

# Worldwide Cost of Living 2014

Which city is the most expensive to live in?  
Which city is the cheapest?

A summary from The Economist Intelligence Unit





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# A free summary of the latest Worldwide Cost of Living Survey

## A new leader

Despite Abenomics driving consumer confidence and price inflation, a weaker yen has pushed Osaka and Tokyo away from the top of the cost of living ranking. This has paved the way for Singapore, which has been steadily moving up the ranking over the last decade, to claim the unenviable title of world's most expensive city. Singapore's rising price prominence has been steady rather than spectacular. The city-state was 18th most expensive ten years ago and has actually seen the cost of living compared with New York City decline over the last 12 months. However, over the last decade a 40% currency appreciation, coupled with solid price inflation, has consistently pushed Singapore up the ranking.

The city also has some structurally expensive items that skew the overall cost of living upwards. For example, car costs have very high related certificate of entitlement fees attached to them, which makes Singapore significantly more expensive than any other location when it comes to running a car. As a result, transport costs in Singapore are almost three times higher than in New York. In addition, as a city-state with very few natural resources to speak of, Singapore is reliant on other countries for energy and water supplies, making it the third most expensive destination for utility costs. Equally, the proliferation of expensive malls and boutiques on Orchard Road (Singapore's retail hub) import luxury European brands to satisfy a wealthy and fashion conscious consumer base. This means that Singapore is the priciest place in the world in which to buy clothes.

## The ten most expensive cities in the world

	<b>Singapore</b>	WCOL index: 130 Rank movement: +5	1
	<b>Paris</b>	WCOL index: 129 Rank movement: +6	2
	<b>Oslo</b>	WCOL index: 128 Rank movement: +1	3
	<b>Zurich</b>	WCOL index: 125 Rank movement: +3	4
	<b>Sydney</b>	WCOL index: 120 Rank movement: -2	5
	<b>Caracas</b>	WCOL index: 118 Rank movement: +3	6
	<b>Geneva</b>	WCOL index: 118 Rank movement: +4	6
	<b>Melbourne</b>	WCOL index: 118 Rank movement: -2	6
	<b>Tokyo</b>	WCOL index: 118 Rank movement: -5	6
	<b>Copenhagen</b>	WCOL index: 117 Rank movement: +5	10

Note. WCOL index (New York=100).

Source: The Economist Intelligence Unit.

## A European resurgence

In the years following the global economic crisis Asian cities saw a marked increase in the relative cost of living attributable to their continued growth, as other markets—particularly in the euro



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zone—were in decline. As well as Singapore there have been sustained increases in the cost of living in Australian cities, driven by the long-term appreciation of the Australian dollar. As a result Asian (and Australasian) locations made up one-half of the ten most expensive cities last year.

However, Europe has been the subject of renewed optimism for the coming year, with confidence picking up in some markets and declines easing in others. This, combined with currency weakness in Japan, has made European cities relatively more expensive once more. European cities account for three of the five most expensive and one-half of the top ten cities.

Unlike Asian markets, European cities tend not to have specific items or categories that push the cost of living up, but are more expensive for a broad array of item, which aggregates into a higher overall cost of living. For example, Paris, which has moved up six places to become the world's second dearest city, does not have any expenditure categories where the cost of living is disproportionately high, but is costlier than most locations for seven out of the ten categories included in the worldwide cost of living survey.

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, with Tokyo still the most expensive location for everyday food items. However, European cities tend to be priciest in the recreation and entertainment categories, perhaps reflecting a greater premium on discretionary income.

