

## 2.1. BELGIUM

Real GDP bounced back strongly in 2021 after a severe decline of 5.7% in 2020 caused by the COVID-19 outbreak. The gradual easing of restrictions throughout the year allowed real GDP to surpass its pre-crisis level already in the third quarter, with a strong increase of private consumption. However, activity is expected to have slowed down at the end of the year driven by the new wave of infections and renewed restrictions, as well as by supply side constraints and high input prices. GDP is estimated to have grown by 0.5% in the last quarter of 2021, leading to an annual growth rate of 6.1% for 2021.

At the beginning of 2022, restrictions on activity and supply side constraints are still affecting the economy but are expected to gradually ease. Real GDP is forecast to be roughly flat in the first quarter before recovering strongly in the following quarters. As from the second quarter of 2022, the economy is expected to return to a solid expansionary path, with sustained increase in private consumption. While private consumption surpassed its pre-crisis level already in the third quarter of 2021, it is set to expand further after restrictions are lifted on the remaining contact-intensive activities.

Investment is projected to grow strongly over the forecast horizon, supported by low interest rates, the Recovery and Resilience Facility, easing supply side constraints, robust private consumption and the energy transition. Net exports are expected to contribute negatively to growth in 2022, as tourism abroad resumes further. After a strong recovery in 2021, real GDP growth is forecast to be more moderate in 2022, but still above historic averages, reaching 2.7%. In line with consumption developments, GDP growth is then set to gradually return to its long-term trend in 2023, with annual growth rate forecast at 2.2%.

On the back of increasing energy prices and strong economic recovery, headline HICP inflation reached 3.2% in 2021. After exceptionally high electricity and gas prices in the fourth quarter of 2021 and the first quarter of 2022, energy prices are expected to gradually decline over the forecast horizon, though remaining at a high level. The Belgian Government recently announced measures to help assuage electricity prices. Annual HICP is projected to reach 4.3% in 2022 before declining strongly in 2023 to 1.3%.

