

Worldwide Cost of Living 2020

How is Covid-19 affecting the prices of consumer goods?

A report by The Economist Intelligence Unit



The world leader in global business intelligence

The Economist Intelligence Unit (The EIU) is the research and analysis division of The Economist Group, the sister company to The Economist newspaper. Created in 1946, we have over 70 years' experience in helping businesses, financial firms and governments to understand how the world is changing and how that creates opportunities to be seized and risks to be managed.

Given that many of the issues facing the world have an international (if not global) dimension, The EIU is ideally positioned to be commentator, interpreter and forecaster on the phenomenon of globalisation as it gathers pace and impact.

EIU subscription services

The world's leading organisations rely on our subscription services for data, analysis and forecasts to keep them informed about what is happening around the world. We specialise in:

- **Country Analysis:** Access to regular, detailed country-specific economic and political forecasts, as well as assessments of the business and regulatory environments in different markets.
- **Risk Analysis:** Our risk services identify actual and potential threats around the world and help our clients understand the implications for their organisations.
- **Industry Analysis:** Five year forecasts, analysis of key themes and news analysis for six key industries in 60 major economies. These forecasts are based on the latest data and in-depth analysis of industry trends.

EIU Consulting

EIU Consulting is a bespoke service designed to provide solutions specific to our customers' needs. We specialise in these key sectors:

- **Healthcare:** Together with our two specialised consultancies, Bazian and Clearstate, The EIU helps healthcare organisations build and maintain successful and sustainable businesses across the healthcare ecosystem. **Find out more at: eiu.com/healthcare**
- **Public Policy:** Trusted by the sector's most influential stakeholders, our global public policy practice provides evidence-based research for policy-makers and stakeholders seeking clear and measurable outcomes. **Find out more at: eiu.com/publicpolicy**

The Economist Corporate Network

The Economist Corporate Network (ECN) is The Economist Group's advisory service for organisational leaders seeking to better understand the economic and business environments of global markets. Delivering independent, thought-provoking content, ECN provides clients with the knowledge, insight, and interaction that support better-informed strategies and decisions.

The Network is part of The Economist Intelligence Unit and is led by experts with in-depth understanding of the geographies and markets they oversee. The Network's membership-based operations cover Asia-Pacific, the Middle East, and Africa. Through a distinctive blend of interactive conferences, specially designed events, C-suite discussions, member briefings, and high-calibre research, The Economist Corporate Network delivers a range of macro (global, regional, national, and territorial) as well as industry-focused analysis on prevailing conditions and forecast trends.

How is Covid-19 affecting the prices of consumer goods?

Key findings

- The Economist Intelligence Unit's Worldwide Cost of Living (WCOL) index, which this year reports the prices of 138 goods and services in about 130 major cities as at September 2020, has risen by just 0.3 points on average over the past year.
- The three most expensive cities in the world are Hong Kong, Zurich (Switzerland) and Paris (France). Zurich and Paris have overtaken Singapore and Osaka (Japan), which have slipped down the rankings.
- Cities in the Americas, Africa and Eastern Europe have become less expensive since last year, while Western European cities have become costlier. This partly reflects a rise in European currencies against the US dollar.
- Of the ten categories covered by this report, tobacco and recreation (including consumer electronics) have seen the biggest price increases since last year, while clothing prices have seen the steepest decline.

The 30th edition of the World Cost of Living index shows how the Covid-19 pandemic has changed the cost of living in 133 cities around the world since the start of 2020. Of the ten categories covered by this report, tobacco and recreation (including consumer electronics) have seen the biggest price increases since last year, while clothing prices have seen the steepest decline. This report will focus on how the cost of goods has changed—owing to currency volatility, supply chain problems, the impact of taxes and subsidies, and shifts in consumer preferences—and how global consumer goods companies can adapt to the situation.

Overall, the biggest price gains in US dollar terms have been in Tehran (Iran), whose overall WCOL index has risen by ten points amid US sanctions, which have impacted the supply of goods. However, although Tehran may have climbed almost 30 places, from 106th place to 79th position, prices in the city remain far below those in the three most expensive cities in the world, Hong Kong, Zurich and Paris. Zurich and Paris have overtaken Singapore and Osaka, which have slipped down the WCOL rankings from joint-first last year (with Hong Kong) to numbers four and five.

