

Methodology for the calculation of extra-EU correction coefficients

Draft manual



EUROPEAN
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THEME 2
Economy
and
finance

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Background

1.1. Legal Background

Article 64 of the Staff Regulations of officials of the European Communities

"An official's remuneration expressed in euro shall, after the compulsory deductions set out in these Staff Regulations or in any implementing regulations have been made, be weighted at a rate above, below or equal to 100%, depending on living conditions in the various places of employment.

These correction coefficients (weightings¹) shall be adopted by the Council, acting by a qualified majority on a proposal from the Commission as provided for in the first indent of the second subparagraph of Article 148(2) of the Treaty establishing the European Economic Community and 118(2) of the Treaty establishing the European Atomic Energy Community. The correction coefficients applicable to the remuneration of officials employed at the provisional seats of the Communities shall be equal to 100% as at 1 January 1962."

Annex X to the Staff Regulations - Special and exceptional provisions applicable to officials serving in a third country

Article 11

"Remuneration, as also the allowances referred to in Article 10, shall be paid in euro in Belgium. They shall be subject to the correction coefficient (weighting) applicable to the remuneration of officials employed in Belgium."

Article 12

"At the request of the official, the appointing authority may decide to pay all or part of his remuneration in the currency of the country of employment. In that event, it shall be subject to the correction coefficient (weighting) for the place of employment and shall be converted on the basis of the corresponding exchange rate.

In duly substantiated exceptional cases, the appointing authority may make all or part of this payment in a currency other than of the country of employment in such a way as to maintain purchasing power."

¹ The Staff Regulations refer to the correction coefficients as "weightings".

Article 13

"In order to ensure as far as possible that officials enjoy equivalent purchasing power irrespective of their place of employment, the Council shall determine the correction coefficient (weighting) referred to in Article 12 every six months. The Council shall, by the written procedure within one month, act on a proposal from the Commission by the qualified majority provided for in the first eventuality set out in the second subparagraph of Article 148(2) of the Treaty establishing the European Economic Community and of Article 118 of the Treaty establishing the European Atomic Energy Community. Should a Member State request formal examination of the Commission proposal, the Council shall act within two months.

Where however, in the case of a given country, the variation in the cost of living measured on the basis of the correction coefficient (weighting) and the corresponding exchange rate is found to have exceeded 5% since the last adjustment, the Commission shall decide on interim measures for adjusting the correction coefficient (weighting) and shall inform the Council thereof as soon as possible."

Annex XI Rules for implementing Articles 64 and 65 of the Staff Regulations

Chapter 6 - Role of the Statistical Office of the European Communities² and Relations with the national statistics institutes of the Member States

Article 11

"It shall be the task of the Statistical Office of the European Communities to monitor the quality of basic data and statistical methods used to work out the factors taken into account for the adjustment of remunerations. In particular, it shall make any assessments or carry out any studies required for such monitoring."

Article 13

"At least once a year and not later than September, the Statistical Office shall convene a working party composed of experts from national institutes to be known as the 'Working Party on Article 64 of the Staff Regulations'.

At the meeting, all the statistical problems concerning the establishment of the joint index and economic parities shall be examined."

² Eurostat

1.2. Administrative Background

Correction coefficients are applied only at the request of individual officials. If no request is made (normally because the correction coefficient is below 100³) the salary is paid in euro without application of the correction coefficient fixed for the duty-station.

Thus duty stations can be classified into two groups:

- high-cost countries (correction coefficient >100);
- low-cost countries (correction coefficient <100).

Given that, as explained above, correction coefficients are generally applied only in high-cost countries. Eurostat concentrates its effort especially in these latter countries, so the accuracy of the results can vary depending on the actual level of the correction coefficient.

A list of current duty stations outside the European Union (July 2001) and the corresponding level of the correction coefficient is given in Annex 1.

³ A correction coefficient of 100 for a given duty station means that the general cost-of-living for an European civil servant in that duty station is at the same level as in Brussels.

2. The system for the calculation of correction coefficients in extra-EU duty stations

2.1 Introduction

The object of the correction coefficients is to compare the relative costs of living of European officials in Brussels (reference city) and in each duty station.

The method used is to compare the price of a "basket" of goods and services purchased by the average official in Brussels with the price of the same basket in each of the other places of employment. The average of all the price ratios is called the "global parity" or Purchasing Power Parity (PPP).

The relation between the global parity and the exchange rate used to pay the remuneration is called a **correction coefficient**, which operates as a percentage adjustment to salaries to take account of the price differences between Brussels and a specific duty station.

The gathering of statistical data is organized in close cooperation with Commission delegations and consists of three separate operations:

- (i) Price level surveys (P2P or dual purpose), which allow cost-of-living comparison between Brussels and any other duty station. The resulting **purchasing power parities** and **correction coefficients** are updated every month by means of suitable price indices.
- (ii) Family budget surveys enable the establishment of consumption structures of international officials. These are used as weighting factors to aggregate basic parities (see next page for a definition of basic parities).
- (iii) Price trend surveys (T2T or dual purpose) for the calculation of the price indices. They are conducted only where other sources are not available or are not considered appropriated for the purposes.

The following table schematises the different kind of surveys.

Periodic price surveys in Brussels	price level
Periodic price surveys in duty stations	

Periodic family budget surveys in Brussels	family pattern of expenditure
Periodic family budget surveys in duty stations	

Continuous monitoring of prices in Brussels	price trend
Continuous monitoring of prices in duty stations	

2.2 From price surveys to correction coefficients

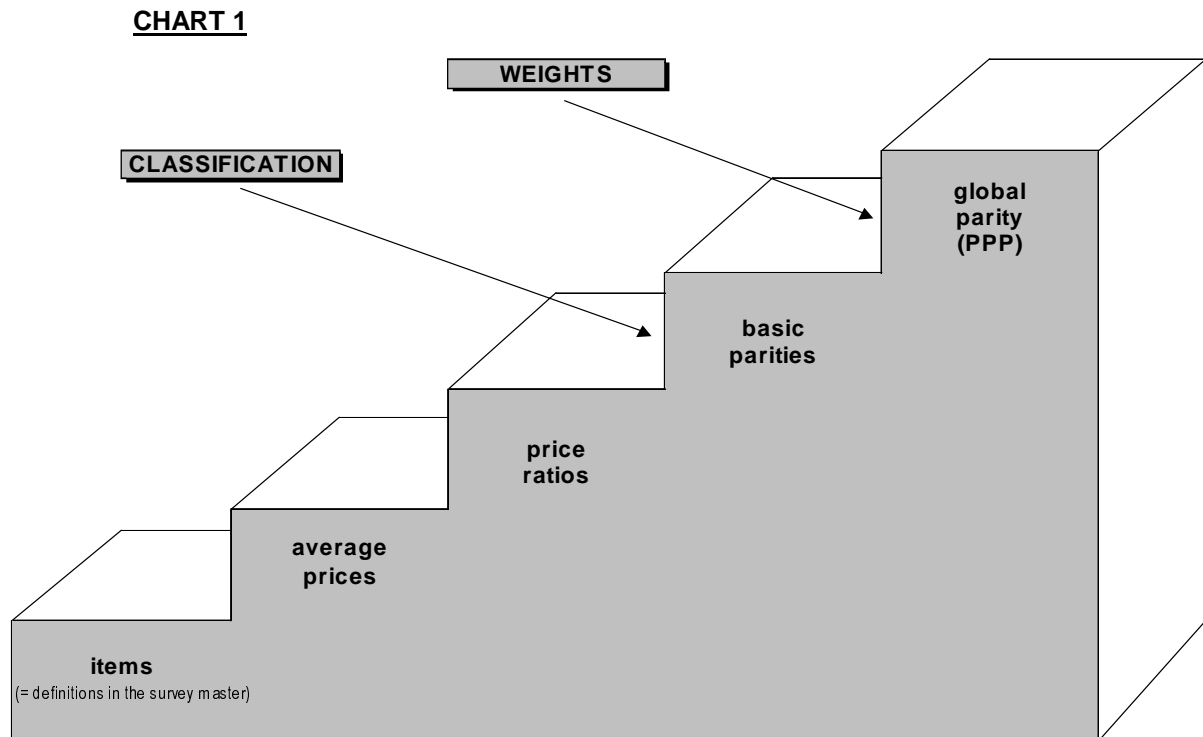


Chart 1 schematises the different steps to follow in order to build up a global parity starting from the results of price level surveys.

Although for each duty station just a single overall correction coefficient is estimated, its calculation uses procedures which implies the manipulation of a large amount of data.

Basically the overall correction coefficient calculation has the following features:

The total range of goods and services constituting the consumption of the average EU official is divided into 84 basic headings (list attached).

Several products are selected to represent each basic heading. The complete product list contains some 600 items.

Several quotations should be recorded for each definition in the survey "master". E.g. a definition could be fresh tuna fish and the corresponding price per kg could be quoted in 5 different outlets. Thus an average price per item can be calculated.

For each item i the average price in duty station X is divided by the corresponding average price in Brussels. The result is the price ratio for item i .

Each basic heading j is covered by at least 1 item. The geometric (unweighted) mean of all the price ratios for the basic heading j gives the **basic parity** j .

The Fisher formula is used to calculate a type of weighted average of all the basic parities into a single global parity, which gives the correction coefficient when divided by the exchange rate.

In chart 1 are also mentioned two "tools" needed to go up one step:

- (i) the classification – it determines the number of basic parities to calculate. This number was 173 until 1999, but has been reduced to 84 from the year 2000;
- (ii) the weights - Special Family Budget Surveys are conducted every 3 to 5 years among European and international civil servants. The resulting structures reflect the consumption of the average EU official in Brussels and in each extra-EU duty station. These structures are used in aggregating the basic parities into a single overall parity or PPP.

Chart 1 just shows the static aspect of the correction coefficients methodology, i.e. the price comparison at a fixed time between two places. In reality there is also a dynamic (in time) aspect of price changes in each place. Both these aspects are illustrated in a flowchart in annex 6.

The following sections (3 to 6) provide more detailed explanations on the classification, on the weights and on the price surveys (both “price level” and “price trend”).

2.3 Correction coefficients calculation: the Fisher index

Using the 84 basic parities and the specific weights the overall parity is calculated in two ways: the first uses the consumption pattern for the reference city (Brussels) (this is a type of Laspeyres index); the second uses the consumption pattern for the duty station (this is a type of Paasche index). In accordance with standard practice for international comparisons both types of index are calculated and the geometric mean of the results (a Fisher index) is the one actually used.

