

Country Market Profile: Belgium

Belgium, officially the Kingdom of Belgium, is a sovereign state in central Western Europe bordered by France, the Netherlands, Germany, Luxembourg, and the North Sea. It enjoys one of the highest per capita incomes in Europe, with a relatively balanced income distribution, resulting in widely distributed purchasing power. Belgium is a country known for its gourmet food products, including beer, chocolate, waffles, and cheese – all of which they are proud to export to the global market.

Euromonitor reports that driven by improving domestic and external demand, Belgium's economy bounced back in 2021, after a pandemic-induced contraction in the previous year. Although the risks of new infection waves, ongoing supply chain disruptions and rising inflation weigh on the country's economic outlook, increasing private consumption and growing investment will continue to support economic recovery. While the government deficit and public debt to GDP ratio are gradually decreasing, they are set to remain elevated.

- Following real gross domestic product (GDP) growth of 5.8% in 2021, Belgium's economy is expected to expand by an annual average rate of 1.4% in real terms over the medium term.
- Inflation in Belgium is forecast to increase to 2.5% in 2022, from 2.4% in 2021.
- In Belgium, the unemployment rate is predicted to reach 6.3% in 2022 – above the pre-pandemic level, but lower than the average of 7.4% in Western Europe in 2022.
- Belgium's exports increased by 27.5% and imports rose by 26.9% in 2021, with the country remaining a net exporter.
- Foreign direct investment (FDI) inflows into Belgium increased over 2020, with FDI intensity reaching 1.7% of GDP.
- Public debt in Belgium fell to 110% of GDP in 2021 from 113% in 2020, thanks to the progressive withdrawal of pandemic support measures.

The total population has been slowly rising over time, reaching 11.8 million in 2022 (CIA World Factbook Est.). This was an increase of roughly 1.6 million over 2000. The median age in 2022 was 41.6 years. The number of those over 65 years of age amounted to 2.2 million in 2022, equivalent to 19.2% of the total population. The share of this group will rise to 22.4% by 2030.

Population aging will become an added burden in the longer term. Even if the employment rate can be pushed up to around 70% and productivity growth increases appreciably, population aging is still expected to boost public expenditure by nearly 6 percentage points of GDP by 2050 if additional reforms are not introduced. Belgium attracts a number of asylum seekers and unauthorized immigrants. The government will be introducing more stringent controls and regulations as fears about terrorism mount.

Belgium's central geographic location and highly developed transport network have helped develop a well-diversified economy, with a broad mix of transport, services, manufacturing, and

high tech. Service and high-tech industries are concentrated in the northern Flanders region while the southern region of Wallonia is home to industries like coal and steel manufacturing. Belgium is completely reliant on foreign sources of fossil fuels, and the planned closure of its seven nuclear plants by 2025 should increase its dependence on foreign energy.

Its role as a regional logistical hub makes its economy vulnerable to shifts in foreign demand, particularly with European Union (EU) trading partners. Roughly three-quarters of Belgium's trade is with other EU countries, and the port of Zeebrugge conducts almost half its trade with the United Kingdom alone, leaving Belgium's economy vulnerable to any negative outcome of developments on the United Kingdom's (U.K.'s) exit from the EU.

The port of Antwerp offers the fastest and most sustainable connection with the surrounding area, because of its location 49.7 miles (80 kilometers) inland within Europe. The volume of freight loaded or unloaded in Antwerp has doubled over the past 20 years to more than 208 million tons. This makes Antwerp by far the largest port in Belgium and the second-largest port in Europe, after Rotterdam in the Netherlands. Antwerp is the European market leader for handling of steel, fruit and the largest port in the world for storage of coffee.

Market Opportunities and Key Issues in the Belgian Food Market

- Population with a high disposable income
- Belgium is often used by large companies as a test market for food products
- Growing demand for organic food products, sustainable production methods and food products with clean ingredients
- Growing demand for convenience and single portion packaged food products
- Strategic location and excellent transport network
- The ports of Rotterdam and Antwerp are important gateways for U.S. consumer oriented and seafood products to the EU
- Growing demand for new products, innovative food concepts and international cuisine

Key Issues

- Image of U.S. products is not always favorable.
- Certain products are not EU approved and exports to Belgium are not possible
- There are three official languages in Belgium.
- The EU has several Free Trade Agreements that may advantage other third country competitors.
- Trend in favor of locally produced products
- Suppliers from other EU Member States have a competitive advantage on tariffs and non-tariff trade barriers, transportation costs and transportation time
- Fierce competition on price, quality, uniqueness and innovation

2021 U.S. exports of agricultural products to Belgium totaled US\$716.7 million, growth of 11% from that of 2020. US\$347.4 million were of the consumer oriented variety or just over 48% of

the agricultural total, with a decline of 3%. U.S. exports of processed foods to Belgium, totaling US\$192.3 million in 2021, which was up 1% from that of 2020. Top U.S. processed food exports to Belgium in 2020 Australia included:

