Cost of Living March 2017 survey highlights

Prices in the United Kingdom remained steady for some time after the British pound saw a large depreciation in its value following the country’s decision to leave the European Union. However, we are now seeing the effects of the weak pound, as food and fuel prices have driven inflation to its highest figures in three years during our March 2017 survey. Despite rising inflation, cities in the UK have tumbled down ECA’s global rankings of most expensive cities for expatriates, due to the relative weaknesses of the pound against most major currencies – with central London now in its lowest ever recorded position at #52 in the world, although it is still the most expensive city in the UK.

Eurozone economies have experienced a stronger start to the year than expected. Inflation has remained very low and so the change in cost of living will be down to the change in the currency, which has been mixed. While the euro has lost around 6% of its value against both the US and Australian dollar in the six months leading up to March 2017, it was steady against the British pound and gained 6% against the Japanese yen in the same period.

In the six months after our September 2016 survey, inflation in the USA showed modest increases, largely due to the rise in oil prices feeding through the economy. During this period the USD strengthened against most currencies. As a result, most assignees in the country will have seen a significant increase in their indices.

Inflation soared in Venezuela as shortages of basic goods worsened. Over the six-month period leading up to our March 2017 survey, ECA measured inflation to be around 160% during this time. However, spiralling inflation continues to heavily outweigh this. Consequently, all inbound assignees to Venezuela will see significant increases in their indices. Price rises have been fuelled by the massive depreciation in the black-market exchange rate which continued to diverge from the DICOM exchange rate by 8% against the US dollar during this time. However, the weakening of the lira has outweighed the rise in inflation, with the net result being that most inbound assignees will see a large decrease in their indices.

The Egyptian pound was floated in November last year under conditions set by the International Monetary Fund before the approval of a $2 billion loan to the Egyptian government to bolster the ailing economy. This resulted in the Egyptian pound losing around 50% of its value against the US dollar before rebounding a little in the runup to the March 2017 survey. This significantly impacted prices of goods and services. For this reason, and despite inflation averaging around 30% for indices assignees in Egypt have decreased.

In January 2017, the government of Sierra Leone devalued the leone again, after a previous devaluation in July 2016. Sierra Leone is heavily dependent on imports, which have become more expensive due to the currency devaluing causing inflation to rise considerably to around 15% between the September 2016 and March 2017 Cost of Living surveys. However, the depreciation of the leone has outweighed inflation, therefore assignees in Sierra Leone can expect their indices to decrease.

In the six months prior to the March 2017 survey, the naira, which has been artificially stepped up by the central bank, strengthened against all major currencies. Despite this, inflation is high as the black-market exchange rate remains weak pushing up import prices. Efforts have been made to narrow the gap between the black market and official exchange rates, but there is still a considerable way to go before they meet and further fluctuations are likely.

Inflation in Argentina remains high but is beginning to show signs of slowing down. Prices have risen by around 18% over the past six months compared to the 19% increase in the six months leading up to March 2017 survey. The Argentine peso remained stable against most major currencies. The combination of high inflation and a stable currency results in higher indices for most inbound assignees.

Inflation has continued to accelerate in Sudan, rising to around 8% over the six months leading up to ECA’s March 2017 survey. The Sudanese pound has weakened against most major currencies, which has dampened the effect of inflation on indices. Nevertheless, inbound assignees will see their indices increase noticeably.

Inflation has continued to rise in Mozambique, reaching around 8% during the six-month survey period; as the effects of the previous government’s economic measures continued to hold the country back and were compounded by climatic events such as drought, and more recently, the deadly storm, Dineo. This, combined with the value of the medical appreciating against all major currencies in the six-month period up to our March 2017 survey, means that 3rd party salaries in Mozambique will receive significantly higher indices.

The South African rand has appreciated against most major currencies leading up to the March 2017 survey, which has dampened the effect of inflation on indices. Assignees in South Africa can expect their indices to increase by a significant margin.

Inflation in Australia remains relatively low, driven by the strong Australian dollar, which has tracked the US dollar and has pushed up the value of inflationary indices. The Australian dollar has been trading at levels not seen for many years and this has had a significant impact on the cost of living in Australia.

Despite relatively low inflation, the strong Australian dollar, which has tracked the US dollar, has pushed up the cost of living indices for most assignees in Australia compared to September 2016.

Turkey

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