First step is the calculation of the basic parities, which are obtained as the geometric mean of the price ratios (in national currency) for all the common items between place X and Brussels (B):

$${}_X PPP_B^j = \sqrt[k]{\prod_{i=1}^k \frac{P_{iX}}{P_{iB}}}$$

where:

j = Basic heading 1 to 84

k = Number of items priced both in Brussels and in place X ($k \leq i$)⁴

P_{iX} = Price of item i in place X

P_{iB} = Price of item i in Brussels

A first possible aggregation of these basic parities can be obtained using the Brussels pattern of consumption in the following formula:

$${}_X PPP_B^L = \frac{\sum_{j=1}^{84} PPP_j \times W_{Bj}}{\sum_{j=1}^{84} W_{Bj}}$$

where:

PPP_j = Basic parity j for place X

W_{Bj} = Weight of heading j in the Brussels consumption structure

L = Laspeyres-type index

⁴ $k < i$ because it can happen that not all the existing items corresponding to a given basic heading can be priced both in Brussels and in place X.

Another aggregation can be obtained using place X consumption structure:

$${}_X PPP_B^P = \frac{\sum_{j=1}^{84} W_{Xj}}{\sum_{j=1}^{84} \left(\frac{1}{PPP_j} W_{Xj} \right)}$$

where:

W_{Xj} = *Weight of heading j in the place X consumption structure*

P = *Paasche-type index*

The geometric mean of the two aggregated indices gives a Fisher type overall parity

$${}_X PPP_B^F = \sqrt{({}_X PPP_B^L \times {}_X PPP_B^P)}$$

where:

F = *Fisher-type index*

Finally, the ratio between the Fisher overall parity and the exchange rate between Brussels and place X gives the Correction Coefficient.

$${}_X CC_B = \frac{{}_X PPP_B^F}{T_{B/X}}$$

where:

$T_{B/X}$ = *exchange rate: 1 euro = xx local currency*

3. The COICOP classification in 84 basic headings

The classification used is the international classification by purpose called COICOP (Classification of Individual Consumption by Purpose). It is established by successive breakdowns of the aggregates.

Total household final consumption is first broken down into twelve groups, such as Food, Drink, Clothing, Transport, etc. Within each major group, a more detailed sub-group, or "basic heading" is defined. For example, within the Food group (group 1) there are sub-groups for meat, fish, fruit, etc. Lastly, within each basic heading corresponding to the COICOP classification, Eurostat specifies particular products, chosen for representativity of the basic heading to which they relate.

The basic headings have a dual role:

- first of all, they constitute the most detailed level for which realistic expenditure data (weights) can be obtained by the Family Budget Surveys regularly conducted among the staff serving in the different EU duty stations.
- secondly, they match homogeneous groups of products from which a number of products is selected for price surveys.

The exhaustive classification for the correction coefficients calculation comprises 84 basic headings. A complete list is attached in Annex 2.

The classification is designed for correction coefficients in general, but for extra-EU comparisons it excludes some of the COICOP basic headings, i.e. 04.1.1/2 (rents) - 06. (healthcare) – 10. (school fees), since for these items direct compensation is given to staff.

4. Consumption structures

The calculation of the correction coefficients requires the aggregation of the 84 basic parities using consumption weights. With the methodology in use, each global parity (or PPP) is calculated as a Fisher parity (geometric mean of Laspeyres and Paasche parities), thus consumption weights are needed not only for Brussels but for all the duty stations outside the EU.

For each place, the weights are estimated for each of the 84 basic and are expressed as percentages of total expenditure, according to its relative importance in the consumption basket. The weights should reflect the expenditure pattern of the average official of the European Communities. To use, say, the weighting pattern of the average national household could give a different, and quite inappropriate, result in the calculation of the correction coefficients, although the information required to calculate such weights would often be simpler to obtain.

To estimate expenditure patterns for the officials of the European Communities, Eurostat carries out regularly (roughly each 5 years) family budget surveys (FBS) in the different duty stations among the staff serving at that time and also among other international officials (EU embassies, staff of other international organisations, etc). The purpose of these FBS is to determine the relative amounts of expenditure on different items of consumption. To obtain the data, respondents are asked to state their actual expenditure on the various items. The overall relative amounts are then calculated on the basis of replies received.

Although the principles above are applicable to all the FBS conducted among international officials, three different situations are distinguished:

a) *Family Budget Surveys in Brussels*

For being the centre of the bilateral comparisons and due to the large number of staff on duty, family budget surveys in Brussels are special in the sense that the questionnaire is designed on the assumption of large samples which permits to have highly reliable weights. The last FBS was conducted by Eurostat in Brussels in 2000 and the consumption weights from this survey will be introduced for the first time during 2001 for the calculation of correction coefficients, replacing the weights from the 1995 Brussels FBS.

b) *Family budget for duty stations outside the EU*

Duty stations outside the EU have a very limited number of staff. Therefore it has been decided recently to pool together all the questionnaires from these places except for ECP countries for which specific weights are available. A new survey in all extra-EU duty stations has been conducted at the end of 1999. In the past, specific FBS for each duty station were conducted in the same time as the place-to-place survey. In principle the complete survey will be repeated after 5 years, i.e. in 2004.

5. Price level surveys (place-to-place and dual purpose)

5.1 Introduction

Within each basic heading corresponding to the COICOP classification, Eurostat specifies particular products, chosen for representativity of the basic heading to which they relate (see section 3).

The complete list of items has been revised and harmonized with the COICOP list. It comprises 600 definitions. The aim is to obtain several price quotations for each definition. The full scale **place-to-place** conforms to the current specifications with 600 definitions. The **dual purpose** will collect data for a subset of approximately 350 products and will be used to:

- generate all calculations products associated with a normal time-to-time survey;
- provide a sufficiently enlarged database to make "reasonable" place-to-place calculations.

In the past the frequency of place-to-place surveys in duty stations had been triennial to decennial, depending on several factors, including the correction coefficient level (high-cost or low-cost countries). At present, the general tendency is to decrease the frequency of place-to-place surveys.

A close co-operation with the UN and with NSIs in most developed countries is planned. Particularly, price surveys carried out by the UN and Eurostat are done in a similar way and therefore joint surveys as well as use of the UN data for some duty stations have to be considered.

Concerning candidate countries, they all participate in the ECP (European Comparison Programme). In this framework, place-to-place surveys are already conducted regularly for a group of 31 countries: the 15 EU Member States plus other 16 European countries. Therefore, starting in 2001, parities obtained from extra-EU place-to-place surveys are gradually replaced by parities obtained from the ECP surveys. By 2004 the whole set of parities should be based on the ECP data.

Surveyors conducting price level surveys should be experienced in both European markets (especially Brussels) and in local markets. With the help, if need be, of local surveyors who have both local and European market knowledge, they should visit the shopping locations usually frequented by European Communities officials and their families (on the basis of information transmitted by the designated correspondent of the Delegation) and by other expatriate Europeans. Surveyors should collect prices of most products in this way. For services such as transport, electricity and telecommunications, prices can be obtained with the active participation of the EU delegation staff and using other suitable sources: e.g. some assistance is normally obtained from the Statistical Office of the country.

In practice, it usually happens that some articles are not available, or cannot be found by the surveyors and, consequently, no comparisons are possible (there are many reasons for variations in the availability of goods and services around the world). However it is almost always possible to find sufficient articles to make a valid overall comparison of price levels, and clearly the non-inclusion of prices for a handful of definitions is unlikely to have a significant impact on the overall correction coefficient.

5.2 Product list

The full range of goods and services which comprise the total expenditure of an average EU official is divided into 84 specific parts called “basic headings” (such as meat, footwear, water supply, train fares), corresponding to the three digit level of the COICOP classification. Within each of these basic headings, particular products are selected and specified in enough detail to allow prices in a reasonably narrow range to be collected.

The number of products per basic heading vary according to the relative importance of the basic heading. Moreover this number has to take into account the level of homogeneity of products. Few products may be sufficient for certain basic headings. But for others, including products of different nature and with different price level, a larger number of products will be needed in order to ensure a good representativity and consequently a well balanced purchasing power parity.

The product list contains 600 items. It will be revised periodically by Eurostat. For all P2P surveys, the master list to use will be the latest one approved by Eurostat. As an example, some definitions from the most recent version of the product list are reproduced below.

5.3 Some product definitions

Product	Item	Target brand
Flour	White (bleached) Wheat Flour, Exclude: self-rising, whole-wheat	Gold Medal, Pillsbury, Heckers
Rice	Long Grain - Basmati, polished white, no special preparation	
Steaks	Tender Loin Filet, boneless, sliced from the short loin and sirloin, fresh (if not available, price frozen, specify)	Filet Mignon
Suit	Winter Suit: 2-piece 100% wool, designer brands	Boss, Calvin Klein, Ralph Lauren, Pierre Cardin, Hechter
Sneakers	Cross-trainers	Adidas, Nike, Reebok
Coffee Maker	Automatic drip coffee maker, capacity: 1-1.25 L (10-12 Cups), power: approx. 850W	Mr Coffee, Krups, Braun, Philips, Melitta, Moulinex
Vacuum	Cylinder type, with disposable paper bags, power: approx. 1200W, color: standard, accessories: standard	Philips, Rowenta, AEG, Hoover
Refrigerator	Fridge/Freeze combo, capacity: approx. 275-360L (total), defrosting: automatic, color: standard, 4-star, excl. automatic ice-maker and water dispenser, not built-in	GE, Westinghouse, Thompson, Whirlpool, Zanussi
Washer	Washing machine, without dryer, front-loader, wash capacity: approx. 5 kg, variable spin speed: up to 1000 r/m, color: standard	Candy, Bauknecht, Electrolux, Siemens, Zanussi, GE, Westinghouse, Whirlpool, Thompson
Carpet-laying	Hourly wage for: laying carpet in a 4x5m room, no floor preparation, 1 door, using synthetic carpet	
Tire	16-inch, 225/60 VR-16, well-known brands, steel-belted radial, tubeless, all-season tread, excl. cost of mounting or trade-in	Michelin, Goodyear, Dunlop, Pirelli, Uniroyal

5.4 Comparability

In general, each item selected in the master list needs to satisfy three main criteria :

- be representative of, and significant within, its basic heading;
- be characteristic of the EU staff consumption in Brussels and in the duty stations;
- be as similar as possible: an item should have the same characteristics in each place; this feature is also called "comparability".

Basically there are two types of definitions:

- those in which brand and model are specified;
- the generic ones in which a number of technical characteristics are specified, but not the brand.

In the first case it is easy to obtain an excellent comparability if the product selected for pricing in the shop is the same as the one described in the master list. This kind of definition is quite rare, because it tends to conflict with the other two criteria. However definitions like the washer example (see above) are more frequent, where some examples of brand or model are provided. In a sense this is a compromise between the two types of definitions, which in principle gives a quite good comparability.

