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**Eurostat Report  
on the Intermediate Adjustment of remuneration and pensions of EU officials**

**In accordance with the Articles 64, 65 and Annex XI of the Staff Regulations  
applicable to officials and other servants of the European Union**

**Reference period:  
1 July 2012 – 1 January 2013**

## CONTENTS

Executive Summary .....	2
1. Introduction .....	3
2. The Brussels International Index, June-December 2012 .....	3
3. PPP for staff at December 2012 .....	4
4. PPP for pensioners at December 2012 .....	4
5. Global Specific Indicator forecast to July 2013 .....	4
6. Calculation of the intermediate adjustment .....	5
Appendix ONE: Brussels International Index .....	6
Appendix TWO: Staff PPPs and Pensioner PPPs .....	9
Appendix THREE: Forecast of Global Specific Indicator.....	18

## EXECUTIVE SUMMARY

The report presents all the information required for the intermediate adjustment of remuneration and pensions in Belgium/Luxembourg and in other places, including:

- evolution of the purchasing power of national officials (global specific indicator forecast);
- changes in the cost of living in Brussels (Brussels International Index);
- correction coefficients for staff and pensioners.

For the period June 2012 – December 2012 the Brussels International Index (cost of living measured for the EU officials) is 101.0 (+1.0%). Details are provided in Appendix One. This does not exceed the specified threshold. In consequence, no intermediate adjustment of the nominal net remuneration and pension of European officials in Belgium and Luxembourg is required.

For the period 1.July 2012 – 1.July 2013 the forecast global specific indicator (average change in real net remuneration in the sample of 8 countries) is 98.0 (-2.0 %). As this is negative, half of this value has to be taken into account, namely -1.0% (99.0). Details are provided in Appendix Three.

As a consequence of the foregoing, the intermediate adjustment of the nominal net remuneration and pension of European officials outside Belgium and Luxembourg which is necessary to maintain a parallel development of purchasing power with the national civil servants in the Member States is equal to +0.1% (product of 101.0 and 99.0).

The correction coefficients which would apply to remuneration and pensions outside Belgium and Luxembourg in order to maintain equality of purchasing power at December 2012 are provided in Appendix Two. The product of the Brussels International Index and the changes in the economic parities with Brussels for staff did not exceed the specified threshold for any duty station location. The movement for pensioners did not exceed the specified threshold in any country.

In consequence, there is no intermediate adjustment required at 1<sup>st</sup> January 2013.

All figures and calculations contained in this report are based on data supplied by the responsible authorities in the Member States. More information on methodology, detailed results and statistical analysis is available in the annexes to this report and detailed procedural manuals. For any information concerning this report, please contact Eurostat in Luxembourg:

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## **1. INTRODUCTION**

The proposed July 2012 annual adjustment to remuneration and pensions was communicated by the Commission to the Council on 24<sup>th</sup> November 2011<sup>1</sup> on the basis of a report drawn up by Eurostat<sup>2</sup>, together with an additional report providing supplementary information on application of the Exception Clause<sup>3</sup>. The Council decision not to adopt this proposal was published on 22<sup>nd</sup> December<sup>4</sup>. Various claims and counter-claims have been lodged with the European Court of Justice; however the underlying figures have not been contested. Eurostat has prepared the current report on the presumption that the July 2012 values will eventually apply.

Under the Staff Regulations, an Intermediate Adjustment is made where the cost of living measured in the reference city (i.e. Brussels International Index) or the cost of living measured in any individual duty station (i.e. implicit index, being the combined impact of the BII and the change in the local purchasing power parity relative to Brussels) exceeds a specified threshold. This threshold is set at 7% for the year, interpreted as  $\pm 3.5\%$  for six months by a decision of the Article 64 Working Group in April 2005. It is therefore necessary to compute the BII for the period June-December and the Staff and Pensioner PPP at December. This document summarises the result of those calculations.

The Staff Regulations also provide that if the global specific indicator forecast (the movement in net remuneration of national civil servants) is negative, half of this amount has to be taken into account for the intermediate adjustment calculation. It is therefore necessary to compile and validate these forecasts for the period July-July. This document also summarises those results.

## **2. THE BRUSSELS INTERNATIONAL INDEX, JUNE-DECEMBER 2012**

The December 2012 index was computed according to the same standard methodology applied to establish the June 2012 value; in the absence of any new Staff Housing Survey amongst EU staff in Brussels, the rent sub-index from the HICP was used for the 2 basic headings for rent. The 80 basic heading indices are then aggregated using weights from the most recent Survey of Household Expenditure conducted amongst EU staff in Brussels (i.e. the same as applied to produce the June result), to establish an overall value.

The variation between the June 2012 figure and the December 2012 figure gives an index of 101.0 (i.e. +1.0% for the six month period). This BII variation is equal to the HICP movement for the same period (101.0), partly due to weight effects and partly due to price effects. Further information can be found in [Appendix One](#).

The variation is within the threshold ( $\pm 3.5\%$ ).

