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**Eurostat Report
on the intermediate update 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 2014 – 1 January 2015**

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EXECUTIVE SUMMARY

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

The duration of the temporary pay freeze specified by Article 65(3) of the Staff Regulations has now expired.

This report presents all the information required for the intermediate update of remuneration and pensions in Belgium/Luxembourg and in other places, namely:

- evolution of the purchasing power of national officials (global specific indicator forecast);
- changes in the cost of living in Belgium and Luxembourg (Joint Index);
- correction coefficients for Intra-EU staff and pensioners¹.

The specified threshold to trigger an intermediate update is a movement in purchasing power parity of $\pm 3.0\%$ or more for the six month period 1.July-1.January².

For the period 1.July 2014 – 1.July 2015 the forecast global specific indicator (average change in real net remuneration in the sample of 11 countries) is 101.5 (+1.5%). As this is positive, it does not have to be taken into account for any intermediate update. Details are provided in *Appendix One*.

For the period June 2014 – December 2014 the Joint Index (change in the cost of living measured for the EU officials) is 100.0 (+0.0%). Details are provided in *Appendix Two*, together with comparative information. This change does not exceed the specified threshold. In consequence, no intermediate update of the nominal remuneration and pension of European officials in Belgium and Luxembourg is required.

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 2014 are provided in *Appendix Three*.

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 in two duty station locations, EL-Athens (-3.5%) and CY-Nicosia (-3.5%).

The corresponding movement in the implicit index for pensioners exceeded the specified threshold in one country: Cyprus (-3.5%).

In consequence, there is an intermediate update required at 1st January 2015 for these locations. A table with the computed values of the update is shown in *Appendix Four*. This shows the calculated values of the correction coefficients at 1st January 2015 for the locations concerned, and revised values integrating the intermediate update.

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 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.

¹ Intermediate correction coefficients for Extra-EU staff are presented in a separate report because there are additional rules under Annex X of the Staff Regulations (notably, a different sensitivity threshold applies, and monthly variations are required rather than the six monthly variation).

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

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 A6465/14/26rev methodology for the calculation of Specific Indicators, document A6465/14/58rev methodology for the calculation of the Joint Index, document A6465/14/59rev methodology for the calculation of Intra-EU correction coefficients, versions as adopted by the A646&65 working group meeting in Luxembourg in March 2015.

1. INTRODUCTION

In accordance with the temporary pay freeze imposed by Article 65(4) of the Staff Regulations amended by Regulation 1023/2013, there was no annual update to remuneration and pensions for July 2014 (although a supplementary report was drawn up by Eurostat⁴ for information purposes). However, there was an update of correction coefficients applied for the remuneration of pensioners and of Intra-EU and Extra-EU staff as at July 2014 which was made on the basis of a report drawn up by Eurostat⁵. The updated correction coefficients at July 2014 were published in the Official Journal on 12th December 2014⁶.

Under the Staff Regulations, an intermediate update is made where the cost of living measured in Belgium and Luxembourg (i.e. the 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. $\pm 3\%$) 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 to be taken into account for the intermediate update calculation. It is therefore necessary to compile and validate these forecasts for the period July-July. This document also summarises those results.

2. GLOBAL SPECIFIC INDICATOR FORECAST TO JULY 2015

A preliminary estimate of the forecast (weighted average of individual country values in the sample of 11) was presented at the Articles 64&65 Working Group meeting in March 2015. The value of the forecast was finalised shortly thereafter to be +1.5% (101.5). Further information can be found in [Appendix One](#).

As this forecast is positive, it does not have to be taken into account for the intermediate update.

3. THE JOINT INDEX, JUNE-DECEMBER 2014

The June 2014-December 2014 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 2015, and gives an index of 100.0 (i.e. +0.0% for the six month period). This variation is within the specified threshold ($\pm 3.0\%$). In consequence, no intermediate update of the nominal remuneration and pension of European officials in Belgium and Luxembourg is required.

Further information about the calculation can be found in [Appendix Two](#).

4. PPP FOR INTRA-EU STAFF AT DECEMBER 2014

The PPP for Intra-EU staff at December 2014 (i.e. 1 January 2015) were computed according to the agreed methodology, updating the individual basic heading PPPs established for June 2014 (i.e. 1 July 2014) using for each basic heading the movement in relevant HICP sub index between June and December for each duty

⁴ See document A6465/15/06 presented at the meeting of the Article 64 and Article 65 Working Group held in Luxembourg in March 2015.