In the case of a real generic definition, it is more difficult to ensure a fair comparison. Great emphasis is placed on quality, which includes intrinsic features of the products (eg. freshness of fruit, characteristics of electrical appliances) and extrinsic factors (eg. shop features, packaging, service, conditions of sale). If none of the products for sale coincides perfectly with the definition, the collector should price the nearest equivalent (the most similar product) provided that the differences are insignificant or can be related to the price, e.g. as small weight differences can. The price collector must always report all such deviations. A different model number, or weight, or composition of a textile fabric, or types of packaging, are examples.

5.5 Selection of outlets

For each of the duty stations outside the EU for which a correction coefficients exists, a list of outlets from previous surveys exists as well. In choosing the list of retail outlets to visit, the purchasing habits of expatriate E.U. officials must be borne in mind. For this reason, the staff of the E.U. delegation have always to be contacted for their opinions on the proposed shops list (although suggestions are not be considered prescriptive). The target range is medium quality EU standards for the products on sale (i. e. shop quality is only one of the factors taken into account). As a rule of thumb, attention should be focused on medium quality outlets, to try to ensure that the resulting price level is representative (i. e. gives a good average price).

The list of retail outlets should be carefully planned in order to ensure a representative sample. Even rough estimates are valuable. This has two aspects :

- Geographical location (i.e. reflecting the areas frequented by expatriates)
- Consumption habits (e.g. if expatriates buy 2/3 of clothing items in department stores rather than small boutiques, then department stores are where the surveying effort should be concentrated).

If surveys have previously been conducted in the duty station, there will already be a lot of lessons which can be learned studying reports on previous surveys. This may make the survey more efficient and more effective.

- For example, the order of visiting retail outlets could be planned in order to ensure maximum coverage of the products.
- If some retailers adopted a uniform pricing policy in all their branches, there is no need to visit more than one this time (simply record the different addresses). In other cases there is centrally regulated pricing (e.g. tobacco, petrol).
- Alternatively, certain outlets could be planned to be surveyed by telephone this time. Likewise, catalogue prices could be sought for certain products. Trade magazines might also be an efficient survey method (e.g. for car prices). In such cases, the standard pricing rules must nevertheless be followed.

If major modifications to an existing list are proposed by the staff of the duty station, Eurostat should be advised before the survey takes place. Even if only minor modifications are proposed, a full list of the changes should be included with the final survey dossier.

5.6 Quality

In order to obtain a good quality of the price level surveys, efforts are concentrated on the following points:

- comparability;
- representativity;
- coverage.

Comparability – Has already been discussed (see paragraph 5.4). However it has to be stressed again that the strict interpretation of definitions is essential to ensure a fair comparison, although it is recognised that outside the EU flexible interpretation may be necessary during surveys. This means that the role of data procession decisions is extremely important. Consequently it means also that price collectors must provide adequate explanatory comments.

Representativity - A central tenet of PPP theory is the pricing of an equi-representative basket of products (i.e. one which reflects purchasing habits in both locations). In practice, this is difficult to achieve because knowledge of the product basket available in the duty station could not be taken into account when designing the survey questionnaire in Brussels. It is therefore important to try and counter this bias by retaining prices for those products satisfying the definition which are locally representative (i.e. commonly available / most frequently sold). Note however, that an attempt should always be made to find and retain prices for items priced in Brussels, whether they are representative in the duty station or not (this is the essence of a Laspeyres type index).

Coverage - Prices should be obtained for enough definitions to cover each basic heading, particularly those with high expenditure weights (whether in Brussels or in the duty station or in both). Eurostat asks for at least 5 prices from at least 3 outlets (and more where there is wide price dispersion). Consistency is also important (e.g. if prices can be collected for cars, they can probably be collected for petrol too). Within basic headings, a broad enough sample is necessary to ensure good coverage for each definition.

Annexe 4 outlines more methodological details concerning the treatment of spatial surveys.

6. Price trend surveys

6.1 Introduction

Once calculated at the date of the price level survey, parities are updated using detailed (i.e. at the 84 basic heading level) temporal indices which measure the trend of the cost of living for EU officials expatriated in the various duty stations and in Brussels.

In principle, the temporal indices to use should have the following features:

- they should refer just to a given duty station (and not to the whole country);
- they should refer to a population of European officials expatriated in a given duty station (and not to the resident population in that duty station);
- they should be available monthly.

The tool to obtain such temporal indices is the "time-to-time" survey. Dual purpose surveys can be considered a special kind of "time-to-time" surveys.

6.2 Time-to-time versus national consumer price indices

Most countries have their own consumer price indices, but these are usually for national needs. Goods and services covered by their price indices reflect consumption patterns of the local population.

Therefore these price indices often do not reflect the trend in prices of goods and services consumed by expatriates, the quality of which is similar or equal to that available in Europe, and bought in shops patronised by expatriates.

However, in those countries where the consumption habits are close to the European ones, good quality and enough detailed consumer price indices can be accepted as good proxies of the cost of living for expatriates. They should be preferably local indices, but even national ones can be used.

Thus time-to-time surveys are necessary only in those duty stations where suitable consumer price indices are not available.

The sources of the price indices used at present are as follows:

- a) Detailed consumer price indices provided by local National Statistical Institutes (NSIs).
- b) Detailed consumer price indices provided by the UN.
- c) "Time-to-time" (or dual purpose) surveys.

The table below gives an indication of the current share of the indices from the different sources (in 2001), for the list of countries in annex 1:

Source	Number of countries
Local NSIs	25
UN	27
Time-to-time	73
TOTAL	125

In some cases a consumer price index (national or local) is supplemented by a partial time-to-time survey for those products where the expenditure habits of expatriates tend to diverge significantly from the pattern of expenditure of the resident population.

Whatever the source of the temporal indices used to update original parities, the reported trend is formally compared with data available from other sources (e.g. local NSIs, UN, ILO).

Indices are applied at the level of the individual basic headings.

6.3 Frequency of the price trend surveys

In principle Eurostat needs to establish monthly series of correction coefficients for all extra-EU duty stations. Therefore the best approach would be, in theory, to conduct each month a time-to-time survey in those duty stations where the survey is required. However Eurostat considers acceptable a frequency lower than monthly. For some duty stations with very low inflation, even a yearly frequency is acceptable.

As for the price level surveys, the accuracy of the final result is a function of several parameters, such as number of products enquired, number of quotations per product, representativity of products, frequency of the surveys, etc.

In the case of surveys conducted less frequently than monthly, data will be estimated by interpolation.

The frequency of price trend surveys can vary according to the rate of inflation in the duty station: it should be higher in countries with high inflation. In any case a price trend survey (time-to-time or dual purpose) should be conducted at least once per year.

6.4 The product list

The time-to-time product list for a given duty station is based on the most recent place-to-place survey conducted in that duty station. About 250 representative items (products and services) should be chosen to be priced regularly. It is important to have at least one item per basic heading.

In principle the same items should be priced at each survey. But, of course, the market can change.

If a product becomes difficult to find or it disappears, it is replaced with a similar product alike in as many characteristics as possible and readily available. If possible, the "old" and the "new" item are priced together for one overlap period.

The dual purpose product list contains about 350 representative items as mentioned before.

6.5 The shop list

The shop list contains the names and addresses of the shops numbered from 1 to n. It is based on the list used in the most recent price level survey.

In principle the same items should be priced in the same shops at each survey. But, of course, the list will change over time. A shop may have had good quality goods during the previous months, but quality has gone down; new shops may have opened with better quality, existing shops may have improved quality of goods. In any case it is important to check that the shops in the list are used by expatriates.

6.6 Number of price quotations per item to collect

In general the more prices are collected the better the accuracy achieved. In practice there are items with fixed prices (e.g. some services), for which just one price is needed.

In general, as a rough rule, it is suggested to collect at least three price quotations per item.

Annexe 5 outlines more methodological details concerning the treatment of time-to-time surveys.

7. Treatment of estimations (in case of missing values)

Actually Eurostat's contractor delivers twice per year (25th February and 25th August) the so-called "Results Package" to EUROSTAT, comprising the parities and CCs for the previous 6 months (August to January and February to July). These data are based on spatial price surveys which are updated either by official NSI data for those countries where reliable data are available or by temporal (T2T) surveys.

As T2T surveys are normally not carried out every month but in general twice per year, there are either gaps between the different observation points which have to be filled by **interpolation** or missing data after a certain point in time. In that case, previous data (time series) are the base of projections into the future (**extrapolation**). The frequency of T2T surveys in general depends on the duty station.

Therefore it is necessary to establish the methodology of treating these estimations.

First of all it has to be pointed out, that in the context of the results package, the **timing** of T2T surveys is very important. For the purpose of EUROSTAT, these surveys should be done close enough to the end of the 6 months observation period; but on the other hand there must be sufficient time for data checking to be done within EUROSTAT. That means that ideally T2T surveys should be run in **May/June** (with the results (parities)) to be used for July data and **November/December** with the parities to be used for January. This would already avoid any kind of extrapolation, as these points in time are the final points of the results packages concerned.

Interpolation

In the case of interpolation data are missing for 1 or several observation points (months) between an initial and a final data point. In this case the interpolation is the **arithmetic mean** between the value of the month before and the month after the the missing value.

In case of missing values for several months within an observation period, the difference between the initial and the end point is equally distributed over the intermediate months.

As a general rule, gaps in the T2T price history are only filled if they refer to one 6-monthly observation period.

Extrapolation

The extrapolation method to be used will depend on the duty stations and the results. Therefore, depending on these results, in the case of extrapolating data, either the average inflation of the previous period (1 month) or the average inflation of the whole observation period serves as the base of extrapolating data into the future.

On one hand the extrapolation based on the latest inflation data seems to be the most appropriate method, on the other hand, there might be special reasons (example: devaluation) for finding extreme values for a specific month. In that case, it is better to consider the inflation over the 6 months period.

Concerning the "**a posteriori**" observation of prices it will be realised how close or far extrapolated inflation was from reality. **In any case revised new price data have to be taken into the database to have the correct base for future calculations, even if it isn't possible to correct the past** (correction coefficients already published).

Interpolations and extrapolations are **highlighted** in the data communicated to EUROSTAT.

No intermediate price data are calculated in the case prices are not available in more than 1 observation period.

Automatic calculation procedures corresponding to the estimation methodology as well as automatic checks of the results have to be installed by the contractor. Data sources (NSI data, T2T done by the contractor, etc.) always have to be indicated in the results.

