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Government Debt Management and the Capital Market
in Belgium - Elinor Harris

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The moderate recession in Belgian business activity, which began in late 1951 and continued throughout 1952, was still in evidence in the first quarter of 1953. The National Bank has recently lowered the rediscount rate and the Government has established a Commission to study the possibility of further reducing credit costs and thereby promoting private investment and spending. The National Bank and the Government, however, hesitate to embark upon fiscal policies involving large bank-financed budget deficits which might lead to considerable monetary expansion. For example, relatively little has been done to increase public investments in depressed areas, which might create new job opportunities and improve Belgium's productive capacity and her ability to compete in foreign markets. On the contrary, there is strong current pressure to reduce public works and other extraordinary budget expenditures because the fear persists that such spending could not be financed without inflationary credit expansion.

Postwar financial policies of the Belgian Government

This attitude is consistent with the position taken by the Belgian authorities throughout the postwar period. Almost alone among the ex-belligerent nations, they have attempted to maintain a fairly constant relation between gold and convertible foreign exchange reserves and the supply of money, conforming to the classical theory of the gold standard. They have succeeded in continually increasing the Bank's gold and foreign exchange reserves; in maintaining internal price stability except in the period immediately following the Korean War; and in achieving a balance of payments surplus on current account and a credit rating unexcelled in Europe. On the debit side of the ledger, however, new investments in Belgium have been somewhat lower than in other European nations; production has lagged; and the employment situation has worsened.

A clear expression of the views of the monetary authorities is contained in the following statement of policy from the 1952 Annual Report of the National Bank of Belgium:

"The National Bank, for its part, has long been doing its best to prepare the ground for full convertibility . . . The essential requirement for this, from the technical monetary point of view, is that adequate exchange reserves shall be kept, and that the volume of money in circulation shall be controlled by limiting, to a reasonable extent, the granting of credit to the country's trade and industry, as well as to the government and to foreign countries."

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"Such a policy of caution . . . is to be recommended not only on monetary grounds . . . but also on grounds of economic and social policy. From all these points of view it is in the first place important . . . to keep down any upward movements in prices . . . It is also quite essential, in so far as it may have been impossible to prevent such upward movements, to give free play to those processes of adjustment which must take place so that prices can fall . . . This unfortunately means that we have some unemployment. The use of monetary means to deal with that unemployment would however be justifiable only if it were certain that such means would be effective and would not impair the stability of our currency: but that is not the case."

Moreover, Governor Frere has often recommended restoring the pre-war requirement that the Bank maintain a reserve in gold or convertible foreign exchange equal to at least forty per cent of the Bank's "sight liabilities." The Governor believes this to be "the guarantee which ought to be given to holders of our notes that no excessive expansion of credit can take place either for the benefit of the private sector or for the benefit of the public authorities." 1/

According to the National Bank, the desire to strengthen confidence in the Belgian franc has a "fundamental part to play in the financing of the of the extraordinary budget by orthodox means, i.e., besides the surplus of the ordinary budget by recourse to the capital market (domestic and foreign) to the exclusion of any permanent resort to the Central Bank." 2/

In keeping with these principles, the Belgian authorities have avoided whenever possible financing budget deficits through the domestic banking system and expansion of bank credit without a corresponding increase in gold or foreign exchange reserves. Instead, they have attempted to place a large part of the public debt into the hands of non-bank investors and to cover the remaining deficits through borrowing from abroad, thus balancing the monetary expansion by a rise in foreign exchange holdings.

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- 1/ Address delivered by the Governor, Maurice Frere, at the General Meeting of the Shareholders of the National Bank of Belgium on February 27, 1950. "Sight liabilities" include all bank notes in circulation, current and sundry accounts of the National Bank, and the Bank's liabilities to foreign countries under payments agreements.
 - 2/ National Bank of Belgium, Report on the Operations of the Year 1951 (Brussels, 1952), English summary, pp. 12 - 13.

It appears that recent postwar foreign borrowing operations of the Belgian Government have been motivated more by these considerations of monetary and fiscal policy than by balance of payments considerations.

