BELGIAN DEBT AGENCY

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

NationalBank OF BELGIUM
Eurosystem

Belgian Prime News

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- In the euro area and in Belgium, a mild recession was observed at the end of 2011 but some signs of stabilisation appeared at the turn of the year. GDP projections for Belgium have been downgraded slightly to zero growth in 2012. For 2013, a recovery to 1.2% is expected.

- Belgian inflation has stabilised at 3.3% in February on the back of rising oil prices and indirect tax increases. The inflation differential with the euro area also remained steady at 0.6 percentage points. Belgian HICP inflation is expected to reach 2.7% in 2012 and 2.1% in 2013.

- The government has decided additional measures in the context of the budget control to reduce the general government deficit to 2.8% of GDP in 2012, aimed at reaching the stability programme's target.

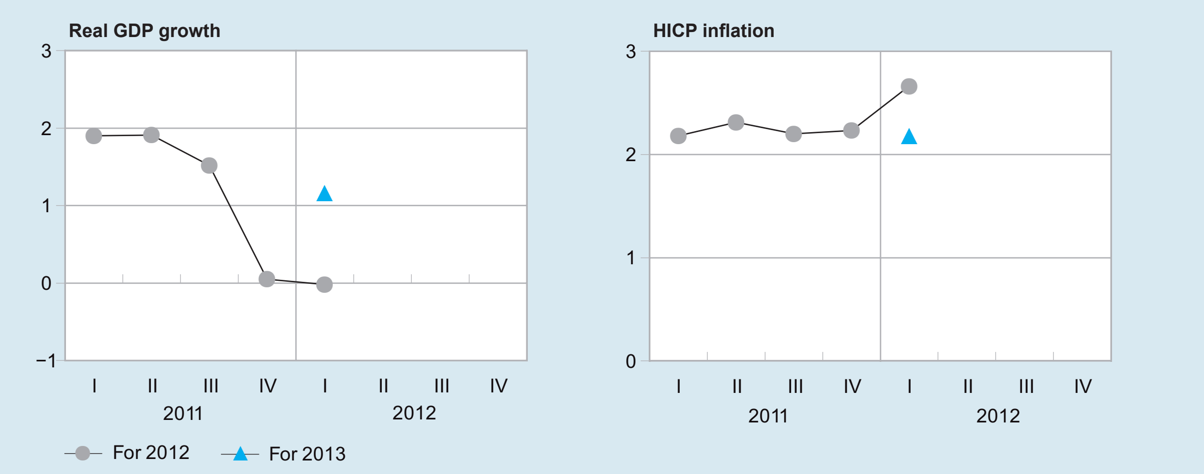
- On March, 30, the National Accounts Institute published the government accounts for 2011 in the context of the EDP notification.The general government deficit reached -3.7% of GDP, slightly below the initial estimate, while the debt ratio stood at 98.2%.

Consensus: Average of participants' forecasts

	2011		**2012 p**				**2013 p**	
	Belgium	Euro area	Belgium		Euro area		Belgium	Euro area
Real GDP(1)	1.9	1.6	0.0	(0.1)	-0.4	(-0.2)	1.2	0.8
Inflation (HICP)(1)	3.5	2.7	2.7	(2.2)	2.1	(1.8)	2.1	1.7
General government balance(2)	-4.0 [-3.7]	-4.1	-3.3	(-3.1)	-3.3	(-3.3)	-2.6	-2.5
Primary balance(2)	-0.7 [-0.4]	-1.2	0.6	(0.5)	-0.5	(-0.6)	1.4	0.2
Public debt(2)	98.6 [98.2]	88.0	100.0	(97.2)	89.9	(90.1)	100.0	90.1

Numbers in parentheses refer to the previous consensus forecast of December 2011; numbers between brackets refer to the EDP notification of March 30, 2012.
(1) Percentage changes.
(2) EDP definition; percentages of GDP.