Current duty stations outside the European Union (CCs at July 2001)

	Country	Duty station	COEFFICIENT
1	AFRIQUE DU SUD	PRETORIA	63.0
2	ALBANIE	TIRANA	93.1
3	ALGERIE	ALGER	0.0
4	ANCIENNE REPUBLIQUE YOUGOSLAVE DE MACEDOINE	SKOPJE	82.9
5	ANGOLA	LUANDA	131.3
6	ANTILLES NEERLANDAISES	WILLEMSTAD	126.4
7	ARGENTINE	BUENOS AIRES	128.7
8	AUSTRALIE	CANBERRA	96.8
9	BANGLADESH	DHAKA	80.5
10	BARBADE	BRIDGETOWN	142.4
11	BELIZE	BELIZE CITY	101.0
12	BENIN	COTONOU	83.8
13	BOLIVIE	LA PAZ	79.2
14	BOSNIE-ET-HERZEGOVINE	SARAJEVO	86.4
15	BOTSWANA	GABORONE	66.3
16	BRESIL	BRASILIA	82.2
17	BULGARIE	SOFIA	71.2
18	BURKINA FASO	OUAGADOUGOU	75.5
19	BURUNDI	BUJUMBURA	0.0
20	CAMEROUN	YAOUNDE	92.1
21	CANADA	OTTAWA	91.1
22	CAP-VERT	PRAIA	82.6
23	CHILI	SANTIAGO	94.7
24	CHINE	PEKIN	107.7
25	CHYPRE	NICOSIE	93.3
26	CISJORDANIE - BANDE DE GAZA	JERUSALEM-EST	118.2
27	COLOMBIE	BOGOTA	80.0
28	COMORES	MORONI	101.1
29	CONGO	BRAZZAVILLE	0.0
30	COREE DU SUD	SEOUL	119.8
31	COSTA RICA	SAN JOSE	104.4
32	COTE D'IVOIRE	ABIDJAN	102.6
33	CROATIE	ZAGREB	95.5
34	DJIBOUTI	DJIBOUTI	144.7
35	EGYPTE	LE CAIRE	86.6
36	ERYTHREE	ASMARA	59.3
37	ESTONIE	TALLINN	76.4
38	ETATS UNIS (New York)	NEW YORK	141.1
39	ETATS UNIS (Washington)	WASHINGTON	134.4
40	ETHIOPIE	ADDIS ABEBA	77.3
41	GABON	LIBREVILLE	113.8
42	GAMBIE	BANJUL	65.9
43	GEORGIE	TBILISI	115.5
44	GHANA	ACCRA	88.4
45	GUATEMALA	GUATEMALA CIUDAD	92.5
46	GUINEE	CONAKRY	83.8
47	GUINEE - BISSAU	BISSAU	130.0
48	GUINEE EQUATORIALE	MALABO	92.6
49	GUYANA	GEORGETOWN	71.9
50	HAITI	PORT AU PRINCE	103.7
51	HONG KONG	HONG-KONG	127.2
52	HONGRIE	BUDAPEST	65.1
53	ILES FIDJI	SUVA	73.3
54	ILES SALOMON	HONIARA	101.5
55	INDE	NEW DELHI	61.8
56	INDONESIE	JAKARTA	56.4
57	ISRAEL	TEL AVIV	128.5
58	JAMAIQUE	KINGSTON	129.3
59	JAPON (Naka)	NAKA	174.0

60	JAPON (Tokyo)	TOKYO	185.1
61	JORDANIE	AMMAN	96.9
62	KAZAKHSTAN	ALMATY	118.1
63	KENYA	NAIROBI	99.3
64	LESOTHO	MASERU	62.1
65	LETTONIE	RIGA	81.7
66	LIBAN	BEYROUTH	113.5
67	LIBERIA	MONROVIA	0.0
68	LITUANIE	VILNIUS	81.6
69	MADAGASCAR	ANTANANARIVO	91.0
70	MALAWI	LILONGWE	86.9
71	MALI	BAMAKO	82.9
72	MALTE	LA VALETTE	97.2
73	MAROC	RABAT	88.5
74	MAURICE	PORT LOUIS	86.8
75	MAURITANIE	NOUAKCHOTT	71.4
76	MEXIQUE	MEXICO CITY	97.9
77	MOZAMBIQUE	MAPUTO	83.2
78	NAMIBIE	WINDHOEK	69.4
79	NICARAGUA	MANAGUA	103.2
80	NIGER	NIAMEY	82.7
81	NIGERIA	ABUJA	0.0
82	NIGERIA	LAGOS	98.0
83	NORVEGE	OSLO	139.4
84	NOUVELLE-CALEDONIE	NOUMEA	120.0
85	OUGANDA	KAMPALA	94.7
86	PAKISTAN	ISLAMABAD	58.1
87	PAPOUASIE-NOUVELLE-GUINEE	PORT MORESBY	80.8
88	PEROU	LIMA	110.4
89	PHILIPPINES	MANILA	62.6
90	POLOGNE	VARSOVIE	85.0
91	REPUBLIQUE CENTRAFRICAINE	BANGUI	106.7
92	REPUBLIQUE DEMOCRATIQUE CONGO	DU KINSHASA	0.0
93	REPUBLIQUE DOMINICAINE	SANTO DOMINGO	90.7
94	REPUBLIQUE TCHEQUE	PRAGUE	84.5
95	ROUMANIE	BUCAREST	53.8
96	RUSSIE	MOSCOU	145.9
97	RWANDA	KIGALI	0.0
98	SAO TOME E PRINCIPE	SAO TOME	74.5
99	SENEGAL	DAKAR	77.6
100	SIERRA LEONE	FREETOWN	0.0
101	SLOVAQUIE	BRATISLAVA	67.8
102	SLOVENIE	LJUBLJANA	74.2
103	SOMALIE	MOGADISCIO	0.0
104	SOUDAN	KHARTOUM	48.2
105	SRI LANKA	COLOMBO	79.0
106	SUISSE	GENEVE	122.2
107	SURINAME	PARAMARIBO	81.0
108	SWAZILAND	MBABANE	59.8
109	SYRIE	DAMAS	110.0
110	TANZANIE	DAR ES SALAAM	82.8
111	TCHAD	N'DJAMENA	107.2
112	THAILANDE	BANGKOK	67.5
113	TOGO	LOME	92.6
114	TONGA	NUKUALOFA, TONGATAPU	75.7
115	TRINITE-ET-TOBAGO	PORT OF SPAIN	88.2
116	TUNISIE	TUNIS	84.3
117	TURQUIE	ANKARA	77.3
118	UKRAINE	KIEV	130.2
119	URUGUAY	MONTEVIDEO	107.2
120	VANUATU	PORT VILA, EFATE	122.8
121	VENEZUELA	CARACAS	115.6
122	VIET NAM	HANOI	70.8
123	YUGOSLAVIE	BELGRADE	58.7
124	ZAMBIE	LUSAKA	73.5
125	ZIMBABWE	HARARE	63.5

The 13 EU candidate countries (Bulgaria, Cyprus, Czech Rep, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Rep, Slovenia, Turkey and Malta) will gradually pass in the framework of the E.C.P. (European Comparison Programme). From 2004 they should fall out of the extra-EU scheme.

THE COICOP CLASSIFICATION IN 84 BASIC HEADINGS

No.	Code	Description
1	01.1.1	BREAD AND CEREALS
2	01.1.2	MEAT
3	01.1.3	FISH
4	01.1.4	MILK, CHEESE AND EGGS
5	01.1.5	OILS AND FATS
6	01.1.6	FRUIT
7	01.1.7	VEGETABLES INCLUDING POTATOES AND OTHER TUBERS
8	01.1.8	SUGAR, JAM, HONEY, CHOCOLATE, AND CONFECTIONERY
9	01.1.9	FOOD PRODUCTS N.E.C.
10	01.2.1	COFFEE, TEA AND COCOA
11	01.2.2	MINERAL WATERS, SOFT DRINKS, FRUIT AND VEGETABLES JUICES
12	02.1.1	SPIRITS
13	02.1.2	WINE
14	02.1.3	BEER
15	02.2.0	TOBACCO
16	03.1.2	GARMENTS
17	03.1.1/3	OTHER ARTICLES OF CLOTHING, CLOTHING ACCESSORIES AND CLOTHING MATERIALS
18	03.1.4	DRY CLEANING, REPAIR AND HIRE OF CLOTHING
19	03.2.1/2	FOOTWEAR INCLUDING REPAIRS AND HIRE
20	04.1.1/2	ACTUAL RENTALS PAID BY TENANTS AND OTHER ACTUAL RENTALS
21		IMPUTED RENTALS (not in HICP)
22	04.3.1	PRODUCTS FOR THE REGULAR MAINTENANCE AND REPAIR OF THE DWELLING
23	04.3.2	SERVICES FOR THE REGULAR MAINTENANCE AND REPAIR OF THE DWELLING
24	04.4.1	WATER SUPPLY
25	04.4.2	REFUSE COLLECTION
26	04.4.3	SEWERAGE COLLECTION
27	04.4.4	OTHER SERVICES RELATED TO THE DWELLING N.E.C.
28	04.5.1	ELECTRICITY
29	04.5.2	GAS
30	04.5.3	LIQUID FUELS
31	04.5.4	SOLID FUELS
32	04.5.5	HEAT ENERGY
33	05.1.1	FURNITURE AND FURNISHINGS
34	05.1.2	CARPETS AND OTHER FLOOR COVERINGS
35	05.1.3	REPAIR OF FURNITURE, FURNISHINGS AND FLOOR COVERINGS
36	05.2.0	HOUSEHOLD TEXTILES
37	05.3.1/2	MAJOR HOUSEHOLD APPLIANCES WHETHER ELECTRIC OR NOT AND SMALL ELECTRIC HOUSEHOLD APPLIANCES
38	05.3.3	REPAIR OF HOUSEHOLD APPLIANCES
39	05.4.0	GLASSWARE, TABLEWARE, AND HOUSEHOLD UTENSILS

