Participating Primary and Recognised Dealers: Barclays Capital, BNP Paribas Fortis, Citigroup, Commerzbank, Dexia Bank, ING, KBC Bank, Royal Bank of Canada Capital Markets, Royal Bank of Scotland, Société Générale Corporate & Investment Banking, UBS Limited

Belgian Prime News

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- The world economic outlook has deteriorated drastically in recent months, against the backdrop of the slowdown in global activity and the ongoing sovereign debt crisis in the euro area. After an expected growth of 2.5% in 2011, economic activity in Belgium is likely to slow down to 1.5% in 2012; the Belgian economy will continue to outperform the euro area as a whole.

- HICP inflation in Belgium is expected to increase by 3.5% in 2011 – as a consequence of peaking commodity prices in the first half of the year – and to decelerate to 2.2% in 2012.

- In line with the Stability Programme endorsed for the period 2011-2014, the situation of Belgian public finances is going to improve progressively. The general government deficit is expected to fall to 3.6% in 2011 and 3.4% in 2012, while the debt ratio would stabilize around 96% in 2011 and 2012.

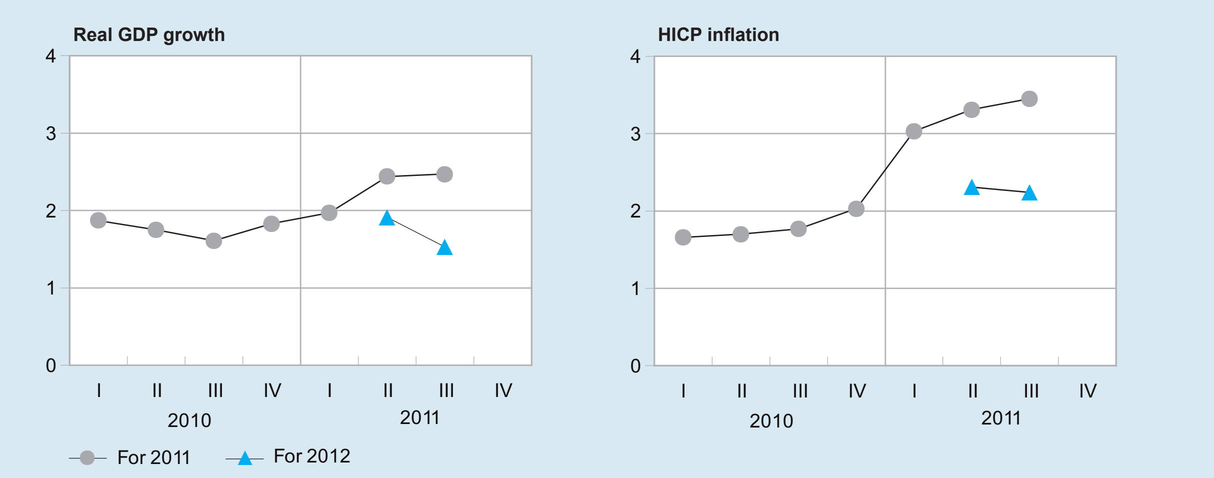
- Amid mounting financial tensions and worsening overall economic conditions, the resilience of the Belgian economy will continue to be tested in the coming period. As explained in the Special Topic section, preserving sound fundamentals and taking structural measures for the long term is of paramount importance in this context. The recent progress in the political negociations bodes well in this respect.

Consensus: Average of participants' forecasts

	2010		2011 p				2012 p			
	Belgium	Euro area	Belgium		Euro area		Belgium		Euro area	
Real GDP(1)	2.1	1.8	2.5	(2.4)	1.7	(1.9)	1.5	(1.9)	1.0	(1.6)
Inflation (HICP)(1)	2.3	1.6	3.5	(3.3)	2.6	(2.7)	2.2	(2.3)	1.8	(1.9)
General government balance(2)	-4.1	-6.0	-3.6	(-3.6)	-4.3	(-4.5)	-3.4	(-3.2)	-3.4	(-3.7)
Primary balance(2)	-0.7	-3.2	-0.1	(-0.2)	-0.3	n.	0.1	(0.1)	-0.3	n.
Public debt(2)	96.6	85.1	96.2	(96.4)	87.2	(87.2)	96.4	(96.1)	88.4	(88.2)

Numbers in parentheses refer to the previous consensus forecast of June 2011.
(1) Percentage changes.
(2) EDP definition; percentages of GDP.
n. Not available.