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<sup>1</sup> See document COM(2011)820.

<sup>2</sup> See document SEC(2011)1436.

<sup>3</sup> See documents COM(2011)829 and COM(2011)440.

<sup>4</sup> See document OJ L.341/54.

### **3. PPP FOR STAFF AT DECEMBER 2012**

The PPP for staff at December 2012 (i.e. 1 January 2013) were computed according to the agreed methodology, updating the individual basic heading PPPs established for June 2012 (i.e. 1 July 2012) using the movement in official HICP between June and December for each duty station relative to the movement of the BII for the same period. The results were then aggregated using the weights from the most recent Survey of Household Expenditure (i.e. the structure applied to produce the June results). Note: as there are no new Estate Agency Rent Surveys in December, the same approach (indexation using official HICP) is also used to update the basic heading PPP for rents. Further information about these PPP can be found in [Appendix Two](#).

By comparison to the June 2012 values, the simple average change in the duty station PPPs is -0.1%. This masks a variation between -1.9% (for CY-Nicosia) and +1.1% (for UK-London and UK-Culham). The PPP change for fifteen locations is negative, and for the remaining fifteen it is zero or positive. Brussels = Luxembourg = zero. These movements can be combined with the BII to establish the implicit price index. No duty stations have an implicit price index which exceeds the threshold ( $\pm 3.5\%$ ) for the period.

### **4. PPP FOR PENSIONERS AT DECEMBER 2012**

The PPP for pensioners at December 2012 (i.e. 1 January 2013) were also computed according to the agreed methodology, taking the updated individual basic heading PPPs established for Staff at December 2012 (i.e. 1 January 2013), and applying the same adjustment to convert rents from capital city price level to national average price level as was used for the June 2012 (i.e. 1 July 2012) calculation. The updated parities are then aggregated using the weights from the most recent Survey of Household Expenditure amongst pensioners (i.e. the structure applied to produce the June results). Further information about these PPP can be found in [Appendix Two](#).

By comparison to the June 2012 values, the simple average change in the PPP is -0.6%. This masks a variation between -4.1% (for LV) and +1.9% (for DK). The PPP change for sixteen countries is negative, and for the remaining nine it is zero or positive. Belgium = Luxembourg = zero. These movements can be combined with the BII to establish the implicit price index. No member state has an implicit price index which exceeds the threshold ( $\pm 3.5\%$ ) for the period.

### **5. GLOBAL SPECIFIC INDICATOR FORECAST TO JULY 2013**

A preliminary estimate of the forecast was presented at the Article 65 Working Group meeting in March 2013. The value of the forecast was finalised shortly thereafter to be -2.0% (98.0). Further information can be found in [Appendix Three](#).

As this forecast is negative, half of the value has to be taken into account for the intermediate adjustment, i.e. -1.0% (99.0).

## 6. CALCULATION OF THE INTERMEDIATE ADJUSTMENT

For the period July 2012 – July 2013, the forecast Global Specific Indicator (GDP-weighted average of the change in real terms of the net remuneration of national civil servants in central government for each country in the sample of 8) is -2.0% (ie. 98.0). Half of this value has to be taken into account, namely -1.0% (ie. 99.0).

Over the period June 2012 to December 2012, the Brussels International Index (cost of living for EU officials) was +1.0% (i.e. 101.0). This does not exceed the threshold.

Therefore, the intermediate adjustment of nominal net remuneration of EU officials *outside Belgium and Luxembourg* necessary to maintain parallel development of purchasing power<sup>5</sup>, is +0.1%.

$$99.0 \times 101.0 = 100.1$$

For staff, changes in the cost of living (measured by implicit indices which are calculated as the product of the Brussels International Index and the changes in the economic parities with Brussels) did not exceed the threshold in any duty station location.

For pensioners, the implicit index did not exceed the threshold for any country.

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<sup>5</sup> Before taking any change in the pension contribution rate and/or the special levy into account.

## APPENDIX ONE: BRUSSELS INTERNATIONAL INDEX

### 1) CALCULATION OF THE BRUSSELS INTERNATIONAL INDEX

For the intermediate adjustment, the same methodology is applied as for the annual adjustment. However, as the Brussels Staff Housing Survey is only conducted annually, there is no fresh information about accommodation rental costs, and the relevant sub-index of the Belgian HICP is used instead.

Thus, for 71 of the 80 basic headings: the relevant sub-index of the Belgian harmonised index of consumer prices (HICP) is used.

For 9 basic headings, where the specific price evolution in Brussels is considered to differ significantly from the situation for the country as a whole, the relevant sub-index from the Brussels-specific national consumer price index is used.

This information is provided by the "Service public fédéral, Economie, P.M.E., Classes moyennes et Energie, division des prix" (Federal Public Service of Belgium, Economy, Small and medium-sized enterprises, Middle classes and Energy, Price indices department).

