

Benelux – 2Q22

Belgium, Netherlands and Luxembourg Macroeconomic Outlook Report



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1. Benelux Macroeconomic Overview

Belgium

Belgium experienced a decline in economic growth in the second quarter of 2022, highlighted by the steep decrease of YoY growth rate of most macroeconomic indicators.

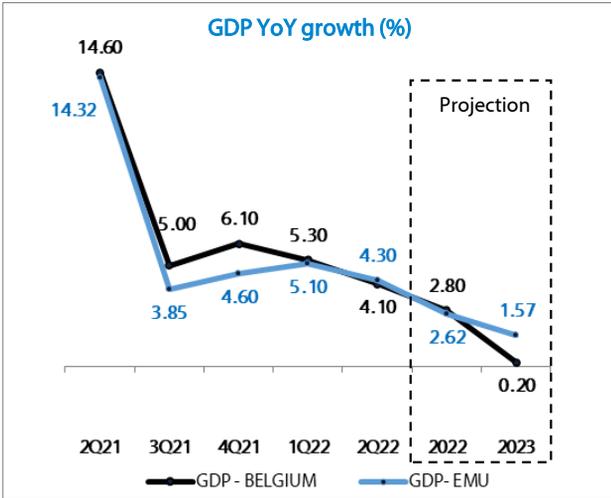
Main Macroeconomic Indicators (YoY Growth %)

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
GDP	14.60	5.00	6.10	5.30	4.10	2.80	0.20
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	14.04	0.38	9.88	6.90	4.31	3.65	0.95
GOVERNMENT CONSUMPTION	2.90	6.30	8.00	4.20	5.40	1.31	0.90
GROSS CAPITAL FORMATION	30.33	18.67	2.69	-0.45	-2.71	-0.36	2.63
EXTERNAL DEMAND							
EXPORTS	21.44	13.23	10.86	9.15	4.01	0.76	0.49
IMPORTS	21.50	11.97	10.72	9.10	3.16	1.31	0.75
INFLATION							
INFLATION	1.44	2.62	5.17	7.98	8.98	9.90	6.60
LABOUR MARKET							
UNEMPLOYMENT	6.20	6.60	5.80	5.40	5.70	5.79	6.46
EMPLOYMENT	2.06	2.57	2.28	2.81	2.30	1.49	1.17

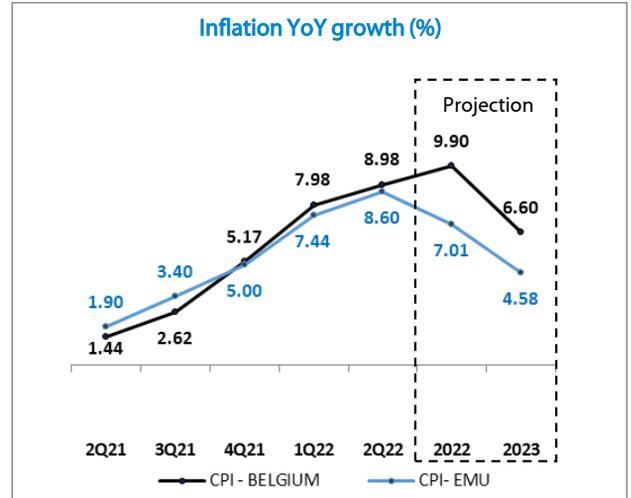
Source: National Bank of Belgium. Projections: OECD Nov 2022

- ▶ The rising energy and gas prices have contributed to the steep decline in economic activity YoY growth rate, while inflation has not ceased to grow at a rapid pace. Since the fourth quarter of 2021, GDP's growth rate has dropped approximately 200 basis points, and is forecasted to further decline in the upcoming quarters of 2022 and 2023 according to the OECD projections.
- ▶ Belgium's international trading is also facing a similar fate, as both import and export activity is slowing down and its growth is expected to stall in 2023.
- ▶ While the labour force is steadily growing, the labour market has seen a slight increase in the unemployment rate.

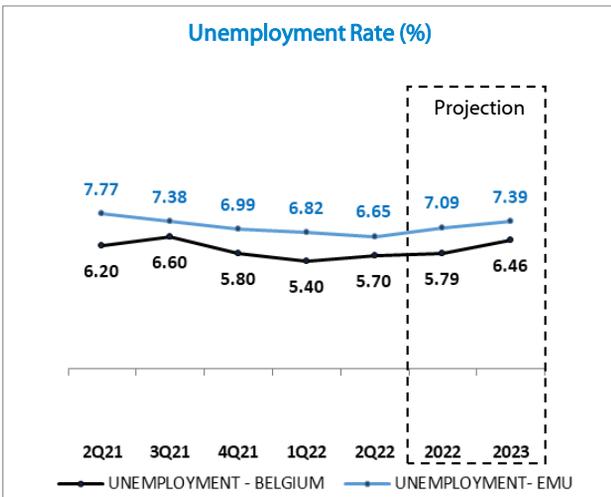




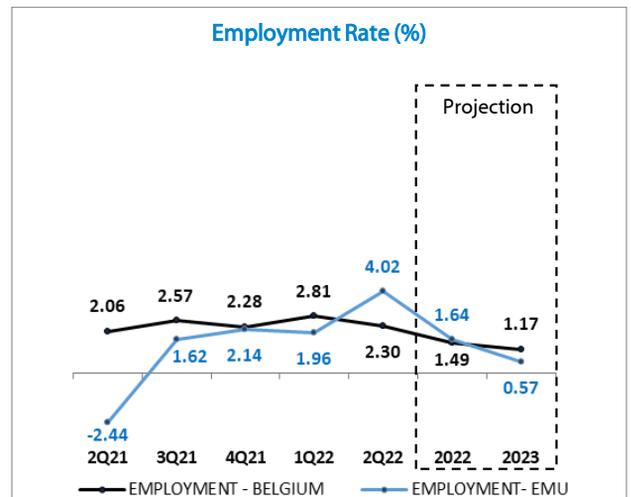
Source: National Bank of Belgium. Projections: OECD Nov 2022



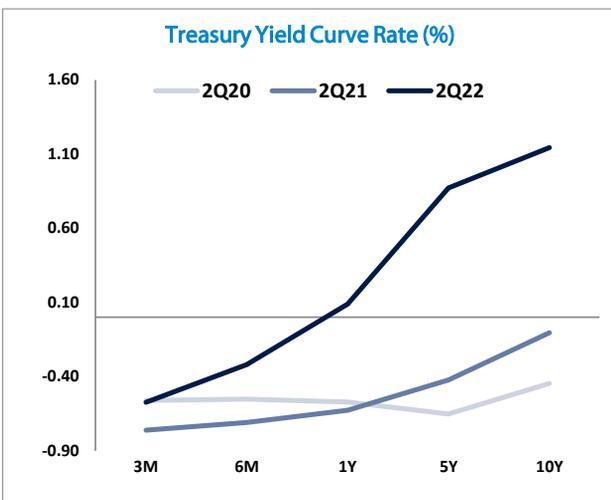
Source: National Bank of Belgium. Projections: OECD Nov 2022



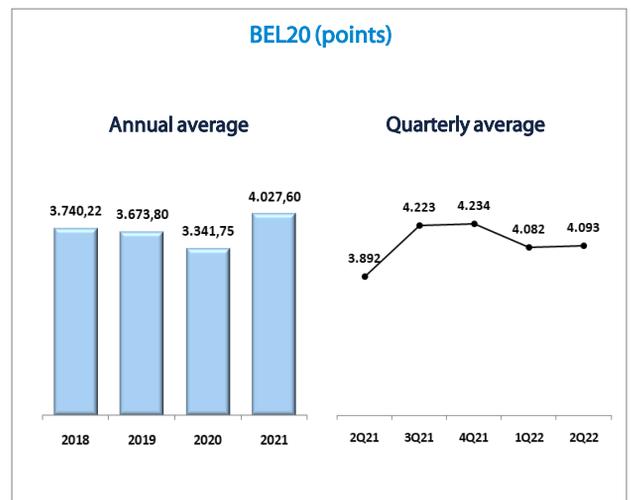
Source: National Bank of Belgium. Projections: OECD Nov 2022



Source: ECB. November 2022. Projections: OECD Nov 2022



Source: World Government Bonds.