SUCCESSIVE FORECASTS FOR BELGIUM

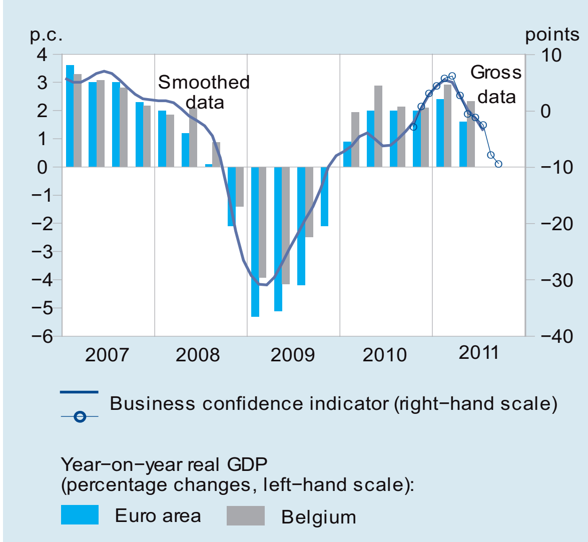


Source: Belgian Prime News.

Macroeconomic developments

World activity decelerated markedly in the second quarter of 2011, and looking ahead, it is expected to slow down further in the second half of this year. The deceleration of growth has been particularly pronounced in the US, where the weak labour market and depressed housing markets are still weighing on consumer and business confidence. The polarized debate on fiscal policy and the US credit rating downgrade by Standard & Poor's have contributed to spread uncertainty among economic agents. In the euro area, tensions in sovereign debt markets have increased and spread further, on account of rising uncertainty about public debt sustainability. The ongoing debt crisis has negative spillover effects on the real economy, through banks' exposure to sovereign debt and through austerity plans needed to restore market confidence. In addition, the absence of a broader commitment to the crisis resolution mechanism at the euro area level and the possible vulnerability of the banking sector are generating stress on financial markets.

GDP GROWTH AND BUSINESS CYCLE INDICATOR

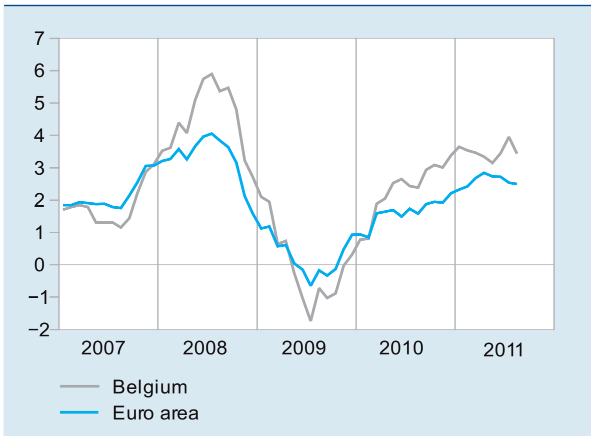


Sources: EC, NAI, NBB.

In Belgium too, the pace of growth decelerated in the second quarter of 2011, but to a lesser extent than in the euro area: although revised today from 0.7% to 0.5%, GDP growth remains higher than the 0.2% rate observed in the euro area. This revision occured after the finalisation of the participants' forecast. According to short-term indicators, economic activity would slow down relatively markedly in the second half of this year. Against this background, **the primary and recognised dealers expect real GDP to rise by 2.5% in Belgium in 2011 and economic activity is then likely to slow down to 1.5% in 2012 (a downward revision of 0.4%).** Even if the sources of risks are probably originating predominantly from outside Belgium, the current outlook is surrounded with a mounting degree of uncertainty with risks clearly tilted to the downside. For both years, the projected growth rates for Belgium remain well above the euro area average (1.7% in 2011 and 1.0% in 2012, corresponding to a downward revision of 0.2 and 0.6% respectively). The resilience of the Belgian labour market during the crisis is one important factor behind Belgium's relatively good performance compared to the euro area average.

