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Tenacity pays off

Tripartite agreement supports household purchasing power and restores the normal functioning of the index

After often difficult negotiations over more than 30 hours, the Tripartite Coordination Committee finally adopted a package of measures on 20 September 2022, aimed primarily at curbing inflation and supporting households in the context of energy and purchasing power crisis.

The agreement in principle reached on 20 September responds to the demands that the OGBL had already made during the tripartite meeting in March 2022. The OGBL had already advocated taking measures to fight inflation instead of attacking indexation. At that time, the OGBL had already called for taking action on energy prices.

At the March tripartite, these proposals were rejected outright by the government, with the whole tripartite focusing on manipulating the index - a manipulation that the OGBL rejected.

It is clear that developments since the March tripartite have confirmed the OGBL's position. The index manipulation adopted at the time, without the agreement of the OGBL, would have meant a minimum delay of 12 months between the triggering of two index tranches. In an extremely volatile economic environment, the OGBL had already warned in March about the risk of a strong inflationary surge that could last for a prolonged period and possibly lead to 3, 4 or more index tranches. A situation that presented a real danger of definitive loss of entire tranches.

The agreement in principle of September 20, 2022 puts an end to this manipulation of the index! All future index tranches from today onwards will be paid when they are due. The normal functioning of the index is thus fully restored.

This result is the fruit of the continuous mobilization of the OGBL, of all its structures and of its activists over the last months, who never stopped opposing the manipulation of the index retained in the March 2022 agreement.

The new agreement in principle provides for, in addition to the restoration of the index, direct measures to significantly slow inflation and thus avoid the massive increases in energy prices already announced, which would have greatly impacted the household budget.

- The price of electricity will not increase in January, contrary to the announcement of an increase of nearly 70%.
- The announced increase in the price of gas will be capped at 15% compared to the current price (instead of 110% or even 160%).
- The discount on fuel oil will be extended by one year and doubled to 15 cents/liter.

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- VAT will be reduced by 1% on all products.

All these measures combined support the purchasing power of households while considerably slowing down inflation. Thus, it will be possible to avoid that the massive increases announced for the price of gas are fully reflected in the gas advances that will be due from October. The gas price cap can be implemented as of October 1, 2022.

For the most vulnerable households, the increase in the cost-of-living allowance and the energy bonus will also be extended for another year.

During the tripartite meeting last March, the OGBL also proposed to act on administered prices, in particular those applied in care and retirement homes. The OGBL is therefore pleased that this demand is now also included in the tripartite agreement, which will undoubtedly be a major relief for the families concerned.

The agreement also contains a number of measures and aids for companies which the OGBL has finally accepted as part of the overall package of measures. Many of these measures are intended to lessen the impact of the energy crisis on energy-intensive companies and to encourage investment in the ecological transition to a low-carbon economy.

But the best aid for the Luxembourg economy is undoubtedly the reinforcement of the purchasing power of households through the full restoration of the index and measures to slow down inflation.

The adjustment of the tax scale to inflation and its rearrangement (widening of the brackets and addition of extra steps at the top of the scale) could not be included in this agreement. However, this is a matter of vital importance, as the development of inflation continues to mechanically increase the tax burden, particularly on low and medium wage earners, through the phenomenon of "cold progression". The OGBL will not soften its determination on this issue.

Finally, the agreement in principle will be submitted to the OGBL National Committee, which is due to meet on 27 September, and then, in the event of agreement, can be signed on the following day.

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