EUROPEAN COMMISSION EUROSTAT

Directorate C: National Accounts; prices and key indicators Unit C.3: Statistics for administrative purposes





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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 2013 – 1 January 2014

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EXECUTIVE SUMMARY

This is the first intermediate report under the EU Staff Regulations as amended by Regulation 1023/2013.

The annual adjustment of remuneration and pensions in Belgium and Luxembourg is temporarily suspended by Article 65(3) of the Staff Regulations which introduced an immediate two-year pay freeze. In these circumstances, only the information required for the adjustment of remuneration and pensions outside Belgium/Luxembourg is applicable, namely:

- correction coefficients for Intra-EU staff and pensioners¹.

Nevertheless, the report also presents all the information required to evaluate the theoretical need 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 Belgium and Luxembourg (Joint Index);

The specified threshold to trigger an intermediate adjustment is a movement in purchasing power parity of 3.0% or more for the six months or more 1.July-1.January².

For the period 1.July 2013 - 1.July 2014 the forecast global specific indicator (average change in real net remuneration in the sample of 11 countries) is 99.6 (-0.4%). As this is negative, half of this value would normally have to be taken into account for any intermediate adjustment, namely -0.2% (99.8). Details are provided in <u>Appendix One</u>.

For the period June 2013 – December 2013 the Joint Index (change in the cost of living measured for the EU officials) is 100.7 (+0.7%). Details are provided in <u>Appendix Two</u>, together with comparative information. This change does not exceed the specified threshold. In consequence, no intermediate adjustment of the nominal remuneration and pension of European officials in Belgium and Luxembourg would normally be required.

As a consequence of the foregoing, the intermediate adjustment of the nominal net remuneration and pension of European officials outside Belgium and Luxembourg which would normally be necessary to maintain a parallel development of purchasing power with the national civil servants in the Member States is equal to +0.5% (product of 100.7 and 99.8).

The correction coefficients which would apply to remuneration of active staff and the pensions of retired staff outside Belgium and Luxembourg in order to maintain equality of purchasing power at December 2013 are provided in <u>Appendix Three</u>.

The implicit index is the product of the Joint Index and the changes in the economic parities with Brussels for staff, which exceeds the specified threshold (3.0%) in one duty station location, CY-Nicosia. If only the change in the economic parity is taken into account, the movement exceeds the specified threshold in both CY-Nicosia and EL-Athens.

The corresponding movement in the implicit index for pensioners exceeded the specified threshold in two countries: Denmark and Cyprus. If only the change in the economic parity is taken into account, the movement exceeds the specified threshold in three countries: Denmark, Greece and Cyprus.

In consequence, there is an intermediate adjustment required at 1^{st} January 2014 for these locations. A table showing the computed values of the is shown in <u>Appendix Four</u>. This shows the calculated values of the correction coefficients at 1^{st} January 2014 for the locations concerned, and revised values integrating the intermediate adjustment.

¹ Intermediate correction coefficients for Extra-EU staff are presented in a separate report because a different sensitivity threshold applies under Annex X of the Staff Regulations than under Annex XI.

² Equivalent to 6.0% for the year 1.July-1.July.

With the exception of the information about staff numbers in Brussels and Luxembourg obtained from Commission internal services and consumption expenditure pattern data compiled by Eurostat direct survey of staff, 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 manuals³. For any information concerning this report, please contact Eurostat in Luxembourg:

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³ Document A6465/14/26 methodology for the calculation of Specific Indicators and document A6465/14/58 methodology for the calculation of the Joint Index, versions as adopted by the A646&65 working group meeting in Luxembourg in March 2014.

1. INTRODUCTION

In accordance with the pay freeze imposed by Article 65(4) of the Staff Regulations amended by Regulation 1023/2013, proposals were presented by the Commission to the Council for the adjustment of correction coefficients applied for the remuneration of pensioners and of Intra-EU and Extra-EU staff as at July 2013 on the basis of a report drawn up by Eurostat⁴ but no proposal for a July 2013 annual adjustment to remuneration and pensions was communicated by the Commission on the basis of the supplementary report drawn up by Eurostat⁵ and addendum to that report⁶. The Council decisions to adopt the proposals on correction coefficients at July 2013 were published on 17th December 2013⁷.

Under the Staff Regulations, an Intermediate Adjustment is normally made where the cost of living measured in Belgium and Luxembourg (i.e. Joint Index) or the cost of living measured in any individual duty station outside Belgium and Luxembourg (i.e. implicit index, being the combined impact of the Joint Index and the change in the local purchasing power parity relative to Brussels) exceeds a specified threshold. This threshold is set at 6% for the year, interpreted as half of that value for six months (ie. 3%) by a decision of the Article 64 Working Group in April 2005. It is therefore necessary to compute the Joint Index for the period June-December and the Staff and Pensioner PPPs 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) for the year to 1.July is negative, half of this amount has normally 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.

During the pay freeze, only the intermediate correction coefficients are applicable. The additional data is produced and included for information purposes only, notably to assist with interpretation of the eventual annual calculations for July 2014.

2. GLOBAL SPECIFIC INDICATOR FORECAST TO JULY 2013

A preliminary estimate of the forecast (weighted average of individual country values in the sample of 11) was presented at the Article 64&65 Working Group meeting in March 2014. The value of the forecast was finalised shortly thereafter to be -0.4% (99.6). Further information can be found in <u>Appendix One</u>.

