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Lower output growth in January and February

Manufacturing output was 1.2% higher in the period January-February 2001 than in the corresponding period last year. This growth rate is lower than in 2000 (3.5%), according to figures from Statistics Netherlands. A considerable part of the slowdown was caused by developments in the metal industry.

In view of the fact that growth in December 2000 was relatively high, it is conceivable that part of manufacturing output was brought forward because of the VAT increase which came into effect on 1 January 2001. This would have had a dampening effect on growth at the beginning of this year.

Strong differences per sector

The lower growth rates are mostly caused by the disappointing developments in the metal industry. The growth in this sector was 1.7% in the first two months of the year compared with the same period last year. For the whole of 2000 output in this sector rose by 4.2%. In the wood and construction materials industry production was 0.4% lower than in the first two months of 2000; last year production was 3.3% higher. In paper and publishing, too, output was significantly lower (-1.6%), while in 2000 it rose by 2.1% in this sector. Production growth for manufacturers of food, drink and tobacco products, lastly, was 0.8% in this period, compared with 2.3% last year.

Statistics Netherlands Press Office

> P.O. Box 4000 2270 JM Voorburg The Netherlands tel. +31 70 337 58 16 fax +31 70 337 59 71 e-mail: persdienst@cbs.nl

Statistics Netherlands is a department of the Ministry of Economic Affairs

Anticipation of VAT rise causes turbulence

According to the most recent figures from Statistics Netherlands the development of manufacturing output has been quite unpredictable in the period October-February. In December production was relatively high, while in January it was lower than normal. This was most noticeable for manufacturers of investment goods and durable consumer goods. The VAT increase which took effect on 1 January 2001 probably accounts for part of this development; buyers anticipating the VAT rise may well have increased the demand for such goods in the last months of 2000.

For further information, please contact G. Buiten tel. + 31 70 337 47 78; e-mail: gbtn@cbs.nl.