

KL now pricier than San Francisco for expatriates

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Key players of Malaysia's intention to reinvigorate its new economic ideas and thinking into practice from left to right, International Trade and Industry Minister Datuk Seri Mustapa Mohamed, Prime Minister Datuk Seri Najib Razak and Pemandu CEO cum Minister Datuk Seri Idris Jala, during their Economic Transformation Programme Update January 11 2011. — Picture by Choo Choy May

KUALA LUMPUR, July 13 — Malaysia's capital city is now more expensive than several top US cities for expatriates, thanks to a combination of price increases and the ringgit's appreciation against the US dollar, according to Mercer consultancy.

Kuala Lumpur jumped to 104 on this year's Mercer annual cost of living ranking list from its 138 last year, overtaking San Francisco (106), Chicago (108), Washington DC (108) and Boston (109).

The city however, is still cheaper than many other Asian capitals which dominated the top 10 most expensive cities for expatriates.

The most expensive Asian city was Tokyo, which was ranked 2nd overall, followed by Osaka (6), Singapore (8) and Hong Kong (9).

But while KL may still be relatively cheap for expatriates it is cold comfort for locals who have to struggle with poor purchasing power compared with their global counterparts.

The 2010 Prices and Wages report by Swiss bank UBS AG show that residents in KL are ranked a lowly 47th in the world for domestic purchasing power, which measures the strength of their spending power, far behind Zurich (1), Sydney (2), Los Angeles (4) and Tokyo (22).

The report also showed that a person living and working in Kuala Lumpur has only 33.8 per cent the purchasing power of their peers in New York, 42 per cent that of London,

33.7 per cent that of Sydney, 32.6 per cent that of Los Angeles and 31.6 per cent that of Zurich.

Economists attribute KL's poor purchasing power to a combination of a relatively weak ringgit, a lack of competition and distortions and inefficiencies in the market, where many industries are allowed to operate as monopolies or oligopolies.

There has also been a distinct lack of consumer protection on the level seen in Western countries which also contributes to the lack of competitive pricing.

The government's heavy involvement in business through GLCs, or government linked companies, could also be seen as one of the factors curbing market efficiency and innovation although the Najib administration has pledged to reduce its role in business outside sectors that have strategic and pioneer status.

Things could change however when the Malaysia's Competition Law comes into effect on January 1st next year.

The most expensive city in the world for expatriates in Mercer's 2011 ranking is Luanda, Angola while the cheapest is Karachi, Pakistan at 214.

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