As this forecast is negative, half of the value has normally to be taken into account for the intermediate adjustment, i.e. -0.2% (99.8).

3. THE JOINT INDEX, JUNE-DECEMBER 2013

The June 2013-December 2013 index was computed according to the agreed methodology, using information about the evolution of consumer prices at detailed level provided by the relevant Belgian and Luxembourgish national authorities and information about numbers of staff in Belgium and Luxembourg provided by internal Commission services, applying aggregation weights from the most recent survey of household expenditure conducted by Eurostat amongst staff.

The Eurostat calculation was presented at the Article 64&65 Working Group meeting in March 2014, and gives an index of 100.7 (i.e. +0.7% for the six month period). This variation is within the specified threshold ($\pm 3.0\%$). In consequence, no intermediate adjustment of the nominal remuneration and pension

⁴ See document SWD(2013)0453 dated 7.11.2013.

⁵ See document A6465/14/29 presented at the meeting of the Article 64 and Article 65 Working Group held in Luxembourg in March 2014.

⁶ See document A6465/14/29 appendix presented at the meeting of the Article 64 and Article 65 Working Group held in Luxembourg in March 2014.

⁷ See Regulation 1416/2013 in OJ L.353/24 for Intra-EU staff and pensioners, and Regulation 1414/2013 in OJ L.353/15 for Extra-EU staff.

of European officials in Belgium and Luxembourg would normally be required.

The Joint Index represents a weighted average of national indices, and may not reflect the specific price evolution in the reference cities (Brussels and Luxembourg).

For information purposes, figures are given below about the movement in consumer prices measured by alternative indices for the same period (six months June 2013-December 2013):

- The HICP for Belgium 100.6 (ie. +0.6%)
- The CPI for Luxembourg 100.3 (ie. +0.3%)
- The HICP for Luxembourg 100.4 (ie. +0.4%)
- The CPI for Brussels 100.5 (ie. +0.5%)

Further information can be found in <u>Appendix Two</u>.

4. PPP FOR INTRA-EU STAFF AT DECEMBER 2013

The PPP for Intra-EU staff at December 2013 (i.e. 1 January 2014) were computed according to the agreed methodology, updating the individual basic heading PPPs established for June 2013 (i.e. 1 July 2013) using for each basic heading the movement in relevant HICP sub index between June and December for each duty station relative to the movement of the corresponding Joint Index sub index for the same period. The results (ie. updated parities at basic heading level) were then aggregated using the weights from the most recent Survey of Household Expenditure amongst staff (same structure as used to establish the June 2013 results).

Further information about these PPP for Intra-EU staff can be found in <u>Appendix Three</u>.

When comparing the December 2013 values to the June 2013 values for the aggregate ('global') PPP, the simple average change in the duty station PPPs is -0.8%. This masks a variation between -3.9% (for CY-Nicosia) and +0.5% (for UK-London). The PPP change for twenty eight locations is negative, and for the remaining three it is zero or positive. Brussels = Luxembourg = zero. These movements can be combined with the Joint Index to establish the implicit price index.

One duty station has an implicit price index which exceeds the specified threshold ($\pm 3.0\%$) for the period (CY-Nicosia). If only the change in economic parity is taken into account, the movement exceeds the specified threshold in both CY-Nicosia and EL-Athens.

5. PPP FOR PENSIONERS AT DECEMBER 2013

The PPP for pensioners at December 2013 (i.e. 1 January 2014) were also computed according to the agreed methodology, taking the updated individual basic heading PPPs established for Intra-EU Staff at December 2013 (i.e. 1 January 2014), and applying the same adjustment to convert rents from capital city price level to national average price level as was used for the June 2013 (i.e. 1 July 2013) calculation. The updated parities are then aggregated using the weights from the most recent Survey of Household Expenditure amongst pensioners (same structure as used to establish the June 2013 results).

Further information about these PPP for pensioners can be found in Appendix Three.

When comparing the December 2013 values to the June 2013 values for the aggregate ('global') PPP, the simple average change in the country PPPs is -2.1%. This masks a variation between -4.9% (for Denmark) and -0.1% (for Germany). The PPP change for all 26 countries is negative. Belgium = Luxembourg = zero. These movements can be combined with the Joint Index to establish the implicit price index.

Three member states have an implicit price index which exceeds the threshold $(\pm 3.0\%)$ for the period (Denmark, Lithuania, Netherlands). If only the change in economic parity is taken into account, the movement exceeds the specified threshold in nine countries: Denmark, Ireland, Greece, Croatia, Cyprus, Lithuania, Malta, Netherlands and Romania.

6. CALCULATION OF THE INTERMEDIATE ADJUSTMENT

For the period July 2013 – July 2014, 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 11) is -0.4% (ie. 99.6). Half of this value has normally to be taken into account, namely -0.2% (ie. 99.8).

Over the period June 2013 to December 2013, the Joint Index (cost of living for EU officials) was +0.7% (i.e. 100.7). This does not exceed the threshold. In consequence, no intermediate adjustment of the nominal net remuneration of EU officials *in Belgium and Luxembourg* would normally be required.