SUCCESSIVE FORECASTS FOR BELGIUM

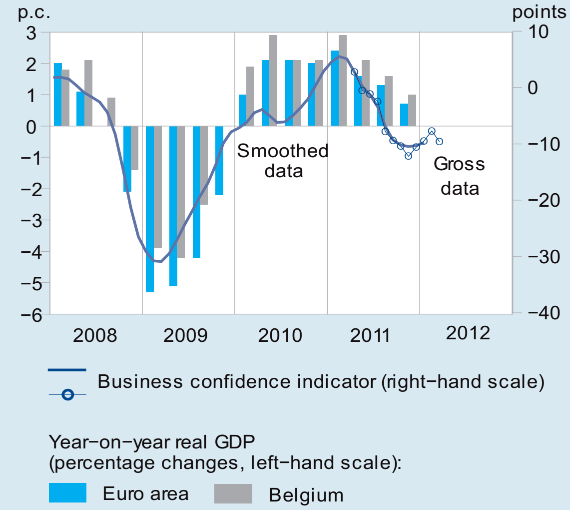


Source: Belgian Prime News.

Macroeconomic developments

In Belgium, a mild recession was observed at the end of 2011 but some signs of stabilisation appeared at the turn of the year. GDP declined in the fourth quarter of 2011 by 0.1% on a quarterly basis, the same decrease as observed in the third quarter. The business confidence indicator reached its turning point in November and then resumed a fragile upward pace. The euro area economy also started the year in technical recession and showed signs of economic activity levelling out. Looking ahead, a gradual recovery is expected in the course of this year, followed by some further improvement in 2013. In this context, and in line with forecasts published recently by the NBB, EC and ECB, **the primary dealers have slightly downgraded their real GDP growth forecast for Belgium to zero growth in 2012. It is expected to recover to 1.2% in 2013.** In both years, the Belgian economy is likely to outperform the euro area, with GDP growth expected to stand at -0.4% in 2012 and 0.8% in 2013. Employment growth in Belgium is expected to stabilise in 2012, just like GDP, and to increase to 0.6% in 2013.

GDP GROWTH AND BUSINESS CYCLE INDICATOR

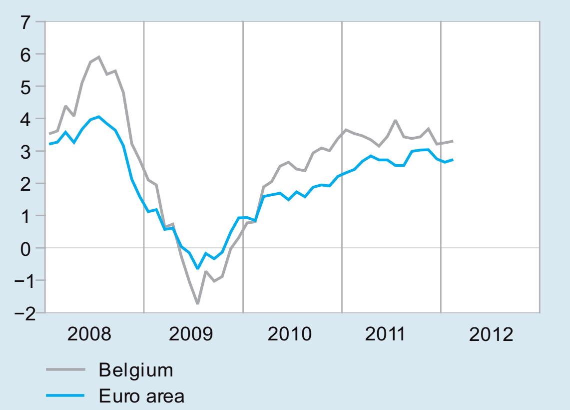


Sources: EC, NAI, NBB.

Annual HICP inflation came down at the end of 2011 and has remained more or less steady since then, although still at a high level. In February 2012, it stood at 3.3% in Belgium and 2.7% in the euro area, which implies that the inflation differential remained at 0.6 percentage points. The inflation outlook has been revised significantly upwards, on the back of a surge in oil prices and indirect tax increases in Belgium and several euro area countries. The primary dealers expect **Belgian HICP inflation to reach 2.7% in 2012 (upward revision of 0.5 pp.) and 2.1% in 2013.** Euro area inflation is expected to be lower, at 2.1% (upward revision of 0.3 pp.) in 2012 and 1.7% in 2013.

The general government deficit was expected to shrink from -4% in 2011 to -3.3% in 2012 and to -2.6% in 2013. This consensus forecast, which is an average of the participants' projections, takes into account the budgetary measures decided upon in December 2011 as well as the temporary freeze of expenditure worth 1.3 billion euro in reaction to the European Commission's recommendation. However, it does not include either the impact of measures taken in the context of the March 2012 budget control or the new estimate for 2011, as they were announced after the meeting of the primary dealers. The new consensus forecast implies a downward revision of 0.2 pp. in 2012, which is consistent with the downgrading of the GDP forecast. According to the figures available before the EDP notification of March 30, the debt ratio is projected to increase from 98.6% in 2011 to 100% in 2012 and to stabilise in 2013. As a result, the projected path for the general government deficit is very similar to that for the euro area and the debt ratio gap is likely to narrow further to just below 10 pp.