⁵ See document Ares(2014)3905867 dated 24.11.2014.

⁶ See communication 2014/C 444/04 for Intra-EU staff and pensioners, and communication 2014/C 444/03 for Extra-EU staff.

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 2014 results).

Further information about these PPP for Intra-EU staff can be found in [Appendix Three](#).

When comparing the December 2014 values to the June 2014 values for the aggregate ('global') PPP, the simple average change in the duty station PPPs is -0.2%. This masks a variation between -3.5% (for EL-Athens) and +1.2% (for AT-Vienna). The PPP change for thirteen locations is negative, and for the remaining eighteen it is zero or positive. Brussels = Luxembourg = zero. These movements can be combined with the Joint Index to establish the implicit price index.

Two duty stations have an implicit price index which exceeds the specified threshold for the period: EL-Athens (-3.5%) and CY-Nicosia (-3.5%). In consequence, an intermediate update is required for these locations.

5. PPP FOR PENSIONERS AT DECEMBER 2014

The PPP for pensioners at December 2014 (i.e. 1 January 2015) were also computed according to the agreed methodology, taking the updated individual basic heading PPPs established for Intra-EU Staff at December 2014 (i.e. 1 January 2015), and applying the same adjustment to convert rents from capital city price level to national average price level as was used for the June 2014 (i.e. 1 July 2014) 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 2014 results).

Further information about these PPP for pensioners can be found in [Appendix Three](#).

When comparing the December 2014 values to the June 2014 values for the aggregate ('global') PPP, the simple average change in the country PPPs is -0.5%. This masks a variation between -3.5% (for Cyprus) and +1.0% (for Austria). The PPP change for seventeen countries is negative, and for the remaining nine it is zero or positive. Belgium = Luxembourg = zero. These movements can be combined with the Joint Index to establish the implicit price index.

One Member State has an implicit price index which exceeds the threshold for the period: CY-Cyprus. In consequence, an intermediate update is required for this location.

6. CALCULATION OF THE INTERMEDIATE UPDATE

For the period July 2014 – July 2015, 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 +1.5% (ie. 101.5). As this is positive it does not have to be taken into account for the intermediate update.

Over the period June 2014 to December 2014, the Joint Index (cost of living for EU officials) was +0.0% (i.e. 100.0). This does not exceed the threshold. In consequence, no intermediate update of the nominal net remuneration of EU officials *in Belgium and Luxembourg* is required.

The intermediate update of nominal net remuneration of EU officials *outside Belgium and Luxembourg* which would normally necessary to maintain parallel development of purchasing power⁷, is +0.0%.

100.0

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 two duty stations (EL-Athens and CY-Nicosia).

⁷ Before taking any change in the pension contribution rate and/or the special levy into account.

For pensioners, the implicit index does exceed the threshold for one country (Cyprus).

An intermediate update is therefore required at 1st January 2015 for these locations. A table with the computed values of the intermediate update is shown in *Appendix Four*. This table shows the calculated correction coefficient for the locations concerned, and the modified value if the intermediate update is integrated.

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 update, data is compiled from the above mentioned 11 Member States about the expected changes in net remuneration in nominal terms, between 1.July 2014 and 1.July 2015. 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 2014 to June 2015 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 2013 expressed in purchasing power parities. Following the adoption and implementation of ESA2010, figures established on this basis are used as the weights (this is a difference from the ESA95 weights which were used for the most recent annual update exercise).

A preliminary estimate of the forecast was presented at the Article 65 Working Group meeting in March 2015. 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 2015 is 101.5 (+1.5%).