Prices in Singapore fell as the pandemic led to an exodus of foreign workers. With the city state's overall population contracting for the first time since 2003, demand has declined and deflation has set in. Osaka has seen similar trends, with consumer prices stagnating and the Japanese government subsidising costs such as public transport. The biggest price drops have taken place in Rio de Janeiro and São Paulo (both in Brazil), reflecting weak currencies and rising poverty levels.

WORLDWIDE COST OF LIVING 2020

HOW IS COVID-19 AFFECTING THE PRICES OF CONSUMER GOODS?

The ten most expensive cities in the world

Country	City	WCOL index (New York=100)	Rank	Rank movement
Switzerland	Zurich	103	1	4
France	Paris	103	1	4
Hong Kong	Hong Kong*	103	1	0
Singapore	Singapore	102	4	-3
Israel	Tel Aviv	101	5	2
Japan	Osaka	101	5	-4
Switzerland	Geneva	100	7	3
US	New York	100	7	-3
Denmark	Copenhagen	96	9	2
US	Los Angeles	96	9	-1

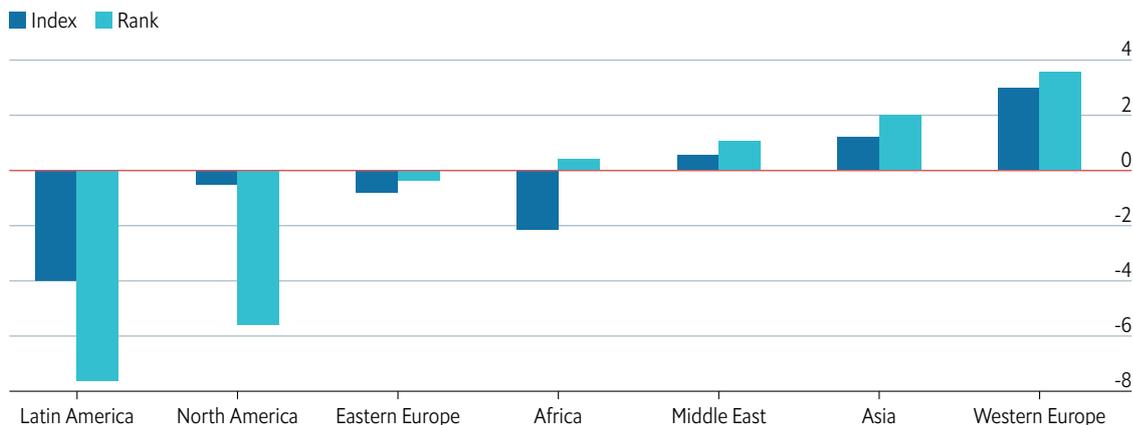
*Hong Kong Special Administrative Region (SAR) of the People's Republic of China

Source: The Economist Intelligence Unit.

Reasons for the pricing shifts

Cities in the America have seen prices fall

(Average change in WCOL index and ranking; year on year)



Source: The Economist Intelligence Unit.

- **Local currency exchange-rate movement** against the dollar caused many of the shifts in the WCOL rankings, given that cities are compared using an index in which New York City is the base city. In general, currency weakness has followed the pandemic as it spread across the world from Asia to Latin America. By September 2020, when our survey was taken, currencies were weakest in the Americas and strongest in Western Europe.
- **Supply-chain problems** have also affected price trends in our 2020 survey, with shortages of goods such as toilet roll and pasta fuelling price increases in some categories. Tehran's leap in the ranking is directly linked to US sanctions, which have stopped imports in several categories.

WORLDWIDE COST OF LIVING 2020

HOW IS COVID-19 AFFECTING THE PRICES OF CONSUMER GOODS?

- In certain cities, **government actions** have driven price changes. Some countries (such as in Argentina) have imposed new price controls amid high demand from panic buyers. Others have raised taxes to offset revenue shortfalls. For example, the oil price slump led the Saudi government to raise value-added tax (VAT) from 5% to 15% from July 2020.
- Many countries have seen a sharp **fall in disposable incomes**, despite government support. Consumers have responded by increasing precautionary savings and slashing spending.
- **Changes in lifestyles** caused by the pandemic have also influenced prices—for example, stay-at-home shoppers have new views on the goods and services that they see as essential.