Table 1 of the Appendix compares changes in the external debt of Belgium with, first, the country's external balance and, second, the Treasury's net budgetary position. The relatively heavy increase in Belgium's external debt in the early postwar years 1946 and 1948 appears to have been motivated largely by postwar reconstruction requirements and the necessity of covering fairly large deficits on current international account. This seems not to have been the case in the subsequent postwar period. On the contrary, the greatest rise in Belgium's external debt has been in 1949 and in 1952, years in which Belgium had a surplus on current international account, while budget deficits were at record levels.

As a result of borrowing abroad, the ratio of the Bank's gold and foreign exchange reserves to the volume of money in circulation has actually been kept reasonably constant. As shown in Table 2 of the Appendix this ratio consistently stood at about 28 per cent in the years 1945-49; it dropped to a low of 24.2 per cent in 1950 and then rose to a ratio of 31 per cent in 1951 and 1952.

Financing the budget deficit in 1952

In 1952, the Belgian Minister of Finance indicated that the large budget deficit of 14.4 billion Belgian francs would be financed by intensification of collection of tax arrears; by borrowing in the domestic market; and by borrowing abroad.

Foreign borrowing -- The external debt did, in fact, increase by more than 3 billion Belgian francs in 1952. First, certain sums were drawn for the account of the Belgian Congo under two loans which were granted by the Economic Cooperation Administration and the International Bank for Reconstruction and Development. Secondly, a loan of \$50 million (2.5 billion Belgian francs) was placed with the Export-Import Bank for financing "budgetary requirements;" and, finally, a loan of 50 million Swiss francs (0.6 billion Belgian francs) was obtained from a syndicate of Swiss banks.

Domestic borrowing -- The Treasury also was successful in its internal debt management operations. Despite the marketing of a record volume of public bond issues (see Appendix, Table 3), the government bond market strengthened and interest costs to the Treasury were reduced. The total government debt rose in 1952 by 8.6 billion, as compared with a rise

of 7.3 billion in 1951; however, the "consolidated" debt of the Belgian Government rose in 1952 by 12.5 billion francs, as compared with an increase of only 1.9 billion francs in 1951. This means that in 1952 the Government was able to refund a substantial part of its medium and short-term debt, reversing the trend of 1951 (see Appendix, Table 4).

The question frequently has been raised whether recent unprecedented demands of the Belgian Government for investment funds have not restricted the availability of new financing to private firms. In 1952, the net receipt of new money in the capital market by private Belgian and Congolese firms, -- about 7 billion Belgian francs -- was only a little over half as great as that obtained there by the Treasury (see Appendix, Table 5). It seems likely, however, that the chronic dearth of private bond issues -- and the fact that those which are offered are usually placed privately rather than in the market -- arises from deep-rooted preferences of the saving public and from institutional gaps. No group, for example, has adequately taken over the functions performed, prior to passage of the Banking Reform Act of 1935, by the "mixed" banks, including the actual mechanics of underwriting, sale, and distribution of private issues. Thus, only about 7 per cent of private investments in 1951 were financed through the private market while about three-fourths were paid for by self-financing and mortgage loans and public financial institutions supplied the remainder of the necessary funds (see Appendix, Table 6).

Although Belgian Government bond offerings in 1952 were more than twice as large as in 1951, the Treasury was able to improve its borrowing terms. The Belgian Government, which in June offered a 10-year 7.5 billion franc bond issue at an effective yield of 5.19 per cent, was able in December to offer a 12-year 8.9 billion issue at 5.03 per cent (see Appendix, Table 7). The municipalities and the public or quasi-public organizations, too, were able to reduce somewhat their net borrowing costs. Interest yields on outstanding public and private issues moved down correspondingly (see Appendix, Table 8).

Factors underlying the bond market strength -- Conservative internal financial policies have had a favorable impact upon the Treasury's credit rating. Rising bond prices in 1952 certainly have reflected, in part, Belgium's success in attaining internal and external financial stability as well as the public's confidence that this stability will be maintained in the future. The Government's unwillingness to incur large bank-financed budget deficits or to raise the ceiling on National Bank advances to the Treasury have also impressed the financial community.