2) RESULTS TABLE (VALUES AFTER 26&27.3.2015 MEETING OF ARTICLES 64&65 WORKING GROUP)

The following figures reflect the values presented to, and confirmed by, Member State delegates at the March 2015 meeting, or shortly thereafter:

Specific Indicator (1)
Forecast of real changes in the remuneration of national civil servants
 in the twelve-month period to 1st July 2015 : Single and married officials with two children

Country	Nominal change	Change in	Real change	Weight (4)		Effect on
	net remuneration (2)	HICP (3)	net remuneration	EU28=100	EU11=100	the total EU11
	(%)	(%)	(%)			(%)
BE	0.3	0.2	0.1	2.6	3.1	0.00
DE	2.8	-1.0	3.8	19.8	23.4	0.90
ES	0.6	-0.9	1.5	8.6	10.2	0.16
FR	0.7	0.0	0.7	13.8	16.3	0.11
IT	0.6	0.1	0.5	11.8	14.0	0.07
LU	2.2	-0.4	2.6	0.3	0.4	0.01
NL	0.5	-0.5	1.0	4.3	5.1	0.05
AT	1.8	0.5	1.3	2.1	2.5	0.03
PL	0.0	-1.3	1.3	5.1	6.0	0.08
SE	2.3	0.0	2.3	2.4	2.8	0.07
UK	1.0	1.1	-0.1	13.7	16.2	-0.02
Global	1.2	-0.2	1.5	84.5	100.0	1.46

(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)

(3) All-items HICP (MS estimate)

(4) GDP 2013 (ESA 2010) in PPS at current prices (website enquiry 16.03.2015)

3) FORECASTS MAY DIFFER FROM ACTUAL MEASURED MOVEMENT

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 2013-July 2014) varied from the eventual definitive value for that annual exercise. The large difference for Spain could not be foreseen at the time of the forecast as it reflects a subsequent court judgement about year-end allowances.

Quality of previous forecasts: 2014

	BE	DE	ES	FR	IT	LU	NL	AT	PL	SE	UK	gsi
F/C	-0.3	-1.0	-0.1	0.5	-0.8	1.0	2.1	-0.1	-0.6	1.3	-1.4	-0.4
Actual	-0.5	-0.1	7.9	1.0	1.2	0.8	2.5	0.1	-0.1	2.1	0.1	1.3
DIFF	0.2	-0.9	-8.0	-0.5	-2.0	0.2	-0.4	-0.2	-0.5	-0.8	-1.5	-1.7

- *Real change net remun. 2013.07 – 2014.07*
- *F/C per intermediate report, [Ares\(2014\)1465311](#)*
- *Actual per supplementary report A6465/14/29*

APPENDIX TWO: JOINT INDEX

1) JOINT INDEX

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).

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 (ratio at December 2013, ie. applicable at July 2014). The detailed sub-indices 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 2014-December 2014, with the final figure in the right-hand column showing the variation for the period, +0.0%.

Joint BELU Index SHE weights 2009

	2014m12/2014m6	
	WEIGHTS	VARIATION
1 FOOD AND NON-ALCOHOLIC BEVERAGES	128.2	99.1
2 ALCOHOLIC BEVERAGES AND TOBACCO	20.3	99.1
3 CLOTHING AND FOOTWEAR	54.3	100.3
4 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	297.6	99.6
5 FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	74.7	100.3
6 HEALTH	19.2	99.9
7 TRANSPORT	127.2	100.2
8 COMMUNICATIONS	21.5	98.1
9 RECREATION AND CULTURE	91.7	100.6
10 EDUCATION	14.7	101.2
11 HOTELS, CAFES AND RESTAURANTS	100.6	101.2
12 MISCELLANEOUS GOODS AND SERVICES	50.0	100.4
TOTAL WITHOUT RENTS	762.9	100.0
RENTS	237.1	100.1
TOTAL	1000.0	100.0

2) BELGIUM HICP

The following table presents the published HICP values for June 2014 and December 2014, base 2005 = 100, and the final figure in the right-hand column again shows the variation for the period, -0.4%.

Belgian HICP index, 2005=100

	WEIGHTS		INDICES		VARIATION
	from HICP 2014	01/06/2014	from HICP 2014	01/12/2014	
1 FOOD AND NON-ALCOHOLIC BEVERAGES	170.7	127.6	170.7	126.2	98.9
2 ALCOHOLIC BEVERAGES AND TOBACCO	45.8	132.0	45.8	131.6	99.7
3 CLOTHING AND FOOTWEAR	66.7	113.2	66.7	113.6	100.4
4 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	135.6	129.4	135.6	127.9	98.8
5 FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	71.6	117.3	71.6	117.5	100.2
6 HEALTH	54.1	103.6	54.1	103.4	99.8
7 TRANSPORT	139.8	122.0	139.8	118.9	97.5
8 COMMUNICATIONS	26.6	85.0	26.6	83.4	98.0
9 RECREATION AND CULTURE	103.1	108.6	103.1	109.9	101.2
10 EDUCATION	6.5	117.5	6.5	119.1	101.3
11 HOTELS, CAFES AND RESTAURANTS	75.1	126.7	75.1	128.2	101.2
12 MISCELLANEOUS GOODS AND SERVICES	104.5	126.5	104.5	127.4	100.8
TOTAL WITHOUT RENTS	956.9	120.9	956.9	120.3	99.5
RENTS	43.1	115.3	43.1	115.9	100.5
TOTAL	1000.0	120.7	1000.0	120.1	99.6

