Worldwide Cost of Living 2017
A ranking of the world’s major cities

A report by The Economist Intelligence Unit
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The findings of the latest Worldwide Cost of Living Survey

A resurgent Asia

Singapore retains its title as the world’s most expensive city for a fourth consecutive year in a top ten that may have a familiar feel to it. Not only has Singapore stayed top but Hong Kong remains second, closely followed by Zurich. The latest survey has also seen a return to the top ten most expensive cities for Tokyo and Osaka. The Japanese capital, which was the world’s most expensive city until 2012, has moved seven places up the ranking owing to a sustained recovery in the strength of the Japanese yen.

With Japanese cities returning to the fold, Asia now accounts for half of the ten most expensive cities ranked. Western Europe accounts for a further four cities, while New York City is the lone North American representative. The Big Apple, which rose to seventh place last year, has fallen to ninth owing to a slight weakening of the US dollar, which has also affected the position of other US cities. This, however, still represents a comparatively sharp increase in the relative cost of living compared with five years ago, when New York was ranked 46th.

With the strength of the US dollar moderating and the euro remaining relatively stable, currencies such as the Canadian dollar, the Australian dollar and the New Zealand dollar have appreciated in value. As a result, Sydney and Melbourne in Australia, and Wellington and Auckland in New Zealand all feature among the 20 most expensive cities. Although the relative cost of living has fallen slightly in the Swiss cities of Zurich and Geneva, both remain cemented among the ten most expensive, in third place and joint seventh place respectively. Joining Geneva in seventh place is Paris, which has featured among the ten most expensive cities for 15 years, although the relative cost of living in the French capital has moderated. Currently, living in Paris is 7% more expensive than living in New York, but just five years ago it was 50% pricier.

Last year deflation and devaluations were a prominent factor in determining the cost of living, with many cities falling down the ranking owing to currency weakness or falling local prices. Both prices and a number of currencies rallied during 2016 and, although inflation in many cities has remained moderate, the impact is reflected in the average cost of living. Taking an average of the indices for all cities surveyed using New York as base city, the global cost of living has risen to 74%, up slightly from 73% last year. This remains significantly lower than five years ago when the average cost of living index across 132 cities was at an all-time high of 93.5%.

Despite topping the ranking, Singapore still offers relative value in some categories, especially compared with its regional peers. For categories such as personal care, household goods and domestic help Singapore remains significantly cheaper than its peers, although it remains the most expensive place in the world to buy and run a car, as well as the second-priciest destination in which to buy clothes. In terms of food and drink the cost of living in Singapore is on a par with that of Shanghai in China. Seoul, Tokyo and Osaka present the three most expensive places in the world to buy staple goods. In Seoul, topping up a grocery basket is almost 50% more expensive than in New York.
US cities fall back but Chinese cities fall further

With the dollar weakening slightly against other currencies, New York is the only North American city among the ten most expensive cities, although Los Angeles remains highly ranked, in 11th place, down from eighth place last year. Although recent years have seen the relative cost of living in US cities rise, the latest ranking reflects a fall for all but two (San Francisco and Lexington) of the 16 cities surveyed. Meanwhile, the rise in the relative cost of living in Seoul has continued. The South Korean capital, which was ranked as low as 50th just seven years ago, now occupies sixth place.

Seoul’s rise contrasts with a fall among Chinese cities, where weakening consumption growth and a steady devaluation of the renminbi has resulted in China’s urban centres moving down the ranking by between five and 16 places each.

Paris is the only euro zone city among the ten most expensive. The French capital remains structurally extremely expensive to live in, with only alcohol and tobacco offering value for money compared with other European cities. The Danish capital, Copenhagen, which pegs its currency to the euro, also features in the ten priciest, largely owing to relatively high transport and personal care costs.

When looking at the most expensive cities by category, it is interesting to note that Asian cities tend to form the priciest locations for general grocery shopping. However, European cities tend to be priciest in the recreation and entertainment categories, with Zurich and Geneva the most expensive, perhaps reflecting a greater premium on discretionary spending.
Commodity shocks continue to affect pricing

The impact of fluctuating oil and commodity prices continues to be reflected in the cost of living. Oil prices bottomed-out in 2016 and the pace of decline in commodity prices slowed. This has continued to constrain prices in many mature markets, keeping inflation levels low. However, inflation has risen more rapidly in developing markets, especially those that experienced currency declines in 2015. In some cases local inflation has been augmented by currency gains as currencies that saw significant weakness in 2015 clawed back ground in 2016. This is especially true in commodity-reliant countries, given that oil and commodity prices are on the rise again, albeit at much lower levels than in 2013-14.