- Food Preparations & Ingredients
- Alcoholic Beverages
- Fats & Oils
- Processed/Prepared Dairy Products
- Prepared/Preserved Seafood
- Chocolate Confectionery
- Non-Alcoholic Beverages

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Belgium will reach US\$18.8 billion in 2022. That represents a growth rate of 6.7% or US\$1.1 billion since 2018. By the year 2026 the retail sales in the packaged food market in Belgium is expected to reach US\$21.5 billion, a growth rate of 14.1% and US\$2.6 billion from 2022. High growth products in the forecast include:

- Savory Snacks
- Confectionery
- Ice Cream
- Ready Meals
- Sweet Biscuits, Snack Bars & Fruit Snacks
- Rice, Pasta and Noodles
- Edible Oils
- Sweet Spreads

Euromonitor reports that like other modern grocery retailing channels, Belgian supermarkets saw a spike in demand in 2020 due to the circumstances of the COVID-19 pandemic with the stockpiling trend and switch from on-trade to off-trade consumption, and then recorded a slight decline in value sales in 2021. The decline in 2021 was driven by two factors, namely competition from convenience stores and food e-commerce players. The convenience store format poses a strong challenge to other grocery retailers, due to offering proximity. In terms of e-commerce, it must be noted that supermarkets themselves realized the need to strongly invest in e-commerce. Albert Heijn, for instance, broadened its home delivery service, whilst Carrefour partnered with Deliveroo (home delivery) and opened a distribution center solely devoted to e-commerce in 2021.

Digitalization became the most relevant trend in 2021, also for physical stores. As reported by Delhaize, already in 2020, only a small percentage of transactions in store were paid in cash. Payments through debit/credit cards were already well established among Belgian consumers. In

2020 and 2021, payments via smartphone (through apps such as Payconiq) become more and more relevant.

Etn Franz Colruyt NV maintained its lead in supermarkets in 2021, followed by Koninklijke Ahold Delhaize NV and Carrefour Belgium SA/NV as the only other players with double-digit value shares. Colruyt owes its success to the strength from its three brands, Colruyt, Bio-Planet and Cru. Colruyt is the leading brand and remains significantly ahead of its nearest competitor, Delhaize 'Le Lion'. Etn Franz Colruyt's Bio-Planet and Cru brands enjoy a premium-positioning in supermarkets.

Koninklijke Ahold Delhaize NV also has a portfolio of three brands: Delhaize 'Le Lion', AD Delhaize and Albert Heijn. Following its merger with Ahold, Delhaize has been focusing on two key areas. The company is simultaneously promoting its proximity urban concepts in the form of Proxy and Shop'n'go convenience stores, alongside working on updating the image of its supermarkets.

The growth model followed by supermarkets over the review period took a hit during (and because of) the COVID-19 pandemic. For the first time in years, in 2020 leader Colruyt lost share in modern grocery retailing due to competition from convenience stores. In 2021, competition from food e-commerce became fiercer. Over the next five years, expanding the network of outlets is not likely to prove a winning strategy for supermarkets. On the contrary, focus should be put on omnichannel strategies over the forecast period.

The rapid development in 2021 of Albert Heijn's home delivery services (at a relatively low price) is not only intended to win share within food e-commerce at the expense of store-based sales. On the contrary, developing home delivery services in areas where the brand is not yet present and/or popular will strengthen Albert Heijn's brand recognition in these areas and develop its network there over the forecast period.

Over the next five years of the forecast period (2026), pressure on profit margins, already traditionally high in Belgium, is set to increase due to competition from food e-commerce. This is likely to result in a reduction in the total number of outlets as retailers look to optimize their omnichannel strategies.

Best Prospects:

FAS The Hague reports that U.S. consumer food products with the best potential for success in the Belgian retail sector include tree nuts, food preparations and ingredients, pet food, beef, wine, sauces and mixed nuts.

Foodservice Sector Highlights:

FAS The Hague reports that consumption of food products in Belgium mostly happens at home, but the food service market in Belgium features a very high number of independent outlets in all of the main categories, such as fullservice restaurants, fast food, café and bars, also known as "Horeca" (hotel–restaurant-cafes) in Belgium and home delivery and takeaway. It has been

difficult for independent foodservice operators, as they face both tightening fiscal legislation and increasing competition from more modern and dynamic concepts, especially in fast food, full-service restaurants and cafés/bars. However, there is also dynamism and innovation among independents, as demonstrated by the several new openings in independent Latin American fast food establishments, and in specialist coffee shops.

