Benelux – 1Q22

Belgium, Netherlands and Luxembourg

Macroeconomic Outlook Report

R&D

www.managementsolutions.com

Design and layout:

Marketing and Communication Department

Management Solutions

Photographs: Management Solutions´picture library,
Fotolia, Shutterstock

Index

1. General outlook

Benelux Macroeconomic overview

During the first quarter of 2022, Belgium and Luxembourg, experienced a downfall in their economic activity, recording a decrease in their y/y GDP growth rates relative to 4Q21, whereas Netherlands experienced a partial recovery in its economic activity. When it comes to inflation, all of the three economies followed raising worldwide trend and stood relatively close to the European average. On the labour market side, countries faced a slight reduction of their respective unemployment levels, standing well bellow the European average.

Benelux Macroeconomic overview

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP							
BELGIUM	0.10	15.20	5.10	5.70	4.90	**2.36**	**1.04**
NETHERLANDS	-2.20	10.70	5.40	6.50	7.00	**2.93**	**1.14**
LUXEMBOURG	5.10	12.90	5.10	4.90	4.00	**2.88**	**2.07**
EMU	-1.23	14.32	3.85	4.60	5.10	**2.62**	**1.57**
CPI							
BELGIUM	0.54	1.44	2.62	5.15	7.97	**9.03**	**4.77**
NETHERLANDS	1.77	2.00	2.17	4.77	7.43	**9.16**	**4.84**
LUXEMBOURG	1.26	2.27	2.48	4.09	5.43	**8.00**	**3.29**
EMU	1.30	1.90	3.40	5.00	7.44	**7.01**	**4.58**
UNEMPLOYMENT							
BELGIUM	6.63	6.33	6.30	5.87	5.60	**6.01**	**6.38**
NETHERLANDS	3.57	3.30	4.13	3.80	3.43	**3.82**	**4.43**
LUXEMBOURG	6.24	5.88	5.55	5.27	4.82	**4.71**	**4.96**
EMU	8.04	7.77	7.38	6.99	6.82	**7.09**	**7.39**

Source: Countries' Central Banks and ECB.

- **Belgium:** The economic activity y/y growth rate of Belgium decreased during the first quarter of 2022. Rising energy prices and a decrease in consumption led to the slowdown of Belgian economic activity.
- Following the global trend, Belgium recorded a higher inflation rate than in 4Q21, as a result of disruptions in global supply shifts, together with labor shortages and a significant increase in energy prices.
- Concerning the labour market, the unemployment rate of Belgium stood below the European average. The labour market has been resilient so far, not least thanks to supportive government measures such as short-term work schemes.

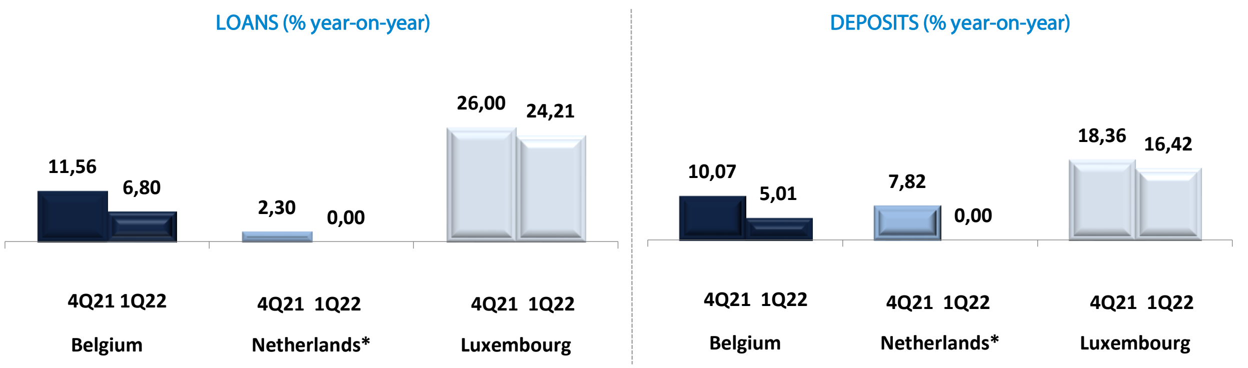
- **Netherlands:** The y/y growth rate of the GDP of the Netherlands increased when compared to 4Q21. This happened because of trade and investments balance, that contributed to economic growth.
- During the first quarter inflation in the Netherlands rose considerably, following the global trend. CPI in the Netherlands stood slightly below the European average.
- The unemployment rate decreased when compared to 4Q21. The employment increased, but it is expected that during 2022 it will decrease, but the fall will be much smaller than expected six months ago.

- **Luxembourg:** The economic activity of Luxembourg decelerated with respect to the previous quarter. However, private consumption continued to contribute positively to economic growth.
- Due to global inflationary pressure, Luxembourg's inflation rose compared to 4Q21. Its inflation was below the European average.
- Regarding unemployment, it remained dynamic, and forecasts have improved. The labour market recovery is strong, and vacancies are rising. Although restrictions were still in place in during 1Q22, employment kept rising.

Banking sector

During the first quarter of 2022, the y/y growth rate of loans in Belgium decreased down to 6.80%, moreover Luxembourg decreased with respect to the previous quarter, down to 24.21%. Along the same lines, during this period, Belgium recorded decreases in their year-on-year growth rates of deposits, down to a 5.01% rate, while Luxembourg fell down to 16.42% rate.

Banking sector



Source: Countries' Central Banks

- **Belgium:** During the first quarter of the year, the y/y growth rate of loans granted in Belgium recorded a decrease of 4.76 p.p., down to a 6.80% rate.
- **Netherlands***: The y/y growth rate of total loans in the Netherlands accelerated by 0.36 p.p. relative to the one of the previous quarter, up to a positive rate of 2.30%.
- **Luxembourg:** The y/y growth rate of total loans granted in Luxembourg decelerated by 1.79 p.p. when compared to the fourth quarter of 2021, registering a rate of 24.21% during the first quarter of 2022. Luxembourg registered the highest y/y growth rate of loans among the Benelux countries.

- **Belgium:** During the first quarter, Belgium registered a decline of 5.06 p.p. in the y/y growth rate of deposits compared to the previous quarter, down to a 5.01% rate.
- **Netherlands*:** During the fourth quarter of 2021, deposits in the Dutch economy experienced an acceleration of 1.73 p.p. in their y/y growth rate with respect to the previous quarter, up to a 7.82% rate.
- **Luxembourg:** The total deposits y/y growth rate of Luxembourg registered an deceleration of 1.94 p.p. in the first quarter of 2022 relative to the previous one, down to a 16.42% rate, the highest among the three countries.

*No available data for Netherlands for 1Q22.

2. International Overview

LatAm

During the first quarter of 2022, the economic recovery in all the countries analysed registered a moderation compared to the previous quarter. This was explained by the outbreak of the war in Ukraine and the resulting increase in inflation and worsening bottlenecks. On the other hand, the mixed recovery in the labour market continued to consolidate, albeit at a slower pace than that of economic activity.

Macroeconomic Overview

- The recovery of economic activity in Latin America was dampened in the first quarter of the year. The outbreak of conflict in Ukraine has dampened global growth prospects for the coming quarters. The conflict itself and the response of the international community, with economic sanctions against Russia, have increased uncertainty, tightened financing conditions, aggravated bottlenecks and raised energy and food prices, which have also been affected in the second half of 2021 by geopolitical tensions. This has dampened households' purchasing power and increased firms' production costs. Colombia* recorded the highest year-on-year growth rate (8.15%) while Mexico registered the lowest rate at 2.23%.
- In this context, the Economic Commission for Latin America and the Caribbean (ECLAC) has revised downwards its forecast for the Latin American economy for 2022 to 1.80% growth in the region. Global trade dynamics are also expected to be negatively affected by the conflict, leading to a decline in Latin America's external demand. According to the IMF, global growth is expected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. This is 0.8 and 0.2 percentage points lower for 2022 and 2023 than in the last report. In its December update, the OECD placed its forecasts for Argentina and Colombia above the OECD average (2.70%) in 2022.
- Inflation has picked up markedly and across the board in the region. Although this pick-up appears to be predominantly transitory in nature, central banks in the region have embarked on a cycle of monetary policy tightening. Higher inflationary persistence is expected to restrict the room for manoeuvre of monetary policy. Argentina was once again the country with the highest inflation rate at 52.70% while Peru recorded the lowest price increase with 6.22% inflation in 1Q22.
- During the first quarter of 2022, the labour market continued to recover from the economic consequences of the pandemic, but the negative effects on the labour market are proving more persistent than on activity. Most countries recorded declines in their unemployment rate compared to 4Q21. Mexico ranked as the country with the lowest unemployment rate (3.52%) and Colombia with the highest rate (13.22%).

Financial Sector

- In response to rising inflation, the monetary policy of the region's central banks has become more restrictive and most of them have raised interest rates significantly, which in most cases have reached levels similar to those observed in 2017.
- The withdrawal of the fiscal impulse is projected to accelerate in 2022, in line with the evolution of macroeconomic conditions and higher financing costs. Public spending would contract, reinforcing the reduction observed in 2021, reducing the contribution of fiscal policy to economic growth.
- With regard to their ratings, all Latin American countries kept their ratings constant in the first quarter of the year, except Peru, which went from an S&P rating of BBB+ to BBB during this period. This rating considers that, while the country has good credit quality with adequate capacity to meet its financial obligations, this capacity could be affected by its exposure to adverse economic conditions.
- Finally, there was a notable slowdown in lending, partly linked to the general withdrawal of support programmes, with only Colombia increasing its lending. As regards deposits, all countries recorded positive year-on-year growth during the period, with the exception of Peru. Most of them, except Chile and Colombia, decreased their rate compared to the previous quarter. Colombia presented the largest increase in its rate, after an acceleration of 1.54 p.p. compared to 4Q21.

*Colombia recorded the highest growth rate in the absence of updated data from Argentina and Brazil.