The intermediate adjustment of nominal net remuneration of EU officials *outside Belgium and Luxembourg* which would normally necessary to maintain parallel development of purchasing power⁸, is +0.5%.

99.8 x 100.7 = 100.5

For staff, the change in the cost of living (measured by implicit indices which are calculated as the product of the Joint Index and the changes in the economic parities with Brussels) does exceed the threshold in one duty station (CY-Nicosia).

If only the change in economic parity is taken into account, the movement exceeds the specified threshold in two locations (CY-Nicosia and EL-Athens).

For pensioners, the implicit index does exceed the threshold for two countries (Denmark and Cyprus). If only the change in economic parity is taken into account, the movement exceeds the specified threshold in three countries (Denmark, Greece and Cyprus).

An intermediate adjustment is therefore required at 1st January 2014 for these locations. A table showing the computed values of the intermediate adjustment is shown in <u>Appendix Four</u>. This table shows the calculated correction coefficient for the locations concerned, and the modified value if the intermediate adjustment is integrated.

⁸ Before taking any change in the pension contribution rate and/or the special levy into account.

APPENDIX ONE: 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 11 Member States: Belgium, Germany, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Poland, Sweden and the United Kingdom.

For the intermediate adjustment, data is compiled from the above mentioned 11 Member States about the expected changes in net remuneration in nominal terms, between 1.July 2013 and 1.July 2014. 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 2013 to June 2014 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 2012 expressed in purchasing power parities (i.e. 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 2014. 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 2014 is 99.6 (-0.4%).

2) RESULTS TABLE (VALUES AFTER 24&25.3.2014 MEETING OF ARTICLE 64&65 WORKING GROUP)

The following figures were presented to, and confirmed by, Member State delegates at the March 2014 meeting:

in the twelve-month period to 1st July 2014 : Single and married officials with two children							
intry n	Nominal change net remuneration (2)	Change in HICP (3)	Real change net remuneration	Weigh	Weight (4)		Source of
	(%)	(%)	(%)	EU28=100	EU11=100	(%)	estimate
BE	0.1	0.5	-0.3	2.6	3.1	-0.01	email 06.03.2014
DE	1.0	2.0	-1.0	20.0	23.6	-0.23	email 07.03.2014
s	0.0	0.1	-0.1	8.7	10.2	-0.01	email 28.02.2014
=R	1.6	1.1	0.5	14.1	16.6	0.08	email 10.03.2014
ιT	-0.3	0.5	-0.8	12.1	14.3	-0.11	email 08.03.2014
.0	2.5	1.5	1.0	0.3	0.4	0.00	letter 13.3.2014
NL	3.0	0.9	2.1	4.2	4.9	0.10	email 10.03.2014, revised at A6465WG
ат	1.6	1.7	-0.1	2.2	2.6	0.00	email 14.03.2014
PL	0.0	0.6	-0.6	5.1	6.0	-0.04	email 12.03.2014
SE	2.0	0.7	1.3	2.4	2.8	0.04	email 07.03.2014
JK	1.0	2.4	-1.4	13.2	15.5	-0.21	email 07.03.2014
obal	0.9	1.3	-0.4	84.9	100.0	-0.40	<u></u>

Specific Indicator (1)						
Forecast of real changes in the remuneration of national civil servants						
in the twelve-month period to 1st July 2014 : Single and married officials with two children						

(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, confirmed at A6465WG meeting 25.3.2014)

(3) All-items HICP (MS estimate, or website enquiry 27.02.2014 year to 2014M01 (LU, PL, confirmed at A6465WG meeting 25.3.2014) (4) GDP 2012 in PPS at current prices (website enquiry 27.02.2014)

3) A WORD OF WARNING

The information presented about the evolution of remuneration of national civil servants (the nominal net specific indicator) is a best estimate based on available information at the time. As an indicator of the quality of such forecasts, the following table indicates the degree to which the forecast for the preceding annual exercise (ie. reference period July 2012-July 2013) varied from the eventual definitive value that annual exercise.

Country	Forecast (%)	Actual (%)	Difference
Country	[1]	[2]	[3] = [2] - [1]
BE	1.1	2.3	1.2
DE	0.7	0.9	0.2
ES	-2.6	-4.9	-2.3
FR	0.2	0.0	-0.2
П	0.0	0.0	0.0
LU	2.5	0.3	-2.2
NL	0.5	0.5	0.0
AT	-	-0.2	-
PL	-	2.8	-
SE	-	1.9	-
UK	1.0	0.3	-0.7
Global	0.2	0.1	-0.1

Source

[1] Intermediate report, reference period July 2012 - January 2013, document Ares(2013)2482119

[2] Supplementary report, reference period July 2012 - July 2013, presented to A6465WG March 2014

APPENDIX TWO: JOINT INDEX

1) JOINT INDEX

The Joint Index is a weighted average of the HICP for Belgium and the CPI for Luxembourg, using the number of EU staff in Brussels and Luxembourg as weights. The detailed subindices for the 80 basic headings are used, aggregated using weights derived from the latest of the periodic "Survey of Household Expenditures" conducted amongst EU staff in Brussels (2009). The following table presents the calculation of the Joint Index for the period June 2013-December 2013, with the right-hand column showing the variation for the period, +0.7%.