The basic headings concerned are: Water supply; Electricity; Gas; Other services in respect of personal transport equipment; Passenger transport by road; Combined passenger transport; Restaurants, cafes and the like; Accommodation services; Hairdressing salons and personal grooming establishments

These 80 price indices are then aggregated using weights derived from the latest of the periodic "Survey of Household Expenditures" conducted amongst EU staff in Brussels (2009).

### 2) BRUSSELS INTERNATIONAL INDEX, JUNE 2012-DECEMBER 2012

The following table presents the index values for December 2012 with comparative information for June 2012, base 2005 =100. The variation between these two indices is the Brussels International Index applicable for the current exercise (six months) in the context of the intermediate adjustment. The overall index value for the period is +1.0%.

#### Brussels International Index, 2005=100

##### SHE weights 2009

Rents from HICP	SHE WEIGHTS	INDICES juin-2012	INDICES déc-2012	VARIATION
1 FOOD AND NON-ALCOHOLIC BEVERAGES	128.2	122.7	125.1	102.0
2 ALCOHOLIC BEVERAGES AND TOBACCO	20.3	114.4	115.9	101.3
3 CLOTHING AND FOOTWEAR	54.3	111.0	112.3	101.2
4 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	297.6	110.4	110.9	100.4
5 FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	74.7	112.9	113.6	100.6
6 HEALTH	19.2	101.9	102.0	100.1
7 TRANSPORT	127.2	113.5	114.8	101.2
8 COMMUNICATIONS	21.5	90.0	89.7	99.7
9 RECREATION AND CULTURE	91.7	102.0	103.4	101.4
10 EDUCATION	14.7	115.1	115.6	100.5
11 HOTELS, CAFES AND RESTAURANTS	100.6	123.2	124.6	101.1
12 MISCELLANEOUS GOODS AND SERVICES	50.0	124.0	125.4	101.1
TOTAL WITHOUT RENTS	762.9	117.5	118.8	101.1
RENTS	237.1	100.0	100.3	100.3
<b>TOTAL</b>	<b>1000.0</b>	<b>113.3</b>	<b>114.4</b>	<b>101.0</b>

### 3) BELGIAN HICP

The following table presents the published HICP values for June 2012 and December 2012, base 2005 = 100, and the right-hand column again shows the variation for the period, +1.0%.

#### Belgian HICP index, 2005=100

HICP weights		WEIGHTS		INDICES		WEIGHTS		INDICES		VARIATION
Rents from HICP		from HICP 2012	01/06/2012	from HICP 2012	01/12/2012	from HICP 2012	01/12/2012	from HICP 2012	01/12/2012	
1	FOOD AND NON-ALCOHOLIC BEVERAGES	167.1	122.8	167.1	125.2	167.1	125.2	167.1	125.2	102.0
2	ALCOHOLIC BEVERAGES AND TOBACCO	43.5	119.2	43.5	121.0	43.5	121.0	43.5	121.0	101.5
3	CLOTHING AND FOOTWEAR	66.0	110.0	66.0	111.4	66.0	111.4	66.0	111.4	101.2
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	145.7	134.1	145.7	135.1	145.7	135.1	145.7	135.1	100.7
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	69.4	113.6	69.4	114.2	69.4	114.2	69.4	114.2	100.5
6	HEALTH	48.9	101.9	48.9	102.0	48.9	102.0	48.9	102.0	100.1
7	TRANSPORT	140.7	120.0	140.7	121.0	140.7	121.0	140.7	121.0	100.8
8	COMMUNICATIONS	25.5	89.2	25.5	89.0	25.5	89.0	25.5	89.0	99.7
9	RECREATION AND CULTURE	99.1	107.4	99.1	108.5	99.1	108.5	99.1	108.5	101.0
10	EDUCATION	5.9	115.1	5.9	115.6	5.9	115.6	5.9	115.6	100.5
11	HOTELS, CAFES AND RESTAURANTS	76.6	121.4	76.6	122.0	76.6	122.0	76.6	122.0	100.5
12	MISCELLANEOUS GOODS AND SERVICES	111.6	120.9	111.6	121.9	111.6	121.9	111.6	121.9	100.8
TOTAL WITHOUT RENTS		957.7	118.3	957.7	119.5	957.7	119.5	957.7	119.5	101.0
RENTS		42.3	112.0	42.3	112.4	42.3	112.4	42.3	112.4	100.3
TOTAL		1000.0	118.1	1000.0	119.2	1000.0	119.2	1000.0	119.2	101.0

Overall, the BII for this period (101.0) is equal to the HICP (101.0).

### 4) BRUSSELS INTERNATIONAL INDEX, COMPARED WITH BELGIAN HICP

By comparing the results at the level of the 12 main COICOP groups, reasons for the difference in the value of the overall index can be identified. The table below summarises the principal differences.

The first column and the penultimate column are taken from the tables in sections 2 and 3. The final column shows the total difference. The second and fourth columns show the components of the total difference.

Note: in this analysis, the impact of differing numbers of underlying basic headings and different aggregation approaches is not considered.