GDP 1Q22 (% year-on-year growth rate)

Argentina**
8.64%

Brazil**
1.56%

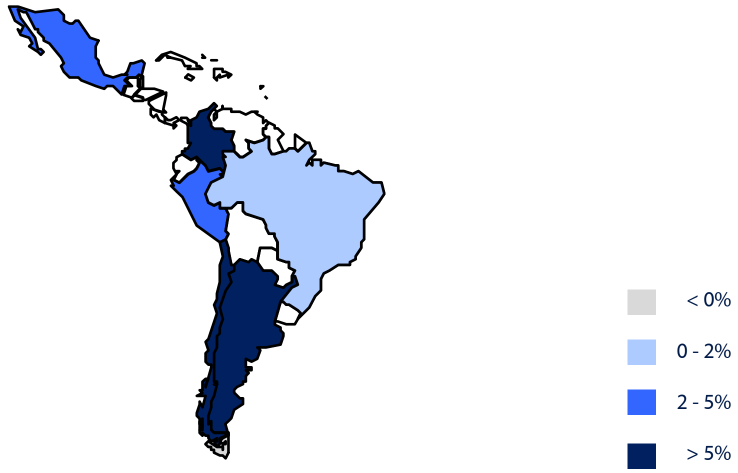
Chile
6.88%

Colombia
8.15%

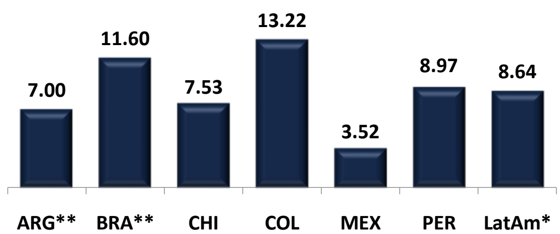
Mexico
2.23%

Peru
3.80%

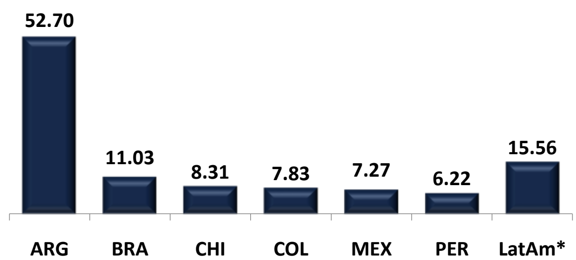
LatAm*
5.21%



UNEMPLOYMENT RATE 1Q22 (%)



INFLATION RATE 1Q22 (%)

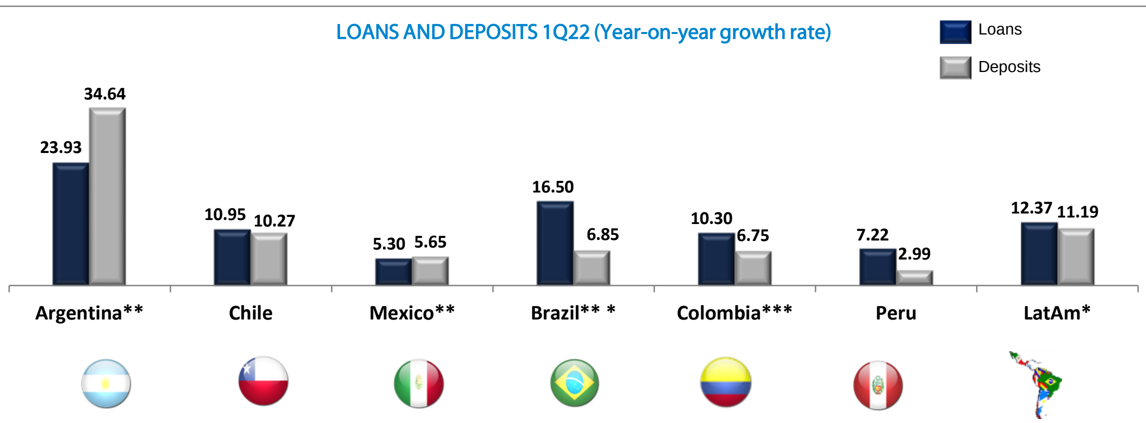


LONG TERM RATES 1Q22

	MOODY'S		S&P		FITCH	
Argentina	Ca	–	CCC+	–	CCC	–
Brazil	Ba2	–	BB-	–	BB-	–
Chile	A1	–	A	–	A-	–
Colombia	Baa2	–	BB+	–	BB+	–
Mexico	Baa1	–	BBB	–	BBB-	–
Peru	Baa1	–	BBB	▼	BBB	–

▲ Increase since 4Q21
– Constant since 4Q21
▼ Decrease since 4Q21

LOANS AND DEPOSITS 1Q22 (Year-on-year growth rate)



*Latin America figures calculated as an average including Argentina, Brazil, Chile, Colombia, Mexico and Peru.
**Most updated figures available at the date of the release correspond to 1Q22, except for Argentina, Mexico and Brazil's deposits (4Q21)
*** Data corresponding to Colombia and Brazil's loans are the average of January and February 2022.

2. International Overview

OECD & China

In the first quarter of 2022, the recovery in economic activity in OECD countries decelerated. This was explained by rising inflationary pressures as a result of higher energy prices. However, exports from most G20 and OECD countries increased. Labour markets generally contracted.

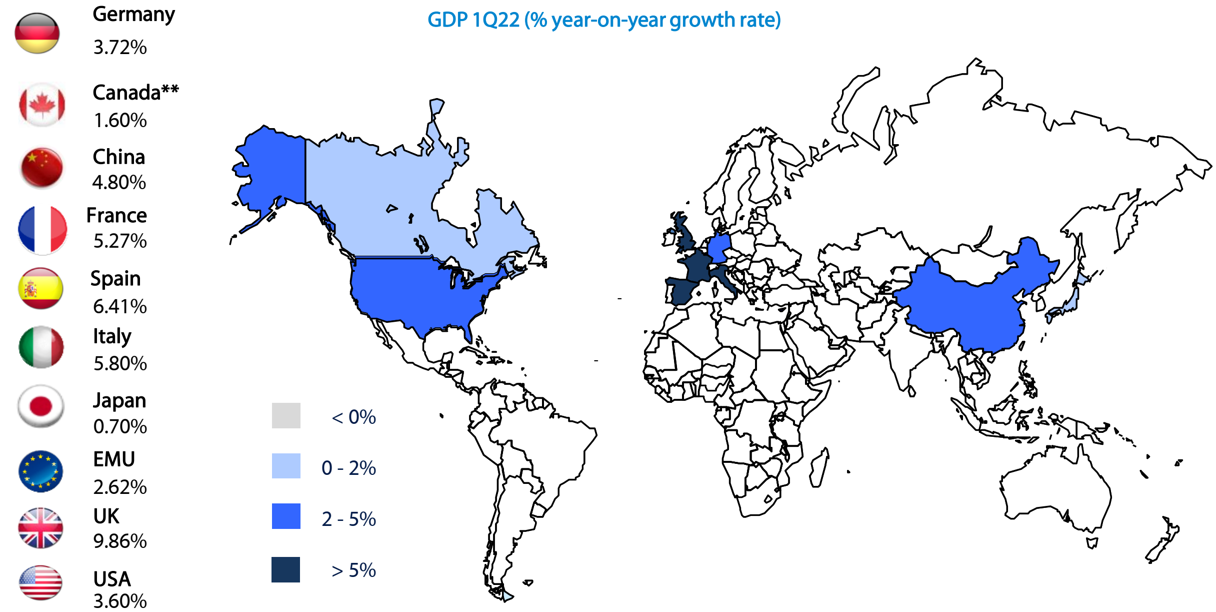
Macroeconomic Overview

- In the first quarter of 2022, the Eurozone continued to recover with a year-on-year GDP growth rate (2.62%), decelerating from the previous quarter. Consequently, the OECD in its June forecast expects year-on-year GDP growth for 2022 and 2023 to be 2.60% and 1.60%, respectively, down slightly, however, from its December forecast. The European Commission acknowledges a slower than expected economic recovery, affected by the outbreak of the war in Ukraine. The labour market worsened compared to the last quarter, but is expected to improve slightly later on. However, the Commission warns about inflation and its higher persistence over the time horizon, thus slowing the pace of recovery in the short term. Among the countries analysed in the region, the UK, Spain and Italy recorded the highest year-on-year GDP growth rates (9.86%, 6.41% and 5.80%, respectively).
- The United States continued the recovery of its economic activity in this period with another positive year-on-year GDP growth rate of 3.60%, decelerating from 4Q21. The Fed modified its previous projections, predicting a smaller 2.8% increase in GDP in 2022, followed by a 2.2% increase in 2023, and a 2% increase in 2024. Meanwhile, the UK recorded higher GDP growth during this period compared to the previous quarter, with a rate of 9.86%. The conflict in Ukraine and rising inflation have led to a significant deterioration in the UK's growth outlook. These events have greatly exacerbated the combination of adverse supply shocks that the UK continues to face.
- China recorded a lower GDP growth rate during the first quarter compared to 4Q21, with a rate of 4.80%. Despite the challenges posed by the new outbreaks of COVID-19 and geopolitical uncertainties, the Chinese economy continues to recover. Similarly, Japan recorded in 1Q22 a slight acceleration in the GDP rate compared to 4Q21, rising from 0.69 p.p. to 0.70%. In 2022, the OECD estimates Chinese and Japanese GDP growth of 4.40% and 1.70% respectively.
- Foreign trade in the G20 countries continued to grow between January and March in monetary terms due to higher commodity prices and inflation, exacerbated by the conflict in Ukraine and covid restrictions in China and East Asia. The OECD said in a statement on Tuesday that exports from the group of the world's 20 largest economies rose by 3.6 % between January and March from the previous quarter, while exports grew by 5.8 %. In the first three months of this year, exports from the European Union as a whole rose by 3 %. Within the G20 countries as a whole, exports increased by 20.2 % in Brazil and 11.5 % in Argentina. On the other hand, exports from the United Kingdom fell by 1.6% and from Germany by 0.1%.
- In 1Q22 inflation rose in all the economies analysed with respect to 1Q21, with the most pronounced increases in the United States and Spain. For its part, the EMU registered an acceleration of 5.71 p.p. compared to 1Q21. China registered the smallest increase compared to 1Q21, with inflation of 1.10%. Inflation grew at a frenetic pace due to the energy component. On the other hand, all economies contracted their labour markets, except Spain and China, which recorded slight increases.

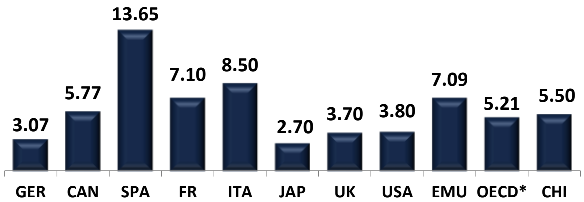
Financial Sector

- Spain upgraded its S&P rating, raising its grade from A- to A.
- Regarding the monetary policies of the different countries, the Fed raised interest rates by 25 basis points to curb inflation during the first quarter of 2022 while the ECB has decided to end net asset purchases under its asset purchase programme (APP) as of 1 July 2022.
- During the period, year-on-year growth in lending slowed down in all countries except Germany, Canada and the UK compared to 1Q21, Japan being the country with the highest rate of decline (-4.75%). Deposit growth declined for all countries compared to 1Q21, except for the UK. The US recorded the second largest year-on-year rate of decline (-9.01%) after Japan (-9.24%).

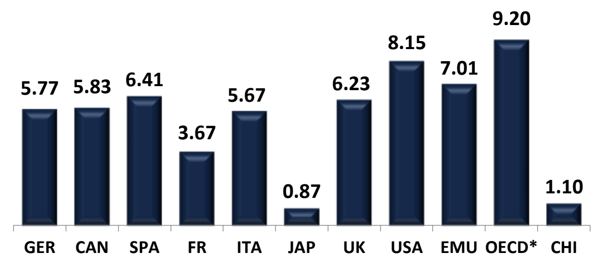
GDP 1Q22 (% year-on-year growth rate)



UNEMPLOYMENT RATE 1Q22 (%)



INFLATION RATE 1Q22 (%)

