

# ANALYSIS

## Socio-economic, territorial and environmental analysis of the Brussels-Capital Region following the COVID-19 pandemic

### EXECUTIVE SUMMARY MAY 2022

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**The socio-economic, territorial and environmental diagnosis of the Brussels-Capital Region following the COVID-19 pandemic aims to gather t in one document the state of knowledge of the demographic, economic, employment, social and health evolutions. It also aims to take stock of the territorial challenges in terms of housing, mobility, the natural environment, economic activities and all the public facilities that support daily life.**

**This document is based on the expertise gathered by the various teams at Perspective and its regional, federal, and community partners and on relevant sources collected since March 2020. It cannot, however, cover all the consequences, nor can it be as close as possible to current events.**

**In particular, as it was written between January and mid-March 2022, this document does not take into account the new upheavals linked to the conflict in Ukraine and its economic, social and territorial consequences.**

#### **A global crisis that disrupts demographics**

On 11 March 2020, the global COVID-19 situation was classified as a pandemic by the World Health Organization. This pandemic has disrupted regional demographic trends. In 2020, Brussels' population growth was historically low (only +1,700 inhabitants), due to a clearly excessive mortality rate (2,000 additional deaths, a direct consequence of the pandemic) and fewer international migrations than in 2019 (20% decrease).

For 2021 and beyond, the new population projections of the

BfP (Bureau Fédéral du Plan) and Statbel assume a return to normal (pre-pandemic) mortality and international migration levels and continued strong population growth, albeit at a lower level than before the crisis. This curbing of growth is due in particular to the assumption of a decline in international migration, which remains to be verified.

#### **Contrasting economic developments**

**In 2020**, the health crisis led to a **drop in economic activity in Brussels of 5.2%**, a figure similar to other regions of the country. However, the commercial sector was more severely affected in Brussels, notably because of the greater dependence of Brussels activities on foreign trade.

The latest projections forecast a **sharp recovery in economic activity in all three regions by 2021**. With Brussels GDP growth of 4.2%, the recovery is expected to be weaker than in Wallonia and Flanders.

However, this overall recovery masks **significant disparities at the sectoral level**. Supply problems in the industrial sectors and the price of materials, as well as recruitment difficulties, are affecting activity in the industrial and construction sectors.

Heavily affected by the crisis due to business closures and health measures, **personal services** (including hotels and catering) experienced a significant recovery in the Brussels Region in the third quarter of 2021 thanks to the easing of restrictions, although they did not recover their pre-crisis level. This sector has been particularly affected by a drop in demand due to the decrease in commuters and tourists, as a result of the increased use of telecommuting and travel restrictions. The accommodation sector remains hard hit by the decline in

travel.

### A resilient employment level

**In 2020, job losses were limited in the Brussels Region** thanks to the support measures, **but the volume of work fell sharply**. Domestic employment in Brussels (place of work) therefore fell by 0.4% in the first year of the health crisis, while the volume of paid employment in the Brussels Region (place of residence) fell by 7.7%. **The volume of paid employment recovered in 2021**, but in the third quarter was still below its level before the health crisis. Hiring forecasts have further deteriorated in 2021.

Many sectors in the Brussels Region are facing **labour shortages and recruitment difficulties**, which limit the possibilities for economic recovery and job creation. In addition to structural problems (lack of attractiveness, working conditions, etc.), some sectors are also facing specific problems related to the health crisis. The use of temporary unemployment and bridging rights has decreased significantly.

**Overall, the health crisis had a low overall impact on unemployment in Brussels** in 2020 and 2021, thanks in particular to support measures such as temporary unemployment, bridging rights and the moratorium on bankruptcies, which helped to preserve employment. As a result, the Brussels unemployment rate remained stable at 15.5% from 2019 to 2021. **The health crisis, however, put an end to the decline in the number of job seekers observed for five consecutive years in the Brussels Region** from 2015 to 2019. The downward trend has been in place again since September 2021. Data for the fourth quarter of 2021 indicates that the number of unemployed job seekers decreased by 4.2% year on year. These analyses will have to be updated in light of the end of the moratorium on bankruptcies and the reduction in public aid.

### A lower standard of living for households

Driven by energy prices, **inflation accelerated sharply** as 2021 progressed, reaching 8 % in February 2022.

**The temporary support measures cushioned the shock on the disposable income of Brussels households in 2020**. According to projections, it should show an increase of 1.4% despite the deep economic recession. In 2021, the disposable income of Brussels households should have benefited from the clear recovery of economic activity and the continuation of the main support measures throughout the year.

However, the increase in inflation already seen in 2021 would weigh heavily on their purchasing power that year, due to the delayed effect of the automatic indexation of wages and social benefits. For 2022, the expected removal or restriction of certain support measures and the sharp rise in inflation will limit the growth of household disposable income. Given their consumption patterns, the impact of rising inflation on purchasing power is felt more strongly by **low-income households**.

The income of **self-employed people** in the Brussels Region was more affected by the consequences of the health crisis than that of employees and the unemployed. In October 2021, 34% of self-employed workers in Brussels still declared that they had suffered income loss of at least 10%.

### A marked health impact

From the beginning of the pandemic to 7 February 2022, Sciensano (the federal scientific public health agency) counted approximately 4,000 COVID-19-related deaths in the Brussels Region. The elderly were the most severely affected. Excess mortality was 20% in 2020, but was zero in 2021. In addition to excess mortality, COVID-19 also led to increased inpatient and intensive care stays, increased depression, the postponement of some treatment, and increased mental health challenges. The longer-term developments and impacts of this situation need to be analysed.

### A social crisis amplified by the pandemic

While many people experienced a drop in their standard of living, the most acute problem was that many people in the Region have fallen through the cracks of the social security system and not been able to receive temporary unemployment and bridging rights. This is the case for some self-employed people, many artists, people in precarious employment, students, undeclared workers as well as homeless and undocumented people.

