



SPECIAL FEATURE

THE UNITED KINGDOM IN COMPARISON WITH 39 COUNTRIES: HOW MUCH IS MY MONEY WORTH ABROAD?¹

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What level of prices will I encounter abroad? What influence does Brexit have? In which country can I holiday and get good value? These questions are asked by many employees. No wonder, because online trading and cheap flights create completely new possibilities. Furthermore, according to the Office for National Statistics, the prices for holiday trips have risen by more than one quarter since 2006, so that it is necessary to note prices when selecting holiday destinations. In the following text, therefore, current (October 2016) information is provided about the general costs of living and the price levels for alcoholic drinks, tobacco, as well as restaurants and hotels in 39 countries. This is illustrated through concrete pound prices and curiosities from numerous countries.

The price level of the United Kingdom in comparison

International differences in prices are significant. As Table 1 in the Appendix indicates, a massive west-east slope exists within Europe. With an index value of 147.9, Switzerland is the most expensive country. This means: Whoever shops in Switzerland must pay 47.9 percent more for comparable goods and services than in the base country United Kingdom (100.0). Also in the Nordic countries, Ireland (113.3) and Luxembourg (111.2), the costs of living are higher than in the United Kingdom.

The referendum result for Brexit has made foreign travel more expensive, because Britons must now pay more pounds for the Euro, Yen and Dollar than a few months ago. The United Kingdom is now as expensive as the USA (102.1), Belgium (101.6) or even Austria (99.0). The country with the lowest price level is Macedonia (42.3). In numerous other countries, such as Bulgaria (43.0), Albania (45.0), Serbia (45.3), Bosnia-Herzegovina (46.7), Romania (46.9) and Poland (49.1), the pound earned in the United Kingdom has more than twice the value than here at home.

As Tables 2 and 3 at the end of this publication indicate, gigantic differences exist in prices for alcoholic drinks and tobacco products. In international comparison, the United Kingdom proves to be expensive in spite of Brexit. With

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Iceland (206.7), there is after all still a country in which alcoholic drinks cost on average more than twice than in the United Kingdom. In case of tobacco (cf. Table 3), the United Kingdom takes a peak position. In Ireland (109.0) and Norway (122.1), tobacco products are even more expensive on average. In half of the countries compared, tobacco products cost only half as much or less than in the United Kingdom. In the East European countries Albania (18.8), Montenegro (19.3), Serbia (20.2) and Bosnia-Herzegovina (21.4) for instance, you pay a fifth of what you would have to part with here at home.

Finally, both tourists and travelling business people can be assured that the price level of the hotels and restaurants is closely linked to the respective costs of living in the country. As indicated in Table 4, in the most expensive countries you pay about 60 to 70 percent more than in the United Kingdom, and in the cheapest countries about 60 percent less. In the following sections, these sometimes strange differences are illustrated by Euro prices for individual countries and products.

Western Europe

With the exception of Switzerland and Luxembourg, the most expensive countries are in the north of Europe. Thus, the Scandinavian countries, together with Switzerland, Ireland and Luxembourg, form to a large extent a block which is characterised by generally high costs of living and extremely high price levels for alcoholic drinks and tobacco products. Luxembourg in this respect forms an exception since the price levels for alcohol and tobacco here are unremarkable. The basic pattern can be illustrated by means of some selected cases: In Iceland, 500 grams of beef mince costs about 5 pounds and 450 grams of Gouda approx. 3.64 pounds. While the prices per kilo for some basic foods, such as white bread and rice (each case approx. 2.60 pounds), stay within the framework, alcohol is really expensive. A half-litre of beer on the island can cost about 2 pounds and for vodka of the brand "Smirnoff" (0.7 l) you have to shell out more than 28.5 pounds. In the less geographically isolated country of Finland, the same pattern is repeated, although to a lesser degree. Half a kilo of beef mince costs about 4.43 pounds there and the high price level for alcoholic drinks is less, so that 0.7 litres of the "Korsenkova Vodka", a very popular brand in Finland, costs more than 17 pounds. Also in our neighbouring country of Ireland, vodka costs more than 16 pounds. At the same time, cigarettes are at least as expensive as in the United Kingdom.²

² Internal calculation on basis of:

<http://www.statice.is/statistics/economy/prices/retail-prices/>

http://www.stat.fi/index_en.html

<http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=CPM12&PLanguage=0>

Eastern Europe

The generally low costs of living in Eastern Europe can be observed (among other things) in Hungary where a kilo of rice is quite cheap (92 pence), Lithuania (93 pence) and Slovakia (1.23 pounds). The low prices can be observed in particular in services with high labour costs. Thus, a man's haircut costs 3.67 pounds in Poland and 5.27 pounds in Hungary. In Slovenia, the cost for such a haircut comes to 13.44 pounds, since more prosperous countries indicate a higher price level. This likewise explains why prices in Slovenia are generally a little higher. From a British viewpoint, however, cigarettes are incredibly cheaper in Eastern Europe. A carton costs on average only approx. 3.10 pounds in Hungary, 3.31 pounds in Slovakia and in Slovenia, 3.49 pounds.³

USA and Japan

The costs of living in the United States are currently virtually as high as in the United Kingdom. An exception is the cheapness of petrol in the USA in comparison with Europe. The usual lead-free petrol ("regular") costs only 48 pence per litre on average throughout the country and is therefore approximately half as expensive in the rich USA as in the comparably poor countries of Eastern Europe. Even in the expensive regions around Los Angeles (59 pence) and San Francisco (60 pence), petrol is dirt cheap from a British perspective.⁴

Goods and services for daily needs are almost 10 percent more expensive in Japan than in the United Kingdom. Outside of Tokyo, however, sushi dining is reasonably priced at about 10 pounds.⁵

Method

Data from Eurostat forms the basis for the calculation of the comparative price levels (<http://ec.europa.eu/eurostat/data/database>) relating to spending-power parities for the year 2015. This data was updated with the aid of national statistics offices from consumer price indices and, with the use of exchange rate information, finally converted by Eurostat and the German Bundesbank (2016) into comparative price levels for October 2016. The procedure corresponded in this case to the method also used by the OECD (Eurostat und OECD 2012). The absolute prices are based on specifications of national statistics offices and - insofar as necessary - internal conversion into pounds. For Austria, only provisional consumer price indices were available, the calculations are therefore based on the provisional data. All specifications refer to October 2016. Exceptions are the absolute prices for Iceland and Ireland, which refer to May and September of this year.