#### Variation between Brussels International Index, 2005=100 and Belgian HICP index, 2005=100

BII uses SHE weights 2009 and HICP uses HICP weights		Impact of		BII		total Variation HICP to BII	
BII uses Rents from HICP Period 2012m6 to 2012m12		HICP Indices Variation	new Weights	HICP Prices BII Weights	Impact of new Prices		Variation
1	FOOD AND NON-ALCOHOLIC BEVERAGES	102.0	0.0	102.0	0.0	102.0	0.0
2	ALCOHOLIC BEVERAGES AND TOBACCO	101.5	-0.2	101.3	0.0	101.3	-0.2
3	CLOTHING AND FOOTWEAR	101.2	0.0	101.2	0.0	101.2	0.0
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	100.7	-0.2	100.5	-0.1	100.4	-0.3
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	100.5	0.1	100.6	0.0	100.6	0.1
6	HEALTH	100.1	0.0	100.1	0.0	100.1	0.0
7	TRANSPORT	100.8	0.4	101.2	0.0	101.2	0.4
8	COMMUNICATIONS	99.7	0.0	99.7	0.0	99.7	0.0
9	RECREATION AND CULTURE	101.0	0.4	101.4	0.0	101.4	0.4
10	EDUCATION	100.5	0.0	100.5	0.0	100.5	0.0
11	HOTELS, CAFES AND RESTAURANTS	100.5	0.6	101.1	0.0	101.1	0.6
12	MISCELLANEOUS GOODS AND SERVICES	100.8	0.3	101.1	0.0	101.1	0.3
TOTAL WITHOUT RENTS		101.0	0.2	101.2	-0.1	101.1	0.1
RENTS		100.3	0.0	100.3	0.0	100.3	0.0
TOTAL		101.0	0.0	101.0	0.0	101.0	0.0



## 5) BRUSSELS CPI

The following table presents the Brussels CPI values for June 2012 and December 2012, base 2005 = 100, and the right-hand column again shows the variation for the period, +0.7%.

### Brussels CPI, 2005=100

#### CPI weights

Rents from CPI						
	WEIGHTS	INDICES	WEIGHTS	INDICES	VARIATION	
	from CPI 2012	01/06/2012	from CPI 2012	01/12/2012		
1	FOOD AND NON-ALCOHOLIC BEVERAGES	175.1	125.9	175.1	127.6	101.3
2	ALCOHOLIC BEVERAGES AND TOBACCO	21.2	113.6	21.2	116.4	102.5
3	CLOTHING AND FOOTWEAR	62.8	109.5	62.8	110.8	101.1
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	158.1	130.1	158.1	130.8	100.5
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	73.4	112.8	73.4	113.0	100.2
6	HEALTH	42.8	100.8	42.8	100.5	99.7
7	TRANSPORT	157.3	114.3	157.3	115.3	100.8
8	COMMUNICATIONS	36.9	91.4	36.9	91.2	99.7
9	RECREATION AND CULTURE	125.2	113.1	125.2	113.3	100.1
10	EDUCATION	5.8	116.7	5.8	117.8	100.9
11	HOTELS, CAFES AND RESTAURANTS	70.8	125.5	70.8	126.2	100.6
12	MISCELLANEOUS GOODS AND SERVICES	70.7	121.5	70.7	123.1	101.3
<hr/>						
	TOTAL WITHOUT RENTS	937.2	118.8	937.2	119.6	100.7
	RENTS	62.8	109.3	62.8	109.9	100.6
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	<b>TOTAL</b>	<b>1000.0</b>	<b>118.2</b>	<b>1000.0</b>	<b>119.0</b>	<b>100.7</b>

Overall, the BII for this period (101.0) is 0.3 points *higher* than the Brussels CPI (100.7).

The CPI aggregates use national source data rebased from 2004 to 2005 and reformatted to match HICP and BII.

## **APPENDIX TWO: STAFF PPPS AND PENSIONER PPPS**

### **1) CALCULATION OF CORRECTION COEFFICIENTS**

The correction coefficients (CC) applicable to the salaries of the European institution officials working in the capitals and places of employment other than Brussels and Luxembourg are determined on the basis of the relationships between the economic parities (PPP) and the exchange rates for the month of July. The correction coefficient operates as a percentage adjustment to remuneration to take account of the cost of living differences between Brussels and the various duty stations.

For pensioners, a similar principle applies. The difference is that instead of being based on capital city price comparisons they relate to national comparisons, with Belgium as the base country.

### **2) STEPS TO PRODUCE PPPS FOR INTERMEDIATE ADJUSTMENT**

#### **2.A) STAFF PPPS**

The object of the economic parities is to compare the relative costs of living of EU officials in Brussels (reference city) with each of the European capitals and other places of employment for which a correction coefficient has been set. The method used is to compare the price of a "basket" of goods and services in Brussels with the prices of the same goods and services in each of the other places of employment. The weighted average of all the price ratios is the "economic parity". The average consumption expenditure pattern of EU officials is used as weights, identified by means of periodic surveys of household expenditure. In places of employment outside Brussels with very few officials, a common structure pooling all the questionnaires from similar locations is derived instead.

