

# Worldwide Cost of Living 2011

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





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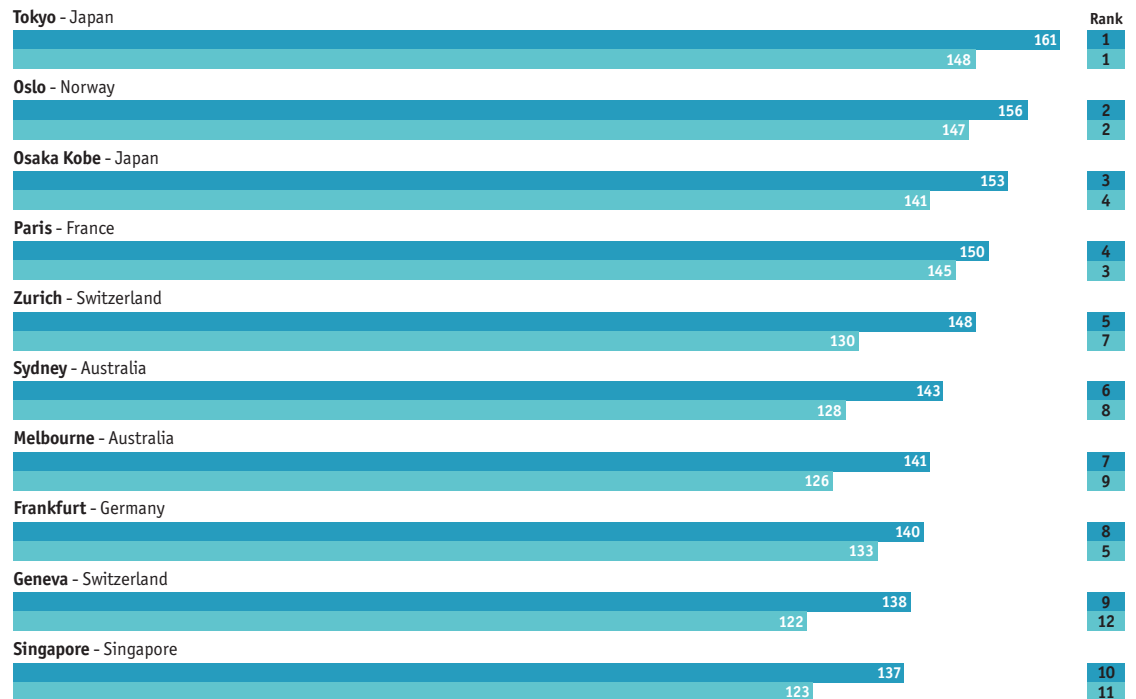
# The findings of the 2011 Worldwide Cost of Living Survey

Tokyo holds the dubious honour of once again being the world's most expensive city. Until 2006, Tokyo had been at the top of the global cost-of-living ranking for 14 uninterrupted years before low inflation, weak consumer confidence and a declining Japanese yen reduced the cost of living. Between 2006 and 2009 Oslo and then Paris were the costliest cities in the survey, with Tokyo pushed down to fifth place in the ranking.

### The ten most expensive locations surveyed

(New York = 100)

■ Current index ■ Index 12 months ago



Low inflation and poor consumer confidence have persisted in Japan, but the yen has strengthened significantly over the last two years, pushing Tokyo back to the top of the ranking last year. This year the cost of living has increased further in Tokyo, despite the human and economic cost of the earthquake and tsunami that hit Tokyo in March and the subsequent nuclear reactor scare in Fukushima.

Most other cities in the top ten have a familiar European flavour. Oslo, Paris, Geneva, Zurich and Frankfurt have all long been regarded as traditionally expensive places to visit. This is despite economic weakness in the euro zone, with the high-profile problems in Greece, Ireland, Portugal and Spain depressing demand elsewhere in Europe and pegging back the strength of the single currency.



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Also among the top ten, Osaka in Japan shares Tokyo's inherent costliness and Singapore's role as a global financial centre sets it apart from other Asian cities.

Of particular note is the rapid growth in the relative cost of living of Australian cities. Sydney and Melbourne are ranked sixth and seventh respectively and are closely followed by Perth and Brisbane in 13th and 14th place in the ranking. This is the culmination of a remarkable rise in the cost of living in Australian cities over the last decade, a period in which the value of the Australian dollar has moved from around 50 US cents to passing parity with the US dollar earlier this year.

