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EUROPEAN COMMISSION
EUROSTAT

Directorate C: Macro-economic statistics
Unit C.3: Statistics for administrative purposes

Eurostat Report
on the Intermediate Update of weightings (correction coefficients) applicable to the remuneration of officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations

In accordance with Article 64, Annex X and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union

Reference period:
The five months between 1 February 2019 and 1 June 2019 inclusive

EXECUTIVE SUMMARY

In accordance with the Articles 64, Annex X and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union; this report presents the information required for the intermediate update of the weightings (correction coefficients) applicable to the remuneration of EU officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations which is payable in local currency.

This is the twelfth Intermediate Report covering Extra-EU locations which is prepared under the EU Staff Regulations as amended by Regulation 1023/2013.

The previous Annual Update, establishing values applicable with effect from July 2018, was published in the Official Journal on 14th December 2018 (OJ C 451/05).

The previous Intermediate Report covered the five months between August 2018 and January 2019 inclusive. Updates were published in the Official Journal on 18th June 2019 (OJ C 207/03).

This intermediate report covers the five months period between February 2019 and June 2019 inclusive and, inter alia, it includes:

1) CCMMAAAA (MM=month, AAAA=year; for example CC022019). These five tables show the economic parity, exchange rate and weighting (correction coefficient) established for each location for the month in question.

In accordance with Article 13 of Annex X to the Staff Regulations, an intermediate update to the weightings (correction coefficients) should be made whenever the variation in the economic parity has exceeded 5% since the previously established value (July 2018 or subsequently). Tables are included showing the locations for which this is the case:

2) CHGMMAAAA (MM=month, AAAA=year; for example CHG022019)

A summary file is also included:

3) 5 per cent rule period July 2018 or subsequent to June 2019

All figures and calculations contained in this report are based on data (place-to-place price surveys and time-to-time price indices) supplied under the 2009 Memorandum of Understanding signed with the United Nations International Civil Service Commission (UN ICSC) and the International Service for Remuneration and Pensions of the Coordinated Organisations (ISRP)[1], complemented where necessary with information compiled directly by Eurostat.

The detailed methodology for the calculation of Extra-EU correction coefficients is set out in a procedural manual, the latest version of which (doc.A6465/14/60rev3) was adopted by the Article 64&65 Working Group in April 2017, and is available for download from the Eurostat free data website:

[1] The North Atlantic Treaty Organisation (NATO), Organisation for Economic Cooperation and Development (OECD), Council of Europe (CoE), European Space Agency (ESA), European Centre for Medium-range Weather Forecasts (ECMWF); European organisation for exploitation of Meteorological Satellites (EUMETSAT).

http://ec.europa.eu/eurostat/web/civil-servants-remuneration/correction-coefficients

The correction coefficient (CC) is defined as the economic parity divided by the exchange rate. CCs operate as a percentage adjustment to salaries. As salaries are first expressed in Euros, then converted to local currency using exchange rates, before being multiplied by CCs, it is clear that the exchange rate effect cancels out. If a CC changes solely due to a change in the exchange rate (ie. there is no change in the economic parity) then local purchasing power will not be impacted.

CCs are aggregated from detailed price ratios up to global value using latest available consumption expenditure weights. A classification of 80 basic headings is used.

The report covers 145 Extra-EU duty stations. The list of duty stations is unchanged by comparison to the list used for the previous Annual Update.

No values are presented for 10 locations (Afghanistan; Bosnia and Herzegovina (Banja Luka); Indonesia (Banda Aceh); Iran; Iraq; Libya; Somalia; Syria; Venezuela; Yemen) mainly due to security constraints affecting the statistical reliability of the information, or due to uncertainty regarding the volatility of the reported inflation. This list is unchanged by comparison to the preceding Intermediate Report (January 2019) and Annual Report (July 2018).

