



منتدى الاستراتيجيات الأردني
JORDAN STRATEGY FORUM

Amman ranked the most expensive city in MEA 2015

This study is the property of the Jordan Strategy Forum (JSF). For further information please contact the research department at: info@jsf.org or by phone at 06-566-6476.



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Jordan Strategy Forum (JSF) is a non-for-profit organization, which represents a group of Jordanian private sector companies that are proactively engaged in promoting Jordan's economic growth. JSF's members are active private sector institutions, who play an integral role in public dialogue over economic and social issues. The Jordan Strategy Forum promotes a strong Jordanian Private Sector that is profitable, employs Jordanians, pays taxes, active in Corporate Social Responsibility (CSR) and supports comprehensive economic growth in Jordan.

JSF also offers a unique opportunity for its members to engage in evidence-based debate with the public sector and links them with decision-makers, in order to increase awareness, strengthen the future of the Jordanian economy, apply best practices and encourage private sector involvement in the decision-making process.

For more information about Jordan Strategy Forum, please visit our website at www.jsf.org or contact us via email at info@jsf.org.

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Amman came first amongst Middle Eastern and African countries in terms of costs of living;

A recent report by the Economic Intelligence Unit (EIU) declared the Jordanian capital as the most expensive city in terms of cost of living in the Middle East and African Region (MEA). This is whilst the cities of Nairobi, Abu Dhabi and Dubai come in 2nd, 3rd and 4th place, respectively. For 2015, Amman sits in the 48th place amongst 133 countries included in the report regarding living expenses; jumping four places from its ranking in 2014.

The Worldwide Cost of Living report is carried out by the EIU bi-annually and conducts a comparison between 400 individual prices across 160 goods/services. The items captured in the survey include “food, drink, clothing, household supplies and personal care items, home rents, transport, utility bills, private schools, domestic help and recreational cost.” The report itself serves the purpose of helping finance managers calculate the cost-of-living and develop compensation packages for expatriate workers. All prices and products are consistent between cities to ensure valid comparability.

- **Amman dropped 14 places on the Mercer’s Cost of Living Report 2014;**

Although Amman rose in its ranking on the EIU’s index, it dropped by 14 places along the Mercer’s Cost of Living Survey for 2014. Mercer (an American global [human resource](#) and [financial services consulting firm](#)) assigned the Jordanian capital the 103rd place amongst 211 cities, compared to the 89th place in 2013. Analysts explained that the decline in Amman’s ranking cannot be attributed to decreasing inflation rates, but to the rise in the cost of living in other cities captured in the survey. Nevertheless, the different methodology adopted by Mercer, puts Jordan 4th amongst Arab nations, preceded by the cities of Beirut, Dubai and Abu Dhabi, unlike what is reflected in the EIU’s report.

- **Fluctuations in the prices of oil derivatives, real estate and transport seen as major contributors to higher costs of living;**

According to a local newspaper (2015), Jordanian economists have attributed the noticeable surge in the cost of living to the consecutive increases in the price of oil derivatives, before they declined again throughout the past few months. One economist

indicated that the prices of land and real estate have witnessed a dramatic increase in light of escalating oil prices, particularly after the price of cement, which relies heavily on oil for its production, rose by 100% and was not adjusted following the decrease in energy prices. As analyzed by the UNDP (2014), poverty across the kingdom is further spiraled, as the vast majority of urban land is private with prices reaching JD 500,000+ per dunnum (1.000 m²) in some urban areas (West Amman in particular). This is currently the major inflationary factor in the housing sector.

Another economist explained that rising costs of living are ascribed to inflation in the real estate sector, transport and inapt sales tax rates on numerous goods and services. The high influx of Syrian refugees to the country particularly led to a large increase in average rent, which further augmented costs of living for Jordanians. This raises the fear that high expenses in the country will more likely drive away investors and lead to a decline in tourism. The graph below reflects the changes in inflation as measured by the consumer price index between 2005 and 2014, which reflects drastic fluctuations in inflation rates associated with the 2008 economic crisis, and relatively constant inflation thereafter.