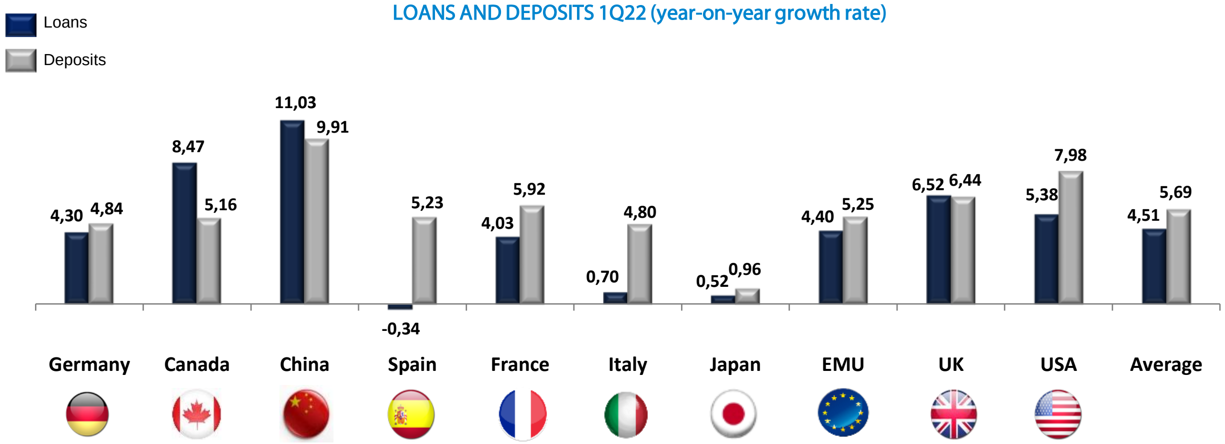


LONG TERM RATINGS 1Q22

	MOODY'S		S&P		Fitch	
Germany	Aaa	–	AAA	–	AAA	–
Canada	Aaa	–	AAA	–	AA+	–
China	A1	–	A+	–	A+	–
Spain	Baa1	–	A	▲	A-	–
France	Aa2	–	AA	–	AA	–
Italy	Baa3	–	BBB	–	BBB	–
Japan	A1	–	A+	–	A	–
UK	Aa3	–	AA	–	AA-	–
USA	Aaa	–	AA+	–	AAA	–

▲ Increase since 4Q21
– Constant since 4Q21
▼ Decrease since 4Q21

LOANS AND DEPOSITS 1Q22 (year-on-year growth rate)



*OECD aggregate data, latest available data at publication date corresponds to 4Q21
**Data corresponds to 4Q21

3. Macroeconomic view

Belgium

The Belgian economy has proved to be resilient although it decelerated growth mainly due to high inflationary pressures, which led to glitches with supply bottlenecks and high energy prices, that show a clear slowdown of the Belgium economic activity. The economy will barely grow until the end of 2022.

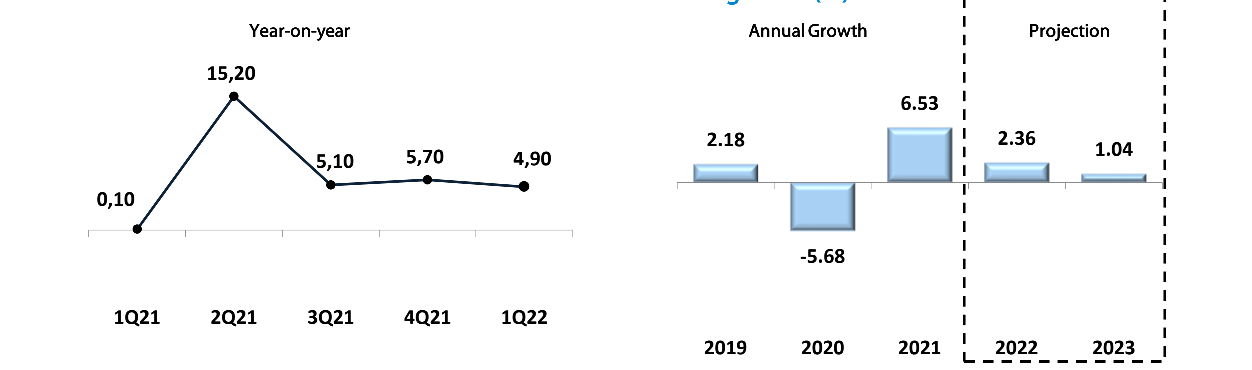
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	**0.10**	**15.20**	**5.10**	**5.70**	**4.90**	**2.36**	**1.04**
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	-3.00	15.30	4.00	10.80	9.30	**3.65**	**0.95**
GOVERNMENT CONSUMPTION	0.30	2.90	6.30	8.00	4.20	**1.31**	**0.90**
GROSS CAPITAL FORMATION	3.10	26.40	5.50	-0.40	-1.20	**-0.36**	**2.63**
EXTERNAL DEMAND							
EXPORTS	-0.60	20.50	11.40	8.80	6.40	**0.76**	**0.49**
IMPORTS	-1.80	19.30	10.80	9.40	7.40	**1.31**	**0.75**
INFLATION							
CPI	**0.54**	**1.44**	**2.62**	**5.15**	**7.97**	**9.03**	**4.77**
LABOUR MARKET							
UNEMPLOYMENT	**6.63**	**6.33**	**6.30**	**5.87**	**5.60**	**6.01**	**6.38**
EMPLOYMENT	**0.39**	**1.97**	**2.46**	**2.22**	**2.50**	**1.67**	**0.54**

Source: National Bank of Belgium, OECD forecast.

- The Belgian economy proved to be resilient as the tailwinds from the improvements in the health situation and the supply chains outweighed the impact from the very high inflation, the conflict in Ukraine and the drop in consumer confidence towards the end of the quarter, according to the National Bank of Belgium, but the GDP decreased by 0.80 p.p. when compared to the previous quarter, down to a 4.90% rate. On the other hand, when compared to the same quarter of the previous year, GDP grew by 4.80 p.p. as sanitary restrictions are being gradually lifted.
- The new worsening of the supply chain problems weighs on activity growth but also fuels upward price pressures in an already high-inflation environment. This weakened the further economic expansion, even though it remained firmly supported by the recovery in the services industry. The tensions between demand and supply on the energy market have led to huge price increases, in particular for natural gas. This also affects the growth outlook, not just by rising costs of firms, but also affecting household purchasing power.
- According to the National Bank of Belgium, economic growth will remain weak at least for the first half of the year, as very high inflation levels continue to depress private consumption and rising costs for firms slow down hiring and investment. Business confidence and the economy should rebound gradually once the headwinds start to fade, and growth will pick up in the closing months of 2022.
- Net exports are expected to contribute negatively to GDP as continued strong domestic demand will drive up imports and losses in export market shares are projected to continue.

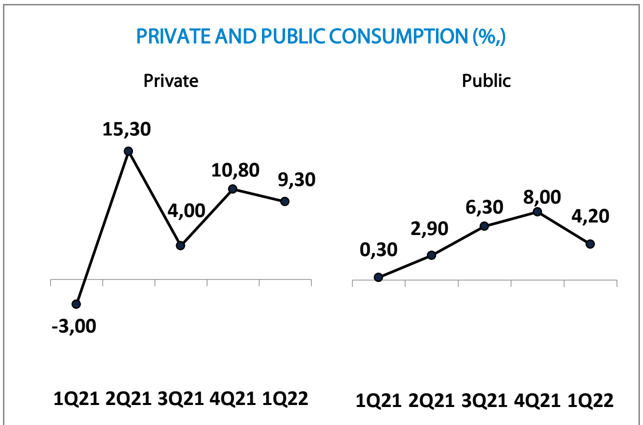
GDP annual and interannual growth (%)



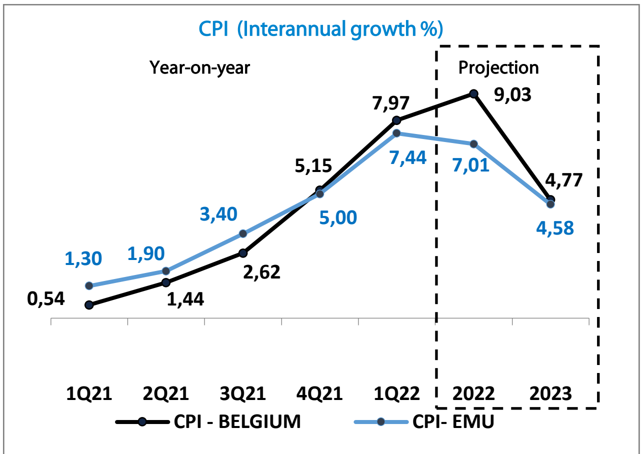
Source: National Bank of Belgium. Projections from the OECD June 2022

In the first quarter of 2022, private consumption recorded a decrease in its y/y growth rate compared to the previous quarter. In the same line, the inflation rate rose significantly, standing at 7.97% rate in 1Q22, following inflationary projections. Regarding bond yields, short and medium run yields remained negative while long term yields envision positive rates.

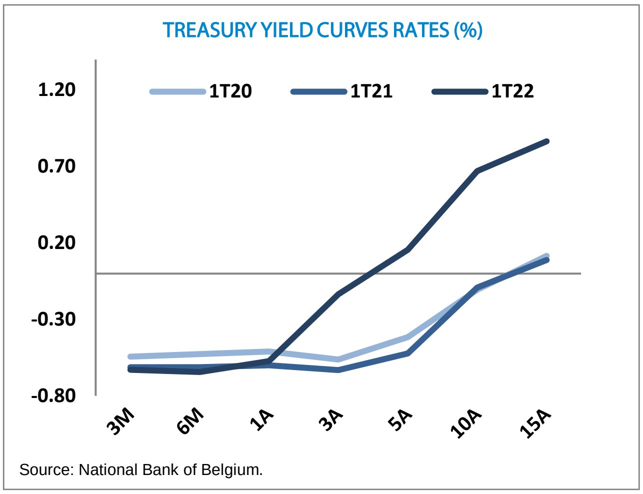
- During the first quarter of the year, private consumption recorded a deceleration in its recovery after an acceleration in 4Q21, decreasing by 1.50 p.p. from the previous quarter. It presented a growth rate of 9.50% year-on-year in 4Q21.
- The OECD forecast for private consumption predicts a year-over-year growth rate of 3.65% for 2022. Moreover, it expects private consumption to further slowdown in 2023, growing at a 0.95% rate. These results come despite high household savings due to high inflation.
- Public consumption also slowed down during 1Q22, registering a y/y growth rate of 4.20%. During 2022, this pattern is expected to further decline as it is still somewhat affected by the booster vaccination drive as well as by the additional expenditure in the conflict of Ukraine. This negative trend is expected to continue during 2023.
- In the fourth quarter of 2021, Belgium registered an inflation rate of 7.97%, which was 2.81 p.p. above the rate recorded in the previous quarter. The CPI in Belgium was above than the EU average inflation rate in the first quarter of 2022 (7.44%).
- According to the National Bank of Belgium, the inflation has reached a multi-decade high, and this is mainly due to the high increase in energy prices with energy inflation exceeding 60% since the start of 2022. While prices of certain services are also rising more quickly than usual, this reflects a spike in the prices of non-energy goods, that are fueled by supply bottlenecks. The conflict in Ukraine and supply constraints also led to the rise in inflation projections from the OECD forecast inflation to increase during 2022, up to a 9.03% rate, and to later recede in 2023, down to a 4.77%
- In 1Q22, all bond yields of the Belgian sovereign debt, with the exception of bonds with a 5-year, 10-year and 15-year maturity, stood at negative levels, following a similar tendency as in the previous quarters.
- When compared to the first quarter of 2021, bond yields registered decreases for 3M and 6M maturity. In relation to 1Q19 bond yields registered decreases for 3M, 6M and 1Y maturity.



Source: National Bank of Belgium.

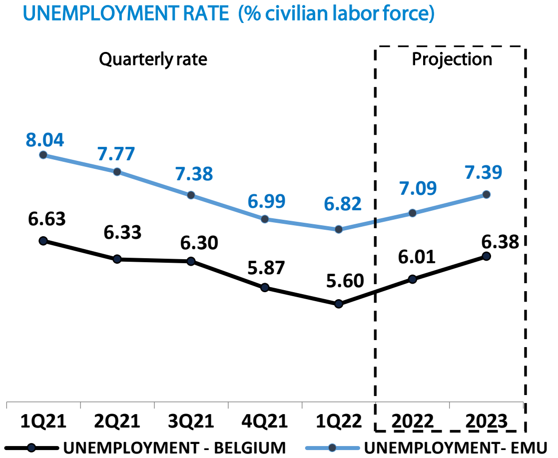


Source: National Bank of Belgium and ECB. Projections from the OECD June 2022.

