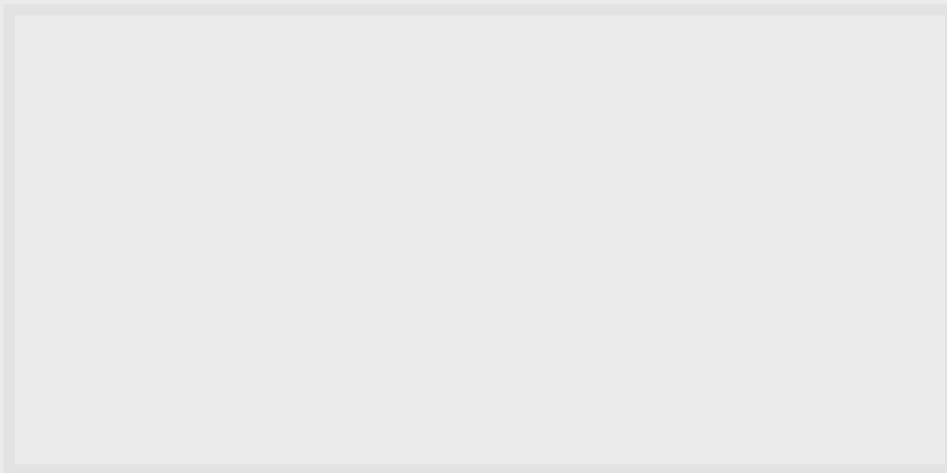


Worldwide Cost of Living 2023

Price rises are slowing,
but not enough



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Price rises are slowing, but not enough

Key findings

- EIU's latest Worldwide Cost of Living (WCOL) survey, conducted between August 14th and September 11th 2023, shows that **prices rose by an average of 7.4%** in local-currency terms over the past year in the world's major cities. This is slightly slower than the 8.1% price growth recorded last year, as supply-chain disruptions have eased and interest rates have risen, but remains significantly above the trend in 2017-21.
- **Singapore kept its position as the world's most expensive city this year**, for the ninth time in 11 years. It **ranks jointly with Zurich** (Switzerland), which is back at the top after three years. New York (US), which came joint first last year, moved down to third position, tying with Geneva (Switzerland). The world's cheapest city is still Damascus (Syria).
- Of the ten categories in our price index, **utility prices rose the most slowly** over the past year, reflecting the waning impact of Russia's invasion of Ukraine in 2022. **Grocery prices, however, continue to rise strongly.**
- **Western Europe accounts for four of the top ten most expensive cities in our list.** Sticky inflation in groceries, clothing and personal care along with appreciation of the euro and other local currencies in the region have led them to rise up the rankings.
- The **Mexican cities of Santiago de Querétaro and Aguascalientes were the biggest movers up the rankings** as the peso strengthened against the US dollar on the back of interest-rate rises and strong inward investment.
- **Chinese cities have fallen in the rankings**, with four cities on our list of biggest movers down, amid slow economic recovery after the pandemic, subdued consumer demand and depreciation of the currency. The **Russian cities of Moscow and St Petersburg** experienced the biggest drop in the rankings as sanctions weakened the rouble.
- **The highest WCOL inflation is in Caracas** (Venezuela), where prices have risen by 450% since last year. We continue to exclude the city from our global inflation average to avoid skewing the calculations.
- Unlike in 2022, **this year's survey included Kyiv (Ukraine)**. The city is now ranked 132nd, having moved down the rankings since the 2021 edition, when it was ranked 118th. However, it is not part of our average inflation calculation.

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Top ten positions

City	Geography	Index (New York=100)	Rank
Singapore	Singapore	104	1
Zurich	Switzerland	104	1
Geneva	Switzerland	100	3
New York	US	100	3
Hong Kong	Hong Kong*	98	5
Los Angeles	US	97	6
Paris	France	91	7
Copenhagen	Denmark	89	8
Tel Aviv	Israel	89	8
San Francisco	US	86	10

*Hong Kong Special Administrative Region (SAR) of the People's Republic of China

Source: EIU.

Many cities across the world continue to struggle with a cost-of-living crisis, which has sent prices soaring over the past two years. This year's survey, which was conducted between August 14th and September 11th 2023, found that, **on average, prices had risen by 7.4% year on year** in local-currency terms for over 200 commonly used goods and services. This is slightly below the 8.1% increase reported in last year's survey, but significantly higher than the trend in 2017 to 2021. Although this year's survey covers 173 of the world's major cities, the inflation averages have been calculated by excluding Kyiv (which was not surveyed in 2022) and Caracas.

