

Statistics Netherlands: inflation rate still below 1 percent

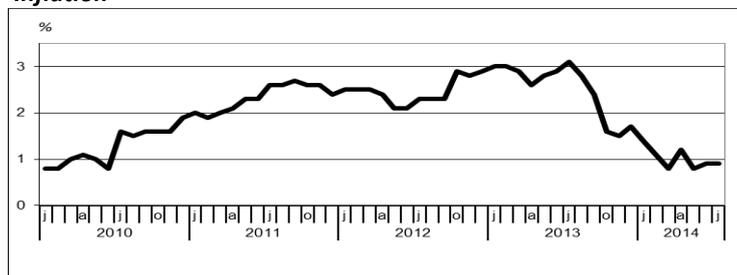
- Rate stable in July at 0.9 percent
- Sharp rent increase
- Eurozone inflation rate down

Statistics Netherlands (CBS) announced today that the inflation rate was 0.9 percent in July 2014, i.e. the same as in June. For the third consecutive month, the average year-on-year increase in consumer prices was below 1 percent. Rents were raised by 4.3 percent, but because the rent increase in July 2013 was also substantial, this did not affect inflation.

Substantial rent increase, just as in July 2013

On average, consumer prices were 0.9 percent up in July 2014 from July 2013. Rents were raised by an average of 4.3 percent, which accounted for the bulk of the price increase, but the rent increase did not have an upward effect on inflation, because last year's rent increase was even higher. With 4.7 percent, the annual rent increase in July 2013 was the highest since July 1994. The substantial rent increase is caused by the new rent policy to the effect that the maximum increase equals the inflation rate of the preceding year plus an income-related percentage.

Inflation



Source: CBS

Clothes and motor fuels have downward effect on inflation

Clothing prices had a downward effect on inflation. In July this year, clothes were reduced more in price than during last year's summer sale, while in June price reductions for clothes were not as big as in June 2013. Motor fuels also had a dampening effect on inflation. Motor fuel prices were 0.4 percent above the level of one year previously, but, on an annual basis, the price increase in June was more substantial. Prices of fresh vegetables had an upward effect on

inflation. Although fresh vegetables were cheaper than last year, the price reduction on an annual basis was much larger in June.

Eurozone inflation rate down

The European Harmonised Index of Consumer Prices (HICP) is used to facilitate comparison between the EU countries. A major difference between inflation calculated according to the Dutch method and the HICP is that the latter does not incorporate costs related to home ownership. In July as well as June, the inflation rate on the basis of the HICP was 0.3 percent, i.e. marginally below the eurozone level of 0.4 percent. According to the ECB, prices are stable, if the inflation rate is just under 2 percent. Since October 2013, the eurozone inflation rate has been below 1 percent. On the basis of the low inflation level in the recent past, the ECB decided on Thursday 5 June this year to lower its interest rates. The ECB expects the eurozone inflation rate to rise as a result of this measure.