HARMONISED INDEX OF CONSUMER PRICES
(annual percentage changes)

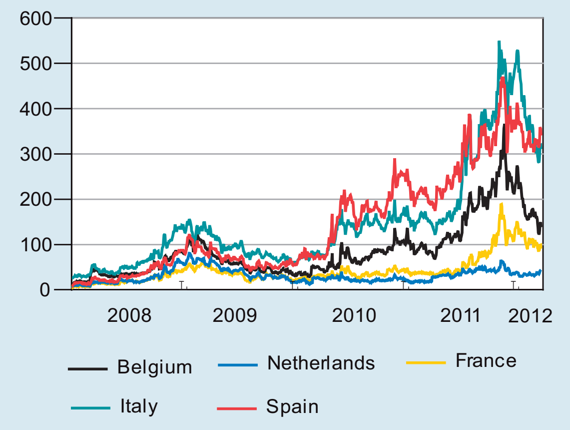


Source: EC.

Special Topic: Need for structural reforms to boost growth still pressing in Belgium and Europe, despite lower financial tensions

Because of its large degree of openness in terms of trade and financial connections, as well as the weight of its public debt expressed as a percentage of GDP, Belgium is particularly exposed to the international economic situation and to financial market developments. For this reason, Belgium has been hit by the economic recession and the financial and sovereign debt crisis over the three last years, although to a lesser extent than most other euro area countries. In the same way, the recent reduction of tension has been beneficial to the country and has been visible in lower interest rate spreads, which decreased from 366 basis points on 25 November 2011 to 154 basis points on 28 March 2012.

SPREAD ON TEN-YEAR GOVERNMENT BONDS VIS-A-VIS GERMANY
(basis points)



Source: NBB.

Diminishing tensions on financial markets were the result of several decisions taken at the European level. The three-year longer-term refinancing operations of the Eurosystem in December 2011 and February 2012 have, among other measures, contributed to improving financial institutions liquidity position. The Heads of State or Government of euro area countries brought forward by one year the establishment of the permanent crisis management mechanism or European Stability Mechanism (ESM) to July 2012. In the margins of the European Council at the beginning of March, twenty-five countries signed the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, strengthening the economic pillar of the Union by adopting a set of rules intended to foster budgetary discipline through a Fiscal Compact, boost the coordination of economic policies and improve governance in the euro area. Finally, an agreement was reached on Greece's second economic adjustment programme, on private sector involvement (PSI) for sovereign debt restructuring, and on additional financial assistance in the context of the European Financial Stability Facility (EFSF) and IMF programmes.

Even though the abovementioned measures bought some time and the ensuing easing of tensions enabled economic agents to improve their balance sheets, the underlying problems have not been solved yet. Structural reforms in different domains are also requested by the European authorities, notably in the field of sound and sustainable budgets and the reduction of macroeconomic imbalances.

In Belgium, at the budgetary level, measures were decided upon in December 2011 for the 2012 budget, but the worsening economic situation required additional steps, which have been taken in the context of the budget control. They are based on close to zero growth prospects of the Federal Planning Bureau, consistent with the consensus forecast of the primary dealers. These measures should make it possible to reduce the general government deficit to 2.8% of GDP, thus putting it on track to reach the stability programme's target for 2012 and bringing Belgium into line. However, close monitoring is warranted as economic conditions can vary rapidly and the large public debt ratio remains an issue in view of population ageing.

Another aspect of EU economic governance is the surveillance of macroeconomic imbalances. A scoreboard has been set up to detect internal and external imbalances at an early stage. It consists of ten indicators and three of them exceed the benchmark in Belgium, namely the high public and private sector debt ratios and the loss of export market share. For this reason, the European Commission has proposed to put Belgium, among 12 European countries, under an in-depth review, which could lead to preventive actions or to corrective actions, the latter if the imbalances are considered to be excessive.