Source: Yahoo Finance.
Note: Annual and quarterly rates refer to the annual and quarterly averages of the daily closing values.

1. Benelux Macroeconomic Overview

Netherlands

The Netherlands' GDP YoY growth rate drops after a two-quarter increment. Nonetheless, the economic activity has experienced a positive rate as international trading keeps growing and the labour market strengthens.

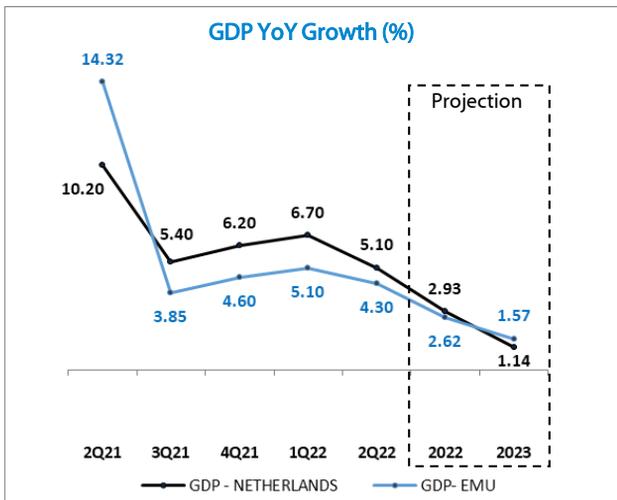
Main Macroeconomic Indicators (YoY Growth %)

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
GDP	10.20	5.40	6.20	6.70	5.10	2.93	1.14
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	10.20	5.90	6.70	13.40	7.00	3.69	0.96
GOVERNMENT CONSUMPTION	8.50	3.90	5.00	2.50	-0.50	0.39	2.70
GROSS CAPITAL FORMATION	9.40	2.10	2.20	0.00	5.30	2.51	1.69
EXTERNAL DEMAND							
EXPORTS	12.40	6.70	4.80	4.60	6.30	1.60	2.39
IMPORTS	9.90	6.20	3.50	4.50	5.20	1.28	3.13
INFLATION							
INFLATION	2.00	2.17	4.77	7.43	9.00	9.16	4.84
LABOUR MARKET							
UNEMPLOYMENT	3.67	4.13	3.80	3.43	3.40	3.82	4.43
EMPLOYMENT	3.43	3.18	4.19	4.85	4.29	2.21	0.59

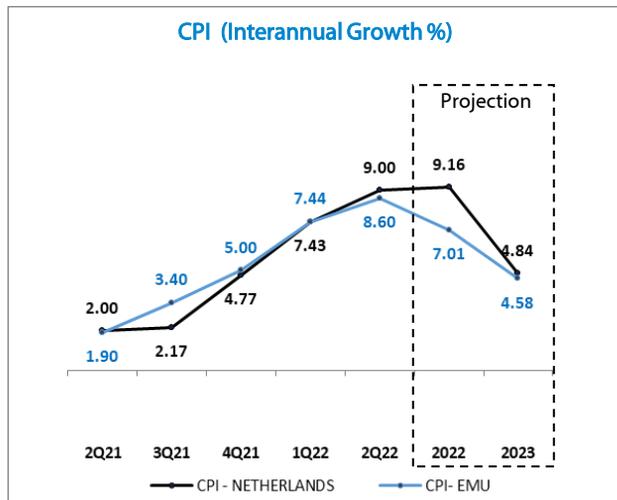
Source: Centraal Bureau voor de Statistiek (CBS). Projections: OECD Nov 2022

- ▶ The Netherlands faced a partial setback in their economic activity, as GDP YoY growth rate fell in the second quarter of 2022. A steep but steady increase in inflation meant that private consumption's YoY growth rate nearly halved.
- ▶ Import and export volumes keep on growing compared to a year prior, while the projections for 2022 show that they are still expected to grow less than they did in 2021.
- ▶ In the second quarter of 2022, the Dutch labour market witnessed a slight drop in unemployment rate, in addition to a stable increase of the labour force. Nevertheless, the outlook remains pessimistic with a projected rise of 1.03 p.p. in unemployment in 2023.

