

Cost of living and Accommodation crisis: what does it mean for Global Mobility

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What we do



DATA

All the data you need for salary calculations, benchmarking, budgeting and planning for any location you require.



SOFTWARE

Our Assignment Management Software can be customised to run your global mobility programme exactly as you want.



CONSULTANCY

Expertise and support for all of your international assignment needs - from policy design to expatriate communications.



TRAINING

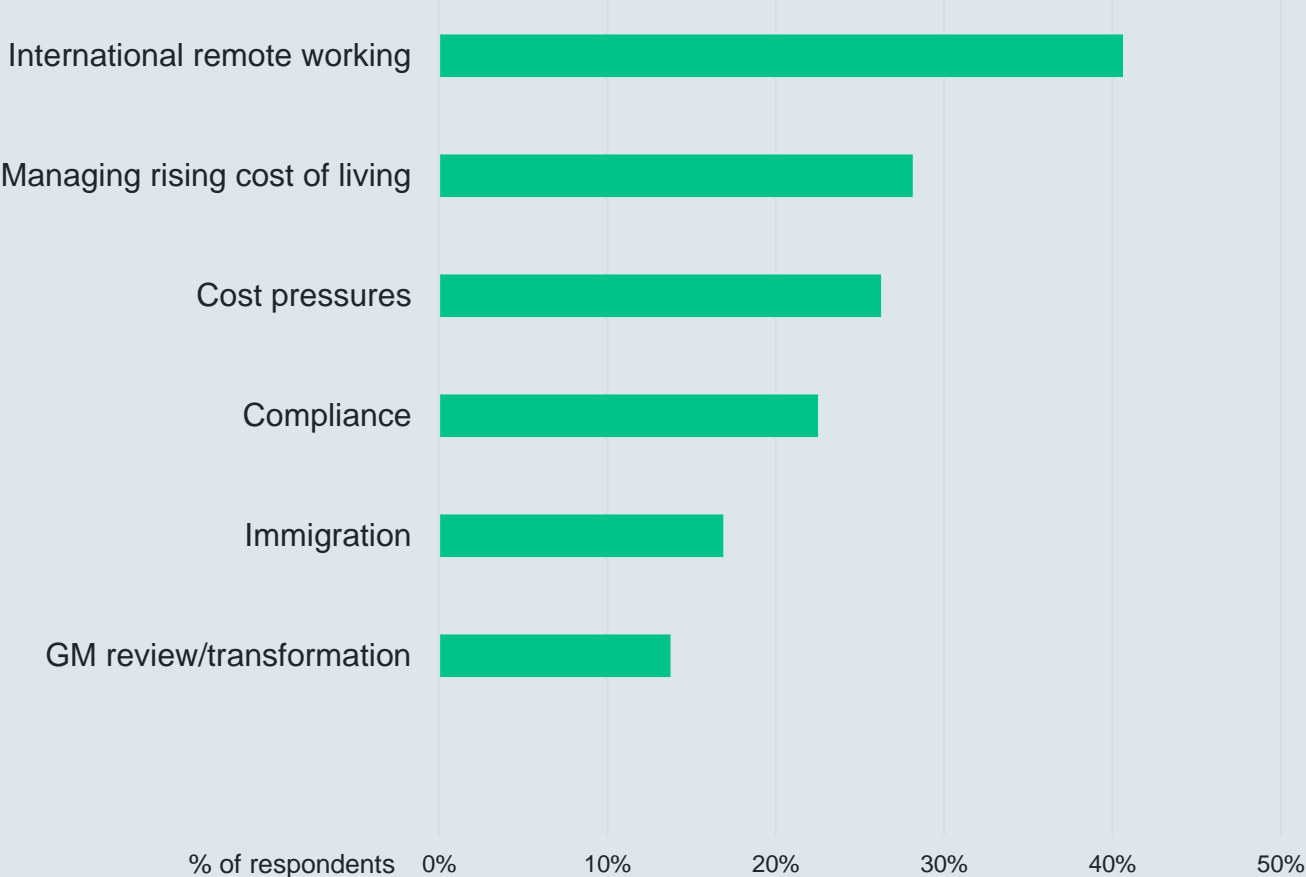
We offer online, classroom and tailored in-house training in international assignment management