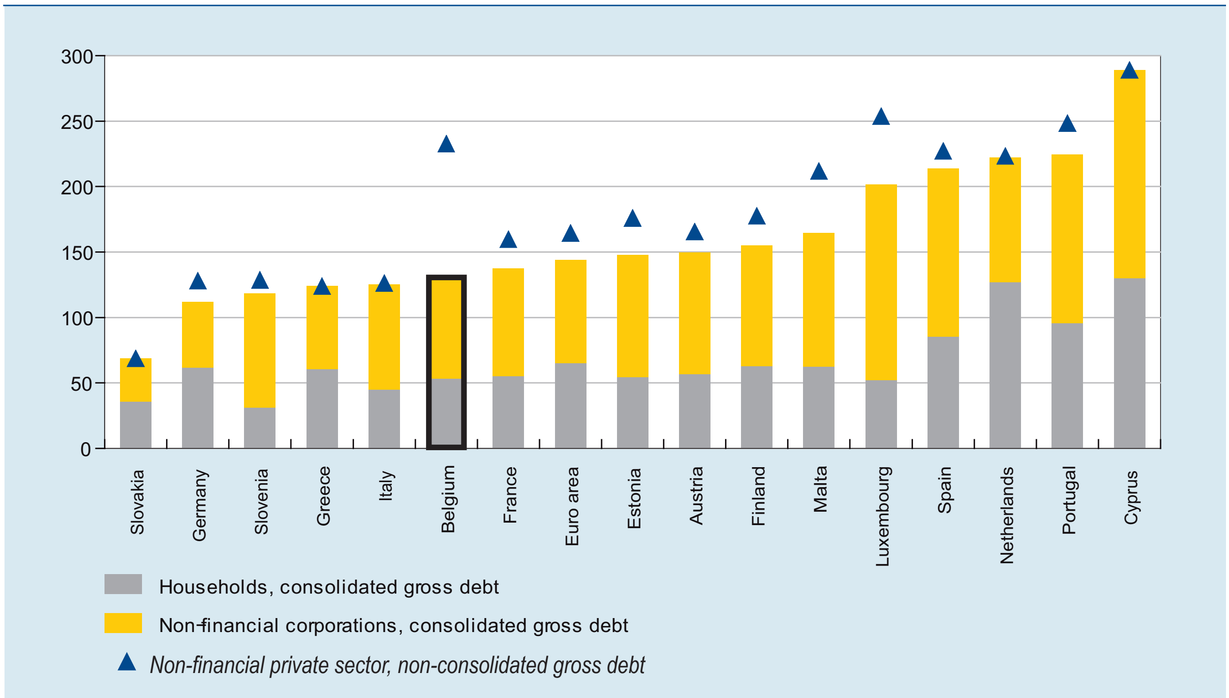
THE MIP SCOREBOARD FOR BELGIUM

	Belgium	Thresholds	2006	2007	2008	2009	2010
External imbalances and competitiveness	3-year average of Current Account Balance as a percent of GDP	-4/+6%	2.3	1.8	0.6	-0.6	-0.6
	Net International Investment Position as % of GDP	-35%	29.4	28.9	39.8	57.2	77.8
	% Change (3 years) of Real Effective Exchange Rate (REER) with HICP deflators	±5% & ±11%	1.5	1.5	4.4	4.2	1.3
	% Change (5 years) in Export Market Shares	-6%	na	**-10.4**	**-14.1**	**-12.5**	**-15.4**
	% Change (3 years) in Nominal ULC	+9% & +12%	2.6	5.5	8.6	**10.8**	8.5
Internal imbalances	% y-o-y change deflated House Prices	+6%	5.6	4.4	0.8	0.8	0.4
	Private Sector Credit Flow as % of GDP	15%	**17.8**	**20.9**	**22.2**	8.5	13.1
	Private Sector Debt as % of GDP	160%	**193**	**203**	**218**	**229**	**233**
	Public Sector Debt as % of GDP	60%	**88**	**84**	**89**	**96**	**96**
	3 year average of Unemployment	10%	8.4	8.1	7.6	7.5	7.7

Source: EC.

While the public debt ratio remains an issue, as has been discussed before, the interpretation of the high private sector debt raises questions. As it is expressed in non-consolidated terms, this indicator should be interpreted with caution for Belgium. The difference between non-consolidated and consolidated private debt amounts to 100% of GDP and is much more important than for other Member States. The gap between both measures stems from peculiarities in the financial structure of the Belgian non-financial corporate sector, for instance the importance of financial flows management in multinational firms. As these intra-enterprise loans are mainly driven by accountancy practices, they are not relevant in the context of an economic interpretation of the scoreboard.

NON-FINANCIAL PRIVATE SECTOR GROSS CONSOLIDATED DEBT RATIO IN EURO AREA COUNTRIES
(end of 2010, percentage of GDP)



Sources: EC, NBB.

The loss of export market share has been observed for almost all euro area countries and is linked to the rising importance of emerging economies in world trade. Nevertheless, some neighbouring countries facing comparable environmental factors have been able to maintain or increase their market shares. The loss of Belgian export market share is linked to its competiveness in a broad sense, which includes cost as well as non-cost elements. The latter are linked to the structure of export markets and, mainly, of export products. European markets are the main destination for Belgian products and they have been largely hit by the downturn. Belgian markets are not geared to growth markets enough. Moreover, a large share of Belgian exports are standardised products for which many competitors are active, so Belgian firms are facing difficulties in maintaining their position on these markets. In addition, a decline in cost competitiveness can be observed in the unit labour cost indicator, mostly in relation to some of the neighbouring countries. The competitiveness position of Belgian firms is an issue and needs to be monitored closely.