As a result, the Brazilian cities of São Paulo and Rio de Janeiro are the fastest-rising cities in the cost of living ranking, moving up 29 and 27 places respectively. Both cities have endured a roller-coaster ride in recent years in cost of living terms. Five years ago São Paulo was among the 30 most expensive cities in the world but last year it was among the 30 cheapest cities. Over the past year a recovery in the value of the Real and almost double-digit inflation have pushed São Paulo and Rio de Janeiro up to 78th and 86th place respectively.

As Brazilian cities have risen up the ranking, further devaluation of the Argentinian peso has pushed Buenos Aires down the ranking by 20 places to 82nd place. But Argentina’s capital did not experience the sharpest decline in 2016. Manchester in the UK fell by 25 places to 51st as the devaluation of the British pound in 2016 prompted a sharp fall in the relative cost of living in UK cities. London, the UK capital, fell by 18 places from 6th last year to 24th—it’s lowest position in the cost of living ranking in 20 years.
While the top of the latest cost of living ranking may seem familiar, the cheapest cities in the world have seen some changes over the past 12 months. Asia is home to some of the world’s most expensive cities and to many of the world’s cheapest cities too. Within Asia, the best value for money has traditionally come from South Asian cities, particularly those in India and Pakistan. To an extent this remains true, and Bangalore, Chennai, Karachi, Mumbai and New Delhi make up half of the ten cheapest locations surveyed. India is tipped for rapid expansion as Chinese growth declines, but much of this is driven by its demographic profile, and in per-head terms wage and spending growth will come from a low base. Income inequality means that low wages proliferate, driving down household spending and creating many tiers of pricing, as well as strong competition from a range of retail sources. This, combined with a cheap and plentiful supply of goods into cities from rural producers with short supply chains, as well as government subsidies on some products, has kept prices down, especially by Western standards.

Nonetheless, although South Asian cities traditionally occupy positions among the ten cheapest, they are no longer the cheapest cities in the world. Last year that title was held by Lusaka, although...
the Zambian capital has subsequently climbed 11 places to 122nd owing to spiralling inflation and
the stabilisation of the kwacha. This year it is Almaty, Kazakhstan’s business centre, that props up the
ranking, having fallen by six places in the last 12 months. Almaty’s citizens may not feel that the city
is getting cheaper; despite measures to control prices, Almaty has seen inflation approaching 20%
during 2016. However local price rises have not completely offset a 50% devaluation in the tenge (the
Kazakh currency), since it was allowed to float in August 2015.

Joining Almaty at the bottom is Nigeria’s biggest city, Lagos, which fell 16 places to 132nd place.
Although Nigeria has been attracting significant interest and investment in recent years, the fall in
global oil prices has driven a collapse in the value of the Nigerian naira, which pushed down relative
pricing, despite strong local inflation. The relative cost of living in Lagos has more than halved
since 2008, which might signal renewed interest from foreign investors, with price levels so low by
international standards.

The ten cheapest cities in the world

<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>WCOL index (New York=100)</th>
<th>Rank</th>
<th>Rank movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>Almaty</td>
<td>38</td>
<td>133</td>
<td>-6</td>
</tr>
<tr>
<td>Nigeria</td>
<td>Lagos</td>
<td>39</td>
<td>132</td>
<td>-16</td>
</tr>
<tr>
<td>India</td>
<td>Bangalore</td>
<td>42</td>
<td>131</td>
<td>1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Karachi</td>
<td>44</td>
<td>130</td>
<td>-3</td>
</tr>
<tr>
<td>Algeria</td>
<td>Algiers</td>
<td>45</td>
<td>127</td>
<td>0</td>
</tr>
<tr>
<td>India</td>
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<td>127</td>
<td>0</td>
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<tr>
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<tr>
<td>Ukraine</td>
<td>Kiev</td>
<td>47</td>
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<td>-6</td>
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<td>Romania</td>
<td>Bucharest</td>
<td>47</td>
<td>124</td>
<td>-2</td>
</tr>
<tr>
<td>India</td>
<td>New Delhi</td>
<td>47</td>
<td>124</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: The Economist Intelligence Unit

