

Brussels, 16 March 2015

KBC Brussels out of the starting blocks

During today's press conference Daniel Falque, Belgium Business Unit CEO, and Damien Van Renterghem, KBC Brussels CEO, showed us a first glimpse of KBC's plans in Belgium's capital.

Daniel Falque explained: *'As an addition to Flanders and Wallonia, Brussels is a strong strategic growth pool where we aim to provide a tailored service customised to the needs of its citizens. We will continue to invest in the local community and want to grow here together with our clients.'*

KBC's research centre has revealed the contradictions posed by our capital in its study,¹ 'Brussels, City of Contrasts'. Brussels is the beating heart of the European Union and the motor of our economy, but it also faces great social challenges. These are challenges that KBC is not afraid to meet and that it regards instead as opportunities.

Damien Van Renterghem further explained: *'The exciting and challenging environment of our capital city formed the backdrop on 1 January 2015 for the launch of KBC Brussels – the commercial, autonomous joint brand of KBC and CBC that is aimed specifically at everyone who lives or works in Brussels. Today we've outlined our operational and commercial structure, and our first projects are already in the pipeline. We will soon be moving to our new head office, we are recruiting new employees, optimising our opening hours and locations of our bank branches, and giving them a new look. We are warmly committed to Brussels and its citizens and will do our utmost to become the capital's financial partner of choice.'*

¹ Economic Notice No. 28 of 16 March 2015, available at www.kbceconomics.be and from the KBC Newsroom (<http://newsroom.kbc.com>).

Autonomous management structure for KBC Brussels

As announced at the KBC Investor Day held on 17 June 2014, KBC Brussels was launched at the beginning of this year. This new, separate entity will be headed by Damien Van Renterghem, who was appointed KBC Brussels CEO on 1 January 2015.

The new and autonomous management team is composed of experts from KBC and CBC who recently made the switch to KBC Brussels. They will manage the branch and agency network of KBC Brussels, draw up their own commercial policy for KBC Brussels and have formed the backbone of its operational structure since 1 March.

What's more, KBC Brussels' clients and staff will be able to draw on their own experts in real estate, wealth management and the complex subsidy arrangements in Brussels.

In June, this team will be moving into the newly renovated Pericles building on Rue de la Science (Wetenschapsstraat) which is located in the heart of the European quarter and testament to the cosmopolitan nature of Brussels and its citizens.

KBC Brussels – a network of branches close to its clients

All 48 KBC and CBC bank branches in Brussels (19 boroughs) display a clear KBC Brussels label on their windows and have started operating under the new structure. To further improve client expectations for quick, accessible and specialised advice, KBC Brussels reorganised its branch network into six new clusters (Brussels City, Brussels Atomium, Brussels Europe, Brussels South, Brussels East and Brussels K-Nal). Together with 13 independent agencies of KBC and CBC Insurance, which have also been given new KBC Brussels label, these 48 bank branches will be rolling out KBC's integrated bank-insurance model in Brussels.

In the course of 2015, the lobbies of all KBC Brussels bank branches will be restyled to create a uniform look and make KBC Brussels more recognisable.

To achieve its growing ambitions, KBC Brussels is seeking commercial employees who either live in Brussels, have studied there or are passionate about the city. This will further ensure KBC Brussels staff will reflect the city's multicultural and ethnic diversity. KBC Brussels also aims to cooperate more closely with Brussels schools and educational institutions to promote a grass-roots recruitment drive.

Mobility, housing and entrepreneurship form the back bone of KBC Brussels' market approach

KBC Brussels clients state that they are mainly concerned about mobility issues, high rents and house prices, and support for businesses.

KBC Brussels is therefore going full out for ease of access. Extended opening hours thanks to banking by appointment, branches with a broad range of expertise to provide one-stop advice for both banking and insurance, a separate contact centre for KBC Brussels by the end of the year, and last but not least, access to a broad digital and multi-channel offering. Furthermore, nearly all KBC Brussels bank branches offer the unique, practical bonus of free parking spaces for its clients.

A team of experts will give clients the right support to help them in their search for funding for a house or their business. They can help to set up important or complex transactions and lead clients through the administrative process. Brussels clients also think it's important that the majority of

Brussels credit files will be decided, and therefore processed quickly, by KBC Brussels staff as they know the market inside and out.

Brussels' challenges and opportunities: Mobility, housing and entrepreneurship

The recent study '*Brussels, City of Contrasts*', carried out by KBC's research centre, confirms these challenges. The rapid population growth of the Brussels region is straining traffic in a city which has been labelled the most congested in Europe. This is further exacerbated by the intense commuter traffic in and around the capital. However, the study also highlights an important turning point: thanks to improved mobility policy, public transport is gaining rapidly in popularity and cycling has become relatively more frequent, too. Also, for almost a decade now, people are primarily walking to get around in Brussels.

The strong population growth also ensures there is a persistent, high demand for housing in Brussels and this pressure keeps pushing up prices. Anyone interested in buying a home in Brussels should therefore seek timely professional advice from their financial partner.

Brussels also has a healthy entrepreneurial spirit. The net rate of start-ups (i.e. after closures are taken into account) is higher than in Flanders and Wallonia. Relatively speaking, Brussels also has many large and very small employers, and a high number of multinational companies that contribute considerably to employment. The study identified that smaller businesses included a high number of non-financial service providers and the liberal professions in particular.

KBC Brussels' broad product and service offering is sure to meet the needs of average Brussels citizens and businesses. However, KBC Brussels believes its client-centric approach given by specialists and experts will make a difference and provide most added value to SMEs, the self-employed, members of the liberal professions, wealthy individuals, commuters, expats and eurocrats. Thanks to KBC Brussels' close collaboration and engagement with Brussels' businesses and its social, cultural and sporting associations, it is a reliable and able partner for their specific needs. This cooperation also enables KBC Brussels to work out innovative solutions for our clients.

Start it @kbc – unique support for start-ups, also coming soon to Brussels

Start it @kbc, the incubator that gives start-ups a roof over their head and provides them with support and advice during their initial phase was successfully launched in Antwerp at the end of 2013. The initiative has proved highly successful and has been extended to Leuven, Ghent and Hasselt. With 134 start-ups employing 331 people, a follow-up in Brussels was inevitable. KBC Brussels wants to participate actively in this initiative and warmly invites Brussels partners who are willing to mentor and provide logistical support to emerging Brussels start-ups. This Brussels incubator should be ready to help its first start-ups before the summer.

In addition, KBC Securities Bolero crowdfunding platform is also available to help fledgling Brussels businesses to raise capital from investors and wealthy individuals.

Damien Van Renterghem concludes:

'KBC Brussels makes the difference. We are the only Brussels bank-insurer in the capital and we are the only financial player with an autonomous management team that is geared to meeting the specific challenges and opportunities of Brussels for its clients. KBC Brussels' decision-making centre is in Brussels and ready to champion the city's needs.

KBC Brussels aims to become the best possible financial partner, strongly embedded in the capital, and offering the best possible solutions to our clients.'

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Economic Briefings

March 16, 2015

Brussels: city of contrasts

Over the past 20 years, the Brussels-Capital Region has gone through a remarkable metamorphosis. The capital has changed both in terms of its social and demographic composition and in terms of its economic activity. The transformation has made of Brussels a 'small global metropolis' with a highly multi-cultural population, the beating heart of the European Union and home to many other international institutions. Economically, now more than ever, Brussels and its hinterland are a driving force behind the Belgian economy and a source of prosperity. However, the city is also faced with major social challenges, including a high degree of poverty and unemployment, gridlock in its mobility infrastructure and problems in providing affordable housing. The demographic boom moreover is translated into major socio-economic differences between the city's 19 municipalities.