Now that financial tensions have subsided somewhat, the focus on potential growth is becoming crucial to achieve long-term debt sustainability, in view of population ageing, and to enhance the resilience of the economy to future shocks. As deleveraging is still on the agenda in Europe and in most advanced economies, the source of growth will have to come from the supply side. To this end, structural reforms will be necessary in different domains to enhance the functioning of labour and product markets, to stimulate the innovative capacity of the economy and to restore firms' competitiveness.

Treasury highlights

As of 9 March 2012, the Kingdom issued EUR 10.15 billion in medium and long term securities, while for the whole year EUR 34.04 billion has to be funded in the market.

- On 17 January 2012, the Kingdom launched its traditional 10-year benchmark via syndication. The 4.5 billion euro OLO 65 4.25% 28/09/2022 was issued at a yield of 4.302%. 170 accounts participated in the first syndicated Western sovereign euro transaction since September 2011, 82.0% of which was distributed to non-Belgian investors.

- Optional Reverse Inquiry auctions were held on 13 January 2012 and on 10 February 2012, resulting in OLO issuance of EUR 0.4 billion and EUR 0.42 billion. The Treasury introduced this technique in order to capture specific investor demand for off-the-run OLOs.

- On 27 February 2012, a regular OLO auction was held. The Treasury issued EUR 2.903 billion, at the top of the announced range of EUR 1.9/2.9 billion, around the following lines:

  - OLO 3.50% 28/06/2017 (OLO63): EUR 0.855 billion - average yield: 2.621% bid-to-cover : 2.36

  - OLO 4.25% 28/09/2022 (OLO65): EUR 1.125 billion - average yield : 3.737% bid-to-cover: 1.70

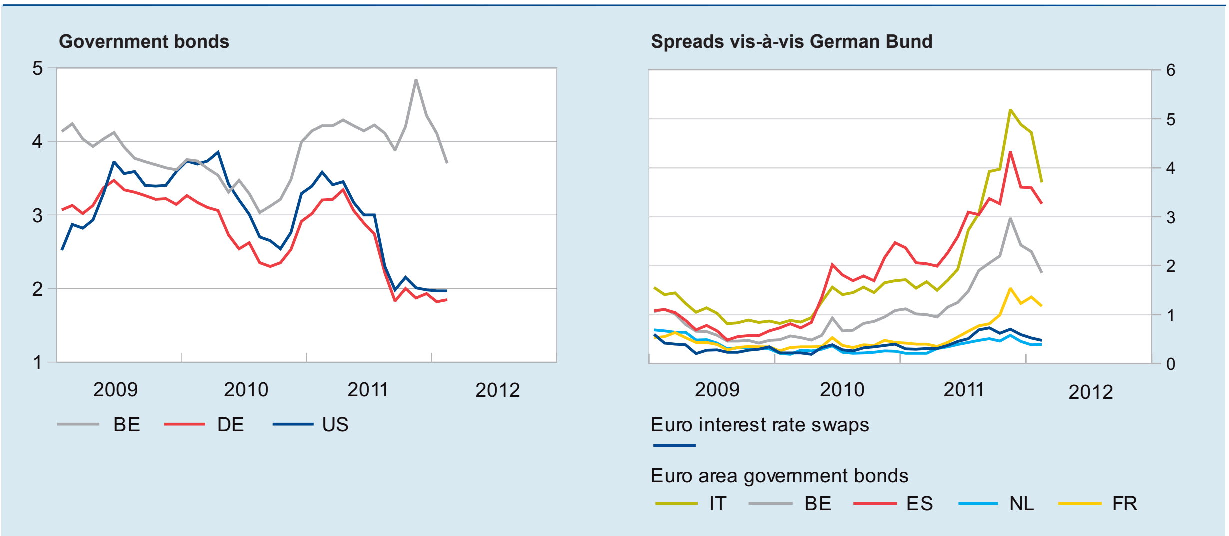
  - OLO 4.25% 28/03/2041 (OLO60): EUR 0.923 billion - average yield : 4.158 % bid-to-cover : 1.52

- In addition, the Kingdom issued 3 Euro Medium Term Notes for an amount of EUR 0.883 billion, and 4 Schuldscheine for an amount of 0.301billion.