Biggest movers down the ranking in the last 12 months

Country	City	Index (New York=100)	Rank	Index move	Rank move
Iceland	Reykjavik	71	56	-7	-27
Brazil	Sao Paulo	43	119	-11	-23
Brazil	Rio de Janeiro	43	119	-11	-23
Thailand	Bangkok	74	46	-5	-20
Russia	Moscow	52	106	-6	-20
Mexico	Mexico City	64	73	-6	-18
Ukraine	Kiev	53	101	-5	-15
Turkey	Istanbul	47	111	-7	-15
Kenya	Nairobi	63	77	-3	-14
Peru	Lima	63	77	-3	-14

Source: The Economist Intelligence Unit.

Biggest movers up the ranking in the last 12 months

Country	City	Index (New York=100)	Rank	Index move	Rank move
Iran	Tehran	62	79	10	27
Australia	Perth	67	62	3	12
China	Guangzhou	67	62	3	12
Serbia & Montenegro	Belgrade	56	90	3	12
Cote d'Ivoire	Abidjan	56	90	3	12
Italy	Rome	77	32	4	11
Germany	Dusseldorf	77	32	4	11
Senegal	Dakar	53	101	2	11
Belgium	Brussels	77	32	4	11
Netherlands	Amsterdam	77	32	4	11

Source: The Economist Intelligence Unit.

The impact on consumer goods prices

The 2020 WCOL survey shows that, while most prices for consumer goods and services have remained fairly flat over the past year in the world's major cities, the pandemic has impacted particular categories differently. With many shops closed during lockdowns, the prices of essential products have been more resilient than those of non-essential goods, while prices for products that appeal as impulse purchases

to shoppers browsing retailers' shelves have been hard-hit. What consumers see as essential has also shifted. Bottled water is not a surprise, but meal-preparation kits have replaced restaurant meals for many middle-class families.

Amid the pandemic, price-conscious consumers have also opted for cheaper products in many countries, increasing price competition for less-expensive goods. Low demand has had a particular impact on clothing prices, for example. On the other hand, high-earning consumers have been comparatively unaffected by the pandemic. While they are likely to shop less, prices of premium products have remained resilient. Supply-chain problems have also had differing impacts on different goods, pushing up the price of high-demand products such as computers in some cities.

Prices now and then for the 10 most expensive cities

Average price for a 1kg loaf of bread; US\$

Country	City	2020	2019	2015	2010
France	Paris	6.1	5.2	7.42	9.09
China	Hong Kong*	3.82	3.6	4.36	4.64
Switzerland	Zurich	5.03	4.69	5.85	5.75
Singapore	Singapore	3.59	3.35	3.4	3.1
Japan	Osaka	4.89	5.63	5.23	7
Israel	Tel Aviv	5.63	4.7	4.53	3.36
US	New York	9.45	8.62	8.28	6.57
Switzerland	Geneva	6.05	5.62	7.02	5.72
US	Los Angeles	7.04	6.82	5.72	5.94

*Hong Kong Special Administrative Region (SAR) of the People's Republic of China

Source: The Economist Intelligence Unit

Prices for consumer staples were flat overall

While the prices of packaged goods, such as coffee, cheese, rice and orange juice, rose across most cities in the latest WCOL survey, the average index for the food and grocery category remained flat. However, the index for the **shopping basket**, which includes a variety of food items and non-alcoholic beverages, fell in 2020 for 50 of the cities surveyed.

Latin America and Africa accounted for most of the declines, mainly owing to weak local currencies and raised poverty levels. Caracas, Rio de Janeiro and Lusaka saw some of the steepest declines in the shopping basket index. One of the biggest increases was in Tehran, where US sanctions led to supply challenges. All eight Chinese cities saw increases.

Alcohol prices exhibited an upward trend, with prices of local beers holding up better than those for the top brands. While bars are shut in many cities, overall demand remains strong. Online sales are high in cities where they are allowed. In some countries, such as India, prices rose owing to increased taxes.

The mean index for **tobacco** reported the highest year-on-year increase for any non-durable goods. All five Australian cities saw double-digit increases in the tobacco index, while three US cities—Cleveland, Boston and Pittsburgh—were among those that saw steep falls.

WORLDWIDE COST OF LIVING 2020

HOW IS COVID-19 AFFECTING THE PRICES OF CONSUMER GOODS?