Joint BELU Index SHE weights 2009

		SHE	INDICES	INDICES	
		WEIGHTS	Jun-2013	Dec-2013	VARIATION
1	FOOD AND NON-ALCOHOLIC BEVERAGES	128.2	127.9	126.9	99.2
2	ALCOHOLIC BEVERAGES AND TOBACCO	20.3	121.3	123.4	101.8
3	CLOTHING AND FOOTWEAR	54.3	112.2	113.4	101.1
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	297.6	121.1	121.6	100.4
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	74.7	115.4	116.3	100.8
6	HEALTH	19.2	106.5	106.7	100.2
7	TRANSPORT	127.2	116.5	118.2	101.5
8	COMMUNICATIONS	21.5	82.5	81.4	98.6
9	RECREATION AND CULTURE	91.7	103.9	106.2	102.2
10	EDUCATION	14.7	117.7	120.0	102.0
11	HOTELS, CAFES AND RESTAURANTS	100.6	124.7	126.7	101.6
12	MISCELLANEOUS GOODS AND SERVICES	50.0	126.6	127.2	100.5
	TOTAL WITHOUT RENTS	762.9	119.7	120.6	100.8
	RENTS	237.1	114.2	114.8	100.5
	TOTAL	1000.0	118.4	119.2	100.7

2) BELGIUM HICP

The following table presents the published HICP values for June 2013 and December 2013, base 2005 = 100, and the right-hand column again shows the variation for the period, +0.6%.

Belgian HICP index, 2005=100 HICP weights

	i weighte					
Ren	ts from HICP	WEIGHTS from HICP 2013	INDICES 01/06/2013	WEIGHTS from HICP 2013	INDICES 01/12/2013	VARIATION
1	FOOD AND NON-ALCOHOLIC BEVERAGES	169.0	129.2	169.0	127.4	98.6
2	ALCOHOLIC BEVERAGES AND TOBACCO	43.5	124.2	43.5	127.5	102.7
3	CLOTHING AND FOOTWEAR	63.7	111.9	63.7	113.2	101.2
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	141.1	132.5	141.1	133.3	100.6
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	70.1	115.3	70.1	116.0	100.6
6	HEALTH	51.9	103.2	51.9	103.4	100.1
7	TRANSPORT	143.9	120.2	143.9	121.4	101.0
8	COMMUNICATIONS	25.1	87.1	25.1	85.9	98.6
9	RECREATION AND CULTURE	103.8	107.7	103.8	109.8	102.0
10	EDUCATION	6.3	115.6	6.3	117.5	101.7
11	HOTELS, CAFES AND RESTAURANTS	75.3	123.3	75.3	125.2	101.6
12	MISCELLANEOUS GOODS AND SERVICES	106.6	123.6	106.6	124.7	100.9
	TOTAL WITHOUT RENTS	957.1	120.1	957.1	120.9	100.6
	RENTS	42.9	113.4	42.9	114.0	100.5
	TOTAL	1000.0	119.9	1000.0	120.6	100.6

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

3) LUXEMBOURG CPI

The following table presents the published CPI values for June 2013 and December 2013, base 2005 = 100, and the right-hand column again shows the variation for the period, +0.3%.

Luxembourg CPI, 2005=100

CP	weights					
Ren	ts from CPI	WEIGHTS from CPI 2013	INDICES 01/06/2013	WEIGHTS from CPI 2013	INDICES 01/12/2013	VARIATION
1	FOOD AND NON-ALCOHOLIC BEVERAGES	102.3	125.5	102.3	125.4	99.9
2	ALCOHOLIC BEVERAGES AND TOBACCO	30.9	129.4	30.9	129.9	100.4
3	CLOTHING AND FOOTWEAR	63.6	108.9	63.6	109.6	100.6
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	150.2	134.1	150.2	133.8	99.8
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	75.0	116.4	75.0	116.8	100.4
6	HEALTH	26.0	118.1	26.0	118.6	100.4
7	TRANSPORT	203.8	116.8	203.8	117.3	100.4
8	COMMUNICATIONS	26.7	94.3	26.7	93.7	99.3
9	RECREATION AND CULTURE	78.7	114.6	78.7	114.2	99.7
10	EDUCATION	11.7	125.1	11.7	128.9	103.0
11	HOTELS, CAFES AND RESTAURANTS	67.4	127.2	67.4	128.5	101.0
12	MISCELLANEOUS GOODS AND SERVICES	163.2	122.1	163.2	123.0	100.8
	TOTAL WITHOUT RENTS	944.2	120.9	944.2	121.3	100.3
	RENTS	55.5	117.2	55.5	117.8	100.6
	TOTAL	999.7	120.7	999.7	121.1	100.3

This information is provided by the Luxembourg authorities "Institut national de la statistique et des etudes économiques, STATEC, unité SOC4-Prix" (National Institute for Statistics and Economic Analysis, STATEC, Unit SOC4-Prices), and reformatted by Eurostat.

The only distinction between the Luxembourg CPI and the Luxembourg HICP is that for the CPI the weights used for aggregation purposes exclude expenditures by non-residents on the Luxembourg territory, whereas these are included for the HICP.

4) LUXEMBOURG HICP

The following table presents the published HICP values for June 2013 and December 2013, base 2005 = 100, and the right-hand column again shows the variation for the period, +0.4%.