In addition, recent National Bank policies have facilitated the Treasury's debt management operations. The postwar relationship between movements of the discount rate, the chief instrument of credit policy in

Belgium, and of short- and long-term interest rates appears to have been fairly close. In Belgium, discount rate changes seem to influence not only the current cost and availability of Treasury (and private) credit but also investors' expectations about prospective interest rate movements. For example, after the National Bank discount rate was raised in September 1950, Belgian Government bond prices declined and the structure of public and private interest rates stiffened. This movement was, however, abruptly reversed in the second half of 1951 when the discount rate was gradually reduced from 3-3/4 to 3-1/4 per cent. Such action gave investors reasonable assurance that restrictive credit policies and a rise in the interest rate structure, threatening a decline in the market value of Treasury bonds, were not imminent. Since that time bond prices have moved generally upward; a moderate price decline beginning in October 1952 was braked by a further downward revision in the discount rate, from 3-1/4 to 3 per cent.

Another factor in the strength of the Treasury bond market during 1952 appears to have been the lessened investor interest in equities, reflecting the decline in economic activity (see Appendix, Table 9) and the resulting shift of liquid funds of individuals and institutions from stocks to public and private bond issues.

Finally, the reserve position of the Belgian commercial banks was easy during most of 1952, also due to the lower level of business activity. The banks could therefore invest in new government long-term issues without running into technical difficulties, and without increasing their indebtedness at the central bank. During most of the year -- though not at the end of December 1952 -- the commercial bill portfolio of the National Bank was well below that in the corresponding months of 1951, reflecting this monetary ease.

Financing the budget deficit in 1953

Just as in the earlier postwar period, the Belgian Treasury appears anxious to finance the 1953 budget deficit, insofar as possible, through: (a) "noninflationary" internal borrowing from private investors; and (b) borrowing from "foreign" sources, including direct US Government loans or, alternatively, the Swiss or United States private markets. The Belgian authorities firmly reject any suggestion to finance the 1953 budget deficit directly or indirectly by means of advances of the National Bank to the Treasury.

According to the Belgian report to the Organization for European Economic Cooperation ^{1/}, the total budget deficit in 1953 may amount to 22 billion Belgian francs, a figure about 4 billion greater than that originally forecast in November 1952 when the Budget was presented to Parliament. Belgium also reported to the OEEC that about 10 billion francs may be obtained by the Belgian Treasury this year from internal borrowing; while an additional

^{1/} Organization for European Economic Cooperation, Europe -- the Way Ahead (Paris, December 1952), p. 239

5 billion may be obtained from international borrowing. The remaining part of the financing of the projected budget deficit is not accounted for, however; this omission suggests the likelihood that the Government plans to cut its investments (and thereby the deficit) below last year's level which was, in turn, already lower than in either 1950 or 1951. The requirements of flood damage repair, estimated at 1.4 billion francs, have meanwhile increased further the budgetary problem and the political pressures to reduce other extra-ordinary budget expenditures.

The alternative sources of domestic funds to cover the deficit include (a) the savings of individuals, industrial and commercial enterprises, insurance companies, and other non-banking financial institutions, and (b) the commercial banks.

Borrowing from non-bank investors -- Funds to be supplied by non-bank investors will presumably vary with changes in the level of income, in the proportion saved from incomes, and in investors' preferences with respect to holdings of cash and various types of income-producing assets.

In 1953, incomes have seemed so far to have been slightly lower than in 1952 since industrial production -- the decisive sector of the Belgian economy -- was in February 1953 (according to the unofficial AGEFI index) 5 per cent lower than in February 1952. However, if the trend visible in 1952 continues in 1953, the slight decline in incomes may be reflected almost exclusively in a decrease in consumption and private investment, and not in a decline in liquid savings.