Figure 1: Inflation rates 2005-2013

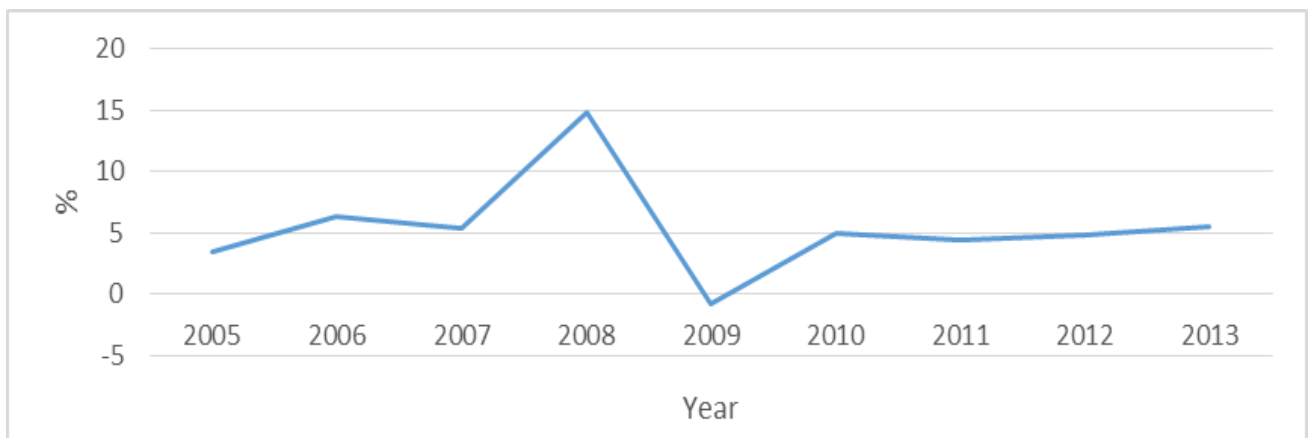


Figure 2: Changes in CPI 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
Food & Non-Alcoholic Beverages	9.5%	19.9%	1.7%	4.5%	4.4%	4.5%	4.2%	0.3%
Alcoholic Beverages & Tobacco	2.8%	7.8%	0.7%	12.1%	2.9%	1.4%	4.1%	15.0%
Clothing & Shoes	6.2%	7.5%	6.4%	1.3%	5.7%	4.2%	6.8%	9.3%
Housing	2.0%	15.0%	-3.0%	4.6%	3.9%	3.4%	2.3%	4.8%
Home Appliances	2.2%	6.5%	4.1%	2.1%	2.8%	2.9%	-4.0%	2.3%
Health	2.3%	3.5%	-2.3%	2.8%	4.1%	7.9%	10.9%	6.3%
Transport	2.8%	20.8%	-14.2%	12.3%	7.1%	9.1%	0.1%	2.1%
Telecom	-1.3%	-1.5%	-4.8%	-9.9%	-4.8%	0.0%	-0.2%	-0.1%
Culture & Recreation	-0.2%	6.1%	2.1%	0.9%	2.1%	1.7%	3.7%	2.6%
Education	1.8%	5.4%	7.1%	6.5%	4.3%	2.7%	10.3%	3.4%
Hotels & Restaurants	10.0%	12.2%	2.0%	1.3%	6.4%	7.3%	5.8%	2.1%
Other goods/services	5.2%	5.8%	2.9%	6.7%	4.7%	4.0%	0.0%	1.3%
Inflation	5.7%	11.6%	1.5%	3.6%	4.3%	4.6%	5.2%	4.3%

Reference: DOS, 2015

Recommendations

- **Ratifying a Consumer Protection Law and tighter government monitoring:**
As mentioned above, after the price of oil derivatives increased, the price of other commodities like cement rose considerably. The recent drop in oil prices, however, did not thoroughly diffuse towards the prices of other goods/services that rely on oil in their production. Ratifying a Consumer Protection Law, coupled with increased government monitoring over the pricing systems set by suppliers (through enforcing the Competition Law) would play an instrumental role in putting a limit on discrepancies of the sort and that a decrease in the price of oil (as an example) will roll-over to the remainder of the economy.
- **Restructuring sales tax and more efficient income tax collection:**
According to the Ministry of Finance, sales tax contributed to around 70% of government revenues, as opposed to 18.8% retrieved from income tax. While the government took a leap forward in raising taxes on demerit goods, particularly tobacco and alcohol, combatting tax evasion and placing effective measures on income tax collection may relieve the pressure on sales tax as a major source of government revenue



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