The starting point is the parities for the 80 basic headings, as established for the annual adjustment of the year in question (i.e. 1<sup>st</sup> July 2012).

For each duty station, the individual basic heading parities are then updated using the movement in official HICP between June and December, relative to the movement of the BII for the same period.

Note that there is no new Staff Housing Survey in Brussels in December, so the BII movement for rents is the same as the Belgian HICP movement for rents.

Note: the same approach (indexation using official HICP) is also applied for the basic headings relating to rents, rather than calculation of a new parity, as there are no new Estate Agency Rents Surveys in Brussels or the various duty stations.

Finally, the updated basic heading parities are aggregated using the same expenditure weighting structure as was used to establish the 1<sup>st</sup> July overall parity.

#### **2.B) PENSIONER PPPS**

In line with the decision at the 2008 meeting of the Article 64 Group, the approach to calculate PPPs for

Pensioners for the Intermediate Adjustment is the same as the approach to establish those for the Annual Adjustment.

In this case, the parities for all basic headings, except rents, are set equal to the updated parities established for Staff. A specific adjustment is then made to rent parities to convert them from capital city price level to national average price level. The same adjustment factor is applied for the intermediate adjustment as was applied for the July calculation.

The updated parities for all basic headings are then aggregated using consumption expenditure weights derived from the wide scale Family Budget Survey amongst pensioners which was last conducted in 2002.

### **3) CALCULATED VALUES AT DECEMBER 2012**

#### **3.A) STAFF PPPS**

The following **Table 3.A** presents the calculated values of the economic parities and correction coefficients for staff as at 1<sup>st</sup> January 2013 (i.e. December 2012), ranked by magnitude of correction coefficient value. Exchange rates for 1<sup>st</sup> July 2012 are used, for consistency with the Annual Adjustment.

Eleven locations have a correction coefficient higher than 100; the remaining nineteen have a correction coefficient equal to or below 100. Brussels = Luxembourg = 100.

#### **3.B) PENSIONER PPPS**

Similarly, the following **Table 3.B** presents the calculated values of the economic parities and correction coefficients for pensioners as at 1<sup>st</sup> January (ie. December), ranked by magnitude. Exchange rates for 1<sup>st</sup> July are used.

Seven locations have a CC greater than 100; the remaining eighteen have a coefficient equal to or below 100. Belgium = Luxembourg = 100.

TABLE 3.A

## STAFF

		01-janv-13 Final		
		PPP	Ex. Rate	CC
BG	Sofia	1.152	1.956	58.9
RO	Bucharest	3.088	4.451	69.4
LT	Vilnius	2.471	3.453	71.6
PL	Warsaw	3.139	4.287	73.2
LV	Riga	0.536	0.697	77.0
EE	Tallinn	0.778	1	77.8
HU	Budapest	224.5	287.8	78.0
SK	Bratislava	0.789	1	78.9
CZ	Prague	20.61	25.81	79.9
CY	Nicosia	0.825	1	82.5
MT	Valletta	0.826	1	82.6
PT	Lisbon	0.836	1	83.6
SI	Ljubljana	0.850	1	85.0
EL	Athens	0.891	1	89.1
IT	Varese	0.933	1	93.3
DE	Karlsruhe	0.942	1	94.2
DE	Bonn	0.944	1	94.4
DE	Berlin	0.962	1	96.2
ES	Madrid	0.975	1	97.5
IT	Rome	1.040	1	104.0
NL	The Hague	1.061	1	106.1
DE	Munich	1.068	1	106.8
AT	Vienna	1.068	1	106.8
IE	Dublin	1.096	1	109.6
UK	Culham	0.909	0.799	113.7
FR	Paris	1.173	1	117.3
FI	Helsinki	1.223	1	122.3
SE	Stockholm	11.57	8.801	131.4
DK	Copenhagen	9.975	7.433	134.2
UK	London	1.194	0.799	149.4

TABLE 3.B

**PENSIONERS**

	01-janv-13		
	PPP	Ex. Rate	CC
<b>BG</b>	1.097	1.956	56.1
<b>CZ</b>	18.74	25.81	72.6
<b>DK</b>	9.645	7.433	129.8
<b>DE</b>	0.974	1	97.4
<b>EE</b>	0.778	1	77.8
<b>EL</b>	0.874	1	87.4
<b>ES</b>	0.914	1	91.4
<b>FR</b>	1.089	1	108.9
<b>IE</b>	1.032	1	103.2
<b>IT</b>	0.984	1	98.4
<b>CY</b>	0.854	1	85.4
<b>LV</b>	0.500	0.697	71.8
<b>LT</b>	2.421	3.453	70.1
<b>HU</b>	196.0	287.8	68.1
<b>MT</b>	0.822	1	82.2
<b>NL</b>	0.997	1	99.7
<b>AT</b>	1.043	1	104.3
<b>PL</b>	2.777	4.287	64.8
<b>PT</b>	0.824	1	82.4
<b>RO</b>	2.666	4.451	59.9
<b>SI</b>	0.815	1	81.5
<b>SK</b>	0.728	1	72.8
<b>FI</b>	1.141	1	114.1
<b>SE</b>	10.873	8.8009	123.5
<b>UK</b>	0.958	0.799	120.0

#### 4) COMPARISON OF STAFF CC WITH PENSIONER CC

The following table compares calculated correction coefficients at 1<sup>st</sup> January 2013 for pensioners and staff. Some quite large differences are apparent for rents; the difference is smaller when rents are excluded. The variations are due to the rent price adjustment to produce pensioner PPPs and to the use of a different weighting structure for pensioners.