The question of how much current savings and accumulated cash holdings will be available for Treasury financing in 1953 will also depend on the presence or absence of competing private demands for long-term capital and short-term credit, and on the relative attractiveness of public and private yields. Competitive private demand may be expected to be smaller than in 1952 in view of the continuing decline in business activity and in the level of exports. Moreover, in view of the strength of the Belgian currency in the international exchange markets and the general expectation of continued internal financial stability in Belgium, the public's preference for fixed-income bonds over equities will probably be even more pronounced than it was in 1952.

Under these circumstances it is not likely that greater Treasury demands upon private investors would seriously limit the supply of investment funds available to private enterprises in the capital market. However, if the Treasury wishes to attract a substantially larger part of private liquid savings, it might not be able further to reduce the yields of government bonds and to extend their maturities. On the contrary, it might be compelled to "tailor" new issues to meet investment preferences of individuals and enterprises by increasing the return on specific offerings. Even without such "tailoring", it is believed that more aggressive selling techniques might induce many private individuals to exchange part of their cash holdings for Treasury paper.

Borrowing from commercial banks -- The Belgian authorities are reluctant to induce commercial banks to increase their purchases of Treasury paper because of their preoccupation with the volume of bank credit. However, the present financial situation of Belgium makes it appear highly improbable that an increase in commercial bank holdings of government securities would have inflationary consequences.

During the twelve months to December 1952, the Belgian money supply rose 2-1/2 per cent or 4 billion francs. In the first half of the year, the rise was caused primarily by the balance of payments surplus, which raised the gold and foreign exchange holdings of the National Bank by 7 billion francs. In the second half of the year, the balance of payments surplus disappeared and the gold and foreign exchange reserves actually declined by 5 billion; in that period, the continuing rise in the money supply probably stemmed primarily from the increase in commercial bank credit.

The growth in the money supply by 2-1/2 per cent did not have any inflationary consequences. Actually, prices at the end of 1952 were significantly lower than a year before. In view of the decline in prices, production, and employment, the increase in the volume of credit was apparently more than offset by the drop in the use of money.

In 1953, the country's balance of international payments may be expected to continue in approximate equilibrium, and the money supply is not likely to be increased as the result of a substantial inflow of foreign exchange from current earnings. The commercial banks could therefore raise their holdings of government securities by an amount sufficient to produce another small increase in the money supply without having to fear any inflationary consequences. In fact, if the authorities want the price level not to decline any further, a somewhat larger increase in the volume of credit and the money supply than in 1952 might well be advisable.

In view of the strict limitation of Belgian commercial bank reserves available for credit expansion, a large increase in Treasury borrowing from the commercial banks might lead to technical difficulties if the Treasury needs happen to coincide with a seasonal rise in private credit demands. These difficulties could be easily overcome, however, either by an increase in National Bank rediscounts of commercial paper -- in the past, the National Bank has been willing to increase such rediscounts although unwilling to increase its holdings of Treasury paper -- or by a temporary relaxation of reserve requirements.

In fact, even if no technical difficulties arise, the National Bank may be willing to make rediscounting of commercial bills more attractive -- say, by further reducing the discount rate -- in order to increase the lending capacity of the commercial banks. Such a procedure would not be open to the same objections as direct advances to the Treasury or rediscounting of Treasury bills by the National Bank since the National Bank

would keep full control of its rediscounting policies and could decrease the volume of rediscounts as soon as any inflationary consequences appeared. The procedure would also be in line with the Government's effort to reduce the burden of interest rates on the private sector of the economy.

Technical difficulties could also be overcome by the Treasury's borrowing abroad part of the required total. Such borrowing would result, through the sale of the foreign exchange to the National Bank, in a strengthening of the reserve position of the banking system, and thus would make possible a corresponding increase in commercial bank lending.

Foreign borrowing -- Although the Belgian Government has stated that it planned to seek foreign loans in the amount of about 5 billion Belgian francs (\$100 million), there have been so far no reports of concrete loan negotiations. Such borrowing could take place only in the United States or in Switzerland. Prospects of large-scale foreign borrowing from US Government agencies or in the US capital market would not seem to be particularly bright at the moment. The Swiss market could at best absorb only a fraction of the total amount in question.