### The Big Apple gets a bigger price tag

As with last year, indices using New York as base city have continued to fall, reflecting a stronger US dollar and rises in the cost of living in New York. Some 94 cities fell in cost of living terms compared with New York. However, the Big Apple itself only moved up one position in the ranking to become the

#### Prices. Now and then - Top 10 cities

	City	Singapore	Paris	Oslo	Zurich	Sydney	Caracas	Geneva	Melbourne	Tokyo	Copenhagen
	Current	\$3.36	\$8.44	\$5.91	\$6.19	\$4.65	\$11.02	\$6.38	\$4.43	\$7.12	\$4.82
	Last year	\$3.25	\$8.95	\$6.31	\$6.08	\$5.03	\$9.40	\$5.63	\$4.87	\$9.06	\$4.47
Average US\$ price	5 years	\$2.90	\$7.31	\$5.33	\$5.13	\$3.52	\$6.98	\$5.86	\$3.77	\$7.55	\$3.82
1kg loaf of bread	10 years	\$2.97	\$5.27	\$3.10	\$5.24	\$2.40	\$3.07	\$4.67	\$2.19	\$6.15	\$2.74
	Current	\$25.04	\$11.45	\$17.13	\$15.82	\$22.58	\$22.41	\$8.39	\$22.28	\$12.53	\$13.70
	Last year	\$25.65	\$9.45	\$17.58	\$16.74	\$25.38	\$18.14	\$8.19	\$25.03	\$15.95	\$12.03
Average US\$ price	5 years	\$22.52	\$8.62	\$16.63	\$12.24	\$18.27	\$14.61	\$7.42	\$17.45	\$12.13	\$10.79
1 bottle table wine (750ml)	10 years	\$13.25	\$6.34	\$12.50	\$7.83	\$11.58	\$6.04	\$5.91	\$11.11	\$10.49	\$8.66
	Current	\$9.55	\$8.95	\$15.44	\$8.83	\$15.75	\$6.36	\$8.72	\$15.50	\$4.45	\$7.35
	Last year	\$9.76	\$8.10	\$15.24	\$8.32	\$15.48	\$7.30	\$8.32	\$15.72	\$5.57	\$7.12
Average US\$ price	5 years	\$8.11	\$7.57	\$12.07	\$6.15	\$7.72	\$3.72	\$6.15	\$7.96	\$2.96	\$6.10
price 20 branded cigarettes	10 years	\$4.72	\$4.29	\$9.24	\$3.53	\$5.26	\$1.25	\$3.53	\$5.21	\$2.57	\$4.98
	Current	\$1.73	\$2.50	\$2.41	\$2.06	\$1.35	\$0.02	\$1.96	\$1.35	\$1.73	\$2.18
	Last year	\$1.74	\$2.38	\$2.61	\$2.01	\$1.50	\$0.02	\$2.04	\$1.49	\$1.97	\$2.07
Average US\$ price	5 years	\$1.36	\$2.44	\$2.05	\$1.69	\$1.28	\$0.05	\$1.69	\$1.28	\$1.69	\$2.05
1 litre unleaded petrol	10 years	\$0.69	\$1.21	\$1.20	\$1.02	\$0.63	\$0.06	\$1.04	\$0.57	\$0.96	\$1.20



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26th most expensive, compared with a rise of 19 places last year. This is partly reflected by the stronger performance of cities around New York in the ranking, with European cities in particular buoyed by an appreciation of the Euro over the last twelve months. Europe accounted for over one-half of the 24 cities that saw a relative increase in the cost of living compared with New York, the vast majority of which hailed from the euro zone.

### Caracas inflation has no forex outlet

Declines in the cost of living in neighbouring Canada mean that New York has reclaimed its traditional position as the most expensive city in North America, although it is not the most expensive in the Americas. Caracas, the capital of Venezuela in Latin America, continues to hold a presence in the top ten most expensive locations. Despite stringent price control on staples, especially fuel, Caracas continues to suffer from significant local price inflation, while official exchange rates remain fixed at an artificially high level. This means that there is no outlet to ease the impact of relative price rises.

This however, may be overstated given that unofficial or black market exchange rates place the bolivar at a lower value, along with a corresponding decline in living costs. In fact, the current official valuation of the bolivar, at 6.29 to the US dollar, is undermined by black market rates valuing the currency at less than one-tenth of this amount. As a result, adopting any parallel rate for the bolivar would immediately place Caracas as the world's cheapest city rather than the current deceptive position it has as the joint sixth most expensive.