Cost of Living

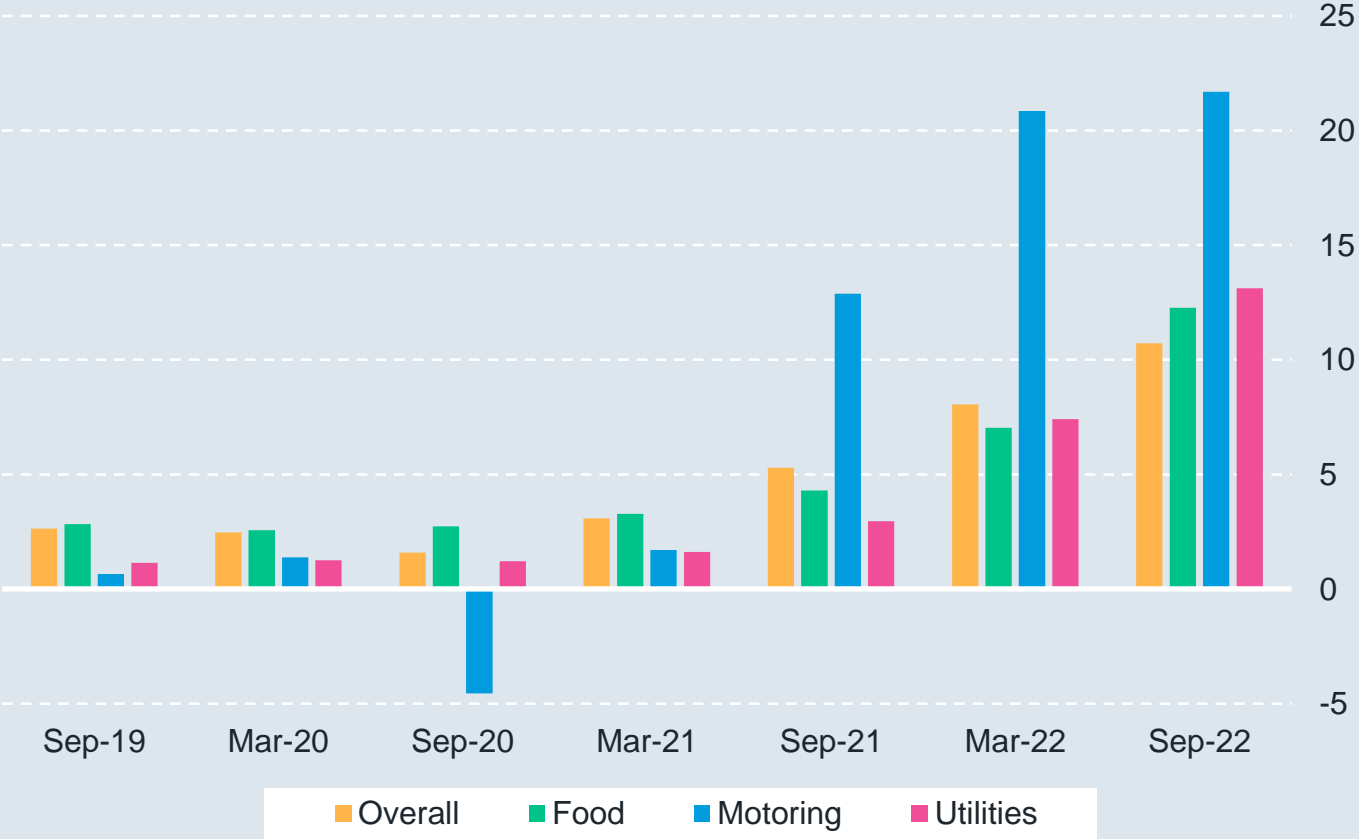
A high-angle photograph of three fishermen on a body of water. They are wearing traditional light blue shirts, orange trousers, and conical hats. One fisherman in the foreground is wearing a brown outfit and a straw hat. They are using long green poles to maneuver their wooden boats. Large, conical fishing nets are visible on the boats. The water is dark blue with several lily pads floating on the surface.

Background
How & why indices have changed
What does this mean for GM teams?

