

Futureproof your Credit Management

White Paper
November 2024

The Belgian macro economical context: what if nothing changes?



If nothing changes in Belgian policy, **every second 1,170 euros will be added to our national debt**. We cannot control everything, but we can adjust some factors to slow down and maybe even reduce the mountain of debt.

As companies, the first step towards **futureproof credit management** is to start with your company and sector and limit your risks.

Side note: we like to mention that, as a company, we spend 90% of our time focusing on our company, 9% on the sector and only 1% on macroeconomic indicators.

PS: To make a comparison in this white paper, we'll be using the figures pre Covid (2019) and the figures of the last full year (2023).

What is the **current situation** and what are the **predictions**?

1.2%

Predicted GDP in
2024 for Belgium

3.5%

wage indexation
in January 2025

5.7%

Unemployment as
a % of the labour force

The gross domestic product (**GDP**), the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period, **for the Eurozone remains below 1%**. Where a GDP of at least 2% is needed for a healthy economy. It is important to note that with Belgium we score better than our neighbouring countries who'll strand at **0.8%**

Due to current inflation, **wages** will be **indexed by 3.5%** in January. The gigantic peak of 2022 is thereby finally decreasing. However, healthy inflation is between 2-3%. According to forecasts, we will reach this benchmark in 2025.

There is a slowdown in the labour market, but we are still stuck at the same rate of **5.7% unemployment**.

What do the media say?

Vlaams Regeerakkoord 2024-2029. Samen werken aan een warm en welvend Vlaanderen

Wetenschappelijk • september 2024 • Vlaamse Regeering

Belga

09-10-2024, 16:34 • Bijgewerkt op: 09-10-2024, 16:34

De Duitse economie, de grootste van de eurozone, stevent voor het tweede jaar op rij af op een krimp, blijkt uit nieuwe prognoses van de Duitse regering, die woensdag werden vrijgegeven door de minister van Economie, Robert Habeck.

Voor 2024 gaat de Duitse regering uit van een daling van het bruto binnenlands product (bbp) met 0,2 procent. Vorig jaar werd nog een krimp met 0,3 procent geregistreerd. Het is van de Duitse eenmaking in 1990 geleden dat de economie twee jaar na elkaar geen groei kan optekenen.

Belga

24-09-2024, 08:35 • Bijgewerkt op: 24-09-2024, 08:37

Na twee kwartalen van herstel tonen Vlaamse kmo's zich opnieuw pessimistischer over het economische klimaat, volgens de nieuwste barometer van Unizo.

De barometer zakte in het derde kwartaal naar -11,5, na een stijging tot -7,2 in het tweede kwartaal. Sinds midden 2021 blijft de indicator negatief. Kmo's uiten de meeste zorgen over de algemene economische toestand, laattijdige betalingen en hun winstgevendheid.

STYLE KANAAL Z

Trends

Kanaal Z • Beleggen • Nieuws • Geld • Immo • Opinie

IN HET KORT: NIEUWSDEG 1.17C



Moody's handhaaft Belgische kredietwaardigheid, maar verlaagt vooruitzichten

www.vlaanderen.be



Ilse De Witte

Redacteur bij Trends • 10-10-2024, 21:45 • Bijgewerkt op: 11-10-2024, 09:35

Zowel Italië als Frankrijk wil gaten in de begroting dichtrijden met hogere belastingen voor bedrijven. "De tijd dat de lidstaten van de Europese Unie, met Frankrijk en Duitsland op kop, ijverden voor meer harmonisatie in de vennootschapsbelasting is voorbij", reageert Luc De Broe, professor fiscaal recht gespecialiseerd in internationale fiscaliteit.

STYLE KANAAL Z

Trends

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'België moet saneren alsof het 1982 is'

Daan Killemaes

Wetenschappelijk Trends • 10-10-2024, 16:07 • Bijgewerkt op: 10-10-2024, 16:58



De nieuwe Europese begrotingsregels verplichten België tot een grondige sanering. De vereiste begrotingsinspanning is vergelijkbaar met de inspanningen van de jaren negentig, maar de recepten van de jaren tachtig zijn nodig om de oefening tot een goed einde te brengen.