The number of social security integration applications grew by 14% between January 2020 and April 2021. The increase in applications for various social aids, including food aid and debt mediation assistance, was even more significant. The risk of over-indebtedness and the late payment of energy bills and rent are increasing, while 60% of the inhabitants of Brussels are tenants and 28% were in a situation of energy insecurity even before the current price increase. The risk of non-reliance on social assistance has also increased with the digitisation of assistance services, leaving part of the public without an adequate response.

### A housing crisis that remains acute

The dynamics of housing production remain far above those of other functions, even though property production has slowed since 2017 and production was exceptionally low in 2020. While the number of housing units appears higher than the increase in the number of Brussels households, property market prices are experiencing a significant and differentiated increase for both purchase and rental. In 2020, the average rental price increase was limited to 1%, but there was a 7-8% increase in the cheapest segment of the market.

This increase in housing prices seems to be affected by several factors: insufficient creation of housing over a long period, lack of housing adapted to the demand in typology and price. Therefore, half of the Brussels population at risk of poverty lives in housing that is considered too small for their household

size. In addition, the average household size will continue to grow in the coming years, which could increase the mismatch.

Population growth also seems to be underestimated for the next few years, with optimistic assumptions about international migration. At the same time, the demand for better quality housing to meet increased demands is encountering rising construction costs and the need to bring affordable housing onto the market.

The Regional Housing Plan (PRL) and the Alliance Habitat Programme (AH) are now moving forward at a steady pace and social housing production is increasing. However, known production will not meet all accessible housing needs. There is also a geographic imbalance in the production of affordable housing with territorial specialisation west of the canal.

### **An office sector in full questioning**

The impact of the health crisis on office spaces is not yet fully visible and measurable. While a decrease in the amount of office space used is to be expected, the extent of this decrease has not yet been determined as organisations have not yet fully established their medium-term strategies. While teleworking will inevitably become more widespread, the redeployment of office space must also be taken into account, especially since the spread of teleworking also improves the economic attractiveness of peripheral areas.

The crisis has accelerated the geographic shift in office space, with central and accessible areas (the European Quarter, the central train station (Gare centrale) and, to a lesser extent, the North district and the South station (Gare du Midi) becoming more attractive, to the detriment of 'seconde couronne' districts.

Office vacancies are rising slightly, but no major upheaval has been observed at this stage. The conversion of office space into housing has been growing in recent years, but it faces many constraints in the production of affordable, quality housing, such as vacancy patterns, building typologies and their urbanity.

### **A lack of amenities and uneven distribution**

Some districts in the centre, north and west show a weaker public facilities network than the rest of the region. Access to health, education, sports and cultural facilities is unevenly distributed. Monitoring these areas of deficiency remains an important issue.

School design, in particular, was highlighted during the crisis. The design of school premises and playgrounds, the quality of sanitation facilities, the lack of water in classrooms, air quality, the lack of reception areas and the poor quality of school grounds are all dimensions that have taken on particular importance. The crisis has also highlighted the lack of quality workspaces for too many students. Supporting the provision, distribution and diversity of study spaces is therefore an issue.

This lack of suitable spaces and the difficulty in accessing suitable equipment have also increased the difficulties and even the dropout rate. The mechanisms of school attendance were put under pressure and had to be specially strengthened. They remain insufficient. The average learning loss is estimated to be half a school year, and educational inequality has increased.

### **Mobility in transition**

The health crisis has accelerated a trend towards more flexible travel. Teleworking has increased significantly, reducing the need for commuting. The classic peaks have died down and the reasons for travel have been less related to work activities. Long-distance travel has been heavily impacted and remains persistently lower than before.

Active modes of transport have grown significantly. More women have started cycling. The types of bicycles have diversified. Shared and self-service mobility have also increased, indicating a trend towards more flexible demand. Public transport remains at a slightly lower level of use than before.

Overall, the impact of the crisis on the use of individual motorised vehicles is relative. Commuting is decreasing, but car use seems to be higher for occasional trips.

Road safety has improved significantly, possibly as a result of the generalised 30-km per hour zone.

So far, the lasting impact of the crisis on mobility habits remains uncertain. Inbound commuting is expected to experience a sustained decline on average but with major peaks at certain times of the day and week. The public transport offer will have to adapt to this increased flexibility of demand.

The health crisis has also highlighted the unbalanced allocation of public space to car use. The transformation of public spaces has been sometimes temporary, at other times structural. The current situation could be an opportunity for a more global regional strategy of approaching public spaces, leaving more room for other uses and their evolution.

### **An exceptional period for the environment**

The lockdown periods resulted in a marked increase in the use of green spaces. They were therefore put under pressure. The health crisis also brought the Region's areas of deficiency into sharper focus.

From an environmental perspective, the reduction in road traffic intensity resulted in an exceptional improvement in air quality in 2020. In 2021, the situation was also better than before the crisis. Greenhouse gas emissions also decreased during the period, by approximately 25% for buildings and 50% for road traffic.

### **Territorial changes to be supported and accelerated**

The contagion of the virus, the restriction measures and the lasting impacts on behaviours have changed our approach to

the territory. The pressure of growing needs on a limited territory has increased. Therefore, the need for a strategic regional approach to managing these balances is stronger than ever, through strong, connected and coherent territorial governance.

Overall, the concepts supported by the Regional Plan for Sustainable Development (PRDD) have not been invalidated by the health crisis and its consequences, but rather they have accentuated the need to accelerate a series of transitions and flesh out its different components.

In this respect, the territorial management tools still need to be improved and supplemented. The link between analysis and action strengthened. The ability to project, or even forecast, developed.