At June 2019 there were twenty five duty stations with CCs greater than 100 (compared to 21 at January 2019 and 20 at July 2018). During the five months between February 2019 and June 2019 inclusive, CC for four duty stations (Democratic Republic of the Congo; Israel; United Arab Emirates and West Bank–Gaza Strip) have increased above 100. No CCs have decreased below 100.

For the period February 2019 - June 2019 changes exceeding 5% are identified for 27 duty stations (some more than once), of which 5 locations have CC values above 100 (Angola; Congo; Eritrea; Gabon; South-Sudan).

Attention is drawn to the following specific elements:

- The results of new UN P2P price surveys were introduced for the calculation of CCs for the following 11 duty stations: Burundi; Cameroon; Congo; Democratic Republic of the Congo; Ghana; Ivory Coast; Liberia; Philippines; Tajikistan; Uzbekistan and Vietnam.

  The new parities are higher for 10 duty stations (Burundi; Cameroon; Congo; Democratic Republic of Congo; Ghana; Ivory Coast; Philippines; Tajikistan; Uzbekistan; Vietnam) and lower for one duty station (Liberia).

- Whenever integrating the results of new price surveys generates a significantly higher or lower parity than the previous value in force, the approved smoothing mechanism is applied to gradually implement that change. The period over which this smoothing applies can vary, in accordance with procedural guidelines adopted by the Article 64&65 Working Group.

  In addition to the 11 duty stations for which new price surveys were integrated that had a significant impact, smoothing mechanism will continue to apply after June 2019 for the following 2 locations where the impact of older surveys are being gradually applied: Egypt, Ethiopia.

- Updated ISRP PPPs at January 2019 were introduced to calculate CCs for the following 7 duty stations: Australia; Canada; Japan; South Korea; Mexico; New Zealand; United States (Washington).

- Updated ECP PPPs at January 2019 were introduced to calculate CCs for the following 5 duty stations: Iceland; Norway; Switzerland (Bern, Geneva); Turkey.

- Data is now available to establish updated ECP PPPs at July 2019 for the following 6 Balkan duty stations: Albania; Bosnia and Herzegovina (Sarajevo & Banja Luka); North Macedonia; Montenegro; Serbia. Following validation process, they will therefore be introduced to calculate CCs in the next Intermediate Report. For the current report, the parity values continue to be extrapolated on the basis of previous results.

- For all locations where no new survey-based results are introduced, the only explanatory factor for change in parity relative to Brussels is the movement in price level measured by evolution of the local consumer price index relative to evolution of the Joint Belgium-Luxembourg Index.

  During the period January 2019 - June 2019, local inflation was lower than in Brussels for 54 duty stations, and the local inflation was equal to or higher than in Brussels for 81 duty stations.

- Angola: The currency (Kwanza) has continued to depreciate against the Euro since January 2019, however the increase in the parity due to inflation was greater, thus the CC has increased from 103.2 in January 2019 to 106.9 in April 2019.

- Argentina: The parity value continues to rise due to high local inflation by comparison to Brussels (+17.4% during the period January 2019 - June 2019), which explains the frequent triggering of the 5% rule during the period. In parallel, the currency (Peso) continues to depreciate against the Euro – it experienced a further sudden depreciation by 20% in August 2019 (after the reference period for the current report).

- Congo: The parity reflects integration of the latest price survey. That survey shows a higher price level relative to Brussels than the parity previously in force, and the smoothing mechanism is therefore applied to gradually implement the result (like when the preceding price survey showed a decrease). Consequently, also due to subsequent consumer price indexation, the CC was increased from 108.5 at January 2019 to 116.9 at June 2019 (+7.7%).

- Democratic Republic of the Congo: The parity value continues to be expressed in CDF in order to best reflect the impact of local price movements. It has been possible to process and integrate results of the June 2019 UN ICSC price survey for this Results Package. These show a higher parity than the previous value in force, and the smoothing mechanism is applied to gradually implement that result (in the same way as it was applied when preceding price survey showed a decrease). Consequently the CC increased from 94.0 at January 2019 to 99.9 in April 2019 (+6.3%) and continued to rise thereafter (although not sufficient to trigger the 5% rule). The CC will exceed 100 in the July 2019 Annual Update report.