From urban flight to a population explosion

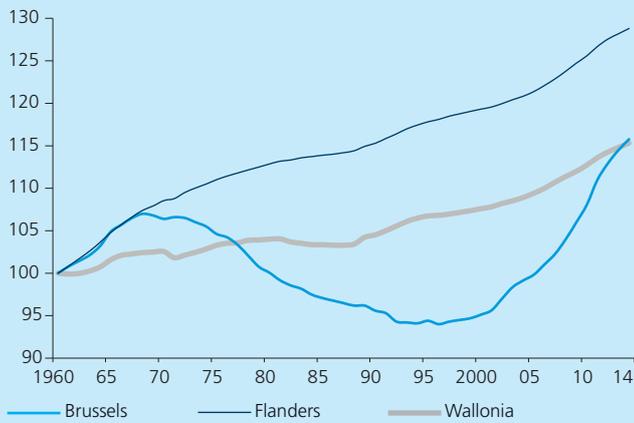
The demographic development of the Brussels-Capital Region was very dramatic in the post-war years. From the mid-1960s, Brussels experienced an urban flight as a result of the city's transformation from an industrial to a services city. This was accompanied by industry shifting towards the city's outskirts, and by large office projects and compulsory purchases for major infrastructural works within the city. Affluent households in particular moved out to the periphery. The general rise in prosperity brought a car and a house with a garden within the financial reach of large numbers of families. The roads network was further expanded in that period, making a suburban residential location no longer problematic for commuting to and from a city centre workplace.

However, from the mid-1990s, the Brussels population started to grow again (graph 1). Initially, the rise was modest but, after the turn of the century, it accelerated to a peak of 30 000 extra inhabitants in 2011. Between 1994 and 2014, Brussels acquired nearly an additional 220 000 inhabitants, a rise of no

less than 23%. The biggest reason for the growth was external migration (i.e. immigrants from outside Belgium). Moreover, rejuvenation of the population and the high rates of childbirth among immigrant families added impetus to the natural rate of growth (i.e. births outweighing deaths). The internal migration balance (i.e. the net balance of Belgians moving house between regions) remained negative: to date, more Belgians leave Brussels than move into the region, one of the reasons being high house prices. Most recently, the tide has been turning gradually in that regard and, especially, affluent, young Belgian families are again seeking the city out as a place to settle down (see below).

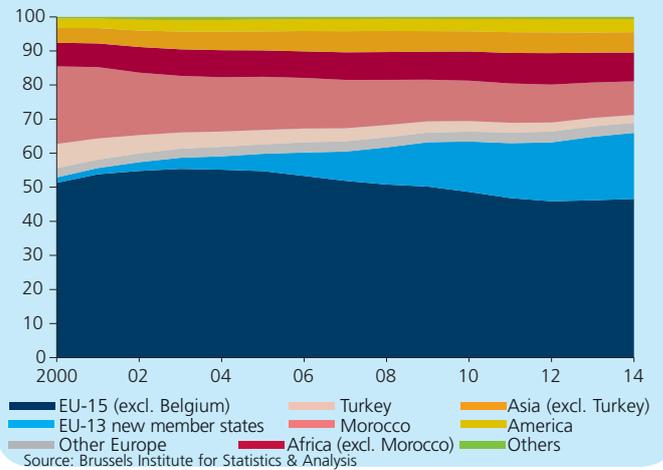
A prime explanation for the rise in immigration is the large number of refugees fleeing their home countries for political reasons. In spite of major media focus on people claiming asylum, its rate is less than the numbers attributable to economic migration, which particularly grew strong after 2000. This was linked to the increasing international roles played by Brussels, one ground being expansion of the European Union. Since the mid-2000s, this has led to a sharp rise in inward migration from

Graph 1 - Population development
(1960 = 100)



Source: Federal Planning Bureau

Graph 2 - Non-Belgians in Brussels by country of origin
(as %)



Source: Brussels Institute for Statistics & Analysis

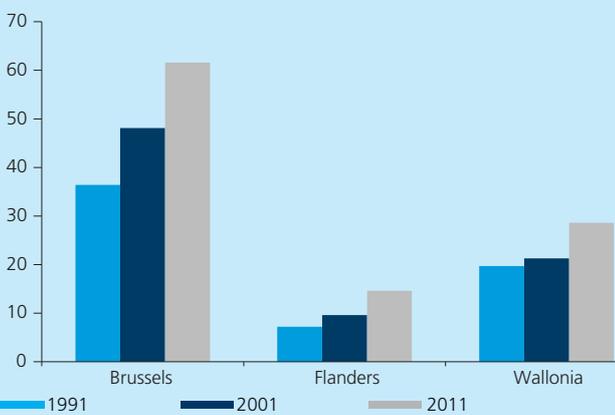
Central and Eastern European countries (graph 2).

The wave of migration has also affected the composition and age structure of the Brussels population. Due to the many people changing nationality, which in turn resulted in more children being born as Belgians, the number of inhabitants with Belgian nationality rose up until 2004. Since then, numbers of naturalisations have waned, which, coupled with sustained immigration, caused the proportion of inhabitants without Belgian nationality to rise from 28% in 2004 to nearly 34% in 2014. Current nationality is nevertheless a poor reflection of the diversity of origin among the Brussels population. If we take nationality at birth and add to that children born as Belgians to parents who migrated, then we get to almost two-thirds of the Brussels population, as against something over a third at the beginning of the 1990s (graph 3). Moroccans and Turks form the largest portion.

Immigration also quickly caused the average age of Brussels to fall, compared to that of Belgium as a whole, which has risen since the end of the 1980s. Thus, the average age of Brussels people fell between 1990 and 2014 from 39.4 to 37.4 years, whilst that of all Belgians rose from 38.3 to 41.2 years in the same period. The ratio between the number of older people (65+) and children (0 to 14-year-olds) in Brussels fell during that period from 100% to 68%, and in Belgium it rose from 83% to 105%, with the effect that, in a very short time, Brussels switched from being the oldest to being the youngest Belgian region.

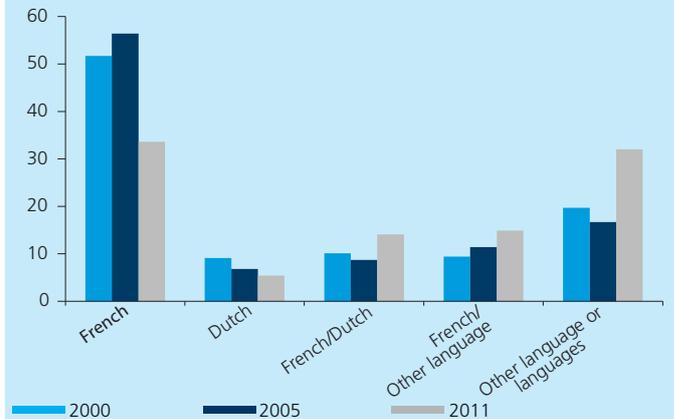
The increasing diversity in terms of country of origin ultimately resulted in more diversity in terms of cultural background and language use. Nearly nine out of ten Brussels inhabitants are able to speak French. However, it is a language spoken at home by fewer than two out of three (graph 4). And for only a

Graph 3 - Residents of foreign origin
(as % (*))



(*) Residents whose current nationality or nationality at birth is or was non-Belgian, and persons at least one of whose parents was of foreign nationality at birth
Source: BRIO

Graph 4 - Language spoken at home by Brussels inhabitants
(as % of total population)



Source: BRIO language barometer

third is it the only language spoken at home. Nearly a third of Brussels folk exclusively speak another language than French or Dutch at home. Only 5% speak only Dutch as a domestic language. In terms of the language ability of Brussels people, English has overtaken Dutch as the best-known language after French.