No.	Code	Description
40	05.5.1/2	TOOLS AND EQUIPMENT FOR HOUSE AND GARDEN
41	05.6.1	NON-DURABLE HOUSEHOLD GOODS
42	05.6.2	DOMESTIC SERVICES AND HOME CARE SERVICES
43	06.	HEALTH
44	07.1.1	MOTOR CARS
45	07.1.2/3 /4	MOTOR CYCLES AND BICYCLES
46	07.2.1	SPARE PARTS AND ACCESSORIES FOR PERSONAL TRANSPORT EQUIPMENT
47	07.2.2	FUELS AND LUBRICANTS FOR PERSONAL TRANSPORT EQUIPMENT
48	07.2.3	MAINTENANCE AND REPAIR OF PERSONAL TRANSPORT EQUIPMENT
49	07.2.4	OTHER SERVICES IN RESPECT OF PERSONAL TRANSPORT EQUIPMENT
50	07.3.1	PASSENGER TRANSPORT BY RAILWAY
51	07.3.2	PASSENGER TP BY ROAD
52	07.3.3	PASSENGER TP BY AIR
53	07.3.4	PASSENGER TP BY SEA AND INLAND WATERWAY
54	07.3.5	COMBINED PASSENGER TP
55	07.3.6	OTHER PURCHASED TP SERVICES
56	08.1.0	POSTAL SERVICES
57	08.2/3.0	TELEPHONE AND TELEFAX EQUIPMENT
58	09.1.1	EQUIPMENT FOR THE RECEPTION, RECORDING AND REPRODUCTION OF SOUND AND PICTURES
59	09.1.2	PHOTOGRAPHIC AND CINEMATOGRAPHIC EQUIPMENT AND OPTICAL INSTRUMENTS
60	09.1.3	INFORMATION PROCESSING EQUIPMENT
61	09.1.4	RECORDING MEDIA
62	09.1.5	REPAIR OF AUDIO-VISUAL, PHOTOGRAPHIC AND INFORMATION PROCESSING EQUIPMENT
63	09.2.1/2	MAJOR DURABLES FOR INDOOR AND OUTDOOR RECREATION INCLUDING MUSICAL INSTRUMENTS
64	09.2.3	MAINTENANCE AND REPAIR OF OTHER MAJOR DURABLES FOR RECREATION AND CULTURE
65	09.3.1	GAMES, TOYS AND HOBBIES
66	09.3.2	EQUIPMENT FOR SPORT, CAMPING AND OPEN-AIR RECREATION
67	09.3.3	GARDENS, PLANTS AND FLOWERS
68	09.3.4/5	PETS AND RELATED PRODUCTS
69	09.4.1	RECREATIONAL AND SPORTING SERVICES
70	09.4.2	CULTURAL SERVICES
71	09.5.1	BOOKS
72	09.5.2	NEWSPAPERS AND PERIODICALS
73	09.5.3/4	MISCELLANEOUS
74	09.6.0	PACKAGE HOLIDAYS
75	10.	EDUCATION - PAID BY CONSUMERS
76	11.1.1	RESTAURANTS, CAFES AND THE LIKE
77	11.1.2	CANTEENS
78	11.2.0	ACCOMMODATION SERVICES

No.	Code	Description
79	12.1.1	HAIRDRESSING SALONS AND PERSONAL GROOMING ESTABLISHMENTS
80	12.1.2/3	APPLIANCES, ARTICLES AND PRODUCTS FOR PERSONAL CARE
81	12.3.1	JEWELRY, CLOCKS AND WATCHES
82	12.3.2	OTHER PERSONAL EFFECTS N.E.C.
83	12.5	INSURANCE
84	12.6/7	OTHER SERVICES, INCLUDING FINANCIAL SERVICES N.E.C.

12 groups

- 1 FOOD AND NON-ALCOHOLIC BEVERAGES
- 2 ALCOHOLIC BEVERAGES AND TOBACCO
- 3 CLOTHING AND FOOTWEAR
- 4 HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS
- 5 FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE
- 6 HEALTH
- 7 TRANSPORT
- 8 COMMUNICATIONS
- 9 RECREATION AND CULTURE
- 10 EDUCATION
- 11 HOTELS, CAFES AND RESTAURANTS
- 12 MISCELLANEOUS GOODS AND SERVICES

CORRESPONDANCE BETWEEN CHGS (CLASSIFICATION OF HOUSEHOLD GOODS AND SERVICES) AND COICOP/CC

DIVISION	Group	Class	Basic heading	Bold = Not split					
COICOP-PPP				CHGS					CC
01 FOOD AND NON-ALCOHOLIC BEVERAGES									
01.1 Food									
01.1.1 <i>Bread and cereals</i>									
01.1.1.1 Rice				111.11	111.61				01.1.1
01.1.1.2 Flour and other cereals				111.21	111.22				01.1.1
01.1.1.3 Bread				111.31	111.32				01.1.1
01.1.1.4 Other bakery products				111.41	111.42				01.1.1
01.1.1.5 Pasta products				111.51	111.52				01.1.1
01.1.1.6 Other cereal products				111.61					01.1.1
01.1.2 <i>Meat</i>									
01.1.2.1 Beef				112.11					01.1.2
01.1.2.2 Veal				112.21					01.1.2
01.1.2.3 Pork				112.31					01.1.2
01.1.2.4 Lamb, mutton and goat				112.41					01.1.2
01.1.2.5 Poultry				112.51					01.1.2
01.1.2.6 Other meats and edible offal				112.81					01.1.2
01.1.2.7 Delicatessen and other meat preparations				112.61	112.71	112.72			01.1.2
01.1.3 <i>Fish and seafood</i>									
01.1.3.1 Fresh or chilled fish and seafood				113.11	113.31				01.1.3
01.1.3.2 Frozen fish and seafood				113.11	113.31				01.1.3
01.1.3.3 Preserved or processed fish and seafood				113.21	113.41				01.1.3
01.1.4 <i>Milk, cheese and eggs</i>									
01.1.4.1 Fresh milk				114.11					01.1.4
01.1.4.2 Preserved milk				114.21					01.1.4
01.1.4.3 Other milk products				114.31					01.1.4
01.1.4.4 Cheese				114.41					01.1.4
01.1.4.5 Eggs and egg-based products				114.51					01.1.4
01.1.5 <i>Oils and fats</i>									
01.1.5.1 Butter				115.11					01.1.5
01.1.5.2 Margarine				115.21					01.1.5
01.1.5.3 Other edible oils and fats				115.31	115.41				01.1.5
01.1.6 <i>Fruit</i>									
01.1.6.1 Fresh or chilled fruit				116.11	116.12				01.1.6
01.1.6.2 Dried fruit and nuts				116.21					01.1.6
01.1.6.3 Frozen fruit, preserved fruit and fruit-based products				116.31					01.1.6
01.1.7 <i>Vegetables</i>									
01.1.7.1 Fresh or chilled vegetables other than potatoes				116.41	116.42	116.43			01.1.7
01.1.7.2 Fresh or chilled potatoes				117.11					01.1.7
01.1.7.3 Frozen vegetables				116.61	117.21				01.1.7
01.1.7.4 Dried vegetables				116.51					01.1.7
01.1.7.5 Preserved or processed vegetables and vegetable-based products				116.71	117.21				01.1.7
01.1.8 <i>Sugar, jam, honey, chocolate and confectionery</i>									
01.1.8.1 Sugar				118.11					01.1.8
01.1.8.2 Jams, marmalades and honey				110.11	1110.12				01.1.8
01.1.8.3 Confectionery, chocolate and other cocoa preparations				110.21	1110.31				01.1.8
01.1.8.4 Edible ice, ice cream and sorbet				110.41					01.1.8
01.1.9 <i>Food products n.e.c.</i>									
01.1.9.0 Food products n.e.c.				111.61	112.71	112.72	113.41	116.31	01.1.9
				116.41	116.51	116.71	117.21	1110.51	
01.2 Non-alcoholic beverages									
01.2.1 <i>Coffee, tea and cocoa</i>									
01.2.1.1 Coffee				119.11					01.2.1
01.2.1.2 Tea and other infusions				119.21					01.2.1
01.2.1.3 Cocoa excluding cocoa preparations				119.31					

COICOP-PPP		CHGS				CC
01.2.2	<i>Mineral waters, soft drinks, fruit and vegetable juices</i>					
01.2.2.1	Mineral waters	121.11				01.2.2
01.2.2.2	Soft drinks and concentrates	121.21				01.2.2
01.2.2.3	Fruit and vegetable juices	116.31	116.71			01.2.2
02	ALCOHOLIC BEVERAGES, TOBACCO AND NARCOTICS					
02.1	Alcoholic beverages					
02.1.1	<i>Spirits</i>					
02.1.1.0	Spirits	131.11	131.12			02.1.1
02.1.2	<i>Wine</i>					
02.1.2.1	Wine, cider and perry	131.21	131.41			02.1.2
02.1.2.2	Fortified and sparkling wine	131.41				02.1.2
02.1.3	<i>Beer</i>					
02.1.3.0	Beer	131.31				02.1.3
2.2	Tobacco					
02.2.0	<i>Tobacco</i>					
02.2.0.1	Cigarettes	141.11				02.2.0
02.2.0.2	Other tobacco products	141.11	142.11			02.2.0
2.3	Narcotics					
02.3.0	<i>Narcotics</i>					
02.3.0.0	Narcotics	N/C				N/C
03	CLOTHING AND FOOTWEAR					
03.1	Clothing					
03.1.1	<i>Clothing materials</i>					
03.1.1.0	Clothing materials	211.51				03.1.1/3
03.1.2	<i>Garments</i>					
03.1.2.1	Men's clothing	211.11	211.12	211.13	211.14	03.1.2
03.1.2.2	Women's clothing	211.21	211.22	211.23	211.24	03.1.2
03.1.2.3	Children's clothing	211.31	211.32			03.1.2
03.1.2.4	Infant's clothing	211.41				03.1.2
03.1.3	<i>Other articles of clothing and clothing accessories</i>					
03.1.3.0	Other articles of clothing and clothing accessories	211.52	211.53			03.1.1/3
03.1.4	<i>Cleaning, repair and hire of clothing</i>					
03.1.4.0	Cleaning, repair and hire of clothing	212.11				03.1.4
03.2	Footwear					
03.2.1	<i>Shoes and other footwear</i>					
03.2.1.1	Men's footwear	221.11	222.11			03.2.1/2
03.2.1.2	Women's footwear	221.21	222.11			03.2.1/2
03.2.1.3	Children's and infant's footwear	221.31	222.11			03.2.1/2
03.2.2	<i>Repair and hire of footwear</i>					
03.2.2.0	Repair and hire of footwear	222.11				03.2.1/2
04	HOUSING, WATER, ELECTRICITY, GAS AND OTHER FUELS					
04.1	Actual rentals for housing					
04.1.1	<i>Actual rentals paid by tenants</i>					
04.1.1.1	Actual rentals paid by tenants living in apartments	311.11				04.1.1/2
04.1.1.2	Actual rentals paid by tenants living in one-family houses	311.12				04.1.1/2
04.1.2	<i>Other actual rentals</i>					
04.1.2.0	Other actual rentals	311.11	311.12			04.1.1/2
04.2	Imputed rentals for housing					
04.2.1	<i>Imputed rentals of owner-occupiers</i>					
04.2.1.1	Imputed rentals of owner-occupiers living in apartments	311.21				04.2.1/2
04.2.1.2	Imputed rentals of owner-occupiers living in one-family houses	311.22				04.2.1/2
04.2.2	<i>Other imputed rentals</i>					
04.2.2.0	Other imputed rentals	311.21	311.22			04.2.1/2
04.3	Maintenance and repair of the dwelling					
04.3.1	<i>Materials for the maintenance and repair of the dwelling</i>					
04.3.1.0	Materials for the maintenance and repair of the dwelling	311.32				04.3.1
04.3.2	<i>Services for the maintenance and repair of the dwelling</i>					
04.3.2.0	Services for the maintenance and repair of the dwelling	311.31	311.32			04.3.2