Conclusion

It thus appears likely that the Belgian authorities have greatly underestimated the amount that could be borrowed domestically without the danger of inflationary repercussions, and have overestimated the amount that could be borrowed abroad. The attitude expressed in the Belgian submission to the OEEC has obviously been colored by the desire to avoid credit expansion, even in a period of declining economic activity, unless the resulting increase in the money supply can be offset at least in part by a rise in gold and foreign exchange reserves. It remains to be seen whether the Belgian authorities will be prepared to forego adherence to that principle when they become convinced that large-scale foreign borrowing is impossible, or whether they will prefer to sacrifice the fulfillment of both the NATO rearmament plan and the modest public investment program included in the 1953 budget. If they choose the latter alternative, the Belgian recession may well degenerate into a fullfledged business depression.

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APPENDIX

Table 1

Postwar Internal Budgetary and External Position of Belgium

(In billions of Belgian francs)

| | <u>1946</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> | <u>1950</u> | <u>1951</u> | <u>1952</u> | <u>p/1953</u> | <u>e/</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|-----------|
| 1. Ordinary Expenditures <u>1/</u> | 54.6 | 58.2 | 62.1 | 70.7 | 63.4 | 67.7 | 76.0 | 77.7 | |
| 2. Ordinary Receipts <u>1/</u> | <u>46.4</u> | <u>46.9</u> | <u>62.8</u> | <u>67.1</u> | <u>61.3</u> | <u>73.4</u> | <u>81.4</u> | <u>77.9</u> | |
| | - 8.2 | -11.3 | + 0.7 | - 3.6 | - 2.1 | + 5.7 | + 5.4 | + 0.2 | |
| 3. Extraordinary Expenditures <u>2/</u> | 22.5 | 13.8 | 17.4 | 21.4 | 19.8 | 21.2 | 21.4 | 20.5 | |
| 4. Extraordinary Receipts <u>3/</u> | <u>14.2</u> | <u>6.9</u> | <u>9.6</u> | <u>6.4</u> | <u>5.3</u> | <u>3.7</u> | <u>1.6</u> | <u>2.5</u> | |
| | - 8.3 | - 6.9 | - 7.8 | -15.0 | -14.5 | -17.4 | -19.8 | -18.0 | |
| 5. Total net budgetary position | -16.5 | -18.2 | - 7.1 | -18.6 | -16.6 | -11.7 | -14.4 | -17.8 | |
| 6. Increase in external debt of Belgium | + 5.6 | - 0.7 | + 2.4 | + 3.1 | + 0.7 | - 1.4 | + 3.0 | -- | |
| 7. Balance of payments on current account (In millions of U.S. dollars) | -417 | -375 | -147 | + 51 | -257 | +214 | +162 | <u>e/</u> | -- |

p/ Preliminary

e/ Estimated

1/ Includes also budgetary expenditures and receipts "resulting from war."

2/ Includes military, civil investment, and other non-recurring expenditures.

3/ Includes tax receipts transferred for accounting purposes from the ordinary budget; does not include proceeds either of internal or external borrowing.

Source: -- Expenditures, receipts, and net budgetary position (lines 1-5): 1946-1948, ECA: Belgium-Luxembourg Country Study (Washington, February 1949); 1949-1951, Kredietbank Bulletin Hebdomadaire (Brussels, December 2, 1951); 1952-1953, Expose General, Budget des Recettes et des Depenses, 1952 and 1953, presented by Finance Minister to Parliament, November 1952.

External debt (line 6): see Appendix, Table 2.

Balance of payments on current account (line 7): 1946-1951, International Monetary Fund, (International Financial Statistics, April 1953); First half 1952 National Bank of Belgium, (Bulletin d'Information et de Documentation) October 1952; Last half 1952, estimated on basis of trade data. Imports expressed on f.o.b. basis.

