

Media Release

"Prices and Earnings", a UBS report

A comparison of purchasing power around the globe / 2003 edition

Purchasing power highest in Zurich – Oslo most expensive

The European cities of Oslo, Zurich, Copenhagen and London, together with Hong Kong and Tokyo, are among the costliest in the world. Purchasing power is highest in Switzerland (Zurich, Geneva and Basel), Los Angeles and Luxembourg. The latest edition of UBS's "Prices and Earnings" analysis compares purchasing power in 70 cities around the world with the aid of detailed surveys on living costs and incomes.

Even after the introduction of the euro, the cost of living is not the same in all EU countries. Differences in wages and salaries mean that the purchasing power of net incomes differs by a full 60% between the EU's lowest (Lisbon) and highest-ranked (Luxembourg) cities. After paying for a basic basket of goods and services, people among EU cities have the most money left over for leisure, holidays and savings in Luxembourg and Dublin. Frankfurt and Copenhagen do very well in the gross purchasing power comparison, but fall behind on a net basis due to their high taxes and social security costs. The enlargement of the EU to include a host of Eastern European nations will push the bottom end of the purchasing power spectrum down considerably. Sofia and Bucharest, for example, are 30-40% below the current EU low. Ljubljana, on the other hand, is hot on the heels of Lisbon, Rome and Athens as far as the purchasing power of incomes is concerned.

The most expensive city: Oslo

Since UBS last carried out this survey in 2000, Oslo has replaced Tokyo as the world's most expensive city. This can be attributed to the depreciation of the yen and the appreciation of the Norwegian krone, with the deflationary trend in Japan also playing a part. The costliest EU cities include Paris (13), Helsinki (14), Vienna (16) and Dublin (17). Bringing up the rear in the prices table are Mumbai (70), Buenos Aires (69), Kiev (68) and Karachi (67). It is particularly interesting that Buenos Aires now ranks so far down the league table, since the Argentinean capital was the most expensive city in South America three years ago – i.e. before the economic crisis and the decoupling of the peso from the US dollar.

Earning your keep – incomes and working hours

Workers in Western Europe and North America earn about EUR 15-16 per hour before tax and social security deductions, whereas those in the African and Asian cities surveyed earn just EUR 2. Asia has the longest working hours, with 2,194 a year. Based on a 42-hour week, this equates to almost 52 more working days

than in Europe. The most hours of all are worked in Hong Kong, Karachi and Mumbai, the least in Paris and Copenhagen.

37 minutes' work for a Big Mac

Differences in purchasing power are best looked at using real-world examples. The average worker in Nairobi must work more than three hours to pay for a Big Mac, but those in the US cities of Los Angeles, Chicago and Miami barely have to work ten minutes. Asians and Africans work much longer for a kilogramme of rice or bread than Western Europeans and North Americans.

"Prices and Earnings" through the years

"Prices and Earnings" has been around for quite a few years now, and this allows to make some interesting comparisons over time. For example, working hours in Chicago, Tokyo and Hong Kong increased between 1982 and 2003, whereas workers in Paris and Copenhagen have seen their working year shrink by 6 hours on average over the same period.

The introduction of the euro in the EMU zone has caused prices for certain tradable goods, as well as restaurant prices, to converge to some extent, but there is still a long way to go before prices are harmonized throughout the zone.

According to UBS's analysis, the enlargement of the EU to the East will bring even greater variance in prices, but also considerable potential for convergence. Prices in the capital cities of the prospective member states are currently about 40-60% lower than in the EU 15.

Background

"Prices and Earnings" is a global overview of prices for goods and services, wages, wage deductions and working hours on all 5 continents analyzed by UBS's economists. Since prices on their own say little about what people in a particular city can actually afford, purchasing power is also compared in order to assess the relationship between prices and earnings in each city. A total of 35,000 individual data items were collected and evaluated in 70 cities around the world. Wherever possible, the survey focused on local products and wages for local workers.