The **geopolitical int.** context: what's going on outside Belgium?

War in Ukraine,
Palestine, Libanon

American
elections

Chinese economy
and possible
invasion of Taiwan

Climate change

According to a recent survey by AXA, the top 10 future risks were determined. The top three in this report are climate change (1), geopolitical instability (2) and cyber security risks (3). Whereas energy (7) and **financial risks** (10) are listed rather low in this ranking.

Source: AXA Future Risks Report September 2024

For Belgium, there are quite a few challenges ahead:

- National debt rate reduction
- Labour rate
- Aging population
- Industrial challenge
- Investment needs (Defense, Climate, ...)
- Technological challenges (AI)
- ESG (actions and reporting)

Evolution of the Belgian companies

71% of net evolution of the discontinued Belgian companies where active in construction

7.6%

newly created Belgian companies 2019 VS 2023

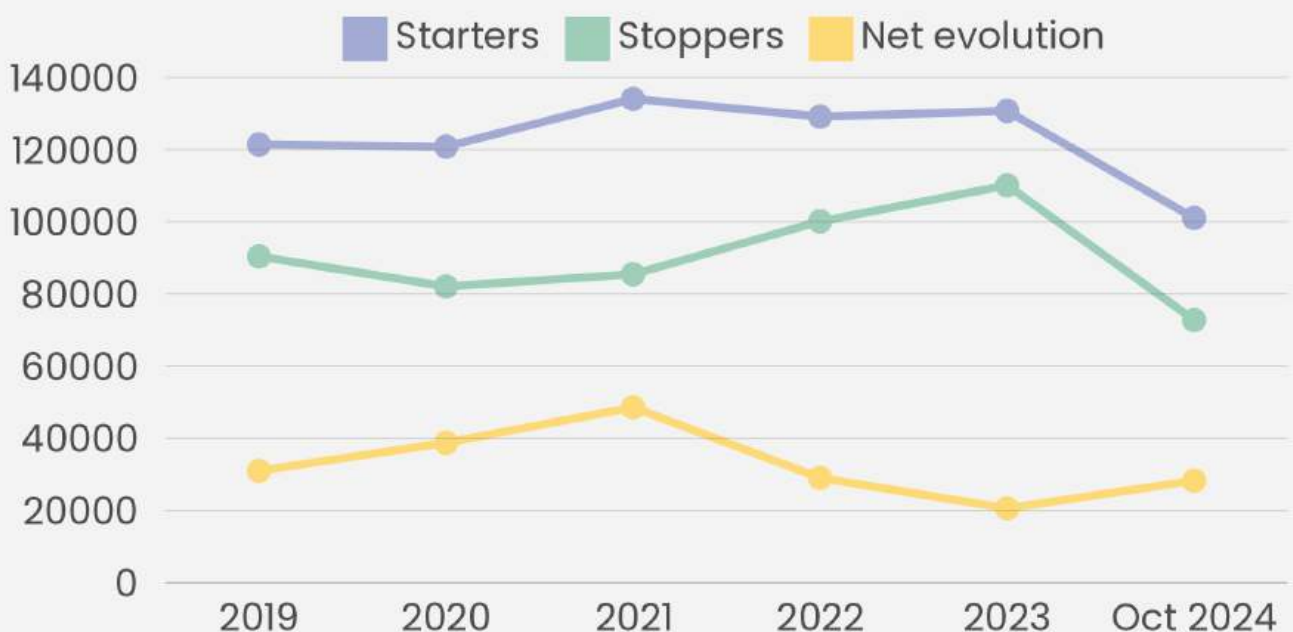
21.8%

discontinued Belgian companies 2019 VS 2023

-33%

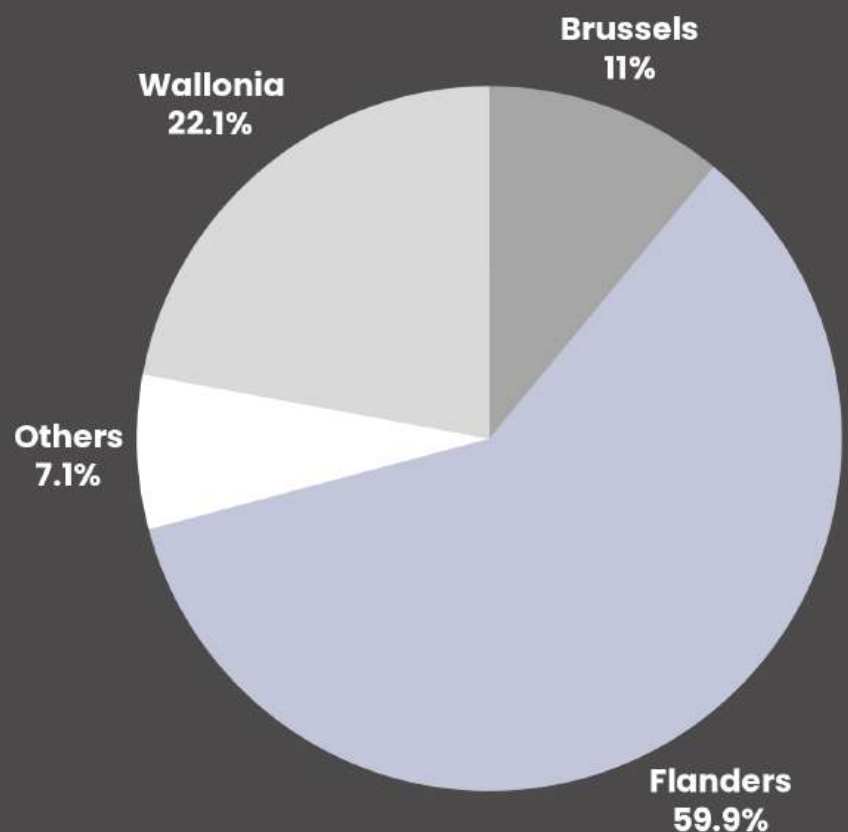
net evolution of Belgian companies 2019 VS 2023

In 2024 we're expecting to reach around 130 000 new companies.



Newly created **Belgian** companies per region

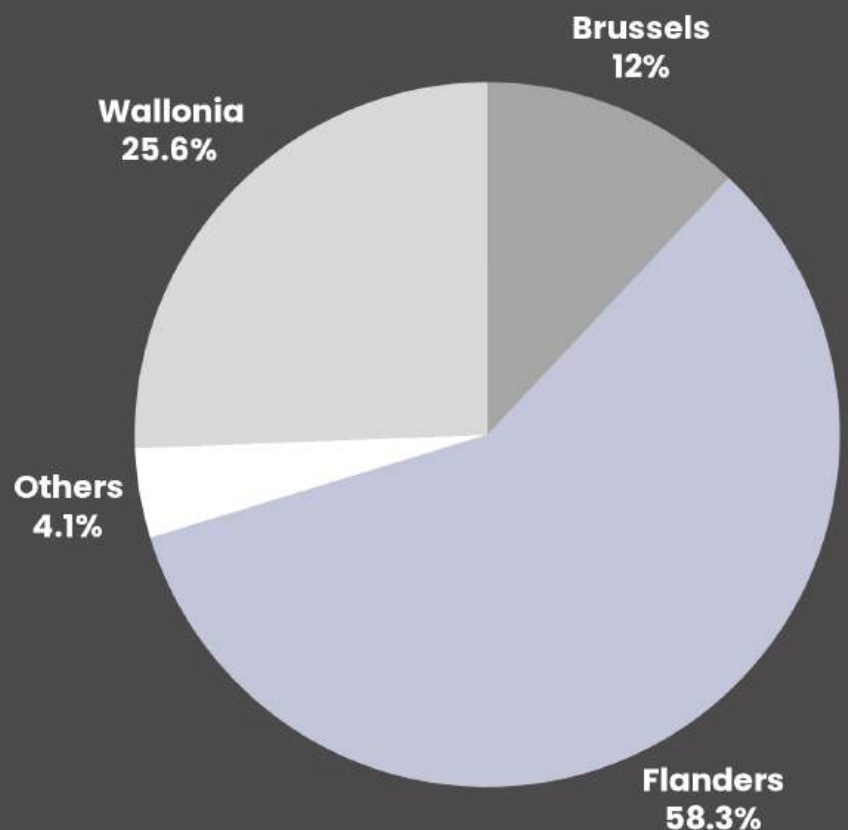
When we look at the region in which the most number of new companies were founded, we see that a whopping **59.66%** are in Flanders. This is **11.3% more than in 2019, pre Covid**.



