

GREEN/20/31

March 25, 2020

Green Statement from Mr. Geadah and Ms. Abdelati on Belgium—Staff Report for the 2020 Article IV Consultation (SM/20/69)

We thank staff for the set of papers, including the Selected Issues Paper on the appropriate fiscal stance, and Mr. De Lannoy for an informative statement. We very much welcome the formation of a new federal government on March 17, and the subsequent vote of confidence that has facilitated prompt action to forestall the impact of COVID-19. Hopefully, it will also pave the way for a resumption of the gains in competitiveness and in fiscal reforms that had been in train before the fall of the prior government in December 2018.

We note the broad agreement between staff and the authorities on the immediate and short-term priorities. We share the thrust of the staff appraisal and do not see a need for a Board meeting, but we have the following two points:

First, the staff report anticipates that the COVID-19 outbreak would shave off some 0.5 percent of growth this year. This seems modest compared to figures being discussed for other advanced economies. We recognize that the current pandemic does not yet show signs of abating in Europe, and that staff are not yet in a position to reliably assess the impact of COVID-19 on global activity.

Second, financial sector risks remain. We were encouraged last year that the National Bank of Belgium (NBB) will continue to keep a close watch on the Belgian property and credit markets, and especially on mortgage lending even after macroprudential measures were taken in 2018. In the low interest rate environment, rapid credit growth continued, especially to households, and additional supplementary measures were taken in 2019 to improve risk pricing. With the virus outbreak, the newly agreed deferred payment of loans to viable businesses to September 2020 will erode bank profitability. It will be important for the authorities to continue to closely monitor risks. We welcome the NBB's readiness to take additional measures if warranted, and the commitment to follow up on the completion of remaining FSAP recommendations.