EIU report

Worldwide Cost of Living 2021

Explore the rise and fall of living costs around the world in 173 cities
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The findings of the latest Worldwide Cost of Living Survey

- The inflation rate of the prices that we track in EIU's Worldwide Cost of Living (WCOL) across cities is the fastest recorded over the past five years. It has accelerated beyond the pre-pandemic rate, rising by 3.5% year on year in local-currency terms in 2021, compared with an increase of just 1.9% in 2020 and 2.8% in 2019.

- Supply-chain problems, as well as exchange-rate shifts and changing consumer demand, have led to rising prices for commodities and other goods. The most rapid increases in the WCOL index were for transport, with the price of a litre of petrol up by 21% on average.

- Tel Aviv tops the WCOL rankings for the first time ever, making it the most expensive city in the world to live in. The Israeli city climbed from fifth place last year, pushing Paris down to joint second place with Singapore. Tel Aviv’s rise mainly reflects its soaring currency and price increases for around one-tenth of goods in the city, led by groceries and transport, in local-currency terms. Property prices (not included in the index calculation), have also risen, especially in residential areas.

- Rome (Italy) has seen the biggest drop in our rankings, falling from 32nd to 48th place, with a particularly sharp decline in its shopping basket and clothing categories.

- As was the case in 2020, Tehran (Iran) climbed the most in our rankings, jumping from 79th to 29th. The reimposition of US sanctions on Iran has led to continued shortages of goods and rising import prices.

- Most US cities have fallen in the rankings compared with last year, after the government responded to the covid-19 pandemic by injecting more money into the economy. This held down the value of the US dollar compared with European and Asian currencies. Unusually, the index value for the transport category is lower for US cities compared to the global average.

- Damascus (Syria) and Tripoli (Libya) are among the cheapest cities in the world. Both face a number of economic and political challenges.

- The WCOL ranking now covers more than 200 goods and services in 173 major cities (we have added 40 cities since our previous survey). The newcomers include seven cities in the US and 11 in China.
Our WCOL rankings continue to be sensitive to shifts brought about by the covid-19 pandemic, which have pushed up the cost of living across the world’s major cities. Although most economies are now recovering as covid-19 vaccines are rolled out, the world’s major cities still experience frequent surges in cases, prompting renewed social restrictions. In many cities this has disrupted the supply of goods, leading to shortages and higher prices. The data for our survey were collected between August 16th and September 12th 2021, when US-China shipping prices had risen sharply, resulting in higher prices for goods. Fluctuating consumer demand has also influenced purchasing habits, while investor confidence has affected currencies, further fuelling price rises.

Our index, which is benchmarked against prices in New York City, clearly shows the impact of these disruptions. On average, across the cities for which we have comparable data (and excluding four cities that suffer from hyperinflation or very high inflation, namely Caracas, Damascus, Buenos Aires and Tehran) prices for goods and services covered by WCOL have risen by 3.5% year on year in local-currency terms, compared with an increase of just 1.9% at the same time last year.

Of the ten categories in our index, transport has seen the biggest price increases, with index scores rising by an average of 3.8 points. The average cost of a litre of unleaded petrol (the key component of this category) has soared by 21%, although prices for public transport have stayed more stable.
Prices have also risen strongly in the recreation, tobacco and personal care categories. The cost of a packet of branded cigarettes is up by 6.7% on average, for example. Increases in food prices have been more moderate, while the cost of a bottle of beer has barely risen, on average, since 2020. The average index score for clothing has actually fallen since our last survey—the only category for which this is true. However, this largely reflects increases in clothing prices in New York (our base city), rather than declines elsewhere.

Tel Aviv topped the rankings this year, mainly because the Israeli currency, the shekel, has appreciated, making local costs more expensive when translated into US-dollar terms. The city's rise mainly reflects the soaring currency, buoyed against the dollar by Israel's successful covid-19 vaccine rollout. The country's strong current-account surplus, attractiveness to foreign technology investors and sound fundamentals keep the shekel strong. In local-currency terms the average price increase was more modest, at just 1.6%, but the prices of around one-tenth of goods in the city increased significantly, led by the shopping basket, comprising groceries; the price of household goods, cars and fuel also rose. Compared with other cities, Tel Aviv is a notably expensive place to buy alcohol (second in that category), transport (also second), personal care items (fifth) and recreation (sixth). It ranks in the top third for all ten of our major spending categories, with its index score up by 5 points since last year. This was enough to push Tel Aviv above Paris (France), which came top of last year’s ranking.

Paris is now ranked second, along with Singapore, while Zurich (Switzerland) and Hong Kong are in fourth and fifth place respectively. In general the top of the rankings is still dominated by European and developed Asian cities, while North American and Chinese cities remain relatively moderately priced. However, the uncertainties of the past year mean that there is no clear regional pattern to ranking movements.

The cheapest cities are mainly in the Middle East and Africa, or in the poorer parts of Asia. Damascus has easily retained its place as the cheapest city in the world to live in. It was ranked the lowest in seven of the ten pricing categories, and was among the lowest in the remaining three. While prices elsewhere
have generally firmed up, in Damascus they have fallen as Syria’s war-torn economy has struggled. Tripoli, which also faces political and economic challenges, is ranked second from the bottom in our rankings, and is particularly cheap for food, clothing and transport.