Despite the expected lower growth in 2012, the inflation outlook has only been revised slightly compared to three months ago. **The participating institutions expect Belgian HICP inflation to reach 3.5% on average in 2011 before falling to 2.2% in 2012.** The high inflation figure in 2011 reflects entirely the price developments recorded during the first half of the year, which have been dominated by volatile, but on the whole rising global commodity prices, especially energy prices. From the second half of 2011 onwards, inflationary pressures are expected to abate progressively. The euro area inflation is forecast to rise by 2.6% in 2011 and 1.8% in 2012, thus still well below the forecast Belgian inflation rate.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)



Source: EC.

Finally, turning to public finances, **the primary and recognised dealers expect the general government deficit to contract on average from 4.1% of GDP in Belgium in 2010 to 3.6% in 2011 and 3.4% in 2012.** It has to be borne in mind that some forecasters have taken account of the targets included in the Stability Programme 2011-2014, relying on the government's track record and thus assuming that the additional measures that are needed to approach these targets will be taken. As explained in the special topic, political parties currently negotiating for the formation of the new federal government have committed to fully observe the projected path for public finances as stated in the last Stability Programme. From a starting level of 96.6% of GDP in 2010, **the Belgian public debt is projected to broadly stabilize in 2011 and 2012, at 96.2% and 96.4% of GDP respectively.** Although the level is still significantly higher than the euro area average, the gap is expected to narrow, as the euro area public debt ratio is projected to rise from 85.1% in 2010 to 87.2% in 2011 and 88.2% in 2012.

Special Topic: The Belgian situation within the context of current turbulences

Belgium may certainly not be considered as immune to the ongoing sovereign debt crisis in the euro area and the deterioration of the overall economic outlook. Although the source of the shocks largely lies outside the grasp of Belgian authorities, it is of paramount importance to upgrade the economy's resilience. This ability requires sound economic fundamentals, taking decisions to improve the long term fiscal sustainability and growth prospects, and, finally, the capacity of reaction in case of a sudden worsening of the economic and financial conditions.

Looking first at economic fundamentals, the financial situation of private domestic sectors is sound, as the robust activity growth, by continental Europe standards, over the last decade was achieved without a large increase of households' and entreprises' indebtedness. Also, despite a sustained price increase since 2005, the housing market did not experience any "boom and bust" cycle like it did in many other countries (on this topic see also BPN 49 - September 2010). All in all, the balance of current transactions with the rest of the world has remained broadly positive, albeit following a steady downward trend. This absence of large economic imbalances and the resilience of the labour market have allowed Belgium to weather the global crisis relatively well, outperforming most of the euro area countries.

COMPARISON OF MACROECONOMIC AND FINANCIAL INDICATORS FOR BELGIUM
(percentages of GDP, data for 2010, unless otherwise stated)

	BE	EA	DE	FR	NL	IT	ES	PT	EL
GDP in volume[1]	**1.6**	1.4	1.2	1.4	1.8	0.6	2.4	1.0	2.6
Unemployment rate[2]	**8.4**	10.1	7.2	9.3	4.5	8.5	20.2	11.4	12.7
General government balance	**-4.1**	-6.0	-3.3	-7.0	-5.4	-4.6	-9.2	-9.1	-10.5
Public debt	**96.6**	85.1	83.2	81.7	62.7	119.0	60.1	93.0	142.8
Current account balance[3]	**2.7**	-0.4	5.1	-3.5	6.7	-4.2	-4.5	-9.8	-11.8
Net financial assets - whole economy[4]	**24.9**	-9.9	29.9	-1.7	63.5	-15.2	-88.9	-105.7	-104.6
Households' indebtedness	**54.9**	66.1	61.0	55.1	127.1	45.2	84.9	95.2	60.0
Non-financial companies' indebtedness	**38.7**	60.3	41.6	64.1	66.4	63.0	87.8	90.9	53.7

Sources: EC, ECB, NBB.
1 Average annual change in percent, 2000-2010.
2 Percentages of labour force (15-64 years).
3 National accounts definition.
4 2009.