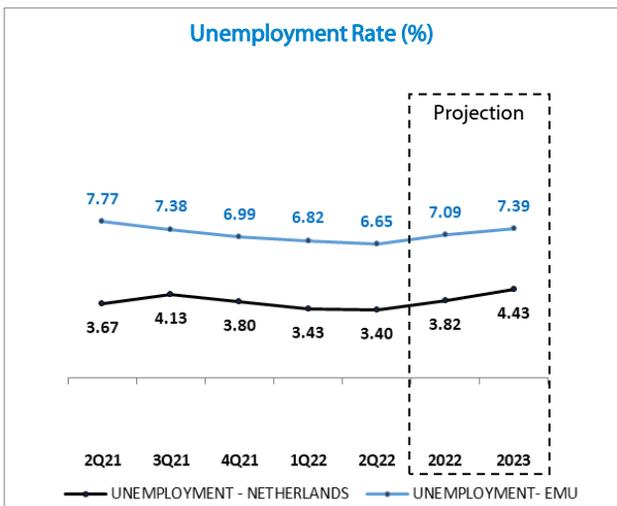




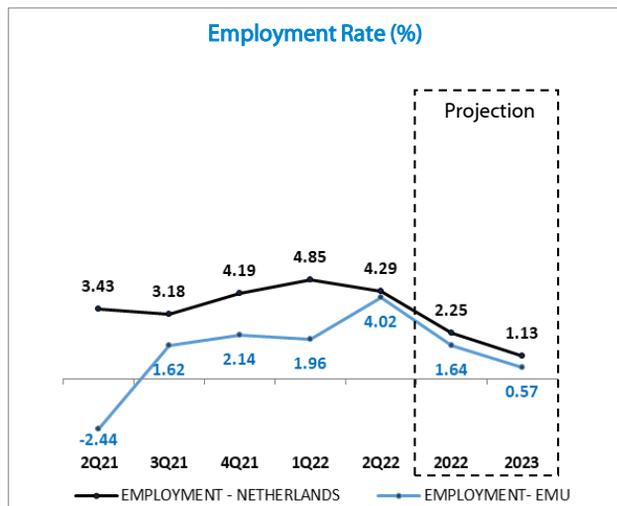
Source: CBS. Projections: OECD Nov 2022



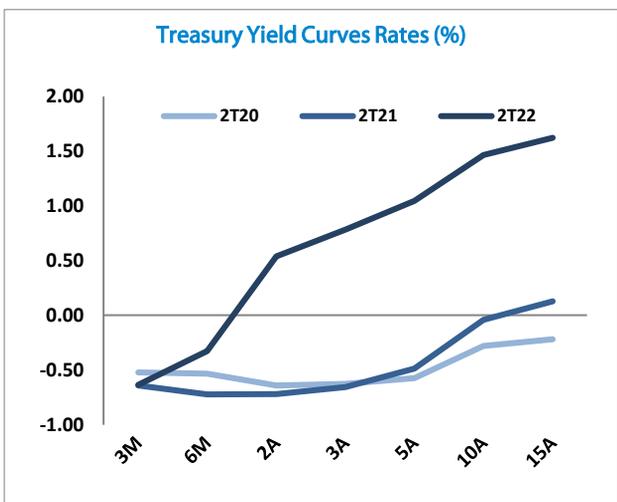
Source: CBS. Projections: OECD Nov 2022



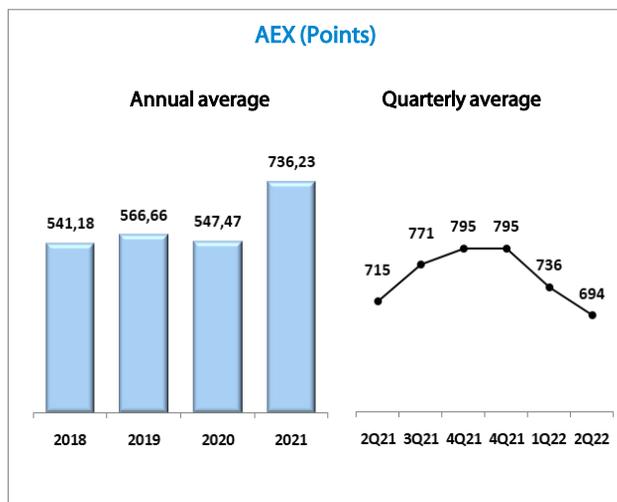
Source: CBS. Projections: OECD Nov 2022



Source: ECB.November 2022. Projections: OECD Nov 2022



Source: World Government Bonds.



Source: Yahoo Finance.
Note: Annual and quarterly rates refer to the annual and quarterly averages of the daily closing values.

1. Benelux Macroeconomic Overview

Luxembourg

Luxembourg's economy's YoY growth rate decreases in nearly all macroeconomic indicators. Only unemployment rate sees a slight improvement, with registering the lowest current inflation rate within the Benelux region.

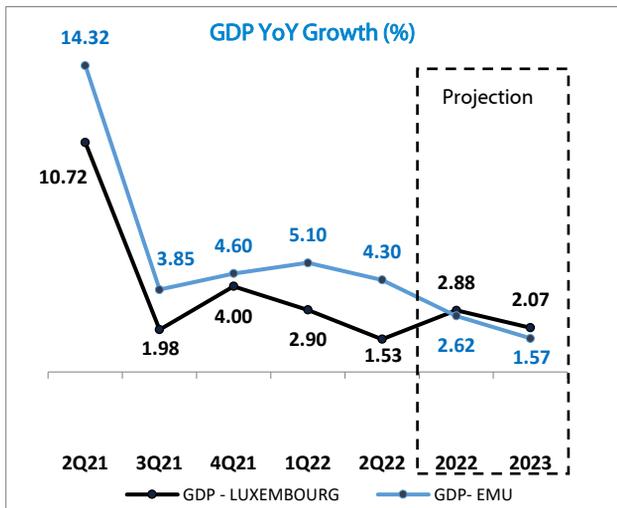
Main Macroeconomic Indicators (YoY Growth %)

INDICATOR	2Q21	3Q21	4Q21	1Q22	2Q22	2022	2023
GDP	10.72	1.98	4.00	2.90	1.53	2.88	2.07
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	19.80	15.51	19.48	4.42	3.26	3.44	2.17
GOVERNMENT CONSUMPTION	6.81	3.20	4.79	3.35	2.40	3.61	3.48
GROSS CAPITAL FORMATION	20.94	-11.54	14.85	5.02	-8.50	4.16	4.11
EXTERNAL DEMAND							
EXPORTS	14.80	7.30	7.70	2.00	0.20	0.81	2.26
IMPORTS	18.40	7.61	10.60	2.65	-0.90	0.66	2.64
INFLATION							
CPI	2.27	2.48	4.09	5.43	7.06	8.00	3.29
LABOUR MARKET							
UNEMPLOYMENT	5.88	5.55	5.27	4.82	4.69	4.71	4.96
EMPLOYMENT	3.41	3.03	3.54	3.71	3.61	1.62	2.40

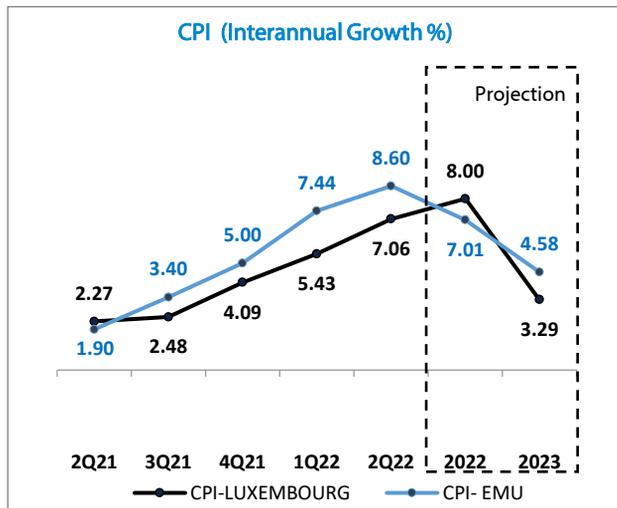
Source: The Government of the Grand Duchy of Luxembourg. Projections: OECD Nov 2022

- ▶ GDP's YoY growth rate in the second quarter of 2022 drops to 1.53%, and most macroeconomic indicators follow. Much alike the rest of the Benelux Region, higher inflation rates are linked to a decrease in YoY growth rate of private consumption.
- ▶ Imports and Exports face a similar trend. However, while the country's exports witnessed a small yet positive YoY growth, the imports' YoY growth was negative.
- ▶ The labour market stayed relatively stable, with labour force suffering a slight decrease in YoY growth, while the unemployment rate moderately improved.

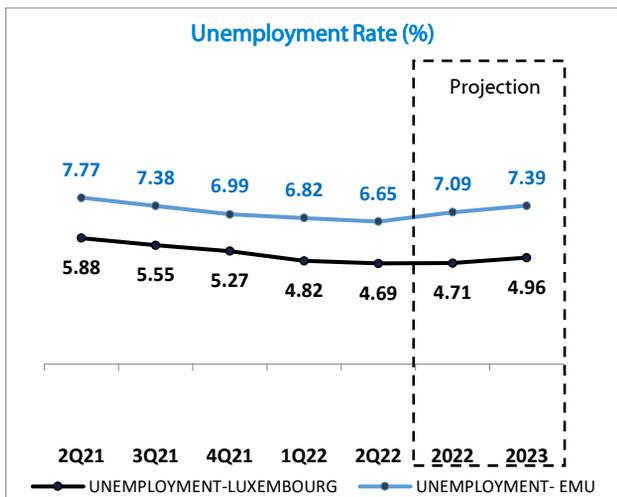




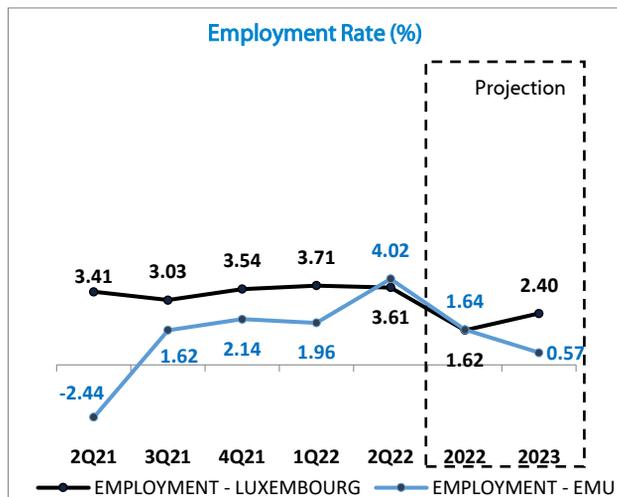
Source: The Government of the Grand Duchy of Luxembourg.
Projections: OECD Nov 2022