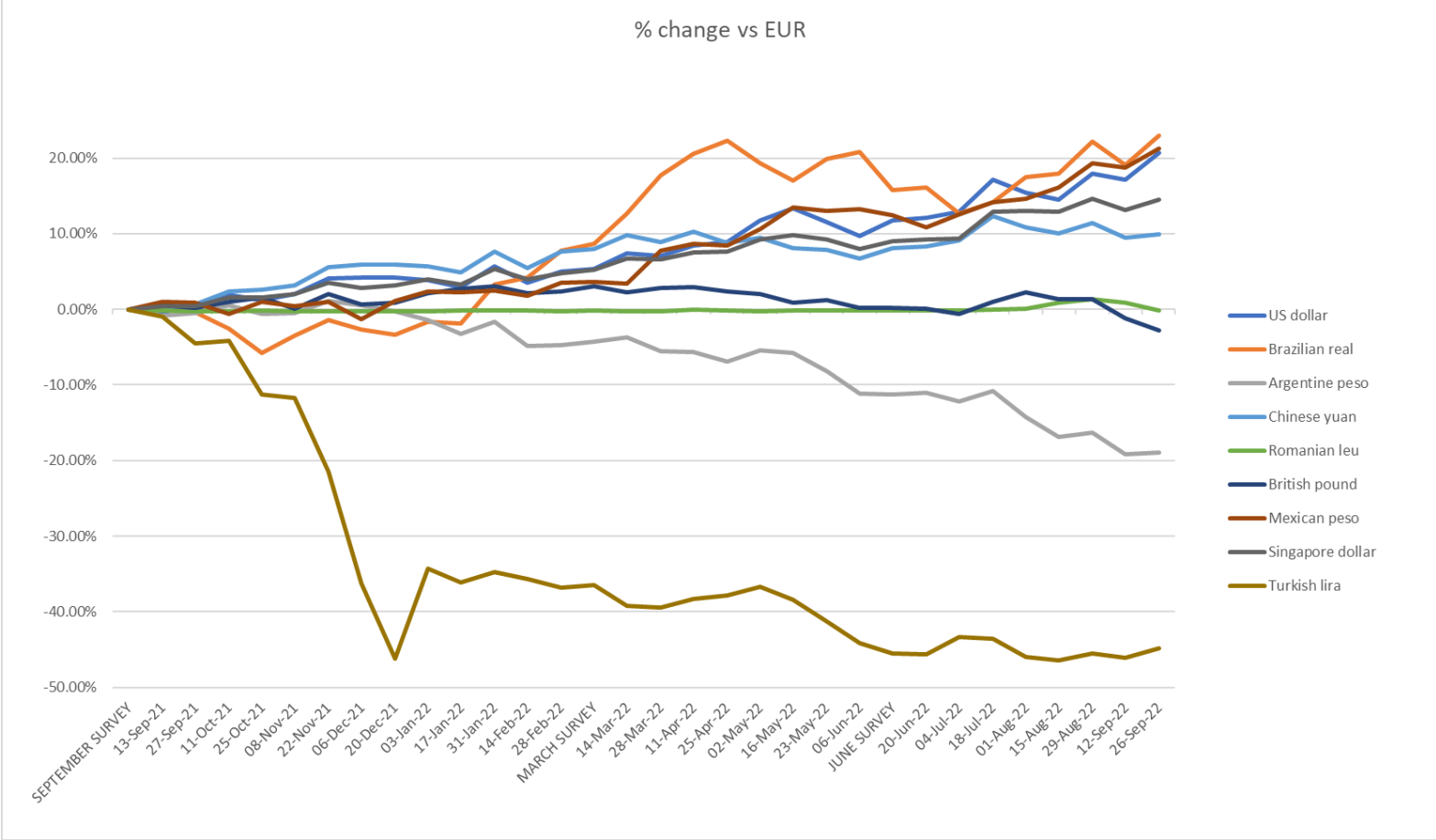
Top 6 GM-related challenges for 2023



ECA Global Average Annual Inflation

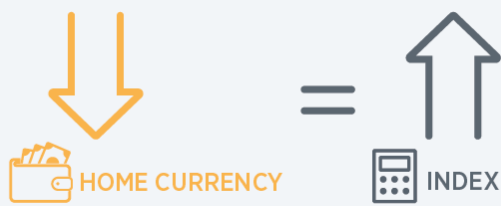


Exchange rates

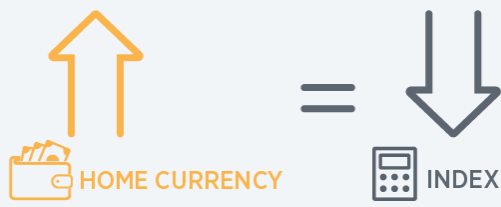


Factors affecting COL indices

Exchange rate




Home currency **weakens** so buys less host country currency
Index **increases**




Home currency **strengthens** so buys more host country currency
Index **decreases**

Relative change in home-host prices



Prices increase more in host country than in home country
Index **increases**



Prices increase more in home country than in host country
Index **decreases**

What does it mean for Global Mobility?

Questions you can expect

The news says inflation is 9% yet my COLA only reflects a change of 7%. Why?


Why hasn't my COLA gone up when prices are increasing?

'XYZ' is more expensive here, so why is COLA negative?