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 2014 and December 2014, base 2005 = 100, and the final figure in the right-hand column again shows the variation for the period, -1.1%.

Luxembourg CPI index, 2005=100

CPI weights

Rents from CPI		WEIGHTS	INDICES	WEIGHTS	INDICES	VARIATION
		from CPI 2014	01/06/2014	from CPI 2014	01/12/2014	
1	FOOD AND NON-ALCOHOLIC BEVERAGES	104.4	125.4	104.4	123.9	98.8
2	ALCOHOLIC BEVERAGES AND TOBACCO	34.0	132.8	34.0	132.0	99.4
3	CLOTHING AND FOOTWEAR	59.1	109.8	59.1	109.3	99.6
4	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	156.6	133.1	156.6	130.8	98.3
5	FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	70.7	118.2	70.7	118.3	100.1
6	HEALTH	25.5	119.1	25.5	119.3	100.1
7	TRANSPORT	199.9	118.0	199.9	114.4	96.9
8	COMMUNICATIONS	26.8	93.2	26.8	91.6	98.2
9	RECREATION AND CULTURE	82.0	116.7	82.0	114.8	98.4
10	EDUCATION	27.4	128.9	27.4	130.0	100.9
11	HOTELS, CAFES AND RESTAURANTS	69.6	129.7	69.6	130.7	100.8
12	MISCELLANEOUS GOODS AND SERVICES	157.9	123.7	157.9	123.8	100.1
TOTAL WITHOUT RENTS		942.2	121.0	942.2	119.7	98.9
RENTS		57.8	133.1	57.8	130.8	98.3
TOTAL		1000.0	121.7	1000.0	120.3	98.9

This information is provided by the Luxembourg authorities "Institut national de la statistique et des études 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) 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 December 2013 (July 2014)

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

Source: PMO, as included in PSEO database (Eurostat)

5) JOINT BELU INDEX, COMPARED WITH BELGIAN HICP AND LUXEMBOURG CPI

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 last column are taken from the tables in sections 2) and 1) respectively. 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.

It should be remembered that the Belgian HICP and Luxembourg CPI weights do not include imputed expenditure of owner-occupiers.

Joint BELU Index

2014m12/2014m6

	BE HICP Variation (nat wgt)	Impact SHE		BE HICP Variation (SHE)	Impact LU	BELU Variation (SHE)
1 FOOD AND NON-ALCOHOLIC BEVERAGES	98.9	0.2	▲	99.1	0.0	99.1
2 ALCOHOLIC BEVERAGES AND TOBACCO	99.7	-0.6	▲	99.1	0.0	99.1
3 CLOTHING AND FOOTWEAR	100.4	0.1	▲	100.5	-0.2	100.3
4 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS	98.8	0.9	▲	99.7	-0.1	99.6
5 FURNISHINGS, HOUSEHOLD EQUIPMENT AND MAINTENANCE OF HOUSE	100.2	0.2	▲	100.4	-0.1	100.3
6 HEALTH	99.8	0.0	▲	99.8	0.1	99.9
7 TRANSPORT	97.5	3.5	▲	101.0	-0.8	100.2
8 COMMUNICATIONS	98.0	0.1	▲	98.1	0.0	98.1
9 RECREATION AND CULTURE	101.2	0.8	▲	102.0	-1.4	100.6
10 EDUCATION	101.3	0.0	▲	101.3	-0.1	101.2
11 HOTELS, CAFES AND RESTAURANTS	101.2	0.1	▲	101.3	-0.1	101.2
12 MISCELLANEOUS GOODS AND SERVICES	100.8	-0.3	▲	100.5	-0.1	100.4
TOTAL WITHOUT RENTS	99.5	0.7	▲	100.2	-0.2	100.0
RENTS	100.5	0.0	▲	100.5	-0.4	100.1
TOTAL	99.6	0.7	▲	100.3	-0.3	100.0

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 UPDATE

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 update of the year in question (i.e. 1st July 2014).