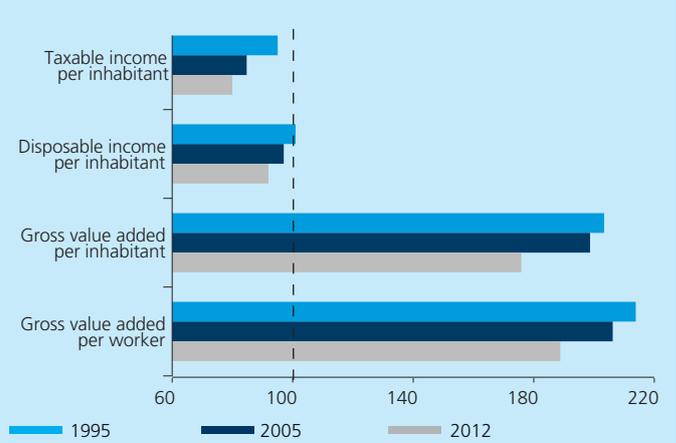
Brussels, a wealthy city with poor citizens?

The population dynamics have had a serious impact on the average living standard in the city. At the end of the 1980s, the disposable income of Brussels inhabitants was around 5% above that of the Belgian average, putting Brussels at the head of the regions leader board. Since then, disposable income has fallen in relative terms to 8% under the Belgian average in 2012. Before tax and redistribution of social security, Brussels per capita income was at that time as much as 20% lower than the national average. Nevertheless, the gross added value realised in the Capital Region proportional to its population was nearly twice as high as in the rest of the country (graph 5). Furthermore, the average growth in real value added in Brussels has been virtually the same as in Belgium as a whole since 2000, after lower average growth in the period 1960-2000.

This dichotomy between income growth and value added is explained by commuting patterns in Brussels. In the past decades, jobs growth in Brussels has situated mainly in the services sectors, which demand a certain level of know-how. Well over half of those jobs are taken by mostly highly qualified commuters. Against this is a high local concentration of unqualified manpower, mostly of foreign origin, who find it hard to secure employment. Though growth in the Capital Region's working population has been higher than that of local employment since the mid-1990s, it has been accom-

The population dynamics have had a serious impact on the average living standard in the city.

Graph 5 - Relative income and value added in Brussels (Belgium = 100)

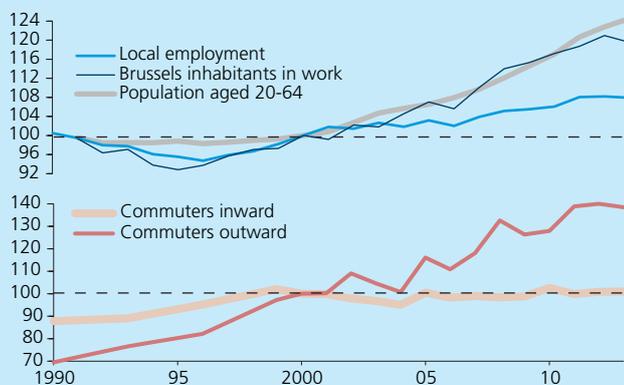


Source: FPS Economy (fiscal statistics), NAI (regional accounts)

panied by a similar surge in people of active age (graph 6). This had the effect of keeping the employment rate at virtually the same level and, in recent years, there has even been a significant drop, in contrast to the trend in the rest of Belgium (graph 7). As a result, the rising tendency in the rate of unemployment in Brussels continued apace, whereas it fell elsewhere in Belgium. Youth unemployment is especially high in Brussels: in 2013, four out of ten Brussels youngsters aged 15 to 24 were jobless, compared to a quarter in 1990.

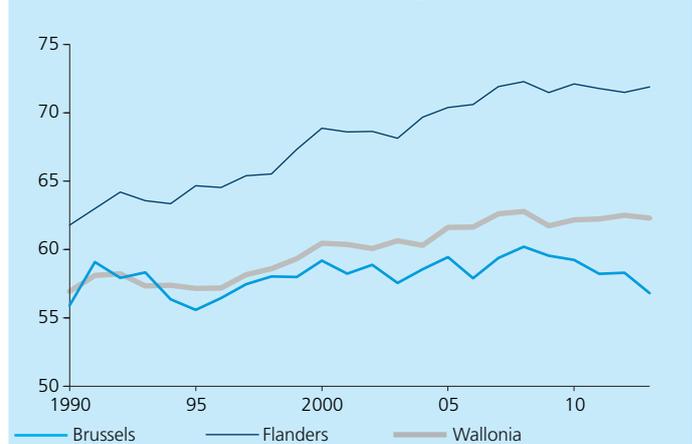
A direct consequence of low employment is a rise in poverty and dependence on benefits. Around a third of people in Brussels have to survive on disposable income that is below 60% of the region's median income. At the beginning of the century, that was only a fifth. And, in all probability, the fig-

Graph 6 - Demographics and the labour market in Brussels (2000 = 100)



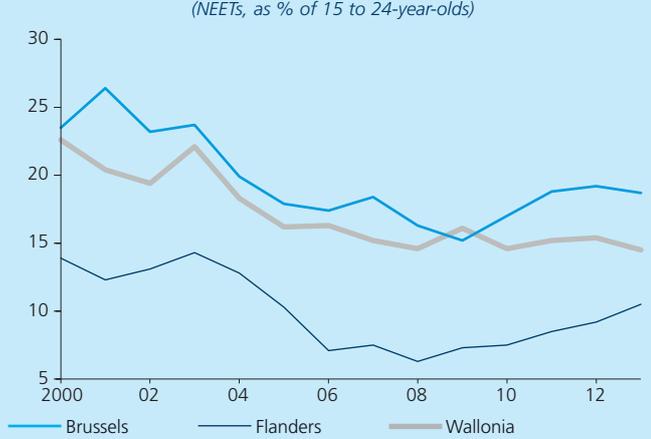
Source: Federal Planning Bureau

Graph 7 - Employment rate (workers as a % of 20 to 64 year-olds)



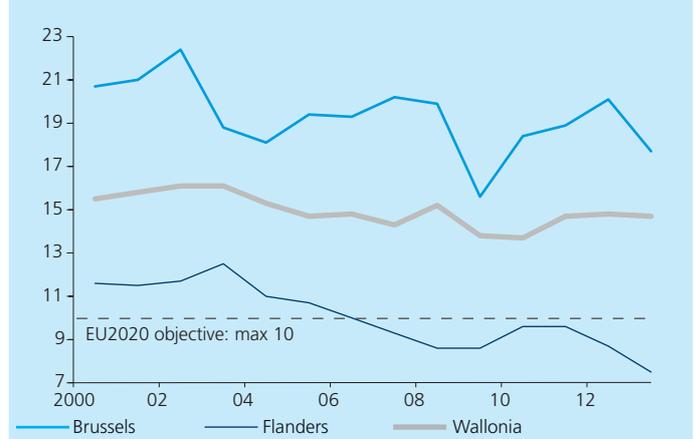
Source: National Employment Office, Forem, Actiris

Graph 8 - Young people not in employment, education or training
(NEETs, as % of 15 to 24-year-olds)



Source: Eurostat

Graph 9 - Early school-leavers
(as %)