- Egypt: The parity increase due to inflation triggered the 5% rule on two occasions during the period January 2019 - June 2019. The currency appreciated against the Euro by 7.7% since January 2019.

The combined effect is therefore an increase in the CC, which nevertheless remains lower than 100.

- Israel and West Bank–Gaza Strip: In the absence of alternative sources the parities for these two duty stations are currently based on the same underlying price survey data: this will change when PPP data becomes available from the OECD for Tel Aviv (now expected for January 2020).
- New Caledonia: Pending clarification of the uncertainty about the precise status of New Caledonia following 2018 independence referendum, the parity continues to be based on the results of the price survey conducted in 2009 and subsequent consumer price indexation.
- Russia: The currency has appreciated against the Euro by 9.1% since January 2019, however movement in the economic parity was not enough to trigger the 5% rule.
- South-Sudan: The parity value continues to rise due to high local inflation by comparison to Brussels (+64% during the period January 2019 - June 2019), which explains the frequent triggering of the 5% rule during the period.
- USA-New York: Pending the organisation of a new price survey in New York, the parity continues to be based on the results of the price survey conducted in 2009.
- Zimbabwe: In May 2019 the government introduced a new official currency (the “Zimbabwe Dollar”) and in June they outlawed the use of other currency for local transactions. Official consumer price indices are henceforward measured in the new currency and no longer in US Dollars (the previous de facto currency). In accordance with procedural guidelines adopted by the Article 64&65 Working Group in March 2018, pending the organisation of a new price survey in Zimbabwe, the values presented in the current report are still expressed in US Dollars: the parity value has been frozen.
- As signalled in the preceding Intermediate Report, name changes have been implemented in the current report for 3 duty stations:
    a) Macedonia: Following ratification of the 2018 “Prespa” agreement, the name has changed from Former Yugoslav Republic of Macedonia (FYROM) to Republic of North Macedonia. As the tables are presented in alphabetic order, the positioning has therefore changed (from “F” to “N”).
    b) Swaziland: The name change to eSwatini has been implemented. As the tables are presented in alphabetic order, the positioning has therefore changed (from “S” to “E”).
    c) Kazakhstan: the name change of the capital city from Astana to Nur-Sultan has been implemented.

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APPENDICES

"CC022019"	Economic parity, exchange rate, weighting (correction coefficient) for February 2019
"CC032019"	Economic parity, exchange rate, weighting (correction coefficient) for March 2019
"CC042019"	Economic parity, exchange rate, weighting (correction coefficient) for April 2019
"CC052019"	Economic parity, exchange rate, weighting (correction coefficient) for May 2019
"CC062019"	Economic parity, exchange rate, weighting (correction coefficient) for June 2019

"CHG022019"	Variation in economic parity exceeds 5%, comparing February 2019 and previous value (July 2018 or subsequent).
"CHG032019"	Variation in economic parity exceeds 5%, comparing March 2019 and previous value (July 2018 or subsequent).
"CHG042019"	Variation in economic parity exceeds 5%, comparing April 2019 and previous value (July 2018 or subsequent).
"CHG052019"	Variation in economic parity exceeds 5%, comparing May 2019 and previous value (July 2018 or subsequent).
"CHG062019"	Variation in economic parity exceeds 5%, comparing June 2019 and previous value (July 2018 or subsequent).

"5 per cent Rule period July 2018 or subsequent to June 2019"

Summary table showing the time series of PPP and CC values for which the 5% rule generates a change; duty stations with CC>100 are highlighted in bold.

In the tables, parities are presented with 4 significant digits, exchange rates with 6 significant digits, and the weightings (correction coefficients) are presented rounded to one decimal place.