Case study

Relative inflation & depreciating host currency

Chicago to Outer London 	Index	FX rate
March 2022	100.9	USD 1 = GBP 0.7446
September 2022	87.5	USD 1 = GBP 0.8523

Index Movement	Exchange rates	Home prices	Host prices
-13.3% ↓	-12.6% ↓	4.2%	3.4%



Exchange rate

USD appreciated against the weakening pound Sterling




Inflation

Higher in home (Chicago) than in host (Outer London) over past 6 months, so relative inflation impact will also be negative

Case study

Relative inflation & depreciating host currency

Chicago to Outer London 		March 2022, 100.9 USD 1 = GBP 0.7446		September 2022, 87.5 USD 1 = GBP 0.8523	
		USD	GBP	USD	GBP
	<i>Married + 1</i>				
1	Home Gross income	150,000		150,000	
2	Hypotax & SS	- 34,897		- 34,897	
3	Home Net Income	115,103		115,103	
	<i>Split into</i>				
4	Housing / Savings	53,966		52,203	
5	Home Spendable	61,137		62,900	
6	COLA	+ 550		- 7,862	
7	Host Spendable (5+6)	61,687	45,932	↓ 55,038	↑ 46,908

Looking ahead

COLA reviews

COLA reviews

COLA should be reviewed regularly – needed to protect purchasing power, it is not an incentive payment

COLA review market practice

- **83%** of companies review once per year
- **9%** of companies review twice per year
- **4%** of companies review more than twice per year

Unscheduled reviews

40% used COL index movement as trigger point (10% on average)

Don't forget delivery of pay

Are you protecting pay from exchange rate volatility?

Accommodation

Background

Key developments

What does this mean for GM teams?

Pandemic to endemic - rebound in rental prices

Rental prices have staged a reversal since mid-2021

The balance of demand and supply has gone full circle as international travel has returned.

 Demand	 Supply
Pandemic restrictions rolled back	Tourism recovers - many properties moved onto short-term rental market
International relocations resume	Slowdown in property construction during the pandemic
Offices reopened	High inflation impeding delivery of new properties
Appeal of city-living returns	Many landlords sold their properties during the pandemic

Examples of some locations of concern

Istanbul and other cities in Turkey

Inflation & depreciation of TRY mean cost of property construction has spiralled. Significant upturn in demand

London (+12%)

High competition due to return of office working and a lack of stock (more sales bc of removal of stamp duty during Covid)

Poland and Eastern Europe

Demand spike due to large numbers of refugees fleeing Ukraine plus post-pandemic rebound. Record 29% rise in Krakow

Singapore (+12%)

Demand bolstered by relocations; slow construction

New York NY (+13%)

Fierce competition for properties in prime districts

Limited inventory due to pandemic slowdown in construction

Austin TX (+14%)

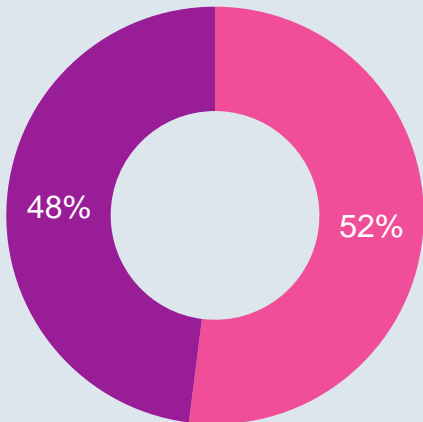
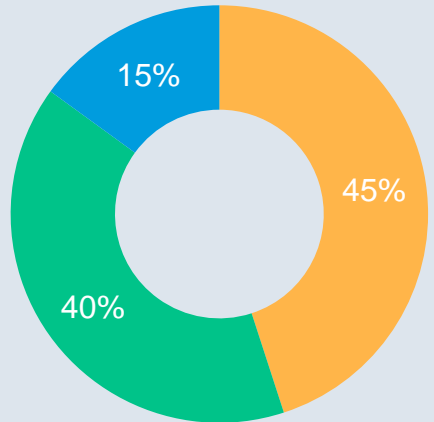
Many tech companies relocating HQ to Austin

Popular districts significantly undersupplied

Housing budget reviews – market practice

Frequency of housing provision review

< Annual Annual > Annual



Apply reviewed budgets to ongoing assignments

Yes No

Source: ECA's Benefits for International Assignments Survey 2021

Looking ahead

Policy and proactive measures

New assignments



Review budgets regularly



Increased assignment costs – cost estimate calculations even more important, communicate to business leaders



Consider additional support: pre-assignment visits, home search, temporary housing provision

Ongoing assignments



Higher rents likely applied by landlords at lease renewal



Be pro-active and prepare for requests for allowance increases



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