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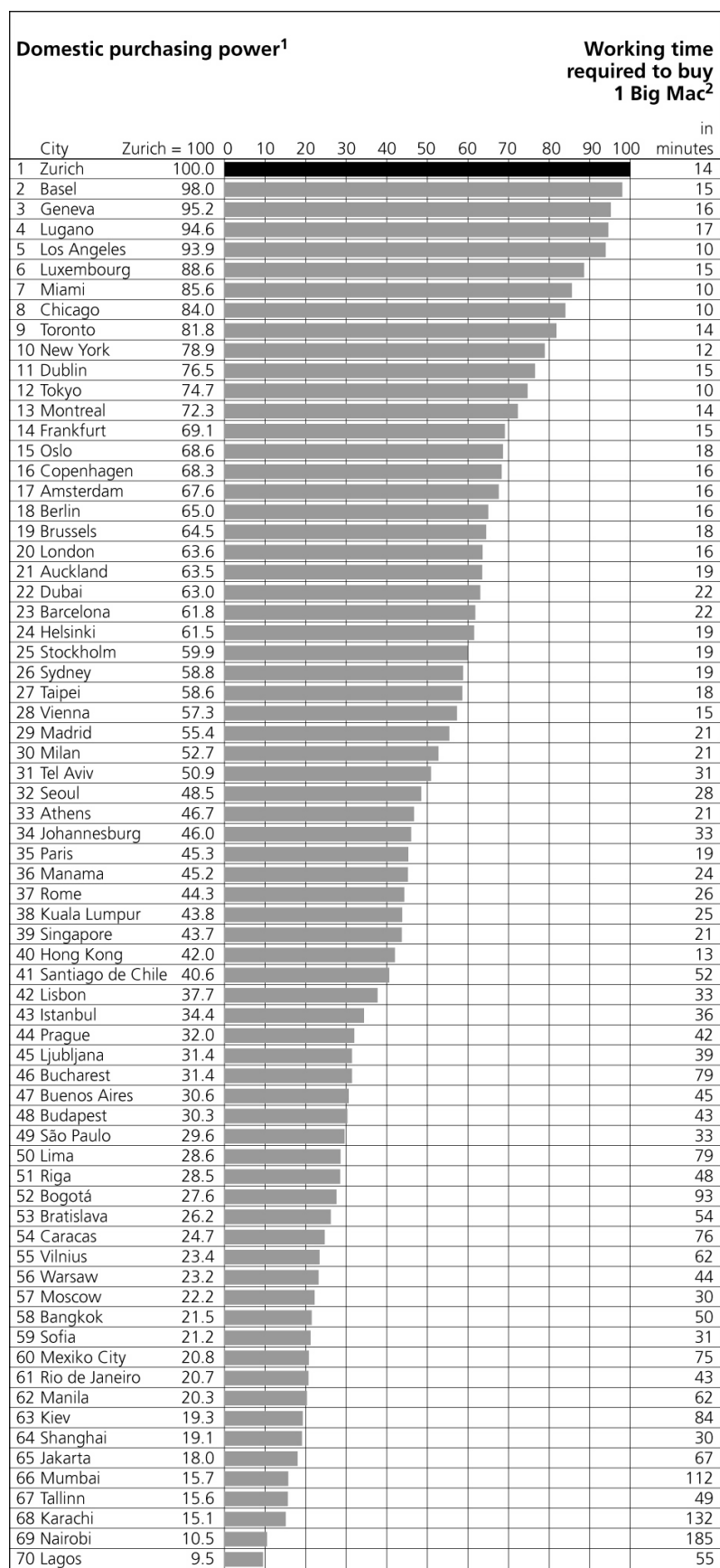
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Enclosures:

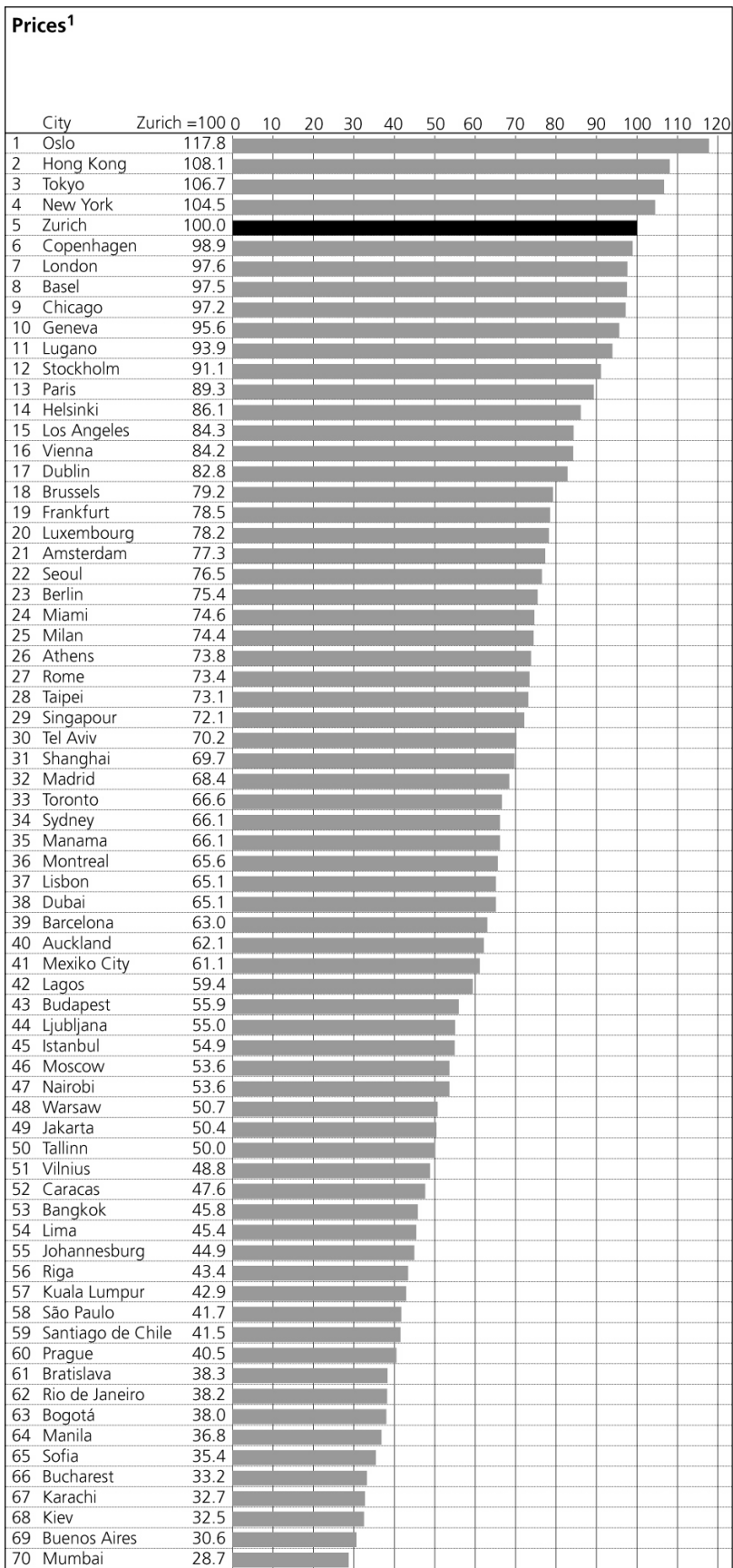
- Charts and tables "Domestic purchasing power", "Working times required to buy a Big Mac"
- Chart and table "Prices"
- Chart and table "Earnings"



¹Net annual income divided by the costs of the total basket, excluding rent.