COICOP-PPP	CHGS					CC
04.4 Water supply and miscellaneous services relating to the dwelling						
04.4.1 <i>Water supply</i>						
04.4.1.0 Water supply	312.11					04.4.1
04.4.2 <i>Refuse collection</i>						
04.4.2.0 Refuse collection	311.11	311.12	311.21	311.22		04.4.2
04.4.3 <i>Sewerage collection</i>						
04.4.3.0 Sewerage collection	311.11	311.12	311.21	311.22		04.4.3
04.4.4 <i>Other services relating to the dwelling n.e.c.</i>						
04.4.4.0 Other services relating to the dwelling n.e.c.	311.11	311.12	311.21	311.22	452.21	04.4.4
04.5 Electricity, gas and other fuels						
04.5.1 <i>Electricity</i>						
04.5.1.0 Electricity	321.11	321.12				04.5.1
04.5.2 <i>Gas</i>						
04.5.2.1 Town gas and natural gas	322.11	322.12				04.5.2
04.5.2.2 Liquefied hydrocarbons	322.21					04.5.2
04.5.3 <i>Liquid fuels</i>						
04.5.3.0 Liquid fuels	323.11					04.5.3
04.5.4 <i>Solid fuels</i>						
04.5.4.0 Solid fuels	324.11					04.5.4
04.5.5 <i>Heat energy</i>						
04.5.5.0 Heat energy	324.11					04.5.5
05 FURNISHINGS, HOUSEHOLD EQUIPMENT AND ROUTINE MAINTENANCE OF THE HOUSE						
05.1 Furniture and furnishings, carpets and other floor coverings						
05.1.1 <i>Furniture and furnishings</i>						
05.1.1.1 Kitchen furniture	411.11	412.11				05.1.1
05.1.1.2 Bedroom furniture	411.12	412.11	421.11			05.1.1
05.1.1.3 Living-room and dining-room furniture	411.13	412.11				05.1.1
05.1.1.4 Other furniture and furnishings	411.14	412.11	421.12			05.1.1
05.1.2 <i>Carpets and other floor coverings</i>						
05.1.2.0 Carpets and other floor coverings	411.21	411.22	412.11			05.1.2
05.1.3 <i>Repair of furniture, furnishings and floor coverings</i>						
05.1.3.0 Repair of furniture, furnishings and floor coverings	412.11					05.1.3
05.2 Household textiles						
05.2.0 <i>Household textiles</i>						
05.2.0.0 Household textiles	421.12	421.13	421.14	422.11		05.2.0
05.3 Household appliances						
05.3.1 <i>Major household appliances whether electric or not</i>						
05.3.1.1 Refrigerators, freezers and fridge-freezers	431.11	432.11				05.3.1/2
05.3.1.2 Washing-machines, dryers and dishwashers	431.21	432.11				05.3.1/2
05.3.1.3 Cookers, hobs and ovens	431.31	432.11				05.3.1/2
05.3.1.4 Air conditioners, humidifiers and heaters	431.41	431.61	432.11			05.3.1/2
05.3.1.5 Other major household appliances	431.51	431.61	432.11			05.3.1/2
05.3.2 <i>Small electric household appliances</i>						
05.3.2.0 Small electric household appliances	431.61	432.11				05.3.1/2
05.3.3 <i>Repair of household appliances</i>						
05.3.3.0 Repair of household appliances	432.11					05.3.3
05.4 Glassware, tableware and household utensils						
05.4.0 <i>Glassware, tableware and household utensils</i>						
05.4.0.1 Glassware and ceramic ware for households, offices and decoration	441.11	441.12	442.11			05.4.0
05.4.0.2 Cutlery, flatware and silverware	441.21	442.11				05.4.0
05.4.0.3 Non-electric kitchen utensils and household articles	421.12	441.31	441.32	441.33	442.11	05.4.0
	822.21					
05.5 Tools and equipment for house and garden						
05.5.1 <i>Major tools and equipment</i>						
05.5.1.0 Major tools and equipment	712.22	714.11				05.5.1/2
05.5.2 <i>Small tools and miscellaneous accessories</i>						
05.5.2.1 Small electric accessories	441.51					05.5.1/2
05.5.2.2 Hand tools, garden tools and other miscellaneous accessories	441.33	441.41	442.11			05.5.1/2

COICOP-PPP		CHGS				CC
05.6	Goods and services for routine household maintenance					
05.6.1	<i>Non-durable household goods</i>					
05.6.1.1	Household cleaning supplies	451.11	451.12	451.13		05.6.1
05.6.1.2	Other non-durable household articles	451.21	451.22	451.23		05.6.1
05.6.2	<i>Domestic services and household services</i>					
05.6.2.1	Domestic services	461.11				05.6.2
05.6.2.2	Laundry and dry-cleaning	452.11				05.6.2
05.6.2.3	Other household services	452.21				05.6.2
06	HEALTH					
06.1	Medical products, appliances and equipment					
06.1.1	<i>Pharmaceutical products</i>					
06.1.1.0	Pharmaceutical products	511.11				06
06.1.2	<i>Other medical products</i>					
06.1.2.0	Other medical products	512.11				06
06.1.3	<i>Therapeutic appliances and equipment</i>					
06.1.3.1	Eye-glasses and contact lenses	521.11				06
06.1.3.2	Other therapeutic appliances and equipment	522.11				06
06.2	Out-patient services					
06.2.1	<i>Medical services</i>					
06.2.1.1	Services of general practitioners	531.11				06
06.2.1.2	Services of specialists	532.11				06
06.2.2	<i>Dental services</i>					
06.2.2.0	Services of dentists	533.11				06
06.2.3	<i>Paramedical services</i>					
06.2.3.1	Services of medical analysis laboratories and X-ray centres	536.11				06
06.2.3.2	Services of nurses and midwives	534.11				06
06.2.3.3	Other paramedical services	535.11				06
06.3	Hospital services					
06.3.0	<i>Hospital services</i>					
06.3.0.1	Compensation of employees: physicians	541.11				06
06.3.0.2	Compensation of employees: nurses and other medical staff	541.12				06
06.3.0.3	Compensation of employees: non-medical staff	541.21				06
06.3.0.4	Intermediate consumption: pharmaceutical products	542.21				06
06.3.0.5	Intermediate consumption: therapeutic appliances and equipment	542.31				06
06.3.0.6	Intermediate consumption n.e.c.	542.11	542.41	542.51	542.61	06
06.3.0.7	Consumption of fixed capital	543.11				06
06.3.0.8	Net taxes on production	N/C				06
06.3.0.9	Net operating surplus	N/C				06
07	TRANSPORT					
07.1	Purchase of vehicles					
07.1.1	<i>Motor cars</i>					
07.1.1.1	Motor cars with diesel engine	611.11				07.1.1
07.1.1.2	Motor cars with petrol engine of cubic capacity of less than 1200 cc	611.12				07.1.1
07.1.1.3	Motor cars with petrol engine of cubic capacity of 1200 cc to 1699 cc	611.13				07.1.1
07.1.1.4	Motor cars with petrol engine of cubic capacity of 1700 cc to 2999 cc	611.14				07.1.1
07.1.1.5	Motor cars with petrol engine with cubic capacity of 3000 cc and over	611.14				07.1.1
07.1.2	<i>Motor cycles</i>					
07.1.2.0	Motor cycles	612.11				07.1.2/3/4
07.1.3	<i>Bicycles</i>					
07.1.3.0	Bicycles	612.12				07.1.2/3/4
07.1.4	<i>Animal drawn vehicles</i>					
07.1.4.0	Animal drawn vehicles	N/C				07.1.2/3/4
07.2	Operation of personal transport equipment					
07.2.1	<i>Spare parts and accessories for personal transport equipment</i>					
07.2.1.0	Spare parts and accessories for personal transport equipment	621.11	621.12			07.2.1
07.2.2	<i>Fuels and lubricants for personal transport equipment</i>					
07.2.2.0	Fuels and lubricants for personal transport equipment	622.11				07.2.2
07.2.3	<i>Maintenance and repair of personal transport equipment</i>					
07.2.3.0	Maintenance and repair of personal transport equipment	621.11	621.12	621.21	622.11	07.2.3
07.2.4	<i>Other services in respect of personal transport equipment</i>					
07.2.4.0	Other services in respect of personal transport equipment	623.11				07.2.4

COICOP-PPP		CHGS					CC
07.3 Transport services							
07.3.1 <i>Passenger transport by railway</i>							
07.3.1.1 Local passenger transport by railway	631.12					07.3.1	
07.3.1.2 Long-distance passenger transport by railway	632.12	633.11				07.3.1	
07.3.2 <i>Passenger transport by road</i>							
07.3.2.1 Local passenger transport by bus	631.11					07.3.2	
07.3.2.2 Local passenger transport by taxi	631.13					07.3.2	
07.3.2.3 Long-distance passenger transport by road	632.11					07.3.2	
07.3.3 <i>Passenger transport by air</i>							
07.3.3.0 Passenger transport by air	631.13	632.21				07.3.3	
07.3.4 <i>Passenger transport by sea and inland waterway</i>							
07.3.4.0 Passenger transport by sea and inland waterway	631.13	632.21	633.11			07.3.4	
07.3.5 <i>Combined passenger transport</i>							
07.3.5.0 Combined passenger transport	N/C					07.3.5	
07.3.6 <i>Other purchased transport services</i>							
07.3.6.0 Other purchased transport services	631.12	631.13	633.11			07.3.6	
08 COMMUNICATION							
08.1 Postal services							
08.1.1 <i>Postal services</i>							
08.1.1.0 Postal services	641.11					08.1.0	
08.2 Telephone and telefax equipment							
08.2.1 <i>Telephone and telefax equipment</i>							
08.2.1.0 Telephone and telefax equipment	N/C					08.2/3.0	
08.3 Telephone and telefax services							
08.3.1 <i>Telephone and telefax services</i>							
08.3.1.0 Telephone and telefax services	642.11	642.12				08.2/3.0	
09 RECREATION AND CULTURE							
09.1 Audio-visual, photographic and information processing equipment							
09.1.1 <i>Equipment for the reception, recording and reproduction of sound and pictures</i>							
09.1.1.1 Television sets and video recorders	711.21	714.11				09.1.1	
09.1.1.2 Radios, CD-players and other electro-acoustic apparatus	711.11	711.31	714.11			09.1.1	
09.1.2 <i>Photographic and cinematographic equipment and optical instruments</i>							
09.1.2.0 Photographic and cinematographic equipment and optical instruments	711.21	712.11	714.11			09.1.2	
09.1.3 <i>Information processing equipment</i>							
09.1.3.0 Information processing equipment	712.21	714.11				09.1.3	
09.1.4 <i>Recording media</i>							
09.1.4.1 Pre-recorded recording media	713.11					09.1.4	
09.1.4.2 Unrecorded recording media	713.11					09.1.4	
09.1.5 <i>Repair of audio-visual, photographic and information processing equipment</i>							
09.1.5.0 Repair of audio-visual, photographic and information processing equipment	714.11					09.1.5	
09.2 Other major durables for recreation and culture							
09.2.1 <i>Major durables for outdoor recreation</i>							
09.2.1.0 Major durables for outdoor recreation	611.11	611.12	611.13	611.14	712.22	09.2.1/2	
	714.11						
09.2.2 <i>Musical instruments and major durables for indoor recreation</i>							
09.2.2.0 Musical instruments and major durables for indoor recreation	712.22	713.31	714.11			09.2.1/2	
09.2.3 <i>Maintenance and repair of other major durables for recreation and culture</i>							
09.2.3.0 Maintenance and repair of other major durables for recreation and culture	713.21	713.31	714.11			09.2.3	
09.3 Other recreational items and equipment, gardens and pets							
09.3.1 <i>Games, toys and hobbies</i>							
09.3.1.0 Games, toys and hobbies	713.31					09.3.1	
09.3.2 <i>Equipment for sport, camping and open-air recreation</i>							
09.3.2.0 Equipment for sport, camping and open-air recreation	211.53	221.11	221.21	221.31	222.11	09.3.2	
	713.21	714.11					
09.3.3 <i>Gardens, plants and flowers</i>							
09.3.3.0 Gardens, plants and flowers	421.12	713.51				09.3.3	
09.3.4 <i>Pets and related products</i>							
09.3.4.0 Pets and related products	713.61					09.3.4/5	
09.3.5 <i>Veterinary and other services for pets</i>							
09.3.5.0 Veterinary and other services for pets	722.51					09.3.4/5	