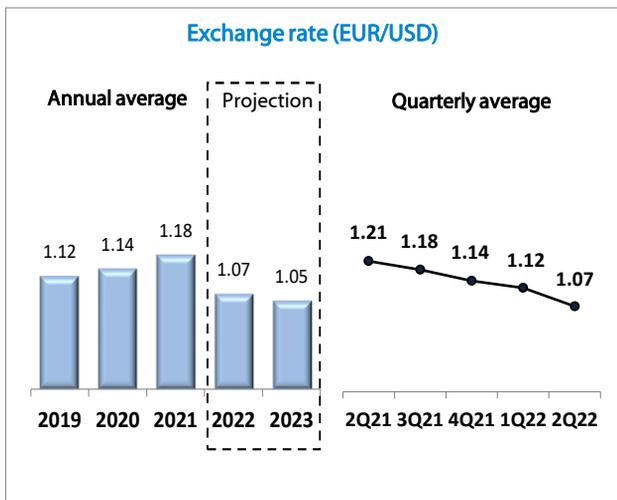
Source: The Government of the Grand Duchy of Luxembourg.
Projections: OECD Nov 2022



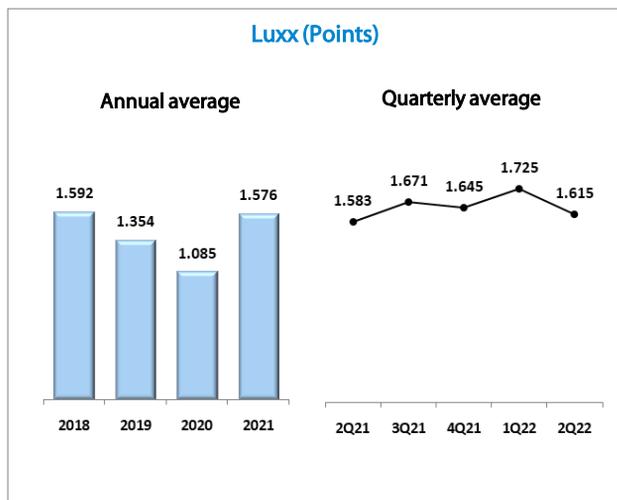
Source: The Government of the Grand Duchy of Luxembourg.
Projections: OECD Nov 2022



Source: The Government of the Grand Duchy of Luxembourg.
Projections: OECD Nov 2022



Source: ECB. November 2022



Source: Yahoo Finance.
Note: Annual and quarterly rates refer to the annual and quarterly averages of the daily closing values.



2. International overview

LatAm, OECD and China

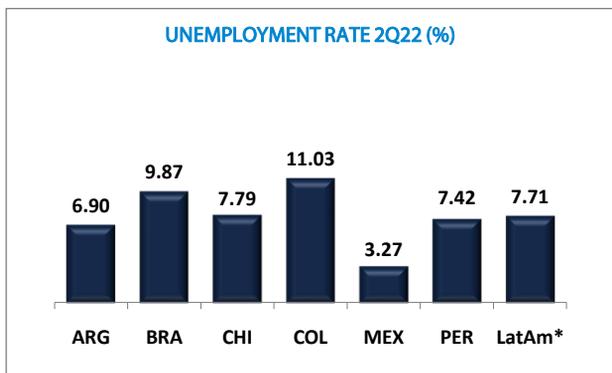
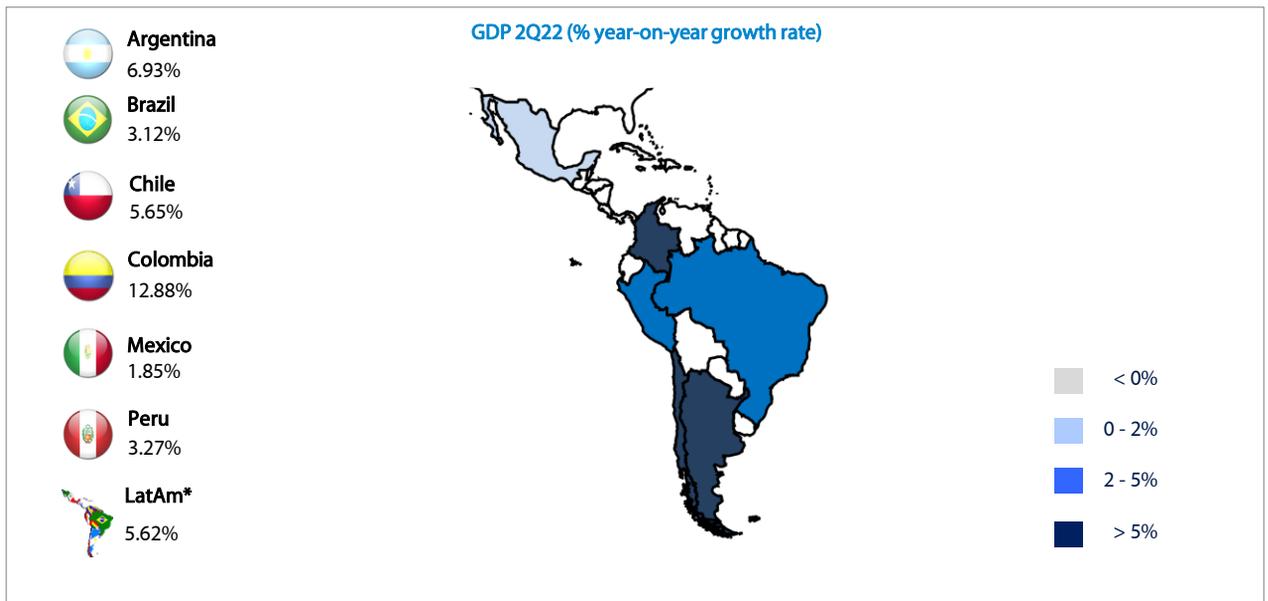
The upward inflationary trend has determined the monetary policies of major global banks and the stagnation of economic growth during 2Q22.

Macroeconomic outlook

- ▶ During the quarter, the global economic recovery continued after the most acute phase of the pandemic, albeit in a very uncertain environment. The main constraints on economic developments were the unfolding war in Ukraine, the slowdown in China and the intensification of inflationary pressures in the short term, which affected the conduct of monetary policies at the global level. All this dampened households' purchasing power and increased firms' production costs.
- ▶ In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised in October its forecast for the Latin American economy for 2022, raising the region's growth by 3.2% and cutting it to 1.4% for 2023. World trade dynamics are expected to be negatively affected by the war, which would lead to a decrease in Latin America's external demand. For its part, the European Commission has acknowledged a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. Likewise, the Fed modified its previous projections for the US, predicting a lower GDP growth of 2.3% in 2022 and 1% in 2023.
- ▶ During the second quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic to near pre-pandemic levels. Most countries recorded declines in their unemployment rate compared to 1Q22. Mexico ranked as the country with the lowest unemployment rate (3.27%) while Colombia had the highest rate (11.03%) for Latam. Moreover, Spain reached a 12.48% unemployment rate during this quarter.
- ▶ In 2Q22, inflation increased in all the economies analysed with respect to 2Q21, with the highest rates in Argentina (60.13%), Brazil (9.72%), the United Kingdom (9.16%) and Spain (9.07%). The EMU registered an increase of 6.70 p.p. compared to 2Q21, reaching a rate of 8.60%. The average for Latam was 16.52%. China registered the smallest year-on-year increase, with inflation of 2.23%. Inflation grew at a very high rate due to the energy component. On the other hand, all economies contracted their labour markets, except Canada and China, which recorded slight year-on-year increases.
- ▶ Foreign trade in the G20 countries continued to grow in monetary terms on the back of higher commodity prices and inflation. Exports of the group of the world's 20 largest economies increased by 2.1 % from the previous quarter, while imports rose by 2.6 %. Exports of the European Union as a whole rose by 2 %, Latin America by 2.8 % and North America by 1.5 % in the quarter.

