

# Worldwide Cost of Living 2022

How soaring inflation has  
affected prices globally



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# How soaring inflation has affected prices globally

## Key findings

- EIU's latest Worldwide Cost of Living (WCOL) survey shows that **prices have risen** by an average of 8.1% in local-currency terms over the past year in the world's biggest cities. This is the **fastest rate for at least 20 years**, reflecting a global cost-of-living crisis sparked by the war in Ukraine and continuing covid-19 restrictions in China.
- **New York tops the rankings for the first time, tying with frequent leader Singapore**, which is back in pole position for the eighth time in ten years. Together the two have bumped Tel Aviv (Israel; top last year) down into third place. Damascus (Syria) and Tripoli (Libya) remain the cheapest of the 172 cities covered by our survey.
- **Istanbul (Turkey), Buenos Aires (Argentina) and Tehran (Iran)** have seen very high inflation. However, the **highest inflation rate is in Caracas** in Venezuela, where WCOL prices have risen by 132% since last year. Although Venezuela's hyperinflation has slowed sharply since 2019, we continue to exclude the city from our global averages to avoid skewing the calculations.
- The **Russian cities of Moscow and St Petersburg have shot up the rankings** by 88 and 70 places respectively as Western sanctions lead to higher prices, and buoyant energy markets and financial restrictions support the rouble.
- The most rapid increases in the WCOL index were for the **price of a litre of petrol, which has risen by 22% year on year on average** in local-currency terms amid higher global oil prices and a stronger US dollar.
- **Prices for gas and electricity have risen by 29%** on average in local-currency terms in western European cities as the region tries to wean itself off Russian energy. This compares with a global average increase of 11%.
- **Inflation for food and household goods has also been high** amid trade restrictions, caused partly by the war in Ukraine. By contrast, prices for recreational goods and services have been subdued in local-currency terms; this may reflect softer demand as consumers focus spending on essentials.

### Top ten positions

City	Geography	Index (New York=100)	Rank
Singapore	Singapore	100	1
New York	US	100	1
Tel Aviv	Israel	99	3
Hong Kong	Hong Kong	98	4
Los Angeles	US	98	4
Zurich	Switzerland	94	6
Geneva	Switzerland	91	7
San Francisco	US	85	8
Paris	France	84	9
Copenhagen	Denmark	83	10
Sydney	Australia	83	10

Source: EIU.

Many countries across the world are struggling with a cost-of-living crisis, the impact of which is clear in the latest WCOL survey. The survey, which was conducted between August 16th and September 16th 2022, tracks the prices of over 200 goods and services in 172 cities worldwide (Kiev in Ukraine had to be excluded entirely from this year's survey owing to the country's war with Russia). On average, **WCOL prices have risen by 8.1% year on year** in local-currency terms in the latest survey. This is the **highest inflation rate recorded since digital WCOL surveys began almost 20 years ago**. Petrol prices have seen the most rapid increases, but utility and food prices have also increased sharply.

However, high inflation is not the only factor that drives the WCOL's annual ranking of the world's most expensive cities. A stronger currency will tend to see a city rise in the rankings, as prices are higher when expressed in international common currency. Structural factors such as competition or high demand play a key role in determining the cost of living as well. Because we convert local currency prices into US dollars to calculate each city's index, our rankings are also driven by exchange rates against the dollar. This year has seen the dollar strengthen against many currencies as the Federal Reserve (Fed, the US central bank) raises interest rates.

The combination of these two factors—high incomes and a stronger exchange rate—has propelled **Singapore and New York City to the top of our WCOL rankings** for 2022, making them the most expensive cities in the world. A stronger currency and a higher inflation rate have enabled these two cities to push Tel Aviv (Israel), which was top in the rankings last year, into third place.

New York is not the only US city that has risen in our rankings as a result of the strengthening dollar. Other US cities, including Atlanta and Boston, account for six of the top ten global movers up the rankings. Mexico City has also jumped upwards by 33 places, with the peso supported by Mexico's own interest-rate hikes, which are tracking ahead of the Fed's.

# WORLDWIDE COST OF LIVING 2022

## HOW SOARING INFLATION HAS AFFECTED PRICES GLOBALLY

### Biggest movers up the rankings in the past 12 months

City	Geography	Index (New York=100)	Rank	Index move	Rank move
Moscow	Russia	72	37	16	88
St Petersburg	Russia	66	73	16	70
Atlanta	US	70	46	3	42
Charlotte	US	69	53	3	39
Indianapolis	US	69	53	2	35
San Diego	US	79	17	2	33
Mexico City	Mexico	71	43	2	33
Saipan	Northern Mariana Islands	70	46	1	30
Portland	US	70	46	1	30
Boston	US	78	21	1	29

Source: EIU.

The biggest upward movers, however, are the Russian cities of Moscow and St Petersburg, which have shot up the rankings by 88 and 70 places respectively. Capital controls, import suppression and the conversion of European gas payments into roubles are supporting the value of the local currency. Meanwhile, local prices have been driven upwards by Western sanctions imposed after Russia invaded Ukraine in February 2022. According to our survey of prices, inflation in Moscow is now 17.1% year on year in local-currency terms, while in St Petersburg it has reached 19.4%.