On the other hand, with a debt level significantly higher than the euro area average, Belgium is anything but sheltered from adverse financial market developments. Financial market concerns about sovereign debt have indeed already touched Belgium by increasing the long term differential vis-à-vis Germany up to 200 basis points in September. A great part of the differential was however attributable to the historically low rate on German bonds, due to flight-to-quality or flight-to-security considerations prevailing among investors.

Still, despite the market turbulence, the Treasury has not encountered any difficulties in funding since the demand for high-rated bonds such as the Belgian ones has remained pretty high, stemming from domestic private investors as well as from investors outside Belgium. The current total issuance stands at €31.332 billion, representing 92.2% of the 2011 issuance target and the Treasury does not exclude the possibility of frontloading a fraction of the financing needs for 2012.

Turning to the political situation, negotiations for the formation of the new federal government are ongoing and the current government is consequently still acting in a caretaker position. Having the majority in parliament, this government can however come up rapidly with measures if needed. The approval of the extension of the EFSF in the course of September constitutes one example.

Furthermore, coalition talks have made decisive progress in recent weeks. First, the most symbolic obstacle between French-speaking and Flemish communities has been solved, by reaching an agreement on the scission of the BHV voting district. Shortly after, political parties around the negociation table have agreed on revision of the Special financing law, defining a new framework for the sharing of resources between the federal level and the regions. Although other issues still need to be discussed and agreed, the recent political developments represent building stones for an institutional set-up for Belgium, paving the way for tackling socio-economic issues, including fiscal consolidation.

In this regard, it must be noted that the technical preparation for the budget 2012 has started: the Federal Planning Bureau has transmitted to the government its estimate for GDP growth in 2012 and the consultations with the various departments are on track. Given good progress made in coalition talks, the current Prime Minister (Y. Leterme) and the leader of the coalition talks (E. Di Rupo) have recently agreed that the budget for 2012 will be drawn up by the upcoming government, taking into account a multi-year perspective. Should this not had been the case, then the caretaker government would have acted as a backstop solution, so that the budget will be on time with respect to EU calendar.

In any case, there is a broad political consensus about the need to comply with the objectives defined in the most recent Stability Programme (covering the period 2011-2014) which was prepared by the caretaker government. As a reminder, in its programme, the Belgian government has committed itself to eradicating the excessive deficit by 2012, in line with the ECOFIN recommendations, and to posting a marginal surplus by 2015. This will put the public debt ratio firmly back on its downward trend, which was interrupted in the context of the financial and economic crisis.

TARGETS FOR THE FINANCING REQUIREMENT (-) OR CAPACITY OF BELGIAN GENERAL GOVERNMENT
(percentages of GDP)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Successive stability programmes										
April 2009			-1.2	**-3.4**	-4.0	-3.4	-2.6	-1.5	-0.7	0.0
September 2009 (complement)				**-5.9**	-6.0	-5.5	-4.4	-2.8	-1.3	0.0
January 2010					**-4.8**	-4.1	-3.0	-2.0	-1.0	0.0
April 2011						**-3.6**	-2.8	-1.8	-0.8	0.2
Actual figures	**0.1**	**-0.3**	**-1.3**	**-5.9**	**-4.1**					

Sources: Budget documents, NAI, FPS Finance, NBB.

Treasury highlights

1. The Treasury held regular OLO auctions on 25 July 2011 and on 22 August 2011:

   - On 25 July 2011, the Belgian Debt Agency issued €2.505 billion of OLOs. During the subsequent non-competitive tours, another €455 million was issued.

   - On 22 August 2011, the Belgian Debt Agency issued €2.504 billion of OLOs. No supplementary OLOs were issued during the subsequent non-competitive tours.

   Both issuance amounts ended up at the top of the earlier announced range, which was in both cases set in a conservative way given the market turbulence. Bid-to-covers ranged from 1.61 for the July issuance of OLO 4.25% 28/03/2041 to 3.15 for the August issuance of OLO 4.00% 28/03/2014.