#### INTERMEDIATE ADJUSTMENT : Jan 2013 pensioner CCs compared to staff CCs

Correction coefficients for pensioners				Correction coefficients for staff			
Country	without rent	rents	Total	Capital	without rent	rents	Total
<b>BE</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>Brussels</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
BG	61.9	20.9	56.1	Sofia	61.5	50.3	58.9
CZ	72.6	73.6	72.6	Prague	72.3	108.1	79.9
DK	128.3	138.7	129.8	Copenhagen	126.1	159.4	134.2
DE	95.8	108.4	97.4	Berlin	96.2	96.4	96.2
EE	4.9	5.4	5.0	Tallinn	5.0	4.9	5.0
EL	86.8	91.7	87.4	Athens	88.3	93.8	89.1
ES	90.4	99.0	91.4	Madrid	90.4	128.4	97.5
FR	103.4	149.4	108.9	Paris	102.8	178.9	117.3
IE	99.5	126.7	103.2	Dublin	103.3	137.3	109.6
IT	95.0	122.9	98.4	Rome	95.5	143.4	104.0
CY	88.6	65.0	85.4	Nicosia	89.8	59.8	82.5
LV	73.3	58.2	71.8	Riga	73.8	88.3	77.0
LT	70.3	69.7	70.1	Vilnius	68.3	83.5	71.6
HU	68.7	64.1	68.1	Budapest	69.1	112.5	78.0
MT	82.4	82.7	82.2	Vallette	84.8	75.2	82.6
NL	99.5	100.7	99.7	The Hague	99.7	132.9	106.1
AT	99.4	139.2	104.3	Vienna	100.1	129.4	106.8
PL	66.0	54.4	64.8	Warsaw	64.8	107.6	73.2
PT	85.4	64.8	82.4	Lisbon	85.9	76.6	83.6
RO	61.8	44.9	59.9	Bucharest	60.4	107.1	69.4
SI	82.7	73.6	81.5	Ljubljana	83.3	90.6	85.0
SK	74.8	56.2	72.8	Bratislava	75.0	92.9	78.9
FI	112.0	128.1	114.1	Helsinki	113.1	153.4	122.3
SE	118.7	158.0	123.5	Stockholm	120.3	171.2	131.4
UK	107.2	213.7	120.0	London	110.0	329.7	149.4

## 5) CHANGES IN THE AGGREGATE PPPS

### 5.A) STAFF PPPS

The following **Table 5.A** shows the changes in the economic parities for staff by comparison to those established for 1<sup>st</sup> July 2012, and the associated implicit price index (which also takes BII into account).

The simple average change in the PPP relative to Brussels is -0.1%. This masks a variation between -1.9% (for CY-Nicosia) and +1.1% (for UK-London and UK-Culham). The PPP 'evolution' for fifteen locations is negative, and for the remaining fifteen it is zero or positive. Brussels = Luxembourg = zero.

**No duty station has an implicit price index which exceeds  $\pm 3.5\%$  for the six months.**

### 5.B) PENSIONER PPPS

The following **Table 5.B** shows the changes in the economic parities for pensioners by comparison to those established for 1<sup>st</sup> July, and the associated implicit price index (which also takes BII into account).

The simple average change in the PPP relative to Brussels is -0.6%. This masks a variation between -4.1% (for LV) and +1.9% (for DK). The PPP 'evolution' for sixteen locations is negative, and for the remaining nine it is zero or positive. Belgium = Luxembourg = zero.