The supply-side shocks that drove price increases in 2021-22 have reduced since China lifted its covid-19 restrictions in late 2022, while the spike in energy prices seen after Russia invaded Ukraine in February 2022 has also eased. In some advanced economies, such as the US, Australia and the UK, consumer demand has proved surprisingly resilient to the aggressive pace of monetary tightening that started in 2022. EIU estimates that global consumer price inflation (CPI) in 2023 will come in at 7.4%, the same rate that our average WCOL inflation suggests, down from the 9.2% CPI reported for 2022.

Singapore and Zurich were the most expensive cities in this year's survey. Zurich moved up from sixth place to join Singapore at the top, bumping New York (which tied with Singapore for first place last year) down to third place. As our WCOL index relies on converting local-currency prices into US dollars (as a common currency), Zurich's rise partly reflects the strength of the Swiss franc, as well as high prices for groceries, household goods and recreation. Singapore, meanwhile, is particularly expensive for transport and clothing. Tying for third place this year is another Swiss city, Geneva, followed by Hong Kong in fifth and Los Angeles (US) in sixth position.

Overall, our top ten this year consists of two Asian cities (Singapore and Hong Kong), four European cities (Zurich, Geneva, Paris and Copenhagen), three US cities (New York, Los Angeles and San Francisco) and Tel Aviv in Israel. However, our survey was conducted before the start of the Israel-Hamas war, which has affected the exchange rates in Israel and may have made it harder to procure some goods in Tel Aviv, thereby affecting prices.

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A slight weakening of the US dollar against some currencies is responsible for some of the movements in this year's survey. Rankings can also be driven by other factors, such as consumer demand as well as competition and the availability of goods, whether imported or locally produced.

Bottom ten positions

City	Geography	Index (New York=100)	Rank
Buenos Aires	Argentina	37	163
Chennai	India	37	163
Lagos	Nigeria	35	165
Ahmedabad	India	34	166
Lusaka	Zambia	33	167
Tunis	Tunisia	32	168
Tashkent	Uzbekistan	31	169
Karachi	Pakistan	28	170
Tripoli	Libya	23	171
Tehran	Iran	20	172
Damascus	Syria	13	173

Source: EIU.

The cheapest city in our rankings is still Damascus, even though its WCOL price basket rose by 321% year on year in local-currency terms (amid lifting of government subsidies and devaluation of the currency, which increased import costs). Also near the bottom of the rankings are Tehran (Iran) and Tripoli (Libya). Although Tehran's inflation rate is high, at nearly 49%, Tripoli's prices have risen by just over 5% in the past year. All three cities are particularly cheap for groceries, as well as for other household goods and personal care. The dubious honour of being the highest-inflation city in our survey goes, once again, to Caracas, which takes 144th place in the rankings. However, WCOL inflation in Caracas has slowed to a mere 450% in the past year, compared with rates of over 25,000% in 2019.

Although three US cities made the top ten, North American cities have, on average, slipped down our rankings compared with last year, as the region now reports the lowest inflation in our survey. On the other hand, cities in Latin America and western Europe have moved up. Both these regions dominate the list of the fastest-rising cities in our rankings. For western Europe inflation has been high for groceries (7.8%) and clothing (7.2%).

Three Latin American cities—Santiago de Querétaro, Aguascalientes and San José (Costa Rica)—are the three biggest upward movers. Central banks in much of Latin America were among the first to follow the US Federal Reserve's interest-rate rises, in order to support their currencies. As a result, the Mexican peso and the Costa Rican colón had both appreciated against the US dollar at the time of our

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Biggest movers in the rankings

Biggest movers up the ranking in the past 12 months

City	Geography	Index (New York=100)	Rank	Index move	Rank move
Santiago de Querétaro	Mexico	71	51	10	48
Aguascalientes	Mexico	64	82	10	39
San José	Costa Rica	67	70	9	38
Berlin	Germany	73	42	7	31
Luxembourg	Luxembourg	66	73	6	31
Manchester	UK	73	42	7	31
Prague	Czech Rep	64	82	7	31
Lyon	France	69	60	6	30
Rotterdam	Netherlands	65	77	6	29
Stuttgart	Germany	75	36	7	28

Biggest movers down the ranking in the past 12 months

City	Geography	Index (New York=100)	Rank	Index move	Rank move
Moscow	Russia	49	142	-23	-105
St Petersburg	Russia	45	147	-21	-74
Nairobi	Kenya	50	141	-8	-33
Nanjing	China	65	77	-5	-31
Wuxi	China	65	77	-5	-31
Osaka	Japan	67	70	-4	-27
Beijing	China	69	60	-4	-26
Dalian	China	69	60	-4	-26
Lagos	Nigeria	35	165	-12	-25
Tokyo	Japan	69	60	-3	-23

Source: EIU.

survey. Prices have also been buoyed by strong inward investment, particularly in Mexico.