Financial sector

- ▶ In response to rising inflation, central banks' monetary policy became more restrictive and most central banks have raised interest rates significantly, reaching levels like those observed in 2017.
- ▶ On the fiscal side, public debt levels remained high in many countries. In a context of high demands for public spending, measures were required to strengthen fiscal sustainability and expand fiscal space by strengthening public revenues.
- ▶ In terms of their ratings, all OECD, China and Latin American countries kept their ratings constant in the second quarter of the year, except for Chile, which moved from a Moody's rating of A1 to A2, and Mexico, which moved from a Moody's rating of Baa1 to Baa2 during this period.



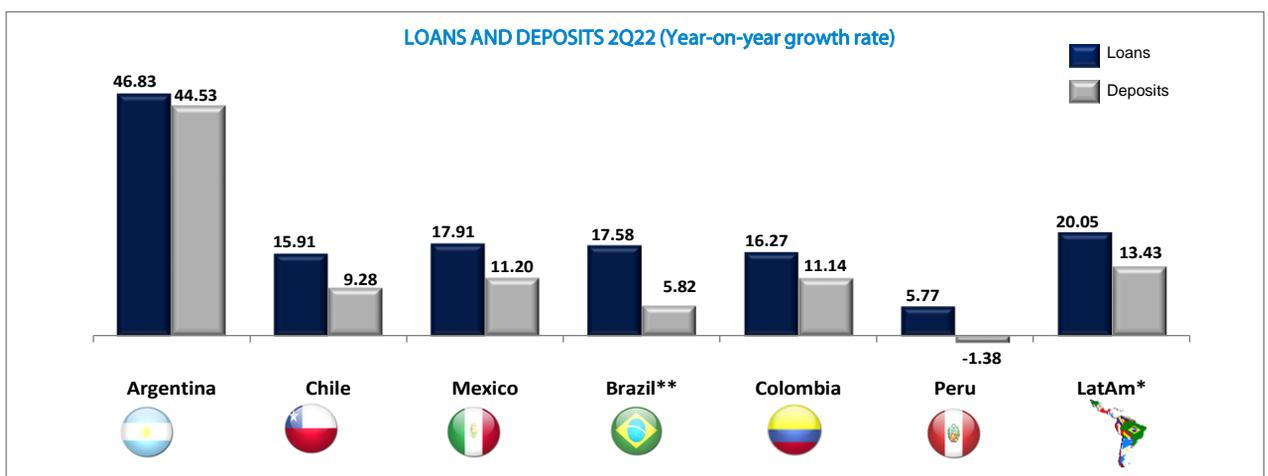
LONG TERM RATES 2Q22

	MOODY'S	S&P	FITCH
Argentina	Ca -	CCC+ -	CCC -
Brazil	Ba2 -	BB- -	BB- -
Chile	A2 ▲	A -	A- -
Colombia	Baa2 -	BB+ -	BB+ -
Mexico	Baa2 ▲	BBB -	BBB- -
Peru	Baa1 -	BBB -	BBB -

▲ Increase since 1Q22

— Constant since 1Q22

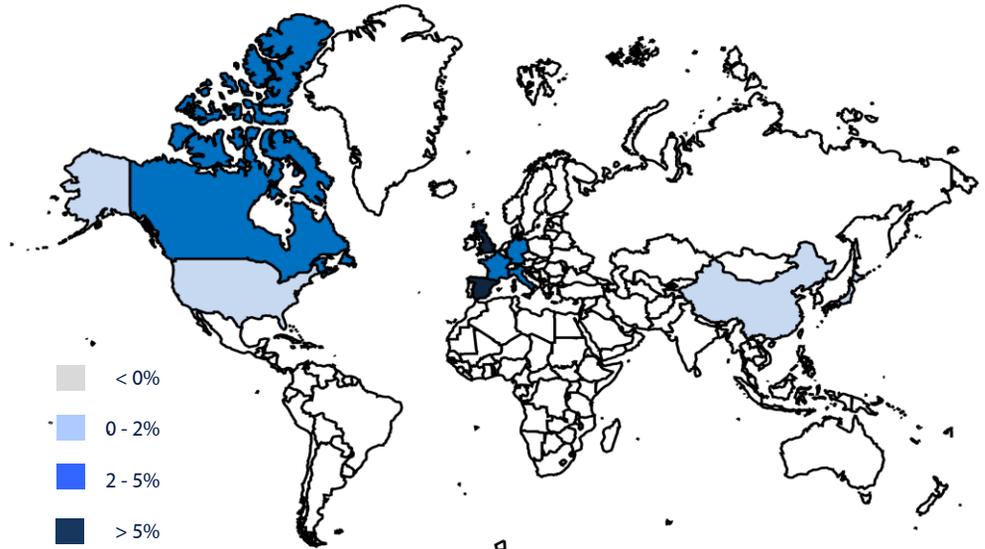
▼ Decrease since 1Q22



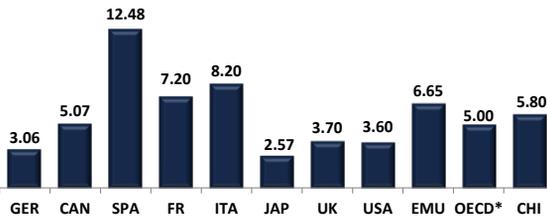
*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
 **Most updated figures available at the date of the release correspond to 2Q22, except for Brazil's deposits (1Q22)

-  **Germany**
2.56%
-  **Canada**
4.56%
-  **China**
0.40%
-  **France**
4.01%
-  **Spain**
6.78%
-  **Italy**
4.70%
-  **Japan**
1.40%
-  **EMU**
4.25%
-  **UK**
9.95%
-  **USA**
1.70%

GDP 2Q22 (% year-on-year growth rate)



UNEMPLOYMENT RATE 2Q22 (%)



INFLATION RATE 2Q22 (%)