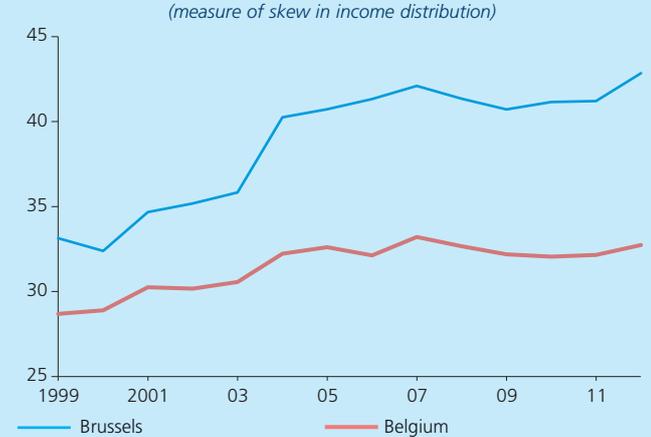


Source: Eurostat

ure is an under-estimation since a large number of hidden poor (homeless and people with no legal residence) are not reflected in these figures. It is estimated that Belgium has around 100 000 illegal inhabitants, the lion's share being in Brussels. In recent years, increasing numbers of the city's inhabitants have been claiming a minimum subsistence allowance. In 2013, those claiming minimum subsistence were 114% over the 1999 figure. In Wallonia, the figure was 24% higher, and in Flanders 7% higher. The proportion of Belgium's minimum subsistence claimants living in Brussels is now 29.2%, though the city represents only 10.4% of the country's population. Parallel to this is the fact that many Brussels children are underprivileged. Around a quarter of them grow up in families where neither parent has a working wage. Young people living in poor families run a greater risk of having a hard time at school and not achieving any qualifications, and they experience more problems in getting a job, thus reinforcing poverty (graphs 8 and 9).

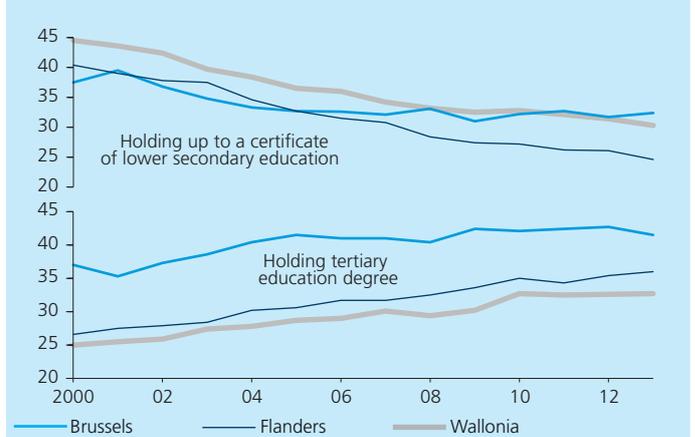
This is further expressed in a sharp rise in income inequality in Brussels. Since the end of the 1990s, the differential has been dramatically increasing between average and median incomes, a benchmark for the skew in income distribution (graph 10). Against the relatively poor immigrants there is an equally large group of affluent Brussels citizens. As regards the non-Belgians among them, they are to a large extent people who live in Brussels because of their job or position with the European and other international institutions. The graph still understates the inequality because it is based on fiscal statistics, which provide no information on the income of people working for international institutions. The big gap is also demonstrated by measurement of the prevalence of 'human capital': compared to the rest of Belgium, the city distinguishes itself with an over-representation of people with low and with high levels of education (graph 11).

Graph 10 - Percentage difference between mean and median taxable income
(measure of skew in income distribution)



Source: FPS Economy (fiscal statistics)

Graph 11 - Education level
(as % of age group 25-64)



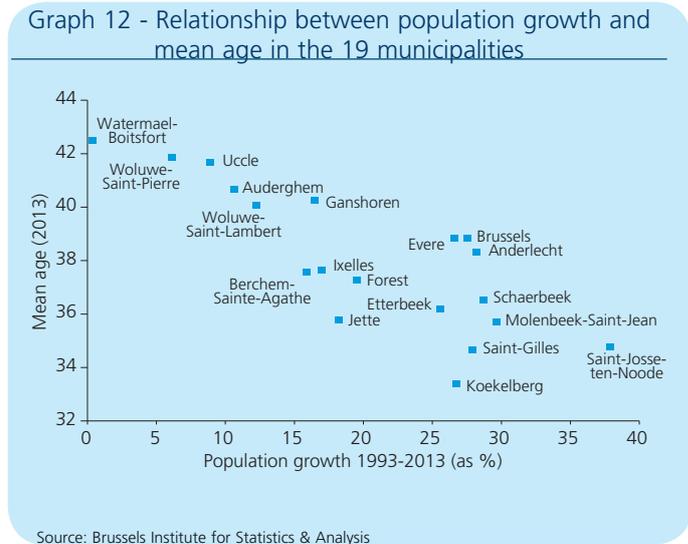
Source: Eurostat

A city with big geographical splits

Geographically, too, there are major differences among the region's 19 municipalities. Specifically, there is a duality process going on between the northwest, the so called 'poor sickle', and the southeast of Brussels. This geographical split into two parts already existed when the city first started to flourish in the Middle Ages. The lower-lying valley of the Senne saw the development of the guildsmen, whereas the nobility and senior clergy settled around the ducal palace on the eastern ridge of the valley. The split became more accentuated during the industrial revolution in the 19th century: along the canal to the west of the city centre there sprang up workers' residential districts, close to the factories, with suburban areas developing in the east and south for the middle classes. From the 1960s, the urban flight mainly affected the less affluent part of the town. That not only reinforced the 'west/east split' in Brussels but also added a contrast between the 'centre and the outskirts'.

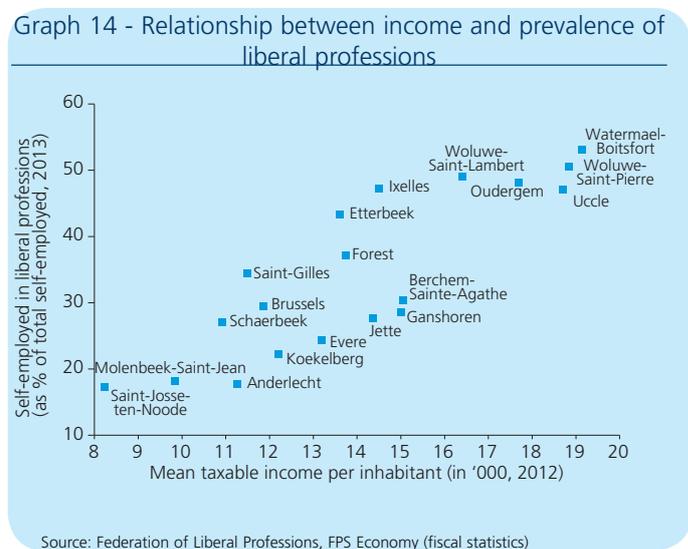
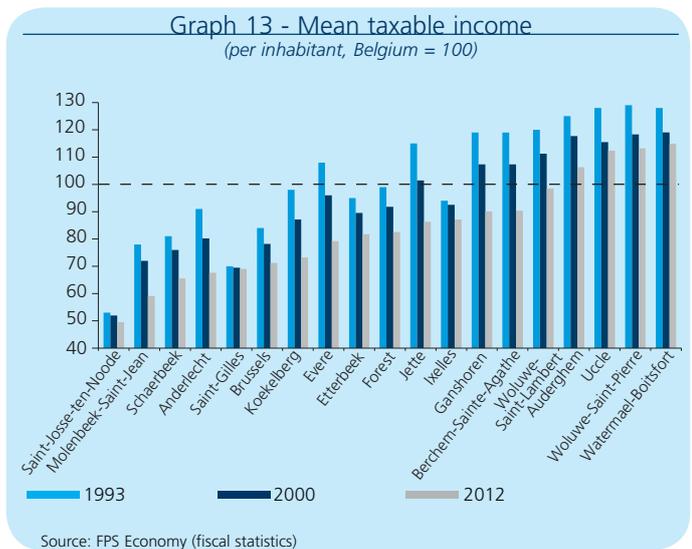
More recently, the wave of immigration has further emphasised this geographical duality. Eurocrats, expats, diplomats,... who came into the city in the wake of the increasing prevalence of international institutions tended to settle in the southeast. Less-affluent migrants, on the other hand, mainly ended up in the 19th century workers' quarters, which had meanwhile been abandoned by the more prosperous Belgian population. This increasing duality was a partly self-perpetuating process, driven by ethnic clustering, high birth rates among the relatively young immigrant population and the functioning of the housing market (see below).