Luxembourg HICP, 2005=100

	Pweights					
Ren	is from HICP	WEIGHTS	INDICES	WEIGHTS	INDICES	
		from HICP 2013	01/06/2013	from HICP 2013	01/12/2013	VARIATION
1	FOOD AND NON-ALCOHOLIC BEVERAGES	101.3	125.4	101.3	125.6	100.2
2	ALCOHOLIC BEVERAGES AND TOBACCO	101.8	137.0	101.8	138.2	100.8
3	CLOTHING AND FOOTWEAR	57.1	109.2	57.1	109.8	100.6
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	107.5	134.1	107.5	133.9	99.8
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	75.5	116.6	75.5	117.1	100.5
6	HEALTH	18.7	118.9	18.7	119.3	100.4
7	TRANSPORT	232.9	120.4	232.9	120.7	100.3
8	COMMUNICATIONS	19.5	93.3	19.5	92.7	99.3
9	RECREATION AND CULTURE	71.7	114.5	71.7	114.3	99.8
10	EDUCATION	9.2	125.1	9.2	128.9	103.0
11	HOTELS, CAFES AND RESTAURANTS	84.2	126.7	84.2	127.5	100.7
12	MISCELLANEOUS GOODS AND SERVICES	120.6	122.7	120.6	123.6	100.7
	TOTAL WITHOUT RENTS	962.0	123.2	962.0	123.6	100.4
	RENTS	38.0	117.2	38.0	117.8	100.6
	TOTAL	1000.0	122.9	1000.0	123.4	100.4

5) BRUSSELS CPI

The following table presents the Brussels CPI values for June 2013 and December 2013, base 2005 = 100, and the right-hand column again shows the variation for the period, +0.5%.

Brussels CPI, 2005=100

CP	weights					
Ren	ts from CPI	WEIGHTS from CPI 2013	INDICES 01/06/2013	WEIGHTS from CPI 2013	INDICES 01/12/2013	VARIATION
1	FOOD AND NON-ALCOHOLIC BEVERAGES	175.1	131.9	175.1	130.5	98.9
2	ALCOHOLIC BEVERAGES AND TOBACCO	21.2	122.7	21.2	125.1	101.9
3	CLOTHING AND FOOTWEAR	62.8	106.7	62.8	109.2	102.3
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	158.1	128.3	158.1	128.8	100.4
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	73.4	113.8	73.4	115.6	101.5
6	HEALTH	42.8	101.7	42.8	101.7	100.0
7	TRANSPORT	157.3	114.7	157.3	116.2	101.3
8	COMMUNICATIONS	36.9	93.1	36.9	92.5	99.4
9	RECREATION AND CULTURE	125.2	114.7	125.2	115.6	100.7
10	EDUCATION	5.8	117.8	5.8	118.3	100.5
11	HOTELS, CAFES AND RESTAURANTS	70.8	127.1	70.8	128.1	100.8
12	MISCELLANEOUS GOODS AND SERVICES	70.7	124.8	70.7	124.8	100.0
	TOTAL WITHOUT RENTS	937.2	120.3	937.2	120.9	100.5
	RENTS	62.8	110.9	62.8	111.4	100.4
	TOTAL	1000.0	119.7	1000.0	120.3	100.5

This information is provided by the Belgian authorities "Service public fédéral, Economie, P.M.E., Classes moyennes et Energie, division des prix" (Federal Public Service, Economy, Small and medium-sized enterprises, Middle classes and Energy, Price indices department), in the form of detailed sub indices, which are rebased from 2004 to 2005 by Eurostat, and reformatted by Eurostat. The information relates specifically to Brussels.

The information relates specifically to Brussels.

6) STAFF RATIO BRUSSELS : LUXEMBOURG

In accordance with the agreed methodology, the staff weights available for the base period are used. The information is obtained from Commission internal services.

Number of permanent officials and other servants in active service at June 2013

Duty station	No.	%
Brussels	34,932	78.3
Luxembourg	9,676	21.7
Total	44,608	100.0

Source: PMO database

7) JOINT BELU 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 6) respectively. 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 Joint BELU Index, 2005=100 and Belgian HICP index, 2005=100 Joint BELU Index uses SHE weights 2009 and HICP uses HICP weights

_			Impact of				Total
Peri	od 2013m6 to 2013m12	HICP Indices Variation	new Weights	HICP/CPI Prices SHE Weights	Impact of new Prices	BELU Index Variation	Variation HICP to BELU Index
1	FOOD AND NON-ALCOHOLIC BEVERAGES	98.6	0.4	99.0	0.3	99.2	0.6
2	ALCOHOLIC BEVERAGES AND TOBACCO	102.7	-0.4	102.3	-0.5	101.8	-0.9
3	CLOTHING AND FOOTWEAR	101.2	-0.2	101.0	0.1	101.1	-0.1
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	100.6	-0.3	100.3	0.1	100.4	-0.2
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	100.6	0.0	100.6	0.2	100.8	0.2
6	HEALTH	100.1	0.1	100.2	0.0	100.2	0.1
7	TRANSPORT	101.0	-0.1	100.9	0.6	101.5	0.5
8	COMMUNICATIONS	98.6	0.0	98.6	0.0	98.6	0.0
9	RECREATION AND CULTURE	102.0	-0.2	101.9	0.4	102.2	0.2
10	EDUCATION	101.7	0.3	102.0	0.0	102.0	0.3
11	HOTELS, CAFES AND RESTAURANTS	101.6	-0.2	101.4	0.2	101.6	0.0
12	MISCELLANEOUS GOODS AND SERVICES	100.9	-0.3	100.6	-0.1	100.5	-0.4
	TOTAL WITHOUT RENTS	100.6	-0.1	100.5	0.3	100.8	0.2
	RENTS	100.5	0.0	100.5	0.0	100.5	0.0
	TOTAL	100.6	-0.1	100.5	0.2	100.7	0.1