2. This brings total OLO issuance to €31.332 billion, representing 92.2% of the 2011 issuance target (€34.0 billion). The Treasury continued to favor the long-end and as such, the average maturity of the 2011 issuance so far amounts to 11.09 years.

3. On 28 June 2011, the Treasury announced the long awaited fungibility of OLO Strips. From that moment onwards, newly created principal strips are fungible with newly created interest strips.

4. In July and August 2011, severe market turbulence also affected the OLO-market, pushing spreads vis-à-vis German Bunds to all-time highs. In absolute terms, however, rates did not rise much: the highest level for the 10-year OLO was 4.53% (on August 5, 2011).

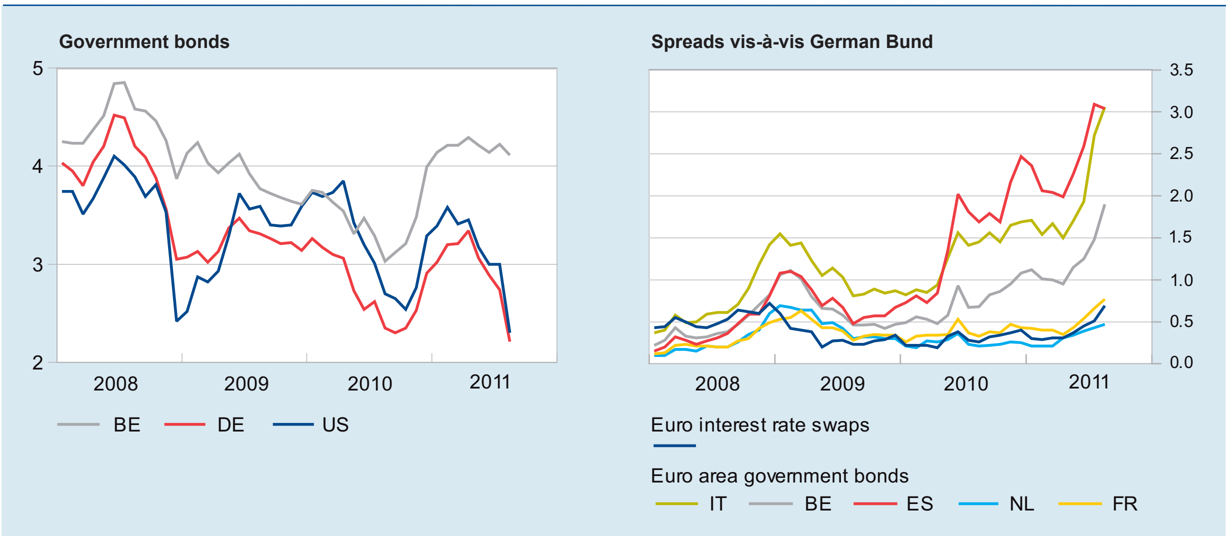
The OLO auction dates for the remainder of 2011 are the following:

Issuance date	Settlement date
31 October	3 November
28 November	1 December

Please note that this schedule may be modified and that a new syndicated transaction may replace an auction.

Government securities market

10-YEAR INTEREST RATES
(percentage points, monthly averages)