### The ten least expensive cities in the world

	<b>Mumbai</b>	WCOL index: 39 Rank movement: -1	131
	<b>Karachi</b>	WCOL index: 40 Rank movement: 0	130
	<b>New Delhi</b>	WCOL index: 43 Rank movement: 0	129
	<b>Damascus</b>	WCOL index: 44 Rank movement: -11	127
	<b>Kathmandu</b>	WCOL index: 44 Rank movement: +1	127
	<b>Algiers</b>	WCOL index: 53 Rank movement: 0	126
	<b>Bucharest</b>	WCOL index: 55 Rank movement: +2	124
	<b>Panama City</b>	WCOL index: 55 Rank movement: 0	124
	<b>Jeddah</b>	WCOL index: 56 Rank movement: 0	123
	<b>Riyadh</b>	WCOL index: 57 Rank movement: -3	122

Note. WCOL index (New York=100).

Source: The Economist Intelligence Unit.

### Cheapest cities reflect low costs in South Asia

The cheapest cities in the ranking have a familiar feel to them, both in terms of geography and consistency. While Asia is home to some of the world's most expensive cities, the region is also home to many of the world's cheapest cities too. Within Asia the best value for money is in the Indian subcontinent (defined as India, Pakistan, Bangladesh, Nepal and Sri Lanka). Mumbai is the cheapest location in the survey and three of the four cheapest cities surveyed hail from Pakistan, India and



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Nepal. These cities are only joined by Damascus because of the unfolding crisis in Syria and its impact on exchange rates.

Mumbai's title as the world's cheapest city and is a reflection of the structural factors that define price within the Indian subcontinent. Although India has been tipped for future growth, much of this is driven by its large population and the untapped potential within the economy. Income inequality means that low wages proliferate, driving down household spending and creating many tiers of pricing that keep per capita spending low. This, combined with a cheap and plentiful supply of goods into cities, as well as government subsidies on some products, has kept prices down, especially by Western standards.

### Cheap but not always cheerful

Outside India bargain hunters may be put off by the security risk in many of the countries in which the world's cheapest cities are found. Pakistan, Nepal, Syria and Algeria all feature in the bottom ten, but have had well documented security issues or domestic unrest.

The relative value for money offered by Bucharest in Romania may go some way to explaining why an anticipated migration of workers did not take when EU restrictions were lifted in January 2014. The Romanian economy has been improving and although wages are low by western European standards, prices are too, which makes it difficult to leave. Panama City (Panama), Riyadh and Jeddah (Saudi Arabia) also offer cheap cost of living in a more stable environment, with price controls on staples in Saudi Arabia continuing to guarantee low prices for many goods.

### Prices. Now and then - Bottom 10 cities

	City	Panama									
		Riyadh	Jeddah	Bucharest	City	Algiers	Damascus	Kathmandu	New Delhi	Karachi	Mumbai
Average US\$ price	Current	\$1.78	\$1.61	\$2.07	\$3.53	\$2.44	\$1.88	\$1.26	\$1.05	\$1.59	\$0.91
	Last year	\$1.41	\$1.33	\$1.92	\$3.34	\$1.89	\$3.62	\$1.21	\$1.11	\$1.76	\$0.86
1kg loaf of bread	5 years	\$1.57	\$1.18	\$2.77	\$2.72	\$2.92	\$2.03	\$0.96	\$0.84	\$1.78	\$0.93
	10 years	\$2.67	\$1.38	\$1.14	\$1.95	\$3.05	n/a	n/a	\$0.67	\$1.59	\$0.73
Average US\$ price	Current	n/a	n/a	\$4.12	\$7.05	\$11.40	\$6.47	\$18.98	\$16.33	\$13.73	\$20.59
	Last year	n/a	n/a	\$3.77	\$6.92	\$11.28	\$6.49	\$21.33	\$21.38	\$14.79	\$23.82
1 bottle table wine (750ml)	5 years	n/a	n/a	\$4.73	\$10.00	\$8.18	\$3.04	\$15.07	\$39.24	\$10.47	\$25.22
	10 years	n/a	n/a	\$2.56	\$10.49	\$3.59	\$2.90	n/a	\$37.06	\$10.38	\$26.98
Average US\$ price 20 branded cigarettes	Current	\$2.40	\$2.31	\$4.16	\$4.50	\$4.89	\$1.58	\$1.53	\$2.20	\$1.56	\$1.53
	Last year	\$2.17	\$2.40	\$3.59	\$4.08	\$5.01	\$2.35	\$1.69	\$2.08	\$1.73	\$1.79
	5 years	\$1.47	\$1.60	\$2.53	\$1.80	\$3.98	\$2.35	\$1.26	\$1.88	\$1.35	\$1.87
	10 years	\$1.42	\$1.33	\$0.95	\$1.40	\$2.31	\$1.59	n/a	\$1.49	\$1.24	\$1.60
Average US\$ price	Current	\$0.13	\$0.13	\$1.75	\$1.17	\$0.28	\$0.78	\$1.24	\$1.14	\$1.14	\$1.21
	Last year	\$0.13	\$0.13	\$1.71	\$1.15	\$0.28	\$0.90	\$1.41	\$1.24	\$1.23	\$1.38
1 litre unleaded petrol	5 years	\$0.15	\$0.15	\$1.63	\$1.05	\$0.37	\$0.78	\$1.33	\$1.17	\$1.18	\$1.22
	10 years	\$0.24	\$0.24	\$0.84	\$0.45	\$0.29	\$0.52	n/a	\$0.72	\$0.55	\$0.81