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 update is the same as the approach to establish those for the annual update.

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 update 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 2014

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 December 2014 (ie. 1st January 2015), ranked by magnitude of correction coefficient value. Exchange rates for 1st July 2014 are used, for consistency with the annual update.

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 December 2014 (ie. 1st January 2015), ranked by magnitude. Exchange rates for 1st July 2014 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.

TABLE 3.A STAFF

		01-Jan-15		
		Final		
		PPP	Ex.Rate	CC
BE	Brussels	1	1	100.0
BG	Sofia	1.086	1.956	55.5
CZ	Prague	20.63	27.46	75.1
DK	Copenhagen	9.908	7.457	132.9
DE	Berlin	0.976	1	97.6
	Bonn	0.949	1	94.9
	Karlsruhe	0.954	1	95.4
	Munich	1.081	1	108.1
EE	Tallinn	0.781	1	78.1
IE	Dublin	1.150	1	115.0
EL	Athens	0.838	1	83.8
ES	Madrid	0.934	1	93.4
FR	Paris	1.168	1	116.8
HR	Zagreb	5.868	7.573	77.5
IT	Rome	1.008	1	100.8
	Varese	0.934	1	93.4
CY	Nicosia	0.784	1	78.4
LV	Riga	0.761	1	76.1
LT	Vilnius	2.467	3.453	71.5
LU	Luxembourg	1	1	100.0
HU	Budapest	218.5	308.6	70.8
MT	Valletta	0.831	1	83.1
NL	The Hague	1.079	1	107.9
AT	Vienna	1.085	1	108.5
PL	Warsaw	3.081	4.152	74.2
PT	Lisbon	0.820	1	82.0
RO	Bucharest	3.071	4.388	70.0
SI	Ljubljana	0.841	1	84.1
SK	Bratislava	0.782	1	78.2
FI	Helsinki	1.239	1	123.9
SE	Stockholm	11.81	9.196	128.4
UK	London	1.207	0.7997	150.9
	Culham	0.9335	0.7997	116.7

TABLE 3.B

PENSIONERS

		01-Jan-15		
		Final		
		PPP	Ex.Rate	CC
BE	Brussels	1	1	100.0
BG	Sofia	1.096	1.956	56.1
CZ	Prague	19.35	27.46	70.5
DK	Copenhagen	9.801	7.457	131.4
DE	Berlin	0.971	1	97.1
EE	Tallinn	0.794	1	79.4
IE	Dublin	1.056	1	105.6
EL	Athens	0.823	1	82.3
ES	Madrid	0.893	1	89.3
FR	Paris	1.070	1	107.0
HR	Zagreb	5.405	7.573	71.4
IT	Rome	0.946	1	94.6
CY	Nicosia	0.828	1	82.8
LV	Riga	0.739	1	73.9
LT	Vilnius	2.452	3.453	71.0
LU	Luxembourg	1	1	100.0
HU	Budapest	196.0	308.6	63.5
MT	Valletta	0.835	1	83.5
NL	The Hague	1.042	1	104.2
AT	Vienna	1.054	1	105.4
PL	Warsaw	2.792	4.152	67.2
PT	Lisbon	0.846	1	84.6
RO	Bucharest	2.816	4.388	64.2
SI	Ljubljana	0.806	1	80.6
SK	Bratislava	0.722	1	72.2
FI	Helsinki	1.155	1	115.5
SE	Stockholm	10.72	9.196	116.6
UK	London	0.9644	0.7997	120.6

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

The following table compares calculated correction coefficients at 1st January 2015 (ie. December 2014) 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 consumption weighting structure for pensioners.