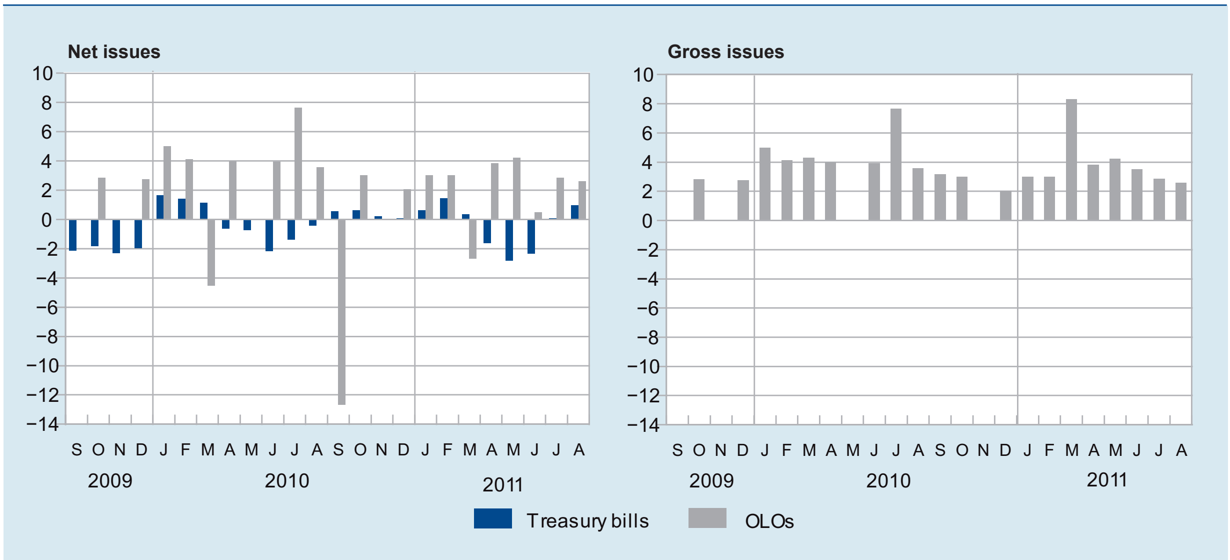


Sources: BIS, Datastream.

The decline of the long-term interest rates on government bonds in Germany and the United States which started early this year, markedly accelerated in August. These developments mainly reflected a deterioration in the outlook for the global economic recovery and a downward revision of the expected future path of short-term interest rates, especially for the United States, as well as renewed and intensified turbulence related to the euro area sovereign debt crisis and US sovereign debt problems. These periods of tension prompted a significant increase in investors' risk aversion.

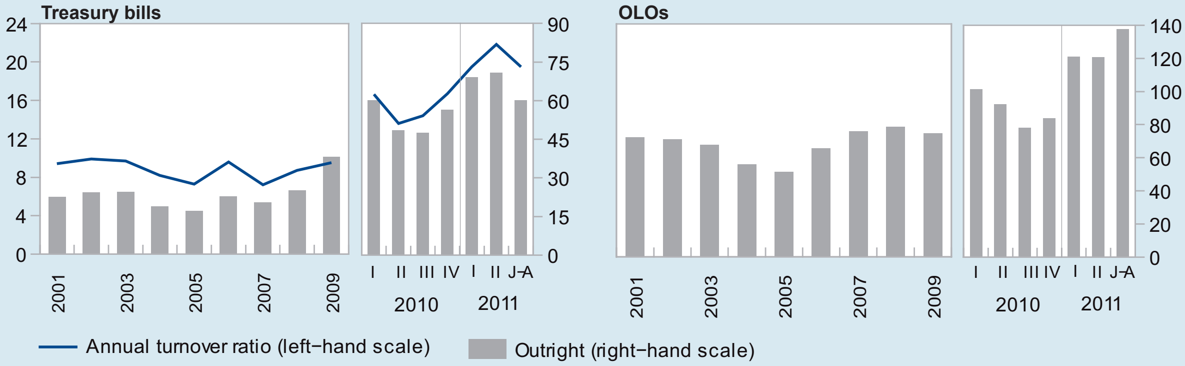
Spreads of most sovereign issuers vis-à-vis the German Bund widened as safe-haven flows continued to increase. These developments were driven primarily by the uncertainty about the form and timing of further support for Greece. In addition, fears that the crisis might spread to other euro area countries continued to weigh on market sentiment. After the intensification of sovereign bond purchases by the ECB, tensions on the euro area sovereign debt markets abated to some extent in August.

