



Cost of Living highlights

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With a number of countries experiencing big inflation and currency movements in recent months here is an overview of some of the hotspots.

Caracas – world’s most and least expensive city...

After another six months of 55% inflation taking the annual rate to over 110%, Caracas is still by far the most expensive city in the world when using the official exchange rate. However, we now also publish Caracas cost of living data using the SICAD II exchange rate, available to many assignees. At this rate Caracas is the cheapest city in the world. A move from the US to Caracas, for example, using the official rate, will result in an index 8 times higher than when using the SICAD II rate. Deciding which to use is complex and will depend on the circumstances of the company and individual on assignment. Please contact ECA if you need advice.

Most and least expensive locations for expatriates					
Location	Global rank 2014	Global rank 2013	Location	Global rank 2014	Global rank 2013
Caracas (official exchange rate)	1	1	Kathmandu	244	252
Luanda	2	2	Kolkata	245	254
Oslo	3	3	Bishkek	246	236
Stavanger	4	5	Tunis	247	245
Zurich	5	6	Managua	248	243
Geneva	6	7	Chisinau	249	241
Bern	7	8	Tegucigalpa	250	246
Basel	8	9	Ulaanbaatar	251	244
Juba	9	4	Pretoria	252	247
Seoul	10	22	Gaborone	253	249
Copenhagen	11	11	Islamabad	254	257
Tokyo	12	10	Karachi	255	260
Kinshasa	13	14	Johannesburg	256	253
Shanghai	14	19	Kiev	257	193
Beijing	15	16	Windhoek	258	255
Libreville	16	18	Cape Town	259	258
Moscow	17	12	Durban	260	259
Brazzaville	18	13	Mbabane	261	261
Helsinki	19	15	Maseru	262	262
Yokohama	20	21	Caracas (SICAD II rate)	263	N/A

Source: ECA's Cost of Living September 2014 survey

South Korea

Despite moderate inflation over the last year Seoul has overtaken Tokyo to become the most expensive Asian location in our rankings. The strengthening of the won – it was up to a six year high against the US dollar – can account for the rise although with the currency weakening since the September survey and inflation unlikely to pick up in the near future Korean locations are unlikely to stay this high.

Japan

Having spiked earlier in the year following an increase in the country's sales tax, inflation decelerated over the last six months. The yen depreciated significantly against most major currencies in the 12 months between September surveys, largely outweighing the impact of inflation on indices. Many assignees in Japan will have seen their indices fall. The performance of the yen has worsened even further since the survey period.

Russia

The Russian embargo on food imports in August had a major impact on the availability of certain items within ECA's basket of goods, but the impact on inflation was moderate. The rouble did not change in value significantly between surveys, even gaining slightly against the euro between the March and September surveys. However, the picture has changed quite dramatically since the survey period, with the rouble dropping to record lows against the US dollar and showing a similar depreciation against other major currencies. Applying more recent rates to the latest cost of living indices for Russian cities will, in almost all instances, result in index falls for in-bound assignees.

Ukraine

Inflation continues to accelerate as the hryvnia depreciates further. Prices in ECA's basket rose 13% over the last 6 months and 22% for the year to September. The value of the hryvnia declined by nearly 40% in the 12 months between September surveys. Since September, the currency has continued to decline, halving in value since the beginning of the year. This has outweighed the impact of the high inflation and indices for assignees moving to Ukraine have fallen.

Ghana

Prices have been increasing much faster than official figures suggest. Prices in our basket increased over 35% in the six months between March and September (the official rate was 5.5% over that time). This was driven largely by the rapid fall in the value of the cedi during that period – falls that outweighed the high inflation pushing indices down. However, since the survey the cedi has rebounded gaining 20% against the EUR and GBP for example. Consequently, many assignees in Ghana will have experienced reduced purchasing power.

Ones to watch



Find out more about the issues faced by expatriates in Caracas!

Our International Data Researcher, Rachel, recently blogged about her experiences of travelling and collecting data around the city.

Go to ecaintlblog.wordpress.com

As can be seen, a number of locations are experiencing significant volatility and your assignees' spending power could become affected. Along with Japan and Russia, Algeria, Brazil, Colombia, Malawi and Norway, have also seen their currencies weaken significantly since the September survey. The US dollar has strengthened somewhat in that period too. Whether you update indices for exchange rates will depend on a number of factors including how you deliver your expatriates' pay. Please get in touch for assistance!