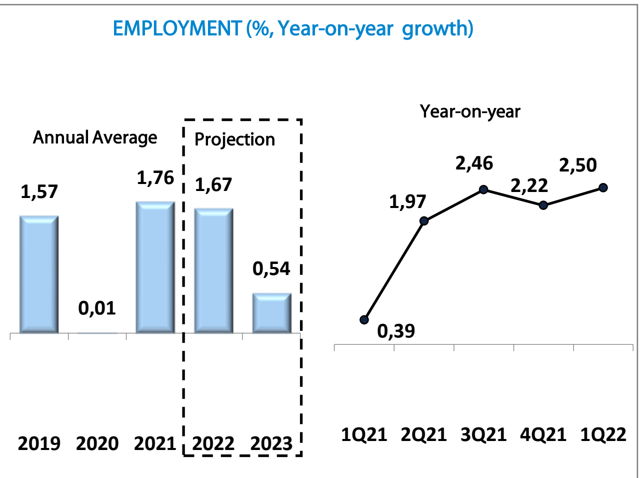


Source: National Bank of Belgium.

Regarding the labour market, during the first quarter of 2022, the unemployment rate decelerated compared to the previous quarter, down to a 5.60% rate. Moreover, in year-on-year terms, unemployment decelerated 1.03 p.p.. Concerning the y/y growth rate of employment, it stood at 2.50% in the first quarter of 2022, due to the decline in the use of temporary employment.



Source: National Bank of Belgium and ECB. Projections from the OECD June 2022.



Source: National Bank of Belgium. Projections from the OECD June 2022.

- During the first quarter of 2022, the unemployment rate decreased by 0.27 p.p. when compared to the previous quarter, down to a 5.60% rate. Moreover, unemployment levels remained below the European average in the last year, with the EMU average standing at 6.82% in 1Q22.
- According to the National Bank of Belgium, despite the fact the labour market is improving, the decline in the use of temporary employment and bridging rights, combined with greater recruitment difficulties in some sectors could lead to a worsening.
- According to the predictions of the OECD, unemployment is expected to increase in 2022, reaching 6.01% rate, and slightly increase in the following year, up to a 6.38% rate.
- Regarding the y/y employment growth rate, it accelerated by 0.28 p.p. when compared to the previous quarter, up to 2.50%.
- The OECD expects employment to register positive levels in 2022, with the annual growth declining to 0.17%, and increasing again in 2023 to 0.97%.
- According to the National Bank of Belgium, the labour market has been resilient so far, not least thanks to supportive government measures such as short-term work schemes. Employment growth is expected to fall in 2022, recovering again at the end of next year. Employment should continue to expand although at a more moderate rate compared to the most recent period and before the pandemic and in the recovery phase.
- In the labour market, the post-crisis recovery is mainly seen in the gradual decline in the use of temporary employment, as well as in the transitional rights of the self-employed.

Netherlands

The Dutch economy is expected to continue its recovery during 2022, continuing with the growth of the fourth quarter when compared to the previous quarter. The principal variables of the Dutch economy had a similar performance, although the growth was dampened by the rising energy prices and supply bottlenecks.

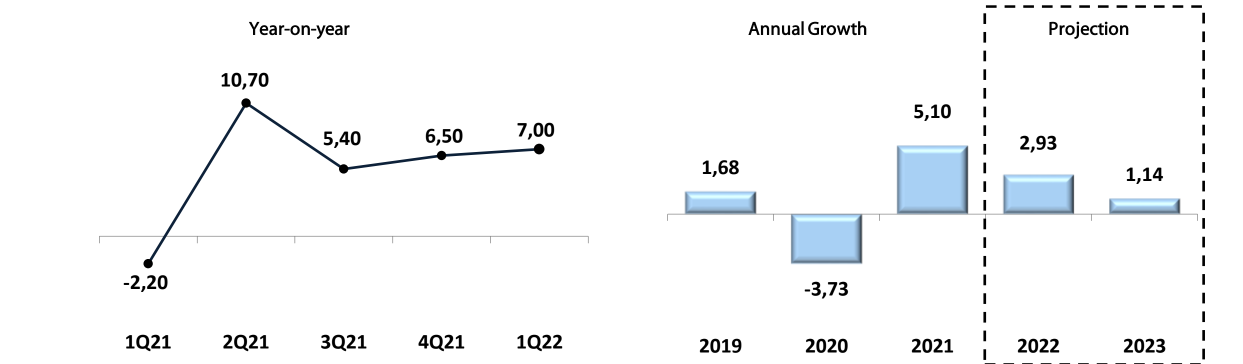
MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	**-2.20**	**10.70**	**5.40**	**6.50**	**7.00**	**2.93**	**1.14**
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	-8.10	10.20	5.80	6.90	10.60	**3.69**	**0.96**
GOVERNMENT CONSUMPTION	2.90	9.60	3.60	5.90	2.50	**0.39**	**2.70**
GROSS CAPITAL FORMATION	-0.50	9.80	2.70	2.40	0.10	**2.51**	**1.69**
EXTERNAL DEMAND							
EXPORTS	-1.70	14.10	8.20	6.60	4.70	**1.60**	**2.39**
IMPORTS	-2.90	10.90	7.60	5.30	2.90	**1.28**	**3.13**
INFLATION							
CPI	**1.77**	**2.00**	**2.17**	**4.77**	**7.43**	**9.16**	**4.84**
LABOUR MARKET							
UNEMPLOYMENT	**3.57**	**3.30**	**4.13**	**3.80**	**3.43**	**3.82**	**4.43**
EMPLOYMENT	**-1.43**	**2.67**	**2.57**	**3.39**	**4.56**	**2.21**	**0.59**

Source: Statistics CBS. Projections from the OECD June 2022.

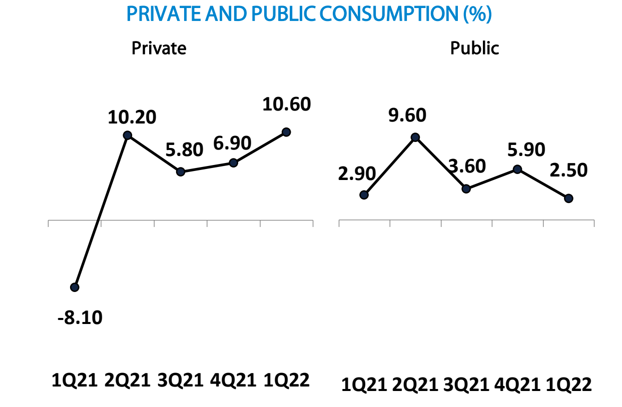
- The Dutch economy continued growing during the first quarter of the year, due to the balance of trade and the investments that contributed to economic growth, while public consumptions made a negative contribution. The year-on-year GDP growth rate increased 0.50 p.p. during 1Q22 when compared to the previous quarter, up to a 7.00% rate. Therefore, the Dutch economy has recovered and it is above its pre-pandemic levels.
- According to the OECD, as the phasing out of COVID-19 support measures and economic growth continues, although at a slower pace, the fiscal deficit is projected to fall. The government plans to increase public expenditure to reduce nitrogen pollution, support energy transition, research and development, education, housing and childcare.
- Consumption will continue to support growth but be subdued as rising prices erode households' income. Due to some improvement of the health situation in 2022, growth in business investment will remain subdued.
- Inflation started to rise in mid-2021 due to global supply pressures and rising energy prices, and has been pushed up further due to the conflict in Ukraine. It is expected that it will start to moderate from end-2022 due to base effects but higher energy prices due to the oil embargo, as well as high core inflation, will keep inflation elevated throughout 2023.

GDP annual and interannual growth (%)

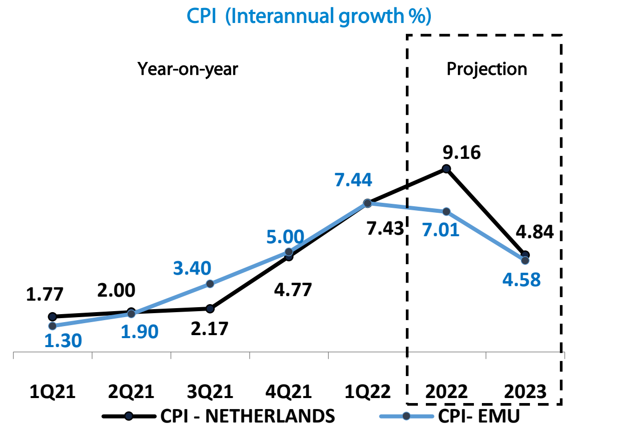


Source: Statistics CBS. Projections from the OECD June 2022.

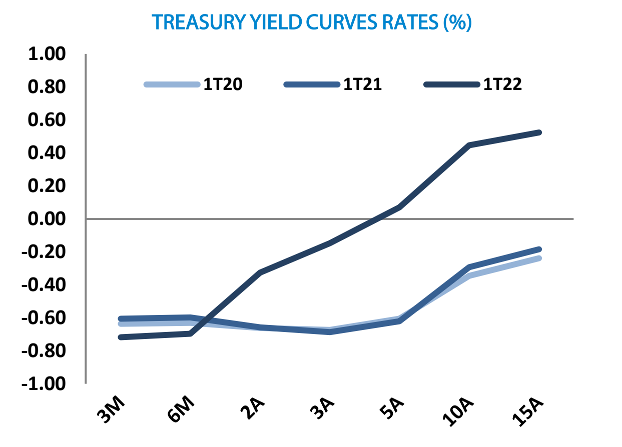
In the first quarter of 2022, private consumption recorded an increase in its y/y growth rate compared to the previous quarter, up to a 10.60% rate. In the same line, the inflation rate increased, and recorded a 7.44% rate in 1Q22, thus following inflationary world trend. Regarding bond yields, all bond yields remained negative with the exemption of 5, 10 and 15 year maturities.



Source: Statistics CBS.



Source: Statistics CBS and ECB. Projections from the OECD June 2022.

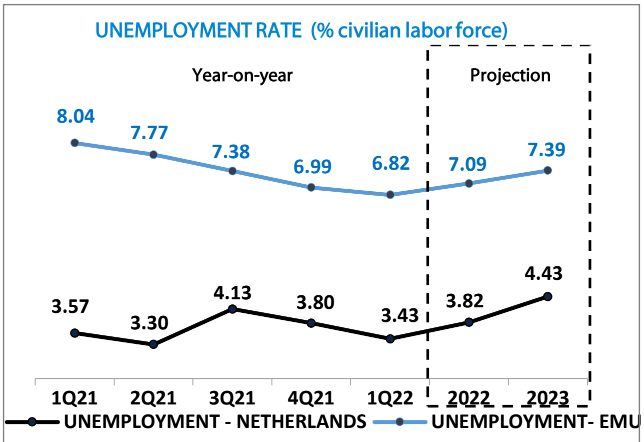


Source: Investing.