**No country has an implicit price index which exceeds  $\pm 3.5\%$  for the six months.**

TABLE 5.A

## STAFF

		01-juil-12	01-janv-13		
		Final	Final		
		PPP	PPP	Change	Implicit
BG	Sofia	1.143	1.152	0.8	1.8
CY	Nicosia	0.841	0.825	-1.9	-1.0
CZ	Prague	20.80	20.61	-0.9	0.1
DE	Munich	1.064	1.068	0.4	1.4
DE	Berlin	0.958	0.962	0.4	1.4
DE	Bonn	0.941	0.944	0.4	1.4
DE	Karlsruhe	0.938	0.942	0.4	1.4
DK	Copenhagen	10.06	9.975	-0.8	0.2
EE	Tallinn	0.776	0.778	0.3	1.3
EL	Athens	0.905	0.891	-1.6	-0.6
ES	Madrid	0.971	0.975	0.5	1.5
FI	Helsinki	1.221	1.223	0.2	1.2
FR	Paris	1.177	1.173	-0.3	0.7
HU	Budapest	225.3	224.5	-0.4	0.6
IE	Dublin	1.106	1.096	-0.9	0.1
IT	Varese	0.934	0.933	-0.2	0.8
IT	Rome	1.042	1.040	-0.1	0.9
LT	Vilnius	2.467	2.471	0.1	1.1
LV	Riga	0.541	0.536	-0.8	0.2
MT	Valletta	0.833	0.826	-0.9	0.1
NL	The Hague	1.053	1.061	0.8	1.8
AT	Vienna	1.064	1.068	0.4	1.4
PL	Warsaw	3.180	3.139	-1.3	-0.3
PT	Lisbon	0.835	0.836	0.1	1.1
RO	Bucharest	3.064	3.088	0.8	1.8
SE	Stockholm	11.61	11.57	-0.4	0.6
SI	Ljubljana	0.853	0.850	-0.4	0.6
SK	Bratislava	0.797	0.789	-1.0	0.0
UK	London	1.181	1.194	1.1	2.1
UK	Culham	0.899	0.909	1.1	2.1

Simple average change -0.1



TABLE 5.B

## PENSIONERS

	01-juil-12	01-janv-13	Change	Implicit
	Final	Final		
	PPP	PPP		
<b>BG</b>	1.122	1.097	-2.2	<b>-1.3</b>
<b>CY</b>	0.874	0.854	-2.3	<b>-1.3</b>
<b>CZ</b>	19.24	18.74	-2.6	<b>-1.6</b>
<b>DE</b>	0.966	0.974	0.9	<b>1.9</b>
<b>DK</b>	9.461	9.645	1.9	<b>3.0</b>
<b>EE</b>	0.780	0.778	-0.3	<b>0.7</b>
<b>EL</b>	0.890	0.874	-1.8	<b>-0.8</b>
<b>ES</b>	0.909	0.914	0.5	<b>1.6</b>
<b>FI</b>	1.138	1.141	0.3	<b>1.3</b>
<b>FR</b>	1.092	1.089	-0.3	<b>0.6</b>
<b>HU</b>	197.7	196.0	-0.9	<b>0.1</b>
<b>IE</b>	1.045	1.032	-1.2	<b>-0.2</b>
<b>IT</b>	0.974	0.984	1.0	<b>2.0</b>
<b>LT</b>	2.401	2.421	0.8	<b>1.8</b>
<b>LV</b>	0.521	0.500	-4.1	<b>-3.1</b>
<b>MT</b>	0.837	0.822	-1.7	<b>-0.7</b>
<b>NL</b>	1.009	0.997	-1.1	<b>-0.2</b>
<b>AT</b>	1.032	1.043	1.1	<b>2.1</b>
<b>PL</b>	2.845	2.777	-2.4	<b>-1.4</b>
<b>PT</b>	0.828	0.824	-0.6	<b>0.4</b>
<b>RO</b>	2.669	2.666	-0.1	<b>0.9</b>
<b>SE</b>	10.90	10.87	-0.2	<b>0.8</b>
<b>SI</b>	0.812	0.815	0.3	<b>1.3</b>
<b>SK</b>	0.735	0.728	-0.9	<b>0.1</b>
<b>UK</b>	0.950	0.958	0.9	<b>1.9</b>
	Simple average change		-0.6	

## **6). REASONS FOR THE CHANGES IN THE AGGREGATE PPPS**

Changes in the PPPs for 1<sup>st</sup> January 2013, by comparison to those for 1<sup>st</sup> July 2012, can solely arise from indexation. There has been no new price data introduced, no new weighting data and no change in methodology.

However, it is important to note that the updating is done at basic heading level, and then aggregated. The expenditure patterns of EU officials/EU pensioners (used to establish the aggregate PPPs) typically differ from the expenditure patterns of national population (used to aggregate the HICP sub-indices). For this reason alone, there may be a difference in the change in the overall PPP and the evolution of the all-items HICP.

It is also important to remember that it is the movement relative to Brussels which is important. Local prices may well have changed...but prices in Brussels may have changed too, and by a different amount.

Various private sector and public sector organisations produce their own cost of living comparisons. Methodological differences – for example in the quantity and quality of price information, in the pertinence of weightings data and the agreed calculation formulae, in the reference basis, in the validation process – explain why the official statistics produced for EU purposes by Eurostat represent a 'gold standard' which may not necessarily indicate similar levels or follow similar trends to those other reported figures.

## **APPENDIX THREE: FORECAST OF GLOBAL SPECIFIC INDICATOR**

### **1) STEPS TO PRODUCE GSI FORECAST**

Article 1.4 of the Annex XI says that to establish a global specific indicator for the European Union, Eurostat shall use a sample composed of the following 8 Member States: Belgium, Germany, Spain, France, Italy, Luxembourg, the Netherlands and the United Kingdom.