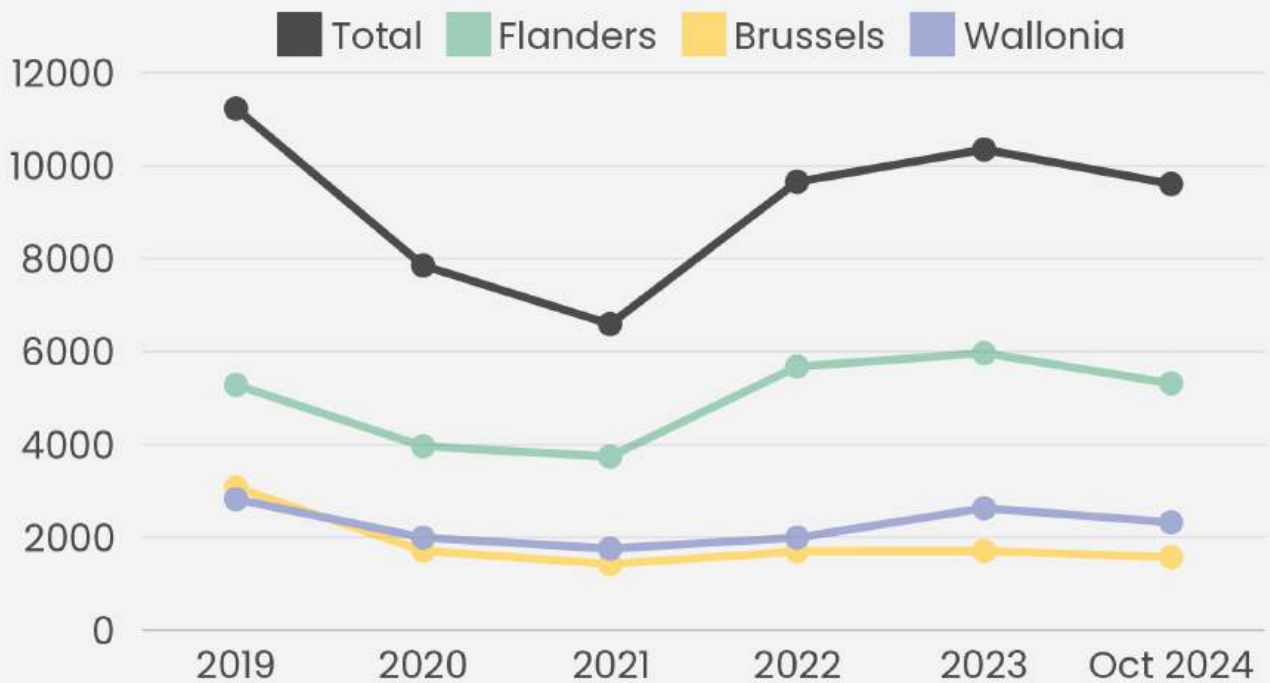
Discontinued **Belgian** companies per region

If we now take a look at discontinuations, we'll see that there is a **28% increase in Flanders** compared to 2019. This gives a clear **indication** of the **poor quality of companies** founded in this region in the past 5 years.

Some **factors affecting discontinuation**: Baby boomers (aging), end of incentives, impact inflation, energy costs, personnel costs and a need for business transformation (investments)



Evolution of the bankruptcies in Belgium



42

companies
go bankrupt
every day

27.517

jobs are
impacted by those
bankruptcies

36.4%

of those companies
are younger than
5 years

What financial indicators should we monitor?

Looking at the **added value**, we see that each category has been able to note an increase. They managed to balance their finances by maintaining margins and controlling costs.

Among smaller SMEs, balancing their finances is more difficult. This could be due to the fear of raising the price towards their customers or the pressure from larger companies.



