



Press release

Statistics Netherlands

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Dutch inflation rate 4.2% in January

In January 2001 Dutch consumer prices were up by 4.2% on average on January 2000. This is the highest inflation rate since May of 1992 according to the consumer price index (CPI) produced by Statistics Netherlands. There was a 1.3% rise in inflation since December. Higher VAT and Ecotax are some of the major causes. Likewise the effects of abolishing the license fees for radios and television that were felt in 2000 have now disappeared. However, price rises were also observed in food products and other kinds of goods that do not come under the 19% VAT category.

Inflation rate highest in years

The Dutch inflation rate in January was 4.2%. It was the first time since early 1992 that the inflation rate exceeded 4%. Between 1993 and October 2000, when the usual rate of inflation fluctuated between 1.5 and 2.5%, it never even exceeded 3%. It wasn't until the last quarter of 2000 that the inflation rate went up to about 3%.

There was an increase from 2.9 to 4.2% between December 2000 and January 2001, the highest month on month rise in inflation (1.3%) since 1970.

Various causes for the higher inflation rate

The main causes for the high inflation are the new VAT increase, the new increase in Ecotax and the fading of the effect caused by abolishing the radio and television licence fees.

- VAT increase

In January the general VAT rate increased from 17.5 to 19%. The low VAT rate of 6% stayed the same. VAT is not levied on a number of goods and services. The effect of the VAT increase on the inflation rate is 0.5%.

- Ecotax

In January the Ecotax was raised substantially. The rate for a kilowatt hour of electricity went from 8.2 to 12.85 Dutch cents, a cubic meter of

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gas went from 20.82 to 26.50 cents. Moreover there is no longer an exemption threshold for the first 800 kilowatt hours and the first 800 cubic meters, although consumers get a compensation of 312 guilders (371,28 including VAT). This compensation was treated as a price decrease in the CPI. The increase in Ecotax contributed 0.4% to the inflation rate. In the year 2000 Ecotax was raised, leading to a 0.3% rise in inflation then, so now 0.1% of the rise in inflation can be attributed to the Ecotax.

- License fees

On 1 January 2000 the license fees were abolished, causing the inflation rate to drop by 0.4%. This effect is no longer felt in 2001, so the inflation rate is back up by 0.4%.

- Other causes

Out of the total inflation of 4.2% some 2.2% can be attributed to products that come under the general VAT rate. These include energy products such as gas, electricity and car fuels – which contribute 1.2% to the inflation rate. Apart from VAT and Ecotax there is hardly any change in the contribution of these goods to the inflation rate.

VAT-exempt products contributed 0.9% to the inflation rate. These include rent, consumer-related tax and government services. Their share in the inflation rate hardly changed, except for the license fee effect.

Products within the 6% VAT rate category went up in price by 4.0% compared to January last year. In December the increase was 3.1%. Their share in the inflation increase went from 0.7 to 0.9%.

Prices up by 1.2% in January

The January 2001 on December 2000 rise in consumer prices averaged 1.2%. The price rise was across the board due to the higher VAT and other levies. Major price rises were in gas, electricity and car fuels. There were also price increases in the product category of the 6% VAT rate. On average, food and alcohol-free beverages became 1.2% more expensive. Not only seasonally- sensitive products such as fruit, vegetables and potatoes became more expensive but also bread, meat, fish and sweets. Newspapers, books, and writing materials became more expensive, and expenditure in cafés and restaurants increased.

Consumer-related taxes and the price of certain government services went up. The real estate tax and municipal services increased while motor vehicle tax decreased. The developments in real-estate tax are the results of the higher value of real estate and the decrease of nominal tariffs.

The effect of price increases is compensated by the price drop in clothing and shoes of about 10% due to the winter sales. No further price decreases were observed.

Derived consumer price index

The derived CPI for households of employees on a low income was up 3.2% on January 2000. In December the increase was 2.6%. The index is often used for adjusting government rates, collective bargaining agreements and other contracts.

So 1% of the total inflation rate of 4.2% can be directly attributed to changes in product-related taxes and subsidies and consumption-related taxes. In 2000 the influence was about 0.5%. VAT and Ecotax increases were the main changes. The license fee is not considered a consumption related tax. Therefore its demise led to a downward effect of the derived CPI in 2000. The increase in the derived CPI by 0.6% in January 2001 can be attributed for two thirds by the fading effect of the license fee.

Harmonised consumer price index (HCPI)

Statistics Netherlands not only calculates the national Dutch CPI but also the European harmonised CPI for the Netherlands. This CPI is part of the inflation rate for the Eurozone, the official guideline for the monetary policy of the European Central Bank.

In January 2001 the Dutch inflation rate according to this European standard was as high as 4.5%. This is more than the national index. This is because the package that comes under the 19% VAT rate has a greater share in the HCPI than in the CPI.

According to the European standard the Dutch inflation rate in December 2000 was 2.9%. This was slightly higher than the average inflation rate for the Eurozone of 2.6%.

The average Dutch inflation rate for 2000 was 2.3% according to this standard. This is equal to the annual average for the Eurozone.

Eurostat will publish the January outcomes for the Eurozone and for all EU-member states on 28 February.

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CPI all households Percentage changes on the same month the previous year