APPENDIX THREE: INTRA-EU 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 at a given point in time. 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) PPPS FOR INTRA-EU STAFF

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 overall ('global') "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. 1st July 2013).

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 Joint Index for the same period.

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

2.B) PPPS FOR PENSIONERS

In accordance with the agreed methodology, 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. A new pensioners survey was launched during 2013: the results are still being processed.

3) CALCULATED VALUES AT DECEMBER 2013

3.A) PPPs for Intra-EU Staff

The following **Table 3.A** presents the calculated values of the economic parities and correction coefficients for staff as at 1^{st} January 2014 (i.e. December 2013), ranked by magnitude of correction coefficient value. Exchange rates for 1^{st} July 2013 are used, for consistency with the Annual Adjustment.

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

3.B) PPPs for Pensioners

Similarly, the following **Table 3.B** presents the calculated values of the economic parities and correction coefficients for pensioners as at 1^{st} January 2014 (ie. December 2013), ranked by magnitude. Exchange rates for 1^{st} July 2013 are again used.

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

	01-Jan-14					
		Final				
	PPP	Ex. Rate	СС			
BG Sofia	1.118	1.956	57.2			
RO Bucharest	3.099	4.452	69.6			
LT Vilnius	2.465	3.453	71.4			
PL Warsaw	3.143	4.320	72.7			
HU Budapest	220.9	295.0	74.9			
LV Riga	0.5300	0.7021	75.5			
EE Tallinn	0.786	1	78.6			
HR Zagreb	5.866	7.454	78.7			
SK Bratislava	0.787	1	78.7			
CZ Prague	20.53	25.89	79.3			
CY Nicosia	0.804	1	80.4			
PT Lisbon	0.828	1	82.8			
MT Valletta	0.833	1	83.3			
SI Ljubljana	0.843	1	84.3			
EL Athens	0.879	1	87.9			
. Varese	0.920	1	92.0			
. Karlsruhe	0.927	1	92.7			
. Bonn	0.9478	1	94.8			
ES Madrid	0.952	1	95.2			
DE Berlin	0.966	1	96.6			
BE Brussels	1	1	100.0			
LU Luxembourg	1	1	100.0			
IT Rome	1.034	1	103.4			
. Culham	0.9216	0.8531	108.0			
. Munich	1.081	1	108.1			
NL The Hague	1.082	1	108.2			
AT Vienna	1.085	1	108.5			
IE Dublin	1.115	1	111.5			
FR Paris	1.169	1	116.9			
FI Helsinki	1.236	1	123.6			
SE Stockholm	11.59	8.756	132.3			
DK Copenhagen	9.926	7.459	133.1			
UK London	1.193	0.8531	139.9			

		01-Jan-14				
		Final				
		PPP	Ex. Rate	сс		
BG	Sofia	1.101	1.956	56.3		
RO	Bucharest	2.769	4.452	62.2		
PL	Warsaw	2.822	4.320	65.3		
HU	Budapest	194.3	295.0	65.9		
LT	Vilnius	2.421	3.453	70.1		
SK	Bratislava	0.7199	1	72.0		
LV	Riga	0.5088	0.7021	72.5		
HR	Zagreb	5.455	7.454	73.2		
CZ	Prague	19.12	25.89	73.8		
EE	Tallinn	0.780	1	78.0		
SI	Ljubljana	0.792	1	79.2		
МТ	Valletta	0.828	1	82.8		
CY	Nicosia	0.834	1	83.4		
PT	Lisbon	0.842	1	84.2		
EL	Athens	0.8844	1	88.4		
ES	Madrid	0.90	1	89.9		
DE	Berlin	0.964	1	96.4		
IT	Rome	0.969	1	96.9		
BE	Brussels	1	1	100.0		
LU	Luxembourg	1	1	100.0		
IE	Dublin	1.042	1	104.2		
NL	The Hague	1.042	1	104.2		
AT	Vienna	1.050	1	105.0		
FR	Paris	1.085	1	108.5		
UK	London	0.9705	0.8531	113.8		
FI	Helsinki	1.150	1	115.0		
SE	Stockholm	10.85	8.756	123.9		
DK	Copenhagen	9.378	7.459	125.7		

4) COMPARISON OF CC FOR INTRA-EU STAFF WITH CC FOR PENSIONERS

The following table compares calculated correction coefficients at 1st January 2014 (ie. December 2013) for pensioners and Intra-EU 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.