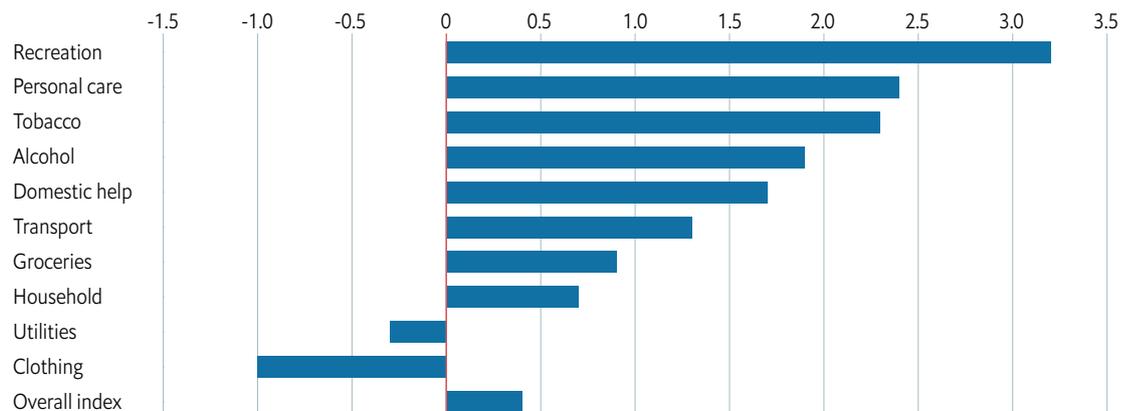
Prices for consumer electronics surged, while clothing prices declined

Other than tobacco, the steepest average increase in the index came in the recreation category, which includes varied purchases such as the cost of a four-course dinner, a paperback book, a TV and a personal computer. The biggest driver for the increase in the recreation index was **consumer electronics**. The cost of a personal computer rose by 18.7 points on average, with the cost being the most expensive in Osaka and the cheapest in Caracas.

The troubles started early on in the pandemic for the electronics industry, when Wuhan, a major electronics manufacturing hub, was put under lockdown. Production stoppages led to product shortages and high prices when remote working drove demand for laptops and computers. Technology-focused run-ins between the US and China have also tested the resilience of companies' supply chains and raised prices for consumers.

Recreation up; clothing down

(Change in mean price index; year on year)



Source: The Economist Intelligence Unit.

Most expensive cities for computers

Average price of personal computer; US\$

Country	City	2020	2019	2015
Japan	Osaka	1,828	2,006	963
Iran	Tehran	1,714	1,701	1,335
Kenya	Nairobi	1,662	1,539	1,396
Austria	Vienna	1,657	1,504	1,541
Guatemala	Guatemala City	1,636	1,637	1,938
Peru	Lima	1,627	1,713	1,447
US	Los Angeles	1,601	1,392	1,107
US	Lexington	1,549	1,549	1,649
US	Houston	1,526	1,515	1,670
Spain	Barcelona	1,502	1,315	1,521

Source: The Economist Intelligence Unit.

Of the ten product categories covered by this report, **clothing** was the only one to see an average fall in the index, dropping by more than 1 point. Sales of clothing and footwear plummeted as non-essential stores were shut in most countries during lockdowns. Despite a shift to online retailing, many consumers delayed wardrobe changes. Fast-fashion brands and department stores were the most affected, and the resulting glut weighed on prices. We expect global consumer spending on clothing to fall by over 9% in 2020 and recovery to be slow over the next few years.

What to expect in 2021

Although much will depend on the course of the pandemic, we expect many of the above price trends to continue into 2021. With the global economy unlikely to return to pre-pandemic levels until 2022, spending will remain restricted and prices under downward pressure. Many price-conscious consumers will prioritise spending on staples, home entertainment and faster internet access. Big-ticket items, as well as clothing and out-of-home recreation, will continue to struggle.

Laptop and smartphone prices will also bear the brunt of tariff wars, as will many items in the food basket. Imported goods will remain susceptible to currency fluctuations. We expect online sales to continue to expand their share of total retail sales in 2021. However, even online retailers will struggle to find new sources of revenue and will rely on price competition to boost volumes.

Consumer companies looking to establish a pricing strategy must evaluate whether remote working will be a temporary or permanent trend in their markets, as this will determine how they package or sell products. Food sales will focus on family meals, rather than one-person lunches. Safer packaging will win out, as will price and convenience.