COICOP-PPP		CHGS				CC
09.4 Recreational and cultural services						
09.4.1 <i>Recreational and sporting services</i>						
09.4.1.0 Recreational and sporting services		222.11	721.11	722.11		09.4.1
09.4.2 <i>Cultural services</i>						
09.4.2.1 Photographic services		722.41				09.4.2
09.4.2.2 Other cultural services		721.11	722.11	722.31		09.4.2
09.4.3 <i>Games of chance</i>						
09.4.3.0 Games of chance		722.21				N/C
09.5 Newspapers, books and stationery						
09.5.1 <i>Books</i>						
09.5.1.0 Books		731.11	731.21			09.5.1
09.5.2 <i>Newspapers and periodicals</i>						
09.5.2.0 Newspapers and periodicals		731.21				09.5.2
09.5.3 <i>Miscellaneous printed matter</i>						
09.5.3.0 Miscellaneous printed matter		731.21				09.5.3/4
09.5.4 <i>Stationery and drawing materials</i>						
09.5.4.0 Stationery and drawing materials		823.11	823.12			09.5.3/4
09.6 Package holidays						
09.6.0 <i>Package holidays</i>						
09.6.0.0 Package holidays		N/C				09.6.0
10 EDUCATION						
10.1 Pre-primary and primary education						
10.1.0 <i>Pre-primary and primary education</i>						
10.1.0.0 Pre-primary and primary education		741.11				10
10.2 Secondary education						
10.2.0 <i>Secondary education</i>						
10.2.0.0 Secondary education		741.11				10
10.3 Post-secondary non-tertiary education						
10.3.0 <i>Post-secondary non-tertiary education</i>						
10.3.0.0 Post-secondary non-tertiary education		741.11				10
10.4 Tertiary education						
10.4.0 <i>Tertiary education</i>						
10.4.0.0 Tertiary education		741.11				10
10.5 Education not definable by level						
10.5.0 <i>Education not definable by level</i>						
10.5.0.0 Education not definable by level		741.11				10
11 RESTAURANTS AND HOTELS						
11.1 Catering Services						
11.1.1 <i>Restaurants, cafés and the like</i>						
11.1.1.1 Restaurant services whatever the type of establishment		831.11				11.1.1
11.1.1.2 Pubs, bars, cafés, tea rooms and the like		831.21				11.1.1
11.1.1.3 Other catering services		831.12				11.1.1
11.1.2 <i>Canteens</i>						
11.1.2.0 Canteens		831.31				11.1.2
11.2 Accommodation Services						
11.2.0 <i>Accommodation Services</i>						
11.2.0.1 Hotels, boarding houses and the like		832.11				11.2.0
11.2.0.2 Other accommodation services		832.12				11.2.0
12 MISCELLANEOUS GOODS AND SERVICES						
12.1 Personal care						
12.1.1 <i>Hairdressing salons and personal grooming establishments</i>						
12.1.1.1 Services of hairdressers and the like for men		811.11				12.1.1
12.1.1.2 Services of hairdressers and the like for women		811.12				12.1.1
12.1.2 <i>Electric appliances for personal care</i>						
12.1.2.0 Electric appliances for personal care		812.11				12.1.2/3
12.1.3 <i>Other appliances, articles and products for personal care</i>						
12.1.3.0 Other appliances, articles and products for personal care		812.11	812.21	812.22	812.23	12.1.2/3
12.2 Prostitution						
12.2.0 <i>Prostitution</i>						
12.2.0.0 Prostitution		N/C				N/C

TREATMENT OF "PLACE-TO-PLACE" SURVEYS

I. Introduction

The aim of this document is to precise some rules concerning the treatment of "Place-To-Place surveys. The most important issue is the comparability of items. The strict comparability we know from the intra-EU side cannot necessarily be applied to the extra-EU side. It is quit clear that it might often be impossible to find in Africa or Asia exactly the same items which were priced in Brussels. Therefore the extra-EU methodology is a specific one. Rules and methods were validated by Eurostat. During time - depending on problems discovered – these methods are permanently refined and completed.

Comparability between the products priced in the duty stations and in Brussels and the homogeneity of prices are the fundaments of price comparisons and analysis of the Minimaster.

The whole set of definitions has been reviewed and is used from 2001 on.

II. Price comparisons

- Items priced have to correspond to the definitions.
- The quality of the items priced in the duty stations has to be comparable to the quality found in Brussels.
- Quality of shops should correspond to European standards (standing and service).
- Products should be homogenous; there should be uniform prices for the same product as well as for related products and the products of the same basic heading.

It should be clearly indicated in the Minimaster why an item is not comparable and therefore eliminated from the comparison.

III. Guidelines

In general, generic codes should only be used if they contribute to a better comparability. Nevertheless, in some basic headings we are obliged to cover products partly by a generic comparison. These are especially the followings:

- Cigars and other tobacco
- Clothing
- Furniture
- Household appliances like Fridges / Freezers, washing and cooking machines, but also TV/ Stereo, cameras, etc.

IV. Practical orientations by product

Some examples:

Local meat

If prices are homogenous and if this meat is consumed by expatriates, there is no reason not to take these prices into account.

Services in general

It should always be précised if the quality is comparable to the one in Brussels and if these services are used by expatriates. If expenses for water, electricity and gas are included in the rents, this position is either estimated, unless there is supplementary information available.

Package holidays

This position has been changed to:

Package Holiday to Climatically Different Location
Including Round-trip Airfare, All-inclusive Hotel Package, target Club Med.

A new approach is applied for this specific item. For the purpose of extra-EU comparisons 6 different destinations around the world are chosen, adding up to about the same total distance from each duty station. These destinations are New York, Buenos Aires, Brussels, Nairobi, HongKong and Canberra.

Domestic services

A new approach for domestic services is under analysis at the moment.

This item should be treated differently between the intra-EU and extra-EU side. Completely different consumption habits of EU officials working in an extra-EU delegation have to be taken into account during this price comparison. Instead of using an input cost approach, an oupput price approach would be much more correct.

A gradual distinction should be made between developed and developing countries, where the pattern of domestic service are likely to be different.

Eurostat was running the survey in Brussels during the summer 2001. Further decisions concerning this very specific item will be taken very soon and this methodology will be adapted accordingly.

In the new questionnaire the following definitions are applied:

	Domestic services	Average hours per month [1]	Live in? (Yes/No) [2]	Typical hourly rate [3]	Monthly expenditure [4]	Instructions
1	Having your flat/house cleaned. Please specify the approximate size: _____ m ²					The tasks to consider are all types of ordinary cleaning tasks.
2	Having your garden maintained. Please specify the approximate size: _____ m ²					Gardening tasks include ordinary routine work: grass-cutting, edging, weeding, etc. The construction of a new garden or other major tasks should be excluded.
3	Having your children looked after during the day. Please specify the number of children: _____					The tasks comprise guarding, feeding and taking care of your children during the normal daily working hours.
4	Evening babysitting for your children. Please specify the number of children: _____					Indicate the typical cost for an evening babysitting, taking care of your children the whole evening.
5	Having your meals prepared by a cook. _____ meals _____ days					Please specify how many meals per day and how many days per week
6	Laundry					Washing, ironing, etc., if this is not included in row 1.
7	OTHER: <i>please specify</i>					Indicate here the price of any other domestic service (excluding security guard) different from those mentioned before but of common use in your duty station.

Airfares

The former 298 definitions were changed to just one definition as follows:

One-Way full economy published (Y class) fare from the duty station to the following six cities: New York (Toronto), Buenos Aires (Santiago), Brussels (Paris), Nairobi (Johannesburg), Hong Kong (Bangkok), Canberra (Sydney). If the duty station is one of the 6 above, substitute with the city in parenthesis.

Exclude: discount or excursion fares or fares with any restrictions.

Hairdresser

In some duty stations, in which a comparable service with Brussels is not available, the price in international hotels can be accepted. The same applies to international newspapers and magazines.

Car prices

Cars equipments may differ a lot depending on the country and have to be taken into account in the comparison. Attention also has to be paid to specific import taxes which are applied in some countries. General rule: if officials have to pay these taxes, they have to be taken into consideration in the calculation.

V. Description of Automatic Rules for Estimating Basic Heading Ratios in case of P2P and DPS surveys

The process by which Basic Heading indices are estimated has been automated by creating groups of like BHs. When any member of a group (an individual BH) is missing, the index for that BH is estimated by a weighted average of the other BH indices within the group. The groupings were chosen because of similarities between the Basic Headings they contain. In general, these groups are quite similar to the way Basic Heading indices were estimated in the past, and basically just a formalization of those techniques.