<table>
<thead>
<tr>
<th>City</th>
<th>Geography</th>
<th>WCOL index</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Damascus</td>
<td>Syria</td>
<td>12</td>
<td>173</td>
</tr>
<tr>
<td>Tripoli</td>
<td>Libya</td>
<td>23</td>
<td>172</td>
</tr>
<tr>
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<td>Uzbekistan</td>
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<td>Buenos Aires</td>
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<tr>
<td>Lusaka</td>
<td>Zambia</td>
<td>39</td>
<td>164</td>
</tr>
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</table>

Source: EIU.

New cities in the rankings

Tripoli is one of 40 new additions to our WCOL rankings this year, taking the total to 173. The most expensive of the new cities is Edinburgh (UK), which came joint 27th, on par with cities with a high cost of living such as Auckland (New Zealand) and Minneapolis (US). Two other new cities—Stuttgart (Germany) and San Diego (US)—also came in the top 50. Six US cities were introduced, which all came near the middle of the rankings, along with 11 moderately priced Chinese cities. However, a quarter of the new cities came in the bottom 50, including notably cheap cities such as Tunis (Tunisia) and Ahmedabad (India).

Even for the existing 133 cities in our rankings, there was a noticeable polarisation in pricing. Many of the cities towards the top of our rankings saw strong price increases over the past year. Many of the cities towards the bottom of our rankings saw prices stagnate or even fall. However, there were some notable exceptions to this rule, leading to some big movements in the rankings.
• Rome (Italy) has seen the biggest drop, falling 16 places to 48, with a particularly sharp decline in its shopping basket and clothing categories.

• Bangkok (Thailand) and Lima (Peru) are the second-biggest movers down the rankings, with significant declines in all categories.

• Tehran is the biggest climber, up a staggering 50 places to 29th, owing to continued supply-side constraints, goods shortages and rising import prices following the reimposition of US sanctions.

• Reykjavik (Iceland) also jumps by 21 places in this year’s rankings, to 35th, as prices have risen in multiple categories, including transport, alcohol and its shopping basket.

Interestingly, Tehran was also the biggest climber in last year’s index, when it rose from 106th place to 79th. These consecutive jumps show the stark effect that international sanctions have had on the cost of living in Iran. We calculate that the WCOL basket of goods and services in Tehran has risen by 42% in local-currency terms since November 2020, which is similar to the country’s official rate of
consumer price inflation of 44%. Such price rises, although eye-watering, are nothing compared with the hyperinflation in Caracas, the Venezuelan capital. Our WCOL basket for the city has risen by an astonishing 1,766% in the past year, although Caracas remains a cheap city to live in, ranked 125th.

Over the coming year, we expect to see the cost of living rise further in many cities. Inflationary expectations are also likely to feed into wage rises, further fuelling price rises. However, as central banks cautiously raise interest rates to stem inflation, price increases should moderate from this year’s level. We forecast that global consumer price inflation will average 4.3% in 2022, down from 5.1% in 2021 but still substantially higher than in recent years. If supply-chain disruptions die down and lockdowns ease as expected, then the situation should improve towards the end of 2022, stabilising the cost of living in most major cities.

Methodology

The Worldwide Cost of Living is a twice-yearly survey conducted by EIU that compares more than 400 individual prices across over 200 products and services in 173 cities. Data for the survey, which has been carried out 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 and determine optimum prices for their products across cities. In addition, the data can be used to understand the relative expense of a city to formulate policy guidelines.

To collect the data, each researcher is armed with a list of over 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, in the latest survey we have revised indicators such as those for mobile-phone services and 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 in order 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 and a comparative index is produced using the relative difference by weighted item. 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.

Note: Data for Hong Kong refer to the Hong Kong Special Administrative Region (SAR) of the People’s Republic of China.
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Purchase the full Worldwide Cost of Living ranking from the EIU store and access pricing information on more than 200 products and services in 173 cities worldwide. The ranking draws upon a comprehensive underlying data set including over 400 individual price points.

**What’s included?**
- Ranking of 173 cities around the world based on their relative cost of living.
- Over 400 individual prices across 200 products and services.
- Current and past trends impacting the cost of living, including currency swings, local inflation and commodity shocks.
- Regional analysis comparing key trends emerging in the Americas, Africa, Asia, Europe and the Middle East.

You can purchase this year’s report at the EIU Store.

**City-to-city data**

**Assessing living costs around the world**
The Worldwide Cost of Living dataset allows direct city-to-city comparisons of the cost of living across 173 cities globally and is updated biannually.

**What’s included?**
- Comprehensive dataset including over 400 individual price points across 200 goods and services.
- Comparative cost of living indices between a base and host city.
- Custom research and add-on features to reflect the individual needs.
- Intuitive city search for easily discoverable city-to-city comparisons.
- Online salary calculator to build cost-of-living allowances into compensation packages.

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