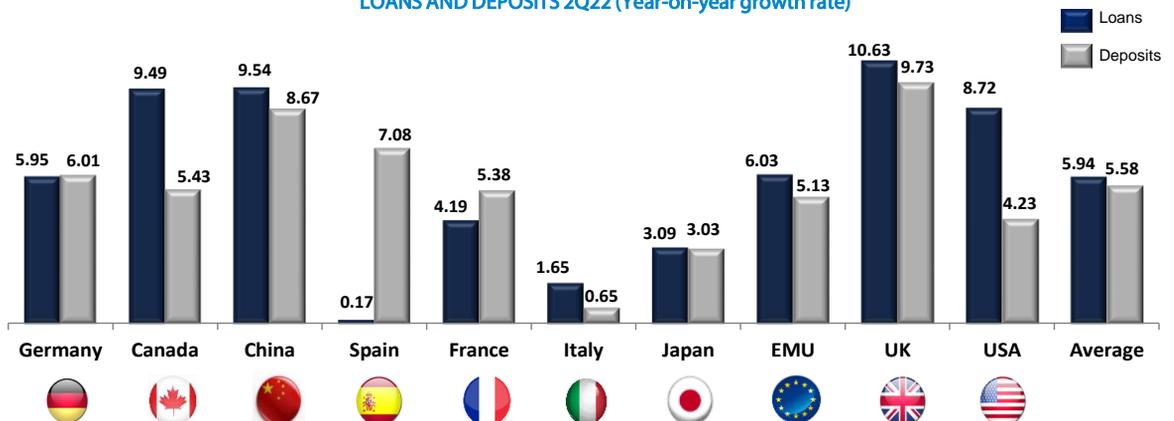


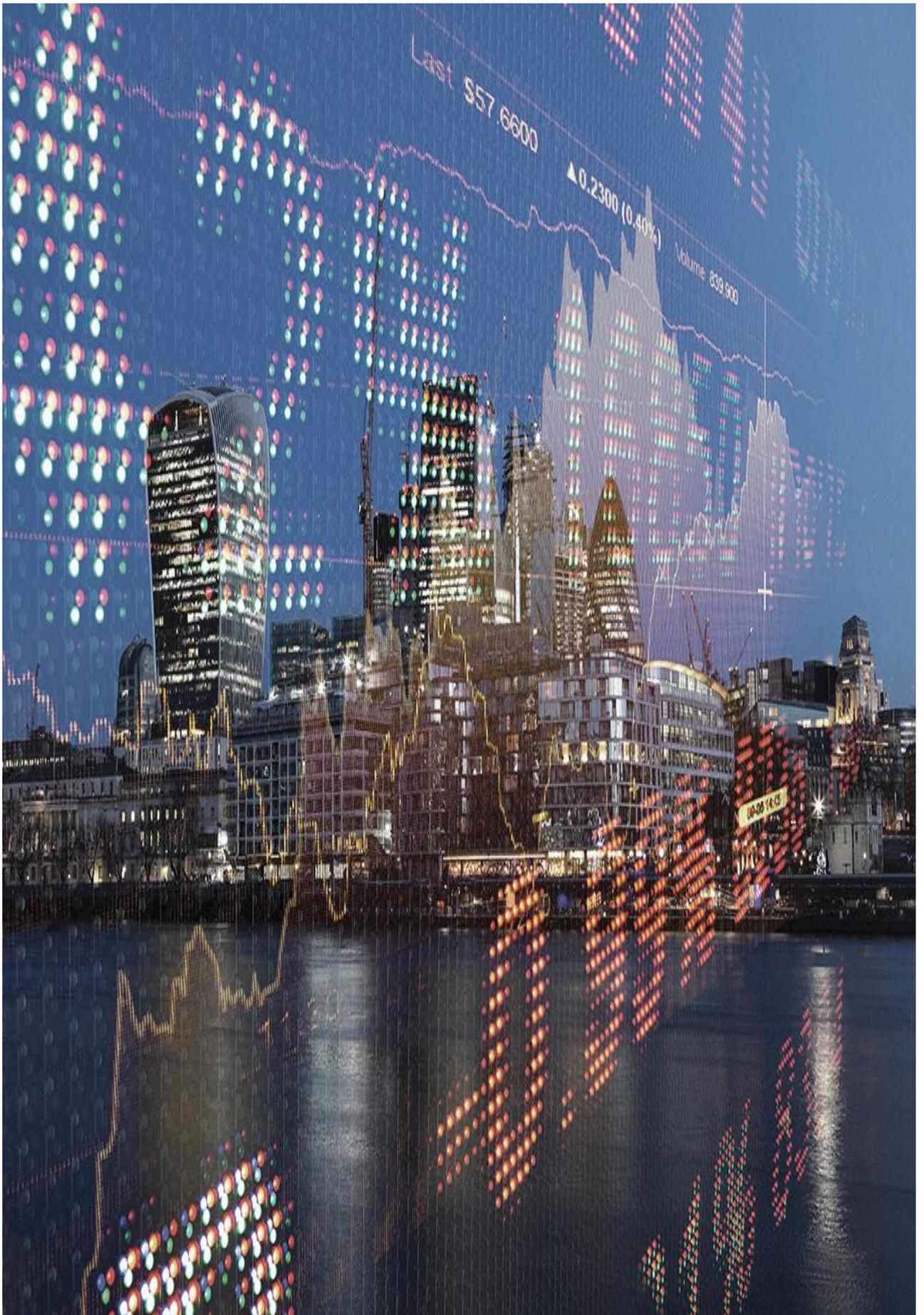
LONG TERM RATES 2Q22

	MOODY'S	S&P	Fitch
Germany	Aaa -	AAA -	AAA -
Canada	Aaa -	AAA -	AA+ -
China	A1 -	A+ -	A+ -
Spain	Baa1 -	A -	A- -
France	Aa2 -	AA -	AA -
Italy	Baa3 -	BBB -	BBB -
Japan	A1 -	A+ -	A -
UK	Aa3 -	AA -	AA- -
USA	Aaa -	AA+ -	AAA -

- ▲ Increase since 1Q22
- Constant since 1Q22
- ▼ Decrease since 1Q22

LOANS AND DEPOSITS 2Q22 (Year-on-year growth rate)



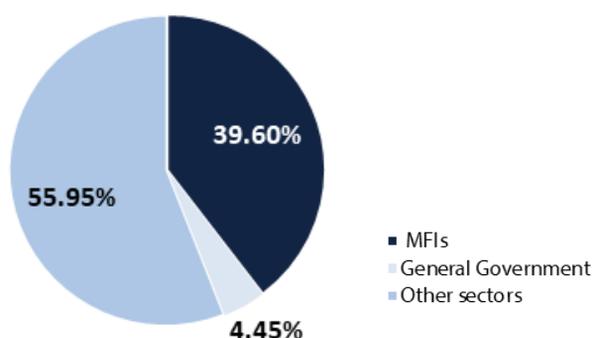


3. Banking sector

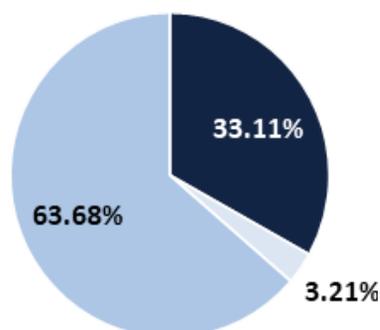
Belgium

In comparison to the previous quarter, the 2Q22 registered a decrease of 1.17 p.p. and 1.79 p.p. for total loans and deposits' YoY growth rate, respectively, standing at 5.77% and 3.22%. The MFI loans and deposits YoY growth rates dropped by 4.59 p.p.. Contrastingly, the YoY growth rate of general government loans incremented by 2.07 p.p., while its deposits decreased by 4.94 p.p.. A less pronounced yet similar difference can be spotted for 'other sectors', with the loans' YoY growth rate increasing by 1.21 p.p., whereas deposits' YoY growth rate dropped by 0.15 p.p..

