

# Cost of Living September 2020 survey highlights

## USA

Prices in the United States have seen very little change overall in the last six months despite falling fuel prices. However, the value of the US dollar has dropped – down 2.3% against the British pound and 6.9% against the euro in the six months since March 2020. Assignees from those countries working in the US will therefore see their indices decrease, whereas Americans working abroad may see their indices increase.

## Eurozone

The six months to September 2020 have seen continued low inflation across the Eurozone. The euro has performed strongly over the same period as it has continued to function as a 'safe haven' currency during the Covid-19 pandemic, gaining 8% against the US dollar and 5% against both the British pound and the Japanese yen. Assignees moving to the eurozone will usually experience higher indices while those moving out of the euro area will tend to see lower indices.

## United Kingdom

Prices in the UK have remained relatively stable in the six months between March and September 2020. With the end of the Brexit transition period in sight and a trade deal yet to be agreed, sterling dropped by over 4% against the euro in the same period but gained slightly against the US dollar. Therefore, assignees from Europe can expect indices to be lower, and those from elsewhere can generally expect indices to be a little higher with the opposite being true for British assignees abroad.

## Turkey

In the six months to September 2020 the lira performed poorly, driven down by President Erdogan's controversial decision to keep interest rates low, a drop in the country's foreign currency reserves and strained geopolitical relations with the EU. Prices in Turkey rose by over 7% in the six months to September 2020. The crash in the lira, which dropped over 17% against the US dollar between March and September 2020, has offset the rising prices, so assignees in Turkey can expect indices to be lower while those leaving the country will likely see higher indices.

## Iran

The open-market value of the rial has continued to depreciate significantly in the six months to the September survey, decreasing by 40% against the euro. The downward pressure on the rial can be mainly attributed to the country's struggle to handle the Covid-19 pandemic and the economic sanctions imposed by the United States in 2018. Inflation in Tehran has accelerated, with prices increasing by more than 18% between the March and September surveys. However, the weakness of the rial has more than offset the impact of inflation, so indices for assignees in Tehran have dropped further, reaffirming Tehran as one of the cheapest locations in the world.

## Saudi Arabia

The rate of VAT in Saudi Arabia increased from 5% to 15% in July 2020, as part of a package of austerity measures introduced in response to falling oil revenues. Inflation rose to 6% in the six months to September 2020 as many retailers did not pass on the full cost to the consumer and fuel prices dropped by 23%. With the riyal pegged to the US dollar many inbound assignees will see higher indices because of higher inflation but assignees from the Eurozone will see indices remain stable or fall slightly, as higher prices are offset by the strength of the euro.

## China

The yuan strengthened a little against the US dollar between March and September 2020 but depreciated against the euro. Inflation over the same period has remained flat or slightly negative for many Chinese cities, so changes to assignee indices will largely depend on exchange rate changes with the second location.

## Lebanon

The economic woes facing Lebanon continue to mount as it faces huge debts that have been exacerbated by the Covid-19 pandemic and the devastating explosion at Beirut's port in August. Inflation has soared to 110% in the six months to September 2020. The currency exchange options have also recently changed, with a new, "Lebanese dollar" rate of USD 1 = LBP 3900 that can be accessed at banks and is available in some shops when purchasing in US dollars. Meanwhile the official rate, that is still applicable for card transactions, remains pegged to the US dollar at USD 1 = LBP 1507.5. Indices will differ significantly depending on the exchange rate used, with those using the Lebanese dollar rate experiencing a considerable fall in indices compared to March whilst those using the official rate will see much higher indices.

## Sudan

Inflation has climbed sharply in Khartoum in recent months, hitting 77% between March and September 2020. As the Sudanese pound remains pegged to the US dollar, far above its truer value on the black market, indices for inbound assignees have increased significantly.

## Angola

With economic pressure from falling oil revenues and the pandemic, the kwanza continued to depreciate, dropping 17% against the US dollar in the six months to September 2020. Inflation has slowed but remains high, with prices in Luanda rising by 13% over the same period. Despite inflation, inbound assignees will see indices drop further as higher prices are offset by the weaker currency.

## Ethiopia

The Ethiopian birr has continued to drop in value, losing 10% against the US dollar in the six months to September 2020. The level of inflation measured across ECA's basket of goods and services over the same period was almost 5%. With currency depreciation outstripping the rate of inflation, most assignees in the country can expect to see their indices decrease.

## Zimbabwe

The depreciation of the Zimbabwe dollar accelerated dramatically in the six months to September 2020, its value dropping by 78% against the US dollar. Inflation remains very high, with prices in Harare increasing by nearly 200% over the same period. Despite high inflation, inbound assignees will see significantly lower indices, as higher prices are offset by the much weaker currency, making goods and services cheaper for foreigners.

## Seychelles

With a strong dependence on international tourism, Covid-19 has hit the economy hard. The Seychellois rupee depreciated sharply in April, and lost a quarter of its value against the US dollar between March and September. Prices have increased by 6% in the same period, but this has done little to offset the falling value of the currency so assignees in Victoria will see their indices decrease.

## Australia

The Australian dollar has done very well in the six months up to September 2020 – up 10.2% against the US dollar. As inflation in Australia continues to be low, most assignees working there will see their indices increase but they will likely decrease for many Australians abroad.

## Argentina

In the six months to September 2020 the peso performed poorly, driven down by President Macri's controversial decision to keep interest rates low, a drop in the country's foreign currency reserves and strained geopolitical relations with the EU. Prices in Argentina rose by over 7% in the six months to September 2020. The crash in the peso, which dropped over 17% against the US dollar between March and September 2020, has offset the rising prices, so assignees in Argentina can expect indices to be lower while those leaving the country will likely see higher indices.

## Surinam

The economy suffered from a severe drop in oil and gold revenues earlier this year that sparked a rapid divergence between the official exchange rate for the Surinam dollar, pegged to the US dollar, and the black-market rate. Meanwhile, inflation levels soared soon after the March survey, with prices increasing by 30% in the six months to September. Indices have therefore risen considerably for assignees in Paramaribo.

## Venezuela

Inflation in Caracas has steadied in the six months to the September 2020 survey, but remains the highest in the world with prices increasing by around 314% over the period. Although the country is seeing increasing dollarisation and many purchases can be made in US dollars rather than bolivars it is not possible for assignees to open a US dollar bank account and there are severe shortages of US dollars in the economy. The sovereign bolivar has continued to depreciate, losing around 78% of its value against the US dollar over the last six months which, despite the price rises, will lead to lower indices for assignees in the country.

## Brazil

Prices in Brazil have risen slowly, by about 2%, in the six months to September 2020. However, during this time the value of the Brazilian real has dropped substantially – down 23% against the euro and down 18% against the US dollar. Assignees working in Brazil will therefore see noticeable decreases to their indices, whereas workers from Brazil going abroad will face higher indices.