a few weeks ago the government announced the prospects of reopening the economy and now, in an emergency, has to make a U-turn, does not help the credibility of the authorities either, while many criticize the slowness of the vaccination. Once the emergency of the pandemic has passed, it is not excluded that this will also lead to tensions between the political parties, especially since public finances are already very stretched, leaving little room for new policy initiatives.

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