The geographical contrasts are being translated into major demographic and socio-economic differences between the city's constituent municipalities. Demographically, the city nowadays contains both the youngest municipality in Belgium (Saint-Josse-ten-Noode) and a few of the most-aged



municipalities in the country (Uccle, Woluwe-Saint-Pierre and Watermael-Boitsfort). Between the two extremes there is a difference of nearly eight years in average age. Brussels municipalities with a relatively sharp increase in population have relatively more young people, fewer old people and relatively more inhabitants of immigrant origin (graph 12). Socio-economically, they also have a relatively low average per capita income and greater benefits dependence, more problematic schooling situations for their youngsters and higher rates of (youth) unemployment.

Average per capita taxable income has fallen in the past few decades in all 19 Brussels municipalities, including the wealthiest, as against the average income in Belgium as a whole. However, the capital still has five municipalities (Woluwe-Saint-Lambrecht, Auderghem, Uccle, Woluwe-Saint-Pierre and Watermael-Boitsfort) where incomes are at or well above the



Belgian average (graph 13). These are municipalities where inequality, measured as the difference between average and median incomes, is also relatively high. They have a high concentration of highly qualified inhabitants, both of international origin (eurocrats, diplomats, etc.) and home-grown Brussels people, frequently practising liberal professions (lawyers, and so on), who have continued to live in the city (graph 14).

A service city with international allure

Until the beginning of the 1970s, Brussels was still a relatively important industrial city. At that time, it had well over 170 000 jobs in industry (including construction and energy), more than Antwerp, Ghent or Liège and 24% of total Brussels employment at the time, or 12% of the entire industrial workforce of Belgium. The deindustrialisation process that then began went hand in hand with a shift of activities to the (mainly Flemish) outskirts surrounding Brussels. Today, nearly 50 000 industrial jobs still remain. They represent 7% of the employment market and 10% of the value added in Brussels (graph 15). Something over 20 000 jobs are in manufacturing, with the remainder in construction and energy. Many of these jobs are support (headquarter) positions at industrial concerns, which is evidenced by the large numbers of jobs – around half – occupied by white-collar workers. Furthermore, many businesses are more involved in maintenance functions than true production activities. Audi in Forest is the only surviving major industrial firm still within the region's boundaries.

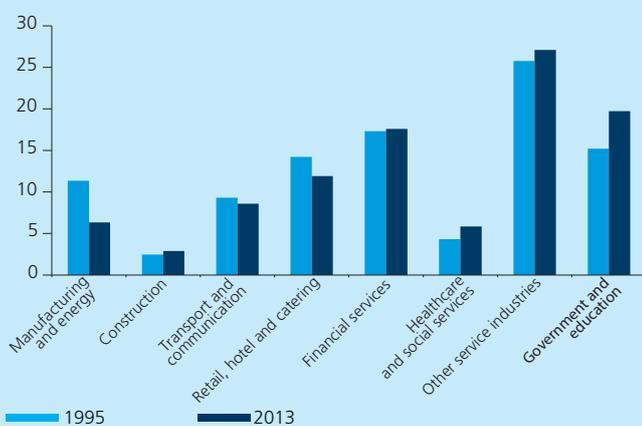
Today, the Brussels economy is dominated by services, with an overweight in the public sector, financial and business services, and retail, hotel and catering. If education and activities subsidised by the government (healthcare, social services and services paid for with voucher cheques) are included, govern-

ment is by far the largest sector, providing four out of ten jobs and a quarter of value added. With nearly a fifth of value added, financial services are the second-largest. Alongside traditional banking services, there are market segments specific to Brussels, such as international financial transactions and know-how in the field of banking technology. However, in terms of employment, they represent a good tenth of all jobs, just less than retail, hotel and catering. The latter saw a considerable fall in job numbers in the past few decades. Hotel and catering managed to maintain its position, but retail suffered badly with the rise of retail outlets on the outskirts of the city. Furthermore, many retail activities in the city are vulnerable to strong mutual competition and, in some neighbourhoods, dependence on a local public with little purchasing power.

The prevalence of EU-related and other international institutions not only creates a lot of direct employment but attracts many other activities in its wake.

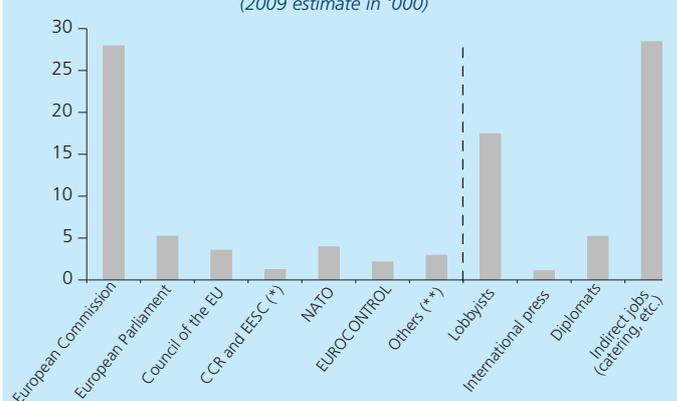
The other service provision comprises a collection of very diverse services, of which business services and the operation of and trading in real estate form a large part. The high importance of business services – around an eighth of value added in Brussels – has much to do with the capital's international function. The prevalence of EU-related and other international institutions not only creates a lot of direct employment but attracts many other activities in its wake, including lobbying, consultancy and media. In addition, it generates important multiplier effects in terms of commerce and tourism. An illustration of this is the fact that Brussels is the second-most-important congress city in the world, after Singapore (1). Altogether, the presence of the international institutions and their derivative activities contributes around 15% to total employment in Brussels, i.e. around 100 000 jobs (graph 16). Nearly half of them are taken by employees with non-Belgian nationality.

Graph 15 - Proportion of total value added in Brussels (as %)



Source: NAI (regional accounts)

Graph 16 - Employment at international institutions and their derivative activities in Brussels (2009 estimate in '000)



(*) Committee of the Regions and the European Economic and Social Committee.
 (**) UN & World Bank departments, World Customs Organization, Benelux Secretariat General, etc.
 Source: Europe.Brussels Liaison Office

Brussels compared to neighbouring capitals

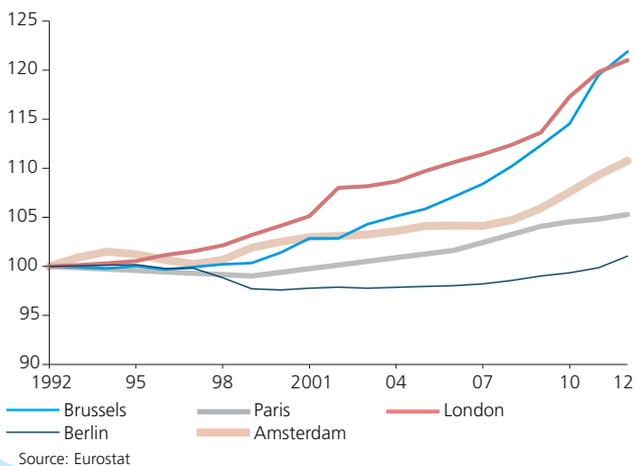
Brussels has an established reputation as the 'Capital of Europe', mainly due to the presence of the most important European and other, international institutions. This factor offers a vast added value, which most other European cities enjoy little or none of. It stamps an important mark on the economy and employment in the city and exerts an internationally attractive force. Therefore, Brussels traditionally scores high in rankings that reflect the degree of a city's globalisation or cosmopolitan aura. This is so with the *Global Cities Index* and the rankings of the *Global and World Cities Research Network*, in which Brussels ranks just below London and Paris and leaves other European cities trailing behind it.