### Bottom ten positions

City	Geography	Index (New York=100)	Rank
Colombo	Sri Lanka	38	161
Bangalore	India	38	161
Algiers	Algeria	38	161
Chennai	India	37	164
Ahmedabad	India	35	165
Almaty	Kazakhstan	34	166
Karachi	Pakistan	32	167
Tashkent	Uzbekistan	31	168
Tunis	Tunisia	30	169
Tehran	Iran	23	170
Tripoli	Libya	22	171
Damascus	Syria	11	172

Source: EIU.

**The cheapest cities in our rankings are Damascus, Tripoli and Tehran**, reflecting these countries' weak economies and currencies. Damascus and Tripoli, which are often at the bottom of the WCOL rankings, have seen only moderate local-currency inflation over the past year. In calculating Tehran's index this year we decided to use the more widely used realistic parallel-market exchange

# WORLDWIDE COST OF LIVING 2022

## HOW SOARING INFLATION HAS AFFECTED PRICES GLOBALLY

rate, instead of the overvalued official exchange rate. As a result, Tehran is now the third-cheapest city in our comparative ranking, while it ranked much higher last year.

### Biggest movers down the rankings in the past 12 months

City	Geography	Index (New York=100)	Rank	Index move	Rank move
Stockholm	Sweden	61	99	-12	-38
Luxembourg	Luxembourg	60	104	-11	-38
Lyon	France	63	90	-12	-34
Osaka	Japan	71	43	-23	-33
Manchester	UK	66	73	-12	-32
Nouméa	New Caledonia	68	64	-12	-31
Brussels	Belgium	68	64	-11	-28
Douala	Cameroon	52	128	-11	-27
Busan	South Korea	59	106	-9	-25
Tokyo	Japan	72	37	-19	-24

Note. Tehran is not included, as we switched to using the parallel-market exchange rate, which is more widely used than the official exchange rate.

Source: EIU.

Of the top ten biggest fallers in our rankings, European cities such as Luxembourg and Stockholm account for five. While inflation in Europe has risen, the energy crisis that has followed Russia's invasion of Ukraine is tipping the continent into recession and depreciating currencies against the US dollar and therefore reducing the indices for some European cities. In late August the euro fell below parity with the dollar for the first time in 20 years. Japan and South Korea have also seen currency depreciation, while local-currency inflation in these countries is fairly subdued; this has pushed down the indices for Tokyo and Seoul compared with New York.

### Inflation is widely spread but variable

The cost-of-living crisis is affecting most of the world, with several cities in this year's WCOL survey suffering from very high inflation. In Istanbul, prices have risen by 86% in local-currency terms since last year, while they are up by 64% in Buenos Aires and 57% in Tehran. **The highest inflation rate is in Caracas, Venezuela**, where prices have risen by 132% in local-currency terms since last year. While this is a vast improvement on 2019's hyperinflation of 25,504%, we continue to exclude Venezuela from our global averages to avoid skewing the calculations.

**The product most affected is petrol**, prices of which have risen by 22% on average in local-currency terms. With oil priced in US dollars, part of this inflation has come from currency weakness: the average year-on-year price rise in dollars is a comparatively modest 11%. This dramatic rise in local petrol prices has caused public protests in several cities across the world this year, from Sri Lanka to Spain.

The variance in petrol price increases is huge in this year's survey, depending on the strength of each city's currency and the extent of government subsidies. In Istanbul and Colombo (Sri Lanka), where currency crashes have made imported oil very expensive, petrol prices have soared by an eye-watering



148% and 189% respectively in local-currency terms. In the cities of Brazil, which produces its own oil, petrol prices have actually fallen since last year. The former government used its control of the state oil company, Petrobras, to hold down prices as well as hiking fuel subsidies this year—yet it was still ousted by voters in October’s presidential election.

Other prices in our survey have also risen sharply compared with last year. The high prices of energy commodities mean that utility bills for electricity and gas are up by an average of 11% in local-currency terms across the 172 cities in the WCOL survey. In western Europe, prices have soared by 29% on average amid an energy crisis sparked by efforts to wean the region off Russian oil and gas. Global car prices have risen by 9.5% on average in local-currency terms, as supply-chain blockages have curtailed production and led to waiting lists in some cities. Meanwhile, prices for food and household goods have increased more rapidly than prices for clothing and personal care products. By contrast, price rises for domestic help and recreational goods and services have been subdued.

#### **Price increases are set to ease in 2023**

The good news is that prices may be starting to ease in some countries as interest rates bite and the global economy slows. Supply-chain blockages should also start to ease as freight rates come down and demand softens. Unless the war in Ukraine escalates, we predict that commodity prices for energy, food and for supplies such as metals are likely to fall sharply in 2023 compared with 2022 levels, although they are likely to stay higher than previous levels. Overall, EIU forecasts that global consumer price inflation will fall from an average of 9.4% this year to a still-high 6.5% in 2023. We expect this partial drop to be reflected in next year’s WCOL survey, bringing a little relief to hard-pressed households.

### 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 172 cities (173 last year, when Kiev was included). 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, 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, in the latest survey 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, 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.



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