Closing Year	2023 VS 2021	2023 VS 2022
Employee Class	Median	Median
0 or unknown	8.51%	7.62%
From 1 to 4	21.46%	12.57%
From 5 to 9	24.75%	12.72%
From 10 to 19	24.24%	11.72%
From 20 to 49	22.35%	11.07%
From 50 to 99	25.57%	13.66%
From 100 to 199	23.96%	13.20%
From 200 to 499	24.98%	12.03%
From 500 to 999	30.62%	11.18%
More than 999	24.64%	6.60%

What financial indicators should we monitor?

When consulting the evolution of **staff costs**, it is clear to see that everyone tried to retain as much staff as possible. This was not always easy because of the various indexations.

Looking at 2023 vs 2021, we see that the **effort needed** to retain staff for companies of 5-9 employees was a lot higher than for the other categories.

In 2023 vs 2022, it also becomes clear that **large companies** did **reduce staff** in order to reduce costs.

Alert:
Share of staff costs in +999 companies in added value exceeds the 85% ratio with a share of **86.59%**

Closing Year	2023 VS 2021	2023 VS 2022
Employee Class	Median	Median
From 1 to 4	23.23%	8.66%
From 5 to 9	33.53%	14.51%
From 10 to 19	28.43%	12.66%
From 20 to 49	25.21%	12.33%
From 50 to 99	25.16%	12.42%
From 100 to 199	23.14%	12.49%
From 200 to 499	23.43%	10.34%
From 500 to 999	23.59%	9.84%
More than 999	16.31%	8.75%



What financial indicators should we monitor?

For **cash flow**, we see an **inflation ratio of +20.75%** when comparing 2019 with 2023.

This has a significant impact on companies with more than 200 employees and consequently poses **a risk to the structure of our economy**, more specifically on the ability to make investments or create jobs.

In addition, energy costs continue to be a struggle that leads to loss of profit. As well as other EU countries' protection measures for their economy causing competitiveness issues.

Closing Year	2019	2023	EVO
Employee Class	Median	Median	Median
From 1 to 4	33 287	40 184	120.72%
From 5 to 9	77 679	100 673	129.26%
From 10 to 19	134 872	175 678	130.26%
From 20 to 49	283 550	365 766	129%
From 50 to 99	516 227	647 619	125.45%
From 100 to 199	1 029 482	1 326 534	128.85%
From 200 to 499	2 269 432	2 564 200	112.99%
From 500 to 999	4 503 703	5 083 630	112.88%
More than 999	11 308 194	11 583 344	102.43%

What **conclusions** can we identify?

We are observing that we are living in a climate of **uncertainty** where there is high **volatility** in corporate earnings. In addition, the following is also noted:



01

Inflation

The expected decrease of inflation is coming, this means that the pressure of the demand will decrease and that the margins will continue to be under pressure.

02

Industrialization

The delay and latency in industrialization is a painful awakening for politicians who react in short-term panic while readjusting the long-term vision with too much 'local' protectionism, considering the many European regulations making international competitiveness even more complicated.

The **evolution** of the Belgian companies.

The challenges we believe in

01

KYC

Know Your Customer is the process of identifying and verifying the client's identity when opening an account and periodically over time. In other words, this check ensure that clients are genuinely who they claim to be.

02

Payments

Optimize your cash flow to increase investment capacity. Reduce unpaid invoices to lower the impact they have on your income, cash flow, costs and growth.

A study by Exact, Summer 2024, shows that **6%** of the total value of invoices is irrecoverable. (Research relating to Belgian SMEs)

03

Monitoring

Integrate risk monitoring on a multi dimensional level into your business and finance strategy.

04

Finance Manager

The function of a finance manager will change significantly, where responding to potential risks and discovering new opportunities will play an important role.

Thank you for reading

Not all numbers might be positive but not everything is lost. We strongly believe in innovation by AI and collaboration to provide **valuable insights** for a strong and healthy social enterprise policy.

That our **clean** and **high quality data** will help you with **data-driven decision making** for advanced analytics in financial trends, market conditions and company performance and insights as well as for predictive analytics in forecasting and anticipating risks and opportunities.

We will deliver those data and insights with **human oversight** for: the ethical and compliance regulations, the data protection, model validation and transparency.