³ Internal calculations on the basis of <http://www.ksh.hu/?lang=en>, <https://slovak.statistics.sk/>, <http://swaid.stat.gov.pl/EN/SitePagesDBW/Ceny.aspx>, http://pxweb.stat.si/pxweb/Database/Economy/04_prices/04110_average_retail_prices/04110_average_retail_prices.asp and <http://osp.stat.gov.lt/en/home>.

⁴ Internal calculations on the basis of Crawford et al. 2016.

⁵ Internal calculations on the basis of <http://www.stat.go.jp/english/index.htm>.

Literature

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Parities: Eurostat; OECD.

Table 1: Price level of the costs of living, October 2016

United Kingdom = 100

Country	Consumption of private households
Switzerland	147.9
Iceland	138.0
Norway	132.3
Denmark	127.6
Ireland	113.3
Finland	111.7
Luxembourg	111.2
Japan	109.9
Sweden	109.9
United States of America	102.1
The Netherlands	101.9
Belgium	101.6
United Kingdom	100.0
Austria	99.0
France	98.1
Italy	93.5
Germany	93.3
Spain	84.3
Cyprus	80.3
Greece	77.5
Portugal	76.1
Malta	75.4
Slovenia	74.6
Estonia	69.9
Latvia	64.6
Slovakia	61.4
Croatia	61.2
Czech Republic	59.7
Lithuania	58.9
Turkey	55.3
Hungary	54.1
Montenegro	51.7
Poland	49.1
Romania	46.9
Bosnia and Herzegovina	46.7
Serbia	45.3
Albania	45.0
Bulgaria	43.0
Macedonia	42.3

Source: Internal calculations on the basis of Eurostat, national statistics offices (Deutsche Bundesbank 2016).

Table 2: Price level of alcoholic drinks, October 2016

United Kingdom = 100

Country	Alcoholic drinks
Iceland	206.7
Norway	198.4
Turkey	157.0
Finland	134.3
Ireland	131.6
Denmark	108.0
Sweden	107.3
United Kingdom	100.0
Greece	95.9
Switzerland	93.0
Latvia	84.5
The Netherlands	81.8
Cyprus	79.5
Belgium	78.3
Slovenia	78.2
Italy	77.0
Montenegro	75.4
Austria	74.9
Croatia	74.5
Portugal	73.5
Luxembourg	70.8
Lithuania	70.1
France	68.0
Germany	66.1
Czech Republic	64.3
Poland	64.3
Spain	64.2
Albania	63.3
Hungary	58.0
Bosnia and Herzegovina	55.7
Romania	54.9
Serbia	52.2
Bulgaria	49.9
Estonia	--
Malta	--
Slovakia	--
Macedonia	--
United States of America	--
Japan	--

Source: Internal calculations on the basis of Eurostat, national statistics offices (Deutsche Bundesbank 2016).

Table 3: Price level for tobacco, October 2016

United Kingdom = 100

Country	Tobacco
Norway	122.1
Ireland	109.0
United Kingdom	100.0
Iceland	93.8
Switzerland	72.7
France	67.1
Sweden	62.1
The Netherlands	60.1
Denmark	56.3
Germany	55.8
Finland	55.7
Belgium	54.5
Italy	49.9
Portugal	46.0
Austria	45.6
Luxembourg	45.5
Spain	44.8
Cyprus	44.4
Greece	40.5
Romania	38.0
Slovenia	36.3
Czech Republic	34.3
Hungary	34.0
Latvia	33.3
Poland	32.9
Lithuania	32.7
Croatia	30.1
Turkey	28.2
Bulgaria	27.5
Bosnia and Herzegovina	21.4
Serbia	20.2
Montenegro	19.3
Albania	18.8
Estonia	--
Malta	--
Slovakia	--
Macedonia	--
United States of America	--
Japan	--

Source: Internal calculations on the basis of Eurostat, national statistics offices (Deutsche Bundesbank 2016).

Table 4: Price level for restaurants and hotels, October 2016

United Kingdom = 100

Country	Restaurants and hotels
Iceland	171.1
Norway	160.9
Switzerland	155.6
Denmark	143.1
Sweden	131.1
Finland	124.2
Ireland	123.1
Belgium	112.4
The Netherlands	108.3
Luxembourg	105.3
Austria	105.1
Italy	103.6
France	102.9
United Kingdom	100.0
Germany	95.3
Cyprus	89.0
Spain	83.2
Slovenia	80.4
Estonia	78.0
Greece	77.6
Turkey	75.3
Latvia	74.5
Croatia	74.4
Portugal	73.4
Poland	69.6
Lithuania	64.7
Slovakia	64.6
Montenegro	57.6
Czech Republic	52.2
Bosnia and Herzegovina	52.1
Hungary	51.2
Romania	48.5
Serbia	45.9
Bulgaria	41.4
Macedonia	39.9
Albania	39.9
Malta	–
United States of America	–
Japan	–

Source: Internal calculations on the basis of Eurostat, national statistics offices (Deutsche Bundesbank 2016).



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