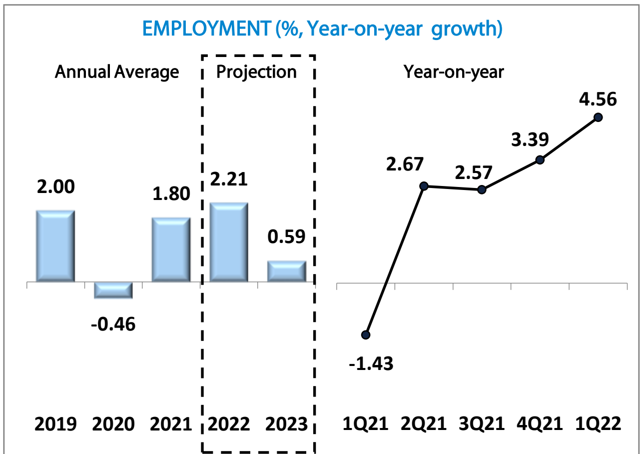
- During the first quarter of the year, private consumption continued to recover after its slowdown in 3Q21 due to the persistence of the Covid-19 restrictions, reaching a growth rate of 10.60% year-on-year in 1Q22, increasing by 3.70 p.p. from the previous quarter. Private consumption will continue to drive growth as household saving rates continue to normalise after rising sharply at the beginning of the pandemic.
- The OECD predicts a year-over-year growth rate of 3.69% for 2022, as households' savings continue to normalise. Moreover, the OECD expects private consumption to decrease sharply in 2023, to a 0.96% rate.
- When it comes to the government consumption, it decreased down to 2.50% in 1Q22. However, the Dutch government targets for 2022 to boost economic activity while giving incentives to investment to stimulate the supply of renewable energy and new energy sources. Fiscal support is expected to soften over time as European funds are implemented.
- In the first quarter of 2022, Netherlands registered an inflation rate of 7.43%, which was 2.67 p.p. above the rate recorded in the previous quarter and was slightly lower than in EMU (7.44%).
- The OECD expects inflation to stand at a 9.16% rate in 2022 and at 4.84% in 2023. Disruption in supply changes alongside increasing energy prices are the main reasons behind worldwide inflation.
- In 1Q22, all bond yields of the Dutch sovereign debt below a 5-year maturity, stood at negative levels, stopping the tendency of the previous quarters.
- Compared to the first quarter of 2020, bond yields experienced increases for all maturities, expect for bonds with a 3M, and 6M. The highest increase was registered when compared to 1Q21 in 10Y, rising by 0.79 p.p.
- Compared to the first quarter of 2021, bond yields experienced increases for all maturities with the exemption of bonds with a 3M, and 6M maturity. The highest increase was registered in 10Y when compared to 1Q21, rising by 0.74 p.p..

Regarding the labour market, during the first quarter of 2022, the unemployment rate slightly decreased compared to the previous quarter, down to a 3.43% rate. Besides, in year-on-year terms, unemployment decrease was slightly smaller facing a 0.14 p.p. fall. Concerning the y/y growth rate of employment, it stood at 4.56% in the first quarter of 2022, confirming the end of its previous negative trend.

- During the first quarter of 2022, the unemployment rate decreased by 0.37 p.p. when compared to the previous quarter, down to a 3.43% rate. Moreover, unemployment levels remained well below the European average in the last year, with the EMU average standing at 6.82% in 1Q22.
- According to the Rabobank, the labour market is currently historically tight. In the first quarter there were 450,000 vacancies, and unemployment dropped to an all time low of 316,000. As a result, unemployment will grow from 3.70% on average in 2021 to 3.82% in 2022, and to 4.3% in 2023. This represents substantial adjustment compared to December 2021 projections, which assumed a rate of 3.5% in 2022 and 3.4% in 2023.
- However, the OECD predicts an increase in unemployment rates for both 2022 and 2023, up to a 3.82% rate and a 4.43% rate, respectively.
- Regarding the y/y employment growth rate, it accelerated by 1.18 p.p. when compared to the previous quarter, standing at 4.56%, the fourth positive rate after four consecutive quarters of negative employment growth rates.
- The OECD predicts employment to decrease in 2022, falling down to a 2.21% rate, falling further in 2023 to a 0.59% rate.
- According to the OECD, the decline in employment growth rate in 2022 will be much smaller than expected six months ago for 2022. Moreover, it is also more subdued than during the financial crisis of 2009 (-0.8%) or the sovereign debt crisis of 2012 (-1.1%). This is largely due to the government's generous policy support and the shorter duration of the current crisis. But the tightness in the labour market can bring problems in firms' investment as if people are not available it doesn't make sense to invest in fixed assets.



Source: Statistics CBS and ECB. Projections from the OECD June 2022.



Source: Statistics CBS. Projections from the OECD June 2022.

Luxembourg

The recovery of the economy weakened during the first quarter of 2022, although private consumption contributed positively to growth. The rest of components of GDP contributed negatively.

MAIN MACROECONOMICS INDICATORS (Interannual growth %)

INDICATOR	1Q21	2Q21	3Q21	4Q21	1Q22	2022	2023
GDP	**5.10**	**12.90**	**5.10**	**4.90**	**4.00**	**2.88**	**2.07**
DOMESTIC DEMAND							
PRIVATE CONSUMPTION	0.90	23.40	2.50	5.60	6.00	**3.44**	**2.17**
GOVERNMENT CONSUMPTION	5.90	5.60	3.20	4.40	4.00	**3.61**	**3.48**
GROSS CAPITAL FORMATION	6.70	29.20	-6.20	14.30	6.60	**4.16**	**4.11**
EXTERNAL DEMAND							
EXPORTS	9.50	14.60	8.40	6.90	1.60	**0.81**	**2.26**
IMPORTS	9.80	17.10	6.90	8.60	1.80	**0.66**	**2.64**
INFLATION							
CPI	**1.26**	**2.27**	**2.48**	**4.09**	**5.43**	**8.00**	**3.29**
LABOUR MARKET							
UNEMPLOYMENT	**6.24**	**5.88**	**5.55**	**5.27**	**4.82**	**4.71**	**4.96**
EMPLOYMENT	**1.67**	**3.06**	**2.61**	**3.51**	**3.61**	**2.52**	**1.95**

Source: Statistics Portal G.D. Luxembourg. Projections from the OECD June 2022

- Although the economic environment has deteriorated since the spring, confidence in non-financial services has not been overly affected. This is due in part to the easing of pandemic restrictions. For the first quarter of 2022 the economic activity worsened on a year-to-year basis of 1.10 p.p., and it also decreased compared to the previous quarter remaining at a 4.00% GDP rate.

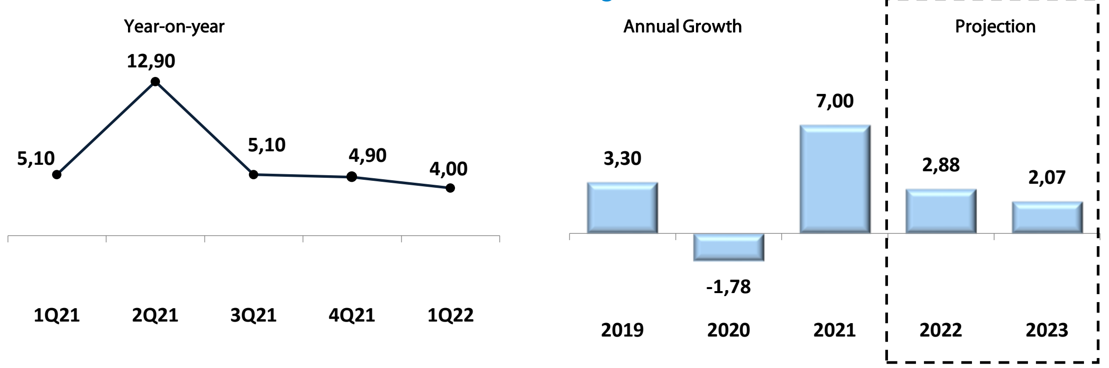
- According to the OECD, the main driver was driven by private consumption, which continued growing above its pre-crisis levels. Almost all the sectors contributed positively to GDP growth in 2022, with land transport, investigation and security activities registering the favourable trends.

- Regarding inflation it has risen due to rising energy prices and intermediary goods, and the conflict in Ukraine. To embed resilience, economic diversification will require investments in ICT and continued green policy reforms, alongside an acceleration in the transition to a low-carbon economy.

- Regarding the labour market, the unemployment has decreased but at a slower pace. According to the OECD its recovery is strong and vacancies are rising. It is expected that the labour market will remain tight in the coming years.

- On the external sector, GDP was also supported by the relatively strong performance of the country's international trade in financial services, rising since the second quarter of 2020. Nevertheless, during 1Q22 exports registered decreases compared to the previous quarter. This is mainly due to the consequences that conflict in Ukraine is bringing on a global basis.

GDP annual and interannual growth (%)

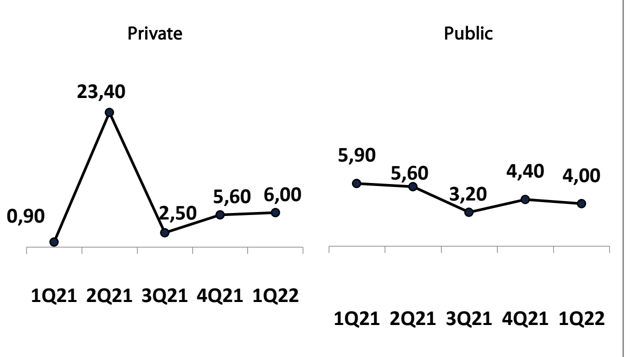


Source: Statistics Portal G.D. Luxembourg. Projections from the OECD June 2022.

In the first quarter of 2022, private consumption recorded an increase in its y/y growth rate compared to the previous quarter, standing at a 6.00% rate. On the other hand, public consumption growth decreased compared with the previous quarter, down to a 4.00% rate. The inflation rate progressively rose by 1.33 p.p., standing at 5.43% rate in 1Q22 following inflationary world trend.

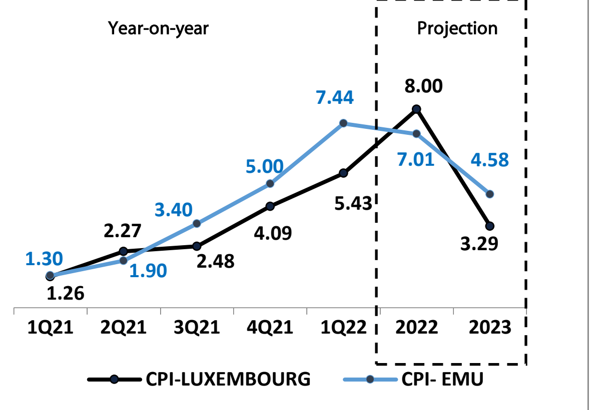
- During the first quarter of the year, private consumption consolidated its recovery after its prolonged slowdown since 1Q20, reaching a growth rate of 6.00% year-on-year, increasing by 0.40 p.p. compared to the previous quarter.
- According to the OECD, private consumption remained robust, despite Covid-19 restrictions which affected retail trade. Most restrictions were removed in March. The OECD forecast for private consumption predicts a year-over-year growth rate of 3.44% for 2022. Moreover, private consumption is expected to further decrease, supported by a decrease in the high savings rate, growing at a 2.17% rate.
- Public consumption continued to show a positive rate, and it decreased by 0.40 p.p. compared to the previous quarter, registering a growth of 4.00%. The government's response to the crisis included several measures, including a cash allowance to disadvantaged households, and reduced network costs for gas and electricity.
- In the first quarter of 2022, Luxembourg registered an inflation rate of 5.43%, which was 1.33 p.p. above the rate recorded in the previous quarter. Inflation in Luxembourg was below the EMU average (7.44%), after a significant increase of the average compared to the previous quarter.
- The OECD expects inflation to stand at an 8.00% rate in 2022 and a 3.29% in 2023. In 2022, this rate is expected because of high energy prices, estimated to continue growing during the following years, as well as increased prices for non-energy goods and services.
- Moreover, residential construction activity is rising, and house prices are high, although the market is slowing as interest rates are expected to rise.
- According to the OECD, measures to target support to low-income households affected by energy prices should be encouraged instead of wage indexation, and bankruptcy reform should be prioritized to support restructuring.