The details of the 2012 Funding Plan are available on the Belgian Debt Agency's website www.debtagency.be

Government securities market

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



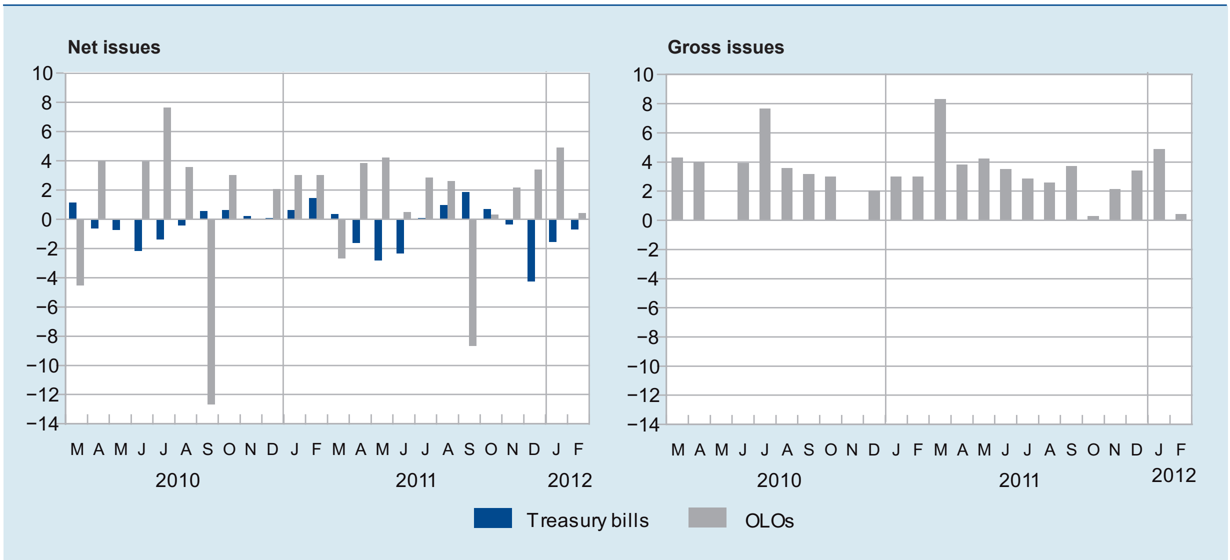
Sources: BIS, Datastream.

Since the end of last year, long-term interest rates on government bonds in Germany and the United States have fallen slightly.

While, in the United States, positive market sentiment has generally reflected better-than-expected macroeconomic data, the demand for "safe-haven" assets in the euro area has levelled out. Indeed, euro bond markets have focused on steps, perceived as being positive, towards the resolution of the sovereign debt crisis. The decisions taken at the meeting of Heads of State or Government of euro area countries on 30 January appear to have been instrumental to this end, particularly the establishment of a Fiscal Compact, the bringing-forward of the euro area's permanent crisis management mechanism and the agreement on a new multilateral adjustment programme for Greece which included sovereign debt restructuring. Bond market sentiment in the euro area has also been supported by the Eurosystem's three-year longer-term refinancing operations of December 2011 and February 2012.

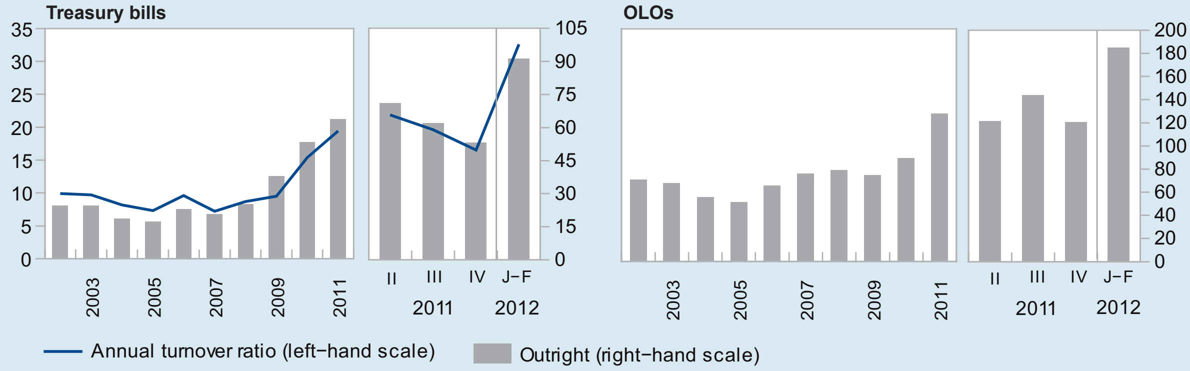
Euro-area sovereign spreads, especially for most of the countries affected by the sovereign debt crisis, narrowed. Credit rating downgrades of several euro area sovereigns, appear not to have affected market sentiment significantly.