PRIMARY MARKET
(billions of euro)

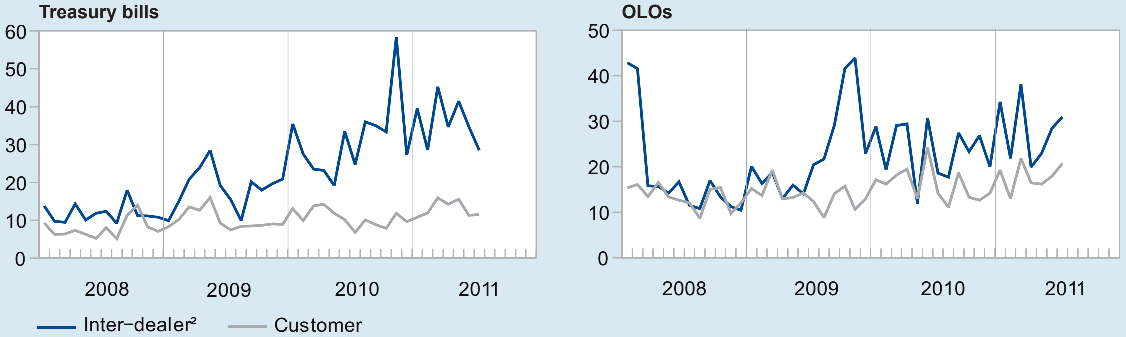


SECONDARY MARKET TURNOVER

As compiled by the Securities Regulation Fund[1]
(billions of euro unless otherwise stated, monthly averages)



As reported by primary and recognised dealers to the Treasury
(billions of euro)

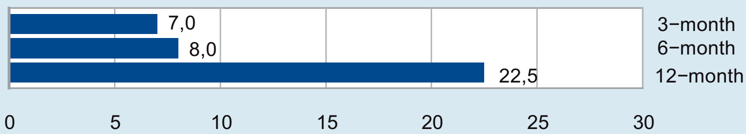


[1] As of January 2009, reporting information obtained via TREM is also included. The Securities Regulation Fund's turnover figures include some sell/buy-back transactions which are in fact repurchase agreements.
[2] Please note that inter-dealer turnover is double-counted in these figures.

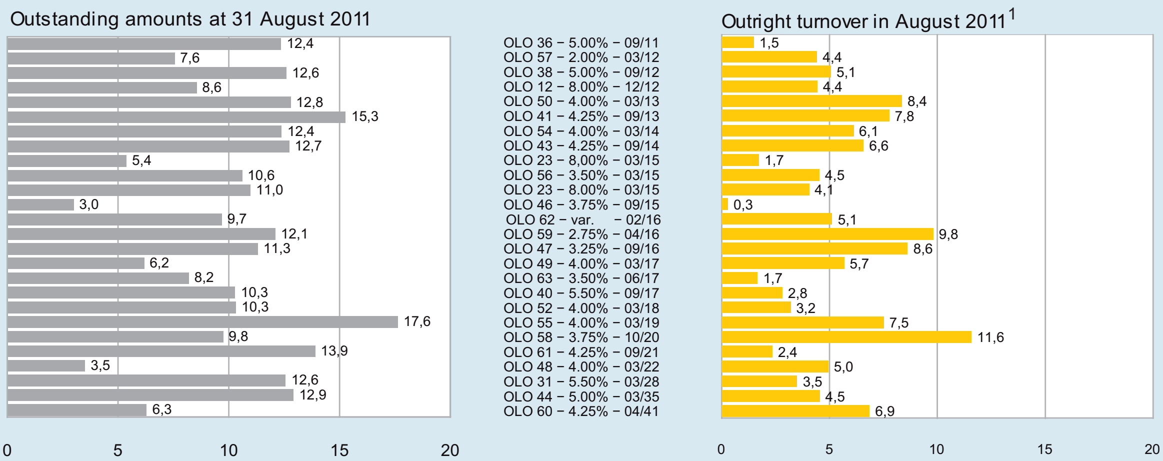
OUTSTANDING AMOUNTS AND TURNOVER
(billions of euro)