Correction coefficients for pensioners			Correction coefficients for staff				
Country	without rent	rents	Total	Capital	without rent	rents	Total
BE	100.0	100.0	100.0	Brussels	100.0	100.0	100.0
BG	61.2	24.3	56.3	Sofia	61.3	43.9	57.2
cz	73.5	77.8	73.8	Prague	73.2	101.3	79.3
DK	127.4	115.8	125.7	Copenhagen	125.4	156.8	133.1
DE	95.3	103.5	96.4	Berlin	96.3	97.7	96.6
EE	77.3	85.7	78.0	Tallinn	78.8	77.9	78.6
IE	102.1	116.9	104.2	Dublin	103.4	148.0	111.5
EL	84.6	119.3	88.4	Athens	86.1	97.9	87.9
ES	88.7	98.0	89.9	Madrid	90.4	115.1	95.2
FR	101.9	157.4	108.5	Paris	103.1	174.8	116.9
HR	72.3	80.7	73.2	Zagreb	76.7	88.9	78.7
т	98.6	86.0	96.9	Rome	96.9	132.0	103.4
СҮ	91.0	34.5	83.4	Nicosia	89.1	54.8	80.4
LV	72.6	76.3	72.5	Riga	73.1	83.8	75.5
LT	71.4	61.8	70.1	Vilnius	69.8	77.0	71.4
LU	100.0	100.0	100.0	Luxembourg	100.0	100.0	100.0
HU	63.8	87.7	65.9	Budapest	67.2	103.9	74.9
МТ	79.3	119.7	82.8	Vallette	85.9	74.4	83.3
NL	105.9	80.4	104.2	The Hague	101.2	138.3	108.2
AT	102.3	122.5	105.0	Vienna	102.1	129.7	108.5
PL	66.2	58.8	65.3	Warsaw	65.7	100.7	72.7
РТ	86.3	71.5	84.2	Lisbon	86.0	73.0	82.8
RO	63.7	49.6	62.2	Bucharest	62.4	98.4	69.6
SI	81.5	64.7	79.2	Ljubljana	83.9	85.5	84.3
sк	70.6	84.6	72.0	Bratislava	75.5	90.3	78.7
FI	109.6	148.9	115.0	Helsinki	114.5	153.9	123.6
SE	119.3	156.1	123.9	Stockholm	120.6	174.7	132.3
UK	104.5	177.9	113.8	London	104.7	312.9	139.9

INTERMEDIATE ADJUSTMENT : Jan 2014 pensioner CCs compared to staff CCs

5) CHANGES IN THE AGGREGATE PPPS

5.A) PPPs for Intra-EU Staff

The following **Table 5.A** shows the changes in the economic parities for staff between July 2013 (ie. June 2013) and January 2014 (ie. December 2013), and the associated implicit price index (which also takes the Joint Index into account).

The simple average change in the PPPs is -0.8%. This masks a variation between -3.9% (for CY-Nicosia) and +0.5% (for UK-London). The PPP 'evolution' for twenty eight locations is negative, and for the remaining three it is zero or positive. Brussels = Luxembourg = zero.

One duty station has an implicit price index which exceeds the threshold $(\pm 3.0\%)$ for the six months, that is CY-Nicosia with an implicit index of -3.2.

If only the change in economic parity is taken into account, the movement exceeds the specified threshold in both CY-Nicosia and EL-Athens.

5.B) PPPs for Pensioners

The following **Table 5.B** shows the changes in the economic parities for pensioners between July 2013 (ie. June 2013) and January 2014 (ie. December 2013), and the associated implicit price index (which also takes Joint Index into account).

The simple average change in the PPPs is -1.4%. This masks a variation between -4.9% (for DK) and +0.2% (for UK). The PPP 'evolution' for 23 countries is negative, and for the remaining three it is zero or positive. Belgium = Luxembourg = zero.

Two countries have an implicit price index which exceeds the threshold $(\pm 3.0\%)$ for the six months, that is Denmark (-4.2) and Cyprus (-3.4).

If only the change in economic parity is taken into account, the movement exceeds the specified threshold in three countries, that is Denmark, Greece and Cyprus.

STAFF

	01-Jul-13	01-Jan-14		
	Final	Final		
	PPP	PPP	Change	Implicit
CY Nicosia	0.837	0.804	-3.9	-3.2
EL Athens	0.912	0.879	-3.6	-2.9
SK Bratislava	0.802	0.787	-1.8	-1.1
HR Zagreb	5.961	5.866	-1.6	-0.9
HU Budapest	224.4	220.9	-1.6	-0.9
IE Dublin	1.130	1.115	-1.4	-0.7
SI Ljubljana	0.854	0.843	-1.3	-0.6
MT Valletta	0.844	0.833	-1.3	-0.6
DK Copenhagen	10.06	9.926	-1.3	-0.6
ES Madrid	0.963	0.952	-1.2	-0.5
IT Rome	1.044	1.034	-0.9	-0.2
. Varese	0.928	0.920	-0.9	-0.2
CZ Prague	20.72	20.53	-0.9	-0.2
LV Riga	0.5343	0.5300	-0.8	-0.1
LT Vilnius	2.484	2.465	-0.8	-0.1
BG Sofia	1.125	1.118	-0.6	0.1
NL The Hague	1.089	1.082	-0.6	0.1
PT Lisbon	0.831	0.828	-0.4	0.3
FR Paris	1.174	1.169	-0.4	0.3
SE Stockholm	11.64	11.59	-0.4	0.3
EE Tallinn	0.789	0.786	-0.4	0.3
PL Warsaw	3.154	3.143	-0.3	0.4
RO Bucharest	3.107	3.099	-0.2	0.5
. Bonn	0.949	0.948	-0.1	0.6
DE Berlin	0.968	0.966	-0.1	0.6
. Karlsruhe	0.928	0.927	-0.1	0.6
. Munich	1.082	1.081	-0.1	0.6
FI Helsinki	1.237	1.236	-0.1	0.6
BE Brussels	1	1	0.0	0.7
LU Luxembourg	1	1	0.0	0.7
AT Vienna	1.083	1.085	0.2	0.9
. Culham	0.9179	0.9216	0.4	1.1
UK London	1.188	1.193	0.5	1.2