The list of cities that have fallen the furthest by ranking includes several in Russia, China and Japan. Moscow and St Petersburg have dropped sharply, by 105 places to 142nd and by 74 places to 147th, respectively. Although prices have risen in both cities (by 5.9% and 6.6%, we calculate) amid import suppression and labour shortages, this impact has been overshadowed by the rouble having depreciated by around 60% since last year. In Asia, the weakening renminbi and yen have led to four Chinese cities (Nanjing, Wuxi, Dalian and Beijing) and two Japanese ones (Osaka and Tokyo) slipping sharply down our ranking. Besides a weaker currency, slow post-pandemic recovery and subdued consumer demand have led Chinese cities to fall in the rankings.

Utility prices are rising slowly; food prices continue to surge

Utility prices (household energy and water bills) witnessed the slowest inflation (5.7%) of the ten categories of goods and services included in our survey. This suggests easing of the energy price shocks

caused by Russia's invasion of Ukraine. Grocery and transport prices, by contrast, continued to surge by over 8% in the latest survey. The rise in transport prices reflect a strong recovery in demand as post-pandemic travel returned to normal. Meanwhile, inflation in grocery items have been particularly sticky as many food manufacturers and retailers passed on higher costs to their customers. EIU's commodity index for food, feedstuffs and beverages, despite having fallen year on year, is still over 50% higher for 2023 than it was in 2019, owing to the difficulty in shipping grains and other foods out of Ukraine and Russia, as well as weather events affecting harvests across the world. The El Niño phenomenon (a periodic weather system that can lead to extreme weather events) could add to these pressures in 2024.

Regional variations in inflation trends

Prices and inflation for each category in our survey differ markedly by geography. Although western European cities were among the most expensive for recreation, transport, household goods and personal care, US cities rank higher for utilities, domestic help and tobacco. Asian cities are some of the most expensive for groceries and alcohol. Australian cities, meanwhile, rank top for tobacco prices. Alcohol is even more expensive in Middle-Eastern cities, in many of which consumption is frowned upon. Inflation in eastern Europe has been rapid across the categories, from domestic help (at 13.2%) to groceries (at 9.7%). The result is that 9 of the 13 eastern European cities have risen in the WCOL rankings, and by a hefty average of nearly 17 places.

Risks to inflation remain on the upside

The slowdown in inflation in 2023 has been, at best, modest. In 2024 we expect the lagged impact of interest-rate rises to slow down economic activity, and in turn, consumer demand. But upside risks remain—further escalations of the Israel-Hamas war would drive up energy prices, while a greater than expected impact from El Niño would push up food prices even further. Regional disparities may also widen, with developed countries coming close to meeting central bank targets of 2% CPI, but many developing markets could continue to see prices soar. These dynamics are likely to be reflected in next year's WCOL survey.

Methodology

The Worldwide Cost of Living is a twice-yearly survey conducted by EIU that compares more than 400 individual prices across more than 200 products and services in 173 cities. Data for the survey, which has been conducted for more than 30 years, are collected each March and September by our global team of researchers. They are then compiled into an index by our team of economists for publication in June and December.

The survey has been designed to enable human resources and finance managers to calculate cost-of-living allowances and build compensation packages for expatriates and business travellers. It can also be used by consumer goods firms and other companies to map pricing trends, determine optimum prices for their products across cities and understand the relative expense of a city to formulate policy guidelines.

To collect the data, each researcher has a list of more than 200 specified products and services to research, with more than 50,000 individual prices collected every six months. These include prices for food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and

recreational costs. Items are updated or revised periodically to reflect shifts in purchasing habits. For example, we have revised indicators such as those for mobile-phone services, and for taxis and other ride-hire services.

To gather the price data, our researchers survey a range of stores, including supermarkets, mid-priced stores and higher-priced speciality outlets, as well as an array of service providers. The reported prices are not the recommended retail prices or manufacturers' costs, but the actual costs charged.

Our economists then convert the price data into a central currency (the US dollar), using the prevailing exchange rate and weighting to achieve comparative indices. The index uses an identical set of weights that is internationally based. Items are individually weighted across a range of categories (groceries, household supplies, personal care, alcohol, tobacco, clothing, domestic help, recreation, transport and utilities) and a comparative index is produced using the relative difference. For the purposes of this report, all cities are compared with a base city, New York City, which has an index score of 100.

The survey can be accessed via the data tool or our purpose-built website; these allow for city-to-city comparisons.

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