In other city rankings, Brussels's position compared to the other major European cities varies between good and bad depending on the dimension being looked at. For instance, the city performs relatively poorly in terms of infrastructure (*City*

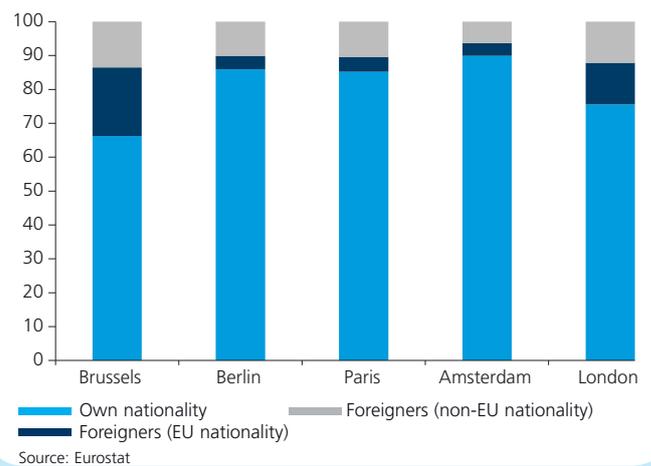
Infrastructure Ranking), but relatively well in terms of cost of living (*Cost of Living City Ranking*), average real estate prices and its cultural offering. An expression of the last of these is the fact that Brussels is home to over 85 museums, which is the largest concentration of museums in a single city after Vienna and Budapest.

Eurostat figures also tell us that, compared to neighbouring capitals (Berlin, Paris, Amsterdam and London), Brussels has seen a relatively sharp population surge since the beginning of the 1990s. Only London saw a comparable rise (figure 17). Compared to those cities, Brussels also has a high number of inhabitants of foreign (mainly EU) nationality, a higher rate of unemployment and a lower proportion of working citizens compared to the local employment market (graphs 18 to 20).

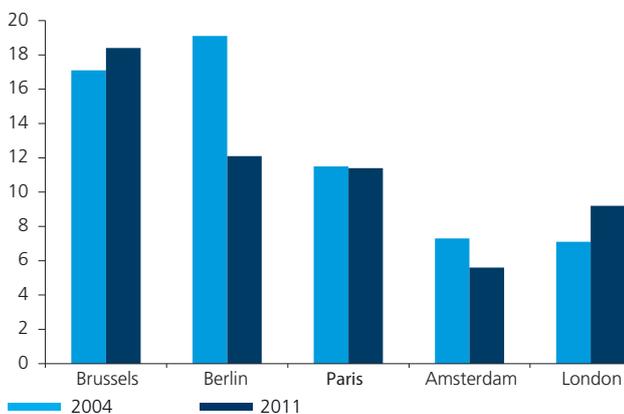
Graph 17 - Population development
(1992 = 100)



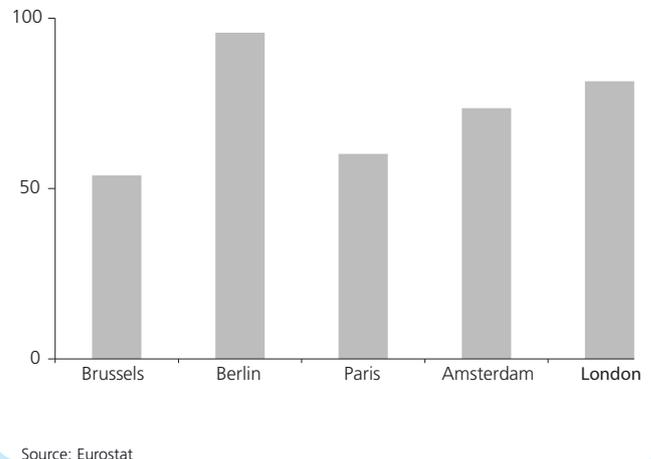
Graph 18 - Population by nationality
(2012, as % of total)



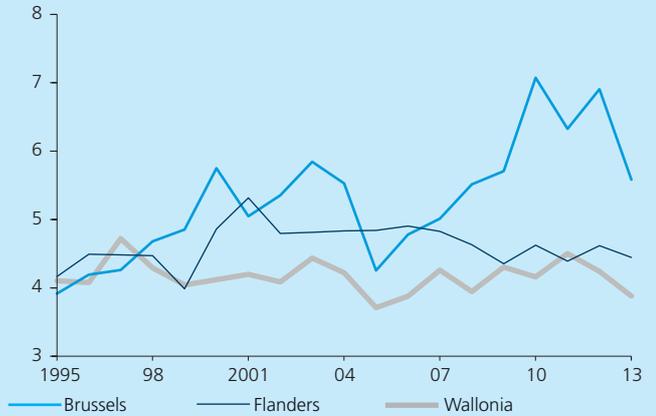
Graph 19 - Unemployment rate
(as % of labour force)



Graph 20 - Ratio of working population to local employment
(2011, as %)

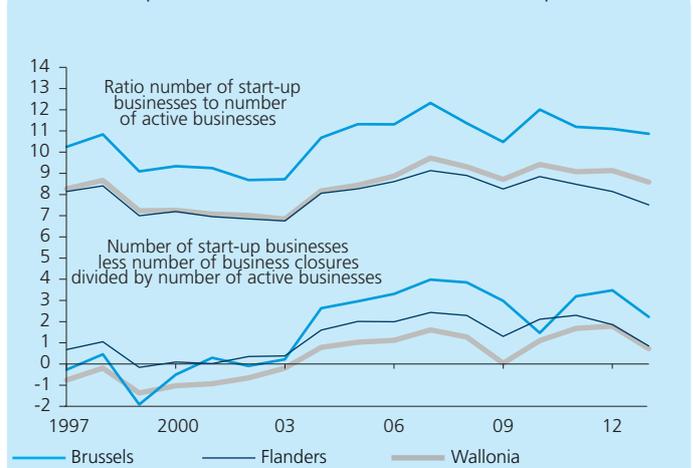


Graph 21 - Employment in high-technology and knowledge-intensive sectors (as % of total employment)



Source: Eurostat

Graph 22 - Gross and net rate of start-ups



Source: FPS Economy

Dynamic enterprise

Due to the eminent presence of government institutions and multinationals, on the one hand, and the importance of retail and the liberal professions, on the other hand, the capital has comparatively high numbers of both large and very small employers. In 2013, 78% of Brussels employers had fewer than ten employees and 1.4% had more than 200, each of which is a little over the Belgian average. Foreign multinational corporations contributed around 36% to overall employment. However, most of these are regional (head) offices. Only 2% – very little – of the turnover of the biggest multinationals with headquarters in Europe is managed from Brussels. A relatively large part of Brussels’s employment is located in high-technology and knowledge-intensive sectors (graph 21).