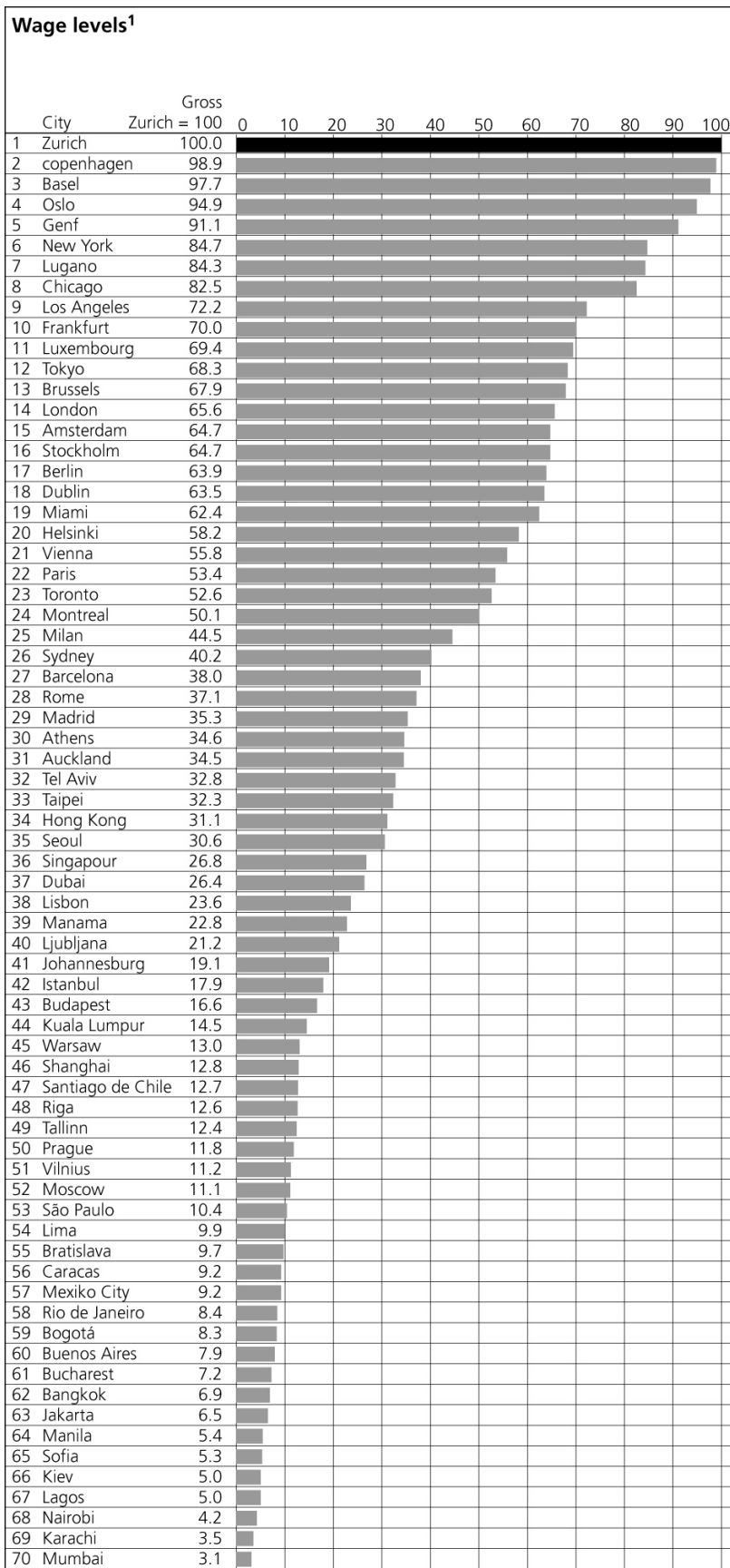
²Price of 1 Big Mac divided by the weighted average net hourly pay across 13 occupations.

Source: UBS, Prices and Earnings 2003



¹Cost of a basket of 111 goods and services (excluding rents), weighted in favor of Western European consumer habits.

Source: UBS, Prices and earnings 2003



¹The calculations are based on wage figures and working hours for 13 occupations.

Source: UBS, Prices and Earnings 2003

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