Cheap but not always cheerful

As Lagos and Almaty prove, an increasing number of locations are becoming cheaper because of the
impact of political or economic disruption. Although the Indian subcontinent remains structurally
cheap, instability is becoming an increasingly prominent factor in lowering the relative cost of living
of a location. This means that there is a considerable element of risk in some of the world’s cheapest
cities. Karachi, Algiers, Kiev and Lagos have faced well-documented economic, political, security and
infrastructural challenges, and there is some correlation between The Economist Intelligence Unit’s
cost of living ranking and its sister ranking, the liveability survey. Put simply, cheaper cities tend also
to be less liveable.
A bumpy ride ahead

The cost of living is always changing and there are already indications of further changes that are set to take place during the coming year. Oil prices bottomed-out in 2016 but are set to rise again during the coming year. Similarly, other commodity prices are expected to rebound from 2017, after five consecutive years of decline. At the very basic level, these will have an impact on prices, especially in markets where basic goods make up the bulk of shopping baskets. But there are further implications. Even rising oil prices will still be well below levels enjoyed just a few years ago, which will continue to weigh on reliant economies. This could mean austerity, economic controls and weak inflation persisting in affected countries, depressing consumer sentiment and growth.

Equally, 2017 could see fallout from a number of political and economic shocks taking deeper effect. The UK has already seen sharp declines in the relative cost of living owing to the Brexit referendum and related currency weaknesses. In 2017 these are expected to translate into price rises as supply chains become more complicated and import costs rise. These inflationary effects could be compounded if sterling stages a recovery. Similarly, elections across the EU have created uncertainty as to whether other member states will face referendums of their own concerning EU membership. Levels of Greek debt, which were a catalyst of the euro zone debt crisis in 2012, have risen back up the global economic agenda.

There are other unknowns as well. The election of Donald Trump as US president could signal significant upheaval in trade agreements and international relations, which may push up prices for imports and exports around the world as treaties unravel or come under scrutiny. Meanwhile, measures in China to address growing levels of private debt are still expected to prompt slowing consumption...
and growth over the next two years. This could have ramifications around the world, resulting in further staged renminbi devaluations that affect the relative cost of living of Chinese cities.

Instability and conflict around the world could continue to drive localised, shortage-driven inflation, which will have an impact on the cost of living in certain cities. Latin American cities have seen significant movements both up and down the ranking in recent years. Equally, exchange-rate volatility has meant that, while Asian cities have largely risen in cost of living terms, many urban centres in China and Australia have seen contrasting movements from year to year. It is also worth remembering that local inflation driven by instability is often counteracted by economic weakness and slumping exchange rates. As a result, cities that see the highest inflation will often see their cost of living fall compared with that of their global peers.

With emerging economies supplying much of the wage and demand growth, it seems likely that these locations will become relatively more expensive as economic growth and commodity prices recover, but price convergence of this kind is very much a long-term trend and, in the short and medium term, the capacity for economic shocks and currency swings can make a location very expensive or very cheap very quickly.

**Background: about the survey**

The Worldwide Cost of Living is a bi-annual (twice yearly) Economist Intelligence Unit survey that compares more than 400 individual prices across 160 products and services. These include food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and recreational costs.

The survey itself is a purpose-built Internet tool designed to help human resources and finance managers calculate cost-of-living allowances and build compensation packages for expatriates and business travellers. The survey incorporates easy-to-understand comparative cost-of-living indices between cities. The survey allows for city-to-city comparisons, but for the purpose of this report all cities are compared with a base city of New York, which has an index set at 100. The survey has been carried out for more than 30 years.

**Methodology**

More than 50,000 individual prices are collected in each survey, conducted each March and September and published in June and December. Economist Intelligence Unit researchers survey a range of stores: supermarkets, mid-priced stores and higher-priced speciality outlets. Prices reflect costs for more than 160 items in each city. These are not recommended retail prices or manufacturers’ costs; they are what the paying customer is charged.

Prices gathered are then converted into a central currency (US dollars) using the prevailing exchange rate and weighted in order to achieve comparative indices. The cost-of-living index uses an identical set of weights that is internationally based and not geared toward the spending pattern of any specific nationality. Items are individually weighted across a range of categories and a comparative index is produced using the relative difference by weighted item.

For more information on the Worldwide Cost of Living Survey [http://www.worldwidestandardofliving.com](http://www.worldwidestandardofliving.com)
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