PRIVATE AND PUBLIC CONSUMPTION (%,)



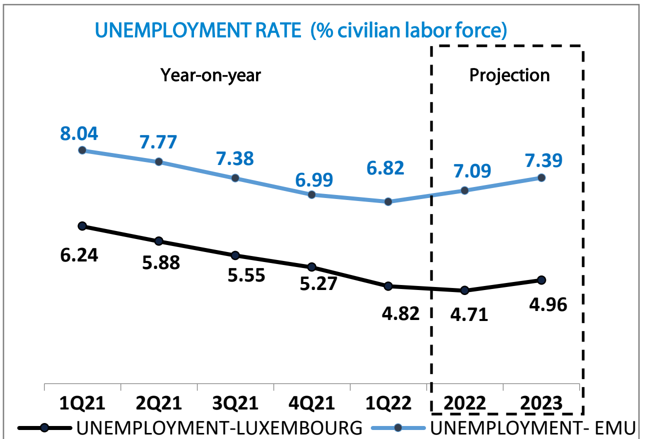
Source: Statistics Portal G.D. Luxembourg.

CPI (Interannual growth %)

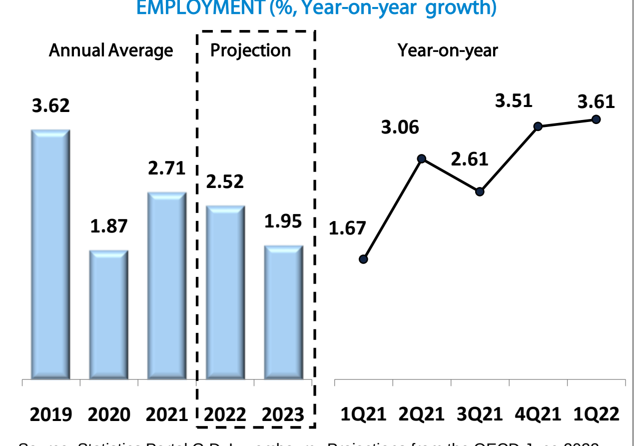


Source: Statistics Portal G.D. Luxembourg and ECB.Projections from the OECD 2022.

Regarding the labour market, during the first quarter of 2022, the unemployment rate slightly decreased compared to the previous quarter, down to a 4.82% rate. Besides, in year-over-year terms, unemployment decrease was even higher. However, OECD forecasts predict a slight decrease in the unemployment rate in 2022 and a rise during 2023. Concerning the y/y growth rate of employment, it stood at 3.61% in the first quarter of 2022.

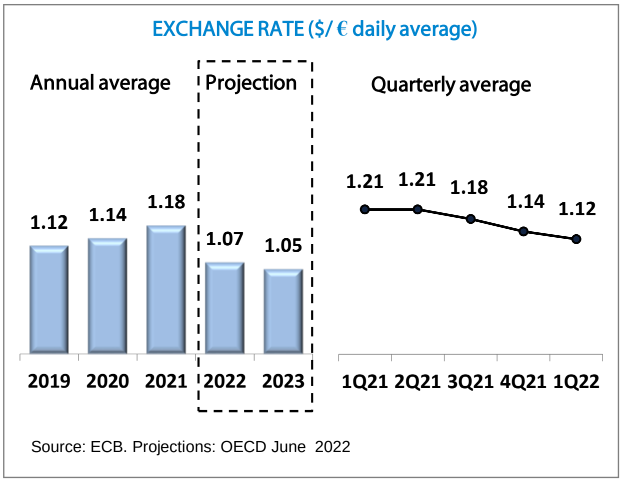


Source: Statistics Portal G.D. Luxembourg and ECB. Projections from the OECD 2022.



Source: Statistics Portal G.D. Luxembourg. Projections from the OECD June 2022.

- During the first quarter of 2022, the unemployment rate decreased by 0.45 p.p. when compared to the previous quarter, down to a 4.82% rate. Moreover, unemployment levels remained below the European average in the last year, with the EMU average standing at 6.82% in 1Q22.
- However, the OECD envisions a slight decrease in unemployment rates for 2022, down to a 4.71% rate and a later increase in 2023, down to a 4.96% rate.
- According to Statistiques Luxembourg, employment has remained dynamic during 1Q22 and the European Commission has revised upwards the forecast from last autumn of employment growth and lowered its forecast for unemployment.
- Regarding the y/y employment growth rate, it accelerated by 0.10 p.p. when compared to the previous quarter, standing at 3.61%, pursuing its recovery trend to roughly pre-Covid levels.
- Moreover, the OECD predicts employment growth rate to decrease in 2022, with an annual growth rate of 2.52%, and to further decrease in 2023, falling down to a 1.95% rate.
- According to the OECD, the labour market recovery is strong and vacancies are rising. Moreover, employment and wage growth will remain robust during 2022 and 2023.



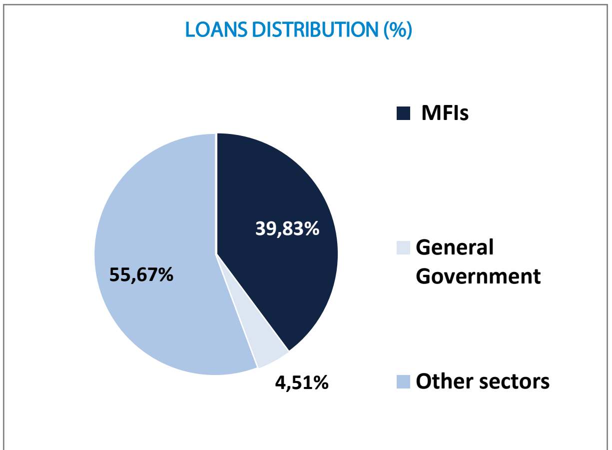
- During the first quarter of 2022, the euro was depreciated against the US dollar when compared to the previous quarter. Therefore, the average quarterly exchange rate stood at 1.12$/€.
- Moreover, relative to the same quarter of the previous year, the quarterly average exchange rate of the euro decreased by 0.09 $/€ .
- The OECD expects the annual average dollar/euro exchange rate to stand at 1.07 $/€ for 2022 and at 1.05 $/€ in 2023, with the euro dollar depreciating against the dollar with respect to 2021.

4. Banking sector: general overview

Belgium - Loans

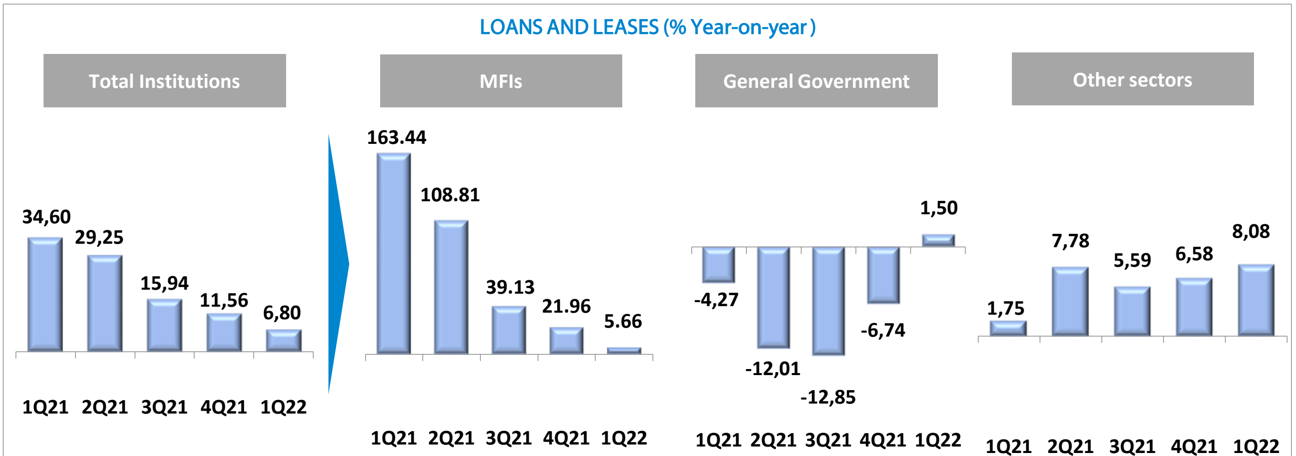
During the first quarter of the year, the y/y growth rate of the total loans granted in Belgium decelerated when compared to the previous quarter, down to a 6.80% rate. This behaviour was motivated by the fall in the y/y growth rate of loans to MFIs, while loans to the General Government recording the lowest rate.

- During the first quarter of 2022, total loans registered a decrease of 4.76 p.p. with respect to the previous quarter in their y/y growth rate, down to a 6.80% rate.
- The growth rate of loans granted to MFIs fell by 16.30 p.p. compared to the previous quarter, down to 5.66%.
- In turn, loans to the General Government recorded a rise in their y/y growth rate of 8.24 p.p., registering a rate of 1.50%, being the first positive rate since 4Q20.
- The y/y growth rate of loans to other sectors rose, recording a 8.08% rate after a 1.50 p.p. increase.



Source: National Bank of Belgium.

- Regarding the distribution of total loans during the first quarter of the year, loans to other sectors accounted for the largest share of loans, with a 55.67%, after recording an increase in their share of 0.49 p.p. compared to the previous quarter.
- The share of loans to MFIs over total loans decreased by 0.56 p.p., representing 39.83% of total loans.
- On the other hand, loans to the General Government recorded an increase in their share over total loans, up to a 4.51% after a 0.08 p.p. increase.

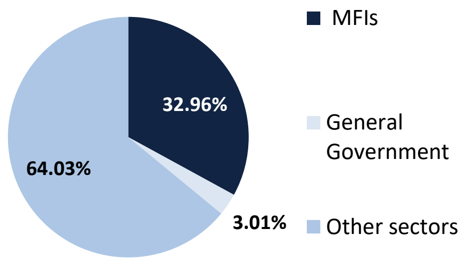


Source: National Bank of Belgium.

Belgium - Deposits

During the first quarter of 2022, total deposits in Belgium decreased their y/y growth rate by 5.06 p.p. relative to 4Q21, reaching a rate of 5.01%. On the other hand, the growth rate of deposits from all sectors decreased and MFIs registered the largest variation.

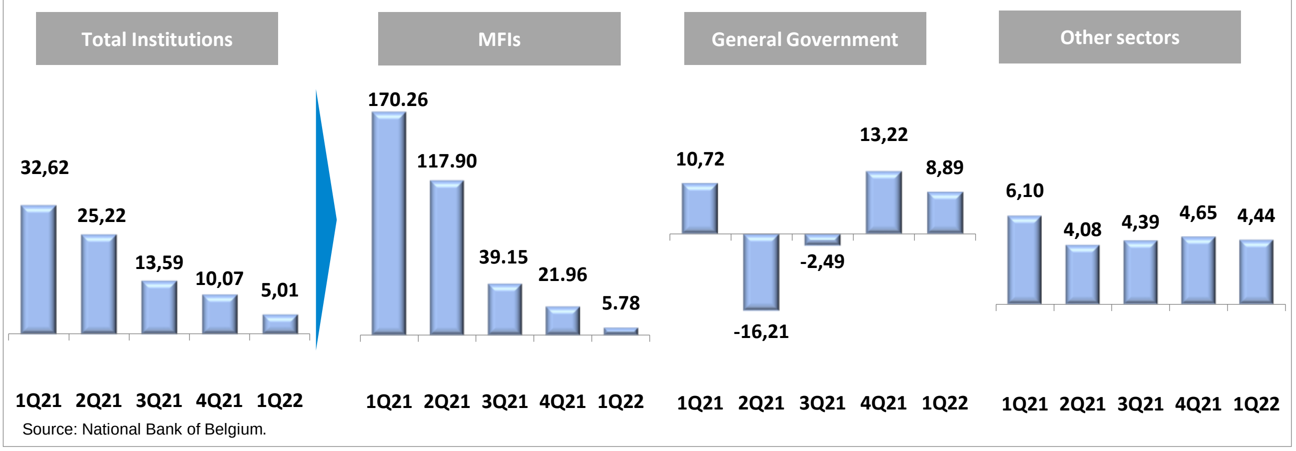
DEPOSITS DISTRIBUTION (%)



Source: National Bank of Belgium.