The Groups of Basic Headings are as follows:

Group	BRX Weight	Basic Headings
Food	12.0915	BHs 1-11
Alcohol	2.28794	BHs 12-14
Tobacco	0.532079	BH 15
Clothing	6.51797	BHs 16, 17, 19
Consumer Services	4.509371	BHs 18, 23, 35, 38, 48, 62, 64, 79
Rent	0	BHs 20, 21
Non-durable Household Goods	1.636143	BHs 22, 41
Utilities	3.511722	BHs 24-32
Furniture	9.258177	BHs 33, 34, 36, 37, 39, 40, 63
Domestic Services	3.671346	BH 42
Health	0.993	BH 43
Automobile	11.12045	BHs 44-46, 49
Fuel and Oil	3.165871	BH 47
Public Transportation	5.932682	BHs 50-55
Document Services	1.170574	BHs 56, 84
Telephone	2.859925	BH 57
Hi-Tech Equipment	3.258985	BHs 58-61
Recreation Equipment	1.755861	BHs 65-68
Cultural Services	3.69795	BHs 69-70
Books and Paper Products	2.381054	BHs 71-73
Package Holidays	3.49842	BH 74
Education	0	BH 75
Restaurants	7.648638	BHs 76-77
Hotels	0.997648	BH 78
Personal Care Goods	4.057103	BHs 80-82
Insurance	3.445212	BH 83

For Domestic Services BH 42, an index will be calculated based on the agreed upon new methodology currently in discussion. Since this BH index will include usage amounts in addition to wage information, this BH will not be used to estimate any other BHs.

For Package Holidays BH 74, an index will be estimated using the agreed upon new methodology currently in discussion (an average of land and airfare costs).

Groups that consist of only one BH will always have survey data collected and will never be estimated.

TREATMENT OF "TIME-TO-TIME" SURVEYS

I. Introduction

The aim of this document is to precise some rules concerning the treatment of "Time-To-Time" surveys. The most important issue is the continued following of the price evolution of preferably the same items in the same shops. It is quit clear that it might often be impossible to find in Africa or Asia exactly the same items which were priced 6 months ago or even to find the same shops. Therefore the extra-EU methodology is a specific one. Rules and methods were validated by Eurostat. During time - depending on problems discovered – these methods are permanently refined and completed.

II. Guidelines

1. **The list of items surveyed in T2T surveys should always be a subset of the P2P or DPS list established for a specific duty station.** This includes that:

- items priced have to correspond to the definitions and have already been priced in a P2P or DPS survey;
- the quality of the items priced in the duty stations has to be comparable to the quality found in Brussels;
- quality of shops should correspond more or less to European standards (standing and service);
- products should be homogenous; uniform prices for the same product as well as for related products and the products of the same basic heading.

2. **Observation of prices for a specific item (concrete example):**

Supposing that at a point of time 1, the following 3 different prices were found in different shops, whereas 6 months later only 1 price could be found:

Rice price (in national currency)

Period 1		Period 2		T2T Inflation
Price in Shop 1:	120	Price in Shop 1:	120	0 %
Price in Shop 2:	80	Price in Shop 2:	n.a.	
Price in Shop 3:	100	Price in Shop 3:	n.a.	
Average Price:	100	Average Price	120	20 %

This fictive example shows quite clearly the problem: If the average prices between period 1 and 2 are compared, we get a T2T inflation of 20% for this item.

It can also be argued that only prices found in shop 1 should be compared, because prices in other shops were not available and the rice price in shop 1 didn't move. This would lead us to a complete different result; in our example the inflation result would be 0%.

T2T methodology has been refined in the way to fill gaps in the T2T history only if they refer to 1 observation period. The extrapolation method to be used will depend on the duty stations and the results (cas by cas examination).

3. Comparison between 2 different observation cycles - types of filters:

- Elimination of extremes: on one hand it is a good practise to eliminate extreme prices falling completely out of range, on the other hand it is in some extra-EU duty stations quite common to have possible price changes of 50 % or even more for certain items.
- These filters are established in a flexible way depending on:
 - the country;
 - the product;
 - the level of the CC.
- Variation measures: statistical measures on data dispersion of product ratios about basic heading CCs; Standard Geometric Variation (SGV), etc.

III. Description of Automatic Rules for Estimating Basic Heading Ratios in case of T2T surveys

The Groups of Basic Headings are as follows:

Group	BRX Weight	Basic Headings
Food	12.09	BHs 1-11
Alcohol	2.29	BHs 12-14
Tobacco	0.53	BH 15
Clothing	6.52	BHs 16, 17, 19
Consumer & Domestic Services	8.18	BHs 18, 23, 35, 38, 42, 48, 62, 64, 79
Rent	0	BHs 20, 21
Non-durable Household Goods	1.64	BHs 22, 41
Utilities	3.51	BHs 24-32
Furniture	9.26	BHs 33, 34, 36, 37, 39, 40, 63
Health	0.99	BH 43
Automobile	11.12	BHs 44-46, 49
Fuel and Oil	3.17	BH 47
Public Transportation	5.93	BHs 50-55
Document Services	1.17	BHs 56, 84
Telephone	2.86	BH 57
Hi-Tech Equipment	3.26	BHs 58-61
Recreation Equipment	1.76	BHs 65-68
Cultural Services	3.70	BHs 69-70

Books and Paper Products	2.38	BHs 71-73
Package Holidays	3.50	BH 74
Education	0	BH 75
Restaurants	7.65	BHs 76-77
Hotels	0.99	BH 78
Personal Care Goods	4.06	BHs 80-82
Insurance	3.45	BH 83

For Package Holidays BH 74, an inflation index will be estimated using the agreed upon new methodology currently in discussion (an average of land and airfare inflations).

The following Basic Headings are ones for which we should have inflation data in every location, but in the instance that something is lacking, one of the above group averages will be used, (but we do not use these particular BHs in the group averages that make up the other estimates):

Basic Heading		BRX Weight	Estimate using
15	Tobacco	0.53	Alcohol group average
43	Health	0.99	Personal Care Goods group average
78	Hotels	0.99	Cultural Services group average

General Notes

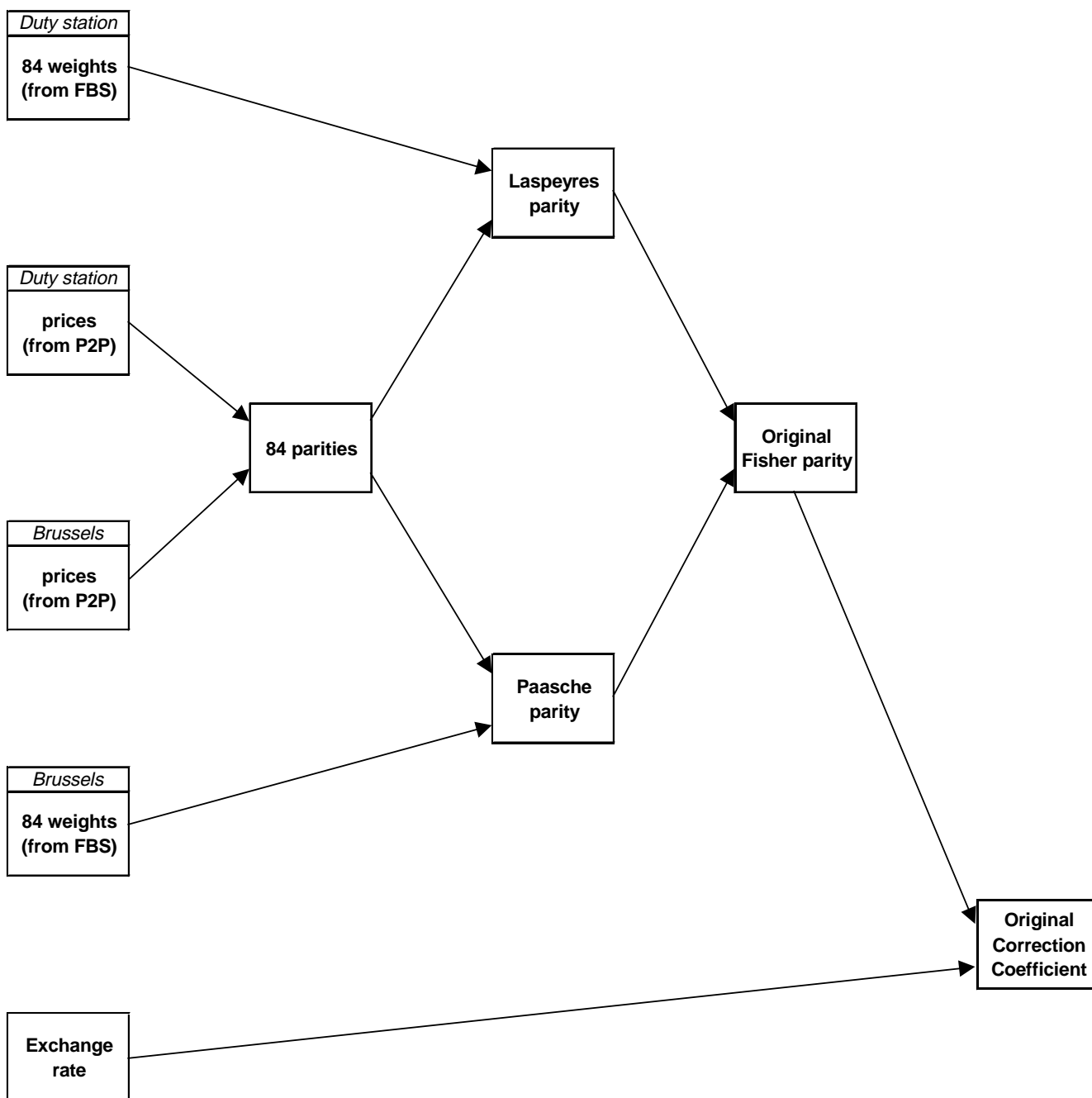
Basic Headings with weights greater than 2.5% will always have survey data and will never be estimated, unless they are clearly unavailable. These Basic Headings include:

Basic Heading		BRX Weight
16	Garments	5.25
33	Furniture and Furnishings	4.31
42	Domestic Services	3.67
44	Motor Cars	9.99
47	Fuel and Lubricants	3.17
52	Passenger Transport by Air	3.10
57	Telephone	2.86
74	Package Holidays (via BH 52)	3.50
76	Restaurants	5.97
83	Insurance	3.45

The estimation notes that appear on the reports refer to the entire group being used for the estimate, without omitting members of the group that are themselves estimates. Mathematically this is equivalent to using the average of only the BHs with live inflation data. More importantly, it allows there to be a single way of estimating a particular BH, one that is used consistently every time that BH is missing. In the rare instance where there is no survey data from an entire group of BHs, the overall inflation will be used to estimate that group of BHs, rather than tying them to a particular BH or group of BHs that we feel are different enough not to belong to the same group in the first place.

A flowchart of the process for calculating salary correction coefficients for officials stationed in delegations outside the European Union.

Calculation steps establishing a correction coefficient for a duty station



Steps showing the updating of the correction coefficient

