



# Press release

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## ***Inflation drops sharply in January***

The inflation rate in the Netherlands was 1.3 percent in January 2006. This is a sharp drop from December, when prices were 2.0 percent up on twelve months previously. According to Statistics Netherlands' consumer price index (CPI), the decrease was caused by the abolition of the part of property tax to be paid by the users of the property, lower parent contributions to child care and the tariff adjustments for gas and electricity.

Inflation according to the European harmonised method was 1.8 percent in January 2006.

### ***Government measures curb inflation***

The drop in inflation was largely caused by the abolition of the "user" component of property tax. This measure contributed 0.5 of a percent point to the decrease. It also pushed the average rate for all consumption-related taxes such as property tax, sewerage rates, refuse collection rates, dog licence fees and vehicle tax back to its level in 2000.

The government contribution to child care costs rose substantially, which meant parents had to pay less. This reduced the price index for social protection by 11 percent, and contributed 0.2 of a percent point to inflation.

Inflation was also tempered by the price decrease for strong alcoholic drinks after a decrease in excise for these products.

### ***Gas and electricity rate up strongly but by less than in 2005***

The prices of gas and electricity were increased substantially in January 2006. Electricity cost 5.7 percent more than in December, gas 8.5 percent more. However, these price rises still had a downward effect on inflation, as in January 2005 the increases were even stronger: 8.0 and 15.5 percent respectively.

### ***Food and soft drinks cost more***

Food and non-alcoholic drinks cost more in January than in December. The price increases for food were largely caused by higher prices of fresh vegetables. Compared with the same month last year food and non-alcoholic drinks cost 1.4 percent more. This is just above the rate of inflation for the first time since October 2003.

***Inflation according to European method 1.8 percent***

Dutch inflation according to the European harmonised method of calculation (HICP) was 1.8 percent in January 2006. In December it was 2.0 percent.

The difference in the development in inflation between the national CPI and the HICP is mainly caused by the fact that property tax is not included in the basket of the HICP. Also, some of the costs relating to health care and private health insurance are included in the HICP, but not in the national CPI.