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### 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 to 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. EIU 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 a 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.worldwidecostofliving.com>



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The survey also contains price information for other cost categories, helping you create separate allowances to cover housing costs, school fees and business trips. In addition, background information is provided on each city's housing market and on local disposable income levels.

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Remuneration is not the sole preserve of HR directors, personnel managers or vice presidents of people. Our list of buyers reflects this, increasingly so as people management responsibilities spread throughout organisations. Clients include heads of research, accountants and strategy advisors as well as CEOs, CFOs and, of course, the HR director.

It is also possible to conduct one-off surveys of cities not included in the list above or of a selection of items not included in the normal basket. For more details of the opportunities for custom surveys, please contact the Economist Intelligence Unit.

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Should you wish to speak to a sales representative please telephone us:

Americas: +1 212 698 9717

Asia: +852 2585 3888

Europe, Middle East & Africa: +44 (0)20 7576 8181



# Media Enquiries for the Economist Intelligence Unit

## Europe, Middle East & Africa

### Grayling London

Susie Burnett

+44 (0) 20 7932 1867

+44 (0) 7950 783 428

[eiu-international@grayling.com](mailto:eiu-international@grayling.com)

## Americas

### Grayling New York

Gina Sorice

Tel: +1 646 284 9414

[eiu-international@grayling.com](mailto:eiu-international@grayling.com)

## Asia Pacific (excluding China)

### MHP Communications

Tom Engel

Tel: +852 3114 6337 / +852 9577 7106

[tom.engel@mhpc.com](mailto:tom.engel@mhpc.com)

Ian Fok

Tel: +852 3114 6335 / +852 9348 4484

[ian.fok@mhpc.com](mailto:ian.fok@mhpc.com)

Rhonda Taylor

Tel: +852 3114 6335

[rhonda.taylor@mhpc.com](mailto:rhonda.taylor@mhpc.com)

## China

### Grayling Shanghai

Harriet Gaywood

Tel: +86 21 5239 7719 / 7729 ext. 101

[eiu-international@grayling.com](mailto:eiu-international@grayling.com)

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LONDON

20 Cabot Square

London

E14 4QW

United Kingdom

Tel: (44.20) 7576 8000

Fax: (44.20) 7576 8500

E-mail: london@eiu.com

NEW YORK

750 Third Avenue

5th Floor

New York, NY 10017

United States

Tel: (1.212) 554 0600

Fax: (1.212) 586 1181/2

E-mail: newyork@eiu.com

HONG KONG

6001, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

Tel: (852) 2585 3888

Fax: (852) 2802 7638

E-mail: hongkong@eiu.com

GENEVA

Rue de l'Athénée 32

1206 Geneva

Switzerland

Tel: (41) 22 566 2470

Fax: (41) 22 346 93 47

E-mail: geneva@eiu.com