- In the first quarter of 2022, the total deposits y/y growth rate reached 5.01%, which represented a decrease of 5.06 p.p. when compared to the previous quarter.
- Moreover, the y/y growth rate of deposits of MFIs experienced the largest fall of 16.18 p.p. relative to the fourth quarter of 2021, standing at a of 5.78%.
- Furthermore, the y/y growth rate of deposits of the General Government decreased by 4.33 p.p.. Nevertheless it stood as the sector with the highest growth recording a 8.89% rate.
- Regarding the deposits of other sectors, they registered a smaller fall of 0.21 p.p. in their y/y growth rate, down to a 4.44% rate.
- Regarding the distribution of deposits during the first quarter of the year, other sectors deposits represented the largest share of deposits with a 64.03%, with an increase in their share of 0.13 p.p. relative to the previous quarter.
- MFIs maintained the second largest share, with the deposits of these institutions accounting for 32.96% of total loans, after a decrease of 0.14 p.p..
- Regarding deposits of the General Government, their share slightly increased by 0.01 p.p. with respect to the fourth quarter of 2021, with deposits of the General Government representing 3.01% of the total deposits of Belgium.

DEPOSITS (% Year-on-year)



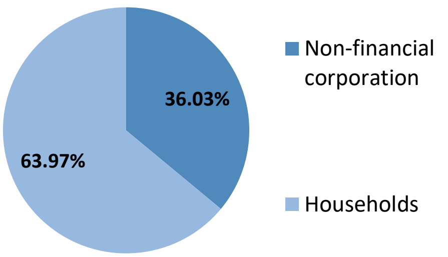
Source: National Bank of Belgium.

Netherlands – Loans*

In the fourth quarter of 2021, the y/y growth rate of loans in the Netherlands experienced an increase of 0.37 p.p. relative to the previous quarter, recording a positive y/y growth rate of 2.30%. This was due to the acceleration of the y/y growth rate of loans to non-financial corporations. Loans to households represented 63.97% of total loans, while loans to non-financial corporations accounted for the remaining 36.03%.

- During the fourth quarter of the year, total Dutch loans recorded an increase of 0.37 p.p. in their y/y growth rate with respect to the previous quarter, standing at a positive rate of 2.30%. Moreover, relative to the same quarter of the previous year, the y/y growth rate of loans rose by 2.22 p.p..
- This performance was driven by the rise in the year-on-year growth rate of loans to non-financial corporations.
- Year-on-year growth in loans to non-financial corporations increased by 0.97 p.p. to a rate of -1.46%, continuing with its negative trend that started in the last quarter of 2020, which was only reversed in 2Q21.

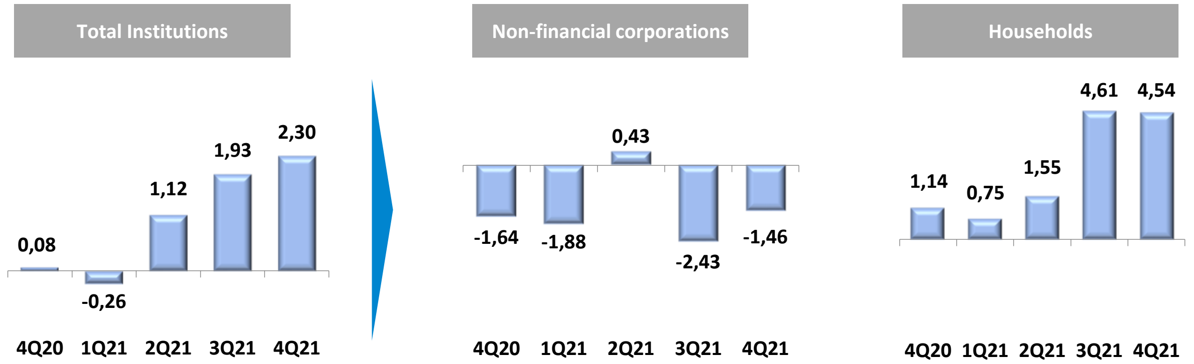
LOANS DISTRIBUTION (%)



Source: De Nederlandsche Bank.

- In turn, loans to households experienced a slight fall, as its y/y growth rate decelerated by 0.07 p.p., registering a 4.54% rate. This increase was caused by the rise in the y/y growth rate of loans to households' purchase of 0.33 p.p., up to 3.86%, and the decrease in consumer credit and other loans which fell by 6.20 p.p. down to a rate of 21.80%.
- Regarding the distribution of loans in the fourth quarter of the year, loans to households represented 63.97% of total loans, after an increase in their share of 0.30 p.p. when compared to the previous quarter.
- As far as loans to non-financial corporations are concerned, they declined their share over total loans down to 36.03%, following a decrease of 0.30 p.p. relative to the third quarter of 2021.

LOANS AND LEASES (% Year-on-year)

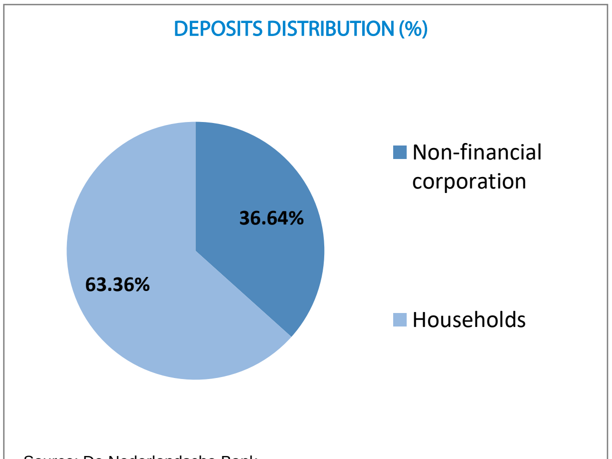


Source: De Nederlandsche Bank.

*Latest available data at the date of this report is for 4Q21.

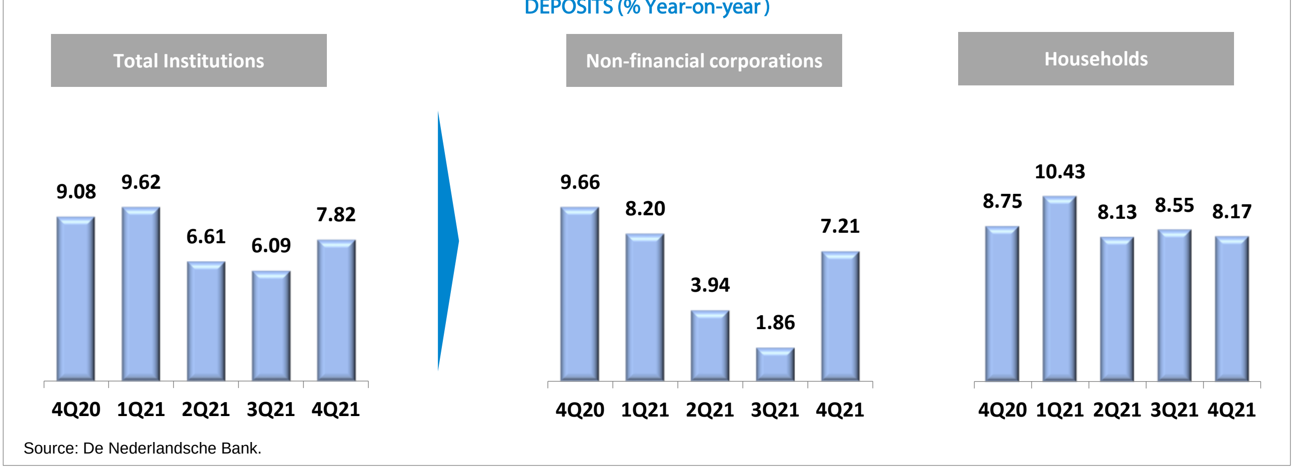
Netherlands – Deposits*

The y/y growth rate of Dutch deposits stood at a 7.82% rate in the fourth quarter of 2021, after recording an increase of 1.73 p.p. when compared to the previous quarter. To the contrary, the y/y growth rate of households deposits decelerated relative to 3Q21, down to a 8.17% rate. Additionally, deposits of non-financial corporations increased by 5.35 p.p., recording a 7.21% growth rate.



Source: De Nederlandsche Bank.

- In the fourth quarter of 2021, total deposits in the Dutch economy experienced an acceleration of 1.73 p.p. in their y/y growth rate compared to the previous quarter, recording a 7.82% rate.
- This behaviour was driven by the increase in the y/y growth rate of deposits of non-financial corporations, which rose by 5.35 p.p., up to a 7.21% rate.
- It should be noted that the growth in the y/y growth rate of non-financial corporations was the result of the increase in overnight deposits (6.64 p.p.) and deposits redeemable at notice (0.04 p.p.), whereas the y/y growth rate of deposits with an agreed maturity also rose by 17.41 p.p..
- In turn, deposits of households registered an deceleration of 0.38 p.p. in their y/y growth rate relative to 3Q21, down to a 8.17% rate. This reduction was caused by the decrease in the y/y growth rate of all types of deposits of households unlike overnight deposits, with deposits with agreed maturity experiencing the largest decrease compared to the previous quarter (1.35 p.p.).
- As far as the distribution of deposits in the fourth quarter of 2021 is concerned, deposits of households decreased their share over total deposits by 1.41 p.p., representing 63.36% of total deposits. The remaining 36.64% of deposits corresponded to non-financial corporations.



Source: De Nederlandsche Bank.

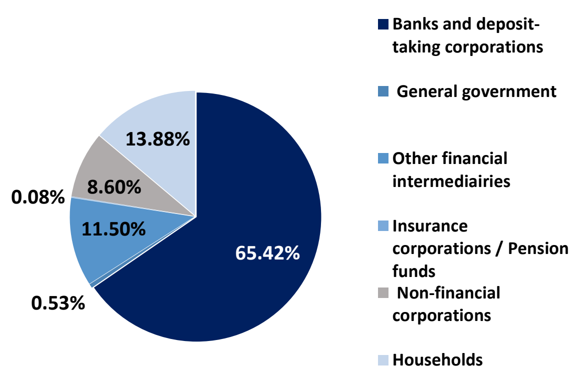
*Latest available data at the date of this report is for 4Q21.

Luxembourg - Loans

The financial system of Luxembourg recorded a decrease of 1.79 p.p. in its loans y/y growth rate, down to 24.21%. This performance was mainly driven by the reductions experienced in the y/y growth rates of loans to banks and deposit-taking corporations and loans to insurance corporations and pension funds.