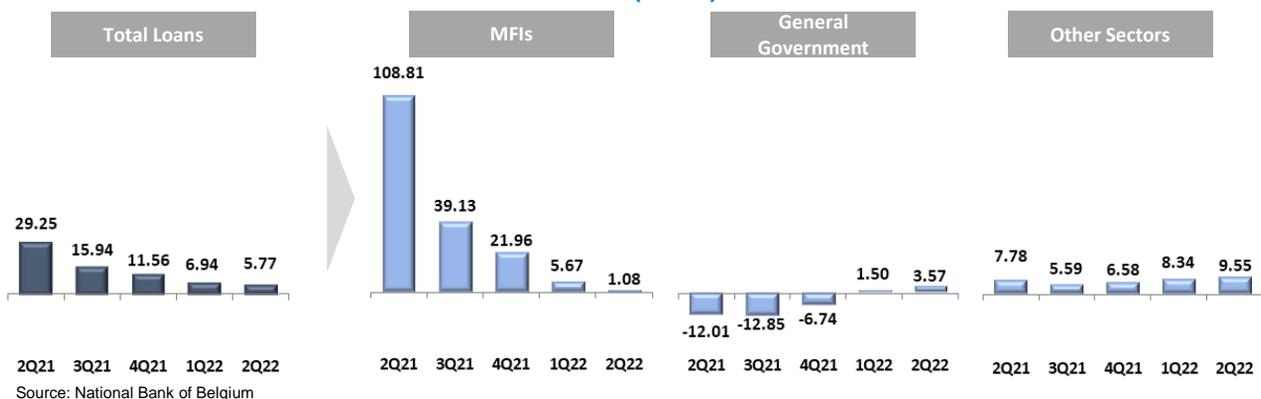
Loan distribution 2Q22 (%)



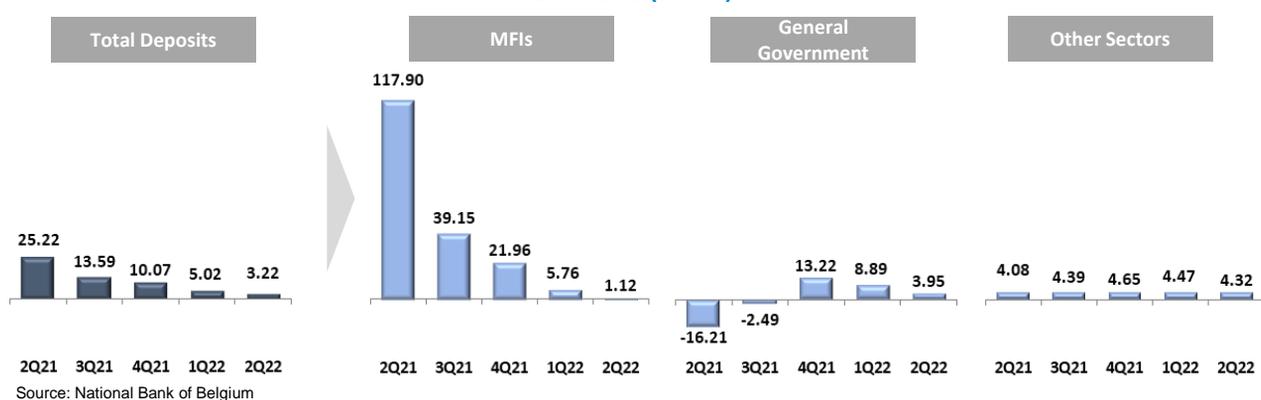
Deposit distribution 2Q22 (%)



LOANS (YoY %)



DEPOSITS (YoY %)

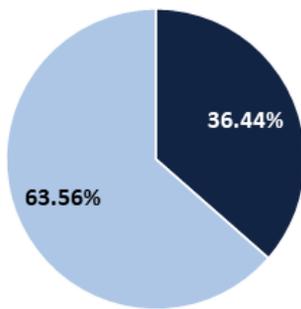


3. Banking sector

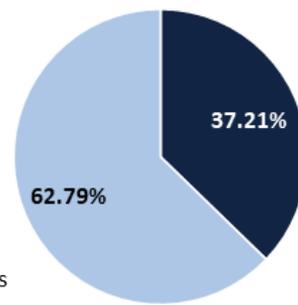
Netherlands

In 2Q22, total loans and deposits registered a YoY growth rate of 3.35% and 8.95%, respectively. Both indicators had similar YoY growth rate increments with respect to 1Q22, 0.66 and 0.75 p.p. respectively. However, at the sub-category level, the dynamics during the second quarter of 2022 were not similar. In particular, the YoY growth rate of non-financial corporations' loans was quite stable, slightly increasing by 0.16 p.p.. Contrastingly, the non-financial corporations' deposits increased by 3.66 p.p., reaching an overall YoY growth rate of 14.06%. Household loans slightly improved their YoY growth rate by 1.03 p.p., while the household deposits' rate dropped by 0.83 p.p..

Loan distribution 2Q22 (%)

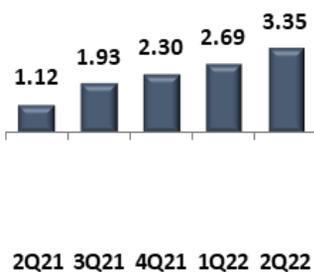


Deposit distribution 2Q22 (%)

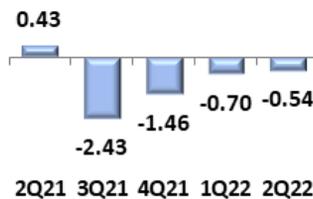


LOANS (YoY %)

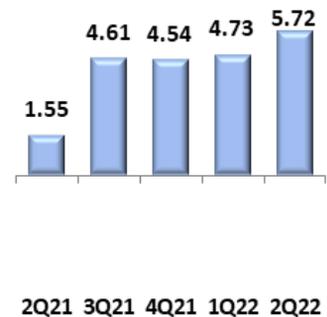
Total Loans



Non-Financial Corporations



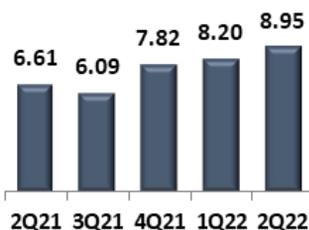
Households



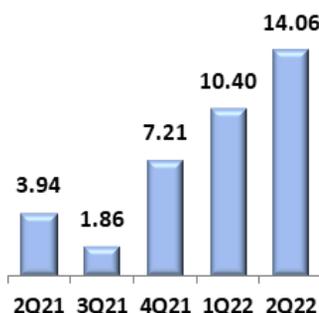
Source: De Nederlandsche Bank

DEPOSITS (YoY %)

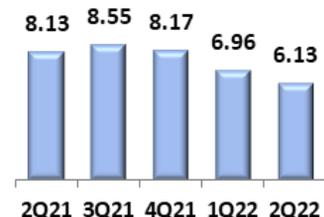
Total deposits



Non-Financial Corporations



Households



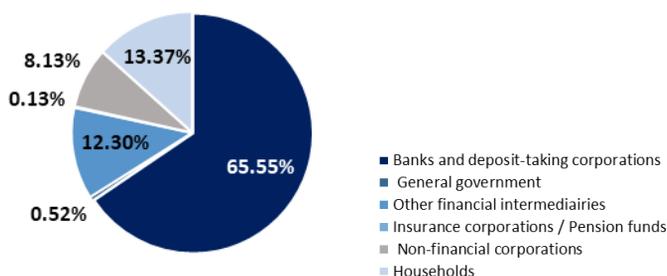
Source: De Nederlandsche Bank

3. Banking sector

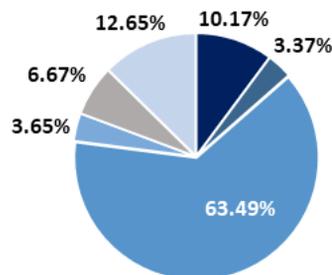
Luxembourg

In 2Q22, Luxembourg saw a decrease in both total loans and deposits growth rate. The YoY growth rate, in comparison to 1Q22, dropped by 8.13 p.p. for total loans, and 4.58 p.p. for total deposits. Amongst the many sectors that are represented by each sub-category the steep increase in Insurance and Pension Funds loans certainly stands out, with an YoY growth rate of 95.23%.