TREASURY BILLS

Nominal outstanding amounts at 31 August 2011

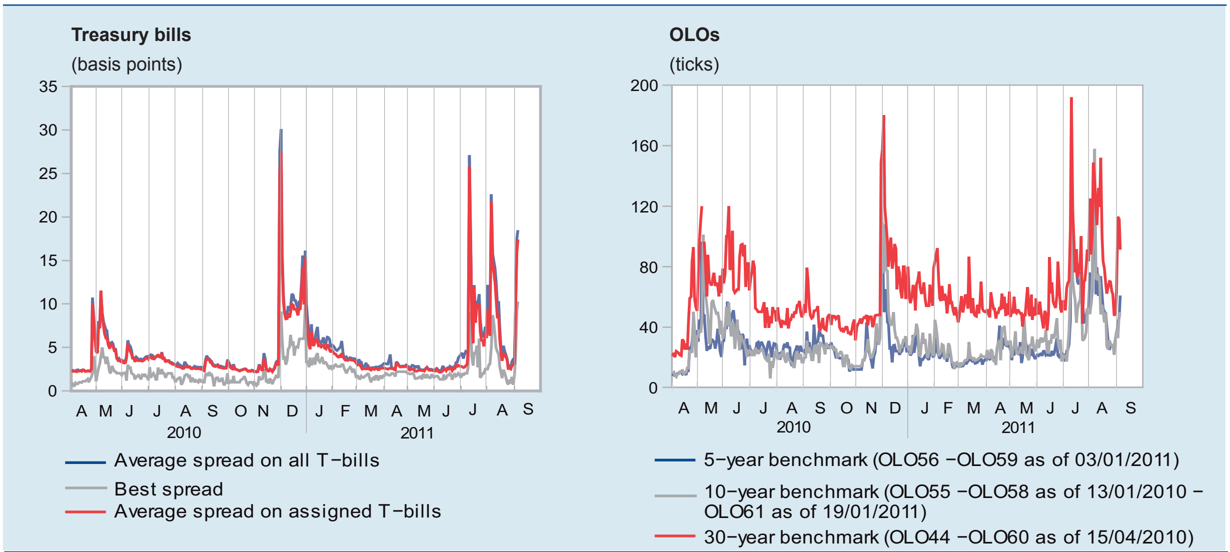


OLOs



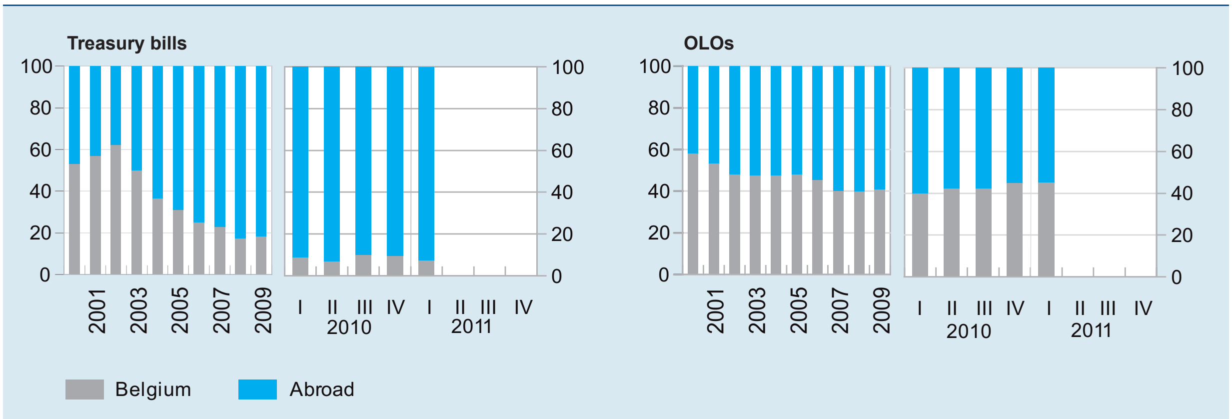
Source: Securities Regulation Fund.
[1] The turnover figures include sell/buy-back transactions which are in fact repurchase agreements.

BEST BID/OFFER SPREADS[1]



Source: Treasury.
[1] As reported by three electronic platforms (MTS, Broker Tec and BGC eSpeed). For the period October–December 2009, this is the best average over 6 hours; since January 2010, it is the best average over 5 hours.

LOCATION OF HOLDERS
(percentages of total)



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