		01-Jul-13	01-Jan-14		
		Final	Final		
		PPP	PPP	Change	Implicit
DK	Copenhagen	9.862	9.378	-4.9	-4.2
CY	Nicosia	0.869	0.834	-4.1	-3.4
EL	Athens	0.917	0.884	-3.5	-2.8
HR	Zagreb	5.590	5.455	-2.4	-1.7
МТ	Valletta	0.845	0.828	-2.0	-1.4
HU	Budapest	197.8	194.3	-1.7	-1.1
SI	Ljubljana	0.806	0.792	-1.7	-1.0
LV	Riga	0.5176	0.5088	-1.7	-1.0
SK	Bratislava	0.732	0.720	-1.7	-1.0
EE	Tallinn	0.792	0.780	-1.6	-0.9
IE	Dublin	1.058	1.042	-1.5	-0.8
ES	Madrid	0.913	0.899	-1.5	-0.8
NL	The Hague	1.056	1.042	-1.3	-0.7
LT	Vilnius	2.454	2.421	-1.3	-0.6
CZ	Prague	19.36	19.12	-1.2	-0.6
PT	Lisbon	0.851	0.842	-1.1	-0.4
П	Rome	0.979	0.969	-1.0	-0.3
PL	Warsaw	2.851	2.822	-1.0	-0.3
BG	Sofia	1.112	1.101	-0.9	-0.2
FR	Paris	1.092	1.085	-0.6	0.0
SE	Stockholm	10.89	10.85	-0.4	0.3
RO	Bucharest	2.778	2.769	-0.3	0.4
DE	Berlin	0.965	0.964	-0.1	0.6
BE	Brussels	1	1	0.0	0.7
LU	Luxembourg	1	1	0.0	0.7
FI	Helsinki	1.149	1.150	0.1	0.8
AT	Vienna	1.048	1.050	0.1	0.8
UK	London	0.9683	0.9705	0.2	0.9

6). REASONS FOR THE CHANGES IN THE AGGREGATE PPPS

Changes in the PPPs for 1st January 2014 (ie. December 2013), by comparison to those for 1st July 2013 (ie. June 2013), 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 appropriateness of the 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 FOUR: COMPUTING THE INTERMEDIATE ADJUSTMENT

1) 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 and Luxembourg is greater than the threshold (i.e. six month BELU Index exceeds $\pm 3.0\%$)) 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^{st} January (i.e. December) for which the implicit index exceeds the threshold (±3.0%), by the product of the BELU index evolution and half of the GSI forecast (if negative).

= CC x [BELU x $\frac{1}{2}$ GSI (if negative)] = ??.? x [???.? x ($100 - \frac{1}{2}(100 - ??.?)$)] / 100

Thus, for the December 2013 exercise,

??.? **100.7** $(100 - \frac{1}{2}(100 - 99.6) / 100)] / 100$ = х Х ??.? [100.7 $(100 - \frac{1}{2}(0.4) / 100)] / 100$ _ Х Х ??.? x (100 - 0.2) / 100]] / 100[100.7 = х ??.? [100.7 x (99.8 / 100)] / 100 =Х ??.? [100.5] / 100 Х =

As the implicit index for the period did exceed the threshold for one duty station (for staff) and for two countries (for pensioners), an intermediate adjustment calculation for these locations would normally be required. The following table shows the results:

	Place	Calculated CC at 1-Jan-2014	Revised CC at 1-Jan-2014	Value in force at 1-July-2013			
For]	For Intra-EU Staff						
CY	Nicosia	80.4	80.8	83.7			
For]	For Pensioners						
DK	Denmark	125.7	126.3	132.2			
CY	Cyprus	83.4	83.8	86.9			

2) EXCEPTIONAL CALCULATION REFLECTING CHANGE IN ECONOMIC PARITIES ONLY

As a pay freeze applies during 2013 and 2014, no intermediate adjustment of salary is normally required during this period. When only the change in economic parity is taken into account, this movement did exceed the threshold for two duty stations (for staff) and three countries (for pensioners). The following table shows the results:

Place		Calculated CC at 1-Jan-2014	Value in force at 1-July-2013			
For]	For Intra-EU Staff					
EL	Athens	87.9	91.2			
CY	Nicosia	80.4	83.7			
For	For Pensioners					
DK	Denmark	125.7	132.2			
EL	Athens	88.4	91.7			
CY	Nicosia	83.4	86.9			