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APPENDIX

Table 2

External Debt of Belgium and the Quantity of Money and Reserves

| End of year | 1 | | 2 | | 3 | 4 | 5 | |
|-------------|--------------|------------------|----------------|---------------|------|-------|-------|-------|
| | Consolidated | External debt 1/ | Medium-term 2/ | Short-term 3/ | | | | Total |
| 1945 | 5.5 | --- | --- | 0.7 | 6.2 | 798 | 125.6 | 27.9 |
| 1946 | 11.2 | --- | --- | 0.5 | 11.7 | 875 | 138.1 | 27.9 |
| 1947 | 10.8 | --- | --- | 0.2 | 11.0 | 894 | 142.3 | 27.6 |
| 1948 | 11.4 | 2.0 | --- | --- | 13.4 | 938 | 150.1 | 27.5 |
| 1949 | 14.2 | 1.8 | --- | 0.5 | 16.5 | 897 | 155.9 | 28.8 |
| 1950 | 14.0 | 1.2 | --- | 2.0 | 17.2 | 749 | 155.2 | 24.2 |
| 1951 | 13.7 | 1.4 | --- | 0.8 | 15.9 | 1,054 | 168.8 | 31.2 |
| 1952 | 14.3 | 3.3 | --- | 1.3 | 18.9 | 1,073 | 173.1 | 31.0 |

1/ In billions of Belgian francs. External debt does not include inter-governmental debts resulting from World War II. Amounts of foreign debts are determined on a basis of the price of the foreign exchanges involved on the indicated dates.

2/ Includes Treasury notes and certificates with maturities of over one year.

3/ Includes Treasury certificates with maturities of one year or less.

4/ In millions of U. S. dollars.

5/ Gold and foreign exchange reserves converted from U. S. dollars into Belgian francs at official rate of exchange; 1945-48, \$1 = 44 Belgian francs; 1949-52, \$1 = 50 Belgian francs.

Source: --- External debt (column 1): 1945-1950, Institut National de Statistique (Annuaire Statistique de la Belgique et du Congo Belge, 1946 and 1951); 1951-1952, Banque Nationale de Belgique (Bulletin d'Information et de Documentation), February 1953. Gold and foreign exchange reserves (column 2) and deposits and currency in circulation (column 3): International Monetary Fund (International Financial Statistics), April 1953.

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APPENDIX

Table 3

Total Public Bond Issues

(In billions of Belgian francs)

| | <u>1945</u> | <u>1946</u> | <u>1947</u> | <u>1948</u> | <u>1949</u> | <u>1950</u> | <u>1951</u> | <u>1952</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Belgian government | 11.8 | - | 3.6 | 3.7 | 8.3 | - | 6.4 | 16.4 |
| Credit Communal and cities | 1.3 | 2.3 | 1.9 | 1.6 | 0.5 | - | 1.8 | 4.1 |
| Nationalized and semi- official enterprises | <u>-</u> | <u>1.5</u> | <u>4.4</u> | <u>2.8</u> | <u>6.4</u> | <u>9.5</u> | <u>3.7</u> | <u>5.3</u> |
| Total public bond issues <u>1/</u> | 13.1 | 3.8 | 9.9 | 8.1 | 15.2 | 9.5 | 11.9 | 25.8 |

1/ Includes both new and refunding issues.

Source: -- Kredietbank (Weekly Bulletin, January 25, 1953)

Table 4

The Belgian Internal Public Debt

(In billions of Belgian francs)

| <u>End of Month</u> | <u>Consolidated</u> | <u>Medium-term</u> | <u>Short-term</u> | <u>Total</u> |
|---------------------|---------------------|--------------------|-------------------|--------------|
| December 1950 | 113.5 | 38.8 | 78.8 | 231.1 |
| December 1951 | 115.4 | 36.0 | 87.0 | 238.4 |
| December 1952 | 127.9 | 31.2 | 87.9 | 247.0 |

Source: -- National Bank of Belgium (Annual Report for Year 1952).