PRIMARY MARKET
(billions of euro)

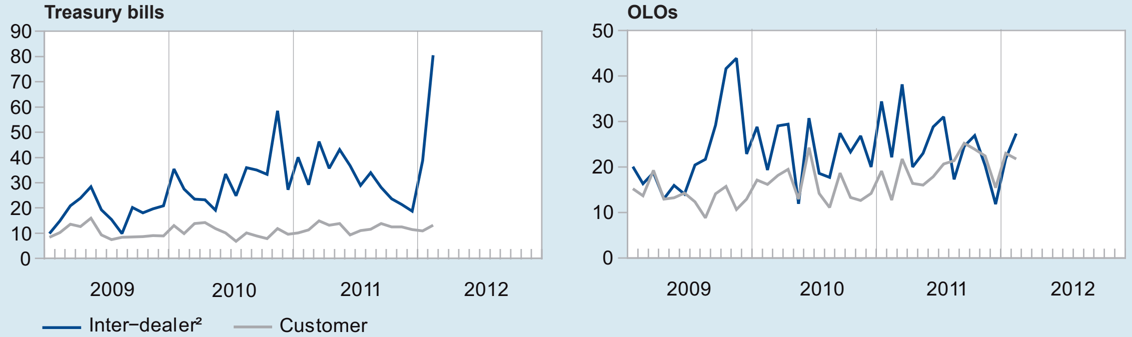


SECONDARY MARKET TURNOVER

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)



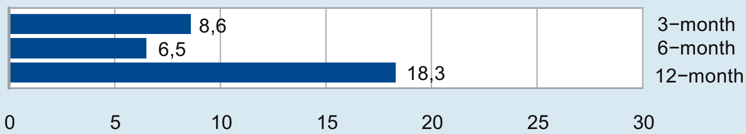
[1] As of January 2009, reporting information obtained via TREM is also included. The Securities Regulation Fund's turnover figures include some sell/buy–back transactions which are in fact repurchase agreements.
[2] Please note that inter–dealer turnover is double–counted in these figures.

OUTSTANDING AMOUNTS AND TURNOVER

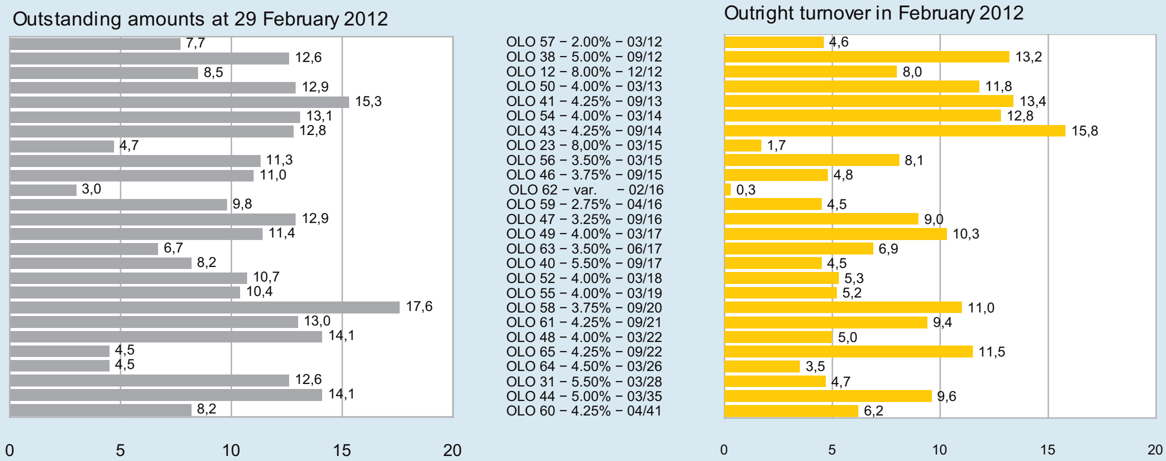
(billions of euro)