- During the first quarter of 2022, the y/y growth rate of total loans fell by 1.79 p.p. with respect to the previous quarter, down to a 24.21% rate.
- This behaviour was motivated by the fall in the y/y growth rate of loans to the banks and deposit-taking corporations (-5.50 p.p.), and to insurance corporations and pension funds (-3.09 p.p.). Moreover, the y/y growth rate of loans to non-financial corporations, decelerated by -0.84 p.p..
- In turn, increases were recorded by loans to general government (4.24 p.p.), other financial intermediaries and financial auxiliaries (10.74 p.p.), and households and non-profit institutions serving households (0.25 p.p.).

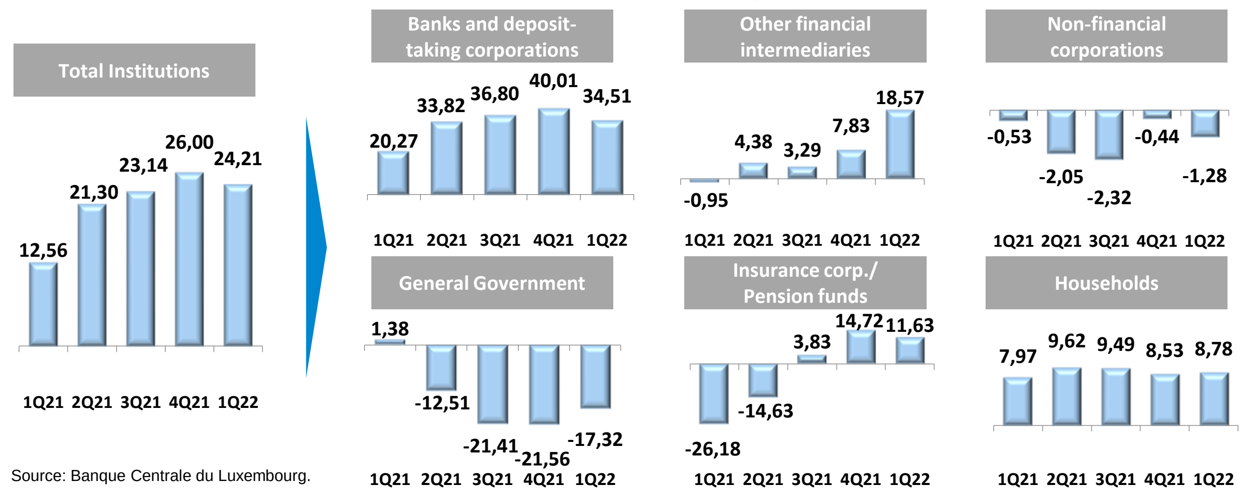
LOANS DISTRIBUTION (%)



Source: Banque Centrale du Luxembourg.

- Regarding the distribution of loans in 1Q22, banks and deposit-taking corporations recorded the largest share (65.42%), followed by households (13.88%) and other financial intermediaries (11.50%). Loans to non-financial corporations represented 8.60% of total loans, whereas the remaining share corresponded to loans to the general government (0.53%) and loans to insurance corporations and pension funds (0.08%).

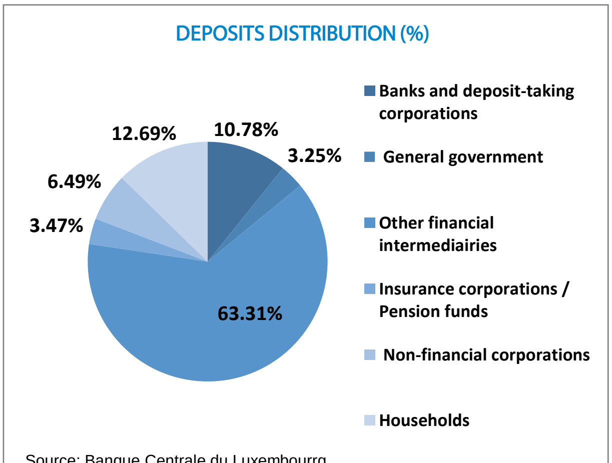
LOANS AND LEASES (% Year-on-year)



Source: Banque Centrale du Luxembourg.

Luxembourg - Deposits

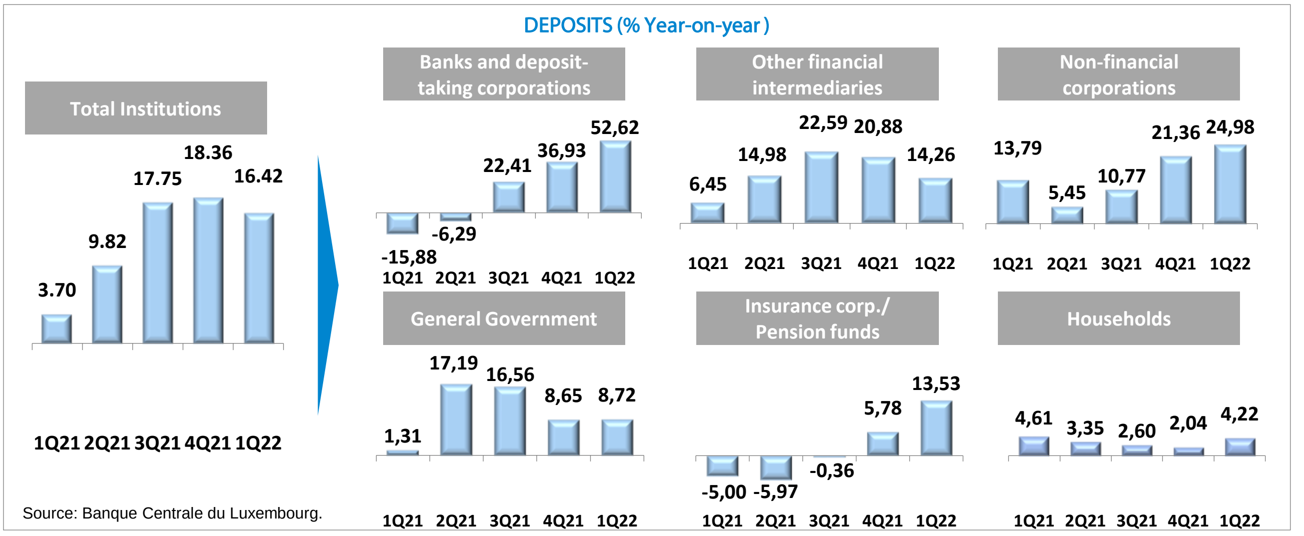
The y/y growth rate of deposits of the financial system of Luxembourg recorded a 1.94 p.p. deceleration in the first quarter of 2022 compared with the previous one, down to a 16.42% rate. This behaviour was mainly driven by the fall in the y/y growth rate of other financial intermediaries and financial auxiliaries. All the other sectors recorded increases in their y/y growth rates. The largest share of total deposits corresponded to other financial intermediaries (63.31%).



Source: Banque Centrale du Luxembourrg

- Total deposits within the Luxembourgish financial system experienced an slight decrease in their y/y growth rate of 1.94 p.p. relative to the previous quarter, down to a 16.42% rate in the first quarter of 2022.
- This reduction was driven by the fall in the y/y growth rate of deposits of other financial intermediaries and financial auxiliaries (-6.62 p.p.), down to a 14.26%.
- In turn, deposits of banks and deposit taking corporations, general government, insurance corporations, non-financial corporations and households deposits recorded increases in their y/y growth rate (15.69 p.p.), (0.07 p.p.), (7.75p.p.), (3.62 p.p.) and (2.18 p.p.) respectively.

- Regarding the distribution of loans in the first quarter of the year, other financial intermediaries remained as the sector with the largest share, with a 63.31% of total deposits, followed by households (12.69%), and banks and deposit-taking corporations (10.78%). In turn, non-financial corporations, insurance corporations and pension funds, and general government deposits represented 6.49%, 3.47% and 3.25%, respectively.



Source: Banque Centrale du Luxembourg.

SOURCES

MACROECONOMIC OVERVIEW

- Banque Centrale du Luxembourg:
  http://www.bcl.lu/en/index.html
- BBVA Research:
  http://www.bbvaresearch.com/KETD/ketd/esp/index.jsp
- De Nederlandsche Bank:
  https://www.dnb.nl/
- European Central Bank:
  http://www.ecb.int/ecb/html/index.es.html
- International Monetary Fund (IMF):
  http://www.imf.org
- Investing

  https://es.investing.com/
- National Bank of Belgium:
  https://www.nbb.be/en
- National Bank of Belgium Online Statistics:
  https://stat.nbb.be/Index.aspx
- Organisation for Economic Co-operation and Development, OECD:
  http://www.oecd.org/home/
- Statistics Netherlands (CBS):
  https://www.cbs.nl/
- Statistics Portal Grand Duchy of Luxembourg:
  https://statistiques.public.lu/en/index.html
- World Bank:
  www.worldbank.org
- Central Bank of the Republic of Argentina:
  www.bcra.gov.ar
- Central Bank of Chile:
  www.bcentral.cl
- Central Bank of Brasil:
  www.bcb.gov.br
- National Administrative Department of Statistics of Colombia (DANE):
  http://www.dane.gov.co/
- Bank of the Republic of Colombia:
  http://www.banrep.gov.co/
- Central Reserve Bank of Peru:
  www.bcrp.gob.pe

GLOSSARY

- **CAI:** Comprehensive Agreement on Investment between the People's Republic of China and the European Union.
- **CET 1:** Common Equity Tier 1 capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur.
- **CPI**: Consumer Price Index measures the evolution of the average cost of the basket of goods and services representative of household final consumption.
- **Efficiency Ratio:** (Non-interest expense - amortization of intangible assets) / (net interest income + non-interest income).
- **EMU**: The Economic and Monetary Union.
- **GDP:** Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
- **IMF:** International Monetary Fund.
- **LTD ratio:** Loans to deposits is a ratio used to assess the liquidity of a bank by comparing its total loans to its total deposits over a given period of time.
- **OECD:** Organisation for Economic Co-operation and Development.
- **Operating Expense**: Total non-interest expense.
- **PEPP:** The ECB's pandemic emergency purchase programme (PEPP) is a non-standard monetary policy measure initiated in March 2020 to counter the serious risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus (Covid-19) outbreak.
- **p.p.**: percentage points.
- **Return On Equity (ROE)**: Net Income / equity.
- **Return On Assets (ROA)**: Net income / average total assets.

Our goal is to exceed the expectations of our clients by being reliable partners

Management Solutions is an international consultancy firm focusing on providing business, risk, financial, organizational and process-related advice, both in respect of functional components and in the implementation of related technologies.

With a cross-functional team of 2,500 professionals, Management Solutions operates through 35 offices across Europe (16), the Americas (17), Asia (1) and Africa (1).

Javier Calvo Martín
Partner of Management Solutions
Javier.Calvo.Martin@mssgermany.com.de

Manuel Ángel Guzmán Caba
Partner of Management Solutions
manuel.guzman@managementsolutions.com

Management Solutions
Tel: (+34) 91 183 08 00
Fax: (+34) 91 183 09 00
www.managementsolutions.com

Management Solutions, Professional Consulting Services

Management Solutions is an international consulting firm whose core mission is to deliver business, risk, financial, organisation, technology and process-related advisory services.

For further information please visit **www.managementsolutions.com**

Follow us at:

www.managementsolutions.com

Madrid Barcelona Bilbao Coruña London Frankfurt Düsseldorf Paris Amsterdam Copenhagen Oslo Warszawa Zürich
Milano Roma Lisboa Beijing İstanbul Johannesburgo Toronto New York New Jersey Boston Pittsburgh Atlanta Birmingham
Houston San Juan de Puerto Rico San José Ciudad de México Medellín Bogotá Quito São Paulo Lima Santiago de Chile Buenos Aires