APPENDIX

Table 5

Net New Stock and Bond Issues of Belgian and
Congolesse Firms

(In millions of Belgian francs)

| | <u>1950</u> | <u>1951</u> | <u>1952 e/</u> |
|-------------------------|--------------|--------------|-----------------------------|
| <u>Belgian firms</u> | | | |
| Bonds | 1,093 | 1,483 | 2,260 |
| Stocks | <u>1,125</u> | <u>2,960</u> | <u>3,290</u> |
| Total <u>1/</u> | 2,218 | 4,443 | 5,550 |
| <u>Congolesse firms</u> | | | <u>Jan. - Sept. 1952 e/</u> |
| Bonds | <u>1/</u> | <u>1/</u> | <u>1/</u> |
| Stocks | <u>924</u> | <u>1,526</u> | <u>1,507</u> |
| Total <u>1/</u> | 924 | 1,526 | 1,507 |

1/ Less than 50,000 Belgian francs.e/ Estimated

Source: — 1950 and 1951: Ministere des Affaires Economiques et des Classes Moyennes (Septieme Rapport Relatif au Probleme des Investissements Annee 1951). 1952: derived on a comparable basis from preliminary data of Banque Nationale de Belgique (Bulletin d'Information et de Documentation, February 1953). Figures are net and represent total issues less refunding issues and costs of flotation.

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APPENDIX

Table 6

Financing of Public and Private Investment in Belgium

| | (In billions of Belgian francs) | | Percentage of total | |
|--------------------------------------|---------------------------------|-------------|---------------------|-------------|
| | 1950 | 1951 | 1950 | 1951 |
| 1. <u>Private Investments</u> | | | | |
| State (extraordinary budget) | 1.9 | 0.6 | 4.2 | 1.2 |
| Public credit institutions | | | | |
| S.N.C.I. | 1.9 | 1.6 | 4.0 | 3.2 |
| C.G.E.R. | 4.9 | 2.6 | 10.7 | 5.3 |
| Other | 3.2 | 3.2 | 7.1 | 6.3 |
| Capital market <u>1/</u> | 1.9 | 3.6 | 4.2 | 7.4 |
| Self-financing and mortgage loans | <u>31.8</u> | <u>38.0</u> | <u>69.8</u> | <u>76.6</u> |
| Total | 45.6 | 49.6 | 100.0 | 100.0 |
| <hr/> | | | | |
| 2. <u>Public Investments</u> | | | | |
| State (extraordinary budget) | 10.5 | 14.2 | 55.6 | 70.4 |
| Public credit institutions | | | | |
| Credit Communal | 3.2 | 2.8 | 16.9 | 13.6 |
| C.G.E.R. | .5 | .4 | 2.4 | 2.0 |
| Capital market | 3.6 | 2.2 | 19.3 | 10.8 |
| Own resources | <u>1.1</u> | <u>.6</u> | <u>5.8</u> | <u>3.2</u> |
| Total | 18.9 | 20.2 | 100.0 | 100.0 |

1/ Comprises net new stock and bond issues (as shown in Appendix, Table 3) less issues of nonbanking private financial institutions.

Source: -- Ministere des Affaires Economiques et des Classes Moyennes (Septieme Rapport Relatif au Probleme des Investissements - Annee 1951)

APPENDIX

Table 7

Major Public Bond Offerings in 1952

| <u>Date of Issue</u> | <u>Issuing body</u> | <u>Nominal Amount (In billions of Belgian francs)</u> | <u>Interest Rate (per cent)</u> | <u>Issue Price</u> | <u>Maximum term</u> | <u>Actual Yield (per cent)</u> | | | | |
|----------------------|---------------------------------|---|---------------------------------|--------------------|---------------------|--------------------------------|-----|------|----------|------|
| January | S.N.C.I. (1st series) 1/ | 1.0 | 4.5 | 96.0 | 10 years | 5.42 | | | | |
| February | City of Brussels (1st series) | 0.3 | | | | | | | | |
| March | Credit Communal | 0.1 | | | | | | | | |
| April | Telephone and Telegraph | 1.0 | | | | | | | | |
| | City of Liege | 0.7 | | | | | | | | |
| May | City of Antwerp | 0.7 | | | | | | | | |
| | Belgian National Railways | 1.3 | | | | | | | | |
| June | City of Brussels (2nd series) | 0.5 | | | | | | | | |
| | Belgian Government Loan 1952/62 | 7.5 | | | | | 4.5 | 96.0 | 10 years | 5.19 |
| September | S.N.C.I. (2nd series) 1/ | 1.0 | | | | | 4.5 | 96.5 | 10 years | 5.35 |
| October | Soc. Nat. Distrib. d'Eau | 0.5 | | | | | | | | |
| December | Telephone and Telegraph | 0.5 | | | | | | | | |
| | Belgian Government Loan 1952/64 | 8.9 | | | | | | | | |