Euromonitor reports that Belgian consumer foodservice saw an increase in sales in 2021. However, the growth was lower than expected due to continuing COVID-19 measures. With outlets being closed at the start of the year, sales were buoyed only by home delivery and takeaway options. Fortunately for players in this category, such options have continued to increase in popularity with Belgians keen to consume foodservice food even if they cannot do so in restaurants, bars, or cafés. COVID-19 has thus forced brands that previously relied on in-person service to invest in digitalization. The industry has been relatively late to develop e-commerce presence but has sought to catch up in the last two years to sustain sales during the mandatory outlet closures.

In fact, such outlets only re-opened in Belgium in June 2021, albeit with restrictions and curfew in place. In general, people in Belgium have been quite confident about returning to restaurants, bars, and cafés, provided the hygiene measures are followed. Such measures include the Covid Safe Ticket which required people to present vaccine certification to enter consumer foodservice outlets. The government also asked consumers to work from home for four days a week between mid-November and mid-December 2021 to help contain the spread of the virus. Nevertheless, to establish trust with their customers, players have had to significantly invest in these safety measures like screens between tables, digitalization of menus, and sanitization practices.

The pandemic has also led to heightened interest in eating healthy as this is proven to be one way to improve one's immune system and keep the most severe effects of the virus at bay. As such, more customers are turning to vegetarian or vegan diets and showing particular interest in locally grown produce. As such, many restaurants have become more vegetarian and vegan friendly, with Bavet, Lunch Garden, Pizza Hut, and Ellis all introducing such options in 2021. Similarly, Quick launched its Primeur burger, which is made from local, healthy ingredients such as beetroot and spinach. Foodmaker, which also focused on local, organic, and healthy ingredients in 2021, has also seen rising popularity.

In terms of operations in 2021, the biggest struggle for consumer foodservice is recruitment. Given the initial impact of the pandemic when venues were forced to close, many players had to let go of some of their staff members. Unable to find work in consumer foodservice, many of these chefs and restaurant managers sought careers in other industries. Now that venues have reopened, many owners are finding it difficult to recruit competent and experienced people to manage their venues.

Despite the operational challenges of the pandemic, chained restaurants continued to expand their outlet numbers in 2021. For instance, the restaurants Bavet, Pitaya, and Domino's Pizza as well as coffee specialist IzyCoffee opened new outlets in 2021. This is thanks to the greater resources and financial power of chained restaurants over independent ones. As such, chained

restaurants are recovering faster than independents, with such outlets also quicker to adapt to a dine-out scheme to encourage customers back to their outlets.

There are also a growing number of new players in the industry with new chains such as Pokawa, Pitaya, Chick & Cheez, and Le Botaniste starting to gain traction. This number is expected to continue growing in the coming years with Belgium set to host a greater number of small international chains. This gives consumers more choice, stimulating interest in dining-out.

The other shift that has occurred in the last two years is the transition towards more casual dining, namely, that full-service restaurants are becoming more like limited-service restaurants and independents restaurants are starting to operate more like chained restaurants. This is because consumers are showing less desire to spend a long time eating in at a venue, perceiving shorter visits as safer. In addition, full-service restaurants are increasingly offering takeaway and home-delivery services (with this being a lifeline during the mandatory venue closures) despite such venues previously focusing on providing a high-quality dining-in experience.

According to Euromonitor, the recovery of consumer foodservice in Belgium will vary from category to category and brand to brand. For example, chained restaurants are expected to recover by 2023 (or even by 2022 for some limited-service restaurants, particularly those serving pizza and burgers). Independent restaurants were hit harder by the pandemic, with many going into bankruptcy. As well as reducing the number of independent outlets, this leaves empty sites and good opportunities for chained restaurants to seize. Also, the digitalization of the industry has given more advantage to chains as they generally have higher investment and logistic capabilities.

Food Processing Sector Highlights:

FAS The Hague reports that the Belgian food industry is one of the most important industrial sectors in terms of employment, with close to 93,000 employees (and another 173,000 indirectly), and in terms of turnover, with over US\$57.4 billion, most of which was from exports to other Member States within the EU: France, the Netherlands and Germany represented 56% of the export market.

Belgian food companies exported just over US\$1 billion to the United States in 2021. The most valued export products were beer and chocolate, but baked goods as well as frozen vegetables were also very popular. Despite the economic growth, the Belgian food sector is facing additional financial hurdles compared to other Member States in the EU. The most important issues are the cost of labor and the cost of energy that has increased a lot over the last couple of years, as electricity is about 45% more expensive than in other Member States.

Belgium is in the top ten of exporters in agricultural products, but typically imports raw crops, processes them, and then exports them as prepared foods. The main export products are potatoes, beer, chocolate and pastries. Belgium also re-exports a number of fruits, especially bananas are imported into Belgium from the Caribbean and then exported throughout Europe. Belgium has a significant dairy industry and is self-sufficient in eggs, butter and milk. Belgium also produces a variety of specialty cheeses.