

# Cost of Living September 2018 survey highlights

## United Kingdom

The British pound has remained relatively stable against the euro and yen between March and September 2018, but it has depreciated by 7% against the US dollar. Although inflation remains relatively high by historic standards, indices for most inbound assignees will depend on exchange rate movements. Assignees from the US and countries with currencies pegged to the US dollar like Hong Kong will see a drop in indices while those coming from the Eurozone will see only very small changes.

## Turkey

In Turkey, heavy borrowing, loose monetary policy, poor relations with the United States, the imposition of sanctions by the Trump administration, and President Erdogan's undermining of the independence of the central bank, have all contributed to the country's currency crisis. The Turkish lira fell massively against major currencies between our March 2018 and September 2018 surveys, including by more than 40% against the US dollar. The weak currency has in turn pushed up import costs and as a result prices rose by around 19% over this period. However, the impact of the significantly weakened lira will still see indices fall for assignees in Turkey.

## Russia

Under pressure from falling oil prices and sanctions, the rouble fell against major currencies in the six months to September 2018. With inflation low at less than 2% over the period, the falling value of the rouble means that assignees in the country will receive somewhat lower indices compared to March 2018.

## Uzbekistan

In the six months after the March 2018 survey, the Uzbek som started to recover from the devaluation last September and gained value against most currencies. Although six-month inflation in Tashkent has dropped compared to the March 2018 survey, indices will increase significantly for assignees in Tashkent because of the currency movements.

## USA

The US dollar has been one of the best performing major currencies over the six months to the September 2018 survey, gaining 6% against the euro and 7% against the pound. Prices also rose over the same period, largely due to rising petrol costs. As a result, many assignees in the country will experience an increase in their indices, while Americans abroad will tend to see lower indices thanks to the strength of the US dollar.

## Eurozone

The euro weakened by around 6% against the US dollar between ECA's March and September 2018 surveys while changes against the British pound and the Japanese yen have been much smaller. Low inflation across the Eurozone means that indices for inbound assignees will largely depend on the home country, decreasing for those from the United States and countries with currencies linked to the US dollar, and increasing for those going the other way, but relatively stable in relation to many other locations.

## Sudan

The rate of inflation in Sudan has slowed but remains high with prices rising by more than 30% in the six months between the March and September 2018 surveys, around half the rate of the previous six months. The Sudanese pound remained stable over the same period and as a result, indices will rise for assignees in the country.

## Venezuela

Inflation in Caracas reached 131000% in the year to September 2018 and 6500% over the six months between March and September. Since the last survey Venezuela has launched a new currency, the sovereign bolivar (VES), which was the old currency redenominated by 100000 to 1 and also devalued to a rate close to the prevailing black-market rate. On balance indices have dropped significantly this survey despite the hyperinflation.

## Brazil

While inflation in Brazil has increased a little it remains relatively low at a rate of around 3% in the six months to September 2018. However, over the same period the exchange rate has depreciated by around 15% against the US dollar. Assignees working in the country can therefore expect indices to be significantly lower than in the March 2018 survey.

## Argentina

Argentina has recently been experiencing a currency crisis. Doubts among international investors led to rapid depreciation of the peso and the largest ever bailout by the International Monetary Fund. In the six months to September 2018, the peso lost over 40% of its value against the US dollar. A spike in inflation followed, with rates rising to around 20% over the same period. Despite the rising prices, indices for assignees in Argentina have continued to fall due to the weakness of the currency.

## Angola

Only a year ago Luanda topped ECA's rankings as the most expensive city in the world for expatriates. Since then the Angolan kwanza has lost nearly 40% of its value and the city is now ranked by ECA as the 42nd most expensive city. Despite the depreciation of the currency, in the six months from March to September 2018 inflation continued to slow to a rate of around 3%. Assignees in the country can expect indices to be significantly lower.

## South Africa

The weakness of the South African rand is the major factor in terms of index movements this period, with indices down significantly from March 2018 for most inbound assignees. Over the six months to September 2018 the rand lost more than 15% of its value against the euro and the yen and 20% against the US dollar. Inflation over the same period was higher than in the preceding six months, mostly driven by fuel price increases, but not enough to offset the effect of currency depreciation.

## Iran

While the Central Bank of Iran's official exchange rate has held steady at USD 1 = IRR 42 000, the free-market value of the Iranian rial, as used in ECA's indices, continued to depreciate significantly in the six months to September 2018, decreasing by 59% against the US dollar. This downward pressure on the rial has been driven by the re-imposition of US sanctions on the country, designed to suppress Iran's exports and restricting the availability of foreign exchange. The collapse in the value of the rial pushed up the price of imports and inflation rose to 27% between ECA's March 2018 and September 2018 surveys. Iran is the cheapest city in the world in ECA's latest ranking as despite soaring inflation, inbound assignees will see their indices fall significantly, as much less home currency is needed to purchase the same goods and services.

## Zimbabwe

The economic situation has continued to deteriorate in Zimbabwe. There is a shortage of hard currency and the domestically issued 'bond notes', which are supposed to have parity with the US dollar, are actually being used at a 50% discount. Although we only measured relatively modest price rises of around 5% in the six months from March to September 2018 this combined with the strength of the US dollar was enough to push up indices for assignees in the country.

## Turkmenistan

Turkmenistan is the most expensive country in the world in ECA's latest cost of living rankings despite being outside the top 100 in the March 2018 survey. The surge in indices was caused by prices rising by more than 40% in the six months to September 2018. The growth in inflation is due to a massive rise in the cost of imports after the collapse of the black-market exchange rate. This was caused by a drop in gas exports leading to shortages of hard currency. While the official exchange rate that is used in ECA's indices remains pegged to the US dollar at USD 1 = TMT 3.5 the illegal black-market rate is trading at closer to USD 1 = TMT 19 (it was more like USD 1 = TMT 8 at the beginning of the year).

## Hong Kong

Inflation in Hong Kong remained low over the period March to September 2018. At the same time, the Hong Kong dollar has strengthened against most major currencies, rising nearly 6% against the euro for example. Overall, despite the low inflation, the strong currency means rising indices for most inbound assignees and Hong Kong is now the sixth most expensive city in the world in ECA's latest rankings.

## India

Over the six months to September 2018 the rupee lost value against major currencies, including decreases of -4% against the Japanese yen and -8% against the US dollar. Inflation over the same period has been a little higher than in the preceding six months, but not enough to offset the impact of weaker exchange rates so indices for most inbound assignees will stay stable or go down. Outbound assignees can expect to see indices rising to compensate for the weakness of the rupee.