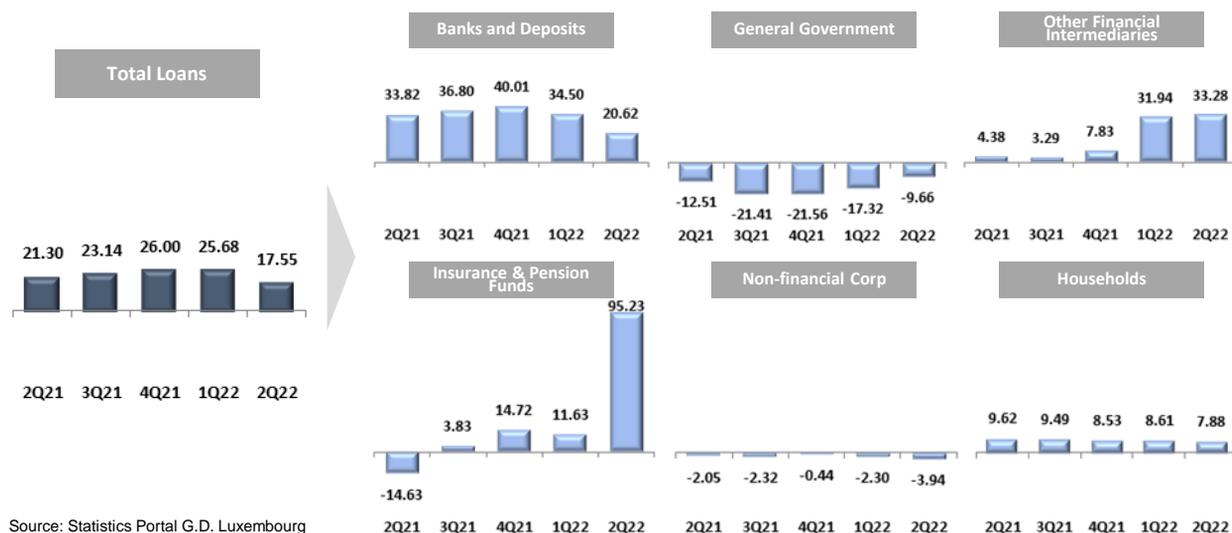
Loan distribution 2Q22 (%)



Deposit distribution 2Q22 (%)

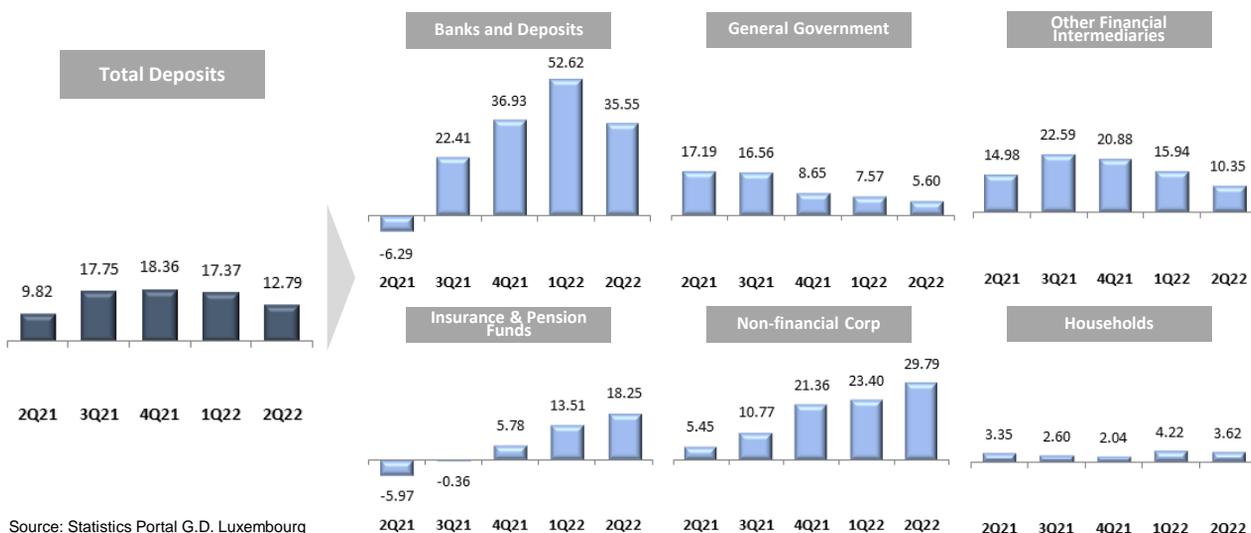


LOANS (YoY %)



Source: Statistics Portal G.D. Luxembourg

DEPOSITS (YoY %)



Source: Statistics Portal G.D. Luxembourg



4. Appendix

Sources

MACROECONOMIC OVERVIEW

- ▶ Banque Centrale du Luxembourg:
<http://www.bcl.lu/en/index.html>
- ▶ BBVA Research:
<http://www.bbva.com/KETD/ketd/esp/index.jsp>
- ▶ De Nederlandsche Bank:
<https://www.dnb.nl/>
- ▶ European Central Bank:
<http://www.ecb.int/ecb/html/index.es.html>
- ▶ International Monetary Fund (IMF):
<http://www.imf.org>
- ▶ Investing
<https://es.investing.com/>
- ▶ National Bank of Belgium:
<https://www.nbb.be/en>
- ▶ National Bank of Belgium Online Statistics:
<https://stat.nbb.be/Index.aspx>
- ▶ Organisation for Economic Co-operation and Development, OECD:
<http://www.oecd.org/home/>
- ▶ Statistics Netherlands (CBS):
<https://www.cbs.nl/>
- ▶ Statistics Portal Grand Duchy of Luxembourg:
<https://statistiques.public.lu/en/index.html>
- ▶ World Bank:
www.worldbank.org
- ▶ Central Bank of the Republic of Argentina:
www.bcra.gov.ar
- ▶ Central Bank of Chile:
www.bcentral.cl
- ▶ Central Bank of Brasil:
www.bcb.gov.br
- ▶ National Administrative Department of Statistics of Colombia (DANE):
<http://www.dane.gov.co/>
- ▶ Bank of the Republic of Colombia:
<http://www.banrep.gov.co/>
- ▶ Central Reserve Bank of Peru:
www.bcrp.gob.pe

Glossary

- ▶ **CAI:** Comprehensive Agreement on Investment between the People's Republic of China and the European Union.
- ▶ **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- ▶ **CPI:** Consumer Price Index measures the evolution of the average cost of the basket of goods and services representative of household final consumption.
- ▶ **Efficiency Ratio:** $(\text{Non-interest expense} - \text{amortization of intangible assets}) / (\text{net interest income} + \text{non-interest income})$.
- ▶ **EMU:** The Economic and Monetary Union.
- ▶ **GDP:** Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
- ▶ **IMF:** International Monetary Fund.
- ▶ **LTD ratio:** Loans to deposits is a ratio used to assess the liquidity of a bank by comparing its total loans to its total deposits over a given period of time.
- ▶ **OECD:** Organisation for Economic Co-operation and Development.
- ▶ **Operating Expense:** Total non-interest expense.
- ▶ **PEPP:** The ECB's pandemic emergency purchase programme (PEPP) is a non-standard monetary policy measure initiated in March 2020 to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus (Covid-19) outbreak.
- ▶ **p.p.:** percentage points.
- ▶ **Return On Equity (ROE):** $\text{Net Income} / \text{equity}$.
- ▶ **Return On Assets (ROA):** $\text{Net income} / \text{average total assets}$.



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