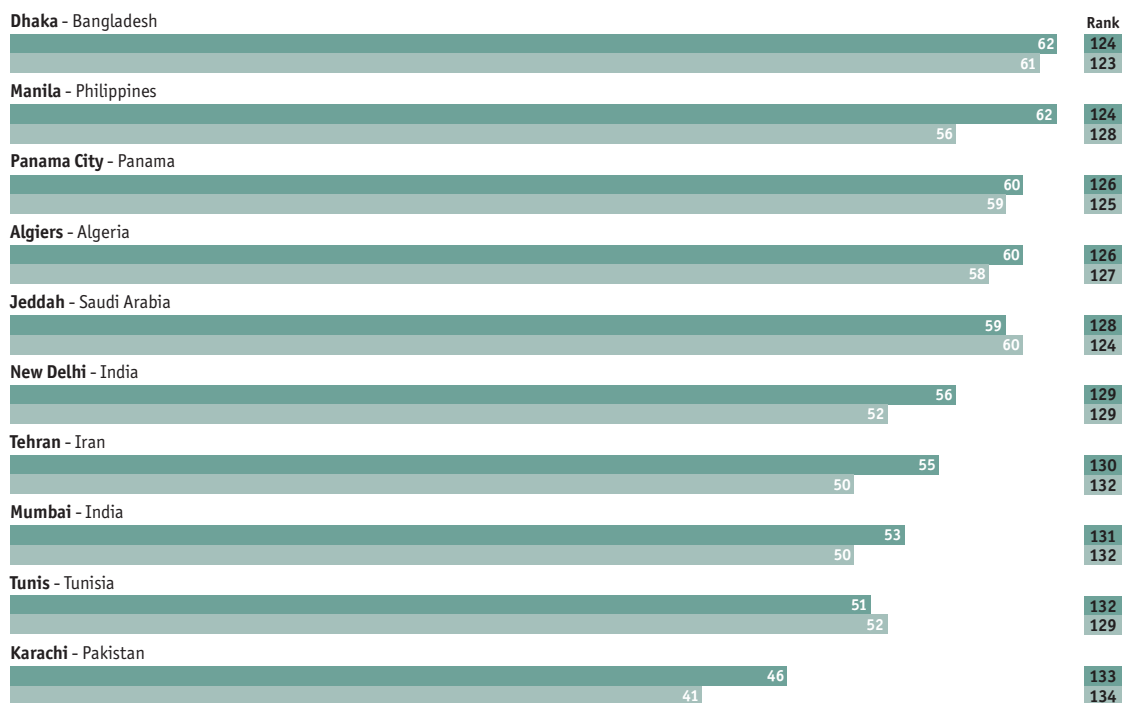
Just two years ago, Sydney was ranked the 32nd most expensive city in the world and Melbourne the 38th. Ten years ago Sydney was ranked 71st and Melbourne 80th, while Perth was ranked 91st and Brisbane was 93rd.

At the bottom of the survey, the ten cheapest cities have a strong presence in the Indian subcontinent. Despite the rise of India as a growing emerging-market economy, the low cost of living in cities continues to reflect the fact that the subcontinent remains a comparatively cheap place to live and work. Karachi in Pakistan is the cheapest location surveyed, with a cost of living level at less than one-half of that of New York and one-third of that of Tokyo. It is joined in the bottom ten by Dhaka (Bangladesh) and the Indian cities of Mumbai and New Delhi. Colombo (Sri Lanka), the only other city surveyed on the Indian subcontinent, is one of the 20 cheapest cities in 114th place.

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Cities in the Middle East and North Africa make up most of the rest of the cheapest locations. Algiers (Algeria), Tehran (Iran) Tunis (Tunisia) and Jeddah (Saudi Arabia) all feature in the bottom ten. The low cost of living in these locations is driven by a mix of weakened currencies, low levels of development and, in some cases, price controls and subsidies on staple goods.

There are two major reasons why a city's cost-of-living index will change over time: exchange-rate movement and price movement. Since a common currency is required in making a comparative calculation, all local prices are converted into US dollars, which emphasises the role of currency movement. If, for example, a currency strengthens or inflation pushes up the price of goods, so the relative cost of living in that country will also rise.

### Some basic prices compared

(US\$ unless otherwise indicated)

	Mean Cost of living index (New York = 100)	White bread, (1 kg) (supermarket)	Beer, local brand (1 litre) (supermarket)	Milk, pasteurised (1 litre) (supermarket)
New York	100	6.06	7.04	1.72
London	123	2.36	3.11	0.90
Paris	150	6.48	4.23	1.62
Madrid	118	5.52	2.14	1.25
Berlin	111	3.35	1.94	1.39
Rome	109	4.55	2.66	2.17
Moscow	107	7.61	2.10	1.99
Oslo	156	4.19	7.30	2.45
Hong Kong	115	2.91	2.57	2.78
Tokyo	161	7.42	6.89	2.65

	Cigarettes, Marlboro (pack of 20) (supermarket)	Two-course meal for two people (low)	Business trip, typical daily cost (low)*
New York	8.99	250.00	746.21
London	10.79	111.48	518.20
Paris	8.31	225.35	610.00
Madrid	5.99	295.77	691.27
Berlin	6.97	154.93	406.20
Rome	6.48	232.39	546.13
Moscow	1.85	230.82	637.78
Oslo	15.11	215.83	585.43
Hong Kong	5.01	176.56	554.87
Tokyo	5.34	100.45	375.46

\* Daily business trip rate consists of one night's accommodation in a hotel, one two-course meal, one simple meal, two 5km journeys by taxi, one drink in the hotel bar and one international foreign daily newspaper.