Above all, pricing and sales strategies will be driven by lockdown rules. Where only essential retail is permitted, competitive one-stop-shopping destinations, including online marketplaces (such as Tmall, Shopee and Amazon) and real-world superstores (such as Walmart, Costco and Carrefour), will do well. Until recently, online retail has favoured international brands, but this advantage is now being eroded. Direct-to-customer channels will give companies better control over pricing and inventory. Tying up with retailers with omnichannel presence will be key for packaged goods makers.

Methodology

The Worldwide Cost of Living is a twice-yearly survey conducted by The Economist Intelligence Unit that compares more than 400 individual prices across 138 products and services in about 130 cities. The survey can be accessed via The EIU's data tool or our purpose-built website; these allow for city-to-city comparisons.

To gather price data, our researchers survey a range of stores and service producers—from discount to luxury—in order to determine the range of prices being charged. Our economists then convert the 50,000 reported prices into a central currency (the US dollar) using the prevailing exchange rate and weighting in order to achieve comparative indices. All cities are compared with a base city, New York City, which has an index score of 100.

Worldwide Cost of Living products

Comprehensive cost of living data and analysis

Worldwide Cost of Living - the full report

Purchase the entire ranking and access deeper analysis

The full Worldwide Cost of Living report allows you to compare the cost of living in over 130 cities around the world. The ranking draws upon a comprehensive underlying data set including over 400 individual price points across 138 products and services in about 130 cities.

What's included?

- View the entire ranking of over 130 cities around the world based on their relative cost of living.
- 400 individual prices across 138 products and services. This includes food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and recreational costs.
- Relate each city's rank to that of last year, 5 years ago and 10 years ago.
- Assessment of the current and past trends impacting the cost of living, including key factors such as currency swings, local inflation and commodity shocks.
- Regional analysis comparing the key trends taking place in the Americas, Africa, Asia, Europe, and the Middle East.

You can purchase this year's report by visiting The EIU Store:

<https://store.eiu.com/products/special-reports>

Worldwide Cost of Living – the complete data set

The city-to-city data solution for assessing living costs around the world

The full Worldwide Cost of Living data set allows you to compare more than 400 individual prices across 138 products and services in over 130 cities around the world. This includes food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and recreational costs.

The Worldwide Cost of Living data set provides you with:

- Easy-to-understand comparative cost of living indices between a base and host city as well as individual category indices for different sub-baskets.
- A comparison of cost of living differences across all cities.
- Detailed access for all data on a particular city including price levels and business costs.
- Data for all individual prices and underlying scores.
- Indices which can be tailored in a variety of user-friendly ways.

For more information on this product, speak to a member of our team by emailing eiu_enquiries@eiu.com.

Worldwide Cost of Living products

Comprehensive cost of living data and analysis

CityData

Detailed global product and service price data

CityData is a database containing pricing information on more than 180 products and services in 140 cities worldwide. CityData is an aggregation of the underlying price data behind Worldwide Cost of Living.

The tool gives you the raw data to use in any way which suits your business. Users are able to check on the price patterns on a diverse array of prices in both local currency and US dollars to ascertain price levels and volatility over time as well as compare cities within countries and internationally.

What's included?

- Detailed historical price data going back as far as 1990.
- Semi-annual (June and December) updates on prices in 120 cities.
- Data supplied from two stores (supermarket and mid-priced) to supply retail channel intelligence.

For more information on this product, speak to a member of our team by emailing eiw_enquiries@eiw.com.

Copyright

© 2020 The Economist Intelligence Unit Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of The Economist Intelligence Unit Limited.

While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

LONDON

The Economist Intelligence Unit
20 Cabot Square
London E14 4QW
United Kingdom
Tel: + 44 (0) 20 7576 8181
Email: london@eiu.com

GURGAON

The Economist Intelligence Unit
Skootr Spaces, Unit No. 1,
12th Floor, Tower B, Building No. 9
DLF Cyber City,
Phase – III
Gurgaon – 122002
Haryana
India
Tel: + 91 124 6409486
Email: asia@eiu.com

NEW YORK

The Economist Intelligence Unit
The Economist Group
750 Third Avenue 5th Floor
New York, NY 10017,
United States
Tel: + 1 212 698 9717
Email: americas@eiu.com

HONG KONG

The Economist Intelligence Unit
1301 Cityplaza Four
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: + 852 2802 7288
Email: asia@eiu.com

DUBAI

The Economist Intelligence Unit
PO Box No - 450056
Office No - 1301A
Aurora Tower
Dubai Media City
Dubai
United Arab Emirates
Tel +971 4 4463 147
email: mea@eiu.com