The capital can boast of robust entrepreneurial spirit and a large number of people practising the liberal professions.

region has a higher rate of start-ups than Flanders and Wallonia (graph 22). However, this performance needs qualifying. As the capital, Brussels attracts relatively high numbers of companies’ registered offices but their business is not always carried on within the city’s boundaries. In addition, the high rate of start-ups also reflects the large numbers of small self-employed firms that embark into business simply because they have difficulty in securing salaried employment. Such ‘no-choice’ enterprise is generally less likely to succeed. Of all the businesses started up in Brussels in 2009, only 67.6% were still in operation five years later, compared with 70.1% for the whole of Belgium. The net rate of start-ups (commencement less cessation of trading) in Brussels over the last decade has nonetheless always been higher than in the other two regions.

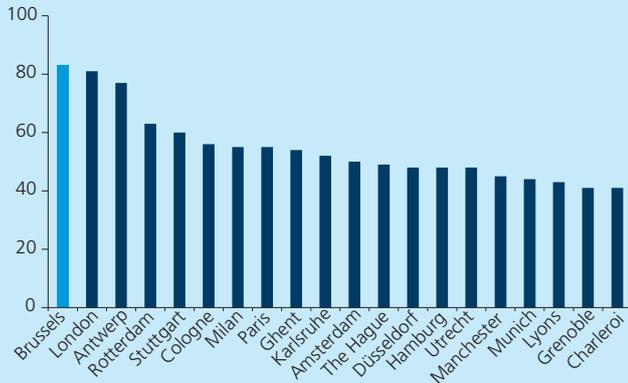
Mobility gridlock

In the group of small businesses, retail, hotel and catering dominate the sector. In round figures, there were 7 800 retail businesses and 3 100 catering businesses in 2012, which accounts for nearly one-third of all business establishments in Brussels. Other, non-financial services also form a large portion of the number of small establishments. These are often practitioners of the liberal professions who carry on business in the form of a company. At the end of 2013, these professionals comprised 45% of the total self-employed sector in Brussels, compared to 39% at the beginning of the 2000s and 36% over Belgium as a whole. Lawyering is especially strongly represented, with 11% of all the liberal professions, compared to 6% in Belgium as a whole.

The sharp rise in the Brussels population and in that of the surrounding municipalities, the city’s role as an employment pool and the rise in numbers of students, cultural events, and so forth, are all placing increased pressure on mobility in and around the capital. All of which contrives to make Brussels the most-congested city in Europe. The annual figures for time lost in traffic jams in and around Brussels is around 50% higher than the average for other major European cities (graph 23). In addition, there seems to have been a sharp increase in congestion density on the trunk route network in the Brussels region in the past few years (graph 24). This, it has to be said, is not a phenomenon exclusive to Brussels, but can be seen, albeit to a lesser degree, in other Belgian cities such as Antwerp and Ghent.

The Brussels congestion issue is often related to daily commuting from home to the workplace and back. Commuting into and out of Brussels is something that dates back to the post-

Graph 23 - Hours lost to traffic congestion
(per year, 2013)



Source: Inrix

Graph 24 - Congestion density on trunk route network
(in km hours per day, progressive annual average)



Source: Flanders Traffic Centre

war era. The roads network was greatly expanded at that time, making a suburban residential location no longer problematic for commuting to and from work in Brussels. Nowadays, around 360 000 workers commute into Brussels every day. This figure has remained fairly stable over the last decade and a half. The reverse, outward commuting, is more limited – some 69 000 people – but has nonetheless doubled since the beginning of the 1990s. The area round the airport particularly attracts a lot of Brussels commuters. Although its importance compared to public transport is receding, cars still account for two-thirds of all journeys to and from Brussels. Aside from the increase in outward commuting, congestion is also linked to more through haulage traffic round the orbital motorway and journeys for other than business purposes in the wake of the surge in Brussels’s population.

Two-thirds of all journeys relative to Brussels take place within the region. Even for this internal travel, cars maintain an important position, with one in three journeys (graph 25), which is partly made possible by the large number of private parking spaces in the city. The number of parking spots has risen over the last ten years as quickly as the population. Nonetheless, journeys on foot surpassed those by car in the 2000s as the most important means of inner-city transport. Public transport gained the largest portion, and bicycle use, albeit still limited, doubled, partly thanks to the shared bike scheme ('Villo'). That the car is no longer king has to do with the mobility policy and the improvement in alternatives, added to which is a fall in car ownership owing to the Brussels population becoming younger and poorer. Nevertheless, 65% of Brussels families do still have a car, which is half as much higher than in other European capitals.

Housing shortage

The demographic boom poses challenges for Brussels not only in terms of employment and mobility but also as regards hous-

ing. Between 1995 and 2014, the number of households in the region rose by 17.3%, and the number of homes, on the other hand, by only 12.1% (graph 26). The more acute shortage has led to a sharper rise in prices in Brussels, especially since 2005. Since 1995, the price of houses and villas there went up by more than in Flanders and Wallonia. The price of apartments rose equally in all three regions (graph 27). An important reason for the sharp rise in the price of houses is the large demand for houses from international employees in Brussels (eurocrats, expats, etc.). Nearly two out of three of them actually live in the city and it is not rare for them to buy. Their demand is mostly in the more-expensive segment of villas, but this also has indirect consequences for cheaper homes. As the better districts gradually have gradually become less affordable, the demand has spread out to the less-desirable areas, thus forcing a rise in the prices there, too.

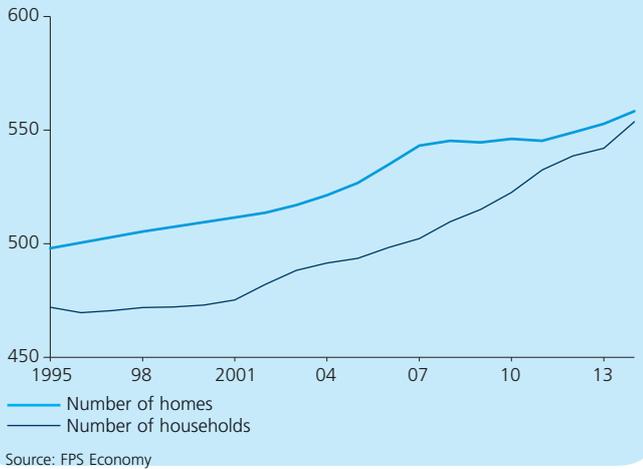
The private market reacted to the rising demand for housing

Graph 25 - Main means of transportation within the Brussels-Capital Region
(% of all journeys)

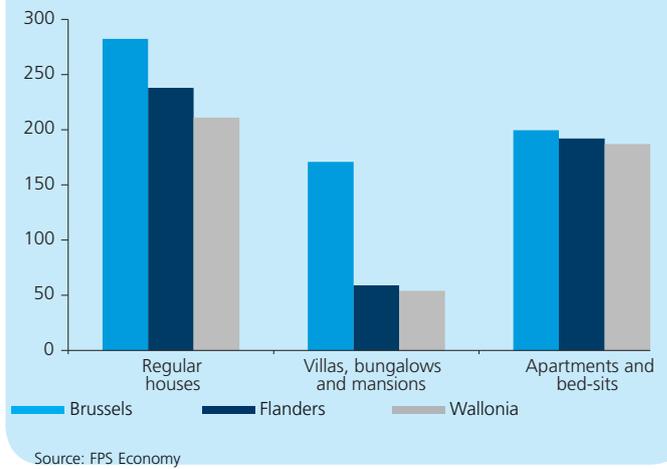


Source: Beldam (2010)