INTERMEDIATE ADJUSTMENT : Jan 2015 pensioner CCs compared to staff CCs

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	60.6	25.5	56.1	Sofia	60.4	40.5	55.5
CZ	70.4	72.2	70.5	Prague	70.4	91.7	75.1
DK	127.7	155.9	131.4	Copenhagen	124.9	157.5	132.9
DE	95.4	108.9	97.1	Berlin	96.8	100.9	97.6
EE	79.3	81.2	79.4	Tallinn	79.9	72.2	78.1
IE	103.9	115.9	105.6	Dublin	104.6	163.7	115.0
EL	84.1	71.3	82.3	Athens	84.3	82.6	83.8
ES	88.1	97.5	89.3	Madrid	89.6	108.8	93.4
FR	102.0	142.1	107.0	Paris	103.1	175.0	116.8
HR	70.8	75.4	71.4	Zagreb	75.2	88.9	77.5
IT	98.6	72.2	94.6	Rome	96.6	118.8	100.8
CY	90.1	35.1	82.8	Nicosia	86.8	53.5	78.4
LV	74.3	74.9	73.9	Riga	74.1	83.0	76.1
LT	72.6	59.7	71.0	Vilnius	70.8	73.8	71.5
LU	100.0	100.0	100.0	Luxembourg	100.0	100.0	100.0
HU	61.8	80.9	63.5	Budapest	64.4	94.6	70.8
MT	79.8	123.5	83.5	Vallette	85.5	75.0	83.1
NL	105.6	82.2	104.2	The Hague	100.9	137.9	107.9
AT	102.2	126.8	105.4	Vienna	101.7	131.1	108.5
PL	68.5	57.4	67.2	Warsaw	68.1	97.8	74.2
PT	85.7	77.5	84.6	Lisbon	85.3	71.9	82.0
RO	65.9	49.5	64.2	Bucharest	65.3	87.0	70.0
SI	82.1	70.7	80.6	Ljubljana	85.0	81.4	84.1
SK	70.4	89.9	72.2	Bratislava	75.1	89.3	78.2
FI	109.9	150.4	115.5	Helsinki	115.3	152.1	123.9
SE	115.0	126.6	116.6	Stockholm	116.7	171.0	128.4
UK	113.0	171.0	120.6	London	112.6	340.0	150.9

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 1st July 2014 (ie. June 2014) and 1st January 2015 (ie. December 2014), and the associated implicit price index (which also takes the Joint Index into account).

The simple average change in the PPPs is -0.2%. This masks a variation between -3.5% (for EL-Athens) and +1.2% (for AT-Vienna). The PPP 'evolution' for thirteen locations is negative, and for the remaining eighteen it is zero or positive. Brussels = Luxembourg = zero.

Two duty stations have an implicit price index which exceeds the threshold ($\pm 3.0\%$) for the six months, that is EL-Athens (-3.5%) and CY-Nicosia (-3.5%).

5.B) PPPS FOR PENSIONERS

The following **Table 5.B** shows the changes in the economic parities for pensioners between 1st July 2014 (ie. June 2014) and 1st January 2015 (ie. December 2014), and the associated implicit price index (which also takes Joint Index into account).

The simple average change in the PPPs is -0.5%. This masks a variation between -3.5% (for CY) and +1.0% (for AT). The PPP 'evolution' for 17 countries is negative, and for the remaining 9 it is zero or positive. Belgium = Luxembourg = zero.

One country has an implicit price index which exceeds the threshold ($\pm 3.0\%$) for the six months, that is Cyprus (-3.5%).

TABLE 5.A

STAFF

		01-Jul-14	01-Jan-15		
		Final	Final		
		PPP	PPP	Change	Implicit
BE	Brussels	1	1	0.0	0.0
BG	Sofia	1.078	1.086	0.7	0.7
CZ	Prague	20.58	20.63	0.2	0.2
DK	Copenhagen	9.917	9.908	-0.1	-0.1
DE	Berlin	0.972	0.976	0.4	0.4
	. Bonn	0.946	0.949	0.4	0.4
	. Karlsruhe	0.950	0.954	0.4	0.4
	. Munich	1.077	1.081	0.4	0.4
EE	Tallinn	0.786	0.781	-0.7	-0.7
IE	Dublin	1.159	1.150	-0.7	-0.7
EL	Athens	0.868	0.838	-3.5	-3.5
ES	Madrid	0.945	0.934	-1.2	-1.2
FR	Paris	1.168	1.168	0.0	0.0
HR	Zagreb	5.874	5.868	-0.1	-0.1
IT	Rome	1.004	1.008	0.3	0.3
	. Varese	0.931	0.934	0.3	0.3
CY	Nicosia	0.812	0.784	-3.5	-3.5
LV	Riga	0.765	0.761	-0.4	-0.4
LT	Vilnius	2.464	2.467	0.2	0.2
LU	Luxembourg	1	1	0.0	0.0
HU	Budapest	220.2	218.5	-0.8	-0.8
MT	Valletta	0.834	0.831	-0.3	-0.3
NL	The Hague	1.078	1.079	0.1	0.1
AT	Vienna	1.072	1.085	1.2	1.2
PL	Warsaw	3.075	3.081	0.2	0.2
PT	Lisbon	0.822	0.820	-0.2	-0.2
RO	Bucharest	3.051	3.071	0.7	0.7
SI	Ljubljana	0.847	0.841	-0.7	-0.7
SK	Bratislava	0.790	0.782	-1.0	-1.0
FI	Helsinki	1.230	1.239	0.8	0.8
SE	Stockholm	11.73	11.81	0.7	0.7
UK	London	1.205	1.207	0.1	0.1
	. Culham	0.9333	0.9335	0.0	0.0
simple average change				-0.2	