For the intermediate adjustment, data is compiled from the above mentioned eight Member States about the expected changes in net remuneration in nominal terms, between 1.July 2012 and 1.July 2013. Where these are not available, Eurostat or DG ECFIN estimates are used instead.

National estimates of expected changes in the harmonized consumer price indices (inflation rates) during the period June 2012 to June 2013 have been used to transform nominal changes in the remunerations into movements in real terms. Where these are not available, Eurostat or DG ECFIN estimates are used instead.

In order to get the global specific indicator the results per country have been weighted in proportion to their national GDP for the year 2011 expressed in purchasing power parities (i.e. latest data for the same reference weights as were used for the most recent annual adjustment exercise).

A preliminary estimate of the forecast was presented at the Article 65 Working Group meeting in March 2013. Following bilateral confirmation of data with Member States, the value of the global specific indicator forecast was finalised shortly thereafter.

The forecast global specific indicator (average change in real net remuneration) for the year to 1.July 2013 is 98.0 (-2.0%).

2) RESULTS TABLE (VALUES AFTER 22.3.2013 MEETING OF ARTICLE 65 WORKING GROUP)

**Specific Indicator (1)**  
**Forecast of real changes in the remuneration of national civil servants in the twelve-month period to 1st July 2013 : Single and married officials with two children**

Country	Nominal change net remuneration (2) (%)	Change in HICP (3) (%)	Real change net remuneration (%)	Weight (4)		Effect on the total EU8 (%)	Source of estimate
				EU27=100	EU8=100		
BE	1.1	1.2	0.0	2.6	3.4	0.00	28.02.2013
DE	0.7	2.0	-1.3	19.6	26.0	-0.33	28.02.2013
ES	-2.6	2.9	-5.3	9.0	11.9	-0.64	19.03.2013
FR	0.2	1.6	-1.3	14.0	18.5	-0.25	01.03.2013
IT	0.0	2.4	-2.3	12.1	16.0	-0.38	28.02.2013
LU	2.5	2.4	0.1	0.3	0.4	0.00	ESTAT: assume indexation (last 2011/10). HICP=ESTAT.
NL	0.5	3.0	-2.4	4.3	5.7	-0.14	01.03.2013
UK	1.0	2.7	-1.7	13.6	18.0	-0.30	ESTAT: Treasury target per 2013 budget. HICP=ESTAT.
Global	0.2	2.3	-2.0	75.5	100.0	-2.03	

(1) The figures presented in this table are Eurostat estimates based on information supplied by country delegates and other sources and do not prejudice the outcomes of any current or future pay negotiations

(2) Net remuneration (= gross remuneration less statutory deductions) (MS estimate, except LU, UK)

(3) GDP 2011 in PPS at current prices (website enquiry 05.02.2013)

(4) All-items HICP (MS estimate, or website enquiry 15.03.2013 for 2013M02 (ES, LU) or 2013M01 (UK))

THUS	Int.Adj=	101.1	(BII) x (50% GSI if -ve)	99.0	=	100.1
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6 months BII

THUS	Ann.Adj=	101.2	(BII) x (GSI)	98.0	=	99.2
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forecast

12 months - BE hicip as proxy

### 3) STEPS TO COMPUTE THE INTERMEDIATE ADJUSTMENT

Where the intermediate adjustment is not applicable to all duty stations (which will only be the case where the cost of living evolution recorded in Brussels is greater than the threshold (i.e. six month BII exceeds  $\pm 3.5\%$ )) then there is no updating of the standard salary grill.

Instead, the intermediate adjustment has to be applied only to selected duty stations (for staff) or selected countries (for pensioners). This is achieved by multiplying those correction coefficients established for intermediate adjustment purposes at 1<sup>st</sup> January (i.e. December) for which the implicit index exceeds the threshold ( $\pm 3.5\%$ ), by the product of the BII evolution and half of the GSI forecast (if negative).

$$\begin{aligned} &= \text{CC} \times [ \text{BII} \times \frac{1}{2} \text{GSI (if negative)} ] \\ &= ??? \times [ ??? \times ( 100 - \frac{1}{2} ( 100 - ??? ) ) ] / 100 \end{aligned}$$

Thus, for the December 2012 exercise,

$$\begin{aligned} &= ??? \times [ \mathbf{101.0} \times ( 100 - \frac{1}{2} ( 100 - \mathbf{98.0} ) / 100 ) ] / 100 \\ &= ??? \times [ 101.0 \times ( 100 - \frac{1}{2} ( 2.0 ) / 100 ) ] / 100 \\ &= ??? \times [ 101.0 \times ( 100 - 1.0 ) / 100 ] / 100 \\ &= ??? \times [ 101.0 \times ( 99.0 / 100 ) ] / 100 \\ &= ??? \times [ 100.1 ] / 100 \end{aligned}$$

However, as the implicit index for the period did not exceed the threshold for any duty station (for staff) or any country (for pensioners), this calculation is not required.