Graph 26 - Number of homes versus households in Brussels
(in '000)



Graph 27 - Real estate prices by region
(aggregate rise in 1995-2014, as %)

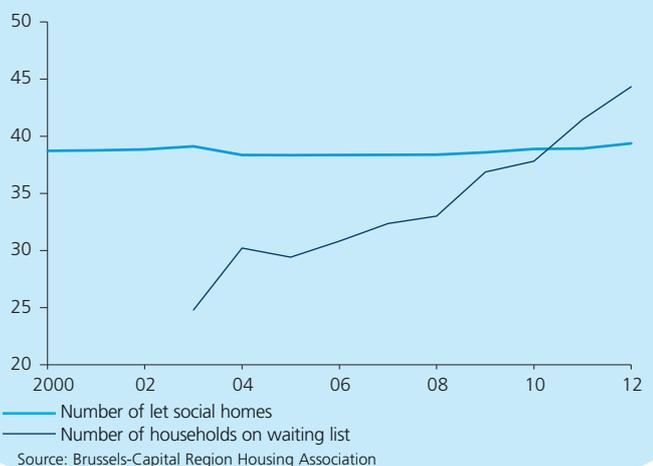


by building numerous new homes. In the past ten years, well over 40 000 homes have been built or renovated in the city, especially apartments in the higher-class segment. This has frequently gone hand in hand with improvements in neighbourhoods caused by the return of young, affluent families to traditionally old, poorer areas of the city (so called gentrification). An example of this is the investment in housing and urban renewal projects in the Brussels canal area, including the new, luxury UP site (at 140 metres, the highest apartment blocks in Belgium) and the 'Thurn & Taxis' project, which is still on its way to completion and, apart from homes, also includes business premises and a city park.

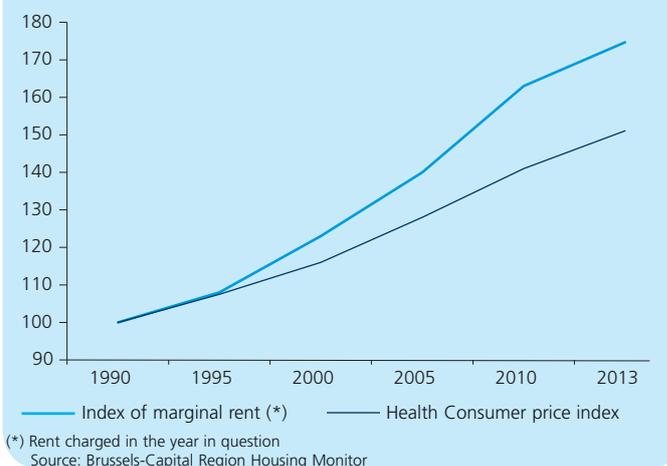
For the existing cheaper and often lower-quality homes, competitive demand, and therefore pressure on prices, remains very high. As a result, for lower (and often middle) income families, it is getting increasingly harder to find affordable housing.

Although many households are again opting for the city, there are still many for whom the high house prices continue to be a reason to quit Brussels. Socially weaker families find themselves forced to live in the most-deprived neighbourhoods, thus aggravating geographic duality in the city. In addition, many have to rely on the letting market for social housing. However, the relatively small availability of social housing (only 8% of the total housing stock) falls far too short of meeting the rising demand (graph 28). In the past decade, the number of social housing lets in Brussels remained as good as stable, at just under 40 000 units, but the number of families on waiting lists has sprung up from fewer than 25 000 to nearly 45 000 at the present time. The shortage of social housing also translates into upward pressure on rents in the private housing market. Since 1990, rents for new lets in Brussels have risen significantly faster than the health consumer price index (graph 29). Moreover, many rental homes often fall short of basic quality

Graph 28 - Social housing in Brussels
(in '000)



Graph 29 - Marginal rents of Brussels accommodation
(1990 = 100)



requirements. Overall, the housing stock in Brussels is very outdated (80% dates from before 1970) and there are many empty properties (estimates range from 15 000 to 30 000 properties).

Outlook for 2020

According to the Federal Planning Bureau, there will be a further rise of something like 8% in the population of Brussels over the next 15 years. Although this is only a third of the percentage increase since 2000, it still outstrips growth in other parts of Belgium (at 6%). The increased demographic pressure on the population of working age is even lower, with a forecast rise of 4% by 2030. This gives some room to manoeuvre for raising the employment rate among the people of Brussels. Within the context of the EU2020 strategy, Belgium wants to have work for 73.2% of all those aged 20 to 64 by 2020. Flanders has put forward its own target of 76%. The Brussels and Walloon Regions have shirked from doing that but, to play its part in achieving the national target, Brussels should jack up its employment rate from today's figure of 57% to around 68% in 2020 (2). Against the background of the demographics forecast by the Planning Bureau, that entails raising the number of Brussels inhabitants in work by well over 15 000 a year up until 2020, i.e. annual growth of 3.4%. That would nevertheless be a very ambitious goal given that, between 2000 and 2013, a net average of only around 4 000 jobs were created in the Brussels Region, some of which were also taken up by non-Brussels inhabitants.

Which is why, in its policy statement, the Brussels government made the fight against youth unemployment a top priority, with one of its prime measures being in future to offer every unemployed youth a traineeship, training or a job within six months. As part of this, it is important that Brussels job-seekers can more easily be integrated into the economy in the city's hinterland. To date, that has been hindered by a lack of knowledge of Dutch and mobility to and from Flanders. The Brussels and Flemish governments have given a commitment to deal with those problems by means of consultation and cooperation, including making specific efforts towards Dutch-language training and increasing capacity in Dutch-language teaching for toddlers and those of compulsory school age.

Improving Brussels's accessibility and the traffic situation in its peripheral areas remains an equally challenging policy issue, in which, just as with labour market policy, cooperation is necessary with the other regions. This must quickly achieve break-through with major infrastructure projects like improving the Brussels orbital motorway (including separating through and local traffic) and improving the public transport offering (roll-out of the Regional Express Network (GEN) and urban planning for the Brabant Network (Brabantnet)). Meanwhile, within the city, the Brussels government is placing great store in sustainable means of transport, including further expanding the regional cycle network and enlarging pedestrian precincts. These measures should also make the city a more attractive place to live in.

In turn, expansion and improvement of the housing stock plus investment in qualitative public spaces are essential parts of a liveable city. In previous years, Brussels's government has put in a great deal of effort in all these areas, including a more-efficient approach to unoccupied and unhealthy housing and providing the resources for additional social housing. However, actual construction work is a slow business, and therefore the ambitious goal of raising the share of social housing within the housing stock from 8% to 15% by 2020 will likely be difficult to achieve. The Brussels government has also raised property tax for owners who live outside the region. The extra tax is putting downward pressure on the rent return for those investing in real estate in Brussels, and this is threatening to cause a contraction in the rented homes market unless landlords can offset the loss by raising rents. This measure therefore threatens to further compromise affordability on the private rental market in Brussels, on which there is already a serious shortage.

In spite of these big challenges, Brussels has much going for it that sets it above the competition among most of Europe's other cities. The capital can boast of major economic strengths, including the extensive prevalence of international institutions and corporations, a well-developed service economy, robust entrepreneurial spirit and a large number of people practising the liberal professions. These strengths are changing the city palpably and will continue to do so on over the coming years.



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(1) Union of International Associations, International Meetings Statistics 2013.

(2) The assumption of an employment rate of 68.2% for Brussels and 70% for Wallonia is consistent with the EU2020 targets for Flanders (76%) and Belgium (73.2%).