TABLE 5.B

PENSIONERS

		01-Jul-14	01-Jan-15		
		Final	Final		
		PPP	PPP	Change	Implicit
BE	Brussels	1	1	0.0	0.0
BG	Sofia	1.095	1.096	0.2	0.2
CZ	Prague	19.35	19.35	0.0	0.0
DK	Copenhagen	9.794	9.801	0.1	0.1
DE	Berlin	0.964	0.971	0.7	0.7
EE	Tallinn	0.801	0.794	-0.9	-0.9
IE	Dublin	1.063	1.056	-0.7	-0.7
EL	Athens	0.847	0.823	-2.9	-2.9
ES	Madrid	0.902	0.893	-1.0	-1.0
FR	Paris	1.071	1.070	-0.1	-0.1
HR	Zagreb	5.469	5.405	-1.2	-1.2
IT	Rome	0.945	0.946	0.2	0.2
CY	Nicosia	0.858	0.828	-3.5	-3.5
LV	Riga	0.7482	0.7392	-1.2	-1.2
LT	Vilnius	2.456	2.452	-0.1	-0.1
LU	Luxembourg	1	1	0.0	0.0
HU	Budapest	197.5	196.0	-0.8	-0.8
MT	Valletta	0.842	0.835	-0.9	-0.9
NL	The Hague	1.047	1.042	-0.4	-0.4
AT	Vienna	1.044	1.054	1.0	1.0
PL	Warsaw	2.802	2.792	-0.3	-0.3
PT	Lisbon	0.852	0.846	-0.7	-0.7
RO	Bucharest	2.800	2.816	0.6	0.6
SI	Ljubljana	0.814	0.806	-0.9	-0.9
SK	Bratislava	0.731	0.722	-1.1	-1.1
FI	Helsinki	1.145	1.155	0.8	0.8
SE	Stockholm	10.66	10.72	0.6	0.6
UK	London	0.9651	0.9644	-0.1	-0.1

simple average change **-0.5**

6). REASONS FOR THE CHANGES IN THE AGGREGATE PPPS

Changes in the PPPs for 1st January 2015 (ie. December 2014), by comparison to those for 1st July 2014 (ie. June 2014), 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. In this context 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 UPDATE

1) STEPS TO COMPUTE THE INTERMEDIATE UPDATE

Where the intermediate update 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 grid.

Instead, the intermediate update 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 update purposes at 1st January (i.e. December) for which the implicit index exceeds the threshold ($\pm 3.0\%$), by the product of the BELU index evolution and half of the GSI forecast (if negative).

$$= \text{CC} \times [\text{BELU} \times \frac{1}{2} \text{GSI (if negative)}]$$

$$= \text{???.?} \times [\text{???.?} \times (100 - \frac{1}{2} (100 - \text{???.?}))] / 100$$

Thus, for the December 2014 exercise,

$$= \text{CC} \times [\text{BELU}]$$

$$= \text{???.?} \times [\mathbf{100.0}] / 100$$

As the implicit index for the period did exceed the threshold for two duty stations (for staff) and for one country (for pensioners), an intermediate update calculation for these locations is required. The following table shows the results:

Place		Calculated CC at 1-Jan-2015	Finalised CC at 1-Jan-2015	Value in force at 1-July-2014
For Intra-EU Staff				
EL	Athens	83.8	83.8	86.8
CY	Nicosia	78.4	78.4	81.2
For Pensioners				
CY	Cyprus	82.8	82.8	85.8