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# About the survey

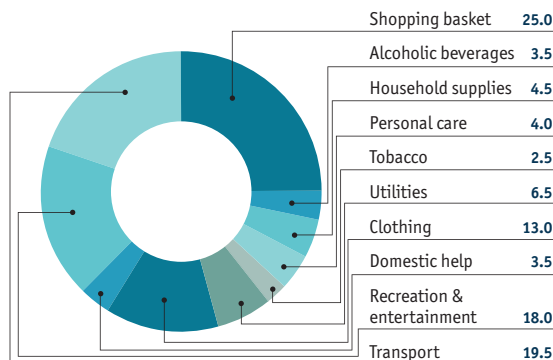
Worldwide Cost of Living is a biannual Economist Intelligence Unit survey that compares over 400 individual prices across 160 products and services in 140 cities in 93 countries. The survey itself is a purpose-built internet tool designed to calculate cost-of-living allowances and build compensation packages for expatriates and business travellers. It incorporates easy-to-understand comparative cost-of-living indices between cities. The online interactive survey allows for city-to-city comparisons, but for the purpose of this report all cities are compared to a base city, New York, which has an index set at 100.

# Methodology

More than 50,000 individual prices are collected in each survey round, which are carried out twice a year in March and September, and the results published in June and December. Economist Intelligence Unit researchers survey a range of stores: supermarkets, mid-priced stores and higher-priced specialty outlets. Prices reflect costs for more than 160 items—from food, toiletries and clothing to domestic help, transport and utility bills—in each city. These are not recommended retail prices or manufacturers’ costs; they are prices at the point of sale.

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 which is internationally based and not geared towards 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. The main survey categories and their aggregate weights are as follows:

**Weighted survey categories and their aggregate weight (%)**



Cities are compared on both a base and host location, whereby the index for a base city is set at 100 and the index for the host city is set as a percentage of 100. For this report, the base city is set as New York.



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## How is the survey used?

The **Worldwide Cost of Living survey** enables human resources line managers and expatriate executives to compare the cost of living in 140 cities in 93 countries and calculate fair compensation policies for relocating employees.

The survey gathers detailed information on the cost of more than 160 items--from food, toiletries and clothing to domestic help, transport and utility bills--in every city. More than 50,000 individual prices are collected in each survey round, which take place in March and September, and surveys are updated each June and December. A cost-of-living index is calculated from the price data to express the difference in the cost of living between any two cities.

Companies can then apply this index to an executive's spendable income to reach a fair cost of living allowance. The purpose of a cost of living allowance is to reimburse employees for excess living costs resulting from a foreign assignment. Payment is based on the assumption that an expatriate has a right to live at the assignment site in the same manner and with the same kind of goods and services he would find at home. A salary calculator on the site enables you to make these calculations within seconds.

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.

Learn more about the Worldwide Cost of Living survey and how to subscribe at [www.worldwidecostofliving.com](http://www.worldwidecostofliving.com)

## Who subscribes to the survey?

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.

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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 PR

Angelina Hunt

Tel: + 44 (0)20 7592 7932

Mobile: + 44 (0)7850 311 441

Sophie Kriefman

Tel: +44 (0)20 7592 7924

Ravi Sunnak

Tel : +44 (0)207 592 7927

Mobile: + 44 (0)7515 974 786

Email: [allgraylingukeiu@grayling.com](mailto:allgraylingukeiu@grayling.com)

## Americas

### Grayling New York

Ivette Almeida

Tel: +(1) 917-302-9946

[Ivette.almeida@grayling.com](mailto:Ivette.almeida@grayling.com)

Katarina Wenk-Bodenmiller

Tel: +(1) 646-284-9417

[Katarina.Wenk-Bodenmiller@grayling.com](mailto:Katarina.Wenk-Bodenmiller@grayling.com)

## Asia

### The Consultancy

Tom Engel

+852 3114 6337 / +852 9577 7106

[tengel@consultancy-pr.com.hk](mailto:tengel@consultancy-pr.com.hk)

Ian Fok

+852 3114 6335 / +852 9348 4484

[ifok@consultancy-pr.com.hk](mailto:ifok@consultancy-pr.com.hk)

Rhonda Taylor

+852 3114 6335

[rtaylor@consultancy-pr.com.hk](mailto:rtaylor@consultancy-pr.com.hk)

## Australia and New Zealand

### Cape Public Relations

Telephone: (02) 8218 2190

Sara Crowe

M: 0437 161916

[sara@capepublicrelations.com](mailto:sara@capepublicrelations.com)

Luke Roberts

M: 0422 855 930

[luke@capepublicrelations.com](mailto:luke@capepublicrelations.com)



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LONDON  
26 Red Lion Square  
London  
WC1R 4HQ  
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  
Boulevard des Tranchées 16  
1206 Geneva  
Switzerland  
Tel: (41) 22 566 2470  
Fax: (41) 22 346 93 47  
E-mail: geneva@eiu.com