TREASURY BILLS

Nominal outstanding amounts at 29 February 2012

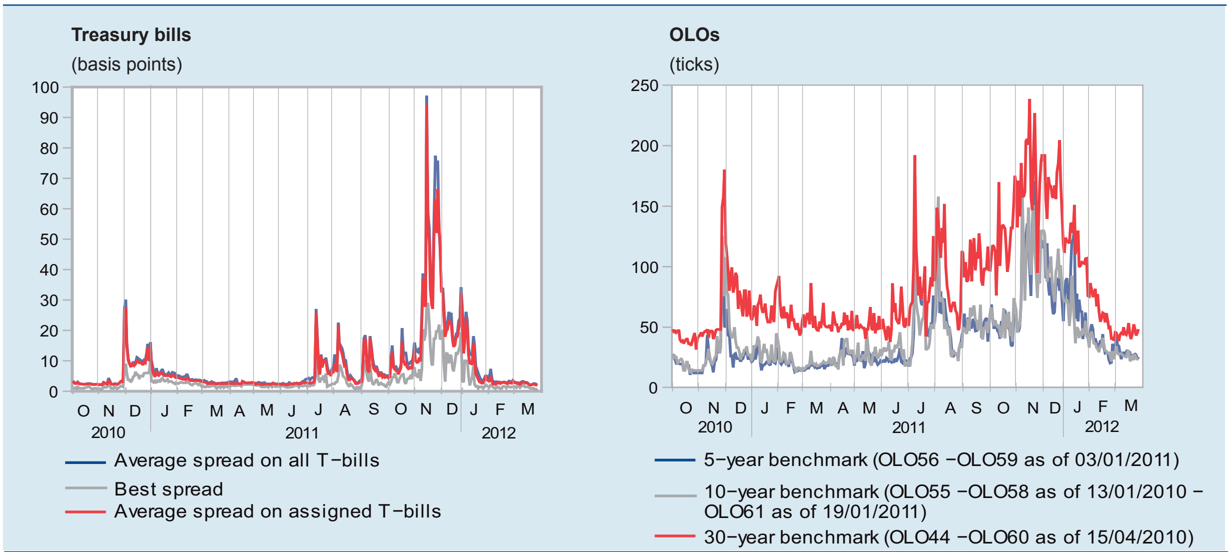


OLOs



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

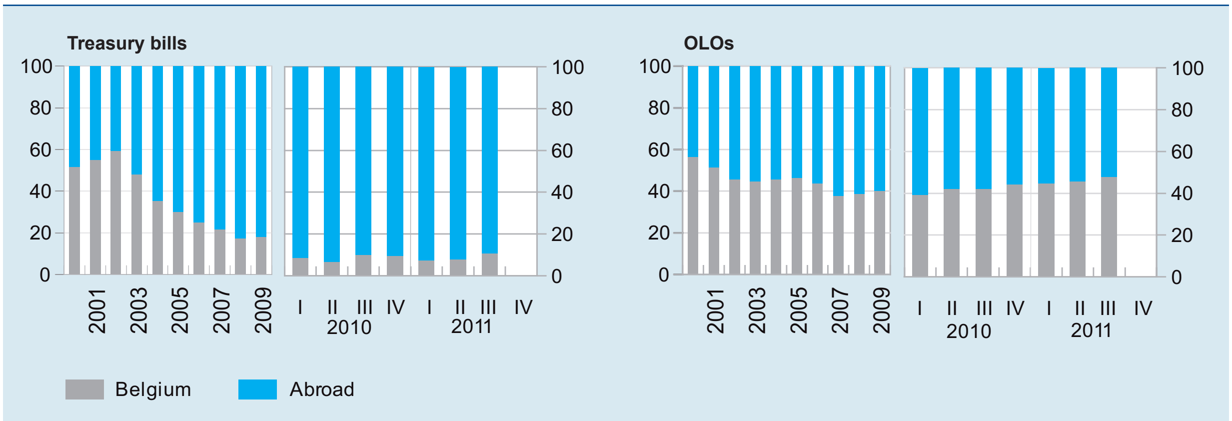
BEST BID/OFFER SPREADS[1]



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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Sources: NBB, unless otherwise stated.

This publication is also available on the internet site www.nbb.be.
Information on the Belgian government debt can be found on the Treasury website: www.debtagency.be.
General information on the Belgian government's action can be found on the website www.belgium.be.