Same conditions as S.N.C.I. (1st series)

Same conditions as S.N.C.I. (2nd series)

1/ Societe Nationale de Credit a l'Industrie.

Source: --- Kredietbank (Weekly Bulletin, January 25, 1953).

APPENDIX

Table 8

Average Yields on Belgian Securities

(Per cent; end of period)

| | <u>1948</u> | <u>1949</u> | <u>1950</u> | <u>1951</u> | <u>June '52</u> | <u>Dec. '52</u> |
|--|-------------|-------------|-------------|-------------|-----------------|-----------------|
| Treasury certificates | 4.76 | 4.64 | 4.92 | 4.98 | 5.00 | 4.82 |
| Long-term Government bonds ^{1/} | 4.76 | 4.48 | 4.49 | 4.60 | 4.51 | 4.47 |
| Municipal "Bons de Caisse" | 5.05 | 4.71 | 4.66 | 5.30 | 5.22 | 5.18 |
| Short-term private issues | 6.03 | 5.18 | 5.83 | 6.04 | 6.16 | 5.74 |
| Long-term private issues | 6.29 | 5.40 | 5.69 | 5.90 | 5.62 | 5.71 |
| National Bank discount rate | 3.50 | 3.25 | 3.75 | 3.25 | 3.25 | 3.00 |
| Shares on Brussels stock exchange — Net yield | 3.89 | 3.22 | 3.35 | 3.80 | 4.73 | 4.84 |

^{1/} International Monetary Fund index of yield on 4 per cent perpetual unified debt bonds of Belgian Government.

Source: — Kredietbank, Weekly Bulletin; International Monetary Fund, International Financial Statistics.

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APPENDIX

Table 9

Selected Financial Indicators in Belgium -- by Quarters

| | Industrial Production 1/ 1948 = 100 | Wholesale Prices 1/ 1948 = 100 | Bank Loans and Investments | | Money Supply 2/ (Billions of francs) | Gold and foreign exchange reserves of National Bank 2/ (Millions of U.S. dollars) | Imports, Exports c.i.f. (Billions of francs) 1/ |
|-------|-------------------------------------|--------------------------------|---------------------------------|--|--------------------------------------|---|---|
| | | | Government (Billions of francs) | Non-Government 2/ (Billions of francs) | | | |
| 1951: | | | | | | | |
| I | 116 | 120 | 75.4 | 37.3 | 154.5 | 792 | 11.0 |
| II | 122 | 122 | 75.0 | 36.3 | 156.9 | 842 | 10.8 |
| III | 116 | 120 | 77.7 | 34.7 | 162.6 | 981 | 9.2 |
| IV | 120 | 122 | 83.0 | 36.4 | 168.8 | 1,031 | 11.0 |
| 1952: | | | | | | | |
| I | 114 | 120 | 84.2 | 35.0 | 169.1 | 1,140 | 10.7 |
| II | 110 | 114 | 86.8 | 35.9 | 170.7 | 1,172 | 9.8 |
| III | 103 | 112 | 86.5 | 35.3 | 170.9 | 1,080 | 9.4 |
| IV | 111 | 111 | 87.8 | 38.9 | 173.1 | 1,073 | 10.5 |
| 1953: | | | | | | | |
| I | 108 e/ | 108 e/ | | | | 1,050 e/ | 10.0 e/ |

e/ Estimates based on first two months of quarter.

1/ Monthly average
2/ End of period

Source: -- International Monetary Fund, (International Financial Statistics).

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